MANUFACTURING - TEXTILES

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SA Bias Binding on the export trail

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news
2/1/89
197

By TREVOR WALKER
Business Staff

SA Bias Binding Manufacturing's (SABM's) potential to expand its business in both this country and overseas is unlimited, says MD Philip Coutts-Trotter

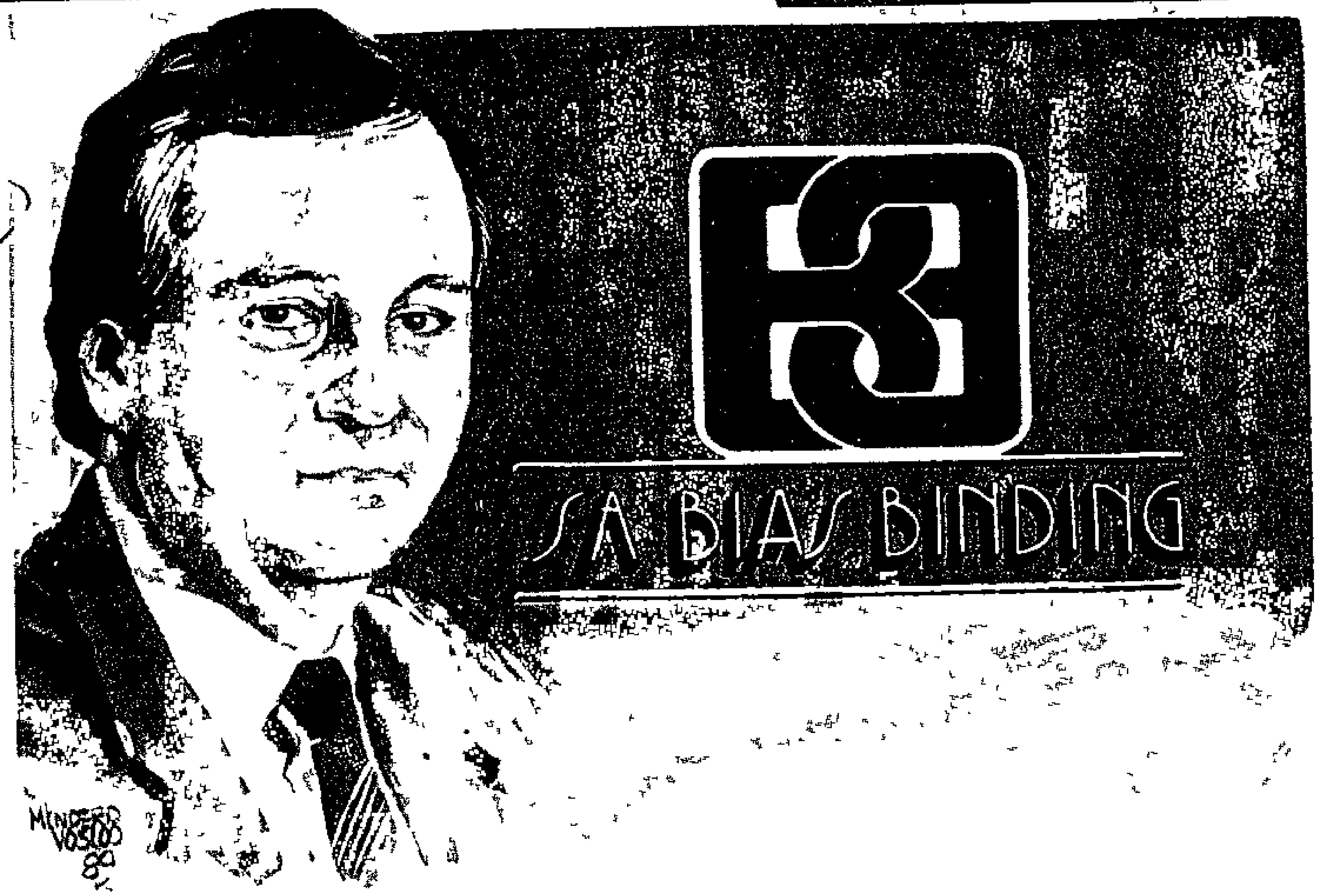
The company has just completed a major internal restucturing, splitting its operations into four divisions which will operate as separate business units

Mr Coutts-Trotter says: "The incentives are there, it will be up to each management team to make the most of the opportunities, from both a personal and team point of view."

Service industry

The new divisional structure will come operational at the beginning of next month

The company supplies the clothing, footwear, motor, household, textile, luggage and outdoor industries



Philip Coutts-Trotter . . meeting orders quickly.

Its product range includes pocketing and lining fabrics, metal fittings, bias binding, industrial narrow fabrics, ribbons, fashion webbing, curtain tapes, braided and knitted elastic, haberdashery products, waistbands, printed and woven labels, hook and eye tapes, ornamental fashion trimmings, plastic hangers, sewing thread, buttons, shoe-laces, cords, seat belt webbings and label-printing machines, and it also provides commission services and commission dyeing

"We are a service industry and response time to orders placed is a good yardstick to measure us by," says Mr Coutts-Trotter

"We are not unduly worried about competition from imports We consider ourselves a one-stop-shop operation and an importer over a period of time would have difficulty in matching our ability to meet orders quickly

"Our input materials are all available locally and the present import component amounts to only five percent of our annual turnover

"Therefore sanctions would have little impact on our business, or our ability to meet export orders, wherever they might come from."

Mr Coutts-Trotter joined the company in 1981 and has been closely involved with its rapid growth

Following a series of 14 acquistions, the company had grown to dominate its industry and it was from this base that it was looking to increase exports, he said

"Our management style and the one-stop selling concept has appeal overseas and we are looking to tie up with an overseas company

"Even if we did not have a majority interest, we would insist on management control

"SABM is at the forefront of technology and this, combined with the management systems we have evolved, will serve us well when we move to an off-shore operation"

Mr Coutts-Trotter said over the past two years he evaluated certain possible overseas ventures and hoped that these efforts would come to fruition soon

"We are looking for a base in Britain Because we are a service business, we need to establish a base for distribution in a country, at least at the outset, with a common language.

Mr Coutts-Trotter was born in England but went to school at St Aidans in Grahamstown and which was followed by a B Comm degree from Stellenbosch University and an MBA from UCT

Decentralisation

The year he spent obtaining an MBA was one of his happiest, he says, and the exposure to practical learning as opposed to theoretical has spilled over into his business career

"The name of the game at SABM is decentralisation We are looking to expand our four business units and with these running successfully and independently, the central management team will be freed to really get into further development of the local market and exploiting export opportunities"

SABM had maintained a fairly low business profile, but with the listing of the company's shares on the Johannesburg Stock Exchange this year and the tremendous growth over the past six years, a higher profile had become inevitable

January 1989

listing plans in October 1987 when the steam ran out for new issues. It was listed late last year.

The board is confident that the results for the year will improve on those for 1988

Since October 1988, the

Stocks & Stocks shares are trading at 155c, a 28% discount to the stated net asset value of 213c a share.

Tootal hangs on to threads

197 S/Times

By Richard Rolfe

LONDON — Tootal, the £350-million UK group which owns 49,8% of Da Gama Textiles, said this week that its negotiations to sell the stake should not be interpreted as a withdrawal from SA

Tootal intends to retain a small interest in Da Gama. It will also keep its traditional sewing thread interests, held through 56%-owned Natal Thread.

Geoffrey Maddrell, chief executive of Tootal, said he expected the SA negotiations to be concluded by the end of the month

The Da Gama interest represents about 12% of Tootal's market capitalisation and Mr Maddrell describes it as peripheral.

Like many other companies, Tootal is selling such interests to achieve a better focus.

Tootal is likely to be on the receiving end of a bid from entrepreneur Abe Goldberg, who controls Australia's largest textile group

Mr Goldberg launched an unsuccessful bid for Tootal in 1985 and has recently built up a stake of 9%.

He says he will seek discussions shortly with SA-born John Craven, Tootal's non-executive chairman and chief executive of merchant bank Morgan Grenfell, to determine whether or not to make a new bid

Forklift fleet rises

FORKLIFT Hire, a member of the Sure Group, has increased its fleet of forklifts to more than 300 with the purchase of 70 Mitsubishi units from APE.

Forklift Hire has the youngest forklift fleet in SA. It is the only nationwide operator Older units have been removed from the fleet, keeping the average age to under two years

Downtime caused by breakdowns is kept to a minimum and it is the company's policy that if problems develop which cannot be put right in four hours, the unit is replaced

SAB stalks Da Gama as UK partner disinvests

B/Day 10/1/89

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THE sharp recent uptrend in the share price of textile manufacturer Da Gama became clear yesterday when Tootal Group of the UK confirmed it was negotiating to disinvest and sell its indirect stake of 49,8% in the company

Da Gama has been the subject of market rumours that SA Breweries would pick up Tootal's controlling interest but the Manchester-based company declined to identify the interested parties Negotiations are now a year old, but the presence overseas of SAB directors spurred suggestions that Breweries was the likely buyer at 700c a share

Speculation

After bottoming in February last year at 390c, the shares were nudged to the 500c level in September on the company's fine interim results to June when earnings jumped 39% to 45,1c a share

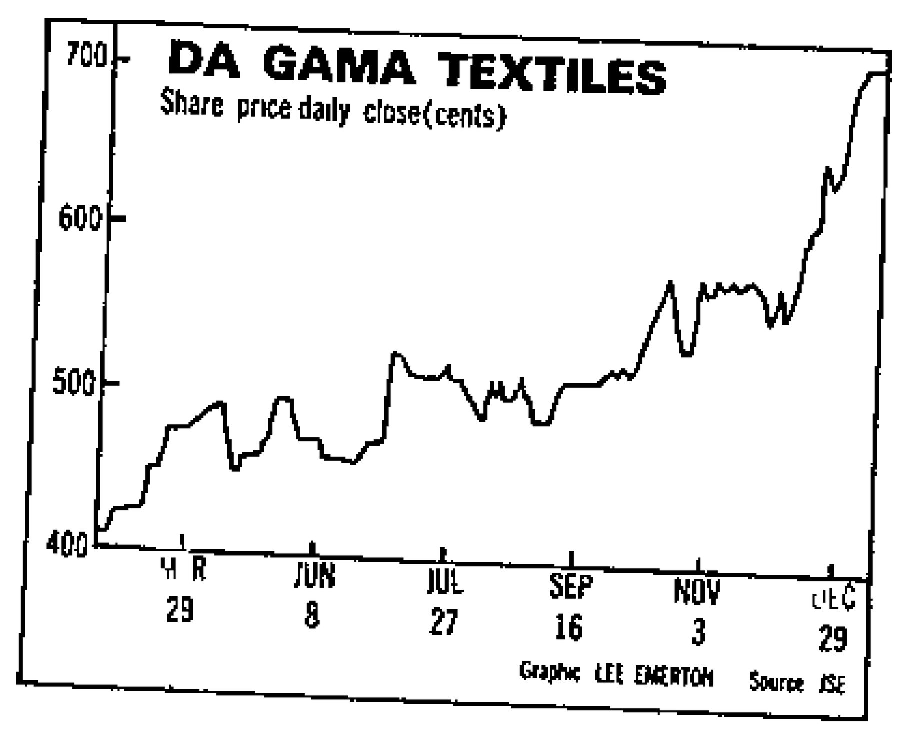
But speculation was fuelled by the sharp rise of the shares to the current peak of 710c, coupled with the increase in trading in the stock on the JSE — volumes more than doubled to 534 660 from a monthly average of 257 820 during the rest of 1988

A big institution was the major buyer of the shares but the stocks had been widely and highly recommended by several stockbrokers Analysts believe SAB would be interested in buying Da

MERVYN HARRIS

Gama to extend the range of its consumer-based industries outside the field of beer Da Gama financial director Nick Pietersma declined to comment

Da Gama is cash flush with about R30m on hand With gearing at the interim stage only 0,6%, the company is well placed to make acquisitions Market talk was rife three months ago that Da Gama would take a stake in the Frame group but nothing materialised



Analyst Heidi Vollmer of stockbrokers Frankel, Kruger said that before its recent rise, Da Gama showed the best fundamental potential among textile stocks

Vollmer believed the shares were now fairly priced at the current level

Carol Neff of stockbrokers Davis Borkum Hare said the shares were lagging in relation to other leading industrial stocks and part of the latest upsurge was on expectations of bumper results for the year to December "On purely investment criteria, the shares represented a good buy", she said

As the group's Ciskeian operations for about 75% of its activites, the group has a low tax rate The rate was 20% last year and should not be much higher in the current financial year

Another analyst suggested, however, that a degree of caution should be exercised about the group's prospects Textiles is a cyclical industry and investors should look at the weak rand and import replacement

Margins

Da Gama could nevertheless be protected from a cyclical downturn as it supplies products to government agencies such as hospitals, prisons and the Defence Force

Another factor bothering some analysts is that Da Gama has one of the highest pre-interest margins of companies on the JSE The company worked on a pre-interest margin of 21,3% in 1988 and analysts are looking to a pre-interest margin of 23% this year

While this reflects creditably on management, the analyst doubts whether such high pre-interest margins can be maintained, especially in a downturn

TAKEOVERS

ARGUS 11/1/89 (192) (180) (182)

Tollgate gains 50pc of hosiery market after Arwa deal

By DICK USHER, Business Staff

TOLLGATE Holdings will control about 50 percent of the South African stocking market through its acquisition of Arwa in a deal approved by shareholders at a meeting in Cape Town today

The meeting also approved the acquisition of 25 percent of the food company Gant's

Chairman Mr J Barnard, in reply to a question from the chairman of the Shareholders Association, Mr Issy Goldberg, said Tollgate had an option on a further 25,3 percent of Gants still held by Lougant Holdings

The Arwa acquisition was for R27,9-million for the 11,2-million shares held by Mr J L Claasen, 58,5 percent of the issued share capital, to be settled by the issue of about 9-million shares in Tollgate

The acquisition of 15-million shares in Gant's will be for R20-million in cash and 4-million Tollgate shares, totalling R33-million

Mr Goldberg, referring to the company circular on the financial effects of the acquisitions, said it estimated that the acquisition of Arwa would raise Tollgate earnings a share from 31,7c to 37,8c

But he pointed out that Tollgate was fully taxed while Arwa paid almost no tax and it was unfair to compare the two

Mr Goldberg said the association would make submissions to the JSE for inclusion of companies' tax rates in regular financial publications

Da Gama Textiles' roots go back to 1946

1977

BDay 11/11/87

REINIE BOOYSEN

DA GAMA Textiles — which was thrust on to centre-stage yesterday by the news that its controlling shareholder, the UK Tootal Group, is negotiating with an undisclosed party to sell its 49,8% interest — has a history which goes back to 1946

In that year the Calico Printers' Association of Manchester (now part of the Tootal Group), and the Industrial Development Corporation (IDC), as equal shareholders, established Good Hope, an SA-based textile operation near King William's Town

In 1962, the IDC entered into a partnership with an overseas textile manufacturer which resulted in the establishment of Cyril Lord at Arnoldton, East London

The Cyril Lord factory was established as a manufacturer of poplin for the shirting industry and subsequently expanded into mens' and ladies' fashionwear and workwear

In 1968 the Calico Printers' Association sold its interest in Good Hope to the IDC and the IDC formed Da Gama Textiles as the holding company of Good Hope and Cyril Lord

Management support

In 1980, on the IDC's invitation, the Tootal Group acquired a 50% interest in De Gama In 1982, Home Fashions was established in the Ciskei, a kilometre from the Cyril Lord factory

Since 1980, the Tootal Group, with its worldwide textile and trading interests, has given management support to Da Gama Textiles

The company was listed on the JSE in November 1986 It is now one of SA's leading textile manufacturers, with operations covering the full range of textile manufacture from cotton spinning to weaving, bleaching, dyeing, printing and finishing of fabrics

The company has three manufacturing plants situated at Mdantsane, Zwelitsha and Arnoldton

□ Da Gama shares were well-traded on the JSE yesterday, with 72 100 shares changing hands in 15 deals, compared with a daily average of 15 405 shares over the past three months The share price was unchanged at 710c, although it has risen substantially from the 500c level of September last year

Da Gama in joint venture

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Star 11/1/89

By Ann Crotty

Latest announcement from Da Gama is that negotiations could result in the UK-based Tootal group, which indirectly owns 50 percent of Da Gama, entering into a joint venture arrangement in respect of its interest in Da Gama based on a price of 700c a share

This settles the issue of the price at which a deal may be effected, but it does not throw any light on the identity of the other party involved

Nor does it make any clearer why Tootal would want to sell off one of its most profitable concerns Proceeds from a sale would be remitted in financial rands, while dividend income from this holding is remitted in commercial rands

The list of possible buyers includes SAB, Frame, Tongaat and Romatex There is even talk of a management buy-out Market talk favours SAB

Mervyn King, chief executive of Frame, says Frame is not involved It is unlikely that Tongaat or Romatex would be given Competition Board approval since it would lead to too large a concentration of power in the industry

Even SAB may have to get approval because of its related interests in the textile industry through holdings in Edgars, Jet and OK

X

Da Gama Textiles up for sale

From ROBERT GENTLE

LONDON — Tootal, the Manchester-based textile group, yesterday informed shareholders that an as yet undisclosed portion of its 49,8% stake in JSE-listed Da Gama Textiles was up for sale at around 700c an ordinary share

Based on the 25m Da Gama shares Tootal says it owns, this sale price puts a value of R175m on its stake in the SA textile operation

Chris Smith has been appointed production manager of Everite's fibre-cement division in Brackenfell.

This compares with the £250 000 Tootal paid when it first became involved with Da Gama in the late 70s, and holds out the promise of a massive profit on the disposal.

The company is still not saying exactly who the likely buyer or buyers will be, or exactly when the deal will be concluded Discussions were at a "very delicate stage" and were "unlikely to be concluded before the end of January"

Asked why Tootal, one of the world's largest producers of sewing thread, should want to reduce its stake in what it acknowledged was a profitable foreign operation, corporate affairs director Audrey Lloyd-Kitchen said the move was merely part of a much wider rationalization, started almost three years ago, of the group's world-wide operations

"We have been disposing of foreign operations which no longer fit our new global strategy," she said, adding that this process was now virtually complete

Tootal 'holding discussions'

Star 12/1/89 The Star Bureau (197)

LONDON — Tootal, the British textile group, confirmed yesterday that it is holding discussions on the future of its investment in Da Gama, the South African textile company

But it said the discussions were unlikely to be concluded before the end of January, and another announcement would be made when appropriate

The discussions could result in Tootal "entering into an agreement under which other parties may take an interest in its shareholding in Da Gama, at a price of approximately 700 cents per Da Gama ordinary share," it said Tootal indirectly owns about 50 percent of Da Gama's issued share capital

Tootal to make huge profit on Da Gama sale

B Day 12/1/89 (197)

ROBERT GENTLE

LONDON — Tootal, the Manchester-based textile group, stands to make a huge profit on the disposal of a portion of its holding in East London-based Da Gama Textiles.

The two companies yesterday informed shareholders that an undisclosed portion of Tootal's 49,8% stake in JSE-listed Da Gama was up for sale at around 700c per ordinary share

Based on the 25-million Da Gama shares Tootal says it owns, this sale price puts a value of R175m on its stake in the SA textile operation

This compares with the £250 000 Tootal paid when it first became involved with Da Gama in the late 1970s

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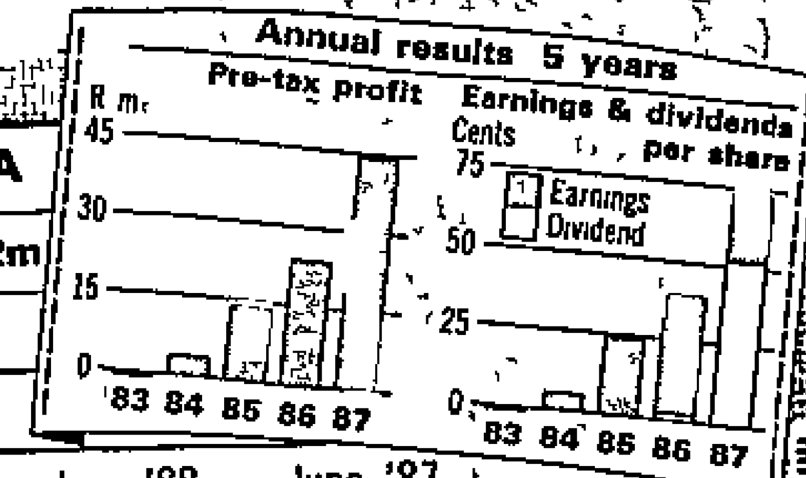
"We have been disposing of foreign operations which no longer fit our new global strategy," she said, adding that this process was now virtually complete.

Company **DA GAMA**

Market capital **R356,42m**

P/e ratio **9,7**



Half year	June '88	June '87	
Sales (Rm)	119,2	94,9	+26%
Pre tax profits (Rm)	28,18	19,42	+45%
Earnings per share (c)	45,1	32,5	+39%
Dividend per share (c)	15,0	11,0	+36%

Graphic F KRISCH Source DA GAMA

Meanwhile Da Gama's 4 900-strong workforce are unlikely to be be affected by a decision to sell some of its shares in the group, reports Sapa

BTI report on textiles expected soon

BRUCE ANDERSON

THE release of the long-awaited report on the clothing and textile industry by the Board of Trade and Industry (BTI) is expected before the end of March, a BTI staff member said yesterday

The report is about to be sent to the Finance Ministry and the Department of Trade and Industry for final consideration and approval

Work on the BTI report began towards the end of 1986 and the release of the report was expected last year

Sources in the textile industry hope the report will introduce tariff protection against cheap imports which, they claim, have harmed the local textile industry

However, National Clothing Federation executive director Hennie van Zyl has criticised calls by the textile industry for increased protection

Frame Group executive chairman Mervyn King said he believed government had decided the textile industry was "a sun-rise" industry — an industry which had a future and was worth protecting

Incentives

King, whose company is the largest textile producer in SA, said he expected the report to introduce a tariff structure to protect local industry

"At the same time they (the government) might try to encourage exports by paying export incentives"

King added he was not sure where the government would find the money to pay export incentives

It was important that any new tariff structure for textile imports also applied against the TBVC countries and Botswana, Lesotho and Swaziland (the BSL countries), King said

A possible reason for the delay in the release of the report, said King, could be attempts by government to reach agreement with the TBVC and BSL countries on tariffs

King said he believed there had been an inordinate delay in the production of the report by government.

"It's been two years, and it has had a detrimental effect on the textile industry," King said

(197)

Bid will not affect Tootal's SA plans

ROBERT GENTLE

TOOTAL, the Manchester based textile group, said yesterday its plans to sell off part of JSE-listed Da Gama Textiles would not be affected by talk here of a possible takeover bid

The company was reacting to the announcement that companies linked to Australian-based investor Abraham Goldberg had raised their stake in Tootal from 9,2% to 14,4%

Goldberg, who made an unsuccessful bid for Tootal in 1985 through his investment group, has still not disclosed his intentions.

Tootal said any bid which may result from Goldberg's latest share purchases would be vigourously opposed

"We see absolutely no commercial logic of any sort in working with Goldberg," said a corporate communications spokesman

R2-m damage in textile fire

Star 30/1/89

(197)

DURBAN — A blaze caused damage estimated at about R2 million in the Frame group's textile mill at Jacobs, near Durban, yesterday

The fire broke out in a raw-material shed at about 2 30 am

A spokesman for the Durban Fire Department said that after initial difficulty in obtaining water because of several inoperative fire-hydrants, firefighters managed to contain the blaze.

They prevented it from spreading to an adjacent storage shed containing raw material with a value estimated at R5 million.

A spokesman for the Durban city police said large sections of the southern freeway had been closed because of smoke from the fire.

Motorists wishing to leave the city had to be redirected — Sapa

Tootal rejects Goldberg's £500m offer

(197)
B/Day 31/1/89

ROBERT GENTLE

LONDON — Tootal, the Manchester-based textile group currently negotiating the sale of part of its stake in JSE-listed Da Gama Textiles, has rejected a £500m Australian takeover bid

Abe Goldberg, the Australian textile magnate who last week increased his stake in Tootal from 9,2% to 14,4%, returned home at the weekend after the Tootal board threw out his offer

This is the second time Goldberg has been snubbed by Tootal Four years ago, he launched a £130m takeover bid which also foundered after stiff resistance from management

Tootal is meanwhile understood to be winding up negotiations into the reduction of its stake in East London-based Da Gama Textiles An announcement is expected in early February

SAB buys textile giant

Star 2/2/89

197

By Ann Crotty

SAB is paying 700c a share to take control of textile group Da Gama

The move, which was expected by the market, sees the giant SAB moving into an industry that has annual sales of R4 billion

Da Gama is the second largest textile group in SA, is the most profitable and is the fastest growing The Frame group is the largest player

The deal sees UK-based Tootal group selling its 49,8 percent stake in Da Gama to SAB for R175 million which is equivalent to 700c a share Minority shareholders are being offered a similar deal

The R175 million will be raised through the issue of automatically convertible preference shares in SAB The pref shares will be entitled to an annual dividend of 165c and will be issued at R22

This represents a dividend yield of 7,5 percent and compares with the historic dividend yield on the ordinary shares of 3,3 percent

The prefs will be convertible into ordinaries, on a one-for-one basis, in the year after the dividend on the ordinary share is equal to, or greater than 165c

The prefs have already been placed, on behalf of Tootal, with institutions at R22 a share In addition institutions have underwritten the additional R175 million worth of prefs that would be required if all the minorities accepted the offer

That SAB was able to place a possible R350 million worth of prefs at a price that is slightly above the current market price of R21,00 reflects the strong attraction that the group holds for institutional investors

Although Tootal will be getting its money up-front from the institutions, it is tied into a technology agreement for a minimum of 10 years

It looks like a good deal for both parties but in particular for SAB which gives some support to talk that Tootal was under pressure to sell.

INVESTMENT

Tootal's original investment in Da Gama was R250 000 made in the late 1970s Excellent management since then has boosted the value of this investment.

Da Gama's very attractive dividend yield in the intervening years has provided the parent company with a good income flow via the commercial rand The proceeds from the sale will be paid via the financial rand

Market speculation is that Tootal was keen to get a lump sum from SA in order to help fend off a hostile bid

For SAB the price is on a very attractive price/earnings rating of 6,5 times

Trabild's operating income rises 354%

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SYLVIA DU PLESSIS

NEWLY-listed Trabild Group Holdings has reported earnings a share of 5,38c for the year to December, marginally ahead of the 5,1c-a-share prospectus forecast

While no ordinary dividend has been declared for the year under review, the group says it expects an interim dividend to be declared for the six months to June

Trabild, a specialist retailer and wholesaler of textiles, lighting and hardware, boosted operating income by 354% to R2,1m and turnover by 187% to R26m from *pro forma* figures for 1987. Taxed profits rose 195% to R1,4m

SAB scoops control of Da Gama Textiles

Cape Times 2/2/89 (16) (185) (186) (177) (2?)

JOHANNESBURG — SA Breweries has concluded a deal with Tootal Group plc, a United Kingdom company, for 49,8% of Da Gama's issued ordinary share capital for a purchase price of R175m

In terms of the agreement SAB will acquire effective control of Da Gama from Tootal, which will result in Da Gama becoming a SA-controlled company. However in terms of a management and technical services agreement, Da Gama will have access to Tootal's international technical and management expertise and technology for a minimum period of 10 years

SAB will acquire its interest in Da Gama through Da Gama Holding Company (Holdco), the company through which Da Gama presently holds its interest of 49,8% in Da Gama's issued ordinary share capital

The R175m payable by SAB will be settled by the issue of automatically convertible preference shares in SAB entitled to an annual preferential dividend of 165c per convertible preference share and which will be issued at price of 2 200c per share

Arrangements have been concluded for the placement, on behalf of Tootal, of SAB convertible preference shares at 2 200c per share

● Australian textile magnate Abe Goldberg has increased his holding in Tootal to 17,2% by mopping up 8m shares, bringing his stake to 17,2%, nearly double what it stood at two weeks ago

Goldberg's £500m takeover bid for Tootal was rejected a few days ago.

R13-million more in the pay packets

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W/C ARGUS 4/2/89

by DICK USHER
Labour Reporter

AT least R13-million has been added to textile workers' pay packets for 1989 in deals concluded so far this year by the Amalgamated Clothing and Textile Workers' Union

About 8 300 workers in the Peninsula, Atlantis and the Boland are affected by the increases, which range from about 20 percent upwards

This includes the agreement at the Cotton Textile Industrial Council, covering about 4 000 workers, concluded this week The other agreements cover workers in 10 factories

"Much higher"

A union spokesman said that if it had been possible to calculate the total package, which would include benefits such as nightshift allowances and maternity benefits, the total package would have been much higher

At the industrial council, which has functioned without a main agreement for more than a year, the increase on the minimum from the last agreement was at least R60 a week, he said

"The increases gained thoughout the industry are a significant step forward in the fight for living wages for textile workers," he said

The goal

Commenting on the industrial council agreement, he said the success of the negotiations provided a basis for the union to encourage more employers to cover themselves with the council and move towards the goal of a single national industrial council for the textile industry

'The settlement has provided a viable basis for the industrial council to serve as a vehicle for parties to negotiate with each other — it's a vindication of the restructured council and a victory for organised workers"

Break-in

● A spokesman said that the union's offices in Woodstock were vandalised on Thursday night

"This is the second attack on our offices within a week

"Arsonists attacked our East London office last week," he said

The spokesman said the Woodstock offices were broken into between the last staff leaving at 11pm on Thursday night and 8am on Friday when the early staff arrived

"The door was forced, a filing cabinet and steel cupboard were broken into and files were strewn around

"A desk was broken into and its contents thrown on the floor'

He said it could not be ascertained if anything had been stolen, but items such as typewriters had not been removed

Hextex had R4,9m exports for 1988

B/Day 7/10/89

(197)

ZILLA EFRAT

HEX River Textiles, part of the Roma-
tex group, achieved record exports of
fabric for menswear in 1988 and expects
to improve on this this year

The company earned R4,9m from the
exports of more than 80 metric tons of
pure wool worsted fabric

Hextex MD Bob Clapperton says the
best SA fabrics receive high acceptance
overseas Service, good delivery and
preparedness to meet fashion require-
ments have placed the company's pro-
ducts in demand

Frame Group earnings up by 47%

Cape Times 15/2/89

(197)

JOHANNESBURG — The Frame Group ~~yesterday~~ reported significantly improved results for the six month period ended December 1988

Frame Group Holdings operating income was up 72% and earnings per share 47% Turnover was R366 794m (R138 397m) and operating income was R22 545m (R13 119m)

The biggest turnaround came in the cotton company which improved from operating income before tax of R6,6m to R12m, which it attributed to its concentration on customer service, quality, efficiency and productivity

Both the cotton company and Consolidated Waverley Textiles have been divided into business units Mervyn King, the executive chairman, said that consequential benefits are flowing from the breakdown of these big businesses into separate units Perhaps the most important is the ability of management to measure and monitor the businesses more effectively Also the results become more meaningful for management decision to be made

The only company which reported a downturn on the previous year was the apparel manufacturing company This was said to be due to efficiencies being adversely affected as a result of the company having to employ new staff in Jacobs following the close down of its factory in QwaQwa

Frame spins reasonable yarn

Star 15/2/89

Diagonal Street

197

ANN CROTTY

Frame's results for the six months to December are encouraging.

On a 15,2 percent increase in turnover to R366,8 million from R318,4 million (and not R138,4 million as reported in yesterday's paper), management has recorded a 72 percent hike in operating income to R22,5 million from R13,1 million.

A slight reduction in dividends receivable, an interest payment, as opposed to interest received, and a slight increase in the tax rate from 36,2 percent to 37,9 percent cut the improvement back to a still-strong 50 percent rise at the taxed-income level.

Attributable earnings were up 46,6 percent to R8,9 million from R6,1 million, which was equivalent to earnings per share of 46,9c (32c)

This performance follows the disappointing results produced at end of financial 1988 and suggests that many of the difficulties and costs of turning the ship around may now be complete and that from here on the group may be able to move back to the sort of performances reported during Philip Frame's reign.

However, the group is not yet convincingly into recovery mode to rule out more hiccups, particularly given its susceptibility to imports

So, despite the improvement, the share price is unlikely to show much reaction.

It is currently trading at its 12-month high of R13. At this level it is on a rating well ahead of its competitors, Da Gama and Mooiriver

Frame's P/E rating is 14,5 times and its dividend yield 4,6 percent.

The comparative figures for Da Gama are 7 times and 6,1 percent and for Mooiriver 7,8 times and 6,9 percent.

With the latest results, the directors refer to some aspects of the restructuring which are likely to appeal to investors as it sees management paying more attention to the operating level

"The group has decreased the number of head-office executives, but has increased the number of technical experts on the factory floor. The division into business units is enabling management to improve the monitoring of the group's businesses"

The overall group figures show that operating margins are up strongly — from 4,1 percent to 6,1 percent.

But a break-down of the figures shows considerable scope for improvement

Sales in the cotton division were up 16 percent and accounted for 73 percent of turnover.

The improvement on the pre-tax profit side was a stronger 83 percent — from R6,6 million to R12 million. This means that at the interim, cotton accounted for 52 percent of group profits, compared with 44 percent at the 1988 interim.

Margins in the cotton division were up from 2,8 percent to 4,4 percent, a significant improvement, but well short of the 25 percent margins recently reported by Da Gama.

Da Gama's stronger performance is not because it uses cheaper imports. Its management has said the imported component accounts for only one percent of turnover.

Where Da Gama appears to score is in targeting the upper end of the market, which does not suffer from the competition from imports that ravages the lower end of the market — the part that Frame dominates

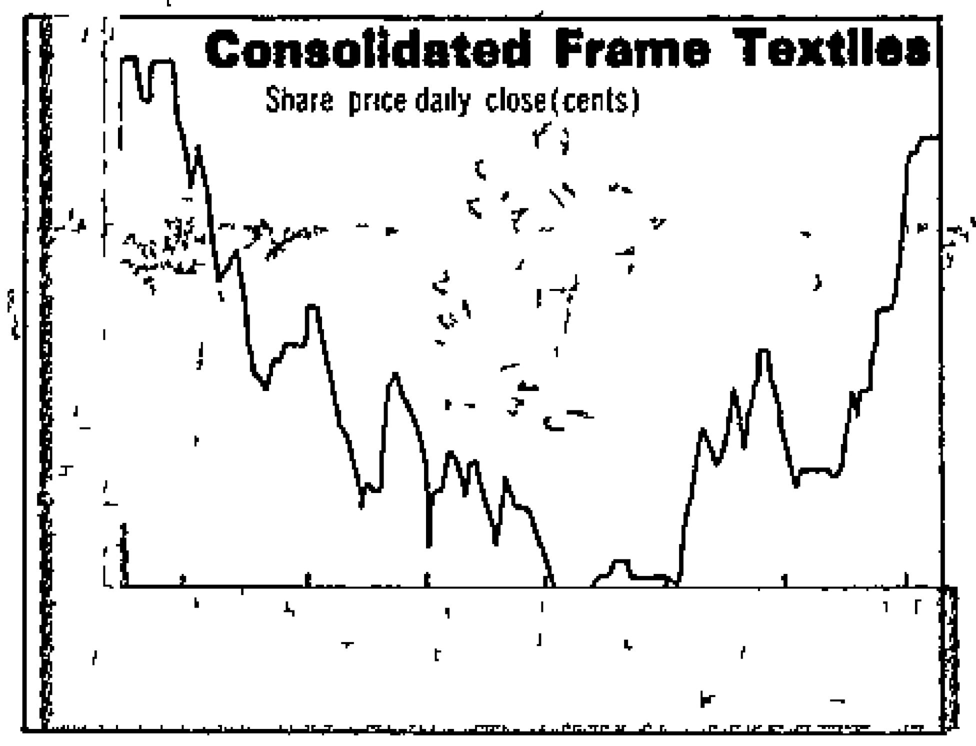
As one leading analyst says, this situation presents Frame with two options: to demand import restrictions or to target other sectors of the market where there is a higher valued-added component and where competition from imports is not as severe.

The Waverley Textiles division turned in a 26 percent increase in sales and a 46 percent hike in pre-tax profit. Margins were up from 3,5 percent to four percent

Sales in the apparel division were down and pre-tax profit fell to R0,1 million.

The group's overall margins were boosted by the contribution from property and other interests.

A 39 percent improvement in pre-tax profit lifted the contribution to group profit by R7,5 million.



Frame's EPS climbs 47%

BRUCE ANDERSON

TEXTILE producer Frame Group's earnings a share soared by 47% for the six months to December

Operating income was up by 72% from R13,1m last year to R22,5m, while turnover rose 15% from R318,4m to R366,8m

Executive chairman Mervyn King said yesterday he was pleased with the progress his group had made and was confident year-end results would show a significant improvement on last year

The biggest turnaround came in the the group's cotton company, Consolidated Cotton, which almost doubled its operating income before tax from R6,6m to R12m This was despite the fact that

B/Day 15/2/89.

● To Page 2

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Frame Group's earnings a share up 47%

B/Day 15/2/89.

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Consolidated Cotton had not operated at its full potential

King said the key to the the cotton company's success was a concentration by management on the efficiency of deliveries and quality control

Both Consolidated Cotton and Consolidated Waverly textiles have recently been divided into business units.

King said that consequential benefits were flowing from the breakdown of the two companies into separate units

The most important benefit was the ability of management to measure and monitor the businesses more effectively.

Consolidated Apparel Manufacturers was the only Frame company to report a downturn on last year

The company saw sales drop from R16,9m to R10,5m and income before tax also fell from R500 000 to R100 000

This was attributed to reduced efficiency as a result of the company's move to Durban after the closing of its QwaQwa factory.

King, who took over the Frame group in July last year, said that while the number of executives at head office level had been significantly reduced the number of technical experts employed on the factory floor had been increased

The introduction of participative management and more flexible personnel practices were already having positive benefits, said King.

Goldberg increases his stake in Tootal

B/Day 13/12/89 (197)

ROBERT GENTLE

LONDON — Australian entrepreneur Abe Goldberg has further consolidated his hold on the Tootal textile group by increasing his share stake to 19,5%

Tootal, which last month announced the sale of its interests in JSE-listed Da Gama Textiles to SA Breweries, has rebuffed Goldberg's advances on more than one occasion

A £500m takeover bid was thrown out by the Tootal board only two weeks ago

Earlier, in 1985, Goldberg had been forced to sell his 30% stake after a hotly contested takeover battle

Goldberg has still not announced his intentions for Tootal

Cape Times 16/2/89

Frame finances R2,5m co-op venture

197

By ALAN FINE

JOHANNESBURG — A unique co-operative production venture, initiated by the Amalgamated Clothing and Textile Workers' Union (Actwusa) and financed by the Frame Group to the tune of R2,5m is set to begin the employment of 300 workers this month.

The venture, announced in October, is designed to provide employment for hundreds of employees laid off by the Frame Group as part of a rationalisation exercise.

GM Glen Cormack, appointed by Actwusa to run the first of three planned clothing factories, said yesterday the co-op Zenzeleni (which means "Do it yourself") was in the process of being registered as a private company.

Zenzeleni, he said, had leased 3 000 sq m premises at Jacobs near Durban. Renovations would cost R300 000, while an order for more than R1m in capital equipment was in the pipeline.

Cormack, who resigned his post as personnel director of Tiger Oats' baking division to manage Zenzeleni, said profits from the project would be used to start similar ones at Ladysmith and East London.

Wages rates would be based on industrial council minima in the Durban area negotiated by Actwusa.

Update crucial for textiles

BDay 6/3/89 (197)

CHARLOTTE MATHEWS

CRUCIAL investment in the textile industry will not be undertaken in SA unless government gives a clear indication that its markets are safe, Frame Group technical director Riaan Wolfaardt said at the Conference

"Since 1986 there have been substantial increases in textile fabric imports into the country which severely affect the local industry by causing idle capacity and a feeling of uncertainty as to future investment amongst business leaders in textiles."

Locally manufactured textiles are 10% to 60% more expensive than the landed cost without duty of similar imported fabrics because productivity is relatively low, SA's inflation rate is rising faster than its competitors and the industry is reluctant to invest in upgraded technology

Wolfaardt showed that SA produces only 17% of its yarn on equipment under 10 years old, compared with 71% for Italy, 50% for Korea and 36% for Egypt.

He argued that if the industry were confident about its future, it would be eager to invest in equipment that would render it more productive and competitive. "It is estimated that the first step to a technological update in our industry would require in excess of R250m."

Stel 7/7/89

Diagonal Street

ANN CROTTY

(197)

Romatex looks likeliest suitor for Mooi River

The textile/clothing industry may be on the verge of a major realignment as speculation mounts that Mooi River is about to see a change of control

The Dutch parent is believed to be considering selling out to a local party which puts management and Romatex at the head of a list of possibles that could also include an SAB-backed Da Gama, AngloVaal Industries and Frame

There was no comment forthcoming from either Mooi River or any of the parties reported to be interested but towards the close of the market yesterday, it looked as though Romatex was the front-runner by a small margin

Speculation pitches the deal anywhere between 700-950c Yesterday the share (buoyed by all the talk) was trading at 720c which is a 12-month high and is well up on the low of 350c At this level the share is on a price/earnings rating of over 10 times which most analysts believe is expensive in view of Mooi River's earnings track record

By contrast SAB bought Da Gama on a p/e of seven times; Frame is currently on a p/e of 11,5 times and; Romatex is on 5,5 times.

Frame's strong p/e rating (on a share price of R12,50) reflects that group's massive underlying net asset value which, on the basis of conservative accounting policies, is believed to be around R40 a share

Last year market speculation put Da Gama at the head of the list of possible new controllers at Mooi River Romatex has taken top spot this year on the back of analysts' belief that Romatex is keen to add non-cyclical textiles businesses to its portfolio

In a recent report on the textile industry, Frankel Kruger analyst Heidi Vollmer pointed out that Romatex' heavy capex programme has been directed towards more non-cyclical activities noting that the cyclicality of its existing businesses could restrict earnings growth during the expected economic downswing

Whoever takes control will be paying around R25 million to R30 million. Romatex could easily fund this through the issue of shares but not at any price as the shares would then have to be placed with the institutions so that the Dutch seller could get the cash.

Those who favour a management buy-out state that Mooi River, with a turnover of around R50 million, might be too small to attract any of the big players who would be in a position to buy

Although Mooi River's operating performance hasn't been sparkling, the group has substantial property assets which are valued in the balance sheet at 1955 prices and which if revalued could underpin a share price of 700c This factor could help management to get financial support for a buy-out. In addition, an operation headed by local management could enhance the group's earnings potential.

But more significant on this front is the view that the textile/clothing industry is about to see a major realignment of interested players and the SAB acquisition of Da Gama was the first major move in this regard

The textile/clothing industry has been an erratic performer with boom/bust scenarios, subject to the difficulties of long production pipelines which see an excess demand situation quickly change into excess capacity In line with this is the switch in and out of exports and imports

The weak rand and sanctions means that resorting to imports as an alternative in times of excess demand is far less viable This must be a factor of concern to the operators further down the production line such as SAB and Tradegro who are major players at the retail end of the textile/clothing industry and who could be looking to guarantee their supplies

While attempts (by a number of major players), to dominate the industry might be greeted with some reservations, on the positive side it could lead to the development of a much more stable industry that could sustain a long-term export performance

Textile exporters gain market share

Cape Times 10/3/89

Financial Editor

SA textile manufacturers exported R150 100 000 of products — mostly made from locally produced materials — to world markets last year

Announcing this, the executive director of the Textile Federation, Stanley Shlagman, said this total had been achieved in spite of the fact that the international textile market was fiercely competitive and that "producers in the major exporting countries are assisted to a great extent by various official measures and tactics designed to depress the prices of their textile exports

"By contrast, SA textile exporters have succeeded in the main through sophisticated and concentrated marketing highly focused on selected market sectors."

Shlagman pointed out that local textile exporters have also to contend with sanctions and "occasional disinclination to handle SA products".

He said the export total was made up of R111m worth of yarns, R12,2m worth of woven or knitted fabrics for clothing, R20,2m worth of fabrics for other uses and R6,7m worth of household textiles.

These figures excluded exports of floor coverings, ropes, cordage, geotextiles and synthetic fibres.

Shlagman emphasized that "SA textile exports have a high value added content, and locally produced raw materials are used extensively.

"This contrasts favourably with the exports of certain industries which, although valuable, are largely dependent on imported inputs.

"The net foreign currency gained represents a commendable percentage in the case of the textile exports."

He said the report expected soon from the Board of Trade and Industries "may provide certain specially structured export promotion schemes for the textile and clothing industries which could result in a higher level of both direct and indirect exports.

"Indirect exports, made up of local fabrics supplied to downstream industries, have not been a major item in the past but may be more significant in future."

Cut rate car hire is

ed general manager of financial services. — Sapa

SOWETAN 10/3/89

Retrenched workers in own factory

DURBAN. — A clothing factory employing retrenched workers has been established at Jacobs here by the Amalgamated Clothing and Textile Workers' Union.

Regional secretary Mr John Eagles said the union decided to open the factory after 2 000 people were retrenched by the Frame Group last year.

The factory is one of the union's social responsibility programmes — to provide job security for its members. Mr Eagles said that as part of the retrenchment agreement, the Frame Group gave the union R2,5 million to finance the factory where workers will have a say in its running.

Mr Eagles said that profits from the factory, which will be run as a co-operative by a trustee, are to be used to set up similiar projects at Ladysmith and Port Elizabeth. — Sapa

Unspectacular results for Mooi River

0/Day 15/3/89 . 197

CHARLOTTE MATHEWS

MOOI River Textiles' preliminary final results showed an unspectacular profit growth to R5m from R4,6m last year, representing a below-inflation increase of only 8%

Earnings a share also rose 8% to 74,4c (68,6c) and a final dividend of 25c (23c) was declared, which brought the total dividend for the year to 40c (35c)

Turnover rose 20% to R56,6m (R46,9m) which was in line with the average 20% increase achieved in the last three years

MD Peter Riding says the company has had some teething problems with new machinery installed in 1987 and has also lost money as a result of work stoppages during the year

A rise in the tax rate to 48% from 43% last year affected earnings

Riding says the company is still not paying the full tax rate because it qualifies for allowances for the installation of the new plant

"We are in a healthy trading position for the coming year," he comments

"The order book looks good and demand for our products remains high"

Two weeks ago Mooi River issued a cautionary announcement to shareholders about negotiations under way

The company is 50% owned by a Dutch company, Koninklijkenijverdal Ten Cate

"To date we have had no report back from our parent company on this," says Riding

Dropping textile controls could cost many SA jobs

Cape Times 22/3/87

(197)

Financial Staff

JOBS would be lost in the agricultural and manufacturing sectors if SA textile and clothing manufacturers were free to buy their yarn and fabric from the lowest priced international source, says the President of the Textile Federation of SA, WJE Wilson.

He was reacting to suggestions that the Government might do away with import controls on textiles.

A delegation from the Cape Town Chamber of Commerce has met the Minister of Economic Affairs and Technology, Danie Steyn, to discuss the difficulties faced by importers applying for permits to obtain textiles from overseas.

Pointing out that SA textile manufacturers paid the international price for cotton and wool produced in this country, Wilson said."Some major Far Eastern and Eastern European countries do not source their raw material from areas which subscribe to this free market method of pricing

"As a result, Chinese spinners and weavers can sell fabric at prices equal to that which SA spinners have to pay for their basic cotton or wool fibre A similar scenario is true for synthetic fibres".

The Chamber of Commerce delegation suggested the Government should follow the advice of the Steenkamp Committee and prevent "dumping" by using the computerization of customs entries to trigger alarms in the event of unusual imports, so that the matter could immediately be addressed by the Board of Trade and Industries (BTI).

W/C News 25/3/89

Union merger steams ahead

MOVES to form one national union in the clothing and textile industries are moving along at a brisk pace

In Cape Town last weekend the first high-level substantive talks took place between Garment and Allied Workers' Union (Gawu) and Cosatu affiliate Amalgamated Clothing and Textile Workers' Union (Actwusa) after a series of exploratory discussions which started last year

LABOUR AFFAIRS

DICK USHER

A target date of July 1 has been set for the amalgamation and sources from both unions have described the atmosphere as the most promising it has been since the two unions were formed from a series of mergers in 1987.

There are also hopes of including leatherworkers in the national union

The two unions in that sector, National Union of Leatherworkers and Transvaal Leather and Allied Trades Industrial Union are close to merging into one national union, but they have not yet made a firm decision either way on joining the Actwusa/Gawu talks

Since it was formed from a merger between Garment Workers' Union (Western Province) and the Natal-based Garment Workers' Industrial Union, Gawu has been keen to affiliate to Cosatu

But Cosatu policy is that unions seeking affiliation have to merge with the existing affiliate in their sector Here Gawu was blocked by tensions between itself and Actwusa hanging over from the days when the Garment Workers' Union was a leading member of Tucsa (Trade Union Council of South Africa) and viewed by the more militant progressive unions as little more than a "benefit society".

Smooth over

But changes in style, content and leadership of Gawu helped smooth these over and open the way to the present merger talks

Over the past two years Gawu has taken a far stronger position on worker issues than previously Last year saw the first strikes in the industry for many years and members took part in the June 16 stayaway

All Gawu locals have given a mandate for affiliation to Cosatu and the national executive committee has set up a national merger committee This committee will implement the Gawu merger programme and work towards forming one union in the garment, textile and leather industries

Other tasks are to

- Set dates for meetings between the unions' national executive structures,
- Arrange joint seminars of the leadership of the unions;
- Set up a committee to draft a constitution for a new national union, and
- Investigate an agreement on matters such as finance and assets of the unions, a structure, staffing and other organisational matters.

All these will be taken to a special national congress of Gawu on April 15-16 where the merger committee will put forward its proposals on a merger with Actwusa. A merged union involving Gawu and Actwusa would have about 200 000 members, roughly comparable with the National Union of Metalworkers among Cosatu affiliates.

Textile-makers win tough export battle

S/Times 26/3/89 197

By Don Robertson

SOUTH African textile manufacturers earned R150-million in foreign currency last year in difficult and competitive export markets,.

It is hoped that after the the Board of Trade and Industries (BTI) reports on its investigations into the clothing and textile industries new export promotional schemes will be introduced

These schemes should help the trade make further inroads into export markets

In 1987, exports suffered from the loss of the US market because of sanctions and reached only R120-million Since then this share of the market has been recouped and further progress has been made Inflationary factors have added to the 1988 figure

Stanley Shlagman, director of the Textile Federation, says that because of the competitive nature of the business, textile producers in major exporting countries are helped by their governments

In SA, however, manufacturers receive little assistance and the success has come from sophisticated and concentrated marketing focused on selected targets and markets

Textile producers have also had to combat sanctions

Of the export figure, R111-million was made up of yarns, R32,4-million woven and knitted fabrics and R6,7-million household and domestic textiles These figures exclude exports of floor coverings, ropes, cordage and synthetic fibres

Mr Shlagman says SA's textile exports have a high value-added content and SA raw materials are used whenever possible

Any incentives offered by the BTI could increase indirect exports, which involve the supply of textiles to downstream industries

Although not a major factor in the past, this type of export could increase

The BTI report is expected soon

Subscriptio

Business Time

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Trabild to purchase Wolman for R3,2m

197 SYLVIA DU PLESSIS

RETAIL and wholesale group Trabild is to acquire Cape Town-based furnishing fabric wholesaler Wolman for R3,2m from Anglovaal subsidiary Universal Knitters and Weavers B\Day 28\3\89

The purchase consideration is payable in cash instalments commencing on May 1, the group said in a statement

Chairman Riyaaz Tayob said the acquisition was in line with Trabild's plans to enter the furnishing fabric and curtaining markets

Tayob said the acquisition would have no material effect on net asset value but would contribute significantly to current and ensuing year's earnings B\Day 28\3\89

Following the Wolman acquisition, Trabild proposes to raise R4m by way of a rights offer

Cape Times 28/3/87

Trabild acquires Wolman

JOHANNSBURG. — Trabild Group Holdings is to acquire the business and certain assets of Cape Town-based Wolman & Co for a consideration in the region of R3,2m from vendors Universal Knitters and Weavers, a subsidiary of Anglovaal

The purchase consideration is payable in cash instalments commencing May 1, 1989

Established some 56 years ago, Wolman & Co is one of the oldest specialist wholesaler of furnishing fabric in the Cape, catering for the medium to upper income groups

Comments Trabild chairman Riyaaz Tayob "As stated at the time of listing, we have been looking for an opportunity to enter the furnishing fabric and curtaining markets

"While this is a logical extension of our existing business it made sense to acquire a going concern with an established track record and customer base"

Moise Capelouto, who is well known nationally by decorators, designers and furnishing outlets, will continue to head up the Cape Town division of Wolman & Co

In the past 10 years the company has successfully expanded into the Transvaal and Natal markets through a network of appointed agents

It is anticipated that the extensive distributive infrastructure available to the Trabild Group will further enhance this process

The acquisition will have no material impact on net asset value but is expected to contribute significantly to current and ensuing year's earnings

In tandem with this announcement, the Trabild Board has announced that, following the Wolman acquisition, it proposes to raise R4m by way of a rights offer of ordinary shares which has been fully underwritten by Mership Securities, a subsidiary of the SA Bias Group

The directors have indicated that various investors have already committed themselves to taking up a sizable proportion of the new shares available

Commenting on the rationale for the rights offer, management has pointed to rapid expansion in the scope of the group's activities and the concommitant need for adequate capitalization in order to take full advantage of existing available and future growth opportunities

Adds Riyaaz Tayob "Management has identified a significant number of opportunities for expansion into activities allied to our existing operation" — Sapa

Meritex raises earnings

197

The Cape garment and textile group, Meritex Holdings, increased turnover by 22 percent which resulted in a 45 percent improvement in after-tax income to R4,3 million (R2,9 million) for the year ended January

Net attributable income was accordingly signicantly higher at R4 million compared with R2,8 million in the previous year

A dividend of 7c has been declared, which translates into a dividend yield of 5,2 percent

Earnings per share of 26c per share were 37 percent higher than the 19c in the previous year Dividend cover increased from 3,2 times to 3,7 times

Meritex's management concentrated on re-focussing the group's activities in the past year, the report says The restructuring included the sale of Meritex outerwear division assets to a new fashion company,

Chairman Ed Gordon says, that despite the general prediction of a slowing down in the economy, the outlook for the group remains favourable in the 1988 financial year — Sapa

STAR 29/3/87

PE company launches its fashion colours

197

A LUSTROUS, decorative range of furnishing fabrics, coloured to link with the latest fashion trends in Europe, has recently been launched nationally by Port Elizabeth-based Stuart Graham Textiles

Incorporating new techniques in design and printing, the "Concepts" Collection offers a sophisticated alternative to highly priced imported merchandise

"We've realised that our decor conscious market demands increasingly creative ranges and believe that the textural trend will continue because of the important part texture plays in decorating," explains Stuart Graham

While imaginative shapes form the essence of the collection, its ethereal quality is the result of an experimental, textural technique

Many new colourations and techniques result from experimentation Using spray glue on one of the designs the effect is almost magical

When using more water colours and glue the misty effect integrated the motifs and their backgrounds so that, in the deeper colours, the flowers appear to float in a star-spangled sky

"Concepts" comprises five colour combinations, from opalescent pastels to lustrous deep dyes There are two pastel options a gentle blend of shell pink and sea-mist, reminiscent of porcelain shades, or apricot and heather with soft jade accents

In the deeper hues, purple, heather and blush suggest the coming of night

There's a burnished bronze theme, its warmth tempered with steel grey

And, for those who prefer the timeless atmosphere of full-bodied wine, grape and mulberry are highlighted with touches of kingfisher

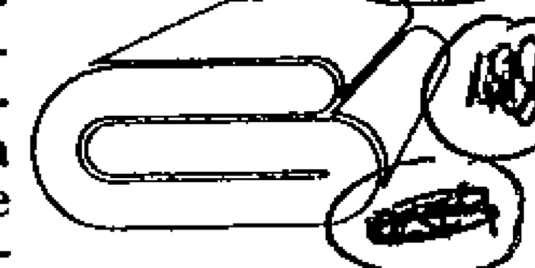
"Concepts" is printed on a 120 cm wide satin fabric suitable for curtains, accessories and light upholstery Priced at around R26 a metre, the range is available from decorators, curtaining specialists and department stores

Sowetan 20/3/89

Glodina wraps up a 41% increase in profit

3 I Day 31/12/87 (197)

CHARLOTTE MATHEWS



RECENTLY listed Glodina Holdings posted earnings of 40c a share for the year to December (compared to 35,9c in 1987) in spite of achieving lower turnover than expected for the second half of the year

Turnover rose 23% to R63m (R51m) Attributable profit rose 41% to R7,5m (R5,3m), aided by a mere 19% increase in interest payments to R1,7m (R1,5m) and a 2% tax rate compared to 1987's 38% tax rate.

A final dividend of 10c a share was declared bringing the total dividend for the year to 16c against an annualised dividend of 14,4c for 1987.

The company, first listed in October 1987, manufactures towelling products, kitchen linen and warp-knitted fabrics

During the year the company embarked on an extensive capex programme Machinery of R3m was installed at the Hammarsdale factory and the older machines were moved to the Qwa-Qwa factory

Directors say the benefits of this investment will be felt in 1990.

AVI buys Mooi River Textiles

M4
1/4/89

Financial Staff

AVTEX Holdings, a wholly-owned subsidiary of Anglovaal Industries (AVI), has acquired the business of Mooi River Textiles for R78,2m

Announcing this yesterday, AVI said that the agreement was subject to certain conditions precedent

It said Mooi River Textiles had invested in a multi-million rand plant replacement programme on both the spinning and weaving sides

Strong

Although the usual bedding-down problems were experienced with this, it was expected that the new equipment would make a significant contribution to increased output and this would be reflected in higher profits

The acquisition price recognised in part the extremely high replacement cost of Mooi River's land, buildings, and plant and equipment, as well as the strong market position that the business had in the shirting and household textile fabric markets

This strategic acquisition gave Avtex a firm foothold in these markets and placed it in a position to benefit from their expected strong performance as the burgeoning urbanization trends gathered impetus into the next century

Mooi River also brought with it vital cotton and poly-cotton spinning technology not previously possessed by the group

Mooi River will continue to operate independently as a wholly-owned division of Avtex Holdings

There will be no rationalisation with Avtex's other interests as these operate in separate market niches They comprise Gelvenor Textiles (Pty) Limited, Risa Investments (Pty) Limited, SA Fine Worsteds (Pty) Limited and Universal Knitters and Weavers (Pty) Limited

R78,2m textile deal concluded

B/Day 4/4/89 197

CHARLOTTE MATHEWS

ANGLOVAAL Industries (AVI) textile subsidiary Avtex Holdings has acquired Mooi River Textiles in a deal totalling R78,2m, ending market speculation about disinvestment by its controlling Dutch shareholder

The deal, struck at R11,50 a share, involves a disinvestment of R48,53m by majority shareholder Koninklijkenijverdal Ten Cate, which held 4,22-million shares, or 62% of total capital

According to UAL Merchant Bank GM Nico van Heerden, Volkskas Merchant Bank would offer minority shareholders R11,50 a share on behalf of a consortium. Mooi River was suspended on the JSE last week at R7,50

If all minorities accept the offer, the consortium could pay out a further R29,67m

"Anglovaal via Aftex will purchase the assets of Mooi River Textiles and the company will be turned into a cash shell," said Van Heerden

AVI Executive Director David Royston said "In relation to the market price R11,50 a share is high, but we feel it is fully justified by the potential of the company and of the household textile sector

"The acquisition price recognises in part the extremely high replacement cost of Mooi River's land, buildings, plant and equipment"

Mooi River's fixed assets were assessed at R21,8m in its 1987 annual report, but the directors' report put the current valuation much higher.

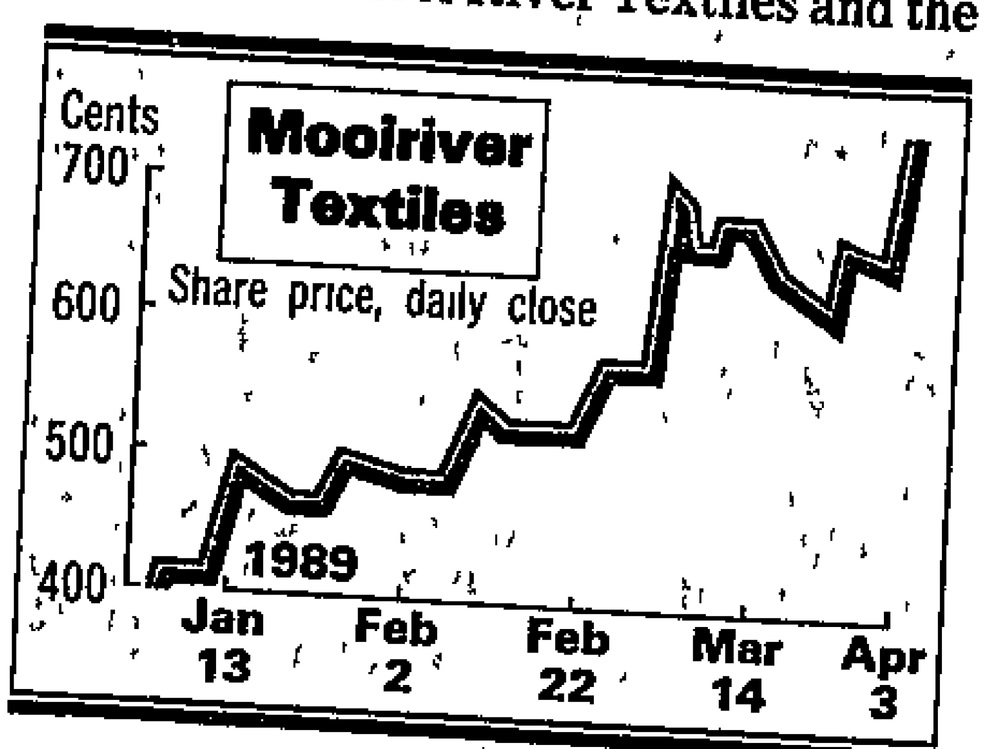
Royston denied that any reorganisation of Mooi River was planned

"The company is well managed and we intend to operate it as a separate textile business within Avtex."

He said Avtex had not altered its price in the last fortnight's negotiations because of the declining value of the financial rand

Avtex is the holding company of AVI's textile interests, which include Gelvenor Textiles, RISA Investments, SA Fine Worsted and Universal Knitters & Weavers

The acquisition of Mooi River fits into AVI's new streamlined image of a ra-



Graphic FIONA KRISCH Source JSE

● To Page 2

R78,2m textile deal ends speculation

B/Day 4/4/89 197

● From Page 1

tionalised industrial holding group in line with the major restructuring programme which will delist South Atlantic, Beckett, Globe, Steelmetals and Avbak

Mooi River shares have run up to R7,50 from R4 in January on speculation of the disinvestment

Investors remain sceptical in spite of fine interim showing by Frame group

197 BDay 4/4/89

ANALYSIS: STEPHEN RICHTER

THE FRAME group's strong performance for the six months to December initially appeared to be a pleasant surprise for Diagonal Street But judging by its recent price action on the JSE, investors remain sceptical about the textile group's medium-term prospects

The market reacted blandly to the interim earnings report which showed Consolidated Frame's (Conframe) earnings up by 40%, with Frame's bottom line rising by a similar percentage

The day prior to the earnings release, Conframe was trading at 730c, Frame closed at R13 while the industrial index stood at 2 441 Since that time, both counters have slipped back and underperformed the industrial index

In fact, the accompanying charts clearly show that the listed Frame group shares have failed to keep pace with the performance of the industrial index since the crash Though industrials are now above their 1987 peaks, Conframe and Frame are substantially below their respective highs of R15 and R27

Part of the reason for the poor performance appears to be contained in the interim report for July to December 1987 which shows the interim earnings jump occurred from a very low base

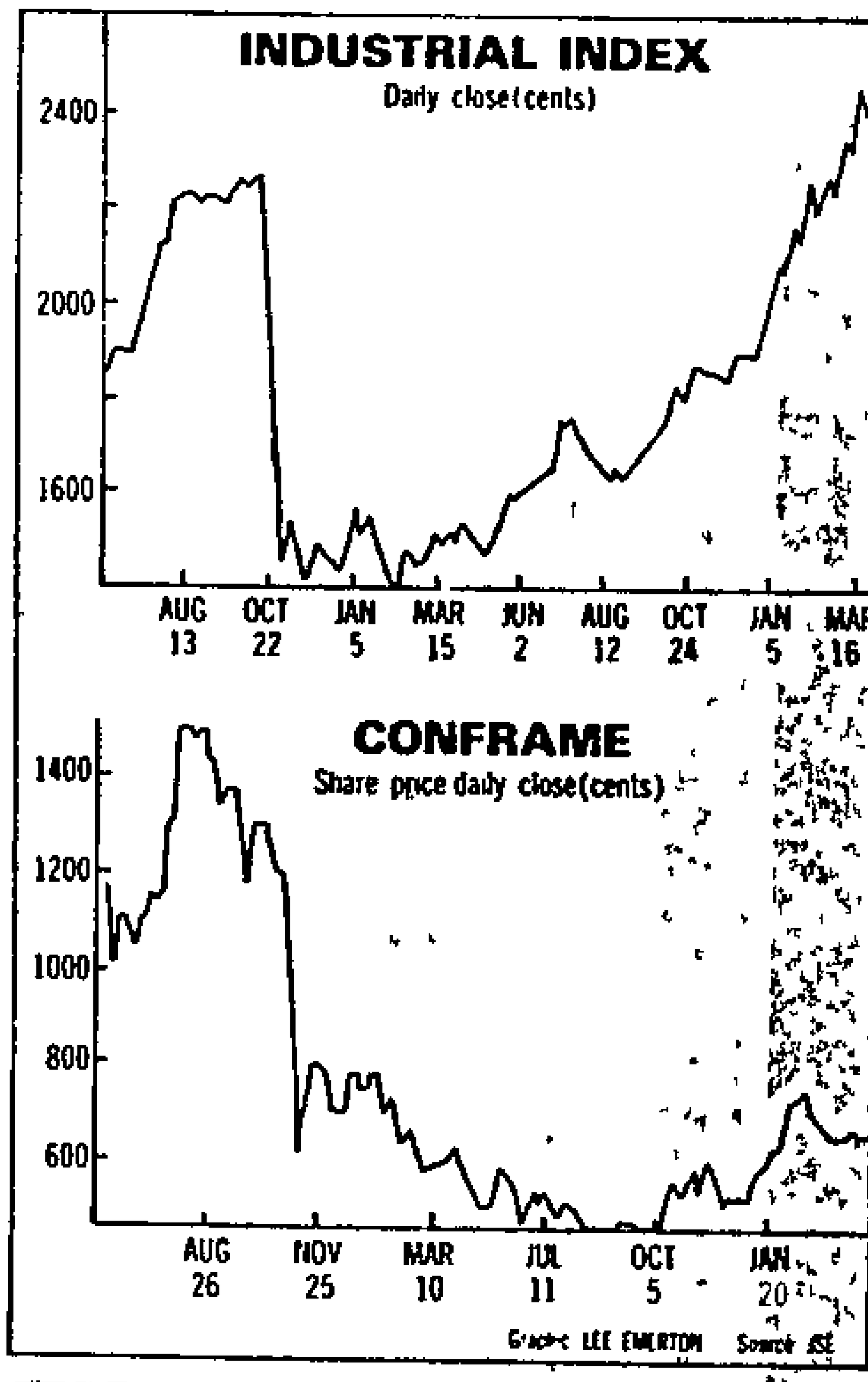
The directors said "Consolidated Cotton Corporation and Consolidated Apparel Manufacturers, together comprising over 75% of group sales, were badly affected by the Natal floods in October, 1987, and the strike action immediately thereafter These events combined to cause the loss of several weeks' production

"The knock-on effect of the re-planning and re-scheduling will continue to affect our business until March 1988 "

Therefore, while there seems to be some justification to celebrate the interim earnings jump, the real question is whether Frame can continue to generate respectable earnings growth

Executive chairman Mervyn King says he is happy with the present management team after the reshuffle of the past six months. He says the decision to shrink the central administration staff resulted in an annual savings of R500 000, while the employment of additional staff has improved production efficiencies and product quality

He also says Consolidated Cotton is now concentrating on quality and efficiency The improvement in these two areas has been dramatic and is being confirmed by the group's major customers



Frame is also attacking the problem of regaining market share and this has helped boost volumes

Therefore, on short-term considerations the company seems to be getting its house in order But looking further down the road, the picture remains unclear

King admits a long-term strategic plan for the group still has to be finalised Therefore, he says it could take from three to five years to turn the group around

While King attempts to lead the group toward recovery, he will have to contend with some formidable obstacles The problem with low-cost imports continues to plague Frame while its manufacturing facilities are suffering from old age

One analyst estimates that roughly half of the group's production takes place on machinery which is inefficient This helps to explain why Frame finds it difficult to compete against imported goods.

Nevertheless, the group has accumulated tremendous wealth over the years and holds an impressive property stake which accounted for 25% of pre-tax profits during financial 1988. Net asset value per Frame and Conframe share is substantially higher than their current JSE levels

With the properties due for revaluation in mid-1990, this should enhance NAV of both companies. A further positive factor is the absence of any long-term debt

Therefore, Conframe at 655c and Frame at 1 090c, trade on an earnings yield of slightly less than 10%, while their dividend yields are more than 5% These counters represent better value than the average industrial share, which is on a similar earnings yield but provides a dividend return of only 3,3% While no fireworks appear to be in sight for the group, the shares would seem to represent good value for patient long-term investors

Unispin reports 18,5 percent rise in earnings to February

(197)

Finance Staff

Unispin has reported an 18,5 percent increase in earnings to 21,9c a share for the eight months to February

SWS 11/4/89

A dividend of 5,5c a share has been declared, equivalent to 4,125c for a six-month period

The company has changed its financial year-end to September, resulting in the present trading period covering 15 months

Trading is seasonal and the second seven months are expected to produce the "major portion of the year's profits", particularly as the benefits from the R17,3 million of new assets added in the eight months "will only contribute in the second half"

Unispin will not incur liability for tax for some years on account of on-going capital expenditure

On the balance sheet, substantial additional capital expenditure has been committed, amounting to R43 million, of which R20 million is in the current year with funding coming from long-term loans, foreign loans — all covered against forex variations — and internal resources

The substantial capex has increased gearing to 57 percent, but total debt is still well within resources

Union wins Sunday work fight

CAPE TIMES 11/4/89

Staff Reporter

TEXTILE unionists yesterday emerged elated from the offices of the Department of Manpower after hearing of a victory for the workers in their industry against compulsory Sunday work

Mr Ebrahim Patel, regional secretary of the Cosatu-affiliated Amalgamated Clothing and Textile Workers' Union of SA (Actwusa), said that 12 unionists had arranged a meeting with the department to inquire about the progress of an application by Nettex to permit Sunday work

"They (the company) needed an exemption from the terms of the Basic Conditions of Employment Act to enable them to extend their three shifts a week to four shifts, which would mean Sunday work," Mr Patel said

Yesterday the department told the union that an exemption from the Act had been granted, but only for voluntary Sunday work.

This the union regarded as a victory, because it implied that compulsory Sunday work was not allowed

Imports of knitted fabrics 'excessive'

Star 17/4/89 (197)

Excessive imports of knitted fabrics are again a serious threat to the level of activity of the domestic knitting market, Meritex chairman E Gordon says in his annual review

He points out that between 1986 and 1987 imports of knitted fabrics more than tripled to some 21 million square metres

Again between 1987 and 1988 knitted fabric imports increased by nearly 50 percent to an estimated 30 million square metres

Mr Gordon sees the real problem as the lack of long-term planning in the inter-related retail, garment and textile sectors

With effective integrated planning the lack of installed dyeing capacity would have been recognised more than a year ago

Instead, in January this year, R33 million of knitted fabric import permits were issued

This compares with R12 million worth of permits issued in January 1988 and R59 million for the whole of 1988

Thus in January alone, more than half of the entire previous year's permit allocation was issued, Mr Gordon says

While local knitters should enjoy reasonably buoyant domestic markets for the rest of 1989, he warns that South African knitting sector can be expected to suffer drasticaly from escalating imports if the Government does not promptly curtail knitted fabric imports

"South Africa does not need need superfluous knitted fabric imports to exacerbate an already difficult balance of payments

"It is to be hoped that the Government will recommend the necessary steps to eliminate this stop-start knitting sector cycle to enable the industry to plan ahead realistically," Mr Gordon says — Sapa

Sewing up the textile industry

Diagonal Street

S/W 12/4/89

ANN CROTTY

(197)

The fact that two of this year's largest disinvestment deals have involved the textile industry adds support to speculation that the local industry is in the midst of a major realignment.

Major impetus to the realignment is the perception that as the rand depreciates, import sourcing becomes prohibitively expensive and so local supplies have to be guaranteed Aided by the declining rand and black urbanisation, the outlook for the industry is strong.

In February, SAB paid R175 million to buy control of Da Gama.

Next was last week's AVI purchase of Mooi River, rated as one of the most generous offers shareholders had probably ever seen.

At the end of financial 1987 Mooi River's net asset value was 280c. In shelling out the R11,50 a share, AVI said consideration should be taken of the replacement cost of underlying assets. At end-December 1988, the replacement value of the plant and equipment was R125 million. Land and buildings were independently valued at R24 million.

Attention could now be turning to the giant of the industry — the Frame Group, which currently has no one controlling shareholder. This is by design rather than accident and goes back to the September 1987 deal in which 10,6 million Frame shares (equal to 44 percent of the total) were sold to institutions for R22 a share.

It was agreed that no one institution would have control But this is not a binding agreement and Frame chief executive Mervyn King says the situation could change.

If it were to change, the key questions are: who would be the buyer and at what price could a deal be struck?

The most likely candidates are groups that either have investments in the textile industry and/or groups that directly or indirectly rely on supplies from it

The candidate would have to be large enough to handle an acquisition of this size

These criteria point to Amic, which has textile interests in Tongaat and Whitehead; AVI, whose textile interests in Avtex were boosted by the acquisiton of Mooi River; SAB, which has Da Gama and a stake in Romatex through Afcol; SAB also has a lot of subsidiaries depending on supplies from the textile industry; Barlows through Romatex.

Sanlam should be included because of its investments, chiefly in Tradegro, which are dependent on textile supplies and because of its active investment strategy it is likely to be keen to have a stake in a strategic industry.

Next issue is the price. Frame's price of R11 will not entice any sellers as the institutions paid twice that amount for most of their holdings

It looks as though a price of R24 would be needed to swing a control situation While this may look steep on the basis of historic earnings performance, prospects for the group look considerably more bullish under the management of Mr King, who has instituted major changes.

A favourable BTI report on import controls would help because, as Mr King points out, the rand may not always be on a weaker trend.

At the end of financial 1988 Frame's NAV was just under R25. On a replacement basis this should be in excess of R40. One leading analyst suggests the best way to get Frame is via Conframe, which has 22 percent of Frame.

He indicates a price of at least R15 on the basis of underlying assets.

The Competition Board may not want to see Frame fall into one camp, but unless the current control situation is formalised, speculation along these lines is likely to continue Speculators should remember that textile shares tend to be tightly held and a speculative position could be difficult to unwind.

INVESTMENT

NEWS 13/4/89

Shake-up for textiles sector

197

From ANN CROTTY

JOHANNESBURG — The fact that two of this year's largest disinvestment deals have involved the textile industry adds support to speculation that the local industry is in the midst of a major realignment.

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SILVER QUILL WINNERS: Representatives from Mundels Tholet Cullen Sievers and Gilbeys SA received the Natal Newspapers 1988 Silver Quill Award for creative excellence in Cape Town recently Accepting the award from Natal Newspapers marketing director David Mead, left, are agency director and creative director Clem Tholet and, right, Hentie Engelbrecht, brand manager of Gilbeys SA.

ECONOMY

SA faces 1990s with confidence

By TREVOR WALKER
Business Staff

THE South African economy is set to enter the 1990s on a sound footing as a direct result of the situation being forced on it by its major trading partners

The moratorium placed on this country by its traditional lenders of investment capital has meant major structural changes have had to be undertaken and this process in now well under way

The financial management of the economy, which is underpinned by its gold output, has and is in the process of being revitalised from within

IMPRESSIVE RECORD

South Africa has a long and impressive record of financial management expertise, and moves to de-regulate and privatise are quickly following overseas political/economic strictures

South Africa produces more electricity, has more rail lines, more harbours and educates more people in technology each year than the combined output of the rest of the continent

It is by any standard the powerhouse of the continent, and when seen in context with the rest of Africa the latest economic report by no lesser an organisation than the World Bank, which excludes South Africa as an economic entity when it deals with Africa, then business realism in this World Bank scenario is ludicrous

The World Bank in a report entitled Africa's Adjustment and Growth in the 1980s says in its first paragraph "this report offers new perspectives on sub-Saharan Africa's economic experience in the the 1980s and puts Africa's future in a fresh perspective, with a brighter prospect of recovery and growth".

The report which was produced by a team of 20 experts cosseted in Washington says "the picture for sub-Saharan Africa as a whole can be misleading because the fortunes and misfortunes of five oil-exporting countrties, which have accounted for nearly 60 percent of Africa's GDP and half its total exports, dominate trends for the region"

But, the report concludes when the performance of reforming countries (economic) is compared with that of non-reforming countries, there is evidence that the combination of reforms and added assistance has led to higher agricultural growth, faster export growth, stronger GDP growth, and larger investment — this despite the less favourable terms of trade facing the reforming countries

The continent south of the Sahara as seen by the World Bank consists of 45 nations, but excludes South Africa and Namibia

Yet South Africa which supplies electricity, rail links to export harbours and employs thousands of people from many of these countries is not mentioned

Namibia is in the process of becoming the last country on the continent to gain its indepence, yet economically it is very little different from many of South Africa's business neighbours in "sub-Saharan" Africa

Its harbour, Walvis Bay, will remain South African territory, its electricity generation will remain largely underpinned by South Africa and its overall economic prosperity will also revolve around the economic performance of South Africa

NEW PERSPECTIVE

South Africa's Reserve Bank Governor, Dr Gerhard de Kock addressing the Council for Foreign Relations in New York last week, said most sub-Saharan countries north of South Africa were in dire economic straights

He said because of rising current account deficits in the low-income sub-Saharan countries, foreign debt had risen from less than $5-billion in 1970 to $52 billion in 1988

Dr de Kock said a major part of the answer lay in increased economic co-operation within the region and including specifically South Africa

Any "new economic perspective" of Africa should surely take South Africa into account and not ignore it

Textile employers face strain over Act

AR64S 13/4/89 197

Labour Reporter

TEXTILE industry employers are soon likely to come under severe pressure over the Labour Relations Amendment Act

The leading union in the industry, the 75 000-member Amalgamated Clothing and Textile Workers' Union (Actwusa), will try to bring all negotiations to deadlock as a tactic to compell employers to make agreements that will bypass sections of the Act to which unions object

This is one of the subjects that will be debated at a special union congress in Durban this weekend

A union spokesman said the other main focus of the congress would be the proposed merger with the Garment and Allied Workers' Union (Gawu)

A July 1 deadline for the merger between Actwusa and Gawu has been provisionally set

The merger will also be one of the main points for discussion at a special congress of the 125 000-member Gawu in Cape Town this weekend

The proposed merger would create one national union for the clothing and textile industries

Textile-clothing sector report due

13/Dec 1984 197

HELOISE HENNING

THE long-awaited report on the textile and clothing manufacturing sectors is to be released by the Board of Trade and Industry (BTI) today

It is believed the report will be accompanied by a new set of tariffs for both industries, to be published in the Government Gazette tomorrow, which will have immediate effect

Tariff adjustments were made on the importation of textiles in September 1986 to assist the clothing industry At the same time the anti-dumping formulas on certain textiles were removed Industry sources expect the formulas to be replaced, as well as the removal of certain over-protective tariffs

The report, which is the second pipeline industrial study completed by BTI, will present export incentive formulas based on a similar principle in the car and components industry

New tariff move a boost for rag trade

B/Day 14/4/89. 197

HELOISE HENNING

CHANGES to the textile and clothing industry were intended to treble its contribution to GDP in the next five years, Board of Trade and Industry chairman Lawrence McCrystal said yesterday

New import *ad valorem* tariffs giving the textile and clothing industries moderate protection against imports, on average 5% lower across the board, are gazetted today

Government had accepted in principle that import tariffs be abolished

Included in the tariff announcements were fixed-formula duties to protect local producers against dumping by foreign countries

And in an attempt to encourage exports, Deputy Minister of Trade and Industry Theo Alant made provision for duty-free imports based on export performance and use of local materials

A new export incentive scheme involving cash repayments to exporters in the industry was still being refined and simplified Companies were asked yesterday to register with the Department of Trade and Industry by the end of May to become eligible

The target set for eligibility was for a company to export at least 2,5% of its annual production

Until the new export incentive scheme was implemented on April 1 next year, the current A, B and C export incentives would remain in operation, McCrystal said

Government was expecting co-operation from the industry — to keep price increases below the consumer price index rise and to hold wages and salaries to levels matching productivity He said price increases over the past two years had been excessive

● MCCRYSTAL

Within five years government could reduce the industry's protection by a further 50%, said McCrystal

The textile industry had been awaiting the new tariff announcements since September 1986, when the anti-dumping formula duties were scrapped to accommodate the clothing industry

Textile Federation president Ernest Wilson said last night that the industry would be fine-combing the anti-dumping formulas in the coming week It had appealed for dumping formulas to be linked to a moving index

The industry needed protection, especially against China, the Philippines and newly-industrialised Pacific-rim countries that did not adhere to economic pricing in order to export

New tariff structures should boost rag industry

Star 14/4/87

(197)

By Roy Cokayne

PRETORIA — The Government has accepted in principle the abolition of import control for the textile and clothing industries but decided to retain the existing measures for the time being

In addition, a new set of export incentives for the clothing and textile industries has been recommended that will come into effect from April 1 next year and could treble its contribution to GDP over the next five years

The idea is to encourage the export of products with a higher added value and make the local clothing and textile industries competitive internationally

Exporters of textiles and clothing will continue to be eligible for the existing export incentives until March 31 next year but thereafter they will only be eligible for the new structural adjustment incentives that will be finalised during the year

Deputy Minister of Economic Affairs and Technology Dr Theo Alant said it was therefore of the utmost importance that those manufacturers who wished to take part in the newly structured incentives register before May 31 this year

Dr Alant said the Government wanted to maintain the closest liaison with the industries in regard to progress with the implementation of the programme

"Consequently, it has been decided to appoint a Development Committee for the Textile and Clothing Industry under the chairmanship of Dr JA Lambrechts, Deputy Director-General of Industries," he said

Representatives from various sectors of the textile and clothing industry will serve on the committee

"The Government is of the opinion that with the necessary cooperation from the textile and clothing industries, the new dispensation will go a long way towards making these industries internationally competitive in the longer term," he said

The various forms of assistance to these industries can be classified in two categories — tariff assistance and export orientated incentives

The tariff element consists of the adjustment of the existing levels of tariff protection to give the industries moderate protection against import competition coupled with appropriate formula duties to counter imports at disruptive prices

Dr Alant said the existing partial rebate facilities in respect of textile fabrics had to be withdrawn to make the recommended tariff protection effective The balance of the manufacturers' rebate facilities will be retained for another year, he said

To encourage the export effort, provision was made for duty free imports of raw materials, based on export performance and local market purchases, he said

According to the report, the ad valorem duties have been reduced virtually across the board by five percent

But the proposed level of tariff protection was subject to achieving several aims They were

- Price increases for the products of the two industries were to be contained to less than the increase in the Consumer Price Index (CPI) as a genral trend The BTI said it regarded the increases of the textile industry in the recent past as excessive.
- Increases in salaries and wages should be balanced by similar increases in overall productivity of each business
- Productivity units should be established (or raised to a higher level of activity where they exist) by the industries concerned to assist companies to increase productivity
- Growth in exports over a five year period to a point where the net outflow and inflow of foreign currency for the two industries separately is in equilibrium. Importation of additional plant and equipment to expand local production capacity forms part of the currency outflow and one-fifth a year should be included in the calculation
- The rate of effective protection for the industries concerned should not be more than 50 percent after eight years The level of protection recommended will remain constant for the next five years but decreased to 50 percent in the following three years

Unispin invests in offshore mill

B/Day 14/4/89

197

CHARLOTTE MATHEWS

HAND and industrial knitting yarn manufacturer Unispin has invested in an offshore spinning and dyeing mill, subject to exchange control approval, chairman Robert Wachsberger confirmed yesterday

He said it was a joint venture with another SA company in which Unispin would have management control The business was well-established with fully operational plant and labour, he added

He could not disclose the country where the plant was situated

"This investment provides the opportunity of exporting all over the world," Wachsberger said

"For the next two years earnings will be reinvested so there will be no contribution to bottom-line profits

"After that, there will be a substantial contribution We believe that after the third year we will recover the total investment every year"

Unispin is currently undergoing a R43m expansion and reorganisation over two years, involving the construction of a new automated cotton spinning mill in Port Elizabeth and the upgrading of an existing plant

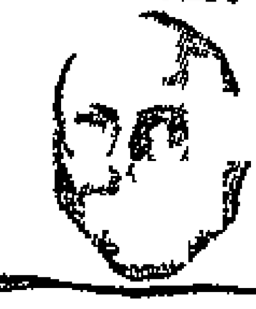
On their existing capex programme, Wachsberger estimates the company will achieve a turnover of R226m by 1992 If it trebled its cotton spinning capacity — an additional R30m expenditure — he believes turnover of R300m could be achieved by 1992

"Unispin is not a company which aims at big cash balances We believe the only way to fight inflation and interest rates is through investment," he added

He estimates growth in the hand-knitting yarn market at slightly above GNP growth and annual growth of 10-15% in the industrial knitting yarn market

"The real growth of the future is in industrial yarns and cotton and wool," he said

LABOUR AFFAIRS
DICK USHER



W/C ARGUS 8/4/89

Sunday work dispute set to continue

A LONG-RUNNING dispute between the Amalgamated Clothing and Textile Workers' Union (Actwusa) and Nettex over Sunday work seems set to continue

The union came out of a meeting with officials of the Department of Manpower this week claiming victory Actwusa spokesmen said that the department had rejected a company application in terms of the Basic Conditions of Employment Act for compulsory Sunday work and granted permission for voluntary overtime only

"Not so," said Nettex personnel manager Leon Garisch "Although we had discussions with the department about compulsory Sunday work we applied only for a renewal of our permit for voluntary Sunday work, which we were first granted about two years ago This had to be renewed annually and previously the union supported our application

"This lapsed in December but we only found out in January when a union action in the Industrial Court against a company plan to introduce a system which would have involved Sunday shift work came to court "Because our exemption had lapsed we were in breach of the law and therefore we had no defence

"Agreement was reached that we would first apply to the department for the exemption to be renewed before we carried on"

The dispute started in October 1987 during wage negotiations when Nettex management said it wanted to introduce continuous operation for economic and financial reasons

Actwusa objections led to the appointment of an outside consultant to conduct a study paid for by the company on the social, economic and health implications of Sunday and shift work

The survey pointed out the disadvantages on health, social and family life This week Actwusa called the concept "inhuman"

"That's all very well," said Mr Garisch "We recognise the disadvantages and have offered to negotiate compensation with Actwusa But for Nettex the bottom line is that we need to utilise fully existing plant and equipment to meet the demand for our products and take advantage of export opportunities

He said the problem was to strike a balance between company interests and worker interests, neither of which could be absolute.

"Our problem is that we're very concerned the union now rejects Sunday work altogether We'll now have to seek an exemption for compulsory Sunday work"

He said the majority of employees had agreed to voluntary Sunday work so that the plant was effectively in continuous operation while extending the system would, at a conservative estimate, create about 25 percent more jobs

SA tries to reach compromise

B/Day 18/4/89.

CHARLOTTE MATHEWS

OBJECTIONS raised by members of the Southern African Customs Union to the Board of Trade and Industry (BTI) report on the textile industry caused the board to defer some of its recommendations for a year, to reach an acceptable compromise

According to the BTI, in a supplementary report issued to accommodate those objections, Botswana, Lesotho, Swaziland and the TBVC states argued that changes to the rebates would be detrimental to their local apparel textile and clothing industries

Although the board has concluded it cannot introduce exceptions for particular countries, because such allowances can easily be abused, they made an interim arrangement to maintain the specific manufacturers' rebates in Schedule 3 and retain rebate item 470 03 in Schedule 3 for a further year

The partial rebate on textile fabrics will still be withdrawn, because that is necessary to make the tariff protection recommended in the original report more effective.

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Full rebate

For the next year, participants in the structural adjustment programme will qualify for a full rebate on importing 5% of their previous year's purchases for local processing, and not the 10% granted in the main report The report explains that the withdrawal of the manufacturers' rebate facilities was closely linked to the 10% originally recommended

Cape Times 18/4/89 (197)

NCF is luke-warm to BTI clothing report

Financial Editor

THE long-awaited Board of Trade and Industry report on the clothing and textile industries has had a mixed reception from the National Clothing Federation of SA (NCF)

In a statement issued yesterday the NCF said the report "represents significant progress"

The report had recommended tangible and specific action "Therefore the clothing and textile industries have now received certainty in respect of many important issues and are thus in a position to get on with the job — especially in the export field"

However, the statement continued, the report had taken too little cognizance of international developments and trends

And although the NCF welcomed the abolition of import control on man-made fibres and yarns as well as woven and knitted fabric from July 1, it said the benefits of this would largely be negated by the new increased duty on fibres, yarn and fabric

Imports

It "regretted the decision freely to grant permits for the import of clothing"

And it said the withdrawal of the partial rebate on imported fabrics would have a cost-raising effect

"It would be wrong to regard the report as the final chapter on the road to a more effective industrial structure in SA"

The statement stressed the need for industrial sectors to be exposed to international competition to a greater degree.

Nashua goes for the PCs

By BRUCE WILLAN

NASHUA (SA) has invested R10m in entering the lucrative R660m a year personal computer market.

It launched its new IBM-compatible Gold series yesterday in Gold Reef City

MD Jac Moolman said the decision to launch the new series was not taken lightly His company had spent "years developing and sourcing the right products to satisfy customer needs"

The entry into the PC market was "seen as part of the long-term philosophy of selling solutions and not merely products"

Moolman said the Gold series range of six models, from a lap-top to the top of the range capable of being used to run a medium-sized business, was "a natural extension of our introduction of laser printers last year and more recently the fax card which enables a pc to be used as a fax machine"

Commodity Index	**2011,6**
Platinum	**$554,65**
Palladium	**$170,90**
Raw Sugar	**£172,90**

LSE prices

Mining

Afex Corp	90	Drieftn	$9\frac{7}{8}$	St Helna	8	GFSA	19
Cor Syn	23	Durban	$3\frac{15}{16}$	Stilfont	$3\frac{1}{4}$	Wikom	$5\frac{3}{8}$
Glb Phnx	58	E Daggas	437	Gldfd P	61	W Areas	125
Lonrho	326	ER Prop	$4\frac{1}{16}$	Vaal Rfs	$84\frac{1}{4}$	W Deep	$32\frac{1}{8}$
MTD (M)	9	ER Gld	$3\frac{11}{16}$	Venters	$1\frac{5}{16}$	Rnd Mns P	288
Nchart	Unq	Elsburg	83	Vogels	102	Winkels	$14\frac{3}{4}$
Wankie	23	Freddies	158				
ZCI	25	Freegld	$8\frac{1}{16}$				
Am Gld	$69\frac{3}{4}$	Grootvl	$1\frac{1}{8}$				
AA Coal	Unq	Harmny	$5\frac{13}{16}$				
AA Crp	$20\frac{7}{8}$	Harties	638				
Barlow	528	Kinross	10				
Bracken	88	Kloof	$8\frac{13}{16}$				
Blyvrs	303	Leslie	80				
Buffels	$13\frac{1}{8}$	Libanon	$2\frac{1}{4}$				
Chrtr Cn	499	Loraine	193				
Cons Gld	1340	Ofsil	$20\frac{1}{2}$				
Cons Mch	102	Rndftn	$57\frac{1}{2}$				
De Brs D	$15\frac{1}{4}$	R Plats	15690				
Doorn	138	Southv[illegible]	[illegible]				

Industrials

Abercom	46	Sasol Npv	185
N Eng	129	Stancha	525
R Mines	$12\frac{5}{8}$	Un Stl Cr	$19\frac{1}{4}$
SA Brws	323	Unisel	$3\frac{7}{8}$

London stocks afterhours Blyvoors 303, Bracken 88, Driefontein $9\frac{7}{8}$, E Rand Pro $4\frac{1}{16}$, Freegold $8\frac{1}{16}$, Grootvlei $1\frac{1}{8}$, Harmony $5\frac{13}{16}$, Leslie GD 80, Randfontein $57\frac{1}{2}$, Southvaal [illegible]

Major boost to Cape clothing jobs seen

W/C ARGUS 15/4/89

By TOM HOOD
Business Editor

A REVOLUTIONARY change in government thinking could provide a new boost to the Cape clothing industry and the creation of many new jobs, according to manufacturers

One of the changes is offering cash benefits instead of tax refunds to help companies step up their exports

Tax benefits for exporters have been meaningless for more than 60 percent of the companies formed in the last 10 years because their profits and tax liability were still marginal

Local exporters will now also be able to buy fabric duty free.

Another revolutionary change is a clear attempt to lower inflation and make South Africa more competitive internationally. Benefits to be paid will depend on price increases being held below the consumer price index

The clothing and textile industries learned of the new exports deal this week when the principles were revealed by the Deputy Minister for Economic Affairs and Technology, Dr Theo Alant

Welcoming the Board of Trade and Industries' proposals disclosed so far, Mr Mike Getz, president of the Cape Chamber of Industries, said the authorities seemed to be trying to curb inflation by encourgaing productivity and discouraging pay rises that were not justified by improvements in productivity

It was also a fresh idea to motivate exporters by giving them access to duty-free imports.

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association, said the intention seemed to be to create more jobs in South Africa, which meant more consumers in the long run The cost of creating jobs in the clothing and textile industries was much lower than in capital intensive industries.

Manufacturers would also be placed on a more equal footing than in the past with the right to import

In future the criterion would be the extent to which a manufacturer bought raw materials locally and how he performed in the export market

The intention was for both clothing and textile industries to increase productivity and be internationally competitive The authorities wanted increases in wages to be matched with increases in productivity — "everybody goes along with that," he added

The message to local textile manufacturers was to control their prices with a warning thst excessive production would be phased out in the future

Reviewing employment in the Western Cape, Mr Jocum said there had clearly been a growth in employment this year and the industry was reasonably optimistic about prospects, although another rise in interest rates could put a damper on growth.

MC4S 21/4/89 197

Import duty set to rip through clothing budgets

By HENRI du PLESSIS
Staff Reporter

HUGE increases in import duty on textiles will send the cost of clothing through the roof, according to industry sources.

The cost of imported clothing and clothing made from imported textiles is set to double and a ripple effect is certain to increase considerably the cost of clothing made from local textiles.

Yarn, combed wool, cotton and woven fabrics have also been hit by the duty increases.

It was the lower-priced clothing which was hit the hardest, however, said importer and wholesaler Mr Reuben Shuman.

"Men's and women's jerseys which are now being offered at R59,99 will cost R99 after the duties come into effect," he said.

KILOGRAM COSTS

"The previous duty on jerseys was 35 percent or R20 a kilogram less 60 percent of the overseas cost. But this has been changed to 30 percent or R71,50 a kilogram less 70 percent of the overseas cost.

"Although the flat rate was reduced and the deductable percentage of the overseas cost increased, the kilogram costs which apply to the lower-priced garments have soared."

Another example was tracksuits, which would increase from R69,99 to R149. The kilogram cost has been increased to R50 and according to Mr Shuman, tracksuits were relatively heavy garments

Wool or fine animal-hair jackets, also heavy garments, were now stuck with a kilogram cost of R93,50.

If such a jacket cost R100 to buy overseas and had a weight of two kilograms, it would cost the importer the R100 plus R170 less the 70 percent which is R70 in this case.

(Turn to page 2, col 4)

MCas 21/4/89

(Contd from page 1)

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Thus the importer would pay R200 for an item which cost R100 to buy from its manufacturers.

And the lower the price of the imported jacket, the higher the duty

If the same jacket cost only R50 to buy overseas, the same calculation would make the garment cost R50 plus R170 less the 70 percent of R50, which in this case would come to R35. The cost of the R50 jacket would then become R185

According to Mr Shuman, the imports were not excessive or unnecessary, because the local industry could not cope with the demand.

"People will wonder who was making these high profits and will rightly complain," Mr Shuman said

"The fault lies with the government, who are imposing astronomic duties They are not protecting the local industry, because the local and homeland factories are in full production

COMPLICATED ISSUE

Mr Allan Leighton, director of the Cape Town Chamber of Commerce, said his office had received reports from members about high increases in duties, especially on cheaper clothing.

"Our Foreign Trade Committee is at present investigating and this might take some time because the issue is rather complicated," he said.

"There is quite a lot of concern about this and after the investigation, we would propably have to make strong representations

"It appears some items have been very hard hit by the increases"

An Assocom spokesman in Johannesburg said "We cannot comment before we are absolutely sure what we are talking about, but it certainly seems the consumer will feel the increases," the spokesman said

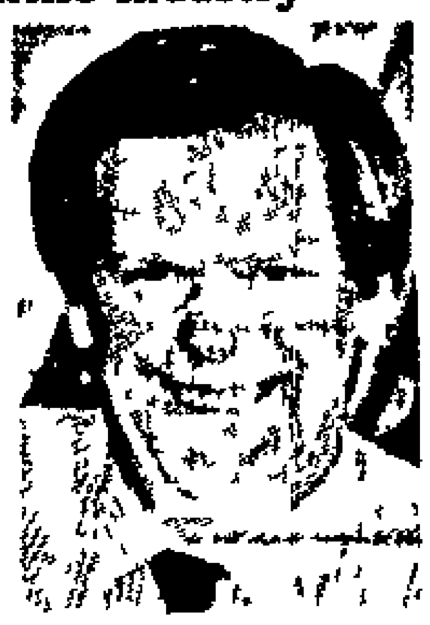
Frame looks to exports with new board

25/4/89 B/Day

CHARLOTTE MATHEWS (97)

THE Frame group has reorganised its board of directors to take advantage of the export incentives offered by the BTI in its latest report on the textile industry

Director Michael Bouchier has been appointed executive director of the group's future planning, export drive and liaison with textile boards and federations



● BOUCHIER

His position as Consolidated Cotton Corporation MD will be filled by Consolidated Waverley Textiles (CWT) CE Sidney Frame The new MD of CWT is Angus Napier

Market speculation has surrounded the unusual activity of Frame and Confram shares on the JSE in the past few days and it was rumoured that Anglovaal Industries (AVI) was buying up the Sanlam holding in Frame

Frame Group chairman Mervyn King said all he knew about this was what he had read in Business Day.

"I think it is highly unlikely that anyone would try to take control of Confram by buying shares," he said "Confram is controlled by the Frame group and only a minority holding of Confram shares is available

"It would make more sense if someone was buying into Frame, since 70% of Frame shares are held by institutions. But I don't know who is buying"

Asked if AVI was buying into Frame, AVI chairman and MD Basil Hersov said "Not that I know of"

Frame shares closed at 1 400c a share yesterday, 100c higher than Friday's 1 300c A total of 191 700 shares changed hands compared with an average of 67 641 a month over the last 12 months

Confram touched 950c a share yesterday and closed at a high of 900c, 25c higher than Friday's 875c

Mystery shrouds Frame

Star 25/4/87

Diagonal Street
197
ANN CROTTY

Heavy trading in Frame shares has resulted in a sharp rise in price from R10,50 to R14 within a few days

There has been a similar trend in Frame's operating subsidiary, Conframe It moved up from 700c to 900c within a few days.

Apart from those who are privy to the deals involved, the market has been left guessing what is behind the activity

Is one of the major textile players or one of the institutions moving in to take control, or is it a case some investors seeing good value at current levels?

Another uncertainty is the identity of the large seller of Frame stock

The consensus is that Sanlam was the major seller of Frame on Friday when the share closed at R13.

Sanlam is believed to have offered one million Frame shares yesterday at R15, but the top price it was offered was reported to have been R14, so there was no deal.

Sanlam's head of investment, Ronnie Masson would not comment on investment tactics and would not confirm or deny reports that Sanlam had been sellers on Friday.

He said there seemed to be too much uncertainty about the group and a lot of speculation about a possible takeover bid.

In view of these conditions, they were not sellers

Questioned on whether it made good investment sense to sell shares at R13 when they had been bought a few years ago at R24, he said a decision to sell a share should not take into consideration the price at which it had been bought

"The considerations in an investment decision — whether to buy or sell — must be the market price and prospects for that group."

Mr Masson felt the future of Frame was uncertain

Although he implied Sanlam was not a seller yesterday, he left it quite unclear whether or at what price it might come back to the market

Some investors believed that if the Sanlam parcel of one million shares was withdrawn, the Frame share price would move beyond last night's close of R14.

Takeover speculation and the group's good earnings prospects, enhanced by the BTI report, underpin strong sentiment, with few buyers seeing much downside at the current higher price

There is also a question mark over the identity and motive of the buyer/buyers.

This means it is not possible to determine if the buying was being done with a view to a control situation or whether it was investors seeing good long-term earnings underpinning dividend and capital growth

AVI yesterday denied it was buying Frame shares.

AVI director Dave Royston said they were bedding down the Mooi River acquisition and had not even considered Frame.

Other possibly interested parties include the other major textile players such as Barlows and SAB

One of the institutions might be keen to see a change in the uncertain situation whereby control of Frame is shared among institutional shareholders with no one institution having more than 6 to 7 percent.

Frame chief executive, Mervyn King, who does not know the identities of the recent buyers or sellers and is unaware of any bid for control, believes if there is to be a bid, the most effective way to do it would be for the bidder to approach each of the other major shareholders, rather than buying the shares in the market

Romatex Group chalks up 24% higher profits

CAPE TIMES 28/4/89

?197

JOHANNESBURG — The Romatex Group has outperformed expectations by chalking up a 24% increase in operating profit to R37,6m in the first half of the current financial year

Profit after taxation was accordingly substantially higher at R22,9m (R18,1m)

Performance

Earnings per share for the six months ended March 31, 1989 are up by 21% at 93,8c, and the interim dividend has been raised by 12% to 28c a share

The good performance is attributable to a combination of continued demand in the marketplace and ongoing improvements in productivity in most divisions

Interest has increased sharply in percentage terms but, at R1,5m, is modest in absolute terms and served to reduce profit growth to 21%

This was substantially more than offset by a drop in the rate of taxation from 39% to 36%, stemming from the influence on partially deferred tax of capital expenditure

After allowing for a minor reduction in the profits from the 50% interest in each of the two associated companies Twistex and Felt Industries — attributable profits were up by 24% at R23m

The interim report notes that the recently published BTI report "appears to create a climate of opportunity in the medium to longer term for the fabrics division"

Activity

Looking to the balance of the year, the directors say that "the current levels of activity in the group's market sectors are not expected to increase"

Earnings for the the year as a whole should however surpass those of its predecessor while "unlikely to exceed the percentage improvement of the first half" and this caution is mirrored in the 12% increase in the interim dividend

Romatex shares are currently priced at about 1 230c at which level they yield 17,7% and 6,1% on historic earnings and dividend respectively These compare with averages for the textile and clothing sector actuaries index of 13,3% and 5%. — Sapa

Diagonal Street

ANN CROTTY

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Romatex up to market forecast

Star 28/4/89

Helped by sustained demand and improved productivity, Romatex reported a 21 percent increase in earnings per share to 93,8c (77,6c) for the six months to March.

The performance was in line with market expectations, but ahead of management's forecast in the annual report last November

At that stage the directors warned that Government steps to slow down consumer spending would adversely impact on earnings growth, which was expected to be only "marginal".

The interim figures indicate that management is well on the way to making the 245c a share forecast by analysts for the full year.

To achieve these figures, Romatex has to turn in second-half earnings of 160c a share, which is just 15 percent ahead of the 139,6c earned in the comparative period in financial 1988

During the review period, the group achieved a 19 percent hike in turnover to R353,4 million (R296,7 million).

Operating margins

An improvement in operating margins from 10,2 percent to 10,6 percent translated into a 24 percent advance in operating profit to R37,6 million (R30,3 million).

After interest of R1,5 million (previous year: R0,4 million) and a tax charge of R13,2 million (R11,8 million), attributable profit rose 24 percent to R23 million (R18,5 million).

The dividend payment rose 12 percent to 28c (25c)

But management remains conservative in its forecast. In a statement with the interim results it says: "The current level of activity in the group's market sectors are not expected to increase."

It says earnings for the full year are unlikely to exceed the percentage improvement of the first half This cautious outlook is reflected in the fact that the interim dividend rose only 12 percent.

There is some justification for this conservative outlook. Although the impact of the Government's curbs on spending were muted in the first half, Romatex has a significant exposure to the furniture and motor sectors — two sectors expected soon to show severe reaction to the curbs.

Balance sheet

The balance sheet at end-March reflects the sharp increase in borrowings. Interest-bearing debt rose from R9,8 million to R19,4 million due to a commitment to capital expenditure and the payment of tax that had been provided for in financial 1988. Even at this higher level of debt, gearing remains a comfortable 22 percent.

Referring to the recently published BTI report, the directors say it "appears to create a climate of opportunity in the medium to longer term for the Fabrics Division". According to Frankel, Kruger's report on the textile industry, in financial 1988 Romatex's fabric division accounted for 34 percent of group pre-interest earnings

Romatex is priced at R12,30 and is on an historic P/E rating of 5,6 times Assuming full-year earnings of 245c, it is on a prospective P/E of 4,9 times.

BDay 28/4/89 (197)

COMPANIES

Romatex posts 21% increase in earnings

CHARLOTTE MATHEWS

ROMATEX posted a respectable 21% increase in earnings to 93,8c a share for the six months to March against last year's 77,6c after several years of dramatic surges in profits from a low base in 1985.

Turnover rose 19% to R353,4m (R296,7m), compared with a 24% improvement in operating profit to R37,6m (R30,3m).

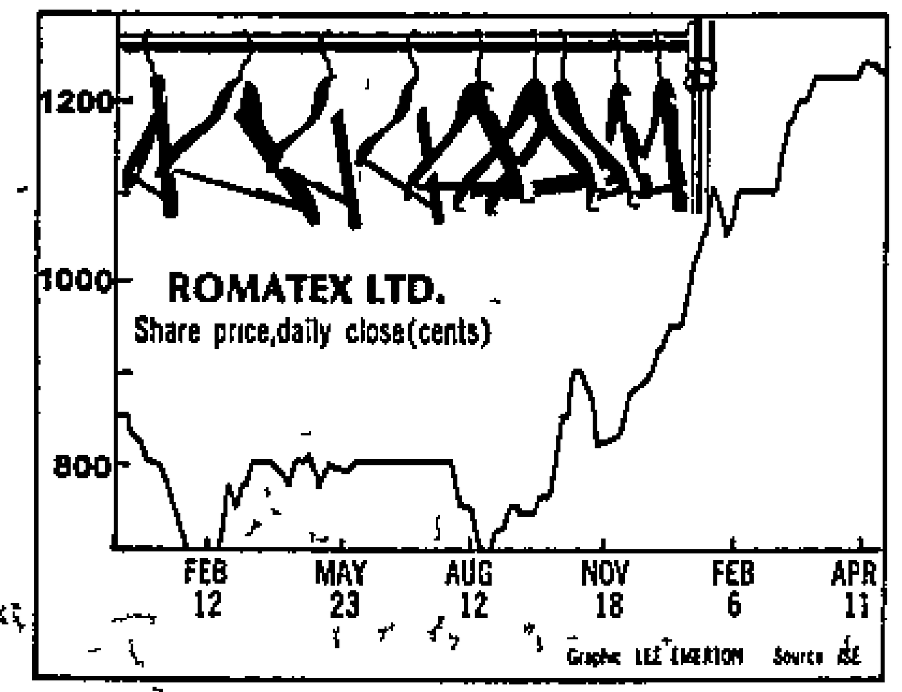
This reflects a slight increase in margins to 10,6% from 10,2%.

An interim dividend of 28c (25c) a share has been declared, a rise of only 12% reflecting the directors' forecast that earnings in the current six months are unlikely to exceed the 21% growth achieved in the first half.

Nevertheless, they expect earnings for the full year to be higher than last year

The Romatex Group has interests in the manufacturing of floor coverings, fibres, textiles, foam and automotive products as well as in a liquid storage installation, Island View Storage

Since 1985 the group has invested considerable capital in industries that are less dependent on cyclical consumer spending than its original base in carpeting and floor coverings



The balance sheet shows a jump in long-term liabilities to R37,4m against September's R1,8m, although gearing is still only 22% This is partly the result of the high capital expenditure — reflected in the rise in fixed assets to R188,5m (R162,4m) — and the payment of tax provided for the last year

Interest payments tripled to R1,5m (R0,4m) and with the increase in interest bearing debt this could escalate in the future

Romatex chairman Jack Crutchley said the good results stemmed from a combination of the heavy capital expenditure programme of recent years, tight asset management and higher productivity

The directors say "the BTI report appears to create a climate of opportunity in the medium to longer term for the Fabrics Division

"But the current levels of economic activity in the group's markets are not expected to increase during the remainder of the financial year."

OIS
Jan – Mar 89

BDay 30/5/89.

Inefficiencies, borrowings slash Filati earnings

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CHARLOTTE MATHEWS

PRODUCTION inefficiencies and higher borrowings have slashed Filati's earnings for the year to February to 4,8c a share compared with 9,4c for 1988 and the directors have passed the dividend.

At the end of January the control of the company passed to a consortium of investors, some of them UK-based, and the board of directors was reorganised under new chairman Alan Tamaris.

The company has changed its depreciation policy from reducing balance to straight line and have restated the 1988 results to provide a meaningful comparison. The directors say this has pulled down profits and earnings.

Turnover of R9m was 50% higher than the previous year's R6m, but this translated into a loss of R134 375 — last year's profit was R312 213 — largely as a result of a R561 256 loss on a venture into a woven fabric-to-garments division which has subsequently been abandoned.

Filati is a DCM-listed holding company providing management services to its two subsidiaries, Filati Knits and Germaine Knitting Mills.

They make fashion knitwear for men, women and children which is retailed through stores like Edgars, Wooltru and Foschini.

"Significant improvements in production efficiencies and internal controls will be achieved as a result of the restructuring of the management organisation and the consolidation of the factories at Elsies River and Atlantis in new premises in Cape Town in June," said Tamaris.

He said current ranges were selling well and the company had acquired additional machinery on the basis of a strong forward order book.

"We are confident the organisational infrastructure now being built will lay the foundation for controlled growth over the coming years."

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Glodina falls out of favour quickly

ANALYSIS:
STEPHEN RICHTER

INVESTORS appear extremely worried about Glodina's current-year performance, due to its sharply higher gearing, as the textile group's share price suffered a sharp setback before the JSE collapse last week

At end-March the group released results for financial 1988 which showed an increase in EPS to 40c (35,9c), while the final dividend was raised to 10c from 3c The market's initial reaction was positive as Glodina rose to a yearly peak of 225c in February

The share began to tumble in mid-April, to 200c, and by May 16 had hit a low of 145c

Taking the latest annual EPS and 16c dividend payout into account, the share, at these levels, was rated on an earnings and dividend yield of 27,6% and 11% respectively, given the average earnings yield of 9,4% and 3,3% dividend yield for industrial shares

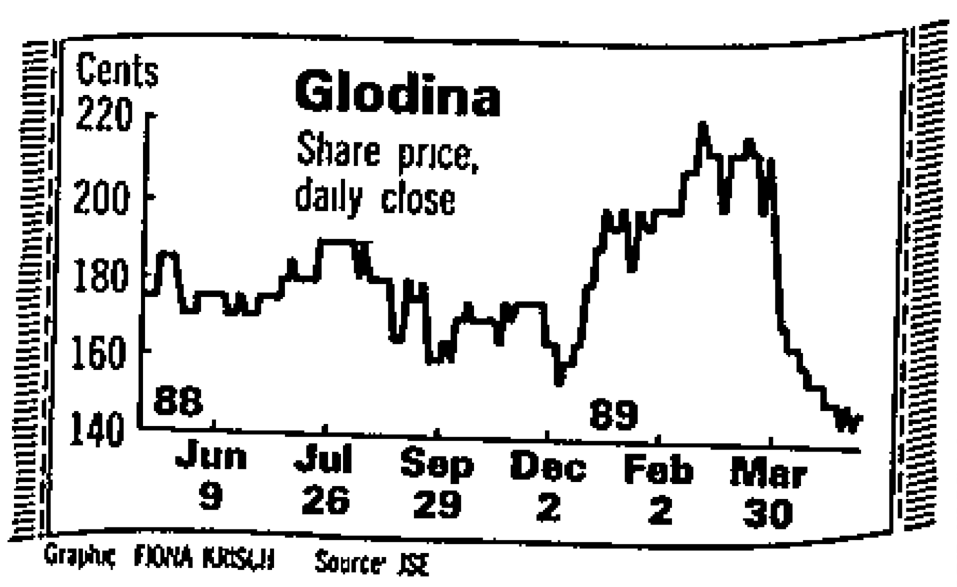
That looks cheap but the latest balance sheet shows a jump in long-term loan and bank overdraft/short-term loan categories

Long-term debt has all but doubled to R7,3m (R3,7m) while overdrafts and short-term loans shot up to R15,8m (R1,3m) To add to Glodina's interest burden, the current portion of long-term liabilities stood at R1,6m (R4,1m) with interest charges much higher than they were a year ago

Financial director Bronwyne Bruwer says management intends to reduce gearing substantially by December though she expects finance charges to rise by R1,1m to R2,8m for the full year

Borrowings rose primarily because of a price advantage, which resulted from the purchase of certain raw materials and work in process, and machinery Glodina's stockholding increased to R21,9m, from R13,1m at December 1987, but management intends working off at least R5m of this by September for a handsome profit

QwaQwa's Textowel Weaver is almost fully commissioned and Bruwer says order books are satisfactory Extra income from this operation, and reduction of stockholdings, should help to cover finance charges



Graphic FIONA KRISCH Source JSE

Glodina paid virtually no taxes in 1988 due to its investment in plant and two motion pictures Bruwer says, in addition to the tax advantage, the movies should eventually yield a profit while Glodina will continue to pay a low tax rate thoughout 1990

Glodina's EPS should show an increase in 1990, but it appears the current year will show no improvement over 1988 The shares might appear cheap but, based on historical earnings and dividends, it seems the share's performance is sending a strong warning to the market Investors should remain cautious until earnings regain their upward momentum

Springtex to raise R10m in rights issue

610a/26/5/89

SYLVIA DU PLESSIS

THE R10m which non-store retailer Springtex hopes to raise through a rights issue would contribute towards reducing the cost of the group's borrowings, financial director David Bruce said yesterday

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The Cape-based group, which sells household textiles and general merchandise directly and through mail order, confirmed the details of the rights issue yesterday after reporting disappointing results in the year to end-December

A sharp increase in interest to R2,1m from R602 000, coupled with costs incurred in expanding infrastructure, resulted in a 10,4% drop in attributable profits to R2,8m

In addition, the group declared a final dividend of 2c, bringing the total for the year to 5c — 2,5c less than the previous year

Bruce said Springtex had no plans to expand by acquisition, but would concentrate on the development and growth of the group's three divisions, all of which showed tremendous potential

The proportion of cash sales to credit transactions had improved in the current year, with the cash side comprising 60% of turnover, compared with 50% last year

He declined to comment on whether the group would show profit growth in the current financial year

CG Smith: good pointer for Barlows

B Day 18/5/87 197

BRUCE ANDERSON

ALL major divisions of the CG Smith group contributed to a strong set of interim results for the six months to March with a 28% rise in earnings to 368,9c (287,7c) a share.

A 35% rise in operating profit to R556,7m (R411,6m) came on a 25% increase in turnover to R6bn (R4,7bn).

Attributable profit rose 28% to R172m (R134m). An interim dividend of 102c (81,5c) a share has been declared.

The results augur well for parent Barlow Rand, which is due to report on Tuesday.

All three major divisions contributed toward the improvement in earnings.

□ Food and pharmaceuticals increased its contribution to attributable earnings by 28% to R95,2m (R74,6m).

□ Packaging and paper accounted for R63m (R49m), up 30%; and

□ Carpets and textiles R13m (R11m), a rise of 23%.

CG Smith chairman Warren Clewlow expects the rate of growth over the next six months to be satisfactory.

Increased trading activities, combined with a high level of capital expenditure, have given rise to higher borrowings which, together with a marked increase in interest rates, has resulted in higher interest costs, said directors.

With the increase in total borrowings, gearing has deteriorated slightly.

Despite pressure on margins, through increases in raw material prices and fierce competition, packaging and paper company Nampak showed strong growth and achieved a good increase in profits.

Clothing, textiles offer good value

STW 17/5/89

(197)

Diagonal Street

JOHN SPIRA

Clothing and textiles are among the industries best placed to perform relatively well in the years ahead — almost irrespective of the economic climate.

Apart from the potential scope for heightened exports, they are industries which stand to benefit from two positive developments:

- Growing urbanisation, which is creating a new demand for clothing products as the blacks gravitating towards the urban areas acquire increased incomes and Western tastes
- Import replacement, which is being encouraged by the sagging rand and the import surcharges.

In general, shares in the JSE's textile and clothing sector are attractively priced — largely because they comprise what is termed "second-line stocks" which are not especially marketable and therefore don't attract the interest of the financial institutions

Looking particularly cheap is Progress Industries.

The company manufactures knitwear, clothing and textiles. Based in Natal, Progress's factories have suffered from reduced productivity as a result of black township unrest. Accordingly, the group has been unable fully to exploit the strong demand for its products.

Nevertheless, Progress achieved record sales and profits in the year to December 1988. Turnover rose 19,7 percent to R50,8 million, while earnings advanced from 107c to 158c a share and the distribution was increased from 36c to 42c.

Prospects for the current year are highly encouraging. The company's new Swaziland factory comes on stream before the end of June — a development which should contribute towards a major increase in turnover in the sweater division, which last year suffered production disruptions.

The apparel division, which produces clothing from knitted fabrics purchased from the group's textile division, should be operating at increased capacity now that new plant has been installed.

Order books in all three divisions are healthy and turnover for the first two months of 1989 was 36 percent ahead of the same period last year.

The shares yield an unusually generous 9,8 percent and offer an ultra-low 2,7 price-earnings multiple.

Dividends should rise to at least 50c this year for a forward yield of 11,6 percent.

In short, the shares contain extremely good value, bearing especially in mind that in 1990 the Swaziland factory will contribute a full 12 months of earnings

Tootal reaches accord on merger with Coats Viyella

BDay 17/5/89

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ROBERT GENTLE

LONDON — Tootal, the Manchester-based textile group which disinvested from SA earlier this year, has reached an agreed £395m merger with textile group Coats Viyella.

The merger with Coats Viyella, which has a number of important textile operations in SA, confirms months of speculation that Tootal would soon be taken over.

The most likely candidate was the enigmatic Australian entrepreneur Abe Goldberg, who started building up a threatening 24% stake about the same time as Tootal was negotiating the sale of its controlling interest in East London-based Da Gama Textiles in January this year.

Goldberg will make about £10m profit on the sale of his stake, and has sent a message of goodwill to the the management of the two companies in which he looks forward to developing a worldwide trading relationship with them.

Nevertheless, reports indicate he is privately unhappy at the fact that his own bid approach earlier this year was so vehemently rejected by the Tootal board

Tootal made news in SA only last week after the publication of its annual results, which suggested year-end profits had been due mainly to the windfall proceeds from the Da Gama disposal

A spokesman accepted that these had buoyed the profit figures, but said it was company accounting policy to treat disposals in that way

Quality textiles key to the world

CHARLOTTE MATHEWS

THE SA textile industry can only compete in international markets by tightly controlling costs and quality, Romatex executive chairman Jack Crutchley said at the group's productivity conference in Durban yesterday

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He said the weakness of the rand helped to make SA products more competitive in most markets, but this was countered by local inflation "which is currently running at about 19% at textile manufacturing level"

Technology and training were critical to keeping costs down and maintaining quality, he said

"The textile industry must continue to invest substantially to achieve and maintain internationally competitive standards of equipment"

Romatex has invested R24m in the last four years in upgrading its household textile and apparel fabric factories, and this has been reflected in a 120% rise in export sales in the same period

The group is spending more on staff training, and sponsors 24 students on the Natal Technikon's textile technology course

4/6/95

6/5/95

Debonair to grow apace

ST Times 14/5/89 (19P)

Business Times Reporter

MORE growth is in store for Cape-based household textile group Debonair, which reports record turnover and profits in the year to February 28

Chairman Ian Foster says the full benefits of the acquisition of the Quiltex group last August have still to be felt The group has full order books in spite of increased production facilities

Debonair, listed in July 1987, has increased its size nearly tenfold in the past five years, says Mr Foster

"The Cape Town plant doubled its production capacity last year and our acquisition gave us manufacturing facilities in the Transvaal We have streamlined operations and cut transport costs"

Debonair increased turnover by 69% to R25,7-million and taxed profits 75% to R2-million

Earnings a share increased from 8,6c to 12,7c, giving compound earnings growth of 96% since the company's listing

Acquisition ups group's turnover 69%

B/Day 10/5/89

197

CHARLOTTE MATHEWS

THE well-considered acquisition of Quiltex, together with internal reorganisation, boosted the Debonair Group's turnover by 69% and earnings a share by 48% for the year to February

Turnover rose to R25,7m (R15m) and earnings of 12,7c (8,6c) a share were posted on an increase in shares to 15,8m (13,1m)

A dividend of 4,2c (3,5c) a share will be paid, increasing cover to 3 times (2,5)

Debonair, which manufactures linen and quilted products, was listed on the DCM in 1987 as a Cape-based operation

It has since moved to the Clothing and Textiles sector of the JSE and established a footing in the Transvaal through buying Dreyer and Statham and three Quiltex companies, Polybond, Duvet Lin and Whittles Interiors

● FOSTER

Since listing, the compound increase on earnings a share has been 96%

The Quiltex acquisition was effective from August, so only 50% of its annual turnover — about R7m, according to Debonair chairman Ian Foster — contributed to Debonair's sales figures

The tax rate dropped significantly from 42% to 29% because of investment in export promotion and plant and machinery allowances Foster said the rate should rise to around 35% in the current year

"Our objectives for the year to February 1990 will be consolidation of our existing operation We hope to achieve optimum synergy among our various companies in group deals, purchases of raw materials and asset management

"We want to concentrate on our balance sheet and get our debt equity ratio, now about 57%, into an even healthier position," he said

Debonair's operating margins declined to 11% from 13% because Quiltex had slightly lower margins on sales than the group Foster said management would work on improving margins this year

COMPANIES

Da Gama to spend R100m over the next five years

BDay 9/5/89

197

TEXTILE manufacturer Da Gama expects capital expenditure of about R100m at current values over the next five years, CE Harry Pearce says in the group's 1988 annual report

SA Breweries acquired — for R175m — a 49,8% controlling stake in the group on January 31 from the Tootal Group in the UK

Pearce says Da Gama will be taking delivery of a wide-width rotary printing machine during the first half of the year

This will be primarily for household

SYLVIA DU PLESSIS

textiles considered to be the fastest growing woven textile sector in SA

Choose

In addition, Da Gama has imported additional spinning and airjet weaving machinery for delivery this year and the full effect of this increased capacity will be felt in the second half

The group's major Ciskei-based production unit at Zwelitsha has received the SABS listing award for excellence

Pearce says During 1989 we are expecting more efficiency improvements due partially to management control innovations including computerised loom data-measuring devices

We enter 1989 with a solid order book and we will continue to direct our energy to improving quality in everything we do

We have action plans to protect our competitive advantage and to improve and build our business

Da Gama reported an earnings hike from 73 1c to 106 6c a share on an 18% increase in turnover to R248 3m for the year to end December

Textile sectors likely to perform well

CHARLOTTE MATHEWS

BDay 5/5/89 (197)

THE textile and clothing sectors are likely to perform well this year despite government policy to slow down the economy, Progress Industries chief executive Peter Jacobson said in the group's annual report

"I believe these sectors will be under strain to deliver their customers' requirements timeously, mainly because of a large degree of import replacement that will take place

"Prospects for the second half of the year will depend to some extent upon the state of the economy, which could be affected by balance of payment problems, inflation and interest rates," he said

The group had shown a 36% increase in turnover for the first two months of 1989 over the same period last year

Order books for the winter range of sweaters were completely full and textiles were booked up until August, he said

"Provided there is no serious downturn in the economy and provided there are no unexpected political upheavals, I expect our group to have a reasonable year in 1989 with a growth in profit in excess of inflation," Jacobson said

Designers provisionally liquidated

SUSAN RUSSELL

UP-MARKET fabric manufacturers and designers Smuts and Viney CC was placed in provisional liquidation in the Rand Supreme Court on Tuesday after a fall-out between the two partners

Michael John Smuts brought the application for the winding up against Smuts and Viney and partner Graham Viney

In an affidavit, Smuts said that, since the business had been founded, he had encountered numerous difficulties with Viney which had become progressively worse with the passing years

Viney, he said, had refused to contribute equally to the business

In an affidavit, Viney said the reason he had initially opposed the winding up application was because Smuts had been precipitous in launching proceedings without consulting him

"I for my part have serious reservations and misgivings about Smuts's handling of the business," he said

Return date of the application is July 4

5/6/87 Bday

"The association with RND will also make it easier to put together a package of

price differentials which occur between the local futures and international cash markets when there is a stock shortage

Designers provisionally liquidated

(197) (2292)

SUSAN RUSSELL

UP-MARKET fabric manufacturers and designers Smuts and Viney CC was placed in provisional liquidation in the Rand Supreme Court on Tuesday after a fall-out between the two partners.

Michael John Smuts brought the application for the winding up against Smuts and Viney and partner Graham Viney.

In an affidavit, Smuts said that, since the business had been founded, he had encountered numerous difficulties with Viney which had become progressively worse with the passing years.

Viney, he said, had refused to contribute equally to the business

In an affidavit, Viney said the reason he had initially opposed the winding up application was because Smuts had been precipitous in launching proceedings without consulting him

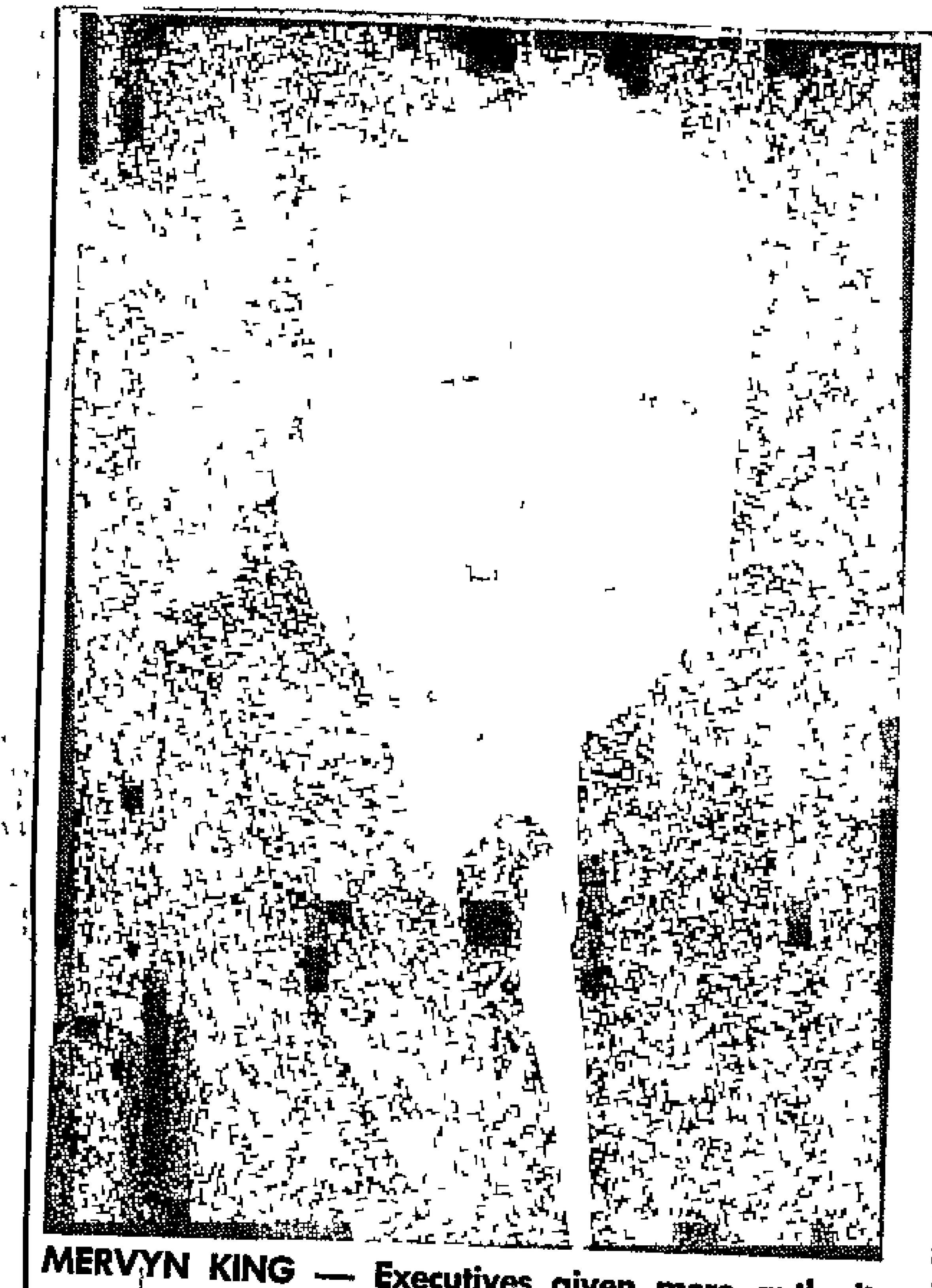
"I for my part have serious reservations and misgivings about Smuts's handling of the business," he said

Return date of the application is July 4

There are two sets of clues, but the answers are the same

Mervyn King senses 'simple' victory at Frame

197 Star 10/6/87.



MERVYN KING — Executives given more authority and accountability.

DES PARKER

MERVYN KING would like to be rid of the three-storey head-office block he inherited when he became executive chairman of the vast Frame textile group last year

For him the building is the physical manifestation of what once ailed the sprawling industrial empire — a complicated web of operations with a rigid hierarchy that in the past froze executives into wordlessness in the presence of their seniors

Mr King took over as head of the conglomerate on October 1 last year when previous encumbent Justin Schaffer fell out with fellow directors over how it should be run, Mr Schaffer had centralised authority at head office while the institutional shareholders wanted the opposite approach

Restructuring of the listed holding companies was largely complete by the time Mr King moved in It fell to him as the choice of successor to Mr Schaffer to re-organise the running of Frame, rather as he had done so successfully at Tradegro some three years earlier.

Mervyn King, former judge of the Supreme Court, former attorney and senior advocate and one of the most respected practitioners of law and business in the country, has unkindly been accused of engineering his move to the head of the group

Originally legal adviser to the Frame family, he was appointed one of the four trustees of the Philip Frame Trust which held the majority of shares in the business but was powerless to direct its affairs

Trust's interest

Eventually this hurdle was overcome and in August 1986 Mr King and his colleagues appointed Mr Schaffer from outside the group and in September the following year Mr King sold the bulk of the trust's shares to half a dozen big institutions

Mr King was appointed non-executive chairman of the group in October 1987 This was the group's first chairman since Phillip Frame died in 1979

But back to Frame head office building As Mr King discovered when he took the reins from Mr Schaffer, the offices were used to entrench a centralised chain of command system

"The ground floor was symbolic of achievment in the group," says Mr King

"If you were on the ground floor you had arrived. Never mind the fact that being there meant you were physically divorced from the function you were responsible for running"

Mr King has spent the past eight months changing all that. He is busy doing what he earned his wings for at Tradegro earlier in the decade — organising the business along "modern lines", that is, according to function

Instead of being production-driven, Frame now takes its cue from customers, says Mr King, with senior executives being given far more authority and accountability than ever was envisaged by Mr Frame.

Reporting to him are three chief executives of the main operating companies and the group financial director Reporting in turn to the three company chiefs are chief operations executives of the operating divisions

Executives and office staff are soon to ditch the collar-and-tie uniform of old in favour of open-neck shirts with the Frame logo embossed on the pocket, much like those Mr King had his Tradegro men in

While he farms out authority and answerability, Mr King is every inch the hands-on manager He concluded after his appointment that he would spend more time away from home if he moved house to Durban, because of the frequency with which he intended to visit the multitude of operations

Casting around for a new career after having established himself as a man of note in the legal profession Mr King received offers from several commercial houses he had represented in the legal sphere.

"Many that I had helped restructure and so on, they believed I could be a valuable member of their team

In 1980 he joined Natie Kirsh, who was sitting on a pile of cash, and Kirsh Trading was formed

Then followed one of South Africa's biggest takeover sprees as Mr Kirsh built the country's second biggest independent business empire, taking control of Metro Cash, Russels, Union Wine, the ill-fated AA Mutual insurance company and Checkers

The last acquisition proved to be Mr Kirsh's undoing and when the economy was beaten into submission by soaring interest rates and a failing currency in 1985, he was forced to cede control of his empire to Sanlam, which mounted a R175 million rescue operation

At this stage Mervyn King came into his own as chief executive of Kirsh Trading, restructuring the group and producing a turnaround of close to R90 million in attributable profits of the new group, Tradegro, in less than two years

Such was the impression he made that when the institutions which had invested in Frame were casting around for a replacement for the departing Justin Schaffer, they endorsed the request from the Frame executives that Mr King take on the mantle of executive chairman

How he achieved success at Tradegro was theoretically simple; he created a team spirit, he says Operating companies were given greater autonomy and redirected to orientate their activities entirely towards the needs of customers.

Mission

As the statement printed in the front of the annual report put it "The mission in Tradegro is for each company to concentrate on its core business and to dominate its market"

Mr King is continuing the process of simplification and he scents victory

"We are starting to really work together I think we actually have a team spirit, something which has been completely lacking in the past."

S/Times 11/6/89. (197)

Frame beavers away to lift returns

DAVID CARTE reports on a visit to part of the Frame textile empire

IT is easy to understand the frustration of nearly everybody associated with the huge Frame textile group if one merely walks around its plants

The scale of the operation is spectacular — hall after cavernous hall of complicated, surprisingly modern machinery working flat out, day and night

Frame starts with raw cotton, polyester, wool and acrylic and produces vast quantities of yarn, textiles and clothing

Ton after ton of valuable textiles roll off the weaving machines and are moved into vast computer-controlled warehouses Just one of these contains stocks stacked six storeys high and worth R25-million That's three weeks' production from the one mill

Industrious

After trudging five or six kilometres one discovers one has seen only a tenth of the empire — that there are 23 plants such as the three I saw — churning out yarns and fabrics of all kinds all over the sub-continent

In the Frame group, 20 000 pairs of hands toil industriously to clothe us and keep us warm

As an indication of value added, cotton goes into Frame's plants at R3,55 a kg After it has been converted into yarn, weaved, dyed and finished, it is worth R17,10 a kg

For all the efforts of the 20 000 on assets worth more than R1-billion, holding company Consolidated Frame Textiles made an operating profit of R43,6-million last year — a return of 4,3% on total assets That spells frustration for management and investors

Many Frame watchers have drooled at the potential of this huge operation If it could attain normal profitability and earn, say, 20% before interest and tax on assets of R1-billion, we would be looking at an operating profit of R200-million a year

These are the numbers that probably induced the Frame heirs to fight their court case to wrest control from the triumvirate who took over management after Philip Frame died

They were the bait that tempted a group of institutional shareholders to buy the Frame family's control at R22 a share

This was the potential that lured Justin Schaffer into leaving SA Nylon Spinners and, after his sudden departure, caused Mervyn King to leave Tradegro to take over as executive chairman of Frame

Cold

Group financial director Bruce Sanders pours cold water on some of these hopes He says Frame is unlikely soon to equal the return on capital of a rival such as Romatex

"We own all our properties outright and they are reflected on a revalued basis, reducing return on capital The properties are accurately valued on the basis of continuing operations, but cannot easily be put to other uses, so there is no question of selling them or even starting a property trust We also can't really be compared as we are in a different industry Romatex for instance don't have an Island View Storage"

Frame Group has discovered that there are limits to milking stocks and debtors, which at R497-million last year, together accounted for half of assets and amounted to 71% of the year's sales

Recognising this treasure chest, Mr Schaffer tried to run down stocks and debtors aggressively

Drastic

According to his successors, this action, plus some fairly drastic price adjustment, cost Frame considerable market share Customers who were used to low prices, extended credit, a wide range of materials and quick and reliable delivery, resented the change

Still, Mr Sanders says, there is considerable potential in better asset management Computer-controlled warehouses will be a great help

Mr King and CCC managing director Sidney Frame say there is plenty to be reaped from the radical changes made since the departure of the triumvirate

Frame has been reorganised from a tangled spider web of cross holdings into two listed companies — Frame Group Holdings a pure pyramid on top of Consolidated Frame Textiles, which wholly owns four independently managed operating companies

Decentralisation is the biggest reform since Mr Schaffer and his right-hand men left Mr King is converting the company into a decentralised customer driven one rather than production driven from the centre

Cotton-based goods are in CCC, headed by Sidney Frame, woollen goods and blankets in Consolidated Waverley Textiles, overseen by Angus Napier; and clothing is in Consolidated Apparel Manufacturers under managing director Mike Haydn Finally, there is a property division

Floods

Mr Frame says today's more efficient group structure has improved motivation and morale across the group

Another executive says "It's amazing how morale has recovered after the traumas of last year It was nerve-racking sitting in mahogany row and watching seven executives summarily bundled out of the business

"But Mervyn has won all of us over There is no question of our seeing him as an outsider imposed from above We all identify with what he's doing"

CCC is the most important operation, but it had acute problems in the year to June 1988 First, there were the devastating Natal floods, then a strike, where, in certain sections, the total labour force was dismissed Low-priced imports also hurt margins

Strength

CCC's contribution to pre-tax profit dropped from 73% to 41% CWT has gone from strength to strength, but its contribution is bound to drop after recovery in CCC, which accounts for 70% of the business today

Frame is confident it can win back market share lost to Tongaat's Whiteheads, Romatex's Berg River, SA Breweries' Da Gama, not to mention imports, in last year's travails There could be something of a squeeze on smaller players this year

The main problem facing Frame is the nature of the textile industry internationally Nearly every Third World country attempting to industrialise starts with a textile industry

It is labour intensive. There is a lot of value added and usually there are ready domestic markets to absorb production So basic textiles are extremely competitive

Although other countries protect their industries and dump abroad, say the men from Frame, the SA authorities have steadily reduced protection for textile producers to roughly 9% It is moving to virtually zero

So the only protection left against dumping from newly industrialised countries is a cheap rand Mr King understandably advocates greater protection for such an important-labour intensive industry He seems fairly confident the industry will get it

Prospects

He is anything but despondent about Frame's prospects He says cheerfully "We can hardly do worse than Frame has in the past"

Mr Frame says strong population growth in the Third World sector, domestically and internationally, plus improving prospects for reaching markets in neighbouring states augur well for the group Frame subsidiaries in Zambia and Malawi are doing well in spite of economic problems there

Brisk

At the interim, Consolidated Frame Textiles' operating income was up by 71% and earnings a share by 42% from the first set of numbers produced by the new management.

Business has been brisk in the second half, so it would be no great surprise if earnings stayed 40% ahead for the year to reach R43-million, or 77c a share.

Mr King believes improved efficiency wrought by the group's new structure should make a return on assets of 10% possible in the medium term

SIDNEY FRAME

That would be R100-million before tax It is thus not far fetched to see earnings double in the next year or two

The present share price of Cons Frame is 9,4 times the 77c earnings I have projected for the year Assuming parallel earnings growth, the prospective PE of pyramid, Frame Group Holdings at 1 225c, is 9,8

Explanation

Now these PEs are higher than that of Barlows What could be the explanation?

First, the prospects of Frame doubling earnings are probably better than those of Barlows

Second, the market recognises the asset backing behind Frame Net assets last year were R31,73 The cheaper rand means Frame's installed plant and equipment are more valuable today

The market appears to be expecting recovery of the extent I have sketched

Finally, the prices paid by Anglovaal for Mooi River Textiles and by Romatex for Berg River were reminders that Frame is still good value

Belgotex goes for exports

S/Times 11/6/89

(197)

Business Times Reporter

AN expansion programme is paying off in foreign currency for Maritzburg-based carpet manufacturer Belgotex

The installation of a R10-million needlepunch machine has boosted production of needlepoint carpeting by more than 30%, giving the family-owned company an entry to export markets

"Our capacity in the past was insufficient to supply South Africa's own needs," says managing director Stephan Colle The new equipment has raised capacity to 1,5-million square metres a month.

Response

Mr Colle says there has been good response to the export drive from the Far East and South America

Total investment in Belgotex, established five years ago, is about R80-million Mr Colle says the company has about 30% of the SA market for tufted carpet and he expects to gain a bigger share of the needlepunch market

The installation marks the second phase of a R40-million expansion project Belgotex has paid R3-million for 7 000m² premises next to its factory in Willowton, Maritzburg

Good earnings, growth foreseen by Debonair

B Day 19/6/87 (197)

SYLVIA DU PLESSIS

THE household textiles sector should remain relatively buoyant even in the face of increased interest rates and tighter money supply, says Debonair chairman Ian Foster

Writing in the Cape-based textile group's annual report, he says unless economic conditions become extremely severe, directors remain confident of "more than satisfactory" growth and earnings in the current year

He describes the group's move last year from the DCM to the main board of the JSE as a milestone in the company's development and an indication of the "phenomenal progress to date in our short but exciting history"

The group, which manufactures linen and quilted products, acquired the entire share capital of the Quiltex group with effect from August 1 last year

According to Foster, the Transvaal location of subsidiary Polybond is strategically important in the budget end of the duvet and pillow market, with particular emphasis on the continuing escalation in transportation costs

Resources

Wittles Interior provides the group with an entrée into the lucrative contract furnishings market, where it has many years of experience with the leading hotel and catering groups in SA, he says

In addition, the "better-end" market range produced by Duvet-Lin perfectly complements the range of bedroom textiles marketed by the Debonair group

During the course of the year, Debonair's Cape Town plant doubled its production capacity and additional management resources were brought in to strengthen key areas

Raw material procurement, production planning and factory management were improved to cope with the additional production, and the beneficial effects of the new team members are already being felt, he says

Debonair reported a 69% rise in turnover to R25,7m (R15m) for the year to February, with earnings a share up 48% to 12,7c from 8,6c A dividend of 4,2c (3,5c) per share was declared, covered three (2,5) times

Mill strike to be mediated

CAPE TIMES 24/6/87

Staff Reporter

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A LEGAL strike by more than 1 000 workers at the Worcester-based Hextex textile mill has been referred to mediation in a bid to resolve the 37-day deadlock over service bonuses.

Confirming this, Amalgamated Clothing and Textile Workers Union regional secretary Mr Ibrahim Patel yesterday said the company had employed about 100 casual labourers "in an attempt to undermine the strikers' morale".

Hextex personnel manager Mr J M Marx last night declined to comment and referred inquiries to the company general manager, Mr R D Clapperton, who could not be reached.

Clothing prices set to follow textiles up

By TOM HOOD
Business Editor

26/6/89

CLOTHING prices are set to soar because textile costs at manufacturing level are 19 percent higher than a year ago

Factors boosting textile costs were dearer raw materials, the devaluation of the rand and domestic wage setlements significantly above the inflation rate, said Romatex group chief economist Mr Jon van Coller today.

Clothing prices rose last month at an annualised 23 percent after a 33 percent rise for April in terms of the consumer price index.

Mr van Coller said demand for textiles and clothing was being stimulated by the country's still-increasing money supply. Demand for cotton and wool was very strong internationally and synthetic fibre feedstocks remained scarce.

● Footwear prices have risen slowly this year, but soared by 4,8 percent in April, equal to an annual rate of 58 percent.

Wrong on three counts — Mervyn King

S Times 23/7/89 (197)

MERVYN King, chairman of Frame Group, replies:

I do not wish to enter into a debate with the NCF and I do not wish to be seen to be scoring Brownie points as Mr Van Zyl has set out to do I, therefore, do not deal with his letter in detail, but do not thereby admit its correctness

There are three basic erroneous premises in Mr Van Zyl's letter First, the Frame Group did not use Business Times for any purpose It came to us

Second, the Frame Group does not only produce apparel fabrics, and third, two of the three "quotes" are not by the "men from Frame"

I do not agree that there is a conflict between the textile and clothing industries

The conflict is "created" by this kind of letter and in regard to which members of the textile industry no longer respond as a matter of deliberate policy

It is in the best long-term interests of the textile and clothing industries that it is recognised that they need each other and work together That is the basis on which we work with our customers In the real world there is co-operation and not conflict

[redacted]

Frame is a diversified textile group manufacturing goods for the mines, manufacturers of shoes, luggage, cars, carpets, bags, furniture, industrial fabrics and yarns, hand-knitting yarns, blankets, geo-textiles, household textiles, polyester fibres, apparel fabrics, etc

About 15% of Frame's output consists of the apparel fabrics which concern Mr Van Zyl's office

Notwithstanding Mr Van Zyl's narrow ambit of concern in relation to the textile industry as a whole, he fails to state that 40% of all apparel textile fabric imports come in free of duty under one or another third schedule rebate apart from the duty-free imports for export purposes

The actual total duty paid over the totality of fabric imports is therefore considerably less than the 20% ad valorem duty

The BTI report which dealt with the apparel textile industry — and not the textile industry as a whole — talks of phasing out protection

Formula duties were originally developed to protect the clothing industry itself against constant imports of end-season, off-season and surplus stock exports which could not be protected by anti-dumping duties

[redacted]

These formula duties were extended to other industries faced with pervasive disruptive price imports The preventive effect of formula duties has over many years kept clothing imports to a low percentage of the total market requirements and should continue to do so even without the added protection of import control The future of the clothing industry would be uncertain if disruptive imports could only be countered by anti-dumping duties as such

I am on record as saying, and I repeat, that one can establish a constant export market (as opposed to non-constant export sales) only if one has a firm domestic base Manufacturing in this country is becoming more expensive because of inflation If imports continue rising, we will not have a manufacturing industry, including clothing It is not a chicken and egg situation first the home base must be established

By this I do not mean that imports must be banned because without them there would be no exports Without exports a country cannot finance imports Some countries have absolutely protected certain of their industries before expecting them to start exporting on a competitive basis

The reference in the article to the devaluing rand is, of course, applicable to every aspect of economic life The reference was not a quote by "the Frame men" The devaluing rand is of assistance, but industries must obviously constantly strive to improve their efficiencies

The Business Times report refers to the "labour-intensive" textile industry in the context of the textile industry being a large exmployer of labour This again was not a quote by "the Frame men"

I do not agree that of words smack of "economic illiteracy", because as the reporter saw and effectively reports in the article, the textile industry is capital intensive, but a large employer of labour The BTI use the same language in conveying the concept of a large employer of labour

The clothing industry is itself protected and has ad valorem duties of more than 20% The economic reality about imports and exports is what I have set out above Mr Van Zyl is talking from an imperfect tower when he preaches a free-market economy

[redacted]

The Friedman utopia of a free-market economy is not only a distant goal for any developing country, it does not even exist in the US Further, the large volumes of fabrics imported in 1987/8 at cheap prices did not result in the consumer buying cheaper clothing Who gained from the additional margin?

There is effective competition in the textile industry in SA and the margins speak volumes in this regard The manufacture of apparel textiles is not a science and as such the clothing manufacturer has worked out tolerances with the textile manufacturer

The Frame Group is certainly not delivering 30% of confirmed orders late The local industry does not have access to world prices of certain raw materials and other input costs

The absorption of costs in the industry is well known and to talk of current apparel fabric price increases of 20% (which I do not concede) is misleading if it is intended to mean that apparel fabric manufacturers are increasing prices by 20% as a full contribution to their margins

[redacted]

If one takes Mr Van Zyl's points to a logical conclusion, capital-intensive industries should not be encouraged or fostered in SA and cheaper job-creation industries should be permitted to import input materials, provided they are cheaper than can be produced locally, and those cheaper job-creation industries should be protected by controlling the free importation of the products they produce

[redacted]

If we followed that course, Mr Van Zyl's members would have no currency to import their cheaper input materials

The senior members of the NCF are realistic businessmen and I personally have found it a pleasure talking to them and discussing with them the problems in the clothing pipeline

SA's future in the clothing pipeline will be determined by the degree of mutual co-operation and planning between the apparel textile manufactures and the clothing manufacturers

Senior members of Mr Van Zyl's federation and the Frame Group support the approach of mutual co-operation and planning

I believe it is a question of judgment as to whether the NCF is or is not a self-interest group and whether it does or does not seek platforms and opportunities to put its views across

Clothing industry challenges Frame claim

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LETTER TO THE EDITOR

THE report headlined Frame beavers away to lift returns (Business Times, June 11) leads me to suspect that you have been "used" by the Frame Group to misinform readers on the vexed question of "protection"

Consider these three quotes as examples of incorrect information

● *Although other countries protect their industries and dump abroad, say the men from Frame, the SA authorities have steadily reduced protection for textile producers to roughly 9% It is moving to virtually zero*

My organisation the National Clothing Federation of SA (NCF) comments The South African clothing industry is dumbfounded by this statement. The April 1989 Board of Trade and Industry (BTI) report imposes a minimum duty of 20% on all fabric imports.

However because of the inflationary effect of the new formula duties, the actual protection levels range from 20% to as high as 80% As a matter of fact, the president of the Textile Federation expressed his satisfaction with the "increased protection afforded to his industry when he said of the April 1989 BTI report. "Now we have reasonable protection again we are ready to re invest." (Financial Mail 21/4/89)

The statement that other countries protect their industries incorrectly implies that SA does not. Here again, the truth is that the textile industry in SA, after decades of existence remains one of the best protected textile industries in the world — 20% to 80% protection

To merely say that other countries dump abroad, reflects sadly on the attitude of management in SA textiles and suggests a lack of outward orientation (endorsed by National Productivity Institute findings) and an inability to become competitive and efficient

Dumping is a misused word It often means any import is cheaper than similar locally produced products. Why cannot the local textile industry become competitive?

It is time that the passive and apathetic SA consumer woke up to the fact that he or she has to pay the protection bill

● *the only protection left is a cheap rand*

NCF comment. In addition to the high protection afforded by the new formula, duties contained in the April 1989 BTI report, surely the men from Frame are aware of the existence of a whole range of instruments to combat so-called unfair competition, such as anti-dumping duties, interim duties, provisional charges, countervailing duties, etc

In addition, all fabric imports are subjected to rigid, quantitative import control As if this were not enough, local textiles also enjoy additional protection by way of the 10% import surcharge, and plus minus 10% transport costs to bring raw materials to SA, i.e. a minimum of 40% total protection on fob prices. We thinks the lady doth protest too much.

● *Mr King understandably advocates greater protection for such an important labour-intensive industry*

NCF comment. The highly concentrated textile industry is already characterised by a lack of effective competition (as per the findings of various official investigations).

Greater protection will merely aggravate the situation in that it will push up the price of clothing even further, thus distorting the allocation of SA s limited resources resulting in increased unemployment, even lower economic growth and an increased inability to compete internationally

Why does Mr King want extra protection? Surely he is aware of the excellent financial results obtained by the textile industry in the past two years He should be aware that more than 30% of all confirmed textile orders are still being delivered late to the clothing industry He should also know that textile prices are increasing at more than 20% a year

To call the textile industry labour intensive (possibly because it employs 100 000 people) is absurd. It also contradicts official reports (in which the industry is described as capital intensive) and smacks of economic illiteracy

Your article says Frame has 20 000 employees and assets of R1-billion, which means it employs R50 000 of assets per job That is capital intensive. Assets per job in the clothing industry runs to only R3 500

In conclusion the clothing industry wishes to warn that SA is facing difficult times and the single most important need at this stage in our history is for economic growth SA needs economic reform more than political reform

Therefore, parochial pressure-lobby groups, motivated by self interest, should not be allowed to jeopardise the national interest. They should not be afforded platforms from which to advocate ideologies which can only undermine the economic welfare of a free-market economy — H W VAN ZYL, executive director, National Clothing Federation of SA

Wage talks solution closer

CAPE TIMES 5/8/89

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Labour Reporter

MAJOR textile manufacturers and the Amalgamated Clothing and Textile Workers' Union of SA (Actwusa) this week edged closer to settling annual wage talks, with employers increasing their offer to R12.

Companies represented on the mostly Natal-based Industrial Council for the Textile Industry have proposed increases of R12 each to be implemented in July this year and January 1990.

Actwusa has demanded R13 and R14 increases.

Good returns from textiles boosts Premcon

3rd 4/9/87

Finance Staff

Good returns from its textiles and market research divisions lifted annual earnings of Premier Consolidated (Premcon) 25 percent from 9,78c to 12,21c a share for the year ending June

The dividend was raised from 3,25c to 4c, while net asset value per share increased 10 percent from 76,58c to 84,79c.

MD David Chapman said relatively small borrowings limited exposure to rising interest rates In the near future the group would have the facility to finance growth through borrowings without becoming overgeared

Premcon's investment portfolio remains unchanged but the company is on the lookout for further opportunities and rationalisation

The main investment legs are 75 percent owned textile manufacturer Ivitex, which increased profits by 41 percent, 50 percent owned Research Surveys, which pushed its profits up 37 percent and significant stakes in President Medical Investments and Faircape Homes

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Romatex and a non-carpet caper

S/Times 10/9/87 197

"YOU don't live in the real world," Romatex executive chairman Jack Crutchley told financial reporters and analysts.

"You don't know what it's like when four car manufacturers say, 'Don't send us any stuff this week, we're on strike' "

I think the point of the comment — other than to humble us all — was that Romatex's results might not be all that special in the year to September I guess that earnings a share will be about the same as last year's 217c

The share price supports this view, having declined from 1 250c in April to 1 050c now

MILITARY

Mr Crutchley is correct when he says a week's sales can never be made up They are lost for good

He told us at the outset of the two-leg tour of the Romatex's Cape textiles centres and Durban chemicals and floor coverings that he did not want people to think of carpets when Romatex was mentioned

I have to confess that I think of Barlows when Romatex is named

Mr Crutchley was appointed by that prestigious company to lead the floor-covering, fabric, fibre and foam (the four Fs) group after Jack Ward retired

I wondered how well Romatex's notional heirs apparent might have taken the appointment from without of a former steel and military man

A fellow Yorkshireman of mine said "He'll do all right, but he's got a bit to learn He calls this a woollen mill when it's actually a woollen worsted mill"

Mr Crutchley has made his mark on the group by eliminating a division, selling a couple of businesses, and promoting the idea of higher productivity

I cringe when companies spout that their driving forces are such noble things as "recognition that people are our most valuable resource" and so on, but having seen the Yorkshire woollen industry crash in the 1970s I know he is right about productivity

JACK CRUTCHLEY urgency and energy

His ideal is a smaller, skilled workforce which can be paid well But companies in SA struggle with a brittle workforce demanding high wages and other benefits, and it is never easy to lay people off

The Romatex group employs about 12 000 in 50 factories and warehouses

The mills division — which last year accounted for 16% of profit before interest and tax (PBIT) — all but disappeared when Ropes & Twines was sold to Haggie and industrial fabrics were put into the industrial division That leaves four clutches

POSH

The floor-coverings division — a posh name for carpets — which makes leading brand names of carpets, contributed 17% to PBIT in the past year An impressive operation, its export book includes some surprising buyers

It also won blue-chip contracts to recarpet Durban's Royal and Johannesburg's Carlton hotels recently Can you believe each contract cost more than a million bucks?

Romatex Fabrics, which boasts Biggie Best among its clients, made 34% of PBIT Industrials, where non-woven goods, felt and foam are made as well as automotive products, added 18% to the total

Island View Storage — tank farms in Durban and now on the Reef at which bulk liquids are stored and moved — accounted for 15% of PBIT That will rise because R7-million was spent on a site in Isando

Not the fish-out-of-water it might seem among the four Fs, Island View was picked up to reduce cyclicality on Romatex's earnings Spick-and-span premises and hardly any employees make it a wonderful profit centre

Ironing out the effects of economic cycles is one of Mr Crutchley's aims during his tenure He seeks to boost exports from 8% to about 20% of turnover, and is interested in high-tech advancement

Money has been, and will continue to be, put in to Romatex Capacity has been increased and organic growth nurtured But money alone cannot make the changes

RIPE

Romatex does have a generation of modern thinkers coming through who look ripe to assist with the change in culture desired by Mr Crutchley

He said he wanted us to sense some of the urgency and energy he seeks to instil in order to achieve real profit growth of 5% a year — "not inflationary illusions"

Mr Crutchley took over a Romatex which had made record profits the previous year — a hard act to follow

Whether Romatex fulfils its potential in the coming years remains to be seen Economic troughs and peaks will take their toll, but the fruits of management's labours will be available for shareholders

B Day 13/9/89

Strebel maintains steady growth rate

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SYLVIA DU PLESSIS

BUSIER trading, coupled with real growth experienced by each of its manufacturing operations, has allowed the Strebel Group to continue on its steady growth path in the year to June

The group, a manufacturer of trimmings, fasteners and accessories for the clothing, footwear and luggage industries, has posted a R1m rise in attributable income to R6m in the face of a 10% hike in its effective tax rate to 40%

This has been achieved on a turnover index which surged 39% to 520 (374), and operating income which was boosted by 43,4% to R10,5m (R7,32m)

Operating income was 60% higher in the latter half of the year compared with the corresponding period in 1988, and as a return on net average assets continued to grow, reaching 44,2% (36,5%)

Earnings a share of 39,8c (33,6c) — an increase of 18,5% — have been recorded, and a final dividend of 9c has lifted the total for the year to 13c (7,5c)

Textile division

MD Fred Strebel said in a statement yesterday the good performance was due to buoyant trading conditions, organic growth, higher productivity and a reputation for quality products and service

A major development during the year was the establishment of a textile division, which had great potential for growth as a result of increasing import replacement and the steadily growing purchasing of urban blacks

"We created this division by extending the General Dyers and Bleachers plant to include the manufacture of knitted fabrics for the local clothing industry and by acquiring two new concerns," he said

These concerns were Embroitex, SA's largest manufacturer of embroidery, and Atlantis Non-Woven, which supplies non-woven fabrics to the bedding, footwear and building industries

"The acquisition of Embroitex means we are able to offer a comprehensive range of embroidered products to the household textile market, while Atlantis Non-Woven allows us to further penetrate non-clothing markets"

Strebel said directors were optimistic about the forthcoming year and forecast continued growth and earnings, barring an unforeseen deterioration in economic conditions

"Textiles, together with trimmings, fasteners and accessories is one of the so-called 'sunrise' industries

"It has great potential for growth through import replacement and the rise in income of the increasingly urbanised lower income consumers The household textile market, in our view, has excellent growth opportunities"

Strebel added the group was continuously working on improving efficiency and reducing costs by focusing on technology

Concor earnings beat forecasts

392

EDWARD WEST

B/Day 13/9/89

CONCOR has surpassed earnings forecasts of 20c a share for the year to June 1989 and has increased earnings a share by 68% from 14,1c to 23,7c a share

Concor chairman Brian Murphy decribed the results as "healthy" He said the availability of work during the year had enabled the company to maintain a full order book

Reflecting improved operating margins the company, one of the largest construction groups in SA, has boosted pre-tax profits by 43% from R4,03m to R5,76m on a turnover increase of only 29%

The company has not disclosed actual turnover The final dividend it paid last year was doubled to 4c a share this year The extraordinary loss of R188 000 was attributed to a premium on the acquisition of a subsidary company written off

The directors, who passed the interim dividend, but anticipated a year-end dividend as the company's results continued to improve, were confident of increased pre-tax profitability during 1990

Concor company secretary Graham Mullany said all divisions, including construction, concrete products, roads, earthworks and plants and a mechanical and electrical engineering division, performed well during the year

Reflecting a general building trend, the housing and low rise building sub-divisions of the construction division did not perform as well as other divisions due to low margins in the building industry, said Mullany

Although many economic factors made it difficult to predict the traditonally cyclical nature of the construction industry, Concor was confident of increased pre-tax profits during the 1990 financial year, he said

builds on earnings

JOHANNESBURG — Concor has reported a 62% increase in attributable earnings for the year to June with earnings per share climbing from 14,1c to 23,7c

Income attributable to shareholders was R5 399m compared to R2 999m the previous year.

Pre-tax profits rose by 43% to R5 764m while turnover — not revealed — increased by 29%

The interim dividend was passed but a final div of 4c a share was declared compared to 2c during the same period last year — Sapa

Strebel boosts income 43,4%

GHC Times 13/9/89 (180) (197) (200)

THE Cape Town-based Strebel group, which has expanded from its core business of trimmings, fastenings and accessories into textile manufacturing, lifted operating income by 43,4% to R10m (R7,3m) in the year to June 30

Turnover rose by 39%, which chairman Fred Strebel said was due to organic growth as well as acquisitions

But the group was hit by an 87% rise in its tax bill, to R3,9m (R2,1m), which limited the rise in attributable income to R5,9m (R5m) Earnings at share level rose to 39,8c (33,6c) The final dividend is 9c, making a total of 13c (7,5c) for the year

The net asset value per share has risen to 132c (111c)

Strebel said it was gratifying that operating profit had grown by 60% in the second half of the year

He was optimistic about prospects for the coming year, in spite of the cooling down of the economy

Strebel's core business normally continued to do well even in a downturn and increasing black urbanisation would mean continued demand by the clothing industry There would also be increased demand for household textiles, as more houses were built.

Strebel said that in line with a policy of greater diversification, the group had formed a textile division during the year After buying SA Badge and Embroidery Works (Pty) and Cape Embroidery Works (Embroitex) it had formed a knitted fabric unit

This had been integrated with the group's commission dyehouse, General Dyers and Bleachers

On July 1 this year the group had acquired Atlantis Nonwoven Fabrics, which supplied fabrics for the duvet, mattress, footwear and building industries

talks for Border Air

EAST LONDON — The major shareholder in Border Air, Jack Rance, yesterday confirmed that the airline was in the final stages of merger talks with Magnum Airlines and Citi Air.

"We hope to be in a position to make an announcement later this week," he said

The proposed merger, which could herald major structural and operational changes for Border Air, would give the small charter airline the full benefits of the sophisticated Johannesburg-based Magnum and the Durban-based City Air operations

Meritex share earnings slashed

Fin Times 14/9/89 (197)

Financial Editor

DELAYS in the arrival of new machinery were the main reasons for disappointing results turned in by footwear and textile manufacturer Meritex for the six months to July 31, chairman and MD E Gordon explains

Although turnover rose by 23%, following a 22,2% rise in the year to January 31, after-tax income fell sharply to R214 000 compared with R2m in the first half of last year Earnings at share level were 1c (12c).

But Gordon says the situation had already begun to improve in the last quarter

Forecasting improved earnings in the current six months, he says the market outlook for the second half of the year "remains buoyant"

Figures released yesterday show that income before tax and interest fell to R1,2m compared with R2,9m in the first half of last year

The interest bill rose sharply to R892 000 (R155 000) leaving pre-tax income of R397 000 (R2,7m).

The tax bill fell to R183 000 (R795 000) but attributable income was R123 000 (R1,8m)

Explaining the drop, Gordon says in the first quarter the group suffered a loss of R881 000 This, he says, was due to five factors

There was a continuing dyehouse bottleneck "which was to have been alleviated by outside commission dyeing, which was not forthcoming in spite of prior arrangements"

Delivery of essential dyeing, printing and cutting machinery from overseas was delayed

There were installation delays with the group computer planning programme

Interest rates were greatly increased on borrowings "which were high as a result of peaking mid-year stock levels and a recently completed major expansion programme"

And additional costs and non-recurring losses were incurred as a result of the relocation of the New Colours factory in March.

Gordon continues: "Urgent remedial action was undertaken by management and the first quarter loss was converted into a R1,2m second quarter pre-tax profit after meeting the much higher interest charges.

"The last of the delayed capital equipment was delivered and commissioned in July 1989, and dyeing and cutting backlogs have now been eliminated

New Colours has been operating profitably since June and the computer planning programme is being more effectively implemented"

B/Day 26/9/89

197

Grinaker expects improved earnings up to June 1990

EDWARD WEST

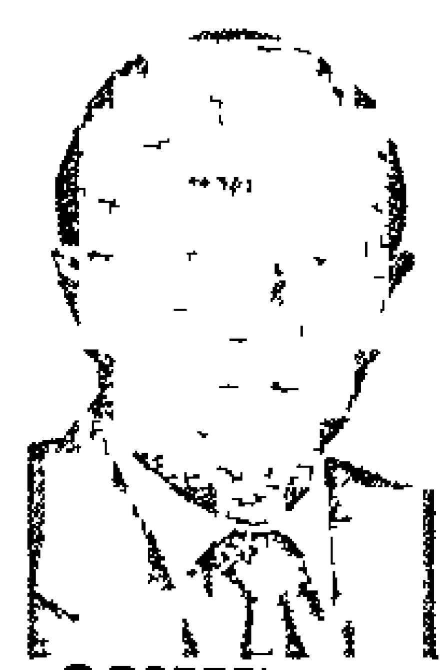
ALL major investment segments of Anglovaal's Grinaker Holdings are expected to improve earnings for the year to June 1990, with orders at high levels and at acceptable margins, says Grinaker chairman Jan Robbertze in the group's 1989 annual report

Grinaker Holdings has two main subsidiaries, Grinaker Construction and Grintek Limited which will hold Grinaker Electronics and Siltek Limited

During 1989 Grinaker's earnings increased 50% to 106,8c a share over the previous year, mainly because of buoyant trading conditions and reorganisation within Grinaker Construction

The group's liquidity position remains sound with interest-bearing debt to equity at 19%

Grinaker Electronics improved turnover and earnings significantly in the past year, and orders were at record levels, said Robbertze



ROBBERTZE

Siltek pursued its long-term strategy to enhance its stake in the computer industry and acquired a 40% interest in M & PD Electronics

Siltek is to undergo a year of consolidation and reorganisation, the report says It acquired a further 25% of Q Data, a leading computer software house

The acquisition of HiPerformance Systems, formerly Hewlett Packard, with effect from July 1, was another step to achieving this strategy

Cash shell Mooi River Textiles is to acquire 96% of Grinaker Electronics' issued share capital in exchange for the issue of new Mooi River shares

In this way the listing of Grinaker Electronics will be facilitated

Grinaker Construction, which contributed 30% to Grinaker's earnings, increased earnings 79% last year on a 39% rise in turnover

However, margins had not reached acceptable levels in some sectors, the annual report stated

Home-building margins were too low for the risks involved, and high interest rates made it difficult to maintain land stocks at reasonable levels This division's growth rate would be slowed till the market stabilised, the report said

B/Day 4/10/89

197

Tootal results boosted by Da Gama Textiles sale

Own Correspondent

LONDON — Textile group Tootal wove a somewhat tangled web out of its half-year results, which met expectations only with the addition of £3,3m from the sale earlier this year of a stake in JSE-listed Da Gama Textiles

Pre-tax profits were marginally up to £19,3m, though earnings per share fell to 4,65p (5,03p) because of a greater number of shares in issue The interim dividend inched up to 1,9p (1,8p)

The surplus on the Da Gama sale was spliced into trading profit rather than appearing as an extraordinary item on the grounds that it would occur several times again as Tootal still had a 30% stake

Conditions for the thread and fabric industry are still very difficult because of strenuous competition, though the strength of the pound is less to blame as Tootal buys or manufacturers much of its basic material overseas

It concentrates only on finishing activities in the UK so that it can meet demand for industrial thread orders within 48 hours.

Management has obviously been distracted by planning for the Coates merger and for alternative strategies — probably involving acquisitions — should it not go through But the acquisitions record does not look good

Stationery company Sandhurst Marketing was in poorer shape than Tootal expected when it was bought for £22m in 1986

It has now been sold for about £4m, with the taking on board of £12m in debt.

US acquisition Lantor, which makes sophisticated non-woven fabrics, has not performed as well as expected

Analysts said Tootal would be lucky to maintain full year profits at £42m and said the half-year performance showed why the group should team up with the larger Coates group

Debonair doubles income, dilutes profits

CHARLOTTE MATHEWS

SQUEEZED margins and higher finance costs turned Debonair's 109% turnover increase, for the six months to August over the previous interim period, into a 12% fall in attributable profits BDay 5/10/89

Profit after tax dropped to R747 000 from R850 000 and this was diluted further to a 28% fall in earnings a share to 4,3c (6c) because the number of shares in issue was increased to 17,5-million (14,2-million) to finance the purchase of Quiltex.

No interim dividend has been declared in line with company policy. (197)

Debonair is based in the Cape and designs, manufactures and markets household textiles. In the two years since its listing, the group has expanded rapidly and recently opened a down product manufacturing and distribution operation called Fine Feathers

The need for more working capital with the rise in interest charges caused Debonair's interest bill to rise sharply to R704 000 from R212 000

"The group is currently re-focusing on market strategies and on implementing improved and tighter financial controls, including asset management," chairman Ian Foster said

The Johannesburg distribution depot would be closed to reduce operating costs, and operations in Cape Town and Johannesburg were being restructured to improve the service offered

R35m for Berg River Textiles expansion

197

CHARLOTTE MATHEWS

ROMATEX is investing R35m in the expansion of its facilities at Berg River Textiles' cotton fabric at Paarl to maintain its share of the growing cotton market, executive chairman Jack Crutchley announced yesterday.

The investment will be in all Berg River's activities from fibre treatment to combing, spinning, weaving and finishing, including the purchase of modern airjet looms, and it will significantly expand capacity

The Romatex group has interests in textiles, floor coverings, foam and automotive products and a storage facility, Island View Storage The fabric division's contribution to operating profits has grown to 34% in 1988 from 22% in 1984

Since acquiring full control of Berg River in 1984, Romatex has invested more than R46m in its development, of which R30m has been spent in the past three years

Price of cotton clothing to soar

W/E ARGUS 18/11/89 (197)

By TREVOR WALKER
Business Staff

PRICES of cotton garments are set to rocket in 1990 as a result of world cotton prices rising more than 40 percent.

South Africa's prices are based on the Liverpool cotton market which has been booming in recent months

South African spinners who are forced to buy from the farmers are horrified at the soaring rise in Liverpool and this has placed the South African Cotton Marketing Agreement under severe strain

Local farmers meet 95 percent of this country's cotton requirement and want to share in the Liverpool bonanza

The South African price based on Liverpool was 355c/kg last year but this year farmers are looking for 500c/kg

Cotton manufacturers and the farmers via the Cotton Board annually fix the price ofthe commodity for the year

This stability in price structure has enabled farmers to plan plantings and spinners to plan market offtake

In the past Liverpool might have been below or above the local price, but the industry generally accepted this as in its best interest

But farmers argue that they have fallen behind in recent years and now under the existing marketing agreement they want their quid pro quo

While the country's best cotton is grown in the Upington region, the bulk of the crop comes from the Western Transvaal

The region is now demanding substantially higher cotton prices while farmers convert to mechanical pickers because of the high costs of local labour

Mechanisation has led to a deterioration in quality due to leaves and dirt getting into bags and spinners complain that streaky colours in fabrics are now almost an accepted fact

The South African Cotton Marketing agreement is to be suspended next year and the maximum and minimum price parameters that have curtailed the industry in the past will fall away

This means that the local Liverpool-based price of cotton, which is computed on an average price for the months of August and March, will not be used and the price in Liverpool next March will be used to set the local South African price

The country is self-sufficient in most grades of cotton, but quality remains a contentious issue in the trade

One executive said "We are in the top end of the market and quality is paramount, yet today we can never be sure of our cloth Spots and streaky colouring are unfortunately too common

"We could satisfy our European partners in the past, but today every discussion ends up with the likely quality of our local cloth"

A store owner said "It is such a pity that a natural fibre such as cotton has become so expensive It used to be a cheap and very useable commodity, but today it has become a luxury"

Export openings for textiles

B/Day 30/11/89

CHARLOTTE MATHEWS

OPPORTUNITIES for growth in the textile industry in 1990 would be in the export market rather than in the domestic market, Romatex chief economist Jon van Coller said in the latest issue of the Textile Federation newsletter Textile Topics

He said domestic demand for household textiles, especially in the budget category, was likely to remain steady as the black housing market continued to grow

The probabilities of a soft landing for the economy in 1990 were fairly high, but Van Coller warned the large debt repayments which have to be met made it necessary for the country to build up the balance on the current account

He urged the industry to involve itself "actively and positively" in the structural adjustment programme

"The more domestic value which can be added in terms of additional processes in the pipeline, the more competitive the locally produced products should become in international markets, provided the new incentive schemes are used to full advantage," he said.

If the soft landing materialised, demand for clothing and household textiles should remain reasonably firm, he predicted.

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Imports

Real annual growth for clothing and household textiles in March 1989 was 11% and 10,5% respectively, against 5,1% for retail sales of all goods.

"The growth rate can afford to come off substantially without actually becoming negative."

High retail demand for clothing and household textiles, together with lower imports had resulted in high capacity utilisation of 89,4% for textiles and 84,8% for clothing in May 1989 The benefits of this should start to show in lower inflation for both industries in the near future

On the negative side imported fibre prices were affected by the declining rand exchange rate over which the industry had no control, but Van Coller said other expenses and productivity needed to be kept in check.

"I am confident that the better plant utilisation and therefore overhead recovery will begin to manifest itself in lower price escalations fairly soon"

Consideration given to multi-shifts

197

B Day 7/12/84

CHARLOTTE MATHEWS

CLOTHING manufacturers, who have traditionally kept to a one-shift system, may consider more shifts under current economic conditions, Seardel industrial relations executive Johann Baard said yesterday

He cited three reasons because of the increasing cost of labour, and of plant and machinery, (especially the replacement cost of imported machinery), and because manufacturers were seriously considering exports

Baard was responding to a survey published by the FCI on Tuesday which showed that multiple shifts had not taken off in SA despite its benefits

Textile Federation executive director Stanley Shlagman said the textile manufacturers worked 168 hours a week, which was characteristic of textile manufacturers around the world

Frame Group chairman Mervyn King said they worked 24 hours, seven days a week, in the spinning mills and weaving sheds and 120 hours a week in the finishing mills

Sactwu wage increase

CAPE TIMES 12/12/87 (197)

ABOUT 4 000 Western Cape textile workers have accepted a 70c across-the-board hourly wage increase following mediation between employers and the SA Clothing and Textile Workers Union (Sactwu)

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Bonus: Union goes to court

Cape Times 19/12/89

Labour Reporter

WORKERS at a Parow textile factory have approached the Industrial Court for an urgent order declaring their employer's decision not to pay annual bonuses in breach of contract.

The application against Meritex (Pty) Ltd was brought by the SA Clothing and Textile Workers Union (Sactwu), its Meritex shop stewards' committee and about 1 400 union members.

The applicants claimed the company's decision on December 8 not to pay cut bonuses — due on December 21 — was in breach of contract and/or an unfair labour practice.

Alternatively, the court was asked to order the company to negotiate on the issue no later than December 20.

fully understood the difficulties high ... ed," General Stadler said

Workers agree to toyi-toyi at tea-time

197 Dec 1989

Supreme Court Reporter

WORKERS engaged in an overtime ban at a Bellville textile firm have agreed to toyi-toyi, demonstrate, sing and dance only in "designated areas" during recognised tea and lunch breaks

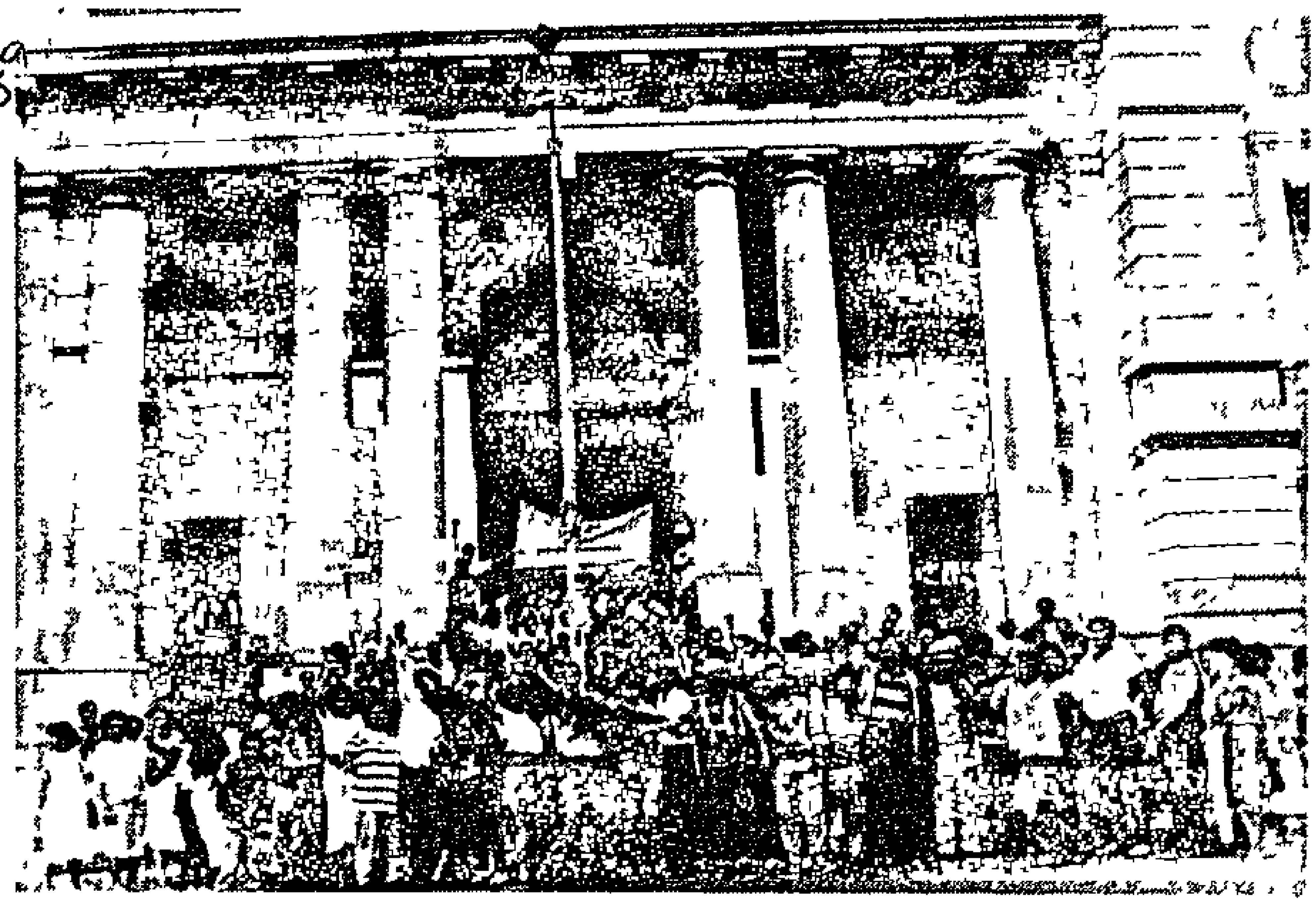
Their agreement with management came after an interim court order was granted on November 27 by Mr Acting Justice B Hoberman interdicting and restraining them from performing these acts on the factory premises except in designated areas

They were also interdicted and restrained from interfering with normal operations of the factory or intimidating other workers

The interim order was discharged in the Supreme Court this week when legal representatives of both sides held discussions

In granting the order, Mr Justice C T Howie congratulated the parties — Table Bay Spinners Ltd and the South African Clothing and Textile Workers' Union — on the settlement.

The union agreed that its members would only be allowed to participate in toyi-toyi demonstrations, singing and dancing in the designated area located between the factory and the store during recognised breaks



AGREEMENT REACHED . . . Textile workers engaged in an overtime ban are pictured outside the Supreme Court where an interim order, interdicting and restraining them from demonstrating on company property, was discharged. Picture GLENN SHERRATT

Journalist jailed for keeping sources secret

PORT ELIZABETH. — Port Elizabeth journalist Miss Keri Harvey was sentenced to an effective 30 days imprisonment yesterday for refusing to disclose the names of her sources for an article she had written on illegal abortions.

Miss Harvey, who was not given the option of a fine, refused to disclose her sources on the basis of "the journalistic code of conduct".

The article appeared in the Algoa Sun of August 31 this year, under the heading "Difficult to detect illegal abortions".

Miss Harvey was convicted and sentenced at an inquiry at which she was called upon to disclose her sources under the Criminal Procedure Act.

She had been called upon in a subpoena to disclose the names of the Greenacres Hospital sister and "the well-known general practitioner" who had made allegations in the article on illegal abortions.

Asked by Mr T C Goosen, for the state, if she knew that in law she had no right to refuse to disclose her sources, Miss Harvey replied she did know.

She said she could not provide the court with the names of her sources because of the journalistic code of conduct.

When the magistrate asked if she knew she could be sent to prison for up to two years, she replied "I do."

She was granted R50 bail pending the outcome of her appeal against her conviction and sentence. — Sapa

SATURDAY DECEMBER 23 1989

W/C ARGUS 23/12/89 (AZ)

Dandev in R20 million debt call

By DICK USHER
Business Staff

CAPE-based spinning and dying company Dandev has been put into provisional liquidation with debts of about R20 million, the bulk of it owing to Boland Bank.

According to Supreme Court papers, the company trades as Sylvana Yarns and has plants in Parow and Atlantis

General manager Simon Dobbelsteijn said in the application for provisional liquidation that he was owed salary arrears of R10 000 for March to August

Further liabilities were a R5 million long-term loan from Boland Bank and a R10 million overdraft at the bank

He said the company also owed R550 000 for salaries and wages, R1,5 million to sundry trade creditors and R3 million to the Industrial Development Corporation

Assets, including debtors and loans to associated companies, were R10,5 million, said Mr Dobbelsteijn

He said the bank had negotiated a notarial bond over the company's plant and machinery for R4,8 million and debtors had been ceded to Boland Bank as security for the overdraft.

About R3 million in loans to associated companies would "in all probability be irrecoverable as those companies are commercially insolvent"

A senior general manager with Boland Bank, Charl du Plessis, said that "as far as we are concerned it is a secure facility.

"Securities have to be realised and only then can you determine if there are going to be bad debts

"We hold securities other than the company's assets which would not be disclosed in the documents," said Mr du Plessis.

Mr Dobbelsteijn said in his affidavit that an official of Boland Bank had advised that it had sent a letter of demand to Dandev which was "certainly not in a position to repay its indebtedness to Boland Bank"

Cheques were not being honoured with the result that the company was unable to continue trading

Making application on December 7 for provisional liquidation, Mr Dobbelsteijn said the company had 225 weekly-paid employees and wages required for the following day amounted to R30 000, but it did not have the money to pay them

He sought the appointment of a liquidator so that money could be borrowed to pay the staff who would desert if they were not paid making it impossible to salvage trading operations.

Lambertus Bester of Cape Trustees was appointed provisional liquidator

Return date is January 31

MANUFACTURING – TEXTILES

1990

[illegible] – [illegible]

Romatex feels the pinch with 29% drop in earnings

BDay 1/11/90 (197)

ZILLA EFRAT

BARLOW Rand textile group Romatex felt the pinch of the economic slowdown in the year to end-September, suffering a 29% fall in attributable earnings.

Attributable profits fell to R37,4m (R52,4m) and earnings a share to 151,6c (214,3c) The dividend of 55c (78c) a share, covered 2,8 times, was down 29%

At the interim stage attributable earnings were down 27% Directors expected earnings for the year to be lower than those of the previous financial year, during which the group showed a 1% rise in profits

Chairman Jack Crutchley said the general slowdown in the economy resulted in a fall in turnover in real terms Under these conditions, the floor coverings division was adversely affected and the industrial division — not including its foam and automotive businesses — also produced materially lower earnings

The fabrics division's earnings were marginally lower, but Island View Storage (IVS) improved its profits during the period under review.

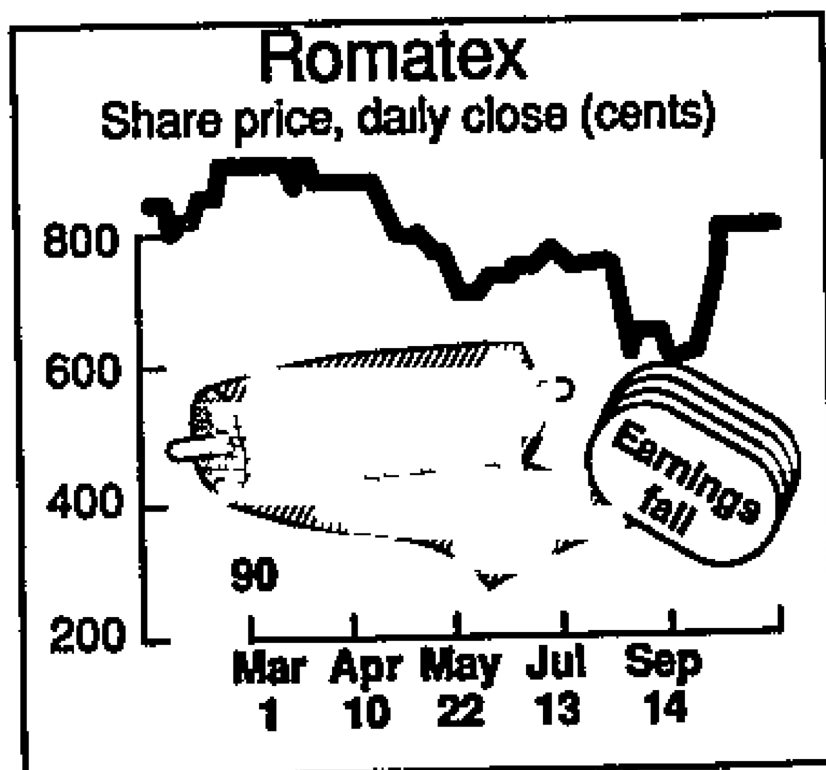
The general economic slowdown resulted in a 4% rise in turnover to R715,7m. The figure was adjusted to exclude sales from operations sold at the end of the previous year. A 24% fall in operating profit to R63,3m and a higher interest bill at R9,8m (R6,9m) resulted in pre-tax earnings dropping 30% to R53,5m

The high level of capital expenditure raised gearing to 30% (15%) A further R47m committed was focused largely on projects seen as having scope for future profitability

Crutchley said these included IVS's expansion in the PWV and Durban areas and expansion in the fabrics division, where the completion of the latest phase at Berg River Textiles would be followed up in other major components of the division.

He forecast an improvement in earnings during the current year notwithstanding persistently difficult trading conditions and the probability that the first half would be lower than the previous interim period

The new projects and cessation of non-recurrent organisational costs were seen as major contributors to the expected improvement Crutchley was confident that Romatex was well positioned to take advantage of opportunities that would arise in domestic and export markets when the economic climate improved



Graphic LEE EMERTON Source JSE

Threadbare time for textiles

197 (106)

LONDON — The world textile trade experienced a period of consolidation in the third quarter of 1989, according to the International Textile Manufacturers Institute in Zurich

Some countries, such as Spain, Belgium and Pakistan, benefited from buoyant demand in the third quarter But most of the international textile industry faced a static market and, in some countries, a decline in demand

Star 24/1/90

The Spanish textile industry saw output rise significantly in both spinning and weaving The level of Spanish fabric production rose by 44 percent in the third quarter compared to the same period in 1988 Companies in Spain also recorded healthy increases in orders for both yarn and fabrics

The Belgian and Pakistani textile industries also saw output increase in both the spinning and weaving sectors

By contrast UK spinners suffered severely They were hit by a 21 percent fall in the level of yarn output, and a fall in spinning orders

Despite the relatively sluggish state of demand many countries managed to reduce the level of yarn and fabric stocks. Stocks rose in the spinning sectors in Japan, South Korea and Taiwan, all of which have been hit by rising labour costs Similarly fabric stocks increased in both the UK and South Korea.

The international textile industry faces an uncertain future The Multi-Fibre Arrangement (MFA), the bilateral agreement that regulates the world trade in textiles, is expected to be phased-out when it expires by the end of 1991 — Financial Times

Thomas said ... Durban Publicity Association di-

Sapa reports CP chief information spokesman Koos van der Merwe said the CP had received numerous com-

What had come to light was that there was a need to improve and increase facilities to accommodate the crowds

Opt for standard school uniforms — textile boss

GREATER rationalisation and a move away from the large variety of school uniforms would be a more effective response to rising prices than blaming textile and clothing manufacturers. B/Day 4/1/90

This is according to Textile Federation director Stanley Shlagman. 197

A variety of factors caused the annual increase in the price of school uniforms and some reality needed to be injected into the issue, he said

"The fact that the bulk of school purchases are an annual affair leads to a highly focused comparison with 12-month-old prices"

All clothing prices had risen over the past year for the same reasons that were causing general inflation

High international prices for raw materials and the weakness of the rand made the situation worse. Textile and clothing manufacturers were also pressured by the escalating internal cost of services and wage hikes

He cited the example of the 180% increase in the cost of basic chemicals used in producing synthetic fibres and yarns between mid-1988 and

CHARLOTTE MATHEWS

mid-1989 Dyestuffs and chemicals had almost doubled in price

At Sales House in Eloff Street the price of blazers, excluding GST, ranged from R77,99 to R149,99 depending on size

One parent of an older schoolboy said uniforms should be standardised and that badges could be changed

"Having to buy new uniforms every year is a lot of rubbish," she said "And whoever decided that kids should wear white shirts obviously doesn't have to do the laundry"

Another parent with a boy at King Edward VII School said the uniforms were rather expensive because they were specially made for the pupils and different clothes were required for various activities

The school had its own shop and parents automatically opened an account which gave them time to pay for uniforms

"I think it is a good idea for boys to wear uniforms because it teaches them how to dress in the business world The boys are proud to wear them," she said

Casspirs out — Soweto chief

THE Casspir is to disappear from Soweto following the appointment of new regional police commissioner Maj-Gen Johan Swart

Swart, who took office on Tuesday, aims to replace all Casspirs in Soweto with ordinary patrol vehicles

Six Casspirs will be replaced immediately B/Day 4/1/90

At a news conference yesterday, Swart urged people to accept the move as a gesture of goodwill by the police.

He said he would assess the situation before deciding on the possible withdrawal of troops.

He appealed for full co-operation with police in their task of maintaining law and order and preventing crime

Swart, who replaces Brig J J Viktor, was transferred from Police Headquarters in Pretoria where he served as chief co-ordinator of the De Witt Committee into the restructuring of the police

He said he had gained the impression Soweto was returning to normal, although he had not yet had the chance to familiarise himself with the situation. — Sapa.

Da Gama adds muscle to regain some lost ground

BDay 24/1/90 (197)

EAST LONDON — The three-year expansion programme just announced by eastern Cape textile manufacturer Da Gama will renew the group's growth impetus which flagged a little this year by comparison with the spectacular results of the past five years.

Between 1984 and 1988 attributable earnings shot up from R4,7m in 1984 to R54m in 1988 on turnover that has risen by 129% to R248m (R108,3m)

Last week CE Harry Pearce announced the group was embarking on three projects in the textile sector which would achieve market size at manufacturing sales level of around R120m, R100m and R200m respectively By 1993 this is expected to add an extra R100m to volume growth on capacity

This is in addition to the group's budgeted capex of R100m to upgrade and expand existing facilities

In the current financial year, which is a 15-month period ending in March, Pearce said the group's growth had been lower than expected

Equipment

There was a three-week strike at one plant in July which was partly made up by working an extra two weeks over the Christmas period The effects of the strike were more serious because Da Gama is a vertical operation

The second factor affecting growth was that Dagama placed an order with an Italian company for equipment which Pearce said would have expanded spinning output by 5% or 6% This equipment arrived nine months late

Other areas of strong growth in Da Gama's existing business identified by the directors were the Home Fashion division — which makes domestic household materials like bedding — and

CHARLOTTE MATHEWS

the Distributive division which sells cloth to the home sewing market

In the 1988 annual report Pearce said "Independent surveys confirm our belief that the home fashion division has sizeable growth potential following the electrification, upgrading and expansion of black housing"

Marketing director Ralph Maddox added last week that Da Gama was putting a brand name on the selvedge of fabric sold to the home sewing market from next year and would be investing in some intensive advertising to expose the brand name more

Fabrics from Da Gama's other two marketing business units are the apparel division, making ladies' and men's clothing and the industrial division, which produces fabric for state contracts and state tenders

Da Gama, which was established just after the Second World War, is now a completely vertical operation Raw cotton is cleaned, spun, woven into fabric and then dyed or printed

The group was originally called the Good Hope Textile Corporation (GHT) Pearce said it was probably the first of government's efforts to decentralise the textile industry GHT was jointly held by the Industrial Development Corporation and the UK Calico Printers' Association (CPA), which later became the international Tootal group

Early last year Tootal sold its share in Da Gama to SA Breweries

"All the equity is now in SA but we have a 10-year ongoing technical relationship with Tootal," Pearce said

He said Da Gama had traditionally exported yarn overseas from time to time when it suited them but the incentives offered by last year's structural adjustment programme for the industry had made exports more attractive

"We have started to export fabric again and see that as a growing business Our first major deliveries were in September But I would be happy if exports formed about 10% of turnover"

In response to clothing industry criticisms of late deliveries from the textile industry, Pearce pointed out that the clothing pipeline was made up not only of the clothing and textile producers but of the retailers as well

"Retailers wait as long as possible to place orders because they want to see what is selling overseas first The clothing manufacturer therefore does the same to the textile manufacturer

"It is critical customers don't renege on orders The textile manufacturer works in months while the clothing manufacturer works in weeks

Capacity

"If the textile mills are working at full capacity and the clothing manufacturer wants to increase his order by 20%, it is impossible to turn the textile ship around that quickly The delivery on manufacturing equipment ranges from six months to a year

"You have to establish that an order is an order and in this industry that doesn't seem to be the case"

Da Gama shares are currently at 980c At this level they offer a p e of 8,5

According to Irish & Co analyst Heidi Vollmer, the share is a little expensive at this price

"I am not forecasting more than 12% growth to March 1990 which translates into an annualised EPS of 119c

"I revised my forecast because of this year's lack of expansion capacity and the strike But capacity will come through in 1991 and I see a stronger year"

Frame Group feels pinch

B Day 16/2/90 (197)

CHARLOTTE MATHEWS

THE Frame Group's results for the six month to December reflect the pinch of difficult trading conditions, but the group is still reaping benefits from its reorganisation into separate business units

Earnings were improved by 8,3% to 54c (49,8c) a share and the dividend was maintained at the same level as the last interim dividend of 30c a share Consolidated Frame (Confram) reported earnings of 31,7c (29,6c) a share and an unchanged dividend of 18c a share

Operating income rose by 46,4% to R33m (R22,5m) Financial director Bruce Sanders explained yesterday this had been achieved by improving product quality and getting better prices

According to the last annual report, Frame holds 67,5% of textile group Confram, whose subsidiaries are Consolidated Cotton Corporation, Consolidated Waverley Textiles, Consolidated Apparel Manufacturers and a property division

Frame's turnover rose 24,8% to R457,8m (R366,8m), but Sanders said this was not as high as management had hoped

"Trading conditions were difficult with tighter margins and interest rates rising"

The benefits of improved operating performance were eroded by a delay in the payment of dividends from the group's African subsidiaries and a startling 65 times rise in the interest bill to R6m from R92 000 in the previous interim period

Net borrowings on the balance sheet are

□ To Page 2

Frame

0 Day 16/2/90 (197)

□ From Page 1

R158m compared to R66m for the previous interim and R31m at June 1989.

Sanders explained that the group showed a low interest bill in the half-year to December 1988, because it started off with funds and built up borrowings in the course of the year.

In the interim period under review the group began with borrowings and turnover was lower than expected Production of blankets for the winter season was undertaken in this period but sales would only occur in the second half.

"Stock and debtors are excessively high and we think we can get this down From January to June we get a lot of cash in"

Frame has decided to switch to the partial method from the comprehensive method of providing for deferred taxation The figure of R10,5m reflects a 39% tax rate

"Management is confident that the year's results will be an improvement on those achieved for the year to June 1989," CE Mervyn King said

Frame Group boost income by 46%

Cape Times 16/2/90 (177)

Financial Editor

IN spite of difficult trading conditions, the Frame Group lifted turnover by 25% to R457,8m (R386,8m) and operating income by 46% to R33m (R25,5m), in the six months to December 31.

But pre-tax income rose by only 17%.

An increase in borrowings sent the net interest bill soaring to R6m (R92 000).

Both the main operating companies — Frame Group Holdings and Consolidated Textiles — have declared unchanged interim dividends. Frame Group Holdings will pay 30c and Consolidated Frame Textiles 18c.

The directors say that although they expect trading conditions to remain difficult to the end of the current year, they are confident of improved results.

Frame Group Holdings lifted operating income to R32,9m (R22,5m) and pre-tax income to R27m (R23,1m) after interest payments. But net income was up by only 8,2% to R16,4m (R15,2m).

Attributable earnings were up by 8,3% to R10,2m (R9,4m). Earnings at share level were 54c (49,8c).

Consolidated Frame Textiles lifted operating income by 47,2% to R32,5m (R22,1m). But income before tax, after interest, was up by only 14,6% to R27,7m (R24,2m).

Net income after tax was up by 6,7% to R17,6m (R16,5m). Attributable earnings were R17,7m (R16,6m). Earnings at share level were 31,7c (29,6c).

The directors say that in the six months, margins were tighter. Interest rates rose and some customers either cancelled orders or asked for later delivery, delaying payment.

"All these conditions led to increased working capital levels," they explain.

This meant that borrowings — which historically are at a seasonal peak in December and January — were at a higher level than a year ago.

"Borrowings will approximate the June 1989 level at the (financial) year-end."

The directors say plans were well advanced for a modern short-run dyeing and finishing plant, which would make the cotton company more versatile and able to respond more quickly to customer requirements.

● Consolidated Cotton Corporation achieved sales of R347,3m (280,3m) and income before interest and tax of R17,5m (R10,6m).

● Waverley Textiles achieved sales of R110,5m (R86,5m) and income before interest and tax of R6,8m (R3,3m)

Economic slowdown hurts Frame

Star 16/2/90 By David Canning (197)

DURBAN — While it is feeling the chilly winds of economic slowdown, the reorganisation programme has helped Frame Group Holdings to increase interim operating income by 46 percent to R32,9 million and pre-tax income by 17 percent to R27 million

However higher interest and taxation reduced the rise in net income after tax in the six months ended December to just 8,2 percent — R16,47 million against R15,23 million

Therefore the group has pegged its dividends at 30c for Frame Group Holdings and 18c for Consolidated Frame on earnings per share, respectively, of 54c (49,8) and 31,7c (29,6) Turnover was 25 percent up at R457,79 million

Executive chairman Mervyn King said that the increases at the operational level were significant in view of the difficult trading conditions and changes taking place in the group

The sales breakdown between the two main operating companies is steady at last year's levels — Consolidated Cotton achieving 76 percent and Waverley Textiles 24 percent of overall turnover

Consolidated Cotton boosted income before interest and tax by 68 percent to R17,8 million while Waverley Textiles upped its by 106 percent to R6,8 million

This suggests the former company's operating margin improved to 5,1 percent (3,8 percent) Waverley's was 6,2 percent (3,8 percent)

The group turnover rise of 25 percent would, Mr King said, have been even higher had certain customers not cancelled orders or requested delayed deliveries The net effect was larger stock levels Debtors levels also were above the planned levels owing to delayed payment by customers.

Mr King also announced plans to establish a modern short run dyeing and finishing plant This will "make the cotton company more versatile and enable a quicker response to customers"

Of prospects, he said difficult trading conditions are likely to continue to the year-end However the group is confident that it will improve its results

R66m in kitty as Group 5 prospers

ST Times 18/2/90 197

By Julie Walker

GROUP Five continues to pave the way to prosperity with another fine rise in earnings.

Turnover in the six months to December climbed by 80% to R652-million and earnings a share were 15c up at 70c.

Chief executive Peter Clogg says the Goldstein companies and Gough Cooper made profits and have good prospects

Group Five has R66-million cash which will be applied to acquisitions, products and services to the building industry and to public utilities

Difficult

Mr Clogg expects road building to decline and building and properties to remain stable, although housing will be difficult because of high interest rates. Civil engineering work is declining, but increasing in other countries Mechanical work will be buoyant Group Five is well placed to take advantage of the next economic upturn

Basil Read was also able to turn in a good show in the same reporting period Its earnings were up by 35% to 49,5c a share on turnover only 4% higher at R171-million The company reports that its housing division made fewer sales

It says that granite arm Aurora has not yet met expectations, but its earnings will have no effect on Basil Read's profits or finances Aurora represents 36% of its net asset value of 413c The share price is 335c.

Mervyn King expects Frame's earnings to exceed last year's in spite of difficult trading conditions.

The textile giant added a quarter to its turnover to R458-million in the half-year to December, but earnings a share of 54c were only 8% up.

Blame

Tighter margins and higher interest rates took most of the blame Some customers also cancelled or delayed their orders, leading to higher working capital requirements at Frame

Frame has adopted the partial method of providing for deferred tax, and restated last year's results for comparison

Seardel raised its earnings by 12% to 62c a share on turnover 22% up to R470-million for the six months to December

Accompanying great results from Hiveld, chairman Leslie Boyd hopes that sanctions against SA steel exporters will be lifted, reopening markets in America and Europe. This could help to stabilise the rand in the 1990s.

Nevertheless, Mr Boyd expects Hiveld to earn less in 1990 than in 1989, but more than in 1988. Last year it earned 450c a share from turnover of R1,6-billion. A well-covered dividend of 130c was paid.

A decision on the proposed stainless-steel plant is expected soon.

Palabora also featured among mineral producers reporting this week. Its 1989 profit before tax climbed by 62% to R682-million, and attributable earnings by 71% to R298-million It paid 875c in dividends compared with 565c in 1988, putting it on a historic yield of 16%.

Fraser Alexander improved its margins in the half-year to December Turnover was up by 19% at R98-million, yet earnings were lifted by a quarter to 62,5c. Economies of scale helped it to contain costs and price competitively to maintain growth in all divisions.

Chemserv felt the pressure last year The special-chemical maker's turnover was 18% up at R336-million, but earnings edged up by 1% to 305c and the 100c dividend was no improvement on 1988.

Of the 36 companies reporting this week, 30 made more profit than in the previous comparable period, and the earnings of 15 were at least 20% up.

Everite was a casualty of lost production in the half-year to December. Turnover dropped by 10% to R162-million, and earnings were 30% lower at 10,3c a share, using replacement cost depreciation.

Management says Everite's factories are operating satisfactorily, and outstanding orders should ensure this continues.

COMPANY ROUND-UP

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Hiveld	1613,9	+36	566,1	+153	450,0	+165	130,0	+128
Masonite	102,0	+13	15,1	−6	140 0	+4	56,0	−16
Chemserv	336,0	+18	N/A	—	305,0	+1	100,0	0
BTR Dun	631,8	+19	106,9	+52	310,0	+88	140,0	+33
Stanbic	—	—	529,5	+30	340,0	+26	112,0	0
Smithmin	45,8	+18	7,6	+15	19,6	+32	6,5	+30
Palamin	—	—	682,4	+62	N/A	—	875 0	N/A
Aries	17,9	+11	3,2	+11	15,4	+2	5,0	+11
Adcorp	31,7	+36	2,6	+35	20,0	+37	9 0	+28
Ninian	—	—	10,9	+3	261,0	+10	73,0	+12
Utico	360 9	+16	35,9	+15	307,4	+18	153,0	+39
INTERIMS								
Genrec	252,7	+93	8 3	+185	65,0	+132	12,5	N/A
KNJ	161 2	−9	10 4	−20	11,5	−36	—	—
Group 5	652,3	+80	17,2	+40	70,0	+27	23 0	+5
GSHold	652,3	+80	17,2	+40	68,0	+26	22,0	+5
Goldstein	—	—	2,8	N/A	29,0	N/A	42 0	N/A
Retprop	—	—	0,3	+80	33,0	+10	33,0	+10
Frame	457,8	+25	27 0	+17	54,0	+8	30,0	0
Confram	457,8	+25	27,8	+15	31,7	+7	18,0	−0
Sunbop	316,6	+34	111,7	+36	67,6	+39	45,0	+38
Seardel	470,6	+22	25,2	+12	62,0	+12	8,0	0
QData	32,4	+48	3,4	−4	10,9	−11	4,1	0
Bas Read	171 5	+4	7,1	+36	49,4	+35	10,0	+54
Kilpton	39,8	+41	3,7	+63	26,5	+30	—	—
Indsel	—	—	24,8	+31	8,7	+29	5,5	+22
Natsel	—	—	25,3	+33	10,4	+29	6,5	+18
Distillers	N/A	+13	97,2	+17	33,4	+18	10 0	+81
Afmin	9,6	+116	1 6	N/A	3,3	N/A	0 5	N/A
Conshu	266,1	+42	28,7	+22	30,1	+6	10,5	+12
Everite	162,2	−10	13,9	−41	10,3	−30	7,5	0
Evhold	162,2	−10	13,8	−32	29,6	−32	21,0	−4
Sondor	9,5	+13	2,5	+4	7 35	0	2,5	N/A
Consol	631,7	+61	76,8	+23	56,3	+12	—	—
Alexandr	98,1	+19	—	—	62,5	+25	14,0	+27
Fratex	98,1	+19	—	—	35,1	+25	8,0	+29
Wayne	57,6	N/A	4,6	N/A	4,3	0	1,5	0

N/A — not applicable

THE WEEK IN BRIEF

A SUMMARY of the week's corporate anouncements

Monday — Ozz transmuted listing statement. Lucem minority accepts Ozz shares and cash in respect of 18,6-million shares

Furnfair members agree to disposal of assets to Rusfurn Offer to minority accepted by 16%

Members of Bidvest — formerly Curries — approve acquisition of 55% of Afcom.

Tuesday — Hyperette issues another warning

Wednesday — Sankorp to increase ownership of UGI, the holding company of Unitrans, to 51%

Macmed bonus offer results in the issue of 10,47-million shares

Thursday — Mortgage Securities 101 lists Class A and B debentures

Midas expects much lower earnings for the year to February 1990

Friday — Noristan, Aurochs, Citizens and Crest issue warning Last day to register for Aurochs shareholders to participate in Noristan offer 2/3/90.

Tiger Oats buys 50% of Durban Confectionery Works, maker of Beacon sweets.

Farm-ag, Staalchem issue warning

FRAME GROUP 197

Growth costs

FM 23/2/90

Latest interim results from the Frame Group underline the sweeping structural changes under way Thanks to better throughput at the factories, margins have continued to widen and the result was a 46% leap in operating profit

On the other hand, net borrowings jumped to R158m from the year-ago R66m and, probably for the first time in decades, finance charges have placed a clamp on bottom line growth

Given the huge asset base, Frame badly needs a marked and sustained improvement in the overall margin — provided it is done without an excessive expansion in debt The trading performance has shown welcome gains over the past two years At the 1989 interim, turnover was up in real terms by some 9,5%, giving enough volume growth to lift the overall margin to 7,2% This compares with 6,2% at the 1989 interim and only 4,1% for the 1988 first half

In the 1989 interim, the two major operating companies, Consolidated Cotton Corp (CCC) and Consolidated Waverley Textiles (CWT), saw their margins as low as 3,8% CCC, which contributes more than two-thirds of turnover and trading profit, suffered from below-budget sales volumes of yarn and fabric, with poor plant utilisation The blame was placed largely on competition from imports CWT blamed its margin problems on an unfavourable product mix

CWT has shown the strongest pickup, with pre-interest profit up by 106% to R6,8m (R3,3m) and turnover 28% higher at R110,5m (R86,5m), its margin climbed to 6,2% CCC's trading profit rose 68% to R17,8m on a turnover advance of 23,9% to R347,3m, with the margin at 5,1% Bruce Sanders, financial director of the holding company, Confram, says the group has been "fairly aggressive" with pricing and marketing policies, to regain lost market share

However, management was evidently targeting even greater sales growth and there was evidently some undue optimism that contributed to other problems. When markets tightened, orders contracted and the group found itself holding unexpectedly large stocks Debtors also expanded as customers stretched out payment periods

The result was that working capital ballooned, as did borrowings Whereas a year ago, the net finance charge was immaterial, this time it absorbed 18% of Frame's operating income Sanders says the rise in stocks was accounted for mainly by raw materials and work-in-progress and these can be brought under control fairly swiftly

The target now is to have the year-end level of borrowings back down to that of the previous year. Even allowing for the seasonal peak in late December, that will be no mean feat if it is achieved

By conventional standards, Frame is by no means overborrowed The net debt equity ratio at December 31 was 15,8% and the interest cover for the first half about 5,5 times Pre-tax income was curbed somewhat because no dividends were brought to account from the African subsidiaries, as these dividends had been declared but not yet received, dividend income fell to R25 000 (R661 000)

Even so, the group cannot really afford to see debt at these levels until trading profitability improves As things stand, the interest bill may well be higher for the second half

This, however, may be partially offset by a lower tax rate The effective rate for the first six months was 39% (34%) because the pace of capital spending slowed Management eased back on spending from mid-year while capital programmes were reassessed in the wake of the departure in May of Mike Boucher, former head of CCC But Sanders says capex is picking up again and the effective tax rate is expected to return to last year's levels

Second-half trading is always crucial for the group Much depends on winter sales and the severity of the winter weather. At this stage, management is sticking to the forecast given by King in his review. that real growth will be achieved this year But the market is maintaining a guarded stance Since results were released last Friday, the share price has remained 1 475c, which is 55% below the December NAV *Andrew McNulty*

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Frame's King ... still expects real growth

Further rises in textile prices seen

Cape Times 3/3/90

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By AUDREY D'ANGELO
Financial Editor

TEXTILE prices are likely to continue rising at a higher rate than inflation — as measured by the consumer price index (CPI) — "for some months yet", JEM van Coller, chief economist of the Romatex group, warns

But he suggests that "jitters" being developed by retailers and clothing manufacturers, who fear falling sales as money becomes tighter, may not be justified

"In the clothing market there is no reason why demand should drop dramatically in 1990, though there will probably be a slight softness in the market," he says in the newsletter of the Textile Federation of SA

"Generally the more favourable political climate, and the excitement which this is generating, will keep people spending as far as they can afford to — particularly on clothing"

However, he advises manufacturers to compensate for "some slack developing in the domestic market" by exporting, taking advantage of the new improved incentives

"Smaller exporters should consider organising themselves on a co-operative basis," he suggests

Admitting that "the current high level of inflation plaguing the textile industry is a worrying factor for all manufacturers," and there is a danger of consumer resistance developing, Van Coller says the latest wage agreements for the industry gave rises of more than 20% in many cases

And there will be "a substantial hike in cotton prices when the new agreement between producers and spinners comes into effect in mid-1990"

Positive developments, however, are some softening in the wool price, higher capacity utilisation by textile manufacturers and a firmer rand exchange rate which reduces the inflationary effect of imported raw materials

Simon Jocum, chairman of the Cape Clothing Manufacturers Association, and Mike Getz, immediate past-president of the Cape Chamber of Industries, both agreed that exporting was necessary for the clothing industry to grow

But both called for more clarity about export incentives, as a matter of urgency

Agreeing that domestic clothing sales might not drop steeply, although "it is a price-sensitive product", Getz said that in an inflationary environment people tended to spend what money they had rather than save

He pointed out that in previous downturns retailers lost opportunities to sell through having insufficient stock. Failing to order enough turned fears of a serious downturn into a self-fulfilling prophecy.

Jocum said export success "does not happen overnight It involves a lot of sweat, blood and travelling"

It was essential to have more clarity on export incentives as quickly as possible "because we are already quoting prices for goods to be delivered in 1991".

And it was vital for export incentives to be good enough to tempt as many firms as possible to establish themselves in European markets before 1992

Sentex oils way to savings

Business Times Reporter

SIGNIFICANT foreign exchange savings and good export potential could be achieved by a South African-developed synthetic lubricant for the textile industry

Named Sentex, the yarn lubricant has been developed by the Senfluid division of Karbochem in co-operation with local industry It provides an alternative for expensive synthetic imports and locally made mineral-based lubricants

According to Senfluid product manager Casper Pretorius, the three major benefits of Sentex are its stain-free qualities, local production and cost effectiveness.

"With these benefits we can aim at gaining a major share of the local yarn lubricant market, worth about R3-million a year.

"Export possibilities are also being investigated so that Sentex can emulate other Senfluid oil-free products that are creating major interest in environmentally-conscious Europe."

Sentex is substantially diluted before it is applied to textile raw materials to significantly reduce fly-waste and static, which can cause costly problems for textile manufacturers.

Mr Pretorius sees many application possibilities opening up within the textile industry, including carpet-weaving and the lubrication of various pieces of machinery.

Applications in other industries will also be investigated, he says.

"Senfluid is confident that the price advantage over imported synthetic yarn lubricants will work in our product's favour.

"Its stain-free characteristics should also make it very competitive with SA mineral-based lubricants that cannot offer the same non-stain advantage."

Sowetan 8/8/90

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TEXTILES FIM 23/3/90 (197)

Why the high price of clothes?

One of the big business disappointments of the Eighties was the poor performance of the clothing industry Its output fell by an average of 0,7% each year, according to Central Statistical Service

The reason is probably that clothes cost too much Overseas, the larger number of discount stores, greater use of catalogue shopping and less restrictive import controls mean not only cheaper clothes but more variety and higher quality For example, a US$100 (R260) lady's suit in the US can cost R500 or more here, a $30 (R78) man's cotton shirt usually costs more than R100

Seardel director Mike Getz, a past president of the National Clothing Federation, says South Africans pay a premium of 20%-30% on quality menswear over British prices This means South Africans can afford to buy fewer clothes than their counterparts overseas

"The cost of a shirt accounts for a much higher proportion of weekly wages here than elsewhere," Getz says

Textile Federation executive director Brian Brink says the industry is at a severe disadvantage against competitors overseas because it has to pay a much higher price for capital equipment, thanks to the import surcharge and high interest rates A piece of capital equipment, such as a loom, costs 35%-40% more than in competing countries, according to an SA Chamber of Business (unreleased) report

Import surcharges and taxes add at least 20% to clothing costs, but some relief should be coming from lower surcharges announced in last week's Budget The surcharge on capital equipment was reduced from 15% to 10%, on luxury fabrics from 60% to 40% and on basic fabrics from 10% to 7,5% But import duties can range up to 400% to keep out low-priced imports that government believes would be dumped These duties are levied to protect industry from overseas competition but, in fact, they allow local costs, and prices, to rise faster

National Clothing Federation executive director Hennie van Zyl says the industry will continue to lobby government to eliminate surcharges and end duties on fabrics and equipment But the federation opposes dropping the duties on clothing because it believes the local industry, and the jobs it creates, needs protection from cheap imports

Against the good news on surcharges there's bad news on raw materials The cotton price, fixed at R3,55/kg last year, is expected to increase to R4,60 in the new season starting next month The price is negotiated once a year by the Cotton Board and is related to world price

Traditionally, textile costs have been the whipping boy for the high price of clothing "The textile industry is largely not competitive in terms of price," Van Zyl says "Local prices, according to a report submitted by the Industrial Development Corp, could be 50%-250% higher than those abroad"

Retailers are not immune to criticism. Van Zyl says that out of R100 spent on a white cotton shirt, R1 goes to the farmer, R20 to the clothing manufacturer, R29 to the textile manufacturer and R50 to the retailer

Manufacturers, however, are reluctant to criticise retailers This is despite the traditionally high retail clothing mark-ups of about 100%

Edgars Group spokesman Frank Wells explains. "The initial mark-up may be high but there is a high proportion of mark-downs A chain like Edgars carries a wide range of stock and, while the clothing and textile manufacturers aren't risking much because they are manufacturing to order, we're at risk because we have to judge customer demand"

Industry consultant Joop de Voest says retailers are still increasing mark-ups For example, Edgars raised its average mark-up from 126% to 138% from 1988 to 1989, though the higher cost of credit accounts for part of this "A 10% increase in a retailer's mark-up affects the final price of a garment to a far greater degree than a fabric price hike," De Voest says.

Sid Hurwitz, executive director of the listed Romens menswear discount chain, plans to declare war on high mark-ups "Basically, the menswear industry is overtraded and the customer is having to pay for this through inflated prices Instead of becoming more dynamic and competitive, some operators are simply raising their prices to try to keep their heads above water"

So Romens, which marks up clothes by 60% instead of the 100%-plus in the major chains, is expanding this year from its Cape Town base to Durban and the PWV

Manufacturers, however, are often reluctant to sell to discounters because they fear that offering branded products at lower prices devalues the brand name Christian Dior no longer sells to Romens because Romens advertised "Buy one Dior suit and get another for a cent" Pep usually sells branded products under another name High-profile discounter Tony Factor says he has a steady supply of branded products only because he buys through third parties

The biggest threat to the chains will be Pick n' Pay, which opens its first clothing store in Port Elizabeth next month This could galvanise a static market

Pick 'n Pay's entry into the food business in the Sixties brought down mark-ups It hopes to pull off the same trick in clothing Says Pick 'n Pay chairman Raymond Ackerman "We're not talking big yet Port Elizabeth is a pilot project but we're taking it seriously. The store will be 3 000 m², equivalent to one of the middle-sized Edgars stores, and we'll work on high turnover and low margins"

Looking for the good bargain

Another 30 stores are ready to open if this store succeeds *Stephen Cranston*

TOLL ROADS

Awaiting the bill

The Department of Transport and the two companies operating SA's privatised toll roads are holding thumbs that the reworked National Road Amendment Bill will be tabled in parliament this session — ending a two-year delay that has cost the companies millions in lost tolls FM 23/3/90

However, neither the department, the Toll Highway Development Company (Tollway) or Tolcon are optimistic It's likely the Bill will have to wait its turn behind the mountain of legislation generated by President F W de Klerk's reform programme

The Bill was passed by the House of Assembly in 1988 but rejected by the other two Houses — largely because the affected communities weren't consulted As a result, the toll companies are now operating fewer toll roads than they expected

Ron McLennon, CE of Tolcon, says he will be unhappy if there are further delays. "We have already waited three and a half years for the legislation"

The Bill is needed to legalise the privatisation of national roads and to allow for the

Tough bargaining expected on textile, garment trade accord

BlDay 29/5/90 (197)

HONG KONG — Hard bargaining is about to begin on a new international framework for governing trade in garments and textiles, the Asian Wall Street Journal reported yesterday

For the past four years, negotiators in the Uruguay round of Gatt have been discussing ways to bring trade in garments and textiles under the agreement The final series of negotiations will begin in Geneva in July, with a December deadline set for a wholesale revision of Gatt

Representatives of the 22-member International Textiles and Clothing Bureau met here last week to draft the organisation's negotiating stance for the July meeting Formed in 1985, the bureau comprises developing nations such as Indonesia and Mexico and newly industrialised countries such as South Korea and Hong Kong Its members account for between 50% and 60% of the world's annual exports of garments and textiles

Many contentious trade issues remain for the 96-member Gatt, the protocols of which have governed most world trade since 1948 Among them are disputes over agricultural subsidies, protection of intellectual property and market access for services like banking and insurance

But trade in garments and textiles may prove to be the thorniest item on the agenda in the final six months of bargaining It is an issue sharply dividing the developed countries and developing nations Rather than a so-called North-South issue, however, many see textiles as a touchstone for the free-trade system that Gatt was formed to uphold

"It is important for the Uruguay round that textile negotiations succeed," Hassan Kartadjoemena, chairman of last week's Bureau conference, told a news conference on Friday

"For many countries, it is inconceivable to have a successful round if there is no success in the handling of textiles

Since 1974, international trade in garments and textiles has been governed by the Multi-Fibre Arrangement (MFA) The MFA, which expires in July 1991, exists separately from Gatt because Gatt does not allow quantitative restrictions on trade

Needed

The MFA allows nations to restrict garments and textile imports through bilateral agreements between the importing and exporting countries The agreements aim to set import quotas providing reasonable protection for manufacturers in the importing nations, while allowing for growth in trade

For the most part, industrialised nations argue that the MFA quota system is needed to protect their manufacturers from cheap imports produced by low-wage developing nations Developing countries argue the quotas restrict their ability to sell abroad, crimping economic growth

Most Gatt members favour phasing out the MFA and its quota system, eventually governing trade in garments and textiles under the same rules as trade in other goods However, there is disagreement on the phasing-out process among nations that have stated positions The US and Canada have proposed new "global quota" systems for the interim period

The US, the largest market for many of the textile bureau's members, has proposed integrating the MFA into Gatt after a 10-year transition period, to begin in January 1992

During the transition, there would be a new global quota system and tariff rate The global quotas would have specific country allocations covering current bilateral agreements and a "global basket" that would expand to provide growth Each year, the specific country quotas would shrink while the basket would expand

Critics of the global quota proposals argue that a progressive phasing-out of the existing MFA would be less disruptive than the institution of any new system They also say the global quotas threaten to be tighter than existing ones

"Global quotas will be more restrictive than the present MFA," TH Chau, Hong Kong's Trade director-general said at the weekend "They are unacceptable"

In a communique, the Textiles Bureau said it proposed phasing out the MFA by December 31 1997 Without providing details, the bureau said it had drawn up a draft proposal seeking immediate elimination of more restrictive MFA regulations, progressive elimination of other MFA restraints and increased growth rates in trade

Tough

The proposal advocates continuing certain "safeguard measures," such as protections against surges in imports It also seeks means to ensure that the transition rules are carried out properly

The draft proposal will be finalised in Geneva in June and presented to the Gatt session in July Textiles bureau representatives said tough bargaining would begin after individual nations and groups such as the EC made their positions clear in July

Bureau representatives expect that industrialised nations will want to link market access for textiles and garments to better market access for service industries or improved conditions for foreign investment In addition, some garment-exporting countries may be asked to drop their restrictions on imports of foreign fabrics

Many worry that the US will prove to be the major obstacle because of the strength of the domestic textiles lobby in congress "It would be highly damaging to Gatt if the US doesn't take a farsighted view with regard to textiles," Kartadjoemena said — AP-DJ.

Debonair pre-tax profits plunge

Cape Times 1/6/90

197

By ARI JACOBSON

CAPE-based textile company Debonair, hard-hit by higher interest rates, tighter margins and intensified industry competition, saw pre-tax profits plunge to R82 000 (R2,8m) for the year to February

Turnover rose 29% but interest payments up 134% at R1,6m (R683 000) reduced the impact on net profit at the pre-tax level.

Chairman Ian Foster said immediate corrective action had been taken to strengthen the bottomline

"The group is working on its asset management to prevent exposure through over-stocking"

Foster said competition in the bedroom textiles market had become fierce with the company's traditional suppliers attracted into the manufacturing arena by the cost savings of vertical operations

"In addition, smaller companies have entered the marketplace concentrating on the price-conscious lower-end of the market — exacerbating the competition"

He said the company would have to change its focus and position to fit-in with market requirements in design and customer service

"Part of the remedial action includes the closing of the distribution depot in Johannesburg."

The company's sales and marketing divisions have been streamlined, he added, with the focus on a more aggressive approach to product penetration in the market.

COMI

Interest bill helps consume Debonair profits

ACHMED KARIEM

197 B/Day 1/6/90

HIGH interest rates, rising production costs and drastically reduced margins resulted in Cape-based household textile group Debonair's profits plummeting 95% for the year to February

Despite a 29% increase in turnover, operating income fell 51% to R1,7m (R3,5m) and the interest bill soared by 138% to R1,6m (R683 000) diluting taxed profits which fell to R97 000 from R2m.

A sharp drop in earnings a share by 95,3% to 0,6c (12,7c) was posted on an increase in the weighted average number of shares in issue to 17,3-million (15,7-million)

Directors said no dividend would be paid for the period in view of the circumstances

Debonair has three primary divisions, Duvet-Lin which makes thermo-bonded polyester filler and upmarket bedroom textiles, Debonair which makes general household textiles, and Wittles Interiors which makes specialist curtains, pelmet covers, drapes and blinds for the hotel and contract market

Chairman Ian Foster said corrective action had been taken to strengthen the bottom line Group prospects were good

"Despite the slower economic climate, all our divisions are trading at budgeted sales levels We recently launched a new range of bedroom linen which was well received," he said

Foster said the group, which was listed on the DCM in 1987 and subsequently moved to the Clothing and Textiles sector of the JSE, had restructured and trimmed its operations to function more successfully in the changing market

"Competition in the bedroom textiles market has become fierce and we have had to change our focus and reposition ourselves to fit in with market requirements"

'Askin Factor' stirs up speculation on the JSE

BDay 28/3/90

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BARRY SERGEANT

YESTERDAY Duros and its 65% subsidiary Tollgate Holdings (TGH) were marked up substantially on the JSE in reaction to the news that Julian Askin was to be executive chairman of TGH in London, mainly to mount acquisitions.

The news that each company was to make a R45m rights issue was turned from the normal share price discount into a premium. That Duros's and TGH's operating companies reported negative dividend covers — rare as hen's teeth — in Monday's results seemed irrelevant

A stockbroker who watched the rise of Askin in London said: "Askin and Hugo Biermann (a new director of Duros and TGH) are highly respected as business partners in the City of London, among institutions, stockbrokers and investors. Their main motives have been to achieve greater long-term security, build up transferable assets and to escape SA's relatively restricted corporate enviroment."

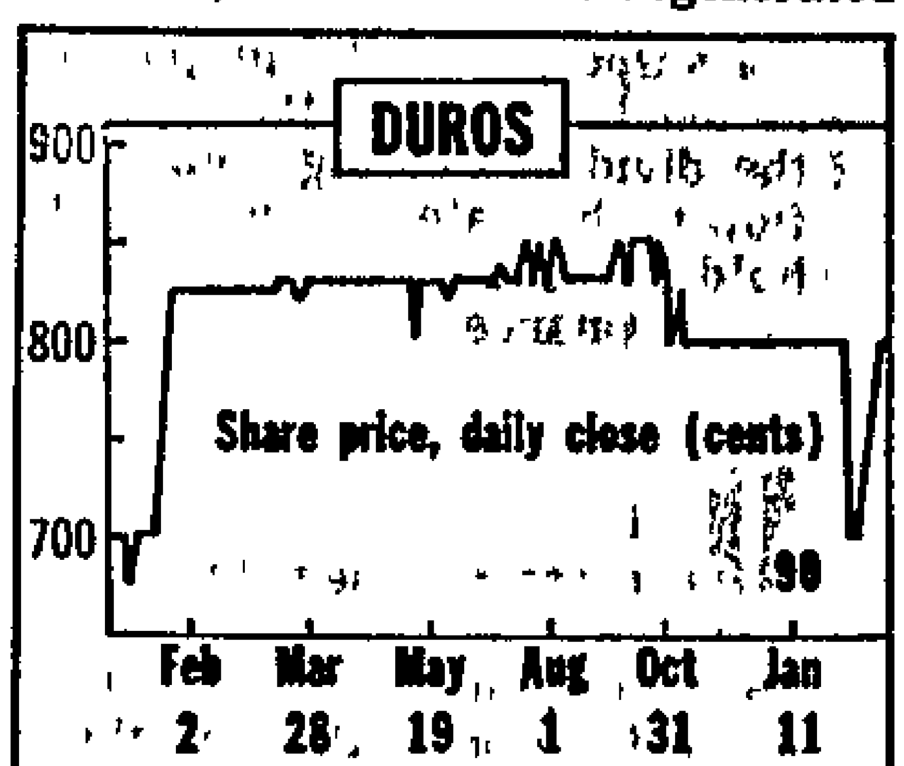
The stockbroker siad one of the key factors in the Askin/Biermann success was nuturing relationships with institutional backers. "Askin and Biermann have often acted as intermediaries between SA entrepreneurs who want to launch operations abroad, and prospective City supporters. They have successfully launched a number of SA-based businesses in London.

"In most cases, the method used has been a classical shell operation The common starting point is a run-down company with low market capitalisation and deadwood management Askin and Biermann have each put in about R15m into buying shares in Duros, they must be convinced that TGH's performance can be substantially improved"

In 1988-89 Askin and Biermann were conservatively valued at £15m each Suffolk-born Askin, 40, and Biermann, 42, developed computer and reinsurance business in Johannesburg, and then moved to London in 1983.

Their first target was via cash shell Peek Holdings, but after six months the attempt failed. Along the way they had acquired contacts via stockbrokers Rowe & Pitman, Hambros Bank, and other City supporters such as Bankers Trust, Charterhouse, Sun Alliance, Robert Fleming and Coast Investments

The second target for Askin and Biermann was the Falkirk-based Thomson T-Line, which started life before the First World War manufacturing circus caravans, but which had degenerated



Graphic: LEE EMERTON Source: JSE

through poor management into a timber merchant supplying the caravan business It had suffered losses for years and its owners had tried hawking it everywhere.

In the City, nobody bothered about a company in remote Falkirk — except Askin and Biermann. They purchased 61,5% of the company for £500 000, and a £2,57m February 1986 rights issue completed the takeover, killing the company's overdraft with Clydesdale Bank

Then Askin and Biermann set about their stated strategy, now a trademark. "To grow internally and expand the asset and trading base as suitable opportunities occur." The rest is history: acquisitions of among others — Longton Industrial Holdings, Taddale Investments, and the £90m payment to racing tycoon Robert Sangster for Vernons Pool.

At this stage the Askin/Biermann mini-empire spanned interests ranging from electronics assembly to chemical manufacture and flexographic printing They then turned an eye to industrial group Suter.

By then, substantial acquisitions had reduced their stake in Thomson to about 20%. Ladbroke, attracted mainly by Vernons, mounted a very hostile takeover bid, and won, leaving Askin and Biermann out of the picture but each with about £12m in hard cash.

In little over two years, they had taken the market capitalisation of Thomson from £809 000 to about £120m.

Judging on how Duros and TGH have been marked up on the JSE, despite all the downside factors, the market believes that Askin and Biermann can do much the same with TGH.

TGH has interests in textiles, wholesaling and agricultural machinery, passenger transport, and others. The overlaps with Thomson's interests are clear — practically all areas are industrial.

Moreover, the group directors reckon that Duros and TGH assets, stated at book value of R800m, are worth between R1,5bn and R2bn. The combined market capitalisation of the listed companies is about R420m, suggesting that the group is vastly undervalued

The stockbroker concluded "TGH, to put it cynically, can be seen as an anti-nationalisation-threat stock. The new consortium's committment is shown in its statement that it will personally underwrite the R45m Duros rights issue But the strongest blessing for the new move is that Duros will cede most of its rights in the TGH rights offer to London institutions, which will take up the shares."

Graphic: FIONA KRISCH Source JSE

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Textile sector hit by investor jitters

B/Day 18/4/90

MERVYN HARRIS

INVESTOR jitters over shares of companies in unrest areas has spread from entertainment and leisure group Kersaf, in Bophuthatswana, to clothing and textile companies in Ciskei and Natal.

Since peaking at 1 047 on March 8, the clothing, footwear and textile sector on the JSE has fallen by 15%, closing at 891 yesterday with dealers reporting large lines of shares on offer.

Maurice Fisher, of stockbrokers Frankel, Kruger, Vinderine, said "Natal-based clothing shares have been coming under pressure because of the political unrest and escalating violence in the area.

"Nervousness among investors has resulted in a lack of buyers for these shares despite the quality of the companies."

Among shares hardest hit by the risk factor are Frame, Da Gama and Trimtex, but dealers report that sellers are not prepared to give the shares away and are demanding full value when it comes to the price they want to obtain.

Frame has fallen from a high of R14,75 in mid-February to a current low of R11, with sellers offering the shares at that price but no buyers, while Da Gama is down from R11,75 in early March to 925c. The shares were being offered at 950c yesterday without eliciting a response.

Trimtex has slumped from a high of 120c last year to the present 37c, but analysts ascribed the fall of Romatex from a high of R12,40 last year to a recent low of 800c to expectations of mediocre results in a cyclical industry which suffers in an economic downturn

Romatex share earnings drop

Cape Times 27/4/90 197

JOHANNESBURG — A stable performance by the majority of the Romatex group's divisions has failed to offset a severe decline in the floor-covering sector in the first half of the current financial year

Financial statements released yesterday show group earnings a share are down by 27% at 69c for the six months ended March 31 1990, following a general slowing in the economy which was particularly felt in the carpet market.

The directors have endorsed their confidence in the long-term outlook by holding the reduction in the interim dividend to only 10,3% at 25c a share

Turnover was down 1% at R350m but is not comparable as the group sold-off major parts of its mills division during the year.

Margins were inevitably affected and operating profits declined by 19% to R30,4m

Although interest-bearing short-term debt doubled, the ratio of debt to equity remains low at 21% and interest paid rose to a 7,6 times covered R4,1m

The drop in the tax rate more than balanced this and after adjusting for associated companies, post-tax profits at R17,4m showed a 23% reduction

A modest increase in the average number of shares in issue translated this into a 27% decrease at the earnings per share level

The balance sheet remains strong and management's confidence in the long term is endorsed by commitment of R69m to future capital investment.

Looking to the balance of the year, the directors caution that economic activity may deteriorate further but that normal seasonal factors should ensure that second half profits exceed those of the first half

While earnings for the year as a whole are expected to be below those of the previous year, it seems likely that the rate of decline may slow

Romatex earned 214,3c a share in the 1988/89 year and paid 78c in dividends On those historical figures, the current share price of 850c yields 25,2% on earnings and 9,2% on dividend — Sapa

FM 27/4/90 (197)

Trabild continued its rapid expansion through acquisition and internal growth but debt has risen steeply and may restrain growth in 1990

Turnover rose by 187% in 1988 and last year the increase was 84%, largely because of the acquisition of Wolman's and Royal Collection — wholesalers of upholstery and curtaining fabrics — and a light manufacturing plant Chairman Riyaaz Tayob says existing subsidiaries increased market share and their turnover rose about 30%.

Finance charges ate into operating income but attributable income grew strongly. Merchandise stocks and the bank overdraft rose significantly because management took advantage of "favourable buying opportunities" late in the year This, with higher rates, led to interest paid of R1m (R300 000) Debt equity, debt cover and interest and leasing cover all deteriorated Tayob expects a moderate reduction of stocks and overdraft by the third quarter

Attributable earnings benefited from a lower tax rate. The acquisitions provided tax losses which effectively reduced the tax rate from 35% to 15%, Tayob expects a rate of about 25% this year

A R4,2m rights issue in April and issue of additional shares for Royal Collection saw the share capital rise by 53% EPS were thus substantially diluted and the 126,6% increase in earnings translated into a 72% rise in EPS.

Tayob says market conditions have been favourable since year end. First quarter turnover and profitability exceeded budget The group has expanded in Natal, with Wolman's turnover trebled against last year's

In 1990, there should be benefits from the absorption of the new companies Tayob says Trabild remains in a growth phase and should weather any slowdown in its markets; management emphasis will shift to margins and he expects attributable earnings to increase by 30%. Even so, the group could prove vulnerable to present interest rates Investor caution is reflected in the 6% yield

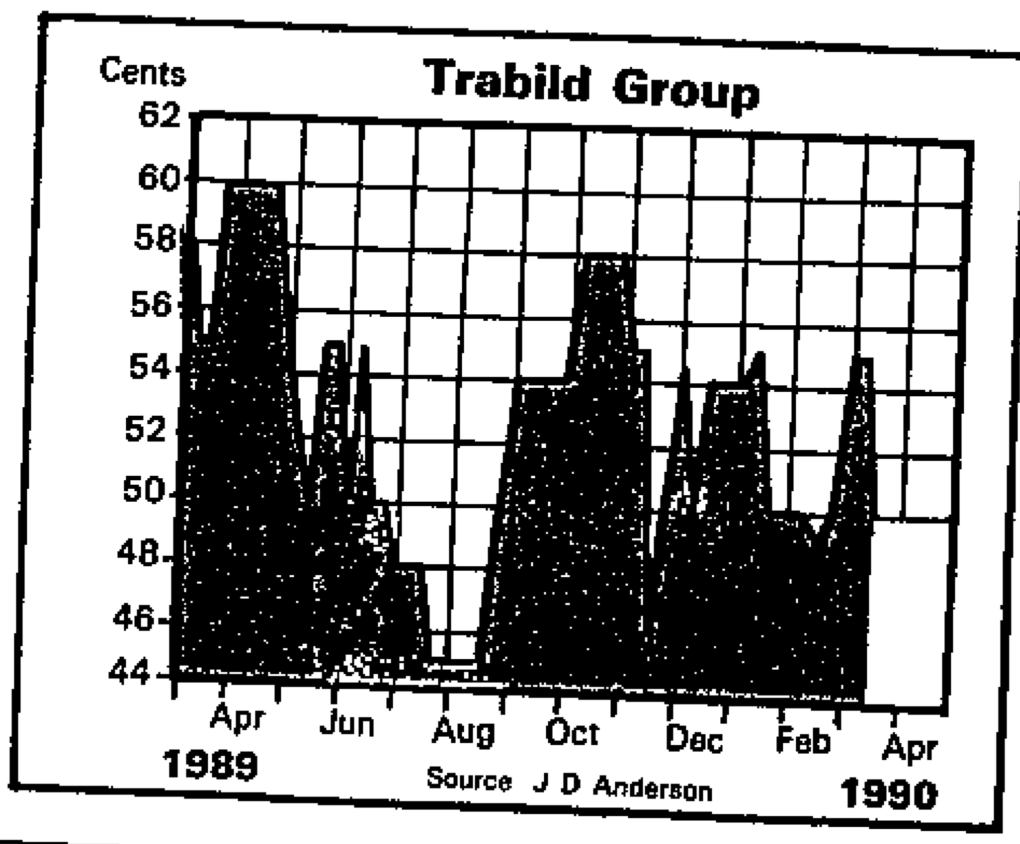
Pam Baskind

TRABILD FM 27/4/90

Growth costs (197)

Activities: *Wholesaling of fabrics, textiles, curtaining and upholstery and lighting*
Control: *Tayob family 70%*
Chairman: *R A A Tayob*
Capital structure: *36,2m ords Market capitalisation R18,1m*
Share market: *Price 50c Yields 6,0% on dividend, 18,6% on earnings, PE ratio, 5,4, cover, 3,1 12-month high, 60c, low, 35c Trading volume last quarter, 468 400 shares*

Year to Dec 31	'88	'89
ST debt (Rm)	1,27	12,5
LT debt (Rm)	1,22	3,55
Debt equity ratio	0,31	1,10
Shareholders' interest	0,31	0,27
Int & leasing cover	7,80	4,46
Return on capital (%)	16,4	10,8
Turnover (Rm)	25,9	47,7
Pre-int profit (Rm)	2,42	4,55
Pre-int margin (%)	9,4	9,5
Earnings (c)	5,4	9,3
Dividends (c)	—	3,0
Net worth (c)	15,1	28,6



Business Report

Restructure limits Unispin earnings

CPT-Times 2/5/90 (197)

By ARI JACOBSON

UNISPIN'S decision to sacrifice short-term growth for longer term potential has seen earnings a share drop to 8,2c for the half year end-March 1990, from which a 2,5c interim dividend has been declared

In 1989, the company changed its financial year-end to September and previous figures are not comparable

In their last report to shareholders in December 1989, chairman Robert Wachsberger and MD Chris Snijman emphasised that the need to make the group internationally competitive would limit growth in earnings in the short-term with the results flowing through in the medium and long term

"The results are not significantly out of line with expectations," comments Wachsberger, "having invested substantially, the inevitable consequences were interrupted income and higher costs — particularly the cost of borrowing"

Turnover for the six months was R55,9m compared with R53,9m for the eight months to end-February 1989

"Gearing has peaked and will reduce as the return on the new capital investment materialises and current assets are reduced"

This reduced profits to R3,5m, after allowing for the preference dividend, attributable profit is R2,9m giving earnings on the unchanged capital in issue of 8,2c a share

The company is not yet subject to taxation due to assessed losses from previous years

Looking ahead, the directors comment that the current phase of the expansion programme is complete but with current trading conditions tight the indications are that a strong revival in the short term is unlikely

"Expansion and diversification will produce significant medium-term benefits which will far outweigh the short-term costs"

Unispin shares are presently trading at about 145c at which level they yield 25,7% and 7,7% on a historical earnings and dividend respectively

Cotton price rising 36%

ACHMED KARIEM

THE price of cotton is to increase by 36% to 482c/kg from 355c/kg for 1990/91, Cotton Board chairman Gert Schoonbee said yesterday.

He said growers and ginners could not get the agreement of all the spinners concerning the new price.

"The breakdown in communications has serious financial implications for cotton farmers because they have started harvesting and delivering to ginners," he said.

Schoonbee said the new price was 30c/kg below the world price.

(197)

Last September local spinners refused to accept a price range which reflected the high world lint prices then prevailing.

BDay: 2/5/90

The SA Cotton Textile Manufacturers' Association (Sactma) — in a letter to the National Clothing Federation (NCF) — said the "hard-line stance" of the cotton producers was the reason for the delay in settling the cotton price.

Under the Cotton Marketing Agreement (CMA), farmers, ginners and spinners set the price for each following season during September of the preceding year, based on the average Liverpool Index world price established in August.

'Changed' Unispin earns 8,2c a share

BIDay 2/5/90 (197

NEIL YORKE SMITH

KNITTING yarn manufacturer Unispin earned 8,2c a share for the six months to end-March and has declared an interim dividend of 2,5c

The figures seem poor alongside previous performances — Unispin earned 21,9c a share for the eight months ended February 1989 — but directors stress changes within the company ensure there is no real basis for comparison

"We have invested substantially and the consequences have been felt through both interrupted income and higher costs, particularly cost of borrowings," chairman Robert Wachsberger said

In a report to shareholders in December, directors said the need to make the group internationally competitive would limit short-term earnings growth

However, significant improvements in medium to long-term earnings were expected to result

This was because gearing had peaked and would reduce as returns on capital investment materialised and current assets were reduced, expansion benefits would outweigh short-term costs, restructuring was mostly completed and full output from modern machinery was coming on line

Turnover of R55,9m generated operating income of R8,3m, but this was slashed by interest charges of R4,8m — four times the figure for the previous eight months

Because of assessed losses Unispin is not yet subject to taxation, but the directors have provided for notional taxation of 15%

Attributable income of R2,87m generated earnings a share of 7c

Unispin shares trade at about 145c, yielding about 25,7% on earnings and 7,7% on dividends on historic figures

Mashold takes over troubled Springtex in R6,5m deal

CPT Times 21/5/90

197

JOHANNESBURG — Mas Holdings (Mashold) the mail order group, is to take over the troubled Springtex via a scheme of arrangement with shareholders, debenture holders and creditors of Springtex

In terms of the deal Mashold will effectively pay R6,5m cash and after a reorganisation will end up with 92% of Springtex Mashold is to issue 2,2m new shares at R2,50 per share, which are to be placed with certain institutions in part payment of the cash purchase consideration

The remaining 8% of Springtex will be shared among existing shareholders and debenture holders in Springtex In addition, current Springtex debenture holders will receive two cash payments totalling 11c for each debenture

The Springtex Group which was suspended on the Johannesburg Stock Exchange last year, is to be re-listed as a Mashold subsidiary, once the scheme is approved

Springtex, will be totally re-organised and changed into a viable trading entity. Its credit sales divisions have all been changed into cash operations

After tax profits for the revitalised group for the financial year from 1 January 1990 to 28 February 1991 are expected to be no less than R3m

Marco van Embden, CE Mashold, says the deal will have a considerable effect on the Mashold's earnings in the present year

But it will have no real financial effect on net asset value or earnings per share for the year ended 28 February 1990

Springtime Linen, one of the divisions of the Springtex group which specialised in credit sales has been turned around and changed into a direct selling and mail order cash business The division is to be renamed Family Selections This together with Charles Velkes and Kansas City will be the three trading divisions of Springtex

Van Embden says Mashold will not go into selling on credit — Sapa

FRAME FM 25/5/90 (197)

Sweating through the afterlife

■ The top team is still struggling to overcome rigidities of the past

Can Frame's profitability be turned around? And how patient do investors have to be? These are questions shareholders must be asking after a long and hardly fruitful wait to see the group's returns and margins lifted to acceptable levels

Hopes have been dashed before In 1985, shares of the four listed companies then forming part of the group were among top performers on the JSE's industrial board In that year, a compromise ended the protracted legal tussle over the terms of the will left by Philip Frame, founder of the sprawling textile empire

Investors were scrambling for the shares before what many believed would be an unlocking of extraordinary shareholders' wealth May 1987 saw the group restructured into only two listed companies and the controlling shares were passed from the family trust to a number of major institutions

Shares in the holding company, Frame, were then trading at close to R25, while operating company Confram was around 1 475c Today Frame trades at 925c and Confram at 600c Eleven years after Philip Frame's death, chairman Mervyn King — who heads the third management team that has since taken charge — is still toiling to lift efficiencies and push the group into the late 20th Century

Perhaps the most telling measure of profitability is Frame's pre-interest return on capital employed On the 1989 operating income of R81,3m, and the total assets of about R1,1bn, the return was only 7,3% Put differently, Frame's return on stated NAV last year was 4,5%

Like an ancient empire whose day has passed, what might once have been seen as Frame's strengths are now counted among serious weaknesses Philip Frame ran the group autocratically and paternalistically The business was enormously labour-intensive, wages were low but job security was high Large store was placed on ownership of assets The extensive properties were kept unencumbered by bonds, no rentals were paid and debt never appeared in the balance sheet

The group dominated its industry and acted as a banker to customers and suppliers, with the result that working capital management was anything but tight Meanwhile, not only were the returns lagging, but management failed to invest sufficiently in modern equipment Yet the past decade has seen rapid advances in textile manufacturing technology

Local competitors have pushed ahead with large capital programmes, while Frame was squeezed out of some of its traditional markets by imports from the Far East which could drastically undercut the group's prices, thanks to far larger production runs in ultra-modern plants

The largest subsidiary, the diversified Consolidated Cotton Corp (CCC), which absorbs more than 40% of SA's cotton crop, was hit hard, last year it made pre-tax profit of R29m on sales of R610m Consolidated Waverley Textiles (CWT), whose core business supplies about 75% of SA's blanket requirements, made pre-tax profit of R23,5m on sales of R239,7m

King is not forecasting an immediate turnaround As he sees it, the biggest single task is to change the culture of the 66-year-old organisation, many of whose management and 19 000-plus employees spent their careers in the old Frame structures

The board's recognition that a profound change in corporate culture is essential is among reasons for the succession of management changes since Frame's death For six years after that, the group was managed in accordance with the will by the triumvirate of Selwyn Lurie, Sydney Piemer and Archie Berman, all joint MDs All had grown up in the climate created by the founder and they stoutly resisted change

When the restructuring came, the triumvirate — each walking away with a R2m restraint cheque — was replaced by an outsider, CE Justin Schaffer, recruited from SA Nylon Spinners Schaffer, according to the present management, continued the centralised approach He picked up capital spending but also spent lavishly on a new head office building

King, a friend of the Frame family, had joined the Frame board at the time of the legal settlement When Schaffer departed in 1988, King relinquished his job as CE of Sanlam's large but still troubled retail and wholesale giant, Tradegro, and became executive chairman of Frame As was the case at Tradegro, where Checkers was the bugbear, King tends to talk in terms of grand strategies

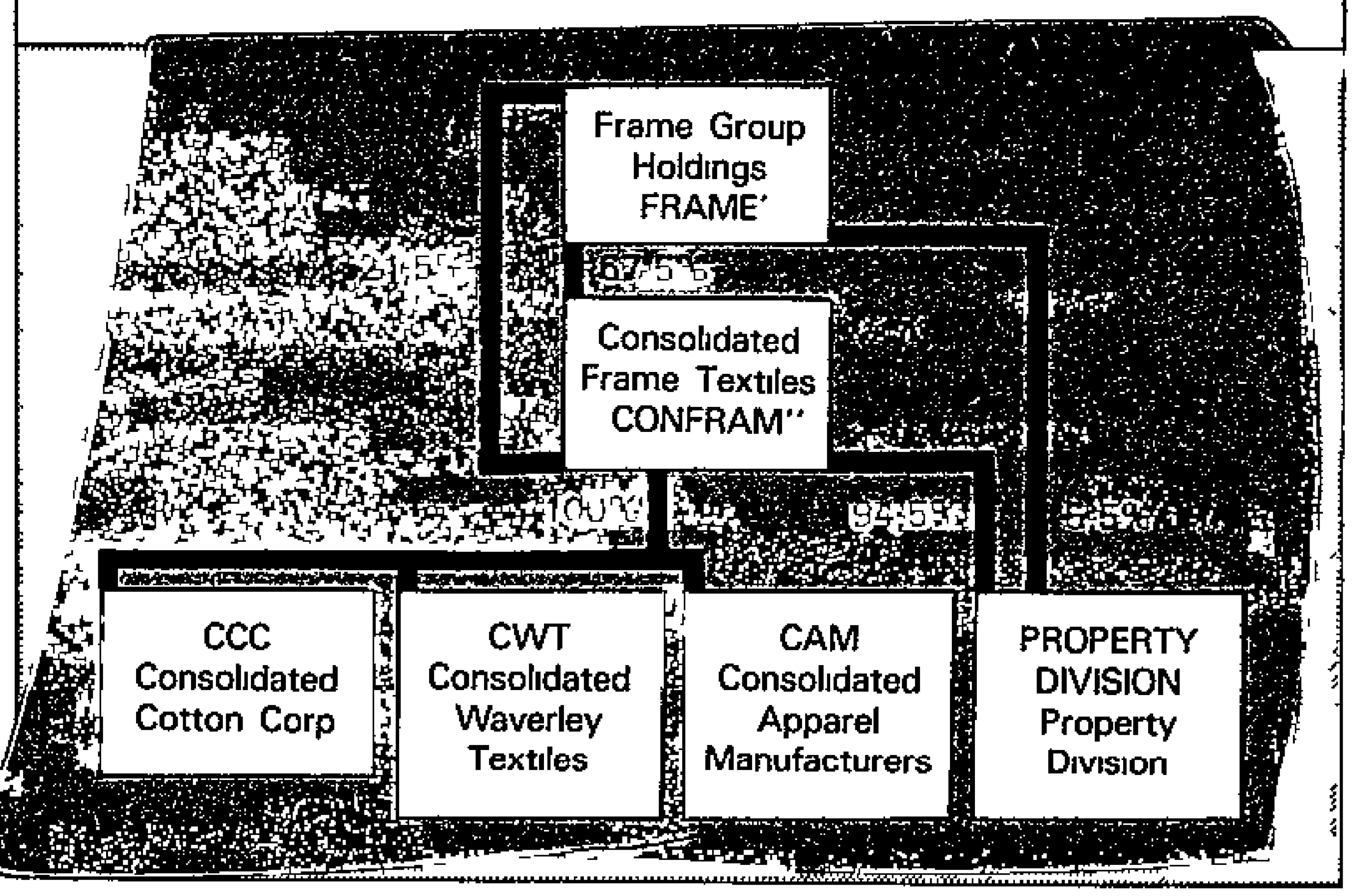
During the past 18 months the group moved through what King describes as phase one The management structure was decentralised, business units were created and the quality of management information improved "We now have information coming up from the business units that we consider sufficiently reliable to base decisions on during the next 18-month phase," he says

The past few years were marked by volatile profits, changes of senior management and an aggressive, though costly marketing strategy In 1988, as foreign and local competitors chewed into Frame's markets, attributable earnings dropped from the previous year's R20,2m to R17m King took over as CE after the end of the 1988 fiscal year Last year, there was a 64% recovery, with earnings rebounding to R27,8m largely because the group had clawed back market share

That the new policies were bearing fruit was shown by the trading margin, which has long been too thin Last year, the margin rose to 9,3%, still too low but the highest in five years Unfortunately, borrowings had begun rising too Figures for the six months to end-December showed further margin improvement but, perhaps for the first time ever, finance charges were curbing bottom-line growth

This revealed a central dilemma facing Frame's management Capex has been running at between R60m-R80m annually over the past few years The group must

Cutting the cloth



FM 25/5/90 (197)

invest in latest technology to have any hope of being competitive With the prime rate at 20% and returns at current low levels, however, Frame faces negative gearing on its borrowings

Philip Frame was able to run a debt-free balance sheet because he kept the dividend cover extremely high Once the legal tussle over his will was resolved, cover was slashed Last year, it was 2,3 times, the cost of imported equipment has soared, and it is no longer an option to fund capex and working capital simply by profit retentions In view of the spending requirements, though, retentions look almost certain to rise over time

King is determined to press ahead with the second phase of his plan to regenerate profitability He reckons management can now identify the operations that justify further capex and those which should be "consolidated" Much of the emphasis will be on asset management and on improving plant utilisation It is clear that "consolidation" will involve shrinking, moving or disposing of non-performers

That would accelerate a trend in place for some time Total employees have dropped by more than 7 000, from 26 187 in 1985 to 19 146 at the 1989 year-end The latest cutbacks are in the polypropylene and bag-making business Its QwaQwa factory is being closed and operations are concentrated in the Durban area, further consolidation of that business may follow

Understandably, management declines to reveal details of where other cutbacks will come Instead, King lists what he sees as best growth areas In CCC, these include Consolidated Weaving & Finishing, the household textile producer, Consolidated Manchester, and the knitted fabrics and apparel producer, Consolidated Knitting In CWT, he singles out Consolidated Yarns, which produces industrial yarns used to make knitted jerseys

These are earmarked for further spending on new equipment aimed at improved quality, efficiencies and capacity Recent investments in the weaving and finishing mills, for example, have seen the installation of computer-aided design systems, laser engraving equipment, a colour kitchen and new printing machinery

In CWT's blanket business, emphasis will be on better management of the large asset base It is likely in future that blanket production will be concentrated in fewer sites If that leaves one or more mills empty, they will be dealt with by the property arm, which has been created as a separate division

"If two-thirds of our plans for the next 18 months come to fruition, a lot of our old plant will disappear," says King "Some will be merged and others will be sold There will be a decrease in floor space and in people, but we will have a leaner group with a much higher return on assets"

To outsiders though, the true value and quality of Frame's asset base is an enigma Some analysts believe the assets were overvalued in 1987 and also note that working capital has long been excessive King counters that assets "are worth what they can produce" and contends values will be justified if profits reach the targeted level over the next two to three years

He concedes, however, working capital is excessive "I think stocks should be about R100m lower and they will be in the next 18 months Raw material orders are already being cut," he says "There are too many warehouses in the Frame group It's the old principle — if you've got the space you are going to fill it That space is going to shrink"

Even so, working capital may not be pruned in a hurry

The interim figures showed stocks and debtors had expanded sharply over the year-ago levels Financial director Bruce Sanders said in February the plan was to cut them back in the current six months and thereby reduce gearing But demand has since slumped and even large blue-chip customers have cancelled orders

In these times, Frame does not easily shrug off its historical role of banker to the industry "If we get too insistent about deliveries all we do is turn stocks into debtors," says Sanders

A further blow came a few weeks ago when local cotton growers announced plans for a 38% price increase King says this would add about R30m-R40m to the group's raw material costs The issue has been referred to Trade & Industry Minister Kent Durr and a response is awaited

With consumer spending sliding, 1990 earnings will be under pressure, as shown by the 27% slide in interim EPS just posted by Barlow Rand's textile subsidiary, Romatex King reckons the remaining weeks of the year to end-June will be critical but hopes last year's trading margin will be maintained

However, the group will end the year with borrowings of R100m-R130m, compared with R74m at the 1988 year-end That suggests the interest bill will rise from R7m to around R20m, which could adversely affect the bottom line

Should markets remain as depressed as now, capex will be toned down by about R20m-R30m a year But management concedes protracted recession will make surgery even more urgent, as the need to reduce overall funding requirements will be greater

King believes the recession and high interest rates will continue into 1991, but 1992 could see the start of two to three years of strong growth

For that period management is targeting a trading margin of up to 15%, though Frame, meanwhile, may be a relatively weak performer

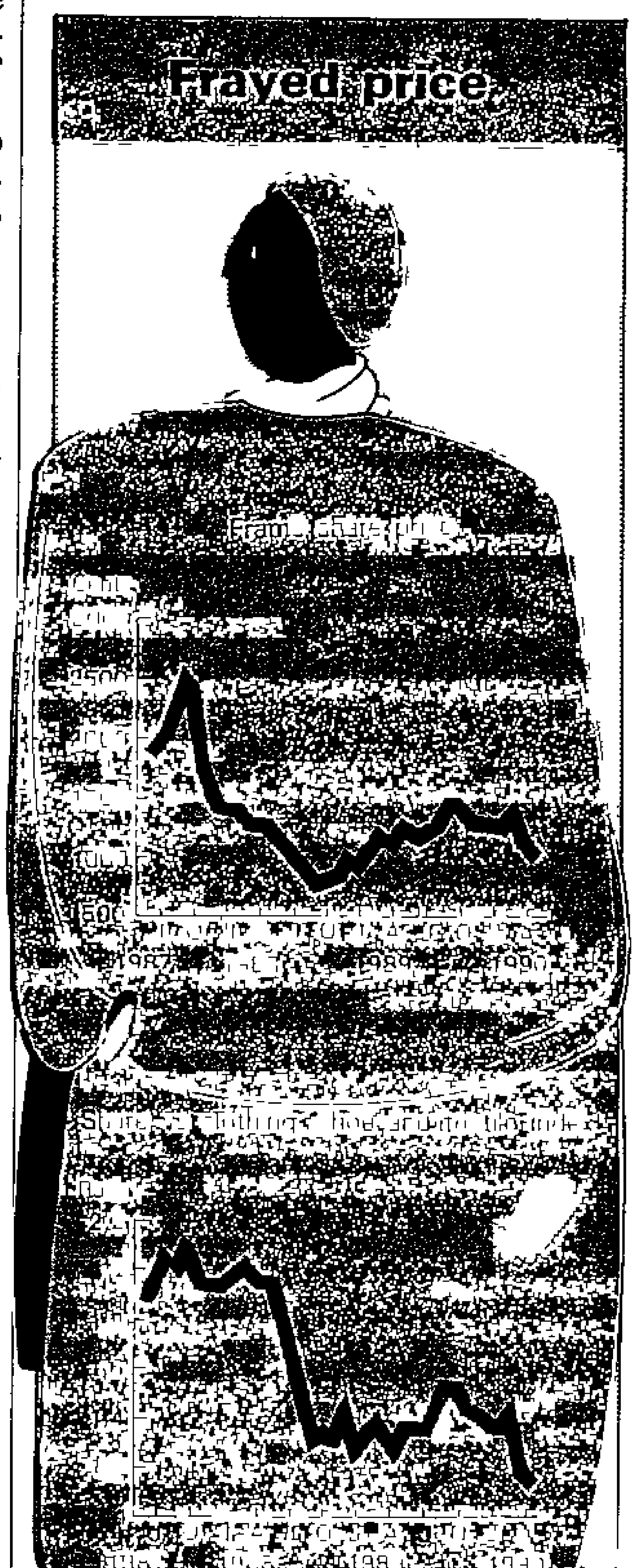
Whether the long-awaited dawn will then materialise is an open question Analysts cite some hurdles that look particularly difficult Firstly, much of the group is not vertically integrated, large volumes of its diverse output are sold as low-value-added products at relatively low margins

Secondly, while Frame's management may well be doing a lot of the right things to lift profits, so are its major competitors One analyst points out there are major capex programmes at Da Gama, Unispin, Romatex and Mooi River, all, like Frame, are trying to entrench or expand positions in high-value-added products For his part, King says the investments are not aimed at exactly the same markets

Thirdly, perhaps most importantly, corporate culture is notoriously difficult to change This decades-old group is seeking to change its culture within a few years Interestingly, after previous management changes, CCC is now headed by Sydney Frame, a relative of the founder

The group is certainly undergoing a shake-up It remains an open question whether management can bring to bear a sufficiently rigorous blend of blood, iron and ideology to attain acceptable profitability and place earnings and dividends on a growth track The share prices suggest investors are reconciled to waiting

Andrew McNulty



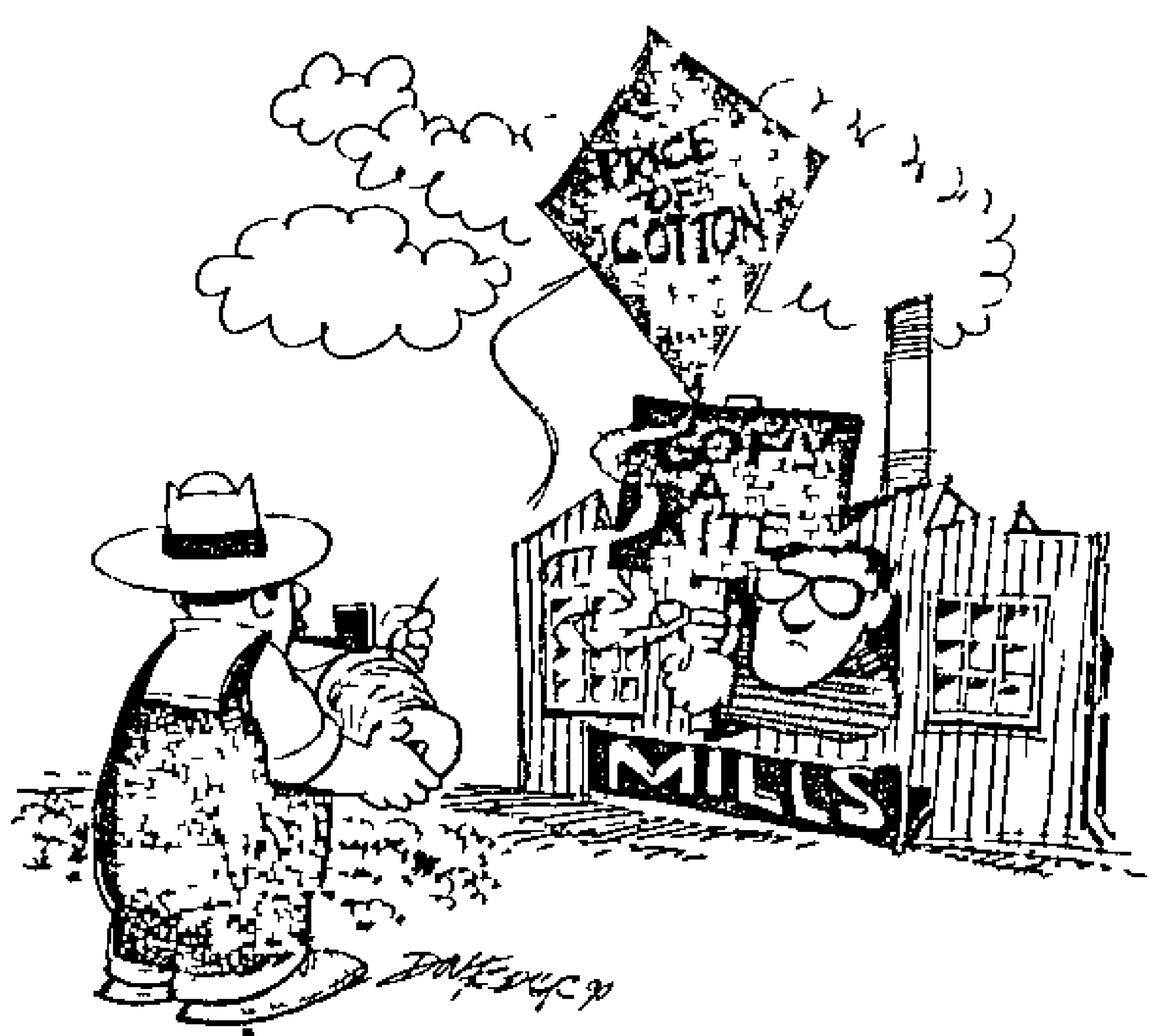
CLOTHING AND TEXTILES FM 1/6/90 (197)

Cottoning on to increases

For the past 16 years the price of cotton to SA's textile mills has been set by agreement between the Cotton Board (acting for the cotton farmers) and the textile mills Now, for the first time, no agreement has been reached

Cotton has a 33% share of local textile production, way ahead of its nearest competitor, polyester, with 21% So the downstream implications of the latest 36% cotton price hike on clothing prices will be significant

The increase couldn't have come at a worse time for the clothing industry The latest business conditions report of the National Clothing Federation (NCF), yet to be published, predicts that manufacturing volumes will decline by 2% this year Fabric cost increases were running at 19,7% in February But the latest cotton price increase, which will lead to a 30% increase in cotton fabric prices, could push this index up to 25%



Says the federation's vice-president, Sadek Vahed "Not only have we had to cope with fabric price increases, but also with an increase in unrest, especially in Natal, which has affected sales volumes and production On top of that, wage increases have averaged about 24% "

Up to 20 small clothing factories have closed down, or are about to, and 2 000 workers have been retrenched from the industry, adds Vahed.

The Cotton Board has set the cotton price at R4,82/kg, which is 36% above last year's price of R3,55 The mills say the increase is too much to absorb at once

But, in terms of the existing cotton marketing agreement (CMA) between the board and the mills, the board annually sets a price based on an average between the previous November and March world prices This is regarded as the price for the coming year

This means that in some years, mills enjoy lower prices than the yearly average, but, in other years, not Last year, the price increased by only 1,4% — from R3,50 to R3,55 And, for most of the year, local mills benefited from paying SA producers well below world prices which averaged around R4,50/kg

This year, world prices seem to have peaked at R5,12/kg, but the mills are expecting prices to drop later in the year But, while they expect world prices to fall, in terms of their standing agreement mills will be expected to take up at least 80% of the local crop at the new prevailing price.

Frame chairman Mervyn King, an outsider to the industry until two years ago, is the most vociferous critic of the board and the CMA He argues it goes against current free market thinking in government circles "We are obliged to take a high proportion of the local crop even if farmers don't produce the cotton qualities we require There's an excess of coarser cotton and a shortage of finer cotton produced in this country

"We also need greater efficiencies by cutting down on warehouse space and by only buying raw materials when we need them on a just-in-time basis The CMA is a nice, cosy arrangement for the farmers and the board, but it makes it difficult for us to control our own raw material stocks "

However, it's only because Frame has cotton stocks available that it can refuse to pay the Cotton Board price at the moment Smaller mills are being forced to accept what they describe as a "unilateral" price

According to Textile Federation executive director Brian Brink, the mills would accept an increase of up to R4,65/kg, which would still be an increase of more than 30%

But Cotton Board GM Johan Gillen points out that last year, the average world cotton price was R4,50/kg — so local spinners enjoyed a discount of almost R1/kg "The agreement price is supposed to be related to the world price And, by setting the price at R4,82, we have already come down 30c from the price farmers would be entitled to on the open market To come down further, even to R4,76, would be ridiculous "

Gillen says farmers are already disillusioned with the agreement, which hasn't worked to their advantage The agreement runs out on June 30, which means it will only be applicable to the crop until the end of March 1991 He says it won't continue in its present form "The new agreement will have to be in line with current thinking, which means fewer controls "

But Brink charges the board has already instituted controls beyond its mandate "It has imposed import quotas on lint and seed, originally as a temporary measure, but it has continued this It now proposes to buy up cotton lint from the ginners and sell it centrally to the spinners — a move we're resisting," he adds

The cotton price hike has also come at a time when polyester prices have increased at 10% or less — well below inflation

Mike Smith, MD of SA Nylon Spinners — the main producer of synthetic fibre, says the cotton price increase will be a positive factor in helping synthetics increase its market share But, he adds, "price is just one factor Fashion is a major factor and it has helped cotton grow its market share "

In some ways, the cotton spinners are shedding crocodile tears According to textile industry consultant Joop de Voest, the price increase had been anticipated and was partially reflected in the January increase in the cost of cotton yarn Clothing manufacturers expect the balance of the price recovery to be shown in the prices to be set later in June

However, consumers have often proved immune to clothing price increases "Viscose prices have increased by more than 30% a year but it's been increasing market share," notes De Voest in support of this contention

Stephen Cranston

ADSPEND

Up, up and away . . .?

Advertising expenditure, known as adspend, is a traditional barometer of confidence in the economy, as it tends to rise and fall with the economic indicators

This year, however, unlike the rest of the economy, it seems to be showing real growth In the first quarter of the year adspend grew by 19,8% over the first quarter last year and the growth seems to be accelerating After a flat February which only grew by 15,5%, March-on-March growth was 21,2%

The biggest winner overall is television, which grew by 29,7% in the first quarter compared with 17,3% for print

In March, cinema increased its revenue by 42,8% over March 1989 after a slow start to the year It grew 15% in the first quarter NuMetro has increased the number of its screens at Hyde Park in Johannesburg and

ST Times 3/6/90

SA Bias rides storms

By IAN SMITH

Downswings bring good times as acquisitions in recession pay dividends

DOWNTURNS are made for high-riding SA Bias, which has a proud 30% compound growth of earnings in the past 12 years.

In the 1984-85 recession the group made a score of acquisitions which showed handsome benefits in the upturn.

Once again it is on the take-over trail, three deals in the bag and others planned The group is likely to announce soon that it has achieved its long-term aim of a secure base abroad

Industrial arm SA Bias Industries bought the Kirton group for R11m. Kirton makes and distributes curtain tapes, drapery hardware and accessories, louvre windows, folding and sliding doors and movable partitions

SA Bias Industries, SA's largest manufacturer of trimming and accessories for the clothing, footwear and allied industries, was already involved in curtain hanging through Narrowtex

Imports

It also bought Port Elizabeth-based Webbing Products for R1,1m Put together with Quintex Webbing, it will be SA's largest seatbelt webbing manufacturer

It is also injecting about R5m in a new thread manufacturing arm in SA in a joint venture with Eire's Barbour Campbell group.

The operation will be based on the existing small manufacturer and distributor Perivale Gutterman and the Irish company's distribution subsidiary, Barbour Threads

The capital injection will result in a major manufacturing operation to replace imports

Growth

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Chairman Chris Seabrooke will not be drawn on details of the new move abroad, but says "We have been looking for an opportunity to establish ourselves overseas for several years I am confident we will be established in the UK by the end of the year"

The developments come after another good year to December 31 in which earnings grew by 26% to 98,4c a share.

Mr Seabrooke says in his annual report that growth came from both the industrial division and financial arm Merhold, which has four main activities — trade factoring and secondary finance, export trading, corporate investment and services and banking

Last year SA Bias Industries contributed 61,5% of group attributable income of R13,1m and Merhold the rest

Mr Seabrooke says no expansion will take place outside these divisions for the time being

"Both are doing well in all areas and their planned operating and expansion strategies augur well for continued strong growth in the 1990s"

CHRIS SEABROOKE
UK breakthrough by end of year

Star 4/6/90 (197)

The Star
Finance

Textile industry activity shows first-quarter decline

By Jabulani Sikhakhane

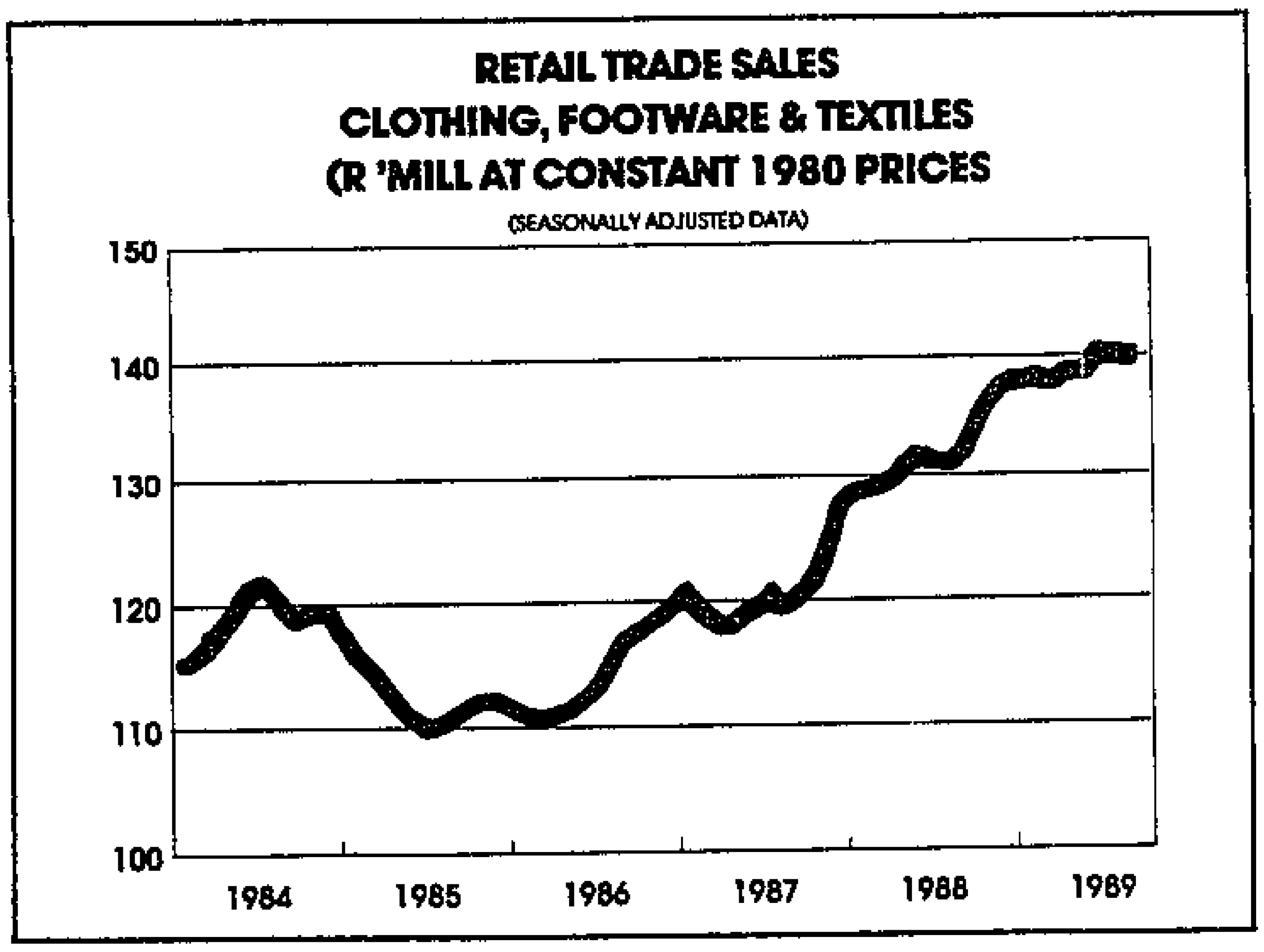
Activity in the textile industry deteriorated sharply in the first quarter of this year, with foward order books shrinking to low levels in all sectors from yarns to woven and knitted fabrics

The president of the Textile Federation of South Africa, W J E Wilson, writes in the latest newsletter of the federation, Textile Topics, that general industry activity started to cool off in the latter part of 1989.

He says the industry finds the punitive import surcharge on capital goods cost-inflationary With the current investment climate requiring substantial replacement and expansion capital investment, the import tax is counter to the industry efforts to become more competitive internationally.

While the Minister of Finance only reduced the surcharge, the need to remove it entirely on the textile industry's plant and machinery imports is an urgent requirement, he says

On the general export incentive scheme, Mr Wilson says with the method of categorisation resulting in differentiated incentive levels, significant sectors of the industry will be disadvantaged in relation to previous incentives



Applying a common middle-rated category to items with comparatively low and high levels of beneficiation will result in disincentive to export

The Board of Trade and Industry's Structural Adjustment Programme published in mid-1986 has confirmed that only certain duty-free imports based on export perfomance will remain in place

Under this scheme, clothing and fabric exporters will continue to benefit, but yarn exporters have been excluded

Mr Wilson says this exclusion ignores the significant export efforts of spinners and does not recognise the substantial beneficiation of fibre transformed into yarn

Writing in the same issue of Textile Topics, Romatex chief economist Jon van Coller says retail demand for clothing and home textiles was fairly buoyant until the end of December 1989

The demand for clothing is holding up well and the shortening of order books at the textile end of the pipeline is largely due to the cautious re-ordering policies of the major chains and department stores

Most textile manufacturers were, up to the end of February this year, operating at high levels of capacity utilisation, but the foward position was shortening in most cases

Mr van Coller warns that textile manufacturers should maintain close communication with their customers throughout the year on the state of their stocks and the rate of order inflow so as to avoid a repeat of 1986

In the third quarter of 1986 all stocks were suddenly depleted and major chains started re-ordering, pushing order books beyond normal delivery lead times

On a more positive note, Mr van Coller says in household textiles there is a certain portion of the market that is triggered by housing sales

After a lull towards the end of 1989, there is now a shortage of houses for sale and demand is very strong

This augurs well for household textiles next year and will be further enhanced when bond rates are reduced, releasing more disposable income, he says

Arwa hopes to be back in profit

Star 5/6/90 (184) (197)

By Tom Hood

Arwa, the listed hosiery, textile and clothing group, expects to be back making profits again by the end of the year, when the directors would consider resuming dividend payments, the chairman, Mr Johann Claasen, said yesterday at the annual meeting in Cape Town

This depended on the disposal of the loss-making fabrics division, which was under negotiation, he said

Almost R4 million of net profit was lost on cancelled orders of R16 million after disruptions caused by a fire at the knitting factory in Laudium and relocation of operations to Clayville

The group ended its financial year with a R3,3 million net loss after a R7,3 million net profit for 1988.

Earnings a share dropped from 36,5c to a loss of 12,2c and no dividend was paid (8,3c paid in 1988)

Mr Claasen said markets have declined substantially but all businesses were on target for the year except for the fabric division

He disclosed in his annual report that "due to undisciplined financial expenditure and sacrificing profitability for market share," two operations did not perform as expected.

"Corrective action was taken at senior level and the group has now reverted to a much more conservative and disciplined approach"

When a shareholder questioned this statement, Mr Claasen said the company's gearing increased considerably and had a material effect on profits

"Excessive spending in terms of operations and capital expenditure was not fully agreed to by the board The previous managing director and financial director at that stage have left the services of the company."

Interest paid by the group soared to R7,3 million from R2,8 million as borrowings increased to R44,5 million from R1,9 million

Shareholders agreed to pay R375 000 as directors' fees

Frame plants to close — 1 850 jobs lost

CAPTIMES 7/6/90

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Own Correspondent

DURBAN. — Three Frame Group plants — two in Durban — are to close with the loss of 1 850 jobs.

The mills are at Wentex in Jacobs where blankets and fabrics are made; and two polypropylene bag plants at New Germany and Qwaqwa where the plant and stock have been sold.

The bulk of the staff who will lose their jobs are at the Durban sites.

A spokesman said the closures were to be phased over July and August and timing was dependent on the level of orders. Negotiations with the trade unions would cover the staff to be retrenched.

Executive chairman, Mervyn King, said yesterday after a board meeting that the closures were the second stage of the restructuring of the group.

He said the polypropylene plants were being closed because of the competition. Decentralisation benefits had encouraged Taiwanese manufacturers to go into this business and it was now unprofitable for Frame.

He said blanket production would continue at the same level as before, but from fewer sites and with more modern machinery. The East London blanket plant was, with modern equipment, able to produce its own quota and that from the Wentex mill.

He said the object was to "strive to obtain a better return on assets resulting in the group remaining more competitive which was in the longer better-term interests of all the group's stakeholders including the employees."

Frame to sack 1 850 workers

147

Star 7/6/90

By Derek Tommey

The Durban-based Frame Group, the country's largest textile manufacturer, is to retrench about 1 850 workers

This was announced last night by group chairman Mr Mervyn King. The retrenchments follow a decision to shut several operations because of trading difficulties

Among the plants to be closed are the group's oldest at Jacobs which manufactured blankets and fabrics, as well as the polypropylene bag manufacturing businesses in QwaQwa and New Germany.

"This was in the longer term interests of all the group's stake holders.

Major shake-up at Frame

By Ann Crotty

Textile industry analysts expect to see some firming in the Frame share price within the next few days with the announcement that in an attempt to boost return on assets, the giant textile group has closed a number of plants and retrenched about 1 850 staff.

For some analysts Frame's profitability has been adversely affected by the age and enormous size of its asset base. Smaller competitors with more modern equipment have been better able to adjust to changes in the industry — including increased competition from overseas.

Executive chairman Mervyn King says the closure will not affect capacity to produce blankets.

The largest plant to be closed is the Wentex Mill in Jacobs, Durban.

Wentex, the group's oldest plant, made blankets and fabrics.

The polypropylene bag manufacutring businesses in QwaQwa and in New Germany will also be closed.

In financial 1985 Frame had 26 187 employees. This was down to 19 146 by financial 1989.

Over the same period turnover per employee rose from R168 000 per annum to R454 000.

Sfr 7/6/90 (197)

Textile firms may be over the worst

Finance Staff

Fabric factories are less busy than they have been for some time as stores cut back on orders but a prominent industry economist believes relief is nigh in the form of a strong economic upswing.

Jon van Coller of Romatex says textile manufacturers must keep in close touch with their customers to avoid a repetition of what happened towards the end of 1986 when factories were unable to meet orders from retailers who had depleted their stock levels during the lengthy recession.

He writes in the May edition of the Textile Federation's newsletter, Textile Topics, that demand for clothing is holding up well with the shortening of order books that has been occurring due to the cautious post-Christmas ordering polices of the major chain and department stores.

BOTTOMING

While he feels that manufacturers need another two months to accurately determine the extent of the downturn, he believes that Government policies to cool the economy are "very much on track" and the business cycle probably is at the steepest part of its decline.

"At this rate it should start bottoming out towards the end of the year.

"The rate of decline is relatively mild and similarly, we expect the trough, when reached, to be fairly shallow and drawn out, like a saucer and not a short, sharp V-shaped affair as it was in 1983," says Mr van Coller.

LEAD TIMES

This type of economic phenomenon "often causes management to over-react" and overly-depleted stock levels have suddenly to be raised, "pushing order books way out beyond normal delivery lead times", he says.

"The textile industry simply cannot react that quickly".

Mr van Coller believes household textiles sales, which he says are allied closely to housing sales, should emerge from the doldrums they entered late last year as demand for residential property outstrips supply.

"This will be further enhanced when bond rates are reduced, thus releasing more disposable income."

Frame Group is to shut three factories

B Day 7/6/90 (197)

ACHMED KARIEM

THE Frame Group, SA's major textile manufacturer, yesterday announced the closure of three factories that will result in the retrenchment of 1 850 employees.

Executive chairman Mervyn King said the move was necessary to obtain a better return on assets and make the group more competitive It was part of the second phase of its restructuring programme and involved employees on all rungs of the ladder.

Among the factories due for closure is Wentex Mill in Jacobs (Durban), the oldest plant in the Frame Group It manufactures blankets and fabrics and employs 1 400 workers.

The polypropylene bag manufacturing businesses in QwaQwa and New Germany would also close Decentralisation benefits had encouraged Taiwanese manufacturers to go into this business and it was now unprofitable for Frame, King said.

The reduction in the number of sites meant a leaner group would emerge.

"We now have information on which we can make reliable decisions and these include the closure, disposal and relocation of certain of the businesses of the group. This is consistent with our stated objectives," he said.

Concentrating its blanket business in fewer sites by closing the Wentex plant would have little impact on production because of modern plants and machinery, he said.

The East London blanket plant was, with modern equipment, able to produce its own quota and that of the Wentex mill.

The first phase of the restructuring programme was to increase profitability and involved the decentralisation of the management structure, the creation of business units and the improvement of the quality of management information.

King said the restructuring and closures were taking place notwithstanding the downturn in the economy.

He regretted laying off 1 850 employees, he said Between 1985 and 1989 year-end total staff declined by 7 000 from 26 187 to 19 146

Our Durban correspondent reports a spokesman said the closures were to be phased over July and August and timing was dependant on the level of orders.

Star 8/6/90 (197)

The Star
Finance

More Frame closures may follow, says MD

By Des Parker

DURBAN — If the economy fails to turn around soon and the Government persists with its industrial decentralisation policy, the giant Frame textile group may close more factories, putting more workers out of jobs.

Executive chairman Mervyn King said this week negotiations were taking place with the SA Clothing and Textile Allied Workers Union (Sactwu) on the retrenchment of 1 850 people in the next few months.

This was a result of the phased closure of Frame's 55-year-old blanket and fabric-making plant at Jacobs, Durban, as well as complexes producing polypropylene bags at New Germany and Qwa Qwa.

The lay-off represents almost one-tenth of the group's 19 000 employees.

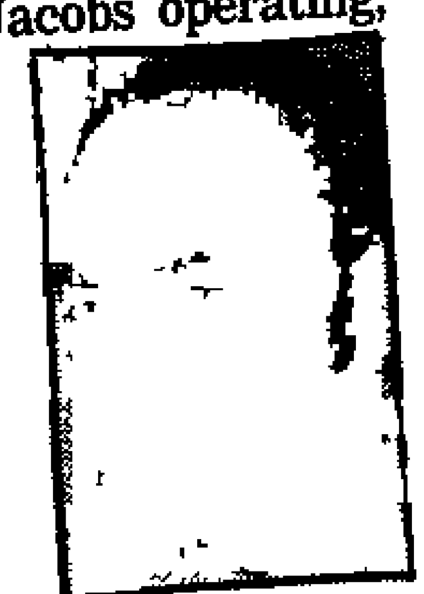
Mr King said. "If the economy continues on its present downward course for much longer and if the Government continues with its policy of subsidising small foreign investors in the homelands to the detriment of local manufacturers, then we will have to take further action."

He blamed subsidies paid to foreign-owned polypropylene bag-manufacturers, most of them Taiwanese, and the resultant unfair price competition for the closure of the Qwa Qwa and New Germany plants.

In the past nine months, Barlow Rand had shut down polypropylene bag divisions within its Romatex and Consolidated Glass groups for the same reason, he said.

The Jacobs plant, which produced blankets and specialised fabrics, was closed because equipment was becoming outdated and the figures had shown production could be better handled at the more modern blanket factories in East London, Harrismith and the Ciskei.

Fabric production alone did not warrant keeping Jacobs operating, said Mr King



Mervyn King

The cuts this week marked the start of the second phase of a programme, launched when Mr King took over at the helm of Frame two years ago to improve the return on assets and capital of the sprawling, anachronistic group.

Phase one, which in the past 18 months had seen diversified operations hived off into business units responsible for their own performance, as well as the reduction of the head office staff in Durban from 60 to 11, produced the information on which management could base its second 18-month phase, Mr King said.

"We now have information on which we can make reliable decisions and those decisions include the closure, disposal and relocaton of certain businesses."

While Mr King would not be drawn on where the axe might fall next, in a recent interview he identified areas of the group where growth was most promising.

Within the largest company in the group, Consolidated Cotton Corporation, these included Consolidated Weaving and Finishing, household textile producer Consolidated Manchester, and knitted fabrics and apparel company Consolidated Knitting.

In Consolidated Waverley Textiles, which includes the Jacobs blanket factory, he earmarked Consolidated Yarns, a producer of industrial yarns used to knit jerseys

Closure of the Jacobs complex, which was opened by group founder Philip Frame in 1935, poses interesting questions for the Frame Group Holdings and Consolidated Frame Textiles head office operation located there.

Mr King, who still commutes to Durban and other operational centres from his Johannesburg home, said with the decentralisation of management there was no reason for group headquarters to remain in Durban.

Consolidated Cotton Corporation (CCC) would have to stay in the city because it was central for most of its mills.

Both the group and CCC could move to New Germany, and the Jacobs complex, owned by the Frame property division, could be sold off.

SAB plans expansion of brewery

Bl Day 5/6/90

BRENT MELVILLE

SA BREWERIES (SAB) is planning to dramatically increase beer capacity at its Newlands brewery as part of its recently announced R200m expansion programme, and based on increasing demand for its Ohlsson's lager.

An SAB beer division spokesman said expansions to the Newlands brewery would increase capacity by about 50%.

In addition to expansions at Newlands, SAB has also awarded contracts for expansions at its depot at Ottery. The two lucrative contracts have been awarded to LTA Cape-based Union Structural Engineering has been awarded two contracts worth R3,6m for the fabrication and erection of 670 tons of structural steel (182)

The value of the Newlands contract is more than R10m and LTA project manager Des Hughes said the project would take about 14 months to complete.

Work has already started on the second contract, which will incorporate 300 tons of steel covering an area of about 12 300m².

Frame Group aims at getting results

B/Day 8/6/90 (197)

ACHMED KARIEM

DIRECTORS of the Frame Group, the single largest textile operation in SA, are confident of transforming the huge 60-year-old organisation into a more profitable one

Operations are located in diverse places such as East London, Ladysmith, Ciskei, Harrismith and Durban, whereas the optimum is to consolidate everything in one place

However, all agree it will take some time to change things, because the company is "like a huge tanker in the ocean"

Executive chairman Mervyn King says shareholders correctly complain that last year Frame had a return of 9,3% on assets employed

"We have a duty to them to raise that and the only way to realise it is to make the group more modern and get it leaner"

King says he and his team spent 18 months breaking the group up into different business units

"Now we know which are the better businesses and we are going to concentrate on them"

The recently announced closures, which include the oldest mill, Wentex, in Durban, occurred because they were not giving an acceptable return on assets

"We need to move away from the paternalistic employer attitude to mould a leaner and commercial operation"

Nevertheless, King is aware of the group's social responsibility to its work force

He says Frame's wages are the highest in the industry. It has a subsidised canteen at every mill site

Today the organisation is restructured into two listed companies — the holding Frame and the operating company Consolidated Frame Textiles (Confram)

Stock

Confram financial director Bruce Sanders says the company is not really profitable at present

"Stock levels are very high at the moment and interest rates will absorb some of the earnings

"When Philip Frame died, the triumvirate of Selwyn Lurie, Sydney Piemer and Archie Berman took over in terms of the will and were very constrained in terms of the will

"They left and Justin Schaffer, recruited from SA Nylon Spinners, moved things for two years," he said

SANS will spend R90m

SA NYLON Spinners (SANS) will spend R90-million in the next two years to expand and modernise its polyester spinning plants (197)

The project will involve the installation of spinning and texturing plant at Hammarsdale, Natal, to increase production to about 15 000 tons a year.

Capacity for knitting and weaving yarns at the Bellville plant will also be replaced, increasing production in some sectors by about 10% ST Times 10/6/90

STimes 10/6/90

More woe for battling Frame

Strikes threatened as three factories close

197(90)

A PROLONGED strike in the Frame group in reaction to the proposed closure of three factories will be another thorn in the side of the beleaguered textile giant.

More than 1 800 jobs will be lost because Frame will close factories unable to compete in a high-tech industry

A dispute has been declared by the SA Clothing and Textile Workers' Union, which is dissatisfied with Frame's industrial relations procedures

The major problem for the industry in general and Frame in particular is that profit margins are too thin to justify investment in more modern and efficient plant without incurring high borrowing

In the face of stiff competition, Frame will be loath to sacrifice market share which can be maintained only at the expense of margins It's a Catch 22-situation

MERVYN KING

By JULIE WALKER

The decision this week to close Wentex Mills in Durban with the loss of 1 400 jobs comes as no surprise to textile industry watchers Retail purchases of blankets — its major product — have all but dried up and Frame is virtually bankrolling its customers by carrying stock

Since chief executive Mervyn King took over at Frame late in 1988, equipment has been upgraded — at high cost Purchases include cotton processing machinery, spinners, air-jet looms, pressure dying plant and a laser engraver for new print designs

The group has been reorganised into small focused businesses The strategy has been to decentralise right down to the shopfloor

But Frames's borrowings are nearly R190 million and the size of its interest bill is deterring investors from buying the shares

Speculation is that one way Mr King could bring down interest bearing debt would be to sell Conframe s 21,5% cross holding in its parent company

Insufficient

The Frame group owns 67,5% of Conframe, which holds the subsidiary interests in Consolidated Cotton Corporation, Consolidated Waverley Textiles and Consolidated Apparel Manufacturers Conframe owns most of the property division, Frame holding 5 5% directly

If Conframe were to sell its holding in Frame, it could bring in nearly R50 million at the current Frame share price of 885c This might not be enough for the directors

Although it is difficult to quantify Frame s net asset value it is estimated at R17

It is unlikely that the directors would wish to sell at almost 100% discount to net asset value, nor would potential buyers be willing to pay double the market price for the stake

Worried

Finding common ground will not be easy It is believed that the Conframe stake was offered last year but a potential buyer pulled out after Frame's poor performance — the legacy of years without direction

Analysts are worried that Frame might not achieve this year's earnings forecast, especially as blanket sales have stalled and interest rates are still punitive.

The best they hope for is a reasonable return on assets by 1992

Shareholders can expect an increase in dividend cover as retentions increase to fund growth

B/Day 11/6/90

Upswing for textiles 'only in 1991' (197)

ACHMED KARIEM

ORDER books for household textiles had shortened in the past two months and no significant improvement was expected before the middle of 1991, Romatex group strategic planning manager Jon van Coller said in an interview on Friday.

He said household textile sales were very depressed because of high interest rates affecting bond repayments

"April and May were difficult months due to holidays and stayaways which had an impact on black consumer buying," he said

The business cycle was probably in the most difficult part of the downswing, Van Coller said in the latest issue of the Textile Federation newsletter.

However, policies to cool the economy to protect the balance of payments were on track

"We expect the trough, when reached, to be fairly shallow and drawn out like a saucer and not a short, sharp, V-shaped affair as it was in 1983," he said

Under these circumstances retail demand would abate only mildly this year, coming close to last year's levels.

Van Coller said the trimming of stocks would be experienced at the textile spinning and weaving stage Management overreacted when stocks were depleted, pushing order books beyond usual delivery times and "the textile industry simply cannot react that quickly"

FRAME FM 15/6/90

Hit by subsidies (197)

The Frame group's management has made no bones about the fact that efficiencies in its own operations need to be improved.

That is part of the reason for last week's announcement that three plants are to be closed, including the plant at Jacobs, Natal, the oldest in the group

It is also among the largest plants. Its phased closure should be a useful step towards management's objective of attaining a better return on assets by consolidating operations — in this case, blanket production — on fewer sites (*Leaders* May 25) Chairman Mervyn King notes that blanket production will not be affected because investments have been made on more modern plant and machinery

But there is a rather different background

FM 15/6/90 (197)

to the other two closures, the polypropylene bag manufacturing businesses in QwaQwa and New Germany.

King has blamed these on competition from largely foreign-owned businesses, generally controlled from Taiwan, which are benefiting from government subsidies

Frame's King ... shrinking the plant

On that basis, government's continued subsidisation of often uneconomic border industries in the pursuit of decentralisation has directly contributed to the loss of dozens of jobs in a long-established local industrial group

In total, the latest closures will result in the loss of 1 850 jobs, though a relatively small proportion of these will be related to the QwaQwa and New Germany closures

With these cutbacks, the group's total staff complement will drop by nearly 10% from the 1989 year-end level of 19 146. Over a longer period, the reduction has been far larger — in 1980, Frame employed about 32 000 people, so about 14 700 jobs have been lost over the decade. Given the problems the group still faces, with competitors whose advantages include subsidies and a sinking financial rand — useful when buying capital equipment from abroad — it is unlikely the shrinkage has yet run its course.

Andrew McNulty

Manufacturers slam rise in cotton price

Cape Times 19/6/90

197

By AUDREY D'ANGELO
Business Editor

THE retail price of cotton clothes may be pushed up by as much as 30% as a result of a decision to raise the price of cotton lint by 33% this season, Seardel executive director Mike Getz said yesterday.

Critising the Cotton Board for setting it at this level, the chairman of the Cape Garment Manufacturers Association, Simon Jocum said it could lead to retrenchments as a result of falling sales

He urged the Cotton Board to think again about such a high price rise at a time when the economy was in a downturn

But the chairman of the SA Textile Manufacturers Association, Roland Hammerle, said the price of R4,72 a kg was below the price on international markets It was a compromise reached after lengthy negotiations between the cotton producers and spinners

Brian Brink, executive director of the SA Textile Manufacturers' Association, said the international price set in England had soared to R5,40 a kg. This is significantly higher than the price we have agreed on, but that is as much as our industry can pay

"The farmers, who were paid R3,55 a kg last season, are getting less than they asked for and we are paying more than we wanted to"

Brink said the spinners felt they should be given some price advantage for a product grown in this country rather than paying the international price. But the international price had been used as a reference for the passed 15 years and this had worked reasonably well

Jocum said, "a rise of this magnitude is really bad news It will cause consumer resistance and business is bad enough as it is

"I think the Cotton Board is being unreasonable and if it had the power to reduce the price it should do so right away in the interest of the consumer and of saving jobs"

Getz said a 33% rise in the price of lint meant an 18% rise in the price of pure cotton fabrics This would mean a rise of 8% or 9% in the factory price of a garment.

"The retailers' mark-up averages 80% — the stores giving credit charge more and outlets like Pep Stores less"

"This means the garment will cost 15% more than last year. Add to that the inflation in the pipeline of the textile industry which, historically, has been 15% a year, and you have a 30% rise in the retail price of the garment."

Getz said this would mean a rise in demand for clothing made from synthetic fibres This would push up their price too.

Da Gama lays off 250 workers

(197)

ACHMED KARIEM

TEXTILE group Da Gama has had to retrench at least 250 employees at its Good Hope Textiles subsidiary in Ciskei because of a reduction in orders, financial director Nic Pietersma said yesterday

Da Gama has four textile divisions — Home Sewing, Apparel, Home Fashion and the industrial division.

Pietersma said plants had to be modernised which involved a consequent reduction in labour loading requirements

The Da Gama redundancies came in the wake of the recent Frame Group's closure of three factories and the resultant loss of 1 850 jobs

Da Gama CE Harry Pearce said in a recent circular addressed to workers the East London plant was also affected by the cutbacks and about 50 looms would be removed

"As a first step we are retiring employees who are of retiring age at the East London plant and this arrangement is in progress

"Management is monitoring the level of order intake and cancellations closely," he said

Irish & Co analyst Heidi Vollmer said in a recent report Da Gama was likely to outperform the other major players in the textile sector in the short term.

"The group is planning capital expenditure in the region of R30m to March 1991, of which most will fall in the last quarter of the financial year, resulting in a 12% increase in production capacity over the two years to March 1991"

Although Vollmer has forecast a slight reduction in earnings to March 1991, she said longer term prospects for the group were positive because of increased investment in plant and equipment, low gearing, lower costs, the high operating margins and the growth potential of the product range in the longer term

The Da Gama share price is currently trading at 820c, which is just above its low of 800c in early June, and well below its high of 1 175c in March

NINIAN & LESTER FM 29/6/90

197

Prospects socked

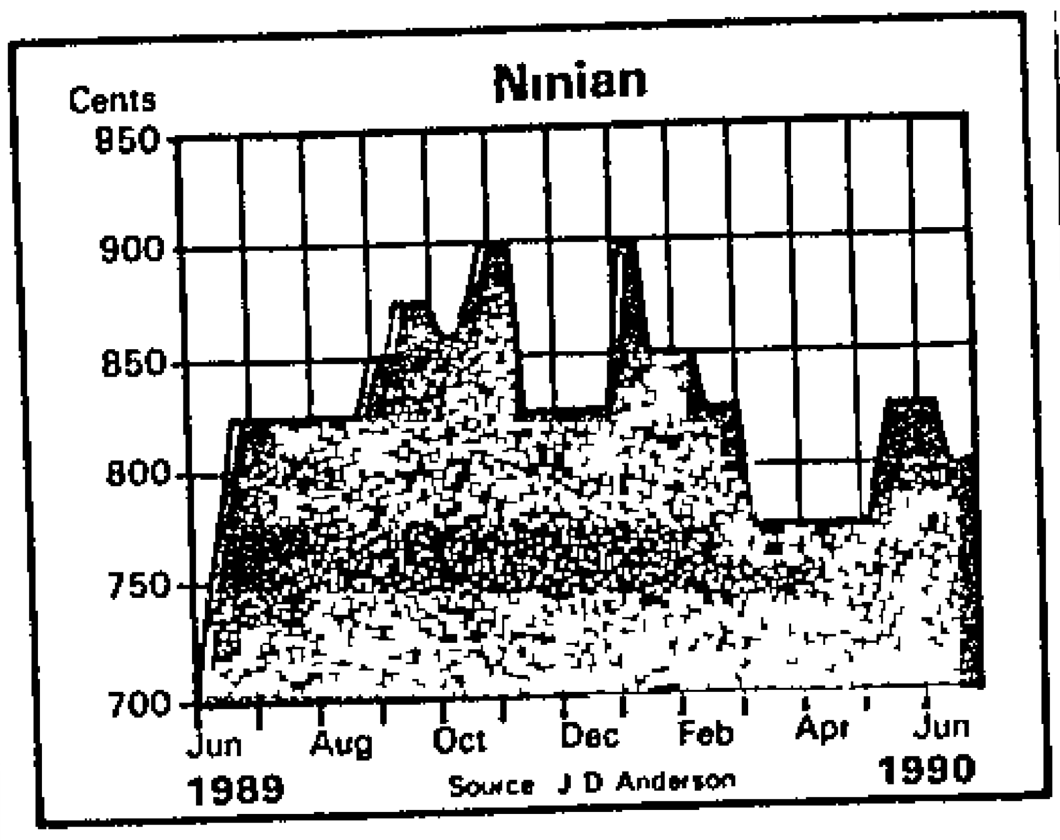
Pessimistic prognoses for the textile industry have led Ninian & Lester to forecast a halving of record 1989 profits in 1990. Though the group manufactures basic products such as socks and underwear, which are mostly inflation-proof, financial director Gerd Rahmer believes the downswing in the economy will be worse than expected. "We have taken a very pessimistic view of the economy and are tightening up on working capital," he says.

In the past, the company has proved it can tighten up on working capital But present high stock levels could be a problem — they rose 40% to R27m However, Rahmer says some of these high stock levels were deliberate in anticipation of a substantial increase in the price of raw materials They now have to be cut sharply and the debtors book, which rose 29% to R29,8m last year, brought under tighter control to help weather the forecast of tougher times

Planned capital expenditure has also been cut From R6,9m capex in 1989 for replacement of a textile plant and additional clothing and hosiery plants, just R4m will be spent in 1990. This will be similar in 1991.

High interest rates, part of government's plan to cool the economy, pushed the interest burden up 145% to R3,3m. This was mainly because of short-term borrowings which rose 163% to pay for high stock levels Though long-term borrowing remained at R4m, the debt equity ratio rose to 0,23 from 0,19 in 1988 However, Rahmer reckons this remains satisfactory

Pessimism about the economy could be justified, especially in the extremely cyclical textile industry. But as long as management can avoid a squeeze on margins, the nature of its business should protect the company from recession. Still, the market is uncertain as to the performance of the group and the share is rated cautiously on a 3,1 p e ratio and a dividend yield of 9,1% *Heather Formby*



FM 29/6/90 197

Activities: *Holding company with interests in the textile, clothing and hosiery industries.*
Control: *Directors 58,8%*
Chairman: *M R A McElligott. MD D M Drysdale*
Capital structure: *3,2m ords Market capitalisation: R25,7m*
Share market: *Price. 800c Yields 9,1% on dividend, 32,6% on earnings, p e ratio, 3,1; cover, 3,6 12-month high, 900c, low, 770c Trading volume last quarter, 8 285 shares*

Year to Dec 31	'86	'87	'88	'89
ST debt (Rm)	0,2	2,7	2,0	5,2
LT debt (Rm)	2,0	4,0	4,0	4,0
Debt equity ratio	0,12	0,28	0 19	0,23
Shareholders interest	0,54	0,53	0,53	0,55
Int & leasing cover	5,2	5,2	6,6	3,7
Return on cap (%)	21,8	25,1	20,9	19,7
Turnover (% increase)	23,2	20,1	20,7	29,8
Pre-int profit (Rm)	5,1	7,5	12,1	14,3
Earnings (c)	128	184	237	261
Dividends (c)	36	50	65	73
Net worth (c)	586	732	954,2	1 221

F/M 29/6/90 (197)

DATES TO REMEMBER

Last day to register for dividends:
Friday Jul 6: AA Life 5,9c; Blocktech 3c; Blyvoor 30c; Columbia 7,5c; Glodina 6,5c; Molyslip 3c; Plate Glass 157c; Placor 57,9c; Stanpro 9,7c; Techire 3c.
Meetings:
Monday Jul 2: Kudu (S) (Pretoria); Sappi.
Wednesday Jul 4: Cutrite; Edgars, Reichmans.
Thursday Jul 5: OK.

NINIAN & LESTER F/M 29/6/90

Prospects socked (197)

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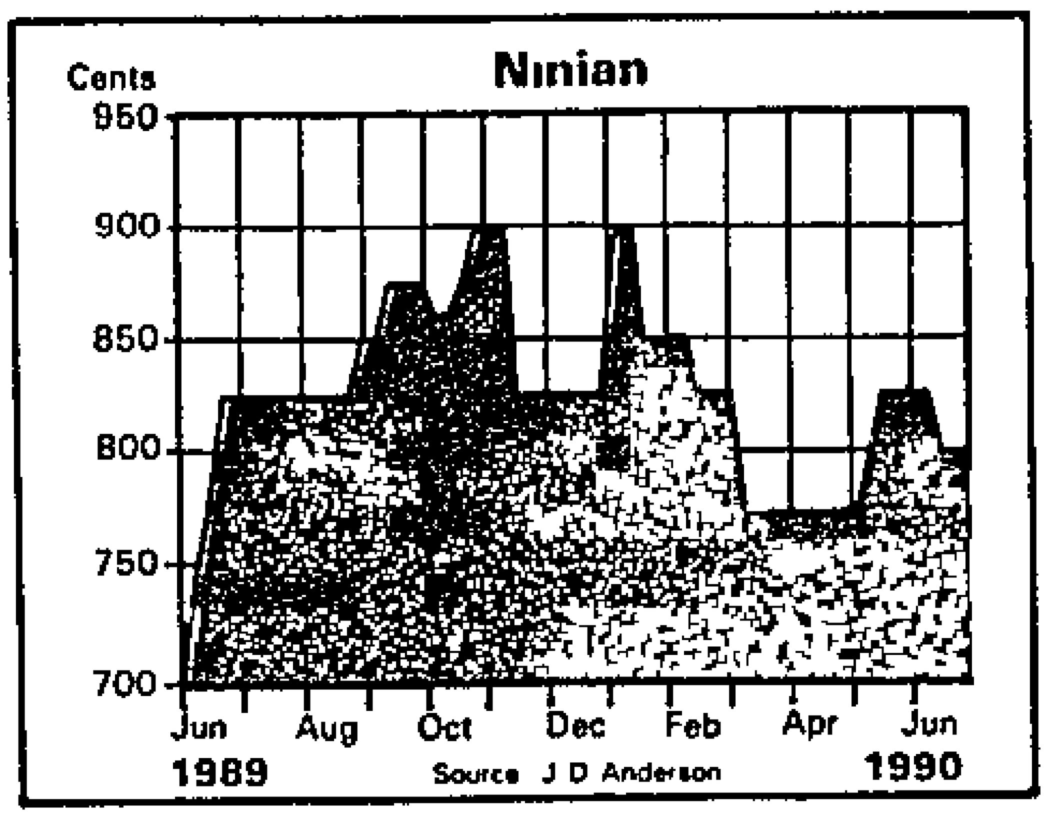


burden up 145% to R3,3m This was mainly because of short-term borrowings which rose 163% to pay for high stock levels Though long-term borrowing remained at R4m, the debt equity ratio rose to 0,23 from 0,19 in 1988. However, Rahmer reckons this remains satisfactory

Pessimism about the economy could be justified, especially in the extremely cyclical textile industry. But as long as management can avoid a squeeze on margins, the nature of its business should protect the company from recession Still, the market is uncertain as to the performance of the group and the share is rated cautiously on a 3,1 p e ratio and a dividend yield of 9,1% *Heather Formby*

DROP-INN F/M 29/6/90

Profits drop out

Activities: *Retail and wholesale liquor distributors*
Control: *Directors have control*
Chairman: *S R Berk; MD J E Miles*
Capital structure: *50,0m ords Market capitalisation. R17,5m*
Share market: *Price 35c Yields 9,3% on dividend, 17,6% on earnings, p e ratio, 5,7 12-month high, 46c, low, 30c Trading volume last quarter, 467 000 shares*

Year to Feb 28	'88	'89	'90
ST debt (Rm)	3,8	3,9	9,3
LT debt (Rm)	—	—	—
Debt equity ratio	0,20	0,19	0,43
Shareholders' interest	0,59	0,52	0,54
Int & leasing cover	—	—	13,0
Return on cap (%)	16 0	17 0	14,1
Turnover (Rm)	86,0	108,9	123,2
Pre-int profit (Rm)	4,94	6,71	5,68
Pre-int margin (%)	5 7	6,2	4,6
Earnings (c)	6,00	8,01	6,16
Dividends (c)	2,60	3,25	3,25
Net worth (c)	36	41	43

The past financial year is one that Sam Berk, Drop-Inn's chairman and principal shareholder, would prefer to forget It brought to a head two major problems as a number of his

Government probes textile industry

W1 Mail 29/6/90

By ROBERT LAING

197

THE wisdom of trying to protect local industry by placing high duties on competing imported products is once again being investigated by the government.

The President's Council is currently examining the National Clothing Federation's (NCF) accusation that the textile industry is over-protected — resulting in a lack of growth within the industry and preventing South African clothes from competing in the international market

The textile industry has survived several similar past investigations, including the Steenkamp Committee's findings in 1983 which advised government to reduce textile and fabric protection levels

The textile federation's argument is that as an infant industry it cannot survive the competition of cheap imports from industrialised countries without government protection

"This kind of thinking cripples developing countries," says NCF executive director Hennie van Zyl.

"By allowing easy access to cheaper imported fabrics from developed countries, Hong Kong, South Korea and Taiwan became strong exporters of clothes This put them on the industrial learning-curve that made them what they are today

"South Africa, with its high unemployment, needs to encourage labour-intensive industries like clothing. Yet the government's structural adjustment programme is favouring capital-intensive industries like textiles

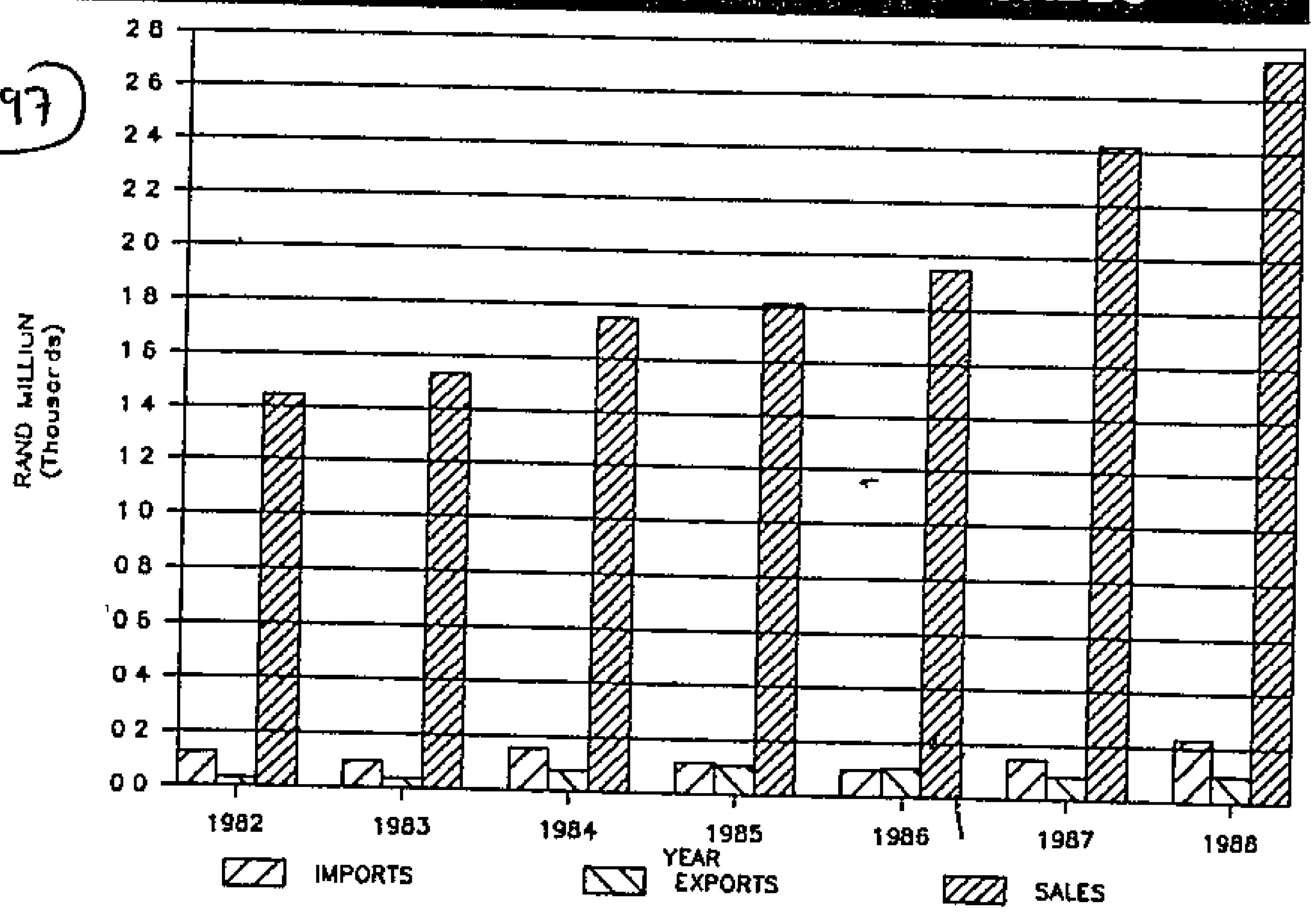
"The over-protection of these industries makes them uncompetitive in terms of price and delivery Heavy protection upstream means higher costs and slower growth downstream," Van Zyl says

Government statistics show that clothing manufacturers and retailers have kept price increases under the official inflation rate of 15,5 percent since 1985, while textile production costs rose by 18,3 percent

"This makes it blatantly obvious that the high cost of clothing lies within the textile industry," Van Zyl says

The present customs tariff system is incredibly complicated, listing 3 000 fabrics, each with a different duty The average duty is 21,4 percent

CLOTHING: IMPORTS, EXPORTS & SALES



10 000 walk off job

CAPE TIMES 12/7/70

JOHANNESBURG. — More than 10 000 Frame group workers walked off their jobs yesterday to back demands for higher pay, the South African Clothing and Textile Workers' Union announced.

This is the biggest single stoppage to rock an industry since a spate of strikes began early last month.

The strike has affected East London and the Natal districts of Germany, Jacobs, Mobeni and Ladysmith, the union said.

Comment from the company was not available yesterday. — Sapa

● Hotel strike builds up — Page 4

Cape Times 10/7/90 (197)

Delta strikers return

PORT ELIZABETH. — About 1 000 workers at Delta Motor Corporation returned to the plant yesterday after being warned by management that the strike from Wednesday last week could result in disciplinary action, including dismissal.

Although it was not known whether the 1 00 were willing to return to work, certain sections of the Delta factory had resumed full production.

The company issued an ultimatum in newspaper advertisements over the weekend, warning strikers to return to work yesterday morning.

Workers downed tools on Wednesday to protest against the company's refusal to take part in the national bargaining forum for wage and working conditions in the motor industry which have been endorsed by the other major manufacturers. — Sapa

COMPANIES

Glodina results hit by unrest, poor trading climate

(147)

ACHMED KARIEM

GLODINA Holdings, a leading manufacturer of towelling products in SA, has posted poor interim results with attributable income to end-June down 33% to R2,4m (R3,6m)

No dividend has been declared due to the economic climate.

Despite a 17% increase in turnover to R38m (R32,5m), the 17,2% decline in operating income to R4,6m (R5,6m) reflected squeezed margins.

A management statement blamed poor trading conditions in the textile industry, and unrest, for the slump in operating income.

Competition from cheap imports, production inefficiencies due to absenteeism and political unrest further cut profits at subsidiaries Textowel Weavers and Lanatex Weaving Manufacturers.

Last year's annual report said no tax was payable due to estimated taxation losses brought forward in certain subsidiaries and various investment and other taxation incentive allowances. Earnings a share dropped 32,6% to 12,4c (18,4c).

Although stock levels had gone up by R8,6m over December 1989, the firm's short- to medium-term plan included reducing stock levels.

A management programme to cut expenditure was expected to maintain current margins by year-end.

Glodina's capital expansion programme to modernise the Hammarsdale plant and transfer older machinery to the Qwa Qwa factory had been rewarded, as evidenced by increased operating efficiency at Hammarsdale, the directors said.

They said the outlook for exports was favourable and this should aid the group's performance in future.

The group yesterday announced the appointment of John Balladon as chairman and MD of Glodina's main subsidiary, Dano Textile

The share price is trading at 85c after its high of 170c in December

TGH/Duros in major restructuring

(197) Star 19/7/90

By Ann Crotty

The TGH/Duros consortium has announced a major restructuring, which will result in Duros being wound down, TGH becoming the pyramid company with two listed subsidiaries — Arwa and Gants — and two wholly owned subsidiaries — Entercor and Norths.

In view of the relatively attractive offer to the Entercor and Norths minority shareholders there seems little doubt that the move to delist the two companies will be successful

Shareholders who sold in the past two weeks will be disappointed that there was no cautionary announcement indicating that a deal involving these two counters was on the go and could affect the share prices

The Entercor minorities are being offered an effective 223c a share, compared with yesterday's market price of 170c and net asset value at end-December of 187c a share.

North minorities are being offered an effective 112c a share, compared with yesterday's market price of 80c and net asset value at end-June 1989 of 214c a share.

Duros will be absorbed into TGH and its insurance investments will be sold to Arwa for about R35 million cash

This R35 million will be paid out of the R42 million that Arwa received from the sale last month of its operating assets to Johann Claasen

Rationale for the deal is to make TGH structure more acceptable to overseas institutional investors in order that they support TGH's plans to expand the group's earnings and asset base internationally

TGH has a listing on the London Stock Exchange

According to today's official announcement "Investment criteria used by overseas institutions include a bias against investing in pyramid and control companies or in a multiplicity of listed companies within a group."

The proposals "take cognisance of these investment criteria, and are designed to attract the support of both local and overseas investors"

The Entercor minorities are being offered 66 TGH shares and 223c cash or, R223,33 cash for every 100 Entercor shares held

The North minorities are being offered 33 TGH shares and 112c cash or, R111,67 cash for every 100 North shares held

As part of the absorption of Duros, minorities in that company will be offered between 235 and 245 TGH shares for every 100 Duros shares held

The exact number will be dependent upon the number of Entercor and Norths shareholders who elect to receive TGH shares in terms of the transactions. The final number is expected to be around 240 TGH shares

The effect of the transaction on TGH's net asset value and earnings per share will be to increase the former by 17,8 percent to 365,8c a share. The latter will be up by 34,3 percent to 23,9c.

Tangible net asset value will increase by 34,1 percent to 180,1c

Clothing study warns of rapid mechanisation

B/day 23/7/90.

ACHMED KARIEM 197

MECHANISATION of SA's clothing and textile industries would accelerate unless labour and management agreed production would not be disrupted by industrial action

This was the finding of a clothing survey conducted by the National Productivity Institute (NPI) into firms which represented 26% of sales turnover and 16% of the workforce

NPI industries director Jan-Henk Boer said from NPI data collected from companies with a year-end of December 1989, it was clear manufacturers' financial situation had led to less than acceptable updating of technology.

"The trend away from labour-intensive industries is purely a function of the industrial relations climate"

The findings showed that the clothing industry's 1989 profits were dismal and the average return on operating assets before interest and tax was 18% and before tax was 12%, Boer added.

He said this was not healthy considering interest was about 3% of sales. Ladies manufacturers had a profit margin of 5,7% before interest and tax

He said the clothing industry found it very difficult to cost, plan and budget garments when it was uncertain whether it could depend on labour

Consequently, clothing companies would prefer to invest in capital to reduce their dependency on labour. Conditions in terms of profitability were similar in the textile sector.

FM 27/7/90 (197)

DEBONAIR FM 27/7/90

Winded

(197)

Activities: *Designs, manufactures and markets bedroom textiles, curtains and blinds*
Control. *Directors 36,5%, Unidev 26%*
Chairman and MD: *I Foster*
Capital structure. *20,1m ords Market capitalisation R5m*
Share market: *Price 25c. Yields: 2,4% on earnings, p e ratio, 41,7 12-month high, 100c, low, 25c Trading volume last quarter, 49 800 shares*

Year to Feb 28	'87	'88	'89	'90
ST debt (Rm)	—	1,74	5,34	6,05
LT debt (Rm)	0,40	0,08	0,38	2,31
Debt equity ratio	0,55	0,50	0,88	1,37
Shareholders' interest	0,2	0,4	0,3	0,3
Int & leasing cover	4,4	24,9	4,6	1,05
Return on cap (%)	13,6	24,8	17,7	8,4
Turnover (Rm)	5,8	15,2	25,7	33,1
Pre-int profit (Rm)	0,41	2,01	3,45	1,71
Pre-int margin (%)	7,1	13,2	13,6	5,2
Earnings (c)	3,3	8,7	12,7	0,6
Dividends (c)	—	3,5	4,2	—
Net worth (c)	n/a	22,9	36,2	28,8

Debonair's price has dropped from 100c less than a year ago to only 25c. Results for the year to end-February explain why the share fell so far

The company was listed on the DCM in 1987 and moved to the clothing sector on the main board in May 1988 Until the 1990 year the company expanded at a breathless pace through organic growth and series of takeovers By last year the *FM* was warning consolidation was needed (*FM* August 25)

Debonair's Foster ... problem with gearing

In the 1990 interim report directors said the group had achieved "significant increases in market share . . but margins were adversely affected " Market share was evidently pursued with even greater vigour in the latter half of the year Full-year results show that, though turnover rose by 29% to R33,1m, operating income slumped 51% to R1,7m, the pre-interest margin was chopped by more than half

With the interest charge rising to R1,63m — from R68 000 — pre-tax income only just stayed in the black at R82 000 (R2,8m). Even with a small tax credit EPS could total only a mere 0,56c after an increase in the number of shares in issue from 15,8m to 17,3m The dividend was passed

Chairman Ian Foster talks about fierce competition in the textile conversion market as more manufacturers vertically integrate and enter an already flagging market with their made-up goods

He says Debonair had sales management problems — now resolved — and incompetent managers were weeded out. An annual saving of R1m in distribution costs was gained by closing a Johannesburg warehouse and, though the market is tough with minimal forward orders, budgeted sales levels are being met.

Foster admits gearing is a problem that should be resolved by restructuring the group's capital base Perhaps Unidev, which holds 26% of issued equity, can assist but for the present there are no plans to approach shareholders

Foster contends the group is doing much better than in the second half of last year and "superior results" are expected this year He declines to be specific about prospects So it remains to be seen whether the company will be regarded as yet another bull market high-flier that faded in a tougher economy There is little investor interest for now

Gerald Hirshon

DA GAMA FM 27/7/90 (197)

Competition building up

Activities: *Textile manufacturer*
Control: *SA Breweries*
Chairman: *L van der Watt, MD T H Pearce*
Capital structure: *51m ords Market capitalisation R383m*
Share market: *Price 750c Yields 8,6% on dividend; 16,0% on earnings, p e ratio, 6,3, cover, 2,3 12-month high, 1 175c, low, 750c Trading volume last quarter, 325 500 shares*

Year to Mar 31	'86	'87	'88	*'90
ST debt (Rm)	6,0	—	0,1	0,2
LT debt (Rm)	0,5	0,8	0,6	0,4
Debt equity ratio	0,1	n/a	n/a	n/a
Shareholders' interest	0,73	0,69	0,68	0,70
Int & leasing cover	21,5	n/a	n/a	n/a
Return on cap (%)	21,0	31,8	28,5	24,7‡
Turnover (Rm)	166,6	209,6	248,2	344,9
Pre-int profit (Rm)	24,8	44,7	53,7	76,0
Pre-int margin (%)	14,9	21,3	21,6	22,0
Earnings (c)	39,2	73,1	106,6	119,6‡
Dividends (c)	1,5	31,5	46,0	64,5
Net worth (c)	151	193	254	399

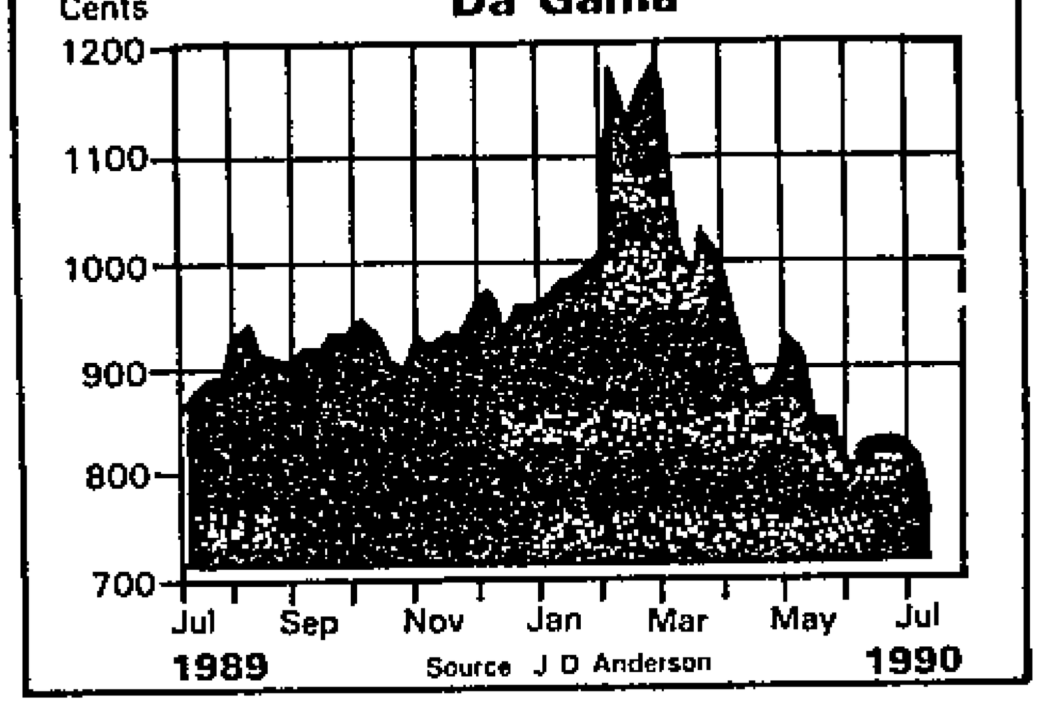
* 15-month period; ‡ Annualised

The textile industry changed markedly during the latter half of the Eighties For decades it was one of the more labour-intensive sectors, it is now seen as an essentially capital-intensive business in which sophisticated technology will determine who will make the best returns

Since its listing in November 1986, Da Gama has been firmly ensconced as the industry leader, producing returns and a growth pattern that would place the group in the forefront of any manufacturing sector. Demand for textiles was cooling during the second half of fiscal 1990 but profitability remained impressive, as shown by the pre-interest margin of 22% and the return on equity of 35%.

Two important reasons why the group has been able to achieve this level of returns are the timeous investments made in plant and its strength in certain market segments, particularly those in the high value-added and, therefore, high-margin areas. The effects have not escaped other major players in the industry.

Competitors such as Frame, Romatex and Mooi River have all been involved in large spending programmes and a number have said they want to move further into value-added sectors Whether that means all will ultimately end up chasing essentially the same markets remains unclear Frame chairman Mervyn King, for example, has said he does not expect that to happen




Da Gama's Pearce ... niche market strategy

Nonetheless, it must be assumed Da Gama will be facing a fiercer contest before too long Its annual turnover is now running at around R275m and it will probably become more difficult to adhere so closely to the high-margin sectors as growth continues.

Another potential threat to the bottom line, though a temporary one, could lie in any changes to the status of Ciskei The group has an effective tax rate of only 17,8%, largely because it operates plants in the Ciskei, any eventual change to Ciskei's status as a tax haven could affect earnings for a while.

But the group's long-term outlook will be influenced primarily by its ability to deal with competition, and by the growth seen in the textile market From the competitive standpoint, Da Gama has a crucial advantage. not only has it already been investing steadily in technology, but it has an ungeared balance sheet, a cash balance of R28m and vigorous cash flow

Capital spending will likely remain high — last year it was R44m and R35m is planned for this year, aimed mostly at further modernisation of weaving facilities as well as extending spinning and finishing capacity

Given the present profitability, the group should be able to fund its investments more cheaply than its competitors, which is a useful advantage considering the cost of capital now That could give Da Gama the edge that would ensure it remains the industry's profitability leader, even if others narrow the gap.

Textiles have been seen as a growth sector for the Nineties — a view that persuaded SA Breweries to take control of Da Gama last year Chairman Lauric van der Watt notes that semi-durables (clothing and textiles) turned in the best sector growth rate of 4,4% in calendar 1989

MD Harry Pearce notes that demand has slowed since the beginning of the year, owing to "significant import growth and a slowdown in economic activity " Increasing competition in certain areas, together with a substantial cotton price increase for the coming year, will adversely affect sales and margins. Pearce believes it will be difficult to improve on the latest annualised earnings

At 715c, the share is well off the 12-month high, but the counter will be seen as an attractive buy ahead of economic recovery.

Andrew McNulty

Overseas expansion plan for Tollgate

CAPE TIMES 31/7/90.

152 152 192

By AUDREY D'ANGELO
Business Editor

THE restructured Tollgate Holdings will be "a totally different animal within the next nine months", new chairman Julian Askin said at the annual general meeting yesterday.

He told shareholders that the restructuring so far announced — with Duros to be re-absorbed into Tollgate, Entercor and North Industries becoming wholly owned subsidiaries and Arwa sold — was "only the beginning".

Its London listing was one of the reasons his consortium had bought control of the group. Most of the new board were based in London and a great deal of expansion was planned overseas.

Within 18 months more than 80% of group earnings would be non-rand "so the SA activities will become less relevant."

However, Askin said, he would not make any move overseas until "the situation in SA has been tidied up."

The first priority was drastically to reduce the group's debt, which cost R56,1m in interest in the 18 months to December. "I have never liked high borrowings. I have never run highly geared companies."

He was reticent about his plans. "I know precisely what I want to do, but I am not going to show my hand at this stage. I am very reluctant to be more specific," he told shareholders.

He added: "I have put a great deal of my own money in and I am not going to blow it. I stand as the largest shareholder and I have no intention of shooting myself in the foot."

In answer to questions from the Chairman of the Shareholders Association of SA, Issy Goldberg, Askin said the group would have survived without the takeover of control by his consortium.

"There were some excellent businesses in it. It expanded too quickly, and it was over-borrowed, and overtaken by high interest rates."

But, he said, its asset value "would have pulled it through."

Askin said it had been a priority of his to dispose of Arwa. "It was not doing well and was not a company I understood. I have not got a manufacturing background and textiles are very volatile."

There had been inquiries about other companies. "There always are after any takeover."

In answer to Goldberg, he said the group was not at present involved in negotiations to sell any company. There had never been any negotiations to sell Gants.

The company was not under pressure, and did not need shoring up. There was activity in its stock in London, and would be more

Kk

COMPANIES

Arwa leases a mill to Kingtec

ACHMED KARIEM

ARWA chairman Johan Claasen, who recently spent R42m purchasing Arwa group assets, has leased his R24m Clayville mill to Willie Wong, MD of Garankuwa textile company Kingtec

Arwa's clothing and textile operations are located in Clayville (near Olifantsfontein), Parys, Atlantis and Durban

The latest Finance Week said the deal involved Taiwanese management control of the plant and injection of working capital, with Claasen marketing the mill's output 197

The mill, which employs 100 people and has the capacity to produce 15 tons of yarn a day, is expected to operate 24 hours a day.

An unidentified management source telephoned Business Day yesterday and said Taiwanese technicians would replace product managers at the Clayville knitted fabrics factory — to be renamed Scorpio Fabrics at the end of August — with Wong as CE and Claasen in charge of sales and finance

8 Day 7/8/90

Claasen was unavailable yesterday to confirm the information provided by the anonymous source.

Ninian posts 67% drop in earnings

B Day 14/8/90

ACHMED KARIEM

NINIAN & Lester Holdings (Ninian), the group which has controlling interests in companies in the textile, clothing and hosiery industries, has posted a 67% drop in earnings a share for the six months to June (194) (197)

Earnings a share fell to 28c (85c)

The company has declared a dividend of 6c (18c) a share

Results for the entire group — including those of Hacks Holdings, which became a 60%-held subsidiary on January 1 — reflected a 14,2% decline in trading income to R6,3m (R7,3m).

However, an interest bill of R1,1m, finance leasing charges of R383 000 and depreciation which almost doubled to R3m, together showed a 41% rise over the same period last year, contributing to a slide in pretax income to R1,7m (R4,1m)

A lower tax bill of R521 000 (R1,9m) resulted in taxed income of R1,2m (R2,1m).

Attributable income plunged to R888 000 from R2,7m

Chairman Matthew McElliott said indications were that earnings a share for the year would be less than half the 1989 record earnings of 261c a share

Cotton price rise likely to affect Da Gama

197

ACHMED KARIEM

TEXTILE manufacturer Da Gama expected it would be difficult to improve on the annualised earnings of the past year, CE Harry Pearce said in the annual report

The group reported a 13% increase in attributable earnings to R75,6m (R53,5m) during ~~the 15~~ months to end March

Pearce said the drop in demand experienced was because of major import growth and a slowdown in the economy

"Competition in certain areas of our business is increasing, and this, with a substantial cotton price increase for the coming year, is expected to adversely ~~impact on sales~~ and margins"

However, ~~Pearce~~ said Da Gama was well positioned as a result of its niche market strategy, strong balance sheet and recent investment in modern plant

These factors would benefit the group when trading conditions improved

Capital expenditure of R34m was planned

Brokers bullish on Romatex

Although Romatex's September year-end earnings are expected to decline, reflecting the downturn in the clothing/textile industry, exciting growth could come through over the next two to three years, brokers say.

At the half-way stage Romatex reported a one percent decline in turnover to R350 million and a 19 percent fall in profit before interest and tax to R30,4 million.

Interest payments rose to R4,1 million (R1,5 million) as a result of a substantial increase in borrowings to fund capex.

Pre-tax profit consequently fell 27 percent to R26,3 million.

Earnings declined 27 perecnt to 69c (94,3c) per share, but the dividend was reduced only 11 perecnt to 25c a share.

At this stage management is expecting earnings for the full year to be lower than those of last year.

Management cites problems in the floorcoverings division, but it is now policy to focus on the upper end of the market which is believed to be more stable.

There is a drive to increase exports, with further export contracts having already been secured.

Romatex industrial division is largely involved in supplying carpets to the automotive industry, which is currently in a downswing. Sales are expected to fluctuate, in line with the vehicle sales.

Diagonal Street
Star 13/9/90
DUMA GQUBULE
197

Island View Storage, which has no major competitors, mantained earnings at the interim stage and is expected to remain intact in financial 1990 and financial 1991.

The fabrics division is operating in an oversupplied market and pressure on prices and margins is likely to continue. However, the group is looking at expandng export markets.

Irish & Co analyst Heidi Vollmer says although earnings will decline this year, Romatex has good growth prospects.

"The company still has relatively low debt and the average age of the new management has come down. Earnings should recover in 1991, but they will still be lower than the 1989 earnings," she says.

Frankel, Kruger, Vinderine industrial analyst Jacques Magliolo says: "Romatex's strength lies in its new direction under executive chairman AL Crutchley.

"The directors implemented a major restructuring programme this year at a cost of R100 million, with the aim of reducing the group's cyclical nature and streamlining operations by selling lossmakers and merging certain companies.

"In doing so, the group should obtain synergistic benefits, economies of scale and greater cost efficiency by using more capital-intensive methods of production," he says.

"However, benefits of the new structure are only expected to be helpful from financial 1991

"But, as benefits of the new structure filter through to the balance sheet, turnover could rise about 10 percent in financial 1991," Mr Magliolo says.

"Meanwhile, the current downturn in textile products, which started in December 1989, is expected to bottom out towards end-1990 and the ensuing upswing could help lift bottom-line growth in financial 1992," he says.

Romatex has formed an export division, which aims to push export contribution to group turnover to 10 percent in the short term and to 20 percent in the longer term.

The share is trading at 650c, compared with a high of 1250c reached in March 1989.

The share trades on an historic P/E ratio of 3,4 and a dividend yield of 11,5 percent, compared with 3,7 and 8,2 percent for the clothing sector.

The share has consistently underperformed relative to the clothing, footwear and textile index and the industrial index

But Mr Magliolo says this weak performance may be over and that the share could soon begin to outperform its sector.

Farmers on clash course with govt

Business Day Reporter

PRETORIA — Transvaal farmers are on course for a clash with government on the issue of land security in any new dispensation negotiated with the ANC and other black groups.

This and other major grievances would be raised at a mass meeting of Transvaal farmers organised by the Transvaal Agricultural Union in the Pretoria City Hall on October 5, a TAU member said. B Day 14/9/90

TAU president Dries Bruwer indicated at last week's annual conference of his organisation that they had come away from last month's agricultural summit convinced government either had little understanding of the massive problem facing farmers, or was ignoring them.

What angered farmers at the summit was government's tough new approach to aid for the distressed agricultural industry.

Finance Minister Barend du Plessis indicated there that indiscriminate aid was out and that in future aid applications would be assessed strictly on merit

On the land issue, the TAU is opposed to blacks taking over or buying into white farm lands, and the repeal of the Land Acts of 1913 and 1936 which would make this possible.

Capacity grows to process cotton crop

B Day 14/9/90

(197)

GERALD REILLY

PRETORIA — The SA textile industry's spinning capacity expanded to cope with the expected potential crop, Agriculture Minister Jacob de Villiers said yesterday

Speaking to cotton producers at Potgietersrus, he said local textile industrialists were hesitant to enlarge existing capacity because of the low return on capital and costly equipment needed to achieve capital expansion.

To install a net plant R415m would be needed At the tempo of expansion SA would soon reach a stage of self-sufficiency.

De Villiers said to cope with additional production an investment of about R180m in local industries would be necessary. The Cotton Board's policy would have to stimulate further investment by industrialists to cater for longer term interests.

Increased protection for the industry and the new export incentive measures could create a better climate for expansion

Since 1985, world production of cotton went up in four succesive years. Due to a sharp increase in world use, international stocks began to decline from 1986 which resulted in a stiffening of prices. The expectation was that stocks should go up and prices would again decline.

De Villiers said the quality of SA cotton was generally higher than world standards, because most local production was picked by hand.

The entire cotton production was processed locally. Last year a record crop of 388 300 bales was produced, 1990's crop amounted to about 300 000 bales, he added

Union seeks meeting on sailors

B Day 14/9/90

CAPE TOWN — The Food and Allied Workers' Union wants to meet Taiwan's local representatives over Taiwan's offer to compensate frostbitten sailors.

Fawu spokesman Nosey Pieterse said yesterday it also wanted to meet SA government officials to discuss legal protection for offshore workers, the "crisis in the fishing industry" and "future Taiwanese investments"

Taiwan's consulate-general in Cape Town, Tom Chou, said on Wednesday his government would "remunerate" families of SA sailors disabled by frostbite.

Pieterse said: "It would be naive to believe the Taiwanese government is committed to ending the human misery on their trawlers and stopping the plundering of our seas." The union wanted to discuss proper compensation for the injured workers, insurance, and safe working conditions — Sapa

Anglovaal Industries repeats performance

14/9/90 (197)

By Ann Crotty

Reasonably solid second-half performances from its five business sectors enabled Anglovaal Industries (AVI) to sustain its first-half performance and report a 23 percent hike in attributable profits for the 12 months to end-June.

However, the improvement at share level was diluted significantly by the increase in shares in issue after the June '89 restructuring

The increase in earnings per share was just 12 percent — up from 657c to 733c The dividend is up 12 percent to 135c (120c) a share.

Management says trading conditions in the review period were tougher than had originally been expected, with second-half conditions showing a particular deterioration

The business sectors include Grinaker Holdings, Diversified Holdings (textiles and engineering-related companies), National Brands (foods), Irvin & Johnson and Consol

Group turnover was up 42 percent to R6,5 billion (R4,5 billion), with operating profit up 32 percent to R631 million (R476,9 million)

Income from investments increased 16 percent to R56,4 million (R48,8 million)

Interest payments more than doubled to R100,2 million (R44,8 million), which reduced the advance at pre-tax level to 22 percent — from R480,9 million to R587,2 million

The sharp increase in interest charges is attributed to a higher level of borrowings and higher interest rates But management says that despite the higher debt, the group's gearing is little changed at 31 (30) percent — reflecting the significant increase in shareholders' funds

Income from associates was halved to R6,1 million (R12,5 million), due to the disappointing performance by Control Instruments Group.

Management says that a provision of R10 million has been made against the carrying value of this investment. This is part of the R17 million in extraordinary items which was not taken into account in earnings

Group attributable earnings were R207,8 million (R164,6 million).

Although the group expects to meet exacting challenges in the current financial year, it is planning for a further improvement in earnings.

Da Gama steering through tricky seas

Star 11/9/90

Diagonal Street

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LYNNE PEACH

Textile group Da Gama is set to battle for turnover growth and to maintain margins in the current year as a result of reduced demand for textile products and intensified competition.

In the latest financial report, chairman L van der Watt says it will be difficult for the group to improve on the annualised attributable earnings of the past year.

Da Gama's business covers a full range of textile manufacture, from the spinning of fibres to weaving, dyeing, printing and finishing the product.

The group also produces made-up items for the home fashion market.

Mr van der Watt says that although the clothing and textile market performed relatively well last year, continuing imports appear to have hampered the growth of locally produced textiles

In the 15 months to March group turnover amounted to R344,9 million, compared with R248,2 million for the 12 months to December 1988.

This represents an annualised increase of 11 percent. (The financial year-end was changed to be in line with that of SA Breweries, which acquired control in January last year).

Pre-tax profit amounted to R92 million after the pre-tax margin improved from 26,4 percent in 1988 to 26,7 percent for the 15 months to March

A reduction in the effective tax rate from 18,2 percent to 17,8 percent resulted in attributable profit rising from R53,5 million in financial 1988 to R75,6 million for the 15 months to March

The annualised increase is 13 percent

Earnings per share amounted to 149,5c, compared with 106,6c in 1988.

The dividend for the 15-month period was 64,5c a share, while the payout in the previous 12-month period amounted to 46c.

The balance sheet is strong, with negligible borrowings of R600 000, which is lower than the R700 000 of 15 months ago.

Gearing has come down from 0,6 percent to 0,3 percent.

Furthermore, the group has a cash balance of R28,2 million.

Net asset value appreciated from 254,3c a share at the end of December 1988 to 339,1c at the end of March 1990.

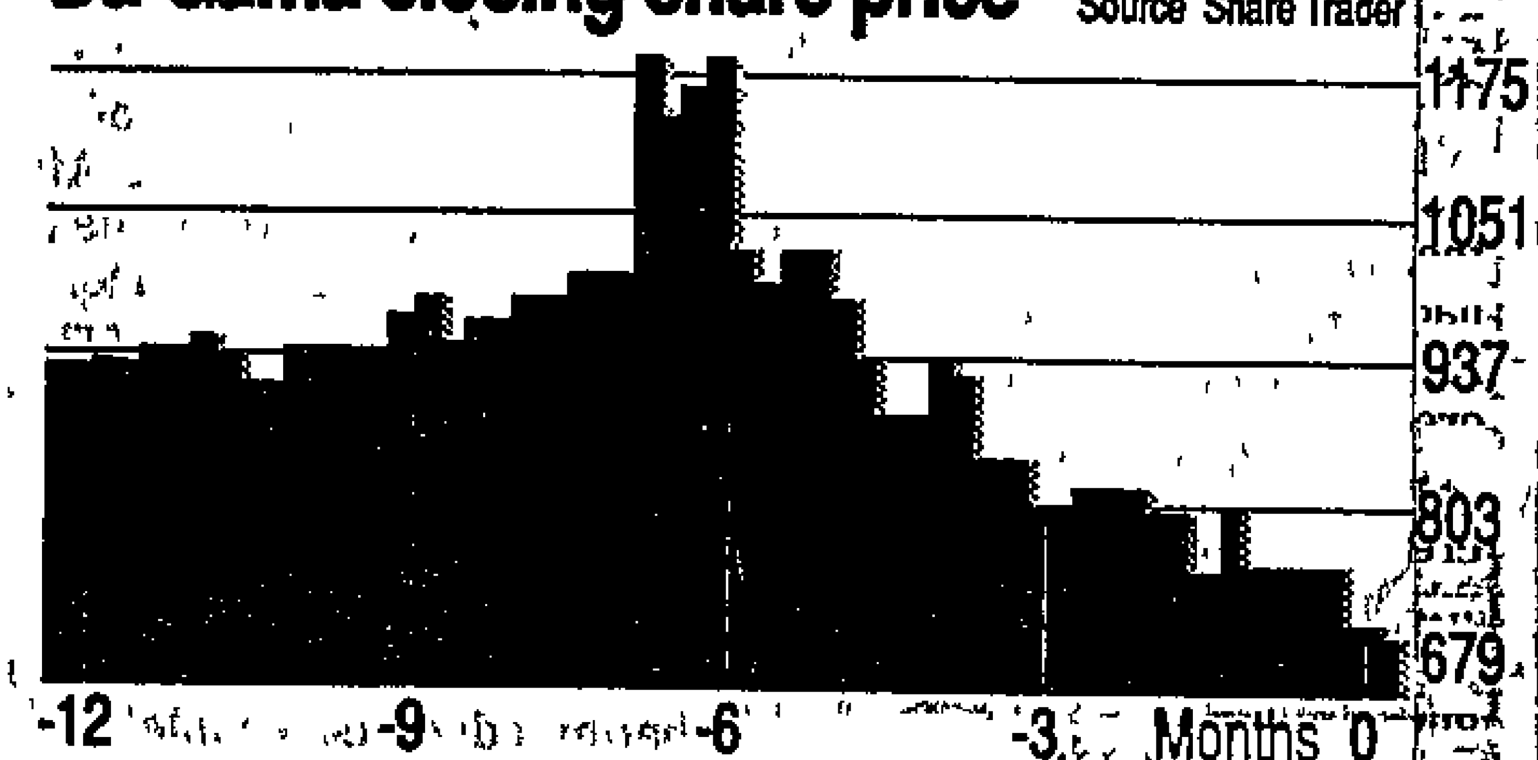
Da Gama, priced at 690c, is trading on a P/E ratio of 5,8 and provides a dividend yield of 7,5 percent.

COMMENT: Da Gama's share price entered a downtrend in the first quarter of the year.

The price reached R11,75 before steadily declining to its current level of 690c.

A rise above 750c will be necessary before a reversal of the negative trend is confirmed by the charts.

Da Gama closing share price Source Share Trader



Frame Group fails to meet expectations

Star 28/9/90

(197)

By Ann Crotty

After a sluggish start to financial '90 — with earnings up 8 percent at the interim — conditions deteriorated sharply for the Frame Group in the second half The result was a drop of 20,5 percent in earnings per share to 128,3c (161,4c) for the 12 months to end-June

An unchanged final dividend of 30c a share has been declared bringing the full year payout to 60c (60c) a share

The disappointing results from Frame Group, mirror those of Conframe where there was a 20,6 percent drop in earnings to 73,4c (92,5c) a share A final dividend of 17c (19c) has been declared for a total payout of 35c (37c) a share

The severity of the deterioration in the second half must have taken management by surprise When the interim results were released in February management was looking to a real growth in earnings for the full year

In addition management and shareholders will be disappointed by second-half developments on the borrowings front These increased significantly at the half-way stage but there was talk of getting the year-end figure down to the end-'89 level

Borrowings

As things turned out, net borrowings at Frame at end-June '90 were up to R130,6 million from R30,9 million The directors refer to customers' cancelling or delaying delivery of orders and also withholding payments of their account.

On the income statement this cost was reflected in a trebling of the interest charges from R7,6 million to R24 million The financial '90 interest charge represents 34 percent of operating income compared with the '89 figure of only 9 percent.

This interest burden and the squeeze on margins — down from 9,4 percent to 7 percent — more than wiped out any benefits from the 13,2 percent increase in turnover Pre-tax profit were down 39 percent to R45,6 million (R75 million)

Among the difficulties facing management was the recession and increasing levels of imports

A divisional break-down shows an increase in the percentage contribution to operating profit from the group's blanket operation

B/Day 28/9/90

Great future possible for cotton industry

cotton

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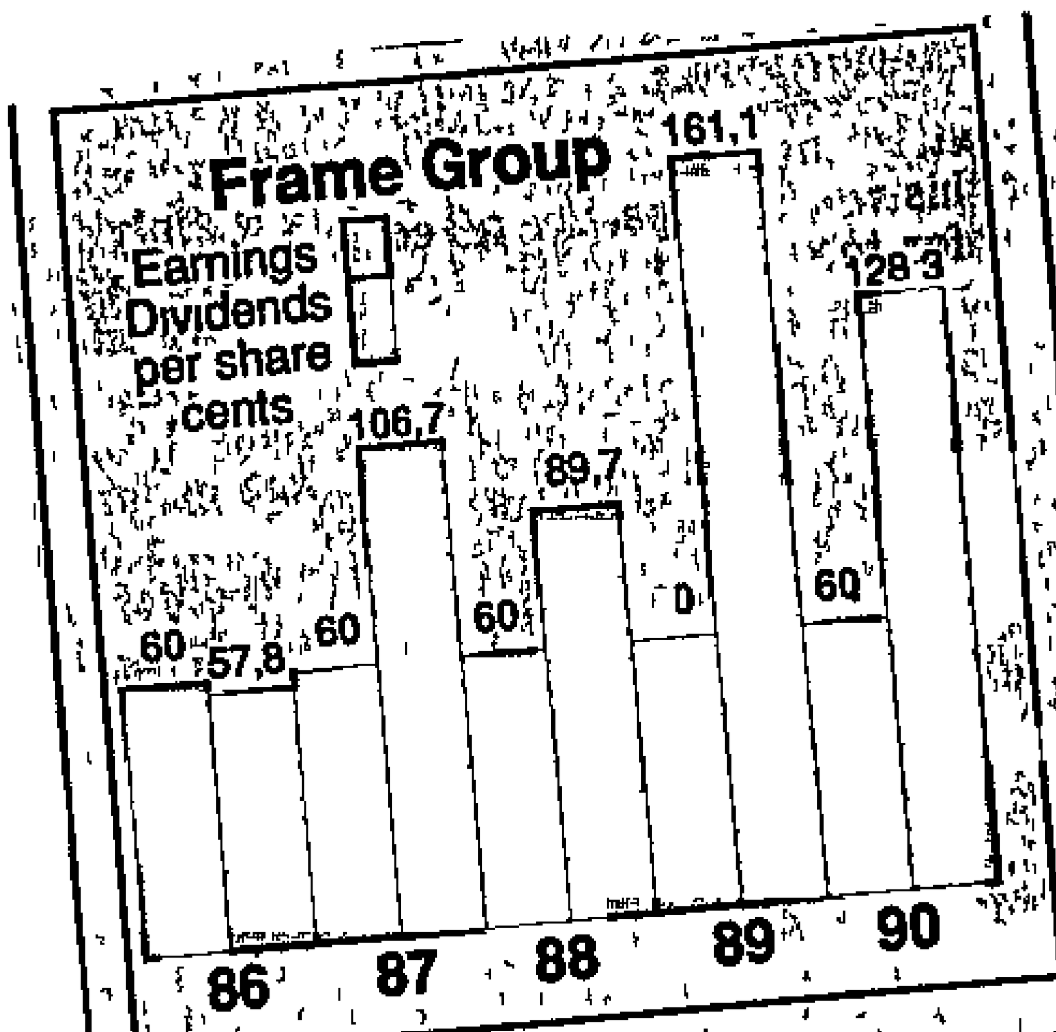
GERALD REILLY

PRETORIA — Local textile needs would be 80% higher at the end of the century, with a retail value of R9,6bn, Agriculture Development Minister Kraai van Niekerk said yesterday

He told delegates at the Natal Cotton Association's congress in Pongola that while cotton had a market share of about 30%, a far larger market potential waited to be exploited

Last year's crop totalled a record 388 800 bales; 300 000 bales were expected this year. Local consumption had increased to almost 400 000 bales

While SA had the potential to more than double production capacity, this was resisted because of a low return on capital



Frame's earnings feel the pinch

(197)

ACHMED KARIEM

SQUEEZED margins, escalating textile imports and high working capital have dented the earnings of textile giant Frame.

The group reported a 20,5% decrease in earnings a share to 128,3c (161,4c) for the year to end June

The 60c dividend per share was maintained, but at the expense of reduced dividend cover.

Executive chairman Mervyn King said the group had performed well in the context of the economic recession, high interest rates, political changes, Natal violence and rising textile imports.

Turnover increased by 13,2% to R984,2m (R869,7m), while operating income dropped by 15,1% to R69,4m (R82,5m).

A threefold hike in interest and finance charges from R7,59m to R24,1m reduced net taxed income to R39,0m (R49,8m) and earnings after extraordinary items totalled R15,8m (R30,6m).

The group has adopted the partial method of providing for deferred tax and the capital allowances have reduced the tax rate from to 14,5% to 33,5%.

King said the severity of the economic downturn was evidenced by the fact that the group's profit for the second half of its financial year to June 1990, traditionally between two to three times better than its first half, was this year only 70% of that achieved for the six months to December 1989.

BDay 28/9/90

He said the three-week strike in July led to abnormal losses in the first two months of the current year for Frame.

King predicted no improvement in earnings for the year ahead due to poor prospects for the textile industry and the knock-on effect of the strike.

Irish and Co analyst Heidi Volmer said the results were in line with market expectations

BDay 28/9/90 (197)

Declining textile industry facing crisis

ACHMED KARIEM

THE R5,1bn local textile industry is in crisis as it confronts a projected 17% decline in production and a rise in the level of fabric imports this year compared with 1989.

Textile Federation of SA executive director Brian Brink says import penetration of fabrics runs at 35% (1989 29%) in an industry where new investment is stagnating

By year end the following scenario will exist in the industry compared with 1989 a 30% drop in hours worked, 5 000 workers laid off, a 50% drop in knitted fabric and a 30% drop in woven fabric orders, only a 5,88% increase in sales value, no increase in exports and stock levels at an all time high

Brink says the slump occurred suddenly — following last year's reasonable growth, the bottom fell out of the industry after the first quarter of 1990

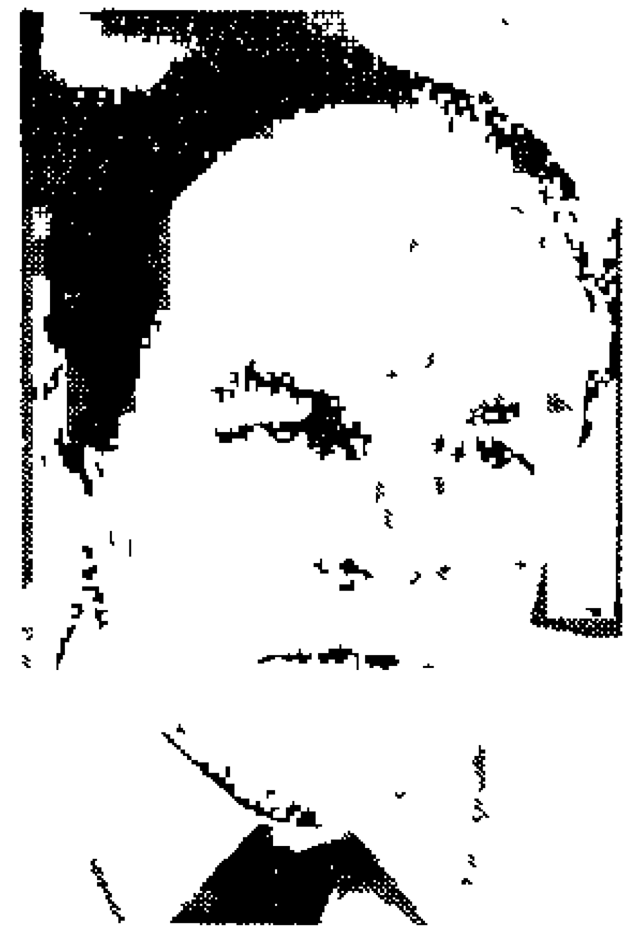
"When the downturn occurred there was an aura of disbelief as orders were cancelled," he says

While SA traditionally imports textiles from Taiwan, Korea and a moderate amount from Europe, it has low tariffs and little disincentive to import

Brink says the industry is very competitive compared with Europe, but not when compared with centrally planned economies and the Far East

"Ideally the industry should be utilising the comparative advantage of cheap labour However, we have a structural disadvantage such as low education skills with consequent low productivity," says Brink

Frame Group executive chairman Mervyn King says textile imports are pouring into the country because the tariff levels, set after the announcement of the structural adjustment programme in the textile industry, are too low



● KING

"Despite the passing of more than a year the Board of Trade, while acknowledging they are too low in regard to yarns, has not increased the tariffs The level of imports is now detrimental to the cotton farmer and all stakeholders in the textile industry," says King

Romatex group strategic planning manager Jon van Coller says textile mills are volume sensitive in terms of costs, and to be cost efficient they should run as nearly as possible at full capacity, which is not the case at present

"We are concerned about inflation which is being exacerbated by cost-push factors such as the recent increase in the cotton price, the effect of the Gulf crisis on oil prices which will affect input cost for man-made fibres, and the high wage demands by organised labour

"We are also concerned about the effect on consumer spending resulting from the current violence and political unrest in the country," says Van Coller

King says there has been much vacillation with regard to industrial policy in SA However, he is equally opposed to the imposition of central strategies on the industry

"The major players in the textile pipeline should get together with government and agree on a strategy for the future development of the industry

"While I agree with the simple equation that there cannot be imports without exports and vice versa, we cannot change overnight from a protected siege driven, strategic stockpile and import replacement programme, conducted from unlevel playing fields as between the homelands and SA, to an open global programme," he says

Education

King says in order to change SA playing fields need to be levelled so local manufacturers selling their goods in the same market do so from the same base, skill and plant level must improve to global standards, the education system must improve, the problems of the cost of updating plant and the depreciation of that plant must be addressed, and there should be co-operation in the southern African region with regard to, for instance, raw materials, labour and a customs union or more

FRAME FM 5/10/90

OVER THE CLIFF (197)

After the warnings earlier this year of rapid deterioration in demand and the large closures of plant announced in June, Frame's 21% drop in EPS is no worse than should have been expected But the result again underlines the depth of the group's difficulties

Continuing the trend that became apparent during last year, the bottom line was squeezed at two points The operating margin narrowed and the effect was worsened by a sharp rise in the interest bill Pre-tax profit was down by 39% and it was only the reduction in the effective tax rate to 14,5% from 33,5% that eased the impact on earnings

Tax was affected by capital allowances which are available owing to the group's large spending programme of the past few years. Also, the partial method of providing for deferred tax has been adopted and the comparatives were restated accordingly Financial director Bruce Sanders says the effective tax rate in the 1991 year will still be low, but will probably rise to about 25%-30%.

The operating margin was under pressure because of intensifying competition and was also adversely affected by the decline in the turnover advance to 13%, compared with 24% in the 1989 year. Chairman Mervyn King says trading conditions became torrid during the second half of the year, when the group was beset by recession, unrest, stayaways and high levels of cheap imports Whereas in each of the previous five years the second half had produced more than twice as much profit as the first half, this time the contribution in the second six

Frame's King *conditions getting worse*

months was R8m less than the R19m posted at half-way stage

King says the Natal violence, intimidation and unrest contributed to stayaways and intermittent strikes, which played havoc with productivity levels "The bottom line loss to the group from these events alone has been estimated at R16m," he says

Another problem was the mild winter The blanket business of subsidiary Consolidated Waverley Textiles (CWT) had R32m worth of orders cancelled in the last six months of the year and CWT's hand-knitting yarn business was similarly affected. Cancelled orders shaved some R14m off CWT's bottom line

Extensive closures of the group's operations have been announced over the past 12

DROPPED STITCH

Year to June 30	1989	1990
Turnover (Rm)	869,7	984,3
Operating income (Rm)	81,8	69,5
Attributable (Rm)	30,6	24,3
Earnings (c)	161,4	126,3
Dividends (c)	60	60

months, including the mid-year plan to shut three factories with a total loss of some 1 850 jobs Most of the costs have been accounted for by an extraordinary item of R8,5m in the latest accounts. King says he is unsure whether benefits will be felt in the 1991 year — partly because some orders have still to be filled — and benefits that do arise are only expected to come in the second half

With the effective tax rate expected to rise again this year, the group will need to see an improvement at trading level if it is to produce any recovery in earnings There is no point expecting that to happen soon King says market conditions have recently been getting worse, with no sign of any pickup There has been no let-up in import competition and the weak consumer demand has left some vertically integrated producers with an oversupply of unfinished yarn, which is being sold into Frame's markets.

Management is thus forecasting little or no bottom line recovery this year For the fifth successive year the dividend is 60c and it remains unclear when an increase will come *Andrew McNulty*

Business Report

Berg River Textiles completes expansion

CAPE TIMES 5/10/90 197

By AUDREY D'ANGELO
Business Editor

A R38m combing mill at Berg River Textiles' Paarl factory, due to be opened formally on Friday next week, is one of the most modern in the world

With its completion the company, in the Romatex group, has spent a total of R77,3m on expansion and modernisation in the past six years It plans to bring this to R80,5m in December, with the arrival of textile printing machinery costing R3,2m from Holland

The modernisation programme is being completed at a time when the textile industry is battling in the economic downturn

But outgoing MD Koos Redelingshuys, who is due to retire next week but will stay on for a further six months in a consultative capacity, said yesterday "When we invest we have to take a long-term view

"The new machinery will increase our capacity and improve quality ready for the upturn, when it comes

"Textiles, particularly cotton materials made here, are a classic commodity meeting the everyday needs of the people and we have a growing market in SA"

Berg River Textiles, with a workforce of nearly 1 700, is the largest single employer in Paarl

Redelingshuys said that so far retrenchments had been avoided, although no overtime was being worked The increased capacity meant that about 150 more jobs would be available when the economy improved

Berg River Textiles was founded in July 1948 It changed hands four times before Romatex bought a 50% share in 1983 and became sole shareholder in 1984

Redelingshuys, who took over as MD when Romatex acquired its stake in the company, said "It was very rundown and I realised we would either have to close it or invest in improvements"

He said the high cost to SA manufacturers of buying imported machinery subject to a surcharge, heavy duties and GST, combined with uncertainty about the future, has been a deterrent to investment in the textile industry

Answering criticism from some clothing manufacturers that SA textile firms have been over-protected against competition from imports and that their deliveries are unreliable, Redelingshuys said that in a downturn retailers and clothing manufacturers always reduced inventories

Experience had shown him that when this happened orders from textile manufacturers were reduced by 40% or 50% over six months

Then, when an upturn came, "within a short space of time they expect us to deliver up to 20% more than our capacity"

He said clothing manufacturers who had booked capacity often kept the textile manufacturer waiting for specifications of the fabric required, explaining that they had to wait for orders from retailers

"We cannot keep machinery standing idle while we wait for these specifications"

Redelingshuys said Berg River Textiles exported about 2,5% of its total production But it was competing against firms paying lower wages in some other countries

Manufacturers in mainland China, who exported through Hong Kong, could buy cotton more cheaply than SA firms who had to pay world prices

"Our exports can compete in Europe against European firms, but not against products from the Far East," said Redelingshuys

He could not divulge figures for imports of fabric by SA clothing manufacturers in the first six months of this year, because the authorities did not allow them to be made public But the quantities were "staggering"

Redelingshuys said textiles made in SA compared in quality with "those made in the better countries"

But the very top quality, which would be bought by only 1% or 2% of the SA population, was not made in this country because it would be uneconomic to produce it for such a small market

Textile industry strike looming

Cape Times 9/10/90

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By BRONWYN DAVIDS

A HUGE clothing and knitting workers' strike is looming following a breakdown in mediation between the SA Clothing and Textile Workers' Union (Sactwu) and employers at the weekend, a Sactwu spokesman warned yesterday.

According to Sactwu spokesman Mr Shahid Teladia, the union has met shop stewards to prepare for strike ballots.

The union, the largest in the Western Cape, represents about 56 000 workers and requires a majority vote from its members for the go-ahead to strike.

The results of the strike ballot should be made available on Friday.

"At mediation, the union modified its demands to a R30 increase for the machinist grades, R25 for categories below that of machinists and R30 or 15%, whichever is greater, for categories above machinists The other demand is for one extra day's annual leave in 1991," said Mr Teladia.

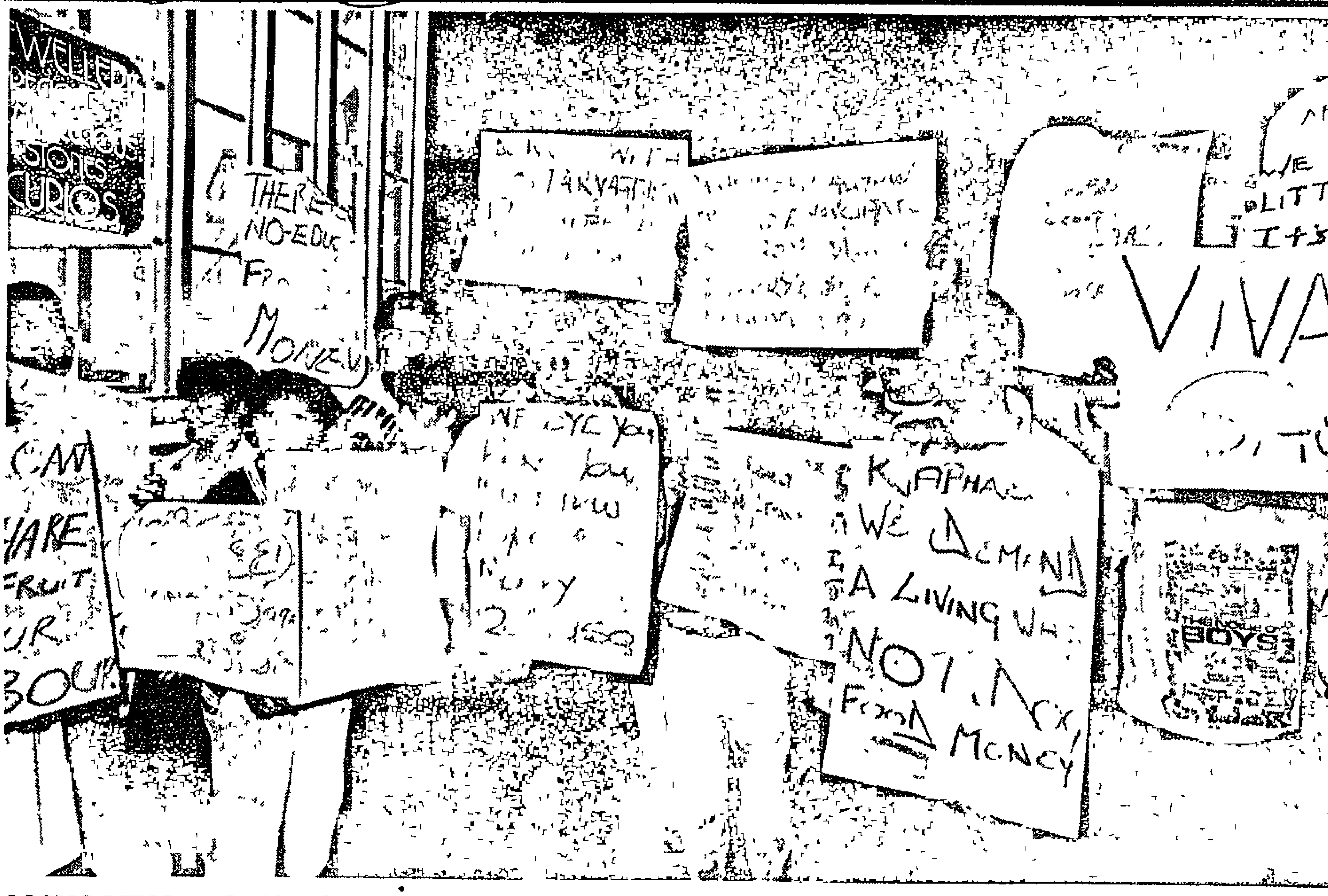
Machinists currently earn about R170 a week. If a R30 increase is granted, weekly wages would be pushed up to about R200 a week.

Chief negotiator for the Cape Clothing Manufacturers' Association and the Cape Knitting Industries' Association, Mr Johann Baard, said the employers had given the union three options:

- An increase of R30 for grade B machinists effective from December 13, 1990, and 15% for all other categories.
- An increase of R29 for grade B effective from December 13, 1990, and 16,5% for all other categories
- From the first pay week in January, 1991, R30 for grade B machinists, 16% for all those above grade B and 18% for those below grade B

197 CAT 10/10/90

Cap



COSMO DEMO . . . Striking factory workers protest in the Golden Acre Centre on Monday about the level of their wages and proposed increases. They had hoped to see Ms Jane Raphaely, MD of Cosmopolitan, about her husband, MD of the factory.

Picture BENNY GOOL

Strike may be averted

Staff Reporter

THERE was still "a glimmer of hope" that a strike in the 56 000-strong Western Cape clothing industry might be averted, one of the negotiators said yesterday.

Mr Johann Baard, chief negotiator for the Cape Clothing Manufacturers' Association and the Cape Knitting Industries' Association, said this after he emerged from a special Industrial Council meeting yesterday.

The meeting was adjourned till tomorrow to allow the parties to take new options to their constituencies.

Striking workers appeal to Raphaely

Staff Reporter

A DELEGATION of about 35 striking clothing workers from Wilmill Narrow Fabrics factory in Steenberg, managed by Mr Mike Raphaely, went to the Golden Acre Centre on Monday to make an appeal to his wife, Ms Jane Raphaely, managing director of Cosmopolitan Magazine

Unionist Mr Joe Williams of the SA Clothing and Textile Workers' Union (SACTWU), who led the delegation, said he had an appointment with Ms Raphaely

Initially, a security officer had permitted only Mr Williams to go up to Ms Raphaely's office, but after brief negotiations, four women and a man were allowed to accompany him

The remainder of the unionists, holding protest posters, agreed to disperse within the building for 15 minutes while the delegation spoke to Ms Raphaely

Among the slogans on their hand-written posters were "We demand a living wage, not rotten patato (sic) money" and "Femina what about our story?" Other posters complained about the minimum wage of R115 a week.

The workers said that about 300 people were employed at the factory, and they had been legally striking for a week over their annual pay increase of R20 a week.

The delegation who met Ms Raphaely reported that she had been very pleasant, but had said she was unable to interfere in her husband's business She said she would mention their visit to her husband

Ms Raphaely could not be reached later on Monday to confirm this

Mr Raphaely, the managing director of Wilmill Narrow Fabrics (not the owner, as several of the workers thought) said yesterday: "What on earth are they talking to her for? I don't see what it has to do with Cosmopolitan "

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Last-minute deal averts big strike

Staff Reporter

A LAST-MINUTE wage agreement in the clothing and knitting industry dispute has averted the threatened strike by about 56 000 Western Cape garment workers, according to a SA Clothing and Textile Workers' Union (Sactwu) spokesman.

Mr Ronald Bernickow said the agreement includes a R29,50-a-week wage rise for Grade B machinists, R25 for Grade C machinists, R22 for learner machinists and R29,50 or 15%, whichever is greater, for machinists above the grade system

The increase for Grade B machinists — about 70% of the workforce who earn a current minimum wage of R155 a week — is 50 cents less than the amount initially demanded by Sactwu

Settlement was reached yesterday morning when Sactwu and clothing and knitting industry employers accepted revised options decided on at a special meeting on Tuesday

Strike action had threatened on Monday when mediation between the two parties broke down last weekend

"An important aspect of the agreement is the 25% maternity pay provision for a period of three months — a milestone in an industry dominated by women workers," said Mr Bernickow

"The 25% will be paid out by the Industrial Council Sick Fund and is over and above the amount paid to women on maternity leave by the Unemployment Insurance Fund

"Effectively women on maternity leave will receive 70% of their wage for the first three months and 45% for the next three months"

The next wage negotiations will begin in January 1992, with wage increases being implemented in July 1992, said Mr Bernikow

Frame's gloom

By DIRK TIEMANN 197

IN "a painful year for management", violence in Natal, together with strikes, knocked no less than R16-million off the Frame Group's bottom line.

Chairman Mervyn King says in his annual report that the textile industry has been hard hit by labour action accompanying the political changes since February

The drop in earnings in the second half was particularly marked Historically, the group's second half results have been double the first half's Last year R23m was earned in the first and R52m in the second half. This year, R27m was earned in the first and R19m in the second half

S Times 14/10/90

Dampened

The Frame group's results were also dampened by the higher interest bill which jumped 300% to R24m

Frame has been hammered by cheap imported yarns and fabrics In September 1989, Taiwanese polyester fibre was dumped in SA at up to R1 a kg lower than the cost of production in SA

Mr King says increased tariffs were gazetted only nine months after application and Frame's polyester fibre division lost some R5m.

Future prospects are dim The strike in July has adversely affected results for the first two months of the new financial year.

Mr King says the economy and the textile industry do not have much to look forward to in the current financial year These factors, "together with the knock-on effects of the strike, lead management to project that there will be little or no improvement in earnings for the year ended June 1991"

BRT spinning plant unveiled

ACHMED KARIEM

(197)

ROMATEX subsidiary Berg River Textiles (BRT) opened a R27m spinning and combing plant in Paarl at the weekend. B/Day 15/10/90

MD Koos Redelinghuys said the new spinning area, covering more than 5 500m², was part of a R40m investment programme to manufacture cotton yarns for lightweight poplins and percale sheeting production.

He said the Romatex Group had invested more than R77m in modernising BRT and in expanding capacity since 1985. Another R3,2m in expenditure over the next six months would increase the total to more than R80,5m.

"This facility is probably as technically advanced as any other in the world, and should enable us to develop products of international standard."

Poor prospects for growth of earnings seen in Frame Group

B/Day 16/10/90 ACHMED KARIEM (197)

THE management of textile giant, the Frame Group, expects little or no improvement in earnings for the year to end June 1991, chairman Mervyn King says in the annual review

In the last financial year the group posted a 20,5% decline in earnings a share to 128,3c against the previous year's 161,4c.

King bases his forecast on factors such as unfavourable prospects for the economy and the textile industry, together with the knock-on effects of the strike in July

"The strike during July has had a material adverse impact on Frame Textile Corporation's results for the first two months of the present year. Further, the prospects both for the economy and the textile industry are not good for the current financial year."

However, King says Frame should have its best year ever in 1991/92 provided the political and social climate settles

"It has to be accepted that the group is going through a five-year correction programme, of which we are now entering the third year. The focus this year will be on reducing capital levels and shrinking the asset base"

He says several events in the year under review put the group under enormous pressure

"The violence which erupted in Natal caused alarming absenteeism on the shop floors in the group's mills in the Durban area Violence, intimidation and unrest were also contributory causes to the stayaways and intermittent strikes, which played havoc with productivity levels."

King estimates the bottom line loss from these activities to be R16m

He says lack of consumer demand, imports and the uneven playing fields from which textiles in SA operate, also squeezed industry margins.

"The government must as a matter of urgency level the playing fields in SA in regard to tax rates and subsidisation, thereby eliminating the inequity of a South African taxpayer subsidising his competitors in the homelands"

Star 16/10/90 (197)

NEWS

Toyi-toying workers form human chain

By Shareen Singh

About 11 000 workers, mainly women in the clothing, textile and knitting industry, took to the streets in Johannesburg and Fordsburg yesterday in a demonstration of a different kind.

Toyi-toying workers occupied the pavements on both sides of streets and held hands to form a human chain around factories in a demonstration to highlight Cosatu's Workers' Charter Campaign

In Johannesburg the human chain stretched from Betty Street in Jeppe to Commissioner Street, and proceeded 12 blocks up to Von Wielligh Street and into Jeppe Street and then to Moseley Street close to the union offices

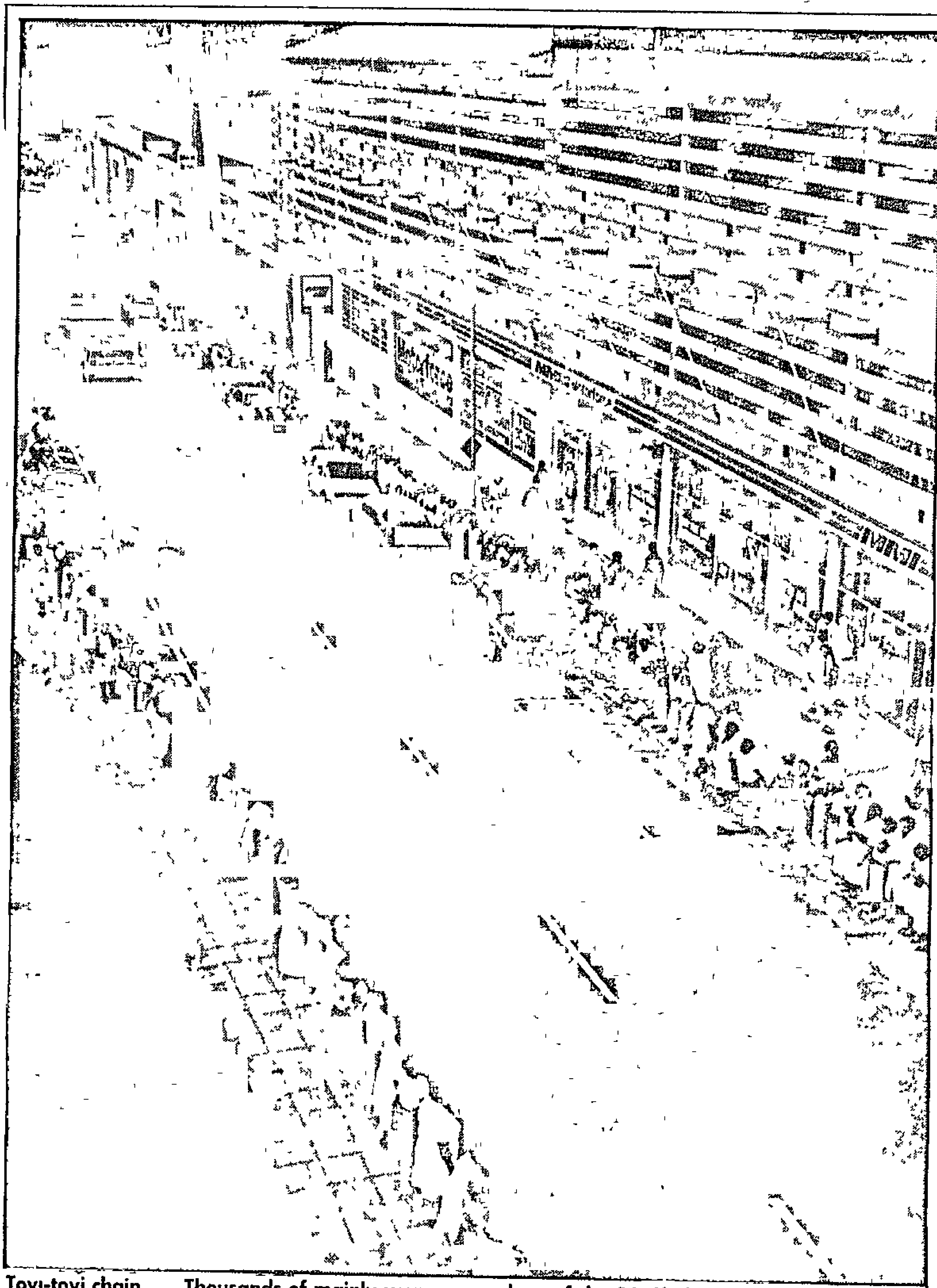
About 3 000 workers in Fordsburg did the same, starting in Main Street and going up to Central Road

The workers — members of the South African Clothing and Textile Workers Union (Sactwu) — chanted "We want equal rights", "We want the right to strike"

Sactwu spokesman Rob le Grange said the demonstration was aimed at popularising the concept of a workers' charter, which Cosatu resolved to campaign for at its 1988 congress

The aim of a workers' charter is to secure worker rights in a future South Africa The ANC's constitutional guidelines provide for the incorporation of such a charter into the constitution of a post-apartheid South Africa

Discussions are currently taking place within Cosatu on organisational rights for unions, social and economic rights for working people, and individual-protection rights



Toyi-toyi chain . . . Thousands of mainly women members of the SA Clothing and Textile Workers Union (Sactwu) toyi-toyi in a human chain through central Johannesburg yesterday in support of Cosatu's Worker Charter Campaign. ● Picture by Herbert Mabuza.

A BUSINESS TIMES FEATURE

SA should get special links, says King

S/Times 14/10/90

(197)

IN the long run South Africa is certain to be a preferential trading partner of the European Community — like other southern African countries — says Frame Group chairman Mervyn King.

And that's the message he'll be giving a regional development conference in Mauritius in November.

"We will obtain that (preferential trading) status on our own account because of the dire development need of our neighbours in southern Africa," Mr King told Business Times "The EC is going to work out that a trade opening for South Africa — despite its partly First World economy — will help uplift the whole region and save a lot of development aid."

Another reason for preferential status, he says, is the large European — particularly British — investment in South Africa and the large number of British nationals involved in the economy

He says South Africa's textile and clothing industries will find preferential status particularly welcome because inflation and sanctions has made exports increasingly difficult.

"In the EC we are simply unable to compete in price with countries like Turkey, Thailand, South Korea and Taiwan, and sanctions destroyed our market in the US.

"I envy the textile manufacturer in Turkey who buys his unprocessed raw materials internationally — while I cannot do the same. And for him the price of a new imported loom remains R50 000, whereas for me it has risen in the past five years to R250 000"

In the annual report of his group, Mr King called on major players in the "textile pipeline" and the Government to plan a strategy "to become a global player".

The strategy, he said, would have to address the improvement of skills and plants, the cost of updating plant, the rate of its depreciation, and regional co-operation in raw materials, labour and tariffs.

Meanwhile, the Frame Group has been moving determinedly to upgrade quality. Recently, two years of work at its Ladysmith No1 mill was rewarded when the mill became the third plant in the group to hold the SABS 0157 listing — the others being Seltex II and Frametex Weaving

Provided proper industrial strategies are adopted, Mr King is confident British industrialists will be re-attracted to the region.

"Some who know South Africa have looked at Eastern Europe and realised those countries will take 15 years to build the sort of infrastructure we already have here"

Frame battling on all fronts

Star 18/10/90

(197)

Diagonal Street

ANN CROTTY

If the Frame management succeeds in coming within sight of financial '90's earnings figure in financial 1991, it will be a considerable achievement.

The current 12-month trading period is looking fairly grim and, in the short-term at least, any change from this scenario is likely to be for the worse.

To some extent the bleak prospects are common to the whole textile industry — a weak economy, high interest rates, difficult industrial relations and tough competition in the form of cheap imports.

But in Frame's case prospects are made more bleak by circumstances specific to its situation. The most significant is that the group has got an enormous and dated asset base which makes it difficult to respond to a changing environment And being older, the asset base requires a larger proportion of labour input than that of its competitors.

Add to all that the fact that in the first two months of the current financial year, Frame was hit badly by industrial strife, that Metro is sitting with large stocks of blankets and, that the tax rate in financial '91 could be up to around 20 percent (from 14 percent in financial '90) then maintaining earnings at 128,3c a share will be a major achievement.

Executive chairman, Mr Mervyn King is now more pessimistic than he was at the end of September when he wrote in his annual review that "there will be little or no improvement in the earnings for the year ended June 1991."

According to Mr King conditions have been deteriorating and he now believes that maintaining earnings would be no mean achievement.

So, for at least another year, shareholders will have to put up with a return on assets of around 7 percent. For financial 1993, Mr King is targeting a return of about 15 percent — this he believes would be a very good rate of return for a player in a heavy industry.

Assuming an unchanged asset base of around R1 billion, a 15 percent return would mean operating income of R150 million compared with the R69 million the Frame reported for the 12 months to end-June 1990.

Getting to that sort of return will involve a considerable shrinking of the group's asset base. Some analysts believe that it should be shrunk to about a third of its current size. Others feel that, given the tremendous difficulties in cutting back on assets (particularly from an IR point of view) the shrinking is likely to stop at about two-thirds of the current size. Mr King would not comment on the extent of the reduction that was being targeted.

Old capacity will be replaced by more efficient facilities that will be better able to compete in the new high-tech textile environment. There will be a continuation of the current strategy of moving towards creating decentralised, focused units.

Considerable progress will also have to be made on the working capital side The end-June balance sheet shows stock of R410 million (of which R148 million was finished goods) and trade debtors of R318 million. The stock level is affected by the sharp falloff in demand during the year. The level of debtors is a legacy of the old days when Frame dominated the industry and acted as banker to its customers.

There is also speculation that some of the group's massive property assets will be sold to release cash to fund growth.

Most analysts believe that Mr King is making steady progress and feel that, against considerable odds, a satisfactory situation will be created by the end of June 1993 (the end of the five-year plan period). But there is concern that some of the significant shareholders will not be prepared to wait this long to see a return on the R22 a share that was paid back in 1987.

FM 19/10/90

TAKING ON ROMATEX

(197)

A Belgian-owned Maritzburg company, forced to keep a low profile because of European Community opposition to investment in SA, has quietly captured more than a third of the local tufted carpet market in just five years.

The interloper, Belgotex Carpets, claims that it has taken a major slice of the tufted carpet market, which is the most popular type of carpeting sold in SA, representing about 70% of the total

Figures for this year are not available, but industry giant Romatex says figures compiled last year by Management Planning Consulting Services showed that Belgotex had about 35% of the tufted market Romatex was still on top with about 40%. The other 25% went to five smaller companies, led by Nouwens, Cape Fabrix and SA Carpet Mills The total tufted market was 18,5m m² last year, but the market's rand value is not available. This year, Belgotex claims it holds half the tufted market.

Durban-based Romatex is reluctant to say much about its upstart rival, but it does realise it's in a dogfight. It acknowledges that the company is an efficient operation that has made big inroads into the industry

Belgotex, the brand name for the range of carpets produced by Maritzburg-based Natal Nylon Industries, is little known outside the industry Backed by the private, family-owned Beaulieu Group, which is the world's largest carpet producer in terms of volume, it launched its range of carpets in 1985, initially concentrating on high volumes at the lower end of the market and then moving higher upmarket

Now it is testing the top of the range and last year moved into needle punch carpeting, which director Daniel Dolpire sees as the market's main growth area

While Romatex leads in exporting (about 10% of its sales are concluded abroad), Belgotex is also viewing the overseas market as increasingly important While most of its exports — which Dolpire says are still small — head to the Far East, it recently managed to break into eastern Europe

"The biggest seller in SA is made from a technique called level loop space dye, which represents about 35% of the total output here," he says "It's a cost-efficient, hard-wearing, practical carpet that was popular in Europe 15 years ago Western tastes have changed, particularly in what was West Germany, which is now into more sophisticated, expensive carpeting But the eastern part of Germany finds itself about 15 years behind and there the demand is for level loop space dye We found that gap"

There are two versions of the origins of Natal Nylon. The company says it was set up in 1983 by the founder and chairman of the Beaulieu Group, Roger de Clerck, to produce nylon yarn for sale to Romatex But after a falling out between De Clerck and Romatex, which left the Belgian with a plant but no customers for his nylon, he decided to put in his own tufting mills and make carpets Two years later Belgotex was launched, after poaching two key men from the opposition, Dolpire and commercial director Malcolm Glennie

Romatex, however, says the original deal broke down because it was clear from the amount of land De Clerck bought that he was going to produce more than just nylon and he would not agree to a clause in the contract that he would not make carpets

Another factor was the plant's inability to produce nylon of high quality, which culminated in the plant closing in 1986 and then reopening in 1988 with virtually all new equipment

Belgotex *pulling the rag from under the competition*

Dolpire says the first big gamble that paid off was to start the operation by making 3,66 m-wide carpets while other SA companies were producing carpets 2,75 m wide "The general trend in Europe and America was 3,66 m carpets and we decided to go on that Today, the rest of the country is doing the same"

Another advantage, he says, is that almost the entire production process — from the nylon extrusion technique to make the yarn through to loading the finished product on to trucks — is done at the plant, using a high degree of automation and some of the most advanced equipment Europe has to offer

Being plugged into a parent company that leads the world market is an obvious advantage too Besides supplying Belgotex with the nylon chips to make yarn, the Belgian parent offers up-to-date research and equipment

To capture still more market share, Belgotex, which is now 51% owned by De Clerck's daughter, Anne Colle, and her husband, Stephan, is undertaking a R43m expansion programme, it is upgrading and buying new imported equipment and building a new warehouse

Competitors say Belgotex's success is partly a result of the financial rand system, which allowed it to grow rapidly with big foreign investments and working capital. They also point out that, when initially breaking into the market, it was importing nylon yarn through its Belgian holding company at 25%-30% below the world market price

On the other hand, Glennie says that if it were not for Belgotex, the price of carpets in SA would be much higher "Before we launched needle punch carpeting, an opposition company increased prices in that range five times in 15 months A few weeks ago, it cut the price of one of those products by 15% because in terms of price we had cut them to pieces."

Shaun Harris

After R4,5m rights issue . . .

Fenix takes 60% stake in Debonair

CAPT Times 25/10/90

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By AUDREY D'ANGELO
Business Editor

FENIX INDUSTRIES (formerly Retco) has taken over the Epping-based Debonair Group, which found itself in trouble with high gearing and a loss-making Johannesburg operation.

Fenix has bought Unidev's 25% stake in Debonair for 15c a share, making a total of R780 000 — and issue 6m new shares at 75c each on a consolidated basis of one-for-five.

After the rights issue Fenix will own at least 60% of Debonair. A Fenix director, Justin Schaffer, who has extensive experience in the textile industry, will become non-executive chairman of Debonair.

Fenix already owns a knitted fabric company, Ivitex. But both Fenix chairman Cedric Walton and Schaffer emphasised that it was not planning to increase its holdings in textiles.

"We are looking at other industries," said Walton.

"We want to become a general industrial holding company, and our main thrust will not necessarily be in textiles."

Schaffer said the chance to buy control of Debonair was "a very good opportunity".

Debonair was a leader in its field of household textiles "and our coming in brings experience and capital.

"But our next investment will not be in textiles. We are looking at some very interesting possible acquisitions now.

"We intend to move Fenix from the property board of the JSE to the industrial holdings board."

Fenix Industries MD David Chapman said Debonair was a well managed company with an excellent track record save for its recent hiccup.

"Debonair fits our acquisition criteria well. It is one of the main players in a growth industry. It has good management who has a substantial interest in the company."

Debonair CE Ian Foster and technical director Carl Schwinges, who founded the company together, will hold 24% of it after the rights issue.

Explaining that their troubles had been caused by acquiring a Johannesburg firm, Quiltex, Foster said part of this division had been closed down and the rest of the operation relocated to Cape Town. This, with stock and debtor provisions, had resulted in a non-recurring expense of R3,6m.

Foster said he and Schwinges were "very happy and motivated" in spite of the fact that their stake in Debonair would be watered down from 40%.

"We would rather have 24% of a healthy, revitalised company than 40% of one that was limping along with high gearing in today's tough conditions.

"The day-to-day management will remain the same. But Schaffer has enormous experience, particularly on the raw materials side, and we are looking forward to his input."

Debonair is aiming to look a lot smarter

25/10/90

B/Day 25/10/90

ACHMED KARIEM

TEXTILE company Debonair, which today releases "shocking" results for the six months to end-August, will be back on the profit track once it receives a planned injection of fresh capital, CE Ian Foster said yesterday.

Debonair is strengthening its capital base via a R4,5m rights issue of 6-million new shares at 75c each The issue is being underwritten by Fenix Industries, the industrial holding arm of Abbey Holdings.

Fenix has purchased Unidev's 5,2-million shares in Debonair. After the rights issue it will control at least 60% of the company

Management has also appointed Justin Schaffer — a former chairman of Frame, who Foster says has vast experience in the textile industry — as non-executive chairman

The interim results of Debonair released today reflect a 7,1% drop in turnover compared with the previous year's 109% rise (no figures given). Operating income suffered due to tighter margins and losses incurred by the Johannesburg-based Quiltex division

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Closed

A loss per share of 4,1c was well down on the previous earnings of 4,3c

Foster said part of the loss-making Quiltex division had been closed, staff retrenched and the operation relocated to Cape Town He said this, and stock and debtor provisions, incurred once-off write-offs of R3,6m.

However, he said the losses were a thing of the past as the group had refocused its operation and overcome its problems

Fenix MD David Chapman — who has been appointed to Debonair's board — said the group was underwriting the rights issue as Debonair was a well managed company with an excellent track record, save for its recent hiccup

FRAME GROUP FM 26/10/90 (197)

A DISAPPOINTING SETBACK

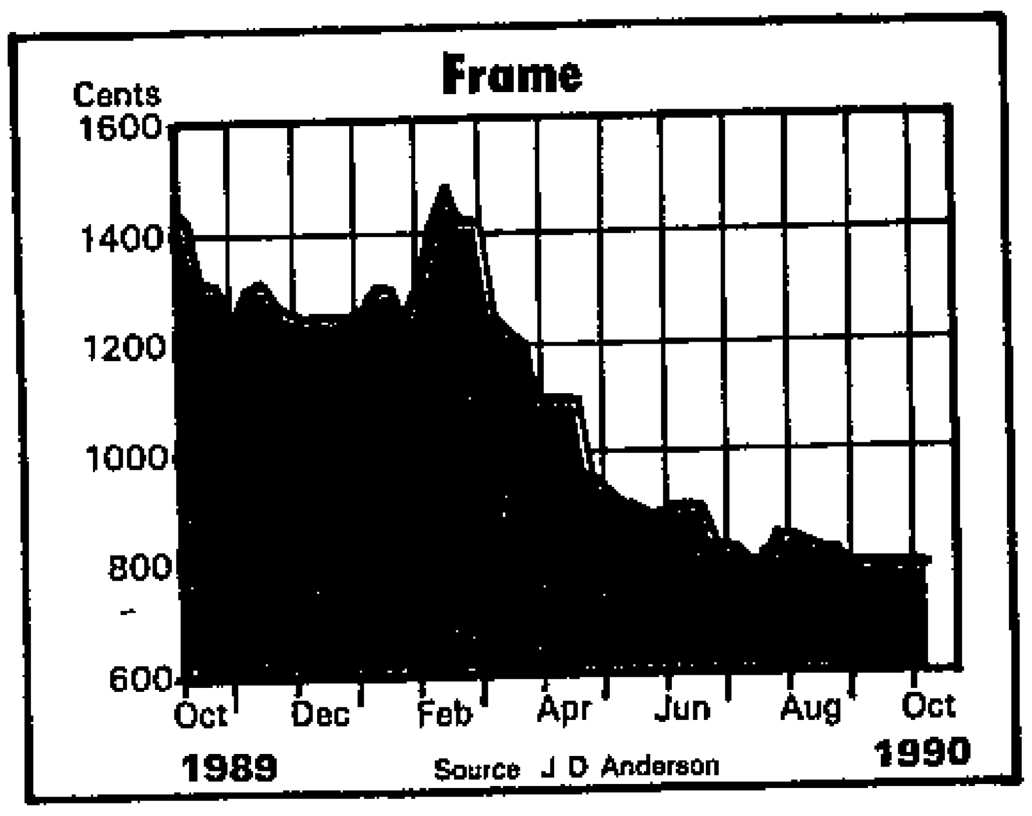
Activities: *Diversified textile manufacturer*
Control: *Widely held by institutions*
Executive chairman: *M E King*
Capital structure: *24,2m ords* Market capitalisation R169m*
Share market: *Price 620c Yields 9,7% on dividend, 20,7% on earnings, p e ratio, 4,8, cover, 2,1 12-month high, 1 475c, low, 620c Trading volume last quarter, 529 000 shares*

Year to June 30	'87	'88	'89	'90
ST debt (Rm)	—	4,8	68,0	153,8
LT debt (Rm)	—	—	5,7	8,5
Debt equity ratio	—	—	0,04	0,14
Shareholders' interest	0,82	0,83	0,75	0,69
Int & leasing cover	—	14,5	10,9	2,9
Return on cap (%)	4,6	4,6	6,2	4,8
Turnover (Rm)	662	701	870	984
Pre-int profit (Rm)	52,7	53,8	82,5	69,8
Pre-int margin (%)	7,9	6,5	9,4	7,1
Earnings (c)	106,7	89,7	161,4	128,3
Dividends (c)	60	60	60	60
Net worth (c)	2 498	2 488	2 563	2 569

* 5,2m are held by a subsidiary

Chairman Mervyn King has spelt out in detail the difficulties the group has been facing since the middle of the 1990 year, including socio-political unrest, stayaways, imports, competition and sliding demand — and quantified effects of some of these on the bottom line (*Fox* October 5)

While a setback was probably unavoidable, the latest result comes as a disappointment as the group was making useful progress towards lifting profitability After almost doubling in 1989, earnings fell by 21% and no recovery is forecast for this year



Since the year-end, operations were disrupted by a strike during July, which King says had a material adverse effect on Frame Textile Corp's results for the first two months He adds that prospects for the economy and the textile industry are not good "These factors, with the knock-on effect of the strike, lead management to project little or no improvement in earnings this year."

Meanwhile, management is pursuing its plan to bring about a fundamental change in profitability and ensure the group can take full advantage when better conditions arrive.

Frame's King *still hoping for jam tomorrow*

Two major objectives are to achieve better use of the overall asset base and tighten control of working capital

The mid-year announcement of plant closures was a further step towards consolidation of operations, though real benefits will probably be enjoyed only in the 1992 year Management has identified businesses that justify capital investment and spending — which has been running at R80m-R95m over the past two years — will need to remain high for some time. Funding is problematic, as shown by the drop in interest cover to only 2,9 times on gearing of 0,14.

Net borrowings increased to R139m — in contrast with net cash of R21m only two years ago — because of capital spending, as well as rising working capital requirements. Frame Textile Corp CE Sydney Frame says the working capital to sales ratio rose owing to the changed second-half conditions The number of overdue accounts in the corporation showed a 48% increase in debtors of R100 000-plus

Frame Waverley Textiles CE Angus Napier says the blanket business was particularly hard hit, with customers overstocked due to the mild winter Big customers cancelled orders valued at R32m between January and June and debtors delayed payments

He says indications are that the market is reluctant to commit orders in advance. "And for the second successive year we are faced with stock carryovers which will have a negative impact on seasonal bookings This does, however, present us with an opportunity to tighten up our asset management which is our prime objective for the coming year"

That will need to be emphasised throughout the group stock turn fell from 1989's 2,76 to only 2,46 times And while turnover rose 13%, stock rose 27% to R401m; trade debtors were higher by 7% and trade creditors by 31%.

The group is going through a five-year correction programme, of which it is now entering the third year "The focus this year will be on reducing capital levels and shrinking the asset base," says King. "If the political and social climate stabilises, the group should have its best year ever in 1991-1992"

With earnings growth not expected for this year, another dividend of 60c — as has been paid each year since 1986 — is the best that can be hoped for The prospective yield on a maintained dividend would be 9,7% but there is little incentive to accumulate the share now

Andrew McIvaily

PROFIT PATTERN

	Turnover (Rm)		Pre-interest profit (Rm)	
	1989	1990	1989	1990
Frame Textile	630,0	705,7	36,6	36,8
Frame Waverley Textiles	239,7	278,6	27,4	17,6
Frame Properties	—	—	14,7	15,5
Other	—	—	3,8	(0,1)
Total	869,7	984,3	82,5	69,8

Valley programmes for profit

FOR Valley Textiles, 1990 has seen continued progress in a mechanisation and productivity boosting programme which began in 1988

The company is a finalist in the SA Non-Listed Company Award for the second year in a row

The results of its programme are apparent in profit growth way ahead of sales growth, which is averaging about 24% a year

Profits achieved by this Port Elizabeth knitwear fabric and garment producer saw almost five-fold growth in 1989 and a further 160% growth in 1990

In the same period, staff rose only marginally, from 555 in 1988 to 576 in 1990, balancing this traditionally labour intensive business between labour and automation

MD Trevor Trow says in the course of the productivity programme up to 60% less handling of merchandise in production has been achieved

The methods of manufacture as well as factory flowlines have been improved in an exercise involving consultants from the National Productivity Institute and overseas firm Data Bank Audit

Valley Textiles was established in 1947 as a knitted underwear manufacturer

Today, the company purchases yarns in natural form and dyes and knits these into fabrics of the colours required This textile production supports all its circular knitting requirements and gives it the internal controls necessary to produce garments of consistently high quality

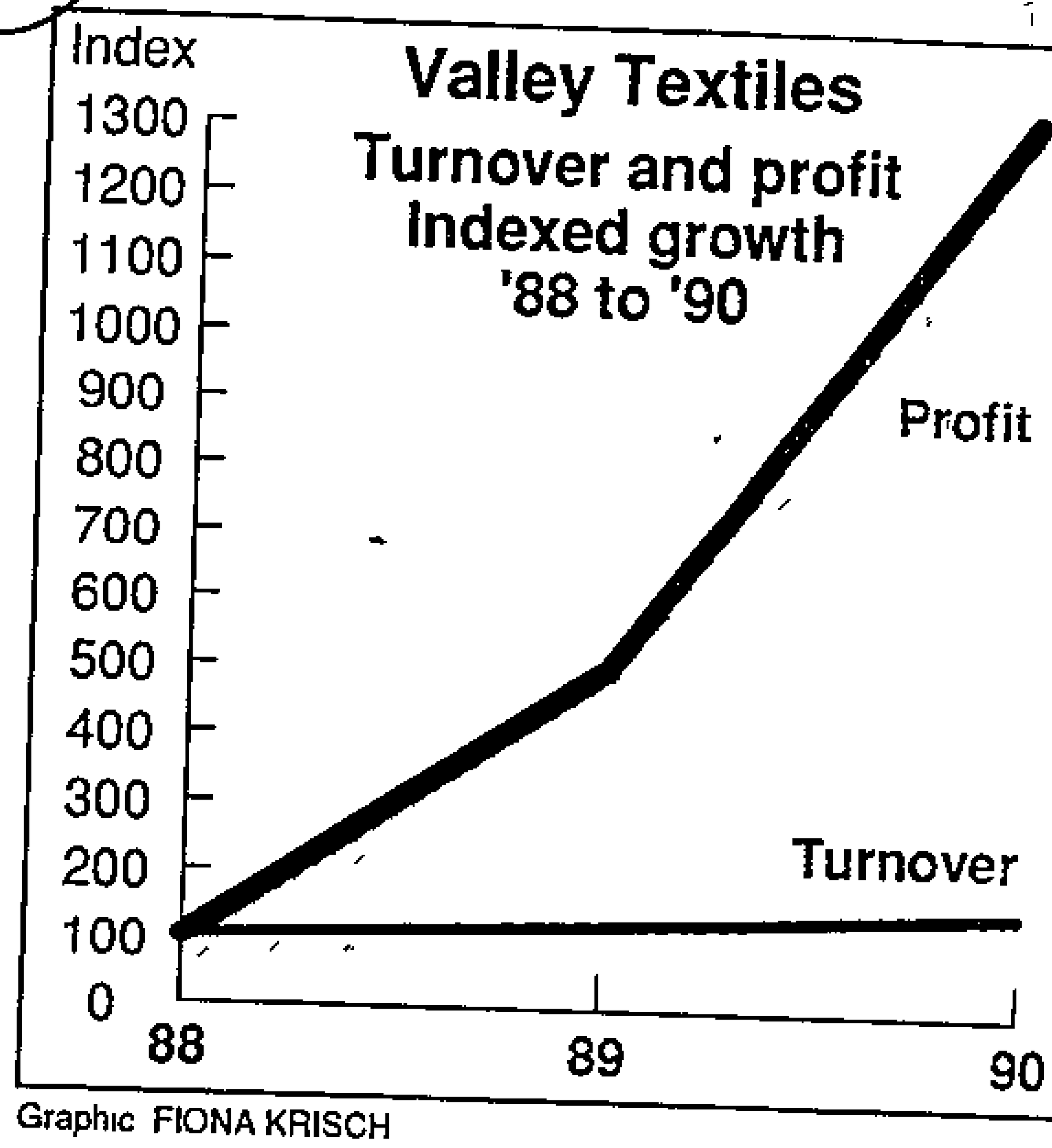
The company also produces fabric for a wide range of promotional, sports and leisurewear

Strategic

Three years ago, the company took a strategic decision not to diversify to meet increased demand for mixed yarns

Deciding to concentrate on its mainstream business in knit and woven fabrics, it dispensed of its acrylic yarn spinning plant.

Another strategic decision was in the distribution and sale of its products In the past, the company sold most of its produce to the major chain stores, but, recognising that independent clothing retailers were less affected by market fluctuations, Valley increased its sales to these outlets



Graphic FIONA KRISCH

Its Beljohn label — a medium to top-end range of men's and boys' knitted and woven garments — has been sold into this market with enormous success

Last year, Valley acquired BCM Sportswear. Its labels include Augusta promotional garments and sportswear and Catchit surfing styles and leisurewear Valley produces 80% of BCM's fabric requirements

In recent years, Valley has turned its attention to export markets and within five years export production could account for as much as 60% of the company's annual turnover

Marketing director, Stephen Medcalf says: "High domestic demand for knitwear in recent years made it logical to concentrate on the local market.

"Duties on imports, the technical advancement of knitting machinery, enabling a more varied and stylish range of merchandise, and fashion have increased demand for locally produced knitwear"

Romatex snaps up Twistex

ACHMED KARIEM (197)

TEXTILE group Romatex, which held 50% of Twistex, had purchased the remaining 50% interest from former partner Falke Textiles for an undisclosed amount, Romatex Floorcoverings MD Jurgen Schmitt said yesterday. B/Day 9/11/90

Twistex was created as a joint venture between Romatex and Franz Falke Textiles in 1981.

"The deal is not expected to have any short-term impact upon the Romatex group's results, but the integration of its operations with those of neighbouring Romatex Nylon Spinners at Pinetown should have longer-term benefits in terms of products and profitability," he said.

The GM of the newly combined unit will be Don Photenhauer.

Romatex manufactures carpets, carpet components, textiles, packaging fabrics, filling materials for bedding, footwear components and industrial textile components.

Star 9/11/90 197

Romatex gets rest of Twistex

The Romatex group has bought out the other half interest in Twistex (Pty) Ltd not already held by it, from former partner Falke Textiles for an undisclosed amount

Twistex was created in 1981 as a joint venture between Romatex and Franz Falke textiles

"The deal is not expected to have any short-term impact upon the Romatex group's results but the integration of its operations with those of neighbouring Romatex Nylon Spinners at Pinetown should have longer term benefits," says Romatex Floorcoverings managing director Jurgen Schmitt — Sapa.

Star 15/11/90 (197)

2 000 jobs are lost

The Frame group is to close a spinning mill and part of a weaving shed in East London by the end of the year, resulting in the retrenchment of 900 workers The company will close a blanket mill in Harrismith, with the loss of 1 100 jobs there

Star 19/11/90 (197)

Bitter row splits textile industry

By Des Parker

As textile mills and clothing factories continue to close and people lose their jobs, the debate between the bosses in the two manufacturing sectors rages on unabated

Frame Group, the shrinking Durban-based textile giant, laid off another 2 000 people last week when it closed three plants in Harrismith and East London, citing government policy on imports as carrying a portion of the blame

Executive chairman Mervyn King blamed a recent decision by a customer to import blankets from Turkey instead of from Frame as the "straw that broke the camel's back" of the Harrismith blanket mill

While the closures were part of the group's long-term programme to eradicate unprofitable plant and reduce the asset base, he described as "unbelievable" the fact that the Government was "standing by in a recession and watching imports increasing and a pipeline industry (textiles) employing 40 000 being injuriously eroded"

There had been, he said, a 77-percent increase in the volume of imported spun cotton yarn — of which Frame was the dominant domestic producer — between the first six months of last year and the first half of 1990

Last Thursday, Da Gama Textiles, based in East London, appealed to the Government to stop what it said was dumping by Chinese companies of cotton and cotton-synthetic fabrics

Chief executive Harry Pearce claimed imports of these materials now comprised 38 percent of SAf's requirements, compared with 20 to 25 percent in 1986

However, clothing manufacturers, who make up a considerable portion of Frame's customer base, said the textile companies were crying wolf when blaming disruptive imports for their troubles

They maintained that in the case of many types of fabric and yarn imports, duties were higher since the introduction last year of the structural adustment programme for the clothing and textile sector than they had been previously

At the same time, import levels had not risen as fast as textile manufacturers claimed

Hennie van Zyl, executive director of the National Clothing Federation, which represents garment-manufacturers, said import volumes were much lower than in the mid-Eighties, when clothing makers had been forced to buy from abroad because fabric factories were committed to export markets and could not meet orders

Comparisons of government statistics of all textile imports for the first halves of 1989 and this year showed fibres (which were imported by fabric manufacturers) had increased from 37 million kg to 41 million kg, or 11 percent

Yarns had increased from 10 million kg to 11 million kg (10 percent), while fabrics had actually decreased by five percent, from 134 million square metres to 127 million square metres

Mr van Zyl claimed that where garment manufacturers and others turned away from domestically made fabric it was because it was not price-competitive and because of late deliveries by manufacturers

In the five years from the end of 1984, he said, the textile producer price index had risen by an annual average of 18,3 percent.

By comparison, the index for clothing manufacturers had increased an average of 14,8 percent, that for clothing retail prices by 15,1 percent and the average annual inflation rate was 15,5 percent

While deliveries had tightened up this year, Mr van Zyl said, 16 percent of all orders reaching clothing factories in September were two or more weeks late

Earlier in the year, the figure was around 30 percent

'Death knell' for Harrismith if Frame closes blanket mill

Weekly Mail Reporter 197

THE closure of the Frame group's Harrismith blanket mill, with the loss of 1 100 jobs, would reduce the Free State town to a "sanctuary for artists and poets", the SA Clothing and Textile Workers Union has warned.

"It's by far the largest employer — it's the death knell," said Sactwu's Jabu Gwala. "Shops will close and taximen are selling their vehicles. There'll be chaos in the 42nd Hill township."

Last week, Frame announced the closure of three plants, one in Harrismith and two in East London, with the retrenchment of 2 000 workers. Gwala said jobs were also being shed in Durban, Pinetown and Ladysmith.

Plant-by-plant negotiations were under way and a possible third shift at another East London plant could cut job losses there from 850 to 600, he said.

The Harrismith crisis raises the prospect of a joint union-employer approach to the government on textile imports.

Gwala said the union intended setting up a meeting involving the state, Frame, organised business in Harrismith and another beleaguered blanket-maker, Aranda Textile Mills in Randfontein. WM 23-29/11/90

"We're looking for protection," he said. "The last straw is preferential treatment for Turkish blankets under a government trade agreement."

Frame chairman Mervyn King complained last week that the tariff on imported yarn was hurting local cotton growers and spinners, and that a revision agreed last year had not been gazetted. Imports had leapt to nearly seven-million kg in the first half of this year, as against four-million kg for the same period of 1989.

"It is unbelievable that government is standing by in a recession and watching imports increase, while an industry employing some 400 000 is being eroded."

Denying that imports would spur efficiency, he added: "You cannot improve the efficiency of an industry by destroying it."

TEXTILE INDUSTRY FM 23/11/90

CRYING FOR HELP

(197)

The textile industry, which has shed 8 000 of its 52 000 jobs this year, wants government protection from cheap imports. Critics

FM 23/11/90

charge, however, that manufacturers just aren't producing the kind of products garment-makers want to buy. (197)

The high price and indifferent quality of much locally manufactured clothing has turned off customers at retail and wholesale levels. So clothing sales have stagnated. Not surprisingly, clothing manufacturers are taking advantage of government trade policies that let them import raw materials duty-free.

FM 23/11/90

The Textile Federation blames the high level of imports for its problems. In the first half of the year imports of cotton fabrics were up 13% by volume and man-made fibres by 21%. Even more dramatically, cotton yarn imports were up 394% in volume. Since July, local production volumes have been running 35% lower than last year and order books are only half full. Among knitted textile manufacturers, orders are sometimes a third of capacity.

Harry Pearce, CE of East London-based Da Gama, says fabric imports now equal the production capacity of two Da Gamas. "It is just incredible that the Board of Trade & Industry and the State are still rejecting our appeals for protection. Neither Taiwan nor communist China are members of the General Agreement on Tariffs & Trade and don't play by the same rules. Communist China, in fact, subsidises exports of textile fabric by discounting their exchange rate by between 40% and 50%."

Pearce says the industry can prove that Chinese fabric has been dumped and that much of it was brought in for infant-wear manufacture, for which tariff rebates were available, but not necessarily used for that purpose.

But Hennie van Zyl, the executive director of the National Clothing Federation, says efficient textile producers have nothing to fear from overseas competition. He describes the calls for protection as "a deliberate ploy by big business to derail the long overdue government initiatives aimed at a less-protected and a less-regulated domestic economy." He says the Textile Federation is using statistics selectively and claims that overall fabric imports have decreased by 5% since last year.

Joop de Voest, of Marketing & Planning Consulting Services, says the surge in imports is a direct result of the structural adjustment programme, which allows clothing companies that export 2,5% of their turnover to import a large amount of fabric duty free. "It's not surprising that many companies are exporting on a marginal basis to reach the 2,5% of turnover target."

Frame Group executive chairman Mervyn King says his textile group has been hit hard.

FM 23/11/90 (197)

He is strongly critical of the adjustment programme, saying the policy is "a disaster and has resulted in abuses." Last week Frame laid off 2 000 of its 18 000 employees.

The fact that clothing companies have made full use of their rebates is an indictment of the textile industry, not only for its high prices but also its indifferent quality and poor delivery records, critics charge.

But De Voest says the overnight removal of protection would be devastating. "The textile industry would probably halve in size, though it would be a more efficient and sharper industry. But now there is a vicious cycle. The industry can't get good returns, so it can't afford to make investments in the equipment it needs to get competitive."

Critics retort that the industry has not used its protected status to modernise. Says one textile boss, who declined to be identified: "I don't believe we should take government head on. Protection can't be used to paper over the cracks; some textile companies have been badly run. We need to go to government as sound companies that have a future. Protection would be relevant if it built up an industry that produces cloth that people want to buy."

Says Seardel's Mike Getz: "It would be more efficient if the vertical mills were broken up into specialist spinners, weavers and finishers, as has happened overseas. The vertical mills are far too unwieldy to respond to the needs of the market, which is for variety and short runs."

Some companies have moved into niche marketing. Da Gama has had great success selling fabric directly to black customers for home sewing. Romatex has invested in equipment at Berg River Textiles to make high quality poplin shirting and materials for the Biggie Best home fashion chain. Frame, in turn, intends to focus on the Durban mills and get them internationally competitive.

The clothing industry may yet regret its enthusiasm for the free-market high ground. Getz concedes that it is scarcely better equipped to withstand free trade than the textile industry. "We are not equipped to compete on low-cost, long-runs such as T-shirts. Even in areas such as the basic white lounge shirt, local manufacturers will battle against overseas competitors."

Getz says the future of the clothing industry must lie at the fashion end of the spectrum where short runs give overseas competitors little advantage.

Government is signing a number of preferential trade agreements with eastern European countries which could allow in significant quantities of duty- free clothing from Poland, Czechoslovakia and Romania. ■

COMPANIES

Sunvest subsidiary to join venture capital board

MARC HASENFUSS

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13/Day 13/12/90

SUN Packaging Investments (Sunvest) subsidiary Biopolymers Ltd (Biopoly) today joins the handful of companies listed on the JSE's venture capital market

Biopoly, founded by Sun Packaging Holdings (Sunpak) chairman Tubby Gericke, will produce biodegradable polystyrene

This will be mainly for export purposes and local packaging requirements

Biopoly's plant, erected at a capital cost of R12m near Atlantis in the Cape, is operational although "nature-friendly" polymer will only be produced by the end of 1991

Group forecasts indicate an operating loss of R64 000 next year, an operating profit of R1,5m in 1992, R3,7m in 1993 and R4,4m in 1994

A loss per share of 5,8c is expected next year, followed by earnings a share of 5,7c in 1992, 10,8c in 1993 and 14,9c in 1994

There are 16,5-million Biopoly shares in issue

Of those, 5,9-million have been offered to Sunpak's minority shareholders at 50c each

Sunvest controls 52% of the issued share capital (8,6-million shares) with the remainder subscribed for by the Industrial Development Corporation (IDC) for R1m

Biopoly directors expect a maiden dividend declaration of 3,6c covered three times for the year ended August 1993

Analysts believe Biopoly, with Sunpak's backing, has the potential to perform strongly in the long term

Romatex on budget, but profit is less

LIZ ROUSE (197)

TWO months into the current financial year, carpet and textile group Romatex is performing to budget but at a lower profit level

According to a news release, chairman Jack Crutchley said at yesterday's AGM that the interim results would not match the relatively strong levels attained in the first half of the previous year

He said management was pleased with the way the group's major investment areas of the past few years were coming on stream, but the full benefits were only likely to be felt in the second half of the financial year and thereafter

In the meantime the economic climate was particularly tough and likely to remain so for at least the rest of the first half of the year Romatex's interim report would inevitably reflect this. B|Day 13|12|90

The Romatex group reported a 29% decline in earnings in the past financial year ended September. The shares are currently trading at 710c, off the year's low of 610c in September

FIM 7/12/90 (197)

FRAME GROUP FIM 7/12/90

BLANKET SELL-OFF? (197)

In a top-level reshuffle that may lay the groundwork for the sale of its blanket operations, the Frame Group this week gave a number of directors new jobs in what executive chairman Mervyn King called a flattening of the headquarters structure.

The reorganisation combines the textile group's previous three headquarters under one roof

It is also believed that the staff switches might be the beginning of an effort to split the unprofitable blanket manufacturing operations away from the rest of the group, with the ultimate intention being to sell them

King would not comment on the rumoured sell-off Nevertheless, selling the blanket operations would be in line with King's stated intention of reducing the group's asset base to offer better returns to shareholders

He did say, however, that the restructuring will affect 30-40 head office jobs This is in line with a recent company retrenchment programme in which six Frame operations have closed so far this year, affecting close to 4 000 jobs

"It's no use reducing numbers on the factory floor if you don't reduce at the top as well," King says

The staff changes include

☐ Sidney Frame, former MD of subsidiary Frame Textile Corp, to non-executive deputy chairman,

☐ Angus Napier, former MD of the group's other main subsidiary, Frame Waverley Textiles, to CE of the blankets section,

☐ Dave Duncan, former MD of the Nortex Mill at New Germany, to CE of the yarn spinning section, and

☐ Walter Simeoni, former CE of the yarn spinning section, to MD of the Frame Textile Corp.

It is understood that head office operations of the three subsidiaries in which Consolidated Frame Textiles (Confram) is 100% shareholder — Frame Textile, Frame Waverley and Consolidated Apparel Manufacturers — will now be incorporated into the activities of Confram's management company, Consolidated Textiles

In addition, the Nortex mill, which produces industrial yarn and carpet fibre, has been moved from its previous home in the blanket division, Frame Waverley, to the cotton side, Frame Textile.

Frame's blanket operations now consist of three separate companies, employing more than 2 000 workers: the Frame Waverley mill at East London, Consolidated Textiles (Ciskei) based outside Bisho, and SA Weavers, a Johannesburg operation in the specialist blanket market bought by the group a year ago

Last month, Frame announced the closure of its blanket mill at Harrismith, as well as a cotton spinning mill and part of a cotton weaving shed in East London, which is forcing 2 000 retrenchments

In June, the group closed its Wentex blanket mill in Durban and two polypropylene bag plants, at New Germany and in Qwa-Qwa, which resulted in the loss of 1 850 jobs. ■

11/90

Lanchem and Norvic were trading at 3c and 11c — down from peaks early this year of 70c and 60c — while Osprey was at 26c from a high in January of 82c. *Simon Cashmore*

UNISPIN FM 30/11/90

TEXTILE BLUES (197)

For most local clothing and textile manufacturers, 1990 is turning out to be a year they would rather forget. With the downturn in the economy and destocking in the retail sector, trading conditions were in any event going to be difficult. But these problems have been compounded by the scrapping of import control and the lowering of import duties in the second quarter, thereby encouraging a flood of low-cost foreign goods into the market, with which local manufacturers have had to compete

To complete the picture, all this happened at a time when some companies — Unispin included — were in the process of completing costly capex programmes which had been planned under happier conditions Having this additional capacity coming on stream in the face of falling demand has made a mess, not only of income statements, but of balance sheets as well.

IN A TAILSPIN

Year to September 30	*1989	1990
Turnover (Rm)	118,6	123,9
Operating profit (Rm)	22,2	11,2
Net earnings (Rm)	16,3	(2,4)
Earnings (c)	46,5	(6,5)
Dividend (c)	14	2,5

* 15-month accounting period

In assessing Unispin's results for the year to end-September, it must be stated at the outset that there are no accurate comparatives against which to measure performance. The previous accounting period was one of 15 months and, with income being strongly seasonal, normal annualisation does not necessarily provide a fair basis for comparison. Further difficulties arise since the two "halves" of the 1989 accounting period were made up of eight and seven months respectively, thereby complicating the comparison of half-yearly performance.

However, even allowing for these imperfections does not hide the large deterioration of results, with a second-half loss of R5,3m wiping out the R2,9m attributable profit of the first six months, leaving the group with negative EPS of 6,9c for the year against a positive figure of 46,5c (annualised 37,2c) for the previous 15 months.

That the second-half downturn was unexpectedly sharp can be deduced from the fact that the directors declared an interim dividend of 2,5c — needless to say, this has not been followed by a final. Leading to the same conclusion is that the directors were of the opinion at the half-way stage that borrowings had peaked at their then-level of R99,5m (including R10m in redeemable prefs) In the event, slashed cash flow in the second half resulted in the group taking on another R11m in borrowings, bringing the year-end total to R110,5m to give a debt: equity ratio of 1,9 (1989 0,8) (197)

FM 30/11/90

The substantial build-up of debt and the corresponding rise in interest charges, was one of the main reasons for the loss Interest charges at R12,3m, were R7,8m higher than in the previous 15 months and with no tax offset this increase fully affected the bottom line.

As a result of corrective action, the group expects a return to profit in the current year, but investors might prefer to wait for the next results before rating the share a recovery situation For one thing, there is little indication yet that trading conditions are likely to become any easier, for another there may still be some upside in the interest charge, given that last year's interest payments amounted to only 12,3% of the year-end debt total

This suggests the expected reduction in borrowings is going to have to be pretty sharp to make a dent in interest payments, a process which, in any event, will be complicated by the redemption of the pref share capital due on March 31 1991 This will, of course, cut the pref dividend but it should be noted that, at 12,9% last year, this is still relatively cheap funding, compared with current interest rates

Even with the capex programme complete, it looks like 1991 is going to be another difficult year The 85c share price is roughly half net worth, but any significant improvement will probably have to wait until the profit outlook is more certain *Brian Thompson*

Textiles retail trade maintains volumes

MARIETTE DU PLESSIS

WHILE the SA textile industry has settled at a level about 10% to 15% below full capacity, the clothing and textiles retail trade has remained more buoyant, reflecting volumes which differ only marginally from last year

B.Day 29/11/90

Destocking

Romatex economist John van Coller said last week the textile industry appeared to have followed the business cycle closely, declining up to the end of the first quarter this year before gathering momentum during the second and third quarters

The divergence between this trend and the buoyancy of the retail trade could be partly explained by the destocking of the pipeline and by the increase in imports of both clothing and textiles, he said

For the six months to June, fabric imports totalled about 38% of domestic demand while yarn imports for the same period were up 15% against last year

Van Coller said the industry had struggled to lower its inflation rate since early 1989 when it was close to 24%, and had succeeded "to some extent" in reducing it

However, with the effects of the recent oil price increases causing further cost-push effects on the industry via the feedstocks of man-made fibres, it would become increasingly difficult to hold down the textile inflation rate at present levels.

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Replenished

He expected the domestic recession and the international situation to aggravate the downswing in the industry, drawing it out more than either of the previous two

Retail demand for clothing and textiles was likely to ease slightly in the short term as a result of the rising unemployment, but the manufacturing process needed to be replenished he said

Star 23/11/90 (197)

Unispin savaged by surcharge abolition

The reduction in duties and abolition of the surcharge in April have savaged Unispin.

Unispin said yesterday attributable profit was R2,4 million, compared with R16,2 million in the previous 15-month period to September 1989.

Interest paid was R12,3 million, (R4,5 million)

A dividend per share of 2,5c (14c) has been declared.

The group said that the reduction in duties and abolition of the surcharge had resulted in turning half-year earnings a share of 8,2c at March 1990 into an attributable loss of 6,9c a share at the September 1990 year-end.

The group changed its financial year-end from June to September and the results are not comparable with those of the previous period, not even on an annualised basis because of seasonal factors.

The poor trading results — pre-interest operating profit for the 12 months was barely half that of the previous 15 months — affected the group's ability to fund itself and gearing rose to 189,9 percent at September from 157 percent in March.

Interest for the year rose to R12,347 million from R4,51 million for the previous 15 months.

"The authorities' ill-conceived slashing of tariffs has already impacted on the results of other major textile groups, with profits plunging and retrenchments following," said Unispin chairman Robert Wachsberger.

"But most of those companies are cushioned to some extent by other less-affected sectors.

"Unispin is purely a yarn manufacturer against which duties have been dropped by about 25 percent and the surcharge totally abolished — an effective reduction of 40 percent in protective tariff," he said. — Sapa.

COMPANIES

Unispin hit by tariff reduction

BDay 23/11/90

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CHARLOTTE MATHEWS

A SHARP rise in imported yarns as a result of the lifting of import control and duties, together with the cost of commissioning new mills, have contributed to yarn manufacturer Unispin's loss of 6,9c a share for the year to end-September.

The group was also affected by high interest rates and labour unrest among its customers.

Unispin chairman Robert Wachsberger says the results are not comparable with the previous reporting period, which covers 15 months, even on an annualised basis, because of seasonal factors.

On turnover of R124m, operating income of R11m was achieved. This was completely eroded by interest payments of R12,3m, resulting in a bottom line loss after a R2,4m payout in preference dividends

Nearly three-quarters of the operating profit was made in the first six months of the year.

No final dividend was declared The interim dividend was 2,5c a share.

Wachsberger said Unispin had been hit harder by the reduction of tariffs than other textile groups because others were cushioned by interests in less affected sectors.

He said duties of about 25% had been dropped against yarn manufacturers and the surcharge totally abolished — an effective reduction of 40% in protective tariffs.

"The predictable result has been a flood of imports with Textile Federation statistics showing increases in excess of 200% in certain yarns in competition with ours landed between June and July 1990

"We don't have the figures yet but all indications are the pace has accelerated since then"

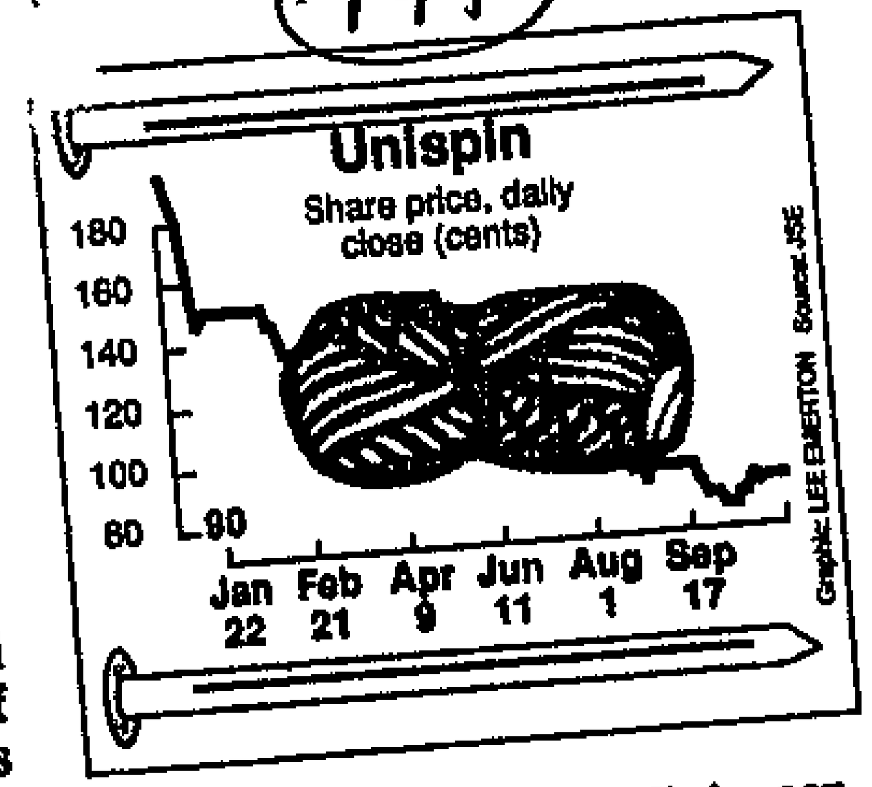
In the 15 months to September 1989 Unispin spent R46,1m on expansion and upgrading of plant and R26,1m in 1990.

Wachsberger said the group was likely to be criticised for its high gearing — now 189,9% — but it was a planned move.

The depreciation alone on the R30m increase in fixed assets in the current year would be significant and would go towards reducing borrowings.

Remedial actions taken to reduce costs and increase productivity would help the company to trade profitably and there were indications that government intended to restore some protection in the near future.

Unispin shares closed at 85c yesterday, sharply down from the year's high of 195c recorded in January but slightly improved from October's 77c.



Clothing and textiles again at loggerheads

(197)

S Times 16/12/90

By CHARMAIN NAIDOO

SOUTH AFRICA's R3,6-billion-a-year clothing industry could double in size within five years. It could also double to 300 000 the number of people it employs.

Exports — 3% of production — could also be increased.

National Clothing Federation (NCF) figures show that in the first six months of this year exports of R110-million were up 31% on the previous year SA imported clothing valued at R240-million

But for exports to flourish, the acrimony between clothing makers and the textile industry has to end

Both industries need each other Fabrics make up at least 50% of clothing costs The textile industry provides about 70% of all cloth Between 20% and 25% of SA textile output goes to the clothing industry

Both sectors agree that there is an urgent need for them to bury the hatchet

The the cold war between the two was resumed this week after a price-increase error was found in the NCF's annual report.

The NCF admits culpability, saying it has furnished textile makers with a written explanation that the increase quoted in the report was misleading

Detail

NCF executive director Hennie Van Zyl says "It is ironic that the textile industry has ignored other sections of the same report where the price issue is dealt with in greater detail"

The NCF claimed that the average annual price increase of clothing from 1980 to 1989 was 14%, Da Gama Textile Company, which spotted the inaccuracy, says it was 22%

The NCF said in its report that the average annual textile-price increase was 28% while clothing prices rose by 14%

Da Gama says its calculations show the average annual compounded growth in prices for the decade was 14,8% for textiles and 12,8% for clothing.

Frame Group executive chairman Mervyn King says the textile industry has absorbed a lot of the costs in the past In the past five years alone the price of dye used in fabric printing has increased by 300%

"There is now a double impact — the drop in the rand of the past few years together with huge increases in the price of oil-based products used in textiles. Margins are going to be tight and demand will remain soft."

Da Gama managing director Harry Pearce says cotton prices have increased by 32% this year, squeezing margins.

Outstripped

Mr King agrees with Da Gama that the inaccurate information published by the NCF could be used by retailers and government departments to hurt the textile industry

But Mr Van Zyl says the textile industry is quibbling in order to deflect attention from the real issue

"The bottom line is that in the past 10 years textile-price increases have outstripped those in the clothing industry"

Mr Van Zyl accuses the textile industry of being highly concentrated He calls it an oligopoly

"Business needs to compete for the consumer to get the benefits of free enterprise Without effective competition, free enterprise is dead

"By challenging our figures about price increases they are missing the point, textile prices have increased faster than those of clothing That is detrimental to the clothing industry, retailers and consumers."

Mr King disputes this, saying that competition in the textile industry is one of the reasons for reduced margins

Mr Van Zyl says of textile makers "They say imports are killing them I say they are using statistics selectively in an attempt to derail current and long overdue government initiatives aimed at a more competitive economic environment

"If you look at basic statistics from Customs and Excise records for January to July 1990 and compare them with the same time in 1989 there has actually been a 7% drop in the volume of fabric imports

Blatant

"To talk about increased import penetration is nonsense Also blatantly incorrect is the textile industry's accusation that imports are being dumped In value terms, there was an increase of about 10% We paid more for less fabric because we imported more expensive cloth"

Mr King disputes Mr Van Zyl's analysis and denies that fabric cost increases have outstripped those for clothing in the past 10 years

Imported fabrics now have 38% of the market compared with 20% a few years ago

"Who is responsible for the mark-up? To take things to their logical conclusion, the free import of clothing to SA should be encouraged"

Mr Van Zyl says this is contrary to the Government's new sector-by-sector approach to an industrial strategy and also to research one by Rhodes and Natal universities

Delivery

Mr Van Zyl says the NCF sends questionnaires — cleared with the textile industry — to a selected sample of clothing manufacturers asking about the delivery of fabric

"We found that for September 1990, 11% of all confirmed fabric deliveries were more than two weeks late"

Mr Van Zyl says the quality of fabric made in SA is not on par with most imported cloth

"The imported fabric is better because the foreign industry is older than ours We stress that it is more convenient for us to buy locally even if we can get cheaper, better fabric from abroad"

Mr King says much blame has to be placed with buyers of fabric who wait until the last minute before giving colour specifications

Nadir for high-flyer Polly Peck

St Times 30/12/90

(197)

POLLY PECK, the one-time textile unknown turned shooting star of the British stock market, announced on September 3 half-year figures which belied the recessionary clouds hanging over most companies

Boosted by acquisitions, the multinational conglomerate reported turnover up by 72% to £881-million, with a matching gain in pre-tax profits which shot to £111-million

It looked as if 1990 was going to be another vintage year for Polly Peck and Asil Nadir, the 49-year-old Turkish Cypriot, who brought the company from nowhere in less than a decade to become one of the top 100 shares on the London market It was valued at £2-billion when the price peaked five months ago

Only 17 days later the wheels came off Investigators from the Serious Fraud Office (SFO) in London visited a Mayfair-based private company owned by Mr Nadir's family trusts The shares collapsed, halving in two hours, and Polly Peck's listing was suspended

The next date on Mr Nadir's calendar is January 28 He will appear again in Bow Street Magistrate's Court where he faces what SFO prosecutor Lorna Harris describes as 18 "sample charges" of theft and false accounting involving £25-million

What astonished the financial community as much as anything was that Mr Nadir, whose personal wealth was once put at well over £100-million, had to spend four nights behind bars while his family, ex-wife and lawyers scrambled to raise £3,5-million in bail

The unfolding saga of Polly Peck, which with debts of £1,3-billion was Britain's biggest corporate failure, will be watched with horrified fascination by the 60 banks which seemed only too happy to lend the handsome, engaging entrepreneur more and more millions

Born in Cyprus, Mr Nadir came to London to help his father run a tiny textile operation in the early 1960s He first popped up in public in 1981 by acquiring Polly Peck, a losing quoted stocking and knitwear maker

Mr Nadir added a fruit and vegetable export business in northern Cyprus and a TV set and electronics manufacturer in mainland Turkey — the first — to Polly Peck. He went on to hotels, newspapers, property and shipping

He was a national hero at home and a success story in London where Polly Peck forced itself into institutional fund managers' "buy" lists by sheer growth

By 1985 Polly Peck was moving into the bottom end of the medium-sized companies with pre-tax profits of £61-million Last year they hit £161-million and Mr Nadir's coup in taking over the giant Del Monte of California was set to give the group a quantum leap

But perhaps Mr Nadir's bankers and investors will now wish they had paid more attention to the balance sheet where mounting debt meant that Polly Peck had to keep producing rapid profits growth and maintain a high cash flow

By last year, after the Del Monte takeover, Polly Peck's gross gearing was nearly 200% of its equity — and that in itself was inflated by £285-million of goodwill

Ostensibly the group also held cash of nearly £250-million at the end of 1989 That amount had risen to £300-million when the half-year accounts were prepared four months ago It was shown as on deposit in Cyprus

Administrators were called in when Mr Nadir failed to find enough new cash — he even asked the Turkish government for help — to meet his anxious bankers' demands in October

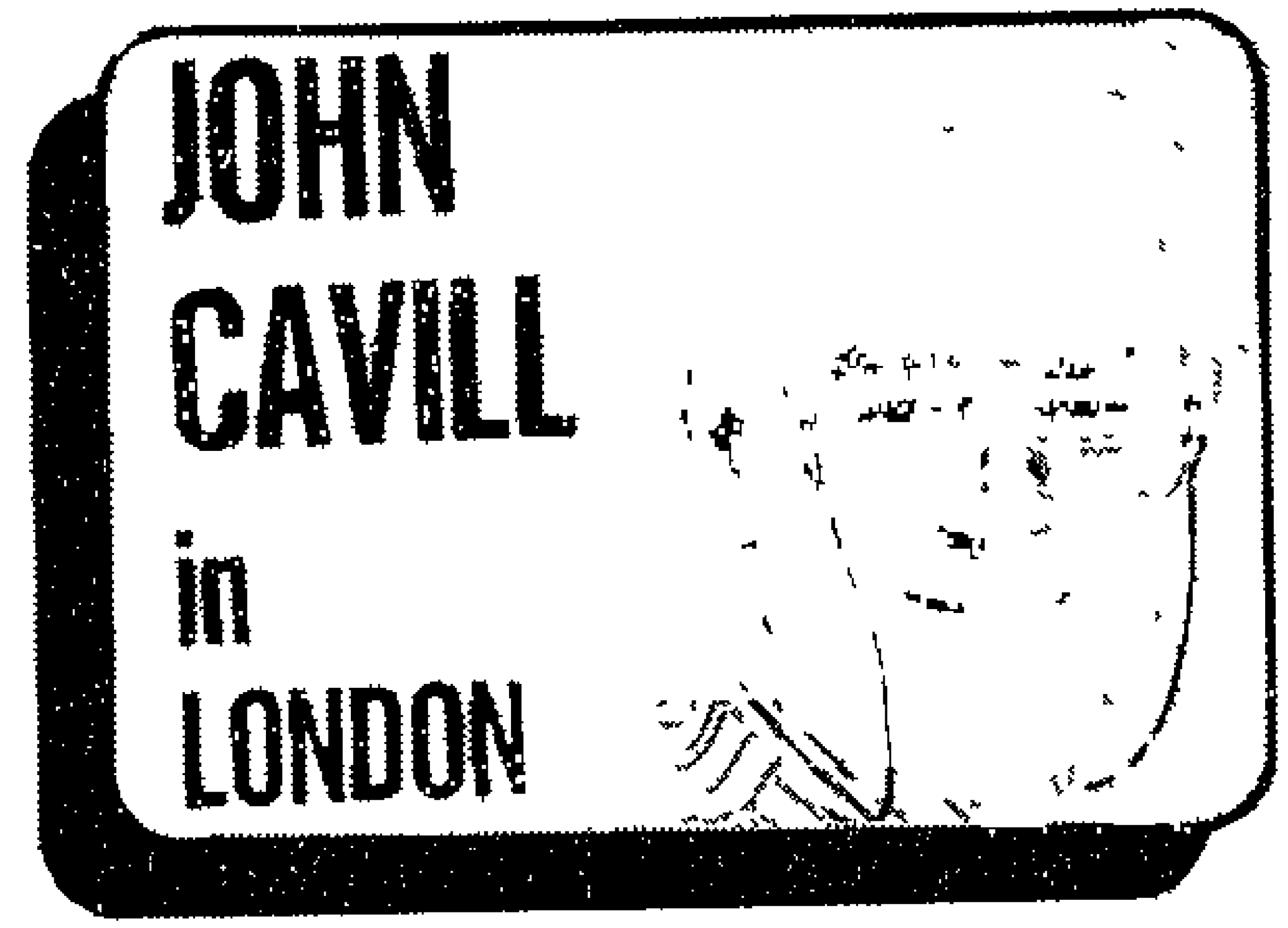
The men from Coopers & Lybrand Deloitte have had a tough time finding £200-million of the stated cash

The administrators issued a carefully worded statement this week, saying "It would appear that a sizeable proportion of the cash balances reputed to be in the island (Cyprus) has been invested in property assets largely associated with leisure property"

Their unravelling is being done carefully because they need to salvage as much as possible to pay the banks But it is opening up worrying questions about the soundness of Polly Peck's earnings

For example, Meyna, the Turkish fruit, vegetable and packaging business, had always been shown in London stockbrokers' analysis as Polly Peck's biggest single earner The company also claimed that most of Meyna's profits came from the Turkish domestic market with exports as a booster

In Turkey, however, Meyna is regarded as relatively small and it ranks only fifth among exporters shipping out of the port of Mersin



The other star of the Turkish empire, the Vestel consumer electronics company, is also struggling

There is more than a little apprehension that other worms could be lurking in the woodwork

Long-term shareholders are ruefully wishing they had taken their profits — £1 000 invested in Polly Peck when it was a "penny stock" at the time Mr Nadir took it over nine years ago was worth £1-million at the top in July

Meanwhile the City of London awaits Mr Nadir's day — and probably months — in court and the police await the return to Britain from Switzerland of one of his closest aides who has agreed to "co-operate" with their inquiries

MANUF. — TEXTILES

1991

Govt alone to blame for woes of textile industry, says King

BDay 10/1/91

197

PETER COUTROMANOS

THE blame for the poor performance of the South African textile industry lay "squarely on the shoulders of government", Frame group chairman Mervyn King said in an interview yesterday

"Bad economic management is one facet limiting our ability to compete Whilst Pakistan grants a large subsidy on the price of cotton to their textile mills, the South African textile industry buys its cotton from the Cotton Board at higher prices.

"We have just experienced a rise of 30% in the cotton price and we are unable to source our requirements internationally Our chemical inputs which have to be obtained internationally are subject to tariffs and surcharges," Frame said

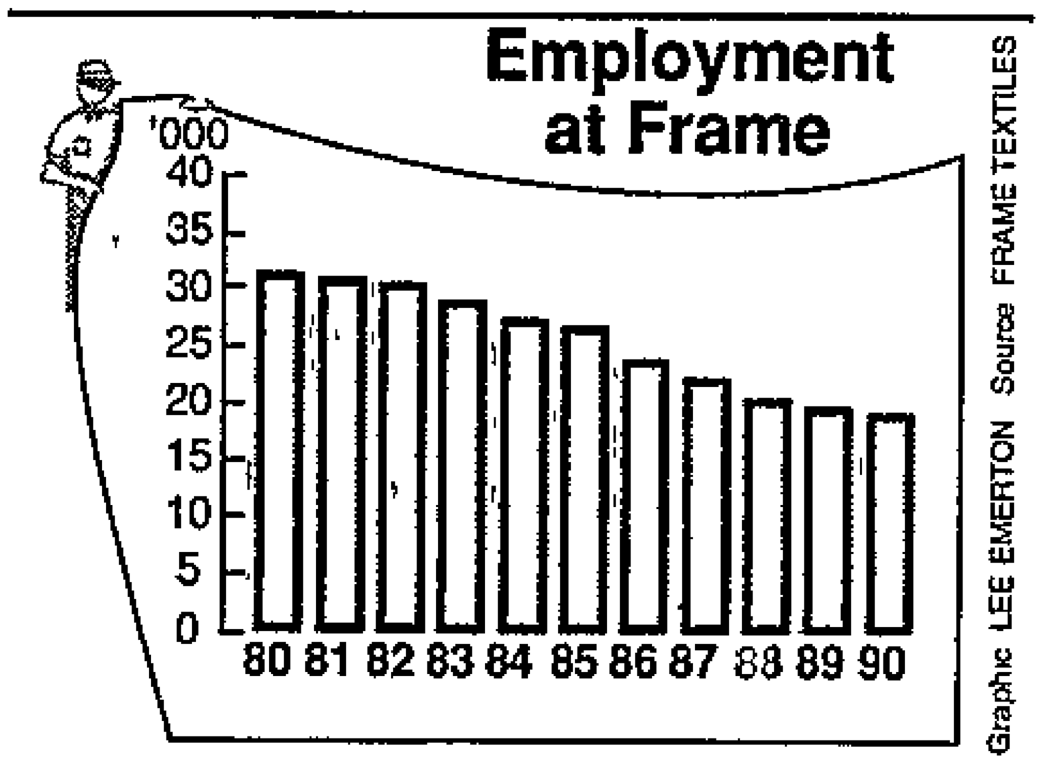
The Cotton Board is responsible for the marketing of cotton and is party to price-fixing arrangements

Asked if it was possible for the board to subsidise cotton in order to assist the textile industry, Cotton Board secretary Abel Stoltz said the board was there to benefit the farmer, not the textile industry

King said it should not be doubted that Frame's mills were up to world class standards "In the absence of government regulations, we would be more than able to compete with international producers"

King said that countries such as Korea, Brazil and Pakistan had recognised that the textile industry was a basic industry leading to economic growth

Brazilian firms, for instance, were allowed a substantial tax write-off on their capital plant in the first year



The textile industry in Turkey was highly subsidised and this had enabled it to substantially increase its scope of operations and to capture a portion of the SA market

"What is required for the SA textile industry to flourish is for the state to level the playing field by removing certain regulations," King said

"Government is also partly responsible for the level of trade union militancy This is a direct result of the state's former policy of restricting avenues for political expression"

In his annual chairman's review King said that trade union militancy and the associated labour unrest cost the group an estimated R16m

Yesterday, King said labour relations were being pursued in a spirit of mutual trust and confidence"

"We expect further retrenchments in the new year, but the issue is being dealt with in an open manner and with the union's co-operation" He did not expect more strikes in 1991

The expected retrenchments will reduce the group's employee levels to below 15 500 from 18 596 at the end of 1990

COMPANIES

Drastic remedial action for Unispin

LIZ ROUSE

UNISPIN had taken drastic remedial action to enable the company to trade profitably this year, chairman Robert Wachsberger and MD Chris Snijman said in the annual report 197

However, they said profitability was dependent to a large measure on the state of the economy and in particular the degree of penetration of imported yarns

Stocks have been reduced, credit terms strictly enforced, manpower numbers reduced and costs trimmed. All facets of the business were reviewed to ensure that the company became more competitive

With current capital expenditure and reorganisation completed, the company was poised to take advantage of any upturn and improve market share this year, Wachsberger and Snijman said

In the year to September Unispin suffered a loss of 6,9c a share after showing half-year earnings of 8,2c a share. The sudden donwturn came in May when the yarn market collapsed Shareholders received a 2,5c dividend. The company earned 46,5c a share in 1989 and paid 14c

Wachsberger and Snijman said that the Pacific Basin and other Far Eastern countries — which constitute the major threat as exporters to SA — were increasingly developing their textile sectors to boost employment

Given SA's desperate need to counter unemployment and its related risks of unrest, they suggested that attitudes in SA should be similarly directed at developing and expanding the textile and clothing industries as an urgent priority ly cyclical nature of earnings However, the 21% decline in EPS since 1988 suggests this objective is proving elusive, though CE Jack Crutchley is optimistic that benefits will become apparent during the second half of this financial year, even without an improvement in business conditions

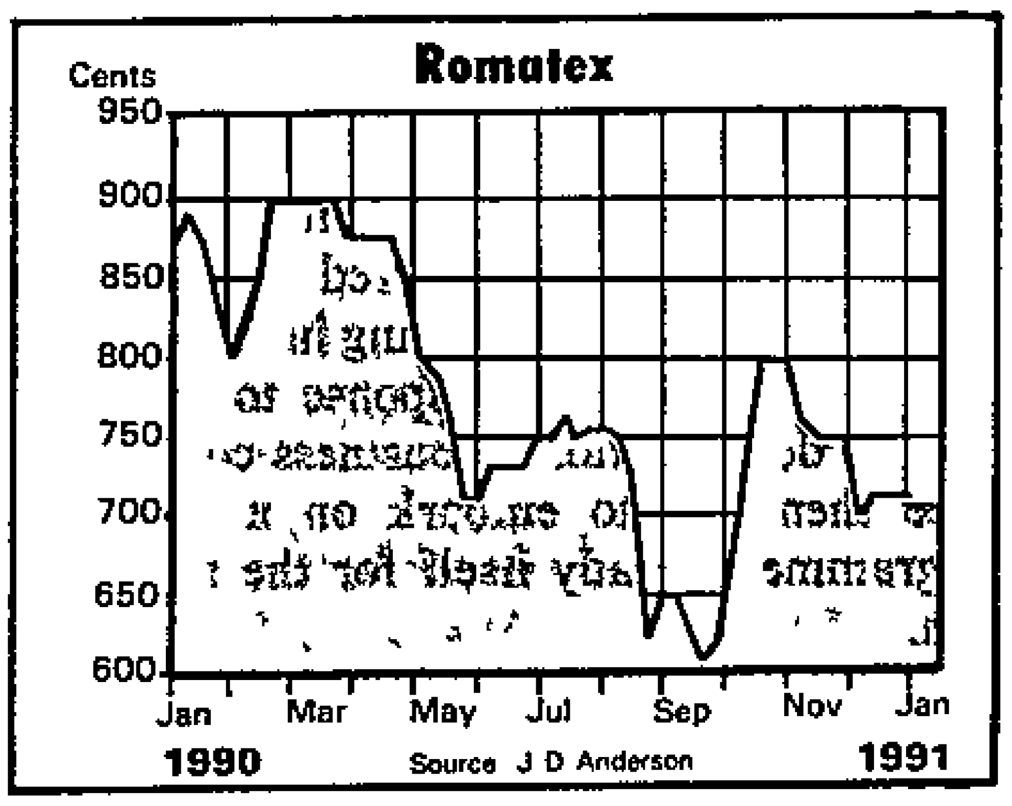
For the full year, all four operating divisions are forecasting improvement in pre-interest income, though in some it is doubtful whether the gains will flow through to the bottom line.

This is because the income statement has yet to feel the full impact of the higher level of borrowings associated with the capex programme Crutchley warns that this year's interest charge will be "materially higher" than 1990's R9,8m Given that last year's charge excluded R2,3m of interest which was capitalised, and that the net interest charge amounted to only 11% of total borrowings at year-end, it seems probable that this year's charge will at least double That means operating profit will have to increase by about 16% simply to produce maintained earnings

These are, however, essentially short-term considerations More important is that Romatex, after its restructuring, promises to be a leaner, more focused and more efficient operation, all of which should stand it in good stead when the economic upturn comes

Something else that should be borne in mind is that, apart from the erratic, cyclical nature of profit in the past, returns earned on assets and shareholders' funds have seldom been exciting Return on total assets peaked at 20,4% in 1988, while in the same year return on equity was 21,2% — adequate, but hardly enough to make anyone sit up and take notice

Current returns are materially worse But if the restructuring contributes to breaking this mould, the short-term cost will have been worth it.



Romatex's Crutchley . *capex benefits in second half*

FM 18/1/91 (197)

One encouraging aspect is the indication that the group might already be through the worst of its profit trough Last year, for example, a 27% earnings decline in the first half moderated to just over 14% in the second half despite the marked deterioration in business confidence during the latter period.

However, it is probably too soon to talk of recovery. Crutchley has already said that interim results (to end-March) are likely to be down again But if all goes well there could be signs of returning stability during the second half

The market has, to some extent, recognised this outlook — despite last year's earnings fall and dividend cut, Romatex's rating has improved The decline in the price from 875c when the *FM* reviewed the 1989 annual report to the current 710c exactly matched the decline in EPS, leaving the share on an unchanged p e of 4,1 But the dividend yield has fallen from 8,9% to 7,7% The share is, of course, still cheap relative to the market and could be worth picking up — if you believe the group will emerge stronger and more profitable once the restructuring is complete.

Brian Thompson

ROMATEX (197)

CAPEX CONTINUES

Activities: *Manufactures floor coverings, fibres, textiles and automotive products Also provides basic liquid storage facilites*
Control: *C G Smith 60,09%*
Chairman and CEO: *A L Crutchley*
Capital structure: *24,7m ords Market capitalisation· R175m*
Share market: *Price 710c Yields 7,7% on dividend, 24,2% on earnings, p e ratio, 4,1; cover, 3,1 12-month high, 910c; low, 610c Trading volume last quarter, 486 000 shares.*

Year to Sep	'87	'88	'89	'90
ST debt (Rm)	1,1	9,8	15,3	29,3
LT debt (Rm)	8,8	1,8	26,4	59,9
Debt equity ratio	0,01	0,01	0,15	0,28
Shareholders' interest	0,59	0,58	0,58	0,57
Int & leasing cover	13,4	26,5	10,1	5,8
Return on cap (%)	15,9	20,4	17,3	12,0
Turnover (Rm)	552	674	746	716
Pre-int profit (Rm)	57,6	86,4	83,6	63,3
Pre-int margin (%)	10,4	12,8	11,1	8,8
Earnings (c)	140	217	214	172
Dividends (c)	50	75	78	55
Net worth (c)	893	1 027	1 145	1 220

It is hardly reasonable to expect companies to manage the business environment in which they operate But what sorts out the men from the boys is their response to changes in that environment, and in that context Romatex makes an interesting case study

PROFIT PATTERN

	1989		1990	
	Rm	%	Rm	%
Pre-interest income				
Fabrics	29,7	36	26,8	42
Floorcoverings	16,0	19	8,4	13
Industrials	19,7	23	12,0	19
Island View	14,1	17	16,1	26
Mills	4,1	5,	—	—
Total	83,6	100	63,3	100

For most of the group's activities, the peak of the business cycle occurred towards the end of 1988. Instead of pulling in its horns at that stage, Romatex's response to the progressive deterioration in business conditions since then was to embark on a complex programme to ready itself for the next upturn

There have been three major facets to this One was the discontinuation or sale of activities no longer considered to fit in with the group's long-term objectives

Another was rationalisation, which in some instances involved the purchase of outside shareholdings in associates, in order to give Romatex the flexibility to integrate these interests properly with its own

The third which is continuous, was an accelerated capex programme to expand and modernise production capacity of certain divisions to enhance profitability.

The general aim was to reduce the strong-

CAPE TIMES 24/1/91

Aid for textile sector 'in the pipeline'

JOHANNESBURG — Assistance to the ailing South African textile industry may be in the pipeline after a top-level meeting in Pretoria on Tuesday.

Senior representatives of the textile industry met the Deputy Minister of Trade and Industry, L G Alant, to discuss the critical situation facing the industry.

The prosperity of the textile industry, a primary industry in South Africa and with major interests in the Border region, has recently suffered serious setbacks by fabric imports.

The Frame Group closed two of its factories here last month, bringing the number of workers retrenched by the group last year to 2 000.

The group also announced the pending closure of its plant in Harrismith with the loss of a further 1 000 jobs.

The group's executive chairman Mervyn King said in November the government's import policy was the cause of the industry's plight.

Da Gama textiles here approached two cabinet ministers and the Board of Trade and Industry in November in an attempt to alert the government to the crisis in the industry and particularly to stop the dumping of fabrics by Communist China in South Africa.

The letters were sent to Alant and the Minister of Finance Barend du Plessis, who is responsible for Customs and Excise.

Brian Brink of the Textile Federation said yesterday the crisis in the textile industry was exacerbated by the current recession, greatly increased input costs, input costs and underutilised capacity within the industry.

He said Tuesday's meeting had been constructive and a useful interchange of views and ideas had been made.

It was acknowledged that the textile industry was a primary industry and in turn supported many secondary industries in South Africa such as transport, packaging and services," he said.

He said the meeting accepted that the future of the industry was of 'paramount importance to the whole domestic economy'.

Neither Brink nor the minister's office would divulge the content of the meeting or whether any announcements concerning the industry would be made shortly.

However, the acting director-general of the Department of Trade and Industry, Gerry Breed, said the problems experienced by existing tariffs and import control had been discussed at the meeting.

He said it would be difficult to act against the dumping of cheaper Chinese fabrics here as the commodity was part of general trade deals with that country.

He did not say what other measures were likely to be taken to assist the industry.

Brink said the meeting was a preliminary one laying the ground for further discussion between the same parties. — Own Correspondent and Sapa

UNISPIN FM 25/1/91 (197)

COST OF EXPANSION

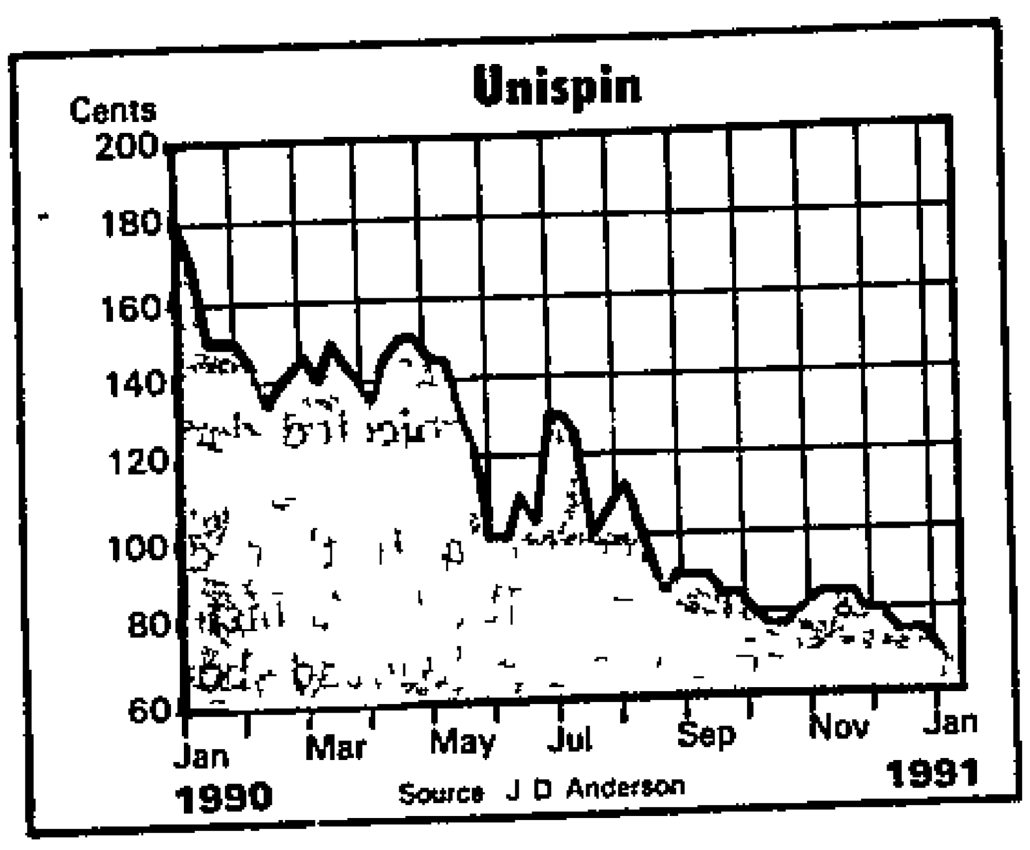
Activities: *Manufactures hand and industrial knitting yarns, and also spun cotton yarns*
Control: *Directors 74%*
Chairman: *R Wachsberger, MD C Snyman*
Capital structure: *35m ords Market capitalisation R22,8m*
Share market: *Price 65c Yields 3,8% on dividend 12-month high, 180c, low, 65c Trading volume last quarter, 150 000 shares*

Year to Sep	'87†	'88†	'89*	'90
ST debt (Rm)	6,1	1,0	11,5	47,5
LT debt (Rm)	23,6	13,7	25,9	53,0
Debt equity ratio	n/a	0,25	0,90	2,20
Shareholders' interest	n/a	0,47	0,39	0,27
Int & leasing cover	6,9	15,8	4,9	0,9
Return on cap (%)	6,0	16,7	13,4	6,1
Turnover (Rm)	19,4	76,7	94,8	123,9
Pre-int profit (Rm)	3,7	14,9	17,7	11,2
Pre-int margin (%)	19,0	19,5	18,7	9,1
Earnings (c)	13,8	39,2	37,2	(6,9)
Dividends (c)	—	14	14	2,5
Net worth (c)	(16,3)	120	151	143

* 15 months annualised where appropriate
† June year-end

Assessing any company that has just completed a major expansion programme normally presents problems, but no more so than when the expansion is accompanied by a profit collapse. There is always a temptation to link the one to the other — to say the company had been over-ambitious and is now paying the price for misreading its markets.

In this instance, such comment would be justified only if one was satisfied management could have predicted April's lowering of textile import tariffs and surcharges at the time the expansion was approved



The effect of these changes on Unispin was devastating Having substantially increased production capacity, it had little option but to try to sell the additional output to achieve the best possible plant loadings The fact that turnover increased by 31% over 1989's annualised figure, when output of the industry was declining, testifies to considerable success with this.

On the other hand, it was achieved only at considerable expense in terms of margins, which plummeted from 18,7% to 9,1%. The resulting operating profit was insufficient to cover the cost of substantially higher borrowings, leaving earnings in the red.

To illustrate the full impact of these lower margins, it is instructive to reconstruct the income statement on the assumption that margins had remained at around 19%.

Operating profit would then have been R23,5m instead of the R11,2m achieved, with a corresponding increase in cash flow which would have reduced the growth in borrowings.

With an appropriate adjustment to the interest charge, one could probably have expected EPS of around 32,5c — 12,6% down on 1989 — instead of the 6,9c loss It would thus appear that only a tenth of last year's overall 44,1c reduction in EPS could reasonably be attributed directly to the effects of the expansion programme, while the rest derived from the significantly more competitive conditions which arose from the higher level of imported product after the easing of restrictions

While this may explain why Unispin is where it is, it doesn't really tell us much about the future, and how it intends reducing its mammoth debt burden, now 2,2 times tangible net worth

Chairman Robert Wachsberger believes gearing will peak at end-March (which is also the peak of the group's annual production cycle) and thereafter drop sharply Where the cash flow needed to accomplish this will come from is another matter — last year's gross cash flow was only R4,3m and, even if one sees some stabilisation of markets, it should be noted, firstly, that 1990 results reflect only six months' trading under the new import tariffs; secondly, that the income statement has not yet felt the full impact of 1990's debt increase

Also of concern is that the ratio of net working capital (stock plus debtors, less creditors) to sales soared last year to almost 50%, from 38% in 1989 Wachsberger notes action taken to control stock and debtors, but not mentioned is the slump in creditor financing, which fell from 34,7% of sales to only 19,8% and was, therefore, fully responsible for the rise in the net working capital ratio Either optimum use is not being made of creditor finance or — more disturbing — the group's suppliers are becoming more demanding.

Either way, the deterioration in this ratio cost Unispin about R12m in additional borrowings. This, coupled with another R12m attributable to the reduced margins and cash-flow position, accounts for almost 40% of 1990's R62,5m increase in debt

Wachsberger, while optimistic about long-term prospects, declines to forecast this year's results He says the outcome will depend on the state of the economy and the penetration achieved by imported yarns — neither of which can Unispin control or predict with much certainty

What is pretty certain, however, is that there won't be a dividend Last year's 2,5c was paid only because, at the interim stage (when the dividend was declared), it was not apparent what the next six months would bring For the moment, the priority must be to strengthen the balance sheet, and in the absence of a major (and at this stage unforeseeable) upturn in profit it can be assumed that all available cash will be retained for this purpose

Brian Thompson

DATES TO REMEMBER

Last day to register for dividends:
Friday Feb 1: Anbeeco 6c; Buffels 180c; Delswa 3,5c; GFSA 70c; Grootvlei 5c; Jade 3,75c; St Helena 115c; Stilfnt 60c; Supalek 4c; WR Cons 50c
Meetings:
Monday Jan 28: Anglos (S); Bolpro (S) (Germiston); Gencor.
Tuesday Jan 29: Duiker.
Wednesday Jan 30: Focus, Messina (S).
Thursday Jan 31: Choice; D & H (Sandton)
Friday Feb 1: Prochem (Sandton)
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting

Protection threatens clothing exports

CAPE TIMES 25/1/91 (197)

By AUDREY D'ANGELO
Business Editor

CLOTHING exports — which have reached R200m a year and still growing — will be endangered if the Deputy Minister of Trade & Industry, Theo Alant, gives way to pressure to give more protection to the textile industry, the National Clothing Federation (NCF) claims.

A simmering row between the clothing and textile industries came to a head this week when delegates from both the NCF and the Textile Federation saw the minister, and senior officials from his department and the Board of Trade & Industry.

The clothing industry has, for years, accused the textile industry of unreliability and of pushing prices up to unacceptable levels. The textile industry, in turn, has accused clothing manufacturers of being willing to sacrifice jobs in order to be able to import cheap fabrics.

Textile Federation executive director Brian Brink issued a statement that senior representatives of his industry had met Alant.

"The purpose of the meeting was to discuss the critical situation presently being faced by the industry," he said.

"This has been brought about by the current recession, greatly increased output costs, the level of imports of cotton and man-made staple spun yarn and fabric, and under-utilized capacity within the industry."

The NCF statement said clothing exports represented 5% of total production in this country and were continuing to grow at a rate of 30% a year. This could increase "as export efforts mount in scale, reflecting broader industry involvement".

It said these exports were one of the reasons employment in the clothing industry — the largest single employer in the Western Cape — was still higher than in other sectors. Clothing exports were "critical in the present recessionary climate, where real domestic sales have declined".

Pinpointing the dominant role played by the Frame group in supplying cotton yarn to SA fabric manufacturers, the statement continued: "The clothing industry has been advised that imports of cotton yarn are not motivated exclusively by price.

"The consistently higher quality and reliability achieved when imported yarn is used improves output and productivity by a considerable 30%."

The statement said its delegation had advised Alant "that further protection to yarn suppliers would merely perpetuate and exacerbate prevailing problems of supply in SA, undermining international competitiveness throughout the pipeline.

"The textile industry should be advised to focus on improving its competitive position through effective management rather than protection."

The NCF said the textile industry had "created the impression of a flood of cheap textile imports. But Customs statistics showed there had been a 6% decline in the volume of fabric imports.

It would be "extremely unwise" to amend the structural adjustment programme for the clothing and textile industries just when dramatic results were starting to appear.

"To change a system which has been in operation for only 18 months, and which the industries were told would remain in operation for the foreseeable future, will play havoc with forward plenning in the business sector and will also result in a negative perception and loss of confidence in economic policy."

Textile strike looms as wage talks collapse

CAPE TIMES 28/1/91

197

UP TO 1 350 workers could be embroiled in a possible strike at the country's largest producer of nylon and polyester yarns following collapsed wage talks, SA Clothing and Textile Workers' Union (Sactwu) organiser Mr Andre Kriel said yesterday.

Sactwu members at SA Nylon Spinners, Bellville, will go to the ballot today to test support for a strike against their employer's final wage offer of about 14,5%.

The strike ballot follows collapsed talks at a conciliation board hearing on January 22 and an effective R28 difference dividing the parties, he said Workers had dropped their initial demand for a R300 across-the-board monthly increase to R200. They also demanded an annual bonus of four weeks' wages

The company's final offer included a R172,20 across-the-board increase, plus a four-week Christmas bonus for workers in the bargaining unit. — Sapa

1 300 nylon workers gearing up for strike

ARGUS 29/1/91

By SHARON SOROUR
Labour Reporter

MORE than 1 300 Western Cape workers are gearing up for strike action at the country's largest producer of nylon and polyester yarns after a deadlock in wage negotiations.

The S A Nylon Spinners (Pty) Ltd employees, members of the South African Clothing and Textile Workers' Union (Sactwu), are holding a strike ballot this week at the Bellville South plant

This is because the company and the union failed to resolve the dispute at a conciliation board meeting last week, said union spokesman Mr André Kriel.

Negotiations on wages and working conditions started in November last year but collapsed when mediation failed to resolve the wage dispute, Mr Kriel said

"The major opening proposals of the union included an across-the-board wage increase of R300 a month for union members and R250 a month for non-members and an annual bonus of four weeks' wages for all employees in the bargaining unit.

"During the course of the negotiations the union dropped its demand to R200 a month, across-the-board," Mr Kriel said

A company spokesman confirmed that management's final offer included an across-the-board wage increase of R172 a month plus four weeks' Christmas bonus for all workers in the bargaining unit

"We are awaiting the outcome of the strike ballot," he said.

Mr Kriel said the company's offer "is worth an improvement of about 14,5 percent on current substantive conditions of employment" with three-shift workers getting a minimum monthly wage of R995, two-shift workers getting R952 and straight shift workers earning R933

"Protest action by union members at the plant since the company tabled its final offer two months ago has been outlawed by the company which claims production has been disrupted," Mr Kriel said.

Workers will vote tomorrow and on Thursday on whether to take strike action or accept the company's final offer

Workers at Bellville firm to strike

By SHARON SOROUR Argus 1/2/91
Labour Reporter

WORKERS have voted in favour of striking at the country's largest producer of nylon and polyester yarns after wage negotiations collapsed.

Strike ballot proceedings at the Bellville South plant of SA Nylon Spinners (Pty) Ltd which were completed yesterday showed more than 84 percent of the workers who voted were in favour of striking.

Union spokesman Mr André Kriel said the workers, members of the South African Clothing and Textile Workers' Union (Sactwu), were demanding a R200 a month across-the-board increase plus an annual bonus of four weeks' wages for all employees in the bargaining unit.

A company spokesman said management's final offer was an across-the-board monthly increase of R172 plus four weeks' Christmas bonus.

Mr Kriel said the union and management were still discussing strike rights and facilities.

"The strike ballot was held this week after negotiations on wages and working conditions — which started in November last year — collapsed at conciliation board level on January 22.

"The ballot results showed that 898 workers out of a total union membership of 1 111 voted, which represents a percentage poll of more than 80 percent."

A total of 757 members voted in favour of legal strike action and 135 against. Six ballot papers were spoilt.

Mr Kriel said the union had agreed to allow management representatives to be present at the voting and ballot counting in exchange for on-site ballot facilities

Star 5/2/91

9000 jobs lost in textile industry

197

Finance Staff

DURBAN — Fabric manufacturers are facing a crisis as a result of depressed demand caused by the recession and exacerbated by the rising volume of imports entering the country because of reduced tariff restrictions.

A war of words between the National Clothing Federation (NCF) and the Textile Federation (Texfed) continues in the wake of recent criticism by Frame Group executive chairman Mervyn King of aspects of the rag trade.

Texfed executive director Brian Brink said this week his industry faced a "disproportionate loss of demand" of close to 50 percent of normal levels.

Reacting to strongly-worded criticism by NCF chief Hennie van Zyl last weekend of Mr King and the management of Frame, Mr Brink said the problems facing textile manufacturers did not involve any one company or group of companies.

Sales volumes of fabric companies last year were down between 18 and 30 percent, with forward order books as much as 50 percent emptier than at the same time 12 months earlier.

About 9 000 jobs had been lost in the industry.

He listed the following contributory causes:

- Reduction of duties in 1989.
- The erosion of the effectiveness of the import duty structure by the structural adjustment programme for the textile/clothing sector.
- A number of preferential trade agreements aimed specifically at textiles and clothing, which had further reduced the real level of duties.
- The lifting of import control on textiles in August 1989.

"All these factors, together with depressed domestic demand, have led to unacceptably higher import penetration rates and resulted in the industry operating at well below full capacity."

The textile industry could not compete with countries whose textile exports were heavily subsidised.

Criticised . . . Mervyn King

Good management holds key to growth

B/Day 5/2/91

MARCIA KLEIN

FURNITURE retailers should rely on good management and not on sales for growth in 1991, analysts say.

Growth in 1991 will "be dependent on managing credit and running a tight ship", says one analyst.

While there will be a slowdown in sales, furniture retailers will grow, although not to the same extent as last year, say analysts

During 1990, furniture retailers experienced buoyant growth, with major groups Ellerine, Morkels, Rusfurn and J D Group posting increases in earnings of 50%, 46%, 54,5% and 32,8% respectively

However, says one analyst, "disposable income is not increasing, the pent-up demand is satisfied by now, and unemployment is getting worse".

Analysts say the recession has been around for some time, and people "just don't have the money any more, and banks are not going to extend credit as before".

Analysts feel Rusfurn will probably make its growth target of 20%, while Ellerine and J D Group will also also show good growth, but probably not at the same high level as last year.

Major furniture retailers agree, saying they will show growth, but will have more problems in 1991 than in the previous year.

Ellerine chairman and MD Eric Ellerine says 1990 was "an outstanding year for the furniture retail trade", and that it will be difficult to maintain the same rate of increase in growth.

He says the industry probably needs some consolidation.

Rusfurn CE Geoff Austin says his group is confident it will show growth, although he cannot make any promises.

J D Group financial director Colin Stein says much depends on SA's political conditions, but expects growth through to December 1991.

However, trading will be difficult, and economic and employment factors will be important influences

Dispute deepens over duty on fabric imports

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BEVERLY HUCKLESBY

THE long-standing feud between the textile and clothing industries has intensified after a recent meeting with Deputy Trade and Industry Minister Theo Alant. B/Day 5/2/91

Central to the issue is the lifting of import controls by government in August 1989. The Textile Federation (TF) said last week local textile sale volumes had dropped by 30% and attributed this to the removal of the 20% duty charge on fabric imports.

However, according to the National Clothing Federation (NCF), latest figures indicated a 6% drop in the volume of fabric imports. It said further protection to yarn suppliers would perpetuate supply problems in SA and undermine international competitiveness.

The scheme had resulted in clothing exports reaching an annual figure of R200m — 5% of the total industry output.

The NCF said the annual growth rate was continuing at 30%.

TEXTILES AND CLOTHING FM 15\3\91. (197)

BATTLE OVER PROTECTION

Stand by for clothing price hikes at the retail level amounting to about R3bn a year Alarmed clothing manufacturers say this could be the consequence of the sudden rash of applications for tariff hikes by the textile industry

The Department of Trade & Industry (DTI) recently granted textile manufacturers an "interim" tariff increase on imported cotton yarn.

Textile Federation executive director Brian Brink says Texfed has also applied for increased tariffs on knitted fabrics and is busy preparing its application to increase tariffs on woven fabrics by about 50%

National Clothing Federation executive director Hennie van Zyl says the tariff increases will have an inflationary effect on the whole textile-clothing pipeline and, if granted, would force the R4,4bn/year clothing industry to ask for similar increased protection on imported clothing.

Says Edgars CE George Beeton of the protectionist pleas: "This is not in the interest of the clothing industry Consumers will buy less as prices escalate. It will also harm SA's export efforts and the textile industry will end up harming itself as its local market shrinks

"This is a self-defeating exercise and one wonders whether the parties involved are not merely looking for a quick fix."

Consumers would be obvious losers The textile manufacturers, too — especially as they sell about 30% of their total output, worth R6,2bn, to the local clothing industry

But, more disturbing, the spate of tariff applications raises a serious question mark over government's commitment to the free market.

In 1989, both clothing and textile manufacturers agreed to commit themselves to a structural adjustment programme In terms of the programme, import tariffs would be frozen at the newly increased levels for a period of five years, after which they would be gradually decreased. The object was to allow both industries to restructure themselves towards increased exports and away from excessive protection (see tariff feature in *Business*.)

Should government now cave in and allow special pleading to sway its commitment to freeze all tariffs for five years in terms of the textile-clothing adjustment programme, it would severely undermine its credibility in setting a sensible tariff policy.

The question is, which way will it go? Neither the DTI nor the Board of Trade & Industry was available for comment on these vexing issues.

Van Zyl, however, is adamant He believes government should stand firm. He says the clothing industry's boom in exports sparked by the adjustment programme will be severely damaged if the textile tariffs go through

"Exports surged by 44% last year to about R170m We now expect them to reach R300m by the end of this year and R500m by end 1992," he says.

Van Zyl's sentiments are echoed by Durban-based A M Moolla CE Sadek Vahed, who says a surge in exports will create more jobs and lead to a growing local market for textiles. "The adjustment programme benefits apply only to SA-sourced cloth The more we export, the more they will sell to us," he says.

But Texfed's Brink counterattacks by noting that the textile industry itself has been active in the export market and has increased its export revenues from R230m in 1987 to R425m in 1990.

Federation president Ernest Wilson maintains the textile industry needs protection against "blatant dumping" by countries in the Far East.

"Should government devise an effective anti-dumping policy, we will be happy to agree to the scrapping of the existing formula duties But local inflation has also aggravated the threat posed by cheap imports." ■

BLACK BUSINESS FM 15|3|91

MAPONYA'S REVIVAL

For much of the late Eighties the diverse empire of Richard Maponya, the country's best-known black businessman, tottered on the brink of collapse Township boycotts, management talent stretched too thin, and a shortage of capital, he acknowledges, almost put him out of business

He was rescued last year by the Small Business Development Corp (SBDC). It extended loans to several of his businesses on the grounds that, taken separately, each of his businesses is a small business. It also set up training programmes for his managers

His conglomeration of businesses, which includes a full-service supermarket, several smaller grocery stores, dairies, bottle stores, car hire outlets and a BMW dealership, will be given a financial boost if he can carry out his plan to develop a shopping centre on 20 ha he owns in Nancefield, Soweto.

But Maponya (64) is disappointed that developers have shown so little interest in the centre, even though it would have an estimated 3m people on its doorstep The SBDC, which has developed several neighbourhood centres, does not have the funds to become the developer

FM 15|3|91

"Building another Eastgate or Cresta is not our business," says the corporation's Joe Schwenke, "though we would offer finance to the smaller shops in the centre on merit " Major developers have concentrated on peripheral centres, such as Highgate and Southgate, which have given retailers access to the Soweto market without the risks of developing in the heart of the township


Maponya

Maponya believes there is still a lot of discrimination and risk is often used as an excuse: "There is a resistance to giving meaningful loans to the black community The stock answer is that blacks cannot offer collateral but legislation has made it very difficult for blacks to accumulate assets."

First National Bank's Rod Cusens agrees that the lack of collateral makes it difficult to use normal lending criteria for blacks Greater emphasis is placed on the viability of the business and its long-term prospects, rather than collateral "But you have to look at our track record We have incurred a disproportionate amount of bad debt. Black businesses have often failed to keep accurate records, so it's impossible to assess their health."

Maponya readily admits that he has found it difficult to find the line management talent he needs to run his businesses And being based in the townships, his outlets have had to contend with frequent stayaways and boycotts "These have affected business in the black areas more than anywhere else," he says "And turnover lost on a single day cannot be regained "

Carlos dos Santos of Score, which manages Maponya's Supermarket for a fee, says the unrest and boycotts certainly add to the business risk He adds that the sales per square metre at Maponya's is very good and he would like to expand

Carmakers have been predicting an explosion in black car ownership but until that happens the returns from his BMW dealership will not reach expectations "That cannot take place as long as the economy is as depressed as it is, but with more blacks moving into managerial positions, the prospects can only improve," Maponya says

BMW spokesman Chris Moerdyk notes, however, that Soweto BMW is profitable and, despite the fall in car sales, the outlet has steadily increased sales

Maponya believes the prospects for black business would be much better if it were allowed greater access to capital and other

Continue -P

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Argus

Partial shutdown of plant as strike bites

By SHARON SOROUR
Labour Reporter

THE strike by about 65 percent of the South African Nylon Spinners workforce has led to a costly partial shutdown of the Bellville South plant

Managing director Mr Peter Boxall said a group of workers went on strike last Friday and other groups on subsequent shifts had supported them

"The company runs a continuous process operation and the strike has resulted in a costly partial shutdown which is economically damaging," Mr Boxall said.

The company had been able to maintain a certain level of production.

Strikers had been barred from the site and production areas because of the threat of intermittent strikes.

Mr Boxall said "Because of the nature of the continuous production process, the company cannot allow a stop-start operation"

The strikers, members of the South African Clothing and Textile Workers' Union (Sactwu), are demanding a R200 across-the-board monthly increase and an annual bonus of four weeks' wages for all employees in the bargaining unit, said union spokesman Mr André Kriel.

R172 OFFER

The management's final offer is an across-the-board monthly increase of R172 plus four weeks' Christmas bonus for all employees

Mr Boxall said the total company offer was a 14,5 percent increase on 1990 wages.

"Examples of wages offered for 1991 are a minimum monthly wage of R1 105 for unskilled employees working day shifts and R1 509,68 a month for a shift operator with seven years' service," Mr Boxall said

Negotiations on wages and working conditions started in November and reached a deadlock at a conciliation board meeting on January 22.

Strike ballot proceedings were completed last week with more than 84 percent of the workers who voted opting to strike, Mr Kriel said

Management firm as spinners strike goes on

TMG(W) 7/2/91 [illegible] 197

Labour Reporter

AS the strike over wages by about 65 percent of the South African Nylon Spinners workforce enters its fifth day, management has refused to increase its 14,5 percent offer.

Employees at the Bellville South plant struck on February 1 after about 900 workers — over 84 percent — voted in favour of striking in a ballot last week.

Management met officials from the South African Clothing and Textile Workers' Union (Sactwu) yesterday for extensive talks but refused to move on their offer of a R172 monthly across-the-board increase.

NEGOTIATING

Company public relations officer Ms Tessa Cerqueiro said the parties failed to reach an agreement after spending most of the day negotiating.

"The dispute has not been resolved and the strike continues," she said

The union is demanding a across-the-board increase of R200 a month plus an annual bonus of four weeks' wages for all employees in the bargaining unit, union local organiser Mr André Kriel said.

Company managing director Mr Peter Boxall said this week that the strike had led to a costly partial shutdown of the plant

Wage negotiations started in November and reached deadlock at a conciliation board meeting on January 22.

● More than 100 Jowell's Cape Transport workers on a three-day wildcat strike have been dismissed after ignoring an ultimatum from management to return to work.

Transport and General Workers' Union spokesman Mr Nic Henwood declined to comment on the dispute but confirmed that the workers were dismissed after ignoring the ultimatum to return to work by 4pm on Tuesday

Wage negotiations between the two parties deadlocked in January.

Workers apparently chose not to wait for the 30-day period to lapse before having a conciliation board meeting or mediation to resolve the dispute.

One of the dismissed workers said they were demanding a wage increase of about 30 percent while management was offering 7,5 percent.

Nylon workers in city march

CAPE TOWN — Strikers from the SA Nylon Spinners' plant in Bellville South marched through central Cape Town yesterday morning

About 600 workers, some carrying placards demanding a R200 wage hike, took part in the march from District Six, SA Clothing and Textile Workers' Union spokesman Mr Ronald Bernickow said

The parties remain deadlocked as the legal strike approaches its second week.

The company, a major supplier of synthetic yarns and materials, has offered a R172 increase on the monthly wage — Sapa

CIT 9/2/1987

CAPE TIMES 12/2/91

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Company sets nylon strikers ultimatum

STRIKING SA Nylon Spinners' workers faced dismissal if they did not end their strike by Thursday, the company warned yesterday

About 900 workers at the Bellville South plant started a legal strike on February 1, demanding a R200-a-month increase

SA Clothing and Textile Workers Union (Sactwu) members had been told that the strike could not be allowed to continue indefinitely, the company said.

It was damaging not only to SANS, but also to textile companies dependent on its products

"Further damage to export orders will also have severe long-term repercussions," the company said.

Sactwu spokesman Mr Ronald Bernickow confirmed the ultimatum, but said workers would continue striking

The company had started hiring and training temporary labour, he added — Sapa

CITY NATIONAL

Dismissal looms for strikers

By SHARON SOROUR
Labour Reporter

Argus 12/2/91

STRIKING SA Nylon Spinners workers will be dismissed by the company unless they abandon their wage demands and return to work by Thursday.

Company managing director Mr Peter Boxall said in a statement the workers were notified by management yesterday that the 11-day strike could not be allowed to continue indefinitely

He said workers would be dismissed unless they abandoned their demands for wages and conditions of service for 1991 and reported for duty by February 14

Urgent interdict

But the South African Clothing and Textile Union (Sactwu) is to apply for an urgent Supreme Court interdict today restraining the company from dismissing the workers, union national media officer Mr Ronald Bernickow said

Workers at the Bellville South plant went on strike on February 1 after about 900 workers — more than 84 percent of the workforce — voted in favour of taking strike action during a ballot about two weeks ago

Management has refused to increase its final wage offer of a R172 monthly across-the-board increase, which is a 14,5 percent increase on last year's wages

Workers are demanding an across-the-board increase of R200 a month plus an annual bonus of four weeks' wages for all employees in the bargaining unit, Mr Bernickow said.

Mr Boxall said the strike had led to a costly partial shutdown of the plant.

He said "The impact on the continuous process operation of the company is not only economically damaging to its business but also to textile companies which are almost entirely dependent on our products"

Export orders

Further damage to export orders would also have "severe" long-term repercussions, Mr Boxall said

About 50 percent of the employees were working and the company was maintaining a certain level of production, he said

Negotiations between the two parties started in November and deadlocked at a conciliation board meeting in January

The strikers had magisterial permission to hold protest marches daily in the Sacks Circle area in Bellville South and 24-hour pickets, Mr Bernickow said

17-day Nylon Spinners strike ends in agreement

ANew 22/2/91

By SHARON SOROUR
Labour Reporter

THE 17-day strike over wages at SA Nylon Spinners in Bellville South ended this week with workers being awarded a R176 across-the-board monthly increase

According to a joint statement by the company and the South African Clothing and Textile Workers' Union (Sactwu), the two parties settled at the weekend

The union dropped its demands for a R200 a month across-the-board-increase and the company increased its offer from R172 — a 14,5 percent increase on last year's wages — to R176 a month

BACK TO WORK

About 800 workers returned to work on Monday

They went on strike on February 1 after more than 84 percent of the workforce voted in favour of taking industrial action during a ballot about three weeks ago

Negotiations to resolve the dispute were conducted in a constructive and sincere manner, the statement said

"Both parties have stressed their commitment to ensure the sound relationship between them is not detrimentally affected by the legal industrial action"

Every effort would now be made to restore production as soon as possible

The strike led to a costly partial shutdown of the plant but about 50 percent of the employees were working and a certain level of production was being maintained, company managing director Mr Peter Boxall said.

Negotiations between the two parties started in November and deadlocked at a conciliation board meeting on January 22.

● Numsa — the National Union of Metalworkers of SA — will discuss trade union and workers' rights in the new South Africa at its annual bargaining conference at the weekend

The conference in Johannesburg will discuss and decide on national bargaining demands in the union's four sectors the engineering, iron, steel and metallurgical industries, the auto assembly industry, the motor industry and the tyre and rubber industry

Economic and socio-political issues affecting the bargaining environment will also be dealt with at the conference

"It is Numsa's view that business in this country has conclusively demonstrated that it is not competent to run and control this economy and that labour has a major role to play in the reconstruction of the South African economy Numsa's bargaining demands will be seen in this light," the union said in a statement

Textile industry reeling over cheap imports from East

197 (66) MG65 8/2/91

By MICHAEL MORRIS
Political Correspondent

THE government has stepped in to settle a row between the clothing and textile industries over cheap yarn and fabric imports from the East, but has declined to introduce new protectionist measures

The textile industry wanted better protection against cheap imports of yarns and fabrics.

It complained that import competition was aggravated by rebate provisions based on exports and local purchases

The industry also argued that rebates in terms of the "structural adjustment programme" should be stopped because they did not help textile companies

But the clothing industry said the programme had a positive effect on exports — which had shown a substantial increase — and that to stop the programme would "destroy the export culture"

Deputy Minister of Trade and Industry Dr T Alant said that after discussions and an investigation the government had decided to increase the rates of duty on yarns, but not tamper with the structural adjustment programme which had helped clothing and textile exports

"It appears that an export culture is being established and that exports are gaining momentum," he said

"Indications are that the rebate provisions have achieved their goal in providing the necessary kick-start effect with regard to export orientation.

"The export successes of the clothing industry will obviously create a bigger demand for fabrics, which should also affect the textile industry"

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Seardel notches up record sales, profit

CAPE TIMES 8/2/91

By AUDREY D'ANGELO
Business Editor

EXPORTS helped the Seardel group to achieve record sales in the six months to December, in spite of the recession.

Chairman Aaron Searll forecast yesterday that sales could reach the R1bn mark by the end of the financial year in June

He expects exports, alone, to reach R51m by June 30, compared with R35m last year.

But, in an outspoken attack on textile manufacturers, he said "We have lost out on two major export orders because of shocking quality and delivery from one local textile supplier"

Seardel lifted turnover by 13,9% to R535,8m in the first half of its financial year But attributable earnings of R15,3m (R14,5m) were only 5,6% ahead of those in the first half of the previous year

Earnings at share level were 65,5c (62c) The interim dividend is unchanged at 8c a share, with very conservative cover of 8,2 (7,8) times earnings

Operating income was 3,1% higher at R42,7m (R41,4m) Pre-tax income was 6,6% higher at R26,9m (R25,2m)

But after-tax income, helped by export incentives, was well ahead of inflation at R18,4m (R15,3m) — a rise of 19,7%

Loss of export orders

SEARDEL chairman Aaron Searll named the Frame group as the textile manufacturers who, he claimed, had caused his group to lose two large export orders, through late delivery.

No-one from the Frame group was available to comment last night

Announcing these results at a party at the Seardel corporate heaquarters, Searll pointed out that "The most important feature of these results is that the ratio of borrowings to equity has been brought down to 67% from 119% a year ago We have reduced borrowings by a whopping R41m"

He said these results had been achieved "in spite of a tremendous slowdown in the economy Clothing in particular is going through a very difficult time"

He said the clothing industry's difficulties had been increased by poor quality and late deliveries by some textile firms

Demand for locally produced fabrics had dropped But this was not because of increased imports Fabric imports had, in fact, dropped by 6% in the first eight months of 1990 About 90% of fabrics used were sourced locally

Demand had dropped "because of the abnormal increase in prices of textile fabrics which have gone up by about 40% in two years — and because of poor quality and delivery by SA textile firms"

Searll pointed out that poor delivery by textile manufacturers caused a loss of jobs through "severe work shortages, decrease in productivity, high reject factors and cancellations by customers for late deliveries"

He continued "I wish to say to the textile industry — stop moaning, stop misleading the public (about the need for tariff protection against imported fabrics), stop insulting your customers put your own house in order once and for all"

He warned "We spend about R200m a year on local fabric purchases and it is quite easy for me to give a directive to our top management not to buy from those textile companies who criticise us and make shocking deliveries"

Claiming that some textile factories were "importing loomstate and finished cloth in large volumes," Searll said the textile industry had enjoyed 40 years of tariff protection

He thought they should be bringing prices down to reduce inflation "instead of looking for higher prices"

Discussing the outlook for the coming year, Searll said overall demand for Seardel's product range was "reasonable"

There was a difficult time ahead "But I remain optimistic — 1992 should show better conditions"

Import duties on yarn to be raised

(197) BILLY PADDOCK (IO)

CAPE TOWN — Government had approved higher duties on imported yarns to "stem any further disruptive imports", Deputy Trade and Industry Minister Theo Alant said in a statement yesterday.

The increase was approved as an interim measure and would be gazetted today. However, the steps would be reinvestigated immediately to determine whether the levels of protection were justified

This was because of the cost-raising effect this would have on smaller textile firms and particularly on the clothing industry's ability to compete on the export market.

It was also decided to continue with the rebate provisions as envisaged in the structural adjustment programme B | Day 8/2/91.

As it was clear the relevant rebate provisions had provided the necessary kick-start, the Board of Trade and Industry intended investigating the possibility of increasing the export entry level to qualify for participating in the programme

Alant said the move to raise the duties had followed representations by the textile industry that excessive imports of low-priced yarns and fabrics were disrupting the industry.

One of the textile industry's arguments was that it was not afforded sufficient tariff protection against imported low-priced yarns and fabrics from Eastern countries

More uphill work for Unispin

Diagonal Street
Star 11|2|91 197
LYNNE PEACH

Textile group Unispin produced a dismal set of results for the year to September and, although it could take some time to get its house in order, further deterioration is not expected.

In the annual report, chairman Robert Wachsberger says the sudden collapse of the yarn market last May was unexpected, but that drastic remedial action has been taken in order to facilitate a return to profitable trading in the current year.

He warns, however, that profitability will largely depend on the state of the economy and, in particular, on the degree of penetration of imported yarns into the SA market.

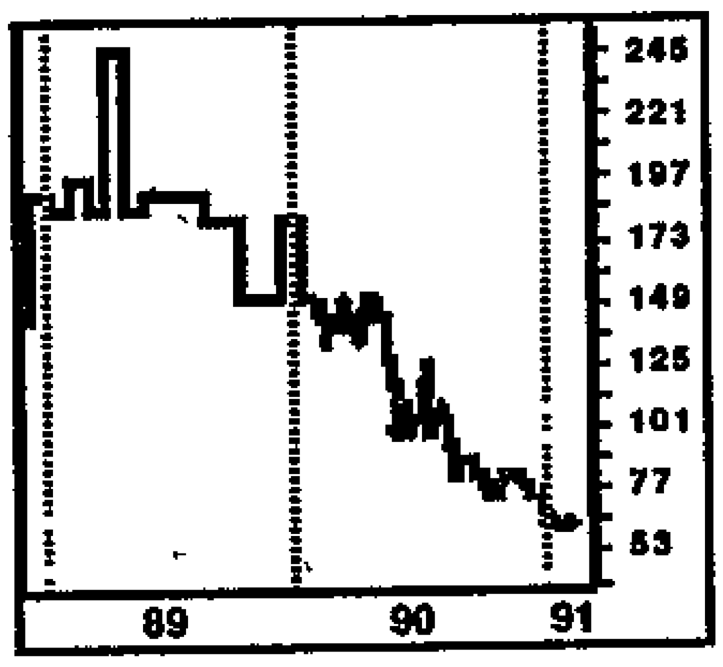
Unispin is the largest manufacturer of hand and industrial knitting yarns in South Africa and a producer of spun cotton yarn.

It has supplied the local market with quality yarns for more than 40 years.

In the year to last September, group turnover grew less than five percent from R118,6 million to R123,9 million, while operating income plummeted 49 percent from R22,1 million to R11,2 million.

Interest expense more than doubled from R4,5 million to R12,3 million, resulting in a net loss of R1,1 million, compared with a profit of R17,7 million in financial 1989.

After allowing for preference dividends of R1,3 million, the attributable loss amounted to R2,4 million. In the previous year, attributable profit was R16,3 million.



Unispin share price movement

The loss per share was 6,9c, compared with the previous year's earnings of 46,5c.

The dividend payout for the year dropped from 14c a share to 2,5c. The strength of the balance sheet deteriorated, with borrowings up from R37,4 million a year ago to R100,6 million.

Gearing has shot up from 77 percent to 190 percent, which Mr Wachsberger says is higher than expected, although the high level of borrowings was planned when the group began its capital expenditure programme.

Mr Wachsberger believes substantial cash flow will reduce the debt/equity ratio to acceptable levels within the next two years.

Unispin, priced at 65c, provides a dividend yield of 3,8 percent. Until the economic climate improves and the group starts reducing its debt, accumulation of the share is not recommended.

COMMENT: Unispin's share price has been in a downtrend since the first half of 1989 after touching 245c. The price, now 65c, will have to top 85c before the charts confirm the start of a bull trend.

Searll fires broadside at the textile industry

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By Tom Hood Star 11/2/91

CAPE TOWN — Poor-quality fabric and late deliveries are causing horrific losses and forcing up clothing prices, say manufacturers

An unprecedented broadside has been fired on the South African textile industry by Aaron Searll, chairman of Seardel, the country's largest garment-manufacturing group, which buys R200 million of locally made fabric a year

"We have lost out on two major export orders because of shocking quality and delivery from one local supplier

"When we got the fabric, it was the wrong colour and the quality was not acceptable to a British fashion house that had placed a trial order."

One export order worth R500 000 was was cancelled because the fabric collapsed a week before the clothing factory was due to receive the raw material.

"We are losing potential export orders because the standards required by European customers are not being met by South African textile firms

"Most of our factories refuse to buy from the Frame group (the largest textile company)," he says.

"We are also losing out because of local chain stores cancelling orders after late deliveries of fabric"

He claims South African textile mills have increased their prices by about 40 percent in two years

Retailers no longer accept the textile mills' standards and have gone to the expense of testing all fabric in their laboratories.

Clothing companies now check every square metre of cloth — a costly and inflationary practice — because so much is faulty and is wasted, he says

"You cannot rely on what you have ordered being delivered We have high costs of re-examining the fabric"

"Factories have increased their stock holdings to compensate for the inefficieny of the textile mills.

"A poor delivery performance causes severe work shortages, a drop in productivity, high reject factors and cancellations by customers for late deliveries," he says

"Some textile mills are performing well and do a fabulous job to help with our exports"

Mr Searll says the time has come to say "That's it, no more, we have had enough

"It is quite easy for me to give a directive to our top management not to buy from those textile mills which are our most vociferous critics"

Brian Brink,, executive director of the South African Textile Federation, says late deliveries are understandable in a time of high demand, but should not happen in a time of severe downturn

"There are a lot of things that need to be corrected," he says

There have been many retrenchments in the industry, mills are running with much lower stock levels and there are management problems

Factories are also working short time, he says

"We used to have a steady supply of people from Europe, but this has dried up

"As violence and uncertainty increased, more European expatriates moved out of the industry and the younger people left did not have the same experience or background.

"When we are operating short hours, our unit costs of production escalate.

"Factories with a capacity of 168 hours are running at 120 or less"

Mr Brink disputes Mr Searll's claim of a 40 percent price hike — a figure derived from government statistics

He says the weighting of synthetic and other materials is too high and distorts the figures

He estimates the price increase at between 13 and 14 percent a year.

Garment makers smile sheepishly

By Des Parker

DURBAN — The fall in wool prices over the past six months, which led to the cancellation of the weekly auction in Port Elizabeth last week, may be bad news for SA's 27 000 sheep farmers, but it has brought a smile to the faces of fabric and garment manufacturers.

A Hammarsdale textile manufacturer estimates prices will remain depressed for at least two years, which was likely to stimulate production of knitted apparel, such as men's suits and trousers, particularly for export.

Pure wool should also increase in popularity as a fabric for clothing for the domestic market.

Textile Federation executive director Brian Brink says pure wool garments now comprise only 25 percent of all clothing made locally, compared with about 40 percent 10 years ago.

Manufacturers had resorted to synthetic substitutes to offset rising prices.

Stephen Kitshoff, sales director of Hammarsdale-based Mediterranean Woollen Mills, says his firm had reduced its use of pure wool over a number of years to about three percent of its requirements.

It now makes polyester viscose alternatives and acquires some regenerated yarns from used garments.

The company was started 32 years using only new wool.

Hennie Prinsloo, chairman of the Wool Board, which made the decision to stop last week's sale after the key Australian market had suspended its floor price scheme, says wool of all grades was fetching an average of R8,40 a kg earlier this month.

Three years ago, that was as high as R12 or R13.

Effects of imported yarn duties disputed

BD 19/2/91 MARC HASENFUSS (197)

THE SA Textile Federation has disputed recent reports that the introduction of higher duties on imported yarn would increase the total cost of clothing purchased by about R80m this year

In a recent statement Textile Federation executive director Brian Brink said cost increases could not be attributed solely to imported cotton yarn prices

The National Clothing Federation (NCF) said last week the increase in import duty from 15% to an effective 77% would add 1% or R80m to the cost of clothing

Based on 1990 cotton yarn imports, Brink estimated the revised duties would increase the cost of imported cotton R13m, which would have a "minimal effect"

Government's recent introduction of higher duties (increased from R1 to R5/kg) on imported yarns was intended to stop dumping by Pakistan, Brazil and South Korea, all of which subsidise yarn exports heavily.

Brink said the revised duties should ensure a return to orderly yarn marketing and help halt closures and retrenchments in the local yarn spinning industry. The NCF said the local textile industry's argument that yarn imports were disrupting the local manufacturing industry was devoid of truth.

Strikers win increase

CAPE TIMES 22/2/91

WORKERS who staged a 17-day pay strike at SA Nylon Spinners in Bellville South were awarded a R176 across-the-board monthly increase — R24 less than they demanded.

Settlement of the dispute was confirmed in a joint statement by the company and the SA Clothing and Textile Workers' Union yesterday. The statement stressed that both sides were committed to avoiding further industrial disputes.

Following talks at the weekend, about 800 strikers returned to work on Monday morning. — Sapa

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Blanket of hope as workers dream of re-opening mill

Star 14/2/91

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PAT DEVEREAUX

DESPERATE workers in Harrismith have a dream — to re-open the Free State town's 60-year-old blanket factory and start producing blankets again, says South African Clothing and Textile Workers Union regional secretary, Mr Jabu Gwala.

About 1 100 workers who were retrenched on November 30 are looking at options to re-start the Frame Group-owned blanket mill which is standing empty.

Leading community members believe this would be a solution to the rising unemployment in the area, which is being exacerbated by refugees from the Natal violence.

Chairman of the 42 Hill township's chamber of commerce, Samuel Motaung, believes it would be possible to re-open the blanket factory with the help of big business.

Research

"Once big business had helped initially the workers could establish the running of the factory," Mr Motaung said.

Democratic Party leader in the town, Mr Cas Human, echoed the workers hopes when he said the answer would be to re-open the mill under joint worker management control, coupled with careful market research and a "buy South African" campaign.

The factory closure meant almost 20 percent of the 42 Hill township's breadwinners lost their jobs. This was just one of the Frame company's recent casualties caused by the textile industry slump.

Sactu and Frame managed to negotiate reasonable retrenchment packages for most of the workers, but many have been working on factory looms for years and few have other skills.

"The factory workers are hoping ideally to buy back the factory and start producing blankets again. In two weeks shop stewards from each region will meet in Durban to discuss this issue," said Mr Gwala.

A similar project was set up with the co-operation of the Frame Group, according to manager of the Durban based Zenzeleni co-operative, Mr Glen Cormack. The co-operative, funded by Frame as part of a retrenchment deal, started in 1989 and it now employs more than 270 workers and produces boiler suits, dust coats and T-shirts.

Harrismith mayor, Dr Mike van Niekerk, admitted that the factory closure had left a huge gap in the town.

"At this stage all I can say is that the chamber of commerce and our National Party MP, Mr Paul Farrell, are looking into the unemployment situation in our town.

Chairman of Harrismith's chamber of commerce, Mrs Pannie Human, said after the factory closed down "most white employees had been accommodated". But she could not give figures for how many blacks had been re-employed or re-trained.

She said that Harrismith's chamber of commerce had investigated running a few re-training projects in conjunction with the 42 Hill township's chamber of commerce last year "but these had fizzled out".

Mrs Human denied rumours that Harrismith could become a ghost town as a result of the factory closure

Dismal showing by Frame group

197

Star 28/2/91

Diagonal Street

ANN CROTTY

Disastrous results for the six months to December will strain the patience of Frame's institutional shareholders who paid R22 a share for control of Frame back in 1987

Interim figures show a loss per share of 257,5c — a sharp turnaround from the 64c earned in the previous interim.

Looking back over the past three years, financial '88 produced earnings of 89,7c a share, '89 earnings almost doubled to 161,4c a share and in financial '90 they fell back to 128,3c

This means that the institutional shareholders have picked up earnings per share for the three years of 379,4c.

Even if there is some improvement in the second half, it seems likely that all of the past three years' earnings will be wiped out this year (A second-half loss of 121,9c a share will be sufficient to achieve this)

Over the same period the share price has plummeted from the R22 level paid by the institutions to a current level of 500c.

The poor earnings are not entirely management's fault. The institutional shareholders bought an enormous and dated asset base requiring a high labour input.

This meant that Frame was unable to achieve the sort of margins enjoyed by competitors Its cumbersome and labour-intensive size also made it difficult to respond to changes in the industry and market

The group is currently in the third year of a five-year correction programme

The focus this year is on reducing capital levels and shrinking the asset base The end-June '90 balance sheet showed total assts of R1,4 billion — up from R1,1 billion in June '88. Much of the increase was accounted for by a rise in stocks.

Some analysts believe this asset base has to be shrunk by around two-thirds Others feel it will be extremely difficult for Frame to shrink by much more than one-third.

The review figures are accompanied by a litany of woes — a feature of Frame's results to which shareholders must now be accustomed

A strike, which began in July and had a knock-on effect, resulted in a loss of profit of R30 million

In addition, there was the increased penetration of imports, the recession and high interest rates.

Turnover was down 19 percent to R371,8 million (R457,8 million)

Management says this represents a volume reduction of around 30 percent.

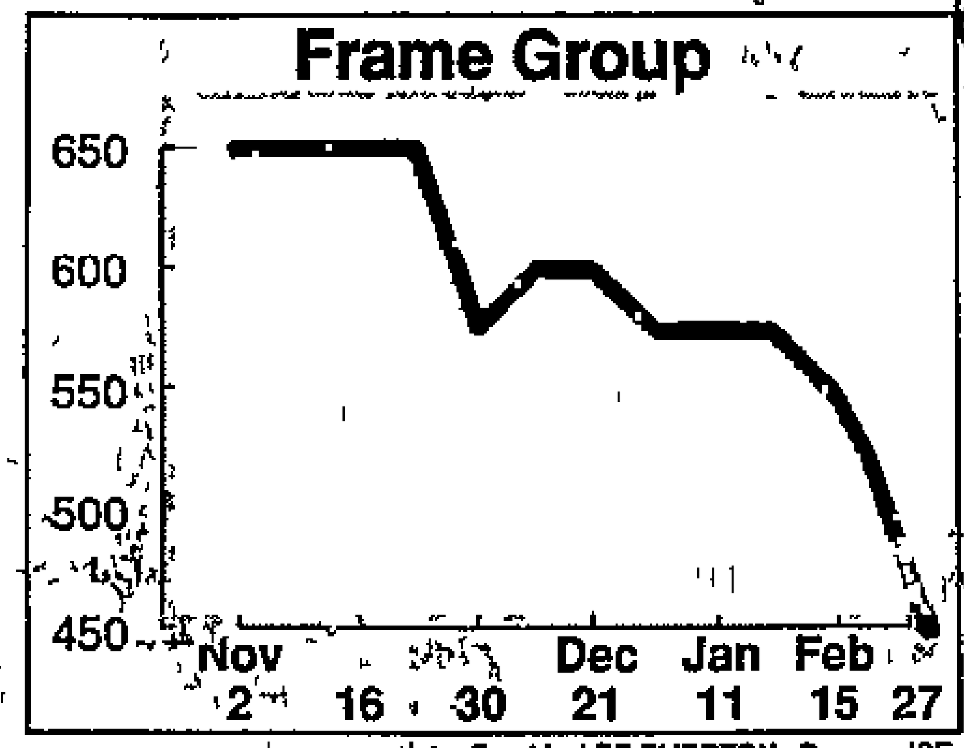
It was accompanied by a R38,8 million operating loss — down from a profit of R34,5 million (Frame Textile reported an operating loss of R31,6 million and Frame Waverly an operating loss of R9,1 million Discontinued operations lost R7,2 million)

Group properties and "other" were the only profit generators — providing a combined R10 million

Downsizing of existing operations cost R19,5 million. The interest bill shot up to R18,6 million (R7,5 million). The pre-tax loss was R76,8 million — down from a profit of R19,6 million Tax took R2,4 million

Outside shareholders picked up R30,4 million of the loss, leaving attributable earnings of R48,8 million. Extraordinary costs bumped this up to a loss of R63 million.

Strikes cost Frame Group R30m (197)



Graphic: LEE EMERTON Source JSE

ROBERT LAING

BDay 28/2/91

THE Frame Group has reported a R30m loss of profit due to strikes

Write-offs and difficult trading conditions contributed to an interim loss of 257,5c a share compared with earnings of 64c at the 1989 interim stage

The six months to end-December were described as the most difficult trading period in its 56-year history

Retrenchments and the write-down of stocks and assets cost R19,5m

☐ To Page 2

Frame Group BDay 28/2/91 (197)

☐ From Page 1

Turnover of R371,8m (R457,8m) was converted into an operating loss of R38,9m compared with a profit of R34,5m in the same period in 1989

Attributable earnings plummeted by 503% to a loss of R48,8m (profit R12,1m).

The group's interim report said strikes, government's loosening of import protection, high interest rates and the recession had put the textile industry into a crisis

These factors resulted in subsidiary Frame Textile Corporation suffering an operating loss of R31,6m (profit of R18,1m)

Frame said the strike in July, which involved about 11 000 workers at four of the textile group's centres, cost it R30m

Cheaper imports, SA's oversupply of blankets and the recession caused sales volume to drop 30%

Management said the "dramatic downturn" in sales volume cancelled the group's efforts to reduce its stock holding.

Group borrowings amounted to R220m (R158m) at end-December.

The slump in the blanket business resulted in Frame Waverley Textiles showing a loss of R9,1m (1989 profit. R7,7m).

Directors said the second half should produce better results.

Consolidated Frame Textile made an attribuatable loss of R79,6m (profit R20,8m), translating into a loss of 141,6c a share (earnings 37,2c)

Textiles and clothing at it again

S Times 3/3/91

197

THE INTERMINABLE battle between textile makers and clothing maufacturers has been rejoined with the release of disastrous results from the Frame Group

By DON ROBERTSON

Consolidated Frame Textiles and Frame Group Holdings suffered huge losses in the six months to December

The directors say increased imports are one of the main reasons for the decline in Frame's earnings.

They lay some of the blame on increased imports of cotton and man-made staple yarns and fabrics and the duty-free import permits granted to manufacturers in the textile pipeline under the Structural Adjustment Programme (SAP)

Disputed

In terms of the SAP, exporters of clothing or fabric are entitled to duty-free imports based on a percentage of their exports

The same conditions exist in terms of the Phase Six local content programme for vehicles

But the National Clothing Federation (NCF) disputes the claims of the Frame directors

Executive director Hennie van Zyl says latest figures show only moderate increases in imports from January to October compared with the previous year

Yarn imports increased by only 13% But he concedes that cotton yarn imports rose by 400% Cotton-yarn imports, however, represent only 20% of the yarn total

Mr Van Zyl says the reason for this was the inability of cotton-yarn manufacturers in SA to deliver on time and provide acceptable quality Clothing manufacturers were thus forced to import to meet requirements

Total fabric imports fell by 4%, although cotton-fabric imports rose by the same amount.

Mr Van Zyl says that in the year to March 1990, the latest figures, imports of clothing, fabric and yarn through the SAP permits amounted to R74-million compared with total imports of these three products of R1,2-billion

The duty-free import system had been in operation for a year by that time These imports made up only a small part of the total

Trueform's profits plunge

Star 6/3/91

CAPE TOWN — Rex Trueform has had a rough time of it during the six months to December last year with profits down by 41 percent. 197

The clothing and textile group said yesterday that attributable profits slumped from R5,42 million in 1989 to R3,19 million during the second half of 1990

Earnings per share fell by the same level to 77,3c (131,1c). The interim dividend was passed

The declining economy in South Africa played a major role in the decline in the company's fortunes

The board said in its statement "Textile companies have blamed both the Government and the clothing industry for their problems and have appealed for higher levels of protection which will result in an erosion of international competitiveness in this very intensive labour intensive industry

"We appeal to these companies to attend to their owm short comings in order to delivcer timeously and up to internationally standards of quality" — Sapa.

FRAME

VOLUMES CRUMBLE

Whipping the Frame group into shape was always going to be a formidable task With the stringent rationalisation now coinciding with recession and fiercer competition from imports, the group's accounts are awash in red ink An attributable loss of R49m was made in the six months to December and no turnaround is yet in sight

Contributing to the bottom-line plunge was an operating loss of R38m, a R19m abnormal charge for downsizing of existing operations and an R11,1m increase in interest and finance charges In addition, R14,3m was deducted as an extraordinary item, so the stated net worth dropped from the June 30 level of 3 282c a share to 2 846c

The share price has fallen even faster After probing new lows over the past week, Frame's price has fallen to 365c, down from its 12-month high of 1 475c It now discounts the stated net worth by 87% — still a classic "asset situation" but one whose investment merits depend greatly on what the assets are really worth, and when value will be realised

Rationalisation has so far included the closure of the Harrismith blanket mill and a spinning and weaving plant in East London Closure costs of these divisions, including losses subsequent to closure, the additional costs related to the Wentex mill closure and the disposal of the polypropylene bag business, are shown as extraordinary items The total figure was R34m, though this was offset against R19m arising from a write-back of the prior year's revaluation

Chairman Mervyn King says further extraordinary write-offs are to come, but declines to quantify the amount Whether there will be further closures or reductions of present operations will depend on markets and, especially, levels of imports

King contends that the deterioration in the latest accounts was related primarily to volumes Had the previous year's sales been maintained in real terms, meaning a turnover increase of about 18%, then that could have resulted in operating profit of about R40m assuming maintained margins

Instead, volumes dropped by more than 30% That caused the operating loss and also prevented the planned reduction in stocks, while borrowings at year-end reached a seasonal peak of R220m, compared with the year-ago R158m and R131m at June 30 King expects borrowings will remain around R200m, so the interest bill is unlikely to diminish much in the second half

King says capital spending is being cut back from planned levels of about R70m annually, to about R50m, but this will have little impact on the group's financial position The key factor remains the operational performance and this will be influenced substantially by market conditions and imports

A new cotton tariff on yarns was gazetted a fortnight ago King sees this as only a partial solution Without further protection for other sectors of the industry — particularly for knitters and spinners — during 1991, Frame will have to reduce its operations further and "pretty ruthlessly " King says management is evaluating how much of the volume drop is related to imports rather than softer market conditions

PROFIT SHREDDED

Six months to	Dec 31 '89	Jun 30 '90	Dec 31 '90
Turnover (Rm)	458	527	372
Operating (loss) income (Rm)	34 5	35,0	(39,0)
Downsizing of existing operations (Rm)	—	—	(19,5)
Net interest (Rm)	(7 5)	(16,7)	(18,6)
Attrib earnings (Rm)	12,3	12,2	(48,8)
Loss/earnings (c)	64,0	64,3	(257,5)
Dividends (c)	30	30	—

Though an improvement at trading level is forecast for the second half, it's clear that Frame's earnings for the 1991 year will remain deeply in the red A return to profit is forecast for the 1992 financial year

When management will succeed in lifting Frame's profitability to acceptable levels remains unclear The share price is a long way from the level of around R20, last seen when the stock was placed with institutions in 1987 According to *Who Owns Whom*, at the end of last year some 80% of the issued shares were held by about 18 institutions, none holding more than 10,6%

Though the price may well have dropped to levels where some investors will be tempted to take a view on a recovery, there must be a lot of stale bulls who will sell into firmer demand

Andrew McNulty

Strebel is to tighten belt in face of slump

BEVERLY HUCKLESBY

CAPE-based textile accessories manufacturer Strebel is to tighten its belt to cope with the recession (197)

The company recorded a marginal decrease of 4,3% in turnover to R308 000 (R322 000) in the six months to end-December

Despite a lower interest and taxation bill, attributable income plunged 33% to R2m (R3m) and the group posted earnings of 13,3c a share compared with 19,9c recorded during the same period in '89

An interim dividend of 3,5c (5c) was declared for the period under review

Chairman Fred Strebel attributed the drop in earnings to "a depressed state of the economy and the poor state of the clothing industry"

As a result, severe pressure was put on margins and operating income dropped by 29% to R5m (R7,2m)

B Day 15/3/91

Measures

Strebel is a leading manufacturer of trimmings, fasteners and accessories for the clothing, retail and home textile industries

Strebel said in a statement yesterday he had introduced a number of measures to cope with the state of the economy

"Through sound asset management, we have reduced the ratio of interest bearing debt to equity from 38% to 26%

We have also rationalised operations wherever possible to reduce operating costs and have started a major productivity drive," he said

Since SA was viewed more favourably abroad, the group would aggressively pursue a broader export market

Strebel predicted year-end earnings would be lower than last year as the economy was not expected to stage a major recovery before then

However, once the economy showed signs of recovering and trading conditions improved, the solid balance sheet indicated real growth was a strong possibility, Strebel said

Hughes Properties and Investments

	TRIAL BALANCE		ADJUSTMENTS		ADJUSTED TRIAL BALANCE		INCOME STATEMENT		BALANCE SHEET	
	DR	CR	DR	CR	DR	CR	DR	CR	DR	CR
10 Capital										
11 Drawings										
12 9% Mortgage loan										
20 Land and buildings										
21 Office equipment										
30 8% Government stock										
32 Accounts receivable										
35 Bank										
40 Fees revenue										
41 Rent revenue										
14 Accrued expenses payable										
31 Office supplies stock										
33 Accrued interest receivable										
34 Expenses prepaid										
55 Bad debts expense										
56 Depreciation expense										

Company's results are amended

B/Day 19/3/91

LIZ ROUSE

CLOTHING and textile group Nimian & Lester Holdings has had to amend its results for the year to end-December, published on February 8.

The result is a 12% cut in earnings a share to 182c from the original announcement's 207c, which increases the decline in the past year's earnings to 30,3% from 1989's 261c before an extraordinary item. The dividend total is unchanged at 51c.

Nimian directors say that since the February 8 announcement was made, it has been ascertained that certain decentralisation benefits granted to a subsidiary company had been overstated by the authorities.

Depreciation

The correction has resulted in a decrease in trading income from R24,67m to an amended R23,33m in the year to December.

Depreciation, interest and finance lease charges remain the same, as does tax at R4,6m despite the lower pretax income of R12,5m (R13,9m), leaving a net taxed income of R7,9m (R9,2m).

Outside shareholders' interest has been scaled down to R2,03m (R2,57m).

The balance sheet has also had to be amended. Shareholders' funds are now R46,4m (R47,2m) and outside shareholders' interest is decreased to R11,1m (R11,6m), making total capital employed R63,4m (R64,7m).

Net current assets are restated at R41,4m (R42,8m) and current liabilities at R38,1m (R36,8m)

Meritex moves back into black

BEVERLY HUCKLESBY

CAPE-based garment and textile group Meritex Holdings turned its interim loss into a profit in the second half of the year to end-January 1991. (197)

At interim stage the company suffered an attributable loss of R959 000, but this was converted into an attributable profit of R117 000 — 6,4% lower than the previous R125 000. Earnings remained unchanged from 1990 levels at 1c a share. This was a considerable improvement over a loss of 6c a share in July 1990

Turnover rose 9% (24,3%) and operating income increased by 17,7%.

Despite a substantial decline in the tax rate to 34,3% (50,6%), a 47% increase in the interest bill to R3,2m (R2,2m) depressed income after tax by 43% to R243 000 (R427 000) B Day 21/3/91

An extraordinary loss of R78 000 due to the write-off of goodwill on an acquisition was brought to account, leaving net income at R39 0000.

Chairman and MD Ed Gordon said in a statement yesterday that annual turnover had increased by 9% despite the virtual cessation of exports in the second half of the year.

Even more significant was the final reversal of the two-year trend of rising stock levels and borrowings.

"Further progress has been made with the implementation of the computer planning and control systems, and the first-half of the current financial year order book is satisfactory in relation to current reduced staffing levels," Gordon said.

Financial director Dave O'Donovan said yesterday the second half of the year was a vast improvement over the first six months, with many problems being solved.

Glodina feeling economic pinch

(197)

B/Day 22/3/91.

BEVERLY HUCKLESBY

SA TOWELLING products manufacturer Glodina Holdings posted a drop in earnings of 43% to 18,3c (31,9c) a share in the year ended December 1990

The decline in earnings has been attributed to the "current recessionary phase of the economy and ongoing political change and social unrest"

Competition from cheap imports and production inefficiencies because of absenteeism, cut profits at QwaQwa-based Textowel Weavers and Lanatex Weaving Manufacturers in the first half of the year.

Despite the 19,1% rise in turnover to R89,5m (R75,1m), operating profit declined 12% to R9,2m (R10,5m) However, it was a considerable improvement over the 17% decline recorded in the half-year.

A 32,4% increase in the interest bill to R5,6m (R4,2m) slashed profit before taxation by 43% to R3,6m (R6,2m). An extraordinary item of R4m related to writing off of investment in film partnerships

Directors have proposed no final dividend be paid.

The group trades through its operating companies, Dano Textiles, Lanatex and Carlo de Firenze, in the household textile sector

Directors said in a statement today that the group, had maintained stable industrial relations throughout a very difficult year

"Certain areas of the company have been rationalised to improve controls and streamline operations, and strict cost reduction programmes have been introduced," they said

"Next month the four-year capital replacement programme will be completed at a cost of R36,5m"

Dano Textiles MD John Balladon said yesterday that the year had been a tough one "We feel, however, that we have managed to increase our market penetration and established important footholds" in new areas

Clothing companies fight back

SATURDAY MARCH 30 1991

By TOM HOOD
Business Editor

CAPE clothing companies are gearing up to fight a threat to business and employment that could come from dearer imported fabric and cut-backs in export incentives.

The threat comes from moves by the country's recession-hit textile industry, which has asked the government to clamp down on fabric and yarn imports by clothing manufacturers and on duty-free fabric used by exporters.

The export incentives were a key factor in a 51 percent jump in clothing exports last year

"The textile industry could pull the entire temple down if it succeeds and prices are forced upwards," says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association.

"Retailers have backed the clothing industry at government level to retain the existing duty structure They would also be affected by a tremendous loss of business"

The association will try to develop a close liaison with ministers when the government is in Cape Town so that the industry's problems and point of view is understood.

The Cape saw 59 clothing factories close down last year and 49 new ones register. Eight firms employing 718 workers were liquidated.

Employment levels dropped to 53 671 at end-February from 54 792 a year ago. The number of factories is down to 443.

A 10 percent increase in sales volume in the clothing industry brings a 10 percent increase in the labour force, according to Mr Jocum.

The export incentive programme was originally supported by the textile industry, but "suddenly they don't like it because the recession is here and they are losing money like other businesses," said Mr Jocum.

The association, meanwhile, is strengthening its organisation by setting up a number of regional committees where employers can meet after hours and deal quickly with pressing problems.

A new full-time executive director, Mr Peter Cragg, will also be able to give instant service with industrial relations problems

More communication with trade unions at regional level is also planned on matters of common concern such as job creation, absenteeism and increased productivity.

"There needs to be a greater appreciation of how export markets can be affected by industrial unrest. We want to create mutual trust with the unions and break down any adversarial relationship which may have existed in the past."

FM 5/4/91 (197)

FLOORING FM 5/4/91 (197)

A STITCH IN TIME

Romatex Floor Coverings, one of four operating divisions of the Romatex Group, is nearing the end of a R15m upgrade which should double its capacity to produce needlepunch carpeting and tiles

While tufted carpets represent the biggest slice of the SA market, needlepunch products are widely thought to be where future demand lies According to MD of Romatex's floor covering division, Jurgen Schmitt, needlepunch lines have been the best growth sector in the SA carpet market in the past decade.

Romatex has installed an automatic needlepunch production line at its Flortime operation — one of the three components of its floor coverings division — at its Jacobs plant near Durban. The others are Crossley Carpets, producing woven products heading Romatex's export market drive, and Romatex Tufted Carpets.

"We are spending R11m this year, mainly on new machinery and equipment," says Schmitt. "Towards the end of the year, we should finish work on the tile manufacturing sector That should complete the upgrade and make this one of the most modern carpet factories in the world"

Outdated machinery has been one of Romatex's problems. Smaller competitors have made inroads into the market by importing more modern equipment

Schmitt says the new Flortime line, which began with the installation of a new blending plant and carding machinery and currently involves the installation of a needling and structuring line as well as a high-speed 4,5 m wide backing plant, should overcome this problem

"Until now, Flortime was working at capacity and still could not meet local demand. We can now almost double production, giving us the capacity to produce 8m m^2 a year, which should satisfy the local market and give us the opportunity to explore new export markets for needlepunch carpeting"

Schmitt believes the export market for low cost, durable, needlepunch flooring products is potentially as good as the upmarket Crossley export market, which has done particularly well in the Far East Besides exports, he also anticipates increasing local demand from the expected growth in low cost housing

While concentrating on floor coverings — a large part of needlepunch production is carpet tiles used widely in commercial and industrial applications — Romatex will also explore other applications for its polypropylene needlepunch material These include products for the agricultural, engineering, sport and building sectors.

"The unique aspect of our fully integrated set-up is that there are almost no imported components — in polypropylene we are using a truly SA carpet material."

Romatex takes advantage of the overproduction of polypropylene — a by-product of oil-from-coal — by getting its raw material from Safripol and Sasol.

With around 10% of total sales in exports, Romatex has set a medium-term goal of increasing exports to 20% of sales While Schmitt is reluctant to speculate how much needlepunch production might go overseas in future, he believes the new production line could help Romatex crack new markets ■

Star 5/4/91

SABS moots stricter labelling of textiles

197

Consumer Reporter

Consumers could soon have improved protection when buying textiles if a South African Bureau of Standards (SABS) draft code of practice for the labelling of textiles is approved.

The proposed code provides for the labelling of textile products with the actual fibre content, for example "65 percent polyester/35 percent cotton", rather than generic labelling such as "polyester/cotton".

A draft of the proposed code has been circulated for comment

The intention is to provide the buyer with more information.

Since consumers are becoming increasingly aware of the performance to be expected from certain fibre types or blends of fibres, correct fibre content labelling would help them to buy more wisely.

Consumers would have information on how to care for the garment and an important benefit would be that people suffering from allergies would be able to avoid irritating fibres

Compulsory labelling would also assist in the control of imports and exports.

The proposals were provided by a committee set up by the SABS

The committee agreed that compliance with the proposed code of practice should be made compulsory in terms of the Merchandise Marks Act.

Such legislation would bring South Africa more in line with the United States, certain Far Eastern countries and all member-countries of the European Community, where regulations governing such labelling have been in effect for many years

Frame sells subsidiary for R30m

B'Day 5/4/91

197

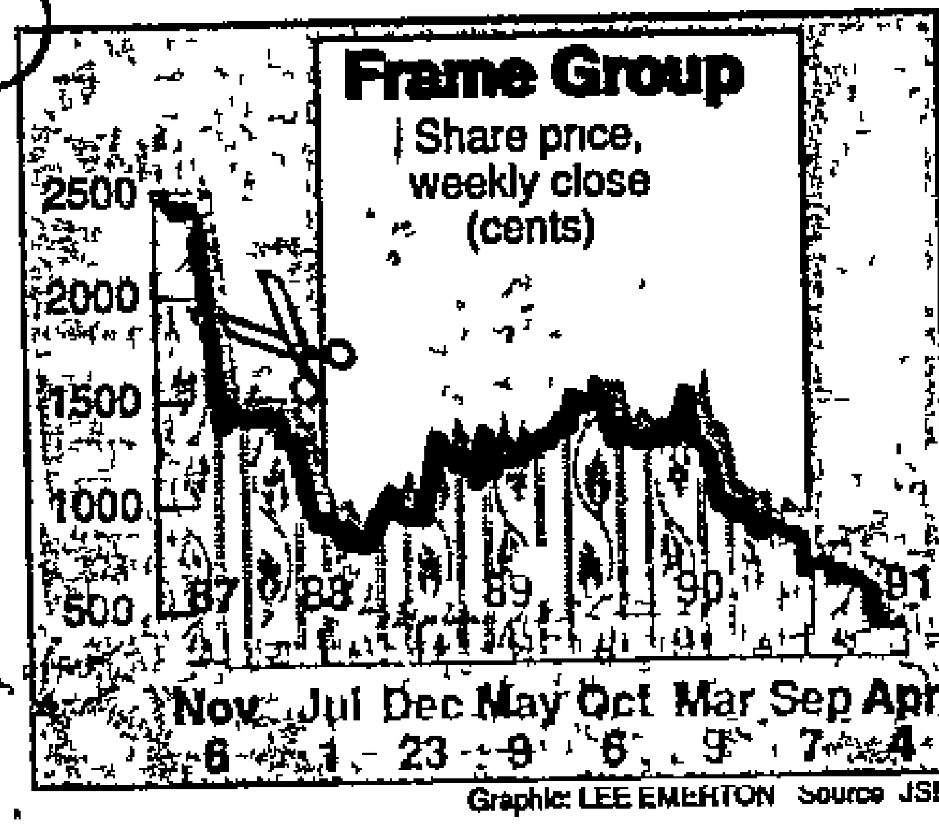
BEVERLY HUCKLESBY

THE Frame Group, which suffered losses of R48,8m in the six months to end-December, has sold its industrial yarn and carpet fibre subsidiary Nortex to Unispin for R30m.

The acquisition is confined to Nortex's hand knitting and industrial yarn assets and excludes liabilities. Payment will be made by way of cumulative redeemable convertible preference shares.

Unispin chairman Robert Wachsberger said yesterday: "This deal is largely symp-

To Page 2



Graphic: LEE EMERTON Source: JSE

Frame

B'Day 5/4/91

197

From Page 1

tomatic of the damage caused to the textile industry by the failure of the Structural Adjustment Programme to meet the industry's problems."

Frame blames its losses on increased imports of cotton, man-made staple yarns and fabrics and the duty-free import permits granted to manufacturers in the textile pipeline under the programme.

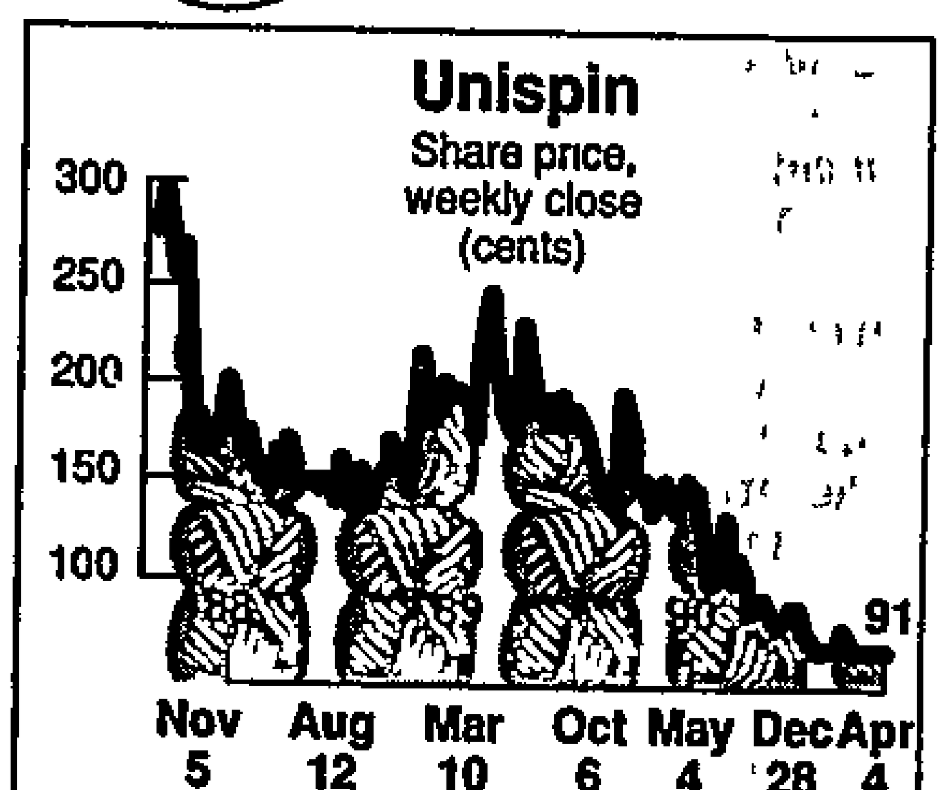
Frame Textile MD Walter Simeone said yesterday the group had found it necessary to dispose of Nortex which did not fit into its product spectrum. It had proved an unprofitable venture.

"The disposal of Nortex fits into the restructuring of the company in order to return it to profitability. However, there are no immediate plans to close any additional factories or sell off other subsidiaries at this stage," he said.

The holders of 72% of Unispin's equity have agreed to support the acquisition, Unispin said in a statement yesterday. Unispin manufactures hand and industrial yarn for the textile industry.

Unispin will transfer Nortex assets from Frame's Pinetown base of operations to Unispin's Port Elizabeth factory. Nortex's leading brand names Elle and Frolic are seen as fitting in well into Unispin's product profile, the statement said.

The acquisition boosts Unispin's net as-



Graphic: LEE EMERTON Source: JSE

set value by 75c to 241c (166c) a share based on the company's balance sheet in the year to end-September. The debt equity ratio is improved by the injection of capital.

Wachsberger said yesterday there was considerable competition in the marketplace and the acquisition would allow Unispin to increase volumes while cutting down on market oversupply.

"The acquisition will have no immediate effect on earnings in the current financial year and moving costs will be absorbed. Nortex fits in with our industrial yarn business and we will use the best machinery and equipment of both," he said.

Unispin acquires Frame unit

Star 5/4/91 197

By Ann Crotty

Textile group Unispin whose financial '90 performance was characterised by a massive capex programme and a collapse in earnings, has acquired a division of Frame for R30 million,

Because the deal is being financed through the issue (to Frame) of convertible preference shares it has a two-fold benefit for the depleted Unispin balance sheet

It will pump up the figures by the addition of a R30 million asset as well as the additional R30 million shares issued to finance the acquisition. According to the announcement, Unispin's net asset value will get a 75c boost from 166c to 241c a share

The debt/equity ratio which was a massive 220 percent at the end of financial '90 will see some benefit from the issue of the R30 million worth of convertible preference shares.

From the Frame side the deal sees a continuation of that group's efforts to trim down its massive asset base.

The asset being acquired is the hand knitting and industrial yarn assets of Frame's Nortex division — liabilities are excluded.

The deal is not expected to impact on Unispin's earnings in the short-term but the directors believe that considerable rationalisation benefits will have "positive effects on earnings per share in the medium and longer term."

The disposal is not expected to affect the Frame group's assets or earnings materially.

Commenting on the rationale of the deal, chairman Robert Wachsberger says: "Although the authorities revised the tariff on yarns in February, they have yet to address that on fabrics and imports continue to pour into the country.

"The deal is largely symptomatic of the damage being caused to the textile industry by the failure of the Structural Adjustment Programme to meet the textile industry's problems."

The preference shares have an adjustable rate of 60 percent of the prime rate and are redeemable in three tranches at the end of June '95, '96 and '97.

At each redemption Frame has the option to convert 40 percent of each amount into Unispin ordinary shares at 300c, 350c and 400c respectively

High interest costs impact on Glodina

Star 10/4/91

197

By Des Parker

DURBAN — Although labour relations were sound at household textile manufacturer Glodina in 1990, political factors, combined with the recession and punitive interest rates, tore holes in the financial results.

Chairman AGS Balladon says in the annual report to December 1990 that a 50 percent increase in interest costs contributed to a 43 percent decline in pre-tax profit from R6,22 million 1989 to R3,56 million.

This was based on a 19 percent improvement in turnover to R89,50 million (R75,14 million).

"The increased interest costs and decline in operating margins can be ascribed to the financing of the R8,58 million stock build-up to June 1990, and the resultant lower selling prices achieved in order to reduce stock levels in a deteriorating economic environment," he says.

Completion of the warehouse marks the end of a four-year capital replacement programme with a total cost of R36,5 million.

Glodina believes that the more modern plant will improve group competitiveness as trade barriers against SA disappear.

FM 12/4/91 (197)

UNISPIN/FRAME FM 12/4/91

CUTTING FIXED COSTS

If all goes to plan, Unispin's purchase of assets from Frame should result in cost benefits for both groups It will also be a further step in a rationalisation of the embattled textile industry. (197)

Frame's willingness to enter this deal shows the riskiness of some of its strategies of recent years It has maintained heavy capital spending programmes to modernise plant and expand in what it saw as higher margin markets Unfortunately, the group has also had to face intense competition in many of its markets and has battled to achieve the sales volumes and prices needed to justify investments.

Unispin is now buying the assets but not the liabilities of Frame Waverley Textiles' hand and industrial knitting yarn business These are part of Frame's Nortex mill which also produces carpet yarns The other operations are not being sold

Unispin chairman Robert Wachsberger says his group is essentially acquiring plant and stocks, consisting primarily of raw materials that the group would use anyway However, the current assets include R8m of debtors Frame has guaranteed the debtors and will also be responsible for their collection Only a handful of the staff will go to Unispin.

Unispin's main intention is to take "disruptive" competition out of the market, though it will also increase its own capacity The plant it is acquiring includes new equipment, some only about two years old, and this is being moved to Port Elizabeth, where the group runs its own operations

Wachsberger says Unispin expects an immediate improvement in its utilisation of capacity. The group claims to be the leader in the hand and industrial yarn market, but has been running this operation on a four-day week. It expects to return to a five-and-a-half-day week almost immediately. The newer equipment will be used to increase Unispin's capacity but some will be mothballed or disposed of "This will save us a substantial investment over the next two to three years," says Wachsberger

He emphasises there is no intention of using the gain in market share to raise prices. "That would be suicidal," he says "The textile industry is extremely volume orientated. Our whole objective is to get unit costs down"

Frame financial director Bruce Sanders confirms the assets being sold were not profitable Investments had been made in new plant, but this failed to improve the returns to a satisfactory level.

A problem is that previous expansion and pressures on profitability have left Unispin in no position to stump up cash for an acquisition. The September 30 balance sheet showed total borrowings of R100m, against shareholders' funds of R58m Trading income for the 1990 financial year was R11,2m, which failed to cover the R12,4m interest bill, so there was a 6,9c per share loss

Faced with a choice of accommodating Unispin in the terms of the deal, or simply closing the plant — Sanders confirms this was considered — Frame chose the former The R30m purchase price is being settled by issue of 30m cumulative, redeemable convertible preference shares to Waverley

Frame may elect to redeem portions of the prefs over six years and could end up with 10% of Unispin's ordinary equity should it follow the redemption process fully Dividends on the prefs are at 60% of the prime rate, but if Unispin defaults on a dividend or capital payment all the unredeemed prefs may be converted into ords — which would effectively give Frame control of Unispin

As the prefs are classified as equity, Unispin's gearing will improve. But, based on the last balance sheet, gearing would still be excessive at about 114% Wachsberger says there will be no significant effect on earnings this year, largely because costs of moving the plant will offset operational benefits, but advantages are expected next year

Andrew McNulty

Trabild on wholesale path

MARCIA KLEIN (197)

ORGANIC growth and disposal of a division should boost Trabild's earnings, chairman Riyaaz Tayob says in the annual report BDay 15/4/91.

Trabild, which is a wholesale distributor of curtaining, upholstery and lighting, reported a 49% decrease in earnings to 4,1c a share in the year to end-December due to a hike in the interest bill arising from running costs and financing of a carding/duvet plant

The decision to concentrate on wholesaling saw Trabild sell its retail division in GaRankuwa The sale's real value would soon become evident, said Tayob.

He said disposal of the fabric division would substantially reduce borrowings Stockholding and borrowing levels had begun to decrease in the third and fourth quarters and should reach acceptable levels shortly

Rotten news from Romatex

(197)

Star 26/4/91

Diagonal Street

ANN CROTTY

Shareholders who were hoping for some indication that an earnings recovery would soon be in sight, will be very disappointed with Romatex' 72 percent slump in earnings to 19,4c (69c) a share in the six months to end-March.

The dividend has been cut to 10c from 25c a share.

Promises of the longer-term benefits to be reaped from the massive restructuring and capex programme may now be wearing thin, as management states that second-half earnings are likely to be down on those of the previous year.

In the financial '91 annual report, chairman Jack Crutchley noted that a number of factors would contribute to an improvement in earnings in the current financial year, even if there was no improvement in economic conditions

He did warn, however, that first-half earnings were likely to be lower.

While longer-term performance may justify the extensive and costly changes that have been implemented at Romatex over the past few years, current and short-term results are likely increasingly to question the appropriateness of the programme and/or its timing.

Turnover in the review six months was down four percent to R337 m

Operating profit dropped 48 percent to R15,7 m (R30,4 m) as local and foreign players fought for a share of the reduced market

With borrowings boosted by the recent heavy investment programme, interest payments more than doubled to R9 m (R4,1 m)

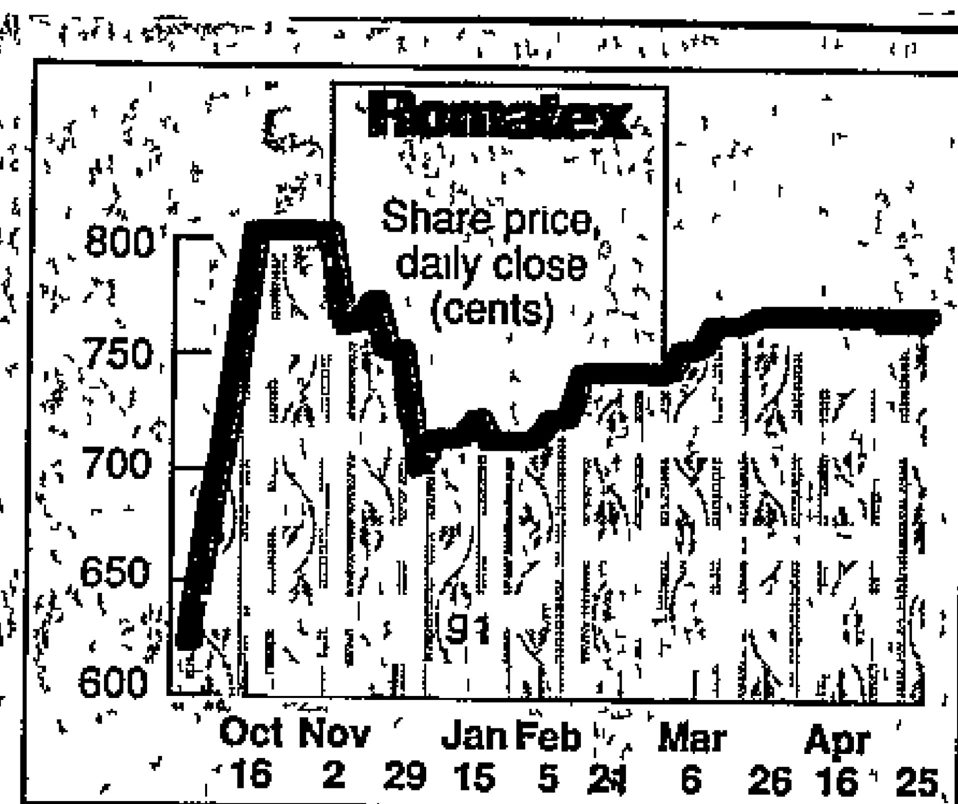
This resulted in pretax profit showing a 75 percent drop to R6,7 m (R26,3 m)

Taxed profit was down 72 percent to R4,8 m (R17,4 m)

Gearing was up to 48 percent from 30 percent, but with the capex programme nearing an end, a period of consolidation is expected to see a reduction in debt.

Looking to the period ahead, management notes that the full benefits of the capex and restructuring programme will only be felt when market conditions improve.

"Since the current level of economic activity is not expected to change in the short term, profits for the second half will be below those of last year, although normal seasonal factors will see an increase on the first half earnings," management says



Graphic: LEE EMERTON Source: JSE

Romatex half-yearly earnings slump 72%

SEAN VAN ZYL (197)

TEXTILE group Romatex's taxed earnings fell 72% to R4,8m in the six months ended March, continuing the trend it set in the last financial year

The group's performance over the first half of the current trading year was described as "not surprising although disappointing", by chairman Jack Crutchley yesterday B/Day 26/4/91

Earnings were 19,4c (69c) a share of which a dividend of 10c (25c) a share, down by 60%, was declared

Romatex has various operating subsidiaries involved in the manufacture and supply of carpets and textiles, and has bulk liquid storage facilities. Industrial textiles are the core activity of the group

While the 4% drop in turnover to R337m (R350m) reflected a decline in demand symptomatic of the textile and clothing industry, Romatex's operating margin also came under pressure with operating profit falling by 48% to R15,7m (R30,4m) The

☐ To Page 2

Romatex

B/Day 26/4/91

operating margin was almost halved from 1990's interim of 8,6% to 4,6%

In addition, Romatex has been involved with a number of organic expansion projects, and developing niche product lines that Crutchley said would provide for a "very different future"

However, the cost of these developments have boosted long-term borrowings to R87,3m from R58,9m last September As a result, interest paid for the current period more than doubled to R9m from R4,1m, which resulted in pre-tax income down by 75% to R6,7m (R26,3m)

The impact of the higher interest charges is reflected in Romatex's pre-tax margin of 1,9% compared with 7,5% at the end of the last trading year

Despite a lenient tax bill of R1,9m

(197) ☐ From Page 1

(R8,9m), attributable profit was knocked down by 72% to R4,8m (R17,1m)

Crutchley said that the group would have to continue making use of import protection for its products for about three years, but added that "we are positioned to be internationally competitive when sanctions go"

Romatex Floorcoverings has been restructured substantially and geared to develop niche export markets

The Romatex industrial division, which is largely reliant on the automotive industry, was one of the divisions that performed particularly well in the last six months despite the severe downturn in that sector Island View Storage also produced satisfactory results over the period

FINANCE

Meritex orders 'satisfactory'

B/Day 30/4/91

197 LIZ ROUSE IAN

MERITEX Holdings' garment order book is satisfactory in relation to the reduced staff complement and the group expects to maintain fabric sales, says chairman Ed Gordon in his annual review

Much higher levels of cotton knitted fabrics and garment imports as well as possible labour difficulties could adversely affect earnings, but hopefully any such reverses will be offset by enhanced management controls, further reduced inventories, lower interest rates, shortened order lead times and improved customer interaction.

He says on balance the group expects to improve profits in the current year.

Meritex reversed its R959 000 first half loss into earnings of R117,000 for the year to January 1991 Annual turnover increased 9%

Avtex buys UK shares in Gelvenor

B/Day 3/5/91.

MARCIA KLEIN

197

ANGLOVAAL's textile group Avtex Holdings has acquired the outstanding ordinary shares in Gelvenor Textiles for an undisclosed amount

The shares were acquired from UK-based Coats Viyella group in an apparent disinvestment.

Gelvenor, which was previously equally held by Avtex and Coats Viyella, will become a wholly owned subsidiary of Avtex

Avtex chairman David Royston said despite the depressed state of the textile industry, "Gelvenor excels in the development and production of apparel and industrial fabrics.

"This enables us to complete the rationalisation of our textile interests"

Other Avtex subsidiaries include Mooi River Textiles, RISA Investments, SA Fine Worsteds and Universal Knitters and Weavers

Gelvenor manufactures woven fabrics In the year to June 1990 Gelvenor reported lower sales and pretax profits than the previous year The group expected profits to rise in the year to June 1991 due to an anticipated increased demand for industrial and other fabrics in local and export markets.

Anglovaal said the transaction, effective from March 31, would make "a positive contribution to the future earnings of Avtex"

In the year to June 1990, Avtex's earnings decreased by 18% to R14m (R17,1m) on a 24% increase in turnover to R280,1m (R226,7m)

Business Report

Unispin shows R6,1m losses

Ap-Trip 7/5/91

197

A "combination of economic recession and unfettered imports" is blamed by the directors of Unispin for an attributable loss of R6,1m in the six months to March

This is equivalent to a loss of 17,5c a share. No dividend has been declared

The interim report says "the two beneficial developments of recent months" — the re-imposition of import duties on certain yarns in February and the acquisition of Frame Waverley at the end of March — came too late to impact on the interim results

Overall operating margin, however, virtually doubled from the last six months of the previous financial year and results for the year as a whole will show some improvement, said the directors

The second half of the financial year from April to September conventionally produces higher sales and profits than the first half

Turnover for the six months ended March 31, 1991 at R55,9m is lower than the R67,94m for the six months ended September 30, 1990 and virtually unchanged on the equivalent period for 1990

In contrast the operating profit of R4,8m for the half year shows an improvement on the R2,9m September 30, 1990, although down by 41,6% on the first half of the previous financial year

Finance costs rose to R10,2m (R4,8m) of the 1990 equivalent period

Looking ahead, the directors expect a slight improvement in the next six months from the rationalisation resulting from the Frame Waverley acquisition

But they warn that pressure on margins will continue until import duties are applied against fabrics and until imports of ready-made knitwear are controlled — Business Staff and Sapa

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Textile firms look battered and frayed

197

By Ann Crotty Star 7/5/91

In line with most of the other players in the textile industry, latest results from Unispin and Da Gama reflect the disastrous conditions in that industry

For the six months to end-March Unispin reports a 17,5c loss a share — down from earnings of 8,2c for the financial '90 interim.

The sharp decline began in the second half of last year when there was a lowering of textile import tariffs and surcharges.

Turnover was virtually unchanged at R55,9 million but operating income slumped 42 percent to R4,8 million (R8,3 million).

This reflects a drop in margins from 14,8 percent in the first half of last year to 8,6 percent.

The interest bill more than doubled to R10,2 million (R4,8 million) to produce a first half loss of R5,4 million (R3,5 million). After paying preference dividends, this rose to an attributable loss of R6,1 million (R2,8 million)

Management is hoping for a slight improvement in the second half, partly due to the rationalisation resulting from the Frame Waverley acquisition announced last month.

But it says: "Until import duties are applied against fabrics and imports of ready-made knitwear are controlled, extreme pressure on sales and margins will continue."

By comparison Da Gama's 30 percent drop in earnings to 83,2c (149,5c) a share for the 12 months to end-March looks reasonably good The final dividend of 20c makes a total of 36c (64,5c)

On a 6 percent drop in turnover, operating income slumped 28 percent to R50,3 million (R87,4 million), reflecting a drop in margins from 25 to 19 percent.

After a cut in interest income to R1,9 million (R4,5 million) attributable earnings fell 30 percent to R42,4 million (R75,6 million).

The directors tell a familar story: "Not only are import duties insufficient to protect the local cotton/man-made fibre fabric producers against cheap imports from subsidised countries, but the Structural Adjustment Programme instituted by the Board of Trade and Industry in 1989 is having the effect of increasing duty-free imports of clothing, fabric and yarn."

Recession batters Da Gama Textile

BDay 7/5/91 (197)

SEAN VAN ZYL

SAB subsidiary Da Gama Textile has weathered the textile industry's recessionary storm better than a number of its counterparts, disclosing attributable earnings down 30% annualised to R42,4m for the year ended March

Intense competition, both abroad and locally, and insufficient import duty protection are the main reason cited by the directors for the poor performance.

Earnings fell 44% to 83,2c from 149,5c a share, although historical figures are given for a 15-month period — thus making accurate comparisons difficult Annualised, the picture looks far brighter with earnings decreasing 30% from 119,6c a share the previous year

A total dividend for the year of 36c (64,5c) has been declared

However, the group maintained its dividend cover at 2,3 times

Attributable profit declined to R42,4m from R60,5m Directors said the group had "done well" to contain to this level

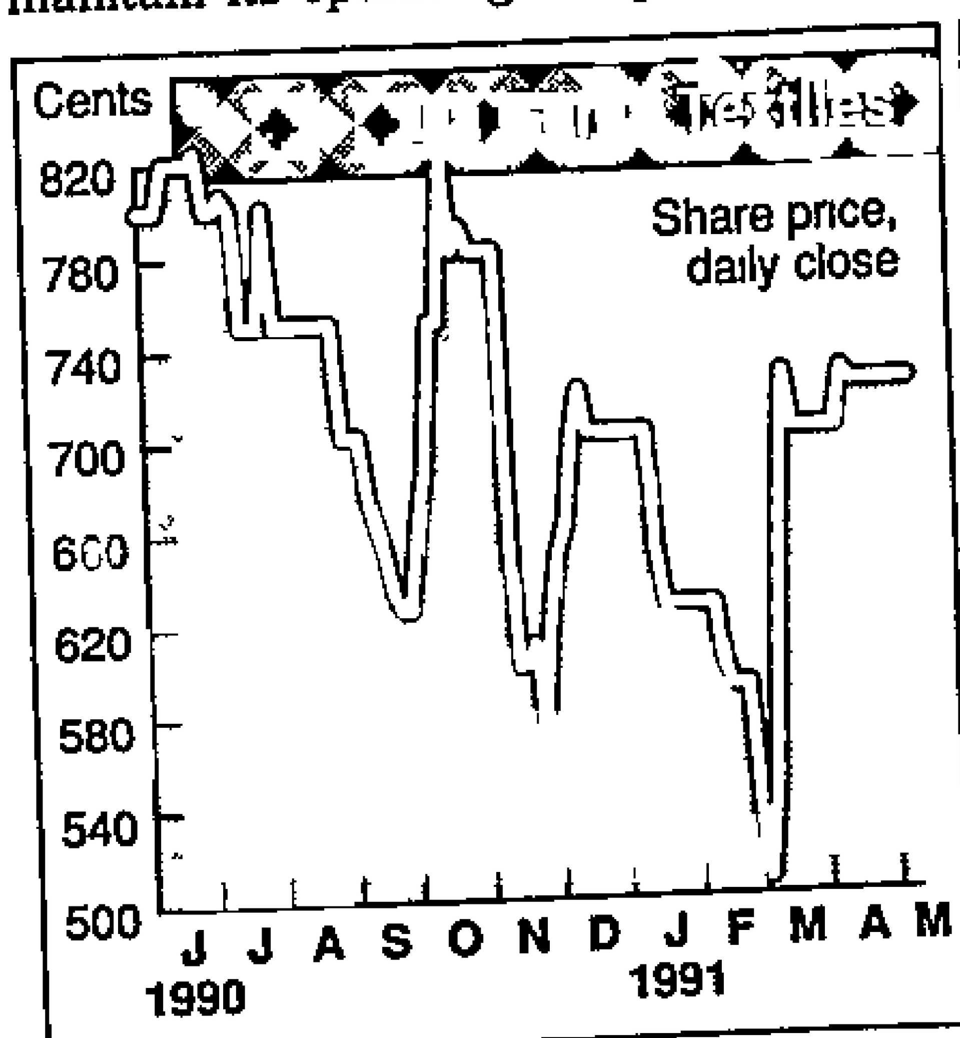
"The contraction in the economy, together with intensified competitive pressures from local and overseas sources, impacted adversely on earnings"

Present import duties on fabrics were insufficient to protect local producers against imports from subsidised companies, the directors said

Following capital expenditure of R22,9m in the last financial year, Da Gama plans to spend a further R17m this year for the upgrading of plant

Directors said unless the economy turned more positive, they did not expect the group to maintain its current earnings for the 1992 financial year

On an annualised basis, Da Gama disclosed a 6% slump in turnover to R260,6m from R275,9m the previous year. Although operating income dropped 28% to R50,3m from R69,9m, the group was also able to maintain its operating margin at 19%



Graphic. FIONA KRISCH Source I-NET

COMPANIES

FM 10/5/91 (197)

GLODINA FM 10/5/91 (197)

PROFITLESS GROWTH

Here we have yet another company where turnover growth has been hopelessly lagged by profits Turnover has risen 60% since the listing in 1987, while pre-interest profit is almost 10% down Higher interest charges depress the decline at earnings level to almost 50% and last year brought the final indignity the dividends were passed.

FM 10/5/91 (197)

Activities: *Makes terry towelling products*
Control: *B J Balladon & Sons (Pty) 70%*
Chairman: *A G S Balladon*
Capital structure: *19,5m ords Market capitalisation R12,3m*
Share market: *Price 63c 29% on earnings, p e ratio, 3,4 12-month high, 120c, low, 63c Trading volume last quarter, 91 000 shares*

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	5,4	17,4	18,3	19,2
LT debt (Rm)	3,7	7,3	4,9	6,1
Debt equity ratio	0,37	0,87	0,67	0,66
Shareholders' interest	0,54	0,32	0,37	0,48
Int & leasing cover	9	2,1	3,6	1 7
Return on cap (%)	21,2	13,4	12,0	11,2
Turnover (Rm)	50,9	62,7	75,1	89,5
Pre-int profit (Rm)	9,6	8,9	8,5	8,9
Pre-int margin (%)	18,9	14 2	11,4	10,0
Earnings (c)	35,9	38,5	31,9	18,3
Dividends (c)	14,4	16	12,5	—
Net worth (c)	132	153	173	196

In the interim report, when six-month EPS fell from 18,4c to 12,4c, the directors hoped that "the downward trend has bottomed out" and "the outlook for exports has improved considerably "

Alas, it seems second-half EPS fell by half again Poor market conditions forced the group to cut its margins and, though the decline in trading profits slowed down, interest charges were much higher

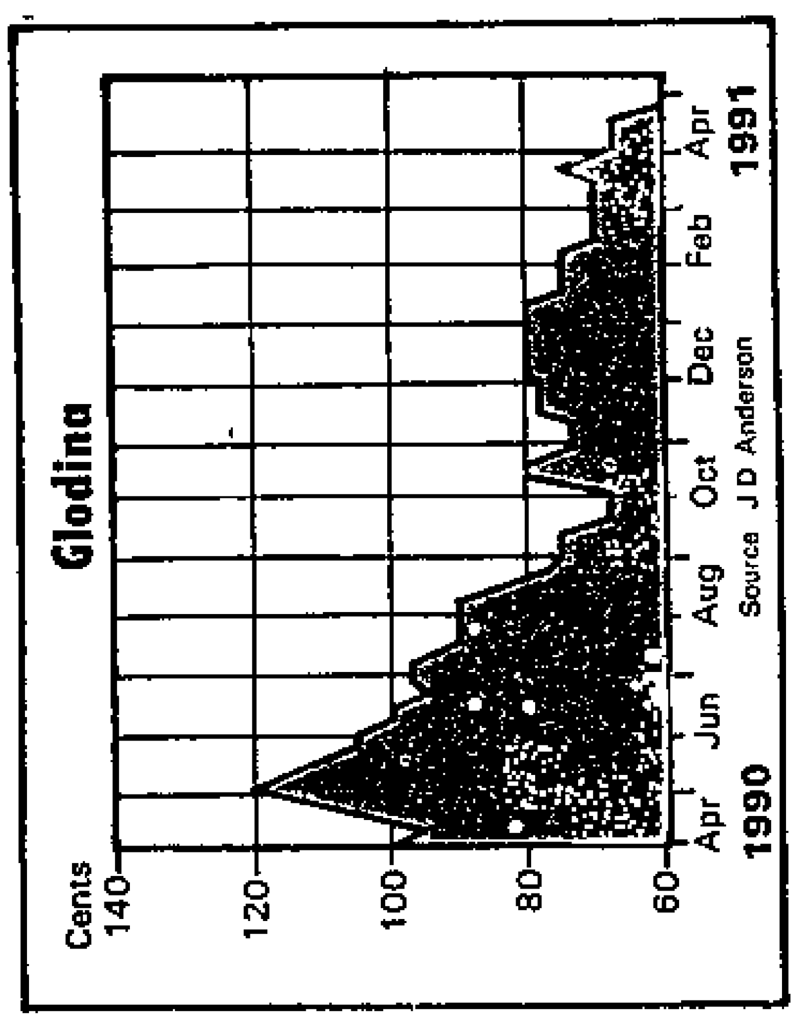
Results would have been even worse had it not been decided to treat a R4m loss on a film investment as a below-the-line item, at which level it was more than offset by a R4,7m property revaluation

Chairman Sergio Balladon says results suffered from the need to run down the R8,6m stock build-up suffered in financial 1990, by cutting prices Though stocks continued to rise, by R1,5m to R24,1m, year-on-year stock days fell by 10%, to 98 days He also takes consolation in the "acceptable" level of absenteeism and lack of disruptions at the Hammarsdale factory

Plant and machinery investment absorbed R4,5m Completion of a new R1,25m warehouse last month ends the four-year capital replacement programme, which cost R36,5m Balladon believes this will bring a "competitive edge" in foreign markets

He says the focus this year will be on better inventory management, strict budget control, productivity improvements and cost reduction, a continued export thrust, and developing the Glodina brand name He is confident that this will result in "a satisfactory return to shareholders" and "provide stable employment "

Despite passing the dividend, current assets are still only 1,3 times current liabilities This suggests that even if profits recover well this year, dividend policy will have to stay conservative But long-term debt remains modest, and the four-year capex programme is equivalent to over 180c a share



John Balladon, MD of operating subsidiary Dano Textile (Pty), tells the *FM* the new plant is already providing much improved productivity and a lower reject rate, but this is not reflected in performance because of the state of the consumer market

The current share price is only a third of balance sheet NAV If a reasonable return could be earned on assets, there would be substantial recovery potential; but given the disappointments of recent years, investors are unlikely to want to anticipate such a turnaround

Michael Coulson

DATES TO REMEMBER

Last day to register for dividends:
Friday May 17: Aflife 5,8c, Ergo 35c, Fenner 7,5c; Freegold 85c, KH Props □27c; Midas 5,5c, Nedcor 19c, Ofsil 220c, Pep 48c; Putprop 1c; RM Prop 40c, Shoprite 8,5c, Tafelberg 2c, Twins 9c, Wankie 9,39c, Welkom 57c.
Meetings:
Tuesday May 14 Catca (Ord & S) (Harare), Crendell (Ord & S) (Cape Town), FIT, Gefco (Ord & S); Liberty, Libhold; Libvest, Msauli, Prosure (Cape Town); TGH (S) (Cape Town)
Wednesday May 15: Natrawl (S) (Durban); Saambou (S) (Pretoria), Unispin (S) (Port Elizabeth)
Thursday May 16: Guardian, HCI (S); Pepgro (S) (Parow); U-Control; Unihold
Friday May 17: Afpac (S).
All meetings are in Johannesburg unless otherwise stated
S = Special meeting.
□ = Per combined unit.

FM 24|5|91 (197)

TRABILD FM 24|5|91

GROWTH PAINS (197)

This family controlled upholstery and lighting wholesaler is one of many entrepreneurial groups paying a high price for growing

continue

Activities: *Wholesaling of curtaining, upholstery, lighting and ancillary household products*
Control: *Tayob family*
Chairman: *R A A Tayob*
Capital structure: *37,3m ords Market capitalisation R14,2m*
Share market: *Price 38c Yields 5,3% on dividend, 11,1% on earnings, p e ratio, 9,0, cover, 2,1 12-month high, 55c, low, 36c Trading volume last quarter, 72 000 shares*

Year to Dec 31	'88	'89	'90
ST debt (Rm)	1,3	12,5	12,2
LT debt (Rm)	1,2	0,4	3,2
Debt equity ratio	0,31	1,11	1,16
Shareholders' interest	0,31	0,27	0,34
Int & leasing cover	7,80	4,46	1,46
Return on cap (%)	16,4	10,9	13,8
Turnover (Rm)	25,9	47,7	58,8
Pre-int profit (Rm)	2,4	4,6	5,4
Pre-int margin (%)	9,4	9,6	9,2
Earnings (c)	5,4	9,3	4,2
Dividends (c)	—	3,0	2,0
Net worth (c)	15,1	28,6	33,8

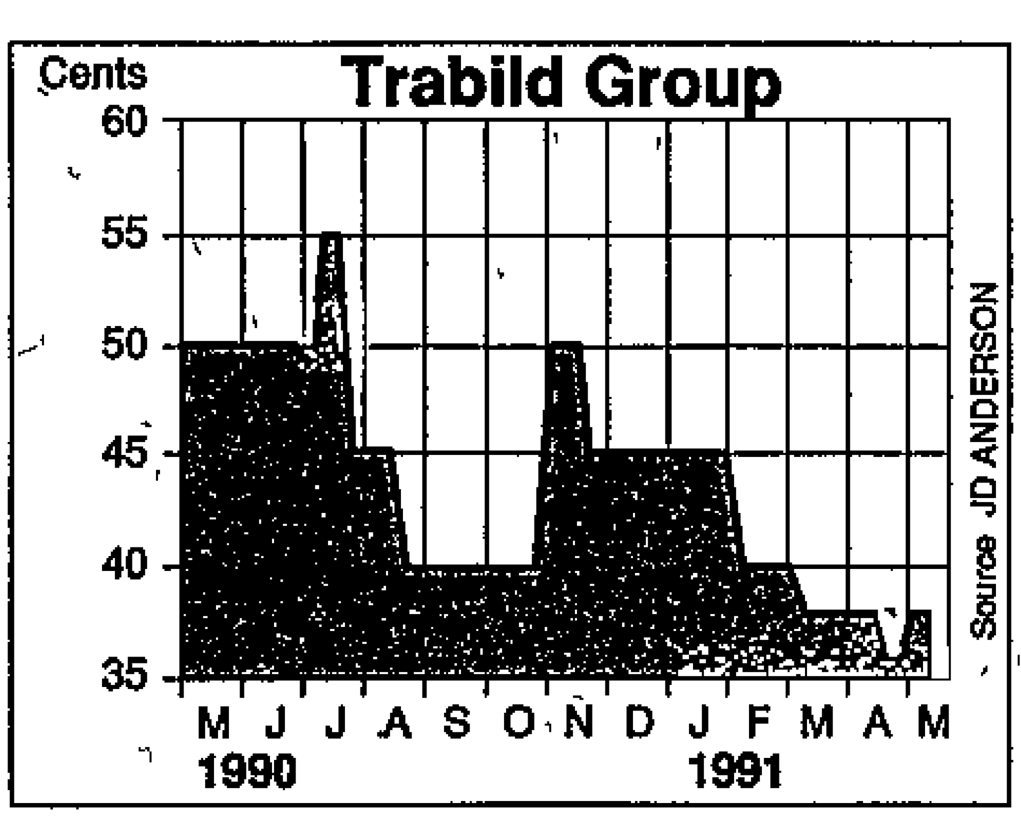
too fast. Fuelled by strong organic growth and several acquisitions, turnover and operating income rose nearly tenfold in four years to R58,8m and R5,4m respectively

However, the cost of acquisitions and rising working capital needs have resulted in excessive debt, which has already begun seriously to erode earnings Operating income climbed a respectable 18% in 1990 but interest and leasing charges shot up from R1m to R3,7m, to help cut attributable earnings by nearly half At per share level an increase in issued shares caused further dilution

Year-end net borrowings were up 22% to R15,4m With interest rates unlikely to soften much this year, extensive measures are needed to curb finance charges and get debt back down to acceptable levels

Chairman Riyaaz Tayob says Trabild has already begun to tackle the problem With effect from last July the Pretoria-based group sold its two fabrics subsidiaries, Ga Rankuwa Textiles and Tayob Textiles. This will not only raise R5m — to be paid in 24 monthly instalments from January 1991 at 15% annual interest — but also cut working capital requirements and enable management to focus on wholesaling lighting, curtains and upholstery goods

Tayob says the fabric operations were profitable but operated on low margins and had limited growth potential. By shedding them, as well as improving asset and financial controls, he hopes to cut gearing to 50%-70% this year as well as bolster operating margins He declines to reveal the turnover or profit contribution of the two fabrics companies but says group turnover this year is likely to be down on 1990, which included six months' contribution from these operations



Though trading conditions are difficult Tayob is confident operating profits will remain strong. This, together with reduced finance charges, should ensure real earnings growth, he says

Obstacles to EPS improvement will be an expected increase in the effective tax rate from 5% to 20% and a further increase in issued equity as a result of an optional scrip dividend at the end of last year

With the share price close to a 12-month low, the market remains cautious about Trabild's ability to overcome its debt burden With a p e of 9 and dividend yield of 5,3%, the share is unlikely to appreciate in the short term

Simon Cashmore

PROGRESS INDUSTRIES FM 24/5/91

TEXTILE TRAVAILS

(197)

Earnings almost halved in 1990, good clothing sales only partly compensating for a disastrous year in the textile division Progress, however, was confident enough to cut dividend cover from four to three, so the drop in the dividend was held to just under 30% CE Peter Jacobson says that financial ratios

DATES TO REMEMBER

Last day to register for dividends
Thursday May 30 Amcoal 287c; Clicks 28c CMS 3,5c L Match 7,5c, Nampak 75c Penboard 1 5c, Penpin 3c; RIH 19c; SA Brews 88c, Senchem 6c; Yabeng 17,85c.
Meetings
Monday May 27 Namfish (Windhoek), Namsea (Windhoek); Pick 'n Pay (Cape Town), Pikwik (Cape Town)
Thursday May 30 Barbrook; CMH (Durban); Hicor (S) (Brackenfell)
All meetings are in Johannesburg unless otherwise stated.
S = Special meeting

continue →

FM 24/5/91 (197)

Activities: *Manufactures knitted clothing and fabrics*
Control: *Directors 54%.*
Chairman: *D Aronovsky, CE: P D Jacobson*
Capital structure: *2,8m ords. Market capitalisation· R8,4m.*
Share market: *Price: 300c. Yields· 11,3% on dividend; 34,1% on earnings, p·e ratio, 2,9, cover, 3,1 12-month high, 450c; low, 300c. Trading volume last quarter, 103 000 shares*

Year to Dec 31	'87	'88	'89	'90
ST debt (Rm)	0,2	0,6	0,5	2,4
LT debt (Rm)	5,3	9,9	8,1	10,9
Debt·equity ratio	0,38	0,59	0,40	0,50
Shareholders' interest	0,49	0,43	0,45	0,49
Int & leasing cover	7,8	5,5	4,2	1,9
Return on cap (%)	21,5	18,3	21,4	10,9
Turnover (Rm)	42,5	50,8	65,3	61,7
Pre-int profit (Rm)	6,5	7,6	10,3	6,0
Pre-int margin (%)	15,2	15,0	15,8	9,7
Earnings (c)	106,8	158	191,7	102,3
Dividends (c)	36	42	48	34
Net worth (c)	520	631	774	947

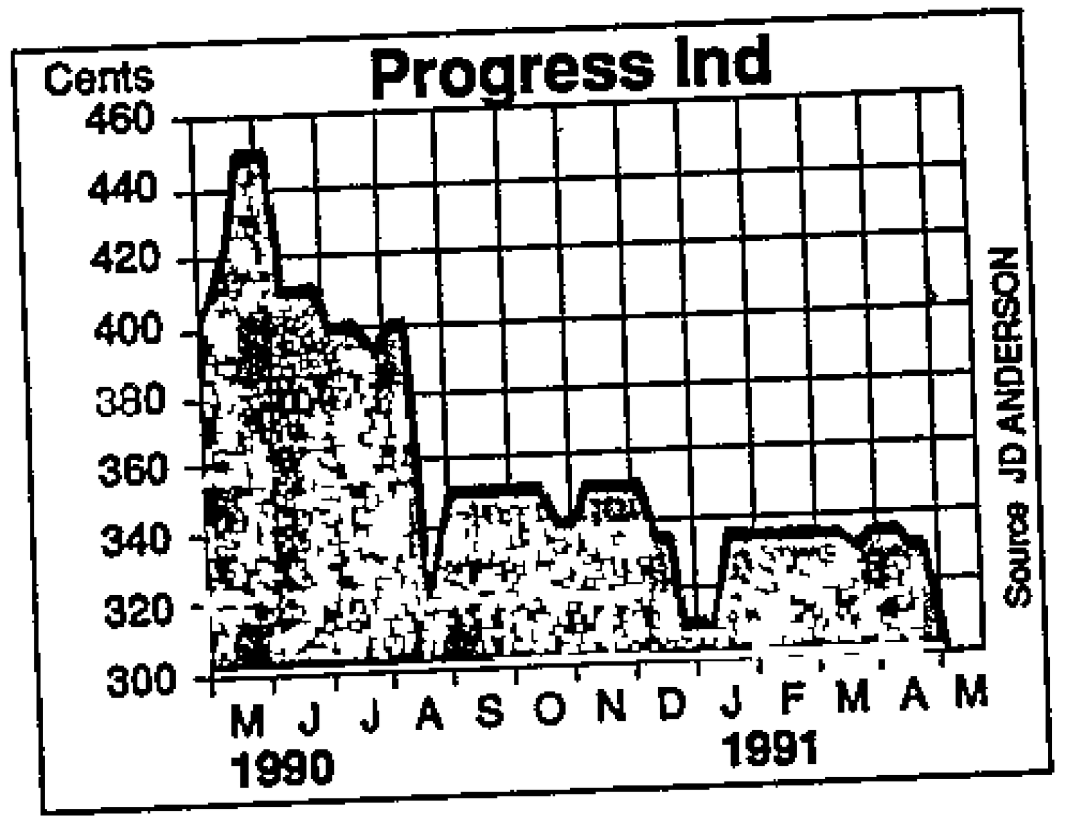
remain satisfactory, though interest and leasing cover has fallen from a healthy 7,8 in 1987 to 1,9 last year.

The bad result was symptomatic of the decline of the knitting yarn sector, because of increased competition from imports Large quantities of fabrics and garments can now be imported as part of the Structural Adjustment Programme. Jacobson says that clothing manufacturers who do not make knitted sweaters are selling their duty-free permits to retailers, who then import knitwear directly; the decline was worsened by labour problems, including numerous stayaways.

The textile division suffered large losses Turnover fell 42,3%, and Jacobson says this would have been worse if the group's apparel factory had not increased its offtake.

The two other divisions, sweaters and apparel, did well The sweater division produced "good profits" and had a full order book throughout It won a number of large government tenders The apparel division made good returns by making its product range more fashionable and offering shorter lead times. He adds, however, that there is little return on export markets, even with present export incentives.

Management believes that prospects for recovery depend on an increase in spending



power in the black market, through both a reduction in unemployment and increased confidence in the long-term future

The share is trading at a p e of 2,9, below the clothing and textiles sector average of 5,6, though larger clothing groups such as Seardel and Delswa also trade at multiples of about three. Progress offers a better dividend yield, at 11,3% But it is difficult to recommend any counter in this sector until the problem of imports is resolved one way or the other.

Stephen Cranston

Textile delivery delays raise ire

BDay 27/5/91

(197)

SEAN VAN ZYL

WHILE the textile industry has called on government further to strengthen its protection against imported fabrics, clothing manufacturers claim they are losing millions in cancelled contracts because of textile deliveries falling as much as six months behind schedule

Many of the large textile companies such as Da Gama Textiles and the Frame Group have recently reported poor earnings performances which have been largely ascribed to tougher competition from textile imports. As a result, the industry has approached the Board of Trade and Industry for higher import tariffs

However, National Clothing Federation executive director Hennie van Zyl said the Textile Federation's own statistics showed an overall decline last year in imported fabric volumes Fibre, woven fabric and knitted fabric imports all showed declines Imported yarns for the textile industry was the only category to show some growth

Van Zyl said higher import protection would be in conflict with the Independent Development Corporation's (IDC) latest report on tariff structures, which recommended a lowering and eventual phasing out of import protection across the board, to bring SA in line with international trade conditions.

The stalled international GATT agreement would also require all members to phase out import protection

Textile Federation executive director Brian Brink said lifting import protection without adjusting fiscal needs on the textile sector would essentially kill the local industry

While the debate over greater import protection rumbles on, a leading clothing manufacturer noted that many of the textile mills had also fallen way behind their production and delivery schedules — which had hit the clothing and retail sectors.

Brink said the poor delivery performance of some of the mills stemmed from labour problems and the general unrest Lower production volumes had also resulted in desperate operators accepting unrealistic delivery orders

However, a number of the clothing manufacturers, who asked not to be named for fear that their supplies would be cut, said orders were usually placed three months ahead of schedule.

"Despite the lengthy lead time, which plays havoc with our own order demand times, the fabric then still arrives anything from two to six months late.

"I have lost millions of rands, and good faith, with the major retail chains through orders which have been cancelled After three or four delivery extensions the fabric sometimes arrives when the selling season is nearly over "

Edgars Stores merchandise director Graham Garden said the group was usually lenient on order extensions But the clothing retail industry relied heavily on seasonal marketing and could not afford the present state of deliveries.

"Roughly 50% of orders are coming in late, which makes the importing of finished garments extremely tempting At least the deliveries are reliable."

Clothing manufacturers also say there has been a dramatic decline in the quality of fabrics One operator said having to rush production to meet orders harmed quality Orders also arrived in "dribs and drabs"

"What am I supposed to do with half the fabric, make half a garment?"

Clothing manufacturers said imports were "very attractive" from a delivery, quality and price perspective.

"What we would like to know is why textile manufacturers are asking for higher import tariffs when they can't meet their present obligations"

Some textile producers have also been accused of failing to upgrade their factories in order to supply the types of material clothing manufacturers need, and that meets international standards

Brink said there had been "effective disinvestment" in the textile industry in the 1980s when machinery was not replaced However, the past two years had seen significant updating of capital equipment "It's because of the capital-intensive nature of the industry that manufacturers need large production volumes to survive."

TEXTILE INDUSTRY 31|5|91 FM (197)

WOVEN INTO CRISIS

NEITHER MARKETING NOR INDUSTRIAL 'RESTRUCTURING' ARE ENOUGH

Judging by the disastrous results from quoted textile companies, the R6bn industry cannot have a particularly bright future Underpinning that perception is the disappointing level of production throughout the Eighties — a time of rapidly growing population

Figures for the past 12 months show a worsening situation — output is slumping, knitted fabric sales are down 22%, and woven fabrics 17% There was no overall increase in imports, whatever some said, so the recession and destocking by retailers have been the main culprits

Frame, the largest textile group in the country, has had poor returns for many years and reported a loss in the December interims But Frame is no longer synonymous with the textile industry Good textile companies were virtually blue chips in 1989 — but even they have recorded heavy earnings declines Barlow Rand's Romatex experienced a 72% drop in earnings The most highly rated textile company of all — SA Breweries' (SAB) subsidiary Da Gama — saw earnings fall 30% The textile interests have had a considerable negative effect on industrial conglomerates Tongaat-Hulett and Anglovaal Industries

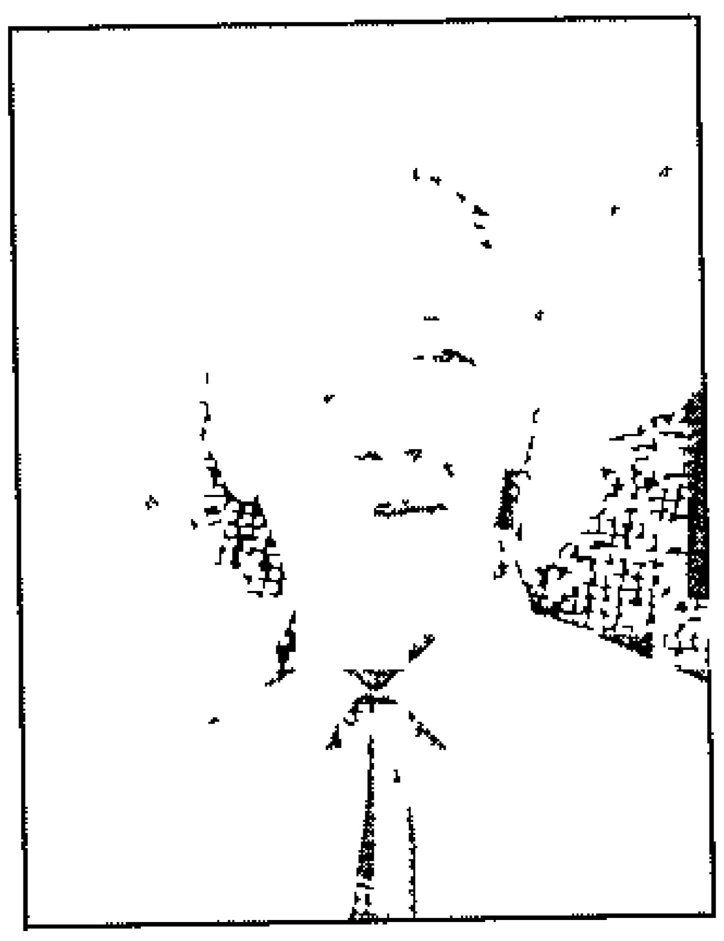
As government policy moves away from import replacement to a more open economy, the textile industry could be an early victim Almost the entire industry was built up with the help of government measures such as tariff protection, decentralisation grants and funding from the Industrial Development Corp

In SA the industry has been built around vertical mills, which carried out all textile activities from spinning cotton into yarn, weaving, dyeing and finishing To protect the industry, tariffs were imposed at *each* level

Rather than a series of companies focusing on their particular speciality, vertical mills have tried to do everything — and usually pleased no one The pipeline from cotton at the mill to garment in the stores is often five months Because protection has taken much of the competitive drive away from the mills, deliveries are often late, and the quality variable

And now the sharp deterioration in trading has shaken the industry To survive it needs to become leaner and more marketing-driven Under CE Harry Pearce Da Gama set the ball rolling in the mid-Eighties when it put its marketing men in charge of production schedules It has built up strong markets by going for niches in specialised industrial textiles, home-sewing materials and domestic textiles Because these materials are made to order in short runs, they are relatively resistant to imports Da Gama now delivers 75% of its textiles on time and virtually the entire balance within two weeks — still exceptional in an industry where a six-week delay is dismissed with a shrug

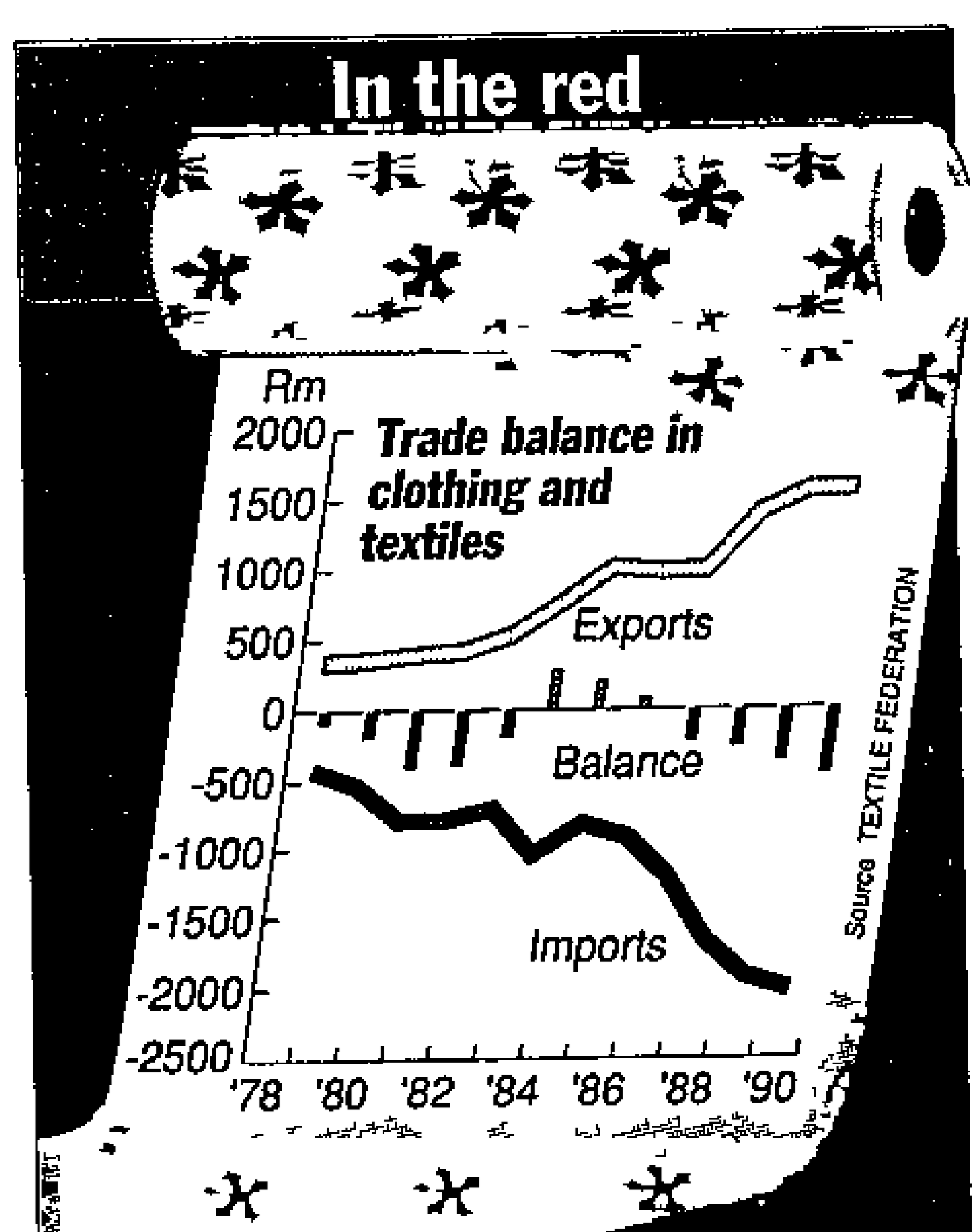
The mills are well aware that they cannot be all things to all people But the implementation of a specialisation and niche marketing policy has proved particularly painful for Frame



Pearce

Chairman Mervyn King is committed to upgrading and downsizing the company The head office was sold to Beacon Sweets, almost all the blanket interests sold, and many factories outside the core Durban area closed or sold Frame has not yet won back investor confidence — the share has declined by 30% over six months Like the rest of industry, though, it knows it can only survive in leaner form and is acting appropriately

King says the contention that Frame is still a commodity producer is misleading "We have very distinct businesses — one which provides finished products, effectively, to a wide range of niche markets The other provides yarn and greige (raw) cloth, 50% of which goes outside to customers across the spectrum of the textile industry "



Under Jack Crutchley, Romatex has disposed of low-margin products such as rope and invested in plant to upgrade its upmarket Horrocks bed linen facilities at Berg River Textiles, and its top-of-the-range carpets Unfortunately, the new capacity has come on stream at the depth of the recession, but it does leave Romatex well prepared for the upturn

The share is not declining as fast as Frame, an indication of the premium that Barlows companies still enjoy, but it is still described by analysts as a risky buy

Even in bad times, the returns in textiles can be good Da Gama pays a low tax rate — 18,8% in 1991 — because two of its three factories are in the Ciskei In tough 1991, returns were 25% on capital (defined in the textile industry as operating income as a percentage of shareholders' funds and borrowings) and 21% on equity

Malcolm Wyman, SAB's group planning and development director, still believes SAB made the right decision to buy control of Da Gama in 1989 He says textiles will benefit from natural population growth and a heavy appetite for clothing and domestic textiles in the black market

But according to Romatex economist Jon van Coller, a pre-tax return on capital of 20% is needed to keep heads above water, and ideally returns need to be at least 10 percentage points above the rate of inflation "One of the key elements in textiles is that we need to have our equipment working flat-out, 168 hours a week, to get adequate returns from our investment "

No significant textile company is still working a seven-day week and capacity is down from 87% in 1989 to 75% This may seem high in comparison to many other industries, but returns are already poor once capacity goes below 80%

Van Coller acknowledges that the industry needs to change from an inward-looking to an outward-looking one But what can it offer the rest of the world? Hourly labour costs were very favourable internationally in 1986, but since then the rand has not declined much further in dollar terms while domestic inflation of more than 15% has eroded the advantage enjoyed at that time And textiles have suffered more than most from strikes — the industry is concentrated in the politically volatile Durban area.

Ultimately, however, excuses about labour, productivity and lack of protection are much less significant than pleasing the cus-

Continued

tomer Frank Wells, who runs Edgars' purchasing arm UPC, says the quality of textiles and delivery records are not visibly improving He maintains that a number of private, foreign-controlled mills are still making good profits, because they have been reliable on quality and delivery

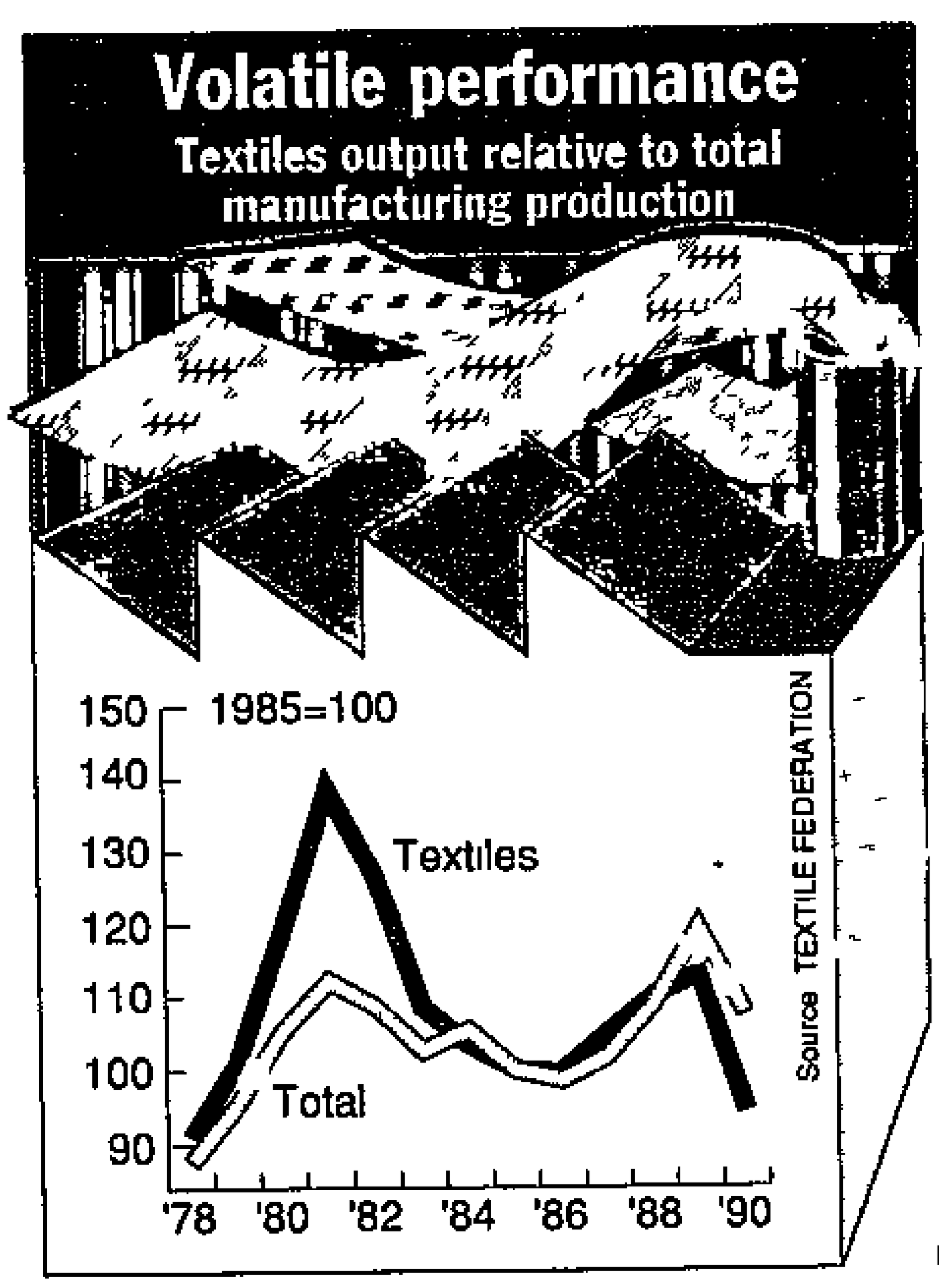
Wachsberger

But Wells says the quality of the local product is not the main reason for increased imports "There has been an increase in demand for viscose as fashion changes, and there is very little local production of this material" Certainly, fashion helps make textile profits particularly volatile

What the industry does not need is further bureaucratic meddling — even if it is to rectify past imbalances Unfortunately, that is exactly what it has got The Structural Adjustment Programme is an attempt to turn the clothing and textile industries into major exporters

Granted, exports have increased But for the programme to win the approval of both industries, it was a half-baked compromise In 1979 just 3,9% of clothing and 4% of textiles were exported Under the programme, clothing manufacturers who export at least 2,5% of their turnover may import duty-free fabric or clothing equivalent to 10% of their domestic purchases in the previous year, and get duty-free permits to the value of 70% of their exports

After nearly two years of the adjustment programme the export figures are still moving up Manufactured textile exports grew from R329m in 1989 to R483m in 1990 Clothing exports grew from R134m to R180m The snag is that the deficit in the clothing and textile sector grew from R358m in 1989 to R451m in 1990 Both industries are wondering if the programme is a cost-effective boost to exports



One mill, for instance, has taken advantage of the programme to import greige cloth from the Far East and will finish and dye it It has dropped plans to expand its spinning capacity through a R17m capex programme

Says a senior executive "We were not given the protection needed to justify our own spinning, so if you can't beat them, join them Unfortunately, we will not be able to get the same returns from trading that we would get from integrated manufacturing" He says he could import raw polyester for 20% less than the local price, but the present duty makes up the difference and makes the local price comparable

The principal beneficiaries of the programme have been the retailers, who are still profitable and don't need a free lunch from government Duty-free permits have been widely traded Retailers have been given money upfront, whereas clothing companies are normally expected to wait six months for their duty rebates from government

Wells says one clothing company would have gone insolvent had it not been able to sell its permit to Edgars and improve its cash flow Edgars uses these permits to import high-fashion merchandise that has been subject to very heavy duties, and has passed on some of the benefit to the consumer But originally the adjustment programme was designed to give clothing manufacturers access to duty-free cloth so that it could add value and re-export it A loophole in the programme allowed companies to import fully made-up clothing, and retailers are cashing in

Textile researcher Joop de Voest says the duty-free permits formed only part of the original package to rid local mills and garment makers of the disadvantages they suffered against the rest of the world This would have included allowances for the renewal of capital equipment, and the end of restrictions on the import of natural and synthetic fibres

Unispin chairman Robert Wachsberger points out that in a period of worldwide overcapacity we are competing against countries which subsidise textiles Textile bosses maintain that the restructuring of the industry has to be an evolutionary process because SA has not developed the work ethic that exists in the Far East, and it has to develop a marketing culture

But the Board of Trade & Industry has reacted to the consequences of its policy by reverting to tariff increases It imposed a 50% duty on yarn, at the request of several loss-making yarn producers including Unispin and Frame The BTI is now considering raising duties on woven and knitted fabrics Hennie van Zyl, the executive director of the National Clothing Federation, argues that such increases are short-sighted as an increase in tariffs will stifle economic growth and are contrary to the policy of restructuring the industry

The market is understandably unenthusiastic about the prospects for textile companies, but believes that the bottom has been reached Simpson McKie analyst Heidi Vollmer predicts an increase in volumes and margins for both Frame and Romatex She predicts that Frame will lose 390c a share in the year to June 1991, but if there is no further protection on fabrics the benefits of rationalisation will be felt and it will be just profitable in 1992 — though not able to pay a dividend Estimated EPS of 20,4c is still well down on the 161,4c record in 1989

Romatex's EPS will go down 52% for the full year — Vollmer predicts to 72,4c but she accepts Crutchley's contention that Romatex will reap the benefits of its capex and rationalisation in 1992, almost doubling earnings per share to 140c Good news for Barlows perhaps, but this is still inadequate for the general investor, who would enjoy lower dividends and earnings than 1990

Da Gama's earnings and dividends could decline by 8% in the year to March 1991, though if tariff protection on fabrics is increased this could be turned into a 10% earnings rise

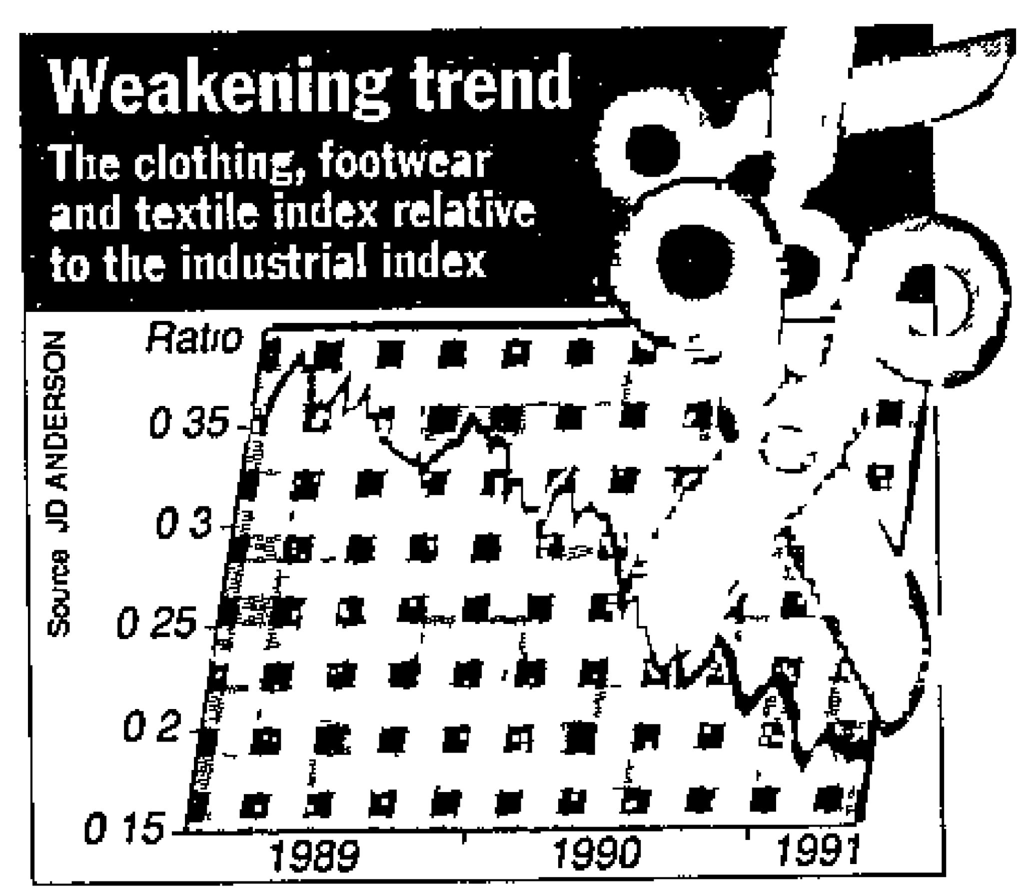
Van Zyl says if protection is raised on fabrics he will be forced to ask for further protection on clothing For all the clothing industry's free-market talk, it effectively has an average 22% tariff, compared with 11% for textiles

Van Zyl accepts that the clothing industry will have to learn to live with lower levels of protection Wachsberger says textile producers can also learn to live with lower levels of protection, but the process should be phased in King says business has suffered 40 years of crazy political and industrial policy and should be changed over time in consultation with the industry He has a point

But he and other industry leaders must accept a phased withdrawal of tariffs and adapt to a tougher, marketing-driven climate

Though the textile industry is nominally in the private sector, it has often operated as part of the public sector, making decisions based on government policy rather than the market It is time it joined the true private sector

Stephen Cranston



INDUSTRIAL POLICY 197

PICKING THE WINNERS

FM 31|5|91

What should be the subject of widespread public debate and policy formation is *not* the preservation of jobs in the textile industry — the travails of which are set out on the following pages — through increased protection. Instead the cost to the public purse of retraining and reabsorbing textile workers in some other industry with more going for it, especially in terms of export potential, should be the focus of attention.

Almost everywhere in the world the textile industry as we know it in this country is in trouble and is shouting for protection. One exception, of course, is the "Little Tigers" of the Third World — who are so hungry for wealth that they are prepared to forgo the short-term advantages of collective bargaining. Their unit cost of production is consequently so low that they can undercut almost everybody else.

The other exception is to be found in technologically advanced countries with a great deal of marketing sophistication. They go for the niche markets offering speciality fabrics and specialised service of such a standard that they can absorb higher production costs.

In Europe, with the exception of Switzerland, for decades the debate has been inappropriately focused on textile job preservation and not on job relocation. So the period of the phasing out of protection and the phasing in of lower-cost textile imports under the Multi-Fibre Arrangement (MFA) stretches towards infinity The cost to the taxpayer and the consumer has been extremely high and will remain so.

How this sort of public spending on the special interest of textile workers can be morally justified is hard to fathom. Although, of course, in Europe there is the dubious political precedent of farm workers. Economically it has no justification· it is simply a waste of resources that would be better employed elsewhere (and in a dynamic free enterprise economy this would happen quickly).

It is true that the textile industry has enjoyed short periods of rapid growth and prosperity in those economies that have tended to be command ones. They are usually either socialist countries, now in rapid retreat from egalitarianism, or capitalist ones following the mixed economy inclinations of socialist-orientated governments.

Apartheid SA fits easily into the second category Consequently, our textile magnates of the past were better at special pleading in Pretoria than competing in the marketplace. Few, including Philip Frame, would survive today. For the situation is very different now and, together with our lack of international competitiveness because wages are too high, this is at the core of the problem.

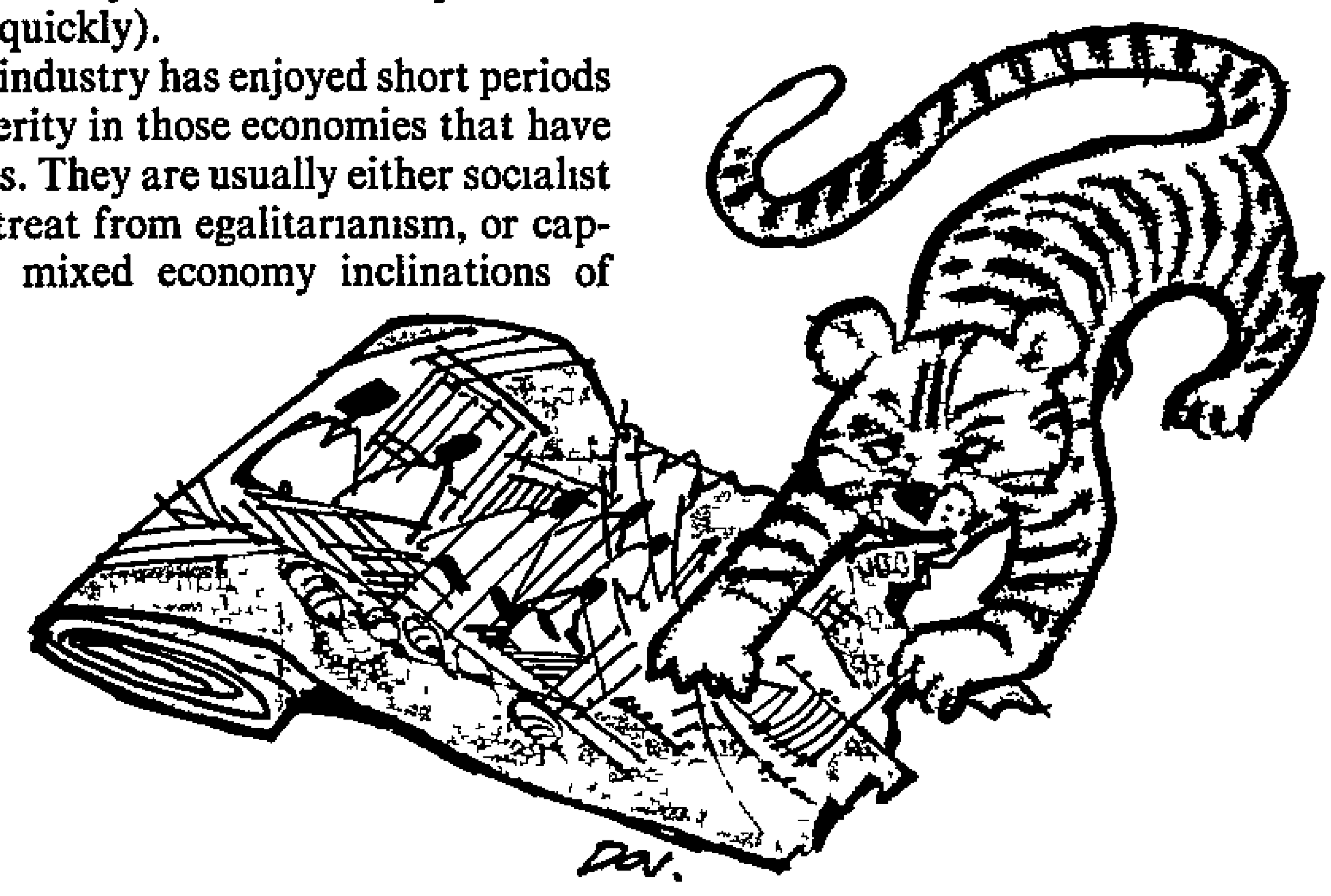
Some of those few countries with flourishing textile industries have certainly indulged considerably in State support for their industries. But the difference between the support given in Europe to preserve jobs and that given in some "Little Tigers" to create jobs, is that the former backed losers and the latter backed winners. In other words, the Europeans were backing high-wage, low-productivity production whereas the "Little Tigers" were backing low-wage high-productivity production

The important principle is that if governments are going to intervene in an industry (and there are good arguments to support their never doing so) then at least they must aim at backing winners, not losers To do so it needs to be heavily capitalist-orientated, unlike some European governments which in the past tended to put egalitarian motives ahead of the creation of wealth. And they are paying the price today

Industrialists who favour protection will argue that once a textile mill is closed down, the jobs it provided are either lost permanently, or that the process of finding alternative work for their work force is protracted and harsh. That is music to the ears of interventionist politicians who, with some notable exceptions, all too many politicians tend to be

Of course, the period of the reallocation process is where most suffering occurs. And that can be aggravated by a downturn in the business cycle, high inflation, low savings and consequently constricted investment The fact that the reallocation does take place is in itself incontrovertible.

But the harsh consequences can be cushioned at acceptable cost to the public purse if redundant workers are given direct grants and/or retraining facilities, or some other benefit that the creative genius of trade union officials and personnel managers can devise. That cost is at least finite.



What needs to be avoided is the tendency towards infinite succour for the shareholders of companies in ailing industries, which is what the MFA provides for textiles. They must bear the cost of their mistakes. ■

Clothing and textiles development on agenda

(197) BDay 6/6/91.

LINDA ENSOR

CAPE TOWN — A top-level meeting between leaders of the clothing and textile industries and members of the Board of Trade and Industry is scheduled to be held on Monday to thrash out a future development policy for the industries

Textile Federation executive director Brian Brink confirms the meeting will take place

He says the Board of Trade and Industry will be presenting a development programme for discussion and this could include changes to the structural adjustment programme, elements of which the textile industry are not happy with but which clothing manufacturers say has been vital to their export market success

Total value

Clothing exports are expected to more than double this year, bringing projected foreign exchange earnings of the industry to an estimated R300m Provided the duty free permits granted under the structural adjustment programme as well as the benefits under the general export incentive scheme (GEIS) remain in place, exports are forecast to reach R450-R500m by 1992

Last year clothing exports earned R195m, up 65% from 1989's R118m Taking the industry's total value of production in 1989 of R3,6bn, estimated exports for this year of R300m would represent about 9% of total production of that year

Aaron Searll, chairman of SA's largest clothing manufacturer, Seardel Investment Corporation, emphasises that the increase in exports has been possible only by working within the framework of the structural adjustment programme and by taking advantage of the GEIS incentives

Seardel's exports have risen over 50% to reach about R50m in the past year "It is essential for the clothing industry that these incentives remain in place as without them it would not be possible to compete on price with the major world players," Searll says He adds the incentives make major inputs into costings

The clothing industry says it cannot compete internationally without these incentives as in terms of the Lome Convention, a 14% import duty is imposed on SA clothing imported into the UK and Europe Also SA has a higher inflation rate and faces competition from the Far East

But Textile Federation executive director Brian Brink says the textile industry is opposed to the form of reward given under the structural adjustment programme for clothing exports This takes the form of a duty free import permit against the exports whereas other forms such as tax rebates, cash etc are preferable

The textile industry has lobbied against the import of fabrics and has applied for a tariff increase on knitted and woven fabrics

But Searll says that the clothing industry's success on the export market would be seriously jeopardised were the textile industry's application to be granted

He estimates that in some cases the cost of clothing would increase by as much as 30% if the tariffs were increased, while the National Clothing Federation believes consumers would pay about R3bn more for clothing, household textiles, and textiles used in other products

Clothing exports have also been good for the local textile industry, Searll says, as about 90% of the fabric used in the products is locally made

"Textile imports dropped by 2% in volume in the year to end-December so it is pointless for the textile industry to complain about import volumes What needs to be looked at is ways to reduce the input costs of textile manufacturers"

The international scenario for a burgeoning export trade in clothing looks promising Already the rapprochement between foreign governments and the South African government and the easing of sanctions has played a role in opening up markets for SA clothing manufacturers

Capture

"Hopefully, when the US market opens up this will present us with very exciting opportunities," says Searll

The NCF estimates SA clothing exports could capture up to 1% of the American imported clothing market

Seardel's exports have taken up a lot of the slack in production at the group's factories and without this outlet, more drastic job losses and cutbacks might have been necessary For the industry as a whole the absence of exports would have led to a net 2% decline in activities last year, one source said

Textile exports up 70%

197 6/6/91 CT

Bigger rise seen as markets open for SA manufacturers

By AUDREY D'ANGELO
Business Editor

SA's textile industry is struggling in the recession with major manufacturers reporting disappointing results and appealing to the government for protection against fabric imports.

Yet the Textile Federation reports an impressive rise in manufactured textile exports in 1990 They rose by more than 70% to a total of R432m

Yarns made up 49% of total textile exports and fabrics 26%. The figure does not include agricultural fibre exports

The federation expects the rise to be even bigger by the end of this year

"Early indications are that this rise could be sustained in 1991 as more overseas markets are likely to open up to SA manufacturers," Brian Brink, director of the federation, said in a telephone interview yesterday.

"The US has not yet lifted sanctions against imports of SA textiles and clothing but indications are that this is likely to happen in the fourth quarter of this year"

Brink said the recession in SA was encouraging textile manufacturers to become more export-orientated.

Although they could not compete with mass produced products from Red China and other countries where manufacturers' costs were lower, they could find specialised niche markets overseas

"More SA textile firms are getting into the export market. An export culture is starting to take hold It is true that there is an economic downturn in most world markets, but they are beginning to recover"

Asked to explain the apparent contradiction between export success and difficulties at home, Brink said the rise in exports did not compensate SA textile manufacturers for lower domestic sales

"The average volume of production of textiles declined by 16% in 1990 compared with 1989."

Textile production volumes were 13% lower in February than in the same month a year ago

"The domestic market for textiles is shrinking although the volume of clothing produced by local manufacturers has increased — showing that they are using more imported fabrics," said Brink.

Brink said the present export incentive scheme, which gave larger grants to exporters of finished goods than to those of "intermediate" goods, meant that fabric producers received only a third of the grant made to exporters of clothing

He thought this incentive scheme might be replaced in a few months by one more in line with the General Agreement on Tariff and Trade (Gatt)

Foreigners cream it as SA textiles suffer

(197)

S/Times (Bus Times) 9/6/91.

By JULIE WALKER

UNFAIR and illegal practices could kill SA's textile industry

That is the opinion of textile captains, but they decline to be named for fear of losing customers

The textile industry is chaotic The big names are laying off thousands of workers or operating three-day weeks

They find it hard to compete with imports from the Far East, the Pacific Rim in particular SA employers have to adhere to the Factories Act and labour relations practices

But the Far Eastern sweatshops not only produce more at lower cost, they have the benefit of exporting and not having to compete with imports because their doors are closed to foreign producers

Permanent

Consumers in the Far East pay more for goods than do foreign buyers In SA, there is no such enforced subsidisation, but consumers are still overpaying

Stop-start government policy affecting import permits means textile manufacturers have lived with uncertainty for years When the balance of payments is healthy, clothing manufacturers and retailers can import freely When it comes under pressure and imports dry up, garment makers scream that the textile makers cannot supply fast enough or of high enough quality

The textile men defend their product on the grounds that the quality would be high enough if they could keep a trained workforce in permanent employment Nor can they confidently expand when new machinery could lie idle at the whim of import policy

But protectionism is not the true issue SA's textile industry knows it cannot compete against odds favouring foreigners

The critical complaint is about the loaded dice resulting from SA's laws

The latest is the large increase in import duties on yarns whereas fabrics and garments incur no more penalty The old story that the consumer will pay more wears a little thin when the profit margins of clothing retailers are scrutinised

"Where else in the world do such retailers make 20% and upwards net margin before tax?" says one fabric maker

Textile manufacturers say they could be forgiven for selling up, or closing down and establishing themselves in the shopping malls

Officially, imported textiles account for 30% of the amount used in SA It is probably closer to 50%

The biggest bugbear to textile manufacturers is the advantage being taken of the structural adjustment program (SAP) by clothing makers

SAP is a sort of kick-back to try promote exports It results in a duty-free permit worth up to 70% of the value of the exports As well as that, up to 15% of the value of an exporter's SA raw-material purchase is granted as a duty-free permit against more imports

The general export incentive scheme (GEIS) also applies at the rate of 18,5% of the FOB cost as a cash kick-back Section 11 of the Income Tax Act will net exporters another 10%

A clothing manufacturer who exports R70-million of goods and sells R230-million in SA by using R90-million of raw materials gets R62,5-million in duty-free permits He can sell those permits at up to 45% of their face value

On the exports of R70-million, the cash incentive he receives is R49,2-million

A fabric maker can use SAP permits to import either yarn or fabric, but a clothing maker can bring in either fabric or made-up garments

Through this loophole, these permits are used to import garments free of duty

A JSE-listed retailer has bought permits from a clothing manufacturer allowing it to import part of its winter range free of duty

Brought in at a price of R20,50 each, the chain sold the garments for R69,99 The consumer pays — witness profit margins of retailers Credit retailers' markups are normally 150%

Double

The duty on such knitted garments would have been 90% A manufacturer would have paid 30% duty on the equivalent fabric from which to make the garments

If the garments had been brought in normally, the fiscus would have had the benefit of the duty Under the current circumstances the taxpaying consumer is the double loser

Concessions granted to the TBVC states — Transkei, Bophutswana, Venda and Ciskei — for manufacturers to set up are also being abused

One Bophuthatswana company was granted $1-million of duty-free permits, and was allowed to pay with finrands for the physical purchase But instead of making up the yarn, he offered it for sale on the domestic market to other manufacturers at almost double wh...t he effectively paid

Another Bophuthatswana company paid, with exchange approval, R84-million to import equipment worth only R7-million, from Germany It used a currency round-tripping technique

Another illegal practice harming textile manufacturers is the round-tripping of goods

For example, a British company is invoiced with R100 000 of clothing and granted 180 days' credit by the SA fabric company In case anyone checks, there is physical movement of the goods Meanwhile, the British company sells the goods to a French one and bills it with the same figure

Gain

The French sell them back to SA, and SA pays the French company which in turn pays the British one The sums add up at the Reserve Bank

So what did the SA company gain? GEIS of R18 500, Section 11 claims of R10 000 and duty-free permits of R70 000, which it sells for R31 500 That makes R60 000 On reimport it pays duty of R25 000, shipping cost R4 300 and other costs R5 000

That means a R25 700 profit, courtesy of the taxpayer, for shipping the same goods over and over

Textile manufacturers complain that other exports are invoiced as clothing to take advantage of the incentives Retread tyres to Maputo were billed as clothing

Dumping by China in particular is a global problem A batch of four containers labelled material imports for manufacture for export found in Durban this year held a new Ferrari and 300 000 tee-shirts

"We need a 10-year policy to allow us to cover the cost of machines," says one textile manufacturer "SAP must be scrapped because it is benefiting nobody but the dishonest Kick-backs worth 60% of all exports purported to be clothing are costing the taxpayer, the consumer and the workers"

Jocum disputes import claims

Argus 11/6/91 (197)

By TOM HOOD, Business Editor

CLAIMS that the textile industry is being hit by increased imports of fabrics by clothing firms and that it needs protection from imports are disputed by Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association

Mr Brian Brink, executive director of the Textile Federation, reported that the domestic market for textiles was shrinking and said the volume of clothing produced by local manufacturers had increased — "showing that they are using more imported fabrics"

However, Mr Jocum said in a statement that imports of textiles were in fact down in volume by 2 percent in 1990 compared to 1989

"The Textile Federation persistently blames the clothing industry for the recession in South Africa as well as the recession in the textile industry

"This is just not on The clothing industry is also in a recession but with a difference in that it does not ask the government to bale it out with requests for further protection to ride out the recession"

The economy was expected to improve in the third and fourth quarters and history had shown that both industries could ride out of recession without further protection

The increase in the clothing industry's output in 1990 over 1989 was 3,6 percent

The textile industry only supplied 37,5 percent of its total output to the clothing industry The balance went to packaging, towels, industrial, household textiles, furniture and upholstery, carpets and the motor industry

Said Mr Jocum "Perhaps it is the reduced volumes in industries other than clothing which is accounting for the textile industry's reduction in volumes of 16 percent in 1990 compared with 1989 So why pick on the clothing industry? Any increases in duty will damage the clothing industry as well as further erode volumes in the textile industry"

● THE marked deterioration in profitability in the textile industry and contraction in local production is of concern to both clothing retailers and manufacturers, says **EDGAR's** chairman, Mr Meyer Kahn

He says in his annual review the rate of inflation on clothing has exceeded the consumer price index for the past two years

"The solution to this problem should be sought through improved productivity with higher volumes being produced for the local and export markets"

Mr Kahn believes greater levels of protection through increased duties would undermine vital elements of the structural adjustment programme which seeks to make South African industry internationally competitive

Many manufacturers faced with severe cost pressures have sustained their operations by developing exports and earning export incentives, Mr Kahn says

Commenting on the prospects for the group in the current financial year, he expects private consumption expenditure to remain depressed, aggravated by high interest rates, increasing unemployment, and the introduction of VAT

"Uncertainty and the stubborn unrest situation is likely to affect trading adversely"

Satisfactory growth in earnings, but at a lower rate can be expected for the year to March, says Mr Kahn

Plan to smooth out textile differences

LINDA ENSOR

CAPE TOWN — Representatives of the clothing and textile industries have been given two weeks to submit comment on the development programme drawn up by the Board of Trade and Industry

A proposal was presented to representatives at a meeting on Monday

But while the plan was meant to resolve the conflict between the textile and clothing industries, one source believed it did not go far enough from the point of view of textile manufacturers The source believed the programme should involve certain non-tariff measures

The development programme, which was said to cover everything from fibre to consumer clothing products, accepted as a basic principle the need for clothing production to be export orientated.

Some participants described the meeting as positive, with others saying it had the potential to resolve conflict. No one was prepared to comment on the record as the investigation was said to be at a delicate stage.

It is believed that the application by the textile industry for a tariff increase on knitted and woven fabrics is to be placed on hold pending the outcome of the deliberations on a development strategy

BDay 12/6/91

(197)

Everyone has role to play in SA's future

BDay 12/6/91

THE future new SA cannot be held hostage to a few prominent "politicos", says Idasa's director of policy and planning Van Zyl Slabbert.

Interviewed in the latest issue of Idasa's journal, Democracy in Action, he stressed that transition affected "the whole of our national life", and everyone in some way could play a role in seeing that transition away from apartheid moved towards a democratic outcome.

SA had no choice but to negotiate for democracy.

Although this would mean negotiating substantial issues like a democratic constitution, at this stage it meant bargaining about the very conditions that made negotiations possible. These included:

- ☐ A pact on violence — an agreement that it had to stop before negotiations could proceed;
- ☐ A national contract on the economy — an agreement that everything possible should be done to get growth and redistribution going in economic life; and
- ☐ A common commitment to share responsibility for managing transition — to agree on interim arrangements to move from apartheid to democracy.

If such conditions were met, said Slabbert, new structures could emerge which would not only demonstrate to all South Africans "how we managed transition, but also how we can jointly begin to understand the challenges inherent in democratic government".

These structures did not have to wait for "one-day magic" from the top down.

A whole range of interlocking pacts, contracts and commitments could come into being from the "bottom-up, as it were" — Sapa.

Govt policies on textile import, export 'not in SA's best interests'

(197)

BDay 13/6/91

Own Correspondent

DURBAN — Government's import and export policies for the clothing and textile industries are not in SA's best interests, Ninian & Lester chairman Mathew McElligott says in his annual report

Pointing out that the company operated in both industries, he said they were reliant on each other, despite their often conflicting interests. Clothing exports were being encouraged by the Board of Trade and Industry through the issue of duty-free permits and through the general export incentive scheme (GEIS) "While these incentives do encourage clothing exports, the incentive for the issue of duty-free permits is so structured that it can result in the import of textiles and clothing at a physical volume considerably in excess of the achieved exports.

"In addition specific and formula duties are in place to protect the local industry against disruptive competition due to the lack of an effective system for handling dumping, and these duties are by-passed by the incentive, which will adversely and unfairly affect certain sections of the clothing and textile industries."

McElligott said that this did not seem to "necessarily achieve a result in the best interest of the country or these industries. Perhaps there would be merit in reviewing the incentives to simplify their collection by way of a straightforward cash grant or tax credit, which would not distort the country's normal import patterns

"Such a change is particularly appropriate when local textile manufacturers are, in many instances, denied the right to import raw materials at the lower prices available to manufacturers of the aforementioned imports."

He said the first four trading months of the year had been more difficult for the company than the same period in 1990 The recession had deepened and 1991 was likely to prove a considerably more difficult trading year

Sales were up 39,3% in 1990 and pre-tax trading income, at R12,5m, was ahead of the R10,9m in 1989

Here comes space-age fashion

w\Mail 14/6-20/6/91

Put away your woollies — the age of synthetic fashion is here Hi-tech fabrics have replaced natural fibres in keeping the world warm, reports **CATHERINE ARNST**

197

COLD outside? You may want to think twice about buttoning up your woollen overcoat

Consumers at the cutting edge of fashion technology instead pull on their polypropylene thermalwear, their fleece polyester comfort layers and their waterproof Teflon-coated outer garments

Textile experts say hi-tech fabrics are taking over the outdoor clothing market and will become the rule rather than the exception for braving the elements in the 1990s

Low-tech, non-engineered woollies will lose out For the past decade wool has steadily lost its market share to synthetics Man-made fibre production increased by 35 percent

Industry analysts estimate that synthetics comprise 49 percent of worldwide fibre consumption, compared with 45 percent for cotton and only five per cent for wool

The wool industry blames much of the declining demand on high prices But clothing manufacturers say the superior attributes of the newest synthetics will push wool out of the outdoor clothing market even if prices become more competitive

Berghaus Ltd of Britain, a world standard setter for mountaineering equipment, has not used natural fibres in its clothing for several years, and its decision had nothing to do with price

"I don't think wool has a chance," said Stefan Lepkowski, public relations director for Berghaus "Synthetics outshine it by miles "

Polyester, acrylic, polypropylene and polyamide (the new name for nylon) have changed beyond recognition since the 1960s, when they were thought ugly, clammy and anything but chic

Fabric makers said they are now lighter, more durable and in many ways more comfortable than cotton or wool

For outdoor clothes, the biggest change has been building up synthetic fibres' ability to resist or "wick" away moisture

Wicking is the process of transporting water along the fibre It is moisture, in the form of perspiration next to the skin, that causes the wearer to get cold

Polyester is naturally hydrophobic — that is, repels water — but in recent years textile manufacturers have learned to coat their fibres with a hydrophilic polymer

These new fibres ape cotton in that they have a hollow core Perspiration is wicked away from the body along the outside of the fibre while warm air remains trapped inside the hollow

Cotton, however, has a high absorption rate, and quickly becomes soggy before the moisture evaporates

Hydrophilic polyester fibres are finer than cotton so a lightweight fabric can be woven with many more wicks to speed the water to the outer surface where it can evaporate They also have a very low absorbency rate

Some synthetic fabrics, such as polypropylene, are naturally hydrophilic, so they do not need a coating, making them even lighter A polypropylene fibre weighs only 0,81g per centimetre, compared with 1,38 for polyester and 1,55 for cotton

Once the moisture is wicked away from the body, winter weather also requires another layer for warmth, what most consumers still call a sweater

Wool, fabric experts say, is heavy, has no hollow core and absorbs moisture like mad Berghaus and most other outdoor wear companies instead use fleece, a combed polyester

According to Berghaus, fleece has every advantage over wool It is lightweight, extremely good at shedding water, very warm, does not itch and is easier to work with

"Fleece was a major step forward in terms of artificial clothing," Lepkowski said.

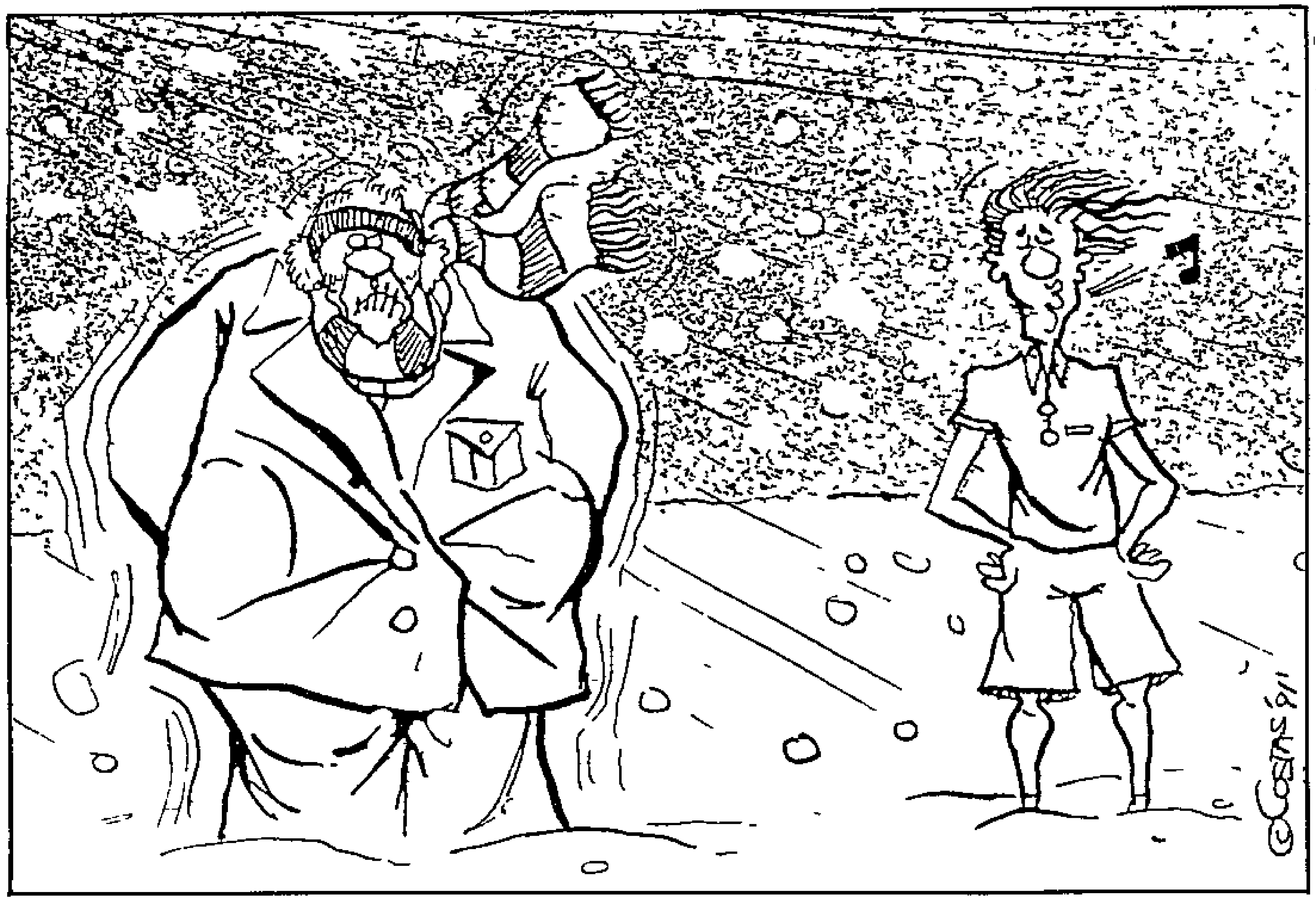
It is also cheaper A typical Berghaus fleece jacket costs $120-140 A wool sweater of comparable warmth, Lepkowski said, would be much heavier and cost $160-180

After the warmth layer comes the outer shell, the jacket This layer has been revolutionised by a small Connecticut company, WL Gore and Associates, maker of Gore-Tex

Gore invented and still dominates the market in waterproof fabrics that can breathe

Gore-Tex is a membrane made of the same material used on non-stick pans It has pores 20 000 times smaller than a water droplet but 7 000 times larger than a water vapour molecule

It allows evaporated perspiration to pass out through the fabric, but stops rain getting in. — Sapa-Reuter



Frame shares linger lowly

C.Times 16/6/91 (Com/Fin)

By JULIE WALKER

INVESTORS expect little of the Frame group — if its share price performance is a yardstick

A June yearend company, the textile manufacturing giant reported an attributable loss of R49-million in the six months to December That result, announced at the end of February, sent the share price to a low of 350c on March 1

Strikes

197

Market sentiment has improved almost daily, but Frame's share price remains weak It was quoted at 395c to 425c this week

Executive chairman Mervyn King says it is too close to the yearend for him to give any indication of the group's circumstances The results will be announced at the end of August

At the interim stage, Mr King blamed difficult trading conditions and strikes for a drop in profit of R30-million

Also to blame were the increased penetration of cotton imports and man-made yarns and fabrics, the recession, high interest rates and socio-political problems A telling factor was the granting to textile-pipeline manufacturers of duty-free import permits under the structural adjustment programme (SAP)

In the six months to December, Frame closed three mills and 2 500 jobs were lost In April it sold industrial yarn and carpet fibre subsidiary Nortex for R30-million

At the interim, Mr King said the Textile Federation had made representations to the authorities about the need to develop a proper strategy

This week the Board of Trade and Industry (BTI) and representatives from the clothing and the textile industries met to try to thrash out a strategy which suits everyone

It is believed that textile manufacturers will push for upstream subsidies on raw cotton because of its flow-through effect down the line

New duty for textiles is possible

LINDA ENSOR 197

CAPE TOWN — The Board of Trade and Industry (BTI) has apparently proposed scrapping the complex formula basis of calculating import duties on textiles in favour of a percentage ad valorem duty

At a meeting held with clothing and textile industry representatives two weeks ago, the BTI apparently requested that each industry submit the level of protection desired

It also asked how they would see duties declining over time, in line with Gatt policy

Yesterday was the final date for submissions to be handed in to the BTI

Leaders of the clothing industry met on Saturday to draft their proposals

Difficult

They suggested that an investigation be undertaken to determine the actual level of duties being paid B/Day 25/6/91.

A spokesman said the complexity of the formulae and the imposition of different duties on different categories of goods meant it was difficult to determine what amount was currently paid

It was necessary to know this before proposing a recommended level.

The BTI also requested submissions of views on the Structural Adjustment Programme for the clothing industry and on the abolition of the permit requirement for clothing imports

NINIAN & LESTER FM 28/6/91

LOWER THROUGHPUT

Activities: *Manufactures textiles, clothing and hosiery*
Control: *Directors 52,3%*
Chairman: *M R A McElligott; MD D M Drysdale*
Capital structure: *3,2m ords. Market capitalisation R17m*
Share market: *Price: 525c Yields 9,7% on dividend, 34,7% on earnings, p e ratio, 2,9; cover, 3,6. 12-month high, 825c, low, 525c Trading volume last quarter, 9 875 shares*

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	2,7	2,0	5,2	7,3
LT debt (Rm)	4,0	4,0	4,0	4,3
Debt equity ratio	0,28	0,19	0,23	0,20
Shareholders' interest	0,53	0,53	0,55	0,57
Int & leasing cover	5,2	6,6	3,7	3,6
Return on cap (%)	25,1	20,9	19,7	16,4
Turnover (% increase)	20,1	20,7	29,8	39,3
Pre-int profit (Rm)	7,5	12,1	14,3	16,6
Earnings (c)	184	237	262	182
Dividends (c)	50	65	73	51
Net worth (c)	732	954	1 221	1 443

When Ninian & Lester announced its 1990 interim results, EPS were down by two thirds and the directors were forecasting that the full year's earnings were likely to be less than half the 1989 level of 261c a share. In the second half, the bottom line recovered more than expected, as the group ended the year with both earnings and dividend down 30%

However, chairman Matthew McElligott notes that trading profit was as envisaged in his previous review, in that it just exceeded half the 1989 figure The group — listed in 1969 — still does not disclose the value of turnover, giving only the percentage increase during the year There was a 39% increase in 1990, but McElligott says the bulk of this resulted from the first-time consolidation of the Hacks Group. Pre-interest profit was up by 16,5%, so the trading margin narrowed considerably.

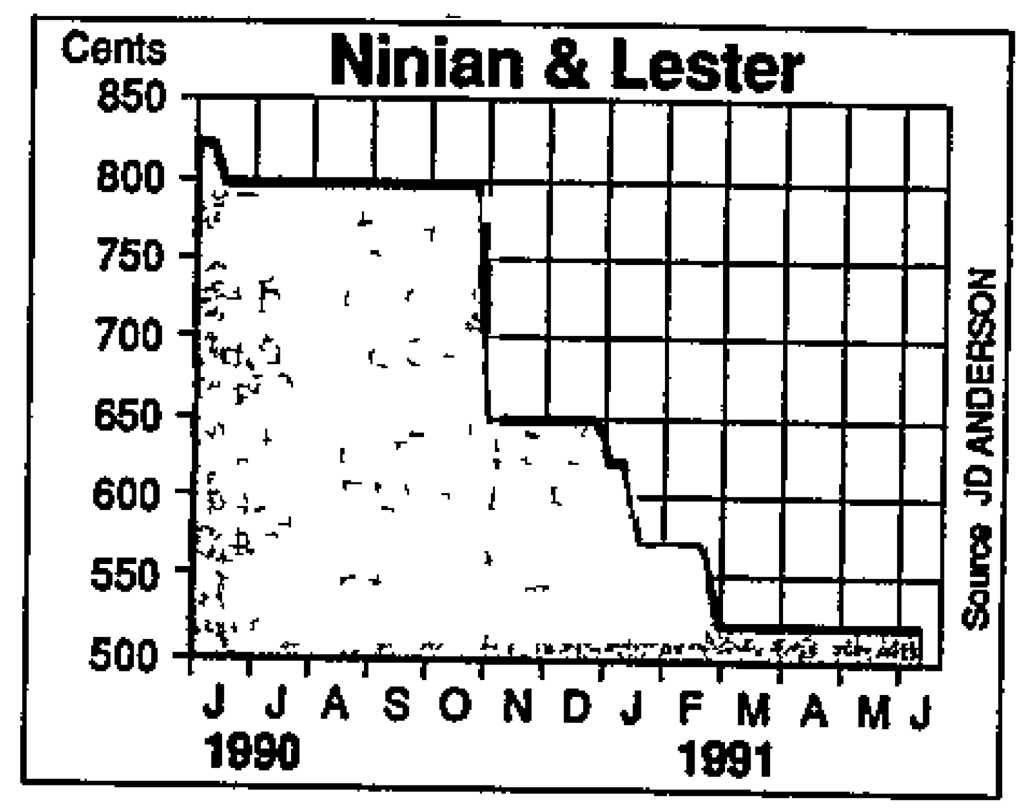
Ninian & Lester is one of the few groups

Continue ->

operating in both the textile and clothing industries and conditions were tough throughout the year in both sectors Order intake slowed and delivery lead times were reduced. Lower throughput meant some of the divisions had to cope with considerable short time.

Increased capacity

Net working capital (stock plus debtors less creditors) expanded by 40%, in line with turnover. Capital expenditure absorbed R8,1m, mainly for replacement of textile plant, increased capacity for hose knitting and some modernisation of the clothing sew-



ing plant A further R1,4m was spent on the acquisition of 10% of Hacks.

Net borrowings rose by R2,3m over the year, but gearing improved to a conservative 0,20. Cash flow per share increased from 313c to 332c.

By some measures, the tightly held share looks decidedly cheap. At 525c, the price is marginally more than a third of the 1 443c NAV and the p.e is only 2,9. But McElligot is taking a gloomy view of the current year's outlook — he says trading conditions in the first four months of 1991 have been more difficult than in the same period of 1990 and profits for the year will not equal those of last year

With another earnings decline forecast, there is little point expecting a price recovery soon Long-term investors may find the share worth watching.

Andrew McNulty

Frame may finally have found buyer for Waverley

8 Day 11/7/91 (197)

ROBERT LAING

FRAME is expected to announce on Friday whether it has finally found a buyer for the remainder of blanket business Waverley which it has been trying to offload for the past two years

According to one analyst, "everybody knows" that Frame is negotiating the sale of its blanket operations with Zimbabwe's two blanket manufacturers, Victor Cohen and Lonrho's National Blankets.

Frame published a cautionary announcement last week saying negotiations were in progress. The group refused to comment on the deal, but said a further announcement should be made at the end of this week.

Frame has been forced to reduce its blanket production dramatically because of urbanisation, undercutting by its competitors Pep and Aranda, and the growing popularity of duvets Blanket sales are estimated to have dropped from 14-million units to about 6-million.

Waverley showed a loss of R9,1m in its December interim report compared with 1989's profit of R7,7m and only its mills in East London and Ciskei are still operating The group has closed or sold all of its blanket mills in Durban, Harrismith, Malawi and Zambia.

Frame's ability to export to neighbouring countries has been curtailed by Victor Cohen and National Blankets, which have the advantage of Zimbabwe's cheaper raw material and labour.

DA GAMA FM 5/7/91 (197)

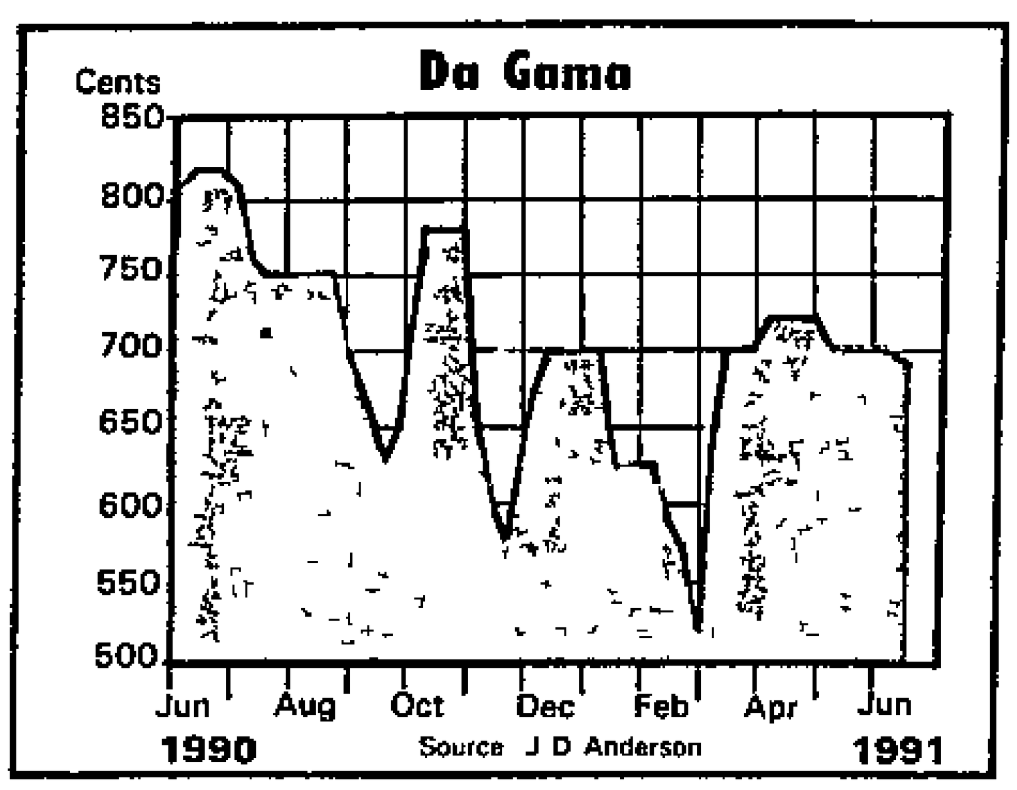
EROSION CONTINUES

Activities: *Textile manufacturer*
Control: *SA Breweries 60,7%.*
Chairman: *L van der Watt; CE, T H Pearce*
Capital structure: *51m ords. Market capitalisation R352m.*
Share market: *Price: 690c Yields: 5,2% on dividend; 12,1% on earnings; p:e ratio, 8,3; cover, 2,3. 12-month high, 825c, low, 510c Trading volume last quarter, 1,8m shares*

Year to Mar	'87*	'88*	'90†	'91
ST debt (Rm)	—	0,1	0,2	0,3
LT debt (Rm)	0,8	0,6	0,4	1,3
Shareholders' interest	0,69	0,68	0,70	0,77
Return on cap (%)	31,8	26,5	24,7‡	19,5
Turnover (Rm)	210	248	345	261
Pre-int profit (Rm)	44,7	53,7	87,5	50,3
Pre-int margin (%)	21,3	21,6	25,4	19,3
Earnings (c)	73	107	120‡	83
Dividends (c)	31,5	46	64,5	36
Net worth (c)	193	254	339	386

* Year to Dec 31 † 15-month period ‡ Annualised

A year ago, Da Gama implicitly hoped to maintain earnings, at the halfway mark, it hoped to limit the decline in annual earnings to the 20% of the first six months. Clearly, conditions worsened as the year wore on, as annualised earnings turned out 30% lower



Da Gama's Van der Watt . *earnings will remain under pressure*

Even so, earnings growth still averages 27,9% compound for the past five years — virtually double the inflation rate.

CE Harry Pearce says industry production volume fell by 16,4%, in the face of a sharp rise in imports, so he feels Da Gama did well to hold its sales decline to 6%.

The four marketing divisions suffered varying fortunes. The household textile and industrial divisions managed higher sales, but the home sewing division was hard hit by heavy low-priced imports, mainly from the Far East In the apparel division, sales of ladies' apparel grew but there was a substantial drop on the men's side The workwear market in particular shrank appreciably because of lay-offs in mining and industry.

The modernisation programme absorbed R23m — somewhat less than the R34m originally planned Net cash accordingly fell from R28m to R19m and annualised net interest received by R1,7m. Here, too, the toll was greater in the second half, as first-half net interest received was only R200 000 down. Thanks to tight controls of working capital, cash flow from operations rose 1%.

Chairman Laurie van der Watt expects consumer demand to remain "constrained" this year "Insufficient" import duties will not block even greater imports of cheap fabric and clothing Considering the way Da Gama prides itself on its leadership in high value-added niche markets, it's a little surprising that these cause so much concern

Van der Watt says earnings will remain under pressure and "without .. more positive economic growth, will not easily maintain their present levels " Pearce adds that it is planned to start exporting fabrics.

Plant modernisation will continue. Spending of a further R17m is planned this year, bringing capex over a three-year period to almost R85m. While the year-end net cash balance nominally equates the planned capex, a need for higher working capital could mean an end to the enviable absence of gearing. Still, the balance sheet will remain healthy and it will be a remarkable achievement to have come through a major capital programme, coinciding with tough economic conditions, in such good shape

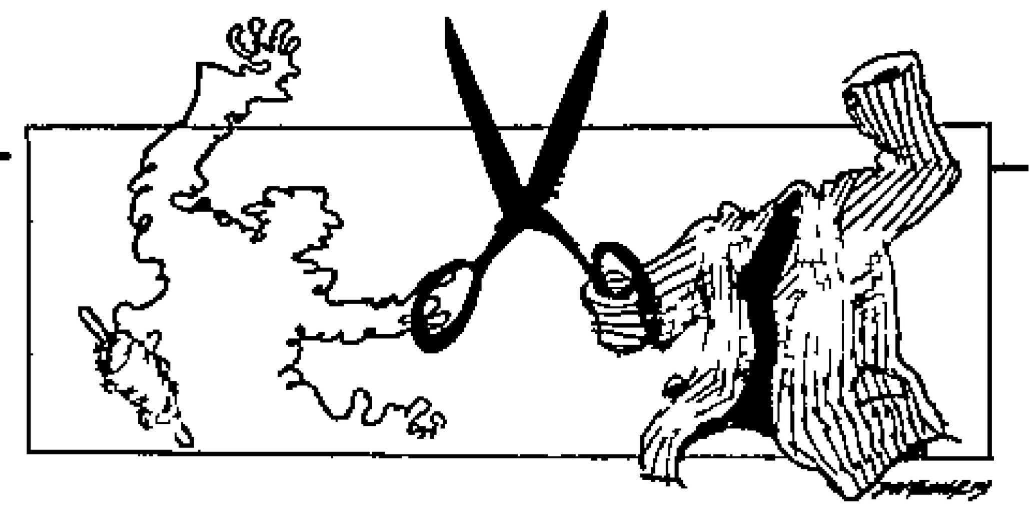
While the Industrial index has set new highs, the share has come off 110c since we discussed the interim report on November 2, no doubt reflecting disappointment at the second half's further erosion of profits But it's usefully higher than a year ago

SAB took control early in 1989 by a paper deal with Tootal of the UK that valued Da Gama at 700c So it's not been a brilliant short-term investment, though SAB claims it was justified on strategic grounds (*FM* May 31). If the SA textile industry has a future, there's no doubt that Da Gama, with its excellent technical, marketing and financial management, will be a sectoral leader

Investors, though, may wish to await evidence that the earnings slide is ending before committing fresh funds And there must be doubts about the permanence of Ciskei's tax-haven status, which keeps the effective tax rate down just under 20%. *Michael Coulson*

TEXTILES VS CLOTHING

NEW BATTLE WEAPONS



The Board of Trade & Industry is investigating a "development programme" that it hopes will end the continuing conflict between the clothing and textiles industries.

Textile Federation executive director Brian Brink speculates that the programme could involve a "pipeline approach" that will affect all the industry's players, from wool and cotton producers to textile manufacturers and clothing retailers.

He notes that some interesting thinking seems to be taking place that may involve subsidies, tax breaks or other forms of State assistance to the textile industry, shifting the emphasis from pure tariff protection

However, board CEO Reuel Heyns says he doubts whether any relief beyond tariff measures will be considered for the package.

The historic battle between the two factions essentially surrounds the level of protection that should be given to the capital-intensive textile industry, long kept under the State's protective wing. Clothing manufacturers have long argued for freer access to imported inputs, but textile manufacturers fear that government's increasingly liberal import regime may favour the labour-intensive clothing industry

Discussions between the two sectors are now taking place under the auspices of the SA Chamber of Business and are aimed at resolving the conflict over protectionism.

But, notwithstanding these moves towards a truce, the textiles versus clothing war (*Leaders* May 31) remains as acrimonious as ever The latest skirmish involves the federation's rash of applications to the board for antidumping action against a number of Far East textile exporters The antidumping applications were advertised in the *Government Gazette* of June 21 and complainants were given three weeks to respond.

Clothing Federation executive director Hennie van Zyl says about 13 types of cloth from eight Far East countries are involved. He describes the move as exerting psychological pressure on the board and government to keep the protectionist issue topical He would like to see a moratorium on any new antidumping applications while the issue is thrashed out

"Trade & Industry Minister Org Marais says he favours greater competition in industry," Van Zyl says. "As it's also government policy to strengthen SA's industrial export base, government should instruct the board to reject all antidumping applications because these will only harm both industries."

He says this would allow clothing manufacturers to focus on increasing exports and finding new markets in the post-sanctions era rather than "being forced continually to put out fires set by the federation's applications"

Ironically, the federation agreed — in the board-sanctioned agreement signed by both parties 18 months ago — to abide by a freezing of all tariffs for five years, after which they would be gradually reduced Now it has lodged its antidumping applications, using the formula duty mechanism it previously rejected Over the past four months it has also asked for higher tariffs on all woven and knitted fabrics The board has granted only one of these applications

Seardel executive director Mike Getz says clothing exports are projected to increase to 6% of total industry output in 1991/1992, from only 2% in 1988/1989 But if the federation's pressures on government succeed in keeping protectionism largely in place, these plans could be thwarted

He says the board is now reconsidering the agreement between the two industries Though government seems determined to increase competitive imports by lowering tariff walls, he fears some textile producers will still plead for strong antidumping measures because they have grown accustomed to 40 years of unbridled protectionism ■

FM 12/7/91 (197)

FRAME FM 12/7/91

BLANKET TALKS (197)

Competitors in the textile industry say that it is now "common knowledge" that Zimbabwe-based Victor Cohen is buying the remaining Waverley blanket mills from Frame

Zimbabwe's exchange control regulations seem to be the last obstacle to a deal being struck

There seems to be sense in Frame moving out of blankets Frame Waverley Textiles posted a loss of R19,1m at the December interim, compared with a year-ago attributable profit of R7,7m

Main distribution channel was through the Frasers stores, which have had their own management problems and uncertainties The Frasers mine stores were bought by Pep earlier in the year and they will be supplied from Pep's own manufacturing interests

Frame's remaining blanket mills in East London and Ciskei now fit awkwardly into the group, which is focusing increasingly on its core cotton spinning and weaving operations

In the long run, the cheapest supplier to the bottom end of the market will survive and Pep has consistently undercut Frame's prices If Frame's blanket interests are closed altogether, though, the remaining production of Pep and Aranda, of 3,5m units a year, would only supply about half local demand

So there is still room for an effective and lean operation, particularly with access to neighbouring countries

This is an argument for purchase by a concern from the neighbouring states, which already has a marketing infrastructure in place

Cohen Textiles has factories in four neighbouring territories Its SA operations would have access to generous SA export benefits and complement the other mills

The East London plant is suitable for weaving yarn which has been spun in Zimbabwe.

Under present regulations materials can be imported duty free into SA if they are subsequently re-exported

At least one rumour has proved to be a red herring — a spokesman for Lonrho's National Blankets, which had been named as a possible buyer, denies there has been any discussions between the company and Frame

Cash generated by the sale of the two remaining blanket mills is unlikely to make much of an impact on Frame's balance sheet The deal is likely to be on deferred terms and will not make a large impact on Frame's debt burden of more than R200m

The impact on the bottom line from the disposal should, however, be material. There are no signs that Waverley's profit has improved

Still, investors are showing some confidence in the recovery prospects. Frame's share price has risen from its low of 350c and it is trading in the 450c-475c range This is barely half of its mid-1990 price of 850c.

Stephen Cranston

Large award in Frame mill closure case

Wmail 19/7-25/7/91. 197

By DREW FORREST

WHAT lawyers say is South Africa's largest arbitration award in a termination of service case has been made in a dispute between the Frame group and the South African Clothing and Textile Workers' Union (Sactwu).

Independent Mediation Service arbitrator John Brand has awarded 1 000 workers at Frame's Wentex mill, in Durban, four weeks' pay in addition to their retrenchment money, following the mill's closure. The total award amounts to between R600 000 and R700 000.

Sactwu declared a dispute with Frame over the two weeks' severance pay given by the company, arguing that this was appropriate to a retrenchment, but not to a closure where there was no hope of re-employment.

The dispute went to arbitration in terms of the recognition agreement.

Brand found the closure procedurally unfair, in that the company had failed to consult the union, which had been recognised for many years, before deciding to close.

The ruling was important, said the workers' lawyer, Helen Seadey, because of its closely argued and categorical finding that is not enough for employers merely to consult on the consequences of a closure. Court rulings on this are contradictory.

She added that it would help to counter the Industrial Court's "creeping tendency" to find that prior consultation was not required if it was unlikely to have altered the decision.

Arbitrations do not bind the industrial court or other arbitrators, but can be of strong persuasive effect.

Lawyers say a jurisprudence is being developed through arbitration, with the growing number and weight of matters arbitrated.

ENQUIRIES:

Textile takeover saves 450 jobs in Lansdowne

197

ARG 23/7/91

TOM HOOD, Business Editor

MORE than 450 jobs at a Lansdowne factory have been saved by the R12 million takeover of Lansdowne Textile Industries (LTI), which was in provisional liquidation.

The rescue offer was made a consortium led by Abbey Holdings, a Cape Town investment company.

Confirming the takeover, Mr Ben Rabinowitz, Abbey's chairman, said today the successful bid was in competition with a foreign buyer

The factory has operated for 30 years and is the country's largest commission and dyeing company

Mr Justin Schaffer, a former chief executive of Romatex, has been appointed chief executive of LTI and said new capital had been injected into the business. It had some of the world's most advanced dyeing and finishing equipment and recent expansion had increased its capacity from 25 to 40 tons a day

Mr Guud van Heesch, who owned the dyehouse for five years, will continue as managing director

Textile jobs salvaged in R12m assets scoop

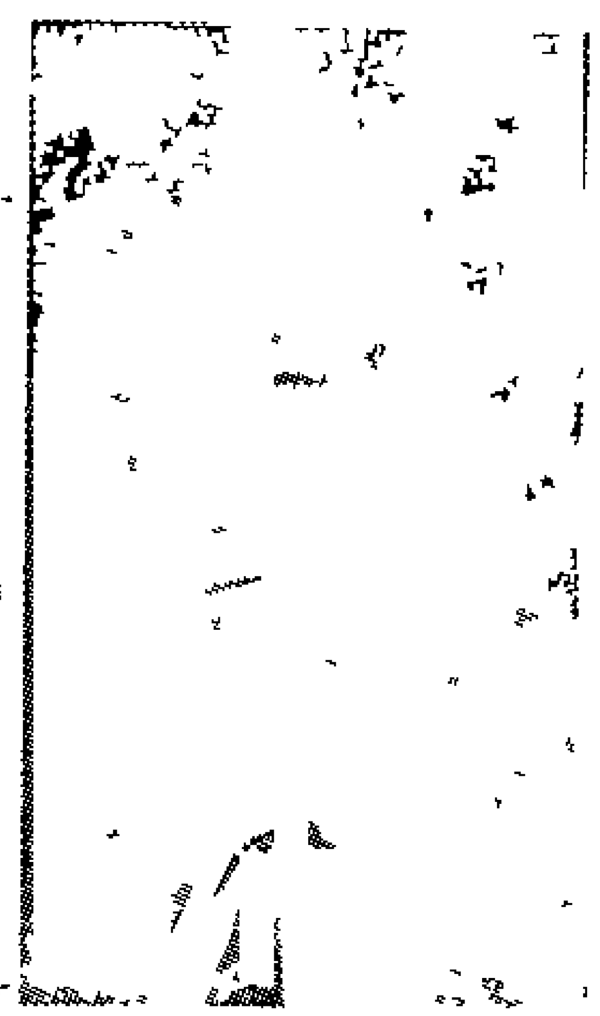
CT 23/7/91

(197)

By AUDREY D'ANGELO
Business Editor

A CONSORTIUM led by JSE-listed Abbey Holdings has saved 500 jobs by buying the assets of Lansdowne Textile Industries (LTI), which was in provisional liquidation

LTI, which has been in operation for 30 years, is SA's largest commission dyeing and finishing company



Ben Rabinowitz

Abbey Holdings chairman Ben Rabinowitz said yesterday that the consortium had paid R12m for "the assets — properties and plant We have not bought the company, so we have not taken over its debts "

Rabinowitz said LTI was "a wonderful business for us, but it was under-capitalised under its previous ownership "

The deal was concluded within hours on Friday "We rushed to obtain an order when we heard that Trust Bank intended to close LTI, and by buying the assets and carrying on business we have saved 500 jobs," said Rabinowitz

Guud van Heesch, who had owned LTI since 1986, will stay on as MD with his executive team

Abbey Holdings director Justin Schaffer, who has been appointed non-executive chairman of the restructured LTI, said in a statement issued yesterday that new capital had been injected into LTI and its balance sheet had been "strengthened significantly to support vigorous growth "

Schaffer said LTI had an excellent track record and would continue to operate as a completely independent commission dye-house

"LTI has some of the world's most advanced dyeing and finishing equipment and has an excellent reputation in the marketplace With renewed financial strength, it should continue to perform well "

Van Heesch said LTI was ready to take advantage of any economic upswing Recent expansion and new equipment had increased its capacity from 25 tons a day to 40 tons

"The company is also highly computerised and automated This allows for a faster delivery time and better customer service "

Abbey leads R12m purchase of Cape textile firm

LINDA ENSOR

BDay 23/7/91

(197)

CAPE TOWN — A consortium led by JSE-listed investment holding company Abbey Holdings has paid R12m for the provisionally liquidated Lansdowne Textile Industries (LTI), the largest commission dyeing and finishing company in the country

The financial implications of the deal will be published in about three weeks time. LTI has an annual turnover in the region of R30 to R40m

LTI's provisional liquidator brought an urgent application to the Cape Town Supreme Court on Friday to take the business out of his hands so it could be sold to Abbey Holdings

Abbey Holdings will be the controlling shareholder of LTI with LTI MD Guud van Heesch, who will stay on, and other investors having a stake

Abbey Holdings' Justin Schaffer, who has been appointed non-executive chairman of the restructured LTI, says new capital has been injected into the dyehouse and its balance sheet has been strengthened significantly to support its "vigorous growth" Between R3m and R4m will have to be injected as working capital

Schaffer says the company will operate as an independent dyehouse LTI will ultimately be under the wing of Abbey Holdings' textile subsidiary Fenix Industries

LTI suffered the strains of an extensive expansion programme undertaken in a period of recession Schaffer says that with renewed financial strength it should continue to perform well

Textile plant is hit by slump

By IAN SMITH

THE recession has claimed another victim in the textile industry

Port Elizabeth-based Industex is to close its weaving operation at Wellington after annual losses of about R3-million in recent years

The group is a major manufacturer of towels, geotextiles for the mining industry and tyre cord

Weaving makes up about half of the Wellington business and the closure affects about 230 employees

Managing director Francois de Selliers says sales of towelling products have fallen and "there is no indication of any upturn"

"We could jeopardise the other operations in the Industex group if we allowed the Wellington weaving losses to continue"

Towelling sales have also been severely hit by imports from China and Zimbabwe. The imports are sold at dumping prices, helped by Zimbabwe's subsidies on cotton and low duties in SA

The group's spinning operation at Wellington will continue Towel weaving will be moved to the Port Elizabeth and Uitenhage plants which have spare capacity on more modern equipment.

Fenix agrees to buy Lansdowne Textile for R12m

(ebp) (197)

Bday 29/7/91

LESLEY LAMBERT

FENIX Industries, formerly Retco, has reached agreement in principle to buy the business and associated interests of provisionally liquidated Lansdowne Textile Industries for R12m

Lansdowne Textile Industries is SA's largest independent industrial commission dyer and finisher.

The proposed transaction will be finalised within four weeks and effective from July 19 Felix's listing on the JSE will change from the property to the clothing, footwear and textiles sector.

Meanwhile, shareholders in Fenix and holding company Abbey are advised to be cautious in their dealings.

The transaction will be settled in cash and the issue of no more than one million Fenix ordinary shares of no par value.

In terms of the agreement, Fenix, or its nominee, will be entitled to propose a scheme of arrangement between Lansdowne Textile Industries and its creditors.

The transaction will alter a recent plan by Fenix to reduce its capital by R19,8m It was going to do so by distributing a portion (135c) in cash and the remaining 45c in the form of shares held in the Debonair Group However the cash component will be reduced

Details of the amended capital reduction plan will be announced shortly and the deadline for registration for the capital reduction will be deferred by about one month

Write-offs push up Debonair loss

B/Day 31/7/91

SEAN VAN ZYL

BEDROOM-textile producer Debonair Group has disclosed a net loss of R12,4m for the year ended February due to extraordinary write-offs, the directors have stated

This resulted in a loss — after abnormal items — of 56,2c a share (1990 0,6c earnings)

No dividend was declared

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Tight economic conditions eroded operating margins resulting in an operating loss of R806 000 (R1,7m operating profit)

However, finance costs climbed significantly to R2,25m (R1,62m), while long-term liabilities more than doubled to R805 000 from the previous year's R312 000

The Debonair Group, which designs, produces and destributes bedroom textiles, decided to write off various investments and trademarks in operations discontinued in the last financial year.

Under new management, Debonair's directors said, the write-offs against debtors, stock, investments and trademarks recorded under abnormal and extraordinary losses of R1,27m and R8,04m, would not recur in future trading years

They ascribed the write-offs to "historic problems" encountered from past acquisitional growth

Furthermore, the group closed a number of loss-making operations based in Johannesburg

It also relocated the major operating division to Cape Town which contributed partly to the disclosed loss

However, they noted that this rationalisation would benefit future trading profitability

The directors said the group had now strengthened its management and also improved sales and production planning, which would result in future profit

The index lost 2,2% to end at the day's low of 4 851.

in the past three months

ANDREW GILL

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GATT negotiators stretch textiles agreement

GENEVA — Trade negotiators agreed yesterday to extend existing international trade arrangements for textiles and clothing until the end of 1992, despite calls by Third World exporters for lower import barriers

The GATT (General Agreement on Tariffs and Trade) said the current Multifibre Arrangement (MFA) would be prolonged in the expectation that new trade liberalising rules, being negotiated as part of the Uruguay Round, would come into force in 1993

After weeks of argument, GATT's textiles committee reached its decision the day the existing five-year-old Multifibre Agreement was due to expire

The agreement involves 41 countries and covers about half of world trade in textiles and clothing, worth $196bn in 1989

The arrangement, first introduced in 1974, is a series of bilateral quotas negotiated between importing and exporting nations

As such it contradicts GATT's market-oriented principles.

The GATT-sponsored Uruguay Round of talks, launched in 1986, is meant to lead to the incorporation of the sensitive sector into GATT

But talks are stalled by a row between the US and the EC over agricultural subsidies

In agreeing to extend the Multifibre Agreement, GATT's textiles committee said this was on the understanding that "the Uruguay Round results would enter into force immediately thereafter"

Participants undertook not to raise import barriers in the interim 17 months, according to the text of the declaration

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They also reiterated a commitment made in the Uruguay Round "to endeavour to improve the trade situation, paving the way for the integration of the textiles and clothing sector into GATT"

Developing countries such as India and the Philippines had argued that liberalisation measures should start before the end of next year

But importing nations, such as the US, wanting to protect powerful domestic textiles industries, said there was no point in drawing up a revised Multifibre Agreement accord because of the ongoing Uruguay Round talks — Sapa-Reuter

Frame sheds its blankets

STimes (Bus) Times 4/8/91. 197

By IAN SMITH

CASH-STRAPPED Frame Group has sold its last blanket manufacturing operations.

But shareholders will have to wait to see the benefits to the group's debt load.

Operating company Consolidated Frame Textiles' net borrowings were up at R220,3-million at the half-year on December 31

FirstCorp's Stuart Elliot says the value of the deal depends on audited figures for the June 30 yearend which are not yet available

Frame Group executive chairman Mervyn King says the proceeds will reduce borrowings, improve working capital and lead to improved efficiencies in a rationalised group

The sale of Frame's last blanket mills takes the group out of the business on which it was founded Frame started with a blanket mill in Durban in 1927. At the peak of the blanket industry it had nine mills in SA.

Mr King says, "The disposal of the blanket business is consistent with the group's strategy of focusing on its core business in limited geographic areas and shrinking its balance sheet"

Four mills have been closed in the past 18 months.

Mr King says few people realise that recently blanket sales have accounted for only about 15% of gross sales, which topped R984-million in the last full year

"The view that Frame is mainly a blanket manufacturer will be gone forever," says Mr King

The last SA blanket mill at East London and others in Limbe, Malawi, and Livingstone in Zambia have been sold to entrepreneur Victor Cohen He has built up the biggest textile empire in Zimbabwe in the past 18 years

Mr King says "The deal brings together the two biggest blanket manufacturing forces in Southern Africa. It is in the best long-term interests of the blanket industry and the workforce"

Undertaking

Trade unions were consulted about the deal, and Mr Cohen gave an undertaking to retain all workers in East London.

The blanket mills were held in Frame Waverley Textiles, but that company's other assets, including Frame SA Weavers, Frame Yarns and Frame Fibre Processing Mills, have been transferred to Consolidated Frame Textiles.

Frame Group reported a loss of R48,8-million in the first half and results for the year are due at the end of August

Frame agrees to sell its last blanket mill

(197)

ROBERT LAING

THE Frame Group has reached agreement in principle to sell its last blanket mill to a consortium represented by Zimbabwean textile tycoon Victor Eric Cohen.

Frame executive chairman Mervyn King said at the weekend that the value of the deal could not be disclosed yet.

The group advised shareholders in a statement today to continue exercising caution in dealing in their shares until a final announcement was made.

In terms of the deal, Frame Waverley Textiles (FWT) has transferred all its non-blanket interests to Consolidated Frame Textiles (Confram), which leaves FWT with one blanket mill in East London, and the Frame Group will sell its entire shareholding in FWT to Victor Cohen

B Day 5/8/91

Over the past 18 months FWT has closed four blanket mills. King said the property of one had been sold to Beacon Sweets for R16m and buyers for the remaining three were being sought

King said blanket sales constituted about 15% of the group's total sales. This equates to R101m on 1990's sales of R674m.

The transaction would reduce the group's borrowings and increase its ability to improve efficiencies in a rationalised group, he said.

Frame reported net borrowings of R220m in its interim report for the six months to end-December

The sale ends Frame's involvement in the blanket industry and it will now concentrate on supplying yarns and greige fabrics. King said the group was positioned to be a creator of jobs in subsidised areas, effectively in partnership with the government.

Pepkor venture set to boost clothing and textile exports

(191) FM 8/8/91

TOM HOOD, Business Editor

EXPORTS of South African clothing and home textiles will get a boost from a chain of retail shops on the lines of Pep Stores being opened in Britain and Europe by Pepkor

"Results of a pilot project are so positive that we will be opening a substantial number of outlets in the target area within the foreseeable future," says Mr Christo Wiese, chairman of the Cape-based retail giant.

Pepkor planned to create a substantial mass retail business in Britain and Europe within the next five years, should the international climate towards South Africa continue to improve, he said at a management symposium of the Cape Pomological Association in Cape Town yesterday.

Pepkor started planning five years ago for its entry into international markets, he said.

"We believe we have in the Pep mass market concept a unique export product which could be applied with equal success in virtually any country.

"We are also convinced that the South African retail industry is one of the most sophisticated in the world, and that other countries could learn much from us.

"When the doors to new markets opened, we were one of the first to slip through.

"Our first step was to enter into an agreement with a European associate which allowed the latter to apply the Pep concept on a franchise basis worldwide," Mr Wiese said.

The agreement not only provided for the furnishing of expertise but also for the supply of South African clothing and home textiles, similar to those available in Pep outlets, to stores opened abroad in terms of the agreement.

"It was decided to apply the Pep concept in Britain and Europe first, so in March this year a pilot project was launched in the United Kingdom"

Such a chain would also benefit South African exports considerably, he added.

■ OCEANA Investment Corporation, the South African-controlled retail group involved in a £121 million (R605 million) hostile bid for Etam, the British fashion retailer, has acquired extra shares amounting to 1,74 percent of its target through recent purchase in the market, The Argus Foreign Service reports from London.

The additional shares take Oceana's total holding in Etam to 31,89 percent, while it has acceptances covering 1,46 percent.

■ TRANSKEI SUN INTERNATIONAL'S results for the year ended June reflect the difficult trading conditions which resulted and lower occupancy rates for its for its Wild Coast Sun resort.

Wage increases and higher casino levies affected the results, but the directors said the 18 percent increase in group turnover to R193 million was satisfactory.

Operating profits grew by 6 percent, and earnings rose 8 percent to R53 million and the final dividend of 13,25c (12,5c) raised the year's payout to 27c (25,5c).

Earnings for the coming year will show only moderate growth, say the directors

■ RANDEX, the mineral rights participation company, has passed its final dividend.

Applicant:

Board of Trade and Industry, Private Bag X753, Pretoria, 0001

Note The effect of this proposal will be that all tubes, pipes and hollow profiles, seamless, of iron (excluding cast iron) or steel, classifiable under tariff heading 73 04, will be free of duty

List 29/91 was published under General Notice 702 of 2 August 1991.

(9 August 1991)

Applikant:

Raad van Handel en Nywerheid, Privaatsak X753, Pretoria, 0001

Opmerking Die effek van hierdie voorstel is dat alle buise, pype en holprofiele, naatloos, van yster (uitgesonderd gietyster) of staal, indeelbaar by tariefpos 73 04, vry van reg sal wees.

Lys 29/91 is by Algemene Kennisgewing 702 van 2 Augustus 1991 gepubliseer.

(9 Augustus 1991)

NOTICE 734 OF 1991

BOARD OF TRADE AND INDUSTRY

PROPOSED DEVELOPMENT PLAN FOR THE FIBRE, APPAREL TEXTILE AND CLOTHING INDUSTRIES

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(a) Explanatory statement

During April 1989 revised rates of duty, which included formula duties, were implemented in respect of apparel textiles and clothing and import control on textiles was subsequently abolished. It was stated that formula duties would not be adjusted. The industries were encouraged to restructure so as to become more internationally competitive and export orientated.

Since then the Board has received numerous complaints and allegations regarding inability to compete, unfair and disruptive competition, late deliveries, refusal to supply, lack of co-operation between the various parts of the industry and abuse of the duty-free-import-for-export permits

In view of the continued controversy within and surrounding the apparel textile and clothing industries the Board initiated an urgent basic assessment of the matters at issue The Board concluded that the domestic apparel textile and clothing industries are potential growth industries. However, the Board is convinced that the long-term realisation of the potential of these industries will be possible only if they concentrate on becoming internationally more competitive than they are at present, this would include the rationalisation of their manufacturing operations and product ranges, exploitation of comparative advantage through niche marketing, improvement of co-operation and communication in the pipeline, a commitment to exports and, in the case of the textile industry, a more market-orientated approach The Board's view with regard to the Government's role in this restructuring process is that it should provide an environment conducive to the industries making the necessary changes themselves

These and other conclusions were discussed with representatives of the industries concerned on 10 June 1991 Based on the comments and proposals received from these industries and the Board's own view ***the Board now wishes to publish a proposed scheme for the fibre, apparel textile and clothing industries for general information and comments before 15 October 1991.***

KENNISGEWING 734 VAN 1991

RAAD VAN HANDEL EN NYWERHEID

VOORGESTELDE ONTWIKKELINGSPLAN VIR DIE VESEL-, DIE KLEDINGTEKSTIEL- EN DIE KLEREBEDRYF

(a) Verduidelikende verklaring:

Gedurende April 1989 is hersiene skale van reg, wat formuleregte ingesluit het, ten opsigte van kledingtekstiele en klere geïmplementeer, en invoerbeheer op tekstiele is vervolgens opgehef. Daar is verklaar dat formuleregte nie aangepas sou word nie Die bedrywe is aangemoedig om te herstruktureer ten einde meer internasionaal mededingend en uitvoergerig te word

Sedertdien het die Raad talle besware en bewerings ontvang rakende die onvermoë om mee te ding, onbillike en ontwrigtende mededinging, laat aflewerings, weiering om te verskaf, gebrek aan samewerking tussen die onderskeie afdeling van die bedryf en misbruik van die doeanevrye invoer-vir-uitvoer-permitte

In die lig van die voortdurende kontroverse binne en rondom die kledingtekstiel- en die klerebedryf het die Raad 'n dringende basiese evaluering van die geskilpunte gedoen Die Raad het tot die gevolgtrekking gekom dat die binnelandse kledingtekstiel- en die klerebedryf potensiele groeibedrywe is Die Raad is egter daarvan oortuig dat die langtermynverwesenliking van die potensiaal van hierdie bedrywe slegs moontlik sal wees indien hulle daarop konsentreer om internasionaal meer mededingend te word as wat hulle tans is deur onder andere hulle vervaardigingsbedrywighede en produkreekse te rasionaliseer, komparatiewe voorsprong deur nisbemarking te benut, samewerking en kommunikasie in die pyplyn te verbeter, hulle tot die bevordering van die uitvoer te verbind en, in die geval van die tekstielbedryf, 'n meer markgerigte benadering te volg Die Raad se standpunt met betrekking tot die Staat se rol in hierdie herstruktureringsproses is dié van die skepping van 'n milieu wat bevorderlik is vir die bedrywe om die nodige veranderinge self aan te bring

Hierdie en ander gevolgtrekkings is op 10 Junie 1991 met verteenwoordigers van die betrokke bedrywe bespreek. Op grond van die kommentaar en voorstelle wat van hierdie bedrywe ontvang is, asook die Raad se eie standpunte, ***wil die Raad dan nou 'n voorgestelde skema vir die vesel-, die kledingtekstiel- en die klerebedryf vir algemene inligting en kommentaar voor 15 Oktober 1991, publiseer.***

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(b) Proposals aimed at more competitiveness

Duration: It is proposed that the scheme operate for nine years from 1 January 1992 to 30 December 2000 and that it entail a rationalisation period of three years (1992–1994) during which Government assistance will remain unaltered, and a liberalisation period of six years (1995–2000) during which the level of assistance will be reduced gradually.

Import duties: The duties during the rationalisation period will be comprehensive and uniform in respect of comparable products, with the rates of duty escalating from fibre to clothing All formula duties will be removed and replaced with relatively high levels of *ad valorem* duries as indicated in (c) of this notice The duties will be reduced during the liberalisation period The *ad valorem* duties will decrease by one fifth per annum over the following five years to moderate levels All changes to the tariffs will take place in accordance with the following predetermined schedule

	Rationalisation period	Liberalisation period					Final duties
	1992–1994	1995	1996	1997	1998	1999	2000
Fibre	free or 20%	20	16	12	8	4	Free
Yarn	20%	20	18	16	14	12	10
Fabric	40%	40	36	32	28	24	20
Clothing	60%	60	54	48	42	36	30

These proposals are based on the following conclusions reached by the Board in the light of its experience, investigations and a detailed statistical analysis

(i) The Board is convinced that any type of duty which is based on a monetary value is merely another form of price control Both formula and specific duties have substantial downstream cost-raising effects while often encouraging irregularities, creating uncertainty in the industry and building in rigidities Furthermore, it is extremely difficult to determine a realistic world price (or even a realistic domestic price) for heterogeneous products such as textiles and clothing In spite of the number of tariff items in the Customs Union tariff, there are still price difference of up to 80 per cent between different products classified under the same eight-digit heading The Board is convinced that the negative effects of these types of duties are of such severity that other ways of protection must be sought

(ii) The Board is consequently of the opinion that relatively high levels of *ad valorem* duties should be implemented. The Board will, however, continue investigating ways of determining realistic world and domestic prices for comparable products

Tariff classification: The objective of more uniform rates of duty create the opportunity for a simplification of the tariff structure in respect of fibre, textiles and clothing A simpler tariff classification has many advantages, not least of these being the easing of the administrative process and the limitation of irregular practices It is proposed that the current tariff structure be simplified to six-digit subheadings as far as possible, as indicated in (c) of this notice This proposal will reduce the number of tariff headings from 2 155 to 624

(b) Voorstelle gerig op groter mededingendheid

Duur: Daar word voorgestel dat die skema nege jaar lank, naamlik vanaf 1 Januarie 1992 tot 30 Desember 2000, in werking moet wees en dat voorsiening gemaak word vir 'n rasionaliseringstydperk van die drie jaar (1992–1994) waartydens Staatsbystand onveranderd sal bly, asook 'n liberaliseringstydperk van ses jaar (1995–2000), waartydens die vlak bystand geleidelik verlaag sal word

Invoerregte: Die regte gedurende die rasionaliseringstydperk sal omvattend en eenvormig wees ten opsigte van vergelykbare produkte, met die skale van reg wat vanaf vesel tot klere trapsgewys toeneem Alle formuleregte sal verwyder word en deur relatief hoe vlakke van *ad valorem*-regter vervang word, soos aangedui in (c) van hierdie kennisgewing Die regte sal gedurende die liberaliseringstydperk verlaag word Die *ad valorem*-regte sal in die loop van die volgende vyf jaar met een vyfde per jaar tot matige vlakke verminder Alle veranderinge aan die tariewe sal in ooreenstemming met die volgende vooraf bepaalde program geskied

	Rasionaliseringstydperk	Liberaliseringstydperk					Finale regte
	1992–1994	1995	1996	1997	1998	1999	2000
Vesel	vry of 20%	20	16	12	8	4	Vry
Garing	20%	20	18	16	14	12	10
Materiaal	40%	40	36	32	28	24	20
Klere	60%	60	54	48	42	36	30

Hierdie voorstelle is gegrond op die volgende gevolgtrekkings waartoe die Raad gekom het uit hoofde van sy ondervinding, ondersoeke en 'n uitvoerige statistiese ontleding.

(i) Die Raad is daarvan oortuig dat enige tipe reg wat op 'n monetêre waarde gebaseer is bloot 'n ander vorm van prysbeheer is Sowel formule- as spesifieke regte het aansienlike stroomaf kosteverhogende gevolge, terwyl dit dikwels onreelmatighede aanmoedig, onsekerheid in die bedryf teweegbring en starhede inbou Daarbenewens is dit uiters moeilik om 'n realistiese wêreldprys (of selfs 'n realistiese binnelandse prys) vir heterogene produkte soos tekstiele en klere te bepaal Ondanks die aantal tariefitems in die Doeane-unietarief, bestaan daar steeds prysverskille van tot 80 persent tussen verskillende produkte wat onder dieselfde agtsyferpos ingedeel is Die Raad is daarvan oortuig dat die negatiewe uitwerking van hierdie tipes regte van so 'n ernstige aard is dat daar na ander metodes van beskerming gesoek moet word

(ii) Die Raad is derhalwe van mening dat relatief hoe vlakke van *ad valorem*-regte toegepas moet word Die Raad sal egter voortgaan om metodes te ondersoek vir die bepaling van realistiese wêreld- en binnelandse pryse vir vergelykbare produkte

Tariefindeling: Die doelstelling van meer eenvormige skale van reg skep die geleentheid vir 'n vereenvoudiging van die tariefstruktuur ten opsigte van vesel, tekstiele en klere. 'n Een[illegible]udiger tariefindeling hou baie voordele in, waarvan die vergemakliking van die administratiewe proses en die beperking van onreelmatige praktyke beslis nie die mins belangrike is nie. Daar word voorgestel dat die huidige tariefstruktuur sover moontlik vereenvoudig moet word tot sessyfersubposte, soos aangedui in (c) van hierdie kennisgewing Hierdie voorstel sal die getal tariefposte van 2 155 tot 624 verminder

Disruptive or unfair competition: Industry will be free to approach the Board with allegations of dumping or other forms of disruptive competition at any stage during the period of the scheme If dumping is found to exist, appropriate anti-dumping action will be taken Imports will be monitored closely to ensure pro-active action.

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Rebate provisions: It is proposed that all Schedule 3 rebates published under (d) of this notice be withdrawn, with the exception of the duty-free import-for-export permit provisions Item 470 03 has been published separately for withdrawal. Exporters would still be able to use the relevant drawback provision (item 521.00) in the fifth schedule while a third schedule provision could be created in certain cases.

Duty-free import-for-export permits: It is proposed that this rebate provision be retained in amended form during the rationalisation period, but be phased out during the first three years of the liberalisation period by way of an equal number of percentage points per annum Numerous complaints have been received regarding the fact that exporters have used this rebate provision to import goods that disrupt markets other than their own. The objective of the rebate was to encourage manufacturers to concentrate on what they do well and to import the rest to make up their range. This has apparently not happened in many cases and therefore an amendment to the scheme is necessary It is now proposed that the rebate be amended to include fibre and yarn, and that imports be limited to 50 per cent of exports by value and then only in respect of the six-digit item under which the products were exported. In the case of fibre and yarn the import would be the same four-digit item as that applying to the export. The provision for duty-free imports based on 10 per cent of value of materials purchased locally would fall away. Administration would be streamlined and control tightened considerably The permits would be issued for a calendar year and would be valid for that calendar year only—none would be extended. Permits would not be transferable. Conditions pertaining to the issue of these permits would be set out in the Customs and Excise Act. These benefits should not be seen as an export incentive in disguise but should be viewed as a means of helping the industry to restructure itself by assisting in the rationalisation of the product mix, thereby enabling it to become more competitive.

Import control: Although it is the intention to move away from quantitative measures of control it is proposed that import control on clothing be retained, but that permits continue to be issued freely. However, import control on fibre should be lifted

(c) It is proposed that the following rates of duty and tariff classification on fibres, apparel textiles and clothing be substituted for the existing rates and tariff classification.

Ontwrigtende of onbillike mededinging: Dit sal die bedryf vrystaan om in enige stadium tydens die duur van die skema die Raad te nader met bewerings van dumping of ander vorme van ontwrigtende mededinging Indien daar bevind word dat dumping bestaan, sal gepaste anti-dumpingstappe gedoen word. Invoere sal streng gekontroleer word ten einde pro-aktiewe optrede te verseker.

Kortingvoorsienings: Daar word voorgestel dat alle Bylae 3-kortings gepubliseer onder (d) van hierdie kennisgewing ingetrek moet word, met uitsondering van die doeane vrye invoer-vir-uitvoer-permitvoorsienings. Item 470.03 is afsonderlik vir intrekking gepubliseer. Uitvoerders sal steeds die toepaslike teruggawe voorsiening (item 521.00) in Bylae 5 kan gebruik, terwyl 'n bylae 3-voorsiening in sekere gevalle geskep kan word.

Doeanevrye invoer-vir-uitvoer-permitte: Daar word voorgestel dat hierdie kortingvoorsiening in gewysigde vorm gedurende die rasionaliseringstydperk behou word, maar gedurende die eerste drie jaar van die liberaliseringstydperk by wyse van 'n gelyke getal persentasiepunte per jaar uitgefaseer word. Vele besware is ontvang met betrekking tot die feit dat uitvoerders hierdie kortingvoorsiening gebruik om goedere in te voer wat ander markte as hul eie ontwrig Die doel van die korting was om vervaardigers aan te moedig om te konsenstreer op dit wat hulle goed doen, en om die res in te voer ten einde hulle reeks aan te vul Dit het blykbaar in baie gevalle nie gebeur nie en derhalwe is 'n wysiging van die skema nodig Daar word nou voorgestel dat die korting gewysig moet word om vesel en garing in te sluit, en dat invoere beperk moet word tot 50 persent van uitvoere volgens waarde, en dan slegs ten opsigte van die sessyfer-item waaronder die produkte uitgevoer is In die geval van vesel en garing sal die invoer dieselfde viersyfer-item wees as dié wat op die uitvoer van toepassing is. Die voorsiening vir doeane vrye invoere gebaseer op 10 persent van die waarde van materiale wat binnelands aangekoop word, sal wegval Administrasie sal vereenvoudig word en beheer sal aansienlik verskerp word. Die permitte sal vir 'n kalenderjaar uitgereik word en sal slegs vir daardie kalenderjaar geldig wees, geeneen sal verleng word nie. Permitte sal nie oordraagbaar wees nie Voorwaardes betreffende die uitreik van permitte sal in die Doeane- en Aksynswet uiteengesit word Hierdie voordele moet nie gesien word as 'n verskuile uitvoeraansporing nie, maar moet beskou word as 'n manier om die bedryf te help om homself te herstruktureer deur bystand te verleen by die rasionalisering van die produktereeks, en hom sodoende in staat te stel om meer mededingend te word.

Invoerbeheer: Alhoewel dit die bedoeling is om weg te beweeg van kwantitatiewe beheermaatreëls, word daar voorgestel dat invoerbeheer op klerasie behou word, maar dat daar voortgegaan word om permitte vrylik uit te reik. Invoerbeheer op vesel moet egter opgehef word

(c) Daar word voorgestel dat die bestaande skale van reg en tariefindeling op vesels, kledingtekstiele en klerasie deur die volgende skale en tariefindeling vervang word.

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Heading	Subheading	Article Description	Rate of Duty
51 01		**Wool, not carded or combed**	
	5101 1	Greasy, including fleece-washed wool	
	5101 11	Shorn wool	free
	5101.19	Other	free
	5101 2	Degreased, not carbonised	
	5101 21	Shorn wool	free
	5101 29	Other	free
	5101 30	Carbonised	free
51 02		**Fine or coarse animal hair, not carded or combed**	
	5102.10	Fine animal hair	free
	5102 20	Coarse animal hair	free
51 03		**Waste of wool or of fine or coarse animal hair, including yarn waste but excluding garnetted stock.**	
	5103 10	Noils of wool or of fine animal hair	free
	5103 20	Other waste of wool or of fine animal hair	free
	5103 30	Waste of course animal hair	free
51 04		**Garnetted stock of wool or of fine or coarse animal hair.**	
51.05		**Wool and fine or coarse animal hair, carded or combed (including combed wool in fragments).**	
	5105 10	Carded wool	free
	5105 2	Wool tops and other combed wool	
	5105 21	Combed wool in fragments	free
	5105 29	Other	free
	5105 30	Fine animal hair, carded or combed	free
	5105 40	Coarse animal hair, carded or combed	free
51 06		**Yarn of carded wool, not put up for retail sale.**	
	5106 10	Containing 85 per cent or more by mass of wool	20%
	5106 20	Containing less than 85 per cent by mass of wool	20%
51 07		**Yarn of combed wool, not put up for retail sale.**	
	5107 10	Containing 85 per cent or more by mass of wool	20%
	5106 20	Containing less than 85 per cent by mass of wool	20%
51 08		**Yarn of fine animal hair (carded or combed), not put up for retail sale.**	
	5108 10	Carded	20%
	5108 20	Combed	20%
51 09		**Yarn of wool or of fine animal hair, put up for retail sale.**	
	5109 10	Containing 85 per cent or more by mass of wool or of fine animal hair	20%
	5109 90	Other	20%
51 10		**Yarn of coarse animal hair or of horsehair (including gimped horse-hair yarn), whether or not put up for retail sale.**	20%
51 11		**Woven fabrics of carded wool or of carded fine animal hair.**	
	5111 1	Containing 85 per cent or more by mass of wool or of fine animal hair:	
	5111 11	Of a mass not exceeding 300 g/m^2	40%
	5111 19	Other	40%
	5111 20	Other, mixed mainly or solely with man-made filaments	40%
	5111 30	Other, mixed mainly or solely with man-made staple fibres	40%
	5111 90	Other	40%
51 12		**Woven fabrics of combed wool or of combed fine animal hair.**	
	5112 1	Containing 85 per cent or more by mass of wool or of fine animal hair	40%
	5112.11	Of a mass not exceeding 200 g/m^2	40%
	5112 19	Other	40%
	5112 20	Other, mixed mainly or solely with man-made filaments	40%
	5112 30	Other, mixed mainly or solely with man-made staple fibres	40%
	5112 90	Other	40%
51 13		**Woven fabrics of coarse animal hair or of horsehair.**	40%
52 01		**Cotton, not garded or combed.**	free
52 02		**Cotton waste (including yarn waste and garnetted stock)**	

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Heading	*Subheading*	*Article Description*	*Rate of Duty*
	5202 10	Yarn waste (including thread waste)	free
	5202 9	Other	
	5202 91	Garnetted stock	free
	5202 99	Other	free
52 03		**Cotton, carded or combed.**	free
52 04		**Cotton sewing thread, whether or not put up for retail sale.**	
	5204 1	Not put up for retail sale.	
	5204 11	Containing 85 per cent or more by mass of cotton	20%
	5204.19	Other	20%
	5204 20	Put up for retail sale	20%
52 05		**Cotton yarn (excluding sewing thread), containing 85 per cent or more by mass of cotton, not put up for retail sale.**	
	5205.1	Single yarn, of uncombed fibres:	
	5205 11	Measuring 714,29 dtex or more	20%
	5205 12	Measuring less than 714,29 dtex but not less than 232,56 dtex	20%
	5205 13	Measuring less than 232,56 dtex but not less than 192,31 dtex	20%
	5205 14	Measuring less than 192,31 dtex but not less than 125 dtex	20%
	5205 15	Measuring less than 125 dtex	20%
	5205 2	Single yarn, of combed fibres.	
	5205 21	Measuring 714,29 dtex or more	20%
	5205 22	Measuring less than 714,29 dtex but not less than 232,56 dtex	20%
	5205 23	Measuring less than 232,56 dtex but not less than 192,31 dtex	20%
	5205.24	Measuring less than 192,31 dtex but not less than 125 dtex	20%
	5205 25	Measuring less than 125 dtex	20%
	5205 3	Multiple (folded) or cabled yarn, of uncombed fibres.	
	5205 31	Measuring per single yarn 714,29 dtex or more	20%
	5205 32	Measuring per single yarn less than 714,29 dtex but not less than 232,56 dtex	20%
	5205 33	Measuring per single yarn less than 232,56 dtex but not less than 192,31 dtex	20%
	5205 34	Measuring per single yarn less than 192,31 dtex but not less than 125 dtex	20%
	5205 35	Measuring per single yarn less than 125 dtex	20%
	5205 4	Multiple (folded) or cabled yarn, of combed fibres	
	5205.41	Measuring per single yarn 714,29 dtex or more	20%
	5205 42	Measuring per single yarn less than 714,29 dtex but not less than 232,56 dtex	20%
	5205 43	Measuring per single yarn less than 232,56 dtex but not less than 192,31 dtex	20%
	5205 44	Measuring per single yarn less than 192,31 dtex but not less than 125 dtex	20%
	5205 45	Measuring per single yarn less than 125 dtex	20%
52 06		**Cotton yarn (excluding sewing thread), containing less than 85 per cent by mass of cotton, not put up for retail sale**	
	5206.1	Single yarn, of uncombed fibres.	
	5206.11	Measuring 714,29 dtex or more	20%
	5206 12	Measuring less than 714,29 dtex but not less than 232,56 dtex	20%
	5206 13	Measuring less than 232,56 dtex but not less than 192,31 dtex	20%
	5206.14	Measuring less than 192,31 dtex but not less than 125 dtex	20%
	5206 15	Measuring less than 125 dtex	20%
	5206 2	Single yarn, of combed fibres·	
	5206 21	Measuring 714,29 dtex or more	20%
	5206.22	Measuring less than 714,29 dtex but not less than 232,56 dtex	20%
	5206 23	Measuring less than 232,56 dtex but not less than 192,31 dtex	20%
	5206 24	Measuring less than 192,31 dtex but not less than 125 dtex	20%
	5206 25	Measuring less than 125 dtex	20%
	5206 3	Multiple (folded) or cabled yarn, of uncombed fibres:	
	5206 31	Measuring per single yarn 714,29 dtex or more	20%
	5206 32	Measuring per single yarn less than 714,29 dtex but not less than 232,56 dtex	20%
	5206 33	Measuring per single yarn less than 232,56 dtex but not less than 192,31 dtex	20%

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Heading	Subheading	Article Description	Rate of Duty
	5206 34	Measuring per single yarn less than 192,31 dtex but not less than 125 dtex	20%
	5206 35	Measuring per single yarn less than 125 dtex	20%
	5206 4	Multiple (folded or cabled yarn, of combed fibres	
	5206 41	Measuring per single yarn 714,29 dtex or more	20%
	5206 42	Measuring per single yarn less than 714,29 dtex but not less than 232,56 dtex	20%
	5206 43	Measuring per single yarn less than 232,56 dtex but not less than 192,31 dtex	20%
	5206 44	Measuring per single yarn less than 192,31 dtex but not less than 125 dtex	20%
	5206 45	Measuring per single yarn less than 125 dtex	20%
52 07		**Cotton yarn (excluding sewing thread) put up for retail sale.**	
	5207 10	Containing 85 per cent or more by mass of cotton	20%
	5207 90	Other	20%
52 08		**Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass not exceeding 200 g/m².**	
	5208 1	Unbleached.	
	5208 11	Plain weave, of a mass not exceeding 100 g/m²	40%
	5208.12	Plain weave, of a mass of more than 100 g/m²	40%
	5208 13	3-thread or 4-thread twill, including cross twill	40%
	5208 19	Other fabrics	40%
	5208 2	Bleached	
	5208 21	Plain weave, of a mass not exceeding 100 g/m²	40%
	5208 22	Plain weave, of a mass exceeding 100 g/m²	40%
	5208 23	3-thread or 4-thread twill, including cross twill	40%
	5208 29	Other fabrics	40%
	5208 3	Dyed	
	5208 31	Plain weave, of a mass not exceeding 100 g/m²	40%
	5208 32	Plain weave, of a mass exceeding 100 g/m²	40%
	5208 33	3-thread or 4-thread twill, including cross twill	40%
	5208 39	Other fabrics	40%
	5208 4	Of yarns of different colours	
	5208 41	Plain weave, of a mass not exceeding 100 g/m²	40%
	5208 42	Plain weave, of a mass exceeding 100 g/m²	40%
	5208 43	3-thread or 4-thread twill, including cross twill	40%
	5208 49	Other fabrics	40%
	5208 5	Printed	
	5208 51	Plain weave, of a mass not exceeding 100 g/m²	40%
	5208 52	Plain weave, of a mass exceeding 100 g/m²	40%
	5208 53	3-thread or 4-thread twill, including cross twill	40%
	5208 59	Other fabrics	40%
52 09		**Woven fabrics of cotton, containing 85 per cent or more by mass of cotton, of a mass exceeding 200 g/m².**	
	5209 1	Unbleached	
	5209 11	Plain weave	40%
	5209 12	3-thread or 4-thread twill, including cross twill	40%
	5209.19	Other fabrics	40%
	5209 2	Bleached	
	5209 21	Plain weave	40%
	5209 22	3-thread or 4-thread twill, including cross twill	40%
	5209 29	Other fabrics	40%
	5209 3	Dyed	
	5209 31	Plain weave	40%
	5209 32	3-thread or 4-thread twill, including cross twill	40%
	5209 39	Other fabrics	40%
	5209 4	Of yarns of different colours	
	5209 41	Plain weave	40%
	5209 42	Denim	40%
	5209 43	Other fabrics of 3-thread or 4-thread twill, including cross twill	40%
	5209 49	Other fabrics	40%

IDC and Sasol plan R320m acrylic first

By IAN SMITH

THE Industrial Development Corporation and Sasol are in the final stages of negotiations to set up South Africa's first acrylic fibre plant at a cost of about R320-million

The plant, to be built in Durban, will have an annual capacity of about 36 000 tons, replacing imports of between 30 000 tons and 35 000 tons SA imported acrylic fibre worth R112-million last year

Output could be increased to 50 000 tons a year

Acrylic yarn is a major raw material for the textile industry, particularly for the production of knitting yarns SA supply would remove the need for manufacturers to hold big stocks and would reduce transport costs

St Times (197)

Bus Times 11/8/91

Worried

But the industry is deeply concerned that import substitution could lead to higher prices

The project will be equally owned by the IDC and Sasol They say a five-year feasibility study shows it is economically sustainable and could be the start of "significant new developments" in the chemical industry

The study was based on prices manufacturers pay for imported acrylic fibre

The Textile Federation has asked Trade and Industry Minister Dawie de Villiers for a "clear undertaking and assurance" that there will not be a repeat of duties and import controls on raw materials making downstream industries uncompetitive

One manufacturer says SA has benefited from low prices of dumped acrylic fibre for years

Cartels have maintained higher prices in other parts of the world, but China and SA have been a free-for-all

"We are all in favour of the project if the product matches world prices But if we had to pay more than we would for imported raw material, we would become uncompetitive in important export markets and domestic consumers would suffer," says the manufacturer

A recent Board of Trade and Industry report named high input costs as a major problem for the troubled textile industry

Spokesmen for the joint venture say the plant will not disrupt input cost structures in the industry

"When it is in full production in 1993 it will contribute hugely to foreign-currency savings and export earnings "SA manufacturers will be helped to export finished goods"

The partners plan to buy a plant in continental Europe which is being closed while manufacture is concentrated in the UK

The venture will be operated by Sasol Raw materials will be imported initially, but will eventually be supplied by Sasol

Sasol spokesman Jan Krynauw says the world-scale plant uses the latest acrylic fibre technology from Europe and complies with European environmental standards

"Buying an existing plant offers big capital cost savings The proven technology has additional advantages, including competitive energy use, guaranteed performance and commercial support"

Sasol, IDC plan acrylic fibre plant

(197)

ANDREW GILL

SASOL and the Industrial Development Corporation (IDC) are planning a R320m acrylic fibre plant with a view to replacing SA's estimated imports of 35 000 tons a year.

Weekend reports said the two were in the final stages of negotiations on setting up the plant, which could save SA R110m a year in imports

The Durban-based plant would have an annual capacity of 36 000t but this could be increased to 50 000t.

Industry members, however, expressed concern that the final product could be more expensive than the imported product B/Day 12/8/91

Acrylic fibre is used extensively by the local textile industry and, the planners believe, the new plant could see transport costs fall and eliminate the need for large stockpiles.

Sasol would run the venture, which should reach full production by 1993

Low knitwear demand hits Ninian & Lester

B/Day 13/8/91

Business Day Reporter

RECESSIONARY conditions and a declining demand for knitted fabrics resulted in clothing and textile group Ninian & Lester Holdings' attributable earnings falling by 35% to R569 000 for the six-months ended June, the directors stated

The company's 1991 interim earnings fell to 18c a share from the previous period's 28c A dividend of 4c (June 1990 6c) a share has been declared.

Although the company lifted its trading income to R7,4m (R6,3m), a hike in finance charges to R1,9m from the previous period's R1,1m resulted in a significant drop in pre-tax profit to R1,3m (R1,7m)

The company's tax bill also climbed to 48% at R673 000 compared with the previous period's tax rate of 30% at R521 000

The directors said there was no sign of an upturn in demand for knitted fabrics and clothing, and expected consumer demand to remain low for the remainder of the trading year.

"In these circumstances and against the background of continuing high inflation and the effects of the introduction of VAT on disposable income," the directors did not expect any improvement in earnings for the 1991 financial year to end-December.

R1,2m a job at acrylic fibre plant

S Times (Bus T) 18/8/91

(197)

By IAN SMITH

THE R320-million joint venture by the Industrial Development Corporation and Sasol to produce acrylic fibre will create about 270 jobs — at a cost of nearly R1,2-million each

But Sasol spokesman Jan Krynauw says job creation is not the major consideration behind the project

"Foreign-exchange savings from the replacement of acrylic fibre imports and earnings from exports of the product will be about R200-million a year

"The fact that employment will be created is a bonus. Our main objective is to ensure that there are benefits for the shareholders."

Mr Krynauw says about 270 workers will be employed in the plant to be built near Durban

"But many more jobs could be created downstream, particularly if textile and clothing manufacturers are assured they have a stable and constant supply of an important raw material."

Textile Federation executive director Brian Brink says he has not yet had a reply from Trade, Industry and Tourism Minister Org Marais to the federation's letter asking for assurances that SA acrylic fibre production will not lead to demands for protection against imports.

Mr Brink says the federation has been assured by the IDC-Sasol team that the feasibility studies have been based on continuing zero duty for acrylic fibre

His letter to Dr Marais said "While we have no reason to doubt the sincerity and genuineness of the assurances, it is our very real fear that as soon as any difficulties are encountered after start-up, pressure will be brought to bear to seek protection for the project in the form of duties or even import control on acrylic fibre"

Feature

Dr Marais told Business Times he had "received no indication" that the company would seek protection

Asked about the project's high cost of job creation, Dr Marais said "The object is import substitution"

The high cost is a feature of capital intensive start-up projects The R900-million Sua Pan soda-ash development, a venture between AECI and the Botswana Government, provides about 500 jobs at a cost of R1,8-million apiece

In contrast, the Small Business Development Corporation has provided R1,1-billion in loans to small business, creating employment for 280 000 This equates to R3 929 a job

The textile industry puts the cost of job creation at R25 000 a worker

The acrylic fibre plant, due to come on stream about the end of 1993, will have initial capacity of about 36 000 tons a year

Higher interest charges hammer Progress

Bloem 2/8/91

(197)

WILLIAM GILFILLAN

CLOTHING and knitwear manufacturer Progress Industries reported attributable earnings down 35% to R1m from R1,7m for the six months to June.

Turnover was up 17% at R35m from R30m, and operating profit increased 3% to R3m from R2,9m, but the group took a hammering on interest charges which increased to R1,6m from R1m.

This resulted from liabilities which were built up in the latter part of the first six months of last year after an expansion programme, CE Peter Jacobson said

An interim dividend of 11c a share was declared.

Jacobson said difficult trading conditions in the textile and clothing industry and the increased competition from imports, particularly in the area of jerseys, continued to affect results

He said no improvement in earnings was expected until proposed changes, announced at the beginning of August by the Board of Trade and Industry (BTI), to the Structural Adjustment Programme (SAP) and to import duties became effective.

It has been proposed that import duties on clothing be increased from 30% to 60%.

Frame reaps disillusionment

BDay 22/8/91 197

SEAN VAN ZYL

THE Frame Group's share price dropped 14% to close yesterday at 300c on what brokers described as a disillusioned market reaction to a loss of about R100m the group was expected to disclose for the year ended June

Analysts, awaiting the Frame results, expected the group to disclose a loss of between 390c to 400c a share for the 1991 financial year

As a result, Frame's share price has fallen by more than 25% this month and is trading at less than half the market value of around 800c this time last year

Frame chairman Mervyn King declined to comment

One analyst said he felt the prospects of a recovery were slim

However, one broker said he felt the share was "good value" at its present lows and he would look at it seriously

Another said the poor rating was the market's reaction to the legacy of problems inherent in the group from days when it was still under the control of founder Philip Frame

Analysts said the recently proposed import protection changes announced by the Board of Trade and Industry would also work against Frame

CLOTHING AND TEXTILES

FM 30/8/91 (197)

Ripping apart the tariff plan

It's hard to believe the textile and clothing industries have ever agreed on anything, but it was just-two-and-a-half years ago that they agreed on a structural adjustment programme for their industries that would reduce protection and increase exports

As intended, the textile companies suffered under the programme, while the clothing outfits prospered Last year the textile industry began pleading with the Minister of Trade and Industry to scrap or revamp the programme, and it began peppering the Board of Trade and Industry with applications for greater protection from imports

This month the board relented Under its proposal, the original five-year programme for the fibre, apparel-textile and clothing industries, which still had two-and-a-half years to run, would be replaced by a nine-year programme, and tariffs on imported textiles would rise dramatically Sharply higher clothing prices would surely follow, in addition to quality taking another tumble

So now it is the clothing industry's turn to go on the offensive Seardel CE Aaron Searll, who is also president-designate of the National Clothing Federation, slammed the proposal this week as "excessive, highly inflationary and massively disruptive "

He claims the board's plan has disastrous implications for the clothing industry "The proposals to raise tariffs on imported inputs and withdraw key rebates, while radically reducing the incentives for clothing exports, are driven by a board that once again seems persuaded to increase protection for local textile producers "

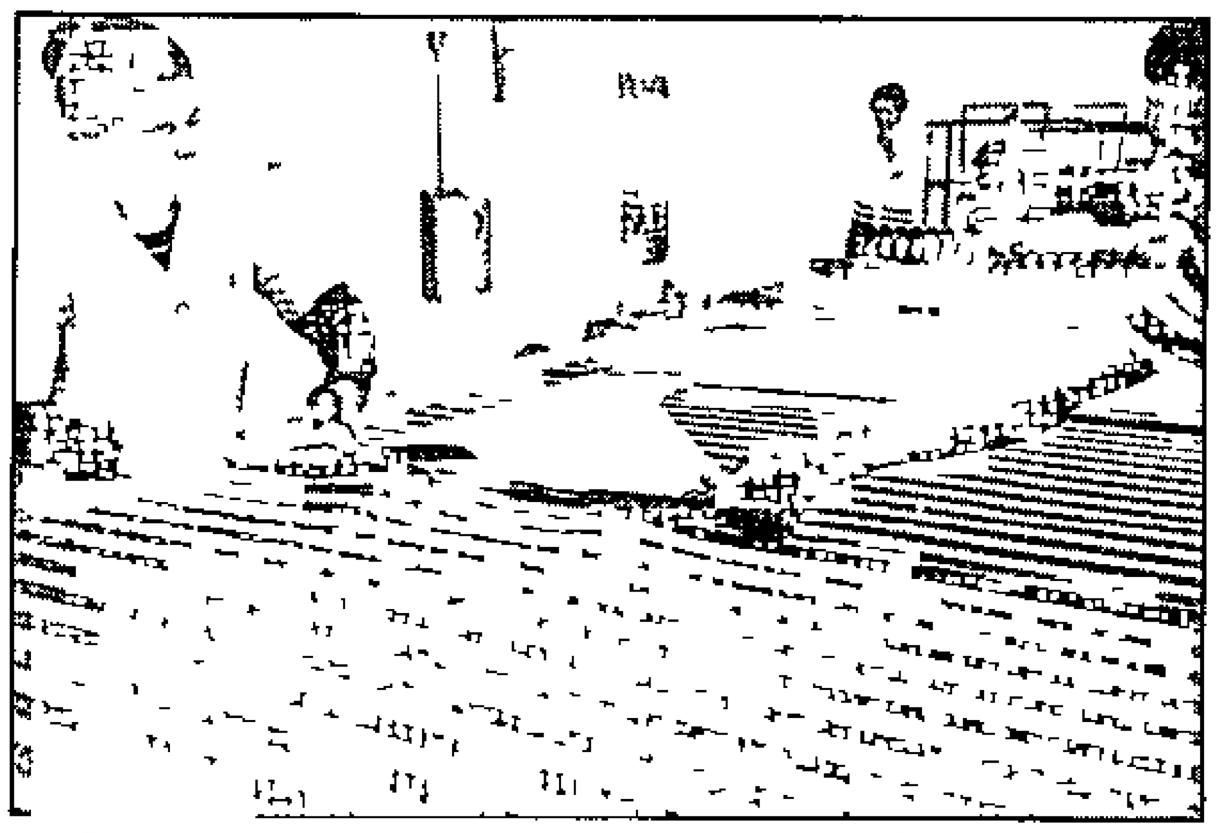
The board's proposal calls for a doubling of tariffs on imported fabric, to 40%, and the federation calculates that this would cost its members R120m a year But, it adds, if local textile companies take advantage of the higher-priced imports to raise their own prices, the notorious technique of import parity pricing, then clothing producers will pay as much as R390m more This is because clothing companies buy 70% of their fabric from local mills

Luckily for the clothing industry, Trade and Industry Minister Org Marais and Director-General Stef Naudé do not appear keen to rubberstamp the board's proposal They stress that the board merely acts in an advisory capacity and that government has the final say In fact, the Minister has not approved any of the tariff adjustment programmes put forward by the board this year Government is taking comments on the textile-clothing plan until October 15

Naudé also points out that the board's proposals run counter to the Industrial Development Corp (IDC) report, released in April "The report did not recommend any tariff increases — only tariff reductions "

The clothing federation's executive director, Hennie van Zyl, fully agrees "Surely, if one wants to increase competitiveness, one has to reduce duties, not double them This is particularly true of the oligopolistic and capital-intensive textile industry The new plan, unfortunately, has a strong pro-protection and pro-textile industry bias "

If accepted, the board's plan would jeopardise the clothing sector's "astonishing export performance," Van Zyl claims Rebutting the textile industry's argument that higher textile tariffs are needed to save jobs, he says the board's plan could lead to an immediate loss of some 20 000 clothing jobs "and a much bigger potential job loss "



Cut from the same old cloth *the pattern of protectionism continues*

Searll expects clothing exports to jump from less than 2% of the industry's output in 1988-1989 to almost 10% in 1992-1993 "We expect exports to reach R400m this year, compared with R65m in 1988 "

But while he says the board's "creative and imaginative" 1989 plan encouraged clothing exports "at minimal cost to the taxpayer and consumer, while introducing competitiveness in our domestic markets for textiles and clothing," the new plan apparently is aimed in the opposite direction

In making its new protectionist proposals, the board appears to be breaking a commitment that the current plan, which started on April 1 1989, "remain in place for five years to avoid the uncertainty of government policy that has characterised the experience of clothing exporters," Searll says

And, he adds, "one cannot think of a less appropriate time to gazette proposals that simultaneously represent so serious a threat to jobs, inflation, consumers and exports "

As with the board's proposal for the paper industry, the textile-clothing plan would slap higher duties on items not even made in SA

Searll says that "duties would be increased on certain textiles that are not produced here but are vital to local clothing manufacturers Prices will soar It is ironic that a key goal in the 1989 programme was the maintaining of consumer prices below inflation "

Oddly, while the clothing sector is up in arms, the textile industry does not seem overly excited with the board's proposal Textile Federation executive director Brian Brink says the proposal is "good in parts "

"We are happy with the tariff proposals, but we need assurance that effective anti-dumping measures will form part of the final package Rationalising tariff headings is another good principle (this is what would cause higher tariffs on products not made in SA), although one must warn against over-simplification There is a danger of going a little too far and removing some of the essential protective mechanisms required by the textile industry "

Board chairman Lawrence McCrystal says the plan would begin reducing tariff protection after the first three years During the final six years, the 20% ad valorem duty on fibre would be phased out, yarn duties would drop from 20% to 10%, fabric from 40% to 20%, and clothing from 60% to 30%

But, Van Zyl says, with fabric making up about half of the clothing industry's input costs, the board's objective of increasing international competitiveness and boosting exports would be negated

Adds Searll "We need a positive signal that the board supports the IDC report The overall challenges facing a labour-intensive industry such as ours include long-term viability, job creation and global competitiveness These goals are central to a viable and sustainable social order They will not be served by timidity or retreat in the face of necessary change "

Arnold van Huyssteen

Pulling the rug from under Romatex

(197) FM 30/8/91

The balance of power in SA's fiercely competitive carpet manufacturing industry has shifted sharply In the last year, upstart Belgotex Carpets has overtaken industry giant Romatex and now controls nearly half the domestic tufted and needlepunch market

Market share can be a contentious subject, but Maritzburg-based Belgotex now estimates (and Romatex does not disagree) that it holds about 45% of the market

The feedback that Belgotex gets from the marketplace indicates that its share is increasing, says director Daniel Dolpire "Our figures are certainly dramatically higher than they were a year ago"

Last year, Belgotex was estimated to have roughly 35% of the tufted market, with Romatex leading with 40% and Dunlop, Nouwens, Cape Fabrix and SA Carpet Mills accounting for the rest (*Business & Technology* October 19) The tufted market, with production reaching nearly 20m m² a year, represents 70% of the total local market

Now Belgotex has moved into the needlepunch market as well and has increased its tufted share following a R50m expansion This growth has come at Romatex's expense and the Durban-based group now is estimated to be left with 30% of the tufted market

Romatex, reeling as its market share plunges, has taken strong measures to reverse its fortunes It cut 110 jobs when it closed a spinning plant, Romatex Nylon Spinners in Pinetown, and retrenched another 200 workers in a consolidation move

The Floor Coverings Division, which, together with the Fabrics Division, was largely responsible for the sharp decline in group operating profits in the interim report to March 31, was restructured right off the organisational chart The division's Crossley Carpets and Tufted Carpets units were consolidated under newly formed Romatex Carpets, while its Flortime needlepunch unit, which makes polypropylene floor tiles and other products, was shifted to Romatex's Industrials Division. Romatex Carpets is headed by former Crossley Carpets MD John Louw

Crossley, which makes woven carpets, was largely unscathed by the restructuring because it has been a successful business — nearly half the Crossley brand carpets are exported. But the tufted side had to be downsized as sales slumped, says Romatex chairman Jack Crutchley So the tufted-carpet Van Dyck and Constantia brands bore the brunt of the retrenchments — the 200 employees laid off included Floor Coverings Division MD Jurgen Schmitt and Tufted Carpets MD Barrie Holden

Crutchley says the consolidation eliminated many overlaps "We've shortened the number of levels between top management and people at operating levels and achieved economies of scale among the different business units"

After being spread over Durban, the carpet manufacturing operation now is centred on one site, Reunion, south of the city

On the nylon production side, the shutdown of the Nylon Spinners plant was the result of a deal with international nylon manufacturer Du Pont US-based Du Pont will supply Romatex's tufted carpet operations with nylon, as well as provide product development support The long-term agreement also gives Romatex access to Du Pont brand names and marketing back-up, which could lead to new product lines

Romatex's Durban plant the *magic carpet ride is over*

At the same time, Romatex is upgrading its equipment and the group believes that the capital expenditure and the corporate restructuring will enable it to hold its market share In the past year, the company spent R15m on a new production line at Flortime, which is still the leading needlepunch carpet producer

But, as with the rest of the textile industry, Romatex is suffering from the difficult trading conditions in consumer durables because of recession and high interest rates, as well as from increased textile imports Like many other companies, Romatex appears to have underestimated the recession's endurance, apparently expecting an upturn this year that has not materialised

In addition, the higher levels of borrowings that are funding the company's capital expenditure have hit margins, says Romatex financial director Rob Bowden

Despite the recession and Romatex's countermoves, Belgian-backed Belgotex is confident it will continue to grab domestic market share, says Dolpire

The company's expansion programme is largely completed, giving it capacity to increase exports and meet local demand, Dolpire says Exports, particularly to the Far East, are up "We are now exporting around 15% of production, but are aiming at increasing that to 25%," he says

Belgotex Carpets, launched in 1985, enjoyed an immediate advantage over competitors by starting its operation from scratch under one roof and with modern, imported equipment With a high degree of automation, it was also less dependent on labour

Dolpire attributes the company's success to two main factors "We are a market-driven company — we are all qualified carpet people and, from the MD down, we are all marketing people"

The second factor is the company's vertical integration, with production starting with the arrival of nylon chips and proceeding right through to the processing of nylon into the finished product "What's important is that all these processes are under one roof and one management structure," he says

After initial problems with both the quality of nylon produced and with carpet production, as well as market resistance, Belgotex began with a production of about 100 000 m² of carpet a month The company is now producing about 1m m² a month, Dolpire says This represents a turnover of around R15m a month

Romatex says its revenue from carpet sales is higher, though its market share is lower, because of the more lucrative niches it supplies However, Romatex declines to provide its turnover figures

Says Dolpire "Now that we've taken the major share of the domestic market, we are starting to look at the contract market and are ready to take it on" Contract carpeting is usually for corporate clients, which represent about 30% of the total market

For its part, Romatex is counting on its restructuring and spending programme to stave off this latest challenge

Shaun Harris

Rising imports may hit 15 000 workers

B/Day 3/9/91

WILLIAM GILFILLAN

SIX thousand jobs had been lost and a further 15 000 were threatened as a result of rocketing imports of jerseys and sweaters, the South African Worsted Spinners and Garment Knitters Association claimed yesterday.

At the same time the association called on the authorities to ignore last week's objections by the National Clothing Federation on the latest Board of Trade and Industry (BTI) proposals for restructuring the textile and clothing industries.

The proposals, gazetted in August, include increasing the tariffs on imported textiles and clothing, withdrawing rebates and reducing the incentives for clothing exports.

By siding with the textile industry, known to support the BTI proposals for increased protection, the association had created a major rift in the clothing industry, analysts said.

Association chairman Peter Jacobson said that apart damaging local businesses and jobs, the duty-free structural adjustment programme had done "horrendous damage to the fiscus and done nothing to alleviate inflation".

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He said "the BTI proposals can be combined with a more meaningful anti-dumping duty which has the teeth to ensure prompt action before irreparable damage is done"

Textile duties hike gets support

Business Staff (197) ALG 5/9/91

DURBAN — A segment of the clothing industry has sided with textile manufacturers in their call for the government to accept Board of Trade and Industry (BTI) proposals to increase import duties on fabrics and withdraw export concessions for garment producers

SA Worsted Spinners and Garment Knitters Association chairman Peter Jacobson says in a statement foreign dumping of clothing under the existing scheme has cost thousands of jobs

He also accuses retail chains of profiteering by buying duty-free import permits from garment manufacturers and says export incentives for garment-makers are milking the fiscus

The spinners and knitters claim increases in imports from Far East countries of knitwear and spun garments — 131 percent in the first four months this year — has cost them 6 000 jobs in the past two years and another 15 000 positions are in jeopardy if the government gives in to strenuous objections to the BTI proposals from other sectors of the clothing industry

"Quite apart from the damage being done to businesses and South Africans' jobs, the duty-free structural adjustment programme currently ruling has done horrendous damage to the fiscus and, contrary to pious calls from some proponents, has done nothing to alleviate inflation," says Mr Jacobson

He maintains export incentives cost taxpayers 59c for every R1 worth of clothing exported by domestic producers

At the same time, retail groups are buying duty-free permits from manufacturers and using them to import sweaters at a cost 50 percent below the wholesale price of locally-made products

However, says Mr Jacobson, the imports are being sold at prices matching those of the local equivalent

"It is, therefore, nonsense to talk of benefiting the consumer

"In practice all it has meant is that their margins have swollen from 133 percent on cost to 250 percent on cost, beneficial only to the importer"

Claims that local maufacturers should become competitive in a "free-trade environment", he says, are undermined by the fact that most Far East manufacturers are heavily subsidised by their governments

"Secondly, apartheid has left our labour force inadequately educated or motivated and, thirdly, the Far East knitters are able to achieve prices 35 percent to 40 percent cheaper by utilising a third shift at marginal cost for their exports"

1 100 jobs go at Frame

(197) (289) CT 9/9/91

EAST LONDON — Frame Textile Corporation is to close its cotton spinning operations here, with the loss of 1 100 jobs.

Frame Waverley Textiles Ltd blanket division, which employs 2 000 people, will not be affected.

The spinning division, which manufactures cotton polyester, cotton and calico cloth, will close at the end of October.

A total of 1 100 people at all levels will lose their jobs

Frame Textile MD, Walter Simeone, who is in Durban, refused to comment yesterday.

Pressed to confirm the spinning division was to close, he said: "I am not making any statements."

Asked when a statement would be issued, Simeone said: "If a statement is to be made at all, it will be made at the appropriate time by (Mervyn) King (executive chairman of Frame Textile Corporation)."

The SA Cotton and Textile Workers' Union's (Sactwu) regional secretary, Jabu Gwala, could not be reached for comment yesterday.

The closure follows widespread criticism of government restrictions on the importation of foreign textiles which are said to be flooding SA from countries exploiting low wage levels.

Ironically, in the last five to six weeks the East London factory has achieved high efficiency standards and has produced yarn of exceptional quality, partly because of the introduction of modern machinery.

Textile dumping row hots up

(197)

By Tom Hood and Des Parker

Star 11/9/91

CAPE TOWN — A major row is developing in the textile industry over the need for greater protection for South African manufacturers following charges of dumping by Far Eastern suppliers

On the one hand, the National Clothing Federation says any further protection given to the industry will invite retaliatory measures from trading partners

The Worsted Spinners and Clothing Knitters Association, on the other hand, says foreign dumping of clothing is costing thousands of jobs

Red lights are flashing overseas that the South African Government is considering raising import duties on fabric and yarn, says the National Clothing Federation (NFC).

The federation's executive director, Hennie van Zyl, says "One does not have to be a prophet to predict that any further increases in protection will elicit retaliatory action from our trading partners

"Already the NCF is being contacted by influential overseas interest groups wanting to know whether reports they hear (about raising import duties) are true "

The federation is gravely perturbed about the resurgence of a strong and vociferous pro-protection lobby and the selective and misleading way in which this lobby uses official statistics to make headlines

Trends

"Further increasing South Africa's already high protection levels in the sensitive transitional period will not only be contrary to international trends — thereby again isolating South Africa at a time when world markets are opening up — but will also burden the already embattled consumer with new cost increases, which in turn will kill economic growth and create further unemployment

"To increase import duties at this stage would only benefit a few highly concentrated capital-intensive industries and then only in the short term because domestic inefficiency and uncompetitiveness cannot be protected indefinitely," he says

Mr van Zyl disputes claims by a new organisation, the SA Worsted Spinners and Garment Knitters Association, that imports of knitwear and spun garments increased by 131 percent in the first four months of 1991

He says official statistics showd no increase whatsoever, but rather a decrease in the import of all knitted fabrics of 17 percent in volume and 13 percent in value in the same period.

Imports of knitted clothing reflect a 65 percent increase in units and a 19 percent increase in value, according to Customs and Excise figures.

However, siding with textile manufacturers in their call for the Government to accept Board of Trade and Industry (BTI) proposals to increase import duties on fabrics and withdraw export concessions for clothing producers is the SA Worsted Spinners and Clothing Knitters Association

Chairman Peter Jacobson accuses retail chains of profiteering by buying duty-free import permits from clothing manufacturers

He says export incentives for clothing manufacturers are milking the fiscus

The spinners and knitters claim that increases in imports from the Far East of knitwear and spun clothing — 131 percent in the first four months this year — have cost them 6 000 jobs in the past two years

In jeopardy

They say another 15 000 jobs are in jeopardy if the Government gives in to strenuous objections to the BTI proposals from other sectors of the clothing industry

Mr Jacobson says "Quite apart from the damage being done to businesses and jobs, the duty-free structural adjustment programme now ruling has done horrendous damage to the fiscus and, contrary to pious calls from some proponents, has done nothing to alleviate inflation "

He maintains export incentives cost taxpayers 59c for every R1 worth of clothing exported by domestic producers

At the same time, retail groups are buying duty-free permits from manufacturers and using them to import sweaters at a cost 50 percent below the wholesale price of locally made products

However, the imports are being sold at prices matching those of the local equivalent

"It is, therefore, nonsense to talk of benefiting the consumer

"In practice, all it has meant is that their margins have swollen from 133 percent on cost to 250 percent on cost, which is beneficial only to the importer," he says

Claims that local maufacturers should become competitive in a free-trade environment are undermined by the fact that most Far East manufacturers are heavily subsidised by their governments

"Secondly, apartheid has left our labour force inadequately educated or motivated

"Thirdly, the Far East knitters are able to achieve prices 35 percent to 40 percent cheaper by using a third shift at marginal cost for their exports "

COMPANIES

Frame to retrench 1 100 workers

WILLIAM GILFILLAN

TEXTILE group Consolidated Frame Textiles is to retrench 1 100 employees, bringing total retrenchments in the group in the past year to about 5 600

The loss of 1 100 jobs follows the announcement that it is to close its East London spinning mill

Frame executive chairman Mervyn King said the deepening recession and the impact on the textile industry of the Structural Adjustment Programme had led to the closure of the mill

The Frame group supplies 43% of the local industry's yarn requirements, and purchases over 40% of the local cotton crop

King said that of the sectors in the textile industry, the yarn spinning sector had been hardest hit

He said the Board of Trade and Industry (BTI) proposals, gazetted last month, envisaged a lowering in the effective duty levels on yarn, despite the fact that both the Economic Advisory Council and the Industrial Development Corporation had advocated strategies supporting the beneficiation of raw materials in SA

The BTI report proposes that yarn import duties, having been increased from 15% to 35% as a temporary measure in February this year, be reduced from 35% to 20%

Under the present Structural Adjustment Programme exporters are entitled to import duty-free items in lieu of their exports

But the BTI report proposes that restrictions be increased on the duty-free imports allowed under the programme

"An analyst from a stockbroking firm was of the view that if yarn is imported next year at the proposed duty levels it will be the end of the cotton growing, ginning and spinning industries in SA," King said

The past six months have seen Frame dispose of its hand-knitting yarn division to Union Spinning in April and its blanket division to Zimbabwe-based Victor Cohen in June

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BDay 11/9/91

FINANCE

New strand added to textile dispute

B/Day 12/9/91 (197)

WILLIAM GILFILLAN

FRAME executive chairman Mervyn King's latest statement on the local cotton industry's future has added a further dimension to the battle in the clothing and textile industries

Commenting on the Board of Trade and Industry (BTI) proposals to restructure the industries, King suggested that if yarn was imported next year at the BTI-proposed duty levels it would be the beginning of the end for cotton growing, ginning and spinning in SA

The BTI report, gazetted last month, includes proposals to reduce tariffs on imported yarns, increasing tariffs on imported clothing and fabrics, withdrawing rebates and reducing the incentives for exports

Yarn tariffs, increased from 15% to 35% as a temporary measure in February this year, would be reduced from 35% to 20%

However, fabric tariffs would increase from 20% to 40% and clothing tariffs from 30% to 60%

King said the BTI proposals envisaged a lowering in the effective duty levels on yarn despite both the Economic Advisory Council and the Industrial Development Corporation advocating strategies supporting the beneficiation of raw materials

Blue chip textile manufacturer Da Gama welcomed the BTI proposals One Da Gama director said the whole textile industry had been hammered by imports mainly from the Far East He said investment in the industry would be enhanced if the proposals were implemented

Textiles Federation executive director Brian Brink said he did not wish to make any public comment regarding the BTI proposals until the federation had presented its comments to the authorities

Total employment in the textile industry is about 92 000, according to Brink

But the National Clothing Federation (NCF) said between 18 000 and 30 000 jobs would go because of lost exports if the proposals were implemented

According to NCF executive director Hennie van Zyl the 530 members of his association account for about 80% of all clothing manufactured in SA

Stewart Shubb, chairman of the leading clothing manufacturers Rex Trueform, said the proposals would have the opposite effect to government's stated objective of providing an environment in which local industries became internationally competitive and were committed to exports

He said the clothing industry had been making considerable progress in its export drive and added that exports had more than doubled in the first quarter of 1991 compared with the same period in 1990 Shubb estimated exports for 1991 would be about R400m

Inflation

He added that textile manufacturers would increase prices of locally manufactured textiles to levels a little below the landed cost of imported textiles

Shubb noted that clothing was the most labour intensive of all local industries and had the lowest cost of capital per job

The 1 500 manufacturers in the local clothing industry employed about 150 000 people, he said

NCF president designate and Seardel chairman Aaron Searll said the proposals had severe implications for inflation as the cost price of clothing would increase by 20%

Fortunately for the clothing industry, Trade and Industry Minister Org Marais and director general Stef Naudé have both stressed that the board acts merely in an advisory capacity and that the government has the final say

Naudé pointed out that the proposals ran counter to the Industrial Development Corporation report, released in April, which recommended tariff reductions rather than increases

The proposals have not only widened rifts between the clothing and textile industries, but have also created rifts within the clothing industry

The SA Worsted Spinners and Garment Knitters Association (SAWSAGKA) created a rift within the clothing industry when it issued a statement calling on the authorities to ignore the NCF objections to the proposals

Association spokesman Peter Jacobson said 6 0000 jobs had been lost and a further 15 000 were threatened as a result of rocketing imports of jerseys and sweaters

The NCF responded to the SAWSAGKA statement by suggesting that the large increase in imports quoted by SAWSAGKA was not substantiated by official statistics

The NCF said "It is to be regretted that certain aggrieved individuals continue to form new splinter groups, thereby elevating and not lowering the current level of confusion and uncertainty"

The nine-year development plan, scheduled to start in January, would comprise a period of three years (1992/1994) during which the industries would have to rationalise their operations

This would be followed by a liberalisation period (1995/2000) during which protective duties would be run down

Government is taking comments on the textile-clothing plan until October 15

B/Day 12/9/91

TEJ turnaround

CAPE-based knitwear and woven-garment manufacturer Towles, Jacobs (TEJ) has turned around from two years of losses to pre-tax earnings of R1,3m from last year's loss of R463 000

This was shown in final results to June 30, released yesterday. (197)

Earnings per share were 38,7c against the previous year's loss of 19,9c No dividend was declared

"Our factories are fully booked for the next six months, and sales budgets should enable us to improve earnings," MD Tony Owen said — Sapa

Textile chief seeks to appease garment makers

Star 16/9/91

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By Des Parker

DURBAN — Textile Federation president chairman Wallace Grace has sounded a conciliatory note as fabric producers and clothing manufacturers continue to tear into one another in their seemingly endless battle over the issue of trade protection.

Promising to promote discussion and appreciation of opposing points of view, Mr Grace, who is also chairman of Tongaat Textiles, stresses the need for give and take on both sides

In his inaugural presidential column in the federation's Textile Topics newsletter, he warns that the demise of the textile sector in Western economies has in all cases been followed by running down garment industries.

With the passing of sanctions, export opportunities — particularly for clothing manufacturers — have seldom been better.

"We will need to work closely with our clothing partners if we are to take full advantage of the situation," says Mr Grace.

While the clothing factory bosses need to be aware of their reliance on a healthy textile sector, "we (textile producers) will need to improve our own performance".

"If each textile company takes a critical look at its own performance over the past year, it will no doubt recall many occasions when — had it been on the receiving end — it would have been dissatisfied."

Mr Grace's advice is all the more piquant, given an examination of the state of the textile sector.

Employment in its mills has declined by 19 percent over the past 10 years — from a peak of 115 000 to about 93 000 at present.

Last week, textile giant Consolidated Frame announced the retrenchment of 1 000 workers at the East London spinning plant it plans to close next month.

Subsequently, group executive chairman Mervyn King said a proposed cut in the import duty rate on yarns in the Board of Trade and Industry (BTI) prospective textile pipeline development plan — which generally has been welcomed by the sector — would spell an end to cotton farming, ginning and spinning in SA.

For the past two years, however, since the introduction by the Government of a BTI-engineered structural adjustment programme for the two industries, the textilers have been under the gun as their customers in the clothing industry made use of special duty-free import-for-export permits to bring in textiles

Last month, the BTI published for comment a new nine-year development plan, which reins in the use of import permits and gives the textile sector increased — but reducing — tariff protection while it gears up to confront international competition

Both sides have until October 15 to make their feelings known.

(197) ARG 14/9/91

Textile boss plea: 'Let's talk, listen'

DES PARKER
Weekend Argus Correspondent

TEXTILE Federation president Mr Wallace Grace has sounded a conciliatory note as fabric producers and clothing manufacturers continue to tear into one another in their seemingly endless battle over the issue of trade protection.

Promising to promote "discussion and appreciation" of opposing points of view, Mr Grace, who is also Tongaat Textiles chairman, stresses the need for give and take on both sides.

In his inaugural presidential column in the federation's latest *Textile Topics* newsletter, he warns that the demise of the textile sectors in Western economies has in all cases been followed by the running down of garment industries

With the passing of sanctions into history, export opportunities — particularly for clothing manufacturers — have seldom been better

"We will need to work closely with our clothing partners if we are to take full advantage of the situation," says Mr Grace

While the clothing factory bosses need to be aware of their reliance on a healthy textile sector, "we (textile producers) will need to improve our own performance".

"If each textile company takes a critical look at its own performance over past year, it will no doubt recall many occasions when — had it been on the receiving end — it would have been dissatisfied

"Given the fact that our industry has difficulty competing on price, then quality and service must be above question. Lead times must be shorter than those of imported goods and merchandise must be more suited to local needs"

Mr Grace's advice is all the more piquant given an examination of the state of the textile sector Employment in its mills has declined by around 19 percent over the past 10 years, from a peak of 115 000 to about 93 000 at present

This week, shrinking textile giant Consolidated Frame announced retrenchment of 11 000 workers at the East London spinning plant it plans to close at the end of October

Subsequently, group executive chairman Mervyn King said a proposed cut in the import duty rate on yarns in the Board of Trade and Industry prospective textile pipeline development plan — which generally has been welcomed by the sector — would spell an end to cotton farming, ginning and spinning in SA

Loss-making Frame is involved in a protracted trimming of its mammoth operation in Southern Africa.

It has closed numerous factories, sold two major divisions in recent months and is responsible for at least half the 9 000 jobs lost in the sector in the past 12 months

Mr King has frequently been at the sharp end of acrimonious exchanges in the Press with the National Clothing Federation

The NCF has long held that the capital-intensive textile industry shelters its inefficiency and rising prices behind tariff protection from what the fabric-producers claim to be imports of fibre, yarn and cloth at subsidised prices from abroad, particularly the Far East

For the past two years, however, since introduction by the Government of a BTI-engineered "structural adjustment programme" for the two industries, the textilers have been under the gun as their customers in the clothing industry made use of special duty-free "import for export permits" to bring in textiles

Last month, the BTI published for comment a new nine-year "development plan" which reins in the use of import permits at the same time as giving the textile sector increased — but reducing — tariff protection while it gears up to confront international competition

An indignant NCF claims the plan could cost its 530-odd members as many as 30 000 jobs and would put paid to the billowing increase in exports garment manufacturers have stitched together in the past two years

Abbey Holdings reports a net loss of R743 000

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B/Day 18/9/91

PETER GALLI

PROPERTY and textile group Abbey Holdings has reported a net loss of R743 000 for the 12 months to end-June from a previous profit of R8,6m in its first report as a newly constituted group.

However, while difficult trading conditions are cited as reasons for the poor performance, management maintains that, as this is the first 12-month report, it is not comparable with previous figures

Abbey was previously known as the Property Group of SA and held listed and unlisted property related investments Abbey holds 85% of textile group Fenix Industries and a 92% interest in property company Property Corporation of SA (Propcor)

Overdrafts

On an operating income of R3,58m, Abbey had to pay R4,2m in interest, resulting in an operating loss of R528 000 Subsidiary Fenix itself has two subsidiaries, Debonair and Ivitex, which are both trading companies in the textile industry

"Both of these have substantial overdrafts, which is reflected in both Abbey's and Fenix's interest bill In addition, Propcor has some properties with mortgage bonds, which adds to Abbey's interest bill," financial manager Cullen Penny said in an interview yesterday.

Dividend income of R90 000 reduced this loss to R438 000 An attributable loss of R302 000, compounded by an extraordinary item of R441 000 for loss on the disposal of debentures, brought the bottom line loss to R743 000

This translated into a loss of 1,7c a share and no dividend was declared

"The debentures were held by Fenix in Compass Property Investments and, so as to improve its cash position, were sold at a book loss," Penny said

Fenix also felt the brunt of increased interest, posting an operating loss of R1,01m Extraordinary items of R514 000 for the loss on disposal of debentures saw a net loss for the period of R890 000, translating into a loss of 3,4c a share No dividend was declared

However, during the period under review Fenix acquired Lansdowne Textile Industries for R12m and Ivitex The 6% balance of the Ivitex shares not held by Fenix are to be acquired from minority shareholders in exchange for Fenix shares

Shareholders recently voted for a revised capital reduction of 100c a share, consisting of 55c in cash and the other 45c by an in specie distribution of 60 Debonair Group shares for every 100 Fenix shares held

However, Propcor managed to stay in the black, reporting an attributable profit of R1,055m, translating into earnings of 4,6c a share No dividend was declared as the company traditionally declared a dividend once a year, Penny said

He added that these results were satisfactory, and increased earnings were expected in the future

Now Da Gama decides to expand its retail outlets

(199)

WILLIAM GILFILLAN

ONE of the blue chips of the textile industry, ~~manu-~~ manufacturer Da Gama, is expanding its retail outlets as it is not happy with the range of its merchandise held by independent retail stores.

A senior director said yesterday that merchandise from local manufacturers was being squeezed out of independent retail outlets as retailers were importing a large proportion of their textile requirements.

He denied an industry rumour that Da Gama was intending to establish up to 100 stores and said there were no plans at present for more than the current 12 outlets.

B/Day 18/9/91

He added that outlets had also been established in regions where independent distribution outlets had withdrawn.

All the merchandise was from Da Gama factories, he said.

He denied that Da Gama was trying to compete with the independent retailers as, he said, its pricing policy was not to undercut them.

Leading clothing manufacturer Rex Trueform established a retail division within the group in 1987. Named Queenspark, the division operates 11 large stores.

Chairman Stewart Shub said that although the traditional retailers had opposed the establishment of Queenspark stores, the outlets did not compete directly with the retailers.

This was because all national brands, such as Daks, were sold exclusively to the traditional retailers.

Queenspark outlets stock different brand names

About 90% of the merchandise sold by Queenspark was manufactured by Rex Trueform, Shub said.

"If this trend is successful then these shops will become more prevalent," an industry spokesman predicted.

Textile imports hit Strebel earnings

197 Aug 20/9/91

Business Staff

THE prolonged recession and a flood of textile imports severely impacted on the Strebel Group's results for the year to June

Margins came under extreme pressure, leading to a 44 percent drop in attributable income — from R5,7 million to R3,2 million.

In the light of these results, the directors declared a final dividend of 4c per share to bring the total payout for the year to 7,5c (13c).

Gearing remained at acceptable levels, being 39 per cent of shareholders' funds and 93 percent in the case of all liabilities to shareholders' funds. This compared with the group's self-imposed levels of 50 percent and 150 percent respectively

Managing director Fred Strebel said he expected the difficult trading conditions to continue in 1992, with no increase in earnings However, he was confident that the group, with its strong balance sheet, would be in a position to respond to the first signs of an economic upswing and an improvement in consumer demand.

The ongoing recession had severely affected the group's sales in its main markets — the textile, clothing and retail sectors — and had placed an enormous strain on operating margins. The situation was aggravated by textile imports flooding into the country in the latter half of the group's financial year

No. R. 2264 **20 September 1991**

WAGE ACT, 1957

CANCELLATION OF WAGE DETERMINATION 414 MINERAL WATER MANUFACTURING INDUSTRY, CERTAIN AREAS

The Minister of Manpower proposes, in terms of section 16 of the Wage Act, 1957, to cancel wage Determination 414· Mineral Water Manufacturing Industry, Certain Areas, published under Government Notice No R. 677 of 3 April 1987.

Any person who desires to comment on the proposed cancellation should submit such comment within 30 days from the date of publication hereof to the Director General. Manpower, Private Bag X117, Pretoria, 0001

No. R. 2265 **20 September 1991**

WAGE ACT, 1957

CANCELLATION OF WAGE DETERMINATION 409 COAL TRADE, CERTAIN AREAS

The Minister of Manpower proposes, in terms of section 16 of the Wage Act, 1957, to cancel Wage Determination 409· Coal Trade, Certain Areas, published under Government Notice No R 2192 of 24 October 1986

Any person who desires to comment on the proposed cancellation should submit such comment within 30 days from the date of publication hereof to the Director General Manpower, Private Bag X117, Pretoria, 0001

No. R. 2268 **20 September 1991**

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MANPOWER TRAINING ACT, 1981

AMENDMENT OF TEXTILE INDUSTRY TRAINING SCHEME

I, Eli van der Merwe Louw, Minister of Manpower, acting in terms of section 39 (6) of the Manpower Training Act, 1981, hereby amend, with effect from 1 January 1991, the Training Scheme for the Textile Industry, which was declared binding by Government Notice No R. 2819 of 22 December 1989, by the substitution in clause 3 of the Scheme for the definition of "Textile Industry" or "Industry" of the following definition

" 'Textile Industry' or 'Industry' means, without in any way limiting the ordinary meaning of the expression, the industry in which employers and their employees are associated for the purposes of carrying out operations of the hereunder defined nature, including work commonly known as subcontract work and the like

The manufacture of synthetic fibres and of yarns and threads of man-made and natural fibres or any blends of these, the manufacture of woven and knitted fabrics, the manufacture of domestic and household textiles (towels, bed linen, table linen and kitchen linen) from fabrics of own manufacture, the manufacture of

No. R. 2264 **20 September 1991**

LOONWET, 1957

INTREKKING VAN LOONVASSTELLING 414· MINERAALWATERNYWERHEID, SEKERE GEBIEDE

Die Minister van Mannekrag is van voorneme om kragtens artikel 16 van die Loonwet, 1957, Loonvasstelling 414 Mineraalwaternywerheid, Sekere Gebiede, gepubliseer by Goewermentskennisgewing No. R. 677 van 3 April 1987, in te trek

Enige persoon wat kommentaar oor die voorgestelde intrekking wil lewer, moet sodanige kommentaar binne 30 dae vanaf die datum van publikasie hiervan aan die Direkteur-generaal Mannekrag, Privaat Sak X117, Pretoria, 0001, voorlê

No. R. 2265 **20 September 1991**

LOONWET, 1957

INTREKKING VAN LOONVASSTELLING 409 STEENKOOLBEDRYF, SEKERE GEBIEDE

Die Minister van Mannekrag is van voorneme om kragtens artikel 16 van die Loonwet, 1957, Loonvasstelling 409 Steenkoolbedryf, Sekere Gebiede, gepubliseer by Goewermentskennisgewing R. 2192 van 24 Oktober 1986, in te trek

Enige persoon wat kommentaar oor die voorgestelde intrekking wil lewer, moet sodanige kommentaar binne 30 dae vanaf die datum van publikasie hiervan aan die Direkteur-generaal Mannekrag, Privaat Sak X117, Pretoria, 0001, voorlê

No. R. 2268 **20 September 1991**

WET OP MANNEKRAGOPLEIDING, 1981

WYSIGING VAN TEKSTIELNYWERHEID-OPLEIDINGSKEMA

Ek, Eli van der Merwe Louw, Minister van Mannekrag, handelende kragtens artikel 39 (6) van die Wet op Mannekragopleiding, 1981, wysig hierby, met ingang van 1 Januarie 1991, die Opleidingskema vir die Tekstielnywerheid wat bindend verklaar is by Goewermentskennisgewing No R 2819 van 22 Desember 1989, deur die klousule 3 van die Skema die omskrywing van "Tekstielnywerheid" of "Nywerheid" deur die volgende omskrywing te vervang·

" 'Tekstielnywerheid' of 'Nywerheid', sonder om die gewone betekenis van die uitdrukking enigsins te beperk, die nywerheid waarin werkgewers en hul werknemers geassosieer is om werksaamhede soos hieronder uiteengesit, en ook werk wat algemeen as subkontrakteurswerk bekend staan en soortgelyke werk, uit te voer

Die vervaardiging van sintetiese vesels en van gare en draad van gefabriseerde en natuurlike vesels of enige mengsels daarvan, die vervaardiging van geweefde en gebreide tekstielstowwe, die vervaardiging van huishoudelike en huistekstielstowwe (handdoeke, bedlinne, tafellinne en kombuislinne) uit weefstowwe wat self vervaardig word, die vervaardiblankets and rugs other than carpeting rugs, all dyeing, printing and finishing processes directly connected with any or all of the above-mentioned manufacturing activities, and includes industrial commission dyeing, printing and finishing of fibres, yarns, threads and woven and knitted fabrics,

but excludes—

the manufacture of carpets, mats, matting and linoleum, cables, cordages, ropes and twines; and any yarn production processes directly and solely based on any or all of the above excluded processes, the manufacture of household and domestic textiles from fabrics not of own manufacture, such as purchased fabrics, the manufacture of knitted fabrics and ancillary processes solely for own production of knitted garments and hosiery, the manufacture of bags and sacks, wool scouring and combing, cotton ginning and fibre working; the manufacture of tents and tarpaulins from fabrics not of own manufacture and the manufacture of pressed felts and paddings "

E. VAN DER MERWE LOUW,

Minister of Manpower.

ging van komberse en reisdekens, en alle kleur-, druk- en afwerkprosesse wat direk aan enige van of al die bogenoemde vervaardigingsaktiwiteite verbind is, met inbegrip van nywerheidskontrakkleuring, bedrukking en afwerking van vesels, gare, draad en geweefde en gebreide tekstielstowwe,

maar uitgesonderd—

die vervaardiging van tapyte, matte, matstof en linoleum; kabels, touwerk, lyn en koord, en enige garevervaardigingsprosesse wat direk en alleenlik op enige van of al die bogenoemde uitgeslote prosesse gebaseer is, die vervaardiging van huishoudelike en huistekstielstowwe uit stowwe wat nie self vervaardig word nie, soos aangekoopte tekstielstowwe, die vervaardiging van gebreide tekstielstowwe en aanvullende prosesse alleenlik vir eie vervaardiging van gebreide kledingstukke en kousware, die vervaardiging van sakke en sakkies, wolwassery en wolkammery; katoenafpluising en veselbewerking; die vervaardiging van tente en bokseile van stowwe wat nie self vervaardig word nie, en die vervaardiging van geperste vilt en opstopsels,"

E. VAN DER MERWE LOUW,

Minister van Mannekrag

No. R. 2269 **20 September 1991**

MANPOWER TRAINING ACT, 1981

METAL AND ENGINEERING INDUSTRIES ARTISAN TRAINING BOARD AMENDMENT OF CONDITIONS OF APPRENTICESHIP WITH REGARD TO WAGES

I, Eli van der Merwe Louw, Minister of Manpower, acting in terms of section 13 of the Manpower Training Act, 1981, hereby amend with effect from the first Monday after the date of publication of this notice, Government Notice No R 1746 of 26 July 1991 by the substitution for clause 3 (1) of the Conditions of Apprenticeship with regard to Wages, of the following clause

"3 (1) An employer shall pay an apprentice weekly at not less than the rates specified hereunder

Year of apprenticeship	*Weekly rate*
First year	R216
Second year	R240
Third year	R288
Fourth year	R431 "

E. VAN DER MERWE LOUW,

Minister of Manpower

No. R. 2269 **20 September 1991**

WET OP MANNEKRAGOPLEIDING, 1981

OPLEIDINGSRAAD VIR AMBAGSLUI IN DIE METAAL- EN INGENIEURSNYWERHEDE WYSIGING VAN LEERVOORWAARDES MET BETREKKING TOT LONE

Ek, Eli van der Merwe Louw, Minister van Mannekrag, handelende kragtens artikel 13 van die Wet op Mannekragopleiding, 1981, wysig hierby, met ingang van die eerste Maandag na die datum van publikasie van hierdie kennisgewing, Goewermentskennisgewing No. R. 1746 van 26 Julie 1991, deur klousule 3 (1) van die Leervoorwaardes met betrekking tot Lone, deur die volgende klousule te vervang

"3 (1) 'n Werkgewer moet 'n vakleerling weekliks besoldig teen minstens die skale hieronder uiteengesit

Jaar van vakleerlingskap	*Weeklikse skaal*
Eerste jaar	R216
Tweede jaar	R240
Derde jaar	R288
Vierde jaar	R431 "

E. VAN DER MERWE LOUW,

Minister van Mannekrag

Strebel hurt by flood of textile imports

B/Day 20/9/91

MARCIA KLEIN

(197)

A FLOOD of textile imports and the long recession have severely affected results for the Strebel Group in the year to end-June.

The Cape-based textile accessories manufacturer's earnings dropped by 44% to 21,3c (38c) a share on the back of extreme pressure on margins, MD Fred Strebel said yesterday.

He said there would be no increase in earnings in financial 1992 as difficult trading conditions were expected to continue throughout the year.

Strebel said the recession had severely affected the group's sales in its main markets — textile, clothing and retail sectors — resulting in a 4% drop in turnover. Turnover figures are not given.

The effects of the recession had also "placed an enormous strain on operating margins", with operating profits showing a 35,6% decline to R8,6m (R13,3m).

After small increases in depreciation and interest, pre-tax income was 50,5% down at R5,1m (R10,2m).

A small relief in the reduction in taxation to R1,9m (R4,5m) saw attributable earnings decrease by 44% to R3,2m (R5,7m)

A final dividend of 4c a share was declared, bringing the full-year dividend to 7,5c (13c) a share.

Strebel spoke out strongly against the flood of textile imports in the second half of the financial year.

"As a group we strongly favour healthy competition in our economy. At the same time we believe the government must balance imports against the strategic needs of the country in terms of raw materials production, manufacturing capacity and continued employment"

Despite pessimism with regard to the current year, Strebel said the group would be in a position to respond to the first signs of an economic upswing and an improvement in consumer demand, with its strong balance sheet.

Gearing of 39% (38%) of shareholders' funds and 93% in the case of all liabilities to shareholders' funds was well within the group's self-imposed limits of 50% and 150% respectively.

COMPANIES

Trimtex details strategy for recovery

B/Day 23/9/91

MARCIA KLEIN

GARMENT accessory manufacturer Trimtex has outlined a detailed strategy to be implemented in financial 1992, in an attempt to return to profitability.

Directors said in the group's annual report that the successful implementation of the strategy would lead to a return to profitability in the near term.

The Durban-based company reported an attributable loss of R1,4m (profit of R1,4m) on a reduction in turnover to R37,5m (R40,2m) in the year ended March.

The strategy includes careful management of working capital resources to minimise the effects of high interest rates, and continuous improvement to budgetary control procedures, started at the end of the 1991 financial year.

It would also increase sales and operating margins, develop new product ranges and increase awareness of brand names.

The longer term strategy of improving and updating machinery and technology would also be continued. (197)

Directors said Trimtex would continue to monitor its unprofitable subsidiaries and develop operating strategies to restore the group to profitabilty in the short term.

They said the past year was characterised by numerous significant changes, including a new senior management team and the consolidation of three Durban-based operations into a single building.

CT 26/9/91

Meritex hit by recession

By AUDREY D'ANGELO
Business Editor

CAPE Town-based clothing and textile group Meritex was hit by a combination of the recession and competition from the Far East in the six months to July

It reports an after-tax loss of R731 000 which is, however, an improvement on the loss of R959 000 in the first half of the previous year The company made an attributable profit of R39 000 in the year to January

Turnover in the six months to July was 1,1% higher but the operating loss was R694 000 before tax and R692 000 after tax Net tangible asset value per share rose to 96c (94c)

Chairman and MD Ed Gordon says significant reductions are being made in operating costs But the group does not expect to feel the benefit of these before the final quarter

Financial director Dave O'Donovan blamed "dumping" from the Far East, as well as falling demand from consumers, for the group's losses.

He said proposed higher duties on imported fabric and clothing would be of tremendous help

"Without them we are in great trouble We are all being hit by goods coming in from the Far East, at prices far below the raw material costs

"The new duties eliminate this sort of thing and enable us to plan ahead"

Frame's discount of price to net asset value widens

(197) B/Day 30/10/91

WILLIAM GILFILLAN

THE discount of Frame shares to net asset value has widened further with the price of the textile group hitting new lows of around 200c a share

In the group's annual report at June 1990, net asset value was published as 3 282c a share This figure was reduced to 2 846c a share at December 1990 after the group had recorded extraordinary losses which followed from the closure of mills and operating losses

Analysts believe that the group's net asset value would have dropped even further since December, as they expect the operating losses experienced up to December to have continued this year. They are also of the opinion that it would record a further large extraordinary loss following its announcement in August that it would dispose of its blanket operation

Ordinary shareholders' interest at June 1990 was recorded as R622,3m which, with the 18 963 280 shares in issue held outside the group, gave Frame a net asset value of 3 282c a share. At December this was down to 2 846c as ordinary shareholders' interest had dropped to R539,7m.

An attributable loss of R48,8m for the six months to December and extraordinary losses following the closure of three mills (one in Harrismith and two in East London) had contributed to this drop in net asset value.

But since December the group's blanket operation and its hand-knitting yarn operation have been sold Also the group announced in September that a spinning mill in East London was to close Industry sources expect these developments to result in further extraordinary losses This, with the expected continuation of operating losses since December, would have reduced the net asset value from its 2 846c a share at December But by how much?

They expect Frame would receive between R80m to R100m for the blanket operation As they estimate the blanket operation was valued in Frame's books at about R170m, they expect the extraordinary loss resulting from this disposal to be between 475c and 369c a share

Attributable losses for the period from December to the end of this month would be about R81m, on the assumption that losses recorded to December continue at the same pace this year. This works out to an attributable loss a share of 427c

Taking into account the losses from the blanket disposal and the assumed operating loss, Frame's net asset value is probably down to between 1 944c and 2 050c a share Extraordinary losses arising from the disposal of the hand-knitting yarn operation in April and the East London spinning mill operation, announced in September, would also need to be taken into account.

New unit trust from Old Mutual

SEAN VAN ZYL

OLD Mutual has launched its sixth unit trust — the Top Companies Fund — based on the view that blue-chip industrial shares are still sound in the medium- to long-term, portfolio manager Adrian Allardice said yesterday.

Allardice said trading in the new specialist fund would begin on November 1. He added the fund would provide investors with a means of investing in the JSE's top performing shares, although it would avoid investing directly in gold and property counters.

"The fund is designed for investors who want a diversified portfolio which does not include direct gold and property developments. Investors who require a gold content can select their exposure to that sector by investing in the Old Mutual Gold Fund."

Allardice said income from the fund would be distributed twice a year — at the end of February and in August. B/Day 30/10/91

Although industrial shares were expected to ease back in the short-term, Allardice said continuing demand for quality shares by financial investors would limit the down potential of industrial shares, many of which are currently trading at all-time highs

Furthermore, he did not expect a major comeback in gold shares which appeared too expensive relative to the gold price.

Development plan urgent, textile industry tells BTI

1991

Business Day 30/10/91

WILLIAM GILFILLAN

THE textile industry would survive only if the development plan proposed by the Board of Trade and Industry (BTI) was implemented by next year, Textile Federation president Wallace Grace said yesterday.

Massive financial losses and escalating retrenchments in the industry — more than 7 000 since 1989 — were being felt throughout the textile pipeline, which provided about 400 000 jobs, he said.

Manufacturers' output had slid 20% during the past two years because of recession, high levels of imports and introduction of the current structural adjustment programme.

Textile Federation executive director Brian Brink said the programme had not been implemented in the form originally agreed to. Consequently "imports increased and, while exports of yarn, fabric and clothing grew significantly, the textile and clothing trade balance worsened".

Any gains in the export field were seen to have been made at the expense of local textile producers and taxpayers

Grace believed the development plan would go a long way toward correcting current problems.

Benefits

"The ad valorem increase on fabric from 20% to 40% may seem severe. However, to view it in isolation is incorrect One must take into account the fact that, with the simultaneous elimination of formula duties, the new duties will in many instances be lower," he said.

"The local textile industry maintains it cannot compete effectively on cost due to the benefits Pacific Rim countries receive in terms of subsidised raw materials, preferential benefits for exporting, tax concessions and lower labour rates. Their policy of dumping during recession frequently results in fabrics and garments landing at below the cost of their raw material content."

The high local cost of updating machinery needed to be considered. Grace estimated that setting up a new mill in SA would require double the capital investment of a comparable plant in Taiwan

The textile and clothing sector was increasingly looking to exports of fabric and garments to encourage employment. Grace believed substantial benefits were required to counter those received by the Pacific Rim countries. These had to be structured so that they would not adversely affect any one industry.

"The textile sector is currently in a deperate situation.... It is only by temporarily increased protection while macro-economic factors are corrected that this situation can be arrested," Grace said

The local industry was operating with 25% to 30% spare capacity.

COMPANIES

Rationalisation hurts Romatex

B/Day 31/10/91. (1991)

WILLIAM GILFILLAN

EARNINGS at Romatex plummeted 77% to R8,6m from R37,4m for the year to September. Although the textile group lifted turnover 3% to R740,4m from R715,7m, operating profit was down 37% to R39,8m from R63,3m.

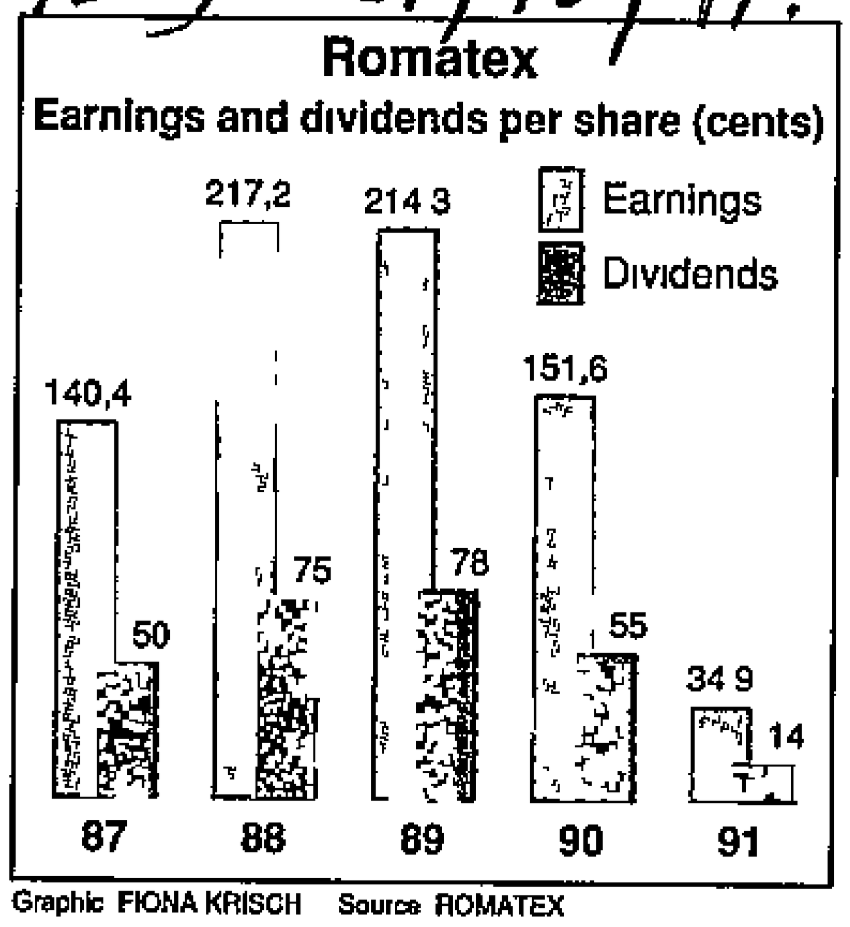
Executive chairman Jack Crutchley said this was the result of taking tighter margins to retain market share and abnormal costs following from rationalisation

A dividend of 14c (55c) a share was declared on earnings a share of 34,9c (151,6c)

Interest charges more than doubled to R19,9m from R9,8m which Crutchley said was in line with borrowings which "peaked at R144m in March but declined to R88m at year-end"

The group's tax rate rose to 57% from 31% which was the result of certain companies, with tax losses, incurring operating losses, Crutchley said

Discussing the divisional performances, he said the industrials division had recovered and earnings from the bulk storage division were similar to the previous year



Graphic FIONA KRISCH Source ROMATEX

The carpets division suffered a loss and profits from the fabrics division declined

"The ongoing recession and increased textile imports also helped to produce a result below expectations," he said.

The R8,7m (R5,1m) extraordinary loss arose mainly from the closure of operations during the year

Crutchley said about 590 employees were retrenched during the year This took the number of employees down to 9 000 at present from 14 000 in 1989

On the Board of Trade and Industry development plan proposal, he was "optimistic that sensible and appropriate protection will be provided but I accept that in due course protection should be phased out thus allowing the open economy approach"

Crutchley said, "We have significantly reorganised the group and believe that we are now structured to benefit when the economy improves"

At the half-year stage when reporting a 72% drop in earnings, the directors projected an unchanged economic climate for the balance of the year and profits accordingly "below those of last year although normal seasonal factors will see an increase on the first half's earnings"

In practice, the group's trading performance met that projection

Turnover in the second half was almost 20% up on the first half and operating profit was nearly 54% higher

Looking ahead, the report warned that depressed trading conditions were likely to continue into 1991

Romatex shares are currently priced at about 750c at which level they yield 4,6% and 1,9% on the new earnings and dividend respectively

These compare with actuaries index averages of 14,5% and 5,0% for the clothing and textile sector

Tax, interest bills unravel Romatex

(197)

Star 31/10/91

DURBAN — Romatex has suffered a disastrous trading year, with earnings down 77 percent and dividends down 74 percent.

The group said yesterday that attributable earnings were R8,6 million for the year to September (R37,4 million previously), while earnings per share fell to 34,9c (151,6c)

The dividend is down 74 percent to 14c (55c)

Turnover rose from last year's R715,7 million to R740,4 million, but interest paid shot up from R9,8 million to R19,9 million, an increase of 103 percent

Competition from imports, a higher tax bill and the recession all contributed to the decline

Another major problem was losses caused by the closure of certain operations over the course of the year.

Borrowings peaked at R144 million in March, but declined to R88 million at year-end

The board felt depressed trading conditions would continue, but that the group was positioned to take advantage of the coming recovery. —Sapa

Support for clothing industry against textile 'losers'

Chamber objects to BTI protection plan

Arg 2/11/91 (197)

TOM HOOD
Business Editor

THE Cape Town Chamber of Commerce has decided to support the clothing industry's battle to prevent imported fabric and yarn being hit with huge increases in duties from January 1

The chamber said today it had written to the Board of Trade and Industry to express its objections "in clear and forthright terms" to the proposed new range of duties on imported fibres, apparel textiles and clothing

In its letter it describes the local textile industry as a loser which had enjoyed some 25 years of protection and did not deserve any more

The government plan, designed to make the textile industry more competitive on the international market, provides for a change from the present formula duties which are expressed in cents per kilogram to an ad valorem duty based on the landed cost of the imports

The proposed duties would remain in force for three years and then be gradually reduced over the next five years

The chamber said in a statement t it rejects these proposals and says their effect will be to double the current protection levels for three years and then to reduce them over the following five years back to the existing levels

"It is ridiulous to provide additional protection for eight years over and above present protection levels which can be classified as generous"

Increased duties, the chamber says, will lead to import parity pricing and within six months the price of local textiles will be pushed up to just below the new cost of imports

The argument in favour of tariff increases is that the competition of cheaper imports will reduce the industry's contribution to the country and will cause unemployment

However, the chamber argues in its letter to the BTI that many businesses will be adversely affected by the higher import duties which will lead to higher prices, discontinued lines, lower sales and unemployment in the whole distribution chain

It points out that the clothing industry estimates that more than 20 000 jobs could be at risk if the proposed duty increase are implemented

In addition many other businesses such as freight forwarders, cartage contractors and insurance underwriters could also be affected

Local retailers, wholesalers and manufacturers wanted to purchase from the local industry, but the textile mills did not produce the quality required, they could not deliver in time and they were unreliable in terms of pre-arranged delivery dates

"To approve the higher tariffs would condemn the consumer to accept lower quality at higher prices because the State continued to back a loser"

The chamber said the government had made impressive strides in stimulating economic activity and in encouraging exports and industry development These schemes were aimed at successful business organisations which were likely to become self sufficient

The textile industry had been given about 25 years to succeed but it was still inefficient

The chamber said it was surprised by the BTI proposals

"Economic thinking over the past 18 months, as expressed by the IDC and a number of Cabinet Ministers has been directed towards export orientation and reduced protection for local industries in order to become a competitive player in the international market

"In terms of the apparel textile, and clothing industries, the BTI has prposed to delay the process to the end of this century Commerce does not believe we can wait that long The political developments are racing ahead of the economic developments"

Mr Mike Getz, a director of Seardel, the country's largest clothing manufacturer amd a former president of the Cape Chamber of Industries, said the Board of Trade and Industries, in tampering with the structural adjustment programme for the clothing and textiles Industries, signalled a gap separating it from the official stance urging exports on the one hand and a steady stream of tariff increase proposals on the other

"There must be serious doubts about the ability of the BTI to sustain the policies it formulates, " Mr Getz saids this week

"It remains vulnerable to pressure

'Desperate' textile sector needs protection to survive

TEXTILE Federation president Mr Wallace Grace says if the local textile manufacturing sector, which employs about 92 000 people, is to survive, the BTI's development plan must be implemented on January 1

Mr Grace said huge financial losses and escalating retrenchments in the industry — more than 7 000 since 1989 — were impacting throughout the textile pipeline, a pipeline estimated to provide 400 000 jobs

"The output of textile manufacturers has declined by 20 percent in the last two years, due to the general economic downturn, continued high levels of imports and the introduction of the current Structural Adjustment Programme (SAP)," he said this week

The executive director of Texfed, Mr Brian Brink, said the programme was not implemented in its originally agreed form As a consequence, "imports increased and while exports of yarn, fabric and clothing grew significantly, the textile and clothing trade balance worsened

"The export gain has therefore been at the expense of local textile producers and also at the expense of taxpayers"

The textile industry was operating with 25-30 percent spare capacity To bring effective unit cost reductions, it required a 168-hour working week and full capacity utilisation.

Without duties, the industry maintains it cannot compete effectively on cost due to the benefits Pacific rim countires receive in terms of subsidised raw materials, preferential benefits for exporting, tax concessions and lower labour rates

The high cost of updating machinery was also a major factor Setting up a new mill in South Africa would require double the capital investment of a comparable plant in Taiwan, Mr Grace estimated And it was only by continuing to modernise local mills that the industry could compete

"To keep abreast of latest technologies, the textile capital expenditure rate needs to increase five-fold," Mr Brink calculates

The textile and clothing sector was looking increasingly to exports of fabric and garments to ensure a positive balance of trade and encourage employment Here substantial incentives were required to counter those received by the Pacific rim countries

Mr Grace pointed out "The textile sector is currently in a desperate situation, with major companies losing money and unable to reinvest. It is only by temporarily increased protection while macro economic factors are corrected, that this situation can be arrested"

Star 5/11/91.

Da Gama hard hit

197

By Derek Tommey

Da Gama Textiles took another bashing in the six months to September, resulting in the interim dividend being cut from 16c last year to 10c this year.

In the five years to March this year Da Gama had an annual average compound growth rate of 27,9 percent which is virtually double the average annual increase in the consumer price index in the same period.

But profits were showing signs of weaking in the six months to last March. The lower dividend follows a 10,9 percent drop in attributable earnings in the six months to September from 35c to 31,2c a share. Turnover fell one percent to R139,1 million.

However, group assets grew from R243,7 million to R281 million.

The directors say trading condition were extremely difficult, aggravated by a surge in imports of cheap fabrics, mainly from the Far East, and a reduction in state business after budget cuts.

No end to grief of the Frame group

Star 7/11/91

(197)

By Ann Crotty

It looks like a sad state of mismanagement at corporate and government level. Over the years it has resulted in a major erosion of an enormous asset base and the loss of 7 000 jobs in one year alone.

The Frame group and its 67 percent-held operating subsidiary Consolidated Frame Textiles have had a heart-breaking three years

For the 12 months to June, Conframe reported an operating loss of R163,6 million and an additional extraordinary loss of R202,6 million for a total loss of R366,3 million.

In financial '91 the group's net asset value fell to R745 million, equivalent to just over R13 a share

What weary investors think of this sort of asset valuation is reflected in the current share price of 180c (R13 in 1987)

The major problem area was the blanket division, which accounted for R54 million of the R105 million operating loss This still left a R50 million loss to be accounted for by other activities

Either figure represents a staggering turnaround from the R68 million operating profit reported in financial '90

Then there's the R18,5 million cost of "downsizing" continuing operations After allowing for this and finance charges of R40,8 million (R24,9 million), the attributable loss was R163,6 million, equivalent to a loss of 291c a share

Adding on the R202,6 million gives a loss of R366,3 million, which is possibly more than Conframe has earned in its existence

It seems the biggest single write-off came from the disposal of the blanket division (FWT). Conframe received R70 million and so had to write off R74 million from FWT's book value of R144 million

The party that bought FWT has a right to buy its East London property It seems the buyer will exercise this option, which will result in a write-off on the revalued property

This amount, which is over and above the R74 million write-off on the deal, has been taken in the financial '91 accounts

Other write-offs were taken on the disposal of the hand-knitting yarn business, the polypropylene bag business, the downsizing of the apparel business and, the closure of the East London spinning mills and weaving sheds

In the absence of any long-term government strategy, it is understandably difficult for management to determine how grim the period ahead will be

Loss leaves Frame R226m in the red

B/Day. 7/11/91 (197)

WILLIAM GILFILLAN

THE Frame Group, hit by a R125m extraordinary loss relating to disposals and the closing down of certain operations, turned in a loss of R226m for the year to June

A loss (before extraordinary charges) of 533c a share was recorded Group directors attributed the performance to competition from imports, particularly yarns, as well as the recession.

The effect was a loss of R104m at operating level compared with a profit last year of R69m, off a 20% decline in turnover to R789m (R984m)

Off this an R18,5m charge was made which executive chairman Mervyn King said was related to "retrenchments and costs of that nature at those operations which, although still continuing, had been downsized"

Interest and finance charges nearly doubled to R40m from R24m on net borrowings which rocketed to R203m from R130m Shareholders' funds were down R184m to R437m from R622m which, on the 18 963 280 shares in issue held outside the group, converted into a net asset value of 2 306c (3 282c)

The textile group also disclosed it had received R70m from the sale of the blanket operations A pro-forma income statement, excluding the blanket operations, and a pro-forma balance sheet — reflecting the group's position at July 1 on the assumption that the proceeds from the disposal of the blanket operations had been received by then — were also published

The pro-forma financial statements indicate that, as an operating loss of R50m was made with the blanket operations excluded, the operating loss of the blanket operations was about R53m

The blanket operations' turnover was about R131m, while about R20m of the R40m in interest charges was attributed to the blanket operations

Frame's net borrowings declined to R146m from R203m when the blanket operations were excluded

About R44m of the R125m in extraordinary losses referred to the disposal of the blanket operation and the remaining R81m to, among others things, the disposal of the handknitting yarn operation and the closure of various mills

Directors said rationalisation of the

□ To Page 2

Frame

B/Day 7/11/91 (197)

□ From Page 1

group's operations had resulted in manufacturing operations now being conducted only in the Durban area and in Ladysmith

Referring to the disposal of the blanket operations, they said the Reserve Bank had indicated its approval in principle, but its final approval had still to be obtained

"The benefits of the rationalisation are being felt but, because of spare capacity, operating losses continue although at a reduced level"

On the future, they said that if the Board of Trade and Industry proposals regarding duty levels were not introduced, the group would have to close further spinning mills. But until any changes to the duties were announced, they could not predict the future

ARG 7/11/91 (197)

R366 million loss hits Frame group

TOM HOOD, Business Editor

FROM a R68 million profit a year ago, the Frame group's operating subsidiary Consolidated Frame Textiles piled up a staggering loss of R366 million in the 12 months to June

Conframe's operating loss was R164 million to which was added R202 million of write-offs

The group's net asset value fell to R745million, equivalent to just over R13 a share ands what investors think of this is reflected in the current share price of 180c (R13 in 1987)

Major problem area was the blanket division, which accounted for R54 million of the R105 million operating loss This still left a R50 million loss to be accounted for by other activities.

Biggest single write-off came from the disposal of the blanket division (FWT) Conframe received R70 million and so had to write off R74 million from FWT's book value of R144 million

Frame has had a heart-breaking three years, losing 7 000 jobs in one year alone

Group chairman Mr Mervyn King said the group was built up as a spinner of yarns and a seller of yarns to the textile industry and had been harder hit than other parts of the textile pipeline as a result of the ablition of import control, duty-free permits and reduced barriers

The industry would have to adapt to a new government import policy from January 1

"It would be unwise to eridacate spare capacity until we know exactly what the parameters are to be over the next few years"

■ **Amalgamated Retail** has slashed its interim dividend by 47 percent to 19c (28c) after a 29 percent drop in earnings to R5,4 million

Although its furniture operations held up reasonably well in the six months to September, the footwear and apparel divisions were hit badly by tough conditions

Turnover dropped 3 percent to R463 million and operating profit fell to R10,3 million (R23,5 million) as a result of lower volumes and the squeeze on margins in cash operations

■ **Compass Property Holdings** says the profit of R800 000 from the sale of Monex House in Strand Stret, Cape Town, will be used to repay debt

■ **Anglo American Properties'** earnings dropped 8 percent to R14 million (31,03c a share) for the six months to September 30

Growth in income from the rentalproperties is steady but has been negated by a loss from land sales

The Carlton Hotel again reflected a loss

■ **National Sorghum Breweries** chairman Mr Mohale Mahanyele says the newly formed company's June year-end results confound critics who predicted its demise when it was transfered to black control in mid-1990

Earnings rose by 54 percent to 38,8c a share (25,2) on turnover up 15 percent at R357 million

■ **Reunert** maintained its profits in the year to September, with earnings of R74,6 million, only 2 percent ahead of last year's R73,3 million

An unchanged final dividend of 59c makes the total payout the same as last year's 81c.

Frame-Waverley acquisition helps Unispin

By Sven Lunsche (197) Star 8/11/91

Frame's loss seems to have provided some gains for Unispin in the year to September.

The group has reported an attributable loss of R4,9 million (14c a share), which is a slight improvement on the R6,1 million (17,5c) loss at the interim stage

The directors say it is due mainly to the positive contribution to trading margins by Frame-Waverley, which was acquired for R30 million from Frame in March.

In the 1989/90 financial year, the group reported an interim loss of R2,4 million.

Unispin's performance continues to be adversely affected by the burgeoning imports of fabric and ready-made knitwear

"Jersey-knitters, who are Unispin's principal customers, have seen importers increase their share of the local market from an average 4,5 percent to 34 percent over the first five months of this year," says MD Chris Snijman.

"Virtually the entire imported component of jerseys in that period came in duty-free under the structural adjustment programme of the Board of Trade and Industry," he says

The programme will continue to have an adverse impact on the company's markets, he says

He says the Frame-Waverley acquisition had already shown benefits at the operating level

On sales of R131,7 million (1989/90 R123,9 million) an operating profit of R18,5 million (R11,2 million) was recorded as overall margins were lifted from 8,7 percent at the interim stage to 18 percent at year-end

However, Mr Snijman qualifies the improvement by saying that "the non-recurrent nature of much of the improvement must be borne in mind"

Group performance was also held back by high debt levels — total debt rose by 9,3 percent over the year to push the gearing level to 131 percent

COMPANIES

Imports hit us, says Unispin

B/Day 8/11/91 (197)

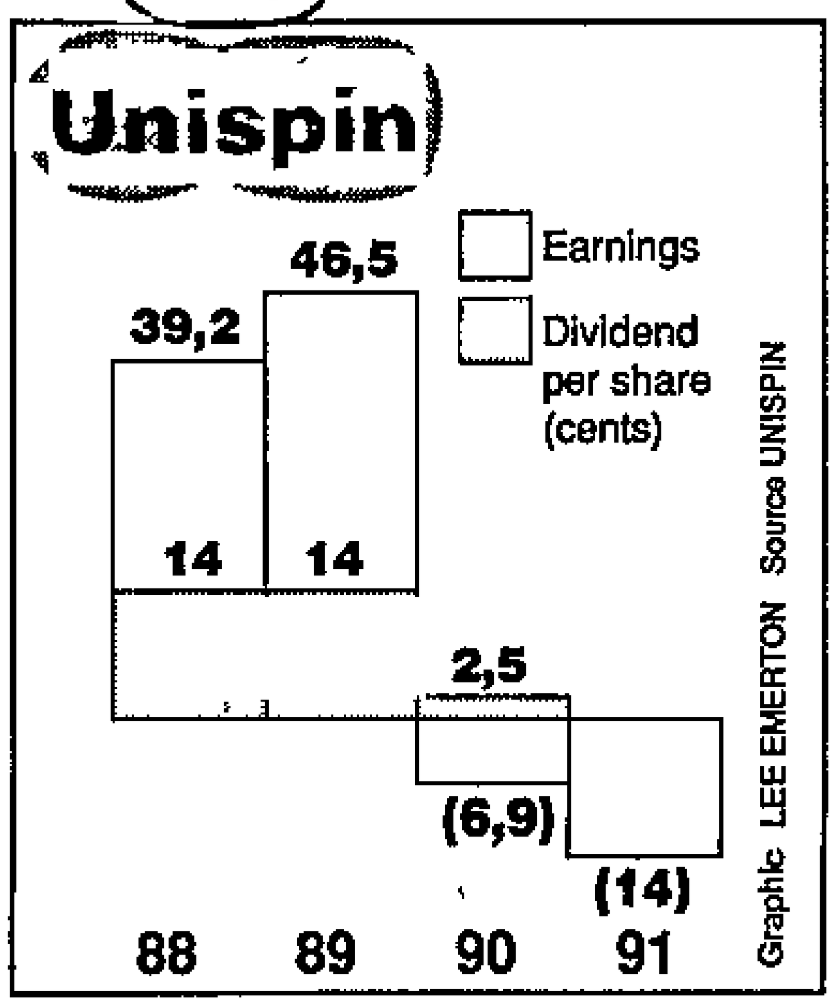
WILLIAM GILFILLAN

YET another textile group has turned in a dismal performance and blamed import competition and the recession

Port Elizabeth-based Unispin increased bottom-line losses to R4,9m from last year's R2,4m for the 12 months to September Losses a share rose to 14c from 6,9c

Although year-on-year results were not comparable — Unispin acquired Frame Waverley's acrylic spinning division during the year — MD Chris Snijman said the acquisition had contributed only about R3m to the R131m (R123m) turnover

An operating income of R18m (R11m) meant that margins jumped to 14% from 9%, which Snijman said was achieved through improved efficiencies and "through the non-recurring impact of inventory acquired from Frame"



Interest, which rocketed to R21m from R12m, took the group into a loss of R3,2m (loss R1,1m) Year on year, interest-bearing debt rose by R9m to R109m from R100m

The payment of a R1,6m (R1,2m) preference dividend brought the bottom-line loss to R4,9m

Snijman said the preference shares of R10m given in the 1990 balance sheet had been paid up during the year Preference shares of R30m shown in this year's balance sheet related to the Frame acquisition and, in fact, were held by Frame

Burgeoning imports of ready-made knitwear hit the group Imported knitwear increased its share of the local market from about 5% to 34% over the first five months of 1991

"Virtually the entire imported component of jerseys during that period came in duty-free under the Structural Adjustment Programme", Snijman added

ROMATEX FM 8|11|91

Problem child (194)

Soon after Jack Crutchley became chairman three years ago he promised radical surgery He rationalised the Byzantine structure into four operating divisions, sold off the rope business and nylon spinning operation and cut the work force from 13 000 to 9 000

Unfortunately, the rationalisation, together with tough markets, has led to depressed earnings in the short term In the year to September 1990, earnings were down by 29% In the year just ended they collapsed by

FALLING APART

Year to September 30	1990	1991
Turnover (Rm)	716	740
Operating profit (Rm)	63	40
Attributable (Rm)	37	9
Earnings (c)	151,6	34,9
Dividends (c)	55	14

FM 8|11|91 (194)

77% to 34,9c a share It is certainly one of Barlow Rand's problem subsidiaries

Cyclicality should be insulated by Island View Storage, which made a R16,1m operating profit in 1990 It made a "similar profit" last year, indicating that operating profit from textiles fell from R47m to R24m

Carpets, traditionally the backbone of the business, made a loss Crutchley says Romatex might have been complacent about competitors and was badly positioned when Belgotex started operations about four years ago The old floorcoverings division, which once included nine businesses, has been renamed Romatex Carpet Co, and Crossley Carpets ex-MD John Louw has taken over the whole operation Crutchley says Romatex does not intend to compete with Belgotex in the volume end of the market Crossley has won export orders in the Far East and for the Lost City project

The Romatex Nylon Spinners property is being sold to Old Mutual for R10m Yarns will be supplied by the US giant Du Pont

As usual, the second half-year was better than the first Turnover was 20% higher and operating profit increased more than 50% Tax, however, was sharply up, as certain companies with tax losses incurred operating losses, pushing the effective rate up from 28% to more than 71%.

Crutchley says several improvements prepare Romatex for the next economic upturn It has invested R35m in new finespinning capacity at Berg River Textiles Veldspun has started polyviscose production and has a big order from the Botswana government

At 700c Romatex has a p e of 20,1 and dividend yield of 2% The share has moved in a narrow band between 675c-800c in the past 12 months, though it is now near the 12-month low On an optimistic view of the textile sector Romatex is well placed to sell into the added value market and to export, but it remains a risky investment At lower levels it should be a good recovery stock, but there will need to be further trimming

Stephen Cranston

Textiles in tatters

S/Times (Buss) 10/11/91 (197)

TEXTILE company results this week put the crisis that faces the industry in sharp focus.

The Textile Federation has even cancelled its annual banquet because it cannot justify the expense in light of layoffs in the industry

Three large companies, reporting threadbare results, called for reason from the Board of Trade & Industry (BTI), which is due to announce a new deal for them from January

On top of Romatex's poor showing, once-mighty Frame group — its activities spread from Malawi to Cape Town but are now confined to making textiles in Durban and Ladysmith — was most notable for its losses

Built on a business of spinning and selling yarn to the textile industry, Frame has suffered more than most in the two years since the structural adjustment programme (SAP) was introduced

Wages

Yarn has been hit hard by the abolition of import control, duty-free permits and reduced barriers

Frame chairman Mervyn King says the playing fields can never be levelled while the homelands exist because labour there is subsidised Homeland manufacturers have a 40% lower wage bill

In the year to June 1991, Frame incurred an operating loss of R51-million But the loss after disposal of the blanket, hand-knitting yarn and polythene bag businesses and interest and writeoffs was R226-million

The group's net equity is now R740-million and borrowings are down to R146-million

Mr King outlines the importance of the textile industry in terms of electricity use, labour and opportunities for packaging and transport The economic consequences

By JULIE WALKER

of the industry's failure would be devastating

He says that if yarn duties are legislated below 30%, Frame will have to close more spinning mills If proposals on fabrics are implemented, demand for those made in SA should increase

Unispin, which bought Frame's hand-knitting operations for R30-million, also gripes about the effects of the SAP

Unispin customers, the jersey knitters, increased purchases of the imported components of their products from 4% to 34% in the first five months of this year

Unispin could not compete on another uneven playing field and lost almost R5-million in the year to September

Da Gama is the third textile group to fall on hard times It also calls for the BTI to increase duty protection against unrealistically priced imports as well as a modification of SAP These should jointly reduce fabric imports, but perhaps too late to help Da Gama in the second half of its year

In the six months to September Da Gama felt the pinch from a reduction in State business after Budget cuts as well as the chill of 40% of SA's cotton and cotton fabric requirements being imported cheaply from the Far East

Its turnover eased a shade to R139-million, but earnings a share slipped by more than a third to 31,2c

Textile makers going on the warpath

1991

Star 8/11/91

By Des Parker

DURBAN — Textile-makers are bunkering down for an intensification of their war of words with clothing producers over a new government plan

The Board of Trade and Industry's proposed eight-year development plan moots another change to import tariffs on fabric and is popular with domestic producers

Clothing firms, with the support of the Cape Town Chamber of Commerce, have said the proposals will be inflationary and will nip their export drive in the bud, putting thousands of jobs at risk

Cheap imports

Textile businesses, supported by disastrous financial results recently, say they need more protection from cheap imports

Textile Federation executive director Brian Brink said this week fabric-makers were taking a lead in reducing producer prices in the sector

"The producer price index for textiles has shown a persistent downward trend for the past 24 months

Proportion

"Additionally, it has been below the rate of increase for clothing since March 1990, despite a higher proportion of so-called cheaper imported fabrics, and below the rate for total manufacturing since January this year."

BDay 12/11/91

Federations at odds over textile fees

WILLIAM GILFILLAN

NATIONAL Clothing Federation claims that duty levels on textiles are too high have been disputed by the Textile Federation, which says the average duty raised on textile imports in 1990 was 11%

Textile Federation executive director Brian Brink has called on the authorities to introduce import permits over and above the higher duties proposed by the Board of Trade and Industry

"Failing some quantitative import quota system similar to that operating in most developed countries under the Multifibre Arrangement, the prospects for the local textile and clothing industries will be extremely vulnerable to imports."(197)

Brink says duties to protect the local textile industry will not affect the clothing manufacturing industry's export effort

"Clothing exporters can obtain the necessary fabrics and finishes they require to service the sophisticated European and American markets. It is not true that these fabrics are unavailable domestically"

Generally, imported products did not suffer from "these fiscal imposts" and were often subsidised 'esident's Export Awards

Crossley weaves a European market

(197)

B/Day 12/11/91

WOVEN carpet manufacturers Crossley Carpets, part of Romatex, has doubled export sales in three years with breakthroughs in the UK and Republic of Eire markets

The merit award winner in the manufacturing sector ascribes its success to the quality of its products and the service provided

Compete

Romatex Carpets MD John Louw says these factors have enabled the company to compete with UK-manufactured products and duty-free imports from Poland, Czechoslovakia and Pakistan

"Since our first exposure at the International Carpet Fair in Harrogate in 1988 we have sought niche wholesalers for whom we manufacture exclusive products under their labels

"We have become known as reliable suppliers of first-class Axminster and Wilton carpets — designed and woven to customer specifications

"Our ability to control every aspect, from design and selection of raw materials to finished product, enables us to produce carpets of international standard"

Louw says the UK has become a major market for Crossley, surpassing the market it lost due to sanctions in the US

While it is reducing its dependence on the Far East, it nevertheless remains the company's largest export market

'Our success has enabled us to purchase two new looms and we are in the throes of widening our existing looms

This will enhance our production flexibility, enabling us to meet the needs of our local and export markets"

Louw says to succeed in the export market one has to be focused and tenacious

"We remained undaunted despite tough competition from UK manufacturers and the recessionary economy

Flexibility

"We had the design expertise and production flexibility to add more value to our products than our competitors

'Our confidence in the quality of our products and service, together with our bold approach, secured the first orders

'Our reputation spread in the carpet trade worldwide, as woven carpet manufacture is highly specialised and Crossley filled the gap for custom-made products," says Louw

Dumping Bill replies extended

(197)

B/Day 14/11/91

ANDREW GILL and LINDA ENSOR

TRADE and Industry Minister Org Marais has bowed to pressure from the business community and extended the period for comment on the draft legislation for anti-dumping measures released on Tuesday

A spokesman for his department said yesterday organised business had been given an extra eight days (until November 26) to submit comment on the legislation

The spokesman said Marais had been in close co-operation with industry on the matter and was sympathetic to their concerns about the short period allowed for comment

However, he said, if they waited for too long they would miss the boat and there would be no anti-dumping legislation on the statute books in 1992.

The SA Chamber of Business (Sacob) said in a statement it welcomed Marais' "speedy and positive" response to the request for extra time to comment on the draft.

It would enable Sacob to consult industrialists and importers throughout the country more fully on the matter The statement said Sacob hoped to complete its consultation process by November 26

Meanwhile, speaking in Cape Town last night Marais said government would not support a broad definition of dumping which covered all low priced imports

At a National Clothing Federation banquet Marais was commenting on the proposed amendments to anti-dumping legislation intended to ensure "efficient action against real cases of dumping"

"We simply have to accept that elsewhere in the world there are more competitive producers against which we will have to learn to compete This problem cannot be addressed by means of anti-dumping measures," Marais said

He stressed the need for SA industry to become locally and internationally competitive, saying the protectionist policies of the past were obsolete

"The policy directions outlined in the IDC's (Industrial Development Corporation) report on the future tariff protection policy will form a crucial element in government's economic restructuring programme aimed at enhancing industrial growth and employment creation"

Despite the need to become competitive, however, the militant trade union movement with its stayaways, strikes and demands for high minimum wages, was making SA industry less competitive

Marais said he would be meeting representatives of the textile and clothing industries on November 19 to discuss the revised Board of Trade and Industry proposals for a development plan for the restructuring of the industries

"Government's role in the restructuring process should be to provide an environment conducive to the industry making the necessary changes itself"

Marais appealed to the clothing and textile industries to work out a joint strategy to overcome their conflicts He said it appeared the main weakness of the two industries was that they had tried to service all market segments — including uneconomic and unprofitable product ranges — rather than concentrating on what they did best

Neither industry in its present state with outdated technologies and high price of inputs was in a position to compete internationally without assistance and protection

Rationalisation of manufacturing and product ranges, exploitation of comparative advantages through niche marketing, improved productivity and a commitment to exports were required

● See Page 13

B/Day 14/11/91

Copalcor signs R500 000 deal for Prime Computer

HAGGIE Rand subsidiary Copalcor has signed a R500 000 deal with Primary Computer Systems for a Prime Computer

The company specialises in the manufacture of copper based semi-fabricated products

Primary is a member of the Siltek group of companies and is the sole SA distributor for US-based Prime Computer hardware and software — excluding Computer Vision CAD/CAM products

The deal includes a Prime 5320 super minicomputer, based on the latest CMOS technology, with 16 Mb memory, two 673 Mbyte disk drives, a Helical scan tape drive, controllers and communications software

171

Solution

Copalcor has already implemented manufacturing software from Primehouse — a leading software development company specialising in Computer Integrated Manufacturing (CIM) solutions on Prime equipment, and partly owned by Primary

The first package — Distribution Management Control (DMC) has been implemented

Copalcor financial director Bob Kemthorne says the major component of the CIM solution, Manufacturing Management Control (MMC), will be installed in the near future

Primehouse comprises the necessary elements for a CIM environment and conforms to the international MRP2 standard for manufacturing software

Copalcor was originally using a mainframe computer and decided to downsize to the Prime 5320 to make the company leaner, more efficient and more profitable

Primehouse MD, Keith Bush believes manufacturing is the only way to pull SA's economy out of the doldrums and to initiate economic growth

FM 15/11/91 (197)

FRAME GROUP FM 15/11/91

Only a gamble (197)

An investor with a gambling instinct might be tempted to buy Frame shares, because of the huge discount on NAV At 185c, they are less than a tenth of NAV, of around R23

But transforming Frame from a production-driven and heavily protected business into one that can survive in the open market is proving painful Largely because of an increase in yarn imports as part of the Structural Adjustment Programme, Cons Frame lost 290,9c a share in the year to June 1991, on an operating loss of R105m and a further R18,5m for downsizing

Since Mervyn King became executive chairman in June 1988, the work force has been cut from 22 000 to 10 000 and the head

Frame's Mervyn King *selling the peripherals*

office staff from 100 to five Frame is now concentrated in the Durban and Ladysmith areas and has sold peripheral businesses, such as the polypropylene bag business It sold the handknitting yarn business to Unispin, enabling that company to make a small profit in its second half out of the inventory it acquired Unispin, however, made a loss of R4,9m or 14c a share for its full year

Frame has slashed property holdings, selling its head office to Beacon Sweets Fixed assets have been cut from R657m in June 1990 to R509m

The remaining blanket mills were sold to Zimbabwean entrepreneur Victor Cohen after year-end, reducing debt from R203m to R146m The group has provided pro forma statements that indicate that the blanket mills lost R54m They absorbed about half the R40m group interest bill

The group has suffered more than any of its competitors, as it is by far the largest manufacturer of yarn and takes up half the annual cotton crop It does not enjoy the decentralisation benefits of, say, Da Gama, while Romatex's earnings are cushioned by its investment in the storage company, Island View Storage

King says any further downsizing will only take place once there is clarity about government policy on the textile industry For instance, if yarn duties fall below 30%, the group will have to close more spinning mills

He is reluctant to make any specific forecasts about this year until he knows the parameters in which Frame will operate He says there are jewels in the business, which can be profitable King maintains that even if protection is abolished completely, Frame can still survive, even though further shrunk

He says the perception of Frame as an outdated and outmoded business is no longer appropriate Most mills have been granted the SABS 0157 label, which means that they are of international standard

Simpson McKie analyst Heidi Vollmer does not expect Frame to be in profit this year, even at operating level, unless both yarns and fabric are granted generous protection Even then, interest payments are likely to push it back into the red Moreover, imported yarn and fabrics are in stock and it would take about four months to clear the present pipeline

Frame has already suffered much of the pain of downsizing, but the economy and liberalisation of trade policy are against it One, or preferably both, will need to start working in Frame's favour before it returns to profit

Stephen Cranston

FRAME LOOKS FRAIL

Year to June 30	1990	1991
Turnover (Rm)	984	789
Operating income (Rm)	69	(105)
Attributable (Rm)	41	(164)
Earnings (c)	73,4	(290,9)
Dividends (c)	35	—

At least Romatex stars in carpet dragon design

(197)

ST Times (Buss) 17/11/91

ROMATEX designs better dragons for carpets than any other company in the world.

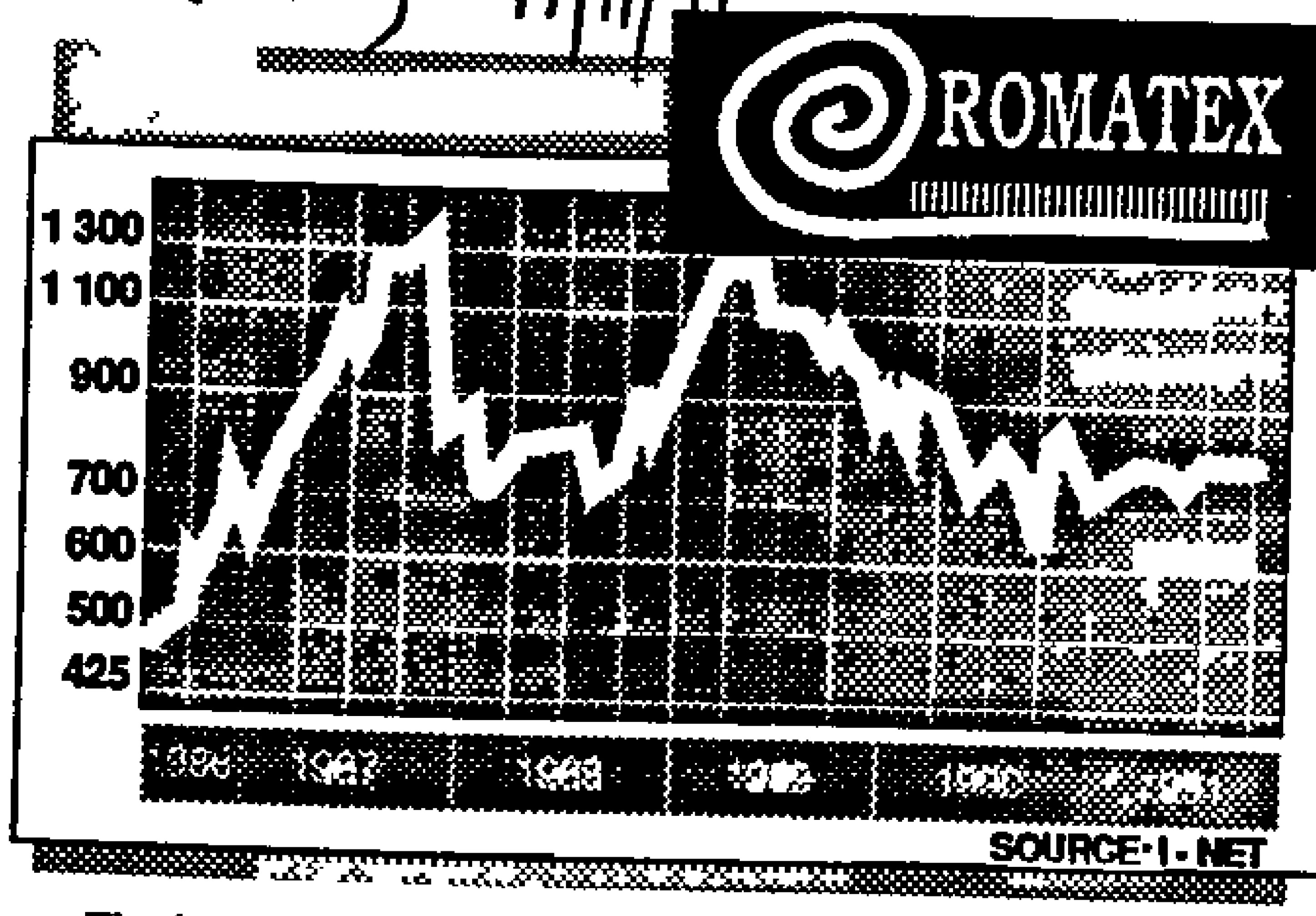
As a result, it has carved itself a market in the casinos of Macao where the carpets must be replaced every six months for good luck.

Romatex has stitched up this field and those of blazer material in Canada and army uniform cloth in Botswana. Niche export markets is the way to go, says executive chairman Jack Crutchley.

Mr Crutchley was brave enough to make a presentation to the Investment Analysts Society two weeks after his carpet, textile, automotive component and storage group reported a 77% drop in earnings for the year to September.

In response to this introduction, Mr Crutchley's defence was that at least he had not reported a big loss.

Mr Crutchley said he could not speak for major shareholder Barlows, but that his brief was to make the best of Romatex.



He left Robor for Romatex in 1988, the year Romatex made record profits. But as early as 1989 the writing was on the wall for the bulky group.

As in the previous downturn in 1985, carpets led the way. Then carpets accounted for half of Romatex's turnover — now the figure is 21%.

In 1985 there were 12 128 employees and 37 operating units, now there are 9 000 workers and 23 sites.

Mr Crutchley says that in 1988 there were four divisions, three with a chief executive in his 60s. In short, he faced a tough task in trying to streamline the operations.

Three years later, the surgery is almost over and the group is waiting for an economic upturn so it can sweat the assets and make some money. The key areas of the group ran at half-capacity this year.

Mills have been closed, others sold. Carpet divisions were consolidated, plant being shifted from coast to coast to rationalise. Even if nothing else goes for Romatex in the current financial year, earnings should rise by R15-million — that sum being the loss from the carpet division in the year to September.

Ten years ago there were 15 000 employees in the group. Mr Crutchley says that if that number were still with the company, and with the wage increases granted over 10 years, there would be no Romatex today.

The salaries and wages bill is equivalent to 24% of turnover. In other lands that figure is about 14%. Mr Crutchley aims to get Romatex's to 16%, but it will take time.

He says the unions realise that jobs are scarce and valuable and that productivity will have to improve. He regards it as the major challenge facing management.

The management style is moving to the shopfloor and an energised workforce will do better.

"If we aren't productive, we can't export, and if we can't export, we go down."

Exports by the automotive industry should help Romatex's car upholstery, foam and carpeting businesses.

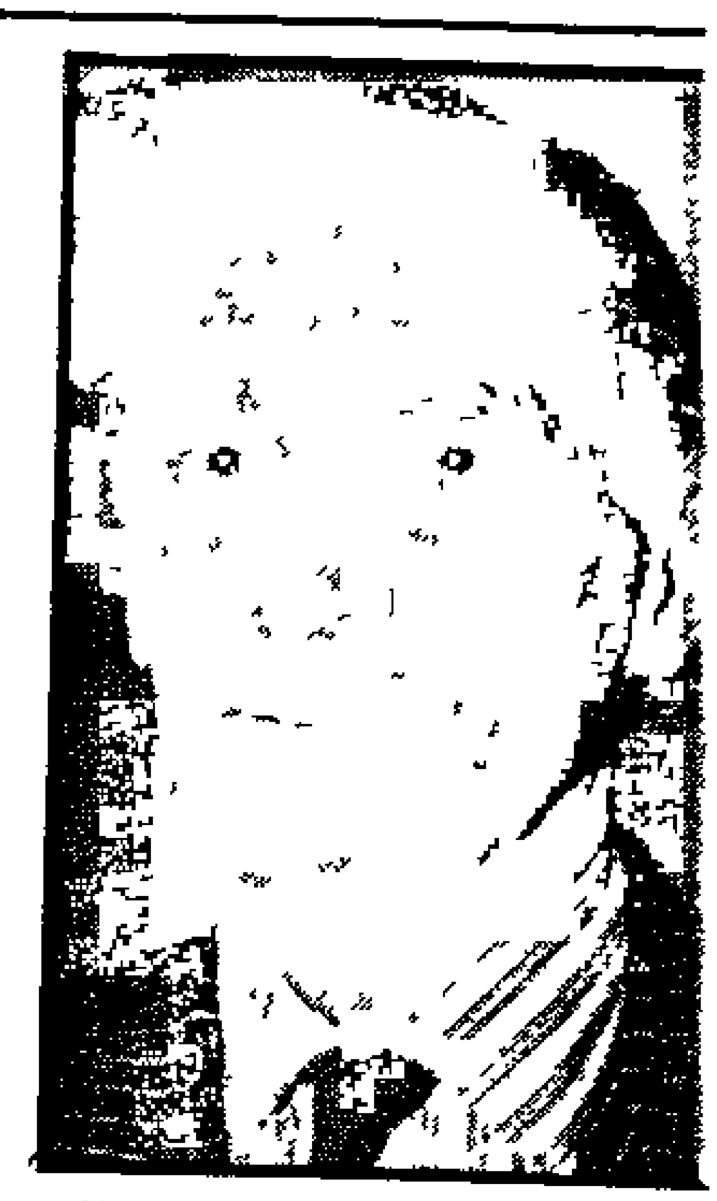
Exports are not yet 5% of sales, but Mr Crutchley hopes to take the figure to 10% within five years. Romatex sells to 31 countries.

He was asked the average age of the group's plant. Some is up to date, some 20 years old. Upgrading is needed in the finishing plant at Hex Tex. Export material has to feel nice and the finishing is everything.

But borrowing money at a cost of 20% while the group makes a return on assets of 10% is another problem.

So is trying to compete against countries whose subsidies and duty structures are more favourable than SA's.

For example, Zimbabwean fabric makers buy cotton at a subsidised price. But SA cotton farmers are subsidised and buyers have to pay a high fixed price.



JACK CRUTCHLEY Trimming payr

Polyester is another problem, wool and polypropylene prices ar line.

Mr Crutchley adds his voice to rest of SA's textile producers in u ing the Board of Trade & Industr come up with a sensible plan duties and anti-dumping measure:

Clothing manufacturers imp fabric duty free rather than from manufacturers because the impc are artificially cheaper.

The incongruous cash cow Isla View Storage has been a mon spinner for Romatex. Expansion n the Transvaal has turned up trum. Although bulk liquid storage a counted for only 5% of turnover 1991, the profit contribution w about R16-million — 40% of oper. ing profit.

Mr Crutchley gives a high roa low road forecast of how his gro could fare in the next five years. O erating profit in 1992 should be b tween R53-million and R49-millio. But Mr Crutchley stresses that e erything depends on an improv ment in the economy.

Romatex shares at 675c are clo: to 20 times historic earnings of 3: apiece. Either the market expects recovery from Romatex or the shar price has some way down still to go.

If the economy can recover soone rather than later, Romatex will sur ly improve. But on the current de manding rating, the share pric looks top heavy.

Romatex carpets look worn

Bday 18/11/91 1991

WILLIAM GILFILLAN

IT WAS anticipated that Romatex, which traditionally led the economic cycle, would move more in unison with the mainstream economy in the next upswing, executive chairman Jack Crutchley said in his 1991 annual report

This was due to the depressed state of the housing construction sector, which was sensitive to the political violence, and to the expected lag in the automotive and furniture industries which peaked late in the current downswing, Crutchley explained

Sharp drops in performance were experienced by the group in the carpet and fabrics divisions in the year to September

Carpets, which turned in an operating loss of R13m on turnover of R212m, were well down on the operating profit of about R9m last year.

Last week Crutchley told the Investment Analyst Society the carpet division would not be allowed to destroy the group

He added that, although the carpet division continued to plague management, rationalisation and restructuring within the group had greatly reduced Romatex's exposure to it.

Carpets, which were the mainstay of Romatex in the past, now contributed about 21% to group turnover

He said "surgery" to the carpet division was finally completed this past year and "now we need markets" The surgery included rationalisation at the floor coverings division aimed at "focusing on differentiated branded ranges in the domestic sector and driving costs down".

Also, the tufted and woven carpet operations were merged and the businesses which formerly supplied raw materials and services were vertically integrated. The wholesaling operations were either disposed of or closed

The fabric division, which recorded the highest turnover figure at R257m, experienced a drop in operating profits to about R13m (R26m)

On the other hand, higher operating profits were recorded from the two remaining divisions

The industrial division converted its turnover of R239m into an operating profit of about R23m (R12m) and Island View turned in an operating profit slightly up at about R17m (R16m) on turnover of R33m

Difficult

Crutchley said trading conditions in the floor coverings market had been particularly difficult in the second half of the year. The worsted and cotton apparel fabrics market was also very competitive

"Recessionary conditions have continued for longer than expected, damping consumer demand and intensifying competition." Increased imports of fabric and yarns exacerbated the problems of the industry

On the latest Board of Trade and Industry (BTI) proposals, he said an effective anti-dumping mechanism must be coupled with the proposals for the sector to earn a satisfactory return and to provide a more secure environment for employees

The group operated at 60% capacity in the past year

Planning director Jon von Coller believed the high raw material price of cotton and polyester, and not low productivity, was one factor which put the local industry at a disadvantage to the Far East Another was the import surcharge on capital equipment

"Compared with the Far East, local productivity — when measured in dollar terms — was not bad," he said

Nonetheless, labour costs were an unacceptable 28% of turnover this last year but were expected to drop to about 23% by 1994 Abroad, labour costs were about 12% of turnover The group was, however, becoming more capital intensive, he said

Although Crutchley was reticent in his optimism about the next upswing — "which is likely to be sluggish due to high inflation, interest rates and political turmoil" — he was bullish on the group's export opportunities.

Romatex, which was exporting to 25 countries with turnover worth R40m, expected an increase in export volumes with the opening up of new markets for SA

For results in 1992, Crutchley predicted a "high road" turnover of about R826m and operating profit of R53m

The "low road" scenario saw turnover at R800m which converted into a R49m operating profit For the year to September 1991, turnover was R740m and operating profit R39,8m But Crutchley warned that markets were still sluggish

Marais in bid to save 60 000 jobs

B/Day 18/11/91 197

LESLEY LAMBERT

TRADE and Industry Minister Org Marais will meet representatives of the clothing and textile industries tomorrow in an effort to thrash out an agreement on new tariff proposals which could forestall the loss of up to 60 000 jobs

The tariff proposals are aimed at simplifying the industries' import tariff structure and giving them an opportunity to become profitable and internationally competitive over the next three years

But the clothing industry has objected to the proposals because they will increase duties on imported fabric from the higher cost producing centres such as Europe

National Clothing Federation executive director Hennie van Zyl says the changes constitute increased protection for the textile industry and are contrary to an agreement in 1989 that the structural adjustment programme for the industries remain in force for five years

Marais is keen to resolve the battle between the two industries. He is concerned that unless the industries reach an agreement which provides a degree of relief for some sectors, between 40 000 and 60 000 jobs could be lost

"There are unlikely to be any big winners at tomorrow's meeting, but we need to reach an agreement which will save jobs and enable the industry to become stronger and internationally competitive in the longer term," Marais said in an interview on Friday

In an effort to make the agreement as comprehensive as possible, Marais has asked the Board of Trade and Industry to invite the SA Clothing and Textile Workers' Union to the meeting.

Commenting on an indication by President F W de Klerk in Israel last week that government intended removing the import surcharges it imposed in the 1980s to protect the balance of payments, Marais said this would depend on the amount of revenue collected under the new taxation system.

"The lifting of the 40% surcharge on imported consumer goods and the 5% on imported capital and intermediate goods will result in a revenue loss of more than R1bn We will have to see what VAT brings in before we start removing the surcharges or adjusting taxes," he said.

The various policy documents on a new industrial strategy would soon be completed and handed over to the Cabinet.

Textile tariff plan talks today

197 CT 18/11/91

From LESLEY LAMBERT

JOHANNESBURG. — Trade and Industry Minister Org Marais will meet representatives of the clothing and textile industries tomorrow in an effort to thrash out an agreement on new tariff proposals which could forestall the loss of up to 60 000 jobs.

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The various policy documents on a new industrial strategy would soon be completed and handed over to the Cabinet, Marais said

Business Report

Marais suspends new tariff plan

CT 20/11/91 (197)

By MAGGIE ROWLEY
Deputy Business Editor

MINISTER of Trade and Industry Dr Org Marais has suspended the implementation of new tariff proposals for the clothing and textile industries pending the recommendations of an inter-industry task committee formed yesterday.

Marais yesterday met high level representatives from both the clothing and textile industries as well as clothing retailers in an attempt to reach an agreement on the new tariff proposals which include increased duties on textile imports

Hennie van Zyl, executive director of the National Clothing Federation, said the minister had agreed to suspend any increases in tariff protection pending the recommendations of the task committee

The task committee, he said, had been formed to find long and short-term solutions and to investigate an alternative to increased import protection

"We will hold our first meeting next week and will report back to the minister by January. He has promised to take our recommendations directly to the Cabinet."

Van Zyl said one area which would be investigated would be the possibility of introducing a subsidy scheme in lieu of increased protection as had been done for US cotton growers.

The task committee, under the chairmanship of Paul Hatty of Barlows, will consist of Dr Aaron Searle, chairman of Seardel and president of the National Clothing Federation, George Beeton CE of Edgars, Arnold Louw, group MD of Pepkor, Wallace Grace, president of the Textiles Federation, Mervyn King, executive chairman of the Frame Group, Stewart Chub chairman of Rex Trueform and a representative from the SA Clothing and Textile Workers Union

Addressing the 66th AGM of the Cape Clothing Manufacturer's Association, chairman Simon Jocum lashed out at the Board of Trade and Industries "ill-timed, ill-conceived plan aimed at assisting the already well protected textile industry"

The board announced recently that it intended increasing duties of imported textiles from 20% to 40% in the new year and said it was also considering reducing the present export incentive programme in early 1992

Jocum said the clothing industry's delegation, which met Marais yesterday, had been briefed to maintain status quo until 1994 when the country was well out of the recession

"If they heed our advice, prices can be stabilised and export contracts in the pipeline will not be jeopardised New exporters will be encouraged to explore opening up further markets and thus be enabled to give firm quotations with a certainty that the present incentives will be maintained "

Jocum warned that if the new duties were implemented next year it would result in further unemployment as clothing would be further out-priced not only on the international market but also locally

Marais calls in task group

(194)

LESLEY LAMBERT

TRADE and Industry Minister Org Marais has suspended proposed changes to the clothing and textile industries' protective tariff structure and invited an inter-industry task group to investigate a new export-oriented system

Addressing a meeting in Johannesburg yesterday at which the industries tried to resolve their differences over import tariffs, Marais made it clear he was opposed to higher levels of protection He urged the industries to negotiate a new tariff system which would enhance their international competitiveness

Industry representatives agreed yesterday to establish an inter-industry task group to devise a long-term stategy and a shorter term transitional plan

They were told that the Board of Trade and Industry's (BTI) recent tariff proposals would be placed on hold pending the task group's proposals

The BTI proposals are aimed at simplifying the industries' import tariff structure and providing a period of transitional relief before tariffs are lowered. But they have angered the clothing industry essentially because they constitute increased protection for the textile industry

In a statement yesterday, Marais said the task group "must take into account that government cannot and will not continue with high levels of tariff protection indefinitely Industry must accept that increased international competitiveness and

☐ To Page 2

Task group

B/Day 20/11/91

(194)

☐ From Page 1

lower protection remain the goals"

However, government would maintain protective measures for a few years to allow unprofitable industry participants to adjust to lower levels of protection.

The task group was instructed to propose ways of assisting the industries to adjust and was asked to propose a long-term strategy

The group is made up of a number of high-powered leaders in all sectors of both industries and will be chaired by Barlow Rand special projects consultant, Paul Hatty

Marais insisted that the SA Clothing and Textile Workers' Union be invited to appoint a representative to the group

Sapa reports from Cape Town that Sactwu welcomed moves to establish a task group Union leadership would discuss the details of the proposals and would probably nominate a representative to the group, if ratified by the union

Minister acts to defuse tariff row in textile industry

Star 20/11/91 (197)

By Sven Lünsche

Proposals to double duties on imported fabrics from next year have deen delayed after a meeting between the Minister of Trade and Industry and the clothing and textile industries in Pretoria yesterday

A committee of businessmen from both industries, the retail trade, trade unions and government has been appointed to investigate tariff proposals and export incentives and has been given 14 days to report to the Minister.

The committee is to be headed by a leading businessman

Dr Org Marais, the Minister for Trade and Industry, said yesterday he hoped to make a final decision on tariffs by mid-January.

The proposals are aimed at simplifying tariff structures for both industries to make them more competitive on an international scale.

He said the committee must take into account "that the Government cannot and will not continue with high levels of tariff protection indefinitely

"After a transitional period, the industries will be expected to operate under moderate levels of protection, coupled with effective anti-dumping measures"

The proposed tariff structures are being vigorously resisted by the clothing industry, which fears they will push up the cost of imported fabric, while at the same time providing higher protection for the textile industry

Jobs at risk

Clothing spokesmen fear that up to 60 000 jobs in both the clothing and textile industries are at risk from the higher clothing prices which would follow if higher import duties were imposed

The industry wants to keep the structural adjustment programme, implemented in 1989, in force for five years, as originally planned.

However, spokesmen for the textile industry, which is far more capital-intensive than the clothing industry, have warned that a reduction in import tariffs would have dire consequences in terms of sales and thus employment.

Tom Hood reports that the chairman of the Cape Clothing Manufacturers Association, Simon Jocum, said the industry's brief at the Pretoria meeting was to call a halt to an "ill-timed and ill-conceived plan aimed at assisting the already well-protected textile industry"

Mr Jocum said 1991 had been a trying year for the clothing industry Retailers had de-stocked and more recently retail business had fallen off

Many factories worked short time, which was preferable to retrenchment, in the hope that the upturn would take place in the second half of the year But the upturn had not happened.

Employment was down two percent, productivity was down, absenteeism was at an all-time high and illegal stayaways and strikes added to costs.

Profits were eroded and bookings for winter 1992 were well down on those of winter 1991

Healthy exports had curbed further unemployment as more than 50 percent of all exports came from Cape factories.

National exports increased by 61 percent this year, compared with last year

R400-m in clothing exports protect industry workers

Star 18/11/91

By Tom Hood

CAPE TOWN — Exports of clothing worth R400 million this year have protected 10 000 workers and their dependants in the worst recession in recent history, says Dr Aaron Searll, the new president of the National Clothing Federation.

However, the industry is concerned at sustained pressure being exerted to undermine its export effort and he warns that this must be resisted with vigour

"Our resolve must not be under-estimated," said Dr Searll after his election

The threat of increased customs duties and import parity were grave issues for clothing manufacturers

If the latest Board of Trade proposals were implemented, they would raise clothing prices, which would result in consumer resistance and lead to less business for the textile industry.

Other critical issues faced by the industry were the need for more job creation, increasing exports and improving relationships between management and the trade unions

Dr Searll also welcomed a statement by Dr Org Marais, Minister of Trade and Industry and Tourism, that protection in the form of import tariffs would have to be phased out and that a revised set of proposals for a development plan for the clothing and textile industries would be discussed soon.

"This is good news and this view is clearly in agreement with the recommendations of the Industrial Development Corporation, which has also called for the lowering of customs duties and removal of inport duties."

Guest speaker Dr Marais told federation members the South African clothing and textile industries would have to become locally and internationally competitive.

The alternative of becomng more protectionist in trying to prevent these forces from having an impact on the SA economy "is not open to us".

"We have pursued a protectionist policy for 70 years and as a policy it is now obsolete," he said.

Amendments to legislation were being considered to ensure efficient action against real cases of "dumping" of textiles and clothing

However, all low-priced imports could not be classified as dumping — "elsewhere in the world there are more competitive producers against which we will have to learn to compete," said Dr Marais

Troubled Tongaat shuts major textile mill

Star 21/11/91

(199)

By David Canning and Jabulani Sikhakhane

Turmoil in the textile industry has led to a decision to close down South Africa's largest manufacturer of denim — Hebox Textiles at Hammarsdale in Natal — with the loss of 1 000 jobs.

The shock decision was announced yesterday after a prolonged Tongaat group board meeting.

"Unacceptable losses" at the Hammarsdale plant, bought by Tongaat in 1981, forced the decision

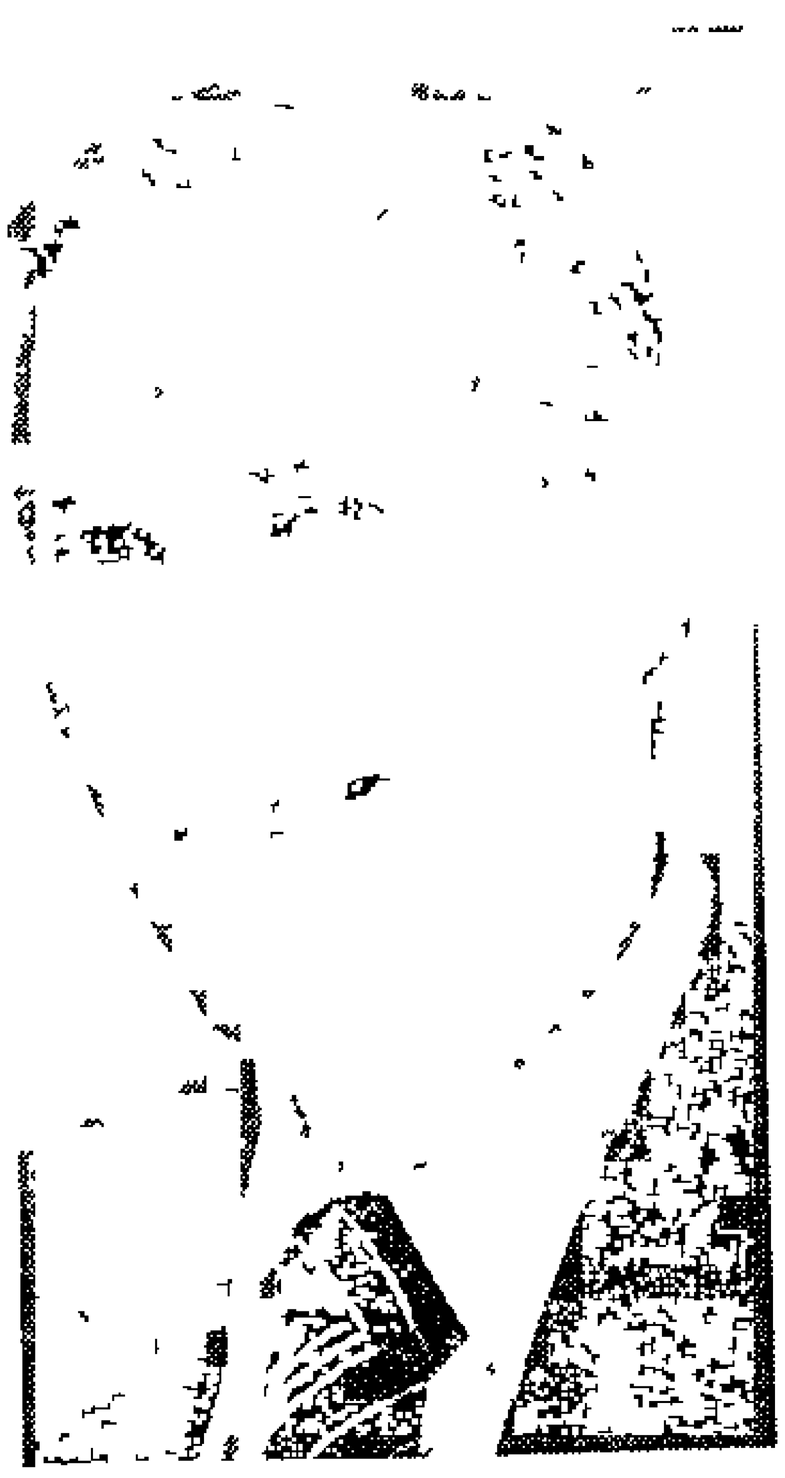
The plant will be closed as soon as feasible.

It came in the wake of a series of cutbacks, which have reduced giants in the industry, such as the Frame group, to shadows of their former selves

Tongaat managing director Cedric Savage said at Tongaat headquarters his board had done everything in its power to stave off the closure

Prospective buyers had been sought, but there were slim prospects of the plant being sold.

The latest cuts come on the back of 2 000 jobs already lost at the Tongaat group in the past year — a rate which, unfortunately, is described as "not out of line" for local industry in general.



Cedric Savage . all alternatives explored

Referring to Hebox, Mr Savage said: "The company has sustained substantial losses and is currently uncompetitive with its old technology mills After exploring all alternatives, the board decided to exit from the business"

Hebox Textiles began operations in Hammarsdale in 1963 At its zenith it employed 2 000 people. Its production capacity is about one million metres per month, with about 20 percent of the fabric being exported

The company has been operating at 60 percent capacity this year

"This situation has arisen in the main through the effects of imports, which have trebled in the past three years — mainly as a result of the structural adjustment programme and the removal of the requirement for import permits," he said.

The company could not continue to sustain losses It would try to find alternative employment for staff in the Hammarsdale area

The Hebox plant is one of three textile operations

Industry sources said last night that Far Eastern manufacturers were dumping denims on the market at about a third of the price of locally produced ones

On Tuesday it was reported that proposals to double duties on imported fabrics from next year had deen delayed after a meeting between the Minister of Trade and Industry and the clothing and textile industries in Pretoria.

A committee of businessmen from both industries, the retail trade, trade unions and the Government has been appointed to investigate tariff proposals and export incentives and has been given 14 days to report to the Minister

Tongaat is undertaking a major re-evaluation of its various business interests.

A team of overseas consultants is currently doing a detailed group portfolio analysis and a report is expected within a month

Group public relations manager Ron Phillips said last night the portfolio analysis was prompted by the poor showing of other divisions and the current downturn

Mr Phillips said "The analysis involves re-looking at the group structure and the business that we are currently involved in We want to ensure that we are in the right businesses"

For the six months to September Tongaat reports a 4 percent increase in earnings to 85,8c — thanks to a 32 percent drop in the tax charge The dividend is unchanged at 23c a share

Group turnover rose 5 percent to R2,02 billion, but operating profit declined 3 percent to R141,82 million This is reflected in operating margins falling from 7,6 percent to 7 percent

Largely due to the seasonal nature of the agricultural division, borrowings rose R59 million to R687 million and the interest charge rose R4,28 million to R53,62 million

But the directors expect these borrowings to come down to R350 million (R377 million) by the end of the full financial year

The main group profit contributor, the sugar division, is enjoying a good season, while the starch and sweetner division also did well

But the building materials, aluminium and food divisions experienced difficult trading conditions

Despite the expected continued difficult conditions, the directors expect to maintain earnings for the full year at financial 1991's 190,6c a share

(197)

1 000 jobs lost as denim factory shut

ARG 21/11/91

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DAVID CANNING

DURBAN — Turmoil in the textile industry has led to a decision to close down South Africa's largest manufacturer of denim — Hebox Textiles at Hammarsdale — with the loss of about 1 000 jobs

The shock decision was announced after a prolonged Tongaat Group board meeting yesterday following "unacceptable losses" at the Hammarsdale plant, bought by Tongaat in 1981 The plant will be closed as soon as it is feasible.

The closure follows a series of cutbacks which have reduced giants in the industry such as the Frame Group to shadows of their former selves

Tongaat managing director Mr Cedric Savage said his board had done "everything in its power" to stave off the closure.

Prospective buyers had been sought — but there were slim prospects of the plant being sold

The latest cuts follow the the loss of 2 000 jobs at the Tongaat group in the past year This rate is described as "not out of line" for local industry in general.

Hebox Textiles began operations in Hammarsdale in 1963. At its zenith it employed some 2 000 people Its production capacity was about one million metres per month Twenty percent was exported

This year the company operated at 60 percent capacity.

"This situation has arisen in the main through the effects of imports which have trebled in the past three years — mainly as a result of the structural adjustment programme and the removal of the requirement for import permits," said Mr Savage.

The textile industry had asked the government for protection by way of increased formula duties since March 1991 However a conclusive decision had not been forthcoming, he said

The company could not continue to sustain losses but would try to help workers in finding alternative employment within the Hammarsdale area, Mr Savage said

It was reported yesterday that proposals to double duties on imported fabrics from next year have deen delayed after a meeting between the minister of trade and industry and the clothing and textile industries in Pretoria

A committee of businessmen from both industries, the retail trade, trade unions and government has been appointed to investigate tariff proposals and export incentives and has been given 14 days to report to the minister

Business Report

Not a lot to crow about at Tongaat

(197) CT 21/11/91

Own Correspondent

DURBAN — Despite depressed trading conditions during the six months to September 30 the Tongaat-Hulett group was able to increase interim earnings by 4%, but the maintenance of the interim dividend has been offset by the closure, next month, of the Hebox textile mill at Hammarsdale

The forecast for the full year is that trading conditions will remain difficult but the group was on target to maintain earnings at last year's level of 190,6c a share.

The improved interim earnings are more to do with the tax situation than with better operating profits which fell from R146,1m to R141,8m and a higher interest bill which saw pre-tax profits decline by 9% to R88m

A 2% drop in company tax and the bringing to account of one half of the deferred taxation and export incentives saw a drop in the tax bill from R34,5m to R23,6m

An unchanged interim dividend of 23c has been declared

The main profit-maker, sugar, is "enjoying a good season with excellent spring rains and the promise of a near record crop"

The directors say the starch and sweeteners division has continued to perform well

In textiles the directors say the division "incurred an unacceptable loss due to the depressed state of the entire textile industry This industry has been hard hit by increased imports and the effect on fabric manufacturers in the country has been particularly serious"

The group's mills are at Maritzburg (Prilla), Canelands (Nova) and David Whitehead & Sons at Tongaat and Hebox

The Hebox mill opened in 1963 and was bought by Tongaat-Hulett in 1981 At its zenith it employed 2 000 people and can produce about one million metres a month of which about 20% is exported

The building materials, aluminium and food divisions all experienced difficult trading conditions in the depressed overall economy which has experienced a decline for the past eight quarters

Total borrowings have risen to R687m (compared with R628m last year) but are expected to fall to R350m (R377m last year) as a result of the seasonal agricultural operations

The directors say the group is committed to improving its long-term competitiveness in the business in which it operates and sucesses are being achieved in productivity improvements and cost reduction programmes

They announced that a "detailed portfolio analysis is underway by a team of overseas consultants the results of which will bring long-term benefits"

1 000 jobs lost

A THOUSAND jobs will be lost when the Hebox textile mill at Hammarsdale is closed on December 20.

Mill owners, the Tongaat-Hulett group, took the decision "with great regret" at their board meeting yesterday and are advising the trade unions, workers and customers.

They say they will endeavour to "assist in alternative employment opportunities within the Hammarsdale area."

CLOTHING AND TEXTILES (199) FM 22|11|91

Cutting from a different cloth

The year-long campaign by the textile industry for sharply increased tariff protection is apparently unravelling

Trade & Industry Minister Org Marais this week put a plan for higher protection on ice and appointed a task force to examine the issue. The industry had lobbied strongly that the Board of Trade & Industry plan should take effect on January 1 but, with a two-month study now getting started and new reformist board chairman Nic Swart taking over on March 1, the protectionist plan may die a quiet death

Paul Hatty, Barlow Rand and SA Chamber of Business industrial policy fundi, will chair the task force, which will present the Minister with an acceptable clothing and textile development plan to be submitted to the Cabinet The task force was decided upon after an hours-long meeting this week. It will comprise, says National Clothing Federation executive director Hennie van Zyl, two representatives from major clothing retailers, the clothing industry and the textile industry, as well as one from the Cotton Board, the synthetic fibre manufacturers, the furniture apparel sector and the SA Clothing & Textile Workers' Union The group will meet for the first time on Thursday

It is well-known where most of the members stand, except for the union Ebrahim Patel, the union's assistant general secretary, says the 190 000-member union — SA's third largest — is drawing up its proposal to present to the task force and will not make it public until then But in a speech last week to a clothing federation meeting in Cape Town, Patel offered clues that may indicate which side of the debate it favours He called protection of the domestic industry "a narrow and short-sighted view" and said "the winds of free trade have so swept the world that one has got to see that no economy can insulate itself from world trade."

He told delegates that maximising economic growth and job creation, as well as meeting global marketing requirements, were essential conditions for economic advancement and sectoral growth.

The Board of Trade's plan, stiffly fought by the clothing federation, would increase protection for textile manufacturers over the next three years It would also replace a programme for the two industries, devised by the board in 1989, which was aimed at reducing protection for textile manufacturers by now.

The battle comes down to which industry would keep or create more jobs. The textile industry says thousands of jobs are at stake if it doesn't get more relief from imports The clothing industry says it will create many more jobs if it can purchase cheaper textiles The conflict has been one of the most high-profile of the many fights over protectionism that are raging in sector after sector as SA tries to move away from decades of sheltering its industries

"We see the appointment of a task force as a highly positive move and fully support the investigation," Van Zyl says

"The federation does not see the textile industry as an uncompetitive dinosaur that needs to be killed off We sympathise with its problems — but if government wants to assist that industry, it should follow the direct, quantifiable subsidy route, rather than imposing tariffs that hurt the whole economy"

Cotton Board GM Johan Gillen supports the view that direct subsidies would be a cheaper and more effective support system, compared with tariffs

"Government could either subsidise textile manufacturers or cotton producers — the effect would be the same, namely to bring us on a par with the US and EC, where cotton producers are subsidised at R1,60-R5/kg of cotton or fibre produced. SA has no such subsidies"

He adds that, should government decide to subsidise the 200 000-bale (of 200 kg each) crop, "this would cost taxpayers a mere R40m-R50m a year, compared with the estimated annual cost of R75m imposed on consumers by the existing tariffs."

The textile industry now consumes about 360 000 bales of cotton — and cotton farmers could produce up to 500 000 bales a year, he says

Meanwhile, the Board of Trade last week imposed stringent anti-dumping duties on certain cotton fabric imports.

Van Zyl says the 80% anti-dumping tariffs imposed on certain fabrics imported from China, Taiwan and Hong Kong raised fears that the board might now use the new anti-dumping rules announced as a sharper, targeted protectionist measure The federation sees this tariff imposition as the thin end of the wedge and hopes that this targeted tariff response (while preferable to the blanket protection offered by formula duties) does not presage a new interventionist policy favouring the textile industry.

Board chairman Lawrence McCrystal says an anti-dumping duty was instituted after dumping of woven poly-cottons from China was proven, "at prices that have disrupted the local market"

But, Van Zyl responds, the federation is disappointed that the board unilaterally imposed the duties after the federation had submitted voluminous proof obtained from about 60 clothing manufacturers that no dumping had taken place. "The application for duties was already published early this year and one would at least have expected some form of communication from the board that our submissions were wrong or that other proof of dumping was found, before imposing the new duties" ■

FM 22|11|91

TELECOMMUNICATIONS

First National's bold bid

Deregulation of the telecommunications industry may be slow in coming, but there is little doubt that it is going to have a major impact on business

One of the most significant advances to emerge so far from the relaxation of Telkom's grip on the national telecommunications system has been the rise of value-added network services. Organisations such as First National Bank (FNB), Standard Bank and IBM distributor ISM have taken advantage of recent changes in legislation and set up companies that provide users of Telkom's national network with additional telecommunications services. These value-added services include the management of corporate networks, the storing and re-routing of electronic mail and the distribution of on-line customer information.

In a bid to steal a march on its rivals, FNB subsidiary FirstNet announced this week that it is introducing an electronic data interchange (EDI) service based on the highly successful TradaNet system in the UK. EDI involves the transfer of standardised electro-

Continue →

Imports scheme under fire

B Day 22/11/91 (197)

WILLIAM GILFILLAN

THE Textile Federation, hitting out at the import-for-export scheme enjoyed by clothing manufacturers, said yesterday as much as R58m of the total R166m of clothing imports in the first half of this year had come into the country duty free

It also said the increase in clothing exports in the past year — often quoted by supporters of the scheme — had been almost offset by the jump in clothing imports

Under the scheme local clothing manufacturers were permitted to import clothing duty free according to a formula based on their clothing exports

Executive director Brian Brink said serious shortcomings and flaws in the scheme were now coming to the fore and the Board of Trade and Industry had suggested curtailing it severely

Of the R58m imported duty free, 66% consisted of knitted clothing, jerseys and cardigans.

Brink said the actual duty raised on jerseys imported during the first half of this year was less than 5%

The average landed cost of a jersey was about R18 and the benefit of these low-priced goods had not been passed on to the consumer

Although supporters of the scheme pointed to the 54% increase to an estimated R298 (R193m) in clothing exports, they overlooked the rise in clothing imports These had jumped 41% to an estimated R322m in 1991 from R235m last year

"Foreign exchange gains from the increase in clothing exports have been almost cancelled out by the rise in clothing imports"

Brink added that much of the clothing exports had used duty-free imported fabrics in their manufacture

Textile committee meets today

BDay 28/11/91 191

CAPE TOWN — A high-powered working committee charged with advising government on strategies for the long-term growth of the clothing and textile industries meets in Johannesburg today

Confirming the meeting, Trade and Industry Ministry spokesman Johan Morkel said yesterday the committee would report back to Trade and Industry Minister Org Marais by Monday

Marais convened a meeting last Tuesday at which a working committee, comprising industry and union representatives, was appointed

The committee was instructed to draw up proposals on measures needed to make the industries internationally competitive in the shortest possible period

It was convened amid opposition from the clothing industry to proposals for high import tariffs protecting domestic textiles which, clothing producers say, will inflate costs and threaten thousands of jobs

Barlow Rand special projects consultant Paul Hatty will chair the committee — Sapa

Textile committee convened

(197)

STAR 28/11/91

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Confirming the meeting, Ministry of Trade and Industry spokesman Mr Johan Morkel said the committee would report back to Trade and Industry minister Dr Org Marais by December 2

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It was convened amid opposition by the clothing industry to proposals for high import tariffs protecting domestic textiles which, clothing producers say, will inflate costs and threaten thousands of jobs

Key textile talks today

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197

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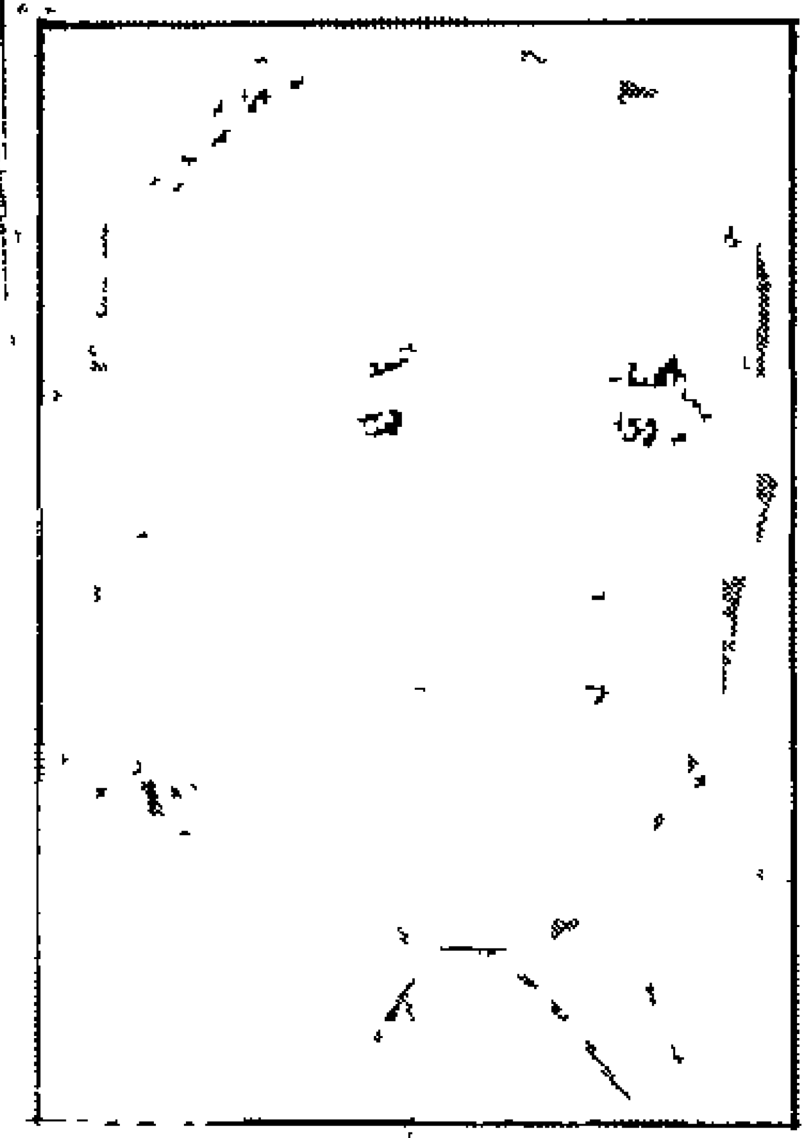
CT 28/11/91

The committee, comprising industry and trade union representatives, has been instructed to draw up proposals on measures needed to make the industries internationally competitive in the shortest possible period

Textile manufacturers hit back

(197) STAR 29/11/91

By Des Parker



Abe Frame . Clothing industry getting big subsidies on exports.

DURBAN — Textile manufacturers describe as "rhetorical nonsense" claims that proposed increases in ad valorem import duties on textiles will push up clothing prices by corresponding amounts.

Cotton Textile Manufacturers' Association chairman Abe Frame says in an open letter to Minister of Trade and Industries Org Marais that the cost of fabric in most clothes accounts for less than 18 percent of the retail price.

"The possible impact of a small increase (in the duties proposed in a Board of Trade and Industry' eight-year development plan) is therefore being deliberately exaggerated.

"The average increase in fabric prices from the textile industry last year was only 11 percent and in clothing 12,7 percent"

Mr Frame accuses retailers of not passing on any advantages there may have been from "cheap" imports of fabrics and clothes and questions why they should be represented on the select committee set up last week to re-examine the development plan

"We wonder if you Mr Minister, or the man in the street, is fully aware of how much your government is really paying out of government coffers to subsidise the export of clothing," he says

"Under the SAP (structural adjustment programme, introduced in 1989) provisions, the clothing industry receives a subsidy of between 90 percent and 94 percent for every rand of exports"

Mr Frame says it is not clear whether Dr Marais is aware that clothing manufacturers importing fabric duty-free to make clothes to sell abroad are also able to claim export subsidies

This results in the State paying R1,20 for every R1 earned from clothing exports

"We do not believe a sound export industry will be viable in the long run if built up on big subsidies

Two-thirds or more of the countries selling fabrics to South Africa have protection levels higher than that of Indonesia, Mr Frame says.

Huge textile import orders are starting to hit South African shores in anticipation of the decision of the Minister on duty rates, he adds.

Cape Times

113 workers retrenched

197

CT 30/11/91

Staff Reporter

CAPE workers face a bleak Christmas with the announcement of 113 more retrenchments in the textile industry

The Ivitex group has announced that its Modatex Textile Printing department in Epping is to close on December 13 and 113 workers are to be retrenched

A spokesman for the SA Clothing and Textile Workers' Union (SACTWU) said yesterday employers had given workers "a sour bonus" this year in the form of 10 000 job losses nationally in the clothing and textile industry

The spokesman said major factories such as Hebox, Frame's East London and Pinetex plants, RMB Dress and two Rex Trueform plants have closed and claimed it was as a result of bad government and employer policies.

In an attempt to diffuse the crisis a meeting was held this week with the government, the union and major employers.

Meanwhile, a working group appointed last week is to report to the Minister of Trade, Industry and Tourism, Dr Org Marais, on strategies to diffuse the crisis in the textile and clothing industry.

SACTWU assistant general-secretary Mr Ebrahim Patel said yesterday. "We need a strong clothing and textile industry and the fight among employers is not helping to create a modern industry We see the solution as needing a proper plan for the industry to restructure itself."

● Sapa reports that about 654 workers from four Armscor subsidiaries — Somchem, Overberg testing range, Swartklip and Houwteq — will be retrenched

These retrenchments will have a drastic effect on the quality of life of workers, who come from towns in the Western and Southern Cape.

Many workers will be re-employed on a contractual basis, Armscor has announced.

Already about 5 000 Armscor workers have been retrenched in the fourth quarter of this year as part of company rationalisation as a result of big cuts in the defence budget.

Another Natal fabric manufacturer shuts down

STAR 5/12/91 (197)

By Des Parker

DURBAN — Adverse trading conditions have claimed another Natal fabric-manufacturing victim — SA Carpet Mills of Hammarsdale

In the wake of Tongaat-Hulett's anounced closure of Hebox denim mill at Hammarsdale this month and the provisional liquidation of Scotford Mills at Ladysmith recently, independent-owned SA Carpet Mills was provisionally liquidated in the Supreme Court, Durban, last week

The Hebox and Scotford closures will cost about 2 000 people their jobs SA Carpet Mills is a considerably smaller operation, with an estimated 80 to 100 employees.

According to court papers, the manufacturer of tufted carpeting owed about R7,2 million to its bank, Nedbank, and to Frame Group, its major supplier

A further R4,3 million was owed to other creditors

Although its assets had an estimated value of R12,5 million, the company was unable to trade its way out of difficulty

The return date for the order is the end of January

An affidavit by a financial adviser to SA Carpet Mills, accountant Charles Powell, said the firm's cash flow problems stemmed largely from competition from the Belgian-owned Belgotex carpet manufacturer at Pietermaritzburg.

"The respondent was simply unable to match the extended credit terms and discount structure offered by its competitors," said Mr Powell, adding that its problems were compounded by the heavy cost it incured developing a warehouse in Johannesburg.

One of the provisional liquidators, Gert Graham of David Strachan and Tayler, said the the liquidators were talking to the firm's shareholders and Mr Powell "of a possible offer of compromise" or rescue bid for the firm

BUSINESS

Textile Federation predicts upswing before mid-1992

B Day 6/12/91.

117

WILLIAM GILFILLAN

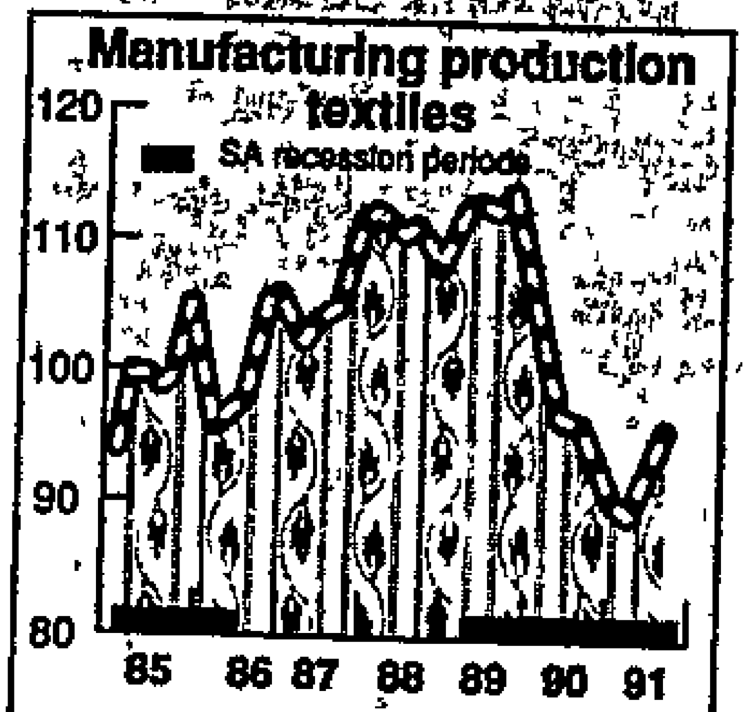
THE upswing in the textile industry would probably start before the second quarter of next year, the Textile Federation predicts in its November newsletter.

But it warned any delays in the implementation of the Board of Trade and Industry package would delay the entire textile/clothing upswing.

Giving its outlook for the industry, the federation said consumer disposable incomes had probably dropped below the inflation rate since the beginning of the third quarter and would stay that way until about the second quarter of 1992.

The economy was waiting for a trigger — good news on the inflation front — to enable the Reserve Bank to lower the Bank Rate. The federation predicted a lower inflation rate could be expected in the next three to four months

But it hastened to add there would not necessarily be an immediate, rapid improvement in consumer incomes. "Relatively high interest rates will prevail for most of next year, and that will cause the economic upswing to be sluggish for most of the period"



Graphic: LEE EMERTON Source: TEXTILE TOPICS

Also, the uncertainty caused by the changing political scene would cause business to be cautious and this would reflect back on consumer spending.

"The textile pipeline is notorious for sudden shifts, particularly at the start of the upswing, and once retailers see some clarity ahead this process will undoubtedly occur again"

Although the timing was difficult to predict, the federation believed it would commence at about the same time as interest rates were reduced.

But "coupled to these normal economic supply and demand movements will be the effects of the new Board of Trade package, which is expected to be finalised before year end".

Any delays in the implementation of the package would delay the textile/clothing upswing, it said.

Latest figures had shown textile and clothing production for the first half of this year was down 7% and 8% respectively, the federation said.

But textiles had shown a small improvement since February. This was probably due to a small increase in yarn sales as the formula duties for imported yarns were revised at about that time, it said.

More jobs at risk in ailing textiles

S/Times (Buss) 1/12/91.

Business Times Reporter

MORE layoffs are predicted for the hard-hit textile industry in the new year

Two plant closures this month cost 2 200 jobs, bringing the total lost in two years to more than 9 000, says Textile Federation executive director Brian Brink.

"We believe more closures are in the offing Many factories which close in December for maintenance will probably stay shut for longer than normal. Some will not take back the full workforce"

Dumping

The fears lend urgency to the work of a private-sector committee which has been set up by Government to investigate the imbalances between the clothing and textile industries

Textile manufacturers say they cannot compete with dumped imports But clothing makers say they cannot buy the right textiles in SA at the right price and time to enable them to compete in foreign markets

Exports have helped them to weather the worst of the recession

The committee, representing all sectors of the industries, held its first meeting in Johannesburg this week It is due to meet for two days in the coming week

There are fears that the devaluation of the Zimbabwean dollar will add to textile manufacturers' import competition.

Mr Brink says Zimbabwean cotton producers benefit from government subsidies and their proximity to the SA market reduces transport costs

The weakening dollar means Zimbabwean cotton comes in at prices SA producers cannot match

Zimbabwe is the one of the largest suppliers of cotton yarns to SA In the first the six months of this year, 44% of SA's cotton yarn and 16% of its cotton textile product imports came from Zimbabwe

Mr Brink says the SA-Zimbabwe preferential trade agreement means some cotton products arrive duty free Imports above the quotas are subject to duties

However, some cotton imports from Zimbabwe cannot be explained

It is suspected that they enter the SA Customs Union duty free through Botswana It has a preferential trade agreement with Zimbabwe, says Mr Brink

Furniture

While the textile industry is worried about the devaluation of the Zimbabwean dollar, furniture producers are not.

Afcol managing director Keith Roger-Lund says SA furniture makers have not picked up increased competition from Zimbabwe

The SA furniture market is far more sophisticated than Zimbabwe's and transport costs are high, he says

Textile makers trapped in a tangle of permit follies

STimes (Buss) 15/12/91 (194)

WHAT needles South Africa's textile makers is the pitch of the playing field when it comes to being competitive — and no wonder

SA is fast becoming a happy dumping ground for textile and fabric producers meeting tough resistance from the wealthy West, whose priorities have turned to supporting their own clothmen

The average duty on SA imports of finished textile products is 27% On fabrics it is 16% and on yarns 12%

These modest figures pale into insignificance when compared with the tariff tactics employed by eight developing countries in the textile export business

Try selling finished products to Taiwan, with its 100% import duty There are no import restrictions, but potential external suppliers are deterred by the risk of their designs being cribbed by the Taiwanese

The other seven producing nations use restrictions ranging from the near-total ban on all import licences by India, Pakistan and Brazil to the quota and monitoring system adopted by South Korea in consultation with its own industry

That SA's textile producers are in dire straits is well documented

How did the position arise whereby an industry directly and indirectly employing 500 000 could be allowed to face collapse?

The truth is that SA cannot practically promote free trade in all industry when the rest of the world will never do so.

Part of the problem lies in the structural adjustment programme (SAP) reluctantly agreed to by the industry two years ago The programme allows for the secondary trade of duty-free import permits merited by exporters

The permit earners sell them to importers, often retailers, who can use them on finished goods This explains the huge markups on clothing in certain chain stores

It also explains why SA's textile producers are having a torrid time. They cannot sell at home because the import permit system in general and the SAP debacle in particular make them too expensive against cheap foreign goods

Nor can they export because potential buyers have too high import duties to make it worthwhile.

A new dispensation for SA's textile producers is due

A factory a week is being closed Latest victim is denim manufacturer Hebox, fallen foul of cheap imports on the back of duty-free permits

South Africans pay, wearing both their consumer and their taxpayer hats The heaviest price is paid by those who lose their jobs.

There are four key factors to trade — materials, labour, capital and markets. SA fabric makers are obliged to buy raw materials here, employ an underproductive and well-protected labour force, win capital investment in a closed economy and compete for foreign orders within the boundaries of tariffs, quotas and trade agreements in every significant country.

At the same time their home turf is fouled by secondary trade in duty-free import permits.

Sooner or later, those benefiting from the permits will shoot themselves in the foot. One group sold permits earned on the export of one garment type to a retailer The retailer imported another type of product made by the permit seller — to the manufacturer's detriment.

ABE FRAME All we ask is a chance to compete on our home turf Picture: BRIAN HENDLER

SA Cotton Textile Manufacturers Association chairman Abe Frame pleads on behalf of all manufacturers for a sensible policy to put right the wrongs

Always wary of offending customers, Mr Frame is careful to point out that the clothing industry's fabric offtake is only 30% of SA's production.

But because of clothing's high profile in being the part that reaches consumers, it has earned a high degree of sympathy from the public even though cheaper clothes in theory are never achieved in practice

Mr Frame says "We need policy decisions on raw-material sourcing, the import of machinery, depreciation and tax.

"The textile industry does not seek horrendous levels of protection All it asks is for a levelling of the field and time in which to recover and restore a balance

"We can supply up to 80% of SA's textile requirements if we are given a chance But if the industry is destroyed, the economy will suffer tremendous harm"

Mr Frame believes a quota system would be a good starting point.

"Even America has one It doesn't mind who supplies what after the primary quotas are shared out. But it limits the total to protect its own textile businesses"

Of SA concern is Zimbabwe, which has devalued its currency, cannot pay for imports and has introduced enormous incentives to attract investment in the textile industry

It could technically take that share of the world market SA could pick up if our policy makers got their act together

The billion boob

I HOPE the auditors pick up an error in Masterbore's unaudited interim profit statement for the six months to August and published this week.

The results put Masterbore's turnover at R10 532 895 000 After depreciation and interest, the drilling company incurred a loss of R506 211 000

All these billions of rands are smartly contradicted in chairman Peter Rawson's comments. They mysteriously drop three noughts, to a magnitude more likely on a company employing barely R12-million capital.

Another thing — why were the results signed on November 29, but published only on December 11? The share price has halved in a year to 15c and was bid at 5c this week.

Frame hangs by a thread

(1991)

By Ann Crotty STAR 18/12/91

Just weeks away from the financial '91 agm and the big debate among Frame watchers is whether or not Mervyn King's management team will see out the five year "correction programme" due to be completed in financial '92

The financial '91 figures for the 12 months to end-June were released a few weeks ago The extent of the write-offs and operating losses took most Frame followers by surprise

(Also distressing was the reduction in employee numbers by 7000 to 11 500. At the end of the seventies Frame was employing 30 000)

Shareholders' funds were cut by almost R200 million to R437 million Total assets were down a massive R353,5 million — from R1,1 billion to R765,5 million

This meant that net asset value was down from almost R33 a share to R18 But even the R18 doesn't show the full extent of the damage.

The purchaser of Frame's blanket division is exercising the right to purchase that division's East London property The price is below the book value which means that (on this deal) a further reduction in assets will be shown on the next balance sheet.

True asset values

More significantly, in view of what happened with asset disposals during financial '91, shareholders must be wondering how realistic are the stated values of the Frame assets

(A note in the '90 annual report referring to the loan to the share incentive scheme trust, states that the directors do not feel there has been a permanent diminution in the R22 paid by the Trust for the shares)

Assets that have so far been sold, including properties, appear to have been done so at bargain basement prices. This reflects the desperate situation that Frame is in — with its management very keen to "downsize' the operation They are known asset sellers in an industry that is going through troubled times

With the latest results, the directors' comment that until changes to the textile industry's duty structure are announced in January (already more than half way through financial '92) "the group cannot predict the future or make strategic decisions with any certainty"

This is likely to evoke more worry about management's ability than sympathy for the difficult situation

It would have evoked more sympathy if it wasn't so reminiscent of the 1985 annual report Back in 1985 the impact of prolonged recession on the labour-intensive textile industry, a rapidly changing socio-political environment, severe economic depression, unemployment, liquidations and key variables such as exchange rates and interest rates are given as reasons for the board finding it hard to plan with any degree of certainty

All of these factors, including the threat poised by imports, are part and parcel of operating in a tough and dynamic environment. Coping with them well is why senior management get paid so much more than weavers

Enough is enough

The question now is whether or not the controlling shareholders (or rather the non-controlling shareholders — institutions who have a combined 44 percent of the group) will decide enough is enough and try to salvage what they can from a very grim situation.

The major features of that situation are that a number of institutions paid R22 a share for 44 percent of Frame back in September 1987 They are now sitting with a share that is currently quoted on the JSE at 175c and has an estimated net asset value of perhaps between R11 and R15 a share (compared with the stated R18)

The September '87 deal was thought to be a great move at the time The shares were sold to a wide number of institutions including Standard Bank, Old Mutual, Sanlam, Southern, UAL, AECI pension fund and Liberty The intention was to allow no one institution to have control — so the executive management team would be able to run the operations unhindered

There was great enthusiasm in the market with talk of how Frame was a national asset Under new control and management it seemed that the sky was the limit.

But nothing seems to have gone right for the group Just about everything that could go wrong went wrong

There have been numerous changes of top management; for the first time in its very long history Frame became a net borrower — at a time when interest rates were very high, industrial relations continued to be a problem, imports were taking their toll on local production, even a flood contributed to the apparently endless list of woes at Frame

The concern for weary shareholders however is that Frame management appears always to be reacting to events

The absence of long-serving top management with experience in the textile industry is disturbing The more so given the profile of the board of directors and the controlling shareholders none of whom has the sort of experience that would enable them to fill the gap at management level or to give firm and informed direction

Of the Frame directors, only Mervyn King is executive The non-executive directors are professionals in stockbroking, banking and law with seemingly no experience of hands on management in Frame's sort of operation This board profile might be appropriate if Frame suffered an excess of experienced top executives

And in this instance the controlling shareholder profile doesn't offer any comfort either The shares are in the hands of fund managers and not operators of assets The fund managers appear to be reluctant (or perhaps unable) to take decisive action

In terms of the JSE, which is the criterion on which fund managers are normally judged — Frame has been a disaster The R233million invested in 1987 (R22 a share) is now worth R18,55million (175c a share) — 92 percent of the initial investment has been wiped out (If R11 a share could be realised on a disposal of the assets, the institutions' loss would be just R116,6million — 50 percent)

Huge losses

Assuming that instead of putting it into Frame, the institutions had invested it in the industrial index back in September 1987 That investment would now be worth R440 million as the index has surged 88 percent over the period

It seems that for Liberty the extent of the damage is greatest. That institution only owns 9 percent of Frame which means its loss on the JSE is only R44million But it votes 22 percent of the shares through management of various pension and other funds This takes its loss exposure to a staggering R107,3million

Like a bank manager that desperately hopes that things will somehow come right for his troubled client, Frame's controlling shareholders may now be crossing their fingers and hoping the same

Pity the poor small shareholders who were encouraged by the involvement of prefessional players back in '87 and some of the subsequent bullish director reports

All that they can do is hope or, dump the share at the bargain basement price on the JSE

CLOTHING AND TEXTILES

Stitching a deal together

FM 20|12|91 (197)

The task group appointed by Trade & Industry Minister Org Marais to resolve the conflicting interests of the clothing and textile industries is expected to hand in its report by January 7

And, says chairman Paul Hatty, a public statement on any policy suggestions made will be issued as soon as possible after Marais receives the report "Our discussions are on course," he adds

At the request of Marais, the task group has on board a union representative, Ebrahim Patel, assistant general secretary of the SA Clothing & Textile Workers' Union

Last month he raised eyebrows at a Cape Town clothing industry convention by suggesting that the only way for SA's clothing and textile industries to survive — and grow — was to become global players (*Business & Technology* November 22)

The implication for the textile industry is that protectionism, and the higher costs it induces, are the way of the past, growing exports of competitively priced garments and fibres is the best way to create more jobs

Meanwhile, the textile industry is not just complaining about disruptive imports — it is bleeding profusely By Christmas, more than 6 000 textile workers in Natal will have lost their jobs as factories are forced to close because of falling local demand and growing imports of textiles by the clothing sector

According to the union's Natal regional secretary, Elias Banda, three big companies

FM 20|12|91 (197)

will close their doors by the end of the year The Tongaat group, which has shed 2 000 jobs over the past year, will have to pay off another 1 000 workers before Christmas, while 900 workers at the Frame group, 600 at the Kingsgate group, 2 000 workers at Scotford Mills in Ladysmith and hundreds of workers at QwaQwa and at Isithebe on the north coast will be laid off

National Clothing Federation executive director Hennie van Zyl says the task group has appointed several subcommittees to investigate various aspects of the complex textiles-clothing relationship. With the Cotton Board as well as clothing retailers also involved in the discussions, the whole "pipeline" is under investigation

The major issue is the level of protection to be allowed to the textile industry, which has repeatedly complained about alleged dumping by Far East manufacturers The clothing industry, conversely, calls for reduced tariffs because this would lower local clothing costs and make this labour-intensive industry more globally competitive.

"One subcommittee is looking into existing rebate facilities, another will propose an interim system to tide the industries over the next year, while the third committee is looking at a long-term strategy for the whole pipeline," Van Zyl says ■

STREBEL GROUP (1991)

Tightening the belt

FM 20/12/91

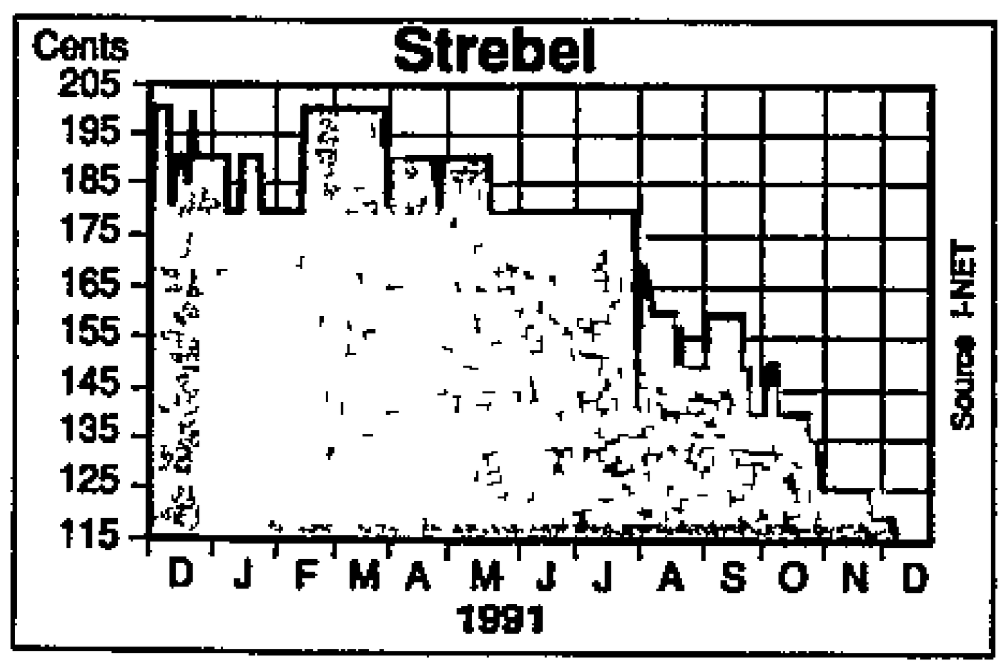
The slump — especially in the textile and clothing sectors — caused a 4% drop in turnover and put pressure on margins, leading to attributable earnings for the 1991 year of R3,2m (1990 R5,7m)

The deterioration came largely in the second half Reporting on the halfway results, MD Fred Strebel said the group was well positioned to grow strongly In the event, the final dividend was halved, reducing the total payout from 13c to 7,5c

The textile division came under pressure from increased imports. During 1989, the group invested R2,3m on the acquisition of Atlantis Non-Woven, which supplies nonwoven fabrics for the duvet, mattress, shoe and building industries This operation showed a loss last year because of a change in market requirements.

Peri Fabric saw lower volumes and reduced margins, in line with the fabric industry. This was blamed on high imports, leading to underuse of capacity

Funding requirements were reduced, with working capital absorbing R319 000 (R3,8m) while capital spending was trimmed to R2,1m (R3,3m). Capex went into plant and machinery, to modernise and automate production further The investment was also aimed at increasing the proportion of turnover derived from sales to retailers, which tend to be less cyclical than sales to manufacturers.



Operating income dropped by 36% to R8,6m There was some help from a lower effective tax rate of 37% (40%), but the net interest bill was up by R298 000 or almost a third Attributable income slumped 44%, as did EPS.

Gearing remains sound at 39%, though the interest and leasing cover was more than halved last year to 5.

Strebel says management sees no improvement for the economy nor the company this year. Earnings are not expected to improve and the 1992 year is likely to be "extremely difficult " Emphasis will be placed on liquidity, the work force and more efficient management of assets.

(1991) FM 20/12/91

Activities: *Makes and distributes trimmings, fasteners and accessories to clothing, footwear and retail sectors, knitted and non-woven fabrics; and embroidery.*
Control: *Strebel family 70%.*
Chairman: *J Strebel; MD: F Strebel.*
Capital structure: *15m ords. Market capitalisation R17,3m.*
Share market: *Price 115c Yields 6,5% on dividend, 18,5% on earnings; p.e ratio, 5,4; cover, 3 12-month high, 200c; low, 125c. Trading volume last quarter, 5 300 shares.*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	2,1	2,8	5,5	7,8
LT debt (Rm)	2,5	3,7	3,5	2,3
Debt equity ratio	0,05	0,25	0,33	0,39
Shareholders' interest	0,54	0,50	0,50	0,52
Int & leasing cover	34	17	11	5
Return on cap (%)	15,5	23,8	23,5	12,6
Pre-int profit (Rm)	7,3	10,5	11,1	6,3
Earnings (c)	35,3	35,8	38,0	21,3
Dividends (c)	11,2	13,0	13,0	7,5
Net worth (c)	111	132	158	172

Poor growth prospects have pushed down the share price from the 12-month high of 200c to 125c There is no incentive to buy now

Basil Barber

Clothing and textiles still under whip

THE economy may be about to move out of recession, but orders for textiles and clothing are expected to remain low.

Production declined by between 7% and 8% in the first half of the year.

A report in the Textile Federation's newsletter says retail sales in clothing, footwear and textiles for the seven months to July were nearly 3% up on the same time a year ago, but there has been a softening since then.

The slackening is attributed to consumers' disposable incomes coming under pressure and to large-scale retrenchments

Textile production was helped by a small increase in yarn sales after the formula duties for imports were revised

1991

Difficult

The volume of yarn imports fell by 21% in the first six months of this year. But the volume of fabric imports rose by 19% to more than R500-million.

This is adversely affecting the textile industry and it is awaiting finality about government policy for both industries The delay is adversely affecting short-term confidence and causing tension between the two industries

Arnold Werbeloff, economist at the National Clothing Federation, says the uncertainty makes export and investment planning difficult

Mr Werbeloff says "The clothing industry sees no advantage in changing the terms of the structural adjustment programme for the clothing pipeline and wishes to see it remain in place until 1994 when its five-year lifespan is completed"

Business Times Reporter

Growth in clothing output is expected to fall by 5% this year after a 3,6% improvement last year

Production of garments has fallen to below the 1985 figure which led to the market dipping to its lowest-ever level in 1986

In the first seven months of this year, production fell by 7% compared with the 1990 figure.

Textile Federation president Wallace Grace says in the newsletter there will be more company losses, closures, retrenchments and short-time working until the industry receives some relief from the ravages of imports.

They have reached 40% of the total amount of fabric used

Mr Werbeloff says the clothing recession indicates that retailers are not restocking Textile manufacturers are finding export markets as well as non-apparel growth opportunities

Shorter

In spite of this, employment in the first nine months of the year increased by 1 900 to 115 400. Total employment, including Bophuthatswana, Ciskei, Transkei and Venda, was 161 000

Mr Werbeloff says lower production indicates that output by each worker has fallen, suggesting shorter working hours and fewer companies entering the market.

Clothing imports rose by 34% to R173-million in the first six months Exports increased by 90% to R129-million

Latest projections indicate that exports could rise to R370-million for the year

MANUFACT. _ TEXTILES

1992

Textile workers are retrenched

W/Mail 3/1-9/1/92 (197)

By FERIAL HAFFAJEE

A NASTY Christmas present awaited many clothing and textile workers.

Over the holiday period, 7 000 workers in Natal and almost three hundred in Cape Town were retrenched.

The recession has bitten deep in the clothing and textile industry with more than 10 000 jobs lost in the past year alone. And with economists predicting that the recession will not ease until at least the second quarter of this year, unionists are worried that more jobs could be lost in the new year.

South African Clothing and Textile Workers' Union (Sactwu) representative Elias Banda said three big companies in Durban had informed the union that they would close at the end of the year.

At Scotford Mills, the biggest employer in Ladysmith, more than 2 000 workers lost their jobs. And at the Frame Group, 900 workers lost their jobs, while the closure of Hebox in Hammardale, near Maritzburg made a further 1 000 workers redundant. A thousand shoe factory workers were also retrenched when factories closed for Christmas, according to Sactwu.

The giant Kingsgate Clothing company in Durban shed 600 workers to deal with the sharp drop in clothing sales, said company representative Bobby Logue.

Banda also said that many Natal workers will lose their jobs through cost-cutting measures in QwaQwa and border industries on the Natal North Coast.

In the Western Cape, one of the region's major employers, Rex Trueform, announced plans to shut down two plants in Atlantis and Wynberg near Cape Town

Govt plans 'could cost 3 000 jobs'

197

B. Today 7/1/92

Business Day Reporter

GOVERNMENT's proposed textile development plans, if implemented, will force the Frame Group to close further spinning mills and its polyester fibre mill, chairman Mervyn King says in the group's annual report

Government is expected to announce proposed increases in the textile industry's tariff structure later this month

The closures these increases would bring would lead to a loss of 3 000 jobs, says King.

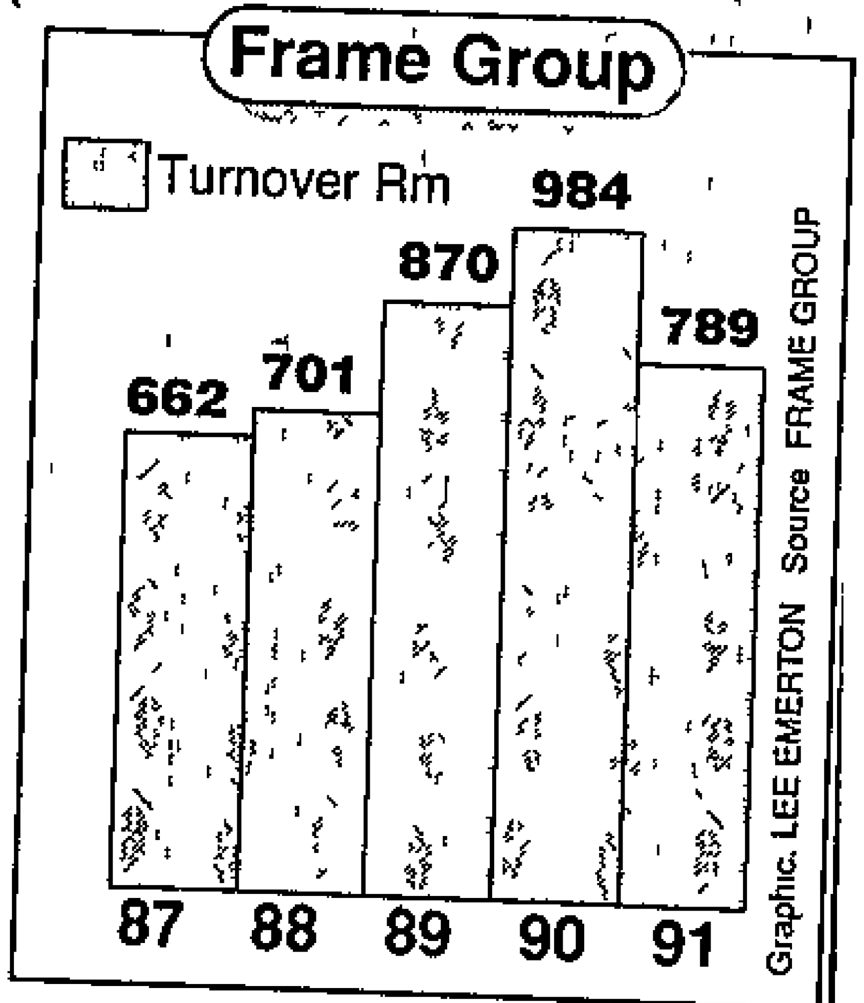
Frame, which retrenched 7 000 people last year, currently employs 11 500 people, down from about 30 000 at the end of the '70s

King says demand for locally produced fibres will increase if government raises protection against subsidised imports.

An upturn in the economy and "equitable barriers against disruptively priced textile imports from subsidised textile exporters" could return the group to profitability in 1992, he says

Frame, which made a profit of R15,8m in 1990, lost R226,3m last year despite disposing of assets, rationalising operations, and restructuring the group Turnover fell about R200m to R789m last year

"Management believes that good sense will result in the Board of Trade and Industry (BTI) adopting a more equitable approach to the industry," King says



The BTI introduced a structural adjustment programme, intended to reduce duties and make the textile industry more competitive, in 1989.

Duties were reduced to 15% and 20% on yarns and fabrics respectively, and the industry suffered from cheap imports from Pakistan and Zimbabwe.

It applied for a revision of the duty in 1989, but it was only early last year that government increased the duty to 35% as an interim measure

In August, the proposed restructuring of the programme was published It required the duty-free permit system, to be altered and ad valorem duties to be increased until the end of 1995, and then decreased by one-fifth a year until 2000.

Plan to save textile jobs

CT 6/1/92 (197)

. . . and provision for 30 000 new posts

By AUDREY D'ANGELO
Business Editor

CLOTHING and textile manufacturers and the SA Clothing and Textile Workers Union (Sactwu), in consultation with cotton producers and retailers, have come up with a plan which they say will provide 30 000 new jobs and save 12 000 now in danger

The two-year transitional plan, agreed on by a clothing and textile industry working group under the chairmanship of an independent businessman — Paul Hatty, special projects consultant at Barlow Rand — has still to be approved by the Minister of Trade and Industries, Org Marais

Hatty said at a press conference in Cape Town yesterday that it was hoped the plan would be approved by the Cabinet on January 20 and come into effect in April

It calls for a tariff quota system aimed at limiting imports of clothing and textiles Agreed quantities could be imported at current rates of duty Imports above these agreed quantities would be allowed, but at higher levels of duty

A statement issued by the working group explained that the plan "seeks to stabilise the textile and clothing industry by controlling disruptive imports, promoting the greater export of SA textiles and continuing to support the successful clothing export drive

"It also seeks to stimulate the expansion of local cotton production as an input to the textile industry pipeline

"Contact is being made with the clothing and textile industry in the other countries of the Common Customs Area. It is hoped that these countries wil join in and become part of the effort to develop the industry"

The two-year plan will be followed by a longer-term plan to stimulate the growth of the industry, aimed at making it a world player

THE transitional plan put forward by the clothing and textile industry is the first example of a totally new approach to industry strategy in this country, the independent chairman of the working group, Paul Hatty, said yesterday

He said it was "exciting" that everyone involved in the industry, including the trade union, had got together to understand the problems and prepare to work out a longterm strategy

"I believe we shall see other industries follow suit"

Ebrahim Patel, general secretary of the SA Clothing and Textile Workers Unioin (Sactwu) said it was in line with the views expressed by Cosatu and others that there should be greater worker involvement in policy making

The clothing industry is the largest single employer in the greater Cape Town area

Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, said yesterday that it currently employed about 56 000 people.

Jocum said many of these jobs would have been lost as a result of the recession if it had not been for the clothing industry's successful export drive

"The industry is not operating at full capacity People are just not buying in the domestic market It is exports that have saved us"

Jocum, who was not a member of the working party, described it as "a kind of Codesa for the clothing industry, except that everyone has been represented"

He said a quota system was better than providing protection through high tariffs because "tariffs always push up the cost of inputs"

If the plan succeeded in reducing the cost of manufacturing inputs, clothing prices could be kept down in the domestic market as well as ensuring SA's exports were competitive

If that happened "people will buy more, and more jobs will be created"

Aaron Searll, executive chairman of the Seardel Corporation and President of the National Clothing Federation, who was a member of the working party, said the transitional plan had been agreed on after nine full days of discussion

Searll said that although figures for 1991 were not yet available he thought clothing exports had doubled to about R400m in the past year

Stewart Shub, executive chairman of Rex Trueform — a major clothing exporter — who was also involved in the preparation of the transitional plan, said that the clothing industry was highly labour intensive. Any improvement in the market would result in a big increase in jobs.

Brian Brink, executive director of the Textile Federation of SA, said "We are very optimistic about this transitional plan

"I certainly do believe the estimate that 30 000 more jobs can be provided and 12 000 can be saved is correct, taking jobs in cotton farming into consideration and remembering the number of manufacturing jobs that have been lost through closures"

The statement issued by the working party said "The textile-clothing pipeline employs over 500 000 workers in the agricultural, manufacturing and retail sectors.

"This strategic industry has been under severe pressure over the past 18 months, with at least 20 000 jobs lost during that period

"The problems of the industry stem from both the severe recession in the SA economy and the disruptive nature of the surge in imports of textiles and clothing mainly from the East"

Frame pledges major asset against liability

STAR 8/1/92

Diagonal Street

177

ANN CROTTY

The really interesting parts of the Frame annual report are notes tucked away towards the back 8/1/92

One of the most interesting is appended to the Frame Group Holdings' balance sheet and refers to a contingent liability

It seems the group has an obligation (expiring in November 1994) to buy at face value — plus any arrear dividends — R29 million of cumulative redeemable preference shares and R250 000 of participating preference shares in Waverley Blankets (WB)

The group has pledged its shares in Frame Textile Corporation (FTC), in favour of the banking consortium financing WB, as security for this obligation

If the new owners of WB can't meet their obligations on the prefs, the banking consortium financing WB (apparently led by FNB) stand to get ownership of FTC, which is Frame's only remaining major asset

It is unlikely to happen But ..

Subsequent to the financial '91 year-end in June Frame sold WB to a Zimbabwean company, Zeldon Finance, for R70 million Despite the difficulties in the blanket operation this was considered an attractive deal for Zeldon

Included was an option to buy certain of WB's properties at below book value This loss, taken on the property side of the deal, does not appear to be in the annual report.

Another note to Frame Group Holdings' balance sheet says the loan to the share incentive scheme trust is secured by the pledge of shares bought in terms of the scheme.

"A provision of R16,3 million has been raised to reduce the carrying value of the loan to the market value of the underlying shares at June 30 1991"

This provision, which reduces the carrying value of the loan from R22,3 million to R6,1 million, indicates the Frame board finally recognises that the market value of Frame shares (currently 170c) is more realistic than the R22 that the Trust and major institutions paid in 1987

A note in the 1990 annual report stated that "as the shares (in the incentive scheme trust) are held by the Trust for issue over the longer term and the directors do not feel there has been a permanent diminution in their value, "they do not consider it appropriate to reduce the carrying value of the loan by the unrealised reduction in their carrying value of R8,8 million"

The thought that in September 1990 the board of Frame Group Holdings believed the share price would ever come within sight of R22 is worrying At the time the share was trading around 800c and looking weak

How many of the respected businessmen who make up the board would have backed that view with their own funds?

That view of the share price reflects the sort of hopeless optimism that has been the main feature of Frame's management style in recent years Some R20 a share later, the board is showing signs of being more realistic.

This is unlikely to enthuse the long-suffering minority shareholders who have looked on helplessly as assets have been closed down or virtually given away in the name of rightsizing, downsizing and rationalisation, etc

Whatever may be the attitude of the large institutional shareholders who have not seemed to be greatly perturbed by Frame's enormously diminishing fortunes, it seems certain that some of the smaller shareholders will baulk at the request that they approve an increase in the maximum number of shares that may be allocated to any one individual in the Confram share incentive scheme

In the Frame annual report chairman Mervyn King states that the board has recommended that "improvements be made to the Confram share incentive scheme with a view to ensuring the retention of senior executives"

Many of the minority shareholders may not be one bit interested in retaining senior executives They may instead prefer to see the remaining assets being sold sooner rather than later

There is no doubt it has been tough for Frame A number of factors have made the difficult conditions in the textile industry even more difficult.

But, while allowing some sympathy for adverse external factors, management's response to them has been somewhat unimaginative — pleading with government, or if that is unsuccessful, closing down operations or selling them at prices often deemed to be "give-aways"

It hardly smacks of the aggressive proactive management style with which the free market likes to associate itself

A note to Frame Group Holdings' income statement shows directors' emoluments of R1,1 million This includes R708 000 paid by subsidiaries for the services of executive directors.

Mervyn King is the only one of the five directors who is executive

Hebox deal (197) saves 600 jobs

JONO WATERS

ABOUT 600 jobs have been saved by the acquisition of Hebox Textiles at Hammarsdale by German textile industrialist Claas Daun

Financial details of the deal were not disclosed B/Day 10/1/92

The holding company, Natal-based Tongaat-Hulett, decided to close the factory last November after it had made an "unacceptable loss"

The mill closed on December 20 and 1 000 employees were made redundant

Former Hebox Textiles MD Mark Perrings would assume the position of CE in the newly reconstituted operation presently in the process of re-employing 600 people, a statement said yesterday

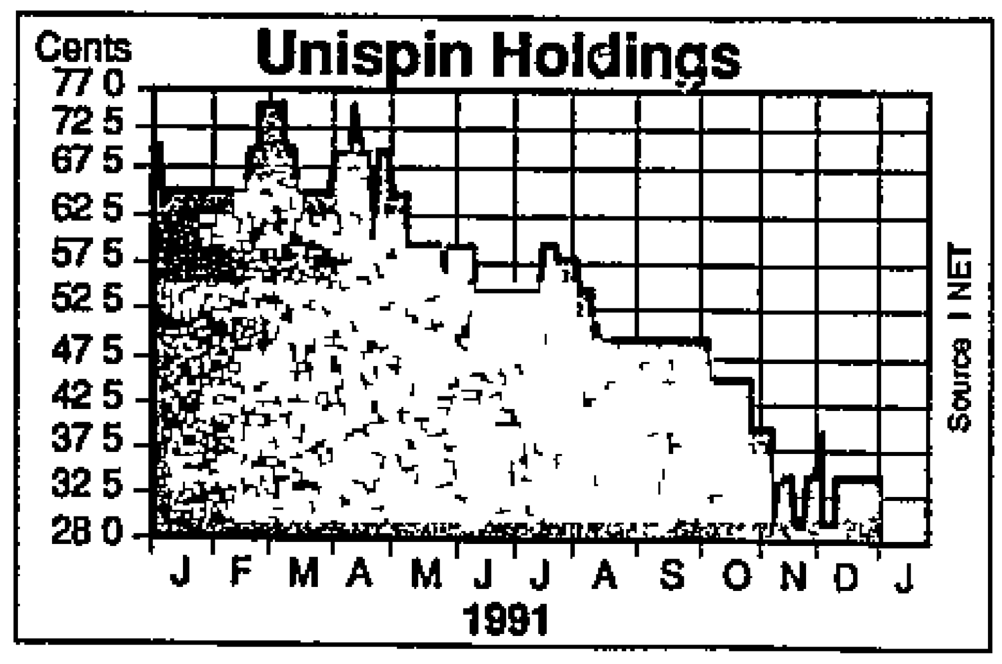
The takeover would also benefit the local cotton industry where producers and manufacturers are in dire straits

Daun, who is resident in Germany, also has interests in the Morkel Group, Total Sports, Courthiel and Table Bay Spinners

The mill had been running at 60% capacity after import liberalisation in the textile industry had seen imports of cloth treble in the last three years

Far East exporters had supplied local importers with denim at one third of the local cost and Hebox, which accounts for 50% of local production, found its operation had become unprofitable

FM 10/1/92 (197)



UNISPIN FM 10/1/92

Another dumping yarn

(197)

Activities: *SA's leading yarnmaker.*
Control: *Directors 74%*
Chairman: *R Wachsberger, MD. C Snijman*
Capital structure: *35m ords Market capitalisation R12,25m.*
Share market: *Price 35c; 12-month high, 75c, low, 30c Trading volume last quarter, 139 000 shares.*

Year to Sept 30	'88	'89*	'90	'91
ST debt (Rm)	1,0	11,5	47,5	57,0
LT debt (Rm)	13,6	25,9	53,0	52,7
Debt equity ratio	0,46	0,77	2,20	3,43
Shareholders' interest	0,52	0,42	0,27	0,20
Int & leasing cover	15,8	4,9	0,91	0,85
Return on cap (%)	15,2	12,2†	6,0	9,0
Turnover (Rm)	77	119	124	132
Pre-int profit (Rm)	14,9	22,2	11,2	18,5
Pre-int margin (%)	19,5	18,7	9,0	14,0
Earnings (c)	39,2	46,5	—	—
Dividends (c)	14	14	2,5	—
Net worth (c)	146	176	143	116

* 15 months † Annualised

In April 1989, the share price peaked at 245c The subsequent 86% decline epitomises the problems of the clothing and textile sectors; but it was in fact not last year that brought Unispin to its knees so much as financial 1990, when borrowings ballooned to finance the culmination of what turned out to be a disastrously timed expansion programme

While borrowings rose almost another R10m last year, this in effect reflects the redemption of R10m prefs Ignoring this, the group was in practical terms self-financing and year-end borrowings are actually R15m less than at mid-year.

It did, though, issue another R30m prefs in payment for Frame's yarn business, which the *FM* also classifies as redeemable at this stage as the share price would have to rise ninefold to make the conversion options worth exercising The financial ratios would remain grisly however this item is treated.

At operating level, the year was not as bad as seems from the 12-month figures. It was only in the second half of the previous year that earnings turned negative, squeezed by lower margins and a surging interest bill

Operating profit in the six months to September 1990 was a mere R2,9m; the subsequent two halves returned R4,9m and R13,6m respectively, but felt the full burden of both borrowings and high interest rates These figures could be distorted as there's no way of knowing how net abnormal profits of R5,6m were distributed between last year's two halves, but the trend is clear enough.

As well as "unacceptably high" interest rates, chairman Robert Wachsberger and MD Chris Snijman blame the deeper recession and a "flood" of imports — many, they claim, dumped — for the poor results. They say Unispin is one of the few textile companies in SA running at full capacity on a five-day week Its average selling price has risen only 15% in the past three years, but the high fixed-cost element of the textile business necessitates these policies

They say Unispin has been "very successful" in export markets It hopes to win a "significant share" of the European hand knitting yarn market, though low export incentives and high import duties make such exports marginal They join the chorus for more protection, averring that most SA textile mills are "reasonably efficient" by First-World standards but can't compete against subsidised exports, particularly from Asia

They do not sound optimistic for this year, though they say Unispin is poised to take immediate advantage of any upturn in the economy and add that "any significant improvement" in business conditions will bring a "dramatic" reduction in gearing

NAV has been eroded by trading losses; a R5m goodwill element of the Frame deal was offset by R7m abnormal profits on later asset disposals Nevertheless, it's still three times the current market price

It's worth noting that there seems to have been a profit of about R2,1m after interest but before pref divs (which vary, being linked to prime, but absorbed R900 000 in the period) in the second half of last year Assessed tax losses total R19,2m

These are straws for optimists to clutch at rather than solid reasons to buy for recovery, but do suggest that, in other circumstances, the share could offer value *Michael Coulson*

FRAME GROUP

FM 10/1/92

(194)

He did say five years

The company stays awash in red ink — but King is keeping to his strategic plan

A great deal has happened to Frame since a shivering Mervyn King wrapped up in a rather tattered blanket appeared on the *FM*'s cover in May 1990 The group has plunged into a large attributable loss and it still looks a long way from the recovery some brokers predicted when King took the helm Good returns were expected within three years — in other words, about now

Frame was considered a good recovery stock at R12 back in 1988, its price has now plunged to only 170c When King became CE of Frame in June 1988, he had just presided over an (all too brief) turnaround of Tradegro and he looked set to unlock considerable potential The numbers so far indicate he has been unable to do so Instead, Frame has seen shrinking assets and mounting losses King, who appeared to move effortlessly from the bench to the rough-and-tumble of retailing, was finally out of his depth — at least, that's what his critics argued

But, to be fair, when King took the job he said it would take five years to turn the group around The structural problems were well known Founder Phillip Frame built up the business when labour was cheap and long before the textile industries in the Far East were even born He built up his business in co-operation with National Party governments, which gave him large decentralisation grants to build factories in areas such as Harrismith and East London

Emphasis was on high volumes and low margins The business had one of the largest asset bases of any local industrial concern but the assets underperformed, as there was little attempt to add value and working capital was poorly managed Investors hoped that if these assets could be made to sweat, Frame could become enormously profitable

King's urgent priority was to reduce capacity to make it more appropriate to the market, to ensure that the remaining plant was modern and competitive, and to instil a market-driven philosophy He called this "downsizing and rightsizing" It meant a dramatic change in culture But only now are there signs that King has a management team that is fully behind him — one not concerned with the preservation of Phillip Frame's heritage The last of the old guard, Sidney Frame, was replaced as MD of Frame Textile Corp by Walter Simeoni Simeoni, a no-nonsense Austrian, was brought over from Anglovaal Textiles

King's predecessor as CE, Justin Schaffer, had tried to change the group's culture from the top, through a large head office with powerful human resources gurus A sufficient number of bright MBAs would then outweigh the production-orientated textile men who were still somewhere in the dark ages King reckons he reversed this Instead, he emphasised quality and set up focused business units that were marketing driven Rather than MBAs, King invested in technical skills and modern machinery

The climax of the rightsizing came about last year In a move that horrified Frame's old guard, King sold its remaining interests in the blanket business to a Zimbabwean entrepreneur, Victor Cohen Soon after King arrived, blankets and polypropylene bags were identified as candidates for the chop The blanket market had declined in the Eighties, from 14m to 7m units annually The interests needed to be reduced to one modern mill before they could be sold — but the sale was inevitable after Frame's main customer, Frasers, moved out of the blanket business

A major — and urgent — priority now is to improve the balance sheet and, with it, margins Sale of the blanket division reduced net borrowings by about R57m, to R146m By most standards, Frame is lightly geared, with the debt equity ratio at about 20%, but it has found it difficult to service debt out of its cash flow

The number of employees has been halved, yet output has dropped by only 20%-25% There are still 750 000 m² of property and 530 000 m² of factory space Fixed assets, valued at R643m in June last year, were down to R510m after sale of the blanket interests

There are signs that management is taking a firmer grip on the huge working capital Just to service borrowings, Frame would need at least a 6% return on capital employed and 20% before it was making an adequate return

In past years, the cornerstone of Frame's success was that it offered generous terms to customers This was fine when inflation and interest rates were low, but it added to the burden of working capital Competitors, who managed their debtors more conventionally, have brought debtors' days down to 65, whereas Frame has averaged a whopping 120 days

Its debtors' days are at last coming down By June 1991, debtors had fallen by almost a third, to a value of R223m Frame financial director Rob Whiteford says that when smaller customers — unable to pay because they are under-capitalised — are excluded, debtors should be down to 95 days by June 1992 Frame's role as banker is still such that if it went under it would take 100 customers, mainly in clothing, with it

Frame turns over its stock just three times a year It is obliged to take more than two-fifths of the country's cotton crop and pay for it 45 days from despatch, which ties up colossal amounts of working capital Nevertheless, fibre stocks were reduced a fifth by volume and yarn stocks by 7% Unfortunately, fabric stocks increased by 17% as some customers proved unable to pay

Still the red ink continues to flow After King's first year at the helm, in June 1989 Frame reported operating profit almost doubled to R81m and EPS up by two-thirds Shareholders who were used to the parsimonious dividends of the old days received a 60c payout for the second year running But the upswing was short-lived By June 1990, EPS fell a fifth and by the December interim Frame was making losses

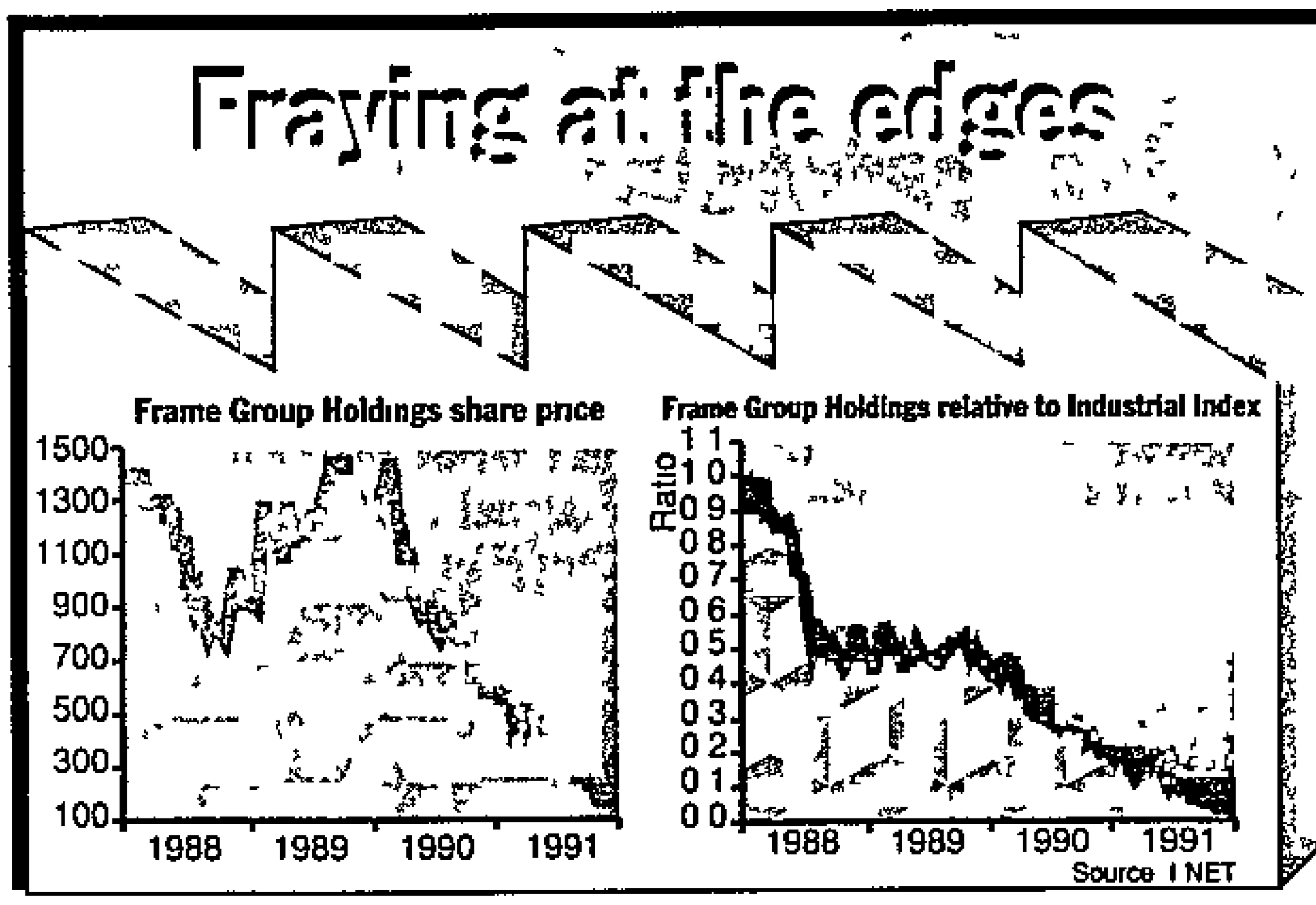
Simeoni argues that if Frame had stayed in its old shape it would by now have collapsed In 1989, there was undercapacity in the yarn industry. Since then, new capacity has come on stream at National Textiles in Swaziland, Berg River Textiles and Unispin

More fundamentally, in August 1989, the Structural Adjustment Programme turned the protected industry on its head King says originally the programme included a subsidy on raw materials to compensate the textile mills for a large increase in duty-free permits and a phasing out of formula duties Just before the programme was to be implemented, however, the Cabinet overruled payment of subsidies

Compounding the deepening recession, the programme resulted in increased imports Frame's cash flow was further depleted by essential capital expenditure that averaged R60m a year, designed to modernise the operations

King complains that SA is competing with countries that, besides tariff protection, subsidise their cotton farmers Cotton is available to Pakistani mills for R2,53/kg, compared with R4,72/kg paid in SA Nine new mills were commissioned in Pakistan this year — financed by soft loans — though there is 18% to 20% overcapacity worldwide

Imports of cotton fabric in 1990 were 9% higher by volume and man-made staples 19% higher In certain sectors where Frame has been strong, the increases are large In early 1991, compared with the previous year, printed plain cotton imports increased by 353%, unbleached polyester by 453% and printed cotton bed linen by 115% About 22% of fabric imports, 42% of yarn imports and 44% of clothing imports came into the country duty-free.




Textiles *the old man didn't think things through*

Because of intensified competition, both locally and from imports, Frame is working at about 75% of capacity and makes an operating loss Simeoni contends that if capacity increased to 90%, it would be printing money, as the rationalisation is almost complete

King says that even with the benefit of hindsight he would have carried out the same programmes "Frame's operations were scattered from Malawi to East London The cost of transporting goods between plants was horrendous, but, until recently, it was subsidised as part of the decentralisation programme The old mills had some modern plant installed to keep them going, like a Band Aid We have taken out the better plant and moved it to our operations, which are consolidated in the Durban area and Ladysmith Imagine how we would have suffered with 10 000 more people and an additional 20%-25% capacity "

Simeoni now has the task of implementing King's philosophy Frame was notorious for the unreliability of deliveries Now, between 90% and 95% of deliveries arrive on time. Simeoni argues that the acceptable norm internationally is 87% He says 100% ontime will be impossible, things can go wrong when processing natural fibres The important thing, he argues, is that the group is now ready to respond quickly to customer requirements

Durban-based SA Clothing agrees that Frame's quality has improved over the past year David Glasser, chief textile buyer at Woolworths, says Frame has acknowledged the need to improve its quality and has made great efforts to meet the chain's specifications The final results of this effort will not be known until Woolworths receives its merchandise for the next season

A year or two ago it was unheard of for Frame to win awards for reliability Last year, Edgars gave it an award as the most reliable supplier of knitted fabrics, and in October 1990, it was chosen as the best spinner and weaver by the Cotton Board Simeoni was chosen as the textile man of the year at the same function

Simeoni claims Frame is equipped to survive whatever happens to tariffs, but it needs reasonable certainty to plan for the future All the peripheral activities have been sold or closed. The garment division has been cut in half. If the plan of the Board of Trade & Industry to phase out tariffs on fibre and reduce those on yarns to 10% is carried out, Frame will have to close further spinning mills and eventually close its polyester fibre mill A further 3 000 jobs would disappear But if yarn duties are maintained at present levels of 35%, there will be no further closures.

Frame now has to prove that the vertical mill is not the lumbering dinosaur that some critics make it out to be Because it processes cotton into yarn, fabric and then finished fabric, it does not have the versatility that a specialist would have But Simeoni argues that SA does not have a big enough market for specialised units He points out that Tongaat's specialised denim producer, Hebox, has been closed

But the new management team has put more emphasis on catering for specialised needs by investing in computer-aided design and modern dye-mixing equipment The finishing mill has been identified for expansion Here, Frame can design to order for local customers and so is less vulnerable than in its commodity products And Frame is said to be regaining market share in the sale of fabrics for home sewing — a particularly lucrative area for Da Gama

So what can investors expect? Frame aims to be at least cash neutral at the trading level in the year to June 1992, with depreciation covering the operating loss and with working capital tightened up But the modernisation is not quite complete A further R48m will be spent on capital projects

The impatient might look at asset stripping, but it would cost at least R100m to retrench the work force Plant and equipment is specialised and may not realise its book value There seems little point in regarding Frame as an asset situation

Frame will probably survive in some form or another, though it will continue moving towards the higher margin, shorter run business and leave cheaper textiles to mills in low-cost countries At 170c, the price has reached a level justified by the high risk and uncertain rewards Investors who consider buying at present levels might reap some of the benefits of its traumatic transformation

A problem is that many disillusioned shareholders who bought at higher prices might want to offload stock if the share starts recovering.

Stephen Cranston


Cotton *imports muddy Frame's pitch*

Industry draws up textile rescue plan

(197)

BDay 16/1/92

LINDA ENSOR

CAPE TOWN — The clothing and textile industries have reached consensus on an industrial strategy which, if adopted by government, will end the battle which has raged between them for decades.

The plan was devised by a working group chaired by Barlow Rand special projects consultant Paul Hatty.

The working group consisted of representatives from all the industries in the clothing/textile pipeline, as well as from the SA Clothing and Textile Workers' Union, cotton farmers, the Board of Trade and Industry (BTI) and the retail trade.

The proposals have been presented to Trade, Industry and Tourism Minister Org Marais and are expected to be presented to Cabinet on January 20. It is hoped the plan will be implemented from April 1. Industry leaders are confident government will adopt the plan because it represents the views of all the major players

Fundamental to the plan is the maintenance of the structural adjustment programme to keep up the momentum of clothing exports. However, adjustments have been proposed to lessen the programme's negative effect on the textile industry by placing a cap on the quantity of textile imports allowed. The plan devised by the BTI was rejected by all parties

The plan, presented by Hatty at a news conference yesterday, has two elements a two-year short-term plan to stabilise the textile and clothing industries by controlling disruptive imports and the promotion of textile/clothing exports

The plan could prevent the loss of a further 12 000 jobs, Hatty said

Imports would be controlled by means of a tariff quota system which would allow

□ To Page 2

Textiles

BDay 16/1/92

(197)

□ From Page 1

imports at current rates of duty in quantities agreed to by the various sectors Higher duties would be imposed on imports over and above the agreed quantities.

A private sector secretariat would control the quota system, with the BTI merely endorsing the issue of permits The import permits would be allocated to sectors and to companies within sectors and would be completely tradeable

Qualification for an import permit would depend on import levels prevailing in 1989 before the introduction of the structural adjustment programme, the extent of local purchases and the extent of exports

The short-term plan includes a scheme for input cost assistance for spinners and for government stimulation of cotton farming Hatty estimated the cost of this assistance annually at R35m It would see the creation of 27 000 jobs on cotton farms and 2 500 at spinning plants

Clothing and textile accord a milestone for industrial policy

LINDA ENSOR

B Day 17/1/92. (197)

IN 10 short days, clothing and textile manufacturers, cotton farmers and worker representives achieved a consensus on a job-creating growth strategy In doing so they have perhaps established a precedent for the future formulation of industrial policy in SA by the players themselves

Negotiations were held under the chairmanship of Barlow Rand special projects consultant Paul Hatty whose guidance — described by participants as balanced and unbiased — helped wrest compromises from the traditional warring parties in the textile and clothing industries

Another participant, SA Clothing and Textile Workers' Union (Sactwu) assistant general secretary Ebrahim Patel, who has also been singled out for his constructive role in mediating conflicts between the two industries, agrees with the view that the agreement represented a watershed

"We see the process in which employers and labour got together to shape the future as complementing the efforts being taken at the macroeconomic level and as being consistent with calls by Cosatu for greater consultation and negotiation between capital and labour," he says

The outcome, Hatty says, is not ideal to any of the players, but provides a workable solution which addresses each of their complaints No dissenting voices are likely in future, as all were involved and have agreed to the proposals

The clothing industry, proud of the strides it has made in increasing exports under the structural adjustment programme, was insistent that the programme not be tampered with The textile industry, crippled by imports, was equally adamant that the levels of imports allowed under the programme should be curbed The development plan devised by the Board of Trade and Industry (BTI) was rejected by all parties

In terms of the working group's two-year transitional plan, the programme should be kept in place, but a tariff quota system would limit the total quantity of textile imports allowed Permits would be allowed at current rates of duty in quantities agreed upon and imports above these quantities would be allowed only at higher duty levels The permits would have a rebate of the proposed higher duty to bring them back to the present duty

"The tariff quota has been constructed so that it limits imports in relation to where they were in 1989 — the last year before the penetration of imports under the structural adjustment programme — and in relation to the amount of throughput in the industry pipeline," says Hatty

"If there is more production in the local industry there will be more import permits available and obviously the converse is also true.

"In addition, the programme is such that as the exports grow so the amount that can be imported duty-free in terms of the programme grows This has been retained as part of the total quota system so that as exports grow the amount available on the normal import quota would drop and more would be imported under the structural adjustment programme import quotas "

One of the advantages of the scheme, Hatty says, is that it has a release valve Those who do not have sufficient quota for their requirements could either purchase a permit, produce more locally or import outside the permit at a much higher duty level

Hatty gave details of the proposals at a news conference this week attended by industry leaders — National Clothing Federation president and Seardel group executive chairman Aaron Searll, Frame chairman Mervyn King, Edgars group MD George Beeton and Patel.

□ HATTY

He says the quota permits would be allocated in terms of a complicated formula to specific sectors within the various industries as well as to companies within these sectors The aim would be to avoid concentration of the use of permits in areas of vulnerability in particular sectors An innovative proposal is for the permits to be tradeable

A private sector secretariat would control the quota system — which Hatty concedes has been criticised as being an "administrative nightmare" — with the BTI acting merely to endorse the issue of permits The secretariat, seen as a step towards industry self-management, would manage the trading in permits and have a sufficient close-hand knowledge of the industry to be able to monitor abuses of the quota system.

The working group has also decided to set up a committee to draw up a long-term strategy by March 1993 to enable the clothing and textile industries to become more competitive, to become world players and employ more workers

"There is a general feeling that the clothing and textile pipeline, from the production of cotton to the manufacture of clothing, can make a significant contribution to economic growth if developed in terms of a growth plan," Hatty says.

Labour is to participate in this planning process, Patel says, as there would be an industrial relations component to the long-term plan. Matters such as wage restraint and the curtailment of strikes would have to be examined

The success of the long-term plan would, however, require an expansion of the local cotton industry and the working group proposes, as part of the short-term plan, that government provide input cost assistance for spinners to stimulate cotton farming Hatty estimates the cost of this assistance would be about R35m annually The stimulation of the cotton industry would see the creation of 27 000 new jobs on cotton farms and a further 2 500 at spinning plants, he estimates

"One of the problems with the structure of cotton production in SA is that the price farmers are being paid for their seed cotton is not sufficient for them to grow cotton Another problem is that the world price of cotton is much lower than the production cost of locally produced cotton

"We feel it is necessary to get cotton lint into the textile production process at an internationally competitive price "

One of the concerns confronted by the committee was the effect of the proposals on prices Hatty emphasises that the plan was put together "recognising the essential need to contain price increases and to limit the impact on the consumer The textile and clothing industries are to improve their position by increased volumes and not by way of price increases"

Searll says he does not believe the plan would result in price increases and would, in fact, contain increases

Retailing representative Beeton says the whole exercise was to contain costs, and whenever the various elements of the formula were discussed they were evaluated in terms of the end price. "We were keen to ensure that local consumers did not bear the cost of the industry achieving international price competitiveness, and I think we have been reasonably successful in that"

King points to the beneficial effects on prices which would be achieved if the volumes of the highly capitalised textile industry were increased The industry is currently operating at only 70% capacity, he says Patel adds that cost increases in the textile industry would be contained as tariffs would be fixed at their current low level, acting as a stimulant to competition in the local industry

The participants in the working group, which represents industries with a combined gross turnover of about R11bn, are confident that its proposals will be accepted by government, if only because of the sheer weight of the unanimity achieved in the unique planning exercise

LABOUR: *Unions and employers pull together ...*

194

Textile industry sews up new restructuring deal

W/Mail 17/1 - 23/1/92

A ground-breaking deal to restructure the ailing textile and clothing sectors also heals rifts among employers, reports **DREW FORREST**

IN A decisive step towards industrial co-determination, employers and organised labour have clinched a deal aimed at securing growth and stemming job cuts in the recession-hit clothing and textile sectors

The plan — South Africa's first industrial restructuring agreement involving labour — will now go to cabinet for a decision. Trade and Industry Minister Org Marais is known to favour the agreed approach

"We see it as the first step in securing a role for the union movement in macro-economic decision-making It complements the Congress of South African Trade Unions' demand for a role in broader economic restructuring," said South African Clothing and Textile Workers' Union (Sactwu) assistant general secretary Ebrahim Patel

Ebrahim Patel

Agreed in the "working group" on clothing and textiles set up to advise the government last year, the plan entails an initial, transitional phase which seeks to limit the damaging effect of cheap textile and clothing imports, largely from the East, by means of a tariff quota system.

This would permit imports at current rates of duty in quantities agreed by the various sectors, with imports above the agreed quantities being permitted at higher duties

In phase two, the industry will formulate a long-term growth plan to make it more competitive internationally and a larger employer.

From agriculture through to retailing, the industry "pipeline" employs some 500 000 workers — although it has shed 20 000 in the past 18 months The intention is to stem the loss of a further 12 000 and create 30 000 new jobs

Agreed by Sactwu and employers in the cotton-growing, spinning, knitting, textile and furniture industries, as well as clothing retailers, the agreement has healed an ancient breach in employer ranks.

Textile and clothing employers have been at odds for years over tariff protection. It is understood that Sactwu played a constructive role in bringing together these historic antagonists.

Cosatu and employers will next week resume talks on the creation of a macro-economic negotiating forum, but the Sactwu deal bears out predictions that progress towards joint policy-making is likely to be most rapid at industry level

Restructuring talks in some form are also under way in the metal, motor assembly and mining industries.

STAR 17/1/92

Frame's King welcomes textile plan

By Sue Segar 199

The innovative textile-clothing industry plan put to Government yesterday has been welcomed by Frame Group chairman Mervyn King and other executives in industry.

Mr King said this was the first time in decades that people in the whole textile pipeline had got together to work out how they could be inter-dependent.

"It is absolutely encouraging. We now have representatives of the cotton-farmers, labour unions, spinners, weavers, fabric finishers and the end-users in manufacture and distribution working together with Government departments to hammer out a consensus plan."

He said the plan could only mean positive things for the Frame group.

The plan, put forward by Barlow Rand special projects consultant, Paul Hatty, has two main objectives, to control what was called "disruptive imports" and to promote exports of textiles and clothing.

inbegrip van 'n peiling van die gemeenskap se persepsie van die effektiwiteit van bestaande vorme van straf

* Die gemeenskapsinspraak en individuele belange by strafoplegging, onder andere vergoeding van slagoffers
* Voorvonnisprosedures, veral met betrekking tot jeugdige oortreders
* Opleiding van voorsittende beamptes, onder andere inligting oor strafoplegging, die kurrikula van regsfakulteite, 'n permanente eenheid vir navorsing oor strafoplegging en empiriese werk oor strafoplegging
* Die huidige effektiwiteit en toekomstige wenslikheid van die verkorting en verlenging van aanhouding deur die uitvoerende gesag
* Voorkomende optredes ten einde misdaad te bekamp
* Dekriminalisasie en depenalisasie van geringe misdade en nuwe vorms van straf

Die Kommissie ontvang graag voor 28 Februarie 1992 gemotiveerde skriftelike voorstelle vir die ontwikkeling, verbetering, modernisering of hervorming van dié fasette van die reg

Die Kommissie se kantore is op die Agste Verdieping, NG Kerk Sinodale Sentrum, Visagiestraat 228, Pretoria Korrespondensie moet asseblief gerig word aan

Die Sekretaris
Suid-Afrikaanse Regskommissie
Privaatsak X668
0001 PRETORIA

Telefoon (012) 322-6440 (Mev Kruger)

(17 Januarie 1992)

offenders, including establishing the community's perceptions of the effectiveness of existing forms of punishment

* The community's participation and individual interests in sentencing, *inter alia* compensation for victims
* Pre-sentencing procedures, with special reference to juvenile offenders
* Training of presiding officers, *inter alia* information on sentencing, the curricula of law faculties, a standing research unit on penology and empirical work on penology.
* The present effectiveness and future desirability of shortening and extension of detention by the executive
* Preventive measures to combat crime.
* Decriminalisation and depenalisation of petty offences and new forms of sentencing

The Commission would like to receive, before 28 February 1992 reasoned suggestions in writing for the development, improvement, modernisation and reform of these facets of the law

The Commission's offices are on the Eighth Floor, NG Kerk Sinodale Sentrum, 228 Visagie Street, Pretoria Correspondence should be addressed to

The Secretary
South African Law Commission
Private Bag X668
0001 PRETORIA

Telephone (012) 322-6440 (Mrs Kruger)

(17 January 1992)

KENNISGEWING 51 VAN 1992

RAAD VAN HANDEL EN NYWERHEID

ONDERSOEK NA DIE BEWEERDE DUMPING VAN GEBREIDE TRUIE EN AKRIEL- OF MODAKRIELVESELS INGEVOER UIT OF AFKOMSTIG VAN DIE REPUBLIEK VAN SJINA EN KOREA

Die Raad van Handel en Nywerheid het 'n klag van die South African Worsted Spinners en Garment Knitters Association, Posbus 78416, Sandton, 2146, aanvaar waarin beweer word dat gebreide truie van akriel- of modakrielvesels indeelbaar by tariefsubpos 6110 30 20 vanuit die Republiek van Sjina en Koria op die Suid-Afrikaanse mark gedump word, waardeur wesenlike skade aan die Suid-Afrikaanse nywerheid berokken word of dreig om berokken te word

Die Raad van Handel en Nywerheid het besluit om invoer van die betrokke produk by tariefsubposte 6002 93 90 en 6117 90 90 ook by die ondersoek in te sluit aangesien die produk in halfvervaardigde vorm verkeerdelik by hierdie subposte geklaar word

Ten einde die Raad van Handel en Nywerheid behulpsaam te wees met sy ondersoek na die oplegging van antidumpingregte op die betrokke produkte afkomstig van die Republiek van Sjina en Korea word belanghebbende instansies versoek om binne 21 dae

NOTICE 51 OF 1992 (197)

BOARD OF TRADE AND INDUSTRY

INVESTIGATION INTO THE ALLEGED DUMPING OF KNITTED JERSEYS OF ACRYLIC OR MODACRYLIC FIBRE IMPORTED FROM OR ORIGINATING IN THE REPUBLIC OF CHINA AND KOREA

The Board of Trade and Industry has accepted a complaint by the South African Worsted Spinners and Garment Knitters Association, P O Box 78416, Sandton, 2146, Alleging that knitted jerseys of acrylic or modacrylic fibres, classifiable under tariff subheading 6110 30 20, originating in the Republic of China and Korea are being dumped on the South African market resulting in material injury or threatened material injury to the South African industry

The Board of Trade and Industry decided to include imports of knitted jerseys of acrylic or modacrylic fibres, imported under tariff subheadings 6002 93 90 and 6117 90 90 in this investigation owing to the fact that the product in semi-finished form may be incorrected cleared under these subheadings

In order to assist the Board of Trade and Industry in its investigation into the imposition of anti-dumping duties on the products concerned, originating in the Republic of China and Korea, interested parties are invited to send written representations, comments or vanaf die publikasie van hierdie kennisgewing skriftelik vertoe, kommentaar of inligting in dié verband te te rig aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001 Vertroulike inligting moet duidelik as sodanige gemerk wees

Belanghebbendes moet daarmee rekening hou dat die Raad sy bevinding baseer op die beste beskikbare inligting ingewin met betrekking tot die volgende

(a) Kan die invoer vanuit die betrokke lande ingevolge artikel 56 (2) van die Doane- en Aksynswet, 1964, as dumping geag word;

(b) ondervind die betrokke nywerheid wesenlik skade of bestaan daar 'n wesenlike bedreiging van skade as gevolg van die dumping, en

(c) is dit in die openbare belang om antidumpingregte op die betrokke invoer op te lê?

Sou bevind word dat optrede teen dumping ingevolge artikel 56 van die Doeane- en Aksynswet, 1964, geregverdig is, kan antidumpingregte met terugwerkende krag tot die datum van publikasie van hierdie kennisgewing ingestel word

Navrae moet gerig word aan mej. E Wolfaardt by telefoon (012) 322-8244 x255

[RHN-verw T5/2/11/8/1 (910428)]

(17 Januarie 1992)

KENNISGEWING 52 VAN 1992

DOEANE- EN AKSYNSTARIEFAANSOEKE
LYS 1/92

Onderstaande aansoeke betreffende die Doeane-en Aksynstarief is deur die Raad van Handel en Nywerheid ontvang. Enige beswaar teen of kommentaar op hierdie vertoe moet binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001, gerig word Die aandag word daarop gevestig dat die skale van reg wat in die aansoeke genoem word, dié is wat deur die applikante aangevra is en dat die Raad, afhangende van sy bevindinge, hoër of laer skale van reg mag aanbeveel.

Verhoging van die reg op:

Landboutoerusting van 'n soort ontwerp om deur diere getrek te word deur die bestaande voorsienings by tariefsubposte 8432 10.10, 8432.29 10, 8432 29 20 en 8432 30 10 te vervang deur die volgende·

Subpos	*Artikelbeskrywing*	*Skaal van Reg*
8432 10 10	Ploee van 'n soort ontwerp om deur diere getrek te word	6 000c elk
8432 29 10	Êe van 'n soort onwerp om deur diere getrek te word	600c elk
20	Korsbrekers, skoffelploee, skoffelaars en skoffels, van 'n soort ontwerp om deur diere getrek te word	6 000c elk
8432 30 10	Planters en verplanters van 'n soort ontwerp om deur diere getrek te word	13 500c elk

[RHN-verw. T5/2/16/2/1 (910351) (mev I Metz)]

information in this ragard to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within 21 days of the date of publication of this notice. Confidential information should be clearly marked as such. (197)

Interested parties must bear in mind that the Board's findings will be based on the best available information obtained in respect of the following·

(a) Can the imports from the countries concerned be regarded as dumping in terms of section 56 (2) of the Customs and Excise Act, 1964;

(b) does the industry concerned experience material injury or threatened material injury owing to the dumping; and

(c) is it in the public interest to impose anti-dumping duties on the imports concerned?

Should it be estabished that action against dumping is justified in terms of section 56 of the Customs and Excise Act, 1964, is justified anti-dumping duties may be implemented with retrospective effect from the date of the publication of this notice

Enquiries should be directed to Miss E Wolfaardt at Telephone (012) 322-8244 x255.

[BTI Ref T5/2/11/8/1 (910428)])

(17 January 1992)

NOTICE 52 OF 1992

CUSTOMS AND EXCISE TARIFF APPLICATIONS.
LIST 1/92

The following applications concerning the Customs and Excise Tariff have been received by the Board of Trade and Industry. Any objections to or comments on these representations must be submitted to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice Attention is drawn to the fact that the rates of duty mentioned in the applications are those requested by the applicants and that the Board may, depending on its findings, recommend lower or higher rates of duty

Increase in the duty on:

Agricultural equipment of a kind designed to be drawn by animals by the substitution for the existing provisions under tariff subheadings 8432 10.10, 8432 29 10, 8432 29 20 and 8432 30.10 of the following.

Subheading	*Article Description*	*Rate of Duty*
8432 10 10	Ploughs of a kind designed to be drawn by animals	6 000c each
8432 29 10	Harrows of a kind designed to be drawn by animals	600c each
20	Scarifiers, cultivators, weeders and hoes, of a kind designed to be drawn by animals	6 000c each
8432 30 10	Seeders, planters and transplanters of a kind designed to be drawn by animals	13 500c each

[BTI Ref. T5/2/16/2/1 (910351) (Mrs I Metz)]

HOPE BUT NO QUICK FIX IN PROPOSALS TO ALTER THE FACE OF TEXTILE AND CLOTHING INDUSTRIES

Major plan to save W Cape jobs

S/Times (CM) 19/1/92

1991

By CHRIS CAIRNCROSS

A MAJOR plan to save jobs in the clothing and textile industry will come too late for thousands of workers who have been forced out by factory cut-backs and closures.

The two-year plan to save 12 000 jobs and create 30 000 more was presented to the Minister of Trade and Industry, Dr Org Marais, on Tuesday.

But the plan is long-term and offers no immediate solutions — so for the thousands of Western Cape workers who have lost their jobs in the past year or have been placed on short time there will be no respite from the battle to feed their families

The industry had pinned its hopes on the retail sector achieving good sales over Christmas to make up for poor trading during the year — but consumer spending was markedly down on previous seasons and will undoubtedly affect jobs

Industry sources have confirmed that they expect a growing number of workers to be put on short time in the first six months of the year

More than 15 000 workers lost their jobs at textile and clothing factories in the Western Cape last year. At least 9 000 of these job losses were retrenchments, most of them associated with factory closures.

The two-pronged plan submitted to Mr Marais on Tuesday is a long-term programme — it is not designed to bring immediate solutions

It offers hope in that it could be the first blueprint to provide a successful means of overcoming sectional interests, which have led continually to confrontations and have undermined the interests of all sectors of the industry

The plan, for the first time in the industry, was put together jointly by key role players — representatives of the textile and clothing industries and of the SA Clothing and Textile Workers' Union

Also party to the negotiations were cotton farmers and the distributive trade

The plan proposes an initial two-year transitional phase to stabilise the industry and a longer-term programme of growth that is to be put together by March 1993

It entails controlling disruptive imports and increasing exports

Because of the apparent consensus achieved by the manufacturers and the union, the plan is the first really positive step in a major process of restructuring that will bring greater stability to the sector

One of the programme's objectives is to reverse the increasing loss of jobs

It envisages creating 30 000 more jobs in the longer term while saving 12 000 in the short term

The programme — if implemented — will offer a ray of hope, particularly for the Western Cape's clothing and textile industry which, with a workforce of about 56 000, has been one of the region's main sources of employment.

There are no accurate figures for the number of unemployed or workers on short time

The chairman of the Cape Clothing Manufacturers Association, Mr Simon Jocum, noted that the situation might have been far worse but for the cushion provided by exports. These have enabled factories to keep working, although at reduced levels.

Frame's losses highlight crisis

(197) CT 21/1/92

By ARI JACOBSON

THE fortunes of the Frame group, which recorded a loss of about R220m for the year to June, highlight the problems of the entire textile industry said chairman of SA Shareholders' Association Issy Goldberg.

Goldberg just back from The Frame agm in Durban pointed out "it was almost fateful that the meeting was held concurrently with the release by the textile-clothing industry of its survival plan to be presented to government — to curb massive and unfair imports from the east"

Chairman Mervyn King, under tight cross examination, said the losses in the previous financial year included about a R60m at the Waverley blanket division, over R50m by the spinning and weaving division and the balance of R100m attributable to the what King called "down-sizing and right-sizing" to streamline the business generally

Goldberg mentioned that "as at June 1991 the group had interest bearing debt of R230m relflecting an interest charge of about R40m"

The pro forma balance sheet indicated the sale of the Waverley blanket section was consummated after the year's financial review The blanket division was purchased by a Zimbabwe company for R70m

Further Goldberg said the method of payment for this purchase was "intriguing"

The buyer was required to obtain Zimbabwe Reserve bank permision for a R20m payment to Frame In addition Frame hived off the debtors book and collected R11m — the balance was funded by an SA bank (with The SA Reserve bank approval) which was paid to Frame against acceptable security

King indicated that Frame had adequate protection underpinning their guarentee

Considering the year under review Goldberg said King had done a reasonable job in planning the survival of The Frame group

"It seems clear that unless, over the last three years, King had taken steps to shrink the operation both logistically and to hive-off the plastic bag factory and blanket operation the future of the group would have proved disasterous"

Following the sale of the blanket division Goldberg said that the debt to equity improved considerably — with interest bearing debt dropping to around R160m

King seemed reasonably optimistic about the survival potential for the group — following the modernisation of plant and equipment over the lat three years — which will result in containing costs of production

Goldberg added that the total employment of the group has dropped from over 20 000 to 13 000 in recent years "But the cost of retrenchment has its price — about R100m to reduce the complement by 7 500"

Goldberg said that the quality and delivery schedules of the group's fabrics had improved considerably which should help recovery and survival However King said "profitablity would depend essentially on the plant being utilised more efficiently and, for this to occur, the plan of the textile/clothing industry should be accepted by government speedily in tandem with a lift in the economy"

Goldberg concluded that "unless this plan was implemented soon the group would hobble along just patching up their losses"

Goldbegr poiuntd out that it was fascinating that disparate compionets of the textile and cltohin indsutry which had been at loggerheads for yerad had buried the hatchet in interests of the industry seriously threatened by the inept planning by auhtorities coupled with the poor economic conditions their Pretoria North smallholding ... month before the incident He was described by Mrs Van Zyl's daughter as an excellent worker, who never seemed to have any problems with her parents.

To page 3

Govt rejects textile plan

197

CT 11/2/92

THE Minister of Trade and Industry, Mr Derek Keys, and his director-general, Mr Stef Naude, have sent back a plan to help boost the clothing and textile industries

The government believes the plan is too expensive

Part of the plan was for the government to spend R35 million to help spinners and encourage farmers to grow cotton The government said it did not have the money for this

Because of the Customs Union, the government was not willing to consider imposing a levy on imports to pay for the cotton subsidy.

● Full report — Page 10

Govt has no funds to aid scheme

Clothing and textile rescue plan at risk

(197)

B/Day 11/2/92

LINDA ENSOR

CAPE TOWN — Key aspects of the proposed growth strategy for the clothing and textile industries have been rejected by government because of a lack of finance.

The proposals have gone back to the drawing board for revision in some cases and overhaul in others after they encountered opposition from Trade and Industry Minister Derek Keys and director-general Stef Naude

Government has said it does not have the funds to finance the R35m input cost assistance to spinners, which was proposed in order to bring the price of cotton to international standards to encourage farmers to grow cotton.

Barlow Rand special projects consultant Paul Hatty, who chaired the working group which devised the plan, said yesterday options — such as the scrapping of the Cotton Marketing Act — were being investigated He said, however, such a course was highly sensitive and would "touch raw nerves"

Because of the Customs Union, government was not willing to consider imposing a levy on imports to pay for the cotton subsidy

Hatty said increasing the cotton throughput of spinners was considered fundamental to the plan as this would result in a higher utilisation of spinning capacity and a lower unit cost to the textile industry

It would also enable the spinning industry to become internationally competitive and to enter the export market

"We were trying to get inputs at the front end of the pipeline as close as possible to international standards," Hatty said

Government found the proposed formula for tariff quotas too complicated, Hatty said, and work was under way to simplify this while retaining its essence

The proposal aimed at keeping the structural adjustment programme in place while limiting its negative effect on the textile industry by placing a cap on the quantity of textile imports allowed

A technical meeting would be held tomorrow, Hatty said

Hatty said the working committee was fine-tuning details of those aspects of the plan accepted by government and in spite of the hitches, hoped to see it implemented from April

"There were a number of aspects acceptable to government and now it's a case of working out the mechanisms to implement them."

Hatty emphasised there was no danger of the consensus reached by the clothing and textile industries being jeopardised by government's opposition of some elements of the proposals.

The proposals were drawn up by a working group consisting of representatives of all the industries in the clothing/textile pipeline, the SA Clothing and Textile Workers' Union, cotton farmers, the Board of Trade and Industry and the retail trade

Government had accepted the idea of a permanent committee consisting of representatives of government, industry and trade unions to plot a long-term strategy for the clothing and textile industries, Hatty said

Rag trade rescue (197) plan still on track

ARG 12/2/92

SHARON SOROUR
Labour Reporter

NEGOTIATIONS are still on track to implement a plan to revive the ailing textile and clothing industries in spite of government opposition to key aspects of the growth strategy.

The Minister of Trade and Industries, Mr Derek Keys, and director-general Dr Stef Naudé sent back for revision certain proposals contained in the two-year transitional plan because of lack of funds

The watershed plan — agreed on by all major players — aims to resuscitate the industries, create about 30 000 new jobs and save about 12 000 in danger

Government said it did not have enough money to fund the R35-million input cost assistance for spinners, which was proposed in an attempt to bring the price of cotton to international standards to encourage farmers to grow the fibre

According to SA Clothing and Textile Workers' Union assistant general-secretary Mr Ebrahim Patel, South African cotton growers are producing cotton at R5,43 a kilogram, which was higher than the world price of R4,36 a kilogram

The chairman of the Cape Clothing Manufacturers' Association, Mr Simon Jocum, said the aspects rejected by the government were "not the most important ones of the plan"

Mr Paul Hatty, Barlow Rand special projects consultant who chaired the working group which devised the plan, said a number of aspects were acceptable to the government and "now it's a case of working out the mechanisms to implement them"

Clothing and textile plans in jeopardy

(197)

B/Day 4/3/92

LINDA ENSOR

CAPE TOWN — The proposed agreement on a development plan for the clothing and textile industries has been jeopardised by a disagreement between the two industries over the level of duties to be placed on imports outside the quota system

The question of import tariff levels was the second hitch to bedevil the plans within the past month The first was government's rejection of a key element of the proposals, namely an annual R35m input cost assistance scheme to cotton spinners.

Working group meetings in the past week were reportedly stormy. The level of duties was the last stumbling block as consensus had been reached on other issues in the agreement, a source said.

Working group chairman, Barlow Rand special projects consultant Paul Hatty, apparently assuaged feelings at the meeting on Monday by presenting a compromise, details of which are being worked out.

Intense discussion was still under way yesterday with one source indicating agreement might be in sight He hoped a final agreement would be be reached today and that proposals would be presented to Trade and Industry Minister Derek Keys shortly The working group hopes the scheme will take effect on April 1.

A source said yesterday the parties had agreed in principle on how the level of duty on imports inside and outside the quota system would be calculated It was now a question of applying this formula to the hundreds of different items. 4/3/92

The working group has proposed a tariff quota system to limit the total quantity of textile imports Permits would be allowed at current duty rates for agreed quantities, imports above these quantities would be allowed only at higher duty levels.

One source said the textile industry — said to be seeking protection against dumping — was demanding "punitive" duties of 100%-150% for imports outside the permit system Clothing manufacturers insisted this would kill off their industry and opted for 40% plus the formula duty.

Clothing manufacturers said if the textile industry was not prepared to compromise, they would prefer to fall back on the Board of Trade and Industry's proposal of a flat 40% ad valorem duty on imported textiles and 60% on clothing

Wooltru profits plunge R43-m

MARC HASENFUSS (197)
Business staff

WOOLTRU posted its worst interim figures ever with operating profit plummeting by R43 million under harsh trading conditions — but the group still managed to maintain the dividend payout

However, chief executive Colin Hall expects the decline in Wooltru's profits for the full year to be less than for the first six months, unless there is a further deterioration in trading conditions

Sales are already 15 percent up for the first six weeks of the second half of the financial year

When the economy improved the substantial investments made by the group recently would lead to profit growth and returns well above the industry average, he said

Capital expenditure topped R104 million in the six month period

In the six months to end December earnings fell 28 percent to R57,3 million (R79,6 million) or 164,5c (228,5c) on the back of a 17 percent increase in turnover to almost R2 billion

In spite of the severe profit decline, directors said their confidence in the group's inherent strength was reflected in the decision to maintain the interim dividend at 77c a share

Mr Hall said there had been an overall decline in local consumer spending in the interim period, impacting in varying degrees on the group's operating companies ARG 13/2/92

"These declines are cause for deep concern for they point to real human hardship on a very wide scale"

In addition, the group's budgets and buying plans set early last year proved to be too optimistic and substantial markdowns were necessary to reduce excess stock, he said

Woolworths was hardest hit, with a 55 percent decline in pre-tax profits from a 9 percent increase in sales

Mr Hall attributed the division's poor showing to weaknesses in textile procurement, marketing and management controls

He said the problems with the textile sector had been corrected "While the positive effect of these actions has yet to be felt on the textile sector of the business, food sales have continued to outperform the industry"

Makro also performed weakly — showing a 61 percent plunge in pre-tax profit from a 26 percent increase in sales

Mr Hall said that the costs of Makro's development programme over the past 11 months, including the opening of three major stores and the establishment of the Makro office stationery division, severely depressed profitability

However, the Speciality Retail Group (SRG) continued to perform strongly, increasing turnover by 20 percent and pre-tax profits by 18 percent

Truworth's, SRG's largest component, managed to gain market share in the period under review

■ Motor dealers **McCarthy Group** suffered the full effect of the current slump in new and used car sales with a 12 percent drop in interim earnings

Earnings per share fell from 27,4c to 24,2c, but the interim dividend was maintained at 7,5c a share

The directors say that the total dealer market for new cars and commercial vehicles declined by 13 percent compared with the same six months in 1990

The group's unit sales, however, declined by only eight percent and coupled with higher prices resulted in a seven percent rise in turnover to R1,59 billion (R1,48 billion)

Operating profits fell by eight percent to R42,4 million (R46 million)

The drop in profits was forecast by the group in its annual report

CLOTHING AND TEXTILES (197) FM 14/2/92

Joining the fray

Government's reaction to the suggested "new deal" for the clothing and textile industry sectors has reopened the debate on the fate of

FM 14/2/92 (197)

the two industries and has drawn in a new participant — the cotton industry

Trade & Industry Minister Derek Keys and director-general Stef Naude this week called the new scheme too complex and said government does not have the funds to finance R35m a year to help textile spinners pay for local cotton

The proposed scheme did not specify the source of the R35m in input assistance and government obviously balked at the idea of making further calls on a cash-strapped fiscus

One of the proposals was a levy on all future clothing and textile imports, an idea that runs counter to the growing calls for reducing import protection in all industries. Government also did not like the idea of a separate fund administered by the two industries. So the Cabinet sent the task group back to the drawing board.

"The plan is not at risk," says task group chairman and Barlow Rand director Paul Hatty "We don't see government's reaction as a rejection of our proposals — and we are encouraged by Keys's maiden speech in parliament, when he intimated that future industrial policy would be based on a partnership of government, labour and industry. That is the way we would like to approach the issue "

The task group will modify the plan and Hatty still expects it to be implemented on April 1. Hatty hopes subsidies for the spinners will remain a part of the plan because he believes this would encourage exports by making locally made fabric more competitive worldwide

Textile Federation executive director Brian Brink agrees that government's reaction is not a "total rejection" of the task group's proposals "While the proposed cotton spinners' subsidy and an increased incentive for exports are critical issues for cotton producers, the scheme could remain in place without these subsidies, should the textile industry be allowed free imports of cheaper cotton lint, yarn and fabric "

By bypassing local cotton producers and taking advantage of freer imports, the textile and clothing industries might be able to compete better on global markets "The tough question that may have to be asked is whether we should grow cotton in SA," Brink says "Government will have to answer this, based on both political and economic considerations "

But cotton producers find it difficult to understand why government balks at the suggested subsidy scheme They argue that the world price of cotton is often higher than the local price, so freeing cotton imports would not reduce costs

Cont →

FM 14/2/92 (197)

Subsidies are needed, they say, to help match the enormous cotton subsidies in the US and other countries These subsidies, they say, make it difficult for SA textile, manufacturers to compete with foreign firms ■

CLOTHING/TEXTILES

ARG 17/2/92 (197)

Weaving a future together

SOUTH Africa's clothing and textile industries have been brought to their knees by the severe economic recession and other structural problems But now, for the first time, the industries' major players are finding solutions together to stabilise and re-position the textile-clothing pipeline as a major economic force. Labour Reporter SHARON SOROUR investigates.

CRIPPLED by one of the worst economic recessions in recent history, the clothing and textile industries are struggling to survive

At least 20 000 jobs have been lost in the past 18 months through factory closures and retrenchments, and industry sources ominously expect more to follow

The problems stem not only from the dire state of the South African economy, but from the disruptive nature of the surge of imports of textiles and clothing from mainly the Far East, the slump in clothing sales, high interest rates, a huge increase in local and imported raw material costs and the uncompetitive cotton price

But there is hope on the horizon

For the first time, the major players in the industries have devised a two-year transitional plan which they hope will provide 30 000 new jobs and save 12 000 in danger

Industry sources say the new plan is a notable achievement because it is the first product of employer-union discussions It is also the first time the competitive clothing and textile industries have been able to co-operate to "put together a plan"

Unveiled last month, the plan was agreed on after nine days of discussion between clothing and textile manufacturers and the SA Clothing and Textile Workers' Union (Sactwu), in consultation with cotton producers and retailers

It seeks to stabilise the industries by controlling disruptive imports, promoting export of textiles and continuing to support the successful clothing export drive

The plan calls for a tariff quota system aimed at limiting textile and clothing imports Agreed quantities can be imported at current rates of duty and imports above these quantities would be allowed, but at higher duty

Although certain key aspects were rejected by Trade and Industries Minster Mr Derek Keys and director-general Dr Stef Naudé this week, industry sources are still confident solutions can be found to overcome the hitches and they hope it will still be implemented on April 1

The government said it did not have the funds to finance the R35 million input cost assistance for spinners, a proposal designed to bring down the price of cotton to international levels and encourage farmers to grow the fibre

Because of the Customs Union, the government was not willing to consider imposing a levy on imports to pay for the cotton subsidy

It also found the proposed formula for tariff quotas too complicated

Barlow Rand special projects consultant Mr Paul Hatty, who chaired the working group which devised the plan, said there were a number of aspects accepted by government and mechanisms to implement them were being negotiated

He emphasised there was no danger of the consensus reached by the industries being jeopardised by the government's opposition to some elements of the proposals

The government had accepted the idea of a permanent committee of representatives of government, industry and trade unions to plot a long-term strategy for the industries

The clothing industry's crisis has been exacerbated by falling sales due to high prices which exceeded the inflation rate, work stayaways, a high rate of absenteeism and heavy wage agreements, says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association

The textile-clothing pipeline employs more than 500 000 workers in the agricultural, manufacturing and retail sectors

A lifeline of the Cape clothing industry — which employs 56 000 people — has been the successful export drive, which saw exports shoot from R195-million in 1990 to about R400-million last year

Mr Jocum believes the future of the industry is not in the domestic market, but internationally where there is a greater demand

Mr Ebrahim Patel, assistant general secretary of the SA Clothing and Textile Union (Sactwu), believes the industries are well-positioned to be a real engine of growth in South Africa where the cost of capital to create jobs is very low, there is a developed infrastructure to serve as a launch pad for expansion and as black incomes rise, people will buy more clothing

"These are all opportunities waiting to be realised but this is being prevented by certain structural problems," he says

The two main short-term problems are the recession and the surge of imports, particularly from the East

In the short-term, the new plan also seeks to "cap" the importing of second-hand clothing

"This has become a major problem Second-hand clothing is brought into the country under the pretext of being given to the poor or welfare organisations free It is then sold in second-hand shops or in other shops as new clothing," says Mr Patel

"Another scenario is new clothes come into the country disguised as second-hand clothing because it is duty free but they are then sold as new"

About 25 million units of second-hand clothing were imported in 1988 and this shot up to 100 million units last year, he says

"We have seen a proliferation of second-hand clothing shops opening in the major areas, and even in Cape Town it is happening under our noses and Customs and Excise do not have the resources to check every container shipped into the country," Mr Patel says

While the plan is expected to provide immediate relief it will not overcome the industries' structural problems

According to the union, these include

- The under-capitalisation of the clothing and textile industries as companies do not keep up with technological development,
- The under-utilisation of manpower and weak or "non-existent" training institutions which result in low productivity,
- The size of enterprises — "in some parts of the industry one requires large enterprises For example, plants in South Korea and Taiwan successfully manufacturing synthetic yarn are all big and they achieve economies of scale not possible with short runs and small plants," Mr Patel says
- The lack of beneficiation of wool

Medium and long-term relief to the industries depends on when the South African economy and those of its trading partners lift out of recession to allow new export opportunities

Sasol buys R40m acrylic fibre plant from France

B/Day 27/2/92 (197)

EDWARD WEST

SASOL's first step into synthetic fibre production, the purchase of a R40m acrylic fibre plant from France, has brought it into conflict with the National Clothing Federation.

The plant is to be erected near Durban.

Sasol intends to export the fibre as well as replacing imports of about 30 000 tons a year.

National Clothing Federation chairman Hennie van Zyl greeted news of the plant with scepticism

He said there was a glut of acrylic internationally and, because its manufacture was capital intensive, there was very little chance SA could compete as effectively as European manufacturers with their higher export volumes

Van Zyl said traditionally capital intensive investment in SA tended to follow industrial policy geared towards import replacement and foreign exchange savings.

Such investments were usually followed by protection measures from so-called "dumped" import prices, said Van Zyl.

However, Sasol's Fourie said the plant would not operate under industrial protection measures and would contribute towards foreign exchange savings and earnings from import replacement as well as exports.

Acrylic fibre, often known as "poor man's wool", is a cheaper substitute for wool.

Sasol's plant will polymerise then extrude and spin an imported compound called acrylo-nitrile manufactured from ammonia and propylene

Textile Federation director Brian Brink said the plant's capacity represented about 0,5% of world production capacity. SA consumed about 30 000 tons a year, he said

Sasol GM Jan Fourie said Sasol Fibres had awarded a R40m contract for the dismantling, transport and re-erection of a French acrylic fibre plant last week to a consortium consisting of Genrec subsidiary MEI Construction and Spie Batignolles of France.

MEI Construction MD Chris Biden said plant, pipework, electrical control gear and instrumentation would be dismantled, labelled, packaged and shipped from Calais

Once in SA it would be re-erected, tested and commissioned for full production in 1993 on a site near Durban.

Keys, Naude rebuff key textile proposals

197 CT-11/2/92

[illegible] Correspondent

[illegible] being inves[illegible] Cotton Marketing [illegible]

[illegible] was highly sen[illegible] n[illegible]rves.

Becaus[illegible] of [illegible] ment was not [illegible] a lev[illegible] or imp[illegible] subsidy.

Hatty said [illegible] throughput of [illegible] fundamental to [illegible] result in a highe[illegible] capacity and a lo[illegible] the industry.

It would also en[illegible] to become [illegible] and to enter the [illegible]

"We were trying [illegible] the fro[illegible] end of the pipeline [illegible] possible international stan[illegible]," Hatty said.

Government fo[illegible] proposed formula for tariff quot[illegible] complicated, Hatty said, and work w[illegible] way to simplify this while retaining its essence.

The proposal aimed at keeping the [illegible] structural adjustment programme in place while limiting its negative effect on the textile industry by placing a cap on the quantity of textile imports allowed.

A technical meeting would be held tomorrow, Hatty said.

Hatty said the working committee was fine-tuning details of those aspects of the plan accepted by government and in spite of the hitches hoped to see it implemented from April.

"There were a number of aspects accepted by government and now it is a case of working out the mechanisms to implement them."

Hatty emphasised there was no longer [illegible] consensus [illegible] and textile industry [illegible] by government [illegible] the proposal.

Government had accepted the [illegible] permanent committee consisting of representatives of government, industry and trade unions to plot a long-term strategy.

Frame sees trading losses continuing

B/Day 6/3/92

(197)

WILLIAM GILFILLAN

TRADING losses at the Frame Group were expected to continue, but at reducing levels, to at least next December, executive chairman Mervyn King said yesterday when presenting the group's interim results A trading loss of R7,3m was recorded

This loss, which had been reduced from R24,1m in the six months to December 1990, converted into an attributable loss of R20,8m, half that of the previous period

And that translated into a loss of 110c a share

The reduced loss came on the back of a rise in turnover to R338,2m from R314,7m But turnover was down in real terms, King noted

The comparative figures excluded Waverley Textiles, sold off in July last year for R59m

King said the suspensive conditions relating to the Waverley sale had been fulfilled in January However, as the conditions had been fulfilled only this year, the R67m proceeds received from the sale, which included R8m interest, had not been included in the interim balance sheet, resulting in borrowings being recorded at R259,2m, instead of being less than R200m

Frame's attributable loss was hit by a R9m extraordinary charge, taken above the line after the closure of the East London and Pinetown operations, and the sharply higher interest charge of R17,7m

King attributed this increase to slow-paying debtors "Owing to the recession our customers are just not able to pay on time," he said

No dividend was declared and King added he did not expect a dividend to be declared for at least the next couple of years

After including the proceeds of the Waverley sale, and borrowings as debt, the group's gearing stands at about 60%

Net asset value declined to 2 196c from 2 306c a share at end-June as a result of the attributable loss The value of those properties no longer in operation (Harrismith, Ciskei, and East London) had been written back to their historical cost, King said

He believed the Hatty proposals regarding import duties designed to protect the local textile industry would be implemented "in the main" at the start of April

If this was the case, it would be bullish for Frame, which was particularly vulnerable to textile imports, King added

But it would take until at least December before imported textiles were out of the pipeline, he believed

Creditors sue Wolnit directors

B Day 10/3/97

STEPHANE BOTHMA

THE directors of Wolnit, a liquidated subsidiary of Rentmeester, are being sued in the Pretoria Supreme Court for almost R2m for allegedly recklessly carrying on the business of the company in circumstances of insolvency

Fourteen textile companies, all unsecured creditors in the insolvent estate of Wolnit, claimed the directors were jointly and severally liable for Wolnit's debts and liabilities incurred between July 1 1987 and November 20 1989

Wolnit was placed in liquidation by a special resolution of its members in November 1989

L Goldblatt, representing the textile companies, told the court that at the time, creditors were led to believe Wolnit had the backing and support of the "mighty" Rentmeester group which would look after Wolnit's creditors' interests

Creditors had received a "so-called letter of comfort" claiming Rentmeester's support would enable its subsidiary to meet commitments

Court papers before Mr Justice Deon van Zyl stated Wolnit's 10 directors recklessly carried on its business by failing to record the registration of a general notarial bond of R1 128 000 over the personal and movable assets of Wolnit in favour of Trebbob Beleggings They also failed to disclose the bond to company auditors.

The directors allegedly further permitted accounting and financial reporting to be done which reflected a misleading financial state and carried on the business of Wolnit in circumstances of actual or commercial insolvency. 197

They also permitted Wolnit to continue making purchases and incurring and increasing credit, knowing that the company would not be able to meet its obligations Wolnit was permitted to become undercapitalised and the directors failed to rectify the situation.

The textile companies asked for an order declaring the directors personally liable for all Wolnit debts incurred after July 1 1987 and asked the court to order them to pay R1 896 304 to the plaintiffs

They are Philotex, Union Spinning Mills, Gregory Knitting Mills, Textilaties, Braitex, BMD Knitting Mills, Aranda Textile Mills, Yiluk Textile Industries, SA Fine Worsteds, Yarntex, Tricot Fasteners, Da Gama Textile, D Cooper & Sons and Martilonh Textured Yarns.

The matter was stood down until tomorrow.

COMPANIES

Progress hit hard by imports

WILLIAM GILFILLAN

A FLOOD of duty free imported knitwear cut into the sales of Natal-based Progress Industries in the second half of 1991, leaving a recorded trading loss of R250 000

This pushed bottom-line losses to R874 000 for the 12 months to December, against last year's profit of R2,8m — equivalent to a 31,5c loss a share from 102,3c Trading income in the period more than halved to R2,7m from R5,9m on the back of a turnover rise to R65m from R61m Although no final dividend was declared, the total dividend for the year was 11c a share (1990 34c)

Progress CE Peter Jacobson said knitwear sales volumes dropped 40% in the second half, compared to the previous year, as a result of the import surge

He said although the Hatty proposals would help the industry in the medium term, imported knitwear for the winter season had already arrived in SA

In an unusual move, the company has recorded adjustments made to the previous year's tax charge below the line These relate to expenses disallowed by the Receiver This was the reason for the difference of R594 000 between the company's above and below the line earnings

A R660 000 contingent tax liability relating to losses arising from a film investment was not included in the results

Progress has lodged an objection against the Receiver's decision

FRAME GROUP FM 13/3/92 (197)

Losses still mounting

The group is now in its second loss-making year While interim results to December show some stemming of the flow of red ink, a return to profitability is unlikely until at least next year Rationalisation measures are starting to show results The sale of blanket-making division Waverley Textiles in July for R59m is not yet included on the balance sheet This will bring current net borrowings of R259m below R200m

Similarly, continuing curtailment of operations at East London and Pinetown is reflected in an extraordinary cost of R9m Together with an interest bill close to R18m, up 82% on last year's interim figures, Frame's loss is now running at R21m This is about R12m better than last year's interim but still shows a group under great pressure with no clear signs of recovery

A big problem is the textile industry's dependence on the local economy and the

MORE RED INK

Six months to	*Dec 31 '90	*Jun 30 '91	Dec 31 '91
Turnover (Rm)	315	343	338
Operating loss (Rm)	24,1	26,8	7,3
Attrib loss (Rm)	33,3	22,3	20,9
Loss (c)	175	118	110

* Adjusted to reflect sale of blanket division for R59m

continue →

FOX FM 13/3/92 (197)

impact of cheap imported textiles Recession shows no sign of turning but the industry expects some clarity on the Paul Hatty proposals on import duties early in April

Tight control of working capital is a priority if Frame is to make inroads on the interest bill Projects director Bruce Sanders says plans implemented last year are seeing stocks coming down Both stock off-take and control of debtors will be difficult in this economic climate but, barring any further softening of markets, second-half losses should not exceed the first half's

The current R2 share price may not do much until the outcome of the Hatty proposals is known When the working groups were making progress earlier this year the price jumped nearly 40% to 250c in a week Longer-term the share should offer recovery prospects, despite the risk. *Shaun Harris*

ROMATEX

On the corporate carpet

FM 13/3/92 (199)

Rationalisation has helped — but just waiting for an upturn isn't enough

Half-year results from Romatex — Barlow Rand's underperforming conglomerate — are unlikely to show any spectacular improvement when they appear towards the end of next month But they could be among the most important results ever produced by the Durban-based group after last year's disappointing annual report — that showed earnings down 77% to R8,6m, its lowest profit in at least a decade

In the 1991 financial year, executive chairman Jack Crutchley completed the restructuring programme he started when he took over the group just over three years ago Romatex is now hardly recognisable as the lumbering, over-staffed structure it was with a number of companies and managers restructured right out

The new-look Romatex is in place to take any advantage offered by an upturn But that's going to take some time — and if the group can't lift turnover and margins in its present form, serious questions will have to be asked about the viability of certain divisions and businesses

Crutchley says projections appear on target so far He warns, however, that Romatex is a second-half company, with about a month and a half lost to trading because of the November to January shutdown and start-up period "We're still in for a difficult year," he comments, "despite what some economists are saying I would be reluctant to say we are going to see an upturn this year, but I do think we are on the bottom now"

That's the big picture But what investors will be looking for is a turnaround in Romatex's lossmakers Under the new structure, the group has been simplified into four divisions and only two — Industrials and Island View Storage — showed an increased contribution to pre-tax profit last year The Fabrics division saw its contribution down by 21%, while Carpets plunged into a 33% loss

Yet Crutchley remains cautiously opti-

continue

mistic that 1992 will be better "We've stopped the bleeding now, and while results are not expected to be materially better we will at least have a better feel of how we are going by the half-year Those businesses that were losing heavily last year will not be losing to the same extent — and hopefully not losing at all — this year That should give us a better second half and 1993 should be the year when Romatex starts growing back towards its true potential"

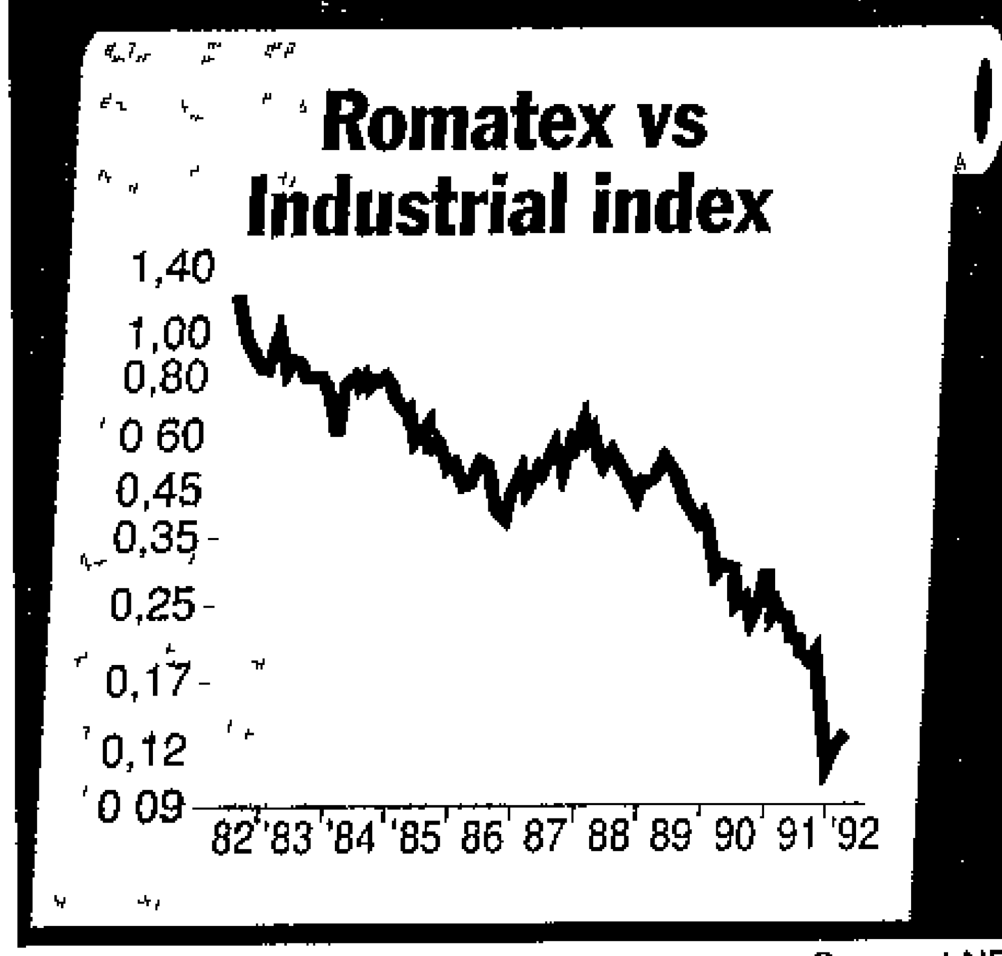
The companies that cost Romatex dearly last year were largely in textiles, which accounts for 42% of the group's business Veldspun was the worst performer in the Fabrics division, with pre-tax profit dropping steadily from around R30m in 1988 to its present contribution of just over R12m

"Veldspun has now been totally repositioned, from an unsuccessful worsted fabric manufacturer to what I believe will be a successful polyester viscose manufacturer," Crutchley says "We saw a good market opportunity in polyester viscose, so spent R16m on a new PV plant"

He sees the results starting to come in now — one being a R30m uniform cloth order for a client in Africa

Like the other restructured units, Veldspun is also concentrating on niche markets, part of Crutchley's new marketing philosophy for the group "We have a contract to refurbish the upholstery cloth for a large part of the SA Airway's fleet and have some corporate contracts for banks and building societies It's looking as though Veldspun is now well out of the woods"

Steep slide



Source I NET

More difficult to turn around will be the Flortime needlepunch carpet operation, transferred in the past financial year from the Carpets to the Industrials Division for what Crutchley sees as better synergies

R11m of last year's R43m capital spending programme went on a new production line at Flortime That more or less commits Romatex to the needlepunch market — where it once led the way but is now under increasing pressure from competitors

Crutchley says moving Flortime has freed up the Carpets Division to focus solely on tufted and woven carpets, but the Flortime unit has yet to prove itself

So must the tufted carpet operations, which have increasingly lost market share to both Belgotex and Nouwens The market is cyclical and Romatex has been badly affected by the drop-off in the construction industry, but competitors put volume decline in Romatex's Van Dyck and Constantia ranges down to past bad marketing decisions

The division's star performer is Crossley Carpets, which exports nearly half its products into specialised markets But while it is expanding exports into the American market with the introduction of two new looms, it accounts only for a fraction of group business That makes Romatex's perseverance in carpets questionable while the division depresses group results Romatex used to be the undisputed giant in the carpet industry, but has lost considerably — particularly in the low-cost, high-volume sector

Its image has also taken a dent A recent survey of customers in the industry ranks Romatex third in terms of meeting needs and service, behind relative newcomers Belgotex and Nouwens Shouldn't the group at least get out of the tufted carpet market?

Crutchley says no A decision to close

continue →

Textile factories on three-day week

B/Day 18/3/92 (197)

DECLINING activity in the textile and clothing industry has forced many factories to cut working weeks from five to three days

Employment had not been insulated from reduced production, but most companies were working short time rather than retrenching, SA Textile Federation executive director Brian Brink said yesterday.

Seardel chairman Aaron Searle said, because of a drop in consumer demand, Seardel had reduced its manufacturing output.

"There have been some retrenchments in the group, but fortunately these have not reached an alarming level One or two factories in the Western Cape are working on short time," said Searle

Other companies confirmed their factories were working short time, but said recessionary conditions also necessitated retrenchments

The National Clothing Federation's March newsletter said industry output fell 6% in 1991, compared with the relatively prosperous 4% growth in physical volume in 1990

The Federation said the recession appeared to have been most severe during the fourth quarter of 1991, with Industrial Council data showing that the workforce had fallen by 4 000 from 113 500 in January 1991 to 109 500 in January 1992.

MICK ELLINGHAM

Data from the Central Statistical Service (CSS) gave a different picture, with clothing employment up 800 from December 1990 to December 1991 (reaching 123 400) However, textile employment, according to the CSS, fell by 3 800 to 91 700 over the same period.

The federation said CSS and and Industrial Council data for clothing employment could be reconciled, as many clothing firms did not reopen in January 1992, as shown by council data, and this was not yet reflected in the CSS statistics.

The Western Cape bore the brunt of job losses, with employment down from 53 600 in January 1991 to 51 900 in January 1992 In the Transvaal, jobs decreased from 14 800 to 13 600 over the same period. Natal experienced a decline, but this was limited to 500 workers from an initial figure of 42 600 in January 1991.

The total number of clothing factories fell from 1 197 in January 1991 to 1 177 one year later. However, the change was not evenly spread, as Natal employers showed a rise of six to 432 over the 12-month period Nineteen Transvaal firms closed, leaving 314, while seven Western Cape plants were closed, leaving 431

Revenue lays down new rules for lessors

B Day 19/3/92

Business Day Reporter

NEW rules on how lessors can write off leased assets were issued earlier this week by Inland Revenue.

Until now, taxpayers acquiring assets have only been allowed a wear and tear deduction.

Coopers Theron du Toit tax partner Koos van Wyk said lessors are in a privileged position in that this deduction may be calculated on the straight line basis on the cost of a leased asset over the period of the lease agreement or the useful life of the asset, whichever is the longer period.

In determining the "cost" of a leased asset on which the allowance will be based, lessors should keep in mind the influence of VAT as well as the provisions relating to any residual value which must be taken into account in determining the rental payable by the lessee, Van Wyk said.

Input tax paid on acquisition of the asset by the lessor is not part of the "cost" of the asset, as the lessor (if he is a vendor for VAT purposes) is entitled to deduct the input tax against any output tax due by him.

Capitalisation of the output tax and the depreciation thereof over the period of the lease will ensure that the lessor is only taxed on his net income.

Fabric imports push Strebel into the red

B Day 19/3/92

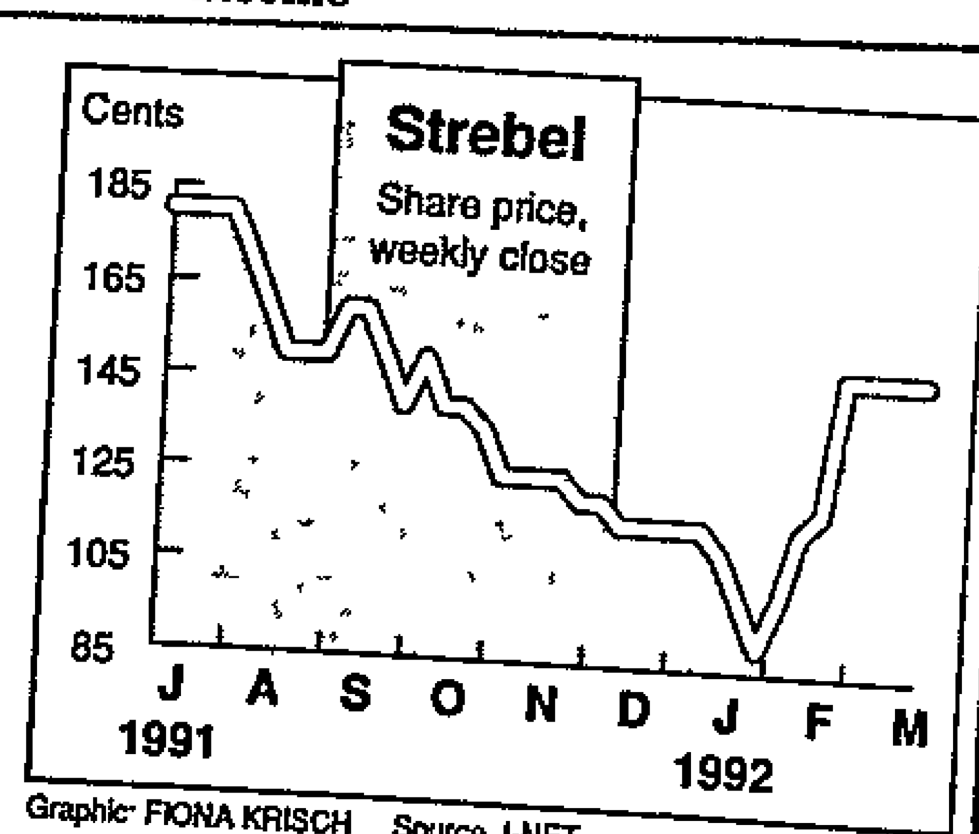
LINDA ENSOR

CAPE TOWN — Clothing accessory and textile manufacturer Strebel Group slipped into the red in the six months to end-December as the severe economic downturn and a flood of fabric imports took their toll on the interim performance.

Turnover dropped 8% which, together with a sharp decline in margins and a rise in finance charges, resulted in the group suffering a 4c loss in earnings a share, radically down from the previous profit of 13,3c.

No dividend (3,5c) has been declared.

Operating income plummeted to R745 000 (R5,1m) and net interest paid rose to R851 000 (R548 000). After a lower tax bill an attributable loss of R599 000 (R2m) was notched. At end-December the group had a gearing of 48%, up from the previous 26%. The current ratio had also deteriorated to 1,8:1 from 2,3:1.



Graphic: FIONA KRISCH Source: I-NET

Chairman Fred Strebel is not optimistic about the next six months.

"Economic and political conditions remain bleak with consumer demand depressed. However, if the recommendations of the Hatty Commission are approved, some relief is expected," Strebel said.

He said the group had continued with its rationalisation and consolidation programme, the positive effects of which would be felt in future.

SAB eyes Zambian brewery

B Day 19/3/92

LUSAKA — SAB is to buy Zambia Breweries if negotiations with the Zambian authorities succeed.

A German magazine, Brewery Monitor, says that the SA beer giant is interested in acquiring Zambia Breweries' Lusaka plant.

SAB officials and the privatisation committee in Zambia would neither confirm nor deny the report, the weekly Financial Mail reported yesterday.

However, in February the SA Business Development group's publication quoted SAB group international trade manager Mike Muir as saying Anglo American had written to President Frederick Chiluba expressing its interest in acquiring shares in Zambia Breweries.

Special assistant to the president for economic affairs Donald Chanda said he had no information on the matter.

Anglo American Corporation managing director in Zambia Anderson Mazoka said he had no knowledge of the correspondence between Anglo American and President Chiluba.

Zambians interviewed yesterday said they welcomed the news.

"South Africans should set up their own brewery plant in order to offer real stuff competition. We want prices to come down," said one beer-drinker.

Muir said opportunities in Zambia were attractive but that SAB did not have a comprehensive list of these opportunities and had only "secondhand information".

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(34/06)

(Unaudited) 31 12 90 R000	(Audited) 30 06 91 R000
25 140	25 734
3 031	3 042
3 413	2 303
31 584	31 079
14 342	14 124
10	10
30 388	35 513
44 740	49 647
13 156	18 568
31 584	31 079
15 000	15 000
168	172

'Charity' leaves 20 000 jobless

By ROY RUDDEN

Clothing industry crippled as traders abuse concession on welfare imports

ANTI-APARTHEID and church groups have become involved in a R2-billion "charity" clothing operation which is crippling the South African clothing and textile industries.

It has already put 20 000 people out of work, according to union and employer sources.

The operation is based on a system under which the government grants permits to churches and welfare bodies to import second-hand clothes duty-free so that they can be given to the poor.

Instead, 100-million garments a year are flooding into the country and pouring huge profits into the pockets of middlemen and, it is suspected, some church and welfare people with dubious motives

The situation is "gravely serious and growing worse", union and industry officials say, and has already contributed to the closing of textile and clothing factories and had a devastating effect on the milling town of Harrismith It threatens other towns like Ladysmith and Pinetown

The SA Clothing and Textile Workers' Union is so concerned that this week in Durban it staged the first of a planned series of nationwide worker demonstrations outside one of a fast-growing number of used clothes shops

Ironic

And soon it plans to meet foreign anti-apartheid and church groups to point out that it is ironic that clothes they are collecting for South Africa's unemployed are contributing to further mass unemployment

Mr Ebrahim Patel, assistant general secretary of the SA Clothing and Textile Workers' Union, said the garment industry employed 165 000 people in clothing production, 100 000 in cotton growing, and 95 000 in textiles. With their dependendants, this represented 1,7-million people.

It was the most labour-intensive manufacturing industry and one for which product volume was all-important. When, in 1988, there was an annual duty-free importation of 24,5-million used garments it was bad enough, he said. But last year the figure grew to 100-million (industry sources say R2-billion is a conservative estimate of how much they would have sold for).

Dr Johan Lamprecht, deputy director-general of the Department of Trade and Industry, said duty-free import permits had been granted initially to church and welfare bodies to enable them to bring in donated used clothing on the strict proviso that it be distributed free of charge However, the government later conceded that the charities could sell the items to cover transport costs

This, industry and union sources say, is what opened the door to abuse.

Industry and union officials said irregularities were almost impossible to control because of import volumes and staff shortages at customs and excise.

A special working group for the textile and clothing industry has been set up to investigate. It comprises representatives of manufacturers, unions, customs and excise, and other government departments.

Members of the group — including government representatives — told of some remarkable abuses uncovered Among them

- Containers, accompanied by duty-free permits specifying that they contained used clothing, were found to have cars inside — in one case, a brand-new Porsche hidden behind old clothes,
- Others contained new clothes from Hong Kong and other Eastern countries, also under a layer of old clothes,
- Duty-free permits are issued by TBVC countries, Lesotho and Swaziland, but the containers never reach them. The clothes are sold to South African middlemen

SAVE OUR JOBS ... textile workers demonstrate outside a second-hand clothes shop this week

The Commissioner for Customs and Excise, Mr Daan Colesky, said it was impossible to police the vast volume of duty-free clothing pouring into the country.

Meanwhile, whatever the method of acquisition, used clothing — mainly jackets of European and American origin — is being sold in mushrooming shops, at flea markets, by door-to-door sales and via classified advertisements

Misery

The working group has a list of 55 church organisations involved in importing duty-free clothing and members say that although most are probably acting in good faith, they understand that officials of some church or welfare bodies are being investigated at government level

Mr Patel said "The union is determined to stamp out the profiteering in second-hand clothing

"The effect on our industry is devastating and the human misery and pain caused by this is not appreciated by those who make a quick profit."

★ SUNDAY TIMES, March 22 1992 3

STimes 22/3/92

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Hard-hit clothing makers cut prices

197

S|Times (CM) 22/3/92

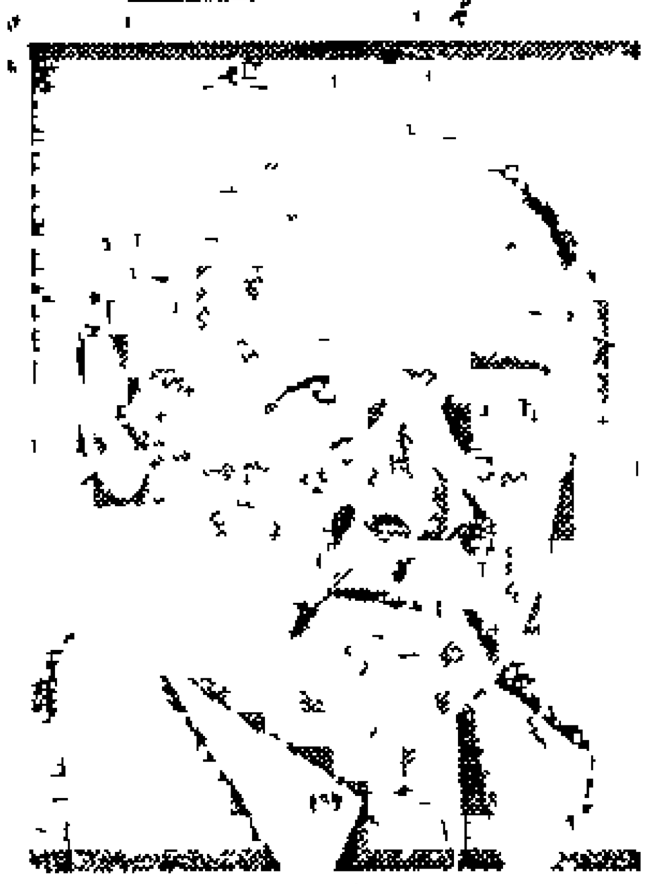
By FRED ROFFEY

CLOTHING manufacturers are quoting 1991 prices for 1992 to hard-pressed retail chains, whose pre-Christmas price slashing did little to improve their flagging December and January turnovers in South Africa's harsh economic climate.

This was disclosed at Clomatex '92, the clothing and textile machinery exhibition held at the Goodwood Showgrounds this week by Cape Town-based Roger Haupt Exhibitions

The move to hold down prices comes at a time when the clothing industry is facing its most grave crisis in recent years, with many manufacturers battling to stave off closures and remain in business until a turn in the economy comes

The clothing and textile industries have traditionally been one of the Western Cape's largest employers and the job losses and cutbacks which they have experienced have had a direct knock-on effect on the regional economy



SIMON JOCUM
Traumatic year

Last year alone 15 000 workers in clothing and textile factories in the Western Cape lost their jobs, with at least 9 000 of these jobs the result of retrenchments because of factory closures

In January, the then Minister of Trade and Industry, Mr Org Marais, presented a two-year plan which it is hoped could save 12 000 jobs and create 30 000 more But that is seen as a long-term measures and for many manufacturers the name of the game at present is survival

Move to boost sales by industry in crisis

Alarmed executives at this week's exhibition said the petrol price increase announced in the Budget would add to their transport costs at a time when clothing companies were closing, turnovers dropping and profits plummeting

"The year 1992 is going to be traumatic for the clothing and textile industry," warned Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, when he opened the exhibition

"Little or no new investment has taken place during the past few years and manufacturers are quoting 1991 prices for 1992 to the retail chains

"The pressure on prices by the chains is nerve-wracking, and to increase productivity it is essential that our workers are equipped with the most modern technology

"It is appropriate that we start by looking at new plant and machinery

"The emphasis today is on exports to achieve growth and employment, and to compete internationally we are up against the latest plant, machinery and technological developments in the Far East."

Mr Jocum pointed out that a factory which increased investment in plant and machinery or switched to a multi-shift system to fulfil export commitments could apply to the Industrial Development Corporation for a low interest rate loan at nine percent a year

But there had to be confirmed export orders to justify an application

Backing Mr Jocum's call for exports was Mr James Arthurs, executive director of Gerber Garment Technology Inc of Connecticut in the USA, who said at the opening that he spent 70 percent of his time travelling to Latin America, Europe, Middle and Far East and Africa to promote his company's products.

Bid lodged for Frame Group

MARCIA KLEIN 197

A CONSORTIUM has today lodged a bid for control of the Frame Group

The consortium, comprising Seardel Investment Corporation (Seardel), Seardel Consolidated Holdings (Searcon), Gregory Knitting Mills and the Sable family, has offered to acquire 43% of Frame's issued ordinary shares at 250c a share, the consortium announced today.

The 250c a share offer represents a 25% premium on the current Frame price of 200c and pegs the bid at R26m It is significantly below Frame's high of 850c for the year to end-June 1991 and the R27 in August 1987 B Day 23/3/92

In a cautionary announcement, Frame said it would "give the bid serious consideration and will respond in the manner required by law".

Consortium bids for Frame

Finance Staff (197)

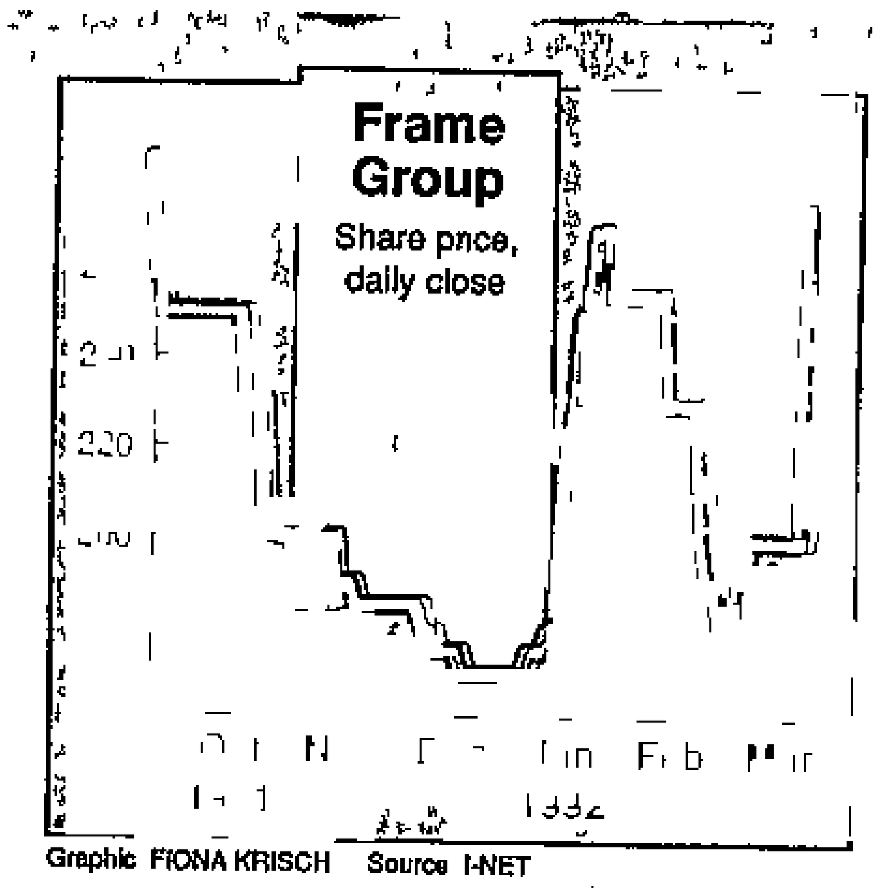
A consortium consisting of the Seardel group, Gregory Knitting Mills and the Sable family is bidding for control of the Frame group.

It is offering to acquire 43 percent of Frame's ordinary shares at 250c a share — 50c more than the closing price on Friday.

The consortium members say in their announcement today they believe they will be able to increase the value of Frame significantly once they gain control as their substantial committment will help to insure the group's future success.

They add that Seardel and Gregory are two profitable groups with a long history of success in the clothing and textile industries.

STAR 23/3/92



Graphic FIONA KRISCH Source I-NET

Investors 'will need R200m'

MARCIA KLEIN 197

APART from its R26m acquisition of a controlling interest in the Frame Group, the Seardel, Searcon, Gregory Knitting Mills consortium wanting control would need to invest an additional amount of more than R200m to recapitalise the textile group, analysts said yesterday. B/Day

They said that this would ease the group's debt burden of about R260m

They said ordinary minority shareholders would not necessarily welcome the offer of 250c a share. Although this was at a premium to the market price of 200c, it was at a discount to the NAV of about R12.

"Even a breakup of the group could be preferable to the offer," an analyst said, and the sale of the group's land would probably yield a higher return than the offer 24/3/92

However, an analyst said institutional shareholders, which had already indicated their support in respect of a portion of their holdings, must have looked at all the options and must have been sure that Frame stood a good chance of being turned around by its new owners

Seardel chairman Aaron Searll and Frame chairman Mervyn King emphasised yesterday the offer showed a new realisation that clothing and textiles were interdependent.

Analysts pointed out that the proposed bid came just before the outcome of the Hatty committee proposals on import duties, and the merging could provide a hedge against any recommendations

It is believed that King would remain with the Frame Group

y, March 24 1992

Seardel bids for control of Frame

197

B/Day 24/3/92

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Seardel would have to put up R13m of the R26m required by a consortium bidding for majority control of Frame Group, Seardel chairman Aaron Searll said yesterday.

Seardel, in conjunction with one of its suppliers, Gregory Knitting Mills, has offered to purchase 43% or 10,5-million of Frame ordinary shares at 250c a share, a 25% premium more than the closing price on March 19 A minimum of 30% or 7,2-million shares will be necessary for the bid to proceed.

Searll said the consortium was interested only in control, and not in having a portfolio of Frame shares, adding that certain financial institutions had indicated their support in respect of a portion of their holdings. Those institutions believed it was necessary to accept the offer to ensure the consortium gained control

He said control would offer Seardel strategic benefits in securing a source of supply of textiles and admitted it was possible that the group would divert orders presently placed with Frame by other textile mills, provided Frame met the group's criteria of price, quality and efficiency.

Seardel would have to make sure all trading with Frame was done at arms length, Searll said

Gregory Knitting Mills, also a supplier of Seardel, operated in other sectors of the knit fabric market and there could be scope for further rationalisation of the textile industry in areas where its activities overlapped with those of Frame

"My participation in the deliberations of the Hatty Clothing and Textile working committee during the past four months has led me to realise the interests and success of the clothing and textile industries are interdependent," Searll said

He believed it would take a minimum of two years to turn around Frame and felt the presence of a majority shareholder with a meaningful financial stake would play an important role Since the Frame family's sale of its majority stake, the Frame group never had a majority shareholder

"Notwithstanding its short-term problems and the current economic recession, we regard this as a matter of strategic importance as we believe in the long-term viability of the company. We see ourselves as being able to lend technical, financial, and management expertise, and are fully aware that there are no short-term magic solutions.

"The overall objective is to unlock value by trying to improve the return on total assets Our ultimate target figure for a satisfactory return on total assets is 20%," Searll said

The return on assets would be improved by increasing output and capacity utilisation, with exports being a high priority

"The more business that is channeled through Frame, the better will be the contribution to overhead costs."

He said the difficulties of Frame, a huge diversified group, had been exacerbated by the economic downturn and rationalisation costs However, there was light at the end of the tunnel as Frame was a strategic enterprise in SA, buying over 60% of the country's cotton crop and about 50% of its polyester

If the bid succeeded a full investigation of Frame's financial position would be undertaken Searll said Frame's gearing ratio would be the first thing to be closely looked at. At end-December it had a R200m debt

Seardel Consolidated Holdings has been awarded the Excellence in Financial Reporting Award by the SA Institute of Chartered Accountants for the second successive year and for the third time The group has been among the top ten for the past 11 years

Financial director Arthur Jacobson said contestants were judged on the nature of the financial information provided Seardel complied the local and international standards by, among others, providing details about cash flows and forecasts

FRAME GROUP

Bidding at the bottom?

FM 27/3/92 (197)

This week's bid by a 50 50 consortium of clothing manufacturer Seardel and knitter Gregory Knitting Mills for the Frame Group was not preceded by the usual speculation and rumour Indeed, the market was stunned by the consortium's offer to buy 43% of the shares in Frame Group Holdings at 250c a share — a 25% premium on the pre-bid March 19 price, though it has since shot up to 275c The total cost is R26m

The 250c offer price is at about a 90% discount to stated NAV of R23,06 a share, yet it represents a reasonable opportunity to bail out of the share, which hit a low of 170c late last year Red ink continues to flow At the interim period to December, Frame lost a further R33,3m

Frame executive chairman Mervyn King says his board will advise shareholders whether to accept within 14 days, and cannot anticipate its recommendation However, he says the bid can't be called hostile, coming from the biggest customer

This could be Seardel chairman Aaron Searll's last big challenge in a lifetime in the apparel industry But Searll stresses that Seardel is only exposed to the extent of its investment It won't guarantee any of Frame's borrowings.

Since the group was restructured and shares placed with institutions in 1987, the shareholdings have been fragmented, with no controlling holders According to McGregor's *Who Owns Whom*, in 1991 there were 16 holdings of more than 1%, of which the larger ones were Liberty Life 13,9%, Mutual 12,9%, Std Bank Nominees 14,3%, and Southern Life 3,9% Biggest single stake in Frame is held by the operating company, Confram, with 21,5%

The offer is in cash rather than shares, as a share issue would jeopardise the Searll family's control of Seardel Searll concedes it will be tough for many shareholders to accept 250c for part of their shares, especially if they were bought for R27 at the top of the market in August 1987, but adds "If we turn the company around then the value of the balance they hold will be enhanced" Ironically, the broker that placed the shares with institutions at R22 in 1987, Davis Borkum Hare, is the sponsoring broker for this offer

At that time there was tremendous faith that greater profitability could be extracted from Frame's asset base, under professional management, after the long saga of the family will ended Instead, the assets proved too outmoded to extract much value from, the corporate culture was difficult to change and the industry was devastated by a more liberal tariff regime A leading retailer says Frame's business is so integrated that it's

Frame's King *not a hostile bid*

difficult to strip out a profitable part without upsetting the whole vertical operation

At present market prices, Frame must be worth more dead than alive Under King it has invested heavily in modern equipment over the past four years, with capital expenditure averaging R60m a year Yet the market now values the holding company, Frame Group Holdings, at only about R60m.

But the consortium is adamant it will keep Frame as a going concern Searll says King's rationalisation of the business is now bearing fruit He says he used to be critical of Frame's quality and delivery record "with justification", — but acknowledges there's been an improvement

The consortium says that in time it should be able to increase the value of Frame significantly, as it will be controlled by two profitable, entrepreneurially minded families, the Searlls and the Sables, who will bring technical, marketing and financial skills

Searll says the relationship between Frame and the consortium's clothing and knitting interests will be on an arm's length basis Gregory Mills MD Selwyn Gershman says the consortium has full confidence in Frame's present management team under Frame Textiles MD Walter Simeoni He says the consortium now accepts that the clothing and textile industries are interdependent for survival

The more hot-headed clothing companies believe the collapse of Frame would be beneficial to clothing, as it would enable them to source fabric anywhere in the world duty-free But King points out Frame was effectively banker to the clothing industry, and on a multiplying effect it has about R1,5bn of credit out to customers, which would fall away if it went under

He says if Frame were simply stripped of assets it would be impossible to replace 1,3m metres of fabric production and 800 t yarn production per week from the remaining mills

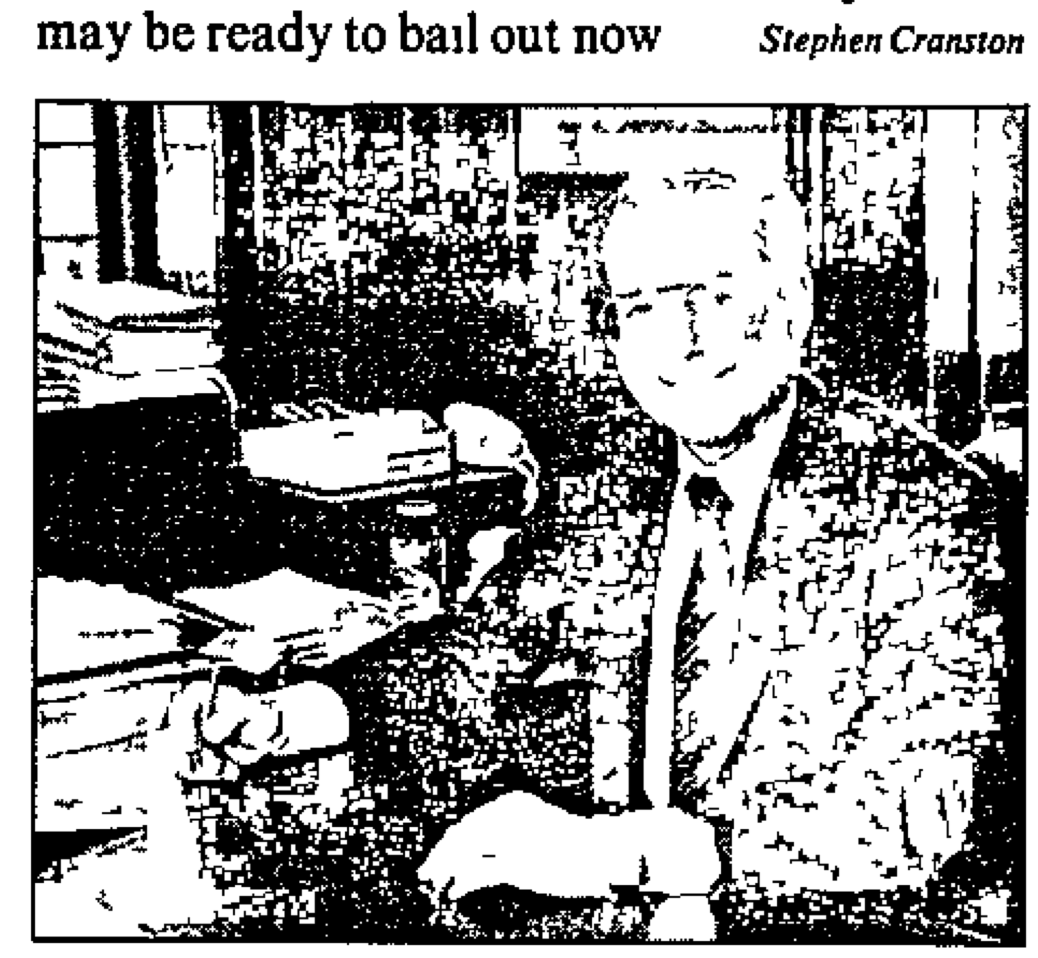
King gave himself five years to turn Frame around, which would bring him to the end of 1993 Then, if successful, the speculation is that he might move to another business or back to law King jokes that he might even return to journalism (he worked for nine months on the *Sunday Express*, when Johnny Johnson was editor)

Searll says he came to realise the value of co-operation between the clothing and textile industries when, at the end of last year, he sat on the committee to investigate the future of the clothing and textile pipeline chaired by Barlow Rand strategic planner Paul Hatty

Searll got to know King during the committee meetings, and helped cobble together a compromise plan of temporary tariffs to salvage local yarn and fabric producers It recommended reintroduction of quotas, with a very high duty on imports over the allocation

Competitors in the clothing and textile industry are now casting a jaundiced eye over the compromise The package was sold as a band-aid solution but has had the immediate effect of making Frame worth salvaging for the Seardel/Gregory consortium — even though higher tariffs will push up yarn and cloth costs for the clothing industry Searll says if the deal goes through, he may offer to resign as president of the National Clothing Federation

Those who still believe the Frame asset base is massively undervalued by the market price, or who think the group is in sight of a turnaround, may well view the consortium's offer as merely cheeky There is even the possibility of a rival bid at a higher price — and shareholders may be wise to defer decisions But those who have run out of patience may be ready to bail out now *Stephen Cranston*



Seardel's Searll *Frame to remain a going concern*

Bullish reaction may raise stakes for control of Frame

BDay 29/3/92 (199)

MARCIA KLEIN

MARKET reaction to a consortium's bid for control of the Frame Group, which has seen the share price rise by 75% since Monday, points to the possibility of a higher bid being made for the textile group

Since Monday's offer by a consortium (Seardel Investment Corporation, Seardel Consolidated Holdings, Gregory Knitting Mills and the Sable family) for 43% of the group, the share has moved up to close yesterday at 350c

The consortium offered shareholders 250c a share after the share had closed at 200c on Friday

Analysts say the sharp rise in the share price indicates shareholders regard the offer as too low, and that there is room for a higher offer.

Analysts expect other bids to be made by companies operating in the textile or clothing industries, including SA Breweries' Da Gama and Barlows' Romatex and others.

Although there may be institutional support for the consortium offer, analysts say the offer could fail

They said the deal would be at a huge discount to NAV, and shareholders, many of whom had invested in Frame at R22 a share, could be unhappy with the offer price.

But a source supporting the consortium's bid said NAV was not the only criteria, especially if the group is not likely to produce a profit soon

He said Frame had been losing R1m a day, and its net assets had been dwindling as Frame had been selling assets to pay interest He said it would be impossible to liquidate Frame, as it had about 14 000 employees and it was a core player in its industry If the market broke up the group and sold its assets, shareholders would get about R8 a share.

Seardel's bid for Frame worries clothing industry

STAR 27/3/92

Finance Staff 197

Some clothing manufacturers and fabric producers are apprehensive about the possible consequences of garment producer Seardel succeeding in its bid to buy 43 percent of shrunken Durban-based textile empire Frame.

For one thing, they claim, Seardel chairman Aaron Searle is president of the National Clothing Federation, so they envisage a conflict of interests for him in representing probably the two biggest operations on either side of the great divide between cloth-makers and their customers, the garment producers

But probably of greater concern to clothing producers is Mr Searle's role on the "Hatty Committee", established at the instigation of the Board of Trade and Industry to try to reach consensus on the thorny issue of import/export policy for the two sectors

One Durban factory owner said it was the view of many manufacturers that the Hatty Committee was being too secretive about its deliberations.

Its proposals have been handed to the BTI and are expected to be implemented from April 1

"I managed to get hold of the final proposed duty formula and, apart from needing a nuclear scientist to try to fathom it all out, it perpetuates the old problem of applying duties to some fabrics which either aren't made locally or which we can't get hold of in sufficient quantities or timeously enough for our needs," he said

Export permits

"The formula worked heavily in favour of exporters of both clothing and fabric by rewarding them with duty-free import permits for either cloth or garments"

The Durban manufacturer said he had heard that exporters currently held permits for about R18 million-worth of goods.

Mr Searle said his loyalties remained firstly to clothing manufacturers but — together with some of his associates, he saw Seardel's prospective acquisition of Frame as positive because it was bringing together two major players from the two feuding sectors

Seardel and Gregory Knitting Mills (Seardel's consortium partner in the take-over bid) would assist Frame with technical and other expertise to try to "unlock the value" in the textile group's assets

"We've got to do everything we can to bring down input costs because consumers are resisting abnormally high prices by refusing to buy," said Mr Searle

"In my four months on the Hatty working committee, one thing I have seen very clearly is the need for clothing and textile manufacturers to work together for our mutual good"

● One of Durban's largest clothing manufacturer, SA Clothing Industries, plans to retrench 350 workers at the end of the month

ANC to set up textile factory in Grahamstown

(197)

AEG 27/3/92

GRAHAMSTOWN — The African National Congress is to establish a textile factory here next month.

According to the head of the ANC's Department of Arts and Culture, Mr Wally Serote, a building has already been bought and four people, including two overseas instructors, have been employed.

Material and some equipment will come from the ANC's Dagawa project, which operated in Tanzania.

He declined to say how much the ANC had paid for the old building, which was previously owned by a dairy company.

Activities at the factory will include weaving, dyeing, graphics and sewing clothes.

Mr Serote said his organisation had set up the factory with the long-term objective of turning it into a training centre. It would produce goods as well as train people.

In the long run the project would also have "a cultural festival spin-off". This would involve people from similar projects being invited to Grahamstown to exhibit their work.

The possibility of integrating that festival with the National Arts Festival was being discussed, he said.

Before a decision was taken on where to set up the factory the department had made a national tour to look at suitable property.

"We also looked at which place had the highest unemployment rate, particularly among women, so we could create jobs for them and teach them the art. Grahamstown had everything we were looking at," he said.

Initially 10 people would be employed but "if it is successful we will give it national scope".

Training would begin next month, he said. — Ecna

Frame bid: warning of rival asset-strippers

197

ARG 28/3/92

DAVID CANNING
Weekend Argus Correspondent

SEARDEL/GREGORY consortium's bid for control of the Frame Group has received the full backing of Shareholders Association chairman Issy Goldberg, who warns it is vital for the Natal-based textile giant be protected from "asset-strippers" waiting in the wings.

Mr Goldberg said from Cape Town yesterday he believes the rival bids for Frame possibly are being formulated for exploiting the wide theoretical gap between net asset value and the quoted price.

He could not specify who might be planning a bid

Mr Goldberg feels an asset-stripping exercise would be "disastrous" for Natal, with more than 10 000 jobs likely to be lost.

He warns would-be predators, however, that they face some steep hidden costs that could surface all the time.

Putting off staff would not be easy On the basis of past Frame cut-backs, he estimates the cost of retrenchments may be R100-million. Moreover Frame has borrowings of between R150-million and R200-million which cost some R30-million to R40-million a year to service.

Mr Goldberg says the consortium's bid price of R2,50 for only 30 percent of each shareholding has to be seen in the light of these borrowings and other circumstances, many of which may manifest themselves in time.

Forty-three percent of Frame Group Holdings could give the consortium effective control because of a provision in section 39 of the Companies Act. Consolidated Frame (the main operating subsidiary) holds five million shares in Frame, its holding company whose only asset is a 67 percent stake in Consolidated Frame.

The five million Frame shares held by Confram were held when the Act was amended to prohibit membership in holding companies by subsidiaries. In terms of the regulations, Confram can continue to hold these shares, but they do not carry voting rights

Mr Goldberg pays tribute to Frame chairman Mervyn King's efforts at Frame, inspite of the criticism he has received

He says, by the Seardel consortium's own admisson, Frame's delivery times and quality have improved. Mr King's efforts had resulted in much more streamlined operations at plants in Durban and Ladysmith.

Mr Goldberg says the full-year loss for Frame could be between R80-million and R100-million before any extrordinary writeoffs — after a loss of about R32-million at the interim stage. He says senior Frame executives told him more turnover is needed to rescue Frame from the red into the black. Close ties with Seardel may ensure that the giant clothing group steers most of its business in Frame's direction on an arm's length basis

Mr Goldberg believes Aaron Searll and Gregory Knitting Mills' Roy Sable are astute and successful proven entrepreneurs who can retore the once-mighty Frame group to profitability. Their infrastructures are in place, including Seardel's large clothing export operation. Searle would obviously increase its export potential

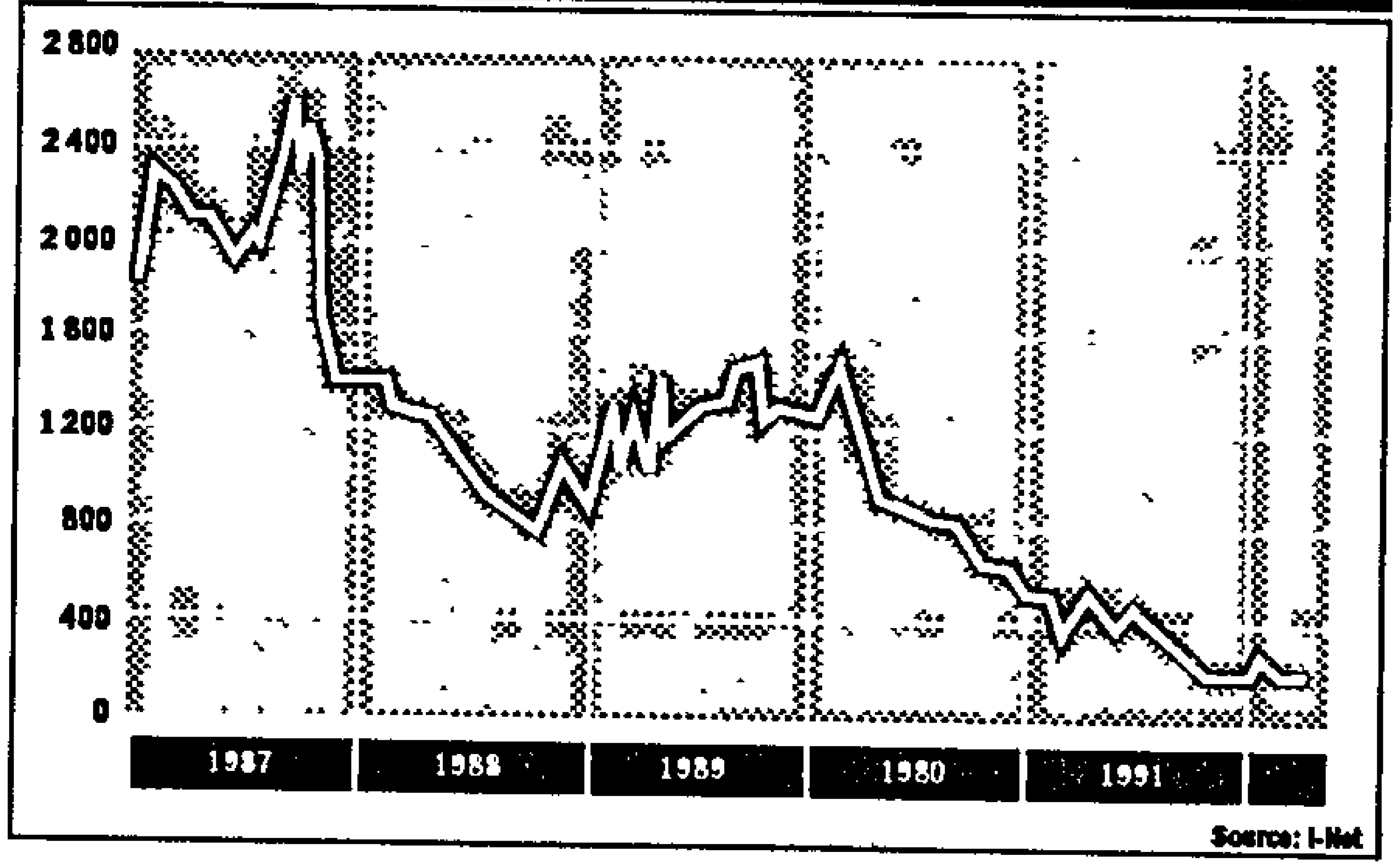
He therefore recommends that in their own interests shareholders dispose of 30 percent of their shares to the consortium as "a cheap insurance premium" to enhance better returns on the rest of their holdings and better JSE prices

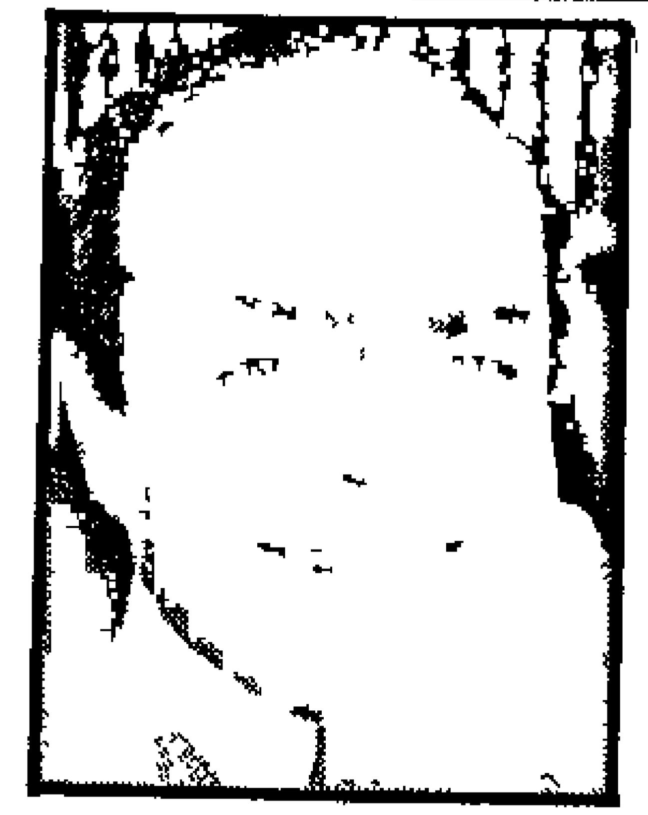
DIAGONAL STREET
by Julie Walker

Counter bids expected in the offer for Frame

(197) S/Times (Buss) 29/3/92

FRAME GROUP HOLDINGS LTD

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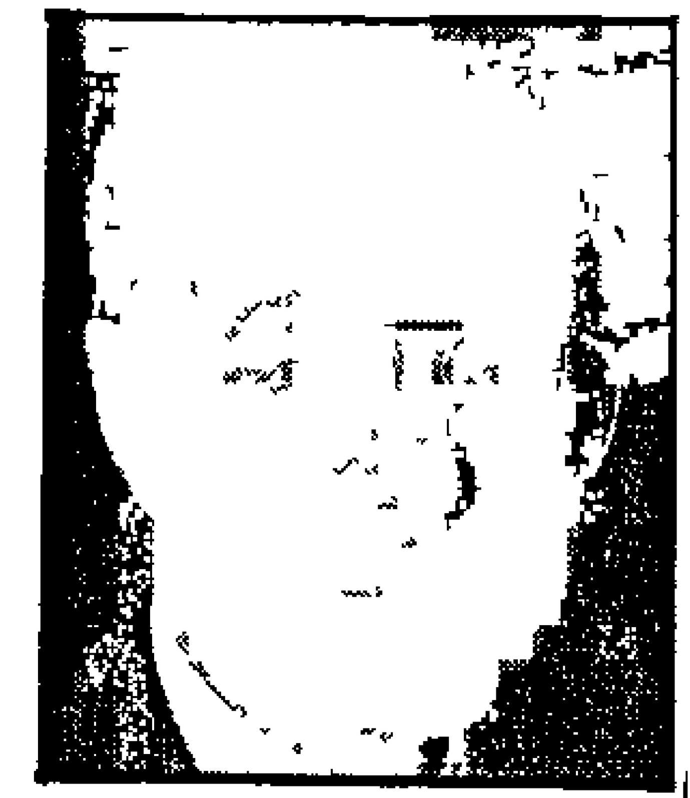
SEARDEL'S SEARLL

THE Seardel consortium's surprise bid for Frame was a well-kept secret for such an obvious move

Frame's chairman Mervyn King admits he had never expected a development towards vertical integration. The view had been that another textile manufacturer could have been interested, not a clothing group

But now the path has been lit, a few nappers might wake up and make a counter-bid The question is What price Frame?

The stated net asset value is R23 a share, yet Seardel's bid of 250c was at a 50c-premium to the last practicable market price It is now 350c.

A large component of the net asset value is plant, whose worth depends on economic cycles

Mr King says some of the world's worst recession casualties have been European textile-plant manufacturers Investors realise that the stated net asset value is elastic

The reasons Frame trades at such a discount are clear — high debt, big losses, no prospect of a dividend and all in a textile industry battling to survive absurd tariff agreements prejudicing it to the benefit of clothing manufacturers

This point was the crux of the Hatty Committee, on which both Mr King and Seardel chairman Aaron Searll sat wearing their respective industries' hats

The irony is that a clothing maker should now bid for control of a textile group Neither party denies the acrimonious past in which each was critical of the other.

Mr Searll says that sitting round the Hatty table made him realise how interdependent the two industries were and how their futures were intertwined

It makes sense for the largest user of textiles in the country to win control of the largest fabric-maker

Looking ahead to global growth out of recession, the world's mills will be unable to meet demand In a highly regulated industry they will be obliged to furnish domestic orders before exports

Rather than be at the mercy of foreign suppliers, Mr Searll has pre-empted this position by getting a foot in the door at once-scorned Frame

There is a tacit statement in the bid As Mr King humorously points out, Frame's results improved (from a big loss to a smaller loss) in the last year when every other textile group has done worse

His has been a thankless task at Frame The group has had to be wholly revamped, jobs have been lost, disposals made, losses mounted and shareholder disappointment has deepened

Perhaps a greater force is at work After the fashion of Sankorp's tidying and regrouping of its holdings, maybe Liberty Life aims to do the same — it has 14% of Frame and a stake in Seardel

Seardel's consortium partner, which will put up half the money, is Gregory Knitting Mills, a private company managed by Roy Sable Mr Searll says Gregory's knowledge of the textile industry is important to the future plans for Frame

Frame owns 67% of Conframe and Conframe 21% of Frame The cross-holding means that the consortium need acquire only 30% of Frame to secure voting control Members may accept the offer in respect of some or all of their holdings

Mr Searll says the idea is for them to sell some of their holding to the consortium with the objective that the balance will grow faster in the next two or three years

Frame is without a controlling shareholder, a legacy of the complicated sorting out of the estate of founder Philip Frame Many shares were placed with institutions in 1987 at R22 a share

Frame has been plagued by debt of close to R200-million It is believed that Conframe's holding in Frame was offered for sale two years ago to Anglovaal Industries, but the deal fell through because the parties could not meet on middle ground between the market and the book value

Seardel's offer is open till April 15, and shareholders should hang on until that date in case another party puts in a bid

The deal must clearly worry the other customers of Frame and other suppliers of Seardel, whose interests will naturally come lower in the pecking order

Mr Searll believes it will not be necessary for the consortium to raise its bid if there is a counter offer because it has already obtained certain institutional support in respect of a portion of their shareholdings

Information for textile operators

B Day 31/3/92

IN LINE with its philosophy of servicing all areas of industry, KreditInform has consolidated its position with regard to providing information about the textile and clothing operations in the Cape.

For some years, KreditInform had a 50% stake in the SA Merchants Combined Credit Bureau (Cape) and has now increased this holding to make the bureau a wholly-owned subsidiary of KreditInform SAMCCB has moved into KreditInform's Cape Town premises.

KreditInform MD Ivor Jones believes the move will have important spin-offs for clients.

"Whereas SAMCCB has traditionally provided a telephonic enquiry system for the clothing, textile, and related industries, this has now been expanded through the launch of the integrated clothing and textile KreditInformation Sharing System (KISS)," he says

"KISS information is gathered at meetings, and circulated to members of the KISS group — in addition to relevant SAMCCB information."

Computerisation of SAMCCB's data has also started and this is expected to speed-up the handling of enquiries

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Textile groups made themselves vulnerable

STAR 21/4/92 (197)

By Jacques Magliolo

MAGLIOLO on the MARKET

The takeover bid for the Frame Group was predestined.

Indeed, it is surprising that no such attempts have been launched against textile companies in the past decade.

The sector is in an appalling state and to make matters worse attempts to adjust to economic and political instability through a number of major structural changes, have failed miserably

Since 1990 changes included group restructuring, merging, consolidating operations, mechanising to offset the effects of labour unrest, hiring new management teams and re-assessing product ranges to reduce the high cyclical nature of textile products

By the end of that year, promises of a streamlined industry prompted analysts to advocate the sector as "containing companies which should be regarded as recovery stocks with strong potential for high growth"

However, changes generally proved ineffectual

Romatex, for one, is a prime example of a company which underwent a major restructuring but failed to lift investor sentiment — the share price has since fallen to 550c from 760c.

Despite all these alterations, industry problems generally remain the same. Debt levels and interest payments continue to climb, share prices are under pressure and risk profiles worsen

In essence, the expected synergistic benefits, economies of scale and greater cost efficiencies have not materialised and textile companies like Frame will find themselves the target of takeover attempts.

This unfortunate state of affairs had its beginnings as far back as 1963, when import substitution policies were introduced

From 1963 to 1974 the policies, not surprisingly, worked — the average annual growth in textile products was 9 percent a year

However, latest figures issued by the Textile Federation show that annual growth rates have since fallen From 1975 to 1983 rates fell to 3 percent a year and have subsequently declined by an annual 2 percent

The very nature of protective tariffs is an initial boost to the market it protects, but this causes quality standards to fall In turn, consumers either move to more expensive imported items or to cheaper synthetic products

Federation statistics show that by end-1991 manufacturing production declined to 90 million sq m from 1980's level of 140 million sq m Consequently, in the last two years the quantity of fabrics imported increased by 60 percent to 32 million sq m

Yet these figures do not seem to register as important The federation is adamant that the answer lies in increasing and not eliminating protection

It is advocating that import duties and quotas be raised to "re-establish a reasonable domestic base from which to launch a committed export drive"

In addition to a tariff quota system the industry has recommended that government "limit domestic price increases and preserve the domestic textile and clothing market"

So much for attempts at establishing a free market economy

Frame Group directors cool on Seargreg takeover bid

ARCT 9/4/92 (197)

Business Staff

DURBAN. — Directors of embattled Durban textile empire Frame Group Holdings have taken a neutral stance on the bid to acquire control of their company by the Seardel/Gregory Knitting Mills (Seargreg) consortium.

However, they say, while a merger would bring stability to the textile-clothing pipeline and to their group, it could alienate some of Frame's traditional customers in the clothing industry to the detriment of its business

Furthermore, they state in a document signed by Frame executive chairman Mervyn King and sent to shareholders this week, that because of the uncertain future of the entire textile industry in South Africa, they cannot express a view on whether Seargreg's offer of R2,50 a share is fair.

Shareholders have until 4.30pm next Wednesday to decide whether to accept Seargreg's cash offer for 43 percent of Frame's shares

Maybe tellingly, Mr King says Consolidated Frame Textiles, which holds a strategic 21,5 percent (5,186 million shares) stake in Frame, will make its decision whether to dispose of a portion of its holding closer to next Wednesday

Refering to the two-phase "Hatty" programme hatched by a working committee appointed by the Minister of Trade and Industry to correct structural problems in the industry, he says that if the plan succeeds, control of Frame by Seargreg would do no more than "expedite" a turnaround in the fortunes of the textile group that would have come about anyway

If the proposals — which the government is expected to implement from May with effect from April 1 — do not achieve their purpose, the South African textile industry could be destroyed and association with Seargreg would make "little or no difference"

"It is therefore not possible to quantify a fair value per share for Frame on a going concern basis," says Mr King

"Although there is a significant surplus of net assets in Frame, it is difficult to quantify what shareholders may receive in a liquidation scenario in the context of textile spare capacity worldwide

"In all the circumstances, the directors and their advisers cannot express a view as to a fair price for the Frame shares

"Shareholders are urged to consult their own advisers and to take note of current trading prices and patterns in Frame."

The shares were bid up from 200c prior to the offer being made public on March 23 to 375c on March 23.

Trading volumes rose from 9 000 on the earlier date to 28 200.

Although volumes have remained fairly high, peaking at 44 100 last Thursday, the price has stabilised at 300c.

CLOTHING AND TEXTILES FM 10/4/92 (199)

Stitching together a deal

Trade & Industry and Economic Co-ordination Minister Derek Keys will soon have to handle yet another hot potato — implementing the Hatty Committee's interim recommendations for the clashing clothing and textile sectors

Hatty proposes an 18-month temporary plan to be followed by an acceptable long-term strategy for the two industries, which together employ about 275 000 The long-term plan is to be jointly devised by business, labour and government

Those directly involved are enthusiastic "We could double current employment in the clothing industry within a few years and at relatively low capital cost," says SA Clothing Federation executive director Hennie van Zyl This view is supported both by the Wool Board and the SA Clothing & Textile Workers' Union.

One aim is to encourage beneficiating locally the 90% high-quality wool clip, now exported in raw form, by spinning, weaving and then exporting lucrative worsted garments

"Beneficiating raw wool exports must be strongly promoted, as well as putting a strong outward-orientated stamp on the two industries, which were too inwardly focused in the past," says the union's deputy general secretary, Ebrahim Patel

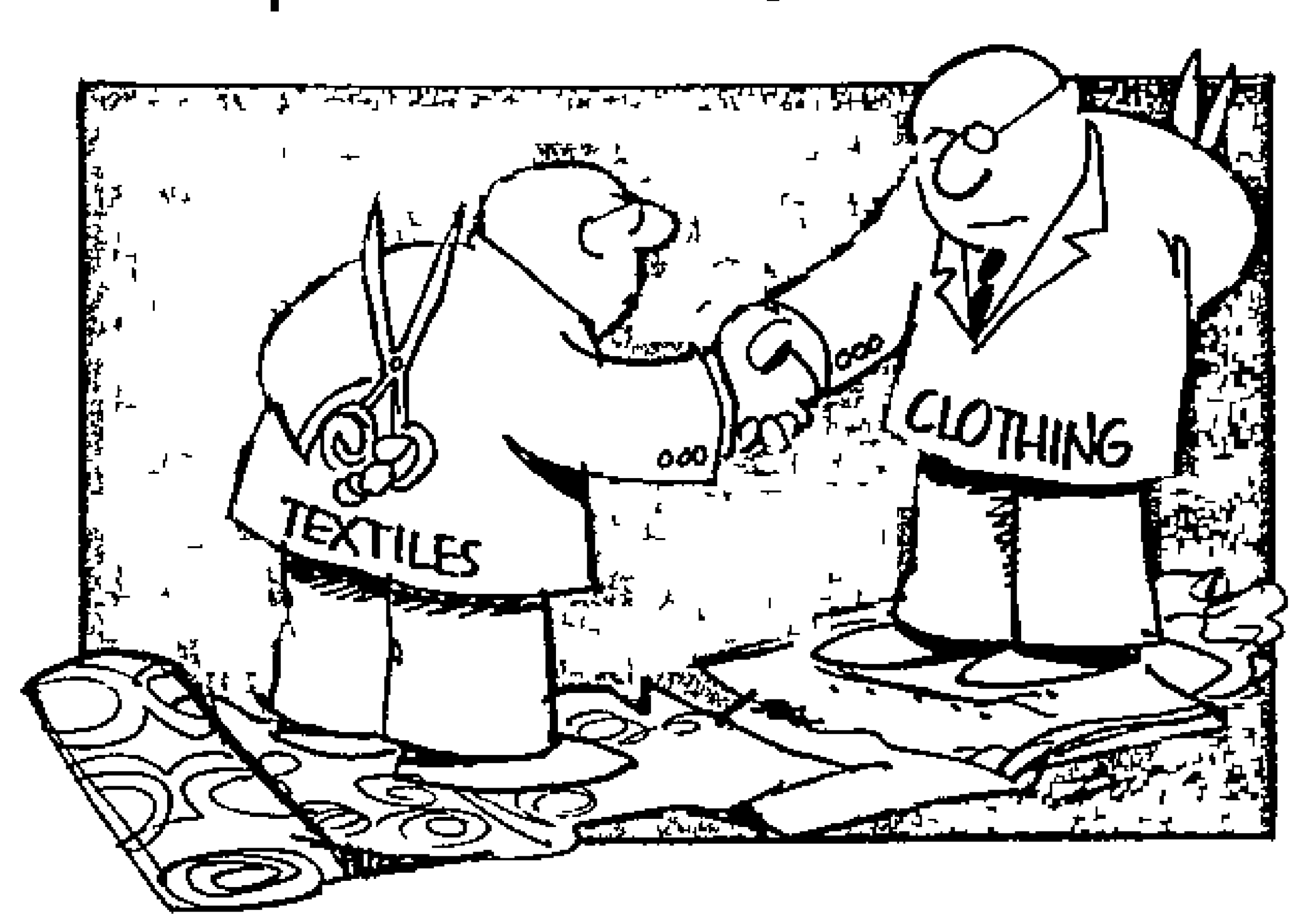
"But the union would support a stronger focus on manpower training, opening up of advancement opportunities to workers, and harnessing all available talents to make clothing and textile sectors meaningful forces on global markets New concepts such as modular manufacturing, co-operative clusters of small clothing manufacturers on a regional level (as successfully operated in Italy) and a powerful focus on marketing products should boost industry fortunes"

While agreement on the Hatty proposals has meant a truce in the long feud between the clothing and textile industries, cotton farmers and some other parties remain unhappy with the deal. Says Cotton Board GM Johan Gillen "The cotton price should be increased to meet escalating costs — due to the drought and industry uncertainty, farmers expect to produce only about 120 000 bales this year, necessitating imports of about 210 000 bales at a cost of R185m"

Gillen's views are not too popular with spinners, who feel that, because they can import cotton at the current world price of 380c/kg, they should not be forced to pay even last year's local crop price of 472c/kg.

Gillen doesn't help his case when he argues that the spinners can afford to pay more for the local crop because they will benefit from increased imports this year. The crop is so low they will be obliged to import more — at a lower price

Van Zyl suggests, as the doors to the rest of Africa open up, "we should consider drawing Zimbabwe and other countries into a joint regional plan, utilising their production also" This is in line with recommendations made in December to the UK government by the Overseas Development Institute, a European research body that looked at trade and investment opportunities for the UK and EC in a post-apartheid SA



The unpublished draft report recommends that SA should join the Lomé Convention, redefine itself as a developing country in terms of Gatt, and develop its huge potential in the textile and clothing industries by focusing on niche exports.

Meanwhile, the Hatty plan is the umpteenth instalment in the never-ending contest between the textile and clothing sectors, which have been at each other's throats for years. Clothing producers demanded reduced tariffs to benefit from cheaper imports, while the textile industry (and cotton farmers) say tariffs must shield them against huge subsidies paid by overseas competitors such as the US and EC and South American, Francophone and Far Eastern countries that lead to the alleged dumping of cheap yarn, fabric and clothing here and elsewhere

In February, Keys rejected Hatty's proposals that subsidies should be paid on local cotton fibre so that raw-materials costs could be reduced to more competitive levels An alternative, Gillen says, would be reasonable tariffs to protect farmers, ginners, spinners, weavers and clothing manufacturers against "dumped" imports

Mooi River Textiles and SA Clothing director Dennis Solomon (supporting the Seardel offer to take over the struggling Frame textile empire), says SA "needs to retain a viable textile industry for strategic reasons." He claims that small clothing companies cannot afford the financial requirements of importing fibre and yarn through offering letters of credit six weeks in advance By buying locally, they can get guaranteed delivery and credit of up to 120 days"

Seardel CEO and chairman Aaron Searll says the Hatty negotiations prepared the way for the Seardel offer for Frame. And, he adds, by reducing some of Frame's product lines ("we don't have to manufacture everything here") he is confident that the company could become a profitable undertaking

The Hatty report is now in the hands of the board and the Department of Trade & Industry, while Customs & Excise officials are working out details of the final tariff and rebate recommendation for Keys

The report recommends that, based on 1989 volumes, quotas should be granted to existing importers of yarn, fabric and clothing at current tariff rates, while heavy tariffs would be imposed on imports in excess of proposed quotas As an example, Van Zyl says, fabric would be imported at a 20% tariff within the quota (the current duty) and outside the quota at about 80%

"We are now finalising the report, in co-operation with the Department of Customs & Excise," says Department of Trade & Industry chief director, industrial promotion, Danie Jordaan "As soon as the Minister has signed, details will be published in the *Government Gazette*" ■

POST OFFICE FM 10/4/92

Mopping up the red ink

Business interests are screaming about the Post Office's plan to increase its tariffs by 33%. But for years tariffs have been kept artificially low — supposedly to cater for the underprivileged — and subsidised by the more lucrative telephone business The reality is that businesses account for more than 80% of all items posted and it's about time the postal service was made to pay its own way

Described as "exorbitant and unjustified," the new tariffs, which take effect May 1, have met with near hysteria from vested interests The National Communications Committee — representing the AHI, SA Chamber of Business and the Steel & Engineering Industries Federation of SA — condemned the hike as inflationary and predicted mail volumes would drop The Consumer Council and the Democratic Party also criticised the increases

Direct-mail users plan to lobby against the new tariffs, suggesting that the increases will

continued

Zimbabweans want SA to ditch import restrictions

B Day 13/4/92 (197)

THEO RAWANA

ZIMBABWEAN trade representatives have objected to the proposed quota system restricting the importation of textile and clothing goods from their country.

Zimtrade CE Morrison Sifelani, who led a 30-man trade delegation which visited SA last week, said his team had proposed to Safto and the Johannesburg Chamber of Commerce and Industry (JCCI) that the quota system should exempt Zimbabwean goods

"We are currently studying proposals by SA to restrict the importation of textiles and clothing through the quota system

"We have indicated to our SA counterparts that since Zimbabwe is not marketing 'distressed goods' — not dumping goods on the SA market, it should be exempted," Sifelani said in an interview

The delegation, which left on Saturday after a four-day stay in SA, comprised representatives from the textile and clothing, leather and footwear, furniture and processed foods sectors

Sifelani said the mission was "on the whole, successful"

"We established contacts with various sub-sectors, particularly in the distribution business of SA and we had an opportunity to have a critical, though brief, examination of market trends in SA," he said.

As a result of the visit, there would be "structured and targeted" future meetings with various sub-sectors. These would be organised in co-operation with Safto and the JCCI.

"We are encouraged that some of our members have made significant sales We also had an opportunity to explore prospects for joint ventures which will lead to mutual exports.

"This visit marks the first of a series of bilateral meetings which will take place in the near future," Sifelani said

The delegation also had discussions with financial institutions interested in trade financing — including establishing lines of credit.

"The talks are still exploratory, but most financial institutions want to finance trade between the two countries — mainly among traders and manufacturers," Sifelani said.

Issy says take the money

By JULIE WALKER

ST TIMES | BUSS J 5/4/92

FRAME shares hit 300c this week, but Shareholders Association chairman Issy Goldberg warns members not to be greedy and to accept an offer of 250c for a third of their holding.

Two weeks ago, a consortium of Seardel and Gregory Knitting Mills made a bid for Frame. It gained acceptances by institutions for portions of shares, for which they paid R22 and upwards. (197)

Mr Goldberg says the institutions have not accepted the offer out of love for the bidders, but see it as a route to salvation of the losing textile giant.

"By parting with 30% at 250c, they are pinning their hopes on the chance that the other 70% will regain its previous levels under entrepreneurial management.

"I recommend that all shareholders adopt the same attitude."

No counter-bids have been made.

Clothing industry demands

By DICK USHER WkMail 16/4 - 23/4/92

A DETERMINED push for centralised structures to cover more than 100 000 workers in the clothing industry will be a major feature of this year's pay negotiations. (197)

Proposals presented to employers by the South African Clothing and Textile Workers' Union (Sactwu) have several provisions aiming at this, including a demand that all employer associations support the setting up of a national industrial council to cover all of South Africa.

In line with this, Sactwu has presented a common set of proposals to employers in all four regional industrial councils and the Transvaal knitting industry.

The union will co-ordinate negotiations through the national shop stewards' council, which will take decisions about settlement.

Sactwu wants industrial council registration to cover factory shops and all employees whose earnings do not exceed the limit for UIF contributors. It also calls for the deletion of clauses which exclude categories of monthly paid employees from agreements.

Sactwu also demands that provisions which exclude from the scope of agreements businesses employing fewer than a specified number of workers be scrapped.

It also seeks extension of the closed shop to all employers, not just members of employer associations, and for the ending of exemptions for certain categories of workers from the closed shop provision.

Sactwu has also proposed that a "framework" agreement be negotiated covering grie-vance, disciplinary and retrenchment rights and procedures.

Negotiations should start within two months of the conclusion of this year's agreement, and if not completed after three months, unless the parties decide otherwise, unresolved issues will be referred to arbitration.

The union's wage demand is for R40 a week or 20 percent on basic wages, whichever is the greater. This is considered to be realistic, given the effects of inflation and VAT.

Seargreg raises offer for Frame

S Times (Buss) 19/4/92

By JULIE WALKER

THE Seardel-Gregory Knitting Mills consortium has raised its offer for 43% of Frame by a fifth to R3 a share in response to unhappiness with the previous one

Shareholders who have accepted 250c will not be prejudiced by the increase The closing date of the offer has been extended to April 29

Frame's net asset value has always been a bone of contention Should the offer price have been pitched on book net asset value of well over R20 a share, or on a price-earnings basis?

Frame has incurred large losses in recent years

Banks

Some shareholders say they would be best served by stripping out the property assets from the trading company The property shares should be distributed to existing Frame members as a dividend

They also believe that trading company Conframe should be independently valued by two merchant banks, one each acting for members of Seargreg and for Frame

They say Conframe could be given the trading premises rent free for two years to allow it to get back on its feet as proposed for the clothing industry by the Hatty committee

Consortium leader Aaron Searll, who earlier told Business Times he did not expect to have to raise the offer because several institutions had accepted 250c, says the move followed talks with Frame and Conframe directors

Seargreg increases Frame offer

197

By Des Parker STAR 10/4/92

DURBAN — The Seardel-Gregory Knitting Mills (Seargreg) consortium has raised its offer for 43 percent of the ordinary shares of Durban-based Frame to 300c a share from the original 250c

Frame executive chairman Mervyn King said the higher offer was made after his board met Seargreg

Although he would not say so, it is assumed that the offer was made after Consolidated Frame Holdings (Confram), which holds 21,5 percent of Frame, rejected the original offer which closed on Wednesday

Frame advised its shareholders earlier this month it was unable to say whether it considered 250c a fair price in the circumstances

Seardel consortium set to acquire Frame

BDay 21/4/92

(197)

MARCIA KLEIN and
SYLVIA DU PLESSIS

THE Seardel/Gregory Knitting Mills consortium is set to take control of textile group Frame

The Frame board today advised shareholders to accept the consortium's increased offer of 300c for 43% of the ordinary shares in Frame Frame subsidiary Confram also announced it would accept the offer in respect of 30% of Confram's holding in Frame.

Sources said the consortium was unable to get sufficient acceptances at the previous offer of 250c a share, and some institutions had to be encouraged to accept the offer They had obviously settled for the increased offer of 300c announced on Thursday, they said

The original offer was conditional on acceptances for at least 30% of the total number of Frame shares in issue, excluding those owned by Confram

Today's announcements rendered the consortium's proposed acquisition a fait accompli, industry sources said

Seardel chairman Aaron Searll said the move to increase the bid followed Wednesday's talks between the consortium and directors of Frame and Confram All parties were "comfortable" with the revised price

Today's announcement by the consortium said it had upped the offer because of the benefits which were expected to flow through to Frame, and the board of Frame and its advisers (Firstcorp) recommended acceptance of the offer

Shareholders who accepted to the extent of 30% of their shareholding would participate in the benefits which would accrue to Frame and because of the implementation of the Hatty proposals

A 75% rise in the share price to 350c in a few days following the original bid indicated that the offer had not been welcomed as the offer was at a large discount to net asset value On Thursday the share moved up 30c or 10,9% from 275c to close at 305c following the amended offer

Searll said all shareholders who had already posted their forms of acceptance would be eligible for the increased offer consideration The closing date has been extended from April 15 to May 12

Meritex R3,6m in the red

(197)

MICK ELLINGHAM

GARMENT and textile group Meritex ~~Holdings~~ fell R3,6m into the red for the year ended January 1992, after the group had disclosed a profit of R39 000 in 1991.

Chairman Ed Gordon said turnover had been badly affected by "recessionary market conditions and large-scale garment dumping". BDay 22/4/92

After reporting a 1c earning a share last year, the group recorded a loss of 23c a share this year

Meritex experienced a decline in turnover the first time in over a decade Staff had been reduced by about 30% the past 18 months. Gordon said although it was unlikely the group would break even this financial year, it did not foresee difficulty in financing its operations.

STAR 24/4/92

Significant improvement at Romatex

By Sven Lunsche (197)

In the particularly difficult clothing retail environment Barlow Rand subsidiary Romatex has sparkled with a strong 38 percent rise in earnings per share to 26,7c (19,4c) for the six months to end-March

The improvement in earnings at Romatex comes off a low base but the company is hopeful that it can benefit from the long-awaited upswing in the economy

The directors note, however, that prospects for an improvement in consumer demand remain "uncertain" while the Hatty Commission's recommendations for the textile and clothing industry would only benefit the group in the next financial year

The group's interim results, however, showed the benefits of tighter cost control On an eight percent increase in turnover to R364 million (R337 million), operating income was lifted by 34 percent to R21,1 million (R15,7 million)

A marginal increase in interest payments lifted pre-tax income by 75 percent to R11,7 million (R6,7 million)

The effective rate of taxation increased from 28,4 percent to 43,6 percent while some subsidiaries incurred tax losses

Growth in attributable profit was thus curtailed to 38 percent at R6,6 million (R4,8 million)

The disposal of investments and properties raised an extraordinary profit of R4,4 million to add to the good performance

Romatex maintained its interim dividend of 10c a share

Providing a divisional breakdown the directors state that depressed demand, imports and high local cotton prices impacted on profitability in the textile operation but wool-based exports showed encouraging improvement"

The balance sheet of the group remains strong with gearing at only 32 percent and within target

Romatex hopes worst is over

B/Day 24/4/92.

MICK ELLINGHAM

ROMATEX has disclosed its first improvement in earnings since 1988, prompting hopes that the worst is over for the Barlow Rand textile group (197)

Earnings a share at Romatex improved 38% to 26,7c from 19,4c for the half year ended March, with the interim dividend maintained at 10c

The half year earnings of 26,7c represent 75% of the total 34,9c earned in the entire 1991 financial year

Improved results — although achieved off a low base — were evident with pre-tax figures particularly flattering

Attributable profit for the half year was up 38% to R6,6m (R4,8m) on the back of an 8% increase in turnover to R363,9m

Pre-tax profits were boosted by 75% to R11,7m (R6,7m) as a result of a 34% rise in operating profit at R21,1m (R15,7m) and the 4,4% limitation of growth in interest paid to R9,5m (R9m)

However, the tax bill increased by 43,6% to R5,1m with certain subsidiaries incurring tax losses

Directors said in the notes to the results that prospects for an improvement in consumer demand remained "uncertain" and that the Hatty Comission's recommendations on the textile industry were only likely to benefit the company "in the next financial year"

Disposal of properties and investments yielded a net R4,4m extraordinary profit

Directors said depressed demand, imports and high local cotton prices "impacted on profitability in the textile operations but wool-based exports showed encouraging improvement"

The restructured carpet division saw an improvement over the previous year's losses in a market that directors said remained "weak and fiercely competitive"

The Industrial and Bulk Storage divisions both performed well, directors said

"Normal seasonal factors" would ensure better results in the second half than the first half, directors predicted

Duties may double on some textile, clothing imports

BDay 24/4/97

LINDA ENSOR

CAPE TOWN — A doubling of existing duties on textiles and clothing imported outside the quota system is expected to be gazetted in the next few weeks as an interim measure.

This follows government's acceptance of the final version of the Hatty committee proposals for the clothing and textile industries as amended by the Board of Trade and Industry (BTI) Some duties will more than double while others might be lower than existing duties

It was learnt yesterday that Trade and Industry Deputy Minister David Graaff had approved the proposals

The increase in the duties on about 2 000 line items forms part of the clothing/textile development plan formulated by the Hatty committee

A new duty will replace the formula duty structure and will consist of an ad valorem duty and a "specific" or minimum duty outside the proposed quota system Committee chairman Paul Hatty said yesterday the minimum duty would apply if the ad valorem duty was less than the specific duty on imported items.

Duties on imports inside the quota would remain the same.

The interim duties will take immediate effect and will remain in place until the BTI has received comment from the clothing and textile industries over a maximum of 18 months

This is in line with the Hatty committee proposals which accepted a transitional phase for a committee to work out a development strategy for the industries

Hatty said considerable comment had been received by government departments Opinions ranged from those who did not approve of the level of duties to those who wished to import clothing or textiles freely

National Clothing Federation (NCF) president and Seardel chairman Aaron Searll said the NCF felt the duty on imports outside the quota should not exceed 40% while the Textile Federation wanted an 80% duty

197

FRAME GROUP

FM 24/4/92 (197)

Revised bid could win the day

When Seardel and Gregory Knitting Mills offered 250c a share for textile giant Frame, there was widespread talk in the market that another consortium would be set up to offer a counter bid (*Fox* March 27)

As it has turned out, no counter bid has been received so far, but after discussions with the Frame board, the Seargreg consortium has raised its offer from 250c to 300c Says Seardel chairman Aaron Searll "At the outset we pointed out that we were not making a hostile bid The Frame board made it clear that the opening bid was too low"

Searll will not disclose how many shareholders have already accepted the offer — Seargreg will offer the higher price of 300c to shareholders whether they previously accepted the 250c offer or not The offer has been extended to May 12 and, because the offer is an extension of the original offer,

Consortium's Searll *no hostile intent*

Seargreg is not obliged by JSE regulations to reveal the acceptance of the original 250c offer — an unfortunate omission that would not be tolerated on many foreign bourses Knowing the level of acceptances to the first bid could well affect an investor's decision on the revised offer

Frame is widely held by institutions, which has complicated the change of control Rather than just pleasing a holding company, Frame chairman Mervyn King has to please a range of shareholders, mainly the larger insurance companies, led by Liberty Life with 13,9% and Old Mutual with 12,9% Major shareholders were "prepared to talk" at 250c a share, but have all now shown a positive attitude towards the present offer

The largest shareholder is operating company Confram, with 21,5% of Frame Its board has agreed to sell 30% of its shareholding to Seargreg at the higher price

Institutions accept that Frame has been a bad investment, but by selling 30% of their holding to the consortium they might at least recover some of the investment

In the short term the bleeding at Frame, that lost R306m last year, could be stalled by the reintroduction of tariffs and quotas, but longer term, deregulation and an end to import controls remain official policy that will make the Frame investment increasingly unattractive

It now looks highly unlikely that a rival bid will emerge There was strong market talk that ex-Frame MD Justin Schaeffer, one of the most creative management thinkers in the clothing and textile industries, would set up a rival consortium

Shareholders have three weeks to make up their minds If they do not accept Frame looks destined to go down the tubes without any support, at least if Seargreg offers some help it has a chance to improve

If there is a counter-offer the position should be reassessed Otherwise shareholders should strongly consider selling at least 30% of their holding to the consortium and keep the rest for the bumpy ride to recovery

Stephen Cranston

COMPANIES

SA Bias gears up for higher exports

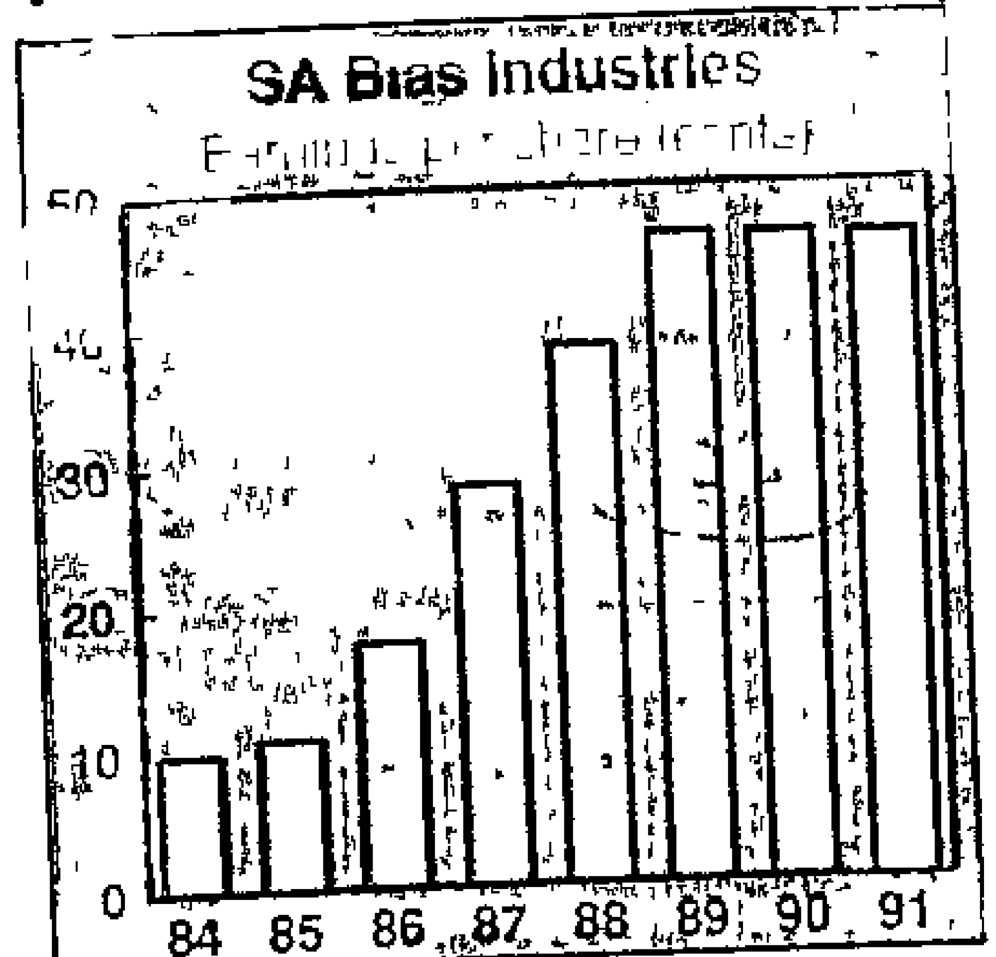
BDay? 197

MICK ELLINGHAM

SA BIAS group is set to increase exports of trimmings and accessories to international markets such as the UK, Europe, Israel and the US. BDay 27/4/92

Directors said in the 1991 annual report that in spite of weak local economic conditions, SA Bias's 1992 income would increase.

The group manufactures and distributes trimmings and accessories to the clothing and footwear industries. Results for the year ended 1991, published in February,



Graphic: RUBY-GAY MARTIN Source SA BIAS INDUSTRIES

showed unchanged earnings a share of 47,3c and a dividend of 18c, also unchanged.

Operating income went up 14% to R21,9m on the back of a 12,5% increase in turnover. Attributable income was unchanged at R13,5m.

Directors said the trimming, printing and label, metal and plastic and industrial divisions performed satisfactorily.

The recently acquired Kirton group performed poorly. Its manufacturing facility in Bronkhorstspruit was closed and the production plant relocated in the division's Qwa-Qwa factory.

SA Bias's thread division was completed during 1991, changing Barbour Perivale Threads from a wholesale distributor of sewing threads to a fully integrated sewing thread manufacturer.

The sharp decline in unit sales in the second half of the year was explained by directors as the "result of falling demand in the clothing and footwear industry, import competition and severe price competition among local manufacturers".

Directors said International Trimmings plc — started by the group in the UK in the second half of 1990 — performed satisfactorily in spite of the severe UK recession.

Rosier future waits for cable industry

BDay 28/4/92

EDWARD WEST

THE six listed companies involved in cable manufacture may be facing another tough year, but long to medium-term prospects, linked as they are with infrastructural development, appear to be rosier.

The companies are Philips and Powertech-held Aberdare Cables, Voltex, jointly owned by Elcentre and Berzack Brothers, Usko, held by Iscor and Metkor, African Cables, jointly held by Siemens and Barlows subsidiary Reunert, Delta Electrical Holdings, which has a relatively small cable division, and the Zimbabwean-based Central African Cables.

SA's biggest manufacturer of cable in copper, aluminium and optical fibre, Aberdare Cables, says the development of infrastructure — including the provision of mass housing and "electricity for all" — will be part of SA's economic revival This should provide the cable industry with considerable potential, chairman Peter Watts says in his 1991 annual review released last week

In a telephone interview, he said further opportunities had arisen with development and electrification programmes in Africa previously not available to SA suppliers because of the political situation

However, most were long-term Medium-term opportunities could arise from large-scale projects such as Columbus and expansion in the petrochemical industry.

The cable industry, which many analysts believe to be overtraded, was hard hit by the recession and the companies recently reported lower earnings

Aberdare Cables saw sales drop by 12,7% to R377m in its financial year to December 1991 from R432m in 1990 Earnings fell to 263c a share in 1991 from 300c a share in 1990

African Cables, which was recently restructured, saw sales fall 8% to R172m in its financial year to June 1991 from R187m in 1990 Earnings fell 40% to 47c a share from 77c.

Voltex — which shied away from an attempt to acquire Usko late last year — saw sales of its electrical products and cables fall to R522m in the six months to December 1992 from R636m the previous year Earnings fell to 7c a share from 9c.

Usko, which has been restructured into four divisions to manufacture cables, aluminium overhead conductors, steel wire and bare copper strips, could also report reduced earnings following its proposed recapitalisation

Usko MD Peet de Villiers said the business conditions in the first six months of its financial year were quiet, and estimated the demand for cable in the past year to have dropped by at least 20%. He expected the remainder of this year to be tough, but agreed that long to medium-term prospects looked better

De Villiers said results of Usko's first six months of operation following its restructure — which saw the sale of its steel and vanadium operations — would be available at the end of June, after the results of an annual meeting to be held towards the end of May was known and following Usko's recapitalisation

The cable industry's approximate R1bn market is directly influenced by gross domestic fixed investment. This was severely affected by the weak gold price, the socio-political scene and capital project reductions.

The major users of cable, the gold mining industry, the municipal infrastructure and Eskom significantly reduced real-term requirements compared with the previous years, Aberdare says

Delta MD Evan van Zyl considered the local market oversupplied

The company also performed below expectations last year and was restructured with a change of management at the end of the year, the group's report says.

Sales volumes, closures leave Glodina in the red

BDay 28/4/92

MICK ELLINGHAM

(197)

REDUCED hotel occupancy rates and governmental budgetary restraints were blamed by Glodina Holdings chairman Sergio Ballandon for the lower sales volumes achieved by the group in 1991.

"The current and anticipated sales volume cannot support the present cost structure," he said in the group's annual report and, as a result, Glodina's two Qwa Qwa mills were closed last year.

An estimated extraordinary loss of R3,7m occurred due to the closure of the two mills — Lanatex Weaving Manufacturers and Textowel Weavers — which will reduce group costs by about R2,5m a year.

Further expense reduction programmes are also being implemented at the Hammarsdale and Ladysmith mills. A new warehouse has been commissioned at the Hammarsdale mill at a total cost of R2,5m, Ballandon said.

The group disclosed a net loss of R0,9m (R4,6m profit) for the year to end December on the back of a 5% increase in turnover to R94,3m (R89,5m).

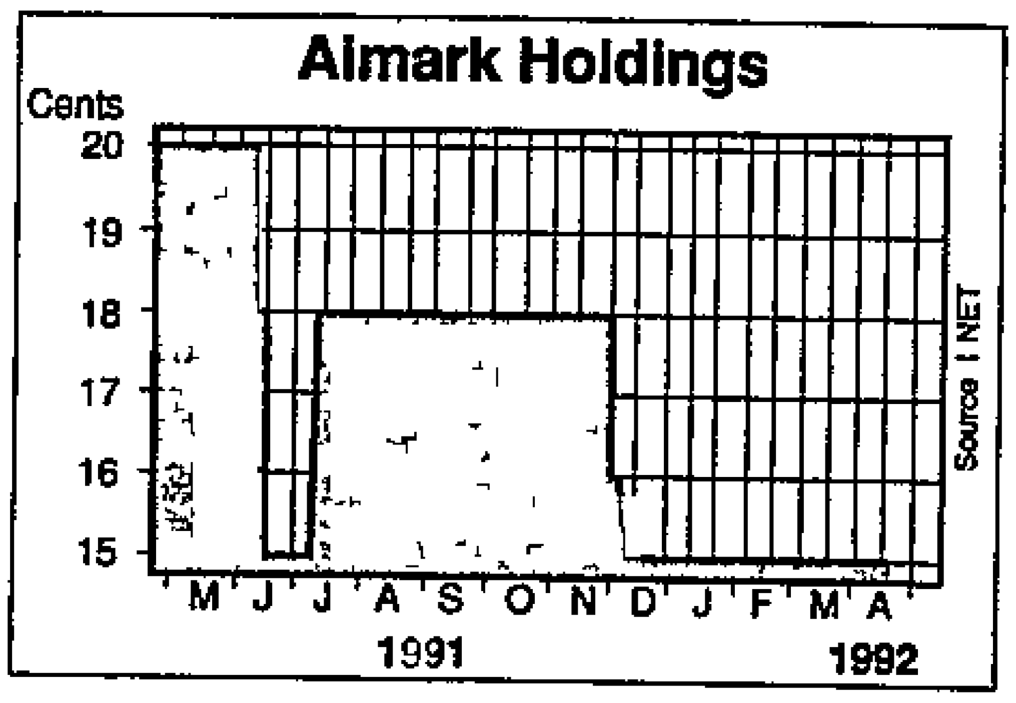
Operating income was 41% down to R2,3m (R3,6m) for the year and earnings a share fell to 14,1c from 19,5c, with no dividend being declared.

"While export sales remained similar to those for 1990, the export mix changed significantly," Ballandon said.

In 1990, 74% of exports were made to the Indian Ocean Islands with Europe accounting for the balance. Exports to the Indian Ocean Islands dropped in 1991, but were balanced by increased volumes to Europe at marginal price levels.

Ballandon said although Glodina was now "better positioned to reverse the downward trend in earnings of the past years", he did not foresee a dramatic improvement in earnings in the short term

FM 1/5/92.



Poor Christmas sales, which saw margins cut to try to clear stock once the severity of recession became apparent, have not helped Neither has what Cohen calls the large volumes of grey merchandise which flooded the market last year. "They originate from surplus stocks in the world market, and certain importers are adopting methods which often appear to be suspect, to achieve greater levels of competitiveness," he warns

Prospects are still uncertain, with consumer durables catching the tail end of decreased consumer spending Cohen says the past few months, despite Aimark's improved results, have been among the toughest yet

Last year he said 1991 should see a rebirth of fortunes This seems to have partly happened, but the labour has been long and difficult Wisely, perhaps, he does not want to make concrete predictions for this year

The share, which seldom trades, is off 5c to its present 15c over the year, to a 57% discount to net worth.

Potential investors should probably wait for the interim to see if recovery can be sustained *Shaun Harris*

GLODINA FM 1/5/92 (197)

Squeezed by imports

There is little to be said about the state of the textile industry that has not been said many times Glodina, a manufacturer of household textiles, has been unable to escape the competition of keenly priced imports Financial results have been dented accordingly

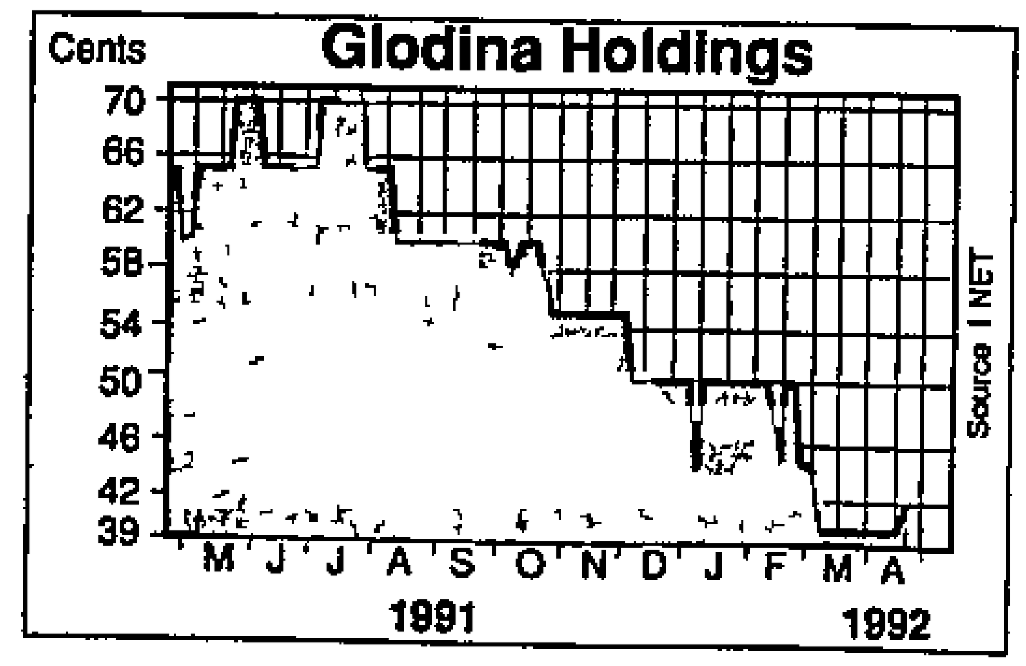
Activities: *Makes household textiles*
Control: *B J Balladon & Sons 70%* (197)
Chairman: *A G S Balladon*
Capital structure: *19,5m ords Market capitalisation R8,2m*
Share market: *Price 42c Yield 33,6% on earnings, p e ratio, 3 12-month high, 70c, low, 40c Trading volume last quarter, 35 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	17,4	18,3	19,2	23,3
LT debt (Rm)	7,3	7,9	6,1	5,0
Debt equity ratio	0,87	0,67	0,69	0,80
Shareholders' interest	0,32	0,37	0,47	0,45
Int & leasing cover	2,1	3,6	1,7	1,6
Return on cap (%)	13,4	12,0	11,8	9,5
Turnover (Rm)	62,7	75,1	89,5	94,3
Pre-int profit (Rm)	8,9	8,5	9,2	7,5
Pre-int margin (%)	14,2	11,4	10,3	7,9
Earnings (c)	38,5	31,9	19,8	14,1
Dividends (c)	16	12,5	—	—
Net worth (c)	153	173	186	181

With the effects of recession added to this, performance in 1991 reflects a serious but not unexpected deterioration in earnings Chairman Sergio Balladon points out that the market share of imports varied between 26% and 40% across face cloths, towels and kitchen linen, the main product lines

Substantial import substitution is likely to continue until local industry can compete at arm's length or until tariffs are again slapped on imports to render them uncompetitive Management is not alone in waiting anxiously for the Hatty Commission report, which will indicate the extent of support for either course

Though turnover rose by 5,3%, operating profits tumbled by 19% Demand from the retail sector, which absorbs the bulk of production, was dampened by the lacklustre economy This resulted in holding much larger stocks than the budget allowed The holding cost was partly responsible for extending bank borrowings by more than R4m It is to management's credit that stocks (but not borrowings) were reduced to a level similar to that of the previous year-end



Internal rationalisation took the form of closing the QwaQwa mill Closure costs amounted to R3,7m, all of which was written off The closure is not expected to affect production volumes, so cash-flow benefits and expenditure savings are expected from the second half of 1992

Until the economy improves, textile industry results in general are not likely to improve But changes implemented by management could at least see a halt in the trend of declining earnings since 1989, possibly even an improvement, at Glodina this year

Glodina's products have a reputation for quality In a "normal" economy, an investment in its shares should yield good returns But the state of the textile market and uncertainties on tariff policy suggest that it would be prudent to wait for definition before considering taking a position *Gerald Hirshon*

DEFINITIONS

Pre-interest profit: Pre-tax profit plus net interest paid.

Gross cash flow: Profit after tax and redeemable preference dividends, but before minorities, plus depreciation and deferred tax.

P:E ratio: The number of years' purchase of latest earnings per share represented by the current share price.

RESULTS AND DIVIDENDS

		Pre-tax profit Rm 1991	Pre-tax profit Rm 1992	Percentage change	Earned cents per share 1991	Earned cents per share 1992	Paid cents per share 1991	Paid cents per share 1992	Sector	Dividends Amount cents	Dividends Register by	Dividends Payable about
Aflife	P	§8,2	§10,9	+33	•15	•19	9,8	12	Insurance	†7,10	8 5 92	29 5 92
Barprop	I	10 0	10,2	+2	7	7	5,75	6,11	Property	*6,11	8 5 92	29 5 92
Benoni Gold	D	—	—	—	—	—	#	1	Rand & Others	‡1,00	22 5 92	29 5 92
Combined Motor	P	10,9	9,1	−16	22	19	10,7	9,3	Motor	†7,20	8 5 92	12 6 92
Ergo	D	—	—	—	—	—	70	50	Rand & Others	†30,00	8 5 92	12 6 92
Fidelity Bank	I	§2,1	§3,7	+75	•30	•38	7,4	8,9	Banks	*8,90	8 5 92	3 6 92
Freegold	D	—	—	—	—	—	140	235	OFS	†130,00	8 5 92	12 6 92
Meritex	P	0,37	(3,2)	—	1	(23)	#	#	Clothing	—	—	—
Minaco	P	◇6,4	5,9	−8	◇25	17	▲3,5	#	Other Mines	—	—	—
Ofsil	P	81,9	137,6	+68	363	611	363	611	OFS	†339,00	8 5 92	12 6 92
Ohio	P	0,43	1,5	+239	2	5	#	#	Electronics	—	—	—
RMS Prop	I	□	13,3	—	□	▼33	▼33,62	▼33,21	Prop Loan Stock	▼*33,21	8 5 92	22 5 92
Romatex	I	6,7	11,7	+75	•19	•27	10	10	Clothing	*10,00	8 5 92	3 6 92
Specialty Stores	P	22,4	25,4	+14	75	84	27,5	30	Retailers	†20,00	8 5 92	1 7 92
Storeco	P	§2,9	§3,1	+9	55	60	55	60	Retailers	†40,00	8 5 92	1 7 92
Welkom	D	—	—	—	—	—	93	158	OFS	†88,00	8 5 92	12.6 92
West Wits	D	—	—	—	—	—	#	6	West Wits	†4,00	22 5 92	29 5 92

P = Preliminary § = Net attributable profit after tax • = Weighted earnings per share † = Final I = Interim * = Interim dividend D = Dividend # = Dividend passed ‡ = Annual ◇ = Annualised ▲ = 10 months □ = Not comparable ▼ = Per linked unit

Big clampdown on imports to save jobs in textile industry

By Tom Hood (197)

STAR 4/5/92

CAPE TOWN — A rescue plan to help the country's ailing textile industry and provide more jobs was announced by the government at the weekend

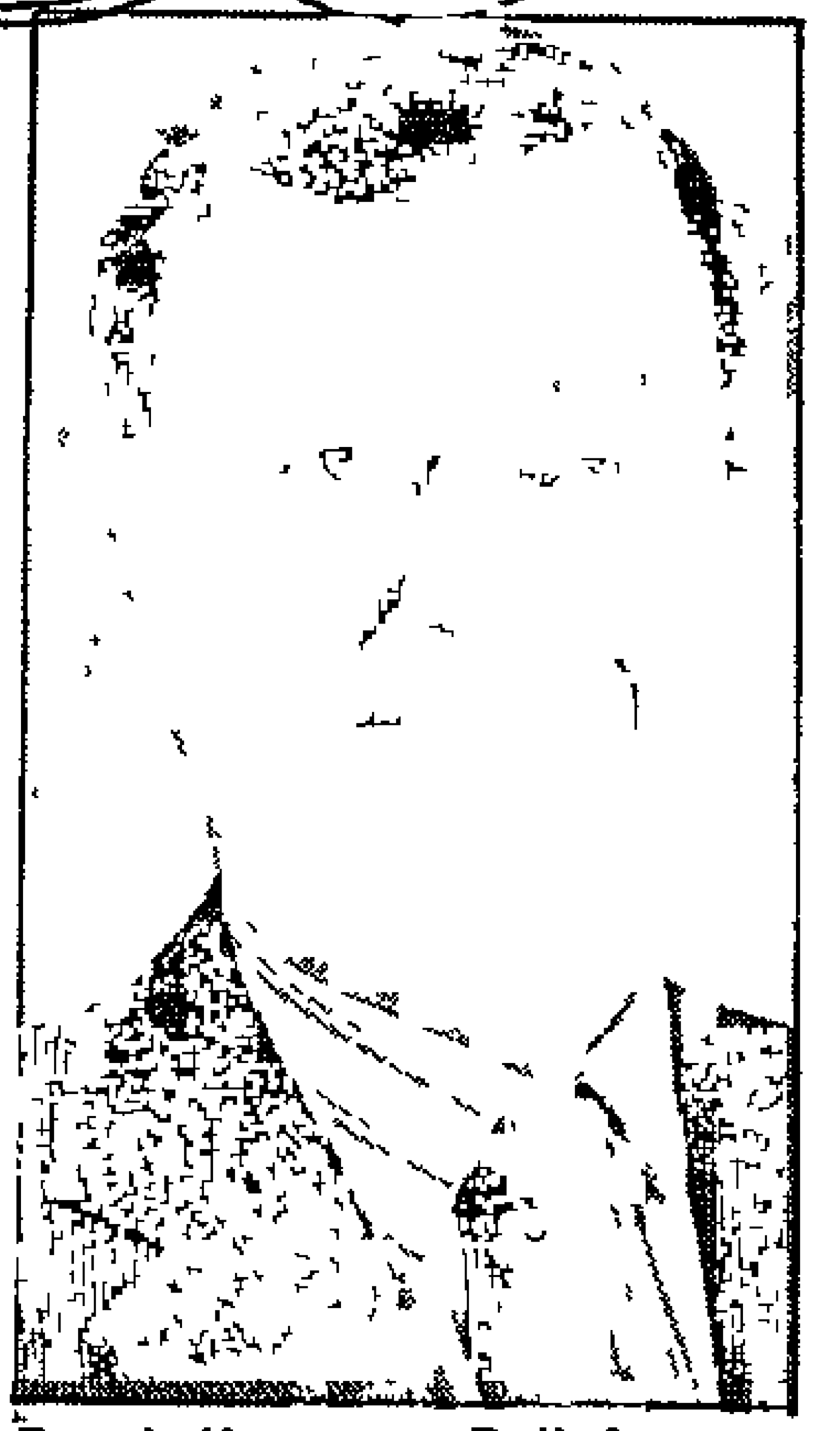
It aims to curb the avalanche of cheap imports of fabrics and clothing — but it could lead to higher shop prices and add to inflation

The measures could also be seen as an encouragement to clothing exporters because non-exporters would be at a disadvantage, said Simon Jocum, chairman of the Cape Clothing Manufacturers Association.

"The main intention is protection of the textile industry and if it limits competition it will send local prices up.

"It will hit cheap imports and raise inflation but against that some people will argue that it is more important to create jobs"

The curbs would also clamp down on imports of used clothing. The concession granted to charities and other organisations had been abused and about R100 million of "used" clothing flooded into the country last year.



Derek Keys . Relief measures necessary to help textile industry.

The complicated system of tariff quotas and steep increases in import duties was announced by the Minister of Trade and Industry, Derek Keys, who said the government has decided to implement a system of tariff quotas for the import of clothing and textiles

Measures, which were listed in the Government Gazette on Friday, include

- A system of tariff quotas that will enable the importation of pre-determined quantities of textiles and clothing at the currently existing rate of ad valorem duties Total quantities are to be limited to 1989 imports
- A doubling of the rates of ad valorem duties plus alternative specific duties that replace the formula duties, in respect of imports in addition to the tariff quota.
- Amendments to the programme of duty-free imports for exports in order to prevent imports in terms of the programme being concentrated on certain products, thus causing harm to the sectors manufacturing these products
- Imports in terms of certain manufacturers' rebates and imports in terms of bilateral trade agreements are, however, not affected by the measures

Mr Keys said the measures were the result of the acceptance by government of recommendations from the Board of Trade and Industry

The board had considered proposals from a private sector working group and other interested parties. The measures to be introduced were accepted by government realising that they had certain deficiencies

It was, however, necessary to urgently introduce interim relief measures to address the serious and deteriorating situation, particularly in the textile industry, as a result of a sharp increase in imports coupled with a decrease in local demand due to the recession.

The objective was to limit imports while at the same time striving to keep increases in input and end-product costs to a minimum The increased rates of duty would apply only to imports in addition to the tariff quotas. The alternative would have been to place increased duties on all imports of textiles and clothing.

Mr Keys emphasised that the increased rates of duty applicable to imports in addition to the tariff quota would be implemented on an interim basis and be subject to immediate review by the Board of Trade and Industry

He stressed that the measures now introduced would apply only for 18 months. "In this time the relevant business sectors and trade union will, in co-operation with the Government, embark on an investigation into a long-term strategy for the textile and clothing industries to replace the short-term measures"

However, the proposed long-term strategy would not be based on these short term-measures, he added

Keys to work on textiles strategy

BIDay 4/5/92 (197)

LINDA ENSOR

CAPE TOWN — Government would work with organised labour and the private sector to devise a long-term strategy for the clothing and textile industries, Trade and Industry Minister Derek Keys announced at the weekend.

The long-term strategy would replace interim measures — promulgated in Friday's Government Gazette — which doubled the ad valorem duty rate on imports of clothing and textiles outside the import quotas, which were fixed at 1989 levels.

Keys stressed that the proposed long-term strategy would not be based on the short-term measures which would be effective for only 18 months and subject to review by the Board of Trade and Industry.

The measures also imposed alternative specific duties to replace the formula duties on imports outside the quotas. The specific duties were minimum duties affecting very cheap imported fabrics.

The promulgation of the new duties followed months of deliberations by the Hatty committee, the proposals of which were investigated by the board. Committee chairman Paul Hatty said yesterday that while he had not seen the gazette, he believed the ad valorem duties on textiles imported outside the quota would increase the landed price by about 15%.

The announcement of government's participation in devising a long-term plan was welcomed yesterday by National Clothing Federation president Aaron Searll, who said this would be essential for all parties in the clothing and textile pipeline to reach consensus. He hoped the long-term plan would be agreed on "fairly soon" so that it could supersede the transitional plan, which was merely a stop-gap measure.

Keys said the interim measures had deficiencies but had been introduced urgently to assist the textile industry, which was suffering under a flood of imports while local demand dropped because of the recession.

"The objective is to limit imports while striving to keep increases in input- and end-product costs to a minimum. The increased rates of duty will, therefore, apply only to imports in addition to the tariff quotas. The alternative would have been to place increased duties on all imports of textiles and clothing."

In terms of the proposals the ad valorem duties on imports within the quotas were unchanged. The structural adjustment programme, which allowed duty-free imports for goods manufactured for export, would be amended to prevent imports being con-

□ To Page 2

Textiles

BIDay 4/5/92 (197)

□ From Page 1

centrated on certain products to prevent the manufacturers of these products being harmed. Searll agreed it was necessary to protect these manufacturers.

Imported textile items (rebate 470 03), manufacturers' rebates and imports in terms of bilateral trade agreements were not affected by the measures.

Keys said the board would accept representations from those who felt the rate of duties was too high or too low. Permits in terms of the tariff quota would be issued on a six-monthly basis.

JONO WATERS reports that Textile Federation executive director Brian Brink said reintroduction of the 1989 import quotas on textiles would stabilise the textile industry and prevent further aggravation of the depressed industry.

The move would provide relief until the international playing fields had been levelled, especially as SA was suffering from high interest and tax rates.

Brink said it was fair to set protection levels according to international standards because SA could not compete with countries which had subsidised cotton-growing areas.

Ultimately these mechanisms would have to be phased out, but only when SA was in the position to prosper with the rest of the textile world.

National Clothing Federation (NCF) chairman Hennie van Zyl said the new regulations were not unexpected. Federation members were generally satisfied, although some had complained about excessively high duties if an importer exceeded his quota.

However, he said the restrictions were only for 18 months, after which the NCF would oppose their continuation.

Van Zyl said the recession had meant there was lower demand for clothing and therefore he did not foresee large price increases being passed on to consumers in the interim period. The industry's long-term goal was to lower protection measures, and the next 18 months would enable the industry to become more competitive internationally.

Hatty group suggestions implemented

B 10ay 5/5/92

WILLIAM GILFILLAN

GOVERNMENT had implemented the Hatty committee recommendations in the main, Textiles Federation executive director Brian Brink said yesterday.

He was reacting to yesterday's notice in the Government Gazette (promulgated last Friday) announcing the duties relating to the new quota-based structure to be implemented in the textile/clothing pipeline for the next 18 months.

The committee had recommended a transitional quota-based structure to protect local manufacturers while a long-term strategic programme for the textile/clothing pipeline was drawn up. 197

Under the new structure, duties on imported yarns, fabric and clothing falling within the quota net have been set at 15%, 20%, and 30%, while those outside the net are 30%, 40%, and 60%.

Although the authorities have not indicated the size of the quotas, Brink believed they would be in line with the Hatty recommendations

COMPANIES

Da Gama results 'creditable'

MICK ELLINGHAM (197)

SAB subsidiary Da Gama Textiles disclosed a 29% drop in earnings for the year on the back of depressed trading conditions BIDay 6/5/92

Stablemate Lion Match Company yesterday also announced a drop in earnings for the first time in seven years

Da Gama's turnover of R259m for year ended March 1992 dropped slightly from from the previous year's R260,7m, but the group's bottom line has plunged 29% to R30m (1991 R42,4m)

Earnings a share fell to 58,9c (83,2c) and a dividend of 25,5c (36c) was paid for the year

Financial director Nick Pietersma said he was satisfied with the group's results in "what is after all a difficult market"

He said it was unlikely that the new duty structures on textile products would benefit trading until the second half of the next financial year.

Da Gama retrenched 400 workers earlier this year and Pietersma said there was a possibility of more retrenchments in the future

Directors described the company's performance as "creditable" in the light of intensified competition from local sources and higher levels of imports which held 40% of the local market

They said sales in the second half of the year had not materialised as expected and, as a result, the investment in inventory rose to abnormal levels

In the coming year management would focus on reducing inventories to acceptable levels, the directors said

Capital expenditure of R14,8m was spent during the year on plant upgrading and "essential refurbishment".

The directors said group earnings next year should approximate those of the past year but added that "the present drought will clearly be a negative factor — retarding the recovery in consumer spending"

TEXTILES AND CLOTHING

FM 8/5/92

The never-ending conflict

The Hatty report on the clothing and textile industries, published in last week's *Government Gazette*, was supposed to signal a ceasefire in the long-running war between the sectors But, like many ceasefires, the battle just rages on

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The Hatty recommendations will temporarily limit low-tariff fabric imports to the 1989 level. Any imports over the low-tariff quota will be hit with sharply higher duties. A final programme is supposed to be set in 18 months

The idea behind the Hatty report was that it would have the broad support of the clothing and textile industries, cotton and wool producers, government and the SA Clothing & Textile Workers' Union But, after just a few days, it is already under strident attacks from groups that fear higher costs and fewer jobs

The strongest challenge comes from the Consultative Business Forum, which represents Natal Indian traders, wholesalers and clothing manufacturers with an annual turnover of about R1bn and about 50 000 employees

It has joined forces with its Transvaal counterpart, the Congress of Business & Economics, which represents about 1 400 wholesale, retail and distribution firms, and the Free Market Foundation.

The purpose is to lobby government to reject, tone down or amend the Hatty report The Transvaal and Natal bodies, accompanied by Soweto businessmen, were to meet with Paul Hatty, Barlow Rand director and chairman of the Hatty committee on textiles and clothing, this week.

"We also requested a meeting with new Finance Minister Derek Keys to discuss our objections," says the forum's Shirish Soni "Should we fail in our endeavours, we may have to resort to a Supreme Court interdict to stop the report"

So the saga of two troubled industries, which began in 1989 with a structural adjustment programme that lasted less than two years, continues. ■

New protection for clothing and textile industry (197)

IN a move designed to irk true believers in a free market and to push up the price of clohing, Derek Keys, still wearing only his Trade & Industry hat, announced new interim tariff protection for the clothing and textile industry A doubling of the ad valorem duty rate on imports of clothing and textiles above the import quotas, fixed at 1989 levels, was announced A long-term strategy will be worked on, he promises

W/mail 8/5-14/5/92

Plea to Keys for new talks on textiles

(197)

CT 9/5/92

Business Editor

THE National Clothing Federation of SA (NCF) has asked for an urgent meeting with the Minister of Trade, Industry and Finance, Derek Keys, to suggest amendments to the rescue plan for the textile industry

Meanwhile it has asked that "the new legislation be put on hold, pending the outcome of the above interview"

The new legislation, published in the Government Gazette last Friday, drew protests from the clothing industry

It follows the lines of recommendations by the "Hatty Commmittee", chaired by Paul Hatty, for a complicated system of tariffs to give protection to the textile industry and to limit clothing imports

But the committee's proposals were amended by the authorities As a result, the NCF says, it will "savagely cut back the clothing industry's access to fabrics at world prices"

A statement issued by NCF president Aaron Searll says that now clothing manufacturers will be able to import only 46% of 1991 fabric imports "whereas clothing imports are only curtailed at 73% of 1991 imports"

Searll notes that "reports are still being received on a daily basis of textile mills not being able to execute orders"

Textile boss says: I'll take on government

197 ARG 9/5/92

Business Staff

NATIONAL Clothing Federation vice-president Sadek Vahed says he supports the Consultative Business Forum, which is seeking to force the government to set aside a set of interim trade protection measures for the textile and garment sector it says will force many small producers out of business

Mr Vahed, chairman and MD of the AM Moolla Group of Durban — one of the largest independent clothing manufacturing groups in SA — said yesterday he sympathised with small manufacturers, many of whom believed the industry committee set up under the chairmanship of Barlows executive Paul Hatty and which recommended the measures was "hijacked" by big business interests

At a meeting with angry CBF members in Durban this week, Mr Hatty conceded that the new measures might damage small companies and he agreed to try to set up a meeting between their representatives and the Board of Trade and Industry (BTI) to have the tariffs set aside.

Stressing that he did not wish to differ publicly with NCF president and Seardel group chairman Aaron Searll, who was one of two NCF representatives on the committee, Mr Vahed said it was wrong that the new measures should threaten the existence of small companies in its efforts to serve the interests of big exporting manufacturers

The crux of the CBF complaints is the high level of duties imposed on imports outside quota levels based, according to Mr Vahed, on 46 percent of total imports in 1991 — a year when business was slack He said he had heard that big textile interests convinced the BTI to switch to the 1991 basis after the original proposal using 50 percent of 1989 imports

Mr Vahed said the ex-quota duties would increase the landed cost of affected fabrics on average between 80 and 105 percent. CBF secretary Shireesh Soni said some fabric products would land at five times their domestic price

The CBF, which plans to to seek a court interdict to have the measures set aside if the Government will not budge, said the highest duties penalise smaller companies making such items as school uniforms

Mr Vahed estimated the new duties could double or even treble some clothing retail prices within six months

Clothing industry sources claimed companies like Seardel and Rex Trueform Clothing — which are major exporters — would corner as much as 50 percent of quotas under the reward incentive for foreign currency earning saes

Dr Searll, whose group is seeking to buy a controlling interest in SA's largest textile producer, Durban-based Frame, said he had strongly opposed the quota levels on behalf of the NCF

"We fought tooth and nail with the BTI for 40 percent duties outside the quotas They penalise everybody, not just big groups, but in the end we had to leave it to Government to make up its mind," he said

Dr Searll suggested that rather than try to have the Hatty package ditched, the CBF pool its efforts to take advantage of the export incentives in the plan, which were centred on duty-free import quotas

"Manufacturers must shift to an export-orientation to make use of production capacity no longer fully utilised because of the state of the domestic market," he said

"Successful exporting levies a big cost in time and money and what tends to be forgotten is that incentives are a necessary part of our export price structure to make us competitive on highly price-conscious markets abroad."

Dr Searll suggested that some Durban firms might be complaining because the new regulations closed loopholes they had been exploiting by bringing in fabrics without paying duty

Speedy review of textile tariffs

B/Day 11/5/92 (197)

LINDA ENSOR

CAPE TOWN — The Board of Trade and Industry (BTI) has committed itself to a speedy review of the newly promulgated, interim tariff structure for the clothing and textile industries as soon as it has received comment and representations from industry.

The undertaking by BTI deputy chairman Helgaard Muller at the weekend followed protests against the new structure which culminated in the call by the National Clothing Federation (NCF) and the Consultative Business Forum (CBF) for the suspension of the measures pending further negotiations.

The NCF is hoping for an urgent meeting with Trade and Industry Minister Derek Keys this week. The CBF tried to have unofficial talks with Keys at the weekend The BTI is also planning to meet Keys.

Muller said the board had decided on Friday to finalise a programme for the clothing and textile industries as soon as possible He felt the uncertainty should be resolved quickly and said even a three month delay would be too long

There was a need to find strategies to make the clothing and textile industries financially viable without resorting to high tariffs, Muller said.

The BTI gave notice in the Government Gazette on Friday that it had applied for a revision of the duties promulgated the pre-

☐ To Page 2

Textile

B/Day 11/5/92 (197)

☐ From Page 1

vious week and invited comment within six weeks

Industry sources believe that the BTI found fundamental flaws in the Hatty Committee proposals and they were therefor promulgated as interim measures only The board's final recommendations might differ radically from the interim tariff structure and might overhaul it completely, the sources said

The NCF said in a statement the new proposals cut back "savagely" on the clothing industry's access to fabric at world market prices The average clothing manufacturer would now be able to import only 46% of the fabric imported during 1991 Fabric imports in excess of this 46% would attract a "highly punitive" duty averaging at least 70%, compared to the current 20%

The statement also objected to the reduction of duties on clothing imports within the quota to 30% from 80%

A conflict appears to have emerged within the NCF between large export orientated clothing manufacturers and small producers The statement was seen in some quarters to reflect the interests of the small Natal-based manufacturers

CBF secretary Shirish Soni said the CBF was calling for the creation of a forum representative of all interests to work out a strategic plan for the industry

Hatty Committee chairman Paul Hatty said there was a lot of misunderstanding of the plan which had been poorly communicated to individual manufacturers He conceded that amendments should be made to assist small manufacturers in Natal who made low-cost clothing for rural areas The plan was flexible and he was working on these amendments, he said

Meanwhile, textile manufacturers said they were unhappy that levels of duty outside the quota were not high enough to act as a blocking mechanism and should be increased by about 20-25%

Cloth wholesalers voice their fears

BDay 13/5/92. (197) (80)

LINDA ENSOR

CAPE TOWN — Most textile wholesalers would be forced out of business by the new duty and quota structure for clothing and textile industries, Textile Wholesalers Association president Munro Bloch told Hatty Committee chairman Paul Hatty at a meeting yesterday

Cash-flows would be severely strained by the higher duties, and the quotas would place a severe restraint on business growth, Bloch said

Prices would skyrocket, fuelling the already high inflation rate, and massive unemployment in the informal sector would result

The association called for the immediate abolition of the quota system, reversion of duties to levels before May 1, and appointment of a representative committee to work out a long-term strategy

The approximately 150 textile wholesalers in SA have an estimated combined annual turnover of about R400m and are involved largely in supplying fabric to small clothing manufacturers, and boutiques which make their own garments

The informal sector represents a large client base for the wholesalers, who also act as bankers for many of the informal businesses.

"The majority of our customers are smaller manufacturers who are too small to import themselves, and cannot take up the minimums required by the local mills for exclusivity," Bloch said

"We also supply fabric to over-the-counter retailers selling to women who make their own garments, as well as to designers making up very small quantities of their exclusive garments," he said

Bloch said it was necessary to import fabric in those cases where this was not made locally and where it was possible to buy smaller quantities on an exclusive basis This gave the wholesaler's customers a different product mix, and hence a competitive advantage over the larger manufacturers and retailers

"This proposal dictates to us what we can import under the quota, whereas to remain flexible and market oriented we need to import according to the needs of our customers, which change with the seasons and the economy," Bloch said

Govt's textile plan seen as an 'unmitigated disaster'

By Tom Hood (197)

STAR 13/5/92

CAPE TOWN — New retrenchments in the Cape clothing industry, where employment is down to a 10-year low of 49 000 and many factories are working short time, were forecast yesterday.

This would follow a spate of cancelled orders from retailers refusing to accept higher manufacturers' prices caused by huge rises in duties on imported fabrics, said Simon Jocum, chairman of the Cape Clothing Manufacturers Association

He said many small firms would go out of business at a cost of hundreds, if not thousands, of jobs

At a meeting in Cape Town clothing employers attacked a new government plan to protect the country's ailing textile industry because, they claimed, the cost would put scores of small clothing firms out of business

The plan was sprung on the industry on May 1 — and made effective from April 1 Many firms are faced with the doubling of import duties on goods ordered earlier but which had not arrived at the docks

A packed meeting protested about the damage facing the Cape industry to Paul Hatty, chairman of the government committee appointed to devise an interim 18-month plan for the clothing and textile industries.

Mr Jocum said the plan would help the textile industry at the expense of the clothing industry

Large clothing companies with export business could benefit from the plan But 95 percent of firms — especially small ones — were not exporters and were not equipped to set up an export business.

The meeting called for a suspension of the interim report and return to the status quo.

The clothing industry had placed orders well in advance but were about to be hammered by punitive duties, Mr Jocum said.

"The scheme is an unmitigated disaster and will be a nightmare to administer

The National Clothing Federation is seeking an urgent interview with Derek Keys, Minister of Trade, Industry and Finance, to ask him to suspend and abolish the legislation.

The Star Thursday May 14 1992 21

Seargreg gains control of Frame

STAR 14/5/92

By Des Parker

1977

DURBAN — Seargreg Investments has succeeded in its bid to acquire a controlling stake in Frame after more than 30 percent of the ordinary shares in the textile holding company were pledged by the time the JSE closed yesterday.

The result is not yet official, but a market source said the bid had succeeded and the R3 a share offer would now be extended unconditionally for a further two weeks in terms of the requirements of the securities regulation panel of the stock exchange.

Seargreg, a 50 50 consortium of clothing group Seardel Investment Corporation and Gregory Knitting Mills, made it a condition of both its original offer of R2,50 a share and its subsequently raised bid of R3 that it receive at least 30 percent of Frame's shares

The offer is for 43 percent of Frame

Acceptance

Indicating its acceptance of the bid, Frame pledged 30 percent of the holding of its subsidiary, Consolidated Frame Textiles (Confram) which has a more than one-fifth stake in the holding company

The source said major institutional investors in Frame — who have seen the share price whittled away from the R22 they paid for control in 1987 — had been willing participants in the offer.

They were expected to retain as big a stake as they could to enable them to participate in the expected revitalised fortunes of the hard-hit fabric producer under Seargreg control.

Frame shares closed 10c lower at 300c yesterday.

Govt unlikely to suspend tariff structure for ailing textile industry

BDay 18/5/92

LINDA ENSOR

(197)

THE clothing and textile industries, teetering on the brink of a blow-up over new tariffs, will have to bury their hopes of a suspension of the controversial duty and quota structure promulgated on May 1

The howls of protest, threats of court action and cries of imminent bankruptcies and retrenchments are not likely to find a receptive ear from officialdom.

This became clear in Trade and Industry Minister Derek Keys' budget vote speech on Friday when he suggested that while the authorities would welcome representations on the level of duties, the structure would remain pending the finalisation of a long-term strategy.

Previously, Keys indicated his willingness to amend the tariff duties

"I must make it clear to the groups and individuals who have protested against the interim measures that at the time of the original announcement we explicitly drew attention to the fact that we expected representations seeing that a small task group could not be fully representative and that we had a general attitude of flexibility as far as improvements were concerned "

The immediate solution, Keys said, was to establish a group fully representative of the clothing and textile industries to work out a long-term strategy In the meantime damage control measures were necessary to stem the losses of currency and jobs.

Keys singled out the valuable contribution made by SA Clothing and Textile Workers' Union general sectary Ebrahim Patel, a member of the Hatty Committee which drew up the original draft proposals

Last week the union called on government to ignore the separate representations by different interest groups in the clothing and textile industries and said any review of the tariff structure should be based on the committee's representations.

The statement said protests against the new measures arose either out of misunderstanding, narrow sectional interests, or unfair prejudice suffered by particular businesses in the import of fabric types.

The National Clothing Federation (NCF), the Consultative Business Forum, the Textile Wholesalers' Association and the Cape Clothing Manufacturers' Association are among those who have called for a suspension of the new measures.

The informal sector and small manufacturers which bought large amounts of imported fabric were identified as being particularly vulnerable to the high level of duties imposed on imports outside the quota system as they would not be eligible for quota The NCF has calculated that an average duty of 80% would be imposed on textiles imported outside the quota

The Board of Trade and Industry has given the industry six weeks to submit representations pending a review of the duties.

New tariff structures row

LINDA ENSOR (197)

CAPE TOWN — Government should not allow separate representations on the new tariff structure by interest groups in the clothing and textile pipeline, the SA Clothing and Textile Workers' Union said yesterday.

The union, which was represented on the Hatty Committee and participated in drawing up a plan for the clothing and textile industries, said any review of the new tariff structure should be based only on the committee's representations B/Day 14/5/92

The union called on all business groups including the National Clothing Federation, the Textile Federation and the Consultative Business Forum to support a meeting of the industry working group

The union expressed concern at the recent attempts to discredit the work of the committee

The only constructive way of dealing with the complaints was for employers, labour and government to meet to consider these representations, the union said

It said the disagreements over the new tariff and quota system arose either out of misunderstanding, narrow sectional interests undermined by the proposals, or unfair prejudice suffered by particular businesses in the import of particular types of fabric

Sales House puts faith in Last Outpost

THE recession has taken its toll on the textile industry with factory closures and massive job losses, declining outputs by those manufacturers able to keep their heads above water, and tight margins for retailers. B/Day 15/5/92 (199)

One retailer is bucking the trend and has embarked on the expansion trail, investing millions of rands in new and revamped stores.

Sales House, a fashion chain in the Edgars Group, currently has 113 stores around the country and expects to open another eight by 1993 — two of these will be in Natal.

Durban is the company's most recent focus of attention, with over R2m invested in revamping its West Street store as its flagship

MD Ian Thompson says the new look store will not only benefit the local textile industry, but also means opportunity for job creation in a diversity of fields.

Merchandise director Arthur da Costa says: "Sales House is commited to supporting the local textile industry.

"Contrary to the current swing towards imported textiles and clothing, we have commited ourselves to buying from local suppliers

"It is alarming to see that, despite the country's desperate economic situation, the value of imported clothing for the first eight months of 1992 increased by 35% to R225m compared with the same period in 1991. Over the same eight months fabric imports were up 31% to R752m."

Union slams bid to cut quotas on imported textiles

197 ARG 14/5/92

TOM HOOD, Business Editor

ATTEMPTS by clothing and textile companies to fight higher duties and reduced quotas for imported textiles were criticised today by the SA Clothing and Textile Workers Union

Sections of both industries want Minister of Trade, Industries and Finance, Mr Derek Keys, to cancel the imports plan gazetted on May 1

The South African Clothing and Textile Workers' Union said it did not want the government to allow various interest groups to make separate representations on the new tariff arrangements

Instead it sought a review of the new arrangements based solely on the organised and united representations of the (joint) working committee which includes business, labour and government delegates

"We call on all business groups, including the National Clothing Federation, the Textile Federation and the Consultative Business Forum to endorse this view and to support a meeting of the industry working group to ensure that this commitment is given practical effect"

The union said it held no partial brief for either the clothing or textile industry

It reaffirmed support for an industry-based plan to stabilise the textile and clothing industry in the short-term.

A longer term plan would allow the industry to operate without large-scale tariff protection.

It noted the concerns of various businesses who believed their interest had been "unfairly prejudiced" by the new tariffs

Businesses may have disagreed with the proposals made by the committee but it said there was a possibility these may have been misunderstood

Narrow sectional interests were being undermined by the proposals and particular businesses may have suffered in the importation of certain types of fabric.

Mission: Impossible

FM 15/5/92

(197)

After six years of blunder, Pretoria should drop protection for textiles

The never-ending feud between the clothing and textile industries has now claimed its latest victim — Barlow Rand director Paul Hatty He tried hard but never had a chance His Hatty Committee proposals were published on May 1 and met such furious reaction that government has quickly backtracked Officials are now back at the drawing board trying to devise something new

Hopes were high last year when government named Hatty, chairman of the SA Chamber of Business's industrial policy committee, to head another committee to sort out finally the tariff tussle between the two sectors The clothing companies demanded low tariffs on imported textiles to cut input costs and sell more clothes The textile people warned that only high tariffs could save the R6bn-a-year industry and its 95 000 jobs

Government had been trying to sort out the conflict since 1986 First there was a two-year, 310-page study by the Board of Trade & Industry that resulted in an original bureaucratic solution the structural adjustment programme That fell apart just a year after both industries agreed to it, it turned out that textiles were even more uncompetitive than most people believed and were buckling under the pressure of mild tariff adjustments, while clothing prospered

Ad hoc remedies followed, then ad hoc chaos So, when government finally turned to the private sector to straighten out the mess, the feeling was that the answer was now just a few committee meetings away Hatty threw himself into what turned out to be a five-month effort and two weeks ago his recommendations were gazetted Within a week, they were filling the same rubbish bin

continued on p32

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continued from p29

as that 310-page board study

The vitriol has come from nearly every quarter Hundreds of small clothing manufacturers say they would be put out of business by the 70% tariffs (up from 20%) on textiles outside a quota they claim only the big companies would get Retailers of low-cost clothing say there would no longer be any such thing as low-cost clothing Economists see a huge burden for consumers and a big loss of jobs Textile companies complain that some of the duties are not high enough

The low point for Hatty came last week when he went to Durban for a meeting of the Consultative Business Forum, which was formed to fight his recommendations on behalf of Natal small clothing manufacturers and traders and had threatened to block the proposals in court Hatty was subjected to a stream of abuse

Though everyone agrees Hatty's recommendations will not survive, they're now in effect and wreaking all the economic havoc their detractors said they would

What went wrong? Nothing really, because the task was doomed from the start The board now says it will quickly revise the recommendations — but this attempt is also doomed

Board deputy chairman Helgaard Muller unwittingly summed up the hopelessness of its quest when he said there was a need to find strategies to make the clothing and textile industries financially viable without resorting to high tariffs That is clearly impossible Without high tariffs, the mammoth textile industry will wither to just a few niche markets and jobs will be lost With high tariffs, the clothing industry will sell far fewer clothes here and abroad, jobs will be lost and many more will not be created

The textile industry, sheltered by government for decades, is frantic at the thought of ever losing its patron Says Frame Group executive chairman Mervyn King "SA cannot afford to ditch a R6bn-a-year industry Our role as a major job-creator means that massive economic damage would be sustained if we were forced to close"

But, contrary to the claims by Frame and other textile companies, more jobs will be saved in the long run if government sides with clothing and gives it the lower textile tariffs it wants The thrust of government policy since the start of this debacle six years ago, however, has been to protect — or minimise the damage to — textile companies

SA is not the first country to fall into this trap It's always easier politically to save thousands of jobs concentrated in one high-profile industry — even if it's a dying one — than it is to save thousands more jobs scattered throughout the economy plus those that could be created Protectionism is always done in the name of saving jobs but countries with the lowest tariff walls have the lowest unemployment rates — Hong Kong and Switzerland, with almost no tariffs, are two shining examples Protectionism

Committee man Hatty
shouted down by the traders

saves highly visible jobs by rescuing a dead-end industry But it costs consumers more, lessens the efficiency of the economy and in the end many more less visible jobs are lost

This is what's happening in the clothing industry National Clothing Federation executive director Hennie van Zyl says the industry has lost 16 000 of its 160 000 jobs since October 1989, largely because of higher tariffs on textiles put in place temporarily until the entire issue is resolved He says that if all tariffs and surcharges on textiles were eliminated, his industry would create far more jobs than would ever be lost in textiles "We cannot become globally competitive while hiding behind high tariff walls"

To take the example a step further, textiles might lose fewer jobs — or even gain jobs — if the protection for the cotton farmers ended and cotton could be imported at low world prices Hatty originally recommended that local cotton production should be subsidised to give textile companies the advantage of low-cost cotton This was rejected by Trade & Industry Minister Derek Keys as too costly

For a country that got its textile-clothing pipeline right, look no further than Mauritius Says Wits economist Frank Vorhies "Mauritius is an excellent example of a country that developed its comparative advantage — labour — by dropping all tariffs on wool imports and becoming a major player in the export of quality wool garments SA should follow suit"

Says business consultant and consumer writer Don Caldwell "The end-consumer is the most important segment of any production pipeline — but his interests seem to count for little We should accept cheaply priced exports to SA — such as textile fibres — as a gift"

This goes to the heart of the protectionists' argument King and other textile chiefs say other countries dump textiles on SA through subsidies or by selling them at below cost The counter argument is So what? Cheap imported textiles, or cotton for that matter, will make clothing more competitive And clothing, as the higher value-added industry, will create the most jobs

So, instead of endless structural adjustment programmes and Hatty committees, the answer to the textile-clothing dilemma is simple — phase out cotton, textile and, yes, clothing tariffs over five years 20% a year starting a year from now until the imports arrive duty-free Case closed, no more special pleadings, no more whingeing MDs Even radical free marketeers agree that an immediate end to tariffs is unfair — it would change without warning the rules companies have lived under and it sacrifices firms that might survive with an adequate adjustment period But a longer period just drags out the inevitable and allows more time for government's resolve to weaken

Government has not yet arrived at this answer and there is no guarantee that the additional weeks of soul-searching for the Board of Trade to review the Hatty report will do the trick But the vociferous lobbies lined up in support of freer trade must eventually lead government to the obvious conclusion — that one of the two industries has to give and it's likely to be textiles

Has the Hatty fiasco been a total loss? Despite the worthlessness of the recommendations, the answer is no

First, the saga has galvanised and united a wide range of groups — from the International Freedom Foundation to the unions — in support of freer trade The ANC wrote to Keys urging that the clothing tariffs should be reduced and the quotas dropped

South Africans have long been complacent over how high tariffs and myriad regulations drive up prices — they meekly pay R1 000 for a dress that costs R200 elsewhere, or R100 000 for a car that should cost R50 000 But this controversy, along with the recent protests over high food prices, and other episodes, is finally waking up consumers and could put tariff reduction and deregulation firmly on the national front burner

And second, the saga clearly shows up the fallacy of believing that a detailed industrial policy — *a la* South Korea or Japan — could be the solution to SA's economic problems In this case, government's goal was modest — just two industries, clothing and textiles It picked a veteran industrialist with experience in the field, and gave him the time and resources to do the job

But no matter how much Hatty consulted the different players, there were always some left out His experience in the field left him accused of a conflict of interest Every tariff level he recommended was always too low or too high For every winner in his proposals, there was a loser And he had no authoritarian government behind him — like South Korea's — to make the quarrelling companies, consumers and workers toe the line

Six years ago government should have left the whole thing up to the market Deciding how big each industry should be, how much clothes and textiles should cost, and how many jobs should be saved or sacrificed was never its job ■

CT 18/5/92

Textile workers vote to strike

197

Staff Reporter

MEMBERS of the SA Clothing and Textile Workers Union (SACTWU) yesterday voted for strike action if employers did not raise wage offers

The vote was taken by 7 000 workers at the Goodwood Showgrounds, according to a SACTWU statement

"A big union-employer showdown looms in the giant clothing, textile and leather industry," media officer Mr Shahied Teladia said

3% increase

According to SACTWU, members had rejected the employers' offer of

- A three percent wage increase and a further three percent to improve current sick pay arrangements in the Cape clothing industry
- A 9,75% wage increase for footwear workers in the leather industry
- Wage increases of below 10% at various factories in the textile industry, where negotiations have just started

The meeting supported the union's efforts to increase jobs in the local industry through reducing imports of new and second-hand clothing from the Far East

The meeting was adressed by ANC MP Mr Jan van Eck.

Hefty interest bills plunge Abbey deeper into the red

BIDay 29/5/92.

197

PETER GALLI

HEFTY interest bills saw property and textile group Abbey Holdings and its subsidiaries Fenix and Propcor post substantially increased attributable losses in the 18-months to end-December

As the year-end was changed from June to December to facilitate reporting by manufacturing subsidiary companies, and these figures reflected an 18-month period, both former reporting periods were given

However, the figures for the year to end-June 1991 reflected the first reporting period after the companies were reorganised and management stated that these were "not comparable with prior periods"

Abbey posted an attributable loss of R15,2m in the 18-months to end-December compared with a R302 000 loss in the year to end-June 1991 The group showed a profit of R2,5m in the year to end-June 1990

Management cited losses sustained in the textile and homefurnishing divisions due to the effects the socio-political and economic environment

Extraordinary items of R7,1m for goodwill written off, the net loss from disposing of a subsidiary company and the loss on the disposal of debentures brought the loss for the period under review to R22,3m or 85,8c a share This compared with a net loss of R743 000 for the year to end-June 1991

Net current assets fell to R21,99m from R26,47m in the 1991 year and R45,98m in the 1990 year. Net asset value a share dipped to 195c from 248,3c in 1991

Management could not be reached for comment

Abbey holds 85% of textile group Fenix industries and a 92% interest in property company Property Corporation of SA (Propcor)

Subsidiary Fenix itself has two subsidiaries, Debonair and Ivitex, which are both trading companies in the textile industry

Both of these had substantial overdrafts, which were reflected in both Abbey's and Fenix's interest bill

Fenix reported an operating loss of R10,74m, which included a R2,7m interest bill

A R4,9m interest bill over an operating income of R3,8m moved Propcor into the red, giving a net operating loss of R1,15m and seeing an attributable loss of R950 000 or 4,1c a share

TEXTILE MILLS FM 29/5/92

Cotton shortage looms

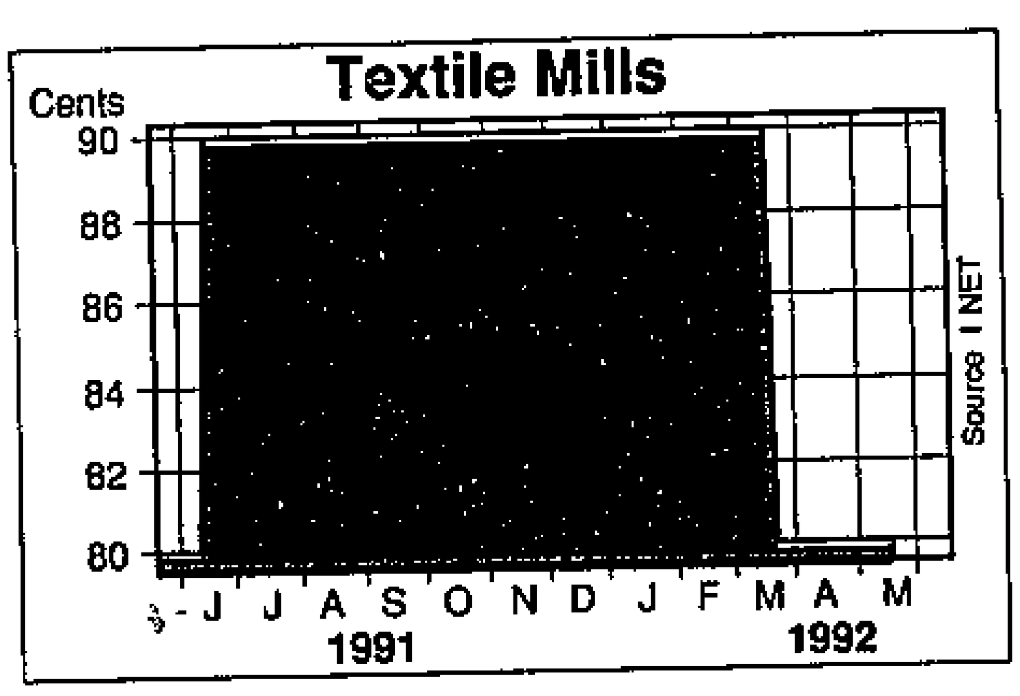
Activities: *Makes and distributes fabric and knitted garments*
Control: *Security Mills 97,5%* (197)
Chairman: *R S Zlattner, MD M J Hammett*
Capital structure: *1,99m ords Market capitalisation R1,6m*
Share market: *Price 80c Yields 7,2% on dividend, 23,3% on earnings, p e ratio, 4,3, cover, 3,2 12-month high, 90c, low, 80c Trading volume last quarter, nil shares*

Year to Sep 30	*'89	†'90	'91
ST debt (Z$m)	1,9	2,3	3,2
LT debt (Z$m)	0,19	0,33	0,27
Debt equity ratio	0,5	0,6	0,4
Shareholders' interest	0,45	0,46	0,54
Return on cap (%)	13,5	13,7‡	5,9
Turnover (Z$m)	11,8	10,0	16,2
Pre-int profit (Z$m)	1,2	1,3‡	0,9
Pre-int margin (%)	9,9	10,3	5,4
Earnings (Zc)	31,2	42,3‡	32,3
Dividends (Zc)	10	13,3‡	10
Net worth (Zc)	189	221	392

† Nine months
Z$ Zimbabwean Dollars
Zc Zimbabwean cents
‡ Annualised
* Year to end-December

Zimbabwe-based Textile Mills is modernising and exploring the export market New machinery is expected to cost more than Z$3m With a debt.equity ratio of 0,4 (1990. 0,6) and current ratio of 1,52 (1990 1,64) it can well afford the additions

But management should bear in mind the forecast 46% cut in the 1991-1992 Zimbabwe cotton crop Imports may be the only answer to the shortage in the staple raw material The drought will also compel the installation of a borehole this year Management should be wary of further expansion,



FM 29/5/92 (197) COMPANIES

given the drought-induced uncertainties

The operating margin is already sliding Pre-tax profit is down from an annualised Z$1,7m to Z$1,3m

Investors appear to being taking heed of this, with only 16 000 shares changing hands in the past 12 months — though as holding company Security Mills owns 97,5% of the equity, there's little chance of dealing in it, anyway This is yet another share whose thin turnover alone must question the suitability of a retained listing

Kate Rushton

Cape textile units to merge

(197)

MARCIA KLEIN

TEXTILE company Romatex said on Wednesday it would merge two of of its Cape-based subsidiaries in a move aimed at "optimising penetration in the household textile market"

B/Day 29/5/92.

The merger of Romatex Home Textiles and Horrockses will be effective from June 1.

Romatex said the move would have "dramatic trading spin-offs" for both companies, and the combined operation would be placed well for future growth

In addition, Horrockses' current holding company, Berg River Textiles, would now be able "to provide more focused attention to the needs of the local and international fabric converting industry"

Berg River would continue its supply arrangement with Horrockses, Romatex said.

Searll sees no conflict of interest in his operations

'STAR 1/6/92'

By Des Parker (197)

DURBAN — Despite controlling SA's two largest operations in the clothing and textile industries, Cape Town magnate Aaron Searll sees no conflict of interest.

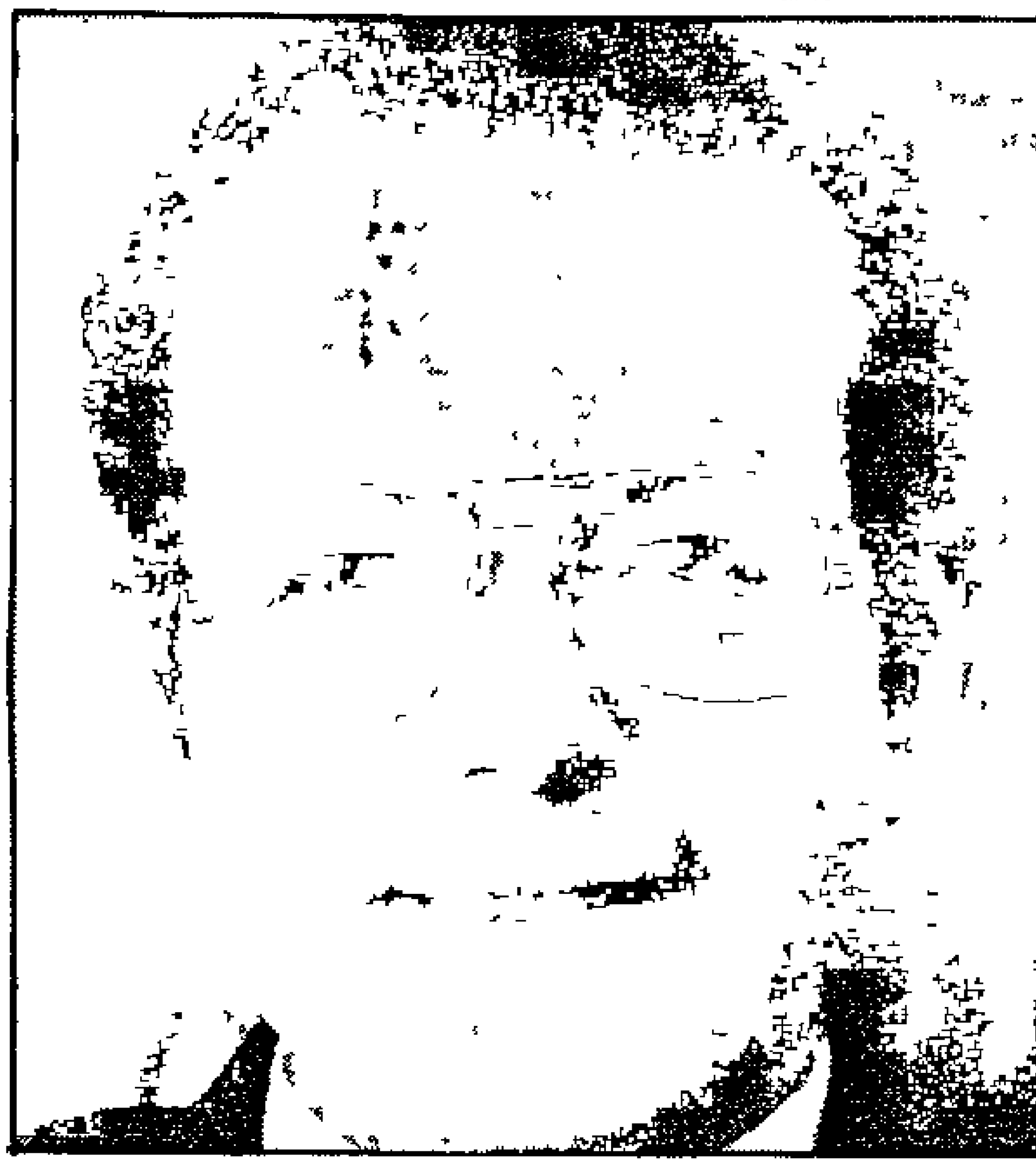
"I am not a textile manufacturer I am a clothing manufacturer with a share in a consortium which has made a controlling investment in a textile business," he says

Last week, Seargreg Investments, a consortium in which his clothing group Seardel is a 50 percent partner, sewed up control of Durban-based Frame, which, despite major amputation of ailing operations in recent years, remains SA's leading producer of fibre, yarn and fabric for the clothing industry

Traditionally, clothing and textile producers conduct their mutual business in a distinctly cool environment, taking strongly opposing views on the question of import protection

Seldom has that been more apparent than since May 1 when the Government promulgated an interim programme of tariffs and quotas for the industries

Angry small clothing manufacturers said they would be forced under by duty levels averaging 70 percent for imports of fabric outside what they consider excessively restrictive quotas



Aaron Searll .. differences cleared up

Under the banner of the Consultative Business Forum (CBF), they even took issue with their own industry association, the National Clothing Federation, claiming they had not been kept abreast of debate within the industry working committee which advised the Government on the interim tariff structure

Dr Searll said in a telephone interview that the differences had been cleared up

"We've had two meetings with the CBF and they are a lot happier They realise they had the wrong perception, but that has been cleared up," he said

The NCF had made proposals to the Board of Trade and Industry for the tariff structure to be modified, particularly in the area of duty levels outside quotas

"Consensus was never reached at Hatty (the working committee chaired by Barlow Rand executive Paul Hatty) on that point.

"The tariffs outside quotas were decided on by various parties in the Government; we are very upset because they are punitive for clothing manufacturers

"That said, the textile industry does need a certain amount of relief It's the middle ground that must be found I'm delighted the Government has moved quickly, taking preliminary steps to constitute a committee to work out a long-term plan Names will be announced very shortly "

Dr Searll said Seargreg was working with Frame management on a review of the textile group's strategic plan, under which whole divisions and mills have been sold or shut down and several thousand workers retrenched at facilities across Southern Africa in recent years

Frame, under executive chairman Mervyn King, would remain autonomous He did not envisage big changes in its method of operation.

While comment on further cutbacks was not his to make, the Seardel chief expected the new interim duties to start benefiting Frame once they had worked through the pipeline in about six months

"We've had a look at some of the plants We are very impressed with them They have good top and middle management and excellent plant and machinery on which they've spent a fortune in the last couple of years.

"In the next three years they intend to spend a considerable amount more"

Factory closes because of ANC, IFP

(197) (188) (~~108~~)

Sowetan 4/6/92.

FIGHTING between African National Congress and Inkatha supporters has caused the provisional closure of MooiTex which, with 1 300 workers, is the biggest textile factory between Estcourt and Howick

The closure, which is a potential crippling blow for the town, comes at a time of massive retrenchments in a number of industries and colossal food price rises.

Managing director of Mooi River Textiles Mr Peter Riding said yesterday however, that the factory workers had not been retrenched and further negotiations would be held with workers.

Mooi River's mayor, Mr Theo Pratsch, said that it would be a tragedy if the factory closed, both for the town and further afield. Hundreds of families living all over Natal and KwaZulu were totally dependent on wages earned by MooiTex workers.

Pratsch said that criminals had also exploited the hostility between ANC and Inkatha supporters These elements probably stood to gain the most from the breakdown of law and order and did not want order re-established.

An approach had been made to the State President and extra security men had been deployed

Many fear that the loss of jobs and increasing poverty will further foment Inkatha/ANC supporter rivalries and increase the volatility of the situation.

DEBONAIR FM 5/6/92

All fall down

197

Activities: *Designs, makes and markets bedroom textiles, curtains and blinds*
Control: *Fenix Industries 66%*
Chairman: *J E Schaffer, MD H Calitz*
Capital structure: *10m ords Market capitalisation R1m*
Share market: *Price 10c 12-month high, 75c, low, 1c Trading volume last quarter, 117 000 shares*

Year to Feb 28	'88	'89	'90	'91*
ST debt (Rm)	1,7	5,3	6,1	6,9
LT debt (Rm)	0,1	0,4	2,3	0,8
Debt equity ratio	0,5	0,9	1,4	2,1
Shareholders' interest	0,4	0,3	0,3	0,3
Int & leasing cover	24,9	4,6	1,1	nil
Return on cap (%)	24,8	17,7	8,4	nil
Turnover (Rm)	15,2	25,7	33,1	34,1
Pre-int profit (Rm)	2,0	3,5	1,7	(2,0)
Pre-int margin (%)	13,2	13,6	5,2	n/a
Earnings (c)*	43,5	63,5	3,0	(79,4)
Dividends (c)*	17,5	21	—	—
Net worth (c)*	115	181	144	33

* 1988-1990 figures adjusted for one-for-five consolidation in 1991

The report for the year to February 1991, almost 15 months after the event, enlarges on results published in July 1991, spanning

FM 5/6/92 (197)

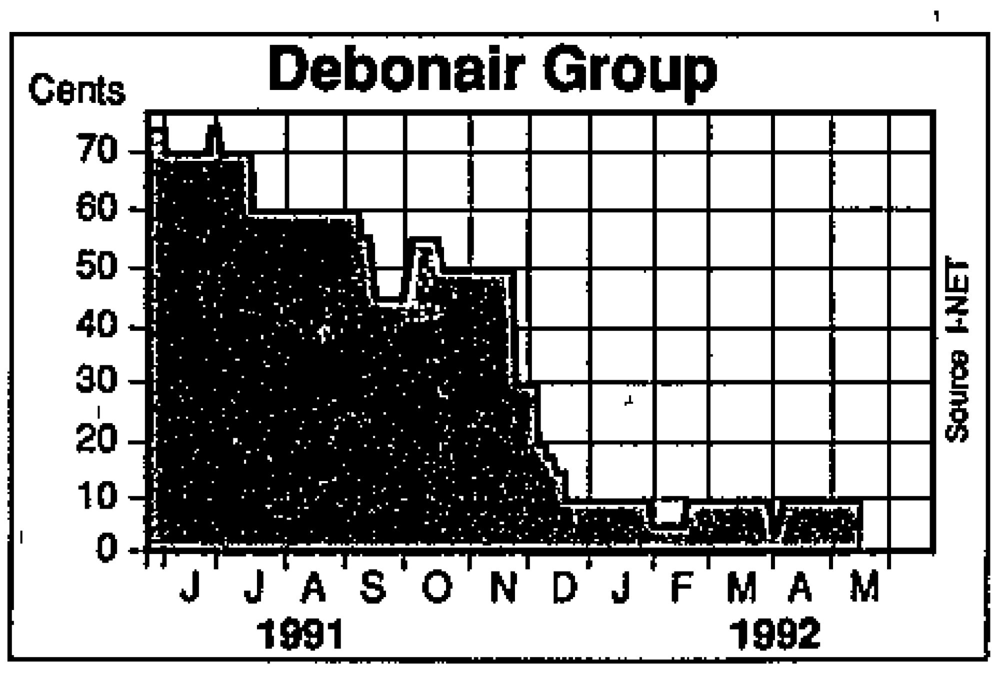
the change of control and subsequent rights issue underwritten by Fenix Industries, industrial holding arm of Abbey Holdings

In financial 1991, the company incurred an operating loss of R806 000 Fenix management evidently took the opportunity to wipe out and write off every conceivable problem area This explains why the company suffered a massive 71% haemorrhage of its capital After abnormal and extraordinary items, losses totalled R12,4m

Chairman Justin Schaffer explains that the operating losses occurred before Fenix took control Reasons include orders accepted at unfavourable margins, relocation of the Duvet Lin division from Johannesburg to Cape Town, closure of unprofitable divisions, writing off R600 000 debtors as irrecoverable, writing off stock of R678 000, and various other write-offs, the largest being goodwill (R4,4m) and trademarks (R1,3m)

The year-end has changed to December, so the next reporting period is for 10 months to December 1991, on which nothing has yet been published The annual report merely says that "losses continued and, therefore, rationalisation and reconstruction became necessary " Details of these changes "will be more fully set out in the (1991) annual report " Schaffer now says results will be available in "two to three weeks time."

The results — and the lack of them — speak louder than words That reconstruction may have been necessary is understandable What is regrettable is that, once again, shareholders and the investment fraternity are kept in the dark about the state of the company and its prospects *Gerald Hirshon*



ABBEY GROUP (197)

Wrong sort of knitting

FM 5/6/92.

In one of the more shocking results to surface in recent months, Abbey group extended a 12-month R743 000 loss to June 1991 to a belatedly announced R22,4m for 18 months to December, mostly from textile interests

Abbey's two principal holdings are 79% in Fenix Holdings and 74% in Property Corp of SA (Propcor) Fenix in turn has two wholly owned subsidiaries, Ivitex, which knits and prints fabrics, and Lansdown Textile, which was bought out of liquidation for R12m as a going concern, including the building, and a major stake in quilting and curtain manufacturer Debonair (see *Companies* p100)

All three incurred operating losses, expanded by abnormal write-offs of stock and debtors in a clean-up operation All three have substantial borrowings, which led to large interest payments.

While both the results and the economic climate are so bad, all the medicine has been swallowed in one gulp and the balance sheets cleaned out Goodwill, trademarks and, where appropriate, investments have been written off or down As a result, Fenix recorded a net 18-month loss of R22,4m The loss attributable to shareholders was R10,5m, equivalent to 82,1c a share

Property investment arm Propcor made an

FM 5/6/92 (197)

operating profit of R3,8m, which was swallowed up by interest of R5m After other small adjustments, the 18-month loss attributable to shareholders was R950 000, equivalent to 4,1c a share

On consolidation, top company Abbey suffered an operating loss of R8,8m Interest paid distended this to R18,4m It was reduced by outside shareholders' interest only to be further extended by write-offs of R7,1m Net 18-month loss was R22,4m The loss attributable to ordinary shareholders was R15,2m, equivalent to 85,8c a share

No dividends have been declared by any of the companies

It's excusable to view this performance with numbed amazement Current assets in Abbey have been reduced to R55m from R73m in exchange for land and buildings worth R24,5m Current liabilities rose to R33m from R27m By itself, that's OK But whereas 18 months before there were no long-term liabilities, there are now R19m

Abbey chairman Benny Rabinowitz says that new management at Fenix under new MD Michael Bryan has addressed the problem areas and losses are being reduced He adds that the property division, with a solid portfolio, has good medium-term prospects

Rabinowitz cannot escape the fact that textiles have been the group's undoing It is easy to say after the event, but it may be as well for him to retrace his steps to see why he invested so heavily in an industry that has been problematical for such a long time Rabinowitz is a property man He should have stuck to *his* knitting *Gerald Hirshon*

share capital for R916 000 (3,5c a share)
Andrew Mining asked Judge Solomon for a provisional sentence on the acknowl- properly in August last year

Judgment was reserved

Factory refuses to reopen for violent workers

6 Day 5/6/92.

Own Correspondent 197

DURBAN — There would have to be "considerable" negotiation between Mooi River Textiles and trade union representatives before the factory could be reopened, said MooiTex chairman David Royston

He said the factory had held talks with Inkatha officials on Wednesday and would meet Sactwu representatives today

Royston said the Inkatha-affiliated Uwusa and the ANC-affiliated Sactwu had to "exercise better control over their members"

Disruptions and refusals to accept instructions and work through established dispute channels could not be tolerated

He said there had been violence and murders in the factory

FRAME GROUP

FM 12/6/92 (197)

What are consortium's intentions?

The market is pessimistic about the future of the group, despite the acquisition of control by the Seardel/Gregory Knitting consortium. Following its recent offer, the consortium, Seargreg, has 31,8% of Frame's ordinary shares and 38% of the voting stock.

Some analysts are not even bothering to follow the troubled textile group anymore and those that are doubt its ability to be turned around. One view is that Seargreg's main interest is a stable supply of local fabric to the clothing industry; if the recently gazetted interim duties are unfavourably revised towards the textile industry in 18 months' time, Frame could be back on the market.

Another view is that Frame only has value as long as it remains in a protected industry and that more of the business, and its considerable property holdings, could be sold if that protection looks like falling away.

Executive chairman Mervyn King won't comment on speculation, but both Aaron Searll and Roy Sable, who head the consortium, strongly dispute the market view. They say they are committed to helping Frame back to profitability and, after meetings with Frame management, are examining a three-year plan to get on the path to the considerable potential they believe it has.

That'll be difficult and depends largely on the long-awaited turn in the economy.

"We've always believed Frame has upside potential, but long-term. With management's help it can be turned, but a prerequisite is the end of recession. At this stage, utilisation of plant is just too low," says Searll.

Searll's experience and knowledge of the clothing industry and Sable's expertise in textiles can undoubtedly be used to Frame's advantage. But the group still has debt of about R200m and no short-term prospects of profitability. It seems it will need a considerable cash injection, or moratorium on debt, to keep going without selling off what remains of the family jewels.

Sable says selling off further parts of the business, or operational properties, is out of the question. Redundant land, like the site of the former blanket factory at Harrismith, might be sold if a reasonable offer is made.

"The objective is to run Frame as an independent textile operation, at arm's length. It will have to compete on its own terms as a separate business, not serve the interests of Seardel or Gregory Knitting. There are no hidden agendas or secret discounts," he says.

Both Searll and Sable also shoot down rumours that King may leave soon. He is under contract, though the conditions have not been disclosed, and they say the issue of his leaving has never been raised. King and MD Walter Simeoni have the full confidence of both Searll and Sable.

They also believe a long-term strategy of protection must be negotiated if government wants to keep the textile industry alive.

"The US and EC have quota systems. We need them too, to level the playing fields, otherwise we can't compete with the cheap labour and subsidies in the East," says Sable.

So it seems Frame will continue in its present form. According to the new controlling shareholders — something Frame has not had for a long time — it will begin to realise profits when the economy picks up.

But it will take a long time for the share to get back to the R22 that so many institutional and private investors paid when Frame was tipped as a good growth stock. At R3, shareholders have little option but to hang in and hope the group can be turned, though at least one view is that it should be offloaded if it moves up by more than R1. *Shaun Harris*

TELJOY FM 12/6/92

High cost of Mastercare

Trading profit would have jumped 23% but for Mastercare's disastrous results. The reversal at this division, to a R1m trading loss from 1991's R2m profit, meant group trading profits increased a much lower 10%.

In addition to the trading turnaround, R1m was provided above the line after the group "picked up deficiencies, possibly fraud-related, at lower management levels," says executive chairman Theo Rutstein.

Mastercare, which provides technical services, doubled its infrastructure after undertaking to carry out warranty repairs for manufacturers. The problem was that activity rose by only 20%, mainly because manufacturers' sales were lower than expected.

FM 12/6/92

MASTERCARE MESS

Year to March 31	**1991**	**1992**
Turnover (Rm)	146,8	173,6
Operating income (Rm)	31,6	34,8
Attributable (Rm)	18,6	17,7
Earnings (c)	32,1	30,5
Dividends (c)	13,5	13,5

Though this may be part of the reason there is probably more to it as Mastercare, which entered the agreement with the manufacturers around April last year, realised things were going wrong less than six months later. Rutstein declines to comment further.

Trading profits at the rental division increased to R39,6m (1991: R34,9m) on turnover of R111m (R100m), while the business services division more than doubled profits to R7,8m (R3,7m) on the back of a surge in turnover to R50m (R27m).

Activity at business services, which supplies visual security systems for hotels and casinos, was helped significantly by the opening of Sun International's Carousel.

Rental, at over 75% of group trading profit, remains Teljoy's cornerstone. Though the current economic climate has mixed effects on TV rentals (lower disposable incomes make it harder for consumers to buy TV sets whereas retrenchments result in disconnections), Rutstein says the group is budgeting for growth in unit installations this year.

Year-end gearing was over 100%, but Rutstein notes gearing is inherent in being a rental company. He says interest cover — 2,7 times last year — is more relevant, adding the objective is to achieve a cover of 4,5-5 times. This is well up on the current cover, itself down from 1991's 3,2 times.

However, high gearing is material to the extent it makes the group particularly sensitive to interest rate changes and Rutstein does say he would like to cut gearing to 1989's 75%. Current gearing is already well down on the 121% at the 1991 year-end.

Though management predicts real EPS growth this year, hurdles such as continuing violence, the temporary halt to township electrification and possible further retrenchments suggest the share, on a p e of 9,5, is almost, if not, fully priced. *William Gilfillan*

Teljoy's Rutstein *rental still the cornerstone*

SA textile workers declare wage dispute

(197) CT 13/6/92

JOHANNESBURG. — The South African Clothing and Textile Workers' Union (Sactwu) has declared a wage dispute with employers in the clothing industry which could lead to a production shutdown in the first week of July

The union has about 110 000 members in the clothing industry — an effective representation of 93% of the total workforce

"Disputes have been declared between workers and employers at three industrial councils covering 105 000 trade union members," Sactwu assistant secretary-general Mr Ebrahim Patel said here yesterday

"The disputes involve Sactwu and five employer associations in Cape Town, Durban and Johannesburg and arose after the failure of four wage negotiation meetings to reach agreement on wages and other conditions of employment"

It was also announced that Sactwu was planning a march through Cape Town next Thursday — Sapa

BUSINESS

Clothing, textile industry development investigated

(197)

B/Day 16/6/92

LINDA ENSOR

CAPE TOWN — Board on Tariffs & Trade deputy chairman Helgaard Muller and a delegation of clothing and textile industry representatives have just returned from investigating development programmes in the Far East

Muller sets off next week for a similar tour of Europe

He said yesterday he had formed strong views about what the SA clothing and textile industries needed but was not willing to disclose these

Textile Federation executive director Brian Brink said Thailand's development programme for the clothing and textile industries was based on the initial increase and subsequent phasing out of ad valorem duties, much along the lines of the Board of Trade & Industry's (BTI) August 1991 proposals

Muller said the board had been inundated with submissions on the interim tariff and quota proposals promulgated on May 1 The board would attempt to sort out an interim solution within two weeks of the closing date for submissions next week

National Clothing Federation executive director Hennie van Zyl said there had been strong reaction against the proposals The federation had recommended the Hatty proposals be scrapped in favour, preferably, of the status quo prior to May 1 or alternatively in favour of the BTI proposals

Van Zyl said the uncertainty in the industry was bordering on chaos as local textile mills were unable to meet the needs of clothing manufacturers

He said SA's trading partners had all expressed opposition to the country's reversion to protectionist policies

Many boat owners underinsured

MICK ELLINGHAM

MANY boat owners are finding themselves underinsured because of the rapidly escalating prices of small craft

PFV Special Risks deputy MD John Pile said boat owners should not wait for annual policy renewals to reassess replacement values

Santam Marine division spokesman Petra Fordyce confirmed boat prices had risen dramatically in the past few years, and brokers were not always aware of the high replacement cost of small craft She recommended boat owners should re-assess their policies every six months, saying the average claim on a small craft was now R5 000.

Lindenberg Marine's Bill Lindenberg said boat prices had gone up by at least 5% since January, adding the price of small engines was affected by the weak Rand/yen exchange rate.

Undercover insurance brokers spokesman Julian Dreyer suggested that boat values should be standardised — as with motor car "book" values — for accurate valuation

New company to market SA citrus

MEREDITH JENSEN

SA citrus producers could look forward to bigger profits and greater visibility as a result of Outspan International, the newly created private marketing arm of the SA Co-operative Citrus Exchange (Sacce), a spokesman for the company said yesterday.

Outspan has assumed the overseas marketing and promotion of citrus fruit formerly handled by Sacce.

He said Outspan would operate as the only local overseas marketer of citrus products under protection of the single-channel Marketing Act. B/Day 16/6/92

However, the long-term goal was "voluntary participation", whereby the Act would be eliminated

SA exported approximately 60% of the crop Producers could choose what they did with the remaining 40%. Industry sources said if world market prices for export concentrate were higher than local fresh prices, farmers could choose to export.

Outspan CE Douglas Stanton said the new infrastructure would make marketing and distribution more efficient.

Stanton said political changes in central and eastern Europe and the dramatic economic development in the Far East could open new markets for citrus

And the expanding EC market could also provide opportunities for SA producers.

While SA was only the sixteenth largest producer of citrus fruit in the world, it was the fifth largest exporter. Stanton said Outspan would help the industry maintain its competitive edge.

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PT 0836

Da Gama hopes tied to lower imports

BDay 17/6/92

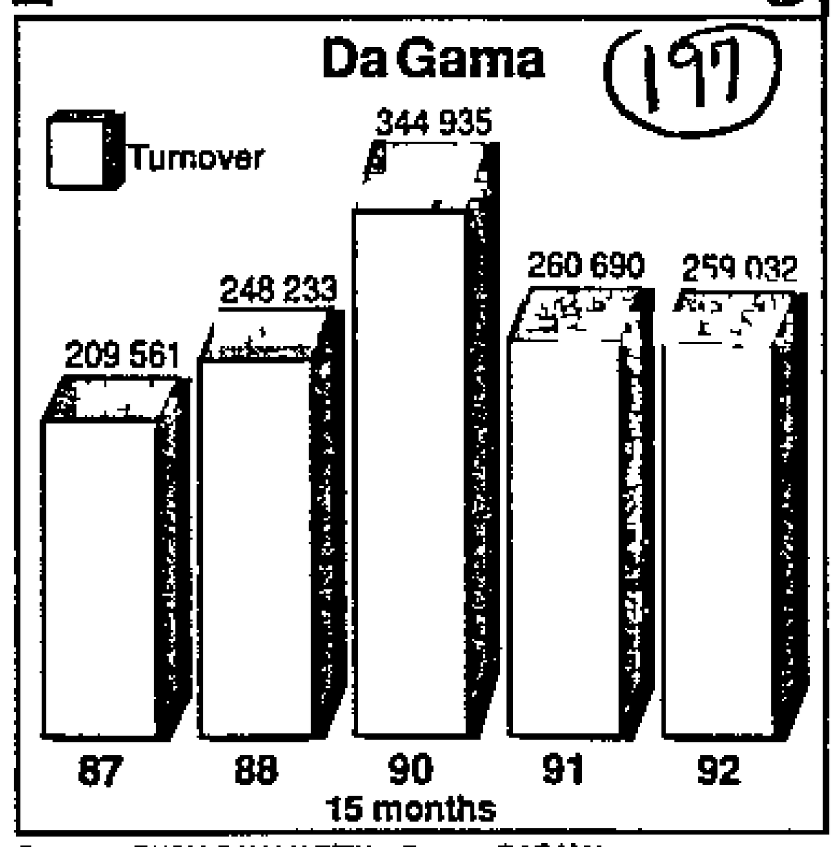
DUMA GQUBULE

TEXTILE manufacturing company Da Gama is hoping to mantain its earnings in the coming financial year But this will be a difficult task if competition from imports increases and the economy continues to shrink, CE Harry Pearce says in the company's 1992 annual review

In the year to end-March the SAB subsidiary reported a 29% decline in attributable earnings to R30m, or 58,9c a share The total payout came to 25,5c (1991 36c) a share

Chairman Laurie van der Watt said wide-ranging action was needed to bring about a significant reduction in the level of imports and help revitalise the local textile manufacturing industry

He said imports had climbed to new levels during the past year Imported fabrics now accounted for 40% of the SA market, again illustrating that import duties in place during the past year were



Graphics RUBY-GAY MARTIN Source DAGAMA

insufficient to protect the local industry against cheap imports from subsidised manufacturers in foreign countries

He said it was heartening that steps in this direction were now being taken The government had decided to implement certain short-term measures concerning the importation of a wide range of textiles and clothing

Van der Watt said the new tariff rates, which were gazetted at the beginning of May, were being studied But it was unlikely that they would benefit trading until the second half of the year

Pearce said Da Gama's future performance would be positively affected if recently introduced duty levels resulted in a material reduction in imports

Looking ahead, Pearce said improving cash management and stock turn would be a major element in Da Gama's plans for the coming year In the year to end-March working capital had increased by R29m, of which R24m had could be attributed to higher stocks

Sales in the second half of the year did not materialise to the extent expected and, as a result, the investment in inventory rose to higher than normal levels

Management focus in the coming year would be to reduce stock levels to more sustainable standards

Export zones report out

Business Day Reporter

BDay 17/6/92

AN IDC report on the establishment of export processing zones has found that local and regional development authorities and the private sector should be allowed to develop them

Released yesterday, it recommended the authorities and private sector should have freedom to develop the zones with state financial assistance The report was commissioned by the Trade and Industry Department

Director-general Stef Naudé said the zones could be achieved by offering customs-free import facilities, creating a favourable business climate and limiting regulatory restrictions and bureaucracy

"The IDC defines an export processing zone as a demarcated geographical area specialising in the manufacture of export products," Naudé said

The IDC also said EPZ's served a dual purpose, namely to create employment opportunities and to earn foreign currency by exporting manufactured goods

Fruit farming group positive about results

BDay 17/6/92

LINDA ENSOR

CAPE TOWN — Deciduous fruit farming group W B Holdings was reasonably optimistic about results for the year to end-December, 1992, chairman Robert Silverman said at its AGM yesterday

Predictions were difficult because fruit exports were en route to Europe and the company did not know what prices they would fetch Silverman said profits and dividends would not be less than last year when earnings increased by 28% to 57,92c (45,26c)

In the latest annual report Silverman said opening prices were higher than in 1991 due to Chilean and New Zealand fruit crops being lower than expected Also, the European carry-over stocks of apples and pears from 1991 were lower than usual and this had placed pressure on the marketplace

Although fruit volumes were higher this year, the quantity available for export did not rise commensurately due to the high quality product demanded by the export market

"The total crop of the group's farms is about 17% up on 1991 but unfortunately a large proportion of the fruit is rather small and not exportable," Silverman said

He said at the AGM that another problem was SA's high inflation compared to the low rate overseas which made it difficult to keep pace with costs in what was a labour intensive industry

New plantings had been progressively undertaken, he added In the annual report Silverman said increased water allocations from the Theewaterskloof Dam meant W B Holdings could develop an additional 200ha of orchards instead of the 100ha planned

Choice brings down losses

BDay 17/6/92

MICK ELLINGHAM

DCM-listed Choice Holdings has disclosed a net after-tax loss of R24 000 for the year ended February 1992 on the back of a 13% increase in turnover This follows a R1,3m loss in 1991

The company — which processes and distributes meat products and other foodstuffs — reported attributable losses of R290 000 resulting in a loss per share of 72c Last year the company's attributable loss was R1,8m which resulted in a 1500c loss per share

Choice MD Johnny Limberopoulos said "The year's results were affected by the continuing difficult trading conditions"

He said the company's improved results were a result of the rationalisation which had occurred during the year

CLOTHING & TEXTILES (197)

Missing the boat

FM 19/6/92

The clothing and textile industries are locked in an ideological struggle that is diverting them from what should be the real objective — becoming internationally competitive

The ingredients for success are there, it is just a question of marshalling them

That's the view of a visiting British consultant, Nottinghamshire-based Jim Aspinall, who says that, with the right priorities, the domestic clothing and textile industries have substantial growth potential and could quickly become significant job creators

He says the local clothing and textile industries suffer from the same malady that plagued its British counterparts in pre-Thatcherite Britain. And his view is supported by specialists from other parts of the world The comments come at a time when the clothing industry is protesting over new, higher tariffs temporarily imposed on textile imports last month under the much-maligned Hatty proposals.

Aspinall explains. "When Margaret Thatcher became prime minister, the UK's highly protected, but ailing, clothing and textile industries trembled — the Iron Lady made no secret of plans to abolish import tariffs that staved off competition from cheaper imported products.

"It was a case of adapt or die when she kept her promise And our industry trimmed down and then geared up to export The result, now, is an internationally successful industry employing 1,25m people "

Similarly, he adds, the SA industries are preoccupied with salvation through tariffs and the infighting between textile and clothing manufacturers as to where the duties should be applied "There's this perception that you can't compete internationally because of labour problems But your problems are management, not worker-related. Your factories are well-equipped with modern technology and staffed by competent people

"But your managers are still trapped by a siege mentality Instead of looking to exploit new export potential, they want to hide behind duties "

Cont'd

He concedes that scrapping these duties could see the demise of inefficient sectors of the industry, but this would be more than compensated for by the growth of the efficient ones

His view is endorsed by Sunil Mirpuri, export manager for Thailand clothing manufacturer Shalimars During a recent Thai trade delegation visit to SA, Mirpuri said he'd come to SA to scout a possible manufacturing or distribution base in the region "But we won't invest here because the industrial policies lack direction Added to that, inflation is high, interest rates are high, the corporate tax rate is too high at 48%, and exchange control regulations are onerous

"If that wasn't enough, there seems to be a great deal of confusion over industrial policy between organisations such as the SA Foreign Trade Organisation and the Department of Trade & Industry One says they are liberalising and the other says SA will remain protectionist There is also doubt over anti-dumping measures and SA's compliance with Gatt "

He points out that since Thailand scrapped protective duties for clothing and textiles, these industries have contributed considerably towards the country's growth (now averaging 8% a year) ■

Call renewed for cotton subsidy

STAR 22/6/92

By Des Parker (197)

DURBAN — Fabric manufacturers are paying substantial premiums on prices elsewhere in the world for raw cotton and polyester, says Textile Federation president Wallace Grace

Repeating calls for a cotton subsidy to be paid to farmers, Mr Grace says SA textile mills pay almost 74 percent more for the material than do their counterparts in the fabric-producing countries in the Far East.

While local manufacturers are tied to a price of R4,72/kg, the approximate subsidised price in Pakistan, India and China is R2,72.

US companies pay the equivalent of R3,43/kg, while the world price is around R3,86, he writes in the latest edition of the federation's Textile Topics newsletter

"Due to the size and age of SA's polyester plants, the price in the Far East is about 35 percent lower.

"Since mills cannot compete on this basis, raw material input costs must be addressed

"A cotton subsidy to the SA farmer — equivalent to that granted in all cotton-producing countries — is required so that the maximum price paid by textile manufacturers at least equates with that of the US"

Earlier this year, the Government cited unaffordability when it rejected a subsidy as part of a trade protection plan formulated by the Hatty Committee.

The plan, an 18-month interim structure of import duties and quotas based on recommendations by a committee of players in the textile and clothing field chaired by Barlow Rand executive Paul Hatty, attracted controversy when garment makers claimed it would cost companies their business and employees their livelihoods

Textile producers have cautiously welcomed it Mr Grace says textile producers should feel the benefits in about six months' time when their volumes start rising as imports are cut.

However, he says, a long-term programme for introduction at the end of the 18 months will have to include measures to alleviate raw-material costs of the fabric producers if the sector is to survive without excessive duties and a quota system

Apart from a cotton subsidy, he calls for capital grants for upgrading and rebuilding plant, tax-breaks for manufacturers, capital allowances and other unspecified incentives

New MD Sales Hou

By Stephen Cranston

Arthur da Costa, Edgars distribution services arm, UP appointed MD of

He replaces who resigned ea week to return to of British Shoe Corp

Edgars corporat rector Fred Haupt son's resignation w ed and purely for sons

Mr da Costa, a joined Edgars in worked in both the Sales House chains

Edgars says has joined the Mr Cousins is Celrose and MD of vestment Holdings.

85% turnout after strike (197)

MARITZBURG — Mooi River Textiles reported an 85% turnout of its workforce yesterday — the second day of the re-opening of the factory after a strike. CT 24/6/92

NINIAN & LESTER FM 26/6/92

Slower orders

[redacted] 197

Profitability and the financial structure both weakened during last year The main problem was that order intake continued to slow and delivery lead times also shortened Most of the divisions worked short time

Turnover increased by only 5,9%, indicating a decline of some 5% in volumes The result was narrower trading margins, as well as a larger working capital funding requirement Inflation and the introduction of VAT contributed to increased investment in stock and debtors, net working capital ballooned by 21% VAT alone added R3m to working

Cont

[redacted] 197

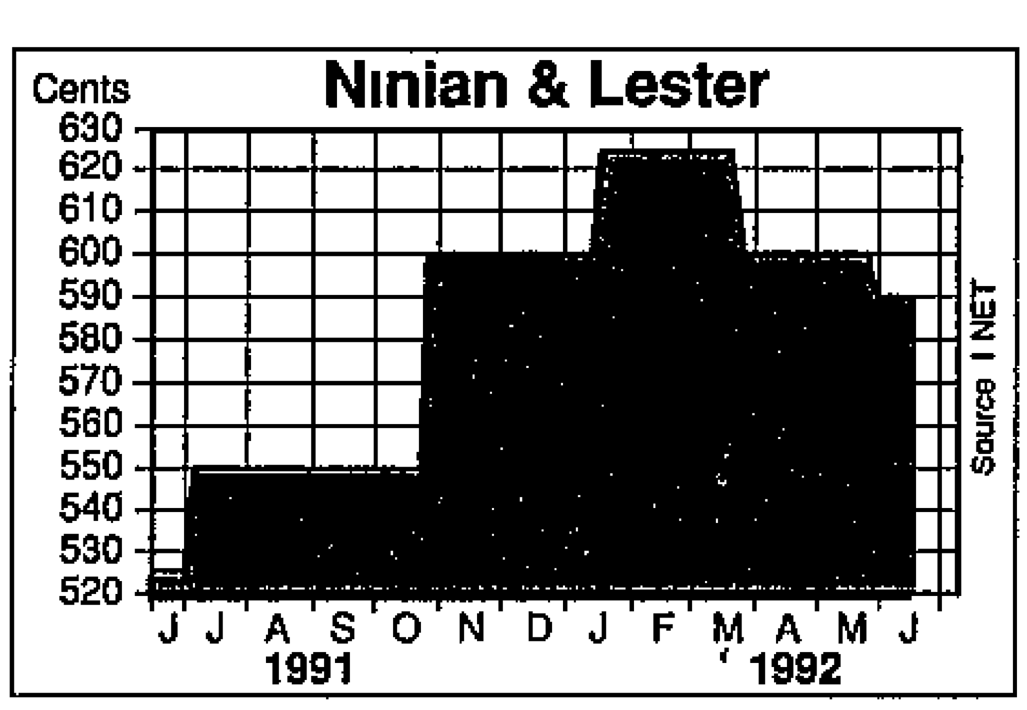
Activities: *Manufactures textiles, clothing and hosiery*
Control: *Directors 52,7%*
Chairman: *M R A McElligott, MD D M Drysdale*
Capital structure: *3,2m ords Market capitalisation R19m*
Share market: *Price 590c Yields 5,3% on dividend, 20,2% on earnings, p e ratio, 5,0, cover, 3,8 12-month high, 625c, low, 550c Trading volume last quarter, 11 000 shares*

Year to Dec 31	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	2,0	5,2	7,3	16,5
LT debt (Rm)	4,0	4,0	4,3	4,4
Debt equity ratio	0,19	0,23	0,20	0,33
Shareholders' interest	0,53	0,55	0,57	0,56
Int & leasing cover	6,6	3,7	3,6	2,6
Return on cap (%)	20,9	19,7	16,4	12,5
Turnover (Rm)	20,7	29,8	39,3	5,9
Pre-int profit (Rm)	12,1	14,3	16,6	13,8
Earnings (c)	236,8	261,5	182,3	119,3
Dividends (c)	65	73	51	31
Net worth (c)	954	1 221	1 443	1 533

capital

With the interest burden also worsening, pre-tax profit fell by almost two-fifths The greatly increased funding requirement — despite capex being cut from R8,1m to R6,7m — was met largely through short-term borrowings, which more than doubled to R16,5m At 0,33, gearing is the highest since the company's listing in 1969

Chairman Matthew McElligott says profit fell in the textile division, which experienced a particularly difficult year because of the recession and competition from imports The clothing division fared little better, with efficiencies hampered by the shortening lead times Results from the underwear division improved due to tight cost controls and growth in market penetration, but the outerwear divisions made losses



He says trading conditions in the first four months of 1992 were worse than in the same period last year Extremely difficult trading conditions are likely for the rest of the year

Last week, the SA Clothing and Textile Workers Union (Sactwu) declared a wage dispute with employers in the clothing industry If settlement is not reached, a strike may well take place in the first week of July As Ninian & Lester operates in both these industries, a strike could depress the company's margins further

The clothing operations reorganised during 1991, by way of moving one underwear division's operations to those of another Two outerwear divisions were combined and moved to new leased premises

At 590c, the share stands at less than a third of the 1 533c NAV The p e of 5 (up from last year's 2,9) is in line with the sector average There is no incentive to buy

Kate Rushton

TEXTILES & CLOTHING (197)

FM 26/6/92

End of the truce?

The lull in the war between the labour-intensive clothing sector and capital-intensive textile industry is over The National Clothing Federation (NCF) has decided to withdraw its support for the "iniquitous" import quota system which, coupled with massively increased tariffs on imported fabrics outside of the quota, was proposed by the Hatty committee

Government, it seems, will now be forced to go back to the drawing board to determine a new interim ruling on quotas and tariffs governing imported textiles The Hatty proposals, the subject of discussions between the textile and clothing camps this year, were formally gazetted on May 1 and are said to have created chaos in the R4bn-a-year clothing sector

They were supposed to create a mutually acceptable, temporary quota and tariff agreement that would run for 18 months while a still-to-be-appointed committee of government, industry, labour and cotton growers thrashed out a long-term agreement on imports

The dispute between the two groups has a long history The Hatty proposals were the third attempt since 1989 to resolve the conflicting interests between textile producers and clothing manufacturers The two approach the question of imports from opposite positions higher levels of imports prejudice the viability of textile producers, while clothing manufacturers argue that their livelihood is threatened if they can't get access to sufficient quantities of low-priced cloth

Considering the complex nature of the dispute, there is a pervasive feeling that government's new committee has little hope of finding a more permanent solution to the problem

NCF executive director Hennie van Zyl says "We are at loggerheads again The NCF has met more than 800 clothing manufacturers over the past few weeks and they are unanimous in their rejection of the Hatty proposals "

The NCF has also called on the Board on Tariffs & Trade (BTT) to re-institute its 1991 proposals for an amended structural adjustment programme for the two industries The reason is that it now sees scope for negotiating lower tariffs with government Conversely, it feels the present punitive quota system threatens to destroy a large percentage of smaller clothing manufacturers

"With hindsight, we would have been better off if we had stuck with the board's 1991 plan and negotiated a better tariff deal with the textile industry In fact, several textile industry spokesmen at that stage indicated that they were quite prepared to consider reducing the original call for a temporary doubling of fabric tariffs from 20% to 40%," says Van Zyl

While he and the NCF may be viewing the 1991 proposals in a new light, the Textile Federation remains bitter that valuable time has been lost by their quibbling

"Going back to the 1991 plan means that months will be lost in which the essential restructuring process could have progressed It would also seem that clothing industry representatives on the Hatty committee were not speaking on behalf of the entire industry," says Textile Federation executive director Brian Brink

Van Zyl admits that the clothing sector may have been short-sighted in rejecting the 1991 plan out of hand The Hatty quota system is now perceived as being the worst of the two options

For the clothing industry, the problem since May 1 has been the unavailability of cloth — even if importers are prepared to pay the massively increased tariffs In addition, the secondary market in import quotas has created further chaos as importers scramble to get scarce permits to bring in competitively priced fabric The textile industry, on the other hand, appears to be happy with the status quo which effectively means it is protected by higher tariff walls

But even Brink realises that the quota system, in its present form, is not equitable — though he would prefer its retention, in amended form, during the interim period

Quotas allowed

"The two main problems with the Hatty proposals are the size or scope of the quotas allowed (46% of current import levels) and the high levels of tariffs gazetted for imports beyond the quotas The problem could be resolved by allowing import quotas at levels between 1989 and 1991 import volumes "

However, Van Zyl feels a quota system is unacceptable "We are getting more flak from overseas trading partners in the Republic of China and elsewhere who oppose such a unilateral restriction on imports The quota system may be harming our trade relations, especially when viewed against the background of attempts to resolve global trading problems at the Uruguay round of Gatt "

While these differences rage on, have some sympathy for the BTT

"Even Solomon would find it impossible to reconcile the opposing positions of the two sectors," says BTT deputy chairman Helgaard Muller

"In 1989, the textile industry was originally in favour of and later against our structural plans for the two industries The opposite applied to the clothing sector Then, in 1991, the NCF first supported and later opposed our proposals, while the opposite applied to the Textile Federation Now the NCF opposes the Hatty plan while the textile industry supports it," says an exasperated Muller

He confirms that the BTT is now looking at developing a new interim ruling on imports as a matter of "utmost urgency We cannot allow the uncertainty to continue " It seems that by trying to structure a temporary interventionist measure through the Hatty committee, government has allowed its predilection for protectionism to create more problems

It is hoped the lesson has also shown that the way for SA to move is away from high tariffs and towards a globally competitive economy — the only sure recipe for growth, investment and reduced inflation ■

TELKOM FM 26/6/92

Subscribers' distress

Competitions — rather than psychological (for which, read sexual) advice — have tarnished Telkom's public image Some subscribers face telephone accounts running to thousands of rands The major cause appears to be the unauthorised use of domestic telephones to submit premium-rated 087 competition entries

Telkom MD Danie du Toit announced on Tuesday that customers connected to electronic exchanges will be able — with immediate effect — to bar any use of 087 numbers at the exchange, for a fee of R20 To reinstate the facility costs another R20

Clients connected to electromechanical exchanges will have to wait about six months for an equivalent barring device — which Telkom is developing This system will be available to rent In the interim, Telkom is offering a lockable telephone jack at a (heavily subsidised) cost of R7,50

Associated with the problem of unauthorised calls to 087 numbers is the recent problem of errors in telephone accounts Telkom acknowledges that a considerable number of incorrect accounts were recently posted in Verwoerdburg and Illovo, Johannesburg These are being corrected

Telkom says it is unlikely its own staff have been calling 087 numbers from clients' telephones in the course of service visits — in view of the "high ethical standards required of staff and the threat of summary dismissal if such conduct is discovered "

Neil Jacobsohn, chairman of the Premium Rated Association of SA (Prasa), considers Telkom is overreacting to what is admittedly a genuine problem He argues it would be absurd and self-penalising for Telkom to

Cont

Unispin 'unable to cover debts

GAVIN DU VENAGE (197)

TEXTILE company Unispin did not have the capacity to meet its debt commitments, and other companies in the industry might not be much better off, Republic Ratings said yesterday.

Republic director Dave King said Unispin's ability to honour long-term debt was accorded a CC rating, its short-term capacity was a C1. B/Day 3/7/92

"While the Hatty commission's recommendations should help it to recover some lost market share and bolster margins in the short term . . this will be insufficient to enable it to service its heavy debt burden," he said.

Unispin chairman Robert Wachsberger said yesterday the company was in the process of restructuring "with the full support of our bankers"

King said that once Unispin had made a recapitalisation issue, the company would be rerated. However, prospects for such an issue were hampered by the group's 40c share price.

TABEL 2 • TABLE 2

Soort oliesade Kind of oilseeds	Spesiale heffing per ton (BTW ingesluit) Special levy per ton (VAT included)
	R
1 Gedopte eetgrondbone/Shelled edible groundnuts	11,00
2 Ongedopte eetgrondbone/Unshelled edible groundnuts	7,98
3 Gedopte persgrondbone/Shelled crushing groundnuts	1,10
4 Ongedopte persgrondbone/Unshelled crushing groundnuts	0,80
5 Sonneblomsaad/Sunflower seed	—
6 Eetmark sojabone/Edible market soya beans	15,40"

DEPARTEMENT VAN MANNEKRAG

No. R. 1861 **3 Julie 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

KLERASIENYWERHEID, TRANSVAAL WYSIGING VAN HOOFOOREENKOMS

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Desember 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is, en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousule 1 (1) (a) met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Desember 1992 eindig, bindend is vir alle ander werkgewers en werknemers as die genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer

G. M E. CARELSE,

Adjunkminister van Mannekrag

BYLAE

NYWERHEIDSRAAD VIR DIE KLERASIENYWERHEID (TRANSVAAL)

HOOFOOREENKOMS

ingevolge die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Transvaal Clothing Manufacturers' Association

(hierna die "werkgewers" of die ' werkgewersorganisasie" genoem), aan die een kant, en die

South African Clothing and Textile Workers' Union

(hierna die werknemers" of die vakvereniging" genoem) aan die ander kant

DEPARTMENT OF MANPOWER

No. R. 1861 (197) **3 July 1992**

LABOUR RELATIONS ACT, 1956

CLOTHING INDUSTRY, TRANSVAAL AMENDMENT OF MAIN AGREEMENT

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 December 1992, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union, and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 December 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement

G. M. E. CARELSE,

Deputy Minister of Manpower

SCHEDULE

INDUSTRIAL COUNCIL FOR THE CLOTHING INDUSTRY (TRANSVAAL)

MAIN AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Transvaal Clothing Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisation"), of the one part, and the

South African Clothing and Textile Workers' Union

(hereinafter referred to as the "employees" or the trade union"), of the other part, wat die partye is by die Nywerheidsraad vir die Klerasienywerheid (Transvaal),

tot wysiging van die Hoofooreenkoms gepubliseer by Goewermentskennisgewing R 3149 van 24 Desember 1991, soos hernieu by Goewermentskennisgewings R 242 van 10 Januarie 1992 en R 1064 van 16 April 1992

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word—

(a) deur alle werkgewers wat lede van die werkgewersorganisasie is en by die Klerasienywerheid betrokke is en deur alle werknemers wat lede van die vakverenigings is en in die Nywerheid werksaam is,

(b) in die provinsie Transvaal

(2) Hierdie ooreenkoms is nie van toepassing op patroonmakers, patroongradeerders, voormanne en ambagsmanne wat meer as 15% meer as die minimum loon wat op hulle kategorie werk van toepassing is, verdien nie

2. KLOUSULE 4: LONE

Vervang klousule 4 (1) deur die volgende.

"4 LONE

(1) Behoudens subklousules 2 (a), 2 (b), (3), (5) en (6) van hierdie klousule is minstens die volgende weeklikse minimum lone betaalbaar aan ondervermelde kategoriee werknemers vanaf die eerste betaaldag na die inwerkingtreding van hierdie Ooreenkoms en op elke betaaldag daarna Met dien verstande dat leerlinge wie se verhoogde ondervinding soos op 31 Desember 1991 hulle geregtig maak op 'n hoër loon ingevolge die tabel hieronder, die verhoogde loon betaal word vanaf die eerste betaaldag na inwerkingtreding van die Ooreenkoms en op die betaaldag daarna

being the parties to the Industrial Council for the Clothing Industry (Transvaal), (197)

to amend the Main Agreement ~~published under Government~~ Notice R 3149 of 24 December 1991, as renewed by Government Notice R 242 of 10 January 1992 and R 1064 of 16 April 1992

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed—

(a) by all employers who are members of the employers' organisation and who are engaged in the Clothing Industry, and by all employees who are members of the trade union and who are employed in that industry,

(b) in the Province of the Transvaal

(2) The terms of this Agreement shall not apply to pattern makers, pattern graders, foremen and artisans earning in excess of 15% above the minimum wage applicable to their category of work

2. CLAUSE 4: WAGES

Substitute the following for Clause 4 (1)

"4 WAGES

(1) Subject to the provisions of subclauses 2 (a), 2 (b), (3), (5) and (6) of this clause, not less than the following weekly minimum wages shall be paid to the undermentioned categories of employees from the first pay-day after the coming into operation of this Agreement and on each pay-day thereafter Provided that learners whose increased experience as at 31 December 1991 entitles them to a higher wage in terms of the table below shall be paid the increased wage from the first pay-day after the coming into operation of this Agreement and on each pay-day thereafter

VOORGESKREWE LOONSKALE VIR KLERASIEWERKERS (TVL.) VIR DIE TYDPERK 92-01-01 TOT 92-06-30

Kategorie	Beroep	Gekwalifiseerd	9de ½ jaar ond	8ste ½ jaar ond	7de ½ jaar ond	6de ½ jaar ond	5de ½ jaar ond	4de ½ jaar ond	3de ½ jaar ond	2de ½ jaar ond	1ste ½ jaar ond
		P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week
		R	R	R	R	R	R	R	R	R	R
A	Patroonmaker en/of -gradeerder	360,64	334,71	308,79	282,87	256,95	231,03	205,11	179,19	153,27	127 35
B	Afmerker	299,09	279,99	260,91	241,83	222,75	203,67	184,59	165,51	146,43	127 35
C	Werktuigkundige	291,69	273,43	255,17	236,91	218,65	200,39	182,13	163,87	145,61	127,35
D	Uitsnyer, snyer en/of hersnyer, negatiefmaker, skermmaker (graveerder), skermdrukker, monstersnyer	217,16	Q	Q	Q	Q	199,19	181,23	163,27	145,31	127,35
E	Naaimasjienwerker, afwerker, operateur van 'n ketelmasjien, omsluitsteekmasjien en/of naaimasjien, fynstopper, borduurder, borduurmasjienwerker (behalwe borduurmasjienbediener), sierlaswerker, kraleaanwerker en/of handplooier, ryger, fatsoeneerder, saampasser, nasiener, parser van kledingstukke, assistentskermmaker (graveerder) assistentskermdrukker, donkerkamerassistent, meng-en filtreerbediener, oond- en droogmaakbediener, skermkontroleur skermbereider, aanstrykerbereider en versendingsverpakker	184,00	Q	Q	Q	Q	Q	169,83	155 67	141 51	127 35
F	Assistenttoesighouer, versendingsklerk, fabrieksklerk magasynman	233,05	Q	Q	Q	Q	Q	210,04	197 02	184 00	127 35
G1	Ander parsers nie elders vermeld nie, voorparser, parser van hemde, dasse, pajamas en ander nagklere, hoede, pette, onderklere, breidrag, voorskote, oorpakke en bloese sonder kant, borduurwerk, opnaaisels en handgemaakte plooie, masjiendryfbandhegter, onderhoudsassistent, laagopleer, gewone naaldwerker, operateur van 'n knoopoortrekmasjien, ritssluitmasjien en/of plooimasjien werknemer betrokke by die trubenisering van boordjies en/of perssnyer en fatsoeneerder volgens patroonplaat, algemene werker, appliekknipper, natrekker en/of merker en/of ramer, plooiwerker borduurmasjienbediener	150,11	Q	Q	Q	Q	Q	144 42	138 73	133 04	127 35

Kategorie	Beroep	Gekwalifiseerd	9de ½ jaar ond	8ste ½ jaar ond	7de ½ jaar ond	6de ½ jaar ond	5de ½ jaar ond	4de ½ jaar ond	3de ½ jaar ond	2de ½ jaar ond	1ste ½ jaar ond
		P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week
		R	R	R	R	R	R	R	R	R	R
G2	Alle werknemers geklassifiseer as G1 wat op 1987-12-31 gekwalifiseerd was, behalwe algemene werker, appliekknipper, natrekker en/of merker en/of ramer	152,58									
H1	Voorman	492,07									
H2	Toesighouer	268,53									
H3	Ambagsman	561,25									
H4	Arbeider, bromponiedrywer en/of keteltoesighouer	169,56									
H5	Wag	200,16									
H6	Drywer van 'n ligte motorvoertuig	194,40									
H7	Drywer van 'n swaar motorvoertuig	210,52									
	Monstermasjienwerker	211,60									

PRESCRIBED WAGE SCALES FOR CLOTHING WORKERS (TVL.) FOR THE PERIOD 92-01-01 TO 92-06-30

Category	Description of occupation	Qualified	9th ½ year exp	8th ½ year exp	7th ½ year exp	6th ½ year exp	5th ½ year exp	4th ½ year exp	3rd ½ year exp	2nd ½ year exp	1st ½ year exp
		P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week
		R	R	R	R	R	R	R	R	R	R
A	Pattern maker and/or grader	360,64	334,71	308,79	282,87	256,95	231,03	205,11	179,19	153,27	127,35
B	Marker-in	299,09	279,99	260,91	241,83	222,75	203,67	184,59	165,51	146,43	127,35
C	Mechanic	291,69	273,43	255,17	236,91	218,65	200,39	182,13	163,87	145,61	127,35
D	Chopper out, cutter and/or re-cutter, negative maker, screen maker (engraver), screen printer, sample cutter	217,16	Q	Q	Q	Q	199,19	181,23	163,27	145,31	127 35
E	Sewing machinist, finisher, operator of a linking, overlocking and/or sewing machine, invisible mender, embroiderer, embroidery machinist (other than embroidery machine minder), fagotter, beader and/or pleater by hand, baster, shaper, fitter up, checker, presser of garments, assistant screen maker (engraver), assistant screen printer, darkroom assistant, mixing and filtering operator, oven and curing operator, screen controller, screen preparer, squeegee preparer and dispatch packer	184,00	Q	Q	Q	Q	Q	169,83	155,67	141,51	127,35
F	Asst supervisor, despatch clerk, factory clerk, storeman	233,05	Q	Q	Q	Q	Q	210,04	197,02	184,00	127,35
G1	Other pressers, not provided for elsewhere, underpresser, presser of shirts, ties, pyjamas and other nightwear, hats, caps, underwear, knitwear, aprons, overalls and blouses without lace, embroidery, tucks and handmade pleats, machine belt fixer, maintenance assistant layer-up, plain sewer, operator of a button covering, zip tacking and/or pleating machine, employee engaged on the truoenizing of collars and/or clicker and shaper by template, general worker, applique cutter, tracer and/or marker and/or framer, pleater embroidery machine minder	150,11	Q	Q	Q	Q	Q	144,42	138,73	133,04	127 35
G2	All employees classified in G1 who were qualified as at 1987-12-31, other than general worker, applique cutter, tracer and/or marker and/or framer	152,58									
H1	Foreman	492,07									
H2	Supervisor	268,53									
H3	Artisan	561,25									
H4	Labourer, scooter driver and/or boiler attendant	169,56									
H5	Watch	200,16									
H6	Driver of a light vehicle	197,40									
H7	Driver of a heavy vehicle	210,52									
	Sample machinist	211 60									

(2) Vervang klousule 2 (b) deur die volgende tabel

Werkskategorie	Kolom 1	Kolom 2
	R	R
A	336,73	23,91
B	279,27	19,82
C	272,25	19,44
D	202,76	14,40
E	170,00	14,00
F	208,26	14,79
G1	137,60	12,51
G2	140,80	11,78
H1	463,00	29,07
H2	250,73	17,80
H3	524,04	37,21
H4	156,60	12,96
H5	186,40	13,76
H6	183,60	13,80
H7	196,56	13,96
Monstermasjienwerker	195,50	16,10"

3. KLOUSULE 6: KORTTYD

(1) In subklousule (1), vervang die bedrag "R1,40" deur die bedrag "R2,80"

Op hede die 7de dag van Februarie 1992 te Johannesburg onderteken

W. ARON,
Voorsitter

N. RATSHIDI,
Ondervoorsitter

L WANNENBURG,
Sekretaris

No. R. 1862 **3 Junie 1992**

WET OP MANNEKRAGOPLEIDING, 1981
(WET No 56 VAN 1981)

LUGRUIMNYWERHEID OPLEIDINGSRAAD AANWYSING VAN AMBAGTE EN VOORSKRYWING VAN LEERVOORWAARDES

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, handelende kragtens artikel 13 van die Wet op Mannekragopleiding, 1981—

(a) trek hierby, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing, Goewermentskennisgewing No R 1987 van 13 November 1970 (soos toegepas by Goewermentskennisgewing No R 307 van 5 Maart 1971), soos gewysig by Goewermentskennisgewings Nos R. 1945 van 25 Oktober 1974 (soos toegepas by Goewermentskennisgewing No R 10 van 10 Januarie 1975) en R 1141 van 24 Junie 1977 (soos toegepas by Goewermentskennisgewing No R 1810 van 9 September 1977), in Met dien verstande dat die klousules betreffende leertyd, tegniese studies, betaling van klas-, kursus- en eksamengelde, ambagstoetse en opleidingskursusse in die Leervoorwaardes voorgeskryf by genoemde Goewermentskennisgewing, van toepassing bly ten opsigte van vakleerlinge wie se kontrakte van vakleerlingskap aangegaan is voor die datum van inwerkingtreding van hierdie kennisgewing,

(2) Substitute the following for the table under clause 2 (b)

Job category	Column 1	Column 2
	R	R
A	336,73	23,91
B	279,27	19,82
C	272,25	19,44
D	202,76	14,40
E	170,00	14,00
F	208,26	14,79
G1	137,60	12,51
G2	140,80	11,78
H1	463,00	29,07
H2	250,73	17,80
H3	524,04	37,21
H4	156,60	12,96
H5	186,40	13,76
H6	183,60	13,80
H7	196,56	13,96
Sample machinist	195,50	16,10"

3. CLAUSE 6: SHORT TIME

(1) In subclause (1), substitute the figure "R2,80" for the figure "R1,40"

Signed at Johannesburg this 7th day of February 1992

W. ARON,
Chairman

N. RATSHIDI,
Vice-Chairman

L. WANNENBURG,
Secretary

No. R. 1862 **3 June 1992**

MANPOWER TRAINING ACT, 1981
(ACT No 56 OF 1981)

AEROSPACE INDUSTRY TRAINING BOARD DESIGNATION OF TRADES AND PRESCRIPTION OF CONDITIONS OF APPRENTICESHIP

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, acting in terms of section 13 of the Manpower Training Act, 1981—

(a) hereby withdraw, with effect from the second Monday after the date of publication of this notice, Government Notice No R 1987 of 13 November 1970 (as applied by Government Notice No. R 307 of 5 March 1971), as amended by Government Notices Nos R 1945 of 25 October 1974 (as applied by Government Notice No R 10 of 10 January 1975) and R 1141 of 24 June 1977 (as applied by Government Notice No R 1810 of 9 September 1977) Provided that the clauses pertaining to period of apprenticeship, technical studies, payment of class, course and examination fees, trade tests and courses of training in the Conditions prescribed by the said Government Notice, shall remain applicable in respect of apprentices whose contract of apprenticeship was entered into prior to the date of coming into operation of this notice;

Changes to controversial textile plan expected

94F

STAR 2/12/92

197

By Tom Hood

Stronger anti-dumping action against cheap imports of clothing and textiles could be taken by the government before the end of the year.

This emerges from disclosures that proposals to solve the "Hatty debacle", which threatens smaller firms in both industries, are expected to be gazetted before the end of the month.

A quota system and sharply higher import duties were among trade protection measures devised by a committee headed by Paul Hatty, a Barlow Rand executive, and sprung on the industries in May.

Small clothing and textile manufacturers attacked the Hatty measures as a threat to their survival and claimed that the giant companies would benefit most.

The Textile Wholesalers Association said the cost of clothing at the lower end of the market would double as a result of the higher import duties

After weeks of argument, top officials of the National Clothing Federation and Textile Federation are reported to have agreed to changes to the Hatty plan.

The agreement is being considered by the Director-General for Trade and Industry, Dr Stef Naude, and industry officials expect details to be published soon in the Government Gazette.

"There is the possibility that this agreement, like the last one, will be circulated by the government for further comment," said a Cape clothing manufacturer.

"If that happens it will add to the uncertainty. We are trying to quote prices to large customers for next winter, but we don't know what we will pay for imported textiles.

"This uncertainty is turning business into a gamble."

According to industry sources, the quota system is likely to end on October 30 and be replaced by a simplified duty system.

Trans Hex looking to export markets

By Marc Hasenfuss 197

CAPE TOWN — The Trans Hex group is looking to develop lucrative export markets in the current year, chairman François Hoffman says in his annual review STAR 3/7/92

"We are concentrating on all aspects of our business which influence profitability and which are under our control"

These relate mainly to cost items, productivity improvements and a specific effort to develop an export market for certain industrial products after encouraging initial market surveys

The group is also budgeting for a marginal improvement of diamond prices and sales in the current year

However, Mr Hoffman expects most of the industrial mineral products operations to remain under pressure

He says ongoing investigations into possible diamond prospects in South Africa and elsewhere will continue

"Our reducing participation in a Botswana exploration programme is continuing The assessment of potential projects farther afield is under way"

SANS plans 15% boost in exports

197 CT 3/7/92

By MAGGIE ROWLEY
Deputy Business Editor

IN SPITE of the global recession exports by South African Nylon Spinners are expected to rise by a further 15% to R140m during the current financial year, says MD Peter Boxall.

In an interview, Boxall said exports had proved to be the "lifeblood" of the company, and had helped offset the drop-off in domestic demand and avoid retrenchments during the country's longest post war recession

Without exports, says Boxall, SANS' plants would be running at only about 65% of capacity "which as any manufacturer in this business knows is too low to run a profitable organisation"

Tax burden

However maintaining export markets and stimulating further growth required a commitment to investment for growth.

"And this is where South Africa is at a disadvantage as the rewards on investment are negatively affected by the country's relatively high corporate tax burden

"This coupled with a consistently high rate of inflation and the current structure of tax allowances results in a substantial premium for SA corporations and limits our ability for growth in the export market

"These factors undermine the viability of certain capital investments and SANS has had to put off a number of projects as a result

"And we can show that given the equivalent plant and operating costs these projects would have rendered a good return on investment in almost any other country

"Unless this situation improves, not only will it discourage foreign investment in SA but it could see a number of local industries moving plant offshore," he warns

Boxall said in spite of these restraints SANS has historically invested in plant ahead of growth in domestic demand

"In the early days we allowed 10 to 15% of capacity for export but now we are looking at specific investments for identified export growth areas But this again will be limited by the present tax environment."

Exporting to 35 countries in Europe, Australasia and Africa SANS is now back actively re-establishing itself in the US after six years of sanctions Prior to 1986, the US market had been its largest export area but this had been lost overnight and alternative markets had had to be found.

"This re-entry will be slow, but there is great potential for growth without upsetting the major players over there."

When SANS first entered the export market in 1980, it was with a short-term perspective and on a marginal selling basis to fill plant capacity

"But we learned an enormous amount, most importantly it improved our awareness of global markets and product development and has enabled us to keep a much more stable employment rate

"In recent years we have begun moving away from marginal towards fully competitive returns In other words we are striving to produce competitive products for competitive returns so that we can reinvest for future growth," he says

Low labour costs

South African exporters, he says, have one common advantage over competitors, namely a combination of moderate labour and energy costs and available technology

"This allows us to fill gaps vacated by big players who have gone more high-tech looking for larger markets This advantage will remain as long as labour costs in SA remain competitive with Western countries "

Another negative for export growth, he said, was that currency movements in recent years had not kept pace with inflation with the rand remaining fairly stable in the face of high inflation

"We believe the rand is ultimately overvalued and there is a fair amount of room for depreciation.

COMPANIES

TV ads reach for rural areas

MARCIA KLEIN

SA's first national rural television service, aimed at advertising to more than 15-million consumers at rural trading stores, has been launched by Complete Holdings

The company launched Africa TV to market fast-moving consumer goods to the rural areas It will start on January 1

Complete MD Paul Bateman said the rural market comprised about 15,4-million consumers who spent R4,5bn in 1991 on fast- B/Day 7/7/92 moving consumer goods This was a sector which had been "frustratingly difficult to reach with advertising".

Research had shown there was a market for a cost effective, audiovisual advertising medium directed at rural black consumers in their own languages

About 1 000 television monitors and VCRs would be installed at rural retail stores Africa TV would include sport, drama, music and entertainment with advertising, which would run together with special point of sale promotions

Bateman said the launch had seen a promotional idea turn into a full blown media product The TV sets would be installed in areas which could not receive normal transmissions. Taped programmes were the only available television and Africa TV was buying programmes from major television stations Bateman said a pilot study had shown up to a 60% positive effect on store turnover

Investors pump R20m into international fund

B/Day 7/7/92

GAVIN DU VENAGE

STANDARD Bank's International Fund had attracted R20m from about 2 800 new investors since its launch in May, the bank's fund managers said in their quarterly report released yesterday

The fund invests specifically in blue chip companies with a large part of their business interests outside SA, or which have a major portion of their earnings sourced abroad

MD Derick Finlayson said in the report on the five funds in the bank's stable that although the fund was only 75% invested at the quarter end, the intention was to increase exposure to international counters

He said the fund was established to enable investors to divert their asset base beyond SA without becoming entangled in foreign exchange control laws

The bank's other new addition, the Industrial Fund, drew in R5m from 1 000 new clients

This fund's holding of 40% equity reflected the view that industrial shares were currently "expensive territory"

The Mutual Fund outpaced inflation and the JSE All Share Index, with one- and five-year returns of 20% and 18% respectively Asset levels are R596m — up from the March quarter end of R552m — and liquidity levels were kept at 40%.

The Gold Fund recorded losses of 13% and 5% for the past one- and five-year periods respectively The Extra Income Fund gave real return rates of 17% for the one- and five-year periods

Meanwhile, unit trust investment advisers Consolidated Fund Managers warned yesterday that equity markets were drastically overvalued and may be heading for a major correction.

MD Clive Fox said while he would normally argue for long-term retention of investment in equity unit trusts, valuations were so out of line with economic reality, that unit trust investors should urgently examine various options available to them

Latest ratings also ignored political uncertainty, and if the mood failed to improve, markets should correct downwards

Textile tycoon buys Minelli

LINDA ENSOR (177)

CAPE TOWN — Textile entrepreneur Johan Claasen has bought Minelli Handbags from property-owning brothers David, Irving and Jeffrey Solomon B/Day

The business produces 2 000 handbags a day and is said to be one of the biggest manufacturers of its kind in the country. Claasen has acquired the business plus the Minelli and Cameo trade names 7/7/92

The deal was negotiated by broker Seeff-MAG's Justic Letschert, who said the talks were protracted

Claasen, who co-owns the 15-store fabric supply chain Starlite Textile with partner Peter Zulch, said he intended entrenching the Minelli and Cameo handbag ranges as market leaders supplying major chains

EXECUTIVE SUIT

Lean Debonair chases sales

197

Own Correspondent

CAPE TOWN — The Debonair group, which incurred a loss of 79,4c a share in the year to February 1991, had been hit by falling demand because of the recession, chairman Justin Schaffer told shareholders at the AGM yesterday.

The group was taken over by Fenix Industries in January 1991. The new directors explained in the annual report the losses — incurred before the takeover — were caused by erosion of margins in tough trading conditions and expenses in closing unprofitable divisions.

Schaffer said yesterday that after the closure of the Johannesburg factory and selling operation, and retrenchments which had reduced the Cape Town staff to 180 from more than 400, "we now have a clean, lean factory in Cape Town and are looking at where we can get more sales"

"Retail sales are down all over SA. When goods are not moving off retailers' shelves, they don't move from the manufacturer," he said

Schaffer said uncertainty about import duties and quotas after October were adding to manufacturers' difficulties. B/Day 8/7/92

In answer to questions from stockbroker Richard Lomberg of Davis, Borkum, Hare, Schaffer said the past year's results would be published "soon"

White knights come to the rescue of Unispin

By Stephen Cranston (197) STAR 10/7/92

Yarn manufacturer Unispin has been saved from collapse by the conversion of R120 million worth of debt into preference shares by the group's bankers, chairman Robert Wachsberger announced yesterday

Unispin lost R21.2 million in the six months to March — equivalent to 60,6c a share Mr Wachsberger blamed the loss on "the massive dumping of cheap Eastern-sourced textiles on the local market"

The knitwear sector was badly hit, Mr Wachsberger said, by a flood of duty-free jerseys on the market

These jerseys were imported duty free under the Structural Adjustment Programme for clothing and textiles

"I have repeatedly warned that the failure by the authorities to stem the flood was having drastic consequences on the industry in general and on Unispin, as a specialised yarn manufacturer in particular," said Wachsberger

Consolidated Frame Textiles which has also been reporting substantial losses, has converted its 30 million redeemable prefs into ordinary shares

Says Frame Group chairman Mervyn King, "We are confident that we can thrash out a plan which will secure the long-term future of the industry The consumer might enjoy the benefit of imported merchandise in the short-term but it is a short-lived benefit if it destroys the local textile industry at the same time"

Unispin's turnover for the half year was 3,9 percent up at R58,2 million, but there was an operating loss of R8,51 million and an interest bill of R11,75 million The bottom line loss was R21,2 million

After the conversion of debt to equity, Unispin's gearing is a healthy looking 27,3 percent

No. R. 1943 **10 Julie 1992**

WET OP MANNEKRAGOPLEIDING, 1981

TEKSTIELNYWERHEID AANWYSING VAN AMBAG EN VOORSKRYWING VAN LEERVOORWAARDES

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag—

(a) wys hierby, kragtens artikel 13 (1) van die Wet op Mannekragopleiding, 1981, die ambag, "Breimasjien Meganikus (Weft)" in die Tekstielnywerheid in die Republiek van Suid-Afrika aan as 'n ambag waarop die bepalings van die Wet van toepassing is,

(b) skryf hierby kragtens artikel 13 (2) van die Wet die Leervoorwaardes voorgeskryf by Goewerментskennisgewing No R 2708 van 15 November 1991 voor as leervoorwaardes wat op die ambag "Breimasjien Meganikus (Weft)" in die nywerheid en gebied in paragraaf (a) gemeld van toepassing is;

(c) vervang hierby, die lys van ambagte wat in paragraaf (a) van die genoemde Goewermentskennisgewing verskyn deur die volgende.

Ambagte

1 Breimasjien Meganikus (Weft)
2. Spinmasjien Meganikus (Lang vesel)
3 Weefmasjien Meganikus (Airjet)
4 Weefmasjien Meganikus (Projectile)
5 Weefmasjien Meganikus (Rapier)
6 Weefmasjien Meganikus (Shuttle), en

(d) bepaal hierby dat die bepalings van paragrawe (a), (b) en (c) van hierdie kennisgewing op die eerste Maandag na die datum van publikasie van hierdie kennisgewing in werking sal tree en dat "Tekstielnywerheid" soos hierbo vermeld dieselfde betekenis het as in die kennisgewing in paragraaf (b) hiervan bedoel

G. M. E. CARELSE,
Adjunkminister van Mannekrag

No. R. 1943 **10 July 1992**

MANPOWER TRAINING ACT, 1981

TEXTILE INDUSTRY DESIGNATION OF TRADE AND PRESCRIPTION OF CONDITIONS OF APPRENTICESHIP ~~198~~ 197

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower—

(a) hereby, in terms of section 13 (1) of the Manpower Training Act, 1981, designate the trade "Knitting Machine Mechanician (Weft)" in the Textile Industry in the Republic of South Africa as a trade to which the provisions of the Act shall apply;

(b) hereby, in terms of section 13 (2) of the Act, prescribe the Conditions of Appenticeship prescribed by Government Notice No R 2708 of 15 November 1991 as Conditions of Apprenticeship applicable to the trade "Knitting Machine Mechanician (Weft)" in the industry and area mentioned in paragraph (a),

(c) hereby replace, the list of trades that appears in paragraph (a) of the said Government Notice with the following·

Trades

1. Knitting Machine Mechanician (Weft)
2 Spinning Machine Mechanician (Long Staple)
3. Weafing Machine Mechanician (Airjet)
4. Weaving Machine Mechanician (Projectile)
5 Weaving Machine Mechanician (Rapier)
6 Weaving Machine Mechanician (Shuttle), and

(d) hereby determine that the provisions of paragraphs (a), (b), and (c) of this notice shall come into operation with effect from the first Monday after the date of publication of this notice and that "Textile Industry" as mentioned above shall have the same meaning as in the notice referred to in paragraph (b) hereof

G. M. E. CARELSE,
Deputy Minister of Manpower.

No. R. 1944 **10 Julie 1992**

LOONWET, 1957

INTREKKING VAN LOONVASSTELLING 465 BROOD- EN BANKETNYWERHEID, SEKERE GEBIEDE

Die Minister van Mannekrag is van voorneme om kragtens artikel 16 van die Loonwet, 1957, Loonvasstelling 465 Brood- en Banketnywerheid, Sekere Gebiede gepubliseer by Goewermentskennisgewing R 2501 van 24 November 1989, in te trek

Enige persoon wat kommentaar oor die voorgestelde intrekking wil lewer, moet sodanige kommentaar binne 30 dae vanaf die datum van publikasie hiervan aan die Direkteur-generaal Mannekrag, Privaatsak X117, Pretoria, 0001, voorlê

No. R. 1944 **10 July 1992**

WAGE ACT, 1957

CANCELLATION OF WAGE DETERMINATION 465· BREAD AND CONFECTIONERY INDUSTRY, CERTAIN AREAS

The Minister of Manpower proposes, in terms of section 16 of the Wage Act, 1957, to cancel Wage Determination 465 Bread and Confectionery Industry, Certain Areas published under Government Notice R 2501 of 24 November 1989

Any person who desires to comment on the proposed cancellation should submit such comment within 30 days from the date of publication hereof to the Director-General Manpower, Private Bag X117, Pretoria, 0001

Unispin's losses prompt restructuring agreement

BDAY 10/7/92 (197)

MARCIA KLEIN

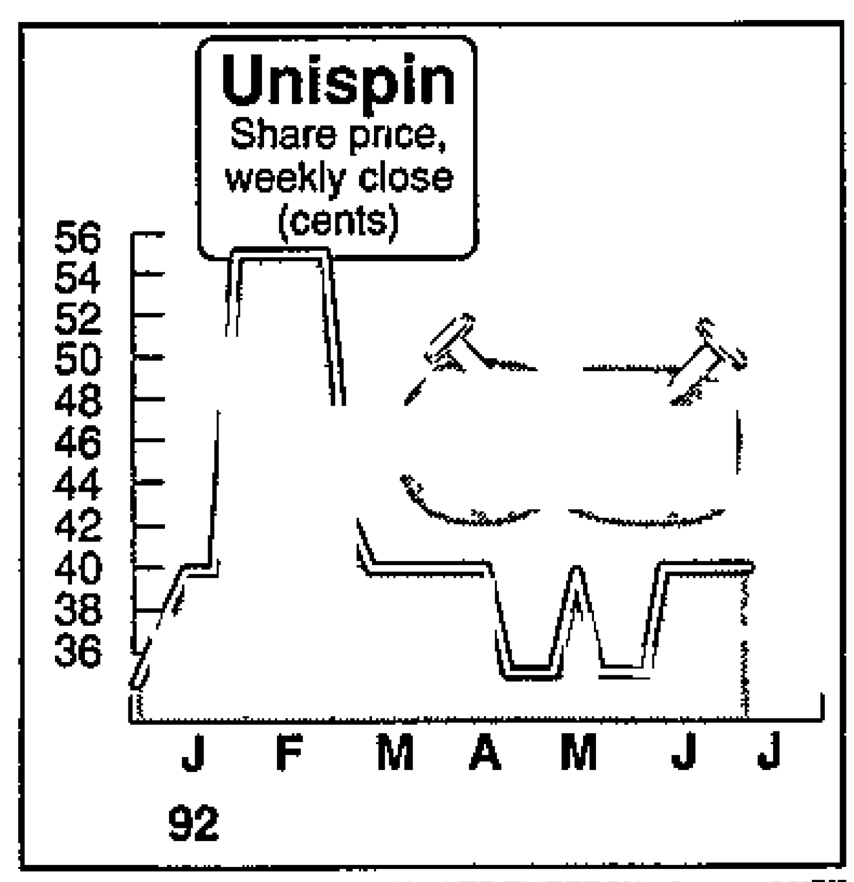
KNITTING yarn manufacturer Unispin has announced a R120m restructuring agreement with its bankers in view of substantial losses reported today.

The agreement, which follows a recent cautionary announcement, would also see preference shareholder Consolidated Frame Textiles (Confram) take an interest of more than 40% in Unispin

Chairman Robert Wachsberger said reconstruction would return the company to profitability Unispin's losses plunged to R21,2m in the six months to end-March from losses of R6,1m in the previous year and R4,9m at the September 1991 year-end The company said the restructuring agreement was announced in view of the substantial loss and the severe strain on the group's long-term viability

Interim results show that turnover rose 3,9% to R58,2m from R56m However, Unispin showed an R8,5m operating loss compared with profit of R4,9m in the previous year as the company was affected by "the continuing difficulties surrounding the SA textile industry", namely the absence of tariff protection against garment imports and the depth of global recessionary conditions

The dumping "applies particularly to jerseys imported free of duty under the structural adjustment programme"



Graphic LEE EMERTON Source I NET

Unispin had maintained levels of production "in anticipation of some form of protection for the local industry and economic recovery", but these did not materialise An export drive to increase sales had resulted in low margins, so these activities had been curtailed

Results were further affected by interest payments, which increased by 14,6% to R11,8m (R10,3m) After preference dividends, it reported the attributable loss of R21,2m This was equivalent to a loss of 60,6c a share, which compared with a 17,5c loss in the previous year and a 14c a share loss at the September year-end

Wachsberger said if the restructuring was retrospectively applied to the previous financial year, this 14c a share loss would have been earnings of 12,8c a share No interim dividend was declared

An abridged pro-forma balance sheet, which reflected the company's position had the reconstruction taken place, showed gearing of 27,3%, and a net asset value of 95,6c a share

Unispin said the restructuring would see Confram exercise its right to convert its 30-million R1 cumulative redeemable preference shares into 30-million ordinary shares on a one-for-one basis. Unispin's bankers had agreed to convert R120m of the group's debt into preference shares of subsidiary Union Spinning Mills for a similar value

The company said that immediate remedial action following the interim results included the retrenchment of 450 employees "and bridging finance via additional borrowings"

Wachsberger said the restructuring would enable Unispin to become a global competitor in textiles in the medium term if the dumping issue was satisfactorily resolved

Acceptance of the Hatty committee proposals would level the playing field, "but any return to unimpeded imports will cancel our efforts", he said The company would benefit in the next financial year "if the economic situation improves in the medium term and the local consumption of yarn increases"

2 Cape Times, Friday, July 10 1992

CT 10/7/92 (197)

Textile workers sue Mooitex

MARITZBURG — Mooi River Textiles allowed people to bring weapons to its factory and even provided storage facilities for them, the South African Clothing and Textile Workers' Union said in an application before the Supreme Court here to reinstate arbitration procedures previously agreed to.

Sactwu has applied to the court to order Mooitex's holding company, Avtex, to reinstate arbitration procedures agreed to in October 1989.

The reinstatement of these channels would mean that workers dismissed in and after July last year could enter arbitration over their dismissals

The workers were dismissed when they failed to arrive at work "as a result of extreme and violent intimidation in Bruntville as well as at the workplace", according to an affidavit by a Sactwu official

The violence, including a number of murders committed on the factory premises and in the township, was "so severe, aspects were referred to the Goldstone Commission of Inquiry".

Buyers bid for Debonair Group

BDay 13/7/92 (197)

LINDA ENSOR

CAPE TOWN — Various offers to purchase the provisionally liquidated quilted products manufacturer Debonair Group had already been received, MD Hein Calitz said at the weekend

Trading in the company's shares was suspended last Thursday because of the application for its provisional winding up

Calitz said that last year a merger deal with a Frame-associated company, the Cape-based Highams, had fallen at an advanced stage through as the banks involved felt the balance sheet of the combined company would be overgeared

He said Debonair had assets of R10m and liabilities of R13m — R6,5m of which was owed to First National Bank (R4,5m), Allied Bank (R1,2m) and Societe Generale (R800 000) The R3m deficit related to a loan account to parent company, Abbey Holdings, which had been prepared to write off the debt provided the banks supported Debonair

Calitz claimed the consortium of banks had delayed for seven months in drawing up an agreement to support the business and keep it financed The banks' refusal to allow the company to open letters of credit during this time had cut off its source of cheap overseas fabric.

This, together with tough economic conditions and uncertainty over import permits when the tariff structure was under review, had led to Debonair's demise.

In January this year Debonair had refocused itself on its core quilting business after successfully selling off all its Johannesburg manufacturing operations.

Bank debt had been cut by R1,5m, rationalisation costs were covered and the company was making a turnover of R2m per month. By June Debonair had broken even, Calitz said But last week it could not pay the wages of its employees and was provisionally wound up

Management buys out Courtaulds' SA subsidiary

BDay 15/7/92 (197)

GAVIN DU VENAGE

INTERNATIONAL textile company Courtaulds Textiles has sold its Durban subsidiary to a consortium of managers for an undisclosed sum

Courtaulds Textiles SA CE Les Plant said the consortium approached the company several months ago with an offer, which was accepted The company had not been looking for a buyer, and was prepared to sell only under a franchise agreement

Plant said the UK group, which also owns Gossard in the Cape, was keen to remain active in SA, and the sale should not be seen as a move to disinvest Courtaulds would supply technical and design assistance, new processes and technology The new management would have to source its own funding

Finance for the buyout came from specialist investment company Corvest and other institutions Plant would not disclose the sale price

He said the decision to buy was based on a long-term view which he described as "quite bullish" Although trading conditions were very difficult, this would improve in the future

The Durban operation had a 1991 turnover of more than R58m It produced fabric for the clothing, household and automotive industries

● Comment: Page 8

FOX

UNISPIN FM 17/7/92

Gaining time

(197)

By reaching agreement with its bankers to convert R120m debt equally into cumulative and noncumulative prefs, Unispin, SA's largest knitting yarns maker, has avoided what seemed inevitable collapse It has also bought itself a few more years to become profitable But with no clear future for the textile industry, what now?

Chairman Robert Wachsberger believes that without the debt burden, which pushed interest up to R11,8m in the first half, knocking the operating loss into a R20,3m attributable loss, Unispin has a reasonable future

"With Confram converting its 30m prefs into ordinary shares and the noncumulative B prefs carrying a coupon equal to 20% of our subsidiary Union Spinning Mills' net after-tax distributable profits, there is really only R60m of debt to be serviced, and that at 65% of prime," he says

But in the medium term, Unispin's prospects are closely tied to government decisions on protection of the industry, and that has again been thrown wide open with reports that the interim Hatty proposals are to be modified in October (see *Business*)

"This sort of indecision is the single biggest factor contributing to the decline in the textile and clothing industries," says Wachsberger "We need a decision, even a bad one, as long as it remains stable and irrevocable"

He says Unispin can operate effectively under the present import duties, where a duty-free permit sets a limit of 7,5% on the amount of knitwear that can be imported, despite what he says is abuse of the system in neighbouring states "But now that is again being tampered with, and the knitwear industry won't last another year if the structural adjustment programme is not stopped or limited," he adds

Unispin's debt came largely from a capital spending spree which Wachsberger admits, with hindsight, was excessive "At the time the capex programme was justified, to move us from the limited long-staple yarn market into the bigger short-staple market It was the right decision, but we can now see that the timing was lousy"

Like the industry generally, the future of Unispin's share price, down from its high of 55c earlier this year to 40c, looks unappealing It's unlikely to attract interest until there is more certainty, both on the future of textiles in SA and of Unispin, which might become clearer at the September year-end

Shaun Harris

COURTAULDS - FM 17/7/92

Buying out the Brits (197)

It was a case of a reluctant sale when Courtaulds Textiles, one of Britain's largest exporters, finally agreed last week to a management buyout of its SA subsidiary, Courtaulds Textiles SA Just last year the British textile giant refused to consider selling its local operation, which employs about 300 people and comprises two businesses that manufacture automotive products and fabrics

Local MD Les Plant, however, says persistence paid off The parent company eventually agreed to sell on a franchise basis "That suited us We wanted access to Courtaulds' technical and design support "

The buyers are a consortium led by three current directors Plant, Des Mellow and Eileen Kretzscmar Corvest — a Rand Merchant Bank-controlled investment bank — advised on the structuring and finance of the buyout and has also taken an equity stake in the new company

Employees were told of the buyout this week and Plant says the unions have reacted positively

Price won't discuss the purchase price, though he says the transaction took into account the difficult trading conditions in the SA textile industry

Corvest MD Neil Page describes the local

FM 17/7/92 (197)

company as a well-managed enterprise operating in a highly focused niche market He says it has a good profit record despite the problems in the industry Brian Brink, executive director of the Textile Manufacturers Association, endorses Page's view Courtaulds SA, he says, is a medium-sized company with a better-than-average performance, even though it operates in a highly competitive sector

Plant says there will be some restructuring and rationalisation, though this was on the cards before the buyout was ever mooted No decision has been taken on the number of jobs to be cut The company name will remain the same for now, but it could be changed after about 18 months

The terms of the sale do impose certain restrictions Exports are restricted to the southern hemisphere "If we want to export to the north in the future, we will have to negotiate an agreement with Courtaulds Textiles," Plant says

Asked about the possibility of a JSE listing, Plant replies "That is not a priority right now " ■

DA GAMA FM 26/6/92

Dropping stitches 197

Da Gama's decline, which started in 1990 as volumes began to fall and earnings came under pressure, is still apparent in the results to end-March The operating margin has deteriorated further, from 19,3% last year to 14,4% EPS, at 59c, are down 29% on 1991 and half of 1990's annualised 120c a share

Reasons for the slump are well known and have been voiced by Da Gama and the rest of the textile industry for some time The pitch raised recently as the Hatty Commission investigated import tariff protection This year chairman Laurie van der Watt has added the effects of the drought on consumer spending to the usual list of factors retarding the industry depressed trading, increased local competition and "cheap imports from subsidised manufacturers" overseas

197

Activities: *Textile manufacturer*
Control: *SA Breweries 60,7%*
Chairman: *L van der Watt, MD H Pearce*
Capital structure: *51m ords Market capitalisation R204m*
Share market: *Price 400c Yields 6,4% on dividend, 14,7% on earnings, p e ratio, 6,8, cover, 2,3 12-month high, 700c, low, 380c Trading volume last quarter, 256 000 shares*

Year to Mar 31	'88*	'90†	'91	'92
ST debt (Rm)	0,1	0,2	0,3	6,4
LT debt (Rm)	0,6	0,4	1,3	5,3
Shareholders interest	0,68	0,70	0,77	0,75
Int & leasing cover	n/a	n/a	n/a	44,0
Return on cap (%)	26,5	24,7‡	19,5	13,1
Turnover (Rm)	248	345	261	259
Pre-int profit (Rm)	53,7	87,5	50,3	37,4
Pre-int margin (%)	21,6	25,4	19,3	14,4
Earnings (c)	107	120‡	83	59
Dividends (c)	46	64,5	36	25,5
Net worth (c)	254	339	386	420

* Year to December 31 † 15-month period ‡ Annualised

Yet shareholders, despite having to grin and bear the lowest dividend Da Gama has paid since the year after it listed in 1986, have at least two things to be grateful for The group is doing better than its competitors and it still has a healthy balance sheet.

Total interest-bearing debt shot up to R11,7m this year (1991 R1,6m) but, as in the previous four years, cash reserves cancel out debt, leaving the group ungeared Admittedly, 1992's net cash balance of R2,7m is a far cry from last year's R19m, but under the present economic climate — and with cash flow dropping 19% to R44,5m — it leaves Da Gama looking comparatively secure in an insecure industry Capital spending, R14,8m this year with a further R10m budgeted for the coming year, continues, suggesting the group will be in good shape to exploit the upswing when it comes

Van der Watt says imported fabrics account for over 40% of the SA market,

Da Gama's Pearce *mixed sales performance*

197

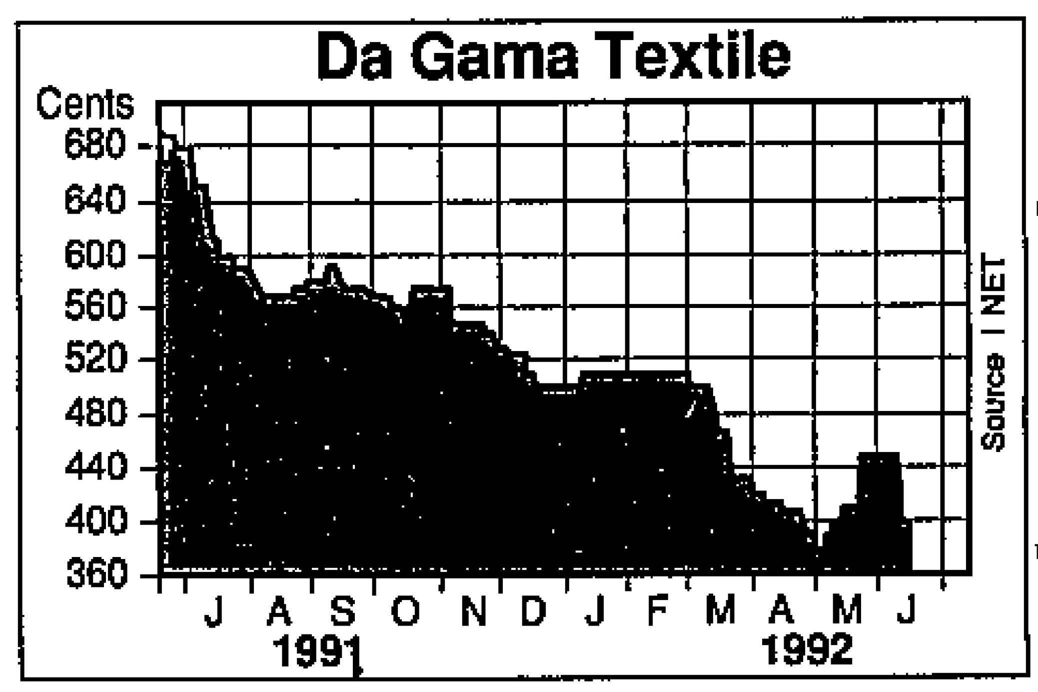
which he believes illustrates that import duties in place during 1991 were "insufficient to protect the local cotton and man-made fibre fabric products against cheap imports " As we pointed out last year, Da Gama's concern at "cheap" imports is a little surprising in the light of its claim to be a leader in high value-added niche markets

CE Harry Pearce reports that Da Gama's four divisions had mixed sales performances last year Household textiles and the apparel division saw sales climb roughly in line with inflation, while the home sewing and industrial divisions saw a decline in trade, the latter by 26%

Interim protection measures announced recently by government give textile groups like Da Gama breathing space for this financial year, and should have a favourable impact on earnings, though Van der Watt warns they are unlikely to benefit trading until the second half of the 1993 year

But the underlying issues remain Market sentiment appears to be going increasingly against groups in protected industries The future of the textile industry, in its present stage of transition, is unclear and unlikely to attract much interest from investors

This uncertainly can perhaps be seen in Da Gama's share price, which has dropped over the financial year by about 70% Investors should wait until there is more clarity on the future of the industry and Da Gama's ability to start increasing earnings again



Financial director Nic Pietersma says Da Gama does not comment to the media on its results, apparently a new policy as the group used to be quite chatty in former, more profitable, years It's a pity, because shareholders would probably like to know about some issues — for example, the likelihood of Ciskeian tax incentives, which afford Da Gama the luxury of an effective tax rate of 17,9%, remaining in place much longer — before next month's AGM *Shaun Harris*

FM 17/7/92

Reaching agreement

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The textile and clothing industries have buried their differences and reached an agreement on tariff and import rules affecting the two sectors Initialled last week, the agreement between the Textile Federation, the National Clothing Federation and the Board on Tariffs & Trade is now on the desk of Trade & Industry Director-General Stef Naude for final approval

Both industries want a decision from Naude as quickly as possible. "Rome is metaphorically burning with enormous losses being sustained on a daily basis in the clothing sector, and the ongoing uncertainty is holding back further investment in both sectors," says one industry source

Central to the agreement is a roughly 40% increase in the extremely restrictive import quotas granted for various types of fabrics (used in clothing manufacture) recommended by the Hatty report and implemented on May 1. The proposed increase will apply retroactively to May 1 for companies that had already applied for quotas.

Secondly, it is agreed that the quota system would be terminated on October 31, to be replaced by a new, simplified duty system that will be published as soon as possible in the *Government Gazette*. Tariffs for imported yarns, fabrics, clothing and made-up textiles will be pegged at no higher than proposed maximum levels that will be well below the excessive tariffs proposed by the Hatty report

The proposed new tariffs would come into effect on November 1 and remain for a period of a year. Until the end of October, the Hatty-recommended tariffs will remain.

For yarns, the agreement stipulates a maximum ad valorem tariff of 35% (com-

Cont →

FM 17/7/92 197

pared to about 40% under Hatty); for fabrics, a maximum rate of 50% (about 80% under Hatty), and for clothing 100% (against Hatty's 150%)

While these levels will still be well above the regime in place before Hatty, both sectors agreed to the interim ruling and will now participate in devising an acceptable long-term strategy for the industries

The agreement also states that

- From November an anti-dumping role will be fulfilled by government's new anti-dumping unit, and
- Government will investigate the feasibility of replacing the current arrangement under the structural adjustment programme — highly unpopular with the textile industry — by allowing duty-free imports for use in exports

The long-term strategy committee hopes to avoid getting bogged down by tariff issues, the board is expected to publish a schedule of guidelines, for the gradual reduction of tariffs over a period of years, before the committee's first meeting, which is expected to take place in weeks

"We need to focus more on jointly important issues such as promotion of exports, training of manpower and management, wool beneficiation, new technologies and operating as global players," says an industry source

With the agreement not yet ratified by government, officials from the two industries declined to comment *Arnold van Huyssteen*

Delay costly on clothing imports

147

Arg 18/7/92

■ Changes in a plan devised to prevent dumping of cheap imports on South Africa, a plan which threatened to hit small clothing and textile firms, are in the pipeline.

TOM HOOD, Business Editor

STRONGER anti-dumping action against cheap imports of clothing and textiles could be taken by the government before the end of the year.

This emerges from disclosures that proposals to solve the "Hatty debacle", which threatens smaller firms in both industries, are expected to be gazetted before the end of the month

A quota system and sharply higher import duties was among trade protection measures devised by a committee headed by Mr Paul Hatty, a Barlow Rand executive, and sprung on the industries from May 1

Small clothing and textile manufacturers attacked the Hatty measures as a threat to their survival and claimed that the giant companies would benefit most.

The Textile Wholelsalers Association said the cost of clothing at the lower end of the market would double as a result of higher import duties from May 1

After weeks of argument, top officials of the National Clothing Federation and Textile Federation are reported to have agreed to changes to the Hatty plan.

The agreement is being considered by the Director-General for Trade and Industry, Dr Stef Naude, and industry officials expect details to be published soon in the Government Gazette.

"There is the possibility that this agreement, like the last one, will be circulated by the government for further comment," said a Cape clothing manufacturer.

"If that happens it will add to the uncertainty We are trying to quote prices to large customers for next winter, but we don't know what we will pay for imported textiles

"This uncertainty is turning business into a gamble."

According to industry sources, the quota system is likely to end on October 30 and be replaced by a simplified duty system.

New levels of tariffs on imported yarns, fabrics, clothing and made-up textiles will be lower than the high rates recommended by the Hatty report

The controversial Hatty import quotas could be increased by about 40 percent and apply to companies that sought quotas from May 1

The new tariffs are likely to stay in force for 12 months from November

Both industries are anxious to devise an acceptable long-term strategy and are reported to have agreed to the Hatty plan for the time being

The government is said to be studying the unpopular structural adjustment programme and improving it by allowing duty-free imports to be used for exports.

Textile, clothing union agrees on 14,5%

DIRK HARTFORD

THE SA Textile and Clothing Workers' Union (Sactwu) has negotiated an average 14,5% wage increase for most of its 107 000 members in the clothing industry

In agreements with various employer organisations nationally, the union secured R150m in increases to wages, bonuses and provident and sick funds

Sactwu assistant general secretary Ebrahim Patel said the settlement was acceptable to workers against the backdrop of the economic recession and a huge decline in the clothing industry's output The agreement represented "a fair balance between wage improvements and the need to maintain maximum employment in a highly labour-intensive industry"

The union also managed to extend its closed shop agreement to employers who were not part of Transvaal and western Cape employers' associations

The Transvaal industrial council will now cover highly paid categories of work and an industry short-time fund has been established It was also agreed that a joint union-employer delegation would visit the Bophuthatswana government to seek recognition for Sactwu in the homeland

Patel said employers had also agreed to discuss matters which included national centralised bargaining, a national productivity council and wage parity

197 BD 13/08/92 184 2451

R150-m wage deal

■ An agreement has been struck in the textile industry that will reach 107 000 workers countrywide. It covers improvements in wages, sick funds, annual bonuses and provident funds.

SHARON SOROUR
Labour Reporter

WAGE agreements worth R150-million have been reached between the SA Clothing and Textile Workers' Union (Sactwu) and employers — and include a R9,5-million medical fund for dependants of Western Cape workers.

Negotiations were conducted at regional level to secure improvements in wages, provident funds, sick funds and annual bonuses for 107 000 workers — 50 000 in the Western Cape, 40 000 in Natal, 3 000 in the Eastern Cape and 14 000 in Transvaal

The Western Cape agreement, reached between three employer associations and the union, consists of a package deal with an 11 percent wage increase backdated to July 1, according to the executive director of the Cape Clothing Manufacturers' Association, Mr Peter Cragg

The union's assistant general secretary, Mr Ebrahim Patel, said Western Cape machinists would get a wage increase of R22 a week (R95,26 a month) and provident fund contributions would be increased by one percent on April 1 1993.

In terms of the Western Cape agreement, to be signed next week, employers will pay up to R9,5-million into a medical benefit development fund for dependants of employees. Employers also agreed to contribute R3,60 a week for each employee for one year, Mr Cragg said

Mr Patel said a number of historic "firsts" were secured including agreements to

■ Extend the industrial council to cover new, highly paid categories of work in Transvaal

■ Extend union rights provisions to employers who were not members of employer associations in the Western Cape, Natal and Transvaal.

■ Send a joint union-employer delegation to visit the Bophuthatswana government and the South African Minister of Foreign Affairs, Mr Pik Botha, to support the right for recognition of Sactwu in Bophuthatswana.

Mr Patel said the negotiations, which were conducted against a backdrop of general economic recession and a major decline in clothing industry output, had resulted in a settlement acceptable to workers

Other terms of the Western Cape, Natal and Transvaal agreements included a new formula to determine overtime pay on Saturdays, extension of the scope of the industrial council to more magisterial districts and investigations into the extent of "outwork".

AUG 1/8/92

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Proposed textile rates 'insufficient'

DUMA GQUBULE (197)

THE Textile Federation yesterday criticised the Trade and Industry Department's proposed tariff structure for clothing and textiles, on the grounds that the intended duties would be insufficient to control the flood of cheap imports.

Deputy Trade and Industry Minister David Graaff yesterday proposed maximum ad valorem duties in broad category headings for yarns (35%), fabrics (50%), clothing (100%) and made-up textiles (60%). BDAY 11/8/92.

It was intended that the proposed duties, to be gazetted for comment, would replace the present quota system on November 1 for a year before a long-term plan for clothing and textiles was introduced.

Existing quotas on certain household textiles and fabrics were increased for an interim period until October 31.

Textile Federation acting president Malcolm Hughes welcomed the decision to abolish the controversial tariff quota system. The industry had been concerned about widespread abuses of the system. However, he said the proposed level of ad valorem duties was insufficient given the magnitude of cheap imports coming into the country.

The SA Chamber of Business (Saccob) welcomed the department's announcement, but expressed concern at the long delay in issuing the information.

The delay had caused a great deal of uncertainty and had made normal business planning and forward commitment extremely difficult, Sacob said.

police hut was damaged in a grenade

Cautious reaction to changes in SA rag trade duties

Business Staff

CAPE Town Chamber of Commerce spokesmen reacted cautiously today to news that clothing and textile duties and quotas were to be revised.

The deputy chairman of the Board on Tariffs and Trade, Mr Helgaard Muller, said last week new *ad valorem* duties would be published in the Government Gazette in two weeks' time and new duties would come into effect from November 1 for a year.

"It's difficult to comment until we've seen the new duty structure," said Mr Herbert Hirsch, president of the Cape Town Chamber of Commerce. "But provided the proposals are reasonable and generally acceptable, a fixed structure for 12 months will at least bring some measure of certainty to the business community.

"One of the worst aspects of government treatment of this issue — and of many other economic issues — has been a lack of decision."

After the recommendations of the Hatty Commission, an interim set of quotas and tariffs was introduced on May 1.

A three-tier system was set up, with low or zero duties on goods imported for use in exports, "moderate" duties on quotas of goods based on previous sales, and "prohibitive" duties on imports falling outside the quota, said Mr Albert Schuitmaker, assistant director of the Cape Town Chamber.

The system was sharply criticised by the clothing industry.

"Smaller businesses and upmarket clothing shops were particularly hard hit," he said

Mr Schuitmaker said constant changes in the duty structure were "disconcerting" to the industry.

"Clothing businesses have lead times of 1½ to two years They're preparing now for winter fashion in 1993. When the interim tariffs were introduced in May, we were told it would be for 18 months. Now, six months later, there's to be another change."

ARG 10/8/92 (197)

AHI 'hopes economy will not be a battleground'

Police thwart 'people's court'

Three men killed as car crashes into safety barrier

Textile industry seeks higher tariffs in defence against Far East dumping

STAR 20/8/92

By Sven Lunsche (197)

The textile industry is preparing its arguments for further tariff increases on cheap imported clothing and textiles, particularly from the Far East

Import duties on what is regarded as dumped material will rise when the government publishes the new tariff quotas proposed by the Board of Tariffs and Trade

The South African textile industry has been accused of being "overly-protected" and an "uncompetitive industry"

However, the Textile Federation's marketing manager Errol Keller says the industry has had to cope with severe structural economic problems and unfair competition

In an article in the latest Textiles Topics he says imports of textiles and clothing have increased by almost 50 percent in value from 1988 to 1991 despite the depressed local demand

Fabric imports jumped by 78 percent from 1988 levels, comprising 44 percent of total textile and clothing imports last year

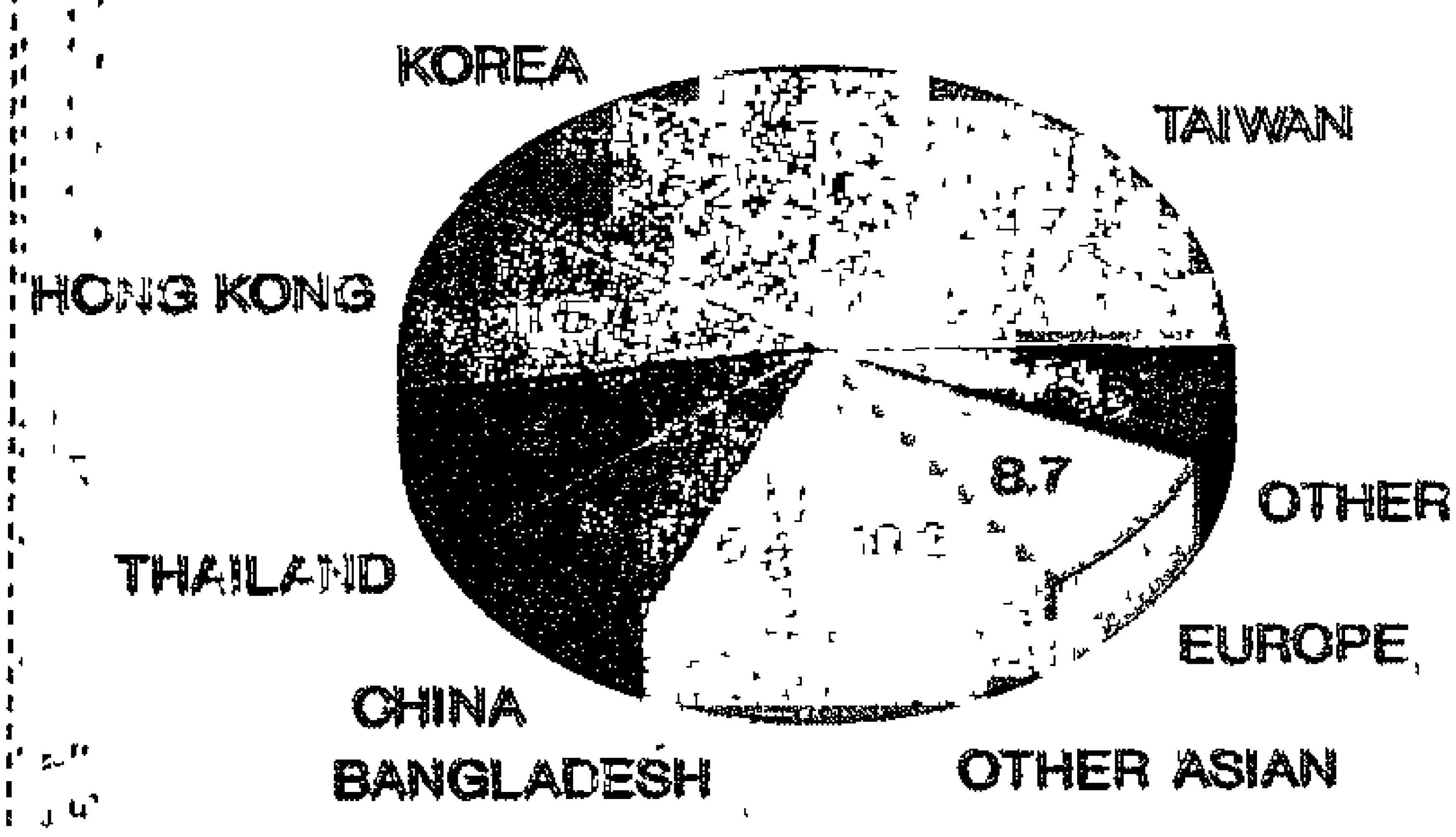
Most of these imports were in areas of ample local supply and are sourced in countries known for "dumping" surplus goods on foreign markets

"In 1991 almost 85 percent of all fabric imports came from low-cost Asian countries, most of whom consider South Africa a convenient 'off-loading' site for textiles unable to be sold in other areas of the world"

In another article Jan van Coller, economist at the largest local textile manufacturer Romatex, says the flood of imports has already had an adverse impact on local producers.

Textile production in the first half this year was about 24 percent of its 1989 peak

Production in the clothing industry was about 15 percent of the 1990 peak and seven percent down from last year



FABRIC IMPORTS 1991 (percentages)

Union action to reinstate 100 sacked over stayaway

THE South African Clothing and Textile Workers' Union (Sactwu), is launching a major campaign for the reinstatement of about 100 workers who were dismissed for taking part in last week's mass action campaign.

The union's regional co-ordinator, Mr Ronald Bernickow, said this week that six clothing manufacturers out of a total of 400 in the Cape Town area had dismissed about 100 workers. (197)

S A Cap and Shareen Knitwear had dismissed 65 people, Maxmore Knitting Mills three out of 85 who had taken part in the march, H K Manufacturers 21, Teeny Tages nine and Alpa Rose 20 ST times [C/Metro] 16/8/92

"We are convening meetings with the factories' major customers, including Woolworths, Edgars and Pick 'n Pay to persuade them to take a stand," Mr Bernickow said.

The union would also try to meet with the employers concerned. There would also be pickets and demonstrations at the factories and at the offices of their major customers.

"The alliance partners are also drawing up a blacklist of companies which will be launched internationally," he said.

COMPANIES

Romatex sells woven carpet division

MARCIA KLEIN

TEXTILE company Romatex sold its Crossley woven carpet operation to Ulster Carpet Mills (SA), a wholly owned subsidiary of Irish-based Ulster Carpet Mills, for about R32m in cash, Romatex said yesterday

BDAY 1/9/92

The deal, subject to Reserve Bank approval, will be effective from October 1

Romatex executive chairman Jack Crutchley said Ulster Carpets was one of the world's three leading woven carpet producers It had been looking for an overseas base from which to broaden geographically

Ulster Carpets CE Mike Mills said the acquisition would complement the company's international operations, especially in the Pacific Rim countries where Crossley had developed export markets

Crutchley said the offer would place Romatex in a position to invest the proceeds "in attractive growth opportunities which are available within the group" — in other sectors of the group

(197)

Its carpet interests would now consist of the tufted carpet operations which incorporate Van Dyk and Constantia The tufted carpet and upstream component interests had been consolidated under one roof near Durban, with Neil Griffin as MD

John Louw would continue as MD of Crossley Carpets under the new ownership The exact amount of the deal would be determined following an audit, Crutchley said, but it would exceed Crossley's net asset value The deal would increase Romatex's net asset value by about 36c

Crutchley said the deal would not affect Romatex earnings in the current year, as it was effective from the beginning of financial 1993

Frame reports R45,6m loss

BDAY 4/9/92 (197)

MARCIA KLEIN

THE Frame Group reported a R45,6m attributable loss in the year to end-June and passed its dividend for the second consecutive year as it continued to be affected by tough trading conditions

These results were compared with a R55,6m pro forma attributable loss and a R101,1m actual loss in the previous year. Directors said pro forma figures compared the group as now constituted with the relevant sections in the previous year

During the year, the group was taken over by the Seardel/Gregory Knitting consortium and completed downsizing plans.

Chairman Mervyn King said the results reflected the depressed state of the textile

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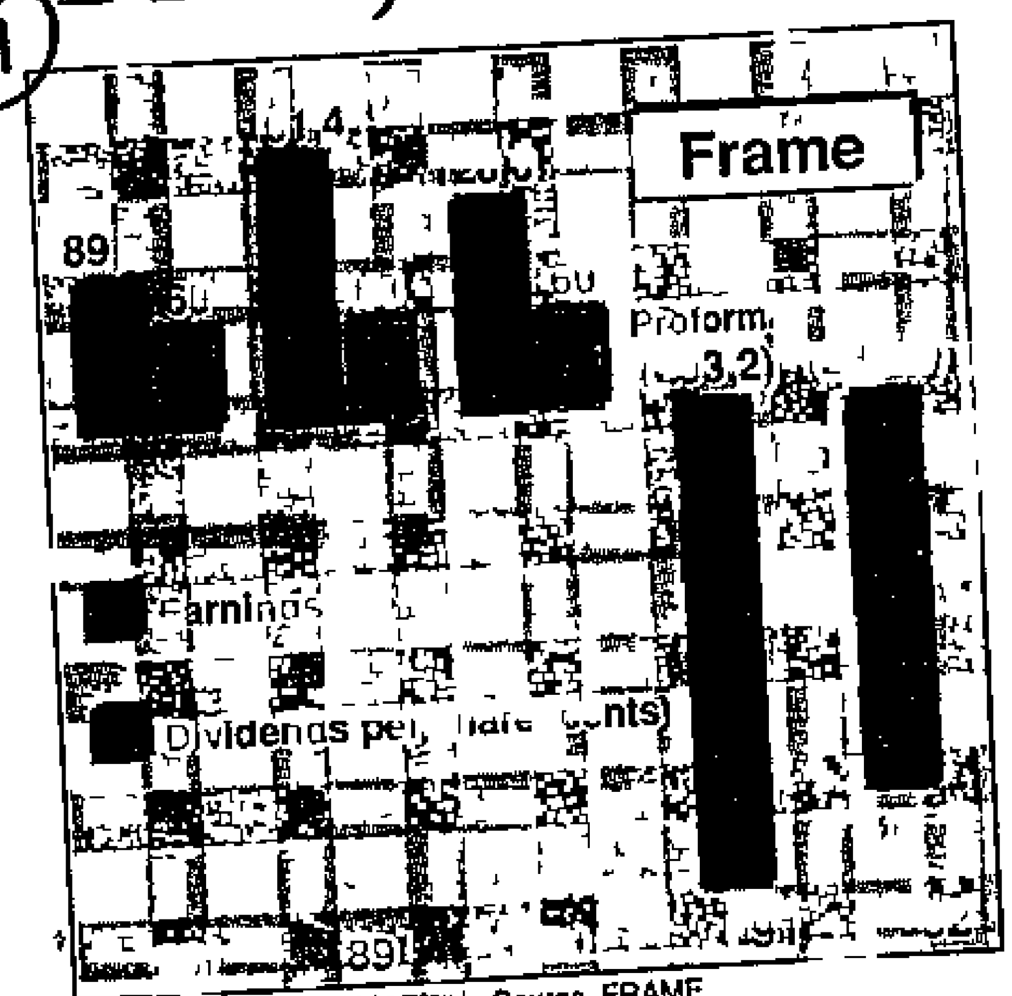

Graphic RUBY GAY MARTIN Source FRAME

Frame

BDAY 4/7/92 (197)

☐ From Page 1

industry Turnover of R652,2m was marginally down on the previous year's R657,9m (pro forma)

King said despite the fact that turnovers were similar, operating losses of R30,2m were an improvement on last year's pro forma operating losses of R50,9m This reflected cost-cutting exercises and a drive to improve efficiencies

He said imports increased and consumer spending decreased, especially in the second half In line with the industry, Frame was operating at about 20% below its capacity This and cheaper sudsidised imports had put pressure on margins

Frame spent R8m on downsizing operations compared with R18,5m the previous year Any further downsizing would result only from the final structure to be announced by the Board on Tariffs and Trade (BTT) later this year

After interest and finance charges of R37,2m (R20,6m) and lower taxation, Frame showed a R73,9m loss after tax compared with a R90m loss in financial 1991 It reported a loss of 238,8c (293,2c) a share on a weighted number of shares

King said stock was reduced to R220m from R268m and debtors to R187m from R223m as the group focused on reducing working capital levels "Without the reduction in working capital levels, we would not have been able to maintain our level of borrowings because we had to fund losses, additional interest and retrenchment costs, totalling some R66m," he said

King said Frame was "cleaner and meaner than it had ever been" and was well placed for an upturn and for "a more equitable structure concerning textile imports" While there was no expectation of any significant upturn in the economy in the coming year, King said it was hoped the BTT would finalise a structure "to undo the harm" done by the 1989 structural adjustment programme

King spoke out against malpractices in importing textile products, duty on textiles and high raw material input costs "One arm of government cannot insist on local spinning mills buying local cotton at higher than world prices and another arm of government not adequately protecting local mills from subsidised and world priced cotton yarn exporters," he said

Major operating subsidiary Consolidated Frame Textiles reported a loss of 131,4c (159,9c) a share

FRAME GROUP FM 11/9/92

Red ink still flowing (197)

Financial 1992 was another year of desperation measures for Frame Group The year was characterised by the acquisition of a major interest by the Seargreg consortium, asset sales, closures and retrenchments — but the results are still awash with red ink

Figures for 1991 have been adjusted to exclude the Waverley business, so that comparisons for 1992 can be made on the basis of continuing businesses Remaining business units include those involved in yarns, weaving, finishing, knitting, polyester fibre and manchester

In these operations there were some signs of improvement. Operating losses were cut from R51m to R30m on unchanged turnover Stock was reduced by 16% to R226m and debtors from R223m to R187m

But the debt equity ratio continued to rise, despite a decline in working capital More alarming is the 81% rise in the interest bill, a result, says chairman Mervyn King, of high costs of retrenchment and plant closures, which saw borrowing peak during the year The payroll shrank by a quarter, to 8 777

After finance charges and the costs of restructuring, there was an attributable loss of R45,6m and a loss of R80,3m after extraordinary items Net current assets, at R164m, are down by R51m

King says operational management has not been influenced by the new major shareholders, and adds they provide no financial support to Frame and any transactions are at arm's-length

Trading margins crumbled in the face of cheap subsidised imports and capacity utilisation of only 80% King says the partial implementation of the Hatty proposals did not improve an average duty on textiles of 11% last year He hopes the new tariffs, due to be implemented in November, will afford better protection to textile producers Even so, these measures are short-term (three to four years) rather than permanent

King says studies of other countries have shown that cotton, the major (40%) input cost, has been subsidised to promote growth The Task Group has been formed to investigate the establishment of such a structure in

BROKEN LOOM

Year to June 30	1991†	1992
Turnover (Rm)	658	652
Operating loss (Rm)	(50,9)	(30,2)
Attributable (Rm)	(55,6)	(45,6)
Earnings (c)	(293,2)	(238,8)

† Proforma figures

FM 11/9/92 (197)

SA and a way to promote growth through export incentives These would be reduced over some years

Two years ago local cotton producers increased their prices by 30%, and King says their price hikes have since been in line with inflation Nevertheless, the price is now about 480c/kg, about a third above world prices and nearly four-fifths higher than in subsidised Eastern countries Legislation requires local manufacturers to take up the domestic quota before cheaper cotton can be imported Frame buys most of the local cotton crop

King says prospects for the group depend on the economy and on the outcome of new tariff proposals They will influence the trading environment and will determine whether further closures will be necessary

Though King says Frame is ready to take advantage of any upturn, it will be some time before it will return to profitability, possibly not before financial 1994, and still longer before it will resume dividend payments Nevertheless, he forecasts substantially lower losses for financial 1993, which he says will result from cost efficiencies

Those investors who have not abandoned the share might as well hold on in the hope of some improvement after the new tariff structure is announced

Marylou Greig

A stitch in time to save textile sector

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WMail 11/9-17/9/92

Weekly Mail Reporter

THE major players in the clothing and textile industries have established the first industry-based tripartite negotiating forum The task of the Textile and Clothing Panel and Task Group — appointed by Trade and Industry director general Stef Naude this week — will be to advise the government on long-term strategy for the two industries.

The 30 panel members are drawn from government, the textile, clothing and furniture industries as well as raw material suppliers and distributors. Also represented are delegates of the South African Clothing and Textile Workers' Union (Sactwu) — the industries' biggest union Richard Hatty — who chaired a commission into the industries — has been appointed as an additional member.

Because the panel was seen to be unwieldy for the formulation of policy, a smaller task group was also appointed with four members each from labour, business and the government. Both the panel and the task group will be chaired by Board of Tariffs and Trade chairman Nic Swart.

Union and business participants have great expectations that the forum will provide a lifeline to the troubled industry as well as give flesh to job-creation strategies due to be discussed at the National Economic Negotiating Forum

Naude warns, however, that in the process of creating a "viable and competitive" industry, some sectors may have to be axed "It's not feasible to conserve all sections of the industries concerned," he told *The Weekly Mail.*

Textile and clothing have been earmarked as a future growth point and may well receive favourable treatment under a new political dispensation: the World Bank has singled out the textile sector as labour-intensive, with low overheads and with considerable job-creation potential.

BDay 15/9/92

Glodina hit by imports

DUMA GQUBULE

GLODINA Holdings, which today reports an attributable loss of R860 000 for the half year to end-June, has become the latest casualty in the textile industry, reeling under a deluge of cheap imports and the recession

Turnover declined by 16% to R36,6m from R43,4m

After a squeeze on margins, operating profit tumbled by 55% to R2,2m (R4,8m)

Higher interest payments of R3m, however, resulted in a loss of R860 000 (a loss of 4,4c a share) compared with a profit of R2,2m (11,1c a share) in the same period last year

(197)

Consumer spending was not forecast to show a material increase for the rest of the year and no meaningful benefits would flow from the recent revisions of duties

But the group said it expected to eliminate its interim losses by the end of the year after a rationalisation of manufacturing operations to contain costs and borrowings

MIDRAND WAREHOUSES

Northward logic

With Fabric Library already housed in Midrand, textile distributor W&A Textiles' decision to move from Doornfontein, Johannesburg, to the north does not come as a complete surprise. W&A Textiles says the move is logical; Midrand is becoming the heart of the home interior supply industry.

W&A Textiles incorporates W&A Fabrics and Rowe Innotex — upholstery and curtaining distibutors — as well as OFS James, an apparel fabric distributor These divisions are now housed in FSI Centre off Harrow Road and will move to the new showroom/warehouse in April. Excavations have begun. The move will leave 4 400 m² of space in FSI Centre.

It is no surprise that W&A Textiles' new landlord is Old Mutual Properties, which has bought many of FSI's properties over the past year OMP apparently approached W&A Textiles with the idea of housing it in a new R12m warehouse development in Midrand Says W&A Textiles CE Julian Gelb "We had outgrown our premises in Doornfontein and were looking at various choices. We were immediately interested when OMP approached us"

W&A Textiles will lease 5 000 m² of showroom and warehouse space on OMP's 14 180 m² Midrand site The lease is for 10 years with an option for a further five. On the same site, OMP will build two more subdivisible, double-volume warehouses and showrooms/offices of 1 550 m² each for leasing on the open market. The site is on the Old Pretoria main road, next door to Fabric Library, which, like W&A Textiles, is owned by FSI subsidiary W&A Investments

OMP also owns the building in which Fabric Library occupies about 5 000 m² It bought this building from a private individual in December 1991. Fabric Library has occupied it for years, according to OMP property development consultant Hugh Basel, who handled the W&A Textiles deal ■

(197) ARG 19/9/92

Rag trade in a spin

Weekend Argus Business Staff

On the eve of talks on Monday with Agriculture Minister Kraai van Niekerk, the textile industry has called for the abolition of price controls and a punitive import duty to aid its battle for survival

SOUTH Africa's textile industry is poised to protest against the imposition of a punitive duty on imported cotton and a local price that is R1,20 a kilogram higher than the world price for raw cotton

Unless prices for domestic raw cotton were allowed to become internationally competitive, the future of SA's cotton farmers — and the domestic textile industry — would continue to be in jeopardy, said Mr Brian Brink, executive director of the Textile Federation

Mr Brink said the local cotton price was causing grave concern in the textile and cotton spinning industries

World prices for raw cotton are R1,20 a kilogram cheaper than the R4,80 forced on the industry by the government and cotton growers for the year to March 1993

Although the world price is substantially lower than the SA price, a punitive import duty imposed last May prevents the textile industry buying from the cheapest source

Mr Brink is calling for the urgent removal of the duty imposed on cotton lint in May, before negotiations on next year's cotton price

"It is imperative for cotton lint to be made available to spinners, at worst at the world cost insurance freight price Ideally, to justify a domestic raw material supply source, the cotton should be available at world free on board prices

"Failing this, the continued existence of a domestic cotton-growing sector could be called into question and the land used to produce food crops"

Mr Brink added "The local textile and clothing industries will never have any chance of becoming internationally competitive unless we are able to receive our prime raw material at world-related prices This is an absolute minimum requirement

"Even if the local textile manufacturers were able to purchase raw cotton supplies at competitive world prices, the industry would still not be on an equal footing with most other cotton-producing/textile-exporting countries, whose governments provide the added advantage of subsidising raw cotton supplies to their domestic textile manufacturers

"The US is the leader in providing raw cotton subsidies to its textile industry Other countries include Pakistan, India, Brazil and Turkey

"All these countries are among the major exporters of competitively priced textiles, which are a constant threat to the SA textile industry and its labour force of some 90 000 workers"

The possibility of a cotton subsidy formed part of the set of proposals handed down by the recent Hatty Committee

Although it was supported by all the parties it represented — cotton farmers, textile producers, clothing manufacturers, the distributive trade and organised labour — the government said it had insufficient money

Mr Brink said "It is ironic that there are never enough State funds to provide relief — especially as temporary or bridging assistance — to a productive supplier of raw material such as the cotton farmers, but there is no shortage at all when it comes to bolstering State pension funds"

The local cotton-producing sector has proposed a R100-million levy compensation fund to provide relief and allow cotton growers to address the problems of their own agricultural inputs.

The fund would take the form of a loan guaranteed by government, repayable over five years.

King puts Frame critics to flight

(197)

S/Times (Buss J. 20/9/92

MERVYN King, chief executive of the embattled Frame group, disarmed members of the audience at a presentation to the Investment Analysts Society this week

Many had come armed with awkward questions, having bought shares in the textile giant at R25 and upwards only a few years ago The current price is barely 240c and has been lower

Mr King took the Frame tiller in 1989, 61 years after its founding by Phillip Frame, who died in 1979 When he took over, the group was faced with two problems the follies of the past, and worse still to come through the introduction of the abortive structural adjustment programme (SAP), seemingly under eternal review

Watershed

Mr King showed the Frame group's structure before its 1987 restructure on a graphic which made a map of the London Underground look like a child's puzzle Companies down the group had been deliberately and extensively interlocked so they would not have to be consolidated at the top

For every external invoice the group generated, there were seven internal ones About 1 250 people were employed merely to check internal transactions

Geographically, Frame spread from Malawi to Cape Town at more than a dozen sites and the range of products was too great.

Mr King described 1989 as a watershed year In the years leading up to it, SA as a member of the General Agreement on Tariffs and Trade, had had its tariff levels lowered

The Government had been on its "Dale Carnegie" course, as Mr King called it, and entered into special trade agreements with such nations as Turkey, whose exports to SA bore only 3% duty

Then came SAP, after which import control was dropped Policing of the third schedule and section 470 03 rebates was poor and abuse of SAP duty-free permits rife

Mr King said "If you exported R2-million of garments, it allowed you to import R6-million of material duty free A worldwide recession hit the textile industry hard and distress sales by such as Pakistan led to dumping here"

MERVYN KING Years to untangle the web founder Phillip spun

By JULIE WALKER

Pakistan subsidised the price of cotton to 230c/kg to help its export industries But SA textile manufacturers have to buy domestic cotton at a price of 530c/kg cif

"Even America subsidises its cotton and in SA it would cost only R35-million for the Government to help our industry compete from the same starting place

"It says it has no money, but grants R1,5-billion in drought relief There are 100 000 jobs at risk in cotton farming alone, never mind that SA's textile and clothing industries have shed 150 000 jobs since 1989

Disposal

"The cost of recreating that number of jobs puts it into perspective."

Tight domestic monetary policy and the high cost of capital added to the issues facing Frame It had 32 000 employees, a legacy of Phillip Frame's relationship with the Government He provided jobs and it helped with subsidies, decentralisation benefits and so on

A strategy was adopted to try to bring Frame up to date Units had to be identified for downsizing, retention or disposal What was retained had to be upgraded and made the right size The staff had to become market-driven as opposed to production-driven, management participative as opposed to militaristic and there had to be geographical focus.

Frame had 850 000 square metres of buildings on 160 hectares — an area equivalent to that bounded by Sauer, Wolmarans, Polly and Marshall streets in central Johannesburg

It had 50km of spinning plant, 9km of weaving machines and 7,8km of finishing plant

Moving everything to the Durban area was a major logistics exercise — we had flow charts all over the walls of what became known as the combat room"

Mr King gave an example of the downsized weaving operations — looms down a quarter, staff numbers and floor space a third, sites by two thirds, yet metres woven a week fell by only 19%

At July 1 this year, Frame's business units were confined to the Durban area, spinning mills at Ladysmith focusing on outside yarn sales.

Mr King said it now had spinning, weaving, finishing, knitted fabrics, manchester, polyester fibre, fibretex, the indent business and factory shops

Land and property had been sold or rented and the group used little more than half of the area occupied before 1989

It produced yarn enough to go round the globe every 15 minutes, fabric to cover three rugby fields an hour, and was still by far the largest player in SA

Turnover an employee rose by 30% to R74 285 in the year to June 1992 The results were much better than 1991's in spite of the R130 million loss

The Board on Trade and Tariffs (BOTT) says the textile industry must not only survive, but prosper An announcement on duty levels is expected in November

Mr King is one of 12 members of a long term task group to oversee the industry and look at duty levels and input costs

Input

He said that when SAP was introduced, the BOTT omitted — with disastrous consequences — to consult household and industrial textile bodies, whose businesses were jointly worth more than clothing and direct sales to the clothing industry

The total industry was worth more than R6,3-billion a year

Mr King said population growth globally and in SA meant there was room for a textile industry here

"We will need to use local textile suppliers When tariffs were lifted, many textile manufacturers believed they could import everything Often, the first two container loads were fine Then the third would have a problem

"When you mix yarn, fabrics and chemicals anything can go wrong

"If it is supplied locally, the buyer phones and complains and something can be done But if it is three months on the water from Pakistan there is a major problem"

Mr King said SA was likely to win developing status recognition from Gatt under a new government. That would give it preferential access to Europe, Pacific Rim nations and America

Undies

If SA followed a high political road, Frame could make a R20 million profit this year A low one would lead to a R35 million loss But even on no road, it still had net current assets of R145 million and fixed ones of R439 million

Mr King told all of us sitting in Woolworths undies that the yarn probably came from Frame

The analysts were agog at all this information in only 35 minutes One was distracted enough to call the presenter Mr Frame

Mr King said there had not been much in the way of direct benefit from the recent change in shareholdings that gave rise to Seargreg's taking control

"Aaron Searll is trying to persuade his buyers to do more business with us, but we'll only get it on merit and at arm's length"

The critics were silenced, — even a little admiring of the efforts undertaken at Frame in the past three years

Wooltru 'shopping overseas'

(197)

CT 22/9/92

By AUDREY D'ANGELO
Business Editor

WOOLWORTHS is looking for offshore investments, CE Colin Hall told the Investment Analysts Society at a presentation in Cape Town yesterday.

And it is preparing to expand further into Africa, through franchise operations Countries it is looking at include Kenya, Mauritius and Mozambique

Hall said the group was "cautiously optimistic" about the future of SA, currently coming to the end of a three year long electioneering process

At the end of this the new constitution would be "as good as written" The interest of the rest of the world would ensure a democratic SA, with a constitution acceptable to other countries They would not allow the economy to be "high-jacked by radicals"

And SA retail chains would be trading throughout Southern Africa The Limpopo and Kunene would cease to have any meaning as frontiers to retailing

But, Hall warned, Wooltru was cautiously pessimistic in the short term. It saw no immediate cessation of political violence, agreement on a political solution, or economic upturn

Political uncertainty, violence and the state of the economy were "playing absolute havoc with our business"

Discussing the group's longterm strategy, he said "the future lies with the blacks, and particularly black women"

Woolworths market was mainly in the A,B and C income groups It was facing the challenge of capturing some of the lower income market in addition to this "We have aspiration working for us"

Woolworths management was currently dominated by white males But by the turn of the century there would be many more women and blacks in higher management levels

The informal sector would grow faster than the formal one and if it were regarded as a competitor the group would lose It had to find a strategy that would enable it to ride on the growth of the informal sector, and design a group that would flourish in a changing environment

It had done this by forming three divisions, each with a different focus Woolworths was aimed at the market looking for high quality goods

The Speciality Retail Group, which included Truworths, Truworths Man and Topics, aimed at niche markets — each one different

And Massmart, including wholesaler Makro, aimed at the high volume market buying both for their own consumption and to sell to others

Govt told of textile plan

DUMA GQUBULE 197

REPRESENTATIVES from the country's troubled textile industry yesterday met Agriculture Minister Kraai van Niekerk to discuss duties on imported cotton and ways of reducing input prices to international levels. BIOTY

Textile Federation executive director Brian Brink said the discussions had been cordial. 22/9/92.

He said three suggestions had been made to government — a stabilisation fund of R100m over the next three years, subsidies on agricultural labour inputs worth an equal amount or the removal of duties on imported cotton.

Government had agreed on the need to make the industry internationally competitive, but had said it was difficult to subsidise one agricultural sector.

Multi-million scams in duty-free permits

(197)

S/Times (B4557) 27/9/92

A SYSTEM of duty-free permits is being widely abused, wreaking havoc in the sectors it was designed to help.

The permits are part of the structural adjustment programme for the clothing and textile industries

Some in the industries believe a host of multimillion-rand scams are resulting in huge duty-free imports with which they cannot compete

The permits are issued to companies that export at least 2,5% of their turnover The permits can be legally sold at a premium — a reward for exporting

Non-exporting wholesalers and retailers find that if they do not obtain permits they are soon outpriced.

One manufacturer, who does not wish to be named, says there is widespread counterfeiting of the permits

Problem

Frame Textile Corporation managing director Walter Simeoni says many permits are obtained by submitting false information

Entries against permits are not foolproof. They may be used over and over again, he says

South African Clothing and Textile Workers Union assistant general secretary Ebrahim Patel says another problem is the Customs officials of the TBVC and BLS states

They are believed to issue permits even when no exports take place, either out of ignorance or for a kickback.

Export Marketing & Management Consultants director Nora Hill says irregular methods of exports, like round tripping and false documents, are also used to obtain permits

The Department of Trade and Industry (DTI) confirms that it is investigating certain cases related to the issue of permits. It has referred some suspected abuse cases to the Department of Customs and Excise

By ZILLA EFRAT

About R343-million in duty-free permits were legitimately issued for the year to March 1993

Industry players are reluctant to estimate what amounts may have been obtained irregularly The abundance of permits on the market, however, has resulted in large falls in the premiums paid for some of them

One importer says duty-free permits are being offered at a premium of between 40% and 45% This means that the holder of a permit worth R1-million can make about R400 000 by merely trading the certificate

He says there is "no benefit to the country or the manufacturing sector"

The DTI will not support an extension of the programme when it expires at the end of March next year

A textile and clothing panel and a task group have been appointed to advise the DTI on a long-term strategy for these industries

DTI Director-General Stef Naude says a new strategy must replace transitional short-term measures not later than November next year

The duty-free permit system was intended to enable producers to limit their output ranges and supplement them with imported products

Dr Naude says one problem was that exporters were increasingly importing end products which attracted the highest duty To curb this, the permits are now issued on a menu basis

The total permit value is allocated in fixed percentages of different product categories

Dr Naude says there have also been problems in implementing the system "owing to the department's limited ability to manage a programme of this nature"

In spite of the apparent abuse of the system, most industry players point to its success in boosting exports

The DTI says the number of serious exporters has more than doubled. The value of clothing and textile exports rose from R270-million in 1988 to R520-million in 1990 In the first six months of 1991 exports were R260-million

Dr Naude says the programme was intended to run for five years — until March 1993 Assurances were given that it would not be terminated without reasonable notice

He says export contracts are negotiated up to nine months before delivery The programme's benefits are costed into contract prices This means the programme cannot be terminated immediately and will have to run its course

Fear

However, several people fear there could be a huge rush for permits before the scheme runs out.

There are also allegations of the abuse of two other duty-rebate schemes, cases of incorrect documentation and lack of control at border crossings

Mr Simeoni says "The overall effect is that the already overgenerous volume of genuine duty-free textile imports is swollen by an uncontrollable inflow of addition large volumes of illegal imports"

The result can be seen in the financial results of most textile and clothing companies If the trend is not stopped, the industry will be destroyed, he says.

STEF NAUDE Steps are being taken to stamp out the abuses

SA throws keys away

S/Times (B4557) 27/9/92

By KEVIN DAVIE: Washington

A boost for the islands

The great African T-shirt adventure

***Rags to riches** is the phrase that most aptly describes the success of the Commission Textile Printing Company.*

(197)

STAR 29/9/92

"The biggest textile printing company in Johannesburg", that's the title rightly claimed by the Commission Textile Printing Company and its sister operation, The Great African T-Shirt Company

In a classic rags-to-riches (pun intended) story, this highly successful group began in a garage, or to be more precise in a garage belonging to a certain Mrs Niselow Son Laurence, recently out of the army and not too sure what he wanted to do with his life, correctly identified a market niche.

Success followed (not without trial and tribulation) and today the group has a balanced capability in fashion textile printing and printing for the promotional clothing market

The group has an awesome turnover at its sprawling premises in Jeppestown and meets the needs of the market place with the best in the way of machinery, trained personnel, and in-house design

Mr Niselow's wife, Lynn, is the creative force behind the fashion textile operations with what her husband readily describes as her uncanny sense for colours, design and ultimately what will sell Incidentally, right now the baseball look is very much in in case you haven't heard!

"We are totally up on the latest trends in Europe while at the same time we are innovative in our own right, giving our products an individual stamp which the market recognises," says Mr Niselow

Laurence Niselow, managing director of the Commission Textile Printing Co.

Big off-take goes via the major chains, he explains, as well as select boutiques, fashion houses and the like

However, it is in the T-shirt line that there is arguably the greatest activity and growth right now, and in this context the Great African T-shirt Company is the great new frontier as it were

The basis of this operation is special-events textiles printing (not merely T-shirts) for the likes of the Paul Simon concerts and the Yellow Pages Grand Prix

Typically the company creates the theme for events then carries it through to the promotional item or combination of items requested by the client

The great difference with the Great African T-Shirt Company is that it supplies both art and overprinted T-shirts competitively and in close consultation with clients

"We look for exclusive event rights for promotional clothing and there is something of an educational job to be done in SA to convince clients that this is wise if they wish to avoid a hotch-potch image on the day and a varying degree of standards." An interesting new departure at the moment is the tourism market with typically African and wild life themes predominating

Quality-wise there are few peers for the group Its premises are well populated by high-tech automated machinery including the superb discharge printing machines, working happily in conjunction with more labour intensive lines Quality is the watchword

A sophisticated Computer Aided Design System (CAD for short – or is it shirt?) helps enormously in the design phase, says Mr Niselow

Quick turnaround times are the order of the day and so too is the group's ability to meet runs of whatever size

The sampling department has a hugely successful track record in producing the goods in double quick time.

Make no mistake, T-shirts are fashion items just like any other nowadays What's more they are fast becoming an art form and many are already collectors' items

Nor does textile over-printing stop at T-shirts; it also encompasses the likes of golf shirts, caps, leggings and such like "If it's textile we can print on it", says Laurence, who describes his group as "the best kept secret in Johannesburg"

If you would like to know more about what the Commission Textile Printing Company and the Great African T-Shirt Company can do for you, please telephone (011) 6241163 or fax (011) 6241164

Clothing contract as textile plant closes

ARG 1/10/92

EAST LONDON. — A company here is to produce clothes for Benetton, while a textile factory is being closed because of falling profits

The director of Lupo International, Ms Maria Morlacci said her firm had been granted a licence to manufacture and distribute Benetton clothes

Mr Morlacci said the company would start with the present number of staff and look into employing more people "if we require it". (197)

She said Lupo could not produce the entire Benetton range as her plant could not produce wool products, which made up some 30 percent of the range

Meanwhile, Da Gama Textiles announced yesterday that it was closing its East London plant and moving the equipment to its larger plant in Zwelitsha, outside King William's Town

"All that's going to happen is that the dyeing and printing will be moved from East London," the chief executive officer, Mr Harry Pearce said

He confirmed there would be retrenchments

The Clothing and Textile Workers Union has proposed an urgent meeting with the company on Monday — Ecna

Textiles, clothing the most cosseted

S I Times (BUSS) 11/10/92.

(197)

By CIARAN RYAN

TEXTILES and clothing are South Africa's most protected industries.

The effective import tariffs are between 90% and 348%, says a survey by the Industrial Development Corporation (IDC)

Nominal tariffs on most textiles and clothing vary between 8% and 87%

The highest import tariff is imposed on pottery, china and earthenware with effective import protection of 421% But nominal protection is only 38%

Effective protection includes adjustments for import tariffs on raw-material inputs and on the processed product. In the case of textiles and clothing, the imported raw materials for the manufacture of the finished product are subject to high nominal protective tariffs

A delegation from the General Agreement on Tariffs and Trade (Gatt) visited SA and criticised import protection. If SA's offer to the Uruguay Round of Gatt is accepted, import tariffs will have to be dropped by an average of 24% on 40% of tariff headings to be phased in over several years from 1994 Other Gatt members will be obliged to drop tariffs by 33% on all items.

The IDC highlights industries most successful in lobbying the Board on Tariffs and Trade (formerly the Board of Trade and Industry) which is responsible for setting tariff levels Most basic foods have little or no protection

Canning

But certain types of machinery used in the manufacturing sector are subject to import protection of up to 44%, attracting widespread criticism from industry

Among the least protected items are aircraft (nil) and railway equipment (3% effective and 5% nominal), both of which are strategic imports with little SA manufacture Shipbuilding and repairs are subject to 7% effective and 10% nominal protection

Other products with little or no protection are agricultural machinery (7% effective), special industrial machinery (nil), office and computing machinery (7%), fish canning (2%), malt beverages (1%), wool and cotton (nil) and meat processing (nil)

Footwear enjoys 87% effective protection, jewellery 114%, bakery products 139% and clothing 239%

Paper and pulp imports are subject to effective protection of 22% But an effective tariff of 148% applies to some paper and pulp products, says the IDC

Medicines are subject to 24% effective protection Calls have been made for the scrapping of import tariffs on medicines which generate relatively little revenue

Iron and steel imports are subject to 11% nominal and 27% effective protection. Steel users have called for lower tariffs because of the high level of natural protection enjoyed by producers It often costs more than the import duties to freight steel to SA

Chemicals are subject to 14% nominal and 16% effective protection, although tariffs of 50% are levied on some basic products Tariffs on glass imports are 17% nominal and 25% effective, furniture (25% and 44%), electrical appliances (22% and 44%), metal furniture (25% and 68%) and rubber (25% and 62%)

Several developing countries dropped import tariffs as part of a package of measures aimed at stimulating economic growth About 95% of imports to Korea are subject to tariffs of less than 20% Another drop to 10% is planned by 1994 Mexico's average tariff level is 11%

Formula

"The main disadvantage of formula duties is the unnecessarily high tariffs to which these duties give rise," says the IDC

"A solution will have to be found for this problem in the form of a more acceptable but also a more effective mechanism dealing with dumping"

The average level of import tariffs and surcharges is 20% and 4% respectively, representing a cost burden of 14% of gross domestic product, says the IDC in its 1990 report on protection policy

Threatened industries frequently resort to anti-dumping laws to keep foreign competitors at bay In terms of SA's amended anti-dumping legislation, additional duties may be levied wherever "disruptive competition" is deemed to have occurred

Industry sources suggest that the definition of dumping is so broad as to include almost anyone importing cheaper than a domestic producer

● The IDC research, completed in 1990, is the latest available and refers to 1988 tariff information. The Board on Tariffs and Trade says several tariffs have been adjusted since then, but it is unable to supply updated figures because of the IDC tariff categories are agglomerated.

Huge job losses blamed on state

(197) AEG 10 / 10/92

Weekend Argus Correspondent

DURBAN. — The clothing and textile industries will collapse unless the government moves "with urgency" to undo the harm caused by its industrial policies, says Frame textiles boss Mervyn King.

The Board on Trade and Tariffs (BOTT) had been told that if it implements its proposed duty structure from the end of this month, Frame might have to lay off another 2 500 employees, he said.

He blamed government for the uncertainty behind the "loss of thousands of jobs, and untold misery".

Frame Group cut its losses for the year mainly through the continued reduction of the size of the group and containment of costs.

The group had been reduced from an empire with 14 factory complexes from Blantyre to East London employing 32 000 in the early 1980s to five mill complexes confined to the Durban area and Ladysmith employing 8 800.

Mr King said the need for protection from fabric imports — which had doubled in five years — stemmed from high input costs.

Cotton, 45 percent by cost of the group's raw material requirement, was bought locally on a quota system at about R5 a kilogramme, compared with a world price of around R3,80.

Some countries exporting textiles to South Africa subsidised their own mills to the extent that they paid only 230c a kilogramme for cotton

Cutting tariffs would destroy textile industry

BDay 5/10/92. (197)

ABE FRAME

THE SA textile industry is in agreement with our counterparts in Europe that we are totally committed to the free market system and to world competition, as long as it is based on fair conditions of trade

This implies:

- ☐ A clear and coherent set of rules, agreed upon internationally and aimed at combating dumping, subsidies, piracy of intellectual property, circumvention by trans-shipment and false declaration of origin,
- ☐ Specific provisions for dealing with non-market economies, for example China, because no private sector business can effectively compete against a state,
- ☐ A proper system for verification and enforcement, allowing countries that suffer prejudice from abnormal practices to take appropriate measures. Adequate safeguard mechanisms such as high ad valorem and countervailing duties should be able to be called into effect

The international textile community, at the recent Uruguay Round of GATT, made it clear that to achieve this would take at least seven to 10 years Only when these distortions are removed and non-tariff measures are dismantled dare SA lower and harmonise its protective textile tariffs To do so now would be tantamount to destroying the industry

There is talk in government circles and among some Board on Tariffs and Trade officials of a policy of freer access to imported yarns and fabrics This is open to question

The theory is that this policy will drive the local textile manufacturer to be more competitive in global markets It assumes that this will push costs down

Nothing could be further from reality. Producers in most countries exporting to SA are heavily protected and subsidised. These imports reduce local demand, which is already softened by the recession, and local textile mills are thereby further underutilised

The Pacific Rim countries did exactly the opposite in the '60s and '70s. These developing countries realised that the textile industry, as a primary industry, had an employment multiplier effect and they sought to protect these industries in order to build them up to full capacity and then launch them as exporters to the First World

The mechanism of reducing tariffs and hoping to push costs down by increasing imports can only work if there is full employment, and if there are skills available to move to another industry Neither is true in SA It also does not follow that destroying one industry will result in correspondingly great expansion and the absorption of those employees in another industry.

Another myth that has to be destroyed is that cheaper imports mean cheaper textile products at retail level. This propaganda is cultivated by importers who are only interested in making greater profits

Our critics suggest that protection is required only because the SA textile industry is inefficient If this argument is taken to its logical conclusion, then the Far Eastern textile industries must all be more inefficient than their SA counterparts, because they all have much higher protection barriers The argument is a non sequitur.

The textile industry draws its labour and management from the same pool as does the clothing or any other industry. The textile industry, therefore, is probably as efficient as any other industry from a labour and management point of view. Against the subsidised industries of the East, neither SA nor the First World countries can compete. SA textiles are, however, competitive with First World counterparts

The SA textile industry can do nothing at this stage about its disadvantages in the higher cost of plant, spares, chemicals, dye stuffs and so on, lower depreciation levels than those enjoyed by its competitors, the non-subsidisation of its raw material input costs such as cotton and polyester; the high inflation rate; educational and social problems, higher corporate tax rates, political unrest, political change, strikes, mass action, stayaways and violence, and higher interest rates

What can the government do now?

It could accept that the textile industry is a primary industry that also creates secondary employment as in Korea, Thailand, Taiwan, Indonesia and Pakistan

It should be accepted that SA is a developing country It was an error that SA was introduced into GATT as a developed country and efforts should be made to change this as soon as possible.

Government must also expedite anti-dumping procedures and the structural adjustment programme's duty free imports should be stopped immediately with regard to both textiles and clothing In their place there should be consistent and effective export incentives upstream and downstream

Protective duties need to be adjusted urgently as requested in applications already filed These must be high to be effective at all

If government does not act now, the infrastructure of the textile industry could be destroyed by 1993 There are some 300 000 people employed in the textile pipeline If one multiplies this by six for those who are supported by textile employees, more than 1-million people will be affected. The impact on the secondary industries such as packaging, electrical supply and transport and the economy, will be disastrous

☐ Frame is chairman of the SA Cotton Textile Manufacturers' Association. This is an edited version of an open letter sent last week to Deputy Trade and Industry Minister David Graaff.

BOOKS

COMPANIES

Credit Guarantee results reflect recession

SHARON WOOD

BDAY 12/10/92

CREDIT insurer Credit Guarantee's underwriting profit in its 1989/90 underwriting account declined 31% to R2,79m from R4,06m the previous year

MD Chris Leisewitz said on Friday these were the first underwriting results to reflect the current recession Credit insurers worldwide had experienced difficult market conditions during the past year

Premium income increased slightly to R149,93m in the year to June 1992 from R144,34m, while claims paid declined to R91,49m (R92,64m)

Leisewitz said the disappointing premium growth was mainly a result of the world economy's poor performance, changes in SA's export subsidies and exporters' risk perceptions

The group's investment income declined 10% to R10,49m (R11,63m), reflecting lower interest rates during the period under review

Despite the adverse conditions, the company's asset base grew 14% to R196,4m (R172,6m) Its solvency margin increased from 74,3% to 87,2%, reflecting a further strengthening in Credit Guarantee's balance sheet

Leisewitz said SA's export performance over the past year had been particularly disappointing in the capital goods sector, where a number of projects considered safe only a year ago had been lost

"However, the export situation will improve as OECD countries move slowly into a growth phase in 1993 and new markets become more accessible to local exporters

"A return to slow growth in export premium income could be expected."

Fair tariffs needed for turnaround Frame

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BDAY 12/10/92.

DUMA GQUBULE

THE Frame Group's return to profitability depended on a recovery in the SA economy and fair tariffs against cheap textile imports, chairman Mervyn King said in the group's 1992 annual report

However, he said he did not expect the economy to emerge from its trough in the current financial year, while new tariffs were in the hands of the Board on Tariffs and Trade

Frame could only hope the board would propose a structure that would undo the harm of its previous programme, which had wreaked havoc in the textile industry.

He said the authorities should urgently undo the harm created by its structural adjustment programme for the textile industry, failing which the textile pipeline, including end-users, would collapse.

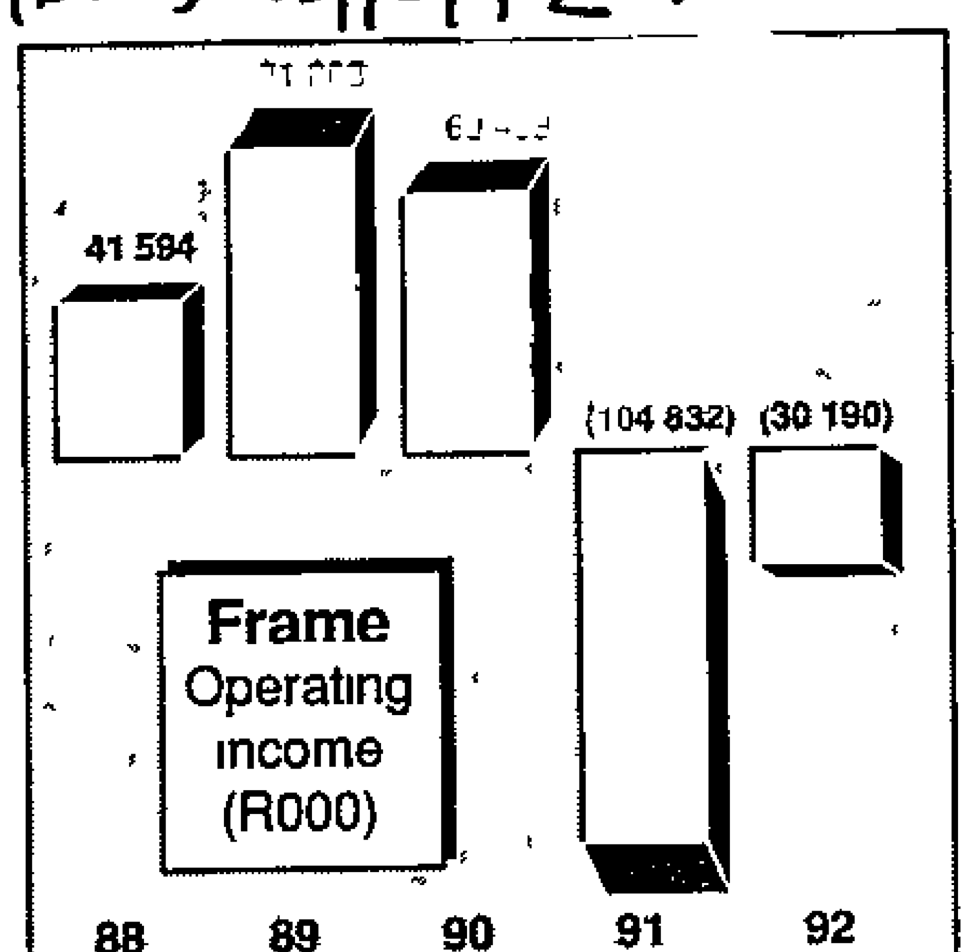
The group reported an attributable loss of R45,6m for the year to end-June, compared with a pro forma loss of R55,6m (R101,1m actual) the previous year

The closure of certain operations in the past financial year resulted in 1 539 retrenchments at a cost of R16m and plant to the value of R12m being written off After the year end, the apparel business had shrunk to a marketing operation, and 350 people were retrenched at a cost of R3m

King said the group now operated from five mill complexes, with sales of R652m In 1980 there were 14 complexes spread from Blantyre to East London with 32 000 empolyees and sales of R230m

The main change during the past year had been a bid from Seargreg This had resulted in Seargreg becoming the largest shareholder in Frame Group Holdings, and brought the group into association with the Seardel Group and Gregory Knitting Mills

Although these companies dealt with



Graphic RUBY-GAY MARTIN Source FRAME

Frame on an arm's length basis, the closer association of the largest manufacturer and end-user of apparel fabrics in the country augured well for the future.

In the report, MD Walter Simeoni said a new attitude from the board — which he described as "adequate band-aid" — in the year to October 1993 would stabilise the industry and allow it to grow in 1993/94

If the "band-aid" was sufficient, Frame could break even in the current financial year If not, thought would have to be given to further closures, retrenchments and write-offs

Simeoni said improvements in the group's financial performance this year would have to come from better management of working capital, cost cutting and efficiencies

He said the collection of receivables had been extremely difficult. The group's infrastructure for dealing with trade debtors had been strengthened for the new financial year It was in this area that continuous problems were foreseen, he said

Garment trade is 'well placed'

B/DAY 14/10/92.

SIMON BARBER

WASHINGTON — The SA garment industry is well placed to become a major exporter and to create hundreds of thousands of new jobs, according to a preliminary World Bank study of SA manufacturing.

But this potential is being hampered by an "inward-oriented" mindset, inappropriate government policies, vested union and textile industry interests and political uncertainty. 197

The study, completed last January, is one of a series of papers aimed at stimulating debate on SA economic options.

The study concludes that there is a substantial international niche for the high-quality clothing now being produced in such centres as Cape Town and Durban.

It envisages a possible $2bn increase in exports of garments and the creation of 300 000 new jobs.

NOTICE 907 OF 1992

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DEPARTMENT OF MANPOWER

LABOUR RELATIONS ACT, 1956

APPLICATIÓN FOR VARIATION OF SCOPE OF REGISTRATION OF A TRADE UNION

I, David William James, Industrial Registrar, do hereby, in terms of section 4 (2) as applied by section 7 (5) of the Labour Relations Act, 1956, give notice that an application for the variation of its scope of registration has been received from the South African Clothing and Textile Workers' Union. Particulars of the application are reflected in the subjoined table

Any registered trade union which objects to the application is invited to lodge its objection in writing with me, c/o the Department of Manpower, 123A Manpower Building, 215 Schoeman Street, Pretoria (postal address: Private Bag X117, Pretoria 0001), within one 6month of the date of publication of this notice.

TABLE

Name of trade union. South African Clothing and Textile Workers' Union

Date on which application was lodged. 3 April 1992.

Interests and area in respect of which application is made: All persons employed in the Canvas and Ropeworking Industry in the Magisterial Districts of Germiston, Johannesburg, Pretoria and Roodepoort.

For the purposes hereof "Canvas and Ropeworking Industry" means the industry in which employers and their employees are associated for—

(a) the making up of goods or articles mainly from any or some of the following:

(i) Canvas made from cotton, flax, jute, hemp or any similar decorticated vegetable fibres or acrylic fibres or mixtures thereof;

(ii) rope made from manilla, sisal, cotton, hemp, coir or any similar decorticated vegetable fibres or acrylic fibres or mixtures thereof;

and includes the manufacture of articles from hessian, bunting, calico, webbing or any similar material, whether unproofed or proofed or otherwise treated. Provided that the production thereof is incidental to the activities referred to in subparagraphs (i) and (ii) above, and shall include the manufacture of articles from a plastic fabric where such articles form part and are manufactured by employers engaged in the manufacture of the articles referred to in subparagraphs (i) and (ii) above;

(b) the repair, renovation and alteration of goods or articles made from the materials referred to in paragraph (a),

(c) the making of wooden and/or metal frames, components and/or accessories to goods or articles made from materials referred to in paragraph (a);

KENNISGEWING 907 VAN 1992

DEPARTEMENT VAN MANNEKRAG

WET OP ARBEIDSVERHOUDINGE, 1956

AANSOEK OM VERANDERING VAN DIE REGISTRASIEBESTEK VAN 'N VAKVERENIGING

Ek, David William James, Nywerheidsregistrateur, maak ingevolge artikel 4 (2) soos toegepas by artikel 7 (5) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend dat 'n aansoek om die verandering van sy registrasiebestek ontvang is van die South African Clothing and Textile Workers' Union Besonderhede van die aansoek word in onderstaande tabel verstrek.

Enige geregistreerde vakvereniging wat teen die aansoek beswaar maak, word versoek om binne een maand na die datum van publikasie van hierdie kennisgewing sy beswaar skriftelik by my in te dien, p.a die Departement van Mannekrag, Mannekraggebou 123A, Schoemanstraat 215, Pretoria (posadres. Privaat Sak X117, Pretoria, 0001).

TABEL

Naam van vakvereniging. South African Clothing and Textile Workers, Union.

Datum waarop aansoek ingedien is: 3 April 1992.

Belange en gebied ten opsigte waarvan aansoek gedoen word: Alle persone in diens in die Seildoek- en Touwerknywerheid in die landdrosdistrikte Germiston, Johannesburg, Pretoria en Roodepoort

Vir die doeleindes hiervan beteken "Seildoek- en Touwerknywerheid" die nywerheid waarin werkgewers en hul werknemers met mekaar geassosieer is vir—

(a) die opmaak van goedere of artikels hoofsaaklik van enige of sommige van die volgende:

(i) Seildoek gemaak van katoen, vlas, jute, hennep of enige soortgelyke ontskorste plantvesels of akrielvesels of mengsels daarvan;

(ii) tou gemaak van manilla, sisal, katoen, hennep, klapperhaar of enige soortgelyke ontskortste plantvesels of aknelvesels of mengsels daarvan;

en omvat dit die vervaardiging van artikels van goiing, vlagdoek, kaliko, webband of enige soortgelyke materiaal, hetsy dig of bestand gemaak al dan nie of anders behandel· Met dien verstande dat die produksie daarvan gepaard gaan met die werksaamhede bedoel in subparagrawe (i) en (ii) hierbo, en dit die vervaardiging omvat van artikels van 'n plastiekstof waar sodanige artikels deel uitmaak en vervaardig word deur werkgewers betrokke by die vervaardiging van die artikels bedoel in subparagrawe (i) en (ii) hierbo;

(b) die herstel, opknapping en verstelling van goedere of artikels gemaak van die materiale in paragraaf (a) bedoel;

(c) die maak van hout- en/of metaalrame, -komponente en/of -bybehore vir goedere of artikels gemaak van materiale in paragraaf (a) bedoel;

Spinning a new yarn

KNITTING Wool Centre, in partnership with the Islamic Bank, is set to open a knitting yarn spinning factory next month in Johannesburg's Mayfair (197)

The wool retail group, which has eight branches around SA, has also embarked on a drive to boost the local home knitting industry Managing director Hassim Hattia says the new factory will sell directly to home knitters and will produce 10 tons of yarn a month for both hand and machine knitting under the Brittania label S I Times (BUSS) 18/10/92

Meritex sinks deeper into red

DUMA GQUBULE (197)

TEXTILE group Meritex Holdings plunged deeper into the red in the six months to end-July with a reported attributable loss of R4,2m.

This brought accumulative losses to R7,8m over the past 18 months. B/Day 23/10/92

Chairman Edward Gordon said continuing depressed trading conditions and the absence of any definitive government textile and clothing tariff policy made second-half losses inevitable, though they would be at a much lower level.

The company has advised shareholders to exercise caution in dealing in Meritex shares because of negotiations which could affect the share price

FRAME FM 23/10/92

Waiting for a new deal

197

Activities: *Textile manufacturer*
Control: *Seargreg Investments (37% of voting capital)*
Chairman: *M E King, MD W Simeoni*
Capital structure: *20,8m ords Market capitalisation R41,8m*
Share market: *Price 230c 12-month high, 350c, low, 170c Trading volume last quarter, 202 000 shares*

Year to Jun	**'90**	**'91†**	**'91***	**'92**
ST debt (Rm)	153 8	213,8	154 6	157,4
LT debt (Rm)	8,5	14,5	13 2	23,2
Debt equity ratio	0,17	0,31	0,23	0,29
Shareholders interest	0,55	0,58	0,66	0,67
Int & leasing cover	2,9	nil	nil	nil
Return on cap (%)	4,8	(10,1)	(6,4)	(4,1)
Turnover (Rm)	984,3	189,1	657,9	652,2
Pre-int profit (Rm)	69,8	(121,9)	(68,1)	(36,3)
Pre-int margin (%)	7,1	(15,6)	(10,5)	(5,8)
Earnings (c)	128	(533)	(293)	(239)
Dividends (c)	60	—	—	—
Net worth (c)	3 272	2 300	2 306	1 870

† Actual * Pro forma excluding the blanket division sold from July 1 1991

Like all the textile industry, prospects depend largely on the establishment of what chairman Mervyn King calls equitable barriers against disruptively priced imports

The question of imports has been a thorn in the flesh of the industry since 1989 when the Board on Tariffs & Trade introduced its structural adjustment programme For a variety of reasons, this was an unmitigated disaster and one of the main factors behind Frame's slide from a R24,3m net proft in 1990 to attributable trading losses of R101,1m and R45,6m for 1991 and 1992 respectively

There should be action soon as the Board announces a structure to replace the interim measures which expire this month But on even the most optimistic outlook, can companies like Frame in the foreseeable future become anything more than marginal performers? To put it another way, can the hoped-for recovery ever justify a share price remotely close to NAV of R18,70?

Two points need to be considered

☐ Asset productivity Even accepting that full benefits of the restructuring of the past two years have yet to be felt, the bald fact is that the group is having little success in improving its asset turn The 1992 ratio of 0,73 indicates that it has to provide R1,37 in

continued

FM 23/10/92

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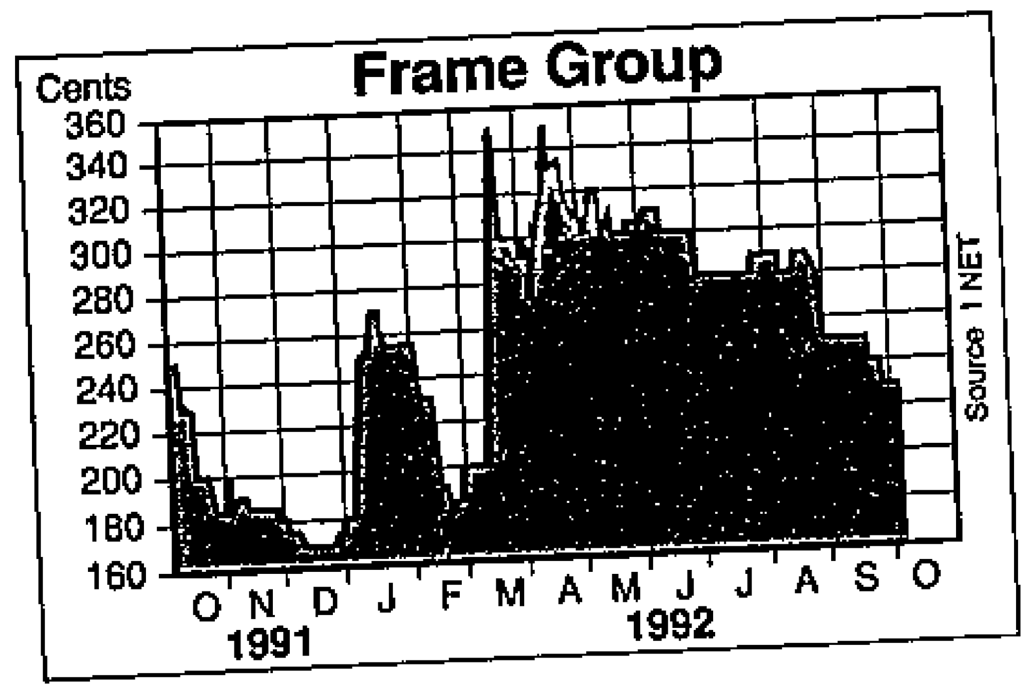

total assets for every R1 turnover

Even were turnover adjusted to take into account unused physical production capacity, which finance director Rob Whiteford estimates between 35%-40%, depending on product mix, the ratio would probably still be slightly shy of 1 1 because of the increase in working capital that would be required

The significance of this is that any increase in turnover would place cash flow under enormous strain, and probably require substantially higher borrowings, which leads to the next point,

☐ Profitability As with any company, to borrow more without an adverse effect on shareholders would require a pre-interest return on net funds employed (excluding interest-free funds) of around 18%-20%, compared with the present negative 4,7%

Existing capital employed of R770m would therefore require pre-interest profits of between R140m-R155m, in place of the existing R36m loss, which in turn would imply a trading margin on the existing sales base of between 21%-24%, in place of the present negative 6%

None of the above is impossible But the prospects of achieving such profitability would be more encouraging if Frame had ever done so — which, of course, it has not

What, at the time, was generally regarded as founder Phillip Frame's parsimonious dividend policy was in fact a simple acceptance that returns were too low for borrowings to be used on any meaningful scale to reduce the strain on internal cash flow So whatever else Frame may have to answer for, at least he had a better understanding of cash flow than the investors who drove the share price to R27 after his death in the belief that the pot of gold at the end of the rainbow was about to overflow

Whether the "new" Frame will be any different remains to be seen For the moment, however, the odds look stacked against it, given that the interests of the textile industry — and, hence, what the industry would consider an equitable dispensation from the board — are essentially irreconcilable with the interests of consumers, who would be cut off from cheaper imports

A central issue is that long-term stability in the industry is an impossible ideal while domestic raw material prices, like cotton, which accounts for about 45% of Frame's input costs, remain substantially above international levels — even before taking into account government subsidies applicable in certain textile-producing countries

King and his team have done sterling work in realigning Frame to current business conditions But, to repeat an earlier point, there remains doubt whether this can make it anything more than a marginal performer in an industry which is, and is likely to remain, structurally unsound

Brian Thompson

Frame's King *may never be more than marginal*

SA clothing industry slated by World Bank

S/Times (BUSS) 25/10/92 197

THE South African garment industry is well placed to become a major exporter and to create hundreds of thousands of new jobs, according to a preliminary World Bank study of the country's manufacturing sector.

By SIMON BARBER: Washington

But this potential is being hampered by an "inward-oriented" mindset, inappropriate government policies, vested union and textile industry interests and continuing political uncertainty, says the assessment

The textile producers, and the conglomerates and foreign multinationals who control most of them, are subject to particular censure. Tough government measures may be needed to get them "to accept restructuring as necessary for the broader objective of dynamically efficient, labour-demanding expansion of manufacturing".

The study, completed last January, is one of a series of papers the Bank is starting to make public to stimulate debate on South Africa's post-apartheid economic options

The author, Bank economist Brian Levy, concludes that there is a substantial international niche for the high-quality, up-market clothing now being produced in such centres as Cape Town and Durban

Assuming output per worker and production for local consumption remain constant, an additional $2-billion worth of exports — comparable with Turkey's, performance in 1980-1987 — might produce more than 300 000 new jobs, more than doubling 1991 employment (135 000) in the industry.

Reluctance

Even if lower protection and other policy reforms caused production for the local market to decline by a third, employment gains would still be of the same order.

By contrast, expansion of the industry based on growing domestic demand from low-income consumers would likely entail maintenance of currently high import duties on low-end clothing, implying increased costs for those least able to afford them and leading the industry "down an uncompetitive dead end".

As the present tariff structure indicates, the low end is not a market segment in which SA is internationally competitive. In part, this is because it is a "middle wage supplier", with industry wage levels double those of Thailand and two-thirds those of South Korea and Portugal

On the other hand, the industry does have the necessary skills, experience and infrastructure to focus on the "higher-end" export market, since it has long been serving the same kind of market domestically.

However, interviews with 12 large to medium sized firms in Durban and the Cape found a marked reluctance to compete overseas, despite the General Export Incentive Scheme and inducements offered by the Department of Trade and Industry as part of the Structural Adjustment Programme it launched in 1989/90.

These changes were viewed by many firms as "temporary windfalls" in a climate that otherwise did not lend itself to shifts of long-term strategy

Further reforms — including radical simplification of the tarriff structure and removal of formula duties — put forward by the BTI in September last year, while basically sound, tended to reinforce the uncertainty

"The credibility of any reform effort is undermined if firms are not confident that it will be sustained" In addition, it was unclear whether the new package actually made the export market any more attractive than sticking with the domestic one.

Trade policy is not the only obstacle to an outward-oriented strategy Others include the textile producers and, potentially, the powerful SA Clothing and Textile Workers' Union

To compete successfully at the medium-to-high end of the international market, firms need a highly responsive and cost-competitive source of fabric, often made to precise specifications.

"Unfortunately ... SA's large and complex textile industry can hardly be described as flexible, reliable and cost-competitive."

Vociferous

Textile firms interviewed for the study were "vociferous" in the support for continued high protection and would have to be shaken by "explicit government decisions" from their "inward-focused culture".

Opponents of necessary change include "the dominant textile firm, the major conglomerates (principal shareholders in seven other large textile firms), influential German and British multinationals, politically volatile cotton farmers in the far Northern Transvaal and perhaps the dominant the union"

New tariff structures for textiles

A MINIMUM import duty will be introduced on November 13 to provide protection for the textile and clothing industry against the low prices of imported products

This was announced by the Department of Trade and Industry yesterday in addition to a partial rebate provision for inputs unobtainable in the local textile industry.

The plans were outlined in a 50-page document released to the National Clothing Federation and Textile Federation. CT 28/10/92

However, both organisations said it would take several days to determine what the new structure would be

The structure would be in the form of ad valorem duties linked to a maximum specific duty. 197

New textile tariff structure

MEREDITH JENSEN

THE Trade and Industry Department said yesterday a new tariff structure for the textile and clothing industries would come into effect from November 13

The plans were outlined in a 50-page document released to the National Clothing Federation and the Textile Federation

However, both organisations said it would take several days to determine what the new structure would be and whether it would be beneficial to the industries.

The structure would be in the form of ad valorem duties, equivalent to a certain percentage of the total value of the imported product, linked to a maximum specific duty In addition, a minimum duty had been set to act as a "safety net" to address the problem of insufficient protection against uncompetitively low-priced products landing on the SA market, not necessarily the result of dumping, said the Department of Trade and Industry.

Clothing manufacturer Seardel Investment Corporation chairman Aaron Searll said the details were being evaluated by both federations

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"Until we see what it is, it is difficult to comment," he said.

Several months ago Deputy Trade and Industry Minister David Graaff announced that a revised duty structure for textiles and clothing had been proposed by the Board on Tariffs and Trade, effective for a transitional period of 18 months to October 31 1993

BDAY 28/10/92

During this time, the government-appointed textile and clothing panel and task group would identify problems within both industries and offer solutions designed to make them more economically viable and competitive.

Graaff said the new structure could eventually be replaced once the task group had completed its investigation.

COMPANIES

Romatex reverses downtrend

DUMA GQUBULE

TEXTILE group Romatex has reversed its three-year trend of falling profits and reported a 45% increase in attributable earnings to R12,5m for the year to September.

But the group has a long way to go to reach 1988 earnings of 217c a share — financial 1992 earnings increased to 50,5c (34,9c) a share. Chairman Jack Crutchley said the major improvements had come from tight asset management (199)

The group's progressively reduced dependence on textile-sourced earnings had also played a part, he said

This was highlighted by the fact that the Bulk Liquid storage division — which increased its contribution as the drought had forced the importation of large quantities of edible oils — was the major profit generator Perceptions of Romatex as a carpet company were outdated, he said

Turnover eased 2% to R722,4m (R740,4m) and operating profit was virtually unchanged at R40m. Interest payments fell to R15,8m (R19,9m) and pre-tax profit was 22% higher at R24,2m (R19,9m) The tax rate fell to 48% from 57% and attributable earnings came to R12,5m (R8,6m), equivalent to 50,5c (34,9c) a share Payout for the year was 20c (14c) a share.

The haemorrhaging of the carpet division, last year's major contributor, had been staunched But the improvement was largely offset by poor performances from the fabric division's Berg River Textiles and — to a lesser extent Veldspun

Abbey knocked by tough trading conditions

BDAY 30/10/92 (197)

PETER GALLI

PROPERTY and textile group Abbey Holdings has reported an attributable loss of R4,03m — an earnings loss of 22,7c a share — in the six months to end-June, from a R15,23m loss in the 18-month period to end-December.

Directors attributed this to losses in both the textile and property divisions because of the prevailing socio-political and economic environment.

As this is the first interim report as a newly constituted group, no comparable figures are available except for the 18-month period to end-December

Abbey holds 85% of textile group Fenix Industries, 92% of Property Corporation of SA (Propcor) and 56% in the Debonair group.

Abbey reported an operating loss of R3,97m for the half year after paying an interest bill of R2,87m and allocating R2,81m for outside shareholders The attributable loss was R4,03m

Subsidiary Fenix has two subsidiaries, Ivitex and Lansdowne Textile Industries, both of which are trading companies in the textile industry Fenix reported a R1,05m operating loss and, after an interest bill of R1,44m, reflected an attributable loss of R2,49m or an earnings loss of 22,2c a share

"However, there has been an improvement in trading conditions since July 1992 and, should this trend continue, the results for the second half will improve," the directors said

Propcor also moved into the red At the operating level, a R2,44m loss was reported and after payment of a R1,54m interest bill and R1,52m for outside shareholders were made, the attributable loss stood at R2,46m

This loss translated into an earnings loss of 10,3c a share The board has also made an offer to minority shareholders of Partners In Property (PIP) to acquire their shares and loan accounts totalling R8,75m in exchange for new Propcor shares

No. R. 3032 **30 October 1992**

LABOUR RELATIONS ACT, 1956

FURNITURE MANUFACTURING INDUSTRY, SOUTH WESTERN DISTRICTS RENEWAL OF MAIN AGREEMENT

I, Dennis van der Walt, Director: Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices R. 2859 of 28 December 1979, R 190 of 28 January 1983, R 871 of 4 May 1984, R 1819 of 17 August 1984, R. 140 of 24 January 1986, R 1672 of 8 August 1986, R. 842 of 16 April 1987, R 573 of 31 March 1989 and R. 408 of 1 March 1991, to be effective from the date of publication of this notice and for the period ending 30 April 1993.

D. VAN DER WALT,

Director: Labour Relations.

No. R. 3033 **30 October 1992**

LABOUR RELATIONS ACT, 1956

LEATHER INDUSTRY, REPUBLIC OF SOUTH AFRICA: RENEWAL OF AGREEMENT FOR THE TANNING SECTION

I, Dennis van der Walt, Director: Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices R 380 of 4 March 1988, R 2313 of 18 November 1988, R 160 of 26 January 1990, R 2871 of 7 December 1990 and R. 1001 of 3 April 1992, to be effective from the date of publication of this notice and for the period ending 30 June 1993

D. VAN DER WALT,

Director: Labour Relations.

No. R. 3034 **30 October 1992**

LABOUR RELATIONS ACT, 1956

TEXTILE INDUSTRY, REPUBLIC OF SOUTH AFRICA: AMENDMENT OF AGREEMENT

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby— (197)

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the date of publication and for the period ending 30 June 1993, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union, and

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No. R. 3032 **30 Oktober 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

MEUBELNYWERHEID, SUIDWESTELIKE DISTRIKTE HERNUWING VAN HOOFOOREENKOMS

Ek, Dennis van der Walt, Direkteur Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings R 2859 van 28 Desember 1979, R 190 van 28 Januarie 1983, R 871 van 4 Mei 1984, R 1819 van 17 Augustus 1984, R 140 van 24 Januarie 1986, R 1672 van 8 Augustus 1986, R 842 van 16 April 1987, R 573 van 31 Maart 1989 en R 408 van 1 Maart 1991, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 April 1993 eindig

D. VAN DER WALT,

Direkteur Arbeidsverhoudinge.

No. R. 3033 **30 Oktober 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

LEERNYWERHEID, REPUBLIEK VAN SUID-AFRIKA HERNUWING VAN OOREENKOMS VIR DIE LOOISEKSIE

Ek, Dennis van der Walt, Direkteur Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings R 380 van 4 Maart 1988, R. 2313 van 18 November 1988, R. 160 van 26 Januarie 1990, R. 2871 van 7 Desember 1990 en R 1001 van 3 April 1992, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1993 eindig

D. VAN DER WALT,

Direkteur Arbeidsverhoudinge

No. R. 3034 **30 Oktober 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

TEKSTIELNYWERHEID, REPUBLIEK VAN SUID-AFRIKA WYSIGING VAN OOREENKOMS

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die datum van publikasie en vir die tydperk wat op 30 Junie 1993 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is, en

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (b), shall be binding, with effect from the date of publication and for the period ending 30 June 1993, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the area specified in clause 1 of the Amending Agreement

G. M. E. CARELSE,

Deputy Minister of Manpower

(197)

SCHEDULE

THE NATIONAL INDUSTRIAL COUNCIL FOR THE TEXTILE MANUFACTURING INDUSTRY OF THE REPUBLIC OF SOUTH AFRICA

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

National Textile Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisation"), of the one part, and the

South African Clothing and Textile Workers Union

(hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the National Industrial Council for the Textile Manufacturing Industry of the Republic of South Africa,

to renew and to amend the Agreement published under Government Notice No R 2069 of 21 September 1979, as amended and renewed by Government Notices Nos R 207 and R 208 of 5 February 1982, R 43 and R 44 of 4 January 1985, R 78 of 17 January 1986, R 501 of 21 March 1986, R 65 of 9 January 1987, R 1159 of 29 May 1987, R 2840 of 24 December 1987, R 997 and R 998 of 27 May 1988, R 389 and R 390 of 23 February 1990, R 413 and R 414 of 1 March 1991, R 3139 and R. 3140 of 20 December 1991 and R 2039 of 17 July 1992

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Textile Manufacturing Industry—

(a) in the Republic of South Africa, excluding the port and settlement of Walvis Bay,

(b) by all employers who are members of the employers' organisation and are engaged in the Textile Manufacturing Industry and by all employees who are members of the trade union and are employed in the Industry

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall apply only in respect of employees for whom wages are prescribed in this Agreement

2. CLAUSE 4—REMUNERATION

(1) Substitute the following for subclause (11)

"(11) (a) Subject to the provisions of clause 5, an employer shall not pay and an employee shall not accept wages less than those specified for such employee's class of work in Annexure A, B or C to this Agreement

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousule 1 (1) (b) met ingang van die datum van publikasie en vir die tydperk wat op 30 Junie 1993 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer

G. M. E. CARELSE,

Adjunkminister van Mannekrag.

BYLAE

NASIONALE NYWERHEIDSRAAD VIR DIE TEKSTIELNYWERHEID VAN DIE REPUBLIEK VAN SUID-AFRIKA

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

National Textile Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasie" genoem), aan die een kant, en die

South African Clothing and Textile Workers Union

(hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir Tekstielnywerheid van die Republiek van Suid-Afrika,

tot hernuwing en wysiging van die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 2069 van 21 September 1979, soos gewysig en hernieu by Goewermentskennisgewings Nos R 207 en R 208 van 5 Februarie 1982, R 43 en R 44 van 4 Januarie 1985, R 78 van 17 Januarie 1986, R 501 van 21 Maart 1986, R 65 van 9 Januarie 1987, R 1159 van 29 Mei 1987, R 2840 van 24 Desember 1987, R 997 en R 998 van 27 Mei 1988, R 389 en R 390 van 23 Februarie 1990, R. 413 en R 414 van 1 Maart 1991, R 3139 en R 3140 van 20 Desember 1991 en R 2039 van 17 Julie 1992

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet in die Tekstielnywerheid nagekom word—

(a) in die Republiek van Suid-Afrika, uitgesonderd die hawe en nedersetting van Walvisbaai,

(b) deur alle werkgewers wat lede van die werkgewersorganisasie is en wat by die Tekstielnywerheid betrokke is, en deur alle werknemers wat lede van die vakvereniging is en in die Nywerheid in diens is

(2) Ondanks subklousule (1) is hierdie Ooreenkoms van toepassing slegs op werknemers vir wie lone in hierdie Ooreenkoms voorgeskryf word

2. KLOUSULE 4—BESOLDIGING

(1) Vervang subklousule (11) deur die volgende

"(11) (a) Behoudens klousule 5 mag 'n werkgewer nie 'n kleiner loon betaal en mag 'n werknemer nie 'n kleiner loon aanvaar nie as wat in Aanhangsel A, B of C van hierdie Ooreenkoms vir so 'n werknemer se klas werk voorgeskryf word

(b) Every employee who, for the pay-week immediately preceding the date of coming into operation of this Agreement was receiving from his employer a wage in excess of the rate specified for his class of work in the previous Annexure to this Agreement shall, if in the employ of the same employer, be paid, with effect from the date of coming into operation of this Agreement and whilst he continues in such employment, not less than the said wage, plus—

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ANNEXURE A [blankets, yarn, coarse curtaining—1 3 (a)/(b)]

(i) In all areas other than the Magisterial Districts of Harrismith and East London

R15,00 per week for Grades, I, II and III,

R15,00 per week for Grades IV and V,

R15,00 per week for Grade VI,

R16,50 per week for Grade VII,

R17,00 per week for Grade VIII,

R19,00 per week for Grade IX

(ii) in the Magisterial Districts of Harrismith and East London

R15,00 per week for Grades I, II and III;

R15,00 per week for Grades IV and V,

R16,00 per week for Grade VI,

R16,50 per week for Grade VII,

R17,00 per week for Grade VIII,

R19,00 per week for Grade IX

ANNEXURE B [canvas, duck, tapes, webbing—c1 3 (c)]

In all areas—

R15,00 per week for Grades I, II, III, IV and V,

R16,00 per week for Grade VI,

R16,50 per week for Grade VII,

R17,00 per week for Grade VIII,

R19,00 per week for Grade IX

ANNEXURE C [flock, wadding, felt, underfelt, cotton wool—c1 3. (3)]

In all areas—

R16,00 per week for Grades I, II, III, IV, V and VI,

R16,50 per week for Grade VII;

R17,00 per week for Grade VIII,

R19,00 per week for Grade IX

(c) Every employee who, for the pay-week immediately preceding the first pay-week in January 1993 was receiving from his employer a wage in excess of the rate specified for his class of work in Column A of Annexure A, B or C to this Agreement shall, if in the employ of the same employer, be paid, with effect from the first pay-week in January 1993 and whilst he continues in such employment, not less than the said wage, plus—

ANNEXURE A [blankets, yarn, coarse curtaining—c 1 3 (a) (b)]

(i) in all areas other then the Magisterial Districts of Harrismith and East London

R15,00 per week for Grades I, II and III,

R15,50 per week for Grades IV and V,

R16,00 per week for Grade VI,

R16,50 per week for Grade VII;

R17,00 per week for Grade VIII,

R19,00 per week for Grade IX

(b) Elke werknemer wat vir die betaalweek onmiddellik voor die datum van inwerktreding van hierdie Ooreenkoms van sy werkgewer 'n loon ontvang het wat hoer is as die loon wat vir sy klas werk in die vorige Aanhangsel van hierdie Ooreenkoms voorgeskryf word, moet, indien hy by dieselfde werkgewer werksaam is, vanaf die datum van inwerkingtreding van hierdie Ooreenkoms en solank hy in die werk aanbly, besoldig word, teen 'n loon wat nie minder is nie as gemelde loon, plus—

AANHANGSEL A [komberse, garing, growwe gordynstof—1 3 (a)/(b)]

(i) In alle ander gebiede as die landdrosdistrikte Harrismith en Oos-Londen

R15,00 per week vir grade I, II en III;

R15,00 per week vir grade IV en V;

R15,00 per week vir graad VI;

R16,50 per week vir graad VII,

R17,00 per week vir graad VIII,

R19,00 per week vir graad IX

(ii) In die landdrosdistrikte Harrismith en Oos-Londen:

R15,00 per week vir grade I, II en III,

R15,00 per week vir grade IV en V,

R16,00 per week vir graad VI,

R16,50 per week vir graad VII,

R17,00 per week vir graad VIII;

R19,00 per week vir graad IX

AANHANGSEL B [seil, seildoek, seilband, growwe seil—k1 3 (c)]

In alle gebiede—

R15,00 per week vir grade I, II, III, IV en V,

R16,00 per week vir graad VI,

R16,50 per week vir graad VII,

R17,00 per week vir graad VIII,

R19,00 per week vir graad IX

AANHANGSEL C [vlok, watte, vilt, ondervilt—k1 3.(3)]

In alle gebiede—

R16,00 per week vir grade I, II, III, IV, V en VI,

R16,50 per week vir graad VII,

R17,00 per week vir graad VIII,

R19,00 per week vir graad IX

(c) Elke werknemer wat vir die betaalweek onmiddellik voor die eerste betaalweek in Januarie 1993 van sy werkgewer 'n loon ontvang het wat hoër is as die loon wat vir sy klas werk in Kolom A van Aanhangsel A, B of C van hierdie Ooreenkoms voogeskryf word, moet, indien hy by dieselfde werkgewer werksaam is, vanaf die eerste betaalweek in Januarie 1993 en solank hy in die werk aanbly, besoldig word teen 'n loon wat nie minder is nie as gemelde loon, plus—

AANHANGSEL A [komberse, garing, growwe gordynstof of—k 1 3 (a) (b)]

(i) in alle ander gebiede as die landdrosdistrikte Harrismith en oos-Londen

R15,00 per week vir grade I, II en III,

R15,50 per week vir grade IV en V,

R16,00 per week vir graad VI,

R16,50 per week vir graad VII,

R17,00 per week vir graad VIII,

R19,00 per week vir graad IX

(ii) in the Magisterial Districts of Harrismith and East London

R16,00 per week for Grades I, II and III,
R16,00 per week for Grades IV and V,
R16,00 per week for Grade VI,
R16,50 per week for Grade VII,
R17,00 per week for Grade VIII,
R19,00 per week for Grade IX

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ANNEXURE B [canvas, duck, tapes, webbing—c 1 3 (c)]

In all areas—

R16,00 per week for Grades I, II, III, IV and V,
R16,00 per week for Grade VI,
R16,50 per week for Grade VII,
R17,00 per week for Grade VIII,
R19,00 per week for Grade IX

ANNEXURE C [flock, wadding, felt, underfelt, cotton wool—c 1 3 (d)]

In all areas—

R17,00 per week for Grades I, II, III, IV, V and VI;
R17,50 per week for Grade VII,
R18,00 per week for Grade VIII,
R19,00 per week for Grade IX."

3. CLAUSE 6: HOURS OF WORK, ORDINARY AND OVERTIME AND PAYMENT FOR OVERTIME

Substitute the following for subclause (1) (i)

"(i) 46 hours in any week, and from 1 January 1993 45 hours in any week, and"

4. CLAUSE 18: COUNCIL LEVIES

Substitute the expression "20c" for the expression "12c"

5. ANNEXURES

Substitute the following for the Annexures to this Agreement

(ii) in die landdrosdistrikte Harrismith en Oos-Londen

R16,00 per week vir grade I, II en III,
R16,00 per week vir grade IV en V,
R16,00 per week vir graad VI;
R16,50 per week vir graad VII,
R17,00 per week vir graad VIII,
R19,00 per week vir graad IX

AANHANGSEL B [seil, seildoek, seilband, growwe seil—k 1 3 (c)]

In alle gebiede—

R16,00 per week vir grade I, II, III, IV en V,
R16,00 per week vir graad VI,
R16,50 per week vir graad VII,
R17,00 per week vir graad VIII,
R19,00 per week vir graad IX.

AANHANGSEL C [vlok, watte, vilt, ondervilt—k 1 3 (d)]

In alle gebiede—

R17,00 per week vir grade I, II, III, IV, V en VI,
R17,50 per week vir graad VII,
R18,00 per week vir graad VIII,
R19,00 per week vir graad IX "

3. KLOUSULE 6: WERKURE, GEWONE EN OORTYD EN BETALING VAN OORTYDWERK

Vervang subklousule (1) (i) deur die volgende

"(i) 46 ure in 'n week, en vanaf 1 Januarie 1993 45 ure in 'n week, en"

4. KLOUSULE 18: HEFFINGS DEUR DIE RAAD

Vervang die uitdrukking "12c" deur die uitdrukking "20c"

5. AANHANGSELS

Vervang die Aanhangsels van die Ooreenkoms deur die volgende

"ANNEXURE A—Blankets/yarn/coarse curtain [c1 3 (a) and (b)]

Grades	With effect from the date of coming into operation of Agreement A Per week		With effect from first pay week in January 1993 B Per week	
	(i)	(ii)	(i)	(ii)
Grade I employee	196,12	187,10	211,12	203,10
Grade II employee, unqualified—				
during first three months' experience	196,12	187,10	211,12	203,10
during second three months' experience	197,37	189,04	212,37	205,04
Grade II employee, qualified	198,61	191,77	213,61	207,77
Grade III employee	202,64	192,38	217,64	208,38
Grade IV employee, unqualified—				
during first six months' experience	205,62	196,60	221,12	212,60
during second six months' experience	208,90	200,96	224,40	216,96
Grade IV employee, qualified	212,46	205,61	227,96	221,61
Grade V employee, unqualified—				
during first six months' experience	208,11	201,88	223,61	217,88
during second six months' experience	212,36	204,51	227,86	220,51
Grade V employee, qualified	214,62	207,16	230,12	223,16
Grade VI employee, unqualified—				
during first six months' experience	222,64	213,77	238,64	229,77
during second six months' experience	227,21	219,82	243,21	235,82
Grade VI employee, qualified	231,41	225,37	247,41	241,37
Grade VII employee, qualified	254,25	254,25	270,75	270,75
Grade VIII employee, qualified	275,75	275,75	292,75	292,75
Grade IX employee, qualified	317,75	317,75	336,75	336,75

(i) All areas other than the Magisterial Districts of Harrismith and East London

(ii) The Magisterial District of Harrismith and East London

"AANHANSEL A—Komberse/garing/growwe gordynstof [k1 3 (a) en (b)]

Grade	Met ingang van die datum van inwerkingtreding van Ooreenkoms		Met ingang van die eerste betaalweek in Januarie 1993	
	A Per week		B Per week	
	(i)	(ii)	(i)	(ii)
Werknemer graad I	196,12	187,10	211,12	203,10
Werknemer graad II, ongekwalifiseer—				
gedurende eerste drie maande ondervinding	196,12	187,10	211,12	203,10
gedurende tweede drie maande ondervinding	197,37	189,04	212,37	205,04
Werknemer graad II, ongekwalifiseer	198,61	191,77	213,61	207,77
Werknemer graad III	202,64	192,38	217,64	208,38
Werknemer graad IV, ongekwalifiseer—				
gedurende eerste ses maande ondervinding	205,62	196,60	221,12	212,60
gedurende tweede ses maande ondervinding	208,90	200,96	224,40	216,96
Werknemer graad IV, gekwalifiseer	212,46	205,61	227,96	221,61
Werknemer graad V ongekwalifiseer—				
gedurende eerste ses maande ondervinding	208,11	201,88	223,61	217,88
gedurende tweede ses maande ondervinding	212,36	204,51	227,86	220,51
Werknemer graad V, gekwalifiseer	214,62	207,16	230,12	223,16
Werknemer graad VI, ongekwalifiseer—				
gedurende eerste ses maande ondervinding	222,64	213,77	238,64	229,77
gedurende tweede ses maande ondervinding	227,21	219,82	243,21	235,82
Werknemer graad VI, gekwalifiseer	231,41	225,37	247,41	241,37
Werknemer graad VII, gekwalifiseer	254,25	254,25	270,75	270,75
Werknemer graad VIII, gekwalifiseer	275,75	275,75	292,75	292,75
Werknemer graad IX, gekwalifiseer	317,75	317,75	336,75	336,75

(i) Alle ander gebiede as die landdrosdistrikte Harrismith en Oos-Londen

(ii) Die landdrosdistrikte Harrismith en Oos-Londen

ANNEXURE B—Canvas/duck/tapes/webbing [c1 3 (c)]

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Grades	With effect from the date of coming into operation of Agreement	With effect from first pay week in January 1993
	A Per week	B Per week
Grade I employee	204,12	220,12
Grade II employee, unqualified—		
during first three months' experience	204,12	220,12
during second three months' experience	205,37	221,37
Grade II employee, qualified	206,61	222,61
Grade III employee	210,64	226,64
Grade IV employee, unqualified—		
during first six months' experience	212,62	228,62
during second six months' experience	215,90	231,90
Grade IV employee, qualified	219,46	235,46
Grade V employee, unqualified—		
during first six months' experience	215,11	231,11
during second six months' experience	219,36	235,36
Grade V employee, qualified	221,62	237,62
Grade VI employee, unqualified—		
during first six months' experience	229,64	245,64
during second six months' experience	234,21	250,21
Grade VI employee, qualified	228,41	254,41
Grade VII employee, qualified	259,25	275,75
Grade VIII employee, qualified	281,75	298,75
Grade IX employee, qualified	325,75	344,75

AANHANGSEL B—Seil/seildoek/seilband/growwe seil [kl 3. (c)]

Grade	Met ingang van die datum van inwerkingtreding van Ooreenkoms	Met ingang van die eerste betaalweek in Januarie 1993
	A Per week	B Per week
Werknemer graad I	204,12	220,12
Werknemer graad II, ongekwalifiseer—		
gedurende eerste drie maande ondervinding	204,12	220,12
gedurende tweede drie maande ondervinding	205,37	221,37
Werknemer graad II, gekwalifiseer	206,61	222,61
Werknemer graad III	210,64	226,64
Werknemer graad IV, ongekwalifiseer—		
gedurende eerste ses maande ondervinding	212,62	228,62
gedurende tweede ses maande ondervinding	215,90	231,90
Werknemer Graad IV, gekwalifiseer	219,46	235,46
Werknemer graad V ongekwalifiseer—		
gedurende eerste ses maande ondervinding	215,11	231,11
gedurende tweede ses maande ondervinding	219,36	235,36
Werknemer graad V, gekwalifiseer	221,62	237,62
Werknemer graad VI, ongekwalifiseer—		
gedurende eerste ses maande ondervinding	229,64	245,64
gedurende tweede ses maande ondervinding	234,21	250,21
Werknemer graad VI, gekwalifiseer	228,41	254,41
Werknemer graad VII, gekwalifiseer	259,25	275,75
Werknemer graad VIII, gekwalifiseer	281,75	298,75
Werknemer graad IX, gekwalifiseer	325,75	344,75

ANNEXURE C—Flock/wadding/felt/underfelt/cotton/wool [c 1 3. (d)]

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Grades	With effect from the date of coming into operation of Agreement	With effect from first pay week in January 1993
	A Per week	B Per week
Grade I employee	211,12	228,12
Grade II employee, unqualified—		
during first three months' experience	211,12	228,12
during second three months' experience	212,37	229,37
Grade II employee, qualified	213,61	230,61
Grade III employee	217,64	234,64
Grade IV employee, unqualified—		
during first three months' experience	218,62	235,62
during second three months' experience	221,90	238,90
Grade IV employee, qualified	225,46	242,46
Grade V employee, unqualified—		
during first three months' experience	222,11	239,11
during second three months' experience	226,36	243,36
Grade V employee, qualified	228,62	245,62
Grade VI employee, unqualified—		
during first three months' experience	234,64	251,64
during second three months' experience	239,21	256,21
Grade VI employee, qualified	243,41	260,41
Grade VII employee, qualified	262,25	279,75
Grade VIII employee, qualified	283,75	301,75
Grade IX employee, qualified	321,75	340,75"

FM 30/10/92
TEXTILES AND CLOTHING (180)

Finding the right fit (197)

The Textile & Clothing Task Group will have much to talk about when it meets on November 10 for the first of many discussions on a long-term strategy for these industries Three days after the meeting, the Department of Trade & Industry's new temporary

FM 30/10/92 (180) (197)

duty structure for textile and clothing imports will take effect.

The previous duty structure, which provides for an *ad valorem* duty linked to a maximum specific duty, has been retained, but a minimum specific duty has been introduced into the formula The department says the minimum duty will act as a safety net to deal with the problem of insufficient protection against "disruptively" low-priced products not necessarily dumped

Additional partial rebate provisions have been recommended for industries that cannot be supplied locally

"We've tried to cover all fronts, we're not favouring anybody," says Nic Swart of the Board on Tariffs & Trade, which drew up the temporary measures His priority now is to "get this thing stabilised for the holding period."

Swart says the new tariff levels will prevent the collapse of the industries but the board will be flexible and look at individual items during the interim period. The new structure will effectively abolish the quota system recommended by the Hatty Commission and implemented in May.

Tariffs for imported yarns, fabrics, clothing and made-up textiles will be pegged no higher than proposed maximum levels, which will be well below the tariffs proposed by the Hatty Commission Maximum *ad valorem* tariffs are expected to be set at 35% for yarns (five points under Hatty), a maximum of 50% for fabrics (about 30 points under Hatty) and 100% for clothing (compared with 150% under Hatty)

Textile Federation president Malcolm Hughes says the new proposals fall short of the levels requested by his organisation "This will constitute a problem for the industry, but we still need to work through the ramifications"

National Clothing Federation spokesmen reserved comment until the new structure could be assessed. ■

Workers' claim sewn up

ST Times (Cape Metro) 1/11/92

THE South African Clothing and Textile Workers Union (Sactwu) has won R27 000 for five workers dismissed by a knitting factory in Elsies River.

Mr Richard Kawie, the union's Elsies River organiser, said this week that the company — Knitmaster — had underpaid the workers, had not given them their leave pay or their provident fund or sick fund contributions and had dismissed them unfairly when they complained.

The union brought 23 charges against the company in an action that was to have come before the Industrial Court. It was settled the day before the case was to have been heard. (197)

The workers were awarded different amounts in settlement of the claims.

The managing director of Knitmaster, Mr Basil Zafiropoulos, did not respond to messages left asking him for comment.

Clothing: 'Sell what consumer wants'

(197) CT 12/11/92

By AUDREY D'ANGELO
Business Editor

CLOTHING and textile manufacturers, and retailers, should find out what customers want and give it to them rather than expecting them to buy what is available, members of the Menswear Group of SA heard at their annual seminar in a city hotel yesterday.

This message was given first by Ken Barker of the BRM Group, who is successfully marketing the high-priced Patrick Ewing range of clothes — mainly to young black men.

It was repeated in a panel discussion chaired by Justin Schaffer, a director of Abbey Holdings and former MD of SA Nylon Spinners.

Schaffer and members of the panel, including manufacturers, retailers and Ebrahim Patel, of the SA Clothing and Textile Workers Union (SACTWU), urged that everyone in the industry should work together to increase efficiency and productivity and become globally competitive.

Patel — suggesting that the industry should concentrate on producing quality clothes for niche markets and stop asking for tariff protection against goods made cheaply for the mass market — said higher productivity and sales should lead to higher wages.

Pointing out that wages in Taiwan were higher than in SA, because productivity was higher, Patel said: "The challenge is how to make our industry more efficient and productive."

There was a need to create more jobs in the formal sector. No modern economy with a high standard of living was fuelled by the informal sector.

Jim Crook of David Whiteheads said SA industry was not cost-competitive in global terms. With a very few exceptions it was inward-thinking and isolationist.

Most companies thought in terms of protection against imports rather than how they could become global players.

The high cost of raw materials was a major problem. SA cotton farmers, who produced 100 000 bales a year, wanted to be paid 490c/kg when the international price was 370c/kg because of oversupply.

Philip Krawitz of Cape Union Mart pointed out that competition was "the very life-blood of the economy".

Manufacturers and retailers must become more flexible in responding to customer needs. Manufacturers should visit the shops they supplied and speak to shoppers, to find out what these were.

275 textile workers go on strike tomorrow

SHARON SOROUR (197)
Labour Reporter

TEXTILE workers at Table Bay Spinners Ltd will go on strike tomorrow because the company has refused to implement a wage increase for 1992, says the SA Clothing and Textile Workers' Union

Union spokesman Mr John Eagles said 275 employees at the Bellville yarn factory would go on a legal strike from 4am.

ARG 12/11/92

"Whereas a wage review was originally scheduled for July, 1992, workers' hopes and expectations were dashed when all the company would put on the table was a proposal not to adjust wages at all," Mr Eagles said

An "overwhelming" majority of workers had recently voted in favour of a strike.

Mr Eagles said the company had offered to increase wages by three percent in the first six months of next year, but this was "ludicrous"

Employees in other clothing, textile and leather factories were considering what action to take in support of the strike

The proposal to freeze wages was unprecedented and all other textile factories had agreed to wage adjustments of 13 percent on average, which had already been implemented

● A company spokesman declined to comment on the dispute

Prices of clothing may soar and thousands of jobs may be lost when the government's plan to protect the textile industry takes effect this week, reports **Edwina Booysen**

TEXTILE TURMOIL: Consumers may have to fork out more for clothing

Rag trade in tatters over import duties

SOUTH 14/11 - 18/11/92

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CLOTHING bosses are at the end of their tether over government moves to end the special deal on imported textiles

Besides cutting bosses' profits, the move could also lead to thousands of workers in the clothing industry, mostly women, losing their jobs

The government's measures to protect the textile industry take effect on Friday and will drastically increase import duties on textiles, pushing up the cost of clothing for the domestic and export markets.

Cape Clothing Manufacturers Association (CCMA) chairperson Mr Simon Jocum told SOUTH that the government was protecting the textile industry at the expense of the much larger clothing industry

National Clothing Federation executive director, Mr Hennie van Zyl, said at the weekend that the changes could destroy more jobs in the clothing industry than they saved in the textile industries It had been estimated that four clothing workers were laid off for every job saved in the textile industry

What the government has done is to start phasing out a scheme that helped promote clothing exports by allowing manufacturers to import textiles cheaply. This scheme had affected the sales of local textile manufacturers, who also claimed that the scheme was being misused But the scheme was very successful in increasing clothing exports

The CCMA remains dead set against the new move that makes imported textiles more expensive by increased duties by as much as 300 percent in some cases

This increase will push up prices for both the domestic and export markets and generally make the clothing industry less competitive at a time of increased international competition and falling consumer spending power at home

Jocum predicts that, come the New Year, factories will go on short-time as retailers will be buying less items

"Instead of keeping the status quo, the government was seduced by the textile industry which was blaming the recession and everything that went wrong, on imported textiles," he said

The Cape is considered to have the largest clothing industry in the country and has "the greatest potential for creating jobs"

"This is insanity — look at the price the clothing industry will have to pay in loss of employment," Jocum said

The chairperson of the Garment Manufacturers Association (GMA), Mr Patrick Boers, said the "demise of the clothing industry" was imminent with the implementation of the new import duty

The GMA, which represents the smaller clothing factories, felt that the new structure was not a "very well-balanced effort" by the government and that the clothing industry would have to "pay the cost" over the next few years

In a statement, the Deputy Minister of Trade and Industry, Mr David de Villiers Graaff, said a minimum duty has been introduced to act as a "safety net" to address the problem of "insufficient protection" from low priced products

New tariffs to cost 27 000 clothing jobs

ST Times (BUSS) 15/11/92 (197)

By CIARAN RYAN

THE new tariff structure for the clothing and textile industry will cost 27 000 jobs in the clothing sector, says the National Clothing Federation (NCF).

The structure is designed to curb cheap imports and save textile jobs.

NCF executive director, Hennie van Zyl says "For every job saved in textiles through higher protection, four jobs are lost in the clothing industry.

"This tariff structure will save between 7 000 and 8 000 jobs in the textile sector, but will put 27 000 out of work in clothing."

Textile Federation executive director Brian Brink disputes this claim, saying "There is no scientific basis whatsoever for making these assertions."

The tariff structure, which came into effect on Friday, expires in November 1993.

Clothing industry spokesmen say it will do little to deal with the root cause of declining sales and employment in textiles

The structure imposes minimum and maximum tariffs for different categories of imports The maximum ad valorem tariffs on yarns are 35% (up from the previously 15%), fabrics 50% (20%) and clothing 100% (130%)

Mr Van Zyl says the Government has placed short-term job preservation in textiles above the long-term interests of the industry and job creation in general

The new structure replaces the much-abused and complicated quota system of the Hatty Commission.

Maximum

Mr Brink says "On balance the new structure is better than the Hatty system, which was complicated and difficult to administer."

A long-term strategy group comprising members of the textiles and clothing industries met for the first time last week to thrash out a survival plan High SA input costs are blamed for the industries' problems.

Cheap fabric imports caused havoc for the textile industry, but were a boon for clothing manufacturers

Higher import tariffs will curtail cheap imports, resulting in higher clothing prices, says Mr Van Zyl.

The impact of higher tariffs will not be felt for some months because most firms have stocked up for Christmas

Textile manufacturers blame cheap imports for declining sales and employment in the industry Clothing manufacturers blame high input costs, low labour and management productivity, high cost of capital, high tax rates and inflation, exacerbated by severe recession.

Main

Employment in the textile industry fell from 95 000 in 1988 to 89 600 in June this year, according to Central Statistical Service figures. Employment is 4,4% down compared with June 1991

The number of working hours in the fabric and yarn-spinning sectors has fallen sharply in that time

Textile production was 14,6% lower in June than in the the same month of the previous year.

The main market for textiles is the garment industry, which employs 130 000 But job losses in this sector have been running at 1 500 a month for the past year

For several years textile manufacturers have campaigned for higher import tariffs to preserve jobs There is some surprise that the Government agreed to higher protection at a time when it is committed to lower tariffs and trade liberalisation.

Gold cuts

RATIONALISATION has reached a point where mines cannot make job cuts without sacrificing entire mining operations.

The Chamber of Mines says gold mines cut staff by 5,5% in the year to May compared with 12,4% the year before.

Romatex's restructuring to help improve results

DUMA GQUBULE

197

ROMATEX's restructuring programmes would help the group withstand difficult trading conditions in the current financial year and improve results for financial 1993, chairman Jack Cruthley said in his 1992 annual review

BDAY 20/11/92

The programme, which was now virtually complete, would benefit the group in a number of ways. It would provide an improved cost structure, market competitiveness and reduced borrowings. This would result in lower interest charges and release capital for re-investment in core businesses with long-term potential.

Romatex reversed its three-year trend of falling profits and reported a 45% increase in attributable earnings to R12,5m for the year to end-September. This was achieved on a 2% dip in turnover to R722m.

Crutchley said the group had continued to develop export sales (now 6,1% of group turnover) and several of the operating units had achieved excellent results.

The group was exporting to 25 countries and the most successful products, such as wool, polypropylene and acrylic, were based on materials which were locally available at world competitive prices.

The review said the group had reduced its dependence on textile-sourced earnings. The bulk liquid storage division contributed 52% (R20,8m) to operating profit.

Textile makers seek protection

B/DAY 23/11/92

(197)

DUMA GQUBULE

THE Textile Federation had requested urgent adjustments to the Board on Tariffs and Trade's latest tariff structure for the clothing and textile industries, executive director Brian Brink said at the weekend

Brink said formal representation was made to the board last week The duties, introduced on November 13, were still totally inadequate for some categories of fabrics

The Textile Federation was also concerned about rebates on certain fabrics which had been introduced without warning

He said people making maliciously false statements that textiles were overprotected were ignorant of the true situation

The new levels of duty theoretically average around 150% for clothing and 60% for textiles In reality, however, the wide number of duty-free provisions in existence, and the additional rebates, would result in actual duties collected by Customs and Excise being 80% on clothing, and as low as 30% on fabrics and 20% on yarns

Brink said the country could not afford to allow the present structural adjustment programme to continue past its scheduled termination date of March 31, 1993

He called for protection to be extended to downstream textile products for the next two years while a long-term strategy was devised

CT 25/11/92

Low prices key to growth in textiles

(197)

Business Editor

TEXTILE manufacturers are pushing up clothing industry costs and reducing the number of units sold by asking for tariff protection against imports — particularly when it applies to fabrics not made in this country, Simon Jocum, Chairman of the Cape Clothing Manufacturers Association, said at the agm yesterday.

Calling for more cooperation between textile and clothing manufacturers, and the trade unions, Jocum said this was the only way for the two industries to prosper and jobs to be retained in 1993.

"The only way to generate business in 1993 is for the textile industry to keep prices as low as possible — bearing in mind that our industry is now in competition with the informal sector and the lower the prices the more chance there is to achieve volume business."

Pointing out that these remarks also applied to manufacturers selling thread and trimmings, Jocum warned: "Every player in the clothing-textile pipeline will have to keep costs down."

Clothing and textile unity considered

B/Day 26/11/92 (197)

LINDA ENSOR

CAPE TOWN — After decades of bitter acrimony, the clothing and textile federations have agreed to establish a working group to investigate the possibility of amalgamating the two bodies

Textile Federation executive director Brian Brink said the planned phasing out of the structural adjustment programme — long a bone of contention between the organisations — had opened the way for getting together.

The programme provided exporters with duty-free import permits which textile manufacturers complained were used by exporters to the detriment of the textile industry

Brink said the National Clothing Federation (NCF) and the Textile Federation had much in common Combining forces would achieve rationalisation benefits and provide the industries with a stronger voice

The main point of dispute between the industries, Brink said, was the duty on fabric However, where such disagreements arose, these could be ironed out internally in much the same way as sectional differences in the textile industry were solved within the Textile Federation

When the working group had finalised investigations, a report would be submitted to the federations

Meanwhile, a meeting between representatives of the clothing and textile industries, the Board on Tariffs and Trade (BTT) and the Department of Trade and Industry has been scheduled for December 7 to discuss alternatives to duty free fabric imports during the last year of the structural adjustment programme which ends in March 1994.

Deputy Trade and Industry Minister David Graaff recently announced that clothing and textile exports would not qualify for duty-free imports from March 31 next year and import permits would be invalid after March 1994

Brink said the purpose of the meeting under the chairmanship of BTT deputy chairman Helgaard Muller was to find ways of limiting the damage the structural adjustment programme had on the textile industry by offering alternative incentives to clothing exporters to replace the duty-free permits

NCF executive director Hennie van Zyl said the federation wanted to ensure that exporters' financial positions would not be any worse after the end of the structural adjustment programme It would propose an amendment to the General Export Incentive Scheme (GEIS) to replace duty-free import permits

The NCF said the permits were worth about 15%-18% of export turnover Exporters received an additional 19% cash payment from GEIS (less an amount for imported materials) giving a total cost saving on exports of 34%-37% Total clothing exports amounted to about R500m

FM 27/11/92 COMPANIES

PROFIT PATTERN

Pre-interest profits

	1991		1992	
	Rm	%	Rm	%
[illegible]	[illegible]	42	20,8	52
Industrials	12,8	38		
Fabric	3,0	30	[illegible]	[illegible]
Carpets	(12,9)	(33)	(3,4)	(8)
Total	39,8	100	40,0	100

ROMATEX FM 27/11/92

Some tangible benefits

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Activities: *Manufactures floor covering, fibres Textile and automotive products Also provides bulk liquid storage facilities*
Control: *C G Smith (60%)*
Chairman and CEO: *A L Crutchley*
Capital structure: *24,7m ords Market capitalisation R103m*
Share market: *Price 415c Yields 4,8% on dividend, 12,2% on earnings, p e ratio, 8,2, cover, 2,5 12-month high, 575c, low, 400c Trading volume last quarter, 5 200 shares*

Year to Sep 30	'89	'90	'91	'92
ST debt (Rm)	15,3	29,3	38,2	21,2
LT debt (Rm)	26,4	59,9	50,0	28,8
Debt equity ratio	0,15	0,28	0,26	0,16
Shareholders' interest	0,58	0,57	0,57	0,60
Int & leasing cover	10,1	5,8	2,0	2,5
Return on cap (%)	17,3	12,0	7,7	7,8
Turnover (Rm)	746	716	740	722
Pre-int profit (Rm)	83,6	63,3	39,8	40,0
Pre-int margin (%)	11,1	8,8	5,3	5,4
Earnings (c)	214,3	151,6	34,9	50,5
Dividends (c)	78	55	19	20
Net worth (c)	1 145	1 220	1 202	1 246

It was a long time in coming, but 1992 finally saw some tangible benefits from the extensive programme of restructuring, cost-cutting and downsizing to which Romatex has been subjected over the past few years The good news is that these benefits should continue in the 1993 year, even without any help from the economy

Operationally, the leaner, more efficient structure which has been established enabled the group to withstand the further deterioration in the economy and still produce the same trading results as in 1991 More important, better asset management led to significant interest savings, which was the main driving force behind the 45% gain in attributable income

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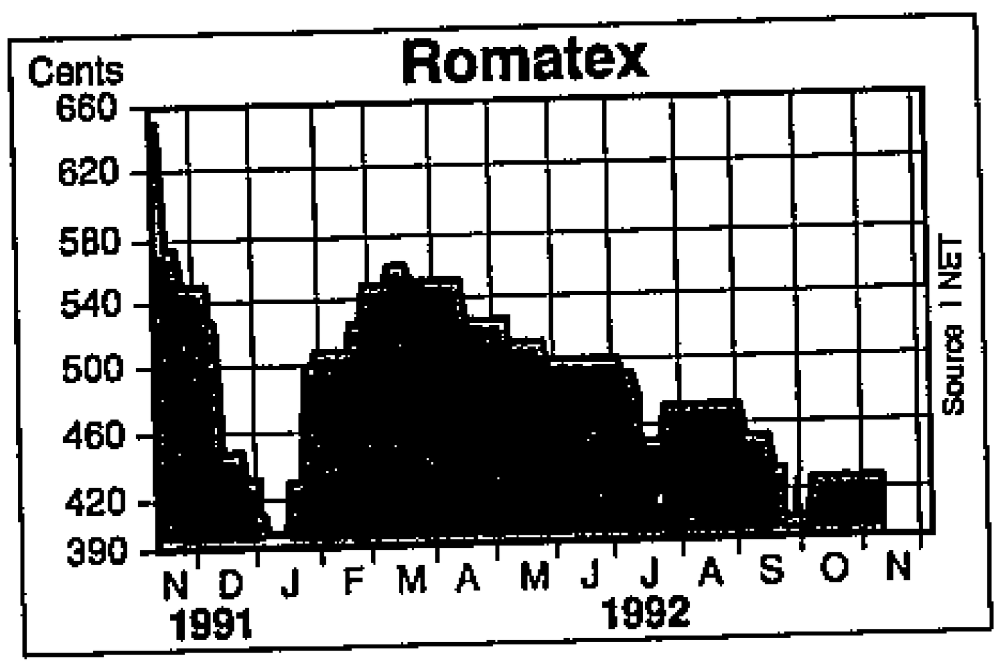
Romatex's Crutchley *cautious on prospects*

In this context, the scene for last year's earnings increase was set in 1991, when management started coming to terms with a burgeoning debt burden After borrowings doubled from R41,7m to R89,2m between 1989 and 1990, 1991's interest payments of R19,9m suggest an average level of borrowings for that year of close to R100m

By the 1991 financial year-end, however, this had been reduced to R88,2m and, if maintained at this level during the 1992 year, would by itself have resulted in a significant interest saving — which is more or less what happened, with the interest charge dropping from R19,9m to R15,8m This saving, with a lower effective tax rate (largely attributable to reduced losses in certain subsidiaries), was the source of the earnings increase



That more of the same can be expected for this year is shown in the fact that the 1992 interest charge of R15,8m still represented an abnormally high 31,6% of the R50m year-end borrowings, implying, firstly, that the R38,2m debt reduction occurred late in the year and, secondly, that the impact of this further debt reduction has yet to be felt in the income statement

So, again assuming borrowings are merely maintained at the year-end level of R50m, a further interest saving of close to R7m should eventuate which, on a full tax rate, would add a further R3,5m to the bottom line

This does not take into account the effects of the sale, effective October 1 1992, of Crossley woven carpets which has brought in R32m cash, thereby offsetting more than half 1992's residual borrowings However, it does not automatically follow that this deal will further enhance the 1993 profit outlook,

continue →

COMPANIES FM 27/11/92

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as this will depend on how the cash is absorbed within Romatex

Crossley is profitable (more than can be said for most of the rest of the carpet division), with the sale announcement implying that at the pre-tax level income from this source was roughly what could be expected in terms of interest savings if the cash was used simply to reduce debt But whereas Crossley's profits were largely tax-free, the tax implications of reducing borrowings could, according to the company's calculations, result in a reduction of earnings of 5c a share

This could be why management is notably cautious about this year's prospects Though all divisions are forecasting better results, chairman Jack Crutchley expects the gain at group level to be only "marginal," and even this is hedged with the caveat of no further decline in the domestic economy

Even this view is optimistic, relative to the market's response, which has been to mark the share down more than 40% over the past year The 415c price is close to the 12-month low and carries the implication that investors are far from confident Romatex is through its earnings trough

Brian Thompson

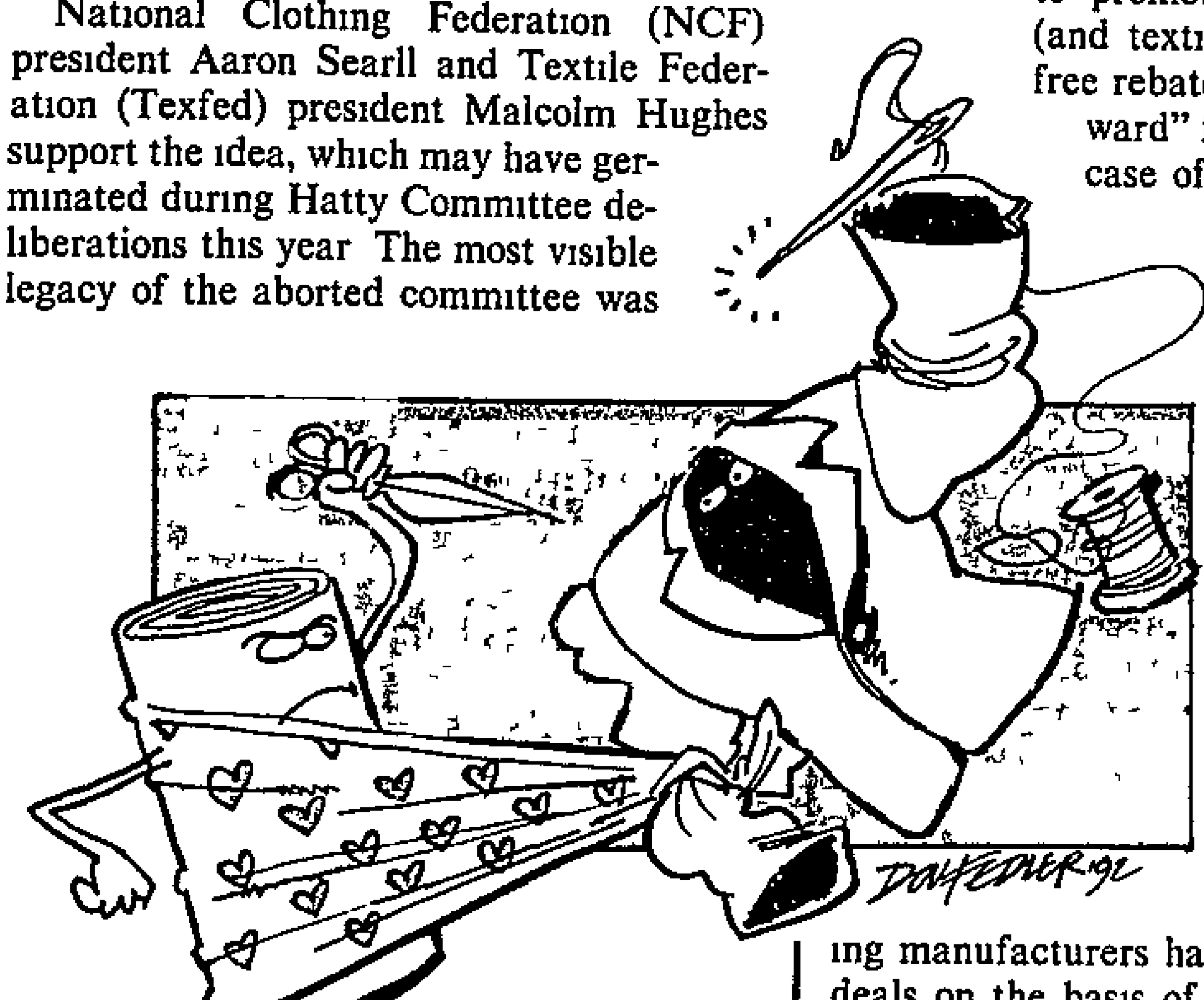
CLOTHING & TEXTILES

FM 27/11/92 197

Heading for a marriage?

The yarn and cloth may be flying as the R4,5bn-a-year clothing industry slogs out its tariff policy differences with the R6,3bn-a-year textile sector, but the two opposing industries may soon be united in a single federation A joint working group representing textile and clothing federations will shortly be formed to look into a merger proposal The federations are expected to consult their national congresses early in 1993

National Clothing Federation (NCF) president Aaron Searll and Textile Federation (Texfed) president Malcolm Hughes support the idea, which may have germinated during Hatty Committee deliberations this year The most visible legacy of the aborted committee was



the takeover of the Frame (textile) Group by Searll's Seardel clothing empire

Hughes says a single federation "should be better equipped to deal with the problems of the entire industry pipeline" The SA Clothing & Textile Workers' Union (Sactwu), representing workers in both industries, also strongly supports the proposed joint approach

"We welcome the unity moves, which could stop the destructive trade war between the two sectors and also improve the climate for bipartite agreements between labour and manufacturers on issues relating to trade, employment and restructuring of the industries," says Sactwu assistant general secretary Ibrahim Patel

The two sectors have long been at loggerheads over protectionist issues Clothing manufacturers want low tariffs to get cheap fabric inputs But the textile industry says it cannot compete against often-subsidised fabric imports, while buying local cotton lint at premium prices Cotton farmers have a R1,60/kg tariff against imported cotton lint, which effectively forces local spinners to pay the locally inflated cotton price of R4,90/kg, against world prices of R3,40/kg

"And, apart from this, the textile industry has been hit by the flood of duty-free imports This year permits to the value of R340m have been issued by government and we expect a further R500m in 1993 This is a result of the 1989 structural adjustment programme which allows manufacturers duty-free permits to import clothing and textiles, based on the value of proven exports," says Texfed executive director Brian Brink

The adjustment programme was devised to promote exports of clothing (and textiles) by allowing duty-free rebates on imports as a "reward" for exports And, in the case of the clothing industry, it has born fruit

Says NCF executive director Hennie van Zyl "Clothing exports will this year reach an estimated R600m — a huge increase on the R190m achieved in 1990, first year of the programme We are lobbying government not to abort it prematurely, as many clothing manufacturers have entered into export deals on the basis of the benefits And the additional export revenues support about 12 000 jobs"

But the programme does grant clothing exporters a double benefit, as they also qualify for government's generous general export incentive scheme Total effective benefit is about 30%-35% on net export value Nevertheless, only R183m of this year's R340m import permits will be utilised for fabric and yarn imports the rest (almost R160m) goes on duty-free clothing imports

And, says Van Zyl, the R114m worth of "permit" fabric imports constitute only 10% of total fabric imports of about R1,1 bn "It is a storm in a teacup," he says

However, the system has damaged the local jersey knitwear sector, according to Progress Knitting CEO Peter Jacobson He says locally manufactured jerseys were protected by tariffs of 35%-150% — but permit holders have been bringing in dumped, high-quality jerseys at about R29 landed and selling them at retail level for R90

"Consumers do not benefit from these imports and we therefore want the permit system to be scrapped," agrees Texfed's Brink Adds Jacobson "The knitwear and acrylic worsted spinning sectors have already shed about 8 000 jobs and we are now down to a 12 000-odd labour complement And, while the idea is to add value locally to wool exports, nobody will invest in an industry that is decimated by dumped imports"

He says government has now closed the loopholes (also on cheaply imported "second-hand" clothing), but the industry will not see any turnarounds before winter in 1994

Van Zyl says fast-growing clothing exports could be jeopardised if government aborts the adjustment programme, though he agrees abuses must be stopped Government has already introduced a list of goods that can be imported in terms of future permits

Van Zyl says the NCF opposes the new interim (one-year) tariff arrangement gazetted on November 13, as it hiked fabric tariffs from 20% to 50% "This could cost us 10 000-15 000 jobs We have also asked that 31 imported fabric headings be placed on the Third Schedule of customs tariffs, allowing for duty-free imports of fabrics not made in SA" Brink says clothing duties will be about 150%, on average

Lastly, Van Zyl and Brink agree that retailers add most to the cost of clothing in the R8bn-R10bn retail market

Says Van Zyl "Retail markups in SA differ little from those in the US, where in 1990 retailers added a US$34bn (46%) markup to the $39bn wholesale value of clothing sold to retailers by manufacturers Fortunately, in SA, barriers to entry in the clothing retail sector are low and informal sales could soon force major retailers to bring down prices to more realistic levels"

Here, at least (as well as in the area of input costs), the two federations find common ground as a basis for their proposed merger ■

POST OFICE FM 27/11/92

Changing guard

The management shake-up at the Post Office is over for the time being The appointment of Volkskas/TrustBank operating executive Hennie Diedericks as the new MD completes the team of ex-private-sector people recruited by chairman Donald Masson since he took charge of the troubled organisation earlier this year

Diedericks, who takes office in January, likes restructuring exercises and the Post Office is a textbook case of an operation needing new direction

He was involved with the restructuring of management at TrustBank/Volkskas, one of Absa's banking divisions, Bonuskor and others

cont ->

SA halts Zimbabwe textile import licences

(197)

HARARE. — South Africa has stopped issuing licences allowing its companies to import Zimbabwean textiles, a Zimbabwe trade official said today.

ARG 2/12/92

Vuyiswa Mafu, an official of the state-run Zimbabwe Trade Organisation (Zimtrade) expressed surprise at the action which follows South Africa's lifting in May of a 50 percent duty on all Zimbabwean teaxtile imports.

"But now they have suspended giving import licences to SA companies importing the Zimbabwean textile products which means the waiver of duties has no benefit at all," Miss Mafu said

A Zimtrade trade delegation would visit South Africa next week to discuss the issue, she added.

Some Zimbabwean clothing and textile firms, already hit by a prolonged recession and a severe drought, have folded amid complaints that South Africa was exacerbating the industry's decline. — Reuter.

SA 'bars' Zimbabwe textiles

HARARE — SA stopped issuing licences allowing its companies to import Zimbabwean textiles, a Zimbabwean trade official said yesterday.

(197) CT 3/12/92

Vuyiswa Mafu, an official of Zimtrade, expressed surprise at the action which follows Pretoria's lifting in May of a 50% duty on all Zimbabwean textile imports "But now they have suspended giving import licences which means the waiver of duties has no benefit at all"

There was no immediate comment from South Africa's trade mission in Zimbabwe — Reuter

Textile producers in a spin

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S/Times (Buss) 6/12/92.

TEXTILE manufacturers say they are forced to pay 40% more for cotton than their overseas competitors because of a Government agreement to protect cotton farmers

Cotton accounts for more than half the cost of producing a yarn This means that raw material input costs in SA will be more than 20% higher than most other countries at a time when imports are flooding the market

The Government and the Cotton Marketing Board "held a pistol to the heads" of textile producers when they forced them to pay local farmers R4,90/kg for cotton or pay a R1,60/kg duty on imported cotton

By CIARAN RYAN

Once the South African cotton crop — expected to be between 100 000 and 150 000 bales — has been taken up, spinners can import the balance of their requirements of between 150 000 and 200 000 bales duty-free at world prices

The international price for cotton dropped from R3,60/kg last year to its current level of R3,50/kg due to falling demand

Johan Gillen, general manager of the Cotton Board, said the negotiated cotton price was introduced to protect farmers against dumping from countries such as Pakistan, the US and China

Disruptions

"The spinners have only undertaken to buy 100 000 bales from local farmers and I think the crop is unlikely to be any bigger than this because of late rains This means they can import the balance of their requirements at world prices

"In any event, by the time they are ready to start importing, world prices will have moved up substantially There have been major disruptions to supply in Pakistan and China"

Mr Gillen says the US cotton crop is 50% subsidised In view of this, it is necessary to protect local farmers against dumping

But Da Gama's chief executive, Harry Pearce, says import and rebate permits must be issued urgently so that cotton can be imported at the current favourable price

"Last week we received a draft agreement from the Cotton Board suggesting they want us to take up further local quantities of cotton and that they will only make recommendations to the Minister on January 29 next year This is too late"

SA's two polyester manufacturers — Hoechst and Frame — were also granted an effective 40% import protection against imports as part of a temporary assistance programme to the clothing and textile industry

Cotton farmers produced about 100 000 bales last year when drought forced farmers to reduce plantings Local cotton prices were previously linked to international prices.

While world prices were dropping, South African textile producers were forced to accept an increase in local cotton prices from R4,80/kg to R4,90/kg. Provided textile producers buy the local crop at R4,90/kg they can import the balance of their requirements duty-free

A package of duties was introduced two weeks ago to protect the industry from cheap imports Ad valorem duties on clothing were raised from 60% to 100%, on yarn from 15% to 35% and on fabric from 20% to 50%

Textile manufacturers say the increased duty on fabric is insufficient to keep subsidised exports from the Far East at bay Clothing manufacturers argue that the higher cost of importing textiles will force the industry to lay off 20 000 workers

Negated

The local cotton spinning industry has been losing market share to imports, a process accelerated by the introduction of the structural adjustment programme (SAP) in 1989

Textile and clothing producers were granted duty-free import quotas in proportion to the value of their exports and their domestic inputs As exports increased, so did the level of imports

Textile exports will be worth R350-million and clothing R500 million this year, estimates Brian Brink, executive director of the Textile Federation

Mr Brink said "The taxpayer is footing the bill for the export boom created by the SAP But any export benefits are totally negated by the volume of duty-free imports generated under this programme In addition, exporters are entitled to general export incentive scheme (Geis) benefits"

Worth R2-billion a year in the 80s, the local cotton spinning industry will produce sales of just R1,4-billion this year Imports now account for half the market, up from 25% a few years ago The total textile market is worth R6,3-billion a year

WEEK IN BRIEF

FRIDAY Trans-Natal warns that offshore acquisition is now unlikely because of currency considerations Anglo American to sub underwrite another R400-million as Royal succeeds with its bid for Del Monte Holdains to raise R180-million Northam to raise R350-million, last day to register 18/12 Rand Mines, Rand Coal announce financial effects of restructuring

GATT textile barriers in place

(197) CT 10/12/92

GENEVA — GATT negotiators yesterday agreed to extend existing restrictions on trade in textiles and clothing until the end of 1993, pending the completion of wider trade liberalisation talks

The General Agreement on Tariffs and Trade textiles committee said it reached the decision on the understanding that bilateral talks in the course of next year would open up more markets for Third World exporters.

A GATT statement said it had to prolong the so-called Multifiber Arrangement because the Uruguay Round of trade negotiations, meant to lower barriers to a wide range of products, had not yet been completed

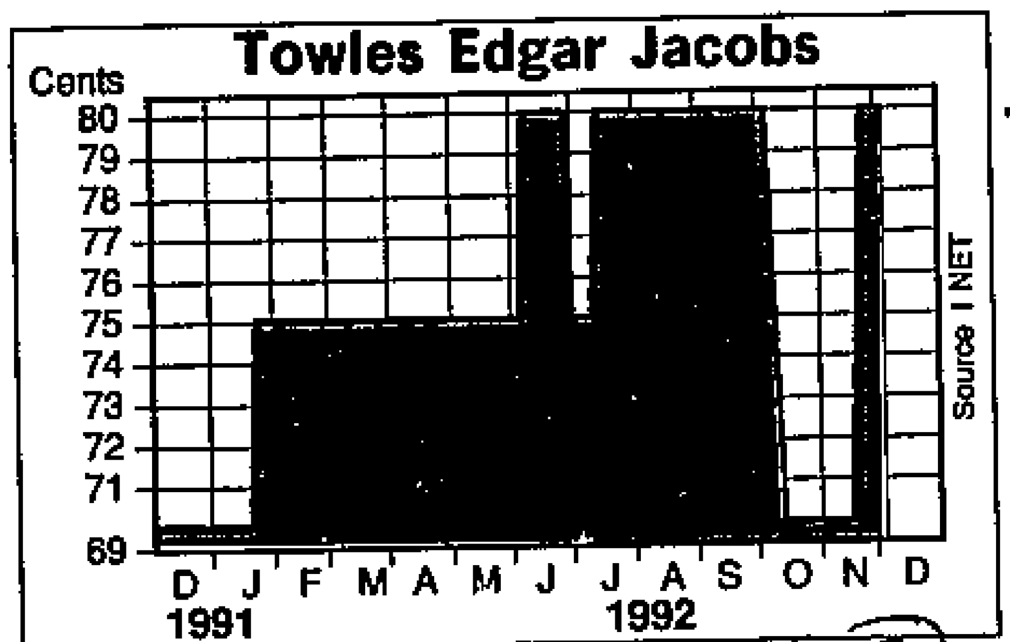
The MFA, first introduced in 1974, is a system of bilateral import quotas for textiles and clothing It covers annual trade worth about $136bn There are 42 signatories to the arrangement, accounting for about 80% of trade in the sector — Sapa- AFP

TEJ FM 18/12/92 (184) (197)

Paying the price

Activities: *Knitwear manufacturer*
Control: *Directors 40,6%*
Chairman: *R M Jacobs, MD B A Owen*
Capital structure: *2,95m ords Market capitalisation R2,4m*
Share market: *Price 80c Yields 18,4% on earnings, p e ratio, 5,4 12-month high, 80c, low, 70c Trading volume last quarter, 21 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	8,4	5,4	2,1	2,0
LT debt (Rm)	3,1	6,0	5,2	4,4
Debt equity ratio	1,9	1,42	0,78	0,64
Shareholders' interest	0,23	0,35	0,41	0,46
Int & leasing cover	0,54	0,84	1,6	1,4
Return on cap (%)	3,8	8,9	15,6	11,4
Turnover (Rm)	* 32,3	38,1	35,9	35,0
Pre-int profit (Rm)	1,0	2,3	3,5	2,5
Pre-int margin (%)	3,0	5,9	9,8	6,9
Earnings (c)	(29,0)	(19,9)	38,9	14,7
Dividends (c)	Nil	Nil	Nil	Nil
Net worth (c)	212	263	252	268



FM 18/12/92 (197)

Towles Edgar Jacobs (TEJ) wrote off R1,1m in 1991 as an extraordinary item on terminating a relationship with a customer — a treatment with which the *FM* took issue (*Companies* December 20 1991) (184)

Had the loss been taken at operating level, 1991 operating profit would have been only 7,2% higher instead of the reported 55% improvement But 1992's operating profit would then have been marginally higher than in 1991, instead of down 30% Pre-tax profit would have been up 122% instead of down 52% and EPS would have leapt from 2c to 14,7c — instead of plummeting 62% The impression created would have been one of a strengthening organisation, rather than a perception of weakness

TEJ, like most clothing firms, could not escape recession It suffered lower demand and a consequent cut in margins MD Tony Owen is not optimistic about financial 1993 but does not expect any further deterioration He is, however, enthusiastic about the export programme now under way

Despite depressed earnings, this seldom-traded company is slightly stronger financially and should produce better results when the economy improves *Gerald Hirshon*

Romatex's trading prospects improving

STAR 14/12/92 (197)

By Des Parker

DURBAN — Romatex chairman Jack Crutchley says business conditions in its diverse trading areas — with the exception of fabrics — improved in October and November.

The fabrics division was still affected by depressed demand exacerbated by imports, he said after the 1992 shareholders' annual meeting at the group's head office in Jacobs, Durban

He singled out bulk liquid storage company Island View Storage, which in the year to September 30 raised its contribution to the group's profit before tax and interest from 42 percent to 52 percent.

The much heralded benefits of an extensive condensing of the group and rearrangement of its operational structure finally appeared on the income statement and balance sheet for the year, helping the group stem four years of declining earnings, earnings rose from 34,9c a share to 50,5c, still way down on the 217,2c of 1988.

This was achieved despite turnover falling back to R722 million (R740 million), bringing with it the promise of more substantial earnings improvement when the economy permits

The October 1 sale of Crossley Carpets to Ulster Carpet Mills of Northern Ireland for R32 million should also reap benefits for the group

Hopes of textile exporters dashed

LINDA ENSOR (197)

CAPE TOWN — A decision on temporary export incentive measures for clothing and textile manufacturers to ease the phasing out of the structural adjustment programme would be finalised within days, Trade and Industry director-general Stef Naude said yesterday

However, he ruled out the possibility of clothing and textile exporters receiving any additional export incentives, other than GEIS, on a long-term basis as the department was against singling out any industry "Of course we want exports, but clearly not at any price."

Naude said there was a different argument that the termination of the structural adjustment programme would cause uncertainty at a time when the long-term strategy being formulated for the industry still had to be completed Completion was likely only by the end of 1993.

"The question then becomes whether a temporary and relatively simple arrangement to avoid a highly undesirable disruption of exports and to provide a better opportunity for adjustment to the expected long-term strategy is wiser in the prevailing circumstances Preparatory work has been done in this regard."

Clothing manufacturers held urgent meetings with Naudé and the Board on Tariffs and Trade over the past few weeks to try to get alternative incentives

The meetings followed Deputy Trade and Industry Minister David Graaff's announcement in November that the programme for the clothing and textile industries, allowing for duty-free imports based on exports, would be phased out from March 31 1993, while rebate permits would be valid until end-March 1994.

Higher fabric duties could cost many jobs

S/Times (Buss) 27/12/92.

(197)

By DON ROBERTSON

A SHARP rise in import duties on fabrics could cost the clothing industry thousands of lost jobs next year

Although employment figures appear to have stabilised at about 100 000, more than 15 000 employees have been laid off since October last year, equivalent to 13,2% of the labour force

National Clothing Federation economist Arnold Werbeloff says in the latest newsletter that average import duties have risen from 20% to 50% since the middle of last month and "this could result in the loss of thousands of jobs in the clothing industry over the next year"

Aggravating this situation are the depressed domestic and international economies and the decline in consumer spending

The job losses have been accompanied by a large number of factory closures A total of 1 097 factories are still operating, but 110 or 9,1% have closed since October 1991 As with retrenchments, the major losses were in the Transvaal In addition, the average employment by factories dipped from 95 people to 91.

In contrast, retail sales of clothing in the first eight months of the year rose by 3% compared with 1991

"Nevertheless, on a moving average, sales have been falling since March from R820-million a month to R785-million mainly due to decreases in ladies', girls' and babies' garments from R515-million a month to R485-million with men's and boys' clothing still stable at about R300-million a month," says Mr Werbeloff

There are, though, some encouraging signs

The drought appears to have been broken which should improve agricultural production and exports and reduce the diversion of resources to drought relief and rural employment

SA goods are now being accepted in non-traditional markets such as Russia and Eastern Europe

"This is especially true of clothing exports, which are booming Latest estimates are for a growth of more than 80% in 1992 to R600-million compared with R320-million in 1991," says Mr Werbeloff

Under discussion is the possibility that the separate clothing and textile federations be linked under a single body This could have benefits to members of both groups and could lead to a more concerted export effort Because of the recession, the clothing industry is leaner and better prepared to take advantage of growth opportunities in SA and overseas

Unispin's losses mount

(197)

Finance Staff STAR

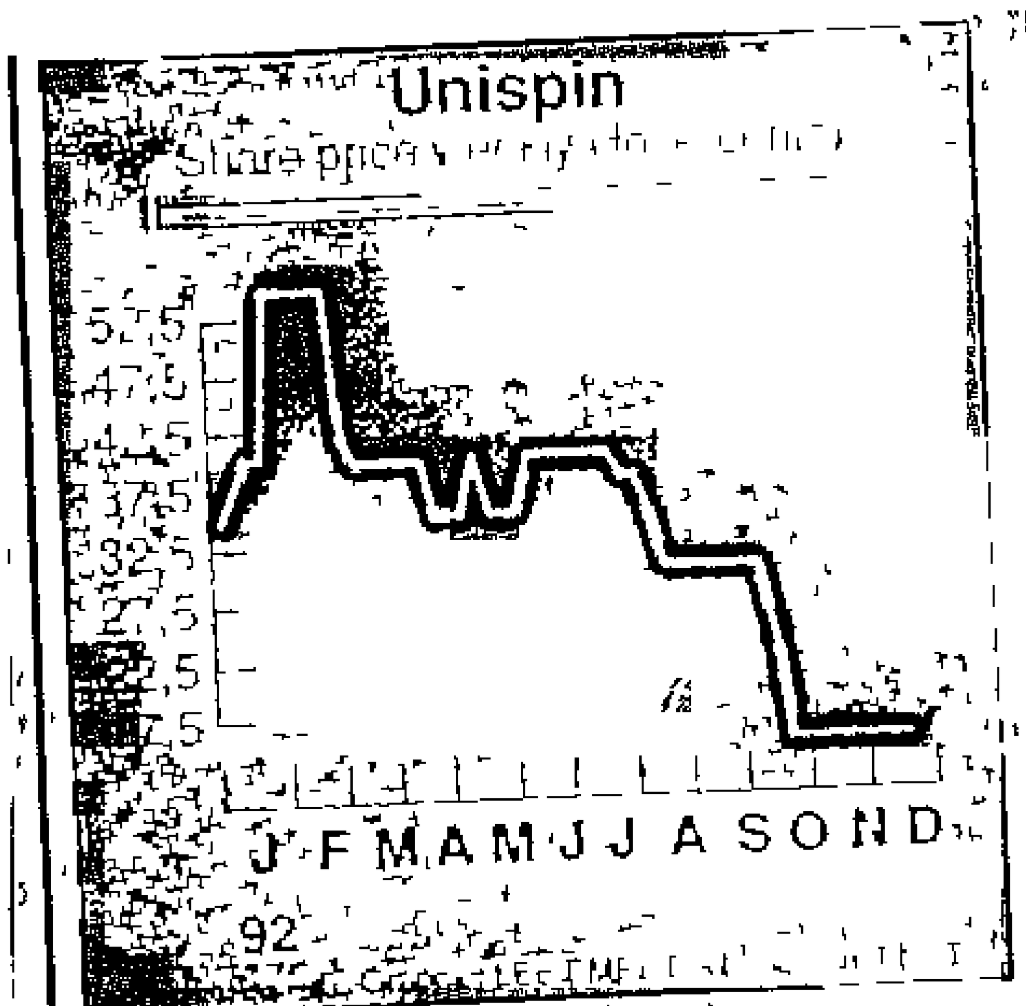
28/12/92

Unispin plunged deeper into the red in the year to end-September with an attributable loss of R49,5 million (R3,29 million).

After the payment of preference dividends and the write-off of the offshore trade investment and employee share incentive scheme, total losses amounted to R61,4 million, or 112,1c (14c) a share.

However, the directors say the restructuring of debt, which significantly cut financing costs, and the reduction in the size of operations have put the group in a better position to remain viable.

The group now has surplus capacity which will enable it to respond to any improvement in the market.



Unispin unwinds deeper into red

BDAY 28/12/92

DUMA GQUBULE

UNISPIN, the country's largest knitting yarn manufacturer, plunged deeper into the red in the year to end-September, reporting an attributable loss of R49,5m despite a R120m debt restructuring agreement announced six months ago. (197)

Chairman Robert Wachsburger said poor trading conditions experienced at the time of the interim report to shareholders had continued during the second half.

However, the restructuring agreements had significantly reduced financing costs, which fell to R14,3m (R21,8m), as group borrowings dropped to R42,8m (R109,6m).

In terms of the restructuring agreement, Consolidated Frame Textiles (Confram) converted its R30m preference shares in Unispin into ordinary shares, an interest of more than 40%. Unispin's bankers also agreed to convert R120m of the group's debt into preference shares of a subsidiary, Union Spinning Mills.

Other measures included retrenching 450 employees and bridging finance through additional borrowings. At the time, Wachsburger said the reconstruction would return the group to profitability.

Turnover was down 4% to R126,9m (R131,7m), but operating losses (before abnormal items) plummeted to R27,1m compared with an operating profit of R12,9m the previous year.

At the interim stage, operating losses were R8,5m (almost a third of full year losses), suggesting a further sharp erosion in margins during the second half

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Unispin

BDAY 28/12/92. (197)

☐ From Page 1

After abnormal items of R8,2m, reflecting the write-off of an offshore investment, an employee share incentive scheme, and interest payments of R14,3m, the attributable loss came to R49,5m, equivalent to a loss of 112c (1991 14c loss) a share. Ordinary shareholders' funds dropped to R21,9m (R53,3m)

Wachsburger said the debt restructuring and action taken to downsize operations, together with expected benefits from the new tariff structure for the industry, had placed the group in a better position to remain viable in the short to medium term

While recovery was expected to be slow, the group now had surplus capacity and would be able to react positively to new changes in market conditions