

**MINUTES OF THE FASA FOOD FORUM MEETING HELD ON THURSDAY 29
NOVEMBER 2018 AT THE OFFICES OF HOGAN LOVELLS, 140 WEST
STREET, SANDTON AT 12H00**

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

Spur

Nazrana Hawa (Chairperson)

Adega

Luis Ferreira

Nando's

Itumeleng Mogotsi
Liza Gröpp-Els

King Pie

Thea Wilmans

Jimmy's Killer Fish & Chips

Aneez Amod

KFC

Akhona Qengqe

ChickenXpress

Devon Scoulelis
Anastasia Dellis

Franchise Association of South Africa

Vera Valasis

2. Apologies were received from the following companies:-

Spur Group

Pierre Van Tonder
Kevin Robertson

Famous Brands

Darren Hele

Wiesenhof

Henk White

FRANCHISE ASSOCIATION OF SOUTH AFRICA (NPC)

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Mikes Kitchen
Teresa Roberts

Nando's
Peet Opperman

King Pie
Dewald de Vos

3. Welcome and review of previous minutes

Nazrana Hawa welcomed everyone and referred to the list of apologies. She also extended a special welcome to Amanda Stopes from the South African Council of Shopping Centres, who has been invited to attend the meeting.

The minutes of the meeting were reviewed and approved by _____ and seconded by Akhona Qengqe.

Nazrana Hawa referred to the meeting pack and said on page 8 to 13 is the slide presentation prepared for the SACSC listing based on information received after a few questions were sent to FASA members.

Have been sent to Amanda Stopes who has seen the slides.

Not adversarial in any way only want to create an engagement

Vera Valasis welcomed Amanda Stopes and provided the background to the invitation and said FASA wants to give SACSC a sense of the issues that its members are battling with. – meeting of the minds – address one another's issues – higher level to use the connections that we both have in our separate industries to strengthen voices, to give each other a platform in our industries.

Everyone got an opportunity to introduce themselves around the table.

Aneez Amod said the manner in which tenants are being

Smaller stores similar work with landlords and have an open relationship with them.

Spur seems there is a disconnect between what the landlords are asking and what is going on in the industry. Online and delivery models are game changers. Conversation with the big landlords – gap – Amanda – escalations and rentals – case of is it realistic in this environment

KFC rental conversation is first thing that comes to mind.

Nando's do engage with most of the landlords – high level to get everyone on the same mind

Luis – Adega – salivating to hear same thing no major representation

King Pie

Amanda not here negotiations first saw presentation not sure if I am the person who should be here –

Do emphasize just as much as you are under pressure landlords are under the same pressure

Shopping centre -each of the tenants is like having a different department – exactly the same pressures that you have from a retail perspective – sometimes 500 tenants all with different objectives and different issues like staffing, petrol and so on.

Th eother side of the coin bringing to the table generalising – first question in this forum – is majority of landlords all very well – have this association – great but when we deal with franchises we might as well as be dealing with a one man band – there is no put your money where your mouth is – no backing from franchisors – success of the business generally relies on individual

Big corporates – need to negotiate and look at models – but nothing from the franchisors at all –

Analysist – brand name – can't just rely on a brand name and food game is a sign of what the customers want – do they still want the brand name – comes with no additional guarantee no big corporate backing this person – and that's the reason why different pricing is given.

Wimpy's that may have a problem in terms of turnover of franchisees and the business model not work in

a. FFF's proposed Charter

Nazrana Hawa said we have not had any feedback re the proposed charter.

Peet Opperman asked about clause 4.1 of the charter and said he assumes the clause relates to the termination of FFF and not FASA. Nazrana Hawa said she thinks it is one and the same – the clause should refer to a member and not a person.

It was then agreed that subject to the above change the Charter is approved.

b. Matters arising

Nazrana Hawa referred to the Liquor policy and said she is still tracking the policy but there are no further updates.

She went on to say the National Minimum Wage Bill has been approved by the dti's portfolio committee and it has now been referred to the National Council of Provinces – this act may be passed before next year's elections. Nazrana Hawa said no comments on the proposed Bill were submitted but as members we must be aware that all our members are subscribing to these policies and paying the minimum wage.

The Landlord engagement issue was discussed. Nazrana Hawa asked Vera Valasis to approach Manny Nichas (who has since left News Café) to obtain the results of the survey held recently in connection with the three questions posed to members.

Nazrana Hawa then discussed the issue related to the proposed engagement with the SACSC (South African Council of Shopping Centres). She said the FFF wanted to engage with their chairperson to introduce her to the council and to put the industry's concerns on the table. She went on to say that she recently had a discussion with Guy le Ray-Cook who suggested that FASA should take up this discussion as it is an impartial body. It was discussed that there may be potential concerns from members if they have these discussions with the SACSC as landlords may associate the discussions with their brands.

Vera Valasis responded by saying Guy le Ray-Cook is correct and discussed that a session with landlords was facilitated through the SACSC a few years ago. At the time only Mugg and Bean attended the session and afterwards the SACSC accused FASA of wasting their time as its members did not attend the session. Vera Valasis then explained to the SACSC that members did not attend the session for fear of possible intimidation. Vera Valasis said she has been trying to secure a meeting with Amanda Stopes and then tabled that FASA invites her/Malcolm Homes to the next FFF meeting for a briefing session.

Peet Opperman wanted to know what the FFF's desired outcome is and Nazrana Hawa responded by saying there are three focus areas namely landlords persistence in charging unrealistic rentals in a negative economic environment. Despite individual brands complaining that rentals are unaffordable landlords persist in charging high rentals as they believe someone else would pay the rental charged. She explained that this approach is unrealistic as the site may just be empty again in a year's time. The engagement is to give members another spokesperson to relay concerns and issues rather than the brands knocking on the doors. Through the SACSC's chairperson the approach should be to get an engagement with the big retail landlords because if we don't engage the big landlords will play one brand off against the other.

Peet Opperman said the industry is under pressure at the moment but we must be careful not to make demands in terms of increases and so on. Nazrana Hawa agreed and said we should be careful to avoid being accused of collusion. Intention is just to get the landlords on the same page as the brands and they need to understand we are talking for the industry and not an individual brand. Peet Opperman pointed out that brands want to do business with a landlord for five years but landlords have a much longer outlook and do business on much longer cycles.

Vera Valasis said the issue of transformation needs to be discussed with the landlords and used the example of requiring a longer lease perhaps in certain instances. Peet Opperman said in some instances we require a shorter lease.

Nazrana Hawa then discussed that should we invite the chairperson of the SACSC to the next FFF meeting that we have clear numbers and a proper presentation otherwise she will feel frustrated. Guy le Ray-Cook asked whether we should list the items on an agenda and Nazrana Hawa responded by saying that we need to provide more detail around the issues. Guy le Ray-Cook discussed that the SACSA would want to know what's in it for them and they need to know the brand names behind the issue so that they appreciate there are potential deals on the table. Vera Valasis said perhaps we need to be careful to name brands or single a brand out. Nazrana Hawa said there is a list

of the brand members and Vera Valasis pointed out that the member brand names are on the FASA website.

It was agreed that Vera Valasis, Guy le Ray-Cook and Aneez Amod would work together to submit a proposal for review to the rest of the FFF by mid October.

Aneez Amod said in his opinion that biggest challenge is going to be for unity amongst the brands as landlords are putting the brands against each other. He said in some instances a site may have to be sacrificed because members know another member would not be able to afford the rental.

Teresa Amodio said in her opinion this would be a problem as some brands are seen as anchor tenants while others are not taking so linking the industry issues to brands should be as an undertone. It was further discussed that it must be accepted that certain brands would get a better rental than others and the proposed discussion with the SACSC should not be to negotiate a better rental for all but rather to forge a relationship with the landlords.

Vera Valasis said perhaps as a 'what's in it for them' approach the association could offer mediation services in the instance where a landlord has a dispute with a tenant but it was discussed that most members have these services in-house or outsourced already.

Teresa Amodio said in her opinion the research will give us a lot of the information we need and she feels the landlords are also in a similar position as their malls are not as popular as they used to be. Nazrana Hawa said the foot-count has declined by 20% on average.

Vera Valasis said previously landlords asked for statistics which FASA is unable to supply. It was discussed that the three questions posed previously should be re-circulated in the hope of getting a better response.

Nazrana Hawa said a press release is to be issued when we have the discussion with the SACSC.

It was discussed that perhaps the survey questions related to landlord issues and rentals should be re-phrased.

Teresa Amodio said if the landlords didn't have brands in their food courts would they still have tenants so we have to get to the win-win situations.

Vera Valasis said we could approach ResearchIQ to provide us with a 'Survey Monkey' document to address the issues more formally but Akhona Qengqe said when she meets with a landlord regarding a new site, she noticed that the sizes of the sites that other brands are taking are indicated on the plans, so the information is available. Vera Valasis said statistics are required per landlord and not per centre. Akhona Qengqe pointed out that this is a huge task as there are many landlords and said perhaps we should start with the listed companies and then work towards the smaller landlords.

4. Regulatory Matters

a. Music Rights collection agencies

Nazrana Hawa said she mentioned the issue of the music license collection agencies like SAMRO and all the others (refer to pages 15 to 21 of the meeting pack). She went on to discuss that there are too many agencies all collecting royalties on songs and it has become unaffordable.

She explained that there are two issues that should be considered under this matter, one is to attack the proposed legislation. She said the proposed amendments to the Copyright Bill is out for public comment and Spur put a submission together. They have also requested a meeting with the chairperson of the dti's portfolio committee Ms Joan Fubb to put the case forward and to explain that the collecting agencies are out of control.

The other issue is to attack the current tariffs. Nazrana Hawa explained that a group of retailers already won a previous case and managed to get tariffs agreed for their industry. She said Spur has invited a few others to come on board including Mr Price and invited members to support the drive to negotiate reasonable tariffs specific to the industry.

Akhona Qengqe asked whether the CGCSA perhaps took this matter and Nazrana Hawa said she would check with them and revert. Vera Valasis said she would check with the SBI as well.

Nazrana continued with the discussion re the collection agencies and wanted to know if the members agree to contribute to the costs to have an attorney deal with the matter. It was agreed that Nazrana Hawa would circulate the cost estimate and that she would also brief their attorney to draft a letter which is to be submitted to Ms J Fubb. Akhona Qengqe requested that the draft letter also be circulated.

b. Proposed amendments to the Smoking Regulations

The amendments to the smoking regulations were discussed and Nazrana Hawa pointed out that members need to consider that the proposed new regulations call for a complete ban on smoking in public spaces and could mean that the structures previously erected in some restaurants would have to be removed. She pointed out that the CGCSA had a road show about the proposed changes and asked members to send her an email within a week should they have further concerns or contributions.

c. Healthy Food Initiatives

Nazrana Hawa wanted to know if the members are familiar with the healthy food initiatives and said the CGCSA also took this matter up already. It is to be noted though that members are required to comply with the regulations for example the Department of health issued a draft paper stipulating that advertising unhealthy food stuffs to children cannot be done and event showing happy families are not permitted.

Using toys to attract kids and upsizing would also no longer be permitted. Water and/or milk should be offered to children and brands must have 'better for you'

meals – not only children’s menu’s but also on adult menu’s.

The Department of Health also suggested that the meal calorie count be displayed on menu’s which is unrealistic. They have already asked the CGCSA to report back on the progress made by industry in the last 6 months.

Akhona Qengqe discussed that KFC pointed out that they are primarily a fast food business and make a huge contribution through the brand’s feeding program (KFC is one of the largest feeding providers for children).

Nazrana Hawa pointed out that members must inform their marketing departments to ensure that they adjust the menu’s to comply with the undertakings i.e. ‘better for you meals’.

Peet Opperman said the chicken industry’s biggest challenge is still dumping and called on all members to buy local and to put pressure on suppliers to allow or encourage contract growers to stimulate transformation and job creation.

Akhona Qengqe pointed out that individual brands may find it difficult to put pressure on the large suppliers like RCL and Astral but as an industry we can bring far more pressure.

Akhona Qengqe said if there is a sharing of strategies then we can have joint conversations instead of individual approaches. Peet Opperman said the chicken industry is lobbying government around protection and members as buyers of the product should support and get involved in their plight.

Akhona Qengqe said KFC already made representation to government and if the brand agrees she can share the information with the members.

d. Chicken Industry

Peet Opperman said information re chicken consumption volume is well documented but as a forum there is not much we can do apart from putting a lot of pressure on industry to support local suppliers as much as possible and to have conversations about contract farming with the big suppliers.

Nazrana Hawa said when she first met with Ms Joan Fubbs she wanted to know about chicken so perhaps she can get Spur’s regulatory consultants to draft a letter about supporting local suppliers and listing the industry issues.

Akhona Qengqe pointed out that the CGCSA approached FASA about transformation proposals particularly around agri-processing. It was discussed that the email would be re-circulated to encourage members to submit their comments.

Nazrana Hawa said she purposefully excluded transformation from the Agenda for this meeting as it is a broader Exco issue.

She went on to say that Spur has a communications team and agreed to share information with KFC’s communications team in this regard (press releases).

Peet Opperman discussed some of the requirements of the AGOA agreement which allows for dumping of certain chicken cuts in South Africa's market. It was discussed that if there is a quality problem with such a product its origin cannot be traced. The listeriosis outbreak was mentioned and Nazrana Hawa said FASA should have issued a press clip stating that its members comply with the highest health standards but Akhona Qengqe said KFC preferred to remain silent on the matter for fear of brand association.

Nazrana Hawa appealed to members again to raise any regulatory issues that they become aware of with the FFF.

e. Changes to food temperature requirements

Peet Opperman tabled that there are new regulations in terms of temperature requirements and discussed that the temperature requirements for fresh poultry has dropped to 5 degrees and the holding temperature for cooked food is now 60 degrees. Nazrana Hawa asked Peet Opperman for a summary if available so that it could be shared with the members.

5. General

Nazrana Hawa said in closing that there are lots of action points and called on everyone concerned to follow-through. She thanked everyone for their attendance and contributions and adjourned the meeting at 13h06.