MANUFACTURING — BEVERAGES

1982

JAN. — DEC.

Seven charged after strike at PE plant

E Post (1/1/82) (182)

Court Reporter

SEVEN men who allegedly threatened fellow workers last year at the strike-ridden South African Bottling plant, appeared in court today charged with contravening the Riotous Assemblies Act

Mr Albert Sonwabo Mkayo, 37, Johnson Road, Soweto, Mr Richard Sokutu Ranfane, 35, Soweto, Mr Major Douglas Pikolo, 30, Site and Service, Mr Ellias Mvuleni Gxagxe, 24, Single Men's Hostel, Kwazakele, Mr Johnny Mdodana, 37, Site and Service, Mr Bryne Singaphi, 29, Ngwekazi Street, Zwide, and Mr Wilson Kana, 41, Site and Service, appeared before a regional magistrate, Mr A W Meiring

All pleaded not guilty.

The State alleges they hindered certain people from performing their duties at the Harrower Road plant by using or threatening violence The incidents are said to have occurred between October 6 and 9

They are also alleged to have told employees at the factory their homes would be burnt down if they reported for duty

According to an annexure to the charge sheet, Mr Mkayo, Mr Rafane, Mr Pikolo, Mr Singaphi and Mr Kana, as members of a committee chosen by the employees, addressed a meeting at the Holy Spirit Hall, New Brighton, on October 8 and instructed the workers not to return to work

They allegedly told the meeting violence would be used if they did not heed the instruction

Mr M C Swart, store manager at the factory, told the court he was on duty at 7 15am on October 6 when workers in the production department walked out

According to him, a man called "Faanwill" played the leading role in the walkout He said Mr Gxagxe was in front of the group

It appeared to Mr Swart the workers had been instructed to stop work

Company officials tried to negotiate with them to find out what their grievances were The workers later dispersed

Under cross-examination by Mr P N Langa (for the defence), he said the trouble originated in the production department where a coloured person was employed and blacks had been fired

He said he was aware of certain grievances which the workers had put to management on September 28

(Proceeding)

Mr J Nel appeared for the State Mr Langa was instructed by T Majodina and Co

Witness says he joined a PE strike because he was afraid

Sizo 2 Post 7/1/82 (860) Mzo

BY RAYMOND HILL

A STATE witness said in the Port Elizabeth Regional Court today that he joined the strike at the South African Bottling Plant last year because he was afraid of being assaulted

Mr Leonard Mapuma, a labourer at the company's Harrower Road plant in Port Elizabeth, was testifying at the trial of seven men charged with contravening the Riotous Assemblies Act

They are Mr Albert Sonwabo Makayo, 37, of Johnson Road, Soweto, Mr Richard Sokutu Rafane, 35, of Soweto, Mr Major Douglas Pikolo, 30, of Site and Service, Kwazakele, Mr Elias Mvuleni Gxagxe, 24, of Single Mens' Hostel, Kwazakele, Mr Johnny Mdodana, 31, of Site and Service, Kwazakele, Mr Bryne Singaphi, 29, of Ngwekazi Street, Zwide, and Mr Wilson Kana, 41, of Site and Service, Soweto

The State alleged that the men, former employees of South African Bottling (Pty) Ltd, stopped some people from working by threatening them or using violence The incidents are alleged to have taken place between October 6 and October 9 last year.

The men are also alleged to have told employees at the plant that their homes would be burnt down if they reported for duty

According to an annexure to the charge sheet, Mr Mkayo, Mr Rafane, Mr Pikolo, Mr Singaphi, and Mr Kana, as members of the committee chosen by the employees, addressed a meeting at the Holy Spirit Hall in New Brighton on October 8, and instructed the workers not to return to work

They allegedly told workers at the meeting that violence would be used against them if they did not heed the instructions

All pleaded not guilty before Mr A W Meiring

Mr Mapuma said under cross-examination by Mr P N Langa (for the defence) that he joined the strike on the third day because it was said that those who did not take part would be assaulted

He did not know then what caused the strike He was sweeping the floor in the maintenance production department at the time and joined the strike because he was afraid of being assaulted

Mr Mapuma explained that he and the others had gone to the Holy Spirit Hall to attend a meeting addressed by a certain Mr Duze He was nominated to serve on a special workers' committee but declined because of his church activities

He was later asked by a certain Mr De Wet at the plant to make a statement, explaining why he went to the Holy Spirit Hall He was scared of being arrested and thought he would be dismissed from his job "for nothing".

He later made a statement to the police

(Proceeding)

Mr J Nel appeared for the State Mr Langa was instructed by T Majodina and Co

Police said the coffee

SALISBURY — The South African Government has

HOUSEHOLDS BY NUMBER OF TRANSFER INCOMES, OTHER INCOMES, WHETHER LOCAL OR MIGRANT WORKERS AND SEX OF HOUSEHOLD H

MALE HEADED HOUSEHOLDS

(ROWS NUMBER OF!TRANSFER INCOMES, COLUMNS WHETHER OR NOT OTHER INCOME)

	NO EARNERS		LOCAL EARNERS ONLY		MIGRANT WORKERS ONLY		LOCALS AND MIGRANTS
	YES	NO	YES	NO	YES	NO	YES
0	1	1	2	1	10	25	5
1	0	0	0	0	2	3	1
2	1	0	0	0	1	0	1
3	0	0	0	0	0	0	0
4	0	0	0	0	0	0	0

FEMALE HEADED HOUSEHOLDS

(ROWS NUMBER OF TRANSFER INCOMES, COLUMNS WHETHER OR NOT OTHER INCOME)

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WINE (182) FM 15/1/82

Record price hike looms

Merchants are bracing themselves for an 18% increase in the price of wine — one of the biggest in the country's history This is likely to push up prices of all other locally-produced liquor except beer

The brandy price will certainly rise because it is made from wine spirit, and prices of the so-called white spirits, made from cane, tend to keep in line with brandy

True to form, KWV is expected to announce the proposed increase at a time of surplus The national wine glut is at a near-record level

Some of the increase will probably go to financing the disposal of the large stocks of unsaleable low-quality wine which is a particular headache for KWV

The irony, however, is that the higher price will encourage the production of even more downmarket wine

For the new price to become official, it must first be published and government must go through the motions of hearing objections before ratification

But, as a KWV spokesman says, government has never in the past turned down the KWV's recommendations

Several merchants who bottle and distribute wine, are reported to be stalling on accepting large wine and spirit orders from retailers This suggests they are holding back sales until the price goes up

Wine merchants will meet as soon as KWV's prices have announced to agree on their own pricing policy

Their increases should be greater than KWV's, especially in the higher price categories which are in short supply — some say by as much as 30% They will probably use the opportunity to cover not only the basic increase but also their additional operating costs

The new prices could strike a blow at the modest sales growth wine has enjoyed after a slump lasting several years And a prominent liquor retailer says it should provide even further impetus to burgeoning beer sales

Another advantage for beer its prices have risen only modestly over the last two years, and further increases in the next few months are unlikely

"If KWV wants to improve volume sales and profits, it should market its product better and not just raise prices," says the *FM*'s retailer informant "It should do away with the fancy mystique it has built around wine and sell it on taste and colour"

A KWV spokesman replies "If he thinks we should not raise prices why does he not buy a wine farm and sell at the present levels?"

The new prices could boost the sales of good wines from farmers' co-ops at the expense of the better-known good brands marketed by the wine merchants

Because they are relatively unknown, they tend to sell for less than the market leaders of similar vintage, origin and cultivar

LIQUOR REPORT (182)

The report of the Competition Board into restrictive practices in the liquor industry, which the liquor trade hopes will break the alleged monopoly in the beer, wine and spirit industries, will be tabled during the coming parliamentary session FM 22/1/82

	Port	UK
Metropolitan	90	120
Cloth	100	100
	12/10	9/10
	16/12	10/9

BEER (182)

Hitting the bottle

FM 29/1/82

Beer drinkers, just recovering from the massive excise increase levied on their favourite drink in August 1981, may find that the 1982 Budget holds another nasty surprise Informed trade sources believe further taxes will be added to the beer drinker's burden, and the motive behind them may well have little to do with revenue to the fiscus

Beer is effectively the most heavily taxed alcoholic beverage, on a calculation of excise per litre of absolute alcohol

There has never been any doubt that the beer excise has always had strong protectionist overtones In the days of competition between SAB and ICB, the State managed to levy a higher excise on SAB based on the size of its brewing capacity And now that the wine farmers are complaining that the brewery is stealing their business, wine excises have dropped while beer consumers pay an even heavier load

Protectionist controls

With the excise increase of August 1981, it seemed clear that the beer market was susceptible to protectionist controls Excise removals for beer for June 1981 were 34,6% up on the corresponding period in 1980 July 1981 showed a 27,8% increase on 1980 Following the excise increase, however, September 1981 was only 0,8% higher than September 1980, despite the moving monthly average of 26,9%, while October 1981 only hinted at market recovery with a 3,6% growth

Spokesmen for SAB are obviously reticent about possible excise increases Ken Williams, chief executive of the beverage division, observes that on account of the very narrow margins within which the breweries must operate, accurate forward planning is vital to the success of their operation

"Abnormal, excessive or unpredictable excise increases not only affect immediate sales — they can severely tax the cash flow projections of what is essentially a capital intensive operation"

It seems that if Senator Horwood does hike the excise, he will be acting only at the expense of the consumer and not even in the interests of the wine producer

As things stand, SA beer is highly taxed by world standards Even in a country as dependent on its wine sales as France, the beer excise is lower than in SA

To some extent the success of beer in SA has been due to superbly managed cost control at the breweries, while the inefficiently run wine industry demanded increased minimum prices and a levy to protect itself from its own over-production

From 1964 to 1979 the good wine price outstripped the food price index In the same period, the food price index galloped ahead of the beer price by more than 50%, despite continuous and punitive increases in the beer excise If Senator Horwood does hit beer again, he'll only have himself to blame if the country is weaned off the bottle

BERTRAMS (182)

Poor vintage

PM 29/1/82

Activities. *Wine producer with a vineyard in the Der on Valley W & A Gilbey (Pty) owns 54,8% of the equity and the ultimate UK holding company is Grand Metropolitan*

Chairman. *J J Fouché, managing director H A Schickerling*

Capital structure *2,7m ordinaries of 10c, 100 000 5,5% cum prefs of R2 Market capitalisation R1,1m*

Financial *Year to September 30 1981 Borrowings net short-term, R466 000 Debt equity ratio 1 604% Current ratio 4,2 Net cash flow R148 000*

Share market *Price 40c (1981-82 high 70c, low, 33c, trading volume last quarter, 49 000 shares)*

The switch to lifo accounting methods, necessary to minimise tax payments and maximise cash flow, has had its inevitable effect on reported profit Though operating income rose by 19 2% to R131 200 (R110 100), after a R324 800 lifo stock adjustment an operating loss of R193 600 was recorded Clearly, the past year was not particularly easy and margins apparently narrowed further as turnover rose by 47,6% while gross profit before the lifo adjustment was only 14% higher

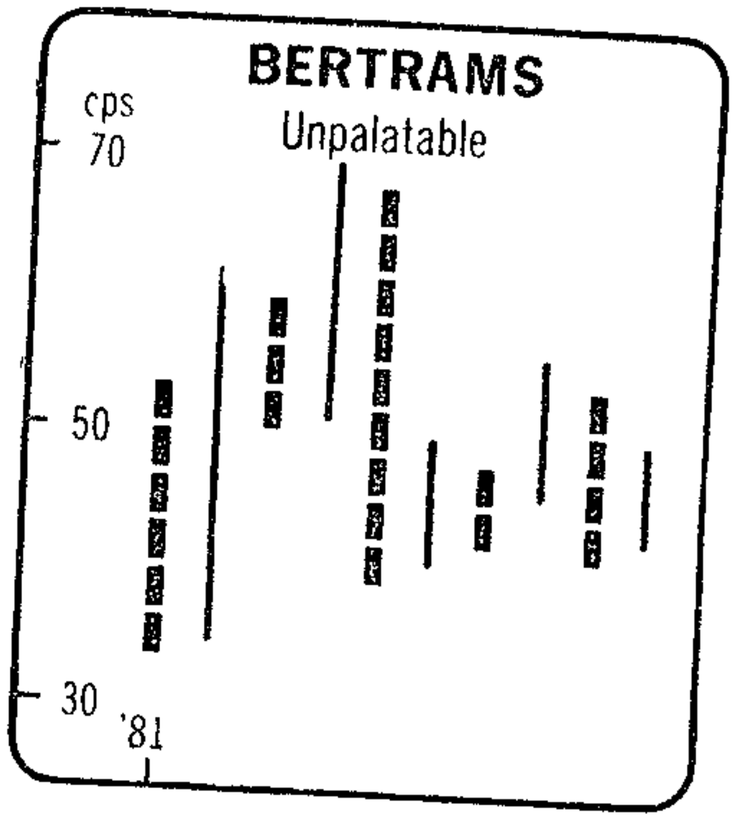
	'78	'79	'80	'81†
Return on cap (%)	15 4	7 3	8 7	
Turnover (Index)*	153	201	244	360
Pre-tax profit (loss) (R 000)	152	92	110	(193)
Earnings (c)	5 3	3 1	3 5	(7 7)
Dividends (c)	–	–	–	
Net asset value (c)	–	3 4	6 9	

* 1977=100 † Lifo accounting introduced

There was a significant improvement in winery throughput because of sound growth in demand for the 5l bag-in-the-box range of Valley wines However, the higher priced wines, which were affected by a poorer grape crop, faced continuing stiff competition Market share was improved but at the cost of substantially higher advertising and promotional expenditure

This year, chairman Jacobus Fouché fears that wine sales will level off and that beer sales could again rise at the expense of wine To overcome this advertising expenditure will again be increased, which could be a major restraint on any profit improvement

The share has precious little investment merit, unless holders feel some sort of pride in being linked to a company which produces one of SA's best cabernet sauvignon wines But for investors who are more interested in the more mundane matters of dividends and earnings the share can hardly be recommended



As Fouché tells shareholders, prospects in 1982, as in the past, will be affected by the amount of wine Bertrams is called upon to blend and bottle for fellow subsidiary Gilbeys Distillers & Vintners Bertrams management is in no position to influence that and presumably, volumes will be determined largely to provide parent W & A Gilbey with an optimum return

This year there will be no dividend, nor is a return to positive earnings a share likely And there is little point in counting on any substantial improvement in 1983 either If the share has any merit as a recovery situation it is only for investors with a great deal of patience

LIQUOR:

S. Times 31/1/82

182

Hold your breath for the Competition Board on the 'monopolies' minefield!

AS D-Day draws near for the completion of the current investigation by the Competition Board into the liquor industry, it is becoming regrettably clear that, in terms of its application, there is widespread heat and confusion about how to interpret the massive restructuring of the industry in November 1979.

By ANNAMARIE MOLTENO

The momentous decision of the Cabinet to sanction the new structure, piloted by Senbank's Dr Fred du Plessis, came after a climax of intensely competitive marketing strategies and price-cutting tactics, particularly in the beer industry and among liquor retail outlets

Lack of earnings growth in the wine industry was another contributory factor and remains a problem with political and socio-economic overtones

The stabilisation of the cut-throat retail price wars of the Seventies, as well as the recent economic prosperity, has affected the 1981 results positively

	Betrams	Picardi Hotels	S A Breweries	Southern Sun	Uniwyn	Cape Wine
Current Ratio	4,2 1	0 51 1	1,47 1	0,71 1	0,88 1	2,04 1
Liquid Ratio	0,1 1	0 14 1	0,76 1	0,67 1	0,28 1	0,74 1
Fixed Assets Turnover (Sales ÷ net fixed assets)	N A	N A	3,1	0,79	N A	N A
Inventory Turnover (Sales ÷ average inventory)	N A	N A	8 3	82,3	N A	N A
Debt Net Worth (Total liabilities Total shareholders interest)	16,0 1	1 96 1	1,04 1	0,89 1	2,91 1	1,07 1
Interest bearing debt to Ordinary shareholders interest	N A	1,07 1	0,81 1	0,59 1	2,13 1	0,30 1
Net Profit Margin (net profit after tax as a % of turnover)	N A	N A	5,1	20,7	N A	N A
Return on Total Assets (net profit before tax & interest as % of total assets)	10,3%(a)	15,4	16,2	19,7	10,7	22,3
Return of Ordinary Shareholders' Interest (after tax)	N A	23,6	23,7	24,6	14,7	23,9
Earnings - cents per share	1,95(b)	28,33	54,3	43,5	33,8	22,6 (c)
Cash Flow - cents per share (Ordinary Shareholders' earnings after tax + depreciation + deferred tax)	2,97(b)	36,2	76,1	54,8	48,8	34,9 (c)
Net new investment in Fixed Assets as a % of Total Assets	NIL	20,9	6,5	11,3	12,1	2,4
Dividend - cents per share	NIL	14,0	27,0	30,0	9,0	11,3 (c)
Payout ratio (past year) as % of earnings	NIL	50	50	69	27	50
Payout ratio (past year) as % of cash flow	NIL	39	36	55	18	32

(c) Adjusted to a 12 month period
(a) NIL if LIFO stock valuation used (b) Using FIFO stock valuation - 7,68 cps less with LIFO valuation

Although it is perhaps unfair to compare these figures because of the different year ends, the basic structures of these companies reflected by the ratios are unlikely to be fundamentally influenced

A marked slowdown is expected in 1982, owing to the change in the economic scene There is, however, a wide range of opinion among liquor producers as to the severity of this decline

In 1980 the consumption of wine rose for the first time since 1973, in contrast to a 14% drop in sales volume over the preceding seven years And 1981 has seen a further upswing in the volume of wine sold

The details of the restructuring originally appeared in the Cape Wine prospectus A total of 14-million no-par-value shares at 115 cents was issued in Cape Wine, described as an investment holding company managed by Rembrandt

The share capital, 33,75% of which was held each by KWV, SAB and Rembrandt, has been reduced to 30% each by the issue

SWT was renamed and designated as the holding company for the new group, which is in turn held by Rembrandt-KWV Investments

DIVIDEND INDEX

	1976	1977	1978	1979	1980	1981	Annual rate of growth compounded
Bertrams	-	-	-	-	-	-	-
Picardi Hotels	100	108	108	115	138	215	16,5%
S A Breweries	100	100	116	126	174	284	23,2%
Southern Sun	100	105	123	184	289	526	39,4%
Uniwyn	100	100	154	169	215	271	22,6%
Cape Wine	N A	N A	N.A	N A	100	21[illegible]	N.A.

TURNOVER INDEX

Bertrams	100	137	211	276	334	492	37,5%
Picardi Hotels	100	117	120	130	144	258	20,9%
S A Breweries	100	119	128	122	158	213	16,3%
Southern Sun	100	108	122	221	316	508	38,4%
Uniwyn	100	116	117	115	134	216	16,6%
Cape Wine	100	105	114	120	N.A.	N A	N.A

PROFIT INDEX

Bertrams (Base year 1977=100)	20	100	231	133	153	85	N.A
Picardi Hotels	100	94	86	88	108	185	13,1%
S A Breweries	100	113	125	144	189	305	25,0%
Southern Sun	100	105	123	185	288	530	39,6%
Uniwyn	100	102	115	121	164	202	15,1%
Cape Wine	100	99	101	108	52	139	6,8%

Cynics point out that, where there is a monopoly, turnover declines while prices rise . . .

Cape Wine's main subsidiaries — Oude Meester, Stellenbosch Farmers' Winery group, Henry Tayler and Ries — contain all the wine and spirit production and wholesale interests formerly belonging to SAB and Rembrandt, excluding only a 49% interest in W A Gilbey (SA) which has been retained by Rembrandt

The two Pickard companies, Union Wine and Picotel, with Bertrams, are relatively small by comparison and have less reason to be enthusiastic regarding the reconstruction

Bertrams is closely involved with Rembrandt through its 49% interest in Gilbeys (SA) which in turn owns an interest in Bertrams

Dr A J du Toit, chairman of Cape Wine, has said that long-term growth seems assured provided that the excise on spirits is not increased

As the sale of spirits is traditionally a means of ensuring profitability needed to subsidise the wine industry, the smaller companies would be severely affected by increased tax, and Bertrams in particular is in no position to absorb the effect of a setback due to higher prices

Wine exports are expected to decline in 1982

The impact of the trend towards medium-priced and higher-priced wines has been accelerated by economic prosperity

Aggressive marketing in this area has borne fruit, particularly in the Transvaal There has also been innovation in packaging and bottling, including the "tapvat" package

The increasing acceptance by the consumer of new patterns of spending in terms of wine purchases through supermarkets, hypermarkets and liquor hyperstores has tended to increase consumer awareness of wine and has gained it valuable shelf space in prime shopping localities

The amendment of the Liquor Act in the late seventies, enabling hotel and bottle-store licensees to lease space in supermarkets, has contributed to this trend

At the upper end of the market the success of the Nederburg auction shows that the best South African wines can command prices which show appreciation considerably in excess of inflation

Rarity of the wine and the image of the winemaker have been reponsible for sales of up to R200 a case for certain vintage Cabernets

It is hoped that the newly established Cape Wine and Spirits Exporters Association will give impetus to recognition of better SA wines and spirits on international markets, which at present absorb only R10-million, a small proportion of the SA liquor output

An important aspect of the SAB/Rembrandt deal was the Government's insistence that both companies divest themselves of their bottle-store licences, about 30 in number, over a period of 12 years

This has been the major point of issue between the smaller companies, Union Wine in particular, and the rest of the liquor industry

Both SAB and Rembrandt have indicated that they feel that the separation of the producer/wholesaler function from the retail function is essential in establishing a free and independent retail situation, and that this was the understanding at the time of the reconstruction

The practice of loans and preferential discounts to controlled outlets is condemned by both SAB and Cape Wine, while they are emphatically insistent that this separation be applied consistently throughout the industry.

SAB continues to dominate the liquor industry after a particularly good year Beer profits have risen from R14,7-million in 1977 to R43,9-million in the financial year to March 31 1981, while during the six months to September 30 1981 beer profits doubled

Cynics point out that where there is a monopoly, turnover declines while prices inevitably rise This has, however, not been the case since the establishment of the beer monopoly, and SAB's policy can better be described as "enlightened monopolistic practice"

SAB claims that sorghum beer is its true competitor in this field, and continues to compete in marketing and packaging

Over the past four-and-a-half years beer profits have risen at the rate of 49% per annum compounded, while during the four years to March 1981 SA Breweries' profits from other beverages (Stellenbosch Farmers' Winery — now Cape Wine) declined from R15-million to R14-million

The poor performance of Bertrams shows just how tough the competition can be in this sector

Taking into consideration the extent of the competition, Jan Pickard's Picotel and Union Wine have achieved excellent results with earnings growth of 13,1% and 15,1% respectively over the past five years

It is true that both Picardi Hotels and Uniewyn have excessively high financial gearing with debt-to-equity ratios of 1,96 1 and 2,91 1 respectively

However, the Pickard Group's successes over the past year show that high financial gearing in one or two group companies is unlikely to detract from the intrinsic worth of these companies

In general, the expectations for 1982 are decreased profitability, particularly from spirits, a possible increase in taxes, and the effects of the Competition Board's report, which must settle the vexed question of whether it is just for SAB and Rembrandt to continue to divest themselves of their retail liquor store interests while Union Wine has been permitted to increase the number of outlets

It is thought likely by many that no further power concentration at retail level will be permitted in the industry

How and if this will be reconciled with the permission granted to Jan Pickard to acquire a further 75 bottle stores prior to the reconstruction is the burning question to be addressed by the report along with minor issues involving the number of grocers' wine licences granted to supermarkets, the possibility of beer being sold via this channel and the questionable situation of Gilbeys and Rebel, which are closely connected to Rembrandt

Speculation on Pickard plans

THE formation of Cokicor by the Kirsh group and its acquisition of 20% of Union Wine shares in competition with Cape Wine gave rise to one of the most severe bear squeezes on the JSE in recent times

There has been much speculation as to the Pickard group's plans for its liquor-retailing operation.

A R16-million rights issue has prepared the way for Picardi to develop the liquor and hotel interests of Picardi Hotels, according to Coki's annual report.

Mervyn King, chairman of Cokicor, comments: "No one knows what to expect from the report, but whatever the outcome the decisions reached will have to be implemented in a fair and just way.

"In the circumstances, I feel that the monopolies at the wholesale and production level of the liquor industry should be looked at."

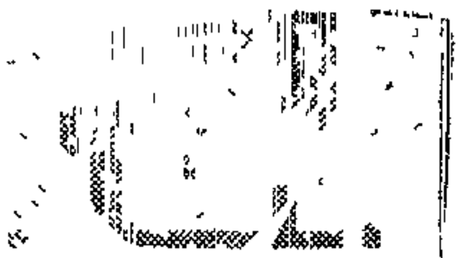
Given the wide divergence of views of the parties concerned, it is possible that this report will again be a prelude to further discussions and that it will be some time before all the problems are settled

UNIVERSITY OF CAPE TOWN
EXAMINATION ANSWER BOOK

EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and

COKE PUT R3-M FIZZ INTO PHOENIX

(182) S. Tribune 31/1/82



Neil Spaull of Isaacs Geshen

Property Editor

COCA-COLA this week made the first step towards the realisation of a R12 million project by buying 7,2 hectares at the Phoenix Industrial Estate for R1,7 million in what must rank as one of Durban's biggest industrial land sales.

The first phase of the development, which will provide warehouse and distribution facilities for North Coast outlets, will cost about R3-million.

Work has already started on site for this phase scheduled for completion by the end of this year.

A further R6 million to R7 million is earmarked for expansion in a few years' time in the form of a high-speed bottling line This will bring the total expenditure on the project to about R12 million

Coco-Cola group financial manager Vic Lobley says the new development will relieve the pressure on the company's existing plants at Edwin Swales Drive and Pinetown

The Edwin Swales property was developed in 1966 with a projected 20-year capacity but was running to limits by 1976, says Lobley.

The acquisition of a Pinetown facility at Westmead in 1976 eased the pressure temporarily but now both resources are fully stretched

J. H Isaacs Geshen's Neil Spaull negotiated the deal Says Spaull. "This is the biggest single site in the Phoenix estate and one of the biggest industrial land sales done in Durban.

"There is a great shortage of industrial land in the immediate Durban area and I believe that Phoenix will be to the 1980s what Prospecton was to the 1970s.

"Already the demand for land in Phoenix is intensive and I can see this deal accelerating the trend"

The Coca-Cola deal amounted to R23,65 a square metre, says Dallas Reed, general manager of the Sanlam-owned Phoenix estate

This compares well with prevailing rates of about R27 a square metre for non-rail served sites at Prospecton and R24 a square metre at Westmead.

An increase, however, is scheduled for Phoenix land over the next six months which will bring prices to around R27,50 a square metre

With the Coca-Cola deal, more than one-third of the total saleable area at Phoenix has now been taken up. Development costs so far have topped R10-million and could treble before the township is fully sold out within a planned eight-year period

"Development costs are rising so quickly that it is almost impossible to predict with any degree of accuracy what we will be paying for the subsequent phases of the township The price of concrete alone has more than doubled in the past year," says Reed.

Phoenix is poised to become the industrial growth point of the decade.

The outer ring road gives ease of access, the proposed La Mercy international airport is a few kilometres away and the nearby Phoenix housing estate provides ample labour.

Buyers at Phoenix already include companys like Barlows, Metro Cash and Carry and Ninian and Lester.

SOFT DRINKS

Out of gas

(182)

FM 19/2/82

A severe shortage of carbon dioxide forced soft drink manufacturers to close several production lines last week The problem dates back to Fedmis's misfortune last year when an explosion in its Milnerton factory destroyed 20% of national carbon dioxide capacity

The cut in supplies has been felt countrywide and lately Transvaal distributors have been trucking the gas at high cost to help out in the western Cape

The effects have already filtered through to many Reef retailers, who are now high and dry and battling to supply consumers

As a response to the crisis, the SA Federation of Soft Drink Manufacturers Associations (SAFSDMA) agreed to a 15% cut in its carbon dioxide orders

This, they claim, should ensure an even supply of the gas throughout the R350m/year cool drink industry and discourage stockpiling by the more powerful buyers

The drink squeeze has been further aggravated by the current unexpected high in soft drink consumption Says SAFSDMA president Hennie Viljoen "The carbonated beverage business is experiencing exceptional growth The industry is seasonally based and sales figures should have begun to slow This has not been the case this year and figures are well up on last year"

Viljoen is reluctant to put a figure on the losses being suffered as a result of the carbon dioxide crisis, but he says it is "a lot of money"

However, he sees the problem as temporary and expects manufacturers to be back on full allocation within the next two months

Some bottlers are not as hopeful They claim the shortage could drag on indefinitely but admit that the industry will be less hard-pushed when current demand begins to ease

On long term prospects, Viljoen is also optimistic Not only will supply be back to normal when the Fedmis facility is back in operation, but input from Sasol 2 and 3 will relieve the position even further

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
Years 02 and 03 - same as 01			
04, Jan 1:	Insurance Expense	300	
	Bank		300
Jan 2:	Debtor (Insurance Company)	24 000	
	[illegible] policy proceeds receivable		24 000
Jan 31:	[illegible]	24 000	
	[illegible]		24 000
Jan 2:	[illegible]	300	
	[illegible]		300
Jan 2:	[illegible]	24 000	
	[illegible]		24 000

(2) Premiums Tr[illegible]

01, Jan 1:	[illegible]	300	
	[illegible]		300
Dec 31:	[illegible]	300	
	[illegible]		300

Eye service for homeland

Sowetan 23/3/82

182

The SAB Sight Savers service, formed last year to combat blindness among the rural people of southern Africa, is to offer its eye-disease prevention services in Venda and Lebowa.

The chairman of the SAB Community Trust, Mr Frank Moodie, has announced that Sight Savers' fully-staffed and equipped mobile eye unit is to make regular visits to hospitals in Venda and Lebowa.

Since its inception in June last year, the service has treated 650 patients and performed 60 eye operations

It visits hospitals every two months to give treatment to people suffering from eye diseases

"The very painful eye disease, trachoma, is most prevalent in the areas the unit visits, and statistics show that up to 40 percent people older than 40 years are affected By visiting hospitals, the unit can identify many cases of the disease far earlier than was previously the case and so prevent the blindness it causes," says Mr Sarel van der Walt, head of the Bureau for the Prevention of Blindness

Continued/ .....

Soft drinks galore, but where are the Cokes?

By PAT SIDLEY

THE middle of a long, dry summer heat-wave — and not a Coca Cola in sight

Almost every other kind of soft drink could be found in the fridges of corner cafes, including that other cola, but no trace of Coke

The only hint was a note from Coke on my corner cafe's fridge explaining that shortages of raw materials had prevented normal deliveries — and an irate addition by the proprietor which said "Sorry Coke let us down again"

The only way of obtaining any Coke at all, the proprietor said, would be by queueing at the Benrose factory to fetch it in his own bakkie

Why, Coke was asked, has this terrible situation come about?

Speaking as the president of the SA Federation of Soft Drink Manufacturers, the Coca-Cola company spokesman, Mr Hennie Viljoen, said the trouble was not confined to Coke alone but spread throughout the soft drink industry

I would not, he claimed, even find a Pepsi in town But I had found a Pepsi, and bought it, I told him

Pepsi, delighted that its sales team had succeeded in providing me with the product, nevertheless confirmed the shortage and the reasons given by Mr Viljoen

Carbon dioxide was in short supply as a result of the Fedmis factory explosion in the Western Cape earlier this year

All manufacturers were being rationed to 15% less than their normal requirements and Transvaal carbon dioxide was being sent to the Western Cape to alleviate their acute shortage

Normally in February soft drink manufacturers expected a downturn in demand but the heatwave had created an unexpected surge in demand with which they could not keep pace

In addition, glass and metal containers were in short supply

To complicate matters, although Mr Viljoen did not believe it had anything to do with the shortage, some of Coke's distribution workers had been involved in an industrial dispute

A spokesman for Metal Box, which produces metal cans for Coke, said his firm had experienced difficulty in supplying over the Christmas season but was back in full supply now

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ACCOUNTING A

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

01, Jan 1:	Insurance Expense	300	
	Bank		300
	being payment of premium		
Dec 31:	Income Statement	300	
	Insurance Expense		300
	being closing entry		
Years 02 and 03 - same as 01			
04, Jan 1:	Insurance Expense	300	
	Bank		300
Jan 2:	Debtor (Insurance Company)	24 000	
	Income from Life Policy		24 000
	being accrual of proceeds receivable		
Jan 2:	Income from Life Policy	24 000	
	Income Statement		24 000
	being closing entry		

South African editors audience that the slaught propagan- country" Mr Latak-

Protest against sackings

182

WORKERS ON STRIKE

Sowetan 24/2/82

ABOUT 600 WORKERS at Distillers Corporation in the East Rand yesterday went on strike, almost bringing production and distribution at the company to a standstill.

Tension hung over the company premises in Wadeville when shortly after midday the large throng of strikers filed out of the gates singing the African National Anthem and showing black power salutes A note from management had asked them to go home "peacefully" and resume work this morning

By CHARLES MOGALE

STRIKE: Some of the 600 workers who downed tools in Wadeville yesterday

The workers downed tools in protest against the dismissal of three of their colleagues When The SOWETAN visited the company yesterday, a spokesman for the workers said management was adamant in the unfair decision to fire the three They said management had reached an agreement which required shop stewards to be consulted in the event of disputes with employees The agreement they said had been ignored when the three were dismissed

The spokesman said the three had been victimised for their trade union activities

We had a meeting with management this morning and they told us head office in the Cape endorsed the decision to fire the three It is regrettable that the head office should take this delicate decision without the other side of the story

The company's administratative manager Mr J J Vorster said management was trying to find a solution to the problem We can't deny there is a dispute We are busy trying to negotiate with the workers and hope to reach an agreement soon Unfortunately I can't comment further he said

SOLUTION TO: GL5

(1) Premiums Trea

01, Jan 1: Ir be

Dec 31: Ir be

Years 02 and 03 - same

04, Jan 1: Insurance Ex Bank

Jan 2: Debtor (Insu Income fro being accru

Jan 2: Income from Income Sta being closi

Jan 2: Income Stat Insurance being closi

Jan 31. Bank Debtor (I being recei

(2) Premiums Treated as an

01, Jan 1: Life Policy Bank

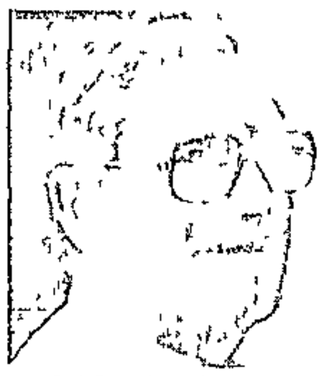
Dec 31: Income State Life Polic (Surrender va therefore no

Continued/ .....

DICK GOSS

FM 26/2/92 (132)

Bagging first prize



The saga of the SAB/Edgars takeover will long be remembered It caused a sensation on the JSE with Edcon shares shooting up from 800c to 1 400c The FM talks to SAB chief executive Dick Goss on issues central to the takeover and future SAB corporate strategy

***FM* What was the rationale for the takeover and what is SAB's retail strategy for the short and long term?**

Goss The first strategy is that we want to be represented in all sectors of the merchandise range In the context of retail sales nothing is left out since the acquisition of Edgars Before that we had little representation in the clothing sector

Were you ever interested in acquiring Greatermans? Presumably the Checkers food chain would have offered synergistic benefits to OK's food operations as well as the stores giving you the clothing interest?

Greatermans could have been of interest to us at any stage But from our point of view it would not have been the first prize Edgars was first prize When we went shopping we were prepared to pay a high price to complete our portfolio A Greatermans deal could have made sense but not as much sense as Edgars, which best meets our objectives If we had acquired Greatermans we would have got bigger

With Edgars we've got bigger and broader

What are the biggest benefits of having Edgars in your stable?

We have diversified across the merchandise categories What has not been mentioned before is that we have also diversified in terms of the types of financial structuring we have The Amrel group is essentially into big ticket consumer durables with 24 months credit OK is high cash content Edgars offers six months' credit It makes financial sense to diversify especially in economic down cycles That's when different categories of business are affected differently There's a huge negative impact on big ticket items when credit is tight The cash business usually remains reasonable We don't know yet how the six-months-to-pay business will react But with this spread, one section of business compensates for the other It's a smoothing out operation It acts like shock absorbers, cutting the risk of wide fluctuations in cash flow

What is the final takeover cost to Breweries?

If we get all of Edcon which effectively gives us half of Edgars, the whole transaction will cost us R180m

Some say you've paid far too much, that you've come in at the top of the cycle thus repeating the mistake SAB made when acquiring OK, which is said to have taken 3 - 4 years to come right

I'm inclined to look at the end result One hears all sorts of rumours about too little or too much, too early or too late What matters is how we perform It's the bottom line that counts Since acquiring OK our share price has compounded by 38% OK took a couple of years to get right There were management problems Edgars is very, very strong in management terms When people say we overpaid for their paper, they're not taking our paper into account Our paper is also at a peak At the end of the transaction the SAB balance sheet financial ratios are as strong We're not weakening ourselves Our earnings are possibly affected by a few percent but we'll make up for that very strongly The dire consequences which are prognosticated are not on the balance sheet We can't look at each transaction in isolation but in the context of our total operations

In terms of turnover and profit, what do you expect from the retailing division?

On annualised basis, retailing will account for close to R2 5 billion this year On profits, our beverage business is wholly owned so 100% comes into the SAB coffers On our diversified interests, 30% of OK is owned outside of SAB 30% of Amrel and 50% of Edgars So we only get a proportion of those profits What we want to see is a 50 50 division between beverage and diversified interest profits We expect retailing to contribute roughly one third of overall SAB profits This is substantial

What are your intentions with regard to further acquisitions in retailing?

We must now consolidate We're moving into a depressed trading situation over the next 18 - 24 months We're in very good shape to come through with very well managed businesses I don't think we will look to expanding retailing interests but if we see a really interesting situation we will run for it We will not lock ourselves out

When did Edgars first interest you?

Probably for the last one or two years I've been thinking about Edgars making sense in the context of the SAB group About the middle of last year when we were rounding out our forward planning we thought about it more strongly By the middle of the last quarter of the year we were getting ready and we moved this year

Why did you not approach Sydney Press directly before he left for cardiac surgery in the US?

It was not appropriate I did not know him well enough I made approaches through certain directors whom I knew to try and determine if SAB could buy Sydney Press could have been aware of this, as far as I was concerned When I made the approaches I was completely unaware of his state of health. One can not get into discussions before one has got the feel One has to sound people out. At that point I had no dialogue with Sydney Press In many ways the events overtook the negotiations Once a situation is known in the market anything can happen Other interested parties can bid the price up. Others can go in and buy to take up a strategic position and block the move One has to evaluate a situation quickly It can all change in 24 hours

Do you think this takeover would have been possible if Press had been here?

He did not have control Unless he could marshall support to match the SAB scrip he would not have been in a position to stop the deal I would have preferred to have done the deal with Sydney here but there were too many factors coming into play

(*FM* note The holder of more than 25% of the equity in a public company can't prevent the passing of control, but in terms of the provisions of the Companies Act 1973 as amended, he can

- ☐ Stop a scheme of arrangement,
- ☐ Prevent a raider from obtaining 100% of the company shares,
- ☐ Prevent the passing of a special resolution which is required for many things such as increasing a company's share capital or reducing the company's share capital or varying the rights which are attached to a share,

As a substantial minority shareholder it is likely that the courts will take his interests into account If Press had been here he might have been in a position to enlist institutional support. On the other hand, he might have decided it was an opportune moment to accept SAB's offer)

Why did Liberty Life's Donny Gordon decide to accept your offer?

The offer was a good one It was too good to refuse

Would you have upped the price if Gordon had held out?

I was at the limit I was quite happy to wait if the offer was not accepted Eventually, there would have been a play for the shares and we would have been part of it With our strategic holding we knew something would happen But 1 500 was the top weight in terms of offers

If Press decides not to sell, what would be his position in terms of the Edcon and Edgars boards?

SAB has not yet taken up a position with regard to the board structure of Edcon and Edgars We don't want to rush it We have taken up a position regarding the chief executive of Edgars Adrian Bellamy remains CE and his top executive team remains untouched. I cannot answer hypothetical questions about Sydney Press because so many factors are related to the issues (The *FM* understands Bellamy will report directly to Goss Like other operational heads he will have a seat on the SAB executive board)

What would be your own reaction to the takeover of a company which had taken you 47 years to build up?

Edgars is a mighty fine business I would feel pretty emotional about it to start off with On the other hand, if you strip the emotion out of it, Sydney is not a young man Here, he has the opportunity to see a business pass across into good hands at a peak price Edgars comes in on top form and it will be made even greater One has to take the total situation and evaluate it. It turns on what is ultimately best for both

(182)

Beer price to rise

Cape Times 12/3/82

Staff Reporters

BEER is to go up in price from Monday.

Bottle store owners yesterday said they had been advised of the increase of seven percent this week.

Existing stocks would enable some to hold prices for a few days after Monday but it would then be necessary to pass on the increase to consumers.

South African Breweries attributed the hike to increased costs of raw materials and wages.

Mr Peter Muller, chairman of the Hotel Association of the Cape, said last night because of the increase in the wholesale price of malt, retailers would be increasing their price of beer by at least 7,5 percent from Monday

He said retailers had been unable to delay the price increase because they held only limited stocks of beer

The managing director of a liqour group, Mr Mike Kovensky, said last night it was the group's policy to freeze the old price for as long as possible — which in this case would be for four or five days

He said the last beer increase had been in January last year, and felt that as the cost of raw materials had increased, the beer price increase was predictable

Mr Kovensky said he would not be surprised if the price of beer was increased again when the Budget was announced by the Minister of Finance this month

Sunday cricket

By IAN REID

THE SABC board has ruled out Sunday TV and radio coverage of the four-day cricket international starting at the Wanderers in Johannesburg today

The board apears to have bowed to church pressure following its recent, much-applauded decision to allow "selective and ad hoc" Sunday coverage of sport.

But as if to make some amends, the television service will open at 10 55am for cricket today, tomorrow and on Monday

And the SABC has announced its schedule for radio and TV coverage of the first "test" between the SAB English XI and the Boks.

There will be ball-by-ball cemmentaries on the shortwave 41m band throughout play today, tomorrow and on Monday

Today and Monday, the English service will carry commentary from 11 30am till noon, from 12 50pm to 1 09pm, from 2 15 to 2 30, and from 3 30 to 3 45 There will also be commentary during "Audio Mix" starting at 4 45pm and in "Sportsreel".

English service commentary times tomorrow are from 11 30am to 11 45, from 12 50pm to 1 09 and during "Saturday Special"

On the Afrikaans FM service today and Monday, commentary periods are 11 05am to 11 20, 12 30pm to 1pm, 2 01-2 15, 3pm to 3 15 and 4 10 to 5 55 — and during "Spitstyd", starting at 5 01pm.

On TV, "Sport '82" will stay with the cricket to close of play tomorrow — and will also screen the recent United States tennis clash in which Johan Kriek beat John McEnroe.

It's on the air waves

Mail Reporter

DURING the next four days Channel 702 will broadcast reports by the Mail's Rodney Hartman every quarter past the hour There will also be newsflashes of exciting events and live reports during the news programme

Radio 5 will broadcast scores four to five times every hour as well as reports on all exciting events Capital Radio will carry news of the test on the hour throughout the match and live commentary on Saturday afternoon

Springbok and Highveld Radio will give scores during the regular news broadcasts.

victory last year — that his commitments with the Boks made it impossible for him to be at the Palace to receive the trophy from the Duke of Edinburgh on March 25

Rice had originally envisaged missing the final one-day international at the Wanderers on March 24 in order to keep his Royal appointment the next morning

But that would have meant arriving back in Johannesburg only an hour before the start of the final four-day Test at Kingsmead in Durban on March 26

The star all-rounder said yesterday "I phoned Nottinghamshire this morning and it was mutually agreed that I would be cutting things too fine if I went to London.

"Naturally I am disappointed but, under the circumstances, I have put the Springbok team first. I will be writing personally to Prince Phillip offering my apologies."

The championship trophy will be accepted by his Notts teammates.

The ghosts of Test matches past will stir restlessly at the Wanderers when South Africa re-enters the international arena for a match they regard as a fullscale test.

Springbok captain Mike Procter said last night. "We realise that the rest of the world refuse to recognise this as an official Test — but that does not affect our belief that this is the real thing.

"To my mind only Ian Botham is missing from a full England team."

On the other hand, the SAB English XI skipper, Graham Gooch, believes this is "just another big match — certainly not a Test."

But however you look at it, there is no doubt the clash will stir the blood of the Springboks after their 12years on the shelf

And the injury-plagued tourists will cause a major shock if they so much as extend the powerful South African side this weekend.

Rice also boosted the odds favouring a big Bok victory when he declared last night that a neck injury would not stop him bowling.

DAVID CAPEL reports that a spokesman for the promoters said there were still about 10 000 R5 "open stand" tickets available for tomorrow, and thousands of reservations available for today, Sunday and Monday

All reserved seats for Saturday have been sold.

● A catering company spokesman said yesterday fans would pay 80c for a hot dog at the ground, R1 for a wholewheat salad roll, R1,30 a "hot roll" and 30c for coffee.

● See Back Page

SOUVENIR FROM A REBEL . . . Graham Gooch, captain of the controversial touring signs a bat for a fan at his Johannesburg hotel yesterday

Price of beer to go up on Monday

RDM 12/3/82 (182)

THE wholesale price of beer will rise on Monday by at least 7,5%

Mr Peter Muller, chairman of the Hotel, Bottlestore and Restaurant Association, disclosed in an interview last night that he had been told by South African Breweries yesterday that the wholesale price of beer delivered from Monday would go up by 7,5%

"According to the statement, beer is a product with a rapid turnover and only limited reserves are held," he said "These are factors influencing the price increase"

Mr Muller said that retailers would try to pass on to the consumer any savings in the form of special offers

"The price increase affects the consumer directly and I think that initially there will be resistance to it," he added

"But a beer drinker remains a beer drinker and in time consumers will get used to the price" — Sapa

Mitton faces army

Mail Correspondent

PORT ELIZABETH — Springbok tennis player Bernie Mitton could face military arrest if he returns to defend his South African national titles at Ellis Park in April

The South African Defence Force Exemption Board has turned down his applications for further deferment of his national service

And a SADF spokesman confirmed yesterday Mitton faced a military call-up

Last night tournament director Mr Keith Brebnor was trying to contact Mitton — presently playing in a German tournament

Mitton, 28 — now living in California — played in four t[illegible] Johannesburg, las[illegible] national singles [illegible] ner-up in the SAB [illegible] African team to [illegible] Cup, and played in [illegible]

The SADF ad[illegible] year his military [illegible] But they instructed [illegible] address annually and to tell them [illegible] South Africa [illegible] citizenship after [illegible]

On February 10 [illegible] application had [illegible] emption Board and

"Honestly, Constable, I'm just burying a bone"

Lap of luxu[illegible] the four-sta[illegible]

Mail Report[illegible]

LONDON — Hoteliers in Torbay, [illegible] look-out for guests during the English [illegible] even they think the four-star Grand [illegible] taking in a stray cat

When it strolled into the hotel foyer, [illegible] R50 a night suite, with bathroom, fed [illegible] cream, then left for a restful night, [illegible] breakfast

Then it was chauffeured in the [illegible] animal sanctuary

The Grand's marketing manager, [illegible] "We couldn't lea[illegible] it out on the streets because it couldn't stay in the foyer, [illegible] ters"

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APEL reports that
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r a hot dog at the
for a wholewheat
R1,30 a "hot roll"
coffee.

9 Back Page

Price of beer to go up on Monday

12/3/82 (182)

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"But a beer drinker remains a beer drinker and in time consumers will get used to the price" — Sapa

SUNDAY TRIBUNE, MARCH 14, 1982

State probes plan to sell off beer industry

By Shami Harichunder

DETAILS of a top-level probe into the possibility of selling the Government's multi-million rand sorghum beer industry to private enterprise were disclosed to the **Sunday Tribune** this week.

The Sorghum Beer Industry Development Committee is looking into the possibility of selling shares to blacks, with the Government retaining controlling interests — a move that would effectively block the giant South African Breweries from making inroads into the highly lucrative sorghum beer industry.

The probe was ordered by Piet Koornhof, Minister of Co-operation and Development, who set up the committee last year to carry out the task.

If control of the industry changes hands it could be bad news for taxpayers, who could be made to dig into their pockets to finance the running of administration boards.

The boards depend on funds from their business undertakings section — the sorghum beer industry — to run black townships, and if these are cut off, the Government would have to turn to the taxpayers to make good

Boards' only other source of income — contributions from businesses that employ blacks — is not sufficient to run the townships, according to Port Natal Administration Board's chief director, Hendrik du Plessis.

"This is only a drop in the bucket," Mr du Plessis said "The Government would have to find alternate sources if our business undertakings section had to go."

Mr du Plessis also said administration boards would have to be compensated for the millions of rands of assets they have in the sorghum beer industry

Piet Koornhof

"We are talking about a very very large sum of money In Port Natal's case alone we would have to be compensated for the more than R1 million assets we have in the business undertakings section," he said.

The chairman of the Sorghum Beer Industry Development Committee, Professor Marthinus van Vuuren, said this week his committee was working in close co-operation with the administration boards and the Department of Co-operation and Development.

He also said his committee was liaising regularly with Dr Koornhof on investigation progress

Johan Oosthuizen, press liaison officer of the Department of Co-operation and Development, told the **Sunday Tribune** the committee was investigating the possible sale of the industry to private enterprise.

"They are also looking into the possibility of blacks becoming shareholders," he said, adding that he was not in a position to comfurther as the committee hal not completed its investigation

The committee has already obtained information from administration boards about production capacity of the breweries, sales of sorghum beer and assets they have in the breweries.

Asked why he thought the Government further as the dustry to go public, Mr du Plessis said. "Dr Koornhof is on record as having said we must start looking for alternatives to get the board out of the booze economy Of course the Government also has a declared policy to pull out of what is really private sector

"If the industry had to become private enterprise there will be immediate problems as a result of the fact that administration boards are largely dependent on money from the sorghum beer industry. Somebody will have to make good the money we need to run the townships

"We are going to take a very close and careful look at what the committee comes up with to ensure that the people whose money we are working with are looked after. After all is said and done, we are looking at public money," he said.

Dr Koornhof said through his private secretary this week he was awaiting the report of the committee

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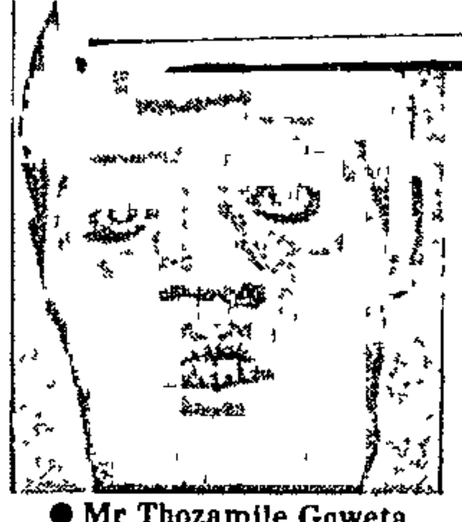

● Mr Thozamile Gqweta ... released from detention

labour organisations, including the International Labour Organisation, for what were seen as genuine efforts on the part of South Africa to reform its labour policy

A prominent employer said recent action against trade unionists, culminating in the death in detention of Dr Aggett and the admission to hospital of two prominent trade unionists, Mr Thozamile Gqweta and Mr Sam Kikine of Saawu (who had

tion of the e

viewed, criticised the "difficulties arising with the Department of Police, which is not concerned with labour, but which interferes in labour by detaining unionists and not bringing them to trial

"The policy of the Department of Manpower Utilisation is very clearly non-intervention in the labour field, even keeping well clear of labour disputes

Utilisation

Mr Jan Theron, general secretary of the African Food and Canning Workers' Union (of which Dr Neil Aggett was Transvaal regional secretary), has accused the department of actively assisting the police in repressive action against independent trade unions and their members

And a Natal organiser of the 100 000-member Feder-

One of the most

interventions was the distribution among employers, particularly in the eastern Cape, of a document designed to weaken Saawu and the independent unions

Mr Louis le Grange, the Minister of Police, admitted in Parliament last year that the document had been compiled by a senior Security Police officer based in Port Elizabeth

against trade unionists

"The trade unions will be radicalised if their leaders are put away," he said, dismissing any claim that unions were presently radical

"Frustrations about lack of political representation will increasingly be taken out in the work place Harsh government action will only radicalise the situation"

A leading labour lawyer said "Trade unions have

ions (Sactu) in the early Sixties are less, as the unions have adapted to deal with that threat"

This is an adaptation some employers have already praised

An employer group that recently reaffirmed it's recognition agreement with Saawu, which has five of its six executive members in detention, praised the the excellent negotiating skills of the unionists who have taken

March 1982

GENERAL NEWS

Wine workers get 25pc

Labour Reporter

Workers in the wine and spirits' industry have won a 25 percent wage increase for 1982 over two stages, following negotiations in Stellenbosch this month

The four-day negotiations were held between the National Union of Wine, Spirit and Allied Workers and the SA Wine and Spirit Industry Employers' Association.

Workers will receive a 15 percent increase across the board from April 8 and another 10 percent on October 8 The increase is based on each worker's wages, says the union

The 46-hour work week was also reduced by an hour and the annual bonus increased from three to four weeks' wages.

Provisions were also negotiated for overtime meal allowance, sick and holiday leave, maternity leave and other particulars.

The employers also agreed to allow union officials two hours of company time annually to address workers on union matters and shop stewards one hour a month to report back to workers on union-company matters.

The general secretary of the union, Mrs Fay Mandy, said it was satisfied with the terms of the agreement

C. Herald (182)
20/3/82

Breweries manager slams 'ad'

MR Peter Savory general manager (marketing) of South African Breweries said this week that a satirical advertisement for 'apartheid laager,' which was published in this week's edition of the Natal University student magazine, Dome, was unfair criticism of his group

'Apartheid laager' was advertised as an 'extra bitter beer for the discriminating palate'

The advertisement which appeared on the back page of the magazine, featured a white can with a sketch of the Voortrekker Monument The can was surrounded by a pistol, handcuffs and bullets

It called on people to 'Move away from mildness, reach for the white can, go for the taste of power, go for Apartheid Laager'

COLD DRINKS (182)

Going off sugar

FM, 14/3/82 (186)

Soft drink manufacturers are seriously considering switching to alternative sweeteners following the 12% jump in the sugar price Local price for sugar is now about R100/t above prevailing world levels

Substitute sweeteners — mainly high-fructose corn syrup (HFCS) a sweetener synthesised from high-starch maize — are already widely used in the mineral water industry in the US, Canada and Japan

Says Hennie Viljoen, president of the Federation of Soft Drink Manufacturers "We have already progressed well in our research on alternative sweeteners" He points out that the soft drink industry is one of the biggest industrial consumers of sugar with an annual take-off of 100 000 t The R50/t increase which the industry will have to bear will mean a R5m rise in its bill

Viljoen says the industry was previously reluctant to convert to alternative sweeteners because "from a quality point of view granulated sugar is superior" But he adds that eventually costs might outweigh other considerations

Viljoen says soft drink manufacturers have pressed for years for discounts on their sugar prices But producers argue that any discount would, in fairness, also have to be offered to other big industrial users

Peter Sale, GM of the South African Sugar Association sees the threat to switch to alternative sweeteners as a "serious trend" and admits that HFCS has made big inroads into world sugar markets

However, he estimates that local soft drink manufacturers can reduce their granular sugar consumption by only about half because of technical difficulties And, because parent companies of some major brands restrict corn syrup substitution to 50%

Should the soft drink manufacturers carry out their threat, Sale says, their sugar purchases would be cut by about 40 000 t/year, "not all that much when you consider the 1,2 Mt are sold annually on the domestic market"

Viljoen disagrees He says the industry's sugar consumption could be cut to well in excess of 50%

"Coca-cola is the only product which has a limit on its HFCS content," he says "There are no such restrictions on other products And conversion to a liquid sweetener presents no major difficulties

A likely supplier of HFCS is African Products which makes glucose from starch but which at present has no facilities to make fructose

Says MD Jeff Alabaster "Given the high price of SA maize, it might not be a viable proposition"

On the other hand, the maize surplus could strengthen manufacturers' hands in negotiating a lower price

Star 25/3/86

Alberton — Now stopped

South African Breweries' production plant in Airode Alberton was hit by a work stoppage yesterday

About 450 workers were involved in the dispute—the second to hit the industrial suburb in recent weeks

An SAB spokesman said they were trying to ascertain the reason for the stoppage and planned to meet the plant's liaison committee

The Food, Beverage and Allied Workers' Union has some membership at the plant

A lot of errors here

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SAB workers go on strike

Sowetan 26/3/82 (182)

THE entire workforce of 450 people at the Alberton branch of the South African Breweries (SAB) are on strike, demanding higher pay.

Workers at the plant told The SOWETAN they had for some time tried to negotiate wage increases with management and decided to take industrial action when their negotiations bore no fruits

By WILLIE BOKALA

The strike started on Wednesday when the 450 workers refused to carry out their duties until a "reasonable" settlement with management was reached

A spokesman for SAB said he hoped an agreement would be reached "We are still trying to establish the real cause of the strike and we are liaising with worker representatives

"We know that pay is one of the issues which led to the strike, but we are trying to establish other things that could have contributed, because we do not believe it could be pay only

"We have a good liaison system which has delt with strikes before and we hope the matter will be solved soon"

Solidarity summit for trade unions

26/3/82 Sowetan (139) (140A) (138)

IN AN attempt to restore unity within trade union movements, black and non-racial trade unions are to hold a two-day summit in Johannesburg from April 24 to 25.

The summit will be the second following the one held in Cape Town last August, which was attended by leaders representing about 200 000 workers

Among the participants at the last summit were the General Workers' Union, Fosatu, the food and canning Workers unions, the Council of Unions of SA and the SA Allied Workers' Unions

CRUCIAL TIME

The Johannesburg summit takes place during a "crucial time" in the history of trade unionism, when police action has been rigorous against many labour leaders

It follows the large-scale detention of labour members and the death in detention of a leading trade unionist, Dr Neil Aggett

Aggett's death has been cited by many leaders as an incentive among trade union members to seek a stronger bondage in the labour movement

STOPPAGES

Most work stoppages last year were in reaction to plans for the compulsory preservation of pension benefits, but since then most strikes have been for higher salaries and in protest over sacked colleagues, according to labour experts

According to union sources, the summit will pledge solidarity to resist contrary moves by the Government and will express opposition to the official bargaining system

Some unions are competing among themselves to gain support from workers and pertinent issues involving matters of policy In this regard it is important to note that some of the unions are registered while others are refusing to apply for registration

COMMON AGREEMENT

Union sources say the summit will discuss the possibility of unions —both the black and non-racial ones —accepting each other and coming to a common agreement to stop competing against each other

Union sources maintain that it is vital that greater co-operation and harmony be created among the unions

This type of co-operation became conspicous recently when union leaders jointly condemned the death in detention of Dr Aggett and the conti-

Star 21/3/86

Workers at SAB still on strike

182

Labour Reporter

Representatives of the 450 strikers at South African Breweries plant in Alberton were still having talks with the management yesterday in an attempt to end the week old dispute

Production has been affected heavily Only a number of white management personnel are keeping operations going

To meet the shortage of beer the breweries at Isando and Chamdor have stepped up production to maximum an SAB spokesman said

The dispute centres on a number of issues including pay

The SAB's depot at Denver has been hit by two work stoppages, though for other reasons, according to management sources

SAB strikers return

14/1/82 Star (182)

Labour Reporter

The wage dispute involving about 450 workers at South African Breweries Alberton plant ended yesterday

They went on strike on Wednesday last week demanding higher wages

A management spokesman said they returned yesterday morning after being told that SAB would shortly hold talks on the wage issue with worker representatives

Pickard hits at liquor monopolies

Star 21/4/82

(182)

By Patrick McLoughlin

The chairman of Union Wines, Mr Jan Pickard, has hit at "monopolistic forces within the liquor industry," in a statement attached to the group's results for the six months to December.

Mr Pickard, referring to the wholesale side of the group's operation, says that after the bear squeeze on the Johannesburg Stock Exchange of the company's shares was successfully averted, the liquor industry's "monopolistic forces" had, in an increasing manner, tried to obtain their long-term object of total domination by decreasing prices in the short term

"To maintain our position in the market, we had to follow suit," Mr Pickard said.

"The outcome was that profit margins started to decline because of the relatively small size of our group and this is reflected significantly in profits"

The chairman expects this situation to continue for a long time "But taking into account the real increase in wholesale turnover, we will maintain our position in the market," he added

Union Wine's attributable income for the half year was R1 019 000 compared with R775 800 in the previous corresponding period This represents an increase of 13,4 percent t14gzp1 1st fri-

COMPARISON

The company's pretax profits went from R1,5 million to R2 million and, after a tax bill of R647 000 (R587 649) was deducted, the taxed earnings amounted to R1,5 million (R952 000).

Earnings a share went from 18,44 to 20c

Group turnover advanced by 47,5 percent in comparison with the previous period In the production and wholesale division, turnover increased by 31 5 percent Sales in the retail division jumped by an impressive 61,7 percent.

NOTICEABLE

Mr Pickard said that group results for the half year reflected "a satisfactory growth"

Increased turnover and favourable discounts that became increasingly available in the market had a favourable effect on retail profits The standard of group hotels was in general improved and better-quality management together with the increase in producer's prices of liquor from the beginning of 1982 as announced by the KWV, will affect wholesale profits further and undivided attention will be given to cost control to protect profitability"

The retail division would maintain a favourable growth rate and was expected to contribute substantially to group profits for the year.

Picotel profits up 91%

Picotel's taxed profit for the half-year jumped 91 percent, from R746 000 to R1,4 million and the interim dividend was increased from 4c to 6c

Earnings a share went from 14,13c to 20c and the company said that the physical standards of the hotels were generally improved and better quality management had been attracted

These factors would "manifest themselves" in the second half results It was expected that taxed profits for the year would show an increase on the previous year — Patrick McLoughlin

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was being employed.

These factors would become more noticeable in the results for the coming half-year

Examining the group's outlook, Mr Pickard said that current monetary policy predicted that no alleviation of the interest charge could be expected in the near future

"This prospect,

NOTE CAREFULLY

1 Enter at the top of each the block on this cover tion you are answering,
2 Blue or black ink m answers The use of a able Red or green in underlining, emphasis pencil may also be usec
3 Names must be printe (e g graph paper) wh examination book (s) ar

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not to communicate with other
h any person except the invigi-
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must be handed to the commis-
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Any dishonesty will rende disqualification and to possible exclusion from the ersity

EVENING POST, TUESDAY, APRIL 6, 1982 182 ~~139~~ ~~152~~

Bottling firm rejects claims of unfair job practices

Post Reporter

THE managing director of SA Bottling, Mr P H Gutsche, has rejected accusations of unfair employment practices levelled by the General Workers' Union of South Africa (Gwusa) against the company.

The union yesterday released a statement saying a committee elected by former SA Bottling workers who were dismissed after a strike last year would co-ordinate a boycott of the company's products.

The proposed boycott is scheduled to begin on May 1 — International Labour Day.

Grievances included low wages, poor working conditions and a refusal to recognise Gwusa.

The company had also refused to rehire 250 workers dismissed after a strike in October last year, the committee said in its statement.

Mr Gutsche said the committee's statement was "not consistent" with the subjects under discussion between management and Gwusa representatives during the last five months

He rejected the comments of the committee as "unfounded". Last December the company had promised to give preference to ex-employees in engaging new staff but refused to dismiss existing staff.

Mr Gutsche also emphasised that the company had at no time refused to recognise a union. It would recognise any union that was "fully representative of employees"

The committee's statement said that for a five-day, nine-hour shift, workers received an average of R35 a week. Those working on truck deliveries worked 10-hour shifts six days a week and received R42

There was "no communication on time regarding overtime". Transport was not provided for workers doing late overtime shifts, overalls had to be bought from the company for R10, pregnant women were dismissed and there were no canteen or shower facilities

Mr Gutsche said the firm was a "seasonal industry" and with the annual downturn now being experienced, it was in the process of reducing its staff.

The committee said that to "buy SA Bottling products is to give credit to that company and say their actions are justified".

End of dry season is nigh!

8/4/82 Sowetan (182)

TOWNSHIP guzzlers who have had to endure a "dry" weekend because of the strike at South African Breweries can relax. Beer will be available once more this weekend, according to SAB's Beer Division General Manager, Mr Peter Lloyd

Most township outlets ran dry at the weekend and beer preferences took a plunge as only one brand — not the guzzlers favourite — was available

The beer shortage which has cost distributors like the Wrab thousands of rands was caused by a strike by 450 employees at SAB But yesterday they were all back at work and production was back to normal according to SAB

The strike at SAB plants was over higher wages but according to SAB negotiations were under way

A spokesman for Wrab Mr Steve Burger said he could not disclose the exact amount Wrab lost through lost sales but admitted it could be thousands

It goes over thousands he said yesterday He added We have been experiencing a tremendous shortage of all lager beers Over the past 14 days we have had sporadic supplies which did not meet the demand by our customers he said

And a Soweto bootlegger lamented We are running around looking for malt beer We are having serious problems bottle stores are empty She said people were risking a confrontation with the Liquor Squad by rushing into town to get supplies We have been hardhit and forced to waste petrol by travelling to far away areas in order to get beer Town outlets were beginning to run out themselves

Mr Lloyd of SAB added We have a grievance procedure which the workers had to follow and we could not negotiate while they were out They then decided to come back to work and then the negotiations on their demands could start They are demanding higher wages but these are only short term problems

Don't miss The SOWETAN

AS tomorrow is a public holiday, Good Friday, there will be no SOWETAN. Neither will there be a SOWETAN on Monday, Easter Monday.

However, for comprehensive wrap-up of the weekend's sporting and other events, don't miss The SOWETAN on Tuesday when we will be back with a bang

CAPE TIMES 8/4/82

Reef short of beer since strike at SAB

182

Own Correspondent

JOHANNESBURG — Liquor stores across the Reef are running out of beer on the eve of the Easter weekend because of a five-day strike which hit South African Breweries last week

The liquor chains yesterday complained that not all of their beer-orders had been delivered

Soweto shebeens have almost fallen flat in the wake of the massive shortage, and Johannesburg sports clubs were perturbed over the stocks in their bars

The general-manager of South African Breweries' beer division, Mr Peter Lloyd, yesterday expressed concern at the shortage

Alberton plant

Last month, 450 workers went on a five-day strike at SAB's Alberton plant demanding higher pay A report at the time stated workers were angered by SAB's sponsorship of the recent English XI cricket tour, claiming that the company "has money to spend on cricket, while our wages are low".

But Mr Lloyd denied again yesterday that this had been a factor in the strike

The plant produces 40 percent of the beer on the Reef

Last Wednesday, the workers returned, he said, adding that now the breweries were battling to fight off the backlog in the brewing industry

"We are working flat out But it will be difficult to meet the big Easter rush Beer stacks are very low We are concerned over catching up with the shortage, and hope to do so soon," he said

A random survey yesterday showed at least twenty bottle stores were desperate over the shortage

'Pretty bad'

"It is a critical situation My beer stocks are looking pretty bad," said the manager of a Johannesburg bottle store, who asked not to be named He said that he had had to turn away many disgruntled consumers who demanded a particular brand

The owner of a big liquor chain store, who also did not want to be named, said only 70 percent of his normal order had been delivered

Another liquor chain owner said SAB had run into trouble as it carried the monopoly in the industry He explained that the breweries' trouble started with the big demand for beer by the public

● Management at SA Breweries is to meet Cusa's Food and Beverage Workers Union today over a simmering recognition dispute at the company's Chamdor beer plant

(182)

It's a rum outlook for ale drinkers

Star 8/4/82

By Caroline Braun, Consumer Reporter

A beer shortage has hit the Transvaal and Free State, and supplies will not improve until after the Easter weekend

Mr Peter Lloyd, head of the beer division of South African Breweries, said stocks are down about 25 percent following a five-day strike last week at the Alrode brewery in Alberton

Alrode supplies 40 percent of the beer for the Reef

Mr Lloyd said retailers throughout the Transvaal and Free State had had to be rationed to some extent

"We are very concerned about the situation, and are working flat out to bring supplies back to normal next week.

"Unfortunately, stocks will be low for the Easter weekend Hopefully, if consumers shop around, they should find enough beer for their weekend thirst," Mr Lloyd said

Soweto shebeens have been badly affected by the beer shortage

Mr Ray Mollison secretary of the National Taverners' Association said most of the local bottlestores in Soweto had no beer, and runners had had to go as far as Krugersdorp to find stocks

"Business in shebeens has fallen flat as beer is the most popular drink

"Shebeen owners are going to be badly hit this weekend as they will not be able to serve all their customers with beer," he said.

Softly on drinks

Consumer Reporter

Soft drinks could be in short supply if there is a high demand for them this weekend

A spokesman for the South African Federation of Soft Drink Manufacturers said some manufacturers were still being affected by the carbon dioxide shortage and were unable to build up a stockpile of soft drinks

"There are supplies to meet present needs but if there is a sudden upsurge in demand over the weekend some outlets could have a temporary shortage," the spokesman said

Von Lières A-G

Own Correspondent

Mr Klaus Peter G

ferred to the office of the Attorney G

Gordon Mulholland

TV actor seeks role — as PFP candidate

Chief Reporter

Mine manager Hylton McCrae and public relations executive Warren Bartlett have joined the Progressive Federal Party.

Actually it is actor Gordon Mulholland, who played the roles of the two men in the SABC-TV serials "The Villagers" and "Westgate," who has joined the PFP.

Mr Mulholland said he had voted for the National Party out of habit in the past "because I saw no way of getting them out of power"

But now he has realised that the PFP policy is the right one for South Africa

"Its policy is 100 percent right," he said, adding that party leader Dr Frederik van Zyl Slabbert was a "dynamic character"

"The PFP should knock on a few doors and get to the public," he said

"What the party needs is a few more Slabberts"

Mr Mulholland said he would be available to stand as a PFP

the right leg

FBW UNION MEETS SAB

182

THE 8 000-strong Food and Beverage Workers' Union is to meet with the SAB management to discuss several issues, including recognition agreement, at Chamdor near Krugersdorp today

The union's spokesman, Mr Paul Ntuli, said the meeting was scheduled for the Sunnyside Hotel in Johannesburg, but union members rejected the venue.

Star 8/4/82

Beer crisis hits Reef

182

RDM 8/4/82

By CHERYL VAN EYSSEN

BOTTLE stores in Johannesburg and across the Reef are running out of beer on the eve of the Easter weekend because of a five-day strike which hit South African Breweries last week

It seems the big thirst is on

Liquor store managers and innkeepers have complained that only 70% of their beer orders have been filled

Soweto's shebeens have almost fallen flat in the wake of the massive shortage

Johannesburg sports clubs were reported to be "perturbed"

Yesterday Mr Peter Lloyd, a general manager of South African Breweries described the shortage as a "problem"

Last month 450 workers demanding higher pay went on a five-day strike at SAB's Alberton plant

A report at the time said workers were angered by SAB's sponsorship of the recent English XI cricket tour, claiming that the company "has money to spend on cricket, while our wages are low"

Mr Lloyd denied again yesterday that this had been a cause of the strike

The Alberton plant produces 40% of the Reef's beer

The workers returned to work on Wednesday last week

A random survey showed yesterday that at least 20 bottle stores were desperate for beer

"It is a critical situation My beer stocks are looking pretty bad," the manager of a Johannesburg bottle store said He added that he had had to turn away many disgruntled beer consumers who demanded a particular brand

The owner of a big liquor chain store said only 70% of his normal order was delivered

Another liquor giant owner said SAB had run into trouble as it carried the monopoly in the industry

He said that SAB's trouble started with a higher demand for beer

● See Page 3

SAB to talk to union on dispute

Labour Reporter

MANAGEMENT at SA Breweries is to meet officials from the Council of Union's of South Africa's Food and Beverage Workers Union today, over a recognition dispute at the company's Chamdor beer plant.

The union says SAB will not recognise it at the plant, although it represents most workers there It says SAB has said it will recognise a union only if it has majority support in all six southern Transvaal plants

It describes this as a "violation of freedom of association" and claims a union should be recognised at any plant where it has a majority

An SAB representative, Mr Dirk Visser, said yesterday the company would recognise no union until it had substantial representation throughout the southern Transvaal plants

"They are all interlinked and we believe it is reasonable to demand that a union be representative in all of them," he said

A union organiser, Mr Paul Ntuli, said the dispute had arisen after Chamdor workers disbanded their liaison committee and elected an action committee of union shop stewards

Management had given the union access to the plant after some hours but had refused it recognition because it was not representative in other plants

"This means workers are without the representation of their choice," he said

Workers had asked for a meeting with SAB, who had replied with an offer to meet union officials at a local hotel. SAB had refused to allow members of the action committee to attend because the union was not recognised

"But workers demand that the committee be there and that the meeting take place at Chamdor," Mr Ntuli said

Mr Visser denied SAB had refused to allow committee men to attend "We have discussed this with the union and will meet a delegation including action committee members," he said

He also denied the union was unable to take up grievances because of management refusal to recognise it

He said SAB was always ready to talk to unions — "we simply feel that representativeness is vital before a union is recognised"

WINE SALES (182)

Run on bubbly

FM 23 4 82

Sales of sparkling wine have added some glitter to the otherwise lacklustre performance of the wine industry They rose from 3,525 ml in 1980 to 4,260 ml in 1981 — an increase of 21% Sales by value at retail prices reached R19m in 1981

Consumption has risen dramatically in restaurants, at functions, business promotions and at home Bubbly, it is said, is being drunk increasingly as an aperitif and in cocktails

Wine marketers believe one of the main reasons for sparkling wine's graduating from solely a celebration tipple is the increase in travel among South Africans This has increased exposure to European use of champagne

Another, says an Oude Meester (OM) boffin, is the promotion by local wine companies. "OM has kept sparkling wine in the public eye For example, our 1981 spring campaign for Fleur du Cap We are also involved with a number of in-store promotions and we try to encourage champagne breakfasts"

OM claims that sparkling Fleur du Cap Premier Grand Cru sales grew 30% in the year to February 1982 Semi-sweets, however, still account for a major part of sparkling sales

OM credits the Transvaal with 50,7% of its sparkling wine sales, the western Cape 17,3% and Natal 15,7%

Consumption by blacks has also risen OM says in 1977, 6,3% of its sales were in the black market against 8,6% in 1981 Here XVII sparkling wine is the brand leader in Soweto, with a 75% market share despite its premium price, says OM

Stellenbosch Farmers' Winery (SFW) claims that another factor in the sparkling wine sales rise is the advent of the 250 ml pack which now has around 4% of the market

"SA consumers acquire the taste and then graduate to the 750 ml pack," says SFW marketing manager Richard Cleal "Sparkling wine is now becoming more acceptable in non-traditional areas and is selling well ahead of natural wine"

Sales, he says, are primarily in semi-sweets, which make up around two thirds of the market

Cleal says that as SFW's policy is to punt the winners, it is putting a lot of effort behind sparkling wine sales Star performer is still SFW's Grand Mousseux which dominates the market with almost half the total sparkling wine sales

Gilbey's follows with its Cinzano Spumante and OM with Here XVII Nederberg Cuvee and Cold Duck are strong challengers and there have also been a number of new entrants in the market from Delheim, Bellingham and Gilbey's

Sparkling wine make up around 2% of total SA wine sales In the US 7% of the wine market goes to sparkling and 11% in Australia

Imported sparkling wines and champagne, which hold 1,2% of the market, are also becoming more popular with the SA consumer, say retailers Sales growth is well ahead of growth in natural local wine sales

This seems to be in line with international trends According to Champagne Ruinart Pere (CRP) MD Bertrand Mure, international sparkling wine sales are growing at around 15% a year This trend is increasing as countries in which champagne has not been traditionally popular, move into bubbly

Mure claims that even the Russians are hiking sparkling wine production substantially He says Soviets intend increasing production from 160m bottles to 500m in the next 10 years Apparently this drive is motivated by the desire to shift consumption from the more potent vodka

CRP already operates bubbly plants in Argentina, Brazil and the US It is now examining the idea of a similar facility in SA

SA Bottling say boycott is having no noticeable effect

Post Reporter

THERE has been no noticeable effect of a call for its products to be boycotted according to the managing director of SA Bottling Mr M D Gutsche

The boycott call was made by the General Workers Union of SA (Gwusa) The National African Federated Chamber of Commerce (Nafcoc) has decided its members should use up present cooldrink stocks before deciding on further action

Gwusa mounted a boycott on May 1 after the company s refusal to rehire 250 workers dismissed after a strike last year

Grievances included low wages, poor working conditions and a refusal to recognise Gwusa

Mr Gutsche said today that the firm had "not noticed any effect of the boycott yet'

The owner of Kwa-Radebe General Dealers in Kwazakele, Mr E Z Kabane said an unidentified group of men had ordered his employees to remove all SA Bottling products from fridges on Sunday

'Nafcoc s policy is not to use the boycott weapon, but it is impossible to swim against the tide of public opinion," Mr Kabane said

Since the beginning of the boycott he had only sold about 10 bottles of SA Bottling products a day He had been ordering "hundreds of cases a week" before, he said

Another trader, Mr C Makwela, of Cab Supermarket in Zwide, said he still stocked SA Bottling products

He said the Port Elizabeth branch of Nafcoc this week decided traders should use up their stocks and then meet to decide on a course of action

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Trunk & Box

Textiles, Clothing, Leather and Footwear

African Garment Workers Union (Natal)
African Leather Workers Union (Transvaal)
African Trunk & Box Workers Union
Black Allied Workers Union
Garment Workers Industrial Union (Natal)
Garment Workers Union of South Africa
Garment Workers Union (Western Province)
General Workers Union
General Workers Union of South Africa
National Union of Clothing Workers
National Union of Leather Workers
National Union of Textile Workers
South African Allied Workers Union (SAAWU)
S.A. Canvas & Ropeworkers Union
S.A. Canvas & Ropeworkers Union (Cape)
Tailoring Workers, Dressmaking & Furriers Industrial Union
Tanning, Footwear and Allied Workers Union
Textile Workers Industrial Union
Textile Workers Union (Transvaal)
Transvaal Leather and Allied Trades Industrial Union

Tobacco

African Tobacco Workers Union
National Union of Cigarette & Tobacco Workers
Rustenburg Tabakwerkersvereniging

xxxv

Sweet Workers Industrial Union (Natal)
Sweet Workers Union
Sugar Industry Employees Union
South African Allied Workers Union (SAAWU)
S.A. Boilermakers, Iron & Steelworkers, Shipbuilders and Welders
S.A. Electrical Workers Association
Western Province Sweet Workers Union
Witwatersrand Baking & Confectionery Industrial Union
Witwatersrand Brewing Employees Union

JEWELLERS AND GOLDSMITHS UNION

Year	Afric	ship		
		White	Total	
1970				
1971				
1972				
1973		320	418	*
1974		294	322	*
1975		305	331	*
1976		201	222	*
1977		347	377	*
1978			..	
1979			445	$
1980			460	Fosatu Annua Report 1980/81

Address: 201/4 City Corporatic Cape Town 8001

Telephone: (021) 433658

Officials: Secretar

Area of Operation:

Founded: 1939

Registration: Yes

1974 affiliated to TU ... ed by 1977/78 and with other unions formed F

Gwusa gets world support

Own Correspondent

GENEVA — The General Workers Union of South Africa has won international backing in its dispute with the South African Bottling Company of Port Elizabeth the Coca-Cola franchise holder

Gwusa has launched a nationwide boycott of Coca-Cola products with the support of the Geneva-based International Union of Food and Allied Workers Associations (IUF) which groups 175 unions with nearly 2-million members in 61 countries

The dispute began in October when 220 Gwusa members went on strike over poor working conditions and lack of recognition for their union

A spokeswomen for IUF yesterday did not rule out the possibility of an international boycott against Coca-Cola products

The IUF helped Gwusa gain recognition at the Rowntree Mackintosh factory

● Leading British trade unionists demonstrated outside the South African Embassy demanding the release and dropping of charges against the president of the South African Allied Workers Union (Saawu), Mr Thozamile Gqweta Saawu vice-president Mr Sisa Njikelana and Saawu member Mr Sam Kikine

The three were charged on May 5 in terms of the Terrorism Act

● In York, anti-apartheid demonstrators urged shareholders arriving for the AGM of Rowntree Mackintosh to consider carefully the company's operations in South Africa

CAPE TIMES 12/5/82

JEWELLERS AND GOLDSMITHS UNION

Year	Membership				
	African	Asian and Coloured	White	Total	
1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		[illegible]	305	331	x
1976			201	222	x
1977			347	377	x
1978				..	
1979				445	$
1980				460	Fosatu Annual Report 1980/81

Address: 201/4 City C[illegible]
Corporation [illegible]
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary:

Area of Operation: Wes[illegible]

Founded: 1939

Registration: Yes

1974 affiliated to TUC [illegible] iliated by 1977/78 and with other unions formed FC[illegible]

Boycotts Coke

THE Transvaal branch of the General Workers Union of South Africa (Gwusa), will launch their official boycott of Coco-Cola products at a meeting scheduled to be held at the Mamelodi Community Centre on Wednesday May 19 (1982)

Gwusa's Transvaal Secretary Mr Donsie Khumalo yesterday said the boycott elected on May 1 in the Eastern Cape followed the company's refusal to recognise the union and the dismissal of 250 workers at the South African Bottling Company in Port Elizabeth last October

At the meeting scheduled to start at 6 pm a boycott committee will be elected to gain support from local traders and members of the public. He said Mr Khumalo who stressed that anyone who wishes to join in the boycott can do so.

● R3 000-m GIANT POISED FOR OVERSEAS EXPANSION

SAB in offshore thrust

S. Times 16/5/82 (182)

By ANDREW McNULTY

SOUTH African Breweries seems poised for a major offensive overseas. With growth in the South African economy braking almost to a standstill, offshore ventures look like the next logical avenues for growth by the R3 000-million group.

This was the conclusion reached by Business Times after an interview with SAB managing director Dick Goss.

Mr Goss confirms that if "unique situations" occur overseas and such situations present appropriate new growth avenues for its beverage and hotel devisions, SAB would be a willing investor.

Geographic diversification overseas could become almost unavoidable

Mr Goss says the group has a well-established philosophy of remaining based in mass-market consumer goods

In South Africa it is strongly represented in beer, wine and soft drinks, retailing and food (OK Bazaars), hotels (Southern Suns), furniture manufacturing (Afcol), furniture retailing (Amrel), footwear (Cuthberts, Barnes and Select-a-Shoe) and clothing (with the recent acquisitions of Scotts and the giant Edcon group)

After a trail of takeovers and mergers in the past few years, these areas are now largely carved up between the giants SAB, Coki and Kirsh Industries, Pick n' Pay

If the proposed offshore ventures come to fruition, they would clearly have to be of a type and size to have a meaningful impact on SAB's prospects

As such, they could involve investments amounting to millions of rands

In the local market, with the acquisition of Scotts and Edcon to be digested, the group's strategy — "unless any unique opportunities" arise — will be to return to a phase of following organic growth of its business

"We see no point in acquiring more companies for the sake of bigness Instead we are going to rely on the fact that we have a good base with tremendous growth opportunities," Mr Goss commented after announcing results for the year to March 31 1982, which included

- Turnover up by 28,7% to R3 057-million
- Attributable earnings up by 38,3% to R167-million
- Earnings per share up by 38,3% to 75,1c
- The final divided is 24c for a total of 34c, up 25,9% on last year's dividend of 27c

With the economy entering a stage of little or no real growth, SAB's earnings per share are forecast to rise at a more modest rate in 1982

A big factor in the 38%

● To page 3

SAB in offshore thrust

16/5/82 S. Times

● From Page 1

growth in turnover — well ahead of the estimated private consumption expenditure growth of 20% last year — was the performance of the beer interests, whose sales volume rose by 21%

But Mr Goss points out that last year's beer sales growth was well down on the 30% achieved the previous year, and could fall significantly, possibly by as much as half — to about 10% — this year

"We couldn't complain about that because it would give us a breathing space

"We have been under a lot of pressure to supply the market and have been barely succeeding"

Commenting on the general outlook, however, Mr Goss says that he has not yet seen the more pessimistic growth levels that had earlier been expected to emerge by now in consumer fields, other than in durables, which are showing negative real growth.

"I find the market very difficult to predict right now

"In some of our business we are doing better than expected, and if the economic commentators are to be believed then we are due for a very sudden downturn."

SAB is expecting to outperform average economic growth levels because all its activities except hotels are pitched at mass markets aimed at lower-to-middle-income spenders.

This group is expanding with the growth of black spending power, fuelled by efforts to close the wage gap, by the greater muscle of trade unions and by the movement of blacks into better-paid positions

Mr Goss adds that consumer spending generally could be fuelled by pay rises, many of which may still be awarded at levels of about 15%

1970					
1971					
1972					
1973		98	320	418	x
1974		28	294	322	x
1975		26	305	331	x
1976		21	201	222	x
1977		30	347	377	x
1978				..	
1979				445	$
1980				460	Fosatu Annual Report 1980/81

Address: 201/4 City Centre
Corporation Street
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary: A.Frazer

Area of Operation: Western Cape

Founded: 1939

Registration: Yes

1974 affiliated to TUCSA and had disaffiliated by 1977/78 and with other unions formed FOSATU in 1979

Four unionists say they were quizzed

182 E. Post 18/5/82

By JIMMY MATYU

FOUR members of the Motor Assembly and Components Workers' Union claim they were questioned by the security police on Saturday and later released, according to the union's organising secretary, Mr Government Zini

They are Mr Wellington Mtsi, Mr Eric Nzube, Mr Norman Seya and Mr Stanley Ntsini, who were allegedly picked up by uniformed police on Saturday while distributing handbills on the boycott of SA Bottling Company products

"They told me they were warned not to continue with the boycott," said Mr Zini, who described the incident as "needless interference"

Mr Zini said the police confiscated pamphlets found in the possession of the men

Colonel Gerrit Erasmus, head of the security police in the Eastern Cape, said today he was unaware of the incident

"I was here on Saturday morning and I know nothing about this The uniformed police might have taken a few of these pamphlets If they have not been returned to the people I am sure they will be given back to them," he said

Mr Zini said Macwusa had been in touch with the American black activist, the Rev Jesse Jackson, and the International Union of Food and Allied Workers Associations in Geneva, asking them to take up SA Bottling's refusal to reinstate 260 workers with the Coca Cola company in America It was now awaiting a response

Questioning of 4 Gwusa men denied by police

E. Post 19/5/82

Post Reporter

THE head of the security police in the Eastern Cape, Lt-Col Gerrit Erasmus, today denied an allegation that members of his staff yesterday questioned four members of the General Workers' Union of SA (Gwusa)

The organising secretary of Gwusa's sister union, the Motor Assembly and Component Workers' Union of SA (Macwusa), Mr Government Zini, said the men had been picked up by security police while fetching pamphlets.

The pamphlets concerned a boycott of SA Bottling products after a dispute when 250 workers were paid off last year

Mr Zini said a signed note he had given to the men — Mr Wellington Mtsi, Mr Eric Nzube, Mr Norman Seya and Mr Stanley Ntsini — was confiscated by police

Col Erasmus said he and members of his staff knew nothing of the incident

LIQUOR 2 FM 4/6/82

Courting Soweto

(182) (288)

Last month's shebeen conference has turned the spotlight on the black liquor market — and sent liquor competitors scurrying to total up their share of tots

The scramble for the black consumer's rand was intensified when shebeens heard the first tangible news last week that legalisation was on the way Shebeeners who had applied for rezoning of their residential premises (a requirement if they are to obtain liquor rights) had notice boards posted outside their premises to say that rezoning was in process

As shebeens are still technically illegal operations, it is not possible to give official figures of total market value or brand market share

However, Wrab records sales in Greater Soweto through its outlets, and claims to have notched up sales of around R50 m in the past year This is an increase of 28% on the previous 12 months

Beer accounts for around 75% of Wrab's turnover by value and just over 90% by volume The rest is held largely by spirits with wine tagging behind but growing steadily

Estimates of the amount of liquor sold to shebeeners through Wrab as a percentage of their total businesses vary Insiders claim that shebeeners prefer to buy from white retailers; both because prices are lower and because in many cases they are offered credit Numbers are again difficult to obtain, but runners say they purchase less than 30% of their total stocks through Wrab outlets

The authorities do not concur They claim that it is closer to half

If shebeeners and the liquor trade are correct, almost R300 m worth of booze is sold in Soweto and around R600 m through shebeens countrywide

The total liquor profile of the black market is in line with Wrab's experience but with less emphasis on beer According to FM sources, over 60% of sales by value go to beer against close on 80% by volume Market leaders are Castle, followed by Lion and Carling Amstel is also a good seller in the upmarket shebeens, while spirits account for around 15% and wine 5% of the total

SFW dominates in wine and spirits with sales of its Old Buck Gin, Mainstay Cane, Martell VO and Autumn Harvest crackling riding high in the popularity stakes Its market share is estimated to be at least 60%

SFW is followed by Distillers, which does well with its Viceroy Brandy and Here XVII, and Gilbey's with Smirnoff Vodka and Gilbey's Gin A small part of the market is in the hands of Union Wine

Companies are now clamouring for a bigger share of the growing market and are finding ways of getting closer to taverners, especially as they expect even better growth once the industry is normalised Legalisation should mean a cut in prices of around 20% which, in turn, should increase consumption significantly

The first National Tavern Association was sponsored by SFW, SAB, Castle Wine, Distillers, Gilbeys, Metal Box, Union Wine and United Tobacco

Union Wine (UW), which has lagged in the race for black custom is picking up speed and has recently been marketing more vigorously Among its PR successes was the organisation of a meeting between shebeeners and Minister of Police Louis le Grange last month

Competition Board: inquiry into liquor trade

*4 Mr D J N MALCOMESS asked the Minister of Industries Commerce and Tourism

Hansard 182 B.Col 1009 - 1010

(1) Whether the Competition Board is conducting an inquiry into the liquor industry, if so when is the inquiry expected to be completed,

(2) whether the report of such inquiry will be laid upon the Table, if not why not, if so, when?

†The DEPUTY MINISTER OF INDUSTRIES COMMERCE AND TOURISM

(1) Yes, the inquiry has already been completed

(2) Yes, today

Star 9/6/82 (182)

Board recommends drastic changes in liquor industry

Political Staff

THE ASSEMBLY — The Competitions Board has come out strongly against restrictive practices in the supply and distribution of liquor and has recommended drastic changes

The recommendations are largely aimed at undoing the restructuring of the liquor industry in 1979

In terms of a rationalisation at the time SA Breweries had to divest itself of its interest in Stellenbosch Farmers Winery

A new company Cape Wine, was formed SFW and Rembrandt obtained stakes in the company and KWV secured 50 percent in the holding company of this group

SA Breweries took over the Rembrandt beer interests

The board says that although this could be seen as creating monopolistic conditions it would not now be in the public interest to try to undo this arrangement

The report, tabled in the Assembly today recommends that the restrictive practice created by the creation of Cape Wine should be ended within a reasonable time and that the affiliation of the Oude Meester Group of Rembrandt and SFW, as well as the KWV's 50 percent share in the

To Page 3, Col 8

Liquor changes urged

9/6/82 (182) Star

Sowetan

holding company, should be ended

The report also comes out against a large beer manufacturer having an interest in other liquor fields and vice versa

It wants to end interests in retail selling organisations by liquor producers and vice versa

It also wants a freer retail distribution system for liquor and the scrapping of a Cabinet decision that no person or concern can own more than five bottle stores

Any complaints about undesirable power groupings at retail level must be referred to the board

It is recommended that the exclusive right of administration boards to make sorghum beer and to sell liquor in black urban townships be ended

In a statement the Minister of Industries, Commerce and Tourism, Dr de Villiers, said the recommendation on bottle store restrictions be scrapped would be accepted at a later stage in the case of concerns or persons with no interest in the wholesale trade

Move to break wine monopoly

Political Staff

THE Competitions Board has recommended termination of restrictive practices which resulted in a massive upheaval in the wine industry when Cape Wine was formed in 1979

Lashing out at monopolies in the manufacture and marketing of alcoholic beverages, the board said that while South African Breweries 100 percent holding in beer manufacture was a restriction on competition, little could be done to re-establish the slight degree of competition which existed before SAB took over Intercontinental Breweries in 1979

The government has accepted one recommendation, as an interim measure, abolishing the existing bar on ownership or control of more than five retail liquor outlets

The relaxation will not apply to those with interests in the wholesale trade until the government has considered the other recommendations

Double standards

One member of the board, Mr A J Marais, refused to support their final recommendations, saying that the question would be asked why double standards were being applied through different approaches to the wine and beer industries

In a minority report Mr Marais said that while no action was recommended to break the monopoly in the beer industry where SAB had a 100 percent holding Cape Wine's 85 percent holding in the wine industry had led the board to assume that the company would abuse its power

The board's recommendations to the government are apparently aimed at breaking the stranglehold achieved in the 1979 takeovers in the liquor industry SAB had to give up its interests in Stellenbosch Farmers Winery (SFW) and Cape Wine was formed with SFW and Rembrandt as affiliated partners

The board recommends that the restrictive practices resulting from the birth of Cape Wine should be terminated within a reasonable period

It also recommends that the merger between the Oudemeester group and SFW as affiliates of the holding company Cape Wine and Distillers Ltd, should be terminated

In his minority recommendations Mr Marais said the government should accept that two monopolistic situations existed — in the beer and wine industries

● The board's call for a more realistic and simplified system of liquor licensing was welcomed last night by the KWV wine farmers' co-operative

In a statement KWV said it was strongly opposed, however, to extension of grocers' licences to other alcoholic beverages such as beer

"The justification for the distribution of wine through grocers lies mainly in the strong connection between wine and food which no other alcoholic beverage can claim the statement said

The co-operative also supported the board's confirmation of the Cabinet decision of 1979 that there should be an "absolute separation" between the wholesale and retail trade

However, it pointed out that to separate these two sectors without placing some form of restraint on the number of outlets in the hands of one party could be self defeating as a new power concentration at retail level could give rise to the "same and more severe malpractices" which the board would wish to eliminate

The recommendation that Cape Wine be dissolved was rejected as "extreme"

KWV noted that in the case of SAB the board "obviously accepts a 100 percent monopoly, but in the case of the wine and spirit industry a 75 percent market share would appear to be sufficient to recommend dissolvement"

Big opposition to liquor trade switch

Star 10/6/82 (182)

By Pieter de Vos

Strong protest mounted today against the call by the Competition Board for sweeping changes in the liquor industry.

Mr Ernest Uken, executive director of the Federated Hotel Associations, said that half of the small one and two-star hotels could close if the Government accepted the recommendations. The KWV said that the report applied double standards.

The board's 78-page report into the supply and distribution of alcoholic beverages would largely undo the restructuring of the industry in 1979.

SA Breweries and Cape Wine & Distillers would not comment at this stage.

The monopoly in the wine-and-beer industries should be broken up, the report said.

The board found that

- SA Breweries 30 percent shareholding in Cape Wine & Distillers was "not justifiable in the public interest"
- The KWV should sell its interest in Cape Wine & Distillers.
- Steps had to be taken to end Cape Wine's shared control over the Oude Meester group and Stellenbosch Farmers' Wineries.
- The interests in the wine-and-beer industries should be divorced from one another.
- The administration boards should no longer have the sole rights to sell sorghum beer and distribute alcoholic beverages in black townships
- The decision that no person or controlling body may own more than five retail liquor outlets should be reversed
- Grocers' licences should also permit the sale of light alcholic beverages other than wine, such as beer.

CONNECTION

The KWV said it would be "a total blunder to maintain that the wine growers' limited participation in the marketing of their own products was not in the public interest while there was a much bigger participation in the case of other agricultural industries"

The KWV was strongly opposed to the extension of grocers' licences to other alcoholic beverages such as beer, reports Sapa.

Justification for the distribution of wine through grocers lay mainly in the strong connection between wine and food, which no other alcoholic beverage could claim, the KWV said

The Competition Board's confirmation of a 1979 Cabinet decision that there should be an absolute separation between the wholesale and retail trade accorded with principles that the KWV and others had put forward for many years, the KWV statement said

However, to separate the two sectors without placing some form of restraint on the number of outlets in the hands of one party could be self-defeating

MALPRACTICES

A new power concentration at retail level could give rise to more severe malpractices than those the board wanted to eliminate

The KWV rejected as "extreme" the recommendation that Cape Wine and Distillers should be dissolved and noted that the company came into being after being approved by the Cabinet.

"It is very clear that, as stated in the minority report, double standards were applied here," the statement commented

"In the case of SA Breweries the board obviously accepts a 100 percent monopoly, but in the case of the wine and spirits industry a 75 percent market share would appear to be sufficient to recommend dissolution."

Board calls for curb on liquor trade monopolies

(182) RDM 10/6/82

By GERALD REILLY

SWEEPING recommendations aimed at breaking monopolies and "undesirable practices" in South Africa's lucrative liquor industry have been made to the Government by the Competitions Board.

Among them is one which would end the monopoly of the administration boards manufacturing sorghum beer, and distributing and selling liquor in black urban townships

Another is that the restrictive licensing of liquor retailers be scrapped, to permit any person who complied with certain standards to apply for a licence

Some of the recommendations are directed at breaking ties between manufacturers and retailers, and the complete separation of beer interests and wine and spirit interests

No supplier of liquor, the board says, should have any direct or indirect interest in the retail selling of its own products

Referring to South African Breweries, the board said it found that the SAB acquisition of Intercontinental Breweries in 1979 was a restriction on competition in the beer industry "about which little can be done at this stage"

Other recommendations were

- That no dominant manufacturer or supplier of malt beer should be able to acquire any interest in the manufacture and supply and distribution of other liquors,
- That the Cape Wine Distillers take steps to terminate the amalgamation of Oudemeester and Stellenbosch Farmers Wineries,
- That the CWD terminates the KWV investment of 50% interest in the CWD controlling company

The board found that the position that existed before 1979, in which the SAB had a controlling interest in one of the largest wine and spirits producers and wholesalers — Stellenbosch Farmers Winery — was not in the public interest

The board could not find justification either for the SAB 30% share-holding in Cape Wine Distillers

All forms of financial interests by suppliers of liquor in retail outlets was undesirable, the board found.

In a statement last night the Minister of Industries and Commerce, Dr Dawie de Villiers, said the Government would consider the board's recommendations

In a background to its report, the board says that at the beginning of 1979 there were three giants in the industry — SAB with its affiliate, SFW, the Rembrandt Group with its affiliate Oudemeester, including Western Province Cellars, and Intercontinental Breweries and the KWV

Early in 1979 a fullscale beer price war broke out between SAB and ICB Slashed beer prices resulted in a decline in wine consumption which disturbed KWV The issue was then taken to the Government

In November 1979 the Cabinet approved a restructuring in the industry which entailed

- Rembrandt selling ICB to SAB,
- Rembrandt and SAB selling their wine and spirits interests to a new company, Cape Wine Distillers

Cape Wine in jeopardy over liquor moves

Star (182) 11/6/82

Pieter de Vos

The implementation of the changes to the liquor industry proposed by the Competition Board could create serious problems not only for Cape Wine — which would disappear in its present form — but also for beer giant SA Breweries.

Cape Wine joined KWV today in the attack on the proposals, though SA Breweries is still holding fire to study the full implications of the report tabled in Parliament by Dr Dawie de Villiers, Minister of Commerce and Industries, this week

NEGOTIATIONS

The Government has not yet indicated whether the recommendations would be accepted, but negotiations seem set to start soon

In its statement today, Cape Wine said that implementation of the proposals would do serious harm to the wine industry.

"It is difficult to understand why SA Breweries should be allowed to keep 100 percent of the beer market while Cape Wine, with its interest of 75 percent in the wine and spirits market, should be dissolved in two companies," Cape Wine said.

ENDORSED

The comment by KWV, initially sounded in Mr A J Marais's dissenting minority report that double standards have been applied, is endorsed by Cape Wine

The economy of the Western Cape would also suffer serious damage if beer, like wine, could be sold by supermarkets

SA Breweries might like to support this recommendation, though it could create a serious problem for the group

Through its interest in OK Bazaars, it could become a retailer of its own products This would put the group in direct conflict with one of the basic premises that wholesale and retail interests should be kept separate.

Should OK Bazaars not be allowed to sell beer, it would be at a disadvantage against its competitors Checkers and Pick 'n Pay.

Cape Wine largely followed the line taken by KWV in its first Press statement

The proposal that one person or controlling group should be allowed to own more than five retail outlets was surprising, Cape Wine said

SEPARATION

A free retailing system not as important if not more important than a free production system.

In support of this trend KWV and Rembrandt had for many years called for the separation of wholesale and retail interests. The Government policy on the liquor industry had so far produced fair results and largely eliminated practices which restricted competition.

MAINTAINED

Cape Wine would propose to Government that it maintained its current policy

It could be systematically expanded by implementing constructive proposals by the Competition Board at the right time and right place, Cape Wine said.

LIQUOR AGREEMENT (182) (~~245~~) FM 11/6/82

Heading for a bust-up

Industries Minister Dawie de Villiers faces the toughest test of his political career

In the face of powerful opposition from the wine lobby, he must decide whether or not to heed the recommendations of the Competition Board that he should terminate the 1979 arrangement whereby

- SA's largest wine and spirit houses, SFW and Oude Meester, became the operating subsidiaries of Cape Wine and Distillers (CWD),
- KWV, which controls the production of wine, obtained a 50% stake in CWD through KWV Beleggings Pty, and
- SAB obtained a 30% interest in CWD in return for relinquishing its wholly-owned wine house, SFW

The Competition Board's report, tabled in Parliament this week, is highly critical of the agreement in November 1979 which, with Cabinet approval, brought about the present structure in the liquor industry

The Board says the agreement is restrictive and, because it limits competition, cannot be in the public interest Only one of the eight board members, Albert Marais, dissented and issued a minority report

De Villiers' initial response to the report and its far-reaching recommendations is understandably cautious He says certain recommendations require further study by government But he has accepted an important recommendation relating to a 1979 restriction on the acquisition of retail liquor stores by people unconnected with the manufacture of liquor The provision limiting ownership of bottle stores to five has been terminated on the grounds that there is nothing wrong with horizontal integration of outlets

To give effect to the Board's recommendations to unscramble parts of the 1979 agreement, which would result in the winding up of CWD, will require iron nerve Yet the Board's condemnation of the existing structure of the wine and spirit industry is so clear and unambiguous that failure to act in the public interest would be seen as a serious reflection on the integrity and the competence of the Board

The Board says the arrangement whereby SAB acquired the former Remgro brewer, ICB, amounts to a restriction on competition, but adds that little can be done to restore the small measure of competition that did exist in the beer business before November 1979 Thus, it does not recommend the unscrambling of the SAB-ICB deal

With the exception of recommendations relating to KWV, CWD, Oude Meester and SFW, implementation of the Board's suggestions would not pose any grave political risk to government

Minister De Villiers ... t

The Board recommends that cross-holdings between brewers and wine and spirit houses should be outlawed It also urges government to prohibit wholesale producing merchants from acquiring an interest in retailers and suggests that SAB and Remgro divest themselves of residual liquor store holdings in five years, not 12 as agreed in 1979 This means that Union Wine and Gilbeys will also have to get out of retailing

The Board also recommends termination of restrictions on the granting of retail liquor licences It urges government to amend the Liquor Act accordingly It says liquor licences should be available to any willing trader who complies with certain specified objective standards and that grocery licence-holders should be permitted to sell beer

Another major recommendation is that the liquor retailing monopoly of administration boards in black townships be terminated immediately and that licences be granted to black entrepreneurs

CANDIDATE MUST enter in
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62	
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2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Producer liquor outlets urged

Chief Reporter

MR JAN PICKARD chairman of Union Wine said yesterday that it was important that producers should be able to have their own outlets in the liquor market

"It is difficult for the new producer to get on to the market" he said, "and for this reason small producers should be allowed to have a limited number of outlets"

Disagreed

While agreeing with most of the recommendations of the Competition Board, the aim of which is to end restrictive practices in the liquor industry, Mr Pickard said he differed on this particular issue

The proposals of the Competition Board are contained in its 78-page report tabled in Parliament this week

Mr Pickard said if the proposals were to be acted on they must be acted on in total as a package'

If wholesalers were to be deprived of bottlestores then KWV must give up its stake in Cape Wine, which controlled the two major wine manufacturers Stellenbosch Farmers Winery and Oude Meester

He agreed with the Competition Board that Cape Wine's control over SFW and Oude Meester be ended and that the merger be broken between these two groups which at present constituted an undesirably dominant force in the liquor industry

● The KWV in a statement yesterday welcomed the recommendation of the Competition Board that there should be a more realistic and simplified system of liquor licensing

The recommendation it said, agreed in broad terms with the standpoint that KWV had advanced over many years KWV was, however strongly opposed to the extension of grocers licences to other alcoholic beverages such as beer

'Justification'

"The justification for the distribution of wine through grocers lies mainly in the strong connection between wine and food which no other alcoholic beverage can claim KWV believes that it is in the public interest that this principle be upheld

"The Competition Board's confirmation of the cabinet decision of 1979 that there should be an absolute separation between the wholesale and retail trade accords with the principles that KWV and others have put forward for many years KWV therefore supports this recommendation

'Self-defeating'

However, to separate these two sectors without placing some form of restraint on the number of outlets in the hands of one party could be self-defeating A new power concentration at retail level could give rise to the same and more severe malpractices which the board would wish to eliminate by separating the wholesale and retail trades

"The recommendation that Cape Wine and Distillers could be dissolved in spite of the fact that it came into being after being approved by the cabinet is extreme and is rejected

"It is very clear that as stated in the minority report double standards were applied here In the case of the SA Breweries the board obviously accepts a 100 percent monopoly but in the case of the wine and spirit industry a 75 percent market share would appear to be sufficient to recommend dissolvement

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OSKAVA

A From page 1

calling on the Syrian troops to leave They appealed to the Syrian commander in Beirut to get out of the city before the Israelis moved in to take on the Palestinians in their final stronghold

'Not your war'

In effect the leaflets said "This is not your war We are after the Palestinian forces in the city which have led to a breakdown of security and which cause terrorism

By last night there was no indication whether the Syrians would respond to this plea

Reports from Beirut last night said there could be only one Israeli objective — to wipe out the PLO in the city its heartland and headquarters

Reports said residents in the city had reacted to the pamphlets with near-panic The situation there had been growing tenser throughout the day and, one report said, by nightfall the latest Israeli moves had frightened some residents to the point of hysteria

The pamphlets gave the Syrians "hours" to get out, but they did not say whether this was two or 10

Reports from Beirut last night emphasized evidence that this time Israel intended to kill or capture the PLO commanders All the best-known leaders — including Yasser Arafat — were said to be in Beirut

Few ways out

With Israeli troops in control of southern Lebanon, shells from Israeli artillery making the main Damascus road hazardous and Israeli patrol boats offshore, there were few ways out for the Palestinians

Palestinian commandos and gunmen from the various militias fired on the attacking Israeli aircraft without success, eyewitnesses said

The Israeli authorities have admitted 45 of their forces killed and six missing since the fighting started on Sunday, and more than 300 wounded

The PLO said there have been as many as 10 000 casualties in the fighting

Press up ov

JOHANNESBURG Press leaders yest declared that they proceeding with th tablishment of a . tary media council would operate ind dently of any injucti control by the State

Members of the paper Press Union the Conference of tors, founders of a council, said after a ing yesterday to the Registration of papers Amendment now before Parlia that they were str opposed to the pr of statutory power assumed by the go ment to cancel reg tion of newspapers

"We are making u representations to Minister of Interna fairs (Mr J C Heun they said in their ment

· Unwanted duti

The bill before Pa ment sought to vest media council powers and duties it did not want, and by impaired its volu basis and indepen status, the statement

"To this we raise strongest possible o tion

"We have not asked

Press t through

THE speed with wh Amendment Bill wa ment made any det hibited debate an legislation, the West Human Rights, said

Lawyers for Hum about 100 attorneys Western Cape, said if bill would recieve the bly by the time Parl

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Top film

me the order to do that

One of the soldiers then commanded all the people to leave the church and gave an order to other soldiers to shoot anybody who ran away or refused to leave the church

The men were then separated and assembled at the main entrance of the church

"They were then taken by the soldiers one by one in order to be interrogated and beaten Some of the women started to cry when thew saw the men were really badly beaten The soldiers then ordered the men to move further behind the walls of the church building

'Badly hurt'

"They were also beaten and kicked with boots All these things were done before our verv eyes All lasted for about an hour Some of the people were so badly hurt that they were unable to continue with the worship service after this," the memorandum says

On the same day he says, two unregistered army lorries full of soldiers arrived at the Onayena parish, 15km from Elombe

A car full of passengers was on its way to the graveyard for a funeral when the passengers were ordered to get out and were beaten up Two of them were "half dead' and had to be hospitalized

Mr Peter Kalangula, chairman of the executive committee of the Ovambo Representative Autority, could not be reached for comment yesterday

Bond prize for Fish Hoek

PRETORIA — This week's R10 000 Bonus Bond bonanza prize has been won by the holder of certificate 0009935372, bought at the Fish Hoek Post Office, the Treasury announced in Pretoria yesterday — Sapa

Monogrammed Bespoke Shirts made on the premises from imported Silks and Sea Island Cotton

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PHONE 25 3630

bathroom

R400 000 boat dispute settled

Staff Reporter

A DISPUTE over a R400 000 yacht, which arose from an alleged breach of contract between two companies was settled in the Supreme Court late on Thursday

The yacht, an 18,9 m luxury Deerfoot 62 was built by Cenmarine Pty Ltd of Athlone for export by International Yachts Pty Ltd

An order was made in Mr Justice Friedman's chambers on Thursday by which International Yachts was required to pay Cenmarine R26 000 and to provide further security of R52 000

Cenmarine was ordered to release the yacht to International Yachts

In an affidavit, Mr S Dashew, director of International Yachts, claimed that on September 29 last year a company called CIW (Pty) Ltd had agreed to equip the yacht before February 28 this year

CIW's obligations were taken over by Cenmarine in December last year

Antigua week

According to Mr Dashew, Cenmarine was aware of the stipulated completion date and agreed to it He claimed they were also aware the yacht was required for resale

He said the completion date was stipulated because the yacht was to have taken part in the Antigua annual yacht week in April this year

To take part, the yacht would have had to complete its sea trials by March Sailing time from Cape Town to Antigua was about five weeks

Because the completion of the yacht was delayed, the yacht would not be able to sail to Antigua in time for the yacht week Mr Dashew said

His company's customer, Constellation Marine Ltd had informed him that International Yachts would be held responsible for any damages suffered through the late delivery of the yacht, he said

'Not stated'

Mr F Palthe, managing director of Cenmarine, claimed in an opposing affidavit that February 28 had not been agreed on as a completion date He alleged that it had also not been stated that the yacht was to take part in the Antigua Yacht week

Mr Palthe said Constellation Marine Ltd, the customer for the yacht, was controlled — directly or indirectly — by Mr Dashew

Mr Dashew intended selling the yacht for 360 000 dollars — far below its true market value, he claimed The selling price had been settled at 550 000 dollars in their original agreement, he said

Mr Justice Friedman presided Mr I Farlam, SC, assisted by Mr M Jacobs, instructed by Asherson and Asherson, appeared for the applicant Mr W Burger, SC assisted by Mr C W Rosenthal, intructed by Sonnenberg Hoffman and Galombik appeared for the respondents

Deposit mistake: Man fit to appear

Staff Reporter

A 41-YEAR-OLD Kuils River businessman who left the country on March 25 this year with R396 000 after the money had been deposited accidentally into his business bank account, was fit to appear at a summary hearing on a charge of theft in the Supreme Court on August 19, a Cape Town magistrate ruled yesterday

Mr Dirk van Rooven, of Stepping Stones Road, Durbanville, was referred to Valkenberg Mental Hospital for 30 days' observation on May 12 after an appearance in a Magistrate's Court where he stated that he was not sure and could not recall details of an alleged disappearance of R1,2-million

The district surgeon had said Mr Van Rooyen was not capable of giving a rational account of his financial dealings and said he went overseas to obtain funds to repay the money he had allegedly embezzled

A senior psychiatrist at Valkenberg Hospital, Dr T Zabouw, yesterday submitted a report stating that Mr Van Rooyen's memory was intact Dr Zabouw said Mr Van Rooyen showed "adequate insight" into his predicament and was not affected by mental

Board blasts cola battle

CAPE TIMES 12/6/82

Political Staff

HOUSE OF ASSEMBLY — The bitter fight between Coca-Cola and Pepsi-Cola in the South African softdrink market has lead to the Competitions Board finding that restrictive practices existed in their operations in Cape Town and Soweto

The board, whose investigation of alleged restrictive practices in the softdrinks industry was tabled in Parliament yesterday, said the activities of Pepsi in Cape Town and Coca-Cola in Soweto could not be said to be in the public interest

While one member dissented, the board said Pepsi's pricing policies in Cape Town between 1978 and 1981 had been a restrictive practice

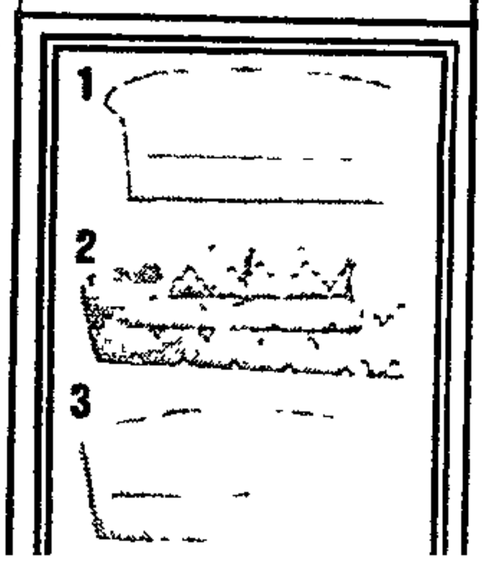
Bottles

"By repeatedly introducing new bottle sizes at the price of the smaller packages in use, it caused a dislocation of that market, endangering output and threatening the continued existence not only of less efficient small firms but also of viable medium-sized ones"

Its fight all along had been with Coca-Cola but in Cape Town it had overreacted

One unjustified restrictive practice by Coca-Cola in Kliptown and Soweto was conclusion of tying agreements with one or more of a limited number of distributors The other was removing crates and bottles of a competitor, Sparletta-Suncrush, and substituting its own

Pepsi had now increased its prices to levels less disruptive of competition in Cape Town and the board did not consider that action by the minister was necessary at this stage



Cape Wine monopoly may be hard to break

(182) (30) (251) (245)

CAPE TIMES 15/6/82

Industrial Reporter

DISSOLUTION of the multi-million rand Cape Wine monopoly, as recommended by the Competitions Board, is likely to prove an extremely complicated and perhaps impossible task

Industry sources yesterday noted that implementation of the board's findings released last week amounted to a virtual repudiation of moves considered by the wine industry to be vitally important to its survival

In essence, Cape Wine was born out of a "fight-fire-with-fire" approach aimed at ending the beer war between South African Breweries and Dr Anton Rupert's Intercontinental Breweries

The new deal in the industry which established Cape Wine in November 1979 saw Dr Rupert dispose of Intercontinental to SAB in return for a merging of the latter's substantial SFW wine interests with Dr Rupert's Oude Meester in a new company managed by his Rembrandt group and the KWV

Another aspect of the deal, which required cabinet approval, was a requirement that the liquor giants divest themselves of their bottle store holdings over a period of 12 years

So far this has come to naught and now the Competitions Board has called for the period to be reduced to five years It also appears to be tackling the problem from the other end with the accepted recommendation that restrictions on bottle store ownership by interests outside the industry be terminated

Hardly anyone in the industry is perturbed by this aspect

There is no real anxiety on the call to break up Cape Wine either, but this could be due to the general feeling that the government will find it as difficult to act against the wine combine as the board believed it would be to hit the beer monopoly, particularly since the very existence of the one is considered as being due to the other

Wage dispute disrupts drink deliveries

By STEVEN FRIEDMAN and AMRIT MANGA

ABOUT 200 drivers disrupted deliveries from two Witwatersrand Coca-Cola plants yesterday when they stopped work in support of wage demands

By late afternoon negotiations were still in progress and no trucks went out from the two plants affected, the Benrose factory and the depot at Lea Glen, Florida, said Coca-Cola's corporate development manager Mr Hennie Viljoen

But Mr Viljoen added the disruption in deliveries was "not significant" because "we have our usual seasonal drop in demand for our products — demand for soft drinks always drops around winter"

Workers gathered outside the company's Benrose factory yesterday said they reported for duty and sent six representatives, who had been elected at a weekend meeting, to negotiate a wage increase

They said they wanted their monthly pay increased from R450 to R680 Management was offering R520 Drivers were refusing to start work until their demand was met, they said

Drivers' assistants were sent home by 10am because all deliveries were stopped while the representatives negotiated with management

The drivers assembled in the sales room of the plant while negotiations continued

Mr Viljoen said the stoppage occurred during the company's annual pay negotiations with the workforce

"We have no union at the plants and we have annual discussions with the drivers These are always held at this time of the year

"It is not a strike The talks are still continuing and negotiations have not been broken off The workers appear to have stopped to wait for the outcome of the talks," he said

By late afternoon yesterday the talks were still in progress and no trucks had left to make deliveries, Mr Viljoen said

'Keep calm,' Heunis tells wine industry

Argus 14/6/82

(182)

Political Correspondent

THE Minister of Internal Affairs, Mr J C Heunis, has advised the wine industry and wine farmers to stay calm about the Competitons Board's recent recommendations on restrictive practices.

The report recommends, among other things, that the KWV should sell its 50 percent interest in Cape Wine and that the merging of the Oude Meester Group and Stellenbosch Farmers' Winery as affiliates of Cape Wine must be ended

Mr Heunis told the Paarl Farmers' Association last night that it should be remembered that reports were not decisions

The Cabinet would not adopt any viewpoint before the interested parties had had an opportunity of explaining their points of view.

The association has sent a telegram to the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, protesting against the fact that the Competitions Board had recommended that Cape Wine should disband while allowing a beer monopoly to continue.

'Govt must state excise duty plan'

Argus Correspondent

PAARL — The State must give a clear indication of what the future pattern of excise duties on spirits will be, said Mr Willie Mostert of Weltevreden, Agter Paarl, in a Press statement after references to increasing duties in the annual report of the KWV.

Mr Mostert is chairman of the powerful South African Co-operative wine cellars association with 70 member co operatives handling about 80 percent of the country's wine production He is also chairman of the Paarl-based Boland Wine Co-operative with a membership of 100 leading Paarl Valley wine farmers

PROTEST

Mr Mostert was commenting on the 23 percent increase in excise duties imposed in August last year which resulted in a mass protest meeting by one third of the KWV wine producers and subsequent representations made to the Prime Minister, other Cabinet Ministers and heads of various Government departments

"At the time the delegation was promised that the whole question of increased duties would be reviewed in depth as soon as the country's economic climate was favourable," said Mr Mostert.

He was now, he said, bitterly disappointed that no reference was made in the last budget to the representations made by the wine farmers on the question of excise duties.

"The present heavy duty is causing a serious setback on brandy sales which have remained static since 1970," said Mr Mostert

There was a world-wide drop in whisky sales but in South Africa whisky sales were increasing at the expense of brandy.

PROBLEM

The problem created for the wine industry by the high excise duties was a matter which could not be allowed to remain unsettled It was a source of continuous concern to wine producers who were now demanding to know what was in store for the wine industry insofar as the future tendency and pattern of excise duties were concerned.

The whole question of excise duties had become a priority matter of South African wine producers as well as the directors of the KWV, said Mr Mostert.

Pay deal takes fizz from row

(182)

RDM 16/6/82

Labour Correspondent.

DELIVERIES of Coca-Cola from two of the company's plants were disrupted again yesterday by a drivers' work stoppage — but a new wage agreement has settled the dispute and deliveries will resume today

About 200 drivers from the company's Benrose factory and depot at Lea Glen, Florida, downed tools on Monday in support of wage demands The stoppage coincided with annual wage talks between the company and drivers

Drivers remained off work as negotiations between management and drivers' representatives continued

Coca-Cola's corporate development manager, Mr Hennie Viljoen, said yesterday that Monday's talks had failed to settle the dispute but a wage agreement had been concluded at 11am yesterday and drivers had agreed to return to work

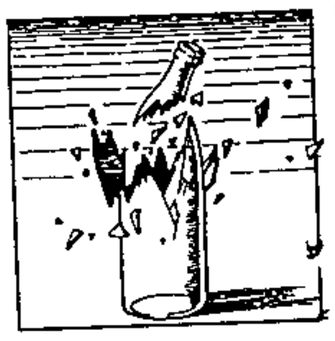
Drivers, however, had not returned yesterday, he said

"Our deliveries begin in the early morning and end around lunch time By the time the dispute was settled there was insufficient time to enable drivers to make their daily deliveries," he said

Deliveries would take place as normal today, Mr Viljoen added

LIQUOR INDUSTRY FM 18/6/82 (182)

Problems for the minister



The fundamental problem in the SA liquor industry is government interference This has not only been frequent but also remarkable for its lack of co-ordination

Since 1926 there have been 12 thorough official investigations into the liquor business The most recent is the controversial report of the Competition Board tabled in Parliament last week

As is bound to happen with official investigations, the inquiries had little difficulty in isolating symptoms and effects Causes were treated with circumspection and, where they were referred to at all, it was done obliquely

What emerges between the lines of the latest report (which is by far the most scholarly and thorough of the lot) is that government has never had a cohesive policy for an industry from which it receives a sizeable portion of tax revenue Its share/interest in liquor is formidable Liquor spending in SA constitutes 6% of total private consumer spending

The total value of retail liquor sales in 1979 was R1 800m, of which R450m (25%) was paid to the fiscus At current levels of spending, government stands to be paid R600m out of total retail sales of about R2 400m, even though it has relinquished excise duty on natural wine (about R31m/year)

There is barely an aspect of the production and marketing of liquor that is not subject to some form of government control

Arguably, some basic statutory controls are necessary But when governments interfere with the commercial *structure* of an industry (as it did in 1979) it is time, as the Competition Board (CB) now suggests, to call a halt

In 1979, government was party to changes in the ownership of producers in the liquor industry which amounted to a restriction of competition In the light of government's professed commitment to competitive capitalism in a free market economy, it should lose no time in dismantling that restrictive structure

The CB's recommendations in this regard have come as something of a shock to the interests which benefited from the 1979 arrangement Cape Wine and Distillers (CWD) and KWV issued strong statements accusing the CB of applying double standards, one for beer and one for wine Both rejected the board's findings

A deputation of MPs representing wine-growing constituencies, including three directors of the KWV (Pietman Hugo, Giel Malherbe and Japie van Wyk), went to see Industries Minister Dawie de Villiers to discuss the far-reaching implications of the board's recommendations

After the meeting, De Villiers issued a statement giving the assurance that the interests of all parties would be taken into account when government considers the CB's recommendations "Government," he said, "is not bound to any of the board's recommodations In a complicated market structure where several undesirable developments have taken place over the years, it is not always possible to achieve the ideal situation. Therefore, government will act with great circumspection with due regard to the interests of the parties involved"

The minister's caution is understandable He is confronted with some very tough decisions carrying grave political risks As the MP of a wine-growing constituency (Piketberg), he knows that terrific political pressure will be brought to bear on him The wine lobby in Parliament is happy with the way things are It voted overwhelmingly in favour of the present dispensation in which wine-growers hold 50% of the shares in a company (Rembrandt-KWV Beleggings), which holds 60% of CWD, which, according to the CB report, has 85% of the SA wine and spirit market

Now a statutory body, constituted in terms of the 1979 Competition Act to be the watchdog of government's policy of free enterprise in a competitive market economy, has asked De Villiers to break up the comfortable arrangement

If he does, he may incur the wrath of 7 000 wine farmers and their enfranchised dependants But would they be so enraged as to switch their party allegiance to Andries Treurnicht's CP?

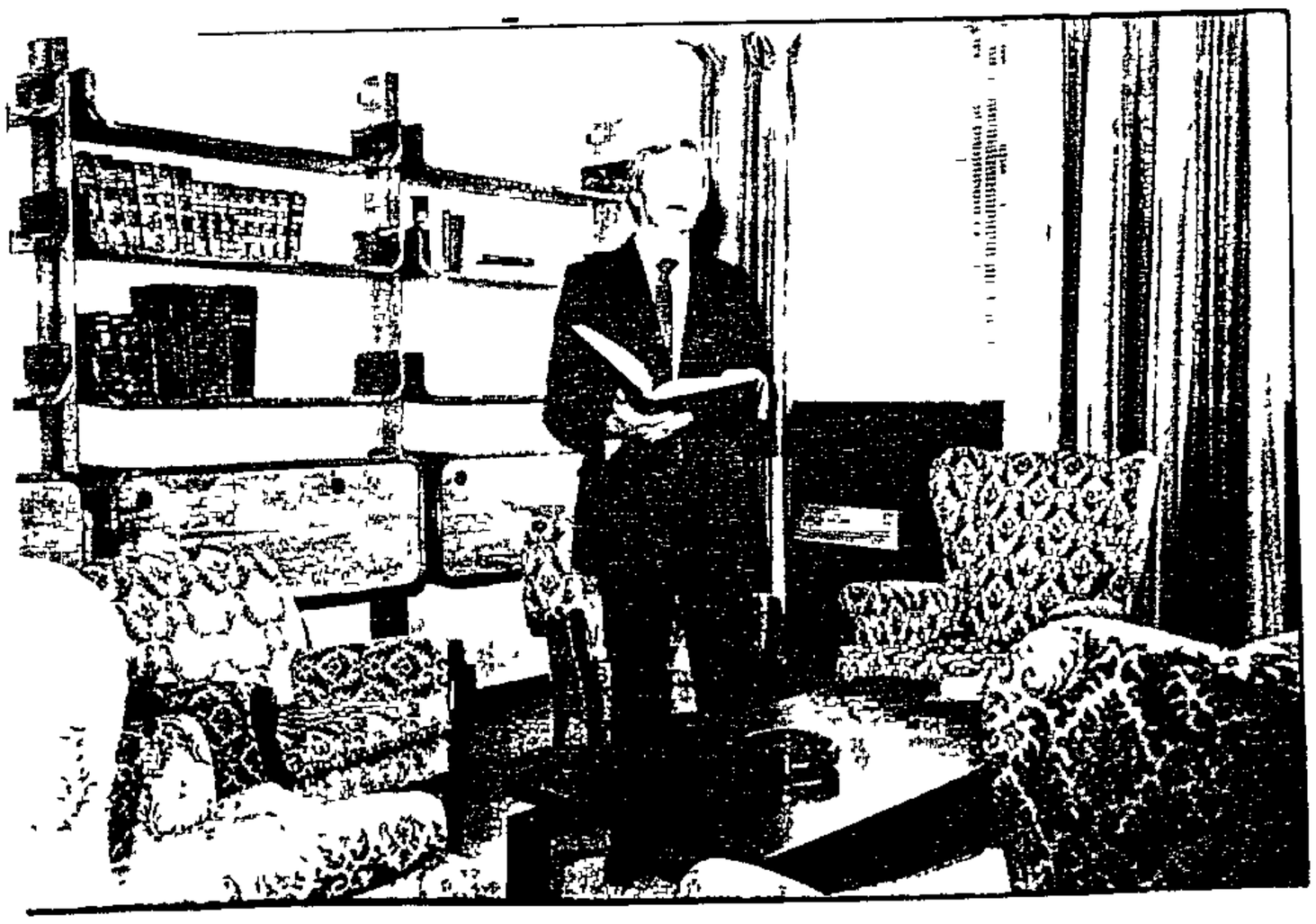
If he doesn't, he will make the wine lobby happy But the cost of such a decision may well be a good deal more than he bargains for

At stake is not only the credibility and integrity of the Competition Board itself, but also the trust and confidence of the private sector as a whole in government's economic policies If De Villiers and his Cabinet colleagues fail to break up restrictive elements of the liquor industry all solemn statements about government's commitment to free enterprise will be dismissed henceforth as pure cant

In its report, the CB says it sometimes has difficulties with interest groups whose view of the broad public interest is synonymous with their own interests The latest investigation confirms the view

The critical response of CWD and KWV to the report's findings coincides with that of board member Albert Marais' findings He accuses his peers of applying double standards This is the view that questions the logic of permitting SAB to continue to enjoy the fruits of its 100% beer monopoly, while seeking to break up CWD with 85% dominance in the wine and spirit market

The answer is simple SAB achieved its dominant market position on merit It was more efficient than its competitors At the time of the 1979 deal it commanded 96% of the market To restore the measure of competition that did come from Remgro's Intercontinental Brewers before the 1979 agreement would be very costly, as Remgro would doubtless be first to admit



Minister De Villiers ... searching his library for guidance

Conditions in the wine and spirit sector of the market were different Intense competition existed between SFW and Oude Meester, each with market shares of about 40% There was no need to combine their forces What was considered to be necessary was to get SAB out of the wine and spirit business because beer could be used to push the wine and spirit interests of the dominant brewer That separation has now been achieved and to the extent that competition does exist in the liquor business, it is between wine and beer

On the subject of double standards, the CB uncovered evidence of its own On page 43 of its report it notes that KWV, in its initial submission to the board, was highly critical of the Cape Wine and Spirit Institute (the lobby of the wholesale producing merchants) It alleged that CWSI had formed a pricing cartel and that the "manipulation of prices" had "eliminated normal competition," resulting in higher wholesale prices

That was shortly before the November 1979 structural changes After the new deal CWD, in which KWV had acquired 30%, exonerated CWSI from such allegations, confirming that CWSI merely issued recommended prices which any producing merchant was free to ignore without fear of sanctions

The CB has found that the 1979 agreement is an "acquisition" in terms of Section 1 of the Competition Act (76/1979) It has the same meaning as "undesirable monopolistic practice" in terms of the 1955 Act which it replaced It is the strongest possible expression of censure of which the new Competition Act is capable

The CB says it is difficult to reconcile government's declared policy of free enterprise with the position whereby the KWV, representing the primary producers, and endowed with statutory powers of control over supply and prices, should 'integrate" with a company that processes and markets its production

This is the most undesirable form of vertical integration and the board is critical of all forms of vertical integration

Other major aspects of the report — the prohibition of crossholdings between wine and beer, termination of the administration board monopoly in township liquor sales, the total separation of ties between wholesale producing merchants and liquor retailers, and the termination of restrictive retail licensing practice should not present the minister with any difficulties

Fedhasa has protested strongly against the prospect of easier access to liquor licences because it will bankrupt many licensees The CB's telling response is that "Fedhasa's argument that free licensing will bankrupt some liquor stores and hotels is indeed an argument in favour of free licensing It is, in fact, an admission that certain liquor stores are viable only because of the monopolistic power conferred by their exclusive licence"

Checkers outlet ... bringing Kirsh and Union Wine into the picture

For the same reason, it is of no great importance that SAB controls OK Bazaars, which owns a few grocery liquor licences, or that Kirsh interests, with a large strategic stake in Union Wine, control Checkers stores, which also sell wine and beer The CB says the public interest will not be jeopardised by allowing horizontal acquisition in the retail liquor trade, provided restrictions on the availability of liquor licences are removed

But, tackling the problem at its roots and attempting to unscramble the 1979 omelette will not be easy Pivotal to the entire issue is whether Cape Wine and Distillers (CWD) should be wound up KWV and Remgro currently own some 60% of CWD through KWV Beleggings, while SAB obtained a 30% interest in the group in return for relinquishing its wholly-owned subsidiary SFW One possibility is a return to the pre-1979 *status quo*, which would involve splitting CWD into its component parts and returning the individual operating companies to their former owners

However, because of the proposal that cross-holdings between brewers and the wine and spirit houses be eliminated, SAB would be unable simply to take in SFW One solution for SAB may be the floating of a new holding company (in which the public would have to have the majority shareholding) to absorb SFW SAB would therefore eventually receive cash for its holding in CWD, although that suggestion may not be pleasing to the beer giant

SAB's management is unwilling to debate the implications of such a proposal at this stage, labelling it "purely speculative" The group's reticence is, however, understandable in view of the fact that the CB's individual recommendations are inextricably bound up in the total picture The sentiment in some quarters of the industry appears to be that tinkering with the present structure could be counter-productive and that nothing short of a comprehensive restructuring is called for

Union Wine's position is somewhat less complicated than SAB's Implementation of the CB's recommendations could mean that, rather than dispose of its retailing interests, the company may instead dispose of its production arm That would make good sense and should not be too difficult, particularly in view of the fact that in the financial year to end-June 1981, production contributed roughly 9% of overall pre-tax profit, while retailing was the major growth area Kirsh Industries' director Mervyn King says it is "too early to comment" on possible developments as a consequence of the Board's recommendations King admits, however, that he has held "detailed discussions" with Union Wine chairman Jan Pickard and Metcash chairman Lionel Katz and all are "in agreement as to what should be done if the recommendations are implemented"

It seems likely therefore that Union Wine will continue aggressively to expand its retailing interests And, with SAB now forced to accelerate its disinvestment in retailing, it may well find a willing buyer in Union Wine's retail subsidiary, Picotel That however, may prove unpalatable for SAB, particularly if the premium currently placed on liquor licences disappears and it is forced to sell its retail outlets at bargain basement prices

Industry speculation also has it that ironically SFW could become interested in Union Wine's production arm, if and when it goes up for sale That again seems a positive point for Union Wine, although it could give rise to a fair amount of haggling

The CB was not asked to express an opinion on the method of undoing the 1979 structural agreement which, incidentally, was implemented before the new Competition Act was promulgated Nor did it offer any suggestions

Should the minister decide to give effect to the CB recommendations that KWV and SAB should get out of CWD, that SFW and Oude Meester return to the status quo ante (under new control) and that all wholesale producing merchants get out of retailing in five years, it is certain to be problematic Perhaps the minister should ask the principals involved in setting up the 1979 deal to unscramble it under the watchful eye of the CB

John Stewart and Chris Wilson

THE BOARD

The eight members of the Competition Board who conducted the 3-year investigation into the liquor industry are Dr Dawid Mouton, chairman, former member of the Board of Trade, Harry Goldberg, former president of Assocom, Dr Jan Graaff, Boland farmer, former president of Economic Society of SA, former Cambridge don, Dr Sebastian Kleu, chairman of the Board of Trade, Albert Marais, former MD of Saambou-Nasionaal, director of Volkskas, Steph Naude, professor of law, Unisa, E W (Koot) van Staden, Registrar of Financial Institutions, Johan Lamprechts, director of the Competition Board, former lecturer in business economics at Stellenbosch

SOFT DRINKS (182)

Spot the predator

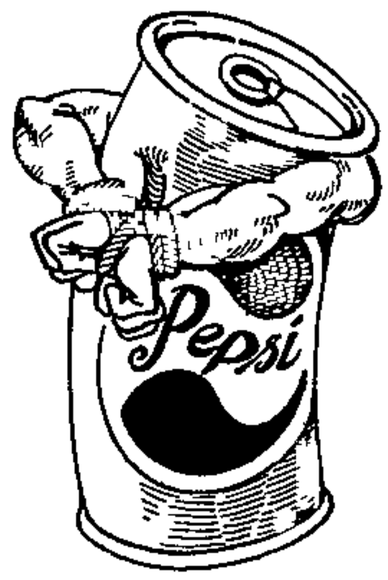
FM 18/6/82

The Competition Board investigation into the soft drinks industry is over However, in contrast to its report on the liquor industry, the board chose to largely uphold the status quo

Pepsi Cola, the initial "offender" in the soft drinks saga, was rapped for its initiation of the price war which began in 1978 The board did not recommend that the cooldrink manufacturer be brought to book because it had already stopped price cutting

The price war between Pepsi and Coke ended late last year

In the board's opinion, Pepsi's cut-price was a restrictive practice and, therefore, not in the public interest



Coca Cola was also hauled over the coals by the board for entering into tied-house agreements with retailers in the Soweto and Kliptown areas and for removing its competitors' cases and bottles

The investigation into soft drinks came in the wake of a complaint about Pepsi's "predatory pricing" by rival Cape Town bottlers Pepsi upset competitors when it launched its 1,5 *l* and marketed it at the same price as its opposition's 1 *l* package

Rather than join battle in the market place, peninsula manufacturers called for official intervention The board complied by instituting an investigation.

The argument was that Pepsi, in trying to obtain a larger share of the cola market (it holds 6% nation-wide), was using predatory tactics The reasoning was that Pepsi would come into the market at a lower price, thereby forcing out competition. Mission completed and opponents defeated, Pepsi would then be able to push its price up substantially.

While the logic is questionable, anyway, it has even less relevance in the local context where complainants Coca Cola have 70% market share.

After lengthy discussion on the nature of different pricing policies the board concedes that it is doubtful whether Pepsi's pricing in Cape Town was of a predatory nature It nevertheless argues that the low prices had the effect of restricting the entry of new producers by making investment unattractive. Further, it claims that the policy would limit the facilities available for production and distribution It concludes that Pepsi's policy is not beneficial or in the public interest.

The report states that while Pepsi's activities may seem to have no more than medium-term effects, they could, if repeated, have disastrous implications for the industry in the long run. It also sees Pepsi's pricing as detrimental to smaller manufacturers, citing falling turnover of independents

The *FM* put it to the board that lower prices should benefit consumers and thus be beneficial The board responded by claiming that while price cutting of the Pepsi variety might be good for consumers, it was not in the long-term interest of the public at large

A case, perhaps, of the interests of consumers taking second place to the sectional interests within the industry itself

ARGUS 18/6/82

Paarl link to highway horror

Argus Correspondent

MARITZBURG. — Four people, believed to be from Paarl, died in the mangled wreckage of a heavy duty truck which crashed on the Wembley section of the N3 here yesterday.

The truck, transporting a load of wine, crashed through the steel safety barrier on a sharp curve on the southbound carriageway and overturned

Cases of wine were thrown across the road

Shocked rescuers retrieved the severely mutilated bodies

The bodies were taken to the Government mortuary The identities have not yet been established

SAB to build yet another brewery

RDM (182)

24/6/82

By JOHN GILMORE

SA BREWERIES has its eyes on a site for yet another major brewery although its beer-making capacity is set to increase by almost half once the new R200-million Rosslyn brewery is operating at full capacity 'after the October opening.

The Chief Executive, Mr Dick Goss, tells shareholders in the annual report that "medium and longer term capacity requirements will necessitate breweries of increasing size and complexity and a suitable site will shortly be acquired for another major brewery being planned in the PWV area".

In the short term, however, SA Breweries' long period of exceptional growth is over, and the chairman, Dr Frans Cronje, is looking for no more than "a modest growth in earnings per share" for the financial year to March 1983.

His relative pessimism springs from the expectation of little economic growth, high levels of interest rates and corporate taxes, strong wage pressures and strict monetary and fiscal disciplines

As the news of a new brewery implies, however, SAB does not intend to sit back and wait to be rescued by improved economic conditions and higher levels of consumer spending

Mr Goss points out that net assets are likely to increase by around R270-million in the current year. Of this amount, fixed assets will account for a net R170-million with the balance being taken up in net working capital increases

This massive spending programme will be financed as to R180-million from retained profits and R90-million from increased borrowings, and follows on last year's capital expenditure of R244-million which was directed mainly to extending beer production capacity

The new Rosslyn brewery, costing R200-million, is scheduled to open in October after a delay of several months and ultimate capacity of 5-million hectolitres a year will increase SAB's present sales volume of 10 500 000 by almost 50%

While the sinking economy means that several SAB divisions, including Afcol, Amrel, and Southern Sun Hotels will not be able to provide much in the way of growth for a couple of years, it is fairly obvious that the beer division should be strong enough to carry them

In fact, Mr Goss says "if growth in beer sales exceeds the current expectations acceleration of spending may have to be considered".

Basic to these expectations is the continuing shift from sorghum beer to lager beers as discretionary expenditure of black consumers increased, and while the rate of volume growth slowed last year, it was still a healthy 21%

If in the short term the beer division proves to be SAB's saviour, the investment policy is "to develop a portfolio which will over time provide a balance in flow of earnings from beverage interests with earnings from diversified interests

"In this latter area, investment is focussed on the manufacture and retail of consumer products and the provision of hotel and related services"

In line with this policy, the group spent no less than R193-million last year on the acquisition of Scotts Stores, Edcon, controlling company of Edgars Stores, and the remaining 51% of Appletizer

Edgars in particular is singled out as having "an important contribution" to make to the affairs of SAB, though for the next two years, as the recent Edgars' results showed, only a slight improvement can be expected

On the search for future growth, Breweries will increasingly look to overseas markets and has already announced test marketing of Appletizer and Liquifruit in the UK.

As Mr Goss recognises, while compatible acquisition opportunities in South Africa are bound to arise from time to time, "it is becoming apparent that these are likely to be few and far between

We believe the time is now ripe to carefully consider judicious and limited investment overseas where we have a high degree of expertise and where unique market opportunities present themselves"

COMMENT: SAB remains as ambitious as ever, and with strong cash flow expected from the beer division, contributing 32% of sales and 43% of profits, the group is aiming at a major new brewery and expansion overseas

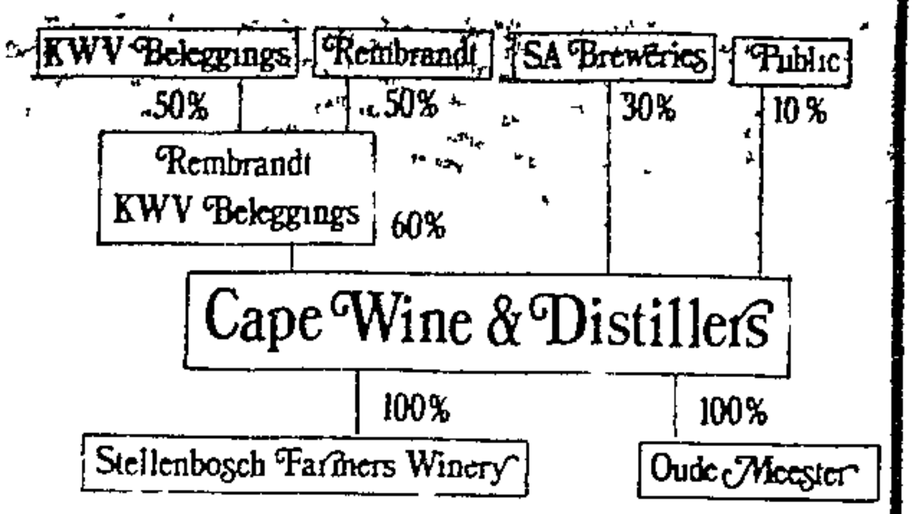
Group finances are carefully controlled and even though long term borrowings, and interest charges, increased by almost 50% last year, SAB at 53% remains below the self-imposed limit of a ratio of 60% for total borrowings to total shareholders funds Interest cover at 8,6 times is above the set minimum of 6 times, but a reduction can be expected this year as borrowings increase and interest rates remain high

The issued share capital has increased by 12% following the rush of expensive acquisitions (from which R122-million has been written off) so the forecast of a modest increase in earnings per share is encouraging seen in the light of falling consumer spending.

The stock market, however, is firmly set in a bear trend and while SAB's longer term future is as assured as the popularity of beer there seems no urgent reason for chasing the shares just yet At 385c they yield 8,8%

182

Argument on liquor break-up rages on



The structure of Cape Wine and Distillers, now under Government scrutiny

Talks are continuing between Government and the liquor industry on the far-reaching Competition Board proposals which would largely undo the 1979 restructuring

A break-up of Cape Wine & Distillers would be required to implement the proposals.

SA Breweries and KWV would have to withdraw from Cape Wine leaving only Rembrandt in the company, which in turn would have to get rid of one of the subsidiaries — either Stellenbosch Farmers' Wineries or Oude Meester.

KWV POWERS

The board said it found it difficult to accept that a statutory body such as the KWV with powers over production and prices should integrate its activities with only a single marketer and processor of its products

KWV's appointment of Henry Tayler and Ries, a Cape Wine subsidiary, as the sole wholesale distributor in South Africa of its products had already been an example of the kind of abuse which could follow, the board said in its report.

However, the KWV rejected the proposal to dissolve Cape Wine in its present form as "extreme" and its own withdrawal from the group as "a total blunder"

DOUBLE STANDARD

Cape Wine and KWV said that double standards had been applied by the board, which accepted SA Breweries' 100 percent monopoly in the beer market

SA Breweries has had no comment so far

However, proposals on grocers' licences could also affect its activities through its interest in OK Bazaars

Other proposals are as sensitive such as the sale of its Solly Kramer bottle stores within five years, instead of 12, as stipulated before

Examiners' Initials		

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

2 Candidates are not to communicate with other candidates or with any person except the invigilator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

Striking Coke men face sack

182

Sowetan 5/7/82

THE threat of dismissal hangs over 200 striking Johannesburg-area Coca-Cola workers if they do not return to work today.

After the workers walked off the job Friday in support of a pay demand, a company spokesman said they had been given until this morning to 'reconsider their position'

- The spokesman said the stoppages occurred among loading workers at the Benrose factory, the Reef bottling site and a depot near Florida

The company had published the new pay scales to be implemented in August, which stated the third increase the workers would be getting this year

However, the unskilled loading workers were demanding a salary 60 percent higher than the company's offer, the spokesman said — Sapa

Strike continues

(182) Sowetan 6/7/82

SALARY negotiations between the Coca Cola management and workers' representatives at the Benrose plant reached a deadlock yesterday, despite the company's threat to dismiss the striking workers if they had not returned to work by yesterday morning.

A spokesman for the company, Mr H Viljoen, yesterday told The SOWETAN that another round of talks was to be held this morning

According to Mr Viljoen, the wage dispute started last Wednesday, when about 500 truck helpers decided to down tools He also said that this was the third increase the company had offered the truck helpers this year The increase amounted to an aggregate of 34 percent, which was equal to R1,98 per hour However, the workers were not satisfied with this, and were demanding a R60 increase

"The R60 increase is 60 percent more than what the company is offering he said

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Coca-Cola flows as strike ends

Star 7/7/82

Labour Reporter

Trucks at three Coca-Cola depots started rolling again yesterday following a strike by employees over wage demands

Drivers and loaders at the Benrose, Edenvale and Florida depots staged stoppages late last week after demanding higher wage increases

Coca-Cola management met worker representatives last week and again on Monday before employees returned to their jobs

A company spokesman said deliveries had been disrupted, particularly in the Benrose area, but were now returning to normal.

OBJECTED

A wage strike by about 2 000 workers at the David Whitehead textile factory in Durban ended with workers returning to their jobs on Monday

Workers had objected to the Tongaat subsidiary's decision to incorporate a living-out allowance with the basic wage

The secretary of the National Union of Textile Workers, Mr Obed Zuma, said management had not re-engaged more than 50 workers, many of them union shop stewards, on Monday

The company had given workers a return-to-work deadline on the Monday and had interviewed them afterwards

(182) RDM 7/7/82

Coke strike leaves sweet tooths flat

Labour Correspondent

SUPPLIES of Coca-Cola to Witwatersrand areas have been disrupted for the past week by a strike at three Coke depots over wage demands

It is understood that, as a result of the strike, some outlets have been without supplies for the past few days

But the company's corporate development manager, Mr Hennie Viljoen, said that most strikers had returned yesterday and that deliveries were "almost back to normal"

There had been no deliveries from last Wednesday to Monday at the three plants, Mr Viljoen said

The company was hit by a drivers' strike at two of the depots some weeks ago

Mr Viljoen said the latest stoppage had begun last week when the company announced new pay scales for truck helpers — unskilled workers who assist with deliveries — which are scheduled to come into effect on August 1

The company has awarded these workers a 10% rise, Mr Viljoen said, but "this is the third raise they have received this year — compounded, it means that we have raised their pay by 34% during the year"

The helpers had been unhappy with this amount and had downed tools demanding a 60% rise, he said They had later been joined by workers in the company's yards

Mr Viljoen said the company had been carrying on "a constant process of consultation and negotiation" with the workers since the stoppage began

"But we have made our position clear to them"

SA WINE (182)

Selling stateside

FM 9/7/82

SA wine exporters are casting hungry eyes on the 1,9 billion *l*/year US market

The annual SA wine export market is currently worth R14m, and 15% of offshore sales last year went to America But in the first four months of 1982, US-bound exports are up 30% by volume and marketers are predicting that the USA could become SA's main market within three years Canada and the UK are now the major customers, although exports go as far afield as Hong Kong, Denmark and Australia

Last year the USA imported about 413 Ml of wine from all sources — 12% more than the previous year

The KWV, which handles some 70% of wine exports, entered the USA market 18 months ago with light table wines in 23 states. This year it hopes to export up to 60 000 cases of red and white wines to retail at $5 - $6/bottle

"America is the place to go if you really want to improve your exports," says a KWV source "But we are planning our strategy carefully and are promoting an image of quality"

KWV expects to pull in at least R1m this year from the US, 15% of this co-op's export wine and spirit income KWV real turnover on exported wines and spirits was 31,6% higher during the first five months of 1982 than during the same period last year

Stellenbosch Farmers' Wineries (SFW) has also just entered the US market and will export 1 Ml of Chateau Libertas, La Gratitude, Lanserac Rosé and Tasheimer Goldtropfchen to America over the next few years These wines are being exported for the first time and retail from $3 to $4,50 bottle

SFW total wine exports have doubled in the past 18 months and account for 7% of its sparkling wines sales and 5% of its higher and medium-priced wines

Oude Meester (OM) has exported Fleur du Cap and Grunberger ranges — 10 wines in all — to America for the past four years They retail from $4 - $6,50 and last year made up 15% of OM exports The main markets are California, Texas and Florida "but the whole of America is turning to wine," says an OM marketer, "and the potential is quite huge"

Gilbeys has exported wines to the USA for four years Says export manager Richard Schaffer "America has been very profitable for us We have received quite phenomenal orders, but it is a huge and tricky market so we prefer to keep a low profile"

Establishing a steady slice of the US market is not easy Both the western European and the Eastern block producers undersell SA

With the aid of government subsidies Italian exporters snapped up 60% of US imports last year, but market share had dropped to 54% since the recent launch of a $6m French advertising campaign

Although the strong dollar currently favours SA exports, this has not improved SA's competitive position all that much because other currencies like the franc and lira enjoy a similar, if lesser, benefit

Backing from US banks

SA Brews gets $100m credit

182

10/7/82

A CONSORTIUM of American banks has provided SA Breweries with a seven-year $100-million Eurocredit facility — one of the largest offshore loans to be arranged by an industrial company in SA.

By STEVE ELLIS

Six American banks are involved in the deal, along with one undisclosed SA bank

The terms of the loan facility provide for a split interest rate 0,75% above the London Interbank offered rates (Libor) for the first three years, and 0,875% above Libor for the remaining four years, according to agent bankers Manufacturers Hanover Trust

Manufacturers Hanover said the facility was being arranged on a club basis — that is, the credit would not be generally syndicated

The financial director of SAB, Mr Selwyn Macfarlane, said that it was the first time the group had raised money overseas since 1976 when it borrowed $30-million

No money had been transferred to SA yet, he said The facility had been arranged to underpin the group's financing in the next seven years, not to invest in any specific project.

"It has never been our policy of identifying borrowing with spending It will supplement overall funding, not a single investment"

SAB had a policy of arranging finance for use as required

Mr Macfarlane said "Obviously the proposed brewery (in the Pretoria-Witwatersrand-Vereeniging area) will attract some of the finance, just as other developments will."

In the short term, the group might not use any of the $100-million, but there was little chance any would be left after seven years.

SAB would continue to use SA credit facilities throughout the period, but if interest rates made SA funding too expensive, the group would use Eurocredit.

Mr Macfarlane knew of no restrictions on SA companies seeking offshore finance other than gaining approval from the Reserve Bank.

Most companies did not spend the time necessary to build good relations with foreign financial houses and therefore had difficulty arranging loans when they needed them.

SAB executives toured Europe, Britain and America in November 1980 and June 1981 to meet bankers

"The Reserve Bank is extremely pleased if SA companies avail themselves of facilities from overseas financial institutions They are keen to encourage it," he said "The bank certainly does not inhibit it as long as the money is used well"

Generally, only the large private companies sought finance offshore — companies which could afford to service it

Mr Macfarlane said the facility did not threaten to push SAB's debt equity ratio above its self-imposed limit of 0,60 1 At March 31, it stood at 0,53 1

In spite of the projected slow growth in SA's economy, shareholders' funds would continue to show solid growth The proportion of retained earnings would increase after the group's decision to gradually increase dividend cover from 2,0 to 2,5 times

It would provide it with further leverage to borrow

He said SA Brews had not yet considered whether further overseas credit facilities might be arranged after the $100-million was used — "that's a lot of money to spend"

"We don't believe that to jump in and out of the international money markets is the best way to build long-term relationships"

SA Brews wanted to keep a low profile on the loan to avoid any possible embarrassment to the American banks

"Lending money to SA is not particularly favoured by some American shareholders"

Hence the non-disclosure of the banks involved

COMMENT· SAB's success in securing offshore credit is testimony to its international standing as a "safe bet". By SA standards, it is lowly geared but still has the financial muscle to undertake some huge developments

The interest rates payable on the facility are about 5% lower than those on SA money and although it impossible to gauge how favourable the comparison will be in three to seven years' time, there is little doubt that the cost of servicing the Eurocredit facility will remain cheaper.

AECI secured a similar-sized overseas loan last October.

The success of other forays into the foreign money markets will ultimately depend on the reputation of the companies concerned and the willingness of offshore banks to deal with SA.

Gwusa calls convention to discuss boycott

E Post 12/7/82 182

Post Reporter

AFTER reaching deadlock in negotiations with the SA Bottling Company last month on the re-employment of 250 workers dismissed after a strike last year, the General Workers' Union of South Africa has decided to call a national convention on the issue

The dismissed workers went on strike in October for higher salaries and better working conditions

When SA Bottling refused to re-employ them, Gwusa organised a boycott of the company's products in the Eastern Cape

The union decided to call a convention of trade unions, church, civic and sporting bodies to discuss a national boycott after negotions with SA Bottling last month broke down

A Gwusa spokesman said the company had agreed at the beginning of last month's negotiations to send the union a letter saying it was willing to take back all the dismissed workers

On June 22, however, management told Gwusa representatives the company had decided not to send the letter as it "would place them at a disadvantage"

The union then submitted a plan for staggered re-employment of the dismissed workers At a meeting on June 26 the company offered to take back eight workers immediately and the rest as vacancies arose

Gwusa demanded a guarantee that 15 workers would return every month if the union called off the boycott and at that stage negotiations broke down, the Gwusa spokesman said

SA Bottling's managing director, Mr P H Gutsche, today refused to comment

The Gwusa spokesman said trade unions, the South African Council of Sport and the South African Council of Churches would be among those invited to the convention

Approaches had also been made to the International Justice and Peace organisation and Mr Andrew Young, mayor of Atlanta, where the Coca-Cola company headquarters are

The International Union of Food and Allied Workers Association in Geneva has called on West German and British labour organisations to support the boycott

SAB FM 23/7/82 (182)

More than a hiccup?

SA Breweries (SAB) has unhappily misjudged the consequences of its decision to underwrite the controversial international soccer tour

Not only does it stand to pick up a tab of around R1m when it may have got away with R100 000, but it also faces a nasty reaction from disenchanted blacks

Some 14 anti-tour black organisations will meet this week to decide on "further action"

Committee of Ten member and National Food Distributor director, Lekgau Mathabathe is one who will attend in his capacity as member of the Committee of Ten Says he "The black community — who account for about 70% of SAB's sales — feel that the company should be brought to book for its involvement in the tour

"SAB either disregarded black views on buying SA into international sport or did not take the time to even find out It should have known all along that the South African Council on Sport (SACOS) has been opposed to it

SAB beer division GM Peter Savory claims he is unaware of any impending meeting on SAB's involvement in the tour by black groups He admits the final outcome of the tour was never anticipated but notes that the black soccer clubs originally agreed to play the tourists when approached He adds that SAB — which supports sport on a non-racial, non-political basis — was reassured by the black-dominated Football Council that there would be no political repercussions

He points out that his company was not the only party to have misjudged and says SAB was merely motivated by the fact that it would be assisting the Football Council to promote soccer in SA

"We believed that local spectators and players would welcome and support the opportunity to see and play against a high quality overseas team However, as it did not capture the imagination of the public, its run was shortened"

He is not prepared to talk of what the aborted project will now cost but notes that the cancellation of the tour changes the whole cost structure Costs, he says, are still to be worked out

SOFT DRINKS (182)

Bubbling

FM 6/8/82

The latest gazetted price increases for soft drinks penalise the smaller brands and work to the benefit of soft drink giant Coca Cola

That, at least, is the claim of some manufacturers Unlike previous increases which tended to raise the prices of all container sizes proportionally, the latest ones give a distinct advantage to the 1l and 1,5l packs — the categories in which Coca Cola achieves the bulk of its sales

These prices went up by more than 11% compared to only 5% for the 300 ml bottles, which give good volumes to the smaller brands The 175 ml bottle went more than 13% and the 500 ml bottle, 12%

The 1l and 1,5l also have the advantage of being the only container sizes to get an increase in deposits

Brendan Gillespie MD of Fipso argues that the 300l bottle is the mainstay of many smaller brands' business and that the increase of only 5% will not adequately cover increased costs He points out that a number of small manufacturers have already gone to the wall over recent years and says this price blow could spell the demise of those remaining

More than 60% of total soft drink volume is sold in the 1l package compared to 9% in the 300 ml pack Coca Cola holds around 90% of the market, and Pepsi about 6%

A spokesman for the Price Controller's office says one of the reasons why the 300 ml bottle price was not increased by the same amount as the 1l and 1,5l bottles is that profits/unit were originally higher The adjustment, he claims, was aimed at bringing the different margins in line and all increases were cost related

He says the application for the increase is put forward by the industry body — the SA Federation of Soft Drink Manufacturers (SAFSDM) The Price Controller, he says, merely investigates the recommendation and assumes that the proposed increases are in the interests of the industry If it is not to the advantage of every single member, that cannot be helped Neither, he claims, can the decision be changed

He adds that the pricing system is presently under review by the Competitions Board

Coca Cola and president of the SAFSDM, Hennie Viljoen, a Coke staffer, were not available for comment

BRANDY (182)

Scotch on the rocks?

FM 6/8/82

The influential Cape wine lobby has won another skirmish in the battle against Scotch whisky and cane spirit

The wholesale price of imported Scotch is to be increased R3,80 a case, which may well result in a shelf price increase of 40c a bottle. At the other end of the scale, Finance Minister Owen Horwood has increased the "brandy rebate" from 54,28c/*l* absolute alcohol to 71,23c/*l* — a rise of 31%

The rebate is allowed on all wine spirit, grape spirit and brandy used for the manufacture of brandy By law brandy comprises not less than 30% of wine/grape spirit laid down in oak for at least three years, and not more than 70% of ordinary wine/grape spirit

The increase in the rebate, gazetted without fanfare last Friday, is open to two interpretations Officially it will be stated that it was granted to compensate distillers for increased costs

On the other hand, there has been much militant rhetoric against rising whisky imports, as well as increased sales of cane spirit at the expense of brandy. The rebate could well be interpreted as a move to reduce the tax-paid price of brandy against Scotch and other spirits

At last month's KWV agm, chairman Andre du Toit announced that strong representations would be made to government to protect wine spirit against imported Scotch whisky This seemed extraordinary at the time since Cape Wine Distributors, of which Du Toit is also chairman, is the country's largest distributor of imported Scotch

In the long term, however, Du Toit's best interests would probably be served best by wearing his wine hat since the outlook for the continued existence of Cape Wine in its present form is at best uncertain

To winegrowers Scotch whisky and cane spirit are something of a problem SA is the world's eighth largest importer of Scotch and the value of retail sales is close to R200m/year The volume of sales has increased 20% a year since 1980 and is currently about 19m*l* if one adds in malts imported to be blended into local grain spirit for products like Stellenbosch Farmers' Wineries' Three Ships

If to Scotch sales is added current disposals of cane spirit at 19,7m*l*/year, the two nearly outstrip brandy which is currently selling at the rate of about 39m*l*/year

In 1947, when SA submitted to a Gatt binding not to raise external tariffs against Scotch (in return for imperial preference accorded to SA exports of wine), whisky sales were a mere 9% of brandy disposals on the home market This has now moved up to 50%

At the commencement of the Gatt binding, brandy had a tax-paid price advantage of 270% over imported whisky Because of periodic excise duty increases, including one of 22% in Horwood's August 12 budget last year, brandy's price advantage has been whittled down to 30%

The rhetoric against imported whisky has become increasingly militant It is argued that the 1947 Gatt binding no longer holds good because Britain entered the EEC in 1973 without negotiating compensation for SA A higher import duty on Scotch whisky would not be out of place, it is argued, because it would be in the interests of domestic liquor manufacturers

It is unlikely, however, that government would resort to anything as crude as simply raising tariff barriers against Scotch

One method to check the growth of whisky sales is the imposition of quality controls, which lay down strict limits on chemical content and impurities and insist on a minimum alcohol content of 43% by volume This has the effect of excluding whiskies with a lower alcohol content and, as this affects most of the malt whiskies — around 90% of them they have largely been excluded from the SA market

BRANDY BONUS

At the time of going to press the *FM* learns that the KWV has decided to pocket government's rebate concession on brandy (see adjoining story) rather than to lower the consumer selling price

KWV has informed its associate producers that "in order to retain the benefit of this adjustment in the hands of the maturer, the prices of our rebate and blended brandies are therefore being increased correspondingly with immediate effect

"This ensures that the duty-paid cost of the end products will remain virtually unchanged"

A KWV spokesman says the price adjustment is "fully in accordance" with government's intention of enabling brandy distillers and maturers to "recoup increases in the cost of maturation"

Last year, however, the Department of Customs and Excise prepared the ground for a more subtle onslaught on whisky seemingly without directly going in breach of the Gatt binding

It did so by amending the basis on which wine spirit used in the manufacture of brandy is taxed

Under the old dispensation the government allowed brandy distillers a rebate on the 30% portion of a bottle of brandy that comprised pot-stilled wine spirit laid down in oak for three years This was to compensate producers for the cost of maturation

The extent of the rebate was governed, however, by the 1947 Gatt binding

The new arrangement gives a blanket rebate on all components of the brandy blend

By broadening the base of the rebate (an increase of which can be made administratively) the tax paid manufactured cost of brandy could be reduced to the level at which it could lure Scotch drinkers away

Plans to step up boycott

(182) E·Post 11/8/82

A NATIONAL convention to intensify a boycott of SA Bottling products, called after the dismissal of 250 striking workers at the plant in Port Elizabeth, will take place in Johannesburg at the weekend

The dismissed workers went on strike in October for higher salaries and better working conditions

When SA Bottling refused to re-employ them, the General Workers' Union of SA (Gwusa) organised a boycott of the company's products

The union decided to call a convention of trade unions, church, civic student and sporting bodies to launch the boycott nationally after talks with SA Bottling broke down in June

Trade unions, the South African Council on Sport, the South African Council of Churches and the Congress of South African Students, are among the bodies who have been invited to the convention

It was originally to have been held in Port Elizabeth but delegates recommended that the venue be changed because of financial considerations

Gwusa's organising secretary, Mr Government Zini, said today regional committees would be set up to co-ordinate the boycott of companies bottling Coke products at this weekend's convention

A Gwusa delegation is to hold talks with SA Bottling management tomorrow Mr Zini said if an agreement on re-employing the dismissed workers was not reached a door-to-door campaign would be launched in Port Elizabeth

Liquor workers close the taps

182 Sowetan 12/8/82

ABOUT 570 workers of the Distillers Corporation in Wadeville yesterday entered their second day of work stoppage with management promising to consider their demand to transfer a supervisor to another department.

The corporation's PRO, Mr P J Retief yesterday told The SOWETAN that management was negotiating with the National Union of Wine and Spirits Workers' which is representing the workers

He said the workers were demanding that another supervisor, who had been transferred to another department, be returned to the original plant

This was done because "we feel workers have to gain experience by being changed from one department to another,' he said

The workers were not happy about the transfer but did not make representations to management until Tuesday when they decided to stop work, he said

The workers were told when they arrived at the plant yesterday that those who wanted to work should go into the plant and those who did not want to could remain outside

They were advised to resume work and negotiate later, but most decided not to work

"We are prepared to take all the workers back if they show interest " he said

SA Bottling offer to re-employ 30 is rejected

1982

E. Post 17/8/82

By SANDRA SMITH

THE General Workers' Union of SA (Gwusa) yesterday rejected an offer by SA Bottling to re-employ 30 of the 250 workers dismissed last year

The workers were sacked after a strike in October for higher salaries and better working conditions

When SA Bottling refused to re-employ them, Gwusa organised a boycott of the company's products in the Eastern Cape

Plans are also afoot to launch the boycott nationally

Gwusa's organising secretary, Mr Government Zini, said a union delegation had met management representatives on Thursday

They had been told the Food and Beverage Workers' Union (FBWU), an affiliate of the Council of Unions of SA (Cusa), also claimed to represent the dismissed workers

The meeting was adjourned and resumed yesterday with the FBWU present The union made it clear it was not involved in negotiations on the re-employment of those dismissed, and left the meeting, Mr Zini said

The company then offered to re-employ 15 of the workers immediately, and another 15 in September

"On the question of the remaining workers the company refused to commit itself, and until they present us with a re-employment schedule of the outstanding workers we cannot accept their offer," Mr Zini said

SA Bottling's managing director, Mr P H Gutsche, said the company wanted to employ additional people and was prepared to give preference to former employees

"We cannot simply employ all those dismissed last year and get rid of a whole lot of our present workers," he said

"We have made a sincere offer and still hope the union will come back to us on it"

While the boycott of SA Bottling products was having no visible effect, "the negative publicity is awful", Mr Gutsche said

Gwusa met representatives of the Eastern Province Council on Sport (Epcos) last week to discuss the establishing of a regional boycott committee, and the Congress of SA Students (Cosas) had reaffirmed its commitment to the boycott, Mr Zini said

The union was also considering a boycott of SA Bottling agents in black residential areas

A national convention on the issue which was supposed to have taken place at the weekend, was postponed because of the unveiling of the tombstone of Robert Sobukwe

CAPE TIMES 18/8/82

Union rejects SA Bottling's offer

182

PORT ELIZABETH — The General Workers' Union of SA yesterday rejected an offer by SA Bottling to re-employ 30 of 250 workers dismissed last year

The workers were sacked after a strike in October for higher salaries and better working conditions

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"We have made a sincere offer and still hope the union will come back to us on it"

While the boycott of SA Bottling products was having no visible effect the negative publicity was bad, he said — Sapa

grounds at the weekend. He was ranked ninth in the world.

Police fire teargas in PE township

182

E. Post 23/8/82

By JIMMY MATYU

POLICE in camouflage uniform in eight patrol vans fired teargas canisters at a group of about 150 chanting workers in Kwazakele yesterday

The incident occurred in Njoli Road after police had ordered a crowd of people gathered at the Embizweni Square to disperse

The workers, who are members of the unregistered General Workers' Union of South Africa (Gwusa), met to "highlight the failure" of SA Bottling to re-employ workers who went on strike in October last year for better wages and working conditions

The crowd started gathering about 10am and were joined by spectators

Mr Government Zini, a union official, spoke to a shop-owner Minutes later he asked the workers to go home after the police had spoken to him

A large crowd then started walking to Kwazakele followed by the police

As the workers entered the Kwazakele area, the police suddenly sprayed teargas

Major Gerrie van Rooven, police liaison officer in the Eastern Cape, confirmed today that a crowd of about 150 people had gathered at Embizweni

He said the gathering was illegal and police called on the people to disperse They then fired teargas

Weather

FORECAST for the coastal belt from Plettenberg Bay to Port Alfred for the period ending 6pm tomorrow

CONDITIONS Fair and mild to warm

WIND Moderate northerly to north-westerly

EXPECTED TEMPERATURES

Maximum	26C
Minimum	12C

TODAY S CONDITIONS (1pm)

Sea Temperature	16C
Temperature	24C
Pressure	1 020 3mba
Humidity	34%
Wind	14km/h SW

THE MOON

New Moon	September 17
First Quarter	August 26
Full Moon	Sept 3
Last Quarte	Sept10

THE SUN

Sets today	5 52pm
Rises tomorrow	6 47am
Daylight yesterday	11h 3min

THE TIDES

High Water		
Today	6 18am	6 37pm
Tomorrow	6 52am	7 14pm
Low Water		
Today	12 12am	12 13pm
Tomorrow	12 48am	12 45pm

THE WORLD

	Min C	Max C	Weather
Amsterdam	11	18	cloudy
Athens	23	33	clear
Berlin	12	20	cloudy
Brussels			n/a
Buenos Aires	13	15	clear
Chicago	14	25	cloudy
Copenhagen	13	18	cloudy
Dublin	11	18	rain
Frankfurt	9	19	cloudy
Geneva	8	19	clear
Helsinki	10	17	clear
Hong Kong	27	32	clear
Jerusalem	18	28	clear
Lisbon	15	27	clear
London	15	20	cloudy
Los Angeles	24	35	cloudy
Madrid	15	30	cloudy
Miami	28	30	cloudy
Montreal	10	21	cloudy
Moscow	18	26	cloudy
New Delhi	25	33	cloudy
New York	20	24	clear
Paris	14	22	clear
Rio de Janeiro	12	32	clear
Rome	22	30	rain
San Francisco	11	19	clear
Stockholm	9	17	clear
Sydney	9	19	clear
Tel Aviv	22	30	clear
Tokyo	26	33	clear
Toronto	12	23	cloudy

Evening Post Checkers Evening

Evening Post - Checkers

CHECKERS HYPERMARKET

Jackpot

(Fairview 28/8/82)

Race 3

Race 4

Race 5

Race 6

Race 7

Race 8

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Address

Entries on a card or the back of an envelope should be posted to the Evening Post Jackpot Box 1121 Port Elizabeth 6000 or handed in at your nearest Checkers store or at the Checkers Hypermarket at Greenacres before 11am on Saturday Uitenhage and Despatch entries are accepted up to 7pm on Friday and East London entries at the Evening Post office in Terminus Street up to 4pm on Friday Grahamstown entries can be deposited at Checkers in High Street up to 1pm on Friday Only official entry forms carrying the current date are acceptable and entries must carry the names of the horses and not the numbers The decision of the judges is final and binding

(CLOSING DATE FOR ENTRIES IS SATURDAY, AUGUST 28, at 11am)

Evening Post Checkers Evening Po

Shot

Gunmen net R32 000

Post Correspondent

JOHANNESBURG — Five gunmen escaped with cash and goods worth more than R32 000 in three separate hold-ups here at the

Ford wo back as negotiate

152 142

Post Report

ALMOST the entire workforce at returned to work today after a

Agreement reached on rehiring of dismissed workers

E. Post 26/8/87 (182)

Post Reporter

THE SA Bottling Company and the General Workers' Union of SA (Gwusa) yesterday reached an agreement on the re-employment of 223 workers who were dismissed after a strike last year

The workers went on strike in a demand for higher salaries, voluntary over-time, maternity leave and recognition by the company of Gwusa

When SA Bottling refused to reinstate those dismissed, the union boycotted its products in the Eastern Cape

Yesterday, the two parties resolved the dispute, with black community leaders Mr Dan Qeqwe, Mr W Ximiya and Mr J Kani mediating

In terms of the agreement, 50 of the dismissed workers will be re-employed by January 31

The company and union will then meet to draw up a programme for the phasing in of the remaining workers

The union will immediately call off the boycott

"There will be closer communication between the company and the union to decide which people to re-employ, taking into account the aptitude of the candidates for the type of work available," the agreement said

It was also agreed that former employees would be given preference should vacancies arise at SA Bottling

Coke boycott ends with plan for sacked workers

(182) (129) 1WDM 27/8/82

- Labour Correspondent

A LENGTHY boycott of Coca-Cola products in the Eastern Cape, which attracted international union support, ended this week with an agreement between the Coke subsidiary, SA Bottling Company, and the General Workers' Union of SA (Gwusa)

The agreement provides for the re-employment by the company of workers fired during a strike last year

The dispute — and subsequent boycott — followed the firing of more than 200 strikers at SA Bottling Gwusa appealed to black Eastern Cape traders and consumers to support the boycott and the powerful International Union of Food and Allied Workers also backed it

An SA Bottling spokesman told the Mail's Port Elizabeth correspondent that 223 workers had originally been fired, but that some had since found new jobs Gwusa had presented the company with a list of 132 ex-workers who were still jobless and this had been "whittled down" to 111

According to the agreement signed by Gwusa and the company this week, SA Bottling will re-hire 50 workers by January

A meeting will be held between Gwusa and the company at the end of January next year "where a programme will be drawn up on how to phase in the remaining unemployed ex-workers", the agreement reads

There would be close communication between the company and the union to decide which workers to take back

If any vacancies occured, workers fired during the strike would "be considered in preference to any other candidates"

Benefits for reinstatement would apply to all re-employed workers in terms of existing company policy on pensions and schooling

In return, the union agreed to immediately call off the boycott

Traders and community leaders would also assist in efforts to boost sales of Coca-Cola products to create more jobs at the plant

The union undertook to publicise the agreement, both locally and abroad

Gwusa is a union which was set up by officials of the Motor Assembly and Components Workers' Union of SA (Macwusa) It operates in Port Elizabeth and Pretoria

Stable equilib

SAB'S R800 000 BOOK GRANT TO BLACK SCHOOLS

S. Tribune 26/9/82 (182)

Tribune Reporter

SOUTH African Breweries has made an R800 000 grant — in the form of 1 000 sets of the World Book Encyclopedia — to black, coloured and Indian schools throughout the country.

Distribution of the 22-volume sets, donated by Breweries under its SAB Community Trust programme, will be backed by the Read organisation (read, educate and develop) in the form of teacher and pupil training schemes.

Dick Goss, Breweries' managing director, presented the first set of encyclopedias to pupils of the Soweto school for mentally gifted children on Friday.

Speaking at the ceremony, Windsor Shuenyane, manager of the trust, said it was hoped the books would form the nucleus of a library in each school.

"Because the volumes can be updated each year with a yearbook, they will benefit not only the children already in secondary schools, but at least 300 000 new pupils who move up to senior secondary school level each year," he said

The 14 300-page set is published in the United States and distributed to 36 countries The trust's 1 000 volume order is the largest ever placed outside of the U S.

Suncrush plan R8m bottling plant at Richards Bay

182

Financial Editor

SUNCRUSH has decided to go ahead with its R8 000 000 plan to build a bottling plant at Richards Bay. Once complete it will replace the unit at Empangeni. The building is to cost R4,45m while the R3,407m bottling plant and similar to one installed at Klerksdorp recently is expected to arrive next March.

Mr R D Hamilton, the chairman, said in his annual report that there had been rapid and sustained growth in the area, which had led them to start the project after holding back on any major capital investment.

The strong growth in the area had offset the levelling-off in soft drink sales elsewhere

Turnover

He said that company turnover was budgeted to increase by 22 percent — but 'this may prove difficult to achieve, given the recent slowdown of growth in the mining areas'.

Tax allowances for Richards Bay would accrue only in the 1983/4 year and the tax rate rate will increase in the current financial year.

'We hope to achieve earnings growth similar to that of turnover.'

He noted that prices were increased on August 1 by 9,7 percent, which was 'well below the inflation rate.'

A recognition agreement had been signed with a Fosatu trade union at Empangeni and Mr Hamilton expects further union activity and 'upward pressure on wage rates'.

Efficiency

The availability of raw materials had improved, with the exception of carbon dioxide, where 'we have done what we can to minimise the risk'.

Efficiency in most departments was high while scope for improvement in distribution remained, he said.

There had been no change in the competitive situation It had been less active generally. Four successful launches of new products had been held they included a 500 ml non-returnable bottle

The company has increased its holding to one-fifth of Dalys Ltd, which holds 50 percent of Suncrush.

The annual report for the year ending June 30 showed that soft drink sales remain a winner, with turnover up 36 percent and pre-tax profits 62 percent higher for the year to June 30

Profits attributable to shareholders are R5 954m (eps 221c) for the year compared with R3 549m (eps 132c) or 68 percent up

Final div

Final dividend is a healthy 46 cents after an interim of 20 cents, which compares with 40 cents for the previous full year

The company has improved its cash balances by the sale of its investment in W F Johnstone and records a surplus of R1,159m — the upper end of the estimate made in the interim report.

It still has 250 000 Sage Holdings which it bought at 184 cents.

With International Harvester (IH) in the doldrums overseas and the current downturn in the motor industry locally, Suncrush has acted to relinquish (from November 30,1982) the Intertruck franchise in Durban but will retain the Pietermaritzburg operation

LIQUOR (182)

Pressure on co-ops

FM 15/10/82

Farmers in some of SA's wine co-operatives believe that the KWV has changed since it became a shareholder in the country's dominant wine and spirits merchant, CWD, in 1979

Originally established to promote interests of all wine farmers, the KWV was expected to keep out of commercial competition between producers But now as an equal partner with Oude Meester in the CWD, this appears hardly possible

The wine co-ops have always looked to the KWV to support them in their dealings with the merchants, of which CWD is now the biggest But they are now in doubt as to whom they should turn

The KWV supported the recent government move to abolish the sale of wine in 25l plastic tanks called "swartvatjies" Its argument was that such packaging did immense damage to the image of wine

But this action supported the interests of the big distributors at the expense of the co-ops as they relied on this container for a large proportion of their volumes

Since the vats were returnable the wine was sold in bulk on an effective 'packaging-free' basis

The wholesale merchants viewed the growth of the swartvatjie market with some anxiety

A KWV spokesman has also spoken out against the co-ops policy of discounting their wine to the retail trade He says this undermines market stability Since CWD controls 80% of this market it is difficult not to assume that he has more than the wine farmers interests at heart

The co-ops supply direct to the retail trade without the overheads of inland storage warehousing representatives and brand advertising Clearly they can undercut the CWD s lower priced volume brands

Johnnies increase stake in SAB at cost of R46m

Cape Times 21/10/82

By JOHN MULCAHY

JOHANNESBURG — Johannesburg Consolidated Investments bought another 7 191 551 shares in SA Breweries in the year to June 30 at a cost of R46 900 000

The reason for acquiring the additional shares was to avoid dilution of JCI's interest in SA Breweries after the latter's acquisition of Edgars, which was effected by an offer of shares and cash

Johnnies' directors cite the SA Breweries purchase as a major factor in reversing the group's cash position from a positive balance of R35 600 000 at the beginning of July last year to a deficit of R3 100 000 by June 30 this year

Although Johnnies cash resources have been exhausted, the group arranged credit facilities of R75-million from South African banks during the year, of which R7 300 00 had been used by the end of June

Lennings

The balance sheet shows a sharp increase in long-term liabilities at the end of June, to R62-million from R14-million a year earlier, and this is attributed mainly to Lennings, the engineering subsidiary

Johnnies' financial director Mr D H "Steve' Stevenson yesterday described Lennings gearing ratio as "unacceptable" The directors add that Lennings faces a difficult year which "will present a very real challenge to the management"

Lennings difficulties over the past year were compounded by two significant acquisitions, the Besaans-Du Plessis group and Apex Industries (Pty) Johnnies lent Lennings R10 600 000 to finance the acquisitions

Mr Stevenson said Lennings was generating enough income to service its debt now, and the company had contributed a small sum to group earnings in the second half of the year

The analysis of income shows a distinct change from the year to June 1981, with gold's contribution plunging to R10 700 000 from R20 600 000 and diamond income dropping to R11 700 000 from R16 600 000

Coal to rescue

Coal came to the eventual rescue, however, lifting its contribution by R10-million to R16 900 000 and challenging platinum for the group's biggest mining contribution

Johnnies has been granted a provisional export allocation of 1 500 000 tons of coal in terms of Phase IV of Richards Bay development

The allocation will be exploited together with Total Exploration (TESA) in terms of an option given to that company as part of an existing joint venture agreement

It seems likely that another mine will be developed to cope with the new export allocation, but the development will fall under the ambit of Tavistock, and will possibly take the form of expansion at an existing operation

The directors say discussions are taking place with a third party which has coal export allocations, "with a view to expanding further the planned operations at Phoenix colliery"

Options for coal rights over large areas in the Transvaal, Natal and Free State have been acquired "as a result of an increased exploration endeavour" and although the directors say some interesting discoveries have been made they say it is too early to assess whether profitable projects will result from them

Exploration

Increased drilling activity, as well as increased costs of acquiring options and of feasibility studies, lifted Johnnies' exploration and research expenditure to R17 600 000 in the year to June from R13 700 000 last year

The directors say expenditure on coal exploration increased during the year and the level of precious and base metal exploration was maintained

"In view of the growing surplus in world uranium supplies and the fact that this situation is expected to persist in the foreseeable future, active exploration for uranium in the Karoo ceased towards the end of 1981"

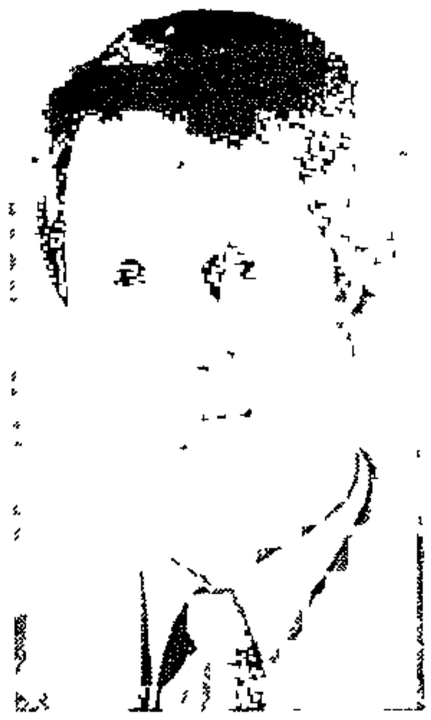
Mining

In a general comment on the economy Johnnies' directors say developments over the past year have been discouraging for the mining sector for a number of reasons

Lower world commodity prices have affected operating profits adversely and directly, as has the general increase in the cost structure of SA caused by inflation

"Although the decline of 23% in the rand's exchange value from $1,1380 to $0,8759 between June 30 1981 and June 30, 1982 undoubtedly helped to soften the impact of the world recession on the mining sector, the benefit of the decline could at best be temporary"

The directors add that in the long term a reduction of the inflation rate is most important for preserving the mining sector's competitiveness, "and it is imperative that greater attention be given to the problem both by the authorities and the private sector



Mr J L Battersby has been appointed chief executive, technical, Atlantis Diesel Engines

UNE, OCTOBER 24, 1982

Mr MAMPOER

OOM GERT'S TEETOTAL — BUT WHEN HE MIXES A BREW, YOU DON'T HAVE TO WAIT FOR THE HANGOVER

Dot Gough . . . high octane smile, courtesy of mampoer

High octane mampoer starts museum visitor Linda Kimble coughing

S-Tribune 24/10/82

(182)

By WILLIAM SAUNDERSON-MEYER

THE man who distils mampoer for hundreds of people each month won't touch a drop of the stuff himself.

Oom Gert Jacobs, who distils mampoer at the Willem Pretorius Agricultural Museum — the first museum to be granted a mampoer distilling licence — is a teetotaller whose satisfaction lies in watching the expressions on first-time imbibers of mampoer.

Mampoer is a type of *home-distilled* peach brandy, a prosaic description of what is in reality South Africa's answer to Hillbilly Moonshine

Until the "stokers" recently reached a ceasefire with the State, the number of farm stills had dropped from about 10 000 just after World War 2 to about 120.

The ruling was that the licence for a still lapsed when the owner died

Determined lobbying by the Transvaal Agricultural Union saved the day, however. The Government has amended the law allowing licences to be passed on. Provision has also been made to allow a limited number of new licences.

The first new licence issued was to the Willem Prinsloo Agricultural Museum near Bronkhorstspruit.

The "stoker" at the museum is Oom Gert Jacobs. His grandmother used to run a still, but his memories of this are understandably vague. What he knows of distilling mampoer he has learnt from trial and error.

poisonous water and is thrown away.

Oom Gert sits on a tractor seat next to the still the whole day, because "mampoerstokery" is a tricky business If the temperature of the wood fire is too high, the mampoer collects steam and, more importantly, the alcohol content becomes too low. Also, the mampoer distills too quickly and loses its taste

Ideally, high octane mampoer is distilled slowly, a barely perceptible drip, slow enough for a man to light a pipe between drops

"Nowadays", said Oom Gert, "they use all kinds of fancy gadgets to make sure that the temperature and the pressure are right. Not me. Here we do it the way its always been done."

To check whether the mampoer is strong enough, Oom Gert takes a few drops and throws it on the fire Depending on the height of the flames, he assesses the potency.

"Such faces, such coughing when it explodes in their mouths. Occasionally there'll be someone who drinks it like water, like it's what they have been missing all their lives," he said

Oom Gert is part of a small band of people in South Africa who are dedicated to preserving the right of the citizenry to having a liquid frontal lobotomy — the band of about 120 "stokers" of the 70

forehead almost instantaneously.

The regulations governing the distilling of mampoer are very strict When Oom Gert wants to make some, he has to inform the Department of Customs and Excise

A sample of each brew is sent to the Department to determine the alcohol content The batch is then taxed according to the percentage of alcohol The excise tax is R10 a litre pure alcohol If the mampoer is 70 percent alcohol, the excise duty is then R7 a litre

To ensure that there is no thriving black market in mampoer, the Department sends inspectors regularly to check the records and stocks of the licensed distillers.

OOM GERT at his still . . . time to light a pipe between drops

The standard raw material is yellow peaches, sliced and then left to ferment in a plastic drum for about two weeks. Nothing is added . . . no water, no sugar.

The ferment is placed in a 400 litre copper kettle. A gas collecting lid called the helmet is connected to a copper pipe, which spirals through a cold water tank to condense the mampoer into a bottle.

The neck, where the kettle joins the helmet, is sealed with a mixture of clay and cow dung.

Four hundred litres of fermented peaches produces about 35 litres of what is called the "voorloop" — a 20 percent alcohol mixture with an unpleasant taste

The "voorloop" is run through again and in a day-long process produces six or seven litres of mampoer.

What is left in the kettle, the "naloop" is

percent alcohol mampoer.

It is difficult to describe the taste. When sniffed, the mampoer has a faint bouquet of dried peaches. But the taste . . . there is no taste. The closest I can get to it is to compare it with what one imagines ground glass doused in burning petrol to taste like.

It is definitely an acquired taste and after half a dozen glasses, I found I was only just beginning to like it. The thing that can be said for it, is that you don't have to wait for the next morning to experience the hangover. It smites one across the

INSIDE MAIL

missioner or to an invigilator before leaving the examination

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book(s) are used

4 Do not write in the left hand margin

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

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IRom 27/10/82

Union to test 'unfair dismissal' law in court

By STEVEN FRIEDMAN
Labour Correspondent

THE Industrial Court is to be asked to order the reinstatement of a worker who was allegedly unfairly fired at a Wadeville liquor company — a case which will test for the first time recent changes to labour law

Until now the courts have compensated workers who have been unfairly dismissed, but have not ordered their reinstatement

And, in another development, an attempt to challenge the controversial closed shop principle — which compels workers to join a union — in the court for the first time may be thwarted on a technicality as a result of argument heard by the court on Monday

The move to seek a reinstatement application was announced yesterday in a statement by the National Union of Wine, Spirit and Allied Workers, a registered union with close links to Tucsa's Garment Workers Union

The union will seek the application against Distillers Corporation of Wadeville, which, it alleges fired a union shop steward without following laid-down dismissal procedures

According to the statement, the company has refused to reinstate the worker and the union is thus taking the matter to the court.

The union says the case will "test the effectiveness" of the recently amended Section 43 of the Labour Relations Act, "which in its new form is untried by the court" The Section deals with "unfair labour practices'

The "closed shop" action was heard by the court in Durban yesterday It has been brought by Natal company, Grafton Everest, of which three workers face dismissal by the furniture industry's Natal industrial council because they refuse to join a Tucsa-affiliated union

The union has a "closed shop" agreement with employers on the council

The Mail's Durban correspondent reports that the industrial council's lawyer asked the court to refuse to hear the case because, he argued, the company had not followed correct procedure in bringing the case to court

The court is still to decide on this argument

Star 29/10/82

Union seeks court order

THE NATIONAL Union of Wine, Spirits and Allied Workers is to make an application in terms of Section 43 of the Labour Relations Act against a liquor manufacturing company in Wadeville, near Germiston.

The application is to be made against Distillers Corporation as a result of the dismissal of a shop steward The company is part of Cape Wine and Distillers

DISMISSED

The union claims that the shop steward was unfairly dismissed, as laid down procedures relating to dismissals were not followed The firm has refused to re-instate the worker, hence the union is seeking a reinstatement order

This will test the effectiveness of Section 43 which, in its new form, has not yet been tried in court Section 43 accepts the argument that workers are entitled to re-instatement if they are dismissed unfairly

Parking causes racial problems

182

TEMPERS flared this week when the United Breweries' weekly-paid black workers were refused permission to use parking facilities at the company's Ga-Rankuwa depot.

By ALINAH DUBE

According to workers, trouble started when white employees started putting their names on some of the sheltered parking bays

The black employees said a white man told them they were "kaffirs" and that facilities were only to be used by whites and monthly paid staffers

"What surprised us most was that the company did not inform us officially that we, weekly paid workers, should stop using the facilities," said one of the workers They said much as they knew there was reserved parking for management, they would not allow themselves to be discriminated against by members of the staff, who looked down upon them

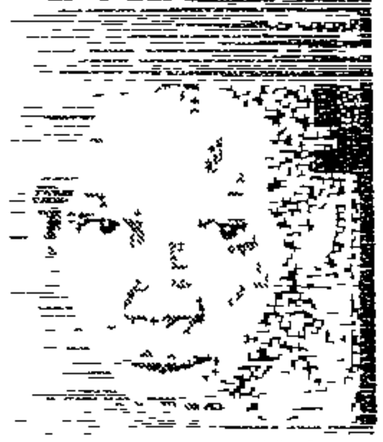
The SOWETAN was told the trouble was sparked off by the employers who put up their names on respective parking lots after shelters were erected The area had been without shelters in the past.

"We never had these problems before We welcomed the move by the company to have our cars protected but we also feel entitled to know when changes are made in policy," they said

The workers said they were informed by a white worker that monthly staffers were paying for the parking and that preference had to be given to them This, they said, was unfair, as arrangements could be made for them to also contribute "for the safety of our cars"

Attempts to get the management's side of the story was unsuccessful when a personnel manager, a Mr Maleka, said the matter was not worth reporting He said he was not allowed to make Press statements and referred reporters to a general manager, whose name he would not disclose. Attempts to get hold of him were unsuccessful

LOST



ITTLE Darius Mabi-tsa was found wan-ering around the ohannesburg Rail-y Station by po-cemen who took 'n to the Orlando lome He is about 1, and has sight roblems He says s mother is in Mo-lo, Soweto, but he 'so has relatives in its Anybody who an help is asked to hone Mrs Joyce lakavu at Johan-sburg 836-5381 or e her at 52 Prit-hard Street.

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TELEFUNKEN

Black drinkers turn to 'white' liquor

182

10/12/82

Mercury Reporter

THE pattern of liquor consumption among Natal's black community is changing, mainly because of a change in affluence and lifestyle, according to two of the country's largest liquor manufacturers

The change, however, from sorghum beer to bottled malt beer, wine and spirits is one of the reasons for the increase in alcohol abuse among blacks, says Mr Archie Msomi, a social worker with the South African National Council for Alcoholism and Drug Dependence

Mr John Miles, marketing manager for South African Breweries, said he believed that over the past 18 months sorghum beer sales had dropped and his company had gained new beer drinkers

'We have a theory that as per capita income increases among the black population the consumption of our product increases as well This can be seen in Natal, where blacks have been switching from sorghum to malt beer as they become more urbanised and affluent'

Swing

The Stellenbosch Farmers' Winery reported that they were also getting a larger slice of the black market than they had done in the past.

Marketing manager Johan Henning said 'In Natal there is a definite swing to natural wines among black consumers For example, the sales figures for one of our wines, Autumn Harvest Crackling, have doubled, largely because of the black market'

'We attribute this to a change in lifestyle, brought about by a change in income Sorghum beer used to be drunk for its nutritional value — now that many blacks are getting a more adequate diet, they are turning to more sophisticated types of alcohol,' he explained

Commented Mr Msomi 'Many young people and recently urbanised blacks are adopting Western drinking habits and using what we call white liquor — but related to this is a growing drinking problem, although we are not quite sure why it has come about.'

Beer row comes to a head in SWA

12/12/82 S. Times

182

WALVIS BAY residents are drier than normal — and according to some that's pretty dry

The South African Breweries (SAB) has refused to supply its beer to liquor outlets in the South African enclave

And some of the hoteliers and bottle-store owners in Walvis Bay are now spoiling for a fight if the SAB persists in its refusal to ship South African beer up to their edge of the Namib Desert

Demand

The row has been brewing ever since Walvis Bay was proclaimed a part of South Africa a few years ago

Now, although the enclave is administered from the Cape and forms part of the Republic, its South African-licensed liquor dealers are still denied supplies of the South African beer

Though there is a plentiful

Sunday Times Reporter

supply of South West African beer in Walvis Bay, some local liquor dealers believe that their customers won't be entirely satisfied until they get South African beer too

"There is a terrific demand for South African beer in Walvis Bay, particularly among the troops," said Mr C S Courtney-Clarke, a Walvis Bay hotel owner

"Why shouldn't we be able to draw South African beer?" he asked, adding that a large quantity of beer was being transported almost daily from the Republic to the operational area on South West Africa's northern border

There are strong suspicions in Walvis Bay that the SAB has an agreement with the SWA Breweries not to supply local liquor outlets in competition with them

However, Mr Gary May, public affairs manager of the SAB (Beer Division), denied that there was any "hard legal contract" preventing the SAB from entering the SWA market

Responsibility

Mr May said the SAB was serving a rapidly growing South African market and was not in a position to launch out into the vast territory of SWA

"If we supplied that market officially we would take full responsibility for the quality of our product But if we can't control some important aspects of distribution, we would not feel we could take that responsibility"

Sowetan 22/3/82

Race row: SAB reacts

182

THE South African Breweries is investigating an incident in which its black and white staff were involved in a dispute over parking facilities at its Ga-Rankuwa plant earlier this month.

An SAB public relations manager, Mr Gary May, said yesterday a committee had been appointed to investigate the matter.

Misunderstanding at the depot arose after weekly-paid black workers were allegedly refused access to sheltered parking bays by their white colleagues

One white is reported to have called the black workers "kaffirs" and told them that the facilities were only to be used by whites and monthly-paid staff

According to workers, white employees had placed their name-tags on some of the sheltered parking spaces to ensure that they had sole rights to use the facilities

Mr May said that the white man, who had insulted the black staff, had not been traced

"The company will take strong action against people insulting other workers," he added

MANUF. — BEVERAGES

1983

APRIL — DEC.

Some imported wines, liqueurs will disappear from bottlestores

(182)

Mercury 4/1/83

Finance Reporter

CERTAIN imported wines, champagne and liqueurs will soon disappear from bottle stores' shelves in line with new regulations which came into effect on 1 January. The sale of liquor, not bottled in prescribed sizes, is now prohibited.

Although retailers can continue to sell their stocks, wholesalers cannot sell or deliver the illegal bottles and stores may be asked to prove that their stocks were delivered before 5 00pm on Friday..

An official of the Trade Inspection branch of the Department of Industry, Commerce and Tourism, said the regulations would prevent the sale of two-litre bottles of whisky, certain brands of champagne in three, six and nine litre bottles and some imported liqueurs.

'The Metrication Board and the liquor trade decided together to rationalise quantities This allows consumers to make rational decisions, because direct price comparisons can be made between bottles of the same size,' he said.

Some members of the trade think the regulations are a form of protectionism, introduced to benefit the major South African producers.

Marketing director of Solly Kramers, Mr Andy Murray said. 'On the whole I find this drive for uniformity an anathema to consumerism; goods should be varied and interesting. This is another obstruction to free choice in the market place.'

But Mrs Sue Birch, marketing manager (spirits) of Stellenbosch Farmers' Winery, said every country has bottling regulations.

'If the market is significant the supplier will conform Some brands may disappear if sales do not justify a change in bottles We have been aware of the regulations for a long time and our suppliers know what is happening. If they do not wish to supply the correct sized bottles we will have to discontinue those ranges.

'As local producers we welcome the regulations to some extent, because we can compete on an equal basis with imported brands,' she said.

In terms of the regulations it is legal to sell only bottles of the following sizes

Beer — 340ml, 375ml, 500ml, 750ml, one litre and 450ml cans

Spirits — 200ml, 250ml, 375ml, 500ml, 750ml and one litre There is a special exemption until 31 December 1984 for whisky in 4,5 litre packs and imported spirits in 350ml and 700ml bottles.

Wines — 100ml, 200ml, 250ml, 375ml, 500ml, 750ml, one litre, 1,5 litres, two litres and five litres There is a special exemption until 31 December 1984 on 700ml bottles of wines, sparkling wines and champagnes bottled before vintage 1 January 1979

Sage ... nearer its objective?

purchase shares in their holding company

Unisec denied these allegations, claiming that the purchase of Unisec shares was a good investment for the affiliated companies. The court found differently Describing a scheme to "desubsidiarise" Newstock and Billhawk so that these companies could buy shares in Unisec, Justice Coetzee said "Obviously the directors fondly hoped that what they were doing was mere avoidance of the irksome fetters of company law Their methods, however, point, overwhelmingly, in only one direction, namely evasion of the law which prefers the foundational truth to a hollow superstructure The project, conceived in sin was, due to the peculiar delivery technique, also born in sin"

Sage has long alleged that control of Unisec was being manipulated and tried to establish the true control situation Since the acrimony first erupted between the two groups, however, the scene has changed somewhat Stanbic's acquisition last year of 67% of Luxembourg-registered Tolux gave the banking group indirect but effective control of Unisec (*Fox*, July 2 1982) Even so, Sage still holds over 20% of Unisec's equity and there are no indications that the group has given up its hopes of controlling Unisec

Just what will emerge from the impending investigation is not yet clear At first glance the scope of the investigation (as referred to in the recent Supreme Court judgement) may appear limited Handing down his decision Justice Coetzee called for an investigation into "All aspects or matters which would throw light on the true relationship between Unisec and Newstock, Goshawk and Plover at the relevent times when the last mentioned three companies purchased the Unisec shares, in order to determine whether they were then or had been before, or subsequently, became subsidiaries of Unisec " The judge added that all aspects relevant to the purchase of ordinary shares in Unisec by companies which are now subsidiaries of Unisec should be investigated

Justice Coetzee said this would particularly involve looking into the dates and quantities of the shares purchased, the sources of funds used for the purchases and, perhaps more importantly, the motives for such purchases

This may not have been quite what Sage was hoping for, since no investigation of Unisec's control situation can be exhaustive unless it examines Unisec's precise relationship with both Hesperus and Tolux In addition, the control structure of Tolux, prior to Stanbic's involvement, has never been revealed Stanbic is not talking and Luxembourg law on the subject of holding companies is not easily penetrated

Nonetheless, in terms of section 258 of the Companies Act, the inspectors into Unisec's affairs have fairly wide-ranging powers In pursuing the true motives for the share purchases by the affiliated companies, the investigators may well decide to place Unisec's relationship with both Hesperus and Tolux under close scrutiny In addition the search for motives could have far-reaching implications for individual directors within the Unisec group

Meanwhile, Unisec's minority shareholders (including Sage) may feel that a further appeal in this case is not in their interests Unisec is obviously anxious to clear the slur on its name which is implied in the recent judgement, but the cost of further court action will have to be weighed against this Stanbic is non-committal at this stage Says Standard Merchant Bank's Eddie Theron, who was recently appointed to the board of Unisec "We shall just wait and see what the advice of the lawyers will be"

Chris Wilson

CAPE WINE (182) FM 14/1/83

Senbank's shares

Government is unlikely to exert pressure on Senbank to dispose of its 943 538 Union Wine ordinaries at this stage even though this was threatened last year This is the word from an aide of Industries Minister Dawie de Villiers

The bank acquired the shares on behalf of Cape Wine in March 1981 and was given ministerial permission to become the registered owner six months later on condition that it sold the stock within a "reasonable time" Sixteen months would seem to be just that, especially since Cape Wine has set aside about R2,5m to indemnify the bank against loss, namely, the difference between the R4,3m it paid for the shares and what it will realise when it finally disposes of its holding

Senbank says it has not yet considered the matter It has given notice that it intends to appeal to the Appellate Division in Bloemfontein against the judgment of Justices Van den Heever and Viviers in the Cape Town Supreme Court (*FM* December 24 1982) It appears then that the bank may wish to retain its holding until its appeal is finally disposed of — although continued "ownership" is hardly relevant to the facts of the case

This strikes legal circles in the Cape as odd On July 2 last year, Senbank's legal representatives in the Cape, Jan S de Villiers & Son, applied to the Cape Town Supreme Court to have its application (for a Section 258 inspection into the affairs of Coki and Picfin) placed on the court's roll of semi-urgent matters "on the grounds that the Minister of Commerce and Industries has stipulated that the shares held by Senbank must be disposed of in a reasonable time, and Senbank is entitled to have its interest in these shares properly protected before disposing of them"

Lack of urgency

The court offered the applicants August 3, the soonest available date for semi-urgent matters This did not suit all of the eight counsel (four silks) involved and the case finally came before the court more than three months later, on November 22 It is understood the Judge President of the Cape did not take kindly to the sudden lack of urgency surrounding the case

Meanwhile, there seems to be some doubt whether Senbank has adopted the correct procedure in directing its appeal to the Appellate Division Counsel's opinion is being sought to find grounds for arguing that the appeal should rather be heard by a full bench of the Cape Town Supreme Court because the case was not a trial matter but argument on a motion brought by Senbank The course of the matter was determined by the founding affidavit of the applicant and the answering affidavits of the respondents

John Stewart

Wholesale liquor costs more today

17/1/83

Mail Reporter

WHOLESALE selling prices of wines and spirits will be increased as from today, the director of the Cape Wine and Spirit Institute announced yesterday

This follows on last week's announcement by KWV of the pending price rise for wholesale traders

Mr Riaan Kruger, a director of the institute, said the institute had recommended its members increase wholesale selling prices of standard priced natural and fortified wines by an average of between 9 and 10%, and local spirits by an average of 5%

The recommended price increase for non-returnable packs was, on average, 14%, due to increased packaging costs

The institute did not recommend prices for estate and noble price class wines

WINE (182)

Pricing for surplus

FM 21/1/83

If the board of the KWV found it absolutely necessary to fix higher prices for wine this year, the 9,6% (good wine) and 4,7% (distilling wine) hikes are commendably restrained The industry, after all, is expecting a 17% increase in production costs this year.

More relevant, however, is whether there should have been a price change at all With another huge surplus to get shot of and a consumer resistance build up to contend with, it may well have been in everyone's interest to push sales by allowing the market itself to dictate prices

The new pricing structure will mean a rise from a minimum of R32,95 a hectolitre (Hl) to R36,10/Hl and the base price of distilling wine will go up marginally from R23,50/Hl to R24,60/Hl

In a follow-up to the announcement, the Cape Wine and Spirit Institute, representing the major wholesale producing merchants, announced that wholesale prices of spirits would rise about 5%, the price of standard-class wines 9%-10% and bag-in-the-box wines about 14%.

The new prices became effective last Monday, which allowed liquor store merchants very little time to buy in additional supplies to score stock profits.

Tough as the decision may have been for the Cape's 7 000 wine growers, the worst news was the size of the surplus declaration — 45,8%, against 34,8% in 1982.

The surplus is an estimate of the portion of the distilling wine pool that will be unsaleable on the domestic market this year. It is "appropriated" by KWV for disposal in the best manner it sees fit — exports of KWV brands of wines and spirits, conversion to commodity alcohol or for adding to "buffer" stocks

In money terms it means that the portion of growers' production consigned to the distilling wine pool will attract a *voorskot* price of R24,60/Hl less 45,8%. Even in real terms this is a reduction compared with last year.

Goss grooms SAB for overseas growth

Cape Times 22/11/83

(182)

BLUE CHIP South African Breweries (SAB) has exciting profit potential over the next decade as black incomes rise substantially.

With its main divisions of beverages, retailing, hotels and selected manufacturing, the group is in a prime position to share in the expected upturn

Apart from beer, SAB is dominant in several sectors In retailing it boasts both the OK — the country' largest retailer and Edgars, a leader in clothing sales

In the hotel sector Southern Sun's strength is undisputed while Afcol and Amrel are the country's largest furniture manufacturers and retailers

It has 30 percent of Cape Wine, and is probably dominant as well in footwear through the SAB footwear division with household names such as Barker and Crockett & Jones

Capetonian Dick Goss heads Breweries and, apart from gearing SAB for the next upswing, he is preparing an extensive overseas expansion — the fourth phase of group development.

Already announced is Sol Kerzner's mandate to develop a hotel business overseas and Goss says further overseas programmes involving the other group divisions are being considered

SAB under Goss has shown impressive dividend and profit growth Over the past five years dividends have risen from 11c to 34c a share and eps from 22,4c to 75,1c

Sales are now over the R3-billion The overseas divisions are no doubt being planned to add additional sparkle to South African profits

SAB has been at the forefront of the recent stock market boom in industrial shares with the quality of its earnings (return on equity was 25 percent last year) attracting considerable buying

Major institutional shareholders include JCI (an investment which dates back to Solly Joel at the turn of the century), the Old Mutual, Liberty and Sanlam

Last year beverages provided taxed profits of R92,4m, retail R47,4m, hotels R37,3m and selected manufacturing R2,6m Beer sales were R981m and retail R1,6-billion

Recently SAB outpaced the competition to buy Edgars and increased its stake in the soft drinks market through Appletiser

SAB's market rating is a tribute to Goss who has kept the group in the high growth stakes since being appointed managing director 15 years ago

An accountant by training, he served articles with the firm of Kenneth White & Co in Keerom Street, Cape Town, and later joined SAB as control was being transferred from London to South Africa.

He spent two years installing a host of totally new accounting, control and costing systems, and later was appointed assistant chief accountant

In 1967 Goss became managing director after handling probably the toughest job in the group — general manager of the beer division

In this interview, Goss talks of his business philosphy and SAB's strategy for the late eighties

Business Report. How do you see the group developing over the next five to 10 years?

Goss I believe SAB today has a focussed and well-balanced portfolio of activities Focussed in the sense that they are all consumer-related Balanced in that one part of the portfolio is fixed capital intensive — beverages and hotels — the other part in retail

The latter is capital intensive in a totally different way — hp book debtors and stocks Both have important implications for cash flow cash

When one is generating cash the other needs cash Hence we are focussed in consumer goods and balanced in terms of the make up of the investment in the various activities

BR. You are dominant in these sectors?

Goss. We are substantially invested in each sector In the foreseeable future — the next 3 — 5 years we would be seeking to grow organically off the base established Expansion in terms of new business activity will probably take place outside of South Africa but within the same fields of competence — beverages, hotels and retail

BR You will, in fact, remain in these three fields?

Goss We feel we can capitalize on organic growth We do not want to become unfocussed and move into a host of diversified activities Growth prospects off the existing base are certainly very, very exciting

We could go into other areas but then one becomes more conglomerate People can understand SAB Once we start getting into too wide a field of investment we will loose some of our character

I would rather remain solidly invested in depth in chosen areas where we have a high degree of expertise

If those opportunities are not available in South Africa I would rather take that expertise and keep going down in depth in terms of more geographic penetration outside of South Africa

The alternative is to become wider, fatter, bigger in SA but not more effective in what we can achieve in terms of results

BR What progress is taking place in expanding overseas?

Goss· In beverages SAB has expertise and techology which is unique Our fruit juice know-how is unmatched elsewhere We are already developing that area with people offshore working on various projects

Southern Sun has been reorganized for overseas expansion freeing Sol Kerzner to develop a chain overseas

BR Are there any particular countries you are looking at, such as the US?

Goss I would not like to emphasize any particular country The timing of this investment will depend on the extent to which we have the spare resources in people and finance to deploy them away from South Africa

BR· Would you buy into existing overseas companies?

Goss It could be through acquisiton or greenfields

BR. Did SAB overpay for Edgars?

Goss· We certaintly did not Looking back I would repeat that deal There were other companies which could have been less expensive but you get what you pay for Edgars is a great company with excellent management and compatible with SAB We regard it as a first-class investment

BR It was a difficult acquisition?

Goss It was not the easiest of acquisitions to put together It happened when Sydney Press was away which was a complicating factor It was very difficult for all parties to know what positions to take up From our side should we have stood by and have watched nibbling from other quarters or have acted in the absence of the major shareholder?

There was no one more aware than I that this could be seen as some dastardly deed. We were very conscious of this

BR What is your style of management?

Goss· The only way to run a business is to decentralize — grant the highest degree of autonomy and see the companies are well positioned and motivated to achieve The staff are the achievers I am the one who supplies the resources in terms of finance and tries to ensure the direction of the team is compatible with the direction the group as a whole needs to take

In the process of management at SAB there are four key areas

- Investment policy
- The amount of financial risk that the holding company is prepared to have injected into the business
- The level of return we would like to see from that policy within the risk constraints
- The way in which the business is to be conducted

BR. What returns do you set?

Goss: Each set of returns vary from business to business and the economic cycle It would depend on if we are looking to gain market share

BR Your share price is reflecting the high return on shareholders' funds Can you maintain this performance?

Goss Our businesses are in mass markets where the action is going to be in the future — middle lower income group spending As more people are drawn into the economy from the lower group the spending will take place right through the segments where we are positioned — furniture, shoes, clothing retail, and beverages

We are already sitting there We do not have to buy into other businesses We have the range of products All we need to do is a great job in those segments

BR What is your view of 1983?

Goss The downturn is gathering momentum One can accept we are at a much lower level of activity A downturn there will be it could be more severe than we think. We are hopeful that an upturn will occur early in 1984

BR. How will beer profits fare in the downswing?

Goss. Beer is not immune to economic downswings, it relates to the economy If personal disposable incomes erode then beer sales growth erodes It would seem, though, that the downturn will be less painful for us in the beer business

SAB supports the economic measures being taken South Africa must not reflate prematurely

BR· What is the inflation outlook?

Goss. Inflation will come off this year and begin rising on the economic upturn But if one looks at the longer term there are healthy signs — the manpower training and upgrading of education at colleges will pay dividends

These schemes are costing money now but 5 — 7 years down the line South Africa will receive the payoff for these substantial investments SAB is investing heavily in training

FRUIT JUICES (182)

More squeeze in

FM 28/1/83

Consumer enthusiasm for packaged, non-preserved natural fruit juice has attracted new entries to a field previously dominated by market pioneer Liquifruit

Appletiser, which launched Liquifruit six years ago, has added a new brand to its line-up with recently-purchased Fruitree It will be used to compete against newcomers Fresh-up and Ceres All four brands come in one litre, 200 ml or 250 ml bags-in-a-box and contain no preservatives, sweeteners or colouring Additives are used, however, in Fruitree's 5 *l* pack as well as in Citrus Seal orange juice and guava nectars made by numerous dairies

Fruit beverages ... more join the fray

Already the market for natural juices is estimated at R30m/year, about 15% of total sales of fruit-based beverages

Liquifruit holds a good 80% share of its segment but this should come down as the new brands get established

Ceres, made by the Ceres Fruit Growers Cooperative Association (CFGCA) and said to most closely resemble Liquifruit s blended juices, has been generally available since late 1982

Says Christoff Louw, Assistant GM 'We entered the market because we have the right resources and believe there is a growing tendency towards more natural juices Furthermore, we hope it will stabilise the fluctuations we find on our juice concentrate exports "

Mike Benn, MD of Willards Foods which makes Fresh-up, agrees "The liquid snack market is rocketing And, if one considers the trends in Australia and the UK, there is a long way to go "

SA Breweries-owned Appletiser does not foresee its Fruitree and Liquifruit brands competing with each another Says marketing director Gawie Groenewald "It is similar to the wine and beer markets One just has to position the brands differently "

Natural fruit juices appear to have finally arrested the runaway growth of Citrus Seal orange juice sales which grew from 35m *l* to 50m *l* beweeen 1978 and 1982, and account for about 25% of the total market

A Citrus Board spokesman says Citrus Seal sales will probably stabilise at this level

LIQUOR (182) FM 11/2/83

Reprieve for

It looks as if the coalition of dominant forces in the liquor industry set up in November 1979 will not be broken up

In its 78-page report tabled in Parliament last June, the Competition Board (CB) found that the establishment of Cape Wine & Distillers (CWD) was a restrictive practice within the meaning of the Act and recommended that it be unscrambled

It also recommended that CWD's major operating subsidiaries, SFW and Oude Meester, should once again operate independently and that the KWV's joint control with Rembrandt of CWD be terminated

Sources close to government suggest that this advice will not be heeded and that CWD will be allowed to survive in its present form

Rembrandt and KWV mounted stiff opposition to the CB recommendations And the Cape wine lobby in Parliament, which includes about 12 MPs (four of whom are KWV directors), canvassed the support of Fedhasa and the Afrikaanse Handeslinstituut In undercover meetings throughout the western Cape, the farming and small-town business community set up a formidable resistance group

The Cabinet was left in no doubt that if it sanctioned implementation of the CB's recommendations, the consequences would be "too ghastly to contemplate" In any event, the Cabinet probably had little stomach to implement the recommendations in the first place It was, after all, the author of the 1979 arrangement which had been found to be *ultra vires*

According to reliable sources in Paarl and Stellenbosch, government tried, towards the end of last year, to sell KWV and Remgro a compromise package Thereby, SFW and Oude Meester would be sold off as separate operating companies, with KWV and its 6 000 winegrowing members offered 20% of each, as well as a substantial stake in each of the other three wholesale producing merchants — Union Wine, Gilbeys and Rennies Liquor Holdings (Douglas Green) SAB would have been invited to sell off its 30% indirect stake in SFW and Oude Meester

The scheme fell down when KWV refused to relinquish joint control of SFW and Oude Meester The Cabinet was told that if it could sanction a beer monopoly, it had no moral grounds to break up the wine and spirit set-up — very much in the interests of farmers

The chairman of both the KWV and CWD, Andre du Toit, says he has learned that a Cabinet decision on the future of CWD is imminent and is not prepared to comment until he has received official notification

It is understood that government is now drafting a compromise proposal on the number of retail bottle stores a wholesale producing merchant may control It is accepted that Union Wine would perish if it were forced to sell off its 42 existing shops and its entitlement to buy 75 others

Now the other wholesalers are resisting the directive to get rid of their retail divisions (Remgro and SAB are committed to disposing of over 300 stores by the end of 1989) Government may therefore emerge with a plan whereby wholesalers may control 30-50 stores, subject to strict geographic distribution

Sources in Pretoria say government may well have the last laugh on the retail question An amendment to the Liquor Act will abolish the stipulation that there must be at least 2 000 registered white voters in the zone where a new liquor licence becomes operative

While government pays lip service to the notion that the number of liquor outlets should be strictly controlled, in practice the amendment will mean that they could in time become as plentiful as pharmacies

the special blind trail at Kirstenbosch
" was started last year

R800 000 boost for education

182 S. Times 13/2/83

By NORMAN WEST

SENIOR SCHOOL principals this week collect their R800 sets of World Book Encyclopedias donated to their schools by the S A Breweries Community Trust.

The deputy director of education in the Department of Internal Affairs (Coloured Affairs), Mr Eddy Bydell, on Thursday accepted on behalf of the department the 22 sets of encyclopaedias donated to senior secondary school libraries

Some of the schools will start library facilities with the sets as a nucleus, while others will use them to complement existing facilities

A spokesman for the trust told a gathering of principals, school inspectors and educationists at a function at Newlands that an R800 000 grant of 1 000 sets of encyclopaedies was intended to benefit more than a million pupils all over South Africa

Approved

He said the books were approved by all the various education authorities and would benefit black, Indian and coloured pupils

He said the trust was started four years ago as an expression of the company's "corporate responsibility to the community in which it operates"

He said the trust was focussed mainly on health, welfare, education and entrepreneurship

Special training

In the field of education, the trust puts emphasis on tertiary education and projects aimed at the development of small businessmen and their emtrepreneurial skills, and educational areas where there is common ground with the fields of health and welfare

The Read, Educate and Develop (READ) organisation is to back up the grant by training teachers and pupils to use the books to full advantage

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RDM (182)

Brewery planned

18/2/83

THE beer division of South African Breweries is acquiring a 90-hectare industrial site at Leeukuil, Vereeniging

The purchase is part of a long-term capacity plan and the cost of a brewery will be about R100-million

SA Breweries says "Estimates of the future requirements of South Africa's beer drinkers dictate that SAB should continue capacity planning now despite the fact that its newest brewery at Rosslyn, Pretoria, was placed on stream as recently as October last year

"It is unlikely that a new brewery can be completed before 1986-87

At this stage SAB believes that the first phase of a brewery at Vereeniging will be of a size similar to the Alrode brewery, and will provide employment for about 500 people. — Sapa

(182)

COMPETITION (2) FM 18/2/83

What's sauce for the goose . . .

The Cabinet's rejection (albeit unofficial) of the Competition Board s (CB) recommendation that the powerful Cape Wine & Distillers (CWD), which dominates the wine and spirit industry, be broken up into its constituent parts is quite reprehensible This issue can be seen as a major test of government s professed commitment to greater competition and the Cabinet s decision smacks of a surrender to special pleading It undermines the credibility of CB chairman Dawie Mouton

The irony is that the restrictive practices of CWD criticised by the CB were in fact set up by government in 1979 when it arbitrarily restructured the entire liquor industry

The Cabinet s decision could have been motivated by the need to curry favour with the powerful wine lobby which is represented by 12 Members of Parliament

There has been a long history of government protection for this industry at the expense of the consumer As a result the output of wine and wine spirits has for years been rising more rapidly than demand But government-controlled prices to local consumers have been rising, although growing surpluses have often had to be sold abroad at a loss Last month prices of wine and wine spirits were again increased although the surplus was 45,8% — the biggest in the history of the KWV

Government has protected local wine sales against beer by maintaining a relatively high consumer price of beer through excise duties, at one stage more than 20 times higher than excise on natural wines — in spite of its declared policy of encouraging consumption of liquor with low alcohol content such as beer Under pressure from the wine lobby in 1981, it dropped all excise on natural wine while increasing excise on beer Last year it made local brandy more competitive against imported Scotch whisky by adjusting the brandy excise rebate structure

It has also tampered with liquor retailing through arbitrary control of the issuing of liquor licences It gave Jan Pickard s Union Wine the means to survive competition from CWD by allowing his group to acquire an additional 75 bottle stores over and above its existing 42 outlets This happened when it was forcing other groups to sell off their liquor stores and when it stopped the Premier Group, a new contender in liquor retailing with big growth plans, from adding to its nine outlets

Its latest plans for liquor retailing should boost wine sales once more a number of new licensed outlets are expected to be approved but many of them will be allowed to sell wine only

To crown all this it has now disregarded the spirit of the legislation it has passed to promote free competition The *FM* would not blame Mouton if he walked out

Of course unscrambling the CWD omelette would probably have presented some thorny practical problems, to which the CB did not much address itself But even if time were needed for a solution, at least the principle of the CB s decision could have been acknowledged

(182) Industrial Week 23/3/83

SAB confirms Vaal plan

AS a result of a report in Industrial Week (May 4, 1982) revealing that the biggest industrial land deal in the history of the Vaal Triangle was being negotiated, South African Breweries (SAB) last week disclosed that it is buying the 90ha site in question to build a massive brewery, writes Lynn Carlisle

SAB spokesman Gary May told Industrial Week that plans for a new brewery to be built in modular form — the first module of which will cost an estimated R100-million — have been submitted to Pretoria for approval

"These are part of long term plans on a 90ha site that we are in the process of purchasing in Leeukuil industrial area at Vereeniging, but we do not expect a new brewery to be completed before 1986", said May

FINAL

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● See Page 6

Unions may block MAAWU bid
● Page 4

Beer prices are to rise from Monday

26/2/83 (182) (244) RDM

Mail Reporter

THE price of beer will go up on Monday, South African Breweries announced yesterday.

SAB said in a statement the wholesale price of beer will be increased by 6.8% because of a 14% increase in the cost of imported and local barley, malt, hops and packaging during the past year

However, the price for returnable quarts and pints will rise by only half the amount on other packs

The marketing manager for SAB, Mr Peter Savory, said the last increase, of 7.4%, was in March last year and inflation had been rising all the time

The chairman of the Hotel Liquor and Catering Association of the Transvaal, Mr M Matisohn, said he expected the retail price to go up on Tuesday

"Beer is a bulky commodity and retailers tend not to keep massive stocks Deliveries are made mostly on a weekly basis and because beer sells quickly, the increase will hit the consumer's pocket very quickly"

The general manager of Benny Goldberg's Liquor Supermarket, Mr J McDermott, said the increase had come with no warning at all, giving the supermarket no time to place orders before the increase became effective

He said they received deliveries daily and although they would hold stocks at the old price for as long as possible, this would only be for a few days. He said beer would be sold at the old prices today

The director of Rebel Discount Liquors, Mr T Pearman said there was no time to give the consumer a 'period of grace" before implementing the increase

He said beer sales were very high at the moment and he expected a huge demand for beer today

Meanwhile, the sugar price increase of 7½% has been met with concern by retailers because of the number of other commodities that will be affected

A spokesman for OK Bazaars food division said "We are most unhappy about the sugar increase We're hitting the consumer where it hurts most"

The Housewives League has asked manufacturers to reduce the amount of sugar used in commodities to offset the price increases.

The director of the Consumer Council, Mr Jan Cronje, said he was grateful the increase of sugar prices did not exceed the inflation rate of 14.4%

Baby orphaned in shoot-out

By JOHN BATTERSBY
Political Correspondent

ARGUS 25/2/83

Beer price up by 6 percent

182

Argus Correspondent

PRETORIA — South African Breweries has announced an increase of 6,8 percent in the wholesale prices of its beers

This represents 3c on a quart and 1½c on a pint of beer The increases becomes effective from Monday

A statement released today said SAB does not not influence prices in bars and bottlestores and therefore can not say when or by how much prices to the public may increase

PUBLIC PRICES

"Public prices are set by the retail liquor industry according to its needs

A significant factor taken into account by South African Breweries in balancing the increase is that those packs bought mainly by the lower income groups — returnable quarts and pints — go up by only half the amount of other packs

"Furthermore SAB has kept its increases at 6,8 percent, well below the inflation rate and has done so now for the past six years"

Beer price hike takes retailers by surprise

182

By SIMON BLOCH

HOTELIERS and bottle store owners in Port Elizabeth have been "caught with their pants down" by the announcement that beer prices will be increased from Monday

Retailers have complained that the first they knew about the price increase was when it was announced on the television news last night

The wholesale price of beer is to go up by 6,8%, but most retailers are still in the dark as to the details of the new price structure

A statement issued by South African Breweries in Johannesburg said the increase was due to a 14% rise in the cost of imported and local barley, malt, hops and packaging over the last year

The SAB marketing manager, Mr Peter Savory, could not comment on the fact that retailers were informed of the increase only yesterday

SAB said returnable quarts and pints would "go up by only about half the amount on other packs"

The last price increase was in March last year, when wholesale prices went up by 7,4%

At liquor outlets around the city today, consumers were pushing trolleys laden with their favourite brands in a last-minute bid to beat the increase which comes into effect from Monday

And at the city's more popular pubs, regulars were making the most of the old prices

While there is expected to be initial consumer resistance, most beer drinkers and pub owners reckoned "once a beer drinker, always a beer drinker", although one client swore he would switch to cheap wine

The chairman of the liquor affairs committee of the local Liquor Victualers' Association, Mr Fred Godwin, said he had not received the new price list from SA Breweries, who hold the monopoly of beer manufacturing and wholesaling in South Africa

Mr Godwin said he imagined that all retailers in Port Elizabeth had been "caught flat" by the announcement of the increase

Asked if the last-minute announcement by the breweries was unfair on consumers and retailers, Mr Godwin said he thought everyone would have liked advance warning so they could stock up

"But I doubt if the breweries would have given premature warning because it would have allowed retailers to stock up with thousands of cases"

He said the Liquor Victualers' Association would hold a meeting on Monday when the prices would be made known

Mr Jannie de Ridder of Port Elizabeth said the increase was inflationary

"I really think it's unfair to the beer drinker Beer is a working man's drink"

Increases in bars at hotels in the city are expected to vary from 4c to 10c

Mr S Slonimsky, manager of the Summerstrand Hotel, said he thought the increase was ridiculous

"The consumer always has to suffer, no matter where the increase comes from Everything is escalating"

He said his increase would not be as great as the new price in some hotels

"Beers are currently 66c in my hotel, and I'll probably increase to a round figure of 70c"

Mr Butch Richardson of the Victoria Hotel said he did not have sufficient stocks to hold down prices for long, but he would maintain present prices while stocks lasted

He said it was ridiculous that prices have jumped 20c in only two years

"It's cheaper to drink imported whisky," Mr Richardson said

Dr Ernst Uken, director-general of the Federated Hotel Association of South Africa, said in Pretoria yesterday the increase in the wholesale price was unlikely to affect the consumer to any great extent

He was pleased the increase was well within the inflation rate, particularly when other costs were taken into account

He said the increase would not affect the consumer much as it was a relatively minor one

Fedhasa's 11 associate members would have to meet, probably within the next few days, to discuss how they were affected by the price hike

Wholesale beer prices go up by 6,8% on Monday, and the prices consumers will pay are expected to rise by even more. Here Mr ROBERT CRAIG of Central signs a cheque to pay for his stock of beer while cashier Mrs MARIE VAN GREUNEN looks on. The beers cost him R10,36 a dozen — a price customers will never pay again.

Consumers fear over-charging

Outcry over beer, sugar price increase

MANY Soweto beer drinkers and shebeen organisations have been angered by the South African Breweries' announcement that the price of beer is to go up by 6,9 percent as from today.

By JOSHUA RABOROKO

Dissatisfaction has also been expressed by black consumers concerning the Government's approval of an immediate 7,5 percent increase in the price of sugar

The Tavern Association's secretary, Mr Ray Mollison, yesterday appealed to all members to be reasonable when increasing their charges for a beer as a result of the hike,

He said the SAB's decision would obviously force shebeen owners to hike their prices and many consumers would be affected Consumers fear they will be overcharged by shebeeners

Most shebeens sell a 750ml beer for between R1,20 and R1,30 This price is likely to go up by between 10c and 20c

Meanwhile bottle stores owned by the West Rand Administration Board presently sell a bottle of beer for 87 cents

Interviewed by The SOWETAN, Mr Mollison said that the shebeener did not control the SAB's prices and as such "we are at their mercy

"If they increase prices then we are automatically affected and so is the consumer

"It is a pity that the increase comes at a time when most blacks are facing prospects of being retrenched from their jobs as the country's economy slumps," he said

A Zion Church member, Mr Shadrack Mathe, said that although he did not drink alcoholic beverages the increase would definitely affect consumers who were already reeling under the escalating cost of living

A Soweto mother Mrs Thelma Buthelezi, said that blacks would be the hardest hit by the increase in the price of beer and sugar

In a statement, the SAB said that returnable bottles would "go up by only half the amount on the other packs "

The last price increase was in March last year

Secret SA wine 'lake' could hold many millions of litres

182

2/3/83 E. Post

By ANDREW DONALDSON

SOUTH AFRICA'S secret wine "lake" — the huge surplus behind the Government's refusal to dismantle the wine monopoly Cape Wine and Distillers (CWD) — could hold hundreds of millions of litres

Mr Michael Fridjhon, a consultant to domestic and international liquor industries, believes the "lake" holds between 200 million and 300m litres

And, he said, the consumer was going to subsidise the continued storage of massive amounts of wine in the form of liquor price increases.

Last week a Johannesburg newspaper reported the surplus had accumulated as a result of bad planning by KWV, the wine co-operative that owns 30% of CWD, and that its contents could no longer be placed at realistic prices on world markets

Mr Fridjhon said the "firmly entrenched" system arose because KWV paid wine farmers guaranteed prices according to harvest quotas "not related at all to market needs or forces"

This week a KWV spokesman said wine farmers had been harvesting bumper crops over the past few years and KWV had been increasing their surplus of wine for distilling

KWV chairman Dr André du Toit has reported the total wine production for 1982 as 856m litres of which only about 400m litres were consumed

The size of the wine "lake", some of which was used for distilling purposes, lay in the remainder, said Mr Fridjhon

Although no figure for the amount of wine to be used for distilling purposes is yet available, an increase of 11% in the 1981 distilling figure of 350m litres puts the figure at about 370m, nearly all of which has no market value, according to Mr Fridjohn

FM 4/3/93

FRUIT JUICE

Orange aid

182

Fruitree has been given 13 weeks by the Advertising Standards Authority (ASA) to remove the Outspan trade mark from its orange juice pack Outspan is the registered trademark of the Citrus Exchange (CE) used on export grade fruit

The ASA says Fruitree s use of the trademark is misleading as not all oranges used in Fruitree juice are export grade

CE director Hennie Liebenberg says fruit juice manufacturers do have some claim to the trademark as they use about 20 000 t of export grade oranges year In addit or Fruitree was given verbal permission to use the mark by ar official no longer in the employ of the CE

Complaint

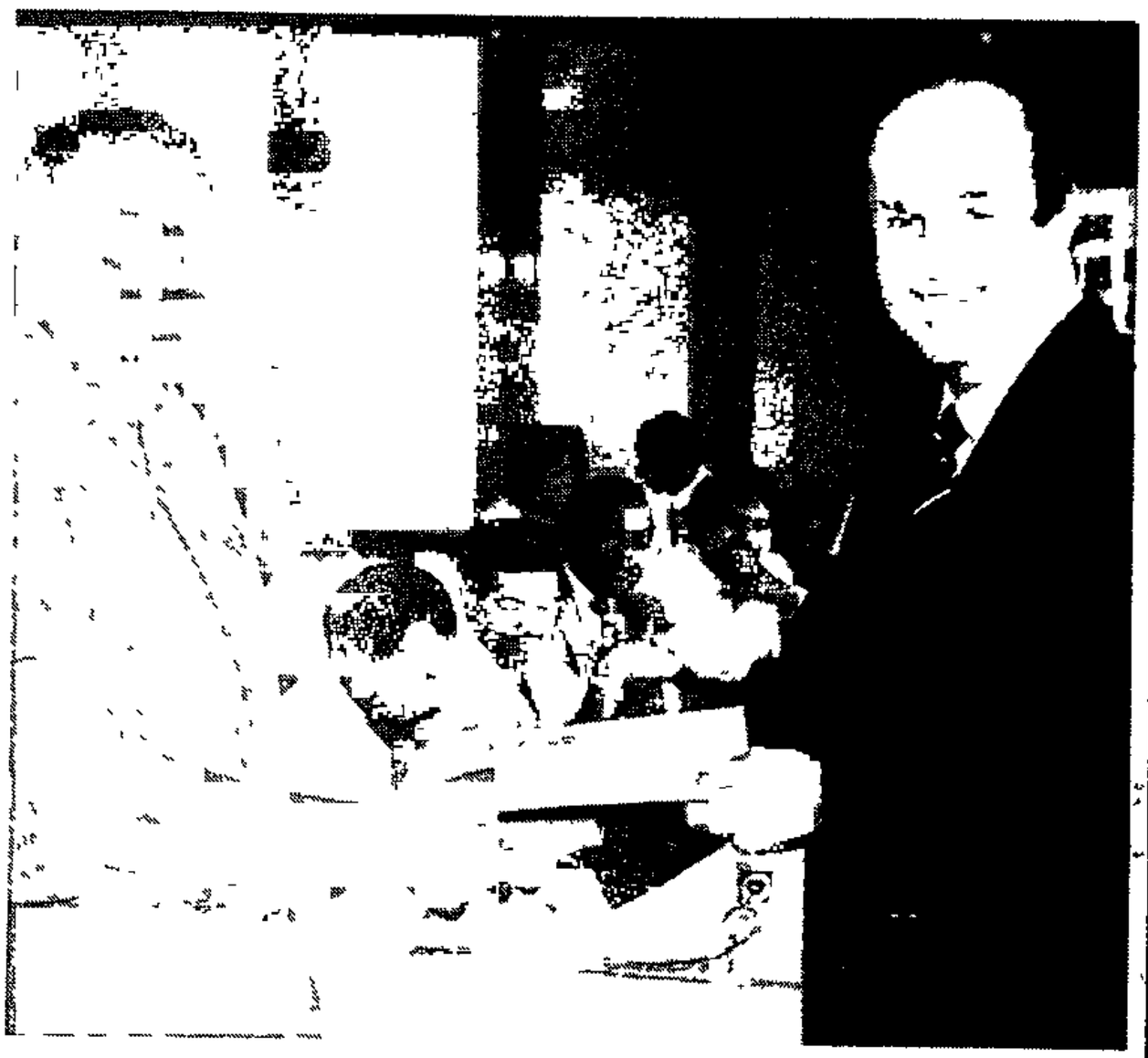
Even so, he says, his organisation would probably have taken no action to have it removed had the matter not been raised by a consumer complaint to the ASA 'But if you want to apply the letter of the law it is not all export quality fruit that goes into fruit juice," he says "Hence the use of the word Outspan could lead consumers to expect more than they otherwise should'

Says Fruitree s national marketing director, Gawie Groenewald "We took it off without a scene It has no real marketing value and is certainly not a point that we want to do battle over

"As far as I was aware, Fruitree was given permission by the CE to use its trademark prior to the company being absorbed into the SA Breweries group last year"

People

Babs play the money game



BUILD A Better Society (BABS) received R5 000 from Barclays National Bank recently for a unique grass-roots accounting education project

The course will be offered around the country to the voluntary treasurers and committees of BABS and other community programmes

A teaching and accounting system has been specially designed by a senior lecturer in accountancy from the University Of Cape Town

People will be taught

- how to record transactions
- how to maintain proper books
- how to control branch funds

Five one-day workshops will be conducted, one each in Cape Town, George, Port Elizabeth, Potchefstroom and Durban

The workshops will involve lecturing, demonstration and, above all, practical participation

The courses will be conducted by the National Director of BABS and a Chartered Accountant with academic experience

School libraries get a boost . . .

(188) C. Herald 12/3/83

DOOR-to-door encyclopedia salesmen were dealt a blow recently when Ohlsson's Cape Breweries presented nearly three-quarter million rands worth of encyclopedias to senior secondary schools in the Peninsula

Many schools do not have a library worthy of the name and others, particularly the newly-established schools, have no libraries at all The sets of encyclopedia will thus come as a great help to schools whose teachers try to provide as much educational matter as possible for their charges

Many of the Peninsula's schools were represented at the presentation function by their principals or school librarians The education authorities were represented by Deputy Director Ed Bydell (centre), who thanked the donors for a gesture which brought expensive reference books to pupils who might not otherwise have had the opportunity

The donors were represented by Marketing manager Raymond Howard (right), who made the presentation, and Sales Manager Ivan Randall (left)

Nurses pass out . . . er, graduate

● SEVENTY-SEVEN nurses who completed their three years' basic training were handed badges symbolising their achievements last week at a ceremony at the Tygerberg Hospital.

Four graduates passed with triple distinctions, six with double distinctions and 27 with single distinctions.

Pictured are (top) Yvonne de Jager, (middle) Faisal Khan and (bottom) Loretta October

CAPE TIMES 25/3/83 (182)

'Dismay' at govt moves on liquor

Staff Reporter

THE government's decision to reject the dissolution of the liquor giant, Cape Wine and Distillers (CWD), and instead allow it to acquire 300 retail outlets, has been met with anger and dismay from rival wholesalers

Announcing the government's response to a Competitions Board inquiry into "restrictive practices" in the liquor industry, the Minister of Industries, Dr Dawie de Villiers, also indicated that grocers' wine licences for the sale of wine in supermarkets would be restricted to 35 per licence-holder

Both Mr Jan Pickard, chairman of the rival Union Wine, and Mr Raymond Ackerman, chairman of the Pick 'n Pay supermarket chain, last night condemned the rejection by Dr De Villiers of the Competitions Board's key recommendations

Mr Pickard described the government's response as "a step backward for South Africa's liquor trade" and said an even larger monopoly had been created by allowing CWD to acquire 300 liquor outlets Union Wine's right to acquire 103 retail liquor outlets has been upheld

"The government is creating a big monopoly and the survival of smaller companies is now at stake This is going to cause a complete uproar throughout South Africa"

Union Wine had recommended to the Competitions Board that each wholesaler be allowed 103 outlets

"Why does the government discriminate between wholesalers? Does the government not believe in free trade?" Mr Pickard asked

An "absolutely devastated" Mr Ackerman described the pegging of the number of grocers' wine licences at 35 as "absolutely ridiculous"

He accused the government of "giving in to the liquor giants in the industry" and said Pick 'n Pay would strongly contest the decision

"It is a victory for the hotels and bottle stores at the expense of the consumer It is going to play havoc with the industry and wine prices are simply going to continue going up"

Mr Ackerman said supermarkets with grocers' wine licences had increased wine sales in the country to the benefit of wine farmers They were also helping to clear the present "lake" of wine in the country

Board's recommendation rejected

Govt green light for liquor giant

182 RDM 25/3/83

Political Staff

CAPE TOWN.

THE Government has rejected a Competition Board recommendation that the formation of a new liquor giant, Cape Wine and Distillers (CWD), three years ago was not in the public interest and that CWD should be dissolved.

The KWV, Rembrandt, and South African Breweries (SAB) each has a 30% stake in CWD, whose holding company was formed by Rembrandt and the KWV.

The Competition Board criticised the merger of two of the largest producers and wholesalers in the wine and spirit industry into a retail selling company as a structural change which was not in the public interest.

It recommended in June last year that Stellenbosch Farmers' Winery owned by SAB, and the Oudemeester wine interests owned by Rembrandt, be re-established as separate and competing entities

It also recommended that the 50% interest KWV Investments had in the controlling company of CWD should be terminated.

The Minister of Industries, Commerce, and Tourism, Dr Dawie de Villiers, said in a statement yesterday the Government sympathised with the board's view It could not, however, simply undo a structure which had come about in 1979 with Cabinet approval

He said the restructuring of the liquor industry had probably brought greater stability to the liquor trade to the benefit of the wine industry It had also meant a reorganisation of capital involving millions of rands which could not be undone without detrimental consequences

The Government could not therefore agree to the dissolution of CWD and the restructuring of the wholesale liquor trade as the board had recommended It was also bound to honour undertakings given to those concerned in 1979

Dr De Villiers said this implied that the right of Union Wine to acquire 103 liquor outlets was upheld and that CWD would be able to acquire 300 outlets

Rembrandt and SAB would continue to sell off their retail liquor outlets as was agreed in 1979

Dr De Villiers said, however, the Government still wished to ensure competitiveness in the liquor industry and warned against abuse of the existing concentration of power in the trade

The Government had therefore decided

- Not to allow any further extension of the retail liquor licences of producers and wholesalers
- That no retailer would in future be allowed more than 12 retail liquor licences, although existing licences are unaffected
- That the number of grocer's wine licences per licence holder is to be pegged at the 35 licences held by Pick 'n Pay This does not affect the number of wine counters in supermarkets, which are wine outlets for existing bottle stores.
- That further proposed take-overs and mergers in the liquor trade would first have to be submitted to the Competition Board for consideration

The Government accepted the board's recommendation that no dominant manufacturer or supplier of beer, or of wine and spirits, should possess interests in another sector of the liquor industry Dr De Villiers said, however, the SAB holding in CWD was justified and should be retained as an exception

Other Competition Board recommendations rejected by the Government yesterday were that beer should be sold in grocery stores and the present discretionary issue of liquor licences be replaced with a uniform and objective standard

LIQUOR 182

Whisky galore

FM 25/3/83

Industries Minister Dawie de Villiers has ordered yet another liquor investigation The Board of Trade and Industries (BTI) has been directed to examine the ability of SA producers of wine spirit and brandy to compete with imported spirits, notably Scotch whisky

This comes as no surprise Complaints about the inroads that Scotch is making against brandy have been prominently featured in KWV publications and in public speeches by its chairman Andre du Toit for the past three or four years

Current sales of brandy are about 39 Ml a year and are stagnating after growing at a rate of 5% since 1980 In 1981 the rate slowed after excise duty was raised 22%

At the annual meeting of winegrowers in Worcester in November, Du Toit expressed grave concern at the increasing "protection" accorded imported spirits, including whisky, at the expense of brandy and other spirits derived from a grape base

A GATT binding accepted by SA in 1947 precludes higher external tariffs against Scotch and may not be raised without a corresponding increase in excise duty on locally-produced spirits

According to Du Toit the excise duty on brandy had increased 792% since 1947, while customs duty on imported spirits rose only 240% At the start of the GATT binding on whisky in 1947, brandy had a tax-paid price advantage of 270% over whisky At the end of August 1981, when Finance Minister Owen Horwood increased the duty on wine spirit 22%, the advantage was cut to 25,8%

SA is the eighth largest whisky importer in the world The value of retail sales exceeds R200m/year Sales volumes have increased about 15%/year for the last three years and now exceed 20 Ml/year Only beer has maintained stronger growth in recent times

The SA market share of imported spirits — "almost exclusively whisky," says Du Toit — climbed from 8,92% in 1971 to nearly 20% in 1981, while brandy's market share dwindled from 52,2% to 40% in the same period

More worrying, says Du Toit, is his suspicion that whisky is being dumped on the SA market

"Worldwide, the consumption of whisky has fallen This has given rise to huge stock build-ups in the producing country In the UK, sales of Scotch have fallen for three years running In the US, which accounted for more than 50% of Scotch exports, the same is happening"

Du Toit says Scotch producers are relying increasingly on commodity sales to run down stocks Quoting market researchers Wood, Mackenzie & Co in the UK, Du Toit says "In 1980 producers sought to offload whisky through cheaper retailers' own brands Indeed some of this destocking has resulted in virtual dumping of large quantities of whisky on the bulk export market"

Du Toit believes whisky exporters are being subsidised by means of "restitution" This enables exporters not only to quote highly competitive prices, but also to mount costly sales promotion campaigns

"While whisky sales are falling in most parts of the world, in SA they are rising The KWV believes in a healthy, competitive market situation On the SA market there is room for imported spirits, including whisky, but there isn't room for artificial shifts in the historical market equilibrium," he says

Apparently there could be no relief for brandy by reducing excise duty on wine spirit since this would have to be followed automatically, in terms of the GATT binding, by a like reduction in customs duty

At this stage there can be no question of special protective tariffs against imported spirits The BTI's instructions are to investigate allegations of unfair competition If such allegations are found to be of substance it will be a different ball-game entirely to impose countervailing duties Action against UK whisky exporters would almost certainly have to be balanced against SA's broad trading interests with Britain

However, the situation may have remedied itself by the time BTI completes its study The world may have reflated and whisky sales increased to the point where Highland distilleries feel compelled to raise export prices and whisky could no longer be said to compete unfairly with Cape brandy

POWER PROBLEM

Commissioning of the first stage of Zimbabwe's R800m Hwange, formerly Wankie, power station, due to go on stream in March or mid-April, has been delayed

The Electricity Supply Commission (ESC), which oversees construction, won't give reasons for the slowdown But sub-contractors' failures to fulfil obligations and problems in attracting skilled staff may have seriously hampered progress

The deteriorating security situation may also have taken its toll Although the project is said to be well-guarded, Hwange is one of the hottest areas of dissident activity in Zimbabwe

The ESC claims the station will start working no later than June But there are fears that skills shortages may hamper power production

An adjacent colliery to supply coal to the station has been completed on schedule

SECTION III

182 RDM 26/3/83

Govt favours liquor giants, claims Fedhasa

THE president of the Federated Hotel Association of South Africa (Fedhasa), Dr Wynand Pretorius, yesterday accused the Government of discriminating against small liquor retailers and favouring more financially powerful liquor groups

Mr Pretorius said in a statement in Pretoria he was "shocked" by the Government's announcement on Thursday that it had rejected a Competition Board recommendation that the liquor giant Cape Wine and Distillers (CWD) be dissolved

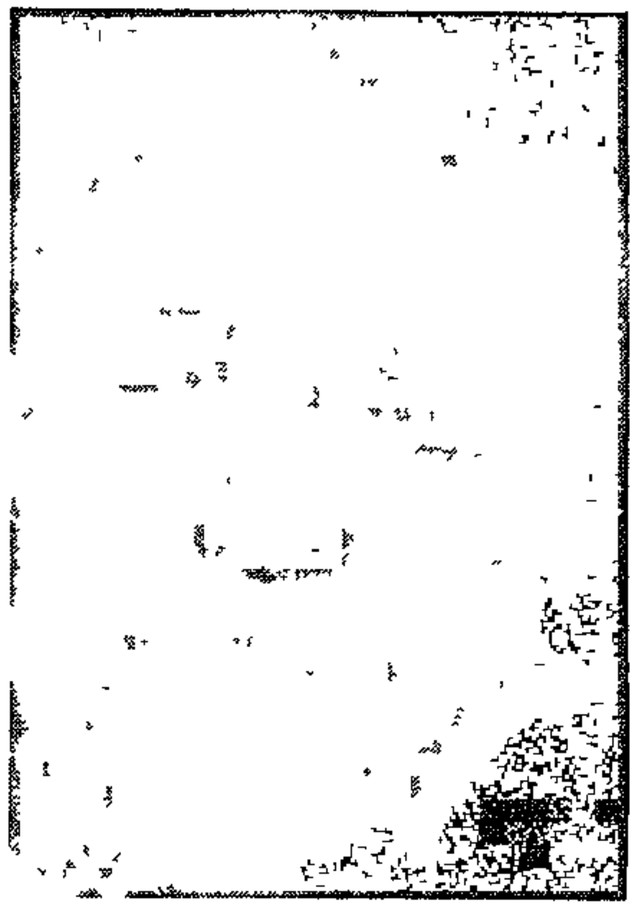
He issued a veiled warning that the continued existence of the CWD could possibly spell the demise of several small country hoteliers with liquor off-sales, as they would be unable to compete with the liquor giant

The Competition Board, in an outspoken report to the Government last year, warned against the dangers of monopolies in the liquor industry and said the formation of the CWD three years ago had not been in the public interest

It recommended that the CWD be disbanded so it would reliquish its present approximate 92% market share in the supply and distribution of wine and spirits

"Instead, the Minister of Industry, Commerce and Tourism, Dr Dawie de Villiers, has now seen his way clear not only to tolerate their continued existence, but even to welcome the CWD suppliers into the retail trade," Mr Pretorius said

"Individual retailers who have invested heavily in their liquor stores over the past 50 years are not allowed to expand beyond 12 outlets



DR DAWIE DE VILLIERS
Rejected Competitions Board advice

"The CWD, a total stranger and newcomer to the retail scene, is immediately granted a maximum of 300 stores," he said

The discrimination against the small liquor retailer had been aggravated further by allowing grocers to obtain a maximum of 35 off-consumption wine licences, he said

"Clearly, therefore, Minister Dawie de Villiers favours the financially powerful groups"

Mr Pretorius added that this approach was in direct conflict with a Cabinet decision in 1979, where a maximum of up to five retail outlets were laid down

Now a new direction was being followed, contrary to the interests of the small entrepreneur, the public at large and the sound economic principles spelt out in the Competition Board's report, he said

"It can hardly be claimed that free-market forces are being encouraged to operate in the liquor scene if the CWD is allowed to enter the retail trade to the tune of 300 outlets, since 30% of its shares are owned by KWV

"The latter has statutory powers and fulfils a pricing and control function

"Instead of rewarding the small hotelier for having to meet the high standards laid down by the Hotel Board, as intended by the granting of the off-sales privilege to hotels, he and other entrepreneurs will now have to face stiff competition from the favoured large producer merchants," he said

The managing director of Checkers Mr Gordon Utian said yesterday a monopoly created by the Government in 1979 had been allowed to entrench itself — now controlling the liquor production and retail sectors — and was a major blow to free enterprise.

The consumer would have to pay in years to come, he said

"There is little point in having a Competitions Board when their considered recommendations are rejected, presumably because vested interests and powerful lobbies carry more weight than the interests of the consumer," Mr Utian said — Sapa

Paper No. 1

(to be copied from the heading on the Examination Paper)

Initials

NOTE CAREFULLY

1 The answers only on the right hand pages will be marked The left hand pages may be used for rough work, but no credit will be given for such work.
2 Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering
3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
4 Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used

WARNING

1 No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed
2 Candidates are not to communicate with other candidates or with any person except the invigilator.
3 No part of an answer book is to be torn out
4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

Any dishonesty will render the candidate liable to disqualification and to possible exclusion from the University

EDSON 15255

Beating for the free spirit of enterprise

RDM 26/3/83

182

By MICHAEL FRIDJHON

Wine writer and consultant to domestic and international liquor industries.

> The fact that Anton Rupert and his wine farmer allies have won their protectionist victory will have far-reaching consequences for the liquor industry and the price that consumers pay for the liquor of their choice

THE Government's response to the recommendations of the Competitions Board appointed to examine monopolistic tendencies in the liquor industry is an abject denial of fair trading practice

In what amounts to a sell-out to the Cape-based wine farmers' lobby, Minister De Villiers has entrenched the monopolistic structure of the wine and spirit industry

These concessions to protectionism not only undermine the credibility of the Competitions Board but also the whole basis of the so-called verligte economic policy the Government espouses

The major recommendations of the board included the break-up of the Cabinet-sanctioned wine and spirit giant — Cape Wines and Distillers Ltd (CWD) — the separation of retail and producer interests, the right to supermarkets selling wine also to sell beer and the deregulation of the restrictive liquor licensing laws in South Africa

The board rightly observed that the beer producer monopoly in South Africa was a de facto result of South African Breweries (SAB) domination of the industry

It noted, however, that the virtual monopoly of wine and spirit production in the CWD was artificially created and therefore reversible

It disapproved not only of the extent of this monopoly but also of the State participation through the quasi-government KWV

The message was loud and clear free trade needs competition, with all parties competing on an equal basis

Domination of production, specially coupled with a powerful retail control, is unfair and not in the consumer interest

When the largest liquor producer also owns the largest retail chain, with guaranteed selling positions for his products, it becomes impossible for any one else to compete effectively against him

And without competition, capitalism loses its checks and balances

What is central to the Government's about-face is that their response will assure exactly what the Competitions Board was set up to oppose

The largest liquor producer, the CWD, will be permitted the largest chain of stores hence they will be assured a dominant position in the industry through legislative enactment and not through efficiency or business enterprise

It follows from this that their style of trading will determine the norms of the industry and consumers will be forced to pay the price of protectionism

The de juro monopoly created by the Government in the wine and spirit sector, ostensibly to oppose the de facto beer monopoly, cannot function as a counterbalance, since the quality and style of its management needs protectionism to survive

In absolute terms, the price of beer has actually declined in relation to the consumer price index for the past 10 years during the same period, the wine and local spirit cost has actually risen

The domination won by the breweries in the market place is therefore qualitatively different from the CWD's victory at the Cabinet

The immediate result of the Government's response to the Competitions Board proposals will be the abolition of a strong independent retail trade, capable of opposing the production monopoly

There can be no major negotiation on price when the retailer is either a subsidiary of the supplier, or inadequately geared to counteract a monopoly

It was precisely to investigate such a situation that the board was asked to study the industry, and the State's failure to accept the main thrust of the board's ruling leaves the board's chairman, Danie Mouton, no alternative but to resign

It would seem that Dawie de Villiers, the Minister whose portfolio includes liquor trade matters, should also resign

It is understood that he personally did not support the protectionism intrinsic to this industry re-shuffle

In any event, he can no longer be plausible as the Minister of Commerce and Tourism

The political riot act has been read to him and he has learnt that the Prime Minister does not wish to jeopardise valuable Cape seats by alienating the wine farming lobby

Twelve Nat MPs are wine farmers, and four directors of KWV have seats in the House

Prime Minister Botha must feel he cannot ignore their views But he cannot have it both ways

By undermining the Board of Trade and the Competitions Board he has discredited the Government's economic policy

The country cannot continue to subsidise the wine farmers simply because the Prime Minister does not wish to lose Cape voters

The fact that Anton Rupert and his wine farmer allies have won their protectionist victory will have far-reaching consequences for the liquor industry and the price that consumers pay for the liquor of their choice

On March 11 the Government gazetted a new Board of Trade Inquiry this time into the ability or otherwise of the local spirits industry to deal with foreign competition

Doubtless this emanates from the CWD/KWV camp since they have been calling for some time for protective measures to defend a grape and brandy industry which suffers from chronic overproduction

Irrespective of how this board reports, it is a foregone conclusion that the Government will follow its own course

Restrictions will be clamped on whisky imports and retail prices will be increased to differentiate them from the prices of local spirits

Like the Competitions Board, this Board of Trade Inquiry is merely a front and the decisions will be taken by politicians, not business people

South Africa has no real use for about 35% of its wine production But the wine farmers are guaranteed minimum prices for their product and are themselves concentrated into a potent and vociferous lobby

They intend to mould the liquor industry so that it continues to keep them fat and inefficient

The Cabinet's sell-out on the Competitions Board recommendations is proof that they have the political clout necessary to achieve their aims

And the consumer will simply continue to pay the price

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MCQ's		
Examiners' Initials		

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'Wine lake' blamed for Govt refusal to break monopoly

(182)

27/3/83 S. Express

A HUGE surplus — known as the 'wine lake' — lies behind the Government's refusal to dismantle the wine monopoly Cape Wine and Distillers (CWD)

By MARTIN WELZ
Political Correspondent

The 'lake' has accumulated as a result of bad planning by KWV, the wine co-operative, and now its contents can no longer be disgorged and placed at realistic prices on world markets

KWV owns 30% of CWD

Another reason for the Government's shock decision was that it was aimed at protecting financial interests close to the Government, and hiding the fact that consumers are required to pay more for yet another agricultural surplus.

The Government decision could also have a major impact on future developments in the South African economy, not only on the liquor trade, said Mr Andrew Savage, official Opposition spokesman on consumer affairs

"It has shown the Government is not prepared to resist powerful political and financial pressure groups when it comes to preventing the formation of huge monopolies that are to the detriment of the consumer," Mr Savage said

Minister of Industries, Commerce and Tourism Dawie de Villiers this week rejected the recommendation of the Monopolies Commission that the wine monopoly, formed by the KWV, the Rembrandt Group and South African Breweries with Government approval in 1979, should be dismantled as it was not in the public interest.

Dr de Villiers said it would not be fair to expect the companies to undo arrangements that had been made with Cabinet approval

Nearly one in 10 South African farmers is a wine farmer Concentrated in the Western Cape, they form a powerful political lobby represented by 12 Members of Parliament.

KWV, the wine co-operative to which all wine farmers must belong, is obliged to take all the wine that farmers are unable to sell either on their own or to a local wine co-operative.

The KWV is supposed to fix production quotas for its members to control overproduction but, faced with local pressures on its board members, has been reluctant to strictly limit quotas, an industry source told the Sunday Express this week.

"Because of poor planning and marketing they have produced massive surpluses for years — commonly known as the Cape's 'wine lake' — which they have been unable to dispose of at economic prices on the international market"

The KWV does not publish figures for the amount of wine delivered to its cellars and refuses to discuss the extent of its surplus Even the independent Cape Wine and Spirit Institute in Stellenbosch was unable to estimate figures when approached for comment this week.

Last year KWV announced half the crop delivered to it by members was used for the production of 'good wine' The rest was used for distilling

An indication of just how serious the surplus is emerged from the fact that farmers were paid for only half the distillery production

The other half was described as a "surplus contribution percentage", for which they were not paid

Informed sources said KWV had recently been obliged to sell a huge consignment, distilled to pure alcohol, at a substantial loss on the European commodity market where it had to compete with alcohols produced from cheaper crops

But since 1979, when the wine monopoly was formed, wine prices on the South African market have risen at double the inflation rate.

Wine producers faced a further drop in wine consumption by the white market as a result of the beer price war raging between the two major competing beer producers

One of the producers was the Rembrandt Group's Continental Breweries Both Rembrandt's brewery operation and KWV were being financed by Volkskas

Informed sources told the Sunday Express this week that Volkskas had played a major role in putting together the CWD monopoly and in obtaining Government approval for the deal that saved its two clients from extreme financial embarrassment.

LIQUOR MARKET (182)

Vodka punch

FM 1/4/83

Blacks have developed a taste for vodka that has expanded the 7 Ml/year market, worth about R61m, at the expense of the 8,3 Ml (R72m) gin and 16,6 Ml (144m) cane markets

In the 12 months to January 1983, vodka sales increased 10% by volume while gin decreased 14% and cane 16% The black market now consumes more than 70% of total vodka sales by volume Natal and KwaZulu, where most vodka is sold, account for 48% of the market, and Border and Transkei for 13%

Gilbeys' group brand manager Hentie Engelbrecht says strong promotion emphasising the spirit's purity has also boosted sales Vodka is "technically better," as it is purified through charcoal filters, according to Engelbrecht

Liquor store owners have also given vodka more prominence in retaliation against cane wholesalers' greater discounting to big retail outlets

Vodka retails at an average R6,50/bottle but has dropped to below cost at R5,18/bottle in Natal price wars Gin and cane usually retail at the same price as vodka

Gilbey's Smirnoff claims 71% of the market and Distillers Corporation's Count Pushkin about 25% The remainder of the market is shared by cut-price brands like Molotov, Cossack, Popov, and Kojak

The gin market, led by Old Buck, is also strong in the black market, followed by Gordons and Gilbeys Mainstay leads the cane field

SFW, which has lost sales of Old Buck and Mainstay, is aiming for a slice of the vodka market by re-packaging its Romanoff brand It will be re-launched in April at about 50c below Smirnoff and Count Pushkin

"We are confident our cane and gin brands are already correctly positioned and advertised in the market," says SFW spirits marketing manager Sue Birch "Old Buck and Mainstay sales have been affected by the recession, but they are very strong brands"

LIQUOR ~~30~~ (182) ~~245~~ FM 1/4/83

Government bends the

Government's decision not to curb the power of the giant liquor company CWD is little more than an enormous doublecross It flies in the face of its own anti-inflationary policy of encouraging competition, it undermines the authority of the Competition Board (CB) which recommended it, and it penalises SA Breweries (SAB) by changing the terms of the 1979 agreement which brought CWD into existence

"Had we known that CWD would be permitted to acquire 300 bottle stores while SAB could have none, we would never have gone along with this agreement," says SAB beverage division chairman Ken Williams

The CB recommended that CWD be broken into two separate, competing companies and that retail interests in the liquor business be kept separate from producer interests

Government's response was to ignore the call for the dismemberment of CWD and to allow it to acquire 300 retail liquor stores

It also upheld an earlier decision to allow Union Wine to buy up to 103 stores, while Gilbeys (49%-owned by Remgro, a CWD shareholder) retains its entitlement of 70

By contrast it directed that beer monopoly SA Breweries (SAB) sell all its retail outlets

This puts beer at a distinct disadvantage to wines in the retail market as SAB will eventually own no liquor stores, while the wines and spirits producers have the right to own more than 470

"It means that beer will be put to the back of the shop in far more liquor outlets and the beer consumer will be forced to run the gauntlet of wine," says an SAB man

Irksome ruling

The ruling is doubly irksome to SAB in view of government's decision to allow each supermarket chain to sell wine in up to 35 of its outlets and to allow liquor outlets to run "grocers' wine counters" in supermarkets

There are no similar provisions for beer, despite the fact that government still subscribes to the policy that it "prefers the use of beverages with a low alcoholic content to beverages with high alcoholic content"

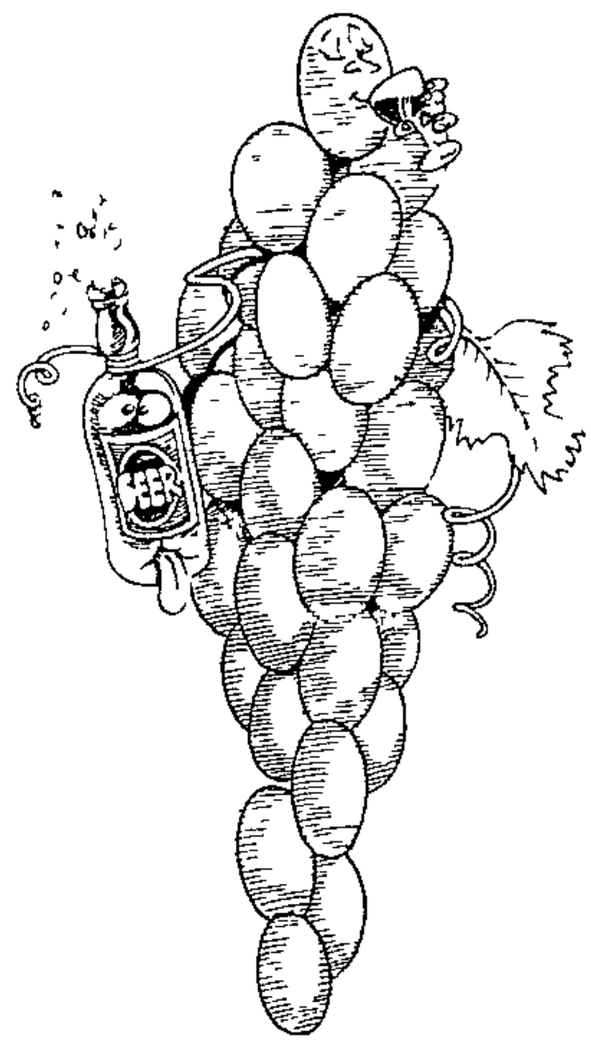
All this will no doubt please entrenched liquor interests in the western Cape, as well as several thousand wine farmers who burden the country with ever-increasing wine surpluses But it exposes as a hypocrisy government's policies of promoting free enterprise — for this industry anyway

CWD has thus emerged as a textbook example of vertical integration. One of its major shareholders, KWV, has total control over primary production of wine and wine spirits Its two operating subsidiaries, Oude Meester and SFW, command 92% of the wine and spirits market with the best-known brands in the business, as well as most of the big Scotch whisky brands

Its 300 liquor stores will make it a formidable competitor with its most important customers, the 1 000-odd independent liquor store owners in the Fedhasa lobby

The Minister responsible for the decision, Industries, Commerce and Tourism's Dawie de Villiers, concedes there is "great merit" in the CB recommendations

But he makes little attempt to justify his



contrary decision other than to say that "order and stability come first" in the liquor industry and that it is not the first time "this government or any government has turned down the recommendations of a specialist inquiry"

The implications of that statement are enormous, particularly if the specialist inquiry produced an opinion in keeping with government's avowed policy What has happened is a disgraceful capitulation to special pleading, one that is deeply against the public interest

Wine 'lake' may now be 300m litres, says expert

(182) S Express 3/4/83

Staff Reporters

SOUTH Africa's secret wine 'lake' — the huge surplus behind the Government's refusal to dismantle the wine monopoly Cape Wine and Distillers (CWD) — could hold hundreds of millions of litres

Mr Michael Fridjhon, a consultant to domestic and international liquor industries, believes the 'lake' holds between 200-million and 300-million litres

And, he said, the consumer was going to subsidise the continued storage of massive amounts of wine — in the form of liquor price increases higher than the rate of inflation and production costs

Last week the Sunday Express reported the surplus had accumulated as a result of bad planning by KWV, the wine co-operative that owns 30% of CWD, and that its contents could no longer be placed at realistic prices on world markets

Mr Fridjhon said the "firmly entrenched" system arose because KWV paid wine farmers guaranteed prices according to harvest quotas "not related at all to market needs or forces"

This week a KWV spokesman, who would not be named, said wine farmers had been harvesting bumper crops over the past few years and KWV had been increasing their surplus of wine for distilling

KWV chairman Dr André du Toit has reported the total wine production for 1982 as 856-million litres — an increase of 11% over 1981's production — of which only about 400-million litres were consumed

The size of the wine 'lake' lay in the remainder, said Mr Fridjhon

Although no figure for the amount of wine to be used for distilling purposes is yet available, an increase of 11% in the 1981 distilling figure of 350-million litres puts the figure at about 370-million, nearly all of which has no market value, according to Mr Fridjohn

SUNDAY TIMES, Business Times, April 10, 1983

Who downs how much

~~128~~ ~~186~~ 182

By Vera Beljakova

FOOD and drink consumption among blacks is increasing among whites it is static, or slipping in certain sectors, and among coloureds it is declining as a result of rising unemployment in the Cape

The latest Food and Drink Monitor by Research Surveys reveals that last year blacks hugely increased their consumption of fresh vegetables sweets, biscuits and chocolates thereby indicating their growing discretionary income

"Blacks are feeling the economic pinch less than whites says director Butch Rice 'Thus it is the whites who are now pulling in their belt and moving away from red meat, traditionally a major budget item They are finding such meat substitutes as protein-rich eggs and sausages"

Eggs have stopped being an exclusively breakfast item among whites, and today 42% are now consumed for lunch or supper

Alcohol consumption, too, is down among whites, who are turning towards carbonated drinks, fruit juices, milk and even Rooibos tea

Beer consumption's decline has been particularly marked — from 17% to 11% in one year taking winter months only into account

More beer is drunk at the weekend (54%) than during the week (43%), and less beer is seen on the dinner table (35%) than a year ago (40%)

"A major swing from the through-the-week consumption to weekend consumption is a danger sign, since no market can afford to miss out on five week days of consumption spending," says Mr Rice

Less beer than ever is drunk in young households where the wife is under 24, shifting from 37% to 25%

Consumers are more price-conscious Cheese-eating declined as prices rose in the first 18 months of the past two years, but regained its market share when prices were slashed again

S. Times

Booze war action call

(182)

10/4/83

By Michael Fridjhon

THE Board of Trade should be investigating why local brandy costs nearly twice as much as French brandy and some of the lesser-known Scotch whiskies, according to sources in the liquor industry

Their reaction follows the announcement last month that the board is to conduct an investigation into the competitive position of spirits — specifically grape spirits — with a view to assessing whether the local industry needs more protection

The heart of the problem is that South African brandy, duty-free, is too expensive, say the sources

The price in bond of local proprietary brandies is more than the fob cost of most of the major whisky brands

Even though customs and excise on the imported product is slightly higher than on local spirits, there is virtually no gap between whisky and brandy prices

In many cases good-quality imported Scotch costs the retailer less than brandy

The announcement of the inquiry was gazetted on March 11, and interested parties have until April 22 to submit depositions

Sources point out, however, that it would be naive to suggest that the powerful wine-farming lobby, whose interests the inquiry is intended to protect, was unaware of this pending investigation Accordingly, it is likely to have its case well prepared

To an extent, the issue has already been decided The terms of the investigation are to inquire into the competitive position of spirits, to assess protection for the local brandy industry and to recommend, if necessary, increased protection measures

The board is not being asked to examine the wine and brandy industry in order to recommend how it might become more competitive

Clearly, the Cape wine farmers are seen as the victims of Europe's exports, say the sources

For some time the Cape wine farmers have been calling for some control on the import of whisky Allegations that cheap Scotch is being "dumped" on the South African market abound

South Africa's position in the top 10 importers of Scotch is not an achievement that warms the hearts of the wine lobby

For many years it has been impossible to impose tariff barriers against the import

● To Page 3

S. Times

Booze war action call

(183)

● From Page 1

10/4/83

of whisky, as spirit duties are subject to Gatt agreements and thus cannot be increased without an identical increase on the local product

The recent reaffirmation of the Gatt agreement by Dr Dawie de Villiers, Minister of Industries suggests the Government would not want to abolish this accord

Nevertheless, there has been substantial pressure to restrict the import of whisky, but, the sources ask, how, is this to be achieved if not by tariff controls?

Outside observers are doubtful that the Government will get the right answers

Cape Times 30/4/83

De Villiers denies Opposition claims

HOUSE OF ASSEMBLY — It was a "total misrepresentation" to describe a section of the Liquor Amendment Bill as a possible means to parcel out more bottle store licences to friends of the National Party, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, said yesterday

He was replying during the second reading debate on the bill to a speech by Mr Andrew Savage (PFP Walmer)

Dr De Villiers said there was a certain process involved in the granting of a liquor licence and the Liquor Board was there to ensure an objective decision after consideration of all the facts

"The minister has nothing to do with the granting of a licence."

The government had to consider the historical perspective of the industry and a wide spectrum of "very strong and conflicting viewpoints". It had decided to maintain the historical status quo, even though this was not ideal

Although the KWV was a "concentration" in the wine and spirit industry, it was not a monopoly because there were other competitors in the market, among them the wine estates

"However, I have said before that the government is concerned at concentrations in the liquor industry

"I agree that the situation at present is not an ideal one, but when was there ever one that everyone was happy with?" he asked

The bill was read a second time — Sapa

CAPE TIMES 30/4/83

Liquor licences for 'NP friends'

HOUSE OF ASSEMBLY — A section of the Liquor Amendment Bill was yesterday described as a possible means to "parcel out more bottle store licences to friends of the National Party"

Speaking during the debate on the bill's second reading, Mr Andrew Savage (PFP Walmer) was referring to a clause in terms of which the quota system for granting bottle store licences is to be replaced

Introducing the bill, the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, said the new system allowed the minister — if satisfied that it was in the public interest and after consideration by the Liquor Board — to grant a liquor store licence in respect of premises in an urban area and in mining areas where the licence-holder provided accommodation for mine employees

Dr De Villiers emphasized that applications for licences would nevertheless continue to be judged by strict standards. The government was not in favour of a free system of licensing, he said, and had no intention of giving up direct control over liquor supply

Mr Savage asked Dr De Villiers if the government, which in 1979 allowed restructuring of the liquor industry into a highly monopolistic organization, could be trusted to look after the public interest

"We are asked to give carte blanche to the minister to issue liquor licences without the criterion we had before Here we have a situation in which there are no checks and balances, where the minister and the Liquor Board can decide on the issue of licences in a way that we have no direct control of and about which we can really do nothing specific"

He said the section could be used to parcel out more bottle store licences to friends of the National Party

● Mr S P Barnard (CP Langlaagte) said he was against the wider availability of liquor on principle

South African women could today buy wine from grocery stores, and this led to their drinking it and to their children drinking it

He pleaded for a return to the days before the "liberal philosophy" of the National Party when the Liquor Board had full control

He said Mr Savage was "150 percent right" in saying the government allowed some people to form the biggest monopoly in the liquor world "and to hold other people to ransom".

'Hypocrisy'

Mr George Bartlett (NRP Amanzimtoti) accused the government of hypocrisy and said it was "pandering to big business which has a big amount of political whack".

He personally would support the bill with the exclusion of Clause 4

"If the government is allowed to protect large monopolies like this after all the talk of the free market mechanism and small business development, then I believe this form of hypocrisy should be condemned," Mr Bartlett said. — Sapa

Cape Times 7/5/82 (182)

CSIR probe into beer

Own Correspondent

JOHANNESBURG. — The Council for Scientific and Industrial Research (CSIR) has reacted to press reports that sorghum beer, consumed daily by millions of South Africans, could contain aflotoxin, the poison found in unacceptable levels in the breakfast cereal Great Start.

Yesterday, Dr L Novellie, of the National Food Research Institute of the CSIR, said the sorghum beer unit of the institute would be sampling sorghum beer — it has up till now been sampling sorghum malt used in the production of the beer.

The Medical Research Council has reported that unacceptable levels of aflotoxin were found in sorghum malt samples.

The institute released a statement saying:

"The medical and scientific worlds have long been aware that cereals and legumes are liable to become contaminated with moulds, some of which can produce toxic substances, one of which is aflotoxin.

"The sorghum beer unit of the CSIR checks the quality of sorghum malt used by the sorghum beer industry. The Department of Health has ruled that the aflotoxin content of foodstuffs may not exceed five parts per billion.

"Recent sampling by the beer unit of sorghum malt from breweries on the Rand has shown the aflotoxin content of consignments to be below the legal limits. The unit will continue to monitor indefinitely."

CSIR on poison in sorghum beer

(182) RDM 7/5/83

By PAT SIDLEY
Consumer Mail

THE CSIR has reacted to Press reports that there could be Aflotoxin in sorghum beer, which is consumed daily by millions of South Africans

Aflotoxin is the poison found in unacceptable levels in the breakfast cereal Great Start This was documented by the Medical Research Council and tabled in Parliament

Yesterday, Dr L Novellie of the National Food Research Institute of the CSIR said the sorghum beer unit of the institute would be sampling sorghum beer — it has up until now been sampling sorghum malt used in the production of the beer The Medical Research Council reported that unacceptable levels of aflotoxin were found in sorghum malt samples

The institute released the following statement

"The medical and scientific worlds have long been aware that cereals and legumes — eg peanuts — are liable to become contaminated with moulds, some of which can produce toxic substances, one of which is aflotoxin.

"Outbreaks of mouldiness, occur when grain is harvested in wet conditions or stored improperly The conditions used for sprouting sorghum grain to make sorghum malt, favour, if care is not taken, the development of mouldiness

"The sorghum beer unit of the CSIR checks on the quality of sorghum malt used by the sorghum beer industy The Department of Health has ruled that the Aflotoxin content of foodstuffs may not exceed five parts per billion (thousand million)

"In recent sampling of sorghum malt from breweries on the Rand, the beer unit has found the Aflotoxin content of consignments to be below the legal limits The unit will continue to monitor indefinitely"

Drink this sorghum beer and you drink

SHAKE SHOCK

182

Poison

CP Reporter

CAPE TOWN — Sorghum beer, drunk by millions of blacks, has been found to contain "unacceptably high" levels of toxins (poisons) — including a cancer-linked substance — that are a "real danger to health".

These shock findings were reported by the National Institute of Nutritional Diseases in Cape Town

City Press 8/5/83

In Parliament

In a report tabled in Parliament last week, the institute said that 17 out of 28 samples of industrial malt — used by administration boards to brew 250 million litres of sorghum beer a year — were contaminated with the cancer-linked substance, Aflatoxin B1

The report said that the malt manufactured by one company was "fairly regularly" contaminated with a fungus that produces Aflatoxin and that the contamination occurred "now and then" in the malt made by two other unnamed companies

There are only three major manufacturers of industrial malt They are Nola Industries, a subsidiary of the giant Federale Volksbeleggings group, which is understood to have 80 percent of the market, Jabula Foods, owned by Premier Milling, and Nutritional Foods, partly owned by Anglo American Industrial Corporation

The Institute for Nutritional Research said it was so disturbed by its finding that "it is essential urgent attention be given to reduce malt contamination drastically"

The institute also said its investigations had revealed the presence of other toxins in high concentrations which could not be tested It said the toxin levels were "unacceptably high" and posed a "real danger to health"

During 1981/82, administration boards sold 700 000 litres of sorghum beer every day — 253,5-million litres during the year

Shut the beerhalls, says Motlana

By LEN KALANE

JO'BURG — Doctors have called on admin boards to stop selling sorghum beer until there has been an inquiry

Reacting to the news that sorgum malt has been found to contain "unacceptably high" levels of toxin, Dr Nthatho Motlana said

"It is scandalous that the Government continues to allow the boards to sell sorghum beer"

He called for all beerhalls to be shut down

Dr Essop Jassat, chairman of the Transvaal Indian Congress, said the findings were "deeply disturbing".

He called on the Government to stop selling sorghum beer until there has been an inquiry

His call was echoed by Dr A B Asvat, Azapo's health spokesman, who said "This startling finding gives rise to tremendous public concern. It is imperative that an inquiry be set up immediately

"In the meantime people should stop buying the beer"

Don't drink the stuff, says Azapo

SEX: SCHOOLGIRLS GET THE TRUTH Page 2

Storm in beer carton

SOWETAN 10.05.83

THE WEST Rand Administration Board knew about the startling findings of a report on the presence of high levels of toxins (poisons) in sorghum beer — long before it was tabled in Parliament.

This emerged yesterday in an interview with the Wrab chairman, Mr John Knoetze, who said he was "rather surprised" that the findings of the report — compiled by the National Institute of Nutritional Diseases in Cape Town — had been made public

The report, tabled in Parliament last week, said 17 out of 28 samples of industrial malt tested contained the cancer-linked substance Aflatoxin B1 It also said investigations had revealed the presence of other toxins in "unacceptably high" concentrations which could not be tested

"We are still studying the implications of the report At the moment we would prefer not to comment further on the matter," Mr Knoetze said of the report that has set tongues wagging in the townships

Mr Knoetze said a statement would be released as soon as the study on the findings had been completed

Of suggestions that sorghum sales should be stopped since it had been found to be a "health hazard", Mr Knoetze said "No, no, no, of course not We wouldn't want that That would be ridiculous'

Sorghum beer sales, as is the case with beer and other liquor sales is a major source of revenue for administration boards According to the latest figures, nearly a thousand million litres of sorghum beer are sold by the boards every year for over R133-million

During 1981/82 administration boards sold 700 000 litres of the beer every day.

The big test!

ORLANDO Pirates face probably their biggest test of strength at Orlando Stadium on Thursday when they take on defending league champions Durban City.

On current form, it looks like Bucs will emerge victorious from this one. But City are determined to raid Soweto once more and return home with full points.

For full previews of Thursday's games, don't miss The SOWETAN tomorrow.

Youths to hang — PAGE 3

INSIDE TODAY

Chiefs after stars — PAGE 16

Racing tips — PAGE 15

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112 President Stre (between Von and Delvers Street

92 President Street (between Kruis and Smal Streets) Tel 29-6795

22 Plein Street (between Rissik and Joubert Streets)

PLANS FOR PEOPLE

SOWETAN 10 MAY 1983

Three women lose lives

DEATH struck in Soweto when about 13 people, including three women, lost their lives in a spate of violence.

Police working

Heutnklem TV? See TV Topics tomorrow

RDM 11/5/83 (182)

Board beer 'not toxic'

By SOPHIE TEMA

DOCTORS who researched the incidence of fungi and fungal poisons in sorghum malt say the beer, brewed and sold by administration boards, is safe for human consumption because the boards do not use the type of malt which has been found to be contaminated

The National Institute for Nutritional Diseases, which conducted a comprehensive investigation into the fungal contamination of sorghum malt, said yesterday that industrial malt used by administration boards was 99% safe for consumption

The report tabled in Parliament last week revealed that 17 samples of industrial malt out of 28 tested for carcinogen aflatoxin B were positive

Carcinogen aflatoxin B is believed to be a cancer-linked substance

Asked to comment on the findings, a spokesman for the West Rand Administration Board (Wrab) said yesterday that a statement would be released as soon as investigations had been completed

He said, however "Our malt and beer are certainly laboratory processed and tested to ensure that they do not have adverse effects on consumers."

Researchers who conducted the investigation told the Rand Daily Mail from Cape Town yesterday "We did quite comprehensive research and the finding is that the levels of fungal contamination in some of the smaller malt-houses are unacceptably high and pose a real health danger

"We know, for instance, that malt used by the administration boards for brewing beer is safe although they, too, sometimes have problems other than fungal toxins

"The larger commercial maltsters generally produce a product free of fungus or toxin, but infections do occur on occasions"

Beer still best for SA Brews

(182) RDM 12/5/83

By JOHN MULCAHY

THE beverage division has again came through as the main stabilising factor in South African Breweries, offsetting the downturn in some of the group's retail subsidiaries.

The bottom line shows an improvement of 4% in attributable earnings to 78c a share from 75,1c. The final dividend has been raised to 25c from 24c, making 35c (34c) for the year to March

Cover is unchanged at 2,2 times

In last year's annual report, and again in the interim report in November, the group forecast a modest earnings improvement for the year

Mr Goss said yesterday the "modest improvement" envisaged a year ago and at the halfway stage was about 8%, and the squeeze to 4% reflected the sharper than expected slump in consumer spending in the second half of the year.

"It was like a tap being turned off — suddenly the demand disappeared"

Although the group is looking to an upturn in the economy early next year, there has been no sign of an end to the recession

Mr Goss said that in some respects trading conditions were the worst in recent memory

"Group budgets indicate a capability of matching earnings a share for the year as a whole, although the first half could well show some decline

"However, if the accelerating downtrend in private consumption expenditure does not level out by the middle of the new financial year it will be extremely difficult to meet the budgeted performance"

Performances by OK Bazaars and Edgars suggested the group would battle to maintain earnings, but the small improvement at Southern Sun and the marginal decline at Amrel meant that non-beverage earnings were only 5% lower at 32,2c a share compared with 33,9c

Mr Goss said the non-beverage interests had done extremely well in the circumstances

"Afcol was off 10% in a very depressed furniture environment and Southern Sun showed an improvement in a very tough hotel industry"

Beverage interests accounted for 45,8c a share, or 11% up on the previous year's 41,2c

SA Breweries issued share capital was boosted by the Edcon takeover, and the earnings calculation was based on 254-million shares compared with 222-million a year ago

Turnover rose to R4 342-million from R3 057-million, and operating profit was 28% higher at R398-million compared with R312-million a year previously

The interest charge leapt by 90% to R77 300 000 from R40 700 000, partly reflecting the substantially higher interest-rate pattern over the year, and borrowings which rose to R670-million at the yearend from R488-million at the end of March last year

Interest-bearing debt rose to 55% of shareholders' funds at the end of March compared with 53% a year earlier, and Mr Goss said the ratio was within the group's parameters

"We regard 60% as a comfortable ratio and have never exceeded this number"

Capital expenditure rose to R250-million from R244-million, the biggest single item being the R80-million spent on phase one of the new Rosslyn brewery

Expenditure this year will include another R80-million on phase two of the Rosslyn brewery, and for the rest will be similar to the 1982-83 programme, with store development at OK, Edgars and Amrel and new Southern Sun hotels

Expenditure in the beer division must be based on two-year to three-year forecasts, said Mr Goss, and was inclined to continue regardless of economic cycles

For the longer term, Mr Goss said he was happy with the group's composition which allowed SA Breweries to be less affected by downturns than comparable groups

"The beverage division seems to be more resilient to downturns, and when we have an upturn the other interests roar ahead strongly, which enables us to generate growth

"We have a sound portfolio spread across the most important segments of the consumer market, and the beer division complements the retail element in that it is fixed capital-intensive, against the working-capital intensity of the retail sector"

Mr Goss was confident that beer demand would continue to show real growth after the recession

"Over the last 10 to 12 years it has consistently grown by 12% to 13%, and I can see this level of growth in the future"

Another area that was showing surprisingly good growth was the soft-drink market, which Mr Goss said had done exceptionally well over the year

COMMENT Earnings are better than expected because of the slump by OK and Edgars

The mix of non-beverage interests, which showed an overall 5% downturn, is weighted more by Southern Sun's 70% contribution than Edgars 50%, so that when it is all put in the melting pot the result does not seem to reflect the sum of the parts

The current year is less promising than the latest period, especially in the light of Mr Goss's comments on trading conditions, and the fact that the slump in consumer spending has not shown any sign of ending

Consumer earnings are under pressure from less overtime and negative real wage and salary increases

Significantly, the directors have taken care to add a rider to their forecast for the current year, and this is based in part on fears that the recession might well deepen, and the implications of another dry agricultural season

SA Brews closed at 820c on the Johannesburg Stock Exchange yesterday, nudging the 1982 high of 845c The 20c rise reflected the market's satisfaction with a performance that was mildly better than a year ago

The historic yield is 4,3% — an indication of the group's blue-chip standing and expectations for long-term growth The price-earnings ratio is 10,5

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The Cape Times
Business Report
THURSDAY, MAY 12, 1983

CAPE TIMES 12/5/83 (182)

Beer maintains its head for SAB

By JOHN MULCAHY

THE beverage division again came through as the main stabilizing factor in South African Breweries, offsetting downturns in some of the group's retail subsidiaries

The bottom line shows an improvement of 4% in attributable earnings to 78c a share from 75,1c and the final dividend has been raised to 25c from 24c, making 35c (34c) for the year, and an unchanged cover

In last year's annual report and again in the interim report in November, the group forecast a modest earnings improvement for the year

Mr Goss said yesterday the "modest improvement" envisaged a year ago and at the halfway stage was about 8%, and the squeeze to 4% reflected the sharper than expected slump in consumer spending in the second half of the year

It was like a tap being turned off — suddenly the demand had disappeared"

While the group is looking to an upturn in the economy early next year, there has been no sign yet of a bottoming in the recession, and Mr Goss said in some respects trading conditions were the worst in recent memory

"Group budgets indicate a capability of matching earnings a share for the year as a whole, although the first half could well show some decline

"However, if the accelerating downtrend in private consumption expenditure does not level out by the middle of the new financial year it will be extremely difficult to meet the budgeted performance"

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Expenditure in the beer division must of necessity be based on two to three year forecasts, said Mr Goss, and was inclined to continue regardless of economic cycles

For the longer term, Mr Goss said he was happy with the group's composition, which allowed SA Breweries to be less affected by downturns than comparable groups

"The beverage division seems to be more resilient to downturns, and when we have an upturn the other interests roar ahead strongly, which enables us to generate growth

"We have a sound portfolio spread across the most important segments of the consumer market, and the beer division complements the retail element in that it is fixed capital-intensive, against the working-capital intensity of the retail sector"

Another area that was showing surprisingly good growth was the soft drinks market, which Mr Goss said had done exceptionally well over the year

Overseas dem lifts platinums

Own Correspondent

JOHANNESURG — Platinum shares surged ahead on the Johannesburg Stock Exchange yesterday on strong overseas demand

Impala put on 75c to R14,25, Lydenburg 50c to 750c and Rustenburg 70c to R10,30

Dealers pointed to increased speculative demand for the metal, based on expectations of increased physical take-off by the US vehicle industry, as the reason for the activity

Two weeks ago the shares stood at R13,10, 680c and 880c repectively

Counters in the Williams, Hunt stable were again a feature, with Aurochs gaining 65c to 625c, General Tire A 25c to 925c and Williams, Hunt 25c to 350c Autolec firmed 30c to 340c

The renewed overseas interest in golds continued and local demand was maintained Apart from RD I to 220c, go across the 15 counte gains of 10

Klerksdo showed th vances, wit up 550c Southvaal to R75, Ha R102,50 and to R74,50 S proved 25c

Marginal ally added There w interest fi tional b buying wa sive Many clined positions long week

De Bee firmer at

Among neglected ing, Palam eased 20c tins were Roiberg u and Union at 135c

In this day and age the BMW 518i is solid gold. A car that not only holds the road, but its price as well. A car that brings you BMW engineering excellence, and leaves you with the warm feeling of a fine investment. A car that looks after you and your wallet with

Plan (that helps guarantee Resale Value), and BMW's Maintenance Plan (that helps guarantee running costs). Auto Atlantic invite you to enjoy the BMW 518i experience at any one of their branches today. In a time when there are precious few real values left,

Cost-saving closures

SAB to put millions into juice venture

(182) STAR

12 MAY 1983

By Alec Hogg
Assistant Financial Editor

SA Breweries is on the verge of investing between $10 and $20 million on establishing its fruit juices, Appletizer and Liquifruit, in the US and in Britain

Group managing director, Mr Dick Goss, told The Star yesterday that SAB has conducted an intensive market research project in Britain and is "looking towards investment in North America in the near future"

This would fulfill a forecast made to The Star in November last year when, discussing the group's interim results, Mr Goss said SAB might soon make overseas investments in the hotel and beverage divisions

Most observers mistook the "beverage" side of the statement to mean the acquisition of a brewery

"This will prove that when we say beverages we do not necessarly mean beer," Mr Goss said yesterday

The preliminary results of the group to end-March, released yesterday, show that the non-beer beverage division is growing in stature

Group financial director Mr Selwyn MacFarlane told The Star that roughly R21 million of the attributable income came from this source in the past year — equivalent to 10,6 percent of the group's total.

Despite this healthy support, beer remained the group's stabilising influence in the year.

Volume of beer sales rose by nine percent for the 12 months as a whole, although Mr Goss said this growth declined in the second half Growth for the first six months was 11 percent

This growth helped improve the contribution to earnings a share from the beverage interests by 11 percent from 41,2c to 45,8c

This offset the decline from 33,9c to 32,2c a share from "diversified" interests which include OK Bazaars, Southern Sun, Amrel and Afcol

Together these accounted for the four percent increase in group earnings in the year to end-March

SA BREWS

12 months to	31 3 82 (Rm)	31 3 83 (Rm)
TURNOVER	3 057,4	4 341,6
PRE-TAX PROFIT	271,2	321,1
TAX	93,1	108,2
ATTRIBUTABLE	167,0	198,3
EPS	75,1	78,0
DPS	34,0	35,0

Looking ahead, Mr Goss was not confident the target of maintained earnings would be met, particularly in the light of recent economic developments

"We started to feel a sharp drop in private consumption expenditure from November last year and, if anything, the extent of the decline is still accelerating," he said

This does not augur well for the group's non-beverage interests

"I believe we will continue to have growth in the sales of beer but not at the same rate as in 1982/82 — it could well be half that figure at about 4,5 percent," Mr Goss said

Another interesting announcement, coinciding with the release of the preliminary figures, is the resignation of Edgars chief executive, Mr Adrian Bellamy

Mr Goss said "I can assure you it is with great regret that we see Adrian go. He has become part of the team and fitted in well with the group's philosophy

"He discussed his reasons for leaving with me a few weeks ago and his decision to accept an offer he received from abroad is entirely personal"

On the appointment of OK Bazaars chief executive Mr Meyer Kahn to the post of deputy managing director of the group, Mr Goss said "There has not been enough contact between head office and the work face.

"With Meyer here we should be able achieve a better working relationship with the individual chief executives within the group."

False alarm over 'poisoned' beer

(182) Industrial Week 17/5/83

By Lynn Carlisle

MAJOR brewers and beer products manufacturers were last week shaken by strong demands to halt brewing and shut down beerhalls after misconstrued reports that a cancer-linked poison exists in most beer

Black community leaders called for a top level commission of inquiry following a scientific investigation disclosure in Parliament – but widely misunderstood – that 17 of 28 samples of "industrial malt" contained prohibitive amounts of Aflatoxib B1 – a cancer-linked substance

Industrial Week learnt that the "industrial malt" issue was incorrect, and that it is not clear whether inhibiting substances actually affect the end product – beer

Concern spread among the giant plants producing industrial malt to major brewers – who also export their products

In Soweto, influential community leaders – misled to believe the contaminated malt emanated only from three major producers supplying about 90% of the market – demanded the West Rand Administration Board (WRAB) halt brewing and shut all beerhalls

Scientists hit the roof at the National Institute of Nutritional Diseases in Cape Town when told how their findings had been misinterpreted (they had not preceeded their report with any Press release)

Dr Chris Rabe told Industrial Week that the disclosure to Parliament was that the 17 "positive" samples were from the 30 samples of predominantly "small commercial" suppliers as well as "large commercial" and "industrial" malt manufacturers

"Our main concern is with commercial malt, not industrial malt as used by major brewers The 17 contaminated samples were mainly by small – as opposed to large – commercial manufacturers," said Dr Rabe

Major malt producers said their plants contained the latest automated production lines, tiled areas and were run by technicians and scientists

They conceded that grains (ie sorghum) and legumes (beans and groundnuts) could affected with the Aflatoxin B1 producing fungi if subjected to moisture and heat conditions after harvesting and before they purchased these crops

Dr Nthatho Motlana said it was "strange" that cancer of the liver was much higher in SA than in Mozambique

He had called for the closure of beerhalls, as had other Black leaders, until a commission of inquiry on malt manufacturers and brewers had been made

He believed that WRAB chairman John Knoetze was aware that Aflatoxin B1 existed in the WRAB brew – sold in townships and in "shake-shake" packets in bottlestores

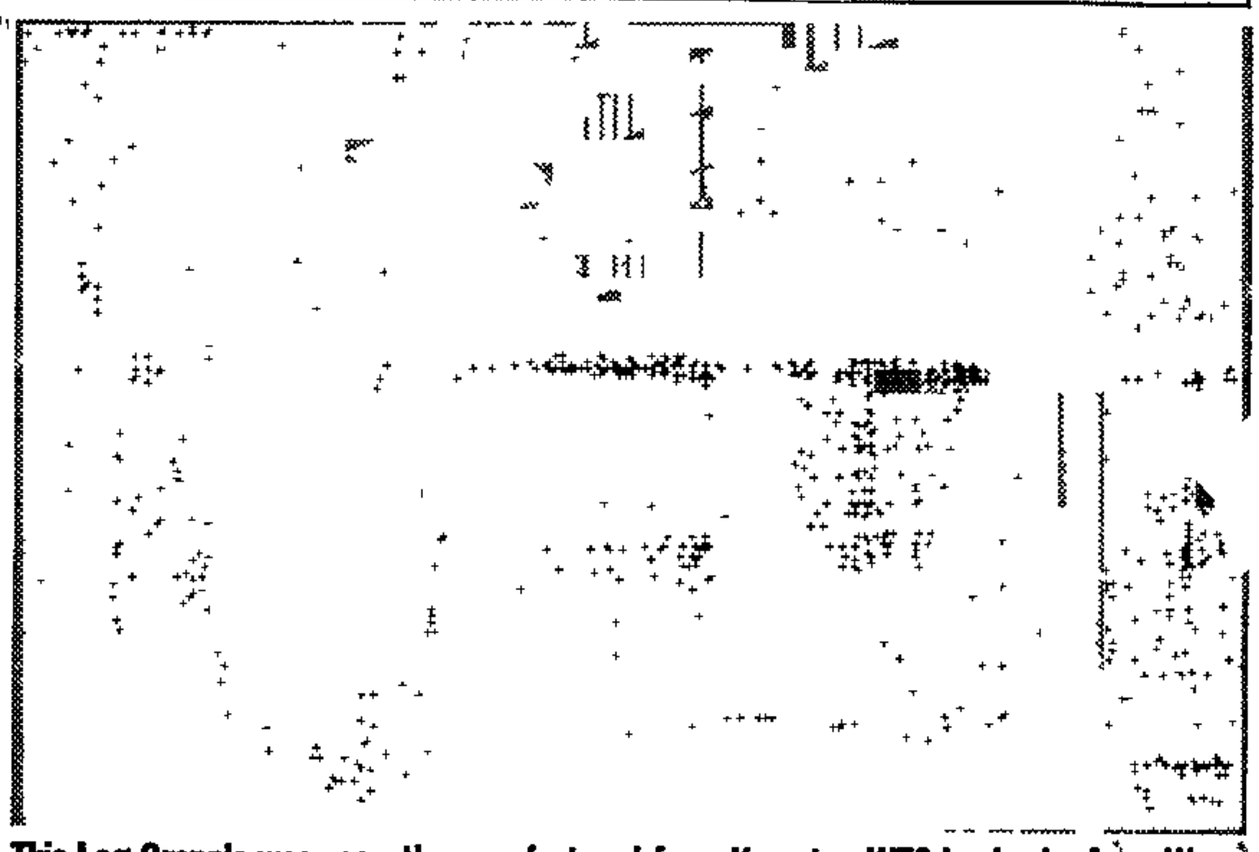
"One can only hope the report made to Parliament will be released in full so we can see what the findings really were," said Dr Motlana

WRAB chairman Knoetze said he had been misunderstood and that at no time was he aware of any toxins in beer

"But this is a scientific matter The entire matter is receiving the attention of the Council for Scientific Research," said Knoetze

No danger, according to brewers and industrial malt manufacturers. But a scientific investigation has been widely misunderstood.

Getting to grips!



This Log Grapple was recently manufactured for a Komatsu W70 loader by Apex Wear Parts. The Grapple formed part of an order from Sigma Power Corporation for quick hitch fork hangers. The Grapple provides fast and economical handling of trees.

Pound, dollar roar ahead

LONDON — Gold rallied yesterday afternoon and the dollar and pound rose to their highest of the year against other currencies

Gold was fixed at $437,25 in London in the afternoon and at $436,85 in the morning Thursday's second fixing was $440

Gold fell $1,08 in Hong Kong to close at $438,84 It was little changed from New York's $437/$438 on Thursday Gold retreated yesterday afternoon as the dollar gained in European markets

Hong Kong trading was moderate as many dealers were sidelined ahead of the Williamsburg economic summit which starts today

Comex gold futures were narrowly changed in featureless morning dealings as the market prepared for the summit in Williamsburg, Virginia

Spot june was off 40c at $436,90 and August lost 80c to $443,60

LATE prices London $437 bid, Paris $435,63 fixed, Frankfurt $437,46 fixed, Zurich $436,75 bid, Hong Kong $438,84 bid

The dollar closed strongly against the yen in Tokyo finishing at 236,85 yen — 0,55 yen up on Thursday's close and three yen higher than last Friday's close

Tension in the Middle East helped the dollar and the pound in Europe In Frankfurt, they broke through 2,50 and four marks respectively

In Paris the dollar jumped to a record 7,5065 francs, an increase of four centimes in about 24 hours

The dollar rose to 2,5035 marks in Frankfurt, a pfennig above Thursday's close Sterling was at 4,010 marks after 3,982 on Thursday

Sterling and the dollar continued to be the focus of attention in London, sterling being the stronger of the two It rose to a mid-session $1,6030/40 from an opening $1,5980/90 and more than recouped overnight losses from $1,6015/25

At mid-session the pound currency stood at 87,3 on a trade-weighted index, the highest since November 19

Some dealers doubt whether sterling is worth $1,60 on fundamentals

Constant opinion polls suggesting a Conservative victory with an increased majority on June 9 have been the main reason behind extensive bank and commercial buying of the pound

Weaker than expected trade figures and some squaring of positions ahead

Premier top dog in SA Breweries

182 RDM 28/7/83

By JOHN MULCAHY
Deputy Financial Editor

CONTROL of food giant Premier Group has passed to a South African consortium for R337-million in a deal that leaves Premier the biggest shareholder in South African Breweries.

The consortium — Johannesburg Consolidated Investments, Liberty Life and Anglo American Corporation — will acquire 52% of Premier from a wholly owned subsidiary of Associated British Foods (ABF) for R25 a share

The deal was struck at the initiative of Mr Tony Bloom, Premier's executive chairman, who approached Mr Gary Weston, ABF's chairman, about six weeks ago Premier was then trading about R21 a share

Finding Mr Weston receptive to the deal, Mr Bloom returned to SA and approached JCI and Liberty, who realised that the deal was a little rich for them and brought in Anglo as a "sleeping partner'

ABF will receive its R337-million in cash, although the parties in the consortium have not decided how they propose to raise the money

Further details about the financing are likely to be released in about 10 days

The consortium members will sell their combined 34% stake in South African Breweries to Premier at R8,85 a share in exchange for Premier shares

SA Breweries has 242 659 057 shares in issue A 34% stake is 82 504 079 shares, worth R730 161 110 at 885c a share

In exchange for the SA Breweries stake Premier will issue 29 206 444 new shares at R25 each

After the SA Breweries injection into Premier, Premier will have 55 007 989 shares in issue of which the consortium will have 84 6% or 46 563 240 shares

In terms of JSE regulations on control the consortium's status as a major food group, as well as an investment company with a significant stake in a major conglomerate the listing will be important in the future scheme of things

An announcement from Anglo, Liberty and JCI yesterday said Anglo's participation would not exceed 20%, which suggests that Liberty and JCI will together hold 64,6% of the new Premier

After JCI, the biggest shareholder in SA Breweries was Old Mutual, which has been left out of this deal

Old Mutual recently swopped its stake in Tiger & Sugar Holdings for Barlows shares, taking its share of Barlows to 24,8%

The Barlows deal also tidied up the group's food interests under the umbrella of CG Smith, using Tiger-Sugar as the vehicle for future food investments

The whole deal served to place Old Mutual's various holdings in the correct drawers, and the assurer cannot be displeased at the result

There is the nagging feeling, however, that the very deal struck with Barlows on the food interests was in some part responsible for initiating the Premier deal

Mr Bloom denies that this was so, saying there were two events that might be construed as prompting the approach to ABF

These circumstances were the Tiger deal and the bomb blasts in Pretoria and Bloemfontein The one happened last week and the other on Thursday this week

Mr Bloom said that when the Tiger deal was announced Premier had already made the first approach to Mr Weston The bomb blasts were too recent to have had any effect on ABF s decision to disinvest

From an investment viewpoint the new deal for Premier does not make decisions any easier If, for example, an institution is looking for a stake in the food industry, it has two main choices — Tiger or Premier

After the consortium's deal, however, Premier will be a different animal containing as it does a big chunk of SA Breweries which could detract from its standing as a and were offered a good 'deal"

Some of the funds might remain in SA for investment in other companies

"So far I have not yet made up my mind on what the company is going to do with the funds," he said

ABF was an industrial company which generated earnings from internal growth

"We are not in the business of buying and selling companies I have mixed feelings about parting with the Premier board I enjoyed excellent relations with the directors"

Apart from Premier, ABF has interests in 11 SA companies These include Ovenstone Consolidated Investments, Southern Sea Fishing Enterprises, Madadenis Baker and Bophuthatswana Bakeries

Diversity bo OIL income

Own Correspondent

CAPE TOWN — Benefits of diversification by Ovenstone Investments Limited into property, construction and homebuilding paid off handsomely in the year to February 28, 1983

These interests contributed 83% of income before interest and corporate expenses

They were the main reason for the increased earnings attributable to ordinary shareholders of R4 762 000 (1982 R4 055 000) which gave earnings of 9,65c (8,22c) a share Pre-tax profits increased from R6 478 000 to R8 168 000

Mr Andrew Ovenstone, chairman of OIL, says in the annual report that satisfactory earnings growth is expected in the current year Property, construction and homebuilding interests appear to be well placed and fishing results will depend on volumes landed and processed

"The property division (Ovland) is expected to have another excellent year There are three factors influencing the property scenario

- Lack of development of blocks of flats because of uncertainty over rent control
- Lack of development of residential townships because of inordinate delays by the authorities and the unrealistic service standards

year The company can produce 50 000 tons of fishmeal and 10 000 tons of frozen fish a year By February 1984 is should be able to produce 600 000 cartons of canned fish annually

The other Chilean interest is an 8% shareholding in Pesquera Iquique one of the largest fishing companies in the world with a pelagic production exceeding South Africa's Pesquera Iquique expects to process 38 000 tons in 1983 and has a capacity to convert this into large quantities of fishmeal frozen fish and canned fish

Mr Ovensteon joins those who have urged the authorities to ease pilchard fishing quotas in Namibia He warns that going beyond the existing zoning restrictions for rock lobsters would cause social problems in certain areas

Interest bl Robin

Financial Reporter

THE high gearing of the Robin group again caused its three listed subsidiaries to turn in losses in the year to February

Amalgamated Industrial Investment Corporation incurred an attributable loss of R491 192 (1981-82 R624 881 loss), excluding extraordinary and non trading profits of R931 169 (R2 950 040)

A 7 5c final dividend is be-

$403,00 and August lost 0c to $443 60

LATE prices. London $437 bid, Paris $435,63 fixed, Frankfurt $437,46 fixed, Zurich $436,75 bid; Hong Kong $438,84 bid

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At mid-session the pound currency stood at 87,3 on a trade-weighted index, the highest since November 19

Some dealers doubt whether sterling is worth $1,60 on fundamentals.

Constant opinion polls suggesting a Conservative victory with an increased majority on June 9 have been the main reason behind extensive bank and commercial buying of the pound

Weaker than expected trade figures and some squaring of positions ahead of the holiday weekend undermined sterling against most currencies in thin, erratic trading at the close The pound closed at $1,6005/20

Crop threat

LONDON — EEC harvest prospects are poor unless there is a change to drier and sunnier weather. Reports from France, Germany and Holland tell of flooded fields, delayed planting and a general lack of growth to be expected at this time of year

— will acquire 52% of Premier from a wholly owned subsidiary of Associated British Foods (ABF) for R25 a share

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Finding Mr Weston receptive to the deal, Mr Bloom returned to SA and approached JCI and Liberty, who realised that the deal was a little rich for them and brought in Anglo as a "sleeping partner"

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In terms of JSE regulations on control, the consortium will be required to make a similar offer to minorities, although the R25 price does not afford an exciting premium over Premier's R22,75 suspension price

In fact, with well over 80% of Premier, the consortium will not want too much response from minorities to its offer as a holding of more than 84,6% could present problems in raising capital through the market.

This is assuming the new controllers wish to maintain Premier's listing But given Old Mutual recently swopped its stake in Tiger & Sugar Holdings for Barlows shares, taking its share of Barlows to 24,8%

The Barlows deal also tidied up the group's food interests under the umbrella of CG Smith, using Tiger-Sugar as the vehicle for future food investments

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From an investment viewpoint the new deal for Premier does not make decisions any easier If, for example, an institution is looking for a stake in the food industry, it has two main choices — Tiger or Premier

After the consortium's deal, however, Premier will be a different animal, containing as it does a big chunk of SA Breweries, which could detract from its standing as a blue-chip food group

Although all parties to the deal insist that as far as SA Breweries is concerned nothing has changed, one wonders what will happen further down the line — will Premier in the longer term maintain the passive role that JCI has filled over the years, or is the group likely to increase its stake in SA Breweries?

Questioned on Premier's likely role as the major shareholder in SA Breweries, Mr Bloom said SA Breweries management and directorate would not be changed

"We do not have the ability or the desire to control SA Breweries"

Mr Weston told **NEIL BEHRMANN** in London yesterday he thought R25 was a good price

"We considered Premier's potential, its growth prospects and recent results when we made our decision"

Mr Weston said the deal was attractive The R337-million cash, now worth about £198-million, could be invested at higher returns in the UK or elsewhere

Share prices on the Johannesburg Stock Exchange were high and 'although South African investors may find Premier shares attractive at current levels international investors can look elsewhere"

He stressed that the sale did not arise from a decision to pull out of South Africa for political reasons

"There is no way we wanted out We were approached

Saudi deficit may be $9bn

THE HAGUE. — Saudi Arabia expects a current account deficit of $8 000-million to $9 000-million this fiscal year, says the Deputy Governor of the Saudi Arabian Monetary Agency, Mr Ahmad Abdulla-tif

The deficit will be covered by investment income on the capital account to give an overall payments balance, and Saudi Arabia should not have to liquidate any of its investmet principal, he says.

Last year's current account figures have not been released, but in 1981 must be encouraged and build a capacity to export.

If in the short term declining oil revenue force Saudi Arabia to liquidate some of its assets, this will be done across the board without favouring types of assets or currencies

Bankers have estimated Saudi Arabia's assets at $150 000-million, but without giving details he says this figure is too high

He declined to comment on whether he had been approached to take over the job as governor of the Monetary Agency after the resignation last month of Mr Abdul-Aziz al-Quaraishi — Reuter

OIL incom

Own Correspondent

CAPE TOWN — Benefits of diversification by Ovenstone Investments Limited into property, construction and homebuilding paid off handsomely in the year to February 28, 1983

These interests contributed 83% of income before interest and corporate expenses

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Mr Andrew Ovenstone, chairman of OIL, says in the annual report that satisfactory earnings growth is expected in the current year Property, construction and homebuilding interests appear to be well placed and fishing results will depend on volumes landed and processed

"The property division (Ovland) is expected to have another excellent year There are three factors influencing the property scenario

- Lack of development of blocks of flats because of uncertainty over rent control
- Lack of development of residential townships because of inordinate delays by the authorities and the unrealistic service standards required
- Continued increases in building prices, which although comparatively moderate in 1982 and at present, are likely to revert to higher rates in the future

"We expect Bellandia (the homebuilding division) to do well in the current year It is, however, affected by a shortage of developed stands in the greater Cape Town area, and management is endeavouring to overcome this problem without committing the company to excessive investment in land

"The construction division (Ovcon) should further increase its contribution to group profits during the current year; but the tight conditions currently prevailing in the industry will make it difficult to maintain turnover at acceptable margins in 1984 Under these conditions Ovcon is following a policy of not overcommitting itself"

It is OIL's policy to remain involved in all its South African and Namibian fishing operations, and it hopes to expand where possible Quota restrictions have, however compelled most companies to rationalise and diversify Apart from its traditional South African and Namibian interests, OIL now has substantial fishing interests in Chile

These are a 49% share in Pesquera Playa Blanca, which is managed by OIL and which has a capacity to process 250 000 tons of fish a year The company can pı duce 50 000 tons of fish and 10 000 tons of frozen f a year By February 1984 should be able to prod 600 000 cartons of canned f annually

The other Chilean inter is an 8% shareholding in P quera Iquique, one of largest fishing companies the world with a pelagic p duction exceeding South A rica's Pesquera Iquique pects to process 38 000 tons 1983 and has a capacity convert this into large tities of fishmeal, frozen f and canned fish

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A 7 5c final dividend is ing paid, making 10c for t year

AIIC's 91,6%-owned sidiary, Premier Indust reported a loss of R440 (R411 307 loss) before e traordinary profits of t same amount as reported

Nissan r

TOKYO — Nissan, Japan second-largest car compan has reported its first dec in vehicle sales in 28 year because of the world re sion and import restrict in Western countries

Its sales declined marg ally by 0,3% in its year March from a year ea Vehicle exports fell 4,8% 1 340 000 and domestic sa

Cadswep ri

THE Cadbury Schwep rights offer to ra R5 300 000 has b successful

Union Acceptances say subscriptions were recei for 97 3%, or 591 087 of th 607 632 13,5% unsecur automatically convertibl debentures on offer

Applications were re ceived for an addition 167 477 convertible deben

Insurer c

NEW YORK. — The world second-biggest insura broker Alexander & Alex ander has cut its US wor

Premier—SA Breweries deal restructured

CAPE TIMES 9/6/83

By JOHN MULCAHY

JOHANNESBURG. — The structure of the deal in which The Premier Group acquired a 34 percent interest in the South African Breweries has been changed to avert a potentially damaging palace revolt at SA Breweries.

After some hectic horse-trading between the consortium that now controls Premier and SA Breweries executives, a compromise has been reached in terms of which Premier will become an investment company, holding SA Breweries shares on the one hand, and 100 percent of a new subsidiary in which Premier's trading interests will reside, on the other

In essence the original deal remains unchanged, in that Premier will get about 90m SAB shares, paying for them by the issue of new Premier shares, at a price of R25 a share

Premier's name will be changed to one that connotes its new investment holding company objective, although the name "Premier" will be incorporated in the new title

A listing may at some point be sought for the subsidiary company holding Premier's trading interests

The chairman of Anglo American, Mr Gavin Relly, will become chairman of the newly constituted Premier, with Mr Tony Bloom and Mr Dick Goss as deputy chairmen

The consortium — Anglo, Johannesburg Consolidated Investments and Liberty Life — will nominate some directors to the Premier board, as will SAB

In addition, Mr Bloom will be invited to join the SAB board

The substantial gearing advantage afforded to Premier still exists in the holding company, and is available for the use of both Premier and SAB

Guarantees

At a news conference in Johannesburg yesterday, at which Mr Bloom, Mr Goss, Mr Gordon Waddell, chairman of Johnnies, and Mr Michael Rapp, managing director of Liberty, were present, it was emphasized that the new deal "affirms the concept of managerial independence for SAB, and removes the disadvantages of its shares being held by a trading, rather than an investment holding company"

"In addition, it guarantees the trading integrity of Premier's and SAB's subsidiaries in relation to their customers and suppliers throughout South Africa."

The managing director of SAB, Mr Goss, admitted that he had been "pretty angry" at the news that a major part of the group had been placed in the hands of another major trading company

On the Monday after the deal was announced, Mr Goss and his executives met to consider the implications and "we concluded that there was potential for a very substantial conflict of interests"

He said the SAB executives also saw a threat to the group's managerial independence, which they felt was not in the interests of the general body of shareholders

Resigning

"We decided to do everything in our power to bring about a resolution to this situation, and arising from lengthy negotiations reached the conclusion that if a solution could not be found we would have to consider resigning"

Mr Goss stressed that each of the executives looked at the problem from his own point of view, although they all arrived at the same conclusion

He said, the new arrangement removed the major conflicts, although it did not remove all the potential areas of conflict between SAB and Premier

Mr Bloom said that in the heat of negotiation, when secrecy was the catchword, there was not a great deal of time for mature reflection, but "after sitting back quietly we've decided to amend the original structure"

The final configuration was satisfactory to everyone involved, said Mr Bloom Premier was satisfied that its major investment was being kept intact, and it also removed some possible areas of conflict for Premier's subsidiaries.

Asked whether the consortium was considering building up its stake in SAB Mr Waddell said the combined holding now was no different to what it was before the Premier deal, and at this stage there was no intention of increasing the SAB stake

Since the days of Barney Barnato, SAB's management had been left to deal with the day-to-day running of the company as they saw fit, and more recently Johnnies, as SAB's major shareholder, had never seen it as being in its interests to interfere with SAB

He said that Old Mutual, through its representation on the Anglo and SAB boards, was aware of the latest structure, but he declined to comment on the suggestion that Old Mutual might have been invited to join the new Premier by throwing in its 12 percent stake in SAB for a share of Premier

Speculation

Mutual has denied that it was upset about not being consulted on the Premier deal, but there has been strong and repeated speculation that it was with Mutual's backing that Mr Goss and his colleagues decided to make their stand

Mr Waddell said that if someone attempted a take-over bid for SAB, the consortium would obviously have to take action, "but we have no offensive intentions"

Old Mutual would need another 13 percent of SAB to build its holding into a strong minority position, with the power to block special resolutions, which are needed for the issue of shares

To build its interest to 25 percent would cost the Mutual about R250m at the current price, but it is likely that once such a big buyer was seen the consortium would match its purchases

Market analysts believe there would be no value in Old Mutual aggressively building up its stake in SAB through the market if there is no possibility of a controlling interest

While Mutual — and SAB's executive directors — might not be elated with the new dispensation, it is probably the best they could have hoped for in the circumstances

CAPE TIMES 9/6/83

Walkout crisis in SAB averted

182

Own Correspondent

JOHANNESBURG. — The entire executive team at South African Breweries was on the point of resigning last week in reaction to the deal in which Premier became SAB's major shareholder

Rumours were rife in business circles this week that the SAB directors were about to stage a mass walkout, which sources say would have been disastrous for the R2 000-million conglomerate.

Under the new deal Premier will change its name and become an investment holding company. Its trading interests will be transferred to a subsidiary

At a news conference yesterday the managing director of SAB, Mr Dick Goss, said he had been angry when it was announced on May 27 that Premier was to be the major shareholder in SAB

There were "huge and serious problems having a major trading company holding a major interest in SAB", he said.

Mr Goss and the other SAB executives held a meeting at which they decided that under the then envisaged structure, with another major trading company holding 34 percent of SAB's shares, there was potential for a substantial conflict of interests.

● Premier deal reconstructed, page 12

oday

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dma put flight

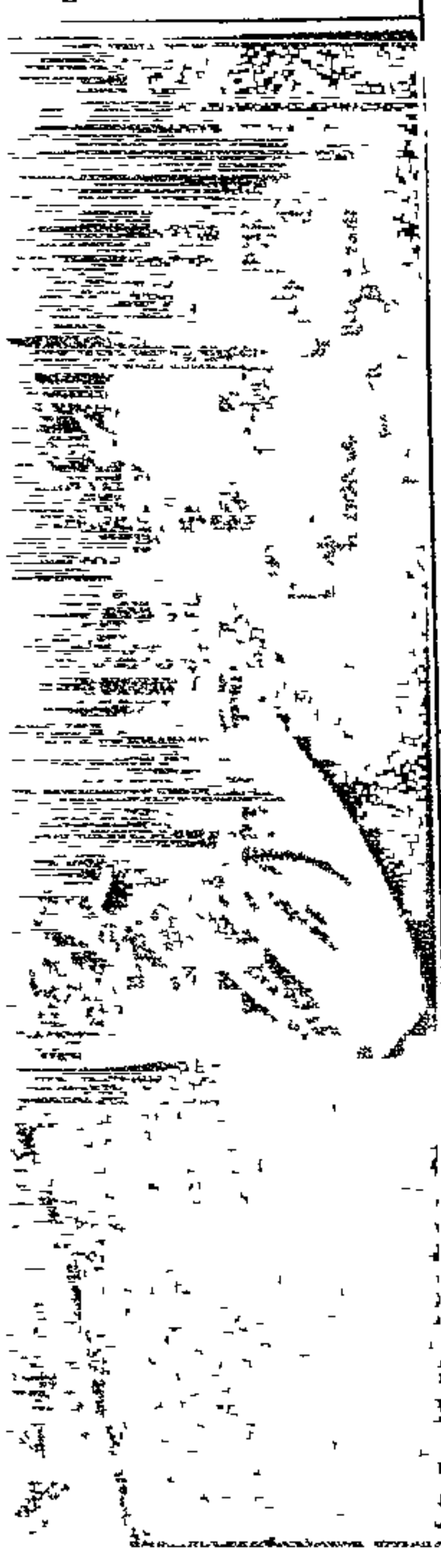
- ding over me, shaking awake and saying my iend needed me He said he ..ld cut her throat if she di't behave

"It was very frightening I was so angry I did ev- ything he told me not to do told me to leave my dress- gown off but I put it on

"When we got into my iend's bedroom, he ordered to get into bed with her I told him not to be ..ous

"That seemed to shake him I got behind him and said I going to get him out I him downstairs, opened front door and pushed out, saying 'Get out and out.'

"He was so dumbfounded even returned Miss wales' purse with R17 ..."



New deal averts walkout at SAB

9/6/83 (182) RDM

By JOHN MULCAHY

THE entire executive team at South African Breweries was on the point of resigning last week in reaction to the deal in which Premier became SAB's major shareholder

Rumours were rife in business circles this week that the SAB directors were about to stage a mass walkout, which sources say would have been disastrous for the R2 000-million liquor, hotel, retailing and furniture conglomerate

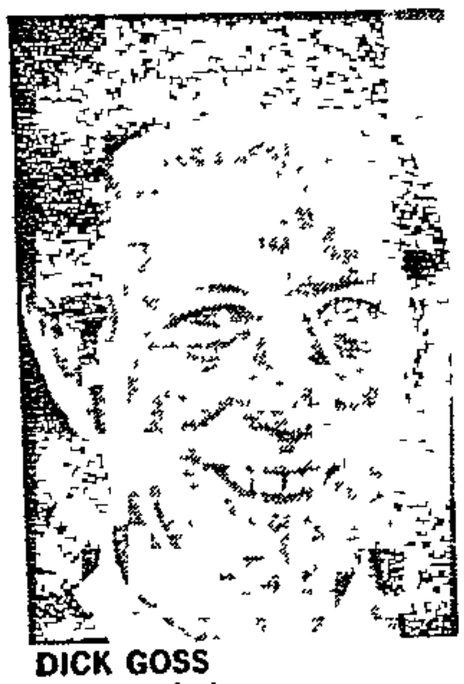
But the ruffled feathers have been smoothed, and in a further leg to the huge deal which brought control of the Premier Group back to South Africa from Britain, Mr Gavin Relly, chairman of Anglo American, becomes chairman of Premier

This gives Premier a neutral flavour, with Mr Tony Bloom, Premier's present chairman, and Mr Dick Goss, managing director of SAB, coming in as Mr Relly's deputy chairmen.

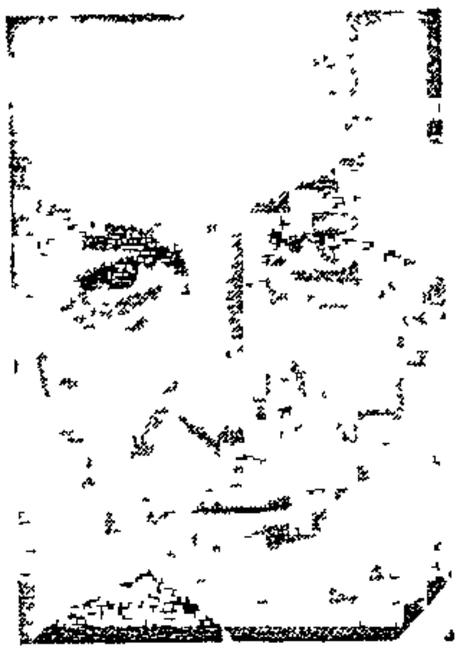
Premier will change its name and become an investment holding company instead of a trading company, and its trading interests will be transferred to a subsidiary

At a news conference in Johannesburg yesterday Mr Goss said he had been "pretty angry" when it was announced almost two weeks ago Premier was to be the major shareholder in SAB

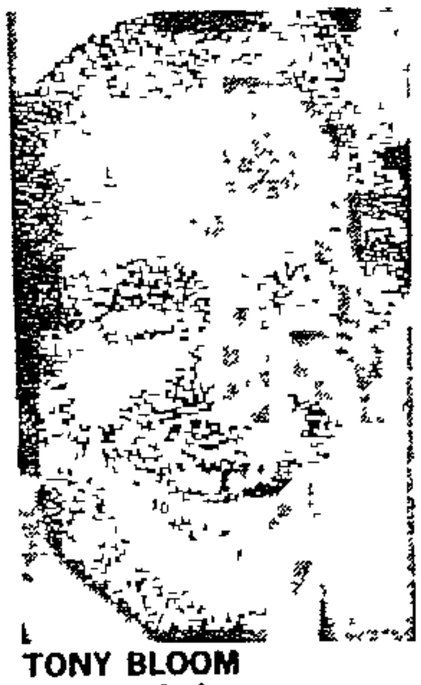
He and his fellow executives agreed to do everything in their power to change the structure of the deal, which they felt was not in the interests of the general body of SAB shareholders



DICK GOSS
deputy chairman



GAVIN RELLY
chairman



TONY BLOOM
deputy chairman

There were "huge and serious problems having a major trading company holding a major interest in SAB", Mr Goss said yesterday

Just 48 hours after the deal was announced on May 27, Mr Goss and the other SAB executives, who include Mr Meyer Kahn, Mr Sol Kerzner, Mr Selwyn MacFarlane and Mr Ronnie Cohen, met at the group's head office to plan their strategy

They decided that under the then envisaged structure, with another major trading company holding 34% of SAB's shares, there was potential for a substantial conflict of interests

"We cannot choose our shareholders but we prefer to have investment companies holding our shares"

Another misgiving was that in its original form the structure threatened the independence of SAB's management, one of the major motivating factors behind the group's management and staff, and without which "we felt we could not optimise SAB's business"

Mr Goss said he indicated that if the problems were not resolved he would be forced to resign, and the other executives independently came to the same conclusion

When their feelings were relayed to the consortium members the horse trading is believed to have started, with Mr Gordon Waddell, JCI's chairman and also a director of SAB, playing a major role, together with Mr Donald Gordon, chairman of Liberty Life and a director of SAB

'Reform' Bill time-table collapses

By JOHN BATTERSBY
Political Correspondent

THE GOVERNMENT's original timetable for ushering in a new constitution for South Africa appears to have collapsed

This was the implication of a short statement by the Prime Minister, Mr P W Botha in Parliament last night.

Mr Botha said the current session of Parliament would adjourn on June 30, until further notice

The adjournment was to provide time for the select committee on the constitution to complete its consideration of the Republic of South Africa Constitution Bill, which had already had its second opportunity to complete its work.

"On receipt of its report, it will be determined when the Assembly will resume business," the Prime Minister said

Last week the Minister of Constitutional Development, Mr Chris Heunis, gave the first hint that the Government was backing down on its "pressure-cooker" schedule for the Constitution Bill, when he said that he would recommend that the select committee hear evidence from parties outside Parliament.

The Government now has two options It could call a short second session of Parliament later in the year, to complete the parliamentary passage of the Constitution Bill, or it could wait until of the year

But Opposition sources said it was highly unlikely that the Government would succeed in this objective once the select committee began hearing evidence from outside parties

The select committee had its first meeting yesterday and it is now widely accepted in political circles that the original 10-day schedule to complete its work was quite unrealistic and that it was likely to take a matter of months rather than weeks or days

A postponement of the Bill's passage through Parliament would mean a serious loss of face for Mr Heunis, who has repeatedly stated that the Bill would be taken through all its stages in Parlia-

Relly keeps SAB and Premier poles apart

182

9/6/83

THE STRUCTURE of the deal in which The Premier Group acquired a 34% interest in The South African Breweries has been changed to avert a potentially damaging palace revolt at SA Breweries.

By JOHN MULCAHY

After some hectic horse-trading between the consortium that now controls Premier and SA Breweries executives, a compromise has been reached in terms of which Premier will become an investment company, holding SA Breweries shares on the one hand, and 100% of a new subsidiary in which Premier's trading interests will reside, on the other

In essence the original deal remains unchanged, in that Premier will get about 90 million SAB shares, paying for them by the issue of new Premier shares, at a price of R25 a share.

Premier's name will be changed to one that connotes its new investment holding company objective, although the name "Premier" will be incorporated in the new title

A listing may at some point be sought for the subsidiary company holding Premier's trading interests.

Mr Gavin Relly, chairman of Anglo American, will become chairman of the newly constituted Premier, with Mr Tony Bloom and Mr Dick Goss as deputy chairmen

The consortium — Anglo, Johannesburg Consolidated Investments and Liberty Life — will nominate some directors to the Premier board, as will SAB

In addition, Mr Bloom will be invited to join the SAB board

The substantial gearing advantage afforded to Premier still exists in the holding company, and is available for the use of both Premier and SAB

At a news conference in Johannesburg yesterday, at which Mr Bloom, Mr Goss, Mr Gordon Waddell (chairman of Johnnies) and Mr Michael Rapp, managing director of Liberty, were present, it was emphasised that the new deal "affirms the concept of managerial independence for SAB, and removes the disadvantages of its shares being held by a trading, rather than an investment holding company".

"In addition, it guarantees the trading integrity of Premier's and SAB's subsidiaries in relation to their customers and suppliers throughout South Africa"

Mr Goss, managing director of SAB, admitted that he had been "pretty angry" at the news that a major part of the group had been placed in the hands of another major trading company.

On the Monday after the deal was announced Mr Goss and his executives met to consider the implications and "we concluded that there was potential for a very substantial conflict of interests"

He said the SAB executives also saw a threat to the group's managerial independence, which they felt was not in the interests of the general body of shareholders

"We decided to do everything in our power to bring about a resolution to this situation, and arising from lengthy negotiations reached the conclusion that if a solution could not be found we would have to consider resigning"

Mr Goss stressed that each of the executives looked at the problem from his own point of view, although they all arrived at the same conclusion.

He said the new arrangement removed the major conflicts, although it did not remove all the potential areas of conflict between SAB and Premier

Mr Bloom said that in the heat of negotiation, when secrecy was the catchword, there was not a great deal of time for mature reflection, but "after sitting back quietly we've decided to amend the original structure"

The final configuration was satisfactory to everyone involved, said Mr Bloom Premier was satisfied that its major investment was being kept intact, and it also removed some possible areas of conflict for Premier's subsidiaries

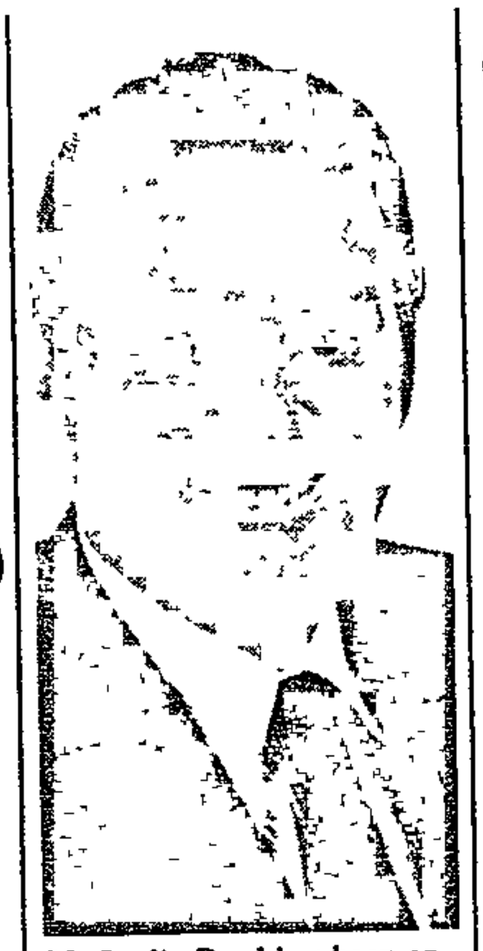
Asked whether the consortium was considering building up its stake in SAB, Mr Waddell said the combined holding now was no different to what it was before the Premier deal, and at this stage there was no intention of increasing the SAB stake

He said that Old Mutual, through its representation on the Anglo and SAB boards, was aware of the latest structure but he declined to comment on the suggestion that Old Mutual might have been invited to join the new Premier by throwing in its 12% stake in SAB for a share of Premier

Mutual has denied that it was upset about not being consulted on the Premier deal, but there has been strong and repeated speculation that it was with Mutual's backing that Mr Goss and his colleagues decided to make their stand.

Mr Waddell said that if someone attempted a takeover bid for SAB the consortium would obviously have to take action, "but we have no offensive intentions".

To build its interest to 25% would cost the Mutual about R250-million at the current price, but it is likely that once such a big buyer was seen the consortium would match its purchases



Mr Leslie Boyd has been appointed chairman of Highveld Steel, while retaining his present post of managing director

Interest, tax stunt growth

Financial Reporter

SHARPLY higher interest and tax charges restricted the growth in Mercabank attributable profit to 12,7% — up from R2 421 000 to R2 728 000 — in the year to March

Earnings a share rose from 24,2c to 27,3c

Not included in the result is an extraordinary loss of R118 092 (1981-82 R20 910) which, if incorporated in the accounts, would have limited the earnings increase to 8,8%

The directors have lifted the annual dividend payment 1c to 8c — causing cover to dip marginally from 3,46 to 3,41

Highly geared Mercatrust, in which Mercabank holds a 31% stake, was hit hard by the rise in interest rates to record levels in the third quarter last year

The financing bill jumped 78,6% from R4 060 000 to R7 250 000

The Receiver also took a larger share this year, his rate jumping from 10,7% to 28,7% The tax bill as a result, jumped from R404 738 to more than R1 500 000

The effect the double blow had on the accounts was marked

Operating profits stood 60 6% higher at R12 620 000 (R7 880 000) but the advance in taxed profits was just 0,5%, up from R3 799 000 to R3 818 000.

Govt tende for F

By HOWARD PR

THE Treasury is on the market for about million with two new issues that seem help the Government bills and also keep inflationary lid firmly economy

A long-term 199 stock is being offe tender

The current for this type of gilt is 13,30%/13,35% — a some 1,25% over month and an how steep the general interest rates has been

The second stock tender is short-term 1986

Rates here are against well under than a month ago

The maximum value for each stock is R150-million but current pattern of means that the mum available is R250-million

Under the new Treasury does not with pre-determined

Xactics deal closer

Financial Rep

A SPOKESMAN for the Cape Town-bas aging manufactur clined to elaborate on the board's wa shareholders to exer tion in dealings negotiations

However, recent speculation has around a tie-up bet tics and Sandton-b agers Kohler, part Gencor Group

The Xactics dire Gencor, through a called Cortics, com Xactics and all of

Market rumours that chairman Mr Meyerson had a exercisable last which could oblige take control of X

Analysts have Xactics' plastics would complement recent problems packaging.

appointed by the Minister of Justice were the Chairman and Deputy Chairman of the National Liquor Board and a senior official of the Department of Co-operation and Development

No formal appointments were made as far as the privatization of the sorghum beer industry is concerned

(c) The terms of reference of the Committee referred to above were to investigate the distribution of liquor in the metropolitan Black residential areas in the Republic with special emphasis, as to whether members of Black communities should be allowed in the liquor trade in such areas and if so, under what conditions and with what financial implications with due regard to established interests

(2) In so far as the sorghum beer industry is concerned no final report has been submitted and no indication of a final date or recommendation can be given In respect of the liquor interests of boards the Committee submitted a report which indicated in general terms the phasing out of the administration boards liquor interests in the Black residential areas and that Black entrepreneurs should be given the right to obtain liquor licences in these areas The recommendations of the Committee were submitted to the Cabinet who expressed general agreement therewith The implementation of the Cabinet s decision is in progress and to date 60 licences have been granted to members of Black communities in the Black residential areas

Dr M S BARNARD Mr Speaker arising from the hon the Deputy Minister's reply, does he think it is correct that his department should sell a product that is a danger to life?

The DEPUTY MINISTER Mr Speaker, I am not prepared to express an opinion If a Question is put to me, I am prepared to reply to it However, at this stage I am not prepared to express any opinion

(b) 45

182 Hansard 10/6/83

Sorghum beer

Q 61.1524 - 1528

*8 Dr M S BARNARD asked the Minister of Co-operation and Development

(1) Whether any Administration Boards have carried out any research into the toxin levels in the sorghum beer dispensed by them, if not, why not, if so, (a) what is the nature of the research and (b) what were the findings,

(2) whether any action has been taken as a result of these findings; if not, why not, if so, what action?

†The DEPUTY MINISTER OF CO-OPERATION

(1) No Research is carried out by the CSIR Sorghum Beer Unit on behalf of the Sorghum Beer Industry In recent sampling of sorghum malt from breweries, it was found that the Aflotoxin content of consignments is below the legal limits The Sorghum Beer Unit will continue to monitor indefinitely

(2) No, because in the light of the foregoing it is not necessary

Dr M S BARNARD Mr Speaker, arising out of the hon the Deputy Minister s reply, I am sure he has read in the report I have that this high toxin level is a threat and a danger to life Is he aware of this report that was made by the Medical Research Council and is he prepared to do anything about it?

The DEPUTY MINISTER Mr Speaker I am not aware of that statement and if the hon member wishes to have more information about this matter I suggest he tables a further question in this regard

Dr M S BARNARD Mr Speaker, arising further from the hon the Deputy Minister's reply, I am referring to the statement from the report by the Medical Research Council which the hon the Deputy Minister mentioned In the same report which specifies the high level of toxins found which the hon the Deputy Minister mentioned, the statement is made that these constitute a danger to life I ask again whether the department is doing anything about this?

The DEPUTY MINISTER Mr Speaker I have nothing to add to what I have just said

Sorghum beer

*9 Dr M S BARNARD asked the Minister of Co-operation and Development

Whether any of the Administration Boards produce their own sorghum malt for the brewing of sorghum beer, if so, (a) which Administration Boards and (b) what was the total amount earned from this source in 1982, if not, (i) where and (ii) from whom is the sorghum malt acquired?

†The DEPTUY MINISTER OF CO-OPERATION

(a) Yes Only the East Rand Administration Board produces a small quantity of sorghum malt from selected sorghum grain

(b) No sorghum malt was produced for sale

(i) and (ii) The main suppliers of sorghum malt to administration boards are

— Nola Industries (Pty) Ltd Randfontein
— New Clifton Johannesburg
— Jabula Foods Springs

Sorghum beer/liquor

*10 Dr M S BARNARD asked the Minister of Co-operation and Development

(1) Whether a committee of inquiry has been instituted to investigate the privatization of the sorghum beer and liquor interests of the Addministration Boards if so, (a) when was it appointed, (b) who are its members and (c) what are its terms of reference

(2) whether this committee has submitted a report, if not, when is it anticipated that it will submit a report if so what were the findings?

The DEPUTY MINISTER OF CO OPERATION

(1) (a) The question of the privatization or not of the sorghum beer interests of the administration boards is being investigated jointly by the Sorghum Beer Industry Development Committee the Department of Co-operation and Development and the Department of Finance

Concerning the liquor interests of administation boards a Committee of the National Liquor Board was charged on 23 August 1977 by the Minister of Justice to investigate this aspect

(b) The members of the Commitee

THE EXECUTIVES

Vast US market may boost SA wine sales

W/E Argus (Bus.) 18/6/83 182

In this second of a series of interviews with chief executives of Cape-based quoted companies, AUDREY d'ANGELO meets the chairman of Cape Wine and Distillers.

EXPORTS of South African wines to the huge and lucrative American market will be stepped up this year, says Dr Andre du Toit, chairman of KWV and Cape Wine and Distillers.

He also believes there is a big potential for wine sales in the expanding market among blacks

And he is confidentthat sales of locally produced brandy, which have lost ground to imported Scotch whisky in the past two years, will increase sharply if the Government removes an extra 23 percent in excise duty imposed in 1981

Freer market

Dr du Toit said in an interview this week "The market among blacks is still almost untapped because the system made it difficult to sell our products in places like Soweto

"Now a freer market system is being developed in the black cities and they are adapting to the Western way of life, which includes wine with meals

"We are still finding out about black tastes They show a preference for sparkling and perlé wines, and a ginger-flavoured wine is selling well in the Eastern Cape"

Discussing the continued existence of Cape Wine and Distillers, which controls 92 percent of supply and distribution of wine and spirits, Dr du Toit said he believed retail outlets should, ideally, be independent of producers

He did not think the "tied house" system was suited to South Africa

But Cape Wine and Distillers had been formed by KWV, Rembrandt and South African Breweries with Cabinet approval in 1979 to give badly needed stability to the liquor industry

Dismantling it, as the Competitions Board recommended, would place the wine and spirits industry in a weaker competitive position against the beer industry, in which South African Breweries had a complete monopoly

Dr Andre du Toit . . . "still finding out about blacks' tastes."

Store chains

He pointed out that it was SA Breweries, and not KWV, Rembrandt, or Cape Wine, which owned bottle store chains

Any bottlestore owned by a producer would push its own products at the expense of others, which would not be displayed or promoted to the same extent

KWV and Rembrandt products had suffered in this way before the formation of Cape Wine when another wine producer owned a number of retail outlets

Discussing falling brandy sales, Dr du Toit said this was due to the fact that excise duty accounted for 47 percent of the price and made it possible for imported Scotch whisky to be sold more cheaply

Sales had started falling when the Government raised the excise duty by 23 percent in 1981

Under the terms of the General Agreement on Tariffs and Trade brandy was given no protection against cheap brands of Scotch whisky sold in this country under house brand names at a lower price

"Consumers have only a certain percentage of their income to spend on alcohol and if whisky is cheaper they buy it

"The Inland Revenue has actually lost money as a result of this higher excise duty because of the fall in brandy sales"

Exports of South African wines to Europe and Britain had been made more difficult because of the tariff barriers erected by the European Economic Community to protect its own products

They had encountered some hostility in the United States of America for political reasons

But the main reason for disappointing sales in America in the past was an unsatisfactory distribution network

Distribution in America had now been taken over by another firm, Global Enterprises, which was making "pleasing progress"

Dr du Toit was optimistic about future sales as a result of this

"The American market is vast," he said

To retire

Dr du Toit is due to retire in March next year but he says he has not given much thought to this yet — it is too far in the future

"I shall not change my life-style and I shall stay on the farm, which is run by my son now

"Perhaps my wife and I will spend more time at our holiday flat at The Strand"

Until his retirement he will continue to press for the reduction of excise duty on brandy. A Government committee was appointed earlier this year to inquire into the spirits industry

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WINE EXPORTS (182)

KWV's Polish coup

FM 17/6/83

KWV is exporting column-stilled grape spirit (*eau de vie*) to Poland International commodity traders confirmed this week that, in the face of "murderous" competition from EEC producers, the co-op won a contract to sell 2,5 Ml of the spirit, to be delivered over several months

The contract price is understood to be 20c/l, which is roughly 66% below the supplier's in-bond selling price This reflects the intense competition that preceded the award.

It is understood that the buyers, though attracted by the low price, were influenced finally by the high quality of the product offered What swung the deal in KWV's favour was the fact that the seller was in a position to offer a variety of distillates

Though the SA product is referred to as commodity alcohol, the Polish buyers will sell it as potable spirit.

In financial terms, the deal is modest, no more than about R500 000 But its strategic important cannot be overstated. It means that the unsold portion of the KWV's distilling wine pool will have been run down by 250 Ml by the time the final delivery is effected

According to KWV chairman Andre du Toit, this equals about 30% of recent heavy wine crops — 824 Ml in 1980, about 750 Ml in 1981 and 893 Ml last year According to the latest estimates, the 1983 crop is shaping up to be the highest ever at 919 Ml This means there will be powerful pressure on the co-op to get repeats of the Polish contract and secure new deals

Although there has been a modest revival of demand for good wine, the recession, and inflation, continue to bite and KWV is forced to carry large, as yet unsaleable, stocks of distilling wine It may be that an upper limit of 300 Ml of wine (at 10%) will have to be burnt off before next February, when deliveries of the 1984 crop begin The Polish deal seems to have been concluded in the nick of time to create storage space for the mammoth 1983 crop.

Conditions on international commodity markets for alcohol are best seen against prevailing heavy over-production in most of the wine countries in the Western world Total world production is nearing 38 000 Ml following last year's enormous EEC crop The international trade in wine is more than 5 800 Ml EEC producers Spain and Portugal currently account for two-thirds of total world production Indeed, Europe is floating on a sea of wine

At the end of last year the volume of wine taken off the European market and stored for distillation was estimated at 25 000 Ml Much of it will be burnt off and sold on industrial alcohol markets at heavily subsidised prices.

Competition

To win export contracts in the face of such competition is an extraordinary achievement, and no small tribute to the skill of KWV's distillers.

Unlike maize, which is exported at a "loss" (the difference between the fluctuating world price and the fixed domestic price), foreign sales of wine or commodity alcohol by KWV can be negotiated at almost any price because product is drawn from the co-op's so-called surplus Strictly speaking, this is no surplus, but a statutory appropriation of a portion of the distilling wine pool for which KWV estimates there will be no domestic demand This year that portion has been set at 45,8% of the estimated distilling wine pool of 514 Ml

This means KWV will take about 205 Ml of wine off the market and turn it to account through exports Farmers are not paid for this wine in the year of appropriation, but they may receive some payment in subsequent years, in the form of an *agterskot*, after KWV has deducted its own expenses and taken a small profit

over that The decision has to be taken elsewhere, not by the Minister

(182) Maltsters Hansard Q 61 1635 22/6/83

*25 Dr M S BARNARD asked the Minister of Health and Welfare

(1) Whether, with reference to his reply to Question No 22 on 15 June 1983 researchers from the Council for Scientific and Industrial Research and the South African Medical Research Council and health staff from the regional offices of his Department have paid visits to any maltsters, if not, why not, if so, (a) when and (b) what were the findings,

(2) whether any action was taken as a result of these findings, if not, why not, if so, what action,

(3) whether his Department has held any discussions with the Sorghum Development Association, if not, when will they be held, if so, (a) when were they held and (b) what was the nature of these discussions?

The MINISTER OF HEALTH AND WELFARE

(1) No, as there are more than 30 maltsters scattered throughout the country and visits involve staff from the S A Medical Research Council C S I R , regional offices of the Department and the local authorities, it takes time to organize and co-ordinate such visits,

(2) falls away,

(3) (a) and (b) discussions are scheduled for today, the nature being the role that the association can play in the prevention of mycotoxins in sorghum malt

Dr M S BARNARD Mr Speaker, arising out of the reply given by the hon the Minister are he and his Department therefore satisfied that a substance containing a high concentration of carcinogens is sold to the public?

The MINISTER Mr Speaker, I would not have arranged to meet these people if I were satisfied about the situation

Dr M S BARNARD Mr Speaker, further arising out of the reply given by the hon the Minister—I do not think he answered my question fully—can the selling of this substance to the public be continued with?

The MINISTER Mr Speaker, I have just told the hon member that discussions with these people are hopefully being conducted today If the hon member tables another question at a later date I will be able to reply to it thoroughly

Dr M S BARNARD Mr Speaker, arising further from the hon the Minister s reply, am I to accept, therefore that the hon the Minister of Health and Welfare and his Department feel that the carsinogenic substances are not a danger to public health? [Interjections]

Goss hits at move on breweries

ARGUS 23/6/83 (30) (82)

JOHANNESBURG. — The government stipulation that brewers continue to divest from retailing is blatant discrimination against the the brewer and beer drinker, says Mr R J Goss, group managing director of South African Breweries

He says in the group's annual report the most significant event in the liquor industry in the past year was the Government's ruling in March on the recommendations of the Competition Board which endorsed separation of producer and retail interests"

This ruling should be viewed against the background of an agreement approved by the Government in 1979

IN EXCHANGE

In terms of the agreement between SA Brews, KWV and Rembrandt Group, SA Brews relinquished its controlling shareholding in Stellenbosch Wine Trust, in exchange for a minority shareholding in Cape Wine and Distillers — formed to hold the Rembrandt Group and SA Brews' wine and spirits interests

SA Brews was permitted to acquire Intercontinental Breweries

SA Brews and the Rembrandt Group also agreed to sell their retail liquor interests so that producer activities and those of retailing would be separated

Granting these approvals the Government said low alcoholic beverages should be preferred to those with a high alcohol content

UNDISTURBED

"The Competition Board's recommendations endorsed separation of producer and retail interests, and called for a dissolution of Cape Wine, but expressed the view that SA Brews' position in the beer industry should remain undisturbed"

It also recommended that beer and wine should enjoy equal distribution facilities through supermarkets

"The dissolution of Cape Wine would have been contrary to the 1979 agreement and SA Brews supports the stance taken by the Government that Cape Wine should be left intact

"On the other hand, by permitting the wine producers the right not only to retain, but also to increase their retailing interests, a major opportunity to establish a strong and independent retail sector has been lost"

LOW ALCOHOL

Mr Goss says the Government is paying lip-service to its stated policy of preference for low alcohol products While beer has a lower alcohol content than wines and spirits, it already carries an excise burden almost equal to that of spirits, in contrast to natural wine on which excise duty was abolished during 1981

"Discrimination is being increased and entrenched because the Government will not permit the sale of beer in supermarkets as is allowed for wine

"The Government has not recognised the broader economic implications of beer production, which involves barley, maize, sugar and hop industries through to packaging suppliers and the consumer via the retailer" — Sapa

SA Brews gets $150m credit

(182)

RDM

23/6/83

By JOHN MULCAHY

SOUTH African Breweries has negotiated $150-million in offshore medium-term credit facilities to be used for future projects.

The total loan is for seven years, the first three years being treated as a revolving facility, and fixed for the rest

In both cases the terms are at rates of less than 1% above Libor (London interbank offered rate), currently about 10%

An SAB spokesman said yesterday the facility was not aimed at any specific project, although later on it may be set aside for a particular programme or scheme

Mr Dick Goss, chief executive of SAB, says in his annual review the group's policy of securing appropriate facilities ahead of project commitments was more than justified in the favourable terms obtained on the offshore facility

SAB's borrowing facilities now comfortably exceed requirements

SAB's investment focus will be placed on expanding its business base through organic growth without resorting to major acquisitions "unless unique opportunities offer themselves within the existing areas of focus"

Overseas investment exposure will be limited to no more than 10% of group net assets, and the business mix, which has the beer division providing about half of SAB's attributable earnings, is regarded as an optimal portfolio balance

In spite of depressed conditions SAB will continue its capital investment programme in the current year, and in the beer division, capacity expansion "remains a commitment to ensure that the market demand for quality beers is satisfied at all times to an increasing degree from larger breweries"

Southern Sun's hotels are constantly being renovated and refurbished to maintain high standards, and opportunities to build strategically sited large hotels will also be pursued

The group's retail interests will seek to increase their penetration by continuing to relocate and enlarge stores, although expansion through new stores will be undertaken at a slower pace

"As in the past, operating leases will be concluded for all the retail and general purpose property requirements On the other hand, the durable and semi-durable manufacturing activities will continue to trade from existing capacity with no expansion planned."

Dr Frans Cronje, SAB's chairman, says group budgets indicate a capability of matching earnings a share for the full year, but if the accelerating downtrend in private consumption expenditure does not level out by the middle of the current year it will be difficult to meet budgeted performance

Trading conditions were especially difficult last year and 1983 has opened with what appears to be an accelerating downtrend in consumer spending, a key determinant of SAB's activity

"The challenge for SAB throughout the coming year, and in particular in the first six months, is to withstand the buffetings of the increasingly volatile environment Restraint and tight control will be essential"

Excise unfair to beer drinkers

By JOHN MULCAHY

THE Government is paying lip service to its policy of preference for low-alcohol content products, says Mr Dick Goss, managing director of South African Breweries

Although beer has a lower alcohol content than wines or spirits, it carries an excise burden almost equal to spirits — in contrast to natural wine, on which excise duty was abolished during 1981

"Furthermore, discrimination is being increased and entrenched because the Government will not permit the sale of beer in supermarkets as is allowed for wine"

Estimates of consumption calculated on a "drinks" basis indicate that beer and natural wine volumes last year increased by 3% and 9% respectively compared with 21% and 13% for the previous year

Consumption of SA spirits and fortified wines fell, brandy in particular losing market share

Statistics on sorghum beer are not readily available, says Mr Goss, but indications point to negative growth

The most significant event for the liquor industry in the year to March 31 was the Government's March ruling on the recommendations of the Competition Board

While supporting the Government's view that Cape Wine & Distillers should be left intact, Mr Goss takes issue with the tardiness in implementing proposals to permit blacks to obtain licences to sell liquor in black urban areas

Virtually no licences have been granted in the three years since the Government amended the Liquor Act and "the distribution system in these areas, particularly for on-consumption purposes, is totally inadequate and the need for action cannot be overemphasised"

Cape Times 23/6/83 (182) ~~(182)~~ (58)

SAB negotiates $150m loan for future projects

By JOHN MULCAHY

JOHANNESBURG — South African Breweries has negotiated $150m in offshore medium-term credit facilities to be used for future projects

The total loan is for seven years, the first three years being treated as a revolving facility, and fixed for the remaining four years

In both cases the terms are at rates of less than one percent above Libor (London interbank offered rate), which is currently at about 10 percent

Facilities

A SAB spokesman said yesterday the facility was not aimed at any specific project now, although later on it may be set aside for a particular programme or scheme

The chief executive of SAB, Mr Dick Goss, says in his annual review the group's policy of securing appropriate facilities ahead of project commitments was more than justified in the favourable terms obtained on the offshore facility

He says SAB's borrowing facilities are now comfortably in excess of requirements

Mr Goss says SAB's investment focus will be placed on expanding its existing business base through organic growth, without resorting to major acquisitions "unless unique opportunities offer themselves within the existing areas of focus"

Overseas investment exposure will be limited to no more than 10 percent of group net assets, and the business mix, which has the beer division providing about half of SAB's attributable earnings, is regarded as an optimal portfolio balance

In spite of depressed conditions SAB will continue its capital investment programme in the current year, says Mr Goss, and in the beer division, capacity expansion "remains a commitment to ensure that the market demand for quality beers is satisfied at all times, to an increasing degree from larger breweries"

Southern Sun's existing hotels are constantly being renovated and refurbished to maintain high standards, while opportunities to erect strategically sited large hotels will also be pursued.

The group's retail interests will seek to increase their penetration by continuing to relocate and enlarge existing stores, although expansion through new stores will be undertaken at a slower pace

"As in the past, operating leases will be concluded for all the retail and general purpose property requirements

"On the other hand, the durable and semi-durable manufacturing activities will continue to trade from existing capacity with no expansion planned"

Group budgets

Mr Frans Cronje, SAB's chairman, says group budgets indicate a capability of matchings earnings a share for the full year, but if the accelerating downtrend in private consumption expenditure does not level out by the middle of the current year it will be difficult to meet budgeted performance

Trading conditions were especially difficult last year and 1983 has opened with what appears to be an accelerating downtrend in consumer spending, a key determinant of SAB's activity

Bitter draught blows well for SA beer

Star 25/6/83 (182)

Own Correspondent

PORT ELIZABETH — The monopoly in the South African beer market is about to end — and a new style of beer-drinking is about to begin in South Africa

The big-beer boys need not fear, however This beer will be sold only in the Knysna area, and the brewer has no ambition to capture the national market

He is Mr Lex Mitchell (33), who has decided that beer-drinking in South Africa needs more character and colour He has just obtained a licence from the Liquor Board to open his own brewery

He said in an interview that he dreamt for years of opening a "micro-brewery" similar to ones he had seen abroad

He felt the South African beer-drinking scene lacked that special aura "The right atmosphere"

His beer — a lager-type draught — will be brewed from imported malt, hops yeast and "good Knysna water"

"It will be a naturally conditioned, unfiltered, all-malt beer, which you don't get here"

It will be distributed in barrels in the area between Plettenberg Bay and Wilderness, and sold at a restaurant in Port Elizabeth If it really proves popular, wider distribution is possible

The Knysna brewery will be producing trial brews by the end of September to catch the Christmas trade Initially 5 000 litres a week will be produced.

Two workers will help with the brewery and Mr Mitchell's wife, Susan, a pharmacist, will join in the business once it is profitable enough

Asked to describe the product he is aiming to brew, Mr Mitchell said it would be "middle in colour and lighter than the lagers on the market, with higher gravity, more body . . more bitter than the most popular lager, but not as dry, and slightly hazy"

Sowetan (182) (IIA)

A work stoppage by more than 200 workers at three Coca Cola depots in Johannesburg yesterday came to an abrupt end following calls from black conscious movements and a trade union. The chairman of the Soweto Committee of Ten, Dr Nthato Motlana, Azapo's publicity secretary, Ishmael Mkhabela and the Food and Beverage Allied Workers Union, had appealed to the management to reinstate three workers sacked for not coming to work on June 16

28/6/83

SA BREWERIES

Flat forecast

182

Activities: *Diversified liquor group with a monopoly in the SA beer industry and a 30% interest in Cape Wine & Distillers Subsidiaries include Afcol, Amrel Edcon, OK Bazaars, Southern Sun and Solly Kramer*
Control The new Premier investment holding company (still to be formed) will be the major shareholder with 34% of SAB's equity
Chairman: *F J Cronje, managing director. R J Goss*
Capital structure: *255m ords of 20c, 1m 6,2% cum prefs of R2, 43 000 7% convertible red cum prefs of R1; 2,5m 7% cum prefs of R1; 400 000 8% red cum prefs of R1 Market capitalisation R2,1 billion*
Share market: *Price 830c Yields 4,2% on dividend; 9,4% on earnings, PE ratio, 10,7, cover, 2,2 1982-1983 high, 865c, low, 375c Trading volume last quarter, 1,7m shares*

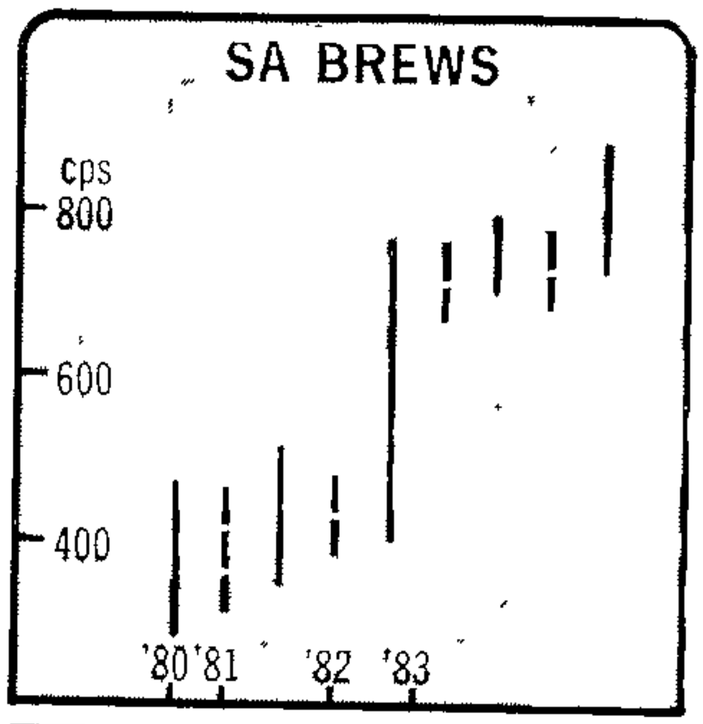
Financial: *Year to March 31*

	'80	'81	'82	'83
Debt				
Short-term (Rm)	83,4	127,7	129,6	218,8
Long-term (Rm)	193,9	239 9	356 7	451,8
Debt equity ratio	0,48	0,51	0 53	0 56
Shareholders' interest	0,52	0,49	0,49	0,48
Int & leasing cover	2,79	3 76	3,50	2,50
Debt cover	0,47	0 56	0,56	0 57

Performance:

	'80	'81	'82	'83
Return on cap (%)	12,6	16,3	16,6	15,2
Turnover (Rm)	1 723	2 375	3 057	4 342
Pre-int profit (Rm)	141,3	238,9	311,9	398,4
Pre-int margin (%)	8 1	10,0	10,2	8 8
Earnings (c)	34,0	54,7	74,5	77,8
Dividends (c)	16,5	27	34	35
Net asset value (c)	188	228	267	365

In case anyone doubted it, beverages proved again last year that they are the mainstay of SA Breweries' profits. The retail element of the group was strengthened when it gained control of Edgars But retailing in general, and Edgars in particular, has been hit by the sharp fall-off in consumer spending Beer and other beverages helped to offset profit declines in a number of SAB's retail subsidiaries



Mirrors market performance. Strong **breakout above 800c must** hold otherwise **price could return to minor support of** 675c-700c. A severe market correction would make major support of 500c possible.

Amrel produced a creditable result, despite mounting pressure on margins OK Bazaars and Afcol stumbled in the face of the tougher economic environment, but Edgars let the side down badly with its first profit fall since 1977

The first full year's contribution from Edgars helped to lift SAB's overall attributable profit from retailing from R47,4m to R66,7m. But that did not amount to much at the bottom line. Taking into account the additional 30,6m shares which SAB used to finance its acquisition of Edgar's pyramid, Edcon, Edgars failed to pay its own way last year and resulted instead in an earnings dilution

Edgars clearly has the potential for a medium-term improvement, though SAB's MD Dick Goss is wary on the company's prospects this year "Management budgets indicate a capacity to improve earnings," he says "but it must be cautioned that it will be difficult to achieve this if trading conditions deteriorate further" That does not sound particularly encouraging.

Elsewhere in the group, OK Bazaars is expected to take another profit knock at the interim stage, but it is counting on an upswing in the second half to improve year end earnings Amrel is hoping for an increase in furniture sales in order to maintain last year's earnings level, while Goss warns that Afcol is probably facing a further fall in profits

SAB's retailing interests are thus liberally sprinkled with hopes and aspirations, but there is very little else in this area which will serve to reassure shareholders.

Beer and other beverages — which last year contributed 46% of overall taxed profit — can again be expected to counter probable earnings declines in other areas of the group's operations Volume growth in beer sales has slowed to the point where only a 5% advance is expected this year. That may be a conservative estimate though and prospects are for increased profitability in this sector One area of obvious concern to the directors is the forced process of divestment from liquor retailing. According to Goss, any further reduction in the number of Solly Kramer's outlets in the new year "will affect earnings adversely."

After the Competition Board's recommendation that Cape Wine & Distillers be dissolved because its operations were not in the public interest, government refused to tamper with the *status quo* Goss says SAB supports government's stance He is less positive about the permission granted to wine producers to increase their retailing interests, while at the same time forcing SAB to sell off its retailing outlets. This, says Goss, "can only be seen as blatant discrimination against the brewer and the beer drinker" Beer drinkers who are forced to buy the monopolist's products may not necessarily agree with him

With a flat performance expected from

CONTRIBUTIONS BREW

Turnover	1982 (Rm)	1983 (Rm)
Beverages	981	1 235
Retail	*2 027	2 537
Hotels	187	209
Manufacturing	267	345
Other	15	16
Total	3 477	4 342

* Includes Edgars - figure contains a margin of error

Taxed profits	1982 (Rm)	1983 (Rm)
Beverages	92,4	117,2
Retail	47,4	66,7
Hotels	37,3	38,3
Manufacturing	35,3	32,0
Other	2,6	—
Total	215,0	254,2

SA Brews' Goss ... less head on this year's beer

Southern Sun this year and the tough prospects facing retailing, the group as a whole is targeting maintained earnings for the current year, barring any acceleration of the downtrend in private consumption expenditure. Shareholders will doubtless be hoping that management has resolved its differences with the new major shareholder, Premier, after the threatened resignation of several SAB directors earlier this month. Any carry-over of the acrimony displayed then could well have a serious impact on the fortunes of SAB

At the current price, the share yields a historic and prospective 4,2% on dividend Given the group's unexciting prospects this year, the share looks expensive. Investors interested in this sizeable chunk of corporate SA are probably best advised to buy into any price weakness which may develop.

Chris Wilson

Firm relents on stay-away

Star 4/7/83

Labour Reporter

After a strike at Reef depots, triggered by the dismissal of three workers who stayed away on June 16, the management of Coca Cola have agreed that some workers may justifiably be unable to get to work on that day.

A company spokesman said the firm had agreed to carefully consider the cases of workers who stay away on the anniversary of the 1976 Soweto unrest. The dismissed men were reinstated.

Poison suspects

Sowetan 7/7/83 (182)

BY ALINAH DUBE

TWO employees of United Breweries in Ga-Rankuwa were yesterday rushed to the local hospital after suspected food poisoning.

Sources at the company said a man and a woman suffered severe stomach cramps and vomited after lunch Some workers had earlier complained about the meat served in the canteen having gone bad

The manager at the company, Mr A Joubert, confirmed that two of his employees were taken to hospital but stressed he did not believe it was food poisoning He said he did not know about any food complaints and declined to comment further

The workers yesterday decided to boycott the canteen

Sowetan 8/7/83

Another food poisoning case

182 Sowetan

A THIRD person has been taken ill because of alleged food poisoning in the United Brewerie's canteen in Ga-Rankuwa.

Two employees had to undergo treatment at the local hospital after suffering severe tummy cramps Workers complained about the meat served in the canteen and were yesterday on a food boycott

One of the victims told **The SOWETAN:** "At first I thought I was suffering from a minor stomachache but became suspicious when another colleague who complained of the same symptoms started vomiting I believe there was something wrong in the food we ate because we only experienced pains after lunch "

A white lady from the canteen company head offices in Pretoria said "My company is not aware of complaints at any of our canteens," and then banged down the receiver

300 workers go on strike at Vereeniging Coke plant

EDM 15/7/83

Mail Reporter

THE Coca-Cola plant in Vereeniging was brought to a halt yesterday when the entire work force of about 300 people went on strike to support a wage demand

The workers, members of the Fosatu-affiliated Sweet, Food and Allied Workers' Union, downed tools on Wednesday after a breakdown in negotiations with management over wage increases

According to a union official, the workers had demanded an increase in the minimum weekly wage from R68 to R115 During six meetings with management, the demand was lowered to R96

Management, the union official said, had offered R77

The two groups, who signed a union recognition agreement a year ago, were yesterday meeting to discuss the dispute

A spokesman for the company confirmed that the plant had been shut down by a strike, but would not comment further

Vereeniging Coke strike fizzles out

RDM 16/7/83

By ANTON HARBER

ALL 300 striking workers at the Coca-Cola plant in Vereeniging returned to work yesterday so that negotiations on their wages could continue

The workers had downed tools on Wednesday to support demands for wage increases

The plant has a year-old recognition agreement with the Fosatu-affiliated Sweet, Food and Allied Workers' Union, but negotiations over wage increases were deadlocked

A union official said yesterday that the workers had returned because management told them all negotiations would be suspended until further notice.

This meant the workers would receive no increase at all until negotiations were completed, she said The union hoped to resume negotiations next week

A spokesman for the company said everything at the plant had returned to normal He could not say when negotiations would re-open

Why SAB's in a froth

From Page 1

The directors of Southern Sun have a choice The future with Kerzner, or the future without the man who has put the group where it is

This means someone will have to give up part of their holding That would make sense only if it was felt that Mr Kerzner was essential for the continued resounding success of Southern Sun

The story of Mr Sol Kerzner, hotelier extraordinary, is the story of South Africa's hotel industry storming into the most hectic growth period of its history

The stocky little accountant with the giant ambition and flair to match, took the industry by the scruff of its neck, shook it hard and rearranged the pieces in a totally different way

Mr Kerzner is razzle-dazzle all the way, from his suspiciously Chicago-like accent to the sheer scale of a seemingly endless stream of imported international stars brought out to Sun City

Brash, yes Difficult, undoubtedly But he is today internationally rated as one of the finest hoteliers in the world (and has a string of international invitations to leave South Africa and link up with major international groups to prove it)

It was, in fact, widely believed that, with the collapse of the Camelot casino project in Atlantic City, USA, Mr Kerzner would opt out of SA Breweries on the grounds that the Premier deal would put paid to any meaningful, forthcoming support for his international ambitions

Southern Sun controls a chain of 34 hotels, casinos and entertainment centres throughout South Africa, the surrounding national states and Mauritius, where Mr Kerzner helped pioneer the tourist industry

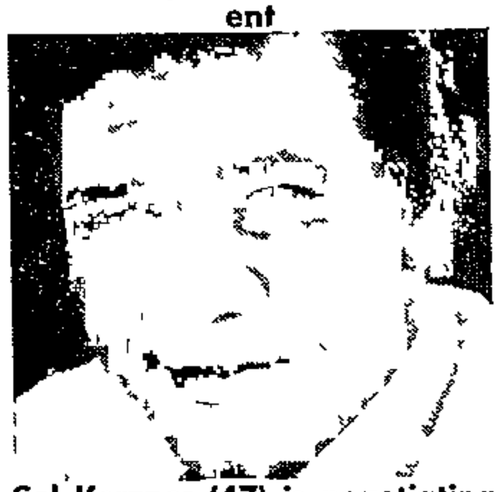
Since 1979 profits have soared by more than 300 percent to nearly R32 million Those who back the man believe that with the irascible, flamboyant Kerzner at the helm the trend will continue

Mr Meyer Kahn (43) has been described as the finest of the younger generation of South African traders His performance as head of OK Bazaars has proved that conclusively

He too has natural leadership qualities but, as important, he may be the man to heal the rift that has existed since the Premier deal

His friendship with Mr Tony Bloom must prove an asset, for example

Mr Dick Goss (54), who has spent his whole business career at SAB, is now aiming for something completely different



Sol Kerzner (47) is negotiating with SA Breweries to increase his R35 million stake in the hotel group

Portrait of a giant

South Africa Breweries is truly a giant of the South African economy, worth R2 100 million and with interests which touch every South African, every day.

Under the now departing Mr Dick Goss, its shareholders have seen their income from dividends rise in the last five years from cents a share to 35 cents

Interests span a mind-boggling range Beverages, retailing, hotels and manufacturing all fall within its preserves.

It has always had close ties with the mammoth Anglo American group — ties which are now closer than ever following a complicated share transaction which left the Premier Milling group the biggest shareholder in SAB

Prior to the deal, the Old Mutual was the biggest shareholder

Often accused of monoplistic practices in its beer interests, the group has effectively dealt with any opposition

Also in SAB's beverage division is the Solly Kramers liquor retailing chain, the Cape-based Appletiser fruit juice empire Cape Wine and Distillers gives the group a toe-hold in the wine and spirits industry

In its retail division is South Africa's biggest group — OK Bazaars The Edgars group and Amalgamated Retail complete the line-up

Through its 71 percent interest in the Southern Suns group it has an interest in 34 hotels, casinos and entertainment centres throughout South Africa and Mauritius

Manufacturing division interests range from the furniture business, through Afcol, and footwear through SA Footwear holdings

SAB reeling after its top stars resign

W/E ARGUS 23/7/83 (182)

Weekend Argus Correspondent

JOHANNESBURG. — TWO of the top men in South African Breweries have quit.

Out goes managing director, Mr Dick Goss

Out goes Mr Sol Kerzner, managing director of Southern Sun.

In comes Mr Meyer Kahn, in a meteoric rise to take over one of the biggest jobs in South African business vacated by Mr Goss.

The R2 100 million group is today reeling under the double blow dealt it yesterday afternoon when two of its stars announced their impending departure.

Both Mr Goss and Mr Kerzner are generally acknowledged as having been instrumental in the giant group's sparkling performance in recent years.

Mr Goss is taking "early retirement" and Mr Kerzner has indicated a wish to participate financially to a greater extent in SAB's Southern Sun group and has resigned from SAB to avoid a clash of interests.

Rumours abounded on the Johannesburg Stock Exchange yesterday that the two men would embark on a joint operation.

Mr Meyer Kahn was elevated to the No 2 spot at SAB only months ago after a highly successful spell as head of OK Bazaars.

SAB has agreed to enter into negotiations with Mr Kerzner.

Mr Goss's departure is not unexpected after the complicated deal in June which left Premier Milling a 34 percent shareholder of SAB At that time it was widely known that Mr Goss was unhappy about the deal

Speculation in financial circles is that the Old Mutual, with its immense financial resources, is behind Mr Kerzner's bid to gain control of Southern Sun.

Ethics, Mr Kahn said, demanded Mr Kerzner should not sit on the SAB board while it considered his bid to buy its shares in the hotel group.

25c incl GST

JOHANNESBURG SATURDAY JULY 23 1983

(182)

Kerzner out, Goss out, and

Two of the top men in South African Breweries have quit

● Out goes managing director, Mr Dick Goss

● Out goes Mr Sol Kerzner, managing director of Southern Sun

● And in a meteoric rise to take over one of the biggest jobs in South African business, in comes Mr Meyer Kahn to take over the position being vacated by Mr Goss

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Mr Goss and Mr Kerzner are generally acknowledged as having been instrumental in the giant group's sparkling performance in recent years

Mr Goss is taking 'early retirement"

Mr Kerzner, on the other hand, has indicated a wish to participate financially to a greater extent in SAB's Southern Sun group and says he has resigned from SAB to avoid a clash of interests

Rumours abounded on the stock exchange yesterday that the two men would embark on a joint operation

Mr Meyer Kahn was elevated to the No 2 spot at SAB only months ago after a highly successful spell as head of OK Bazaars

SAB has agreed to enter into negotiations with Mr Kerzner. As is customary in such situations, the SAB shares have been suspended on the Johannesburg Stock Exchange

Mr Goss's departure is not unexpected after the complicated deal in June which left Premier Milling a 34 percent shareholder of SAB At that time it was widely known that Mr Goss was unhappy about the deal and the way it was handled

It appeared then that Mr Goss and certain of his senior directors were prepared to resign.

An uneasy truce followed with the intervention by Anglo American chairman, Mr Gavin Relly, who took the reins as chairman of a revamped Premier with Mr Tony Bloom (from the Premier group) and Mr Goss as joint managing directors

It has also been said that Mr Kerzner was unhappy after his attempted foray into the lucrative American hotel and gambling industry was scuppered

Cheers! SA Breweries' boss Meyer Kahn tastes what its like at the top.

Why SAB's ical after

Mr Dick Goss's departure from South African Breweries was on the cards from the moment he chose to publicly clash with the men who put together the R350 million deal which gave effective control of SAB to the Premier Group

By his definition and by that of others, one detail was overlooked — neither he as chief executive of SAB nor any of his executives had been consulted

Mr Goss was furious and made no bones about it

This reaction from a man who spent 17 years building up one of the most formidable forces in

Stories by John von Ahlefeldt, Trevor W er and Duncan Callings, The Star's Finance Department

South African business produced red faces and public embarrassment for those against whom his anger was directed

A diplomatic retreat was hastily organised but the damage was done

To believe that the relationship between Mr Goss and people like Mr Gavin Relly, of Anglo American, Mr Tony Bloom of Premier and Mr Donald Gordon of Liberty Life could have reverted to normal would have been naive

The question now is wh pens next to one of Sout ca's most talented profe managers?

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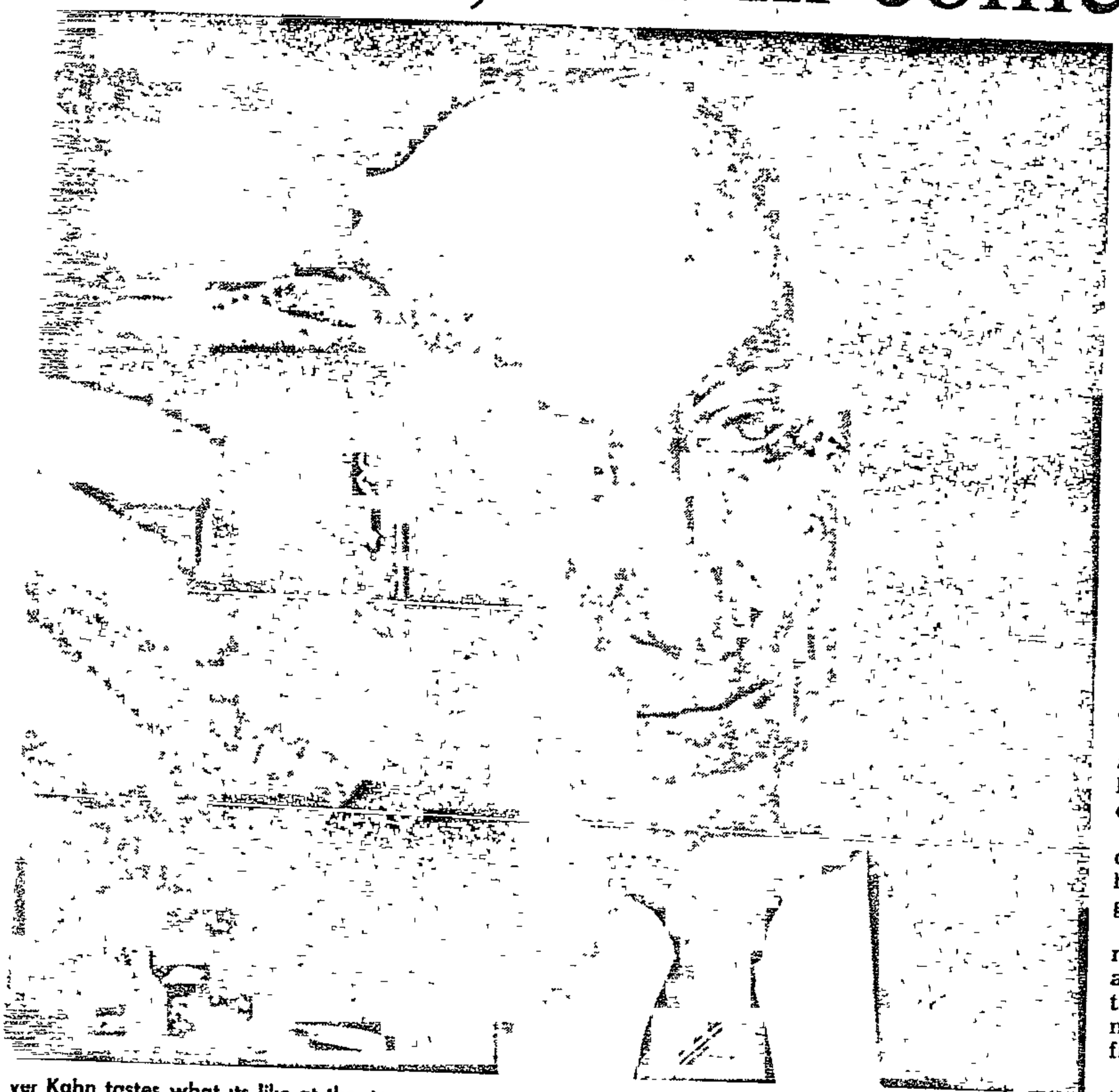
"I have no immediate he told The Star last nigh

"Any decision to in

Couple i

JOHANNESBURG SATURDAY JULY 23 1983 Country 30c (incl GST)

Goss out, and in comes . . .



yer Kahn tastes what its like at the top

Picture Philip Littleton

A boykie from Brits

Mr Meyer Kahn (43), who describes himself as "the boykie from Brits", was bubbling over yesterday following his appointment as chief executive of South African Breweries

Recently moved from heading OK Bazaars to become deputy managing director at SAB he said "This is the best day of my life I thought I might get there in a year or two, but hey, what about this — not bad for a boy from Brits!"

Mr Kahn, who has established a reputation as a strong hard-nosed marketer, now heads a huge conglomerate from the panelled walls of the SAB head office at 2 Jan Smuts Avenue

He joined the OK as a management trainee in 1966 In 1974 he was appointed managing director of Amrel

Before becoming managing director of OK Bazaars in 1977, he was chief executive of the group and a director of Afcol

In 1978 he said he wanted to make OK Bazaars "the biggest and profitable retailing operation in SA" and he predicted R50 million pre-tax profit within five years He did it in three

Mr Kahn is married and has two daughters His recreations are sport and reading

y SAB's in a froth

Stories by John von Ahlefeldt, Trevor Walker and Duncan Callings, The Star's Finance Department

South African business produced red faces and public embarrassment for those against whom his anger was directed

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To believe that the relationship between Mr Goss and people like Mr Gavin Relly, of Anglo American, Mr Tony Bloom of Premier and Mr Donald Gordon of Liberty Life could have reverted to normal would have been naive

The question now is what happens next to one of South Africa's most talented professional managers?

The same question was asked when Mr Bob Aldworth suddenly left the managing director's chair at Barclays Bank and when Mr Adrian Bellamy opted out of Edgars equally suddenly

Mr Goss has spent his entire working life at SAB

"I have no immediate plans," he told The Star last night.

"Any decision to invest in Southern Sun is mere speculation at present

"I am now a free agent and there are so many areas of business that I know well and that I could consider getting into

"I will be severing all ties with SAB There is room for only one chief executive"

Mr Goss was 37 when he took over from the ebullient Ted Sceales as SAB chief and had none of the easy Sceales style Only those close to him gave him any chance of success

Seventeen years later he still has a low profile, perhaps lacking in style, but is rated one of the finest business leaders South Africa has produced

And close associates refer glowingly to his sincerity and to his insistence on standing by his principles

"They may have cost him his position but that would never have influenced the man," one colleague said.

Mr Sol Kerzner has also made no bones about wanting to acquire a bigger slice of the company synonymous with his name

"I would obviously be foolish to negotiate with SAB to increase my 10 percent in Southern Sun if I had not arranged the finance," he said last night

"It will not affect my previous view that there is still scope for growth in this country but that the real thrust will come from overseas developments"

● To Page 2, column 1.

Couple in court

on murder charge

Cape Times 23/7/83

182

Shock at new SA business shake-up

By GORDON KLING

DRAMATIC changes in the management of one of the biggest conglomerates in the Republic, the R2,5-billion South African Breweries group, yesterday set the scene for a battle for control of the vast Southern Suns Hotel chain.

The development could also have major implications for the retail sector of the economy in general

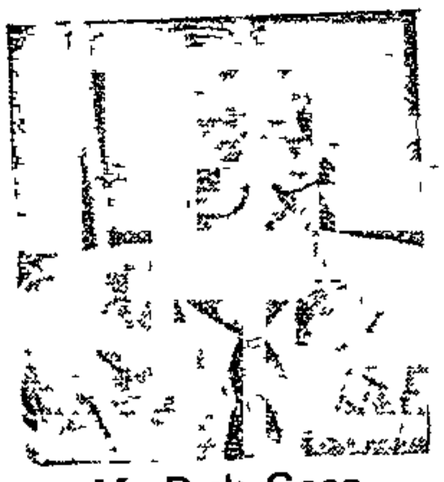
SAB's group managing director, Mr Dick Goss announced his early retirement at a board meeting in Johannesburg yesterday at which another SAB director, hotel magnate Mr Sol Kerzner also tendered his resignation

Both moves come less than two months after control of the huge consumer-goods empire was effectively gained by another major trading company Premier Milling

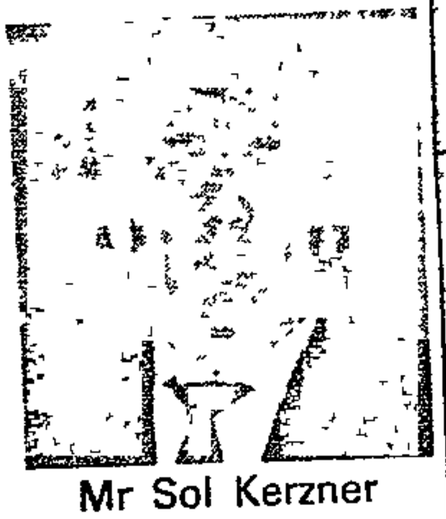
Intense speculation in financial circles yesterday had it that a bid for control of Southern Suns by managing director Mr Kerzner backed by the immense resources of the Old Mutual empire, was behind his shock resignation

Mr Goss and other senior executives of SAB were reported to have been on the verge of resignation following the Premier deal an-

To page 2



Mr Dick Goss



Mr Sol Kerzner

der sheared off in heavy seas Her mayday calls were picked up by other vessels who relayed their pleas for help to the South African Navy

A South African Air Force Albatross was sent to locate the trawler which last night was being battered by heavy seas

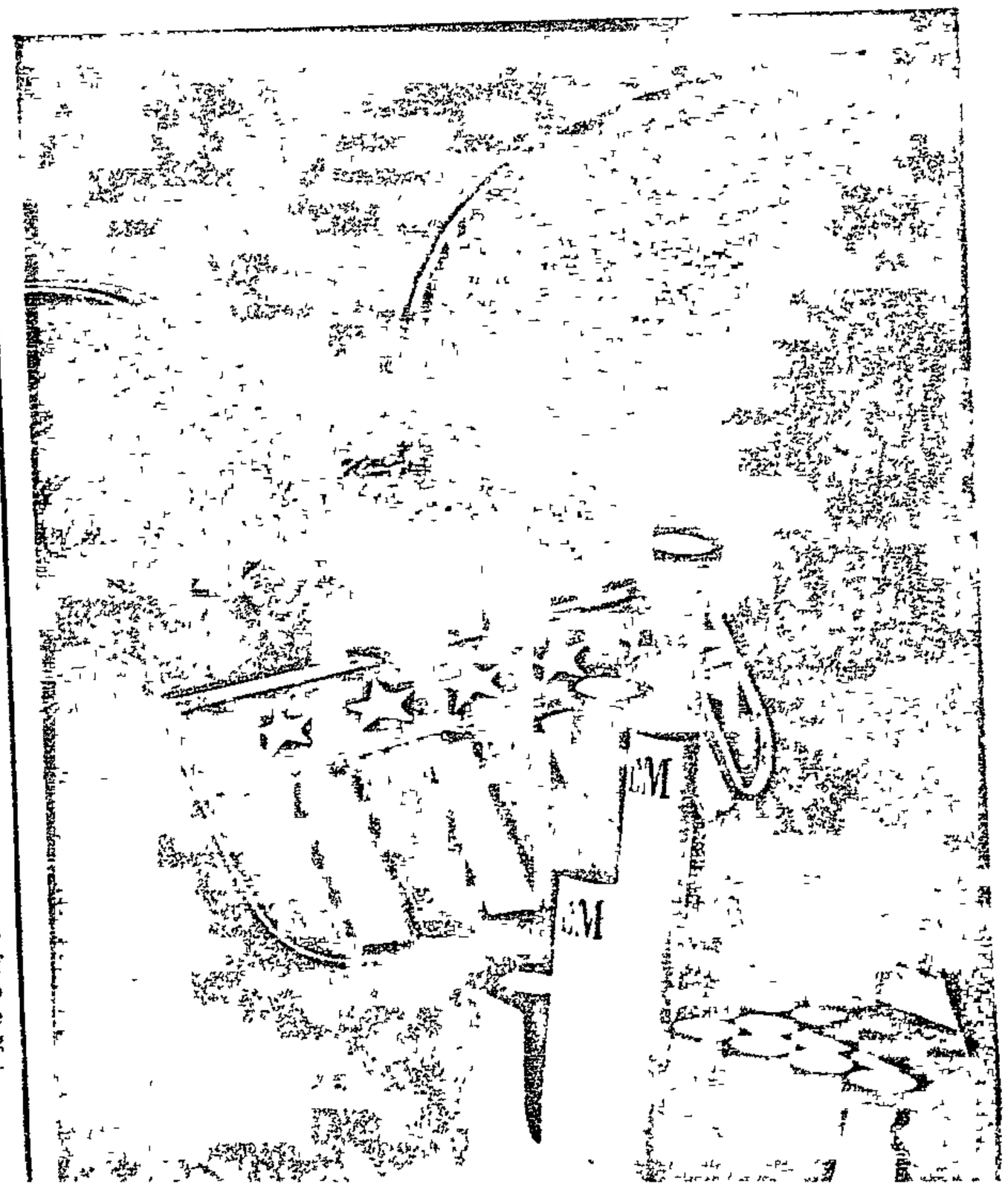
Three of the crew members who were brought to safety spoke of their ordeal The cook, Lin Weu Chang, said in broken English that no-one aboard was seriously injured, but that the ship was almost completely submerged

The three, and a deaf and dumb teenager were later brought to Port Elizabeth while six more rescued by the second helicopter were flown to Mossel Bay

At 6pm the Kuswag III was only 36 sea miles away from the trawler but because of the howling winds and mountainous seas it was estimated that it would not reach the stricken ship till late last night.

Feature

READ the special feature on a new, go-ahead contracting company in today's Cape Times



Saturday, July 23, 1983 ★

CAPE TIMES 23/7/83 (182)

on speech
zles PFP

had spoken to Dr Paton himself

Dr Paton, famous for his novel "Cry the Beloved Country", is reported to have told children at Woodmead School that South Africa was changing for the better because the government was trying to dismount from a dangerous political course

He said the government was like a weak rider trying to dismount from a strong and dangerous tiger, but that it was as dangerous to get off the tiger as it was to ride it The tiger was rising black nationalism

"Those people who expect our politicians to get off the tiger immediately and say 'I love you tiger' and 'I am going to have one country with you tiger' are asking for the moon," Dr Paton said

The government was trying to do an "impossible thing" by making a constitution for "getting off a tiger"

Politicians were doing this for the security of their community, the desire to remain part of Western democracy, and to satisfy a conscience that was less able to tolerate the "wholesale decay in the rule of law"

He was not betraying his past and his friends by saying the country was changing for the better, he said

Most of all, he blamed the former prime minister, Mr John Vorster, for "the great harm that he did to my country and its peoples"

Dr Paton endorsed the school's belief that South Africa's problems would not be solved until different races learned to accept, understand and appreciate each other as members of one nation

Universal suffrage

These were "dreams of a world that has never been attained," but it was often by dreaming for the unattainable that people achieved anything at all, he said

Dr Paton, who said he would have been prepared to pay the penalty of death for his vision of universal suffrage in a unitary society, told pupils that their vision of an undivided country would lead some of them to devote their whole lives to building a better and more just society

"One reaches the point when, if the government says to you, 'You must stop being the kind of person you are or you are going to die', you must say 'I would rather die than become the kind of person you want me to be' "

ert to speak

...al Correspondent

he Opposition, Dr Van Zyl Slab-
n the government's constitutional
blic meeting in Sea Point on Mon-

of three Peninsula meetings Dr
...ress as part of the Progressive
campaign to inform the public
...as the dangers of the govern-

s at Monday night's meeting in the
Point Civic Centre will be the PFP
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two constituencies
olin Eglin, who will speak on rent
...nal title, Mr Tian van der Merwe,
...opposition leader in the Provin-
...d Dr John Sonnenberg
meetings Dr Slabbert is to address
Rondebosch Town Hall on August 1
...emont Civic Centre on August 9

From page 1

nounced on May 27 which saw a consortium consisting of Anglo American Corporation Johannesburg Consolidated Investment Company, better known as Johnnies or JCI, and Liberty Life Association of Africa purchase the 52 percent of Premier held by its British parent company

In terms of the deal, Premier gained effective control of SAB through the purchase of a 34 percent stake from the consortium in return for new shares in itself issued to the consortium

Mr Goss, tipped as successor to SAB chairman Mr Frans Cronje before the Premier deal which market speculation maintains pulled the carpet from under him has confirmed that he believed there were "huge and serious problems having a major trading company holding a major interest in SAB"

'No harm'

The government, however, allowed the deal to go ahead after an investigation by the Competition Board found it would not harm the public interest

SAB is by far the largest consumer trading operation in the country, with holdings including its near-monopoly beer division, OK Bazaars, Edgars Stores, the Southern Sun hotel and time-sharing enterprise, and the Amrel retail furniture operation

The Premier Group is a huge miller, manufacturer and distributor of food products and has extensive outside interests, including books and records through Gallo and other subsidiaries

In an interview, Mr Goss said "it is in the best interests of the everyone" to resign after 16 years at SAB's helm because his total commitment to the job had begun to weaken

Had not lost

Premier's purchase "did nothing more than to precipitate more careful thought about my future"

He had not decided what he was going to do but was confident he would get back into "SA's exciting business world" He had not not lost financially through the separation

SAB's new group MD, Mr Meyer Kahn told the Cape Times from Johannesburg yesterday that Mr Goss's early retirment "was met with great regret by all of us on the board"

He rejected speculation that the decision had been prompted by the possibility that the Premier Group and its chairman Mr Tony Bloom, could now be seen as having moved from being a competitor to having a major direct hand in the management of SAB

Mr Bloom was appointed to the SAB board yesterday

'Pure ethics'

Mr Kahn said Mr Kerzner had to resign out of "total pure and clean ethics" which demanded that he should not sit on the SAB board while it was deliberating a bid for a purchase by him of its shares in the hotel group

SAB holds about 70 percent of the R330-million Southern Sun hotel due to open in the City-centre in October, while Mr Kerzner is estimated already to hold about 12,5 percent

Mr Kerzner said yesterday "I obviously have confidence in the Southern Suns group and I want a bigger stake in the business" He would not disclose the extent to which he hoped to increase his holding

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APOLOGY

the TV publicity on July 14th in "Uit en Tuis" about
and his famous boerewors, Morris apologises to all
from near and far and could not be supplied.
for any inconvenience, but please come and sample
...ous boerewors at our daily tasting session between
12 noon and 2pm

Alleged robber shot dead

Crime Reporter

A MAN was shot dead during an alleged robbery attempt on an off-duty police sergeant in Lenton Road, Bishop Lavis, last night.

A police liaison officer for the Western Cape, Captain Jan Calitz, said Sergeant J R Pietersen, had been confronted by two men while he was walking home about 9 45pm "They threatened him with knives and went through his pockets"

The men, both in their early 20s, allegedly then tried to take Sergeant Pietersen's privately-owned ... had resisted this pulled away

Breweries boss quits, Sol wants more of Southern Sun

Goss, Kerzner shocks for SAB

182 RDH 23/7/83

By HOWARD PREECE and STEVE ELLIS

THE R2 000-million South African Breweries group was rocked by two major developments yesterday.

● Casino king Mr Sol Kerzner launched the biggest gamble of his career by announcing that he wanted a "larger stake" in his Southern Sun hotel chain, which is controlled by SAB.

● Mr Dick Goss, 56, announced his resignation as managing director and chief executive of SAB

No direct connection, however, was seen between the two events

Mr Goss was known to be bitterly unhappy over the deal in May in which effective control of SAB went to a consortium led by Anglo American and including the Premier Group and Liberty Life Assurance

An attempt by Mr Gavin Relly, the chairman of Anglo American, to pacify Mr Goss would appear to have failed — his resignation was announced at a special SAB board meeting yesterday morning

Mr Meyer Kahn, the 43-year-old chief executive of OK Bazaars and SAB's deputy managing director since May, is the new managing director

Mr Kahn said it was likely Mr Goss would also resign as deputy joint chairman of Premier Investments — the company created to hold Premier's 34% stake in SAB

The appointment to Premier Investments was part of the package by which the Anglo-led consortium hoped to appease Mr Goss and five other rebel directors who threatened to walk out after the Premier purchase

Later in yesterday's meeting, Mr Kerzner revealed that he was seeking a larger stake in Southern Suns, a move which prompted the immediate suspension of the hotel group's shares on the Johannesburg Stock Exchange

A SAB announcement said "Mr Kerzner has expressed his wish to participate financially to a greater extent in the Southern Sun group and the SAB board has agreed to enter into negotiations in this regard."

Mr Kerzner tendered his resignation from the SAB board to avoid any potential conflict

There was intense speculation in business circles last night about what Mr Kerzner may be intending Southern Suns is valued at over R300-million on the Stock Exchange

Mr Kerzner, who has about 10% of the group, would have to pay a minimum of R140-million (based on Southern Suns pre-suspension price) to secure control — something he could not possibly do on his own

One theory was that Old Mutual might be backing Mr Kerzner

There has been a major breakdown in relations between Anglo and Old Mutual since the consortium took control of SAB The sale of Southern Suns to an Old Mutual-backed Mr Kerzner might restore the traditional friendship between Anglo and the Old Mutual

The Cape-based insurance giant already owns Holiday Inns through last month's purchase of Rennies

Mr Kerzner said "I obviously have confidence in the Southern Suns group and I want a bigger stake in the business." However, he would not disclose the extent to which he hoped to increase his holding

Negotiations with SAB had already begun and should be completed within "one or two weeks"

Mr Kahn said that an amicable Mr Kerzner had come to SAB "on commercial grounds" and added that if the scheme suited the brewery group, it would sell He did not detail the size of the SAB stake involved — indicating that control could well change hands if the price was right

The resignation of Mr Goss has been in the wind since the Premier deal was struck behind the back of the SAB board.

It was, perhaps, ironic that he stepped down at the same meeting which approved the appointments of Mr Tony Bloom, Premier's chairman, and Mr Michael Rapp, an executive director of Liberty Life, to the SAB board

Mr Goss said "it is in the best interests of the everyone" to resign after 16 years at SAB's helm because his total commitment to the job had begun to weaken

Mr Goss had not decided what he was going to do He was confident he would get back into "SA's exciting business world" However, he would hesitate before taking a position as onerous as the one he held at SAB

Commenting on reports that he would have to give up stock options worth about R1-million over 175 000 SAB shares, Mr Goss said "I have not lost financially through the separation"

The story behind the SAB resignations

182 26/7/83

On the departure from South African Breweries of its chief executive Mr Dick Goss last week it was clear that personality differences which he feared might affect his position, while apparently cleared up at the time of the deal with the consortium, in fact realised his worst fears. There have been unconfirmed reports that the management styles of Mr Goss and Mr Donald Gordon, chairman of Liberty Life, were a particular stumbling block to harmonious relationships. Another point of speculation has been that the new regime would find the total autonomy provided to executives such as Mr Kerzner unacceptable, and that a greater degree of control would have to be instituted A combination of these two factors could account for the simultaneous resignations of Mr Goss and Mr Kerzner from the SAB board, though Mr Kerzner remains as chief executive of Southern Sun Mr Goss and Mr Kerzner held discussions yesterday and it seems the two still have a very close working relationship. JOHN MULCAHY reports.

AS speculation on an Old Mutual-Sol Kerzner takeover of Southern Sun mounted yesterday, the question arose as to why the Anglo/JCI/Liberty consortium that effectively controls South African Breweries would agree to the sale of the huge hotel group

The resignation from South African Breweries last week of its respected chief executive Mr Dick Goss and fellow director and Southern Sun supremo Mr Kerzner has had the investment community abuzz with speculation on events leading up to the dual resignations

As an integral part of SAB and a complementary division to the group's liquor operations, it seems logical that the disposal of Southern Sun must have a deeper significance than the mere sale of an asset

Southern Sun's profit performance in the last financial year was better than most SAB divisions, one exception being the beer division

To sell control of such a performer at a time when many of the group's other divisions — OK, Amalgamated Retail, Associated Furniture Companies, among others — still have some very difficult times to negotiate, would on the surface seem irrational

So why consider selling? One theory doing the rounds yesterday was that Mr Kerzner, either independently of Mr Dick Goss's decision to leave SAB or not, decided to sever his association entirely, but taking with him Southern Sun

The theory suggests that Mr Kerzner went to SAB with a proposal, at the same time warning that non-compliance would lead to the departure not only of himself, but also of his entire executive team

Clearly, a mass walkout from Southern Sun — which would almost leave a sense of *deja vu* after a similar threat by SAB executives some months ago — would leave Southern Sun in a seriously threatened position

But this would also have a disastrous impact on the company's share price on the Johannesburg Stock Exchange, and it should be remembered that Mr Kerzner is the biggest individual investor in the group, his holding now being worth about R30-million

He would be crazy to sabotage a company of which he has a significant slice, although investment analysts were yesterday of the opinion that Mr Kerzner's block of shares could be sold very quickly to a market hungry for the hotel-group shares

So, perhaps Mr Kerzner has managed to secure agreement with SAB to sell some of his shares to him against the threat of a mass walkout

But would such an agreement stretch to a change in control? It is doubtful, because though Southern Sun without Sol is almost unthinkable and would undoubtedly lead to a run on the share price, top hotel management is available internationally

For example, SAB could go to the casino capitals of the world — Monte Carlo, Las Vegas, Atlantic City — and buy management expertise By the same token executives of up-market five-star operations could be bought from major international hotel operators

The point is that while the departure of Mr Kerzner and his team would obviously have a serious effect on the company, why would SAB actually sell the group to avoid it happening?

The second, more sinister scenario relates to the high-powered machinations of South Africa's corporate and investment giants

The one-time partners in many investments, Anglo American and Old Mutual, have of late found the passage a little rough, as evidenced by the abrupt resignation of Mutual's chairman, Dr Jan van der Horst, from the Anglo board

The long relationship between the two groups — one the country's biggest mining and industrial group, the other the biggest life assurer — has often had immense mutual benefits

Its termination, therefore, presented the potential for at times detrimental competition in the investment market-place, and for both there would clearly be more sense in reconciliation

Although there was a series of blows and counter-blows in the skirmishing leading up to Dr Van der Horst's resignation from Anglo, the latest salvo was the one fired by Anglo, when together with partners Johannesburg Consolidated Investments and Liberty, it engineered the deal to purchase The Premier Group, the second leg of which was the acquisition of effective control of SAB

The Premier deal was seen purely as an investment, and a counter to Old Mutual's acquisition, with Barlows, of Tiger Oats But it was the SAB leg that really soured relations between Anglo and Mutual, for Mutual was and is a significant shareholder in SAB, and the deal was done without the insurance giant's knowledge

Now, with Mutual in a position to create difficulties for Anglo through its substantial shareholding in De Beers, as well as the large stake in Rustenburg Platinum, it is in Anglo's interests, possibly more so than Mutual's, to patch things up

Mutual recently gained control of Rennies Consolidated Holdings, a major division of which is Southern Sun arch-rival Holiday Inn

Would not an offer to Mutual to acquire a controlling stake in Southern Sun, giving it virtual control of the whole hotel sector, be a perfect olive branch?

There was a time when Mutual expressed a desire only to hold "strategic" stakes in companies, and to avoid control situations, but events over the past year have shown that in order to protect its investments it would have to seek control

Rennies was the first result of this change in policy, and Mutual will be looking to maximise returns from a company for which investment experts have said it paid an excessive price

Control of both Southern Sun and Holiday Inn would provide an opportunity to do just that

Although to a large degree the two groups have mutually exclusive markets, there has been one area that has brought the two into direct competition — the homelands casinos

Holiday Inn has been in the Southern African casino business for many years, but it was only with the advent of the homelands that Southern Sun got into the act, and very quickly established itself as a major force, particularly with the ambitious Sun City project, which at the time it was established seemed bound to fail

The critics have been silenced, however, and Sun City is now an integral part of life on the Highveld, while at the same time earning vast sums of money for Southern Sun

But there is a nasty spectre looming on the horizon, in the form of KwaNdebele, and a casino site in that homeland which is barely an hour's drive from Johannesburg

Holiday Inn has rights to the KwaNdebele site, and fully intends facing Sun City head-on, an effort that will be assisted by KwaNdebele's proximity to both Johannesburg and Pretoria

"KwaNdebele would obviously give Sun City a run for its money but nothing has yet been planned and we still do not know when KwaNdebele will opt for independence," said Holiday Inn chief executive Mr Nigel Matthews yesterday

An attempt was made earlier this year at some form of rationalisation between Southern Sun and Holiday Inn, but the talks collapsed. They are said to have centred around a trade-off on the homelands casinos, in terms of which Holiday Inn would concentrate on the coastal resorts — Wild Coast is an example — and Southern Sun keep the interior

But it was not to be, and one wonders whether the Transvaal is big enough to support two Sun Cities, vying for the favours of the pleasure-seekers

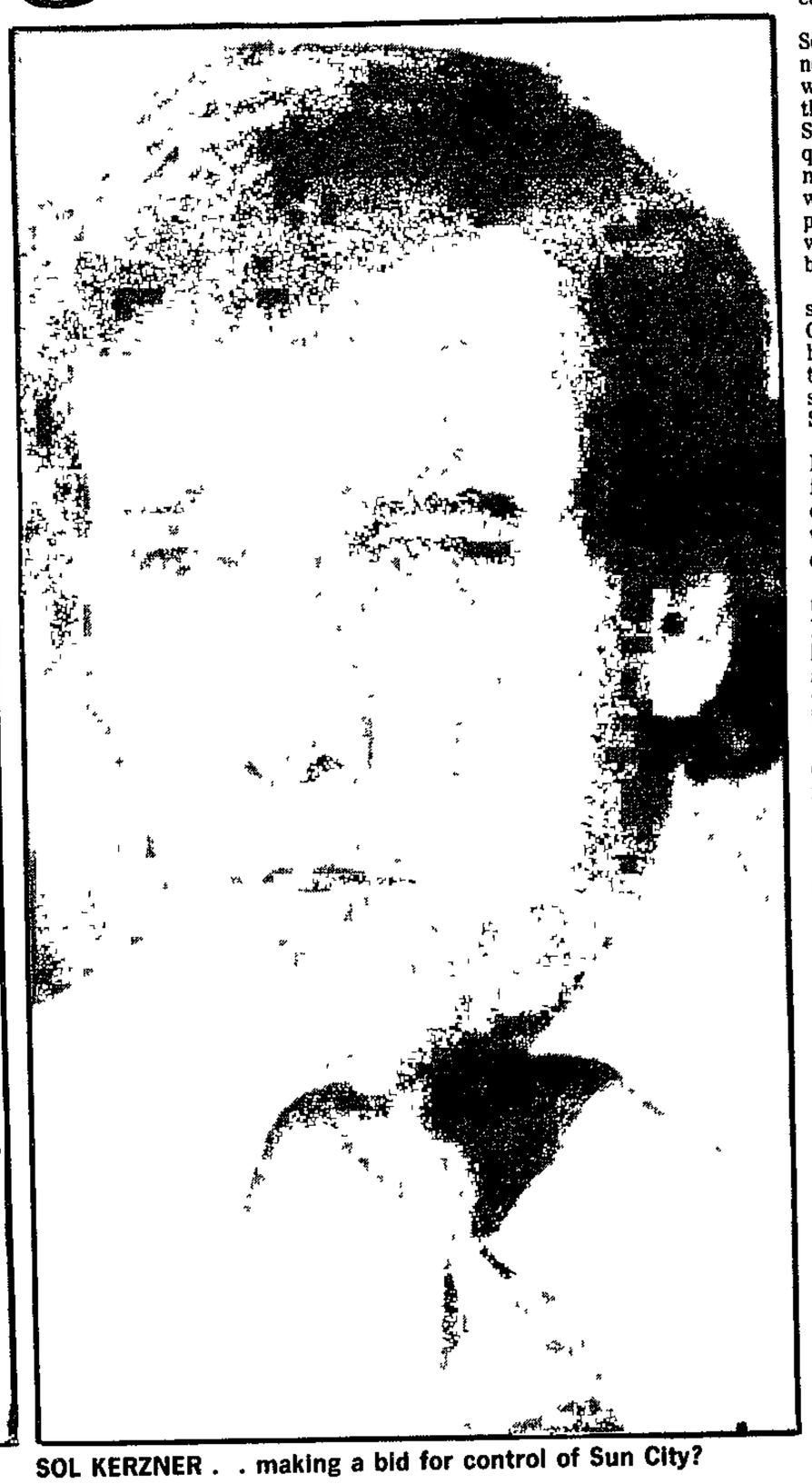
It probably could, if the two agreed to rationalise on their markets, and it is here that a third possibility in the Southern Sun negotiations presents itself

As already discussed, Southern Sun without Sol is almost unthinkable, but more especially in the Sun City area His contacts in the international entertainment, sporting and gambling world make him indispensible to Southern Sun, though he has already withdrawn from day-to-day running of the South African operations, so these could conceivably get by without him

Is Sol Kerzner then making a bid for Sun City with Mutual's backing? This would give Holiday Inn an opportunity to arrive at some compromise on the KwaNdebele site, as well as the services of Mr Kerzner to arrange the big-number entertainment, leaving Holiday Inn chief executive Mr Nigel Matthews free to run the rest of the group's operations?

These questions will be answered within the next two weeks, when negotiations between Mr Kerzner and SAB reach conclusion, though the tone of statements made up to now suggest that broad agreement has already been reached, with only the "nuts and bolts" still to be settled.

DICK GOSS . . .personality differences realised worst fears.



SOL KERZNER . . making a bid for control of Sun City?

SOUTHERN SUN AFFAIR

Throwing down the gauntlet

Control of Southern Sun hangs in the balance as Sol Kerzner bids to acquire a greater stake from SAB This could be another aspect of a larger corporate battle

It is difficult to believe that SA Breweries would be short sighted enough to relinquish control of Southern Sun It would be even more incredulous if the decision were taken to accommodate the susceptibility of some directors smarting at the Premier deal

There have been some hasty decisions taken by those involved in the SAB power struggle in recent months A great deal of money has been involved At some stage commercial logic must prevail and the flavour of a soap opera be washed away

The very idea that SAB should contemplate selling control of its thriving hotel group to Sol Kerzner borders on the ludicrous It erodes the logic behind the Premier deal, predicated as it is on the acquisition of productive assets rather than cash Yet, given some of the surprising decisions of late it cannot be ruled out

Fact is that, but for a last-minute rethink the deal could well have been a *fait accompli* before Kerzner's resignation last week and that of SAB's MD Dick Goss The whisper is of reluctance at 44 Main Street to face a confrontation over the matter

Apart from contributing some R210m of SAB's R4,3 billion turnover last year, Southern Sun (SS) accounted for around 17% of SAB s R213m net income Clearly, SS is not an asset that those with the interests of SAB and Premier at heart would like to see go

There is, however, some commercial logic in allowing Kerzner to increase his personal stake in SS from the present 12% — worth around R40m — to say, 25% He has been the powerhouse behind the group's success But would even this be sufficient to satisfy him?

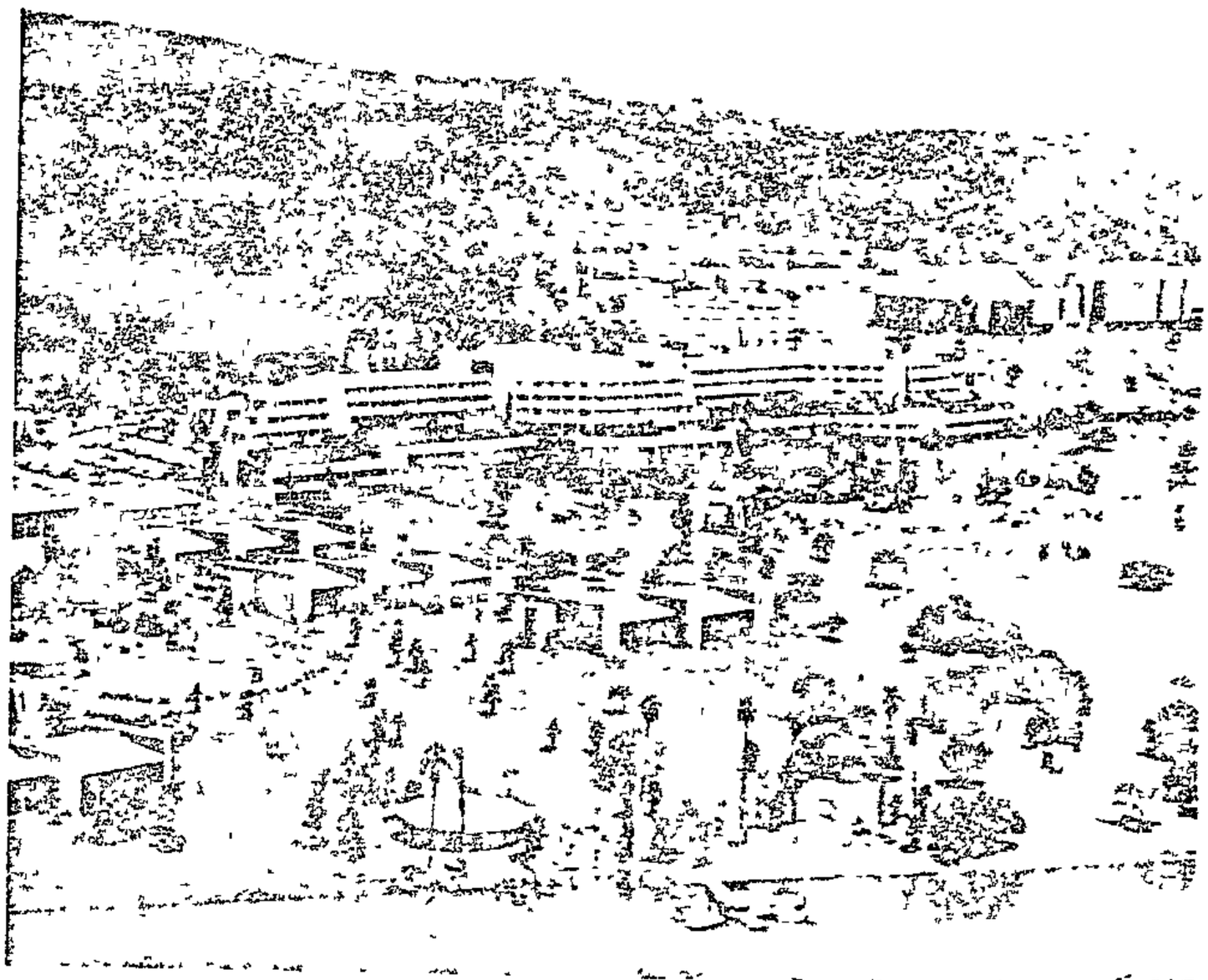
Kerzner is obviously a businessman who needs the motivation of personal profits, his eye for the gap in SAB's recent internal upheaval over being catapulted into the Premier camp bears this out For someone who thrives on the cut and thrust of a fiercely competitive business, a personal controlling stake in a company the size of SS must be highly prized

Of course, Kerzner's contribution to SS cannot be underestimated But the hotel group is today an asset that will continue to grow without Kerzner, even though in his absence momentum may be less

Kerzner resigned from the SAB board apparently because he decided there would have been a conflict of interests if he sat on both sides of the fence Curiously, conflict did seem to figure in the previous day's discussions However, if Old Mutual is behind Kerzner, this raises the question of the positions of Jan van der Horst, Frans Davin Mike Rosholt and Frans Cronjé as SAB directors It would appear that there is a clear conflict of interests if, as is suspected Old Mutual, or groups connected to it, are providing Kerzner with the resources to buy SS

Sources of finance available to Kerzner for a deal of this size — over R200m — are limited But by a process of elimination all pointers suggest that the Old Mutual Nedbank camp is Kerzner s likely backer First, Nedbank is Southern Sun's traditional bank and the others are unlikely to lend a sympathetic ear Second, Barclays is too closely tied to Anglo, with Gordon Waddell Tony Bloom Nicky Oppenheimer and Julian Ogilvie-Thompson on the board Third, Standard apart from having Relly himself and Rosholt on the board is close to Liberty with Donald Gordon as a director

After the first nifty coup, the



Sun City . the jewel in Sol's crown?

INTERWOVEN INTERESTS

SA BREWERIES
F J C Cronje
***R J Goss**
J M Kahn
R Cohen
***S Kerzner**
W MacFarlane
L van der Watt
K Williams
C Carrington
F J Davin
D Gordon
P K Hoogendyk
A M Rosholt
D M Stevenson
J G van der Horst
G H Waddell

SOUTHERN SUN
R J Goss
S Kerzner
P D Bacon
E N Joannides
W S MacFarlane
M de Wilton Marsh
K A Rosevear
H L Shill
M Stabinsky

OLD MUTUAL
J G van der Horst
M de Wilton Marsh
I G Halliday
D G Malan
F J C Cronje
L G Abrahamse
G S Muller
J C Pijper
A Louw
D V Benade
R G Ross
G N G Brown
J J Kitshoff
D C Smith
A M Rosholt
F J Davin

NEDBANK
F J C Cronje
G S Muller
L G Abrahamse
R J N Abrahamsen
J L Nel
R J Goss
P K Hoogendyk
J C Pijper
J G van der Horst

* Resigned as of July 22 1983
Bold designates cross directorships

Fm 29/7/83 (58) (182) (188)

GOSS'S OPTIONS

Former SAB MD Dick Goss says he will not lose out financially through his separation from SAB He has exercised the stock options available to him under the executive share scheme and repaid the SAB loan that was originally used to finance the purchase of the shares These shares were sold, he says, after his departure from SAB

It is difficult to work out exactly how many shares Goss bought in this manner, but we estimate he acquired some 175 000 At the current market price of R7,50 a share, they are worth more than R1,3m After repaying the amount outstanding on the SAB loan, Goss is understood to have netted a cool R1m

Goss says this is no reflection on his expectations of the future investment potential of SAB He has additional SAB shares, worth between R750 000 and R800 000, which he acquired on his own account during his years working at SAB

Anglo/JCI/Liberty consortium must be wondering what has backfired It is clear their initial steps in reshuffling their respective SAB holdings were hardly calculated to produce the developments that have subsequently taken place

The consortium's soft pedalling — through the formation of a holding company for its Premier and SAB stakes and the appointment of Goss as a joint deputy chairman — was obviously designed to smooth ruffled feathers But having given in once, the inevitable has happened it is now facing demands for more

Goss says that he had for some months been considering retiring from SAB and looking for a new challenge But the presence of the Anglo-led consortium as a major shareholder certainly speeded up his decision-making process He adds that the formation of a holding company, to prevent a conflict of interests between the two trading companies, rectified the situation to the satisfaction of the SAB board But, reading between the lines, it plainly didn't suit him

Goss will not be drawn on his future intentions, but at only 55 he is obviously not contemplating resting on his laurels It is widely recognised that he enjoys a healthy working relationship with Kerzner And should Kerzner's bid to gain control of SS succeed, the experience and influence of Goss could be of enormous benefit His strategic thinking and sound profit achievement over many years at SAB would be invaluable

Backing Kerzner

If Old Mutual and Nedbank are backing Kerzner's attempt to control SS, it will be interesting to see how the recent acquisition by OM of roughly 75% of Rennies will fit into the longer-term plans of SA's largest insurer Several months ago talks between Rennies' wholly-owned subsidiary, Holiday Inns, and SS, which were aimed at identifying areas of possible rationalisation, broke down However, should OM end up with effective control of both, these talks will surely be resuscitated

In the past OM has not played an active role in the management of companies in which it has investments There have been signs that this attitude is changing The SAB affair could speed up the process One future development may be the creation of an industrial holding company that would play a more active role in the management of OM subsidiaries If this were to emerge, who better to head it than Goss?

There is no lack of financial muscle at Anglo American Why, therefore, did it almost allow Kerzner to snatch SS over the negotiating table last week? Some might conclude that the answer is that it has been staggered by OM's reaction to having been left in the dark over the Premier deal Van der Horst's resignation from AA's board and willingness to pay over the odds for Rennies was a swift and sharp retaliation There may be some truth in this

Apparently, however, Anglo American chairman Gavin Relly has all along played the role of peacemaker and attempted to maintain an arm's length relationship Anglo sees itself fulfilling the role of financier rather than negotiator

On the other hand, by selling SS to an OM-financed Kerzner, Anglo would have effectively got the Mutual out of its hair It may be a costly way of severing ties, but one result of the deal could be the removal of the four OM directors currently *in situ* on the SAB board

Peter Farley

MEYER KAHN FM 29/7/83

Shooting from the hip, boykie

(182)

No one who has met the new SA Breweries chief executive Meyer Kahn can fail to like him His geniality is infectious No one who watched him steady OK Bazaars' wobbly profits and return them to a rising trend can doubt his talents as a chain store manager

He has, partly fortuitously, been promoted now into one of the key industrial jobs in the country He follows in the footsteps of men whose business achievements were enormous and foresight quite formidable

Ted Sceales was very much the creator of SA Breweries Its growth, which has been quite phenomenal, and strategic spread of investments has been the achievement over the past 17 years of Dick Goss, who has been rated by some of his peers as the finest manager of a major industrial undertaking in this country

Perhaps Mr Kahn will forgive our dismay at reading on Saturday his remarks on taking office only days after Goss's departure "This is the best day of my life I thought I might get there in a year or two, but hey, what about this — not bad for a boy from Brits"

Quite so But a word or two about the achievements of his distinguished predecessor might have shown a more endearing sense of modesty Some reference to the honour of being chosen to follow in their footsteps might have indicated some awareness of the formidable task he is taking on

Then on Sunday, in the midst of delicate negotiations over Sol Kerzner's offer to buy Southern Sun, an especially important asset in SA Breweries, he was quoted as saying "I'd rather have 50% of a first-rate operation with a highly motivated chief executive than 100% of something more sluggish" That can hardly be counted as a model of discretion

Goss has shown a great capacity to choose talented and creative managers to support his efforts Colin Hall defeated the onslaught of Louis Luyt in the beer market Sol Kerzner's talents as a hotelier and impresario have been remarkable Kahn himself has shown a rare ability to compete successfully in the very competitive retail sector

Hopefully, Goss's choice of a successor will prove to be as inspired Frankly, there are going to be those in the business community who will wonder after all this shooting from the hip talk about the "boykie from Brits" The man taking on the managing directorship of a R2 billion industrial group is going to have to foster more confidence than is expected from a platteland shopkeeper

Goss may not have been especially articulate He was not the darling of trendy television producers and social reporters He did not need to be His modesty was reassuring and served to underline his achievements

(58) (182) FM 29/7/83

Views on soft drink prices

(182)

Mercury 30/7/83

Mercury Reporter

THE scrapping of retail price control on soft drinks should not lead to any price increases, according to Mr Hennie Viljoen, president of the South African Federation of Soft Drink Manufacturers

And a spokesman for the Consumer Council said they were confident that retailers who tried to abuse the system in 1971 had been taught a lesson

Since it was accepted that price control was counter-productive in a free-market system, the announcement should be to the advantage of consumers in general

Biggest

Producers, distributors, bottlestore and cafe owners in Durban yesterday said the move would have litte effect in the short term, but said the implications for the long term were anybody's guess

A senior spokesman for the Coca Cola Bottling Company, the biggest producer of soft drinks in South Africa, said although the recommended price of their products would not be affected, they had little or no control over cafe owners

A list of recommended prices was attached to the freezers in the stores, so customers could always gauge the situation

He said natural competition should keep prices down, but it would be surprising if they went below the recommended price

It was up to the individual customer to use his discretion and favour those outlets which were the cheapest

Cheapest

Mr Eric Hornby, divisional manager of Clover Natal, said there were a lot of fruit juices on the market, and competition had always been keen

Clover's products would not be increased in price over and above any normal increase that might be in the pipeline

The general manager of Game, Mr Alec Hurter, said their policy was to always be cheapest, so it would not affect them to any extent.

For a 340 ml can of Coke, the recommended price of which is 40 c, Game charged 32 c, he said A 1 l bottle sold for 69 c, 16 c cheaper than the recommended price, and a 2 l plastic container for R1 08, 27 c less

The manager of Barbara's Coffee Shop on the Victoria Embankment said he charged the recommended price and would continue to do so

SA wine exporters to cash in on 'accident'

ARGUS 4/8/83 (182)

Argus Foreign Service

BRUSSELS — A new Common Market agreement is expected to boost South African wine imports to Europe

The "uncorking" of South Africa's wine trade here has happened accidentally — as a result of a detailed wine trade deal between the European Economic Community and the United States

South African wine exporters are expected to cash in on the deal, earning millions of rands from increased sales in Europe

Imports of South African wine to Britain, where Cape wines have always been popular, are expected to rise sharply within the next year The increased imports in other European countries will be less marked, but still significant

NEGOTIATIONS

After five years of negotiations between Washington and the EEC Commission in Brussels the 10 Common Market countries have agreed to remove some of their restrictions on wine imports from the rest of the world

The EEC is to remove its legal ban on more than 100 additives and processes used for strengthening and purifying wines in the United States

In some cases the relaxation of Common Market rules will apply automatically to wine imported from other non-EEC countries, such as South Africa

In other cases special exemptions have been made for United States wine which will not be granted to other exporters

SIMILAR TREATMENT

But officials here are already expecting a chorus of requests for similar treatment from other non-EEC wine-producing countries

Brussels and Washington officials have agreed a list — running to several pages — of processes and additives for fortifying and purifying wine which will now be officially tolerated in European imports from across the Atlantic

These include the purification of wine by irradiation, the addition of skimmed milk powder and the use of a host of acidic and metallurgical substances

One Brussels official commented "If you read down the list, it gives the lie to any notion you may have had that wine is made from grape juice and a little water and sugar"

Ironically the EEC rules on what can and cannot be done to wine have never been applied to imports from the US

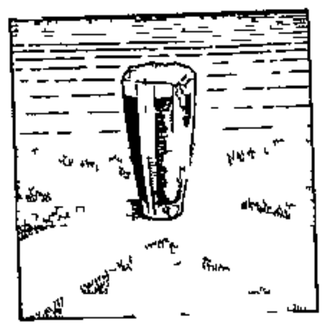
The EEC countries sell 30 times more wine to America than they import They have been reluctant to enforce restrictions on the small quantity of US wine exported to Europe and invite retaliation against French, Italian and German wine exports to America

Officials were reluctant to comment on the detailed implications of the US agreement for Cape wine producers

But one official said he was sure the fine print of the US deal would make interesting reading for the South African government and wine producers

SA BREWERIES

Back to business



"Nobody has come out of the turmoil of the last 90 days with any honour But with that now behind us, it is time to repair relationships and start re-motivating the group"

SA Breweries has overcome disruption sufficient to have torn the heart out of many lesser corporate bodies. But recent events do not mean it is no longer a formidable force.

Strong words from SA Breweries' new MD Meyer Kahn But the last three months have clearly been difficult for the senior executives at 2 Jan Smuts Avenue A new controlling shareholder, a threatened walkout by certain top management and the resignation of three crucial board members have been but a few of the problems.

Coping with the depressed state of the economy and major divisional expansion programmes were, regrettably, forced to take a back seat It is therefore a tribute to the inner strength of SA's most powerful consumer conglomerate that any damage appears to be confined to superficial wounds.

Some egos have certainly been badly bruised. Some sufficiently so to the point of forcing a showdown — or, at the very least, "speeding up individual decision-making"

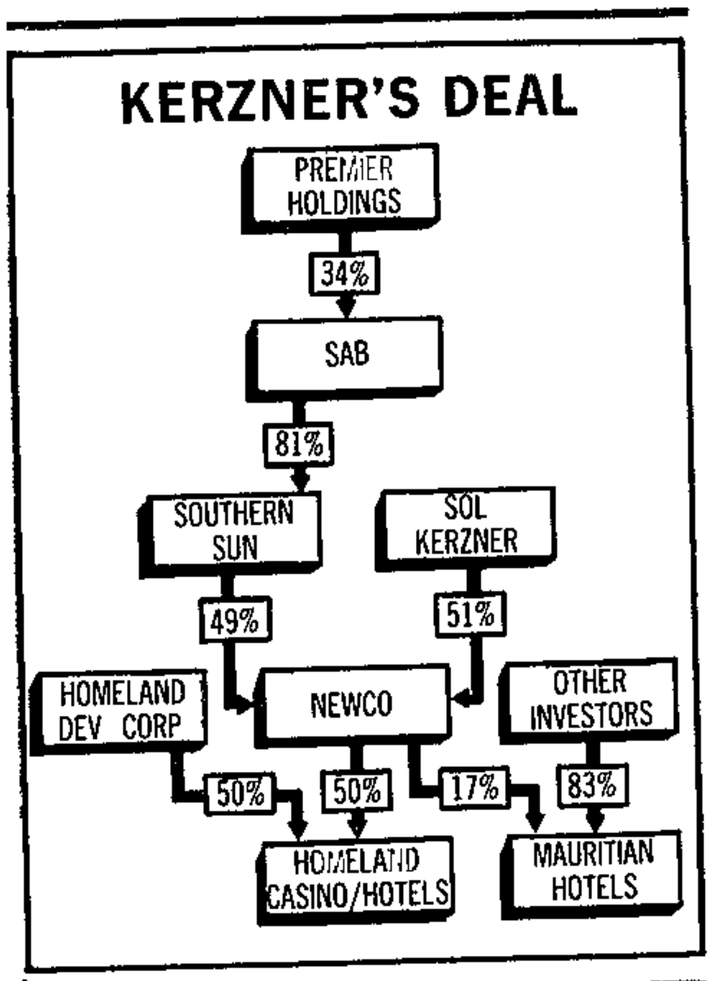
Nevertheless, Kahn is confident that the "new team" will prove as respected a force as the old And, given the firm foundations laid by his predecessors, it is no surprise to hear that no fundamental policy changes are planned But he does say that the group now has a lot of ground to recover in certain sectors, lost as a result of senior executives' attention being diverted during the recent turmoil

"I am extremely happy with the group's present investment focus Our fundamental approach will be to extend the organic expansion already underway within the group," he says

While he does not rule out further expansion through acquisition, Kahn does not see SAB as an aggressive predator in the short-term He says that the group has a sound base in all its divisions, which in themselves provide remarkable vehicles for further expansion through increased market share

However, he does admit that in his many years in the retailing business he has never seen such a marked downturn in consumer spending And the possibility of SAB producing its first earnings deterioration in more than 10 years is not lost on its new chief executive The current level of black spending — a major factor in group earnings — is providing particular cause for concern

With OK Bazaars, large parts of Amrel and Edgars and an ever-growing percentage of beverage sales geared towards the black market, it is easy to understand the concern However, the longer-term outlook in these areas certainly is of remarkable growth prospects and these should provide the platform for SAB's next marked earnings improvement



SAB's Kahn ... time to mend fences

The recent wrangling over the group's Southern Sun subsidiary — which resulted in MD Sol Kerzner departing with the casino operations — must have left something of a sour after-taste But in the longer-term interests of all parties concerned it is probably the most acceptable solution While it may be difficult for SAB's shareholders to swallow the loss of control of one of their prime assets, it may yet prove to be the best outcome

Certainly Kerzner appears to have found a new lease of life through escaping from the SAB corporate hierachy. And if this can be translated into growth for his new company (Newco), there is no reason its future earnings cannot multiply at the same rate Southern Sun produced during its formative years

Southern Sun's MD-designate Peter Bacon says that the company's R200m domestic expansion programme — much of which is already coming to fruition — will provide the major foundation for future earnings growth In addition, the hotel group will still have a big slice of the earnings generated by Kerzner's casino operations

The absence of Kerzner will have a more marked impact, however, on Southern Sun's planned international expansion Bacon says this will naturally have to take a back seat for a while as the main motivation for the company's international drive has come from Kerzner He adds that the new management will, in any case, be busy with domestic developments

The Cape Town and Sandton hotels are due on stream in October and January, respectively, with the big new Johannesburg Sun expected to be completed in 1986 It will not be until this latter development is well under way that foreign moves will be contemplated, Bacon says

The timing of the opening of the first two hotels might be considered somewhat unfortunate, as room occupancy levels are generally running at levels well below those of a year ago Bacon says, however, that Cape Town hotels are currently operating at higher levels than last year, while the inclusion of sophisticated conference facilities at Sandton should ensure that hotel's success

Although the sale of the casino-hotels group to Kerzner is calculated to have a minimal impact on Southern Sun's earnings, it was a major cash generator But Kahn expects the rapid success of the time-sharing schemes to more than offset the reduced income from gambling Kahn says

58 182 FM 12/8/83

SOL'S GAIN . . .

It is difficult to understand why SAB paid such a hefty premium to prevent Sol Kerzner from offering the group any competition in the hotel field for the next 18 months After all, isn't SAB a "significant minority shareholder" in Kerzner's new company?

One would therefore think that SAB would also benefit from any expansion plans Sol may have up his sleeve It is accepted that Kerzner may not have got control of the casino/hotels for as low a price as he would have liked, but R2,75m is certainly a hell of a sweetener.

Did SAB feel it even needed to give Kerzner a golden handshake? Certainly, 14 years at the head of Southern Sun deserves some reward But did that not come in the form of realising his 10% stake in company for more than R34m — which in turn provided the money for buying his 51% holding in the casino operations?

Restraint of trade agreements have a specific place in the top echelons of business Obviously a company does not want to be faced with a former chief executive immediately after his departure But how much is a senior executive worth?

Consider that, by comparison, Rennies' CE Charles Fiddian-Green is receiving a paltry R1,65m — which ties him to the company for a another year and prevents him competing against Rennies for a further five It makes you think that the rest of us are in the wrong business

the Umhlanga project is virtually sold out and that the group is now looking for a similar response to the planned timesharing scheme at Beacon Island

Kahn has a pragmatic approach to the controlling presence of the Liberty/Anglo/JCI/Premier consortium "I can't choose my shareholders But with the original deal now restructured, I am very happy with the set-up" The new arrangement, however, may well have saved SAB from some embarrassment over the negotiations with Kerzner Early in the talks, the SAB board agreed to sell a large chunk of Southern Sun to Kerzner extremely cheaply The intervention of the consortium was not sufficient to prevent the sale altogether, but it certainly forced the price up to a more realistic level

Deputy chairman of the new holding company for both SAB and Premier, Tony Bloom, says a firm "no comment" on the subject He will only be drawn to say that his role in SAB will be the same as any other board director "SAB has a first-rate management team, which should ensure a quick return to normal trading after the disruptions of the past three months"

Bloom says the controlling stake held by the consortium will not alter the existing business relationships between Premier and SAB "It would be commercial suicide to operate other than on an arm's-length basis"

Kahn is looking for a significant improvement in trading conditions in the second half of next year, but already sees signs that the economy has stopped deteriorating While he expects first-half financial 1984 results to be poor, the second half should show an improvement, both over the first half and the corresponding period last year "Early next year I expect the patient to sit up and start taking liquids"

Kahn himself has much on his plate as the group's new chief executive and although his background is in the retail sector he does not believe this will lead to any major change in the group's profile His priority, he says, is to get a better understanding of the beer and beverages division — which is still being relied on to produce around 50% of group earnings Thereafter he is aiming to create effective operating teams at each group division The past three months' changes have had an inevitable effect on staff morale

Only time will tell what impact the recent horse-trading has had on the group There is no doubt that a company of this size — with turnover in excess of R4 billion last year — will be able to shrug off the disruptions fairly easily But the presence of the consortium, with 34% of SAB, poses other longer-term questions Some investors are already asking if the controlling consortium has plans to alter radically SAB's present structure Kahn says, however, it would be immaterial if the consortium raised its stake above 50% "When I was MD at OK Bazaars I was able to operate effectively and independently with SAB holding over 70%"

Perhaps it wouldn't matter at all if the consortium doubled its present holding — that is if it could lay its hands on the shares In SA's current corporate climate anything is possible

Peter Farley

CURRENCY TURMOIL

Intervention doesn't work

Currency stability will stop the international drift towards protectionist trade policies. And that can only be achieved if the US economy grows rapidly and if the Reagan administration cuts its massive budget deficit.

A lofty comment from the *Wall Street Journal* editorial served to put into perspective last week's dramatised intervention in the currency markets by the combined might of the US Federal Reserve, the Bundesbank, Bank of Japan, Banque du France and Swiss National Bank It said "Perhaps a little intervention now and then is useful to keep peace in the international family, but it is also useful to keep in mind the limitations and pitfalls of this kind of thing"

The limitations emerged quickly enough And, if anything, they provoked suspicions in the market that the US, in making a token gesture towards the spirit of Williamsburg, joined in the co-ordinated intervention to demonstrate that it is akin to spitting into a gale

The mighty quintet started by selling dollars in response to appeals from the West Germans and Japanese after a 4% surge in the US currency That alone did not work. So they tried psychology Journalists were summoned and told the central banks were acting It proved briefly effective The dollar subsided by 1% from its 2,684 D-mark nine-year high the French franc rate shrank marginally from the politically

(180) FM 12/8/83

NEW INDUSTRIAL STRATEGY

De Villiers reviews protection

On Monday work starts on a new industrial development strategy for SA. Both businessmen and officials will grapple with the problem of transforming the manufacturing sector into one more able to meet foreign competition.

Some tough decisions — which could impact heavily on the profits of some large and influential companies — will be facing a committee of businessmen and officials due to meet next week Their attitudes, especially on controversial matters such as protection, could change the whole thrust and direction of SA's industrial development

Industries Commerce and Tourism Minister Dawie de Villiers is to chair the meeting, of what is called the Industrial Advisory Committee (IAC), which will discuss how to implement the Kleu Report on Industrial Development Strategy.

The report, which represents an important milestone in this country's development, states that "SA now stands at crossroads .. The whole approach to the utilisation of resources by industry requires serious reconsideration"

The report makes plain why this is needed "The period of relatively easy industrial development has passed irrevocably.

" While industry has become the largest contributor to national production, it still lags behind the primary production sectors (mining and agriculture) in the productivity with which it creates income relative to capital utilised

In other words industrial growth so far has been achieved by constantly drawing in more resources rather than making existing resources more productive

The report argues that " As things stand at present there is no economic justification for developing industry at the cost of the primary sectors"

It is clear there is concern about the competitiveness of SA industry and that there is a need for a new type of manufacturer who does not need the tariff barriers and import controls which today shield many local industries from foreign competition

But there is also a social and political need to provide employment for the country's growing black population And the Kleu report concedes that industrial development is needed for this purpose, too, as growth in the primary sectors alone will not generate jobs fast enough

Nor does the fact that some of our industries are uncompetitive necessarily mean that they are inefficient

Explains an industrialist "Many of our overseas competitors undercut us because they are being subsidised by their governments to save jobs And to lift tariff barriers now would be tantamount to industrial suicide."

The IAC thus has the awesome task of plotting a course which is politically acceptable to government, but carries least threat to existing and planned investments of the business interests it represents. This will form the basis of a White Paper which is expected to be laid before Parliament next year

The Minister has wisely drawn in to the committee a high level of private sector representation They are drawn from the Steel and Engineering Industry of SA (Seifsa), The Afrikaanse Handelsinstituut (AHI) the Motor Industries Federation (MIF), the Federated Chamber of Industries (FCI) and the Association of Chambers of Commerce of SA (Assocom) Other members come from the Industrial Development Corporation (IDC) the Board of Trade and Industries (BTI) and the Department of Industries, Commerce and Tourism

quotable

From the Kleu Study Group on Industrial Development Strategy

Exports will have to play a greater part than previously in industrial development, regard being had to the following considerations

☐ As a growth factor, import replacement has declined in significance and is accompanied by increasing problems and costs,

☐ Although the domestic demand for industrial products will probably be a very important growth factor in the long term, it may in the short and medium term be prone to certain limitations because the underlying tendency towards a scarcity of capital and the necessity of encouraging saving may preclude the application of a government policy by which consumption expenditure would be stimulated to too great an extent;

☐ The availability of foreign capital for industrial development has become more uncertain because of economic and political factors Foreign earnings by way of exports is a method of helping to fill this gap,

☐ It is necessary to expand exports of industrial products to facilitate the eventual replacement of gold mining as an earner of foreign exchange,

☐ Exports of industrial products can make a special contribution to greater economic growth, employment and the strengthening of the balance of payments without exacerbating inflation

Better co-ordination of the policies of import replacement and export promotion should be achieved by eliminating the discrimination against exports built into the system of protecting domestic industry This should be carried out in the following ways

☐ Protective customs duties against foreign goods imported at normal prices should be kept moderate and reviewed from time to time with a view to possible reduction in the case of established industries,

☐ With a view to adjusting industry's internal cost structure to international prices, the selective use of subsidies should be considered,

☐ in cases where domestic manufacture is regarded as necessary for strategic reasons and price increases resulting from tariff protection would be very large and widely distributed,

☐ where industries requiring and meriting assistance cannot be protected by customs duties or where such duties would be a disadvantage,

☐ The new system of export incentives introduced in 1980 should be continued, but the following shortcomings should be eliminated,

☐ In order to remove the discrimination in favour of imported inputs and taking into account the present rate of company tax, a tax concession should be accorded of more than the present 50% of the customs duties on SA inputs used in export goods,

☐ The Board of Trade and Industries should be directed to investigate the so-called fiscal customs duties, to evaluate those which have acquired a protective function, as such, and to consult with the Department of Finance in respect of the purely fiscal duties with a view to the possibility of replacing them by other fiscal measures In consideration of the cost-raising effects the ideal should be to avoid fiscal customs duties upon industrial inputs and to replace them by sales duties or other fiscal measures on end products, and

☐ Consideration should be given to additional differential assistance to industries that make an exceptional contribution to the SA economy.

(180)

By and large, businessmen accept that existing tariff protection and import control must be rigorously reviewed They see it as a painful but necessary step towards the development of a new style manufacturing sector which can compete on world markets while providing jobs

Assocom's chief executive Raymond Parsons says "The Kleu report has shown that we have maximised the possibilities of tariff protection

"One of the first signs that tariffs were not working was when the maize prices rose above international levels because farmers are forced to buy expensive farming inputs from local protected industries Sunset clauses should be introduced whereby certain tariffs are progressively reduced"

Federated Chamber of Industries (FCI) director Johan van Zyl says that moderate and selective tariffs should be maintained as was recommended by the Kleu report But he argues that "adjustment assistance for structural changes should be given to encourage more rapid movement of resources into competitive areas

"This is, in effect, asking for more government intervention in industry," he says "But it will be positive in the form of dynamic assistance rather than protection alone.

"The same happened in Japan where less competitive sectors in steel and ship-building were wound down and resources deployed to higher value-added sectors with government help."

He says the so-called strategic industries should not be protected by high tariffs alone as they raise costs downstream. Instead there should be a combination of moderate tariffs and production subsidies voted by Parliament and carried by the taxpayers at large

President of the Afrikaanse Handelsinstituut Hennie Klerck believes that protection levels must be gradually reduced.

He adds "No government, whether socialist or capitalist, black or white, can create enough jobs in the future for the black population as it is growing now Black leaders must be told that if they want economic assistance from government, they must depoliticise the issue of birth control and stop this irresponsible growth Otherwise we will have a countdown to disaster

Minister De Villiers ... talking about industrial development

"Government should also get rid of inflationary regulations which have no bearing on productivity Blacks with small businesses based on 'sweat equity' are being hamstrung by regulations under the Factories Act which are meant to apply to First World industries And unnecessarily high building standards are holding back construction of black homes These measures suppress economic activity and the creation of jobs in labour-intensive industries

There is also agreement among some members of the IAC that an increased dependence on manufactured exports necessitates a new approach by government to international trade

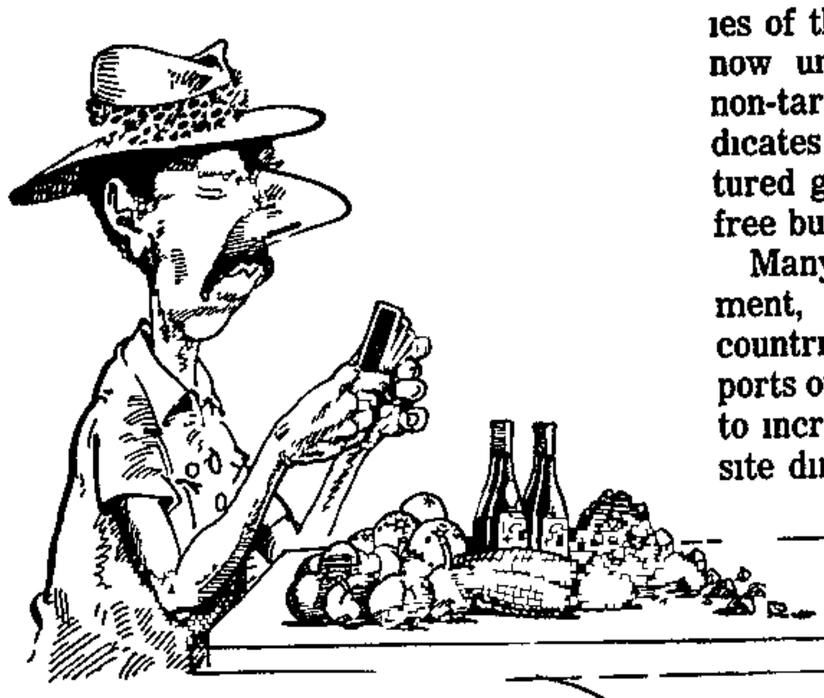
"It is all very well to talk free trade but difficult to practise while most countries are moving away from it," says Van Zyl

Parsons points out that a recent survey by the International Chamber of Commerce has found that government signatories of the Gatt, which espouses free trade, now unofficially employ 21 000 different non-tariff barriers to free trade. It also indicates that 40% of the trade in manufactured goods between Gatt countries is not free but subject to bilateral agreements

Many of these are concluded at government, rather than industry level Some countries commonly permit certain imports only on condition that they be allowed to increase their own exports in the opposite direction Some, with scarce minerals or manufactured products in high demand, use this as a lever to get their customers to buy less desirable merchandise as well

"The Kleu report implicitly assumes we will have free access to world markets," says Van Zyl "With protectionism rife this is a politically naive assumption. Trade between nations is becoming like a game of international poker. SA ignores this reality at its peril"

The challenge of improving competitiveness, creating jobs and playing the international trade game may appear daunting But the involvement of the private sector in preparing government's industrial White Paper is encouraging There are those, however, who believe the IAC is still not sufficiently representative. It should perhaps include also the mining and agricultural sectors and possibly be given the status of a statutory inter-departmental body with the powers to enforce its decisions This should enable delays to be kept down when it comes to implementing a new industrial policy



SAB plan for new brewery is put on ice

(182) E. Post 13/8/83

SA BREWERIES has temporarily shelved plans to build a larger brewery in Port Elizabeth — but has bought ground on which to do so once demand justifies expansion

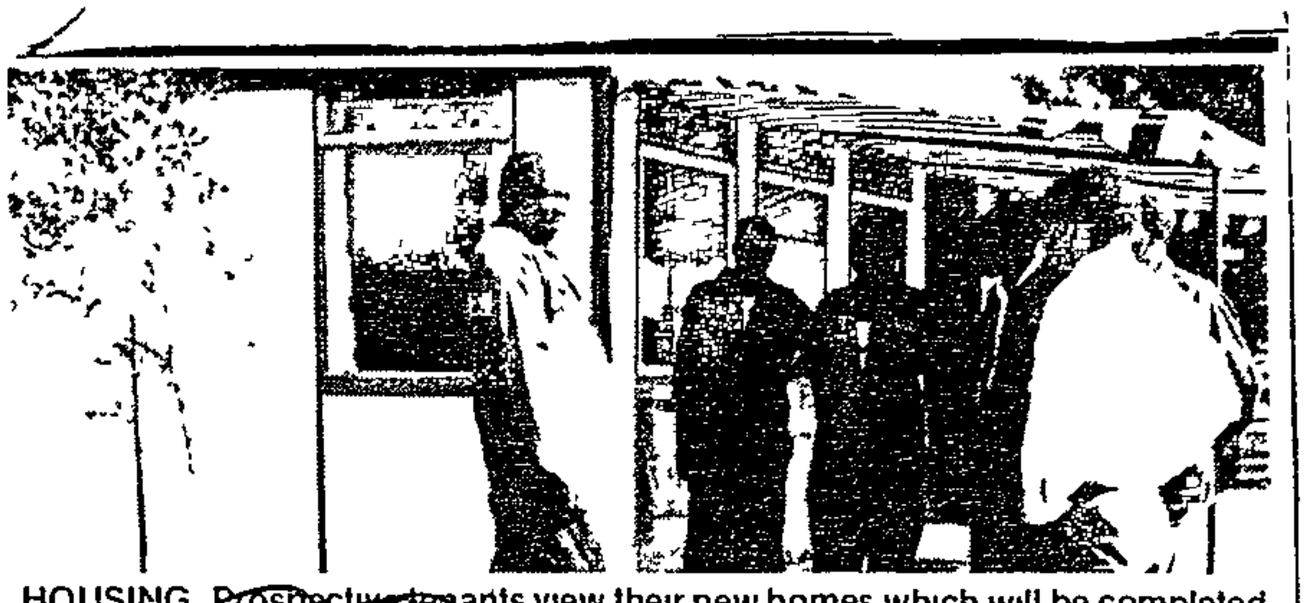
The site selected by SAB for immediate relocation of its warehousing facilities and the future relocation of its brewery, is 17ha in extent in the industrial area of Perserverance

Price paid for the ground was R1,1 million — at R10/m² for four fully-serviced hectares, and R5,38/m² for the balance of the ground which was unserviced

A company spokesman said yesterday site clearance would begin shortly and construction of a R2-million warehouse would commence early next year for occupation by June, 1984

Market studies had indicated, however, that the economic slowdown had delayed by some three to four years the need to expand current brewing output — running at close to maximum in the cramped quarters of the SAB plant in the city's North End

Furthermore, the additional space created by relocating the company's warehouse to the new site in Perserverance would allow modest production gains from the existing site



HOUSING Prospective tenants view their new homes which will be completed in October

182 Sowetan 15/8/83

SAB to help accommodate their Tembisa employees

By Len Maseko

IN A MOVE to alleviate the housing crisis in the area, the South African Breweries is building new homes for about 500 residents in Tembisa.

The R1,9-million project, aimed at housing the company's contract workers employed in Isando, will be completed within the next two months Five other similar projects are being considered by the company for its employees at other plants

The homes, with three bedrooms each, will occupy a one hectare site Ablution blocks and kitchens will be communal, and will be equipped with gas rings where residents will prepare their meals

The area will also have a six-bed clinic and a shop providing the basic essentials The whole project has been approved by the local community council

(182) RDM 26/8/83

SAB ad attacks Mail report

A RAND DAILY MAIL report was vigorously attacked in an advertisement which appeared in the Mail and elsewhere yesterday

The advertisement was headlined "Everything you read isn't always true" and dealt with a report in Tuesday's Mail which quoted the claims of a bottlestore owner that South African Breweries (SAB) had denied him a beer supply because he had embarked on a price-cutting war

This report was followed by another on Wednesday quoting SAB as saying that the only reason why it had denied beer to the bottlestore was because the owner had not paid his debts

The Rand Daily Mail had not established at that stage where the truth lay It performed its proper function of reporting both sides

It has since satisfied itself that the bottlestore owner's claims were unfounded and that SAB had acted in a bona fide manner

The Editor of the Rand Daily Mail, Mr Rex Gibson, said last night "I am happy to set that conclusion before the public in pursuance of this newspaper's policy of fair reporting

"I also believe the introductory paragraph to Monday's report erred because it stated the complainant's views as fact The balance of the report made it clear that it was no more than a partisan assessment"

SAB's General Manager, Marketing, Mr Peter Savory, said last night "We have appreciated the concern the Rand Daily Mail has shown in the matter following discussions today with the Editor and the Managing Director of SAAN, Mr Clive Kinsley We also appreciate that the Mail published our advertisement

"SAB's criticism of the report was not to debate the merits of the reporting process nor the integrity of the RDM SAB has the highest regard for both Our concern was with the reputation of my company"

182 Sowetan 29/8/83

Union clinches major deals with firms

PARK: Textile worker Ms Veronica Ndlovu, at the Orlando West Industrial Park

THREE Trade Unions Council of South Africa (Tucsa) affiliates recently negotiated substantial wage increases for their members and concluded satisfactory new agreements with managements.

The three unions whose members are said to be enjoying record wage increases are the Garment Workers of South Africa, the National Union of Wine, Spirit and Allied Workers and the South African Leather Trade Unions, according to Tucsa's official journal the Labour Mirror.

The Garment Workers's achievements in the talks were:

- Substantial wage hikes across the board,
- The abolition of sex discrimination in wages,
- Employers agreeing to match workers' contribution to the provident fund,
- A higher attendance bonus,
- An increase in the number of paid public holidays; and
- A meal allowance for those working later than 6 pm.

Wage increases totalling as much as 87,9 percent are being paid over the next 14 months

The overall rise given to wine workers is 25 percent more for their pays, they received 15 percent in April and 10 percent will be payable from October 8 Both increases are based on actual wages paid and not on minimum wages.

- All public holidays have been written into the agreement

The leather trade unions added their achievement of pay rises to the 15 percent increase across the board they received last year

The wine workers' agreement includes

- Hours of work have been reduced from 46 to 45 per week;
- The annual bonus has been increased from three weeks' wages to four weeks' wages,
- Workers who work overtime later than 6 pm will be provided with a meal or a meal allowance of one rand; and
- sick leave has been increased to 12 working days over a three year cycle,

Brewery cuts packaging costs, drops prices for dumpies

ARGUS 29/8/83 (182)

Staff Reporter

THE PRICE of all beers sold in dumpies by Ohlsson's Cape Breweries dropped today by 2c a bottle — and 3c for Amstel — with bigger reductions for six-packs and 24-dumpie cases.

Mr Steven Rom, chairman of the Cape Hotel, Bottle Store and Restaurant Association, said the association had recommended to members that the full reduction be passed to the consumer

Mr John Seton, general manager of Ohlsson's, said the price of the popular 340 ml dumpies had been dropped by 5 percent because of a saving in packaging

Instead of a cardboard case of 24 dumpies or a cardboard six-pack, the dumpies will be marketed in a shrink-wrap plastic case, described by Ohlsson's as a "wet-suit"

The 5 percent reduction applies to Lion Lager, Castle Lager, Carling Black Label, Hansa Pilsener and Amstel Lager. Because Amstel is higher priced than the other four, the reduction is slightly bigger.

Mr Seton welcomed the hotel and liquor trade recommendation to give the consumer the full benefit of the decreased price.

The brewer's price to outlets has been reduced from R9,17 to R8,71 for a 24-pack case The reduction of 46c to retailers will, however, result in a saving of 57c a case to the consumer.

The hotel association's recommended retail price for the four standard beers drops from 55c to 53c for a single dumpie, from R3,10 to R2,94c for a six-pack and from R11,24 to R10,67 for a 24-dumpie case

(Turn to Page 3, col 3)

ARGUS 29/8/83

Brewery cuts dumpies prices

(182)

(Contd from Page 1)

Recommended prices for Amstel drop from 61c to 58c a dumpie, from R3,41 to R3,24 for a six-pack, and R12,35 to R11,74 for a case.

The price of bottles and cans of beer, other than dumpies, has not been changed.

Excluding GST and the deposits on case and bottles, the recommended retail price is R10,53 for a case (12 bottles) of 750 ml returnable bottles, or R10,99 for a case (24 bottles) of 375 ml returnable bottles of Lion, Castle and Carling.

Hansa is sold in 375 ml returnable bottles at R10,99 a case.

Amstel is sold in the smaller 340 ml returnable bottles at R11,95 a case.

The price of 340 ml cans is R11,67 a case (24 cans) for Lion, R11,24 for Castle and Carling, and R12,35 for Amstel.

182

Breweries back down on offer

Staff Reporter

PROTESTS by small liquor retailers over a "conditional discount" of five percent offered them on 340ml bottles of beer resulted in a capitulation by Ohlsson's Breweries yesterday

A condition of the discount was that a minimum of 144 cases of the dumpies be bought at one time, promotional pamphlets told liquor retailers last week

One small retailer, Mrs Helena Nel, co-owner of the Mariné Bottle Store, Simon's Town termed the campaign "force buying"

"I don't have the space nor the money to buy in such quantity They are victimizing the small retailer and I would have to reduce my profit to compete with the chain bottle stores"

The pamphlet sent to liquor retailers said the promotion would "play a part in fighting inflation and give the hard-pressed consumer a greater incentive to increase his purchase of beer and for you to increase your profits during this difficult trading time"

An urgent meeting with the manufacturers was called by the Western Cape Hotel Bottle Store and Restaurant Owners Association yesterday to clarify the position

According to the chairman of the association, Mr Steven Rom, Ohlsson's Breweries had given an undertaking that any retailer taking part in their promotion would qualify for the discount The promotion offers, among other things, prizes for window displays

"They gave us an undertaking that the discount was not a permanent reduction and anyone entering would qualify for the five percent discount They agreed that at no time could they stipulate conditions"

Mr Rom said he believed the stipulation could have been against the Competition Board rules

"It's a free-enterprise system — you can't have conditional buying or selling," he said

When contacted, Mr Raymond Howard, marketing manager for Ohlsson's Breweries, Western Cape, said his company's main intention had been to help the consumer

"It is not a long-term reduction in price but a promotional campaign"

Authorities 'stalling' on shebeens

(182)

8/9/83 Natal Mercury

African Affairs Correspondent

THE authorities appeared to be dragging their feet as far as legalisation on shebeens was concerned, according to Mr John Miles, Natal marketing manager of South African Breweries, when he addressed the first conference of the Natal and KwaZulu Tavern Association yesterday

Mr Miles said harassment of shebeen owners appeared to be increasing

He urged them to draw up a special code of conduct and appealed to the association to set standards in association with manufacturers and Umkhamba, the KwaZulu Hotel and Bottle Store Association

The Mayor of Umlazi, Mr T A Khanyile, expressed his concern that, if shebeens were legalised, there would not be effective control over the sale of alcohol to children under the age of 18

Mr Lucky Michaels, chairman of the National Tavern Association, said in reply that members of the association had young children themselves

They would not like to see their children drinking in shebeens

He denied that shebeens bred crime and criminals They were caused rather by blacks' socio economic conditions

Mr Michaels said it was wrong for shebeen owners to believe they would double their patronage when they were legalised, but they would make more money than at present because they would not lose so much in fines and confiscation of stocks

Mr Errol Brill, regional manager of Stellenbosch Farmers' Winery, said the British public house typified what the legalised shebeen of the future would be like

Mrs Su Birch, spirits marketing manager of SFW said it was only 20 years ago that blacks were allowed to buy liquor freely, and today they bought 83 percent of the beer consumed in South Africa, 55 percent of the brandy 65 percent of the cane spirit 80 percent of the gin and 70 percent of the vodka

KwaZulu 'doesn't mind reform'

African Affairs Correspondent

THE KwaZulu Government had no objection in principle to a process of reform whereby shebeen owners would have the opportunity of legalising their undertakings

This was said in Durban yesterday by the KwaZulu Minister of Health and Welfare, Dr Dennis Madide, when he addressed the first conference of the Natal and KwaZulu Tavern Association

Dr Madide was loudly applauded when he said people who had been running shebeens under unfavourable circumstances deserved to be given first preference and assistance in legalising their businesses

Control

He felt that anyone who continued to run an illegal shebeen after this would have no moral justification

He anticipated that the new class of liquor trader, armed with legitimacy would do its best to control the mushrooming of any further shebeens

Dr Madide urged shebeen owners to play a part in combating the ill-effects of excessive alcohol intake

He hoped the tavern association would be instrumental in promoting bursary schemes and in providing funds for homes for alcoholics and for the reconstruction of homes broken up by alcohol abuse

Dr Madide said the challenge of the future was to strike a balance

There was a very strong lobby against shebeens and it was not possible to sell them the concept of the legalisation of shebeens lock, stock and barrel

At the same time, Dr Madide said, no government could ride roughshod over the interests of the vast majority of liquor consumers out of prudish and puritanical considerations

grandchildren
The funeral service will be held tomorrow

visited the priory where Father Stanton was staying and the Anglican priest was

in" the spokesman said
In terms of Regulation

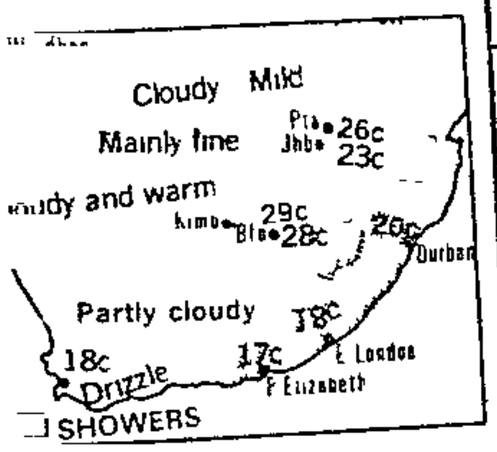
and proper claims of the law, I believe some of the legisla-

Anderson all of 171 Main Street Johannesburg

Mail

today
and cooler over Eastern Transvaal
eastern escarpment partly cloudy
of the area
of the ORANGE — Cloudy in the patches otherwise fine to partly
of light showers over Gordonia
— Partly cloudy and mild but cloudy south-eastern parts with occasional
in north west
occasional rain
and hot with a possibility of isolated
and mild to warm

MINIMUMS EXPECTED FOR EACH CITY



ICA YESTERDAY

at 14h00

	°C		°C
	26	Potchefstroom	30
	30	Pretoria	29
	27	Rustenburg	30
Elizabeth	16	Skukuza	31

Phalaborwa 32°C Coldest at 08h00

Phalaborwa 32°C Coldest at 08h00 Pret

ILD YESTERDAY

	Los Angeles	21	30	Clear
	Madrid	18	34	Clear
	Miami	29	31	Clear
	Montreal	18	22	Cloudy
	Moscow	11	21	Rain
	New York	25	33	Clear
	Paris	11	20	Cloudy
	Rio de Janeiro	19	26	Rain
	Rome	15	28	Clear
	San Francisco	17	22	Clear
Clear	Stockholm	8	12	Cloudy
Clear	Tokyo	[illegible]	25	Cloudy
Cloudy	Toronto	17	25	Cloudy

Woman held for killing

Mail Reporter

A SOWETO woman has been arrested following the death of a man in Zone 10 Meadowlands

Mr Stanley Mahlamvu 56 a senior teacher at the Jabulani High School, was allegedly stabbed in the chest when he tried to intervene in a family row on Wednesday

He died on the way to Baragwanath Hospital

The woman is expected to appear in court soon

MATTER OF FACT

A REPORT in the Rand Daily Mail of August 31 was headlined "It's official — SAA food is awful', in reference to food at airports Marriott International Services Ltd, a US company which handles the catering for international and domestic flights into and out of Jan Smuts, wishes to point out that it is in no way connected with the catering in the terminal

□□□

TO CORRECT specific errors of fact, write to the Editor at P O Box 1138, Johannesburg, or telephone the Editor's secretary at 710-9111 between 9am and 5pm on weekdays

If you have broader complaints about the Rand Daily Mail these can be taken up with the Mail Ombudsman, James McClurg, c/o the Editor's secretary

182 154 817 9/9/83

Striking brewery workers 'resign'

Pretoria Bureau

THE management of the United Breweries, near Ga-Rankuwa announced yesterday that 13 quality control staff members who downed tools because of a salary and wage dispute "had resigned" from the company and their resignations had been accepted The workers say they were fired

In a telex sent to the Rand Daily Mail, the management says the 13 broke off negotiations "and had refused to return to work until their demands regarding salaries and wages and certain conditions of employment had been met"

Despite requests from management that they return to work and continue negotiations, the employees' continued absence and "refusal to continue negotiations is clear indication that they have severed their contracts with the company"

In a statement released in Pretoria by the staff members yesterday it was stated that since October last year they had been promised an adjustment to suit the standard of living

The workers said they met the management last Friday and the same promises were made and on Tuesday, while waiting for the production manager for briefing about the issue, they were dismissed by the manager

Human rights concern as Mugabe flies into Ireland

DUBLIN — Zimbabwe's Prime Minister, Mr Robert Mugabe, and three senior Ministers flew into Dublin yesterday

Mr Mugabe is en route to the United States where he will address the United Nations The Irish Prime Minister Mr Garret FitzGerald met the delegation of Mr Mugabe his Foreign Minister Mr W M Mangwende the Minister of Finance, Economic Planning and Development, Dr B T Chidzero, and the Minister for Manpower Planning and Development, Dr F M N Shaba

Bilateral talks are likely to centre on growing economic links between the countries

The visit comes at a time of increasing concern over human rights in Zimbabwe and Amnesty International, the human rights organisation said it would ask for a meeting with the Zimbabwean delegation over the redetention of six white air force officers — UPI

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Big company congloomerates

By JOHN MULCAHY

THE Competition Board has been ordered to conduct an urgent investigation into conglomerates and the concentration of economic power in South Africa.

The directive came from Dr Dawie de Villiers, Minister of Industries, Commerce and Tourism.

Speaking in Port Elizabeth yesterday, the Minister said the Competition Board would investigate the de-

7/8/83

to place the money in

(182) Bottle deposits 13/7/83 Times

CONSUMERS have complained about soft drink bottle deposits

WATCHDOG talked to Mr P J V du Plessis, regional inspector in the Department of Trade Metrology, who said

Deposits are enforced by law but vary according to the bottle size On a bottle containing less than 750 ml the deposit is 15c, 750 ml to 1 l 30c, more than 1 l 40c

SAB invests in 50 pc of Ciskei Breweries

D. Dispatch 14/10/83

KING WILLIAM'S TOWN — South African Breweries have made their first investment in the sorghum beer market in the independent national states with the purchase of 50 per cent of the shares in Ciskei Breweries

The managing director of the Ciskei People's Development Bank, Mr F S Meisenholl, said SAB had joined the ranks of Pick 'n Pay, the Berden Group and the Frame Group who in recent months had made Ciskei their choice for investment in the independent national states in Southern Africa

Mr Meisenholl said that as a result of the deal an amount of R2,5 million would be released for reinvestment in Ciskei.

He said a new company was to be formed, the name of which was still to be decided, with the Peoples' Bank and the SAB each holding 50 per cent of the shares The bank would hand over the day-to-day management of the brewery to SAB, who would continue to brew and sell its product without change

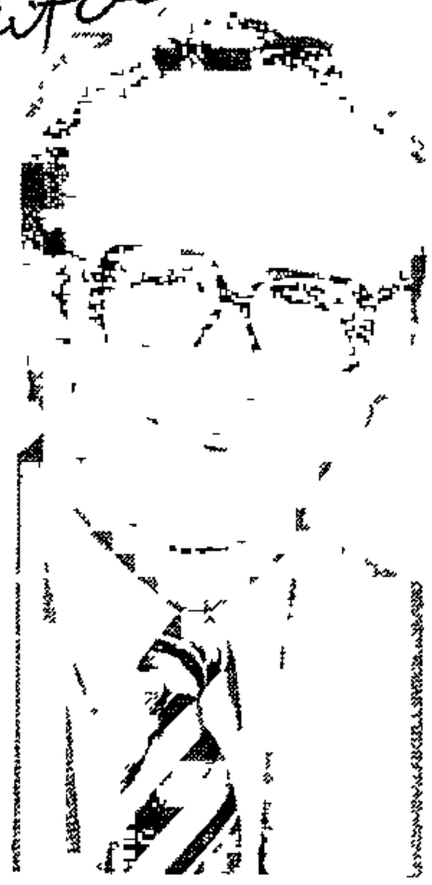
The brand name and quality of the beer brewed by Ciskei Breweries, Sports Special, would not change The recreation centres which until now formed part of the Ciskei Breweries operation would remain in the ownership of the Peoples' Bank pending sale to Ciskeian citizens The company would manage the centres in the interim and help Ciskeians to buy them

Mr Meisenholl said "It is the objective of the Ciskei People's Development Bank to initiate and develop new industrial and business undertakings in the Republic of Ciskei It is indeed heartening to succeed with this objective to the extent that a company of the stature of SAB joins the People's Development Bank as a partner

"The amount of R2,5 million is significant towards the development of the Republic of Ciskei, and we are rightfully proud that we have managed to introduce such an influential group as SAB to this young country," he said

This is not South African Breweries' first venture in the national states It already operates malt beer breweries in Transkei and Bophuthatswana

The group has also had extensive experience in the sorghum beer market in Zimbabwe, Swaziland and Botswana — DDR



MR MEISENHOLL

(182) RDM 20/10/83

Council slates new drinks price

THE Consumer Council has slated the latest price increases of up to 7,5% for cold drinks.

In a statement, the council said the increase came in the wake of the recent price control lift and a 6% increase on 12 April this year

"The unacceptable escalation of 13,5% for cold drink prices during the past six months is higher than the consumer price index of 12,1%," the statement said.

Mr Bernard Hellberg, assistant director of the Consumer Council, says consumers should bear in mind cold drinks are not necessities.

"Consumers should give serious consideration as to whether cold drinks should in fact form part of their diet at all," he said — Sapa

Sorghum beer now 'good for whites'

By WILMAR UTTING

THE sorghum beer industry is poised to launch a nationwide publicity campaign to clean up its image — aimed not at its black market, but at whites.

In a six-month programme the industry will endeavour to persuade municipalities, farmers, liquor store owners, consumer organisations and the general public that sorghum beer is good for you

For years, municipalities have condemned the drink because the sour-smelling non-returnable cartons cause a major litter problem And although its alcohol content is a mere 3% it has also been blamed as the cause of drunkenness among blacks.

The industry is convinced that only after the drink has gained acceptance among whites will it be able to turn around the flagging black market.

Opposition to the drink in the townships is partly political because the brewers are the white-run township administration boards which have a monopoly in the R300-million a year industry

But the main opposition is from blacks who scorn the traditional beer in favour of sophisticated 'white' liquor

Since 1980 sales have been static

The Sorghum Beer Development Committee this week appointed a comparatively young public relations company in Pretoria to clean up the industry's poor image

The contract is understood to be worth about R150 000 for phase one (the white campaign), but could eventually be worth more than double that as the programme gains momentum

The company is run by Mr Tok Grobler, former head of SABC-TV, and other former SABC staffers

Mr Grobler said this week he planned meetings with municipal leaders and consumer groups, advertising on TV and the Press, and special tours of the breweries

"It is not a selling campaign at this stage After we have won over the whites, we will concentrate on the blacks," he said

The industry may also be looking ahead to the time when it no longer controls the townships' bottle stores and sorghum beer depots, where 90% of the sales take place

The chairman of the special committee, Professor Marthinus van Vuuren, has, however, refused to discuss the future of the industry, saying marketing strategies were "sub judice"

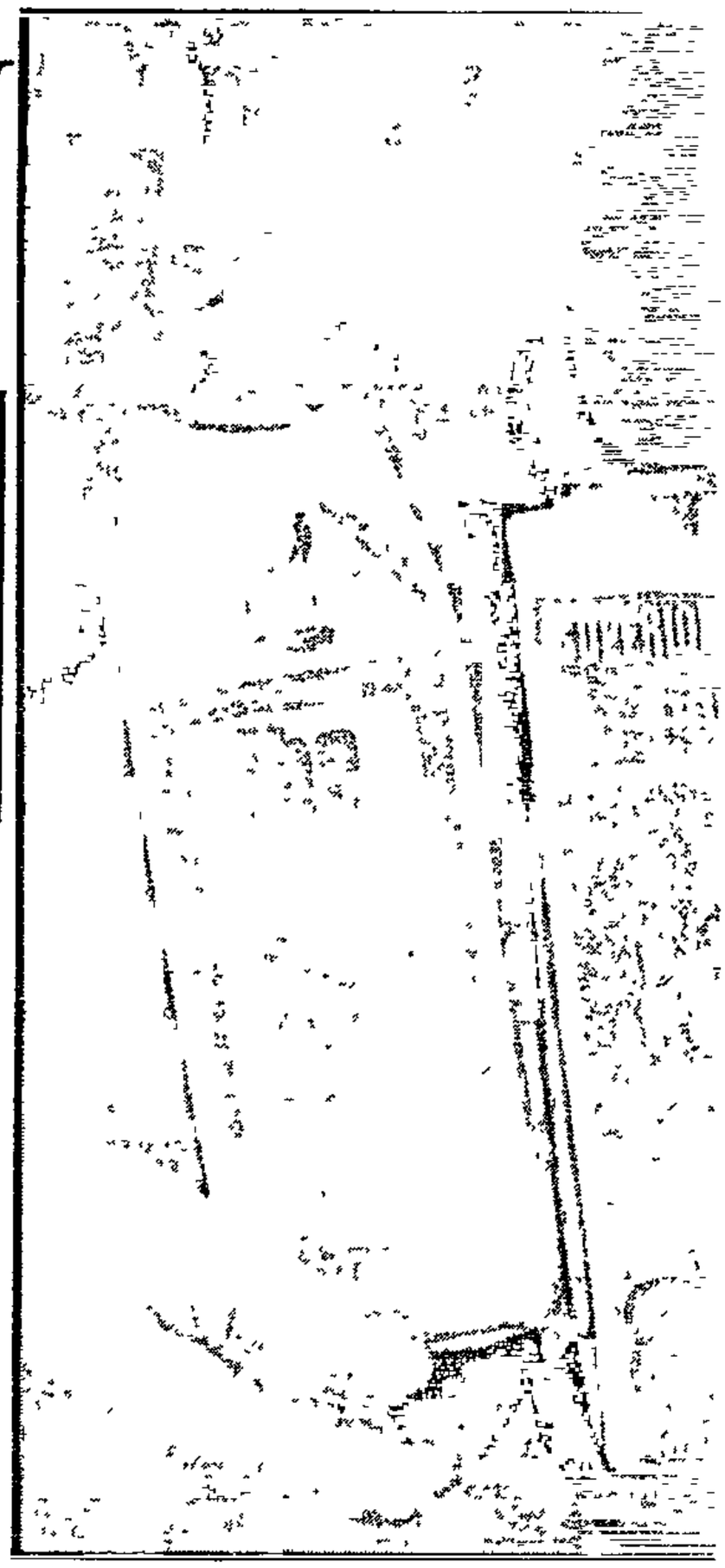
SERVICE SWALLOWS THE PROFITS

TOWNSHIP administration boards, which claim they pour back 'every cent' of liquor profits into facilities for blacks, retain 50% of the profits for 'administration services'

Mr Steve Kgame, president of the Urban Councils Association of SA, said the 50% deductions were not detailed.

Referring to Dobsonville's budget as an example, he said that in the 1981/82 budget the West Rand Administration Board's turnover from beer and liquor sold in the township was shown as R739 120 and profits R447 220

WRAB deducted R203 805 for 'administration services' before allowing the council R243 415.



● Cartons of traditional beer — now it's the being urged to drink up and stay

Cape cottage wins merit award

A BEACH cottage at Cape St Francis designed by a Cape Town architect, Mr Gawie Fagan, has won the 1983 Institute of South African Architects award of merit — Sapa

Business Day

KWV, the unlikely partner, gets into bed with Scotch

(182) RDM 25/10/83

LIQUOR MARKETING/MICHAEL FRIDJHON

A PRICE war is raging in the wholesale liquor trade over the price of branded Scotch whisky.

The major wholesalers have now resorted to offering the retail trade their agency brands at net imported prices Small bottle stores can now buy insignificant quantities of most of the major brands for several rands a case less than the price at which the chains previously obtained their bulk purchases

These discounts have not yet been passed on to consumers

Traditionally the discount stores and chains have sold branded whisky in case lots at the agreed wholesale price For some time now this has been fixed at R91,22 a case in Johannesburg

The retailer's profit derived from whatever kick-backs he could negotiate with his supplier and this in turn depended on his method of purchase, the quantity he obtained, the ruling currency rate, and how he paid In general, this never amounted to much more than 50c a bottle

This importer/wholesaler hardly got rich on this system· at best he made about the same profit, providing he never carried his stock for any length of time.

The price war enables most retailers to buy almost twice as well as they were able to do in the past, irrespective of quantity. One such supplier — and agent for SA's largest-selling brand — has told retailers that the offer is good until December

In spite of the so-called code of conduct between wholesalers intended to prevent, or at least limit, discounting this offer has been made openly

This breakdown of the effective wholesale price maintenance agreement between importers of branded whisky has certainly destroyed the role played by some of the smaller wholesalers who used to operate as whisky brokers More important, however, it could radically affect the way that whisky is imported and distributed in South Africa

It is now more than six months since the Board of Trade announced its inquiry into the competitive position of South African spirits — a euphemism to cover an investigation into the success of Scotch over SA brandy — and there are still no indications as to when the board's recommendations may be expected.

At the heart of the matter is the KWV's axe-grind that South Africa's Gatt agreement — which allows tariff increases on imported spirits only to the extent that tariffs are increased on domestic spirits — must either be abolished or revised.

In this protectionist position the KWV is supported by most members of the Wine & Spirits Importers Association (Winespin) who are the only authorised importers of branded whisky

This curious marriage of whisky importers with THE SA brandy producer is the result of both parties resisting the growth of the cheaper and lesser-known whisky brands

Secondary and house-brand Scotch has obtained a sizeable share of the SA Scotch whisky market — some sources estimate 30% to 40% — and this growth has been at the expense both of branded whisky and Cape brandy.

Accordingly both the KWV and Winespin are bedfellows in a submission to the Board of Trade intended to restrict the import of the lower-priced whisky and to fix a higher wholesale price for all whisky.

The price war at wholesale level should be seen in this context The Scottish producers, sitting with a frightening glut in the heart of a world-wide recession are prepared to fund a discount structure which may increase the volume of their sales.

Only the big brands can carry the overhead of such an exercise and they are the products most likely to suffer from the growth of the smaller brands.

In the SA liquor trade the battle for market share is hotting up

Cape Wine & Distillers — an effective subsidiary of the KWV and the largest importer and wholesaler of branded whisky — wishes to be seen to be doing its best for its overseas suppliers Cape Wine, by discounting its brands of whisky to the retailers is actually playing the role demanded of it by one of its principal shareholders — the KWV

In turning even the major brands into discount brands Cape Wine is actually strengthening the KWV's case for greater protection for the SA industry against Scotch whisky the closer the price of branded Scotch to SA brandy, the stronger (apparently) the KWV's case becomes for some quasi-State intervention in favour of brandy

This seems to be the real explanation for a price war which is not increasing retail sales much, but which seems to be undermining the structure of the wholesale trade

The KWV and its associate company, Cape Wine, are doing what can only win praise from the Scotch suppliers, but which at the same time will tighten their domination of the market to the ultimate advantage of Cape brandy.

(182) Cape Times 27/10/83

Gilbeys to sell Bertrams Wines as cash shell

By ALEX PETERSEN
Deputy Financial Editor

W & A GILBEY have accepted an offer of 61c a share from Northern Trust for its 52 percent share in Bertrams Wines Ltd as a cash shell

Northern Trust, who are acting on behalf of a client, have made a standby offer of 61c a share to the minority shareholders, who number about 1 200

Bertrams shares were suspended on the Johannesburg Stock Exchange yesterday after trading at 55c on Tuesday

Earlier this month Gilbeys announced their intention to constitute Bertrams as a wholly-owned subsidiary and to offer 45c a share for the ordinary shares, and 100c for the 5,5 percent preference shares However, the offer documents had not yet been sent to shareholders

Competitive

Gilbey's reasons for their offer were that due to the highly competitive nature of the wine industry, Bertrams would require greater management and financial support which would otherwise be disproportionate to its shareholding

Following the Northern Trust offer, Gilbeys will buy the assets of Bertrams, leaving a cash shell worth R1 297 000

The Northern Trust offer will give minority holders of ordinary shares three options

- They may accept the standby offer of 61c This stands for three weeks, and will then be replaced by a similar offer
- They can hold their shares and accept a special dividend of 25c, and wait to see the purchaser's intentions for the cash shell Northern Trust manager, Mr D White, said these would be announced in February next year, once the formalities of the current offer had been dealt with
- Shareholders could sell into the market, or wait for the terms of the similar offer, which could well be higher

Preference shares

The 5,5 percent preference shareholders will be offered the same terms as were offered by Gilbeys, i e 100c and their dividend for the six months to the end of December

The pay out to preference shareholders and the payment of the special dividend of 25c will deplete the cash assets of the shell by about half

Gilbeys are to continue to market wine under the Bertrams label, and the name of the cash shell will be changed

Beer challenge faces SA Brews

182 RDM 2/11/83

By JOHN MULCAHY

STRONG speculation is again going the rounds on a new entrant into the R1,2bn beer market. Rennies Consolidated Holdings is the most likely force behind the move.

Mr Charles Fiddian-Green, the executive chairman of Rennies, said yesterday he could not comment. Nor could he say when he might be able to

Word has it that the company, or consortium, is considering spending about R150m on a brewery aiming either for a gap in the market, to which SAB is sole supplier, or going for one segment.

Investment circles believe the new beer launch may be weeks, not months, away.

Rennies would have Old Mutual, its 75% parent, as a powerful backer, with the Holiday Inns chain a ready display window and outlet for the new product

Rennies association with Sun International might also give it a sympathetic distributor in the neighbouring states.

Mr Meyer Kahn, the managing director of SAB, said yesterday he last heard speculation about a competitor six months ago Over the past 20 years, the list of people linked to rumoured assaults on SAB's domain had been extensive

The most recent attempt by an independent to enter the market was that of Mr Louis Luyt

Mr Luyt was finally rescued from the battlefield by Dr Anton Rupert, whose mighty Rembrandt Group conceded defeat to SAB after a ruthless five-year struggle.

Whitbread was another formidable competitor eventually forced to throw in the towel as it was unable to make any profitable inroads into SAB's market penetration

Why anyone should now believe things have changed, and that SAB might be less aggressive to a new competitor is not clear, although it could have some significant benefits for SAB itself

SAB is only too aware of its delicate position as sole beer supplier. In its efforts to keep its nose clean with the authorities, it has adopted a policy of consistently pitching annual price increases below the consumer-price index.

A new entrant into the market would, in all likelihood, have the sympathetic ear of Government, which would have to allow it to pitch its price at an economic level

Given the cost efficiency of the SAB beer division, and its control of overheads, the price allowed to the new entrant would probably be a good deal higher than the price SAB can now command for its products

One negative for SAB is that at the height of the mid-1970s beer war the legislation on excise duty was atered in a way that benefited the new competitor and put SAB at a disadvantage

This was related to a scaled rate of charge, under which the duty rose with volume of beer produced

This presumably still applies, and although it has been a dormant factor since 1979, it could rear its head again.

In the beverage industry, marketing is the major element of any successful product SAB's skills in this area are finely tuned.

The new entrant would have to aim its product at a segment of the market of lesser importance to SAB than its mainstream brands, such as Castle, Lion and Black Label.

SAB marketing and advertising strategy are aimed at the macho sporting and outdoor man

A possible gap, as suggested by an investment analyst, is the "intellectual" market, where both Amstel and Hansa are pitched, but which has played down the light, low-calorie aspect.

One suggestion, says Mr Kahn, it is an addition to the long list of foreign brands mooted for the SA market from time to time, in this instance the American beer, Coors.

A light beer, along the lines of the regionally popular Windhoek lager, Coors would have the right status and content to corner a slice of the market.

Mr Dick Goss, former managing director of SAB, yesterday dismissed the suggestion he was connected with any proposed onslaught on the beer market.

"I know nothing at all about a new brewery, I can tell you that right now. Hypothetically, all I can say is that from my experience SAB would do its very best to counter any new threat"

Mr Goss said that in his time at SAB a new name would come up as a new entry to the market every three or four months

He conceded there were distinct advantages for SAB in allowing a competitor in

As a sole supplier, SAB had always been forced on the defensive over its pricing policy and had to be careful not to be seen to be taking advantage of its position

"When you have a monopoly, you do have an Achilles heel"

The main advantage SAB would have in an outright beer war was its geographical saturation of the market

If the new brewery were to concentrate, for example, on the Transvaal market, it would be simple for SAB to implement discounting, which might hurt the region, but would be offset by the normal situation elsewhere in the country

One analyst said the new brewery could be the first development in a trend among the big financial institutions to add another dimension to their investment

Traditional investment areas were property, equities and bonds (gilts), and the brewery would represent a diversion by Mutual into the venture- or risk-capital area

Rumours of competitor for beer market

(182) E. Post 5/11/83

Correspondent

JOHANNESBURG — Strong speculation is again going the rounds on a new entrant into the R1,2-million beer market Rennies Consolidated Holdings is the most likely force behind the move

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"I know nothing at all about a new brewery, I can tell you that right now Hypothetically, all I can say is that from my experience SAB would do its very best to counter any new threat"

Mr Goss said that in his time at SAB a new name would come up as a new entry to the market every three or four months

He conceded there were distinct advantages for SAB in allowing a competitor in

As a sole supplier, SAB had always been forced on the defensive over its pricing policy and had to be careful not to be seen to be taking advantage of its position

"When you have a monopoly, you do have an achilles heel"

The main advantage SAB would have in an outright beer war was its geographical saturation of the market

If the new brewery were to concentrate, for example, on the Transvaal market, it would be simple for SAB to implement discounting

This might hurt the region, but would be offset by the normal situation elsewhere in the country

One analyst said the new brewery could be the first development in a trend among the big financial institutions to add another dimension to their investment

Traditional investment areas were property, equities and bonds (gilts), and the brewery would represent a diversion by Mutual into the venture- or risk-capital area

Cape Times 10/11/83 (182)

SAB earnings drop 11%

By JOHN MULCAHY

JOHANNESBURG. — The slump in consumer spending over the six months to September, as reflected in results from OK Bazaars and Edgars, was very much in evidence in South African Breweries beer sales for the period.

Volume sales rose by only one percent in the six months, which seen against earlier projections of about five percent for the full year by SAB, indicates the pressure on consumer spending that has affected largely black consumers

SAB estimates that about 70 percent of its beer sales are to blacks, who have generally been harder hit by the recession than the more affluent white sector

Widespread lay-offs throughout industry, a total embargo placed on overtime and the slump in activity in rural areas because of the drought all had an impact, and SAB has now revised downwards its projections for the full year to March 31.

The huge retail and beverage group has reported a fall of 11 percent in earnings from its beverage interests for the six months to September, while its diversified actvities were harder hit, reducing their contribution to SAB's attributable earnings by 15 percent

Reviewing the six months to September 30, SAB's managing director, Mr Meyer Kahn, said yesterday beer sales started the year very badly, and were actually down in volume terms for the first three months, but there had been a good recovery in August and September, and this had followed through to October

"We can't hope to achieve a volume improvement of five percent for the whole year, but we are now aiming for a five percent increase in the second half, which should give us a three percent to four percent improvement for the year"

SAB's turnover rose by 9,6 percent to R2,203 billion for the six months to September 30 from R2,010 billion for the corresponding period last year, while operating profit was 14,4 percent lower at R154,1m (R180m), the interest charge rose to R38,6m from R36,7m and tax dropped to R41,1m from R54,7m

Dividend income and equity-accounted earnings were marginally down at R17,5m (R17,6m), while minorities and preference dividends absorbed R23,2m (R27,9m)

This left attributable profit of R68,7m, which was 12,3 percent down on the R78,3m earned in the first half of last year.

Earnings fell by 12,6 percent to 27c a share from 30,9c, and the interim dividend has been maintained at 10c

Mr Kahn said the second half was expected to show an improvement on the first half, although economic conditions were expected to remain depressed well into next year.

Earnings for the full year would probably be lower than last year, but Mr Kahn said the final dividend was safe at 25c Last year, SAB's total payment of 35c was covered 2,2 times by earnings of 78c a share

The directors note in the interim statement that private consumption expenditure declined in real terms by an estimated 1,2 percent in the six months to September

They say, "while private domestic consumption expenditure is a key determinant of group activity, conditions in the mass consumer markets have been particularly depressed and trading has been highly competitive

Drinks and stores take brunt of consumer cuts

SAB gets little cheer from static beer sales

(182) RDM (0) 11/83

By JOHN MULCAHY

THE dramatic slump in consumer spending during the six months to September, as reflected in results from OK Bazaars and Edgars, is very much in evidence in South African Breweries' beer sales.

Attributable profit of R68,7m was 12,3% down on the R78,3m earned during the first half.

Earnings fell by 12,6% to 27c a share from 30,9c but the interim dividend has been maintained at 10c

Beer volume sales rose by only 1% during the six months which, seen against earlier SAB projections of about 5% for the full year, indicate the severe pressure on consumer spending. SAB estimates that about 70% of its beer sales are to blacks.

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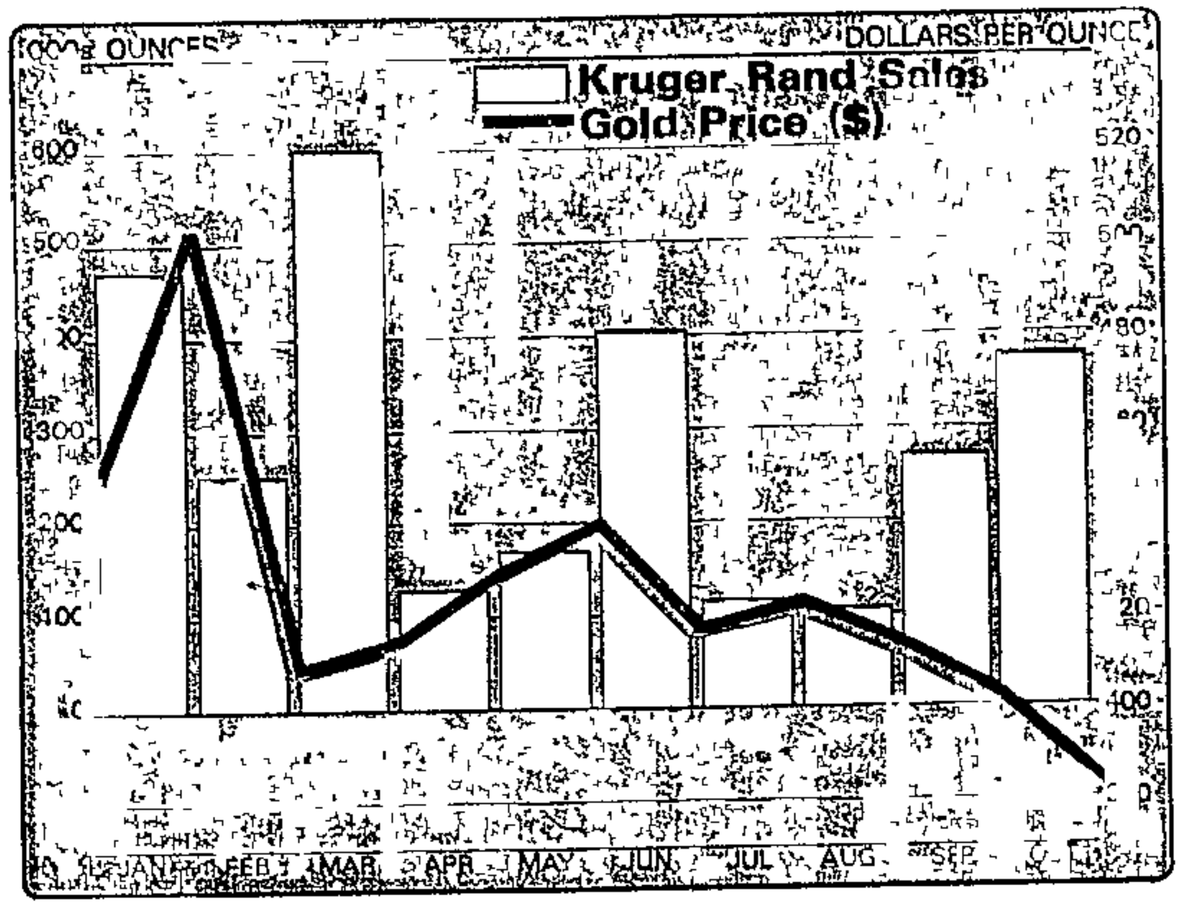

Gold has taken a tumble in the past two months — but Krugerrand sales have done well worldwide Intergold, the marketing arm of the Chamber of Mines, says that the physical demand for gold in the main international centres is firm, helped by a belief that the lower price gives good buying opportunities. For full story — See Page 5.

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They add. "While private domestic consumption expendi-

He vigorously defends the OK's management and says the group is the best-run retailing organisation in South Africa.

Winter sales were traditionally an important factor for retail operations and the combination of reduced disposable incomes and the mild winter were the main elements behind the slump at Edgars and the OK.

The group has recovered completely from what he describes as the traumatic times earlier this year when former SAB managing director, Mr Dick Goss, resigned in the wake of a shuffle in the group's shareholding, which left the Premier Group with an effective controlling interest of about 34% in SAB

"Peace reigns supreme and morale is high," says Mr Kahn

COMMENT: It is difficult to conceive that SAB might reduce its earnings, but the sheer force of the drought conditions, coming on top of the extremely deep recession, has left nobody unscathed. It would be naieve to expect a group as dependent on consumer spending as SAB to weather the storm without showing any scars.

SAB has cut its workforce by about 10% over the past year and this figure is common among major employers throughout the retail and nu-

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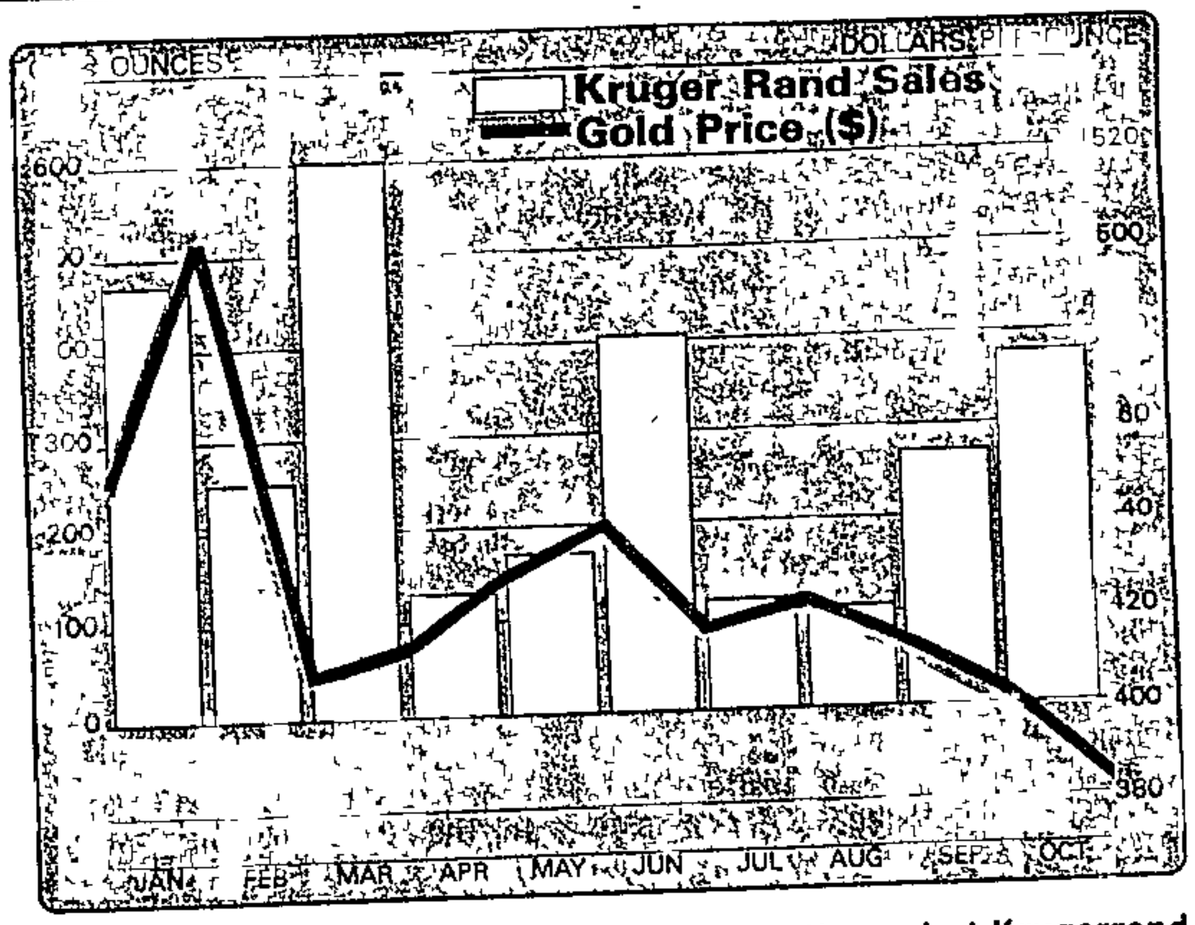
"We can't hope to achieve a volume improvement of 5% for the whole year, but we are now aiming for a 5% increase in the second half, which should give us a 3% to 4% improvement for the year"



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The directors note in the interim statement that private consumption expenditure declined in real terms by an estimated 1,2% during the six months to September.

They add "While private domestic consumption expenditure is a key determinant of group activity, conditions in the mass consumer markets have been particularly depressed and trading has been highly competitive.

"Against this background the group contained the decline in earnings for the first half of the year to just over 12%."

Turning to the OK Bazaars, Mr Kahn rejects the suggestion that the OK lost market share by sticking to traditional merchandising strategy

He vigorously defends the OK's management and says the group is the best-run retailing organisation in South Africa

Winter sales were traditionally an important factor for retail operations and the combination of reduced disposable incomes and the mild winter were the main elements behind the slump at Edgars and the OK

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SAB has cut its workforce by about 10% over the past year and this figure is common among major employers throughout the retail and numerous industrial sectors.

SAB is in good shape. The gearing ratio at the end of September was 0,55 — unchanged from March.

This is attributed to tight asset management and the effect of lower investment in hire purchase debtors.

At yesterday's 715c SAB is on a prospective dividend yield of 4,9%. Given the gloomy outlook for at least the next six months, there will probably be cheaper buying opportunities later on

182

SA BREWS

Sobering times

For years beer sales have provided SAB with a steady source of real income growth But in the six months to end-September, even the beer division went flat Earnings for the beverage division declined by 11%, with beer volume rising by barely 1%, after 9% growth last year and 21% the year before.

This slide in the group's mainstay operations is particularly disappointing to shareholders who may have hoped that beer's usual sparkle would help counter the dismal results from major retail subsidiaries OK Bazaars and Edgars

All the group's interests have suffered because the sharp decline in private consumption expenditure by about 1,2% (in real terms) during the six months under review It seems, however, that the collapse in black spending — a major element in the department chains' problems — is now also draining away beer profits With black consumption accounting for some 70% of total beer sales, even this market had to become vulnerable sooner or later.

The contribution of non-beverage interests to the SAB's total attributable earnings declined by nearly 15%, and it is clear that these areas remain particularly sensitive to the recession Group earnings were consequently down 12,6%, though the interim dividend was maintained.

Group MD Meyer Kahn believes that conditions will probably remain depressed until well into calendar 1984 While performance is expected to be better in the year's second half than in the first, the full year's earnings will probably fail to match last year's effort, he adds.

SA BREWS' BREW

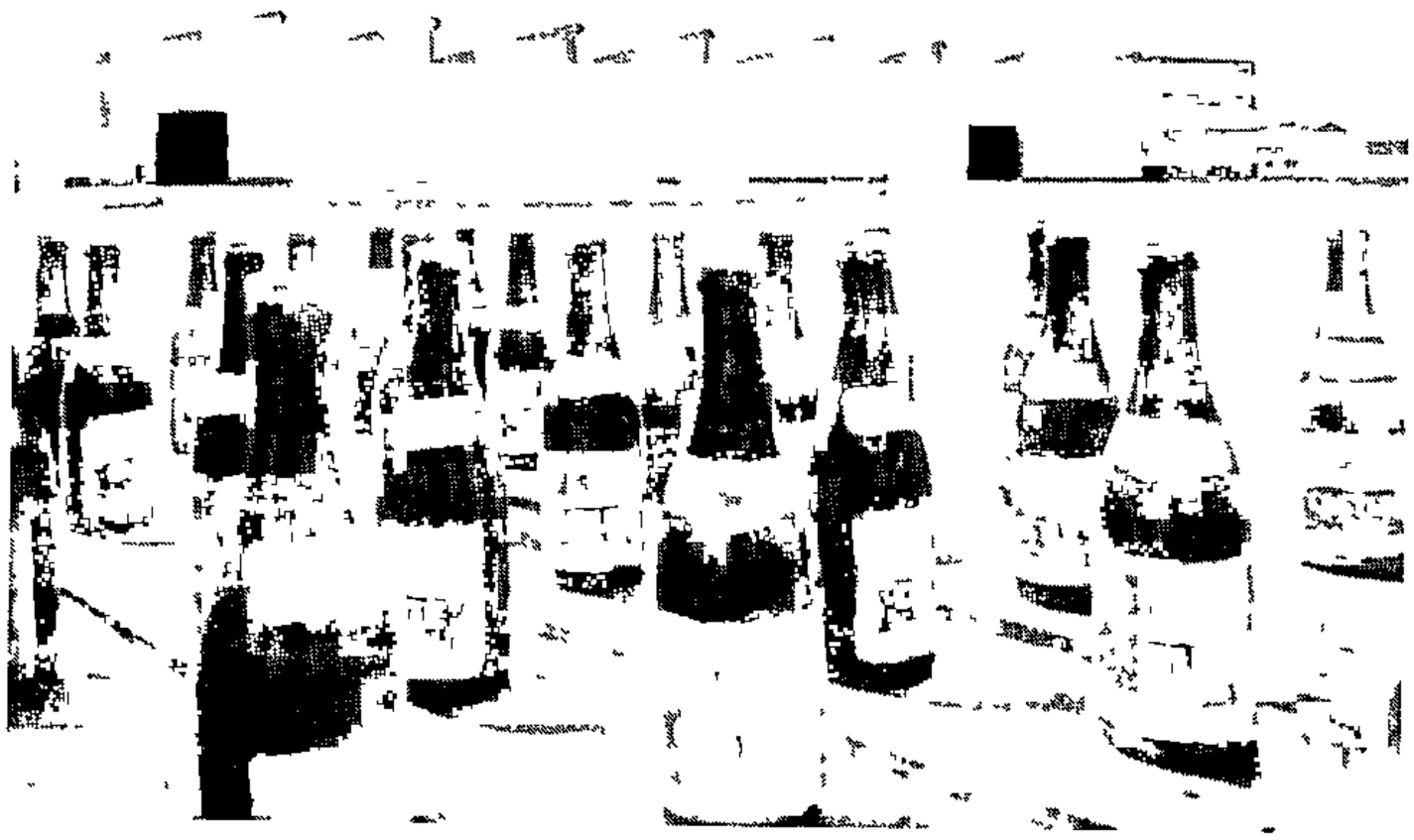
Six months to	Sept 30 '82	Mar 31 '83	Sept 30 '83
Turnover (Rm)	2 010	2 332	2 203
Attributable profit (Rm)	78,3	120,0	68,7
Earnings (c)	30,9	47,1	27,0
Dividend (c)	10	25	10

The problem in the second half is that several important divisions included in the non-beverage interests could be set for considerably lower dividend distributions, for Edgars it is a certainty And OK Bazaars and Southern Sun will be challenged to hold their dividends

However, SAB's entire non-beverage interests contributed only 46% of overall group profits last year. Much will depend on the durability of beer sales in the next six months The present predominance of the black market has never been so high during a recession of this depth and duration The market's vulnerability is therefore something of an unknown quantity.

Provided that the contribution from beverages does not decline dramatically, which looks unlikely, the second-half retreat will probably be fairly modest. With this in mind, there is no reason to suppose that the final dividend will be threatened Assuming the payout is maintained, the dividend total this year will be a 35c payout, giving an historic and forward yield of 4,9% at the current share price of 715c The sector average is 5,2%, and SAB's premium rating still seems well justified.

Andrew McNulty



SAB's Castle ... shakier market foundations

(182)

Govt clamp on Scotch urged

RDM 12/11/83

CAPE TOWN — Competing interests in the wine and spirits wholesale trade have taken the uncommon step of banding together to ask the Government to impose price-related controls on the import of Scotch

In a joint submission to the Board of Trade and Industries, the Cape Wine and Spirit Institute, representing the major wholesale producing merchants and the South African Wine and Spirits Importers' Association (Winespin), have called for the introduction of an impost similar to the EEC's system of reference prices as a deterrent against dumping

The Board of Trade was instructed by Dr Dawie de Villiers, the Industries Minister, in March to investigate complaints of unfair competition from keenly priced imports of largely non-proprietary brands of Scotch. Many of these retailed in recent price wars at levels on or below the price of SA-produced brandies.

Under normal trading conditions, Cape brandy is about 25% cheaper than most brands of Scotch

EEC governments responded sharply to the announcement of the investigation and warned against steps to raise barriers against EEC wine and spirits exports

They said the matter should not be viewed in isolation from the overall trading interests of South Africa and Europe

A report is not expected until early next year.

The Board of Trade is unlikely to take a favourable view of the joint submission of the two wholesale organisations Although their members compete they also have interlocking interests. Most are both major importers and wholesale producing merchants

'Record year but all not rosy for wine industry'

ARGUS 15/11/83

Dr André du Toit

Tygerberg Bureau

WINE production this year reached a record of 9,1-million hectalitres at 10 percent volume, thanks to abundant rains in 1982 and a relatively disease-free growing season, the chairman of the KWV, Dr André du Toit, said today

He told the KWV's annual conference in Worcester this did not, however, make the picture of the South African wine market rosy

Like 1982, 1983 had been "an exceptional year", said Dr du Toit, who retires next year after 31 years with the KWV

Imbalance

"For the second consecutive year the crop has considerably exceeded the estimated long-term average"

But higher yield and surplus increase resulted in an expected increase of only three percent in the total payment to producers compared to last year

In spite of an improvement in wine-product sales, an imbalance between production and demand remained

Because of its stabilising function, the KWV had to build up large stocks of spirits, but sales, especially of brandy, remained stagnant

Dr du Toit said he regretted that "a semi-official opinion" after harvesting suggested that the 1983 crop could be inferior to previous years

"It is a great pity that such opinions are voiced prematurely It has already been published in overseas wine journals and it could create problems for marketing overseas

"The wine crop has been thoroughly evaluated at different wine shows — 1983 has again provided a good variation of excellent, good and average wine"

For the future South Africa had to take into account instability, large supluses and pressure on price in the international market

Concerned

"We are faced with fierce competition overseas and we cannot realistically expect to make significant breakthroughs Yet there is progress and we expect an increase of approximately 10 percent in 1983"

Dr du Toit was concerned at the broadening of the price spectrum at which imported natural wines are being offered on the local market

"Imported wines have a place in the Republic It is good for the market and stimulates the consumer

"During the past few months, however, imported wines were offered tax-paid to dealers and at lower prices than the prescribed minimum price for packaged wine applicable to all co-operatives

First signs

"The first signs of emergency sales of surpluses are thus already with us

The sales of natural wine at unnaturally low prices on the South African market should be resisted

He called for "greater understanding and response from authorities" on taxation of brandy and fortified wine sales, the structure of which had "exceeded saturation point"

Fruit juice pioneer hits at competitors

W/E ARGUS 19/11/83 (182)

By AUDREY d'ANGELO

APPLETISER — the pioneer unsweetened fruit juice producer — has slashed the price of Liquifruit in a bid to recapture its lost market share.

But supermarket executives fear that if SA Breweries-backed Liquifruit is too successful, it could push out the opposition and dominate the market

Liquifruit prices have been cut by more than 20 percent forcing independent competitors Ceres Fruit Growers and Fresh-up to cut theirs

Mr Guy Hallowes, managing director of the Appletiser Company, which makes Liquifruit, said the price cut was to encourage growth in this segment of the market, which had been "almost static" this year

He estimated the market in this country at 200-million litres a year, worth R150-million

He said it had failed to grow much this year and he considered this partly the result of the recession and partly because people thought the price high

No date had been fixed for the price-cutting promotion to end

Resources

Mr Alan Baxter, senior buyer for Pick'n Pay in the Western Cape, said "The market is not static, it is growing

"Liquifruit has 75 percent of it which should be enough to satisfy any firm

"By cutting its prices to this extent it is making it difficult for its smaller competitors to stay in business

"Appletiser belongs to South African Breweries and has its immense resources behind it, while Ceres Fruit Growers is just a farmers' co-operative

"It will not be healthy for the consumer if South African Breweries gains a monopoly in the unsweetened fruit juice market, as it has in beer

"We are supporting the smaller firms by giving their products equal prominence and shelf space"

A senior executive in another supermarket chain said "My figures show that the market for unsweetened fruit juices has been growing

"It seems that Liquifruit has cut prices by this amount in order either to increase its market share to such an extent that competitors will never catch up, or to make it unprofitable for them to stay in business"

Grape juice

Meanwhile, he said, the price drop had caused a tremendous increase in sales "One of our stores which normally sells 30 cases of unsweetened fruit juice a week sold 250 last week

"Customers clearly see 68c a litre, which is the lowest we have had for 18 months, as a very good price"

KWV is planning to enter the unsweetened fruit juice market indirectly by selling grape juice to manufacturers

But it has no plans at this stage to sell directly to the public

A spokesman said "Our research shows that the market for unsweetened fruit juice is bigger than that for wine and has a tremendous potential

"We are hoping to sell grape juice to all manufacturers

"We have not thought of entering the market directly because we have not got the organisation for that"

Mr Christoff Louw, assistant general manager of Ceres Fruit Growers, said farmers had invested R2-million in plant and buildings last year after research had shown there was a large and growing market for unsweetened fruit juice

The market had grown 10 percent this year, in spite of the recession, and he was sure there was room for several manufacturers

Ceres Fruit Growers had cut prices by 15 percent but could not go lower, to match Liquifruit, without losing more than it could afford

Rennies looks at the beer business

S. TIMES (182) 27/11/83

By Don Robertson

RENNIES is investigating setting up a brewery in competition with SA Breweries, says chairman Charles Fiddian-Green.

In an interview with Business Times, Mr Fiddian-Green said his company was having a close look at the R1 200-million-a-year beer business.

If it decided to go ahead, he said, it would be able to draw on the massive financial muscle of Old Mutual, Rennies' 75% parent.

"We are in the liquor business and it is only natural for us to look at the beer market — which we are doing."

He added that, while no final decision has been taken, "we have looked at the market for the past 18 months".

"One thing is certain If we do decide to go ahead with the project, we would not make the mistakes the others have made"

Mr Fiddian-Green said Rennies and the Old Mutual had been working together successfully since Old Mutual acquired its 75% stake in Rennies this year

"The benefits of our association will be seen in the next year.

"Strategies are being defined and, if brought to fruition, will take Rennies into the major league of businesses in South Africa"

Rennies' investigation of the beer market is further evidence of a growing rift between Old Mutual and Barlows on one side and Anglo American, Premier, Liberty and SAB on the other.

This started after Old Mutual steered Tiger Oats into Barlows, thus angering Anglo American, and was aggravated when control of Premier went to a consortium including Anglo, JCI and Liberty Life.

Mighty SA Breweries is today an unchallenged monopolist in beer after dealing devastating defeats to, in turn, Whitbreads of the UK, Louis Luyt and Rembrandt, whose Intercontinental Breweries went into SAB two years ago

In Rennies' favour is its close association with Dick Goss, previously chief executive of SAB.

He is now chairman of Sun International, in which Rennies has a 37,5% stake.

Mr Goss was not available for comment.

Ken Williams, head of the beverage division at SAB, says "We have not changed our view that competition is good for us. The last beer war, remember, increased beer's share of the total liquor market."

Rumours boost Rennies shares

182

Star

By Duncan Collings
Deputy Financial Editor

10/12/83

Is Rennies about to announce a major expansion plan, possibly involving its long-rumoured entry into the local beer brewing market?

Certainly the stock market thinks so, and this week it's been putting its money where its thoughts are.

The share price rose from 1250c at the beginning of the week to 1500c yesterday — a rise of 20 percent — on strong rumours that an announcement from the company is imminent.

Mr Charles Fiddian-Green, chairman of Rennies, is overseas until the middle of this month, while vice-chairman Mr Ted Steyn is away in Botswana until Monday Other Rennies' executives were not available for comment yesterday.

But with Mr Fiddian-Green away it would appear unlikely that any announcement will be made for a week or so.

Mr Fiddian-Green, however, recently confirmed that his group was investigating the possibility of setting up a beer brewery in opposition to SA Breweries as an obvious extension of the group's liquor business.

FINANCIAL MUSCLE

And he has often said this year that he would like to see Rennies expanding into other areas after the change in parentage earlier this year with Old Mutual taking over from Hong Kong's Jardine Matheson and the tie-up of the group's casino interest with Mr Sol Kerzner's, Sun International

With its new parent, the group is certainly not lacking in financial muscle to move into virtually any field it chooses

Beer brewing is an obvious choice where it would have access to Mr Dick Goss, previously supremo at SA Breweries and now chairman of Sun International

While it is unlikely that he would take an active part in any beer brewing activity set up by Rennies he would be able to guide the company through the minefield where so many of those who dared take on SAB have fallen before.

But beer manufacture, while the most likely, is not the only expansion route open to the group

With its shipping, transport and security, travel, insurance, and manufacturing interests the choice of expansion is virtually limitless and would be restricted only by finding a potentially profitable activity which would compliment one of its existing operations

9

Business Day

(182) RDM 15/02/83

Farm machines warning

Financial Reporter

AGRICULTURE has welcomed the scrapping of price control on farm machinery, implements, equipment and spare parts.

Dr Dawie de Villiers, Minister of Industry, Commerce and Tourism, warned in a statement at the same time that a careful watch would be kept on prices

The abolition was announced in Pretoria yesterday on the recommendation of the Competition Board

Dr De Villiers said the position would be closely watched to ensure that manufacturers, suppliers and distributors adjusted prices responsibly

Prices would be determined mainly by market forces but he would "introduce suitable measures" if there were abuses

Dr De Villiers also said restrictive practices and abuse of economic power could bring action under the Maintanance and Promotion of Competition Act

The deputy director of the SA Agricultural Union, Mr J F van der Merwe, said his organisation broadly welcomed the abolition of price control There had to be, however, enough competition to ensure prices were kept down to reasonable levels

A National Association of Maize Producers' Organisation (Nampo) spokesman, Dr J P F du Toit, also welcomed the announcment

Scrapping price control was in line with the Nampo's view that prices of all agricultural requisites should be market-related He welcomed, too, the Minister's undertaking that a close watch would be kept on possible abuses

SIMON WILLSON reports that Mr Bill Pascoe, chairman of the SA Tractor Manufacturers' Association, said the lifting of price control would have no effect on retail prices of agricultural machinery until 1985.

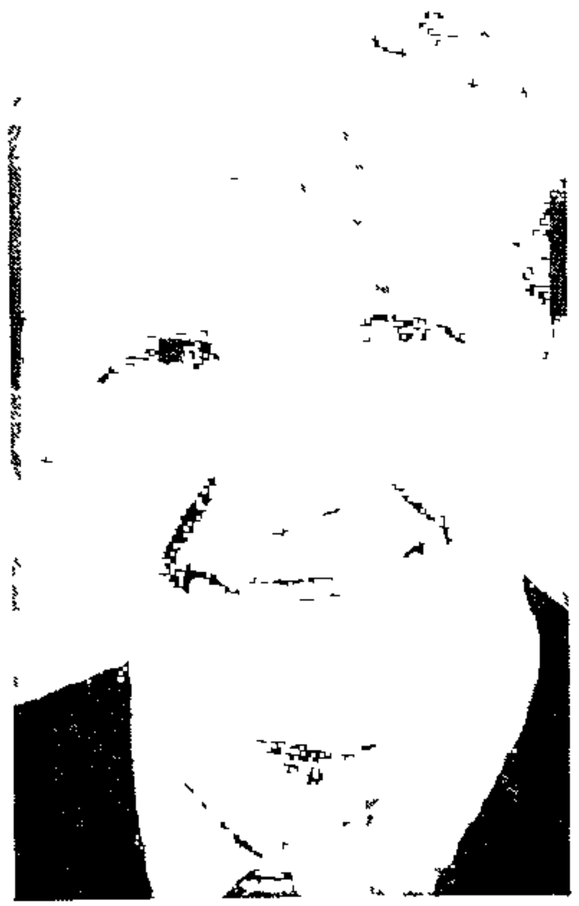
"From a convenience point of view the Government's move is welcome, because it removes the need for bureaucratic processing of pricing applications, but the effect on prices will be effectively zero.

"The agricultural machinery market has been so depressed for the past three years that manufacturers have not been in a position to mark up anything like their permitted margins

"There has been price war, overtrading and price-cutting for so long that nobody thinks any more of increasing prices to see what the market will bear."

Mr Pascoe said the market was unlikely to improve before the third quarter of next year with its performance depending largely on the next maize crop

"With the harvest starting in April the farming community should start receiving cash from July or August If the present climatic conditions persist everything should be wonderful Farmers are so deeply in debt that there will be little difference in spending power until 1985."



DR DE VILLIERS

SAB keeps beer prices well below inflation

Mail Reporter

CONSUMER Mail's annual survey of Christmas liquor prices, published yesterday, did South African Breweries a serious injustice by blaming it for the average 13% increase in retail beer prices since Christmas last year

In fact, SAB has kept its beer price increases well below the inflation rate for the last six years

The liquor survey implied that because SAB was a monopoly and faced no competition it was able to exceed the inflation rate. This is incorrect

The fact is that SAB last increased its prices on February 28, 1983 by an average of 6,8% — almost half the existing rate of inflation

The biggest seller, the 750 ml returnable, increased by only 5,1%

The survey also claimed that the beer price rise was the only one above the inflation rate Later, however, it was made clear that wine prices had risen by 17%, 4% more than beer.

SAB has no control over retail prices.

The Rand Daily Mail apologises for its error.

● A mistake crept into the table of liquor prices The price of Tia Maria 700 ml at Magnum was quoted as R14,99 (the litre price) instead of R9.49 When that adjustment is made, Magnum rises from third to second place in the economy stakes for a mixed lot of selected purchases

MANUFACTURING — BEVERAGES

1984 — 1985

15/1/87 S. Times

Fruit juice goes to war

182

By Angus Macmillan

FRUIT-juice manufacturers are battling to lift their share of the R140-million a year market.

Supermarket and shop sales were worth about R60-million last year, and the balance came from fast-food outlets and household deliveries by dairies. Major weapons in the war are the introduction of new brands and packaging, cut prices and advertising.

Dairies and Appletiser Pure Fruit Juices are market leaders in containerised juices, but their dominance is threatened. According to Nic Pieterse, National Co-operative Dairies marketing manager, dairies have about 30% of the market.

Other major competitors are Bromor Foods, Ceres Fruit Growers Co-operative, Willards, Stellenbosch Farmers' Winery and Carnation

Appletiser managing director Guy Hallowes dismisses as lunacy accusations that his company has a monopoly Liqui-Fruit and Fruitree are in the Appletiser stable. "However, we are the only company solely involved in fruit-juice production and we have been innovators all along."

Marketing director David Lavelle says that some competitors have "ridden on the back" of Liqui-Fruit, which was introduced in sterilised carton form in 1976.

But competitiors say that SA Breweries-controlled Appletiser is aiming for a stranglehold on the long-life juice market in particular through a campaign called Nutcracker.

Last year Ceres added flavours to its juice list, there was a strong push from Clover and Dairy Belle, and an entry from SFW.

Perhaps the most significant was Bromor's Capri-Sonne launch in November. Capri-Sonne is a fruit nectar supplied in a 200 ml pouch. Bromor spent R4-million on imported packaging equipment and marketing support for its franchise from German-based Wild International.

Bromor's national marketing manager Paddy Walker says: "We are aiming for 10% of the 200 ml to 250 ml carton market this year." Bromor is a Murray & Roberts subsidiary.

Coca-Cola men suspend strike as talks resume

Star 24/1/84 182

Workers at three plants of the Coca-Cola Company suspended their wage strike this morning, management said, and talks with the Food Beverage Workers' Union (FBWU) have resumed

A spokesman for the company said although the one-week strike by 1 200 workers at the Reef, Devland and Benrose plants had not been permanently called off, it had been "discontinued", with workers resuming duties while negotiations were underway

Workers decided at the weekend to continue their strike in support of the FBWU's wage increase claim of 25 percent Management has offered 17,5 percent Coke workers received their last increase of 10 percent in April

"Our present offer would bring the minimum entry wage up to R443 a month which we think is as fair as you'll find," the company spokesman said

Comment from the FBWU was not available at the time of going to Press

Second stoppage at Coca Cola

ABOUT 1300 workers employed at the Coca-Cola Bottling Company's four plants went on strike for the second time yesterday in support of wage demands.

By JOSHUA RABOROKO

The strike follows a deadlock between management and the Food, Beverage and Allied Workers' Union on Friday when management offered a 17½ percent increase which was rejected by the union demanding 25 percent

The workers said that they were not happy with the offer management was making and they threatened not to return until their demands are met

Late yesterday it was disclosed that talks would resume today between worker representatives and the company Workers would go back to work as talks continue

Meanwhile, over 250 workers employed by OK Bazaars stores at Randburg, Brixton and Pleygory yesterday went on strike in sympathy with the 300 sacked workers at OK-Hyperama in Sandton

OK's Industrial Relations officer Mr Keith Hartshorne said that workers downed tools in the morning and management was hopeful that the workers will return to work today

Management has already started to recruit new members at Sandton, according to a spokesman yesterday

The Bophuthatswana Government has dropped another bombshell by banning two more unions — The Commercial, Catering and Allied Workers' Union and the National Union of Mineworkers — from operating in the territory.

The two unions received letters notifying them about the ban and already about 400 miners at Ucar Mine-

BOPHUTHATSWANA PRESIDENT MANGOPE Unions banned

MRS EMMA MASHININI. Her union banned in Bop.

rals in Brits staged a two-hour work stoppage in protest against the move

NUM's general secretary Mr Cyril Ramaphosa said that the workers returned to work following discussions between management and the shopstewards

In another move, the Fosatu-affiliate Metal and Allied Workers' Union (Mawu), is threatened with a ban following the arrest of its organiser for tresspass in the "homeland" recently

Bophuthatswana recently banned the South African Allied Workers' Union — the second ban on the union after Ciskei had imposed a similar action — amid widespread anger from trade unionists and community-based organisations in the country

Several unions and organisations, including Fosatu, Cusa, Saawu, Ccauwsa, Motor Assemblies and Components, Allied Workers' Union and the Azanian People's Organisation, say to see the ban as an attempt by so-called "independent states" to stifle union activities in these territories and impose "puppet institutions" to represent workers

A letter to Ccawusa and signed by Bophuthatswana's secretary for Manpower and Co-ordination, Mr E V McCormack, says neither Ccawusa or any other trade union or employer's organisation, being unions or organisations of another country, are permitted to operate in Bophuthatswana

Johannesburg: proposed robbery

*6 Mr P G SOAL asked the Minister of Law and Order

(1) Whether any member of the South African Police received information concerning a proposed robbery at a branch of a commercial bank in Southdale Johannesburg, in September 1984, particulars of which have been furnished to the South African Police for the purpose of the Minister's reply, if so, (a) what was the rank of the person who received the information, (b) when was it received and (c) what was the name of the bank concerned

(2) whether the South African Police considered (a) setting a decoy for the alleged thieves and (b) taking any other action as a result of the information received, if not, why not, if so, (i) why was the setting of a decoy considered and (ii) what other action was (aa) considered and (bb) taken in this regard,

(3) whether a certain person, whose name has been furnished to the South African Police for the purpose of the Minister's reply, was approached by the police to act as a decoy, if so, (a) why and (b) what was the name of this person, if not,

(4) whether this person volunteered to act as a decoy, if so what were the circumstances surrounding his volunteering to do so,

(5) whether this person's relatives were informed of the possible dangers of the operation, if not, why not, if so, (a) in what manner and (b) what was their response,

(6) whether any precautions were taken by the South African Police during the decoy operations; if not, why not, if so, what precautions

(7) whether any persons were arrested as a result of the operation; if not, why not, if so, how many,

(8) whether he will make a statement on the matter?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) A lieutenant

(b) At 12h00 on 27 September 1984

(c) Volkskas Bank

(2) (a) Yes

(b) No, because no other preventive measure could be taken timeously to prevent the crime

(i) Because the police are in terms of section 5 of the Police Act No 7 of 1958, responsible for the prevention of crime

(ii) (aa) and (bb) Fall away

(3) No

(4) Yes The person concerned was the regular driver of the vehicle in which the money is being transported to the bank and not to rouse suspicion he insisted on participating in the police action

(5) No, because the person concerned decided himself, against police advice, to take part in the police action

(6) Yes, he was provided with a bullet-proof jacket and a fire-arm Apart from the deceased the vehicle in which the money was transported was manned by an officer and two members of the murder and robbery squad, while two members in civilian dress followed the vehicle on a motorcycle A number of members took up position in strategic places in the vicinity of the bank

(7) No, because the robber was fatally wounded

(8) No, except to express my condolences with the family of the deceased

(182) Hansard Q. 601.53 12/2/85

Sorghum beer industry

*7 Dr M S BARNARD asked the Minister of Co-operation and Development

Whether, with reference to his reply to Question No 7 on 11 May 1984, a final report on the sorghum beer industry has been submitted by the committee investigating the question of the privatization of the sorghum beer interests of the Development Boards, if not, (a) why not and (b) when is it anticipated that it will be submitted if so (i) when was it submitted and (ii) what were the findings?

†The DEPUTY MINISTER OF DEVELOPMENT AND OF LAND AFFAIRS

(i) Yes On 4 February 1985

(ii) To give effect to the Government's declared policy in regard to free enterprise, the optimum privatization of the sorghum beer industry is recommended

Even before it's final report was received the Committee submitted recommendations to the Government upon which a decision was taken and in respect of which the Minister issued a statement on 2 October 1984

The essence thereof is that the privatization of the industry will take place over a period of three years so that, during that period, suitable alternative sources of income for the Black local authorities can be found In the mean time this important source of income will be retained for local authorities, to be used in the interest of Black communities

Hansard Q. 601.53 12/2/85

Classified computer data

*8 Mr P R C ROGERS asked the Minister of Defence

(1) Whether the South African Defence Force (a) is investigating or (b) has investigated a claim by branch of a certain organization, particulars of which have been furnished to the South African Defence Force for the purpose of the Minister's reply, relating to access to classified South African Defence Force computer personnel data, if so, (i) what is the purport of the claim, (ii) what are the names of the branch and organization concerned, (iii) who is carrying out or has carried out the investigation, (iv) when did the investigation commence and (v) when will a final report be available, if not, why not,

(2) whether the South African Defence Force intends to investigate this claim, if not why not?

The DEPUTY MINISTER OF DEFENCE

(1) (a) Yes

(b) No

(i) A Report in the *Sunday Times* of 27 January 1985 in which it was alleged that the organization concerned, had access to the SA Defence Force's computor

(ii) The Paratuswagpos of the Ruiterwag

(iii) Two senior officers of the SA Defence Force

(iv) 1 February 1985

(v) This will depend on the extent of the investigation

(2) Falls away

†Mr S P BARNARD Arising from the reply of the hon the Deputy Minister, would he tell me whether he was then still a main "*ruiter*"?

†The CHAIRMAN Order! The question is not permitted

Rosslyn plant brews up better tax deal for SAB

(182) Star 14/2/84

By Peter Farley,
Investment Editor

South African Breweries could well confound the sceptics when results for the year to March 31 are announced in a couple of months time

The backbone of this improvement, after a near 10 percent earnings fall at the halfway stage, is expected to be an improved performance from beer division and benefits flowing through from capital expenditure in the same operation

Although beer sales were slightly ahead in the first six months, demand was reportedly above expectations in November and December In addition, January sales were surprisingly strong, at a time when most expected a sharp fall-off

But the benefits from the capital expenditure programme at Rosslyn are expected to have the biggest impact on bottom-line earnings

The new R280 million brewery north of Pretoria is due for completion in the next eight weeks Commissioning of the second and final phase of the plant has already started, with the first beer from the second production line out about two weeks ago

But the brewery is unlikely to use its full capacity until some two to three years hence The first line accounts for 30 percent of output, and that is currently running at about 90 percent capacity Utilisation of the 70 percent balance will take place gradually over the next couple of years

However, in order to start generating the substantial tax benefits the project qualifies for, the commissioning is taking place as quickly as possible The plant has been financed under the suspensive sale scheme, which, because plans were drawn up before legislation changes in late-1981, also enables it to capitalise interest charges as initial and investment allowances

This is likely to result in a zero, or near-zero, tax obligation for beer division for at least the next two years But, in order to minimise the impact of any one-off tax reduction, the benefits will be spread over around five years

While the suspensive sale which has been structured over a 20 year leaseback deal, will ensure further benefits over a prolonged period

As the interest capitalised on the plant and equipment was probably conservatively estimated when plans were drawn up some three years ago, the actual impact now will probably effect a net negative interest rate and reduce the average cost of overall borrowings.

Apart from tax benefits, this also allows for the project to easily pay for itself out of profits generated The life of the plant at the Rosslyn brewery is conservatively estimated at around 20 years Thereafter either substantial replacement or extensions will be necessary

The first phase at Rosslyn was commissioned in the second half of 1982 and tax benefits from this aspect have assissted in bringing SAB's tax rate down since then, to around an effective 35 percent at the end of this year's first half

But with the second phase representing more than two thirds of capacity the benefits will be far greater from now on. However, the overall effective rate will only decline by a small extent, though actual payments to the receiver will be down

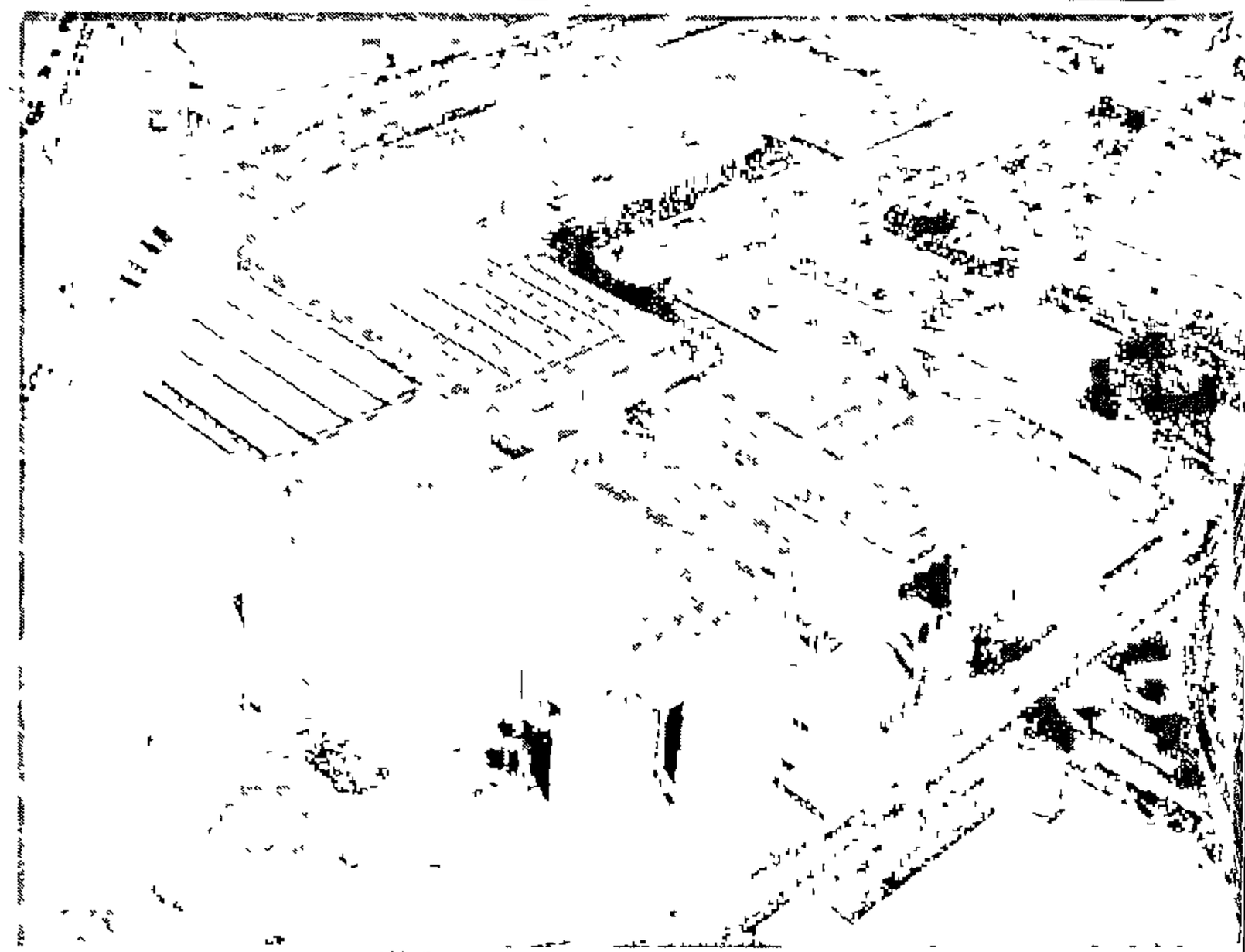
The combined impact of these benefits from beer division could well be sufficient to ensure an at least unchanged bottom-line for the full year

However, there is thought to have been no marked improvement in other trading areas, with OK Bazaars, Amrel, Afcol and aspects of Edgars still suffering from the downturn in consumer spending

Southern Sun, which reported a slight dip in earnings at the interim stage is also thought to be back course for a full year improvement

While occupancies are depressed in some centres, Cape Town and Johannesburg have been constantly strong The addition of both the Cape Sun, and, to a lesser extent, the Sandton Sun may also enhance an improved payout

Overall, the group is still facing a tough year in all markets But even if the benefits from beer division are outweighed by negative factors elsewhere, they should at least cushion the blow



South African Breweries, R275 million brewery at Rosslyn is nearing completion, with commissioning of the final phase now under way.

400 down tools

RDM 16/2/84 182

ABOUT 400 workers of the Dairymaid ice-cream factory in Olifantsfontein are out on strike in protest against alleged assaults on colleagues

Workers downed tools on Tuesday when a dispute between them and management about a supervisor, Mr Kallie Gastrom, ended in deadlock

Workers alleged that Mr Gastrom assaulted several workers with a sjambok and have refused to return to work under his supervision

The dispute was sparked off last week when 15 labourers went on strike in protest against an alleged assault on one of their colleagues They returned to work when management agreed to discuss the matter with representatives of the Food Beverages Workers Union

Workers went on strike again on Tuesday when management failed to take action against the supervisor

Workers have demanded Mr Gastrom's dismissal or transfer

A company spokesman, Mr A Rhyn, said yesterday the workers had dismissed themselves when they went on strike He said new staff were being appointed, but discussions were taking place

He denied the allegations of assault and said disciplinary action had been taken against Mr Gastrom earlier He said the matter was not as serious as assault

The workers were outside the factory gates yesterday Four armed policemen were also present

The union representative, Mr Glen Mokwena, said yesterday the union was negotiating an agreement with the company — Sapa

(182) RDM 1/3/84

Wine imports ferment grapes of wrath

Wine from the cask . . . prices of smaller casks produced by major wine merchants suggest profits of more than 100%.

By MICHAEL FRIDJHON

THE liquor industry is awash with rumours about the implementation of a system to control low-priced imports of wines and spirits.

The proposed reference price would be an estimated minimum production cost in South Africa for the equivalent commodity. Any imports below this would be presumed to be subsidised sales and subject to an additional duty

The virtue for the government of a reference price system is that it probably does not contravene the spirit of Gatt, which does not allow dumping

The question is whether an estimated local cost of production is a valid benchmark for assessing whether an imported item enjoys subsidies or is exported below cost

It has long been argued that the inefficiencies of the local industry, together with the problems of monopolies and oligopolies in the glass, packaging and transport sectors, have grossly overinflated costs

Add to this the virtual monopoly among big liquor producers and there is no incentive to constrain production costs Recently the major merchants launched wines in foil-lined 500ml and 1l cartons at prices which suggest gross profit margins in excess of 100%

Demand has not been spectacular and retailers could import wines packed in a similar way to retail at below the local wholesale price

If imported liquor has been gaining a foothold the reason may be due to local problems and attitudes

In this case, the reference-price system would provide no guarantees against overseas subsidies — but simply permit local merchants to entrench their inflated prices as the basis for all calculations

Examination of import statistics suggests that local producers are seeking a scapegoat for their own overproduction problems The 1983 harvest was 9,1-million hectolitres The official surplus declaration was just under 50%

If the demand for wine, fortified wine and grape spirit is correctly calculated, it can be shown that overproduction exceeds this amount considerably

Total wine consumption last year was about 190-million litres. In addition about 45-million litres of fortified wines (representing an unfortified wine equivalent of about 85-million litres) were used

Another 35-million litres of brandy were sold — for the production of which about 150-million litres of wine were used So it could be shown that the wine and spirit consumption for which grape production was necessary lies in the region of 425-million out of 910-million litres of wine produced

Legislation compels the producers of other spirits, such as gin, to use the more expensive grape spirit and by this method a further percentage of the total crop is taken up

The surplus, which will be carried forward from 1983, will be about 450-million litres Under these circumstances farmers must either acknowledge that they are overproducing or seek a scapegoat

What more logical victim than inexpensive imports?

Customs and Excise statistics for 1982 show that about 110 000 cases of wine, at an average FOB price of R2,50, were imported Some of this wine was re-exported to neighbouring states but, even assuming it was all consumed domestically, this figure represents only about 5% of the top-end of the market

As a percentage of the total domestic wine market, imports account for just over 0,5% of consumption and about 0,1% of production. Eliminating this kind of competition would make a 0,1% contribution to our overproduction problems

All wine imports are subject to extensive bureaucratic scrutiny, partly to protect consumers from being poisoned by products as inferior as many local wines, but also to harass importers and overseas principals.

Whatever finally lands up in cellars satisfies a sector of the market for which either South African producers are not catering or for whom local supply is insufficient or erratic

The expected attack on these imports will provide the usual spectacle of the authorities attacking the manifestation of discontent instead of tackling the causes

Wine industry casts eye on black market

182 Star 8/3/84

PAARL — Another bountiful grape harvest threatens to submerge the wine industry in a surplus of spirits, and bottlers are trying to convert millions of blacks from beer to wine.

The 1984 harvest could produce more than 900 million litres of wine, about the same amount as in record-breaking 1983 and only slightly ahead of 1982.

But wine consumption is in a slump, with retail wine sales running at about half the annual crop.

Wine bottlers say there is not much room for growth among South Africa's 5 million whites and export prospects are not promising, so efforts are being made to turn more of the 22 million blacks into wine drinkers

That would amount to somewhat of a cultural revolution, since blacks all across Africa prefer beer

South African beer consumption has more than doubled since 1978.

Some blame beer price-wars and a surge in anti-white feelings for the sharp drop in demand for wine following the black riots of 1976.

Young coloureds registered their protest by refusing to drink wine, breaking the drinking habits of generations among the largest non-white group in the Cape

"If we can get black South Africans to drink wine, the problem will be solved overnight," said one industry spokesman, Mr Pietman Retief of the Oude Meester Group.

"But marketing for blacks is tricky. No black language has a translation for "matured", which is an important word for us Their equivalent is "old" or "rotten"

"Ten years ago, blacks drank millions of litres of a certain low-quality white wine. Then rumours spread that it affected your manhood. Sales dropped overnight"

"Our research showed that blacks like the taste of ginger," said Mr Jan du Preez, Oude Meester's wine promotion manager.

"Two years ago, we added ginger to a white wine and produced a ginger fizz. Sales went from zero to 24 million litres a year, at R1.20 a bottle"

Growers have asked Parliament to amend legislation barring the use of other flavour additives, like berries and peaches

The industry has been criticised by wine columnist Mr John Platter, who contends that South African pricing policies and over-planting of mediocre grape varieties like Chenin Blanc and Colombard have resulted in "a uniquely expensive way of producing a waste product" — industrial alcohol — Associated Press.

SA Brews braces to meet Rennies beer challenge

182

S. Times 11/3/84

By Alec Hogg

GIRDING its loins for the battle in beer against Rennies, SA Breweries has set up a divisional board of directors for the R1 000-million a year beer division

This, and the recent commissioning of one of the largest breweries in the world, has put its beer division in its strongest position ever.

From this month, SAB's R279-million brewery in Rosslyn is capable of full production It can supply 7-million hectolitres of beer a year — more than half SA's consumption of 12-million hectolitres

Top managers of the beer division have been appointed to the new board.

SAB managing director Meyer Kahn says "This puts the beer division on a par with all our other listed subsidiaries. It is motivational and they fully deserve it"

Lloyd first

Mr Kahn insists that the new division will not be listed separately on the Johannesburg Stock Exchange "We are emotionally attached to our beers and want 100%."

Last week Peter Lloyd became the first head of the beer division to be appointed to the main SAB board But Mr Kahn says there is nothing unusual in this "We have an informal agreement that when a chief executive is successful after three years he is appointed to the main board"

Rennies' share price has risen since it announced it was contemplating beer production This is strange because the last three companies which took on SAB lost more than R100-million before quitting.

Business Times believes that Rennies will market a new brand name, not a South African version of its imports Carlsberg and Tuborg

Mr Lloyd says SAB's experience is that the marketing cost of getting a brand established can run into millions of rands

A brewery to provide only 10% of the market involves a capital outlay of at least R75-million

18 months

It would take at least 18 months to build a brewery, and only months later would the first beer be sold A brewery like Rosslyn takes at least five years from the idea stage to production, construction alone lasting about three years

Any new beer would have to be directed at the black market Mr Lloyd says about 75% of beer is consumed by blacks

Rennies would also have to be prepared to carry a large loss until the brand had established itself

SAB's management insists that a competitor will be welcome. Mr Lloyd says "The last time we had a competitor, beer as a percentage of the total market grew We see ourselves as competing against all beverages, including wine, spirits and sorghum beer, so the bigger beer's share, the better it suits us"

Mr Kahn says "I have a simple philosophy I have the highest regard for all our competitors in every part of our business, and that's the best way to approach it But I can assure you that if Rennies comes in, we will compete aggressively. Nobody gives up market share on a platter"

□□□

COMMENT: History shows this is not mere talk Rembrandt, for instance, spent a fortune trying to get its brands into the market But when Rembrandt sold ICB it held 8% of the market.

The market has changed significantly since Whitbreads, Louis Luyt and Rembrandt made their challenges. The racial composition of the beer rand has changed significantly. TV2 and 3 and Bop TV offer new marketing channels, and with the advent of black-owned taverns and bottle stores in the townships, the distribution network may change.

Still, buying Rennies' shares in the belief that an announcement on beer is imminent could prove risky.

SAB's beer division board is under the chairmanship of Ken Williams. Former general manager Peter Lloyd is managing director

Other members are SAB chief executive Meyer Kahn, SAB financial director Selwyn MacFarlane, and beer division executives Tony Bates, Roger Crosby, Gert Goedhals, Joe Horner, Jack McCallum, Graham MacKay, Peter Savory, John Seton and Ted Turner.

The beer division is one of the biggest industrial concerns in SA, and ranks in the top 12 brewing organisations in the world.

120 workers removed in Ecab raid on factory

182 E. Post 28/3/84

By SHIRLEY PRESSLY

OFFICIALS from the East Cape Administration Board (Ecab) today forcibly removed about 120 black workers from the production lines of a softdrink factory in Harrower Road, Port Elizabeth, because were not in possession of their passes

A spokesman for SA Bottling Co (EP) (Pty) Ltd today confirmed that about 120 of the company's black employees had been removed by Ecab officials from their machines and arrested

The spokesman said the Ecab officials moved in at 5am and the operation continued until 6 30am

The workers were removed from the premises

A black security guard who was manning the gate to the factory premises was also taken away by the Ecab officials when he asked them to produce identification before he would admit them

The spokesman said the company believed the Ecab officials were taking the workers to their homes to fetch their passes

He said two of the factory's three production lines were out of operation and eight out of the company's 22 delivery trucks had not gone out because the drivers were in detention.

He said the Ecab officials had arrived at the time of the shift overlap when the day shift took over from the night shift.

"The company is very upset about this action and has undertaken to pay employees their wages for the time they have been detained and to pay the fine if there is a fine imposed on any of the employees"

The spokesman said the company was satisfied that all its employees were "legal" and permitted to be in the area

The Chief Director of Ecab, Mr Louis Koch, said Mr Gerhard van Wyk, chief labour officer for Ecab, had been trying for months to get SA Bottling to "put its house in order"

If the company had done so the raid would not have taken place

Mr Koch said a Mr Martin, who handled labour affairs for SA Bottling in Port Elizabeth, had failed on many occasions to keep appointments at Ecab to discuss the registration of labour at the factory

Records showed that he had again failed to turn up for an appointment on February 7

Mr Koch said that during November it was discovered that there was falsification of endorsements in the reference books of some black workers at SA Bottling and two black Ecab officials were charged

One was found guilty and the other was acquitted from lack of sufficient evidence Both employees were dismissed from Ecab

Mr Koch said that early this year SA Bottling asked for the registration of 20 contract workers from the homelands Ecab approved and recommended the attestation of their contracts But SA Bottling failed to register these 20 employees

Mr Koch said the attestation of contracts was not

● To Page 3

120 workers removed from factory in raid

E. Post 28/3/84

● From Page 1

sufficient. The workers also had to be registered

The onus was on the employer to register them within three days of the contracts being attested

Mr Koch said because Mr Martin had failed to keep appointments In view of the fact that Ecab had a problem with the company over a prolonged period it was decided that the only way to resolve the problem was to have a raid on the premises

Mr Koch said 109 people were arrested

He said 11 were unable to produce reference books even after they were taken to their homes, where they claimed their books were

They were liable to a fine and their employer as well They were held in custody and are expected to appear at Africa House tomorrow

He said nine workers were Section 10 cases who had no authority to be in the area They and their employer were liable to a fine

He said a further 16 workers were from the group of 20 contract workers whose contracts were attested but who had not been registered by the company

These workers were not held in custody and were taken back to the factory before lunch Their employers would be charged

A further 29 workers qualified in terms of Section 10 to be in the area but SA Bottling had failed to register them They were also taken back to work and not held in custody

A further two passbooks with falsified endorsements were found in the possession of two workers

Ecab officials arrest 120 at factory

PORT ELIZABETH — Officials of the East Cape Administration Board (Ecab) removed about 120 black workers from the production lines of a soft-drink factory in Port Elizabeth yesterday because they were not in possession of their passes

A spokesman for SA Bottling confirmed the employees had been removed and said the Ecab officials moved in at 5 a m and the operation continued until 6 30 a m

The workers were removed from the premises

He said two of the factory's three production lines were out of operation and eight out of the company's 22 delivery trucks were out of action because the drivers were in detention

"The company is very upset about this action and has undertaken to pay employees their wages for the time they have been detained and to pay the fine if there is a fine imposed on any of the employees"

The spokesman said the company was satisfied that all its employees were "legal" and permitted to be in the area

The chief director of Ecab, Mr Louis Koch, said Mr Gerhard van Wyk, Ecab's chief labour officer, had been trying for months to get SA Bottling to "put its house in order"

"Our raid was justified," said Mr Koch "It was not a spontaneous action and followed on the company's failure to co-operate" — SAPA

E. Post

Ecab's dawn swoop on bottling plant comes under fire

182

By SHIRLEY PRESSLY

THE dawn raid on SA Bottling at its plant in Harrower Road, Port Elizabeth, by the East Cape Administration Board yesterday, in which 109 employees were arrested, was a "hostile and most unnecessary act", according to a statement issued today by the company

Heavy-handed action like this was regrettable, said Mr Ian Bishop, divisional general manager of SA Bottling, who released the statement on behalf of the company today

In the statement, the company acknowledged that it had been negotiating with Ecab officials for the registration of 24 of its employees It believed it was co-operating conscientiously with Ecab "because no indication was given that we were in violation of their requirements"

Mr Bishop said Mr S Martin, the company's labour officer, denied breaking appointments with Ecab officials and, on the contrary, reported that postponements of meetings with Ecab officials were called for by them

"The actions taken by Ecab proved disruptive and caused the plant to operate to only 25% of its efficiency," he said

"The system of punitive and insensitive raids is part of a system that is condemned by the company"

The company said it would have been preferable for Ecab to resolve the matter with its senior management in the first instance This was not done and dealings had only been conducted at lower levels

"Surely in today's society there are other ways of solving problems

"Ecab could have, at any time, arranged to interview all employees at the plant without humiliating those concerned and disrupting operations"

● The General Workers' Union of South Africa (Gwusa) today condemned the raid

In a statement, Mr Dennis Neer, an executive member of Gwusa said "The union feels this move by Ecab is serious than previous actions because it affects relations between workers and employers"

● The managing director of SA Bottling in Port Elizabeth, Mr P Gutsche, confirmed today that he would meet Mr Louis Koch, Chief Director of Ecab, tomorrow and that "hopefully the issue will be resolved"

Four in court after raid

Court Reporter

THREE SA Bottling Company employees and a security guard appeared in the Port Elizabeth Commissioner's Court today charged with failing to produce reference books and being in a prescribed area for more than 72 hours

The case was postponed until May 8.

Mr P Olivier, for the defence, told the court negotiations between SA Bottling and Mr Louis Koch, Chief Director of the Eastern Cape Administration Board, were under way

Mr Michael Ntlikwana, 25, of Yeko Street, Zwide, and Mr Bom Makazana, 30, of Masaka Street, Zwide, have been charged with not being able to produce their reference books on March 28, this year

Mr Susile Mfombi, 30, of Mhlawali Street, Zwide, was charged with not being able to produce his pass book and for remaining for longer than 72 hours in a prescribed area Mr Norman Seya, 44, of Soweto, was charged with remaining for longer than 72 hours in a prescribed area without permission

The men were not asked to plead and their bail was extended until May 8

Mr F J Fourie was on the Bench Mr J J Claassen appeared for the State

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D Nov (182)

Workers charged

30/3/84

PORT ELIZABETH — Three SA Bottling Company employees and a security guard at the plant, charged with failing to produce reference books and/or being in a prescribed area for more than 72 hours, appeared in the commissioner's court here yesterday

The four, who were not asked to plead and are out on bail, will appear again on May 8

Mr Michael Ntlikwana, 25, Mr Bom Makazana, 30, and Mr Susile Mfombi, 30, all of Zwide, and Mr Norman Seya, 44, of Soweto, were detained on Wednesday — SAPA

The Star/BUSI

Watch out for more aggressive marketing by SAB's beermen

(182)

By Peter Farley
Investment Editor

South African Breweries' Beer Division is gearing itself up for a battle it may never have to fight But, says MD Mr Peter Lloyd, the changes being made will have significant benefits even if their dominant position in the beer market remains uncontested in the foreseeable future

The beer division, which represents half of the SAB group's gross sales and profits, has long been under the wing of head office, whereas other subsidiaries have had a much greater degree of autonomy

The establishment of a board structure, and the appointment of Mr Lloyd to the group's main board, are the first steps towards the beer division having more say about it future business direction But Mr Lloyd rules out floating off the division, or even looking for a listing

He says that the main board is not interested in any move which may lead to SAB having even a fraction less than 100 percent of the operation

However, it is clear that the greater responsibility which has been invested in the beer division is sharpening management's teeth As Mr Lloyd says the business is, by the nature of its product, one with the most profile in the world And to keep it successful the two most important inputs are powerful marketing and a quality product

While Mr Lloyd is confident that the division has achieved the latter, he is conscious of the difficulties of maintaining the standards already established. But it is the marketing which will probably now become more aggressive.

The absence of a competitor makes this exercise much more difficult, but Mr Lloyd says it nevertheless does not breed complacency. The division is constantly examining both its existing brands and packaging formats and conducting research in both areas

However, says Mr Lloyd, "If we knew how to launch a new beer we would have introduced many long ago" He is not referring to the mechanics of placing a new beer on the market, but rather touching the tip of the vagaries of consumer likes and dislikes.

Often for totally unfathomable reasons a beer can fail in the marketplace that is in every way the most perfect it can be made. And the variables behind such a failure range from price — often it is surprisingly seen as being too cheap — to packaging, advertising and perceived flavour.

The beer division is currently laying the groundwork for future demand with a substantial capital expenditure programme And although this may well involve the launching of a new product Mr Lloyd is keeping quiet about the possibility for the time being.

But the money being spent — in addition to the R280 million brewery at Rosslyn the division has recently announced an R85 million expansion that will more than double the current capacity in Natal — will make the introduction of a new product a great deal more simple than might have been the case.

In addition, Mr Lloyd says that the group is seriously examining the possibility of putting up a brewery in Northern Natal/Kwazulu He suggests that plans are pretty well advanced and a distribution depot is already being constructed as a forerunner to a full production centre

There are, however, more fundamental problems that beset a brewer, not least being the level of excise duty currently being levied by the government on each ale sold.

After the latest increase duty now accounts for 37 percent of the price SAB sells beer to the trade at. Mr Lloyd says that in international terms the level is not exceptional. But what is inequitous, he feels, is the disproportionate weight placed on beer as opposed to other products.

And while beer sales are still showing some growth — sales were up one percent in the six months to end-September and have done slightly better in the second six months — he feels that even as small an increase in the levy as has been imposed will have a negative impact during the next six months.

The other key to the success of a brewer is maintaining product volume sales And because of this it appears likely that the long-standing Natal beer Lion Ale will shortly be terminated

Currently marketing six different beer brands the market is dominated by three. Lion, Castle and Black Label currently account for more than 90 percent of total sales. And even allowing for geographical swings — for example Lion has traditionally been dominant in Cape Town — Castle is the biggest seller of the big three.

Whatever the future holds — and it seems that SAB is very likely to be offered some competition in the near future — Mr Lloyd is confident that his business is pointed in the right direction.

Although the market may be a little depressed in the immediate future he expects an average eight percent sales growth over the next 10 years, but with annual swings varying as widely as zero to 16-odd percent.

The division is using the depressed economy to prepare itself for both a resurgence in demand and the possibility of competition. It certainly does not intend to be caught short as it was in 1981 when it was unable to meet the sudden growth in demand.

And judging by the confidence of Mr Lloyd the prospect of a serious challenge to the division's existing market would be more than welcomed

SAB's Peter Lloyd...filling the cabinet's depleted quaffers

D. Dispatch (182) 3/4/84

Brewery: stick to budget increase

EAST LONDON — The general manager of South African Breweries for the Eastern Province and Border, Mr M Simms, has appealed to the liquor trade not to increase the price of beer by more than the increase in excise tax that was announced in the Budget last week

He said that this would be in the interests of both consumers and the liquor trade as the increase would have a depressing effect on the growth of beer sales in the future

With the new prices, lager and pilsener beers will vary in wholesale prices from R8,46 for a case of 12 750 ml bottles to R11,92 for a case of 24 340 ml cans, milk stout from R9,05 for a case of 12 750 ml bottles to R9,83 for a case of 24 375 ml bottles, and draught (road deliveries only) will now cost R51,20 a 50 litre keg

Mr Simms said deposit values will not change — DDR

FM 11/5/84

SA BREWS

Still bubbling

(182)

SA Breweries' (SAB) new management has endured a baptism of fire Hit by the worst recession since the Thirties, interim earnings were down 12% on the previous year Even the usually high-growth beverage division produced earnings down by 11%

Group MD Meyer Kahn says that aggressive marketing boosted sales in all the group's divisions Tight asset management enabled SAB to capitalise on the firm consumer spending of the last six months, he adds. "Market share was gained in almost every area of our business."

Second-half earnings were up 11% on the same period last year This enabled SAB to finish the year with a 3% rise in attributable profit for the 12 months — the 17th successive year of profit increases.

The beverage division shook off the first-half setback to produce an overall 9% earnings rise. Group subsidiary earnings, which were 15% down at the interim, ended the year only 5% lower than at the previous year-end The balance sheet has also been strengthened, with the debt equity ratio cut from 0,55 to 0,42.

Unavoidably for a group determined to maintain market share in a recession, margins were cut Operating profit before interest and tax fell by 7% compared with last year, although the figure is not strictly comparable, owing to the removal of Southern Sun's non-SA interests Kahn indicates, however, that if Southern Sun's figures were excluded from last year's accounts, operating profit would still have fallen, but only marginally The main factor behind the rise in attributable earnings was the higher dividends and equity accounted earnings

The balance sheet is also well geared for expansion, although Kahn says that SAB plans to concentrate on organic growth during this year Nonetheless, the projects in hand will keep capital spending at high levels Current capital commitments exceed R200m Projected growth in sales of beer, furniture and retail items — as well as Southern Sun's other expansion needs — will ensure capital investment remains high.

"Projects may come on stream when consumer demand is depressed," says Kahn "But, from early 1985, I see a significant improvement in the consumer markets From 1986 onwards, I see an explosion in consumer expenditure for the next three to five years"

Kahn is non-committal on the near-term outlook for consumer demand, though He does say that growth is unlikely to return to more solid levels during 1984. High interest rates, he notes, are hurting consumers badly "There will be no useful improvement in earnings until interest rates soften," he says

And, of course, if consumer spending buckles any further, SA Brews earnings could fall next year Increases in corporate tax have also to be overcome Kahn says that operating profit must rise 8% in order to keep taxed profit next year at this year's level

More positively, the first half of the current year should turn out better than the same period last year At the current 760c, the share has shown little price movement this year The stock yields 4,6% on last year's total dividend of 36c, in line with the sector average

Christopher Marchand

BETTER SALES

Year to	Mar 31 '83	Mar 31 '84
Turnover (Rm)	4 341,6	4 815,2
Operating profit (Rm)	398,4	369,1
Attributable profit (Rm)	198,3	204,6
Earnings (c)	78,0	79,4
Dividends (c)	35,0	36,0

SAB's Kahn ... eyeing an explosion in consumer expenditure

LABOUR NEWS RDM 30/5/84

Union appeals to Koornhof in Natal dispute

By PHILLIP VAN NIEKERK

THE Sweet, Food and Allied Workers' Union (SFAWU) has appealed to Dr Piet Koornhof, the Minister of Co-operation and Development, to take urgent action over a dispute between the union and the Port Natal Administration Board (PNAB)

The SFAWU is an affiliate of Fosatu and the Minister's response could be an important indication of state employers' willingness to deal with emerging unions

The union appeal follows a strike in demand of higher wages by about 500 workers at the PNAB-controlled Congella Brewery in Durban on Monday

In a statement the SFAWU said the union had been trying for the past few months to negotiate with the PNAB but had been consistently told it was only the Minister who could agree to increases

The statement said the workers were "sick and tired of the PNAB hiding behind the Minister Our union has been recognised and we therefore demand the right to negotiate right inside the factory

"Workers have returned to work on the assurance that management has telexed the Minister asking him to take urgent action on their demands"

A spokesman for the Department of Co-operation and Development was unable to contact any of the officials at the PNAB for comment yesterday afternoon but confirmed that the strike had occurred

Meanwhile, the Minister of Manpower, Mr Pietie du Plessis, has approved a statutory conciliation board to resolve the deadlocked wage dispute between the SFAWU and sugar giant C G Smith

A statement from the Fosatu-affiliated SFAWU yesterday said both the company — which is owned by Barlow Rand — and the union had applied for the board and had agreed on an independent chairman

The SFAWU is recognised at three of C G Smith's six mills in Natal — the only three mills which negotiate wages outside the industry's industrial council The National Sugar and Refining and Allied Industries Employees Union, which is a party to the council, is recognised at the other three

The union statement said "We are set for more difficult negotiations Workers are in a desperate situation We are determined to win a living wage which will allow us to live like human beings and not animals"

A spokesman for the company refused to comment yesterday but confirmed the board had been approved.

'Poverty wages' halt brewing

City Press 3/6/84

(182)

FIVE hundred Port Natal Administration Board brewery workers downed tools this week over what they describe as "poverty wages".

The strike affected the Congella Brewery as well as all its depots and bottle stores

The 500 went back to work after they were given assurances that the Minister had been sent an urgent telex to take action

'Kaffir' big row

Sowetan 22/6/84 182

By JOSHUA RABOROKO

WORKERS at a Vereeniging company yesterday claimed they were called kaffirs, insulted and threatened with assaults or being shot with a pellet gun when they did something wrong while on duty.

They claimed they were treated in this manner by an official at Madu Mageu — a beverage concern outside Vereeniging

The workers, mostly women, said they work long hours, sometimes up to 12 hours a day, and were paid only R35 per week on the average They did not belong to any trade union

According to the workers they are called names like "kaffir," "kaffir-meid," "bastards," "bobbejaan (baboon)" and other insulting names that cannot be printed Those who objected to the insults were threatened with assault and a pellet gun was pointed at them and they were told they would be "fired "

A spokesman for the company, Mr P du Preez, told **The SOWETAN** that all allegations made were untrue. He denied the accusations after they were read out to him. "Workers leave the company on their own and I have not fired anybody I deny the assaults and insults and would never call anybody a kaffir because that is derogatory. I pay the workers what I feel like according to the hours they work.

"This matter is not for the Press I am sorry my friend, as I am now getting to a meeting," Mr du Preez said and then hung up

Several other workers told **The SOWETAN** how they were dissatisfied with the ill-treatment and low salaries for long working hours

They were afraid to lay charges of assault against their employers because "we might be victimised." "We are also afraid to lose our jobs We have families to maintain, high house rents to pay and cannot afford to be without jobs during this time of recession "

182

SA BREWERIES

Outlook still flat

Activities: *Diversified liquor group with a monopoly in the SA beer industry and a 30% interest in Cape Wine & Distillers Subsidiaries include Afcol, Amrel, Edcon, OK Bazaars, Southern Sun and Solly Kramer Southern Sun owns 49% of Sun International*
Control: *The Premier group is the major shareholder with 34% of SAB's equity*
Chairman: *F J Cronjé, chief executive J M Kahn*
Capital structure: *261,4m ords of 20c, 1m 6,2% cum prefs of R2, 42,6m 7% conv red cum prefs of R1, and 2,5m 7% cum prefs of R1 Market capitalisation R1,96 billion*
Share market: *Price 750c Yields 4,8% on dividend, 10,6% on earnings, PE ratio, 9,4, cover, 2,2 1983-1984 high, 845c, low, 695c Trading volume last quarter, 1,4m shares*
Financial: *Year to March 31*

	'81	'82	'83	'84
Debt				
Short-term (Rm)	127,7	129 6	218,8	64,2
Long-term (Rm)	239 9	356 7	451,8	536 3
Debt equity ratio	0 51	0,53	0 56	0 47
Shareholders' interest	0 49	0 49	0,48	0 50
Int & leasing cover	3,76	3 50	2,50	2 1
Debt cover	0 56	0,56	0 57	0 66

Performance:

	'81	82	'83	'84
Return on cap (%)	16,3	16 6	15,2	13,3
Turnover (Rm)	2 375	3 057	4 342	4 815
Pre-int profit (Rm)	238 9	311 9	398,4	369 1
Pre-int margin (%)	10 0	10 2	8 8	7 4
Earnings (c)	54 7	74 5	77 8	79 4
Dividends (c)	27	34	35	36 0
Net asset value (c)	228	267	365	462

Broad exposure to mass markets has left SAB substantially at the mercy of an outlook for consumer spending which, in chief executive Meyer Kahn's view, holds little prospect of any recovery of consequence in the coming year.

Chairman Frans Cronjé spells out a similar view. Statistically, with the economy coming off such a low base, he says, there should be some real growth in gdp, but the outlook for private consumption expenditure is bleak. "At best, there will be a contraction of a half to one per cent in such expenditure with recovery now not expected before 1985," he says.

Added to this gloomy economic prognosis, sales of beer — which remains the backbone of SAB's earnings — are slowing It is not surprising that the group takes a cautious view on this year's prospects and has again criticised government's inequitable treatment of beer After declining 1% the previous year, the liquor industry as a whole experienced zero growth last year On a "per drinks" basis, beer and natural wine volumes grew about 5% each, against the previous year's 9% and 3% But locally produced spirits continued their decline, as did fortified wines and sorghum beer.

SAB's Kahn ... complaining against government discrimination

Kahn notes that examples of the government's discrimination against beer abound and singles out three areas which, he says, deserve renewed scrutiny

☐ The ruling in March last year that allowed wine and spirit producers to retain or acquire retail outlets, while still insisting that the beer producer, SAB, disinvest from retail activity;

☐ Recent amending legislation provided for sparkling wine to be added to the wine range that may be sold in supermarkets This extends the range of wine these outlets can sell, but continues to specifically exclude beer; and

☐ Discrimination against the beer drinker again occurred when excise increases were announced in the March 1984 budget Beer now represents 37% of all alcoholic drinks, yet provides 63% of the excise collection

The liquor industry's performance, like that of other consumer markets, is intimately linked to growth in personable disposable income This, says Kahn, makes it doubtful whether any real growth can be expected before 1985 But beer, which accounts for 85% of the beverage division's attributable earnings, is still expected to show real growth in line with last year's figure of about 5% SAB's earnings from beer retailing are locked into a declining trend, though, with the prospect of further disposals of liquor stores this year

Cape Wine — held 30% by SAB — said at the interim that unless trading conditions improve it will be difficult to maintain the first-half performance for the full year The contribution from fruit juices and soft drinks is under pressure from competition, which has depressed prices while benefiting volumes

The retail division's taxed profits slowed last year from R67m to R58m, due largely to weak performances from the Edgars and OK Bazaars groups In both cases, profitability was hammered mainly by their exposure to the low to middle income groups There seems little prospect of any short-term easing of the pressure on margins in these sectors, and Kahn merely expects that this year the OK and Amrel will produce earnings in line with last year. Edgars, after its disastrous effort last year (by its previous standards) is looking for a "satisfactory improvement" in earnings

Afcol, the main manufacturing company, managed to hold its earnings decline to only 1%, after achieving furniture sales 3%-4% above the industry. There should be benefits this year from acquisitions of a manufacturer of kitchen tables and two case goods factories Overall, the forecast is for Afcol's earnings this year to at least equal those of last year, provided there is no further deterioration in private consumption expenditure.

Apart from the economy, a major unknown factor in SAB's earnings mix at present is the hotel division. Hotel occupan-

SAB'S BREW

Turnover	1983 (Rm)	1984 Rm)
Beverages	1 235	1 375
Retail	2 536	2 880
Hotels*	209	179
Manufacturing	345	363
Other	16,3	17,2
Total	4 342	4 815

Taxed profits	1983 (Rm)	1984 (Rm)
Beverages	117	127
Retail	67	58
Hotels*	38	33
Manufacturing	32	31
Other	—	1
Total	254	251

*Not comparable due to restructuring

(182) FM 29/6/84

cies are down substantially. More important, it has yet to be seen how Southern Sun (SS) will recover from the loss of Sol Kerzner and most of the top management team. Sun International is now preparing for expansion and could eventually make up any shortfall, however.

Group capital expenditure, net of depreciation and disposals, is planned at R200m this year. This includes expansion of beer capacity, renovation of hotels and expansion of retail trading space. Total interest paid rose to R79,8m (R77,3m) last year, but overall gearing is extremely solid. The ratio of borrowings to shareholders' funds is at its lowest in 10 years.

Overall, the group is targeting a moderate improvement in earnings in the current year, an objective that has been made more difficult by the recent 3% increase in GST. Management has, in effect, assured investors that there will be no fireworks until well into next year. The share, standing at 750c, yields 4,8%. The price could well weaken further in the coming six months.

Andrew McNulty

Peacemaker Waddell gets SAB 'hot seat'

(182) Star 21/7/84

The appointment yesterday of Mr Gordon Waddell (right) to the chair of South African Breweries to replace retiring chairman Dr Frans Cronje has finally laid to rest the differences that arose when the Premier Food company acquired a major stake in Breweries.

Both Premier and SAB are now firmly in the Anglo camp and the management differences that surfaced at the time of the deal have obviously ended with the election of the Johannesburg Consolidated Investments chairman to chair the board of Breweries

Mr Meyer Khan, who took over from Mr Dick Goss as MD shortly after that deal was clearly delighted after yesterday's annual meeting.

Mr Waddell and Mr Kahn are going to be a force to be reckoned with in the retail trade in this country and by cementing the ties with Anglo American, OK Bazaars, Edgars, Amrel, Solly Kramers and all the other trading subsidiaries will be given a boost.

Another Anglo snub for Mutual

(182)

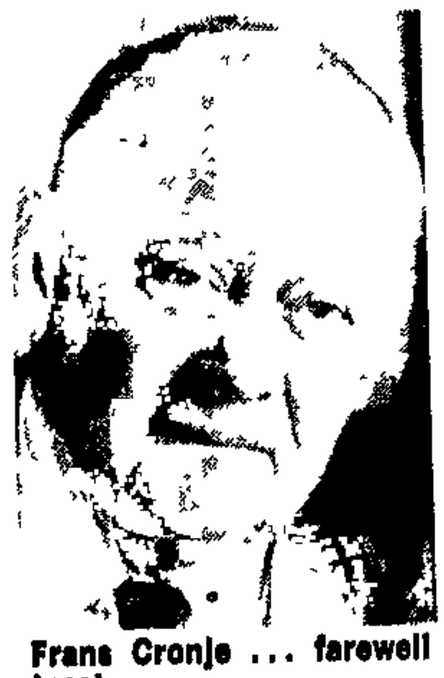
By Alec Hogg

ANOTHER wedge was driven into the split between Anglo American and the Old Mutual when Gordon Waddell was appointed to succeed Frans Cronje as chairman of SA Breweries this week.

Business Times is told that Old Mutual chairman Jan van der Horst was not considered for the position.

Little over a year ago, Dr van der Horst would have been considered an almost automatic choice as the new non-executive head of SAB. But the Anglo-inspired acquisition by Premier of 35% of SA Brews has changed all that.

Gordon Waddell ... salt in the wound



Frans Cronje ... farewell toast

Nedbank

The retirement signals the withdrawal from public life of Dr Cronje after an illustrious career spanning three decades. Dr Cronje was appointed chairman of SAB in 1965.

He is expected to retire from the Nedbank board later this year after 24 years as chairman. The former Minister of Finance, Owen Horwood, is widely tipped to succeed Dr Cronje at Nedbank.

The growth of SAB under Dr Cronje's guidance has been outstanding.

Turnover has risen from R65-million to R4 815-million, equal to a compound annual growth rate of 25,5%. Taxed profit has increased from 1965's R7-million to R251-million — 21% a year.

SAB shareholders have enjoyed an annual 13,1% growth in dividends since Dr Cronje took over as chairman. This payment easily outpaced the average annual consumer-price index rise of 8,9%.

In addition, the value of shareholders' stake in the company has increased from 93,5c a share in 1965 to 770c — giving an annual tax-free capital growth of 11,7%.

Although Dr Cronje is stepping down from SAB and Nedbank, he is not leaving public life entirely.

A special resolution was passed at the SA Permanent Building Society earlier this year to waive again the retirementage age and ensure that Dr Cronje stays on as chairman for at least the next two years. He has been at the helm of the Perm since 1976 and first became associated with the society in 1955 through its board in Pretoria.

SA Breweries set on thrust into sorghum market

(182) C. Times 2/8/84

Own Correspondent

JOHANNESBURG.—SA Breweries has begun a major thrust into traditional or sorghum beer brewing in preparation for an attack on the massive South African market

In a spate of activity over the last nine months SAB has bought a major stake in three traditional breweries in the homelands and executives have admitted that SAB has set its sights on gaining a major share of business in the Republic

At the moment, the government has allowed the administration boards to monopolize the brewing of traditional beer in South Africa which estimated to be worth between R250m and R300m

But SAB is optimistic that there will be moves to privatise the industry in the near future and SAB's experience in traditional brewing in Botswana, Lesotho, Swaziland (BLS states) and now in the homelands will give it the lead it needs to enter the South African market with confidence

SAB already brews about 500m ℓ of traditional beer in the BLS states In November last year SAB bought Ciskei Breweries in Mdantsane and formed a new company in which it and the Ciskei Peoples Development Bank each own half the shares

In April this year a similar arrangement was struck with two smaller breweries in Venda and Gazankulu SAB manages all three companies

"While the Ciskei brewery produces the biggest volume of the three new operations, the other two are still young markets in the process of development," said SAB's general manager of traditional beer investments, Mr Ron Schreuder, yesterday.

"The main target is South Africa and we are very excited about the new operations With our existing experience I think we can give the beer a better image and bring a new dimension to the marketing of the product."

The administration boards have already realized that an improved marketing programme is necessary as they have voiced concern about the increasing tendency among the black population to switch to European liquor

Although demand for traditional beer has shown growth in some areas, in general it has been fairly stagnant over the last few years at about one billion ℓ a year. The homebrew market is also estimated at about one billion ℓ a year

The main obstacle in the way of SAB's plans is the administration boards' reticence in relinquishing their highly lucrative brewing operations The profits from the 24 breweries around the country are the main source of income for the boards

RDM 21/8/84 (182)

Govt may soon end R250m monopoly

SAB ready for sorghum launch

By MIKE JENSEN

SA BREWERIES has begun a major thrust into traditional sorghum beer brewing in preparation for an attack on the massive market.

In a spate of activity over the past nine months it has bought a major stake in three traditional breweries in the homelands and executives have admitted that SAB has set its sights on gaining a major share of business in SA.

The Government has so far allowed the administration boards to monopolise the brewing of traditional beer. The sector is estimated to be worth between R250m and R300m a year.

SAB is, however, optimistic that there will be moves soon to privatise the business future and the company's experience in traditional brewing in Botswana, Lesotho, Swaziland (BLS states) and now in the homelands will give it the lead it needs to enter the market with confidence.

SAB already brews about 500-million litres of traditional beer in the BLS states. In November it bought Ciskei Breweries in Mdantsane and formed a new company in which it and the Ciskei Peoples Development Bank each owns half the shares.

In April a similar arrangement was struck with two smaller breweries in Venda and Gazankulu SAB manages all three companies.

When contacted yesterday SAB was not willing to reveal the cost of its acquisitions but one industry source believed it had paid R2,5m for the Ciskei plant.

While the Ciskei brewery produces most of the three new operations, the other two are still young markets in the process of development, SAB's general manager of traditional beer investments, Mr Ron Schreuder, said yesterday.

"The main target is SA and we are very excited about the new operations With our experience I think we can give the beer a better image and bring a new dimension to the marketing of the product"

The administration boards have already realised that an improved marketing programme was necessary They have voiced concern about the increasing tendency among the black population to switch to European-type liquor.

Although demand for traditional beer has grown in some areas, in general it has been fairly stagnant over the past few years at about 1-billion litres a year.

The private brewing of traditional beer is estimated at about the same.

The main obstacle in the way of SAB's plans is the administration boards' reluctance to relinquish their highly lucrative brewing operations. The profits from the 24 breweries around the country are the main source of income for the boards Professor Marthinus van Vuuren, of Unisa Business School, estimates them at about R70m a year

One suggestion has been for the boards to pass on management to the private sector while retaining a substantial stake (80% is one figure that has been indicated) in the operations so their profits are not substantially eroded

The Central Management Committee of the Sorghum Beer Industry is investigating the industry and plans to report on its rationalisation toward the end of the year

Recognition for union sought

Star 28/8/89 (182)

By Carolyn Dempster, Labour Reporter

Two hundred South African Breweries (SAB) employees at the corporation's Watloo depot took a vote of no confidence in the management-appointed works council last week, and are pressing for recognition of their union

A spokesman for the workers, Mr Leswiswi Macabe, said they had decided to hold the opinion ballot because the works council did not represent the interests of workers and never consulted them

"We had no say in the so-called agreement, and management would tell us unilaterally what would happen"

There were a number of factors causing unhappiness among SAB workers, and they wanted an effective means of communication and negotiation with management, he added

The Food Beverage Workers' Union (FBWU), which claims a representative majority at the Watloo depot and Rosslyn brewery, requested recognition discussions with management some months ago

According to FBWU organiser Mr Glen Mokoena, the first meeting between the union and company representatives about Watloo depot workers, will take place on September 5 The Rosslyn brewery will be discussed on September 6.

Mr Mokoena said that, although works councils operated on a regional basis, the two factories operated independently

Mr H Kalvorson, SAB personnel manager for the Northern Transvaal and Orange Free State, said he was surprised to hear of the no-confidence vote Talks with the FBWU had been on the cards for some time, and only Mr Mokoena's absence on an overseas trip had prevented talks from being held earlier

Argus 30/8/84 (182)

NATIONAL/CITY

European glut leads producers to attack local market

Overseas threat to Cape wine industry

By JEAN HEY, Consumer Reporter

GOOD quality European wines are being sold cheaply on the South African liquor market, posing greater competition to the local wine industry

Bottles of French wine — considered fine quality by wine connoisseurs — are available at Cape bottle stores for as little as R3 and R4 a bottle Most local estate wines of a similar standard cost between R3,50 and R5,00 a bottle

A glut of European wine is the prime reason for the influx of foreign wines The wine surplus — which in France alone exceeded South Africa's total wine production in 1983 — has compelled European producers to cast their eyes to foreign markets

"The wines are making inroads"

"There is no question that French and German wines are making inroads, because they are interesting and offer a different taste," said Mr Arthur Freedburg, director of a major liquor store

"It is something local wine farmers must watch But in relation to the overall picture, it is a drop in the ocean It is only in Cape Town and the Northern Suburbs of Johannesburg that it poses any possible threat "

He said distributors in Europe were taking the lowest possible profit margin in a desperate effort to sell their wine

Producers are not concerned

Although local wine producers and distributors acknowledge the inroads being made on the market by foreign wines, they claim they are not concerned

'It is only a typical market trend which will stop when the overproduction of European wine ends The producers cannot turn off the tap to stop the flow of wine, so they must decrease their prices," said a spokesman for the KWV

According to Mr Freedburg, South African wine drinkers are patriotic and unlikely to opt for foreign wines in the long term The average South African wine drinker also preferred sweet wines and most European wines were too dry for local palates, he said

But the price of most South African wines has more than trebled since 1976 when many estate wines sold for under 80 cents

Less than R1 in 1976

A two-litre jug of a popular cheap red wine widely drunk by students cost less than R1 in 1976 Today it costs more than this for a 750-ml bottle of the same brand

Wine producers claim the price of the wine itself has little more than doubled since 1976 While the minimum producer price for a litre of wine was 17 cents in 1976, in 1983 it was 36 cents They blame packaging costs for much of the price escalation

"More than half the cost of a bottle of wine is in its packaging, and that has increased incredibly Most of the increase is in the bottle itself," said a spokesman for the KWV

LIQUOR FM 31/8/84

SAB's new lager (182)

The national launch by SA Breweries this week of a new beer — Ohlsson's Extra Smooth Lager — comes at the height of a battle in the liquor market.

Wine producers have set their sights on beer drinkers, whom they hope to woo with a huge range of flavoured wines Advertising campaigns for some spirits are clamouring for drinkers' attention, and sales of cheap imported whisky remain high

Biggest launch

Ohlsson's was introduced at a series of parties across the country on Wednesday in what SAB marketing director Peter Savory says is SAB's biggest launch to date, and, indeed, perhaps the biggest launch of a single beverage product in SA

It was named after Anders Ohlsson, one of SA's brewery pioneers, and Savory describes it as a "standard-strength lager, at a standard price, aimed at the mainstream of SA beer drinkers"

But why the need for a new beer at a time when disposable income is shrinking? "It's no good just sitting there hoping," says Savory "This launch will lift interest in beer and inject excitement into the market Besides, as sole supplier of beer, we feel it our duty to provide as wide a range as possible Also, the beer market is growing Its likely future growth indicates the need for wider choice and therefore another brand"

Ohlsson's is the first beer to be launched nationally since Carling Black Label Savory says the concept has been around for five years and that brewing trials extended over two There are innovations in the packaging, he says, in particular taller, "more elegant" 340 ml dumpies, self-dispensing fridge packs of a dozen 340 ml or

LATE DELIVERY

The *FM* apologises to readers for production problems of recent weeks — which are beyond our control — that have led to late posting and delivery These problems arise from the fact that the *FM* is now being printed by an outside, associate company

FM 31/8/84 (182)

450 ml cans, and a self-dispensing "suitcase pack" of 24x340 ml cans The new beer will be brewed in Isando, Durban and Cape Town.

The liquor industry as a whole experienced zero growth in the last year, but beer and natural wine volumes each showed around 5% growth Wine industry chiefs admit quite openly that they are hoping to draw beer drinkers through the new flavoured wines and that these drinkers will, in time, graduate to better-quality natural wines — as, indeed, has happened to an extent in the US.

New brands

At this stage, only ginger-flavoured wines are on the market, but legislation for the release of other flavoured wines has been enacted. Up to 40 new brands are expected to be released as soon as the law is promulgated

Latest lager ... a new contender?

Savory does not see pop wines as competition to beer But he confirms that SAB is investigating the introduction of a new low-alcohol beer

Meanwhile, Stellenbosch Farmers' Winery this week released Spark ginger wine, SA's first canned wine A 340 ml can sells at around 75c

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storeroom at the Orient Beach

The goods, which included 90-odd inflatable mattresses, a number of glass-fibre surf boards and a compressor, were found in another storeroom where they had been placed by beach officials after the articles had been swept from their original storing place by high tides

The city's beach manager, Mr "Ginger" Branfield, said yesterday that his staff "rescued" the articles as they were being swept away by high tide waters which had broken down the door of the storeroom where they had been housed

Members of the Leo Club believed the goods had been stolen this week.

The chairman of the

5/10/84 (182) D. Dispatch

Breweries to be sold

EAST LONDON — Ciskei would follow the example of South Africa and sell its sorghum beer interests to the private sector in the near future, Mr Peter Shaurte, manager of Ciskei Brewery said yesterday

Mr Shaurte said that at present, the sorghum beer industry was still under the control of the Ciskei Peoples Development Bank, adding that in Ciskei anybody was free to open his or her own brewery There were no legal restrictions, he said

He denied that there were outlets that had been sold to certain selected individuals

He disclosed that all the national states which had attained independence would follow the example of South Africa and privatise their sorghum beer industries The move was in accordance with the principles of free enterprise, he said

On Wednesday, the Minister of Co-operation, Development and Education and Training, Dr G Viljoen, announced that the South African Government would sell its sorghum beer interests in South Africa to the private sector

The move was welcomed by community council leaders in the Border region They hailed it as a milestone in the fight against unemployment and capital flight

The sorghum industry is viewed as a source of revenue for black local authorities but community leaders dismissed the income as nominal — DDR

Matter of fact

EAST LONDON — It was incorrectly stated in yesterday's Daily Dispatch that Mr Alfred Metele's Border Rugby Union was affiliated to the South African Rugby Association (Sara)

The union is in fact affiliated to the South Africa Rugby Union (Saru) — DDR

Court orders

GRAHAMSTOWN — The following orders were granted before Mr Justice Zietsman in the Supreme Court here yesterday

Divorce Irene Johanna de Lange vs Matthys de Lange, Geraldine Campher vs Karel Campher Edith Johanna Williams vs Allastaire Charles Williams

Judgments The Standard Bank of SA Ltd vs Jacobus Johannes van Zyl of the farm Tweefontein, District Steynsburg, for R38 791,03 for money owing Station Electrical Wholesalers (Pty) Ltd vs R Marais trading as Rusty s Electrical and Hardware, of 789 Main Street Port Elizabeth, for R23 892 28 for goods sold St Andrews College vs J Lippiatt of Unit 23, Sandalwood, Ballyclare Drive Morningside Sandton for R9 382,45 for money owing

Sequestration Marcia Urselina O'Shea vs Norman John O Shea, of 8 Butler Street, Cambridge, East London provisional sequestration granted, Robert Remington Elliott vs John Arthur van Wyk, trading as Border Construction, of 41 Francis Street, New Rest Queenstown provisoinal sequestration granted

Winding up J A Yazbek and Company vs Mr Potato (Pty) Ltd c/o K Wagner, 6 Recreation Road, East London — DDR

(Published without prejudice as supplied by the Registrar)

R5 000 bail for EL pair

EAST LONDON — Two brothers who are facing allegations of conspiring to commit murder have been released from police custody here on bail of R5 000 each

Mr Peter Fowles, 32, of Torquay Road, Bonnie Doon, and Mr Frank Fowles, 30, of St Andrew's Road, Selborne, appeared in the magistrate's court here yesterday before Mr P R Manley

The case was postponed to October 11 — DDR

Berlin Airlift remembered

PRETORIA — The Mayor of Berlin, Mr Heinrich Lummer, arrived here yesterday to be the guest of honour at the South African Air Force's 35th anniversary commemoration of the Berlin Airlift

The SAAF said in a statement that it held regular reunions of those Air Force and ex-Air Force members involved in the airlift of 1948-1949, launched to circumvent the Russian blockade of the Germany city — SAPA

Guerillas raid school

KAMPALA — Uganda guerillas raided a school in the troubled Luwero district on Monday and stole its cattle

Local newspapers quoted Luwero District Commissioner Nathan Karema as saying that the 400 pupils at Ndejje school, 32 km north-east of Kampala, were horrified when the guerillas raided the school, firing in the air — SAPA-RNS

Deaths in factory blast

NEW DELHI — More than 12 people were killed yesterday in an explosion at a fireworks factory in a town on India's east coast

Twelve bodies were recovered from the rubble and more victims were trapped inside Police said the death toll could rise to 30 — SAPA-AP

Blasts rip through banks

JAKARTA — Explosions ripped through two banks and a shop in Jakarta's Chinatown yesterday, killing one person and injuring four, a senior government official said — SAPA-RNS

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Scene set for bitter beer battle

Scene is set for a bitter beer fight over

By PATRICK MCLOUGHLIN
Deputy Financial Editor

A GOVERNMENT promise this week to prevent monopolisation of the sorghum beer industry has set the scene for a fierce battle in the R250-million-a-year market.

The sell-off would be implemented in such a way that no monopolies would emerge — at least initially — a senior government official disclosed this week.

The disclosure comes after an announcement that the government is to sell its sorghum beer business to the private sector. The terse statement triggered speculation about the basis and criteria that will operate in one of the biggest sell-offs since the Sasol rights issue.

● Dr Gerrit Viljoen ... the sorghum seven

Dr Gerrit Viljoen, Minister of Co-operation, Development and Education, has said the sorghum industry will become seven companies whose shares will be available to private interests.

The industry was recently consolidated into a number of consortiums under control of 13 development boards.

The beer is produced in 24 breweries throughout South Africa and brings in tax-free profits of more than R50-million on turnover of R250-million for the development boards (known as administration boards until a name change on April 1 this year).

About 1-billion litres are produced annually by these breweries in South Africa and the statement said black entrepreneurs would be especially encouraged to participate in the privatisation.

The goverment announcement prompted speculation that the industry could be fought over by the two major private producers of sorghum outside South Africa, Kirsh Industries and SA Breweries.

Scenario

However, a statement released to Business Express by the chairman of the central management committee for the sorghum beer industry, Professor Tienie van Vuuren, seems to have scotched that scenario, for the short term at least.

"The transfer of shares in the multi-million rand sorghum beer industry to the private sector will, from the beginning, be controlled by measures to prevent a certain group or single company from monopolising or completely taking over the industry," Prof van Vurren said

Prof van Vuuren added that a single group might in time obtain a larger shareholding than others as the seven new companies would conduct business independently, thereby promoting free competiton.

"Provided such developments take place within the present legislation on monopolies, there can be no objections to this," he said

The statement said that as the industry had for many years been an important source of income to the development boards, it could be expected that it would be several years before the government found "alternative sources of income" and the industry was taken over completely by the private sector

Under the Sorghum Beer Act, production of sorghum beer in South Africa is conducted by the 24 breweries run by the development boards.

However, outside South Africa, in the homelands and independent states and across the national borders, companies are allowed to participate in the profitable industry which, some indus-

● To PAGE 2

Scene is set for a bitter beer battle

● From PAGE 1

try experts say, produces about 2,6-billion litres (both brewed and home beer) in South Africa and the homelands alone

This compares with annual production of about 1,1-billion litres in the lager industry

Kirsh Industries owns three breweries in Bophuthatswana and Transkei under its subsidiary King Foods, while SA Breweries manages a brewery in the Ciskei, where it holds 50% of the equity It also has 50% and manages the Vendaland Brewery and the Gazankulu Brewery In addition it has big holdings in Zimbabwe, Botswana, Swaziland and Lesotho sorghum beer breweries

Altogether, SAB is involved in 28 sorghum breweries which produce 550-million litres annually

Mr Arnold Levy, a director of Kirsh Industries and chairman of King Foods, said the concept of privatising the industry had been talked about for some time but the timing of the announcement nevertheless had caused some surprise He had no idea how the government was going to sell its sorghum beer interests "They are talking very theoretically," he said "My impression is that they will sell their interests piece by piece because the profits from the industry are used by the development boards for infrastructural development and they will have to substitute the considerable income from other sources

"The big question is where they are going to get that money from, and I think that they do not know themselves

"We are dealing with a vast industry," he said "If you do not give it to one of the majors (companies), the smaller man will get smothered because you have to develop in brand names and advertise as well as run the whole show."

Mr Levy said "very few" companies were capable of handling the job — possibly only SAB and the Kirsh group

S/Express 14/10/84

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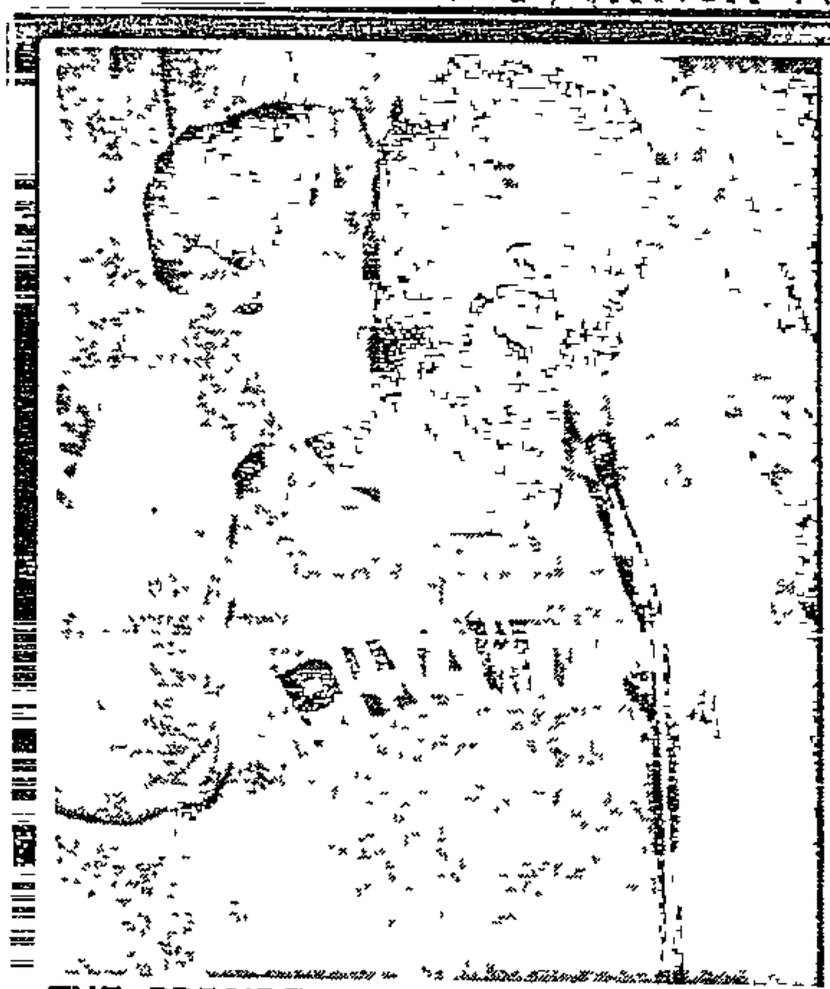


THE PRESIDENT of the Black Health and Allied Workers Union of South Africa (Bhawusa), Mr Tlou Dan Komape stressing a point at the union's first annual general meeting at the Lutheran Community Centre yesterday The one-day conference was addressed by the president and other prominent trade unionists and labour experts.

Malt workers underpaid

WORKERS employed by a malt company owned by a QwaQwa cabinet minister and currently financed by the Oranje-Vaal Development Board earn as little as R20 a week for working long hours.

The workers at Big Malt Company in Sebokeng, owned by the QwaQwa Minister of Works, Mr SK Marumo, say they do not get pay slips and do not know whether pension or tax deductions are made or if they are paid for overtime work

Two women said that they were made to work overtime off-loading malt bags from trucks until before giving birth

The workers also complained about

- low salaries,
- no pay for overtime,
- unfair dismissals, and
- no fringe benefits

Mr K Scholtz, assistant manager, said the company had financial problems and the development board was trying to help until it gets back to its feet It was a branch of a big company owned by Mr Marumo of QwaQwa

He admitted that the workers earned R40 a fortnight, but they were paid extra for overtime At this stage no pay slips were given to workers, but this would be done in future

"We intend improving the salaries of all workers once we become economically sound We are paying little because of the current economic climate in the country," he said

He refuted reports that workers have been unfairly dismissed, not paid overtime and that there were no fringe benefits

"Our workers are all satisfied Those who are impatient should wait until the company bounces back to a sound footing," he said

He denied that pregnant women were made to work until late in their pregnancy

The OVDB's chief director, Mr Dirk Ganz, said that the board was willing to help develop industries and "this is the reason why we helped the malt company that was having financial problems "

"We are willing to help them because we use malt in our neighbouring sorghum beer brewery in Sebokeng," Mr Ganz said

Workers at the company earn far below the household subsistence level of R342 a month calculated by the University of Port Elizabeth for the PWV

Concern over Moselane

THE EXECUTIVE of the Witwatersrand Council of Churches has expressed its deep concern and distress over the detention of Father Jeff Moselane of the Sharpeville Anglican Church.

Father Moselane will today be completing nine days in detention under Section 29 of the Internal Security Act

In a statement released on Friday, the Witwatersrand Council of Churches' executive said it "believes that the actions of the authorities in harassing and detaining leaders serves only to worsen the situation, particularly as it is directed to those who are seeking to bring about stability and realistic reconciliation, based on attention to the genuine grievances of people "

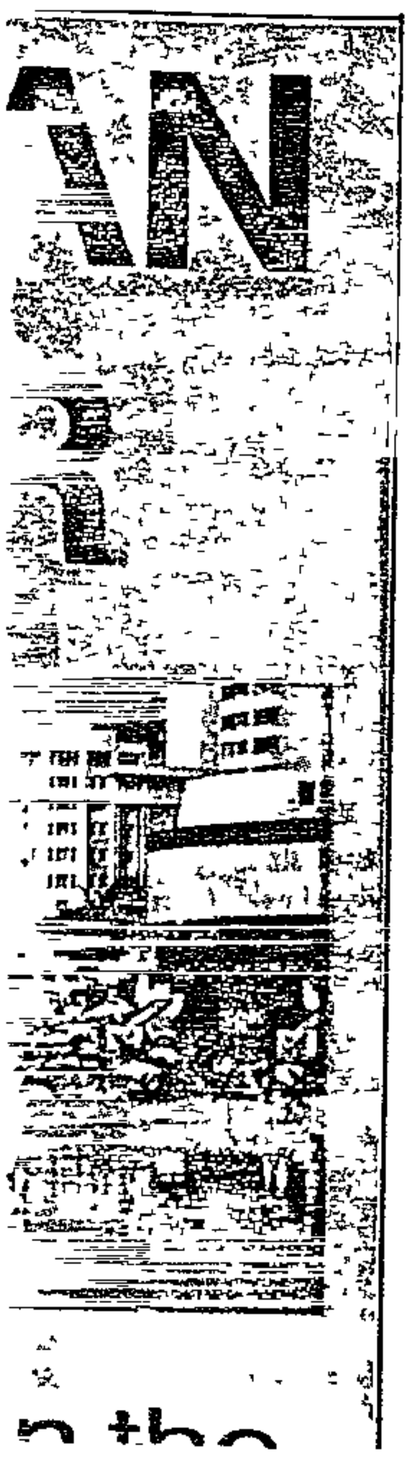
Mangope 'threatened us'

THE fledgling Mmabatho Residents Association is being "throttled" by the Bophuthatswana government, Mr Joe Seremane, the association's steering committee member said this week.

Mr Seremane said at the Bophuthatswana cabinet summoned on Thursday, the association's steering committee to the government chambers were given a "tongue-lashing" by President Mangope who warned them to stop the formation of the association or get kicked out of the homeland

Mr Seremane said "President Mangope accused me in particular of not having accepted Bophuthatswana's independence, also that I have been organising anti-government meetings of the victims of forced removals, and that I glorified Bishop Desmond Tutu's achievement that have earned him the Nobel Peace Prize "

In further attempts to throttle the formation of the association, said Mr Seremane, a committee member, Mr Ben Skhosana, was told to resign from the committee or he would lose his job



Dead boy's body found

THE body of a decapitated coloured boy who was found in the Westdene dam near the Rand Afrikaans University sports stadium in Johannesburg at the weekend has been identified, police said.

He was Ruben May (5), of Newclare, Johannesburg, an only child

A spokesman for the Police Public Relations Division in Johannesburg said Ruben had been given money by his father last Friday to buy sweets at a cafe near the May home The boy never returned

Members of the public who may have any information or who may have seen anything suspicious, have been asked to contact Captain Viljoen of the Brixton CID at telephone 837-4015 (work) or 683-4765 (home)

The spokesman added police divers would go to the dam later yesterday to search for clues Municipal divers were already at the scene, he said — Sapa

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If only we could drink petrol

182 Sunday Times 1/11/84

By David Carte

FIZZY soft drinks cost more than petrol

A litre of soda water, which comprises nothing but water and gas, costs 65c in a cafe, excluding sales tax and any deposit on the bottle

A litre of petrol on the Highveld costs 63c, including tax of at least 15c So soda water is at least 30% more expensive than petrol.

Other carbonated soft drinks cost the same as soda water, even though they contain syrups, sugar and other ingredients that the industry calls expensive

A 750ml beer costs 80c in a bottle store, without the bottle That is R1,06 a litre But a third of the beer price is excise duty Without excise duty, beer costs 70c a litre — a bit more than soda water — and home delivered milk at 68c a litre

Brewers mumble about the additional pleasure factor in their product and insist that beer is infinitely more difficult to make than soda water If they could, cows would make a similar assertion about their short-life product.

Impatient

Highveld petrol is made by Sasol, but the cost to the consumer is based on Opec prices, which have quintupled in the past decade Built into the petrol price are enormous exploration, exploitation, shipping, refining and distribution costs, not to mention huge profits for sheiks, oil companies and garages

Still, it is cheaper than carbonated soft drinks

Hennie Viljoen head of the SA Federation of Soft Drink Manufacturers, gets impatient with the comparison

"You can't compare petrol with soft-drink prices They are too different. The difference is in volume handled and consumed Soft-drink prices are determined mainly by input costs

"Makers of carbonated soft drink use 110 000 tons of sugar a year They pay R574 a ton to the SA cartel — virtually three times the London price This makes the sugar bill alone R63-million

"Then there are ingredients, horrific water purification, bottling and canning expenses, the cost of crates and the enormous costs of distribution to thousands of tiny outlets all over the country Our industry uses more fuel than just about any other"

But with sales exceeding R500-million, soft drinks are profitable The Big Two, Coca-Cola and Pepsi Cola of the US, do not disclose their profits in SA, but several bottlers of their products are doing extremely well

Amalgamated Beverage Industries, which bottles Coke and Schweppes, has been such a good investment for SA Breweries that the brewer wants to increase its 30% interest.

Rennies recently paid R10-million for Sparletta Suncrush, which has the Sparletta franchise on the Reef

Suncrush, bottlers of Coke, Sparletta and Schweppes in certain parts of SA, has been one of the highest-growth companies on the Johannesburg Stock Exchange Cadbury Schweppes has also excelled.

According to the Soft Drink Federation, volume growth in soft drinks has been as good as it has in beer In the past five years volume growth has been 11%, 14%, 17%, 10% and 6% This year in spite of recession, it is expected to be 4%

Small brands

Apart from a short-lived spell of "predatory pricing" by Pepsi Cola in the Cape last year, there has been little price competition Different brand prices are generally identical in the same cafe Cafe owners tend to follow "recommended" prices

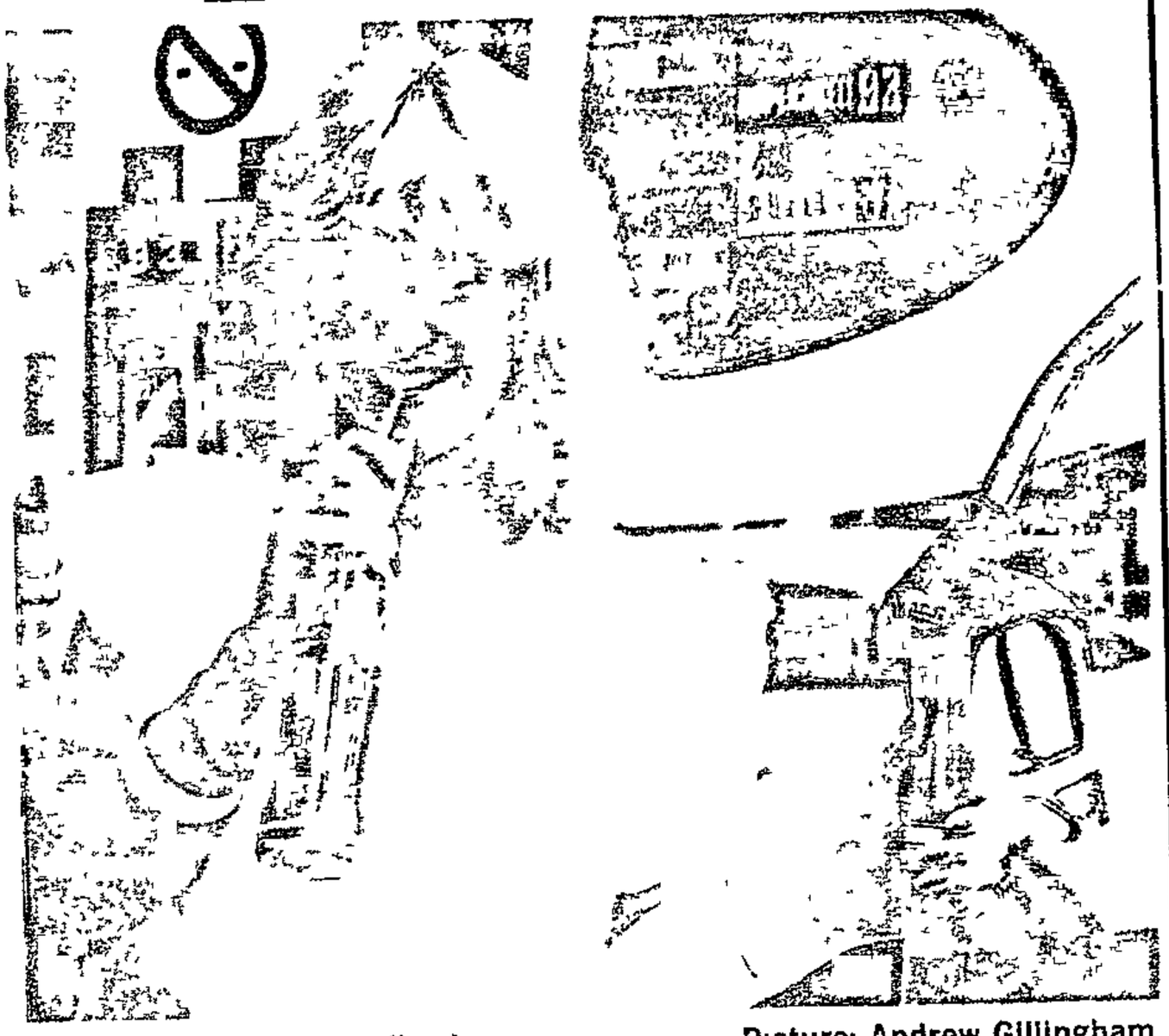
Coca-Cola, with 86% of the market, dominates the industry

Coke's own products have an estimated 65% of the market and Sparletta 19% Coke bottles Sparletta as well as Schweppes, which has 2% So, effectively, Coke has 86% of the total market. Pepsi has about 6% and other small brands the balance of 8%

"The brand leader" — as Mr Viljoen, a senior Coca-Cola man wearing his Federation hat coyly calls Coke — "recently increased its prices and the other manufacturers followed suit." Mr Viljoen says the federation does not set prices

The Competition Board recommended lifting price control from soft drinks because they are not a luxury and although there is not much price competition, demand falls heavily when prices rise.

In addition there is competition from tea, coffee, cordials, fruit juices, home soda makers and even Adam's ale.



Coke is it ... but petrol's cheaper

Picture: Andrew Gillingham

WINE INDUSTRY

Nearer the free market

182

The KWV, SA's central authority with discretion over the R1 000m/year wine and spirit industry, has announced important changes to its control mechanisms The problem is excessive production, but the solutions are imponderable

The wine and spirit industry is in a productive ferment. The KWV has announced significant changes to the industry's three central mechanisms — the surplus declaration formula, the minimum pricing system, and the land/production quota system

The changes have been spurred by 1984's gap between wine production and consumption, which was the biggest in volume terms in the industry's 300-year history Also, for the first time in many years, growers who were paid the minimum price for noble wines are achieving more than growers producing low-quality grapes

In the past, the minimum pricing system has encouraged the production of low-quality grapes Although their price is lower, the huge yields achieved by growers enabled them to gross more than the noble-wine growers

The quota changes were the most far-reaching of all In a break with past restrictive practice, they allow the transfer of quotas from one plot of land to another The effect will be to encourage planting of shy-bearing quality cultivars at the expense of prolific varietals such as cinsaut and palomino

Before the recent changes in the quota system, which allows transfer of quotas to more productive lands, the system had become antiquated Land could not be bought and a quota applied for, the land had to be bought with quota Until this announcement, a quota had immutably and immovably been vested in whatever piece of land to which it was originally located

Although quotas were updated in 1957, 963 and 1970, the changes took scant account of market conditions Some land for dams, roads and even housing developments had KWV quotas which died with the advance of civilisation

Break with tradition

The most important thing about the changes is that they signify some willingness to expose the industry's 6 000 growers to market forces and changes in patterns of consumption Those who fail to respond to the KWV's signals will surely go to the wall And if the changes mean that the KWV is about to break with its tradition of protection and paternalism, they also mean that the KWV will do nothing to prevent inefficient growers from ruin

The KWV's new rules on wine quotas have been welcomed by growers Some have commented that they favour the financially stronger power This might well be so But having made the point, they shrug it off with typical Boland equanimity "Even a brush with the free market system cost exact a price," comments Fanie Theron of Palmietvlei

Under the new proposals, subject to certain provisos, a grower can

- Transfer a quota or a portion of it from one of his farms which has a quota to an adjoining farm of his which does not have a quota, and
- Move quotas from one of his farms to another, if he has a number of farms which have quotas but which are not necessarily adjoining

This means that the grower will now be able to exercise options within his own domain in planting suitable land with vines for quality yields

Most heartening of all to growers whose farms have no, or inadequate, quotas is the news that, as from November 1985, they will, with certain provisos, be able to buy quotas from existing quota farms — and that these may then be transferred and vested in their properties

Physical quotas have not been increased What the KWV is seeking to do is create a greater mobility of quota utilisation within the existing control system In announcing these far-reaching changes, Pietman Hugo, the KWV chairman, said "They will stimulate the planting of noble varieties in accordance with the cultivar guideline plans that have been devised for the industry"

Some growers feel the KWV could have gone further John Platter — a relative newcomer to wine-producing circles in the Cape and an outspoken critic of the quota system — describes the new development as "perhaps not enough, but interesting and decidedly encouraging"

It will take some time before the effect of these changes will be noticed at consumer level But that they have opened up almost immediate and exciting prospects for enterprising quality-wine growers is certain It has also given them new confidence in the management of industry affairs

Fresh ideas

As Anthonie Rupert, owner of L'Ormarins, puts it "Whether one avails oneself of the opportunity or not, the fact is there is development When Pietman Hugo took the chair at KWV, he promised that he and his board would look into the question of quotas They have done so They have come up with fresh ideas in the interests of resilience and quality — and that augurs well"

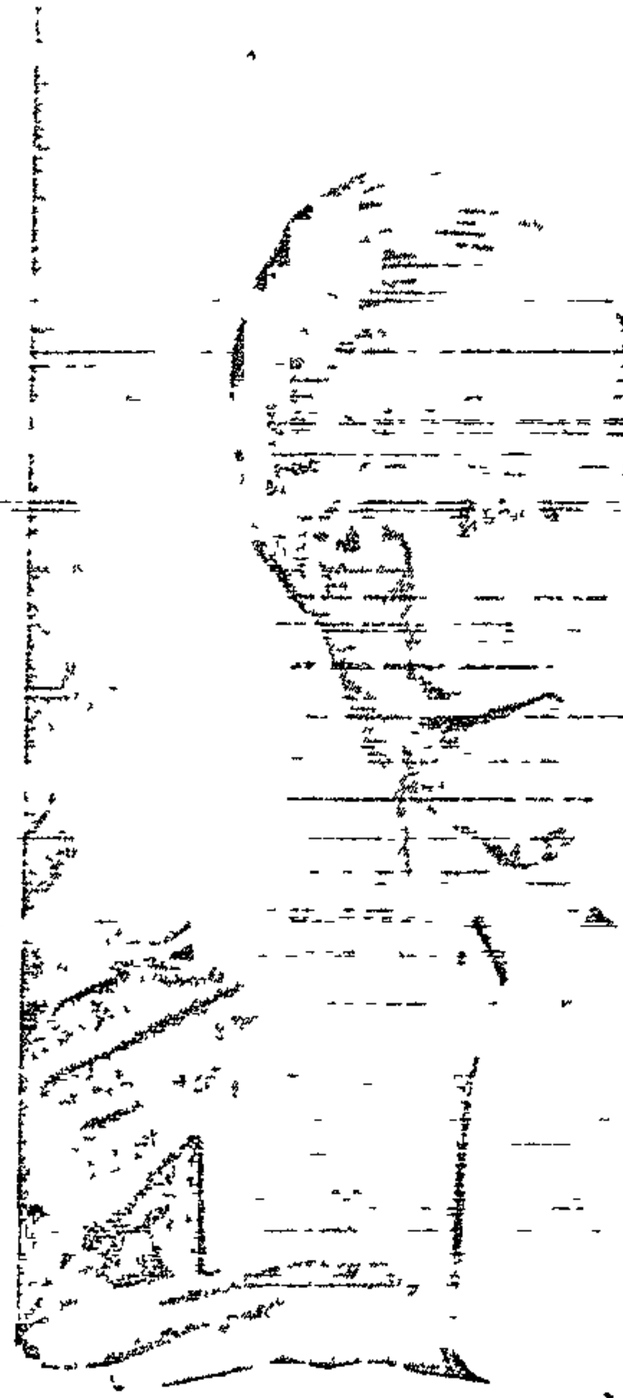
It was not before time After an unprecedented run of six fat crops, 1984's production is 27% in excess of domestic offtake of wine and spirits This is the widest gap ever in volume terms

Fortunately for both consumers and producers, the KWV's control mechanisms are such that the surplus problem can be self-eliminating What is needed is the will to use the mechanism to restore the balance between supply and demand for given varietals — no matter who gets hurt

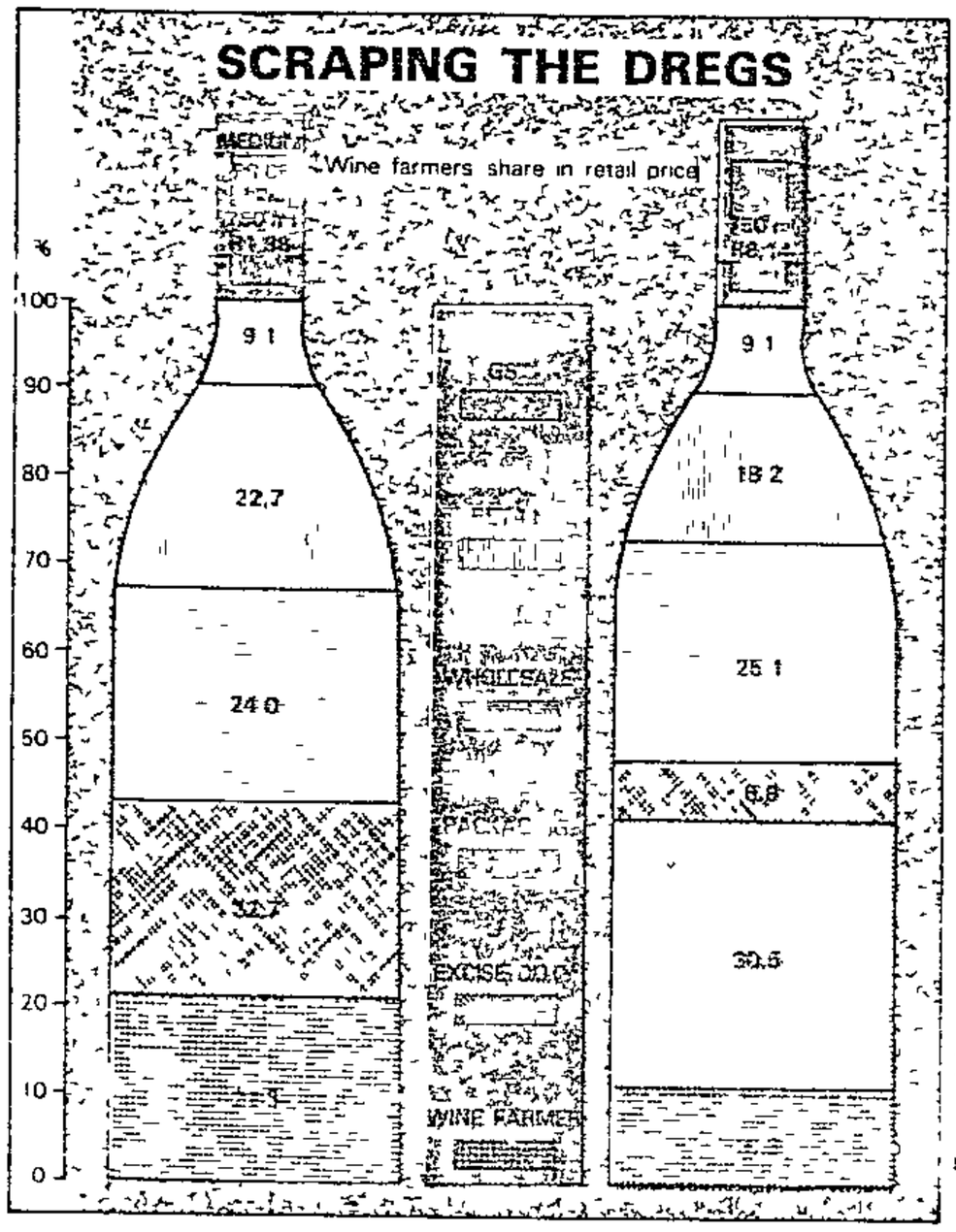
The KWV has a unique pricing system, it only pays farmers for distilling wine consumed in the domestic market The unsaleable portion of the distilling wine crop passes to the KWV free of charge This is used to supplement reserves (1,6 times the annual crop) should a crop fail The remainder is sold on international commodity markets to provide growers with an *agterskot*

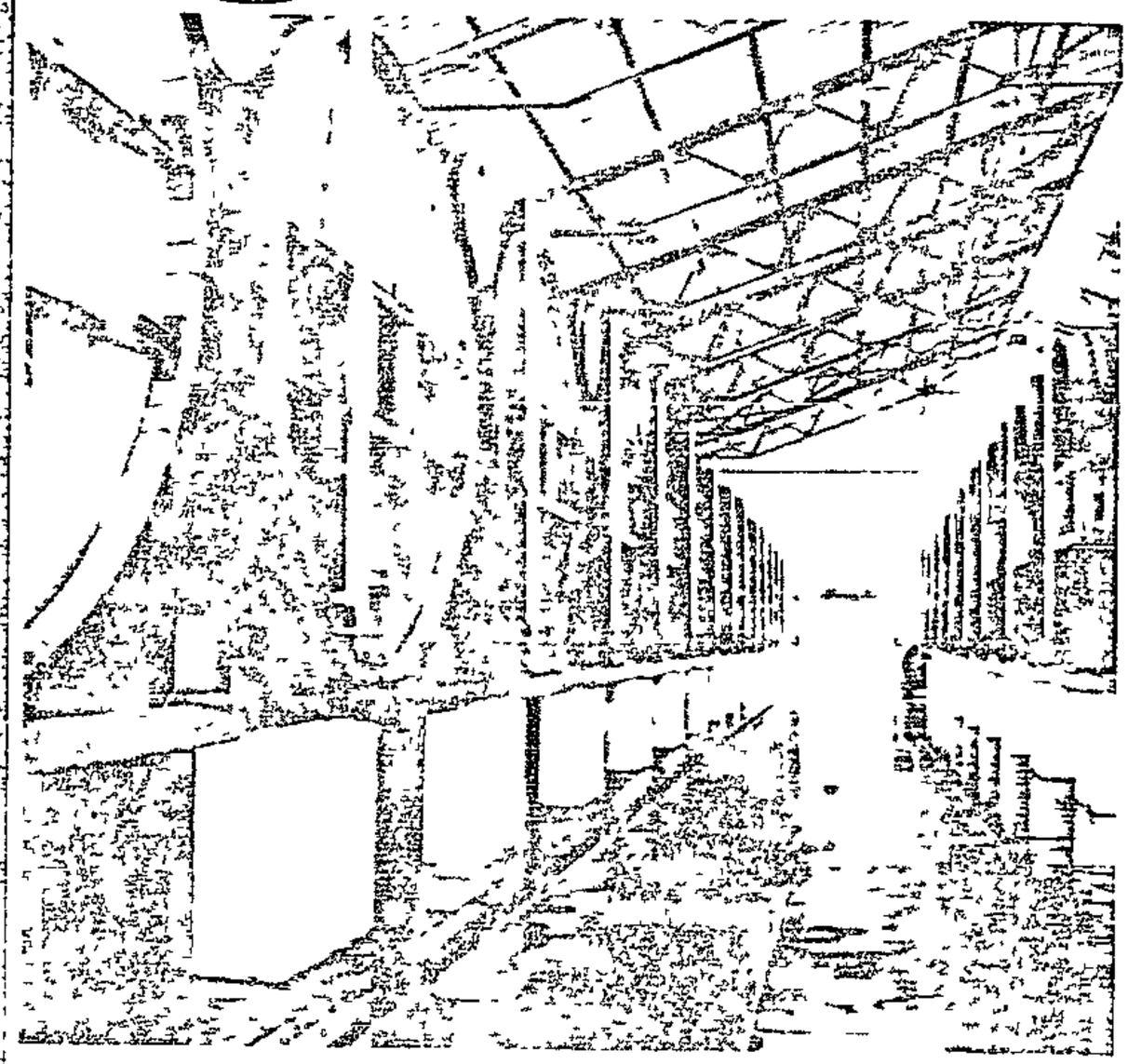
In effect, the system comprises five producer prices

- R38/hl, the minimum price for good wine (production of 4,32m hl in 1984),
- R26/hl for the saleable portion of the



KWV's Hugo ... making a market in quotas





Wine cellar ... matching consumer preference

distilling wine crop (2,40m h*l*),

☐ Nil for the true surplus (2,24m h*l*),

☐ R13/h*l*, being the *actual* payment to producers for the previous two categories, and

☐ An *agterskot* paid on realisations of the *true surplus*, for which farmers were initially paid nothing

The minimum price, unlike other sectors of agriculture, acts as a true "floor price" Although much wine trades at this price, noble cultivars find their own price levels in negotiations between farmers, the co-operatives and merchants This year, some wines are changing hands at four times the minimum price of good wine

Even so, the price differential between good wine (drunk as such) and distilling wine is insufficient to encourage growers to produce more of the former

Simply stated, farmers who achieve high yields of low-quality grapes that sell for R13/h*l* receive more than noble-wine farmers who are paid the minimum price, or R38/h*l* for good wine

In Orange River vineyards, the actual distilling-wine price in 1979 was R11,89/h*l*, giving a realisation of R309/ha compared with a Stellenbosch noble-wine farmer's realisation of R222/ha at a minimum good-wine price of R22,21/h*l*.

But the surplus declaration formula has an internal correcting mechanism This year it is the noble-wine farmer who is paid a notable premium for his crop Using the 1979 yields assumed in the previous example, the Orange River farmer is achieving R335/ha this year compared with the Stellenbosch farmer's R386/ha

What the market seems to be saying, therefore, is that growers should opt for shy-bearing varietals, for which there is healthy demand Even if such cultivars were overproduced in relation to total good-wine demand, the smaller yield would ensure a much smaller surplus and, consequently, a higher payout for the portion of the crop consigned to the distilling-wine pool

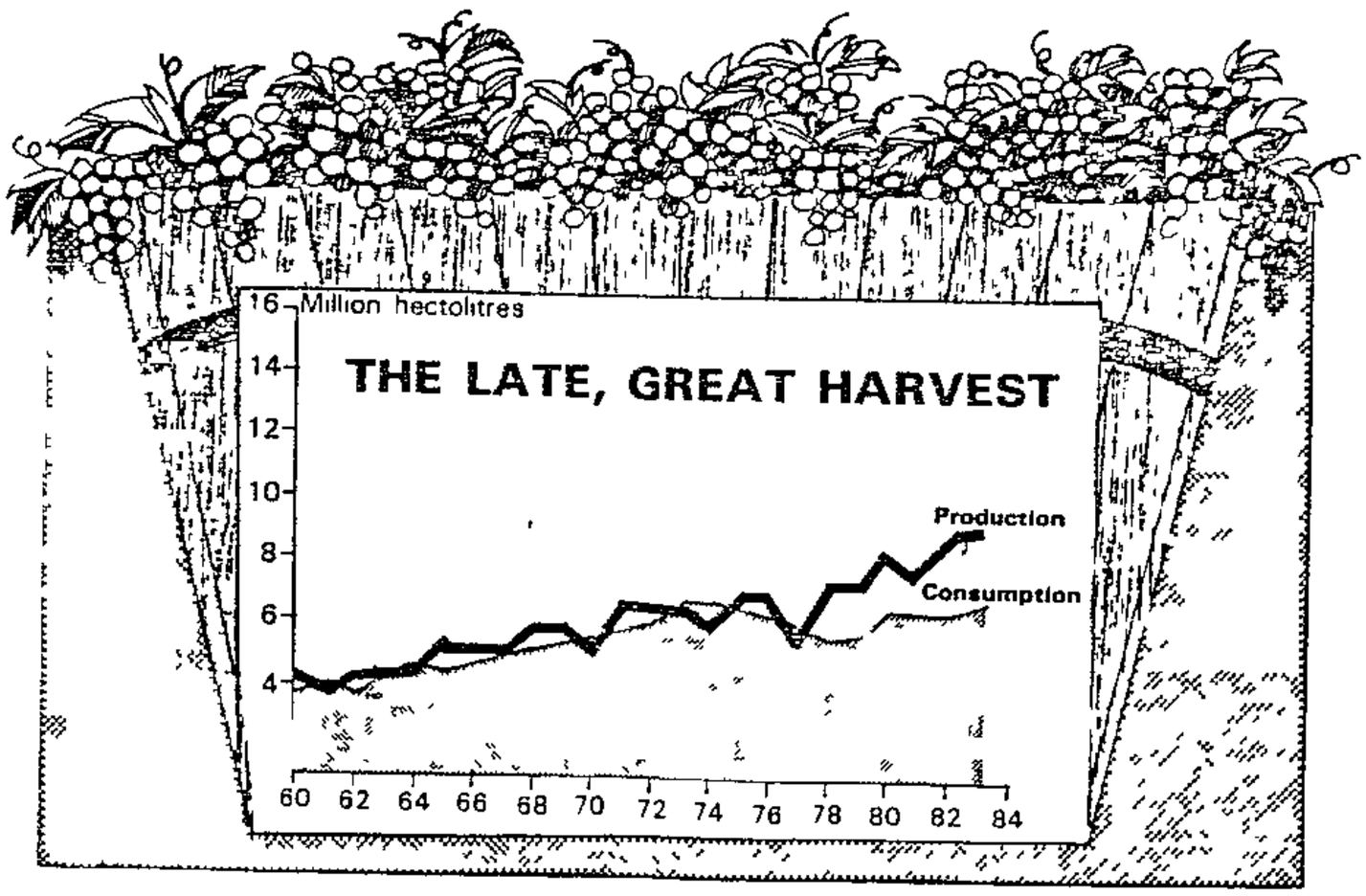
High risks attend changes of production patterns To replant a hectare of vineyard with shy-bearing varietals would require an outlay of R16 000 over three years without any return

Cash-flows begin in the third year after planting, but only optimise in the sixth year — regardless of the cultivar Adding to cost is the three-year period land must lie fallow between plantings

One way of encouraging a swing to good-wine production would be to continue increasing the distilling-wine price at less than the inflation rate, or even freezing it This would enable the low-quality cultivar farmers to eke out an existence while still having time to alter production patterns

The new quota transfer system means the farmer can take the decision on what vines he will plant His first reference will be the consumer, moving the wine industry to a freer market In addition, KWV executives have intimated that the minimum price increases, to be announced in January, will be below the inflation rate If production next year is as large as this year's, the actual payment to growers for distilling-wine will be its lowest in many years

This is the effect of KWV's surplus pricing formula and the demands of the final market



Sowetan 30/11/84 (192)

Saawu signs major agreement

By JOSHUA RABOROKO

THE SOUTH AFRICAN Allied Workers' Union (Saawu) has signed a recognition agreement with Coca-Cola — a major victory for the union, according to Mr Sisa Njekelana, the union's general secretry.

Mr Niekelana told The SOWETAN yesterday that the agreement — the sixth this year so far — has added strength to the union They were hoping to conclude other agreements with managements late this year or early next year

In terms of the agreement with the Wadeville plant the union can negotiate wages, retrenchments, health and safety matters, dispute procedures, grievances and disciplinary measures

"We have also agreed to discuss maternity leave for our members We are hoping that the finer points of this leave will be concluded in future as well as health and safety measures," he said

Maternity leave and health and safety measures have been contentious aspects in signing of recognition agreements this year, especially in the retail and mining industries

The Commercial, Catering and Allied Workers' Union (Ccawusa) has concluded a maternity leave with OK Bazaar and the National Union of Mineworkers has urged its members working underground not to work at places which they regard as unsafe, according to union sources

Saawu said that it saw the agreement as a step towards developing progressive industrial relations in the South African industrial community

SA BREWS

Hanging in

(192) FM 16/11/84

In an interview with the *FM* earlier this year, MD Meyer Kahn parried a question that SA Brews was heading for bad results.

SA BREWS' SUCCESS

Six months to	Sep 30 '83	Mar 31 '84	Sep 30 '84
Turnover (Rm)	2 149	2 666	2 534
Operating profit (Rm)	140,4	228,7	157,5
Profit after interest (Rm)	102,7	186,6	101,8
Taxed profit (Rm)	64,4	134,5	69,2
Attributable profit (Rm)	68,7	135,9	71,9
Earnings (c)	27	52,4	27,5
Dividends (c)	10	26	10

"We've got a great management," he declared, "and if you consider the state of the economy, our results are brilliant"

SAB, as Kahn noted this week, "is still hanging in" Earnings and dividends in the last six months have been held at SA's premier consumer group. Operating profit moved ahead 12% to R157,5m, while turnover rose 18% to R2 534m. Sound management and the mid-year consumer spending splurge undoubtedly played a part in the maintained results

However, the economic downturn started to bite only in the last two months of the accounting period. With consumer spending hammered by the most vicious curbs in a decade, and the chances of a spending recovery until late next year looking remote, how is SAB likely to fare in the year as a whole? Answers Kahn "Things are tough out there and we will be very dependent on the Christmas trade But, overall, I don't see a leeway of more than 5% in earnings either side of last year I believe dividends will be maintained."

There are certainly grounds for optimism Earnings from beer sales rose modestly on a 10% volume increase in the first six months, but it is the festive binge which will determine the degree of this year's earnings upswing It is worth noting that annual growth in beer consumption has faltered only once in the last decade, when government raised excise duties.

After gloomy results in 1983, Edgars reported attributable profit 28% ahead at the interim and expects earnings for the year to be ahead of last year SAB has raised its stake in Edgars from 51% to 60%, which will further boost earnings. Southern Sun's profit held firm at its interim and MD Bruno Corte reckons that, even without improvement in the economy, profits will be held OK Bazaars' durable and HP sales have been badly hit and Kahn says that some 25% of OK's business is on HP. But, clothing and food sales have been comparatively less affected and so OK's earnings downturn may not be too severe.

The big profit losers this half-year will be SAB's two furniture subsidiaries, Amrel and Afcol SAB's earnings performance will, to a large degree, be determined by the extent of the furniture companies' profit declines, especially if its other interests hold or slightly improve earnings

Amrel's after-tax profit slumped 26% to R4,6m at the half-year, but Afcol surprised the market by reporting maintained profit. Kahn says that recession affected furniture retailer Amrel more quickly, while furniture manufacturer Afcol benefited from outstanding orders None of Afcol's sales are financed by HP. Afcol has performed better than the furniture industry as a whole and, in the wake of the slump in the rand, is examining export prospects. But any export income will not benefit Afcol this year

SAB's profit also took a knock from a nearly 50% rise in the interest bill and, to a lesser degree, from a R3,8m write-off on roughly $50m of uncovered offshore borrowings Forex losses will be amortised over the life of the loan, but Kahn does not expect future write-offs in each period to exceed present levels. He does not specify SAB's total forex exposure. The higher interest bill arose from sharply increased rates and, as borrowings are unlikely to fall soon, interest charges will be considerably higher than last year

At 635c, the share yields 5,7% on dividend against 5,1% for the sector. Considering the quality of SAB's investments and the success of its new management, a higher share rating seems justified — certainly when the timing of the next upturn becomes clearer.

Christopher Marchand

SAB to raise stake in ABI

SOUTH African Breweries (SAB) has reached agreement to increase its shareholding in Amalgamated Beverage Industries (ABI) from 21% to 55% by January 1, 1987.

The negotiations were first announced in SAB's interim report of last November 7

The effective cost to SAB of about R85m will be paid as to 12% on January 31, 1985, and the balance during 1986

ABI, the largest carbonated soft drink bottler in South Africa, has bottling plants in Johannesburg, Pretoria and Durban and employs 3 800 people.

A substantial capital improvement programme completed recently provides ABI with the most up-to-date technology and equipment in this field

"ABI will dispose of 80% of its canning operations to The Coca-Cola Export Corporation with effect from January 1, 1985," SAB said

Projected financial features of ABI for the financial year ending December 31, 1985, show turnover at R350m, net assets at R150m, and profit after tax of R20m

Commenting on the agreement, Mr K R Williams, chairman of SAB's beverage division, said SAB's increased share in ABI would further complement its current activities in the beverage industry by providing SAB with a strategic stake in the soft drink market

This industry has shown an average long-term growth of 9% in volume sales

While there will be no immediate material effect on SAB's earnings or net asset value per share, it is anticipated that ABI will make a significant contribution to SAB's performance in future

Other shareholders in ABI on January 1, 1987, will be the Coca-Cola Export Corporation (30%) and Cadbury Schweppes

Star (182)

Beer up by 6,5 pc

1/2/85

The price of beer is to go up by about 6,5 per cent from Monday — just one week after the increase in the price of wines.

South African Breweries told bottle stores today that the wholesale price of beer would increase with immediate effect — but most of them have sufficient stocks to last through the weekend

Johannesburg· proposed robbery

*6 Mr P G SOAL asked the Minister of Law and Order

(1) Whether any member of the South African Police received information concerning a proposed robbery at a branch of a commercial bank in Southdale, Johannesburg, in September 1984, particulars of which have been furnished to the South African Police for the purpose of the Minister's reply, if so, (a) what was the rank of the person who received the information, (b) when was it received and (c) what was the name of the bank concerned,

(2) whether the South African Police considered (a) setting a decoy for the alleged thieves and (b) taking any other action as a result of the information received, if not, why not, if so, (i) why was the setting of a decoy considered and (ii) what other action was (aa) considered and (bb) taken in this regard,

(3) whether a certain person, whose name has been furnished to the South African Police for the purpose of the Minister's reply, was approached by the police to act as a decoy, if so, (a) why and (b) what was the name of this person, if not,

(4) whether this person volunteered to act as a decoy, if so what were the circumstances surrounding his volunteering to do so,

(5) whether this person's relatives were informed of the possible dangers of the operation, if not, why not, if so, (a) in what manner and (b) what was their response,

(6) whether any precautions were taken by the South African Police during the decoy operations, if not, why not, if so, what precautions

(7) whether any persons were arrested as a result of the operation; if not, why not, if so, how many,

(8) whether he will make a statement on the matter?

The MINISTER OF LAW AND ORDER

(1) Yes

(a) A lieutenant

(b) At 12h00 on 27 September 1984

(c) Volkskas Bank

(2) (a) Yes

(b) No, because no other preventive measure could be taken timeously to prevent the crime

(i) Because the police are in terms of section 5 of the Police Act, No 7 of 1958, responsible for the prevention of crime

(ii) (aa) and (bb) Fall away

(3) No

(4) Yes The person concerned was the regular driver of the vehicle in which the money is being transported to the bank and not to rouse suspicion he insisted on participating in the police action

(5) No, because the person concerned decided himself, against police advice, to take part in the police action

(6) Yes, he was provided with a bullet-proof jacket and a fire-arm Apart from the deceased the vehicle in which the money was transported was manned by an officer and two members of the murder and robbery squad, while two members in civilian dress followed the vehicle on a motorcycle A number of members took up position in strategic places in the vicinity of the bank

(7) No, because the robber was fatally wounded

(8) No, except to express my condolences with the family of the deceased.

(182) Hansard Q.601.53 12/2/85

Sorghum beer industry

*7 Dr M S BARNARD asked the Minister of Co-operation and Development.

Whether, with reference to his reply to Question No 7 on 11 May 1984, a final report on the sorghum beer industry has been submitted by the committee investigating the question of the privatization of the sorghum beer interests of the Development Boards, if not, (a) why not and (b) when is it anticipated that it will be submitted, if so (i) when was it submitted and (ii) what were the findings?

†The DEPUTY MINISTER OF DEVELOPMENT AND OF LAND AFFAIRS

(i) Yes On 4 February 1985

(ii) To give effect to the Government's declared policy in regard to free enterprise, the optimum privatization of the sorghum beer industry is recommended

Even before it's final report was received the Committee submitted recommendations to the Government upon which a decision was taken and in respect of which the Minister issued a statement on 2 October 1984

The essence thereof is that the privatization of the industry will take place over a period of three years so that, during that period, suitable alternative sources of income for the Black local authorities can be found In the mean time this important source of income will be retained for local authorities, to be used in the interest of Black communities

Hansard Q.601.53 12/2/85

Classified computer data

*8 Mr P R C ROGERS asked the Minister of Defence

(1) Whether the South African Defence Force (a) is investigating or (b) has investigated a claim by branch of a certain organization, particulars of which have been furnished to the South African Defence Force for the purpose of the Minister's reply, relating to access to classified South African Defence Force computer personnel data, if so, (i) what is the purport of the claim, (ii) what are the names of the branch and organization concerned, (iii) who is carrying out or has carried out the investigation, (iv) when did the investigation commence and (v) when will a final report be available; if not, why not;

(2) whether the South African Defence Force intends to investigate this claim, if not, why not?

The DEPUTY MINISTER OF DEFENCE:

(1) (a) Yes

(b) No.

(i) A Report in the *Sunday Times* of 27 January 1985 in which it was alleged that the organization concerned, had access to the SA Defence Force's computor

(ii) The Paratuswagpos of the Ruiterwag

(iii) Two senior officers of the SA Defence Force

(iv) 1 February 1985

(v) This will depend on the extent of the investigation

(2) Falls away

†Mr S P BARNARD Arising from the reply of the hon the Deputy Minister, would he tell me whether he was then still a main "*ruiter*"?

†The CHAIRMAN Order! The question is not permitted.

D - Dispatch

182

SAB boosts operations in Border, Ciskei

12/4/85

EAST LONDON — SA Breweries has upgraded its Border and Ciskei beer division with a restructured management team that will have much greater autonomy from the SAB office in Port Elizabeth

SAB's general manager for the Eastern Province and Border, Mr Mike Simms, said yesterday this meant that the company was "giving East London due credit for its size."

"We expect future developments and need a regional manager to handle them on the spot," he said

The new manager is Mr Errol Finkelstein. Other members of the management team are Mr Gordon Sonemann, in charge of production, Mr Corrie du Plessis, distribution and warehousing, and Mr Anre Venterntre, who is responsible for personnel matters

SAB at present employs about 130 people in the region and operates a bottling and quality control plant in East London.

Mr Simms said that, depending on demand and whether the economies of East London and Ciskei took off, it would be "not unreasonable" to expect the establishment of a brewery in East London within the next 10 years

He said SAB's presence in East London was based on "pure economics" as it did not qualify for decentralisation concessions

Beer sales boost SAB turnover

CAPE TIMES 9/5/85

182

JOHANNESBURG. — With beer drinkers swilling their fill, South African Breweries Ltd (SAB) increased their turnover for the year ended March 31, to R5 359,2m, an increase of 11 percent over 1984's R4 815,2m.

But the trading profit was down to R354,4m (R369,1m) and profit after taxation was down only one percent to R248,5m (R250,9m)

An unchanged final dividend of 26c a share has been declared, maintaining the total for the year at the level of 36c paid in respect of the previous year

Provision

With a foreign exchange provision of R5m included, a record R210,3m was attributable to shareholders, three percent up on last year's R204,6m

The earnings attributable to shareholders represent earnings a share of 80,4c as compared with 79,4c for the previous year

The directors say "This has been achieved against the background of a precipitous collapse in consumer spending, particularly in the latter six months of the financial year when the estimated decline in real private consumption expenditure was of the order of 3,5 percent

"All sectors of spending have suffered, in recent months, especially durables and the middle and lower-income mass consumer markets"

"Volume growth of seven percent in the beer division was a major factor in the increase from R126,6m to R141,6m in earnings for the year in the group's beverage interests

"Earnings brought to account from the remaining interests of the group declined from R78m to R50m, to which must be added R18,7m of deferred investment allowances credited to the income statement in terms of the group's established accounting policy," the directors say

The group recorded an increase of 11 percent in turnover but with margins being brought under severe pressure, the directors say

In the event, trading profit fell only four percent below the previous year's achievement

Interest costs

The say "The substantial increase in interest costs was more than offset by the sharply reduced level of taxation (R22,3m as against R90,4m the previous year), resulting from utilization of assessed losses and the continued transfer back to earnings of investment allowances deferred in previous years"

Included under interest paid (R132,2m as against R79,8m the previous year) is an amount of R6,1m in respect of the amortization of the unrealized currency translation deficit on an aggregate of R50m of foreign borrowings which remained uncovered throughout the year, the directors say

In addition, group attributable earnings have been reduced by an amount of R5m set aside as a matter of prudence against the total amount carried forward, leaving a net balance of R6,2m to be amortized over the remaining 4,5 years of the loan arrangements concerned

Borrowings increased by R76m over the year and reflected the results of tight asset management throughout the group as well as the benefit of the R100m of redeemable preference shares issued with effect from February 1 this year

Of future prospects, the directors say that it is clear the turning point in the country's economic downswing will not be reached until the latter part of this year

Spending

Negative growth in real consumer spending in the first six months of the coming year is expected to depress group earnings to a level well below that of the previous year

"Trading in the second half of the year, however, is always the critical determinant of the full year's performance

"If the improvement in the overall economic climate anticipated in the group budgets materializes, earnings for the year as a whole will be in line with those of the year just closed," the directors say — Sapa

MOZAMBIQUE (182) FM

Lonrho's portfolio 10/5/85

Lonrho's multi-million-rand investment in beleaguered Mozambique is "a vote of confidence in the future of the country by a very hard-nosed business concern," says Lonrho (Mozambique) MD Marco de Villiers.

Mozambican Finance Minister Rui Baltazar and Lonrho chief executive Tiny Rowlands signed a wide-ranging agreement in Maputo last week, which makes Lonrho by far the biggest foreign investor in the country. The agreement includes the development of three large hotels, a tourism island, a gold mine and several large agricultural ventures More projects are being negotiated

Says De Villiers "Our considerable investment will stimulate interest by other groups in SA, the US and elsewhere to invest in Mozambique and so keep the country under moderate rule That will give SA, among others, the opportunity to work with Mozambique and to solve the economic problems in the region

Lonrho's Rowland . . . another African state in the bag

"For South Africans, Mozambique is potentially a crucial lifeline Disinvestment is not going to go away, it is only going to get worse Economic sanctions on SA will grow progressively, no matter what laws government is going to scrap Mozambique could mean the key to SA's survival"

According to the agreement, Lonrho is going to upgrade and run Maputo's once famous Polana Hotel, the partially completed Four Seasons Hotel in the capital and the Dom Carlos Hotel in Beira. It is also going to restore the dilapidated island of Santa Carolina — once loved by thousands of SA tourists as "Paradise Island" — to its former glory (see page 60).

De Villiers says the tourist potential of Mozambique is immense What is more, there is strong demand for good hotels in the two big cities (Lonrho is negotiating protracted leasehold on these properties, since no private ownership is allowed under the Marxist system in Mozambique)

Lonrho is also developing a fairly small gold mine on the border with Zimbabwe, in Manhica province It is not far from Lonrho's gold mine on the Zimbabwe side of the border

Other proposed projects are sugar, tea and cotton plantations These farms are in the far south, near Maputo, in Manhica province and in the far north

De Villiers says Lonrho will confine development projects to areas where there is little danger of disruption by the guerrillas of the Mozambique National Resistance (MNR) As the MNR gets weaker — as he predicts they will in the next year, now that their foreign aid has been cut — other areas will fall open for development

De Villiers says he is relieved that SA now realises the "immense dangers" of an MNR takeover in Mozambique He welcomes Pretoria's intervention to curtail the activities of the MNR "Should the MNR gain the upperhand, Frelimo will again fight a guerrilla war in the bush backed by communist countries Southern Africa cannot afford that President Samora Machel is a moderate, and he is undeniably the leader of the people of Mozambique. We will support him actively, as we have supported Unita's Jonas Savimbi in Angola the last 15 years"

De Villiers believes that Mozambique is in many ways an ideal place for investment The Marxist government is very keen to welcome entrepreneurs, and the opportunities are almost endless Entrepreneurs can negotiate several formulas for paying their workers, in goods, rands or US dollars Wages are also much lower in Mozambique than in SA ■

CAPE TIMES 10/5/85 — 182

Retrenchments cut by 140 after negotiations

JOHANNESBURG — One of the most successful union negotiations in reducing retrenchments has been achieved by the Food Beverage Workers Union a Cusa affiliate with the Coca-Cola Bottling Companies of the East and West Rand

Union spokesmen, who met with Coca-Cola management yesterday, said 203 workers from three different Coca-Cola factories had initially been faced with retrenchment But the company had reduced the intended number to 63, following further negotiations with the union this week

Spokesmen said the first retrenchment announcements had been made in February and would have affected 104 workers at the Bedfordview and Benrose branches

After negotiating with the union, management reduced the number to 20 The rest of the workers agreed to work on a "rolling-leave system" which entailed taking unpaid leave every sixth week

Last week Coca-Cola management announced that 99 workers would be retrenched at their Devland branch, but after negotiations only 43 will be affected

Workers had indicated through the union that they were willing to either go on rolling leave, work every 20 days and forfeit two days of their monthly salary, or put in a limited amount of unpaid overtime work to save costs

Union spokesmen said management had also agreed to implement some of the alternatives suggested by the union to save the jobs of remaining workers

They said these were the first retrenchments by Coca-Cola and an agreement had also been made with the company that there would be no further retrenchments for the rest of the year

Union officials are still discussing the position with management but criteria for retrenchments have been jointly settled upon and consist of a "last in, first out policy", key skills and work attendence records

Company spokesmen could not be contacted for comment yesterday

St Wendolin's evictions slated as 'barbaric'

Mercury Reporter

THE eviction of blacks living at St Wendolin's near Pinetown to make way for Indian residential development was 'barbaric and horrifying' the chairman of the opposition Solidarity Party in the House of Delegates, Mr Pat Poovalingam said yesterday

People living in areas surrounding St Wendolin's Ridge, which the Government last year declared a permanent black area were not included in the new deal for St Wendolin's and have been told to move because their land was 'urgently needed for development'

An elderly widow who claims to have lived at St Wendolin's since the 1940s last week received a letter from the House of Delegates' Department of Local Government and Housing giving her and more than 20 family members until the end of the month to move out of their 10-roomed home

Mr Poovalingam said he had been horrified to learn of the action and promised to pursue the matter 'vigorously' in the House of Delegates

'It is barbaric for the Department of Local Government and Housing to do this when everyone including the Indian community fought for the St Wendolin's people to be able to stay where they were'

Mr Poovalingam said he would move 'as a matter of urgent public interest that the House is shocked and alarmed at notices of forced removals served on black South Africans living in Mariannhill, Savanna Park, Nazareth and other areas in the Pinetown district'

The motion would call on the Minister for Local Government and Housing Mr Baldeo Dookie, to withdraw the eviction notices and enter into negotiations with the community's leaders

Last flight

JOHANNESBURG — South African Airways announced yesterday that its licence to land at Houston, Texas, has not been renewed — (c)

Union steps in to save 140 Coca-Cola jobs

(182) 10/5/85 B. Day

By CLAIRE PICKARD-CAMBRIDGE

ONE of the most successful union negotiations to reduce lay-offs has been achieved by the Food Beverage Workers' Union — a Cusa affiliate — with the Coca-Cola Bottling companies on the East and West Rand

Union spokesmen, who met management yesterday, said 203 workers from three Coca-Cola factories had been faced with losing their jobs but the company had reduced the number to 63 after negotiations this week

Spokesmen said the first lay-off announcements had been made in February and would have affected 104 workers at the Bedfordview and Benrose plants

After negotiating with the union, management reduced the number to 20. The rest of the workers agreed to working on a rolling-leave system which entailed taking unpaid leave every sixth week

Last week Coca-Cola announced that 99 workers would be laid-off at its Devland branch but, after negotiations, only 43 will be affected

Workers had indicated through the union that they were willing either to go on rolling leave, work every 20 days and forfeit two days of their monthly pay, or put in a limited amount of unpaid overtime to save costs

Union spokesmen said management had also agreed to implement some of the options suggested by the union to save the jobs of remaining workers

The cost saving measures would include the rolling leave system, early retirement, a total ban on overtime work, a halt on new employment, no casual labour and a limited freeze on expenditure on capital equipment by management.

They said these were the first lay-offs by Coca-Cola and an agreement had also been made with the company that there would be no more redundancies this year.

They said the lay-off packages granted by the company had been satisfactory and some workers had opted for voluntary retrenchment.

Union officials are still discussing the position with but criteria for lay-offs have been agreed and consist of a policy of last-in, first-out, key skills and work attendance records.

Company spokesmen could not be contacted for comment yesterday.

Liquor price war looming in Natal?

(182) NM 14/5/85

Mercury Reporter

TWO major liquor outlets launched an advertising campaign in Pietermaritzburg yesterday giving rise to speculation that a new price war was looming

Liberty Liquors and One Up, which both have headquarters in Durban, advertised prices on wines, beer and spirits, in several cases, below cost

They went ahead in spite of a controversial and frequently ignored agreement between Natal liquor outlets not to advertise prices

Both stores are seriously considering advertising in the Durban area

Mr Ken Heneke, managing director of Liberty Liquors, said yesterday he believed in advertising as a way of 'communicating with customers', as well as being part of the free market system.

'Advertising prices is nice for consumers as it generally leads to outlets trying to undercut one another and a tremendous drop in prices That is the problem, for how long can we sell at prices like that?'

A spokesman for One Up Liquor Stores said advertising was a 'wonderful way to show the public who is cheapest', adding that his store would be in 'hammer and tongs' if anyone advertised in central Durban

'We will not instigate it, but we will certainly meet any challenge from anyone else,' he said

BACK ON TOP

SA Breweries (SAB) MD Meyer Kahn describes Southern Sun (SS) as the group's most marginal business But there is no doubt that the past 12 months have been successful for the hotel chain

In 1984, the hotel group lost its second chief executive in a year, as well as a posse of top management men — but emerged a clear winner from the Safren/Kersaf deal. SS has avoided a costly war of attrition with Sun International and its dominance in the local hotel market is beyond dispute Attributable profit fell in the year to end-March But Southern Sun last year was the most profitable of SAB's subsidiaries, producing the best bottom-line profit despite reporting the smallest turnover.

This is all very well, but some analysts are worried about short-term prospects. SS enters the new year with occupancy at a low of 65% (85%) and massively increased capacity Gearing has risen from 0,21 to 0,33 and time-sharing is running out of steam The mammoth Johannesburg Sun, a legacy of Solomon Kerzner, is due to open next year at a time when five-star hotel guests are heading out of the CBDs for the more salubrious climes of Sandton and the northern suburbs The sluggish Holiday Inn (HI) chain has also had to be trimmed and made more profitable

Profitable investment

Kahn claims to be undaunted "We got HI at a very good price," he says, "and it fits perfectly into our structure HI will not compete against SS for the same market, but will service the two-star and three-star market HI will become a very profitable investment, although, like all hotel chains, it is currently suffering in poor market conditions Contrary to rumour, HI is running at a profit"

Among Kahn's other points time-sharing sales will take off again when the economy picks up SS's debt equity ratio remains minimal and was increased to finance hotel refurbishment which will maintain the long-term attraction of SS's hotels The Johannesburg Sun may run at a loss for one or two years, but in terms of replacement costs would be prohibitively costly to build in five years Neither will it strain gearing, since it has been financed by a pref share issue which will attract 10% interest

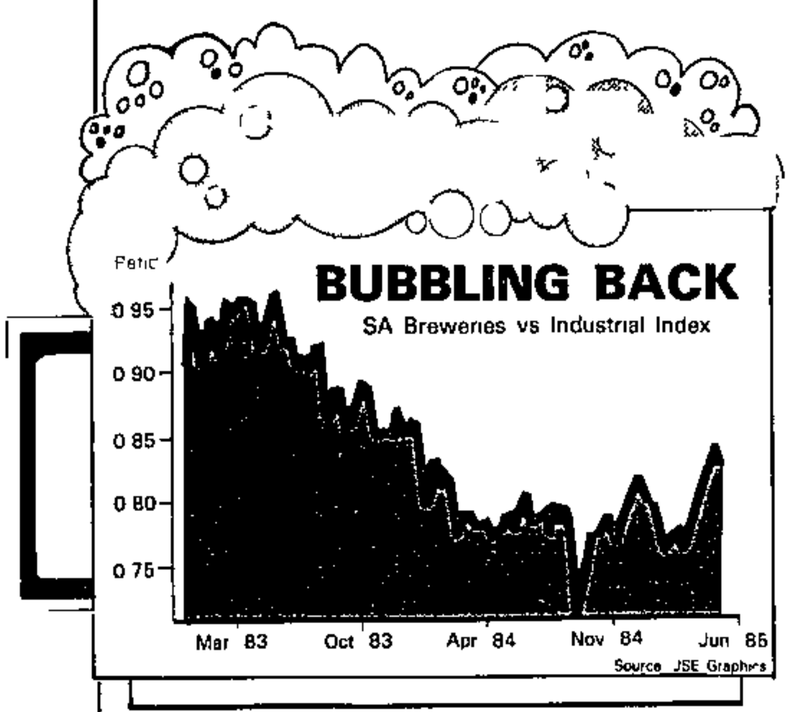
Kahn predicts that SS will maintain earnings this year The first six months will be bad for both SS and HI, but the second half will see cost gains from merging HI with SS and improving occupancy levels SS plans to mount a publicity campaign to attract tourists to SA — who will be needed to fill rooms — although the benefits of this are expected to flow through more in the long term

The hotel chain is also looking at offshore prospects, and Kahn says it "makes sense for Southern Sun to move abroad We already have a captive market in our 40 000 cardholders, who tend to be loyal supporters of our hotels, as well as avid travellers What could be better than offering them a 'home away from home' through staying in hotels situated in some country abroad?"

Neville Glaser

tion, owing to investment allowances, which enabled SAB to raise bottom-line profit 3% to R210,3m Earnings a share were 1% ahead at 80,4c

The tax credit has aroused some negative comment among brokers, typified by one who asks "Must the market give SAB a PE rating based on tax credits?" But the market has responded to the results by kicking up the share price 40c to 770c Analysts were clearly impressed that profit *was* maintained, since this had appeared unlikely to many of them after OK Bazaars' 44%, and Amrel's 64%, attributable profit declines The share price (see graph) has broken its 18-month bear trend, rising from a 1985 low of 580c, and this development is as much the result of a shift in market sentiment as a general rise in share prices



SAB is, of course, a well-run company with an unassailable position as SA's beer supplier Even Rennies last year backed off challenging SAB in beer Safren chairman Marmion Marsh opted instead for a 21% stake in Southern Sun, which, with Rennies' liquor interests, was placed in Kersaf in a deal which mended fences with Southern Sun and the SAB group

The beer and beverages division gives SAB the most counter-cyclical earnings base that a consumer-orientated company could hope for The group has also withstood government discrimination in the form of singling out beer for higher duties, and a forced divestment of its retail liquor interests The subsidiaries, on the other hand, promise a strong boost to profit when the upturn comes

Continued recession this year may end SAB's 18-year record of consecutive profit increases, yet it would be churlish to deny that Kahn has proved a worthy successor to the esteemed Dick Goss But Kahn is the first to say that the achievements are a team effort "We have great people," he says, "and in the last two years we have had four new chief executives in the subsidiaries That we've survived so well indicates the strength of human resources of the group I'm proud to be part of it"

Emphasis on teamwork

Kahn's emphasis on teamwork is the most apparent managerial change since he took over Says one highly placed SAB executive "Kahn has engendered a tremendous spirit of teamwork among his chief executives Mood and morale have never been higher, and he has a frighteningly detailed knowledge of what's going on"

Certainly, the mantle of authority rests more easily on Kahn's shoulders these days He's put on weight (which he attributes to too much beer drinking), while his often combative style has been tempered by the confidence of authority Kahn speaks with a raw erudition that is not merely persuasive, but reveals a volcanic interplay of visceral and cerebral energy He is a born trader and

MIXED BAG

SAB and subsidiary results for the year to end-March

Company	Turnover Rm	Turnover % change	Attributable Profit Rm	Attributable Profit % change	Eps c	Eps % change	Dps c	Dps % change
Afcol	295,3	10,1	18,5	31,7	80	32	40	33
Amrel	468,7	14,1	6,2	63,5	71	66	24	66
Edgars	683,1	4,7	20,0	2,3	940	6	515	3
OK Bazaars	1963,2	11,3	12,2	44,2	100	45	60	44
Southern Sun	129,8	4,8	25,0	15,2	45,1	15	32	20
SA Breweries	5359,2	11,3	210,3	2,8	80,4	1	36	—

SA BREWERIES

Plenty of kick left

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Meyer Kahn and his team took over at SAB at a time when consumer spending had begun to slump. But the downtick in profit has not been as severe as some predicted — and longer-term prospects should keep the brew fizzing.

Two years have passed since 1983's Winter of Discontent That was when SA Breweries (SAB) lost its long-serving MD, Dick Goss, got landed with Premier as its major shareholder, and, amazingly, sold off 75% of the high-growth casino interests of its Southern Sun subsidiary. Hardly had the fracas died down when new MD Meyer Kahn and his team were thrust into running SA's leading consumer retail group in probably the most vicious recession ever to hit SA

The depression is still with us, and one school of thought, which includes Kahn, argues that the full gravity of the economic slide has not yet been understood by the market Consumer spending in real terms is plunging steeply, so it counts as no mean success that SAB's management restrained the trading profit fall to only 4% in the year to end-March

Profit from the subsidiary companies — OK Bazaars, Edgars, Amrel, Afcol and Southern Sun — fell 36% last year But beer and beverage earnings, the mainstay of group income, rose 12% — to R141,6m — to contribute 67% of attributable group profit, compared with 48% in 1981 A 66% hike in interest paid helped cut SAB's pre-tax profit 23% to R222,2m, so it was a 75% tax reduc-

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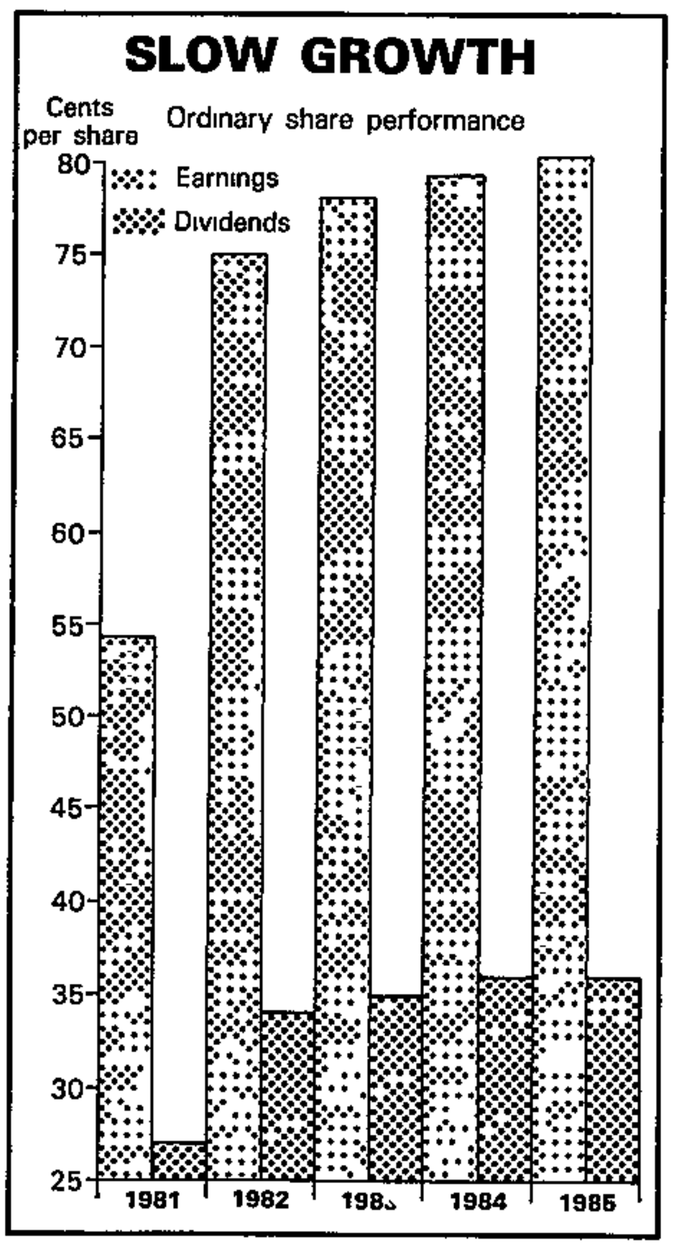
an accomplished Tukkies graduate in law and business

Behind the style lie solid achievements. Apart from maintaining earnings, the group has been consolidating its interests. A controlling interest in carbonated soft-drink bottler Associated Beverage Industries (ABI) was acquired from Coca-Cola International in January this year, giving SAB a strategic stake in SA's soft-drink market Kahn also instigated last month's Southern Sun/Holiday Inn deal This enabled Southern Sun to grab Holiday Inn from Sun International while still co-operating with the Kerzner men in promoting tourism to SA, and, as Kahn confirms, leaves Southern Sun free to concentrate on international expansion (see box)

Courage and confidence

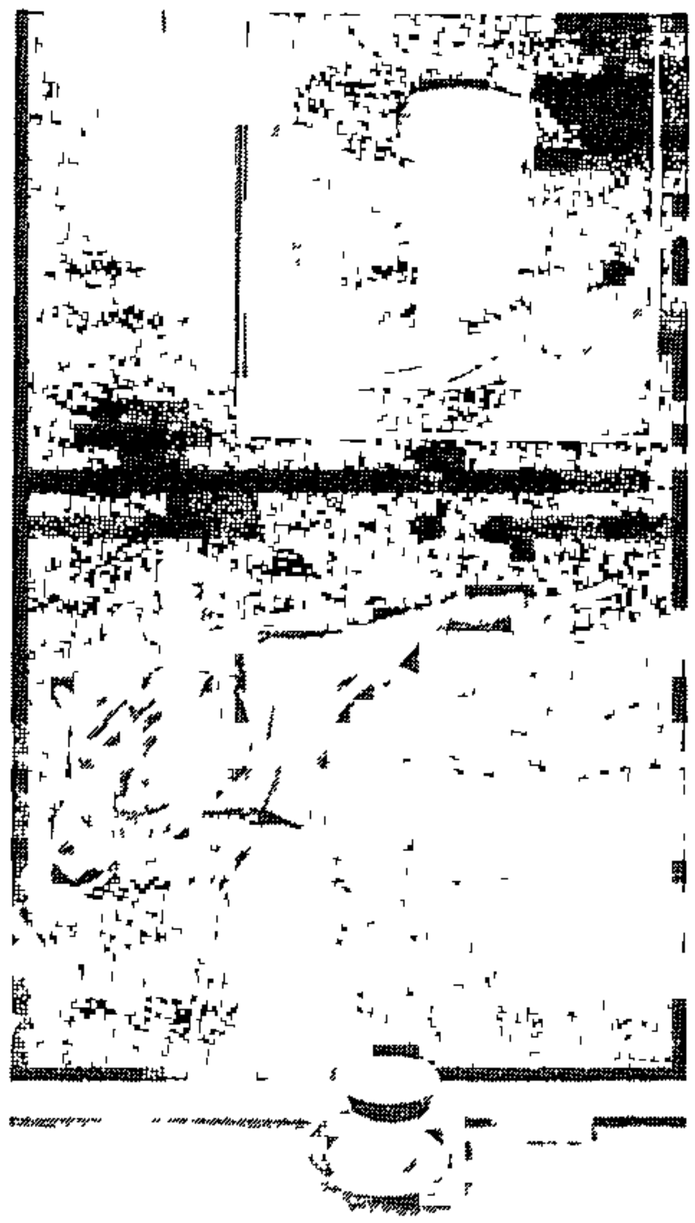
Kahn, indeed, is nothing if not confident "It takes courage," he notes, "to build a Johannesburg Sun, market an Ohlssons lager or erect a Rosslyn brewery That's what marketing is about We may not do as well as we want in the short term, but five years from now the guys who said we were dumb will say we were lucky It's not luck; it's investment when the time is right"

It also needs skill to withstand present trading conditions, which Kahn describes as "nightmarish" Last Christmas was not a bad season, but sales have flattened since January as the downturn continues to savage consumer spending Margins are under pressure and the SAB group is at present operating at an average 60% capacity The hard-hit Amrel and Afcol subsidiaries have even lower capacity, although Kahn will not give figures



Real private consumption expenditure (PCE) continues to fall sharply. Kahn forecasts that PCE will fall by 5%-7% in the 12 months to end-October, and expects earnings to fall across-the-board at the end-September interim

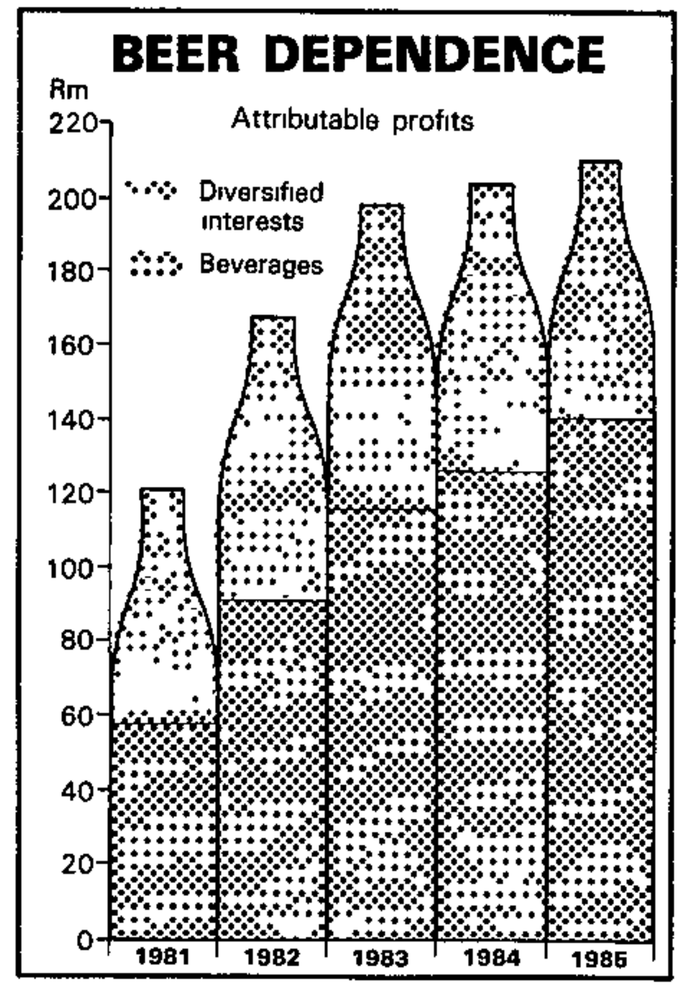
Beer sales growth is dependent on the black consumer, and growth has now tapered off after aggressive marketing and low retail price rises engineered a 7% volume boost to beer sales in the last financial year Results from the subsidiaries also depend on a recovery in consumer spending, which may not even begin in the second half of this year



MD Kahn ... style and achievement

Among the subsidiaries, Amrel and OK Bazaars have been worst hit Their earnings could now stabilise, because the downswing has been so severe Afcol's profit has fallen less badly, because it has raised its market share as rival furniture manufacturers go bust But it expects an earnings fall this year. Edgars, the only subsidiary to lift attributable profit last year, also expects earnings to drop this year Southern Sun's short-term prospects look gloomy

Tax credits will, however, provide another boost to earnings this year, and Kahn notes that investment allowances have been spread over five years, with the first benefits being taken on last year's income statement Trading figures could improve in the second half, arising from a flattening of the rate of decline in consumer spending after a 12-month fall, and as SA's economic fundamentals turn more favourable However, a drop in



interest rates sufficient to boost earnings is unlikely this year, and if the depression lasts until next March, profits next year could falter badly

By mid-1986, it is hoped, a recovery should be in progress, and Kahn argues that SAB, far from being a mature company, has excellent long-term growth potential "Politics and economics are totally interwoven," he says, "and black spending power is going to have to rise very considerably Standards of living must go up, and, in time, we'll have an absolute explosion in consumer spending I can't think of any company better poised to take advantage of an upswing in consumer spending than this group"

This year, however, will be devoted to asset consolidation and sound cash management On asset management, some brokers have criticised SAB for paying too much for its acquisitions, most recently in connection with the R85m paid for ABI in January, the price for which constitutes an earnings multiple of 4,3

Prized stock

But the evidence shows that the longer-term earnings potential of SAB's acquisitions is huge Attributable profit from the subsidiaries has slid 40% from R82m in 1982 to R50m last year, before investment allowance credits were added back, and Kahn argues that profit has simply to return to 1982 levels for SAB's earnings to surge ahead

The share could still show price weakness, especially if the institutions overcome their fear of being left with empty pockets when it comes to buying quality stock Trading results in the short term will worsen, but stock in SA's top consumer retail group may not be available for long at present prices SAB's potential will be unleashed in the medium term, and the share can be expected to roar ahead

Christopher Marchand

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KWV steers away from bottle battle

6/6/85

By LAWRENCE BEDFORD

THE wine farmers' co-op, KWV, will not involve itself in the battle between members and major liquor groups trying to squeeze own-label brands off retailers' shelves

Co-operatives, responsible for 85% of total wine production purchased, blended and marketed by companies under the Cape Wine Distillers (CWD) umbrella, distribute about 15% of their own wine themselves

KWV's official position — spelt out at its annual meeting this week — is that it cannot get involved in negotiations between the 70 wine co-operatives and the producer wholesalers

Other points to emerge were·

- KWV had negotiated with producer wholesalers to increase premiums paid for good wine (above the minimum good wine price) from R5m in 1984 to R7,5m this year;
- A warning that wine farmers' profitability was being prejudiced by rising input costs,
- Sales figures for the first quarter of 1985 were disappointing, with sales of natural wine, resistant to the recession until now, declining In the spirit market, brandy sales were under pressure

Exchange rate hits motor leader

Now even Toyota feels the pinch

By ALAN PEAT

EVERYTHING'S not going right, Toyota.

Even the motor industry's runaway leader is feeling the pinch in these embattled times

Vice-chairman Bert Wessels said the company has not yet recouped the heavy losses it faced with the adverse exchange rate early this year.

"We have not fully recovered these cost increases even with our recent price rises We expect to recover the balance by gradually increasing our prices during the next 12 months," he said yesterday

"This type of cost pressure, due to the weakened rand, is being felt throughout the industry"

He said Toyota was guilty in 1984 of having a number of uncovered long-term loans, but all loans had been covered since late last year.

The company remained heavily dependent on currency fluctuations, with its trading finance half-covered

Toyota has increased its share of the total vehicle market this year but the rapidly declining market — total industry sales for April fell 30% on March — has required a drastic stock adjustment

"We have been fortunate," said Wessels, "with the Japanese assisting us significantly in this adjustment."

Industry sales figures for May might also see Toyota losing some of its share in certain segments of the market

"I believe that the May figures may be better than those of April due to the introduction of two new competitive models, the General Motors Kadett and the VW Golf

"But this would be an artificial condition. Frequently, high single unit sales are recorded during the launch month But the indications are that, while this may have affected the overall apparent market size, conditions are still as depressed as they were in April"

The new high-tech Toyota Corollas, due to be launched this month, may also help retrieve some of the company's losses, despite their being at the higher end of the market sector. And the company's planned introduction of new body shapes at the same launch will also give a boost

'Forex controls must go'

ZURICH. — French Economics Minister Pierre Beregovoy said in an interview with the Zurich weekly *Die Weltwoche* that foreign exchange controls in France must eventually be lifted, but he warned that this would only happen in stages.

Competition between states and between enterprises was necessary whether it involved financial or industrial companies.

It would be a mistake to take unnecessary risks.

He remained vague about the timing of his programme

"The controls can be completely lifted as soon as the healing process of the French economy has been completed," he said. — AP-DJ.

(182) B. Day

SAB mum on driest-April rumours

6/6/85

By LAWRENCE BEDFORD

SA BREWERIES is remaining tight-lipped on industry rumours that beer sales in April hit their lowest monthly level in nearly a quarter of a century.

Marketing director Peter Savory admitted yesterday that April was not an "exciting" month but said sales were a confidential matter.

While sales had increased by 9% last year this had slowed to a year-on-year increase of 7% by the end of the financial year in March.

"While April was not an exciting month, May was," Savory said. "We don't look at one month and beat a drum or at another declaiming all hell has broken loose."

According to latest industry statistics, sales of beer this year are expected to reach 1,3bn litres, nearly twice what they were in 1980.

John Hooper, managing director of SAB's Solly Kramer's drinks chain, said April liquor sales across the board had not come up to expectations.

COMPANIES

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Thirsty work ahead for expanding SA Breweries

By HAROLD FRIDJHON

SA BREWERIES is prepared for a long, hard struggle in the current financial year to March

Chief executive Meyer Kahn says in the annual report that emphasis will be placed on asset restraint, cost control and aggressive marketing

Budgeted growth in net assets is approximately R200m — R274m in 1985

Fixed assets will account for about R100m of which half will go on the Prospecton, Durban, brewery expansion Working capital will account for the balance. The acquisition of the Holiday Inns group by Southern Sun will add R80m in net assets and the increased investment in ABI (Amalgamated Beverage Industries) about R40m.

About two-thirds of the net asset worth will come from shareholder funding with the balance from borrowing Under a new suspensive sale agreement for Prospecton, R36m will be drawn Existing group facilities are more than adequate to finance the balance

The Prospecton brewery is scheduled for completion this month

With the new brewery at Rosslyn and that at Prospecton, sales demand should be satisfied for a number of years to come. Further capital expenditure programmes will depend on the timing and extent of the next economic upswing but planning and the design work for capacity requirements will continue.

Kahn mentions that Breweries increased its holding in Edgars from 51,2% to 60,5% It has agreed to take control of ABI In January the interest was increased to 34%. Between January and April 1986 a further 10,5% of the equity will be bought, bringing the interest to 44,5% and between April 1986 and January 1987 a further 10,5% will be acquired, bringing Breweries' total interest to 55%

Athough the closing level of gearing as reflected by the ratio of total interest bearing debt to total shareholders' funds still stands at 0,42 1, Kahn is concerned that with interest rates at their high level and operating profits under extreme pressure, the cover of interest paid by operating profits has reduced to only three times — well short of the target of six times

The return on equity dropped from a peak of 25,1% in 1982 to 18,8% in 1984 and to 17,8% last year The group's objective is to bring return on equity up to 20%

There is a similar fall off in the pretax return on total assets This stood at 18,6% in 1982, 15,2% in 1984 and 13,1% last year.

Total liabilities to total shareholders' funds have dropped from 0,94 times to 0,89.

The highest turnover achieved by the group comes not from the beverages division, which sold goods to the value of just under R1,6bn, but from the retail sector which had a turnover of R3,2bn Manufacturing was R397m and hotels R134,6m

Winery workers go on strike over union agreement

NM June 1985

Labour Reporter

ABOUT 200 workers at the New Germany plant of Stellenbosch Farmers' Winery (SFW) went on strike yesterday in support of their demand that the company signs a recognition agreement with the Sweet, Food and Allied Workers' Union

Mr E L Brill, regional director of SFW in Natal, yesterday declined to comment and referred the Mercury to Mr Piet Rossouw, director of human resources at the SFW headquarters in Stellenbosch Mr Rossouw could not be reached for comment

According to Mr J Naidoo, general secretary of the union, SFW workers at the New Germany plant stopped work yesterday in protest at the company's delay in signing a recognition agreement with the union

'At the beginning of June, the company requested a ballot between the Sweet, Food and Allied Workers' Union, (SFAWU) and the National Union of Wine, Spirits and Allied Workers

'Workers are angry that the company is questioning their support for SFAWU, but, nevertheless agreed in principle to vote

'However, when the company this week unilaterally set the date for the ballot for July 17, the workers found the delay unacceptable Worker representatives have been attempting to persuade management to hold the ballot this week, but the company has refused

'We plan to meet the management next week to try to resolve the deadlock,' he added

Tax allowances again to SA Brews' rescue

25/6/85 S. Times 183

By Kerry Clarke

SA BREWERIES will be relying on tax breaks to hold earnings in another difficult consumer year.

For the second consecutive year, SAB in the year to March saved R18,7-million in tax through investment allowances It has about R45-million of allowances to use in the next three years, according to the annual report.

The current year's allowance equals last year's R18,7-million, and in 1987 it will fall to R16,5-million In 1988 the final allowance will total R8,9-million

Modest growth

Selwyn MacFarlane, executive director in charge of finance and administration, says the allowances will help the group in the current year when capacity use will be low

The group increased brewing capacity with the commissioning of the Rosslyn brewery in March 1984 and a R120-million expansion programme at the Prospecton brewery is scheduled for completion this month

Mr MacFarlane says "We are carrying the costs of 100% of the new capacity while we are using about 65% At that level, we need compensation to cover costs

"By 1988 we will have the same fixed costs, but we will have the additional throughput I can't say if we will reach full use at Rosslyn by that time as it will depend on growth in the beer division"

SAB predicts modest growth in beer sales. Growth is unlikely to equal the 7% of the past year

Underpinned

A 5% increase would result in beer sales totalling 13,4-million hectolitres. About 12,8-million hectolitres were sold in 1985 for R1 319-million

Earnings from beverage interests totalled R141,6-million and earnings from remaining interests before bringing the deferred investment allowance into account were R50-million, making total attributable earnings of R191,6-million compared with R204,6-million in 1984

As long as private consumption expenditure remains depressed, beer sales will continue to underpin the group's results — earnings from beer accounted for almost 70% of attributable earnings in 1985

Mr MacFarlane says "In the mid-70s we focused the group so it could show the benefits of its diversified interests in an upswing, and our beverage interests could underpin the results in a downswing."

In 1981, beverage interests accounted for 47% of earnings, in 1982 they contributed 55%, in 1983 their share was 59% and in 1984 it was 62%

It seems that SAB's retail interests' contribution to earnings will be static in the current year. Although earnings in the first half will be well below the previous year's, business should improve in the second half. OK Bazaars, Amrel and Edgars contributed R37,3-million earnings in 1985.

Footwear

Although earnings from Southern Sun will decline, cost benefits from the Holiday Inn acquisition should enable the contribution from the hotel business to equal that of the past year, says the report

Attributable earnings from Southern Sun totalled R25-million in the past year

The manufacturing sector is likely to show a small increase in earnings over last year's R18,5-million because of the contribution from SA Footwear Holdings Rationalisation and exchange rates which favour SA shoe production are the reasons for an improvement

Afcol is expected to match 1985 earnings in the current year

Broking firm Simpson, Frater, Stein and Strong 10 months ago advised investors to switch out of SAB into something which was not so exposed to a consumer spending decline, but it has revised its view to "hold"

Recovery

Analyst Beverley Harrison says "At that stage the share was about 655c and it subsequently dropped to 560c, a fall of about 15%. The share slightly underperformed the market which dropped about 9% in this time.

"However, the recovery came a lot quicker than we expected as the market discounted the share more than a year down the line. This is still happening, as the group does not expect more than maintained or marginally improved earnings and dividends are expected to be flat The price seems to be expecting more than that"

The SAB share price stood at 815c this week — slightly down from its 12-month high of 835c in May

Cape Wine squeeze on co-ops

30/6/85 S. Times (182)

CAPE Wine & Distillers (CWD), which controls 80% of the wine industry, has again come to the attention of the Competition Board for allegedly pressuring co-operatives to stop selling directly to retailers.

By Ciaran Ryan

Simonsvlei Co-operative has stopped direct supplies to bottle stores. At least two other co-operatives have admitted that CWD partners Stellenboch Farmers' Winery (SFW) and Oude Meester threatened to stop buying from them if they continued selling to retailers.

Denial

SFW denies that it is putting pressure on co-ops. Production director Francis Bayly says the co-operatives are free to sell to any retailer.

"To my knowledge SFW has never threatened to stop buying produce from the co-operatives. But if we buy less of their produce, they can read what they like into it."

But Competition Board chief Stef Naude says he is "watching the situation closely"

Liquor producers were investigated by the Competition Board in 1982 when it was recommended that CWD be split up.

CWD came into being in 1979 when South African Breweries (SAB) bought Inter-Continental Breweries from Rembrandt in return for shedding SFW to CWD in which SAB, Rembrandt and KWV each acquired a 30% share.

Higher prices

The Government ignored the Competition Board's recommendations. Instead of being ordered to split, CWD was given permission to acquire 300 liquor outlets SAB and Rembrandt were forced to sell their outlets.

CWD's alleged attempts to squeeze co-ops out of the market mean consumers may be faced with a smaller variety of wines and higher prices.

John Hooper, managing director of Solly Kramer's Discount Liquor Stores — owned by SAB — says about 45% of his firm's natural wines came from co-operatives. Wine accounts for about 14% of Kramer's sales.

Solly Kramer's pioneered the sale of co-op wines and spent large sums on their promotion.

Imports

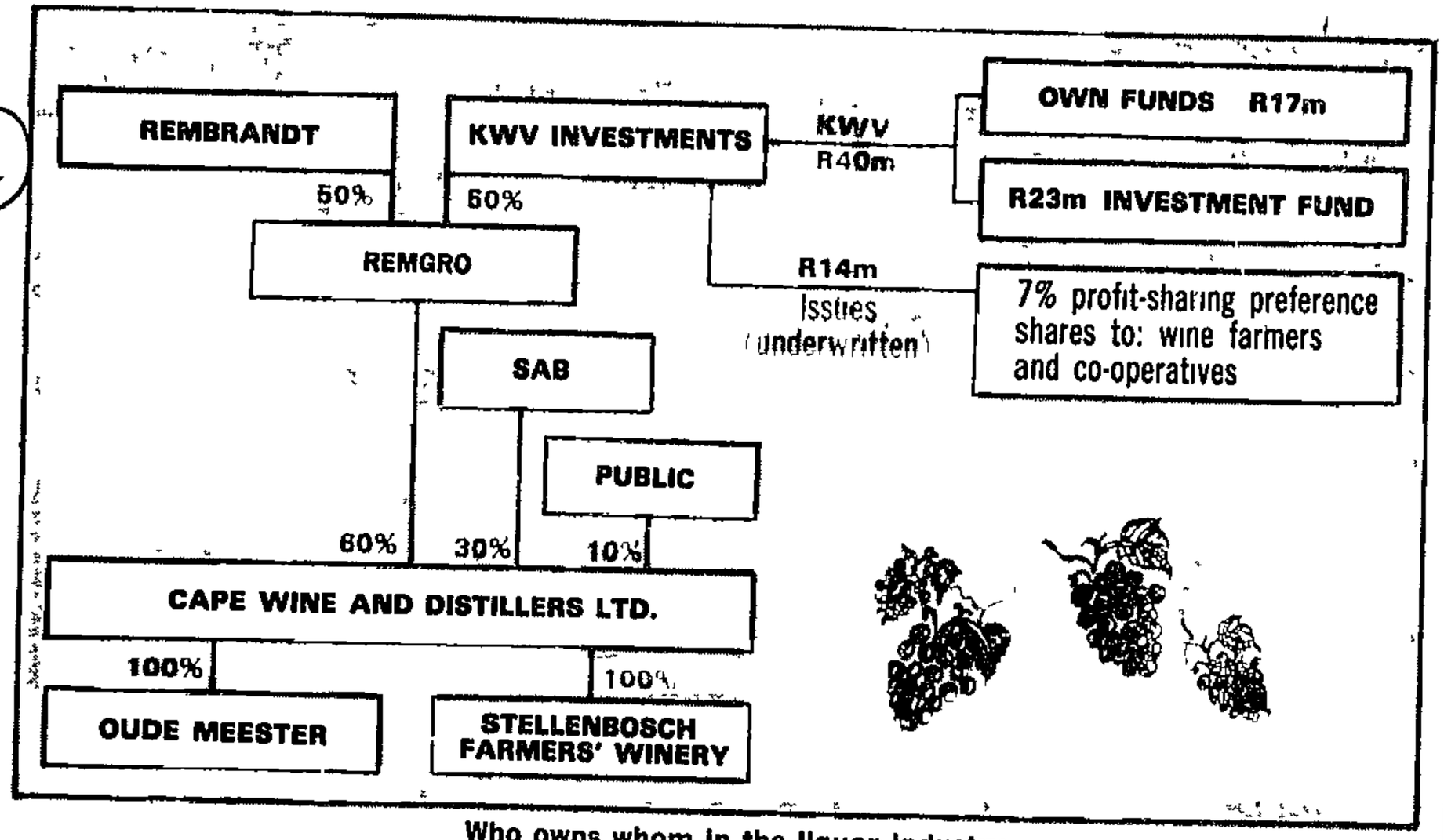
Mr Hooper says: "A Simonsvlei Riesling, which is a co-op wine, sells for about R1,60 a bottle compared with a Nederburg Riesling, produced by SFW, which cost about R4,00. The wines are similar in quality and taste."

How can the co-ops produce wines at less than half the cost of SFW wines?

Mr Hooper says: "Co-ops have lower overheads and labour costs, and they don't advertise."

Mr Bayly says if SFW sold its wines at R1,60 a bottle it would be out of business in no time.

Yet imported wines from Spain and France can be bought for about the same price as their South African counterparts.



Who owns whom in the liquor industry

SFW and Oude Meester, which are wholly owned by CWD, have tied up an estimated 80% of South Africa's wine market.

Most co-operatives sell about 90% of their wine to CWD By selling to bottle stores co-ops were a serious threat to CWD control of the wine industry, it is claimed. In the past few years Solly Kramer's wine sales have had a 6% growth rate compared with a 20% increase in sales by co-operatives, according to one estimate.

High tax

There is resentment at CWD's control of the wine industry among independent retailers and producers.

SAB has complained long and hard about discrimination against beer which is highly taxed. Wine is not subject to excise, but beer is. Wine, but no beer, can be sold in supermarkets — on the grounds that wine is taken with food

Solly Kramer's has 75 stores compared with 128 in 1979. This year and every following year it will sell off another 13 stores until it reaches its maximum legal entitlement of 12. CWD is building up its chain and has more than 50 stores.

Rebel Discount Liquor Stores has 63 stores Rebel is owned by Gilbeys, an independent wine and spirits manufacturer. Arthur Freedberg, head of Rebel's wine division, says wines account for 50% of its liquor sales in the Cape and co-operatives supply a subtsantial percentage

CWD is building up its chain of outlets by buying Western Province Cellars and Liquor Town outlets from Rembrandt. The rationale used to justify SAB's and Rembrandt's forced disposal of their liquor chains — that vertical integration among liquor producers should be disallowed — was brushed aside in the case of CWD

Licences

Another sore point in the industry is KWV's issuing of farmers' wine licences No licences have been issued for several years and an estimated 10% of the land for which licences has been issued are under dams and roads

Only about half the licences are used for growing grapes and until recently they were not transferable.

According to Tim Hamilton-Russell, a wine producer, the quota system and the guaranteed minimum price for grapes have resulted in an oversupply of wine and inefficiencies in the industry

"Producers wanting to manufacture quality wines cannot get licences to grow grapes in the right area. Anyone should be allowed to grow grapes to make wine and he should be paid a market price for the crop.

"The system is keeping inefficient farmers in business."

Strange role of booze in Total Strategy

Using as his reference the writings of Wilfried Scharf in a recently published book, "Crime and Power in South Africa", Staff Reporter ANDREW BEATTIE traces the fascinating "now it's available, now it isn't" role of liquor in the lives of the country's black people.

What do booze and the bourgeoisie have to do with the "Total Onslaught/Total Strategy"?

This question is addressed by researcher Wilfried Scharf in a recently published book on South African criminology by academics associated with the Institute of Criminology at the University of Cape Town The book "Crime and Power in South Africa" is edited by Mana Slabbert and Dennis Davis, and is an attempt to break out of the 'consensus approach' in the study of criminology

The commercial production of liquor and its consumption by the black working class has recurrently been the subject of conflict in South Africa's troubled history The politicisation of the issue has led in some instances to bottle stores and shebeens being the first targets for arson during unrest Whites are puzzled by this phenomenon, but have rarely delved below the surface to find out what it is that makes schoolchildren pour litres of booze down the drain and threaten shebeen-owners

"Social" drinking is beneficial both to liquor producers and the State, insofar as it enables the former to increase its profits, and the latter to enhance its control of the labour force But as soon as structural conditions and historical exigencies encourage drinking that interferes with productivity, the contradictions that arise elicit conflict between the various capitalist interests Ultimately the State is forced to intercede and to regulate the availability of liquor to within acceptable limits

"The outcome of the State's intervention is likely to reflect, firstly, the relative economic and political power of the contending interests, secondly the State's own economic and security concerns, and thirdly the nature of the class struggle," writes Scharf

The legal availability of "white man's liquor" to blacks has come full circle since the rapid industrialisation of the Reef from availability to total prohibition to full availability again

When the first distillery on the Reef was opened in 1881, there was no discriminating about who was allowed to partake of the amber fluids it produced

An observer noted of urbanising black workers at the turn of the century "Their earnings were spent not on cattle but on whisky and gin Thus a period of work, instead of supplying them with the means of settling down, only gave them a period of drink and idleness Afterwards they had to return to work in order to earn the coin wherewith to gratify their cultivated taste"

As their labour forces began increasingly to drink, the mining bosses who had shares in the distilleries were confronted with a dilemma They were profiting from their liquor investments but labour productivity had dropped by 15 to 25 percent

In 1896, a total prohibition law was passed, banning the sale of liquor to Africans But this merely made access for the consumer costlier and more of a risk

After Union, the various colonial and republican laws containing terms of liquor prohibition were consolidated in the Liquor Act of 1928, which provided for racially differentiated access to liquor Whites were allowed unlimited quantities and unlimited choice of liquor, Coloureds and Indians were allowed unlimited quantities with purchasing times restricted in some areas, and Africans were prohibited from purchasing or consuming any liquor other than the traditional sorghum beer with a low alcohol content

In 1945 municipalities in black areas were given the sole right to brew and distribute sorghum beer all profits from this source were used for the "reproduction of the labour force" The State had a vested interest in liquor consumption as long as prohibition was maintained, argues Scharf

"Nothing good has ever come out of them. Hundreds of our colleagues have become delinquents, beggars or orphans . . . We can no longer tolerate seeing our fathers' pay packets emptied in the shebeens."

Despite this an estimated 60 percent of all liquor consumed reached blacks illegally — through the shebeens And while the peddling and shebeening went on on a vast scale, a deeper problem was brewing in the townships Hansard records bear out the fact that liquor discrimination was one of the causes of the disturbances around the time of Sharpeville

" One of the main grievances of these people was the fact that their own liquor was not available to them and that they had to pay such exorbitant prices for the other forms of liquor " (Hansard)

Then, through the Liquor Amendment Act of 1961, the prohibition was lifted, and blacks were allowed to buy from white distributors outside their own areas In terms of this law black local authorities were given a financial boost due to revenue from liquor sales, and 80 percent of these profits were paid over to the Department of Bantu Administration and Development for use in the homelands This figure was later reduced to 20 percent

By 1976 the State-owned outlets in Soweto had become a target of political violence, argues Scharf, particularly in the eyes of the students Across the country, 250 bottle-stores and beerhalls were damaged or destroyed, as well as more than 100 buildings belonging to the Administration Boards

Schoolchildren set up pickets at bus stops and stations to search adults who were bringing liquor home

The Soweto Students' Representative Council said in a statement in November 1976 that shebeens were

" a cause of unhappiness in the Black man's life A number of lives have been lost because of these shebeens Salaries have not reached home because they were first opened in shebeens Nothing good has ever come out of them Hundreds of our colleagues have become delinquents, beggars or orphans as shebeen kings and queens have become capitalists We can no longer tolerate seeing our father's pay packets emptied in shebeens"

The breakdown of State control during the upheavals of 1976 — of which the anti-liquor campaign was a facet — led to major re-evaluations of policy. What emerged has been styled "Total Strategy" — a major shift in National Party ideology It was envisaged by the formulators of State policy, writes Scharf, that the 4 000 or so shebeeners could become the backbone of a burgeoning petite bourgeiosie, if their operations could be legalised

Liquor distribution in the townships then became the domain of black capitalists, who would have to incur any losses political attacks might cause

Scharf concludes "The white faces of administration board officials will no longer be seen as the liquor sellers who are 'blunting the black struggle' Instead, the faces of black businessmen, acting in their own pecuniary interest, will create the impression that liquor sales to blacks have been depoliticised"

"Whatever the success of this ideological shift might be, it is indisputable that more liquor will be consumed in the townships"

'Importance of alcohol' recognised

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Pretoria Correspondent

Star 26/7/85

In spite of a serious upswing in alcohol abuse in South Africa, the Department of National Health and Population Development had no choice but to recognise the financial importance of the liquor industry, its Minister said here yesterday

Dr Willie van Niekerk told the first congress of the Nutritional Society of Southern Africa that 158 in every 100 000 whites were institutionalised for alcoholic treatment between 1981 and 1983.

Also, during the same period, 22 in every 100 000 of the total population were institutionalised in state psychiatric centres for serious psychotic disturbances caused by alcohol abuse.

NATIONAL PLAN

"The department cannot close its eyes, either to the devastating effect alcohol has on the population's health," he said

The "national plan for counteracting alcoholism" (first mooted in 1981) forms the basis for overcoming alcohol abuse.

The plan consisted of preventing alcohol abuse, providing effective treatment facilities and co-ordinating therapeutic and preventative programmes.

Reef wine price war on the boil

(182)

Star 27/7/85

Supermarkets say store's criticism is just sour grapes

by

Maud Motanyane and Jackie Unwin

The wine price war has hotted up to the extent that a liquor store has broken with tradition and advertised its prices in the Press.

Benny Goldberg, which has accused supermarkets of immature marketing and selling wine at below cost, has launched an aggressive marketing campaign, and says it has reduced prices dramatically.

Supermarkets have welcomed the competition and claimed the criticism was a case of "sour grapes". They have denied they are selling wine as a loss leader, but attributed their low prices to efficient marketing systems.

Although there was nothing preventing liquor stores from advertising, it was not common for them to do so, Mr Dave Botha of Benny Goldberg's said.

"It's a practice which we have decided to change because the supermarkets advertise."

"SWIPE AT GROCER'S"

"We are tired of them insinuating they are better wine merchants than we are and offering better prices," he said

Mr Richard Cohen of Pick 'n Pay said the statements were a swipe at the grocer's wine licence segment because it was the only section in the marketplace showing growth.

"We tend to be the pariah of the industry because we discount and advertise prices," Mr Cohen said.

"We just happen to be particularly efficient in our distribution and are able to get the goods to the consumer at what appears to be better prices

"We are often accused of loss leadering This is incorrect because we have rentals to pay and we have to make a profit on our wine sales. Selling below cost would mean we would have to adjust prices elsewhere to cover costs and we have to compete on the grocery side as well."

Ms Peta Lomberg said Checkers marketed wine like any other product and called on bottle stores to work towards more aggressive marketing policies.

"There is a huge surplus of wine in the country. As it is becoming more difficult to market overseas, the only way we sell the wine is to encourage competition and sell it to the local people," Ms Lomberg said

Alcohol statistics announced

30/7/85

1982

Star

CAPE TOWN — South Africans bought nearly 90 million litres of sorghum beer in 1983, nearly 60 million litres of malt beer, 30 million litres of spirits, 30 million litres of natural wines and 10 million litres of fortified wines, Dr G Loubser, head of quality control at Stellenbosch Farmers Winery, has said

Dr Loubser told a recent symposium on "Alcohol, Nutrition and Health" that 40,6 percent of the total South African drinks market in 1983 consisted of sorghum beer, 27,3 percent of malt beer, 14,3 percent spirits, 13,2 percent natural wines and 4,6 percent fortified wines.

In 1984, estimates were that 75 percent of the beer sold was to blacks, 75 percent of whisky to whites, 42 percent of unfortified wines and 35 percent of fortified wines to coloured people. — Sapa.

Wine war: advertisement withdrawn

The latest salvo in the wine price war has been a complaint to the National Press Union about an allegedly misleading advertisement by one of the leading retailers.

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Last week Benny Golberg, which has accused supermarkets of "immaturely" marketing wine, broke with tradition and advertised its prices in the Press, offering bulk sales of wine.

Liqour stores have opposed the granting of wine licences to supermarkets and claimed they were using wine as a loss leader. Checkers objected to the advertisement, saying it was misleading and would force consumers into buying in bulk without knowing whether they were in fact saving money.

Star 2/8/85

The National Press Union has confirmed that a complaint was lodged and that the matter is being investigated.

Meanwhile Benny Golberg has been asked to withdraw the advertisment pending the result of an investigation The store reacted by taking out its full-page advertisement yesterday and announced their competitors' complaint in a 10-line black box

Mr Brian Sacks, a spokesman for Checkers, said his company had objected to the advertisment because it did not comply with basic advertising standards "We welcome competition and feel strongly that prices should be advertised, but if Benny Golberg want to advertise they must do it properly," he said.

Although Pick 'n Pay was not involved in the NPU complaint, its reaction to the battle was to place an advertisement stating "no need to make a case of it, pick up a bottle 'n pay even less".

sunrise consumer

War over wine licences hots up

Supermarket tactics hit local products, say liquor retailers

by
Jackie Unwin and
Maud Motanyane

Anger is mounting among liquor retailers about the issuing of grocers' wine licences which, they claim, are being abused by supermarkets

The president of Federated Hotel, Liquor and Catering Association of South Africa (Fedhasa), Mr Stanley Hoffman, alleges supermarkets are promoting imported wine This defeated the object of issuing grocers wine licences which was to promote the sale of South African wines

It has also been alleged supermarkets sell wine as a loss leader and below the listed cost

Case prices

This has been vehemently denied by the supermarkets

Last week, one of the major liquor retailers, Benny Goldberg's, cut its prices of cases of wine and launched an aggressive marketing campaign, advertising its prices, which is not common practice among liquor stores

One of the supermarkets, Checkers, retaliated by complaining about the advertisement — on technical grounds — to the National Press Union (NPU) The full-page advertisement was withdrawn by Benny Goldberg's and replaced by a blank page with a small 10-line black box explaining why

Other major liquor stores said they were not embarking on a "wine war", and would continue their marketing as usual But all contacted by *The Star* were opposed to the "grocers' wine licence"

Mr Hoffman said "Fedhasa had gone on record as being opposed to the grocers' wine-licence facility and understood, in many instances, that this facility was used to generate business by using wine as a loss leader"

He said the original intention of the grocers' wine licence was to promote the sale of South African wines

"But this objective has been disregarded by the supermarkets and many of them are handling the promotion and sale of imported wines on a scale equal to that of local wine This must affect the South African products' market share

"Visits to major super and hypermarkets where wine is sold show approximately 50 percent of the available shelf space is occupied by imported wine products, which, in many instances, are being sold at prices below an equivalent South African product

"The situation in the supermarkets is that wine is being sold below listed cost, which Fedhasa views as being irresponsible It is a potentially harmful product, when sold at a price which encourages consumption and possible abuse"

Mr Richard Dimitri, development and marketing director of Solly Kramer's, said "We do not mind competition But supermarkets have a competitive edge on us They can sell other products, while we are restricted to liquor

He was concerned that supermarkets might not be controlled as stringently as liquor stores

Mr Trevor Pearman, managing director of the Rebel Group, said he had always worried about the grocers' wine licence from a moral point of view, not a commercial one

"I believe that a member of the public has to make a specific decision to buy liquor when he goes to a bottle store In a grocery store, where he goes to buy groceries and clothing and comes across liquor, it is an impulse purchase It is a product which has potential problems"

Mr Brian Sacks, a spokesman for Checkers said the percentage of imported wine sales compared to locally made wines was negligible

"Fedhasa was basically opposed to competion," he said He added that this was a pity because in a free-entreprise system, competition should be welcomed

He pointed out that the licensing of supermakets had created more awareness among consumers and helped to stimulate the market

Supermarkets were limited to 35 licences per chain

"I do not understand why liqour stores should feel so threatened because our market share is inhibited from growing by the limited number of licences we are allowed to have," Mr Sacks added

Mr Peter Dove, of Pick 'n Pay, said "We definitely do not give 50 percent of our shelf space to imported wines It is totally incorrect

"We don't use any category as a loss leader We negotiate, like we do on any other product, as strongly as possible to get the most advantageous price and pass it on to the customer"

BATTLE OF THE GRAPE

	PICK 'N PAY BLACKHEATH	CHECKERS CRESTA	OK BAZAARS CRESTA	SPAR BLACKHEATH	BENNY GOLDBERG'S WYNBERG	SOLLY KRAMERS SANDTON CITY	JUMBO LIQUOR MARKET BELLEVUE	REBEL SANDTON
Douglas Green Premier Grand Cru 750 ml	R3,79	R3,19	R3,39	—	R3,05	R4,25	R4,07	R3,69
Nederburg Paarl Riesling 750 ml	R3,94	R3,89	—	—	R3,89	R4,36	R4,20	R3,84
Grunberger Stein 750 ml	R2,99	R2,85	R2,79	R3,39	R2,69	R3,36	R3,32	R2,94
Autumn Harvest Crackling	R1,87	R1,69	R1,69	R1,99	R1,65	R1,89	R1,87	R1,79
Bellingham Aimeida Rose 750 ml	R3,09	R2,79	—	R3,45	R2,95	R3,39	R3,27	R2,99
Zonnebloem Cabernet Sauvignon 750 ml	R4,99	R4,39	R4,65	R5,55	R4,89	R5,55	—	R4,84
Cellar Cask Premier Dry Red 5 litres	R8,99	R8,79	R8,85	R8,79	R8,85	R9,99	R8,89	R9,29
Kellerprinz Grand Cru 5 litres	R8,99	R8,99	R8,85	—	R8,85	R9,99	R8,89	R9,29
Grand Mousseux Vin Sec	R3,79	R3,59	R3,65	R4,35	R3,85	R3,99	R3,99	R3,79

Survey . July 30,31 1985. Prices exclude GST

A snap survey of wine by *The Star* showed that wine sold by the bottle is generally cheaper in supermarkets than liquor stores Benny Goldberg's drop in wine prices in the wine war has been mainly applied to case lots However the liquor stores claim they offer a greater range of choice and wine expertise They also say advice is more freely available than in supermarkets Of the stores surveyed, Solly Kramer's in Sandton appeared to be the most expensive But Mr Richard Dimitri, development and marketing director, explained his company concentrated its wine marketing effort on its exclusive brands "We are educating our customers to buy products we believe are top quality products at lower prices rather than the brand leaders" The company also offers stamps on some products Their customers collect these and when they have obtained a certain number can choose an item from among a selection

It's back to age-old war on who will tipple whom

The age-old fight between liquor stores and supermarkets has again erupted, 19 years after amendment of the Liquor Act to allow applications for grocer's wine licences

The licences were granted after a Government commission's recommendation to improve drinking habits by encouraging the consumption of natural alcoholic beverages in conjuction with food.

The first wine war broke out at the beginning of 1967 with some grocery stores slashing their prices by 10 percent Later that year the Cape Wine and Spirits Institute, headed by Mr J van Maartens, appealed to the Government to suspend the issuing of licences to supermarkets

The institute was supported by the Federated Hotels Association of Southern Africa (Fedhasa) in its claim that supermarkets would lower the status of wine

INDIGNITY

"We do not want to see wine being subjected to the indignity of being used as a loss leader by supermarkets primarily interested in increasing sales of detergents and baked beans," the institute said.

It expressed fears that supermarkets would sell inferior wines under "own brand names"

Grocery and supermarket chains hit back strongly at the accusations They felt South Africa was lagging behind in the matter of grocery wine licences, which had been part and parcel of supermarket trade throughout Europe, Rhodesia and Zambia.

S A testing for 'clean' wines

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NM 6/8/85

Mercury Reporter

QUALITY control officials are now testing South African wines in the wake of the widening Austrian 'anti-freeze' wine scandal following demands by Japanese and some European importers of South African wines for certificates showing that local wine is 'clean', it was learned yesterday

'We are sure in our own minds that South African winemakers are not doctoring their wine with the anti-freeze chemical diethylene-glycol,' Dr Pierre Marais, assistant director (quality control) of the Institute of Viticulture and Oenological Research Institute (Vori) in Stellenbosch, said yesterday

'The reason we are testing local wines is because last week a number of importers of our wine asked us for certificates showing that the wine is clean'

The chemical can damage the brain, kidneys and nervous system

It has been used illegally as a sweetening agent in Austrian wines and found in at least two West German wines in a scandal which has led to the arrest of at least 28 people in Austria in a crackdown on producers, merchants and chemists suspected of lacing wine with the chemical

Its addition to South African wine is strictly prohibited

'But,' said Dr Marais, 'we are having difficulty finding a reliable and accurate method of testing The Austrian wines had very low concentrations of the chemical and is therefore difficult to detect'

Tests on local and imported wines started last week

'So far not many wines have been screened, and the results have all been negative'

Two services for Mrs Mxenge

Mercury Reporter

TWO memorial services will be held in Durban for civil rights lawyer Mrs Victoria Mxenge, 43, who was shot and axed to death near her Umlazi home last week

The first will be held at Umlazi Cinema tomorrow evening followed by another at the University of Natal's students' union hall on Thursday evening

Dr Allan Boesak, president of the World Alliance of Reform Churches, recently unbanned civil rights campaigner Mrs Helen Joseph and United Democratic Front executive member Mr Billy Nair, are among the 10 people who will speak at the University of Natal

Mr Nair said yesterday the funeral of Mrs Mxenge, treasurer of the Natal UDF, would take place in the Eastern Cape where she was born, probably this weekend

Surfers not registered

Mercury Reporter

THE 13 windsurfers arrested by Railways Police in Durban harbour on Sunday were not registered club members and were not allowed to sail in the area zoned for use of Bluff Yacht Club and Island Sailing Club members

A Bluff Yacht club spokesman pointed out that all windsurfers and yachtsmen who sailed in the harbour had to be members of yacht clubs They were also confined to certain areas

Pepsi pulls out of SA in 'restructuring' move

(182) 7/8/85 B. Day

LAWRENCE BEDFORD

PEPSI-COLA said last night it had sold its interests in South Africa

Keith Anderson, director of corporate communications at Pepsi Cola Corporation headquarters in Purchase, near New York, said the move was part of a major restructuring exercise announced in May 1984.

He said the company had sold its SA interests "in the last few months".

Anderson said the decision was part of a worldwide Pepsi decision to refranchise its international beverage operations, placing them in the hands of local business people

He insisted it did not reflect on South Africa nor its policies.

He added that Pepsi would not disappear from the shelves. It had refranchised its bottling interests to local business people who would hold a Pepsi licence.

The international restructuring had affected virtually every one of Pepsi's major business lines, Anderson said, resulting in the sale of its transport sector and sporting goods interest, Wilson said

In the past, Pepsi International has had a combination of company-owned and franchise-run bottling operations in the 147 countries in which it operates

"This year we have essentially completed the sale of our foreign operations. In the near future, they will be 100% owned and operated by independent local business people South Africa is one of the remaining countries where we have just converted, selling our organisation there within the past few months."

Besides SA, the move affects the Philippines, Mexico, Canada, Belgium and Brazil.

Anderson said the restructuring would reduce the company's exposure to currency fluctuations and asset pressure and that Pepsi's policy would be to rely on the knowledge of local business to which Pepsi had been refranchised.

Seated in front of the direct-fired copper kettles used in the Trader brewing process are brewer Mr Helmut Klos (left) and MD Mr Peter Smuts.

New beer 'handmade'

Staff Reporter

THE brewers of a new independent South African beer, called Trader, which was launched in Cape Town this week, are aiming to capture about one percent of the beer market

About R1,3 million has been invested in the project so far

The beer was launched by the Minister of Trade and Industries, Dr Dawie de Villiers, at the Trader brewery at Kraaifontein on Monday

The beer was created by brewer Mr Helmut Klos, who was raised in a brewery in Czechoslovakia where his father was a brewer

"We have produced a handmade beer based on traditional German methods which have been in operation for 300 years," Mr Klos said

"We say it is handmade because so much attention is paid to the brewing process and the selection of each ingredient."

The beer was made from an imported wheat malt which imparted a distinctive flavour, he said

Mr Klos said Trader was not looking to take on South African Breweries

It is a premium beer and will be priced in the Amstel market, with its alcohol content similar to that of traditional South African lagers

Mercabank, a member of the Sanlam group, owns 50 percent of the company, with 28 shareholders

Sorghum beer breweries to be privatised

(182) B. Day 11/9/85

SORGHUM beer breweries, which until now could only be controlled by government agencies, are to be privatised, the Minister of Constitutional Development and Planning Chris Heunis said yesterday.

Opening a brewery in Welkom, Heunis said government had progressed considerably in its rationalisation of the industry.

Government had decided to privatise sorghum breweries, which were controlled by the development boards.

"From the point of view of competition policy, it was found there was no justification for the continued, legislative exclusive right of the development boards to produce sorghum beer."

Legislation was being prepared to regulate privatisation.

As an interim measure, the boards had been grouped into eight consortiums, while some uneconomical breweries had been closed and others upgraded

The Welkom brewery, which can produce 8-million litres of beer a month, would serve about 250 000 people, Heunis said. — Sapa.

Brewing of sorghum beer to be privatised

Mercury 11/9/85 (182)

WELKOM—Sorghum beer breweries, which until now could only be controlled by government agencies, are to be privatised, the Minister of Constitutional Development and Planning, Mr Chris Heunis said yesterday

Opening a brewery in Welkom, Mr Heunis said the Government had progressed considerably in its rationalisation of the industry and had decided to privatise sorghum breweries, which are controlled by the development boards.

He said from the point of view of competition policy there was no justification for the continued 'exclusive right' of the development boards to produce sorghum beer

Legislation was being prepared to regulate privatisation, he added

As an interim measure the boards had been grouped into eight consortiums while some uneconomic breweries had been closed and others upgraded

The new brewery, which can produce 8 000 000 ℓ of beer a month, would serve about 250 000 people, Mr Heunis said. — (Sapa)

Chemicals not added to S A beer

(182)

12/9/85

Mercury Reporter

SOUTH African beer drinkers were not exposed to cleaning agents, an S A Breweries spokesman said yesterday.

He was reacting to the news that bromacetic acid had been found in Austrian beer impounded by Austrian health authorities

SAB's beer was subject to strict quality controls by the SAB and by local health authorities, said Mr Jonathan Miles, SAB marketing manager for Natal

He also said the brewing process was a natural one and no chemicals were used by the SAB to speed or slow this process Austrian authorities suspect that bromacetic acid was used at the Piestinger brewery to retard fermentation.

Whisky to cost more this week

182

From this week Transvaal tipplers can expect to pay more for imported whisky in bottle stores, restaurants and hotels, due to the low value of the rand, which has pushed up import prices.

There have been two increases in the wholesale price since March, totalling 13 percent. 25/9/85

But according to Fedhasa Transvaal, (the Federated Hotel, Liquor and Catering Association — Transvaal Region) the retail price need not go up by the full 13 percent.

"The recommended retail price on the Witwatersrand is now R13,89 per bottle." STAR

"But Fedhasa only indicates price guidelines.

"There is no uniform price structure at retail level" said Mr Andy Murray, chairman of Fedhasa Transvaal — Sapa.

Price rises have Durban whisky drinkers reeling

5/10/85 Mercury (182)

Mercury Reporter

CONSUMERS are either drinking less or turning to cheaper brand names as the prices of imported liquor rockets, mainly because of the poor exchange rate, according to a snap survey conducted among Durban bottlestores yesterday

Bottlestore manager Clive Vorster said 'Since the decline in the value of the rand, prices have increased quite dramatically and as far as the imported liquor range is concerned our sales have dropped noticeably'

Drambuie, a liqueur which cost about R11 a bottle about four months ago, was now selling for R16 A bottle of Cointreau which cost R13 before the decline of the rand was now R20

'Over the past two to three months whisky has gone up three or four times,' said Mr Vorster

'Where R110,50 was being paid per case for proprietary brands of whisky, it now costs R125 and I have heard noises that it might soon go up again to R136 a case,' he said

Another bottlestore manager said 'A few months ago the average price of a bottle of whisky was R8 and now they are selling for about R12'

Had this had any effect on customers? 'Where people used to buy two or three bottles of whisky, they now buy only one and maybe take a bottle of local brandy,' said Mr Vorster

'Most customers are now turning to the cheaper stuff,' said a Durban North bottlestore manager.

'Whisky drinkers have turned to the lower-priced brands and may in some cases substitute with locally made drinks,' said Mr Ronald Edwards of Albany Off Sales.

'Most imported liqueurs have gone up by about R2 a bottle in the past few months, while the price of whisky has gone up quite drastically in the past month,' he said

182 B. Day 9/10/85

Rising costs, competition squeeze fruit juice industry

LINDA ENSOR

PROFIT margins in the fruit juice industry are being squeezed by rising costs and cut-throat competition.

The price war was particularly severe last year with the main competitors — Ceres Fruit Growers' Co-operative, Appletiser and Willards — slashing prices to maintain market shares.

Appletiser, the fruit juice company of SA Breweries, produces Appletiser, Liquifruit and Fruitree. Ceres makes the Ceres range and Willards makes Fresh-Up.

Mike Simms, who took over last month as MD of Appletiser, said competition was so stiff he had doubts about the industry's profitability.

"I would say we have gone past the point where prices can be reduced any further," he said.

"We have just come through a stage when price-cutting was suicidal, and it is still very cut-throat.

"It is almost not worthwhile to maintain our market share.

"I think some sanity will prevail in time. But, if the price-cutting continues for too long, someone is going to fall out of the business."

Retail prices of fruit juices have increased by 10% this year — below the inflation rate and out of line with the rocketing prices of fruit and packaging.

(182) B. Day 14/10/85

Soft drink deliveries affected by unrest

LINDA ENSOR

DISTRIBUTION of soft drinks in the black townships has been disrupted by the unrest which, if it continues into the peak summer-selling period, will mean a further drop in sales this year.

SA Federation of Soft Drink Manufacturers president Hennie Viljoen commented: "We are going through a rather difficult time. Our biggest market — about 70% — is in the black areas and we are finding it extremely difficult to penetrate them.

"In the Eastern Cape, there is a major problem of servicing outlets."

The growth rate for the industry — already estimated at minus 1% compared with last year's plus 3% — could be even lower if delivery trucks cannot get into the townships during the summer months.

Suncrush chairman Robin Hamilton said in the recent annual report that unrest had made it periodically "inadvisable" for delivery vehicles to enter black areas.

"During the past year, Klerksdorp and Welkom suffered to a limited extent from these factors and parts of the East London, Queenstown and Maritzburg areas have also suffered."

At the same time as the negative growth rate and distribution problems the R700m-a-year industry has been hit this year by the 14,6% increase in sugar. It consumes 112 000 tons each year, and the bill this year will be about R73m.

The only time the product price was increased this year was in March — by 10%.

Container costs have also increased, though Viljoen was not able to say by how much. The increased fuel bill added to distribution costs.

A source of concern for Hamilton are possible increases in the cost of spare parts for manufacturing machinery and trucks.

Suncrush expects a 15% increase in revenue this year and has projected a physical growth rate of 2-3% compared with last year's 5-6%.

Cad-Schweppes franchise manager Ian Jamieson has projected a no-growth situation next year and said the company was looking to an expansion of the black market for future market growth.

☐ A new development in the soft drink industry is the opening of a R6m Sparletta Suncrush plant in Alrode. Owned by Kersaf Investments, Sparletta Suncrush has the franchise for the Johannesburg, Boksburg, Germiston and Alberton areas for Sparletta brands.

Breweries in froth over beer plan by supermarket

Staff Reporter

BEER will go on sale for the first time in five Cape supermarkets next week — but South African Breweries has taken legal advice which indicates the move could be illegal

Pick'n Pay said it had found a legal loophole allowing it to sell beer with alcohol content under two percent It will be selling a new brand, Windhoek Light, brewed by South West Breweries, with an alcohol content of between 1,5 and 1,9 percent

The beer is already on sale in their supermarkets in the Transvaal

Mr Alan Baxter, chief buyer for the Western Cape, said yesterday that six-packs and cases of 340ml dumpies and cans would be on sale in Cape branches with wine licences — Constantia, Gardens, Kenilworth, Goodwood and Mitchell's Plain.

The cases would sell for less than R12, against bottle store prices of about R13, and six-packs for about R3,15

COMPETITIVE

"I believe our price is very competitive but we are not giving it away. We will still be making a nice profit"

Mr Garry May, SAB public affairs manager, said "Our interpretation of the legal aspect is that it contravenes the legislation as it stands"

He said the Foodstuffs, Cosmetics and Disinfectants Act published in August clearly said no beverge produced from cereals with an alcohol content exceeding 0,5 percent would be allowed to be distributed by supermarkets.

Pick'n Pay based its decision on the Liquor Act, which prohibits supermarkets from selling liquor with an alcohol content above two percent

sunrise finance

Little cheer for SAB?

STAR 182 19/10/85

By Peter Farley
Investment Editor

The full impact of the depressed economy and wilted consumer spending power is likely to be reflected in an around 30 percent drop in SA Breweries profits when results are announced in a couple of weeks time.

Stockmarket analysts say that the market is bracing itself for a series of bad results from SAB subsidiaries, some of which may creep into the red for the first time.

However, the group's beverages division — and specifically beer sales — should cushion the fall to some extent Analysts are divided on whether beer will show any growth at all — SAB keeps monthly sales figures extremely close to its corporate chest — but a price increase earlier in the year should have compensated for some of the fall-off in volume sales

At this stage forecasts for SAB's full year results range from earnings of 56c a share to around 70c, both well down on the 80,4c earned last year But both those estimates hinge on reasonable Christmas sales in all operations

All agree that the first six months will be considerably worse than last year

Sore spots

The major sore spots are expected to be Amrel, Afcol and Southern Sun Though both Edgars and OK Bazaars will have had difficult trading periods — particularly the former with its exposure to consumer boycotts in the Eastern Cape — earnings falls could be limited to 30-40 percent

Most analysts expect Amrel to show a loss for the first half of the year. Afcol could also be in the red, but the consensus suggests a small profit, while Southern Sun has been badly hit, but remains something of an unknown quantity.

The addition of the Holiday Inn group and the inclusion of earnings from its 25 percent stake in Sun International should cushion the blow to some extent Nevertheless the country's premier hotel chain has had a lot of empty rooms in the past six months

This position will have been exacerbated by the acquisition of the Inn on the Square and the programme to integrate Holiday Inn Another negative factor will have been the hefty discounting that has taken place to encourage the use of group facilities.

Amrel will probably have a couple of bright spots, such as franchise operations Prontaprint and Multiserv, but the heavy profit generators in footwear and furniture will have affected the group badly

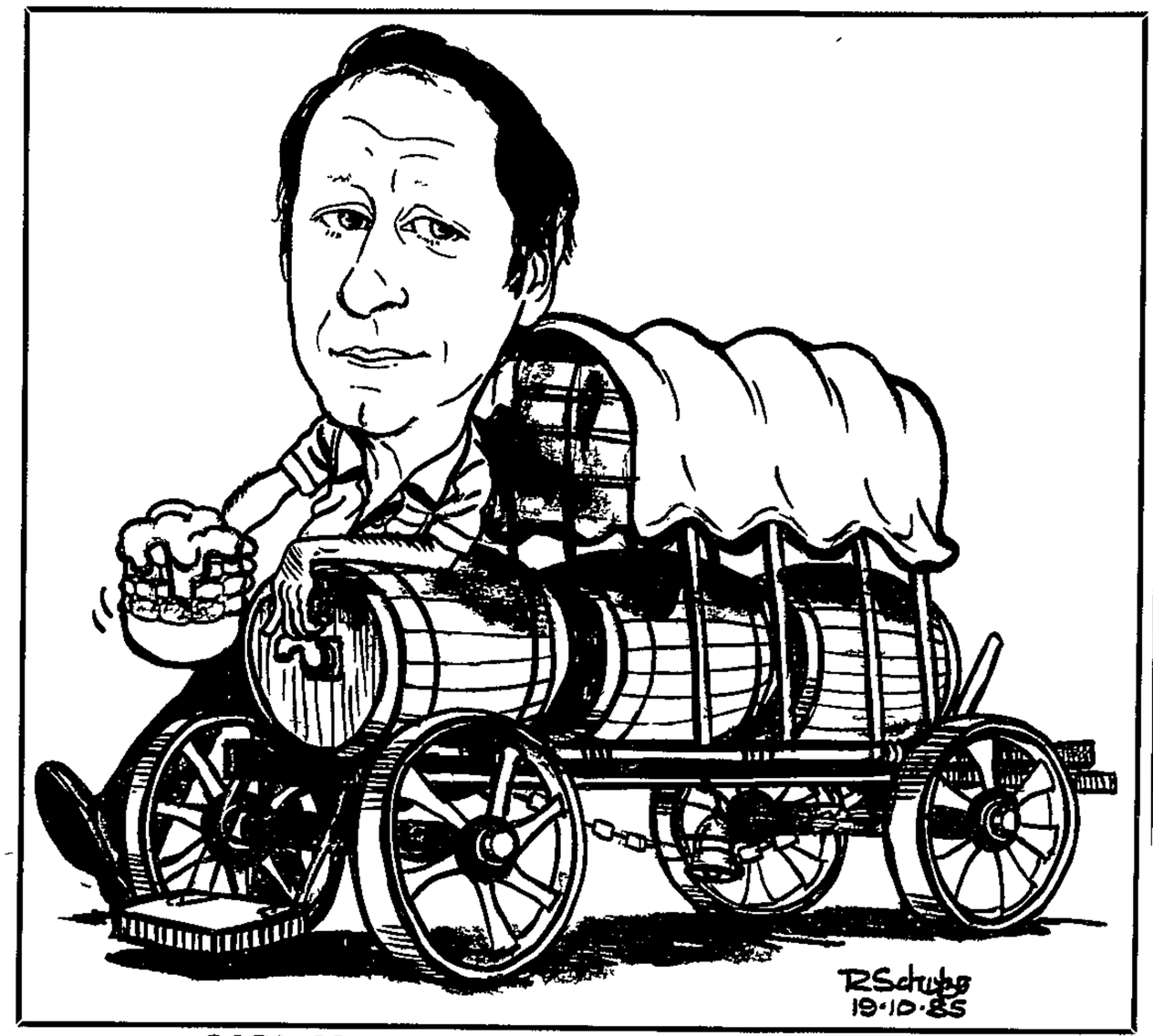
Likewise Afcol, where its core furniture business has been running at a fraction of capable capacity and its 22 percent stake in Barlow's Romatex is expected to have let it down badly

OK Bazaars has been affected on both sides with likely losses on consumer durables and vastly reduced profits on the food side as consumers moved away from the premier, high margin, commodities to more basic foodstuffs which carry little mark-up for the store

It all comes back to the beverages division Soft drinks are expected to have had a pretty difficult time in the past six months, with — apart from sales generally being depressed — deliveries to the townships badly disrupted by the unrest in parts of the country

It is understood that beer sales have not come under the same pressure in the townships, but that sales growth has been pretty flat. Nevertheless, it is again expected to be the group's star performer.

Tax will again play an important part in aiding the bottom line, with another R18,7 million credit falling due this year as part of the ongoing process of bringing to account the benefits derived from the Rosslyn brewery



SAB's Meyer Kahn...security behind the lager?

So far SAB has used some R50 million in tax credits from Rosslyn and, after this financial year, there will be around another R20 million in the following two years.

There is little doubt, however, that — by SAB's standards at least — the first half is going to be pretty bad However, no analyst has has even suggested that there might be a dividend cut and attribute the relative strength of the share price in recent months to that confidence

Nevertheless, SAB management is going to have to run fast to ensure that the position does not deteriorate further in the second half and that some of the lost ground is made up

Cape Times 19/5/87

Row looms over plan to sell beer

By Staff Reporter

WHILE a large supermarket chain plans to start selling beer in the Cape next week South African Breweries is preparing a battle over the legitimacy of the move.

Pick n Pay plans to sell beer in five of its stores next week after finding a loophole in the Liquor Act allowing sales of beer with alcohol content of lower than two percent.

The beer is Windhoek Light, brewed by South West Breweries and it is already on sale in the group's Transvaal supermarkets.

"We have gone into this very seriously", said Pick and Pay's chief buyer for the Western Cape Mr Alan Baxter.

"We know that what we are doing is legal. The beer will be sold in 36 of our 88 stores where we have liquor sales licences".

A case will sell for less than R12 — average price elsewhere is R13 — and six-packs for R3 15, Mr Baxter said.

Mr John Seton, regional director of SA Breweries, yesterday confirmed that the company would legally contest the move.

He said the company was prepared to sell beer anywhere it was legally allowed.

Asked about the "two percent loophole" the supermarket chain had found, Mr Seton replied that this applied to one act governing the sale of liquor, but not another.

700 STRIKERS WON'T BUDGE

NEARLY 700 workers at the Coca-Cola bottling company in Sandfontein near Pretoria, entered their second day on strike yesterday protesting against the company's alleged unfair dismissal and its retrenchment policies.

The workers, 689 of them, and all members of the Food and Canning Workers' Union, are also angry at remarks made by a white official who allegedly called them "scraps which must be fired"

The strike started at 7am on Wednesday, sparked off by the company's announcement that some staff was to be retrenched. The SOWETAN was told "The victims," a spokesman for the workers said "were on sick leave and they were sick because they are overworked"

Another grievance voiced by the strikers was the recent dismissal of four of their colleagues who included a personnel clerk, and a supervisor. The workers said their dismissal was "unjustified and unwarranted because management employed a number of people — afterwards"

The company's plant manager Mr Tony Carriet could not be reached for comment yesterday. His office said he was in a meeting. But a spokesman from the company's head office in Johannesburg yesterday said he was not aware of the strike. He said he would investigate. SOWETAN

A spokesman for the Food and Canning Workers' Union yesterday confirmed the strike and said some of their officials were still involved in talks with management to resolve the matter. 01/11/85

As subsidiaries plummet

SA Brews looks to beer raft

3/11/85 (182) S. Times

By Zelda Zaayman

SA BREWERIES beer division and tax allowances will have to provide a lifebelt for the group in the six months to September.

However, analysts do not believe they will offset the poor results from subsidiaries and SAB's overall earnings could be about 15% down.

After three shock interim results from companies in its stable this week, shareholders have reason to be nervous about SAB's interim results on November 6.

Amrel, Ronnie Cohen's furniture, footwear and fashion giant, reported a first-ever pre-tax loss for the six months to September

Inflation

Although a drop in earnings had been expected, the extent of the fall in retail sales was far worse than foreseen by the directors.

The poor performance came in spite of a tax credit of R2,9-million

Amrel's two main profit generators, furniture and footwear, suffered a 20,7% and 5,3% drop in sales respectively. In spite of an inflation rate of more than 16%, turnover rose a mere 0,5% in nominal terms, meaning a drop in real terms of about 15%.

Amrel contributed 2,8% to SAB earnings for the year to March 1985 Based on this percentage, the 169% drop in Amrel's earnings will mean a decrease of 4,7% for SAB.

Unrest

Edgars, SA's largest fashion retail group, was knocked by unrest in the Eastern Cape and the contraction in consumer disposable income Its turnover increased by only 4% — in line with the growth in national sales of clothing and accessories

Edgars cut its interim dividend by 40c to 125c. This means SAB's dividend income from 60,5%-owned Edgars will drop to R1,6-million from R1,7-million last year in spite of the 9,3% increase in its shareholding.

Edgars contributed 8,5% of SAB's earnings in the previous year. The 39% drop in interim earnings in Edgars will have a negative effect of 3,3% on SAB earnings.

Disastrous

OK Bazaars, one of the three big supermarket chains, describes the past six months as disastrous trading environment

In the year to March 1985 OK contributed 5,5% to SAB earnings The past six months' 46% drop in OK earnings will result in a 2,5% fall in SAB income.

SAB subsidiaries Afcol and Southern Sun are expected to publish their results early next week.

Analysts are not optimistic about the furniture manufacturer and the hotel chain.

The general belief in the market is that Afcol's earnings will drop by about 60% and Southern Sun's 50%.

Hangover

Afcol has been running at a fraction of capacity this year. It has a 21,7% interest in clothing manufacturer Romatex which this week reported a 59% drop in earnings.

Southern Sun could be the cause of another SAB hangover

The addition of the Holiday Inn group and the 25% stake in Sun International will cushion a fall in income, but empty hotel rooms have predominated this year.

Heavy discounting to fill rooms did not succeed as much as hoped and did not improve profits.

The negative effect of Afcol on SAB earnings is estimated at 5%. Analysts forecast the decline in SAB earnings from Southern Sun's contribution at 5,6%

In total the results from its subsidiaries could knock SAB by about 21%

The soft-drink market had a difficult time this year, made worse by disrupted deliveries to the townships.

Kaapwyn, in which SAB holds a 30% stake, showed a 20% drop in its interim results earlier this year. Amalgamated Beverages, in which SAB has a 34% interest, also performed worse than last year.

Although beer sales came under pressure in the six months to September analysts are looking for an increase of about 10% in earnings.

It is said they could help SAB's overall earnings by 5,6%.

Cover

SAB has maintained dividend cover on its total dividend of 2,2 times in the past three years

The market believes it will try to keep its cover, implying a reduction in the total dividend. Dealers are uncertain whether the interim or final payments will be cut.

The fall in SAB's earnings and the possible dividend reduction will no doubt influence other companies with stakes in Breweries

Premier Milling, the major shareholder in SAB with 35,6%, suffered a drop in earnings of about 20% last year.

SA Breweries earnings drop by 29%

CAPE TIMES 7/11/85

JOHANNESBURG. — Attributable earnings by SA Breweries declined by 29 percent in the six months to September, compared with the same period last year.

The interim report, released yesterday, shows a drop in earnings a share to 19,4c from 27,5c in the 1984 half-year

The total attributable profit was R50,8m, compared with R71,9m previously

The group, however, has maintained its interim dividend at 10c a share

Contraction

The directors state in the interim report that the decline in earnings was due to the serious contraction in private consumption expenditure, which was estimated to have fallen by six percent over the review period

"The beer division performed remarkably well by recording a one percent increase in volume

"This was a major factor in the eight percent profit improvement achieved by the beverage interests of the group," they state

"The remaining interests bore the brunt of the depressed trading climate in the mass consumer markets and contributed only R11,3m to attributable earnings, approximately 60 percent less than the previous year"

Turnover for the period was up a marginal four percent on last year to R2 627m (R2 534,4m), while trading profit was down 17 percent to R130,4m (R157,5m)

The capital expenditure incurred over the review period was well up on the comparable period at R204m (R170m), while contracted capex stood at R297m (R154m)

Discussing the group's prospects for the remainder of the financial year, the directors say that as real growth in private consumption expenditure is not expected to materialize before mid-1986, any improvement in business activity was unlikely to be more than moderate

"Against this background and the volatile socio-economic situation, it will be extremely difficult for the group to meet the target of achieving a level of earnings in line with those of the year ended March 31, 1985

Performance

"Nevertheless, barring any further deterioration in the consumer environment, the group's performance is not expected to fall far short of this target

"Positive factors are the relatively low level of activity achieved in the same period of the previous year, the recent decline in interest rates and the availability of deferred investment allowances" — Sapa

The company has a building order book worth R55m Provisional liquidators are yet to be appointed but it is possible that they will be given court permission to continue trading to complete outstanding contracts Other contracts not yet commenced are likely to be re-negotiated by TDH's competitors Either way, the winding-up could be messy

Graham Fiford

DIAGONAL STREET

Holding high

That golds and other internationally traded shares at least held their levels in the face of a 19% improvement in the financial rand suggests local optimism remains strong for golds, as well as for other metals and minerals shares

The JSE all gold index continues to toil and moil within the range 1 040-1 125, but seems unable quite to get up through the April high of 1 140

The industrial index, on the other hand, has fallen back through the low point of August 5 — of 940 to 930 — with tiny falls on increasing turnover values occurring every day last week With the flow of reports of dividends of blue-chip companies either cut or barely maintained continuing, and the overhang of rights issue money needed by some of them to restructure balance sheets, minor weakness in the index is barely surprising.

It must be the first time that such cuts have happened within the working lives of almost all members of the investment community That the index weakness has not been more marked is perhaps the result of lack of attractive alternatives for institutional investors Their participation in so small a public issue as that of SPL suggests a certain amount of desperation for something with apparently decent prospects, other than mining shares At best the gentle decline in the industrials index seems set to continue as interest in the JSE dwindles towards Christmas The alternative scenario is that the fall will gather momentum over the months to February

The battle for control of **Fralex** still seems to be in full swing above the heads of lucky minority holders. The shares made one of the best gains of the week shooting ahead from 130c to 250c It appears that the contenders for control are prepared to pay almost anything to attract sellers and to add to their holdings. On Wednesday last week, 45 000 shares changed hands at 205c. By Friday they were close to the present price on a volume of 287 000. Of course, if either party began to sell, the share price would decline as quickly as it has risen — but that seems unlikely to happen until one side concedes defeat.

More mysterious was the interest in engineering share **Landlock**, which on volumes of a few thousand shares each day pushed up from 100c to 120c through the week On the downside, noteworthy was **Pepgro**, which despite good reported prospects slumped from a sellers' price of 919c to deal at 675c

Among golds **Egoli** was relatively heavily traded, falling from 320c to 275c apparently on market concern for the stability of the new holding of **Fralex** and **Egoli** board member Peter Gain

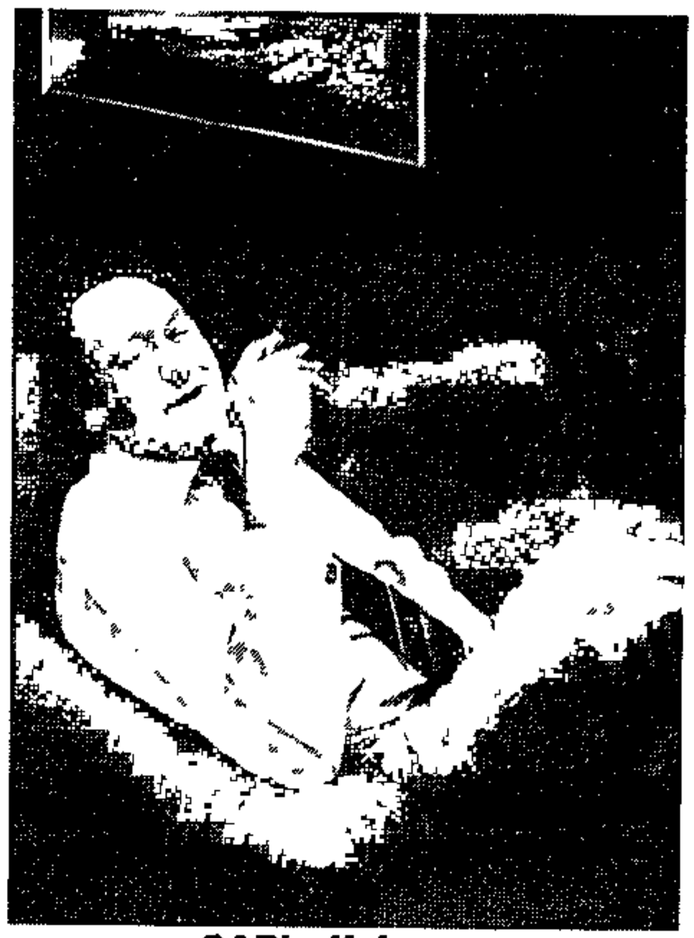
David Ross

SA BREWERIES 182

Drunken profit

SA Breweries, like the proverbial magician pulling rabbits out of a hat, has confounded the sceptics who believed earnings would crash after the string of bad results from the subsidiary companies

Beer sales again rode to the rescue of group profit With attributable earnings of the non-beverage interests 60% less than in the previous year, the beverage division accounted for nearly 80% of group profit Political unrest has not hit beer sales in the black market, and the overall earnings slide of 29% was seen by the market as reasonable in the circumstances Since the results were published, the share price has risen from 620c to close on Monday at 665c MD Meyer Kahn comments that the results "should come as no surprise We said quite categorically that earnings in the first half would be substantially down " Kahn believes that the worst is over and that SAB can now look forward to an earnings recovery He says that positive factors in the second half are the easing of HP restrictions, higher sales in the festive season, falling interest rates (pre-interest profit fell by 17% at the interim but pre-tax profit by 38%), and a reduced tax bill which will flow from taking R18,7m in deferred investment allowances, the same amount as in the second half of last year



SAB's Kahn ... a happier second half

Kahn also expects the rate of negative real growth of personal consumption expenditure (pce) to level off Real pce has fallen by 6% in the six months to end-September In the second six months, Kahn thinks that real pce will be only 2,5% down. This does not of course mean a consumer spending revival, which SAB earlier this year had hoped would start to happen from October An upswing is now projected only from mid-1986, but Kahn still says that final earnings should not fall far short of last year

Some analysts take a more guarded view They see second-half earnings as level pegging in comparison with last year, which means that the steep interim decline would reduce profit for the year by some 12%-15% overall, after allowing for the seasonally stronger second-half earnings pattern "I see no sustained improvement in consumer spending much before the end of next year," says one, "and if HP sales do increase at Christmas, there may be a rise in bad debts The worst of the bad debts experience may not have been seen, and this could make next year's first half look very disappointing "

SAB POORER

Six months to	Sept 30 '84	Mar 31 '85	Sept 30 '85
Turnover (Rm)	2 534	2 825	2 627
Trading profit (Rm)	157,5	196 9	130,4
Interest paid (Rm)	55,7	76,5	66,5
Pre-tax profit (Rm)	101,8	120,4	63,9
Taxed profit (Rm)	69,2	130,7	51,8
Attributable profit (Rm)	71,9	138,4	50,8
Earnings (c)	27 5	52,9	19,4
Dividend (c)	10	26	10

Another analyst queries whether SAB has sufficient cash resources to fund the increased volume of contracted capital expenditure without need for a rights issue Contracted capex has risen sharply from R154m to R297m in the 12 months to end-September, largely as a result of planned extensions to the Prospecton brewery Kahn, however, sees no "necessity for a rights issue We are in no way considering one "

Whatever the case, adverse share sentiment looks to have been dispelled Many analysts see SAB as a buy below R7 Dividend cover is at 1,94 times (2,75 times), which should suffice to maintain the final dividend, even if earnings a share do fall to 70c (80,4c) But solid earnings growth must await an economic recovery, which Kahn argues is closely bound up with political matters However, as SA's leading consumer retail group, SAB is well positioned to take advantage of a consumer spending renaissance

Christopher Marchand

HUDACO

Listing approved

In the 18 months since it was wrested from Blue Circle, Hudaco has been transformed from a sluggish industrial distributor, pro-

BUSDAY 3/12/85

Pick 'n Pay returns beer

Lawrence Bedford

Pick 'n Pay says it sold 40 000 cases (24 to a case) of SWA Breweries (SWB) Windhoek Light beer through 26 of its 36 outlets before the SA government "gazetted it off the shelves".

Containing an alcohol volume of 1,9%, the new brand is aimed at providing a thirst quencher for sportsmen and a "safe" drink for drivers.

Food director Peter Dove said at the weekend the sales spanned a period of about four weeks. Pick 'n Pay was now returning about 6 000 cases to SWB.

In a notice published in the *Government Gazette* of November 22, the beer was reclassified as liquor. It gave the retail chain no chance to get rid of existing stocks.

BUS DAY 3/12/85

Wentzel, Nampo on better terms

● WENTZEL

GERALD REILLY

THE fractured relationship between the National Maize Producers' Organisation and Agriculture Minister Greyling Wentzel is on the mend

Relations have been strained since May when eight Maize Board members, including chairman Crawford von Abo, walked out in anger after government refused to grant an increase in producer prices

However, Wentzel met with Nampo's full executive in Bothaville on Friday to "normalise the relations between Nampo and government", Wentzel said in a statement

Wentzel said Nampo chairman Hennie de Jager and he were satisfied after the talks that progress had been made, and that the talks could mark a new era of co-operation between government and the maize producers

They discussed the minister's powers over maize marketing and pricing, decisions made by members of the Maize Board, the appointment of producer members to the board, the elimination of duplication between the activities of Nampo and the board, Nampo's financing, and alternative maize marketing and pricing arrangements

BUS DAY 3/12/85

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Joint announcement

Fralex Limited
("Fralex")

Fraser Alexander Limited
("Alexander")

Egoli Consolidated Mines Limited
("Egoli")

Rembrandt Group Limited
("Rembrandt")

Disposal and acquisition of assets

CHAMPAGNE (182) FIN MAIL 20/12/85

More sparkle

Champagne or bottle-fermented (*methode champenoise*) sparkling wine, is emerging as a bright spot, along with coolers of course, in the depressed SA wine industry

Statistics from market researcher A C Nielsen put total sparkling wine volumes up by 18% in the year to the end of September, and 28% by value Imports, on the other hand, are 47% ahead in volume terms, compared with a 28% advance in value All of which indicates that SA consumers are buying down when it comes to imports, which comprise only 5% of the market, while going for better quality on the domestic front

The shift to better quality coincides with the introduction of more bottle-fermented wines.

Only four are now produced in the Cape. Pierre Jourdan, Simonsig, Boschendal and Tradition Charles de Fére, but during a tour last week of the Tradition production facilities at the Villiera estate in Stellenbosch, the *FM* was told more than a dozen others are in, or past, the planning stage

The upsurge in demand for the local product appears partly attributable to gains on the quality front, and to a sickening escalation in the price of imported champagne Tradition's Jeff Grier believes French champagnes will cost at least R40 a bottle in the near future His own goes for about R7 in the Cape

So pronounced is the swing to sparkling wine in SA, particulary among younger drinkers, that Grier believes a spate of new labels is a certainty

Tradition produced 40 000 bottles of its first vintage, 1984, and expects to put on an additional 20 000 a year for the next three years Break-even point is estimated at 60 000 bottles

Sales are one third in the Cape, where most of the selling effort is being applied, and the rest goes to the Reef.

Industry sources maintain Bergkelder and SFW will soon be supplying the bottle-fermented product, as opposed to sparkling wine made in tanks ■

MANUFACTURING— BEVERAGES

1986

[redacted]

BUS DAY

Wine industry to investigate co-op marketing

3/1/86

182

LAWRENCE BEDFORD

PRODUCER marketing of wine is to be investigated by a special industry committee.

Problems with direct sales of low-price co-operative wines were highlighted earlier this year.

In May, traders told *Business Day* that the co-operatives were under pressure to withdraw products from shelves.

Most co-op wine is bought and blended into drinks marketed under the Cape Wine Distillers' (CWD) umbrella.

Co-ops, responsible for 85% of total wine production, distribute about 15% of their own good wines themselves.

At the time, the farmers' co-op association, the KWV, said it would not involve itself in the battle between members and major liquor groups trying to squeeze out own-labels.

Now, however, the KWV has announced that it has been decided to appoint a committee of representatives of the co-op association and the Cape Wine & Spirit Institute to investigate all aspects relating to the problem.

It has taken this step, it says, "in view of the unncessary misunderstandings and tension which have developed among certain producers, producing wholesalers and even consumers about the matter".

Production this year of all wines — sparkling, fortified and natural — is expected to be nearly 306-million litres

Winegrowers on tenterhooks

8/1/86 BUS DAY (182)

LAWRENCE BEDFORD

A QUESTION MARK hangs over this year's minimum producer-price for wine to be announced next week.

While past increases have been moderate (see graph), the year could see the increase matching the inflation rate.

A KWV spokesman yesterday declined to be drawn about next Tuesday's announcement.

However, he said the economic viability of the KWV farmer was now seriously threatened.

Attempts to create a bigger market had been made, including the introduction of fruit-flavoured wines, but life was getting tougher.

"Even KWV, which from a technical and scientific point of view has tried to play its part, is facing problems," he said.

Hugo Pietman, chairman of KWV, said yesterday that rising costs were threatening the growers' existence.

Apart from fuel and electricity costs, chemical prices had risen steeply and the price of sulphur used in the production process by 59%.

Packaging costs were a problem, the price of bottles had increased 14,7% since 1983.

"These price increases leave the wine-producer powerless," he said.

Blow for wine industry

THE wine industry could be badly hurt by the discovery that stock exported as superior Chardonnay was poor-quality Auxerrois

It is not clear how much supposed Chardonnay was shipped last year but the mistake was discovered too late to be rectified, says Jacob Deist, director of the Oenological and Viticultural Research Institute (Ovri), at Nietvoorbij, Stellenbosch

He was testifying yesterday at a Stellenbosch commission of inquiry headed by Chris Klopper, a former president of the regional court

The commission had to determine who imported the Auxerrois, which is not approved for wine-growing in SA, and in what quantities

Many farmers had bought large quantities of the Auxerrois cultivar with a Chardonnay label

Deist said all clones brought into SA were first evaluated by the quarantine station at Ovri

Clones of cultivars readily available in South Africa were evaluated over six months for signs of exotic fungus or other diseases Cultivars not in use in SA were cultivated at the station for three years to evaluate the vine. — Sapa

Costs killing wine farmers — KWV

STAR 13/1/86 (182)

The existence of the wine farmer in South Africa is being threatened by excessive increases in production costs, according to KWV chairman Mr Pietman Hugo.

Production costs rose sharply in 1985, he said, giving as examples increases of 26,5 percent for chemicals, 17 percent for mechanisation, 23 percent for electricity and 38 percent for irrigation.

These rises overshadowed the "modest increase" of 9,9 percent in the good wine price granted to the wine producer in January 1985

Mr Hugo said KWV's policy of introducing "only modest price increases", in recent years, and wine producers' attempts to absorb part of their production costs themselves to boost wine sales, was nullified by suppliers of production items who passed full price increases on to wine farmers.

The wine industry was under even more pressure regarding packaging costs where it was also "losing the battle of keeping the price to the consumer under control"

The price of glass bottles rose by an average of 14,7 percent a year from 1983 to 1985.

The wine farmer believed he was not selling wine to the consumer, but rather bottles, corks, cartons and labels, Mr Hugo said Alternative packaging materials should be found.

Alternatives did exist and development in this field should be accelerated to enable the consumer to continue receiving wine at a reasonable price

Wine price set to rise by 13 pc

STAR 15/1/86 (182)

PAARL — Wine prices are expected to increase by at least 13,6 percent this year

A statement issued by KWV yesterday announced an increase of 13,6 percent in the minimum price to be paid by wholesalers to wine farmers during 1986

"This is for both good and distilling wine," the statement said

The minimum price for good wine is now R48,26 a hectolitre Last year's price was R42,48 This represents an increase of 4,3c a 750 ml bottle

About 50,5 percent of the total wine harvest can be sold on the South African market as good wine, the statement said

The minimum price of flavoured wine remains unchanged

The minimum price for distilling wine is now R31,24 a hectolitre compared to R27,50 last year

This is an increase of 3,7c a litre

BRANDY

Thirty percent of the total crop will be required for the production of brandy and other distilled products for the South African market.

The surplus has been estimated at 19,4 percent of the total vintage and is earmarked for the export market

The wine farmers' share in the final price of his product remains small, the statement said

"In view of this sacrifice it is hoped that the wholesalers and retailers will also adjust their prices in a moderate manner

"This year's wine crop surplus will be sold on the highly competitive overseas commodity market as the KWV had succeeded in doing in the past few years" — Sapa.

KWV to pay wine farmers 13,6% more

BUS DAY 15/1/86 182

CHRIS CAIRNCROSS

THE minimum producer price for both good wine and distilling product has been raised by 13,6% for 1986, says KWV.

The increase is marginally below the inflation rate, but substantially higher than in previous years.

The minimum price of good wine has been fixed at R48,26 h/l, compared with R42,48 h/l last year.

The minimum price for distilling wine has been set at R31,24 h/l where the alcohol content is 10% by volume, compared with R27,50 h/l last year.

The prices were subject to approval of the deputy Minister of Agricultural Economics and Water Affairs, KWV said in Paarl yesterday.

Based on these increases, KWV projects gross income for the wine industry of almost R294m this year, compared with R256,6m last year.

The estimated average net return on investment for the industry this year, on the basis of this projection, is expected to be about 7,8%.

Crop estimates for this year are 8,341-million h/l, a marginal increase of 0,4% on last year's total production of 8,309-million h/l.

About 60% of the total crop is expected to be available for good wine, of which about 90% will be sold on the SA market.

Wine price increase

STAR (182) 17/1/86

Transvaal wine-drinkers are likely to be hit by a price increase of between 11,5 and 14 percent

This is despite the fact that the Cape Wine and Spirit Institute has recommended that its members increase the wholesale selling price of wines and spirits by less than 10 percent

The recommended wholesale prices in the Western Cape of local spirits will be increased by an average of 7,4 percent and the prices of natural wines by less than 10 percent

22/1/86 BUS DAY (182)

Wine still in the wings

ALAN PEAT

BEER consumption is growing faster than that of wine, says KWV in its latest statistical survey.

However, says planning chief executive Eduard Beukman, "the fact that flavoured wines really started moving last year and can be expected to continue in 1986 could change this pattern".

Beer consumption began climbing in 1978 and by 1984 had increased by about 143%. Wine sales in the same period climbed only 36%.

"From 1977, consumption of natural wines picked up nicely," says Beukman. "This follows world trends, where changing lifestyles have dictated a move to lighter drinks."

The consumption of natural wine climbed from 173,3-million litres in 1978 to 268,7-million in 1984 — a 55% increase. There was an even bigger growth on sparkling wines, although on lower total consumption, from 3-million litres in 1978 to 5,2-million in 1984, a jump of just under 75%.

Consumption of fortified wines in the same period fell from 60,3-million litres to 47,9-million, a drop of more than 20%.

On the 1983 world ranking for consumption, South African beer drinkers slotted into 31st position with a 39,3*l* a head consumption, compared with leaders West Germany with 147*l*, Belgium 128*l* and Australia 123,7*l*. But add sorghum beer and the SA rating moves up to eighth spot with a 122,9*l* a head consumption.

In the wine league, SA ranks 28th with a consumption of 9,59*l* a head compared to Italy's 91,4*l* and Portugal's 90*l*.

Wholesale liquor price rises will hit public soon

Mercury Reporter

THE wholesale price of liquor and wine went up between 6 percent and 12 percent on Saturday but it will be a couple of weeks before the consumer feels the pinch

Sources in the industry warned that the price of beer would be increased later this month

According to spokesmen for several major retail chains, most of their spirit and wine prices would not change before the middle of the month and some brands possibly not until the end of the month

One said that when prices were raised they would move by more than 20 percent as retailers had been holding prices down

An example cited by one retailer was the price of a 750 ml bottle of proprietary cane spirits which would increase from about R7 to R7,50

Wine prices would also be increased A Nederberg Stein which sells for R2,98 would increase by 10,8 percent to about R3,30 while Nederberg Cabernet would go up 12,8 percent

'The higher-priced wines have gone up by higher amounts,' said the spokesman

A spokesman for another major retailer said he had yet to see a new price-list and prices on his shelves would not go up before the middle of the month

Beer price up on Monday

CAPE TIMES 15/2/86 (182)

Staff Reporter

THE price of beer is to rise by an average 8,7 percent on Monday, and consumers have been advised to buy beer before old stocks run out.

Mr Barry Smith, Western Cape general manager of South African Breweries (SAB) confirmed yesterday that his company, which provides most of South Africa's beer, was increasing prices from Monday.

The price of 750ml bottles, which comprised 65 percent of the beer market and was "the working man's choice", would increase from from 7,2 percent.

Prices on beer sold in non-returnable bottles and cans were to increase by an average 11 percent.

'Modest'

Mr Smith described the price increase as "modest" and said it had been brought about by rising costs, especially that of imported malt.

This was the ninth year in a row SAB had managed to keep the cost of beer below the current rate of inflation, which this year was running at 18 percent.

He said that SAB had no control over retailers' pricing policies

Mr Mike Kovensky, managing director of the Aroma group, Cape chairman of Fedhasa (Federated Hotel, Liquor and Catering Association of Southern Africa) and national chairman of Fedhasa's liquor affairs committee, said there was no question that most retailers would increase their prices by the same percentages as SAB

He said that an example of the price increase could be a jump of R1,41 from R13,47 to R14,88 on a base of dumpies, or 5½ cents a dumpy.

Mr Sam Berk, executive chairman of the Drop Inn liquor group, said his group would not be increasing the costs of popular brands until Easter.

Bus DAY 24/2/86 182

Wine industry goes sour

MICHAEL FRIDJHON

FACED with what will be the smallest and possibly finest vintage of the last decade, the Cape wine industry is now forced to confront many of the contradictions in its marketing structure.

Lower yields mean less surplus: the 1986 crop will only exceed normal demand by 20% to 30%. The compulsorily higher levels required of spirit sales in this country — 43% alcohol by volume and not 40% or less, as is the case in most civilised countries — together with the effective forced use of more expensive grape spirit rather than cane or grain spirit for vodka and gin may actually work the surplus down to around the 15% mark

Less surplus means more of the crop actually sold promptly and profitably. Ordinarily, the surplus gets disposed of by the KWV on what are euphemistically described as "commodity markets" — an activity which is time-consuming and not really revenue-producing.

But lower yields also mean that, for many of the marginal farming operations — particularly those which are basically intended to produce bulk wine for sale at the distilling wine price — income may not exceed expenditure. Admittedly, the crop is smallest in the coastal region — traditionally a fine wine producing area — but there are still many grape farmers in this part of the Cape whose businesses cannot afford the 20% to 40% drop in revenue.

The myth that wine farming is a profitable business has, over the past few years, taken something of a battering. Many Cape wine estates have started planting and producing other crops fruit and table grapes are beginning to feature as important revenue-producing alternatives again.

Hit by dollar

Moreover, several wine farmers were encouraged by their bankers to borrow in dollars over the last two years, and losses are reputed to total six figures and more on many well-known estates.

The cost spiral has affected farms for the past few years: increases in their selling prices have not covered these rising agricultural costs, since the bulk of cost-related increases have been aimed at soaring packaging and transport charges.

Now, with the total wine market in decline, and with this year's yields considerably reduced, many wine farmers doubt they will be able to bear this unprofitable structure on their own.

This year will certainly be the first in many of outright wine farming bankruptcies It will also produce the first marked elongation of the retail wine price pyramid: good wines, particularly in the premium sector of the wine market, will increase in price by substantial amounts.

Around R10 to R20 per bottle will be the going rate for top wines, with reputation and cachet. Traditional old faithfuls, which used to form the bulk of the middle of the market, will lose support as the least expensive wines become daily tipple in a fast polarising economy.

Beer prices 'stable'

6/3/86 B-DAY 182

ALAN RUDDOCK

BEER prices are not expected to rise again this year.

Prices rose an average 8,7% at the end of last month and SA Breweries (SAB) "hopes to avoid further increases", SAB spokesman Gary May said this week.

The beer market was still showing positive growth, May said, but the growth rate had slowed. "It is early days yet to be predicting this year's market, but we do expect growth over last year's sales."

Beer-price increases in the past three years have been relatively modest — 7,5% last year, 6,3% in 1984 and 10% in 1983 — and May said the drop in the real price of beer had contributed to its positive year-on-year growth despite the recession.

"The growth rate has slowed, but it is still positive," he said.

The national launch of SAB's latest brew — low alcohol beer — depends on the result of intensive market research in the Cape, where the product has been marketed experimentally.

"We believe low alcohol beer is strategic to the beer market in that it provides an important option to the consumer," May said.

Blast kills one, hurts 3

B-DAY 6/3/86

A MAN was killed and three others injured, one seriously, in an explosion at an Armscor subsidiary in Somerset West yesterday.

The victim was Sammy Samuels of The Strand, near Cape Town. The names of the injured have not yet been released.

An Armscor spokesman said the cause of the "industrial accident" at Somchem was being investigated. — Sapa.

Witchdoctor 'was to get R15 000'

3-DAY 312 6/3/86

MBABANE — A South African witchdoctor told a Swazi court yesterday he was promised R15 000 to fabricate evidence against five prominent men being detained without charge

Witchdoctor — or "Inyanga" — Elliot Ndaba was giving evidence for the prosecution in the trial of a former member of the ruling Supreme Council of State, Prince Mfanasibili Dlamini, and ex-Police Commissioner Majaji Simelane

They face seven counts of subverting justice in connection with the detention of former Finance Minister Sishayi Nxumalo and four senior police and army officers

Ndaba, who began his evidence on Tuesday on the second day of the trial, said under cross-examination yesterday he was promised the money in Johannesburg by Mfanasibili and was brought to Swaziland in May to concoct the evidence

He said this consisted of travelling round the country to various houses so that he could later testify in court that he had seen the five men plotting a coup and describe the locations

He was also shown a video of the five so that he would be able to describe them, he added.

The five men were accused of treason and held for more than a year without charge before being released without explanation two months ago

Ndaba said that part of the plot was for him to make a magic potion of herbs and zebra meat and plant it by the gates of parliament to signify Nxumalo's ambition to overthrow Prince Bhekimpi Dlamini, Swaziland's prime minister.

Mfanasibili and Simelane have pleaded not guilty to all the charges They were dismissed from their posts last October

The case continues — Sapa-Reuter.

B DAY 11/3/86 (182)

Refreshing interim showing at Suncrush

MERVYN HARRIS

SUNCRUSH has turned in another fine performance to lift earnings 11% from 174c to 194c a share in the six months to December.

The good results were foreshadowed when the Natal-based soft-drinks bottler and manufacturer raised its interim dividend by 3c to 36c a share last month

Chairman Robin Hamilton said the earnings rise was "quite good in the current fairly tough circumstances — but it is nevertheless still below the rate of inflation."

Turnover was boosted 16% from R60,5m to R70,6m, a creditable performance in view of township unrest and weak consumer demand

Hamilton confirmed that the unrest had some effect on sales, although the company did what it could to compensate for it.

Pressure on margins was reflected in the marginal increase in net income from R10,2m to R10,7m Dividends received rose from R202 000 to R225 000.

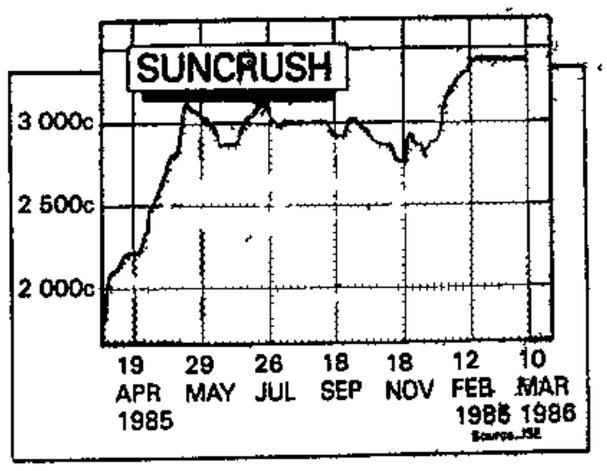
However, lower interest rates and a decline in borrowings reduced the interest bill by almost R1m to R367 000 (R1,34m), leaving net income before tax 17% higher at R10,5m (R8,9m)

A higher tax bill of R5,2m (R4,2m) trimmed the bottom-line gain to 11% at R5,2m (R4,7m)

The group bought a 6,7% stake in Cadbury-Schweppes — which last week reported a 32% decline in earnings — for R5,8m in July last year

"We did not expect it to perform too well But its problems, like the price of cocoa, are short-term," Hamilton said He added that the confectionery divison maintained its share of a competitive market

With total dividends for the year to June expected to be not less than 30% of taxed profits, the final dividend is likely to increase by about 11% At its current price of 3 350c, Suncrush shares are on a dividend yield of 3% compared with the 3,6% average for the beverages and hotels sector.



This puts Suncrush and its holding company Dalys — which, at its current share price of 350c, is on a dividend yield of 2,6% — as the most highly-rated shares in a sector which includes SA Brews, Kersaf and Sun Bop.

Dalys' interim results mirror the performance of Suncrush, with earnings up 11% from 14,4c to 16,1c. The dividend was raised last month from 2,75c to 3c a share

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT.

	White	Coloured	Asian	Black
Cholera	0	1	19	670
Typhoid	59	27	51	4 049
Paratyphoid	1	0	0	3
Tuberculosis	620	11 421	630	36 370
Plague	0	0	0	0
Anthrax	0	0	0	0
Brucellosis	164	0	0	34
Leprosy	1	1	0	72
Diphtheria	1	2	0	42
Meningococcal Inf	67	206	7	199
Tetanus	1	10	3	202
Poliomyelitis	4	7	0	53
Smallpox	0	0	0	0
Measles	961	650	168	12 186
Yellow fever	0	0	0	0
Haemorrhagic fevers	0	0	0	1
Rift valley fever	1	0	0	0
Viral hepatitis	383	297	107	593
Rabies	0	0	0	0
Psittacosis	1	0	0	0
Trachoma	0	0	0	19
Typhus (lice)	0	0	0	0
Typhus (flea)	0	0	0	0
Malaria	286	3	5	9 652
Trypanosomiasis	0	0	0	0
Leptospirosis	0	0	0	0
Toxoplasmosis	0	0	0	4
Prim malig of bronchus	126	100	20	132
Prim malig of lung	62	27	14	60
Prim malig of pleura	0	1	0	1
Poisoning (agric remedy)	14	28	0	67
Poisoning (lead)	2	0	0	3

Sorghum beer

HANSARD 19/3/86 182

362. Dr M S BARNARD asked the Minister of Constitutional Development and Planning.

(1) With reference to the reply of the Minister of Co-operation, Development and Education to Question No 7 on 12 February 1985, (a) what progress had been made in respect of the privatisation of the sorghum beer industry as at the latest specified date for which information is available and (b) when is it anticipated that this process will be completed,

(2) whether any alternative sources of income have been found for Black local authorities; if not, why not; if so, what is the nature of these sources?

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING

(1) (a) The Sorghum beer interests of the 13 development boards have been rationalised into 8 consortiums which, pending amendments to the act, are conducted in terms of co-operative agreements In view of changed circumstances within the Sorghum beer industry and the possible phasing out of the development boards the process of privatisation is to be accelerated

(b) It is proposed that amendments to the relative legislation to regulate the privatisation are to be tabled during the present session of Parliament

(2) Yes The Black local authorities will as participants in the regional services councils also share in the revenue generated by these councils These local authorities are otherwise also dependent upon the revenue derived from rent and trading services Sub-economic rates are, where necessary, supplemented with bridging finance

Lawsuits

HANSARD 19/3/86

369. Mr P H P GASTROW asked the Minister of Law and Order:

Q COL 648

(1) Whether any lawsuits were brought against him in his capacity as Minister of Law and Order in 1985 by members of the public; if so, (a) how many and (b) what (i) were the circumstances of the lawsuit, and (ii) was the outcome, in each case;

(2) whether he paid out any moneys (a) as a result of successful lawsuits brought against him and (b) in out-of-court settlements; if so, what total amount?

The MINISTER OF LAW AND ORDER:

(1) Yes

(a) 137

(b) (i)

Damage to vehicles	68
Unlawful arrest and detention	29
Assault	29
Shooting incidents	4
Bitten by police dog	3
Loss of maintenance	1
Confiscation of vehicle	1
Damage to property due to police action	1
Loss of prisoner's property while in police custody	1
Total	137

(ii) 88 cases were settled out of court
8 cases were decided in favour of the state, with costs
1 case succeeded with a counter-claim
38 cases were withdrawn
2 cases were dropped

(2) (a) No

(b) Yes, R146 668 14 of which R111 378 64 was paid out owing to damage which resulted from motor accidents.

Q COL 649

Pensions

HANSARD 19/3/86

449 Mr W V RAW asked the Minister of National Health and Population Development

(1) Whether military pensions payable for wounds, injuries or other disabilities inflicted in the course of military duty are classified as civil pensions; if not, as what type of pensions are they classified,

(2) whether increases in civil pensions are normally effected in a certain month; if so, in what month;

(3) for what periods since 1945 have increases in military pensions been effected in (a) April, (b) October and (c) other specified months?

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) No Military pensions are not specifically classified as a type of pension but are related to compensation for disablement caused or aggravated by military service

(2) No.

(3) (a) 1945 1967 1978 1984

(b) 1968 1973 1975 1977 1985

(c) May and December—1974

Telephones

527 Mr P G SOAL asked the Minister of Communications.

What was the estimated cost of repairing public telephones in the Republic in 1985?

The MINISTER OF COMMUNICATIONS.

R0,7 million for repairs arising from vandalism and the theft of appartus.

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& Co and the Wits Business School, to the best non-listed company of 1986. , not listed on the Johannesburg Stock Ex- judges, has best demonstrated creativity the challenges facing business. factors as growth in sales, market share and

Business School, the final selection will be essor Andy Andrews, Dean of the Wits of Business Administration, University of executive president of the Johannesburg man of Seardel Investment Corporation, Investments and Toyota South Africa, and Assocom.

will be sent to selected companies Throughout the judging process your company will be known only by selected personnel from

criteria may enter.
may have been made to date.
in South Africa
owned the business for at least three years.
financial statements, the company must have
characteristics:

the Argus company to share fac

Prices of wines pop up

CHERILYN IRETON

PRICES of local wines and spirits have been increased.

The latest adjustments, effective from yesterday, pushed locally-produced spirits up by between 4% and 6% and wines by between 8% and 8,5%.

Prices of sparkling wines, sherry and noble wines have been increased by 8,5%, brandy by 5,3%, rum by 5,3% and liqueurs by 6%.

Retail price rises are expected to follow.

But the wholesale price of whisky is to drop by R10 a case.

This is the second time wine and spirits prices have increased in two months.

Wholesale wine prices rose between 10% and 14% at the end of January and prices of spirits by 8,5%, according to Benny Goldberg's MD Dave Botha.

All major suppliers are believed to have changed their prices, but it will be several days before new price-lists are released.

Union Wines and Gilbeys confirmed the price increases.

Rising input costs were blamed for the increases.

Rebel MD Trevor Pearman told *Business Day* the latest increase was unexpected.

COMPANIES

Cadswep loses fizz in a depressed market

CILLIERS

LIZ ROUSE

CADBURY SCHWEPPES' earnings should improve this year, based on expectations of modest market growth, says chairman Charl Cilliers in the annual report.

He attributes the economic decline in recent years to socio-political issues

"South Africa's immense economic potential will not be realised until all its peoples are able to participate fully in the political life of the country"

The company's prospects will depend to a large degree on how such issues influence the economy and the value of the rand

Cilliers believes that the economy will improve this year and that the rand will average no less than $0,45c.

Cadswep's sales of beverages and confectioneries were hit by the decline in white spending power and, in particular, by black unemployment and unrest.

Margins were squeezed by the soaring rand costs of cocoa

Costs could not be passed on to consumers in a competitive and depressed market

These factors had a severe effect on the confectionery division's profits

Cadswep's capital spending geared down in 1985 to R6,2m, spent mainly on modernisation projects started in previous years

Cilliers says only essential capital projects will be undertaken this year and no long-term development programme will be initiated until the economy is on a firm road to recovery.

Cadswep maintained its dividend at 64c last year although earnings before extraordinary items were down 32% at 107,2c

Restructuring of the group's interest in Amalgamated Beverage Industries resulted in a surplus of R2,65m, which lifted bottom-line earnings to 158,2c (157,5c in 1984)

Net cash inflow was R7,8m before capital expenditure

The current asset ratio improved to 1,4:1 from 1,2 1 and total interest-bearing debt to shareholders funds declined to 0,39:1 from 0,46.1.

Net asset value was R10,38 at the end of December.

Current market price is R17

With the historic dividend yield at 3,8% the share is probably full priced on unexciting prospects

The beverage companies are becoming interlinked, with Suncrush, Cadswep, Dalys and the soon-to-be-listed Tempora having cross-holdings

ARGUS 10/4/86

Anger over latest liquor price rise

182

The Argus Correspondent

JOHANNESBURG. — The latest liquor wholesale price rises "are once again a case of the little guy being hammered by the big guy", says Mr Mike Kovensky, chairman of the Federated Hotel, Liquor and Catering Association's liquor committee

The latest rises are eight percent for wines and five percent for spirits Whisky, however, dropped in price by 10 percent

In an outspoken reaction to the increases, Mr Kovensky says liquor retailers and hoteliers were shocked at the news of the price increases.

The increases came only eight weeks after previous rises

They were announced by the Cape Wine and Spirit Institute

Liquor giants accused of fixing prices

By Ciaran Ryan

LIQUOR-industry sources accuse wine and spirit producers of price collusion in defiance of the Government's attempts to outlaw the practice.

Major producers — Cape Wines & Distillers (CWD), Union Wine, Douglas Green and Gilbeys — announced similar price increases this month under the umbrella of the Cape Wine and Spirit Institue.

But impending regulations will outlaw the practice.

S/Times 13/4/86

Opportunism

Producers have been slated by retailers for raising prices of wine and spirits twice in four months.

The Federated Hotel, Liquor and Catering Association of SA (Fedhasa) said the price rises smacked of opportunism, especially because liquor was spared an excise increase in the latest Budget.

Fedhasa's liquor committee chairman, Mike Kovensky, told Business Times. "You have an oligopolistic situation where a few producers control the market, and within in it have a monopolistic spearhead in the form of Cape Wines & Distillers which has 85% of the market.

"The Cape Wine's and Spirits Institute announces price increases on behalf of its members. But in fact it is a case of the members going along with whatever CWD decides."

One retailer says the two price increases in four months are a blatant attempt to maximise profits.

The Government hopes to end price collusion when it publishes regulations in the Government Gazette on May 2. The practice is outlawed in terms of the Maintenance of Price and Competition Act (1979), but the fact that it continues has become a source of concern to the Competition Board and the Government.

All major producers lifted wine prices in January by between 12% and 15% and spirit prices by 8% In April wine prices went up 5.3% and spirits 8%.

Charges of price collusion are rejected by Cape Wine and Spirit Institute director Riaan Kruger

Fuel price

He says: "We recommend price increases on behalf of our members in the same way that Fedhasa does to its members. It is up to the retailer to decide what he wants to charge. It is incorrect to accuse us of price collusion.

"The reason we were forced to increase prices twice this year is that we wanted to soften the impact of last year's cost increases by going for a two-phased increase. Unfortunately, we couldn't contain the price increases any longer

"Producers' costs have also increased because of early-settlement discounts of 5% to retailers which were not offered before."

But Fedhasa says the fuel-price reduction should have caused savings on distribution costs. Furthermore, the new regulations will make it more difficult for wine and spirit producers to raise their prices in unison.

Wine producers — ostensibly in competition with one another — offer the same discounts, the same credit terms, announced their price increases at the same time, and by the same amounts.

Johan Lambrecht, a member of the Competition Board, told Business Times "The Government is to put an end to price collusion in the liquor industry at the beginning of May We have investigated certain producers of liquor in the past, but only when a complaint has been received from a competitor or member of the public."

Last year, several co-operatives which sold directly to retailers instead of to Oude Meester, Gilbeys and Stellenbosch Farmers' Winery — which control about 85% of the market — were forced to desist after threats that their supplies would be stopped.

Hotels are thought to account for about half SA liquor sales. Liquor bought from off-sales and liquor stores is worth more than R3-billion a year.

GST charge

● Fedhasa has sent a document to the Commissioner of Inland Revenue complaining that members of the public and business licence holders have been able to obtain liquor from wholesalers with-

☐ To Page 3

Liquor prices

☐ From Page 1

out paying general sales tax.

Anyone in possession of a GST-exempt number can buy liquor free of tax. But liquor can only be bought free of GST if it is for resale by authorised outlets. It is alleged that shebeeners, businessmen and even members of the public have been using GST-exempt numbers.

Fedhasa will not comment on the document until a reply has been received from the Commissioner for Inland Revenue.

Only SA Brews suffers from liquor sell-off

182

By Ciaran Ryan

SOUTH African Breweries (SAB) has sold more than 100 of its Solly Kramer liquor stores since 1979 — 36 of them to staff.

In a strange turn of events, SAB is the only liquor producer selling its retail outlets The others have escaped a 1979 Government ruling prohibiting any individual or group from holding more than 12 liquor stores

Contradiction

SAB has disposed of all but 24 of its Solly Kramer outlets in the past seven years

In a Government attempt to proscribe vertical integration in the liquor industry, the major producers — SAB and Rembrandt, which owns Western Province Cellars — were ordered to get out of retailing and sell all their stores

The ruling was overturned in 1983 by the Minister of

By Ciaran Ryan

Commerce and Industry, Dawie de Villiers He allowed Cape Wine Distillers (CWD) — in which SAB, KWV and Rembrandt each have a 30% share — to acquire 300 liquor licences

Rembrandt has been selling its stores to CWD in accordance with the 1979 agreement. But it also manages CWD on behalf of shareholders SAB and KWV, so in a sense is selling stores to itself

This runs in the face of statements by Rembrandt chairman Anton Rupert, who made it clear that Cape Wine, as a producer, should not compete with retailers

Petition

Other chains — including Gilbeys-owned Rebel stores, Kersaf-owned Liquor Inn and Union Wine-owned Picardi, Magnum and Score chains — are not bound by the maximum of 12 stores regulation

The managing director of SAB's beer division, Peter Lloyd, told Business Times "We have been squawking for a long time over the fact that SAB, under the 1979 agreement, was forced to sell off Solly Kramer whereas other producers, such as CWD, have been allowed to acquire 300 outlets We do not like to see the law changed in piecemeal fashion

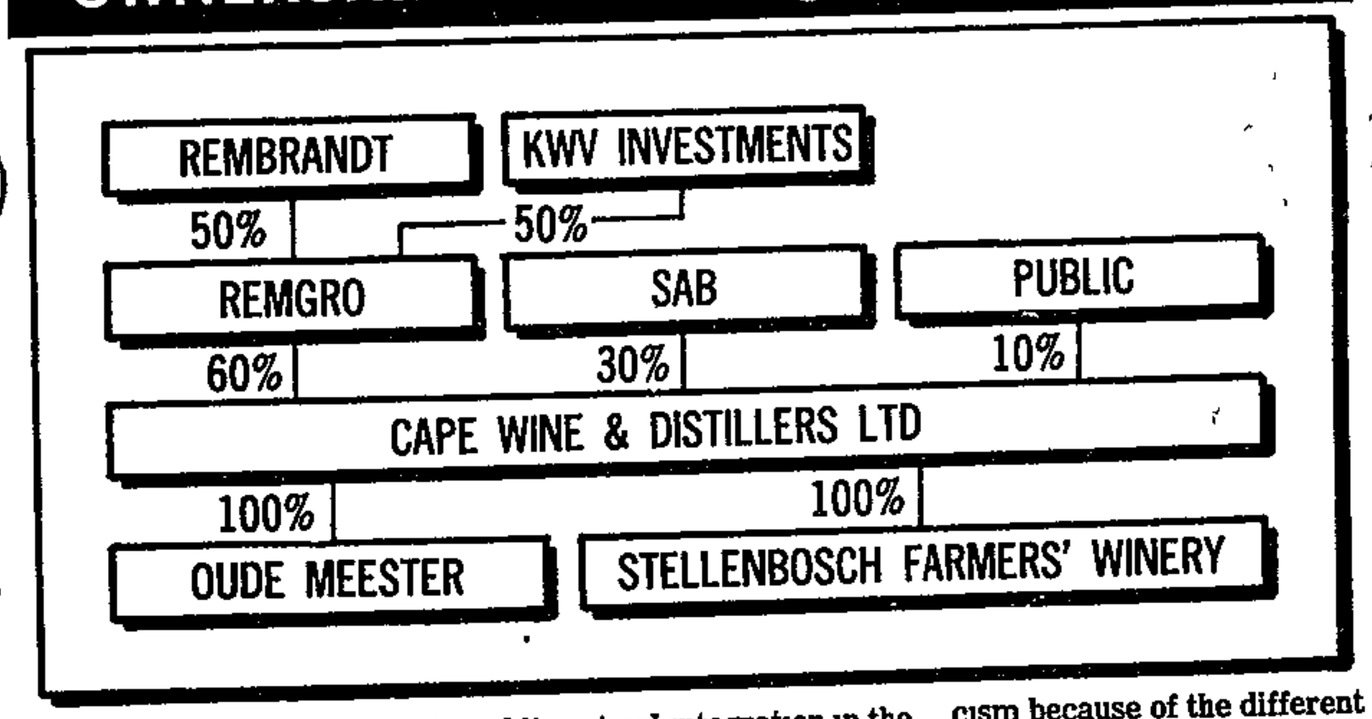
Wine clout

"SAB does not want to be in retailing — but we would like to see the same standards applied to everyone in the industry"

Most of the buyers of Solly Kramer stores have opted to retain the name. In this way the goodwill of the chain has been salvaged

SAB decided on a management buy-out which would allow staff to acquire a share-

OWNERSHIP IN THE LIQUOR INDUSTRY



holding Staff at Solly Kramer are satisfied with the scheme.

The managing director of Solly Kramer, John Hooper, says "It gives staff a stake in the company in a way that they never had before Although we were disappointed that we had to sell the chain, things have turned out for the best."

Critics have accused the Government of using the liquor industry to feather the nests of Cape wine farmers and producers — one of the Government's most powerful constituencies.

One retailer, who asked not to be named, says. "The Government dare not do anything to upset the wine farmers. If it wasn't afraid of them, it would have honoured its 1979 agreement to prohibit vertical integration in the industry, as it was called on to do by the Competition Board.

"Yet it allows CWD to acquire 300 licences while demanding that Solly Kramer holds no more than 12 stores"

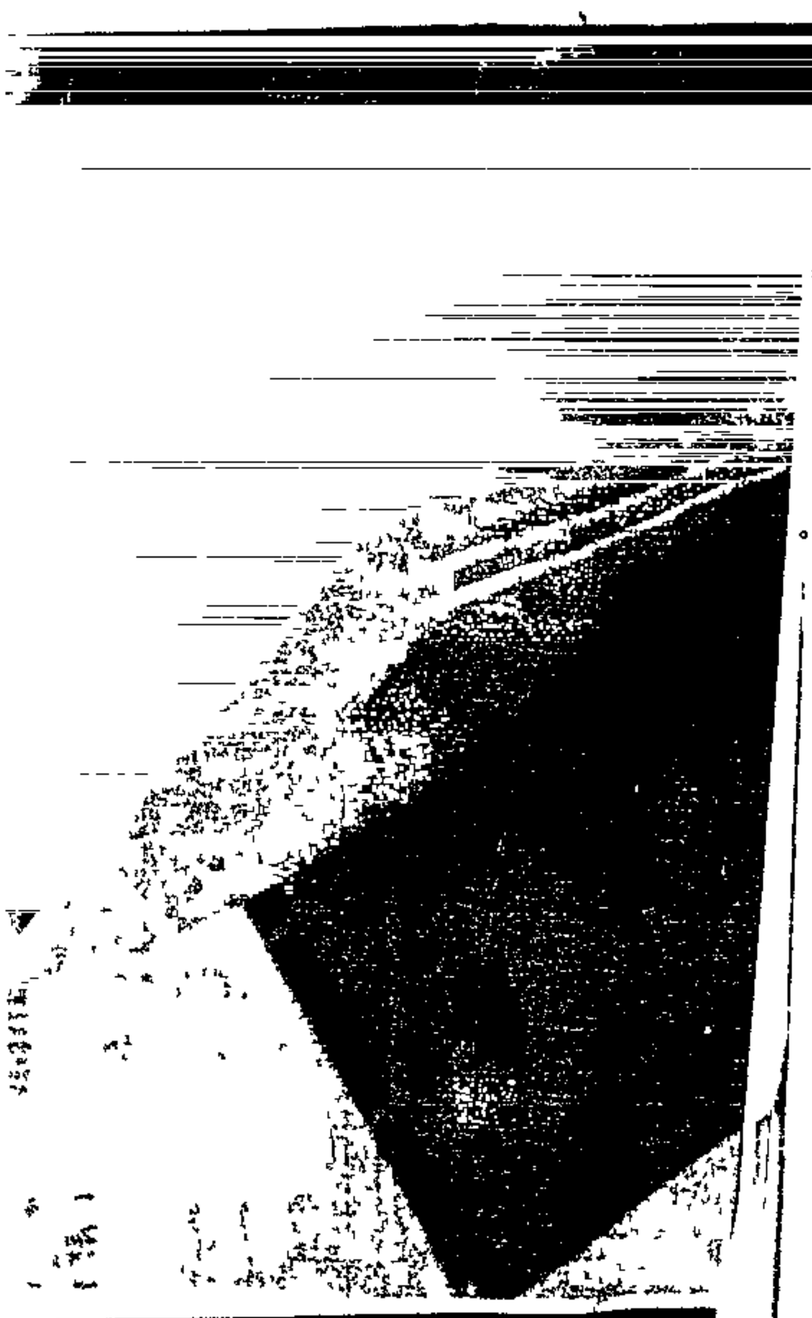
The Liquor Board recently sent a letter to retailers asking for opinions on whether the ceiling of 12 licences a group — which does not apply to CWD, Picardi, Rebel, Liquor Inns — should be lifted.

Too late

In an apparent change of heart, Liquor Board chairman Tommy Vorster said. "It is clear that this restriction gives rise to considerable dissatisfaction within the trade and also elicits severe criticism because of the different standards applied to different groups."

Mr Hooper says it is too late to change the rules now "It has been heartbreaking to watch Solly Kramer disband But at this late stage of the game they are asking whether the rules ought to be changed There is nothing we can do about it now Still, things turned out surprisingly well for employees."

The Federated Hotels, Liquor and Catering Association of SA (Fedhasa) has sent a questionnaire to its 1 360 members asking whether they would like to see the limit of 12 stores an owner lifted If there is a large majority in favour of lifting the limit, this could force the Government's hand. Fedhasa is a powerful lobby.



week ago.
nothing I can do but wait and hope," he said

STAR 14/4/88

Dispute over Appletiser closure comes to an end

Agreement has been reached between the Food Beverage Workers' Union (FBWU) and Appletiser over the closure of the company's Malvern, Johannesburg, operation, the union said

Workers at the plant went on strike last Monday in protest against the terms of the closure, which will affect about 390 workers

The closure was the result of a merger of certain sections of Appletiser and Ceres Fruit Growers

A FBWU spokesman said the workers had undertaken to return to work and ensure that normal work procedures, productivity and quality levels would be maintained until the plant was closed down

In addition to an agreement on severence benefits, management undertook to facilitate the retraining of workers and to approach other companies in the mineral water industry to secure alternative employment

EL strike over talks continue

19/4/86 (182) (62)

DISPATCH

EAST LONDON — The sit-in strike at the South African Breweries' plant here is over and the work force of 92 is now working to rule

A dispute had been declared with the company by the East Cape branch of the Sweet Food and Allied Workers' Union, the union's regional secretary, Mr Elliot Nduzulwana said yesterday

He said that in terms of the agreement with the company, the dispute had to be resolved within 10 days Negotiations would be resumed on Tuesday

Mr Nduzulwana said the dispute had arisen over the date for the implementation of the agreed R126 a week minimum wage

The breweries' management wanted the new pay scale instituted from April 1 to March 31 next year while the union wanted it backdated to January 1 and to be extended to December 31 Mr Nduzulwana said

The manager of the breweries Mr Gordon Sonemann, was not available for comment yesterday — DDR

Street kids get a place to stay

TWENTY-FOUR bunk beds and bedding have been donated to Proscess (Project Street Children – Educational and Social Support) by South African Breweries.

Proscess, established in 1984 under the auspices of the Homes and Orphans Fund, attempts to alleviate the plight of street children whose existence is characterised by deprivation and crime

These children take to the streets of Johannesburg for their survival after having been abandoned, orphaned, brutally treated at home, or evicted from their parental homes by their parents' employers

Proscess offers these children the opportunity to join units voluntarily where a family atmosphere is re-created

Adult 'caretakers' foster healthy personal relationships and ultimately the children are re-integrated into the community via foster homes or apprenticeships

The full-time care centre is in Magaliesburg and presently caters for 13 children between the ages of five and 16

The West Rand Development Board has allocated two hectares of land at "Steenkoppies", Magaliesburg, to Proscess for the buiding of cottages to house 80-100 children

Initially, prefabricated buildings funded by the American Embassy will be erected to house 26 additional children

Proscess recently opened a "halfway house" in Hillbrow using an old lecture theatre made available by Wits University

The West Rand Development Board has agreed that they may offer children full-time shelter and care in this facility while Proscess investigates each child's background in order to ensure the best possible approach to the individual's problems.

★★★★★

BECAUSE of the great success of the Productivity Clinic for Welders recently held by the Small Business Development Corporation, another Productivity Clinic took place recently at the SBDC's Orlando West Industrial Park

Clothing manufacturers registered for the clinic at no charge and were helped to grasp some basic principles of running an efficient small manufacturing business They were given practical advice on how to identify and overcome their most urgent problems

At the end of the course, paticipants had a knowledge of the basics of costing and financial control, how to organise the efficient production of clothing products, how to meet the needs of the market more efficiently and how to plan for better profits

★★★★★

A 16-seater mini-bus has been donated by SA Breweries to Soweto Care of the Aged for the transport of senior citizens to social clubs throughout Soweto

The clubs – created by the Soweto Care of the Aged Association to provide pensioners with an opportunity for social contact – give lectures on basic health care, nutrition and other subjects of interest to senior citizens.

★★★★★

Pick 'n Pay chairman Raymond Ackerman said the Government should immediately abolish every aspect of apartheid and the Group Areas Act when he was awarded a doctorate of law degree by Rhodes University in Grahamstown last weekend

He also called for the release of all detainees, eradication of detention without trial and for the rule of law to be reintroduced

"Only then can the Government meet with all real leaders to sort out a political constitution which will meet with the needs of a fair society," he added

★★★★★

US CORPORATIONS should stay in SA to press for an end to apartheid, according to the United States chairman of Burroughs, W Michael Blumenthal

He said US companies had had a positive impact in lobbying the SA Government to move away from white supremacy and racial separation, but many could be forced out of SA unless Pretoria made major changes

Blumenthal last year co-founded the US Corporate Council on SA, which has enlisted more than 100 chief executives of major firms to press for expanding rights for blacks in SA

Talk of second-half recovery, but brokers are uncertain

Can SA Breweries hold its earnings decline to 10%?

29/4/86 STAR (182)

By Peter Farley

Is SA Breweries going to pull something out of the bag at the last minute that will hold its earnings decline to 10 percent or less for the 12 months to end-March?

The only forecast that stockmarket analysts can agree on ahead of next week's results from SAB is that they will be lower than the 80,4c earned in the previous year

Thereafter, uncertainty has gripped the broking fraternity. Even after SAB posted a 30 percent earnings decline at the halfway stage, nobody appears prepared to stick their necks out over what the final tally might be

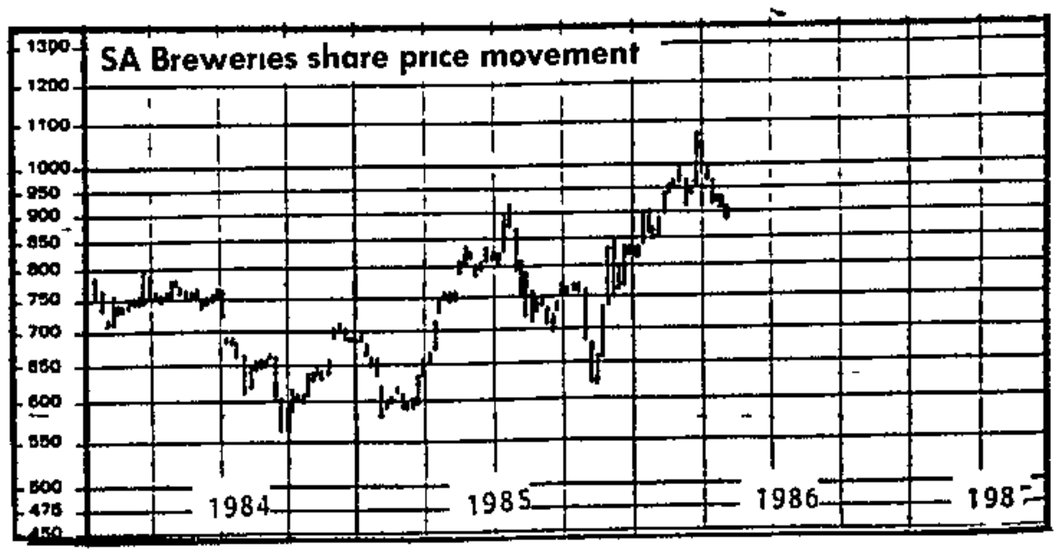
Beer performance

Most are, however, expecting some recovery in the second six months to reduce the 12-month earnings fall to 10 percent, or final earnings of around 72-75c a share But there are pessimists who feel that earnings may only end up in the 60-65c range

Nevertheless, all agree that the subsidiary companies — the first few results will be later this week — have had a pretty tough time In particular, Southern Sun and Amrel have been singled out as being probably the worst hit

But the perennial uncertainty is how well has the beer division performed?

In the first six months of the year volume sales of beer were only one percent higher and, if general consumer trends are repeated, this should be maintained or bettered at the end of the year



Diversified retailing group Amrel had a sharp first-half reversal to a loss of 41c a share from 1985's 59c in the first six months A good third quarter, however, with by a follow-through into January should have produced positive second-half earnings and slightly reduced the full-year loss

This was pretty much the pattern in the retail operations, though Edgars was probably worse hit in the second half than others as clothing sales remained pretty depressed throughout the Christmas period

Furniture manufacturer Afcol will have benefited slightly from the buoyant retail run-up to Christmas, but with such overcapacity on the production side the impact will have been minimal and little improvement is expected from the half-year figures

OK Bazaars has also been hit by reduced consumer spending, but was particularly badly affected by the retail boycotts in the black market In addition, a much higher percentage of food sales — and basic foodstuffs at that — will have slashed operating margins

Analysts are therefore expecting second-half earnings to only match or slightly better the 30c a share attained in the first six months

The last listed division is Southern Sun Not only did the hotel business receive no real benefit from the increased consumer spending around Christmas, but increased competition put the rates of the top hotels under additional pressure

Accordingly, occupancies at SS will have deteriorated further, and after clinging on to profitability in the first half the hotel chain is expected to slide into the red for the full year This is despite increased earnings from its 25 percent stake in Sun International

But, all these negative components aside, SAB has an underlying strength that should not be underestimated Even small volume growths on the beverage operations translate immediately into profit, because of the under-utilisation of capacity

In addition, SAB will be bringing to account almost R19 million in tax concessions derived from capital spending in the beer division None of this was accounted for in the interim results

Optimism

Overall, though gut feel and a review of the listed subsidiaries suggests a drop in earnings of more than 20 percent, the combination of beer's performance and tax benefits should limit the drop to around the 10 percent mark

Another factor to consider is that second-half results will be set against the comparable period in the previous year, which was one of the most difficult on record

Certainly in the past couple of months the group's share price has reflected this improved optimism and last month the shares hit a record high of a shade under 1 100c, against a low last year of 580c

Although it has subsequently drifted back to below the 900c mark, it should begin to strengthen again if the preliminary results show that earnings are 10 percent or less down on last year

COMPANIES

ARGUS 30/4/86 (182)

Analysts see lower earnings for SA Breweries

From PETER FARLEY

JOHANNESBURG — Is SA Breweries going to pull something out of the bag at the last minute that will hold its earnings decline to 10 percent or less for the 12 months to end-March ?

The only forecast that stockmarket analysts can agree on ahead of next week's results from SAB is that they will be lower than the 80,4c earned in the previous year

Thereafter, uncertainty has gripped the broking fraternity Even after SAB posted a 30 percent earnings decline at the halfway stage, nobody appears prepared to stick their necks out over what the final tally might be

Most are, however, expecting some recovery in the second six months to reduce the 12-month earnings fall to 10 percent, or final earnings of around 72-75c a share But there are pessimists who feel that earnings may only end up in the 60-65c range

Nevertheless, all agree that the subsidiary companies — the first few results will be later this week — have had a pretty tough time In particular, Southern Sun and Amrel have been singled out as being probably the worst hit

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hoped to gain about 1% of the Cape market before expanding nationally for a similar share. Their enthusiasm was shared by senior Gilbeys men, including chairman Allan Bell, and Bankorp MD Chris Erasmus, who was also a shareholder Gilbeys undertook distribution a few months ago, coinciding with the launch of a clear version called Antler.

Packaging problems were encountered, and the company also maintained at one point that SA Breweries' relatively new LA Lager had an adverse impact on sales ■

2/5/86.

TRADER BEER FIN MAIL

Down the drain

182

Trader Brewery's bold attempt to establish a niche in the R2-billion-a-year South African beer market (*Business* August 30) from its Kraaifontein base in the Cape has ended up in the insolvency court

The firm, Trader Brewing Company WP (Pty) Ltd, was placed in provisional liquidation in the Supreme Court, Cape Town, earlier this week after it said in papers before the court that it was under-capitalised and unable to trade profitably. It blamed its troubles (debts of R2,6m exceeding assets by R1m) on the dismal economic climate, and the beer itself.

The fact of the matter is that the nation's up-market beer drinkers (Trader was launched at a slight premium to Amstel) did not follow trends in Germany — where similar products have seized 17% of the market — as expected by brewmaster Helmut Klos Instead, drinkers here were evidently turned off by the murky appearance and sediment of the specialist wheat beer

Klos and co-founder Peter Smuts had

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Rising sugar price a bitter pill for soft-drinks makers

By Frank Jeans

The soft-drink industry — the biggest buyer of sugar on the domestic market — is wincing under the continually rising cost of its prime commodity, a situation which the bottlers believe is aggravated by protective market mechanisms and a "ridiculous railage set-up"

The latest sugar price rise to R758 a ton in March pushed the soft-drink industry's annual bill for the commodity to about R75 million a year on a volume of 110 000 tons

This is the bottlers' biggest raw material cost factor on which they get no rebates. They are said to have reached an impasse and are considering the use of high fructose corn syrup as an alternative sweetener.

The president of the South African Federation of Soft Drinks Manufacturers, Mr Hennie Viljoen, says his members are "up in arms" over the high price of sugar and argues against what he sees as "anomalies in the sugar marketing set-up"

He hits out at the Sugar Association for its imposition of a rail rate to be charged on all consignments from the Durban rail head at Rosburgh "This specifically affects bottlers in the Transvaal

"If a bottler in the Transvaal gets his sugar from 40 kms away, he still has to pay the Rosburgh railage."

The soft-drink men also run into obstacles on the avenues to cheaper sugar In Swaziland, for instance, where sugar is currently priced at R514 a ton, its movement is controlled by a permit system which protects the local industry

"This is a total monopolistic situation," say the bottlers

The sugar industry, however, will counter with the argument that growers are having heavy losses on exports because of the low international price currently at £140 (R430) and despite a bumper crop of 2,3 million tons this year

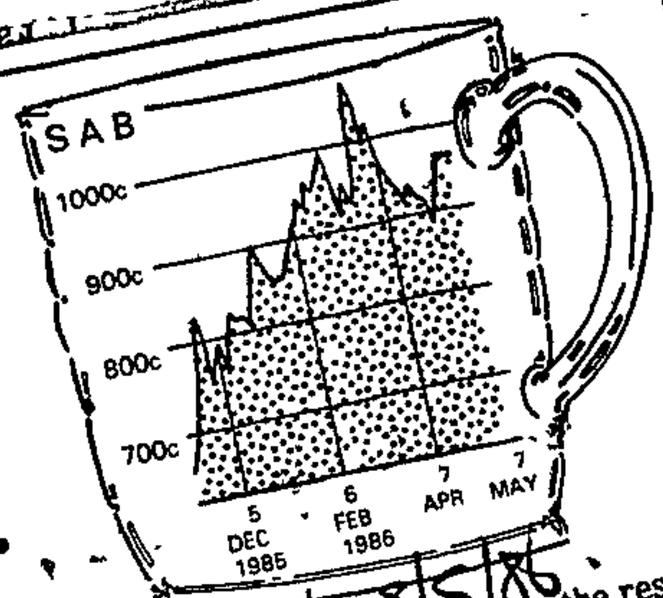
An aggravating factor is the sugar producers' debt burden which is now standing at about R327 million

"Export losses should be absorbed by Government subsidy and not by the user," says Mr Viljoen

"Notwithstanding the favourable exchange rate on exports the sugar price still went up by 15 percent."

SAB keeps market in good cheer

182



BUSDAY 8/5/86

MERVYN HARRIS

SA BREWERIES should surprise the market by posting better than expected results for the year to March with earnings and dividends up 3% after a meritorious performance in the second half of the year

The earnings increase of 19% in the second half more than outweighed the fall of 29% at the interim stage to lift earnings for the year from 80,4c to 82,5c/share

The final dividend has been raised by 1c to 27c to boost the total payout from 36c to 37c/share

MD Meyer Kahn said he was "very relieved and delighted" over the results

"We redeemed ourselves totally in the second half and I am now looking forward to the challenge of recording 20 years of unbroken increases in earnings in the current year"

The beer division — the backbone of the group — was a major factor in the improved performance, lifting its contribution to attributable profit by 8% on a volume increase of 2%

The non-SA interests contributed an additional R8m, helped by favourable exchange conversion rates, while the remaining holdings of the group limited the

● To Page 2

SAB reports good results

BUSDAY 8/5/86

182

● From Page 1

decline in their contribution to 14%.

Turnover rose 7% to R5,7bn (R5,3bn) but trading profit was virtually unchanged at R367,2m (R367,4m) However, the group was aided by a reduction in financing costs — down from R132,2m to R121,3m — and the continued benefits of a low effective tax rate — the tax bill fell from R22,3m to R21m.

An increase from R48,6m to R53,8m in dividend income and equity accounted earnings helped lift taxed profits 7% to R278,7m (R261,5m) Additional replacement cost depreciation — up from R13m to R20,9m — and increased outside shareholders' interests of R36,8m (R33,2m) trimmed the bottom-line rise to R216m (R210,3m).

The balance sheet is strong with the gearing ratio at 37% of total shareholders' funds If short-term redeemable prefs were treated as borrowings, the ratio would stand unchanged at 50% — well within the self-imposed constraint of 60%

After the poor interim results, the group stuck to its objective of improving final results and there seems little reason why this should not continue in the current year, despite depressed consumer markets only recovering towards the end of the year.

At the current price of 960c, the shares are on a dividend yield of 3,8% against the 3,3% average for the beverage and hotels sector

KWV's 1985 payout to Cape wine farmers drops by R1-m

21/5/86 - STAR (182)

Own Correspondent

PAARL — Cape wine farmers have been paid R12,5 million from KWV's record profits for last year, a drop of about R1 million or 8 percent from the previous year's R13,6 million

And their earnings for 1986 could be hit by the loss of export markets, including a ban on KWV products by Canada, its biggest single export market, according to the annual report

The directors say unfavourable political climates, coupled with government changes in certain countries, led to boycotts, particularly where there were State monopolies

KWV products were "delisted" in Finland and Sweden as well as by the liquor control boards of the Canadian provinces of Ontario, Manitoba, Newfoundland and Nova Scotia

"The real effect of the boycotts will only be felt during 1986 as virtually all the 1985 orders had already been placed and delivered"

While prospects for 1986 were problematic, the directors said it was reassuring the KWV's commercial exports increased by 31 percent last year, while the wine industry's total wine and spirit exports rose by 21 percent.

CAPE NOVEAU BLANC

Among new projects last year was the new young wine, the KWV Cape Noveau Blanc, which was so well received in Britain that KWV's natural wine sales there were boosted by almost 10 percent

Profit for the 1985 financial year was R20,8 million, compared with R18,5 million for 1984

This enabled the KWV to pay a bonus of R10,5 million (R9,6 million in 1984) to distilling wine producers. Coupled with the supplementary payment of R2 million in January (R4 million a year ago), total payments to producers amounted to R12,5 million.

VENTURES

AKGMS 13/5/86 (82)

SFW set for big push on fruit juice market

AREA B In all

By DEREK TOMMEY
Financial Editor

STELLENBOSCH Farmers' Winery, the wine industry giant, is after a larger share of the section of the natural fruit juice market at present dominated by Ceres Fruit Juices and Appletiser

The company intends promoting the Moni's range of grape juices and also the "Dew range" which includes natural grape and citrus products It is also planning a number of new lines in fruit juices, says Mr Dave Hughes, SFW's marketing manager

Ceres Fruit Juices has more than 60 percent of this market, while Appletiser has just under 20 percent and Moni's Fruit Juices about 7 percent

Mr Hughes said SFW expected to increase its market share this year to more than 10 percent

In a survey of the liquor industry he said it had been through a tough 12 months and it seemed that another tough 12 months were to come

SFW had achieved considerable success in the flavoured wine or "cooler" market

Sales of coolers had jumped from 9,3 million litres in 1984-85 to an estimated 25 million litres in 1985-86, while SFW's share of the market had risen from 68 percent to 80 percent SFW was expecting this market to show further strong growth

The cooler market was not competing against natural wines People who drank normal unfortified wines were not buying coolers, said Mr Hughes The cooler market was attracting people who had not drunk wine before, and also beer drinkers

It was fortunate that the Government had allowed the sale of coolers for the growth in this market had ofset a downward trend in other wine sales

Sales of natural wines, after growing steadily from 177 million litres in 1979-80 to 245 million litres in 1983-84 had dropped to 237 million in 1985-86

But the addition of cooler sales had boosted total wine sales to a new peak of 26[illegible] million litres in 1985-86

A flat year for the soft drinks manufacturers

28/5/86 182

MICK COLLINS

DEPRESSED trading conditions continue to hamper the soft drinks industry.

Figures compiled by the SA Federation of Soft Drinks Manufacturers (SAFSDM) show that, for the first time since 1976, the industry showed a negative growth rate of minus 0,5% for 1985.

President of the SAFSDM Hennie Viljoen says "Total volumes slumped If we had reached our target, the growth rate would have been similar to that of 1983, which was 3%."

"Rural bottlers are under pressure, with areas like George (minus 9,2%) and Klerksdorp (minus 11,0%), reflecting how desperate our position has become"

Viljoen says country bottlers are operating under decentralised conditions, with job creation one of the primary considerations

"Presently we are in our winter cycle, but when summer comes we will try to increase job opportunities and volumes"

Figures for the first quarter of 1986 are not available, but Viljoen says indications are bad He says the situation in townships — which under normal trading conditions account for 72% of turnover — continues to trouble the industry

FIN MAIL 30/5/86

KWV

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Cheers for exports

Omnipotent Cape wine co-operative KWV has produced a happy report for calendar 1985 Most pleasing, perhaps, is that it shows a significant *increase* in wine exports to markets with specific and non-specific delistings of SA vine products

The broad picture shows.

- A record R21m surplus, allowing a record bonus to farmers of R10,5m,
- Consistent growth over the past decade,
- Producer price increases regularly below inflation over the period, and
- Maintenance and improvement of product quality

Although KWV recorded a volume surplus in its latest year, it is not regarded as an economic surplus In any case, the so-called "wine lake" appears to have been drained, with the (non-perishable) volume surplus used only to smooth changes in domestic supply and demand

If this reserve runs into surplus, KWV goes to the export markets and farmers are paid an appropriate agterskot thereafter

Model pricing

While many KWV critics have their points, particularly on alleged monopolistic powers, the co-operative's price mechanism nevertheless sets a model for the rest of SA agriculture

Farmers are paid on a quota basis (a system which is often the target of severe criticism) for "good" wine and "distilling" wine

All "good" quota wine is paid for at the minimum price, or more However, the price of the distilling wine is reduced in line with the surplus for which there is no demand Result the greater the distilling wine surplus, the lower the average overall payment to farmers

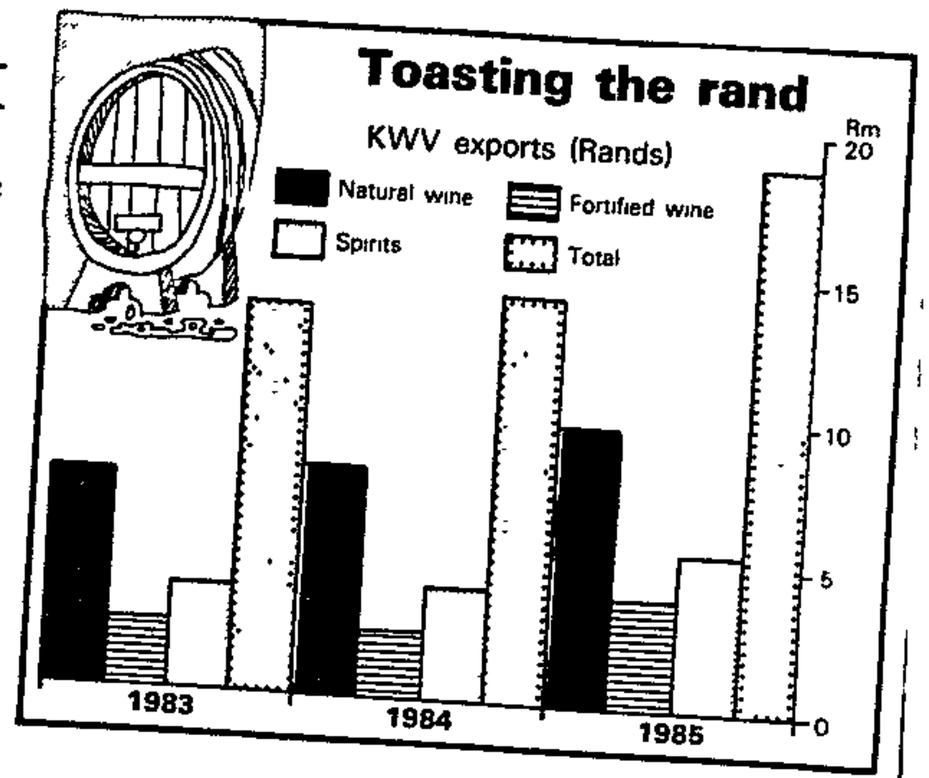
The farmers' incentive is then to produce either more good wine or secure more good wine quotas However — common to all agriculture — there is always the weather Thanks to its help, wine farmers will do rather better in 1986 than for some years Several poor weather features have cut the 1986 crop estimate to 7,3m h*l*, less than last year's 8,3m h*l* and sharply below the record 9,1m h*l* of 1983.

Higher prices

Figures show that the average advance payment for distilling wine is R18,96/h*l* this year, against last year's R15,79/h*l* The current R10,5m bonus amounts to R2,55/h*l*.

In the three years including 1985, the total volume of vine products exported increased by 10% Natural wine exports led the way, moving up 50% over the period The increase in value terms — not disclosed — probably increased even more on the back of the weak rand

The year ahead provides a number of challenges The KWV wants to stay on top of its export markets despite adverse political circumstances, and it wants South Africans to drink a greater amount of products of the vine



Input costs remain the major threat to all farmers, particularly from bottle-makers who have the KWV at their mercy

In the interests of the free market, the mighty co-op may decide to break up its quota system still further Already some quotas are transferable

However, for many producers, the elusive first prize is to be rid of quotas altogether ■

June 16 a paid holiday

TWO unions have successfully negotiated June 16 to be a paid holiday with three companies on the Reef.

Coca-Cola Bottling Company in Johannesburg and Boksburg, and Davis Gelatine in Krugersdorp have agreed to the day being a paid holiday for their employees after negotiations with the Food and Beverage Workers' Union

Colgate - Palmolive has become one of the first American companies based in South Africa to grant its factory workers a paid June 16 holiday This follows an agreement between the company and the Chemical Workers' Industrial Union

Colgate also pioneered an agreement with the union to have May I regarded as a paid public holiday

The FBWU general secretary, Mr Leonard Sikhakhane, said "This is a major breakthrough in the present South African situation These companies have taken the right step timeously"

SAB expects further earnings growth

(182) STAR 24/6/86

By Peter Farley

SA Breweries' earnings are expected to continue to improve this year, according to chairman Mr Gordon Waddell, after a strong second half enabled the group to post a minimal rise in both net income and dividends last year.

Nevertheless, both Mr Waddell and MD Mr Meyer Kahn stress that the socio-political situation remains volatile and consumer markets will still be relatively depressed.

Last year SAB posted a first-half earnings decline of 29 percent on the back of a four percent turnover increase, followed by a 19 percent earnings jump and a 10 percent increase in sales in the second six months

Whether that trend has been sustained into the current financial year remains to be seen. However, many consumer-related businesses found the going pretty tough in April and May, after a strong first quarter

Meyer Kahn

But if the Government's forecast of a three percent growth in GDP holds good and interest rates remain at the current lower levels then SAB should be well placed to improve on last year

The beer division was again the mainstay of group profitability, accounting for almost 53 percent of the R258 million after-tax profit, and only 25 percent of the R5,7 billion turnover

Although SAB's pre-tax return on assets slipped to 11 percent, the fourth successive drop from a 1982 peak of 18,6 percent, beer accounts for only 28 percent of the group's R3,6 billion assets under management

In probably the most comprehensive annual report issued by a South African company, SAB also shows the impact of greater efficiencies, with sales per employee rising to R78 200, from R73 300 in 1985 and only R38 000 in 1980

Growth in other beverages should continue strongly — after a 27 percent leap last year This trend will be enhanced by the formal acquisition of control of Amalagamated Beverages from the beginning of the current financial year.

Nevertheless, this year will also see SAB divest itself of the final 24 Solly Kramer's bottle stores under its control And Mr Kahn again points out the iniquitous ruling that has forced brewers out of the retail sector while letting other liquor producers increase investment there

The retail side — Edgars, OK and Amrel — will remain under pressure, particularly with increases in consumer boycotts and strike action But, from relatively low bases, all should be able to improve earnings

The one possible problem area this year remains hotel group Southern Sun Last year it clung to profitability principally because of its investment in Sun International Southern Sun and Holiday Inn losses totalled R38 million Mr Kahn still believes that overall Southern Sun will increase earnings this year — but it is going to be tight

SAB's gearing stands at an effective 50 percent, but if the redeemable prefs are treated as debt then this doubles to virtually 100 percent Mr Kahn says that net investment is budgeted to increase by R400 million, with half needed for working capital requirements

Of the total, some R300 million is expected to be funded from cash flow, while interest-bearing debt is forecast to rise by R100 million to R837 million

The SAB share is currently at a record high of 1 050c, up from a low of 600c early last year and more than 100c up from the time of the latest results

Although there should be an earnings improvement this year the share is still keenly priced, on an historic 3,5 percent dividend yield, and is now probably fairly fully valued

24/6/86

Page 2 SOWETAN

Workers down tools

ABOUT 300 workers at the Coca Cola Bottling Company in Clayville, Olifantsfontein went on strike yesterday in protest against the dismissal of a colleague.

Employees interviewed yesterday said they downed tools in protest against the company's decision to fire an Atteridgeville-based driver/salesman last Friday. The driver was fired following allegations of fraud, the *Sowetan* was told.

Mr Mike Crampton, Coca Cola's personnel manager in Clayville yesterday said "We are in the process of negotiating with the workers." He declined to comment further.

The strikers, all members of the Cosatu-affiliated Food and Allied Workers' Union yesterday threatened to continue with the strike until their colleague was "given a fair trial". The employees reported for duty as usual yesterday morning but refused to work.

Wages

At least 300 workers at the Manhattan Confectionaries in Booysens, Johannesburg, are out on strike following a dispute over wages.

The strikers have been out for almost a week and have failed to reach an agreement with their management.

A spokesman for the workers said they have vowed not to return until their wage demands were met.

They are also demanding better working conditions for the employees. Yesterday the workers milled around the firm and said they wanted to keep solidarity by reporting to work on time but not working.

 BUSDAY 24/6/86 (182)

SAB aims to stay on higher earnings track

SAB

MERVYN HARRIS

SA BREWERIES is well-placed to benefit from any improvement in the economy and expects to increase earnings for the 20th successive year in the current financial year

Chairman Gordon Waddell makes this forecast in the group's annual report, although he says depressed consumer markets — the level of private consumption expenditure is a key determinant of the group's performance — are unlikely to show real growth before the end of this year

He adds that the exodus of capital from SA — estimated to have exceeded R10bn during 1985 — will severely impair the ability of the economy to grow in real terms at the rate required to reduce the current serious level of unemployment

CE Meyer Kahn says in his report that group budgets plan an increase in net investment of about R400m for the year to March 1987, of which just under half has been earmarked for net working capital

Operating cash flow, net of dividends, should provide close to R300m of the required funding, leaving about R100m to come from increased borrowings Existing group facilities are more than adequate to support this, he says

A breakdown of last year's increase in attributable earnings by R6m to R216m shows that the beer division, the backbone of the group, lifted its attributable earnings by R10m

Non-SA interests contributed an additional R8m, retail interests were down R5m, the furniture and footwear manufacturing interests were also down by R5m, the hotel interests, in an industry almost totally devastated, dropped by nearly R20m

The remaining interests, including significant reductions in financing costs in the company, contributed an improvement of R18m

Underpinning this performance was the continuing low impact of taxation, from capital allowances on the extensive capital expenditure programmes of recent years, particularly in the beer division

Kahn expects some dividend income in the new financial year from SAB's 57,4% stake in Delta Corporation, after the recent lifting of restrictions on foreign remittances from Zimbabwe

SAB's investments in consumer goods activities outside the neighbouring states are small in relation to the size of the group However, over time they will form the base from which the group will extend its geographical involvement

The appointment of Ken Williams to the new post of MD of these interests from June 1 is evidence of the attention being given to their expansion In total, they accounted for R13m in attributable earnings in the past year, including the benefit of favourable exchange rates — up from R5m in the previous year

Sorghum hangover irks SAB

RDM 24/6/86

182

SA BREWERIES' chief executive Meyer Kahn is calling for urgent steps to divert the sorghum beer industry from what he sees as a road to chaos.

Reiterating SAB's concern at the absence of real progress in the privatisation of the industry, he says in the group's annual report that it has now become imperative to halt the sharp decline in volumes.

"Responsibility for the industry has essentially rested with the development boards. As a consequence, the industry is becoming increasingly politicised in a climate of black community agitation and numerous outlets have been destroyed or boycotted."

Kahn says the poor economic environment, aggravated by negative socio-political forces, has dealt a blow over a broad front to the liquor industry.

Total sales volumes of alcoholic beverages, as measured in standard units of drinks, sagged by about 1,5% in 1985 against a 7,6% growth in the previous year and 2% in 1983.

Beer and natural wine gained market share, each registering real growth rates of about 1%, while spirits and fortified wines recorded declines of 8% and 3%, respectively.

The social turmoil in many parts of the country took its toll in terms of disruption of sales and marketing efforts, as well as in pure volume terms.

Getting SA wines through the mail

20/10/86. BUS DAY. 182

RICHARD WALKER

NEW YORK — Canadians who are denied SA wines may soon be able to buy them through a private mail order scheme in Ontario that has been designed to beat the ban imposed last year.

Exploiting a loophole in the regulations that still enables private orders to be placed with the government-controlled Liquor Board of Ontario, import agent Michael Sainsbury plans to bring in a large private shipment for distribution through a new organisation.

Known as the KWV Paarl Wine Lovers' Association, it is headed by Stanley Dick, a Toronto-based South African who imports speciality SA foodstuffs through his business, Protea Products

Dick has already sent out 6 000 letters listing 14 wines and brandies with their price per case

Liquor Board spokesman Chris Layton confirmed that private ordering of SA wines was still legal, but said he was unaware of the new association.

Noting that private orders were usually for a case or two, he cautioned "If someone came in ordering several thousand cases, I don't know how that would be addressed."

Coke workers still on strike

SOWETAN 26/6/90

182

ABOUT 300 workers at the Coca-Cola Bottling Company in Clayville near Olifantsfontein yesterday vowed to continue with their strike following management's decision not to meet their demand.

The employees, all members of the Cosatu-affiliated Food and Allied Workers Union, went on strike on Monday morning in protest against the dismissal of a driver/salesman accused of fraud by management He was fired last Friday

Workers yesterday said management met union officials on Tuesday The authorities were "adamant" that they would not re-employ the sacked man, workers said They also accused a senior white manager of having closed down the canteen on Tuesday

Coca-Cola's personnel manager in Clayville yesterday said management was still negotiating with workers He declined to comment further

The employees have threatened to continue with the strike until their colleague is reinstated. The strikers alleged he was unfairly dismissed because he was not given a fair trial by management

182

Hotels, stores small beer at SA Brews

HOTELS, stores and factories rate only minor billings in the great SA Breweries road show

By Kerry Clarke

Beer — 1,3-billion litres of it — was once more the star performer in the year to March, contributing 62% of earnings In 1981 it contributed 39% of earnings, or R47-million Every year since then it has lifted its contribution, reaching R133,7-million in 1986

Total beverage interests, which include in addition to the beer division a 55% share in both Southern Associated Maltsters and Amalgamated Beverage Industries, 50% of SAB Hop Farms, 30% of Cape Wine & Distillers and 100% of Appletiser, contributed 70% of SAB's earnings, or R150,5-million

Boom times

The beer division's 8% increase in attributable earnings was achieved on a 2% rise in volume and 8% in turnover

Beer division managing director Pete Lloyd is looking at improved volume growth in the current year

Mr Lloyd says "We believe there will be a higher growth rate than the 2% achieved last year because economically this year is better than last, private consumption expenditure — negative last year — is expected to improve, and although there have not been significant wage settlements, salaries are a bit better

"We have had beer growth in the past as high as 30%, but that was in boom times The growth rate in beer sales, measured over the past 10 years, is about 8% to 10%, but we do not know what is going to happen this year"

It seems as though an increase in volume of about two to three percentage points above last year's is possible in the current year, and attributable earnings should rise by more than 10%

New brewery

Although growth will be slow and the division has spare capacity in its breweries, it is engaged on design and engineering preparation work for a brewery in the Northern Transvaal That area is pinpointed by analysts as the group's new growth market

Mr Lloyd says "We have acquired the land and the way we go about this sort of thing is to get the design and engineering work ready so that when we need to push the button on big expenditure projects, we can start placing orders the next week

"We don't see ourselves pushing that button right now"

Mr Lloyd sees the project going ahead within five years Because there is a two-year lead time between the decision and completion, the go-ahead should be announced by the end of 1988

Expansion of the R255-million Rosslyn brewery, commissioned in 1983-1984, is also being considered

A R120-million expansion programme at the Prospecton brewery in Natal was completed in June last year, and Mr Lloyd says it should "look after the coast for a bit"

Mr Lloyd is unwilling to comment on product launches this year, but says if the low-alcohol LA Lager performs as hoped in the Western Cape, it will probably be introduced in other areas

Doubting Thomases who knocked the SAB share price down to 615c last November after depressed interim results will think twice before underestimating the group's bounce The share has recovered to R10,50 in seven months and is on a PE of 12,7 and a dividend yield of 3,5%

Lowest increase

The share deserves a strong rating, especially if one considers the group's 10-year record Earnings have risen every year since 1976, the lowest rise recorded in 1985 (1,3%) and the largest in 1981 (61,6%) Although the recession has slowed earnings growth in the past four years, all divisions are looking for improved performances in 1987 Growth should start moving ahead again this year and next

Dividend cover has been maintained at 2,2 times since 1982 The lowest it has been in the past 10 years is 1,9 times in 1976 The dividend has risen every year since 1977 — it remained at 9,5c in 1976 and 1977

Increasing institutional holding in SAB is reflected in the decrease in the number of ordinary shareholders in the past 10 years from 30 000 to 15 000

1 000 on strike at Coke plants

More than 1 000 black workers are reported to be on strike at Coca Cola plants on the Reef and in Pretoria

A Food and Allied Workers Union (Fawu) spokesman said yesterday that the strike began at Coke's plant at Clayville in Olifantsfontein, Midrand, nine days ago when 300 workers downed tools

"The strike followed the dismissal of a Clayville worker for committing fraud The union investigated, and believes that while management may have a genuine case against the worker concerned, the dismissal was racially biased White employees guilty of the same offence get away with it"

Other plants which later joined the strike included Devlin (780 workers), Wadeville (300), and Vaal Bottlers (250)

Fawu said workers are continuing to report for work, but are staging sit-ins

Coke personnel manager Mr Mike Crompton was not available for comment

(182) FIN MAIL 4/7/86

SA BREWERIES

Showing resilience

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

Control: *The Premier Group holds 35,6% of the equity, while Old Mutual has a 14,7% stake*

Chairman: *G H Waddell, managing director J M Kahn*

Capital structure: *261,7m ords of 20c, 1m 6,2% cum prefs of R2, 42,6m 7% red cum prefs of R1, 2,5m 7% cum prefs of R1, 1,75m variable red cum prefs of 10c*

Share market: *Price 1 050c Yields 3,5% on dividend, 7,9% on earnings, PE ratio, 12,7, cover, 2,2, 12 months high, 1 075c, low, 615c Trading volume last quarter, 1,69m shares*

Financial: *Year to March 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	219	64	58	65
Long-term (Rm)	452	536	618	671
Debt equity ratio	0,56	0,43	0 47	0,51
Int & leasing cover	2 5	2 1	1 6	1,6
Debt cover	0,57	0,66	0 48	0,41

Performance

	'83	'84	'85	'86
Return on cap (%)	15,2	13,2	11,8	9,9
Turnover (Rm)	4 342	4 815	5 359	5 748
Pre-int profit (Rm)	398,4	369 1	367 4	367 2
Pre-int margin (%)	8 8	7,4	6 2	6,0
Earnings (c)	77 8	79,4	80,4	82,5
Dividends (c)	35	36	36	37
Net worth (c)	365	462	470	535

For a potential investor, SA Breweries (SAB) combines a promise of earnings stability with the prospect of cyclical recovery Again last year, the industrial giant confounded pundits by increasing its earnings when most were expecting a hefty slide

The retail and hotel interests clearly showed the strains resulting from falling consumer spending But as in the past, the beer division came to the rescue with attributable earnings of R133,7m, up 8% on the previous year The beer market was far from easy, says MD Meyer Kahn, and the gains had to be squeezed out of strong marketing, competitive pricing and "a most successful cost control programme"

SA Brews' Kahn . . . keeping beer strong

The brewers' price, he observes, was raised by only 8,5% last year, and the average increase over the last seven years is 7,5% compared with an average increase of 14% in the CPI over the same period

The group's performance can be summarised as follows Attributable profits increased by R6m to R216m The beer division contributed R10m more than the previous year, non-SA interests R8m more, obviously with help from the weak rand, retail interests R5m less, furniture and footwear manufacturing R5m less, the hotel interests, representing a large slice of an industry which is in serious trouble, nearly R20m less, finance costs absorbed R10,9m less, thanks to falling interest rates, and remaining interests increased profits by R7m

The main retailing subsidiaries, OK Bazaars, Amrel and Edgars, all recovered strongly after August, when HP regulations were revised and consumer spending started to recover Amrel, nevertheless, ended the year with its first-ever loss In the current year, all three retailers are expected to produce improved profits, as is the manufacturing subsidiary, Afcol If these forecasts are met, their collective recovery should help SAB to notch up a 20-year record of consistent earnings growth, making an increase in the dividend look virtually assured for this year

The hotel subsidiary, Southern Sun, contributed only R3,1m to group profits, compared with R25m in 1985 Southern Sun, with assets of R459m and turnover last year of R223,9m, dominates much of the local industry But with the tourism market in a parlous state, and business travel still constricted by difficult economic conditions, the company can probably do little more than preserve its reserves and hope for recovery

SAB's tax rate last year remained at a low 8,5% (9,5%), thanks to a mountain of investment allowances emanating from capex in the beer division In the annual report, available tax losses are shown as R370m, with most attributable to capital allowances on brewery and hotel expansion

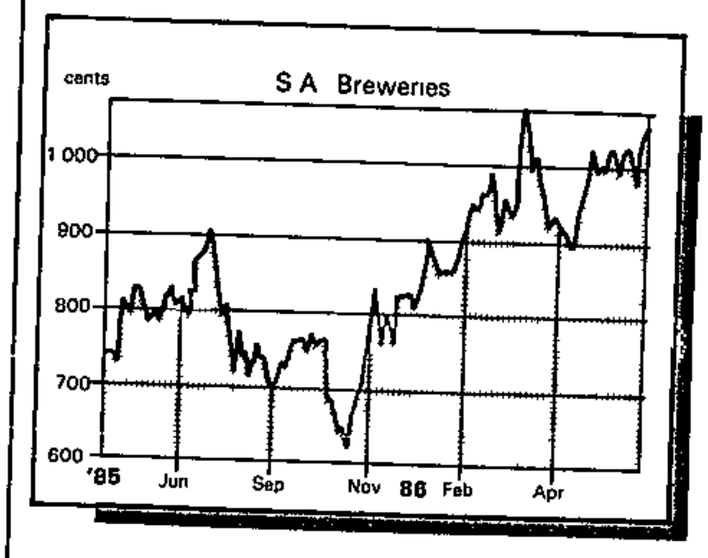
Although the group tax rate will remain relatively low for some years, assessed losses can be fully utilised only when Southern Sun starts to recover

Fixed assets increased by R341m last year, reflecting "substantial expenditure" on the Johannesbug Sun and Gold Reef City in the hotel group, the Holiday Inns acquisition, and expansion to the Prospecton Brewery

Two strategic acquisitions were made With effect from April 1985, Southern Sun acquired the Holiday Inns chain from Safren, thereby consolidating SAB's dominant share of the local hotel industry And, effective from April 1986, SAB acquired shares equivalent to 21% of Amalgamated Beverage Industries (ABI), raising its stake in ABI to 55%

The performance over recent years has shown that, while things are getting tougher for the beer operation, profits from beer can be expected to prevent weakness in the cyclical retail interests from dragging overall earnings downwards Recovery in the retailers would boost group results this year, and in the longer-term an eventual recovery in Southern Sun would give SAB's figures a powerful fillip

With the share near a one-year high of 1 050c, and on a dividend yield of only 3,5%,



BREWERIES' PROFIT MIX (Rm)

	1984	1985	1986
Beverage	124,0	139 4	154 0
Retail	58 4	39,0	30,3
Hotels	33,4	25,0	3 6
Manufacture	30,6	20,1	11,9
Non-SA Interests	5 0	4,6	12,2
Other	(0 5)	20,4*	45,8*
	250 9	248 5	257,8

* Includes R18 7m credit for investment allowances

SAB chief warns on curbs

MICK COLLINS

POLITICAL and business leaders must do everything possible to keep SA within the world trading community, says SA Breweries' group MD Meyer Kahn

At the SA-Israeli Chamber of Commerce in Johannesburg on Friday, he urged leaders to accept responsibilities and not to follow the dangerous path of isolation

"Politicians must start negotiating There is no comfort in a seige economy It would be foolhardy to underestimate sanctions"

He said the past year had been one of the worst in SA's history with the depression, turmoil, drought and an economy which could be considered bankrupt Now there was the threat of sanctions

But the country was strong enough to withstand pressures

"SA will not collapse The country is undeniably important Already some countries are covertly trading with SA The major countries will ignore UN-type decisions and suit themselves as to their dealings with SA"

Many go back to work in PE

By RAYMOND HILL

BLACKS started going back to work in Port Elizabeth today after yesterday's stayaway but there were still absentees this morning

It is believed some did not come to work because of confusion last night in the townships on whether the stayaway was to be continued today

The overall stayaway in Port Elizabeth today was estimated at between 10% and 40% by the Labour Monitoring Group at the University of Port Elizabeth's Industrial Relations Unit

A spokesman said their investigations revealed that the Congress of South African Trade Unions was almost certainly not involved in yesterday's stayaway, which came as a surprise to workers and employers alike

Some factories started coming back on stream today after shutting down yesterday, but General Motors stayed closed

Figures for the return to work varied from plant to plant

Some plants resumed full production this morning while others were expecting to be back to normal later in the day

But at GM those among the 2 000 blacks who reported for work today later asked to go home again, a spokesman for the company said

A spokesman for Aberdare Cables said that about 40% of this morning's shift workers reported for duty

At lunchtime Firestone reported that most of the plant's black staff were present

Mr Carl Coetzer, managing director of PE Tramways, said only 25% of his black drivers reported for duty early this morning

By 10am the attendance increased to 75% and Mr Coetzer said he expected to provide a full bus service this afternoon

Mr E D Lahoud, assistant manager of United Dairies, said milk could not be delivered to homes today because only 16 of the 42 deliverymen turned up for work

Workers win 27 pc pay hike

PRETORIA — Wage negotiations between the South African Breweries (SAB) and a Pretoria trade union ended cordially when the two parties settled for about a 27 per cent increase

A Food and Beverages Workers' Union (FBWU) organiser, Mr Mojalefa Vinqi, said yesterday that besides the increase the SAB had also agreed to recognise May Day and June 16 as paid holidays

The district manager of the SAB, Mr J A Steyn, said the company was happy to reach the agreement with the FBWU It had always been the policy of the company to strive to satisfy its employees, he said

Mr Vinqi said the agreement had been reached late last week

The FBWU was preparing to negotiate for the same working conditions with the SAB plant in Nelspruit and was confident an agreement would be reached, he said — Sapa

Cadswep maintains its interim at 15c

BUSDAY 4/9/86 (182)

LIZ ROUSE

CADBURY SCHWEPPES (Cadswep) was cushioned by lower interest charges, sharply lower tax and good results from associate Amalgamated Beverage Industries (ABI)

The company has maintained its interim dividend at 15c on earnings of 48,2c a share for the six months to June 14, up 12% on the 1985 half-year's 43,1c a share

The directors, reporting before the gold price lifted off, were cautious about year-end trading results, but relied on lower interest charges and reduced tax to maintain year-end earnings and keep the dividend total at 64c

While the bottom line held up, Cadswep was hit in the first half by poor consumer demand and intense competition, which resulted in reduced sales volumes and pressure on margins

Stringent trading conditions are reflected in a sharp decline in operating profits to R3,4m (R4,9m) on a turnover of R58,7m (R54,2m)

However, ABI chipped in a larger profit of R1,2m (R701 000) due to better trading results and lower foreign exchange losses Eurofoods is now a wholly-owned subsidiary and its integration into group operations should yield benefits this year

Coke and Firestone adopt opposing stances on disinvestment

By Peter Farley

The divergent views of US companies with investments in South Africa were vividly illustrated yesterday

Coca-Cola announced it was selling its remaining shares in the SA soft drink business, while the executive vice-president of Firestone re-affirmed his company was firmly behind retaining its 25 percent stake in the local operation

Coca-Cola has been steadily reducing its investment in SA for some 10 years and control of its Amalgamated Beverage Industries finally passed into the hands of SA Breweries earlier this year

But, in an effort to justify its contribution to the local black community Coca-Cola is insisting a significant multiracial shareholding is built up in the company

SAB owns 55 percent of ABI and negotiations are under way to work out how the 45 percent balance will be split up — in accordance with the US company's intention to have a black shareholding

However, Firestone's Mr George Aucott told the SA firm's 50th anniversary dinner last night his company would "stay in South Africa as long as it can make a meaningful contribution to the community"

He pointed out it was company policy to allocate 40 percent of what would receive in annual dividends to social responsibility projects

Last year this totalled R1,3 million

This includes contributions to educational programmes, paying all school fees for the children of black employees through secondary school, and a bursary programme for higher education

Although Coca-Cola is ending its direct presence in SA, both it and SAB have emphasised the supply of product to the market will continue

The Star Bureau reports from the US that Coca-Cola says it has disinvested to demonstrate its opposition to apartheid.

Coke will still export syrup to South African bottlers and donate money to foundations it established with a $10 million gift

Coca-Cola's president, Mr Donald Keough, said in Atlanta the company wanted not only to speak out against apartheid but to show its support for black South Africans

"We will disinvest in a way that creates significant multiracial equity participation in the South African soft drink industry

"Our goal is to structure the transactions in a way that improves the prospects of black South Africans and increase their ability to invest in their country's economy"

His statement drew immediate applause from critics in America threatening boycotts of the company and its products

FIN MAIL 19/9/86 (182)

SORGHUM BEER

Break-up brewing

Commercial brewers will not have long to wait for the green light to move in on SA's lucrative sorghum beer industry, worth an estimated R400m a year in sales

Plans to privatise the breweries, formerly the main revenue source of the now defunct black administration boards, are well advanced Volkskas Merchant Bank is preparing the offer documents, and MD Jean Brown says he hopes to meet the deadline of going to the market by April next year

Enabling legislation was due to go through parliament this year, but has been held up A spokesman for the Sorghum Beer Committee says the delay will make no difference to the privatisation plans, as the legislation is likely to be enacted early next year

Originally, the plan was to privatise the breweries on a phased basis to allow government to keep a limited equity position and avoid dumping the 14 or so breweries on the market at one time

Now, however, the thinking is that the breweries, already consolidated into eight separate consortia, should be consolidated further and offered for sale on a tender basis to private sector brewing interests which are keen to get a foothold in the sorghum beer market

Brown admits the proposals "won't suit everyone" — particularly those who are keen to pick out the plums He says, however, that the objective in offering the consortia in their entirety is to "maximise proceeds on behalf of the sellers "

"There is hardly much point," he says, "in offering eight consortia when interest is only being expressed by five or six potential buyers "

Attaching a realistic value to what were formerly public sector assets is proving a little more difficult In the absence of a more accurate yardstick, Brown says they will look at average yields in the brewing sector and arrive at an estimate of profitability and price on that basis

The general state of the economy, high unemployment and unrest, coupled with competition from hard liquor, home brewing and powered sorghum has recently eroded the industry's profitability

Nevertheless, Brown says interest from the private sector is high and he expects a good response to the sale offers It is merely an estimate, Brown stresses, but he expects the brewery sell-off to realise R150m-R180m for government ■

Police sjambok Pepsi workers in Epping

Cape Times 30/9/86 (182)

Staff Reporter

POLICE used sjamboks to disperse about 200 labourers outside an Epping Industria soft drink plant yesterday after management gave the workers an hour to return to work

Confirming this from Pretoria yesterday, a spokesman for the Police Directorate of Public Relations, Colonel Vic Haynes, said that the workers, who had been paid off, were warned to leave the Pepsi-Cola premises and disperse three times about 10 45am

"They were going to march to town when they were finally warned to disperse in Christiaan Street outside the factory They ignored the warning and were dispersed with quirts No arrests were made," Colonel Haynes said

A spokesman for the South African Allied Workers' Union (SAAWU), which claims majority worker membership at the plant, said police had "aggravated a very sensitive situation"

Several workers showed a Cape Times reporter weals on their legs, thighs and heads

The SAAWU spokesman said the dispute with management followed the summoning last Monday of drivers and deliverymen by Mr Graeme Winn, managing director of Pepsi Africa

The drivers and deliverymen had demanded that he address the production staff as well, but in spite of repeated requests Mr Winn refused to address the entire labour force This had led to the confrontation yesterday at the plant when Mr Winn had requested to see a worker-delegation

The labourers had refused, and had then been given an hour to "return to work" Police arrived in a Casspir when the hour had expired and the workers had not returned to work.

Contacted for comment last night, Mr Winn described the union's version of events as "not in actual fact true", but he declined to comment further

CAPE TIMES 1/10/86 182

Pepsi's Epping plant workers 'back at work'

Labour Reporter

PEPSI-COLA workers, who were dispersed by sjambok-wielding police on Monday after gathering outside Pepsi's Epping plant during a labour dispute, have all returned to work, according to the South African Allied Workers' Union (Saawu).

The union, which has 90 members among the 150-plus workforce, said none of the workers appeared to have lost their jobs.

A Saawu spokesman said the union had tried to arrange a meeting with the company to discuss the dispute, but management had refused.

Repeated attempts yesterday to contact the managing director of Pepsi Africa, Mr Graeme Winn, were unsuccessful.

On Monday Mr Winn declined to comment on the matter.

The circumstances surrounding the dispute and subsequent walk-out by workers are not yet clear.

According to the union, Mr Winn summoned drivers and delivery staff to a meeting on Monday.

Workers insisted that he address the entire staff. When he refused, the workers, including non-union members, downed tools and gathered outside the factory gates, said the union.

The union, which is currently involved in negotiating a recognition agreement with the company, said it would try to arrange a meeting again today.

Cadswep buys Bromor for R22,3m

1/10/86 BUS DAY

LIZ ROUSE

CADBURY Schweppes (Cadswep) has acquired Murray & Roberts Holdings' Bromor Foods division — which makes and markets well-known brand name products Oros, Lemos and Moirs — for R22,3m

The interesting part of the deal is that Anglovaal Industries' wholly-owned subsidiary Bakers SA will get a 17,6% interest in Cadswep's equity, as the 1,1-million shares to be issued to M & R at a price of R20 a share are being passed on to the Anglovaal food investment holding company.

The UK holding company's 64,4% interest in Capswep will be reduced to 53,1% after approval of the transaction

Cadswep Md Peter Bester said the deal should not be seen as disinvestment by the UK company as it now has a holding, although smaller, in a broader-based confectionery and soft drinks group

The purchase price will be satisfied by the issue of Cadswep shares at a premium of 275c on the current market price of R17,25 M & R — which needs cash, not shares — asked Cadswep to find a taker The Anglovaal group was a willing buyer as the 17,6% holding in Cadswep slots in with Bakers' extensive food interests.

Bester says the Bromor division will increase Cadswep's earnings by 10% this financial year, which ends on January 3, 1987 As well, net asset value will be increased by about 3%.

The Bromor division's brand names will complement and broaden those in the Cadswep fold and contribute a better balance in group earnings In particular, the acquisition will enhance its position in the soft drinks market.

The Bromor division has a strong management team and will continue to run as a separate entity.

3/10/86 FIN MAIL

CADSWEP 182

Earnings sweetener

Cadbury Schweppes (Cadswep) has strengthened its earnings base with a R22,3m takeover which has also brought in Anglovaal Industries (AVI) as a new minority shareholder

With effect from July, Cadswep is to acquire the Bromor foods division from Murray & Roberts (M & R). Payment is to be settled by the issue of 1 115 000 Cadswep ords at R20 at share The price amounts to a 15,9% premium on the current market price of 1 725c a share. In turn, the new shares are to be acquired by AVI, which will then hold

engineering sector p.e of 11,4 and yield of 3,6% The group has been through a rough period in which confidence was shaken, but a conservative management with the backing of Rembrandt look to have the capability of keeping it on the right track The share seems to deserve a higher rating in view of its improved prospects.

Kerry Clarke

FIN MAIL 10/10/86

MOTOR COMPONENTS

Rocking the boat

182

The old bogy of the high cost of imported car components reared its head again at the recent annual meeting of local manufacturers' umbrella body, the National Association of Automotive Components and Allied Manufacturers (Naacam)

Earlier this year, it was reported that a popular car selling for R25 000 would cost R270 000 if it was made entirely from spare parts (*Business* May 9) Nothing seems to have changed

Naacam president Hannes Fehrsen pointed out at the meeting that the imported value of the average car had risen from 50% to 66% in the last 18 months Imported components — including most carburettors, fuel pumps and instruments — had gone up even more

Fortunately for some, as Volkswagen MD Peter Searle points out, the high price of new components has fostered the growth in reconditioning, in which some parts can be restored to new condition But that is no compensation for the motorist who needs parts which cannot be reconditioned

Fehrsen's answer to the problem is bound to stir up controversy He says "Economic incentives for manufacturers to buy more locally made components does not seem to working This seems to point to the need to increase the mandatory level of local content to an equivalent of 75% (from the present 66%) "

Searle says this would be uneconomic. "Some cars, such as our Citigolf, have already reached the 75% local content figure But to enforce this on a new model would be extremely expensive and involve substantial investment in new technology "

Searle would prefer to see further incentives to take the burden off the manufacturers if government wants to see further local content

For his part, Fehrsen is not convinced that higher local content levels would be uneconomic "The low value of the rand is an enormous incentive for local production," he tells the *FM* "I believe that many parent companies are withholding engineering drawings to prevent parts being manufactured locally and to increase their own exports "

Both Fehrsen and National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen emphasise that motor manufacturers and component manufacturers are entirely interdependent — Naamsa and Naacam therefore enjoy a cordial relationship

They anticipate a consensus view will be reached even though Naamsa opposes a mandatory 75% figure

Vermeulen says prescriptive measures do not lead to increased productivity, but that an escalating scale of rewards certainly would A comprehensive study to show areas in which local production can be justified, would shed some light on this still emotional issue

BREAKING RANKS

Advertising agency Geffen Simkins & Marrington (GS & M) was inadvertently left out of the table of SA's top 30 agencies published in the *FM*'s Advertising Survey on August 22 According to GS & M director David Geffen, the agency's 1985 billing was R5,85m which ranks it in 26th place

Production manager Mr W R SMITH stands between the machines used in producing 1 000 cartons of sorghum beer a day at the height of the factory's production.

Sorghum beer will be back on tap next week

By MIKE MABUSELA

THE Giya sorghum beer factory at Aloes, which has been idle since February, is to re-start production on a small scale on Wednesday when the manufacturers make a fresh attempt to market their brew.

Production stopped after the beer was boycotted, following township rumours that it was unhealthy. Eighty people lost their jobs

Now about 25 people will be re-employed in the new bid to market the beer, according to Mr Wes Tiedt, chief executive officer of Traditional Cape Beverages.

He stressed there was no question of the beer being "unhealthy".

The sorghum beer is brewed in much the same way as barley beers.

The beer is first cooled to fermentation temperature and then mixed with yeast to induce fermentation.

Modern brewing techniques are used, yet at the same time the traditional brewing method has been closely followed to produce a brew as close as possible to home brew, Mr Tiedt said.

After each fermentation, each vat is cleaned four times — first a cold rinse, then a hot rinse, next a hot sterilising followed by a final cold rinse, resulting in a clinically sterile vat which ensures maximum shelf life.

This is a vital factor in the production of a beer which by its nature must be made, packed, distributed and consumed within a very short period.

The brewing process is monitored from start to finish to ensure that the desired quality is achieved.

All beer produced is analysed before it leaves the brewery. The quality control section also draws samples from the marketplace, to check that the beer is correctly handled.

People interviewed differed in their views about the beer.

Mr Silumko Kuboni, of Veeplaas, said: "I agree it is cheap, but I don't think it was needed by the Africans who have their traditional beer *(umqombothi)*."

But Mr Siphelo Mahlaba, of Kwazakele, said: "The beer cost about 56c a carton. I found nothing wrong with it."

Shebeen owners said they sold a lot of the beer because it was cheaper than other liquor types.

W/E Post 11/10/88 (182)

BUSDAY

182 22/10/86

SA wine income expected to reach R300m

CHRIS CAIRNCROSS

TOTAL income of SA's wine producers is expected to approach R300m this year compared with last year's R258m, says KWV chairman Pietman Hugo.

This is despite the 1986 crop being about 8,5% smaller.

Hugo says the KWV is optimistic its profits will at least match last year's R20,7m. This means the April 1987 pay-out to producers in the distilling wine pool will equal this year's R10m bonus.

A further supplementary pay-out on the 1986 distilling pool is also likely during January.

Hugo says the smaller crop has resulted in a shift in income distribution between the various wine districts, with earnings expected to be considerably higher for producers in the Robertson, Orange River, Clifants River, Montagu and Worcester areas.

Less successful districts are Malmesbury, Paarl and Stellenbosch, where income declines will be 10,5%, 4,4% and 4,2% respectively.

Although the industry's earnings are up generally, farmers remain concerned at the poor level of demand from SA consumers.

Hugo says: "The market is stagnating and, to make it worse for producers, input costs are rising rapidly."

The demand for natural wine has shown no increase for some time, and even flavoured wine, which has enjoyed rapid market growth over several years, suffered a decline in 1986 sales.

Only the sparkling wine market has shown any signs of strengthening, with marginal growth also reflected in the fortified and brandy markets.

Hugo stresses combined efforts of the entire wine industry are necessary to stimulate and expand the domestic market.

He says: "It is the only solution to the industry's problems."

The weakness in the market place has prevented farmers from making price adjustments to compensate, in part, for the high and escalating costs of farm inputs, which were indexed at about 23% this year.

The result is a continued erosion of profit margins, with the industry earning a net return on capital of between 6% to 7%, compared with last year's 11%.

Hugo says strong appeals have been make to the KWV to improve producer prices at all the district conferences held over the past two weeks to discuss the industry's affairs.

He indicates the KWV intends to respond sympathetically, but declines to elaborate on any possible price adjustments.

After careful evaluation over the past year, several changes are to be made to the wine-of-origin system, which has been in operation for about 13 years.

Some of these changes are likely to involve the restructuring of the Wine and Spirits Board, decentralising many of its functions to regional committees that will be given the freedom to act more autonomously.

The aim, too, is to introduce more flexibility into the regulations governing judging and marketing of wines.

24/10/86

FIN MAIL

SOFT DRINKS

Less fizz

Just how far was Coca-Cola's decision to sell off its remaining investments in SA really a statement of its opposition to apartheid?

We will probably never know, but the local beverage industry certainly offers little enough profit incentive for Coke to fight SA boycotters in the US, where per-capita soft drink consumption is the highest in the world The competition in the US also means any lost market share would be difficult to regain.

As it stands, when Coke finally goes sometime in the next six months, the concentrate

Assocom's Reunert ... exports the answer

Business, he reckons, should be climbing in now to take advantage of the low rand to secure new markets. He fears that the domestic inflation rate — 10%-17% higher than SA's major trading partners — will soon erode the advantage.

He sees diversification and beneficiation becoming the key words in future if SA is going to stay in the foreign trade game "If it means a substantial capital investment to beneficiate minerals," he says, "then it will be worth it for the long-term benefits"

To some extent, of course, SA is already diversifying and is no longer seen simply as a supplier of gold and fruit For example, the main growth areas in trade with the US are organic chemicals, paper products and aluminium

Greater benefits

Assocom is now awaiting the findings of Basie Kleu's commission on export promotion which should see greater benefits flowing to firms with the potential and the will to export

However, any new system would be phased in only after a 12-month notice period Exporters would thus have the option to continue to base their claims on the present formula for a year after the announcement or adopt the new system forthwith

Assocom has come out against the setting up of export processing zones as it believes these would be no more than an extension of the prevailing decentralisation policy designed to move firms around the country rather than attract outside capital "If South African firms move to another area, then that is moving unemployment from one area to another," says Reunert

"Having taken this view, however, Assocom would strongly support any other measures designed to alleviate chronic unemployment and its tragic consequences in the Border and eastern Cape areas"

Many businessmen are loath to apply for export incentives because of the sheer complexity of some of the regulations, says Reunert

An explanatory pamphlet on export incentives, which summarises the four main categories that currently exist has been produced

- ☐ Category A — input compensation allows 50% of the value of the import duty applicable to inputs used in the production of goods for exports,
- ☐ Category B — value added compensation gives 10% of the value added components for export goods in respect of tariff-protected final products exported,
- ☐ Category C — financial assistance provides for foreign market research and trade fairs, and concessionary transport rates;
- ☐ Category D — includes export marketing and the cost of employing agents

Reunert remains optimistic about the future of South African exports "There will always be a market for most goods in most countries," he says "If we've got a main enemy it's not sanctions, which can be planned for, but boycotts A South African stand at an Australian trade fair had to be dismantled after union pressure, wasting over R100 000"

He says exporters will increasingly turn to unconventional trading methods, such as counter-trade and buy-back arrangements — but they will not be broadcasting their achievements But he advises against the temptation to boast of successes

South African exporters continue to have the services of a sophisticated network of representatives abroad But not enough credit is given to trade consuls, says Reunert, pointing out that many of them spend five-seven years in a posting and provide market research for free ■

A pull-out a day keeps US firms away

City Press 26/10/86 182

COMPUTER corporation Honeywell became the third high-profile business to disinvest from South Africa on Wednesday in what has been dubbed the week of "a pull-out a day"

General Motors announced on Monday that it was selling its SA operations, and IBM followed on Tuesday – because of the deteriorating political and economic situation in SA

The Honeywell decision was made at a board meeting in Scotland on Tuesday Negotiations for the sale to a local company were in the final stages, but a definitive agreement had not been reached, according to the *Minneapolis Star and Tribune*

The decision was confirmed by board member Elizabeth Bailey, the newspaper said

Bailey said the decision "had nothing to do with" those by IBM and GM She said profits from the SA operation had declined in recent years.

Honeywell's SA subsidiary employs about 159 people, 49 of whom are black

Reacting to the pullouts this week, Richard Knight of the American Committee on Africa – an anti-apartheid organisation – said "This will be great news

"Three major corporations leaving in as many days This shows the success of the divestment movement"

Meanwhile 3 000 General Motors workers in Port Elizabeth are bitter and disappointed

This comes amid the company's assurances that it would not leave them in the lurch

Mono Badela reports that the workers' bitterness and anger centers on what happened to their colleagues employed by the Ford Motor Company when it pulled out of SA recently

The GM workers believe that like Ford workers they may be "dumped" by their company

In two weeks GM will announce the implications of its pull-out

Cape Midlands Chamber of Industry director Brian Mathews could not say what GM's pull-out implied for the workers

"We are waiting for November 3, but it seems assurances have been made to the workers"

City Press interviewed several workers this week and discovered that despite management assurances the workers were anxious about the future of their jobs

They charged that PE car manufacturers have a poor "track record" when it comes to retrenchments"

● The US corporations' pull-out was triggered by Coca Cola when it announced last month that it had sold its SA franchise to local businessmen

In a comment about GM and IBM's pullout, the *Wall Street Journal* suggested once more that "Americans who want a scorched earth in Southern Africa will probably get one", citing events like the killing of Soweto activist Masabata Loate and the World Council of Churches' R177 000 grant to the ANC and R244 000 to Swapo

IBM SA employs some 1914 workers in 1984 and the sale of the company is to be completed on March 1

SAB results should justify its high rating on market

(182) STAR 29/10/86

By Sven Lunsche

The recovery in consumer spending could set the scene for a sparkling 30 to 40 percent increase in profits for South African Breweries during the six months to September this year

A staggering 20 percent improvement in gross domestic expenditure during the third quarter of 1986 has laid the foundations for a revival in SAB's retailing subsidiaries, according to analysts This perception supported by a massive improvement in Edgars interim results

SAB's strong results — due out next Wednesday — should also be an indication that the current high ratings on the JSE are justified The market has been looking to the blue chips to verify the strong recovery and SAB's performance is likely to be just what the market has been waiting for

Barlow Rand is also expected to show good returns, but not to the extent of SAB, as the recovery has up to now been closely related to the resurgence of the retail industry

The beer division is expected to once again be the mainstay of SAB's profitability, but the other consumer-related businesses are all expected to substantially increase their contributions to the group's profits

SAB's main retailing subsidiaries, OK Bazaars, Amrel and Edgars, started their recovery in the second half of the previous financial year, when HP regulations were revised, and have been riding on the crest of the revitalised retail sector since the beginning of the year, analysts said

The recovery in furniture and clothing sales has been nothing less than dramatic, admittedly from a very low base, and this should see Amrel in particular return to profitability, after ending the previous year with its first ever loss Analysts predict a swing to positive earnings per share of almost 10c, from a loss of 11c last year

The resurgence in furniture sales has also aided volumes of South Africa's largest furniture manufacturer, Afcol, and an increase in earnings of about 10c on last financial year's 48c is predicted

In addition, Afcol has increased its market share, as a number of smaller companies have folded during the recession.

Both subsidiaries are operating from a very low base and should be able to substantially increase their earnings, and subsequently improve their contribution to SAB's profits

No fireworks are, however, expected from OK Bazaars While good results are predicted from the store's furniture and clothing divisions, a question mark must hang over food sales, which have lagged behind the recovery in retail sales

In addition, a fiercely competitive market has pushed margins to a bare minimum, and earnings per share are expected to rise by a maximum 10c on the 100c achieved during the last two years

Consumer boycotts and strikes did not have the expected effect on the retailing subsidiaries, and recent labour action at OK was largely localised and did not reach the proportions of the strikes at Pick'n Pay earlier in the year

Analysts said, however, that consumer boycotts were expected over the Christmas period and that the recent resurgence in black consumer spending could partly be ascribed to increased buying in anticipation of the boycotts

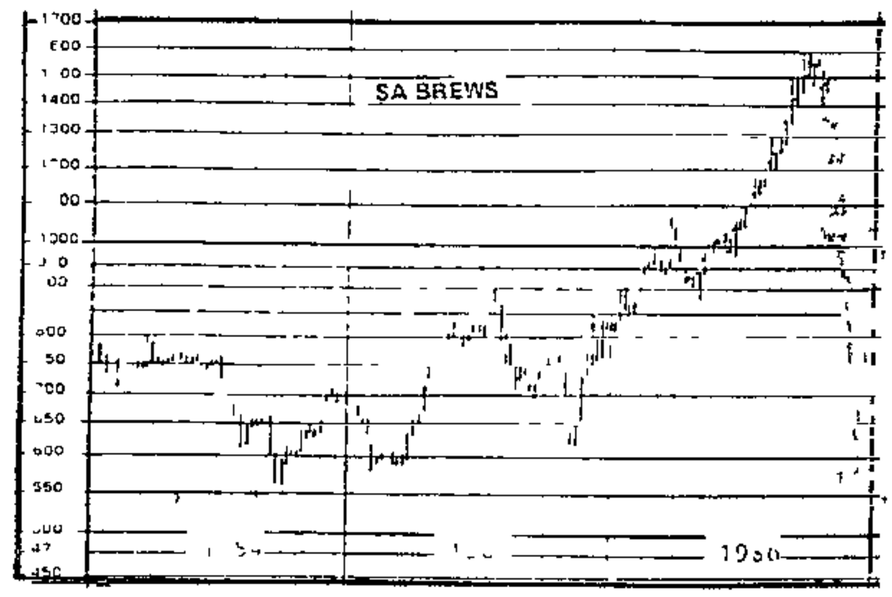
SAB's one major problem area this year remains hotel group Southern Suns With occupancy rates slightly up to about 57 percent and a move by holiday makers to the smaller and less expensive hotels, Southern Suns can only hope for a nominal 5c improvement in earnings, which dropped by 90 percent to 4,4c during the previous financial year

The beverage division will not be called upon for a last-minute rescue act this year, but SAB's monopoly of the beer market should see its contibution to the group's profits once again exceed 50 percent

An increase in volumes by almost five percent during the previous six months should be the major contribution to profits this interim, as no price increases were announced But it should be sufficient to once again see the beverages division post record interim results

Since the beginning of this year the market has anticipated the strong performance of SAB, and the share price has moved from R10 to a record R16 in this period, which is virtually treble the record low of 580c almost two years ago

While the price has come off a shade to R15, dealers said that in view of an expected 30 to 40 percent increase in earnings to about 110c, the share price still seems undervalued, and with institutional investors showing growing interest in SAB, the interim results should confirm SAB's return to blue chip status



Argus 30/10/86 (182)

COMPANIES

Higher profits seen for SAB

From SVEN LUNSCHE

JOHANNESBURG — The recovery in consumer spending could set the scene for a sparkling 30 to 40 percent increase in profits for South African Breweries during the six months to September this year

A staggering 20 percent improvement in gross domestic expenditure during the third quarter of 1986 has laid the foundations for a revival in SAB's retailing subsidiaries, according to analysts This perception supported by a massive improvement in Edgars interim results

SAB's strong results — due out next Wednesday should also be an indication that the current high ratings on the Johannesburg Stock Exchange are justified The market has been looking to the blue chips to verify the strong recovery and SAB's performance is likely to be just what the market has been waiting for

BEER DIVISION

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FURNITURE SALES

The recovery in furniture and clothing sales has been nothing less than dramatic, admittedly from a very low base, and this should see Amrel in particular return to profitability, after ending the previous year with its first ever loss Analysts predict a swing to positive earnings per share of almost 10c, from a loss of 11c last year

The resurgence in furniture sales has also aided volumes of South Africa's largest furniture manufacturer, Afcol, and an increase in earnings of about 10c on last financial year's 48c is predicted

In addition, Afcol has increased its market share, as a number of smaller companies have folded during the recession

FIREWORKS

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SOUTHERN SUNS

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RESCUE ACT

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90 workers retrenched at Pepsi

(182)

DURBAN — The 90-member workforce of Natal Beverages, manufacturers of Pepsi-Cola, are to be retrenched following a court order placing the company, which has debts of R3 million, into provisional liquidation.

The order was granted by Mr Justice A J Viljoen in Cape Town's Supreme Court on Tuesday, one of the company's joint provisional liquidators, Mr Ralph Millman of Cape Trustees, confirmed.

EVE Post 31/10/81

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Waiting for SAB

BRILLIANT interim results from Edgars and Amrel had the market salivating ahead of SA Breweries numbers in the next few days.

With beer sales up and Southern Sun the only drag, SAB should excel But a broker says SAB is traditionally careful with interim results He expects conservative accounting and an uncharacteristically high tax bill for the half-year

A gold price under $400 caused heebie-jeebies on the gold boards, which experienced a sell-off The threat of a ban on new American investment was part of the problem

Another depressant was that the both the commercial and financial rands did not weaken accordingly

Trade & Industry was one of the biggest movers of the week, starting the week at 360c, rising to a peak of 450c A senior staff member says only Ivor Jacobson knows what is going on and he is in New York

One theory is that after losing R3,8-million in the Texchange disaster, Mr Jacobson has had enough If he sells or converts T&I into a cash shell, as suspected, net asset value of 560c could underpin the transation price Troubles at T&I have done little for Reichmans, merely because it is in the same type of business

Some dealers speculate that T&I may seek a closer relationship with Elcentre

Romatex's 66% earnings increase surprised many, but was the result of improved margins and lower interest rates more than higher sales Sales rose 13% — less than the inflation rate

Several new listings, such us Salters, Milly's, Kemtrade and Sprintex, were among the biggest losers on the week Brokers say the market is tiring of new listings and is moving back to quality stocks

Some new listings will excel and may indeed deliver the next generation of Donny Gordons and Raymond Ackerman, but from here on the experts will be waiting for numbers — not extravagant promises

This week's two new listings, Salters and Quality Tyres, failed to excite investors Salters was issued at 100c, traded up to 120c and fell back to 105c

Quality Tyres was issued at 85c or 90c, depending on the private or public issue The ordinaries reached a high of 115c

SA Brews on way to 30% more for year

By David Carte

SA BREWERIES was embarrassed by riches in the six months to September.

After penalising itself with higher tax and depreciation bills in virtually every division, it was forced — reluctantly it appears — to disclose a 56% earnings and 25% dividend increase

Beer sales

Financial director Selwyn Macfarlane says: "We were up against appalling first-half figures for 1985 Last first half we were down appreciably. Then we had a comeback in the second half."

Thanks to great performances by Edgars, Amrel, Afcol and the beer division, sales rose by 23%, trading profit 48% and attributable profit 56% in spite of highly conservative accounting that should stand the group in good stead if consumer demand disappoints in the second half.

SAB reports beer volumes up by 12% and profits a disappointing 25% higher. Mr Macfarlane says the price increase of 8% was scant compensation for inflation running at 20%. Point taken — but SAB's celebrated operational gearing should have had a marked impact and conservative accounting is suggested.

Capacity use rose to 75% and SAB now has to contemplate spending another R150-million on greater brewing capacity. As the slack is taken up, profits can go only one way — upwards.

SAB's sterling performance has led many to surmise that consumer spending is booming and likely to go on doing so, but the harsh truth is that most of its subsidiaries, like Edgars and Amrel, beat their competitors hands down

White goods

With the exception of Southern Sun, all are doing better than the market, which is still less than buoyant outside furniture, white goods and clothing. Excluding Southern Sun, every division, including soft drinks and Cape Wine, improved.

Prospects for Southern Sun are much better.I put it to Mr Macfarlane that a 30% earnings increase for the year would be easy.

"That's a tall order, bearing in mind how good the second half was last year."

To achieve 30% earnings growth for the year, SAB needs 71,9c a share in the second half compared with 63,1c in the second half of last year — a further rise of 15% odd.

Since it has penalised itself with higher tax (up three times or R30-million) and additional depreciation (up by 100% to R16,5-million) at the interim, such a target looks eminently achievable.

Hong Kong is getting its Coca-Cola from SA

The Star's Foreign News Service

HONG KONG — South Africa is supplying much of Hong Kong's Coca-Cola because the weak rand has made it a cheaper source than almost anywhere else

Coke is only one of a number of commodities in South Africa's Far East trade

And now, a *Financial Times* report says, the prospect of increasing sanctions has prompted Pretoria to consolidate trade relations in Asia

OPPENHEIMER VISIT

Hong Kong, as an important commercial centre for import and export and a no-questions-asked trade authority, is expected by many to play an important part in this consolidation

The report suggests that Mr Harry Oppenheimer — who has just spent four days in Hong Kong, insisting it was a holiday — was there either to discuss possible acquisitions or was working to make sure pressure for sanctions does not mount in the territory

Hong Kong is an important trading partner in its own right, with imports from South Africa — excluding gold — amounting to about R700 million last year and growing at a rate of about 40 percent in the first half of this year

The territory is also a crucial conduit for South Africa's trade with Taiwan and with mainland China, which officially denies having any trade links with Pretoria

The Hong Kong Government, true to its "hands off" policies, has signalled that it has no intention of imposing sanctions on South Africa

At the same time, officials insist that trade with South Africa is tiny in the context of the territory's overall trade.

SAB profits soar on spending boom

(182) STAR 6/11/86

By Peter Farley
Investment Editor

A massive resurgence in beer sales' growth, combined with a vastly improved utilisation of assets, enabled SA Breweries to post a 56 percent gain in bottom line earnings for the six months to end-September

Selwyn McFarlane

However, this spectacular improvement must be seen against the depressed results in the first half of last year, and it is sobering to note that the R79,4 million earned this time around is only slightly above the R72 million in the first half of 1984 and the R69 million in the first half of 1983.

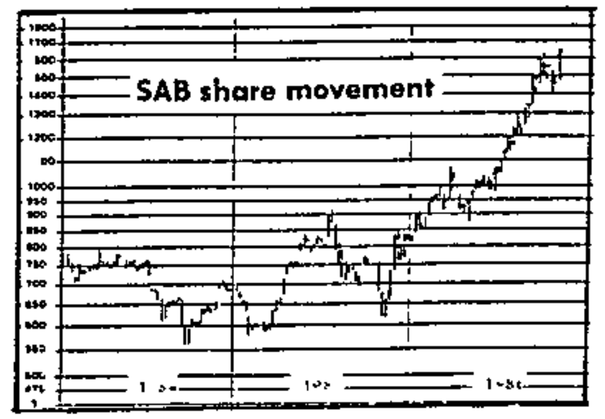
Nevertheless, investors have still been content to push the share price to a record peak of R16,60c, from around the R7 mark at the time of the 1984 results Much of the justification of this investor confidence is that SAB is now expected to continue along this track and maintain the now-regained upward momentum

Financial director Selwyn McFarlane said yesterday that he believed the spending boom which is currently underpinning the group — after vast improvements at Edgars, Amrel and Afcol — was continuing.

However, he cautions that the Christmas period will be a crucial test. The second half of the year is traditionally better, but the resurgence will have to be pretty substantial to match the percentage gains in the first half because of the beginnings of a recovery seen in last year's second half

The improved results have, nevertheless, allowed SAB room to improve the interim dividend to 12,5c from 10c a share McFarlane explains that the group used to have a three times covered interim dividend, but given the improvement it would have been wrong to deny shareholders the benefit.

He indicated that the aim was to return to a more market-related interim payment, representing around 30 to 40 percent of the total distribution.



sixmonths to September 30	1985 (Rm)	1986 (Rm)
TURNOVER	2 627 0	3 219 6
PRE TAX PROFIT	72 6	140 6
TAX	12 1	43 0
ATTRIBUTABLE	50 8	79 4
EPS	19 4c	30 3c
DPS	10c	12 5c

Group borrowings edged up in the first half of the year to R837 million from R724 million, with gearing up to 58 percent from 50 percent six months ago But McFarlane points out that this is partly due to the acquisition of control of Amalgamated Beverage Industries (ABI) This resulted in R50 million being knocked off shareholders' funds because of the difference between the purchase price and the lower historic cost value.

Investments are, however, revalued periodically, and a reassessment of the worth of ABI later this year could see some of this difference written back on to the balance sheet.

The group's tax rate almost doubled to 31 percent as various tax allowances continue to be utilised McFarlane estimated that this would continue to rise slowly as the full benefits — mainly from beer division's capital expenditure — are used up in the next two years.

On the operating side beer was again the star performer, with its contribution to the group's bottom line rising to two-thirds of the almost R80 million reported in the past six months Volume sales were up by some 12 percent in the half year

McFarlane indicated that the group is examining two specific areas to maintain long term growth, despite there being still plenty of scope for organic growth from existing operations

He said that the move of executive director Ken Williams to London is the forerunner of what the board expects to be an offshore drive, adding to existing businesses north of the Limpopo While progress is likely to be slow in the current political climate, the foundations are being laid for long-term expansion

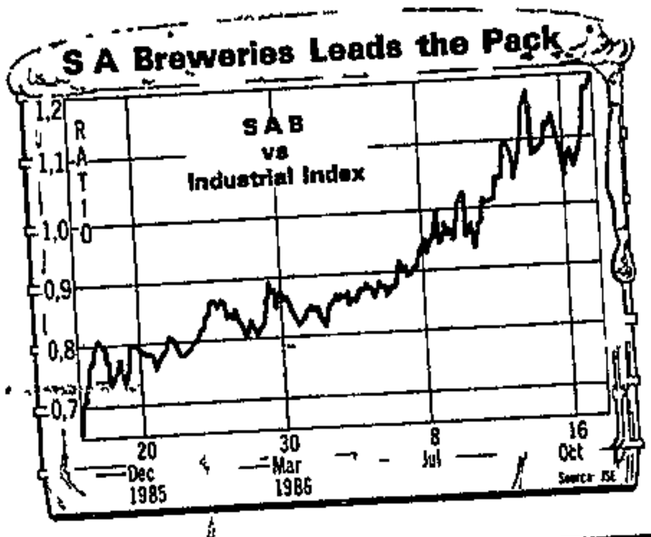
On the domestic front SAB is examining the potential for expanding its manufacturing base in order to complement the huge retail-oriented operations McFarlane pointed out that Afcol chief executive Lawrie van der Watt has been designated to identify opportunities in this area.

Overall, the group is returning to the sound footing that investors have expected since it was first listed almost 90 years ago Management at the top is solid and aggressively prepared for expansion The share price might be considered overvalued by some, but if the consumer spending boom translates into real economic growth it seems unlikely to get any cheaper

Krupp SA has

SAB ups earnings 56%

BRIAN ZLOTNICK
Investment Editor



SA BREWERIES' impressive 56% rise in interim earnings to 30,3c a share is expected to add froth to a buoyant industrial share market, which yesterday hit a new high for the third consecutive day.

Results for the six months to September exceeded analysts' forecasts with the dividend raised by a quarter to 12,5c a share.

The share has been in the forefront of the bull run in industrial shares, to climb 160% to 1 660c and outpace the industrial index by more than 70% during the past year.

Earnings growth was accentuated by last year's 29% fall in interim earnings. Even so, the latest performance under-

● To Page 3

● From Page 1

lines how quickly the profits of SA's largest consumer-oriented group can move ahead when consumer spending revives.

Finance director Selwyn MacFarlane says: "The pace of consumer spending has accelerated sharply and the momentum of the upswing is gathering steam."

However, he says consumer spending is still fragile and coming off a low base.

The board expects the full year's earnings, provided the upswing continues, to show further improvement, though not on the same scale as that of the first half.

Group turnover expanded 23% to R3,2bn to flag an increase in real terms with the beer division enjoying a 12% volume growth and its retail interests, on balance, turning over greater volumes.

MacFarlane says black consumers account for about 85% of beer sales and a more settled set of conditions helped spur demand.

Group operating profits grew at a much faster pace than turnover and emerged up 48% at R205,5m.

Results of its listed Edgars, Amrel and Afcol have already showed how, once fixed overhead and operating expenses have been recovered, the benefits of increased sales volumes flow through almost untarnished.

The beer division similarly was able to generate sharply higher profits on greater volumes.

However, the annual beer price increase of 8% in February was once again well below the annual inflation rate so the benefits of significantly better volumes are not always so dramatic as with retailers — more so in the second half.

Throughout, the group improved efficiencies and tight management control over assets boosted profits.

Financing costs were a shade lower at R64,9m (R66,5m) and pre-tax profits almost doubled to R140,6m (R72,6m).

The tax bill jumped from R12,1m to R43m, reflecting deferred tax provision on assessed tax losses in the beer division — which will be used up within a few years — and increased tax bills of the listed subsidiaries whose profits soared.

Dividend income and equity accounted earnings were much higher whereas additional replacement cost depreciation doubled to R16,5m

SAB strike halts beer production

PRETORIA — Production has ground to a halt at the South African Breweries (SAB) Rosslyn plant as a result of hundreds of workers staging a sit-in strike

The strike started yesterday after the dismissal of a security guard on the grounds of "gross negligence"

His colleagues are demanding his unconditional reinstatement

Negotiations between SAB management and the Food and Allied Workers Union are taking place

SAB maintains the strike is illegal and is in contravention of the recognition agreement

SAB's regional director, Mr Graham MacKay, said yesterday no brewing or packaging was taking place

He said the strike "could ultimately cost us a lot of money"

Mr MacKay said the guard, Mr Corporal Cezu, was dismissed because he did not carry out his responsibilities correctly when R15 000 of beer was stolen in August

The union was not available to comment yesterday morning — Sapa

Things go better over the border

Coca Cola to set up in Swaziland

Industrial Staff

COCA COLA is to move its concentrate plant from Durban to Swaziland.

The company joins a growing list of South African-based firms setting up shop there to avoid international sanctions

Coca Cola officials confirmed yesterday they had agreed in principle to build a plant at Matsapha, near Manzini, to produce coke concentrates for bottling companies in central Africa

The giant American soft drink company's Johannesburg external affairs manager Hennie Viljoen said the plant would close down Coca Cola's Durban concentrate operation in 1987

Coca Cola announced last month its intention to leave SA The firm intends to sell off its SA marketing, advertising and bottling functions, in part, to a group of black investors

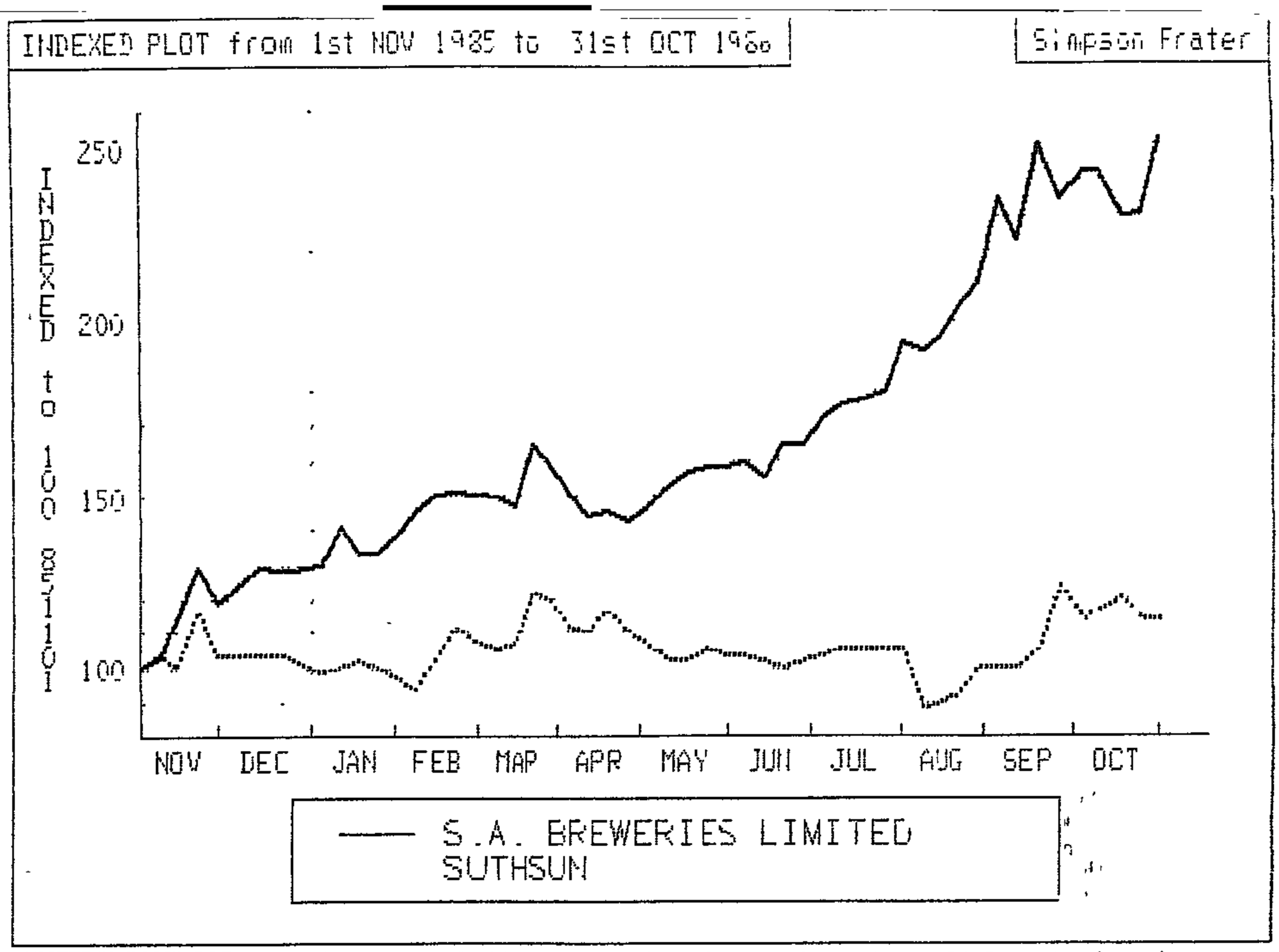
The highly mechanised Coca Cola plant will only employ 30 people, but Swaziland officials say other relocations from SA are bringing thousands of jobs to the kingdom

Two Taiwanese-owned garment firms, Oriental Swaziland and Swaziland Garment Industries, relocated in Swaziland in 1985, bringing 1 200 jobs

Swaziland's Commerce and Industry Minister Derek von Wissel expects more SA-based companies to follow the same route

SA's trade representative in Mbabane, J M Sterban, confirmed there had been a recent upsurge in inquiries from firms interested in moving to Swaziland

Tax incentives in Swaziland make it an attractive investment



CHEERS! SAYS SAB: It was far more profitable to invest in beer this year than in hotels SA Breweries shares have risen by 150 percent since last November and by almost 60 percent since June. This week shareholders' faith was justified with the company reported a 56 percent rise in profits and a 25 percent increase in dividend On the other hand Southern Sun has been hit by poor occupancies and has reported a loss for another year running Investors, while not selling the company's shares down, see no reason at present to buy them

SA Breweries set to expand, raise dividend

W/E ARGUS 8/11/86 (182)

From PETER FARLEY

SA Breweries is examining the potential for expanding its manufacturing base in order to complement the huge retail-orientated operations, financial director Mr Selwyn McFarlane said this week

He said that Afcol chief executive Mr Lawrie van der Watt has been designated to identify opportunities in this area

Results issued this week show that overall, the group is returning to the sound footing that investors have expected since it was first listed almost 90 years ago Management at the top is solid and aggressively prepared for expansion

The share price might be considered overvalued by some, but if the consumer spending boom translates into real economic growth it seems unlikely to get any cheaper

A huge resurgence in beer sales' growth, combined with a vastly improved utilisation of assets, enabled SAB to post a 56 percent gain in bottom line earnings for the six months to end-September

However, this spectacular improvement must be seen against the depressed results in the first half of last year, and it is sobering to note that the R79,4-million earned this time around is only slightly above the R72-million in the first half of 1984 and the R69-million in the first half of 1983

Nevertheless investors have still been content to push the share price to an all-time peak R16,60c, from around the R7 mark at the time of the 1984 results

Much of the justification of this investor confidence is that SAB is now expected to continue along this track and maintain the now regained upward momentum

Mr McFarlane said he believes the spending boom which is currently underpinning the group — following vast improvements at Edgars, Amrel and Afcol — is continuing

However, he cautions that the Christmas period will be a crucial test The second half of the year is traditionally better, but the resurgence will have to be pretty substantial to match the percentage gains in the first half because of the beginnings of a recovery seen in last year's second half

The improved results have nevertheless, allowed SAB room to improve the interim dividend to 12,5c from 10c a share Mr McFarlane explains that the group used to have a three times covered interim dividend, but given the improvement it would have been wrong to deny shareholders the benefit

He indicated that the aim was to return to a more market-related interim payment, representing around 30-40 percent of the total distribution,

Group borrowings edged up in the first half of the year to R837-million from R724-million, with gearing up to 58 percent from 50 percent six months ago

But Mr McFarlane points out that this is partly due to the acquisition of control of Amalgamated Beverage Industries This resulted in R50-million being knocked off shareholders funds because of the difference between the purchase price and the lower, historic cost value

Investments are, however, revalued periodically and a reassessment of the worth of ABI later this year could see some of this difference written back on to the balance sheet

The group's tax rate almost doubled to 31 percent as various tax allowances continue to be utilised Mr McFarlane estimated that this would continue to rise slowly as the full benefits — mainly from beer division's capital expenditure — are used up in the next two years

On the operating side beer was again the star performer, with its contribution to the group's bottom line rising to two thirds of the almost R80-million reported in the past six months Volume sales were up by some 12 percent in the half year

Mr McFarlane indicated that the group is examining two specific areas to maintain long term growth, in spite of there being still plenty of scope for organic growth from existing operations

He said that the move of executive director Mr Ken Williams to London is the forerunner of what the board expects to be an offshore drive, adding to existing businesses north of the Limpopo

While progress is likely to be slow in the current political climate the foundations are being laid for long term expansion

FIN MAIL 14/11/86

Andrew McNulty

SA BREWERIES

182

Uncapping profits

The spectacular growth seen in SA Breweries' (SAB) beer sales in the past six months will level off in the second half of this year, but a slightly lower tax rate and improved contributions from subsidiaries should ensure EPS of more than 100c for 1987 (82,5c in 1986) Some analysts predict earnings close to 110c and a dividend of about 50c

The 12% growth in beer volumes in the past six months exceeds the annual growth rate over-time of 10% Last year growth fell to 2% as the socio-political and economic scene deteriorated — as up to 85% of beer is bought by black consumers, township unrest had a disastrous effect on sales

SAB financial director Selwyn MacFarlane says "The whole buying environment is much more settled If we can continue on the current reasonably stable basis then the long-term growth rate should be about 10% The growth rate was abnormally high in the last six months"

SAB's operating margin has potential to rise as long as brewing capacity utilisation improves The margin widened to 6,4% at rating The share motored up from R14,75 at the end of October to R17 last week Some analysts still favour the share — one says while the price might look expensive on its current 19 p e and a minuscule 2,3% dividend yield, on a two-year view it is not necessarily expensive

Adding interest to SAB's future prospects, is its commitment to foreign expansion The group has seconded top executive Ken Williams to London to investigate opportunities

Kerry Clarke

SAB'S WINNING STREAK

Six months to	Sep 30 '85	Mar 31 '86	Sep 30 '86
Turnover (Rm)	2 627 0	3 120,8	3 219,6
Pre-tax profit (Rm)	72,6	173 3	140,6
Attributable (Rm)	50,8	165 2	79 4
Earnings (c)	19,4	63,1	30 3
Dividends (c)	10	27	12 5

Franchising is what it is all about, says chairman Aitken

Juicy Lucy in expansive mood

STAR 22/11/88 182

By Peter Farley

Juicy Lucy is on the threshhold of a major expansionary drive that should see a major breakthrough into the black market and the launch of a range of accessory products to be distributed through existing retailers

Chairman Barry Aitken, here last week on one of his regular visits from the UK, told *The Star* that there are enormous growth opportunities for the company in the South African market

He accepts that growth will look more pedestrian as the comparative base increases With around 100 outlets now in operation the exciting growth must therefore come in other areas

The company recently made its first step in this area with the acquisition of Milky Lane and will be extending that pattern with the launch in the next couple of months of a new fast food chain aiming at the "blue collar workers"

Two exciting developments on the cards next year are efforts to build on the royalty earnings base in the company Aitken says that the first step will be the introduction of certain food products — the first will be American style "cookies" — that will be manufactured under licence, carrying the Juicy Lucy name, and sold through the major retailers

This range of products will be extended during next year In tandem with that, Aitken says a Juicy Lucy character is to be launched, with spinoff marketing through the introduction of a Juicy Lucy range of sporting clothes and accessories

It is a bold move, but one which could have huge potential returns if successful

The group has also tested the international markets with a five-year exercise in Houston, Texas, the start of operations in Perth and another two outlets in the UK

Overseas plans

The Texas venture was closed 18 months ago when the leases expired, but Aitken feels that too much capital would have been needed to make the venture a real success

The Australian and UK ventures are currently both being held outside the SA listed company, in Aitken's private portfolio, but he says that there is a chance that they will be incorporated on a franchising basis at some later stage

As a totally irrelevant aside it is interesting to note that both the UK operations — in Wakefield and Nottingham — are both housed in shopping centres owned by Liberty's Capital & Counties subsidiary

Franchising is what it is all about as far as Aitken is concerned "It is just a coincidence that we are in the food business" However, at the moment 13 of the 100-odd stores are owned, another 35 are in the hands of the directors or partly franchised and over 50 purely franchised

Aitken explains that in an ideal franchising operation at least half of the outlets should be fully owned by the company "The idea is to allow the franchiser the opportunity to build the business up, then buy it back at a premium price — particularly given the company's stockmarket rating — to allow the franchisee to realise his capital.

The first move in this direction took place recently with one operation where the listed company bought back into the business

The other challenge facing the chain is to increase the volume of trade through the stores Aitken says that this is being adressed and certain locations will start opening in the evening as shopping hours are extended

And to cope with this development Juicy Lucy is extending into fuller meals to attract the family market

Asked about whether Juicy Lucy was vulnerable to takeovers, Aitken said that the directors own 85 percent of the shares and pride themselves on their independence He said that there had been several apporaches around the time of the listing, but all had been rejected

Barry Aitken . . . still looking for growth

The group's balance sheet was issued this month and showed that the company is in fine shape, with virtually nothing in the way of debt On the income side Juicy Lucy produced net income of R340 000 on turnover of R5,5 million in the year to end May and is set for further earnings growth

Aitken, referring to the position of the chain in the marketplace, says that "We are South Africa's MacDonalds" Not that he has any pretensions about equalling the US fast food giant's size, but it is certainly something to aim at and something they may one day achieve

Workers' strike halts brewery

Pretoria Correspondent

Production ground to a halt at South African Breweries' Rosslyn plant yesterday as about 350 workers participated in a sit-in strike

The strike started after the dismissal of a security guard on the grounds of "gross negligence" — related to the theft of R15 000 worth of beer in August

His colleagues are demanding his unconditional reinstatement

Negotiations between SAB management and the Food and Allied Workers Union are taking place.

SAB maintains the strike is illegal and contravenes the recognition agreement.

Tip of the week

Cadswep to effervesce

SUNTIMES (182) 23/11/86

INVESTORS seem to have taken a cautious view of Cadbury-Schweppes (Cadswep) takeover of Bromor Foods from Murray & Roberts, the share price moving up less than might have been expected.

The details of the deal and the effect on earnings are now known, and investors should take another look at the share

Apart from the improved earnings that the takeover will bring to Cadswep shareholders, the merger of two such strategically similar companies makes so much sense that it seems strange it did not happen sooner.

Managing director Peter Bester says· "We looked at Bromor years ago, but Murray & Roberts acquired it before we could. We never lost interest and we are delighted to have it at last"

Both companies have products which are market leaders in the fast-moving consumer goods industry and with a more balanced product range, the quality of earnings is considerably enhanced.

Mr Bester says· "Although we intend to take advantage of the obvious synergies, we have also acquired a dynamic and young management team. Bromor will be operated as an independent division"

The issue of 1,1-million-shares in Cadswep to finance the deal reduces majority shareholder Cadbury-Schweppes Plc's holding from 64% to 53%. In the light of anti-South African sentiment abroad this is a shrewd move, even though the deal makes sense on its commercial merits alone.

Cadswep's performance in the second half of the year is 20% better than directors predicted at the half-way stage. The new forecast is earnings a share of 128c Taking Bromor earnings into account the forecast for the year is 145c based on the weighted number in issue, a further increase of 13% on last year

Mr Bester says· "The next six to eight weeks will be critical But we have every reason to believe that sales will hold up until Christmas

"Many of the products in the Bromor range are almost generics, for example, Moirs, Oros and Lemos, and in the medium term there is substantial growth potential in repositioning and marketing those brands"

Cadswep share is trading at 1 975c, showing a PE of 18 and yielding 5,7% on 1985 earnings Taking the sector's average PE of 17 and forecast earnings of 145c, the share seems undervalued and could reward investors with an attractive increase in price

25/11/86 BUSDAY 182

Cash stores drink up profits

Industrial Staff

LIQUOR sales are booming at cash-and-carry outlets, despite the fact that the industry as a whole is suffering from a three-year hangover

"It (the liquor market) has undeniably been a growth sector for us," says Metro Cash and Carry marketing director Brian Joseph "We will open more outlets if we can"

Makro also reports consistent growth, particularly in beer and spirit sales, over the past three to five years

The strategy is two-fold Margins are cut to razor-thin levels and aggressive advertising is used to bring in customers

The latest A C Nielsen research into nationwide liquor sales shows reductions in both volume and rand terms since 1984 for spirits and fortified and unfortified wines

Beer has registered limited growth over the same period

Overall, liquor sales have been roughly stagnant, although the cash outlets have made large inroads into the market.

Most of the gains have been made at the expense of small bottle stores and, to a lesser degree, chainstore outlets

The Federated Hotel, Liquor and Catering Association (Fedhasa) has seen its share of the market slowly eroded

Fedhasa executive-secretary Fred Thermann says "There is such a small market here that the small retail operator is barely able to keep going"

Even large retailers like Benny Goldberg's say they have been losing sales to the cash-and-carry outlets

"If the cash-and-carries want to sell at cost," says Benny Goldberg manager Tony Tosen, "the customer doesn't notice if they put another two or three cents on a tin of baked beans"

Living in the shadow of the bulldozer

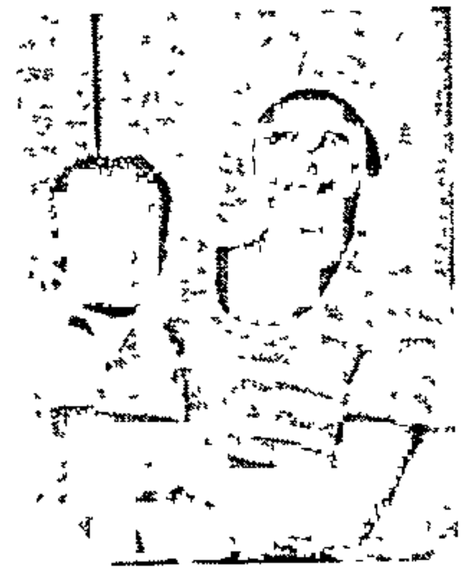
23/11/86 SUN TIMES

THE approaching New Year's Day feels more like Doomsday for the people of the beleaguered shanty settlement of Lawaaikamp.

For that is the deadline set by the George municipality for them to demolish the shacks that have been their homes for years and to rebuild them at a new site-and-service scheme two kilometres away — where only a third of the sites have services

During their year-long battle to stay in Lawaaikamp, which has been a legal black settlement for more than 30 years, 200 people have been detained, including most members of the committee of the Lawaaikamp Civic Association, set up to negotiate with the municipality

Precious resource . children gather round as a woman fetches water from one of only four street taps in Lawaaikamp



Mrs Georgina Hanase outside her wood and iron home

Mrs Angelina Kosi, who has lived in Lawaaikamp since 1970

SPECIAL REPORT by BRENDA HARTDEGEN

Leader

Their elected leader Mr Kenneth Sibotho is still in detention But this week a leading Nationalist and former MPC for George Mr George Kellerman, publicly appealed for his release

In an affidavit supporting an application in the Cape Supreme Court for Mr Sibotho's release Mr Kellerman praised his role as a peaceful negotiator in the Lawaaikamp conflict and levelled some harsh words at the municipality

He said a boycott at the local black school earlier in the year had ended as a direct result of Mr Sibotho's mediation

He believed that pressure exerted by the George municipality on black people to move to Sandkraal was 'instrumental to a very large measure in causing the explosive situation which arose"

Coloureds

At the centre of the controversy is town clerk Carel du Plessis, whose council claims it wants the Lawaaikamp site to extend the residential area for coloureds

In an interview, Mr du Plessis denied that notices served on black people to move were eviction notices

ville and Borcherds must be vacated by blacks not later than December 31 1986 and residents must move to the new township of Sandkraal before that date"

The people fear that if they don't move by New Year's day the municipality will move in with bulldozers, as has been done before

On April 3 this year 150 shacks, many of them belonging to municipal workers, were demolished while the owners were at work.

When the people of Lawaaikamp staged a stay-away in protest, all 217 municipal workers were sacked and the municipality announced that from then on it would employ only coloureds

Meeting

Last weekend the people of Lawaaikamp met for the first time since the declaration of the state of emergency on June 12 to discuss the removals threat and to obtain legal representation

The meeting, for which special permission was granted by the Chief Magistrate of George, was arranged with the help of the Black Sash and the National Committee Against Removals

Members of the community described how they were subtly being forced to move

Although the municipality claims the people are moving voluntarily, this was strongly denied at the meeting

Mr Hitler Rala said "I was in detention when they came to my wife and told her to move

"She was scared and so she moved When I was released from detention I found we were living in Sandkraal."

Miss Nombimbi Aseni, whose father is the chairman of the Parents' Representative Committee and is still in detention after five months, said she too, now lived in Sandkraal

Muddy

"But we want to know when we can go home to Lawaaikamp," she said

"It is wet and muddy in Sandkraal and we want to return home"

The meeting decided unanimously that they did not want to be forced to move and wanted Lawaaikamp to be upgraded.

Conditions in Lawaaikamp have been allowed to deteriorate drastically, with only four street taps for an estimated 5 000 people and irregular refuse and night soil removal services

Despite this, the municipality almost doubled the services charges in June from R13,50 to R25 in an attempt to get the people to move "voluntarily"

This week, a telex was sent to the town clerk by attorneys acting for Lawsaakamp residents calling on the municipality to retract "unconditionally and in writing" the December 31 removal date.

Commitment

"Our call on you to withdraw your order is based on the strength of the State President and former MP for George, the honourable Mr P W Botha's public commitment as far back as June 1984 that there would be no further forced removals," the telex stated.

Town Clerk Mr du Plessis said this week that he was determined to go ahead with the removal of the people from Lawaaikamp

BUSDAY 5/12/86

Vodka and beer sales keep up industry's spirit

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Industrial Staff

BESIDES the growth of beer sales over the last 12 months there has been little, if any, excitement within the liquor industry.

Vodka perhaps, is the only other product category that showed any substantial growth within the wine and spirits industry, and within the vodka market the growth of Smirnoff has been phenomenal.

Brandy's growth has been at the expense of a sharp fall-off in whisky sales through increased pricing, resulting from a poor foreign exchange rate.

Sparkling wine's growth of about 10% is off a relatively small base, leaving the most significant shifts within the spirit category and more particularly, the white spirit section, coming from vodka.

The white spirit sector, which comprises cane, vodka, gin and light rum, has seen vodka increase its share by 10% to 30,5%.

With Smirnoff controlling 73% of the vodka market, Gilbey's MD, Peter Fleck, has good reason to be pleased.

He says the Smirnoff drive started in the Transvaal two years ago.

"The Transvaal plan as we call it, was launched with the opening of three new depots in Bethal, Pietersburg and Nelspruit.

"These supplemented the company's main warehousing facilities in Olifantsfontein. We recently opened a fourth depot in Soweto, and believe that this, coupled with an increased sales force, with the black salesforce doubled and the black management team strengthened, laid the foundation stone for Smirnoff's buoyancy now."

Fleck says his black sales team has played a major role in the development of the brand through all facets of the marketing mix

"Not only are they instrumental in selling into the bottle stores, but more importantly they concentrate on the promotional efforts at shebeen level by assisting shebeen owners to move the product through their outlets

"The company has also invested significantly in terms of below-the-line advertising in the form of a massive sponsorship of amateur football, backed by the more regular advertising media."

Here Smirnoff relies on its purity image. The vodka is force-filtered under extreme pressure through nine charcoal columns, producing a "spirit of absolute purity".

The charcoal is imported from the US and is in line with the production disciplines determined by the brand's US owners.

On the world market Smirnoff sells some 12-million cases/year and lies second only to Bacardi, which sells about 15-million cases.

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AGRICULTURE

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Barley boost?

SA's barley producers, about 98% of them from the Caledon district in the Cape, are hoping for major benefits from the current investigation into increasing the national malting capacity

Increased local demand for malting barley — used in the burgeoning beer market — and the danger of sanctions putting a dampener on residual barley malt imports, have forced SA Breweries' (SAB) malting arm, SA Maltsters (SAM), to reconsider the supply position

SA Maltsters now imports about 60 000 t of barley malt annually because its local malting capacity cannot meet the beer industry's requirements This malt is equivalent to 75 000 t of barley, says Wheat Board (WB) assistant GM Andries Liebenberg

Agriculture Minister Greyling Wentzel points out that local barley production has increased from some 70 000 t in 1976/77 to 244 000 t in 1985/86 — an increase of 249% in nine years But in view of limited local malting capacity for barley (about 130 000 t a year), the balance goes for cheaper feed grain and seed and malting extract (18 000 t)

With malting barley this year selling for R295/t net, against only about R199/t for feed grain barley, farmers would understandably prefer the benefit of increased local malting capacities.

But the problem is not as simple as it might sound. For one thing, special quality standards apply to malting barley. For another, SA's climate makes supplies to brewers uncertain. And as a regular supply of quality barley is a prerequisite for major investments in increased malting capacity, the beer industry is understandably loath to over-extend itself

"Barley is very susceptible to SA's fickle climate and can be successfully produced only in the winter rainfall region," Liebenberg explains. "In Europe, only some 10% of barley production is used for malt, while in SA the malt market is the prime target Strict quality standards make this an even higher-risk product "

The beer and malting industries also face a dilemma Says SAB public affairs manager Gary May "Fundamentally, SAB's first concern is quality, followed by costs While we are striving for greater self-sufficiency, a reasonable percentage of our malt is still imported, as the local product does not always have the required quality. Nevertheless, some expansion of local malting capacity is being planned for next year."

Total self-sufficiency is not possible at this stage, but a gradual expansion programme is receiving preference, adds SAB chief buyer Fred Korner While self-sufficiency would be a laudable aim, the availability of quality barley is still a top priority

SAM GM Charles Coe adds that sanctions would affect SAB and not his company, as SAB is concerned about obtaining sufficient quality malt And because SA produces more barley than its annual malting capacity can cope with, he says his company and the WB are looking both at improving the quality of local production and expanding malting capacity, which is the other side of the equation, he tells the *FM*

SAM has two malting plants — at Alberton and Caledon. The respective malting capacities are 35 000 t and 70 000 t a year, although capacities can be stepped up if necessary Details of capital expenditures and plant expansions will be discussed at a board meeting this month

The signs are good that barley producers in the southern Cape will be able to improve their marketing situation gradually Certainly, as beer consumption keeps expanding, their market should also grow ■

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20% increase expected next year

Steep wine price rise could send sales tumbling

Industry Reporter

WINE prices could soar by as much as 20%-25% next year.

And industry observers expect sales to drop considerably if prices rise by 15% or more

The KWV board of directors is keeping all discussion of price hikes under tight wraps KWV's chief executive for planning, Dr E F Buekman, would only say industry talk of a 20% increase was "pure speculation"

KWV will submit its price list officially to government on January 14, although a statement is expected to be released the week before, "giving a good indication of what to expect"

Growers encountering hard times and general inflationary pressures, especially in packaging, are responsible for the price review (Wine price increases have lagged behind the consumer price index for the past decade)

But retailers remain unconvinced.

"There is going to be an enormous increase," predicts Checkers grocery-buying director Brian Sacks. "At this stage we cannot see any valid reason for the size of the expected increase"

Retailers surveyed by *Business Day* are hoping for a January price increase in the 7%-9% range, but say a 12%-15% increase is more likely.

Another, similar increase is expected later in the year — which would effectively add R1 to the cost of a R4 bottle of wine.

Benny Goldberg's MD David Botha says. "It disturbs me greatly that the prices might get out of control."

Raising the cost of wine 25% at the retail level would only benefit wine growers 10c-12c a litre, Botha says.

Even with an improving economy next year, Solly Kramer's MD John Hooper says a price hike of 15% would cause wine sales to lag behind any increase in consumer spending.

Stellenbosch Farmers' Wineries (SFW), a producer-wholesaler, says an increase of 8%-12% would be in line with price increases for the industry over the past decade.

Any higher increase is likely to influence demand negatively and result in lower real growth, says SFW planning director Colin Tatham.

Give your daughter a gift for life

25% wine price hike is predicted

10/12/86

Mercury Correspondent

JOHANNESBURG—Wine prices could soar by as much as 25% during next year.

The KWV board of directors is keeping all discussion of price rises under tight wraps and KWV's chief executive for planning, Dr E F Buekman, would only say industry talk of a 20% increase was 'pure speculation'

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Business Report

Consortium aims at control of sorghum beer industry

JOHANNESBURG — In a politically-sensitive deal thought by industry sources to involve more than R100m's worth of sales annually, and "possibly more than twice that", a consortium of Natal and KwaZulu organizations has been launched in Durban "with the express purpose" of acquiring control of the sorghum beer industry in the region

An important part of the deal is the acquisition by the consortium of six breweries and "the most advanced" sorghum malt factory in SA.

'Monopolistic'

The parties concerned said yesterday that a key objective of the deal is the prevention of further "monopolistic tendencies" in the industry, and shares in the venture "will be available for purchase by the general public"

The private sector has been unhappy for years over what it has claimed to be the monopolistic ownership structure of the country's giant sorghum beer sector, with enormous sales (to blacks) relative to sales of clear beer to whites

These monopolistic tendencies were an important reason for pressure to dismantle the Development Boards, which formerly controlled much of the sorghum beer business, enjoying huge revenues

Details of the terms of the current takeover remain under wraps

The consortium consists of Ukhamba Liquor Association of Natal and KwaZulu, Khulani Holdings and the KwaZulu Finance and Investment Corporation (KFC)

Formerly dominant in the industry was the now disbanded Natalia Development Board, which worked through the umbrella of wholly-owned Ijuba Breweries, in turn the holding vehicle for production units

Khulani holdings is jointly owned by Inkatha and the Inyanda Chamber of Commerce and Industry, while Ukhamba represents about 300 black businessmen involved in the liquor trade

The KFC is a statutory corporation "charged with the promotion of economic development in KwaZulu"

The three organizations said yesterday that the consortium will tender for the assets of the sorghum beer interests of Ijuba breweries

Tender documents are being prepared by merchant bankers acting for the Department of Constitutional Development and Planning.

If the consortium's bid to buy the breweries is accepted by the central government, it intends acquiring the extensive sorghum beer interests of the KFC and managing the entire operation as one rationalised business

Ijuba breweries owns three breweries in Natal, and the KFC owns three in KwaZulu and what is claimed to be the most advanced sorghum malt factory in SA

'Backing of Kwazulu'

A spokesman for the consortium said that the plan to buy Ijuba's breweries and to run them jointly with the beer interests of the KFC had the full backing of the KwaZulu government, which was in consultation with the central government

The spokesman added that central government had taken a firm decision to privatize the sorghum beer interests of the former Development Boards nationwide and that it also wants to avoid the formation of a monopoly

He said the consortium was aware that the other major bidders for the sorghum beer industry were involved in both clear and sorghum beer — Sapa