

**MINUTES OF THE THIRD MEETING OF THE FASA FOOD FORUM HELD ON
THURSDAY 19 APRIL 2018 AT THE OFFICES OF ADAMS & ADAMS,
SECOND FLOOR, CORNER OF 5TH STREET AND FREDMAN DRIVE,
SANDTON AT 12H00**

**1. The following franchise companies and service providers attended
the meeting:-**

Spur

Nazrana Hawa

Adams & Adams

Eugene Honey

Hot Dog Café

Nicollette le Roux

Fournews

Manny Nichas

PizzaPerfect

Steven Psillos

King Pie

Renier Bouwer

Jimmy's Killer Fish & Chips

Aneez Amod

Nando's

Peet Opperman

Chip 'n Dip

Gerald Brown

KFC

Akhona Qengqe

ChickenXpress

Devon Scoulelis

OBC

Tony da Fonseca

Franchise Association of South Africa

Vera Valasis

FRANCHISE ASSOCIATION OF SOUTH AFRICA (NPC)

Registration Number 91-05946-08

Office A7, Block A, Bradford House, 12 Bradford Road, Bedfordview, South Africa

Tel: +27116150359, Email: fasa@fasa.co.za, Website: www.fasa.co.za

Apologies were received from the following companies:-

Loshnie Pillay, Spur Group
Pierre van Tonder, Spur Group
Henk White, Wiesenhof
Mike Cathie, Nando's
Dewald de Vos, King Pie

2. Nazrana Hawa opened the meeting and welcomed everyone – approval of minutes of the meeting held on 23 February 2018.

The minutes of the meeting were reviewed and accepted by Manny Nichas and seconded by Gerald Brown.

Nazrana Hawa discussed that the involvement of McDonalds and Famous Brands is needed and work needs to continue to get these brands to participate in the forum.

3. Matters arising from the minutes of the previous meeting:-

- a. Consideration of proposed FASA Food Forum Charter and recommended amendments.
Eugene Honey discussed that he did not receive any additional comments apart from Nazrana Hawa and Vera Valasis' comments. He undertook to consider the comments and revert with an amended document.
- b. Ian Jacobsberg said Hogan Lovell's tax department is also doing work on various projects and undertook to share the relevant information. Ian Jacobsberg said he would follow up on the information and circulate as soon as possible.
- c. Eugene Honey offered to circulate information about the POPI Act. Eugene Honey said he would circulate the information re the POPI Act.
- d. It was agreed to secure the services of a service provider that members of the forum can approach on an agreed fee basis. Nazrana Hawa said Spur Corporation is currently paying a consultant to deal with regulatory matters but the forum needs to decide how it would deal with financial contributions to remunerate appointed service providers to deal with ad-hoc projects from time to time.
- e. Tony da Fonseca undertook to circulate the invitation from ProudlySA about the planned debate re poultry imports. The invitation was circulated.
- f. Landlords and rentals (Gerald Brown and Manny Nichas)
Manny Nichas circulated the following document at the meeting:-
 - a. Create perfect model – (rent to turnover)

- b. Document understanding regarding hospitality and diminishing profits
- c. Meet landlords
 - (i) Understand their model and business requirements in their business
 - (ii) Share the changes in the industry and its effect on restaurant profitability
- d. Meet with the South African Council of Shopping Centres
- e. New Shopping Centres growth strategy and how it effects new stores and its business.
- f. Prepare questionnaire for other brands issues with landlords and rentals.

Questionnaire:-

1. What have been your biggest issues dealing with landlords?
2. What is your ultimate rent to turnover as a percentage in your business?
3. Over the last 3 years what is the difference between your sales growth and your escalation rate of your rental?

Manne Nichas asked that Vera Valasis send him her contact's details at the South African Council of Shopping Centres.

It was discussed that ResearchIQ would be doing a presentation at the SACSC's research conference on 9 May 2018 on the findings of the most recent franchise surveys. It was discussed that Vera Valasis would approach ResearchIQ to ask Margaret Constantaras if she would be willing to present the responses to Manne Nichas'

Akhona Qengqe cautioned the meeting to conduct itself in such a way so that it does not open itself up to possible claims of collusion.

Gerald Brown stressed that information should be expressed as a percentage of turnover. Information would differ from brand to brand and therefore expressing information on a percentage basis is more acceptable.

Manny Nichas tabled that landlords do not understand the business of a franchised restaurant and this needs to be addressed.

Nazrana Hawa said the forum must speak as one voice as the balance of power is with the landlords. It was discussed that some shopping centres have experienced up to a 20% decline in foot traffic yet these same landlords build escalations into the lease agreements. It was agreed that the FFF can bring pressure on landlords in this respect.

Manny Nichas said if there is better understanding by the landlords the centres would have tenants that remain and are able to pay the rent instead of tenants constantly moving out.

Akhona Qengqe raised her concern about new entrants into the market being willing to pay higher rentals which the FFF would have

to address. Manny Nichas said the FFF cannot stop these brands but it must continue to promote its standpoint.

Devon Scoulelis said landlords should in fact be assisting new entrants and not expecting them to pay premium rentals.

Nazrana Hawa said this project would be a continuing project.

Gerald Brown tabled that margins are shrinking across the board and landlords need to understand this situation.

Peet Opperman asked Manny Nichas what is meant by the second question and it was discussed that it refers to 'ideal rent to turnover'.

Aneez Amod said landlords must be held accountable in situations where the footfall in centres is declining. Akhona Qengqe suggested that tenants should ask for a review of footfall in centres so that the actual footfall could be measured against promises made.

Gerald Brown said this matter should be added as a question i.e. "what is the 12 month foot fall history in the centre".

Nazrana Hawa tabled that a lease should have more flexibility attributed to the foot traffic.

g. Proposed National Minimum Wage Bill

Nazrana Hawa discussed that Ocean Basket wanted to comment on the proposed Bill. The proposed implementation date of 1 May 2018 won't happen as the comments received by government are still be reviewed. It was discussed that COSATU is attempting to slow the progress of the Bill down. The fishing industry for example is fighting for exemption. Akhona Qengqe said she believes it is the right thing to do not to comment.

Nazrana Hawa pointed out that if exemption is granted it needs to be applied for every year.

Aneez Amod said in the restaurant industry where waitrons earn commission the proposed minimum wage bill could be problematic.

Manny Nichas said there should be more help with skills development from government as industry tends to employ more people because of lack of skills.

Peet Opperman said the proposed Bill would not have a big impact at Nando's as their wage level is already higher but it seems there are other issues being slipped in by government i.e. laundry stipend for staff. He went on to say that Nando's already engaged a service provider who lodged comments. He undertook to find out what has been submitted.

h. Proposed changes to the Liquor Law

Nazrana Hawa said she prepared presentation slides for the meeting but due to a lack of the necessary equipment she is unable to show the slides at the meeting. The dti has stipulated 2 May 2018 as a deadline but she said that she is not sure if the Bill would be published for comments. She discussed that the FFF must collaborate and decide what the points are that it wishes to attack. Manny Nichas said he would like to involve their operations manager and Nazrana Hawa undertook to send the questions out.

i. The issue of costs and funding of ad-hoc projects to be discussed

Nazrana Hawa said Ocean Basket would like to come on board but the FFF needs to decide how costs are to be split. Tony da Fonseca said Vera Valasis should look at the retail versus food brands versus restaurant brands.

It was agreed that Nazrana Hawa would send an email about how it is proposed the FFF should deal with ad-hoc costs.

Vera Valasis to discuss the official FFF launch press release with Giuli Osso.

The meeting was adjourned at 13h08.