

MANUFACTURING - CLOTHING

1995

JANUARY - AUGUST

# Clothing industry 'not competitive'

By AUDREY D'ANGELO  
Business Editor

ET 13/1/95 (184)

A TENDENCY for the local clothing market to grow and the export market to diminish is "disturbing," says Arnold Werbeloff, National Clothing Federation of SA (NCF) economist

He warns clothing manufacturers, in the NCF newsletter, that with the lowering of protective import tariffs "firms which do not achieve international competitiveness are likely to fall by the wayside

"Exporting is the key

to achieving international competitive advantage. Thus it is vital that the opportunity for entering world markets is taken while the local market base is still secure"

NCF director Henne van Zyl said yesterday that uncertainty about the continuation of the General Export Incentive Scheme (GEIS) had made it difficult to plan ahead for exports last year

Now that the industry had been assured GEIS would continue the picture had changed and the NCF was undertaking two major measures

to encourage exports

It was preparing for the first Southern African clothing exhibition, in which manufacturers from neighbouring states would also take part, in Midrand in April

It was also organising a think tank at which the 50 largest clothing exporters in SA would discuss the formation of a Clothing Export Council to promote clothing exports at national level.

Other major exporting countries, such as Britain, had such councils

In addition to this activity the NCF had prepared a guide to exporting clothing to 40 countries. It included the names, addresses, telephone and fax numbers of the 10 largest retailers and wholesalers of clothing in each of the 40 countries, average retail prices and expenditure on clothing as a proportion of gross domestic product

ST 15/11/95 (184)

# Clothing prices to rise 12%

By DON ROBERTSON

THE price of clothes is expected to increase by more than 12% this year, putting pressure on the inflation rate

The industry's labour costs, in terms of new wage agreements, and the cost of raw materials are destined to soar

But "horrific" retail margins are equally to blame, say industry sources

Price hikes of this magnitude will make clothing even less affordable to a large percentage of the community and are well above the average increase last year of about 3,8% reported by the Central Statistical Service

Retailers say, however, that prices moved up by between 7% and 9% last year

Textile manufacturers, ordering for the winter, are faced with rising raw material costs. Wool prices have risen by 78%, mohair by 150% and man-made fibres and cotton by similar percentages

To counter the impact of these in-

creases, clothing manufacturers insist that import duties on yarns, fibres and textiles be slashed

"Greater use of lower priced imports would contribute greatly to the ability of the clothing industry to supply more affordable clothing," says the National Clothing Federation

The Textile Federation says, however, that import duties make up only a small portion of the retail price of clothes

Following actual case studies through the production pipeline, the Textile Federation says that import duty on a ladies' skirt adds only 3,1% to the retail price of R89,99. On a R47,99 knitted, printed polyester/cotton children's play suit, duties add 2%. On a men's woven printed shirt the duty increases the price of R90 by 2,8% and 5,1% on a men's polyester/

cotton shirt costing R39,99

Rather, says the Textile Federation, high retail margins are the main culprit for the soaring price of clothes

Syd Vianello, senior analyst for stockbrokers Ed Hern Rudolph, says retail margins vary between 80% and 150% with the average running at about 125%

"On the upper end of the scale, the margin is increased to cover financing costs, where goods are sold on credit. These remain a major contributor to high clothing prices. It must also be borne in mind that current duty levels on imported clothing are 90%," he says

NCF chief economist Arnold Werbeloff concedes that clothing prices will rise by between 10% and 11% with higher input costs leading to increased ex-factory costs. Retail margins will remain at about the same level as last year

# Rag trade offer to aid customs

THE textile industry has proposed that it and the allied clothing industry provide personnel and financial resources to help the customs and excise department improve customs control

Textile Federation (Texfed) president Mervyn King said yesterday customs and excise officials did not have the capacity to police customs regulations properly

It was therefore necessary for the industry to get involved in combating dumping and illegal imports. **BD18/195**

King said the customs structure was abused by the use of random sampling, while there was insufficient personnel to man the necessary posts

"Dishonest traders take advantage of the situation, which is a threat to the industry," he said **(184)**

The industry was prepared to provide experts who would be able to assist the customs department in policing customs regulations

National Clothing Federation (NCF)

YURI THUMBRAN

executive director Hennie van Zyl said Texfed had tabled the customs proposals. The NCF supported the concept, but would get involved only once the tariff issue had been settled.

"It would not make sense to push the customs issue while we do not have any conclusion on the tariff structure," he said

The Swart panel, which investigated both industries, recommended that customs and excise operations and anti-dumping measures be upgraded. The panel said the unsatisfactory situation was a government shortcoming and the operations could become self-financing

King said the local textile industry was in a much better shape than a year ago. Companies' order books were much fuller

He predicted that when Trade and Industry Minister Trevor Manuel announced the long-term plan for the textile industry "wisdom would prevail"

ADONIS KNITWEAR (184)  
 FM 27/1/95  
**Brighter pattern**

**Activities:** Manufactures and markets high-quality mens' knitwear

**Control:** Directors (77,5%)

**Chairman:** J Bencen

**Capital structure:** 3,5m ords Market capitalisation R3,5m

**Share market:** Price 100c Yields 4,0% on dividend, 9,0% on earnings, p/e ratio, 14,28, cover, 1,75 12-month high, 100c, low, 60c Trading volume last quarter, 31 300 shares

Year to September	'91	'92	'93	'94
Shareholders' interest	0,76	0,85	0,76	0,73
Int & leasing cover	10,9	—	—	90,3
Return on cap (%)	19,4	1,4	(3,2)	5,6
Pre-int profit (Rm)	2,1	0,1	(0,3)	0,5
Earnings (c)	33,7	7,9	0,9	9,0
Dividends (c)	20,0	—	—	4,0
Tangible NAV (c)	228	236	195	200

**The upturn** in the economy and 1994's cold winter have stimulated new growth at Adonis Knitwear. A dividend was paid for the first time since 1991 and EPS climbed to 9,0c (from 0,9c in 1993). Attributable profit rose sharply to R320 335 (R30 487 in 1993). This is still well below the nine-year high of R2,4m in 1990, which indicates considerable potential for the future.

The clothing sector appears to be heading upward in the wake of the economic recovery, taking raw material suppliers and manufacturers of retail goods with it. Within the general upturn, natural fibres such as wool and silk are experiencing a resurgence in popularity. Adonis financial director

**COMPANIES**

Steven Chatel predicts this demand will peak around the winter of 1996, due mainly to the short life cycle of high-fashion goods. The company is investing in sophisticated new machinery in an attempt to anticipate the next fashionable trend.

Adonis has a respectable track record for the investor interested in stable holdings. It has survived 26 years in a business highly susceptible to the vagaries of the economy, has been profitable for much of that time and is proud of its good reputation with customers and suppliers.

However, the company draws the line at openness when it comes to declaring turnover (see box). Notes to the financial statements say the directors consider that "such disclosure would not be in the interests of the company." The discerning investor may wonder what the company is hiding — only margins, says Chatel, to protect itself. "Competition is a significant and real problem," he adds, which results in relatively high levels of nondisclosure in the clothing industry amid strong suspicions of industrial espionage.

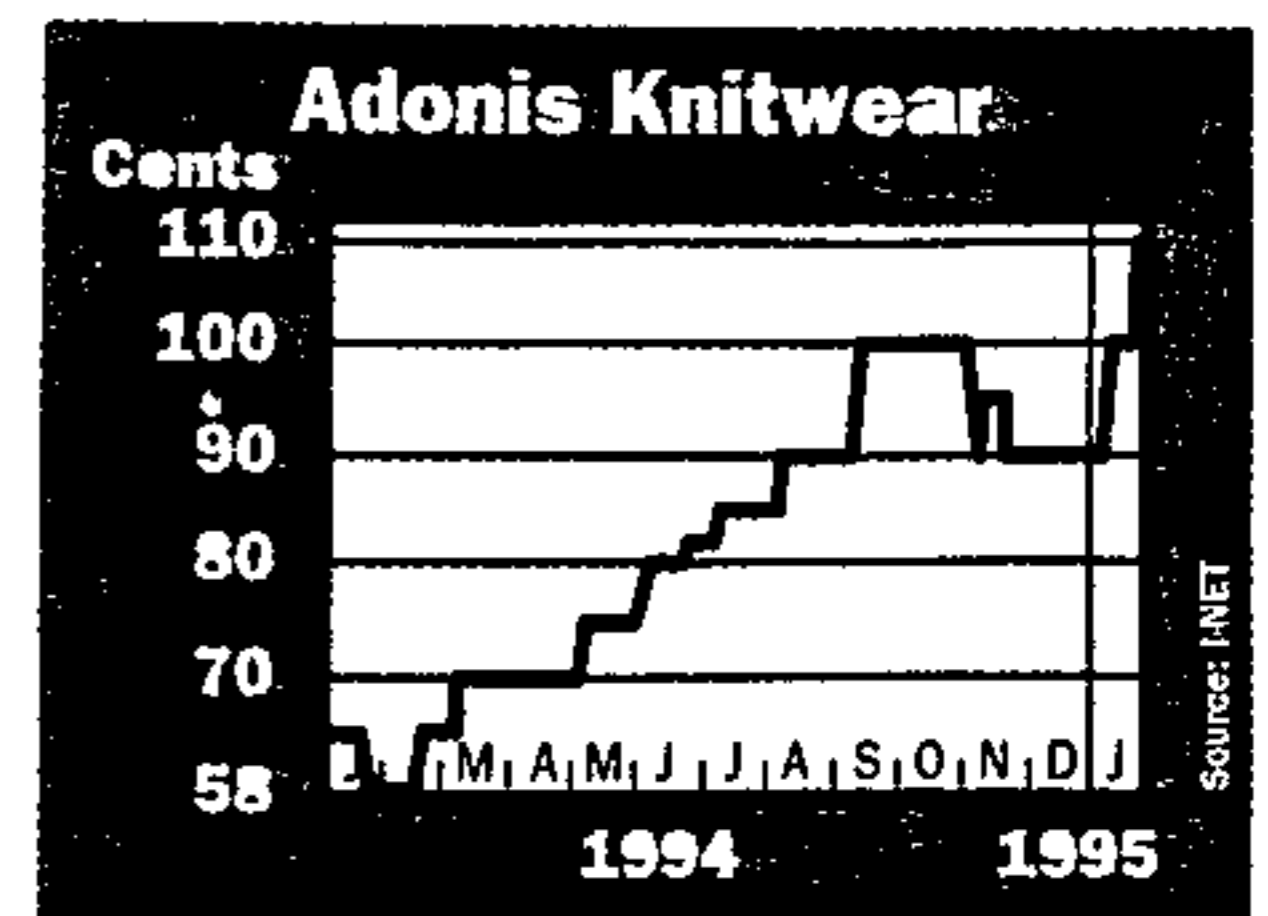
That's all very well but the absence of a turnover figure for Adonis may adversely influence analysts and potential investors, who measure the health of a business by its

profit margins. The share price stands at 100c against a NAV of 200c, a low valuation even when the recent problems in



**Adonis's Bencen** still no disclosure of turnover

**COMPANIES**



the industry are taken into account.

Return on capital remains weak at 5,6% and EPS are well below those of 1990 and 1991. Nonetheless, Adonis's return to profitability with indications for growth in the near future could make this an attractive short-term buy.

Margaret-Anne Halse

**'Problems  
are history'**  
(184) BD 30/11/95  
YURI THUMBRAN

CLOTHING manufacturer Rex Trueform's venture into the retail market through the Queenspark clothing chain could be having a negative effect on its clothing manufacturing operation, market sources said at the weekend.

Textile sources said the Queenspark venture was operating in direct competition with two of Rex Trueform's main clients, Woolworths and Edgars.

However, chairman Stewart Shubb said the problems Rex Trueform had with Woolworths had been resolved and were "now history".

Shubb said the company had an excellent relationship with Edgars, which was a major client. Trade with Woolworths was also going well.

Shubb said the company was poised to benefit further as the duty credit certificate scheme had been extended.

The company has a major export market

Snap it  
up (184) ~~181~~

Pep MD

ARG 4/2/95  
COLIN DOUGLAS

Business Staff

THE government must take decisive action on the vexed question of clothing and textile tariffs, even if the consequences are unpopular, says Pep Stores MD Hennie Smal.

Speaking at the Textile Institute's chairman's evening, Mr Smal said "The government needs to take responsibility for framing a policy that favours the national interest, not sectional interests."

"The previous government, which was unwilling to take unpopular decisions, adopted a consensus approach which was doomed to fail."

"Up to now the government has tried to get the parties together and say 'You sort it out' but its interests are irrevocably in conflict."

Tariff decisions should form part of a national industrial policy whose adoption was essential if South African manufacturing was to become internationally competitive, Mr Smal argued.

A central export-promotion infrastructure should be established. "In Taiwan there's a 20-storey government building devoted to promoting textile and clothing exports, but in South Africa the small manufacturer has nowhere to go."

## Clothing (184)

### sector capex

### set to soar

BDB/2195  
YURI THUMBRAN

THE National Clothing Federation expected capital expenditure projects to double to R100m this year, executive director Henne van Zyl said recently.

The boom in the clothing industry was set to affect small to medium enterprises in a ripple effect as bigger firms subcontracted to such operations.

Van Zyl said the industry was quite bullish and discussions with industry leaders, the Industrial Development Corporation and industry consultants indicated a 100% jump in capex against last year.

He said during the recession the industry had postponed investments in new plant and machinery.

"Even during the current boom a variety of firms subcontracted to smaller enterprises, rather than invest in new machinery. This has had the effect of boosting employment in the informal and small-business sector, a goal which is central to the reconstruction and development programme," he said.

However, the limits of this strategy had been reached and the industry was investing in equipment. A further boost to employment had come from foreign investment and export orders.

Van Zyl said examples were the Levi Strauss manufacturing operation being set up in Cape Town and the three export factories AM Moolla was establishing in KwaZulu/Natal.

He noted the industry was the least capital intensive in SA.

Van Zyl said there was a shortage of capital in SA, and said it was important to invest in labour intensive projects.



## Pals has its best year yet

YURI THUMBRAN

CAPE-based clothing manufacturer Pals Holdings was looking at a rosy future with its order book reasonably full, despite its margins remaining under extreme pressure, chairman and joint MD Selwyn Kagan said in the company's annual report.

Kagan said that with SA now apartheid-free, its clothing was accepted throughout the world. This had stimulated many new inquiries.

"To be successful in converting these inquiries into orders, we must be able to compete on quality, price and service against other major exporting countries, most of whom had the advantage of either reduced or duty-free entry into the US and Europe," he said.

Unlike foreign competitors, SA faced the problem of long lead times in securing raw materials. Local mills were fully booked five to six months in advance and many foreign mills had increased their lead time to 75 days. *BD 9/2/95*

He said the supply of raw materials during the review period was extremely difficult, with fabric suppliers running up to six weeks late. Textile suppliers were now delivering far closer to contracted dates.

In the year to June, turnover rose 54% to R33,5m, resulting in net operating income increasing 113% to R1,9m and earnings a share surging 159% to 19,2c.

Kagan said the performance was the company's finest in its 61 years of trading and seven years as a listed company.

# Allwear MD optimistic

CLOTHING manufacturer Allwear was set to benefit from the surge in the number of black schoolchildren, which increased demand for uniforms, MD Jorrie Jordaan said yesterday.

Jordaan said the com-

pany, which manufactures school clothes, expected this trend to have a positive effect on earnings for the year to December to be announced next week.

He expected the black schoolgoing population to grow from 9-million at the end of last year, to 18-million by the end of the year 2000, he said.

BD 8/2/95

(184) FM 10/2/95  
PALS HOLDINGS

## Neater finish

**Activities:** Makes men's trousers, suits, jackets and shirts

**Control:** Directors 61,8%

**Chairman & joint MD:** S R Kagan Joint MD H Noik

**Capital structure:** 10m ords Market capitalisation R10m

**Share market:** Price 100c Yields 3,4% on dividend, 19,2% on earnings, p e ratio, 5,2, cover, 5,6 12-month high, 120c, low, 24c Trading volume last quarter, 581 000 shares

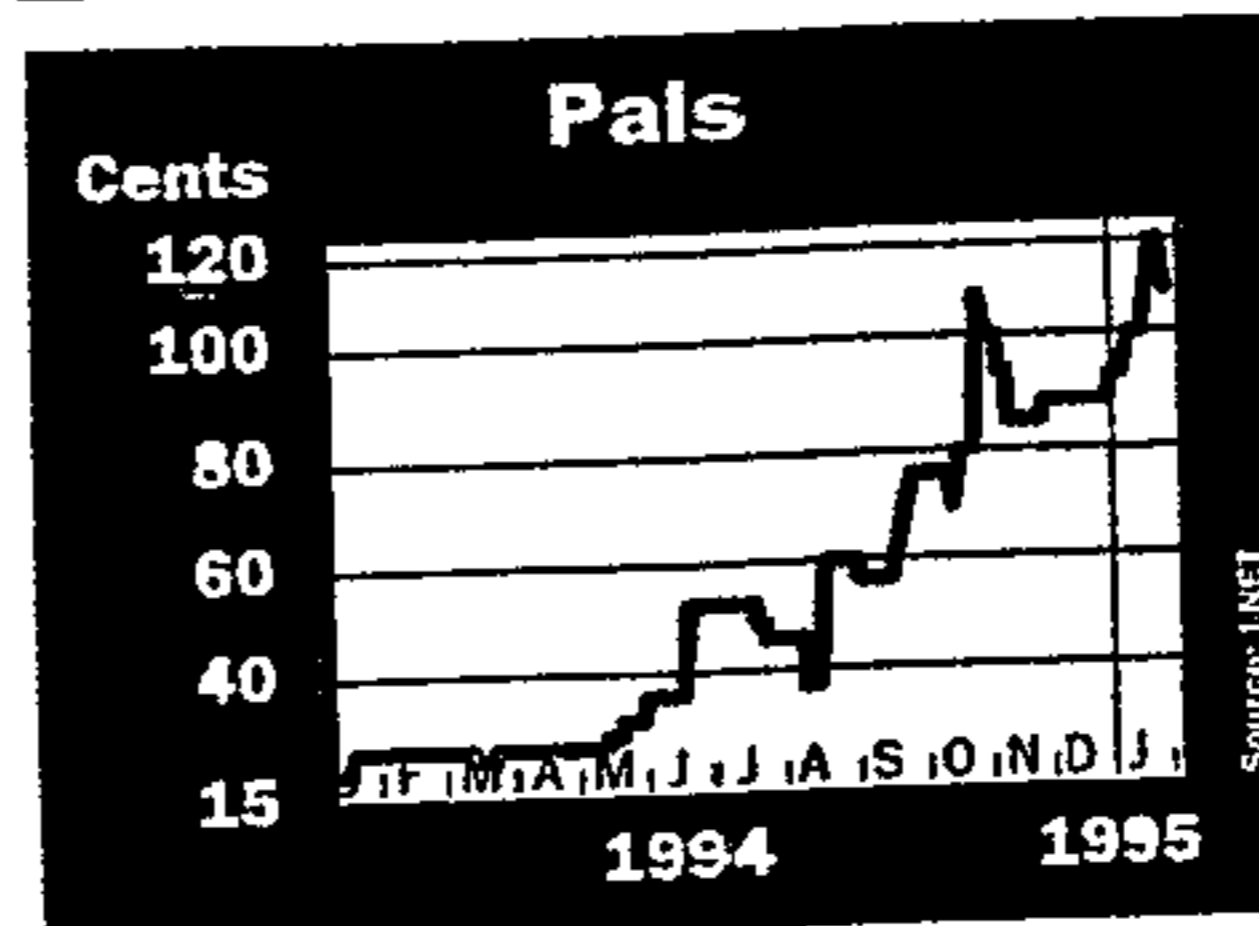
Year to June 30	'91	'92	'93	'94
ST debt (Rm)	1,8	1,4	3,9	2,6
LT debt (Rm)	0,5	0,4	1,1	0,9
Debt equity ratio	0,48	0,33	0,82	0,40
Shareholders' interest	0,48	0,52	0,31	0,40
Int & leasing cover	2,7	3,2	2,2	2,9
Return on cap (%)	16	15	7	13
Turnover (Rm)	n/d	27	34	52
Pre-int profit (Rm)	1,7	1,6	1,4	3,0
Pre-int margin (%)	n/d	5,8	4,1	5,8
Earnings (c)	7,1	7,5	7,4	19,2
Dividends (c)	3,3	3,3	1,4	3,4
Tangible NAV (c)	48	54	61	84

**Chairman** Selwyn Kagan is presumably accurate when he says financial 1994 was the finest in Pals' 61 years of trading, seven of them listed. Anyway, never since the listing has there been more than a few percentage points increase in earnings or share price.

The more than doubling in trading profit and earnings masks many of the difficulties Pals faced last year. Kagan says the supply of raw materials became extremely difficult, with the fabric suppliers running up to six weeks late. Of the five SA textile mills, where Pals sources 90% of local requirements, one withdrew from the market for six months but has re-emerged. Textile suppliers, he says, are now in the main delivering far closer to contracted delivery dates.

Contrary to overseas competitors in the

## COMPANIES



export market, SA faces the problem of excessive lead times in securing raw materials. Local mills are fully booked for five to six months in advance, while many foreign mills have increased their lead time to only 75 days.

Another hurdle is that, apartheid free, SA clothing is accepted internationally, this has stimulated many new inquiries. But to convert these inquiries into orders, Pals must be able to compete on quality, price and service against other major exporting countries, most of which have the advantage of either reduced or duty-free entry into the US and Europe.

Also, GEIS benefits are to be scaled down over the next three years. Kagan says margins are still under extreme pressure and "we do not expect the situation to improve in the immediate future."

Meanwhile, Pals's balance sheet is strengthening. Gearing halved but debt — the lowest in several years — must have been reduced only towards year-end, interest paid climbed from R655 000 to R1m. Debtors fell R59 000, while creditors rose by R368 000. Stock increased by only 14% against the 54% rise in turnover.

Based on the success of existing activities last year, Pals has been able to expand into other areas of complementary business,

including ladies' wear, which is already contributing profit. The share soared from 24c to 120c in 1994, before correcting to 100c and a p e of 5,2.

This looks cheap but it needs to be shown that the earnings recovery will be sustained.

Kate Rushton

# Top jeans maker plans city factory

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CT13/2/95

By AUDREY D'ANGELO  
Business Editor

LEVI-STRAUSS, manufacturer of the world's best-selling jeans, plans to set up a factory in Cape Town which will export to the rest of Africa and to Europe in addition to supplying the SA market

The international company's business development director, Claude Flauraud, said at the weekend that it would be "a multimillion dollar investment" but he preferred not to disclose the capacity of the proposed factory or the number of jobs it would create

He said Levi-Strauss, which sold 250 million pairs of jeans a year worldwide, preferred to locate its factories near the market they would serve and had seven in Europe alone

The reason jeans would be exported from Cape Town to Europe had nothing to do with com-

parative production costs. The arrangement would provide the factory with an additional stream of business while the market in southern and central Africa grew

Flauraud said the project was "still pretty much at the preparatory level. We don't have a factory, a needle or a piece of denim in Cape Town yet. It is all still on paper."

A number of sites had been looked at "and we are pretty advanced on one of them" but nothing had yet been signed

The retention or removal of exchange control was "not a major consideration for us. Our decision (to come here) has already been made."

The company was not deterred by suggestions that productivity in SA factories was low. "Productivity has nothing to do with people. It has more to do with the way factories are laid out, and the tools and machinery available. We expect productivity to be the same here as anywhere else."

Discussing the size of the African market, Flauraud said the SA market was an interesting one "and even today is far from negligible."

Other parts of Africa varied. The Maghreb and Egypt were already maturing markets but sales were lower in some parts of Central Africa where consumers' incomes were still generally low.

Flauraud said the company had recently entered markets in Poland, Czechoslovakia and the former Soviet Union where per capita income was not so different from Southern Africa. But conditions were changing and "rapidly a fair number of consumers have been able to go for Levi-Strauss jeans."

Wesgro, the development agency of the Western Cape, has been involved in the project.

Wesgro CEO David Bridgman said the Levi-Strauss factory would "strengthen Cape Town's image as a centre of the up-market clothing industry."

# Sear del earnings jump by 60%

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CTIS/2/95

By AUDREY D'ANGELO

**EXCELLENT** results from clothing manufacturer Sear del Corporation, which lifted attributable earnings by 60,6% in the six months to December, reflect the upturn in consumer spending.

Earnings at share level rose by 57,1% to 94c (60c) in spite of the capitalisation award in lieu of cash dividends in November, which increased the issued share capital by 522 242 shares

The capitalisation award was equivalent to a cash dividend of 12,5c a share, compared with 7c in the first half of 1993. Shareholders may elect to receive a cash dividend instead for all or part of their holding

Operating income rose by 33,2% to R47,2m. Pre-tax income rose to R32m (R20,9m) and after-tax income by 52,9% to R22,4m (R14,6m)

This was achieved on a 25,9% rise in turnover to R782,6m (R621,598m). Chairman Aaron Searll pointed out yesterday that this rise of R160m was in domestic sales, since export levels had remained static, and was achieved with existing capacity



**DELIGHTED** .. Aaron Searll

without any new acquisitions

"We invested R8m in high technology equipment, but we built no new factories

"This reflects the continued improvement in retail trading, which is mirrored in our group's results."

He said that, barring unfore-

seen circumstances, he was revising the forecasts in the 1994 annual report upwards. He now expected turnover for the current year to be R1,5bn instead of the forecast R1,3bn, with earnings per share of 170c and dividends of 34c

The phasing out of protective tariffs for the clothing industry would be gradual, over 10 years, "and this will give us ample time to adjust"

However "the clothing and textile industries still await the decision of Trade and Industry Minister Trevor Manuel regarding the phasing down of tariff levels within our GATT (General Agreement of Tariffs and Trade) commitments

"The clothing industry calls for an accelerated phase-down on tariffs on its primary input costs of fibres, yarns and textiles in order to obtain its inputs at world-related prices"

Searll said rising costs of raw materials would have to be passed on to the consumer

"I am delighted with our performance. But, having said that, we still have only a 4% margin to turnover which is below our target of 8%"

## Adonis order book 'is full'

(184)  
YURI THUMBRAN

ADONIS Knitwear's order book was full and capital expenditure of R3,2m was earmarked for the current year, chairman Joe Bencen said yesterday.

The company, which manufactured middle- to upmarket knitwear, was in a better condition now than a year ago, he said.

The R3,2m would be spent on machinery, which should be installed by the end of April.

Productivity had improved and Adonis could soon reach the profit levels of four to five years ago.

Adonis manufactured knitwear under the Adonis, Dino Milano, Piere Cardin and Lyle & Scott labels.

Bencen supported the phasing down of tariffs for textiles. "We will be able to get yarn at competitive prices, while a wider variety of yarn will become available," he said.

He expected the good results announced by the company for the year to September would be maintained for the six months to March.

The company reported trading income of R488 000 for the past financial year, compared with a loss of R289 000 the previous year. It had cash of R2,4m at the beginning of the current financial year.

# Seardel shows style

■ BY AUDREY D'ANGELO

Excellent results from clothing manufacturer Seardel Corporation, which lifted attributable earnings by 60,6 percent in the six months to December, reflect the upturn in consumer spending

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Chairman Aaron Searll pointed out that this rise of R160 million was in domestic sales, since export levels had remained static, and was achieved with existing capacity without any new acquisitions

## Hi-tech

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4 Jan 16/2/95

# Levi tries to dispel counterfeiting blues

MULTINATIONAL Levi Strauss, which recently arrived in SA, is cracking down on counterfeiting which has flourished during the organisation's absence from SA

In six raids yesterday in the Johannesburg area, more than 400 pairs of counterfeit Levi jeans were seized by the police commercial unit. Another 1 600 pairs were seized in similar raids in Durban and Cape Town over the past two weeks.

The campaign is a prelude to local manufacture of the brand in SA.

Until now, Levi Strauss had not officially traded in SA nor acted against local

(184)  
BD 8/17/2/95  
**Business Day Reporter**

infringement of its trademark, Levi Strauss assistant corporate security director Hennie Roeland said. As a result, the volume of counterfeit jeans flooding the SA market rose to levels comparable with the Eastern bloc and countries like Turkey. Preliminary investigations showed that at least 90% of retail outlets selling "Levis" were selling copies, he said.

Attorneys Webber Wentzel, who are acting for Levi Strauss in its anti-piracy campaign, have sent out more than 60 letters of

demand. Patent attorney Lawrence Reyburn said what was encouraging, however, was the extent of compliance once retailers become aware of the situation.

Roeland, who has 20 years of experience in international fraud, was flown out from Brussels to head security operations in SA.

Stores under investigation range from the most exclusive to everyday shops in working-class areas. Quite a sizeable number of chains are involved.

Roeland said 50% of fake Levis were coming from Thailand and China. The rest were made in SA, Swaziland and Lesotho.



# Turnaround for SA Bias

JOHANNESBURG — A strong second half performance by clothing accessory and trimming company SA Bias Holdings turned a first half slump in attributable income to a nearly nine per cent improvement for the year as a whole

(184) CT 24/2/95

Reporting yesterday for the year ended December, SA Bias stated attributable income in the first half of 1994 had been down about 20% relative to the previous year because of the disruptions during the election

period, and operating losses in one of the group's six divisions

A good second half comeback saw SA Bias recoup this deficit and complete the year with attributable income and earnings per share 8,8% higher than in the previous year.

Net income before taxation was 18,5% higher but an increase in the average tax rate from 25% to 35% reduced the improvement in earnings per share to 35,9c (33,0c)

A final dividend of seven cents a share was declared — Sapa

# Second half reverses decline by SA Bias <sup>(184)</sup>

A STRONG second half performance enabled trimmings, accessories and components manufacturer SA Bias Industries (SA Bias) to reverse its first half decline and report a 9% earnings rise to 35,9c (33c) a share for the year to end-December.

This was above the directors' forecasts made at the interim stage.

They said attributable income was about 20% down in the first half due to disruptions over the elections, operating losses in one of SA Bias's six divisions and a higher effective tax rate. At the end of July, SA Bias had indicated that June and July turnovers had been strong, and that it would trade within budgets in the second half.

The second half performance had enabled the group to more than recoup the first half deficit. **BD 24/2/95**

Turnover for the full year increased by 12% to R215,6m from R192,5m previously. Margins improved, and operating income was 19% up at R21,7m (R18,2m).

Pre-tax income was 19% higher at R17,9m (R15,1m). But an increase in the average tax rate saw attributable income

MARCIA KLEIN

rise by only 10% to R10,3m from R9,4m previously. The full year dividend was maintained at 11c a share.

Directors said divisions were performing well "for the first time since the recession ended". Since year-end, SA Bias had merged some of its divisions "to facilitate improved customer service".

SA Bias had previously equity-accounted its 50% interests in offshore companies International Trimmings and Barbour Perivale Threads. But it was about to acquire a majority interest in the former, and an SA Bias director was now the MD of the latter. In this light, the operations have been consolidated and the previous year's results restated.

A "satisfactory improvement" in earnings and dividends was expected in financial 1995. The share closed yesterday at 250c, near its yearly high of 270c.

SA Bias had resumed earnings growth in financial 1993 after dropping earnings for the first time in 14 years the previous year.

# SA Bias props up Sabhold with second-half showing

A STRONG second-half performance by subsidiary SA Bias enabled industrial group Sabhold to limit its earnings decline to 7% in the year to end-December.

(184)  
The group, whose main interests are its 88% stake in trimmings and accessories company SA Bias and its 62% interest in investment group Merhold Investment Corporation, reported 7% lower attributable income of R16m (R17,2m), translating into earnings of 82,9c (89,4c).

Earnings were 25% lower at the interim stage as disruptions during the election affected SA Bias and conversion of debentures diluted Merhold's earnings. 802812195

Turnover for the year dropped 6% to R232,5m (R248,3m).

Directors said, however, these figures were not strictly comparable, as financial year 1993 included

MARCIA KLEIN

finance operations previously owned by Merhold.

Prior year figures have also been adjusted as SA Bias has consolidated the previously equity accounted income of associates.

Pre-tax income reflected a marginal improvement to R29,7m (R28,5m), but a hike in the tax rate saw taxed income drop to R23,4m from R24,7m.

Directors said SA Bias was trading well, and its prospects for the current financial year were good.

Merhold's media and industrial interests should perform well, while its banking interests were likely to maintain earnings.

Sabvest, which owns 51% of Sabhold, reported earnings of 42,3c (45c) a share, and maintained its full year dividend payout of 12,5c a share.

# Visiting expert advises govt to set up design council

CAPE TOWN — Government should consider establishing an industrial and commercial design council to form the link between local designers and manufacturers. That was the advice recently of International Council of Societies of Design board member Sannie Abdul.

Abdul said design promotion was crucial to the development of manufactured exports, and with the readmittance of SA to world markets,

**EDWARD WEST**

design would begin to play an important role in export promotion.

Abdul said that in his country, Singapore, which had become a fast growing export-orientated manufacturing economy in spite of a total absence of raw materials, design was actively promoted by the government which offered incentives to encourage manufacturers to make use

of local designers. (184)  
BD 28/2/95

Efforts to promote commercial design included awards, the establishment by the Singaporean government of a design centre, and the holding of design competitions among school-children, some as young as 11 years old, said Abdul.

If designs had to be imported to Singapore, the overseas designer was brought to that country so that skills could be transferred.

# Property loopholes to tighten up

By BRUCE CAMERON  
POLITICAL EDITOR

Loopholes allowing billions of rands to slip through the tax net in complex property deals are likely to be at least partially restricted by Finance Minister Chris Liebenberg when he presents his Budget tomorrow

The schemes have so far passed the test of section 103 of the Tax act, which permits the commissioner of inland revenue to ban avoidance schemes

But the tax authorities have become increasingly concerned about tax consultants aggressively marketing the schemes.

The loophole involves companies selling off land to a developer who effectively sells the right of usage back. This enables the original owner to write off capital costs in as little as one year

Some recent schemes involve major property deals between top South African companies

# Banks braced for foreign competition

By CHARLOTTE MATHEWS  
INVESTMENT EDITOR

Local institutions giving off mixed signals towards the appearance or reappearance of international heavyweight banks in South Africa.

In some respects the foreign banks are welcome but local institutions expect increased competition in a number of areas

Last week there were announcements from Holland's biggest bank, ABN-Amro, and from the UK's Barclays Bank that they would be setting up full banking operations, concentrating on the corporate market

Senior representatives of the international financial group Lehman Brothers also visited the country last week and announced they would probably set up a full branch, although not this year.

The consensus from local banks is that there will be increased competition in some areas but a number of foreign banks would in time

(BR) CT 4/3/95  
discover the SA market was less profitable than they had hoped and scale down their activities

Absa executive director responsible for corporate and merchant banking, Jean Brown, said it was difficult to comment on the possible effects of foreign entrants without knowing what conditions the SA Reserve Bank would attach to licences it granted.

Assuming full branches were permitted, three areas would be most affected. In mergers and acquisition activity, there would be fierce competition to advise local companies wanting to expand abroad.

However, foreign banks would initially find it difficult to operate in the local environment.

On the trading side, more players would provide a more balanced market, Brown said.

Standard Corporate Merchant Bank MD Jacko Maree agreed, saying that more dealing rooms

# Clothing coalition seeks safeguards

By MORGAN NAIDU  
STAFF WRITER

A coalition of the clothing industry's main players has been formed to establish safeguards for the industry's small, medium and micro enterprises (SMMEs) which, they claim, are in danger of collapsing

The Clothing Federation of South Africa, headed by tycoon Ahmed Sadek Vahed, regional clothing associations and the Sunnyside Group, which repre-

sents 70 small business interests, last night backed a proposal calling on the government to recognise and deal with the severe problems facing SMMEs.

The plea comes just two weeks before President Mandela opens the watershed conference on SMMEs — a meeting of small business lobbyists and Trade and Industry Minister Trevor Manuel.

Durban businessman and Consultative Business Forum secretary Shurish Soni, is heading a delegation in Gauteng where the

proposals aimed at the short-term development of SMMEs will be discussed

Major points in the proposal include the recognition and active participation of SMMEs in decision-making, repairing the financial damage caused by high tariff duties during the "Band Aid" period, clear definition of SMMEs and wage payments based on worker productivity.

The document also outlines their intention to resist the textile monopolies.

(BR) CT 4/3/95 (184)

## Clothing giant nets big profit

MARTIN RUSHMERE

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**HARARE** — Pessimism about Zimbabwe's consumer market has failed to dent the fortunes of clothing group Edgars Stores, 59% owned by the SA chain of the same name.

Despite stubborn inflation of more than 25%, which has seriously eroded purchasing power, the manufacturer and retailer chalked up a 60% rise in net profit to R12m for the six months to the end of December.

Turnover was up 48% to R100m. A 12c dividend has been declared.

The company attributes the good results to more sophisticated store design and layout coupled with a wider product range.

The forecast for the full year is a better performance than the 1993 net profit of R15m.

207/3/95

# Exports boost TEJ recovery

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ARG 17/3/95

## But margins still under pressure

**JOHN VILJOEN**  
Business Staff

CAPE Town knitwear and clothing manufacturer Towles Edgar Jacobs turned a R1,691 million attributable loss for the six months to December, 1993, into a R443 000 attributable profit for the second half of 1994, owing mainly to exports.

The results for the half year were in line with budget, but margins were still not satisfactory and remained under pressure, the TEJ board said.

Sales were up 26 percent from the same period in 1993

The improvements in the group income statements were owing largely to better asset utilisation and operating efficiencies resulting from increased exports

Turnover rose 26 percent from the same period in 1993, from R13,7 million to R17,3 million

Earnings a share was 15c for the six months, compared with a loss of 57,3c a share

Managing director Tony Owen

credited the improvement in the results to "consistent endeavour" over the past three years to reap the benefits of increased export volumes.

"In light of these results and the outlook to the end of the year, we are confident of an improvement for the full year, placing TEJ firmly on a path to sustained recovery," Mr Owen said.

Significant changes in the TEJ balance sheet were the increases in fixed and current assets. Land and buildings were revalued last October to about R7 million

An amount of R2,5 million had been transferred to non-distributable reserves. Current assets reflected the increased stocks required to support the greater manufacturing activity levels and sales for the second half of the year.

In spite of the pressure on margins, the budget for the second half of the year should be met, which would result in improved earnings on last year, the TEJ board said

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## NEWS IN BRIEF

**Taxi task force** ~~(183)~~  
ABOUT 250 representatives of taxi organisations throughout the country reached agreement at a meeting with government in Johannesburg to form a joint task group to investigate problems confronting the industry. Issues to be examined include road safety and driver discipline. Transport Minister Mac Maharaj addressed the meeting. ~~BN 20/3/95~~

**Pay talks deadlock** ~~(184)~~  
NEGOTIATIONS on wage increases for the year by the Southern African Clothing and Textile Workers' Union (Sactwu) and Pep Stores deadlocked on Friday. Sactwu said a Conciliation Board hearing would be held this week to try to find a solution. If the Conciliation Board was unable to resolve the dispute, the union would conduct a ballot on whether to strike. ~~BN 20/3/95~~

**SA eyes arms market**  
DEFENCE Minister Joe Modise is confident SA can sell locally designed military ware successfully on the international market. Speaking before leaving for the Abu Dhabi Defence Exhibition in the United Arab Emirates, he said SA would display its G-5 and G-6 weapons, laser range-finder, mine detection equipment and an array of naval vessels.

Modise said several countries had approached SA saying they wanted to buy weapons, but he refused to identify them.

Modise was accompanied by Defence Force chief of staff Gen Wessel Kritzinger, Defence Secretary Pierre Steyn and Armscor chairman Johan Moolman.

### Reporter wins award

BUSINESS Day reporter Noma-venda Mathiane last week won a merit award in the essay/fiction category of the Mondi Paper Magazine Writing competition. Mathiane won the award for her short story titled Labour Pains, which appeared in last April's issue of Femina. Her story dealt with the birth of a new society.

REPORTS. Sapa, Business Day Report

# French visit leads to trade deals

CAPE TOWN — The R600m of foreign aid pledged to SA by France, including contributions to European Union (EU) aid, put the country among the front-runners of donor countries to SA, French Industry, Telecommunications and Foreign Trade Secretary Jose Rossi said on Friday.

Rossi was speaking at a briefing shortly before his return to France following a four day visit to SA during which he met several national and provincial government and business leaders.

Agreements reached included the creation of a Franco/SA trade and industry commission, a R70m loan from the French Development Bank to the Development Bank of Southern Africa, renewal of the 1992 industrial co-operation agreement with the Industrial Development Corporation and the establishment of a Franco/SA engineering company, Ingerop-Bergman.

During the visit French company Gemplus created a technical development and commercial subsidiary in Johannesburg and signed an agreement of association with a service company in the banking sector.

Rossi also presented SA trade and industry officials with a project to establish a institute of training for

EDWARD WEST

electronics, automation and telecommunications, with the support of the French government and businesses and in liaison with the Pretoria Technikon, for underprivileged students.

Rossi said France had doubled its investment in SA in the past two years, while the number of French companies to have established operations in SA had grown to more than a 100 from only 12 in 1990.

In addition, a R110m financial aid package approved by the French government last week would complement loans from the French Development Agency, donations from the French foreign affairs ministry and from the French fund for the global environment announced by the French president in July last year.

Asked if France, during its chairmanship of the EU, would support SA's aim of joining Lomé now that other development countries no longer objected to it, Rossi said: "France is not trying to block anything. France aims to facilitate the emergence of a sympathetic position."

He said SA's position with the EU would be determined by the 15 member states at the ministers' council in mid-April on the basis of proposals by the EU Commission.

## Probe 'contravenes GATT'

AN INVESTIGATION by the Board on Tariffs and Trade into allegations of dumping of cheap footwear imports by Chinese firms could constitute a contravention of GATT provisions, a lawyer acting for the Chinese companies said at the weekend.

In a Government Gazette notice, the board said an investigation was being conducted into complaints lodged by the Footwear Manufacturers' Federation — representing SA manufacturers — that certain footwear classes originating from Hong Kong and China were being dumped on the SA market.

Webber Wentzel international

trade partner Leora Blumberg, who is representing the Chinese firms, said there were four definitions of dumping in the Board on Tariffs and Trade Act. The board had invoked the fourth, which was contrary to GATT principles and would soon be repealed. "A draft Bill, which amends the definition of dumping to comply with GATT, has been introduced. In particular, the Bill removes the fourth definition of the Act."

A spokesman for the board said Friday the investigation had not yet been completed.



# Raw material cost hikes to hit clothing, textiles

BD 14/3/95  
CONSUMERS and retailers should brace themselves for a steep hike in clothing and textile prices in the next month due to a year-on-year average cost increase of between 75% and 80% for fibre and raw materials, manufacturers said

Frame group MD Walter Simeoni said raw material prices had gone "haywire" and would affect clothing manufacturers, retailers and consumers. Cotton prices had risen 107% over the past 18 months.

The SA cotton crop, estimated last November at 250 000 bales, was now expected to yield only 140 000 bales because of the drought.

Simeoni believed the trend would stabilise next year with a significantly improved crop, leading to lower cotton lint prices.

The price of polyester rose 123% to \$2,35/kg year-on-year. Viscose rose to \$2,20/kg (\$1,90/kg) and acrylic jumped to \$2,35/kg (\$1,50/kg).

Textile Federation (Texfed) executive director Brian Brink said Texfed

YURI THUMBRAN

would be holding meetings soon with parties such as the Wool and Cotton Boards and synthetic fabric manufacturers to discuss the price increases. "We are in for a bumpy ride," he warned.

Romatex MD Mike Hankinson said wool prices rose between 70% and 120% year-on-year, largely because of a reduced clip, poor weather conditions and increased off-take in China.

He said the increases were dictated by international price structures rather than domestic factors, and warned it was inevitable they would be passed on down the line. "There is no way that one industry can absorb all the increases."

Hankinson said there was a global shortage of polyester.

While increased demand for synthetic materials could be satisfied by building new plants, wool and cotton supply levels were dictated by weather conditions.

(184)  
**Plea from clothing industry:** The Clothing Industry Federation yesterday issued an urgent plea for the lifting of tariffs on textile imports. Sadek Vahed, president of the federation, said the government was ignoring the plight of small and micro-clothing manufacturers and falling into the old pattern of supporting big business in the form of textile firms. Vahed said the plea was made in anticipation of President Nelson Mandela's Durban Conference on Small Business to be held next week. CT 23/3/95 (BR)

REX TRUEFORM (184)

### Not such royal growth

FM 24/2/95

It's tough when, after trading efficiently enough to produce a jump in operating profits of 32%, a tax rate increase knocks earnings growth back to the mundane. On the surface, that's what happened to Rex Trueform Clothing (Rex) in the six months to December.

Chairman Stewart Shub seems reconciled to the inevitability of a continuing tax rate rise in the wake of reducing Geis rebates, not that these were directly responsible for the increase this time (Geis reductions only)

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### FOX

start in the current half).

Shub says uncertainty surrounding the future of Geis incentives and other export/import costs compelled the group to turn away sizeable export business. Costing and therefore pricing for foreign clients was "an impossibility" not knowing what rulings would be issued by government in the short term. This accounted for the modest 11.5% turnover rise

Shub says the result highlights the success of retail division Queens Park (QP), which opened three more small branches. He reckons QP is trading well and that, as it expands, better use of resources is producing greater efficiencies and ultimately better margin. QP made up turnover lost by unfulfilled exports.

Apart from problems with exports, which constitute less than 30% of turnover (the

Six months to	Dec 31	Jun 30	Dec 31
	1993	1994	1994
Turnover (Rm)	84.7	82.3	94.1
Pre-int earnings (Rm)	2.9	5.9	3.7
Pre-tax profit (Rm)	3.5	4.6	4.5
Attributable (Rm)	3.2	5.1	3.6
Earnings (c)	78.6	124.6	87
Dividends (c)		70.0	

actual figure has never been exposed), Rex seems to be losing local market share in its traditional market. Sales to speciality retailers were maintained at the same level as a year ago. That's not healthy when retail clothing sales increased at an average rate of about 18.5% over the six months.

Shub is not likely to ignore this problem

But while QP continues to prove such a success, it is not surprising it is the focus of his concentration and resources.

On the plus side, the latest legislation extending Geis and the Duty Credit Certificate Scheme incentives help to bring certainty back to the export effort, though Geis benefits are lower than before. With the uncertainties removed, export business should pick up again.

QP is being expanded further, production capacity is fully committed for the rest of the financial year and the second half always produces the better performance.

At R17, the share is well off its high of R22. Its historical p/e is a low 8. Though the interim reflects some problems, mostly on the manufacturing side, QP's potential continues to attract.

Gerald Hirshon

# Manuel tears a strip off the ragtrade

(184)

ARC 25/3/95

## ALIDE DASNOIS

Deputy Business Editor

MINISTER of Trade and Industry Trevor Manuel has rapped clothing manufacturers on the knuckles as the fight over textile and clothing tariffs heats up again

Mr Manuel was responding to remarks by Clothing Federation president Sadek Vahed, who accused him this week of giving in to the textile lobby

The Clothing Federation (Clofed) and the Textile Federation (Texfed) are at daggers drawn over the question of import tariffs on textiles, with clothing manufacturers claiming high import tariffs are stifling small clothing businesses.

The argument has intensified in the past few days ahead of President Mandela's national Conference on Small Business to be held in Durban next week, with both Texfed and Clofed claiming to have the interests of small businesses at heart

The tariff issue is being examined by the minister at the moment

Rumours — denied by the minister's office — that Mr Manuel was about to make a deci-

sion in favour of the textile industry, sparked angry reactions from the clothing lobby earlier this week

"The Department of Trade and Industry," said the minister in a statement issued yesterday, "would find it decidedly helpful if the same supposedly anti-protectionist stance of Dr Sadek Vahed were consistently applied

"The clothing sector currently enjoys at least twice the protection levels applied to the textile sector"

Mr Manuel said the binding level of tariffs on clothing, fixed at 45 percent in terms of South Africa's promises to the World Trade Organisation, was still double that on textiles

"Rather than continually railing against the textile sector, we would invite Dr Vahed to support a move to reduce the tariff on clothing imports to 22,5 percent with immediate effect," he said

Clofed is calling for a phase-down period of eight years for clothing, four years for fabrics and two years for fibres and yarns, while Texfed and the SA Clothing and Textile Workers' Union would like to see tariffs

on all three categories phased down over 10 years

In his statement on Wednesday Dr Vahed accused the government of "continuing the oppressive legacy of the past" by maintaining textile tariffs and of "lending support to a monopoly industry above the interests of the majority of South Africans"

Clofed claims that small businesses are being bled by high input costs of fabrics and that consumers are suffering from unnecessarily high clothing prices

Texfed president Mervyn King denied the existence of textile monopolies

In a statement yesterday, he said he was disappointed by Clofed's stance, especially since an agreement had been reached with Mr Manuel that the debate should not develop into a "slanging match"

The two industries had a symbiotic relationship and should pull together to ensure growth and job creation

He welcomed the creation by the textile and clothing industries of a joint committee to help the development of small, medium and micro-enterprises

# Manuel warns the rag trade

TRADE and Industry Minister Trevor Manuel has rapped the clothing industry across the knuckles for demanding a speedy reduction in tariffs on imported textiles. **BD 27/3/95**

Manuel stepped in after the clothing manufacturers, led by National Clothing Federation president Sadek Vahed, launched an attack on the textiles industry and accused Manuel of bowing to the textiles "monopolies". Manuel countered that demands for an end to protectionism could backfire on the clothing manufacturers, as it could lead to drastic cuts in the protection they enjoy from imports.

On Friday Manuel said the Trade and Industry Department would find it "decidedly helpful" if Vahed's proposals on the scaling down of tariffs for the textile indus-

**YURI THUMBRAN**

try were applied as consistently to the clothing industry. **(184)**

"Rather than continually railing against the textiles sector, we would invite Vahed to support a move to reduce tariffs on clothing imports to 22,5% with immediate effect. The clothing sector currently enjoys at least twice the protection levels afforded to the textile sector," Manuel said.

Manuel noted that this protection was retained throughout the Swart panel report on the clothing and textiles industries. He added that the GATT/World Trade Organisation binding tariff level for clothing of 45% was still double that of textiles.

Vahed was undeterred by Manuel's

To Page 2

## Manuel

**(184) BD 27/3/95**

From Page 1

stance, saying his organisation would stick to its demands for the speedy phase-down on raw material tariffs.

The federation suggested a phase-down of two years on yarn and fibre, four years for fabric, and eight years for clothing. Vahed said the federation would react in more detail to Manuel today.

An industry analyst said Manuel's statement was aimed at ending the fight between the two industries, which had been kept alive by the clothing manufacturers, rather than seriously warning the clothing industry to expect drastic tariff cuts.

He said despite Manuel's harsh words there was no firm indication that the textile industry would get the 10-year phase-down it was seeking.

Textile Federation (Texfed) president

Mervyn King said the debate around the clothing and textile industries had to be kept factual and positive.

King said the textile industry remained committed to its request for a 10-year phase-down at the end of which the industry would be internationally competitive as a result of investment and training. He noted that GATT had agreed to SA having a 12-year period.

Referring to the clothing federation's argument that a faster phase-down of inputs would generate more jobs in the labour intensive clothing industry, King said the textile industry contributed R8bn to SA's balance of payments and was the sixth largest employer in the manufacturing sector. He said 30 000 jobs in the cotton industry were indirectly dependent on the textile industry.

# 'Zimbabwe option' spooks ragtrade

## (197) ARG 28/3/95

## Business Staff

FRAME chief and Textile Federation president Mervyn King has pointed to what could lie behind the reported change of heart in government over the question of protection for fabric manufacturers from cheap imported cloth

In an article in the latest Textile topics newsletter, he cites the virtual collapse of the Zimbabwe textile industry in just four years under a World Bank/International Monetary Fund economic plan which slashed import duties on material from 65 percent to 15 percent, scrapped duty rebates for manufacturers and did away with a cotton price subsidy

"Last year more than 11 000 textile workers — 44 percent of the total in the industry — were retrenched

The impact of this on the supplier and clothing industries has been horrific," Mr King writes

The apparel sector, spearheaded by the National Clothing Federation and its small business arm, accuse the government of giving in to threats by the textile industry to freeze capital expansion if tariff protection on fabric was scaled down over five years instead of 10 to comply with the General Agreement on Tariffs and Trade (Gatt)

In a paperstorm of documents last week, they

claimed to have wind Trade and Industry Minister Trevor Manuel was soon to announce a trade plan which would provide the level of protection the textile sector wanted

They described fabric producers as holding the country to ransom, crippling small garment manufacturers by preventing them importing the cheap fabric that would enable them to compete with low-price imported apparel and to export

The clothing people say only 30 percent of what the textile sector makes is for use in clothing — the rest comprises household fabrics and materials for use in other industries — and lower duties on apparel cloth would do them little harm

The clothing sector aims to bend the ear of President Mandela over the issue at the President's Conference on Small Business starting in Durban today

Mr King said at the weekend the National Clothing Federation accusations were contrary to the spirit of a joint textile-garment industry committee set up to assist small, medium and micro-enterprises

It was "scandalous" for garment-makers to accuse the fabric sector of holding the economy to ransom and said the textile industry needed the 10-year duty phase-out to survive and prosper

Mr King writes that the South African textile industry has more to lose than that of Zimbabwe. It employs 80 000 directly and another 280 000 indirectly

"In order to survive — and thrive — the industry needs a 10-year phase-down period to the Swart levels of duty

(An industry task group known as the Swart recommended a 10-year period — subsequently disputed by small clothing producers — in a report to the government last year)

"In the light of the Zimbabwe experience, there is no need for the South African government to grope in the dark"

Additional pressure on the government to look after the textile trade may well stem from growing interest in investing in South Africa by Far Eastern fabric producers keen to take advantage of the lack of a quota restriction on cloth exports to the US from this country

A delegation from Taiwan has been addressing the feasibility of a \$200 million cotton-spinning mill, possibly in KwaZulu-Natal, while considerable publicity was given an Indonesian group setting up a "fully integrated" textile plant in the region

# Pals ups profits to R1,1-m

## Deputy Business Editor

CAPE clothing company Pals Holdings produced dazzling results in the six months to December, more than doubling shareholders' profits to R1,1 million

Turnover was up only 8 percent but stringent control over expenses, greater efficiency in production and an increase in exports helped the company boost net operating income 89 percent, directors said

"These results are most gratifying and the second half of the year should produce satisfactory results," they said.

The interim dividend was passed but shareholders can look forward to a pay-out after the year-end

■ Independent Newspapers has raised its stake in Argus Newspapers to 58 percent.

The group said holders of 10,5 mil-

lion Argus shares had accepted the offer

Before the bid of R13 in cash for each Argus share Independent Newspapers held 35 percent of Argus

■ Electricity prices will rise four percent this year and next year's increase will also be below the inflation rate, Eskom chairman Jan Maree said in his annual address

Dr Maree said the increase of 7 percent last year was in line with Eskom's goal of reducing real prices of electricity by 20 percent between 1992 and 1996

Eskom reported net income up nearly 38 percent to R2,3 billion in the year to December

Chief executive Allen Morgan attributed the strong results to a focus on efficiency and the curbing of operating costs. Operating expenditure rose 10,7 percent over the year

(184) ARCT 30/3/95

## Education (184) changes 'boon for Allwear'

YURI THUMBRAN

CLOTHING manufacturer Allwear was positioned to benefit from the increase in the number of pupils at traditional black schools, and from higher export levels, chairman Renier van Rooyen said in his company's annual review for the year to December.

Allwear derives a major slice of its sales from the production of school uniforms, mostly for black pupils.

Continued capital investment in new technology saw the company increase exports from R1,8m in 1993 to just less than R10m in the past financial year.

Van Rooyen said uniforms were a part of the culture of discipline, authorities were trying to inculcate in black schools.

He expected the major influx of pupils into Model C schools would mean further sales benefits for the company.

In Gauteng alone, 80 000 more pupils had enrolled at model C schools.

The enrolment of black pupils was expected to leap 45% by 2004 — an increase of 5,2-million pupils.

"Taking this into account the company, being a dominant supplier of schoolwear, is positioned to benefit directly and improved results are anticipated for 1995," he said.



## 10 000 go to see Manuel

BD 3113195

NICOLA JENVEY

DURBAN — More than 10 000 SA Clothing and Textile Workers' Union (Sactwu) members, demanding to see Trade and Industry Minister Trevor Manuel, temporarily halted proceedings at yesterday's President's conference on small business. (184)

Sactwu presented Manuel with a memorandum saying certain manufacturers, including AM Moolla group chairman and CEO Sadek Vahed, were attempting "to shape public policy to their narrow interests" and to promote job loss and large-scale closures of factories.

In response, Manuel said the long-standing fight between textiles and clothing had to be resolved as soon as possible, since "there are too many mouths depending on the outcome".

"Decisions taken about the future of the textile and clothing industries must be made with workers and management," he said.

There was no disagreement that the issues had to be resolved.

Sactwu, which represents 110 000 clothing workers, 50 000 textile workers and 10 000 footwear workers, called in its memorandum for carefully targeted financial assistance from the public sector and preferential treatment of small businesses in state procurement policies.



**T**HE public tussle between the Clothing Federation (Clofed), the Textile Federation and the Trade and Industry Department is generating more heat than light.

This is only the latest in a series of disputes which have obscured the important issues these industries must face. It is crucial that an effective and transparent trade and industry policy be put in place for the entry of SA to the global economy.

A year ago the clothing and textile industries, the SA Clothing and Textile Workers' Union (Sactwu) and Trade and Industry put their names to a shared vision. This was an amazing achievement for interest groups that had long been at loggerheads.

While Trade and Industry Minister Trevor Manuel and his team deliberate on the merits of the Swart report's tariff proposals, Clofed has broken ranks.

Clofed contends that textile tariffs are excessive and detrimental to the clothing industry, particularly small and medium-sized enterprises. Clofed argues that textile tariffs should be reduced more rapidly than agreed so that the clothing industry is not impeded by inefficient domestic textile producers.

**T**he effort expended by the clothing and textile industries on tariff lobbying is astounding. The tariff battle is often rhetorical and shallow, with little attention devoted to promoting policies that would support their long-term development.

Firms might appear rational in their pursuit of favourable tariff increases, yet a large discrepancy exists between the official tariff and that actually paid. For example, in 1993, the average official tariffs applying to clothing and textiles were 142% and 50% respectively. However, the average that were tariffs paid were 8% and 14%. This unintended liberalisation began in 1989 with the introduction of the structural adjustment programme.

The tariff structure is irrational. Three types of tariffs may apply to 2 000 tariff codes, depending on the weight and value of the product. The system assumes that all border posts

# Disputes obscure issues in textile, clothing sectors

MIRIAM ALTMAN

B06/4/95

are operated either on a computer system or by mathematicians with specialised training in clothing and textile product identification.

Despite the ease of product-switching at customs posts, the Swart report recommended that this system continue over the 10-year tariff phasing-down period.

The approach to export promotion policy is equally perplexing. Internationally, duty-free import permits are offered to reduce exporters' input costs to "world prices". In contrast, the structural adjustment programme encouraged imports through its system of tradeable duty-free import permits, allocated on the basis of export success.

Most permits were used to import clothing, particularly the most trade-sensitive clothing products to which the highest tariffs applied. Duty credit certificates replaced the structural adjustment programme in 1993. The certificates are not transferable although the imports purchased may be sold in the market, allowing for a similar result. Such certificates have been an important contributor to job losses in the clothing industry.

The new government should consider adopting a more balanced approach to industrial policy, incorporating trade policy into a wider

framework. This approach would require consideration of the main issues facing the industry and the position of each industry in the wider economy. Does it make sense to support one industry over another within a production pipeline? Both industries provide substantial employment opportunities. The clothing industry provides jobs cheaply, while the textile industry offers greater employment stability. Yet these are not separate industries; they form an interdependent network.

**L**ocal clothing exporters will need to bank on a domestic textile industry for a significant proportion of inputs. The competitiveness of both these industries will depend on future investment in flexible textile machinery and improved production flow through this pipeline.

Should Trade and Industry lower the import price of textiles to favour small and medium-sized firms' production and their supposed contribution to low-income markets?

Complete liberalisation of clothing imports would be the most efficient method of lowering the price of clothing to poor consumers. China is the cheapest producer of low-cost

garments. Liberalising textiles faster than clothing is beneficial for all clothing producers, regardless of market orientation. On the other hand, unfair competition in the context of weak anti-dumping safeguards could threaten local employment through the textile pipeline.

Clofed is rightly concerned about the legacy of constraints on small business. Yet small firms are not the major employers in the clothing industry. About 80% of industry employment is found in the 300 largest firms, each employing an average of 360 workers. Nor has it been established that small enterprises are the prime suppliers of low-cost goods to the poor some of the largest clothing producers such as Pepkor serve low-income consumers.

The Swart report recommends the continuation of duty credit certificates for a limited but unspecified period. Official guidelines on their use specify that exports will not be considered within this programme unless inputs are locally manufactured or imported on full duty. This protective measure is misplaced since duty credits are a tool to reduce exporters' input costs to "world prices", enhancing competitiveness in global markets. Instead, firms tend to use the certificates to earn short-term profit through the import

of duty-free clothing.

The clothing and textile industries argue that they require the full negotiated phase-down period to allow time to become sufficiently competitive. There is little evidence to show a dramatic commitment to such goals. To date, export assistance has been used primarily to maximise short-term profit. There has been little substantial reinvestment in new equipment and machinery or human resource development that would allow for continued export activity once the export promotion scheme ends.

As the trade environment has been liberalised substantially since 1989, the remaining threat to the clothing and textile industries comes from very low-cost countries, particularly those with reputations for dumping. The tariff schedule must simply establish a price floor for imported products. One duty should be applied to a greatly simplified tariff code. The tariff of choice would be based on product weight, not value.

Ad valorem tariffs enable invoicing and have little effect on a fragmented product such as clothing. Tariffs based on weight are difficult to avoid, easy to calculate and acceptable in terms of GATT.

**T**he clothing and textile industries would more beneficially exert effort promoting policies to facilitate their long-term existence, keeping in mind GATT rules. Some examples include expansion of the export marketing assistance programme and possibly the introduction of foreign exchange accounts devoted to the purchase of capital equipment.

The Swart report put forward a range of beneficial proposals such as increases in payroll deductions and state assistance for training, interest rate subsidisation for technological upgrading, small business support assistance and improved manufacturing-retail interfacing.

Significantly, the report recommended that government assistance be tied to job creation, plans for improved competitiveness or determined social indicators.

□ **Altman teaches economics at Wits University.**

(184) (111) (74)

# Pity our poor Trevor, the man in the middle

CT(BR)6/4/95

By BRUCE CAMERON

POLITICAL EDITOR

The Trade and Industry minister, Trevor Manuel, knows he is attempting the impossible as he tries to sort out the vexing problem of removing trade barriers from the rag trade, while protecting thousands of jobs.

He is stuck in a scrum with heavyweights from the World Trade Organisation, the textile manufacturers, the clothing manufacturers, the clothing retailers, exporters, the cotton farmers and wool growers, and the unions all piling into the fray. His job is made no easier when he is caught in the middle of punch ups between the combatants.

Responding to criticism of his handling of the problems, Manuel said in an interview this week "inevitably whoever is the minister of trade and industry will take the rap. There are issues for which no one wants to take responsibility." But he is adamant that he will press on in sorting out the mess caused by years of protectionist policies put in place to beat off a hostile world.

Manuel said he was also heir to a disentanglement policy put in place by Derek Keys, former finance minister.

"Derek Keys, in his wisdom, initiated a pipeline approach to look at the industry in its entirety. It was the logical thing to do, but it is also an extremely difficult path to take."

There were continual trade-offs and spin-offs in decision making, Manuel said.

For example, no more than 40 percent of textiles manufactured in South Africa went into locally manufactured clothing, but the barriers for entry to the clothing industry were much lower than for the textile industry.

In other words, jobs could be created far more cheaply and easily in clothing particularly as many manufacturers undertook the design and cutting while contracting out the make-up to small operators. Manuel said the position was further

complicated by the clothing retail industry, which was dominated by four or five big chains, and which wanted to import clothing at reduced tariffs.

"If we drop tariffs on textiles rapidly, clothing manufacturers would smile — but we could lose as many as 40 000 jobs."

"If we drop tariffs on clothing, retailers would smile — but we would probably lose 40 000 jobs."

The complexity was made worse by the many different tariffs. Apart from ad valorem duties there were also specific duties on different products.

In terms of the offer to the Uruguay Round of the Gatt negotiations, the duties on textiles had to come down to 22,5 percent and to 45 percent on clothing. Both were currently way above 100 percent.

Manuel said the objective was to maintain jobs while improving competitiveness. The textile industry also had to be given breathing space to invest capital in plants. The years of economic isolation had resulted in machinery falling one and even two generations behind, reducing international competitiveness.

He said the government had taken a first step in assisting the textile industry to upgrade its equipment by removing the 15 percent surcharge on capital goods in the last Budget.

The government had also assisted the clothing manufacturers by reintroducing the Duty Credit Certification scheme, which provided a rebate of duties on textiles used for clothing for export.

The DCC scheme had been adapted to make it more friendly to smaller exporters in order to encourage the creation of jobs.

"What we need to do is push through reforms in a way which will take account of the widest cross-section of interests."

Manuel said there was no doubt that there were many marginal jobs in the clothing and textile industries but he could not predict how many jobs would be lost.

He said job numbers were increasing in some areas, particularly in clothing manufacturing for niche export markets.

# Textiles, clothing divided by timings

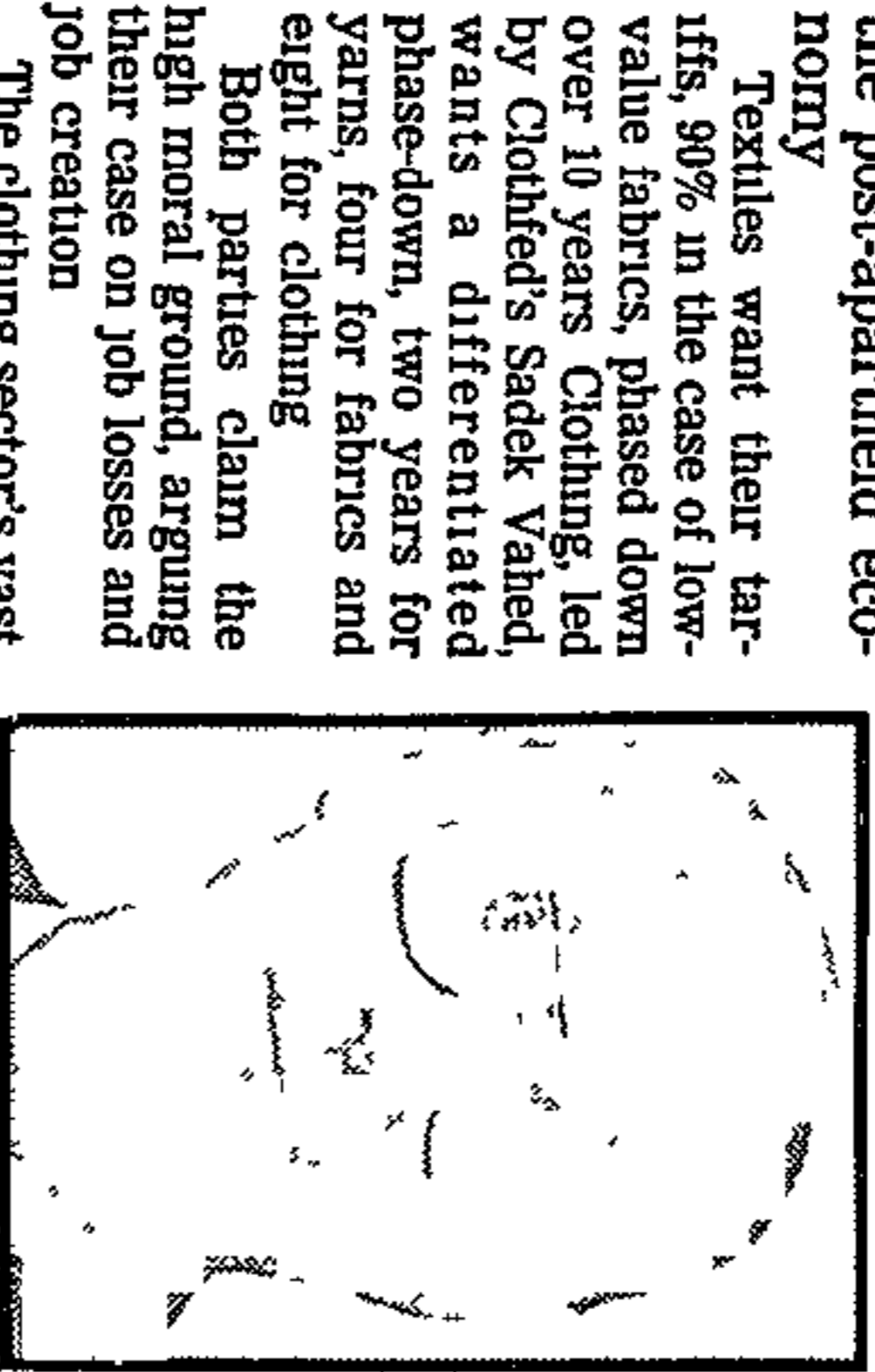
(184) ST (PT) 9/4/95

THE restructuring issues highlighted in the fierce row between the textile and clothing industries mirror the wider challenges facing the post-apartheid economy.

Textiles want their tariffs, 90% in the case of low-value fabrics, phased down over 10 years. Clothing, led by Clothed's Sadek Vahed, wants a differentiated phase-down, two years for yarns, four for fabrics and eight for clothing.

Both parties claim the high moral ground, arguing their case on job losses and job creation.

The textile industry wants import tariffs phased down over 10 years, the clothing industry thinks four years is more suitable. Now a government body argues for two to four years. **KEVIN DAVIE** reports.



**BRIAN BRINK**

The clothing sector's vast potential for job creation has already been identified by the World Bank as the barriers to market entry are low, sometimes not much more than the price of a sewing machine.

Now clothing has won the support of another ally, the government's Central Economic Advisory Service.

A CEAS report, dated November 1994, evaluates the Swart report which proposed a 10-year phasing down of textile tariffs starting in year one

CEAS says government protection is normally afforded only to infant industries.

"In the case of the textile and clothing industries the metaphor of the 'infant industry' argument can be extended to old and uncompetitive industries which either never matured or lost their competitive edge because of government involvement."

CEAS says conventional wisdom suggests five to eight years of protection for infant industries.

"In our case the time period for assistance should, however, be much shorter, for example two to four years, because the basic structures, systems and products are in place and all that is needed is some temporary assistance to secure competitiveness."

CEAS says the stagnant and uncompetitive nature of most of this sector is not true for the sector as a whole as some companies are proving to be successful.

"These firms have taken a conscious decision to invest without government involvement."

It says high tariffs present strong incentives for evasion, fraud, illegal imports and under-and over-invoicing. Lower tariffs improve the efficiency of the system and could increase the revenue collected from tariffs.

While the Swart report

argued for interest rate subsidies to make up the difference between South Africa and international rates, CEAS favours depreciation allowances which will reduce the tax life of machinery to three years from the present five.

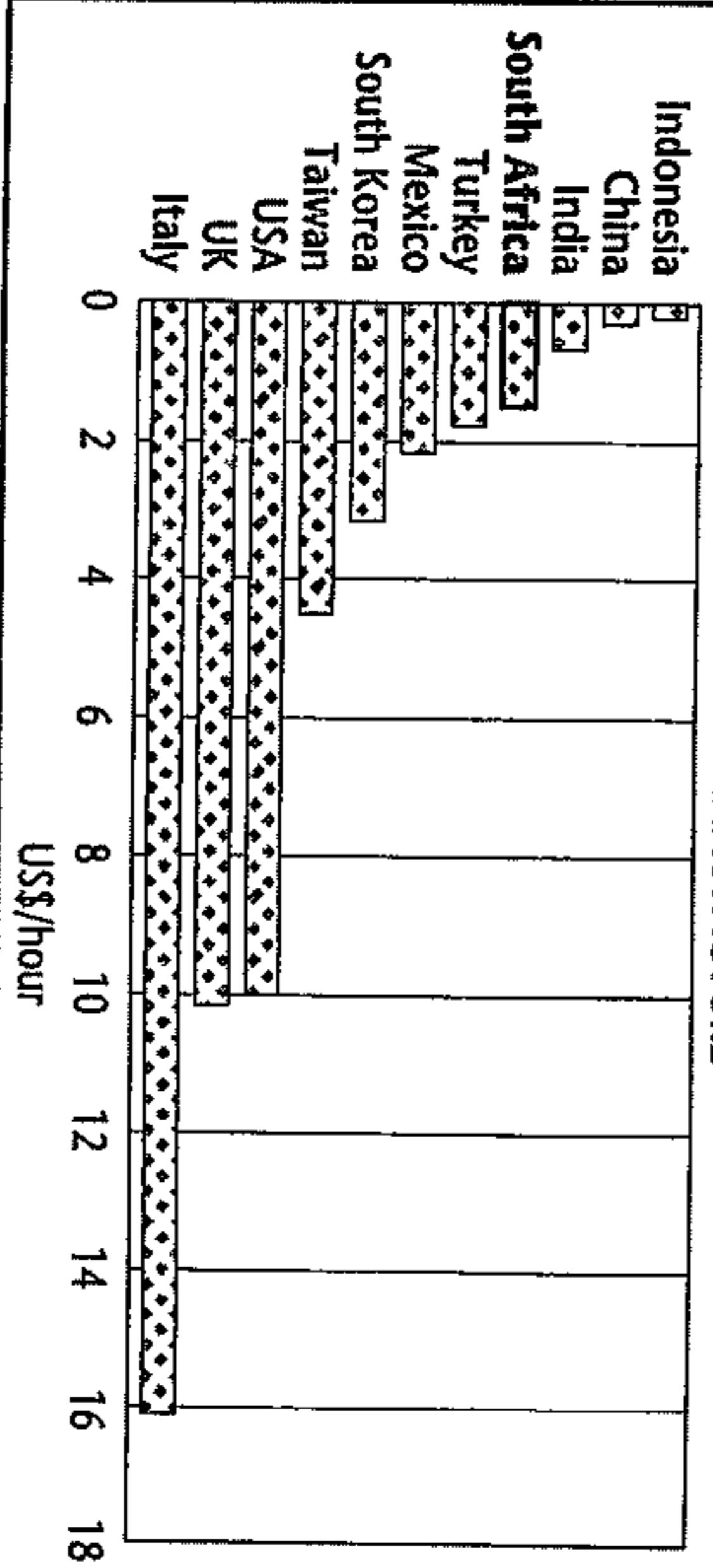
"This would require a commitment from the private sector and there would be no further need to look at the government for hand-outs."

CEAS says the industries need the pressure and incentive of international competition to drive their restructuring.

The Textile Federation's Brian Brink replies that the CEAS's "two- to four-year" phase-down is not reasoned or empirically determined.

"It is seemingly plucked from nowhere."

Mr Brink says just the importing, erecting and commissioning of machinery can take over two years to complete in the textile industry.



Graphic: FIONA KRISCH

Source: MONITOR

He says the CEAS report fails to take into account the fact that a speedy phase-down in Zimbabwe failed, with disastrous consequences for the industry there.

Mr Brink says the CEAS report can be summarised that the entire SA economy needs to be restructured, the education system needs to be changed, the capital base of the textile and clothing industry needs to be replaced and export orientation needs to be developed.

"All of the above will take 11 to 15 years, but (the CEAS) gives the industries two to four years to achieve the above anyway."

Texted says Gatt requires a 12-year phase-down of fabric duties to 25%. The textile industry agreed to a 10-year phase-down to 22%.

"It makes little sense to jeopardise the 360 000 jobs in textile and related industries by not giving the industry time to remodel itself and become internationally competitive."

Texted says this 10-year period should be compared with the 15-year tariff phase-down afforded to the US in terms of the North American Free Trade Agreement.

It says the clothing lobby's argument is fundamentally flawed as clothing exporters have been able for many years to import, duty-free, all fabrics which they export as clothing.

"The impediments to clothing growth are unrelated to textile tariffs."

The signs of relief were general when we were able to negotiate fairly generous duty phase-downs with our trading partners in Gatt.

But the textile-clothing row shows that pressure for speedy tariffs reductions — much faster than those we have agreed under Gatt — are likely to increase by the day.

One protected industry's tariffs add to another's input costs. Demands to reduce all input costs will become enormous as the pressure to become competitive grows.

**SADAK VAHED**

Clothing Federation's chairman



*Government warns against discrimination*

# New-era schools c

**MODEL C schools in 'white' areas report large increases in black admissions**

■ **STAFF REPORTERS**

The first generation of South African children to be promised a fully open and equal education started school in Gauteng today

There were reports of race discrimination by some white headmasters yesterday when pupils were being registered, but this morning previously white schools checked by The Star had opened their doors for the first time to all

Model C schools, some of which did admit some black pupils in the past, have been reporting a large increase in black admissions

As thousands of South Africans prepared for their big day, Government officials warned that strong action would be taken against any school refusing to admit pupils because of their race or for any other criteria that might be termed discriminatory

The warning, issued by both Gauteng and national education officials, came amid increasing reports of racism in admission policies of certain Model C schools

Officials were not able to specify what form any action might take

Gauteng MEC for education Mary Metcalfe's spokesman, Robinson Ramaite, said the ministry had received reports of schools refusing admission to black children on the grounds that they were full, and later accepting applications from white children

"Several schools around Johannesburg are being investigated and if the allegations are confirmed, the ministry will definitely act against such schools. The parent also has the right to take legal action against the school as this kind of action is unconstitutional," he said

Ramaite said a "substantial number" of the more than 500 calls received by the ministry's central admissions office yesterday had related to racial

► **To Page 3**



Her first day . . . Sweetness Ngesi (5), who started school today at the Fairview Junior School in Johannesburg, is seen eating of her lunchbox. The school, which can take 300 children, was almost full up by 9 am today.

## PERISCOPE

### *First day of a bright future*

■ **BY ABBEY MAKOE**  
SOWETO BUREAU

Her Tswana name means, in English, "one who has been accepted". And Keamogetswe Mogale (5) of Naledi, Soweto, today wakes up to an entirely new way of life — it is her first day at school

Like thousands of her peers who will start school today, she is a shining example of the new South Africa. These are the first batch of children to start their education under the security of the democratic order which eluded this country for so long

Keamogetswe has been

looking forward to this day since her memorable graduation party at her local creche last month

"When I grow up I want to be a nurse," she says with a shy smile

"If I don't become a nurse I

► **To Page 3**



# Ensign suffers from loss of sales

(184)  
CAPE-based clothing manufacturer Ensign hoped to break even in the current financial year to end-December, chairman and MD Ronald Roy said in the company's annual report.

Roy said Ensign's forward order book had shown some improvement and the current upturn in the economy was helping the company increase output, which in turn would increase contributions towards overhead costs.

Ensign manufactures uniforms, overalls, worksuits, leisurewear and protective clothing under the Samson International, Macbean and Samson labels.

However, Roy said the company still had some low value contracts to be delivered during the next few months and he did not expect a return to profitability during the first half of the year.

The company reported an attributable loss of R2m for the year to December compared with a loss of R214 000 the year

BD 10/4/95

YURI THUMBRAN

before, while turnover slipped 2% to R29,8m.

Roy said it was disappointing that the company could not reverse the downward trend during the review period.

He noted that the drop in turnover was a result of its inability to fully recover sales from alternative markets after a significant reduction in business from its traditional market, the public sector.

Intense competition resulted in pressure on margins and the sharp drop in output resulted in the company's inability to fully recover overheads, despite its efforts to reduce costs.

Roy said downsizing and retrenchments in the previous year had demoralised staff, while the unexpected holidays declared at election time and "minor" incidents of labour unrest had adversely affected productivity.

# Labour is clothing industry's key concern

(184) CT(DR) 18/4/95

**Strikes, intimidation, low productivity, new labour legislation — these are just some of the issues raised by manufacturers**

By CHARLOTTE MATHEWS  
INVESTMENT EDITOR

Conditions in the clothing industry remain difficult and although some companies are expecting an improvement in 1995, others are still battling to overcome the problems that arose in previous years. According to the chairmen of three listed clothing groups which released annual reports this week, labour and productivity are still areas of considerable concern.

Allwear chairman Renier van Rooyen, whose group specialises in schoolwear, said unresolved labour

He said it appeared as if the authorities were intent on having labour legislation which would compare favourably with that of most advanced countries.

"Wildcat strikes, intimidation and additional public holidays are very costly and can make international competitiveness extremely difficult and hinder economic recovery."

Ensign Clothing chairman Ronald Roy reported that the group's productivity suffered from the demoralising effects on employees of downsizing and retrenchments that occurred in 1993, and the election, sporadic go-slows and stoppages.

Ensign is taking steps to improve efficiency on the factory

floor, where recent changes to strengthen management are starting to show results. But a high level of absenteeism continues to be a worrying factor.

All three companies passed their dividends in 1994.

Ensign and Sterling reported disappointing results in the year to December. Ensign increased its attributable loss before extraordinary items to R1,9 million from R906 000 and Sterling's after-tax earnings dropped to R296 000 from R554 000. Both have taken or are taking remedial action.

Allwear, however, grew its net profit by 79 percent to R5 million on an 11,4 percent rise in turnover.

The forecast for pupil enrolment between 1995 and 2004 indi-

cates a growth of 45 percent or nearly 5 million pupils and there has been a growing trend in black schools towards an identifiable uniform. Allwear has also successfully grown its exports.

Van Rooyen forecast better results for Allwear in 1995 and if the profitability of the company is maintained, dividend payments should resume.

Sterling also expects to resume dividend payments as soon as the benefit of new strategies are realised, but shareholders are asked to exercise patience.

Ensign expects to break even only by the end of 1995 because it still has some low-value contracts to deliver. It hopes to resume dividend payments in 1996.



## Fate of industries known very soon

NICOLA JENVEY

DURBAN — Government's long-awaited decision on the fate of the SA textile and clothing industries would be announced within a month, Trade and Industry Minister Trevor Manuel said at the weekend. (184) (184)

Addressing a gathering of the city's prominent businessmen, Manuel said a report had been presented to him last week, which he had found "unsatisfactory and I rejected it".

The revised edition would be available "very soon, no more than a month".

Manuel said imminent changes to SA's antitrust legislation would boost competitive levels between small and large firms and ensure internationally favourable prices. B0 24/4/95

He was presently working on a Bill for presentation before Cabinet in June, although current legislation had already been used to break cartels within the cement and steel industries and help a small-scale cinema company to compete against Ster-Kinekor.

The local economy had to be "particularly watchful against smugness", as misreading the present cyclical upturn would be disastrous.

"The key challenge is placing this economy on a growth path which can ride out cyclical ebb and flow.

"This demands that we take stock of the implications of this country's rapid re-integration into the world economy," the minister said.

He said the role of government in meeting this challenge was far less than that of business.

# Clothing boss slams state's 'shotgun approach'

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

The president of the South African Clothing Federation, Ahmed-Sadek Vahed, yesterday appealed to the government to replace "shotgun policies" for promoting industrial growth with the scientific selection and promotion of specific industries.

Opening Southclo's first international clothing exhibition at Midrand, Vahed said that on merit and track record, the clothing industry should be at the top of the list.

"Unfortunately, labour-intensive industries are unable to match

the financial and lobbying power of big, capital-intensive industries — hence the apparent reluctance of our government to govern," he said.

Vahed said Southclo members could contribute more to achieving South Africa's RDP objectives than many of the projects of state, which required massive state funding.

Southclo members — from South Africa, Mauritius, Zimbabwe and Madagascar — had for the first time combined their resources in the field of clothing manufacture to stage a joint exhibition of their products.

Visitors to the exhibition would

see a "humble germ" giving meaning to the notion of a constellation of southern African states.

Vahed said the Southclo region had a combined population of 110 million people — or 1,8 percent of the world population of 6 billion, of which only 25 percent were in the middle to higher-income group.

But the aggregate clothing output of these countries of about \$3,3 billion a year represented only 1,5 percent of the world's clothing output of \$220 billion.

World trade in clothing was estimated at \$140 billion a year, of which 60 percent originated in developing countries. Southern

Africa's total clothing exports of \$1,1 billion represented a modest 0,8 percent of this figure.

However, southern Africa had the labour and know-how to become a true world player in clothing. This would be an effective and speedy avenue for creating jobs.

To achieve this goal, the region had to

Increase the efficiency of the labour force and of management,

Obtain raw materials at international prices,

Invest in new technology,

Become true marketeers, offering customers and potential customers what they wanted at competitive prices.

CT(BR) 26/4/95 (184)

# Manuel rejects textile and clothing report

CT(BR) 24/4/95

(184)



BY MORGAN NAIDU

STAFF WRITER

The minister of trade and industry, Trevor Manuel, has rejected as "inadequate" the latest policy document on restructuring the clothing and textile industries.

Speaking in Durban at the weekend, the minister said he had received a report on clothing and textiles which included input on tariffs and import duties. "But I didn't like it."

The clothing sector has called for a reduction in restrictive tariffs and import duties which have benefited the textile industry in the past three years.

They have been at loggerheads with the textile conglomerates and the SA clothing and textile workers' union who feel that a sudden reduction of tariffs and duties would lead to loss of jobs.

Manuel has remained steadfast despite intense lobbying from both sides and has declared his support for a compromise which will benefit both industries.

At the weekend forum, the minister promised the clothing and textile industries a new report with concrete proposals within a month.

He did not divulge his reasons for rejecting the initial report but said further "number-crunching" was taking place in preparation of the new report.

Moving to other issues he warned business to be cautious "because the South African economy has been highly and overly protected by past governmental ineptitude."

He said it was imperative that SA increased its quota of manufactured exports. Competitiveness was the key factor.

"Our firms must concentrate on reducing prices, getting smarter methodology and better training for management and workers alike."

"Unless we can compete in both foreign and domestic markets we will see more and more of our firms collapse."

Other key factors to be considered, Manuel said, were the accessing of niche markets across the world, support programmes to help small and medium businesses flourish and an intense focus on manufacturing, since its base in South Africa was much too narrow.

The government would do its best to secure best access for local goods and services, he said.

# German clothing expert offers help

BY AUDREY D'ANGELO

CAPE BUSINESS EDITOR

Most German children choose their careers at the age of 14 or 15 and start vocational training while still at school, says Marlies Temme, secretary-general of the German Clothing Association.

At a meeting of clothing and textile manufacturers in Sea Point yesterday, she offered to help her South African counterparts set up a similar system which, she said, would result in higher skills and improved productivity.

Temme said the German clothing industry had shrunk by a third in the past five years because manufacturers were relocating to countries where labour was cheaper. The industry was expected to shrink by another third by the turn of the century, she said.

However, Temme added, Ger-

mans with the necessary skills had continued to work in management and supervisory positions in factories outside their home country.

Bernard Richards, the chairman of the South African Clothing Manufacturers' Federation, said he did not expect local manufacturers to move to countries where labour was cheaper.

South African retailers expected quick service and manufacturers needed to be near them to supply this.

"Our customers and infrastructure are here," he said.

But, said Richards, it was possible that factories making mass-produced garments — such as T-shirts, which were not produced in South Africa as it was not economic to do so — might be opened in neighbouring countries, such as Mozambique, where wages were lower.

et(BR) 27/4/95 (184) (179)

# Squabbling sectors plan joint training

BY AUDREY D'ANGELO

CT(RR) 27/4/95  
CAPE BUSINESS EDITOR  
South Africa's textile and clothing industries — still squabbling over tariff protection — held their first combined conference to discuss training yesterday.

Mervyn King, the president of the South African Textile Manufacturers' Federation, said the development of a joint human resources strategy would improve quality and productivity and make exports more competitive.

Bernard Richards, the president of the Clothing Manufacturers' Federation, said the industries had to "make up for lost time" after failing to keep up with international developments during the apartheid era.

Richards said developing the clothing industry was a quick way to create jobs. But, he added, the efficiency of workers and management would have to increase.

The two industries were moving out of conflict, he said, and were now working together with the South African Clothing and Textile Workers Union to "develop the people of our country."

## Warring industries agree on training

(131) (133) (134)  
EDWARD WEST

CAPE TOWN — The Clothing Federation and the Textile Federation, which have been at loggerheads with each other over tariffs, agreed on Wednesday to formulate a joint strategy on training.

Textile Federation president Mervyn King said co-operation between the two industries was essential to enable them to become internationally competitive.

He said co-operation was needed not only in the human resources field, but along the entire production and export pipeline. Duplication of training and overlapping of resources between the clothing and textile industries had to be avoided.

King said incentives should be offered to

large corporations to make their training facilities available to small- and medium-sized businesses.

Clothing Federation vice president Bernard Richards said the clothing industry offered the potential of speedy employment growth in SA, but needed to increase the efficiency of its labour and management and had to obtain materials at world-competitive prices.

Richards added that the Clothing Federation planned to invite the Textile Federation to join the proposed Clothing Export Council.

# Inglotex aims for move to W Cape

(184) ARU 29/4/95

ALIDE DASNOIS

Deputy Business Editor

**BUTTERWORTH** knitwear manufacturer Inglotex could move to the Western Cape because of problems with infrastructure in the Transkei.

Inglotex managing director Gavin Kay said in an interview the factory, which employs 200 people, would either close down or relocate.

Labour problems, disruptions in electricity and water supplies and difficulties with the road transport of raw materials made it impossible to continue production in Butterworth, he said.

Inglotex also has a clothing plant in East London, employing 100 people.

Mr Kay said the Butterworth factory would close next month.

Options being considered included starting up production in the Western Cape or moving the plant overseas.

The plant was ultra modern and could easily be exported.

"We have done a feasibility study for the Western Cape and it looks positive.

"Labour productivity is high and the municipalities are co-operative," Mr Kay said.

Much would depend on a decision by Minister of Trade and Industry Trevor Manuel on duties on textile imports.

"We just can't compete with cheap imports," Mr Kay said.

**JOBS**

# Tariff debate immaterial to textile, clothing duties

Though arguments over import tariffs for the clothing and textile industries continue to be heard, the actual duties collected suggest that the debate is merely academic, writes **CIARAN RYAN**.

WHILE the clothing and textiles lobbies argue their cases for tariff relief, customs and excise figures show that average tariffs paid in both industries are well short of that allowed by law.

The average ad valorem tariff on clothing in 1993 was 100% — but the average paid was less than 8%. The average ad valorem tariff on fabrics was 50%, but only 12% was paid on average.

The bulk of imports attract no tariff duty because of various rebates and duty credit schemes. On textile imports of R2.2-billion in 1993, an average tariff paid of 12% against the 50% average official tariff represents income forgone of nearly R840-million.

Duties paid on clothing imports of R400-million in 1993 amounted to an estimated R31-million, representing duty forgone by government of nearly

R370-million

Textiles imports amounted to R2.8-billion in 1994 against exports of R1.5-billion — a trade deficit of R1.3-billion.

"It shows that the debate over the future of tariff levels in the clothing and textile industry is largely academic," says Henne van Zyl, executive director of the Clothing Federation of South Africa.

"The discrepancy between official tariffs and actual tariffs paid underlines the need to do away with most of these exemptions and impose low, across-the-board tariffs for both clothing and textiles."

Importers are still claiming tariff relief under the old structural adjustment programme introduced in 1989 and its later

version, the duty credit certificate scheme (DCC), Section 470 03 of the Customs and Excise Act, which allows duty-free imports where the finished product is re-exported, and various industrial rebates.

Brian Brink, director of the Textiles Federation, says a simplified tariff system requiring less bureaucratic interpretation of tariff book rules would plug the holes which have allowed imports worth billions of rands to enter the country duty-free.

"We would like to see these tariff exemptions phased out as tariff levels are reduced," says Mr Brink.

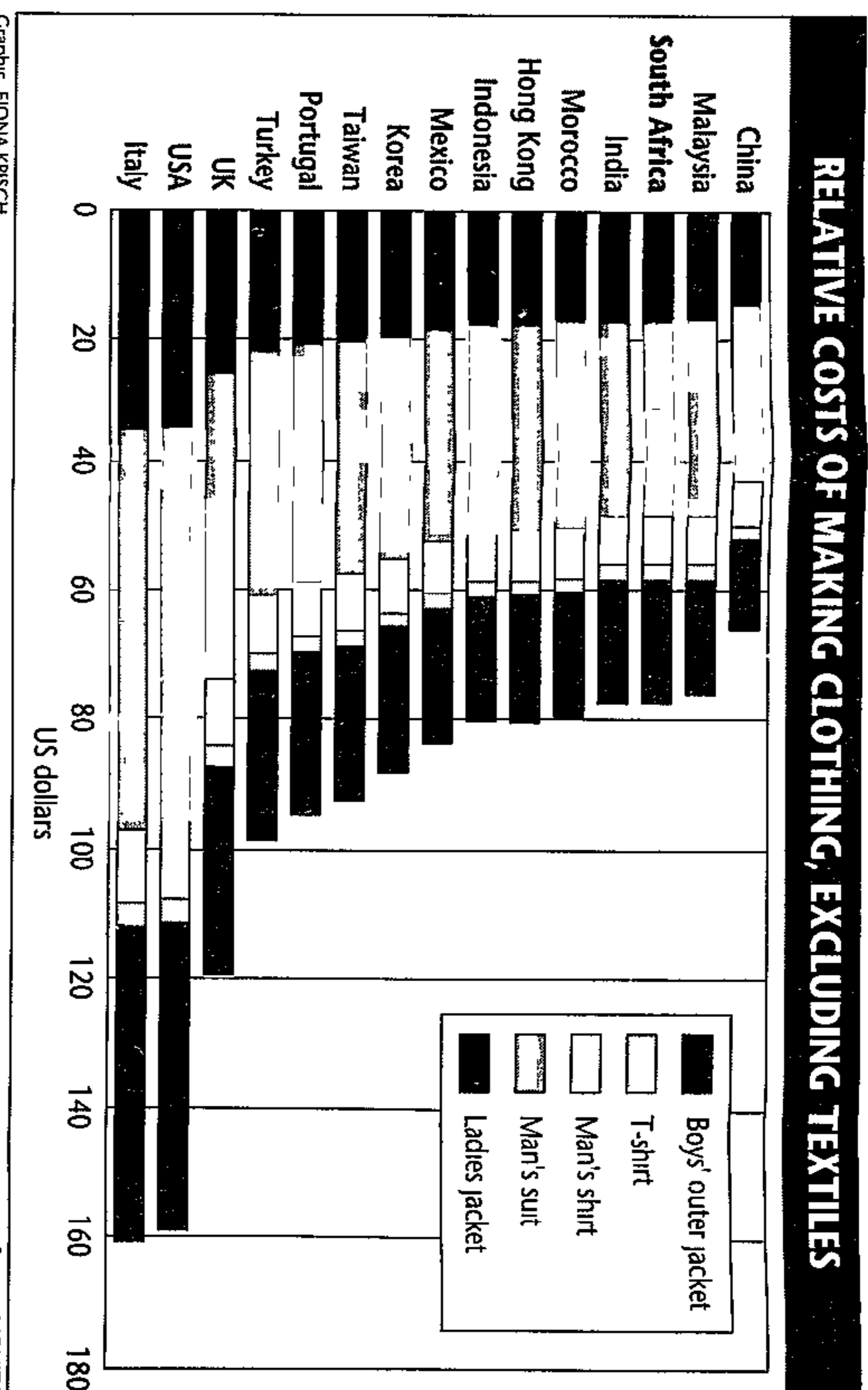
"Fraud is the single largest problem faced by the textile industry today. The system is too complex

and unwieldy, and needs to be simplified.

"But the fact that the average import tariff paid on textiles was just 10.5% does not mean that this was the average level of protection. An importer bringing in fabric must pay 45%, not 14%."

The most important of the tariff exemptions is 470 03, in terms of which fabrics worth R280-million were imported duty-free in 1994, while total clothing exports amounted to R415-million. A substantial portion of these fabric imports were fraudulently sold on the domestic market instead of being processed and re-exported, says Mr van Zyl.

"We surveyed 10 of the largest clothing exporters



in the country, who told us that 90% of their fabric used in exports was sourced locally. Fabric accounts for 50% of the value of an item of clothing, so this tells us that the current system is riddled with holes. We need a simplified system which is easier to police.

"The Monitor report and the World Bank agree that South Africa's clothing industry is competitive, and that it can compete with the world if raw material inputs were cheaper," says Mr van Zyl (see graph).

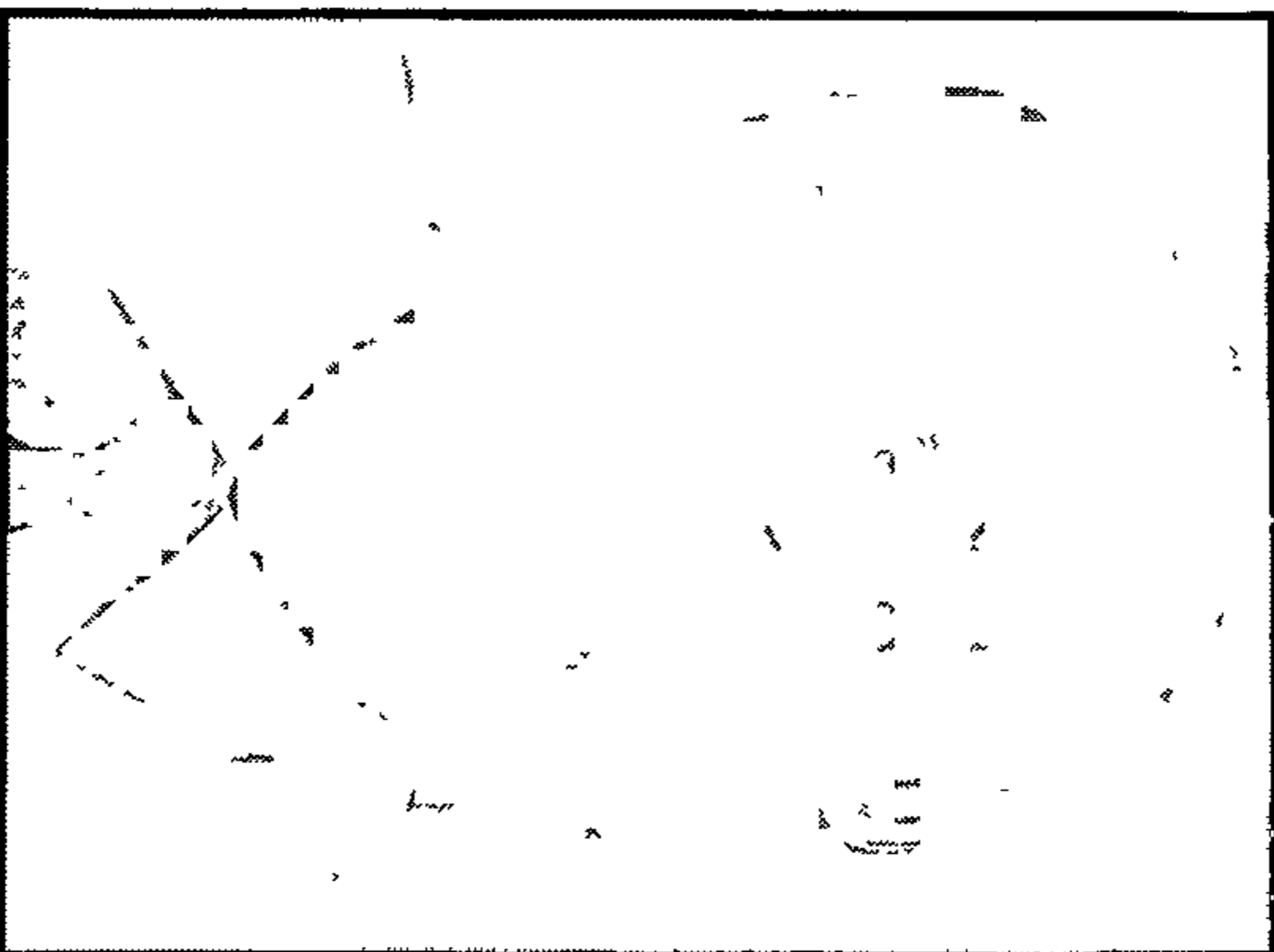
"The world will not wait 10 years for us to become competitive, but will go elsewhere."

Texted has urged the government to implement the Swart recommendations on duty levels and phase-down periods. In

addition, duties on fibres will fall from the current 25% to 7.5% over 10 years, yarn will fall from 32% to 15%, fabrics from 45% to 22% and clothing from 90% to 40%.

These are well below the duty ceilings required under the General Agreement on Tariffs and Trade. The 10-year phase-down period is below the 12 years required by Gatt and substantially lower than the 15 years granted to the US textiles industry.

Clofed, small business organisations, the local distributive trade, the Southern African Customs Union and the SA Consumer Council want duties on fibres dropped to 0% over two years, and yarn to 0% over four years. It wants duties on fabrics to be dropped to 15% over four years and on clothing to 40% over 10 years.



FRAYED Brian Brink of the Textile Federation



# SA loses R400m in export 'fraud'

ST 30/4/95

(184)

By ANDREW TRENCH

**POLICE** are investigating a huge clothing-export fraud alleged to have cost the state about R400-million and involving over 50 companies.

Kwazulu Natal Attorney-General Tim McNally confirmed this week that the Office for Serious Economic Offences had conducted investigations into three clothing groups allegedly involved in the fraud.

The companies are accused of filing false claims for cash incentives worth millions from the government for non-existent exports to Mozambique and Hong Kong.

The Kwazulu Natal-based companies are Two Way Clothing and Baywood Design, which form part of the Abhold group, Pam Clothing and Zaz Clothing, both part of the Pam group, and Group 88, which comprises some 50 companies.

The largest of the alleged frauds is believed to have been committed in the Group 88 case. Mr McNally said police investigations were continuing but "indications are that the (Group 88) fraud is in the region of R300-million".

Rodney Brett and Dionissimus Koumoudos, identified as suspects in the Group 88 investigation, had fled the country, Mr McNally said. An industry source said Mr Brett was Group 88's managing director and Mr Koumoudos its accountant.

In the Abhold case, two men — Osman Aboo, 52, a director of Two Way Clothing and Junaid Khan, 25, an administrative secretary — have been charged.

Mr McNally said they were alleged to have defrauded the state of about R18-million but, with actual losses of customs duty and VAT, that figure rose to R63-million.

The Abhold companies are alleged to have defrauded the General Export Incentive Scheme by submitting false claims for exports to foreign countries. The former Structural Adjustment Programme is also alleged to have been defrauded.

The General Export Incentive Scheme allows clothing exporters to claim refunds from the government based on the value of their exports. The Structural Adjustment Programme allowed clothing manufacturers to import certain goods, such

as fabric, duty-free depending on their previous year's exports.

Mr McNally said the state alleged that the Abhold and Pam companies had filed false claims for exports to Mozambique.

In the Group 88 case, investigators had established a "complex and extensive" fraud where export figures submitted to the government had been "grossly inflated".

The Department of Trade and Industry said it was convinced that none of its employees was involved in the alleged irregularities.

It said its "diligent" officials had directed the Office for Serious Economic Offences to investigate cases of alleged fraud.

A National Clothing Federation spokesman said the clothing industry of 1 400 manufacturers should not be tainted by the alleged crimes.

He said the government had tightened controls on the export incentive scheme since the alleged frauds had been committed. Previously, the Department of Trade and Industry had paid out incentives without proof that payments for exports had arrived in the country.

# Amrel's bottom-line profit up sixfold

BY CHARLOTTE MATHEWS

CT(BR) 5/5/95

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INVESTMENT EDITOR

Furniture and clothing group Amrel, a 69 percent-held subsidiary of SA Breweries, improved bottom-line profit in the year to March sixfold in comparison with the same period in 1993, aided by better trading conditions, attention to margins and the proceeds of last year's rights offer.

Turnover grew by 12,3 percent to R1,3 billion, on which trading profit of R85,6 million was achieved. Operating margins lifted 6,5 percent against 1994's 5,3 percent. Financial director Bruce Sinclair said the group aimed for margins of 8,5 percent.

Net financing costs dropped by R5 million to R51,7 million after the injection of R155 million from a rights issue held last August, which saw interest-bearing debt on the balance sheet fall to R410,8 million (R512,4 million).

Gearing is now 129 percent from 352 percent a year previously, now just within the group's target of 130 percent and at a level it feels more comfortable with, Sinclair said.

After an easier tax charge, attributable earnings soared to R20,2 million from R3,3 million, but because of the higher number of shares in issue after the rights offer, earnings a share were up by a lesser 180 percent to 101c.

DA GAMA

(184) (1993)  
FMS/S/95

## Pleating profits

The first noticeable aspect of Da Gama's preliminaries for financial 1994 is the 39% increase in attributable earnings to R24,6m on turnover growth of only 15%. Pre-tax income actually rose 51% but the tax bill doubled to R8,5m from R4,3m in 1993. Nonetheless, EPS rose 39% to 48,2c and a dividend of 21c (1993 15c) was declared.

The company has a strong balance sheet, with net interest earned of R2,6m for the year and liquid assets of R65,3m (1993 R22m), 29% of the total current assets. The group operates in four main markets: household (curtains and bed linen), home sewing (bolts of material) largely for the informal sector, industrial contracts (such as hospital sheets) and apparel, which includes fashion and workwear.

About R25m is earned from a chain of retail/wholesale stores which the group has operated for about two years, adding up to a total turnover of R305,7m.

CE Harry Pearce says the household and workwear sectors have shown "nice growth," with real volumes rising well. Industrial contracts have been flat because of reduced government spending but the defence forces have awarded the group a full contract, worth about R10m, for cam-

ouflage clothing

"Previously, we had only about a third of the contract; so it's gratifying to have the lot now," says Pearce.

The large cash assets are a consequence of good stock control and better margins. Working capital held in stock is down by R15m-R20m on the previous year, he says.

During the 1993 strike, management decided its best move in bad times was to conserve cash. As a result of squeezing assets, the balance sheet looks good.

Sitting on such a large cash pile, the group is on the lookout for acquisitions. Pearce doesn't think horizontal expansion will work. "That means buying big and we don't want serious borrowings," he says. He stresses the group looks for value-added buys, as in the retail shops. The most likely route for Da Gama is to move down the

value chain, possibly into shops supplying bed linen.

Pearce considers the group is in the upswing of its cycle. "A lot depends on the Swart report and what (Trade & Industry Minister Trevor) Manuel does about tariffs," he says.

The share is on a price of 8,1 at 390c. With NAV at 490c a share, Da Gama represents good value for money.

Margaret Anne Halsey

# Ragtrade pay talks pressure

**ALIDE DASNOIS**

Deputy Business Editor

WAGE negotiations affecting more than 100 000 workers in the clothing industry in South Africa's cities are under way, with the SA Clothing and Textile Workers' Union (Sactwu) demanding a 15 percent increase in wages

After the second round of negotiations this week in Durban, clothing employers offered a 9,5 percent wage increase and an increase of 0,5 percent in provident fund contributions.

Employers have also agreed to contribute 20c per worker per week to the union's bursary fund (184) (184)

Other Sactwu demands include ARG 6/5/95

■ A guaranteed annual bonus of one-and-a-half week's wages, and

■ The regulation of fixed contract labour

■ National negotiator Lionel October explained that with the upturn in the industry clothing firms were taking on workers on short term contracts of one or two months

The union was not opposed to this, he said, "provided there's a good reason, such as an urgent export order"

"We are saying there should be consultation on this"

Sactwu is also asking for a closing of the wage gap between the Western Cape, Gauteng and Natal on one hand, and the Eastern Cape, Northern Cape and Free State on the other

Higher profit levels, rising share prices of listed companies and better employment figures suggested that the industry was in an upswing

"Clothing workers are demanding wage increases above the inflation rate this year, in other words real wage increases," Mr October said

# Call to end textile tariff poser

Deputy Business Editor

TEXTILE Federation president Mervyn King has called for an end to the uncertainty on textile and clothing tariffs, which he says is holding up capital spending of R3 billion by textile companies

In a statement, Mr King said the majority of Textfed's 90 member companies intended to renew capital stock, re-train work forces and remodel businesses, but decisions were being delayed by the tariff question

Mr King said Textfed welcomed indications that a decision would be announced "within weeks"

But Department of Trade and Industry spokesmen were tight-lipped this week on the timing of the announcement

Reports that minister Trevor Manuel would announce the new tariffs at a conference on branding and competitiveness in Cape Town later this month were unfounded, a spokesman said

Mr King said there would be wide public interest in the outcome of the tariff issue

The minister's decision would reflect the extent to which economic policy-making was influ-

enced by "heated populist rhetoric and the questionable analyses of expensive consultants"

Textfed and the Clothing Federation are locked in a bitter fight over tariffs, with clothing manufacturers calling for rapid cuts in protective duties on textiles

■ Drought-hit cotton growers in Australia are trapped in a multi-million-dollar bind as they find themselves unable to deliver forward-sold cotton for a market where prices have hit an historic high, reports Sapa-AFP

In the cotton trade it is estimated that more than 100 000 bales of grower forward sales cannot be delivered to merchants

A commodities consultant estimated the figure could leave growers paying out about US\$18 million

Cotton prices have hit levels unseen since the American Civil War wrecked the Southern states' cotton trade in the 1860s

The price has zoomed off a low of 65,9 US cents a pound to a high last week of around 117,5 US cents

If growers cannot deliver forward-sold cotton to merchants

they have to pay the price difference to cancel the contract

Australia ranks about fourth among cotton exporters in a good year, producing at the high-quality end of the market and exporting about 90 percent of the crop

But 1995 is not a good year, and the industry expects the crop currently being picked to be around 1,3 million bales. Government economists say this is about half the capacity of the country's mainly irrigated fields

"Highly beneficial rains were received in most of the Australian cotton growing regions in the crucial growing period in January and early February, alleviating acute shortage of irrigation water in most regions," said government economist Max Foster

But in spite these rains, industry experts said that persistent drought in some parts of eastern Australia had hit key producing areas in New South Wales such as the Macintyre and Gwydir river valleys and Namoi, cradle of the country's cotton growing industry

The experts suggested that this year's problems could lead to changes in the individual fixed-price cash contract system

# Unions compromise on bargaining rights

BD 8/5/95

RENEE GRAWITZKY

COSATU, Nactu and Fedstal have agreed to a compromise position on the question of bargaining rights in order to discourage fragmentation and the proliferation of small trade unions.

This became clear in the joint position tabled by Cosatu, Nactu and Fedstal during the opening round of negotiations on the draft bill on the Labour Relations Act within the National Economic, Development and Labour Council (Nedlac).

Cosatu general secretary Sam Shilowa said although the three federations supported a majoritarian approach, the law should seek to develop strong and stable trade unions.

Shilowa said the federations took into account three different positions in terms of levels of representivity.

Unions with 30% representivity in a particular bargaining unit should be entitled to representation in industry bargaining councils, unless a different level of representation had been negotiated and agreed to, he said.

Where a bargaining forum exists at company level covering two or more workplaces, unions with at least 30% representivity should be entitled to all rights.

Where bargaining takes place at plant level, the union with a 50% plus one majority should have sole bargaining rights. If no union has a majority, then any trade union with at least 30% membership will be entitled to all rights except for rights of representation and bargaining.

Shilowa said in the case of agricultural

workers, unions with 15% representivity should be entitled to all rights except bargaining rights.

Business South Africa (BSA) was of the view that the Bill in some instances favoured majoritarianism rather than sufficient representivity.

The federations have proposed the definition of "workplace" for the purpose of representation be referred to as a "company" while in the retail sector, reference should not be made to "outlet".

BSA was concerned over the broad definition of "workplace", while in defining "bargaining units", employers are proposing the establishment of some formula to "delineate the boundaries of representation and organisational rights".

Labour has proposed the retention of closed shop and agency shop arrangements and the provision for single and multi-union closed shops which should be democratised through the holding of ballots.

BSA proposes that the Bill give full effect to freedom of association and to disassociate by "permitting individual employees to refrain from becoming party to any form of union security arrangement".

Labour's other concerns around the draft Bill related to the full protection of the right to strike, the use of scab labour and the definition of essential services. Shilowa said the agricultural sector should not be deemed to be an essential service.

Comment Page 8

## Clothing employers' offer 'problematic'

RENEE GRAWITZKY

CLOTHING employers tabled their final mandated position of 10% during the second round of wage negotiations with the SA Clothing and Textile Workers' Union (Sactwu) last week. (184)

Sactwu national clothing negotiator Lionel October said negotiations could be problematic as workers were demanding a real wage increase above inflation.

Employer spokesman Johan Baard said the offer of 10% on package and 10,25% in the lower paying areas was the national mandated position. BD 8/5/95

present its final position to ascertain how far apart the parties were.

The union is demanding a 15% increase, an annual bonus of a week's wages, an increase in employer contributions to the industry provident fund of 4% this year and 5% next year, and regulation of fixed contract labour. It also wanted a closing of the wage gap between workers in the Free State, Northern Cape and Eastern Cape and those in the Western Cape, KwaZulu/Natal and Gauteng.

## Warning to conclude wage negotiations

ERICA JANKOWITZ

THE Hospital Personnel Trade Union of SA (Hospersa) said it would do everything possible to ensure public sector wage negotiations were concluded this week to avoid "widespread labour unrest".

Negotiations are due to resume this week in Cape Town. Hospersa national collective bargaining secretary Nic Kruger blamed delays on government negotiators not being properly mandated.

Kruger called on government to bargain in good faith as negotiations, which started

in August last year, were "costing the taxpayer enormous amounts of money".

Hospersa would insist on a written guarantee that existing pension benefits would remain intact and any deficits in funds would be made good within three years.

Hospersa would also fight for the implementation date of increases to be backdated to April 1, not on July 1 as proposed by government.

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**Union applies  
for interdict**

RENEE GRAWITZKY

THE SA Clothing and Textile Workers' Union (Sactwu) has applied for an urgent interdict against Garlicks in Cape Town and is demanding that the company pay out severance packages to retrenched workers instead of the company's pension fund (184)

More than 100 workers from Garlicks' Cavendish store in Cape Town were retrenched in April. The company obtained permission from the Commission for Inland Revenue and registrar of pension funds to use monies available from the company pension fund to pay out workers

However, Sactwu spokesman Richard Kawie said it was unfair to use the workers' own monies to pay out the severance packages

Company spokesman Gary Spreckley said because of the company's financial position it had no option but to use the funds from the pension fund.

# Clothing and textiles wait

DD 12/5/95 (184)

WITH Trade and Industry Minister Trevor Manuel's decision on the tariff phase-down for the clothing and textile industries imminent, both appear to have ended their war of words and are awaiting their fate.

Manuel made it clear that "protection on demand was dead", but despite the public lobbying by the two industries to ensure a favourable outcome for their respective industries, it appears that there are elements of international competitiveness which would ensure the industries do survive.

According to statistics of the Customs and Excise Department, SA exported textiles worth R1,5bn last year, up 30,9% on the previous year, while clothing exports slumped 33,2% to R415m.

Textile imports jumped 25,9% to R2,8bn and clothing 24,2% to R483m, it said.

A glance at recent strong results shows that most companies in both industries were doing quite well, driven largely by heightened consumer domestic spending and a fair amount of exports.

SA's top textile firms in terms of

turnover are Frame, Da Gama, Romatex and Unispin, while the top three in clothing are Seardell, unlisted AM Moolla and Rex Trueform.

Romatex and Rex Trueform have proved to be the market leaders in terms of exports. Both are relatively small compared with the giants in their industries, Frame and Seardell.

Romatex CE Mike Hankinson told a recent analysts' society presentation that his group would not be affected by the new tariff dispensation because the company concentrated on niche markets and had a strong exporting arm.

A further benefit for the group was its strong presence in the contract markets, which was less cyclical than the consumer market.

Until December Romatex included other divisions, among them bulk storage and industrial concerns. Management restructured the group, listing the industrial concerns under Island View Holdings. At the

gestion of the Swart panel for the clothing industry. It says the clothing industry should have the opportunity to import its fabrics, yarn and fibre duty free.

Subsequently, the Monitor report on SA's competitiveness had found that the clothing industry had elements of international competitiveness. This has been disputed by Textile Federation president Mervyn King, who said the clothing industry already had duty-free access to textile for re-export under the Customs and Excise Act.

He noted that clothing exports have been declining with no discernible surge in employment, while the clothing industry indicated it would not be internationally competitive without export incentive measures.

The textile industry provides 360 000 jobs directly and indirectly, and the clothing industry 90 000 jobs.

The SA Clothing and Allied Workers' Union has supported the textile industry's call to government to implement the Swart report's 10-year phase-down period. Manuel has promised a decision this month, and the industries believe it may be announced next week.

ples of international competitiveness and proof that SA companies can cope, but the question to which he must provide an answer is the phase-down period.

Industry sources said eight years in which to reduce tariff protection would still be palatable, but recently there had been concern that government would opt for a period of from four to six years.

A joint decision by clothing, labour and the textile industry in the Swart panel to a 10-year phase-down on tariffs, two years less than GATT requirements, was tabled a year ago.

The clothing industry subsequently made alternative proposals after Manuel indicated that government did not have the financial resources to supply the R4,5bn suggested by the Swart panel to make the industries competitive.

Clothing's proposals suggest a one-to seven-year phase-down on textiles, while it retains the 10-year sug-

## YURI THUMBRAN

time chairman Jack Crutchley expressed optimism about the future despite the uncertainty over the tariff phase-down period.

In the clothing industry Rex Trueform has been proved the market leader in the export market. Chairman Stewart Shub said the uncertainty about export incentives had affected exports.

However, the uncertainty has been removed. Manuel has announced a three-year extension of the duty credit certificate scheme and the general export incentive scheme. These are two major spurs for clothing exporters.

Da Gama maintained a strong surge in the export market, aided by the weaker rand.

For Manuel these are good exam-

## LETTERS





WRAPPED UP. Steve and Anne Eales of Llandudno, whose Naartjie Clothing range is a favourite of the British royal family

Picture: JUSTIN SHOLK

## Naartjie apparel suits a princess

(84)  
CAPE TOWN-based Naartjie Clothing can boast of being fit for a queen's granddaughter, writes TERRY BETTY.

Princesses Beatrice and Eugenie, daughters of the Duke and Duchess of York, are said to eat and sleep in their Naartjie kit and have been photographed wearing Naartjie apparel in New Zealand and St. Tropez. Fergie has also bought Naartjie Clothing for the Princess of Wales's children, STYLISH.

Naartjie Clothing was created by Steve and Anne Eales six years ago at their home in Llandudno, near Cape Town.

Mrs Eales left News Clothing, which she had co-founded, to have her first child. She began sewing her own babywear and then, shortly afterwards, Naartjie was launched.

Initially selling from Greenmarket Square, three years ago they opened a shop in the V&A Waterfront and last month opened in Sandton City.

Naartjie exports on a small scale to England, New Zealand and Australia.

"We are looking to license someone to manufacture Naartjie Clothing overseas," said Mr Eales. The Naartjie trademark has already been registered.

Mr Eales runs Naartjie's administration. Mrs Eales designs and runs production. Last year, Mike Elliott joined as a partner to manage the finances.

The range has expanded from babywear to adult clothing and leather shoes.

# Clothing workers offered 13 pc

ARG 8/8/95 (184) ~~(184)~~

## Business Editor

MORE than 100 000 clothing workers all over the country have been asked to approve a 13 percent rise in wages and fringe benefits

The offer, hammered out by representatives of the South African Clothing and Textile Workers' Union (Sactwu) and the National Clothing Federation in Durban on Tuesday, is being discussed in clothing factories today

Workers in the Free State, the Northern Cape and the Eastern Cape are to be offered an extra 0,5 percent in a bid to narrow inequalities between the regions

The Durban agreement follows five unsuccessful meetings between the union and the employers

Last week thousands of clothing workers demonstrated in Cape Town

and Durban in support of their demands

Employers were offering a wage increase of 11 percent with a one percent increase in bonuses and provident fund contributions. The union was holding out for a 15 percent package, with a 12 percent wage increase and a three percent rise in bonuses and provident fund contributions

Cape Clothing Manufacturers' Association president Johann Baard said he was "hopeful" the Durban deal would be ratified by employers and workers

But Sactwu national negotiator Lionel October said it would be "touch and go" in the factories.

Employers and union members are to report back to their representatives by Monday. The new wage rates are due to come into effect next month

# Textile deal

(184)  
TRADE and Industry Minister Trevor Manuel hinted on Friday that tariffs for textiles from Zimbabwe could be reduced soon after he announces his restructuring proposals for the local textile industry.  
The tariffs were more than doubled in 1993, after pressure from SA's textile manufacturers, and was largely responsible for the closure of many textile firms in Zimbabwe.

ST (27) 14/5/95

## Allwear bullish on growth

BY FRANÇOISE BOTHA

(184) CT(BR) 25/5/95

Clothing manufacturer Allwear is expecting strong growth in turnover and earnings per share during its current financial year.

Chairman Renier van Rooyen said at the company's annual general meeting in Cape Town that turnover was expected to increase by 30 to 35 percent this year. "Turnover is already 50 percent higher for the first four months of this year," he said.

Earnings per share growth before tax was expected to be 60 percent. This would be reduced to about 35 percent after tax, Van Rooyen added.

Allwear expects key growth to come from school uniforms as the number of children attending school increases from 8,9 million at the beginning of this year to 12,9 million in 2004.

rsday May 25 1995

BUSINESS

# Allwear investors in line for dividend

184

ARLT 25/5/95

**JOHN VILJOEN**  
Business Staff

BUOYANT school uniform and menswear manufacturer Allwear should reward patient shareholders with a dividend at the end of this year, if its strong performance over the first four months of 1995 is anything to go by

Allwear had concentrated on rebuilding and improving its asset base over the past four years, chairman Renier van Rooyen told the AGM in Cape Town yesterday

"We are not 100 percent sure, but if business keeps on as it has for the first four months, we will definitely consider a dividend at the end of the year"

Turnover rose by 50 percent in the first third of the year, purely on the strength of increased sales in distinctive school uniforms, MD Jorrie Jordaan said

Cash flow had improved to the extent that borrowings were zero at the end of April and the company had money on call. It was possible that earnings per share this year could

be 53c, up on 35c for the year ended December and 20c in 1993

The company improved its bottom line by 79 percent to R5 million last year, after a 11,4 percent increase in turnover to R64,4 million

Allwear, which has about 12 percent of the South African school market through 1 250 retailers in terms of sales, expects to gain a healthy share of the business of clothing the growing number of school goers

The nine million pupils in school in January this year would be 15,6 million by 2004, Mr Jordaan said

A culture of learning was being fostered in black schools previously torn by unrest and disruption, particularly in Gauteng

More and more parents wanted their schools to have a unique, distinctive uniform — not simply the standard black dresses and trousers with white shirts, he said

The age when black pupils dropped out of school was also likely to improve, also adding

to growth in the market. In all, the market should grow by about 45 percent in real terms in the next decade

The company was now importing about half of the fabric it used and had enjoyed great success in finding cheap sources of quality material overseas, Mr Jordaan said

Quality was so good that rate of goods returned due to poor quality had dropped 75 percent

With fabrics accounting for 70 percent of total production costs, the benefits of reducing tariffs were clear, he said. Allwear was as internationally competitive as any manufacturer in the Far East

Exports were likely to be pegged at 20 percent of sales due to the rapid growth of the domestic market, Mr Van Rooyen said

Investment company Coronation Holdings has taken a 15 percent share in Allwear, becoming the second largest shareholder

Parent company Hicor has dropped its stake from 82 percent to 69 percent

## Sactwu suspends talks

(184) (S) BD 25/5/95  
Renee Grawitzky

FOLLOWING in the footsteps of the Chemical Workers Industrial Union, the SA Clothing and Textile Workers Union (Sactwu) has suspended plant-level talks in several sectors where centralised bargaining forums do not exist.

In the textile industry the union has, over the past two years, held discussions with employers on the formation of a national industry forum to represent the industry in macroeconomic negotiations and to bargain collectively on "macro-industrial issues common to the industry".

These would include training, pension and provident fund, health care and industrywide exemptions from relevant legislation and any other matter agreed to by the parties.

Within this framework, nine sectoral bargaining forums were identified where wages and other substantive conditions of employ-

ment would be negotiated.

A national industrial council for cotton textile industry was launched in February while a forum in the worsted textile industry appeared to be operating to some degree.

Employers in various sectors have been notified that plant-level bargaining has been suspended in textile and related industries, despite existing recognition agreements, and requested to attend national level bargaining in Durban on June 6.

In the clothing industry, employer spokesman Johan Baard said the parties had agreed to resume talks with a view to exploring settlement options.

Negotiations deadlocked with the union demanding a 15% increase on the total package — including a 13% wage increase and 2% for increased pension fund and annual bonus contributions — while employers offered a package of 11,25%.

## Waiting for Manuel

*PM 26/5/95*  
With Trade & Industry Minister Trevor Manuel expected to announce a new long-term plan for the textile and clothing industries within a week, the clothing sector is still lobbying furiously for a speedy reduction of textile tariffs

The announcement could either be the culmination of or just another chapter in a saga in which the two sectors have fought running battles over protective tariffs

Last week, Manuel indicated to delegates at a Cape Town seminar that the announcement could be expected by the end of the month

The clothing industry is perturbed that higher "interim" textile tariffs are being used as a basis from which textile companies are asking for more time to reform

The textile lobby hopes for a 10-year tariff phase-down period but the clothing sector feels that a differentiated, one- to three-year period would be sufficient for its textile fibres, yarn and fabric inputs

Looking at some recent textile industry financial results, it is no wonder the sector is fighting so hard to retain its position. Romatex, in the six months to end-March, reported a 100% jump in attributable profit, Frame Group quadrupled interim December earnings to R26m, Da Gama lifted earnings 56% in the year to end-September, and Ninian & Lester trebled earnings

Clothing Federation executive director Hennie van Zyl says he is relieved that textile companies such as David Whitehead and Claus Daun's company DeNim prove the textile industry does not need a decade to become globally competitive

He adds the federation has been approached by the Parliamentary Standing Committee on Trade & Industry to explain its views on the harmful economic effects of tariff protection "I only hope it will not be too late" ■

# Crisis talks in rag trade today

(184)  
STAFF REPORTER

ET 29/5/95

A CRISIS meeting is to be held at a Bellville hotel today to stave off a strike in the clothing industry, which employs nearly 50 000 people in the Western Cape.

National negotiator for the SA Clothing and Textile Workers' Union, Mr Lionel October, said yesterday a formal dispute had been declared two weeks ago, and the union was now legally entitled to ballot its members on a strike.

Dispute meetings were held last week in the various regions countrywide. In terms of the Industrial Council regulations, there need not be a 30-day cooling off period between a ballot and a strike. The union may strike immediately.

Mr October said the employers' offers were between 11% and 11,25%, but the union wants 15%.

"Our members expect to get at least a real increase this year instead of just something that compensates for inflation. Our industry has suffered through a recession during which there were many retrenchments, but now the economy has improved."



# 'Last-ditch' talks on textile wages

ARLT 30/5/95

~~355~~ ~~187~~ (184)

## Labour Reporter

WAGE negotiations described as "last-ditch" talks between the Clothing National Bargaining Forum and the South African Clothing and Textile Workers Union have resumed after breaking off at 2am today

The union's national negotiator Lionel October said that the employers had shifted their offer from 11 percent to 12 percent but the union was holding out for 15 percent

The 15 percent included two percent provident fund and guaranteed annual bonus components

The union represents over 100 000 clothing industry workers throughout the country

A dispute was declared between the union and various regional clothing and industrial workers and councils on May 16.

Mr October said the union had arranged for urgent annual general meetings to be held throughout the country later this week for workers to decide whether to revert to industrial action

"We are still talking but it's become very much touch and go," said Mr October

# Small manufacturers 'mislay' some workers

CT (BR) 30/5/95

(184)

By FRANÇOISE BOTHA

STAFF WRITER

Small clothing businesses are mushrooming in the Western Cape without hiring many more workers, according to industrial council figures

Employment figures for small, medium and micro-enterprises in the clothing industry point towards firms evading industrial council levies by concealing the number of employees or by laying off workers

Figures released for the three months to end-April show the firms which were not parties to the main and knitting division agreements, typically small businesses, are on the increase. But the numbers they employ have remained virtually unchanged over the past year.

The number of firms in this category has increased steadily as a percentage of the total from 59 percent in 1993 to 64 percent by April this year.

The number of employees has, however, remained constant in percentage terms over the same period, but reflects a decrease from 25 percent to 23 percent of the total labour pool over the past year.

For an industry that employs about 50 000 workers in the Western Cape to show small businesses have increased their workforce by only 27 workers over the past year indicates many workers are unaccounted for.

A spokesman for the Independent Garment Manufacturers' Association said "Many small firms employ more people than the industrial council is aware of because they make substantial use of casual and contract workers that they do not register with the council."

Chris Darroll, executive director of the Sunnyside Group which represents small employers said "If the small businesses are growing outside of the formal structures it tells me that the industrial council is an inappropriate structure for the informal sector."

A manufacturer who did not wish to be named said she had retrenched 20 of her 25 staff to operate within the industrial council exemption which applies to employers of six workers or less "If you take the staff that we had, the levy would have run into thousands of rands every month and because we were working on very tight margins, we couldn't afford to pay it," she said.

## Seams come apart on clothing plan

Yuri Thumbran

TRADE and Industry Minister Trevor Manuel's plan to link export assistance for clothing and textiles to productivity and training has come unravelled

The plan was that exporting companies would qualify for exemption from import duties through the duty credit certificate scheme only if they met training and productivity criteria monitored by the National Productivity Institute

However, the Clothing Federation (Clofed) and the SA Clothing and Textile Workers' Union (Sactwu) disagreed over implementation of training measures. The Textile Federation (Texfed) joined the fray, complaining about the lack of progress at the institute

In a letter to Sactwu, Clofed executive director Henne van Zyl said Trade and Industry's proposal was that a maximum of 10% of scheme benefits be spent on training until target expenditure of 4% of wages was achieved. However, Clofed wanted a maximum of 5% spent on training until target expenditure was achieved

Van Zyl said reducing the maximum to 5% would give flexibility to companies to which marketing and technology would be a more appropriate strategy. The institute had a vital role to play in identifying the most appropriate strategies for individual companies, and these plans had to be

BD 31/5/95 Continued on Page 2

## Clothing

Continued from Page 1

(184) ~~184~~  
lodged with the department.

"There is growing concern that instruments created to promote exports and international competitiveness are being turned into instruments to promote training," he said.

Texfed executive director Brian Brink expressed concern that with the export year already in its second month, the institute had not yet finalised guidelines. "Companies could go out of their way to meet the targets, yet at the end of the period the

BD 31/5/95  
NPI could still file against them."

Institute consulting services head Jan-Henk Boer said scheme beneficiaries should, with the institute's help, formalise productivity plans for 1995/96 showing status of key productivity performance indicators and improvement targets. Later accredited management consultants would help with productivity plans.

The extent of spending on training, in cases where the target figure of 4% of the wage bill could not be met, was still being negotiated between Sactwu and Clofed. If consensus could not be reached, government would have to decide.

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## Two marches disrupt Durban

CT 11/6/95

DURBAN: Traffic was disrupted and main streets in the centre of Durban were blocked by two separate marches heading for the city hall yesterday

Several hundred kwaZulu/Natal college students converged on the city hall to protest against bursary structures

Later about 400 members of the South African Clothing and Textile Workers' Union marched to the city hall to demand a 15% pay rise

(184) (187) (188)

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# Clothing workers march for increase

Renee Grawitzky

184  
50/1/6/45

THOUSANDS of clothing workers marched in Cape Town and Durban yesterday in support of demands for a 15% increase in their total wage package

Sapa reports Labour Minister Tito Mboweni, after accepting a memorandum from the SA Clothing and Textile Workers' Union (Sactwu) outside Parliament in Cape Town, assured thousands of protesting workers his ministry fully supported the drive towards a new labour relations Act

The marches were in response to a failure by the parties involved to reach agreement on wages at the last national dispute meeting held this week.

Sactwu negotiator Lionel October said employers had offered a 12% increase on the total package. He said shop steward council meetings would be held in the regions over the next few days to decide on whether to embark on a national strike.

In the cotton textile industry, meanwhile, national negotiations were continuing with the last scheduled meeting due to take place on June 5. The union is demanding R45 across the board per week and employers have offered R27

Earlier in Durban, traffic was disrupted and main streets in the centre of Durban were blocked by several hundred KwaZulu/Natal college students who were marching to the city hall to protest against bursary structures

(184) FM 2/6/95  
ALLWEAR

## Recovery continues

**Activities:** Makes schoolwear and menswear

**Control:** Hicor Ltd 82%

**Chairman:** R van Rooyen MD J H Jordaan

**Capital structure:** 14,1m ords Market capitalisation R26,8m

**Share market:** Price 190c Yields 18,5% on earnings, p/e ratio, 5,4, 12-month high, 210c, low, 67c. Trading volume last quarter, 3 344 994 shares.

Year to December 31	'92	*'92	'93	'94
ST debt (Rm)	16,7	17,3	11,9	12,1
LT debt (Rm)	4,9	4,4	7,3	3,1
Debt:equity ratio	0,87	1,11	0,91	0,58
Shareholders' interest	0,45	0,32	0,41	0,46
Int & leasing cover	1,3	1,0	1,6	3,6
Return on cap (%)	9,7	5,2	11,1	12,5
Turnover (Rm)	66,3	57,5	57,9	64,4
Pre-int profit (Rm)	5,4	2,9	5,8	7,1
Pre-int margin (%)	8,1	5,1	10,0	11,0
Earnings (c)	8,3	(1,4)	20,2	35,2
Dividends (c)	nil	nil	nil	nil
Tangible NAV (c)	173	128	168	183

† February year-end \* 10-month trading period

**A year ago** the *FM* noted that Allwear was a recovery stock in a shaky clothing sector. Happily, the share has met

expectations, gaining 192% over the year. Market capitalisation is better than three times higher.

More important, profitability and balance sheet trends continue to strengthen after 1993's turnaround. Interest payments are down more than R1m (to R1,9m), as Allwear returns to its traditional cash generating ability. Cash generated by operations increased from R3m to R7,2m. Gearing is high, but a lot of debt is seasonal.

Better performance translated to bottom-line growth of 74%, though shareholders are again denied a dividend. In the circumstances, that's probably prudent. About the only risk Allwear seems exposed to as it extends its strong recovery is an inadequate capital base.

Chairman Remier van Rooyen reasons that part of the return to a culture of learning, teaching and discipline in our schools includes school uniforms.

He says the trend in traditional black schools is increasingly towards an identifiable uniform, in both urban and rural areas.

Potential in this area seems vast. With total enrolment expected to rise by 45% (5,2m pupils) by 2004, demand should be great.

The share has been rerated, but still trades at a discount to the sector. The share price of 190c is a small premium to NAV. Allwear is putting capital into machines and new technology to meet expected demand. Investors could still find considerable value in the share, even though 1994's strong results and share price appreciation are unlikely to be repeated.

Shaun Harris

# New talks on pay next week

(184) ARG 3/6/95  
ALIDE DASNOIS, Business Editor

THE STALEMATE in the clothing industry wage negotiations was broken yesterday, with unions and employers agreeing to meet again next Tuesday

Thousands of clothing workers demonstrated in Cape Town and Durban this week after the South African Clothing and Textile Workers' Union (Sactwu) and the Cape Clothing Manufacturers' Association failed to reach an agreement at their fifth meeting last Tuesday

The employers have been offering a 12 percent package, with a wage increase of 11 percent and an increase of one percent in bonuses and provident fund contributions

The union has been holding out for a 15 percent package, with a wage increase of 12 percent

Sactwu national negotiator Lionel October told Weekend Argus that union members felt strongly that clothing manufacturers could afford inflation-beating pay increases this year.

"The feeling among members is that this year the industry is making profits and can afford to pay for a real improvement in workers' standards of living"

He said wage increases in the clothing industry had not beaten inflation for three years

Clothing Manufacturers' Association director Peter Cragg did not want to comment ahead of Tuesday's meeting, saying only that the Association could "see some hope of a settlement"

The decision to meet again came after a plenary session of the Association on Thursday night

The union had called a meeting of its national coordinating committee for next Tuesday in Cape Town to decide whether to ballot members about a strike

The wage negotiations, due to be completed by July 1, affect more than 100 000 clothing workers, about 48 000 of them in the Western Cape

# Foreign clothes buyers eyeing SA as a new source

By DEREK TOMMEY

South African clothing manufacturers are about to become major exporters

Owing to the virtual absence of any American, Canadian and European import quotas on southern African-made clothing, foreign buyers in these countries as well as overseas manufacturers are seeing this country as an important new source of garments

One of these buyers is Chris Wynne-Potts, who arrived in South Africa from Sri Lanka to set up an agency for Linmark International. It is 100 percent owned by the Hudson Bay Company, Canada's largest retailer, with a turnover of \$6 billion (R21 billion) a year.

Linmark did not only buy for

Hudson Bay, said Wynne-Potts. It represented about 200 other companies and included major retailers such as America's K-Mart, JC Penny, Macys and distributors such as Jockey.

To meet the needs of its client, Linmark has offices in 14 Asian countries as well as one in Mauritius.

Wynne-Potts said he expected to place orders in South Africa for clothing worth between \$2 million and \$3 million (R7,3 million and R10,9 million) by the end of this year and to at least double these figures by the end of next year.

Foreign buyers are impressed by the country's communications, its infrastructure and the sophistication of much of the clothing manufacturing sector.

The existence of a local fabric manufacturing sector was also an advantage, as was the ability of local firms to make quick turn-rounds. A non-economic factor in South Africa's favour was that foreigners felt more secure visiting clothing factories here than in most South American countries and several Asian countries.

He said he had been calling for prices from local manufacturers and some had been very good. Some had been mixed and some manufacturers had admitted that quoting for export was something new to them and had asked for advice.

South African manufacturers wishing to export need not fear being landed with orders for which they lacked the capacity to com-

plete. While some buyers, such as K Mart, could place an order for one million shirts, there were speciality retailers looking for small quantities of up-market well-made quality garments.

The Singapore-based, Leading group, which already has a factory in Swaziland, was opening a large plant in Newcastle. Clothing manufacturers in Mauritius were considering opening factories here because quotas were beginning to restrict Mauritian exports and labour costs were rising.

He said in terms of the World Trade Agreement, America was committed to removing tariffs within the next 12 years. This meant that South Africa had a 12-year breathing space in which to establish itself.

(184) CI(BR)6/6/95



# Clothing industry could soon dress the world

(184) SPAN 6/6/95

■ BY DEREK TOMMEY

South African clothing manufacturers are about to become major exporters

Owing to the virtual absence of any American, Canadian and European import quotas on southern African-made clothing, foreign buyers in these countries as well as overseas manufacturers are seeing this country as an important source of garments

One of these buyers is Chris Wynne-Potts who has recently arrived in South Africa from Sri Lanka to set up an agency for Linmark International. It is 100%-owned by the Hudson Bay Company, Canada's largest retailer with an annual turnover of \$6-billion

But Linmark doesn't buy just for Hudson Bay, says Wynne-Potts. It represents another 200 or so companies as well including major retailers such as the US's K-Mart, JC Penny, Macys and distributors

such as Jockey To meet the needs of its client, Linmark has offices in 14 Asian countries and also one in Mauritius

Wynne-Potts said he expected to place orders here for between \$2-million and \$3-million by the end of this year and to at least double that by the end of next year.

However, the absence of quotas is not the only feather in South Africa's cap Foreign buyers are impressed by the country's communications, by its infrastructure and by the sophistication of much of the clothing sector.

The existence of a local fabric manufacturing sector was also a plus point, as was the ability of local firms to make quick turn-rounds

And a non-economic factor in South Africa's favour was that foreigners felt much more secure visiting clothing factories here than in most South American countries and several Asian countries.

# Pay deal for clothing workers

Renee Grawitzky

187 (385) BD 8/6/95

THE SA Clothing and Textile Workers' Union and clothing employers agreed yesterday to a 13% increase for workers on their total package year on year

The agreement, which covers nearly 100 000 workers countrywide, has yet to be ratified by both parties. It amounts to a 12,75% increase calculated on an annual basis, and provides for a 0,5% premium above 12,75% for the Eastern Cape, Free State and Northern Cape region to help close the wage gap.

Sactwu spokesman Elias Banda said the union had believed real wage increases should be achieved because inflation had eroded the purchasing power of workers "This year we are now in the arena of having achieved real wage increases."

It was agreed total labour costs would

be negotiated at national level with the regional industrial councils being left to structure how the total package would be apportioned between wages, annual bonuses and provident fund contributions.

Clothing employer spokesman Johan Baard said regional talks would be held to finalise agreements which took into account regional differences

Baard said the clothing industry had an effective three-tier bargaining structure where wages were negotiated at national level; regional issues were discussed within regional industrial councils, and issues such as productivity, retrenchment and discipline and grievance at plant level

Such an arrangement showed that "centralised bargaining need not be inflexible, unimaginative and bureaucratic. Parties could model the structure to service their interests"

appropriate for a concentrated effort on sustained performance, unaffected by a never-ending restructuring programme *David Gleason*

SA BIAS INDUSTRIES (184)

**Recurring exceptionals**

FM 9/6/95

**Activities:** Makes and distributes accessories and trimmings to the clothing, footwear and allied industries

**Control:** Sabhold Group 87,6%

**Chairman:** C S Seabrooke MD P Coutts-Trotter

**Capital structure:** 28,6m ords Market capitalisation R85,8m

**Share market:** Price 300c Yields 3,7% on dividend, 12% on earnings, p e ratio, 8,4, cover, 3,3 12-month high, 300c, low, 230c Trading volume last quarter, 92 320 shares

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	6,3	4,0	18,1	18,1
LT debt (Rm)	9,3	7,6	10,7	10,7
Debt equity ratio	0,28	0,18	0,34	0,38
Shareholders' interest	0,52	0,59	0,48	0,47
Int & leasing cover	5,6	6,9	5,9	5,72
Return on cap (%)	21,7	11,5	14,2	14,5
Turnover (Rm)	183,4	177,8	192,5	215,6
Pre-int profit (Rm)	21,9	10,9	18,2	21,7
Pre-int margin (%)	14,3	7,8	9,5	10,1
Earnings (c)	47,3	27,3	33	35,9
Dividends (c)	18	10	11	11
Tangible NAV (c)	185	196	213	244

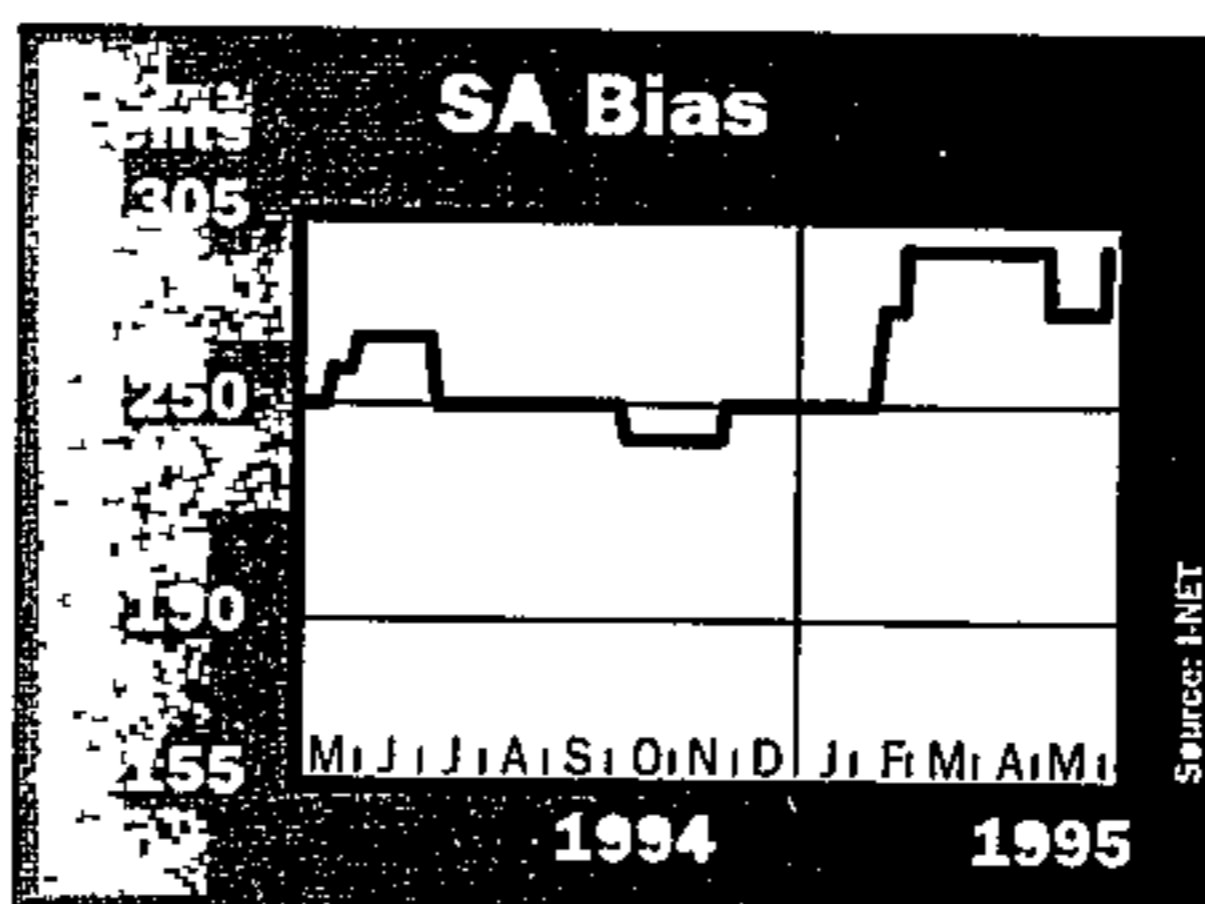
† Figures adjusted to include 50% shares in subsidiaries previously accounted for as associates on an equity basis

**Restructuring costs** and disruptions during the election period did not stop accessories and trimmings manufacturer SA Bias Industries from profit growth in 1994

Margins improved (R10,1m, from 1993's R9,5m) and operating income was 19% up, at R21,7m (1993 R18,2m)

Restructuring has held back profits for some time Last year was the fourth in a row in which SA Bias passed off extensive rationalising as an extraordinary item

Moreover, for a group which dominates the trimmings market, SA Bias must feel restructuring is seriously threatening its



control of management Extraordinary items have included restraint of trade payments for the past three years

The clothing industry's uncertain future has persuaded SA Bias to reduce its reliance on the clothing and footwear sectors Chairman Christopher Seabrooke says the group is developing its industrial division, which makes components and accessories for other industries Currently, more than 40% of turnover is outside the local clothing and footwear industries

Manufactured goods exports are "significant" and grew rapidly last year Seabrooke expects higher export profits in 1995

Barbour Pervale Threads and offshore company International Trimmings — both 50% owned and previously equity-accounted as associates — have been consolidated The motivations for this are a probable acquisition of a 5% shareholding increase in the former and the appointment of an SA Bias director as MD of the latter Consolidation colours the income statement and 10-year review, adjusting figures for all the years that SA Bias held an interest in each, but does nothing for the bottom line

MD Phillip Coutts-Trotter does not expect further major restructuring of operating divisions He predicts capital expenditure for 1995 of R11m plus

Given a 20% interim drop in EPS, the year-end 8,5% rise, to 35,9c (1993 33c), is significant But SA Bias has not shown an impressive ability to grow dividends These remain 11c, 1c up since 1992

Rationalising has certainly left SA Bias leaner, but not necessarily meaner Some restructuring will continue into 1995 A court case relating to a sister company (see *Merhold*, this page), in which Seabrooke is involved, could have implications for SA Bias

The current price, at 275c, is above net worth of 244c For the moment, the share should be viewed with caution *Michelle Joubert*

MERHOLD

**Unfocused expectations**

**Activities:** Investment holding company

**Control:** Sabhold Group

**Chairman:** C S Seabrooke

**Capital structure:** 24m ords Market capitalisation R84m

**Share market:** Price 350c Yields 6,3% on dividend, 15% on earnings, p e ratio, 6,7, cover, 2,4 12-month high, 435c, low, 300c Trading volume last quarter, 56 434 shares

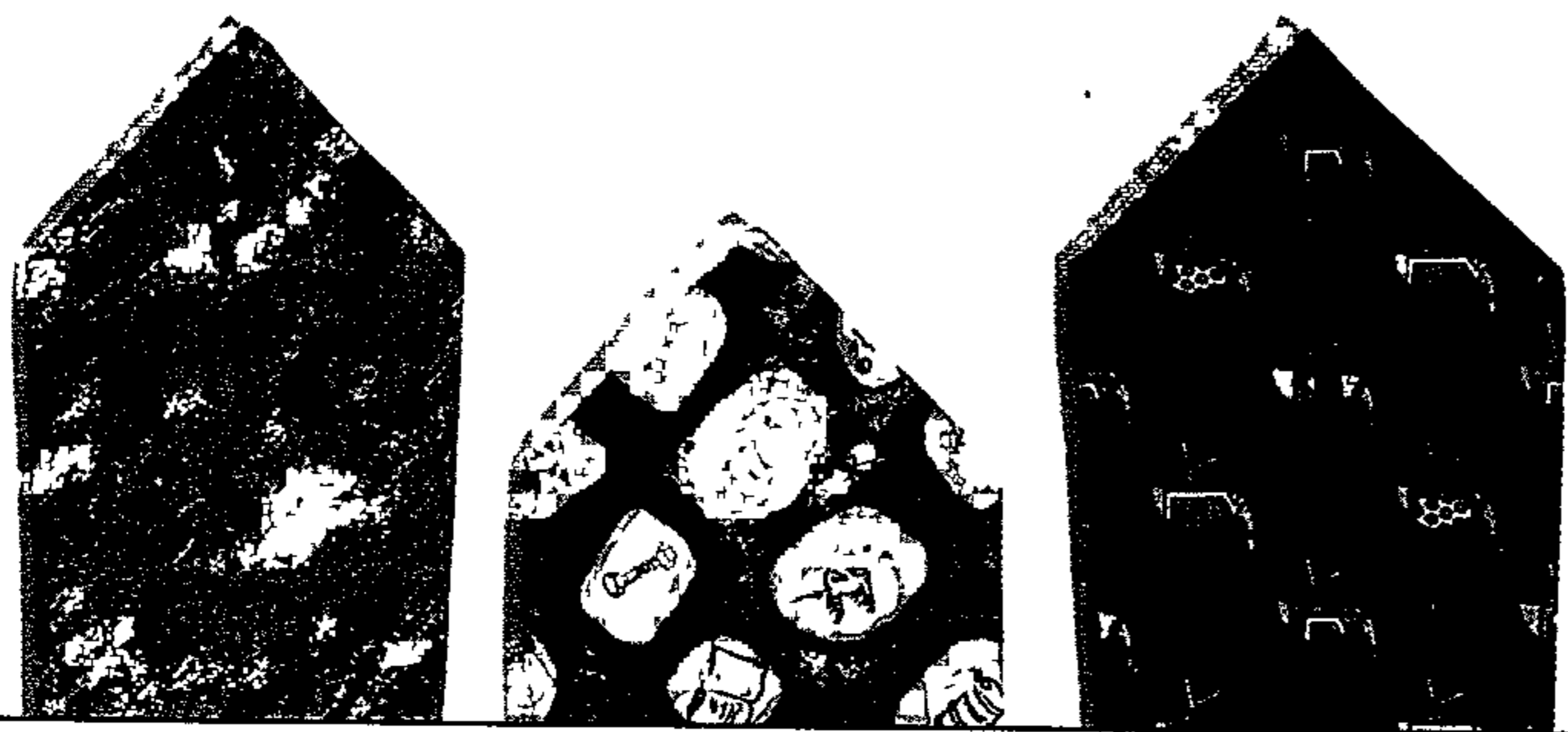
Year to December 31	'91	'92	'93	'94
ST debt (Rm)	307,9	332,3	37,2	31,3
Debt equity ratio	0,34	0,27	0,09	0,26
Shareholders' interest	0,17	0,18	1,21	0,76
Return on cap (%)	3,4	3,2	10,7	6,6
Turnover (Rm)	† —	† —	55,9	16,9
Pre-int profit (Rm)	12,7	13,1	7,7	8,6
Pre-int margin (%)	† —	† —	13,7	50,7
Earnings (c)	49,5	57,1	65,8	52,6
Dividends (c)	17	19	22	22
Tangible NAV (c)	283	294	313	334

† Not stated ‡ Turnover not stated, so pre-interest margin cannot be calculated

**There are** several reasons for the collapse in share price in the past six months (from a high of 435c in December to 325c)

Investor confidence has suffered from an arduous restructuring programme, which so far has revealed little evidence of clear focus for the future Indeed, the record shows a predilection for unfinished management configurations

A drop in undiluted EPS — to 52c, from 1993's 66c — was helped along by the



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R20m rights issue in February. Logically enough, executive chairman Christopher Seabrooke observes this was not welcomed by investors

But the worst blow was a Supreme Court hearing into an alleged fraud relating to properties sold to Eskom Pension Fund. Seabrooke is an important State witness. The case has evoked strong public interest since it hit the headlines in April.

Evidence during the case reveals that a Merhold subsidiary may have contravened the Deposit Taking Institutions Act by failing to lodge tax returns. It appears Merchant Trade Finance (MTF) paid monthly interest for some years to 1993 on up to R39m worth of credit balances held for various clients without notifying the Receiver of Revenue Seabrooke — a director of 60 companies — is also chairman of MTF.

Seabrooke says the group is "being affected by press coverage of the trial". He contends the press has treated the group's involvement unfairly. He argues that he isn't involved in the finer administration of MTF, and says he was unaware no IT3 forms had been submitted with regular tax forms.

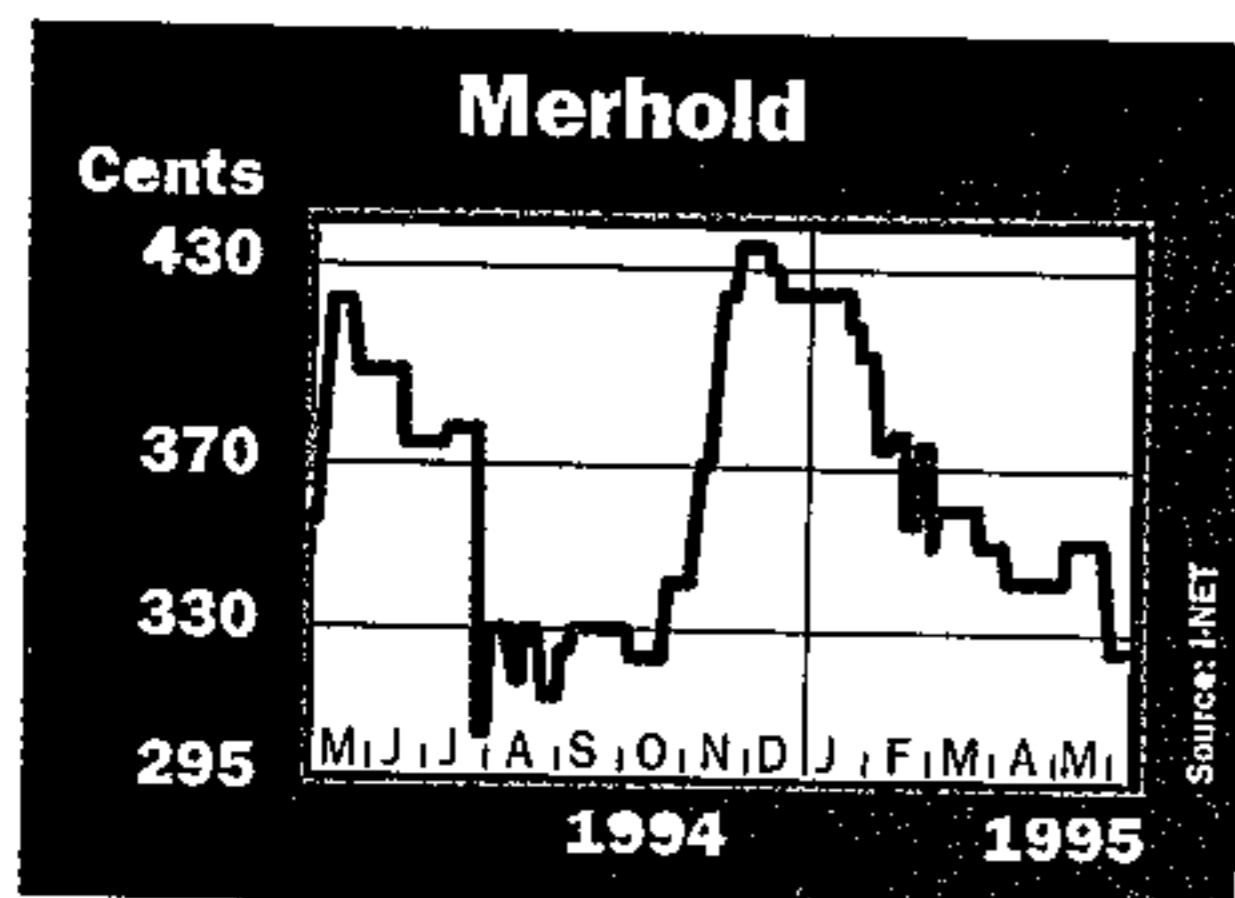
The necessary documentation has now been submitted, the accountant concerned is no longer in Merhold's employ.

Seabrooke says restructuring has been slower than he would have liked. He expects the process to last another 18 months. (It is intended that the company will eventually be divided into four facilities — financial services, electrical and two from the present industrial division, some of which Seabrooke claims are now operating well.) He hopes earnings will not suffer the effects of the restructuring for longer than a year.

"I expect attributable income to rise in 1995. The share price will follow only when the public recognises that restructuring has had positive results. So far, all they've had are our assurances."

Companies in the Sabhold group — of which Merhold is one — regularly make use of extraordinary items. This year is no exception. Extraordinary items of more than R1m feature in the income statement, and include restraints of trade, the write-off of an investment in CGS Instrumentation and listing expenses for New Republic Bank.

The adjourned trial resumes in October. With this hanging over Merhold, and Seabrooke's acknowledgment that investor con-



fidence is unlikely to improve in the short term, it looks a stock to avoid.

Seabrooke says he'll be happy when the share reaches 500c. Asked when this may be, he replies "When your article is published" — a comment he quickly dismisses as "light-hearted". But it's more like wishful thinking.

Michelle Joubert

## MARSHALLS

### No stock, but good value

**Activities:** Property investment and import financing

**Control:** Marshalls Controlling Investments 69%

**Chairman & MD:** D C Marshall

**Capital structure:** 8,5m ords Market capitalisation R36,1m

**Share market:** Price 425c Yields 6,6% on dividend, 10,1% on earnings, p/e ratio, 9,9, cover, 1,6 12-month high, 440c, low, 325c Trading volume last quarter, 63 000 shares

Year to December 31	'91	'92	'93	'94
ST debt (Rm)	1,06	0,77	2,76	3,08
LT debt (Rm)	7,5	11,2	11,0	15,1
Debt equity ratio	0,12	0,12	0,12	0,16
Shareholders' interest	0,84	0,83	0,82	0,77
Int & leasing cover	6,1	7,1	4,0	4,7
Return on cap (%)	7,2	8,1	7,0	7,8
Turnover (Rm)	22,7	27,1	30,9	21,8
Pre-int profit (Rm)	6,1	7,5	7,0	8,7
Pre-int margin (%)	26,7	27,7	22,6	39,9
Earnings (c)	32,0	37,5	31,6	43,9
Dividends (c)	21	24	25	28
Tangible NAV (c)	833	904	954	1 013

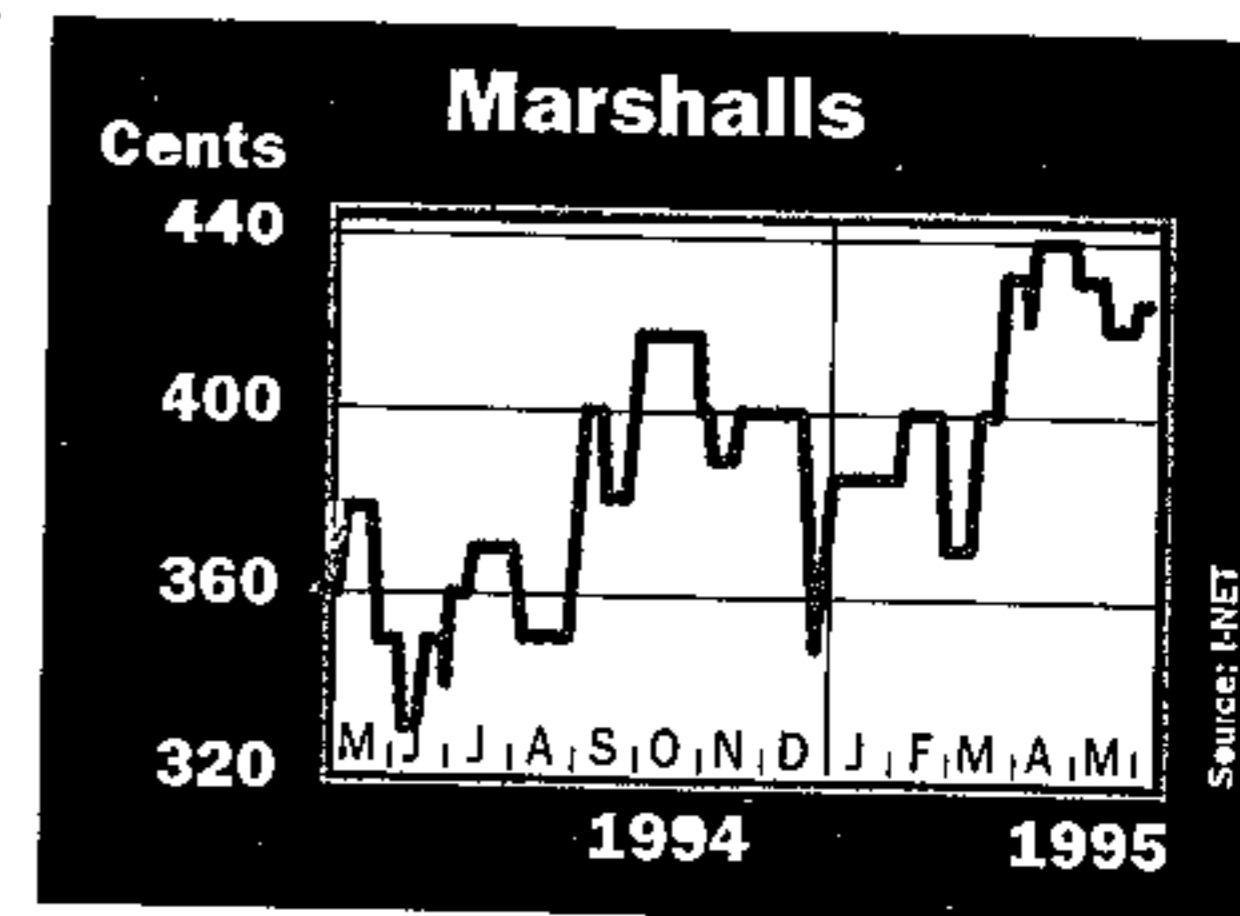
**Marshalls earns** the bulk of its income from a property portfolio which comprises commercial properties and parking garages in Natal and the Western Cape.

Chairman and MD David Marshall says the average occupancy level for the financial year was about 94%, an improvement over the previous year. This firmer market translated to a 10,1% increase in total rentals received (R13,2m), or about 12% at the pre-tax level, to R5,1m.

While income-generating property makes up nearly three-quarters of pre-tax profits, Marshalls' Confirming Division (opened about seven years ago) is making a growing contribution. The division, launched to offset the gradual disposal of Marshalls' motor and agricultural distribution business, basically provides import financing to industrialists and merchants. Commissions, confirming fees and interest from the division contributed R3,8m to turnover (about 17%), and account for R1,4m (some 21%) of pre-tax profits.

It is clear this business works off healthy margins which are widening, though Marshall cautions that comparisons are misleading — results are coming off a low base due to a bad debt in the previous period. Still, turnover in this division has grown by about 61%, while pre-tax profits have shot up by 272%.

Marshalls' traditionally conservative approach — and tight shareholdings structure, which has the family holding the majority



of the equity with little for minorities — dampens what should be a better performing share.

Trading at a huge discount to NAV, the 39% increase in EPS should indicate a safe, if somewhat slow performing, investment for those interested in a property group with a useful diversification.

But the severely restricted tradeability of the shares take most of the shine off the investment.

Shaun Harris

## SHOPRITE

### Battle stations!

**Activities:** Supermarket retailings

**Control:** Tradehold 72%

**Chairman:** C H Wiese MD J W Basson

**Capital structure:** 49,4m ords Market capitalisation R1,8bn

**Share market:** Price 3 575c Yields 1,3% on dividend, 5,6% on earnings, p/e ratio, 17,8, cover, 4,5 12-month high, 3 600c, low, 2 300c Trading volume last quarter, 409 000 shares

Year to February 28	'92	'93	'94	'95
ST debt (Rm)	58,6	21,6	3,4	1,4
LT debt (Rm)	24,3	84,5	99,0	90,7
Shareholders' interest	0,20	0,17	0,21	0,23
Int & leasing cover	—	5,3	7,3	n/a
Return on cap (%)	—	3,9	3,8	5,9
Turnover (Rbn)	2,2	5,2	5,5	6,4
Pre-int profit (Rm)	(47,8)	44,0	51,8	99,5
Pre-int margin (%)	—	0,84	0,94	1,56
Earnings (c)	(205,6)	74,7	92,6	200,3
Dividends (c)	—	—	35,0	45,0
Tangible NAV (c)	604	428	555	756

**Now the real battle begins.** The trading margin reached 1,6% for the first time. That is still a good bit lower than, say, Pick 'n Pay's 2,2% — but now it's a question of how to fine-tune the business rather than just "hacking" it into shape. No longer can there be dispute about whether MD Whitey Basson and his team could create a viable entity out of the ashes of Checkers.

These results prove that it not only could be done, but within three years in a really tough recession. This is a real credit to Basson's highly motivated staff.

Yet, in a sense, the first three years are only the beginning. It was the easy part, because there was so much wrong. Most of the basic problems have been eliminated. Now the real quality of Basson's expertise will be tested. He must show that he can grow, rather than simply sustain, margin as turnover is expanded.

# Manuel to settle reform timeframe

Yuri Thumbran  
and Marcia Klein

ND 12/6/95  
A KEY factor holding up investment decisions in the clothing and textiles industries — the timeframe for tariff reforms — will be disclosed when Trade and Industry Minister Trevor Manuel announces his plans for the industries today.

Manuel will also announce final plans for the motor industry, which has seen a bitter feud develop between vehicle and component manufacturers after the Board on Tariffs and Trade made recommendations for reform.

It was speculated at the weekend that the clothing and textile industries would get a maximum of eight years in which protective tariffs were phased down.

This has been a major sticking point between the clothing and textile industries. In terms of the GATT agreement, SA could get 12 years but the industries have accepted that it should be done more quickly.

Sources said factors which Manuel had to take into account were the textile industry's contribution towards the balance of payments, shrinking clothing exports and trade union support for a longer phase down period.

Last year textile exports rose 31% to

R1,5bn, while clothing exports decreased 33% to R415m. According to sources the final duty levels would be 7,5% for fibres after eight years, 15% for yarn, 22% for fabrics and 40% for clothing.

Other concerns were that while SA had good export concessions in the EU and the US in terms of the multi-fibre agreement, those markets were already saturated by Asian countries.

Edward West reports that National Clothing Federation executive director Hennie van Zyl said that the federation had called for a more rapid but phased reduction on tariffs than the 10 years being proposed by the Textile Federation. It also wanted a two-year tariff reduction period on yarns, four years on fabric and textiles and eight years for clothing.

Van Zyl said it was unlikely that GATT was aware of the full circumstances within SA's clothing and textile industries. "The evidence around the world is clear: the best way to become competitive is to reduce tariffs.

"Long-term protection of the textile industry has a cascading inflationary effect on clothing industry inputs. We structured our proposal so that the textile industry

Continued on Page 2

## Manuel

Continued from Page 1

has time to become competitive.

A structural adjustment programme was agreed to in 1989 with government, committing both sectors to a five-year tariff reduction period. To say we need 10 years is nonsense," said Van Zyl.

Sources said at the weekend that the gist of the motor industry proposals were generally anticipated and accepted by the industries concerned.

They will include details of levels of duty free allowance, a timetable for the reduction of duties on completely built-up vehicles, and details of how export and imports could offset one another.

(184) (187) ND 12/6/95  
Econometrix economist Tony Twine said the motor industry would take on a different shape over the next eight years as a result. The proposals would render certain parts and certain current practices of the industry unviable, he said.

The broader implications of the proposals were that the industry had to comply with GATT, a maximum effective tariff of 30% and no subsidisation of exports out of the general fiscus.

Twine said the smaller issues were vitally important to the various interests.

A department spokesman said Manuel would allow "a short time" for comment. The proposals had been under discussion for some time, he said.

Promise of cheaper cars and clothes

# Bold plan to slash tariffs

Tim Cohen

CAPE TOWN — Trade and Industry Minister Trevor Manuel yesterday unveiled final proposals for dramatic reform of the motor, textile and clothing industries designed to compel SA industry to become internationally competitive.

The proposals came after years of intensive negotiations and countless deadlocks over the way in which SA would get rid of its protective walls.

The plans will ultimately result in significantly cheaper cars and clothes, with the proposed phased tariff reductions to under half their current levels, outstripping SA's GATT offer in all sectors.

Clothing and textile industry representatives were yesterday given a month to comment on the reports while a new committee was set up to discuss the motor industry proposals.

After a briefing of senior representatives from both industries yesterday, Trade and Industry Minister Trevor Manuel said there was broad agreement on the architecture of the proposals. "Surprisingly, there was no blood on the carpet." It was agreed by motor industry representatives that September 1 would be the outside date for implementation. In the meantime, a task group with three representatives from government, the trade unions and both the vehicle and component manufacturers would be set up.

Manuel said the task group would "flesh out the proposals as they stand now", with an interim report required on July 1. Manuel indicated his support for the current set of proposals saying "We have workable proposals that we can go with."

The Board on Tariffs and Trade's motor industry proposal differs little from its proposals last year, except that the duty

free allowance offered to manufacturers on components has been reduced from 35% to 27% of the value of the parts involved.

The motor industry proposals suggest abandoning the local content system driven by excise duties — and its replacement with a programme driven by steadily reducing customs duties, offering duty free allowances and an import/export trade balance rebate.

Import duty on built-up motor cars, commercial vehicles and minibuses would shrink from a planned 65% this year to 40% by 2002 by roughly four percentage points every year, while import duty for components would decrease from 49% this year to 30% in eight years SA committed

● For more details and reaction to the reforms, see Page 4

itself in its GATT offer to reduce import duty on motor vehicles from 100% to 50% within eight years.

To facilitate international trade, motor vehicle manufacturers would be entitled to a 27% duty free allowance on all parts to be used as original equipment for motor vehicles.

The plan aims at rationalising the number of models over the longer term.

Proposals for a new textile and clothing industry tariff structure suggest that ad valorem rates would be phased down over eight years and specific duties phased down over four years with a possible one-year extension. This compares to the 12-year period envisaged in SA's GATT offer.

Rate reductions for clothing would be reduced from 90% to 40%, for household textiles from 55% to 30%, for fabrics from 45% to 22%, for yarn from 32% to 15% and



● MANUEL

polyester fibre from 25% to 7.5%. Some relief would be offered with a 50% subsidy on management consultancy fees for five years and the continuance of the duty credit certificate scheme, which gives exporters relief on import duties. Manuel said new conditions on training, productivity increases and human resource development would apply.

Manuel indicated he did not concur with the Swart Panel Report's suggestion for support to be provided for the capitalisation of new technology because it was probably not necessary.

He was concerned about "leakage" in the clothing sector at customs posts, and discussions were taking place with the finance department.

On balance of payments problems that might arise from the deep tariff reductions, Trade and Industry director-general Zaverah Rustumjee said the whole system was designed to be net BoP positive. Given SA's latent competitive advantages in its engineering industry, there were possibilities for "massive" BoP improvements.

Asked why the tariff reduction proposals were of shorter time periods than SA's GATT proposals, Manuel said the critical period for the industries would be the next four years. "We are suggesting that if people don't move soon, they are going to die in any event and there is no point in dragging that dead horse on."

National Association of Automotive and Allied Manufacturers president John Brandtner said Manuel's proposal for a task group to discuss the plans for the motor industry was "fair", although the components industry was still highly critical of the scheme.

He said there was little change from

Continued on Page 2

## Tariffs

Continued from Page 1

previous proposals which one academic said would lead to "carnage" in the components sector. "The current proposals are a result of a lobby process, rather than an empirical study of the industry."

Marcia Kleinreports the National Union of Metalworkers of SA said its initial impression was "that it (the motor industry plan) lacks the interventionist ap-

proach we felt was necessary for a long-term programme in this industry."

Yuri Thumbran reports the Clothing Federation rejected the long-term plan for the clothing and textile industries.

Textile Federation president Mervyn King said. "The minister's ruling ends years of uncertainty and will give the industry the opportunity to implement the plans it has drawn up to become internationally competitive."

(184) 20/13/6/95

# Less protection for clothing and textile industry

(184) (184) - STAV 13/6/95

■ BY BRUCE CAMERON

Trade and Industry Minister Trevor Manuel hopes his proposed shake up of the clothing and textile industry will retain existing jobs, create new jobs and leave the industries internationally competitive

Manuel has attempted to find a compromise between the textile, clothing and clothing retailers while sticking to his guns on forcing the industries to be competitive.

He has recommended the tariff structure on clothing be reduced from the present 90% to 40%, household fabrics from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15%, and polyester fibre from 25% to 7,5%

Ad valorem rates would be reduced over eight years and specific duties over four years, with a possible one year extension

All rebates on duties would be phased out within ten years. Other recommendations include

■ A 50% subsidy on management consultancy fees for a period of five years to help companies restructure. Manuel expects this to cost R5-million a year

■ The continuation of the Duty Credit Certificate scheme for three years (including this year) under which clothing

manufacturers get rebates on import duties of primary material if they invest in training and productivity programmes

■ Assistance with the upgrading of technology through the Industrial Development Corporation and other institutions.

■ The lifting on import control on clothing

■ The creation of an efficient anti-dumping unit and improved efficiency of customs control.

■ No support for stabilising the cotton price

■ No subsidy for wool export marketing assistance, but the Department of Trade and Industries would hold an immediate investigation into the wool industry.

■ The development of a training programme for people in the industries under the Department of Labour. A forum, including the departments of Labour and of Trade and Industry, the labour unions and the private sector, would assist in developing the programme

■ That textile and clothing small business issues be included in the national policy for small business in general, although they would benefit from reduced tariffs

Manuel said with the recommendations the aim was to have the industries competitive within ten years

## Radical restructuring plan will take eight years, says Manuel

Yuri Thumbran

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TRADE and Industry Minister Trevor Manuel yesterday announced that quantitative controls on clothing imports would be lifted as part of a radical restructuring of the clothing and textiles industries.

Manuel announced an eight-year period for the two industries to phase down tariffs, which be harsher than the 10 years agreed on in the tripartite Swart Panel. Rebates of duties, which could be claimed on goods purchased for the manufacture of export products, would be phased out over 10 years.

At the end of the restructuring period, the tariffs would be reduced as follows: clothing from 90% to 40%, household textiles from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15% and polyester fibre from 25% to 7,5%.

In line with the Swart Panel report's recommendation on suppside measures, Manuel said there was a need for an efficient anti-dumping unit and efficient customs control. Small business, which had been one of the sticking points between the textiles and clothing industries, did not get any special mention, but the issue would be referred for inclusion in the national policy being developed for small business.

Training, which had become a prerequisite for credits on import duties, would be referred to the labour department and a forum would be established for the development of a programme. Aside from the departments of labour and trade and industry, the unions and business would also take part in the forum.

Manuel said his vision was to achieve international competitiveness for the clothing and textile industries within 10 years.

Manuel's decision was aimed at minimal job losses in the textile industry, the creation of formal and informal jobs in the clothing sector, and a greater export orientation. Manuel said both industries had the ability to become internationally competitive, while it had a major advantage in not being subject to the multifibre agreement (MFA). The MFA limited clothing and textiles exports from developing nations to developed ones.

Manuel also announced that technology upgrades would be financed by the Industrial Development Corporation and other external institutions. There would be no support for the stabilisation of the cotton price, and no subsidy for wool marketing assistance, but the trade and industry department would investigate the wool issue separately.



# Long-term plan does not meet expectations

Yuri Thumbran

(184) ~~(184)~~

THE Clothing Federation (Clofed) has rejected Trade and Industry Minister Trevor Manuel's long-term plan for the clothing and textiles industries, which included an eight-year phase down period for tariffs

Manuel's plan, which was unveiled yesterday, included most of the recommendations of the Swart panel report which was finalised last year, except for a shorter phase-down period of eight years instead of 10 years

The Swart panel was a forum of government, business and labour set up to reach consensus on reform

Key elements in the recommendations were the development of some supply-side measures advocated by the panel, including training and customs control

Both industries have the chance to respond to Manuel's proposals, before they meet on July 11 to finalise all details

Clofed deputy president Bernard Richards said the plan did not meet expectations Manuel had opted for a longer, rather than a shorter, phase-down on textiles

"Naturally the clothing industry would have been happier with a four-year phase-down on duty levels for textiles," he said

Richards was critical of the 5% increase a year on the maximum duties, applicable to those textiles not available in SA, which could lead to higher inflation in the clothing sector But the minimum duties that government could set were scheduled to decline by 10% a year

Richards expressed concern that the plan would have a negative effect with trading partners in the European Union, who could impose similar measures on SA

But he noted that the removal of import control on clothing would have no effect on the local industry

Textile Federation president Mervyn King said the textile industry would go full steam

ahead with plans to remodel itself following Manuel's recommendations

He said the announcement would give the textile industry the chance to implement its plans for R3bn capital expenditure, workplace reorganisation and training

King said Manuel's package was practical, reasonable and workable, given the fact of fiscal constraints on government

"The ruling ends years of uncertainty and will give the industry the opportunity to implement the plans it has drawn up to become competitive internationally," he said

The SA Clothing and Textile Workers' Union said it would respond tomorrow to the proposals

Manuel's plans were widely welcomed by analysts yesterday

One analyst said common sense had prevailed and the market had discounted the very worst into the share prices of the sector because of the uncertainty

# New deal ahead for ragtrade

**ALIDE DASNOIS**  
Business Editor

TRADE and Industry Minister Trevor Manuel has given the warring textile and clothing industries one month to respond to a far-reaching plan to slash import tariffs in half in eight years

"There was no blood on the floor," said Mr Manuel at a media briefing in Cape Town yesterday after presenting the plan to representatives of the Textile Federation (Textfed) and the Clothing Federation (Clothfed)

The two have been at each others throats for months on the question of import tariffs, with Clothfed claiming that high textile tariffs were strangling small clothing manufacturers

Mr Manuel's compromise plan involves the phasing down of ad valorem tariffs over eight years and of specific duties over four or possibly five years, with a mid-term review in three years time

At the end of the period, tariffs on clothing will have been chopped from an average 90 percent to 40 percent, on

household textiles from 55 percent to 30 percent, on fabrics from 45 percent to 22 percent, on yarn 32 percent to 15 percent and on polyester fibre from 25 percent to 7,5 percent

The double objective of the long-awaited plan is to bring South African industry in line with the General Agreement on tariffs and trade (GATT) signed by the government in Morocco last year, and to protect employment in both industries over the critical period ahead

Mr Manuel said a number of factors had been taken into account in drawing up the plan, including productivity, investment, the growth of companies outside the industrial council system and South Africa's place in the region

Within 10 years, he said, the South African textile and clothing industries should be well on the way to international competitiveness and sustainable development and there would no longer be any need to lobby the government

Job losses in the textile industry should be offset by a net creation of jobs in clothing

Duty credit certificates and export incentives would be

awarded to companies which met defined productivity targets

Given current investment trends in the textile-clothing pipeline, Mr Manuel said, it seemed that government support for investment in new technology would not be necessary. But the Industrial Development Corporation could provide low interest loans if needed for technological upgrading

Other issues of concern were the need to support small and medium enterprises and the leakage through the customs net of cheap clothing imports. Representatives of the Department of Finance were abroad looking into solutions into this problem, he said

The degree of agreement on the plan yesterday had "been quite remarkable". Industry representatives had got the message that there was no point in dissipating any more energy on a quarrel and that the government was deaf to lobbying

Mr Manuel said it was hard to tell whether or not the plan would be approved by the industries concerned

(184) (177)  
The proposals would also have to be approved by the SA Clothing and Textile Workers Union, which had "acted as a bridge" between the parties, and by South Africa's partners in the Southern African Customs Union

Meanwhile a motor industry task group had been set up to flesh out proposals for a new development programme due to come into effect on September 1, Mr Manuel said. The task group, comprising three representatives of the motor-car manufacturers, the components industry and the National Union of Metal Workers of SA (Numsa) was to present an interim report at the end of July

Key proposals for the motor industry included

■ A duty free allowance calculated against exports.

■ Cuts in import tariffs from 80 percent to 40 percent on completely built-up (CBU) vehicles within eight years (tariffs have already been reduced from 115 percent since June 1994), and

■ The scrapping of the local content requirements

# Clothing manufacturers disappointed

(184) CT(BR)13/6/95

BY AUDREY D'ANGELO  
& SHIRLEY JONES

Recommendations on duty phase downs for the textile and clothing industry by Trevor Manuel, the minister of trade and industry, are something of a coup for the textile sector and a bitter disappointment for the clothing fraternity

Mervyn King, president of the Textile Federation (Textfed), said that given the cloth available the minister had cut a reasonable, practical and workable coat

King said the minister's ruling had ended years of uncertainty in line with international norms, it had given the textile sector a chance to remodel itself through implementing a R3 billion capital expenditure, workplace re-organisation and training plan.

He is confident the month-long respite given to the main players to

respond to the package presented yesterday would not deliver any major changes

The clothing fraternity has other ideas with Clothing Federation vice-president Bernard Richards issuing an ominous "time will tell" warning

He welcomed the month-long respite which would enable representatives from the clothing industry to "return to their structures" for revised mandates

Richards warned that fixing duty levels higher than the 13 per cent recommended by the Clothing Federation would have an inflationary effect on clothing prices

He said yesterday's proposals would send the wrong signals at a crucial time when South African clothing manufacturers were desperately trying to negotiate access

to European markets

In contrast, textile manufacturers view the new plan as a signal to aggressively forge ahead with efforts to become competitive in international markets

Romatex chairman Jack Crutchley described the proposed new dispensation as sensible and appropriate. Smaller textile operations such as David Whitehead, Glodina and SA Nylon Spinners left comment to the Textile Federation

King's overall comment was jubilant. "We now have enormous confidence in the future of the South African textile industry and the upbeat trend reflected in results reported by textile companies over the past few months can be expected to continue

"Our long-suffering shareholders can now look forward to a re-

rating of the sector on the Johannesburg Stock Exchange"

Textfed is holding out an olive branch, hoping that yesterday's announcement will encourage co-operation along the entire pipeline, particularly in training and small business development

"We repeat our call for the creation of a joint textile clothing federation, something which exists in many other countries and yet has been unthinkable in South Africa," King said

The clothing and textiles federations have been fighting a long-running battle for years, with textile manufacturers wanting more protection and clothing manufacturers calling for it to be reduced. They have been given a month in which to consult their members and make new submissions to the minister

# Manuel slashes tariff protection

CT(BR)13/6/95 (184) (192) (197) (198)

By BRUCE CAMERON

PHYSICAL EDITOR

Fundamental restructuring of the clothing, textile and motor industries, with major reductions in tariff protection barriers and the scrapping of local content requirements for the motor industry have been unwrapped by Trevor Manuel, trade and industry minister.

The release of the programmes yesterday followed months of controversy and lobbying, with fears raised that all three industries could be significantly damaged by the removal of the tariff barriers which were put in place during the sanctions era.

Manuel hoped to save thousands of jobs with the programmes, while making motor vehicles and basic clothing and textile cheaper.

Key to the success of the programmes will be the stimulation of exports.

Zwivereh Rustomjee, director-general of trade and industry, said indications were that all the industries were improving and there would be a positive balance of trade in value terms, even though tariff barriers were coming down.

Manuel said all three industries had no option but to adapt and this was recognised particularly by the unions.

Manuel briefed all sectors of the industries. He said there was "no blood on the floor" but some reservations had been voiced about whether enough was being done on supply side measures, which included upgrading training and technology.

The clothing and textile industries had been given a month to consider proposals. A task force representing government departments, labour and employers was set up to consider the recommendations for the motor industry.



**BOLD STROKE** Trevor Manuel, trade and industry minister and Nic Swart, chairman of the board of tariffs and trade, announce news of fundamental changes to the clothing, textile and motor industries

PHOTO: ALAN TAYLOR

The programmes for the clothing and textile industries were completed by the trade and industry department. The recommendations for the motor industry were made by the Board of Tariffs and Trade.

For the motor industries, the local content programme would be dropped and a new system of reduced and tradable duties would be introduced.

In the process the range of motor vehicles assembled in South Africa is likely to decrease and prices are expected to come down.

In the clothing and textile

industries Manuel has opted for a compromise between demands for a 10 year phasing out of tariffs, demanded by the textile industry, and the five years on textiles wanted by the clothing industry.

Manuel said that the reduction of tariffs in all three industries would be counter balanced by intensive programmes to upgrade training, technology and management skills.

The upgrading of supply side inputs would enable the industries to become internationally competitive in both local markets and

export markets.

In the clothing and textile industries he has taken measures to improve management, technology and training to make them more internationally competitive.

Manuel said there would be phased reductions in the textile and clothing industries over eight years for ad valorem rates and over four years for specific duties, with a possible one year extension.

The decreases would be at a minimum rate of 10 percent a year.

See next page

## Manuel's manual

- Import duties on built-up vehicles to be reduced almost immediately from 115 percent now to 65 percent and to 40 percent by 2002.
- Motor vehicle manufacturers to be granted a 27 percent duty-free allowance for components and further rebates if they export components or vehicles.
- Phased reductions in the clothing and textile industries over eight years for ad valorem rates and four years for specific duties. Decreases will be at a minimum rate of 10 percent a year. All rebates phased out over 10 years.

# Manufacturers: the struggle continues

■ BY AUDREY D'ANGELO

Clothing manufacturers will continue to lobby for protective duties on textiles and other inputs to be phased out more quickly than suggested by the Minister of Trade and Industry, Trevor Manuel, their representatives said last night

The vice president of the National Clothing Federation of South Africa (NCF), Bernard Richards, said he was also concerned by the fact that maximum duties on certain fabrics imported from Europe, and not made in South Africa, would go up by five percent

The clothing and textiles federations — which have

been fighting a long-running battle for years with textile manufacturers wanting more protection and clothing manufacturers calling for it to be reduced, have been given a month in which to consult their members and make new submissions to the minister

Richards and Peter Cragg, executive director of the Cape Clothing Manufacturers Association, said they would call for input from members for a new submission to the minister

Richards said the NCF was disappointed by the announcement. "We called for a four-year phasedown of duties. We wanted a staggered phasedown so that most protection

was given furthest down the pipeline where the industry is most labour-intensive"

He thought the 5% rise in the maximum specific formula import duties on some fabrics imported from Europe would be inflationary. It might also provoke a reaction from Europe, which was an export market for South African manufacturers

Richards said it was encouraging that the minister had promised to deal with customs leakages but until they were actually stopped, the programme was subject to all sorts of dangers. "It is like putting the plug in when the bathwater is already out"

(184) Stan 13/6/95

# Illegal imports 'harming clothing, textile industry'

John Dladu

ILLEGAL clothing and textile imports worth more than R1bn were passing through SA's lax customs controls every year, Textile Federation (Texfed) executive director Brian Brink said yesterday.

He said there was a need to tighten up customs controls to stem the flood of imports escaping duties and harming local industries.

"The figure could be a lot higher — we can't tell, because by their very nature these imports are fraudulent," Brink said.

This follows Trade and Industry Minister Trevor Manuel's statement that government believed illegal imports added about 20% to the import bill.

Brink said the problem was so rampant that Texfed had offered to help government by seconding technical experts to the under-resourced customs and excise department.

The experts would assist with the

identification of products at ports of entry, duty checks and the inspection of documentation.

However, Brink said such an offer could not be accepted under the current Customs and Excise Act, which insisted on confidentiality regarding customs control.

"Unless we lift this veil of secrecy, it will be impossible to second officials to government," he said.

Deputy customs commissioner Isaak Coetzee said Finance Minister Chris Liebenberg had asked his special adviser Charles Stride and customs commissioner Daan Colesky to draw up a business plan aimed at improving efficiency.

"Criminals are getting better than us (customs officials)," Coetzee said.

A team of experts was studying ways of improving the department, while Stride and Colesky were currently overseas studying moves to restructure the inland revenue and customs and excise departments in other countries.

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he calls the "definitive" report for restructuring the clothing and textile industries.

Admittedly inheriting a problem which plagued previous governments, Manuel has tried to steer a middle course through a proverbial minefield.

The crucial textile tariff recommendations propose eight years in which to reduce tariffs on textiles from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15% and polyester fibre from 25% to 7,5%.

The 11 recommendations of the report include the "need for an efficient anti-dumping unit; (and) efficient customs control."

Though the clothing industry is disappointed, the textile industry can hardly contain its delight. Its federation responded with an announcement of "full steam ahead" with its R3bn capital expenditure.

(184) (184)  
CLOTHING/TEXTILES

### Will this save nine?

AM 16/6/95  
After years of suspense and four official commissions, Trade & Industry Minister Trevor Manuel has finally produced what

workplace reorganisation and training plans now set in motion to remodel itself

It says government adhered to the recommendations of the Swart plan, with only a two-year reduction in the tariff phase-down period — from 10 to eight years

Says Textile Federation president Mervyn King "We now have enormous confidence in the future of the textile industry and the upbeat trend reflected in results reported by textile companies over the past few months will continue and improve. Our long-suffering shareholders can look forward to a rerating of the sector on the JSE"

King also asks for the creation of a joint textile-clothing federation, which exists in many other countries and "yet has been unthinkable in SA until now." He says major retailers should be drawn into the joint body. King also offers assistance in helping to upgrade SA's "appalling" customs service, where too few officers cannot hope to check corruption which he says is "rife"

The National Clothing Federation is not happy and plans to respond within the month allowed by Manuel, says vice-president Bernard Richards

Says Richards "We asked for a four-year phase-out period for textile tariffs — instead we got eight. We are also concerned that the success of the programme is conditional on the stopping of customs leakages. While the Minister estimates these leakages at about 20%-30% above official import trade figures, we fear illegal imports could exceed 30%." He says that unless grey trade is stopped, "the plan will have no force or effectiveness"

But he is happy with the three-year extension of the Duty Credit Certificate system, which will assist clothing exporters

No mention is made in the report of Geis as this is seen as a separate trade issue

Market sources say Manuel's plan may help to halt the long-standing battle between the clothing industry (employing 160 000, with sales of R6,1bn a year) and the textile industry (82 000 workers with annual turnover of R7,9bn)

Arnold van Huyssteen

# Tariff reforms put clothing in the cold

A CASUALTY of Trade and Industry Minister Trevor Manuel's reform package for the clothing and textiles industries will be low value-added clothing, according to industry spokesmen.

While the long-term plan for the clothing and textiles industry was generally welcomed, not everyone was pleased.

Shirish Soni, head of the Consultative Business Forum, slammed the proposals, warning of large-scale job losses when the duty credit certificate scheme, which allows exporters to import a percentage of the raw material requirements free of duty, phases out in about two years.

"I am tired of this debate," says Mr Soni. "The minister with all his good intentions has bowed to pressure from Mervyn King and the three or four large textile companies who stand to benefit most from it. Nowhere in this package is there any vision of how many jobs we are going to create or where the industry is going. The

supposed retention of jobs is not quantified and, once again, the poorest of society are going to pay the most punitive duties.

Mr Soni says textile and clothing companies will run back to the minister in three years once job losses and company failures start to mount.

"In three years we will be back to square one," he says. "The clothing industry will start to suffer heavily in the fourth year, when minimum specific duties start to fall. This will open the door to a flood of low-value clothing imports and it will pay people to become large-scale importers."

The Textile Federation says the minister's plan struck a balance between the demands of the clothing and textile industries and could stimulate job creation, "provided companies take the necessary steps to restructure and provided the plan

encompasses an element of growth".

Brian Brink, executive director of Textef, says there are signs that textile companies have started to step up their capital spending: "Many were holding back on capital spending because of the uncertainty surrounding the industry."

"I do not believe this plan will result in job losses in the short term. In the longer term I believe it will create jobs, but this is conditional on the stance of organised labour to a large degree."

Mr Manuel announced that quantitative controls on clothing imports would be lifted and ad valorem tariffs phased down over eight years instead of the 10 originally envisaged in the Swart Panel recommendations. This is still longer than the four-year phase-down proposed by the National Clothing Federation, but shorter than the 12 years envisaged in South Africa's offer to the General Agreement on Tariffs and Trade. Minimum specific duties are likely to be phased down over four

years with a possible one-year extension.

Clothing tariffs are to fall from an average 80% to 40%, household textiles from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15% and polyester fibre from 25% to 7.5%.

Anti-dumping measures and customs control are to be strengthened. Mr Manuel announced the formation of a training forum and a 50% subsidy on management consultancy fees for five years. He said the purpose of the plan was to make the industry globally competitive in 10 years. No subsidy is to be given for investment in plant upgrades, although the Industrial Development Corporation and others would finance plant and equipment.

One motor industry executive predicted the death of South Africa's heavy truck industry by the end of the decade. Duties on heavy trucks are slated to fall from the current 70% to 20% over eight years. Eleven truck makers produce about 10 000 heavy trucks a year.

(184) ST (BT) 18/6/95

By CIARAN RYAN



# Clothing: New state policy proposed

(184)

Government should not substantially support the "unproductive" clothing industry in the long term, as it is unlikely to ever be wildly successful in export markets

This is one of the recommendations of Industrial Strategy Project researcher Miriam Altman

Altman's research was drawn on by the government in its recent policy statement on the future of the clothing and textile industries

## Respite

ET(EE) 20/6/95

Clothing manufacturers had to get away from the mindset of static strategies, which argued that if cost of production was high it was because of high wage bills

Instead of mechanisation and retrenchments, which offered only short-term respite, manufacturers should rather look at the real problems

Research, both locally and abroad, showed South African firms paid little attention to shorter production cycles, modular production, total quality control, reduced inventories and a more skilled workforce

An essential part of better shop floor management was an improved grading system of workers, which among other things resulted in, with better pay, a wider spread of skills.

## Incentives

She said a clothing textile development office should be established to co-ordinate restructuring of the industries, develop regional support services, monitor developments, supervise the use or abuse of export incentives and promote exports

The country did have some competitive advantages including market access, preparedness to accept relatively short orders compared to eastern producers and good communication and transport links with global markets

The limited support given by government should include improved export incentives, particularly help with marketing, while moderate protection should be provided

## Littlewoods plans to buy from Cape firms

Edward West (184) MD 20/6/95

CAPE TOWN — Littlewoods, the £2.7bn-a-year UK-based football pools and retail group, plans to source clothing from SA for the first time via two Cape-based firms, Toweles Edgar Jacobs (TEJ) and Pals Clothing.

This was announced yesterday by Littlewoods clothing chief John Moores.

Earlier this year Littlewoods also announced it would bid for a licence to operate a football pool in SA, but Moores said these plans had been "put on ice" after the SA government announced that football pools could only be established a year after a national lottery was formed in SA.

Football pools accounted for only 19% of Littlewoods' turnover, most of which was derived from retail and index catalogue shopping services.

Moores said the company had previously been precluded from doing business with SA by its code of conduct on merchandise procurement with specific reference to worker rights, minimum wages and working conditions in the company of manufacture.

He said that Littlewoods intended procuring clothing from other SA producers in future, as soon as a 14% ad valorem duty paid by SA clothing exporters to the UK was abolished.

Littlewoods procured about £100m of knitwear annually mainly for middle income group retail markets.

There was a world shortage of fully fashioned knitwear and the quality of tailoring in SA was good.

"We would like to get as much as possible from TEJ," he said.

TEJ MD Tony Owen said exports had had a dramatic impact on results since the group began its export drive three years ago. Current operations were trading satisfactorily and the company was meeting budgets.

# Littlewoods to help boost local clothing exports

(184)

ET(EE) 20/6/95

BY AUDREY D'ANGELO

CAPE BUSINESS EDITOR

The British Littlewoods group — with mail order companies and chain stores in Britain and retail operations in Russia — will source as much of its clothing as possible in South Africa, John Moores, the chairman, announced yesterday

He said at a news conference in the Cape Town factory of TEJ (Towles Edgar Jacobs), which will become a major supplier, that this was due partly to a wish to help provide jobs in South Africa and partly because of the high quality of the goods

## Preferential

A major disadvantage to importing clothes from South Africa was that, even with the preferential rebates granted by the European Union, 12 percent import duty had to be paid. But now that South Africa was again in the Commonwealth he hoped this would be lifted soon.

Littlewoods would also buy clothing from the PALS factory in Cape Town. Moores said he was looking for other suppliers in this country.

He could not give an amount for the quantity of clothing his group would buy from South Africa, except to say that they would be "substantial."

But a spokesman for the group said only 19 percent of Littlewoods' annual income of

\$2,7 billion came from football pools.

The bulk of its income came from its retail and catalogue shopping operations which employed 30 000 people

Moores said he had been a frequent visitor to South Africa, but his company's strict code of practice had prevented it from doing any business with South Africa in the past

It had asked Cosatu to recommend companies where conditions of employment were satisfactory

Discussing the competitiveness of South African-made clothing, Moores said it could not compete with the Far East on "cheap sewing items like blouses."

But it had niche market skills in tailoring and fully fashioned knitwear. He said there was a world shortage of fully fashioned knitwear of the sort made by TEJ.

Littlewoods' main source of supply at the moment was Scotland, said Moores.

Tony Owen, TEJ managing director, said South African clothing manufacturers needed big overseas customers like Littlewoods to provide them with a large enough market to achieve economies of scale.

"Orders from companies like Littlewoods are vital to us. We have to grow our business internationally."

TEJ started exporting only two years ago. Exports already accounted for 10 percent of turnover.

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Printed in South Africa by the Cape Times at the Cape Times Press, Cape Town

# Clothing sector agreement close

ARG 21/6/95

(184)

Staff Reporter

AS thousands of workers took to the streets this week to demand that government force business into centralised bargaining, bosses and labour leaders in the clothing sector were putting the finishing touches to this year's mostly centrally bargained wage negotiations

South African Clothing and Textile Workers Union general secretary Jabu Ngcobo said "The spirit in which the union and employers from all sectors approached the centralised bargaining over wages was encouraging

"I am optimistic that a more harmonious relationship with employers will prevail if this style of good-faith negotiating continues in the future"

The union and employers have settled wage agreements in three major sectors — cotton, leather, and knitting — and are presently reporting back to members

Nine sectors were negotiated at central level, with the worsted and clothing sectors also nearing settlement, Mr Ngcobo said

"In the cotton sector, employers from decentralised areas had to pay close to 80 percent increases to catch up with entry-level wages paid in other areas. A six-year plan to bridge the wage gap has been agreed to"

In the leather sector, agreement had been reached on a 13 percent across-the-board wage increase between the union and

the Footwear Manufacturers Federation

In the clothing sector, the union and bosses agreed to a 13 percent wage increase, and employer contributions of 20c a worker each month to the union's bursary fund. The settlement is being put to workers by union officials, with Mr Ngcobo confident of signing "soon"

"We will not accept anything less than centralised bargaining in all sectors in 1996," said Mr Ngcobo

"Unlike in the past, the new South African government and the union are not prepared to baby-sit those employers from the ex-homelands, and foreign investors, who pay R30 to R40 a week in wages. They will be forced to respect the law"

Mr Ngcobo said the union and employers would continue to meet in committees to look into areas such as a grading system, employment equity, productivity and training and development

"Once these issues are dealt with, a fair ground for competitiveness will be established"

● The country's three trade union federations — the Congress of South African Trade Unions, Federation of South African Labour and National Council of Trade Unions — have united on a programme of rolling mass action aimed at forcing the government to incorporate obligations to centralised bargaining and the right to strike in the proposed new Labour Relations Act

# Clothing industry seeks support for joint export initiative

ALIDE DASNOIS  
Business Editor

THE clothing industry, slated for poor export performance in the report of the Industrial Strategy Project this week, is looking for support from the Department of Trade and Industries for a joint export initiative with textile producers.

ARL 22/6/95  
Clothing Federation (Clofed) director Henne van Zyl said the federation was hoping for a formal meeting soon with the department to introduce the South African Clothing and Textile Export Council (Sactec).

Sactec would be open to all clothing and textile manufacturers with an interest in exports.

It would be independent of Clofed and the Textile Federation (Textfed), with its own board of directors and its own budget.

Mr van Zyl said manufacturers were hoping for seed money of about R1 million from the Department of Trade and Industry. Thereafter Sactec would be funded through an export turnover levy on manufacturers, probably of 0.5 percent or less.

Small and medium enterprises

would be charged a nominal fee for membership.

The Council would be headed by a director and would probably have two deputy directors, one in charge of export promotion and the other in charge of administration.

Its mission would be to improve the export performance of the clothing and textile industries with a view to creating new jobs.

In a study by UCT's Industrial Strategy Project released this week, researcher Miriam Altman slammed the clothing industry's lack of productivity.

"The bottom line is that the clothing industry is unlikely to ever be wildly successful in export markets and is so unproductive that it is not the sort of industry that government should substantially support in the long-run."

South African manufacturers did have a short-term competitive advantage on world markets, Ms Altman said, because South Africa was not a member of the Multifibre Agreement and so did not have to face quota barriers. But the Multifibre Agreement was due to be scrapped in terms of

the General Agreement on Tariffs and Trade (Gatt).

Other competitive advantages included good communications and transport links with global markets and willingness on the part of producers to accept shorter orders, which Asian manufacturers could not accept.

Disadvantages included distance from main export markets, a weak domestic textile industry and slow throughput times.

South African clothing manufacturers should not try to compete at the lower end of the export market, dominated by suppliers in the Far East, they should concentrate on middle-of-the-range seasonal, fashion or basic items.

The government should use a "carrot and stick" approach to the industry, offering better export incentives and some import protection, Ms Altman said.

Mr van Zyl said he disagreed with "sweeping statements" on the industry as a whole.

"In any case, other studies, such as the Monitor Report, have found large sections of the clothing industry to be competitive. Competitiveness on world markets depends on competition within the industry and in South Africa there's strong competition. Barriers to entry are low and abnormal profits in any area soon attract a surge of new entrants."

"But I agree that our niche will be in small batch, quick response manufacturing, which is a vast market, in world terms."

He said one obstacle to competitiveness for the South African clothing industry was the high cost of inputs. In this respect the proposals on

## Hennie van Zyl

tariff cuts for textiles put forward by Trade and Industry minister Trevor Manuel last week were "disappointing".

Mr Manuel suggested slashing import tariffs on clothing and textiles by about half over a period of eight years.

Clofed's executive committee would meet in Johannesburg next week to consider reactions from members to Mr Manuel's suggestions.

"But I can say right now that we're disappointed. It looks as though, once again, labour-intensive industry has lost out," Mr van Zyl said.

# Centralised bargaining successful

*Some tan 22/6/95 (184) (E)*  
Clothing workers have upped wages with centralised bargaining

**By Abdul Milazi**  
Labour Reporter

**W**HILE THE ISSUE OF centralised bargaining is threatening to tear the labour industry apart nationally, it has got off to a good start in the clothing and textile industry.

South African Clothing and Textile Workers Union general secretary Mr Jabu Ngcobo says the union has used centralised bargaining in nine sectors and has reached wage agreements in the cotton, leather and knitting industries.

Sactwu, which is affiliated to the Congress of South African Trade Unions, is the biggest union in the clothing and textile industry with a

membership of 180 000

"Employers in the decentralised areas had to give close to 80 percent increases to catch up with entry level wages paid in other areas," said Ngcobo.

He said a six year plan to bridge the wage gap between the highest and lowest paid workers has been agreed upon by both employers' associations and the union. "In the leather sector, a 13 percent across the board wage increase has been reached by the union and the Footwear Manufacturers' Federation," said Ngcobo.

Issues such as the abolition of the dual pay system, union consultation before the employment of contract workers and affirmative action have been referred to a special committee made up of representatives of both parties. See page 10.

## Sactwu wage settlements reached

Renee Grawitzky (184)  
BD 21/6/95

THE SA Clothing and Textile Workers' Union (Sactwu) achieved settlements from 13% to more than 30% in the footwear and cotton textile sectors

According to the union a 13% wage increase was achieved in the footwear sector, which falls under

the broader leather industry. This settlement will raise the minimum wage in the sector to R287,02 a week. It was agreed to refer issues such as affirmative action, contract labour employment and shop steward leave for training to sub-committees.

The first year of centralised bargaining within the

industry's newly formed industrial council has resulted in the agreement of a minimum entry level to the industry of R220 a week and an average wage of R300.

Sactwu general secretary Jabu Ngcobo said employers in decentralised areas had to pay close to 80% increases.

Those employers paying on or above the average would grant across the board increases ranging between R33 to R36 a week depending on skill levels.

Provisions have also been made for a six year plan to bridge the wage gap. The catch-up amount would begin this year and would be paid in two instalments. As from July 1 this year, employers would pay an extra R6,66 a week, bringing the entry wage up to R226,66 a week.

# Body hopes to raise exports

(184) (184)

By SHIRLEY JONES

STAFF WRITER

CT(22) 21/6/95

In a reconciliatory move described as "the most important development in the economic history of the South African clothing and textile industries", textile and clothing federations have announced the creation of a dedicated, independent export council.

To be known as the South African Clothing and Textile Export Council, the council will be the first of its kind in the country and will be based on similar councils in Britain and Taiwan.

The council will comprise members of both industries, but operate independently from existing industry structures in terms of decision making, staffing and financing.

The two federations, Clofed and Textfed, said that initial funding would be needed, including an ex gratia payment from the trade and industry department.

The council's brief is to facilitate job creation through export performance, now at less than 10 percent of domestic production.



## INDUSTRIAL POLICY

# No pain, no gain

Sensible long-term policy proposals have given way to compromise

**Trevor Manuel** is no Jonah Lomu. The giant All Black winger knows where he wants to go and will trample all in his path to reach there. SA's Trade & Industry Minister also knows his goals but, unlike Lomu, is worried about hurting those in the way.

That's certainly the impression coming out of the two industrial strategy documents approved by government last week — one for the motor industry and the other for clothing and textiles. What started out as genuine attempts to revitalise industries distorted by protection and to create world-competitive sectors, have been softened along the way and turned into minimum-pain programmes.

Driven, to a degree, by the need to meet the trading requirements of Gatt, the proposals appear to some to offer the minimum needed to comply. Brave statements about creating competitive industries have been obscured by expediency.

When Derek Keys, the former Minister of Finance and of Trade & Industry, created a task group in October 1992 to devise a new long-term policy for the motor industry, he apparently envisioned something that would turn the industry on its head. That's certainly how Derek Riley, who was task group chairman, saw it. He and his group were confronted by an industry made inefficient by years of protection and successive government-imposed local content programmes.

Put simply, there were — and are — too many vehicle manufacturers making too many models for the size of the market. Economies of scale, both for the manufacturers and for the components companies that supplied them, were negligible. Nor was there much pressure to improve, not when the industry was protected from foreign competition by tariff barriers of over 100% on built-up vehicles.

Also, the continued reliance on imported components exposed the industry to dangerous cost penalties as the rand continued its slide against foreign currencies. For consumers, the bottom line was vehicle prices that escalated beyond the rate of inflation. New vehicles were becoming unaffordable; this was reflected in falling sales and the marginalisation of private buyers in a market dominated by fleet and company sales.

The task group produced two reports: one on cars and light commercial vehicles, and the second on medium and heavy commercials. The latter was less sensitive. In terms of both sales and employment, it is a minor

part of the industry, and the economic effects of reduced protection are likely to be limited. So while car makers face a final import protection tariff of 40% by the year 2002, the truck sector will be down to 20% two years earlier. For local manufacturers of truck engines, transmissions, tyres and axles, it will be 15%.

The attitude of this sector is summed up by MD of Atlantis Diesel Engines (ADE) Ron Shires, who says his company has been diversifying for years in the knowledge that eventually it would no longer be able to rely on its traditional core business.

The report on cars and light commercial vehicles immediately touched some nerves. It recommended gradually reduced protection tariffs that would hit a base of 45%. As important, other proposals included onerous duty penalties on manufacturers failing to build minimum volumes of individual mod-

Naamsa document

Many of the task group recommendations survived. But casualties included the penalties for failing to meet minimum-volume targets, never to be seen again. The BTT took the view that the 45% tariff protection target was too high, and cut it to 30% — only to raise it to 40% in its next report.

Little changed between then and last week, when Manuel accepted the BTT's latest recommendations for the motor industry. The only rider is that a working group has been given the chance to smooth some of the plan's rough edges before its scheduled implementation on September 1.

But the plan contains positive elements. Protection for vehicles and components will diminish, exports are encouraged, and there will be a degree of local model rationalisation, indeed, the process has already started and companies are starting to import

low-volume models previously built here. The growing number of foreign makes being seen on the SA market is a sure sign that the market is opening up.

Delta Motor Corp MD Willie van Wyk, whose company builds Opel and Isuzu vehicles, says past local content programmes have isolated the SA motor industry from the global market and created an inefficient industry. The new policy will help correct this "in a regulated manner".

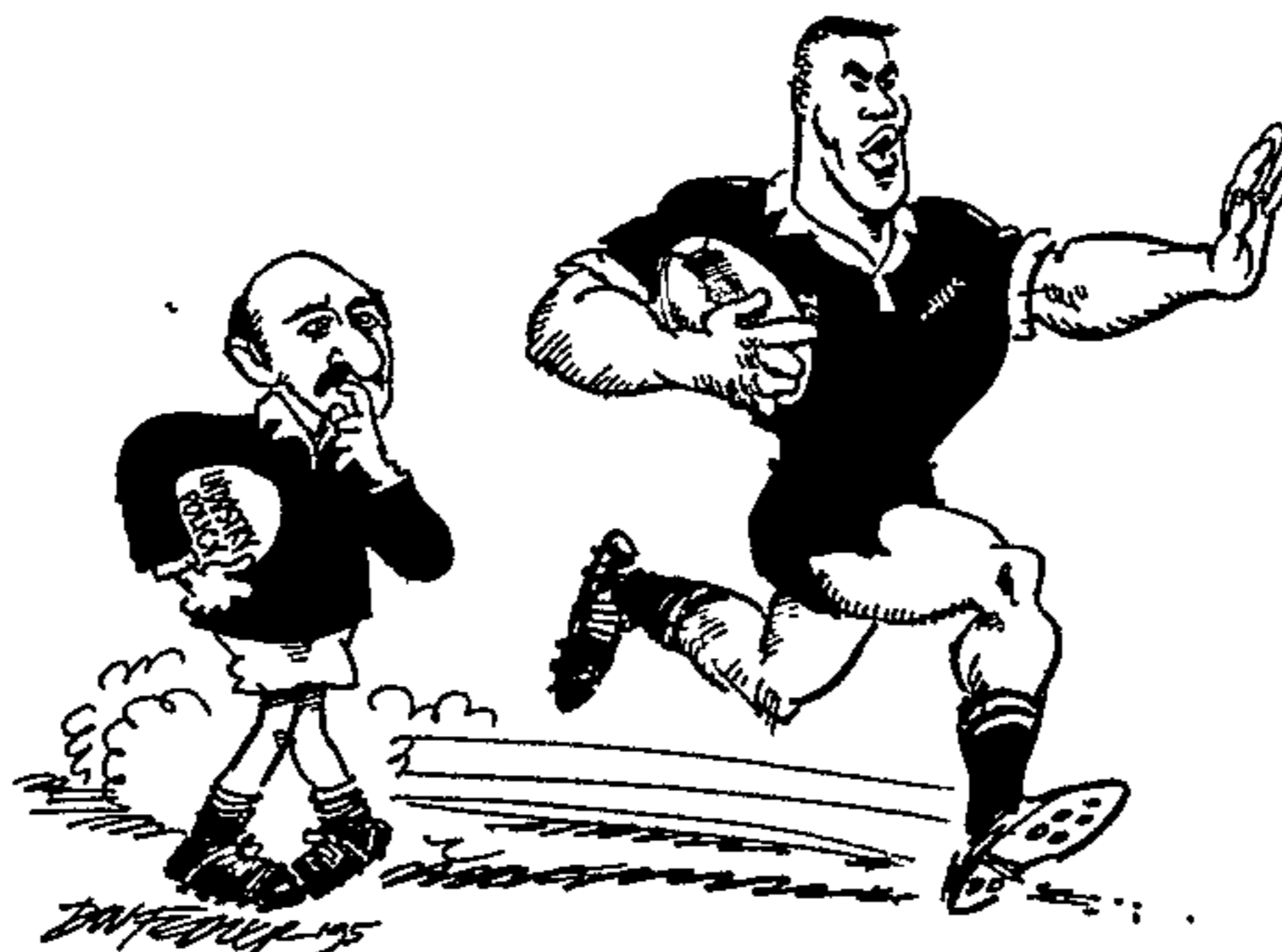
VW MD Heinrich Holtmann says the new programme will put pressure on all sectors of the industry to become more productive in order to compete on world markets. On the other hand, he is

worried that the small vehicle incentive, offering duty rebates to makers of small cars, may disappear after three years.

Already gone, though, are some of the toughest actions from the original task group report: a sure sign that the final programme plan is motivated by different objectives than those originally visualised by Keys and Riley.

As Riley explains it, his mandate was to encourage local vehicle manufacturing, and not just assembly. Rather than an industry which bolted together components from around the world, the aim was to create an industry in which as much as possible was manufactured locally. That meant a strong components sector enjoying long, cost-effective production runs. That, in turn, meant fewer vehicle models in greater numbers.

Of course, a hardline programme could have unpleasant social and political results. Australia, which adopted a tougher ap-



els, and minimum averages across their total product range.

The intention was to force manufacturers to reduce model proliferation. If it also resulted in one or two companies being forced out of the market, then so be it, in fact, so much the better. Riley, in fact, thought these proposals didn't go far enough and described them as "too cosy".

The report, effectively, was a majority view among the industry's warring factions. The depth of disagreement became clear when vehicle manufacturers, through the National Association of Automobile Manufacturers (Naamsa), appended their own comments to the report, disagreeing with many of its findings.

As industry analyst Tony Twine, from Econometrix, notes, by the time the Board on Tariffs & Trade (BTT) produced its first set of proposals based on the task group report, they were more a reflection of the

proach to its motor industry's similar problems, has seen manufacturers close plants with the loss of thousands of jobs. On the positive side, the surviving "rump" is more efficient and competitive than it's ever been.

Given SA's sensitive labour situation, the possibility of significant job losses was a risk which Manuel and the BTT were always unlikely to take. In their lobbying, vehicle manufacturers have stressed the point that their plants — and the components and service industries that have sprung up to support them — are the main economic centres in some regions, and that these would be devastated by factory closures.

And yet, as Riley confirms, National Union of Metalworkers (Numsa) representatives on the task group took a long-term view of proposals to restructure the industry. They accepted that jobs could be sacrificed in the short term to generate long-term growth.

The view was supported this week by Numsa general secretary Enoch Godongwana, who says the creation of a viable, export-orientated industry requires "more than simply reducing the protection afforded the industry". He regrets the lack of clear direction on reducing model numbers and says the Manuel plan "will not guarantee long-term growth in our situation".

John Brandtner, president of the National Association of Automotive Component and Allied Manufacturers (Naacam), agrees. "Unless car manufacturers are encouraged to reduce the variety of locally manufactured or assembled models, we will not see any meaningful improvement in economies of scale and therefore no fundamental moves towards more affordable cars in the short term."

He adds that where affordability does improve, it will initially be at the upper, imported end of the market where the benefits

of reduced tariffs will be felt. Econometrix's Twine says that, for most consumers, it will be several years before they enjoy any advantages.

Clothing manufacturers are equally cautious about their plan. Textiles producers may be pleased with the final outcome, but the feeling is certainly not unanimous. Apart from an eight-year phasing down of tariffs, rather than the 10 years they sought, lobbyists from the Textile Federation have little to complain about.

In terms of the plan, import tariffs on clothing will fall from a current 90% on the import price to 45%, household textiles from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15%, and polyester fibre from 25% to 7,5%.

Rejected were proposals by the National Clothing Federation that fibres drop to nil in two years, yarn to nil in four years; fabrics to 15% in five years, and clothing to 40% in 10 years. It argues that because textile fabrics constitute a basic cost input for the manufacture of garments, their protection should be phased out more quickly to offer clothing manufacturers time to acquire a competitive export footing.

Once again, there seems to be a gap between what government would like to do, and what it does. In his parliamentary budget speech recently, Manuel criticised input suppliers in the SA industrial sector who practice import parity pricing behind high tariff barriers. It is a practice which "has rendered most downstream and, hence, labour-intensive industries uncompetitive. A number of producers of these intermediate goods have a relationship with downstream suppliers which virtually holds them captive because of high tariffs and because they are virtually monopoly suppliers."

Given the eight-year, limited phase-down of protection for textile companies, those words ring hollow. But the issues in the clothing and textiles business are never simple. Textile spokesmen say their inputs add only between 2% and 9% to retail garment selling prices, while clothing manufacturers are free to make tariff rebate provisions if they want to import textiles for re-export.

The clothing sector also holds itself up as a champion of small business and one whose low-capital, labour-intensive nature is

deserving of special treatment under the Reconstruction & Development Programme. But that's hardly an argument on which to base sensible economic planning. Manuel is more likely to have been swayed

by the textile sector's proposed R3bn investment plan to upgrade antiquated and globally uncompetitive equipment.

Protected by tariff barriers from the need to upgrade in the past, the sector says it will take years to recapitalise, restructure and retrain its workforce. Given less protection than that offered under the plan, it might be encouraged to speed up that process

and become competitive rather quicker.

Though both sectors have been given a month to respond to the Manuel plan, Textile Federation chairman Mervyn King sounds confident of the outcome. "We now have enormous confidence in the future of the SA textile industry and the upbeat trend reflected in results reported by textile companies over the past few months will continue and improve further. Shareholders can now look forward to a rerating of the sector on the JSE."

Where clothing and textiles agree is that the future success of any plan is heavily dependent on improving SA's sieve-like customs apparatus. "Grey" imports of clothing and textiles are suspected to account for up to 30% of total trade.

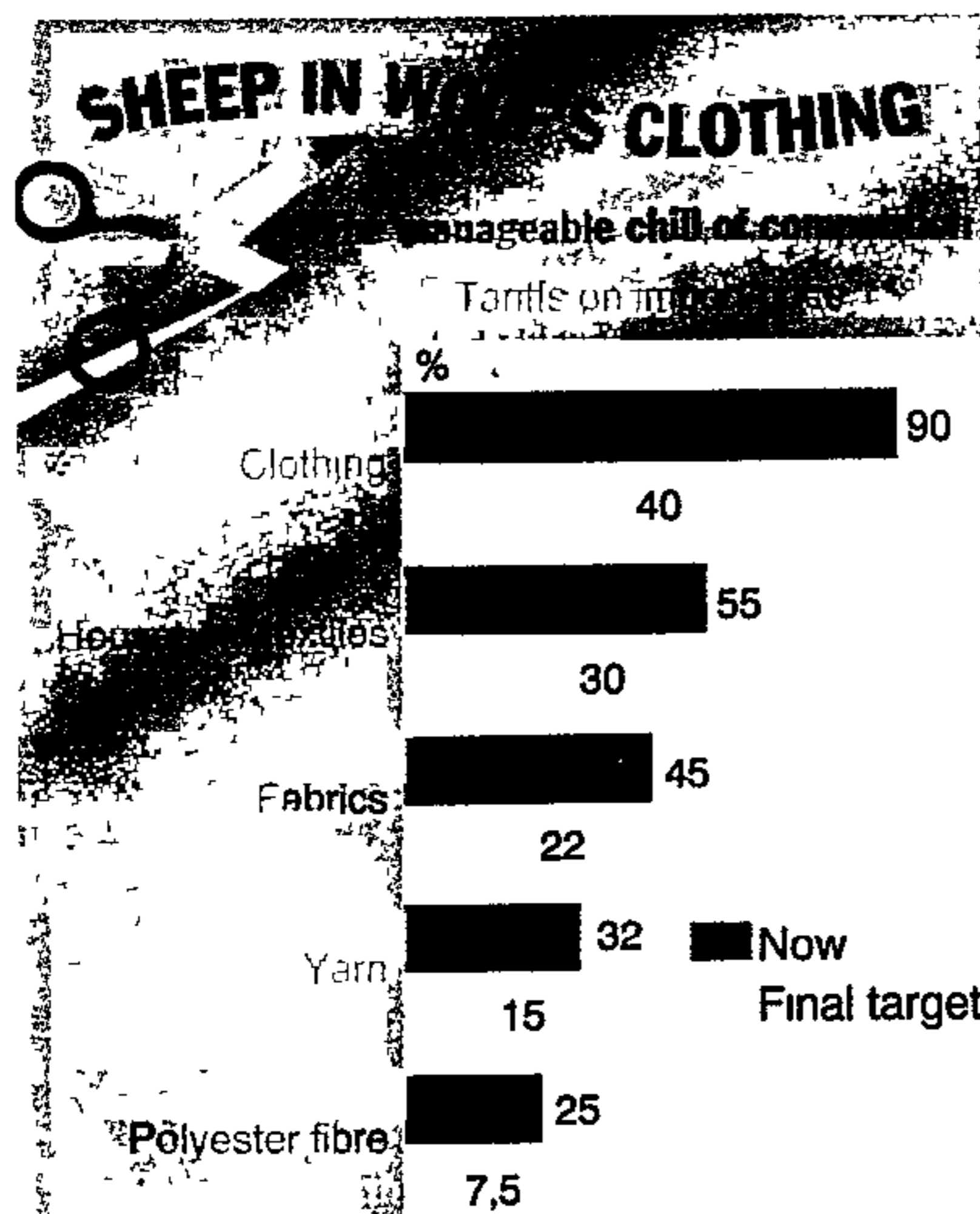
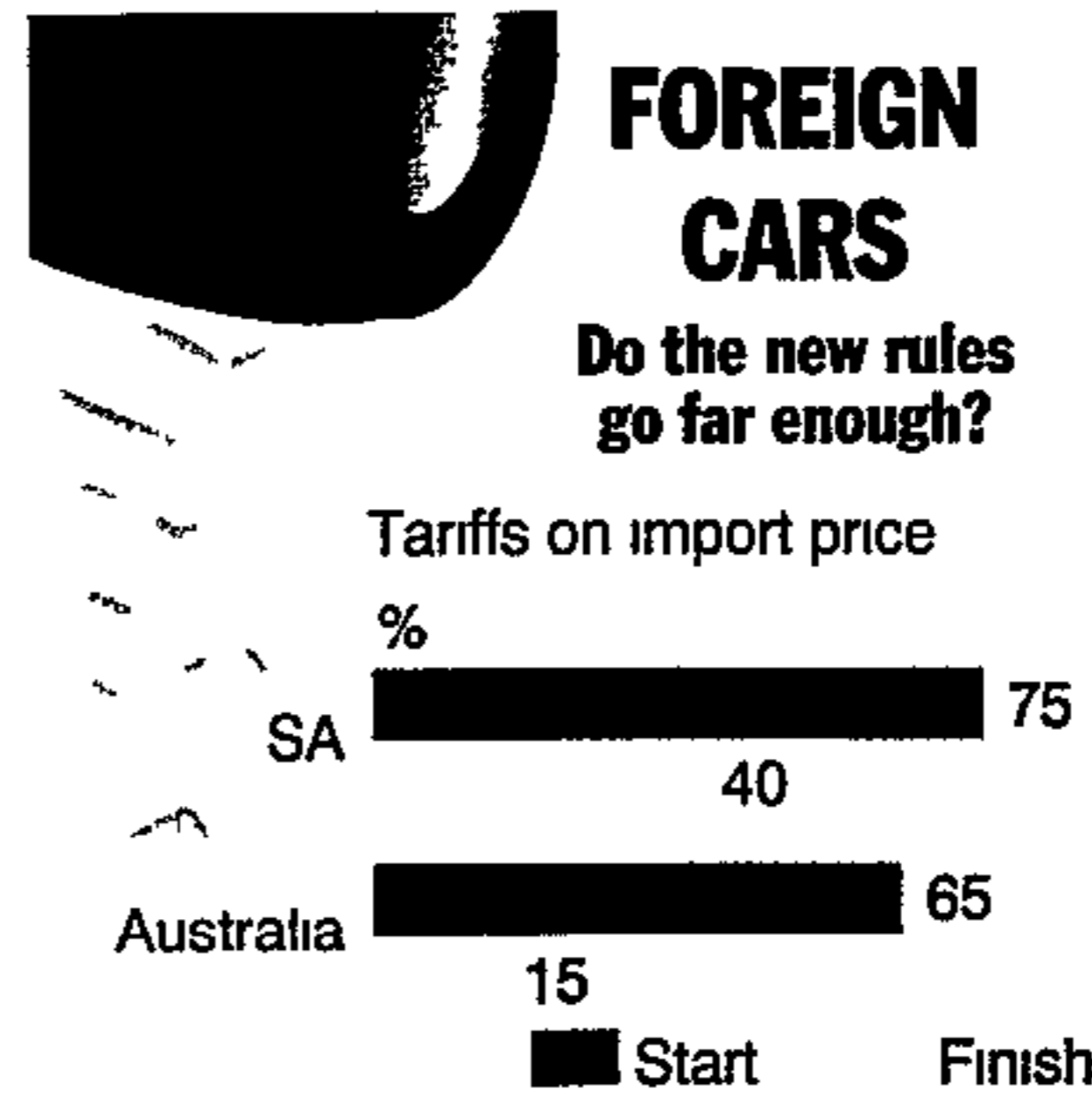
Though the two sectors have been at loggerheads since 1989, when a structural adjustment programme was first proposed, it is only more recently that textiles companies have seen their protection flourish. Major tariff increases in 1992 were intended to be a one-year "Band-Aid" for the then-ailing textile industry. Three years later, the Band-Aid is still on and facing only gradual removal.

Even with their weaknesses, it would be reassuring to think that both mooted plans, for the motor industry and for textiles and clothing, will signal the end of the uncertainty that has hamstrung the industries for years. But the immediate signs are not promising. As long as they see lack of clear government direction, lobby groups will continue to press for change long after the plans become policy. SA politicians' willingness to endlessly renege on their demands in the past has plunged some previous industry policies into chaos and deterred local and foreign investors.

Government has taken a long time to reach a decision on these two industries. For all the questions hanging over the policies, if they believe them to be the best possible, Manuel and the BTT must stick with them. Half a policy is better than none.

## FOREIGN CARS

Do the new rules go far enough?



## Adonis knits its way to success

Marcia Klein

(184)  
26/6/95

ADONIS Knitwear continued the recovery evident at the September year-end to report a leap in earnings to 20,7c (1,7c) a share in the six months to March.

The company manufactures exclusive men's knitwear under its own Adonis, Dino Milano and Paul D'Orsay labels and under licence to Pierre Cardin and Lyle & Scott

Turnover figures are not given in contravention of the Companies Act, but turnover grew by 78,1% compared with a 26,9% growth in the previous year.

Trading income surged to R1,2m compared with R31 000 in 1994. After an increase in net interest income, net trading income was R1,3m from R41 000 previously.

Directors said this increase reflected "the marked increase in turnover and the controlled growth of costs maintained at a level well below the increase in turnover".

After taxation of R562 000, net attributable income was R522 000 compared with R60 000 in the previous year. An interim dividend of 6c a share, was declared.

Recently chairman Joe Bencen said the order book was full and capital expenditure of R3,2m was earmarked for the current year.

## Submissions for tariff plan

Yuri Thumbran

184  
28/6/95

THE Clothing Federation planned to submit counter-proposals on July 11 to the tariff phase-down period announced recently by Trade and Industry Minister Trevor Manuel.

The federation would formulate the proposals tomorrow at a council meeting in Johannesburg.

The federation's executive director Hennie van Zyl said the clothing industry was disappointed that Manuel had given in to pressure from labour and textile firms.

"Our members will take a strong stand against the tariff proposals. What was supposed to be a two-year band aid for the textile industry has become a 10-year band aid."

Van Zyl said Manuel's decision was short-sighted and did not take job-creation into account.

# Re-rating of clothing sector of JSE expected

Yuri Thumbran

(184)

BA 29/6/95

A RE-RATING in the clothing, footwear and textiles sector of the JSE should come about this year after tariff uncertainties were resolved with Trade and Industry Minister Trevor Manuel's long-term plan for the industries, market sources said.

Despite the outcry from clothing firms over Manuel's "long" eight-year tariff phase-down, analysts believe clothing shares, and in particular Seardel, would benefit from a re-rating of the sector.

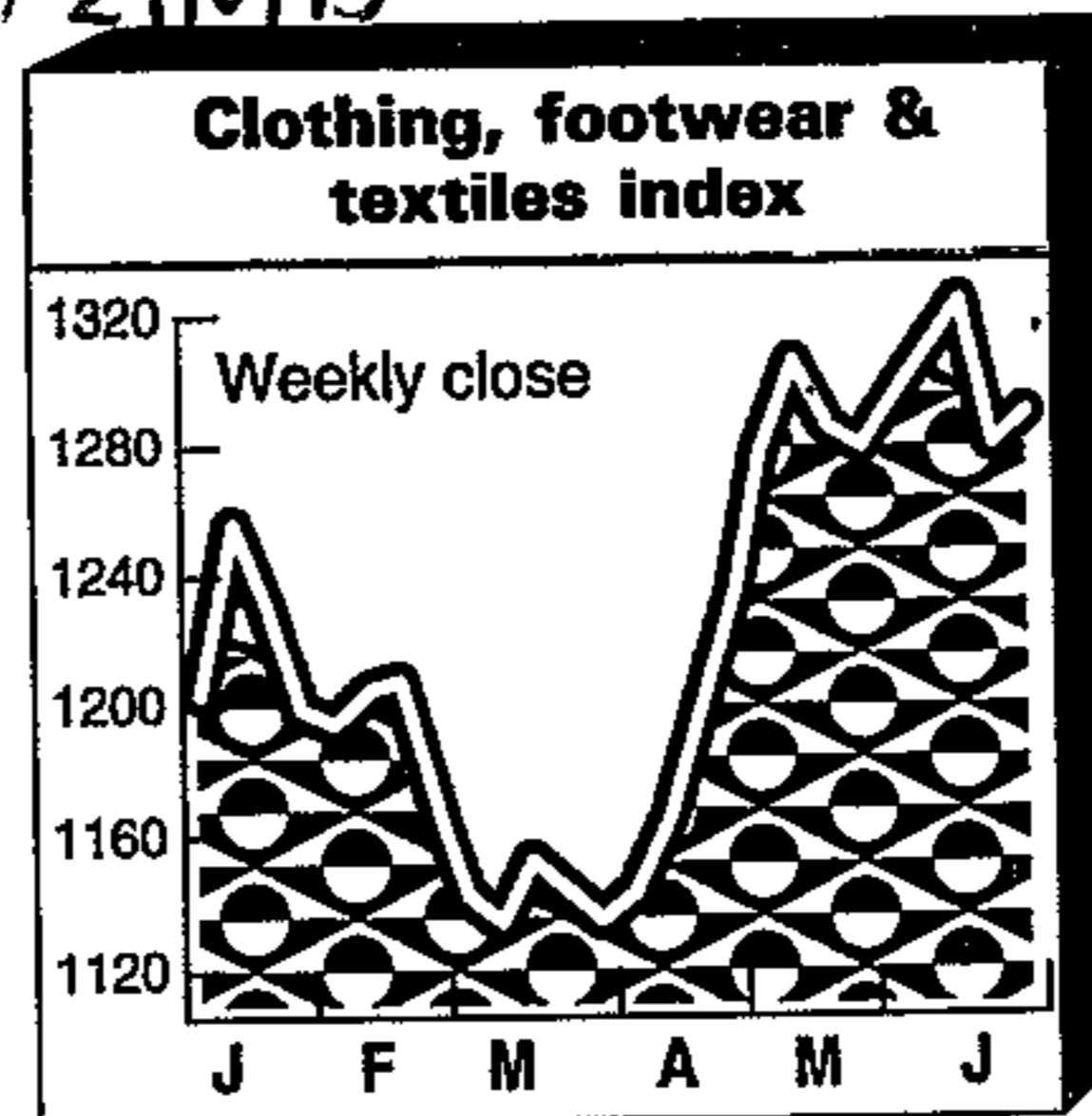
The clothing, footwear and textile index closed at 1 289,7, just off its high of 1 328,86 reached earlier this month.

Another share expected to benefit is Rex Trueform. This company has a good export market for its products, mainly for men's suits and fashionwear.

Apart from its substantial clothing interests, Seardel, through Seargreg, controls SA's largest textile manufacturer, the Frame group.

An analyst said the sector was geared for real earnings growth, contradicting the market's present low opinion of it.

Another analyst said the earlier negative perceptions of the textile and clothing industries had been justified, as the outlook had not been clear. But now that there was



certainly, he was dismayed at the lack of interest among investors.

Textile Federation executive director Brian Brink said the industry would formulate plans to inform investors and decision makers of the road ahead.

Romatex MD Mike Hankinson said the increase in maximum specific duties by 5% a year, which would be discontinued in five years, ensured encouragement for manufacturers producing high value added or specialist textiles and clothing.

# Coastal Clothing posts a heavy loss

Nicola Jenvey

184

BD 30/6/95

DURBAN — Clothing company Coastal Clothing Manufacturers, which was suspended from the Johannesburg Stock Exchange until April 24, posted a R3,403m loss for the year to February, the directors announced yesterday.

The company was restructured and re-capitalised subsequent to its year-end. It did not trade during the year under review and no dividends were declared or paid.

A misunderstanding which had meant Coastal Clothing had not submitted its re-

sults to the JSE within three months of its year-end had been resolved, and the company no longer faced a further suspension for late submission.

JSE listings director Ernest Mathewson explained yesterday that the results were received at the beginning of the week and that Coastal Clothing had met the extended deadline.

By February 1994 the company had had a turnover of R6,7m and operating loss before interest, taxation and extraordinary items of R3,4m. Accumulated loss by the end of that financial year was R3,403m.



Trade and Industry Minister Trevor Manuel ... Introducing tariff cuts in the auto, textile and clothing sectors.

# Tariff cuts will help economic growth

*Rowe Jan 6/7/95*

By Moeletsi Mbeki

*184* *184* *184*

Ways must be found to encourage saving and increase skills

**T**RADE AND INDUSTRY Minister Mr Trevor Manuel is, at present, probably the only ANC Minister who is seriously trying to do what the blacks who voted for the ANC want to see done as a priority

In their heart of hearts, most black voters want to see the new Government punish the white man for his past sins. Tariff cuts will do just that. They have the added bonus of bringing down clothing and transport prices.

Whether tariff cuts will punish the right white man and punish him sufficiently, is a matter that should exercise our great legal minds. To the man in the street, however, this is a moot point.

Whatever the virtues of free trade in cars, textiles and clothing as ways of bringing about economic development in South Africa, to most blacks less protection of these industries means first and foremost more pain for their white owners and managers.

Foreign imports will, by taking a share of the local market, hit the owners and their highly paid white managers where it hurts most their pocket books. Imports will, of course, also adversely affect black workers in these industries. However, in the eyes of most black voters, that is a necessary price for the greater satisfaction of seeing whites suffer.

## An iron law

Sanctions, after all, taught today's black electorate, the former oppressed masses, that there is an iron law which states that one must sacrifice to achieve the community's higher objectives. This message is beginning to register even with the pro-ANC unions in the motor, clothing and textile sectors.

Unions, important as they are in the country's body politic, are beginning to learn the other iron law about democracy — that when it comes to influencing Government decision-making, it is the wishes of the broad electorate that carry more weight. This means that those who are trying to oppose Manuel's tariff-cutting spree are invariably going to fail because they cannot mobilise a larger

constituency in favour of greater protection than the constituency Manuel has behind him which supports reduced tariff protection.

But what about the economic aspects of Manuelism? Will South Africa achieve economic growth and therefore full employment through free trade? To answer this satisfactorily, we need to look closer into the deep malaise that afflicts South Africa's industrialisation process.

It is because of its flawed industrialisation process that South Africa is today on the one hand unable to create meaningful employment for most of its citizens and, on the other, is a producer of more expensive clothing, shoes and cars than many other countries.

## Tackling root causes

If we do not tackle the root causes that have led to half of this country's labour force being unable to find jobs, no amount of cheaper imports will save South Africa from the increasing impoverishment of the majority of its people. For the country to create more jobs that pay better, a higher rate of industrialisation is required than we have at present. However, twin challenges face those, including Manuel, who want to speed up the country's industrialisation. The first is to encourage saving and the second is to develop skills that will create the opportunities for those savings to be invested in broadening and deepening the industrialisation process. Tariff cuts have to be combined with these two measures if they are to lead to the further industrialisation of South Africa. On their own, tariff cuts will merely turn South Africa into a nation of importers.

If we define saving as foregoing consumption and therefore immediate gratification in order to be able to consume more in the future, it is clear that is not a comfortable option. Most people would rather consume now and therefore not save at all. This is why saving by and large is not undertaken voluntarily but is forced either directly, for example through low wages and poor working conditions

or indirectly through the creation of a social and economic environment of uncertainty which compels people to save "for a rainy day". The first challenge then is to decide who should be made to save the most and how to make that person or group of persons, save.

Industrialisation is therefore first and foremost about the exercise of political power because obviously it was the weakest groups, with the least political power, that were compelled to save the most. In South Africa, historical these were the blacks.

Not any more! Today blacks have the vote and are organised into powerful unions that are fighting against the low wages of old.

If we are to raise South Africa's level of industrialisation so that the country's economy employs more people and pays better, who is to be made to save today? This is the question that is not answered by trade liberalisation and tariff reductions.

If in future it is not possible to force blue collar workers to save as in the past and then industrialise the country further, Manuel will have to look at forcing the well-off classes to consume less and save more.

## The yawning gap

A policy that will force the well-off to save and invest rather than encouraging them to consume lavishly, will narrow the yawning gap between rich and poor which could tear South Africa apart in the not too distant future.

Manuel deserves praise for having the courage to take on the tycoons in the clothing, textile and motor industries. The tasks facing him are even bigger. He has to face down many sections of the well-off, both black and white, if South Africa is to avoid getting locked into decades of grinding poverty and stagnating economy.

The lesson South Africans who lived in exile learnt is that it is incredibly easy to destroy a country's economy with misdirected, timid and therefore consumptionist economic policies — with catastrophic consequences for everyone's welfare.

● The writer is a partner in a firm of Sandton-based marketing consultants.

# The price is right if the value is real

ST/CP/TA/7/95  
(184)

TRADE and Industry Minister Trevor Manuel's proposal to restructure the motor, textile and clothing industries is getting SA business on to the right track and into the right state of mind.

The companies in these industries who will prosper will be those who face reality earliest and behave and manage in the most proactive way. They will recognise that the rules have changed and begin "training" and preparations for the new game that will emerge after the transition.

Those companies that will wither and decline will see the restructuring as a problem and a threat and not as an opportunity. They will look back longingly at yesterday, when "value" was determined by protective tariffs and "orderly marketing".

There is no doubt that we are all in the middle of the "value decade". All of us want more value. We want more value for the money we spend, we want more value from our government leaders and we want more value from our local services like the police and local government.

What does "value" mean?  
For a start, in many markets and industries it means increasing pressure on price for a start. Customers will call for and eventually demand better prices

Africa we have seen fresh meat being imported from Australia and New Zealand and chicken from Europe. Our exports must also deliver "value" as the fishing industry is discovering with the European Economic Concession's Consumer protection system. We will deliver more "quality" at the same price or face the prospect of losing an export market of R450-million a year.

We can illustrate the relationship between price and quality by using a "value map" as follows.

Research has shown that relative perceived quality (which is defined as your served market's perception of your quality relative to the offerings of your competitors) and profitability are strongly related. Whether you measure return on sales or return on investment, businesses with higher relative perceived quality and better prices beat their competitors hands down.

- The higher value players have:
- stronger brand loyalty,
  - higher repeat purchase rates,
  - less vulnerability to price wars,
  - the ability to generate higher margins,
  - lower marketing cost and
  - tend to gain market share.
- The value map above shows that customers tend to align products along a

"comparable quality for price" so that each competing product provides the same value. Most products will fall along the diagonal line that stretches from the "commodity/economy" end to the "premium" products. But there are businesses that often, by accident or design, end up providing no price premium for relatively low value products.

The dangers of the "poor value" business should be obvious. They offer "poor value" and can't understand why they begin losing market share.

Their capacity utilisation falls, and profitability declines as fixed costs are spread over fewer units of output. What is the loser's response? Typically they increase advertising and promotional spending instead of addressing their "value" position and get into an accelerating profit decline.

SA companies must understand their "value position" if they are to survive in the global market. Aggressive international players are offering better value and simply increasing advertising spend will not solve the long-term problem of "poor value".

Andy Andrews is director of the Graduate Institute of Management and Technology, which offers the Henley Executive MBA in South Africa and consults on strategy using the PIMS database.



# SA warns Zimbabwe on trade war

BY EMELIA SITHOLE

REUTERS

Victoria Falls — South Africa has cautioned Zimbabwe against retaliatory tariffs in response to Pretoria's punitive duties on textile and clothing imports

South Africa's high commissioner to Zimbabwe, Kingsley Mamabolo, told a conference of Zimbabwean business leaders on Friday that private industries from the two countries should instead press their governments to reach an early trade pact

"On the issue of lowering import tariffs by South Africa, despite the anger on the part of Zimbabwe, it would not be advisable to call for a retaliatory tariff regime

"It will end up in a long, drawn-

out process of tariffs and counter tariffs," he told the Confederation of Zimbabwe Industries "We need to find a way forward

"It would also help the governments if business organisations — here and in South Africa — took up the issue. In that way we will be able to put pressure on the governments to take the necessary decisions on lifting tariffs

"We are inevitably bound towards trading with each other and not fighting each other," he said

Mamabolo's remarks followed calls by several Zimbabwean business leaders for retaliatory measures against South Africa which tripled the import duty on Zimbabwean textiles and clothing to more than 90 percent three years ago

The increase was after the

expiry of a 1964 preferential trade agreement between the two countries which has, in turn, led to the collapse of a number of Zimbabwean companies which depended on exporting to South Africa

The chief executive of clothing retailers Truworths of Zimbabwe, Jonee Blanchfield, urged Harare to adopt a "counter strategy" if a new trade agreement was not reached soon

"If South Africans do not want a trade war, then there must be a compromise," she said

The Zimbabwean minister of industry and commerce, Herbert Murerwa, told the conference that his government would soon take measures to protect the country's industry from South Africa's "unfair trading advantage"

CT (BR) 10/7/95

# Clothing group employees are learning interdependence

By FRANÇOISE BOTHA

STAFF WRITER

Retail group Sales House has launched an in-house upliftment programme to instil a healthy work ethic and to develop employees' sense of pride and responsibility

The initiative, which the group has termed Bambanani (a Zulu

phrase meaning, I need you and you need me), will be introduced in all Sales House stores this month and will run until 27 April next year to coincide with Freedom Day

Sabrina Loake, the company's chain promotions manager, said "We believe that Bambanani will create an active interest in the development and growth of the Sales

House chain. The programme is also aimed at creating a sense of purpose and responsibility within our workforce. We aim to instill a sense of pride and unlock the power within our employees to make change happen."

The initiative follows the successful Share project that the group has been running for more than

two years and which has improved employees' communication skills and ability to solve problems

"The Bambanani programme is based on the same nation-building philosophy as President Mandela's Masakhane initiative and it is the ideal vehicle to help refocus the energies within the organisation," said Loake

(184)

CT(BR) 11/7/95

## Textiles tariff feud to end on Friday (184) (184)

The long standing feud between South Africa's clothing industry and textile industry is due to end on Friday when they are expected to finally accept a decision by Trevor Manuel, the minister of trade and industry, that protective import duties should be reduced over eight years

A final discussion will be held in Pretoria on Friday. The National Clothing Federation has pressed for the more rapid lifting of duties on imported textiles to increase competition. But the Textile Federation has fought for protection to safeguard jobs against competition from countries with low labour costs.

Brian Brink, director of Textfed, Aaron Searll, executive chairman of Seardel and a former clothing federation president, and Hennie van Zyl, director of the federation, said yesterday they would welcome certainty about the future — Audrey d'Angelo

ET(BR)12/7/95

# Proposed cuts in clothing and textile tariffs accepted

Tim Cohen (184) (184)

CAPE TOWN — Responses to proposals by the trade and industry department to slash tariffs in the clothing and textile industries reflected a general acceptance of the plans, a department source said yesterday

Yesterday was the closing date for responses to the plans, which were announced a month ago by Trade and Industry Minister Trevor Manuel.

It is understood that only few responses were received

One of the major issues reflected by the responses was the need for "effective and highly visible" measures to be introduced to reduce "massive seepage" in the industry.

One respondent estimated that tariffs were not paid on up to 50% of imported clothing and textiles entering the country

But in general, the responses reflected an acceptance of the new tariff structure, which would result in ad valorem rates being phased down over eight years and specific duties phased down over four years with a possible one-year extension in the clothing and textile industries

The reductions proposed by Manuel a month ago are substantially sharper than those accepted in SA's Gatt offer, which envisaged a 12-year phase-down period.

Manuel proposed that tariffs on clothing be reduced from 90% to 40% while household textiles be reduced from 55% to 30% and fabrics from 45% to 22% **BD 14/7/95**

Trade union representatives of the clothing and textile sectors are scheduled to meet officials of the department today.

(184)  
BAKING

FM 14/7/95

## Rolling in dough

**The country's** major bakers have been accused again of operating a cartel in the R3,4bn-a-year industry

Pick 'n Pay deputy MD Sean Summers says it "cannot be put down to mere chance" that all major baking groups simultaneously announced a 7c price increase on an 800 g loaf of "government bread" from the beginning of July

The baking and milling industries were officially deregulated in 1991, and the existence of about 3 000 in-store bakeries,

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with about 15% of the market, and 174 plant bakeries give consumers some choice

However, Premier Foods chairman and CE Gordon Utian, says while regular industry "cost meetings" still take place, there is no question of a cartel. His explanation "Due to the tight level of competition, when one group increases its price, the news travels fast and all the major groups tend to move in sync"

A 1994 Competition Board investigation found no evidence of a cartel or of collusion, "especially as there is competition from the new inhouse bakeries."

Summers says his company is outraged that the bakers, without any consultation, have acted in concert "They have all cited increases in the cost of labour and packaging as reasons for the increase

"But it is surely more than a coincidence that they all need to increase on the same day, by the exact same amount, for the same reasons. There hasn't even been a flour price increase to precipitate this increase"

Summers says Pick 'n Pay objected "in the strongest possible terms" to the increase and the way it was implemented

"In the past, we have been able to negotiate either an extension of the increase, or special bulk deals on new increases, to help the consumer

"This time, not one of the bakers is willing to negotiate. In a new and transparent society, it is indeed a shame that collusion of this nature can still be said to be in existence" ■

# Textile tariff poser on the line

(184) (498)  
Business Reporter

FINALITY on phasing down for the clothing and textile industries tariffs is expected at a meeting between trade and industry minister Trevor Manuel and labour on Thursday.

Clarity had been expected this week, but the SA Clothing and Textile Workers Union was still locked in deliberation over the minister's June 12 proposals during a two-day meeting in Natal which continued until late yesterday.

The union is believed to have reservations about supply-side measures, particularly training and social aspects

Textile Federation director Brian Brink said yesterday "It's still in the melting pot. We'd like finality and some clarity and certainty either way" *ARG 15/7/95*

Clothing Federation executive director Hennie van Zyl said yesterday Clofed was keen to have the tariff issue resolved, but "not at all costs"

Clofed president Sadek Vahed renewed a plea for Duty Credit Certification (DCC) export incentives on the value added portion of garments produced with imported fabric

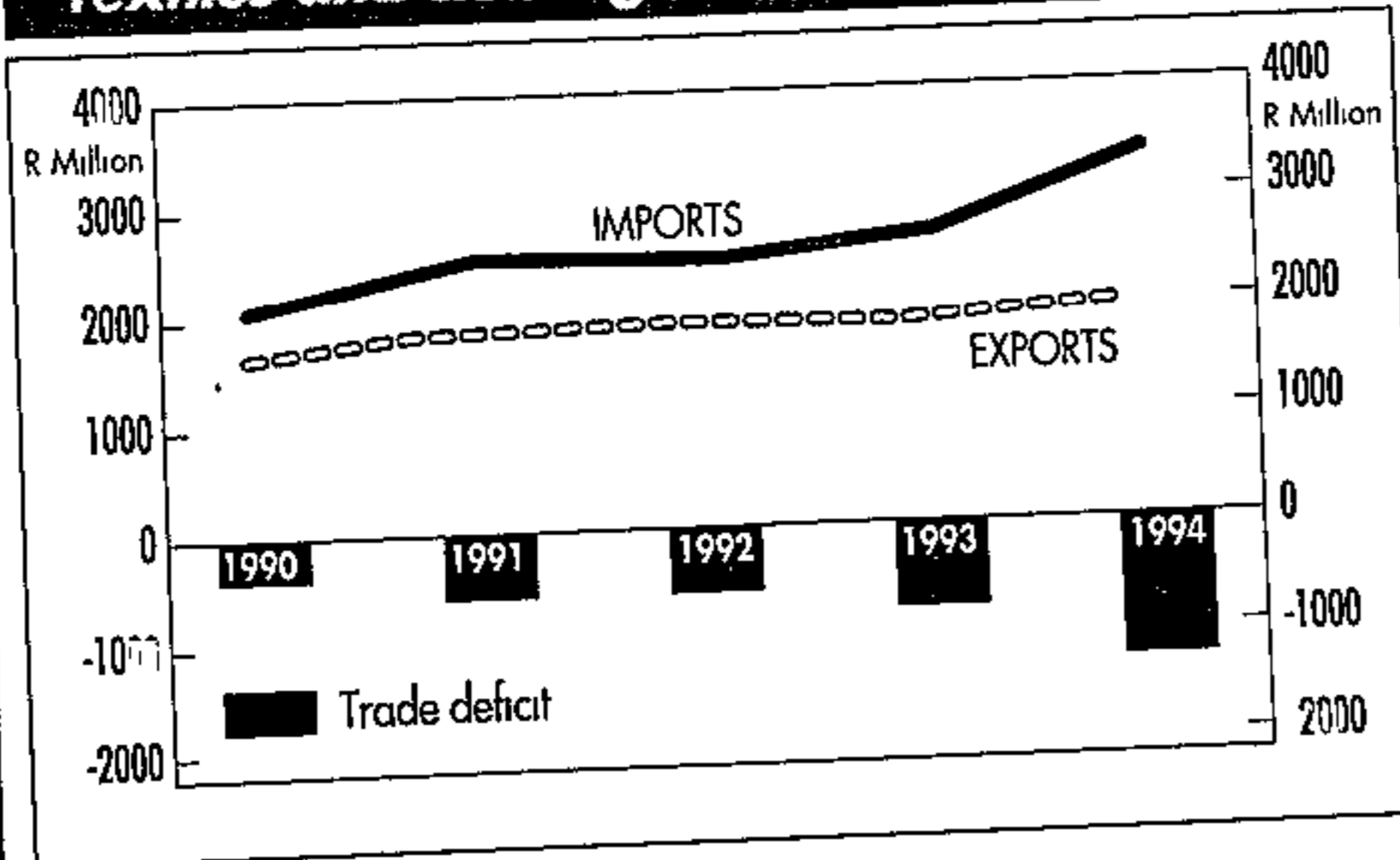
Major US companies could send exclusive fabric to South Africa to be returned in garment form

Potential clients were talking about 30 000 or 50 000 garments in a single order. "Factories can run a style for three, four or five months producing one item — such orders are numerous."

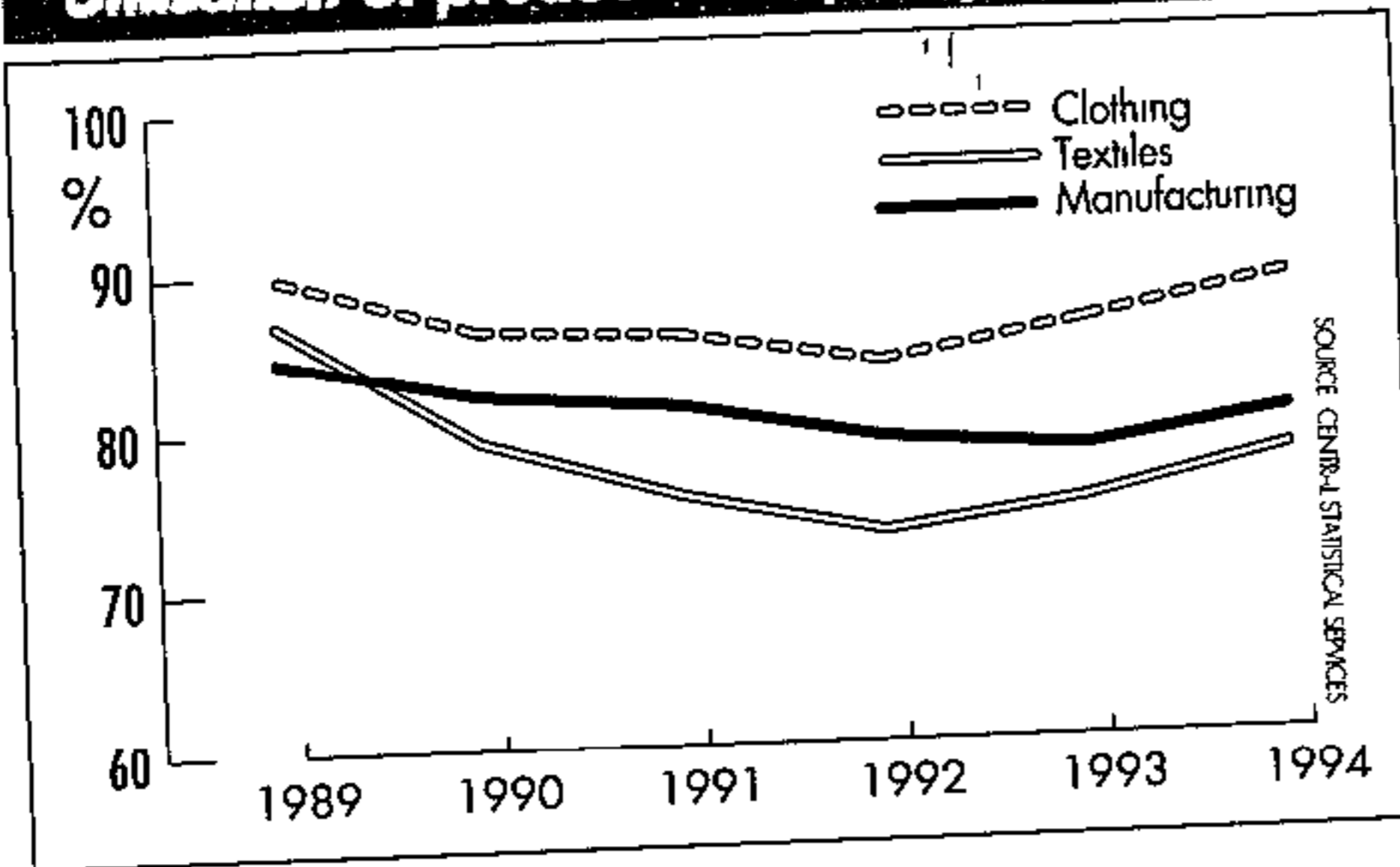
The DCC incentives were the magic formula to create "many, many thousands of jobs" and earn foreign exchange

"That is the route to become globally competitive. It can't happen overnight."

### Textiles and clothing trade balance



### Utilisation of production capacity



# Imports a threat to SA fabrics

ET (BR) 19/7/95

By Shirley Jones

STAFF WRITER

(184) ~~184~~

Statistics from the Textile Federation highlight the increasing threat posed by cheap imports of fabrics via loopholes in South Africa's controversial tariff structure

In its economic review for this year and last year, the federation said 33 percent of all cotton yarns imported last year ducked payment of import duty and 53 percent of man-made staple yarns brought into South Africa last year also entered duty free. At least 61 percent of all woven cotton fabrics and 57 percent of all knitted fabrics also entered without payment of duty.

These figures are underscored by the revelation that South Africa's fabric trade gave rise to a trade balance deficit of more than R1 billion last year.

According to the federation's breakdown, the value of imports of made-up textiles exceeded the value of exports by R52,6 million.

Although the value of miscellaneous textiles imports rose by 19 percent and exports increased by 42 percent, a negative trade balance of more than R340 million resulted.

Similarly, while the value of clothing imports rose by 24 percent against a 33 percent increase in exports, import values exceeded export values by almost R68 million.

Total fibre imports saw a 2 percent volume increase and a 17 percent increase in value over the previous year. Last year, fibre exports rose by 38 percent in volume terms and 47 percent in value terms. Unlike other areas, fibre transactions showed a favourable trade balance of R415 million. In contrast, yarn transactions showed a R189,5 million deficit.

The federation also voiced concern about rising international prices.

According to the federation, buoyant retail sales towards the end of last year could continue into this year.

However, there was also a possibility that inflation, coupled with high personal taxation, would inevitably subdue some of the lively market activity seen in recent months.

## Final talks on textile tariffs

~~184~~ (184) STAN 20/7/95

Representatives of the clothing and textile industries, the associated trade unions and officials from the trade and industry department will meet in Pretoria today to give final views on proposals to start the phased reduction of tariff protection barriers.

Trevor Manuel, the trade and industry minister, said he expected the proposals to be accepted.

However, he also anticipated that there would be a demand for the government to step up controls of smuggling operations.

Both industries are being undermined by substantial smuggling operations of clothing and textiles — Staff Reporter



# Allwear ups profit to R1,8 million

(184) ARG 31/7/95

**ALIDE DASNOIS**  
Business Editor

SCHOOL uniform and menswear group Allwear produced smart results in the six months ended June, more than doubling shareholders' profits to R1,8 million

Turnover was up 33 percent. Exports were static, chairman Renier van Rooyen said, but domestic turnover rose 41 percent.

Demand for school wear was still high, he said, and the budgeted order book for the rest of the year was already sold out

Directors expected a "substantial improvement" in results for the full year to December, but the rate of growth in the first half would not be maintained, Mr Van Rooyen warned.

Interest-bearing debt has been slashed from R2 million to R853 000, enabling the group to cut interest payments by 21 percent. But finance charges are expected to rise again in the second half, traditionally a busier period for Allwear

The group has a tax loss of R4,2 million to be set off against future profits

■ German textile company Corovin is to invest in a R55 million joint venture with South African group Industex. A factory being built in Port Elizabeth for the new company, Cordustex, will come on stream in October, manufacturing about 2 000 tons of material a year and creating 25 new jobs in the first phase.

Imported Corovin products are used by the medical, nappy, quilting, hygiene, furniture and bedding industries

■ Investment trust Genbel has raised its final dividend 27 percent to 14c, making 26c (21c last year)

Net asset value rose from 992c to 1 042c a share

Over the year ended June portfolio managers reduced exposure to commodity shares from 56 percent to 40 percent and to mining stocks from 44 percent to 23 percent

Sappi was the top holding at the year-end, followed by Murray & Roberts and Richemont, and Genbel also strengthened its stake in Investec and Didata

■ Industrial holding company Hunt Leuchars and Hepburn has warned shareholders that profits in the six months to September will be significantly lower than forecast

Performance from the group's timber holdings and from Robertsons was in line with expectations, but Transvaal Sugar, which had been hit by drought, and Rainbow Chicken, would both report losses at the half year

The group was negotiating the restructuring of its timber interests, HL & H directors said

■ In a separate announcement today, Rainbow Chicken warned that it would report a loss at the half year in September, following competition from imports and the closure of the Hammarsdale processing plants because of labour action

■ Maxtel (formerly Maxmech Mechanical Seals) re-lists on the Venture Capital Board of the Johannesburg Stock Exchange today, following the sale of its sealing business and the purchase of Talkline, Maxtel Trading and Telular SA

■ Board of Executors cautioned shareholders that discussions were taking place that could affect the price of shares in the BoE and the BoE Corporation

DELSWA (184) FM 4/8/95  
**Pleasant surprise**

**Activities:** Makes clothing, brand names include Delswa, Jade, Marchesa, Delton, Schoolmaid and Youngset Originals

**Control:** Jaff-Delswa Investments 46,9%

**Executive Chairman & MD:** S H Jaff

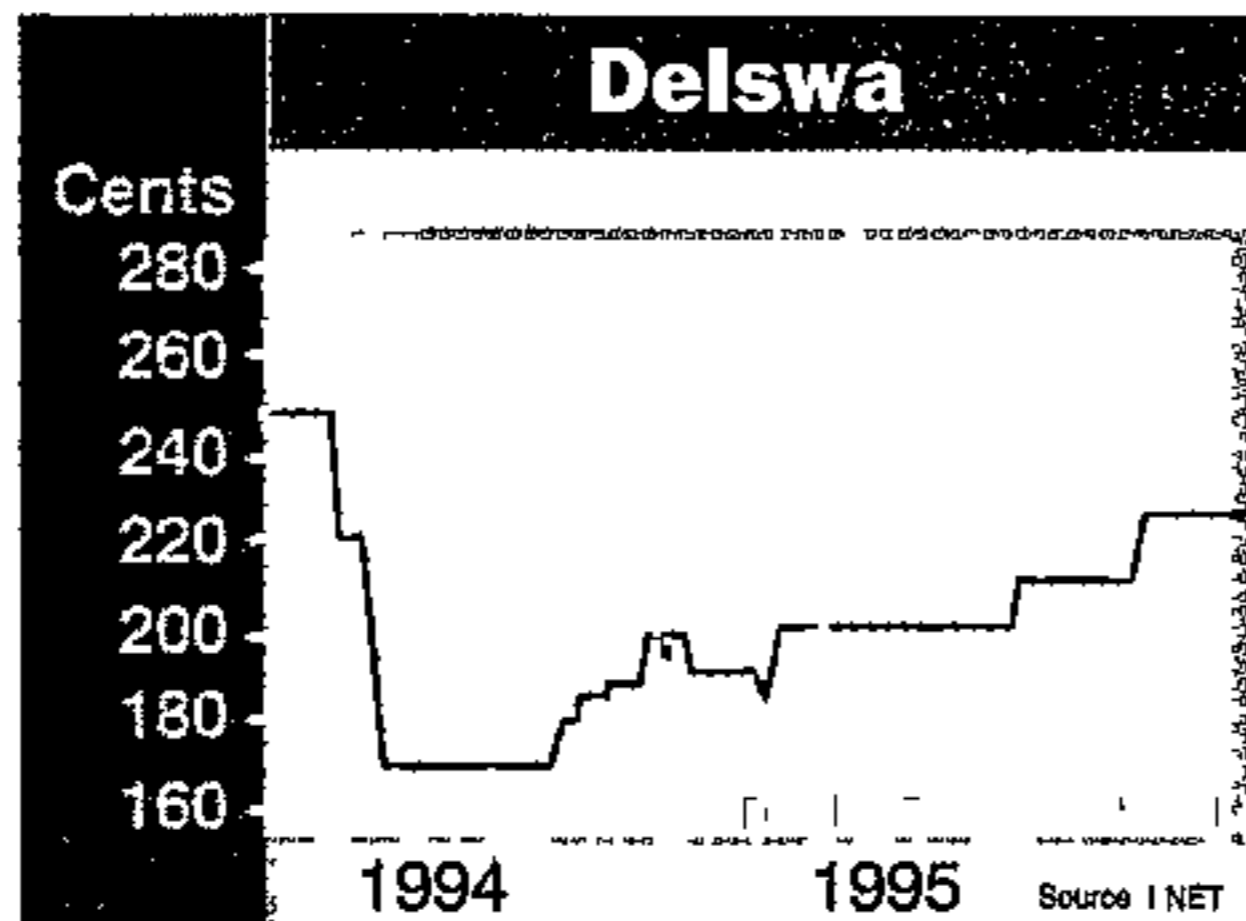
**Capital structure:** 6,96m ords Market capitalisation R15,7m

**Share market:** Price 225c Yields 4,9% on dividend, 25,0% on earnings, p e ratio, 4,0, cover, 5,1 12-month high, 250c, low, 160c Trading volume last quarter, 7 000 shares

Year to April 30	'92	'93	'94	'95
ST debt (Rm)	8,2	9,0	9,2	14,6
LT debt (Rm)	4,0	4,0	4,0	4,0
Debt equity ratio	0,47	0,47	0,40	0,52
Shareholders' interest	0,58	0,57	0,61	0,55
Int & leasing cover	3,6	2,8	3,3	4,1
Return on cap (%)	15,4	10,2	10,2	12,6
Turnover (Rm)	64,4	65,1	70,2	84,4
Pre-int profit (Rm)	7,0	5,0	5,1	7,7
Pre-int margin (%)	10,9	7,7	7,3	9,1
Earnings (c)	40,6	26,5	26,7	56,3
Dividends (c)	9	6	8	11
Tangible NAV (c)	373	399	435	478

**Chairman Stephen Jaff** was noncommittal about the outlook in his annual statement last year and in the interim report, which, as forecast, showed pre-tax profit down from R2,28m to R1,15m

The most the directors hoped for was maintained annual earnings this time round, so the result is a big surprise. Second-half pre-tax profit was almost four times the previous year's, at R4,67m (R1,29m). Even by Delswa's standards — and its six-monthly results seem to fluctuate more than most firms' — that's remarkable.



The group now commendably discloses money turnover at year-end but as there was no indication in the interim results of either the actual or change in (six-month) turnover, further analysis is difficult.

A switch in minority interests, however, from a negative R11 000 to a positive R44 000 suggests a major contributor to the improvement must have been a turnaround at 90%-owned children's wear manufacturer Youngset Originals from a R110 000 loss to a R440 000 profit.

Though liquidity remains reasonable, growth has brought strains. Debtors are up

from R24,1m to R34m, accompanied by a R5,3m rise in the overdraft to R11,8m.

Jaff says the delivery of large contracts towards year-end contributed to this — and to the big gains in second-half turnover and profit. He is not thrilled by proposed tariffs and labour's reaction to suggested labour law changes. Prices of yarns and fabrics have risen "dramatically" in the past six months and it will not be possible to pass them on in full, which will strain "already unacceptable" margins.

Despite the uncertainties, order books are full for the first half of the year and results should at least be maintained.

Delswa has never been a great market favourite. The latest earnings may be double those of the preceding two years but are little more than the previous peak in 1989 — and worth much less in real terms.

This can hardly be considered a long-term growth stock but there could be short-term appreciation, underpinned by the sharp discount to NAV. Pyramid Jaff-Delswa (Jade) owns just over one Delswa for each of its own shares and so looks relatively underpriced at 200c.

Michael Coulson

'USED CLOTHING TRADE A THREAT TO INDUSTRY'

## Illegal imports 'cost jobs'

**THE FLOURISHING** trade in imported used clothing, much of it shipped in illegally, is jeopardising local jobs, the Clothing Federation of SA says. **CLAIRE BISSEKER** reports.

**T**RADER in illegal imports of second-hand clothing is threatening jobs in the clothing industry, the Clothing Federation of South Africa (Clofed) says — but the authorities deny there is a problem.

The Department of Trade and Industry says imports of used clothing are "strictly controlled" through a permit system.

Clofed director Mr Henne van Zyl, however, claims a "roaring and open trade is taking place".

Worn clothing is allowed to be imported only by churches and registered welfare organisations for free distribution to the indigent.

Only used overcoats, which the

department deems a "basic necessity", may be imported for sale. There is limited manufacture of overcoats in the country.

Mr Van Zyl said: "In every city in South Africa you can see bales of imported second-hand clothing sold openly. Abuse seems to be rife and it is taking away growth opportunities and jobs in the local clothing industry."

Clofed claims that for every four units of clothing manufactured in South Africa last year, one item of used clothing was imported.

There are no statistics for illegal imports of clothing into the country, but Mr Van Zyl believes the

incidence is increasing.

"Daily reports are being received of an increasing number of containers entering South Africa without legal prescriptions, such as the payment of import duty and the correct declaration of contents, being followed," he said.

### Complex

"Some of the reasons for this worsening problem are the existence of a decades-old Southern African Customs Union, with certain members having entered into trade agreements with non-union countries; the lack of adequate border control, and the difficulty in obtaining clear evidence of illegal practices.

"It is also recognised that the current high and complex duty

regime serves as a further incentive (for importers) to evade the system."

When approached by Clofed, the Department of Customs and Excise had blamed inadequate control on a critical lack of financial and manpower resources, Mr Van Zyl said.

In a statement, the Department of Trade and Industry said it was monitoring the situation and that the Commercial Crime Unit was investigating cases involving illegal imports of used clothing.

However, the department believed that control measures introduced in 1992 had been successful in reducing imports of used clothing from "the very high figure" of 100 million units in 1992 to about 14,7 million units last year.

ET 7/8/95

(184)

# Seardel warns public ahead of delisting

ET(BR) 10/8/95 (184)

By MAGGIE ROWLEY

Seardel, the Cape-based clothing company, intends unbundling its pyramid structure by delisting its holding company in line with overseas trends

A warning to shareholders to exercise caution in dealing in shares of either the holding company, Searcon, or the operating company Seardel, was issued today

The financial director, Arthur Jacobson, confirmed the board was close to finalising proposals for the re-organisation of the group's shareholding structure. He emphasised that this would be subject to JSE and shareholder approval

If approved, the delisting would result in all the group's equity being held in Seardel, with high and low voting shares.

In recent weeks the share prices of both Searcon and Seardel have moved up strongly with the holding company no longer trading at a discount. In early June Searcon was trading at about R7,75 and Seardel at around R8,50. Both shares are now at the R9,25 level.

According to market sources, the share prices have moved up in anticipation of excellent results for

the financial year to the end of June, which are expected to be released next week. Earnings of as much as R2 a share for Seardel, which would represent a 66 per cent improvement on the previous year, are expected in some quarters.

If these above-forecast results were to be achieved, it would mean the share price was about R3 undervalued, analysts said.

At the half-way mark, Seardel revised its forecasts upwards after reporting a 60,6 per cent increase in attributable earnings for the six months to end December. Earnings at the share level rose by 57,1 per cent to 94c (60c), in spite of the capitalisation award in lieu of dividends in November last year which increased the issued share capital by 522 242 shares.

At the time, Aaron Searll, the chairman, said he expected turnover for the full year to be R1,5 billion instead of the R1,3 billion forecast in the 1994 annual report — with earnings 170c a share and dividends of 34c.

Analysts said Seardel was expected to further benefit from its stake in the Frame Group, which was also expected to report good results shortly.

# Demand helps SA Bias to double half-year earnings

BY CHARLOTTE MATHEWS

INVESTMENT EDITOR

SA Bias Industries, the country's largest distributor of trimmings and accessories to the clothing and footwear industries, doubled earnings to R5,1 million in the six months to June compared with the same period last year

Philip Coutts-Trotter, the managing director of SA Bias, said the results reflected a significant rise in demand and the benefits of the restructuring of the past few years

The results also benefited from comparison with the previous period, which was adversely affected by disruptions around the time of last year's election

Turnover rose 27 percent to R118,9 million while operating

(184) CT(BR) 10/8/95  
income surged 70 percent to R10,4 million on operating margins of 8,7 percent from 6,5 percent the year before. On earnings of 17,7c (8,8c), the interim dividend was raised to 6,0c from 4,0c

Besides trimmings, the group's other major activities are supplying components and accessories to a range of industries and making trimmings in Britain for that market as well as exporting to the United States, Canada, Far East, Europe, Israel and Australia

Coutts-Trotter said export volumes had been growing steadily and there was attractive potential for the group's industrial products in many international markets.

SA Bias is forecasting a rise in earnings of 35 percent for the year. Dividends will rise 45 percent

# Union pays R1,5-m for education <sup>(195)</sup> ~~(184)~~

ARL 9/8/95

## Staff Reporter

SOUTH African Clothing and Textile Workers' Union contributed almost R1,5 million towards the education of members' children last year — and this year the figure will be much higher.

"At no stage does the union claim that we solve the problems of all our members. But we certainly feel that we are making a difference," said Sactwu general-secretary Jabu Ngcobo

All union members' dependants qualify for assistance from the Sactwu Bursary Fund. The amount applicants get depends

on the institution at which they intend studying.

Last year, about 2 000 members' children got help

Mr Ngcobo said the fund had been established by committing a portion of weekly union subscriptions

During wage negotiations this year, one of Sactwu's major demands was that employers make a contribution to the "general upliftment of skills in our society"

The demand was "fairly well received", said Mr Ngcobo

In the clothing industry, employers agreed to contribute 20c

a worker a week towards topping up the fund

"Many employers in the textile and leather industries have also agreed to these contributions," he said

"Because education costs are still so high we are mindful of the fact that the level of assistance we extend to applicants is minuscule. But we believe that for under-privileged students, every little bit of assistance does, in fact, count

"Our vision is, in the foreseeable future, to ensure that our bursary fund becomes even stronger," said Mr Ngcobo

# Seardel warns public ahead of delisting

(184) star 10/8/93

■ BY MAGGIE ROWLEY

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# Seven-year textile tariff phase-down

Yuri Thumbran

GOVERNMENT would implement the long-term plan for the clothing and textile industries from September 1, resulting effectively in a seven-year tariff phase-down period

This is one year less than announced by Trade and Industry Minister Trevor Manuel in June, and has been hailed as a victory for the clothing industry by market sources.

Key elements of Manuel's original proposals were, however, retained in the final plan released last night

This includes the phasing out of the duty credit certificate scheme over three years, and the phasing out of minimum specific tariffs over four years, with a possible one-year extension. Maximum specific duties would remain the same before being removed in four years and financing by the Industrial Development Corporation (IDC) for the upgrading of technology retained.

Except for the IDC finance package, the R5m annual subsidisation of a management consultancy and training were the

only other supply-side measure recommended by the Swart panel to be accepted

In terms of rebates, the clothing industry would have duty-free access to textiles for re-export under section 470 03 of the Customs and Excise Act. All other rebates would be phased out in eight years' time.

Although the decision was welcomed by the Textile Federation (Texfed), a suggestion by the SA clothing and Textile Workers' Union (Sactwu) to implement the phase-down only once supply-side measures were finalised was overruled.

But the trade and industry department accepted a Sactwu proposal to form a working committee to pursue supply-side measures. The committee would be appointed shortly.

The DTI informed both industries and Sactwu yesterday that the tariffs would be phased down in line with Manuel's suggestion. This means tariffs on clothing will be reduced from 90% to 40%. The clothing industry asked for an end rate of 45%.

On household textiles the rate would

Continued on Page 2

## Tariffs

Continued from Page 1

drop from 55% to 30%, fabrics from 45% to 22%, yarns from 32% to 15% and polyester fibre from 25% to 7.5%.

It also emerged from the DTI's document that the Botswana-Lesotho-Namibia-Swaziland countries (customs union partners) were unhappy with Manuel's original announcement for an eight-year phase-down as they wanted tariffs phased down

over the shortest possible period.

The DTI said it was not possible to meet all the respective needs.

Texfed president Mervyn King said the package was practical, reasonable and workable, but deputy president Mike Hainkinson expressed disappointment at the failure to present supply-side measures.

The Clothing Federation had a conference last night to discuss the final plan before responding today.



# Union, Taiwanese consul-general may hold talks

Renee Grawitzky

(184)

10/8/95

THE Southern African Clothing and Textile Workers' Union (Sactwu) has called for a meeting with the Taiwanese consul-general to discuss disputes with Taiwanese employers over wages as well as the recognition of the union

The union said employers in the decentralised and former homeland areas had refused to recognise that "workers have rights"

The union said wages in these areas were as low as R40 a week compared to industrial council rates of around R300 a week

Union demands to Taiwanese employers include an across-the-board increase of R25 a week

The Taiwanese consul-general Gary Lin said it was untrue that wages were as low as R40 a week

He said the cultures of both countries were very different, with Taiwanese employers having to

come to terms with high levels of expectation while in Taiwan workers were paid according to merit

Lin said he did not object to workers getting a reasonable wage as long as they "worked nicely"

He said the unions had to consider the real situation in the country — high levels of taxation, low productivity, a non-existent work ethic and very high transport costs — which did not create an incentive for manufacturing companies to come to SA

# Seardel <sup>(184)</sup> adopts ADR programme

CT (MR) 11/8/95  
BY MAGGIE ROWNEY

Seardel, the Cape clothing company, is the latest South African company to introduce itself to the American investment community by embarking on an American Depository Receipt (ADR) programme.

Sponsored by Bankers Trust, an ADR depository bank in the United States, Seardel's level-one ADRs will be listed on the Nasdaq index within a few weeks, said Aaron Searll, the chairman of Seardel.

Level-one ADRs are unlisted securities that trade in the over-the-counter market and provide non-American issuers with a simple and favourable means of diversifying their shareholder base, increasing liquidity and reducing volatility of the underlying shares through the development of a trading market outside the home market.

They are also an important stepping stone for a South African company which wishes to expand its operations into the American market in the near future as the disclosure mechanism required by the ADR system, which includes annual reports of foreign companies being made freely available, gives potential American investors a chance to get to know the company.

A lot of South African companies have been going this base-level route to get known in the American market before considering upgrading to a listed ADR to enable them to raise capital through a public offering.

A total of 35 South African companies have become sponsored level-one ADRs within the past two years.

# Manufacturers agree to state trade policy

DURBAN. — Garment manufacturers have given qualified approval to the Government programme to bring trade policy for the sector in line with international requirements.

Clothing Federation of SA president Sadek Vahed says the four-year phasing out of minimum specific duties will help curb prices of apparel for people less well-off by keeping down the production costs of smaller manufacturers

On the drawback side, he says his organisation will continue "at the highest" level to try to persuade the authorities to reverse the decision not to include "value added" (manufactured) goods under the duty credit certificate (DCC) export promotion system.

He said in response to Minister of Trade and Industry Trevor Manuel's release last week of the long-term

(184) ARG 12/8/95  
plan for the sector that this was the industry's biggest disappointment

Failure to extend the DCC system would keep South African apparel makers out of the growing "offshore contracting" business, where retailers and manufacturers in one country supplied fabric to producers in another to make into clothing and re-export to the country where the cloth originated

This area of trade was expanding rapidly and held out the promise of job-creation, as well as foreign currency earning

It cost the country nothing in tax terms, while no proof existed the DCC system contravened the World Trade Organisation's General Agreement on Tariffs and Trade (Gatt).

Mr Manuel said DCC would be phased out over three years from September 1

AUCTION NEWS

# Analysts expect high Wooltru earnings rise

By CHARLOTTE MATHEWS

INVESTMENT EDITOR

Market expectations of year-end results from Wooltru, due later this week, are high, with analysts forecasting earnings a share growth of between 41 and 50 percent

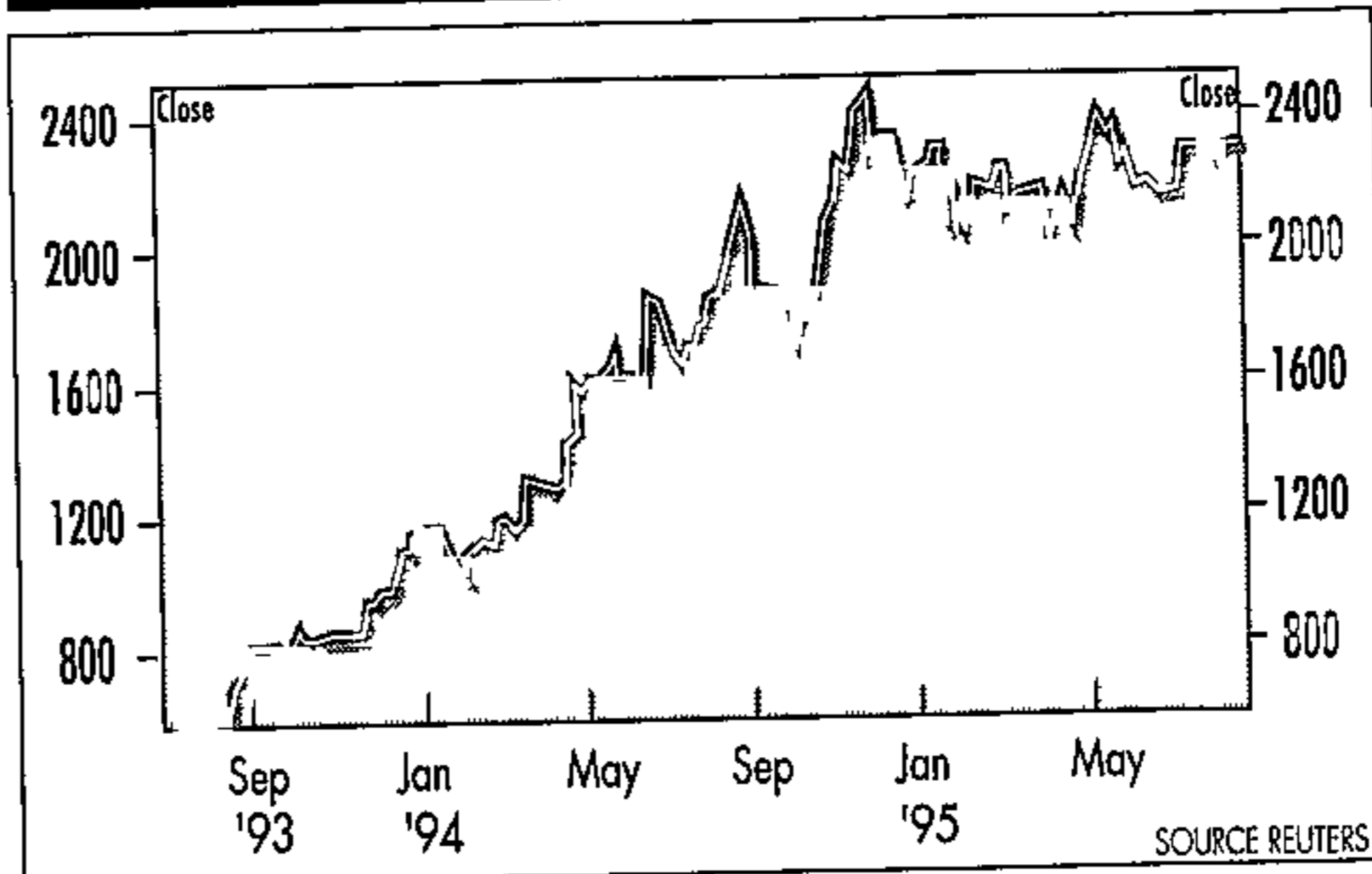
Analysts said the group was likely to reap the benefits of the successful introduction of the Woolworths private-label card, overseas expansion and correct positioning

There are now believed to be about 700 000 to 800 000 Woolworths credit card holders. According to one analyst, this had enabled the group to grow its business by up to 40 percent. It had also taken credit off the company's balance sheet, without any of the associated banking costs

There had been some problems with bad debts on the Woolworths card, an analyst added, although this had not been Woolworths' problem but the banks'

Both Woolworths and SRG were likely to achieve their budgeted margins of 10 percent and 15 percent respectively, an analyst said, although sales and margins at Massmart, which includes Makro and Dion, had been under pressure. Massmart had budgeted operating

## Wooltru Ltd New



margins of 4 percent

An analyst added that Woolworths in particular had had a lot of scope to improve its operating margins which were below those of its competitor, Edgars

### Australian

Among the overseas operations, the Sportsgirl/Sportscraft fashion chain in Australia acquired by SRG is expected to contribute to earnings only in the 1996 financial year. Wooltru is expanding in the Middle East, while in Africa it is already

operating in Kenya and Mauritius and is expected to open stores in Uganda and Senegal

One analyst felt the shares were a buy and another suggested they were correctly priced and should be held. A third analyst said the retail sector as a whole was becoming more attractive

Wooltru shares closed unchanged at R23,00 on Friday, where they were close to their year's high of R24,25. At their current price-earnings ratio of 25,9, they are rated above-average for the stores sector

# Textile plan raises union ire

Yuri Thumbran

BD 14/8/95

(184)

THE SA Clothing and Textile Workers' Union (Sactwu) has poured cold water on government's long-term plan for the clothing and textile industries, saying government had "sold out the workers"

The union said the plan announced last week — which would see tariffs reduced over seven years instead of eight — had ignored Sactwu's request to finalise supplyside measures before phasing down tariffs. Sactwu national negotiator Lionel October said government's plan had sold out workers, who were now severely disadvantaged because of the lack of social adjustment programmes. He also called on government to finalise supplyside measures before proceeding with the phase-down, scheduled to start on September 1

In view of the shorter period of liberalisation than required under GATT, the sensitivity of trade policy for the clothing and textile industry internationally and the devastating consequences if large numbers of jobs are lost, we believe there is adequate time for SA to finalise the supplyside and social adjustment measures."

In terms of SA's GATT commitments, SA has 12 years to cut its tariffs.

October said government had reneged on a promise to start phasing down tariffs only once supplyside measures had been finalised. Sactwu proposed that a committee look at supplyside measures over a period of eight weeks. October noted that the committee had not yet met to discuss the issue. Last week government said the

Continued on Page 2

## Textiles

(184)

BD 14/8/95

Continued from Page 1

committee would be set up soon.

"It is not sufficient to reduce trade tariffs. It is vital to have active supplyside measures such as investment in training and technological upgrading, new forms of work organisation and the range of other tools set out in the Swart panel plan, and to introduce these measures in conjunction with tariff liberalisation," the union said.

October said the union was concerned about the "complete absence" of a social adjustment programme to help workers

adversely affected by restructuring. He said the original plan, released by the Swart panel, contained a comprehensive social adjustment programme including retraining programmes, incentives for companies to reabsorb displaced workers, commitments to reduce job losses, and help for workers in negotiating restructuring at workplace level.

The Clothing Federation welcomed the decision to phase out minimum specific duties over four years and the decision not to increase the maximum specific duties, but said an even quicker tariff phase-down would have been better.

## Union warns on reduced tariffs

(184)

THE SA Clothing and Textile Workers' Union, while welcoming government plans to reduce trade tariffs over eight years, has warned that the clothing industry could suffer in the absence of "supply side policies" *ET 14/8/95*

It was "vital to have active supply side measures" such as investment in training and technological improvements and to institute such steps in conjunction with the trade tariff reductions

It said the government should not proceed on an ad hoc manner to try to achieve international competitiveness — Staff Reporter

# Seardel delivers a bonanza

(184) CT(MR) 16/8/98

By MAGGIE ROWLEY

Seardel, the clothing group, has delivered a bonanza to shareholders, reporting an increase in earnings a share just short of 50 percent for the year to end June.

The increase in earnings to 179,5c a share was achieved on a 27,2 percent increase in turnover to R1,5 billion. The increase was aided by the group's share of the earnings of the Frame group.

While the earnings growth was in line with a revised forecast by Aaron Searll, the chairman, it fell short of expectations of some analysts who had expected earnings to be as high as 200c a share.

Before-tax income of R63,8 million was 47,2 percent higher than the previous year but a high tax bill curtailed growth in after-tax income to a 44,8 percent improvement at R42,5 million.

Group equity was up 32,4 percent at R271,6 million which helped to contain borrowings and related finance costs. This resulted in the debt/equity ratio improving to 39 percent from 49 percent last year.

A final dividend of 23c will bring the total payout for the year to 35,5c a share — 47,9 percent higher than last year.

However, to improve cash flow and to comply with the government's wishes for companies to plough back their earnings, a scrip dividend is being proposed in lieu of cash.

Earlier this month the group issued a cautionary to shareholders advising of the possible unbundling and delisting of Searcon, its holding company. Searll said that in the event of these proposals being implemented the company would ensure Searcon shareholders would receive their full pro-rata entitlements.

# STOCK MARKET

## Seardel earnings up 50%, but problems looming

(184)

ARC 16/8/95

### Business Staff

SEARDEL produced a 49,5 percent increase in earnings a share to 179,5c (120,1c) for the year ended June, but warned of a more difficult trading climate in the new financial year

The clothing manufacturer's turnover increased by 27,2 percent from R1 151,3 million to R1 464,7 million. Operating income rose 30,7 percent from R68,9 million to R89,9 million.

After tax profits, at R42,5 million, were up 44,8 percent on last year's R29,3 million. Attributable income rose 51,8 percent to R42,7 million (R28,1 million).

The group's proportionate share of the substantially improved attributable earnings of the Frame group was accounted for in determining the earnings a share. Attributable earnings of associated companies rose nine-fold from R590 000 to R5,6 million.

A final dividend of 23c (17c) was proposed, bringing total dividend distribution to 35,5c (24c), an increase of 47,9 percent.

The directors proposed the award of capitalisation shares in lieu of a cash dividend with the aim of improving cash flow. Shareholders may however elect to receive a cash dividend in respect of all or part of their shareholding.

In the event of pyramid holding company Searcon Consolidated Holdings (Searcon) being de-listed, a possibility raised in a cautionary notice last week, Searcon shareholders would receive their full pro-rata entitle-

ments, the directors said.

The next financial year was expected to see more difficult trading conditions, with consumer spending probably at a lower level than last year, the Seardel directors said.

The group was encouraged by the firmer line being taken by the state against custom violations.

The amount of textile, clothing and electronic imports on which no or incorrect duty was being paid could be as high as 30 percent of all imports.

"Import statistics therefore do not reveal the true picture. This is a serious problem that needs to be addressed as a matter of urgency."

■ **Health and Racquet Club** yesterday reported a growth of 22 percent in profit to R6,6 million for the six months ended June, compared with R5,4 million in the same period last year.

Turnover was up 23 percent to R77,5 million (R63,1 million). Earnings a share rose to 8,8c (7,2c).

Joint managing directors Peter Gardener and Rod Mitchell said the growth in turnover could be attributed to the increase in short-term memberships sold at existing clubs, as well as to the good performance of new clubs.

"A limited number of five and 10-year subscriptions are sold at developing clubs, while only one-and-two year memberships are available at operating clubs," they said.

"The prime objective of our existing clubs during the past

six months was to retain membership through quality service — this has paid off with an increased renewal in membership."

Mr Mitchell said new developments were well ahead of schedule with six new clubs planned for the rest of 1995.

Three new clubs, at Stellenbosch, Kenilworth and at Westville in Kwazulu/Natal had been opened during the past six months.

A final dividend will be declared in March 1996.

■ **Protea Assurance** yesterday posted attributable profits of R2,4 million for the first six months of 1995, turning around a R3,3 million loss for the same period last year.

Net premium income rose by nine percent to R317,3 million (R290,9 million).

The group's results hit by the drop in the market value of investments and the underwriting loss of R14 million in the short-term business, although this was an improvement on a loss of R15,9 million in the first six months of 1994.

Investment income rose by 13 percent to R15,9 million (R14 million).

Protea Assurance managing director Andrew Tainton said high levels of crime continued to impact heavily on the results of short term insurers.

"It is therefore encouraging to note that business, government and other stakeholders appear resolved to tackle the issue of crime."

He said Protea's own results for the half year suggested that

there had been a turnaround as the alarming deterioration experienced last year had been halted.

"We are now benefiting from our investment in information technology and stricter underwriting criteria are being applied to eliminate non-profitable business."

Protea Life had made good progress over the past six months with a 36 percent increase in recurring premium income. Total net premium income increased by 15 percent to R80,1 million (R69,5 million).

■ **IBM South Africa Group** reported an increase of just over 100 percent in operating profit to R56,6 million for the six months ended June on turnover up 34 percent to R851 million over the same period last year.

Earnings a share rose to 23,6c. The directors postponed consideration of a dividend until October, when non-resident shareholders tax will have been abolished.

Deputy chairman of IBM South Africa Group Brian Mehl said pre-tax profit rose to R59,7 million (R25,6 million), reflecting benefits that were beginning to accrue to the group following IBM's acquisition of 51,5 percent controlling interest in ISG in November last year.

The company benefited from higher interest rates and an increased level of local investment to report investment income of R7,1 million (R3,8 million).



# Sear del shares deliver bonanza

(184) Jan 16/8/95

■ BY MAGGIE ROWLEY

Sear del, the clothing group, has delivered a bonanza to shareholders, reporting an increase in earnings just short of 50 percent a share for the year to end June.

The increase in earnings to 179,5c a share was achieved on a 27,2 percent increase in turnover to R1,5 billion. The increase was aided by the group's share of the earnings of the Frame group.

While the earnings growth was in line with a revised forecast by Aaron Searll, the chairman, it fell short of expectations of some analysts who had expected earnings to be as high as 200c a share.

Before-tax income of R63,8 million was 47,2 percent higher than the previous year but a high tax bill curtailed growth in after-tax income to a 44,8 percent improvement at R42,5 million.

Group equity was up

32,4 percent at R271,6 million which helped to contain borrowings and related finance costs. This resulted in the debt/equity ratio improving to 39 percent from 49 percent last year.

A final dividend of 23c will bring the total payout for the year to 35,5c a share — 47,9c higher than last year.

## Cash flow

However, with a view to improving cash flow and to comply with government wishes for companies to plough back their earnings, a scrip dividend is being proposed in lieu of cash.

The group issued a cautionary to shareholders this month, advising possible unbundling and delisting of Searcon, its holding company. Searll said in the event of these proposals being implemented, the company would ensure that Searcon shareholders would receive full pro-rata entitlements.

# Union wants adjustments before textile plan executed

184

BD 16/8/95

THE Southern African Clothing and Textile Workers' Union has considered government's decision concerning the strategic plan for restructuring of the clothing and textile industry

We are in broad agreement with the government proposals for an eight-year period to reduce tariffs to the levels set out in the plan, and note this period is shorter than the period SA is bound to under the terms of GATT. We have two substantial concerns

Firstly, we are concerned at the lack of adequate supplyside measures, and the complete absence of a social adjustment programme

In our view, a restructuring of the industry should not be commenced in an ad hoc fashion. In order to promote competitiveness it is not sufficient to reduce trade tariffs. It is vital to have active supplyside measures, such as investment in training and technological upgrading, new forms of work organisation and the range of other tools set out in the plan, and to introduce these supplyside measures in conjunction with tariff liberalisation

The international experience shows that trade liberalisation in the absence of supplyside policies does not lead to increased competitiveness, but rather to job losses and the destruction of large parts of the industry. For a society characterised by levels of unemployment which are higher than most — possibly all — industrialising economies, we cannot afford the further job losses in which a programme lacking adequate supply side measures will result.

It is our view that tariff reductions should only commence once adequate supplyside measures are finalised.

Secondly, we are concerned at the complete absence of a social adjustment programme, which contains measures to assist workers who will be adversely affected by the restructuring

plan. The original plan contains a comprehensive social adjustment programme, including retraining programmes, incentives to reabsorb displaced workers, commitments to reduce job losses, assistance to workers to negotiate the terms of restructuring at workplace level, and regional support arrangements

We do not believe that a programme of trade liberalisation will be justifiable if there are no measures in place to assist workers who will be without jobs through no fault of their own

In view of the shorter period of liberalisation than required under GATT, the sensitivity on trade policy for the clothing and textile industry internationally, and the devastating consequences if large numbers of jobs are lost in the domestic economy, we believe that there is adequate time available to SA to finalise the supplyside and social measures.

We will therefore, on an urgent basis, continue engaging government in an attempt to dissuade government from proceeding with an ad hoc approach to achieving international competitiveness. We will seek to impress on government the need for a restructuring plan which will build competitiveness rather than destroying industry.

Our support for tariff liberalisation and government's proposed plan is therefore dependent on whether clear supplyside measures and a social adjustment programme is in place.

The result of these discussions will be reported at Sactwu's biennial national congress, scheduled for 21-23 September, at which time a final decision on the plan, and government's response thereto, will be taken.

□ This is the full text of Sactwu's statement on trade liberalisation published at the weekend.

# City woman in Industrial

## Court row (184) CT 23/8/95 FRANCOISE BOTHA

IN A MOVE to challenge the Industrial Council agreement governing the clothing industry, a Cape manufacturer will go to court today with the full support of her workers in a bid to save their jobs.

Ms Lena Simpson, who owns a cut, make and trim operation, said that she had received a criminal summons from the Industrial Council for not paying the required levies. She claims that the required payment is not in keeping with the constitution as association is a requirement and not voluntary.

The firm, Cedlee Manufacturers, employs 25 workers who have given Ms Simpson their full support in non-payment of the levies.

### Salary deductions

She said that the levies required would cost about R3 000 a month. Half of the amount is a deduction from the workers' salaries.

"The girls say they would rather take the money home because they need to feed their families.

"We have to work a lot harder every month just to keep the Industrial Council in business."

Should Ms Simpson be found guilty, the factory will be closed down unless she can pay the amount outstanding.

The old Industrial Council agreement with the clothing manufacturers was extended in terms of the Labour Relations Act until June 30, but no new agreement has replaced it.

A spokesman for the Independent Garment Manufacturers' Association said it was ludicrous someone could be charged under an expired agreement.

## CLOTHING &amp; TEXTILES

**Seven-year itch**

FM 18/8/95  
 With the ink barely dry on government's final proposals for a seven-year tariff phase-down for the feuding clothing and textile industry sectors, the two protagonists have let fly again. This time, though, most of the ire is directed at government.

Textile Federation executive director Brian Brink says tariff adjustments are meaningless without other changes. "We believe the phase-down must be postponed until the necessary supply side measures are devised and implemented. Without these, we will have no strategy and just a seven-year duty phase-down," he says. Brink's views are supported by the SA Clothing & Textile Workers' Union.

But Trade & Industry Minister Trevor Manuel has already indicated that government has no funds for such measures. All that is offered is a R5m-a-year management consultancy subsidy, while a small working group has been appointed to look into other

"general" measures

Brink says supply side measures should include

- An export incentive package to compensate for the expected abolition of the general export incentive scheme (14%) and the Duty Credit Certificate scheme, which provides a 30% rebate against tariff levies,
- Training support measures, with the State providing 50% of the cost,
- Interest rate subsidies to equalise SA's high rates with the much lower rates in competitor countries; and
- A social restitution programme to train and assist workers losing their jobs as the industry upgrades itself and reinvests in modern technology.

"These are not handouts but assistance schemes, subjected to the achievement of production and export targets," says Brink.

National Clothing Federation (NCF) executive director Hennie van Zyl says that, while the sector accepts the plan in principle, the NCF lobbied strongly for a much shorter phase-down period for textiles. He also has other reservations.

"We accepted government's plan in a spirit of compromise, even though our demands were not met. But it would be most unreasonable if government grants yet a further extension," says Van Zyl. He also criticises government's failure to control the widespread illegal import of clothing and textiles. He says the problem is growing and that illegal importers are subverting the system.

"This problem has been under discussion for a number of years and yet no improvement seems to have materialised." He adds that lax customs controls mean few shipping containers are ever correctly inspected and the flood of illegal imports has not abated.

He wants national industry federations to support, through the SA Chamber of Business, a national campaign to "eliminate this cancer from our economic system." ■

## Planned tariffs cause alarm

South African clothing and textile manufacturers said they rejected proposals to restore preferential tariffs on imports of clothing and textile products from Zimbabwe from October.

The Textile Federation and Clothing Federation said it was alarmed about the planned reinstatement of the preferential tariffs, announced in Pretoria on Wednesday.

"Zimbabwe has access to raw materials at duty-free prices, its labour rates are

20 percent of South Africa's and it is in close proximity to the South African market. There is no justification to grant Zimbabwe further trade preferences."

The federation said the move would see tariffs on Zimbabwean clothing imports, presently at 7 percent, reduced to 15 percent. A complicated structure governs textile imports, but tariffs on cotton fabric imports from Zimbabwe should fall from about 35 percent to 10 percent — Reuter

CT(BR)25/8/95

(184) ~~(184)~~ ~~(184)~~

**Zipped tight**

FM 25/8/95  
 SA clothing manufacturers are being denied access to the fastest growing segment of the US\$140bn-a-year global clothing business — value-added contracting

National Clothing Federation executive director Hennie van Zyl calls government's failure to extend the benefits of the Duty Credit Certificate Scheme (DCCS) to the import of material for the manufacture of value-added clothing "a disaster"

He says that under the recently announced seven-year tariff phase-down plan for the clothing and textile industries this was the "single biggest disappointment" and undermined job-creation potential

The clothing industry has been identified by Gatt as the trade sector with the biggest global growth potential. Value-added business is one of the fastest-growing sectors

Offshore or value-added business, over the past few years, increased from 5% to about 15% of the total turnover of the UK clothing industry, while "outward processing" (or value-added) imports into the European Union (EU) totalled 100 000 t of clothing in 1992

Local clothing exporters are already at a competitive disadvantage as the General System of Preferences tariff benefits extended to SA by the US and the EU specifically exclude clothing and textile exports. Other developing nations such as Zimbabwe also benefit from the Lomé Accord's zero-tariff ruling on European imports from African, Caribbean and Pacific (ACP) nations — which exclude SA

These cost hurdles first have to be over-

**BUSINESS**

come in order to be able to compete in the cut-throat export market, says Van Zyl. Other beneficiary countries do not have to pay the tariffs levied on SA exporters.

"Offshore (or value-added) contracting is growing rapidly internationally. The method is simple. Overseas retailers or manufacturers supply their own fabric to the SA clothing industry for manufacturing, after which the made-up clothing is re-exported," explains Van Zyl. But without the cost-cutting benefits of an extended DCCS, "SA will not be included in the global sourcing strategies of major international customers and will therefore fail to secure a part of this rapidly growing segment of international trade."

Extending DCCS benefits to the value-added clothing business was one of several supply-side measures proposed by the 173-page Swart Panel long-term plan for the industry — and rejected by Trade & Industry Minister Trevor Manuel. "Government has already indicated on previous occasions that the set of supply-side measures as recommended by the panel was not affordable," says the Department of Trade & Industry.

But while other supply-side measures in the Swart report tallied up to a bill of more than R2bn over 10 years, the DCCS extension would have been relatively cheap — though valuable in terms of potential rewards to the economy.

Van Zyl says implementing the extended scheme would bring no additional cost to the fiscus, nor would it represent an additional subsidy above the duty rebate on imported raw materials.

"By utilising Section 470 03 of the Customs & Excise Act, clothing manufacturers can already import, duty-free, the fabric component of any re-exported garments. But this represents only 50% of the cost of finished clothing items. The Swart Panel suggested that DCCS benefits also cover the balance of labour, distribution and market access costs of any re-exported, value-added clothing items," he adds.

The existing scheme allows exporters of both clothing and textiles a 30% credit against any future import tariffs, based on the value of exports. This scheme has now been extended by government for the next three years.

Without any additional assistance, which could be provided by an extended scheme, SA manufacturers will not be able to compete in the offshore, value-added clothing re-export market.

The DTI says extending DCCS benefits to value-added items would be difficult to administer and verify. It opposes extending an unsatisfactory verification situation to DCCS scheme administration. "It is not economically sound to address structural deficiencies in the economy that contribute to an anti-export bias via temporary subsidies."

The DTI adds "It is up to the clothing industry to rise to this challenge as it has been the beneficiary of a kick-start measure for many years. Depending on the size of value-added operations, however, scheme benefits arising therefrom could create distortions in the domestic market through a surge in duty-rebated imports."

SA's leaky customs administration and its lack of proper controls over trade remain major problem areas. But, says Van Zyl, "the administration of an extended DCCS is not insurmountable."



STANDING TO GAIN TEJ's Tony Owen with colleagues Shahieda September and Corinne Cooper

# TEJ profit scheme tailored to fit

(184) ST(07)

A PROFIT-sharing scheme believed to be a first in the clothing industry will give the workforce of Cape clothing manufacturer TEJ 10% of the company's pre-tax profits

"It's not a hand-out as in the past, it's a sharing of the profit based on a set formula everybody understands," says Freda Henry, the company's head shop steward

"We decided to take the high road to success and vote for the

By JEREMY WOODS

scheme," says Ismail Parker, trim store manager at TEJ's Steenberg factory

The profit-sharing scheme, called Gainshare, comes into effect when the company's operating profit reaches 10% or more of sales

Top management is excluded from the scheme, which distributes half of the "gain-share"

on a per head basis, and the balance according to employees' weekly basic income

"That seemed the fairest way of allocating the gain-share pool, and recognising the different income and responsibility levels of all employees," says Tony Owen, managing director of TEJ

But intense shop-floor interest in the scheme has resulted in hidden benefits for TEJ

"Suddenly shop-floor operators have become interested in the

company's operating profit. They turn off lights, pick up pieces of trim and yarn and don't leave taps running," says Corinne Cooper, a merchandiser at the company

Five years ago TEJ was on the brink of bankruptcy. Now it is steadily moving back into profitability

The gain-share scheme forms a key element in the company's overall vision of becoming a competitive, world-class manufacturing business, says Mr Owen

27/8/95





# Clothing, textile industries slate govt over Zimbabwe tariff deal

Yuri Thumbran

THE clothing and textiles industries have launched a strongly-worded attack on government for concluding a preferential trade deal on tariffs with Zimbabwe.

In an advertisement published today, the two industries warn of hundreds of thousands of job losses and the scaling down of their proposed R3,5bn capital investment in technology and training. The Clothing Federation and Textile Federation also say communication has taken place through the Press rather than directly

30/8/74

Describing the agreement as ill-conceived and irrational, the industries said more than 350 000 direct jobs and hundreds of thousands of secondary jobs were at risk. "It is fallacious to believe that imports from Zimbabwe will replace those from the Far East. As a rule of thumb, for every job created in Zimbabwe, one will be destroyed in SA."

The agreement would make a mockery of the seven-year tariff phase-down period and deal a severe blow to the confidence of SA textile and clothing companies, as they would never know what their own trade of-

ficials might concede next. SA companies could therefore be expected to scale back investment plans leading to another, more extensive round of job losses.

The advertisement said it was common knowledge that customs and excise had all but lost control of SA's ports and that smuggling was rife. At most only 1% of imports were inspected, therefore the assurances of trade officials that they would ensure there were no import leakages into the country were ridiculous.

Both industries repeated their offer to second personnel and international consul-

tant's free-of-charge to aid the customs and excise department to control smuggling and illegal imports.

They said Zimbabwe's textile and clothing industry enjoyed considerable advantages over SA, including wages being 25% of those in SA and that Zimbabwe manufacturers had access to duty-free raw materials at world prices for exports to SA.

The advertisement said SA was not responsible for the destruction of much of the Zimbabwean textile and clothing industries. The Harare government, in some cases at the insistence of the IMF, had

caused this destruction by withdrawing export incentives and raw material subsidies overnight, failing to maintain the integrity of the customs function and failing to control state spending, resulting in excessively high interest rates and inflation.

The advertisement said President Nelson Mandela had warned against a big bang approach to trade liberalisation with neighbours, to avoid exporting capital, skills and jobs. "This is precisely what will happen if the Zimbabwean agreement is allowed to stand."

● See Page 8

MANUFACTURING - CLOTHING

1995

SEPT. - DEC.

CLOTHING, TEXTILES

**Rent asunder**

FM 1/9/95

**Government proposals** to let Zimbabwe export clothing and textiles to SA at preferential tariff rates have caused a split in the ranks of the local clothing industry

This is despite a purported joint communiqué issued last week by the textile and clothing federations, which "rejected unconditionally" the threat to their shared interests.

"We fear the Zimbabwean border may become an open door for even more illegal imports to flood into our market, bypassing SA's ineffective Customs & Excise control. With a seven-year tariff phase-out plan in the offing, both industry sectors have joined forces against the Zimbabwean import threat," says Textile Federation (Textfed) executive director Brian Brink

Though the joint statement was issued under the names of Brink and Clothing Federation (Clofed) executive director Henne van Zyl, sources say it reflects the views of Textfed and of Clofed vice-president Bernard Richards, a director of the Seardel clothing group, which effectively controls the Frame textile group. They add that Clofed president Sadek Vahed, who represents the views of many smaller Natal clothing firms and favours reduced barriers, was not consulted about the statement.

"If government's decision to allow freer access to Zimbabwean exporters is a political pay-off for past links, why single out the clothing and textile industry sectors in the trade deal?" says Richards

But lowering trade barriers between SA and Zimbabwe is in line with this week's signing of the Southern African Development Community (SADC) policy protocols

With SA heading in the direction of a regional common market, the sooner industry adapts to the changing scenario the better. SA can't put up tariff barriers against SADC trade partners while arguing for membership of the Lomé trade pact

A recent confidential DTI report states

that Zimbabwean textile manufacturers have certain comparative advantages over their SA counterparts. These include lower cost structures, lower wage rates and preferential access to overseas markets under the Lomé Convention

Says the DTI report "For various reasons, government supports the promotion and expansion of economic activities and growth in the southern African region. This will ensure value being added within the region rather than in the Far East."

Details of the new tariff deal are not yet available but Zimbabwe already enjoys a 10% tariff preference (into SA) on its exported fabrics, 15% on clothing and 15% on yarn. As SA raised its tariffs in 1992, Zimbabwe has asked that tariffs applicable to its exports be reduced to pre-1992 levels

With SA's membership of the SADC now a fait accompli, protectionist lobbies in the two industry sectors may find themselves on shaky ground in going against the Zimbabwe trade deal

(184)

(199)

LENCO

# Shoes impeding profit advances

(184) (185) FM 1/9/94

**Activities:** Makes footwear, clothing and packaging materials

**Control:** Lenco Investment Holdings 49,4%

**Chairman:** G D de Jager

**Capital structure:** 79,1m ords Market capitalisation R633m

**Share market:** Price 800c Yields 2,3% on dividend, 7,7% on earnings, p/e ratio, 13,1, cover, 3,4 12-month high, 350c, low, 800c Trading volume last quarter, 222 000 shares

Year to March 31	'92	'93	'94	†'95
ST debt (Rm)	18,7	51,2	45,0	43,0
LT debt (Rm)	27,5	45,4	57,3	62,9
Debt equity ratio	0,25	0,35	0,32	0,20
Shareholders' interest	0,56	0,50	0,54	0,58
Int & leasing cover	3,8	4,2	5,4	6,4
Return on cap (%)	22,4	15,3	16,9	12,7
Turnover (Rm)	455	594	672	*762
Pre-int profit (Rm)	58,4	59,3	73,2	*74,2
Pre-int margin (%)	12,8	10,0	10,9	*9,7
Earnings (c)	49,3	59,8	70,7	*61,2
Dividends (c)	11,5	14,0	16,0	18,0
Tangible NAV (c)	184	235	313	422

† 13 months \* Annualised

As much as the 13 months to March 31 were momentous for SA, they were frustrating and frenetic for Lenco chairman Douglas de Jager. He struck numerous deals for the group but labour and management problems at subsidiary Amalgamated Shoes (Amshoe) ultimately depressed Lenco's results and some of his ebullience.

The depth of Amshoe's problems is not easy to ascertain. Industrial disputes led to the closure of the Durban footwear factory and extensive relocation of production lines to other factories. The rift between Lenco's board and Amshoe former MD Roy Eckstein led to his departure and the rupture of his contract.

Eckstein apparently accepted a restraint of trade agreement when selling his shares to Lenco. Legal action has subsequently



Lenco's De Jager measured expansion of international interests

arisen. Lenco alleges he is competing with Amshoe in co-operation with the company's largest customer. Whatever the case, Lenco's results have been hit hard. The expression "operating profit" became "net profit from continuing operations".

Though not immediately apparent from the income statement, net operating profit from operations — excluding Amshoe — was R76,1m. That is R19m higher than the net operating profit from continuing operations reflected in the accounts. The significance of this is twofold. First, the contribution from all other Lenco activities leapt 65,5% from R46m in 1994 to R76,1m. Second, Amshoe incurred an operating loss in financial 1995. Had Amshoe's profitability been anything like normal, Lenco's operating profit would have been unusually high.

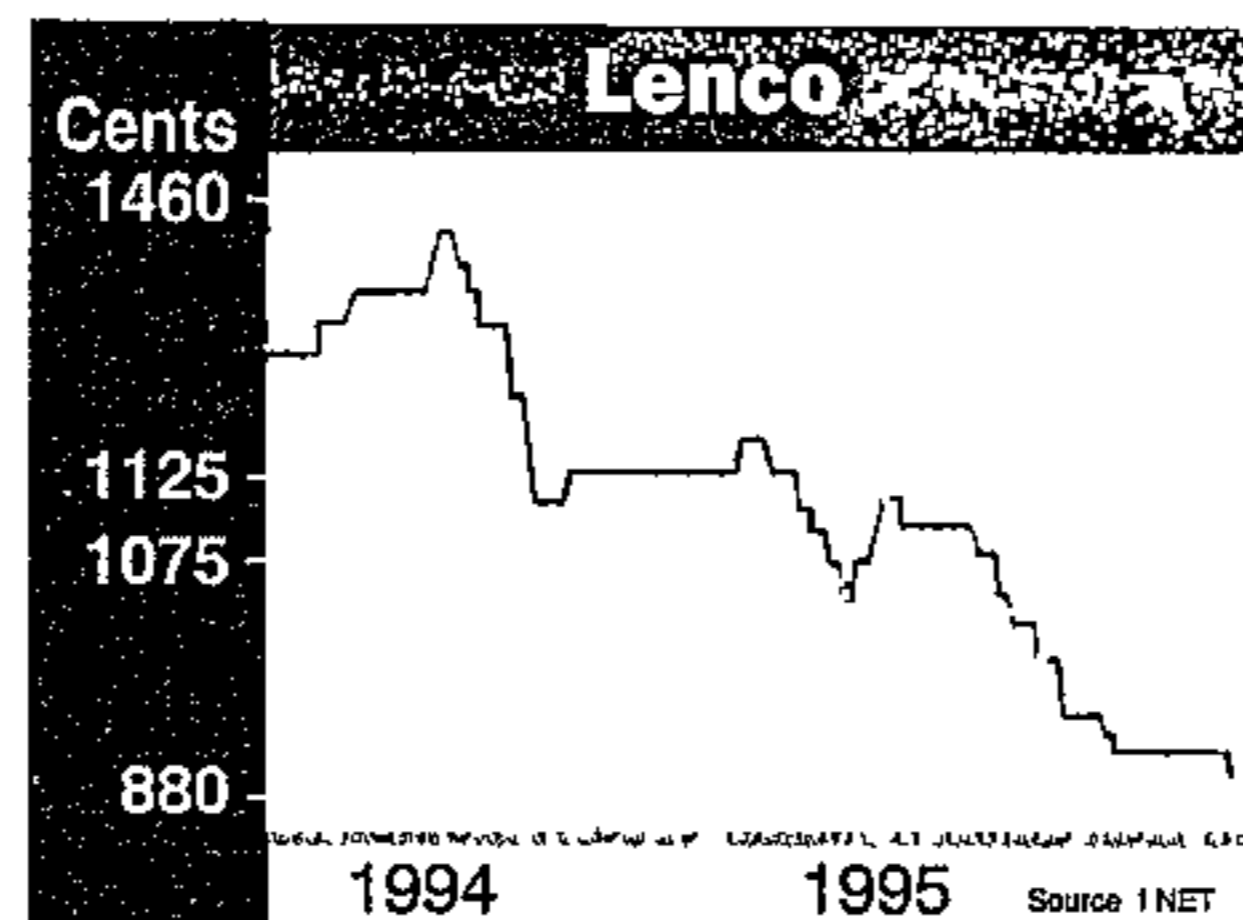
At the time of going to press, De Jager was unable to comment on the legal wrangle between Lenco and Eckstein.

The troubles at Amshoe did not, however, curtail De Jager's enthusiasm for the shoe

if the subsidiary is to regain respectable profitability in the short term. Lenco's profit prospects for 1996 remain clouded because of this uncertainty.

Until there is more clarity about Amshoe's future, the share is difficult to value. On an historical (annualised) basis, the share, at R8 and down from a 12-month high of R13,50, offers a p/e of 13. That may be high if the Amshoe problems are not resolved but a favourable outcome could offer a buying opportunity.

Gerald Hurshan



industry's longer-term prospects. Investments include 60% of Olympic Footwear for R7,2m, 100% of men's and ladies' underwear maker Arwa Consortium for R8m, properties for R17m and 100% of Peteron Plastics, a rigid plastic packaging maker, in Melbourne, Australia, for R15,2m.

Hendler & Hart's unprofitable operations were closed in December, resulting in a halving of its work force. It ran profitably in the last two months of the financial year and is expected to make a profit this year.

The clothing division appears well placed to continue to post good results and prospects for the packaging division appear buoyant. "Growth is likely in SA this year along with a gradual, measured expansion of international interests," says De Jager.

The problem area remains Amshoe. It seems the relationship with its largest customer (it bought more than half of Amshoe's production) needs to be restored.

## COMPANIES

### Rex Trueform's margins improve

Edward West (184)  
BD 5/9/95

CAPE TOWN — Clothing company Rex Trueform lifted earnings 17,1% to 241,4c a share in the year to end June as the trading environment became more favourable and margins improved

Turnover increased 19,9% to R192,1m. An increase in margins was reflected in 35% growth in net operating income to R14,6m. Taxation increased to R3,8m (R1,7m), largely because, with the phasing out of the general export incentive scheme, the proportion of exempt income was smaller than in the previous year, said company secretary Alan Hodgkinson. Pre-tax income was 36,9% up at R14m while taxed income was 19,8% higher

at R10,2m. Shareholders could opt for a capitalisation award or an 80c (70c) dividend for ordinary and A shares

The number of shares in issue is to be increased four times

Each non-voting A ordinary share will be converted to an N share carrying partial voting powers. Ordinary shareholders, including holders of new N shares, may receive three new N shares in lieu of dividends

African & Overseas Enterprises, which has Rex Trueform as its major operating company, increased earnings 33,9% to 261,4c a share

Rex Trueform's sales of branded products to specialty retailers had shown improvement over last year's, and export turnover had been maintained at a similar level

# Clothing group ups earnings by 20%

□ Chromecorp doubles after-tax profit

## Business Staff

IMPROVED trading conditions and operating efficiencies boosted Rex Trueform Clothing's earnings by 20 percent for the year ended June

Attributable income increased by 20,02 percent to R10,217 million (R8,513 million) Earnings a share rose 17 percent to 241,4c (206,1c) Shareholders can opt for a capitalisation award or a dividend of 80c (70c)

Turnover improved by 19,9 percent to R192,12 million, with profit before tax 36,9 percent higher at R14,02 million (R10,24 million).

Export turnover remained at the same level as last year, while the sale of branded products to speciality stores showed a strong improvement.

The Queenspark clothing division produced excellent results, with substantial growth in turnover and profitability

Capital expenditure for the period amounted to R5,197 million

Holding company African and Overseas Enterprises declared a dividend of 95c a share from improved earnings a share of 261,4c (195,2c)

Rustenburg-based Chromecorp Holdings, the ferrochrome producer listed in May, 1995, more than doubled after-tax profits from R9,4 million to R22,3 million for the six months ended June

Turnover increased to R182,4 million (R130,3 million)

Chromecorp chairman John Vorster said the results were on track to achieve after-tax profits of R118 million for the full year as forecast in the prospectus

"Sales revenue and operating profit for the second half of the financial year will be significantly higher than in the first

half," he said

Malaysia's Time Telekom has taken a five percent stake in Plessey Corporation, the Sankorp-owned electronics group that lists on September 27

Time Telekom is a wholly owned subsidiary of Time Engineering and a member of the Renong group

Plestel, Plessey Corporation's telecommunications division, was awarded a contract by Time Telekom to project manage the \$1,4 billion installation of Malaysia's first all-fibre optic based telecommunications network.

Plestel will oversee the laying of 3 000 km of broad band optic fibre cable across Malaysia, as well as a submarine cable festoon around the peninsula The system will include microwave links, domestic satellite earth stations and switching stations

ARC 5/9/95 (184)

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# Conditions favour Rex Trueform

BY AUDREY D'ANGELO

ET(MR) 5/9/95 (184)

Better trading conditions helped clothing company Rex Trueform to increase its earnings a share by 17,1 percent in the year to June 30, to 241,4c (206,1c).

Shareholders will be given the choice of capitalisation shares or a cash dividend of 80c (70c) a share

Net operating income rose 35 percent to R14,6 million (R10,8 million).

This was achieved on a 20 percent rise in turnover to R192,1 million (R160,2 million), indicating a widening of margins

Income before tax was up 36,9 percent to R14 million (R10,2 million) But the tax bill rose to R3,7 million (R1,7 million) because the portion of tax-exempt income was smaller than last year This limited the rise in after-tax income to 19,8 percent at R10,2 million (R8,5 million),

Attributable income to ordinary shareholders was R10,2 million (R8,5 million)

The directors said trading conditions continued to improve and "exports have been maintained at a similar level to last year"

The Queenspark retail division "produced excellent results with a substantial growth in turnover and improved profitability"

Alan Hodgkinson, the financial director, told Business Report that uncertainty about export incentives had made it difficult to plan

ahead during the year and had prevented the company from expanding its export market.

It was concentrating on its niche export market, mainly in Germany and the United Kingdom

The directors say they are planning a capital restructuring with the creation of a new class of N ordinary shares and the conversion of A ordinary shares to N shares on the basis of one for one

## Capitalisation

There will then be a capitalisation issue in terms of which every ordinary and N ordinary shareholder will receive three N shares for every N share or ordinary share held

The directors said holding company African and Overseas Enterprises will elect to receive the capitalisation shares instead of a cash dividend if the restructuring is approved

African and Overseas Enterprises lifted net operating income 38,42 percent to R16,3 million (R11,8 million) and after-tax income to R11,3 million (R8,8 million),

Attributable income was R6,5 million (R4,8 million) Earnings a share were 261,4c (195,2c)

Shareholders will have a choice between a capitalisation share award, if a capital restructuring scheme similar to that of Rex Trueform is approved, or a cash dividend of 95c (80c) a share

# Directors issue cautionary to Coastal Clothing shareholders

BY JON BEVERLEY

SPECIAL WRITER

CT(BR) 12/9/95 (184)

Negotiations to transform Durban-based Coastal Clothing into a major clothing manufacturer are far down the track, leading the directors to warn shareholders yesterday to exercise caution when dealing in the share

The company, which went into provisional liquidation in 1993, was rescued earlier this year by the Indonesian textile company Polysindo, which announced a two-point plan in April

This would involve the acquisition of new premises and state-of-the-art machinery, creating employment and providing

sufficient working capital, thereby restoring the company to profitability

The second phase would be the commissioning of a new high-technology textile mill.

## Change

The cautionary notice indicated possible acquisitions and investments by the company, a change of name as well as a new corporate identity. "It is envisaged that the company will be repositioned as one of the major players in the clothing and textile sectors in southern Africa"

Rajen Pillay, the managing director, declined to elaborate on the notice



# Sterling Clothing shows off its mid-year results

Yuri Thumbran

IMPROVED sales following last year's elections benefited men's casual clothing manufacturer Sterling Clothing, which yesterday reported earnings of 1,1c a share for the six months to June compared with a loss of 0,8c in the same period last year

Turnover rose to R24m from R17,1m and attributable income increased to R218 000 from a previous R155 000 loss. Restructuring and cost-cutting helped to improve margins, with operating in-

come increasing to R1,01m (R488 000) he said

The interest bill rose slightly to R791 000 (R643 000), while the tax bill came to R8 000 (nil). No dividend was declared, as in the comparable reporting period

MD Bruno Desmet said the improved performance was directly linked to increases in volumes which had led to higher turnover

He said the company had benefited from improved demand after the elections. "The market we serve showed a general upturn as consumer confidence improved,"

BD 15/9/95 (84)  
However, chairman Fred Haslett expressed concern over the possible effect of the drought, the possibility of a relaxation of duties on imports from Zimbabwe, and uncertainty in the labour market. He said these factors were cause for concern in the remainder of the year.

Desmet said the Zimbabwe deal, which would be finalised today, would put SA clothing manufacturers at a disadvantage as Zimbabwe enjoyed duty-free access for fabric

# The East meets Africa in Newcastle's factories

By CAROL PATON

**ON THE road into Newcastle is a sign that welcomes visitors in Chinese.**

The sign — put up by Charlie Huang, a Taiwanese jersey manufacturer and an IFP member of the Newcastle town council — has welcomed more than 1 000 Taiwanese who have established 67 factories and invested approximately R190-million in the town.

Mr Huang's factory, with its freshly swept forecourt, guarded by two huge stone lions and surrounded by pink and white flowering plants, looks like a small piece of the Republic of China.

But he and his fellow industrialists, mostly clothing manufacturers, have begun to see that Newcastle is a world apart from their homeland.

"We came here because labour is cheap, but found that productivity is low. We thought the low wages would make up for it," says Mr Huang, who for the first seven years of his operation received a subsidy of R80 a month for every worker he employed.

Now, without a subsidy, Mr Huang must pay his workers R480 a month — compared to the R130 a month he paid when he first arrived in 1988.

Added to this, the South African Clothing and Textile Workers Union (Sactu) has flourished and now has 33 disputes with Taiwanese bosses, many of them for paying salaries below the minimum wage.

Says Mr Huang "Unions shouldn't be allowed here. In Taiwan we don't have unions — we work hard. If the unions give trouble, we'll close the doors."

In response, Sactu organiser Alpheus Mdluli says "Workers say 'Let them pack and go'. This type of investment must be reviewed — it isn't the kind that we want at all."

For Sactu, dealing with the Taiwanese has been frustrating. Most of the bosses refuse to meet the union, don't arrive at conciliation board hearings and ignore Industrial Court rulings.

With the union and the Taiwanese industrialists at loggerheads, the town council's plans for local

development are in jeopardy.

The Taiwanese industries, which include clothing, knitwear, shoes, toys, plastic products, watches and clocks and a diamond-cutting works, boosted Newcastle's economy dramatically after the council launched an aggressive overseas marketing campaign in 1983. Says Ferdie Alberts, assistant town secretary "From 1987 to 1989 we established one factory a month from the Far East."

In spite of the council's success, 45 percent of Newcastle's population is unemployed. Mr Alberts says the only investors willing to take the risk remain those from the Far East.

Faced with few options, the council is determined to make the relationship with the Taiwanese work through securing a pact with labour. The council's RDP committee — of which Mr Huang is the deputy chairman — plans to involve business and labour in making a decision about the future of investment from the Far East.

"We will form some sort of pact. Unions are here to stay, but they

must also accept there's a cultural difference when it comes to the Chinese," says Mr Alberts.

In other words, concessions must be made. Taiwanese employers want the minimum wage scrapped and replaced by a bonus system linked to productivity where workers are paid only for the work they do.

But if pay is linked to productivity, responds Mr Mdluli, what happens if a worker is off sick or on annual leave?

The Taiwanese and council would like Sactu to agree to a moratorium on strikes. "We can't abandon strikes as long as there are no fair hearings, no communication and people are not earning a living wage," says Mr Mdluli.

It also seems the industrialists would like to secure this pact without talking to labour at all. "We're tired of dealing with this union — we can't sit at the table all day talking," says Mr Huang.

Instead, he exhorts his workers to work harder. "You must work hard, I tell my workers," says Mr Huang, almost shouting.



TOUGH TALKER . . . Taiwanese industrialist Charlie Huang wants an end to unions in South Africa

Picture: HERBERT MABUZA

ST 17/9/95 (184)

## Uncertain future for clothes sector

By JON BEVERLEY

SPECIAL WRITER

The clothing industry remains in poor shape for the future, says F N Haslett, the chairman of Sterling Clothing. This is in spite of the improvement in income which saw a R373 000 turnaround from a loss last June to a surplus of R218 000 by the end of this June.

The greatest uncertainty is over the relaxation of duty on imports from Zimbabwe, which came into effect at the weekend, together with the continuing drought and the "ever present uncertainty in the labour market".

The results show a 40 percent improvement in turnover to R24 million and a 108 percent rise in operating income to R1 017 million — a trend that has been ongoing since last year's poor first-half results.

Earnings a share are a modest 1,1c — against 1,5c for the whole of last year and a loss of 0,8c for the first half of last year. No forecast is made for the rest of this year.

## Labour act 'a victory for unions'

By ROSS HERBERT

STAFF WRITER



**NO SELL OUT** Cosatu's secretary general, Sam Shilowa, denies claims that the union has 'sold out' on key provisions of the Act

PICTURE JOHN WOODROOF

The Labour Relations Act was a victory for unions, Sam Shilowa, Cosatu's secretary general, said on Friday at a press conference called to counter complaints that Cosatu had "sold out" on key provisions.

Cosatu faced criticism from the Farm and Rural Labour Rights Advocacy Group that the act ignores provisions demanded by agricultural workers. Shilowa said the final bill was far closer to the union's positions than to those proposed by Business South Africa.

He said the ANC had inserted several union-favourable clauses before the bill was passed in the National Assembly on Wednesday. He said fighting to gain more could have delayed the bill until the next parliamentary session.

He said he regretted failing to win an outright ban on the use of scab labour. Under the final bill, employers can use replacement workers in the absence of a lock out.

He said Cosatu would work next year for passage of a mandatory minimum of four weeks severance pay for dismissed workers.

## 'VAT must rise if economy is to grow'

By AUDREY D'ANGELO

CAPE BUSINESS EDITOR

Foreign investors are enthusiastic about South Africa, there is no reason for the economy to slow down and growth of 4 percent or 5 percent is possible, said Brian Kantor, a professor of economics at the University of Cape Town.

In an upbeat address to the annual congress of the Cape Assurance Industry Liaison Committee on Friday, Kantor said consumer spending and exports were rising,

capital inflows were good and foreign loans cheaper because the perceived risk factor was lower.

He expected continued stability for the rand.

But it would be essential for VAT to rise and for personal income tax to come down in the next Budget.

Kantor said there was reason for great satisfaction about the healthy state of the economy.

"About 60 percent to 65 percent of the economy is actually consumption spending, and that is growing nicely."

The formal part of the economy, which was the only part that could be measured, was growing at a rate of 3 percent. But the informal sector was important and it was also growing.

This was shown in the taking up of formerly excess capacity in industry and the willingness of manufacturers to invest.

The earnings of the industrial sector of the JSE were 30 percent ahead of last year, after tax. Kantor said the excellent news was that international capital markets

were giving South Africa virtually everything it asked for.

"It comes in a variety of ways, but the most important is in trade credit lines. This is thought of as short-term capital, but in fact it is continually rolled over in trade. It is the best finance you can have — apart from direct investment."

Companies such as IBM and Ford had returned and others such as McDonald's were coming for the first time. Foreign companies already here were making capital investments to remain competitive.

## Clothing exports' rise seen as just 'a temporary surge'

Yuri Thumbran

5026/9/95  
THE amendment of the general export incentive scheme (GEIS) has helped the clothing industry to report a 37% jump in exports to R101,2m during the first quarter of the year

But the Clothing Federation (Clofed) said the jump was seen as a "temporary surge" rather than a significant long-term trend.

Imports on a year-on-year basis were 19% down, falling to R112,3m from the previous period's R138,6m. Clofed said the slump in imports could have been partly in response to the industry waiting for government's long-term plan for the clothing and textile industries

Total clothing output

184  
increased by 26% on a year-on-year basis for May, while textiles production rose 13%. During the corresponding period a year ago, clothing output rose 22% and textile production 15%.

However, Clofed said that on a month-on-month basis, there were signs that volumes in both industries, especially in textiles, were slowing down

Clothing production inflation during May was 8% compared with 6% a year ago

Textile production inflation for May was 11% compared with 4% a year ago. Clofed said textiles represented more than 50% of clothing manufacturers input costs. As the figure was above the inflation rate, this could mean price hikes

# Levi Strauss helps SA charities

(184)

By CHARLOTTE MATHEWS  
INVESTMENT EDITOR

CT (BR) 26/9/95

which is about living with Aids. The exhibition was extremely successful overseas and a South African section has now been added. That section will be used as the basis for an education programme to try to break down some misconceptions about Aids.

The foundation is also funding a programme to teach some self-supporting economic skills to street children and is establishing a hostel for children with Aids. In Oceanview a brick-making facility is being set up which is a response to the housing programme and a bid to create jobs.

"Whatever we do in a community has to be right for that community and has to reflect what those people need and want," Christie said. "That is why we stress that our partners are community-based — because we want to be associated with people who are directly affected by the projects we are working on."

Waddell Blackwell, the South African managing director of Levi Strauss, said the company employed

133 people in the Western Cape and planned to increase that to about 150.

The company is committed to training, partly because a lot of time and effort is put into the fabric and finish of the jeans and partly because Blackwell believes in giving skills down to the investment you make in your people and training.

He says: "It is part of our philosophy to ensure that all employees have an opportunity to contribute and we take that philosophy through to the sewing machine operator."

In South Africa the efficiency of Levi Strauss machine operators was already ahead of many eastern European countries, he said.

The group's future expansion plans will be dictated by its commercial success.

"As we build a jeans culture and become the number-one jeans choice, that will dictate the size of our business and the size of the factory. We could also use this as a base to move to other parts of Africa in the future."



**FASHION CONSCIENCE** Levi Strauss Foundation director for Europe and Africa, Alan Christie

PHOTO: JOHN WOODRUFF

# Union critical of IMF presence in SA

(184) (107) RD 28/9/95

Renee Grawitzky

CAPE TOWN — The SA Clothing and Textile Workers' Union (Sactwu) strongly criticised the involvement of the International Monetary Fund (IMF) in Africa and the SA government's failure to consult the union properly over the Zimbabwe Preferential Trade Agreement in respect of clothing and textiles which comes into effect next month.

Delegates at the union's congress held in Cape Town at the weekend resolved to reject the IMF's involvement in SA and criticised the advice being given to the SA government by the IMF. Delegates also resolved to arrange a meeting with government to discuss the Zimbabwe agreement.

Sactwu general secretary Jabu Ngcobo said delegates had decided that bilateral trade agreements including the Zimbabwe agreement should include a social clause which provided for the protection of worker rights.

Ngcobo expressed his concern about complaints raised by parliamentarians who felt they were merely rubber stamping agreements reached within Nedlac — which could ultimately re-

duce Nedlac's power. Nedlac, he said, was the only structure which could bring about peace in the economy.

Addressing the congress, Labour Minister Tito Mboweni said the ministry would focus on the restructuring of the labour department, the formulation of a white paper on an SA Labour Market Policy, the promulgation of legislation dealing with employment equity in the workplace and revision of the Basic Conditions of Employment Act, during 1996.

Mboweni said he would have to ensure that the revised Basic Conditions of Employment Act included provisions that he promised delegates at Cosatu's congress last year, including a 40-hour week. He said business has warned him that negotiations on this issue would be very tough.

Delegates at the congress adopted resolutions on a wide range of other issues including the training of officials to gain an understanding of the LRA, centralised bargaining, the restructuring of the clothing and textile industries, training and job grading as well as the appointment of a national organising secretary to co-ordinate specific campaigns.

# Coastal Clothing invests \$100m in two new plants

(184) BD 29/9/95  
Nicola Jenvey

DURBAN — Clothing company Coastal Clothing Manufacturers planned to invest \$100m (R360m) to create a polyester weaving plant in Gaborone and a manufacturing facility at Hammarsdale, creating 4 500 new jobs in a highly depressed industry, MD Rajen Pillay said yesterday.

He said the expansion would include the incorporation of a polyester weaving plant in Gaborone, the creation of a modern printing, dyeing and processing facility at Hammarsdale and an international division.

The initial \$100m investment for the expansion in Botswana and at Hammarsdale would be financed jointly through Coastal Clothing and a bank loan.

The development follows a substantial investment in Coastal by Indonesia-based company Polysindo last year. Details on the international expansion deal had not been finalised, but Pillay said

it would be substantial and grow the company internationally.

"This is the first significant foreign investment coming into the textile industry and is a major boost for a depressed sector"

He said 3 000 new jobs would be created in Botswana and 1 500 at Hammarsdale.

The industry would also benefit from improved technology levels, as Coastal would import modern machinery from Japan, Germany and Indonesia.

"Poor technology levels have contributed significantly to the decline in the textile industry over the past few years and an investment of this nature is guaranteed to benefit the overall industry."

The polyester fabric that the company would be manufacturing would replace imports currently entering the country. SA had imported 96-million metres of this particular fabric last year.

Coastal recently acquired the Hammarsdale premises of Progress Knitting company

# Levi's charity is in its genes

Levi Strauss & Co clothes itself in a charitable fashion reports **Reg Rumney**

**G**iant apparel company Levi Strauss & Co and its associated foundation plan to spend just under \$300 000 this year in charitable giving in South Africa

Director for Europe and Africa of the Levi Strauss Foundation Alan Christie revealed this in a speech at the Mail & Guardian and NNTV Investing in the Future Award breakfast function at the South African Broadcasting Corporation in Auckland Park, Johannesburg on Friday last week

Christie handed a plaque over to Freegold chairman Clem Sunter on behalf of co-sponsors the Mail & Guardian and television channel NNTV. Freegold won the award for their role in the Kutwanong housing project near Odendaalsrus

The award, which aims to give public recognition to social investment, is accompanied each year by the Mail & Guardian Investing in the Future Supplement, which covers social investment issues.

This year the supplement reported in detail on the six finalist projects. Those projects, and the award judging process, will also be the subject of an in-depth documentary to be screened on NNTV on October 4 at 7 30 pm. The documentary, filmed by Mail & Guardian TV, was commissioned by NNTV

Worldwide giving by Levi Strauss and the Levi Strauss Foundation will be \$17-million this year, he said. Christie noted Levi Strauss had only recently returned to South Africa after pulling out of the country in response to calls to boycott the country.

The company resisted pressure to return quickly. Some employees and consumers saw investment in the New South Africa almost as "a test of our political correctness," Christie said. The decision to invest was driven, not only by the prospect of viability, but also by a judgment about the social and political circumstances of the new South Africa

"That was a judgment driven by our corporate values — by the ethical principles which underpin all of our business decisions

"The Mission Statement of Levi Strauss and Company states that our task is to sustain responsible

commercial success .. and that we will conduct our business ethically and demonstrate leadership satisfying our responsibilities to our communities and to society"

"In these two statements we try to encapsulate a corporate tradition which can be traced back over 140 years to Levi Strauss himself

"It describes an approach to business which looks beyond the bottom line. It speaks to corporate values which describe the way we choose to do business and which we believe are important contributors to the success we enjoy.

"When cynics hear us talk in this way about ethics and values and social responsibility, they mock us and dismiss us as a bunch of woolly do-gooders who should get on with the business of business

"Our response is that Levi's is a \$6-billion company, the largest branded apparel company in the world and the clear market leader in jeanswear. We just happen to believe social responsibility is the business of business and that our success has been built, in part, on our adherence to our values

"Cynics also say that it is easy for Levi's to be ethical because we are a private company that doesn't need to

satisfy public stockholders and investment analysts. Maybe so, but on the other hand there aren't many public companies that would turn down the growth we have enjoyed over the last eight years."

Levi Strauss rejected the approach that saw social responsibility as a marketing tool divorced from the community and designed for short-term commercial gain.

The company stressed partnership in its social investment, Christie said. "We don't think you can or should 'brand' social responsibility. We are grateful for any recognition we receive for the work we do in the community but our aim is to do the work, not get the recognition

"I think that more and more companies recognise the validity of that approach and we are willing to play their part as corporate citizens in addressing the problems faced by our communities," he concluded.

Levi's had identified three priorities for its social investment: community economic development; AIDS and disease prevention; and social justice. Levi's worked in partnership with community-based, not-for-profit organisations which serve low-

WRM(9M) 24/9-5/10/95 (184)



(184)

income and disadvantaged people, and tried to support organisations that involve the people being served so that they have some say in the services delivered. The foundation was also prepared to support new, ground-breaking initiatives.

The initial focus of Levi's social investment in South Africa is on young people and women and those excluded and oppressed by apartheid. Christie mentioned some of Levi's supported projects

● Levi's is the lead sponsor of a photo exhibition, called "Positive Lives", which opened in the National Gallery of South Africa in July. It describes various experiences of people living with HIV and AIDS

● Levi's is helping to fund a job-creation project in Cape Town

● Levi's will fund a home for children with AIDS, a tuberculosis prevention programme and several other small-scale community help projects in the Cape Town area

"Later this year we hope to co-sponsor a conference in Johannesburg that will focus on the support needed by small business and the help that can be offered by the private sector and others to a part of the economy that we suspect will be of importance to the future of large numbers of people in this country

Levi's also has a policy of encouraging employee involvement in the community, and will ask them to help direct some of its social investment.



## Searl expects lower level of consumer spending

(184)

FROM REUTERS

ET (BR) 3/10/95  
Searl Investment Corporation said it expected earnings of between 188c and 205c a share in the year to June 30 next year, with dividends in the region of 37c to 41c despite an expected slowdown in consumer spending

The clothing group's earnings were 179,5c and dividends 35,5c in the year to June 30 this year

In his annual report, chairman Aaron Searl said the forecasts would be reviewed in February because of the difficulty of budgeting in "the volatile South African socio-economic scene"

Searl said he expected the current year to be "rather more difficult, with consumer spending probably at a lower level than last year"

As a result, "strong efforts" would be made to maintain market share, improve pre-tax margins and cash flow, and further reduce borrowings

He said many of the group's financial ratios and targets had not

yet been met and it would continue to review them. It would maintain a prudent dividend cover while issuing capitalisation shares in lieu of dividends

Searl expressed concern about the proposal to allow Zimbabwe preferential access for its clothing and textiles into the South African market

"This is perceived as opening a conduit through which textiles, imported duty-free into Zimbabwe, can be processed into finished clothing and exported to South Africa to the detriment of local manufacturers. Local manufacturers have to contend with import parity pricing by local textile suppliers, who, in turn, are protected by duties.

"This must be opposed with vigour," Searl said

He suggested that a way forward could be for Zimbabwe to join the South African Customs Union, but only provided the customs departments of all regional states could adequately apply and police import tariffs

## Aaron Searll is still optimistic

(184) BD 3/10/95

CAPE TOWN — Searll Investment Corp said it expected earnings of between 188c and 205c a share in the year to June 30 next year, with dividends in the region of 37c to 41c despite an expected slowdown in consumer spending.

The clothing group's earnings were 179,5c and dividends 35,5c in the year to June 30 this year.

In his annual report, chairman Aaron Searll said the forecasts would be reviewed in February because of the difficulty of budgeting in "the volatile SA socio-economic scene" He expected the current year to be "rather more difficult, with consumer spending probably at a lower level than last year". — Reuter.

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# Ensign battles to break even in 'shrinking' market

Edward West

(184)

BO 4/10/95  
find new markets, while margins were extremely tight

CAPE TOWN — Workware, uniforms and protective clothing manufacturer Ensign yesterday reported a loss equivalent to 122c a share for the six months to end-June and warned that a profit was unlikely for the full year

Chairman Ronald Roy said the company was battling against a shrinking market in terms of work contracted for, and was unable to

Turnover was 24% up at R17,3m in the interim period, and the operating loss amounted to R247 000 compared with a R1,5m operating loss at year-end

The interim dividend was passed.

The clothing division continued to suffer losses, which necessitated the raising of additional working capital.

Certain debtors were factored which relieved pressure on borrowings. The Macbean plastic coating division continued to trade profitably

Roy refused to comment on continuing negotiations with various parties, but said more information would be available by October 31

He said the R804 000 loss attributable to shareholders in the first six months could be reduced in the second half

# Rex Trueform proposes restructuring of share capital

By AUDREY D'ANGELO  
CAPE BUSINESS EDITOR

The retail and manufacturing divisions of clothing group Rex Trueform were capital intensive and needed cash resources for expansion, the executive chairman, Stewart Shub, said in the group's annual report released yesterday

"They will, over the next few years, require a high level of investment in equipment, information technology and new store development"

Shub explained that this was why the company proposed a restructuring of the share capital which would "permit a wider range of options for the longer term restructuring of the business"

Proposals for the restructuring including the creation of a new class of N ordinary shares and the conversion of existing A ordinary shares into redeemable preference shares will be voted on at a meeting on October 11

Shareholders have been offered a scrip dividend, but those who elect to receive cash instead will get 80c a share covered three times by earnings

Shub said the expansion of the Queenspark retail division together with increased consumer demand would provide further opportunity for growth in turnover

"A pleasing improvement in our business with the specialist retail trade is also evident in the value of orders taken for the summer season. Bookings for next year's winter season indicate that our factories will operate at full capacity through to June next year," he said

New Queenspark stores had been opened in Rosebank, Johannesburg and Centurion Centre, Verwoerdburg

(184) AT(OR) 6/10/95

## Trueform's lines bulge

Edward West

(184)

CAPE TOWN — Cape-based clothing group Rex Trueform's production lines were fully booked and indications were its factories would be operating at full capacity until June 1996, chairman Stewart Shub said in the annual report.

The expansion of the Queenspark retail division, together with increased consumer demand, was expected to provide a further opportunity for turnover growth, he said.

The company's ranges, including Daks, Lanvin, Marco Azzali, Miss Cassidy, Oggi, Rex Trueform and Wall Street, continued to achieve a high level of acceptance in the trade and had improved market share.

Clothing manufacturing and retail divisions were working capital intensive and over the next few years would need a high level of investment.

BD 6/10/95

# Move to crack down on shady clothing imports

~~377~~ (184) AALG 14/10/95  
Business Editor

PLANS to tighten up customs controls at South Africa's frontiers are to be presented to the cabinet amid an outcry from clothing manufacturers angry at competition from illegal imports

The office of Deputy Finance Minister Alec Erwin said a plan to restructure the departments of Customs and Excise and Inland Revenue would come before the cabinet on Wednesday. If approved, the plan would be discussed in the departments before being made public on October 26.

A spokeswoman for the deputy minister said it would probably result in an increase in Customs and Excise staff.

Customs and Excise commissioner Daan Coleski said 300 of his department's 1 700 posts are vacant — and even all the posts were filled, the department would not be able to police the frontiers properly.

"I think in Britain there are about the same number of people just at the two major airports," he said.

The Cape Chamber of Commerce claimed that between 25 percent and 30 percent of imported clothing and textiles either bypassed customs controls completely or were falsely declared.

"Durban is known overseas as the biggest free port in the world," said the Clothing Federation's Bernard Richards.

"And it's getting worse. Illegal imports are prejudicing manufacturers who import legally."

Dr Richards, part of a delegation which met Mr Erwin to discuss the problem, said he was persuaded the deputy minister took the matter seriously.

"But now we need action."

Mr Coleski said Customs and Excise had confiscated 200 tons of clothing and textiles which had entered the country illegally. The goods had been withdrawn from public auction in the face of pressure from Clofed.

"But the law says we must sell goods which are confiscated, so, if necessary, we will go to the cabinet for permission to sell," he said.

IMENT

MICS

# Delay likely for preferential access agreement on textiles

FROM SABA

Harare — An agreement to allow preferential access of Zimbabwean clothing and textile exports into South Africa is unlikely to come into force before the end of the month as envisaged earlier, Ziana news agency reports.

The chief executive of the Confederation of Zimbabwe Industries, Joe Foroma, said last week that South Africa was still studying Zimbabwe's proposals for preferential treatment of its clothing and textile exports, further delaying the implementation of the agreement.

It was now unlikely the agreement would become effective before the end of October this year, the date agreed to in August.

Foroma, who was part of a Zimbabwean private sector delegation which met representatives of Business South Africa in Johannesburg last week, said the South Africans were still making their own internal consultations on Zimbabwe's proposals.

"At the moment they have not declined the proposals, although it is unlikely the agreement will come into force by the agreed date," Foroma said.

The South Africans had in principle offered preferential access of Zimbabwean clothing and textile exports into South Africa at preference rates as close as possible to the situation that prevailed before December 31 1992.

A technical group was to work out the details.

## Opposed

South African textile manufacturers are opposed to any deal with Zimbabwe, a situation that has caused the delays.

Brian Brink, the executive director of the South African Textile Federation, said in Johannesburg that the industry in South Africa was generally opposed to any agreement that would result in Zimbabwean textiles and clothing inundating their country.

South African manufacturers

argued that their industry was still very young and not yet ready to be exposed to external competition.

A meeting between senior officials of the Zimbabwe Association of Business Organisations (Zabo) and Business South Africa would be held in Harare in early December to try and resolve various issues restricting free trade between the two countries.

Zabo chairman Peter Macsporrin said the meeting was a follow-up to a similar one held in Johannesburg on October 2.

Meanwhile, the Confederation of Zimbabwe Industries president, Jonah Wakatama, has challenged the private sector to explore new markets and lessen their dependency on South Africa in light of the current delays in producing a new trade agreement between the two countries.

"The private sector should recognise that South Africa is not the only available market — the rest of the region and the rest of the world need to be explored," Wakatama said.

(184) (184) CT(BR)16/10/95

## Manufacturers, labour welcome IDC's R150m loans boost plan

BD 19/10/95

John Dlodlu

(184)

SA's vehicle and clothing industries yesterday welcomed plans by the Industrial Development Corporation for a new scheme to assist the country's manufacturers become more competitive

Sandton-based parastatal IDC said this week it would provide low interest rate loans worth R150m to help industrialists modernise their plants and machinery, reorganise their work methods and boost their productive capacity. The scheme forms part of government's package of supply-side measures

Pretoria-based SA National Association of Automobile Manufacturers welcomed the measures, as did the National Clothing Federation.

The IDC plan has already been welcomed by labour, represented by the SA Clothing and Textile Workers' Union

Labour said it should not be seen as a replacement for a more comprehensive plan of supply-side measures by the state on restructured industries.



# A threadbare clothing industry

(184) MGT(BM) 20-26/10/95

The local clothing industry is suffering under the weight of imports. **Lynda Loxton** reports

**T**HE slow growth in clothing sales this year has been blamed on the flood of imported clothing which appears to be escaping custom duties. "The extent of imports that escape customs duty is a very worrying element for both retail and the clothing industry," said Woolworths managing director Sid Muller. "If the authorities do not clamp down on this, it is going to cost a lot of jobs in South Africa."

Searle Investment Corporation chairman Aaron Searle recently suggested that the South African Chamber of Business (Sacob) should provide properly trained inspectors to

the Department of Customs and Excise to deal with illegal imports

While Muller agreed that this was a necessary short-term solution, he said he had "difficulty with these initiatives of privately funding government departments. Personally, I think it is wrong because where do you start drawing the line between the operation of a government department (and the vested interests of the funder?"

Muller described trading conditions this year as "fairly tough" but said that this had been expected after last year's "phenomenal" sales

The Woolworths credit card, which has 800 000 signed-up members nationwide, had proved invaluable in keeping sales ticking over but Muller admitted that his staff had been forced to keep a close watch on credit limits

Because of tough market conditions, cut-price retailing had blossomed. Sales of food and home furnishings

were, however, holding up quite well despite growing pressure on consumer spending power

There have been problems with the illegal manufacture of "character" merchandise such as clothing bearing Disney and Warner Brothers characters. Muller said although police had raided several of the manufacturers involved and confiscated clothing, this was not being done on an ongoing basis

Also of concern was the "rapid decline in the shopping environment in CBDs" because of the proliferation of hawkers, Muller said. Woolworths had to close its Hillbrow store "because trading just became impossible."

Another worry is shoplifting, mainly of clothing owing to its re-sale value. "We are getting it under control by using new technology and closed circuit TV. We are catching thieves at an alarming rate," Muller said.

Woolworths has embarked on a programme to refurbish its main stores in cities around the country. Food-only stores in Murrayfield and Bryanston and franchises in Brits and Groblersdal will be opened in November

Outside of South Africa, it is concentrating on stores in the Middle East and Africa. The stores in the Middle East — in Bahrain and Dubai — are proving a challenge as their seasons are different to South Africa's, Muller said.

## COMPANIES

### Seardel poised to buy Cutrite

Yuri Thumbran

BO 23/10/95

SEARDEL Investment Corporation, the country's largest clothing manufacturer, is set to buy Johannesburg-based men's clothing manufacturer Cutrite. This follows cautionary notices released by both companies last week warning shareholders that negotiations were in progress (184)

No reference was made to any company, but sources confirmed at the weekend that a deal was pending between the two clothing manufacturers. Cutrite has been selling assets since

it reported its results for the year to February, when attributable income rose 67% to R3,9m on sales of R57,8m

It said in June that it had sold its Diva Fashion division — a wholly owned subsidiary which manufactures ladies' apparel — to Magcar Investments for R4,1m

Seardel chairman Aaron Searll would say only that the group was on the verge of an acquisition

For the year to June Seardel reported a 51,8% increase in attributable earnings to R42,6m on turnover of R1,46bn

# Clothing industry says no to loan scheme

(184) BD 24/10/95

Yuri Thumbran

THE Clothing Federation (Clofed) has given the thumbs-down to the financial package announced last week by the Industrial Development Corporation, saying it held no advantages for the industry.

Clofed executive director Henne van Zyl said the financial package intended to help companies which needed technological upgrading during the clothing and textile phase-down period of seven years, and it would be more beneficial to the textile industry.

"The clothing industry is labour intensive compared to the capital intensive textile industry

"The loan scheme does not give any benefit to us due to the fact that the clothing industry does not invest heavily in plant and equipment," he said.

The package was part of the supply side measures announced by government in June when the tariff phase-down period was unveiled. Both clothing and textiles had agreed to the package in the Swart panel report which investigated the industries' long term prospects in the face of tariff phase-downs.

Although the Textile Federation (Texfed) was not willing to comment, parties indicated unhappiness with the scheme because it did not offer any new incentives and was similar to existing packages

Meanwhile, both industries and the SA Clothing and Textile Workers Union will meet department of trade and industry officials to discuss particulars of the pending preferential agreement with Zimbabwe

Clofed deputy president Bernard Richards said a last ditch attempt would be made to sway government from implementing the scheme. Details of the scheme had not been finalised but Zimbabwe already enjoyed a 10% tariff preference into SA on its exported fabrics, 15% on clothing and 15% on yarn. As SA had raised its tariffs in 1992, Zimbabwe had asked that tariffs applicable to its exports be reduced to pre-1992 levels

"If SA feels it has a political debt to pay to Zimbabwe, why not do it by means of cash? The preferential deal will be at the cost of jobs in SA," he said

Texfed executive director Brian Brink said it was likely that government had heeded calls to introduce quotas on sensitive goods and needed to consult the relevant players

# Searll warns against ending import duties

By Audrey D'Angelo

Cape Business Editor

Aaron Searll, the chairman of the Seardel group, warned against any relaxation of import duties against clothing and textiles from Zimbabwe at the group's annual general meeting yesterday, saying it would endanger local jobs.

The net result would be that for every new job created in the Zimbabwean clothing industry, one would be lost to this country.

He said customs was holding 500 bales of confiscated clothes and textiles and Seardel was opposed to them being released for sale in South Africa.

They should be disposed of overseas, preferably to aid organisations working in countries like Rwanda where there was no clothing industry to be harmed.

Companies in the Seardel group lifted turnover by 9,6 percent to R417 million (R380 million) in the first three months of the year, Searll told shareholders.

He said the retail trade was "rather sluggish compared with last year" but this was not surprising after a phenomenal rise in sales last year which could not be sustained. Similarly, with inflation coming down, high nominal rates of growth could not be expected.

The Frame group, in which Seardel has a controlling interest, has lifted turnover by only 4 percent to R217 million so far this year.

Negotiations for an acquisition by the Seardel group were still on track, "but until the agreement is

signed we cannot make any announcement"

On Monday, Seardel re-issued a cautionary announcement which had earlier been withdrawn.

Seatec, an electronics company in the Seardel group, has benefited from the lifting of the high import surcharge on TV sets, video machines and similar products as well as the scaling-down of import tariffs, Chris de Bruin, the managing director, said at the annual general meeting yesterday.

He told shareholders that the Sharp division imported all its products and had been harmed by unfair competition from illegal imports on which no duties had been paid.

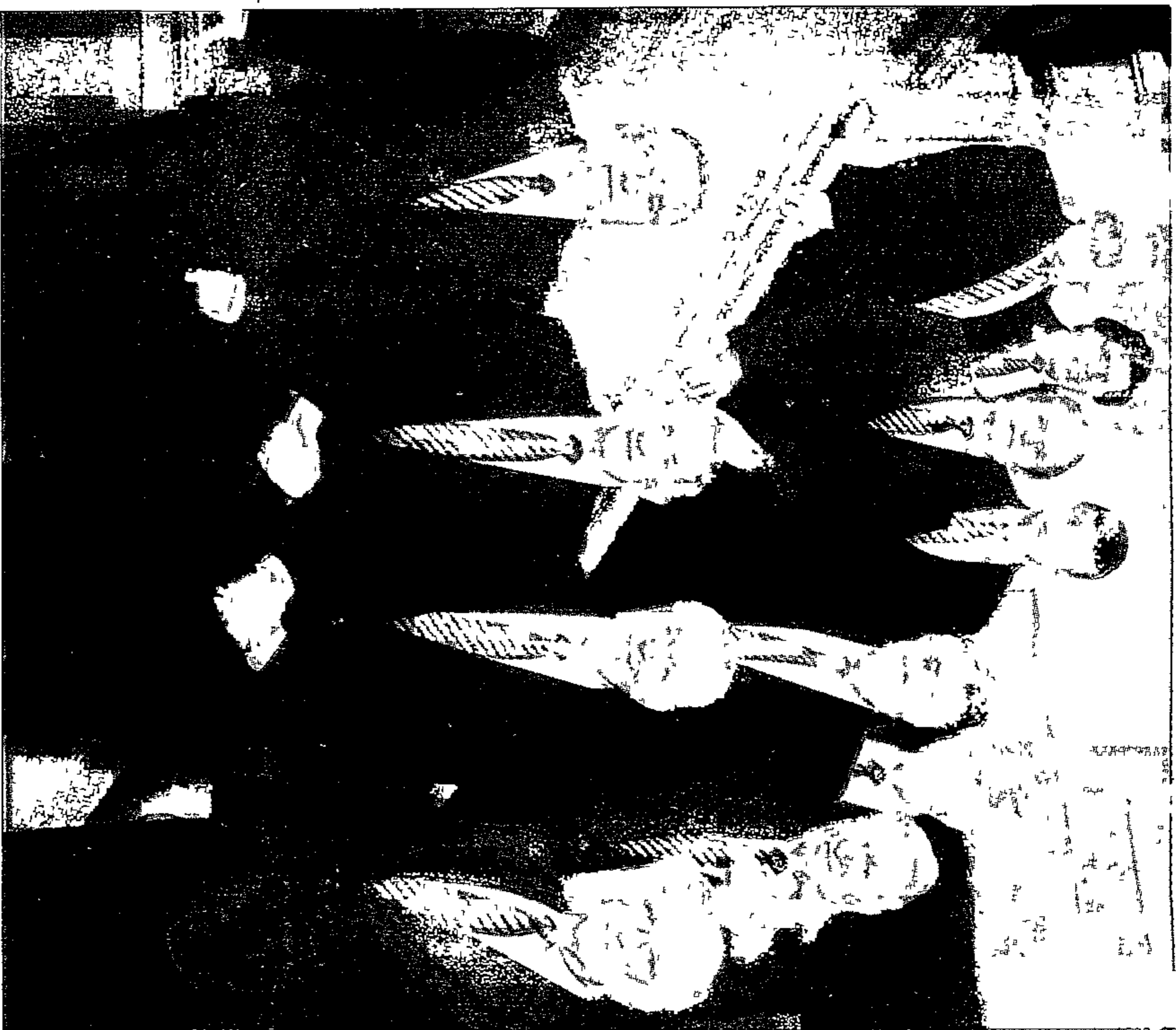
At one stage, 60 percent of electronic goods on sale in South Africa were imported illegally.

The removal of surcharges and scaling down of duty at the beginning of this month had reduced the landed cost of a VCR by 60,5 percent, a hi-fi by 75 percent, a Walkman-type radio and compact disc player by 45 percent and a TV set by 22 percent.

This meant that Sharp's prices would be more competitive and it would be less profitable for smugglers to bring goods in.

De Bruin said he expected this development to have a very good effect on Sharp's sales.

Aaron Searll, the chairman, said Seatec's turnover in the first three months of this year was 17,8 percent above the same period last year.



**TIGHTER CONTROL** Aaron Searll, the chairman of Seardel, third from left, front row, with fellow directors. They are, clockwise, Arthur Jacobson, Michael Katz, K A Blumberg, Bernard Richards, M R Sternberg, Chris de Bruin, M Schaffer, A Dubin, Searle Diamond and K Winter.

PHOTO ANDREW BROWN

# Subcontracting of garment work may create jobs

By AUDREY D'ANGELO  
CAPE BUSINESS EDITOR

Although the clothing industry in South Africa would have to outsource production of cheaper garments to neighbouring countries, it could create more jobs by doing subcontract work for American and European companies, said Hennie van Zyl, the director of the National Clothing Federation, yesterday.

Commenting on a statement by Christo Wiese, the chairman of Pepkor, that factories producing clothes for the cheaper end of the market could not compete with those from low-wage countries, Van Zyl said that by relocating factories to countries where labour was cheaper, South African companies would be following an international trend.

Their counterparts in the United States and Europe had done the same. In 1983 the proportion of European companies' turnover manufactured outside the European Union was about 28 percent. By 1993 this had grown to 40 percent and still showed a steep upward trend. This was because European

manufacturers, faced with rising costs, including labour, and downward pressure on domestic retail prices, had been forced to outsource production. Three years ago 56 percent of German manufacturers' output was produced outside the EU. However, the German clothing industry had not been wiped out, said Van Zyl. In 1993 the number of people employed in the industry had fallen to 140 000 from 160 000 five years earlier. But those still employed in it were highly skilled and earning more.

Van Zyl said wages in the South African clothing industry were at a medium level by international standards. It would pay European and American companies to have clothing for the top end of the market made here, he said. Some South African companies were already receiving fabric from them to be made up here. The clothing federation and the Textile Federation of South Africa were pressing the government to facilitate this by extending the Duty Credit Certificate export incentive scheme to cover this type of work.

If they obtained this concession there would be a flood of work that would keep factories busy and create more jobs here. The global clothing market was worth about \$200 billion a year, said Van Zyl. He said that the creation of jobs in neighbouring countries would lessen the flood of illegal immigrants to South Africa. Bernard Richards, the vice-president of the clothing federation, said wages in Malawi, Botswana and Namibia were between 25 percent and 30 percent lower than in South Africa.

## Neighbours hold growing appeal

(184) ~~(184)~~  
Yuri Thumbran

BD 25/10/95

SA CLOTHING companies were exploring opportunities of relocating operations to neighbouring countries to cut costs in the face of stiff competition from growing imports, Clothing Federation executive director Henne van Zyl said.

Van Zyl said Pepkor's announcement about possible plans to relocate low-value manufacturing units of Pep Manufacturing, SA's second largest clothing operation, outside SA was no surprise.

Various manufacturers were looking at the option of improving competitiveness through cost efficiencies to withstand the rising tide of imports to SA.

SA manufacturers faced a disadvantage in having to compete against countries where production costs, especially labour, were much cheaper. Relocating to pay lower wages was a worldwide trend, especially in "the EU, the US and in Pacific Rim countries".

SA manufacturers were eyeing Zimbabwe, Mozambique and Lesotho, among others, for relocation.

Van Zyl said companies planned to manufacture fabrics in neighbouring states, export the products to SA, and from there export to world markets.

Textile Federation executive director Brian Brink said textile firms could not relocate easily because of the plant and machinery involved, but a small number of companies was likely to relocate.

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# Clothing export slump feared

(184)

**Business Editor** *ARG 26/10/95*  
EXPORTS in the first four months of Rex Trueform's new financial year are down on year-ago levels and are unlikely to recover this year, according to chairman Stewart Shub.

But, Mr Shub told the annual meeting in Salt River yesterday, strong domestic demand had more than compensated for the fall in exports and total sales for the year so far were up 23 percent.

He attributed the clothing group's poor export performance to the over-hasty removal of export incentives

"I'm not against the phasing down of benefits, but it must be done at the same pace as reducing the anti-export bias in the economy, which these incentives were designed to compensate. The results of that are not through yet," Mr Shub said, accusing the government of "putting the cart before the horse"

He said Rex Trueform, like most other clothing manufacturers, was suffering from competition from illegal imports.

On clothing imports from Zimbabwe, Mr Shub he was in favour of special tariffs, provided Zimbabwe also opened its market to South African exports and provided there were strict quantitative controls.

"Zimbabwe has bilateral agreements with other countries so without proper controls it could be a conduit for volumes of goods from other places, especially at the lower end of the market

"There could be a flood of imports. We must be careful"

He said only goods with "at least 75 percent" value added in Zimbabwe should qualify for the lower tariffs

"We must help Zimbabwe, but we can't help the whole of Africa," Mr Shub said.

■ Seeff Holdings has expanded its auction business with the acquisition of Levco Auctions, a month after buying Boland Bank's auction division. Chief executive Errol Finkelstein said the two business would dovetail neatly, each operating independently but under the Seeff Auctions name.

■ Networker Datatec's attributable profits shot up 81 percent to R1,4 million in the six months ended August. Newly established Internet services provider Pipex, set up in March this year in partnership with listed British group unipalm Pipex, showed a loss of R443 000. Further losses of R2 million were expected in the current year as Pipex invests heavily in infrastructure, but the division should contribute to profits the year after, Datatec said

■ Malbak raised shareholders' profits 23 percent to R510 million for the year ended August, in spite of slower growth in consumer spending in the second half-year

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# Clothing sector faces job cuts

By SHIRLEY JONES

(BR) CT 26/10/95 (184)

STAFF WRITER

The clothing sector is set to lose at least 30 000 jobs by the end of this year, according to medium and small clothing manufacturers who face almost certain closure as they lack the financial muscle to follow large manufacturers' relocation to neighbouring states

In addition to announcements by Pep and Seardel, rumours are rife that a number of other major employers, including the AM Moolla group headed by the South African Clothing Federation (Clofed) president, Sadek Vahed, are considering across-border subcontracting

A spokesman for manufacturers in KwaZulu Natal, who intend meeting with unions for support and setting up an independent employers forum to discuss the issue, described the recent announcements as disgusting

"It comes down to a rape of the whole system and will mean no further investment in South Africa. From a business point of view it may make sense to decrease labour costs, but you have to draw the line somewhere," he said

Hennue van Zyl, Clofed's execu-

tive director, this week disclosed that Clofed was devising a southern African trade strategy, despite protests against the government reinstating a preferential trade policy with Zimbabwe, and agreed that this would result in job losses

However, he said this would be a short-term problem. Once the local clothing industry restructured to manufacture quality high fashion garments for niche markets and left budget production to neighbouring states, there would be sustainable job creation.

He said this would enable the local industry to become more competitive and secure a greater slice of the \$200 billion international clothing trade, of which Africa as a whole boasts less than 0,1 percent

Van Zyl said that Clofed's opposition to the pending Zimbabwean deal was that it appeared to be an ad hoc measure which might not fit into either a regional or international trade strategy.

South African Clothing and Textile Workers Union spokesman Mark Bennett, said while he agreed with Clofed on this score, this was a far wider and more complex issue

□ See Page 16

## Manuel slams tardy

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**CAUTIOUS OPTIMISM** Steward Shub, the chairman of Rex Trueform, right, and Alan Hodgkinson, the financial director, in the boardroom before the annual general meeting yesterday. Shub said domestic retail and wholesale sales were up, but exports had dropped.

PHOTO ANDREW BROWN

## Clothing makers lack incentives

(184) CT(PR) 26/10/95

BY AUDREY D'ANGELO

CAPE BUSINESS EDITOR

Opportunities for South African clothing manufacturers to work as subcontractors for European companies were limited because the trade department had not yet allowed export incentives for this type of business, Stewart Shub, the chairman of Rex Trueform, told shareholders at the annual general meeting yesterday.

Shub said it was worthwhile for European manufacturers to send cloth to South Africa to be made up

into garments by skilled workers because labour costs here were lower. But competition for this work was fierce from countries in North Africa and the Far East, and prices had to be keen.

South African manufacturers were also handicapped by the "almost overnight" reduction in the level of the General Export Incentive Scheme (GEIS), he said. Although levels of protection had to be reduced, this should be done more gradually to allow local companies to recover from the anti-export bias resulting from the years

of isolation and over-protection.

Shub said he was "cautiously optimistic" about the current year. Sales in the first quarter were 23 percent higher than at the same time last year.

Export sales were down on last year, as predicted, but domestic sales in retail and wholesale divisions were up.

Shub said he was in favour of a relaxation of import duties on clothing and textiles from Zimbabwe, provided a reasonable limit was put on quantities and that this trade was two-way.

# Rex group optimistic on sales

CAPE TOWN (184) Rex Trueform Clothing expressed cautious optimism yesterday that considerable growth in its sales since its June year end could be sustained.

At the group's AGM chairman Stewart Shub said sales had grown 23% since the group's year end, "which is considerably up on the same period last year".

"I hope the trend will be sustained we are cautiously optimistic," he said.

Growth had largely been restricted to domestic sales at the top end of the market, where retail outlet Queenspark was doing well.

Exports had been affected by the fact that the general export incentive scheme had been cut and that benefits were now taxable.

"We are not against

20 26/10/95  
the phasing down of the benefits but the pace at which government reduces the export incentive should be the pace at which it reduces the anti-export bias in the economy."

Although policies had been created to deal with the anti-export bias, their effect was not yet being felt.

It was like "putting the cart before the horse to cut incentives overnight".

Like other clothing manufacturers, Shub was concerned about the flood of illegal clothing imports, which he said was "larger than anyone realises".

This was eroding the retail market's volume base, he said. He welcomed the fact that the customs department was taking steps to halt these imports.

Shub said he would not oppose renewal of the Zimbabwe-SA trade agreement, as long as it was clear that the aim was to increase two-way trade, not just to open the SA market to Zimbabwean goods.

There should be "tight quantity controls" and a stipulation that Zimbabwean goods should have at least 75% value added in that country, he said.

"Zimbabwe has trade agreements with other countries and if we are not careful, Zimbabwe could act as a conduit for volumes from other countries, eroding our volume base," Shub said.

"Given the difficulty in controlling our border posts, we could open our borders to what could be a flood of imports.

"We must be careful," he said — Reuter

# Sactwu to tackle Pep on plan to go offshore

Business Editor

**THE SA Clothing and Textile Workers' Union (Sactwu) has asked for an urgent meeting with Pepkor chief Christo Wiese about plans to move part of Pep Stores' production out of South Africa**

**"This is an issue of national importance," Sactwu's Ebrahim Patel said in an interview.**

**"It would be a scandal if**

**companies which have made their profits from South African consumers put those same consumers out of jobs.**

**"Putting profits ahead of jobs is not only bad social policy, it's disastrous economic policy because of its effects on the domestic market**

**"Pepkor needs consumers, and consumers need jobs."**

**Mr Wiese was reported**

**earlier this week as saying Pep might move production out of the country**

**Mr Patel rejected claims that high wages made South African clothing uncompetitive**

**"Our wages are a fraction of those paid by successful clothing exporters elsewhere. According to the International Apparel Federation, South Africa is in the bottom half of the table of**

**countries.** (184) ARLT 28/10/95

**"The problem is that the labour force has been given very little training, so there are no productivity dividends like there are in other countries"**

**The average Sactwu member supported five dependents, Mr Patel said. Single mothers, with children and other dependents, were a high proportion of clothing industry employees.**

## Levi Strauss recruits South Africans (184)

■ BY FRANCOISE BOTHA

(184) Star 30/10/95

Levi Strauss, the world's largest clothing manufacturer, was on an employ-South-Africans drive, which aimed to see staffing of the company increase to 300 over the next 18 months, said Waddell Blackwell, the managing director

Blackwell, the only American employed by the company in South Africa, said that its first entry into the local market a year ago had seen a rapid growth in sales.

The South African market for jeans stands at more than 10 million pairs a year

"Directed by our commercial success, we should grow our total number of employees over the next 18 months and we are staffing with a diverse mix of highly charged, qualified South Africans," he said

Dermot Molloy, the director of Salesmark Recruitment, has been responsible for the company's candidate screening. He said working with Levi Strauss had inspired them to look inward and hone aspects of the recruitment team's skills

He said while the recruitment industry scrutinised potential candidates before placement, they were also evaluated by their clients

"Regular post-interview feedback on applicants gave a clear idea that we were sending people compatible with the Levi Strauss ethos"

# Textile sector 'obligated'

By SHIRLEY JONES

Cape Town — Across-border contracting was not an issue as far as the textile sector was concerned because of logistical requirements, said Mike Hankinson, the managing director of Romatex and the vice-president of the South African Textile Federation.

However, he said, textile manufacturers had an obligation to ensure that South Africans retained their jobs should they decide to set up new plants or relocate existing operations to neighbouring states.

The real concern was the erosion of the customer bases of textile companies supplying the clothing and bed linen trades. He said fabric imported duty free from the East, cut-price labour and the importation of finished goods into South Africa did pose a risk to local industry.

Meanwhile, Bernard Richards, the joint managing director of Seardel, asked that reports that Seardel was considering subcontracting to cross-border operations be retracted. He said the matter was still open to debate.

(184) CT (BR) 30/10/95

# Zimbabwean trade details to be sewn up

John Dlodlu

GOVERNMENT is to meet business and labour representatives from the clothing and textile industries tomorrow to finalise details for reinstating trade preferences for Zimbabwean exports into SA.

The meeting will focus on establishing a committee to monitor monthly trade flows and a safety mechanism to ensure Zimbabwean imports do not hit local jobs and industry — fears long expressed by business and labour

Under the terms of the deal, Zimbabwean clothing and textile exports will have better access to SA, under an agreement that lapsed three years ago. Government has recently completed a study aimed at determining the effect of reinstating the trade regime.

Trade and industry department chief director for trade relations Faizel Ismail said yesterday that the meeting would discuss the results of the studies which showed that the effect on SA jobs would be "reasonable"

Representatives of the Southern African Clothing and Textile Workers' Union, the Clothing and Textile Fed-

erations and government negotiators would have to decide on the level of import quotas as part of a mechanism to prevent damage to the local industries

Another key component would be establishing a committee — comprising government, Clofed, Textfed and Sactwu — to monitor the implementation of the agreement, Ismail said

The committee would receive monthly statistics on trade between the two nations, and if a sudden surge of Zimbabwean imports was picked up the safeguards would be activated.

Among concerns about the deal was the fear that Zimbabwean preferential access could become a conduit for cheap imports from Asian countries.

But the arrangement could also strengthen SA's hand in talks with the European Union for better access to the 15-nation single market.

Tomorrow's talks will be followed by another meeting with the Zimbabwean negotiators before mid-November

The later talks are likely to focus on Sactwu's demand that the agreement includes social clauses, such as workers' rights to strike and collective bargaining, and a ban on discrimination

BD 1/11/95

(184) (184) (184)



## Delswa, Jade may de-list after selloff

(184)  
Beatrix Payne

BO 2/11/95  
CLOTHING group Delswa would sell its operations for R21,1m in cash to a new company controlled by its current controlling shareholders, sponsoring broker Davis Borkum Hare said yesterday

As a result, Delswa and its parent company, Jaff-Delswa Investments (Jade), would be de-listed from the JSE by mid-January and liquidated unless a buyer was found for either of the cash shells.

Jade shareholders would be offered a pre-liquidation 315c a share and Delswa shareholders would receive R3 per ordinary share. The companies said there had been little benefit in the listings as the shares were seldom traded, and the cost of maintaining the listings was unwarranted.

In addition, the transaction would provide all Jade and Delswa shareholders with the chance to realise their investment at a substantial premium on the current market price



REX TRUEFORM (184)

Rare retail optimism

FM 3/11/95

Activities: Clothing manufacturing and retailer

Control: African & Overseas 71%

Chairman: S C Shub

Capital structure: 4,3m ords Market capitalisation R77,4m

Share market: Price 1 800c Yields 4,4% on dividend, 13,4% on earnings, p e ratio, 7,5, cover, 3,0 12-month high, 2 100c, low, 1 652c Trading volume last quarter, 117 000 shares

Year to June 30	'92	'93	'94	'95
ST debt (Rm)	7,8	0,8	0,5	—
LT debt (Rm)	2,2	1,4	0,9	0,6
Debt equity ratio	0,08	n/a	n/a	n/a
Shareholders' interest	0,77	0,82	0,82	0,81
Int & leasing cover	10,2	10,3	7,1	8,0
Return on cap (%)	5,5	7,2	7,4	9,2
Turnover (Rm)	164,4	171,7	167,0	192,1
Pre-int profit (Rm)	6,3	8,1	8,8	12,5
Pre-int margin (%)	3,9	4,7	5,3	6,5
Earnings (c)	142,6	155,4	202,2	241,4
Dividends (c)	60	60	70	80
Tangible NAV (c)	2 130	2 192	2 389	2 523

It's the exception these days to hear optimism from a retail CE about the rest of his financial year. But Rex Trueform chairman Stewart Shub says turnover for the first four months is 23% up and retail chain Queenspark and the wholesale division have produced even higher gains.

That is encouraging when other "big guns" can only manage 15%. Moreover, Shub believes the trend can be maintained until June.

Rex Trueform's share was R19,50 a year ago with an historical p e of 9,6. Since then it has fallen to the equivalent of R18 (it has split four ways; current price is 450c) even though turnover rose 20% and operating income 38%. Perhaps it was the lesser 17,4% rise in EPS — constrained by a considerably higher tax rate because exempt income (from exports) was a lower percentage of total income — which caused the market to downrate the share to the present p e of 7,5. It is hoped that the 1995 tax rise was a

one-off. This year, earnings comparison will be against the higher 1995 tax base and there is every indication pre-tax performance will be as good if not better.

Shub says reorganisation of manufacturing plant is a continuing process. Its objective is international competitiveness. The Salt River plant produces mainly high quality men's and ladies' tailored outerwear. The Port Elizabeth and Atlantis factories specialise in casual wear and men's shirts.

The manufacturing division produces for three different market segments: exports, the Queenspark chain and the specialist retail trade.

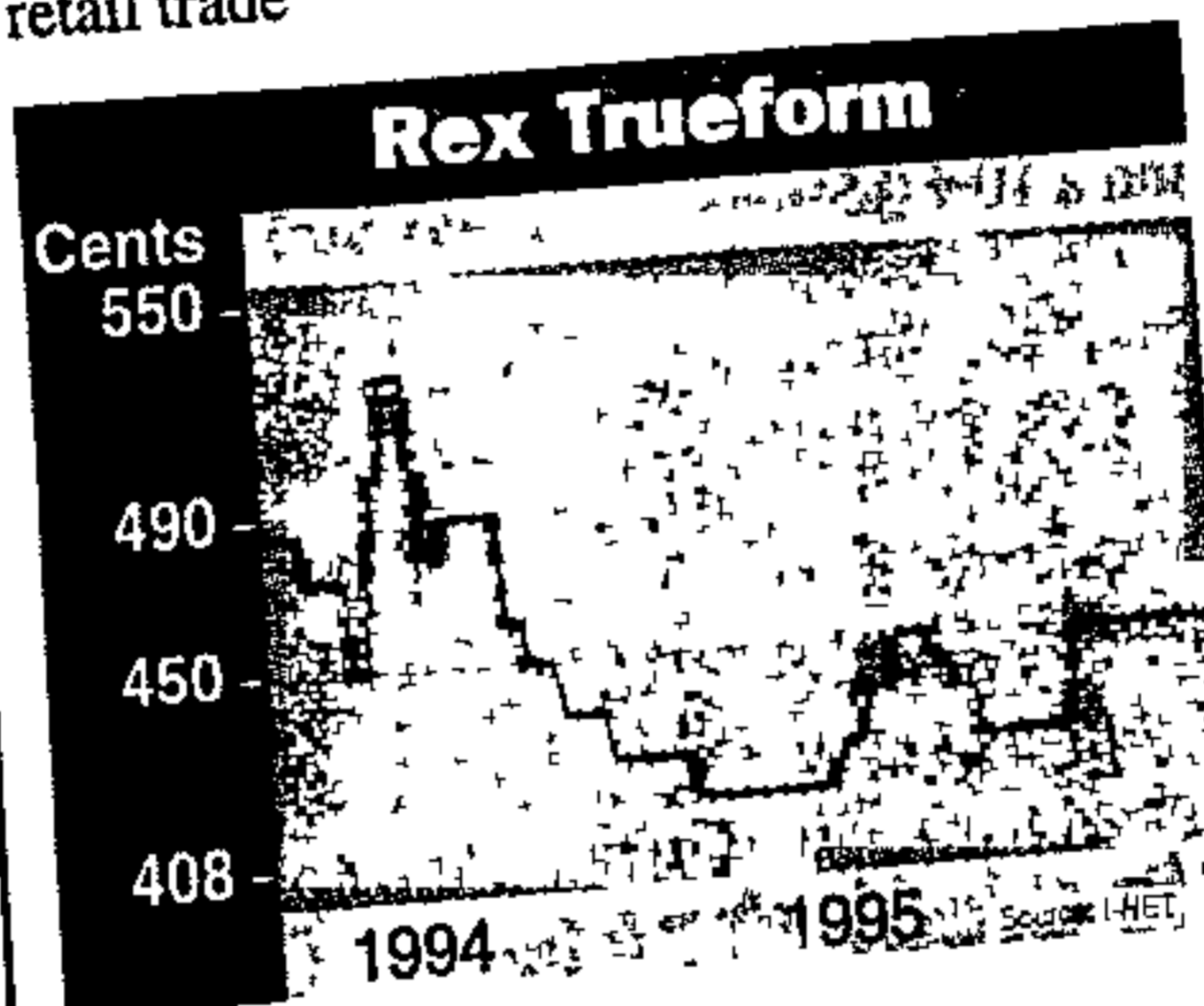
are that retailers stocking Rex Trueform products expect a buoyant festive season.

Production lines are fully booked for this financial year and the factories will operate at full capacity through to June, says Shub.

Rex Trueform is today considerably more than a clothing manufacturer. Queenspark has become a retail *tour de force* and will continue to grow rapidly.

If EPS move ahead by an attainable 25% to 75c the share is on a prospective p e of 6. That is too low for a share of this calibre. If the share was listed in the retail sector its p e would be at least double.

Gerald Hirshon



Exports suffered in financial 1995 largely because of uncertainties surrounding export incentives. Following Geis reductions exporters are dependent on the anti-export bias also being lessened by a corresponding reduction of duties and surcharges on imported textiles and materials.

Shub is subdued about export prospects, but he is really upbeat about niche retailer Queenspark, which now accounts for a significant slice of turnover and profits (neither is disclosed).

In the review year Queenspark's turnover grew by 35%. It launched its new private label card but unlike some high-profile retailers there is no sign of credit saturation among the chain's card customers. A new store development programme is in place and information systems are continually being upgraded.

Product acceptance from outside retailers is growing ahead of budget. Shub says signs

# Change in stand on Zimbabwe

John Dlodlu

(184)

~~SA's~~ Clothing Federation and Textile Federation yesterday threw their weight behind government's plan to grant improved market access to Zimbabwean clothing and textile exports

This emerged after a meeting in Pretoria of the federations and the trade and industry department. It was attended also by labour — represented by the Southern African Clothing and Textile Workers' Union (Sactwu) — and customs and excise

The two federations were initially strongly opposed to the deal, saying it would make Zimbabwe a conduit of cheap imports from other countries, sparking massive job losses in SA.

Both Clofed and Texfed spokesmen said the trade and industry department — which is leading the talks with the Zimbabweans to reinstate the pre-1992 trade preferences — had addressed their concerns about jobs losses.

"Jobs have been our bottom line .. and at the moment they're not a major thing," Clofed executive director Hennie van Zyl said.

The federations' support followed assurances that effective safeguards would be put in place to limit job losses. These included a tripartite monitoring mechanism — by Sactwu, Clofed, Texfed and customs and trade departments — and import quotas.

The deal represents one of the first steps by SA to open up its markets to its neighbours

BD 3/11/95

# Textile consultants must get accreditation

CT (P/R) 14/11/95 (184) (184)

By SHIRLEY JONES

Durban — The trade and industry department has given management consultants 10 days to apply for accreditation to help administer the Duty Credit Certificate Scheme, which provides incentives for clothing and textile exporters

Brian Brink, the president of the

South African Textile Federation, said the industry supported the move. He said that when the scheme was introduced in December 1993 as part of a long-term strategic plan for the restructuring of the textile and clothing industries there had been no conditions for the granting of export benefits

However, from this year, partici-

pants have to achieve targets set in terms of a productivity monitoring scheme and they are required to spend at least 4 percent of their wage bill on training

Management consultants wishing to apply for accreditation have until November 24 this year to submit applications to the trade and industry department

## No agreement on Zimbabwe textile tariffs

BO 14/11/95 (184) ~~187~~ ~~188~~ ~~189~~  
THE Zimbabwe and SA governments failed to reach agreement yesterday on the reinstatement of preferential tariffs on Zimbabwean exports of textiles and clothing to SA, Ziana news agency reports.

Zimbabwe's industry and commerce ministry said a meeting held in Harare had "examined the draft proposals, and agreement could not be reached on

the minimum level of the local content requirement of 75% as proposed by SA and also on the extent of the envisaged preferential rebates and quota levels."

The ministry said the meeting had agreed that SA should consult further regarding outstanding issues, and that the implementation date for the proposed tariff arrangement should not be later than February 1 1996 — Sapa.

# Impasse disappoints Zimbabwe

FROM SAPA

(777) (184) (93)

Harare — The Zimbabwe National Chamber of Commerce (ZNCC) is disappointed that Zimbabwe and South Africa failed to reach an agreement on Monday to reinstate the preferential tariffs on Zimbabwean exports of textiles and clothing to South Africa

Ziana news agency reports that the head of the ZNCC economic division, Edmore Tobarwa, said yesterday that the stalemate was a major blow to the future of the local textile and clothing industry, which is going through a serious viability crisis

Imports of clothing and textile products into South Africa attract a punitive 90 per cent duty

Figures showed that in 1994 Zimbabwe exported goods worth Z\$1,9 billion to South Africa and imports from that country stood at Z\$6 billion

South Africa was also exporting close to Z\$40 billion to the rest of Africa with imports pegged at Z\$4 billion

"These statistics show that trade is lopsided in South Africa's favour, a situation that is unsustainable in the long run," Tobarwa said.

"There is need for South Africa to open up its borders" and to avoid "milking the rest of Africa to death," he added

This week's meeting followed one held in Pretoria in August, but could not agree on the minimum level of the local content proposed by South Africa or the extent of the envisaged preferential rebates and the quota levels South Africa wants a local content of 75 percent

The meeting agreed South Africa should consult further on the outstanding issues, and the proposed tariffs should be implemented no later than February 1 1996

CT(BR) 15/11/95

## COMPANIES

### Trade concessions under fire from King

Yuri Thumbra

(184)

~~184~~  
130/6/11/95

SA's decision to improve preferential trade agreements with neighbouring countries, especially Zimbabwe, came under fire from Frame group chairman Mervyn King at the textile group's AGM in Durban yesterday.

King said the over-hasty willingness to improve trade preferences was of concern. In the case of Malawi, one of SA largest end-user manufacturers had already relocated the larger part of its manufacturing base to Malawi.

"This has happened because there is an ability to import fabrics into Malawi free of duty, add value of not less than 25% and then export the product back to SA free of duty. There are no quotas in regard to exports into SA from Malawi," he said.

He warned of creating a precedent, as other countries north of SA's borders were also knocking on the door to obtain preferential entry into the SA market. Another problem was that any quota arrangement would be ineffective without adequate customs policing.

He urged the authorities to re-evaluate the duty-free imports from Malawi and the free entry of goods from Zimbabwe into the SA Customs Union through Botswana and Namibia.

"All these matters must be carefully evaluated before the trade and industry department arrives at any final agreements with these countries."

King said the department of trade and industry should not be driven by political imperatives, but by financial ones. The textiles sector was committed to playing a significant role in SA.

# Unions to move on liquidations

(184) ARG 25/11/95

**ALIDE DASNOIS**  
Business Editor

AS the Western Cape braces for the annual wave of liquidations of small clothing companies, trade unions have launched a campaign to get the Insolvency Act changed to give workers a better deal if their employers go bust

The SA Clothing and Textile Workers' Union (Sactwu) has put forward proposed changes to the Act to Cosatu, which has agreed to take up the issue, Sactwu's Ebrahim Patel told Weekend Argus.

In terms of the Act, which specifies how the assets of a company must be divided among those who have claims against it, workers' wages were only paid out once the state and the sequestrators had each taken their cut, he said

"We are asking for workers' earnings to receive preference. This means not only wages but also other earnings such as contractual bonuses and savings which have been deducted during the year."

At present bonuses and savings could be treated as concurrent claims, right at the bottom of the list, he said

Sactwu was also asking for trade unions to be notified when an application for liquidation was pending

"This means we can deal early with the option of judicial management and see if the company can trade its way out of the difficulty with a temporary respite from creditors," Mr Patel said

"It's not just a matter of cutting the cake so the workers get their fair share. It's also a question of keeping the bakery going"

Mr Patel said closures of

small clothing factories in the Christmas period highlighted the need to change the Act

"We know of two liquidations already in the past two weeks," said Wayne van der Rheede, Sactwu's Cape regional secretary

"And it will speed up. This always happens at this time of year"

"Sometimes employers keep workers on the payroll until just before Christmas, knowing they won't be able to pay them or give them bonuses. Then at the last minute they say there's no money"

"It's heart-rending"

Cape Town liquidators confirmed that this was a recurring problem

"It happens every year in the clothing and footwear industries," said one liquidator who preferred not to be named

"We find directors of small companies who keep staff on and buy materials to finish off

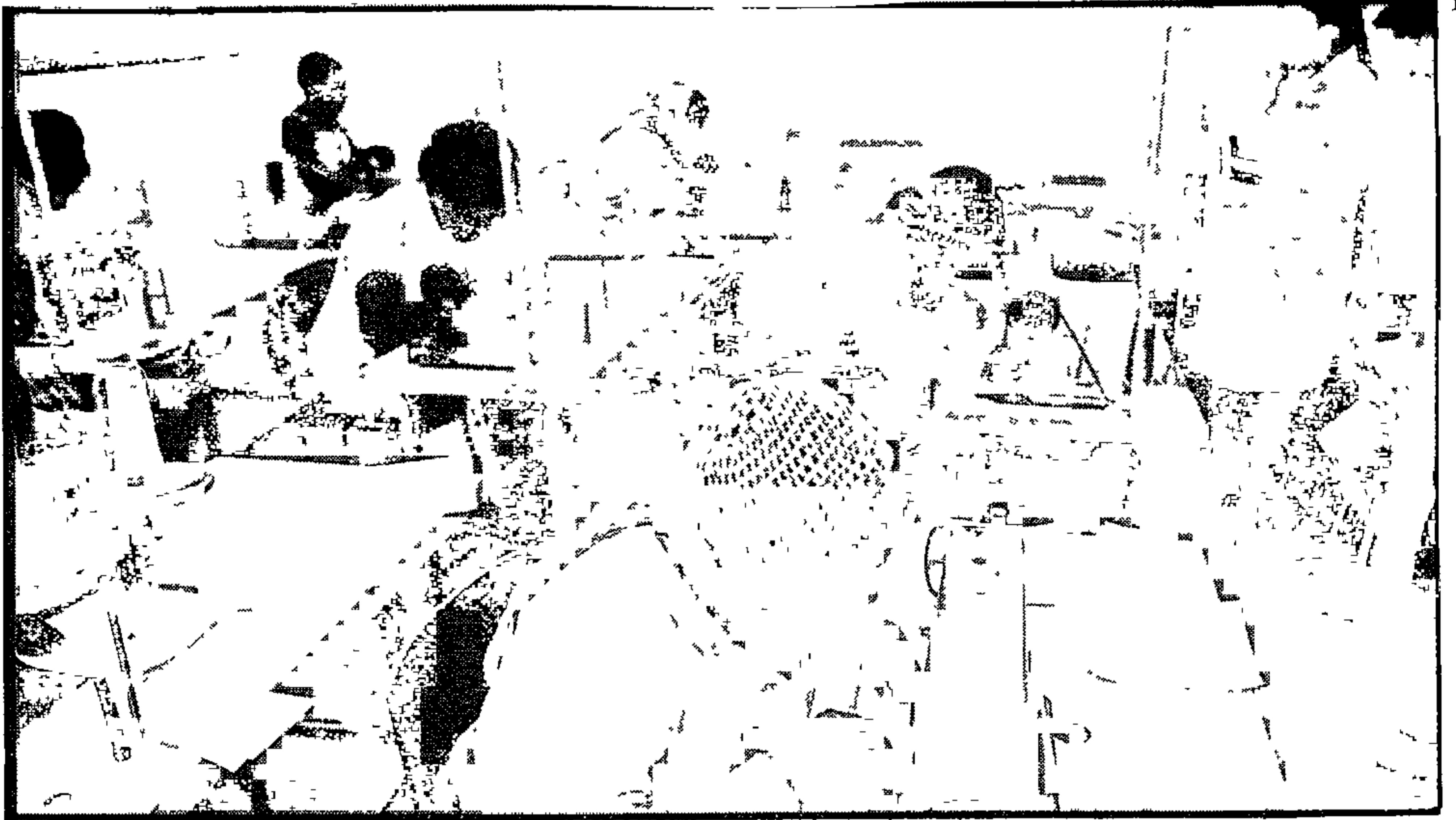
orders before Christmas, break for the holidays and then pull the plug on the company while the workers are away"

Keeping workers on the staff in the knowledge that the company was to be liquidated could constitute fraud, he said

But this was difficult to prove, especially in "friendly liquidations" triggered by directors themselves or by a creditor nominated by them

He could not estimate the number of employees affected each year

Industrial council data on the Western Cape clothing industry show 50 044 people were employed in October, compared to 47 591 in November last year and 49 543 last December. But these figures do not necessarily reflect employment patterns in smaller companies because companies employing five people or fewer are not obliged to comply with industrial council agreements.



□ **ZIM ZAG?** Deal with Zimbabwe "just the thin edge of the wedge", say the South African clothing and textile industries . but work goes on

# SA ragtrade cool on Zimbabwe deal

ARG 25/11/95 (184) (187) (188)

**MAUREEN MARUD**  
Business Reporter

A **TRADE** agreement now being negotiated with Zimbabwe is "just the thin edge of the wedge", say the South African clothing and textile industries

"Other countries in Africa could ask for the same sort of concessions," said Bernard Richards, vice-president of the National Clothing Federation (Clofed), referring to the government's intention to use the final Zimbabwe-South Africa agreement as a model for trade agreements with other southern African countries

Zimbabwe has asked for increased preferential treatment for clothing and textile exports to South Africa

In response local manufacturers have stipulated that Zimbabwean products should have 75 percent local input in labour costs and materials to qualify for better market access

One aim of this requirement was to prevent products from other countries in the Far East or elsewhere from entering South Africa duty free via Zimbabwe, Clofed executive director Hennie van Zyl said

Dr Richards said South African manufacturers paid duty on fabric bought in other countries and brought into South Africa. The duty increased the cost of the commodity

If Zimbabwe was allowed to export garments to South Africa made from imported fabrics, Zimbabwe wouldn't have to pay duty on what would be finished goods, irrespective of the content

This would give Zimbabwe an unfair advantage over South Africa. That advantage would translate into the loss of as many as 1 000 jobs in the clothing industry alone, which currently employed about 160 000 people, he said

In the most recent round of talks between the two countries, Zimbabwe balked at the

75 percent local content requirement, calling it too onerous. The South African government has now asked the clothing and textile industries here to review that requirement and possibly lower the percentage

"We are duty bound to review the issue, but that doesn't mean we will accede to Zimbabwe," said Mr Van Zyl

Whether or not Clofed would reduce the local content quantity would depend on feedback it got from its members, he said

"We will go back to the department next week to say we can accommodate a slightly lower percentage or we can't"

The local content requirement was non-negotiable, said Brian Brink, executive director of the National Textile Federation (Texfed)

"Zimbabwe seems to have a problem with what we thought shouldn't be a very difficult condition. It makes me suspicious as to what they intend to export to South Africa. Maybe

it is from China or Pakistan"

He said the major components of the costs of making anything in textiles in particular would be raw materials and labour

"Any trade agreement like this should be to develop the domestic industry and create jobs for Zimbabweans"

Mr Brink said his industry's response to Pretoria had been made

"Now Harare and Pretoria will get together again, to try to finalise the agreement by February"

The clothing industry's response could differ from that of the textile industry, because "clothing is distinctly different from textiles", said Mr Van Zyl

There were different local content requirements in the current agreement for clothing and textiles, he said

Representatives of the SA Clothing and Textile Workers' Union could not be reached for comment yesterday



# Giant clothing factory seeks freeze on wages

By TOM HOOD

A THREE-YEAR wage freeze is being sought at a giant Cape clothing factory as part of a plan to reduce costs and save 2 500 jobs.

There are fears in the industry that the move could spark similar demands for wage freezes by smaller clothing companies, whose wage bills amount to 70 percent of their costs.

Workers at the Parow factory of Pep Manufacturing have been warned that the business could become another casualty of the flood of cheap imports entering the country.

Textile manufacturers say they have been forced to act because of dumped goods threatening to disrupt the local market and engulf the country's clothing trade.

The wage freeze proposal has been severely criticised by the giant Southern African Clothing and Textile Workers Union (SACTWU)

The union accused Pep Manufacturing — part of Pepkor, the country's largest retail group — of dealing in bad faith and being "provocative in the extreme."

Pep Manufacturing — which is said to operate independently of Pep Stores — says it will apply to the Industrial Council for the Cape Clothing Industry next month for exemptions from wages and other agreements.

Wayne van der Rheede, the regional

secretary of the Western Cape region of SACTWU, said his union would fight the company's wage freeze proposals "with vigour and determination."

Mr van der Rheede said the company had never officially informed the union of its intentions, which came at a time when discussions on a wide range of related issues were taking place.

The company is asking for:

- Permission to continue the current wage rates, which were increased on July 1, for 36 months,

- Exemption from paying Clothing Industry Training Board levies because the company claims it has developed its own scheme to train 1 200 machinists this year as well as supervisors;

- Reduction in levies to the industry's sick fund,

- An extension of the working week, with overtime paid only after an employee has worked a full week. They also want to pay for only six public holidays, with the rest being worked at normal time

A leading Salt River manufacturer said: "If the industry makes a precedent here, there will be a flood of applications."

"Companies must stick to agreements with the union and industrial council"

ST(M) 26/11/95

## Factory shutdown may axe 1 500 jobs

Renee Grawitzky

BD 27/11/95

(184)

THE AM Moolla group, owned by National Clothing Federation of SA (Clofed) president Sadek Vahed, plans to close a factory in northern KwaZulu-Natal, resulting in 1 500 job losses.

Vahed, Moolla's chairman and CE, said the closure of the Isithebe plant would result in 1 500 retrenchments. The SA Clothing and Textile Workers' Union (Sactwu) said AM Moolla had given the union notice of its intention to retrench its workers on December 8.

The union said discussions were taking place with the company in an attempt to postpone the retrenchments. If this was not achieved, the union would oppose them.

Moolla's announcement comes in the wake of reports that major textile manufacturers intend to open up operations in neighbouring states including Malawi, Zimbabwe and Botswana.

The union said the Botswana government, in the recent Clofed publication, had advertised various incentives to encourage potential clothing manufacturers, including labour stability and wages of R1,76 per hour.

Continued on Page 2

## Shutdown

(184)

BD 27/11/95

Continued from Page 1

But Vahed denied rumours that he intended opening up operations in a neighbouring state.

He attributed the decision to close the factory to a sharp decline in export business, the "explosion of illegal imports of clothing and fabrics, which has had a negative effect on our budget and clothing sales", the seven-year tariff reform programme regarding imported fabrics, and government's decision to reject the clothing industry's request to extend current export incentives to

value-added garments.

He said that the new tariff structure had "already spawned a huge underground system, where goods brought in without duties being paid are hitting the streets at well below our fabric costs".

In evidence presented during public hearings to the labour market commission, Cosatu general secretary Sam Shilowa mentioned AM Moolla's decision to close the Isithebe factory as an example of how wage restraint did not guarantee jobs.

In an attempt to save the jobs of its members, the union had agreed to wages well below the industry minimum, Shilowa said.

# Neighbours blamed for textile crisis

(184) ~~184~~ ~~184~~  
BY SHIRLEY JONES

Durban — Contrary to popular belief, Durban is not the chief port of entry for the masses of illegal clothing and textile imports that threaten to overwhelm the South African clothing industry, a new report says.

According to the National Clothing Federation of South Africa (Clofed), the other South African ports also feature prominently as well as customs bonded warehouses in Johannesburg and Pretoria.

But the chief problem is smuggling through the neighbouring countries of Zimbabwe, Malawi, Botswana, Lesotho, Swaziland and Namibia.

Clofed notes that according to the trade and industry department, the inability of the customs and excise department to control illegal imports has become a crisis. At least 30 percent of all containers entering South Africa slip past customs officials.

In the five most common import scams identified in the Clofed document, customs officials often co-operate in the fraudulent activities.

By arrangement with the Department of Trade and Industry, some clothing and textiles may enter South Africa with a nominal customs tariff of 3 percent. However, 10 to 20 times more than is allowed enters South Africa illegally.

The Clofed report adds that this is done with the help of officials who do not cancel permits that have been fully used. They are then fraudulently used over and over again.

Clothing and textiles from the Far East that are disguised as having been made in Mozambique also enter the South African market regularly.

Clofed says Malawi is the worst offender. "This route has grown out of all proportion in the last two years."

# Layoffs at Moolla 'the first of many'

CT(BA)28/11/95(184)

BY SHIRLEY JONES

Durban — The AM Moolla Group, which is to retrench 1 500 workers at seven factories across KwaZulu Natal, will be the first of many to lay off workers early next year to cope with problems such as cross-border competition, industry officials say

Sadek Vahed, the company head and the National Clothing Federation president, said 10 to 15 percent of the region's workforce of 37 000 would probably become redundant within months. He said he knew of three major manufacturers who were planning to follow the group's lead.

Referring to lay-offs at the group's Isithebe and Hammarsdale plants and its five Ulundi operations, Vahed said that the company had reached the point where a strategic decision to cut production capacity and rationalise operations had become unavoidable if it were to pre-empt expected difficult business conditions during the first half of next year.

"You can't run plants without work," he said, pointing out that rather than closing operations to open cross-border plants, the company was in the throes of moving into value-added niche markets.

Some plants that were operating under difficult circumstances could not be absorbed and retrenchments were the only option, Vahed said. He blamed illegal imports for much of the trouble.

The group, which had exported more than R75 million worth of goods to the United States, the EU, Russia and Kazakstan, had seen orders dwindle because of the local industry's inability to remain competitive. This, together with heightened illegal imports, had

had a negative effect on the company's budget and end sales.

"With average import duties of about 85 percent since the first phase-down promulgated on September 1 on budget-end fabric imports, we are being priced out of the market.

"To add insult to injury, additional new duties on imported fabrics were discreetly slipped in by the trade and industry department, with pressure from the Textile Federation under the guise of rationalisation of the various tariff headings," Vahed said.

He said that any country with high tariffs for long periods encouraged cheating. This had spawned a dual economy in South Africa — the official one and an underground economy which had had a particularly serious effect on the clothing industry.

## Incentives

Vahed said that the need to retrench staff could have been avoided had the government not rejected the clothing industry's plea to extend export incentives to value-added garments, known as the duty-credit certificate scheme.

This allows for cut, make and trim processing of goods in South Africa for large European and American clients. "Much of the group's idle production capacity could have been utilised to manufacture large volume export orders that were in the pipeline if the benefits for such exports had been introduced," he said.

Vahed said should the government reconsider key policy decisions and plug illegal imports within the next six to nine months, there was a chance the clothing industry could recover.

□ See Page 16



**DRESSING DOWN** Sadek Vahed, who believes government policy is at the heart of the clothing industry's problems

## Clothing exports set to increase 184

BD 28/11/95  
CAPE TOWN — SA clothing exports are expected to total R600m in 1995 from R430m in 1994, Clothing Federation executive director Hennie van Zyl says.

"Clothing industry production volumes increased by a healthy 3% in 1994, and are expected to increase by a further 6% to 7% in calendar 1995," Van Zyl says in his annual report for the year to September 30 1995.

"The outlook for the industry for 1996 is equally bullish, provided the SA government manages to effectively control the increased incidence of illegal imports."

Van Zyl says exports can be even higher if government provides certainty about export incentives and the opening up of the domestic market. — Reuter.

# Clofed scheme aims to create 100 000 jobs

By SHIRLEY JONES

Durban — Despite recently announced job cuts, the National Clothing Federation of South Africa (Clofed) has proposed a scheme aimed at creating 100 000 jobs within four years

The new jobs would increase employment in the clothing sector by more than 40 percent over the period

This job creation package will be discussed at a meeting between Clofed, the Department of Trade and Industry and labour at a meeting scheduled for December 12

This "surprise" meeting is expected to shed new light, and may even produce a longed for change of heart, on export incentives rejected by the Department of Trade and Industry in June this year

According to Clofed's outgoing president, Sadek Vahed, this led to a "Berlin Wall-type non-competitive

position" for local manufacturers

In contrast, the industry's "relatively straight forward plan" hinges on developing export business either directly or via large companies sub-contracting to small and micro-enterprises

## Duties

As things stand, in terms of an existing Duty Credit Certificate (DCC) local clothing manufacturers exporting clothing made from locally produced fabric or imported fabrics on which duties have been paid receive a rebate worth 30 percent of export value

The problem, says Vahed, is that should local clothing manufacturers import raw materials duty free, the DCC incentive falls away

He stresses that although clothing manufacturers, in this instance, are able to obtain fabric at world prices, they are still confronted with an anti-export bias in the form of

other manufacturing and distribution costs. These are, in turn, compounded by higher customs duties than their southern African counterparts when exporting clothing to the UK, European Union and certain other countries

"Probably the most important reason for requesting the extension of the DCC system to all types of clothing manufacture is the rapid growth of outsourcing or so-called offshore manufacturing"

More and more large retailers or clothing manufacturers prefer to obtain their fabric overseas and ship it to manufacturers in South Africa. After local companies make up the clothing, it is then re-exported

Vahed says this type of cut, make and trim is the fastest growing segment of the mammoth \$150 billion-a-year international clothing trade. By securing just a small piece of this, the local clothing industry could create many jobs in a relatively short period

CT(BR)29/11/95 (184) (197)

ACCOUNTING - FINANCIAL STATEMENTS - EQUITY

# Relisted Coastal still has problems

Nicola Jenvey (184)

DURBAN — Clothing company Coastal Clothing Manufacturers, which had discontinued trading for a time, posted a R1,3m loss for the six months to August, MD Rajen Pillay said.

The company recorded a corresponding loss of 3,23c a share and no dividend was declared. Comparative figures for the six months to August 1994 were not available as this was the revised company's first year of operation. The company was suspended from the JSE in 1993.

BD 29/11/95

Coastal went into provisional liquidation in 1993 and was relisted on the JSE in April after a takeover by the Indonesian-based Polysindo/ Texmaco Group.

The company was repositioned as a producer of quality polyester fabrics and garments through a R23,5m share capital rescue package.

During the period under review Coastal acquired the Progress Knitting Mills premises in Hammarsdale for R3,5m. Another R5m is being spent on refurbishing the factory into an art printing, dyeing and

finishing plant. Coastal would establish a weaving facility in Botswana with the Botswana Development Corporation.

# Sactwu starts campaign to protect jobs

Renee Grawitzky

THE SA Clothing and Textile Workers' Union (Sactwu) has launched a campaign in an attempt to save jobs in the clothing industry amid the illegal inflow of foreign-made goods and threats by clothing manufacturers to move production facilities to low-wage neighbouring states

"Project Jobs" was launched yesterday with a march by about 1 500 clothing and textile workers on Durban harbour premises and the offices of the customs and excise department. The demonstrators were protesting against job losses expected to affect about 5 000 workers in KwaZulu-Natal before the end of the year.

Several companies in the Western Cape have also announced retrenchment plans and possible closures which could result in the loss of thousands of jobs.

Demonstrations are expected to continue this week in Cape Town and East London.

Sactwu has attributed job losses to the increase of illegal imports, mainly through Durban port, unbalanced preferential trade agreements such as the one with Zimbabwe, limited or no government support for restructuring industries to help them become competitive, the relocation of manufacturers to low-wage areas outside the country, and the lack of support for the inclusion of a social clause in trade agreements.

The union said Durban harbour authorities had confiscated at least 600 tons of illegally imported clothing and 200 tons of illegal textile fibre in recent months. Rampant corruption and inadequate security measures at ports had exacerbated the problem of illegal imports.

Sactwu assistant general secretary Ebrahim Patel said a meeting would be held with government early next month to discuss the crisis in the industry.

Patel said the union would resist moves by companies to relo-

cate production facilities outside the country. "If manufacturers take a decline in duties as a licence to retrench and move out, then we are heading for a train smash," he said. However, the union would be supportive if companies setting up operations in other countries maintained their productive base in SA.

Previous reports said the union would meet Pepkor to discuss its plans to move parts of its operation out of SA. In addition, it was reported that Pepkor intended applying for an exemption from the Industrial Council Main Agreement for a three-year wage freeze. The company said the report had pre-empted any formal discussion with the union on this proposal.

Patel said the issue was raised at a Cape Clothing Manufacturers' Association general meeting, which was an "extreme act of bad faith" by the company and an attempt to put political pressure on the union to accept a low-wage strategy for the industry.

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BD 30/11/95



# Clothing tycoon warns about high labour costs

Nicola Jenvey

DURBAN — Clothing Federation (Clofed) outgoing president Sadek Vahed yesterday blamed trade unions for excessive labour cost increases, saying the industry's quest for international competitiveness would be permanently damaged if the situation was left unchecked.

He told Clofed's AGM that soaring illegal imports, disappointing exports and the relocation of local clothing manufacturers to neighbouring countries were all having a damaging effect on the industry.

The recent 13% wage increase was almost twice the current inflation rate, he said.

However, high tariffs on raw materials accounted for about 60% of the industry's current uncompetitiveness.

Vahed said that although jobs would be lost by lowering tariff duties on fibres, yarn and loomstate fabric, new ones would be created by a larger clothing industry.

"If we want our industry's economic stagnation to stop, our economy must

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grow not in a capital-intensive direction but in a labour-intensive one," Vahed said.

He said industry survival depended on growing SA's current 0,1% share of the R1 000bn per annum international clothing trade.

During 1995 Clofed had established an SA clothing and textile export council which would hopefully be funded through a statutory 0,5% levy on the duty credit certificate benefits on clothing exports.

Vahed said that he believed the industry's fragmentation was a major disadvantage when dealing with more cohesive industries, trade unions and government.

Leaders could not assume office in the industry at national or regional level if they did not distinguish between personal interests and those of the whole federation.

Although Clofed was attempting to recruit members from within the small medium and micro-enterprise sector, static membership figures had indicated that the drive had still to bear fruit, Vahed said.

# No go for Ensign, Mnyama

Edward West

BO 5/12/95

(1874)

CAPE TOWN — Negotiations between the clothing group Ensign and the new Western Cape-based black business grouping Mnyama had been terminated, Ensign chairman and MD Ronald Roy said yesterday.

Responding to the recent speculation that Mnyama might be heading for a speedy listing via a takeover of the struggling Ensign group, Roy said, "we were negotiating at one stage, but these have fallen through."

He declined to give reasons for the breakdown in negotiations.

Other options were being pursued, but Roy said he would discuss these only when finalised.

In the six months to June, Ensign reported a loss 122c share, compared with a loss of 120c at the same time in the previous year.

Meanwhile, the Mnyama group — managed by management consultant Peter Jones and Khayelitsha businessman Sam Dube for the past six months — unveiled plans of major projects in which it planned to participate.

One such plan was to bid for a Western Cape casino licence in a joint venture with African Sun — the black consortium formed with Sun International — with the aim to expand casino licences nationally.

Meanwhile, Sun International regional director Ian Douglas said the company and its partners had been in discussion with a number of different groupings, but no announcement had been made on any partnership structures in the Western Cape.

Another project Mnyama unveiled last week was the expansion of Cape Town's harbour for commercial fishing, with associated manufacturing facilities, in collaboration with a number of Japanese investors.

A Portnet spokesman confirmed that methods were being sought to fund such a project, a feasibility study was being planned, and Japanese investors were keen to bring black investors and small business into the deal. Mnyama was one of those organisations approached.

"It is still very early days yet on this project," he said.

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# Seardel rule out staff (184) changes at Cam

ARL 9/12/95  
Business Reporter

THE purchase by Cape Town-based Seardel Investment Corporation of Cutrite Apparel Manufacturers (Cam) in Johannesburg, will not change the management or staff components of the new acquisition, says Bernard Richards, joint managing director of Seardel

"Seardel's policy is that individually-operating divisions are responsible for their own operations," Dr Richards said

The purchase price of R16 million for Cam — whose net asset value is set at R19,45 million by next February — was the result of a lot of negotiation from both sides, he said

"At the end both parties were comfortable that a fair price was achieved" he said

The addition of Cam's Johannesburg factory to Seardel's many factories — in Cape Town, Durban and Johannesburg — would be an asset.

"The company is well managed and has strong brand names in Cutrite, Cutwood and Cutrochelli," Dr Richards said

Cam was a major player in the men's trouser market, he said

Payment for Cam would be through the issue of 1,9 million Seardel ordinary shares and 5,8 million "N" ordinary shares at 210c each to holding company Cutrite Investments.

400 angry  
workers  
besiege

(184)

hosiery mill

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**NORMAN JOSEPH**  
Staff Reporter

THE manager and staff of an Elsie's River clothing company were holed up behind locked doors today to avoid more than 400 angry workers, who fear they have lost their holiday pay and savings

The company, Knitmaster Hosiery Mills in Consam Road, was recently put under provisional liquidation

The workers claimed their weekly wages were not paid on Friday and that today they arrived at work to find all the gates closed

Chaos erupted in front of the main entrance when workers realised that the manager, Hippocrates Zafirooulos, had locked himself and other office staff in the building

Elsie's River police, backed by the Internal Stability Division, restored order after employees tried to break down the gates

Detective-sergeant Eddie Edwards and the workers' attorney Rushdene Rudolph tried unsuccessfully on their cell phones to persuade Mr Zafirooulos to open the gates so that negotiations could begin

A delegation of the South African Clothing Textile Workers' Union (Sactwu), Bishop Lavis ANC chairman Abdol Abrahams, Communist Party negotiator Lesley Fick and Mr Rudolph tried unsuccessfully several times to speak to members of the company's management on cellphones

# Axe poised over W Cape textile and clothing workers

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**MAUREEN MARUD and STUART RUTHERFORD**

IT'S only a matter of time before the Western Cape gets a taste of major re-trenchments already being felt in the clothing and textile industries in other provinces, industry sources say.

They blame a flat market and foreign competition.

Already in Kwazulu-Natal there have been widespread job losses in clothing, textile and footwear factories, many of them in the Durban and Pietermaritzburg metropolitan areas

In Pietermaritzburg, 700

people from the Budget Footwear Factory and 313 from Sutherland's Tannery will be retrenched today.

AM Moolia Group of Durban, which owns Kingsgate Clothing Manufacturers, is this month laying off 1 500 in factories because of a fall-off in its export trade and the struggle to compete with cheap imported apparel

"There's a strong possibility if the government goes ahead with plans to reduce protectionism in low value added areas of the market there will be major retrenchments," said Selwyn Kagan, chairman of Cape Town-based clothing

manufacturer, Pals Holdings

"The phased lowering of tariffs over the next seven years on both clothing and textiles will, I believe, be beneficial to South Africa as a whole, but detrimental to the clothing and textile companies in general"

He said South African textile workers were on similar wages to those in Portugal but productivity here was lower. Mr Kagan said he did not see much hope for employment growth in the clothing industry. Mark Bennet of the South African Clothing and Textile Workers' Union said some companies in the Western Cape would retrench workers either

because production was being moved out of South Africa or because the firms were closing down

"I have been in the union for eight or nine years and I have never seen anything like as bad as it is now," said Mr Bennet

He said penetration from foreign goods entering the country legally and illegally "will cause job losses in the Western Cape"

RCG 16/12/95

The "lean" period resulted from both a flattening off in public demand and a surge in imports, he said

Foreign-made textiles now account for 40 percent of domestic demand

But Piet du Toit, Cape Town-based member of the National Clothing Federation, denied that foreign competition would be responsible for any layoffs in the Western Cape's clothing industry

"There may be layoffs here and there, but they will be isolated cases and unrelated to foreign competition," Mr Du Toit said on Friday

# Clothing industry at stalemate on rebates

CT(BR)19/12/95 (184)

By Shirley Jones

Durban — The clothing industry's plea for the extension of current export incentives met with little success last week.

At a meeting which ended in a stalemate, the government, the Clothing Federation (Clofed), the Textile Federation (Textfed) and the South African Clothing and Textile Workers Union, discussed the extension of the Duty Credit Certificate rebate scheme, which allows South African manufacturers to import fabric duty free under item 470 03, provided it is used for garments which are re-exported.

Clofed argues that should this be extended to cover the value-added content of garments manufactured for export as well as to outsourcing (garments manufactured from fabric supplied and owned by international retailers and brought in under item 470 01), twice the number of jobs lost to the industry this year could be re-created.

At a conservative estimate, Clofed expects between 6 000 and 10 000 jobs to result from every R100 million of contract work.

Incoming president Bernard Richards says that this approach provides a whole new angle for the clothing industry, a fail-safe and legitimate means of moving into the international market.

He warns that if South African manufacturers do not take advantage of this growing international trend — 10 years ago European countries outsourced just 20 percent of production against 50 percent today — they could be cut out of the international clothing loop.

Textile manufacturers argue that

this system is prejudicial to their interests, but Richards says that the majority of work would utilise fabrics which are not manufactured in South Africa. In addition, Clofed argues that the clothing industry imports just 30 percent of the fabric it uses. Compared with the output of the textile industry, this constitutes less than 15 percent of overall production. Additional imports would therefore be negligible.

## Leaks

Richards acknowledges stories of both fabrics and garments leaking into the South African market, and says Clofed intends investigating this. However, he insists that as far as 470.01 goes, leaks could be easily checked. He says the clothing industry is volunteering to pay duties and collect refunds only once goods have been re-exported.

For its part, Textfed argues that fabric generally makes up 50 percent of the total cost of clothing. Thus clothing worth at least double that of textiles brought in under 470 03 should be exported.

However, according to Textfed, from July 1993 the ratio of knitted fabric imports to knitted clothing exports has been more than 85 percent, fuelling speculation that large volumes of either imported fabric or made-up clothing is being sold on the local market.

Textfed points out that the ratio for woven fabric imports to woven clothing exports is also very high, at more than 65 percent.

According to Textfed 470 03 permit issues have also been studied and a number of discrepancies have been discovered.

# Angry workers seize machines

By Simon Zwane

WORKERS in a clothing factory in Durban, angry at their boss for disappearing without paying them their bonus and three weeks' wages, impounded machinery from the factory yesterday

The 50 Ernies Clothing employees came to work on Wednesday and were shocked to discover that the factory

had been closed and the boss, Mr Robert Moodie, had disappeared

They then proceeded to Glenwood intending to stage a sit-in at Moodie's house. However they found that the house they had gone to did not belong to him but to a Professor Ross

Southern African Clothing and Textile Workers Union organiser Mr Alvan Pillay said the workers had then gone to the house of Mr C Iyre, a member of

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a closed corporation that controlled the factory *sowetan 22/12/93*

Iyre went to the factory with the workers and opened the factory, allowing the workers to take 23 machines, Pillay said. He said Iyre had also signed a letter confirming that he was present when the machines were taken until money owed to them was paid

Pillay said the workers were owed about R150 000 in wages

# Clothing firms hold a key to job-creation

Business Reporter

AS the most labour-intensive industry in South Africa, the clothing industry is a key in overcoming drastic unemployment, says Bernard Richards of Cape Town, newly elected president of the Clothing Federation of South Africa (Clofed).

But the potential for job-creation depended on the satisfactory resolution of several major issues facing the industry in the next two years, Dr Richards said in his first forecast as president

Because consumers in the year 2000 will demand more and more value for the rand, both the national clothing and textile industries would have to become more competitive against foreign imports, he said

"Our opportunity in the South African market is our closeness to our retail customers who are in the business of supplying their fickle customer with what the customer wants, not what the retailer happens to have in stock or the manufacturer happens to manufacture"

In addition, a lot depended on successfully tackling unfair competition resulting from fraudulent imports, he said

He welcomed the planned imposition by Customs and Excise of a 125 percent duty deposit on goods in transit through South Africa, but deplored the delay to February in implementing the duty

The emptying of containers en route through South Africa had become one of the major means of circumventing import duties, and it was hoped the planned deposit would put a stop to that form of fraud, Dr Richards said

Another major issue was the promotion of exports.

"The export drive will be further enhanced by our efforts to stage exhibitions in South Africa as well as by participating in overseas exhibitions"

The Department of Trade and Industry could help by marketing the 1996 South African international clothing exhibition abroad

"Efforts to establish a South African Clothing and Textile Export Council (SACTEC) will continue and a response from the DTI on funding proposals is awaited"

SACTEC would play a pivotal role in enabling the clothing and textile industries to become effective participants in the global market

The Clothing Federation viewed as vital the promotion of small business and would continue to actively participate in the development and promotion of small, medium and micro enterprises

To this end the federation was actively involved in developing an initiative in conjunction with the national Textile Federation to create manufacturing technology centres and local business service centres

The clothing industry had to be pro-active in creating a Southern African Preferential Trade Area (SAPTA)

Until a SAPTA was in place, the clothing industry had to resist the ad hoc extension of preferential duties to Zimbabwe, Dr Richards said

The extension of a Zimbabwe model to other southern African countries would be disastrous unless proper customs controls were in place in all

■ To page 3



□ Bernard Richards

## Industry must be export oriented

■ From page 1

countries and the South African Customs Union has been extended to those countries.

"The anomalies of goods ex-Malawi having preferential access to South Africa, as well as Zimbabwean goods having preferential access via Botswana and Namibia, needs to be eliminated."

On the issue of labour costs, Dr Richards said business and job creation thrived best when active efforts were made to remove uncertainty

"The new Labour Relations Act has introduced numerous areas of uncertainty into labour relations, particularly in the realm of operational decision-making."

He urged Nedlac to "rapidly" do whatever it could to create a climate where the economy could grow.

While the clothing industry was well aware of the need for appropriate training and the pivotal role training played in making the industry internationally competitive, there was a need "to guard against the growing tendency to incorporate social needs within the training ambit," he said

Economies did not work by social accords, but by people seeing advantages and taking gaps

On the issue of labour costs, he said a clothing industry wage settlement in 1995 was "about double the South African inflation rate" when the rand/dollar exchange rate were stable

"In the international clothing industry, the quest for high wages linked to high value-added as a means to create jobs is a pipe dream"

On investor perception, he said the average price/earnings ratios of clothing shares quoted on the JSE were among the lowest in all industry groups

"We do not deserve this ranking. It means that the cost of capital to our industry is inordinately high and affects not only listed companies but all clothing companies seeking bank and other forms of credit."

If these issues could be addressed positively and resolved satisfactorily in the next two years, the seeds would have been sown for a good base from which to grow and create jobs, Dr Richards said

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# Small garment workers unite to fight system

SMALL-SCALE garment manufacturers claiming to employ 40 000 Cape workers have formed a new federation to fight the industrial council system, which they see as "the biggest single stumbling block facing the advancement and growth of small business."

By TOM HOOD

ST (M) 31/12/95 (184)

With the introduction of the draft National Small Business Enabling Act three organisations representing the SMMTE (Small Micro and Medium-size Enterprises) and CMT (Cut, Make and Trim) sectors of Cape clothing manufacturers have united to form the Federation of Clothing Employers Associations

The three are the Garment Manufacturers Association, the Independent Clothing Manufacturers Association and the Mitchell's Plain Garment Manufacturers Association

"These three associations encompass the greater part of the constituency of small and medium formal and informal clothing manufacturers in the Western Cape," said federation spokesman Alan Breshnaveel

The federation's main objective was to promote jobs through the removal of legislation which was inhibiting small and medium manufacturers from creating jobs at a time when they were urgently needed, he said

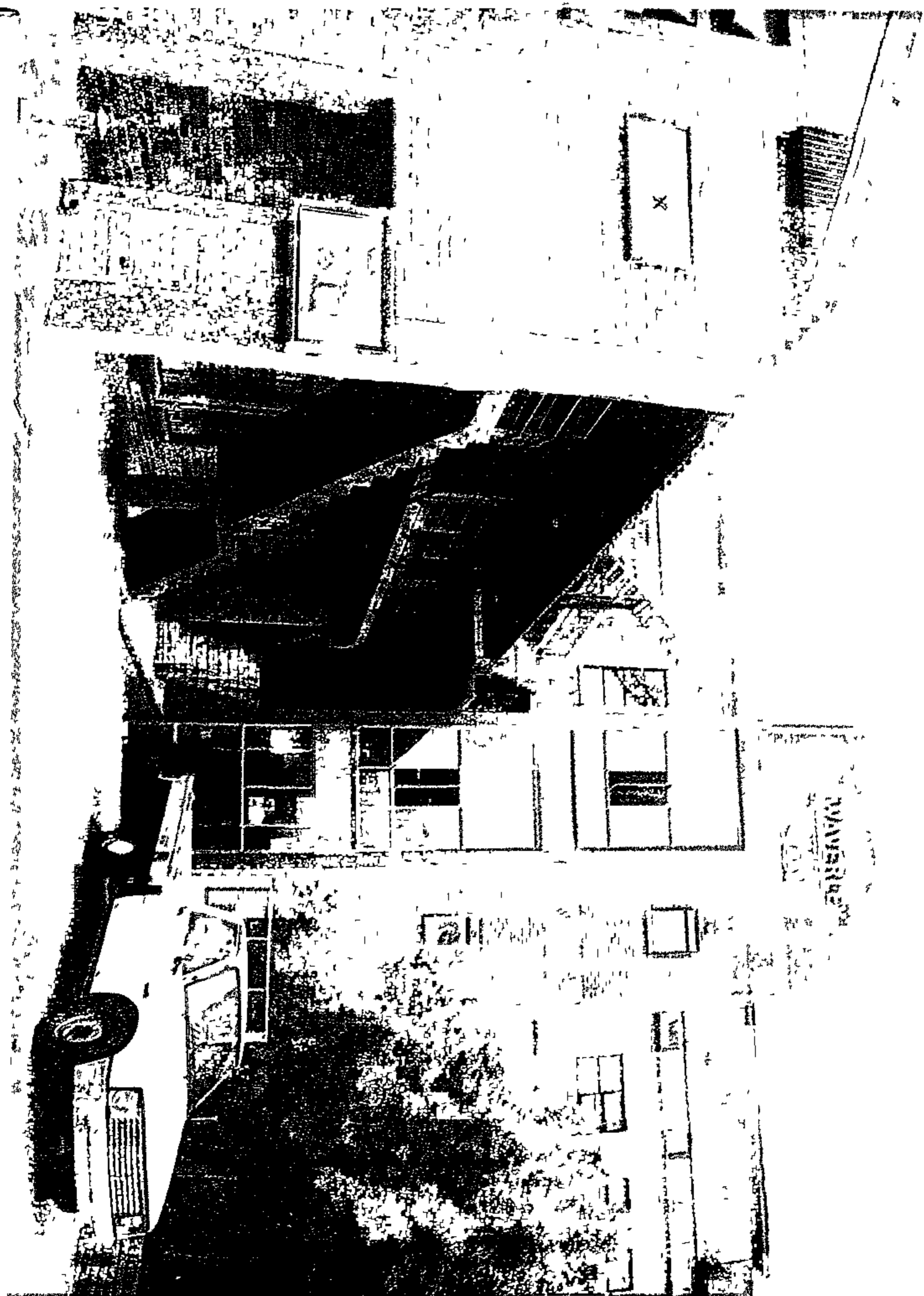
"This sector of the clothing industry, employing an estimated 40 000 people, has been denied the means to have a meaningful and worthwhile representation about decision making at industry level"

The three organisations identified the industrial council system as the single biggest stumbling block facing the advancement and growth of small businesses

"As a result many small businesses get closed down by this legislation before they can even get off the ground and the larger established CMTs have a never-ending and costly struggle to survive in an environment that is designed to appease the interaction between big business and the trade union"

The new federation viewed the Bill as an avenue to urgently achieve a separate dispensation for the small business sector of the trade, which was seen as a separate industry offering and selling production capacity

**IT'S GROWING** . Top business park, The Waverley in Mowbray, is to be extended at a cost of R5-million to meet demand for offices



Picture: AMBROSE PETERS