MANUFACTURING – TEXTILES

1996 ~~1997~~

Textile talks with Zimbabwe hit new snag

(197) (~~184~~) (~~244~~)

By Shirley Jones

CT (BR) 16/1/96

Durban — South Africa's troubled efforts to streamline and update a 30-year-old trade agreement with Zimbabwe ran into further trouble yesterday when Zimbabwean industrialists accused the Republic of negotiating "in bad faith".

The proposed agreement would grant textile and clothing producers in Zimbabwe easier access to local markets.

The Confederation of Zimbabwe Industries, the country's largest employer body, said yesterday that no progress had been made on reviving a two-year-long negotiation that collapsed last November.

South African negotiators have tried to revive the talks by offering to cut the local content required of Zimbabwean clothing and textiles imported into South Africa from a punitive 75 percent to 25 percent.

Though the Zimbabweans have not rejected the offer, say officials, they have requested further quota relief in key sectors.

The offer quickly ran into serious domestic and Zimbabwean opposition. South African textile and clothing producers complained that they had not been consulted about the offer.

The Zimbabweans complained that their textile and clothing producers already imported most of their raw material and that even lenient local-content requirements would be too onerous.

The South African government believes that even at the lower local-content requirement of 25 percent contained in its offer, textiles from Zimbabwe would take only 1 percent of the South African market.

But that is fiercely contested by producers of clothing and textiles in South Africa, who argue that products from anywhere in the world could easily be routed into South Africa through Zimbabwe.

Textile group's R180-m SA plan

(197) ARG 30/11/96

JOHN VILJOEN, Business Staff

SINGAPORE'S Tolaram group plans to invest R180 million in its South African textile manufacturing interests during the next five years, the group's African head Sajen Aswani has said.

Internationally active Tolaram, which owns four companies in Cape Town and KwaZulu-Natal, plans to consolidate these interests into a single Johannesburg Stock Exchange-listed company within the next three years.

Mr Aswani was speaking in Cape Town yesterday after attending a meeting where Fenix Industries shareholders approved a change in name for the Lansdowne company to Tolaram 2000.

Tolaram recently bought a 94 percent stake in JSE-listed Cape Town dye-house, fabric knitter and textile trader Fenix Industries for R19,7 million. The group last month also bought a controlling share in Cape Town clothing accessories manufacturer Strebel, also listed on the JSE.

"We hope to consolidate all our holdings in stages into one company and to be a major textile business in South Africa," Mr Aswani said.

Tolaram would invest R180 million in its operations in South Africa and about R20 million in Swaziland during the next five years, he said.

Between its Cape and KwaZulu-Natal interests, the group employs about 1 700 people, and another 1 000 at its Natex plant in Swaziland.

Tolaram's other South Africa interests include Prilla 2000, a cotton and polyester yarn spinning company in Maritzburg, and Lotus 2000 in Hammarsdale, which spins acrylic yarn and manufactures woven synthetic rugs.

The two KwaZulu-Natal companies represent combined assets of about R100 million and would eventually be incorporated into Tolaram 2000.

These operations would see more effective use of resources in the coming years, but this did not mean lay-offs, he said. "I can only see further employment in the group."

The South African assets are held through Hong Kong-based Industrial Investment International, a wholly-owned subsidiary of Asean Interests, which is one of Tolaram's investment holding companies

SADC wants changes

Sowetan 1/2/96

Body hopes trade barriers will go first

By Mzimkulu Malunga

IF THE PROGRAMME tabled at the Southern African Development Community's Council of Ministers in Midrand this week is implemented, Southern Africa could be a totally different place within the next few years.

The programme centres on free trade, investment and free movement of people in the region.

SADC executive secretary Dr Kaire Mbuende says the draft documents on free trade and freedom of movement will be tabled at the organisation's next annual summit to be held in Maseru in August.

He says the highest priority is being put on finalising agreement trade

However, even though SADC's officials are in an upbeat mood, a closer look at the organisation's history casts some doubt on whether the mammoth task it is setting itself will be realised this century.

For instance, out of the 15 or so issues on which agreement has to be reached, Protocol has been signed on only one of them – and this is the sharing of the region's water resources

SADC's secretary general Dr Kaire Mbuende

Even here, when the agreement was signed during last year's summit at the World Trade Centre, the Mozambican delegation had serious reservations and only hard behind-the-scenes diplomatic shuttling saw Mozambique put its signature to the agreement.

Throughout its sixteen-year history, SADC's main problems have not been different from those faced by all other multilateral organisations internationally

Often national interests take precedence over regional ones and it does not look as if the organisation will be able to get over this hurdle in the short term

While it may be easy to sign an agreement to phase out trade tariffs between states in the region, implementation is never easy

The disagreements characterising the restructuring of the Southern African Customs Union – comprising Botswana, Lesotho, Namibia, Swaziland and South Africa – are a living testimony of how national interests always come before regional ones

As for free movement of people in between SADC member states, there do not seem the to be sufficient ingredients for this proposal to be implemented – at least not in the short term.

In the past, richer SADC members like Botswana and South Africa were wary of allowing free movement in the region, fearing that people from poorer areas of the region would flock into their countries creating a social problem.

Swedes keen to help informal sector

Sowetan 1/2/96

By Joshua Raboroko

A DELEGATION of Swedish business people and parliamentarians is to visit South Africa on a mission to empower informal enterprises by investing in their operations

The African Council of Hawkers and Informal Business (Achib) is optimistic that the visit on February 24 will help boost the viability of micro businesses, including spazas and hawkers, 'l as help create jobs and wealth.

..ib president Lawrence Mavundla says that during his recent visit to Europe business people expressed a willingness to help disadvantaged communities

The visit by the delegation is the result of communication with business and politicians who feel "sympathetic to the poor" and want to invest here in order to empower small businesses, including forming joint ventures

Achib says it is geared to help the small business sector develop skills that will enable them to create jobs and wealth this year

Already, says Mavundla, the council has formed "micro banks" where the informal businesses can obtain loans The project is supported by the corporate world

"The Swedes' investment ... many of our marginalised communities to start businesses," he says.

Achib marketing director Mr Kabelo Mooki says they intend to expand their "scratch card" campaign. More than 200 hawkers have been making between R100 and R300 by selling the cards

Sowetan 1/2/96

Texfed demands transparency from the DTI

(197)

By Shadrack Mashalaba

THE Textile Federation has called on the Department of Trade and Industry to reveal its secrecy on its proposed trade pact with the Peoples' Republic of China

"If DTI proceeds, however, and gets these negotiations wrong, enormous and irreparable damage will be inflicted on South Africa's industry," says King

orcing regulations

Texfed feels the best way to prevent a flood of cheap industrial imports from China, or anywhere, is to enforce existing customs regulations, as it would eliminate the need for agreements with individual countries.

King adds that the textile industry makes a net contribution of R8 billion to South Africa's balance of trade and employs 360 000 people

Voluntary export restraint deal with China will include unions

BD 6/2/96 (197)

Jacqueline Zaina

THE Textile Federation (Texfed) has toned down its initial response to government's proposed voluntary export restraint of trade agreement with China following a meeting last week with key industry players

The trade and industry department announced last week that it had been engaged in non-binding trade talks with Chinese officials aimed at capping that country's increased exports to SA.

Texfed president Mervyn King had hit out at the department, warning that a deal which granted China preferential rights could harm local clothing, footwear and textile industries.

But a department delegation headed by deputy director-general Gerrie Breyl left for China to continue talks on the issue, indicating that industry parties and labour would be invited to debate the possible establishment of a voluntary export restraint of trade agreement with China and related policing issues.

King said yesterday Texfed, the Footwear Manufacturers' Federation and the Clothing Federation, which met last week to discuss the proposed agreement, had been "greatly encouraged" that government had at last accepted their offer to assist in upgrading customs operations.

"We are certain that together with the footwear industry, we will make an important contribution to the trade and industry department's discussions with China"

However, spokesmen for the three industry bodies expressed concern about the policing of such an agreement and the current absence of an effective SA customs function.

"Although measures are being taken to address the serious issue of illegal imports, detailed import statistics required for the effective policing of legal imports are four months out of date," Clofed executive director Hennie van Zyl said.

Puma's new textile technology to reduce shrinkage

CT (BR) 7/2/96 (197)

By Françoise Botha

Cape Town — Knitwear manufacturer Puma, a member of the Anglovaal Textile Group, has invested R4 million in new technology for the clothing industry

The investment in new finishing-line technology will result in lower shrinkages to cotton knitwear when put through home tumble-drying processes

Until now, cotton knits available in South Africa had been prone to extreme shrinkage during the tumble-drying process

Craig Smith, the general manager of Puma and the director of the textile group, said the new finishing line would reduce shrinkage from industry average levels of about 15 percent to less than 6 percent

FIRST IN LINE *Craig Smith, centre, Puma's general manager, shows off the new finishing-line technology to, from left, Mike Scott and Gerard Gaud of Puma, Syd Muller and Stuart Gottschalk of Woolworths and Malcolm Hughes of the Anglovaal Textile Group*

He said that while the new technology had not eliminated shrinkage entirely, it had reduced it to reasonable tolerances so that it would not be noticeable

Cotton-knit fabrics, typically used to make T-shirts and underwear, shrink in the tumble drier because the process allows the fabric to relax to the state it was in before the finishing process

"The new process treats the fabric in a very gentle and non-aggressive manner so that it does not need to re-adjust after a treatment like tumble drying," he said

The commission was the result of Puma having been the first textile plant in the country to be authorised by Woolworths to take full responsibility for the control and release of all products manufactured for the company

Stuart Gottschalk, the head of Woolworths' technology division, said that the development had enabled the company to offer consumers exactly what they wanted — garments made from pure cotton that were as easy to care for as those made from polyester

"To Woolworths, as exporters, this is very important," said Gottschalk

Commenting on the R4 million investment, Smith said that it should be seen as strategic

"There are no obvious returns on the investment or in terms of cash flow

"But because we are positioned at the quality end of the market the incentive was customer satisfaction

"Fortunately, it has not added a cent to volume throughput," said Smith

Commenting on the long-term benefits to the firm, Smith said, "when people realise that there is a substantive difference in quality, there will be an increase in demand for our products"

Sactwu plans day of action over relocation plans

(197)

CT (BR) 7/2/96

BY JAMES LAMONT

Johannesburg — The Southern African Clothing and Textile Workers' Union (Sactwu) is planning a national day of action on Valentine's Day to protest against local textile companies relocating to neighbouring states

Miranda Blignaut, a Sactwu administrator in Cape Town, confirmed yesterday that the 55 000-strong union had earmarked February 14 to bring its "save our jobs" campaign to public notice Blignaut said one of the union's chief concerns was the number of South African textile companies moving to neighbouring states like Swaziland, where labour costs were lower

Union officials in Cape Town said last night that textile workers in all parts of the country would be affected The Sactwu regional executive in Durban is due to meet today to plan its day of action The union plans to hold a protest march in Cape Town as the centrepiece of its campaign,

In defence of their decision to relocate, South African textile companies have argued that importing goods from neighbouring African states is preferable to importing labour However, in the light of a recent week-long strike in Swaziland, a location favoured by South African manufacturers, the pursuit of cheaper labour might prove costly

The strike, which caused disruption of power, water and telecommunications services, cost the country R6,5 million a day and had a devastating effect on the economy

Lobbying for the introduction of multi-party democracy in Swaziland and the meeting of a list of 27 demands, the Swaziland Federation of Trade Unions has threatened to call a second general strike within the next few weeks

Imports threaten footwear industry

Durban — South Africa's footwear industry faces a year of closures and job losses could run into thousands if the government does not stem imports, particularly from China

Dennis Linde of the Footwear Manufacturers' Federation of South Africa yesterday warned that more factories could close this year than the 20 lost last year

Lenco Holding's troubled Pietermaritzburg shoe division, Amshoe, is the most visible casualty It is being sold to the Western Cape-based Buccaneer Shoes for R30 million Industry sources had estimated it was worth R60 million Amshoe lost R26 million during the first six months of last year.

Buccaneer intended to move the operations to the Western Cape, costing KwaZulu Natal 700 jobs

However, this high-profile sale has distracted attention from other closures

Classic Shoes, also in Pietermaritzburg, closed on January 31 after four years of losses It left 60 people unemployed

Local shoe production has slipped from 88 million pairs in 1989 to 59 million last year With this came a significant drop in employment from 30 000 people in 1989 to 21 000 at the beginning of this year — Stuart Rutherford

☐ See Page 17

Factories to shut down for march on parliament

Textile workers lose rag over job loss fears

ARG 10/2/96

(197)

MAUREEN MARUD
Business Reporter

HUNDREDS of factories in the Western Cape could close on Wednesday if the SA Clothing and Textile Workers' Union carries out its threat to march on parliament in protest against job losses

Ebrahim Patel, deputy general secretary of the 180 000-strong Sactwu, said in an exclusive interview yesterday the march, which would be peaceful, was "just the first step in an ongoing campaign that will become increasingly prominent and national in character"

He said Wednesday's march would close down "a few hundred" factories in the Western Cape

The national day of action was called to save jobs in the clothing and textile industries, where 12 000 workers countrywide had been retrenched in the past five months

"The protest is directed at securing government support to save jobs threatened by trade-related policies," Mr Patel said

"We will seek to meet with government after the protest on Wednesday But more importantly, this march is the first of a series of activities, the elements of which are still being developed"

A statement from the Clothing Federation of South Africa has warned that "disruptive marches" increase costs, making it easier for low cost imports to penetrate the South African market and further threaten jobs

But, Mr Patel said, protest action was necessary because "we see that without immediate action by workers these industries will close down"

Mr Patel said in a statement projections by the union showed a disappearance of 100 000 jobs in the next six-and-a-half years "if the current program of trade liberalisation proceeds"

He said the union's studies had also shown that the jobs lost since September last year had left 60 000 family members destitute and had resulted in a projected annualised loss of R750 million in productive capacity and income in the clothing and textile sectors

The job losses were caused by

- Uncertainty over government policy towards industry, felt by investors, workers and retailers,
- The start of the tariff liberalisation programme in September 1995,
- Huge fraud and inefficiencies in the customs and excise function of government,
- The relocation planned by local companies to other southern African countries in order to benefit from favourable bilateral trade agreements,
- The flood of Chinese and other East Asian goods on to the South African market

Mr Ebrahim said the day of action would highlight these issues, as well as

- The failure to support training and social adjustment programmes for workers prior to the trade liberalisation program being put in place,
- The need to introduce the entire package of measures previously agreed to by the government, business and labour, covering plans to create jobs, to reform work organisation, to increase exports, and to ensure that workers were not the victims of restructuring

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leaders in Cape Town yesterday afternoon.

Textile union calls for stayaway

THE South African Clothing and Textile Workers' Union has called for a national day of action on Wednesday to highlight workers' fears for their jobs in the textile and leather industries.

The protest would aim to secure government support for saving jobs threatened by new trade policy, Ebrahim Patel, Sactwu's deputy general secretary, said yesterday. He claimed 12 000 jobs had been lost in the industry over the past five months

(197) (184) ST 11/2/96

Reports by own reporters, Sapa-Reuter-AFP

week

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Sactwu calls for a day of protest

(197) CT (BR) 12/2/96

STAFF WRITER

Johannesburg — The South African Clothing and Textile Workers Union has called for a national day of action on Wednesday to protest against job losses in the clothing, textile and leather sectors because of trade liberalisation in terms of the World Trade Organisation agreement

Ebrahim Patel, the assistant general secretary of the union, said the industries had shed 12 000 jobs in the past five months.

"This has resulted in an annualised loss of R750 million in productive capacity and income," he said. A substantial number of jobs would also be lost in auxiliary services.

He blamed the losses on uncertainty about government policy, the start of the tariff liberalisation programme last year and alleged massive fraud and inefficiency in the customs and excise department.

Patel said the protest action would highlight the failure to support training and social adjustment programmes for workers before the implementation of the trade liberalisation programme

It would also focus on the need to take urgent steps to stop customs fraud by investigating and prosecuting those responsible and to take effective measures to prevent the dumping of Chinese and other countries' products on the South African market

[redacted] market The Syfrets group account-

Union calls for day of action to protest against job losses

Star 13/2/96

Cape Town – The SA Clothing and Textile Workers' Union (Sactwu) has asked its 180 000 members to take part in its national day of action tomorrow to highlight increasing job losses.

It said yesterday the activities, which will include marches and pickets, would be the first in a series of actions to focus national attention on job losses in the clothing, textile and leather industries.

The union said that the campaign would soon be expanded to include other Congress of SA Trade Unions affiliates.

More than 12 000 jobs have been lost in the clothing, textile and leather sectors in the past five months due largely to imports from east Asia.

The Clothing Federation of SA said it identified with the objectives of the action but not with the method. "This type of action increases costs, making it easy for low-cost imports to penetrate the SA market," it said.

Sactwu deputy general secretary Ebrahim Patel said 100 000 jobs would be lost if the programme of trade liberalisation proceeded without the measures Sactwu required. – Labour Reporter.

(197)

Illegal imports see Frame's results decline

CT (BR) 13/2/96 (???) (197)

By Shirley Jones

Durban — Illegal imports and soft trading conditions took their toll on textile manufacturer Frame, which saw turnover dip by 4 percent from R339 million to R382 million during the six months to last December

Earnings a share in both Frame and subsidiary Confram reflected a similar drop from 73,3c and 43,2c in the six months to the end of December 1994 to 68,4c and 38,1c respectively. There will be a capitalisation award instead of a 5c a share dividend from Frame and 3c a share dividend from Confram

The company has minimised damage, however, and increased income before tax by 26 percent to R31 million (R24,2 million) and increased the group's cash resources by R53 million

Operating income increased to R25,9 million from R23,4 million

However, although income before tax was positive, the company's return to a tax paying position saw taxed income drop from R24,2 million to R21,5 million The tax charge for the six months was R9 million compared with R195 000 for the comparative period.

Company chairman Mervyn King, who has been outspoken in his criticism of the government's trade negotiations with Zimbabwe and mainland China, said the company would continue to monitor and assess both these trade initiatives and the government's attempts to contain illegal imports

Should these not prove satisfactory the group would be forced by a further deterioration in local trading conditions, to amend its human resource strategy and scale down its capital investment programme

OUTSPOKEN *Mervyn King, the chairman of Frame*

The company was on schedule with its introduction of state-of-the art technology and, said King, was already seeing improved efficiencies and productivity which would enhance the company's international competitiveness

He said, however, that with illegal imports still escalating, trading conditions in the second six months of the current financial year would be extremely difficult.

He said that given recent performances by retailers, it was clear that illegal imports were not only affecting manufacturers, but severely constricting retail markets through hawker and flea market sales.

He also lamented the fact that one of the major positives for the textile and clothing industries — supply-side measures which are under negotiation at Nedlac — would still take some months to bring relief

1996

THE CAPE

Textile workers to march on parliament

AAG 13 | 2 | 96 (197)

ESTELLE RANDALL
Labour Reporter

THOUSANDS of clothing and textile workers will march to parliament tomorrow to draw government attention to the threat of complete collapse of the industry

The march is in response to government's introduction of trade policies, which the South African Clothing and Textile Workers' Union (Sactwu) says could result in the loss of 100 000 jobs during the next six years, if government continues to stall on implementing the entire plan to restructure the industry

Sactwu is in broad agreement with the eight-year tariff phase down period proposed by government, although this is substantially shorter than the 12 years to which South Africa is bound in terms of the General Agreement on Tariffs and Trade (Gatt), agreed at the Uruguay round of talks

However, the union believes that trade liberalisation in the absence of strategies to promote efficiency and quality and social adjustment policies will not lead to increased competitiveness Instead, job losses and the destruction of large parts of the industry are likely

Given South Africa's high level of unemployment, the union questions whether the country can afford further massive job losses

During the past five months, 12 000 jobs have already been lost and 60 000 family members left destitute, estimates Sactwu deputy general secretary Ebrahim Patel

"We must do something to show that the losses will be too high Though the march will take commitment from workers and will mean loss for them in the form of wages, if we do nothing, the industry will shut down " Cape Town is heavily dependent on the clothing and textile industry - employing about 80 000 people, making it the biggest employer in the region

Mr Patel said the industry was particularly important for Cape Town, which lacked heavy manufacturing

"If employment drops below a certain threshold, we will not be able to maintain our clothing and textile industry," he said

Workers had discussed the march with employers and had arrived at "pragmatic arrangements" at their factories, like agreeing to work in the lost time

He said the union had tried for two years to discuss restructuring the industry with government and business In early 1994, agreement was reached on the content of this restructuring Broadly supporting a need to open the market and become externally-focused, the route to achieving this included

- Human resource development and changes to organisation of work places
- A trade policy with a slow, phased reduction of tariffs during 10 years
- A social adjustment programme which involves government support for training and retraining workers whose skills become obsolete

There was also acknowledgement that output would have to increase - either through developing an export market or increasing the domestic market Since the agreement in principal, there had been talk about tightening customs control

Frame will sell equipment to cover cost of job cuts

(197) BD 14/2/96

Nicola Jenvey

DURBAN — Textiles company Frame Group Holdings would attempt to cover the cost of 2 000 possible job losses by selling redundant equipment, company sources said yesterday

The group, which set aside only R5,4m for closure costs in interim results released earlier this week, said it would provide for the retrenchment costs "as and when necessary"

Frame would seek to protect its bottom line by selling the excess equipment following the rationalisation

It said in November that a large chunk of its 6 000-strong workforce could go in a four-year strategic shake-up. Sources have indicated the losses could run to 2 000 jobs.

The R5,4m charge related to a spinning operation that would be closed About 100 jobs are expected to go

The charge was offset by the R5,8m raised following the sale of its 50% stake in Unispin.

The group — SA's largest textile manufacturer — also wanted to spend at least R200m over the same period to upgrade itself to meet increased competition

In its interim announcement Frame said it would amend this programme, depending on government's progress in dealing with illegal imports, as well as trade initiatives with Zimbabwe, China and Malawi

"The market has been disturbed by these imports," a company source said.

"Frame may have to reconsider every cent of shareholder money destined for capital expenditure, given government's lack of authority in dealing with the problem "

The group's attributable income slipped to R14,4m from a previous R15,2m, knocked by softer trading conditions and increased illegal imports

Sactwu protest to protect 100 000 jobs could cost industry R100m

(197) CT(BR) 14/2/96

SHIRLEY JONES

Durban — Clothing and textile manufacturers stand to lose more than R100 million in turnover as members of the South African Clothing and Textile Workers Union (Sactwu) protest today against potential job losses over the next seven years

Thousands of disgruntled workers are expected to take to the streets in Durban, Pretoria, Cape Town, Port Elizabeth, East London, Bisho and Kimberly

The national day of action is an attempt by the union, which with 170 000 members is the country's third largest, to force the government to protect jobs in the clothing, textile and footwear industries

OFF THE JOB *Sactwu general secretary Jabu Ncgobo urges workers to hit the streets today to protect their jobs*

According to the union, today's action is the first in a series The campaign is expected to expand and bring all Cosatu affiliates on board.

It will also link with President Mandela's proposed consumer boycott of retailers stocking imported goods made under exploitative labour conditions

Sactwu and Cosatu, together with major retailers, intend to secure an agreement to source clothing, textile and leather goods from local manufacturers. Those who persist with practices seen to prejudice jobs will be publicly identified and boycotted

In a worst-case scenario painted yesterday by the union, 100 000 jobs are expected to be lost during the remaining six-and-a-half years of the tariff phase-down period for the clothing and textile sector

The union said more than 12 000 jobs were lost in the footwear, clothing and textile sectors during the past five months.

A highly placed source in the industry said he did not believe that the government or the unions appreciated the magnitude of the unemployment problem until now He saw today's protest as a no-confidence vote in government's ability to solve the problems in the sector

Seardel comes out in support of marchers

ARG 14/2/96 (197)

ALIDE DASNOIS
Business Editor

THE huge Seardel clothing and textile group has come out in support of employees protesting today against job losses in the industry

"We have a lot of sympathy with them," Seardel chairman Aaron Searll said yesterday

Members of the 180 000-strong SA Clothing and Textile Workers' Union (Sactwu) are marching on parliament as part of a national day of action against job losses.

The march has been slammed by the Cape Chamber of Commerce and Industry

The union estimates that 12 000 jobs have been lost in five months and up to 100 000 more are at stake as the domestic industries struggle to compete with cheap imports

High barriers which protected the industry in the past are gradually being dismantled

"We are pleased they are taking this stand," Dr Searll said "We don't approve of the disruption of production, but perhaps this is the only way they have of expressing their strong feelings"

Dr Searll, whose group employs more than 16 000 people, called on the government to stop illegal imports of cheap goods

Preferential trade agreements with neighbouring countries such as Zimbabwe, which allowed inexpensive goods to enter the South African market, were also unacceptable, he said

In a statement, Cape Chamber of Commerce and Industry president Geoffrey Ashmead said the march would pressure jobs more.

"Employers and the union are in agreement on most of the points at issue and instead of organising a protest march, the union should continue working with employers to seek solutions," he said

● Minister of Trade and Industry Trevor Manuel said the most urgent action needed to stop job loss was stopping the flow of illegal imports

● See page 14.

Textile workers march to back demands on jobs

BD 15/2/96 (197)

Renee Grawitzky and Nicola Jenvy

COUNTRYWIDE marches by the SA Clothing and Textile Workers' Union yesterday saw about 5 000 members march to Parliament demanding that government take steps to halt further job losses in the clothing, textile and footwear industries

The marches came in the wake of perceived government failure to implement supply-side measures and prevent the influx of illegal imports The protests formed part of the campaign launched last year to save jobs in the industries under threat.

A memorandum, presented to government representatives for the attention of Trade Minister Trevor Manuel, noted: "We are sad and angry because we voted for a government which would create jobs. Instead, policies which are being followed currently are causing job losses."

It claimed that during the final quarter last year more than 12 000 jobs had been lost and estimated that in the next six years a further 100 000 jobs would be lost.

Demands included union involvement in the negotiation of trade agreements; review of preferential agreements to ensure no job losses in SA; the overhaul of customs and excise, which they claimed was corrupt, "badly managed and disorganised", the inclusion of a social clause in international trade agreements, and a review of the trade liberalisation programme to ensure tariff reductions did not destroy large numbers of jobs.

In Durban, about 400 clothing and textile union shop stewards, in a memorandum handed to KwaZulu-Natal economic affairs MEC Jacob Zuma, demanded that a moratorium be placed on industry tariff reductions pending the introduction of supply-side measures by government.

The union said that in terms of the Uruguay round of GATT, SA had been permitted a 12-year phasing down period instead of the seven-year programme SA had elected.

Several clothing and textile companies were considering moving to Zimbabwe, Mauritius or Mozambique to take advantage of trade agreements with SA.

Boost before scrapping of cement cartel

(193) BD 15/2/96

Robyn Chalmers

BLUE Circle Cement has signed a multimillion-rand leasing deal with transport industry company Tanker Services in another step by the industry to boost distribution prior to the scrapping of the cement cartel.

The deal, announced yesterday, was expected to be the first phase of a broader arrangement to create a specialist fleet of cement delivery vehicles capable of delivering more than 500 000 tons of cement a year

Blue Circle Cement MD Piet Strauss said a similar deal was being finalised with another of the big names in the transport sector. The company serves markets in Gauteng, Northwest and Northern provinces, the Free State and northern KwaZulu-Natal

The cement groups' move into distribution follows the phasing out of the Cement Distributors of SA, the central distribution organisation which previously handled rail and invoicing functions for all cement producers This was in line with the dissolution of the cement cartel, which would officially cease to exist in September

Customer development manager Rashid Jaffer said the phasing out of the cement cartel would not affect Blue Circle's focus on training and educational projects The creation of a competitive environment in the cement industry after September has raised fears that low-profit and non-profit initiatives will be phased out

Jaffer said while projects in outlying districts caused distribution challenges and the problem of relatively low volumes, they would continue to focus on development and job creation schemes

"Obviously, the end of the cartel means that the major challenge facing all cement producers is the ability to compete successfully at a profit. But there has to be a balance between short-term and long-term dynamics," he said

"Educational work has the potential to grow and diversify our market in the long term "

Clothing workers want protection

Sowetan 15/2/96

~~484~~ 197

By Abdul Milazi and Muzi Mkhwanazi

THOUSANDS of members of the Southern African Clothing and Textile Workers Unions yesterday marched on Parliament in Cape Town to demand Government protection against foreign competition

The demonstration was part of the union's day of action, which included another march in Pretoria, to protest against job losses in the textile industry Sactwu demanded that the Government impose special tariffs on imported goods to protect the local industry

The memorandum targeted goods from Asia, most of which the union claimed came into the country illegally.

"Millions of items of consumer goods made in Asia are flooding into our shops Let us put special tariffs on clothing, textiles and other consumer goods coming into our country from countries where workers are exploited"

The memorandum further demanded that
- the Government support the industry through training subsidies for workers,
- A programme to create jobs in the wool industry as opposed to the current export of raw wool to other countries,
- Social adjustment support to workers and to trade unions as set out in the Industry Plan (which covers regional support, retraining schemes, help with job seeking and capacity assistance to organised labour);
- Help with changes in technology and work organisation which is geared towards increasing output and creating or saving jobs in the industry,
- And promoting small scale cotton farming as a means of promoting equity for black farmers and employment in the industry

The union also demanded a review of the trade liberalisation programme to ensure that tariff reductions are not affected in a manner which would cause job losses.

Employers interviewed by *Sowetan* supported the action because the problem concerns them as well.

A leading clothing manufacturer in Cape Town, who did not wish to be identified, said illegal imports and lack of import controls affected job creation and the industry.

The Ministry of Trade and Industry was not available for comment.

Protesting clothing workers give Manuel broken flowers

CT 15/2/96 (197)

STAFF WRITER

TENSIONS between the labour movement and the government were much in evidence at the SA Clothing and Textile Workers Union's march to Parliament yesterday for the preservation of their jobs

About 8 000 protesters targeted Trade and Industry Minister Mr Trevor Manuel, blamed by some for endangering local jobs by scaling down import tariffs

Signifying the mood, a "Valentine's Day gift" of broken flowers was handed over to Manuel's secretary

The message with them read: "Please receive with our compliments these flowers They will be withered and broken when you get back (Manuel is away on official business in Ethiopia). That reflects what is happening in our industry "

Sactwu regional chairwoman Ms Lilian Malan also shouted "Down with Trevor Manuel" over the public address system at a rally on the Grand Parade

Sactwu members also staged protest marches in Port Elizabeth, Johannesburg and Durban.

The union said its national day of action was called to save jobs in the clothing and textile industries, where 12 000 workers countrywide have been retrenched in the past five months.

The crowd gathered at the Tuynhuys gates to hand their memorandum of grievances and demands to Labour Minister Tito Mboweni and Constitutional Assembly chairman Cyril Ramaphosa.

Ramaphosa thanked the workers for bringing the issue to light

"You have important rights. The constitution must say something about the rights of workers," he said, adding he would table the memorandum in the assembly.

In the memorandum workers complained: "We are sad and angry because we voted for a government which will create jobs. Instead, the policies which are being followed are causing job losses."

Mboweni said the reduction in tariffs had been negotiated "with your leaders".

But Sactwu responded that the agreed 12-year scaling-down period had been shortened to seven "We are suffering for having it faster than other countries," Sactwu deputy general secretary Ebrahim Patel said.

Number of jobs in textiles up

(SA) (197)

Amanda Vermeulen

BD 16/2/96

JOB numbers in the formal sector of the clothing and textile industries increased marginally in 1994 and last year, according to figures compiled by the Central Statistical Service (CSS).

CSS analysis director Ros Hirschowitz said yesterday that in 1993 job numbers had slumped below 1975 levels, slipping to less than 200 000 from 220 000.

After the election in 1994, however, there had been a small but steady increase in employment figures By the end of last year, the number had edged back over the 200 000 mark

The figures derived only from the formal sector, so the situation in the informal sector of these industries was not reflected, she said

The increase could have derived from greater political stability and growing confidence in the economy after the elections, she said

She warned there was no indication that this trend would continue, as the increase was too fragile and short term to draw any conclusions.

Textile Federation executive director Brian Brink said there had been a noticeable increase in job numbers in 1994 and the early part of last year, but this had been virtually wiped out at the end of 1995, when up to 6 000 workers had been retrenched

He attributed the small jobs increase calculated by the CSS to Taiwanese firms setting up operations in SA

ES

Textile compromise hinted at

(197)

John Dludlu

BD 19/2/96

IN A move which could spell a compromise, the Zimbabwean government has denied rejecting a revised trade offer from their SA counterparts

An official at the Pretoria office of the Zimbabwean high commission in SA denied his government had turned down an offer by SA's trade and industry department to reinstate the lapsed pre-1992 trade concessions on Zimbabwean clothing and textile exports.

Last year SA offered to reinstate the preferences on condition that the Zimbabweans agreed to a 75% local content requirement for their exports

When this was rejected, predictably, by the Zimbabweans, the department presented a revised offer, this time lowering the local content requirement to 25% plus an annual 5% hike

SA government officials have said the revised offer was similarly turned down, although the Zimbabwean high commission official denied the claim

The official said a meeting, at which a revised offer was ~~to~~ have been tabled, had yet to take place He refused to give an indication of Harare's position on the new offer

He would not be drawn into discussing the impact of the 5% proviso, which had been identified as a sticking point by Zimbabwean textile and clothing industries.

A spokesman for the embattled Zimbabwean textile industry has described the 25% offer, accompanied by the 5% proviso, as "almost like giving with one hand and taking with the other"

However, the Zimbabwean official reaffirmed his government's commitment to multilateral trade in the region as the most plausible solution to trade relations.

Trade observers in SA have seen the denials by Zimbabwean officials as a negotiating tactic to "keep the door open to a change of mind" on the offer.

"I think they want to have a chance of having second thoughts on their stance," one SA trade source said

The delay in the talks to seal the Zimbabwean deal has been used by countries in the southern African region as an example of SA's protectionist trade policies towards its neighbours

SA has emphasised the advisability of pressing ahead with multilateral arrangements, both sectoral and general, rather than piecemeal bilateral agreements.

Zimbabwe is one of the main destinations for SA's exports in the southern African region

Navy's corvette fleet may cost more than expected

Stephen Laufer

BD 19/2/96

THE SA navy's corvette fleet could cost R860m more than the R1,69bn upper limit of the international tender which is likely to be reopened soon.

Navy chief Vice-Adm Robert Simpson-Anderson says the additional costs relate to maritime helicopters and the transfer of weapons systems and electronics from the existing strike craft fleet to the new ships.

The navy has said it will cut costs by using the strike craft hardware on the new corvettes. The R1,69bn is to be spent on the ships' hulls, which are to be built by a foreign shipyard.

Simpson-Anderson said the transfer of missile launchers, electronic warfare suites, radar and other advanced detection systems would cost "between R400m and R500m over six years".

But weapons experts indicate the bill for the transfer of the systems from the strike craft to the corvettes could be significantly higher. Moving the complex systems from one environment to another will require more than simply unbolting them from one deck and affixing them to the next.

Systems integration is a complex task which will be made more difficult by having to fit decades old technology into a highly modern ship.

But the transfer of the old strike craft technology is likely to be a stopgap measure, Simpson-Anderson said. The navy was prepared to deploy them on the corvettes because it had no choice.

New weapons could include "fire and forget" intelligent missiles which guided themselves to the target once launched. State of the art technology such as the US-made Harpoon currently costs R7m a missile — six to seven times the unit cost of the Skerpioen currently on the strike craft.

Each corvette would carry eight missiles on deck, with several reloads below. This number could be reduced in peacetime to save costs.

The strike-craft flotilla has no helicopters, and a complete fleet will have to be bought. The navy says it will require six if it is to ensure the constant operational availability of four — one a corvette.

Helicopters with specific maritime warfare capabilities could cost as much as R60m each, the current price of the top of the range British Lynx.

The helicopters are an integral part of the navy's capability upgrade centred on the corvette. Most modern maritime forces use the aircraft as forward-looking "eyes in the sky" and for search and rescue work.

Depending on which model the navy decides on, the bill for the helicopters could be lower than the R360 for six Lynxes. Maintenance and pilot-training costs could be further cut if a helicopter can be found which is compatible with the air force's Oryx helicopters.

Union questions govt's inconsistency

Renee Grawitzky

BD 19/2/96 (797)

THE SA Clothing and Textile Workers' Union (Sactwu) has questioned government's inconsistency in policy implementation where parastatals such as the non-labour intensive SABC had been granted extended time in which to face competition.

The union has also accused government of failing to disclose whether its intention was to allow the labour intensive clothing and textile industry to die.

Sactwu general secretary Jabu Ngcobo said yesterday government "has its own agenda which is not being disclosed to us". He said there was a growing realisation that government had decided to "get rid" of the clothing and textile industry.

Throughout the week, countrywide demonstrations would continue to highlight union concerns over the lack of response from government, Ngcobo said.

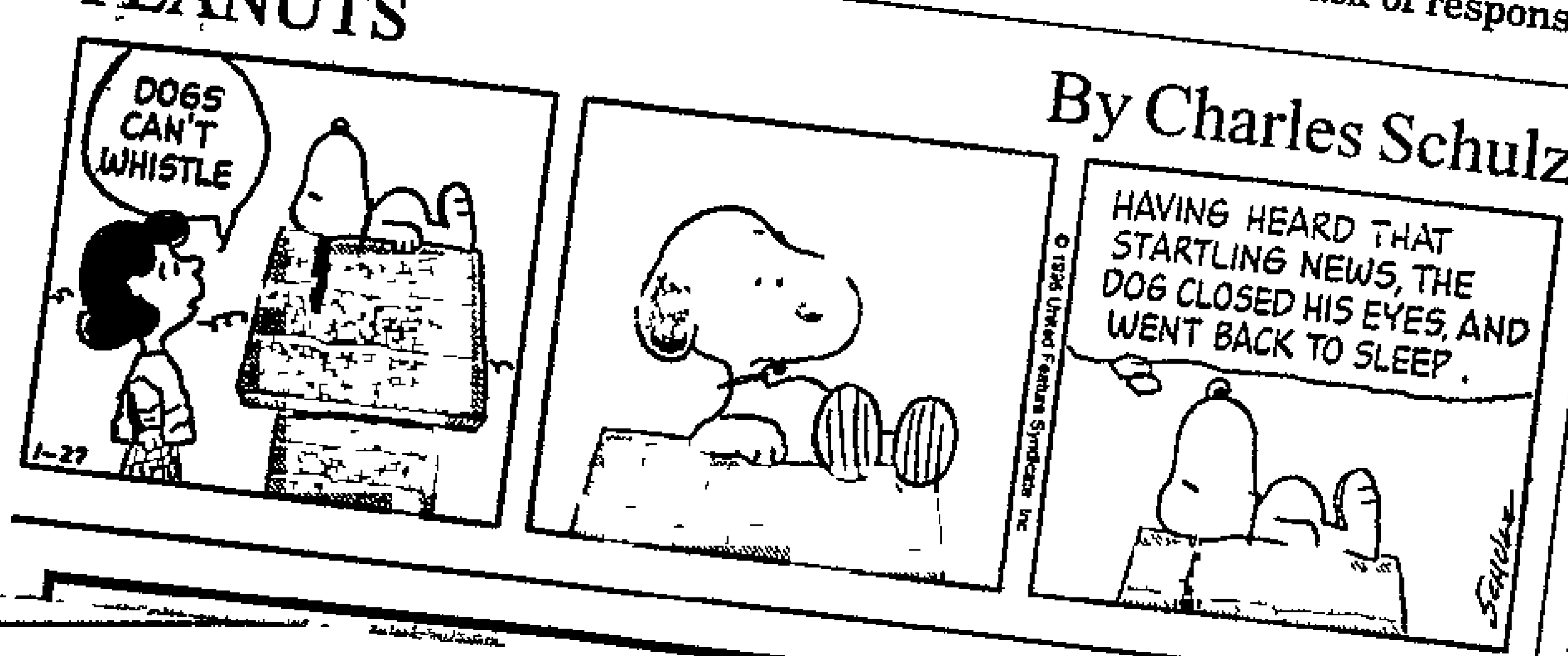
During the countrywide action last week, the union highlighted government's failure to implement supply-side measures to assist the industry in the wake of tariff reductions.

Ngcobo said the union's national executive committee would meet this week to re-evaluate its commitment in terms of its support of tariff reductions.

Meetings were also being planned with KwaZulu-Natal economic affairs MEC Jacob Zuma and representatives in the Eastern Cape to discuss the consequences of the implementation of national strategies on the ground.

PEANUTS

By Charles Schulz



State attacks union over tariff stance

CT (BR) 20/2/96 (197)

By Bruce Cameron

Cape Town — The department of trade and industry and the South African Clothing and Textile Workers' Union (Sactwu) are set for a showdown over the union's ongoing campaign for the re-introduction of high tariff barriers for the clothing and textile industries

In a letter this week the department sharply reprimanded Sactwu for its campaign, and has accused the trade union movement in general of having caused the failure by the government to reach an agreement with Zimbabwe on a new trade agreement

"This not only jeopardises relations in the region, but also threatens a considerable number of South African jobs since our exports to Zimbabwe are almost equal to our exports to Germany," Zav Rustomjee, the director-general of the department, said in the letter

He intimated that Sactwu had acted in bad faith by using questionable statistics, conducting debates through the media and not implementing agreements. The letter underscores the increasingly fragile relationship between the ANC and labour

A copy of the letter is in the possession of Business Report It comes as a response to a toughly worded memorandum from the union objecting to the government's programme to phase out protectionist tariffs and the level of the assistance programme. Rustomjee said the demands for protectionist policies could result in an export cut of up to a third and a loss of 500 000 jobs

He accused the union of undermining efforts by the department to retrain workers by not assisting in the extended R200 million export incentive Duty Credit Certificate, which among other things included a training programme, initially agreed to by the union.

Rustomjee said the department shared Sactwu's concern about the difficult process of the restructuring of the clothing and textile industry, but said that time and resources were fruitlessly spent in debate through the media last year.

Rustomjee, who challenged Sactwu's claims of massive job losses, said many of the losses in the textile industry would have taken place anyway because of restructuring and the need to install modern equipment. Against this, jobs in the clothing industry were growing

Rustomjee rejected a number of other union demands, including the demand for a social clause on the treatment of labour in negotiating bilateral trade agreements.

The department, however, was urging such conventions through multilateral bodies and agreements

ARG 21/2/96

Textile job loss claims dismissed

(197)

CLIVE SAWYER
Political Correspondent

CLAIMS that tariff reductions will mean the loss of 100 000 jobs in the clothing and textile industry have been dismissed as highly speculative by Trevor Manuel, the Minister of Trade and Industry

Figures which had appeared in the press that these jobs would be lost in the country were "highly suspect", he told the national assembly committee on trade and industry.

The Reconstruction and Development Programme required a policy which would reduce and share out the painful impact of adjustments in the wake of the General Agreement on Trade and Tariffs

The march by the SA Clothing and Textile Workers Union last week had been motivated by that painful impact, he said.

He said his ministry's figures on the likely outcome of tariff adjustment were different from those which had been mentioned in public speculation.

Compared to any other sector, the government had devoted more effort to the future of the clothing and textile industries because it had realised from the outset just how marginal those industries were.

Workers plan mass protest march

eT (BR) 22/2/96 (152) (154) (197)

By Shirley Jones

Durban — The National Union of Leather Workers (NULW) and the South African Clothing and Textile Workers Union will take to the streets next week to protest against job losses, alleged customs fraud and the dumping of cheap shoes from the Far East

The unions intend handing memorandums to both regional and national authorities decrying 9 000 job losses in the footwear and leather industries in the past five years

According to the NULW spokesman, Roy Naransamy, the union faces closures and retrenchments daily Job losses in the Durban region had risen to 2 000 since November and more were expected Where workers were not laid off, they were put on short time because of a lack of orders, he said

Dave Berry, the president of the Footwear Institute of South Africa, said yesterday overall employment shrunk from 56 000 in 1989 to 28 000 last year He said local production dropped from 87 million pairs of shoes in 1989 to 58 million pairs last year Much of the blame for this reduction has been laid at the door of cheap imports Berry said imports escalated to 63 million pairs last year from 12 million pairs in 1989

He said growth in the South African shoe market has not kept pace, moving from 100 million pairs in 1989 to 121 million pairs last year Local producers now have a 47,9 percent share in the market, from 87,36 percent in 1989

Berry said KwaZulu Natal, where the budget end of the footwear industry was concentrated and where employment by the industry had been highest, had been hit the hardest by closures and retrenchments

The head of the Footwear Federation, Dennis Linde, said the industry could not afford the disruptions associated with protest action at present He said the industry's fate was in the government's hands

NEWS IN BRIEF

(197)
CT(BR) 23/2/96

Sactwu prepares for next round in battle with government

Durban — The South African Clothing and Textile Workers' Union will meet this weekend to devise a strategy to further its national Project Jobs campaign and to discuss the Department of Trade and Industry's hardline response to its recent protests

Zavareh Rustomjee, the department's director general, made allegations that the union's statistics were inaccurate and that the union had turned its back on funds from the duty credit certificate scheme.

In light of the allegations, the union is assessing its statistics. Rustomjee's estimate of 6 000 job losses in the textile industry appears accurate, but suggestions that between 3 000 and 6 000 clothing sector jobs have been created are disputed by, among others, the Clothing Federation — Shirley Jones

Giving details of the Amplats results for the six months to December are, from left, MD Barry Davison, operations director Brian Beamish, and financial director Roeland van Kerckhoven See Page 14 Picture GARTH LUMLEY

Clothing union increases its estimate of job losses

(197) BD 27/2/96

Renee Grawitzky

THE "war of words" between the trade and industry ministry and the SA Clothing and Textile Workers' Union over job losses in the clothing, textile and leather sector continues with union claims that 17 700 jobs have been lost since September last year.

The release of these updated figures comes in the wake of the ministry's claims that the union's initial estimates of 12 000 jobs lost since September were "highly suspect" and its criticism of the union's memorandum submitted to government during a march on February 14.

According to reports, the union was also criticised for conducting debates through the media

Union assistant general secretary Ebrahim Patel said yesterday that from September last year to February this year, 17 700 jobs were lost and a further 3 800 were at risk.

These figures came from a countrywide survey conducted of 265 factories involved in retrenchments or closures

Trade and Industry Minister Trevor Manuel met a delegation from Cosatu and Sactwu yesterday to discuss issues stemming from the memorandum

The memorandum highlighted the union's opposition to the trade liberalisation policy, problems in customs and excise, preferential trade agreements and the influx of illegal imports.

Trade and industry sources said job losses in the industry were about 6 000 since June last year. Patel said the clothing industry alone lost 10 862 jobs

Sactwu forecasts further job losses

(197) CT(BR) 27/2/96

By Shirley Jones

Durban — Job losses in the clothing, textile and footwear industries rose to 17 700 between September last year and February this year, and a further 3 800 jobs are at risk, according to the South African Clothing and Textile Workers' Union (Sactwu)

In its response to the government's reprimand last week for taking to the streets to protest against job losses, Sactwu said the updated statistics did not even hint at wider social repercussions. "Further jobs are lost in auxiliary industries On the breadwinner-to-dependant ratio applicable to the industry, about 188 000 South Africans who are direct dependants have lost access to their livelihoods," said the Sactwu spokesman, Ebrahim Patel.

Sactwu may have agreed to the government's demand that the dispute between the two be conducted away from the press, but it does intend setting the record straight when it comes to what the government has declared is a highly exaggerated estimate of 12 000 job losses.

Sactwu has increased this figure to more than 17 000. However, Patel is adamant these figures are accurate as they derive from 265 factories at which Sactwu negotiated retrenchments or closures, as well as from industry information on smaller factories

Patel said the sectoral breakdown for job losses was 10 862 in the clothing industry, 2 130 in for the textile sector and 4 702 for leather.

The effect of these job losses on women — the majority of whom were sole breadwinners — had been dramatic, Patel said. Applying industry averages, Patel estimated that 12 570 women (71 percent) were now unemployed and 5 130 men (29 percent) were jobless.

"A further 3 800 jobs are at risk where companies have proposed retrenchment or closure of operations, and negotiations with the trade union are in progress," Patel said. Job loss figures under-represented the loss of employment, he said, as they did not include natural attrition and only applied to unionised operations.

Job loss fears: Clothing union holds talks with Manuel

ESTELLE RANDALL
Labour Reporter

tHE South African Clothing and Textile Workers' Union (Sactwu) has met Trade and Industry Minister Trevor Manuel to resolve union fears that government trade policies will cause massive job losses unless a R4 billion industry plan is implemented

Union assistant general secretary Ebrahim Patel, who met Mr Manuel, his department, Cosatu and members of the Select Committee on Trade and Industry yesterday, declined to comment on the meeting until the issues had been "worked through".

Some of the disagreements are over how many jobs have been lost in the industry, why this happened, government's commitment to helping the industry survive and whether the media is the best channel to resolve differences.

On February 14 union members marched on parliament to hand over a memorandum, warning that 12 000 jobs had already been lost in the industry since September 1995and that another 100 000 more could go if government did not implement a plan to help the industry

ARG 27/2/96

Later, the Department of Trade and Industry sent a detailed reply, questioning the union's approach, its statistics and the conclusions it drew.

Shortly before the start of yesterday's meeting, Mr Patel said new information showed that 17 700 jobs — and not 12 000 — were lost between September 1995 and February 1996, of which 3 406 were in the Western Cape

Mr Patel said the figures under-represented employment loss because they excluded companies which did not replace workers who resigned, retired or were dismissed They also excluded white collar and managerial staff.

"We have noted the reply by the Department of Trade and Industry to the memorandum delivered by Sactwu. We will extend the courtesy to the department of responding directly and not through the Press," he said.

Textile's woes

(197) Sowetan 29/2/96

THE South African Clothing and Textile Workers' Union met Trade and Industry Minister Trevor Manuel this week to resolve the union's fears that government trade policies will cause massive job losses unless a R4 billion industry plan is implemented

Sactwu's assistant general secretary Ebrahim Patel, who met Manuel, Cosatu and members of the Select Committee on Trade and Industry yesterday, declined to comment on the meeting until the issues had been "worked through"

Some of the disagreements are over the extent of job losses in the industry, why this happened, Government's commitment to helping the industry survive and whether the media was the best channel to resolve differences

On February 14 union members marched to Parliament to hand over a memorandum, warning that 12 000 jobs had already been lost in the industry since September 1995, when import duty was reduced, and that about 100 000 more jobs could go over the next six years if government did not help the industry

Sactwu said government should stop tariff reductions and review preferential trade agreements until fraud in customs and excise was under control and other parts of the industry plan were carried out. The Department of Trade and Industry has replied, questioning the union's approach, its statistics and the conclusions it drew.

Sactwu protestors express outrage at loss of 4 700 jobs since September

(197) CT (BR) 29/2/96

BY SHIRLEY JONES

Durban — The South African Clothing and Textile Workers Union (Sactwu) yesterday staged marches and a nationwide stayaway in support of the union's controversial campaign Protesters expressed outrage at the loss of 4 700 jobs in the footwear sector since September

Close to 1 000 jobs still hang in the balance Pietermaritzburg, home to 5 500 shoe workers, has been the hardest hit by closures of major factories

Sactwu representative Kevin Perumal said the city was brought to a standstill for almost three hours yesterday. "2 600 jobs were lost in Pietermaritzburg in the period September last year to February this year This represents 52 percent of the total jobs lost in the leather sector nationally" he said.

"Over the next five years, our union's research shows that a further 37 000 jobs will be lost in the leather sector. Certain regions of our country will be devastated as the sector forms a major part of manufacturing in KwaZulu Natal, the Eastern Cape and central regions," Perumal said.

One such area is Ladysmith which saw the complete disintegration of its leather and shoe industries over the past week. According to Perumal, the impending closure of Natal Luggage and Ladysmith Leathers will cost 650 jobs

These closures follow the relocation of Reva Shoes to Lesotho The company, owned by Roy Ekstein, sold a substantial shareholding in Amshoe to Lenco, which in turn closed or sold off parts of the operation

Another KwaZulu Natal casualty is Futura Footwear, formerly Bata Industry sources say the Pinetown operation has been scaled down to almost nothing and absorbed into Futura's Lesotho operation A representative from the company was not available for comment

Port Elizabeth-based Badger Footwear, owned by the Forward Corporation, this week announced a phased closure of its plant which employs 350 people Attempts to sell the operation failed

Peter Boudewijns, the managing director, said the closure was due to a flood of footwear into South Africa from China and other countries with low labour costs

Robert Feinblum, the Footwear Manufacturers' Association president, said there was little chance that recent trade negotiations with China would save the footwear industry He cited an escalation in imports from China of 2,2 million pairs in 1989, which increased to 22,8 million pairs in 1994 and 52 million pairs last year

Feinblum, also chief executive of Africa's largest footwear company, Conshu, said his company was luckier than most and was coping despite slow orders. While Conshu is bleeding, others are haemorrhaging, he said

Sactwu has broken down its estimated 4 700 job losses to 250 in the Western Cape, 470 in the Eastern Cape, 150 in the Transvaal, 1 120 in the Free State and 2 700 in KwaZulu Natal

Sactwu said more than half of those who lost jobs had been women, who had no chance of finding employment elsewhere.

Perumal said the problem with the figures was that they represented only weekly paid workers. He said there had also been substantial layoffs of monthly paid staff

A pre-march statement from the union said: "The leather sector does not have an industry plan, yet the government has embarked on a trade liberalisation programme to ensure the reduction of tariffs. Without proper support measures, large numbers of jobs are being destroyed. The union calls for a review of this programme.

"In addition, hundreds of containers filled with shoes and other goods regularly come through our ports undetected. Mismanagement, disorganisation and the police's inability to investigate companies and individuals involved in such fraud has led directly to job losses."

HITTING THE TOP *Glodina's managing director, Paul Redondi, left, celebrates the successful sponsorship of top surfer, Paul Canning, which contributed to the success of its Glodina Beach range* PHOTO PIERRE TOSTEE

Glodina beats the odds

(197) CT (BR) 29/2/96

By Shirley Jones

Durban — Towelling manufacturer Glodina, which will be reporting its annual financial results in the next few weeks, has met its management forecasts for the financial year despite very difficult conditions

Financial director Mark Balladon said yesterday that although the closure of the company's Ladysmith plant and the resultant retrenchments had had quite a large effect on the company's bottom line, it had managed to cover this and emerge with strong growth.

Glodina has maintained the impetus of its return to profitability in early 1994 despite gruelling trading conditions It has also felt the effect of cheap imports and competition from foreign manufacturers

Balladon said the market had become increasingly tough during the present financial year, with consumers at the top end of the market becoming more tight-fisted

Balladon ascribed much of the company's success last year to pertinent branding Backed by sports sponsorships, he said this had paid off in the form of image building and credibility However, he said, this was a long process and it was difficult to measure returns exactly

In line with this, the beach towel range is likely to be a major growth area in the present financial year

Glodina injected significant capital in modernisation and shed some jobs due to increased automation last year There have been hints of further investment in the order of R10 million within the next two to three years However, these will depend on sustained earnings

Frame to focus on denim

(197) CT (BR) 29/2/96

By Shirley Jones

Durban — Textile group Frame will have spent at least R100 million before the end of this calendar year, despite increasingly tight trading conditions in the wake of increasing illegal imports

Frame's managing director, Walter Simeoni, said this investment would place the group at the forefront of technology, giving it considerable competitive advantage locally and in export markets

Simeoni said Frame would have fully utilised its budgeted R60 million by the end of its financial year to this June A further R100 million had been allocated for the financial year to June next year, of which sophisticated denim technology would take R50 million

He said plant, which was already on order from Germany, would transform the Frame denim operation into one of the most sophisticated in the world Output would be increased threefold to 1 million running metres a month, once equipment was installed in New Germany this December

"Frame has made a policy decision to become a major global player in the denim sector The present worldwide production of denim fabric is estimated at 2 200 million metres a year and this is expected to double within the next 10 years," said Simeoni He said a substantial portion of Frame's increased production would be directed towards exports

UPGRADING *Frame's managing director Walter Simeoni*

Another world first for Frame will be its weaving shed which, once rebuilt with a state-of-the art air-conditioning system and fitted out with R40 million in new weaving machinery, will be the most sophisticated of its kind The plant will use half the floor area required by existing, obsolete machinery This will result in cost saving on the production of a wide range of poplins, workwear and sheeting

In addition, Simeoni said Frame was looking to spend millions on a multitude of smaller items — R20 million worth of bleaching and washing equipment is bound for the Mobeni plant during the second half of the year This is in addition to a considerable amount of auxiliary equipment

Simeoni said Frame was busy installing new spinning equipment in Ladysmith and new winding equipment at its New Germany plant, together worth R20 million

In addition, laser and CAD equipment in Frame's design studio was commissioned a month ago

Simeoni said the new, highly automated equipment would necessitate the shedding of more jobs, but this was necessary to ensure the future of the company in the long term

German consortium, cheap housing

*21 Mr J A RABIE asked the Minister of Housing †

(1) Whether she recently held a discussion with representatives of a German consortium in connection with a proposal on cheap housing, if so, (a) who were the representatives of the consortium, (b) when and (c) what are the further relevant details,

(2) whether she will make a statement on the matter?

N128E

The MINISTER OF HOUSING

(1) No I did not hold any discussions with representatives of a certain German consortium in connection with a proposal on cheap housing I did however visit Germany on invitation by the Federal Minister of Regional Planning, Building and Urban Development

During this visit I also met with various non-ministerial delegations like DESWOS, the Deutsche Bausparkassen (German Building Society), the Deutsche Baumdustrie (German Construction Industry Federation), and other organisations

The following offers of assistance were made

Expertise
Building projects
Technology in building materials
Training facilities, etc

(2) No

Importation of textile goods (199)

*22 Mr D DE V GRAAFF asked the Minister of Trade and Industry †

(1) Whether he recently entered into an agreement with representatives of the People's Republic of China concerning the importation of textile goods, if so, what are the details of the agreement,

(2) whether the Textile Federation of South Africa was (a) consulted on and/or (b) informed of the details of the agreement, if not, why not, if so, what are the relevant details?

N130E

The MINISTER OF TRADE AND INDUSTRY

(1) The Department of Trade and Industry (DTI) has been concerned for some time about the rising levels of Chinese imports into South Africa and the impact of these on sectors such as textiles, footwear and clothing It is out of this concern that the DTI and the Board on Tariffs and Trade (BTT) begun a process of investigation into the most effective and internationally acceptable methods of dealing with these imports This research has indicated that, of all the options available to South Africa to deal with the problem, the best would be to enter into a bilateral arrangement with the People's Republic of China (PRC) on a Voluntary Export Restraints (VERs)

VERs agreed on by both parties appear to be one effective route for limiting imports In South Africa's case this is doubly so since the Customs and Excise machinery is got to be restructured Currently underinvoicing and other leakages render tariff measures almost useless A VER would be administered by the PRC while the South African authorities would perform a monitoring rather than an implementing function Any VERs would be discussed with the relevant sectors and the PRC prior to implementation and would, of course, only be considered where clear evidence of injury to domestic industry, directly as a result of increased imports from the PRC, was shown to exist

South Africa, however, has the added problem of having no formal relations with the PRC and could therefore not enter into any formal trade agreement with the PRC

Hence, a vehicle for facilitating discussions with the PRC was needed and it was subsequently decided that such a vehicle could be established by the exchange of notes with the PRC in order for an agreement to be reached on VERs

At the same time most favoured nation (MFN) arrangement with the PRC is needed, not only to create a vehicle for engagement, but also to level the playing

fields for South Africa's exporters to the PRC South Africa, for example, does not discriminate against Chinese exports, affording therefore *de facto* MFN status to the PRC On the other hand, South African products are subject to between 6 and 20% higher duties upon entry into the PRC This results into substantial losses and foregone opportunities for South African exporters attempting to penetrate the PRC market

Substantial income gains and job opportunities could be created in South Africa through normalising our economic relations with the PRC Industries such as the automotive industry, machinery and plant manufacturers and many other manufacturing and consumer industries will benefit

The exchange of notes with the PRC would therefore not only create a mechanism for addressing injury to domestic industries from Chinese imports, but would also facilitate increased trade with the most significant market in the world today It would not in any way provide additional or preferential access to Chinese products in the South African market, but would rather create mechanisms for limiting imports more effectively

A recent visit to the PRC resulted in serious negotiations in order to maintain a safeguard provision in the MFN Note in order to leave all avenues open for dealing with imports This was achieved by the delegation If VERs are not successful, all other avenues remain open

Alternatives, however, are few and far between since a second column would be short term (until China accedes to the WTO) and would engender retaliation that would damage relations with the biggest market in the world Similarly a non-discriminatory formula duty would be extremely complicated to administer in a sector such as footwear for example, where enormous variety in products exists Anti-dumping measures are not always an option as dumping is not always possible to prove and is contested vigorously by the Chinese It too would damage future benefits to be obtained through relations with China It therefore appears that VERs should be attempted as far as possible This process is now being put in place

However, it is only possible to implement such a mechanism if the industry concerned provides the negotiating team with the relevant information This information is similar to that of an anti-dumping investigation and requires evidence of causation and injury The BTT has in the past had some trouble accessing the required information from the industry It therefore has to be stressed that unless there is cooperation among the NEDLAC partners in gathering the information, there is little chance a successful mechanism will be implemented Concerned sectors will have to make applications to the relevant bodies and then cooperate in the procedure

It must be stressed that this option is not WTO-friendly and will only be undertaken on strict evidence of injury and causation It will also be phased out annually

It is therefore in response to concerns from industry that the DTI has been engaging with the PRC The process of setting up a new procedure is a complex one and some time and assistance from those affected is critical to the success of the procedure in the future Unless there is cooperation from the affected sectors the DTI and BTT cannot take actions in their interest

The DTI is acutely aware that certain sectors of South African industry will need to be given a breathing space to enable them to undertake the process of restructuring so as to be internationally competitive The loss of jobs in certain industries such as clothing, textiles and footwear is particularly troubling to the DTI and it is for this reason that the safeguard mechanism mentioned earlier is an effective measure in stemming this job loss The concerns of Business and Labour are ones that the DTI shares and every effort will be made by the DTI to address these serious concerns Collaboration by the DTI, Labour and Business will make these issues easier to address

A Note was agreed to by both the PRC and South Africa but the formalities of signing and exchanging it are yet to happen

Hersov adds his voice to chorus of woe about textile industry

ST (BT) 3/3/96 (197)

By JULIE WALKER

BASIL Hersov, chairman of Anglovaal, added his voice to the chorus of complaint about South Africa's struggling textile industry.

Speaking at the opening of group company Ikon's R15-million direct print facility in the Cape on Friday, Mr Hersov recalled the package of recommendations broadly accepted by the textile industry in 1994

"The Swart Panel and Task group recommended a long-term strategic plan for the textile and clothing industries, including supply-side measures, trade policy and the social dimension of restructuring

"Unfortunately, the plan has not been implemented as a package Only one aspect has been introduced so far — the phasing down of duties over a seven-year period And this is over a shorter period and to lower final rates than those negotiated with SA's partners in Gatt (General Agreement on Tariffs and Trade, since renamed the World Trade Organisation)"

Mr Hersov said it was a serious omission that the supply side measures, designed to give SA's industries time to become world-class and to adjust to lower duties, had not been implemented "What is the point of being asked to accept a package deal when only one part is delivered?"

The Swart Panel said SA industry would have to spend R2,7-billion over eight years to upgrade technology and develop export markets Anglovaal's Avtex had approved R54-million this year alone for improvements to Mooi River Textiles, SA Fine Worsteds, Team Puma and Ikon Mr Hersov said the investments were threatened by the absence of supply-side measures and by clothing and textiles entering the country without paying duty

"I understand it will take three to five years before effective customs control is restored, by which time we may well no longer be in business"

Mr Hersov said goods could readily enter South Africa from neighbouring countries, and expressed concern about negotiations with the People's Republic of China to regulate import flows by voluntary quota "How effective will this control be?"

Textile sector using cheap finance plan

Patrick Wadula (197) BD 4/3/96

THE clothing and textiles industries have pounced on offers of cheap finance from the Industrial Development Corporation.

Figures released by the IDC at the weekend on its World Player scheme — a low interest rate finance package launched last October — showed that 13 of the 19 companies that had applied for funds were from the clothing and textiles sectors.

The industries also accounted for loan applications totalling R194m, out of a total R312m received.

The IDC wants to approve a total of R150m loans this year. Loans of R55m have been approved so far.

The figures also showed that four companies in the vehicle and component manufacturing sectors had applied for a total of R72m in loans, while one pharmaceutical and medical product group was asking for the maximum project loan available — R40m. A household appliance producer was seeking R6m.

IDC GM Jan de Bruyn said the response was encouraging. The programme was still in its infancy.

The programme was aimed at helping SA firms sharpen their international edge, and was available to manufacturers who faced lower import tariff protection. The scheme would allow companies to modernise plant and machinery, expand and establish new ventures. The low interest rate would apply for three years before reverting to the prevailing normal corporation variable rate.

The IDC planned to lend a total R500m this year and next, pump-priming investment worth R1,4bn over the period.

Industry has welcomed the scheme, but has claimed it does not go far enough.

Government, which tabled a set of proposals on supplyside measures at the National Economic, Development and Labour Council (Nedlac), has said a multipronged approach would be adopted on support measures as tariff protection was being removed. While some would be financed by the state, through savings on the general export incentive scheme, others — such as the World Player initiative — would come from the IDC.

The Nedlac labour constituency has criticised the state's proposals for their narrow focus on the manufacturing, excluding services and primary sectors which remain among main foreign exchange earners.

Ensign Clothing moves to liquidate its surplus assets

(197) BD 13/3/96

Samantha Sharpe

CAPE TOWN — Clothing, footwear and textile company Ensign Clothing posted a R3,32m loss for the year to December (R1,96m) on increased turnover of R33,09m.

Group chairman Ronald Roy said sustained losses had forced the group to stop clothing manufacture in 1995, except for limited cut, make and trim, with a programme to liquidate surplus fixed assets and stock under implementation. The group had also negotiated the sale of its plastic products division with effect from March 1 and the disposal of its property in Woodstock in February

Roy said Ensign would now try to negotiate the sale of its shares within the next few months, following which it would be transferred from the JSE's industrial clothing sector to its cash companies sector.

Ensign posted an operating profit of R301 000 in the review period against a previous R1,53m loss, which brought the group's loss on discontinued operations to R2,14m.

Losses before interest and tax stood at R1,84m (R1,53m). The interest payment soared to R1,5m (R427 000), with the tax charge rising to R6 000 (R4 000).

The results were reflected in a loss of 507c a share from a 300c a share loss.

... May 29 be declared an official public holiday for the local elections, it would affect business negatively, says the Cape Chamber of Commerce and Industry.

President Geoffrey Ashmead said yesterday that the public holiday in November for local elections elsewhere in the country had cost business in the Cape region about R60m

UFO only a cable

A MYSTERY object shining in SA skies has been identified as a high-technology cable lost in space on a failed US space shuttle experiment.

Astronomer John Caldwell of the SA Astronomical Observatory said a bright line seen in the sky last week was sunlight glinting off the copper, nylon and teflon cable that broke during a US-Italian mission.

REPORTS Sapa, Reuter, Business Day reporter

Business SA proposals made

BD 14/3/96 (180)

John Dludlu

BUSINESS representatives at the National Economic, Development and Labour Council will respond tomorrow to government proposals on measures to improve SA's industrial competitiveness

Business SA submitted its proposals to Nedlac this week, trade and industry chamber business convenor Stef Naudé said He expected the proposals to be discussed at tomorrow's meeting of the chamber

Business is known to favour a lower corporate tax regime as an incentive, while some BSA affiliates want tax incentives on training and investment

Labour responded to the state proposals by calling for a more comprehensive approach which takes into account declining primary sector activity

Debate on government measures to improve industrial competitiveness, which includes training and small business development incentives, has been frustrated by government's reluctance to indicate what it can afford, financially and administratively

Government has only indicated a willingness to fund such measures through savings on the phasing out of the general export incentive scheme

Nedlac will receive a report tomorrow outlining labour's proposal that SA's trading partners be asked to respect worker and human rights in trade accords

Sources say this social clause will allow SA to pursue the linking of trade to labour standards But such a clause will not be a prerequisite to the conclusion of an accord If approved, this compromise could break the impasse holding up the conclusion of trade accords with Cuba and the Philippines

Union to review 'save jobs' drive

Renee Grawitzky

THE SA Clothing and Textile Workers' Union would review its relationship with the trade and industry department, and its campaign to protect jobs in the clothing and textile industry, at its national bargaining conference which begins in East London tomorrow.

National organising secretary Freddie Magugu said yesterday that the union's "protect jobs" campaign, launched earlier this year, would be reviewed and intensified if necessary. However, the final decision would be based on progress made in terms of protest campaign.

The conference would focus also on closing the wage gap between urban and rural workers; provident funds, tabling a proposal linked to RDP objectives; grading and training; and reaffirming the union's commitment to closed shop arrangements.

Magugu said that last year the union had begun implementing its programme to close the apartheid wage gap This year, the union would start setting specific rates for workers employed in rural, peri-urban and urban areas. The union wanted to achieve the situation where workers in the rural areas were earning no less than 80% of wages earned in urban areas. Currently, he said, workers in rural areas were earning about 10% to 20% of urban rates

The union would propose to the various bargaining councils the establishment of housing development trusts to assist in housing delivery He said initially union members would be the main beneficiaries However, depending on the extent and growth of the trusts, "we could look at a general contribution to providing houses" The individual councils would decide on minimum contributions by employers to these funds

Finally, the setting of minimum wages in sectors would differ, but the union would focus this year more on actual rates for grades, he said.

BD 14/3/96 2 (185) (197)

CHANGES *Mike Hankinson, left, president of the South African Textiles Federation, and his predecessor, Mervyn King* PHOTO JOHN WOODROOF

Hankinson is new leader of SA Textiles Federation

CT 15/3/96 (197)

By Shirley Jones

Johannesburg — Yesterday saw a changing of the guard at the South African Textiles Federation.

Mervyn King, the high-profile chairman of Frame, handed over the presidency to Mike Hankinson, the managing director of Romatex

This ended King's two years at the helm of the federation. Malcolm Hughes, the group managing director of Avtex, filled Hankinson's shoes as the new vice-president King remained on the committee

Hankinson said he welcomed improved co-operation with the clothing industry He said the industry had spent R900 million in the past year on new plant and equipment and planned to spend a further R1,1 billion next year. He said this would enable the industry to meet future challenges

Additional challenges that faced the textile industry included illegal imports, uncertainty about the government trade policy, and the government's lack of delivery of supply-side measures to help the industry in its restructuring efforts

Hankinson said times were tough for textile manufacturers. He said demand was slower than expected over Christmas, with growing concern about the ever-increasing consumer spending using credit cards

Illegal imports tear the fabric of textile industry

M+G (BM) 22-26/3/96 (197)

If drastic action is not taken soon, the textile industry may face irreversible damage, writes **Karen Harverson**

SOUTH AFRICA'S R8,8-billion textile industry is trying hard to get its house in order before trade barriers come tumbling down and it is faced with international competition

Already, a government programme, implemented last September, is phasing down tariff duties over seven years

But while the industry — the sixth-largest manufacturing employer — has accepted it must become internationally competitive, there is growing concern over lack of government support, particularly in controlling illegal imports and supplying finance to help restructure the industry

"If the flow of illegal imports is not stemmed, South Africa's entire manufacturing base — not just in the textile industry — will be irreversibly damaged and millions of jobs lost in the process," says newly appointed president of the Textile Federation, Mike Hankinson

Says Brian Brink, executive director of the Textile Federation "The legislation works well for a specific product such as garden forks, but when it comes to textiles and clothing, it is difficult to determine under which tariff structure the product should fall "

With many cases taking up to a year to resolve, Brink says anti-dumping legislation is not seen as a solution to industry's problems.

But as tariff protection falls away, this may well be where the industry should look for support, especially in light of last week's announcement by the DTI that the Board on Tariffs and Trade (BTT) has been urgently requested to investigate and make substantive recommendations on the restructuring of the anti-dumping/countervailing system

BTT deputy chairperson Leora Blumberg says South Africa's anti-dumping system has been the subject of much debate and criticism from many parties local industries and unions who believe the system is not responsive to concerns about unfair imports that are causing material injury, particularly in the face of liberalisation and lower tariffs, foreign exporters and importers who believe the system is administered in with R1,7-billion a year to assist its competitiveness with the Far East and Italy, because they want the industry to survive "

He argues that with or without supply-side measures, the industry has to restructure to survive "But with government intervention, more companies would survive, more product could be exported, and fewer jobs would be lost "

Says South African Clothing and Textile Workers' Union (Sactwu) deputy general secretary Ebrahim Patel "Everyone accepts the industry must restructure But leaving it to the market is equivalent to abandoning it to an inevitable decline "

Rather, says Patel, the industry should be restructured along three pillars. active industry policy measures to improve technology, quality and training, trade reforms to gradually liberalise trade barriers and promote exports; and a social adjustment programme to retrain workers

Instead, the government has seized upon just one of the measures — the phase-down of import duties, which is likely to have dire consequences on the textile sector of the industry Already more than 2 000 jobs have gone since the programme was implemented last September.

A Sactwu survey, which analysed 265 companies, shows that 17 700 jobs were cut in the clothing, textile and leather industry between September 1995 and February 1996

Patel estimates another 100 000 jobs will be lost directly and indirectly as a result of the seven-year phase-down period

Cuts in the clothing industry: 'If the flow of illegal imports is not stemmed millions of jobs will be lost'

Cont

Industry (DTI) reports that "unrecorded" imports of textiles from 1990 to 1994 may have cost the fiscus between R400-million and R600-million in lost revenues, says Hankinson.

Durban's Customs and Excise is in a state of near collapse, with high levels of staff demoralisation and corruption. Hankinson claims that less than 1% of containers are inspected in a department that oversees the entry of more than 70% of South Africa's containerised goods.

The federation wants to help Customs and Excise by providing training, finance and expertise. It regards the control of illegal imports as crucial to the industry's survival, but "we've not yet had clarity from government on the role we can play," says Hankinson.

Michael Hankinson: 'We have not yet had clarity from government on the role we can play'

Commissioner of Customs and Excise Daan Colesky says the organisation has received numerous offers of help from all sectors of industry. "We're assessing the various offers to see how we can best make use of them, but the problem is we do not have sufficient staff to dedicate personnel to one particular industry."

He adds that with the restructuring of Customs and Excise into the new South African Revenue Services from next month, additional funds will be made available, which will enable it to fill vacant positions. "We have a 20% vacancy rate, but once we can fill these positions and make use of the private sector for specialised training, the smuggling problem will begin to improve."

Dumping is another bugbear for the industry, but the process of instituting anti-dumping procedures against a country and company is so complicated and time-consuming that many companies feel it's not worth pursuing.

ing partners who are concerned about its inconsistency with international rules and practice.

Blumberg agrees the textile industry has not really utilised anti-dumping mechanisms in the past, which are aimed specifically at "unfair" imports and are very country and company specific.

"The tariffs in this country have in the past been structured in such a way as to protect the industry from both fair and unfair trade. There also may have been a perception that the board did not have the capacity to deal with investigations in this industry."

She adds that with reducing tariffs and restructuring of the industry, as well as the restructuring of the anti-dumping system (in particular increasing capacity), there may indeed be more interest by this industry in utilising anti-dumping mechanisms.

On the issue of how the restructuring of the textile industry will be financed, Hankinson says the industry spent R900-million in 1995 on new plant and equipment and is planning to spend R1,1-billion this year.

But government has been somewhat vague on the role it intends to play. The Swart Panel, convened in 1993 to develop recommendations for a long-term strategy for the industry, suggested government supply a comprehensive R4,5-billion supply-side package to help the textile and clothing industries restructure.

However, in last week's Budget, Finance Minister Chris Liebenberg only made mention of some R180-million to be set aside for supply-side packages for the entire manufacturing spectrum.

Hankinson dismisses this amount as insignificant. "The French government supplied its textile industry

Sactwu aims to end apartheid wage gaps

Sowetan 26/3/96

(197)

By Abdul Milazi
Labour Reporter

AFTER putting up a united fight against foreign exports last month, workers and employers in the textile industry are heading for a showdown when wage negotiations begin next week.

Although employers have not yet tabled their offer, the major union in the industry, the South African Clothing and Textile Workers' Union (Sactwu) has finalised its demands for this year which include the reduction of working hours and the closing of the wage gap.

Sactwu national organising secretary Mr Freddie Magugu said clothing, textile and leather workers will this year demand R50 a week across the board.

Magugu said the union decided at its national bargaining conference in East London at the weekend to have one demand for all sectors in the industry. This will ensure unity of action.

The union's demands include the closing of the apartheid wage gap, parental rights, the reduction of working hours, 20 days annual leave, one week severance pay and a R5 travel allowance.

Magugu said the union demanded, as a step towards closing the apartheid wage gap, that urban wages should be 100 percent of the R295, 50 rate paid to machinists in Natal.

The union also demands that peri-urban wages should be 90 percent of the Natal rate while rural wages should be 80 percent.

Other demands include a bonus for the fabric sector equal to 20 days' pay or a minimum of five percent of annual wages, whichever is greater, while it demands one month's wages for the retail sector.

Textile union set for wage talks

(197)

Star 26/3/96

The South African Clothing and Textile Workers' Union (Sactwu) is submitting its annual wage demands affecting about 70 000 textile and 120 000 clothing workers to employers this week.

Common to both the textile and clothing sectors is Sactwu's call for an industry-wide grading system based on workers' skills and not the tasks they perform.

For example, machinists who are retrained and acquire additional sewing skills should be regraded and earn more pay, even if their jobs remain that of machinists, the union says

Other textile and clothing demands are for: a 17% basic wage increase; six months paid maternity leave – most female employees currently get three months paid leave; a minimum of five days compassionate leave, which male employees could use for paternity leave or which any employee could use to care for ill partners or dependants; increases in employer contributions to provident funds; and extension of wage agreements to former homelands and self-governing territories

For workers in the textile sector specifically, Sactwu hopes to persuade employers to pay one percent of their weekly wage bills to a proposed housing development trust.

The purpose of this RDP-styled development trust will be to assist workers in the industry to acquire suitable accommodation, Sactwu says.

Sactwu is also asking employers to enter into a closed-shop agreement with it in the textile sector, a facility which the union has already secured in the clothing industry. Such a closed-shop agreement will mean that only workers who are prepared to join Sactwu may be employed in the industry.

Negotiations in both the textile and clothing sectors of the industry will be commencing soon after the Easter weekend, and agreements reached will come into effect from July 1. – Own Correspondent.

Flood of cheap imports

The relaxation of import duties and smuggling of cheap textiles, footwear and tyres is costing South Africa millions of rands in revenue and jobs. **Alan Morris** explains why... (197)

SOUTH AFRICAN CAR, TYRE, textile, clothing and footwear industries are reeling from an inflow of cheap imports, with thousands of workers losing their jobs.

This inflow is partially due to the lifting of protective tariffs in terms of an agreement the Government reached with the World Trade Organisation and the determination of Trevor Manuel, the former minister of trade and industry, to cut the tariffs protecting South African industry

Illegal imports are flooding into the country due to inadequate control by the hopelessly understaffed and inefficient Department of Customs and Excise

Ben van Rensburg, chief economist of the South African Chamber of Business, estimates that the Government is losing about R12,6 billion a year in import duties due to smuggling.

The Department of Customs and Excise has responded to growing pressure and 600 additional staff will be hired over the next few months.

Hardest hit

The textile industry has been one of the hardest hit, with millions of rands worth of textiles entering the country from neighbouring countries without duty being paid.

Michael Hankinson, president of the Textile Federation, estimates that between 30 and 40 percent of all textile imports are entering the country illegally.

Basil Hersov, chairman of the giant company Anglovaal, contends that this flood of textiles is threatening to destroy the industry "I understand it will take three to five years before effective customs control is restored By which time we may well be out of business," he said.

According to Dave Berry, president of the Footwear Institute of South Africa, the number of people employed in the industry has shrunk from 56 000 in 1989 to 28 000 last year Local producers now have 47,9 percent of the market compared to 87,36 percent in 1989

Cheap imports

At the end of March, the National Union of Leather Workers and the South African Clothing and Textile Workers' Union took to the streets to protest against cheap imports, alleged custom fraud and the resultant job losses

Paul Theron, chief economist of the Clothing Federation, estimated that about 50 million garments worth more than R360 million were smuggled into the country in 1995 This represented about half of all clothing imports

The motor vehicle and tyre industries have also been affected by the relaxation of import duties

Trevor Manuel ... as Minister of Trade and Industry he was determined to cut the tariffs protecting South African industry.

Sowetan 12/4/96

"It will take three to five years to restore customs control. By which time we may well be out of business"

Mike Smithyman, managing director of Dunlop and the chairman of the South African Tyre Manufacturers Conference consisting of South Africa's tyre makers Dunlop, Firestone, Continental and Goodyear, said that about R336,8 million worth of tyres had been smuggled into the country last year

He claimed that many of these tyres were unsafe and had contributed towards the high accident rate This was particularly so in the case of the minibus taxi industry, where some of the imported tyres being marketed "are not designed to take heavy loads"

Stephen Gelb, an economist at the University of Durban-Westville, argues that "while tariffs need to be lowered as one mechanism to encourage higher productivity and improve the competitiveness of South African industry, to effect this move too rapidly and without adequate support for affected firms and workers, simply leads to the destruction of productive capacity"

Imperative

He feels that it is imperative that the Government develop retraining schemes for workers and support for firms in the areas of technology, investment finance and export promotion

"It is a simple administrative task to cut tariffs, but far more complex to establish the necessary structures to assist affected firms and workers," he said

Profound effect

Clearly, the spate of cheap imports has had a profound effect on workers in the industries concerned Few of the thousands of retrenched workers have been retrained for new jobs Many have found it impossible to find work

Robert Tshandu, a former textile worker, was retrenched last August He was the sole breadwinner and has five children

"We are suffering terribly I worked in the industry for 15 years and now there are no jobs I don't know what I am going to do"

For Tshandu and thousands of other workers, the relaxation of import duties and the near collapse of Customs and Excise has brought acute misery

The endeavour to resuscitate the Department of Customs and Excise is a hopeful sign, but it appears the Government is doing little else to offer renewed hope for Tshandu and his counterparts – *Africa Information Afrique.*

Textile strikes may hit car deliveries

(1977)

ESTELLE RANDALL ARLT 18/4/96
Labour Reporter

WAGE strikes by textile workers in Durban could affect deliveries of new cars

The workers, members of the Southern African Clothing and Textile Workers' Union (Sactwu), stopped work yesterday at Island View Holdings, a company which supplies upholstery and carpeting to Toyota, VW, BMW and Mercedes Benz

The union's regional organiser, Chris Gina, warned that workers at the company's other plants could join in sympathy if the strike continued for long The company has plants in Port Elizabeth and East London

Mr Gina said workers had decided on the strike rather than a go-slow because of their frustration with management's refusal to move from its offer of an eight percent wage increase

Workers were demanding a 12 percent increase in wages, 20 days' annual leave, an incentive bonus and a one percent increase in the company's contribution to the provident fund

This threat to the motor industry follows a six week strike by more than 1000 employees at the Firestone tyre plant, which ended on Tuesday

Confram to redevelop old textile mills

(197) BD 22/4/96

Nicola Jenvey

DURBAN — Frame Group's newly launched property arm, Confram Property Holdings, would redevelop disused textile mills into high quality industrial parks available for leasing to non-group tenants, Frame director David Sable said last week.

Its first refurbishment project — a 40-year-old 16 500m² property in Pinetown — was completed in December and had been leased to blue chip tenants including Prefcor, Morkels, Smith & Nephew, Boltt Removals and a Mercedes Benz distributor.

Two other projects encompassing 85 000m² of existing space in New Germany and East London would be launched later this month Total expenditure over the next nine months was expected to amount to R20m.

Sable said Frame currently held 680 000m² of factory space. Group consolidations in recent years and new technology purchased had left it with surplus property assets.

The redevelopments, which would unlock the potential in group property assets, could either be sold or leased on completion About 25% of Frame's property holdings had been leased to non-group tenants, and this was expected to rise sharply as its new parks came online

Frame Park (New Germany), located on the corner of Pineside and Eskom Roads, offered 17 manufacturing units ranging between 180m² and 4 500m² and would include covered parking and tail-end loading facilities.

Phase one of Frame Park (East London), located on Phillip Frame Road adjacent to the newly emerging retail and office environment Vincent Park Centre, offered 25 units ranging from 115m² to 5 600m², Sable said

TMF joint effort in production

197

Sowetan 25/4/96

By Shadrack Mashalaba

DURBAN-BASED members of Textile Federation Manufacturers are investing R110 million in their processing plants to improve their productive capacity and to counter competition from cheap imports that are smuggled into the country.

The money has been invested by the country's two largest textiles producers, David Whitehead and Frame Corporation

The two companies are investing R70 and R60 million respectively in an attempt to stregnthen their competitiveness in the international market. According to Frame director David Sable, South Africa is supposed to adhere to GATT and trade liberation prescription.

"The country has been given twelve years to slush its duties but it is unfortunate that the Government opted for a seven-year period," Sable said in Durban yesterday.

"This means that hundreds of jobs will be lost," he said. "Had the Government handled the matter properly and given us time to restructure our industry, we would have avoided the situation"

Sable said about 400 jobs had been lost as a result of the Government's programme of reducing tariffs, but he hoped that the industry would save the existing jobs if the unions did not make unnecessary wage demands and the government played a supportive role.

Speaking at the same occasion, Frame's managing director Walter Simeoni said his company would compete with the best in the world as result of yesterday's investment.

"Over the last five years, we had lost a number of jobs.

BMF pulls

Tough trading conditions take their toll on Romatex

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Tough trading conditions tore into Romatex's bottom line in the six months to March 31

The textile and carpet group warned earlier this year that profit would be appreciably lower, so the 75 percent slump in attributable income to R2,9 million was partly expected

Romatex managed a dividend of 4c a share, but this was down a third on last year's interim payout

Turnover was down 3 percent to R246 million as a result of markedly lower domestic demand, customers' destocking and increased levels of illegal imports

Operating profit slumped 72 percent to R4,6 million as raw material prices increased

Mike Hankinson, the group's managing director, said the raw material price increase could not be recovered in difficult trading conditions

He said only Romatex's wool division had shown growth, and this came as a result of increased export demand The cotton, household textiles and floorcovering divisions had all performed well below expectations

However, the downturn had not adversely affected market share

Despite the increased working capital required under the difficult trading conditions, Romatex was unborrowed at the end of the interim period

Hankinson said trends suggested trading would show an improvement in the second half

He said growing awareness of illegal imports had seen order books in certain group businesses filling up again

(197) CT(BR) 2/5/96

Federations slate statistical services

(197)

By Stuart Rutherford

CT(BR) 2/5/96

Durban — The clothing and textile federations this week criticised the delivery time and quality of official statistics relating to their sectors

Paul Theron, an economist at the Clothing Federation, said yesterday that the latest statistics they had received from the customs and excise department were for last September and the Central Statistical Service had a two-month waiting period for its surveys

"We can't react quickly to the major problems occurring in the industry (We) are part of the world market (and we) are being caught with our pants down when it comes to up-to-date statistics"

A spokesman for the Textile Federation said it treated a lot of statistics with misgivings "because they do not seem to bear out what is happening in reality"

Jack Heyns, the assistant director of information systems at customs and excise, said the delay was due to a lack of qualified staff

The Central Statistical Service said their statistics competed with the best in the world in

Da Gama raises income after cost cuts

(197) BD 7/5/96

Lukanyo Mnyanda

TEXTILE company Da Gama lifted attributable income 20% to R29,5m for the year to March following ongoing cost reductions and improved efficiencies

Share earnings improved to 57,9c from 48,2c the previous year, while a final dividend of 15,5c raised the total dividend to 25c (21c), covered an unchanged 2,3 times

Da Gama CE Harry Pearce said that the SA Breweries subsidiary had shrugged off a real drop in sales caused by an unrestricted increase in imports from the Far East

However, he expected the softening in demand for local textile products and the high level of imports to persist, leaving little potential for improved earnings in the current year.

Turnover in the 12 month review period was virtually unchanged at R309,1m with net operating income coming in 6% higher at R32,3m.

Net interest earned rose sharply to R7,1m (R2,6m), leaving income before tax 19% up at R39,3m

The tax bill was higher at R9,8m against R8,5m in the same period.

Pearce said cash retained from operations was adequate to meet the capital expenditure of R23m needed to modernise and refurbish facilities.

This was despite a R19m increase in inventories due to the timing of cotton deliveries and increased prices. The balance sheet remained strong, with liquid resources of R67m.

Da Gama's shares closed at 290c on the JSE yesterday, off a 430c high last May.

Unispin drops to new low

(197) CT (BR) 8/5/96

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Shares in Unispin, the Port Elizabeth-based yarn manufacturer, slid to a new 12-month low of 49c this week ahead of the release of interim results to March 31

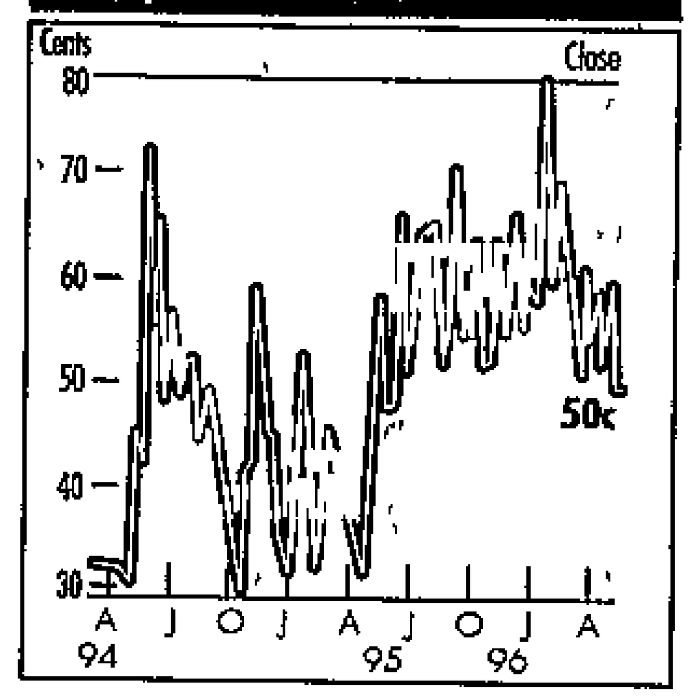
The market expects this performance to be depressed further by softer demand and competition from imports

The company, now under the control of Claas Daun, a German investor, seemed on the road to recovery in the year to September 30 last year when net income surged 77 percent to R24,4 million

An industry analyst said that first-half growth predictions had been revised down on the back of softening local demand and the continued influx of cheaper imports. He said "Their prospects have dimmed since September and earnings are unlikely to show much growth I think the market's diagnosis is accurate"

Earlier this week Da Gama Textile, whose 20 percent earnings increase for the year to March 31 is not strictly comparable, noted a reduction in the sale of textile products as more Far Eastern imports arrived

Unispin



(197) CT (BR) 10/5/96

Automation 'critical' for the industry's future

Textile industry to shed more jobs

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The textile industry has warned that jobs will continue to be lost this year and into the next as mills continue to automate

Mike Hankinson, the president of the Textile Federation, said automation would continue despite the blow dealt to the industry by the depreciating rand, which would increase the cost of plant by 20 percent.

He said this situation would be compounded by high depreciation costs and finance charges This would not stop textile companies from upgrading because they were locked in an "invest or die" situation.

Malcolm Hughes, the vice-president of the federation, said manufacturers had invested R900 million last year and were aiming to spend R1,2 billion this year. Many would probably escape the full effect of the depreciation because they had taken forward cover on purchases

Depreciation would definitely have a negative effect on future investment decisions despite the textile sector's plans to meet the Swart panel's recommendation to spend R3 billion to upgrade plant.

The federation would not say how many people would be laid off because they were expected to vary according to different companies' investment schedules

Mooitex, based in KwaZulu Natal, recently cut 20 percent of its workforce after widescale investment Frame is expected to do the same as it continues to upgrade

The textile sector is the sixth-largest employer in the manufacturing sector and supports 80 000 jobs directly It supports a further 200 000 jobs in connected industries such as packaging and transport, and 80 000 jobs indirectly on cotton farms

The South African Clothing and Textile Workers Union has estimated that at least 17 000 jobs were lost along the entire textile clothing pipeline in the second half of last year.

Hankinson said it would be difficult to determine what proportion came directly from the textile sector

He said automation was critical to improve the local industry's competitiveness

Textile manufacturers were facing even stiffer international competition, he said, because the country had moved into the second year of the government's seven-year import tariff phase-down.

This stemmed in part from high worldwide levels of stock after a drop in consumer confidence, particularly in Europe

He was optimistic that the fortunes of the textile sector would improve, however

There were already indications of a strengthening in the market; major local chains, that had been holding back orders, had pledged to buy locally

He hoped this could be maintained for the sake of South African textile mills, most of which were operating well below capacity

Industry has been severely jeopardised, says Unispin's managing director

Increased knitwear imports send yarn maker reeling

(197) CT(BR) 20/5/96

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Increased knitwear imports sent Unispin Holdings, the Port Elizabeth yarn manufacturer, reeling in the six months to March 31

The group, which is controlled by Claas Daun, the German investor, managed a threadbare R62 000 at bottom line — well down on last year's R11,6 million. Market enthusiasm for Unispin has also waned with the share languishing at a 12-month low of 40c, which is a substantial discount to the present net asset value of 55,3c

Chris Snijman, Unispin's managing director, said the company had been severely affected by a flood of knitwear — both legal and illegal — from the East

This was reflected in the 1 percent fall in turnover to R118 million and more so in the shredded trading margin, which left operating profit 78 percent down at R2,7 million

Operating profit was almost entirely swallowed by a heavier interest bill of R2,6 million, stemming from a 90 percent hike in interest-bearing debt to R27 million

Unispin's R24 million profit went up in the year to September 30 last year and this looks unlikely to be matched — even in the 15 months to the revised December year-end A dividend has understandably been overlooked to bolster gearing and facilitate long-term growth

Snijman said the Board of Trade and Industry's inability to implement an equitable system of import duties and failure to control the customs and excise structure had created a "chaotic international trade situation in South Africa"

He said the authorities seemed to have realised the severity of the situation and were at last taking remedial action "But, the very fabric of the industry has been severely jeopardised and recovery will continue to be very difficult"

On the positive side, Unispin's balance sheet still looks in good shape Gearing is an acceptable 32,9 percent (up from 12,7 percent previously), while current assets of R155,7 million and current liabilities of R60,4 million make for a healthy quick ratio of 2,6 times

The sound balance sheet lends weight to the director's view that Unispin has a sound long-term future "once textile industry conditions are normalised"

Snijman said the company would continue to invest in technology and human resources

"These investments will ensure improvements in quality, delivery, service and costs and should ultimately result in the group becoming internationally competitive"

Snijman said that Unispin had recognised the limitations of the domestic market and had formed a distribution network for exports in Europe and America in association with the Daun organisation "This initiative has already begun and promises to develop into a major market"

Mugabe gets tough on imports from SA

(197)

By Emelia Sithole

CT (BR) 27/5/96

Harare — Zimbabwean President Robert Mugabe has vowed to protect his country's industries from imported South African goods.

In a television broadcast on Saturday, he said surcharges imposed by South Africa, the country's major trading partner, were punitive and harmful to Zimbabwean exports.

"They have a formidable surcharge, a 90 percent duty that we consider unreasonable and that has adversely affected our trade with South Africa," said Mugabe, who returned home on Friday from the World Economic Forum's regional summit in Cape Town.

A preferential trade agreement between the two countries lapsed in 1992 and repeated efforts to renegotiate it have failed.

"We cannot continue to maintain a position of neutrality or indifference while our industry suffers.

"We are preparing our own regime for protecting our industry. They may read that as retaliatory but we will be doing it to defend our industry and economy," Mugabe said.

The massive inflow of South African goods into Zimbabwe since the expiry of the trade agreement, along with the duties that Pretoria has placed on all foreign textile goods, have threatened the viability of many local industries.

Although many Zimbabwean firms have urged the government to take retaliatory measures against South Africa, some industry players have warned that such an action could develop into a trade war that Zimbabwe would lose.

Richard Hove, the national planning commissioner, denied that the planned measures would constitute a trade war, but said there was concern at the imbalance of trade between the two countries.

"We have been very patient but we feel that we have been short-changed by South Africa," he said.

"They are saying that they want a multilateral agreement with the region.

We are not opposed to that but they are taking their time to do it. Meanwhile, they are hurting our industries."

South African trade and industry ministry officials said a delegation of South African government officials, business representatives and trade unionists would visit Harare on June 10 to discuss trade issues. Meanwhile Paul Richardson reports from Cape Town that the Southern African Development Community is pinning its hopes of industrial advancement and economic growth on expanded regional manufacturing.

"We have to proceed with speed. If we don't we will be overtaken by globalisation," said community executive secretary Kaire Mbuende, of Namibia.

"Our vision is that come 2000, fundamental transformation must have taken place whereby southern Africa is classified as a newly industrialised, newly developed region."

Mbuende said a trade protocol expected to be signed by the group's 12 members at a summit in August would form the basis for a regional free-trade area. "Manufacturing is where we need investment dearly," said Mbuende, who was also in Cape Town to attend the economic summit.

Delegates to the August summit are expected to sign agreements on transport, communications and cross-border crime — Reuter

Business and labour to join talks

BD 27/5/96 (197)

John Dludu

HARARE's negotiators have accepted a proposal from Pretoria counterparts to involve business and labour unions in talks to reinstate trade preferences for Zimbabwean clothing and textile exports to SA, according to trade and industry department chief director for foreign trade relations Faizel Ismail

Interviewed at the weekend, Ismail said formal talks involving SA's clothing and textile industries as well as the Southern African Clothing and Textile Union would start "fairly soon"

It is understood that SA industries have previously requested representation at the talks, but the request was turned down.

Continuing discussions at ministerial level were taking place, even as recently as last week in Cape Town, Ismail said

Trade observers saw the acceptance of the proposal by Zimbabwe as giving a "glimmer of hope" that the trade concessions, which lapsed in December 1992, could be reinstated this year

Bilateral talks, excluding unions and industries, hit a snag when the Zimbabweans rejected an SA offer to reinstate the proposal on condition that Harare agreed to add 75% local content to their exports.

The 75% proposal, which was seen as "unreasonable" by Zimbabwe and SA government negotiators, was later revised to 25%, with a proviso that it would be increased by an annual 5%.

Zimbabwean industries turned this down, saying the 5% condition was like "giving with one hand and taking with the other".

The slow pace at which the year-long negotiations have progressed has been used by SA's critics as an indication of Pretoria's reluctance to open up its markets to neighbours.

Mugabe's tariff threat a strain on relations with SA

(382) (...) (197) BD 30/5/96

HARARE — Zimbabwe's threat to impose retaliatory tariffs against SA is the peak of a trade dispute that has raged for years but is now straining ties between the countries, political analysts say

Zimbabwean President Robert Mugabe — who has generally stayed out of the quarrel over the past four years — has stepped into the ring, one of the few occasions in which his government has found common ground with the country's private business sector

"We are at a situation where the two countries' political relations are being tested, and I think many people will be watching to see how things shape up," said University of Zimbabwe political analyst John Makumbe

Mugabe has consistently denied reports that his relations with President Nelson Mandela are strained, but now analysts say they are watching to see whether the relations will pass the test of the trade dispute

"There can be no cover up at this juncture," Makumbe said of Mugabe's threat to employ equally high tariffs in the next few weeks to protect Zimbabwean industries from goods imported from SA, which he accuses of using punitive tariffs to shield its companies

SA, Zimbabwe's main trading partner in Africa, tripled its import duty on Zimbabwean products to 90% after the expiry of a preferential trade agreement in 1992

"We cannot continue to maintain a position of neutrality or indifference while our industry suffers We are preparing our own regime of protecting our industry They may read that as retaliatory but we will be doing it in defence of our own industry and our own economy," Mugabe said

Makumbe and Confederation of Zimbabwe Industries CE Joe Foroma said growing anger in Zimbabwe against SA — which both Mugabe's government and the private sector accuse of "taking its sweet time" to reach a new trade pact — was, however, drawing the two sectors closer

"It is an opportunity for Mugabe to broaden his support base, especially now as his political hold looks a bit shaky," Makumbe said

Mugabe has thrived on a rural power base and has mostly seen the private sector as a punching bag to score political points But rising unemployment and a collapsing textile industry is slowly drawing him closer to the business sector — Reuter

South Africa's clothing, textile sector in tatters

(FSD) (197) ST (BT) 2/6/96

SOUTH AFRICA's clothing, footwear and textile sector is falling apart at the seams as companies struggle to adapt as low-priced imports flood the market and higher interest rates dent spending

Analysts said last week the number of listed companies in the sector could be halved to about 10 as export incentives, which have sheltered the industry, are phased out while wages remain unrealistically high

Over 32%, or almost 500 points, have been torn off the JSE's clothing, footwear and textile index since early February when it touched a record high of 1 505

"Companies are having a very rough ride It's a dangerous place to be," said John Moses, industrial analyst at brokerage Frankel Pollak

"Cheap imports have come in through Durban and other ports and have taken a lot of market share Our competition comes from the sweat shops of the East It is (their) skilled labour with low wages versus us with low skills and high wages "

The most threatened companies included Bolton Footwear, Adonis Knitwear Holdings, Ninian & Lester Holdings, Ensign Clothing, and Sterling Clothing, said an analyst

Bolwear, whose attributable earnings fell 73% to R5,6-million in the year to February 29, could wind down unless it merged with fellow shoe manufacturer Conshu, he said

Sterling's attributable income fell to R130 000 in the year to end-December from R300 000 in the previous year, while Ensign was in the process of being wound down after the company suffered attributable losses of R3,3-million in 1995

"But Consolidated Frame Textiles, Seardel Investment Corporation, Romatex, Conshu and Da Gama Textile Company will make it "

So would companies servicing niche markets, he said

Companies engaged in exports — South African clothing exports last year touched R600-million — had been hard hit by the phasing out of the General Export Incentive Scheme, analysts said

Local cotton industry protection, which kept prices high, also needed to be phased out — *Reuter*

Southern African textile industry 'is collapsing'

Mooitex eyes regional yarn market

CT(BR) 3/7/96 (197)

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The textile industry in southern Africa is collapsing, and could prove a lucrative market in which South African manufacturers like Mooi River Textiles (Mooitex) could sell yarn, Paul Schofield, the managing director of Mooitex said last week

Speaking after a function celebrating the commissioning of the new Japanese Murata winding plant, Schofield said that a ready supply of quality yarn from South Africa could give these textile manufacturers a new lease on life

The plant is the first of its kind in the world, and is part of a R25 million upgrade

Schofield said textile mills in the rest of southern Africa, particularly in Zimbabwe, could not meet South African manufacturers' sophistication as they had not invested in technology and training

"It features many benefits for yarn customers such as state-of-the-art yarn clearing, length measurement and high performance packaging which more than meets the needs of downstream processing such as knitting and weaving," Schofield said

Mooitex's spinning operation has been successful over the past three years He said it had grown off an almost non-existent base of about R50 000 three years ago, to a turnover of R20 million in the past financial year

Schofield said Mooitex had undergone exponential growth, with a R5 million leap in sales over the past year The company sold more than 6 percent of yarn produced into the African market

Schofield said Mooitex was running at full capacity He did not expect the same growth as in previous years, as yarn output was unlikely to increase to a large extent volume wise

Mooitex would benefit substantially from greater flexibility, productivity and efficiencies because of recent plant upgrades.

The company had already cut back on labour costs by 25 percent and raised output to a higher level than ever before, he said

"Mooitex intends to make assets such as this new plant sweat, in order to justify the capital expenditure," he said The same would apply to the new jacquard looms which had recently been installed and the extra R10 million worth of upgrades for the finishing department planned for the second half of this year

Mooitex is part of Anglovaal's textile division

NEWS

Industry stands firm on local content clause

Renewed effort to break textile trade deadlock

(197) CT(BR) 4/6/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Alec Erwin, the trade and industry minister, key figures from the clothing and textile industry and labour representatives will meet their Zimbabwean counterparts on June 10 to discuss the controversial proposed preferential trade agreement between the two countries

But the Textile Federation (Texfed), Clothing Federation (Clofed) and the South African Clothing and Textile Workers' Union (Sactwu) intend standing firm against any possible bilateral trade agreement between the two countries

All three organisations have unofficially questioned Erwin's political agenda, pointing out that an agreement with Zimbabwe on existing terms — just 25 percent of the goods have to represent southern African content — would completely undermine the South African clothing and textile industry with disastrous job losses

The already shaky trade talks between the two countries broke down in November last year after Zimbabwe accused South Africa of negotiating in bad faith and refused to accept a clause that stipulated the local content provision should be increased by 5 percent a year

Brian Brink, the executive director of Texfed, said proposals to create a delegation from the local clothing and textile industry in an attempt to break the deadlock failed in February

Sceptical industry representatives said they would go along with the June 10 attempt to discover common ground, despite deep misgivings that any agreement with Zimbabwe would set a dangerous precedent for further agreements with neighbouring states

"We should be looking at a multilateral basis rather than at ad hoc bilateral agreements," Brink warned

Bernard Richards, the president of Clofed, agreed "This is a terrible situation and comes down to exporting jobs to Southeast Asia

"There are people who are already preparing to import from Southeast Asia, sew on a few buttons, repackage the goods and then increase their prices by 25 percent while claiming 25 percent local value has been added," he said

Richards said Clofed would not accept anything less than a 75 percent southern African content

"We are trying to stimulate the whole pipeline," he explained will cost an estimated R365-million. – Staff Reporter.

Clothing, textile industry hit by strike

(~~152~~) (~~134~~) (197)

More than 3 000 workers in the clothing and textile industry in parts of the Eastern Cape are on strike in a protest against "starvation wages", a statement from the Southern African Clothing and Textile Workers' Union said yesterday. A union official said some workers were being paid as little as R48 a week. He named nine companies affected by the strike and said most were Taiwanese owned. The union is demanding a R30-a-week increase. – Sapa.

Star 7/6/96

Special patrol for embassies

(~~38~~)

Star 7/6/96

A special police patrol has been set up to protect embassies following three burglaries in the past six months. Minister of Safety and Security Sydney Mufamadi said there had been a burglary at the Swiss embassy in Claremont, Cape Town, during which valuables including a string of pearls and two pairs of earrings were stolen. In break-ins at the Lebanese embassy in Norwood, Johannesburg, burglars netted goods and cash totalling more than R200 000 – Own Correspondent.

Workers strike over 'starvation wages' issue

(197)

EAST LONDON. – More than 3 000 workers in the clothing and textile industry in parts of the Eastern Cape are on strike in protest against "starvation wages", a statement from the Southern African Clothing and Textile Workers' Union said.

Sactwu official Sipho Ngcebetsha said some workers were being paid as little as R48 a week.

He named nine companies affected by the strike and said most were Taiwanese-owned concerns operating in the Transkei and Ciskei.

Mr Ngcebetsha said after a deadlock in negotiations last year, the wage issue had gone before a conciliation board meeting in April at which employers had offered an increase of R10 a week, which workers had rejected.

He said the union was demanding a R30 a week increase.

Sactwu also wanted the wage gap between different factories, which varied from R1,20 an hour to R3 an hour, closed over the next two years, along with 15 days paid leave and an annual bonus.

Three months paid maternity leave, a further three months unpaid maternity leave and an improved provident fund were also union demands. – Sapa

Strike over R48 a week pay

ARG 7/6/96 (197)

ESTELLE RANDALL
Labour Reporter

SOME Eastern Cape clothing workers earn as little as R48 a week. This is one of the reasons behind a strike by about 3 000 clothing workers in Ciskei and Transkei in the Eastern Cape

The strike has again highlighted the disparity between wages in the same industry in different areas

Whereas a clothing worker in Johannesburg could earn about R276 a week, some of those on strike in the Eastern Cape's former homelands earned R48, with hourly rates varying from R1,20 to R3, the Southern African Clothing and Textile Workers' Union said

And whereas workers covered by national clothing sector negotiations are pressing for improvements to maternity leave benefits, bonuses and their provident fund, workers in Dimbaza, Mdantsane and Fort Jackson are striking to have these introduced

The workers were not part of current national clothing wage negotiations, because their factories were in former decentralised areas where wages and standards were much lower, Sactwu said

Instead, they are having their wages negotiated at a regional level

Last year Sactwu persuaded most of these factories, which are Taiwanese-owned, to form the Kei Employers' Association

The union is demanding a wage increase of R30, split into R15 from January to June and another R15 from July to December, and for the hourly wage differences to be closed over two years Workers also want

- Their wages to be paid weekly
- A total of 15 days' paid leave a year and an annual bonus of two weeks' pay – at present the highest bonus paid is R50 and the longest paid leave is 10 days
- A 20c employer contribution to the Sactwu Bursary Fund
- A provident fund to which they will contribute 5 percent and employers will contribute 8 percent

Clothing industry wage talks stall

Labour Reporter

ANNUAL wage negotiations affecting about 100 000 clothing workers have stalled and could lead to a strike in the industry if there is no agreement next week, the Southern African Clothing and Textile Workers' Union (Sactwu) has warned.

About 45 000 clothing workers in the Western Cape are affected.

Sactwu said workers wanted a package of 10 percent in wage increases and improvements to maternity leave benefits, annual bonuses, the provident fund and a skills training programme. However, employers were prepared to offer a package of only 7 percent.

Sactwu said mediation had failed to resolve the dispute and that a final meeting would be held on Monday to try to break the deadlock. If no settlement was reached, the union would ballot workers on strike action.

Clothing companies fight back

(197) ST (BT) 9/6/96

By MARCIA KLEIN

VARIOUS listed clothing, footwear and textiles companies have reacted strongly to an article suggesting they will not survive the challenges of reduced import tariffs, cheap imports, high interest rates and the phasing out of export incentives.

The textile industry is certainly faced with huge competition from cheap imports and has to cope with the reduction of import tariffs over seven years, much faster than the 12 prescribed by the World Trade Organisation. It will also have to face the effect of higher interest rates on spending.

But some companies have reacted strongly to a Reuter story, published last week in *Business Times*, which says that the number of listed companies in the clothing, footwear and textile sector could be halved in view of these challenges. They say the report has affected their relationships with suppliers, customers and staff adversely.

The report, quoting Frankel Pollak analyst John Moses, names several companies who are "most threatened".

Dennis Drysdale, the managing director of Ninian & Lester, says his company is a major supplier of socks, underwear and knitted fabrics "and a market leader in the fields in which it operates". It had made a pre-tax profit of R18-million in each of the past two financial years, its financial ratios are healthy and gearing was only 18,5% at end-December.

He says the company acknowledges it will be under pressure to compete internationally as duties reduce, "but we believe we shall prove to be one of the companies best able to face the challenge".

Sid Finlayson, Bolton Footwear managing director, says Bolton's taxed profits grew by 15,1% to R5,63-million and attributable earnings did not decline by 73%.

He says Mr Moses' implied statement that only those companies operating in niche markets would survive "is an opinion shared by our management and had in fact led us to target specific niches in previously identified markets for several years".

He says the statement that the company might wind down unless it is merged with Conshu is made "without foundation", and that the statement on relative skills is also incorrect.

The difference lies mainly in hours worked and the pay rates.

Steven Chaitel, the financial director of Adonis Knitwear, says all manufacturers are affected by low-priced imports and high interest rates, but the impression was given that this would lead to the demise of some companies.

Adonis, he says, manufactures high quality exclusive men's and ladies knitwear to the top end market, and its Pierre Cardin and Lyle & Scott labels "enjoy particularly good niche markets" while its in-house labels have "excellent market penetration".

Critical textile talks continue into night

(197) CT (BR) 11/6/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Talks which could either make or break a national strike that is likely to cost the clothing industry millions of rands in lost production and cancelled orders, continued late into last night

There was no clear indication whether negotiations between the 100 000-strong South African Clothing and Textile Workers' Union, one of the larger Cosatu affiliates, and major employers from the clothing sector had broken the deadlock of the past week The clothing industry is one of the most labour-intensive industries

However, if no resolution is reached, the union intends balloting clothing workers throughout the country for strike action.

Negotiations are based on wage demands The union is demanding a 10 percent increase and employers are prepared to offer only a 7 percent rise

Other demands include increased employer contributions to provident funds, the extension of wage agreements to former homelands and three months paid maternity leave in an industry which employs mainly women

From an employer's perspective, the industry can ill afford a higher wage bill while struggling to compete against cheap imports from the East

In addition, sporadic and illegal strike action in KwaZulu Natal, Gauteng and the Eastern Cape threatens to cripple clothing manufacturers and makes them less likely to consider giving ground, Johan Baard, the president of the Cape Clothing Manufacturers' Association, said yesterday

The union, on the other hand, said that action needed to be taken against manufacturers paying starvation wages, with some workers in rural areas receiving as little as R48 a week

A national clothing strike would have a ripple effect along the entire textile and clothing pipeline

This would have a particularly devastating effect on the textile industry, where wage negotiations will continue today

Govt indecision and slower growth blamed for lower textile returns

BD 13/6/96 (197)

Nicola Jenvey

DURBAN — Matthew McElligott, chairman of clothing and textile group Ninian & Lester, yesterday blamed government indecision and slower economic growth for the lower returns expected in the year to December

In the company's annual report, McElligott said the recent events in the financial markets had forced the group to view this year "with some caution" and he did not expect to attain even the marginal increases in attributable income achieved last year

Industry uncertainties caused by the revised duty structure and uncontrolled imports had also dictated that Ninian & Lester curb its capital expenditure to R7,5m for this year compared with R15,9m last year and R9,2m the year before

Last year, attributable income rose to R10,7m (1994· R10,1m), but the higher number of shares in issue lowered earnings to 303c (312c)

Shareholders received a total dividend of 101c (104c)

Turnover grew 17,1% to R324,1m, but McElligott said the pressure on margins meant trading income showed only a small increase to R32,7m (R31,1m) Taxation decreased to R6m (R7,5m), as the transitional levy had fallen away

The textile division had raised its contribution to group profits 17%, but demand had softened markedly during the last few months of the year

"The market has been seriously affected by the irregular imports of cheap fabrics and clothing and while the (textile) division is geared to operate within the reduced tariffs, it is unreasonable to expect the industry to also cope with the current high levels of illegal duty-free imports"

McElligott said Ninian & Lester remained committed to corporate governance principles and had arranged a review of internal controls to further comply with the King Committee

Western Cape govt in R300m mill deal

(197) BD 13/6/96

Linda Ensor

CAPE TOWN — The Western Cape's government was on the verge of finalising a R300m greenfield investment in a spinning and weaving mill by a Thailand-based textile company, economic affairs MEC Chris Nissen said during a speech on his budget vote

The mill would be established on the west coast — probably at Atlantis, which suffers from high unemployment, his department said

Nissen also said negotiations were taking place with a Hong Kong investment company which planned to establish a hotel on the Cape south coast

Economic affairs spokesman Zaid Nordien said the negotiations were far advanced and the deals would probably be finalised when Nissen led a delegation to Malaysia, Hong Kong and Thailand on June 23

He said the Thai company undertook spinning and weaving for many of the world's major textile companies and intended the output of the SA plant to go to both local and international markets

Industry sources believed the vertically integrated factory would produce denim from the cotton yarn it produced They said there was strong local demand for denim by clothing manufacturers which imported large quantities of the material

Nissen said that during the past 18 months there had been well over 70 investments in the Western Cape with a total value of R600m, resulting in the creation of 2 000 permanent jobs

He noted that the Western Cape had been chosen for the investment partly because it had been identified by the World Economic Forum as the second best in the top 10 investment locations in the world

Nissen hoped the province would achieve a provincial growth rate in excess of 4% this year

Agriculture, planning and tourism MEC Lampie Fick estimated in his budget speech on the tourism vote that annual investment in the Western Cape tourism sector during the next five years would total about R1bn, or 8% of gross regional investment in the province This excluded projects which would be triggered should Cape Town be chosen as the venue for the 2004 Olympic Games

Approved projects for larger hotels to be built in the Cape metropole during the next two years amounted to about R550m, with another R180m to be invested in platteland hotels, guesthouses and extensions

Major projects at an advanced planning stage which would be completed in the next four to five years totalled about R2bn, while a further R1,2bn would be invested in tourism-related infrastructure facilities

Extension plans for Cape Town international airport amounted to about R1,5bn, to be spent over several years

Strike threatens to rip apart textile industry

(197) MG 14-20/6/96

Bronwen Roberts

THE delicate fabric of the Eastern Cape textile industry is being torn apart by persistent union pressure and increasing production costs

As a wage strike by 7 500 South African Textile Workers' Union (Sactwu) workers from 11 clothing manufacturers in the former Ciskei persisted into its second week this week, employers faced tough choices

Kei Clothing Employers' Association chair Leon Deetlefs said the chances of an early solution to the crippling strike were "slight At this stage it is not a question of negotiating wages; it's a question of the survival of the entire industry."

Deetlefs said Sactwu's 76% to 81% wage-increase demands were so far from what employers could afford, they could not be considered. Employers were only able to offer a 23% increase "We couldn't even meet them a third of the way," Deetlefs said

The strike, which has come after six months of negotiations deadlocked in April, could prove a final blow to the already embattled textile sector

Deetlefs said the devaluation of the rand, increased taxes on employers and poor infrastructure in the Eastern Cape were taking their toll Productivity in the former Ciskeian plants was only 50% to 60% of what it should be and competition with illegal imports was harsh.

"The employers in this region are under siege Facing all this, they cannot just up wages It would have to be phased in over a very long period If both the union and employers don't act responsibly to save the industry, I won't give it more than three years in the former Ciskei Then it will be totally closed down and thousands of jobs will be lost."

The closure of the textile industry, the former Ciskei area's largest employer, would be a disaster for the impoverished Eastern Cape, which has an estimated 50% unemployment rate. But this high rate means there is a large labour pool for the industry to draw from to get their machines rolling again

Deetlefs said this was one of many options the plants were considering Other options included relocating outside the country or in a different province, or just giving up and closing down He insisted that the union was aware of the pressure facing the industry and the looming possibility of closure

"This is not a tactic," he said "It's not a threat to get people back to work"

Added to the almost R3,5-million lost every day during the strike, some of the strikers were "turning nasty", Deetlefs said The Kei Clothing Employers' Association last week applied for a court order to prevent Sactwu from entering factory premises during the strike, and 67 people were arrested this week.

"Some people were stopping others from going to work. Others attempted to set some of the factories alight Fires were started outside some of the gates"

Deetlefs said a group of foreign buyers were accosted when they tried to enter one factory last week to look at some material samples. "We lost orders that would have been placed The industry will only feel the repercussions of that incident in six months, when the orders would have come through"

Sactwu regional bargaining co-ordinator Sipho Ngcebetsha said workers were fully aware of the problems facing the industry, and for that reason were willing to compromise on their demands

"We would not like factories to close down People need to get jobs But at some point employers need to be committed to helping workers

"People are not earning now. They are earning slave wages In 1996 we are still finding someone here earning R50 a week, while someone doing the same job in East London is earning R276 a week

"People are very angry. It is frustrating to go to work every day and at the end of the week not be able to enjoy the fruits of your work

"People don't feel like workers The only thing that makes them feel like workers is their clock cards"

Ngcebetsha said he hoped an agreement reached in the Aston plant could be used to bring the strike to an end at all plants — *Echa*

Textile workers face total lock-out

(197) ST 16/6/96

CLOTHING manufacturers have doubled the stakes in their dispute with the SA Clothing and Textile Workers' Union. They are to ballot employers to shut down factories and lock out 85 000 workers unless they accepted employers' wage offer.

By CAROL PATON

A national industry wide lock-out, the right of employers under the Labour Relations Act, is unprecedented in South Africa.

The threat by employers to shut down their factories came on Friday after the union announced that it would prepare for a national strike ballot. The final dispute meeting failed on Tuesday.

Johann Baard, chief negotiator for the employer caucus, said Cape employers had already decided to pre-empt a strike with a lock-out. The national caucus would decide on the lock-out on Tuesday.

"We want to send a very clear signal to the union that should it act against our express warnings and strike, we will exercise our legal rights to bring this dispute to a speedy end," said Mr Baard. It is now a question of who can best call the bluff.

"We do not want to be put at a disadvantage if the union calls the strike first. But we have the advantage of being able to call the shots at a moment's notice," Mr Baard said.

Shahied Teladia, a union spokesman, said balloting workers "was an important way to bring members on board". He said that the union and employers would meet on Tuesday to draw up balloting rules.

But for both sides, the costs of a shutdown will be high. The industry would lose R15,5-million a day in turnover and workers would stand to lose R6,2 million a day in wages. Falling tariffs and floods of illegal imports have put the industry under immense pressure in the past five years, resulting in the loss of 20 000 jobs.

Coupled with these are the relatively low wages paid in some areas. Elias Banda, the union's national organiser, said the seven percent offer would bring the lowest-paid an increase of R16 a week.

"We realise that this year is not like any other but the union has tried by all means to meet this desperate situation. And even though we realise it's a bad situation, workers will not take this lying down," said Mr Banda. The union is demanding a 10 percent increase spread over wages and benefits.

Mr Baard said the union's wage demand was not "in the medium- and long term interests of the industry". However, a prolonged strike or lock-out would "speed up the industry's decline and lead to closures, short time and retrenchments", he said.

● The National Union of Mineworkers met the Chamber of Mines for preliminary wage negotiations covering 400 000 workers in the mining industry on Friday.

The parties each outlined their vision for the mining industry but no wage demand was tabled.

Top of the union's list was the collapse of the lowest four wage bands into one to secure higher increases and multiskilled jobs for the lowest-paid workers. This amounts to wage demands of up to 100 percent for the lowest paid.

Topping the chamber's concerns was productivity and costs. Although the rand-gold price is near an all time high of about R53 618/kg, spokesman Frans Barker said it would be difficult to base higher labour costs on an uncertainty like the gold price.

PROTEST PUNCH: a man involved in a minor skirmish at an otherwise uneventful rightwing demonstration for the release of hunger striker Willem Ratte is hauled away by policemen. Picture: BRETT ELOFF

ET cold-shouldered by rightwingers

By CHRIS BARRON

AWB LEADER Eugene Terre Blanche was kept firmly in the background during a meeting held by rightwingers yesterday to demand the release of Willem Ratte, who is on the 44th day of a hunger strike at the Pretoria Central prison.

AWB members were outnumbered by about 800 rightwing Afrikaners who gathered in the Pretoria City Hall before marching to Pretoria Central.

The committee steering the drive to have Ratte released was clearly determined not to allow Mr Terre Blanche and the AWB to hijack the meeting. He was kept off the stage and not allowed to speak, to the disgust of some AWB members who complained that in the fuss surrounding Ratte the plight of their own people in jail had been ignored.

Instead Mr Terre Blanche was confined to the body of the hall where, looking a bit peeved, he watched the chairman of the Friends of Commandant Willem Ratte committee, former defence force colonel Dawid Grobbelaar, do most of the talking.

Mr Terre Blanche's role was limited to accompanying the marchers on horseback. Before they set out he was instructed to ensure his eight or so fellow representatives of the AWB cavalry kept to the flanks of the column and did not endanger the marchers.

Outside the prison he was invited as a sop to his followers to say a few words along with Boerestaat Party leader Robert van Tonder and Conservative Party leader Ferdie Hartzenberg. A memorandum for President Nelson Mandela was handed to the police and three members of the Friends of Ratte committee were allowed in to see the prisoner.

By the time they emerged to convey the would-be martyr's feelings, Mr Terre Blanche and his horsemen had trotted off.

If anyone noticed, nobody seemed to care.

'Business must look at more than price'

Textile return sweeter than sugar

CT (BR) 6/6/96 (197)

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The return on investment from Tongaat Hulett's subsidiary David Whitehead is above that of its sugar interests, Cedric Savage, the chief executive of Tongaat Hulett, said this week

Speaking at a sugar technologists' congress, Savage said though just 8 percent of capital had been allocated to the company's textile interests over a five-year period, the return on investment had been 109 percent

That compared with a return of 100 percent from cane, which had been allocated 34 percent of capital over the same period

"The textile division was the first Tongaat Hulett business to be affected by international competition, mainly because of the rapid reduction in import tariffs In this division, management has been able to reposition the business by focusing on areas where own manufacture is competitive by investing downstream into decorating and finishing and outsourcing raw materials," Savage said

Jim Crook, the chief executive of David Whitehead, is less inclined to analyse figures

He has been traditionally outspoken in his belief that protection offers no short cut to international competitiveness

South African businesses defined competitiveness too narrowly, he said If local companies intended looking at price alone, they had little chance A value package was needed, he said That could be achieved through investment

Whiteheads has spent R30 million on new plant over the past year and a further R100 million has been set aside for the next three years

Whiteheads has compared itself with overseas textile producers to see how it could best meet the needs of clients, suppliers, employees and shareholders

Crook said that Whiteheads was satisfied with its 5 percent growth in the year to March 31 It expected a further 10 percent growth in this financial year

Though 30 percent of the company's production was exported, expected growth could cause this to increase to 33 percent, he said

The downside was that investment and increased automation had forced Whiteheads to reduce its workforce by 380 people year on year The same factors had affected other textile manufactures

Productivity had improved, but the company was unable to take full advantage of this because of a sluggish market over the past six months

Crook said the local retail market remained depressed, but Whiteheads registered a slight uptick in the wake of the devalued rand, which boosted exports and could lead to a slight drop in imports But he warned that this was little more than a short-term benefit because many of the company's expenses were in dollars

"However, complaining about hurdles is like punching blanc mange We have to ask how we can immunise ourselves against the negatives

"For example, there is little a small KwaZulu Natal-based company can do to stop illegal imports other than devise strategies to deal with them," he said

Whiteheads had maintained a progressive attitude towards developing international markets and this was where its future focus would lie It recognised the need to balance this with maintaining local market share

Crook said that international growth prospects were multifaceted, but growth on the home front simply meant grabbing market share from competitors

He said that the company's product ranges had become more focused and keenly targeted as opposed to the scattered approach of the past

New overseas-bound household textiles and furnishing fabrics were now going out on a monthly basis, Crook said

Motor, textile and clothing industries 'not targeted'

CT (BR) 19/6/96

State denies growth plan tariff stand

(RS4) (197) (102) (78)

By Christo Volschenk and Nancy Myburgh

Cape Town — The government was forced to reassure the country's nervous textile, motor and clothing industries yesterday that they had not been specifically targeted for rapid tariff reductions in the new national economic policy framework

A spokesman for the department of trade and industry denied that tariff reductions in these sectors would be accelerated But Appendix 4 of the growth plan specifically refers to the sectors

Point three in the appendix states "Accelerated tariff reform, bringing forward by two years the scheduled adjustments on clothing, textiles and vehicles, and reducing all other lines by 5 percentage points on average in 1997 This improves competitiveness and dampens inflation"

Presenting the plan in parliament last Friday, Trevor Manuel, the finance minister, insisted that "tariff reforms will be accelerated to help lower prices for industrial inputs and low-income households, thereby avoiding job losses in sensitive sectors and removing price distortions in domestic markets"

But faced with the ire of the three labour-intensive industries, the finance ministry said yesterday that the example in Appendix 4 was simply an illustration of policy goals

"Their concerns arise from a misunderstanding," said a spokesman. "Appendix 4 illustrates the possible macro-economic consequences (of accelerated tariff reductions) The model was not sectorally specific, so those particular industries need not fear It's not necessarily (needed) in those sectors, as long as it takes place in some sectors."

Manuel, who is now in Europe, used fiscal deficit figures from the same appendix and model, however, to demonstrate how firmly, and specifically, the government was committed to reaching its 6 percent growth target by 2000

Alan Hirsch, a senior official in the trade and industry department co-responsible for the revision of the tariffs, yesterday denied that the clothing, motor and textile industries would be targeted He also said that too much emphasis should not be placed on the framework timetable for the reduction of tariffs

Until Hirsch threw cold water on the issue, the textile and motor industries and textile industry unions were outraged by government's "unilateral decision"

Separate agreements, including a timetable for tariff reductions, were concluded about a year ago between the government, the three sectors and labour unions These timetables are now implemented

André Roux, an economist at the Development Bank and one of the co-ordinators of the technical team assisting in the drafting of the plan, said that while the government stood behind the policy of accelerated tariff reduction, "the level of protection for local producers will be greater than it was in January (even after the acceleration of tariff reduction)"

☐ See Business Watch Page 18

We'll stick to the plan, says Manuel

By Paul Harris

Cannes — The details of South Africa's new macro-economic plan have yet to be worked out, but the framework itself is not negotiable, Trevor Manuel, the finance minister, told an investment conference yesterday

Manuel said the government would show that it could lead by sticking to the plan.

The framework has been welcomed by business but drawn some criticism from labour unions for being "conservative"

One of the key planks of the plan is a commitment to the partial or complete privatisation of state-owned assets, starting with the telecommunications sector

Parts of other areas like radio, leisure, forestry, minerals and transport would follow

He said that the plan would not be affected by inability to reach a free trade agreement with the European Union

Earlier Steffen Smidt, the EU director-general of development, attacked South Africa for hesitating over the talks and asked if it really wanted such a deal

"We have not really factored significant contributions from the prospective EU-South Africa trade agreement into our macro-economic framework," Manuel said

The plan aims for annual growth of 6 percent by 2000 and to create 400 000 new jobs a year by the turn of the century It is seen as vital for South Africa's future development

Manuel said the free trade talks were taking time because South Africa had to consult its other trading partners on the implications thereof — Reuter

☐ See Bifsa's reaction, Page 21

SATF wants Govt to reduce tariffs

(194) (184) (197) Sowetan 3/7/96

SOUTH Africa's textile and clothing industry says it has recommended that the Government reduce punitive tariffs on Zimbabwean exports by about half

The president of the South African Textile Federation, Mike Hankinson, says the offer was made at a meeting held in Pretoria last week between representatives of the textile and clothing sector from both countries

The meeting was the first of several planned between three technical committees set up at Victoria Falls when Zimbabwe and South Africa met last month to resume stalled talks aimed at concluding a new bilateral trade pact

"A lot of progress was made on the issue of local content and tariffs, and we have found common ground to negotiate from," Hankinson says

"On the duty, we have offered a reduction for Zimbabwe on the duties in place of about 50 percent Obviously Zimbabwe is looking for much lower duties and we continue to negotiate and there is no deadlock"

He says while Zimbabwe's demand for lower duties is understandable, it has to be accepted that international trade in clothing and textile products is depressed at present

"It is a difficult situation not only for Zimbabwe, but for South Africa as well and the whole industry internationally We are going through a difficult phase and everybody is trying to do their best to survive," Hankinson says

The Zimbabwean official news agency *Ziana* reports that South African clothing and textile companies are no longer insisting on local content of 75 percent for Zimbabwean products destined for SA, saying it is "no longer an issue between the two parties"

However Hankinson has denied that local companies have dropped the demand for local content, but will not be discussing it at the meetings as the groups believed they could reach a fair agreement

He says a further meeting is scheduled to be held in Cape Town by the end of this month – *Sapa* and *Ziana*

Truck chaos at border in SA tariff war with Harare

(197) (FE4) ARGT 4/7/96 (EP)

Political Staff

HUNDREDS of truck drivers are stuck with decomposing goods at Beitbridge on the border of South Africa and Zimbabwe, in what appears to be the start of a tariff war between the two countries.

Zimbabwe increased tariffs on a wide range of South African goods on Monday, after complaining for months about cheap South African goods flooding the Zimbabwean market

The two countries also are engaged in tough negotiations over trade and import duties. Zimbabwe has insisted on a reduction of more than 50 percent on goods exported to South Africa

The higher Zimbabwean tariffs on South African imports include what have been described as "punitive" tariffs on such goods as clothing, textiles, electrical equipment, batteries and some foods.

Zimbabwe slapped on the higher tariffs after the apparent failure of negotiations late last month to reduce South African import duties on Zimbabwean goods.

There also have been many complaints from organised commerce and industry in Zimbabwe about cheaper South African goods flooding the Zimbabwean market

A series of meetings between trade representatives of the two countries are scheduled to take place in coming weeks

Speaking from his position on the Zimbabwean side of Beit bridge yesterday, driver Trevor Neuman said hundreds of trucks stood with goods at the border unable to move into or out of South Africa.

"It's so full here you couldn't fit an ant," he said by cellular phone

Another driver, carrying apples bound for Harare, said his goods would last one more day and then his buyer would turn them away.

Drivers confirmed the problem was due to Zimbabwean tariffs having been increased on July 1 However, customs officials at Beitbridge had not yet been informed of the new tariffs and were subsequently refusing entry and exit to anyone transporting saleable goods

A Zimbabwean customs official confirmed tariffs had increased at the start of this month, but said he could not "divulge the exact amount on the telephone"

He denied any knowledge of a huge build-up of trucks on the border, as did Zimbabwe's Department of Foreign Affairs The Zimbabwean High Commission in South Africa could not comment, an employee saying yesterday that it was closed on Wednesdays.

South African customs officials said they had not heard of any problems, but if there were it would be on the Zimbabwe side of the border

Mr Neuman said he had been waiting since Sunday and looked set to spend another few days "hanging out on the bridge" He said he had never seen so many trucks in a row in his 16 years of trucking

Reuter reports Zimbabwe's new import tariff regime is a measured response to local industry demands to curb alleged South African "dumping" and the need to keep vital trade talks between the two states on track, according to business and political analysts.

The new import tariffs, effective from Monday, include a 30 percent raise on import duty to about 75 percent on a wide range of goods that have flooded the local market from abroad

DA GAMA (197) FM 5/7/96

NO IMPROVEMENT IN SIGHT

Judging by last year's fall in share price, investors don't think Da Gama will manage to repeat even financial 1996's slight operating margin increase on small profit increases

- **ACTIVITIES.** *Makes textiles*
- **CONTROL·** *SAB*
- **CHAIRMAN** *L van der Walt MD T N Pearce*
- **CAPITAL STRUCTURE** *51m ords Market capitalisation R137,7m*
- **SHARE MARKET·** *Price 270c Yields 9,3% on dividend, 21,4% on earnings, p e ratio, 4,7, cover, 2,3 12-month high, 420c, low, 224c Trading volume last quarter, 727 900 shares*

Year to March 31	'93	'94	'95	'96
ST debt (Rm)	0,6	0,8	0,2	—
LT debt (Rm)	4,5	3,6	2,9	—
Shareholders' interest	0,78	0,79	0,77	0,76
Return on cap (%)	7,0	7,0	9,4	9,3
Turnover (Rm)	254,1	266,6	305,7	309,1
Pre-int profit (Rm)	20,1	20,9	30,5	32,2
Pre-int margin (%)	7,9	7,8	10,0	10,4
Earnings (c)	41,4	34,6	48,2	57,9
Dividends (c)	18	15	21	25
Tangible NAV (c)	443	463	490	518

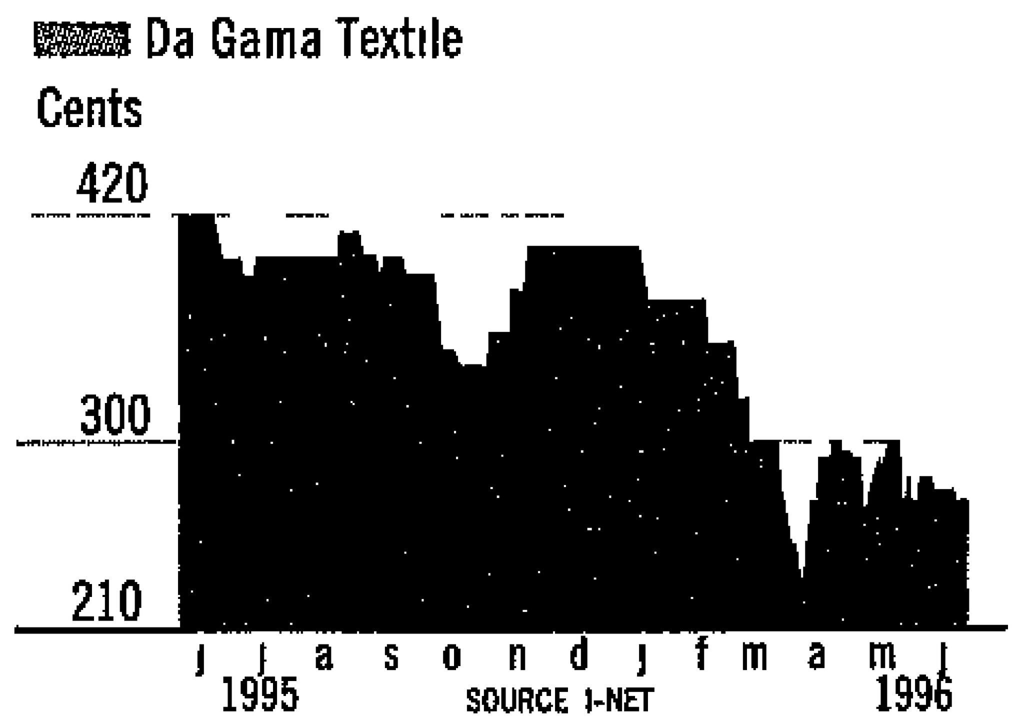
In the year to March, the share fell from 420c to 270c Conditions, already tough, are worsening, increasing legal and illegal imports erode market share while lower volumes and rising raw material prices pressurise margins

Pre-interest profit rose about 6% to R32,2m on sales up 1% to R309m This was due largely to inflation, as volumes of fabric produced dropped EPS climbed about 20% to 58c

CE Harry Pearce says Da Gama gained market share relative to local producers, but lost relative to imports from particularly Far Eastern goods Imports now make up about half SA's fabric needs

Moreover, says Pearce, local consumer demand is dropping To counter this, Da Gama continues to develop niche markets About R23m was spent on modernising technology such as computer-aided design, this will pay dividends in the future Household textiles and workwear improved profits despite difficulties But the home sewing division has been knocked by imports

It is to management's credit that Da Gama's financial position remains good There is no interest-bearing debt, and there are cash resources of R66,6m



Pearce expects the second half's softening in consumer demand for local textiles to continue "In these circumstances," he acknowledges, "potential to improve earnings will be limited "

The current p e ratio of 4,7 is well below the sector average of 6,6 But considering the odds for the sector in the short term, the counter doesn't seem a good buy for now *Michelle Joubert*

COMPA

R30m will be invested to develop factory units

Frame to upgrade old mills

(197) CT (BR) 11/7/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Textile manufacturer Frame has committed more than R30 million to upgrade 85 000m² of mothballed industrial properties in East London and in New Germany, near Durban.

David Sable, the head of Confram Property Holdings, which is now named as a 100 percent subsidiary of Frame subsidiary, Consolidated Frame Textiles, said yesterday that expenditure on the two new projects would reach R20 million next year

The projects will each begin with R8 million first phase developments, scheduled for completion this year

Frame's 660 000m² property portfolio accounts for 57 percent of the group's fixed assets, valued at more than R380 million in its balance sheet for the financial year to June last year

Sable said property income was already making a meaningful contribution and could balance out the more risky textile interests in years ahead Gross income from non-group tenants rose 43 percent over the past financial year to June this year and Sable said there was still considerable growth to come

Confram Property Holdings' pilot project in Pinetown, which was completed at the end of last year at a cost of R7,5 million, is now fully let to blue-chip tenants The yield on investment for this project during the first year was in excess of 11 percent, the projected figures for the two new developments

Sable said that income from the property subsidiary had already made a meaningful contribution. Because overheads are extremely low, almost every rand of rental income drops straight down to the group's bottom line

Confram Property Holdings, which has until now kept a very low profile, was conceived in 1992 when Frame was struggling against multimillion-rand losses With more properties becoming available as the ailing Frame was downsized and refocused, Sable said there was a clear need for a caretaker

The problem was that massive textile mills that were custom built decades ago could be neither sold nor leased in their original form Frame did not have the capital for redevelopment of these sites until its recent return to profitability

Both the East London and the New Germany projects entail the subdivision of the huge, 40 000m² textile mills into warehouse and factory units with state of the art amenities Flexibility and the benefits of upgrading existing facilities gave Confram Property Holdings substantial competitive advantage, especially when it came to price, Sable said

Textile employers in lock-out threat

ARG 12/7/95 (197)

CLOTHING industry employers voted overwhelmingly in favour of acquiring the right to embark on a lock-out in reaction to a possible call for a strike from the SA Clothing and Textile Workers' Union (Sactwu)

Even though there was clearly wide support to acquire the right to a lock-out, the National Employers' Caucus of the Clothing Industry (NECCI) was still available to explore any means other than a strike or a lock-out to settle the wage dispute, spokesman Peter Cragg said

A ballot of members of the Cape Clothing Manufacturers' Association and the Cape Knitting Industry Association had returned a 91-percent vote in favour of acquiring the right to lock-out, Mr Cragg said

There was an 84-percent poll by the Cape employers, who account for 49 percent of total number of employers in the industry In a 66-percent poll, the Natal Clothing Manufacturers' Association had recorded a 100-percent vote in favour of the lock-out, he said

"It is not inconceivable that a meeting of employers and union representatives at national level could be held once the full results of the lock-out ballot and the union strike ballot are known

"Results from Gauteng on the lock-out ballot are still awaited A meeting of employers will be called once the result of the union strike ballot is at hand," said Mr Cragg – Sapa

Nationwide strike call by Sactwu

(197)

THE Shopstewards' Council of the Southern African Clothing and Textile Workers' Union, which represents 87 480 workers, has announced a nationwide strike which begins tomorrow

A spokesman for the union said the strike would probably continue until Monday. Sactwu is demanding a pay hike of 10 percent.

Talks deadlocked with an employers' offer of a total package of seven percent, increased later to eight percent.

Employers also demanded a change in the calculation of overtime pay, so that overtime is only paid once an employee has completed a full week's hours They offered a 0,5 percent premium in the Free State-Northern Cape area, where wages are particularly low.

Sactwu has proposed a 10 percent increase in the wage package of all members who fall under the jurisdiction of the clothing and knitting industrial councils in KwaZulu-Natal, Gauteng, Western Cape, Eastern Cape and Free State-Northern Cape.

The 10 percent increase in the package includes provision for increased wages, increased provident fund benefits, increased Christmas bonus and paid maternity leave.

Sowetan 24/7/96

Minimum wage

Sactwu said the minimum wage in the area covered by the negotiations was R140,80 per week in the Free State area In Durban the lowest wage was R186,25 and in Johannesburg R187,15 per week.

A strike ballot – the first in the clothing industry – was held over a five working day period from Wednesday July 10 to Tuesday July 16. A total of 82 695 workers were eligible to vote in the ballot Of them 68 693 voted – a poll of 83 percent

Nationally 54 301 workers voted to strike.

Mr Ebrahim Patel, deputy general secretary of Sactwu said the cost of the strike would be immense to workers and to the industry – *Sapa*

Textile strike gets union go-ahead

(197)

CT 24/7/96

JOHANNESBURG: Clothing and textile industry workers are preparing to flex their collective muscle in a massive pay strike tomorrow, which labour analysts say will leave employers and employees bloodied, with neither the victor.

As employers braced for the industry-wide work stoppage, the Congress of SA Trade Unions yesterday announced it would support the SA Clothing and Textile Workers' Union (Sactwu) if management resorted to a lock-out.

"It is a major strike looming in the industry, which has been hammered by international competition and the ability to compete with the international market," said Labour Law Group managing director Mr Pierre Marais

"I don't think the industry can afford it

"It's very unfortunate that parties need to take this type of conflict-ridden approach, where there are just going to be losers on both sides"

Sactwu yesterday called on its more than 82 000 members to embark on the national strike to back demands for a 10% pay increase, after rejecting management's final offer of eight percent.

The union's demands also included increased provident fund benefits, increased Christmas bonuses and paid maternity leave

"It's a strike against discrimination," Sactwu deputy general-secretary Mr Ebrahim Patel told a media conference

"It's a strike to bring industrial relations in the clothing industry into the new South Africa"

After the union announced the impending strike, clothing industry management met in Durban to determine a strategy to deal with the situation — Sapa

Nationwide strike by clothing industry workers takes new turn

Star 25/7/96 (197)

Today's nationwide strike by thousands of clothing workers has taken a surprise turn with some employers breaking ranks with their organisation and offering to meet workers' demands for a 10% wage increase

Salt River clothing factory Chelsea West is one of the Cape Town manufacturers which has made the offer, according to Johan Baard, chief negotiator and spokesman for the National Clothing Employers' Association.

Laurie Dreyer, owner of Chelsea West, was expelled from the Cape Clothing Manufacturers' Association about two weeks ago, when he told the association of his intention to agree to the union's demands

Baard said the mandate from the association was their final offer of 8% and no "private deals" with the SA Clothing and Textile Workers' Union (Sactwu) would be tolerated If this meant expelling employers who entered into such deals and the collapse of the employers' association, then that would have to happen

Nationally, some of the larger employers were offering to settle at between nine and 10%, he said

"We see the revised offers as an acknowledgment of our proposal and a major step forward in the resolution of the dispute," Patel said.

A qualified machinist who had worked in the clothing industry for 30 years could now expect to earn R293 a week in the Western Cape, R295 in KwaZulu Natal. In the Free State, the same worker would get R229

"We accept that individual employers have the right to break ranks, but the consequence of doing so is that they will be expelled," Baard said – Own Correspondent.

Strike will 'cripple' industry

Sowetan 25/7/96 (AL 3/197 Pt2)

By Abdul Milazi
Labour Reporter

TODAY'S planned national strike by 100 000 members of the South African Clothing and Textile Workers Union (Sactwu) is set to cripple the clothing industry which is already in financial difficulties

Sactwu is adamant that it will not accept anything less than a 10 percent wage increase, while employers are not prepared to improve on their eight percent wage offer

Both parties held special ballots on Friday in which Sactwu members voted in favour of a strike, while employers voted for lockouts

Spokesman for the employers Johan Baard yesterday said they were not bluffing when they threatened to lock out workers if they went on strike.

Locking workers out

Congress of South African Trade Unions general secretary Sam Shilowa said locking workers out would not solve the industry's problems but would worsen things

He said the employer's decision to implement lockouts as a counter to the strike, undermined workers' rights to strike

"Employers should have called the union to the negotiating table to find ways of getting around their problem"

Sactwu general secretary Ebrahim Patel said the clothing industry was the lowest paying in the manufacturing sector, with a minimum wage of R186 a week for Durban workers and R187 in Johannesburg

"Conditions of employment vary within the area covered by the negotiations but both the minimum wage for workers and the wage for qualified machinists condemn workers to perpetual poverty," said Patel

Patel said a qualified sewing machinist with long service still earned a weekly wage that varied from R205,70 a week in the Free State and Northern Cape to R295,50 in KwaZulu-Natal

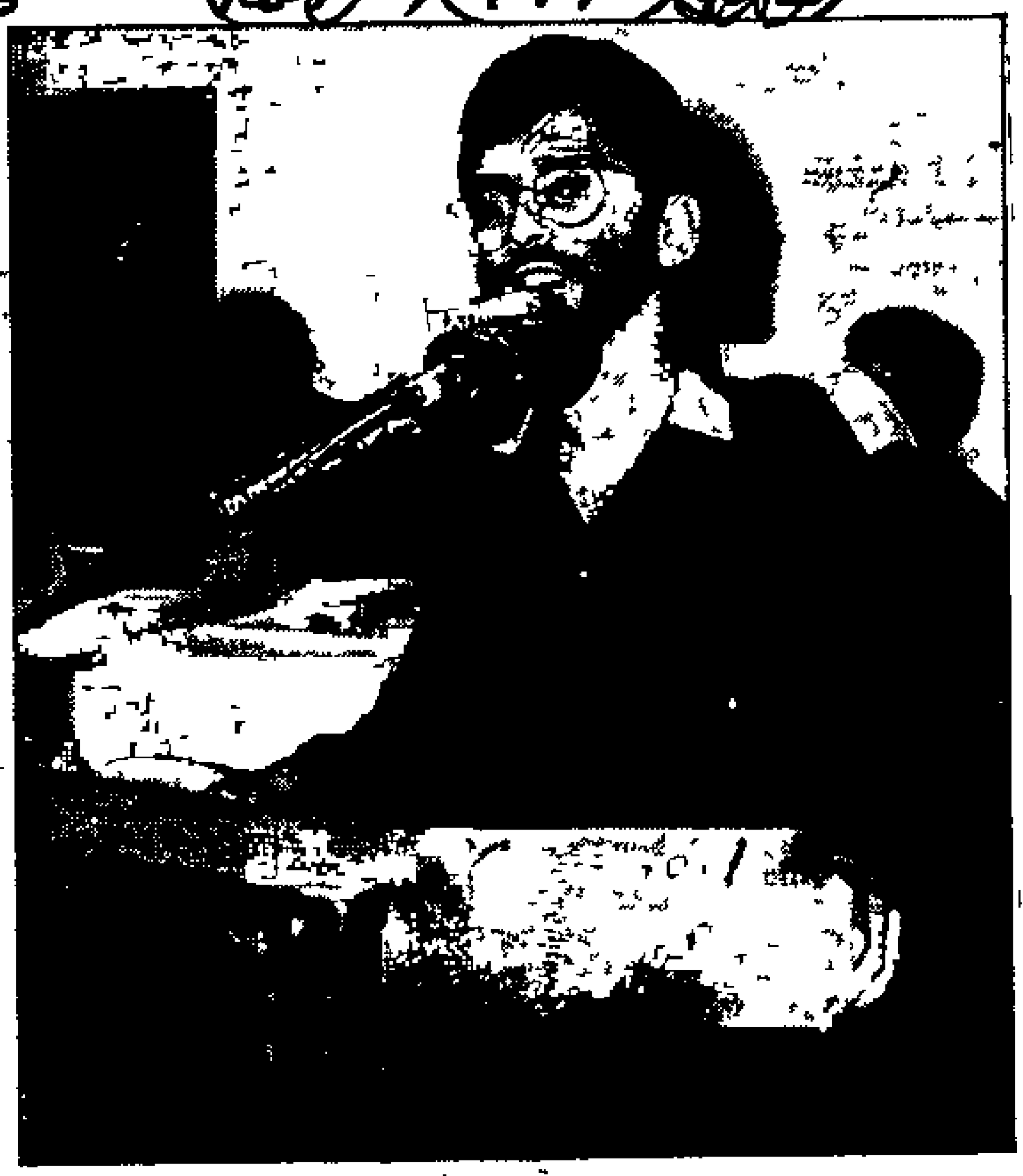
"The wages for qualified machinists are below the breadline as calculated by the University of South Africa's Supplemented Living Level (SLL)," said Patel

He said the SLL for coloureds and Africans was R315 a week in February 1996

"The highest qualified machinist rate in the negotiations was already six percent below the SLL in February 1996, while the lowest rate was more than one-third below the living level," said Patel

Patel said minimum wages in Johannesburg and Durban were 40 percent below the SLL

"The industry lies at the economic faultlines of apartheid, in that there has been systematic discrimination against black workers in wages, retirement benefits and Christmas bonuses For a number of years Sactwu has sought to reduce these inequities in the industry," said Patel



Sactwu's assistant general secretary Ebrahim Patel.

However, the Black Management Forum's Greater Pretoria branch vice president, Kate Bapela, said both the workers and employers would lose as a result of the strike.

Bapela warned that should production come to a standstill, buyers would look elsewhere

"The industry is already under extreme pressure from illegal dumping of goods by foreign companies, especially the Taiwanese, and the relaxing of trade tariffs," said Bapela

"The strike would open the doors for the Taiwanese to exploit the need and will also lead buyers to look to neighbouring countries for textile goods"

Bapela said workers would lose jobs as many factories will find it difficult to regain their market and will be forced to close

(197)

Textile strike enters its second day, but mediation due to start at weekend

The clothing industry's first national strike is in its second day, but the union and employers have agreed to start mediation to resolve it this weekend.

The agreement follows an appeal from the Department of Labour, and the SA Clothing and Textile Workers' Union (Sactwu).

The union hopes employers "will put up a decent offer that has the prospect of bringing improvement", deputy general secretary Ebrahim Patel said yesterday.

The National Employers' Caucus for the clothing industry has argued that a 10% increase was too costly in an industry which faced the threat of cheap imports. However, Sactwu has questioned why workers earning R1 268 a month should accept poverty pay when management failed to set an example of salary restraint.

It stated that the executive director of clothing giant Seardel last year earned 47 times more on average than clothing machinists who receive R1 268 a month

According to the Seardel Industrial Corporation and Consolidated holdings annual report, last year's total salary bill for executive directors increased by 21% from R5,1-million to R6,2-million.

Thousands of workers began their strike yesterday to support a 10% package increase. Employers had formally offered 8% But, on the eve of the strike, at least 20 companies had already broken ranks and agreed to 10%.

► See Business Report
page 1

Star 26/7/96

MtG (DM) 26/7-1/8/96

'Clothing industry in tatters'

(197)

Jacquie Golding-Duffy

IN the next five years, the effect of strikes in the clothing industry will be minimal as the clothing sector will have collapsed. South Africa will be forced to embrace imports, argues Econometrix economist Tony Twine.

Twine says the economy, while in a transitional phase, will not benefit from a strike in the already declining sector. However, neither will management or workers benefit from such a strike, he says. Twine cites the example of the motor industry strike two years ago. Workers' demand for a wage increase was met by employers after nearly six weeks of striking, but workers were then forced to waive any claims for further increases for the next two years, until production caught up again.

Twine adds that while there is sympathy for industries that are declining owing to holes in the customs net, the move towards lowering import tariffs will benefit the economy in future.

But Peter Cragg, executive director of the Cape Clothing Manufacturers' Association, an employers' body, says the industry can "definitely be saved" by, among other things, developing competitive goods for niche markets and containing input costs.

Twine's view, he says, is clinical and certainly not a model of encouragement for manufacturers.

The strike, argues Cragg, is about containing input costs. "This is not just the union asking for a marginal increase, it's about a total cost perspective, which means consumers will feel the pinch and they are the ones who will ultimately decide the industry's future."

Jabu Ncgobo, general secretary of the South African Clothing and Textile Workers Union (Sactwu), says he is aware of problems in the industry, but meeting workers' demands for a 10% increase will not bring it to its knees. "It is going downhill owing to a number of factors, including the lowering of tariffs and the skipping of customs and import duties. Our demands will not cause the industry to collapse any further."

The strike by Sactwu has allowed employers to exercise their right to lock-out and has generated support among employers for "selective and partial" lock-out action, intended to bring pressure on strikers, while not prejudicing workers who refuse to support the strike.

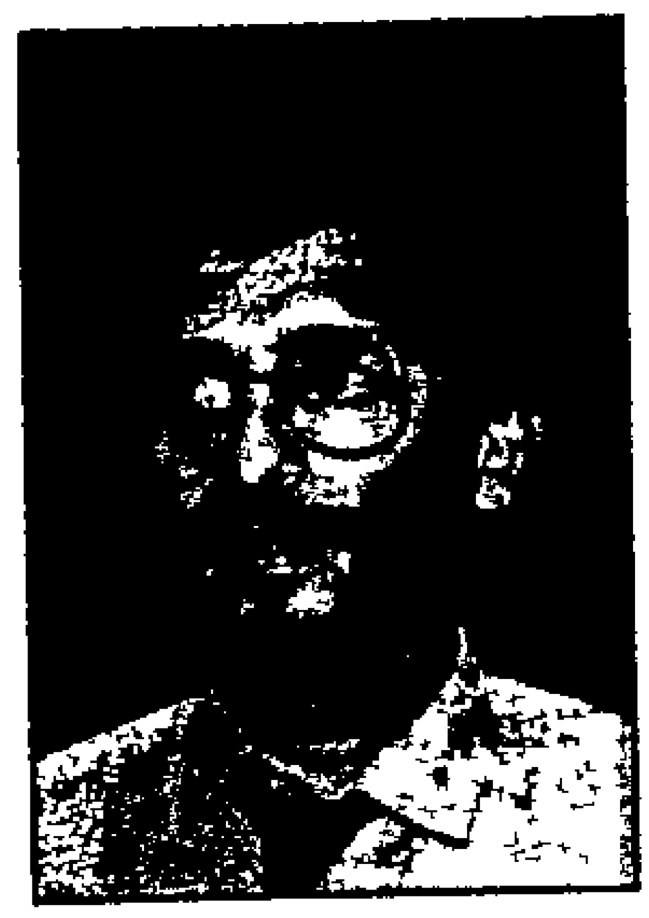
CLOTHING STRIKE (197)

TAKING UP THE CUDGELS

As if to underline Cosatu's opposition to government economic policy, the SA Clothing & Textile Workers' Union (Sactwu), led by chief Cosatu strategist Ebrahim Patel, will go on strike this week, demanding a 10% "package" increase in pay and benefits

This follows the union's rejection of employers' final offer last week of an 8% increase in the annual wage negotiations. Management's opening offer was

3%, which rose to 7%, at which point the union declared a deadlock. Mediation and several meetings between the two sides had failed to deliver a solution "The action starts on Thursday, it will be a full-blown strike," says Sactwu's national education officer Andre Kriel, adding that the 83 000-member union "will, of course, evaluate the situation from time to time."



Ebrahim Patel

The decision to strike was taken on Monday night by Sactwu shop steward councils countrywide. This followed a strike ballot conducted between July 10-16, which, in an 83% poll, registered 80% in favour of a work stoppage.

"The strike is the absolute last resort It is unfortunate but unavoidable," says Kriel "In view of the fact that about 2% of the 8% offered has to go to benefits, including the provident fund, the actual wage increase amounts to only R17,50."

He points out that the Supplementary Living Level (which covers the cost of the basic necessities of life) compiled by Unisa in February was R315 a week. And "the highest qualified machinist's rate in our negotiations was already 6% below the SLL. The lowest minimum wages in Johannesburg and Durban are both 40% below the SLL," he says.

Aside from the wage increase, the union also wants improved annual bonuses, provident fund benefits, and maternity leave increased from 25% to 32% of the wage for three months since the workers are predominantly women

"Our demand for a living wage in the clothing industry is part of our campaign to bring about equity in our society"

On the question of fierce global competition which has undercut the local textile industry, Kriel says. "The union believes it can't isolate itself from the global effects of Gatt, but economic growth in the industry can't be based on poverty wages It should rather be based on quality work targeted for niche markets.

"We cannot compete with countries like China because their costing is based on starvation wages and child labour common in the East."

Kriel says the union is not asking for tariff protection, "but we say that tariff reduction on its own does not constitute an effective industrial policy Tariff reduction needs to be accompanied by a range of supply-side measures and social support during the restructuring process — for example, upgrading worker skills, and technology."

Sactwu maintains that government's accelerated programme of tariff reductions "cannot be done unilaterally, as all stakeholders including labour will have to be part of agreeing on such a programme We support the Cosatu call for macro negotiations around broader economic policy"

Cape Town, which employs nearly half the clothing industry work force, will be most affected by the strike. Kriel says that many industries depend on the sector and the knock-on effect of the strike will be felt more widely

Johan Baard, chief negotiator of the National Employers Caucus of the Clothing Industry, which represents 1 200 factories, has condemned the strike, saying that no-one will benefit from it

"If unions embark on a strike, workers can expect that terms will not be dictated by them but that employers will respond by instituting various ranges of lock-out action."

Baard points out that the industry, which has been battered by cheap illegal imports in recent years leading to job losses, could not sustain a strike. ■

Sactwu workers strike begins

(1.97)

Sowetan 26/7/96

Sowetan Reporters and Sapa

THOUSANDS of clothing workers began a nationwide strike yesterday following the refusal by employers to meet a demand by the SA Clothing and Textile Workers Union for a 10 percent wage increase.

In Durban, clothing manufacturers have threatened to expel from their association members who were making private deals with striking Sactwu members.

About 10 000 workers gathered at Durban's Curries Fountain where their leaders claimed the strike was 90 percent successful Employers, however, estimated that 80 percent of the workforce had heeded the call.

Substantiate

"Any employer who we can substantiate has made private deals beyond the mandate of the association will be expelled," spokesman for the employers Mr Johan Baard said.

Union spokesman Mr Elias Banda said about 10 employers in Durban had approached the union offering to meet their demand for a 10 percent wage increase

In Cape Town thousands of Sactwu members gathered outside the Good Hope Centre Meanwhile, more unions have pledged their full support for Sactwu workers

"Your pending strike comes at a time when the SA workers have to endure enormous pressure from the bosses to accept cut-backs in wages and other working conditions as capitalism lurches from one crisis to the next," SA Municipal Workers' Union said in a letter of support to Saetwu

Transport and General Workers Union general-secretary Mr Randall Howard appealed to employers not to lock out strikers as this could lead to unnecessary conflict and make resolution of the dispute more difficult

"Workers of this country managed to demolish the apartheid regime and now they demand economic power," the National Union of Mineworkers said in a statement from Johannesburg

Lockout test for employers

(197)

Sowetan 25/7/96

By Abdul Milazi and Simon Zwane

EMPLOYERS' muscle to lock out workers will be tested for the first time when the South African Clothing and Textile Workers' Union (Sactwu) embarks on a national strike today

Sactwu assistant general-secretary Mr Ebrahim Patel said yesterday the union had decided to go on strike after a special meeting between employers and workers last Friday failed to break the deadlock over wages.

Employers said yesterday they will lock out striking workers

Chief negotiator for the employers Mr Johann Baard said employers knew that a lockout would have to exceed the planned duration of the strike to be successful

He said employers would notify their workers as they arrived for work that all those not present at the start of business and those leaving premises without permission would be locked out

Some employers had notified the union and workers that they had been locked out with effect from last night and the lockout would remain in force irrespective of what happened today and tomorrow

Sactwu is demanding a 10 percent across-the-board wage increase and a restructuring of the provident fund and Christmas bonus system

Employers on Friday also increased their offer to eight percent from the initial seven percent in a bid to avert a strike. However, Sactwu rejected the revised offer saying they would not accept anything less than 10 percent.

Sactwu said yesterday: "The cost of a strike is immense to workers and the industry"

Baard said the strike would cost the industry about R15 million a day in lost turnover while workers would lose R6,2 million in wages.

Patel said accepting the employers' offer would mean accepting past imbalances rather than addressing them He argued that a further two percent increase would not cost the industry much Sactwu said its doors were still open if employers wanted to resume negotiations

Congress of SA Trade Unions general-secretary Mr Sam Shilowa criticised employers for locking out workers

"It is irresponsible of employers to take that stance. They should have called the union to the negotiating table"

Campaigning: A member of Sactwu hands out leaflets to clothing workers at Salt River station a day before strike action PHOTOGRAPH RODGER BOSCH

Strike rips the seams of the clothing sector

OH-G 26/7-1/8/96 (197)

With 2% at stake, Western Cape clothing workers are to make history by striking for higher wages, writes Rehana Rossouw

THE clothing workers' strike is their first in the Western Cape for higher wages. Although there have been work stoppages over the years, never before has there been a co-ordinated strike by the overwhelming majority of workers in Western Cape clothing factories demanding more wages. At stake is 2%. They want 10%, and their employers are offering 8%.

Salt River station services some of the biggest clothing factories in Cape Town and is usually teeming with weekday commuters. "This time tomorrow, this place will be empty," predicted clothing worker Maria Fortuin with some satisfaction.

On Wednesday afternoon, clothing workers were easy to identify as they streamed on to the platforms. They clutched pamphlets issued by South African Clothing and Textile Workers Union (Sactwu) and the word "strike" was on their lips

On Thursday morning, about 40 000 clothing workers in the Western Cape formed the backbone of the national strike of 80 000 Sactwu members.

Fortuin, a machinist for 19 years and employed by clothing giant Rex Trueform, said her family was her motivation for going on strike for the first time in her working life.

"I'm doing it for my children. Who knows, one day they may end up in a clothing factory and I don't want them to ask me why I did nothing about the peanuts we earn," she said.

"I have my pride, you can only trample it for so long before I say I've had enough."

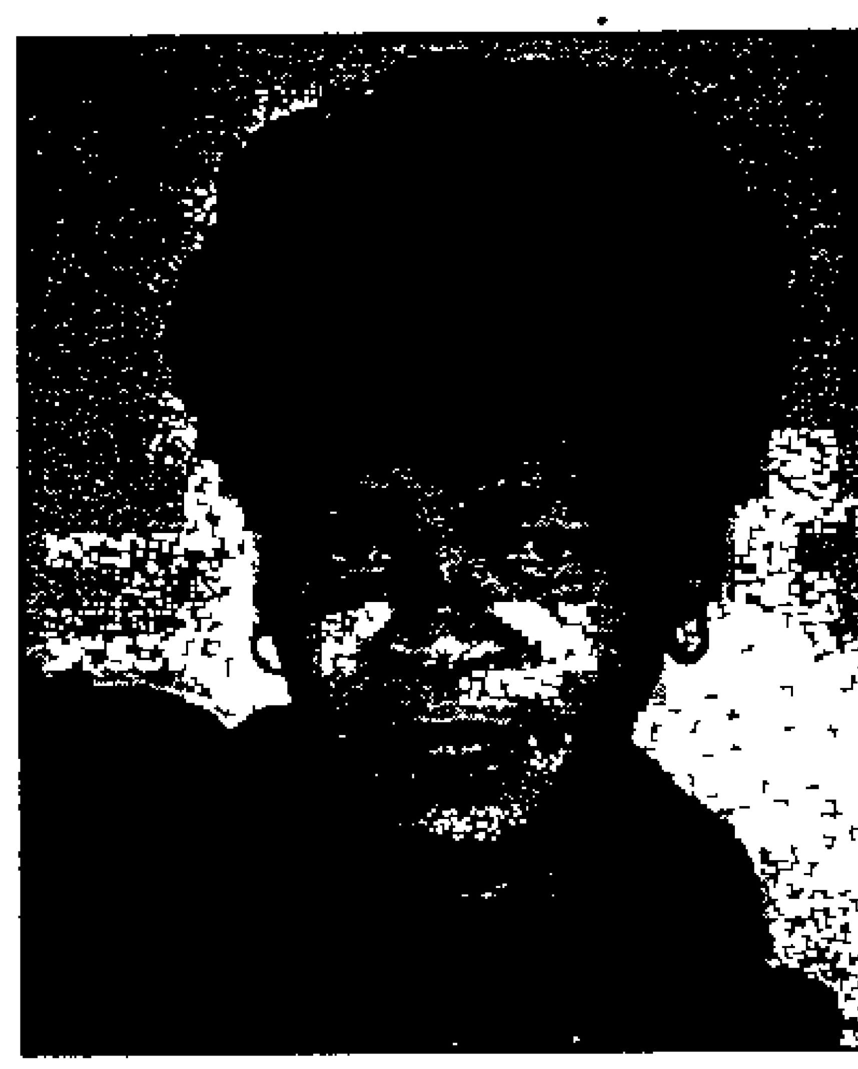
Fortuin earns R293 a week Her labourer husband is unemployed and she is the sole supporter of a household which includes four school-going children

"R293 doesn't go very far when you have to pay the rent, the electricity and buy food and clothes for children. At least I have a husband who works whenever he can find something. There are hundreds of women at Rex Trueform who are single parents or support their parents How are they expected to live decent lives?"

Fortuin said she was not afraid of threats by employers to lock out the strikers and withhold their wages at the end of the week. "I am striking for my rights and there's nothing in the world that can stop me."

Work had come to a standstill on Wednesday already at Rex Trueform when workers were angered by posters put up in the factory by management telling them the strike would hurt the economy.

"The posters were only up for a few minutes when they were torn down. The bosses don't care about the economy, all they care about is their good lives and having enough money to send their children to expensive schools and on holiday every year," Fortuin said.



'I have my pride, you can only trample it for so long before I say I've had enough' — Maria Fortuin

"We struggle just to keep our children in school so that they don't end up on the factory floor like their parents We can forget about fancy holidays at the end of the year, we're too worried about the school uniforms that must be bought for the next year."

Sactwu does not have a strike fund for its members, but this does not deter Fortuin She was using the last of her weekly train ticket to travel to union meetings on Thursday and Friday and wasn't sure if she would have money to attend next week

"We get by on so little, I'm sure we'll get by on nothing at all People in the community are fantastic. They started collecting food for us last week already, so at least my children won't go hungry. I'm on strike until the bosses give in and pay us a decent wage."

This is the first ever legal strike in the history of the clothing industry in the Western Cape. Until 1987, workers were represented by the Garment Workers Union, a "sweetheart union" which never once called for a wage strike.

Sactwu representative Andre Kriel said the union was not surprised by the 83% support for the strike ballot in the Western Cape as workers had previously responded well to stay-away calls in support of national demands

"Before the ballot was held, we were well aware of the determination of our members to improve their wages. We had about 400 factory meetings in the run-up to the ballot and every one of them was packed like never before," said Kriel.

"Our members are very determined to stay out until they have won their demands. There seems to be very little fear of a lengthy strike."

The strike comes at a time when the South African clothing industry is facing fierce competition to match lower prices offered by foreign imports National Employers' Caucus of the Clothing Industry representative Johann Baard said this had prompted many employers to adopt "survival strategies" and they could not afford to offer more than an 8% increase.

Baard said employers reserved the right to lock out strikers as this was still permitted in terms of the Labour Relations Act. Many employers have indicated they would lock out strikers

He also warned that thousands of workers could lose their jobs as a result of the strike, which would cost the already struggling industry R15,6-million a day The strike would also "tarnish" efforts to promote more investment in South Africa.

'Clothing industry in tatters', PAGE B2

Don't buy from local clothing manufacturers, retailers urged

(087) (197) (1672)

By WILLIAM-MERVIN GUMEDE

The South African Clothing and Textile Workers' Union has called on local retail groups not to buy from local clothing manufacturers until a settlement is stitched up to end the strike it started on Thursday.

Sactwu will target retail outlets suspected of buying from clothing and textile manufacturers with mass action, the union's Gauteng regional secretary Norman Ratshidi told the *Saturday Star*. He said the strike had been most effective in Gauteng, where 95% of the workforce had stayed home.

Ratshidi said some employers in Gauteng had already agreed to the 10% wage increase demanded by the union, opening the way for workers to return to the factory floor. Sactwu and the National Employers' Caucus of the Clothing Industry will go for mediation tomorrow in the hope of ending the strike.

"Sactwu was always open to mediation, and will end the strike if the employers come to the table with a good offer," he said. Employers have offered between 8 and 8,5%.

Charles Nupen, director of the Commission for Conciliation, Mediation and Arbitration, has been appointed as mediator, following a proposal to the disputing parties by Department of Labour deputy director-general Les Kettledas that they seek mediation.

Ratshidi said the strike and demonstrations would continue at the weekend despite mediation efforts.

"The mass action will go on, but this won't scuttle the mediation talks," he maintained. The union would report back to its members on the results of the mediation on Monday.

Johann Baard, the employers' chief negotiator, said yesterday the employers would not compromise

Star 27/7/96

Top mediator to help end textile strike

ST 28/7/96 (197)

By CAROL PATON and DON ROBERTSON

MEDIATION to end the clothing industry's first national strike is set to start today with leading mediator Charles Nupen in the chair between employers and workers

The SA Clothing and Textile Workers' Union claimed the strike had been a huge success, causing the shutdown of all major clothing manufacturers and most medium-sized ones, as well as bringing about 60 000 workers out in protest

Union officials Ebrahim Patel and Elias Banda said the strike, which began on Thursday, had grown on Friday when workers had gathered at factories for their weekly pay

However, a spokesman for the employers, Johann Baard, claimed almost all staff had reported for work on Friday, but most large manufacturers locked their workers out

Baard said "In the light of the mediation, I have an agreement with Banda, the union's chief negotiator, that we will use our best endeavours to end the lock out and strike action from Monday morning"

But union sources said, even if mediation was successful, the strike would continue on Monday when shop stewards reported to workers

Patel said "Provided employers can make a bold and imaginative offer, we will go into mediation with a positive frame of mind"

The union demand remains at 10 percent, and the employer offer at eight percent In cash terms, for most workers 10 percent amounts to an increase of less than R20 a week Striking workers are losing R50 a day in wages, meaning that a protracted strike could wipe out any gains they may win

Patel said that the strike was "an investment in our future When you are earning wages like these, a sacrifice of R50 is immense Workers say they are striking in the hope that things will improve in the future"

● Negotiations by 200 000 steel workers for improvements to their wage and working conditions stalled on Thursday, after the National Union of Metalworkers of SA insisted the public holiday penalty clause be scrapped

The clause allows employers to withhold pay from staff who are absent the day before or after a public holiday without permission It was recently the subject of an unsuccessful challenge in the Rand Supreme Court, when the union applied to have the clause declared invalid

Employers offered to amend the clause to exclude workers who protest against the "socio-economic" interests of other employees

During the talks, which started in March, employers represented by the Steel and Engineering Industries Federation of SA agreed to increase the previous wage offer of between eight and nine percent to between 8,5 percent for skilled employees, and 9,75 percent for unskilled workers

Star 29/7/96

Textile talks end in stalemate

(197)

Cape Town – No settlement could be reached after a day-long mediation meeting between the South African Clothing and Textile Workers' Union (Sactwu) and clothing industry employers in Cape Town yesterday

Johann Baard, chief negotiator of the National Employers' Caucus, told a media briefing various settlement options were considered, but after seven hours of talks it was clear that a settlement was beyond both parties' reach.

The strike and lock-out called on Thursday will continue today, but both parties have agreed to meet again on Wednesday with mediator Charles Nupen, director of the Commission for Conciliation, Mediation and Arbitration.

Sactwu called the strike after a demand for a 10% wage increase was turned down by employers.

Baard said yesterday it was disappointing that Sactwu had not made a counter offer to the employers' 8% – Sapa.

Union declares disputes with seven big employers

Stage set for strike in retail sector

CT(BR) 29/7/96 (197)

By Jonathan Rosenthal

Johannesburg — Widespread labour conflict in the retail sector is brewing following the deadlock in negotiations between the 100 000-member South African Commercial, Catering and Allied Workers' Union and seven employers in the past few weeks

Sithembele Tshwete, a union spokesman, said at the weekend that the union had declared disputes with Edgars, Dion, Clicks, Metro Cash and Carry, OK Bazaars and City Lodge Hotels

On Friday, union members plan to march to the Edgars head office in Johannesburg and the company's regional offices in support of demands for an increase of R350, or 19 percent, with a minimum wage of R1 300 Management has offered the higher of R220 or 10,5 percent, Nigel Unwin, the human resources director, said

The union has applied for a conciliation board hearing It also alleged management had not provided it with full information during the negotiations Unwin denied this, saying "there was full disclosure of the company's finances to the extent that we invited the union to bring in its own auditors"

NUM tables demands at Implats

Johannesburg — The National Union of Mineworkers on Friday [illegible] sent a list of its demands to Impala Platinum Holdings (Implats), Phillip Motloung, regional organiser for the union, said at the weekend

"If the response is negative [illegible] will have no option but to go to strike action," Motloung said

Most of Implats' almost 30 000 employees voted to strike in a ballot on Thursday

The union is demanding a rise of between 8 percent and 12 percent, an increase in the [illegible] allowance to R1 100 a month from R335 for the [illegible] percent of miners who live off the mining site and the introduction of [illegible]

Management has offered an across-the-board wage increase of 7,44 percent An Implats spokesman said Implats had tabled an increase in the [illegible] allowance and [illegible] extending medical [illegible]

A strike [illegible] probably [illegible] if no agreement is reached — AP Dow Jones

Tshwete said workers were ready to strike if the conciliation board could not resolve the issue

The union's dispute with Dion revolves around its demand for a R1 200 minimum wage, a R250 increase and a 15 percent staff discount at the store, up from the present 10 percent discount The company has offered a R200 wage increase and no increase in the discount The union has applied for a conciliation board hearing

At Clicks, where the union claims a membership of 1 213 out of a workforce of 2 152, the union has demanded a R215 increase and an additional day's leave each month against the company's offer of R115 and no additional leave "We will make a last effort for conciliation on 31 July and, if this fails, we will then meet with workers to ballot for a strike," Tshwete said

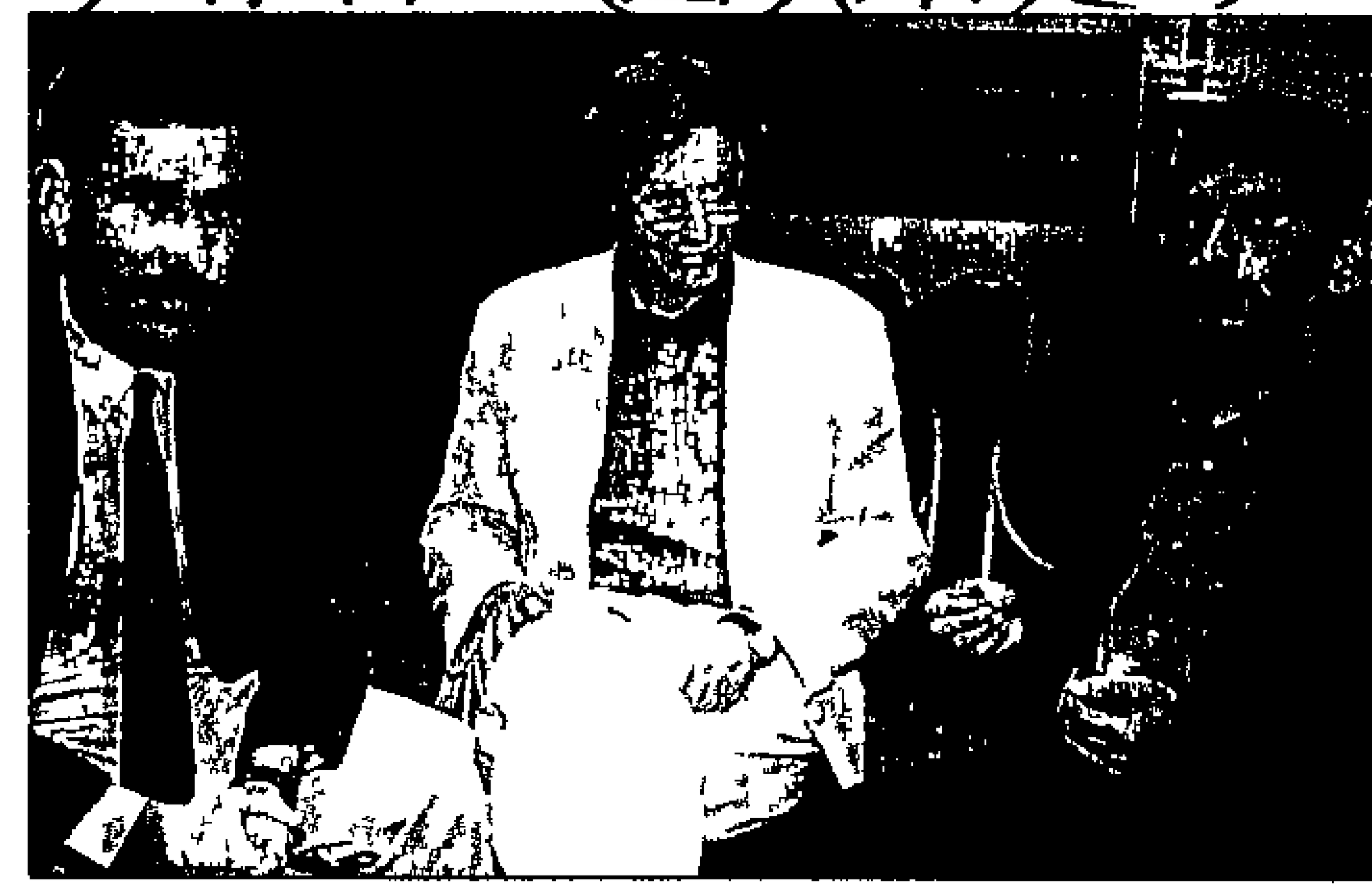
The union declared a dispute with Metro last weekend and is demanding a minimum wage of R1 500

At City Lodge, where the union has 250 members out of 533 employees, it has demanded an increase of R260 Management has offered R150 and a 1,5 percent increase in the company's contribution to pension and provident funds

"Our offer would take the minimum wage to R1 600 a month, which I think is the highest minimum in our industry," said Clifford Ross, the managing director

The union has also demanded two days of paternity leave and an increased transport allowance to R18 a shift, from R13,50

The union and OK Bazaars reached an agreement on wages but the union has declared a dispute over OK's restructuring It has entered into negotiations in an attempt to forestall "unilateral" restructuring, but is also considering taking industrial action



DEADLOCK *Johann Baard, chief negotiator of the National Employers' Caucus of the Clothing Industry, independent mediator Charles Nupen, and Ebrahim Patel, deputy secretary-general of the SA Clothing and Textile Workers' Union (Sactwu) during their weekend negotiations The clothing industry strike, which started on Thursday, looks set to continue at least until mid-week*

Pictures: BRENTON GEACH and OBED ZILWA, The Argus

STRIKE FORCE: Part of the crowd of thousands of striking clothing workers who crammed the Cape Town Civic Centre for a meeting today. Inset: Sactwu deputy chairman Lillian Malan addresses workers.

ARG 29/7/96

Strikers plan pressure on stores

ESTELLE RANDALL, ASHLEY SMITH and JUDY DAMON
Staff Reporters

STRIKING clothing workers decided today to put pressure on managers of major Cape Town shops not to buy clothes from strike-hit factories

This was decided at a South African Clothing and Textile Workers Union (Sactwu) rally at the civic centre

Organisers said they would put pressure on stores including Edgars, Woolworths and Mr Price They also planned to to tell store managers not to buy clothes from foreign markets to replace local goods Strikers would further ask shop management to put pressure on factories not to lock out workers

Tomorrow employees plan to picket factories and put pressure on non-striking workers to join the strike

Talks to settle the clothing industry's first national strike will continue on Wednesday, but more employers were breaking ranks and offering between nine and 10 percent, Sactwu said

Yesterday's meeting in Cape Town between mediator Charles Nupen, employers and Sactwu failed to move the parties closer to a settlement and the strike, which began last Thursday, continues Employers will also continue to lock out strikers wanting to return to work

The union wants a 10 percent package increase to improve wages, annual bonuses, maternity leave, retirement benefits and skills training Employers are offering eight percent

Sactwu deputy general secretary Ebrahim Patel said, at the union's last count, employers countrywide had broken ranks with the official eight percent offer He refused to give their names

Cape Clothing Manufacturers Association executive director Peter Cragg questioned this claim and insisted Sactwu disclose the names

Johann Baard, spokesman for the National Employers Caucus for the Clothing Industry, said employers were disappointed when Sactwu yesterday failed to move from its demand for a 10 percent package increase, although employers had not moved from their offer of eight percent

"We were particularly disappointed since the union has publicly acknowledged that 10 percent was negotiable We will continue to appeal to workers about the consequences of continued strike action as this will only lead to further retrenchments," Mr Baard said

Mr Patel accused employers of playing with the industry's future

"We have shown our demand for a 10 percent package increase is affordable and just Nevertheless, employers have kept the lockout going and have refused to move to a settlement range "

He said employers' use of the lockout had not been implemented in Gauteng nor was it being used in all factories in Cape Town and Durban

Last week strikers staged demonstrations at retail stores in Cape Town's city centre and in the southern suburbs. Striking Rex Trueform clothing workers in Salt River burnt tyres early today.

Speaking in solidarity with the clothing workers at the civic centre, SA Municipal Workers Union (Samwu) member Vincent Jonas said the union fully supported the strike

The regional organiser of Sactwu in the Western Cape, Rachel Visser, said workers had to be disciplined and not get drunk while on strike

Textile bosses call for truce

(197)

Sowetan 30/8/96

CLOTHING industry employers would partially modify the conditions of their lockout and reinstate all striking workers if they reported for duty today, employers' negotiator Mr Johann Baard said in Cape Town yesterday

The strike called by the South African Clothing and Textiles Workers Union entered its fifth day yesterday

Baard said employers were losing about R15,5 million a day in turnover, while employees were losing R5,6 million a day in wages

A second round of mediation is scheduled for tomorrow after no agreement was reached on Sunday

Intensify action

After a report-back to members, the union yesterday said it would intensify strike action and hold placard demonstrations at the premises of large retailers

Baard said employers had no difficulty with workers' right to peaceful protest but that tyres had been set alight in the street at some factories in Salt River and Woodstock outside Cape Town and that non-striking workers were being intimidated

Baard said there was minority worker support for the strike He said taking back striking workers was the employers' gesture of goodwill in an effort to create a better climate for mediation tomorrow

Sactwu deputy general secretary Ebrahim Patel said the union would put pressure on employers and if demands were not met, it would ask the public to boycott large retail stores. – *Sapa.*

UNION HAS LOST CONTROL – CHIEF NEGOTIATOR

Strikers shut down city stores

CT 30/7/96 (197)

AN ATTEMPT by strikers in the clothing industry to draw retailers into their wage dispute has failed. Woolworths and Edgars spokesmen said they would not respond to the union's "bully-boy tactics". **CYNTHIA VONGAI** reports

STRIKING SA Clothing and Textile Workers' Union (Sactwu) members picketed Woolworths and Edgars retail stores yesterday, forcing the stores' Adderley Street branches to shut from lunchtime.

In an attempt to pressure retailers into forcing employers to settle their wage dispute with Sactwu, they rang up goods at the stores and then refused to pay for them. They carried out similar protests on Saturday.

Clothing workers have been striking since Thursday in support of a 10% wage increase, but the National Employers' Caucus of the Clothing Industry has only agreed to eight percent.

Allegations made yesterday by the chief negotiator of the caucus, Mr Johann Baard, that Sactwu had lost control of the striking workers were dismissed by Sactwu assistant general-secretary Mr Ebrahim Patel.

Baard said stonings at factory premises and the invasion of retail stores and the homes of clothing company executives were clear proof that Sactwu had lost control of its members.

He claimed there had been incidents of violence in Salt River and Woodstock, when strikers burnt tyres and intimidated non-striking workers.

"We are in the midst of a mediation initiative, yet Sactwu members have seen fit to resort to dirty tactics. From reports of incidents yesterday it is clear that the union ranks have been swelled by outsiders," Baard said.

"Interference and intimidation have become commonplace. We hope the unruly behaviour and intimidatory tactics will be condemned by the union.

"Thuggery and blackmail will not win the day," he said.

However, Patel countered: "I dismiss this allegation emphatically. Some workers made fires to keep warm and it is absurd to equate this with tyre-burning.

"The strike has been characterised by the utmost discipline and dignity in the face of provocation."

The strike is set to continue until tomorrow when employers and strikers meet again to try to resolve the dispute.

Sactwu has drafted a memorandum and distributed it to retailers asking them to sign it and return it to the employers' caucus.

The memorandum asks retailers not to buy goods from local clothing manufacturers for the duration of the strike and also asks them not to buy imported goods to replace the local orders because of delays caused by the strike. It also asks retailers to condemn the employers' lockout of striking workers.

In a statement yesterday, Woolworths said "a large number of Sactwu members" picketed outside Woolworths House (its head office) and staged sit-ins at its stores in Adderley Street and Claremont.

"They demanded our signature on their memorandum, but by agreement with the organisers Woolworths did not sign and instead faxed a copy to the Employers' Caucus of the Clothing Industry. The fax said 'A large number of employees picketed inside Woolworths head office today. We sincerely hope that this matter is resolved at Wednesday's mediation. We have received Sactwu's memorandum.'"

Edgars group human resources executive Mr Nigel Unwin said Sactwu's attempt to involve retailers would not work.

"We will not respond to bully-boy tactics used by Sactwu and we do not appreciate the disruption of business because we have lost a considerable amount of money."

Unwin said the avenue the strikers were taking would not result in a peaceful solution to the wage problem, which reached a stalemate during negotiations between Sactwu and the caucus.

Sactwu regional-secretary Mr Wayne van der Rheede said the workers wanted to pressure retailers into helping settle the dispute.

"Retailers have the power to insure there is a settlement."

Patel said Sactwu viewed the retailers as the benefactors of the low wages paid in the clothing industry.

"Woolworths and Edgars put a 100% mark-up on clothing goods."

By picketing in and outside retail stores, Sactwu wanted to win the support of retailers and the public and draw attention to what was happening in the industry.

"Strikers have shown incredible determination in pursuing a set of legitimate demands, which call on employers to place on the table a proposal to address the problems of the poorest workers in the industry," Patel said.

● See Page 24

SHOPS TARGETED: Two policemen keep watch outside the Adderley Street branch of Woolworths yesterday, as a group of SA Clothing and Textile Workers' Union (Sactwu) strikers stage a sit-in inside

PICTURE: BENNY GOOL

NEWS

Hard-headed positions could bring down the garment industry

A testing time for all in the rag trade

(BR) CT 30/7/96 (197)

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Bringing the strike in the local clothing industry to an end before the production disruptions tear into the already threadbare trading conditions will sorely test the uncompromising stances adopted by the employers and the trade union.

The longer the strike continues the greater the chance that the wage dispute will be overshadowed by the spectre of bankruptcy.

A clothing sector analyst said the strike was sustainable in the short term.

"Some of the bigger factories are on short time, so a few days' disruption won't have a disastrous effect. But if industrial action lingers on then we could see problems," he said.

The worst of the present strike was the effect on investor confidence. "This disruption could prompt more companies to move out of the country," he said.

The South African Textile and Clothing Workers Union (Sactwu) and the National Employers's Caucus of the Clothing Industry were both sticking to their guns on wages when the strike began last Thursday.

The hard-headed attitude seems unnecessary and short-sighted considering that the employers' 8 percent offer and Sactwu's 10 percent demand translates into a few more pennies in the weekly pay packet and an insignificant addition to the wage bill.

Far more is at stake here than simple wrangling over wage increases. The clothing industry needs to send out a signal that it is serious about becoming internationally competitive.

One industry leader said the employers' unyielding attitude on the wage increase reflected the circumstances in the industry.

"This is all we can afford. That's why we are sticking to it."

Some workers take home less than R300 a week and their demands are understandable. Claims that employees were being manipulated by sinister forces with other agendas ring hollow. Sentiment at the stayaway rallies around the country highlighted genuine hardships.

While ordinary workers were rallying behind Sactwu's demand for a living wage, the employers played their trump card in adopting the controversial decision to lock them out.

The lockout means that striking workers, who were prepared to sacrifice a few days' wages for the cause, could face greater losses as the industrial action drags on. The lockout essentially precludes workers from returning to work once they have embarked on a strike.

With mediation due to resume tomorrow, striking workers are already losing a week's wages.

Cracks have started appearing on the employers' side with the news that several companies have broken ranks with the clothing association and have agreed to meet Sactwu's demands for a 10 percent wage increase.

One company has already been expelled from the organisation for breaking ranks.

On Sunday, Charles Nupen, the independent mediator, offered the union and employers time to reflect and reconsider their stances.

Mediation resumes tomorrow after consultation with members and it is hoped that both sides give the necessary leeway to reach a settlement.

If mediation fails to break the deadlock, the production losses that by then will be well over R100 million could become ominous. Local retailers and international buyers, whose supply arrangements have the clothing industry on a tight leash, could be forced to increase their reliance on imported garments.

Sactwu and the employers' caucus have to move swiftly to preclude serious supply disruptions. The final settlement will be rendered meaningless by factory closures and job losses if industrial action is prolonged.

STRIKING SALES *Police keep a watchful eye as striking clothing workers protest outside a retail outlet in central Cape Town yesterday. After a mass meeting, clothing workers decided to march to town to pressure large retail chains into not buying clothes from factories affected by industrial action* PHOTO: ANDREW BROWN

Workers released after overnight strike blockade

(197) ARG 30/7/96 ~~ARG 30/7/96~~

ASHLEY SMITH
Staff Reporter

AMID accusations that striking clothing workers were resorting to "dirty tactics", strikers today blockaded a Salt River clothing factory, barricading non-striking workers inside the factory

About 300 striking workers from clothing factories Bonwit, Kinross Clothing and Rex Trueform blocked the entrance to Bonwit clothing factory.

They refused to move until Jack Kipling, managing director of Bonwit Industries, agreed to the 10 percent increase being negotiated by the SA Clothing and Textile Workers' Union (Sactwu).

Some shop stewards had been outside the gates since midnight.

Non-striking workers said they were upset that the picket meant they were not allowed to exercise their right to work

Striking workers had apparently locked staff members inside the factory last night

After discussions, working staff members were released.

Mr Kipling said the behaviour of the strikers was immature

"Non-striking workers should be allowed in," he said.

"To prevent people from entering was not agreed between union bosses and management

"My main priority is, however, the safety and security of my workers"

Two staff members were allowed into the premises to make up pay packages

The picket follows a call yesterday by Mr Ebrahim Patel, deputy general secretary of Sactwu, who called on strikers to camp outside factory gates today

But Peter Cragg, executive director of the Cape clothing industry Manufacturers' Association, said 75 percent of clothing workers had returned to work yesterday

He said there was a growing tendency for workers to abandon the strike and to "tender their services"

Shortly after a vote of confidence in the strike at a mass rally in Cape Town yesterday, strikers marched to retail stores in the city centre.

Some outlets closed at lunch-time No violent incidents were reported although tensions ran high

Edgars, Woolworths, Foschini and Markhams were targeted by chanting workers

Johann Baard, chief negotiator for the National Employers' Caucus of the Clothing Industry, said Sactwu members were resorting to "dirty tactics".

He said factories targeted for "interference and intimidation" by Sactwu members were those which had an attendance rate as "high as 90 percent"

Mr Cragg said. "There are pockets of high strike incidence, particularly in the Salt River area close to Sactwu offices"

Employers accuse striking clothing workers of barricading factories

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BD 30/7/96

Reneé Grawitzky

THE clothing strike took a confrontational turn yesterday with employers claiming that strikers were barricading factory entrances and harassing clothing employers despite an undertaking by the parties to continue mediation tomorrow.

In line with Cosatu's call, there was picketing of a number of retail outlets in the Western Cape which could spread to other parts of the country today. As the strike gained momentum, there were rumours of an increasing number of employers threatening to break ranks which could ultimately undermine future centralised bargaining and the solidarity of the strike

Amid claims of increased intimidation, SA Clothing and Textile Workers' Union assistant general secretary Ebrahim Patel denied the strike was turning violent. In an industry where 80% of the workers were female, it was unthinkable that the strike could have turned violent, he said

Clothing employers claimed that not only were people prevented from entering or leaving factory premises, but a senior clothing employer and his family had been harassed at home by striking workers at the weekend.

Patel said in this case the employer had refused to pay the workers on Friday and the workers had picketed outside his home at the weekend Workers were paid yesterday.

Patel said there were two instances where guns had been pulled on striking workers and on Friday women had been forced to stand in the rain for up to seven hours before they were paid their weekly wages

He said it was in the industry's interest not to prolong the dispute. He stressed, however, that clothing workers were the lowest paid in the manufacturing sector, saying the "level of human misery of a family that earns R250 is incredible"

Clothing employer spokesman Johan Baard said more than 300 striking workers had gathered outside Seardel head office in Cape Town yesterday demanding a meeting with its chairman Aaron Searl A meeting was held but it was unclear what had transpired during the meeting.

Baard said employers were disappointed with the lack of progress during mediation on Sunday and with the union's failure to revise its 10% demand after the employers revised their position from 7% to 8% following the strike ballot

He said employers were questioning whether the necessary commitment

Continued on Page 2

Clothing

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Continued from Page 1

and desire existed to resolve the dispute, especially in view of the actions which had taken place yesterday

He expressed concern that a relationship built up over years could be destroyed in a matter of days.

Union general secretary Jabu Ngcobo warned that the "parties must really come together with a sense of settlement" He said the first mediation meeting reflected that employers were not prepared to move towards a settlement It was becoming evident that employers were taking advantage of the debate between labour and government on macroeconomic policy, Ngcobo said. "They are using this as their opportunity to fight labour by believing labour will have less strength to fight the struggle around wage negotiations this year."

CT 31/7/96

Office staff held (152)

captive by strikers (184)(197)

PRETORIA: About 300 striking workers yesterday held 15 administrative staff captive in their offices at a metal factory here for 12 hours before police freed the captives

Police spokesman Captain Dave Harrington said none of the trapped staff had called the police.

A shock grenade was thrown and two rubber bullets fired before the strikers dispersed. — Sapa

NO WORK, NO PAY: While a four-day strike by workers has closed many Cape clothing production factories, others have been kept going by workers who cannot afford to stop earning, even for a few days, or who do not wish to risk losing their jobs PICTURE GUY ADAMS

Fear for jobs keeps factories running

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CT 31/7/96

LISA TEMPLETON
STAFF REPORTER

MONEY and fear of job losses has kept many clothing workers at their machines — in spite of pressure to join a nationwide strike

The strike — which entered its fourth day of deadlock yesterday, with the SA Clothing and Textile Workers' Union (Sactwu) demanding a 10% increase and the National Employers' Caucus of the Clothing Industry offering eight percent — has brought many Cape clothing factories to a standstill

However, some factories have been kept going — by workers who earn R293 a week and could not afford to stop earning even for a few days.

"It was not good for me to strike because I have a husband who works now and then and three teenagers to support," said one worker "If I go on strike I get no wages and then there will be no food in the house"

The worker said she was frightened by the strikers, who yesterday morning barricaded the doors of the factory where she is employed in an attempt to stop people from working

"I am scared of them — they are dangerous and they shout ugly things at us, things you would not want to print in the newspaper," said the woman.

A second worker said she was sympathetic towards the strikers, but could not afford to lose even one day's money

"I sympathise with them The strike is worth it even if it is only for a little bit of money," she said. "Most of the women workers are single parents and an extra R6 a week makes a difference to them"

A third worker, who had not joined the strikers because it went against her Christian principles, said she worried about small companies which could not afford to increase wages and would fold under union demands, leaving people without jobs

She expressed concern for strikers who did not earn money while striking — unlike union officials — and who could not tell how long the strike would go on for

Another worker said she was not prepared to strike because she was disillusioned with the union.

"I was a union member for 20 years, until my friend lost her house in a fire and we appealed to the union for help," she said "All they gave her was R50"

One clothing manufacturer, who asked not to be identified, said his employees who worked through the strike were "terrified", after strikers hurled abuse and threats at them

Big return to work, say employers

CYNTHIA VONGAI
STAFF REPORTER

CLOTHING factory employers yesterday claimed that 70% of their workers had arrived for work yesterday — but the SA Clothing and Textile Workers' Union (Sactwu) angrily denied its four-day-old national strike was falling apart and said the claim was "propaganda"

The union also denied allegations that their members were guilty of thuggery, drunkenness, violence and intimidation, but employers hit back, claiming that they had documentary proof of this

Cape Clothing Manufacturers' Association (CCMA) executive director Mr Peter Cragg said yesterday there was a 70% worker attendance at clothing factories, compared with 65% on Monday Factories that shut at the beginning of the strike on Thursday have remained closed.

Cragg said there had been reports of widespread intimidation of workers trying to return to work.

"Contrary to Sactwu's denial of violence during the strike, we have documentary and visual evidence of intimidation, violence, drunkenness and general unlawful behaviour by striking Sactwu members"

He also claimed that the situation at some factories was serious, with workers being physically intimidated by fellow strikers not to return to work, but to remain on strike.

"Our intention is not to create a negative perception of the strike, but the public must know what is happening," said Cragg

Sactwu's assistant general secretary, Mr Ebrahim Patel, said last night the employers' claims of violence and unruliness were untrue and mostly "exaggerated", as the strike had been peaceful

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No compromise in Sactwu dispute

(197) BD 31/7/96

CAPE TOWN — Clothing industry employers and the SA Clothing and Textile Workers' Union agreed yesterday that a settlement of the four-day clothing workers' strike was in both parties' interest, but neither was prepared to offer any compromise before today's second mediation meeting in Cape Town

Claims and counterclaims were made by both parties after the National Employers' Caucus and the Cape Clothing Manufacturers' Association accused union members of violence, drunkenness and intimidation of non-striking workers

Sactwu deputy general secretary Ebrahim Patel said his union unequivocally condemned any violence and called on all strikers to behave in a peaceful and disciplined manner.

Peter Cragg, executive director of the association, made written statements from seven companies available to the media stating that striking workers were burning tyres, erecting barricades, damaging gates and physically abusing non-strikers

Doug Miller, spokesman for Pep Manufacturers, said exits at Pep in Parow were blocked, tyres had been set alight and non-striking workers had been prevented from entering Other companies had similar complaints

Johan Baard, chief negotiator for the caucus, said the relationship between employers and workers in the clothing trade had always been the envy of other industries and it was essential that this relationship be maintained

He said both parties had to do everything in their power to find a settlement and to look back on the strike as a learning process, and not one which had destroyed an unique relationship between management and workers.

He said he remained hopeful that a positive announcement would be made after today's meeting, but that both sides would have to compromise

Patel said his union would not harden its position, and would enter the "with an open mind and a positive attitude"

Sactwu is demanding a 10% wage increase and employers have offered eight percent, but have indicated an 8,5% offer was on the cards.

Reneé Grawitzky reports that sources close to the negotiations indicated that about 40 companies had shown their willingness yesterday to concede to the union's demands, which could put pressure on the employers to revise their positions

Patel said the offer of 8,5% was not new. "In fact the employers sought to define what would be their settlement range (between 8% and 8,5%) and then tried to lock-in the union into this settlement range"

Patel said more than 60 000 workers were still on strike He said he knew the workers would experience hardships, but they were determined to get a fair deal

Workers picketed stores, corporate head offices and stores yesterday and a number of church services were planned for today

Baard said the loss in turnover after the four-day strike was about R10m-R12m —Sapa

Picture DOUG PITHEY, The Argus.

PRAYER FOR SETTLEMENT: Shireen Karriem, left, and Zubeida Reid, two striking clothing workers, attend the church service at St George's Cathedral yesterday.

Workers pray for clothing strike solution

(197)

ASHLEY SMITH
Staff Reporter

ARG 1/8/96

ON the eve of the marathon all-night, make-or-break talks to resolve the week-long national clothing strike, SA Clothing and Textile Workers Union (Sactwu) members held a prayer service at St George's Cathedral in Cape Town

Sactwu spokesman Joseph Williams said· "This strike is not just about the 10 percent increase we have demanded. It is about years and years of frustration Clothing workers are the most oppressed and exploited in the country and for us to live on such low salaries, is immoral."

He called on clothing bosses to be "compassionate" toward the strikers' demands Charles Williams of the SA Council of Churches, said his organisation supported the strike

Clothing strike in deadlock

Still no deal after all-night talks

(152) (18) (197)

AUG 11/8/96

ASHLEY SMITH
Staff Reporter

DESPERATE marathon all-night talks between clothing union chiefs and industry bosses failed to break the week-long strike that has crippled South Africa's clothing industry

The talks at a Bellville hotel began last night and lasted until early today without breaking the impasse

The SA Clothing and Textile Workers' Union (Sactwu) is demanding a 10 percent increase, while the employers have offered eight percent

But intensive all-night negotiations through the country's top mediator, Charles Nupen, failed to break the deadlock, leaving bleary-eyed negotiators exhausted

Negotiations began at 6pm yesterday and ended shortly after 8am today, with negotiators agreeing to meet later today

Mr Nupen who heads the commission for conciliation, mediation and arbitration, spent the night shuttling back and forth between separate hotel rooms occupied by Sactwu and the National Employers Caucus (NEC) caucuses, trying valiantly to get them to compromise

There was drama just after midnight when information leaked from the Sactwu delegation that the NEC had increased its settlement offer to 8,5 percent.

But hopes were dashed when hardline Sactwu members apparently refused to budge from their 10 percent demand even though some Sactwu negotiators appeared willing to accept the 8,5 percent offer

The midnight optimism then waned as the two sides remained deadlocked

The meeting was delayed as members of the Sactwu delegation had arrived late During the delay Mr Nupen was locked in discussions with the NEC

When all the Sactwu negotiators had arrived, union representatives explained that the delegates from other provinces had not had a chance to "touch base"

Sactwu then caucused separately, setting the pattern of separate caucuses for the night

The Sactwu caucus ended at11 30pm and at 12.15am Sactwu chief negotiator Ebrahim Patel emerged from the conference room saying he was still reasonably optimistic that a settlement would be reached

Meanwhile the NEC had broken for a meal At 1 15am the NEC and Mr Nupen re-entered the NEC caucus room again

At 1 30am the Sactwu negotiators held prayers for a settlement. They sat around, sharing anecdotes about the strike.

At 2 20am they had something to cheer - not from Bellville but from Atlanta While the NEC was still in caucus with Mr Nupen, Sactwu delegates in the hotel television room saw Hezekiel Sepeng break the South African record to win a silver medal.

At 2 40am rumours spread that NEC was about to make another offer to Sactwu

Both delegations then came out to the television room for a break.

At 3am Sactwu began discuss the offer made by the NEC It was rumoured the NEC had upped its offer to nine percent, but this could not be confirmed

At 4.35am Sactwu and Mr Nupen moved into a neutral conference room for talks Mr Nupen then shuttled back at 5 45am to the NEC caucus room

At 5.50am hopes were raised again when the NEC, Sactwu and Mr Nupen entered the neutral conference room for the first time together.

All the chief negotiators were present at this meeting

Groups of exhausted members from the NEC and Sactwu appeared more relaxed than they had been all night

But at 6.15am the NEC returned to its conference room and the endless separate caucusing resumed

Employers, union restart talks

BD 1/8/96 (184)(197)(168)

Reneé Grawitzky

MEDIATION was restarted last night between clothing employers and the SA Clothing and Textile Workers' Union (Sactwu) with neither party committing themselves to the outcome of the process.

Speculation was running high that the parties would be able to split the difference between the employers' 8% and the unions' 10%. However, such speculation was also evident prior to the mediation process on Sunday which failed to achieve movement from either side.

The mediation process was postponed on Sunday so that the parties could refer back to their respective constituencies to ascertain whether mandates could be adjusted.

In the interim the strike accelerated, with more workers being locked out and employers, especially those in the Western Cape, reporting intimidation, harassment of employers and other actions to put pressure on employers to revise their position.

Employers reported yesterday that the blocking off of factories continued, with one company having obtained an interdict to remove striking workers from the premises' entrances.

Sapa reports that non-striking workers at a number of clothing factories in the Cape Peninsula continued to be intimidated yesterday. Many managers declined to comment in the belief this could lead to them being targeted and jeopardise mediation talks.

Meanwhile, the SA Commercial Catering and Allied Workers' Union (Saccawu) has come out in support of the Sactwu strike.

Yesterday, Saccawu condemned what it termed "the intransigence of the textile and clothing bosses".

The employers' stance could be described as a declaration of war, against not only the workers in the clothing and textile industry. "We see it as an attack on organised labour as a whole," Saccawu said.

Saccawu has urged employers in the retail sector not to draw stock from companies involved in the strike.

Saccawu national office bearers have convened a special meeting to decide on action which will support the clothing and textile workers. Issues to be discussed include a demand to employers in the retail sector to return all back-up stock and to remove all goods from shelves and showrooms.

They are also planning a nationwide picket in all major cities and have issued a call not to buy "made in SA labelled clothing". — Sapa.

Implats workers down tools as clothing strike is set to cool off

CT (BR) 1/8/96

(197)

Jonathan Rosenthal & Marc Hasenfuss

Johannesburg — Impala Platinum Holdings workers downed tools last night in support of wage and other demands, Mahlakeng Mahlakeng, the Rustenburg regional co-ordinator for the National Union of Mineworkers, said late last night

The decision to strike was taken at three mass meetings held yesterday

Mahlakeng said all 27 000 workers would down tools, starting with last night's shift. The strikers, all members of the NUM, failed to report for the night shift, he said

Anne Dunn, an Implats spokesman, said last night that about 800 workers had reported for duty at the mineral processing plant, but that between 3 000 and 4 000 workers had refused to report for duty at the Bafokeng North mine

But she had no details as to the position at the Wildebeestfontein South mine.

"All is peaceful so far, but we do not know what to expect on Thursday," she said

The workers are demanding wage increases of between 8,5 and 12 percent, an increased living allowance of R400 a month from the present R350 for those workers who do not stay in mine hostels, as well as company medical aid for workers on lower grades

"We were supposed to meet management on Wednesday night, but this has been postponed by the workers' decision to go on strike

"We hope to meet management on Thursday night to negotiate possible solutions," Mahlakeng said

This comes just as the strike that has disrupted the clothing industry for a week appears set to wind down today after another round of mediation between the South African Clothing and Textile workers' Union (Sactwu) and the National Employers' Caucus of the Clothing Industry

Mediation, under the independent mediator Charles Nupen, started last night in Cape Town, with both parties cautiously optimistic that a settlement could be forged,

Nupen has the tough task of coaxing the union and the employers from their uncompromising stance on wage increases

Sactwu is demanding an increase of 10 percent, while the employers have offered 8 percent The employers have, however, indicated a willingness to negotiate in the 8 to 8,5 percent range

But a settlement is unlikely to see conditions in the clothing industry return to normal today as union leaders and clothing industry negotiators will have to hold feedback meetings with their respective members

Ebrahim Patel, the deputy secretary-general of Sactwu, said there was a greater prospect for a settlement than there was at last weekend's mediation meeting

"I sense there is a desire to find a solution to the dispute from both sides," Patel said

He emphasised that the two parties would have to search "long and hard" within their respective mandates for a position that would produce a settlement

Peter Cragg, the executive director of the Cape Clothing Manufacturers' Association, was confident that Nupen could bring the parties to settlement

"He is a seasoned mediator both parties have enormous respect for him

"We will have to see what common ground exists"

Hope for strike resolution today (197)

CT 1/8/96

CYNTHIA VONGAI
AND WILLEM STEENKAMP

TALKS between employers and the SA Clothing and Textile Workers' Union (Sactwu) continued late last night as the two sides tried to find a way to end the five-day-old national clothing workers' strike — but a solution may only be reached today

Sactwu has demanded a 10% wage increase, employers refused to offer more than 8% More than 60,000 workers from 800 factories throughout the country took part in the strike

Chief negotiator for the Employers' Caucus of the Clothing Industry, Mr Johann Baard, estimated yesterday that the industry had lost about R30 million in turnover and R10m in wages since the strike began last Thursday

Last night Baard, employers, union officials and a mediator met at a Bellville hotel to thrash out a solution, the third such attempt since the start of the strike

Baard said afterwards the groups had met, then split up to caucus and were due to meet again with a mediator late last night But he did not expect the solution to be found and predicted the talks would resume today

He dismissed rumours that a 9% compromise wage increase had been reached

A union spokesman could not be reached for comment last night

One of the most notable incidents of the strike occurred when striking workers staged a sit-in at Woolworths and Edgars stores' Adderley Street branches at lunchtime on Monday, forcing the shops to close The sit-in was an attempt by Sactwu to pressure retailers into signing a memorandum to force employers to agree to the 10% wage increase

In similar protests on Saturday strikers rang up goods at retail stores and then refused to pay

Sactwu's assistant secretary-general, Mr Ebrahim Patel, said the union justified this action because the retailers had a moral obligation to ensure the dispute was solved "Factory managers consistently quote retailers as one of the reasons they can't agree to 10%, as some stores put a 100% mark-up on clothing"

Strikers held for alleged intimidation

BD 2/8/96 (197)

CAPE TOWN — Twenty striking SA Clothing and Textile Workers' Union (Sactwu) members were arrested on charges of intimidation in Cape Town yesterday morning.

Sapa reports police spokesman Sgt Vivienne Lentoor said about 30 people, all believed to be striking Sactwu members, gathered outside a clothing factory in Wynberg and blocked the entrance, preventing non-striking workers from entering the premises.

Factory management called the police and the group was warned to disperse Ten walked away, but the rest remained and allegedly intimidated workers Police then arrested them

Renee Grawitzky reports that national clothing employers and Sactwu emerged from two days of mediation yesterday tightlipped about the outcome

It is understood that both parties have agreed not to say anything to the media before reporting back to their constituencies.

It is believed that the union is having report-back meetings this morning and thereafter a clearer indication will be provided as to whether the parties were able to bridge the gap between the union's demand of 10% and the employer offer of 8%

Depending on the outcome, the strike could end on Monday.

Talks start but strike continues

(197)

Sowetan 2/8/96

Some employers say that they are being intimidated by strikers

By Abdul Milazi
Labour Reporter

ALTHOUGH EMPLOYERS and the South African Clothing and Textile Workers Union have resumed talks, the strike, which is now in its second week, continues

Thousands of workers have been locked out by employers, while some employers have reported that they are being intimidated by strikers.

Sactwu's 85 000 members went on strike last week in support of their demand for a 10 percent wage increase and improved retirement benefits and bonuses.

The union complained that the clothing sector discriminated against blue collar workers

Sactwu assistant general-secretary Ebrahim Patel said the sector paid the lowest wages in the manufacturing industry and weekly-paid workers were not entitled to Christmas bonuses

When Sactwu balloted its members a week ago, the employers followed suit. Workers voted in favour of a strike while employers voted for lockouts.

The stage was set and speculation rife that the industry would collapse should the strike go ahead.

When the union began its strike, employers immediately responded by locking workers out.

Last week the two parties agreed to go for mediation, but nothing came of the first meeting as no settlement could be reached

However, negotiations are now back on track, but although they seemed optimistic, both parties do not want to commit themselves.

End of clothing industry strike in sight

CT 29/8/96

197

THE crippling, eight-day national clothing industry strike may be resolved over the weekend, it emerged yesterday after almost 20 hours of mediation between employers and the SA Clothing and Textile Workers' Union at a Bellville hotel

The mediation, chaired by Mr Charles Nupen, director of the Commission for Conciliation, Mediation and Arbitration, ended with Nupen saying the meeting had "concluded for the moment"

"We have reached a stage where the employers have tabled an offer dealing with outstanding issues to the union, and the union will now take their proposal for consideration by its members," he said

He refused to say what the proposal entailed.— Staff Writer

No fireworks from Frame this year-end

(197) CT(MR) 2/8/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — There will be no fireworks from Frame when it announces its results for the financial year to June 30 in the middle of this month, Walter Simeoni, the managing director of Frame, said yesterday

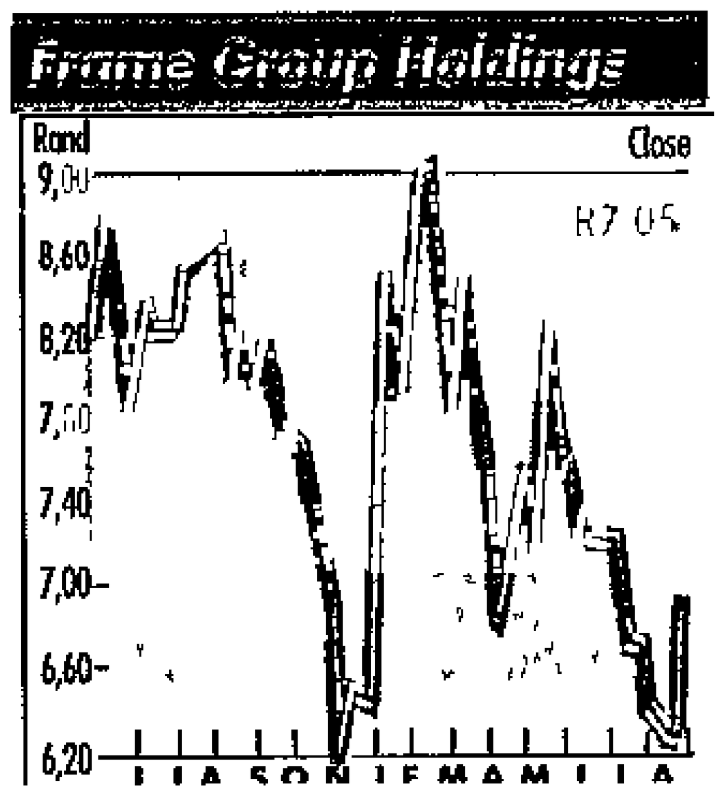
"But, under difficult economic circumstances, we have done reasonably well Immediate returns have come through peripheral investments and there will also be returns from basic value-added products," he said

On the export front, Simeoni said performance had continued to improve, with Frame having built up a sound customer base in Europe and Australasia

On the down side, he said Frame continued to struggle with its cost base, a problem further complicated by the country's weak currency, high inflation rate and the generally low productivity of the local labour force

However, sources close to the company hint that the results will yield much of interest For the first time, Frame will quantify the contribution made by its substantial property interests Frame's cash pile will grow substantially and its ungeared status will continue

However, when it comes to



turnover and profit, analysts' forecasts range from moderate to diabolical, with one postulating earnings a share of 83c and an 11c dividend for the year Another predicted that Frame's textile operations could even show a decline, with the company's only saving grace being its property arm which could bolster performance

This is based on Frame's half-year results, which showed a disappointing 4 percent drop in turnover to R339 million from R382 million and a corresponding drop in earnings a share for both Frame and its subsidiary Confram At the same time, Confram Property Holdings doubled its contribution to Frame's bottom line

The message from Frame, however, is that the company's textile manufacturing interests will remain its focus However, the property arm is an effective cushion against the more cyclical risks associated with the textile sector, says David Sable, who heads that operation

Hence the lion's share of Frame's substantial R400 million investment plan (which may prove a short-term drain on cash flow) is aimed at its textile operations

Although depreciation will pick up, this will not necessarily show on Frame's bottom line within the first year Simeoni said investments would have a progressive effect "One has to realise that the time from order to the time when the full benefits can be felt can be as long as two to three years," he said, emphasising that larger projects which began during the past financial year were only due for completion during the first half of this financial year

Nevertheless, Simeoni is confident that Frame will maintain the momentum of its investments and expects a steady improvement in the company's fortunes — provided government sticks to the agreed period for tariff phase-downs

Even with this uncertainty, Frame is charting the path forward Its state-of-the-art indigo denim plant is scheduled for completion by the middle of this month Delivery of machinery, which was the first of its kind in the world and would result in significant cost savings, would begin towards the end of this year, Simeoni said

Frame has already saved substantial amounts on this R20 million-plus investment by acting as the guinea pig for the new technology

Another strategic decision, which Simeoni believes would pay off for Frame in the longer term, was its decision to stick to and develop its spinning business at a time when a number of major players were withdrawing from that side of the sector

Frame has committed to continual upgrades of what is now the country's largest spinning operation, while other majors in the textile sector constitute a substantial local customer base

Simeoni said there would be further investment during this financial year, with a denim-loom upgrade and the installation of a complete denim finishing plant due to start next year

These are a number of the factors which analysts believe may make Frame a wise longer-term buy With a net asset value of R22, like other shares in the sector, the share is trading at a substantial discount to this It gained 75c or 11,9 percent to 705c yesterday

Mutual sigh of relief as week-long textile strike and lockout called off after deal cut

Clothing employers yesterday invited the SA Clothing and Textile Workers' Union (Sactwu) to regional and national "bosberade" after a week-long strike and lockout was officially called off earlier in the day.

National Employers' Caucus of the Clothing Industry chief negotiator Johan Baard said it would be back to work as usual on Monday, after the strike and lockout which was declared last Thursday

The strike affected more than 80 000 workers and 1 200 factories countrywide About R14-million to R16-million was lost in wages and "three times that" in turnover, Baard said.

The employers and Sactwu settled on a 9% wage increase, comprising a wage component of 8,5% and 0,5% added to the existing annual bonus payment, effective from June 1 1996

With effect from July 1 1997, the yearly increment to the provident fund would be 0,5% from employees and 1% from employers This would be done annually to a maximum of a 6% contribution by employees and 7,5% by employers

Before the strike, the union had demanded a 10% wage increase, while employers had offered 8% and later showed a willingness to negotiate 8,5%.

Baard said: "I am sure there has been a sigh of relief from both sides" – Sapa

Star 3/8/96 (197)

Harare in deal with SA

AN AGREEMENT in principle was reached with Zimbabwe on Friday on preferential tariff and quota levels and rules of origin for Zimbabwean clothing and textile exports to South Africa, writes **THABO KOBOKOANE**

Trade and Industry Minister Alec Erwin said details would be spelt out soon so that the agreement could take effect in September.

At a previous meeting, South Africa had offered a 50% reduction on duties, but insisted on at least 25% local content.

Erwin also "undertook" to respond to Zimbabwe's request for market access for its farm products.

Erwin and his Zimbabwean trade counterpart, Nathan Shamuyarira, said the agreement marked a "breakthrough" in trade relations.

197

Tension developed after 1992 when South Africa terminated the 1964 trade pact with Zimbabwe.

ST (BT) 4/8/96

SA, Zimbabwe deal bolsters African trade talks

(197)

BD 5/8/96

David McKay

THE export tariff agreement on textiles and clothing forged between SA and Zimbabwe last week would bolster SA's chances of concluding a single trade protocol with its other southern African trading partners.

A trade and industry department spokesman said yesterday that the agreement was "not out of step" with the Southern African Development Community (SADC) protocol which was being negotiated with member countries, including Zambia and Namibia.

In terms of the agreement with Zimbabwe, it was decided in principal that tariff and quota levels on textile imports to SA could be lowered.

A meeting between business, labour and government from the two countries later this month would take the matter further, he said.

It was possible that the agreement could be extended from textiles and clothing to the agricultural sector and to sanitary equipment.

He said the agreement would throw a lifeline to textile and clothing producers in Bulawayo, which were on the brink of closing down.

Trade and Industry Minister Alec Erwin also undertook to respond to Zimbabwe's request for market access for its farm products.

He was "happy" with the provisional agreement because Zimbabwe was considered one of SA's key trading partners in Africa, the spokesman said.

At a previous meeting SA had offered a 50% reduction on duties, but also insisted on at least 25% local content.

Workers strike a deal

(1997)

By Abdul Milazi
Labour Reporter

SEWING machines will hum once again when workers in the clothing industry return to work today after a two-week strike

The strike, described by employers as "damaging", ended on Friday when the South African Clothing and Textile Workers Union (Sactwu) accepted a nine percent wage increase and an undertaking by the bosses to improve the industry's provident fund.

Sactwu was demanding a 10 percent across-the-board wage increase while employers offered eight percent

A week ago, it seemed the industry was in for a protracted strike when Sactwu vowed it would accept nothing less than its demand, while employers threatened to lock out strikers.

Both parties carried out their threats, but they realised there would be no winner They agreed to go for mediation

Sactwu assistant general secretary Mr Ebrahim Patel said employers agreed to increase provident fund contributions by one percent each year from 1997 until contributions reached 7,5 percent.

Sowetan 5/8/96

Stringent local content rules relaxed

SA drops tariff on Zimbabwe textiles to 30%

(197)

BD 6/8/96

Samantha Enslin

SA's trade offer to Zimbabwe will lower barriers to imports further and faster than planned, in a bid to end the long-running trade dispute with Harare.

It emerged yesterday that the deal, struck in principle last week, includes SA relaxing stringent local content rules that had been a condition for the preferential tariffs on Zimbabwean clothing and textiles. The existing tariffs, which range between 63% and 78%, will be cut to below 30% from next month, and to 20% by the year 2000.

The deal, which was forged in principle between Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira, follows four years of negotiations

Zimbabwe threw out SA's previous offers, claiming they were too onerous

The SA government has been under pressure from its clothing and textiles industries, which have been ravaged by cheap imports, to maintain a tough stand. The deal represents a climbdown by both sides Zimbabwe had been seeking an 18% clothing tariff, while SA had initially offered a 40% tariff and stipulated that such products had to contain 75% Zimbabwean local content SA had been concerned about the level of Zimbabwean imports that had originated in the Far East

But under the new deal, any product that has undergone two manufacturing processes in Zimbabwe will qualify for the tariffs. The National Clothing Federation said SA was also moving far faster on cutting tariffs than previously planned

Federation president Bernard Richards said the deal would put pressure on the SA clothing and textile industry but compromises had to be made on both sides

SA foreign trade relations deputy director Busi Gaboo said the tariff offer was in line with World Trade Organisation recommendations The Zimbabwe deal would be the basis on which trade deals with other Southern African Development Community countries would be negotiated, he said

Zimbabwe is also pushing to have the agreement extended to other sectors, including agricultural products SA has undertaken to respond to that request by the end of this month

Michael Hartnack reports from Harare that Shamuyarira said thousands of textile sector jobs in Zimbabwe were now secure

He told the Zimbabwe Herald that the deal "effectively reopens the SA market to those Zimbabwean manufacturers able to compete on price".

Shamuyarira said the Rhodesia-SA most favoured nation status bilateral pact of 1964 was being restored. SA was believed to be committed to an "interim arrangement" until an SADC regional trade protocol emerged

Tongaat textiles picks up US partner

(197) Star 9/8/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Tongaat Textiles, the textile arm of the Tongaat Hulett group, will sign a deal with an unnamed US company this month that will allow Tongaat Textiles' partner to print the local company's designs under licence in the US

The alliance is due to be formalised at the Tip home textiles exhibition in Brussels at the end of the month

Tongaat Textiles' two main operating divisions are the Whiteheads mill and bed linen manufacturer Whiteheads will spend R20 million on plant upgrades and has set aside a further R100 million for plant upgrades in the next five years

This will be an opportune time for Derek Rye, the newly appointed managing director, to take over the reigns from Jim Crook, the retiring textile-sector stalwart

Rye would face crucial challenges

Lacklustre performance because of extremely difficult trading conditions is being complicated by rationalisation and retrenchment costs from the past financial year Though this is balanced by improvements in exports, quality and productivity, the division only recorded a marginal increase in turnover

During the year to March 31, Whiteheads contributed 7,9 percent of the group's turnover and 8 percent of its profits

A determined Rye said he was optimistic about reversing this

He intended to improve cost competitiveness and search out markets in which both of the Whiteheads operations could play meaningful roles

With an established export client base in Europe, the US, Canada, Australasia, Hong Kong and the Middle East, 40 percent of the furnishing fabric production was already bound for these international customers, he said

Rye said he wanted to increase Whiteheads' export base still further, a factor the US partnership would boost

The US deal was advancing an existing arrangement in terms of which bed linen was already being printed under licence in Australia and New Zealand

Rye said that design and decoration had long been one of Whiteheads' core skills

The new venture was another way of effectively harnessing those skills that were of a First World standard

He believed development of the North American market would go beyond just replicating existing ranges It would also change colour combinations to develop specialised ranges to be exported directly to or printed under licence within the US market

He said this would add a new dimension to the division

"It means getting product into a market with the infrastructure and distribution channels which it could have taken up to 10 years to build," he said

MATERIAL DIFFERENCE *Derek Rye, recently appointed managing director of Tongaat Textiles, will draw on extensive experience to meet the challenges of bringing Whiteheads up to scratch*

Satisfactory Seardel results expected

By Marc Hasenfuss Star 9/8/96 (177)

CAPE EDITOR

Cape Town — Seardel, the clothing, textile and consumer electronics company, should produce a satisfactory performance in the year to June 30, posting earnings a share of 47c and paying a dividend of close to 10c, analysts said

Seardel, whose mainstay clothing manufacturing interests are complemented by Seartec and its associate company Frame, reports its results next week

A clothing industry analyst noted that Seardel's share price, ranging between R1,30 and R1,60 for the ordinary and N-shares, seemed out of synch with the expected profit performance.

He said there were no fireworks in second-half trading, which meant that the year-end performance would be in line with the company's initial earnings predictions made at the interim stage

Though the shares were trading low, the analyst was reluctant to punt Seardel as a short-term buy

"The expected 20 percent return for this year is not enough for such a risky industry Only when demand picks up considerably will Seardel provide excellent returns"

The analyst said there had been some recent interest in Frame, Seardel's textile associate

He said there were high hopes that revenue could flow from leasing Frame's prime industrial sites in New Germany and Pinetown in KwaZulu Natal

"However, indications are that it may be some time before the full benefits from these properties flow through to bottom line"

The analyst said Seartec, whose office-automation, consumer electronics and stationery sales include leading brands such as Sharp and Scripto, would continue to build its reputation as the gem in Seardel's crown

"All indications are that Seartec's strong profit trend should continue this year"

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eT (M) 9/8/96 (197)

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(197) CT (BR) 9/8/96

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NEWS FOCUS

Mixed feelings greet SA talks on clothing, textiles

BD 13/8/96 (197)

Martin Rushmere

HARARE — The progress made in the recent talks in Pretoria on a new SA-Zimbabwe tariff structure for clothing and textiles has been greeted with mixed feelings by the private sector in Zimbabwe

Cynical comments have been made by manufacturers who say "SA has merely thrown us a few crumbs". This contrasts with the confidence expressed by Commerce and Industry Minister Nathan Shamuyarira that thousands of textile jobs are now secure after a recent wave of liquidations and redundancies.

Loss of the traditional SA market, high lint prices and ruinous interest rates caused by the high-spending government's monopolisation of the local financial market have driven 31 firms into bankruptcy since 1992.

"The SA clothing lobby has won the battle," said one MD in Zimbabwe's clothing sector. "We have come off second best."

The manufacturer contrasted the new terms with the situation before 1992 under the 1964 Rhodesia-SA "most favoured nation" bilateral pact. Then the maximum rate of duty was 17%, compared with the proposed 30% tariff from September 1.

Quotas were smaller, but if President Robert Mugabe's government had closed with early offers of talks with President FW de Klerk's government, it could have obtained more than the 3,2-million units pegged in the new deal, sources feel.

The Zimbabwe Clothing Manufacturers' Association is refusing to comment until it knows more details of the agreement reached between Shamuyarira and his SA counterpart, Alec Erwin.

But there is no doubt about the general "Oliver Twist" mood.

"We wanted 5,5-million garments, which would have given us a turnover of R95m compared to our estimate of a maximum R50m under the actual arrangement," said a leading industry member.

"That would not have hurt SA much, considering that the trade balance is running at R3bn a year in SA's favour. It is actually less than 1% of that."

Manufacturers in Zimbabwe are particularly vexed by the currently weak rand

"We were hoping that Pretoria might have been more generous and given away more because of this," one commented.

The private sector here has been told little of the new deal.

Interest centres on the duration of the agreement, on which Shamuyarira and his team have been silent

The private sector in Zimbabwe fears that this is a sign of bad news in store.

Confederation of Zimbabwe Industries president Jonee Blanchfield has been outspoken in her delight at the textile and clothing breakthrough, but her colleagues have reservations.

They believe she might have lobbied more effectively for a better deal, against the strong pressure imposed on Erwin by SA manufacturers and unions.

"SA has a much stronger voice for the private sector, while ours has become somewhat lily-livered," said a manufacturer.

"Alec Erwin was in no doubt about the feelings of his textile and clothing manufacturers.

"Our government could have been excused for assuming we did not care," he said.

Diplomatic sources in Harare feel the breakthrough holds most significance in the wider context of SA's future relations with the Southern African Development Community, with whom a regional protocol is planned.

"Rather than Zimbabwe getting all excited about securing special deals from SA, it should be examining the implications of trade throughout the whole region," said trade specialist Keith Atkinson of Imani Development Corporation

"No one has yet come out to say how this fits in with SA's policy towards the SADC

"And there are World Trade Organisation rules to consider when doing deals with individual countries," Atkinson said

Under the WTO's Marrakesh agreement, which SA signed in 1994, Pretoria is barred from offering Zimbabwe long-term concessions which are not extended to every other Third World state which finds itself at a similar stage of economic development

The proviso has fuelled speculation in Zimbabwe that there must be a time limit on the Pretoria concessions

Frame income up despite sales drop

BD 13/8/96

(197)

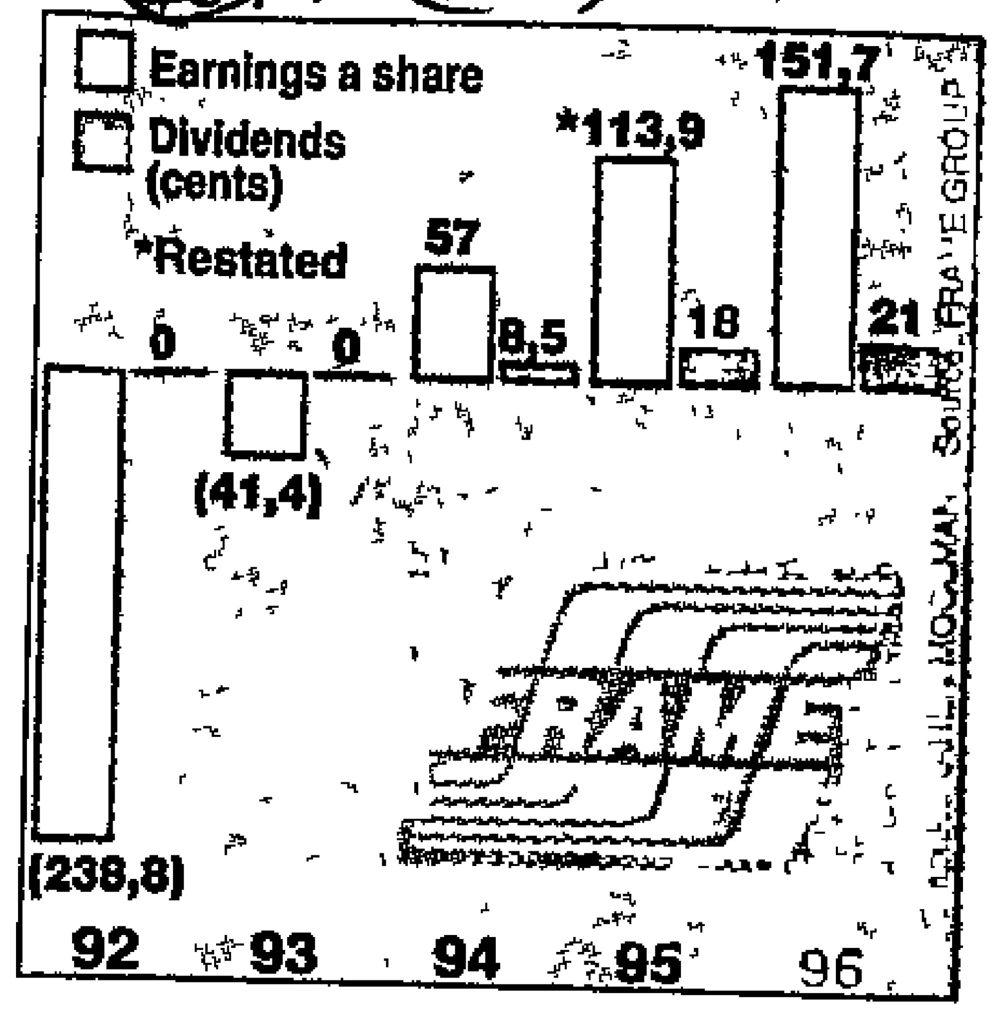
Nicola Jenvey

DURBAN — Clothing and textiles group Frame lifted attributable income after exceptional items 35% to R32,1m for the year to June amid trading conditions that led the group to slam government policy on tariff cuts and illegal imports

The group benefited from exceptional items to lift share earnings to 151,7c (113,9c). Stripping out exceptional items, share earnings dropped to 110,2c (165,1c). The total dividend rose 16,7% to 21c. Chairman Mervyn King said the results were "excellent", given the difficult trading environment, lower sales and high level of imports.

King said he would resign from his executive responsibilities next month. Deputy chairman Roy Sable would take his place. King, who would stay on as non-executive chairman and consultant, had other interests to pursue

Sales dropped to R730,9m (R782,7m) in the wake of depressed consumer spending, while gross operating income slipped to R83,4m (R90,8m). Depreciation fell slightly, but the figures were boosted by a R7,2m exceptional gain attributable to surpluses on asset disposals, against an R18,5m exceptional loss last year. Interest received rose to R14,4m (R6,3m). Pretax profit jumped to R71,3m (R44,2m), but tax grew to R23,3m (R6,3m). The balance sheet showed inventory levels at R182,6m (R160m). Cash resources rose to R143,6m (R108,3m). Capital expenditure during the year totalled R58m, with commitments for a further R80m.



King said the group was continuing—

Continued on Page 2

Frame

(197)

Continued from Page 1

BD 13/8/96

with its strategic plan to become "a globally competitive textile manufacturer" by focusing on training, new technology and service. It had started restructuring after import tariff cuts.

The drive towards sharpening its competitive edge prompted Frame to retrench a large part of its workforce — a pattern followed across the clothing and textiles sector.

Frame has said that up to 2 000 employees — more than a third of its work force — could go over four years as machinery is upgraded

Consolidated Frame Textiles, 71,3% held by Frame, posted share earnings of 62,3c (96,2c) before exceptional items The total dividend was set 22,7% higher at 13,5c

Mervyn King resigns as group's chief executive

Frame exceeds market forecast

CT(BR) 13/8/96 (197)

By Shirley Jones
KWAZULU NATAL EDITOR

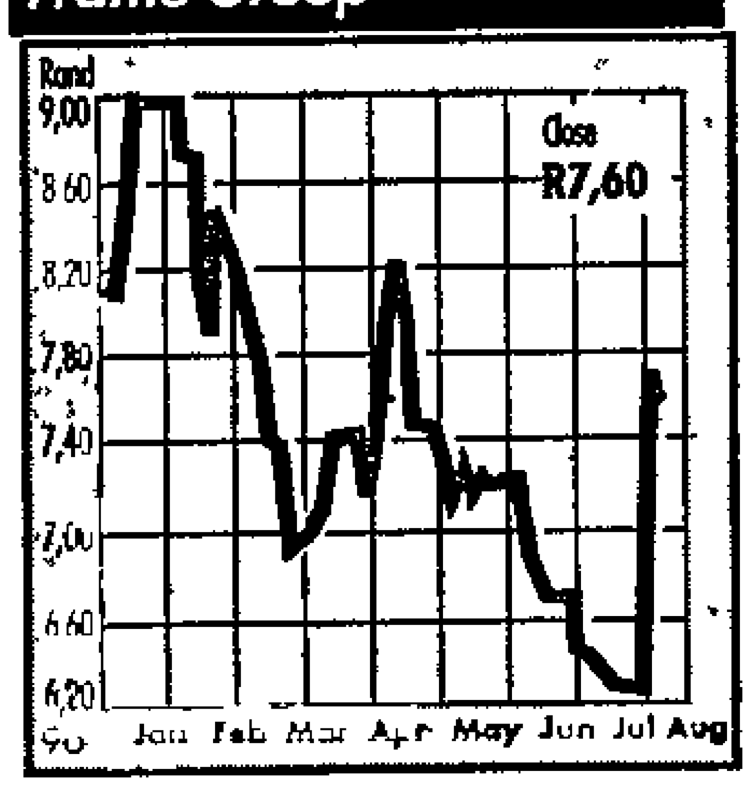
Durban — Frame Group, the textile manufacturing company, exceeded market expectations with a 33,2 percent rise in earnings a share to R1,5170 from R1,1390 in the financial year to June 30

Attributable income rose to R32,1 million from R23,7 million during the year, despite difficult trading conditions which caused turnover to dip by 6,6 percent to R730,9 million from R782,7 million.

Mervyn King announced his resignation as senior executive He said he was pleased to have played a role in turning Frame from an over-geared and loss-making group into a profitable one with no borrowings

"At one time, Frame's borrowings were R300 million and its losses exceeded R100 million," he said.

Frame Group



Headline earnings, which exclude non-recurring profit contributions, fell from R1,6510 to R1,1020 a share because of surpluses on the disposal of assets and an exceptional profit of R7 million, compared with an exceptional loss of R18 million last year

Frame's income before tax increased 61 percent to R71,3 million

After-tax income rose 27 percent to R48 million from R37,8 million last year despite a sharp rise in taxation from R6 million to R23 million Frame declared a final dividend of 16c, bringing the total dividend for the year to 21c from last year's 18c.

The Frame Group has a 70 percent interest in Consolidated Frame Textiles, which reported a 25,5 percent increase in earnings a share to 85,2c and declared a 10,5c dividend This brought the total dividend for the year to 13,5c

Frame Group Holdings ended the financial year with a cash pile of R144 million It ended the past financial year with R109 million cash in hand

Capital expenditure for the year totalled R58 million A further R80 million was committed to upgrading textile technology and to the refurbishment of unused properties, which would make an increasingly positive contribution to Frame's bottom line

According to King, Frame's results were excellent in view of difficult trading conditions, lower gross sales and higher levels of legal and illegal imports

He said Frame would continue its strategic investment plan to become globally competitive.

King intends to pursue other professional and business interests He will remain the non-executive chairman and become a consultant to the group from September 1

Roy Sable, the deputy chairman and head of Gregory Knitting, one of Frame's major shareholders, will succeed him.

Seardel's earnings higher despite tougher conditions

BD 14/8/96

(197)

Samantha Sharpe

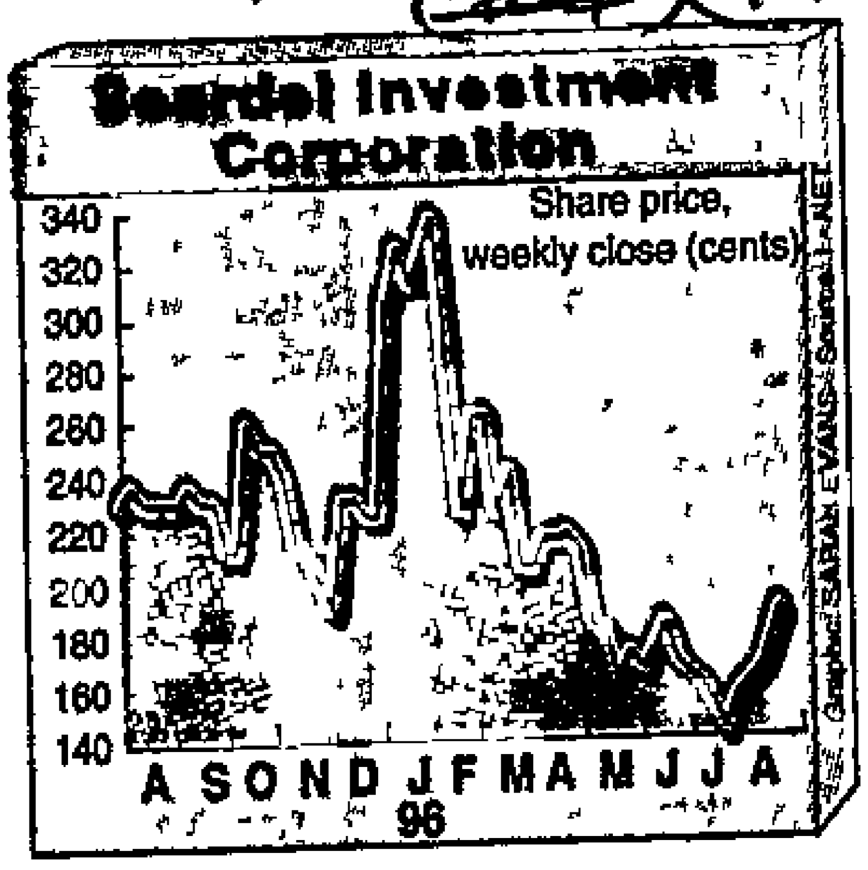
CAPE TOWN — Clothing, textile and electronics group Seardel lifted headline earnings 11,4% to R47,6m in the year to June in spite of substantial smuggled imports and government's softer stance on import tariffs.

The earnings figure reflected for the first time the consolidation of subsidiary Frame Group Holdings. Headline share earnings before exceptional items rose 1,3% to 45,5c and a total dividend of 9,25c (8,875c) was paid on an increased number of shares in issue. Headline earnings after "Frame-related" exceptional items slipped 4,8% to 47,6c a share, with all comparative figures restated to reflect the Frame consolidation.

Chairman Aaron Searll said although last year had produced robust growth, "this year has been one for a breather and consolidation" and had followed difficult trading conditions in the industry.

However, the group had managed to lift turnover 4,1% to R2,34bn, with export sales rising 33% to R80m.

This was achieved in the face of higher interest rates, declining import tariffs on imported apparel



and textiles and substantial levels of smuggled imports of apparel, textiles and electronic goods.

"As is seen in the recent seizures of enormous quantities of illegally imported textiles, clothing and electronics, the government is making meaningful progress in dealing with this problem and its efforts are to be applauded . (but) this is a serious problem that needs to be continually addressed as a matter of urgency," Searll said.

Pre-tax income rose 17,6% to R136m, with after tax income 7,7% higher at R94,7m.

On the balance sheet side, Searll said the Frame consolidation has had a "dramatic" effect, with group equity rising from R271,6m to just under R1bn.

Restated for the consolidation the rise was a more moderate 12,6% to R989,1m

"Accordingly the balance sheet reflects nil borrowings.

"Last year the debt/equity ratio was 39% In fact, cash reserves of about R51m are reflected," Searll said

The group's net asset value rose to 379c a share compared with 250c at the same time last year, without Frame.

He said performance in the new financial year would be hampered by difficult trading conditions, with volatility in SA's financial markets and high interest rates pointing to reduced consumer spending.

The cost of the recent strike in the clothing industry would also take its toll on the industry "It should never have been allowed to take place — all that trauma over a 1% increase in wages."

"I am reluctant to make a profit forecast down the line to June next year .. our budgets however reflect a sales increase of 8% and hopefully this will be achieved with profit in line with this."

Strong balance sheet is likely to impress investors

CT (PMR) 14/8/96

Seardel cuts its cloth to fit tough times

(97)

GEARED FOR GROWTH *Aaron Searll, the chairman of Seardel, reported satisfactory profit and a sound balance sheet*

PHOTO ANDREW BROWN

By Marc Hasenfuss
CAPE EDITOR

Cape Town — The Seardel Group, whose interests include clothing manufacturing, textiles, consumer electronics and stationery, shrugged off tough trading conditions to notch up a 7,7 percent increase in after-tax income to R94,7 million in the year to June 30

Profit was buoyed by a better-than-expected showing from Frame Group Holdings, Seardel's textile subsidiary, and another strong contribution from Seartec, which distributes the Sharp electronics, Scripto stationery and Prima Toys brands

A final dividend of 5,75c a share was proposed, pushing the annual payout up 4 percent to 9,25c a share The dividend was covered about 5 times by headline earnings a share of 45,5c

The strong balance sheet and ungeared position, which set a sound platform for future growth, are likely to draw approving nods from investors

The consolidation of Frame, now a subsidiary company, pushed Seardel's group equity from R272 million to close to R1 billion The balance sheet was without borrowings at the end of the year and cash reserves stood at a healthy R51 million

Seardel's share price, which has been languishing below R1,50 recently, spurted to R2 before falling back to close 24c higher on the day at R1,90 on the JSE yesterday

Aaron Searll, the chairman of Seardel, said the year had been one of consolidation, unlike the previous year, which had produced robust growth

Turnover crept up 4 percent to R2,34 billion, but there were more noticeable gains on the export front, with international sales increasing 33 percent to R80 million. Operating profit increased 18 percent to R136 million despite slimmer-than-expected margins of under 6 percent Searll said the tight margins reflected the tough trading conditions in the industry "We'd be more comfortable if our margins were closer to 8 percent"

He cited high interest rates, declining import tariffs on clothing and textiles and smuggled imports of apparel, textiles and electronic goods as factors hindering Seardel

Searll responded cautiously to speculation that further diversification of the company was on the cards through acquisitions in the year ahead

"The principle of acquisitions is always on our minds, but we would have to find an exciting area with strong growth prospects This is difficult because we would want to enter a market where we could be dominant"

He said the tough trading conditions were likely to continue in the next financial year, with volatility in the financial markets and abnormally high interest rates depressing consumer spending

"I am reluctant to make a profit forecast down to June 1997 In fact, it is impossible to do so Our budgets, however, reflect a sales increase of 8 percent"

☐ See Business Watch

Universal Lace plans to lift exports

(197)

By Stuart Rutherford

CT (BR) 21/8/96

Durban — Universal Lace and Fabric Mills, South Africa's largest lace manufacturer, has invested R3,5 million in new machinery to boost its production of high-quality lace and increase its export market.

This follows a 10 percent drop in its domestic sales of lace in the past six months because of the poor state of the South African clothing industry, surging imports and the recent clothing strike.

Mahendra Naran, the company's managing director, said its production of low-cost lace had been particularly affected by these shocks.

He said the company planned to make more use of tactel yarn and invest in production, dyeing and finishing equipment to boost the production of lace for the high-quality market.

The company wants to export 25 percent of its production in the next two years, especially to countries in Africa, Australasia and Europe. It exports 10 percent at present.

Capacity

It also wants to increase its capacity, which is about 12 000kg a month, by 10 to 15 percent.

Naran said that low local labour costs and the cheaper rand would help the company compete in the international market for more expensive quality lace.

"Compared (with) the US and Europe, our lace is about 30 percent cheaper."

He said the company had been particularly hurt by the recent strike, which had cost it between R300 000 and R400 000 in lost income, and cheap imports of clothing and lace from the Far East and Brazil.

Universal Lace is owned by a consortium of individuals. It produces about 50 percent of the lace used by South African producers.

"We have 200 customers on our books, and I would say our merchandise goes into all the largest stores in the country, be they Woolworths, Truworths, Foschini, Edgars, Sales House, Pep Stores," he said.

Retrenchments cost Frame R8,5m

(197)

Nicola Jenvey

BD 22/8/96

DURBAN — Frame spent R8,5m in the year to June on retrenching more than 800 of its 6 000-strong workforce.

The clothing and textile group, which last week reported attributable income after exceptional items ahead 35% to R32,1m for the year, said yesterday average retrenchment costs were rising.

Retrenchment packages had been negotiated individually.

Frame has warned that up to a third of the workforce could go as it upgrades operations in a four-year shake-up.

The industry-wide reshape has been forced by the removal of long-standing barriers to international competition.

The SA Clothing and Textile Workers' Union said the majority of retrenchments had occurred in December and January and it did not believe further cuts were imminent.

Union closes in on foreign bosses

(197) CT(BR) 22/8/96

By Shirley Jones

Durban — The South African Clothing and Textile Workers' Union is closing the net on foreign-owned businesses that have resisted unionisation.

Mark Bennett, a union spokesman, said a number of court cases were pending between the union and foreign-owned businesses around Newcastle, where wages were way below statutory regulations

The union has come into conflict with the Taiwanese business community in the area on a number of occasions.

Bennett said attempts to unionise the textile and clothing industry in Newcastle had resulted in members losing jobs and staff clock numbers being changed to undermine union investigations

He said it was very difficult to find the expertise in the area to organise workers effectively.

Meanwhile, confusion surrounds a threatened strike ballot at Pinetown-based Standard Textiles, one of the country's larger knitwear manufacturers Although the management said Standard had recently unionised and knew nothing of the threatened strike, it is not a member of the Fabric Knitting Council, which the union claims to have set up to negotiate within the sector.

Bennett said the union would take action after Standard management failed to turn up at a conciliatory board hearing last week. He said the hearing was a followup to one the previous week, during which Standard had promised to submit a list of proposals for the resolution of disagreements.

However, Alan Jarvis, Standard's financial director, said it was impossible for Standard to join the knitwear council because it had a wide spread of businesses reaching as far afield as Isithebe

He said Standard's wage negotiations had been agreed at levels above most in the industry.

Bennett said the union would soon entrench centralised bargaining in rural areas. He said the extension of centralised bargaining would be the first prize, but the union would set up individual industrial councils in each of the areas as an interim measure.

He said the union had been successful in setting up a hosiery council in KwaZulu Natal and negotiations that would lead to the formation of a KwaZulu Natal south coast manufacturers' association were well advanced.

CLOTHING & TEXTILE INDUSTRY

(197)

SURVIVAL CHALLENGE LOOMS AS TARIFF BARRIERS TUMBLE

FM 23/8/96

Strikes a manifestation of anxiety

Pushed unceremoniously from the protectionism of pre-democratic SA, much of the clothing, textile and footwear sector is facing a crisis Its first movements into the world market have been clumsy, to say the least. Granted, some problems are beyond its control But it now seems that — unless change is far-reaching and rapid — much of the sector simply isn't capable of taking on its world competitors As the sector's plummeting rating on the JSE makes clear, investors believe that this is unlikely to improve soon


Mike Hankinson

The clothing industry's recent nation-wide strike reflects growing discontent and fears Labour is unhappy about retrenchments as textile and clothing manufacturers automate production and export-led clothing growth fails to materialise Since 1990, the clothing, footwear and textiles industries have shed almost 77 000 jobs — a drop of 30% from the total 256 300 at the start of the decade Unions also complain about what they consider poor wage and incentives packages And they want training to help preserve jobs

Employers, thrust into the international market as import tariffs were cut, are equally vociferous They complain little has come from government's promised aid to the industry

While employers and employees might accept the need for change in theory, for some it seems that only now are the implications sinking in The clothing workers' 10-day strike is an indication of this It is estimated that about R20m in wages and R120m in industry turnover was lost

Remuneration was the main issue The SA Clothing and Textile Workers' Union (Sactwu) initially demanded a 10% salary rise The compromise was 8,5%

"The union's willingness to strike is incomprehensible" says Seardel group industrial relations executive Johann Baard "It flies in the face of its campaigns earlier in the year to save jobs, promote buying South African rather than illegal imports, upgrade Customs & Excise introduce a code of conduct for paying tariffs and duties and generally bring about an awareness of the plight of the industry"

Employers contend that if the industry's to survive, it must shrink and restructure to become competitive "As much as a third of the sector could close down," says Baard "But the core remaining will be the companies that attract competent and skilled management, so that they obtain the necessary returns on exports The price will be further job losses"

Employers and unions say they have the same primary objective to preserve the industry and retain sufficient government protection while it adjusts to world demands Sactwu secretary-general Jabu Ngcobo says "Imports are biting manufacturers It's wrong to drop tariffs before the industry is ready"


Aaron Searll

The reality may be different By 2002, when target tariff levels should be reached, local tariffs will probably still be above 80% of world tariffs

Even so, the effects of diminishing protection are worsened by what manufacturers describe as the virtual collapse of SA customs controls Syndicates are flooding what is seen as a lucrative market with both legal and smuggled goods

Customs investigations chief Johann Beets says 'Smuggling isn't a one-off crime any longer We're dealing with syndicates, and to stop fraud we have to catch the leaders"

For local manufacturers who until recently were effectively guaranteed markets and sheltered from the need to compete, the competition has been a nasty shock Their raw materials and labour costs are expensive, productivity is low and much of the machinery outdated

They don't receive State incentives, which they claim benefit overseas competitors World manufacturing, migrating to where labour and other costs are lowest, has settled in China. Many US and European production facilities have moved to the Pacific Rim and to south-east Asia, where production runs are long and productivity high — and continually improving

Legal imports of some products from the East into SA increased by as much as 80% since 1994 About 15% of all clothing, textiles and footwear now retailed in SA is imported from the East About 25% is imported in all, though the figure (including illegal imports) is estimated to be at least double that and mostly sold by hawkers

The SA government was to have had a large part in the industry's transition The Swart report, drawn up after consultation with labour, management and government, recommended supply side measures, including subsidised raw materials and plant upgrades, export incentives and training But at a Durban conference earlier this year, then deputy Finance Minister Alec Erwin told manufacturers to forget about a cash-based subsidy and to stop complaining

Footwear manufacturers are probably hardest hit "Things have never been this bad — the industry's shrinking," says Footwear Manufacturers' Federation economist Der-Anne Dodds "Theoretically, local factories can compete with all countries except China But imports, mainly from the East, are 80% up on last year and we can't fill our order books

Factories are closing '

Clothing manufacturer Seardel and associate company textile producer Frame have released preliminary results for the year to June Seardel chairman Aaron Searll had predicted subdued results Group turnover grew 4 1% Consumer electronics subsidiary Seartec enabled group headline earnings to rise 11 4%

Frame's volumes dropped slightly and are unlikely to show much recovery soon The impact of worsening markets is shown in a R7 4m (8%) drop in trading income Fortunately, after years of restructuring under chairman Mervyn King, the balance sheet is strong

These results came after a turnaround in 1994, with earnings climbing from a loss of 24c a share in 1993 to positive 34,4c, and almost tripling in 1995 At its 1995 year-end, Frame was still grossing only 9% on capital (total assets, excluding interest-free liabilities) and was netting just 8,7% on equity

In its year to end-March 1996, footwear manufacturer Conshu lifted attributable earnings by 5%, with turnover up 10% It intends to restructure but plans to stay in the shoe business Operating in the middle to upper end of the footwear market, Conshu is less vulnerable to import competition CE Robert Feinblum says Conshu makes 9m of the 100m pairs sold in SA each year Demonstrating faith in the future it has built eight new factories

Industry exports will have to grow Clothing exports for example, are about 6% of total SA production Factories must produce longer runs of quality products more cheaply for niche markets — no easy task Manufacturers need skilled labour and modern machinery

"Previously, the SA economy was functioning in a vacuum," says Coastal Group MD Rajan Pillay "Now any commodity has only one price, and the size of any country's manufacturing sector has to be determined by its competitiveness and the size of the market," he says "The SA market is small, but its past made it fussy It demands more variety than it can afford" Pillay believes that the industry will shrink and change but won't collapse "But to succeed, a re-orientation is necessary Manufacturers must modernise their factories and reduce product ranges Economies of scale are vital now that SA producers can no longer afford to sell at artificial prices"

Competing with Eastern manufacturers isn't possible Local companies want to reduce their ranges and produce value-added goods for niche US and European markets At Conshu and Frame and some other factories this is happening

Da Gama CE Harry Pearce says his group aims to provide a service that foreign manufacturers cannot We want to produce goods that others don t do — and faster We re not in fashion wear With smaller runs in niche products we can react faster though sometimes we have to accept orders which squeeze profit margins"

Some manufacturers say that they will spend what s necessary to upgrade plant and compete globally Textile Federation director Brian Brink says the textile industry has spent R2bn so far and benefits should be felt within two years of implementation "Most orders were put in before the rand resumed its fall,' he says "But regardless of the currency, we must have the equipment If we don't we may as well pack up and go"

Frame's spending was expected to double to R60m in 1996 Romatex, another likely survivor, spent R32m updating plant in the year to end-September 1995 and slightly less this year "Industry conditions remain tough," says CE Mike Hankinson "Our strategy is to specialise and emphasise products which meet export requirements"

Not all can afford this Ninian and Lester, which has upgraded plant mainly to increase capacity since 1994 will cut its spending this year

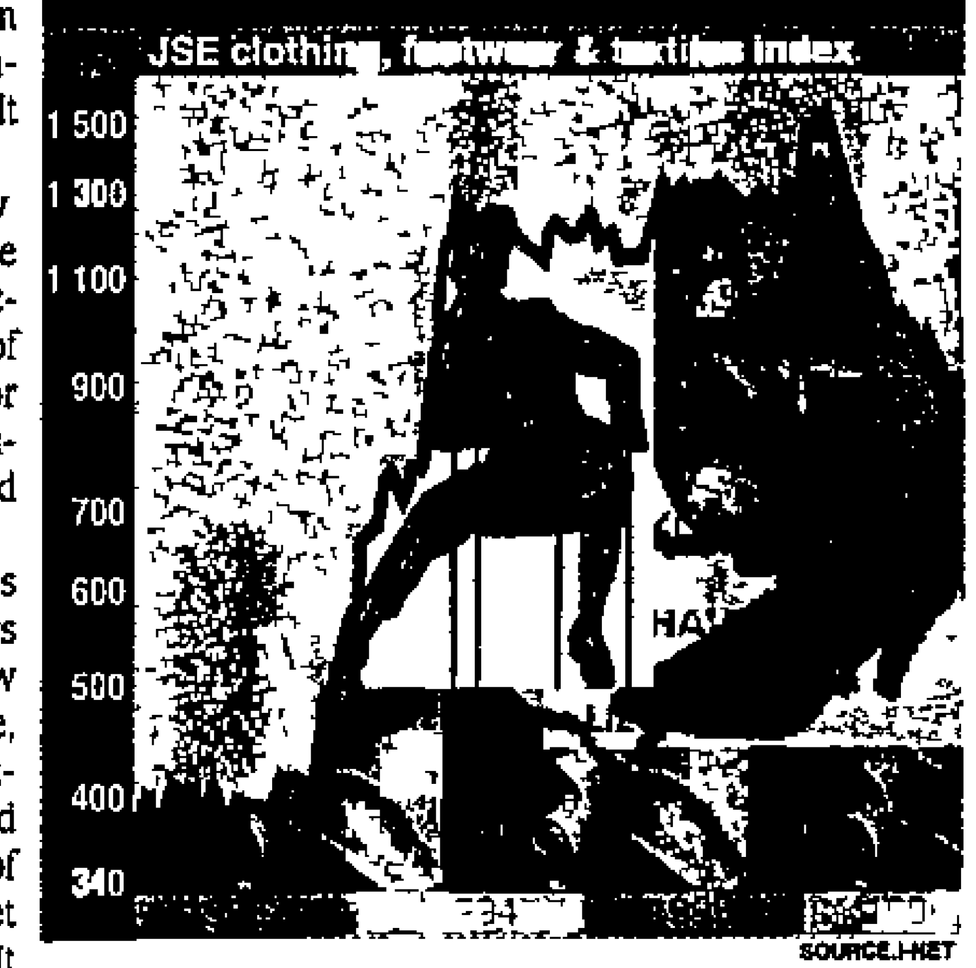
The main impediment to investment is not new Companies in this sector have historically generated low returns on capital and equity and often can t afford to borrow Low share ratings make rights issues unattractive

In the short term analysts are unanimous in forecasting poor results "Frame s financial 1996 was marginally better than originally anticipated — probably about 20% down on the previous year," says an analyst ' It s one of the textile groups most prepared for change"

Romatex is expected to match its half-year figures Da Gama, which has widened operating margins and adapted well to change in the past, could do better than most

Managements of both Conshu and Bolton Footwear believe that results will be down on last year — partly because raw material prices have rocketed "Kolosus is taking over as the main local supplier and, with cash flows tight importing is impractical, we cannot commit to the capital involved without an order," says Conshu financial director Charles Rapp

IN RETREAT



While profits won't be much better in fiscal 1997, Rapp says local manufacturers are benefiting from a slight increase in orders for the summer season

The prospects are evident in the share ratings on the JSE The average price earnings ratio of the sector is among the lowest on the Industrial board, its dividend yield among the highest Since February 1996, the clothing, textiles and footwear sector's index has dropped by 31% Market capitalisation has shrunk by almost a third to R1,81bn

Some shares may offer attractive recovery opportunities, provided the broader problems become less threatening These include macro-economic conditions, the sector cycle, the weak rand and illegal imports Details of the new SA-Zimbabwe import deal have yet to be finalised

It's tempting to think that the market is being unduly pessimistic But investors will probably want proof that the stronger groups can prosper — as well as survive when protection of the local industry is reduced — before any significant upward rating of the shares can be expected *Michelle Joubert*

Frame aims for excellence at cutting edge of technology

(197)

ST (BT.) 25/8/96

By THABO KOBOKOANE

TEXTILE manufacturing group Frame is to spend R300-million on capital and human investment over the next three years in line with its focus of utilising the latest technology in its field

Deputy chairman Roy Sable, who will take over the executive duties of chairman Mervyn King when he retires next month, says he will continue with the strategic plan to become a globally competitive textile manufacturing company

Sable says Frame will try to achieve its objective through "major training operations, capital investment in the latest technology and providing high levels of service to our customers"

Sable is chairman of Gregory Knitting Mills, which together with Seardel jointly controls the Frame Group.

He says exports — which account for 10% of revenue — will drive further growth and he hopes exports will account for 15%-20% of revenue in the next three years.

The group exports to Australia and the European Community and Sable hopes this will extend to the US in the next few years

"We are still feeling our way around these markets, but also want to be fully satisfied that local markets are being properly serviced before we go into the American market," says Sable

There are no plans to tap into the African market because of "very serious difficulties" in getting credit cover

However, the bilateral trade agreement between South Africa and Zimbabwe is likely to fuel a drive into Zimbabwe. "We would consider Zimbabwe in the light of the trade agreement," says Sable

The group, under King, turned around from an over-geared and loss-making company into a profitable one with no borrowings. At one stage Frame's borrowings were R300-million and losses exceeded R100-million

For the year ending June, the balance sheet showed cash resources of R144-million surplus (1995: R109-million), and the group reported earnings of 151,7c a share (113,9c). As a result of the group's healthy balance sheet, it is looking for acquisition opportunities.

Sable says prospects for Frame are good, given the tough textile trading environment because of illegal imports and declining tariffs. "But to survive and prosper we need to become competitive through training and by deploying the latest technology."

King will remain non-executive chairman

Textiles press for more state support

CT(BR) 4/9/96 (197)

By Jonathan Rosenthal

Johannesburg — Textile and clothing manufacturers have not received adequate supply-side support to replace the General Export Incentive Scheme (GEIS), which is now being phased out, Jan-Henk Boer, the managing director of JSE-listed Allwear, told delegates to the World Productivity Assembly in Johannesburg yesterday

"The phasing out of the very real GEIS benefits has hit export profitability hard and the government's argument that the fall in the external value of the rand fully compensates manufacturers for the decrease in GEIS is not well accepted," he said

In addition, insufficient sources of capital for investment through the Industrial Development Corporation had been made available Recommendations to government in March 1994 by the government-appointed Panel and Task Group for the Textile and Clothing Industries had still not been acted upon, he said

"The response to the four years of deliberations by government was slow and disappointing "In essence a lack of state financial resources prevented an adequate, quick and clear response," he said

Though Trevor Manuel, then minister of Trade and Industry, announced a "rand for rand" government subsidy to assist companies in implementing performance improvements in 1994, companies were still unable to claim assistance as no mechanisms had been put in place, Boer said

Tony Heher, the department of trade and industry's cluster study co-ordinator, said the DTI was "guilty of underspending" and had been unable to implement all of its projects because of a shortage of staff

Of 1000 posts in DTI, 300 had been frozen because of the government commitments to streamline the public service

Heher called on industry to assist the department in setting up and running programmes to make them "more self-administering" "We need help to keep up the flow of support measures," he said

But he reiterated government's commitment to channel money saved from GEIS into supply-side measures

Spending on the Support Programme for Industrial Innovation and other measures had already been increased. Industry cluster studies promoted by the department could increase the competitiveness and efficiency of industry

The department hoped to increase exports by 10 percent a year and real wages by 2,5 percent a year by1999 through the cluster initiative, Heher said

Acrytex wraps up export market

ARG 9/9/96 (197)

BUSINESS EDITOR

Pepkor's Eastern Cape blanket maker Acrytex has sewn up R3 million in export orders .

The Butterworth-based group, which employs 800 people, made a profit of R6-million on a turnover of R52-million in its last financial year.

An investment of more than R6-million in technology has allowed the company to increase capacity and to extend its range from blankets sold through Pep Stores to new styles aimed at the upper end of the market

Export markets so far include Angola, Zambia, Lesotho, Namibia and Swaziland

Customs uncovers textile shipment scam

BD 16/9/96

(197)

Nicola Jenvey

DURBAN — Customs and excise officials pounced on another smuggling scam at the weekend, recovering goods, in a raid in Durban, which would have cost SA R3m in evaded import duties.

National investigation task team head Johan Beets said containers packed with textiles had been confiscated — part of a 3-month investigation which had recouped goods liable for R25m in duties. The scam had involved two containers allegedly destined for Botswana and so exempt from customs duties

The containers — packed with fabrics and Chinese-made polycottons — had crossed into Botswana for clearance papers before being smuggled back into SA.

Officials had also recovered another 10 containers. False bills of entry and permits had been found Beets said no arrests had been made, but investigations were under way

The national investigation task team was created six months ago. Its biggest success has been pouncing on an illegal Cape Town clothing and textile syndicate in June, recovering goods worth R150m.

Frame eyes bid for Romatex

Nicola Jenvey (197)

BD 17/9/96

DURBAN — Clothing and textile group Frame was expected to buy CG Smith textiles subsidiary Romatex, paying above the company's current market price, analysts said yesterday.

The companies cautioned yesterday that talks were under way. Frame was unavailable, and CG Smith and Romatex declined to comment But analysts said the deal could be announced this week.

Romatex closed the session 13,6% up at 375c on the JSE, valuing the company at R99m Its net asset value was 977c a share for the six months to March. Frame was expected to pay 600c-800c a share — valuing CG Smith's 60% stake at R95m-R127m Frame gained 50c to close at 825c, valuing it at R205m.

Analysts said the tie-up was in line with global joint venture trends.

Frame will consolidate leading position

Huge merger in store for textile industry

(197)
CT(BR)17/9/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Frame's Consolidated Frame Textiles (Confram), the largest textile company in South Africa, is in talks to take control of Romatex, Roy Sable, Confram's chief executive, said yesterday

Romatex, which is the country's second-largest listed textiles company, has interests in cotton and wool fabrics, home textiles, floor coverings and chemicals

Market analysts said the potential deal would be one of the most significant in the history of the troubled South African textile industry

Subject to JSE and Competition Board approval, Confram will become the majority shareholder in Romatex, owning more than 50 percent. It is expected to buy most of the stake from CG Smith, which owns 60 percent of Romatex

A market source said Associated Furniture, which owns 20 percent of Romatex, was also talking about selling its interest

It is not yet clear how much CG Smith stands to receive for the sale of some or all of its stake, whether it will be paid in cash or shares, and whether Romatex will be delisted But analysts said it would probably be a cash deal, given Confram's large cash holdings and the low valuation of its stock

At yesterday's closing price of R3,75 a Romatex share, which was up 45c on Friday's close, CG Smith's 60 percent is valued at R56 million and represents turnover of over R300 million of Romatex's R500 million turnover for the year to September 30 last year.

Sable said yesterday that the buyout would give Confram access to markets such as carpets and worsted fabrics in which it had never operated, and afford it a strategic presence in the Cape.

Analysts said there could be synergies in the cotton and bed-linen markets, but it was still too early to say whether Confram would dispose of non-core businesses like floor coverings

Sable said Romatex would operate as a reasonably independent subsidiary of Confram He said he expected the deal to be in place by October 1 Offers would then be made to minority shareholders

Sable said Confram had first considered buying Romatex two years ago, but negotiations had been active only for the past three to four weeks

He said Confram was aware of Romatex's problems but said they were symptomatic of the turbulent times that have plagued the industry as a whole

In the six months to March 31, Romatex's attributable profit fell 75 percent and its turnover fell 3 percent

Mike Hankinson, Romatex's managing director, declined to comment on the negotiations

Confram has turned around from debts of over R500 million and losses of R1 million a day in the early 1990s At its year-end on June 30, its cash pile was R144 million

☐ See Business Watch, Page 18

Job losses 'unlikely' after takeover of Cape firm

New markets will open up – Sable

(197) ARU 18/9/96

LLEWELLYN JONES
BUSINESS REPORTER

The change of control at Cape Town-based textile company Romatex would probably not result in any job losses, says Romatex managing director Mike Hankinson.

Roy Sable, the chief executive of Consolidated Frame Textiles (Confram), announced earlier this week that Confram was negotiating to buy all or part of industrial giant CG Smith's controlling interest in Romatex

Mr Hankinson said it was still too early to speculate on the effect of any change of control as the deal had yet to be finalised

"I don't expect there to be much change at all," he said, ruling out the possibility of job losses from the deal

Mr Sable said that the buyout would give Confram access to markets such as carpets and worsted fabrics, in which it had never operated, and afford it a strategic position in Cape Town

The Frame group is jointly controlled by Gregory Knitting Mills, based in KwaZulu-Natal, and Cape Town-based clothing group Seardel Both are listed on the Johannesburg Stock Exchange

Gregory Knitting Mills is controlled by the Sable family and Seardel by the Searll family

Seardel chairman Aaron Searll said it was his group's policy to have a dominant share of the markets in which it operated

"Romatex is in need of a large investment in new plant and machinery, and we are ideally placed to provide it," Dr Searll said

Romatex has had an unhappy year so far, squeezed by falling demand, tougher competition and rising costs The difficulties come barely two years after a major restructuring designed to refocus the textile group on its core business

Romatex now has four main divisions: Berg River Textiles, an integrated cotton mill, Hextex, a worsted textile mill, Romatex Home Textile, specialising in fashionable bedroom and bathroom textiles, and Romatex Floor Coverings, which includes Van Dyk and Constantia tufted carpets and Flortime fire-bonded carpets

In December 1994, Romatex's storage division, which included bulk liquid storage operations, automotive foam fabrics and non-woven textiles, was unbundled into a separate company, Island View Holdings, listed on the JSE

The refocusing of Romatex was followed by better results, as the group reported a 32 percent increase in net profits to R28,1 million in the year to September But in the six months ended March, net profits slumped 75 percent to R2,9 million

Frame is on the lookout for bargains

(197)

By Shirley Jones

KWAZULU NATAL EDITOR

CT (BR) 18/9/96

Durban — Frame, whose growing financial strength gives it the flexibility to consider acquisitions or similar transactions that complement its operations, has said a number of such proposals had been received and would be considered

Roy Sable, the chief executive, said yesterday that Frame had looked at a number of potential acquisitions "Although they are dead at the moment, these things have a habit of coming back"

In the early 1980s Frame employed more than 32 000 people in 14 factories It now employs 5 100 and has just three important plants

The dramatic pruning of founder Philip Frame's sprawling textile empire resulted in the disposal of operations in Malawi, Zambia, Durban, Harrismith and Balfour In 1988, Mervyn King assumed control of a product-driven company rather than a market-driven one Mills in East London, KwaZulu Natal and Qwa Qwa and Frame's head office in Durban became casualties in 1990, as did Frame's original 55-year-old blanket plant. Waverley Blankets was sold in 1991 and the synthetic fibre plant in 1993 This is widely regarded as a turning point for Frame Since then, the struggling manufacturer has clawed its way back into the black

☐ See Business Watch

Frame Textiles considers acquisitions

(197) BD 18/9/96

Nicola Jenvey

DURBAN — Clothing and textile group Frame Textiles was considering several acquisitions and ventures to strengthen its range of operations, outgoing chairman Mervyn King said in the latest annual report.

His statement follows this week's news that Frame is considering purchasing CG Smith subsidiary Romatex, which is SA's second largest listed textiles company.

King said the group's sound cash resources of R144m at the year to June gave Frame the flexibility to review several acquisition proposals which held promise and warranted further investigation.

He said the group's most significant achievement since he assumed chairmanship seven years ago was progress made in shareholders' value.

Despite bearishness in clothing and textiles, Frame's market value rose to R168m from R125m in June 1993, a compound growth of 56%.

King said the group was concentrating on training, deploying the latest technology and providing the highest possible levels of customer service.

The group had already committed R80m (R58m) in capital expenditure.

An air-jet weaving plant and indigo denim dye range were being installed at the New Germany factory.

In the year to June, Frame lifted attributable income after exceptional items 35% to R32,1m. This was in spite of adverse trading conditions which prompted the group to criticise government policy on tariff cuts and illegal imports.

Frame benefited from exceptional items to lift share earnings to 151,7c (113,9c). Stripping out exceptional items, share earnings dropped to 110,2c (165,1c) and the total dividend rose 16,7% to 21c.

Sales dropped to R730,9m (R782,7m) in the wake of depressed consumer spending, while gross operating income slipped to R83,4m (R90,8m).

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Frame, Romatex merger gets nod

ST(BT) 22/9/96

(197)

COMPETITION

By JEREMY WOODS

THE Competition Board on Friday gave the go-ahead for the R1,25-billion textile merger between the Frame group and Romatex, clearing the way for the rationalisation of the largest two listed textile companies in South Africa

Frame announced this week it was buying almost 60% of Romatex from CG Smith

Analysts estimate the combined turnover of the group will be in excess of R1,2-billion, though significantly for the Competition Board, over 60% of Romatex's turnover is in worsted fabrics and carpets, which Frame does not manufacture

Board chairman Pierre Brooks said on Friday "The acquisition does not restrict competition in those markets"

While both companies manufacture cotton-based woven fabrics and bed linen — with an estimated joint share of the two markets of 18% and 22% respectively — this was offset by the substantial level of imported goods, Brooks said

Romatex shares have been on a roller-coaster ride on the JSE all week since news leaked about the takeover negotiations

Some analysts put a likely bid price at between 600c and 700c, based on Romatex's net asset value of close to R10 a share. The shares surged to 550c but retreated sharply once Romatex notified the market that the deal was being negotiated at below 330c On Friday the share closed at 330c

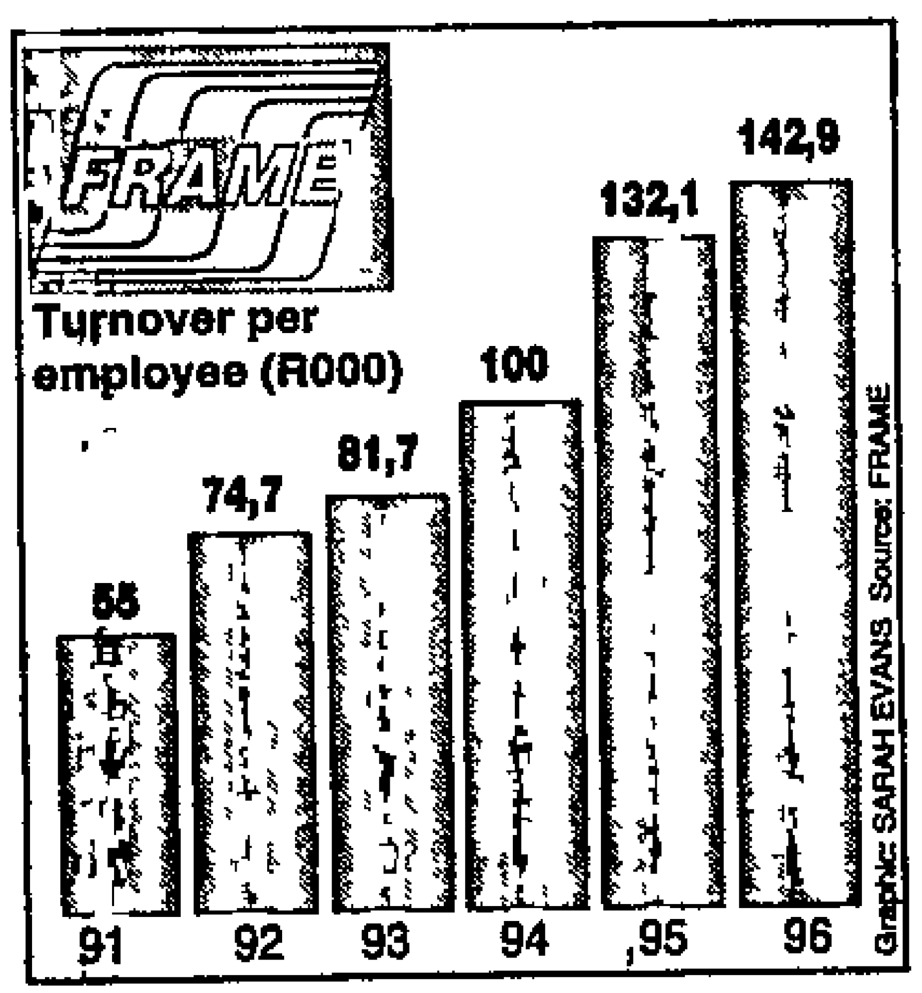
"Putting a price of 600c on this deal was just plain irresponsible It was misleading guesswork that, for a while, created a false market in Romatex shares," complained one market dealer.

Meanwhile Anglo Alpha and Murray & Roberts confirmed on Friday they would appeal the Competition Board's rejection of the proposed merger of Alpha with M&R's Blue Circle cement business The Board said last week the merger was not necessarily in the public interest.

COMPANIES

Frame on lookout for further acquisitions

(197) BD 26/9/96



Amanda Vermeulen

TEXTILE group Frame, which this week bought a controlling shareholding in Romatex for about R28m, will continue to look at other potential acquisitions to increase its stake in the textile industry.

Frame non-executive chairman Mervyn King said in the group's annual report for this year that its growing financial strength had given it the flexibility to consider acquisitions or other transactions to complement its operations.

"We have reviewed a number of proposals, some of which warrant further investigation," he said.

Frame chairman Roy Sable said yesterday that the group intended widening its scope in textile and other industries, but said there was nothing concrete under discussion.

Following the Romatex transaction, Frame now has one quarter of the household textile market and about 23% of the cotton market

King said the group's investment in technology, contributing to capital expenditure of R58m in the last financial year and R80m in the year to June 1997, would taper off in the following year. The group would channel an increasing portion of earnings to shareholders.

In the year to June 1996, attributable earnings were up 35% to R32,1m, but headline share earnings dropped 34% to 110,2c. A 17% increase in dividends was declared, bringing the total dividend for the year to 21c.

Headline earnings had been adversely affected by the swing in exceptional items to income of R7m from a R18m charge in the previous year. Exceptional income included profit from the sale of machinery, unutilised land and equity investments, offset by provisions related to retrenchments in the spinning and weaving businesses.

During the year under review, the group scaled down its work force 14% to 5 113 employees, a move which more than doubled its retrenchment costs to R8,8m (R3,5m)

Turnover per employee increased to R142 900, from R132 100 last year, almost three times 1991 levels of R55 000

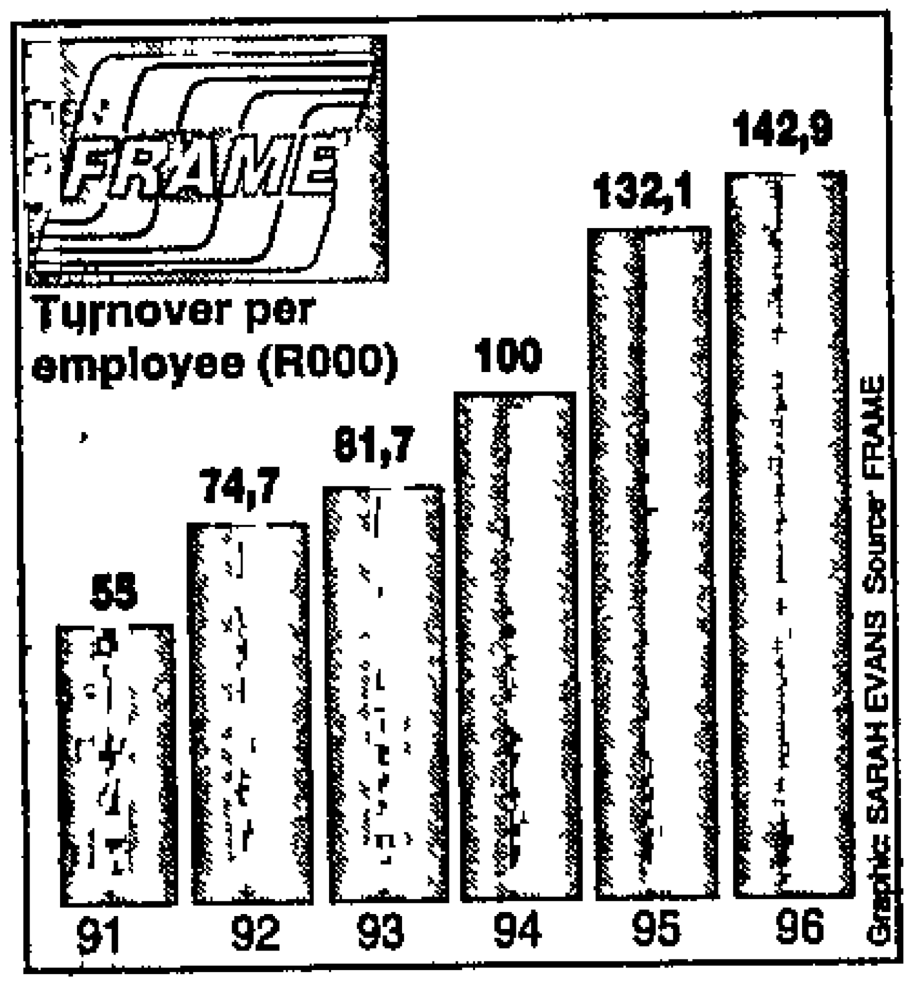
King said that although trading conditions remained tough, capacity utilisation in some areas had improved during the last few months of the year and forward order books "look healthier than they have for some time".

Frame shares closed 20c weaker in the JSE yesterday to end at R8,80 The counter reached a year high on Friday of R9,25

COMPANIES

Frame on lookout for further acquisitions

(197) BD 26/9/96



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Massive profit plunge for Lansdowne textile firm

(197)

R1,6-m loss hits Tolaram shareholders

ARG 27/9/96

BUSINESS EDITOR

Slashed margins sent Lansdowne-based textile company Tolaram 2000 spinning into the red in the six months ended June, with shareholders' losses totalling R1,6-million compared to profits of R2,6-million a year ago.

The company, formerly Fenix Industries, was taken over by Singapore-based Tolaram last year

Turnover at the half-way mark was down 22 percent at R32,5-million, but more serious was an 86 percent slide in operating profits to R675 000 from R5-million

Directors said in notes to the interim report that the downturn in the textile industry had been more severe than expected

The group had been forced to absorb most of the impact of the depreciation in the rand because of depressed market conditions Trading volumes were improving, they said, but the results for the second half-year were not likely to be better than year-ago figures

Tolaram is to spend R30-million on modernising its dye-house. The work would be complete by the second quarter of next year, directors said, and would leave Tolaram with state-of-the-art facilities which would offer products and services "comparable to the best in the world" Funds for the project would be raised partly by way of new capital and partly through debt, they said

At the beginning of the year Tolaram, which also controls Cape Town clothing accessories company Strebel and companies in KwaZulu Natal, announced plans to invest R180-million in its textile manufacturing businesses in the next five years.

Clothing, textiles fight illegal imports

ARG 4/10/96

Government urged to match R360 000 spent each year

(~~181~~) (197)

BUSINESS EDITOR

Clothing and textile manufacturers are spending R360 000 a year on the fight against illegal imports, according to the clothing and textile federations, which have called on the government to match these funds.

In a submission this week to parliamentary hearings on tariff policy, the presidents of the Clothing Federation (Clofed), Bernard Richards, and of the Textile Federation (Texfed), Mike Hankinson, said the two industries had contributed R167 000 to the Customs and Law Enforcement Task Group since its creation in May.

"We are supplying the money and on an annualised basis it is costing us R360 000 a year at the moment," Dr Richards told the Cape Argus

The task group pools information on suspected fraud from Inland Revenue, Customs, the Reserve Bank and sources in industry Tip-offs from industry sources are passed on to the authorities for action

"Government needs to address the customs control problem as the most urgent priority and to match industry funds and resources to correct the situation," Clofed and Texfed say in their submission

They say it is "absurd" to try to create an industry competitive in world terms if the industry is faced with illegal imports

Reviewing the scaling down of protective import duties which started a year ago, the federations say they have asked for amendments so that the minimum duty on clothing imports does not drop below 40 percent and on fabrics 22 percent

The current programme scales down ad valorem duties on clothing from 84 percent last year to 40 percent in the year 2002 But the two federations say that when maximum and minimum specific duties are taken into account, the duty on imported garments could drop below 10 percent and the duty on the same fabric could be between 20 percent and 40 percent.

Textile and clothing industries all over the world are protected, Clofed and Texfed say, and most governments also assist these industries.

"The Korean government introduced a strategic plan for its textile and clothing industries in 1990 which included R23-billion of support measures France is to give its textile and clothing industry R1,4-billion a year to moderate the effects of Far Eastern competition as well as creating an aid programme to offset currency devaluation.

"Other countries with extensive aid and support measures are Taiwan, Chile and India."

Calling for the creation of a Textile and Clothing Export Council funded by the state, Texfed and Clofed say the capture of one percent of world trade in clothing could create 250 000 jobs at a cost of R1-billion.

Seardel's labour productivity jumps

ARG 4/10/96 (197)

LLEWELLYN JONES
BUSINESS REPORTER

Labour productivity rose fast at Cape-based clothing and textile group Seardel last year, according to the group's annual financial statements released this week.

Operating profits per employee jumped 20 percent to R7 428 in the year to June, compared to R6 190 last year

The improvement in productivity is even more startling considering the value added by Seardel in the manufacturing process The value added to materials and services purchased climbed to 69 percent compared to 41 percent last year

These figures add an interesting twist in the wake of the industry-wide strike in August when employers and employees battled over a single percentage point for this year's wage increases Agreement was reached on an increase of nine percent

In his chairman's statement, Aaron Searll said the dispute and subsequent strike raised a number of questions

"Two key issues which require attention are the efficiency of industry-wide centralised bargaining, and whether our industry's labour cost is a significant factor in the quest to become internationally competitive," said Dr Searll

Another headache for textile manufacturers

(197)

LEWIS MACHIPISA

ARG 10/10/96

Zimbabwe's textile manufacturers, already hurt by punitive tariffs imposed by Pretoria, now face an additional headache – the depreciation of the South African rand.

When a bilateral preferential trade agreement concluded in 1964 expired in 1992, the South African government imposed tariffs of up to 90 percent on Zimbabwean yarn

The result was devastating. Between 1992 and mid-1996, more than 10 000 jobs were lost in Zimbabwe's textiles and clothing sector, and at least 31 firms closed down

About two months ago, Zimbabwe's Trade Minister Nathan Shamuyarira successfully negotiated an easing of the tariffs by South Africa, but the accord is still to be ratified.

In the meantime, the depreciation of the rand has compounded the Zimbabwean manufacturers' woes

The rand has lost about 13 percent of its value since April. As a result, one of the country's leading textile companies, Zimbabwe Spinners and Weavers (Spinweave), lost the equivalent of US $500 000 in the first six months of this year since its South African clients pay in rands, according to Spinweave executive chairman Peter Dorward

Feeling shortchanged, Spinweave has halted its exports to South Africa

Textile and clothing exports earned the country about US $60 million in foreign currency annually, Mr Dorward said

Desperate to survive, Zimbabwe's textile manufacturers are struggling for options

Some feel that if the situation continues, the only alternative would be to sell out.

Others are trying to boost access to the European Union (EU) – Sapa-IPS

Payola dismisses 200 striking textile workers

CT(BR) 14/10/96 (197) [redacted]

STUART RUTHERFORD

Durban — Payola Management Services, a home textile producer in Ladysmith, dismissed 200 striking workers on Friday and gave them until tomorrow to appeal against the decision

About 390 workers at the plant have been on strike since October 1 They support the South African Clothing and Textile Workers' Union (Sactwu), which is demanding that the company agree to central bargaining

Mel Wood, a spokesman for Payola, said the company had extended deadlines three or four times It finally decided to dismiss strikers who showed no intention of returning to work

He said many of the striking workers wished to return to work but were afraid to do so

"The strikers have attacked people's vehicles, gone to people's houses and threatened to kill them if they go to work, and even threatened to burn down the factory," Wood said

Mndeni Mhlongo, Sactwu's regional organiser, said the union would drop its demand for central bargaining if Payola implemented the wages and conditions agreed to between Sactwu and the home textile employers

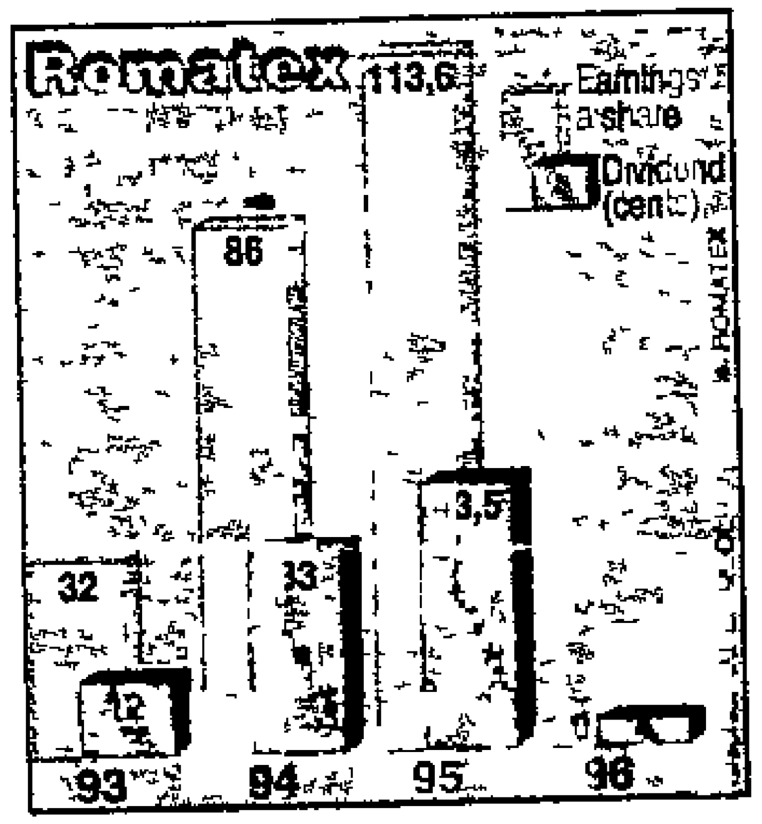
"We cannot force anyone to respond, but people must respect the minimum rates in the industry" Mhlongo said

Wood said the minimum at Payola was R128 a week, but with incentives and production bonuses workers took home 2,5 to three-times that amount The minimum agreed wage in the home textile sector is R275 a week.

Wood said the plant was operating at between 70 percent and 75 percent capacity with about a third of its workforce.

Competition takes toll on Romatex's bottom line

(197) BD 31/10/96



Nicola Jenvey

DURBAN — Industrial textile group Romatex saw attributable income tumble 95% to R1m for the year to September as the global textile surplus, reduced domestic tariffs and illegal imports took their toll on the bottom line, MD Mike Hankinson said yesterday.

Headline earnings a share were zero, against 113,6c in the previous year. No final dividend was declared, leaving the annual distribution at 4c (1995 43,5c).

Turnover dropped to R505,3m (R517,8m), with operating profit falling 92% to R2,5m.

The tax bill was sharply down at R100 000 from last year's assessment of R7,4m.

Hankinson said in February the group had been forced to scale back profit forecasts for the year under review and analysts believed the market had already discounted the disastrous results.

Hankinson said greater competition from legal and illegal imports and higher raw material input costs had affected margins and volumes.

Consumer spending had also been affected from the third quarter of last year, with retailers curtailing stocks. All four Romatex divisions performed below last year's levels, with the carpet and home textile divisions hardest hit.

Cotton division Berg River Textiles, hampered by illegal imports, saw its order book improve only towards the end of the year.

Wool division Hextex had experienced a buoyant first quarter, followed by a six-month drop in demand. Trading recovered partially in the final quarter and exports were expected to offset softening local consumer demand.

Romatex Home Textiles had suffered from a delay in the installation of the new plant, market rejection of new ranges and increased competition. Hankinson said the recently installed plant and more focused ranges should lift the trading position.

Romatex Floorcoverings had experienced a fall-off in sales, with margins affected by higher raw material prices. The moves by Gold Reef into the paint, adhesive, water treatment and paper markets were yielding "encouraging" results.

Hankinson said consumer spending on non-essential items would remain subdued and a recovery to 1995 financial year levels was not expected.

"Nevertheless, current market conditions and order levels do indicate an improvement on the year under review and steps to enhance competitiveness in terms of product design, quality and pricing will yield better results."

Romatex had resolved to be more internationally competitive, promoting new quality measures, shortening lead times and providing further added-value in niche markets while exploring markets globally.

TEXTILES *Competition from legal and illegal imports has damaged margins*

Threadbare for Romatex

(197) CT(BR) 31/10/96

Marc Hasenfuss
Cape Editor

Cape Town — Romatex, now controlled by Consolidated Frame Textiles, reported threadbare earnings in the year to September 30 with all divisions reeling under difficult trading conditions

Bottom-line profit slumped 95 percent to R1 million because of the global surplus of textiles, domestic tariff reductions and increased imports

The marked downturn in second-half trading precluded any addition to the interim dividend of 4c a share

Mike Hankinson, the managing director of Romatex, said increased competition from legal and illegal imports and sharp increases in raw materials had severely affected margins

This was reflected in a 92 percent plunge in operating profit to R2,6 million off a 2 percent dip in turnover to R505 million

Hankinson said that all four Romatex divisions had performed below the previous year, with the carpet and home textile divisions most significantly affected

All four divisions performed below the levels of the previous year

Romatex Home Textiles suffered from a delay in the installation of new plant, market rejection of new ranges and increased local and imported competition

Hankinson said, however, that the effect of the new plant, now installed, and the introduction of more focused ranges should improve trading

Romatex Floorcoverings experienced a fall-off in sales, and margins were affected by increases in raw material prices

But he said moves by Gold Reef into the paint, adhesive, water treatment and paper markets were yielding encouraging results Export markets were being developed for these products

Hankinson said Berg River Textiles, Romatex's cotton operation, could also be in line for a better showing in the year ahead This followed an improved order book, the reorganisation of plant, investments in new technology and a rationalisation of the product range

Hextex, the company's wool division, recovered partially in the last quarter of the financial year, after weaker demand experienced in the second and third quarters

"Hextex's export business is, however, expected to offset the softening in local consumer demand during the forthcoming period," said Hankinson

He added that consumer spending was likely to remain subdued

"Nevertheless, current market conditions and order levels did indicate an improvement on the performance of the year under review."

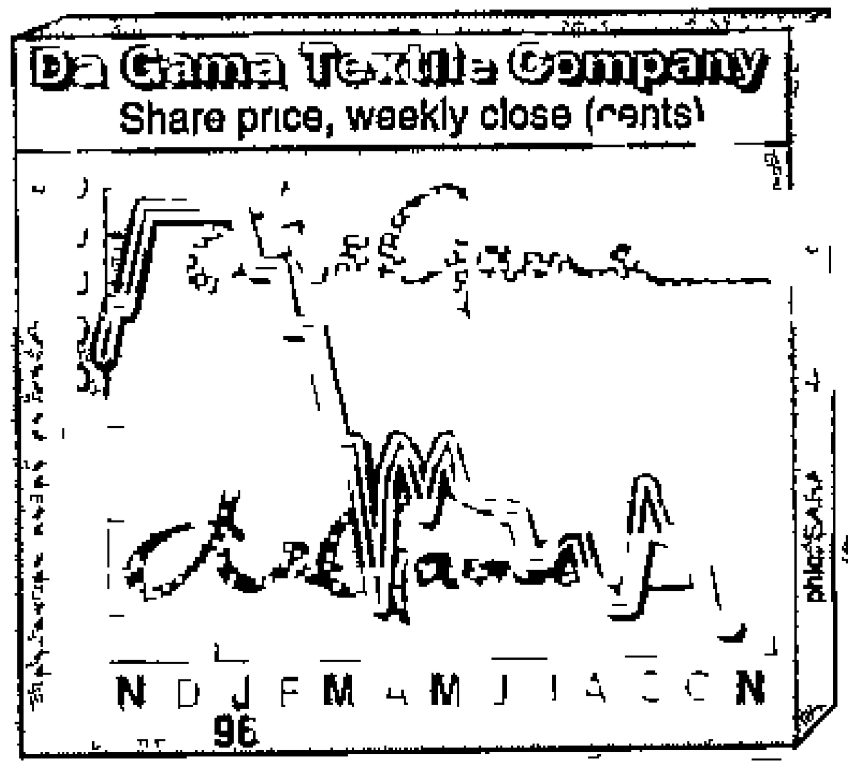
Hankinson said Romatex's balance sheet remained robust and cash on hand had grown to R19 million.

□ Business Watch

Da Gama Textiles' earnings decline in first half

(197) BD 5/11/96

Jacqueline Zaina



SA BREWERIES subsidiary Da Gama Textile Company reported a 26,4% decline in attributable income to R11m in the six months to September, following a softening in the demand for local textiles and price reductions which cut into profit margins

Share earnings declined to 21,6c from 29,4c the year before and directors declared an interim dividend of 7c (9,5c) a share

Da Gama CE Harry Pearce said that turnover had fallen 15% to R142,2m after weak sales at retail level had reduced real demand for local textiles during the period under review

The company shrugged off a real drop in sales in its previous financial year, caused by an unrestricted increase in textile imports from the East

Turnover in the 12-month review period was virtually unchanged at R309,1m

Pearce said fierce competition during the first six months of the year necessitated price reductions in certain major product lines and, although costs were reduced below last year's level, operating income fell 51% to R8,8m

Margins at operating level were cut to 6,2% from 10,8% the year before

Interest of R4,8m (R3,4m) contributed to pre-tax income of R13,6m — 28% lower than in the same period the previous year

A lower tax bill of R2,6m, compared to R6,4m the year before, cushioned the earnings decline.

Pearce said the balance sheet remained strong with net liquid resources totalling R70m against R49,2m at the end of the same period the year before.

The R18m capital expenditure programme to strengthen the company's textile manufacturing technology and management information systems as well as upgrading facilities had gone ahead, with R6m spent during the period under review.

Inventories were R11,4m higher at R111,8m against the same period last year, with debtors reduced to R65,7m from R89,3m

Pearce said in the current environment, volumes and profit margins were unlikely to improve. Despite a reasonable forward order book of more than three months' sales, he said the company expected a further decline in earnings in the second half.

Glodina goes for broke with concerted export drive

CT (BR) 5/11/96

(1997)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Glodina intends launching a concerted export drive in the new year, according to Paul Redondi, the managing director of the towelling manufacturer

This is despite a disheartening R1,59 million after-tax loss at half-year reminiscent of the early 1990s and a conservative forecast that the company would recover to barely half of last year's R6,1 million profit during the second half of this financial year

Redondi suggested this was something of a "once and for all" approach — the only path that offered growth to a local textile operation in the face of a failing rand and a declining domestic market

He said Glodina's export strategy would be in place by the beginning of next year, a full year ahead of its expected entry into the international market It would target the industrial market (in other words, hotels) and would be aimed first at the UK and then at Germany, he said

Unless, the company operated cost-effectively – Glodina was presently 25 percent above international prices – it stood no chance in export markets, Redondi said

However, he said, he believed Glodina would have won production-wise by year's end Already major technological breakthroughs were evident and production was more than back to normal

In an equally surprising move, Redondi also announced that Glodina intended consolidating its position as a producer of household textiles with the launch of a sheeting range Aimed at a small upmarket niche through major retailers, this select range would be available in mid-1997, he said

DA GAMA (197)

Relative merit not enough

FM 8/11/96

Even the strong groups in clothing and textiles are taking a knock Textile manufacturer Da Gama's poor half-year reflects this

Despite attempts to cut costs, margins narrowed on lower sales Financial director Tony Swift expects conditions to improve only in the medium term

People are spending less as costs rise and greater use of credit catches up with them And competition is growing as legal and illegal imports continue to stream in Import tariffs, too, are sliding as Gatt structures are implemented

PROFIT STILL SLIPPING

Six months to	Sep 30 1995	[illegible] 31 1996	[illegible] 30 1996
Turnover (Rm)	[illegible]	[illegible]	[illegible]
Operating income (Rm)	[illegible]	14,2	[illegible]
Attributable (Rm)	15,0	14,5	11,[illegible]
Earnings (c)	29,4	28,5	21,6
Dividends (c)	4,5	15,5	7,0

For these reasons, half-year turnover is about 15% lower than in 1995 Operating margin narrowed to 6,2% from 10,8% and EPS fell by 27% Despite a reasonable forward order book of more than three months' sales, CE Harry Pearce expects a further earnings decline in the second half

In these conditions, it is to management's credit that the financial position remains strong Da Gama has cash resources of R70m (1995 46m) and no interest-bearing debt Interest earned added about a third to pre-tax income

Cash flow improved Working capital absorbed R3,2m from trading income compared with R23,4m during financial 1995's first half The group retained R9,1m from operating activities, last year, the net cash loss was R4,4m

Investors are asking which manufacturers in this sector will still be around in 10 years' time Based on past results and management style, along with current improvements, Da Gama is likely to be one of the survivors

But relative merit in a struggling industry doesn't seem to mean much to investors Da Gama's rating has sunk to a p e ratio of 3,6 in the past 12 months The market holds more attractive options

Michelle Joubert

er Sheet

King spots the gap to take SA textiles into new territory

(197)

JULIE WALKER
DIAGONAL STREET

ST (BT) 10/11/96

SPOT the opportunity for South African textile producers: Mervyn King of Frame has The country is not subject to quota restrictions in the export of goods to America, Europe and elsewhere, but many Eastern countries are.

Imagine the benefits if an Eastern company were to tie in with Frame, and send it the yarn for finishing and exporting to international customers.

"It does not take a rocket scientist to see that this is our marketing advantage," says King, who is not the man to suggest such a possibility lightly.

King says that following Frame's purchase of 51% of Romatex, the consolidated net asset value of Frame is 2 508c, compared with the market price of 900c. The cash content of R130-million alone accounts for almost R5 a Frame share. Gross sales will reach R1,2-billion this year.

King notes that Romatex will have a negative impact on the Frame earnings for the first year. However, "New brooms will sweep clean", he assures investors. Romatex has two broad businesses. Floor Coverings and Hextex account for 60% of turnover, and Berg River Textiles and Romatex Home Textiles the balance Berg River and Home Textiles are cotton-based businesses which fit snugly into Frame's business.

"There will be some rationalisation. Discussion is under way with management but nothing will be done in the short term. We'll do things carefully."

The acquisition of Romatex suggests confidence in the future of textiles. King says that north of South Africa, near-economic collapse has led to the closure of manufacturing businesses This has opened new markets which did not exist a few years ago.

"The world is forming itself into trade blocs. Our Government says it may take up to eight years, but I can assure you that one will form between South and east Africa and the Indian Ocean islands.

"Frame will be the textile leader It already has world-class human resources and state of the art plant. Textiles manufacture is technology-driven, not labour-driven"

When King took over at Frame in 1988, the sprawling group employed 23 000 Now, its manufacturing capacity is still 87% of 1998's, with only 5 000 staff

The amount of space used is dramatically lower. Frame is currently replacing 400 looms with 142 new ones which will occupy an eighth of the space and require 70% fewer staff. Property is therefore freed for development. King says the capital investment was made before the rand's collapse.

> *'You'll find more customs inspectors at Heathrow than in the whole of SA. Illegal imports mar the balance of payments'*

King's talk was part of a presentation by the Seardel group to members of the Investment Analysts Society. Seardel is one of the few shares to have a dividend yield (4,9%) greater than its price-earnings ratio of 4,2. Having hit 325c early in the year, Seardel lost 60% of its value in only five months, but has since picked up a touch to 190c Seardel's net asset value is conservatively stated at 400c Regrettably, I tipped Seardel (N) as a potential winner for 1996 — perhaps there's still time for it to surpass the starting price of 220c Chairman Aaron Searll, who founded the group with the R500 purchase of two thirds of Elatta Manufacturing with annual turnover of R31 156 in 1957, rightly says Seardel is a substantial group.

Turnover will approach R3-billion in the current financial year. It has large market shares in men's, women's and children's apparel and textiles, augmented by Seartec's Sharp electronic goods and Prima Toys.

Searll welcomes the improved vigilance of South Africa's Customs and Excise teams in intercepting the flood of

Increases 'disproportionate' to cost of raw materials

Weak rand puts textile industry in rising cost spiral

CT 11/11/96

(197)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — The textile industry is caught in a cost spiral, with manufacturers struggling against escalating input costs stemming from the weak rand

Malcolm Hughes, the managing director of Anglovaal textile subsidiary, Avtex, said last week that downward pressure on margins had resulted in the cost increases, which were passed on to garment manufacturers and retailers, being out of proportion to the cost increases in raw materials

He said though the industry had absorbed these for more than a year, the poor performances of manufacturers such as Da Gama, Unispin, Romatex, Nimian and Lester, and to a lesser extent, Frame, suggested this could not continue indefinitely

Hughes said the textile manufacturers' problems began in the first quarter of last year "The industry traded well until July when it ran into a brick wall Things haven't improved yet," he said

The most critical problem was that manufacturers who were struggling to achieve global competitiveness had not only had their capital budgets shrunk by the rand's depreciation, but were forced to review expenditure in view of difficult market conditions In most cases, this meant investment fell even further, Mike Hankinson, the president of the South African Textile Federation, said

Manufacturers have lumped out-of-control input costs in three categories: the price of imported machinery, spares and maintenance, the cost of chemicals and dye stuffs which are not made in South Africa, and the rising costs of raw materials such as polyester, cotton and wool which are all import-parity priced

Hughes said textile manufacturers would have to brace themselves for a significant rise in the prices of chemicals and dyes as the country's stockpile began to run out He said manufacturers of woollen textiles were forced to contend with a 14 percent increase this year

"Garment manufacturers and retailers should remember that the price of cotton lint on the local market increased over the past two years by 44,5 percent, while local fabric prices have increased by just a fraction of that," said Walter Simeoni, the group managing director of Frame

Paul Redondi, the managing director of Glodina, said the textile industry could expect the Cotton Board to push prices by at least a 7,5 percent for the period of January to June next year

At most, manufacturers would only cope with 5 percent, he said At this point, many spinners were only quoting prices in quarters, he said Redondi also said the expected interest rate rise before the year-end meant textile manufacturers would come under further strain

The same can be said for retailers However, Simeoni and other manufacturers said, though they sympathised, they could not compromise their own survival "Machinery and other ancillary inputs all have to be imported, not to mention that our internal inflation is around 8 to 9 percent," Simeoni said

Hankinson said that, as the economy deteriorated, the strength of large retailers increased

This point was taken up by Redondi who said that the closer a manufacturer was to the large retailers, the greater his risk in the coming year Buying plans from these retailers were coming through with much reduced volumes, indicating reduced retail spending

Already, retailers appeared to be overstocked for Christmas and consumers seemed to be keeping their hands firmly in their pockets, he said

COMPANIES

New areas opening to Frame — King

(197) BD 20/11/96

Nicola Jenvey

DURBAN — Consolidated Frame Textiles was poised to achieve "consistently good" results in the years ahead on the strength of its experienced management team and healthy balance sheet, chairman Mervyn King said yesterday

Addressing the AGM, King said Frame's management had an in-depth understanding of global textile trends, while SA had significant expansion opportunities given the government's intent to form a southern African trading bloc within eight years

Severe economic problems north of SA had caused large textile companies to collapse and markets which were previously closed to Frame were opening up.

Meanwhile, the US and Europe had raised the quota walls against eastern textile producers, leaving a gap through which local companies could enter

King said that since the June year-end Frame had continued growing through the acquisition of 51% in Romatex The move had increased gross sales by R500m and had broadened Frame's textile base into floor coverings and worsted fabrics.

In the year to June Frame lifted income before taxation 61% to R71,3m and held cash reserves of R144m King said more than R70m of these reserves had been spent on new equipment, with another portion used for the Romatex bid. Remaining funds would be utilised for capital expenditure during the current year

Several installations of new technology yarn spinning and dyeing and finishing applications had already been commissioned, with initial training either completed or under way

King said most of the new plant had been ordered before the huge rand depreciation

Frame had continued restructuring its property interests, with more than 40 000m² having been let to outside tenants over the past three years In the year under review R7m was spent refurbishing 16 500m² in Pinetown Frame would spend R17m on a 45 000m² property in Pinetown and R7m on phase one of an East London refurbishment

CT (BR) 20/11/96

(97)

Questions over future of local textile industry

Durban — The textile industry is facing an uncertain future, Errol Keller, the Textile Federation's (Texfed) chief economist, said in Texfed's latest newsletter. He believed short-term prospects were fair, though demand had been slack in the second and third quarters.

Keller said it was difficult to explain the persistently low consumer inflation for the clothing sector, especially because overall inflation had risen in the past four months, reaching 7,5 percent in August.

He said textile producer inflation had tended to follow manufacturing inflation in an accentuated cyclical motion, dropping even lower when manufacturing prices were low and commanding greater increases when manufacturing prices rose.

Exports fell 10 percent in the first quarter despite the weak rand. Imports rose a mere 3,5 percent; yarn and fabric imports both fell. — Shirley Jones

Yarn maker Unispin plunges into red

~~197~~ (197)

Edward West

BD 22/11/96

PORT Elizabeth-based yarn manufacturer Unispin plunged into the red in the 12 months to the end of October with a R2,7m attributable loss — compared with a R10,5m profit last year — after depressed local conditions and illegal imports cut margins and sales.

Turnover fell 8% to R237,7m and operating profit before interest slumped to R3,6m (R26,5m last year) The dividend was passed. The loss a share was equivalent to 0,9c (18c profit)

MD Chris Snyman said although the trading environment remained volatile, there had been a "distinct upturn" in trading last month and this month. "Three months ago we were working a reduced shift, but we are going flat out at the moment," he said

About 250 of the 1 650 staff members were retrenched during the year.

Directors said although some action had been taken to combat illegal foreign goods, the problem remained se-

Continued on Page 2

Unispin

(197)

Continued from Page 1

BD 22/11/96

rious and the short-term domestic market was uncertain

The results for the 15-month period to December 31 1996 — the financial year-end had been changed — were not expected to show improvement.

Net interest paid rose to R6,2m (R1,4m), mainly due to a need to fund capital expenditure Long-term liabilities rose to R37,6m from R6,9m due to capex Gearing was 32,1% (13,3%).

Exports, currently about 30% of sales, would benefit from the depreciated rand. Development of an export distribution network in Europe and America was progressing

The company, controlled by German industrialist Claas Daun, appeared to be on the road to recovery in the previous financial year when net income surged 77% to R24,4m.

Unity conference says vital exports will be lost if state fails to clarify policy

Textiles body slams tariff delays

(197) CT(BR) 29/11/96

Maggie Rowley

Cape Town — The clothing and textile industry, which has experienced its worst year in history, has hit out at the government for dragging its feet over concluding policy on tariffs and supply-side measures, saying further delay could jeopardise a potential 25 to 30 percent increase in exports next year

Following the first official joint forum of the clothing and textile federations in Cape Town on Wednesday, Bernard Richards, the president of the Clothing Federation, said certain anomalies were introduced with the first leg of the seven-year tariff phase-down on September 1 last year Industry stakeholders had met to find solutions to this and had submitted a compromise proposal to government, but 13 months later were still waiting for these to be gazetted

"In addition, we are still waiting for the second leg of the phase-down which was due to be implemented in September this year, to be announced," Richards said

"We are not interested in where the delays are Government has a responsibility to industry to finalise and clarify these matters "

Richards said they believed government had made a mistake in not implementing supply-side measures at the same time as the tariff phase-down, which was one of the reasons why between 13 000 and 17 000 jobs had been lost in the industry over the past year

He said clarity was urgently needed on whether the duty credit certificate (DCC), which expires on March 1998, was to be extended

"From inquiries to date, it would appear that the industry could easily grow exports by 25 to 30 percent, to more than R1 billion next year To date, clothing and textile imports have outstripped exports but growth of this magnitude would reverse this trend

"However, industry works at least a year ahead, and we need to know now if the DCC is to be extended, otherwise, these export opportunities will be lost," Richards said

"Without the DCC scheme, clothing exports will be decimated with the consequent loss of jobs It is a matter of urgency that the scheme is extended until the tariff phase-down period ends in the year 2003 "

Richards said other areas of commonality agreed to at this week's forum were that incentives under the government's Gear programme should be extended to existing industries, particularly labour-intensive industries

Investment allowances, he said, needed to be backdated to September 1 last year so that those industries who took the "bull by the horns" with aggressive investment coinciding with the tariff phase-down programme, would not be unfairly hurt

The clothing and textile federations called for

□ The phasing-out period of trade barriers in terms of the Southern African Development Community to be extended from eight years to 15 years for sensitive industries, including clothing and textiles

□ The local content definition in the bilateral agreements with Zimbabwe to be extended to all 14 existing bilateral agreements within the region, specifically Malawi, to get away from the "sewing on buttons and re-exporting syndrome"

□ The government to grant three-year work permits for technically qualified people to help counter- balance the large brain drain of recent years

NEWS

Race-based structure is being replaced by class-based interracial structure

A third of SA 'can't find work'

CT(BR) 2/12/96

NANCY MYBURGH
FINANCIAL SERVICES EDITOR

Johannesburg — Almost one-third of South Africa's economically active population is unemployed, the Central Statistical Service's October Household Survey for last year shows

According to the survey which was released on Friday, 29,3 percent of people over the age of 15 who had expressed a desire to work, were jobless

Though unemployment was still heavily divided along racial lines, with 47 percent of African women and 29 percent of African men unemployed, Mark Orkin, the head of the service, said the data from those South Africans who had formal jobs showed a new and different trend

"The race-based structure of employment is being replaced by a class-based interracial structure," he said

The survey showed that Africans and coloureds had similar patterns in the jobs they held Most of the jobs held, for example, were classified elementary

Indians and whites also showed similarities, with the survey showing that the greatest numbers entered clerical and then semi-professional jobs

Of all those employed, about one-third belonged to a trade union, the survey said

Education statistics showed that 20 percent of African men and women had a standard 10 or higher level of education, compared with 73 percent of white males and 67 percent of white females

The survey estimated the country's population at 41,5 million, 76 percent of whom were African and 13 percent of whom were white Coloureds made up 9 percent of the total, and Indians 3 percent

The survey has been conducted every year since 1993 and received a R2 million revamp from the Swedish International development Agency for last year The agency also funded a R2 million income and expenditure survey, taken from the same sample as the household survey, which Orkin said would be released soon

Clothing and textiles disagree on credits

CT(BR) 2/12/96 (197)

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — The Clothing Federation will continue pushing for the extension of the duty credit certificate system to cover value-added goods despite opposition from its new bedfellow, the Textile Federation

The federations, which have a history of being at loggerheads with one another over tariff issues, held a breakthrough forum in Cape Town last week, emerging with consensus on important issues facing the industry

However, they say partners disagree even in the best of marriages, and the certificate issue still divides the newly unified clothing and textile industry

The Clothing Federation says the extension of the system to cover value-added goods will give the clothing industry an immediate R100 million shot in the arm

However, the Textile Federation says the system, which provides import credits to exporters, will hurt the textile industry because the credit points awarded for exports of outsourced goods will be offset against new imports of textiles and clothing

Bernard Richards, the Clothing Federation's president, said last week that offshore manufacturing was the fastest-growing segment in international clothing and textile trade, half the European Union's clothing production was made overseas, and was growing at 6 to 7 percent a year

However, he said for South African clothing manufacturers to attract outsourcing contracts from Europe and elsewhere, the system would have to be extended to allow fabric in at no value.

"South African industry would then charge a CMT (cut, make and trim) fee before re-exporting at no charge," he said

Richards said local companies could receive at least R100 million in new contracts if the system was extended Based on this figure, an extended system would bring in a maximum of R30 million in additional fabric imports and create about 6 600 new jobs

The R30 million represents 0,3 percent of textile industry output and is equal to the average output of 260 textile employees It equates to 2 percent of fabric imports, which Richards said would clearly have a negligible effect

Mike Hankinson, the Textile Federation's president, said the figures were a matter of debate In the interests of the domestic textile industry, his federation could not support the Clothing Federation on the issue

Countering the textile smugglers

(197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

CT (BR) 12/12/96

Durban — The Textile Federation (Texfed) has launched another project aimed at plugging loopholes through which textiles are being smuggled into the country.

Mike Hankinson, the Texfed president, said the industry had introduced its latest way of helping the understaffed and under-equipped customs and excise department in the form of a detailed information booklet.

He said the booklet was an easy reference guide, clearly outlining common fraudulent practices and loopholes in the system.

Hankinson said that, although there had been indications of an improvement in the smuggling problem, illegal imports were still causing market distortions.

Hankinson said this booklet detailed only textiles. Information on clothing would be added and a second edition launched by the end of January.

Romatex faces more hard times

But Cape company on path to recovery, says MD

ARG 19/12/96 (197)

LLEWELLYN JONES
BUSINESS REPORTER

Cape textile company Romatex is set for another difficult year after last year's profit slump, but managing director Mike Hankinson sees light at the end of the tunnel.

In the company's annual report released this week, Mr Hankinson said he did not expect a full recovery in the current financial year in spite of the weaker rand boosting exports.

Mr Hankinson said the weaker rand was undermining the local economy and he expected consumer spending in non-essential markets to remain subdued

But he was confident that Romatex was on the path to recovery after last year's disastrous performance, which saw net profits crash to R1-million in the year to September from the previous year's R27-million

"Investment in new technology to enhance competitiveness locally and internationally, initiatives to improve communication between staff and management as well as a programme to substantially upgrade customer service are all expected to yield benefits in the year ahead," Mr Hankinson said

Romatex's capital expenditure amounted to R13,7-million last year Mr Hankinson said Romatex upgraded its plant on a consistent basis to improve efficiency and quality, although the "disappointing trading performance" in the past year had resulted in the postponement of certain capital expenditure projects

Romatex has also been struggling against the wave of illegal imports, but Mr Hankinson said he was "gratified by the stance adopted by many local retailers who are committed to eliminating the short-term profit options offered by those unscrupulous dealers who continue to import illegally".

Mr Hankinson will no doubt also have the full support of Consolidated Frame Textiles, its new controlling shareholder, after CG Smith sold its controlling stake to the Frame Group amid a flurry of controversy in September

The change of control at Romatex has certainly halted its share price slide on the Johannesburg Stock Exchange Romatex is now trading in a tight range between 300c and 310c, having fallen all the way from R10 in January

MANUF. — TEXTILES

1997

Coastal pulls the threads together in textile deals

(197) Star 10/1/97

Shirley Jones
KwaZulu Natal Editor

Durban — The realignment of the textile sector gathered momentum yesterday with Coastal Group's announcement that it had acquired a 100 percent shareholding in German entrepreneur Claus Daun's profitable de Nim Textiles in KwaZulu Natal.

The company also pumped up its shareholding in Botswana-based Algo Spinning and Weaving to 77 percent for R151 million.

The deal, which will be financed in cash by Coastal's parent company, Polysindo Eka Perkarsa, the Indonesian textile company, gives Coastal access not only to Algo's denim fabric production for R18 million, but to de Nim's denim fabric and garment plant and Potchefstroom cotton farms for R133 million. This makes Coastal South Africa's most prominent cotton fibre producer and one of the textile industry's largest operators.

Rajen Pillay, Coastal's managing director, said the joint transactions would increase the group's assets by R151 million. Coastal comprises a non-operational R360 million greenfields spinning and weaving plant in Botswana in conjunction with the Botswana Development Corporation and a dormant polyester finishing plant in Hammarsdale.

Thanks to the acquisitions, Coastal will deliver both profit and earnings for the first time since its rescue by Polysindo in early 1995.

Pillay said financing delays which had held up the Botswana project, and hence the finishing plant in KwaZulu Natal, had been sorted out and he expected turnover from these facilities by year-end.

He also said the announced acquisitions were just the beginning of an overall initial investment strategy which would see Polysindo invest $200 million in southern Africa within 18 months. This makes Coastal the single largest investor in the region's textile sector to date.

Pillay said a further acquisition of a big company was on the cards, although negotiations were far from being completed.

Industry sources speculated that Coastal's next acquisition could be Unispin, of which Daun holds 67 percent.

Analysts who welcomed Coastal's buys also put forward Da Gama as an option, saying it was an open secret that price was the only issue holding back South African Breweries, another holding company disillusioned by the problems of the textile sector.

However, Pillay said Coastal's acquisitions were a vote of confidence in the textile sector at a time when others were bailing out. He said Polysindo would not inject massive amounts of capital on a whim.

Coastal was thus looking not only to further upstream investment in its core polyester fabric business, but also at expansion and integration of the newly acquired facilities.

TEXTILES *Claims of theft highlight the crisis in government warehouses*

Cheap cloth swamps market

(197) CT (BR) 4/2/97

Shirley Jones
KwaZulu Natal Editor

Durban — Cheap textiles flooding the Durban market might have been stolen from government warehouses, textile brokers said yesterday

They alleged the textiles on offer were often cheaper than conventional smuggled goods, and the obvious place of origin was from seized goods already stored in the chaotic government warehouses

But the South African Revenue Service (SARS) in Pretoria and Durban said this was impossible Although the warehouses were stacked to capacity, they were patrolled by private security firms, SARS said

Clothing and textile industry bosses agreed that the goods in dispute were unlikely to have originated from customs and excise warehouses, but emphasised that the allegations of seized goods highlighted the crisis "What was once an embarrassment had now become a crisis," one said

Behind closed doors, industry leaders have called for the destruction of the millions of tons of clothing and textiles in the warehouses and in the 300 unopened containers that have piled up at depots in Durban, Cape Town and Johannesburg

Industry spokesmen and the SARS were unable to provide estimates of either the volume built up over the past two years or its potential value Only customs and excise officials in Durban had some idea of the amount of seized goods

Joe Britz, the acting regional manager of the SARS, said there had been a massive escalation from 110 tons at the end of last year to 400 tons last month as containers were unpacked after space had become available in January About 150 containers, many of which contained clothing and textiles, were still waiting to be unpacked

The figures supplied by Durban were part of a massive national stocktake by the SARS

Trevor van Heerden, the commissioner for the revenue service, said this was not an easy process because some of the goods had been stored for long periods in poor conditions and were probably ruined

He said the stocktake was part of an application for a tender aimed at removing the entire textile backlog. He hoped greater publicity would make the tender more successful than one a few months ago, which had only yielded three offers

Van Heerden did not know how long it would take to move the goods once permission for the tender had been granted, but said he had approached the Tender Board in the hope of speeding up the lengthy process

☐ Business Watch, Page 17

OVERLOAD *Joe Britz, acting regional manager for SARS in KwaZulu Natal, inspects clothing and textiles worth millions which cannot be sold off*
PHOTO PETER DUFFY

TEXTILES *Confiscated cloth may be destroyed, despite foreign bid*

SARS rejects offer for seized textiles

CT(BR) 5/7/97

(197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — A large international consortium had offered to buy the massive pile of confiscated textiles and clothing piling up in customs warehouses, ship it to Europe under customs supervision and guarantee it would not find its way back to South Africa, industry sources said yesterday

But the offer was rejected by the South African Revenue Service (SARS) The sources said the formal offer was submitted to customs last March by an international brokerage which imported textiles and finished goods for sale in Europe

The offshore consortium was prepared to purchase the entire stock in foreign currency and had offered to put up letters of credit to the value of R100 million through a big London bank

They had asked to view the goods and for a full inventory in order to make a reasonable offer This offer, which has not yet been withdrawn, met all the stipulations of both industry and labour

Trevor van Heerden, the commissioner for the South African Revenue Service, admitted this week that he knew of the offer He said SARS was not prepared to come to an agreement with a single party The official tender process had to be followed, otherwise the disposal of the goods would be open to corruption

Top textile manufacturers, however, doubt whether the upcoming tender will be any more successful than the dismal failure of that held a few months ago This tender drew only three offers, two of which offered between 15c and 25c a kilogram The textile industry is now demanding that the goods be destroyed Spokesmen have said they have a right to demand this as the industry had funded many of the confiscations through the Customs and VAT Enforcement Task Group, which picks up the tab for, among other things, a private investigation team, security services, additional warehouse space and legal costs

Another option, auctioning the goods in either London or Dubai, only drew laughter from the authorities and brokers who were approached, according to Lee Dutton, a conveyor of the Customs and VAT Enforcement Caucus, the task group's active arm

"There are no easy remedies No one wants to take responsibility for burning clothing and textiles It's not the industries and unions, but the politicians who have a problem," Dutton said

□ Business Watch, Page 16

Consolidation is likely theme for the year (197) (104)

No fireworks expected from Frame's interims

CT (BR) 10/2/97

Shirley Jones
Kwazulu Natal Editor

Durban — Frame, the clothing and textile manufacturer, is not expected to deliver any fireworks when it reports its interim financial results to December 31 1996 later this week, analysts said at the weekend

One analyst said the results would be a little flat "I don't see a decline in earnings, but growth for the first six months is unlikely to be more than 3 percent"

This would be an improvement on the same period last year when earnings at Frame and its manufacturing arm, Confram, dipped Earnings at Confram during the full financial year to June 30 last year increased by 25 percent, while headline earnings dropped by 36 percent on a 7 percent turnover fall

The general consensus is that Frame's current financial year will be characterised by consolidation and investment. Meaningful earnings growth, again at about 25 percent, can be expected during the next financial year

This is when Frame is expected to slow down its accelerated investment strategy and channel an increasing percentage of earnings to shareholders It is also during this period that investments are expected to deliver quantifiable downstream improvements in capacity utilisation, quality and volumes

In the meantime, analysts return to the wild card in the group, the property division, which has generated excitement in investment circles but which has been downplayed by Confram.

Though significant value is tied up in the division, and additional capital has been allocated to property refurbishments, this is only likely to affect earnings at a later stage

David Sable, Confram Property Holdings' chief executive, said the initial effects of letting, which has taken off, and the project in New Germany near Durban, would only be felt in the second half of the financial year, at best

The effect the Romatex takeover is likely to have is uppermost in the market's mind. Analysts say that, given the bargain basement price paid for the struggling subsidiary, it is unlikely to prove a drag on cash reserves

The extent to which Frame has and will continue to inject additional capital to stabilise Berg River Textiles and the floor covering division, in particular, remains to be seen

What Frame's due diligence study of its new acquisition has revealed is a mystery. The only certainty as far as analysts are concerned is that a more tightly focused Romatex will provide a meaningful contribution to Confram's earnings in the longer term

In the shorter term, expected drops in interest rates and the strengthening of the rand are of greater concern

A drop in interest rates would boost demand and Frame's turnover. The textile sector reported a listless festive period because of poor orders and cancellations from overstocked retailers

On the negative side, a strengthened rand could counteract the trend for retailers to buy locally produced clothing and textiles, again emphasising the urgent need for illegal imports to be brought under control This would enable large textile manufacturers to gain market share without having to expand the market itself, an analyst said.

Frame and Confram weave solid growth even without Romatex

(197) CT (BR) 14/2/97

Shirley Jones

Kwazulu Natal Editor

Durban — Both Frame Group Holdings and Consolidated Frame Textiles (Confram), Frame's textile manufacturing arm, produced a solid performance in a lacklustre market during the six months to December 31

Headline earnings a share were maintained at 67c and 37c respectively

Frame Group Holdings' attributable income rose to R16,162 million from R14,42 million, while Confram's was up from R21,8 million at R24,27

The Frame Group increased earnings a share by 12 percent to 78c (68c) The difference in earnings, according to Mervyn King, the chairman of the group, was because of profits on the sale of assets

A 10 percent increase pushed the Frame Group dividend to 5,5c a share from 5c during the comparable period last year, and Confram's dividend to 3,3c a share from 3c between July and December 1995

The main development during the period was the takeover of Cape Town-based textile group, Romatex The group's 50,6 percent share holding was consolidated from October 1

Without Romatex, group turnover increased marginally by 4 percent to R400 million from R385 million, pretax income increased by 17 percent to R36 million (R31 million) and after-tax income increased 12 percent to R24 million (R22 million)

With the inclusion of Romatex's shortened three-month interim performance (aimed at bringing its financial year in line with Frame's), turnover leapt by 37 percent to R530 million

Unfortunately, because of Romatex's break-even result, income remained unaffected.

The Frame Group's retained income rose to R14,9 million from R13,36 million Confram lifted its retained income from R20 million to R22,37 million.

'Despite the fact that trading conditions are not buoyant, future demand seems to be relatively stable'

King said the group continued to review potential acquisitions and other ventures

He also said installation of additional technology was under way and technological developments at Romatex were also on the cards

During the period under review, Frame's new weaving shed and its new indigo denim buildings were handed over.

A state-of-the-art plant is also being installed, and both plants are expected to become fully operational during the second half of the year, King said

"Despite the fact that trading conditions are not buoyant, many retail chains recorded a better Christmas than was anticipated and, looking ahead, demand appears to be relatively stable," he said

FRAME GROUP (1997)

BEATING A DIFFICULT PERIOD

FM 21/2/97

A conservative view holds that any textile company showing earnings for the six months to December 31 similar to those of the previous year has done well Frame Group, by far the biggest textile manufacturer, recorded real earnings growth in its first half

Its figures are clouded by the first-time consolidation of Romatex after control (50,6%) was acquired last year With Romatex stripped out, turnover rose by only 4% following a falloff in consumer demand and softer retail sales But even then pre-tax income rose 17% to R36m and attributable income gained 12,2%

In the cut-throat world of international textile manufacturing, current wisdom holds that though long runs are important, advanced production equipment is essential ' Executive deputy chairman

FRAME BY HALVES

Six months to	Dec 31 1995	Jun 30 1996	Dec 31 1996
Turnover (Rm)	385,4	345,4	529,5
Pre-int profit (Rm)	26,4	30,5	30,2
Pre-tax profit (Rm)	30,7	40,6	36,1
Attributable (Rm)	14,4	17,7	16,2
Earnings (c)*	67,0	43,0	67,0
Dividends (c)	5,0	5,0	5,5

* Headlii

Roy Sable confirms that Frame's extensive R240m capex programme to update equipment is now in its final year and should finish in June

The programme started in September 1994, after the original tariff phase-down period, to make Frame competitive enough to withstand import pressures when the final, binding duties are applied in 2002 But already major benefits are visible Aside from expected efficiencies, exports of value-added products are adding to earnings

A new indigo plant is being commissioned and a 140 air jet weaving plant will become fully operational in the second half of the year These installations will treble denim capacity

Romatex was consolidated from October 1 It has since only just managed to break even but is full of recovery potential The acquisition is expected to enhance economies of scale and bring operational synergies

Romatex MD Mike Hankinson is cautious about second-half profitability, saying only that "we are looking for some improvement in earnings " He adds that new ranges have been well accepted at retail level but that trade is depressed

Seardel, joint controller of Frame Group through Seargreg, is labour-intensive Frame is capital-intensive In this respect, the one complements the other But it is a moot point which is the more attractive investment in the new SA

Sable has long argued that when capex ends, shareholders of ungeared Frame will be rewarded for their patience

Seardel and Frame depend on the economy and consumer demand, both of which could improve in the second half of 1997 and bring increased margins

Whereas Seardel, on a headline p e of four, appears underpriced on earnings volatility and potential, Frame, on a p e of eight, seems fully priced — though Romatex's potential for recovery is an imponderable *Gerald Hirshon*

CRIME *State's bid to halt textile racket thwarted by Namibia*

Huge smuggling scam uncovered

(197) CT (BR) 26/2/97

Shirley Jones
KWAZULU NATAL EDITOR

Durban — A multimillion-rand customs scam uncovered recently involving South African and Namibian companies will not be fully exposed because Zavareh Rustomjee, trade and industry director-general, has allegedly called off a Customs and Excise investigation.

Sources from within the textile industry said last week that Rustomjee had intended intervening in the R20 million customs union scam, in which a number of large South African clothing retailers are implicated.

However, through negotiations with the Namibian finance and trade departments, Rustomjee is believed to have discovered he could not stop Namibian authorities from issuing permits which allowed companies like Walvis Bay Apparel to import finished clothing and textiles duty- and VAT-free under section 460.11 of the Namibian Customs Act. But this stipulates that the imports be used to manufacture goods for re-export outside the customs union

According to the source, a preliminary investigation revealed the goods were simply being repacked and transported into South Africa by road through the Adriaansvlei or Noordoever border posts

A consignment opened in Cape Town two weeks ago was destined for Meltz Success, a clothing supply company within the Edgars group A previous consignment waylaid in January allegedly contained clothing with tags on which the Woolworths name appeared.

Neither Rustomjee nor Edgars could be reached for comment

Colin Hall, the chief executive of the Wooltru group, said his company would not tolerate fraudulent business within its group or within suppliers

The industry source said the seven Meltz Success containers were on their way to South Africa from Walvis Bay with 16 containers of textiles Two more were expected to follow

The Meltz Success containers were opened and investigated in Cape Town where they were being held in bond before being forwarded to Walvis Bay Duty and VAT was due on delivery in Namibia

However, when the goods arrived in Walvis Bay, completely different documentation declaring that the goods had come in from Asia under section 460 11 instead of through South African ports was presented

The source said the Walvis Bay scheme was just one of a number of round-tripping scams operating within the customs union

SWAG *A policeman offloads a carton of contraband clothing during the investigation which exposed the Namibian export scam. This forms part of the consignment which is on its way to Meltz Success (inset), part of the Edgars group*

Industry leaders react to reports of cross-border customs scams

Textile body demands commission of inquiry

CT (BR) 27/2/97 (197)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — The Textile Federation (Texfed) demanded yesterday that government set up a full commission of inquiry to investigate cross-border customs scams that were taking place within the Southern African Customs Union.

"It should also inquire into the lack of government progress in restoring the effectiveness of the Department of Customs and Excise The Department of Customs and Excise is grossly understaffed and underpaid

"Costly investigations which have resulted in seizures of goods are not leading to prosecutions, and legislation is not being strengthened to act as a deterrent to the fraudulent activity which is taking place," Mike Hankinson, the president of Texfed, said

Hankinson and other industry leaders responded yesterday to reports that clothing worth hundreds of millions of rands was being taken into Namibia duty-free and then sold in South Africa

Duty credit certificates (DCCs) and other rebates were openly for sale on the South African market, a member of the textile industry said yesterday

He explained that he sold DCCs on behalf of a number of companies He believed it was perfectly legal to conclude "high sea" sales during which South African importers sold merchandise they had bought overseas to local companies, who imported it duty-free in terms of legitimate permits and sold it back to the original purchaser on delivery

Industry heads also said yesterday that South African customs legislation urgently needed revision

Stoffel van Rensburg, the deputy director of imports and exports for Customs and Excise, replied that, although there would be no review of customs legislation, the conditions under which permits were granted under section 470 03 — which allowed for the import of raw materials for use in the manufacture of goods for re-export outside the Southern African Customs Union — would be reviewed

This applied both to existing and new permits, he said As regards permits which allowed for the duty-free importation of textiles and clothing against exports of merchandise with a 100 percent South African content, he said no reviews were on the cards

He said that, although there had been problems with the issue of permits by other customs union states, the rules governing the issuing of these permits should be the same.

Bernard Richards, the president of the Clothing Federation, said he would take up the cross-border customs fraud issue with the retailers concerned He said all major retailers had signed a code of conduct last year which opposed the buying of illegally imported clothing

Richards said the days when retailers could blame such "misunderstandings" on third parties were over He said South African buyers were of first-world standard, knew global prices and the duties which had to be applied This meant they could assess the prices of merchandise offered

UNISPIN

Coping with (197) market chaos

Borrowings and working capital are taking the financial strain

FM 16/5/97

Unispin is still in the middle of reconstruction initiated by the new management, headed by chairman Claas Daun, who bought control in 1995

Such processes are bound to be disruptive, any comment must take this and the change of financial year-end from September to December into account, even if the effects cannot readily be quantified That said, one has to dig hard and deep into the annual report to find encouragement

The most promising aspect is the annual review by Daun and his managing director Chris Snijman, who describe progress towards recovery as good, though improvements under the three-year strategic plan have not yet been converted into consistent profits

They add that, though benefits are starting to appear, any significant improvement in profitability is unlikely before the second half of this year

- **ACTIVITIES** *Manufactures and supplies acrylic hand knitting and industrial yarns, as well as spun cotton yarns*
- **CONTROL:** *Directors (64,7%)*
- **CHAIRMAN** *C E Daun MD C J A Snijman*
- **CAPITAL STRUCTURE** *305,5m ords Market capitalisation R64m*
- **SHARE MARKET·** *Price 21c Yields 1,1% on earnings, p e ratio, 88,7, cover, n/a 12-month high, 57c, low, 20c Trading volume 12-month avge 3,7m/month*

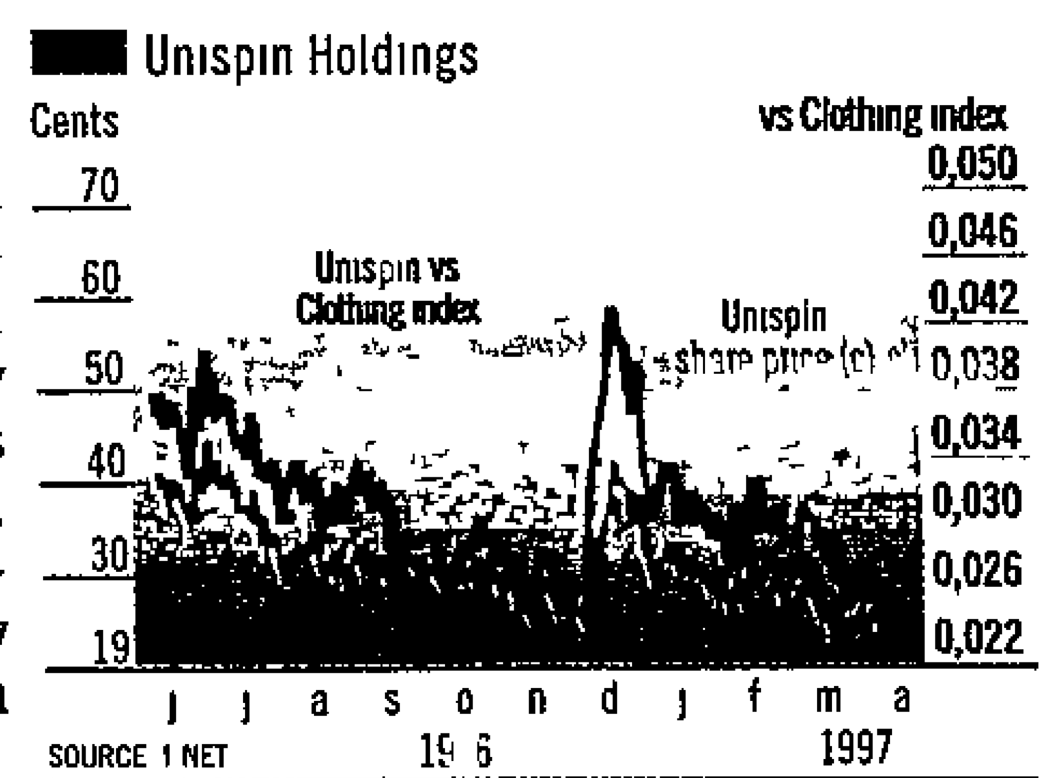
Year to December 31	†'93	†'94	†'95	*96
ST debt (Rm)	11,8	1,8	25,2	82,5
LT debt (Rm)	24,3	6,6	6,9	44,3
Debt equity ratio	4,90	4,00	0,14	0,60
Shareholders' interest	0,13	0,14	0,63	0,51
Int & leasing cover	0,0	10,0	18,2	1,1
Return on cap (%)	0,0	8,8	10,6	2,2
Turnover (Rm)	128	200	259	235
Pre-int profit (Rm)	0,1	19,0	26,5	6,9
Pre-int margin (%)	4,2	9,5	10,3	2,9
Earnings (c)	(18,9)	14,8	18,9	0,2
Dividends (c)	0,0	0,0	0,0	0,0
Tangible NAV (c)	61	46	52	53

*15-month accounting period, annualised
†12-months to September

Claas Daun *no significant turnaround expected until the second half*

Unispin suffered a major setback on virtually every front last year The slight improvement in trading conditions noted in 1995 proved short-lived

Coupled with a continued flood of cheap imports — both in the form of legal and smuggled goods — this contributed to a 9% decline in annualised turnover



These conditions were also reflected in a collapse of the trading margin from 10,3% in 1995 to only 2,9% Inevitably, this affected other ratios, with the return on equity additionally hit by negative gearing from much higher debt

Though Daun and Snijman call the balance sheet "strong," this is in fact a major area of concern

Net borrowings of R97,5m are more than four times 1995's R22,2m and only R21,5m short of the 1994 figure, before the rights issue and redemption of the pref shares

The resulting 60% debt equity ratio is simply not on for a group grossing only 2,4% on capital employed

Hindsight being an exact science, Daun's team would probably have aimed at phasing in capex over a longer period had they known their markets would revert to what they call a "chaotic depressed state"

Unispin spent R47m last year on plant modernisation and upgrades, with R22,5m budgeted for 1997

With cash flow curtailed, this clearly affected the balance sheet which, up to a point, is acceptable

What is not, though, is the even greater impact on borrowings from an additional R51m swallowed up by working capital, despite lower turnover This comprises R25m additional stock and debtors and, disturbingly, a R26m fall in creditor finance

Financial director John Erasmus confirms that working capital was affected by the change in year-end, as well as a build-up of finished goods in the last quarter of calendar 1996 But whatever the reason, if it had remained at 1995's net figure, debt would have had to rise by only R25m instead of R75m, and gearing would have been less than half the actual 60%

It is also reasonable to suppose that, without the working capital increase, at least part of the additional (annualised) R5,5m interest on bank overdrafts — also up R50m — could also have been avoided

In which case, the group might have been able to show pre-tax income of over R6m instead of the actual annualised R724 000

Year-end net working capital of R148,3m was the equivalent of 63% of annualised sales

As no company can maintain a sound financial structure while having to invest 63c for every R1 achieved in sales, normalisation of the working capital equation would seem to be an urgent priority

The share price has crumbled from 78c when the *FM* reviewed the 1995 annual report to a three-year low of 20c, 60% below the September 1995 50c rights price Technically, there seems to be firm support here, suggesting further downside risk is limited

But, since the share already discounts EPS around 3c (based on the sector average p e ratio) this presupposes an improvement in fortunes

Brian Thompson

Glodina back in the black with its towels on the rails again

CT (BR) 19/5/97 (197)

Shirley Jones
KwaZulu Natal Editor

Durban — Backed by a stronger than expected order book, Glodina, the towel-maker, has returned to the multimillion-rand capital investment programme it put on hold when profits plunged to R1,7 million in the six months to June 30 last year.

Although the company inched back into the black for the full 1996 financial year, Paul Redondi, the managing director, said late last week that upcoming upgrades would only begin to have a meaningful effect on the bottom line over the next two years.

He said the upgrades, which included the revamping of the dye house, the restyling and relocation of its make-up division and the introduction of an international quality upgrade programme, the first of its kind in the country, would bring down stock levels, raise productivity and boost output.

He said the dye house overhaul would be well under way by June next year "Our hit ratios will be a lot better, which will improve quality. There can be no compromise here."

This emphasis follows last year's disaster when contractors failed to meet deadlines on warehouse upgrades, throwing the distribution system into disarray.

Redondi said through this Glodina had lost market share. However, it remained the towel market leader and would aggressively fight back. Redondi said he was confident the company could win back lost ground.

He said a crucial problem was that product innovations and development took a back seat while the company scrambled to right logistical problems.

Already on the comeback trail, Glodina has revamped three of its key ranges. Two have already been launched into the market and one, the Marathon towel range, was doing so well the company was struggling to keep pace with demand, he said.

The Royal Shield range, one of Glodina's stalwarts, would be relaunched in June, Redondi said.

He said the company had not only been successful in the hotel market, but had also scored a significant coup by tying in with an international group which specialises in feasibility studies for new hotel developments and refurbishments for top local companies and international entrants into the local market. He said this covered kitting out hotels, which would provide opportunities in South Africa and as hotel groups moved into Africa.

The company was also profiting from good orders for its beach towel range and was concentrating on developing a related niche range of branded towels. It produces Champion, Nike, Reebok, Castle Lager and Reds towels and has the southern African rights for Kappa towels, he said.

He said the group had experienced the expected tapering off of demand after Christmas and was meeting sales targets, but he would not predict a significant turnaround in the six months to June 30 this year. He was aiming for a sustainable recovery to provide a solid base for earnings growth and plant upgrades, he said.

SA textile industry 'small threat to US producers'

(197) BD 21/5/97

Simon Barber

WASHINGTON — With production growth rates declining and large numbers of jobs being shed, the SA textile and clothing industry was "steadily losing ground", and would be unlikely to pose any threat to US producers if US import barriers were reduced, a US International Trade Commission team found in a recent tour of SA companies

The commission is preparing recommendations to Congress on the impact of the proposed Africa trade and opportunity act, including measures hotly opposed by US producers, to spur export-orientated investment in Africa by textile and apparel companies.

"Even with reduced duties into the US market . . SA structural problems will prevent a massive surge in production and/or exports," concluded a report by the US embassy's economics officer.

The legislation might spur growth in SA's lower wage northern neighbours, especially Malawi, Zambia and Zimbabwe, with SA and foreign investment "playing a large role".

SA's problems included high labour costs — with the average worker earning seven times what a comparable clothing factory machinist made in China — and the "rather slow adjustment" of industry and labour to government's reduction of import tariffs and export incentive reforms

Cheap imports from the Far East and India had "flooded the market due their ability to undercut local production prices" creating an "increasingly untenable" situation for local producers

The scale of these imports was probably much higher than officially reported "due to the notoriously weak customs system" and "corruption" involving the undervaluation of volumes and duties

Several firms — AM Moola, SA Fine Worsted and Bonwit Clothing — said their higher-quality goods were proving competitive in the US market, large orders from which were "key to maximising their production efficiency and to making profits".

The firms said the US market was "the hardest to please" because US buyers do not allow for errors and excuses and will terminate the relationship if the products are not on time or well made. The South Africans claim this raises the costs considerably of doing business in the US

Labour costs were not the only cause of poor productivity and competitiveness in the industry, the report concluded

"The component parts of the textile, clothing and retail supply/manufacturing pipeline do not work well together," it said "Textile suppliers were late with deliveries Clothing manufacturers paid their bills too late, retailers cancelled orders without recourse, cotton growers supplied too-short or poor-quality fibre

"Furthermore, labour costs are high, (production) runs are too short to be economically efficient and government's supply-side measures are unpredictable."

Glodina pledges to turn its share into a blue chip

CT (BR) 2/6/97 (197)

Shirley Jones

Durban — Glodina, the KwaZulu Natal-based household textiles manufacturer, is to become more aggressively product-driven and export-focused and, for the first time in the company's 45-year history, a non-family member would take over as chairman, John Balladon, the executive chairman, said at Glodina's annual general meeting on Friday

Balladon will be replaced by Raymond Mallach, the non-executive chairman. "I have served the company for a quarter of a century and shall continue to do so, concentrating on the company's export initiatives, strategic planning and the establishment of joint ventures with overseas partners

"I shall also focus on broadening our product range, thus continuing and building on Glodina's reputation for design innovation and niche branding"

In accepting his new position, Mallach, who has served on the Glodina board since its listing in 1987, said his first objective was to see that the company's performance returned to and exceeded that of 1995

"We have a blue-chip product, widely acknowledged as the best quality on the market It's time our share matched our product and also became regarded as blue chip to say that Glodina's share price has more or less matched that of the textile industry as a whole is simply not good enough

"We have to outperform the industry consistently, every year, despite the persistent polemic between out sector and government over protection against cheap imports," he said

Mallach said the company had posted lower-than-expected results during last year, mainly because of problems stemming from investment in new plant and machinery

But the company's sales for the first six months of the 1997 financial year were already matching those of 1995 "I feel confident the first six months of this year will see steady growth back to the levels which our shareholders are entitled to expect of us," he said.

Cigarette packs packing a punch

Star 10/6/97 (198)

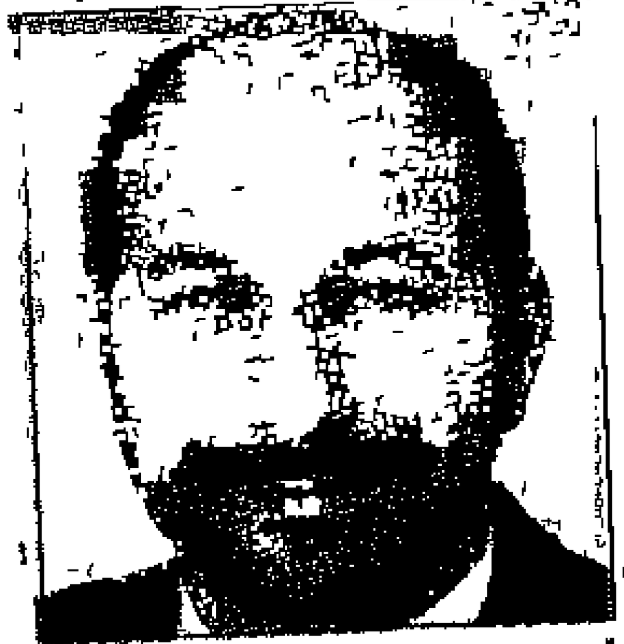
HEALTH REPORTER

Warnings on cigarette packs and television and radio adverts seem to be succeeding in getting smokers to stamp out the habit

Analysis of the public's response to health warnings on tobacco products shows that up to 40% of smokers said the warnings made them want to quit or at least cut down.

The research was conducted by Priscilla Reddy and Jonathan Levin of the Medical Research Council and Anna Meyer-Weitz of the Human Sciences Research Council, and was based on a survey of 2 228 adults

The Tobacco Products Control Act, passed in 1993 allows for health warnings on tobacco products and advertisements to increase public



Trevor Manuel ... urged to direct taxes to health.

knowledge of the health risks associated with smoking

Reddy said the warnings had provided the impetus for 7% of smokers to quit altogether

At least 81% of the respondents agreed it was a "good thing" to have the health warnings, 77% thought the warnings were easy to understand and 75% believed the warnings provided children with information which would prevent them smoking

About 58% of smokers said the warnings made them think about giving up, smoking less or changing to a lighter cigarette, while 38% of the non-smokers said warnings made them glad they had never started

The top three warnings recalled by the respondents were "Smoking can kill", "Danger Smoking causes cancer", and "Smoking damages your lungs"

Heart Foundation executive director Robert de Souza has called on Finance Minister Trevor Manuel to direct a portion of the increased tobacco tax to health promotion

De Souza also urged Health Minister Nkosazana Zuma to make urgent representations to the Cabinet to make money available to fund health promotions

Red tape blamed for ever-growing mountain of confiscated goods

Rag trade slates Customs inaction

~~(94)(184)~~ (199) CT (BR) 12/6/97

WAREHOUSED *A member of the SAPS inspects previously confiscated clothing*
PHOTO JOHN WOODROOF

SHIRLEY JONES AND JACK DEWES

Port Elizabeth — The textile and clothing industries vented their frustration yesterday over inaction by Customs over the disposal of the ever-increasing mountain of confiscated goods clogging state warehouses

Chris Snijman, the managing director of Union Spinning Mills (Unispin), said this week that confiscated goods were stashed in containers held in bond in Durban and Cape Town — subject to an as yet undisclosed plan to get rid of the goods

"It has been discovered, however, that these containers are being stolen out of the bonds, emptied and put back again with tyres and other things inside them It's a case of fraud upon fraud, compounding the fact that goods coming into this country are being fraudulently declared in fact, not even declared because of inadequacies in the customs and excise department "

Snijman said the government had asked the textile industry to suggest how to get rid of the confiscated goods "Our idea, quite frankly is to burn it, but they have a problem with that "

Brian Brink, the head of the South African Textile Federation, said yesterday the industry had agreed to try the government's plan This was to sell the goods by public tender to buyers prepared to guarantee they would be sold offshore and would never again encroach on the South African market If this did not work, industry would lobby for a more permanent means of destruction, he said

Brink said that, as far as he knew, the latest tender process for the disposal of 900 tons of clothing and textiles, mainly from Cape Town, was proceeding and had been narrowed down to 12 applicants The whole issue was back with the Tender Board, and it was a case of wait and see, he said

Customs itself seemed more frustrated with red tape Christo Henning, a spokesman for the South African Revenue Service (SARS), said the latest tender calling for offshore buyers for the clothing "was with the Tender Board" This follows a previously unsuccessful tender for which Customs claims to have received totally inappropriate offers

Henning said the ideal would be to dispose of the goods through private consultants However, this would be impossible, given budgetary constraints, and would be held up until SARS was granted its autonomy in legislation now before parliament

He said red tape meant processing of tenders by the conventional means was not as quick as Customs would like

Trade agreements threaten textile industry plans

Edward West

(197)

BD 23/6/97

BY THE end of this year about R1,8bn would have been invested by SA's textile industry to restructure and become internationally competitive, but the process was at risk of being undermined by SA's bilateral and regional trade negotiations, Textile Federation president Mervyn King said at the weekend.

The industry was concerned that a spate of bilateral arrangements with a variety of countries in Africa could disrupt trade by providing a channel for illegal imports from Far East producers.

The possibility of a southern African trade bloc allowing free trade access of goods and services between up to a dozen countries, including Malawi, Tanzania, Angola, Zambia, Mauritius, Mozambique, Zimbabwe and customs union countries, opened the way to even more problems relating to poor customs control than were already being experienced, he said

The textile industry spent R800m on new equipment in 1995 and R1,1bn last year, while the figure was expected to reach R700m this year. About R400m would be spent on training until 2002, the final year of the import tariff phase-down period. King said the industry had "right-sized", and moved from being labour to capital intensive

He said if properly implemented the planned regional southern African trade bloc would become a vast market for SA's textiles, while SA could obtain a foothold in the Indian Ocean rim trade bloc, which was becoming a reality.

Textile exports were growing rapidly, doubling last year to R2,2bn, about 25% of the industry's annual production of R9bn

Illegal imports 'cripple' clothing and textile sectors

(197)

FRANK NXUMALO

Johannesburg — South Africa's footwear, clothing and textile industry is losing R17 billion a year to illegal imports, and manufacturers are in danger of being permanently crippled if the abuse is not controlled as a matter of urgency, Mervyn King, the chairman of the Textile Federation and of the Frame group, said last week

The industry has also lost 17 000 jobs to illegal imports and has called for the appointment of a judicial commission of inquiry into customs abuse.

However, King said there were indications that the government was at last taking note of the federation's warning on the urgent need for tighter customs control.

"The government appears to have at last heeded our continual warnings about the need for improved customs control and, among other initiatives, there are moves being made to drastically reduce the number of border posts in South Africa.

"The massive loss of revenue to the fiscus as a result of duty evasion has now become apparent, as has been the extent of illegal importing," King said

But King said despite the problem of illegal imports, he felt confident the industry was at last coming in from the cold.

"It's my firm belief that the pall of gloom that has hung over our industry for so long is a thing of the past There are indications, however slight, that we are entering a new phase," he said

On free market globalisation and industry concerns that bilateral trade agreements with other African countries were undermining the domestic market, King said the critical issue would be the proper policing of the Southern African Development Community area and finding ways of working with overseas countries that would be beneficial to South Africa.

"There is business to be done in southern Africa All we need to do is to think creatively and look for opportunities

"Similarly, globalisation of our industry presents new and exciting possibilities Rather than merely seeking to avoid the cold winds of international competition, we should be looking for ways to work with, say, the Asian Tigers," King said

CT (BR) 28/6/97

Rag trade in union merger talks

ET (BR) 24/6/97

(197) (~~[illegible]~~) ~~[illegible]~~

RAVIN MAHARAJ

Durban — Cosatu said yesterday it would support the amalgamation of the South African Clothing and Textile Workers' Union (Sactwu) and the National Union of Leatherworkers (NULW), the two largest labour voices in the footwear and leather industries.

John Zikhali, the KwaZulu Natal chairman of Cosatu, said the federation was "waiting patiently" for a single voice to represent the clothing, textile, leather and footwear sectors which, he said, were "inextricably linked".

He said an amalgamation of the unions would give labour a powerful voice in lobbying the government in the tanning, footwear and general leather goods manufacturing sectors.

Zikhali was reacting to moves by Sactwu — the majority voice in the tanning sector which has a 40 percent voice in the footwear sector — to join the NULW to create a single voice in the troubled leather and footwear industry, which is facing a surge in imports.

But the NULW yesterday questioned Sactwu's motives behind the amalgamation, saying its independence as the majority voice in the general goods, handbags and footwear sectors would be "threatened".

However, Kevin Perumal, the national leather co-ordinator at Sactwu, said the idea behind the proposed amalgamation was to remove the "fragmented voice" in an industry which, he said, was rapidly declining.

Perumal said poor management, unskilled labour, the lack of training facilities and the "constant bickering" between unions were "dragging the industry down".

Andrew van Rooyen, the NULW general secretary, said it would only consider an amalgamation if its membership was returned to the NULW.

He said Sactwu could keep members in the clothing and textile sectors, but should return NULW's leather and footwear membership.

Van Rooyen said it was not just a matter of combining strengths, but maintaining its independence as a force in the leather and footwear sectors was also important.

Setback for proposed union merger

ARGF 25/6/97

THABO MABASO
BUSINESS REPORTER

Moves to set up a united trade union in the clothing, textile and leather industries suffered a set-back yesterday when the National Union of Leather Workers (NULW) said its independence would be undermined if it merged with another union.

The NULW's Cape Town branch co-ordinator, Ashraf Ryklief, told Business Argus that the South African Clothing and Textile Workers' Union's (Sactwu) open relationship with the African National Congress (ANC) would not appeal to his union's membership.

"We are an independent union and we represent a broad spectrum of people who have very different views on many political issues," Mr Ryklief said

Sactwu is affiliated to the Congress of South African Trade Unions, which has an alliance with the ANC

Sactwu's secretary general, Jabu Ngcobo, said the union had requested a meeting with the NULW for sometime in July to discuss the possibility of the two merging.

Home HyperCity lodges complaint with Competition Board

Textile store targets Frame

(197) CT(BR) 25/6/97

FRANK NXUMALO

Johannesburg — Home HyperCity, the Pretoria-based textile store, said yesterday it had lodged a complaint with the Competition Board against Frame Textiles, accusing the textile manufacturer of placing a stranglehold on the industry

Shabir Carrim, a spokesman for Home HyperCity, said Frame was able to achieve "inflated returns" running into billions of rands by lobbying the government for prohibitive tariff rates, acting against illegal imports and by invoking an "exclusivity policy" through which it sold to selected dealers in a given trading area, who in turn were under obligation not to sell at prices lower than those fixed by Frame.

Mervyn King, the Frame chairman, said Home HyperCity's allegations "were absolute nonsense" King said he was surprised by the allegations and had not been aware of them

NONSENSE *Mervyn King, chairman of Frame Textiles*

Carrim said Frame was anti-imports and was trying to "protect its textile mills from fierce and efficient globalisation"

He said dealers who had the temerity to undersell Frame were struck off the list and replaced by compliant ones He added that all other traders in the industry were then forced to become third parties

Carrim said Home HyperCity had opened an account with Frame in August 1996 and had to date not received merchandise from Frame

"By clearing goods through a third party rather than buying through our account we are losing on a good 60-day debt settlement discount," Carrim said

He said it was "extremely difficult for the small emergent black businessman to break into the industry" because of Frame's policies, which he claimed were akin to monopoly practices

Rethink strike action, says textile, clothing industry

(197)

Sactwu gives support to Cosatu call

ARG 28/6/97

THABO MABASO
BUSINESS REPORTER

Employers in the clothing industry have called on the South African Clothing and Textile Workers' Union (Sactwu) to reconsider its participation in industrial action over the next weeks over the Basic Conditions of Employment draft bill

The Congress of South African Trade Unions (Cosatu), to which Sactwu is affiliated, is calling workers in the Western Cape out on three strikes in the coming weeks as part of a national programme of action to protest against business's stand on the draft bill

Workers will be asked to strike on August 20 and again on the days that Cosatu and business make their respective submissions to Parliament on the draft bill. Cosatu would like to see a shorter working week and better maternity leave provisions in the bill, but business has claimed this would add to labour costs

The Cape Clothing Manufacturers Association (CCMA) warned that the province's fragile textile and clothing industries can ill-afford the strikes

"There is no doubt that any disruption of economic activity will harm and prejudice an industry that is attempting to restructure and become internationally competitive," Johann Baard, chairman of the association, told Saturday Business

Mr Baard called on Sactwu to reconsider taking part in the strike action.

"It's disappointing and regrettable that whilst we have so much in common in working together to uplift the skills and ability of our industry, from, time to time we take a step backwards, when the only steps we need to take are forward," he said

Sactwu said yesterday it would support the strike The planned action, the union said, would not harm the industry.

"We have, over the years, consistently argued and committed resources to a long-term, coherent development strategy for the industry," Sactwu said

University of Cape Town industrial relations academic, Frank Horwitz, said the strike would dampen the morale of those who had invested in the industries

Cape textile company unravels

Romatex warns about lower than expected profits

(197)

ARG 28/6/97

LLEWELLYN JONES
BUSINESS REPORTER

Cape textile manufacturer Romatex, which was taken over by the Frame Group in September, has unravelled.

Shareholders were issued a warning this week that profits for the year ending this month were going to be even worse than expected when the company issued its last profit warning at the beginning of last month.

Analysts noted that the company "surely" had to be in "dire straits" given the latest warning.

Romatex was already seen to be in trouble when it reported threadbare profits of R1 million last year, down from R27 million the previous year

Last month, the major shareholders said that the only realistic means of stopping the losses and remedying the situation was to rationalise the operations of Romatex with those of Consolidated Frame Textiles

Frame proposed to buy out all shareholders, other than those in the controlling consortium, for R2,50 a share.

Pressures on the clothing, and particularly, the textile industries in South Africa from cheap imports and cut throat global competition have not let up.

Roy Sable, the chief executive of Frame, has said there would be no plant closures, but a stockbroker analyst said it was looking more and more likely that the Frame Group would have to make some tough decisions, probably selling off or closing down Romatex's loss-making divisions.

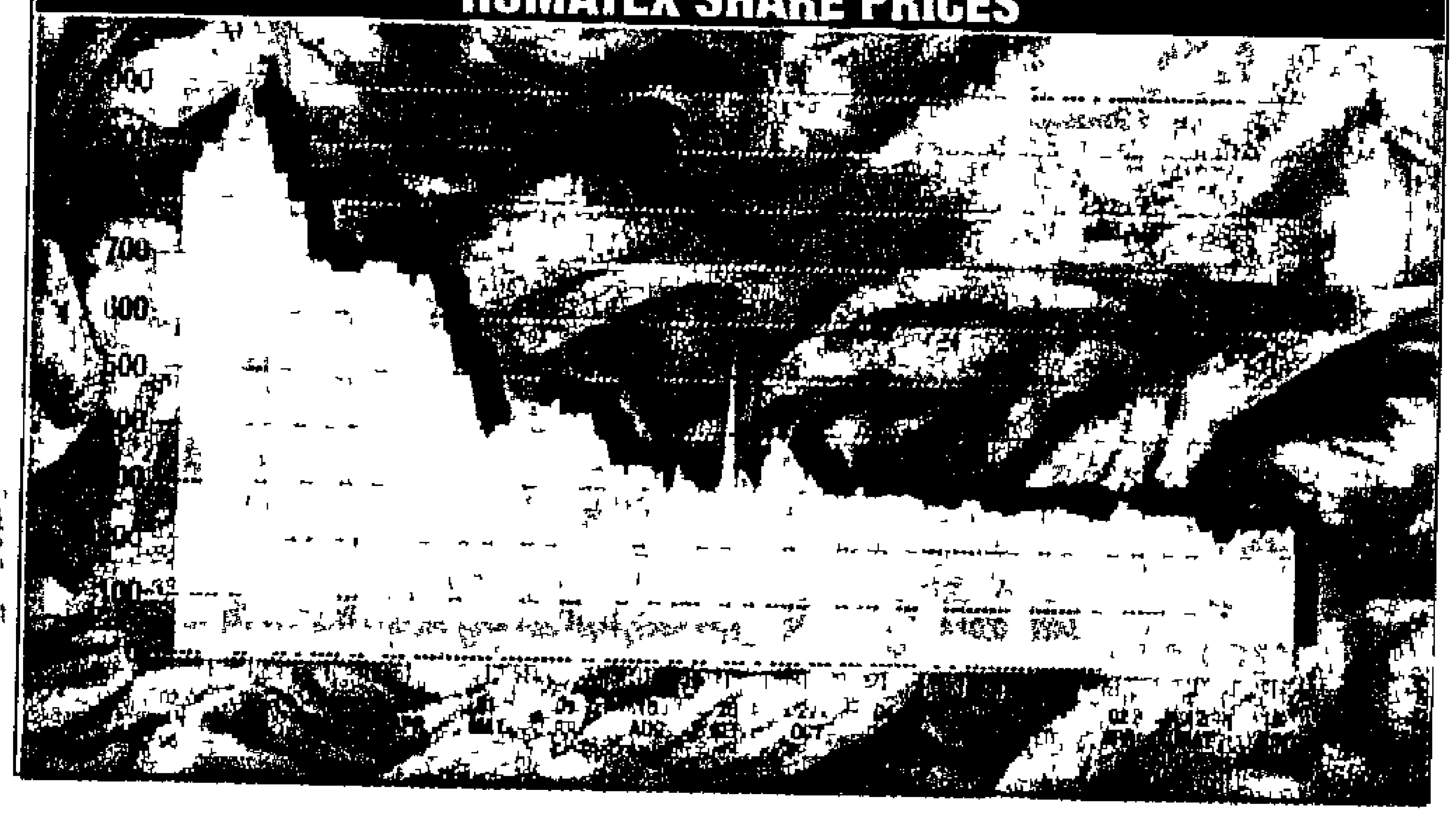
Romatex operates in four main divisions – Romatex Floor Coverings, Romatex Home Textiles, Berg River Textiles and Hextex.

Over the past few years Romatex Floor Coverings, which includes brand names such as Van Dyck, Flortime and Constantia Carpets, has lost market share and seen profit levels declining.

Divisions most likely to come out of any rationalisation process relatively unscathed are Romatex Home Textiles and Berg River Textiles, both of which had common areas of operation with Frame.

Romatex Home Textiles major brands include Horrockses, Vantona, Dorma, Top Drawer and Constantia Creations. Berg River Textiles produces a range of cotton and polyester cotton fabrics and yarns at its plant in Paarl. The remaining division, Hextex, is a fibre-to-fabric operation.

ROMATEX SHARE PRICES



Tough times: Romatex shares closed unchanged at 260c yesterday

Footwear, textiles 'must compete fairly'

BD 16/7/97 (197)

Paul Vecchiatto

CLOTHING, footwear and textile manufacturers in SA would not offer investment opportunities until they learned to compete in the open market unaided by tariff protection, analysts said yesterday.

The sector is little considered on the Johannesburg Stock Exchange as it accounts for 0,12% of the all share market capitalisation of R1 133,8bn Its overall price to earnings ratio of 10,6% is the fourth lowest on the exchange

A recent Industrial Development Corporation (IDC) study found that SA footwear manufacturers would have to sharpen their focus on exports in the medium to upper market segments

They would also have to produce unique SA footwear as manufacturers tried to lift the stranglehold on cheap imports, the corporation found.

Luke Doig, an economist at insurance company Credit Guarantee, said this would be an "uphill battle" owing to the damage done by cheap imports.

"We are particularly concerned about import penetration in SA standing at a crippling 60% The unacceptability of this situation becomes apparent when compared to other middle-income regions like Taiwan, South Korea and South America"

Doig said production had fallen from 72,6-million pairs of shoes produced in 1992 to 55-million pairs last year which resulted in 6 300 job losses.

He said part of the problem was that it took government two years to impose tariffs on shoes imported from non-World Trade Organisation countries.

Credit Guarantee senior manager John Thornton said clothing and textile industries had suffered from smuggling of clothes from the Far East which, although reduced, had left its mark.

Furthermore, an increasing amount of clothes were being produced in small facilities in the townships, which Thornton called "African sweatshops".

He said that the larger manufacturers had maintained their ability to produce high quality-styled garments in small runs which placed them in good stead in the export market.

JSE dealers were more sceptical about the sector's prospects One dealer said: "No one really looks at those companies If you had to take out Seardel, the rest would be rats and mice." — I-Net

CT (BR) 21/7/97

Horse-trading ahead over duty credit scheme

NCABA HLOPHE (197)

Johannesburg — The review and imminent scrapping of the Duty Credit Certificate Scheme by the state is at the centre of intense horse-trading with manufacturers who claim it has been their export lifelife.

The scheme was started in 1993 as a long-term strategic plan for the restructuring of the textile and clothing industries to boost their export performance.

It has benefited some 67 participating exporters to the value of R108 million so far, Susan van der Merwe, the director of the textile, clothing and footwear department, said

The government is assessing whether the scheme has been effective in boosting exports and if it breaches World Trade Organisation (WTO) free trade rules.

The government has budgeted about R875 000 for the scheme and is expected to decide it will remain valid until March next year.

"In our view, it has definitely assisted the manufacturers, but a study is under way to determine whether is has achieved the objectives originally specified, and it is still to be decided whether it should be terminated," Van der Merwe said.

Paul Theron, an economist for the Clothing Federation of South Africa, said scrapping the scheme will result in the "total collapse of exports in textile and clothing products" as it had been critical in boosting the industries' exports. He said the scheme is not in contravention of WTO rules as it promotes reciprocal trade and penetration of the international markets by South African products

In terms of the scheme, exporters can earn duty credit certificates based on the export of prescribed locally produced products covered by the scheme.

Bid to make textile industry competitive

(197)

Skills survey underway

ARG 21/9/97

THABO MABASO
BUS 3 REPORTER

In a bid to improve education and training of textile workers, a nationwide audit of the skills of workers in the industry has been launched. The ultimate aim is to help the industry become more productive and be able to compete on a worldwide basis.

The Textile Industry Training Board (TITB), which is facilitating the audit, said it hoped the results of the audit would form the basis of a training framework for the workers

"We are trying to identify, through the audit, what skills we currently have, which skills are critically needed and also the key to the whole thing is, we want to know what training capacity we have," TITB technical training advisor Eric Goddard said

The TITB has sent questionnaires to member factories

Mr Goddard said TITB members were expected to submit the fully answered questionnaires at the end of August "They have been sent to every corner of the country and in November we will announce the results of the audit and a training plan based on those results," he said.

Mr Goddard added that the audit was partly in response to the Government's Green Paper on Skills Development Strategy, which required industries to have clearly defined training programmes

The Green Paper proposes the paying of a one percent to 1,5% levy by employers, which would be used to upgrade workers' skills

The Department of Labour estimates that the levy would yield between R1,5-billion and R1,9-billion a year

However, the Congress of SA Trade Unions (Cosatu) has called for a four-percent levy

The Green Paper also proposes the establishment of sector-based training and education organisations These organisations would be responsible for distributing funds – to be used for training purposes – to companies

The SA Clothing and Textile Workers Union (Sactwu) vice-president, Ralph Alexander, said the audit would highlight the skills most needed in the industry

He said these skills would in turn help the ailing textile industry compete against Asian manufacturers.

"In order to survive, these industries will have to develop the means of becoming internationally competitive," Mr Alexander said

The domestic clothing and textile industry has been battered to the point of collapse in the last few years by the relaxation of tariffs and by illegal imports These have led to factory closures and hundreds of job losses

In comparison, the Asian industries have blossomed and World Bank studies have attributed this to investment in technology, education and training

"We need to identify the training needs of our industry and that is exactly what the skills audit is going to do," Mr Alexander said

Unions gear up for bargaining

(183) (197)

Reneé Grawitzky.

AN INCREASE of 15% across the board, a 40-hour week, six months' maternity leave, a national provident fund and a skills based grading system would form part of the SA Clothing and Textile Workers' Union core demands this year.

In the wake of the union's recent bargaining conference, general secretary Jabu Ngcobo said negotiations would start in all sectors by April

He said the union wished to move towards a national provident fund with improved employer contributions of 10% and employees paying a maximum of 7,5% He said employers' current contributions ranged between 5% and 9%. The conference also focused on broader issues relating to tariff reductions and continuing customs fraud

Ngcobo said government should withdraw any concessions granted to those involved in customs fraud and confiscated goods should be sent out of SA. He said trade talks with Mozambique had been concluded with no union involvement in the discussions

A number of other affiliates from union federation Cosatu were planning their bargaining conferences during the next few weeks and would concentrate largely on industrial restructuring issues

National Union of Metalworkers of SA assistant general secretary Mbuyi Ngwenda said yesterday that the union's bargaining conference next month would focus on work reorganisation with specific emphasis on productivity, gains sharing and incentive bonus schemes

Critical to the conference would be an attempt by the union to develop a dynamic strategy on levels of bargaining, the challenges posed by the new Labour Relations Act and the acceleration of training

On centralised bargaining, he said the union had decided that Mercedes-Benz had to be brought back into the fold of the Automobile Manufacturers Employers Organisation.

The Chemical Workers' Industrial Union's (CWIU) bargaining conference next week would focus on finalising the establishment of the central forum in the chemical industry and industrial restructuring and productivity issues

CWIU official Bheki Ntshalitshali said negotiations on the constitution had yet to be finalised

BD 4/3/97

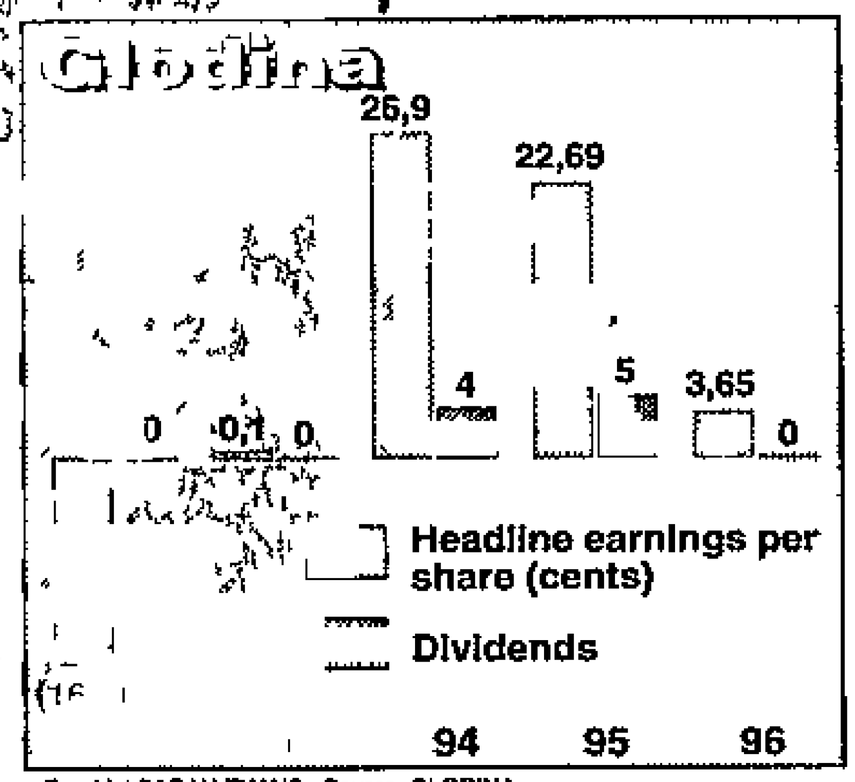
Production delays affect Glodina

(197) BD 6/3/97

Nicola Jenvey

DURBAN — Textile manufacturer Glodina Holdings reported a slump in income after tax to R1,1m from R5,1m in the year to December due to production delays caused by a factory upgrading in the first half, chairman John Balladon said yesterday

Headline share earnings fell to 3,65c from 22,69c on a 50% increase in the weighted average number of shares in issue. The dividend declaration was also waived (1995 5c)



Graphic: SARAH EVANS Source GLODINA

Turnover dropped marginally to R100m (R103,5m), mainly due to Glodina's failure to meet budgeted sales during the period of the factory upgrade Stock storage and order execution were hit by a three-month delay in installing warehouse racking

Operating income in the period under review fell 26% to R9,5m, while the interest bill rose to R5,1m from R4,3m

Glodina paid R206 000 (R1,4m) in tax and retained income at the year end was R10,1m (R8,9m)

Balladon said the R2,8m taxed profit in the second half was offset by the R1,7m loss sustained in the first six months

The situation had improved "significantly" towards the year end, but Glodina's after tax profits were 17% down from the corresponding six months in 1995

Looking ahead, Balladon said the company was now well on track and had begun reaping the benefits of the R22,5m upgrade in 1995 and over the past year

Glodina was regaining market share and had improved deliveries, which had been a major factor behind customer loss during the upgrade programme The R14,2m rights issue launched during the period under review had also lowered the debt-to-equity ratio.

"Trading conditions presently look stable and with the factory operating at a satisfactory level, Glodina hopes to operate under more normal conditions during the current year," Balladon said

Clothing industry, textile union agree on protests to workers' bill

(197) (4634)

(4656) 3

BUSINESS REPORTER

BS ARG 13/3/97

Clothing industry bosses have given the go-ahead for the South African Clothing and Textile Workers' Union (Sactwu) to stage protests aimed at forcing negotiators at talks for a new Employment Standards Bill to accept the union's proposals.

It was agreed at a meeting between Sactwu and the Cape Clothing Manufacturers' Association (CCMA) which is an umbrella body of clothing and textile employers, that protests would be by prior arrangement if not held during lunch hours.

"If requests are received from shop stewards, we will recommend that since Sactwu is not calling for mass attendance, members (of the CCMA) be accommodating without there being any undue disruption to their production schedules," CCMA executive director Peter Cragg said in a statement

Mr Cragg also said that the protests would not only focus on the Employment Standards Bill, but on the illegal importation of clothes and policing problems at customs control points.

Since tariff barriers were lifted South Africa has seen a rise in the number of cheap illegal clothing and textile imports

As a result thousands of jobs have been lost and factories have closed.

The Employment Standards Bill is currently being discussed by labour, business and Government, and seeks to establish basic conditions of employment

Mr Cragg told manufacturers to adopt a "constructive approach" to Sactwu's plans for protests as there had been consultation before the mass action

"Should it be necessary for employees to participate beyond their lunch period, we suggest that this time be made up in a flexible manner to ensure that establishments do not lose production."

The clothing industry employs close to 45 000 people in the region.

Textile industry must address export problems – Whalley

ARG 18/3/97 (197)

BUSINESS EDITOR

The textile industry should be seeking answers to its lack of export success at a time when world markets are opening to South Africa, says Brian Whalley of Frame Textile Corporation.

Writing in the March issue of the Textile Federation's newsletter, he says most elements are in place for substantial growth in the value of textile exports but available statistics do not show much growth.

In rand terms exports rose in 1995 and in the first half of 1996, but when the rand values are converted into US dollars "it is difficult to perceive any improvement"

"On the basis of the evidence to date, it is clear that if the local textile industry is serious about its future involvement in world trade, it should be seeking answers to the apparent lack of export sales success in a period when the markets of the world are freely accessible to South Africa and at a time when there has been massive internal publicity and support for export initiatives "

Mr Whalley says from available statistics South Africa's export sales in 1995 made up only 0,4 percent of total textile trade.

"The world market for textiles is immense and local manufacturers who can shed their parochialism and meet the required international parameters will be in a position to view the inevitable local downturn with a degree of equanimity."

He notes an encouraging – though small – shift away from the export of primary products to made-up textiles and clothing

"The best South African textile manufacturers now have the required design know-how, technology and cost structures to break into some of the better markets "

Illegal imports and less protection take their toll

Nicola Jenvey BD 27/3/97

DURBAN — Port Elizabeth-based industrial clothing, footwear and textiles group Unispin saw attributable income crumble to R904 000 for the 15 months to December (12 months in 1995 R10,5m) as industrywide problems of illegal imports and decreasing tariff protections again took their toll, chairman Claas Daun said yesterday.

Unispin is the major supplier of hand and industrial knitting yarns and cotton yarn. Annual attributable losses in the early 1990s were followed by two years of profits

Headline earnings to December a share dropped to 0,3c (18c) No dividend was declared.

Sales increased 13% to R293,9m, as the local trading environment proved highly demanding. Capital expenditure of R46,9m (R9,1m) lifted the interest bill to R7,7m (R1,5m) and retained income at year-end came in at R16,2m (R15,3m)

Daun said the year had marked Unispin's first year under new financial control and phase 1 of a three-year strategic plan which included an extensive capital expenditure programme aimed at reducing costs and improving efficiencies. Unispin would attempt to export products to combat the cheaper imports entering SA.

The group's balance sheet remained strong and liquidity was maintained through a healthy cash flow.

Daun said Unispin's progress towards recovery had been good during the period under review Improvements effected under the strategic plan had not yet been converted into consistent profits

This year the group would continue implementing the strategic plan, structured for medium- and long-term growth. A further R15m had been earmarked for capital expenditure However, Daun warned that although the benefits of the plan were becoming evident, no significant profitability improvements would be achieved before the latter part of the year

"The present chaotic local market conditions are not expected to vary significantly during the forthcoming year, but in the longer-term, Unispin's commitment to international excellence should provide appropriate reward," Daun said

Seardel delisting after buy-out

(197) BD 18/4/97

Samantha Sharpe

CAPE TOWN — The market's negative view of the clothing and textile sector group had spurred plans for the delisting of investment holding company Seardel Investment Corporation

The move follows a management buy-out of all its investments, including those in subsidiaries and associated companies, chairman Aaron Searll said yesterday.

Searll cautioned earlier this week that the acquisition of the group's investments by a consortium of senior management and financial partners and delisting of the holding company was under way This would have no effect on other listed companies controlled by the group.

Searll said poor market perceptions flowing from the flood of illegal clothing and textiles into the country, and the apparent inability of government to stop the flow, had led to a low rating of the investment holding company's shares.

This meant that existing share capital could not be used for acquisitions or further capital raising and there was thus no point in retaining the company's listing "It is intended that the management buy-out will enable shareholders to free up their capital to find better performing investments"

The group posted a 17,6% rise in pretax income to R136m in the year to June 1996 boosted by the consolidation of recently acquired subsidiary Frame into the results.

Headline earnings increased 11,4% to R47,5m, although headline share earnings remained at 45,5c — a 1,3% increase.

COMPANIES *Poor market rating takes toll*

Seardel boss to head management buyout

ET (BR) 18/4/97 (197)

MAGGIE ROWLEY

Cape Town — Aaron Searll, the chairman of Seardel, said yesterday he was spearheading a management buyout which would see the diversified clothing and textiles group delisted or becoming a cash shell

Searll said the move had been prompted by the poor rating the market gave the share, precluding the financing of acquisitions with scrip or staging a rights issue

The share has been trading at a considerable discount to net asset value Book net asset value at the end of financial 1996 was at 379c while the share languished at about 150c.

However, a cautionary issued to shareholders yesterday sent the share soaring 68 percent to peak at 250c before falling back to close at 200c Share prices of other companies in the group also moved on the news, with Frame gaining 40c to close at 875c while Seartec lost 4c to close at 138c

Searll, the group's largest shareholder with 31,5 percent of its ordinary shares and 23 percent of the N-shares, said maintaining the listing under present conditions was an expensive exercise

He said its financial advisers were weighing up the pros and cons of delisting versus the creation of a cash shell An offer would be made to minorities within about six weeks

The consortium staging the buyout consisted of senior management and financial partners, but Searll said there was no indication at this stage whether Liberty Life, with 13 percent of the equity, would stay on board

Seardel is an investment holding company whose interests stretch beyond clothing and textiles to electronics, stationary, toys, property and travel The buyout will include all the interests in subsidiary and associated companies

Searll said the proposal should have no effect on the other listed companies controlled by the group, namely, Seartec, the Frame Group, and indirectly, Romatex

The listing of these companies would be retained

□ Business Watch, Page 18

New Asean chief promises strong turnaround

BUSINESS REPORTER (197)

ARG 6/5/97

Ken Eldridge, the new chief executive of Asean Investment Corporation, the Atlantis-based supplier of trimmings to the clothing industry, is determined to show the textile industry "a hell of a turnaround story" this year.

Mr Eldridge said he had been with Asean for five weeks and was still getting "some of the basics into place"

The company has been hard hit by woes experienced by the local clothing industry recently, reporting a trading loss of R12,3 million for the year to December

Trade in the company's share on the Johannesburg Stock Exchange has been poor Yesterday the share price slipped 12c, or 44 percent, to 15c with just 1 000 shares changing hands – the first trade since April 16

Da Gama income drops 26% amid mills' fierce competition

Nicola Jenvey BD 6/5/97

DURBAN — Industrial textile, clothing and footwear group Da Gama Textiles saw attributable income crumble 26% to R21,7m in the year to March after the fierce competition among local mills placed pressure on margins.

Earnings a share on a cash equivalent basis fell to 76c (1996: 92,1c) and an 11,5c final dividend was declared, bringing the total to 18,5c (25c). Earnings a share on an attributable earnings basis dropped to 42,6c (57,9c).

Turnover fell 4% to R297,8m as importation of fabric and garments continued at significantly high levels during last year.

However, chairman Lawrence van der Walt said the growth in volume and value had shown signs of abating in the second half of the year.

Soft consumer demand had led to fierce price competition among the local mills. Although Da Gama had controlled overhead costs and benefited from the lower effective taxation rate, earnings had decreased.

Van der Walt said sound asset management in the year — particularly on inventory levels — was reflected in the increase in liquid resources to R77,5m (R66,6m) at year-end. This growth was after funding R17,7m in capital expenditure to update equipment and introduce new technology.

Da Gama planned a R23m capital expenditure programme for this year.

pected to soar, in addition to vast cop- within 10 years limit is our own ability to do it." rates among its sex workers

PERSONAL VIEW

Time for textiles to cotton on to job creation

(197) CT (BR) 6/6/97

COLIN WOOD

As we enter the fourth year of our democracy, let's not allow euphoric hangovers to fudge bread and butter issues. It has long been a caveat that if we do no get our economy up and running we will have no new country to celebrate. Our businesses have to move into the new millennium sound and competitive. Rising unemployment remains an urgent issue and a crime factor. What are our industries doing to provide rapid job creation in the short term?

The normative economic model introduced in 1993 by Derek Keys proposed a move from an inward-looking import-replacement policy to an export focus. The first relied on protectionism. Local industry, apart from the resource-based mineral export business, did not have to be internationally competitive. Removal of tariff protection has exposed strategic or primary industries to the full force of international trade. Take the local tyre industry: it was hit badly as it found itself lacking in expertise to develop innovations such as the "green tyre".

Productivity is low owing to small-scale production and a fragmented product spectrum. The result has been the need for multinationals to acquire a controlling interest to develop an internationally competitive local industry.

Then there is the beleaguered textile industry and its downstream businesses. This industrial pipeline employs 80 000 people in the textile sector and 120 000 in the clothing sector. Add to this jobs in dependent industries, and one has a cluster of crucial importance to the well-being of the economy.

The textile industry's growth rate of the 1970s was only moderately sustained in the 1980s. It has also not kept abreast of technological advances. The upshot is that the industry faces severe problems in adapting to the competitive environment of the 1990s. Add to this problems of customs control and supply-side measures, and the industry finds itself in a trough where survival is the first priority.

What needs to be done? It is not surprising that the level of exports is low — less than 1 percent of the sales value of South Africa's exports, or 0,4 percent of the world's total exports or trade in textiles. Lack of export sales success in a period of access to world markets needs to be turned around. The industry will find survival difficult without urgent application of this new vision. If this is addressed, prosperity beckons.

For yarn manufacture, South Africa's productivity is 23 percent of Italy's, 34 percent of Taiwan's and 25 percent of the US's; for the woven cloth sector, 32 percent of Italy's, 39 percent of Taiwan's and 32 percent of the US's. Three factors contribute to the low levels: outdated technology, product diversity on small-scale units and long working hours under arduous conditions.

As the textile industry has embraced Gatt, it is required to halve import duties by 2002 and will have to remodel itself for competitiveness. To this end, the industry has installed R3 billion worth of technology over a five-year period. Some firms have already achieved productivity levels on a par with overseas models, and levels are expected to rise as firms re-equip with new technology and benefit from training programme improvements.

But what of job opportunities? Employment figure totals for the textile industry are contracting. Downward pressure will continue with the introduction of labour-saving technology. Until we have an internationally competitive textile industry, job creation will be on hold. South Africa faces the critical challenge of creating employment in the new industrial age.

We need new paths forward. Two possibilities exist: either by export of textiles, export of downstream clothing products or both. Participation in world trade requires an edge. The industry has relied on technology transfer to become competitive. However, it is difficult to develop an edge in the short term given this background and the competitiveness of major exporting nations. Pathfinding a way out of dilemma must become a South African speciality. Let's get on with it.

Firm move from Frame at Romatex

CT(BR) 12/5/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

(197)

Durban — The Frame group's proposed takeover and delisting of Romatex, the Cape-based textile group, had been triggered by Romatex's continued losses and the need for Frame to have a free hand in rationalising operations, Roy Sable, head of the Frame group, said last week

It was announced last week that CG Smith would sell to Frame its remaining 28,75 percent stake in Romatex for R18 million, or R2,50 a share, and that Frame would offer to buy out the Romatex minorities ahead of Romatex's delisting The Romatex minorities are being offered R2,50 a Romatex share or, alternatively, five ordinary shares in Confram, Frame's holding company

Sable said Romatex's revised profit forecast triggered this move Romatex had predicted profits would show a modest improvement at the time of reporting its results for the three months to December 1996, but the opposite had proved true Romatex would now report a loss for the nine-month period ending on June 30 Sable said it would take at least two years to return Romatex to an acceptable profit level.

CG Smith was keen to dispose of its remaining shareholdings in Romatex, while Frame did not want to find itself with an 80 percent shareholding but unable to rationalise as it saw fit Frame — which already owned a 58 percent stake in Romatex, bought from CG Smith last September — therefore decided on delisting

Sable said the rationalisation of operations at Frame and Romatex would probably begin with common areas such as the manufacture of cotton fabrics and household textiles

Sable, appointed to hold the fort at Romatex after former managing director Mike Hankinson resigned to join BTR Dunlop at the beginning of May, said Romatex would continue as a separate entity under Confram

But he would not comment on possible changes at Romatex's Durban-based floor covering division despite market talk that Frame was seeking an offshore partner or buyer for this division

Sactwu workers protest medical aid fund change

ARG 1/8/97 (152) (84) (97)

LABOUR REPORTER

Hundreds of members of the South African Clothing and Textile Workers Union (Sactwu) marched on the union offices yesterday demanding that the union reject the introduction of a new medical aid fund.

Sactwu's offices were besieged by about 300 chanting, singing and placard-waving members The disgruntled members claimed the union had been negotiating behind their backs on the introduction of the fund

They said the fund restricted them to eight visits to a doctor a year and required that they make use of the clothing industry bargaining council's health care clinics

"When people go to these health clinics they are often full, we never had such problems with the previous fund, so why introduce it if we don't like it," Rex Trueform employee Jamieda Jaffer said

Bonwit employee John Brown said the workers wanted the old fund reinstated.

Sactwu regional secretary Wayne van der Rheede said no decision had been taken yet at the bargaining council There was a misunderstanding among members about the union's objectives, he said

Protest: clothing and textile workers converge on their union offices to demand that the union reject the introduction of a new medi

Strong performance offsets losses at newly acquired Romatex

Frame reports solid results

CT(BR) 12/8/97 (197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — A solid performance by Frame, South Africa's largest textile manufacturer, largely offset the effects of the losses at Romatex, which was acquired in October last year, the company said yesterday.

Headline earnings from Frame Group Holdings increased by 14 percent to 125c (110c) and from Confram, its operating subsidiary, by 15 percent to 71c (62c), a marked improvement on the 34 percent and 36 percent declines in the previous financial year.

"Before consolidating Romatex, the troubled subsidiary acquired by Confram, Confram reported a 19 percent increase in gross operating income to R99 million (R83,7 million) on an 11 percent rise in turnover to R808 million (R730,8 million). Attributable income rose 17 percent to R56,9 million (R48,8 million).

With Romatex, headline earnings a share in Frame Group Holdings slumped to 3 percent, or 113c, and in Confram to 3 percent, or 64c, a share. With Romatex, Confram's gross operating income increased 25 percent to R104 million on a 61 percent increase in turnover to R1,18 billion. Attributable income increased 9 percent to R35 million.

Frame Group Holdings increased its dividend 14 percent to 24c a share, and Confram boosted its dividend by 15 percent to 15,5c a share.

Roy Sable, the deputy chairman of Frame, said he was optimistic about Romatex: "We anticipate it will take approximately two years from now to implement the remedial steps and rationalisations we consider necessary. We are, however, taking urgent action to stem the losses and anticipate the situation will begin to stabilise and reverse during the coming year."

Sable said while Romatex's loss amounted to R16 million, Frame's attributable share was limited to R3,7 million because of a pre-acquisition provision.

Frame's capital expenditure in the year to June 30 last year was R89 million, bringing the group's investment in new technology to R300 million. Capital expenditure this year is expected to drop to R50 million, backed by Frame's promise it would bring capex down to more manageable levels, in line with depreciation.

Frame's property division contributed R6 million in the past financial year. Space leased to non-group tenants was up 110 percent. David Sable, the division's head, said this was expected to grow substantially in the coming year as recently concluded leases contributed to income and new projects came on stream.

Frame's exports increased 64 percent to R23 million. The group was looking to sustain this positive trend and grow local demand for its products. "We experienced strong demand for several of our products in the fourth quarter and, on balance, order books continue to look healthy," Walter Simeoni, the group managing director, said.

Clothing union goes a-building

CT (BR) 12/8/97

Shirley Jones

Kwazulu Natal Editor

(197)

Durban — The South African Clothing and Textile Workers' Union (Sactwu) would use the proceeds of its investments to provide members with the social benefits that the government had not yet satisfactorily delivered, Jabu Ngcobo, the general secretary, said yesterday

He said the union had decided to start its own housing project. It had already put R20 million aside for the project and was negotiating to buy sites He said the union would meet developers in the Western Cape today and had set up a similar meeting in KwaZulu Natal next week.

Ngcobo said some sites had been selected, and purchases would probably go through soon Some of the projects would probably take the form of joint ventures, although he was not prepared to identify potential partners or to disclose where the projects would be sited

"When you discuss housing in this country, it appears more difficult than it needs to be It's made out that one needs to be a rocket scientist to build houses There are massive margins and ridiculous profits are made, so it is often too expensive to build houses," Ngcobo said

The union would use the money it had set aside as bridging finance to buy land and to bring down costs. The union's pension funds would be used as collateral, he said.

The union had also also set aside R3 million of the proceeds from its investments in HCI, Vodacom and M-Cel to help dilapidated and struggling schools

Real power is economic

Sowetan 13/8/97

New super textile union in the offing

(197)

The merger of two unions will mean more bargaining clout for workers

By Abdul Milazi

THE decision by the South African Clothing and Textile Workers' Union (Sactwu) to merge with the South African Commercial Catering and Allied Workers Union (Saccawu) has thrown the debate on the demarcation of sectors wide open

This proposal, which came up at Sactwu's national congress at the weekend, also involves another merger with the National Union of Leather and Allied Workers (Nulaw), an independent union commanding a total of 17 000 members in the leather sector

Sactwu general secretary Jabu Ngcobo said the union had 9 000 members in the sector, and a merger with Nulaw will give them 60 percent membership of the total of employees

While a merger between these two unions would mean more bargaining weight for workers, the coming together of Sactwu and Saccawu will force Cosatu to redefine the demarcation of sectors

Saccawu organises in the food and retail industries, while Sactwu organises clothing and textile workers at manufacturing level

The demarcation of sectors is one of the hotly-contested issues which will be discussed at Cosatu's national congress next month, after some affiliates accused others of poaching members

Sactwu assistant general secretary Ebrahim Patel said both unions would have to disband and form a new union

He said there were many areas of interaction between the two unions, which made such a merger a necessity

"Bringing Saccawu into our fold would give manufacturing workers strength while Sactwu's presence would enhance the bargaining powers of the retail industry," said Patel

> **"The collapse of justice is the major problem. Smugglers are doing as they please."**

Bargaining muscle

Ngcobo said such a merger was necessary to strengthen workers' bargaining muscle and to consolidate labour's position in an industry that is dogged by illegal dumping of goods by foreign companies This results in massive job losses

He said the major problem facing the clothing and textile industry was the rampant smuggling of goods into South Africa by foreign companies

"The collapse of justice is the major problem Smugglers are doing as they please"

Ngcobo said the reduction of trade tariffs also left the local industry vulnerable as companies were not prepared for the influx of multinational companies

"Local companies cannot compete with these companies who manufacture goods at more than half what it costs us"

He argued that the extension of the preferential trade agreement to more neighbouring states would further exacerbate the industry's problem, as overseas-based companies would evade tax by bringing goods to South Africa via these countries

South Africa currently has preferential trade agreements with Malawi, Zambia and signed another one with Zimbabwe last week

"It is the responsibility of the affected governments to ensure that smuggling is stopped There is no point in signing agreements if they cannot be controlled"

Having a single union for every sector would also help the labour movement in charting a programme to address workers needs and problems

CLOTHING AND TEXTILES *Restructuring tears into trading margins*

Seardel's slump 'expected'

CT (BR) 13/9/97 ~~(184)~~ (197)

MARC HASENFUSS
CAPE EDITOR

Cape Town — The Seardel Group, which has interests in clothing, textiles, consumer electronics and toys, reported a 37 percent slump in attributable earnings to R31,4 million as sizeable, one-off restructuring costs ripped up trading margins.

Headline earnings, diluted by slightly more shares in issue, came in 38 percent lower at 26,5c a share. A final dividend of 5,25c made for an unchanged annual payout of 9,25c.

Aaron Searll, the chairman of Seardel, conceded yesterday that the results were disappointing but not unexpected, following the publication of a profit warning in June.

He said profits reflected the impact of a seven-day strike in the clothing industry, the continued influx of illegally imported apparel and abnormally high interest rates.

Turnover crept up 6 percent to R2,9 billion but operating profit dropped 30 percent to R94,2 million as non-recurring writeoffs of R22 million eroded trading margins from 5 percent to 3,3 percent.

The writeoff was mainly a result of downsizing, restructuring and the subsequent retrenchment of 1 550 workers.

Searll said that while these costs had a negative effect on the earnings of the apparel division, the board was satisfied that the move was in the best long-term interests of the company.

Searll noted that the local retail trading environment was improving slowly, a development reflected in the company's reasonably full order books. Margins, however, still needed to be improved.

Searll said he believed the company's exports to the US could increase substantially because of the expected reduction of US import duties on goods originating in South Africa.

"We only exported clothing worth R81 million mainly to Germany and the UK this year but we are looking at breaking into one or two states in the US in the year ahead," Searll said.

He also confirmed that Seardel could relocate from Monterey, its plush head office in Bishopscourt in Cape Town, as part of an aggressive cost-cutting exercise.

☐ Business Watch

NEW DIRECTION *Aaron Searll, the chairman of the Seardel Group, believes better days could be ahead for the company after non-recurring costs, including more than 1 500 retrenchments in the mainstay clothing division, hammered its profits in the year to end June.* PHOTO ANDREW BROWN

Private equity fund showing interest

Cape Town — Seardel was mulling up an offer from a private equity fund, Aaron Searll, the chairman confirmed last night.

The company extended its long-running cautionary announcement today, warning that buyout proposals were still under consideration.

Searll said the unnamed private equity fund had already conducted a due diligence investigation into Seardel and that an announcement could be made shortly. "They've had a look at our factories and could soon submit a proposal."

Sactwu on trail of defaulting firms

CT (BR) 14/8/97 (197)

SHIRLEY JONES

Durban — At least 53 clothing manufacturers in KwaZulu Natal had deducted nearly R10 million in provident and healthcare fund contributions, union subscriptions and council levies from workers' salaries, but had failed to pay them to the local clothing-sector bargaining council, according to a recent survey by the South African Clothing and Textile Workers' Union (Sactwu)

"As a result, many workers could suffer and may be refused housing loans, health, retirement and other benefits," Joshua Mbelu, Sactwu's regional organiser for the KwaZulu Natal area, warned yesterday

He said although some of the larger companies had paid up within hours of receiving threats of work stoppages and legal action, large sums were still outstanding

While one company owed more than R670 000, another had not paid at least R250 000 One manufacturer had not forwarded workers' contributions since 1995, he said

Sactwu would continue to put pressure on companies to pay It intended applying for the liquidation of two companies next week A further four, two of which had paid with postdated cheques, were also on the liquidation list, he said

Five defaulters, whose names are known to Business Report, refused to comment on these wage irregularities yesterday Mbelu asked that the company names not be published until legal action had been concluded

"Employers have claimed poor trading conditions, retrenchments and short time, but this is not the issue Some employers have been trying their luck, hoping no one would catch them," he said

In some instances, companies had failed to pay both workers' and their own contributions Sactwu alleged some employers had delayed payments to pocket the interest on workers' money

Deal: Clotex chairman Johan Maree and Western Cape MEC for Economic Affairs Chris Nissen sign an R80 000 support contract

Training boost for Cape clothing industry

ARG 18/8/97 (197)

LLEWELLYN JONES
BUSINESS REPORTER

The Western Cape Clothing and Textile Service Centre (Clotex) will use the R80 000 given to it by the provincial Department of Economic Affairs last week to subsidise training workshops for small cut, make and trim operations over the next nine months.

Clotex manager Dug Miller said it would also be used to finance a mentoring system through which industry experts would give regular advice to emerging companies

The provincial department also handed R30 000 to the Atlantis Business and Information Centre (Abic) to help it in its role in developing small businesses in Atlantis

Economic affairs MEC Chris Nissen said the financial support handed to the two NGOs was in line with his department's policy of "sourcing out" business support

The department would focus on the clothing and canning industries, he said.

Weak rand fails to deliver exports

Lucia Mutikani

THE weakening rand had boosted revenues from furniture exports 10% to about R700m since last year, Federation of Furniture Manufacturers executive director Winston Smith said yesterday.

However, furniture exports had not increased as was expected, he said

"People overseas are fully aware of the depreciation of the rand and try to get favourable prices from us This has resulted in us (manufacturers) not enjoying the full benefits from the rand's fall," Smith said

SA manufacturers export their furniture to the UK and the European Union

The industry had also experienced an increase in the growth of imports because of the 2% annual reduction in duties on furniture imports in line with the General Agreement on Tariffs and Trade regulations, he said

"There are more imports coming from Zimbabwe than previously and this means less furniture being produced locally "

"The fall in the rand, which is supposed to make imports more expensive, did not make an impact because of the reduction of duty on imports " Although the industry had so far not experienced "abnormal" closures of companies as a result of imports, individuals remained concerned, he said

"However, it has not reached a stage where alarm bells can be sounded There have been some retrenchments, but not major ones and these cannot be attributed to the imports "

Furniture Manufacturing Company MD Pierre Cronje said that while the rand depreciation was good news for his company, it was battling against imports made yet more competitive by the reduction of duties "A lot of furniture is being made in the East and finding its way here, hitting us hard We are going to have to be a lot more competitive and productive "

'Nongroup tenants may boost Frame's income'

Nicola Jenvey

BD 19/8/97 (197)

DURBAN — Industrial textile, clothing and footwear group Frame Textiles expected its net rental income from nongroup tenants to rise to more than R8m this year from R6m last year as more commercial property was due to come onto the market

This supported the group's move into the commercial property sector

Director David Sable said yesterday that two major projects in the Eastern Cape had made up most of the additional 25 000m² of commercial property which would become available on the market

The group expected another New Germany-based project with 10 000m² to be released to the market in October and a 1 800m² property in the same area soon after The Mobeni industrial park would put 3 500m² of industrial park property onto the market, while East London phase two would inject 11 000m² in the near future

Sable said the group would invest R12m into converting the redundant buildings into industrial parks this year

In the year to June, Frame's area leased to nongroup tenants rose 110% to 86 000m² The net rental income from this investment increased 57% to R6m, but many of the leases had been concluded relatively late in the year

SA textile union takes up Zimbabwean strikers' case

BD 19/8/97 (197)

Michael Hartnack

HARARE — The SA Clothing and Textile Workers' Union (Sactwu) has written to the SA Customs Union demanding that it block Zimbabwean attempts to revive textile exports to SA until all the workers sacked after a strike in July have been reinstated

The letter was made public at the weekend by Morgan Tsvangirai, secretary-general of the Zimbabwe Congress of Trades Unions (ZCTU)

In March Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira signed a clothing and textile agreement restoring Zimbabwean access to the SA market under the 1964 most favoured nation bilateral pact The pact had been moribund since 1993 when SA imposed 90% protective tariffs New preferences drop tariffs progressively from an average 30% to 15% by 2002 However, quotas average less than 4% of Zimbabwe's output capacity, compared to more than 75% before 1993, say local manufacturers

Loss of SA markets contributed to the closure of at least 41 firms with the loss of thousands of jobs, but in July 2 200 workers in Harare struck for 46% rises to their R68,62 a week minimum Managements obtained dismissal authority from the labour ministry after the strike was declared illegal, but most strikers were re-employed, settling for an 18% offer

Tsvangirai said Sactwu had demanded that SA customs officers block Zimbabwean shipments until all strikers had been reinstated unconditionally.

"The exploitation of clothing workers in Zimbabwe causes loss of jobs in SA. The only beneficiaries are employers who grow richer," the Sactwu letter said.

Zimbabwe Clothing Manufacturers' Association chairman Steve Bowen said that since the strike firms had increased their labour by 500 as confidence revived.

The SA workers' decision to use the revived agreement as a lever was taken at their congress last week, Tsvangirai said

SA and Zimbabwe recently signed a second sectoral agreement, covering agricultural products and foodstuffs, and a third, covering other items such as footwear, leatherware, travel goods and electrical appliances is under discussion Recapturing SA markets is vital for Zimbabwe to redress its R2bn a year trade imbalance with Pretoria.

Union federation Cosatu has long been unhappy with the lack of "shop-floor democracy" in Zimbabwe and with wage rates it claims are sometimes a sixth of those in SA. During a failed attempt to call a general strike, Tsvangirai was detained last year and nurses tear gassed

The existence of 2-million unemployed and the lack of parliamentary opposition has put unions in a weak bargaining position Cosatu attempts to ally with the ZCTU were weakened through the 1980s by President Robert Mugabe's open preference for the Pan Africanist Congress and its rival trade union contacts.

COMPANY NEWS

Glodina posts redeeming interim gains

SHIRLEY JONES (197)
KWAZULU NATAL EDITOR

CT 29/8/97

Durban — Glodina, the towel manufacturer, showed a convincing turnaround for the half year to June 30, increasing headline earnings to 3,26c a share from a 7,4c loss during the same period last year

Turnover increased by 16,8 percent from R44,45 million to R51,9 million, largely as a result of recovered market share at the expense of margins

Pretax income increased from a R1,6 million loss to R1,115 million while income after tax rose from a loss of R1,7 million to a positive R1,013 million

Operating income increased from R2,8 million to R5,01 million on improved sales and delivery hit rates, which rose to over 90 percent from under 50 percent in the year-earlier period

The company's disastrous performance during the first six months of last year was largely the result of unforeseen problems associated with a significant capex programme and training backlogs, according to Paul Redondi, the managing director.

In contrast, efficiency and productivity this year had increased in leaps and bounds and was expected to continue to improve during the second half of the year, he said

Redondi said Glodina's weaving efficiencies were up to budget and finishing had improved tremendously "We are achieving the same output with 20 percent fewer workers as a direct consequence of mechanisation"

He said investments were beginning to pay back for Glodina even though they had taken some time to bed down However, this settling-in period had given the company time to consolidate its investment

As far as the textile sector as a whole went, it was "do or die" as far as investment was concerned Those companies which spent on new technology would ultimately emerge as winners.

Redondi said although the market was generally regarded as not very buoyant, Glodina was happy with its performance. "Our order book for the balance of 1997 looks very strong Although margins will probably continue to come under pressure, we are anticipating continued growth in both profits and market share"

Redondi's optimism is underscored by the fact that the second half of the year is traditionally Glodina's strongest, with Christmas providing a powerful boost

Gearing, still cause for concern, would probably improve by year-end, although investment in new technology would continue, he added. The extent of upcoming investments would depend on second-half profits

Glodina's policy is not to declare a half-year dividend, although the company expects to declare a dividend at year end

Union targets firms moving out of SA

BD 12/8/97 (197)

Reneé Grawitzky

A CAMPAIGN to target companies moving out of SA into low-wage economies was launched at the SA Clothing and Textile Workers' Union (Sactwu) weekend national congress, after a report on Pep Stores' decision to open up factories in Malawi.

Sactwu's assistant general secretary, Ebrahim Patel said the union would focus attention on Pep Stores' decision to move to Malawi, where the company had already experienced strike action.

Attention would be drawn to its consumers, many of whom were workers and their families, that Pep Stores was taking advantage of low-wage societies to boost profit at the expense of SA jobs.

This campaign would also highlight the upsurge of imports from Malawi. Goods from South East Asia were being rerouted through Malawi to SA — thus taking advantage of the preferential trade agreement between the two countries.

An international comparison of total hourly wage rates in the clothing industry revealed that SA ranked 50 out of 74 countries and was well below Hong Kong, Singapore, Malaysia and Honduras, Patel said.

As part of a broader campaign around job losses, the union would consider a day of action to highlight the fact that since 1995, 40 378 jobs had been lost in the clothing, textile and leather industries.

Patel said focus of debate at the conference was trade unionism and economic policy in the context of globalisation. There was a sense the union had to position itself in an economy which had become global, he said.

This did not mean acceptance of trade liberalisation and other policies, but rather adopting an agenda which ensured the advancement of economic redistribution.

Delegates resolved that the Zimbabwean trade deal should be reviewed because of the Zimbabwean government's role in the mass dismissal of 8 000 clothing workers in that country. A Zimbabwean trade unionist said there was a general news blackout of the plight of the striking workers.

Patel said the congress also adopted a range of resolutions to strengthen the Congress of SA Trade Unions at central and national level. One such proposal called for a clearer role for Cosatu in collective bargaining by the move towards macro-level wage negotiations across the entire economy. Other resolutions focused on more effective training and organising capacity.

Federations oppose Zambian trade deal

BD 8/8/97

(197)

John Dludlu

SA's clothing and textile federations — Clofed and Texfed — are refusing to back a trade deal granting better market access for Zambia in domestic markets, a week before Pretoria is due to make a new offer to Lusaka.

Government sources indicate the state might have to table the offer, regardless of the two bodies' support.

"The process of negotiations will not be stalled because of their intransigence," a trade and industry department official said. However government would be sensitive to local industries' legitimate concerns.

Texfed executive director Brian Brink said: "We reject it ... we are totally opposed to it. We are saying 'let us stay focused on the SADC (Southern African Development Community) trade protocol'." The SADC is seeking to free trade exchanges among its 12 states over the next eight years.

Clothing and textile workers' union

Continued on Page 2

Zambia

(197)

Continued from Page 1

Sactwu is seeking a meeting with Trade and Industry Minister Alec Erwin to discuss the offer.

Clofed's Paul Theron said a proliferation of bilateral trade agreements in the region would only complicate looming multilateral liberalisation.

The two federations are also worried that a deal between the Southern African Customs Union and Zambia will open a floodgate of similar requests from other countries, undermining the SADC free trade protocol.

SA and its partners in the customs union — Botswana, Lesotho, Namibia and Swaziland — have agreed to open their markets more generously to products from Zambia.

The trade department official said the federations were not even prepared to discuss details of the offer, including safeguards against damaging import penetration from Zambia.

It was expected Erwin would unveil a draft proposal, as a final deal had to be ratified by Parliament, to Zambia next week during the SADC's ministerial meeting.

The department official said the proposed accord, containing import quotas like the accord with Zimbabwe, would be scrapped once the SADC free trade deal kicked in

BD 8/8/97

Zambian deal lands in Nedlac's lap

BD 13/8/97

John Dludlu

THE dispute between government and the clothing and textile industries over the state's intention to grant trade concessions to Zambia has been taken to the National Economic, Development and Labour Council (Nedlac).

Labour and business constituencies at the statutory negotiating forum have expressed "serious concern" at the proliferation of bilateral trade arrangements in southern Africa, prompted by what some see as "political expedience" on the part of government.

Business sources who attended last Friday's meeting at Nedlac say the matter will be raised with Trade and Industry Minister Alec Erwin at a meeting planned for next month.

SA and its customs union partners Botswana, Lesotho, Namibia and Swaziland have agreed to grant better access to their markets for Zambian products, but Pretoria is having problems selling the deal to industry federations Clofed and Texfed, as well as the SA Clothing and Textile Workers' Union (Sactwu).

A source close to the process said Nedlac had not been properly informed by government on its approach to bilateral trade deals in the region. Sactwu general secretary Jabu Ngcobo confirmed this yesterday, saying the union had "a problem with bilaterals".

At the heart of industry and union opposition to the mooted deal lies concern that bilaterals would complicate the move towards a multilateral liberalisation pact under the SA-led Southern African Development Community. The community wants to free all trade exchanges within the next eight years.

"It appears that very little thought went into the proposal (to the Zambians)," a source said yesterday after concerns from business that the deal would also harm local electrical cable manufacturers. SA trade negotiators, who are expecting Erwin to unveil draft proposals to the Zambians next week, have said this might have to be done regardless of industry opposition.

There was some confusion yesterday as to whether Sactwu had sought a meeting with Erwin, and whether he would meet them. But at a recent meeting with government, the union walked out without considering the department's offer, which is understood to have contained import quotas.

Romatex retrenches staff as losses continue

ARG 13/8/97 (197)

THABO MABASO
BUSINESS REPORTER

Textile manufacturer Romatex intends to retrench between 200 and 300 of its workforce at its Cape and Natal factories.

Romatex's deputy chairman Roy Sable said the company had been forced to shed some of its workers after suffering a R26-million loss last year

About half of the workers that were being retrenched were based in the Western Cape

Romatex had already begun retrenching and workers were being offered packages in accordance to the number of years worked for the company

"Over 100 retrenchments have already taken place and the rest will be effected in the next eight to 12 weeks," he said

Trade unions and workers had been consulted prior to the retrenchments

The Romatex group said on Monday that in the nine months to the end of June the company had reported R372 million in turnover, generating an operating loss of R11 million, with exceptional items resulting in an additional loss of R13 million

The group said the loss before tax was R25 million and after tax R16 million

Most of the problem areas had been identified and were being addressed

Unispin has tough time

(197)

Samantha Sharpe

CAPE TOWN — Footwear, clothing and textile group Unispin slipped further into the red in the six months to June with a net loss of R6,5m, compared with a R2,7m loss in the year to September last year

This was reflected in a 2,1c loss a share compared with 0,9c last year.

There was no dividend.

MD Chris Snyman said the results, while disappointing, reflected conditions in the market. "Until benefits of the company's three-year strategic plan are felt, profitability is likely to remain uncertain."

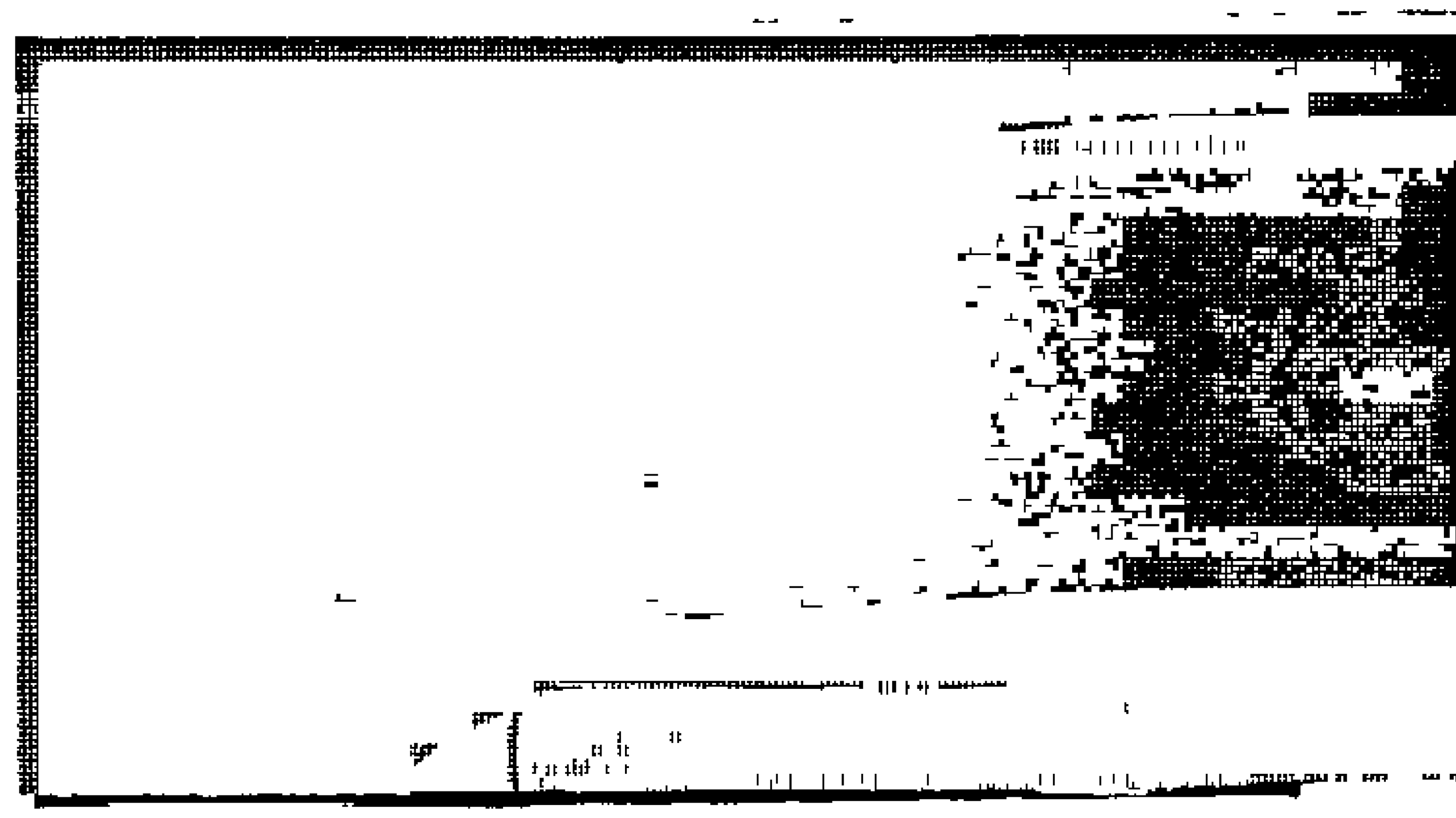
The plan includes plant upgrading and relocation, with the aim of improved efficiency and cost savings

Revenue fell to R144,8m from R237,7m. Snyman said trading conditions continued to be depressed, with margins under continuous pressure and operating income the victim, falling to R430 000 from R3,6m previously.

A rise in finance costs following increased borrowings showed an operating loss after finance costs of R6,5m compared with R2,5m, with a zero tax bill reflected in the net loss.

Snyman said the establishing of an export market for the company's products was proceeding satisfactorily, with a reliable international customer base being developed The benefits of the strategy would become increasingly apparent later on.

However, local market conditions were expected to continue to be difficult and no major improvement in the financial position of the company was expected this year.



BD 10/9/93

Textile union threatens dispute

(197) ([illegible])

THE SA Clothing and Textile Workers' Union (Sactwu) yesterday threatened textile employers with a dispute for their failure to timeously complete a survey required to facilitate a critical skills [illegible] in the industry

Sactwu education officer Andre Kriel said the skills audit was necessary to map out industry [illegible] needs and priorities and secure trade and [illegible] nt funding

[illegible] employers [illegible] dispute for failing to complete a questionnaire

SA textile, clothing exports declared no threat to US firms

BD 11/9/97 (199)

Simon Barber

WASHINGTON — The removal of tariffs on SA textiles and apparel exports has received strong backing from the US government's international trade commission, which concluded that such a step would pose no immediate threat to US producers, given the parlous state of the industry in SA

The independent panel found SA producers were not in a position to ramp up exports dramatically without massive investments — as much as $605m over eight years in the clothing sector alone — to upgrade equipment and productivity

Another factor making SA no threat, in the commission's view, was the absence of export-processing zones to attract investors looking for tax and regulation friendly platforms from which to penetrate the US market.

The report was requested by Congress, which is considering removing all tariffs and quota restrictions on African textiles and clothing as part of an initiative — the African Growth and Opportunity Act — to stimulate private sector growth and investment in the continent

Samantha Sharpe reports from Cape Town that Clothing Federation acting executive director Paul Theron welcomed the recommendations providing they were not qualified by too many riders "However, we know this is only the first step, with the real job to get the recommendations through Congress, where we have been informed the textile clothing sector in the US plans to lobby against us.

COMPANY NEWS

'I've just had enough,' says former managing director as financial director resigns, too

Unispin management exodus

CT (BR) 11/9/97 ~~(187)~~ (197)

JACK DEWES

Port Elizabeth — The exodus of top management at Unispin, the struggling yarn manufacturer, has continued with John Erasmus, the financial director, quitting his post yesterday

Erasmus was initially nominated to act as managing director on Tuesday after the sudden resignation of Chris Snijman, the managing director

Unispin shed 20 percent to 20c on the JSE yesterday with almost 1 million shares changing hands

Fried Moeller, a representative of controlling investor Claas Daun, was at Unispin headquarters yesterday but was not available for comment

A Unispin spokesman confirmed, however, that Erasmus was leaving immediately

A top textile and clothing industry analyst said the shake-out in Unispin's top management was not surprising because restructuring efforts had clearly not worked

"Unispin has not been a good investment under present management I would have thought that Claas Daun would have implemented some severe measures long ago," the analyst said

He said Unispin was losing market share "The other spinners, especially the Far Eastern companies that have moved into the local market, are very efficient If you can't compete you've got problems"

Snijman, who resigned as managing director after 15 years' service, said he made his decision to leave on Monday when the company reported an interim loss of R6,5 million for the period to June 30

The company was restructuring and blood was required, he said

"As soon as I can square up everything I'm leaving. I've just had enough We talked about a three-year restructuring programme and we're half way through," he said

He would not be drawn on a possible successor, indicating that the board would take such a decision later

Snijman said Unispin's export efforts were starting to bear fruit

"The export market, which is very volume orientated, is going to start paying dividends

"But the domestic market is going to remain as fickle as the trade and industry department allows it to be," he said

COMPANY NEWS

Diversification puts embattled textile conglomerate on profit road

It's back into black for Frame

CT (BR) 16/9/97 (197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The Frame Group, which saw headline earnings a share swing from a loss of 193c in 1992 to a profit of 113c in 1997, is emerging from a difficult period in which it had to adjust to new trade rules and restructure

That is according to David Sable, the young Frame director who heads up the innovative and successful property arm of the textile conglomerate

Sable will soon also take up the reins of a newly created investor relations department

He said yesterday the new department in the group would serve both as a constructive communications channel and as a "resource for the investor community"

Sable said Frame's management team was tightly focused on building the group into an increasingly effective competitor It already had the crucial Romatex acquisition with continuing restructuring under its belt

He also pointed out that Frame had a strong balance sheet with a net R100 million in cash

"Since a dramatic turnaround in the early nineties, Frame has made far-reaching progress in implementing its new strategy focusing on deploying the most effective technology and rigorous training," he said "We have invested over R300 million with some of our most important projects completed in the year to June 30 1997 "

These projects include Frame's state-of-the art weaving shed and a denim facility which sports some of the most innovative plants in the world

Sable said. "While our most recent installations have yet to achieve their potentials and much work remains to be done, our strategy has fuelled a solid and improving financial track record over the past couple of years and has brought the group meaningfully closer to the realisation of its vision of a high quality, agile, reliable and cost effective manufacturing capability"

Over and above its 14 percent rise in headline earnings to 113c in the year to June 30, before consolidating Romatex Frame reported a 19 percent increase in gross operating income to R99 million, on an 11 percent increase in turnover to R808 million Attributable income rose 17 percent to R38 million while exports grew 64 percent to R23 million

The property division marks Frame's first significant diversification That division saw leases to non-group tenants rocket by 110 percent

"The group's substantially reduced space requirement, resulting from rationalisations and the installation of new technology, have made several properties redundant", Sable said "The work-out of these assets is far advanced with external rental income contributing significantly to group earnings "

The property division's earnings are expected to grow substantially during the current financial year, as recently completed leases begin to contribute to income and new projects come on steam

4 Officers shall remain free of any influence, interest or relationship which could impair their professional judgement at all times display honesty and loyalty towards the Republic of South Africa and not seek or accept instructions from any persons or bodies within or without the Republic of South Africa that could impair their ability to serve the Republic of South Africa

5 Officers shall maintain a high level of professional expertise and skills to carry out their functions and responsibilities in accordance with all relevant laws, regulations and customs and technical and professional standards applicable

6 Officers shall at all times respect the laws, codes statutes, rules and conventions of the Republic of South Africa and the host country

7 Unbecoming conduct which is discreditable, dishonourable, dishonest, irregular or which is derogatory or brings the good name of South Africa and its foreign service into disrepute shall be subject to the rules and regulations of the Public Service Act as well as any other rules and regulations applicable to officers "

Namibian clothing/textiles dumped on SA market

*24 Mr D DE V GRAAFF asked the Minister of Trade and Industry

(1) Whether he or his Department intends entering into discussions with the Namibian authorities in regard to clothing and textiles worth millions of Rands which are being dumped on the South African market, if not, why not, if so, (a) when and (b) what is his or his Department's position in this regard,

(2) whether he or his Department has determined or intends determining what impact such dumping of clothing and textiles may have on the clothing industry in South Africa, if not, why not, if so, what are the relevant details,

(3) whether he will make a statement on the matter? N1981E

The MINISTER OF TRADE AND INDUSTRY

(1) I assume the question refers to clothing and textiles imported with rebate of the duty in terms of Duty Credit Certificates issued by Namibia During 1996 we became aware of a number of such certificates issued by Namibia in terms of the scheme under which exporters of clothing and textiles qualify for such certificates, subject to very specific rules and requirements We communicated with the relevant Namibian authorities on this matter Namibia has since withdrawn some of the certificates and has, according to our information also issued only one new certificate The previous certificates have all lapsed Most of the clothing and textiles imported with rebate of the duty in terms of these Namibian certificates were sold in the South African markets which, by itself, is not a problem as South Africa and Namibia are both members of a customs union The issue is whether the certificates issues by Namibia, were issued in accordance with all the requirements and conditions of the relevant rebate provision and whether the firms to whom the certificate were issued, were fully entitled to certificates of the value issued, based on the export of clothing and textiles manufactured within the customs union and subject to other relevant requirements and conditions My Department has been communicating with the Namibian authorities concerned for months to try to set up a process to resolve the issue, without success In view thereof, we are considering other steps, one alternative being to withhold the amount of duty rebated from Namibia's disbursement from the common revenue pool until such time as the matter is resolved

(2) It is difficult to accurately measure the impact of certain factors on the local industry as a number of variables could be involved It is however accepted that such alleged uncontrolled importation of the magnitude in question would negatively impact on the South African industry, which explains the DTI's determination to resolve the matter

(3) In view of the explanation given, a further statement is not necessary

Roads in Postberg Nature Reserve deproclaimed

*31 Mr D J DALLING asked the Minister of Environmental Affairs and Tourism

(1) Whether the National Parks Board has deproclaimed or intends deproclaiming any roads in the Postberg Nature Reserve, if so, (a) which roads and (b) on whose application,

(2) whether this deproclamation has or will have any effect on public access to any beaches, if so, which beaches,

(3) whether any occupiers of property in the Reserve will as a result of such deproclamation gain exclusive access to such beaches, if so, what are their names? N1989E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM

(1) Yes

(a) Division Road 1164 and Minor Road 117,

(b) On application by the National Parks Board

(2) No The section of Admiralty Reserve between Minor Road 117 at Kreeftebaai and the sea was proclaimed national park land on 7 October 1994 and access to the beach became subject to the National Parks Act, 1976 (Act no 57 of 1976)

(3) No

Question standing over from Wednesday, 10 September 1997 (transferred for oral reply in terms of Rule 202)

Amount spent in payments to non-statutory service providers

*9 Mr A S BEYERS asked the Minister for Agriculture and Land Affairs [Written Question No 931]

(a) What is the total amount spent by his Department in payments to non-statutory service providers during the period 1 January 1995 up to the latest specified date for which information is available, (b) to which service providers were such payments made and (c) what amount was paid to each such service provider? N1632E

The MINISTER FOR AGRICULTURE AND LAND AFFAIRS

In the case of the Department of Agriculture

(a) R1 314 683 55

(b)		(c)
Africare	R	15 000 00
Afrophone Translation Services	R	419 52
BKS Raadgewende Ingenieurs	R	190 21
Boskop Training Group	R	398 700 00
Brabus Training Interna Corp	R	35 420 00
C B M Advisory Services	R	15 139 20
Conference Committee	R	4 446 00
Deloitte and Touche	R	151 320 51
Feedit cc	R	3 921 60
Genres C	R	1 492 00
Gerhard Beukes & Associates	R	7 980 00
J P Planning cc	R	600 00
Mof Lemmer Associates cc	R	2 394 00
Noord-wes Koop BPK	R	8 545 51
Small Grower Development Trust	R	669 115 00

In the case of the Department of Land Affairs

I understand that the question requests information on Departmental funds spent on payments to non-governmental Organisation (NGOs), and is not intended to refer to services contracted in to the Department from (for example) valuers, planners, surveyors, computer companies and other similar non-statutory commercial service providers

The relevant information concerning the Department of Land Affairs is as follows

(a) R277 622 during the period 1 January 1995 to 31 July 1997,

(b) the Land and Agricultural Policy Centre (LAPC), and

(c) R277 622 to the LAPC for organising and facilitating the process leading up to the Land Policy Conference, which was held on 31 August and 1 September 1995 The member is

CONSOLIDATED FRAME TEXTILES (1997)

Now to justify the optimism

FM 19/9/97

More structural changes are needed to get full value from the Romatex deal, but management is upbeat about prospects

- **ACTIVITIES** *Vertically integrated textile manufacturer holding company of Romatex*
- **CONTROL** *Frame Group Holdings 70 9%*
- **CHAIRMAN** *M E King MD W Simeoni*
- **CAPITAL STRUCTURE** *57,4m ords Market capitalisation R355,7m*
- **SHARE MARKET** *Price 620c Yields 2,5% on dividend 15% on earnings, p e ratio 6 7, cover 6 12-month high 675c, low 365c Trading volume last quarter 2,5m shares*

Year to June 30	'94	95	96	'97
ST debt (Rm)	0 0	0 0	0 0	12,9
LT debt (Rm)	0 0	0 0	0 0	45 5
Debt equity ratio	(0 03)	(0,16)	(0 21)	(0 11)
Shareholders interest	0 83	0 76	0,75	0 69
Int & leasing cover	3 5	n/a	n/a	n/a
Return on cap (%)	4 0	4 5	6 3	4 7
Turnover (Rm)	645 9	782 7	730 9	1 177,1
Pre-int profit (Rm)	30 7	38 7	57 8	63 0
Pre-int margin (%)	4 7	7 2	6 8	4 1
Earnings (c)	76 9	67 9	85 2	92,8
Dividends (c)	5 0	11 0	13,5	15 5
Tangible NAV (c)	1 121	1 156	1 189	1 404

In at least one way, 1997 was a watershed year for Confram, marked by the completion of several major components of a capex programme aimed at renewing and upgrading its technological base to world-class standards

With most of its ducks now in a row, the question is the extent to which the re-engineered group can deliver the higher earnings needed to justify an asset base exceeding R1 3bn

Chairman Mervyn King's annual review is upbeat Though stopping short of a specific earnings forecast for 1998, he cites four factors which should lead to an improved financial performance healthy order books (assisted by reduced imports legal and otherwise) a lower cost structure from the new plant and equipment installed, prospects of smaller losses from Romatex, and larger profits from the property division as the full impact of leases written during the latter part of 1997 flow through and new projects come on stream

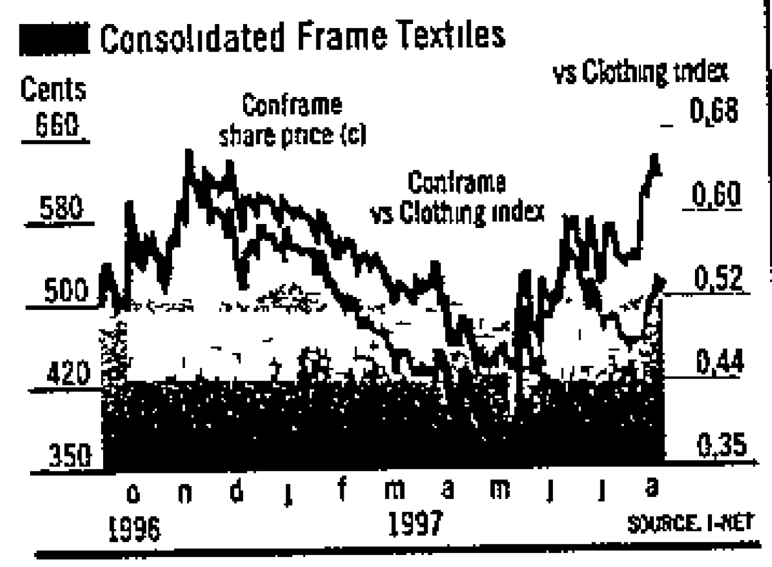
Assessment of 1997's results is complicated partly by the distorting influences of Romatex, which became a 51% subsidiary from last October, three months into the financial year

The main effects were a 7c/share (10%) reduction in Confram's headline EPS and 134c added to its tangible net worth — the latter being the difference between the R30m purchase price and the book value of Romatex's net assets brought to account

This combination of deflated earnings and an inflated asset base did nothing to enhance group profit ratios, and could well account for the market's cool reception of the 1997 results The share price up 15% since the *FM*'s review of the last annual report, merely tracked the growth in headline EPS before taking into account Romatex s losses There was no reduction in the vast discount to NAV still about 55%

After the Romatex acquisition Confram's profit ratios fell across the board after rising strongly the previous year Trading margin fell to 4,1% (1996 6,8%) its lowest since 1993 Return on equity was back down to 6,6% after an encouraging 1 3% point rise to 7,2% in 1996

Excluding Romatex return on equity would have been about 7 8% — still low by normal industrial standards, but at least tilted in the right direction



With the holding in Romatex to increase to about 80% from the end of this month, curbing its losses is a priority King says that though it is likely to take about two years to fully implement the remedial steps and rationalisations, Romatex's performance should start to stabilise over the coming months as a result of "urgent action" being taken now

What is not said is the extent to which management's overall plans may have been affected by the cancellation (because of opposition by a shareholder owning about 12 5% of Romatex) of a scheme intended to make Romatex a wholly owned subsidiary

It is hard to see how the takeover can deliver full value without a radical reconfiguration of Romatex's Western Cape-based operations, a process that will not be enhanced by the presence of minority shareholders

The group is, in effect competing with itself on at least two fronts, though in different geographical areas Logic (and the experience Confram has gained in reconfiguring its own activities) suggests these overlapping operations should be consolidated under the same management, preferably in the same premises, to avoid duplication of overheads

Mervyn King order books are healthy

Whether this can be done without evoking more comment of the "pity the poor Romatex minorities" variety is unclear

The balance sheet is strong Despite capex of R120m and the R30m paid for Romatex it still showed net cash resources of R98m at June 30 1997 (1996 R144m) For 1998, capex is forecast to decline to about R67m, to which must be added about another R17m for the additional Romatex shares acquired since year-end

This will be comfortably covered by cash flow which last year totalled almost R100m, raising the prospect that the group will be able to accelerate the process of normalising its dividend payout policy

On the fact of it, Confram has achieved all that could reasonably be expected of it The *FM* warned last year that 1997 earnings growth would probably be slow, partly because of the Romatex takeover With that behind it, and taking into account the greatly enhanced technological base prospects for 1998 should be more encouraging

If the group can deliver, there would be a strong case for an upward rerating of these shares

Brian Thompson

GROUP FIVE LTD

And then there were four

One of the five operating divisions was dropped in a year of change

- **ACTIVITIES** *Investment holding company with interests in construction engineering manufacturing and property industries*
- **CONTROL** *Group Five Holdings 31%*
- **CHAIRMAN** *S M Goldstein MD M Lomas*
- **CAPITAL STRUCTURE** *41 8m ords Market capitalisation R355m*
- **SHARE MARKET** *Price 850c Yields 2,4% on dividend 6 1% on earnings p e ratio 16 3, cover 2 6 12-month high 1 070c, low 600c Trading volume last quarter 800 000 shares*

Year to June 30	94	95	96	97
ST debt (Rm)	29 5	103 7	56 6	58 3
LT debt (Rm)	20 5	21 3	18 4	16 8
Debt equity ratio	0 11	0 15	—	—
Shareholders interest	0 36	0 32	0 29	0 28
Int & leasing cover	1 97	3 75	2 40	2 42
Return on cap (%)	4 7	7 1	6 2	5 4
Turnover (Rm)	1 859	2 249	2 495	2 427
Pre-int profit (Rm)	44 8	81 7	79 7	75 1
Pre-int margin (%)	2 4	3 6	3 1	3 0
Earnings (c)	41 3	62 3	83 8	52,1
Dividends (c)	5 5	14 0	20 0	20 0
Tangible NAV (c)	247 8	292 7	326 5	529 2

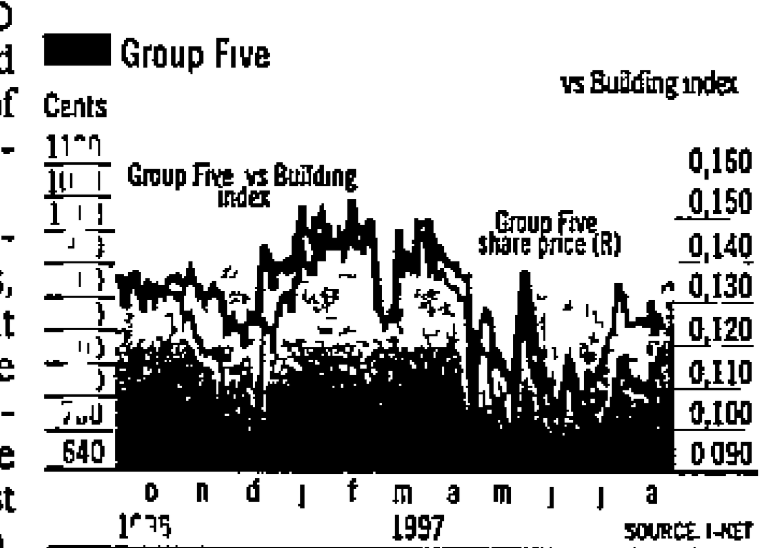
If Group Five really does welcome change as Stan Goldstein claims in the chairman's report then it must have had a particularly good time in financial 1997

Not only did an increasingly tough sectional title market persuade the company to close its properties division, but it also had to cope with the shock resignation of CEO Theunis Kotzee and the buy-out of Everite/Evhold minorities

If the company enjoyed the changes, this is not evident from the income statements The decision to close the property division cost the company R29m, or 26c per share This loss and a related poor showing by the building division eclipsed an otherwise good performance from the construction group and resulted in flat year-on-year attributable earnings The diluting effect of the 31,8m N shares, issued for the Everite deal meant EPS slumped by 62%

The positive cash flow and strengthened balance sheet were, however, encouraging Net cash reserves increased to R104 2m — though this has not yet translated into earned interest income, since much of the cash is held abroad at low interest rates

Cash-on-hand is important for Group Five, as it targets large Build-Operate-Transfer projects in southern Africa and looks towards acquisitions notably in areas synergistic to Everite or possibly in opencast mining



For the 1998 financial year new CEO Mike Lomas is expecting EPS of at least 78c — which would have been achieved in 1997 if it weren't for the nonrecurring costs from property The group order book for 1998 is 40% up on last year at R1,7bn, the target for turnover is R3bn, in line with the company's Growth 2000 objectives

Earnings increases are expected from all divisions for this period, with continued improvements at high-margin Everite, which contributed one-third of the group operating profit last year and is expected to show profit growth of at least 15% in 1998

One niggling aspect is the complicated shareholding structure between Group Five Ltd and its two listed holding companies SM Goldstein and Group Five Holdings, which desperately needs to be untangled

Group Five FD Howard Turner says the group is looking at simplifying this with some urgency, both to unlock value and improve the liquidity of the shares He will not venture the timing of a decision, but Lomas says this may follow the conclusion of a larger deal

Group Five businesses look primed for growth and its financial muscle should enable it to capitalise on opportunities as they present themselves Its counter has yet to recover fully from the shocks of last year, and it still looks worth an investment

Stuart Rutherford

STOCKS HOTELS & RESORTS

Sharing the debt burden

Investors remain cautious even though profit targets were met

The market's wariness about the leisure sector only partly explains its lack of enthusiasm for newcomer Stocks Hotels & Resorts (SHR) the listed leisure arm of construction group Stocks & Stocks Unless SHR's structure is simplified, investor scepticism may continue even after an upward rating of the sector

In its favour, the group's maiden results met prospectus forecasts But a serious mark against SHR is that off-balance sheet companies which house and control SHR's assets (and related debt) bedevil an evaluation of the group

SHR owns the operations of its flagship, Michelangelo hotel in Sandton, and the PortsWood near Cape Town's V&A Waterfront The properties — and R80m debt — are held by the unlisted Stocks Hotels & Resorts Properties SHR has the right to take ownership of the properties in 2010 By then says financial director Neil Yates rental receipts will have settled the debt

Sowetan (Bus.) 25/9/97

Textile giant AMM plans listing on JSE

197

By Maxwell Pirikisi

DURBAN-BASED AMM Group, one of the largest clothing manufacturing operations in South Africa, plans to list on the Johannesburg Stock Exchange (JSE) on Wednesday October 8 1997

Its listing is expected to bring new challenges to the JSE's Industrials division, which combines the clothing, footwear and textile sectors

The group issued its pre-listing statement this week in which it says that the JSE has already approved the listing of 77,5 million ordinary shares of one cent each, as well as 300 million authorised ordinary shares

While there has been a growing trend of companies, whether listed or listing for the first time, setting aside special share-holding for previously disadvantaged persons, it could not be established what kind of dispensation the group was planning for its prospective and emerging shareholders

It commands respect in the clothing and textile industry, with a daily production of more than 60 000 garments and an annual fabric utilisation of more than 20 million metres, a substantial portion of which is purchased from local textile mills

The AMM Group says it decided to list in order to raise sufficient funds to, among other things, finance the current expansion of its businesses, position itself well for future acquisition opportunities

Equity growth

It also wishes to broaden its investor base, repay its debts, enhance investor and public awareness of its businesses, as well as afford the public and other institutions the opportunity to participate directly in its future equity growth

Some of the company's achievements include the South African non-Listed Company Award (1988), State President's Merit Award for Export Achievement (1993), *Natal Mercury*-British Airways Award for Business Excellence (1993), Cotton Board Award (1993) and Exporter of the Year (1993)

DTI calls for more competition and exports

Clothing and textiles warned 'to get in gear'

(197)

ET (POR) 7/10/97

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — The department of trade and industry (DTI) has sent a strongly worded warning to the clothing and textile industries to become more competitive and increase exports

In a statement yesterday announcing the extension of the duty credit certification scheme to March 2000, the DTI said it was concerned "that there does not seem to be sufficient commitment by the industries as a whole towards training and work organisation

"Nor does there seem to be a significant commitment by the industries to the export market, as is borne out by export trends in recent years It would appear that there is excessive reliance on the domestic market and that exports are considered only when there are downturns in domestic demand "

Sources said this judgement of the industry might appear harsh, but government was clearly disappointed with the export performance of the industries and was sending a clear signal that it should get its house in order

Although some of the larger textile and clothing firms have been undergoing extensive restructuring and have invested heavily in training and new work organisation programmes, many small to medium-sized firms have been less active This was mainly for financial reasons but also because they expect continued government support programmes

The scheme was due to run out in March next year and, after consultations with industry organisations and trade unions, DTI agreed to extend it to March 2000

The scheme allows firms to use 30 percent of the value of their exports to import textiles

DTI said to provide certainty to the industry the level of support in 1999 would be examined by all parties The final phase-down levels of the scheme, and any other measures that the parties might develop during the discussions, would be announced in March 1998

Clothing and textile exports grew from R2,3 billion in 1995 to R2,8 billion last year, with textiles making up the bulk of the exports

The DTI said it expected the two sectors to make a major contribution in realising the DTI's goal of creating between 70 000 and 100 000 sustainable new jobs a year in manufacturing by 2000

To improve competitiveness in the sector, DTI said it had adopted a strategy that included the phasing-down of tariffs, investment financing support by the Industrial Development Corporation, increased support for small business through a range of financial and non-financial support programmes, and the refining of the scheme in favour of firms willing to invest in training and improved work organisation

Wooltextile to upgrade equipment

(197)

(195)

Business Day Reporter

WOOLTEXTILE Manufacturers, the Italian-owned worsted wool spinner, is planning to introduce more state-of-the-art equipment to enhance its ability to deal with increasingly intense global competition

The company, which celebrated the 50th anniversary of its establishment in Standerton at the weekend, has about one-third of SA's total market for worsted wool fabrics and yarns.

Chairman Augusto Gori said the further development, made possible by Wooltextile's close links with Italy's Pecci textiles group, anticipated a rising proportion of the labour component in total costs.

The company's comprehensive training programme here and in Italy has resulted in the local operation being completely run by skilled South Africans.

Gori pointed out that SA's textiles factories needed to be more self-sufficient in their maintenance needs than their Italian counterparts.

He believed that his company's ability to remain internationally competitive had to be based on a combination of technical innovation, continuing training and the maintenance of ties with an Italian leader both in textiles technology and fashion.

BD 12/11/97

Frame to invest up to R25m in loss-making Romatex

CT(BE) 13/11/97 (197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Between R20 million and R25 million would be pumped into Romatex during the current financial year to begin the turnaround of the loss-making textile manufacturer Frame purchased from CG Smith in October last year.

Roy Sable, who now heads Romatex, said yesterday that significant rationalisation would follow recent identification of strong problem areas. These included lack of investment in modern, efficient plant; being out of touch with its markets, and having the wrong people in the wrong places, he said.

Setting problems to rights had already required short-term investment of R6 million, and had resulted in the work force shrinking by at least 10 percent.

Romatex simply had to become more efficient, Sable said. He said Romatex, in which Frame, the textile maker, would soon hold 80 percent, would have to follow Frame's example, which came from an overdraft of R300 million and massive losses to the point where it banked R140 million, had clocked up profit and paid out a reasonable dividend in the year to June 30.

"Romatex will have to start generating cash flow to fund further investment," he said. Frame's recovery had not been based on borrowings, but on retained profits, he said.

Frame was nearing the end of its R300 million capex programme, had shed many loss-making operations and had grown exports by 64 percent, albeit off a low base. However, it was only halfway there and now needed to double efficiencies.

Although Frame would always have capex as it would have to keep updating equipment, now was the time to balance capex and annual depreciation, Sable said.

"This is a vast business, but a tightly managed organisation with good people with good skills. It has a lot to offer Romatex," he said, pointing out that it came down to initiating a culture of change at Romatex. Although it would be a separate business for the time being, it had to assimilate the Frame philosophy.

LOOKING TO TURN AROUND *Roy Sable, the head of Romatex, says rationalisation will help identify significant problems and bring Romatex in touch with its markets* PHOTO BARRY TUCK

Frame Textiles' turnaround is 'not reflected in its share price'

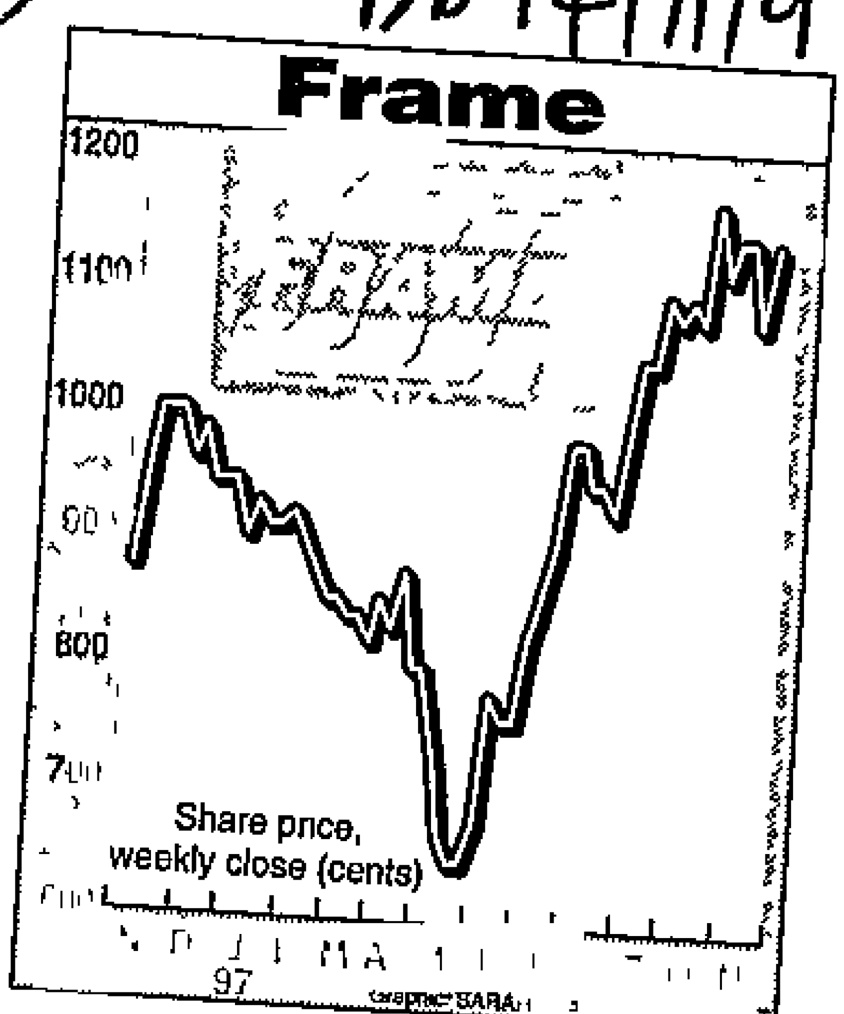
(197) BD 14/11/97

Nicola Jenvey

DURBAN — Industrial textile company Frame Textiles traded at about a 50% discount to net asset value and should consider an earnings-boosting acquisition to jolt the market into adjusting the differential, analysts said yesterday

One analyst said that, with the exception of The Coastal Group, in which the shares were tightly held by Indonesian holding company Polysindo and therefore maintained at levels close to net asset value, the market was not reflecting the full value of any shares within the textile sector

This was a hangover from the industry's darkest days and did not credit companies which had achieved any significant turnaround He believed this was particularly relevant to Frame, where the company had transformed from an operating loss touching R1m a day to a R38m attributable profit in the year to June this year and more than R100m in hard cash available for investment



Chairman Roy Sable said Frame had invested more than R300m in capital expenditure over the past three years in a bid to improve efficiencies, replace outmoded machinery and drag the textile manufacturer from depths of loss Another R60m-R70m was planned for the current year and thereafter Frame would allocate about R50m annually to capital expenditure improvements.

About R25m was being pumped into Romatex in the current financial year to begin the turnaround on the loss-making textile manufacturer purchased from CG Smith in October last year

The analysts believed every textile company operating above 85% capacity translated production into profit, but in Frame's case, this was not being reflected in the share price The growing property division, borne from the creation of industrial parks on redundant Frame land, also laid the foundations for a separately listed property entity

Frame must more actively market itself to the investment community, one analyst said

Export credit scheme 'will cost textile industry'

(197)

BD 17/11/97

Nicola Jenvey

DURBAN — The government's decision to extend the duty credit export incentive scheme by two years to March 2000 offered the SA textile industry a "false sense of security" and a high price for protectionism, Textile Federation president Mervyn King said.

Addressing the latest Textile Topics review, King said that while the principle that 30% of the value of exports be offset against imports was commendable, the scheme had not boosted exports to the anticipated levels. Credit certificates had instead become "sorely abused tradable commodities".

Texfed executive director Brian Brink said about 10% of the R10bn industry output was exported. Although exports had risen over the past three years, they were still far off the 30%-40% minimum levels. Last year imports outweighed exports by R1,4m.

King said the smugglers threatening the industry were also scoring through duty credit manipulation. This meant that while some manufacturers were winning due to the scheme, the industry was losing on to customs fraud.

While export growth may have been helped by the scheme, "the main reason for higher exports is the industrywide determination to become outward-looking after years of isolation".

Brink said the local textile and clothing fraternity had an understanding of first world markets borne from SA's mixed heritage. This was superior to the oriental perception of foreign markets and demands.

"The realisation that it is vital to get exports off the ground is only hitting home now, and prospects are very good considering the possibility of a European Free Trade Agreement and preferential access to the US," he said.

Brink said that with R2,6bn invested into new equipment since 1995, the industry was geared to improve its position and become more globally competitive.

The industry was SA's sixth largest manufacturing employer. It had 200 000 indirect and 77 000 direct workers.

Union marches through Durban

ET (BR) 18/11/97

Companies hold back benefits, says Sactwu

(197)

Shirley Jones
KwaZulu Natal Editor

Durban — The South African Clothing and Textile Workers' Union (Sactwu) marched through central Durban yesterday in protest against more than 100 manufacturers that are allegedly withholding millions in union subscriptions, pension and provident fund contributions, sick fund contributions and housing loan payments

The clothing companies involved are members of the Confederation of South African Employers (Cofesa)

According to Sactwu, the march was also in support of the Clothing Industry Bargaining Council's court action against Cofesa members who had apparently turned their backs on the Labour Relations Act by refusing to adhere to the collective wage and employment agreement

Joshua Mbelu, a spokesman for Sactwu, welcomed the Durban court's judgment in favour of the central bargaining council The employers would now be forced to hand over the money he alleged they intended pocketing and comply with the agreement

Sactwu sentiment is that over 6 000 employees at the mercy of the Cofesa employers were being hoodwinked Mbelu said Cofesa tactics were to change the basic conditions of employment and persuade manufacturers to outsource labour, which would allow them to pay minimum wages

According to the union, employees taken on a contract basis had welcomed the reduction in the number of deductions from their wages, but did not realise they had been robbed of all their benefits

Piet Pelser, Cofesa's regional representative, could not be reached for comment yesterday

The pandemonium within the Durban clothing industry comes against the backdrop of a strategic agreement between clothing employers and Sactwu aimed at promoting the future of Durban's clothing industry.

Len Smart, the executive director of the Natal Clothing Manufacturers' Association, confirmed that a meeting held over the weekend had resulted in a programme to stabilise and expand this section of the industry

"The meeting, arranged by the Clothing Industry Bargaining Council, looked at the failure of many smaller employers to comply with the industry's collective bargaining agreement; job losses in the Durban area; and the migration of employers to decentralised areas which pay lower wages," he said

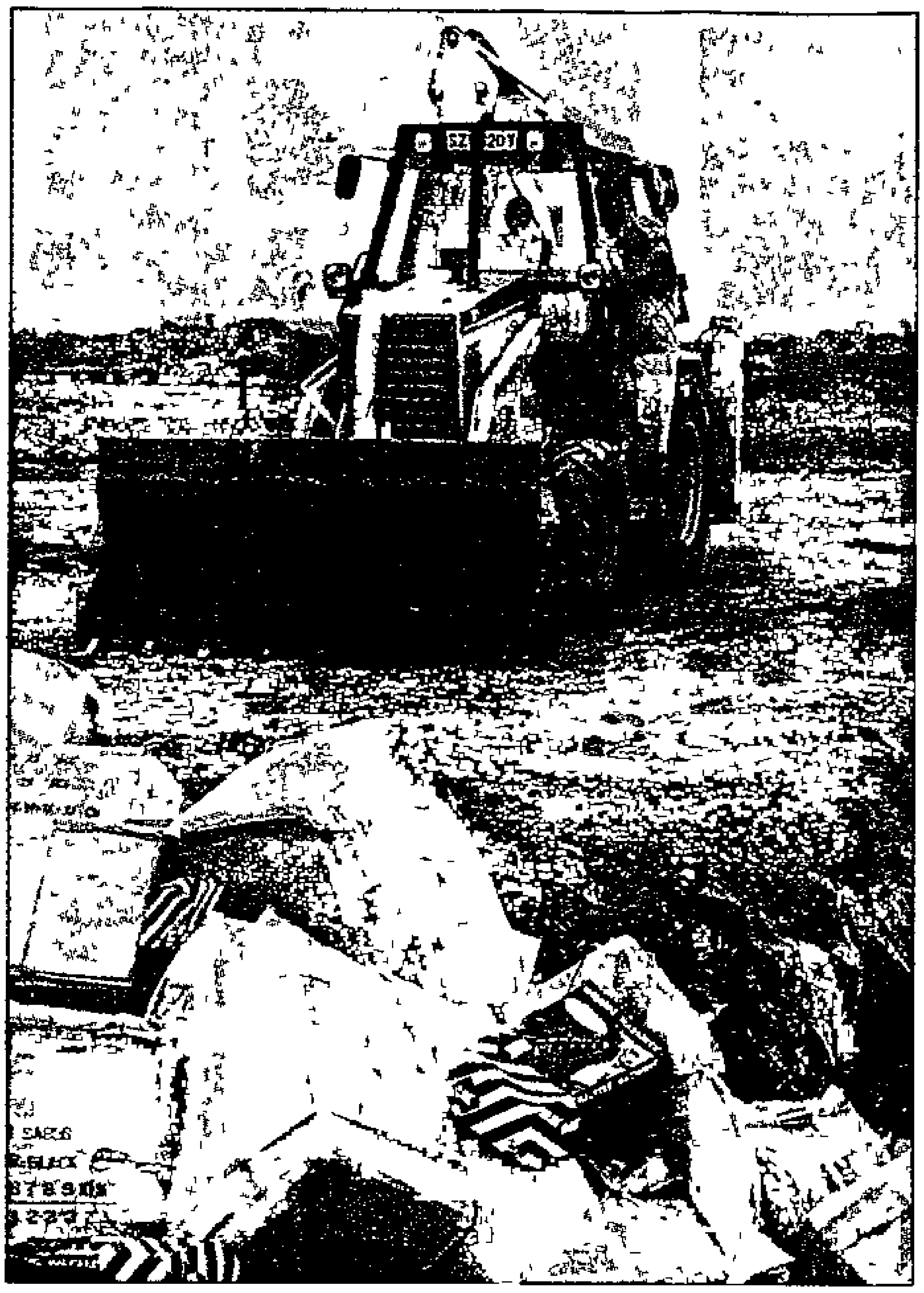
Since 1989 the area's clothing workers had been reduced by 17 000 The parties represented, including the bargaining council, agreed to an overall package due in December

The need to assist Durban employers grappling with increased local and overseas competition was recognised as equally vital to the process as the need to assist employees through social security benefit funds, Smart said

CUSTOMS *Industry watchdog demands radical revision of tender process*

Destruction of seized goods disputed

(197) CT (BR) 11/12/97



NOT ROUND-TRIPPED *Goods confiscated from warehouses by the police, including counterfeit Nike jeans and Caterpillar shoes, are destroyed in Pretoria* PHOTO LINDSAY YOUNG

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Industry was demanding the radical revision of Customs' methods of disposing of confiscated goods, members of the Customs and VAT Enforcement Caucus, the industry watchdog body, said yesterday

They said dissatisfaction stemmed from the sale of seized textiles and clothing from Durban, Cape Town and Johannesburg through government tender in July this year

Speculation that the goods had never left the country despite stringent tender procedures, and allegations that they had been round-tripped through neighbouring countries and again sold on the local market, prompted the Textile Federation to ask Customs more than a month ago for proof that the goods had been exported

Brian Brink, the executive director of the Textile Federation, said no response had come from Customs to date He said he was still not convinced the goods had left the country

The original rules of the tender were that the goods' departures and arrivals at overseas ports were to have been documented by Customs officials

Lee Dutton, the head of the Customs and VAT Enforcement Caucus, called last week for greater transparency in the disposal process He said the tender process needed to be audited by official industry bodies such as the Textile Federation or the Footwear and Leather Industries' Association

Christo Henning, the spokesman for Customs, said Customs had all the documentation to show the tender procedures had been strictly adhered to However, he did not offer copies as proof

"If the goods were returned to this country, it was not due to an error on our part," he said

He confirmed that, despite demands from industry that confiscated clothing and textiles be destroyed, the next consignment of confiscated goods would again go the tender route He said now that the revenue service was autonomous, with its own internal tender board, procedures would be quicker

He said when considering destroying the goods, Customs would look at what was economically viable "If the goods can generate income for government, then it would be unwise to simply destroy them It doesn't make economic sense"

Textile industry bounces back from a depressed 1996

(197) BD 29/12/97

Nicola Jenvey

DURBAN — The SA textile industry bounced back this year from a depressed 1996, with most companies within the sector achieving promising levels of real growth

However, analysts believe that the country's sixth largest manufacturing employer still requires another good year of growth before investors will seriously consider the sector

Last year the textile sector disappointed shareholders, with the index crumbling more than 30% on the Johannesburg Stock Exchange as restructuring and illegal imports took their toll and turnovers and fibre consumptions fell

The industry employs 77 000 direct and 200 000 indirect workers

Textile Federation executive director Brian Brink believes there are "a handful" of textile companies that did not benefit from a general improvement in conditions, but that generally the R2,6bn spent by the industry on new equipment since 1995 is bearing fruit across the board

The investments were not without irony, however, since the skills shortage in the SA economy created bottlenecks for companies wanting to maximise the returns from their new acquisitions

Analysts said industry prospects next year were promising, with reasonable profits expected, but shareholder commitment to the sector demanded another year of sound performance However, the current price:earnings ratios offered significant value to investors looking at longer-term ventures

One industry source said margins within the textile industry were not at the levels the major players wanted, and this limited profits He attributed this to the reliance on local retailers rather than the export market, and urged textile companies to expand their distribution base

"The companies are achieving the volumes, but the margins are decreasing as retailers dictate the price levels Once the export culture takes a firmer hand and companies have the option to take their wares elsewhere, the margins and profits will grow," he said

He believed a solution to this problem was still five years away

Brink said that extensive training programmes were already under way throughout the industry, but the skills demanded for operating the new machines, most requiring computer literacy and mechanical ability, were scarce even in Europe, with its relatively high level of education

Illegal imports of textiles and clothing has been another long-term bugbear for the industry and Brink said the tighter controls within customs and excise had made some inroads into resolving the issue However, he believed further policing had to be undertaken and one solution was for the government to increase the number of customs and excise officials tracing and recovering import duties

Looking to next year, Brink said the local industry had lifted its export business "encouragingly, but not as much as hoped" and he urged companies to concentrate on growing this aspect of their businesses

The vast SA Development Community market and Latin America were two areas which analysts believed had not yet been sufficiently explored The traditional European markets still dominated export patterns and expansion plans

Currently about 10% of the R10bn industry output was being exported and Brink said this was still far off the 30%-40% minimum levels. During 1996 imports had outweighed exports by R1,4m

Major shareholder increases Unispin stake

BD 31/12/97 (197)

Samantha Sharpe

CAPE TOWN — Unispin's controlling shareholder, Claas Daun, has increased substantially his stake in the footwear, clothing and textile manufacturer after a virtual boycott of its 204,7-million share rights offer.

Unispin said on Monday that only 5,6% of the rights had been taken up by ordinary shareholders, leaving the balance in Daun's hands as underwriter.

The rights offer brought the total number of shares in issue to 510,2-million, a two thirds increase. Daun held an indirect 64,7% stake in the company before the issue.

He will have picked up more than 94% of the new shares in issue at a cost of 20c a share or just less than R40m in total, close to Unispin's current trading value. Dealers estimated this would raise Daun's stake to about 75%.

Daun said yesterday the poor response to the offer was understandable given the textile industry's difficulties.

Continued on Page 2

Unispin

(197)

Continued from Page 1

BD 31/12/97

Unispin slipped further into the red in the six months to June, posting a net loss of R6,5m compared with a R2,7m loss in the year to September last year. This was reflected in a 2,1c loss a share compared with 0,9c last year.

At the time the results were published, Unispin MD Chris Snijman said the loss reflected market conditions, with the benefits of the firm's three-year plan not yet being felt.

The plan included plant upgrading and relocation to improve efficiency and ensure cost savings as initiated by new management headed by Daun, who took control in 1995.

Snijman said the search for export markets was proceeding satisfactorily, with a reliable international customer base being developed.

But he said no improvement in the company's financial position was expected in 1997.

MANUFACTURING – TEXTILES

1998

Industry leaders complain about continued flow of clothing and textiles into SA

Illegal trade with Malawi 'still rife'

CT(BR) 14/1/98 (97)

Shirley Jones
KwaZulu Natal Editor

Durban — Nothing had been done to stem the flow of illegal goods from Malawi to South Africa despite industry efforts to get the bilateral agreement between the two countries tightened, industry leaders said yesterday

Irregularities in trade between the two countries were outlined in a report commissioned by the trade and industry department early last year.

Highly placed textile and clothing industry sources said despite the questionable activities by some Malawian manufacturers outlined in the report, and the fact that industry investigations had regularly uncovered illegal activities over the past three years, import scams between the two countries continued unchecked

Textile brokers claimed this week the largest portion of illegal textiles circulating in the Durban market came from Malawi.

They said it appeared that the so-called Malawi route remained undiscovered by now-vigilant customs and industry inspectors who were stopping goods brought in directly through the Durban port

They said the traditional route was from Malawi to Zimbabwe to Botswana and then to South Africa "You buy goods from Bangladesh, take them to Malawi where you add a label," said one clothing manufacturer

The so-called Malawi route remains undiscovered by customs inspectors

The clothing and textile industries have requested that, in order to clamp down on round tripping of Malawian clothing and textiles, the ports of entry be restricted to two Beit Bridge and Johannesburg.

The industries have also requested that export certificates be issued to Malawian manufacturers by a government agency and not the Chamber of Commerce The latter comprised the exporters themselves and led to the situation where they certified their own goods, sources explained

"The problems that have been created by the Malawian free trade agreement and the severe trade distortions that have arisen have been taken up with the department of trade and industry but, yet again, the resolution of the problem has become extremely protracted," said Paul Theron, the executive director of Clofed

Industry sources said although proposals aimed at tightening up the policing of trade between the two countries had been submitted to the Malawian government, the lack of pressure aimed at driving these through was leading to a build-up of tension within the clothing, textile and tea industries, which had been the main victims of the transgressions.

"As we understand, there have been some stumbling blocks and some resistance from the Malawian government, especially when it comes to the issuing of export certificates," Theron said

He said the industries concerned remained in the dark and were not aware of any progress between the two governments

The trade and industry department and customs officials said they would comment later in the week on the trade issues with Malawi

JSE MICROSCOPE

ETIENNE SWANEPOEL

Gatt's progress puts a new twist on Unispin's growth

CT (BR) 19/1/98 (197)

Unispin resolved towards the end of 1997 to raise R41 million by way of a rights offer, the purpose of which was to enhance the growth prospects of Unispin by strengthening its balance sheet

The company is engaged in the manufacture and supply of acrylic handknitting, industrial and spun cotton yarns It plans to establish a significant export market

Much of the trade in textiles and clothing has been governed over the last 30 years by the Multi Fibre Agreement (MFA), which regulates trade in clothing and textiles between states by way of quotas and tariffs

The General Agreement on Tariffs and Trade (Gatt) of 1994 incorporates the MFA over a 10-year period The phasing out of the MFA and its incorporation into Gatt 1994 is taking place in four stages

The phase-out is calculated according to 1990 trade levels Each participating nation which wishes to maintain some quotas must examine its 1990 trade and eliminate any quotas on a proportion of products over the 10-year period

In Year One — 1995, the year Gatt '94 became effective — at least 16 percent of a participating nation's total imports in four categories of textile and clothing (namely tops and yarns, fabrics, made-up textile products and clothing) were eliminated

On products where quotas were not eliminated, quota levels are to be increased annually by not less than the growth rate specified in the MFA, increased by 16 percent

This increase in quotas on imports left in the MFA reflects the desire of nations, in particular the US, that the MFA should "grow out" at the same time as its incorporation into Gatt

In Year Four — 1999 — a further 17 percent of total trade (with 1990 as the base year) is to be incorporated into Gatt '94 and any quota restrictions in force on these products are to be eliminated On products where quotas remain, "growing out" will be achieved by annually increasing the level of quotas on these products by the growth rate specified in MFA plus 25 percent

In Year Seven, a further 18 percent of trade will be returned to normal Gatt rules, and any quota restrictions in force on the products covered will be eliminated On products where quotas remain, the quota level will be increased annually by the growth rate specified in the MFA increased by 27 percent

In Year 10, all the remaining quotas will be abolished

A textile monitoring body has been created to supervise the phase-out of the MFA It has the authority to make recommendations and observations and to resolve disputes The monitoring body will submit a comprehensive report on the implementation of each stage of the phase-out

The agreement on textiles and clothing includes provisions to cope with the possible circumvention of commitments through transshipment, rerouting, false declaration concerning country or place of origin and falsification of official documents

Unispin's desire to establish export markets should be assisted by the incorporation of the MFA into Gatt 1994 It will be interesting to see how this move develops

☐ Etienne Swanepoel is a director of the Cape law firm, Fairbridge Ardene & Lawton The opinions expressed do no constitute advice Readers should direct any queries to their legal advisers

Full steam ahead as Glodina goes electrical

(197) CT(BR) 20/1/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — In a deal described as a technological and management breakthrough, Glodina, the KwaZulu Natal-based towel manufacturer, would replace its old coal-fired boilers with a new, electricity-based plant, Paul Redond, the managing director, said yesterday

Glodina would score through improved efficiencies and the arrangement would reduce capital outlay and risk, both of which had proved major stumbling blocks for the company

Redondi said this was another step in the company's extensive restructuring programme, which has extended from 1996

The deal involves the purchase by Glodina of the steam needed for its dye house from Johannesburg-based EB Steam Utility on a monthly basis EB would build and manage new on-site electrical boilers to replace Glodina's redundant coal-fired boilers

Redondi explained that the boilers would remain EB's property and would be operated by them at no cost The old boilers would be scrapped and staff redeployed elsewhere, he said

"The inconsistency of steam supply results in deviations from standards in dye-house cycle times, which are running at a less-than-satisfactory 17 percent," Redondi said "The new boilers will dramatically improve this level as well as produce improvements to re-dyes

"In addition, we are investing far too much capital in repairs and maintenance to the old boilers The new boiler can vary the volume of steam supplied within minutes, which will minimise wastage and downtime"

Glodina appears to be fast regaining both its market share and confidence with its renovations, notwithstanding the devastating effects these had on its bottom line during financial 1996

Redondi is, however, not yet satisfied with Glodina's performance He said there was still room for improvement despite the fact that weaving efficiencies were at 75 percent, a sound level for a terry mill Redondi's target is over 85 percent

He said there had been a vast improvement in warehouse inefficiencies, which in 1996 had plunged Glodina's delivery hit-rate to 49 percent By November 1997, Glodina had achieved a 95 percent delivery hit-rate with an average of 92 percent over the past 24 months

"We have gone from one extreme to the other, although we will always strive for 100 percent," Redondi said He pointed out that service efficiencies remained the greatest shortcoming of the local textile industry

However, he added, this year Glodina had both secured the orders and delivered them But profits had been squeezed in the marketplace, forcing Glodina to cut margins The company had been barely able to pass on raw material price increases, he said

"We penetrated our market better than the year before, because we offered a wider variety of products on a confined basis We have become specialists in offering smaller, specialised lines at competitive rates"

EFFICIENCY FUND! *Paul Redondi, the managing director of Glodina, forecasts improved performances* PHOTO BARRY TUCK

Rags to riches after 2 years of job losses

(197)

Illegal imports of clothing on wane

ARG 22/1/98

EDWARD WEST
DEPUTY BUSINESS EDITOR

The clothing industry has stabilised after two years of job losses.

Clothing Federation (Clofed) president Dr Bernard Richards said there were signs that illegal imports were decreasing and over 700 tons of illegally-imported clothing and textiles were being packed for distribution throughout sub-Saharan Africa

Negotiations for a free trade area in the region were underway, but it was essential all existing and pending bilateral trade agreements be dissolved into the multilateral Southern African Development Community (SADC) agreement.

The Department of Trade and Industry hopes to have the free trade agreement signed by March or April next year.

Dr Richards said: "It is not acceptable that textiles made up into clothing are arriving into our market legally, having paid no duty or a minimal 3% duty on value added."

China remained the largest source of imports of clothing into South Africa. The volume of Malawi imports had reached "alarming proportions" and the use of Malawi as a conduit to circumvent South African customs duties had been taken up with the Department of Trade and Industry.

Federation economist Paul Theron said adequate customs control was the basis of the domestic industry's acceptance of the planned SADC trade agreement. Only South Africa and Zimbabwe had reasonable controls.

The clothing industry had been crushed in Zambia and Tanzania because of illegal imports.

The federation estimated that total exports amounted to R626-million last year – against imports of R694-million. South Africa's largest export markets were the United States and the United Kingdom, with sales of over R200-million to each of these countries, followed by Germany, Mozambique and Angola

Frame finds copy among sale samples

CT (BR) 10/2/98 (197)

SHIRLEY JONES

KWAZULU NATAL

Durban — Frame, the textile company, found a direct copy of its own designs among samples of cheap prints from the East it was offered by a textiles agent in December last year, Walter Simeoni, Frame's managing director, said last week

This was not the first time Frame has had to contend with copyright infringement However, it is a typical example of a problem that is probably costing the industry tens of millions of rands a year

Simeoni estimated that between 1,5 million and 2 million metres of duplicate prints worth at least R20 million were imported each year, adding to losses from dumping and illegal imports

But in this instance, Frame had proof in the form of a sample of the knocked-off design But the agent said he was not sure which Pakistani printer had offered the design as he did not have a catalogue with him, and he has not responded to repeated requests from Frame for further details

Simeoni said Frame had encountered the use of its designs in Pakistan some years ago, had forced a British company to withdraw a bed linen design two years ago, and received information of containers of duplicated designs almost on a weekly basis

"It comes back to insufficient respect for copyright, especially in some eastern countries and particularly among Pakistani printers," Simeoni said "South Africa is well known for its strength in colouration and design and its innate understanding of the European and American markets It makes South African designers a target for poachers"

'This is intellectual property and it comes down to buying stolen goods'

He said as the Pakistani printing industry developed, it became short of design resources The easiest way to compensate was through poaching

Simeoni said Frame had come across two types of copyright shark those who tried to bribe the company to allow them to copy designs, and those trying to sell knock-offs to garment makers, wholesalers and retailers

Many South Africans appeared to be more than willing to conspire to undermine the local textile industry, he said

"In South Africa, business ethics in certain circles are questionable Some wholesalers and retailers think nothing of going to those sharks and supplying them with local designs to be copied in the East," he said

He said large textile groups such as Frame often asked customers to sign an undertaking that they would protect its copyright Some retailers were more than willing to do so, others would not

"In our struggle to become world competitive, we don't have the luxury of competing on the basis of cheap raw materials and labour," he said "We can only compete through service and design excellence Once this is stolen, we are in trouble."

Simeoni said that producing an original design was an extremely expensive process, in contrast, to knock off a design cost almost nothing

He appealed to retailers and wholesalers to protect the local textile industry and jobs by refusing to buy copied goods "This is intellectual property and it comes down to buying stolen goods"

Buoyant end to 1997 boosts textile group turnover 33%

Frame's promises begin to bear fruit

(197)

CT (PR) 11/2/98

Shirley Jones
KWAZULU NATAL EDITOR

Durban — With this year's interim results Frame had begun to deliver on its restructuring promises, the textile group said yesterday

Analysts said the cautionary warning shareholders that the group intended to simplify its structure had fuelled speculation that it had entered the last phase of its restructuring and that the pyramid structure and cross-shareholding between Frame Group Holdings and operating company Consolidated Frame Textiles (Confram) could fall away.

This was backed by Frame's acknowledgement that it had continued to purchase Confram shares, increasing its shareholding to 74 percent

Roy Sable, the executive chairman, said Frame's capital expenditure (capex) was being reduced to more acceptable levels and was expected to be about R46 million — down 51 percent from last year's R94 million — for the full year to June 1998 Investment would be in continual upgrades and more in line with depreciation, he said This year the company intended spending on spinning and finishing equipment

Attributable income was up 19 percent to R19,2 million and Confram's was up 17 percent from to R28,4 million Headline earnings a share increased 24 percent to 83c, while Confram boosted headline earnings a share 24 percent to 46c

Earnings a share increased 18 percent to 90c, while Confram's increased 17 percent to 49c Interim dividends surged 82 percent to 10c a share for Frame and 6c a share for Confram

Sable said there was concern over retailers' struggles during the Christmas period and a great deal of uncertainty about the second half of the financial year in light of this struggle and the crisis in Asia, but these developments were likely to remain short-term· "Our progress to date and focus on improving efficiency, quality and agility will help us weather any problems which may arise"

Backed by a buoyant end to 1997, group turnover increased 33 percent to R705,6 million from R529,5 million Romatex contributed R1 million to income after tax, which increased 18 percent to R28,6 million from R24,2 million

During the period under review, Frame acquired the balance of CG Smith's share in Romatex, bringing its stake to 80 percent

Whiteheads to close spinning operations

(197) BD 4/3/98

Nicola Jenvey

DURBAN — David Whitehead & Sons, the major component of the Tongaat-Hulett group's textile division, will close its spinning operations after more than 30 years, affecting about 450 jobs

Divisional MD Derek Rye said yesterday Tongaat-based Whiteheads would rationalise textile production to focus on core products for the furnishing and apparel industries This included expanding woven fabrics for local and export markets

"The move comes after lengthy consideration of the implications Although regretted, withdrawing from spinning is the only realistic way to sustain cost competitiveness and provide a platform for future growth," he said

Talks were in progress with stakeholders, including the union representatives The intended closure affected about 450 of the division's 1 800 staff

Rye said the spinning department produced 50% of the cotton and polyester/cotton yarn requirements for Whiteheads' plain and jacquard looms. The 30-year-old plant incorporated expensive and labour-intensive technology.

SA Clothing and Textile Workers' Union general secretary Jabu Ngcobo said the union would push for Whiteheads to assist workers in redeveloping and owning the factory themselves. This method had been successfully applied to one of the Frame Group divisions which now employed 170 people

"This is a severe blow for the isolated Tongaat area and it is the company's social responsibility to contribute towards community protection. Severance pay is not enough," he said

The closure — on the cards for the past decade — was part of Whiteheads strategic plan to withdraw from the commodity end of the business

Whitehead to axe 450 jobs

18 (197) CT (BR) 4/3/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — David Whitehead and Sons, the textile arm of the Tongaat Hulett group, announced yesterday its intention to rationalise its spinning operation by axing 450 jobs

Derek Rye, the managing director, said the decision to close down the spinning operation had been part of the company's overall strategic plan for at least 10 years It intended withdrawing from the commodity end of the textile business to concentrate on core products for the furnishing and apparel industries, he said

"With the opening of the South African market, we are now able to source high-quality yarns from regional and overseas specialist spinners at competitive prices This will enable the restructured Whitehead to deliver the product quality and customer service levels demanded by the South African apparel industry as well as the local and international furnishing industry It will also underpin profitability," Rye said

He added that Whitehead had decided to invest in the decoration, colouration and design end of the market, rather than plough money into the commodity end of the market

He said there was competition for funds for investment within the wider Tongaat Hulett group. Whitehead, which had invested R55 million over the past four years, had had its share of the investment pie and preference was now being given to the aluminium and the starch and sweetener side of the group's business

"The group has made its choices and we have made ours," he said, adding that some change in Whitehead's product range would follow the restructuring, but that the impact on the company's customers would be minimal

Both Rye and the South African Clothing and Textile Workers' Union (Sactwu) confirmed that negotiations were under way Jabu Ngcobo, the union's general secretary, said yesterday that the union was prepared to fight to force Whitehead to honour its social responsibilities and help find alternative employment for members

Rye said rationalisations had not been taken lightly "But it was the only realistic way to ensure sustained cost competitiveness and provide a platform for future growth," he said

Textile union backs plan to strike over education cuts

(197)

Province slated for teacher crisis

THABO MABASO
BUSINESS REPORTER

The Southern African Clothing and Textile Workers' Union (Sactwu) has thrown its weight behind the planned strike by the Congress of South African Trade Unions in protest against cuts in the provincial education budget.

Sactwu is Cosatu's largest affiliate in the Western Cape and wields considerable power in the clothing, textile and leather sectors of the provincial economy.

The strike is planned as a protest against teacher cuts in the Western Cape Cosatu accuses the department of unnecessarily retrenching teachers.

Sactwu national education officer André Kriel said his organisation was not convinced that the provincial budget met the need to transform the lives of working people. The gap between rich and poor was growing, he said.

'Province must accept the financial assistance offered by the Government'

ARG 5/3/98

Cosatu provincial secretary general Tony Ehrenreich said: "The provincial government must accept the financial assistance offered by the Government and use these finances to remedy the funding crisis in education."

Finance Minister Trevor Manuel has offered grants to cash-strapped provinces on condition that they commit themselves to better financial management and cut down on unnecessary expenses

The provincial government has rejected the offer

Meanwhile, Cosatu has given notice to the National Economic, Development and Labour Council (Nedlac) that it intends to strike over the education crisis.

The notice was filed on Tuesday in terms of the Labour Relations Act

Cosatu can legally strike only if all attempts to resolve its dispute with the provincial Department of Education have been exhausted.

Nedlac executive director Jayendra Naidoo said the body would convene a meeting soon to try to resolve the dispute

Mr Ehrenreich said Cosatu would decided on the date of the strike at a meeting in two weeks time.

PILING UP *Paul Redondi, Glodina's managing director, says the company is firmly on the road back to profitability*

Glodina wraps up huge jump in after-tax profit

ET (BR) 10/3/98 (197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Glodina's results for the year to December 31 1997 showed a 223 percent increase in profit after tax to R3,4 million (R1,1 million), the company said yesterday

However, management conceded that the figures had come off a low base

Turnover rose 15 percent to R114,9 million (R100,3 million) and there was a 39 percent increase in operating income to R13,2 million (R6,4 million)

Earnings a share increased from 3,9c to 11c while headline earnings a share climbed from 3,65c to 10,94c The company declared a 2,5c share dividend after not declaring one last time

Paul Redondi, the managing director of the towel manufacturer, said although the figures were not large, the crux of the results was that the recovery was sustainable

He said the company had turned the corner The upgrades that crippled the company during financial 1996 were beginning to drop down to the bottom line

These included the revamping of the dyehouse, the upgrade of its make-up division and the introduction of an international quality upgrade programme aimed at bringing down stock levels, raising productivity and boosting output

Redondi said the company's primary achievements for 1997 were the recovery of market share, increased delivery levels, a sound stock base and a focused marketing strategy.

☐ TEXTILES - (197) (T/MR) 27/3/98

Indian industry works way through Africa

The Indian textile industry was working **its way through** Africa as **part of a strategy to double** its share of world trade by the turn of **the century, Deepak Sheti, the** spokesman for a visiting trade delegation, said yesterday. He said India had **captured** 2,47 **percent** of **the global** market. Its objective was to gain 5 percent to 6 percent of **the international** textile trade. Sheti represents the Powerloom Development and Export **Pro**motion Council.

He said **Indian** textile manufacturers were **confid**ent they would **break into African markets,** mainly because of India's low produc**tion costs. He** said about 8 percent was added to raw material cost **by Indian manu**facturers. **South** African **firms** added at least 40 per **cent to basic input costs. The aver**age retail margin in India was 20 **percent to 50 percent. South African shop**keepers seemed to add **an average 200** percent, he said — ***Shirley** Jones, Durban*

Unispin to focus on niche market

BD 31/3/98 (197)

Nicola Jenvey

UNISPIN Holdings, which suffered a R36,8m net loss in the year to December, would concentrate sales growth in the higher margin niche market products rather than basic commodity yarns

The loss included R11,2m in abnormal costs incurred on plant closures, relocations and increased bad debt provisions.

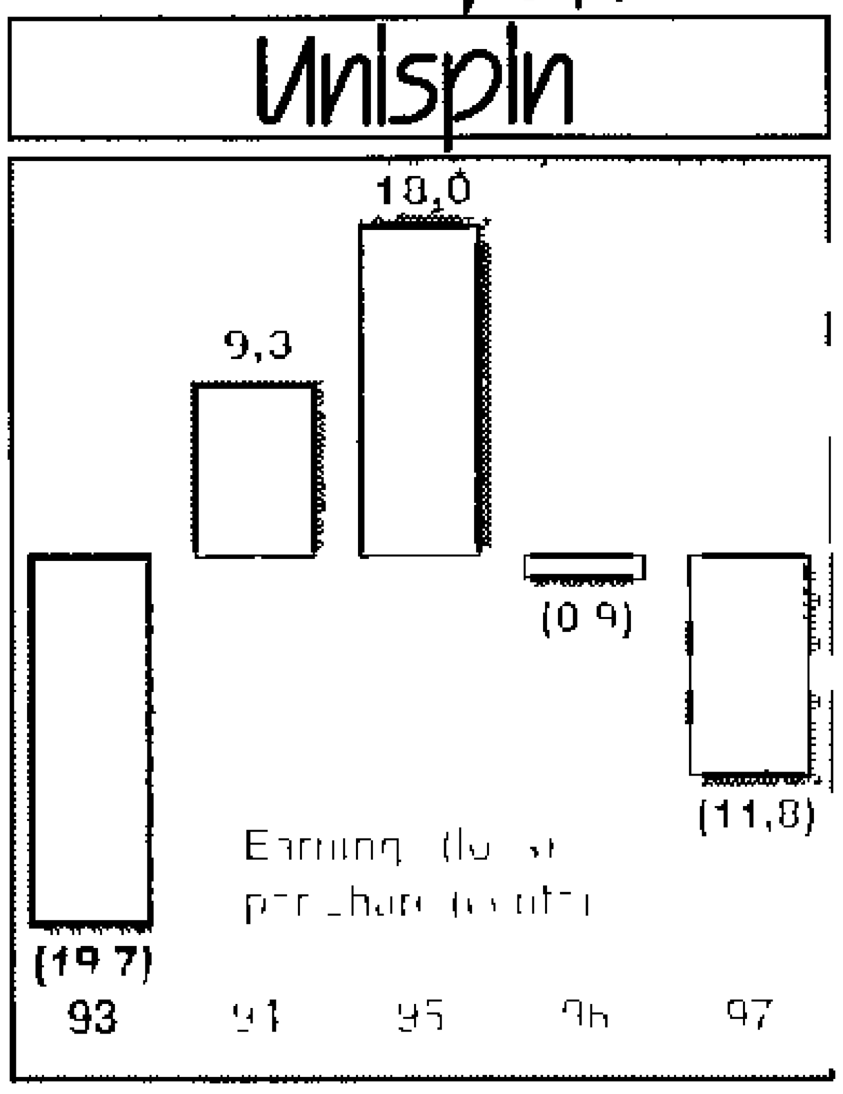
In the 15 months to December 1996 the company reported a R905 000 profit

MD Walter Fisher said yesterday the decision to grow exports into the northern hemisphere winter during the SA summer has not been successful, as the wrong products were selected.

However, there were export growth opportunities and the further development of niche markets remained a priority

Loss a share amounted to 11,8c (0,3c profit) and the dividend was waived

Turnover was proportionately higher at R272m (R294m), but the



interest paid more than doubled to R15,2m (R7,7m) owing to the additional loans raised for the capital expansion programme started in 1996. A R40,9m rights offer in December reduced the short-term loans raised last year

Fisher said although strong efforts had been made to contain costs, the weakening rand adversely affected material costs Illegal imports and competition from neighbouring countries not committed to basic employment conditions and minimum wages, posed further problems.

"The current industry conditions and the local trading environment remain extremely demanding and the year proved difficult," he said

Looking to the current year, Fisher said with plant and machinery now relocated and the product realignment programme under way, management was focused on becoming SA's best yarn manufacturer in terms of price, quality, delivery and service

However, he warned the collapse of the Asian economy and the resultant higher exposure on the SA market to cheaper commodities would hamper trading conditions Despite these local conditions, management was committed and determined to return Unispin to profitability in the current financial year

Dispute between Cosatu and textile firm resolved

BD 23/4/96

Dustin Chick (197)

A DISPUTE between the Congress of SA Trade Unions (Cosatu) and a southeast Asian textile and clothing company operating in the Northern Province over the sacking of 250 workers for allegedly joining a union had been resolved, the federation announced yesterday.

Cosatu spokesman Nowetu Mpati said all the workers had been rehired without loss of pay.

Mpati said company management and negotiators from Cosatu, who had earlier tried to recruit members, had reached agreement late yesterday that the workers would be reinstated.

The recruitment attempt formed part of Cosatu's membership drive launched on April 1.

Mpati said negotiations were under way with the company to finalise a recognition agreement between the two groups.

She said it would be a long process to change the company's ignorance of the functioning of unions and labour relations laws — although the company had agreed workers would not be fired for joining unions.

She said employers had rights as well and investors needed to be guided on which forums and bargaining councils they could belong to. These forums would help train and advise these companies in labour relations, Mpati said.

On Tuesday Cosatu criticised investors, especially those from Asia, for being ignorant of SA's labour relations laws and said this ignorance was not a defence of unfair labour practices.

The federation said that the companies needed to respect the laws of SA and understand that they could not abuse workers' rights as they did in their own countries.

The company, South East Clothing, could not be reached for comment.

BD 23/4/98

Hemp industry an option for SA

THE government needed to update laws to distinguish between hemp and marijuana and allow for the development of an SA hemp industry, said James Wynn of the interim task team on alternative fibres, created this week.

(197)

Wynn, director of the SA Hemp Company, said yesterday that hemp, flax, sisal and kenaf were increasingly used to make paper, textiles, fuel and food. Hemp oil was more nutritious than soya oil.

Textile group budgets for a slower growth in earnings

(197) BD 5/5/98

Nicola Jenvey

DURBAN — Textile group Da Gama's order book was sound for about three months' sales, but the recent currency devaluations in southeast Asia were expected to increase the level of fabric imports into SA

Releasing the results for the year to March, chairman Laurence van der Watt said he was unsure of the impact this might have on sales But given the uncertainty surrounding the potential imports, sales and earnings in 1998/99 were budgeted to show an improvement at a lower rate than that achieved in the past year

Attributable income for the SA Breweries subsidiary rose to R25,3m from R21,7m after benefiting from higher trading profit and volumes, the effects of the continuing cost containment programme and the R10,3m earned in interest on surplus cash resources. The improved results were achieved despite the rise in the effective tax rate to 24,6% from 15%

Headline earnings increased to 48,4c (1997 42,4c) and a 13,5c final dividend was declared, bringing the total to 21,5c (18,5c).

Van der Watt said the slowdown in the imports of fabric in the year under review, together with encouraging market gains, assisted in bolstering sales revenue 12% to R331,9m.

Trading profit had risen to R23,3m from R15,4m.

He said that the balance sheet remained strong and ungeared and improved asset management contributed towards the R8,1m increase to R85,6m in cash resources

During the year Da Gama spent R30,6m on new technology in spinning, bleaching and dyeing equipment in order to facilitate further productivity enhancements.

Disputes declared in clothing and motor industry talks

(197) BD 14/5/98

Reneé Grawitzky

UNIONS in the clothing and motor industries have warned employers of major battles after wage negotiations ended in disputes being declared at relatively early stages in the bargaining process.

Three motor industry unions, the National Union of Metalworkers of SA (Numsa), the Motor Industry Employees' Union of SA and Motor Industry Staff Association, declared a dispute yesterday against the SA Motor Industry Employers' Association after its failure to table a wage offer.

Behind this dispute is a continuing battle over whether increases should be based on actuals or minimum rates of pay. This dispute was referred to the Labour Court last year and resolved through mediation.

Employer spokesman Vic Fourie said an aspect of the mediation agreement was that the parties would engage in a facilitative process to decide on whether increases should be based on actuals or minimum rates of pay.

He said this had not happened as a proposal to meet next week to resolve the matter had been rejected by the unions.

Numsa said the union was "braced for a major battle with employers this year" in view of a commitment given to union members employed in the motor industry at the union's recent national bargaining conference. The union resolved to focus extensively on the motor sector in an effort to bring wages and working conditions in line with the rest of the metal industry.

Core wage demands included increases on actuals ranging between 12% and 18%, an end to plant-level negotiations and agreement that outsourcing be the subject of negotiations.

The SA Clothing and Textile Workers' Union announced yesterday that national negotiations in the clothing industry had also ended in dispute, with parties engaged in conciliation at the Commission for Conciliation, Mediation and Arbitration. The dispute comes closely on the heels of the parties signing the constitution for the establishment of a national bargaining council in terms of the Labour Relations Act.

The dispute revolves around the union's demand for an 11% increase on a wage and annual bonus package and the provident fund. Employers have allegedly offered 5% on a package.

Meanwhile, negotiations have also commenced in the petroleum and chemical-related sectors.

Strikers offer cameras deal

ARG 21/5/98 (197)

THABO MABASO
BUSINESS REPORTER

Workers at Epping manufacturing firm Migra Textiles have offered management a compromise as the strike against the installation of security cameras enters its ninth day today.

About 30 workers at the plant downed tools on Monday last week to protest against the installation of surveillance cameras. They claim the cameras invade their privacy. The company employs 85 people.

The management has refused to remove the cameras, saying the company has lost large amounts of stock through theft in recent months.

The strike is legal and the employees may therefore not be fired.

Shop steward Clive Campbell said workers had held several meetings with management and had now revised their demand.

"We now want the cameras installed only in the entrance and exit points of each department," Mr Campbell said.

Management would respond today, he added.

SAB sells Da Gama Textile for R117m

(197)

BRENDAN TEMPLETON

CT(BR) 21/5/98

Johannesburg — South African Breweries (SAB), the diversified beer group, has disposed of its entire 60,7 percent interest in Da Gama Textile, the clothing manufacturer, to Daun & Cie Group, the international industrial group, for R117,7 million

The purchase, equivalent to R3,80 a share, is payable in cash and excludes the final dividend of 13,5c payable to Da Gama shareholders registered as such on May 29 Settlement will occur on June 5, SAB says

Daun has also made an offer to minority shareholders to buy their shares for R3,80 a share, substantially less than Da Gama's stated net asset value of 558c but considerably above recent years' trading prices

Daun said it intended retaining Da Gama on the JSE, where its shares climbed 20c yesterday to close at R4

The sale is part of SAB's declared intention to unbundle its non-core interests, including Lion Match and Conshu Holdings which have been under cautionaries since March when Da Gama was trading at R3 It is expected that SAB's interest in Lion Match will be sold today to First Asian Investment, a Durban-based black empowerment company

The deal includes a proviso that Daun has agreed to make available a meaningful equity stake in Da Gama to "appropriate black empowerment groupings on commercial terms"

Daun will retain existing senior management, but the Da Gama board of directors is due for a shakeup It will be reconstituted to comprise Claas Daun, the German industrialist, as chairman, TH Pearce as chief executive, and RA Funnell, F Moller, GE Schroeder and AE Swift

Claas Daun recently sold his controlling stake in Morkels Retail Group to Protea Furnishers for R438 million

Gunmen fire on textile company's convoy of cars

BD 27/5/98 (197)

Dustin Chick

A CONVOY of cars carrying management and workers from the Mediterranean Textile Mills in Hammarsdale in KwaZulu-Natal came under fire from unidentified gunmen at the weekend, allegedly in reaction to a dispute surrounding bargaining levels

SA Chemical Workers' Union (Sacwu) members have been on strike at the plant since April 28 The strike is an attempt to allegedly force the company out of the centralised bargaining chamber in favour of plant-level negotiations

The SA Clothing and Textile Workers' Union (Sactwu), which is the sector's representative union, has opposed the move seeking a court interdict against Sacwu to allow its members to return to work

The dispute appeared before the Commission for Conciliation, Mediation and Arbitration (CCMA) on April 1, where Sacwu was advised to join the textile bargaining council The CCMA said that Mediterranean had been acting in the best interests of its employees

MD Cliff Harvey condemned the attack, which he called "horrifying and wholly unacceptable" He said police had been informed and security measures put in place to ensure the protection of employees

The company's industrial relations manager, Ian Angus, criticised the shooting which he called "a handful of thugs holding the legitimate bargaining process to ransom".

About 35 cases involving incidents of attempted murder, violence, death threats and intimidation were being investigated by the Hammarsdale police, the company said

Harvey said the situation was threatening the company's business relations

"Businesses cannot allow themselves to be terrorised at the negotiating table," he said

SA businesses had to take all the necessary steps to preserve freedoms under the law if they were going to have a chance of competing with the world's best, Harvey said

About 15 shots were fired in the attack No one was injured

Strike off as spy cameras are moved

ARG 25/5/98 (197)

BUSINESS REPORTER

Workers at Migra Textiles in Epping were back at work today after a two-week strike sparked by the installation of surveillance cameras by management.

Staff wanted the cameras, installed after heavy stock losses, removed from their work area. Managing director Mike Phillips told the Cape Argus that a settlement was reached last week.

"The union has agreed to the need for surveillance cameras and management has agreed to reposition them in a manner best designed to eliminate theft," Mr Phillips said.

Southern African Clothing and Textile Workers Union shop steward Clive Campbell said the cameras would not be placed in the work area, where they invaded the privacy of workers.

"We have won a victory that prevents bosses from treating us like slaves, where we have to be watched all the time," he said.

TEXTILES (197) CT (MR) 26/5/98

Bargaining forum breaks wages deadlock

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Textile sector heads for spate of paralysing wage strikes

(197) CT (MR) 4/6/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Wage negotiations in the textile industry had broken down and crippling strikes in the cotton and fabric knitting sectors were imminent, the Southern African Clothing and Textile Workers' Union (Sactwu) said yesterday

Jabu Ngcobo, Sactwu's general secretary, said the union's demands were realistic Employers had slammed the union's demands as too high in relation to the industry's downturn and the overall inflation rate

Ngcobo said many of the factors that determined the declining inflation rate did not necessarily affect workers' lives The demands were also aimed at closing wage gaps in individual companies and between companies There was still a very long way to go, he said

Patrick Shabala, Sactwu's negotiator in the cotton sector, said a dispute between the union and employers had been declared last week The parties would meet again tomorrow to discuss the 6,7 percent package increase offered by manufacturers and the 9,5 percent actual increase demanded by Sactwu

The package offer included a 0,25 percent provident fund increase, a 1,2 percent annual bonus increase and the introduction of a 0,26 percent housing fund contribution This meant a pay packet increase of less than 5 percent

Shabala said industrial action seemed to be unavoidable. This included overtime boycotts and the cancellation by the union of exemptions to standard nine-and-a-quarter hour days The sector could be plunged into its first blanket strike, involving 15 000 workers

"Employers have been very dishonest, unreliable and negotiating in bad faith We believe they want to take advantage of the economic crisis," Sactwu told its members

Companies affected include Frame, Berg River Textiles, which is part of Romatex, Tongaat Hulett's Whiteheads, Da Gama, Avtex's Mooi River and Gelvenor Textiles, Prilla 2000, which is part of the Tolaram group, and de Nim, owned by the Coastal group

Joshua Mbelu, a Sactwu spokesman, said the fabric knitting sector reached a deadlock on May 22 with employers such as Standard, Ninian & Lester, Frame and Avtex offering a 4,03 percent increase and Sactwu asking for 12 percent

Demands were revised to 6,3 percent from employers and 9,75 percent from the union, though no further meeting between the union and employers had been scheduled

Textile workers may embark on strike over wage demands

Pearl Sebolao (197) 5/6/98

ABOUT 21 000 workers in the cotton and fabric knitting sectors are expected to embark on a national strike by the end of next week following a breakdown in wage negotiations, the SA Clothing and Textile Workers' Union said yesterday

The strike, which could cripple the textile industry, could begin as early as June 14, the union's cotton sector co-ordinator Patrick Tshabalala said.

Workers in the cotton sector were scheduled to meet the employers today to try to resolve the impasse over the 9,5% actual wage increase the union demanded and the 6,75% package employers offered.

Tshabalala said the employers' offer was "totally unacceptable". If the parties failed to settle today, the union would instruct members not to work overtime and to work to rule until the dispute was settled

Meanwhile, the SA Municipal Workers' Union will today give details of a three-day mass action to protest against the restructuring and privatisation of municipal services next week

2 500 Cape textile workers to vote on strike action

(197) ARG 30/6/98

BUSINESS EDITOR

Two-and-a-half thousand Western Cape textile workers will vote today on whether to strike later this week.

The strike ballot will be conducted among members of the Southern African Clothing and Textile Workers' Union (Sactwu) in the fabric-knitting industry, where wage negotiations have deadlocked

The union is demanding a minimum wage of R347 a week, a 9,75% across-the-board increase and a skills-based grading system

The employers are offering R6,91 an hour and a 7,25% increase Sactwu regional secretary Wayne van der Rheede said a total of 5 500 workers across the country would be balloted If a majority of workers voted in favour of a strike, the union would give employers 48 hours notice

Job summit not 'magic formula'

ARG 2/7/98

Mboweni warns it will take time to create work

SIPHO KHUMALO
POLITICAL STAFF

Labour Minister Tito Mboweni last night warned against over-expectations about jobs in the aftermath of the planned job summit

He said that there would be no "job rain" the day after the summit finished

Opening the 11th annual Labour Law Conference at the Durban International Convention Centre, Mr Mboweni said the Government quite clearly agreed job creation was a national task.

"But we must warn against over-expectations.

"The job problem in South Africa is a structural one," he said.

Regarding what had become an on-and-off job summit, Mr Mboweni said his ministry had tabled suggestions and processing of these had already started at Nedlac

He said the ministry had a few suggestions to make about the issue of job creation.

He suggested that specific industrial sectors, like mining, should have their own forums.

These could look at the specific problems within their sectors and propose solutions.

Mr Mboweni said his ministry also would introduce short-term campaigns aimed at stimulating job creation.

He said these would include a "cleaning the cities" campaign which would aim to clean dirty country's cities and townships

Mr Mboweni said that during this process, small projects – employing two or three people – would emerge from this campaign.

He said a second project would involve "land care" and would focus on protecting land and fighting soil erosion.

Generally, he said, significant progress had been made in overhauling and transforming the country's labour market.

However, he said, there still was a lot more to be done.

The three-day conference, which opened last night, would see more than 30 labour experts and 800 delegates grappling with issues that affected the labour market.

These would include the job summit, skills development, pension funds, employment equity and affirmative action.

This afternoon, chief director of Human Resources and Employment Services Adrienne Bird will address the first plenary on "The challenges facing skills development in South Africa."

Some international speakers will give their own experiences of affirmative action.

Thousands in textile industry set to strike tomorrow for higher pay

BUSINESS EDITOR

Thousands of textile workers are to strike from tomorrow for higher wages.

Southern African Clothing and Textile Workers Union Cape regional secretary Wayne van der Rheede said yesterday that 90% of the 5 500 workers in the fabric knitting sector had voted in favour of a strike in a ballot held across the country on Monday.

About 2 500 Western Cape workers are involved, at BMD Knitting Mills, Nettex, Finitex, Puma, LTI, Migra Textiles and Lebergo, Rotex in Atlantis and Darling Textiles.

The union's demands include a national minimum wage of R347 a week, a 9,75% across-the-board increase and a skills-based grading system. Employers are offering a 7,25% increase and a minimum wage of R6,91 an hour, or about R294 for a 42,5-hour week

Mr Van der Rheede said the employers had been given the statutory 48 hours' notice and the strike would begin tomorrow.

ARG 2/7/98 (197)

Textile manufacturers angry over poaching

Skilled staff enticed north

CT (BR) 13/7/98 (197)

Shirley Jones
Kwazulu Natal Editor

Durban — Furious South African textile manufacturers last week called on the government to stop competitors in neighbouring countries from poaching their skilled employees.

Walter Simeoni, chairman of the South African Cotton Textile Manufacturers' Association, said that because companies in Malawi and Zimbabwe paid starvation wages — as little as R60 to R100 a month — they could afford to pay the skilled workers poached from South African plants up to three times more than they could earn in this country.

'First they dumped cheap textiles here, now they are stealing our trained staff'

"Our industry is shrinking while theirs thrives. First they dumped cheap textiles here, now they are stealing our staff," he said.

Simeoni said local textile companies invested a lot of money in training while those in the north, in particular Malawi and Zimbabwe, had invested little if anything in both hardware and training, while having the benefits of duty-free entrance into the European Union in addition to low wage rates.

"Their low employment costs allows them to pay exorbitant salaries to skilled people. Our industry, already under price pressure, cannot follow suit. This has to stop. Textile companies have poached their key staff from South Africa and will continue to do so," he warned.

In Southern African Development Community (SADC) negotiations, textile leaders called on government to include guarantees which would enable South African companies to reap the benefits of investments in training and human resources.

Companies targeted by cross-border poachers included corporations such as Frame and Da Gama, industry leaders said.

"While training and human resources development is vital for every industry, it is only of value if all within SADC are subjected to the same basic rules. Why have a jobs summit? Skilled personnel will move north, while the unskilled will remain unemployed in the south.

"Government has to realise it is not enough to train people. We have to retain those who have qualified in a particular discipline, as real knowledge is built on experience," Simeoni said.

Textiles await tough times

Nicola Jenvey (197) BD 16/7/98

DURBAN — Although "cautiously optimistic", the Textile Federation (Texfed) has warned manufacturers of declining sales and lost business, as tough economic conditions and lower customs duties affect the market

The latest Textile Statistics & Economic Review indicated production volumes in the current year would be under pressure from fraudulent imports sold "at very low prices" and cheap imports from southeast Asia

In SA soft consumer demand and reduced disposable income would force fierce price competition among manufacturers — and therefore declining sales These might be partially offset by increased exports

Local fibre producers would be knocked by imports, given the international surplus of synthetic fibres available at low prices The devalued rand, higher interest rates and higher wages increased production costs The effect of the southeast Asian crisis would be evident only later this year

The review said that last year total textile imports amounted to R4bn whereas exports were only R2,4bn giving a negative trade balance of R1,6bn (1996 negative balance R1,4bn)

Fibre imports dropped 14% in quantity and 19% in value due to surplus production worldwide and lower international fibre prices Yarn imports increased 30% in volume and 11% in value, while fabric imports rose 3% in volume and 16% in value The review said there was "a large volume" of illegal imports of made-up textiles

Texfed remained "cautiously optimistic" about a fairly level outlook for the industry over the next few months

However, it warned there were extraneous factors which might "alter the position drastically" including the continuing devaluation of the rand and higher interest rates Lost business might also accrue from rebate facilities that allowed for duty-free imports, fraudulent imports and higher imports as customs duties declined

Both sides claim victory as textile strike ends

CT (BR) 23/7/98 (197)

Shirley Jones
KwaZulu Natal Editor

Durban — The 17-day strike, which had brought the fabric knitting sector to a halt, ended this week, with both sides claiming victory

This was despite speculation that manufacturers had either already decided on retrenchments or could be pushed in this direction by the loss of orders

Joshua Mbelu, the South African Clothing and Textile Workers Union's (Sactwu) national co-ordinator for the sector, said the resolution of the strike was a victory which levelled the playing fields between provinces Not only had the parties settled at an average 7,76 percent increase as opposed to the 7,25 percent offered in Cape Town and Gauteng and the 6 to 7 percent in KwaZulu Natal, but they had also compromised on the greatest bone of contention, the grading system

Mbelu said the national minimum wage had gone from R268 a week to R333,90 The number of job grades had been reduced from 29 to just five Sactwu members, who returned to work on Monday, would be paid during the strike

But Mike McGeever, the chairman of the KwaZulu Natal Fabric Knitters Employers' Association, said he knew of no manufacturer who had moved away from the no-work-no-pay principle Workers had not only sacrificed two weeks' wages, but also lost out on fringe benefits

The effect on the industry varied according to order books In general, the strike had come when order books were low But those fortunate enough to have full order books had suffered while those already on short time had emerged unscathed

He said not all production sacrificed during the strike was unrecoverable and could be caught up if understanding customers allowed manufacturers to extend delivery times However, the knock-on effect meant supply industries and companies producing raw materials would not emerge unharmed

Sactwu workers to embark on pay strike

CT(MR) 24/7/98 (197)

RAVIN MAHARAJ

Durban — The South African Clothing and Textile Workers' Union (Sactwu) had declared a new dispute with the South African Footwear and Leather Industries Association (Saflia) and the National Union of Leatherworkers (NULW), Andre Kriel, a Sactwu spokesman, said yesterday.

At a meeting yesterday Sactwu said the wage agreement reached last week between NULW and Saflia, who represent the employers, was invalid and that the matter could go to conciliation.

About 15 000 [illegible] aligned to NULW returned to work last week after winning an 8 percent across-the-board increase but about 7 000 Sactwu aligned members, who were not party to the agreement, were still protesting yesterday.

Kriel said the strike would be held early next week. Sactwu is asking for a 12 percent increase against the employer's offer of 8.75 percent.

US duties proposal may benefit local textile firms

BD 22/7/98 (197)

Simon Barber

WASHINGTON — SA textile firms could be beneficiaries of a US proposal to waive duties on African clothing exports made from African-made fabric and thread

The plan was unveiled yesterday in the Senate finance committee as part of a compromise to secure passage in the Senate of the Africa Growth and Opportunity Bill passed by the House of Representatives last March

The bill grants duty free treatment under the US generalised system of preferences to all exports of clothing and fabric from eligible African countries as long as at least 30% of the products' value was added in the country concerned

This has proved unacceptable to senators from textile producing states, who have been under pressure to kill the bill entirely They fear Asian exporters will exploit the provision to evade duties and quotas by transhipping goods through Africa without investing in manufacturing facilities there as the bill envisages

To meet these objections, finance committee chairman William Roth proposed that African-made garments should enter the US duty-free only if made with American fabrics and thread Roth said he had no other choice if the bill was to survive in the Senate His plan, which would effectively wipe out any advantage for African exports because of transport costs and the high price of US fabric, is a negotiating tactic

The finance committee yesterday let the proposal stand as part of a broad package of trade measure which Roth hopes to bring to a Senate vote before next month's summer recess

Behind the scenes, however, a deal is in the works under which African clothing would qualify for duty-free treatment if made with American or African fabric SA is the only country in sub-Saharan Africa with a developed textile industry

This proposal was offered by senator James Jeffords, but it was not voted on Jeffords, by pre-arrangement, withdrew it after senator John Breaux, who has been leading the attack on the House's textile provision, said he would support the compromise "at a later time"

It is expected that the full Senate will adopt the Roth language, which will then be dropped in favour of Jeffords when the House and Senate iron out their differences on the legislation

Romatex claws its way into the black despite unfavourable trading conditions

Marc Hasenfuss
CAPE EDITOR

Romatex			
FOR THE YEAR TO END JUNE 30 1998	latest	previous	% change
Turnover (R)	492m	372m	+32
Operating profit (R)	28,9m	4,8m	+502
Taxation (R)	1,2m	8,9m	-86
Attributable income(R)	3,6m	-16,1m	+77
Headline ep.	[illegible]	2c	59
Dividend per share	-		

(197) CT(BR) 7/8/98

Cape Town — Romatex, the textile manufacturer in the Frame stable, clawed its way back into the black in the year to June 30 by posting after-tax profit of R3,6 million compared to the R16 million loss in the previous nine-month period

But Roy Sable, the chairman of Romatex, warned yesterday against reading too much into the turnaround effort

"While this is a positive turnaround from substantial losses reported in the nine months to end June 1997, the result remains unacceptable," he said

He stressed that pressure was still on for changed attitudes, improved training and investment in appropriate technology to reduce costs and enhance efficiencies

Turnover came in at R492 million, while a vastly improved trading margin of almost 6 percent boosted operating income to R28,9 million

All Romatex divisions except Van Dyck Carpets managed to improve results

"The infusion of capital and skills, when coupled with the improved results, will generate energy, passion and pride throughout the ranks at Romatex," Sable said

"The human factor is of incalculable value and will yield gains far greater than those expected from technology alone " He anticipated that the results would continue to improve in the longer term as capital investment and training programmes advanced.

Capital expenditure was almost tripled to R12,2 million in the period under review Exceptional items relating to ongoing restructuring and rationalisation topped R1 million, but was well down on the previous period's R12,6 million

Sable said the difficult environment had been exacerbated by higher interest rates and a mild winter that dampened sales for apparel retailers and manufacturers "Orders are being scaled back and budgets trimmed," he said.

Romatex slipped 10c to R2,20 in thin trade on the JSE yesterday. The share has a net asset value of more than R9

'Fast-track women' call

(197)

BUSINESS EDITOR

ARG 10/8/98

The SA Clothing and Textile Workers' Union (Sactwu) has called on employers to speed up the promotion of women in the textile industry, where barely than one manager in 10 is female.

Sactwu said today that though 44% of employees in the textile industry were women, women made up only 9% of managers and only 19% of supervisors.

Quoting a March study of 111 textile companies, Sactwu said there were "disturbingly high levels of gender inequalities" in the textile industry. The study also found that of 1 254 managers surveyed, nearly 80% were white, though whites made up only 9% of employees. Of the 110 woman managers, 78% were white.

"Sactwu calls on textile employers to institute programmes to fast-track the development of women workers."

Farm unions struggling to recruit members – Hanekom

ARG 10/8/98

CLIVE SAWYER
POLITICAL CORRESPONDENT

There are continuing difficulties in organising farm workers into labour unions, says Agriculture and Land Affairs Minister Derek Hanekom.

In a written reply to a question put in the National Assembly by Theo Alant of the National Party, Mr Hanekom said recent estimates showed between 12% and 14% of farm workers were unionised.

"However, a more helpful and honest reply would be to say there are still less than one in six farm labourers who have the benefit of union membership."

Official 1993 estimates were that there were just less than 1,1 million paid farm workers, while more recent independent estimates put the figure for farm employment at 1,2 million.

The main agricultural labour organisations with members on farms were the Farm Food and Rural Workers' Support Association with 75 000 members, SA Agricultural Plantation and Allied Workers' Union with almost 37 000 members and National Union of Farm Workers with just more than 25 000 members.

Mr Hanekom said the agricultural sector under apartheid was characterised by "semi-feudal" relationships in which farmworkers were denied basic human, organisational and other rights.

Farmworkers had weak bargaining power and farmers remained hostile to unions.

Farmworkers remained vulnerable and would not be able to claim their rights effectively until there was more widespread organisation and more effective implementation of legislation, he said.

Company is 'completely different'

Surgery pays off as Frame profit soars

CT (MR) 12/8/98 (197)

SHIRLEY JONES
KWAZULU-NATAL EDITOR

Durban — Frame Group Holdings, South Africa's largest textile manufacturer, turned in 47 percent higher headline earnings for the year to June 30 1998. Turnover grew 12 percent to R1,3 billion (R1,17 billion) within a difficult trading environment, while attributable income was 25 percent higher at R44 million (R36 million).

Roy Sable, Frame's executive chairman, said yesterday that Frame was a completely different company from the one which had returned to profitability in 1994. At 166c, headline earnings a share were not only significantly above the previous year's 113c, but 246 percent higher than in 1994. Earnings a share were up by 24 percent at 205c (165c).

Operating income was 36 percent higher at R141,4 million (R104 million), while pretax income rose 29 percent to R90,3 million from R70,6 million. Retained income for the year was R37,1 million (R31,2 million).

Frame Group Holdings increased its share in Consolidated Frame Textiles (Confram), the operating company, from 71 percent last June to 78 percent, paving the way for the dismantling of the pyramid structure and cross-shareholding between the two.

Confram's earnings a share were 19 percent higher [illegible] headline earnings a share were 42 percent higher at 91c (64c).

Confram's retained income for the year stood at R52,2 million (R46,2 million).

Both Frame and Confram declared dividends which were 29 percent higher than the previous years, at 31c (24c) and 20 (15,5c) respectively.

Frame's property development and leasing division, developed in 1995 to more fully realise the value of redundant property assets, grew rentals by 95 percent to contribute R11 million to Frame's bottom line. Frame also made solid progress in turning around Romatex, which reported a profit of over R4 million following a R16 million loss for the nine months to June 1997.

Sable said it was gratifying to see that the injection of R300 million into its textile operations and a major acquisition despite an uncertain business environment had borne fruit. "While it is gratifying to see that our painful surgery, massive infusion of technology and intensive training is delivering in terms of cash flow and earnings, we have not yet finished the job."

Frame Group

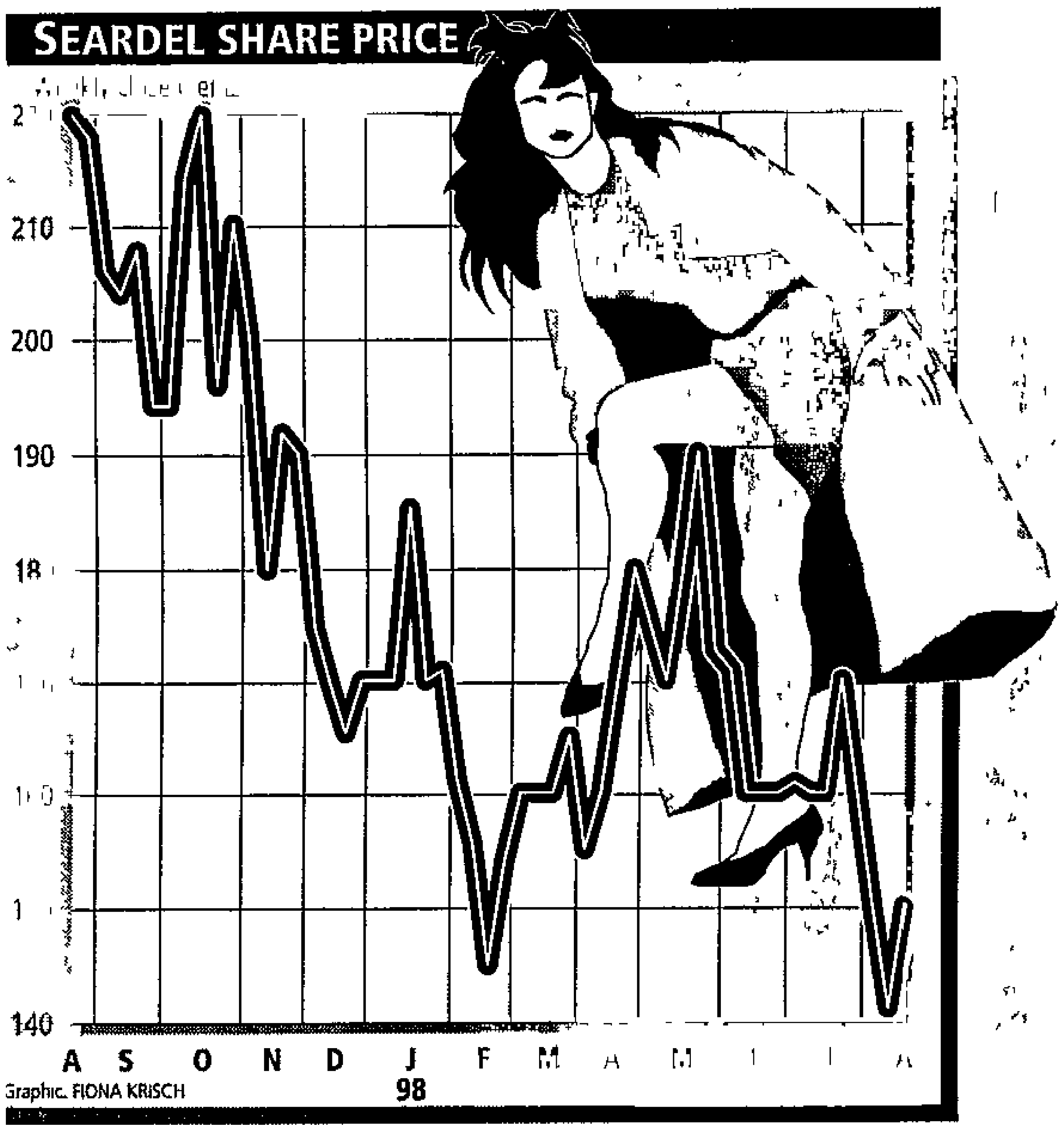
FOR THE YEAR TO END JUNE 30 1998

	latest	previous	% change
Turnover (R)	1,32bn	1,17bn	+12
Operating profit (R)	141,4m	104,0m	+36
Taxation (R)	28,0m	22,3m	+25
Attributable income (R)	43,7m	35,1m	+24
Headline eps	166c	113c	+47
Dividend per share	21	18,5	+13

Business Watch, Page 2

Sunday Times Business Times
August 23 1998

NEWS



Graphic: FIONA KRISCH

Diet improves Seardel figures

(197) ST (BT) 23/8/98

CLOTHING AND TEXTILES

By MARCIA KLEIN

MAJOR surgery in the past two years paid off for clothing and textiles group Seardel, which this week reported a 28 3% rise in headline earnings to 34c (26 5c) a share in the year to June

This result was achieved on a marginal 1 8% rise in turnover to R1.7-billion, although chairman Aaron Searll says if discontinued operations are excluded, turnover was up 11 3%. Operating income rose 26 1% to R87 5-million.

The results benefited from a R32.4-million exceptional profit relating to the capital profit from the listing of Prima Toy and Leisure and the sale of certain properties. "This is non-recurring and we cannot hope to do another Prima flotation next year," says Searll Another extraordinary profit, this time taken below the line, is R23.5-million from an insurance claim Financial director Arthur Jacobson says according to accounting standards, the profit is taken below the line if it relates to an act of God — a fire or flood. "We managed the fire this year, now we are organising a flood for next year."

The 71.8%-held Seartec, the holding company for Sharp Electronics, increased pre-tax earnings by 8% to R21 8-million Searll says Seartec has done well, and the new acquisition (Compatible Information Systems) in IT fits in well with the office automation interests

Frame Textiles, in which Seardel has joint control, reported a 47% rise in headline earnings to 166c a share Searll says in line with Frame's announcement to simplify its group structure, the group has decided to equity account rather than consolidate Frame's results.

Group exports increased 27% to R105 9-million, and about 8% of production is dedicated to exports. Searll says the group has been very successful with sportswear, swimwear, girls' hand painted dresses, lingerie and men's tailored garments, especially in the UK, Germany and France.

Commenting generally on results, he says the group's apparel companies with international brand names, like Triumph, Speedo and Wrangler, performed well during the year The rationalisation and merger of certain clothing operations has also made a positive contribution

Searll says trading conditions are tough, exacerbated by high interest rates and low consumer spending. However, Seardel factories are well booked for summer This winter has been weak at the retail level, and retailers may approach next winter with caution.

"We went on a diet, became leaner and more focused, and it is evident from the balance sheet that we have improved the foundation of the business," says Searll Prima was not part of the core, and this was part of the motivation for its listing. This does not mean Seardel will not look at acquisitions or diversification, but with caution "We will be careful not to go out of the central focus, any acquisition must be within the capability and energy of our management"

It clearly upsets Searll that the group's net asset value is 422 2c a share yet it traded at 143c just prior to the results announcement "Surely the time has come where NAV has to be recognised," he says, adding that Frame, with a NAV of R29 is trading at R14.

Frame Group overcomes plant's technology problems

(197) BD 15/9/98

Nicola Jenvey

DURBAN— The Frame Group, SA's largest textile manufacturer, has overcome problems plaguing its indigo denim dye range plant, and is on course to treble capacity, executive chairman Roy Sable says in the latest annual report

Since installing new technology in the plant two years ago, there had been difficulties due to anticipated chemical complexities and unexpected mechanical problems

This led to Frame taking "considerably longer than planned" to get the technology working

However, samples of the new denim had been approved by customers and Frame was producing a higher quality of denim than before, while reducing waste and the use of environmentally unfriendly chemicals.

Frame surged ahead in the year to June, with attributable income growing 25% to R44m, despite difficult trading conditions Headline earnings rose 47% to 166c and a final dividend of 21c (1997 18,5c) was declared, bringing the total to 31c (24c)

Headline earnings have improved 246% since 1994, when the company returned to profitability Sales rose 12% to R1,3bn and Sable said Frame was now "a very different company"

The net profit margin on sales was "still only an unsatisfactory 4%" although this was 30% higher than the previous year

Besides the R300m investment in new technology and training in the textile operations, Frame had moved into industrial property development and leasing in the past few years

Created in 1995 to deal with industrial properties made redundant by the restructuring and consolidation of the textile operations, the property division had refurbished or leased 132 000m² of disused factory space Rentals from external tenants rose 95% to R11m in the year

The current occupancy for completed developments was 99% with the average lease period being about five-and-a-half years while rental escalations were 11,6% Average unit size was 1 500m² and 60% of external rental was derived from lower credit-risk listed or national tenants

Sable said developments would pause in the short-term as Frame had worked through the backlog of redundant properties External rentals would continue to grow, boosted by new leases and rental escalations

Clotex warns against free trade area plan

(1622) (197) BD 6/11/98

Samantha Sharpe

CAPE TOWN — Joint clothing and textile industry forum Clotex has warned of "unprecedented" retrenchments and bankruptcies among its members should proposals for a Southern African Development Community free trade area go ahead in their current form.

The trade and industry department is expected to present an outline of the proposed free trade area agreement for ratification by parliament early next year, although it will have to be accepted by all SADC member countries before implementation.

Textile Federation president Malcolm Hughes said after a meeting of Clotex members yesterday that while both industries, which employ about 215 000 people, were fully supportive of government's initiatives to establish an SADC free trade area, the current agreement contained major deficiencies which could do more harm than good.

"As is the case the world over, free trade agreements must be properly and carefully constructed, with all the control mechanism and safeguards in place and fully operational before implementation

"Unfortunately, this is not the case, with the proposed SADC free trade area, and we believe that, if it is implemented in the form currently proposed, its deficiencies will result in bankruptcies and retrenchments in our and other manufacturing industries on an unprecedented scale "

Clothing Federation vice-president Hassim Randeree said the industries' concerns arose from three main areas, which included the exclusion of established common exterior tariffs on imports into member countries prior to the accelerated elimination of tariffs between members.

"For example, import duties on cotton imported from outside the SADC free trade area would be permitted (in the agreement's current form) to vary among member countries, ranging from 0% to 50%.

"It does not take a rocket scientist to work out that importers would simply reroute all cotton imports from non-SADC countries through the SADC point of entry with the lowest duty (in this case being 0%), immediately nullifying higher duties in other SADC countries.

"Such a scheme would make a mockery of SA's already accelerated seven-year import duty phase-down on clothing and textile imports," Randeree said.

Other areas of concern included the exceptionally low local content requirements necessary for SADC imports into SA and the ability of the customs authorities in SA and the SADC countries to police imports properly, despite the progress being made in this regard in SA.

"More than 17 000 jobs have already been lost in our industries, contributing to an overall decline in employment in SA of 5,5% over last year

Frame's restructuring is on again

CT (MR) 18/11/98 (197)

Shirley Jones
KwaZulu Natal Editor

Durban — Frame had resumed the restructuring it had put on hold in April and would probably eliminate and delist one company within its structure, Roy Sable, the chairman, said after Frame's annual general meeting yesterday

Refusing to pre-empt the restructuring or release any further details, Sable admitted that Frame was negotiating with a merchant bank to put together a scheme to be released in January

It was speculated that the pyramid structure and cross shareholding between Frame Group Holdings and Consolidated Frame Textiles (Confram), the operating company, could fall away

Sable confirmed that in the past 18 months Frame had spent R45,6 million to increase its shareholding in Confram from 70,9 percent to 81,2 percent

The 6,24 million acquired shares were secured at an attractive price The investment has increased the net asset value of Frame shares and the potential earnings a share

Frame increased headline earnings 47 percent and turnover grew 2 percent to R1,3 billion for the 12 months to June 30

Sable said Frame would pursue its transformation strategy with R70 million in capital expenditure earmarked for the current financial year

However, in a tough market with the retail sector in disarray, Frame was unlikely to meet the performance of the first six months to December 31 1997, when turnover increased 33 percent

Sable said that Frame, with volumes down and margins under pressure, was likely to be 20 percent down on last year's interim performance in profit and turnover

Sable said Frame had overcome one of its chief obstacles — start-up problems at its indigo denim plant — but had not realised the export growth predicted at the end of its 1997/8 financial year Frame's exports were undercut by Eastern goods sold at sacrificial prices

Frame closed on the JSE unchanged yesterday at R8,01

C

Frame to be streamlined

BD 18/11/98 (197)

Chairman warns SA about textile dumping from southeast Asia

Nicola Jenvey

DURBAN — Frame Group Holdings proposed restructuring to simplify the complex group structure and anticipated eliminating one of the companies early next year, chairman Roy Sable said yesterday

Speaking after the annual general meeting, he said the textile group was in talks with merchant banks on the restructuring and no further details were yet available.

Meanwhile, the group had invested R45,6m to boost its holdings in operating subsidiary Consolidated Frame Textiles to 81,2% from 70,1%

Sable said the Confram shares were being acquired "at an attractive price" and Frame had difficulty in putting the capital to better use The move also increased Frame's net asset value and earnings a share

Looking to the current year Sable said the economic downturn had reduced volumes and margins in the retail and apparel businesses, which had reflected back to the demands for Frame textiles

Sales and profits were about 20% behind last year's and consequently the group might not achieve the same levels of growth in the six months to December

Sable dismissed the argument that the corresponding figures had come from an unnaturally high base

Frame had grown exports in certain divisions as a countermeasure to local economic conditions, but Sable said competition from southeast Asia remained strong Their currencies had devalued faster than the rand, eliminating any benefits to SA

He believed the recovery in southeast Asia would be slow and warned local manufacturers to watch for dumping from that region Products were landing at prices "marginally higher than the raw material values"

Sable said the R4m profit after tax reported for troubled subsidiary Romatex in the year to June had reflected a marked turnaround from the R16m loss sustained in the nine months to June last year However, the economic hardships meant Romatex would not produce results in the same league to December

During the past three months the Romatex work force had been cut by about 10% and Sable said as long as the downturn continued efforts to resolve problems would not pay significant dividends

MANUFACTURING - TEXTILES
1999

Cheap imports threaten domestic textile industry

BD 2/8/99 (197)

Marketers say solution to the problem lies with product differentiation

Justin Palmer

SA's tèxtile industry is under attack from international competition in the form of cheap imports Local players complain that they cannot even produce for the price that new products land on SA shores

Textile exports dropped by 5,2% for the first nine month last year

However, fabric imports to the country during the same period showed, indicated a rise in percentage that was double that amount at 13%

The biggest threat comes from the east where cheap labour — costing only a dollar a day — makes it impossible for SA players to compete on price

Added to this are the reductions in import tariffs that resulted in the SA Clothing and Textile Workers Union organising a march in protest recently

The only solution, marketers advise, is for product differentiation

This can be achieved through improved product quality, especially if SA producers wish to export their products to the west

A way to do this is to update the machinery used and make use of reliable, flexible machines To help reignite SA's flagging textile exports — the Italian Trade Commission — together with the Italian Association of Textile Machinery Manufacturers is organising Italian Textile Machinery Workshops in Johannesburg, Cape Town and Durban in September, marketers disclosed

Apart from introducing new technology and innovation to the textile machinery sector, the workshops also aim to strengthen business relations between Italy and SA

Giovanni Salvo — Italian trade commissioner to SA — says his country is renowned for its fashionable, high quality clothing and its leadership in textile machinery production

The country's exports to SA accounted for $12,4m worth of sales in the past year and 12% of the total exports to countries in Africa

This represented a decrease from 1997 of the investments in this industry

In 1995 SA spent $29,4m on textile machinery imports from Italy

Salvo said Egypt accounted for 31% of Italy's textile machine exports to Africa while Morocco and Tunisia accounted for 18% and 17% respectively

For Italian textile machine manufacturers, the market was moving towards more efficient production systems as this was regarded as the only way to recover productivity and profit capacity, he said

"They also have to develop new machinery that can process the new fibres available on the market as well as consider a host of other factors such as more demanding, sophisticated customers, easy handling, plant safety and environmental considerations

"A wide product range also needs to be produced including spinning, weaving, knitting, dyeing and finishing machinery," Salvo said

The majority of textile machines exported to SA from Italy were finishing machines (38%) followed by knitting machines (30%) The aim was to produce a machine that could produce garments capable of competing globally

Competing effectively was important to SA's textile industry which contributed about 2% to SA's gross domestic product and supported more than 200 000 jobs

Textile Federation economist, Helena Claassens, says that although new technology is an effective tool to stay competitive, input costs are still high for SA's textile producers

Help for ailing industry

(184) (197) (187)

By Mzwakhe Hlangani
Labour Reporter

ORGANISED labour, business and Government delegations are completely engrossed in discussions aimed at alleviating the bleak future of the textile, clothing and footwear industry, which is beset by job losses and the closure of factories

The National Economic Development and Labour Council (Nedlac) is engaged in a series of conciliatory meetings between social partners after the Congress of South African Trade Unions threatened to embark on a nationwide strike in protest against the current massive job losses, acting executive director Ms Wendy Dobson said at the weekend

The protest action is directed at the Government, business and the Reserve Bank and the reasons cited include several elements which Cosatu believe relate to the increasing job losses

These elements include employers' ability to retrench workers through Section 189 of the Labour Relations Act, insolvency laws, restructuring of government-owned enterprises and reduction of import tariffs

More than 20 000 jobs were lost in the textile and shoe industry last year as factories continued to close down

In the middle of all this, illegal clothing, shoes and textiles flood the South African markets, forcing the SA Clothing and Textile Workers Union (Sactwu) to submit a notice of possible nationwide protest action to Nedlac if this does not stop

Dobson said a third meeting was held last Friday to consider all the options to redeem the lost confidence in the shoe and textile industry

The union cited retrenchments and factory closures in these sectors and their supply chain caused by a range of trade policies, and sourcing decisions by retailers, in motivating their intended protest action

Employer federations, labour and Government representatives agreed over a range of issues, but were deadlocked on labour's proposal to freeze the tariff phase-down scheduled for September 1 1999 and retention of the existing footwear quota and trade union involvement in the adjustment of quotas for Zimbabwe

It was further agreed that the Department of Trade and Industry and labour would hold a bilateral meeting to discuss further the areas of deadlock and report back to the Nedlac committee soon

Retailers at the meeting also agreed to source their stock from South Africa, spokeswoman Jennifer Wilson said

Sowetan 16/8/99

Getting that natural E Cape high

(197) (3) (49B) M+G 13-19/8/99

Peter Dickson

It's been growing in the Eastern Cape for centuries the so-called Transkei Gold sought after by cannabis connoisseurs from California to Amsterdam. Its illegal trafficking in South Africa is estimated to contribute to as much as one-fifth of the informal economy.

But while it is the smoky sister whose cash crop value is stunted by the unyielding backstop of the law, her baleful brother looks set to separate the rope from the dope and turn soft green leaves in this poverty stricken province into hard green dollars.

The cannabis plant has two variants — male and female. The female is the one most in demand she has a high tetra hydrochlorine content which gives one a high, while the male is an impotent piece of rope.

The Eastern Cape government recently launched a multimillion rand hemp pilot project, backed by leading international companies, at the respected Dohne Agricultural Development Institute at Stutterheim outside East London.

With a R1,45-million grant secured from the Department of Agriculture in March to develop a hemp capacity in the Eastern Cape, Bisho hopes to generate about 9 000 jobs when seed planting begins in the first week of next month at pilot project sites at Dohne, Keiskammahoek, Umtiza and Libode in the centre of the Transkei's famed "Green Triangle"

The largely rural province is desperate to create jobs and find an export cash crop to help lift it from the economic doldrums. While the hardy cannabis plant, long acclimatised to the region, appears able to grow anywhere and under the driest conditions, putting a damper on drought is not the only motive for hitting on hemp.

MEC for Agriculture and Land Affairs Max Mamase, whose innovative and tireless efforts to boost Eastern Cape agriculture made him one of only three pre Thabo Mbeki MECs to survive Bisho's post-election axe, says European companies are looking for "capable" southern hemisphere partners.

Mamase, who launched the project with Minister of Agriculture Thoko Didiza last Friday, said worldwide hemp sales are expected to reach R3-billion by 2001. Europeans are increasingly demanding natural fibres for products like paper, clothing and biochemicals.

European legislation, through tax incentives, was also encouraging using natural fibres in industrial applications. Mamase said 26 countries permitted industrial hemp cultivation, with the total acreage having increased fivefold over the last decade.

Mamase secured the government grant through an arrangement with Austria earlier this year and subsequent negotiations with international companies on forming a joint venture company to manage local processing and co ordinate exports to foreign markets as well as technological transfers.

The creation of small businesses to process hemp is also envisaged. Emerging and commercial farmers will be able to apply to the Department of Agriculture to grow the crop, and will be involved in co-operatives from growing to agri processing stages.

If the pilot project is a hit, the Eastern Cape will be able to harvest its first non narcotic cannabis crop in April next year, Mamase says.

Then there will the legal minefield. Several South African laws prevent commercial hemp production and the crop can only be grown for research purposes through a licence issued by the departments of health and agriculture and the Medicines Control Council.

After enabling legislation is negotiated to separate hemp from marijuana, state land will be opened up for full scale commercial production by next September and Eastern Cape farmers may finally get to experience that elusive natural high.

Act to benefit SA textile industry

(197)
(184)

Sowetan 31/8/99

THE Eastern Cape's once critical textile and garment industry is set to surge if legislation now before the United States senate is passed

Centre for Investment and Marketing in the Eastern Cape (Cimec) operations director Don Maclean says that America's pending African Growth and Opportunity Act will benefit manufacturers based in sub-Sahara Africa.

He says the Eastern Cape's ports at East London and Port Elizabeth are on the main east-west shipping routes and this makes the province a "logical home" for new investments

He says there is additional legislation in the pipeline to free up exports from South Africa to both the European Union and the United States.

Maclean says the Eastern Cape's large pool of skilled garment workers is an added attraction for new investments into the area Also of benefit to locally-based manufacturers was South Africa's "quota-free status" for exports to the United States.

Maclean says if the province's now "extremely attractive package" was correctly promoted it will prompt a number of major new investments in the province.

Cimec has just been on a textile and garment road show to Asia to promote the Eastern Cape to potential investors From the Singapore leg of the road show, a R15 million investment has already been secured for Dimbaza outside East London

The joint venture between Dimbaza-based Leekim and May Garments will create an additional 200 jobs

It will also preserve 400 jobs, which had been threatened by the possible closure of Leekim's factory

Maclean says the King William's Town Transitional Local Council has worked closely with Cimec and played a major supportive role in the deal.

He said the new venture would be the first of many in the province. New equipment for the plant, which will make designer golf shirts for export, has arrived through the East London port and is being installed.

The plant will produce internationally-recognised brand names Leekim's existing 400 skilled workers and the new recruits will be retrained to ensure everything made is "designer grade"

Leekim has been manufacturing women's and men's casual sport shirts in Dimbaza for five years

Maclean says the new factory has been "fast-tracked" by Cimec to take advantage of the Government's tax holiday incentives which are to be phased out at the end of September – *ECN*

Sactwu opts for mass action to push government on tariff reductions

(184) (197) CT (MR) 1/9/99

MARGIE INGGS

Durban – The Southern African Clothing and Textile Workers' Union (Sactwu) planned marches in Cape Town, Durban and Pretoria on September 8 to force the government to temporarily freeze tariff reductions to curb job losses in the industry Amon Ntuli, president of the union, said yesterday

The annual tariff reduction takes place today.

Ntuli said 22 000 workers had lost their jobs in the industry last year and, in Durban alone this year, 73 factories had closed, necessitating urgent action.

The union expects about 80 000 of its 135 000 members to join the marches which will culminate in the handover to parliament of a memorandum of key union proposals for rebuilding the industry, including import tariffs, customs controls, the SADC free-trade agreement and specific government support

Ntuli said the World Trade Organisation had given South Africa 12 years to phase out tariffs to make the country globally competitive, but the government had unilaterally reduced this to eight years

Conditions in the industry were being aggravated by trade agreements with SADC (Southern African Development Community) and the European Union, which were "taking food from our mouths", he said

"Tariff reductions have caused major problems in the industry, which has not had enough adjustment time to upgrade its machinery and train its workforce. As a result, thousands of jobs have been shed and major investors have pulled out, exacerbating matters by creating the impression of a dying industry."

A campaign against job losses was launched on July 19 with memorandums to the government, employers and other social partners. "Industry employers accepted the challenge to save jobs, as well as some of the measures Sactwu proposed to attempt this," said Ntuli.

He conceded that other factors had contributed to job losses in the industry, but felt that tariff reductions were the main culprit.

"We've done everything in our power to persuade the government to freeze tariff reductions, without success. Mass action is now our only option"

Ntuli said after the mass protests Sactwu would enlist the help of church leaders and target major retailers to buy South African in an effort to achieve their objective The support of Cosatu had also been enlisted

Sactwu plans protest action 'fashion show'

(184) (197)

Reneé Grawitzky

THE 127 00-strong SA Clothing and Textile Workers Union (Sactwu) has served notice on the National Economic, Development and Labour Council (Nedlac) of its intention to embark on protest action next Wednesday to protest against job losses

Sactwu said yesterday that the country would see a "fashion show" with a difference when thousands of workers would protest against the thousands of job losses in their sector.

At the same time, a Nedlac standing committee met again yesterday to consider a notice of possible protest action served by the Congress of SA Trade Unions (Cosatu) also in connection with job losses.

The protest action is directed at government, the Reserve Bank and business.

Cosatu has indicated that a number of government policies coupled with the actions of business are contributing to job losses.

The notice served by Cosatu is in line with Section 77 of the Labour Relations Act which entitles workers to engage in protest action to promote and protect their social and economic interests.

Sources close to the process said that various government officials were concerned that Cosatu and Sactwu were abusing the intention of the act in providing workers the opportunity to engage in such protest action.

Such concerns extended to the belief that a number of issues that were raised by Sactwu and Cosatu were being discussed in Nedlac.

Nedlac decided yesterday to hold a special session of its management committee to discuss Cosatu's notice.

Sactwu's decision to embark on countrywide protest action next Wednesday follows the failure of the parties to reach an agreement in Nedlac after numerous meetings held to consider their demands

Sactwu deputy general secretary Ebrahim Patel said that during these meetings the union had called for an immediate freeze on any further reductions in tariffs during a transitional period when a new plan to tackle job losses could be put in place

BD 1/9/99

Textile workers to march over jobs (197)

STAFF REPORTER

The South African Clothing and Textile Workers Union plans to march in city centres throughout the country next week to draw attention to unemployment in the textile industry. ARG 2/9/99

This was announced yesterday (184) after a 500-strong delegation of union shop stewards marched to the offices of Customs and Excise.

The marchers handed over a memorandum calling for improvements in tariff charges and general functions to cut down on imports.

The shop stewards represented workers from 123 factories in the Peninsula, Boland and Atlantis.

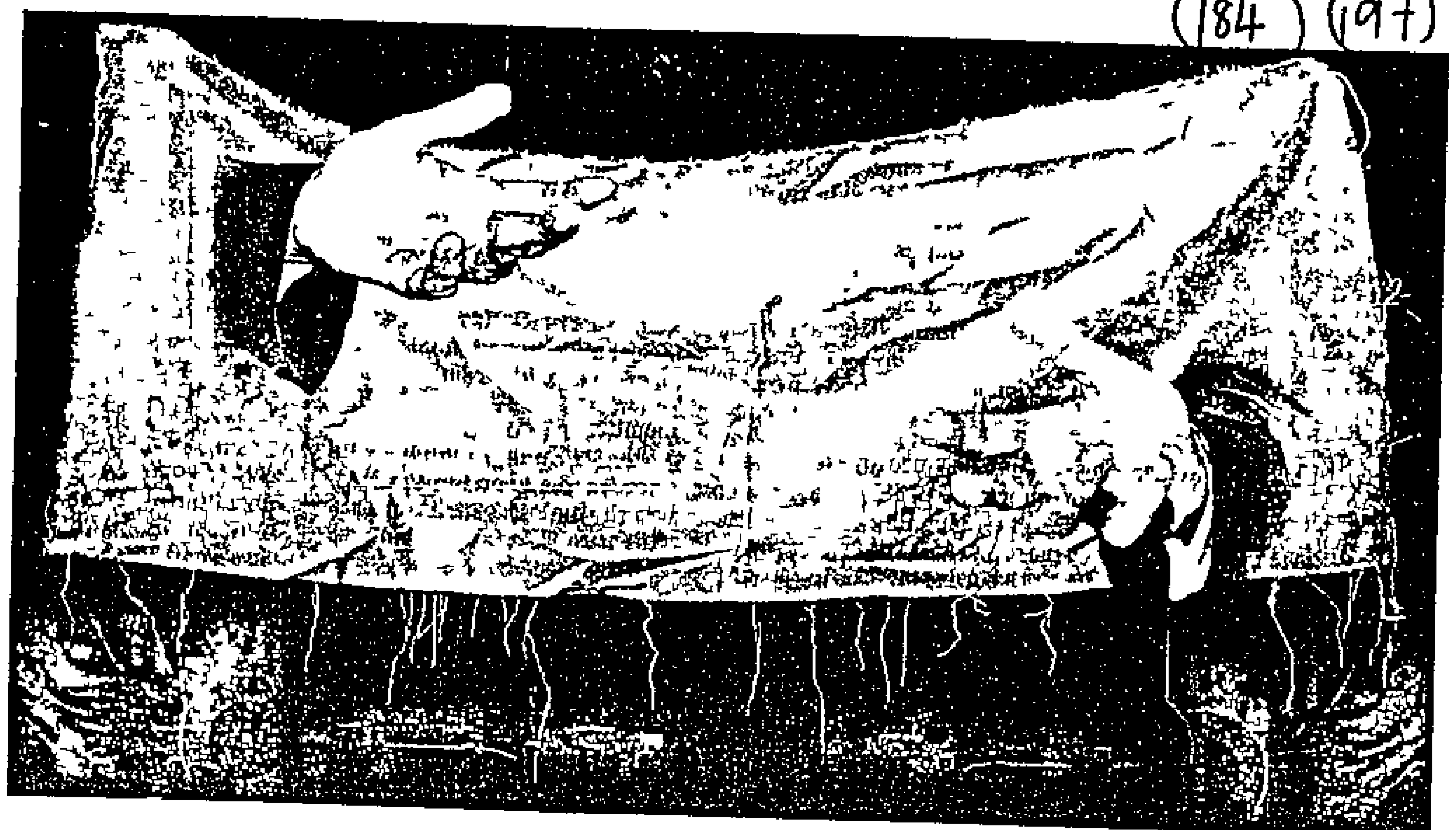
Union deputy general secretary Ebrahim Patel said: "Our industry lost 22 000 jobs in 1998 alone, affecting 100 000 people, and some of this has been caused by illegal imports."

Fragmented fabric sector inhibits export competition

CT (BR) 14/9/99

(184) (197)

ZAV RUSTOMJEE



The clothing and textile sectors enjoy the most complex and elaborate dispensation in South Africa's manufacturing tapestry. There are 1 800 clothing and textile tariff lines (out of a total of 7 000). There are minimum specific duties on 1 600 products designed to counter the fraudulent under invoicing of imports.

Apart from enjoying so-called 470 03 blanket tariff rebates on imports of inputs, which are used for manufacturing exports, the clothing and textile sectors have a special duty credit certificate programme which provides additional support for exporters.

This complexity is matched by the level of protection enjoyed by the sectors. In 1994, average tariffs were 100 percent of clothing and 45 percent on textiles. In 1999 these were 66 percent and 30 percent respectively. Considerable government resources have had to be diverted to enforcing this complex system of protection as there is a huge incentive for corrupt business people to smuggle.

The textile industry has successfully restructured and is modern and competitive. The age of machinery is down from 18 years in 1994 to seven. Production is higher in real terms than in 1994 and the export to output ratio has grown from 19 percent to 25 percent.

As was expected in 1994 employment has fallen from 67 800 in 1994 to 50 600. The textile sector can now nourish employment on a competitive and sustainable basis particularly through exports.

After the beginning of next year the Southern African Development Community (SADC) Free Trade Agreement Rules of Origin will supersede existing bilateral trade agreements in the region. This will increase opportunities for regional exports of fabric to be reimported as garments.

There is potential to also reduce pipeline costs and raise competitiveness by developing low cost high quality SADC fibre sources to enhance the export effort to non SADC countries. We are witnessing investments in this direction already.

The clothing industry is also more competitive than in 1994. This has come about through a less capital intensive process. The strategy is to get firms to move up the value chain and to move out of lower quality garments which are dependent on low wages and low skills.

It is also for firms to commit themselves as serious and permanent exporters to traditional and non traditional export markets and, in particular to focus on higher value added niches and (in consortia) to take on large export orders.

There has been a shift up the value chain and some relocation of lower value added activity to SADC. But overall with one or two exceptions there has been insufficient commitment to the export market over the past five years.

Clothing manufacturers are taking an inordinate time to set up an export council. Meanwhile opportunities of quota free access to the US and the European Union (EU) through South Africa's non membership of the Multi fibre Arrangement are being missed by domestic clothing firms.

Behind this is a more serious trend mirroring well worn processes in other economies. Instead of the bulk of production being carried out in large factories employing thousands of workers garment production in South Africa is now carried out through increasingly fragmented but integrated networks of formal and informal production. Many of these smaller entities pay no tax or VAT.

In 1995 the department of trade and industry estimated the size of the informal garment manufacturing sector was 30 percent of the formal sector a figure confirmed by industry sources. The department argued that formal sector job losses could be outweighed by informal sector job growth.

Sadly the government has been criticised by those who link tariff policy and a seven year phasedown with formal sector job losses. The greatest loss in this process has been in the quality of the jobs that have sprung up in the informal clothing sector, and in declining membership of trade unions and formal business associations.

The real issue is not about tariffs and jobs but whether South Africa's production system can successfully adjust to compete with the increasingly transnational production systems that have emerged to dominate global production of garments in the last decade.

Will the increasing fragmentation of the sector be more capable of sustaining a competitive export base? Will more dynamic firms emerge which are able to capture significant niches in export markets?

Will employers and retailers be able to manage this lower cost fragmented production pipeline to ensure consistent quality and tight delivery times, and simultaneously raise commitments to training?

At the same time there is a diminishing impact of the suite of government support measures, since these are not available to the increasing number of firms that are unregistered or operating informally, nor are support programmes available to unregistered individuals working from home.

The government's labour legislation is designed to support basic rights and obligations, no matter what changes take place in the labour market.

The tapestry of our garment sector makes a mockery of the arguments put forward by those supporting increased labour market "flexibility". For trade unions, retaining organisation in this sector and charting a progressive course under such conditions is increasingly difficult.

The South African Clothing and Textile Workers' Union has presented a long list of demands, most of which are being fleshed out, either in Nedlac or in the structured bilateral relationship with the department.

For government, the challenges include simplifying the regulatory complexities outlined above, tightening up and improving customs and excise control and managing the rules of origin that underpin the SADC and EU free trade agreements.

As we lead up to sectoral summits, designed to review commitments made in last year's jobs summit, the government, employers and unions need to share a clear, common and sophisticated understanding of what is actually happening in the real economy and construct an agenda that takes us beyond the traditional positions of posture.

☐ Zav Rustomjee is the director general of the department of trade and industry

SA must protect fashion industry

(184) (197)

At a union protest march to Parliament this week, **Ebrahim Patel** called for policies to maintain jobs

WE HAVE lived through a half-decade of job losses and factory closures described by many veterans in the fashion world as the most serious they have experienced in living memory — 22 000 job losses last year alone

The social and economic consequences we face are staggering They call for a new policy framework that goes to the heart of our problem They call for a new partnership between industry and government

The first step is to start with the simple economics of our industry The age we live in has brought the pressures of global competition from abstract possibility to hard reality Yet within that global market in spite of the theory of free trade espoused by all governments intervene to assist local industries and to ensure employment for citizens

Brazil today still has import licences that are used to provide effective protection to domestic producers Mexico set up a system of reference prices with what they called a pre-import notification requirement designed to blatantly offer protection for local industry

Nigeria has a deposit requirement for importers Kenya imposes some strange technical standards on imports

Europe is replete with hidden protection, from special ports for imported items to technical and environmental standards The US imposes quotas on imports, from mutton to steel and textiles, and uses political pressure to force Japan to buy American goods and to locate production capacity in the US

Asian countries give subsidies based on value-addition and China effectively closes its market to imports of products that it makes itself

This is not an attempt by nation-states to turn their back on the global trading system It is their way of managing their participation in an increasingly integrated world in a manner that helps domestic employment

Governments have recognised the need to develop and give appropriate support to local industry As Prof Dani Rodrik of Harvard University argued two years ago, Taiwan and South Korea grew precisely because the state played a critical role in "fostering industrial transformation and diversification"

He says that "in both countries, domestic markets were opened up to international trade only gradually and over a period of three decades"

There are lessons to be learnt naivety in the face of globalisation will extract a very heavy price in jobs and loss of productive capacity Successful economies have not been naive

In 1993 the industry asked the National Productivity Institute to do a study of the cost composition of various items of clothing This study has become the benchmark and the different proportions have not altered fundamentally

For a men's formal shirt made of a linen/cotton mix, sold at Edgars for R100, the bulk of the price is made up by costs in the retail sector In this case, we found that the textile price was only R24 04 and the clothing industry price (excluding the fabric) was R14,96 The cost added in retail, including the costs of discounts, was R61 So almost two-thirds of the costs of the normal price paid by the consumer was added in retail

Of the combined clothing and textile costs of R39, only R4,13 was made up of the wages of unionised workers (direct labour costs)

This shows that the structural problems of the industry cannot be put at the door of workers But washing our hands in innocence is not helpful when the ship is sinking

So we need to help save this industry, which supplies all of us with work. What are the policies we call for? They are forward looking, for we have confidence in the capacity of this industry to grow and to be world class

The fashion industry has some inherent strengths and the challenge for public policy is to nurture and enhance these strengths

Of particular importance is our call for the setting up of centres of fashion excellence in Cape Town and Durban to promote local fashion in the domestic and export markets These centres will help to promote fashion designers, studies in fashion, local label and brand name promotion, the holding of fashion shows, and the promotion of SA fashion abroad

This must go together with a programme of research into fibre development product development and process technology through the Council for Scientific and Industrial Research to place SA in the forefront of global industry in new technology products The SA Clothing and Textile Workers' Union (Sactwu) will take these proposals to government and to retailers We pledge to set up a fashion fund to promote the industry — and to raise from within our ranks in industry a substantial sum of money to help kickstart the fund

We will look to government to put sufficient resources into the fund Its purpose will be to ensure we build on the strengths of the fashion industry

We are submitting 10 sets of proposals to government embracing 43 specific areas Some of these are

☐ Tariffs Our tariffs now are where our international obligations require them to be in the year 2004. By being five years ahead of our obligations we have sacrificed tens of thousands of jobs We call therefore for the immediate freezing of tariffs at their current levels until our rates are in line with those of the World Trade Organisation,

☐ Customs and excise If it was not so damaging the sheer incompetence of customs and excise in dealing with clothing shoes and fabric flooding into the country would be a source of mirth We have a number of proposals to fix the problems

These range from government introducing a compulsory inspection of at least 20% of fashion goods entering the country (compared with the current 2%) to a new valuation methodology at all ports of entry and a preparedness to prosecute retailers and middlemen caught with goods which have entered the country illegally

The names of the guilty parties should be publicly disclosed and they should face stiff tax penalties

We are prepared to train 30 shop stewards nationally to act as a resource and pool of expertise to customs and excise, and

☐ We propose retailers sign a code against customs fraud

Our other proposals cover the setting up of the sectoral restructuring fund, financed by a 1% levy on retail sales new ways in which state institutions can co-operate to assist industry; the introduction of a social plan to address the human dimension of change, including the training of workers, changes to the Labour Relations Act and the Insolvency Act to stem the flood of job losses, and a review of monetary and interest rates policy — which currently has very negative consequences for the real economy

Our industry is capable of creating tens of thousands of additional jobs provided the right policies are followed It is the fashion centre of Africa and can move towards greater fashion and quality value, can export huge quantities of manufactured items and become a major engine of employment and growth for the SA economy

☐ *Patel is assistant general secretary of the SA Clothing and Textile Workers' Union These are excerpts of his speech.*

Clothing and textile workers on the march this week Picture TYRONE ARTHUR

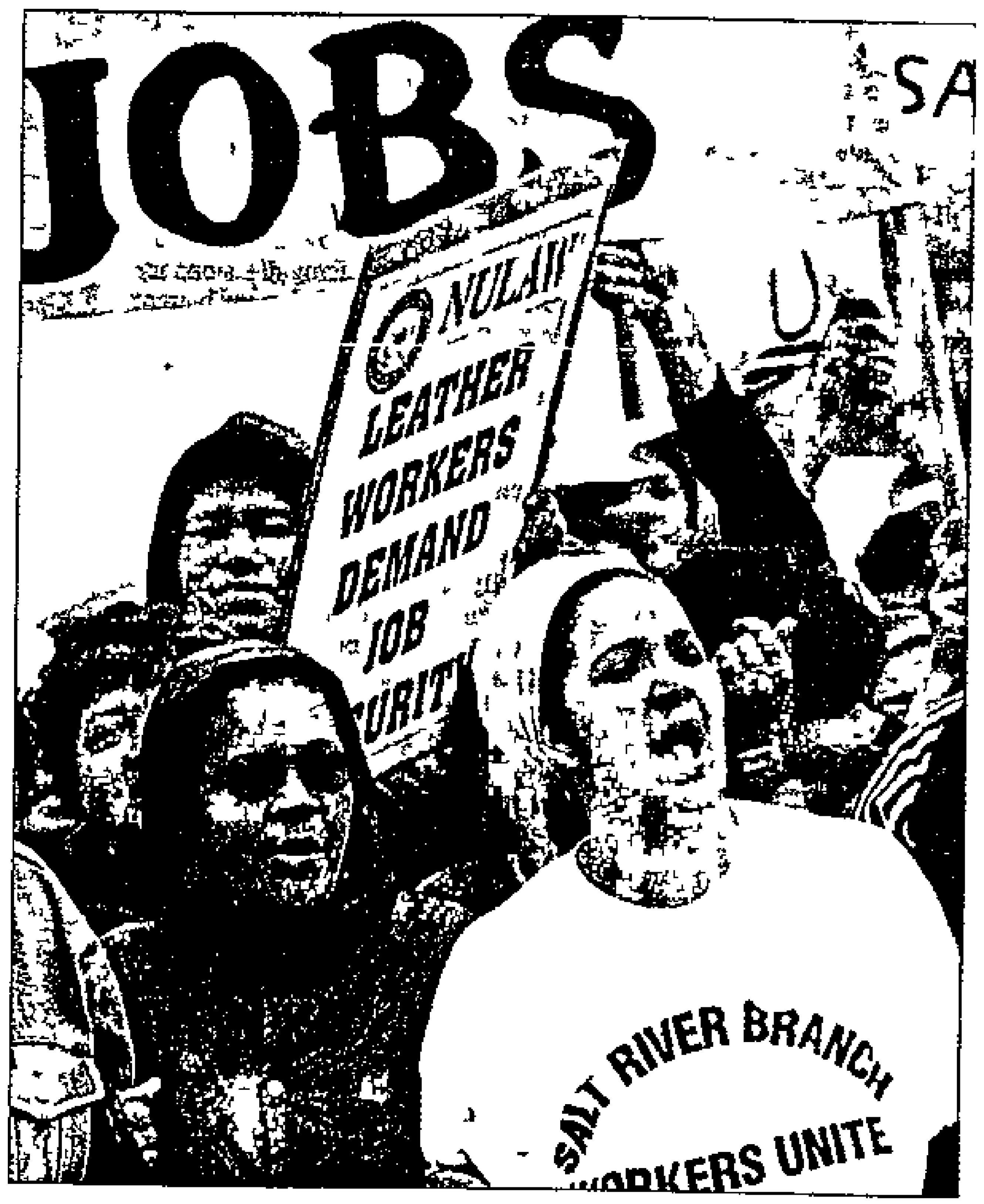
BD 10/9/99

30 000 clothing workers march to save jobs

(184) (197)

Government urged to curb imports and stop smuggling

ARG 9/9/99



NO CUTS *Protesters fearing for their jobs after 22 000 were lost in the textile sector last year, march on parliament in Cape Town yesterday*

Workers march against imports

CT (MR) 9/9/99 (184) (197)

FROM REUTERS

Cape Town Tens of thousands of textile workers marched to the gates of parliament yesterday to demand an end to tariff cuts and cheap imports they said were strangling their industry

The marchers, estimated at 30 000 walked through Cape Town chanting and carrying banners with slogans such as 'Cape Underwear says buy South African and Imports kill our jobs

Ebrahim Patel a union leader told them cheap imports and poor customs control had combined to cost 22 000 textile workers their jobs last year alone This was a devastating blow to the economies of the Western Cape Eastern Cape and KwaZulu Natal

Patel said South Africa had sacrificed tens of thousands of local jobs by cutting import tariffs faster than stipulated under the General Agreement on Tariffs and Trade We call therefore for the immediate freezing of tariffs until our rates are in line with the World Trade Organisation rates

Inspection rates on imported clothing were as low as 2 percent and fraudulent declarations of value were widespread He urged retailers to sign a code of conduct to eliminate such fraud and urged the government and industry to launch a Buy South Africa campaign

BEAUREGARD TROMP
STAFF REPORTER

More than 30 000 clothing workers marched on Parliament to bring home the message "Buy local labels and wear them with pride "

In one of the strongest post-apartheid shows of dissatisfaction with Government policy and job losses Cape Town has seen, they called for an overhaul of policies governing the textile and clothing industry

With traffic brought to a standstill throughout the city centre yesterday, the wave of chanting and placard waving demonstrators marched from the Bo Kaap to Parliament, in spite of a steady downpour

The march was organised by the South African Clothing and Textile Workers Union, an affiliate of Cosatu, which represents most workers in the industry

In a memorandum handed to Trade and Industry Minister Alec Erwin, the union called for a "Buy South Africa" campaign, a freezing of import tariffs and the opening of Schools of Fashion Excellence in Cape Town and Durban to promote South Africa's fashion industry

The clothing and textile industry is the largest employer in the Western Cape, but in the past year more than 22 000 jobs have been lost, a situation largely blamed on the import of designer brands and smuggling.

The Dean of St George's Cathedral, Rowan Smith, told the crowd from the back of a flatbed truck: "We all like to wear designer labels, but we must learn to wear our own labels with pride

"Local is lekker!" he shouted to raucous cheers from the crowd gathered in Corporation Street.

Under rain soaked pieces of cardboard and colourful "doekies", the workers bowed their heads and raised their fists from amid a sea of bodies to sing Nkosi Sikelel' iAfrika.

Meanwhile about 40 policemen stood guard at the steel gates to Parliament with casspirs and police vans, and a police helicopter hovered overhead. Among the throng were three textile workers who had come straight off a night shift in Epping to take part in the march.

"We came here to show our support for all those who don't have a job," said a tired looking Lucas Matthew

Colleagues Elijah Peter said "I think that this thing is worth it, because now the government must hear the voice of the people."

Mr Matthew said. "We voted this Government of the people into power and now they must work for us so everybody can at least have a job otherwise the people will just go and steal or rob because they're hungry "

Cosatu secretary-general Zwelinzima Vavi lead the crowd in struggle songs and condemned smuggling.

"Every time you buy boots or clothing in the street that is illegally imported into the country, you must know you are retrenching a few workers and bringing suffering to their families," said Mr Vavi.

He warned there could not be stability in the country when so many people were jobless

"If the current rate of job losses continues, there will surely be a second revolution in this country," he warned.

Sactwu claimed in its memorandum that "for every worker who loses their job, five dependents are sentenced to suffering", implying that the 20 000 job losses in 1998 actually affected 100 000 people

Mr Erwin had to interrupt a meeting with deputy president Jacob Zuma to accept the memorandum from Sactwu deputy secretary-general Ebrahim Patel.

LEON MULLER

Mass action: a sea of clothing and textile workers march on Parliament to voice their anger at recent job losses

CAPE TIMES
WEDNESDAY, SEPTEMBER 8, 1999 ★

NATIONWIDE PROTEST TODAY

Union, clothing chiefs disagree on industry

(184) (197)

SOUTH AFRICAN textile and clothing leaders disagree about the future of the industry, which is in crisis after a spate of factory closures in the past five years and 20 000 job losses in the past year. **GUSTAV THIEL** reports.

CT 8/9/99

THE South African Clothing and Textiles Workers' Union (Sactwu) will present a list of 58 proposals to the government today in a bid to co-ordinate efforts to save the struggling industry

These demands have been formulated in a memorandum that will be handed to Parliament as part of a nationwide protest march in which an expected 100 000 workers will take part.

Sactwu says it is vital that the government freezes tariff reductions on clothing and textiles for the next five years, which would include a freeze at 17% of tariffs on fibre imports

Gordon Joffe, chairman of the Cape Clothing Association, says the government is unlikely to alter its stance that tariff reductions should take place over a period of seven years The World Trade Organisation specifies that this should happen over 12 years

Joffe adds that while he agrees with the majority of Sactwu's proposals, there are some he thinks will harm the industry

"I think it is not an appropriate time to comment on the issue, but I think it is wrong to say that the industry is still in a crisis

"We have survived and while the industry faced serious problems in the past, the market is expanding

"The state of the industry is less about struggling and more about remodelling and, in my view, there is going to be a successful textile and clothing industry in this country"

Aaron Searle, one of the most influential figures in the industry over the past 20 years, says he supports Sactwu's proposals "wholeheartedly" He says "It is very important to push the government to rectify their inconsistency in policies"

"When the government talks about creating jobs, they seem to ignore the fact that the clothing industry is one of the most labour intensive in South Africa and as such should be seen as one of the most important industries in South Africa.

"I don't agree that the industry is facing problems because of a lack of work ethic and productivity

"That will follow a natural course when the country stops exporting jobs and work within the guidelines set by the World Trade Organisation"

Searle adds that South African clothing and textiles are "world class", which leads him to believe that the industry will survive. "The government must stop its madness and rethink all their policies"

Len Odomsky, a retired spokesperson for the industry and ex-financial director of a textile factory in Port Elizabeth, says "the biggest problem within the industry is the fact that the workers have no work ethic"

"The rate of absenteeism in the industry is very high and I think this will eventually spell the end of it (the industry), which is a pity because there is still a lot of potential in the industry"

Ebrahim Patel, deputy secretary-general of Sactwu, says the issue of productivity is a complex one, but the truth is that, according to Reserve Bank statistics, productivity in the entire economy increased by more than five percent last year

Sactwu conducted a research survey on an example of a shirt that costs R100 and found that the unionised labour cost of that shirt was only R4,13

"Even if you increase productivity by five percent, it would still not reduce the cost significantly," Patel says.

He adds that, although productivity is a complex issue and also relates to managerial performance and capital management, it can be improved by training workers better, improving technical skills, improving the social infrastructure of workers, embracing cutting edge technology and becoming more quality conscious

Stitch up new policies – Sactwu

ARG 8/9/99 (184) (197)

YUNUS KEMP
STAFF REPORTER

In one of the biggest marches in Cape Town since the dawn of the new South Africa, thousands of Western Cape clothing and textile workers marched on Parliament, calling for an overhaul of policies governing the industry

Ebrahim Patel of the South African Clothing and Textile Worker's Union said the march was a direct reaction to the 22 000 workers who lost their jobs last year

"The lost jobs mean that thousands of women have become economically marginalised.

"About a half of all the employers in the manufacturing industry work in the fashion sector, many of whom are sole breadwinners," said Mr Patel.

The union also called for a new policy framework in light of the staggering amount of job losses, asking for a renewed partnership between the industry and the Government.

The union also called for a slower pace of tariff reductions It says the country's tariff rates are where the international community expect them to be in the year 2004 By being five years ahead of its obligations, tens of thousands of jobs were being sacrificed.

The union emphasised that it would call for the setting up of centres of fashion excellence in Cape Town and Durban, to promote local fashion in the domestic and export markets

These centres would help to promote fashion designers, fashion studies, local labels and brand name promotion, the holding of fashion shows and the promotion of local fashion abroad The union also slammed customs and excise services, calling it incompetent.

It proposed that the Government introduced a compulsory inspection of at least 20% of fashion goods entering the country, a new method of valuation at all ports of entry

It also asked for the prosecution of retailers and middlemen caught with goods which had entered the country illegally

As an immediate step, the union said it favoured the introduction of a "label of origin" requirement.

This would mean that all clothes, shoes and finished textiles carried a label stating where the item was produced.

Other important changes the union proposed included.

■ The setting-up of the sectoral restructuring fund, financed by a 1% levy on retail sales

■ New ways in which the Council for Scientific and Industrial Research and other state institutions could co operate to help the industry

■ The introduction of a social plan to address, among others, the training of workers

■ Changes to the Labour Relations Act and the Insolvency Act to stem the flood of job losses

■ A review of monetary and interest rate policies which had negative consequences on the retail sector of the economy,

The union said the industry was capable of creating tens of thousands of jobs, provided the right policies were followed.

Mr Patel said they were also encouraged by the support shown by managers in the industry, many of whom had signed the union's petition

30 000 workers cry for help

(197)

(184).

CT 9/9/99

GUSTAV THIEL

MORE than 30 000 clothing and textile workers marched on Parliament yesterday in the first of a series of concerted efforts to convince government to alter its stance on the industry

The march was the biggest in the history of the industry in the Western Cape and, according to the South African Clothing and Textile Workers' Union (Sactwu), indicated the extent of solidarity among its members in efforts to rescue the foundering industry which lost 22 000 jobs last year

Sactwu presented a memorandum of 58 proposals to Trade and Industry Minister Alec Erwin, calling, inter alia, for a freeze on all tariff reductions on imports at current levels for the next five years

Erwin told the marchers that he supported their right to protest and would do everything in his power to ensure that no further jobs were lost in the industry

Erwin's spokesperson, Temba Rubushe, said the minister "is unable to provide the *Cape Times* with a detailed response on the protest action"

He said Erwin was working with his directorate to furnish the media with a response, "but we have already committed this response to other newspapers"

Rubushe said yesterday "You can get the response from the other newspapers or wait until tomorrow (today) for it."

Western Cape Premier Gerald Morkel expressed his "solidarity" with the protesting workers

"While we agree that we would rather do without tariff protection, one needs to take the unemployment situation into consideration

"We also agree on the need for the restructuring of the textile industry, but the Western Cape textile workers are now being forced by national government policy to do so within seven years, whereas the terms of our agreement with the international community allow us 12 years "

He urged Erwin to stick with the requirements of the General Agreement on Tariffs and Trade in terms of the 12 year period.

Sactwu deputy secretary-general Ebrahim Patel said the protest was organised as a first step in a union job-saving campaign

Patel said the social and economic consequences of job losses were staggering He called for a new policy framework incorporating a partnership between the industry and the government.

"The age we live in has brought the pressures of global competition from abstract possibility to hard reality

"Yet within that global market, in spite of the theory of free trade espoused by all, governments intervene to assist local industries and ensure employment for citizens "

Patel called on the government to lend assistance to the industry

"China, for example, effectively closes its market to imports of products they make," Patel said

SHOW OF SOLIDARITY. Some 30 000 clothing and textile workers marched on Parliament yesterday **Inset:** One of the workers affected by problems in the industry *PICTURES. DAVID LEITE, PETER BAUERMEISTER*

'JOBS CAN BE SAVED'

Bid to rescue SA clothing industry

CT 7/9/99

(197) (184)

THE SOUTH AFRICAN textile industry faces disastrous job losses and factory closures if it fails to co-ordinate its efforts for survival with government policy **GUSTAV THIEL** reports

A BID to rescue the clothing and textile industry will gather momentum tomorrow with a nationwide protest march expected to involve at least 100 000 workers. The government will be urged to freeze at 17% all import tariffs on textiles.

Key players have warned since 1997 that the government's policy on the importing of textiles and the inability of customs authorities to control the influx of illegal goods may spell the end of the industry.

The industry is the country's most labour-intensive and employs about 200 000 workers nationwide — even with dramatic job losses in the past five years.

The South African Clothing and Textile Workers' Union says that more than 20 000 jobs have been lost in the past year.

The union's Ebrahim Patel says continued job losses could bring the industry to its knees, increasing fears that South African textile manufacturers may be unable to survive the pressures of the global economy.

Faried Manuel, a senior economist at Wesgro, says the textile industry is of vital importance to the entire Western Cape economy. Workers within the industry earn more than R2 billion annually in wages in the province, and almost 250 000 people are dependent on this money for their survival. The industry contributes about two percent to South Africa's gross domestic product.

Patel says it is expected that more than 20 000 workers will march to Parliament tomorrow to deliver a memorandum to the government to impress on it the urgency of the situation.

Temba Rubushe, spokesperson for

TOP DESIGNER: Shakur Olla says SA must compete with Versace and Armani

Trade and Industry Minister Alec Erwin said the department would respond to the memorandum after its delivery tomorrow.

The union announced its intention to march last week when 500 shop stewards went to the offices of Customs and Excise on Cape Town's Foreshore.

A memorandum calling for improvements in tariff charges on imports was handed over to customs officials.

The union has also compiled a code on customs and excise fraud that will be handed to all companies involved in importing textile products or buying imported goods.

The proposed code states: "This company commits itself to use every endeavour to ensure that neither we nor any of our employees or agents acting on our behalf engage in activities to import clothing, textile or leather/footwear goods into the Republic of South Africa or the rest of the Southern African Customs Union for conversion or resale, without paving the full duty applicable, subject to any legal rebates and duty credit schemes available to it."

The memorandum, of which the *Cape Times* has a copy, states that "over the past number of years, the industry has faced a growing crisis. Large numbers of workers are being retrenched, factories are closing and imported clothing, shoes and textiles are flooding into South Africa, both legally and illegally."

According to a directive from the World Trade Organisation (WTO), trade tariffs are cut every year in September.

Patel says although the WTO stipulated that the reduction in tariffs should take place over 12 years, the previous minister of Trade and Industry, Trevor Manuel, reduced this to seven years.

South Africa is thus already substantially below the level necessitated by the WTO, which has prompted the union to ask the government to freeze tariffs at 17% as soon as possible.

The memorandum also states: "Poorly co-ordinated bilateral agreements have further eroded the market. Huge leakages in the customs and excise function are causing floods of goods to enter the country illegally. The industry needs resources, appropriate policies and sufficient time to transform itself to build new sources of strength and dynamism to meet the challenges of operating in a global economy."

Patel says the industry needs an improvement of skills. "We also need to refocus the design and fashion benchmarks of the industry."

Top designer Shakur Olla says the only way to ensure the industry's survival is to fix brands on the international fashion markets that can compete with top labels such as Versace and Armani.

"The government simply does not

Turn to Page 3

Clothing crisis

From Page 1

understand just how much it contributed to the breaking down of one of the most labour-intensive industries in the country," commented Olla, who has been involved in the domestic textile industry for more than 20 years.

CT 7/9/99

"Most of the Far Eastern countries based their entire economies on labour-intensive economies and on relatively cheap, but skilled, labour."

An important aspect of the handing over of the memorandum at Parliament tomorrow will be to ask all retailers to source at least 90% of their goods by value from South African factories.

They will also be asked to put "proper and credible monitoring processes" in place to ensure this.

Retailers should also publicly undertake to assist manufacturers to improve their performance in order to create further jobs within the domestic industry, according to the union's memorandum.

The union will also ask all employers in the industry to support workers' rights to job security and minimum standards at small factories and small businesses.

Employers will also be asked to agree to make a commitment to stamp out fraud in their dealings with customs and excise authorities and to accelerate the training of workers.

See Page 9

(184) ~~(197)~~ (197)

Customs chief 'forced to quit' over scam

BD 12/7/99 (279A) ~~297~~ (74) (197)

John Dludlu
and Christof Maletsky

GOVERNMENT has uncovered a scam involving SA and Namibian textile firms' abuse of an export incentive believed to have cost the Southern African Customs Union at least R50m in revenue.

In Namibia, where the duty credit certificate scheme is widely used, speculation is that customs director Samson Kaulinge, the chairman of the interministerial committee set up to vet duty credit certificate applications, has been forced to quit over the scam. More junior officials have also left. However, Finance Minister Nangolo Mbumba has denied that Kaulinge's departure is linked to fraudulent use of the scheme.

The scheme, launched in 1994, was designed to encourage international competitiveness in the clothing and textile industry. Manufacturers may, on the basis of export performance, claim rebates of up to 30% of the value of exports to noncustoms union members. The scheme, to be phased out by 2002, also allows manufacturers to diversify their range in the domestic market.

Kerryn House, a director for clothing and textiles at the SA trade and industry department, confirmed that investigators discovered discrepancies between the value and volume of exports and duty credit certificates.

In one case, a small Namibian firm claimed credit for exports amounting to more than SA's total textile exports.

However, House stressed that the bulk of abuse was found in Namibia. In SA the discrepancies were minimal because of strict monitoring by customs.

House said it was difficult to quantify the scale of the abuse, but government sources suggested it amounted to about R50m, translating into a loss of import revenue for the customs union's revenue pool.

The investigating committee found that most import duty rebates awarded to Namibian clothing companies were given irregularly. It recommended to the finance minister that Kaulinge be charged with misconduct, government officials said in Windhoek. Though most abuse involved inflating export figures, benefits from certificates received under dubious circumstances in Namibia were shared with SA firms.

SA sources say it is still possible to take action against government officials who colluded with the private sector.

The trade and industry department's Mfundo Nkuhlu said workshops had been held with Namibia's authorities to try to minimise incentive abuse

Sactwu workers to vote with their feet

(184)(197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban – The Southern African Clothing and Textile Workers' Union (Sactwu) would take to the streets on Monday to protest against job losses and demand worker involvement in negotiating trade agreements, S'bu Ndawonde, a union spokesman, said yesterday

Ndawonde said that since the formation of the union 10 years ago its membership had steadily declined as a result of retrenchments and factory closures.

He called on the government to impose a moratorium on the reduction of tariffs on imported goods because local markets were being flooded with cheap imports

"We want the government to revert to the general agreement on tariffs and trade, which required South Africa to phase out its tariffs over 12 years, and not within eight years as this country volunteered to do This reduced period for tariff reduction is responsible for the rapid jobs loss

"We have identified some of the contributions our government has made to job losses We want them to correct their mistakes and make it possible for investors to remain competitive in global markets without eroding favourable rights workers enjoy under current labour legislation"

Brian Brink, the chief executive of the Textile Federation, said although manufacturers did not believe protest marches would solve the sectors' problems, they shared a number of concerns with labour

Statistics for the textile sector show that total employment within the clothing industry fell from 149 200 in January 1997 to 132 750 in December 1998

CT (BR) 14/7/99

NEWS

'Practice makes economic sense'

CT(AR) 15/10/99

Speedy tariff cuts justified, says Erwin

(184)(197)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town – It made economic sense to fast track the implementation of tariff cuts in textiles and clothing, and most of the sectors' job losses appeared to have been absorbed by the informal sector, Alec Erwin, the minister of trade and industry, said yesterday

In a written reply to a question tabled in parliament, Erwin admitted that his department had nearly halved the phase-down of tariffs, under World Trade Organisation (WTO) agreements, from 12 years to seven years

Although the tariff cuts were being implemented more quickly than agreed, the industry had been made aware of the decision This was also "common practice" in many countries as the WTO commitment was the upper limit allowed

"It is therefore obvious that countries go below this in their actual tariffs to give themselves flexibility," Erwin said "To remain at the WTO level is economically unwise"

Erwin said that although South Africa faced an obligation under WTO rules to reduce its tariffs, "its policy decisions were centrally geared towards responding to domestic needs and efforts towards restructuring and enhancing global competitiveness of its industries and the economy"

The phase-down, which started in September 1995, would end in September 2002 Cuts would be introduced in a phased manner and were currently still relatively high Clothing, for example, enjoyed a 60 percent protection rate compared with the 40 per cent set for 2002

Further protection had been provided by minimum specific tariffs against low priced imports as well as the depreciation of the rand, which made imports less attractive.

Because of the aim to move towards higher-value-added, middle to upmarket merchandise for exports, "any ongoing protection of a relatively high level on low priced and low value added products is not economically viable or justified, both in terms of local consumer needs and the local industry's access to world competitively priced inputs," Erwin said

It was recognised that restructuring because of tariff cuts would have implications for employment, but the total impact of this had been difficult to quantify on the basis of present data As a result, discussions were being held with Statistics South Africa to determine the growth of informal employment, or the casualisation of labour, in the sector.

Formal employment in the sector in the Western Cape had fallen from a high of 54 267 in 1990 to 38 415 in September this year

At the same time there had been a large increase in the number of small firms in both the formal and the informal sectors, which was linked to the global trend towards outsourcing by large companies and the trend toward specialisation by some firms.

Employment levels had also been affected by the emergence of powerful retail chain stores.

"The size of the informal sector in clothing is understood to be growing rapidly and some sources are now estimating it to be as large as 1 5000 firms employing up to 40 000 workers in the Western Cape alone," Erwin said

The textile industry had suffered job losses mainly because of the need for investment in capital intensive equipment to meet world standards.

1997 CP 24/10/99

Growing SA's textiles exports

By SIMBA MAKUNIKE

Small and medium textile producers stand to gain from the newly-formed SA Textile Industry Export Council's (SATIEC) direct communication with the government, the council's executive director, Martin Viljoen, said recently

SATIEC, a registered section 21 company, was launched this week with the intention of increasing exports.

Viljoen said the council would assist small manufacturers to identify their export potential and help develop a market strategy for them

"In partnership with the private sector, trade unions and government, the Council aims for an export-oriented manufacturing and global trading environment conducive to (the) prosperity of our people and partners," said Viljoen

He said SA's value-added textile exports enjoyed an average growth of 18 percent over five years to 1998.

"With the slow down in the global economy and the erosion of the local market from illegal imports over the past 18 months, it is unlikely the textile industry will achieve the stretch export target of R3 billion in 1999, as set in November 1998 at last year's export week "

Viljoen said the formation of SATIEC had the backing of the department of trade and industry and the SA Clothing and Textiles Workers Union (Sactwu)

"The most effective trading nations today are those who pull together the various teams to work towards enhancing exports and the economy," the DTI's chief director for export and investment promotion, Faizel Ismail, said of the new initiative.

Also commenting on the initiative, Sactwu's Ebrahim Patel said the growth of focussed exports will position SA for the new millennium in as much as curbing illegal imports does

Viljoen said the SATIEC partnership was desirable and allowed the government to actively participate in the promotion of exports

Of 300 listed SA textile producers, only 33 are known exporters.

"With the European Union/SA trade deal effective from January 2000, it is vital local companies grow markets beyond our borders

"These markets can generate much-needed foreign revenue and job growth," said Thys Loubser, chairperson of the new company

War on lay-offs

Sowetan 14/7/99

(250) (270) (18~~4~~) (197) ~~(187)~~ (188)

Thousands to protest at job losses

By Mzwakhe Hlangani
Labour Reporter

A SPATE of strikes and demonstrations hit the country this week in protest against the impending retrenchment of over 50 000 workers in parastatals, hotels and catering service industries

The South African Transport and Allied Workers Union (Satawu) jointly with SA Footplate Staff Association and Technical Workers Union intensified protests against the possible lay-offs of about 27 000 Spoornet workers with lunchtime demonstrations at the Transnet head office

Meanwhile, the Southern African Clothing and Textile Workers Union (Sactwu) warned yesterday it would stage human chain marches to the Department of Trade and Industry offices countrywide next Monday to register concern about trade agreements the union believed had resulted in the massive job cuts and factory closures in the clothing, textile and leather industries

Sactwu regional secretary Mr Sonnyboy Masingi said tariff reductions on imports of textile, and smuggled goods had resulted in a massive loss of revenue

The Congress of South African Trade Unions has also raised concerns about the threats to retrench workers in several industries including Telkom and the Post Office, which reportedly threatened to lay off 12 000, while Old Mutual will put another 5 000 workers out in the cold

Cosatu's acting general secretary, Mr Zwelinzima Vavi, said the economy had lost more that 180 000 jobs last year and unemployment stood at a staggering 30 percent

"In this context the need to protect existing jobs cannot be over emphasised

"Cosatu will not be an observer, nor will we sit on the fence watching over this ugly spectacle of retrenchments"

The federation is expected to emerge with a tough mass action programme today to protest against retrenchments

It will also demand the urgent amendment of section 189 of the Labour Relations Act which makes retrenchments an issue for consultation rather than negotiations.

Over 8 000 workers in steel engineering companies Highveld Steel and Samancor were expected to embark on a secondary strike in support of the 900 striking workers at the Columbus Stainless Steel company in Mpumalanga, a spokesman for the National Union of Metalworkers of South Africa, Mr Dumisa Ntuli, said yesterday Four workers were arrested for alleged intimidation, and the strike has been ongoing for two days, he said

Columbus human resources manager Mr Willem Prinsloo said some Numsa members disrupted access at another gate and were arrested

Numsa is demanding a 7,7 percent increase and an improvement factor of two percent.

About 2 000 workers at Southern Suns continued their two-week-old strike after both parties deadlocked on company restructuring and wage talks

Prison warders toyi-toyi outside the Johanneburg Prison yesterday as part of a nationwide lunchtime protest action by civil servants against job losses and a demand for a 10 percent wage increase. Should their demands not be met, the stage appears set for mass action by government workers across the country.
PIC CLEMENT LEKANYANE

Big unions on march as job cuts protest grows

(251) (197) (184)

ARGUS CORRESPONDENT

Johannesburg – Three big public service unions affiliated to the Congress of SA Trade Unions are set to intensify their protest action today against wages and job losses, which could culminate in a national strike.

Another Cosatu affiliate – the SA Clothing and Textile Workers' Union (Sactwu) – also embarks on a nationwide protest action today against "unabated job losses in the textile industry".

About 500 000 members of the National Education, Health and Allied Workers' Union (Nehawu), SA Democratic Teachers' Union (Sadtu), and the Police and Prisons Civil Rights Union (Popcru) are expected to stage a picket outside the offices of the public service administration in Pretoria.

Nehawu president Vusi Nhlapo said the protest action would continue until there was a better offer from the Government.

The unions are protesting against the Government's 5,5% salary increase offer. The unions are demanding 10%, a compromise on their initial demand of 15%.

"We expect the Government to come up with a date for our next bargaining council meeting It's incumbent upon the Government to initiate this process. Maybe we can reach a compromise," said Mr Nhlapo.

About 150 000 marchers planned to converge at the offices of the PSA on Friday

"All members who work around Pretoria will be there. Other areas will go on with their own demonstrations this week," said Mr Nhlapo.

Meanwhile, Sactwu said it would hand over a memorandum to Gauteng Premier Mbhazima Shilowa and would march on the offices of the Department of Trade and Industry.

"Our membership has dropped from 149 200 in January 1997 to 132 750 in December 1998 (because of job losses) This is ridiculous. We can't accept this and fold our arms," the union said in a statement

Sactwu called on all employees in the clothing, textile and leather industries to join the protest action.

The SA Communist Party has thrown its weight behind the unions. SACP general secretary Blade Nzimande said heavy job losses were set to continue, unless urgent action was taken. "We cannot stand on the sidelines and watch workers being thrown into the streets," he said.

ANALYSIS

US opens doors for textile trade

(197) (74) CT 20/7/99

RICH MKHONDO

A new era of trade beckons between the US and sub-Saharan Africa with new legislation

UNITED STATES lawmakers have approved a far-ranging American economic initiative for South Africa and 47 other sub-Saharan African nations that offers enhanced trade benefits in exchange for the adoption of free-market practices.

The House of Representatives' approval of the Africa Growth and Opportunity Act (AGOA) by a 234-163 vote on Friday night to grant sub-Saharan African nations duty-free access to the US market provided the fabrics have been assembled from US-made textiles, brings closer a trade bill which would extend sweeping trade preferences African-made textiles currently face import taxes of 15 to 25%

"This will open a new era for US relations with sub-Saharan Africa," said Republican Congressman Bill Archer, who heads the House Ways and Means Committee

After the vote, Charlene Barshefsky, the US trade representative, said in a statement that the House had taken "a vital step toward promoting further economic growth and reform in Africa".

The bill does not affect foreign aid to African countries For the Africa bill to become law, it must be ratified first by the House and then the Senate At the moment there is competition by both supporters of the Senate and House bill So far prospects for a Senate passage are unclear, even though its version of the bill is more restrictive. It would require, for example, that African nations use American raw materials in the manufacture of their textile exports to the United States

But Senator Richard Lugar is hopeful "The US policy has virtually ignored Africa," said the Republican from Indiana who is the Senate's main sponsor of the measure. "This bill encourages a transition from aid to trade for sub-Saharan countries committed to economic and political reform "

The bill has languished on Capital Hill for almost three years Last year it was passed by the House, but it stalled in the face of opposition from US textile interests in the Senate

The House version would eliminate quotas on textiles for several African states while continuing a no-quota policy for other African nations In addition, it would establish a US-African Economic Forum, as well as a US-sub-Saharan Africa Free Trade Area.

The bill would extend duty-free treatment to many African-made goods for 10 years and substantially increase the number of products which would qualify for duty-free treatment.

It also provides hundreds of millions of dollars in new money for the government's Export-Import Bank and the Overseas Private Investment Corporation for investment guarantees and credits for US companies doing business in Africa.

The Senate version of the Africa bill is less extensive than the House version, making it unpopular among members of President Bill Clinton's Democratic Party However, its strength lies in its extension of duty and quota-free preferences to the 48 sub-Saharan African nations But the bill's chances are hampered because it is not strongly supported by the group it is intended to help — textile and apparel manufacturers The textile industry says it fears China would use the African countries to illegally trans-ship apparel goods

The Senate version is also incorporated into broader trade legislation that includes a Caribbean Basin Initiative, backed by Senator Trent Lott of Mississippi, the majority leader

Any differences between the House and Senate versions would then have to be reconciled before the legislation was sent to the president to be signed into law However, when senators and congressmen tried to reconcile their differences last year, protectionism, the power of the textile lobby and unions, election-year manoeuvres and party political point-scoring and bickering relegated the Africa bill to an omnibus legislation, consisting of a bundle of several other worldwide trade liberalisation measures such as Fast Track, Caribbean Basin Initiative, Generalised System of Preferences, Shipbuilding, Mongolia Bill and Wool Tariff. The merger created a new omnibus bill, the Trade and Tariff Act of 1998, which incorporated a revised version of the Africa bill.

When congress adjourned last October till January this year all unpassed or unfinished legislation died with the end of the congressional term This year, like other bills waiting passage by the powerful Senate, the Africa bill has been reintroduced and must go through the entire process once again, including this week's passage by the House of Representatives and the Senate

If passed by the Senate, the Africa bill would be the first significant free-trade legislation since the North American Free Trade Agreement in 1994.

Trade remains a divisive issue for both parties, Republicans and Democrats Business groups generally favour free trade So do farm organisations, although some individual farmers are opposed, particularly those who think they have been hurt by imported wheat from Canada. The main opposition comes from labour unions, which fear that low-paid workers overseas will get American jobs

Supporters of the Africa bill say it represents a modest trade-oriented approach to development that will supplement traditional forms of assistance and expand African markets for US business And they said its adoption would enhance prospects for security and peace in the region

Opponents argue that, by eliminating quotas and cutting duties on certain textile exports, the bill would set the stage for customs fraud as Asian manufacturers increasingly trans-ship their products through African intermediaries. In addition they expressed concern about the impact on the domestic US textile industry and on US workers

Clothing workers to protest

THE National Economic Development and Labour Council (Nedlac) yesterday considered notice from the SA Clothing and Textile Workers' Union that it would embark on protest action against job losses resulting from government policy and sourcing decisions of retailers

The union said a range of trade and other government policies coupled with the sourcing decisions by retailers had led to job losses, retrenchments and factory closures

The parties agreed yesterday that a further meeting would be held so government could respond to the union's proposals — Reneé Grawitzky

(184) (197)

BD 29/7/99

SADC textile trade agreement unlikely to meet its deadline

(197)

Shirley Jones
KWAZULU NATAL EDITOR

Durban – Any hope of developing the textile and clothing industries in the Southern African Development Community (SADC) through a properly structured free trade agreement was dashed by the direction of negotiations, Brian Brink, the executive director of the Textile Federation, warned last week

Brink said the targeted completion date of June 30 for the SADC free trade agreement appeared ambitious, dictated by political pressures with scant regard to economic feasibility

He said there was an urgent need for a common external tariff for the SADC, and strictly applied rules of origin similar to those governing the Lomé agreement

These rules maximised benefaction and industrial development in the trade bloc and strictly enforced customs laws

"Without these three foundation blocks, an SADC free trade agreement would be exploited by unintended beneficiaries from the East, with the frail industrial structure within the SADC countries being decimated "

He said the opening trade offers from the SADC member states were cause for concern

Malawi's opening offer proposed reducing the duty on 80 percent of goods by year eight of the agreement

It allowed for no reduction on textile and clothing duties, leaving "no scope to explore textile pipeline rationalisation and advantages with Malawi"

The offer from Mauritius was to reduce the duty on 70 percent of its tariff items to zero by the eighth year of the agreement

"However, Mauritius is a clothing export processing zone with zero duties on raw materials such as yarns and fabrics

"It will seriously damage the local clothing industry and indirectly the South African textile industry"

Other countries such as Tanzania, Zambia and Zimbabwe refused to reduce duties

(ETCBR) 7/6/99

Textile imports and exports tax collection discussed

CP 20/6/99 (197)

By SIMBA MAKUNIKE

BUSINESS EDITOR

THE South African Revenue Services this week met the Textile Federation to discuss the improvement of tax collection and adminstration of textile imports and exports.

The viability of the textile industry in the country is under threat from illegal imports

The Commissioner of the SARS said the meeting was aimed at improving communication between the two organisations in the fight against illegal imports.

"The overall goal of these initiatives is intended to improve tax morality within the industry," the Commissioner said. He said the Textile Federation has already provided training to officers in his department at the country's two major seaports in a bid to improve tax collection.

In order to protect the fledgeling textile industry, the government has imposed high tariffs in the sector raising the ire of neighbouring countries like Zimbabwe who produce textiles at a much cheaper price.

Under pressure from the federation and workers' unions, the government also imposed high tariffs to fend off stiff competitions from the East.

Textile industry gets R24m boost

(197)

LESLEY VAN DUFFELEN

Durban – The clothing and textile industry could be stabilised and turned around, Alec Erwin, the minister of trade and industry, told Singapore investors yesterday at the start of a R24 million investment into KwaZulu-Natal's Lotus 2000, a manufacturer of staple acrylic yarns and polyester woven carpets

Of the investment, R12 million comes from Southern Africa Investments Limited (Sail), a subsidiary of Temasek Holdings which is the Singapore government's investment arm, in return for a 16,22 percent share in Lotus 2000

Sail was created after the visit of Goh Chock Tong, Singapore's prime minister, to southern Africa earlier this year It aims to provide a platform for Singapore companies to take part in business opportunities in southern Africa.

The remaining R12 million is being invested by existing shareholder, the Industrial Development Corporation which has a 40 percent stake, and Industrial Investment International, a wholly owned subsidiary of the Tolaram Group of Singapore, whose shareholding will be reduced to 43,7 percent

Erwin said he believed the clothing and textile industry would remain a significant employer, and would even grow as an employer

"The structural change that has taken place in the economy is poising it for sustainable growth," he said "The government has had to make difficult choices in a country with high poverty but we have made the correct ones"

CT(BR) 4/5/99.

Sactwu blames high job cuts on low tariff

CT (BR) 18/5/99 (197)

Frank Nxumalo

Johannesburg – The recently concluded Maputo conference of 13 clothing, textile and footwear trade unions from southern Africa representing some 215 000 workers identified premature tariff reductions and weak custom and excise arrangements as the major causes of massive job losses and factory closures in the region

Ebrahim Patel, spokesman and representative of the South African Clothing and Textile Workers Union (Sactwu), said the region's economies were not well placed to benefit from open system as a result of trade liberalisation forced on them by the industrialised nations

He said many developed and Asian countries had "developed strong industries behind high tariff walls and then liberalised"

"We were asked to liberalise before we modernised our industries We therefore call on governments (in the region) not to reduce tariffs where there is massive unemployment and instead use industrial policy to improve the performance of the industry"

This required massive investment in human resources development in the sector and for the unions to approach the World Trade Organisation for a special development deal that recognised tariff reductions were often damaging to local economies, he said.

The unions condemned export processing zones of the traditional type and said basic labour rights, including collective bargaining agreements and core International Labour Organisation conventions should apply vigorously to such zones

They committed themselves to a day of mass action on July 19 this year throughout the regions in defence of jobs, a living wage and basic labour rights

Poor customs control undermines protection in phase-down

Tariff cut stretches textiles

(197)

ET (OR) 18/5/99

SHIRLEY JONES
KWAZULU NATAL EDITOR

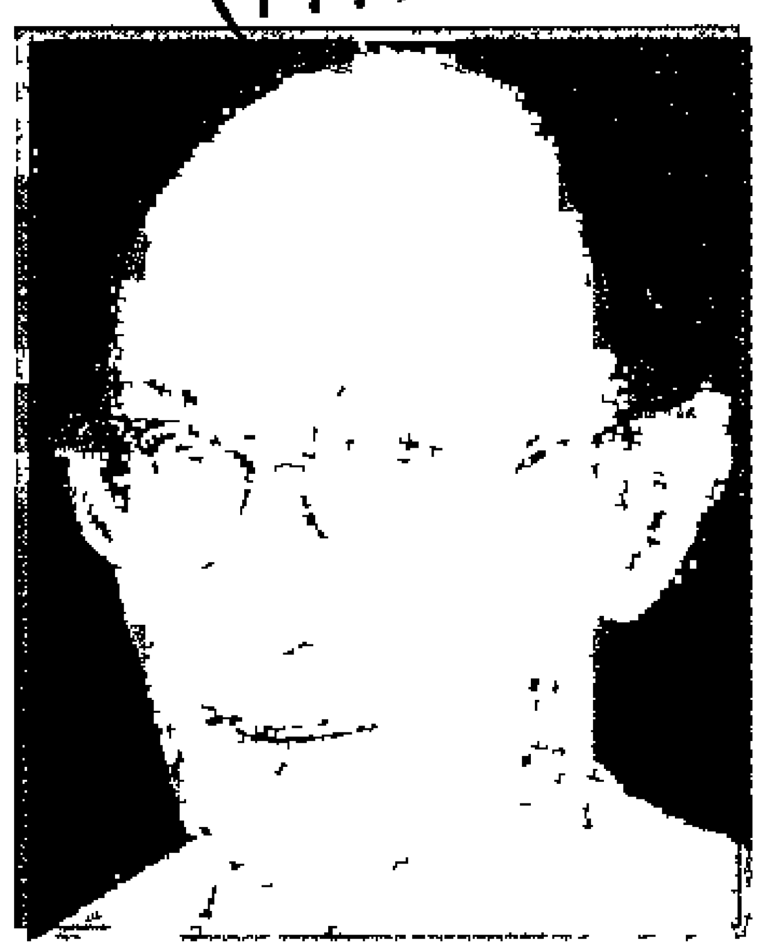
Durban – Restructuring and retrenchments in the textile sector had speeded up in the wake of government-decreed accelerated phase-down of protective tariffs, Brian Brink, the chief executive of the Textile Federation, said

He said in the federation's 1999/2000 directory that local textile manufacturers would soldier on with attempts to be globally competitive despite poor customs control and dubious bilateral trade agreements

Brink said a R4 billion investment campaign had taken place across the sector during the four years since government began phasing down tariffs ahead of World Trade Organisation commitments

The phase-down programme had run half its course, and although the industry had aggressively accelerated the retraining of its workforce, it had been unable to stem job losses

The textile industry is South Africa's sixth largest employer in the manufacturing sector Production is equivalent to about two-thirds of the chemical industry's, or a third of South Africa's agricultural production



ALL CHANGE *Brian Brink, CEO of the Textile Federation*

Textile manufacturers employ 72 000, with another 180 000 jobs dependent on it in related industries such as transport and packaging

Brink said Industrial Development Corporation calculations suggested that for every worker in the textile industry, 2,5 jobs were created in related industries Including workers on cotton farms, some 330 000 jobs depended on the textile industry

However, Brink said while the textile industry ostensibly continued to enjoy protection for the remainder of the phase-down period, this was being undermined by poor customs control

"Imports – mainly from the Pacific Rim – are flooding the local market, a factor further complicated by a series of bilateral trade agreements with neighbouring countries, such as Malawi

"Malawi, which enjoys a non-reciprocal free trade agreement has, in two years, become the single biggest supplier of imported clothing and bed-linen to South Africa At the same time, imports from the East have simultaneously declined It is obvious this country is being used as a conduit for cheap goods from the East," Brink said

He said the soon-to-be renegotiated agreement with Zimbabwe and the deal with Zambia, as yet uninstituted, also carried massive risks

"In addition to these trade deals, which are all characterised by South Africa having given up without exception more than it has received, there is the duty credit certificate scheme, which has boosted even further the trend in imports"

Shoe firms' wage talks stumble over sick leave

(197) CT (BR) 19/5/99

RAVIN MAHARAJ

Durban – Employers in the footwear industry had frozen wage increases during negotiations for a new wage agreement, Martin Poulson, the national leather co-ordinator at the South African Clothing and Textile Workers' Union (Sactwu), said yesterday.

Poulson said the Southern African Footwear and Leather Industries Association (Saflia), which represents the industry's employers, had implemented a wage freeze because the unions wanted to include sick leave pay in the new agreement.

The employer wanted to include sick leave in terms of structures within the Basic Conditions of Employment Act.

Ashraf Ryklief, the national education and training officer of the National Union of Leather and Allied Workers (Nulaw) and a bargaining council member, said the employer felt sick leave pay would increase overall labour costs by 7,5 percent.

Saflia had offered a 4 percent across the board wage increase for the new year on condition there was no increase in the sick-fund component.

The trade unions are asking for a 15 percent wage increase and an improvement in working conditions, especially in connection with capacity building and overtime arrangements.

The next round of talks was scheduled for next week.

The embattled footwear industry has shed about 6 000 jobs in the past year, bringing employment in the sector to about 19 000 workers. More job losses were expected this year.

CLOTHING SECTOR

FM 29/1/99

UNCLEAN, UNCLEAN, THE CRIES CAN BE HEARD

197

The bells toll for a sector shunned by investors

JSE investors continue to shun the clothing, footwear and textile sector and it is not difficult to see why

Battered by cheaper imports, depressed international prices, lower demand and high production costs, companies in this sector have fallen out of favour with investors who prefer to seek value elsewhere

Measured in terms of EPS growth, the sector came last in the *FM*'s recent roundup of industrial sector corporate results And there is no relief in sight

Fresh from a disappointing festive season, clothing firms can expect no improvement in the coming winter months

"Last winter's retail sales were disastrous and most retailers might still be having stock to roll-over into this year," says Malcom Hughes, president of the Textile Federation of SA

International markets also look dull But there is a flipside to the doom and gloom surrounding the industry

Faced with difficult trading conditions, clothing firms have had to knock themselves into shape to remain afloat Most have low levels of debt and are aggressively rationalising in line with market conditions, though with varying degrees of success

This is encouraging, but can only impact significantly on earnings if supported by stronger demand

Sampling a few counters in the clothing sector shows why it makes sense to avoid it, at least in the short term

Gubb & Inggs

For the year to June 1998, the wool maker reported a R2,8m loss from the pervious year's R 2,6m profit

The turmoil in Asia was fingered as the main cause of the loss as all the group's major Asian markets had vanished The situation was no better in Europe and the USA

Finance director Harry Bonner says there is still no significant improvement in the demand for wool and that prices remain depressed "Some of the prices we are expected to sell at are ludicrous"

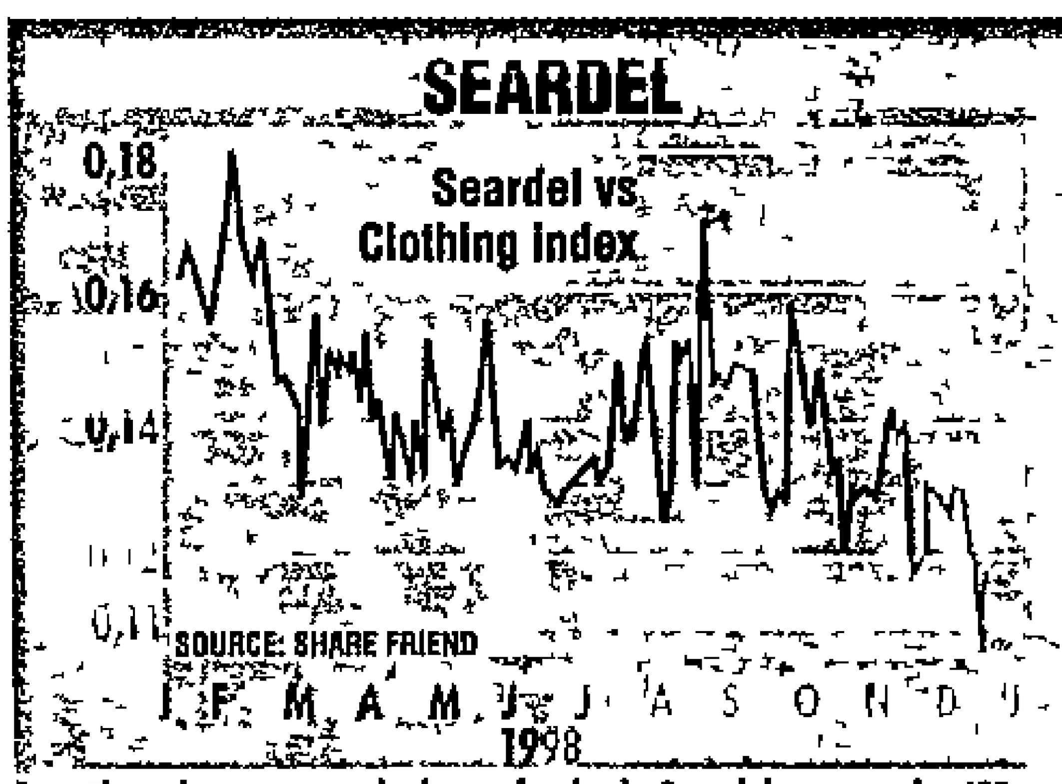
In recent years, the group has been in and out of the red and margins are likely to remain under pressure

It is pinning its hopes on rationalisation and cost-reduction Its low debt should be a big plus

Whatever appeal the share has seems to be eroded by poor prospects

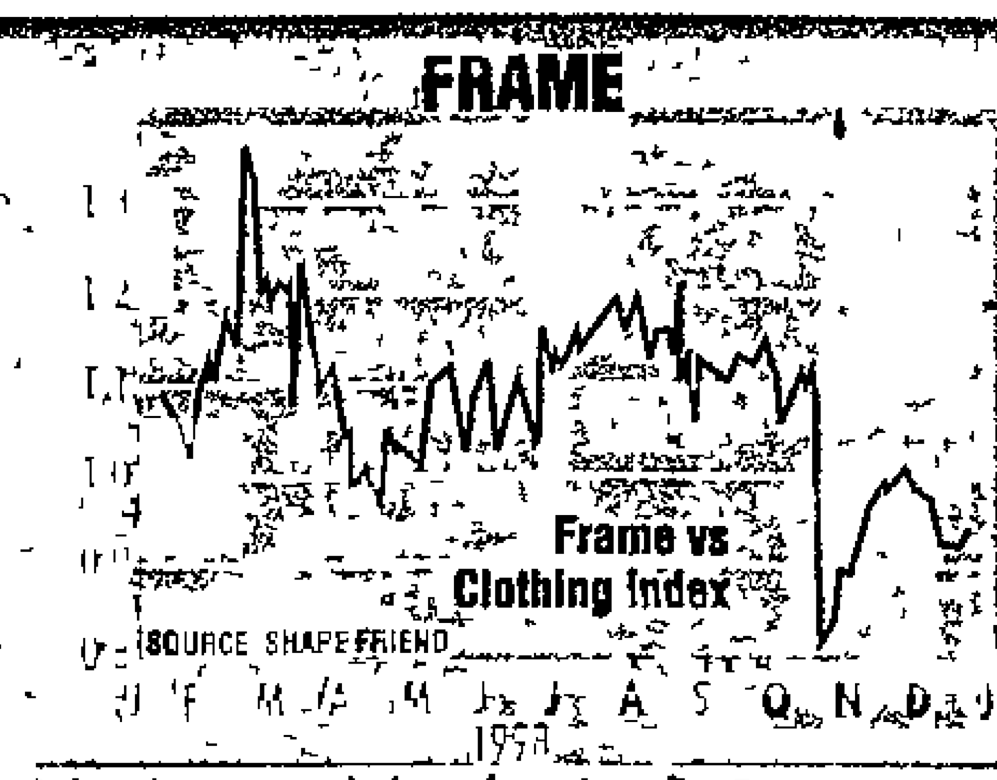
Even its rand hedge qualities fail to draw investors as world demand for wool remains weak Little wonder the counter is so thinly traded

SEARDEL



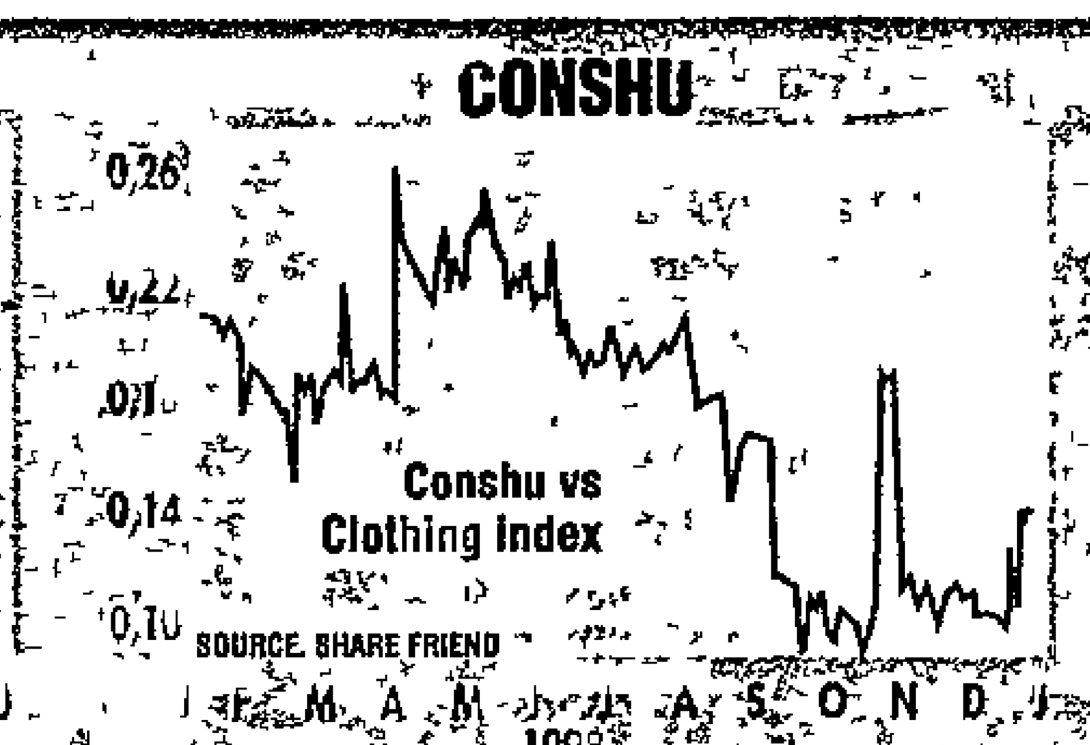
The relative strength chart of volatile Seardel against the JSE Clothing index shows another spurt of strength since reaching a five-year low.

FRAME



The relative strength chart of erratic trading Frame against the JSE Clothing index shows it gaining some strength against others in the sector.

CONSHU



The relative strength of Conshu against the JSE Clothing index shows that it has gained ground in the past two weeks.

Conshu

The move by SAB to sell its stake in Conshu was met with market approval, the share firmed 28c on the day of the announcement which suggests the market expects the new controlling shareholder, Claas Daun, to turn the shoemaker around But this could prove difficult as Daun lacks experience in the footwear industry and the planned retention of Conshu's management means no major changes can be expected in the running of a company already under strain from harsh trading conditions

After a strong showing in financial 1998, margins for the six months to September 1998 shrank following higher input costs and weak demand And a R6m loss from a strike in July made matters worse Now management is forecasting "modest earnings" for financial 1999

Under Claas Daun, Conshu faces an uncertain future It looks like a share to be avoided

Frame

Frame is probably one of the well-positioned clothing firms

The textile group, which also has interests in commercial and industrial property, continues to report impressive results in depressed conditions

Management can justifiably complain about the way investors treat the share,

It's likely that the overall negative sentiment towards the clothing sector blinds investors to the share's potential

The group attributes its performance to rationalisation and massive investment in new technology

While trading conditions are likely to remain tough, the group's strong fundamentals should save the day and the share's long-term prospects look good

Seardel

Much like Frame, Seardel has interests beyond the clothing sector, which should minimise the effect of depressed conditions in the clothing sector Its latest financials illustrate this point clearly

A strong showing from electronic subsidiary Seartec boosted headline EPS, which came in 28% higher on last year's pro forma figures, these exclude Frame's results

The exclusion of Frame's results follows an announcement that the group intends simplifying its structure Seardel has a 26,8% stake in Frame

To deal with the slump in the clothing sector, the group rationalised aggressively Though it is confident of higher export revenue from its apparel division, trading conditions continue to bother management

The December interims should give pointers on the share's prospects

Rex Trueform

A reflection that the group is not immune to the vagaries of the clothing sector is that for the year to June, though operating income jumped 16%, there was a meagre 0,6% rise in margins Both the manufacturing and retail arms performed well, and exports did not disappoint

Following the popularity of the group's retail chain, Queens Park, more outlets will be opened In fact, the retail division, which began only in the early Nineties, has become a major contributor to the group's earnings This trend is expected to continue

Maybe it's time the group moved its listing to the retail sector as its continued listing under the embattled clothing sector could be harming the share's tradability

Percy Mthimkhulu

Turks in a R20m textile joint venture

ARG 3/4/99 (197)

ROY COKAYNE

Pretoria — Zorlu Holdings, a major Turkish industrialised company, and Zayd Tayob, a South African businessman, had invested more than R20 million in a new textile factory in Pretoria, Tayob said this week

Tayob, the managing partner of Korteks Textiles Africa, the new business, said Zorlu was one of the largest industrial companies in Turkey, with an annual turnover of more than $1 billion and 15 000 employees

He said the money represented only an initial investment in the new joint venture, which was a subsidiary of Zorlu Holdings

"Plans for further expansion are already in the pipeline They could take place within the next 12 months," he said

Tayob, whose family has been involved in textiles for more than 50 years, said about 75 percent of the initial investment was in imported, state-of-the-art embroidery machinery

Korteks Textiles Africa's 8 000m² greenfield factory, in an industrial township in Sunderland Ridge, was officially launched this week It started operating six months ago

"The factory currently has a capacity of 15 million square metres of fabric per annum The expansion will add 2 000m² to the size of the factory and increase its capacity by an additional 10 million square metres of fabric," Tayob said

"Korteks Africa is one of the first vertically integrated net curtain manufacturers in South Africa, and projects a turnover of $15 million for the next three years"

The company has two competitors based in Cape Town The highly capital intensive factory employs about 100 people

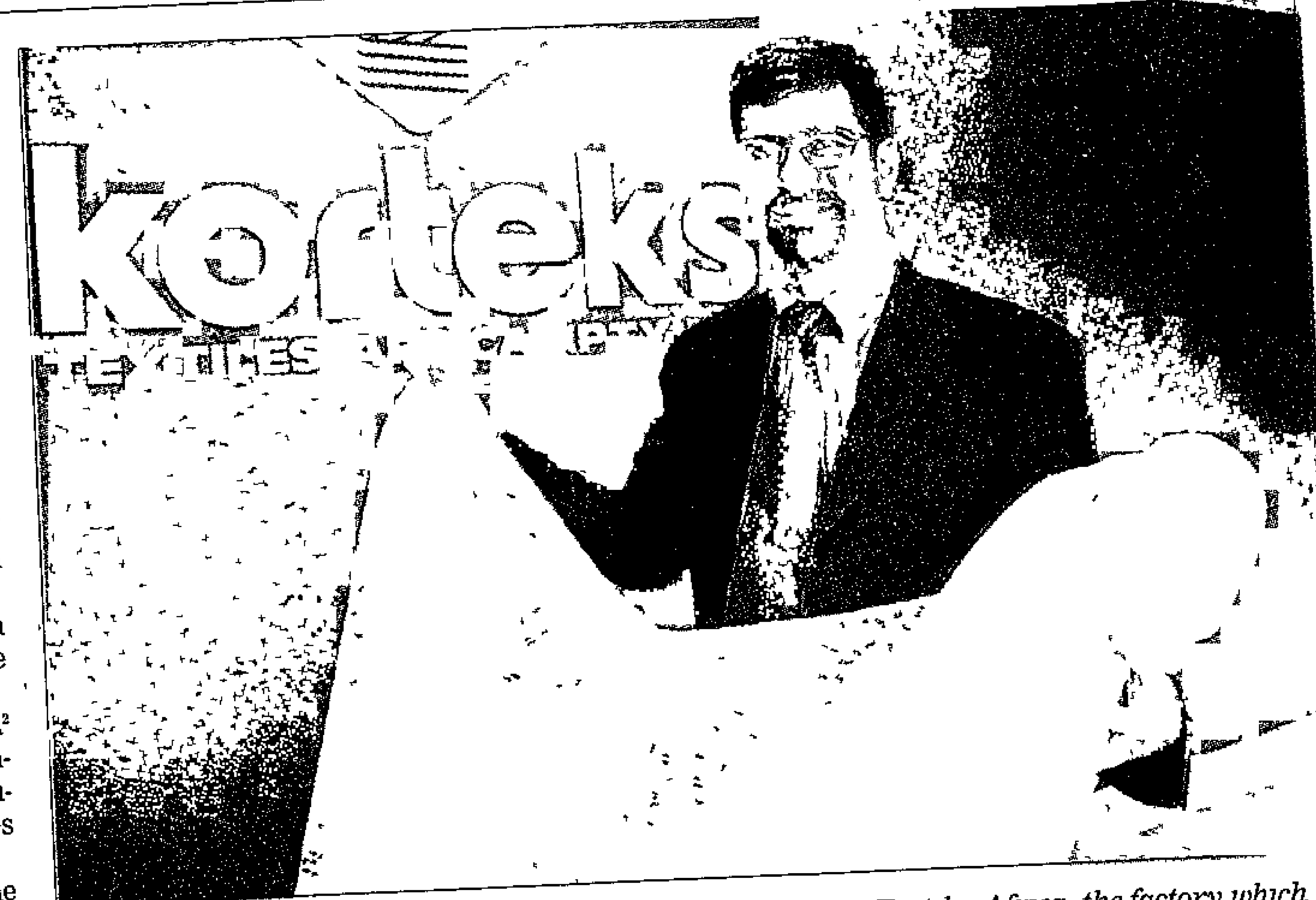
"We try and employ skilled people, but if the skills don't exist we import training programmes from Turkey The main reason for the joint venture with Zorlu Holdings was the transfer of skills rather than capital," he said

Tayob said Zorlu had an established market share in South Africa through the distribution of its textile products to wholesalers and chain stores

The bulk of the factory's production was for the local market, with the balance exported to the rest of the Africa

"Zorlu feels South Africa is a springboard to the rest of Africa It used to export to Africa from Turkey but this will now be channelled through us to Africa," he said

Zorlu also has textile interests in France, the US, the Netherlands, Belgium, Germany and the UK



MATERIAL WORLD *Zayd Tayob displays a product of Korteks Textiles Africa, the factory which has received R20 million investment from his joint venture with Zorlu Holdings* PHOTO SELWYN TAIT

Rising imports 'justify' R131m Coastal plant

BD 7/4/99 (197)

New factory at Hammarsdale gives polyester buyers their first local source

Nicola Jenvey

DURBAN — A 37% rise in the import of man-made fabrics in the nine months to September last year strengthens the decision by textile company Coastal Group to establish a R131m polyester production plant in Hammarsdale, says Ram Sridhar, CEO of the company's polyester division.

Coastal has established greenfield factory projects in Hammarsdale in KwaZulu-Natal and Gaborone in Botswana to produce fabrics for women's dresses and men's suits. The new garment unit in Botswana will add maximum value to the polyester operation, Sridhar says in the company's annual report.

Quoting Textile Federation figures, Sridhar says that between January and September last year SA imported 10,94-million kilograms of man-made filaments, 37% more than in the corresponding period in 1997.

Clothing imports rose more than 40%, and these statistics "strengthen Coastal's commitment" to producing polyester fabrics and garments in southern Africa.

At Hammarsdale, machinery installation began last October, and most of the machinery in the suiting section was in place by December. Installation in the women's dress fabric section was on target, and the printing division is expected to be online by the end of this month.

Building a polyester plant in southern Africa lets buyers source product locally for the first time, effectively cutting lead times to about six weeks, and improves cash flow for Coastal clients as companies are not obliged to finance letters of credit before ordering.

Coastal marketing and sales director Mike Donegan says the polyester fashion fabric market is growing at 8% a year.

Coastal expects to sell 60% of the garments produced from the 36-million meter capacity plant to the local market and 40% to Europe and the US. Exports will continue through the Botswana garment facility since Coastal enjoys Lomé access from that country.

Chairman Marimuthu Srinivasan says the group policy of vertical integration has motivated Coastal to add to the polyester division by creating a twisting plant, which converts standard filament into high-margin twisted yarn which can be woven into greige (undyed or unbleached) fabric.

Orders were finalised for the twisting machinery in the last quarter of last year. Machinery already shipped will be installed by the second quarter this year.

Srinivasan says that if southern African textile companies are to survive, they must be internationally competitive in terms of finance and mindset. This requires them to globalise their business with international networks and partnerships.

"This is what Coastal with its international partner (Texmaco in Indonesia) brings to the southern African textile and clothing sector," he said.

Union to recycle illegal imports

John Dludlu BD 15/4/99

(197)

THE SA Clothing and Textile Workers' Union is to take steps to curb the damaging effects of illegally imported goods

Sactwu general secretary Jabu Ngcobo says the union is setting up a company that will shred and recycle illegal imports that are confiscated by customs officials

In spite of reservations by the textile and clothing industries, the union has applied for a section 21 company (not-for-profit organisation) status

"We already have machines and a site," says Ngcobo A business plan has also been drawn up It is unclear how much the initiative has cost

Ngcobo says talks with government will be held shortly to discuss the regulatory steps to be taken He says business supports the idea

Sactwu's plans represent the first step in dealing with confiscated goods since government halted the practice of auctioning the goods Previously, such goods were exported out of the continent

A government official says the recycling plan will help reduce the excess goods stored in government warehouses

The textile and clothing industries have previously estimated the value of illegal imports at R1bn

Brian Brink, the executive director at the Textile Federation, says the industry's first choice would be for government to take responsibility for the recycling process or contract this function out If Sactwu is prepared to shoulder this responsibility, so be it, he says

Ngcobo has said profits generated by the venture will either go towards worker training or be donated to charity

'A losing soccer, cricket or rugby side does not bring peace ... it leads to anger'

- Cape Points, page 17

CAPE ARGUS
WEDNESDAY
MARCH 31
1999

Pulling the wool over workers' eyes

Small business owners 'deprive staff of union rights and other labour benefits'

ARGT 31/3/99 (197)

Entrepreneurs are abusing their status as small businessmen and women to deprive thousands of clothing and textile workers in the Western Cape of basic workplace rights and legally stipulated wages

TYRONE SEALE
SPECIAL WRITER

Under cover of doing their bit for the economy, company owners who refuse to join employer associations and follow the Labour Relations Act (LRA), are operating sweat shops where written contracts are non existent and where workers are threatened with their jobs when they cite their rights under the LRA

Where workers insist on their rights, owners frequently shut their businesses at short notice, only to reappear several weeks later using different company names and employing newly-recruited and intimidated staff to continue supplying textiles and garments to retailers

Between them, the South African Clothing and Textile Workers' Union (Sactwu) and the bargaining council for the industry – comprising 50 50 employer and union representation – believe there are hundreds of unscrupulous operators of small factories

Sactwu estimates that some 5 000 workers are playing Russian roulette with their rights every day in these factories

In separate interviews, Sactwu's media officer, Rachel Visser, and Ronald Bernickow, labour affairs manager for the bargaining council, said this situation reflected an abuse of the government's largely uncritical drive to promote small and medium enterprises

"This is what you get when you have unfettered deregulation," said Mr Bernickow He said the challenge facing the bargaining council's inspectorate was to strike a balance between enforcing the law and protecting jobs

He cited a case where a company that had come under pressure to join the council and to entertain workers' rightful demand to join a trade union, had refused to accede Instead, it put 200 people out of work, sacrificing a lucrative contract with a national fashion retailer

He said the owner was sure to resurrect the business under another guise

Mr Bernickow was also reacting to a complaint to the Cape Argus by Washiela Esburgh, of Steenberg, who until Monday was a supervisor at New Concepts, a Diep River clothing factory that employed 42 people Mrs Esburgh has 15 years' experience.

According to Mrs Esburgh, factory owner Kevin Arendse owed the New Concepts staff three weeks' wages

Mrs Esburgh said Mr Arendse told staff that the factory was not making money and that he was closing it down.

She and her colleagues found this strange, as they consistently recorded good production which sustained the company's contracts with major national retailers

Mrs Esburgh said Mr Arendse had on several occasions threatened to close the business when staff had indicated their interest in joining unions

Mr Arendse runs three other factories, but he is not part of the bargaining council, which confirmed that Mr Arendse had previously been the subject of complaints about ignorance of labour law

On Monday afternoon, as staff waited outside the factory to eventually receive a week's pay, Mr Arendse told the Cape Argus that he was on the verge of renting the factory to two businessmen who would take over the staff

He said he was waiting on "the money to get here" so he could pay workers all the money they were owed.

But Mrs Esburgh said later that the staff had only received a week's pay.

At the bargaining council, Mr Bernickow said the Basic Conditions of Employment Act, coupled with the Labour Relations Act, provided protection for workers, unionised or not, and imposed severe penalties on employers

In some cases, the Labour Court could impose a fine of double the value of the employer's debt to staff, on top of ordering such an employer to compensate affected workers to include interest that accrued during the dispute

Mr Bernickow said he regretted the Labour Relations Act's decriminalisation of such transgressions Abusive employers now faced penalties without the added threat of having their abuses reflected on their personal criminal records, he said.

Rachel Visser of Sactwu said "There are hundreds of them (abusive employers) who you could call small businesses. There are more than 5 000 people employed by companies like this"

She said workers had to demand from employers contracts setting out the conditions under which they would be working.

She advised prospective employees to check with trade unions, the bargaining council and the Department of Labour whether specific companies were known to them or registered with statutory bodies

She said some of the worst employers made no deductions for workers' unemployment insurance, health benefits or other essentials, and desperate workers were only too pleased to end up with more cash at the end of each week.

"And when the company closes, they've got nothing This is the gamble everyone takes when they join a company where there is no rights culture "It's a tough thing to do, but our advice is when you come across someone like this, just don't take the job"

Ms Visser said employers stood to gain significantly from having unions on the shopfloor

Unions could help to develop productivity, analyse problems and improve owners' own skills and understanding of their businesses

Clothing workers picket after work time reduced

Sactwu and IM Lockhat clash on outsourcing

ET (BR) 29/3/99 (197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The South African Clothing and Textile Workers Union (Sactwu) and IM Lockhat clashed this week over complaints that workers were being retrenched and put on short time, and orders being contracted out to dubious cut, make and trim operations paying starvation wages.

Glen Goldstone, the shop steward at IM Lockhat, one of Durban's oldest and largest clothing operations, said the company had sent out work for finishing to a tuberculosis clinic near Newlands East

However, the union was unable to prove this conclusively. In the interim, he said, the "suspicious operation" at the clinic had been closed down

The disagreement culminated in a picket in central Durban last week and the handing over of a memorandum listing workers' grievances. This followed the enforcement of a three-day working week for a large portion of the company's workforce after IM Lockhat said it intended laying off employees and orders began decreasing

Sactwu has demanded that the company bring back work which has been outsourced, ensure that its workers have a five day working week and stop giving work to cut, make and trim operations which did not comply with Industrial Council rates and regulations. The union also demanded the suspension of further retrenchments.

Mervyn Naidoo, the industrial relations manager for IM Lockhat, said last week that though the company understood the reasons for its workforce's protest, the protest was illegal and no dispute had been declared Nothing had been discussed between the company and its workers

Naidoo said the industry was in shreds. His company, he said, was competing against clothing manufacturers whose standard practice was to give out work to smaller companies which operated outside industrial agreements

Len Smart, the head of the local bargaining council, said he could not comment because there had been no unfair labour practice and the issue was mainly commercial.

However, industry leaders admitted this week that the clothing sector was crumbling They feared labour unrest would escalate in the run-up to further retrenchments and industry wage negotiations

TEXTILES *Focus will switch to lower end of market*

Glodina finals in tatters

CT (BR) 24/3/99 (197)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Difficult retailing conditions had a devastating effect on Glodina, the towel manufacturer, driving down headline earnings to a 14,45c a share loss for the year to December 31 after a profit of 10,94c a share in the previous year

Paul Redondi, Glodina's managing director, said yesterday that, in an unforgiving trading environment characterised by high interest rates and declining consumer disposable income, the company had managed to expand market share by about 10 percent to increase turnover by 11 percent to R127,4 million

That did not translate into profit Operating income plummeted from R13,1 million to R3,9 million, resulting in a R4,6 million after-tax loss No dividend was declared

Glodina's pretax loss was R6,8 million after the company managed to claw its way back to a R4,9 million pretax profit the previous year following a disastrous 1996

Although Redondi said Glodina was "small enough to come back again" and had a recovery strategy already in place, sectoral analysts were more sceptical, citing not only the problems of the sector in general, but Glodina's yo-yo profit cycle history

But Paul Balladon, Glodina's financial director, said recovery prospects were linked to a turnaround in retail customer confidence

Last year top-end retailers, for which Glodina had manufactured a great deal of exclusive merchandise, had not achieved expected sales Merchandise produced for major retailers that should have carried higher margins had to be sold at significant discounts to retailers at the lower end of the market Glodina had to shoulder the cost of the inventory carried for major retailers and the loss on the ultimate sale of the merchandise, Balladon said

In future, Glodina had to make sure it could operate profitably in each of its key trade channels, re-reading its market and concentrating less on the upper end of the market, he said

Redondi added "The focus of our sales and marketing will be mass cash discounters and key independent stores We will also focus on the development of a significant export market"

Balladon cautioned that it would take some time for this to affect Glodina's bottom line Current volumes were still too small and any positive effect would only be felt later this year or early next year

Glodina's gearing stands at 59 percent As part of its turnaround strategy, the company aims to better manage finish goods stocks, bringing down raw material and work-in-progress inventories down in order to reduce borrowings, Balladon said

Glodina shares, which have not traded since March 19, were at 32c on the JSE yesterday

BATHROOM BLUES *Paul Redondi says Glodina will focus on mass cash discounters and the export market*

PHOTO BARRY TUCK

Glodina income plunges 70%

Production problems, inefficiencies and technology glitches have been dogging the company

BD 24/3/99

Nicola Jenvey (197)

DURBAN — Industrial textile group Glodina Textiles continued its erratic swing between profit and loss in the year to December when operating income slumped 70% to R3,8m

MD Paul Redondi blamed "extremely tough" trading conditions precipitated by a sharp increase in overdraft interest rates, but the company has spent the past few years battling production problems, inefficiencies and technology glitches

Redondi said the top-end retail outlets were the worst affected by the higher interest rates, which means that sales to these companies dropped Glodina consequently had to sell merchandise produced for these customers to discount retailers at lower prices

Although turnover grew nearly 11% to R127,4m, this was at the expense of margins The resulting after-tax loss was R4,6m (1997 R3,3m profit) This translated into a headline loss per share of 14,45c (10,94c profit) and a waived dividend (2,5c)

Glodina increased its staff complement to better service customers through greater inventory availability and improved on-time delivery rate, Redondi said This strategy was also designed to compensate for the lower margins brought on by greater price elasticity for consumers

Inventory levels fell due to a reduction in raw material and work-in-progress stocks Raw material stocks were reduced due to a switch-back to local supply where lead and delivery times are shorter

Redondi expected these, with finished goods stocks, to fall further this year

"The current challenge is to profitably produce and sell the appropriate merchandise in terms of price and quality for the different retail chains — mass discounters, fashion retailers and independents," he said.

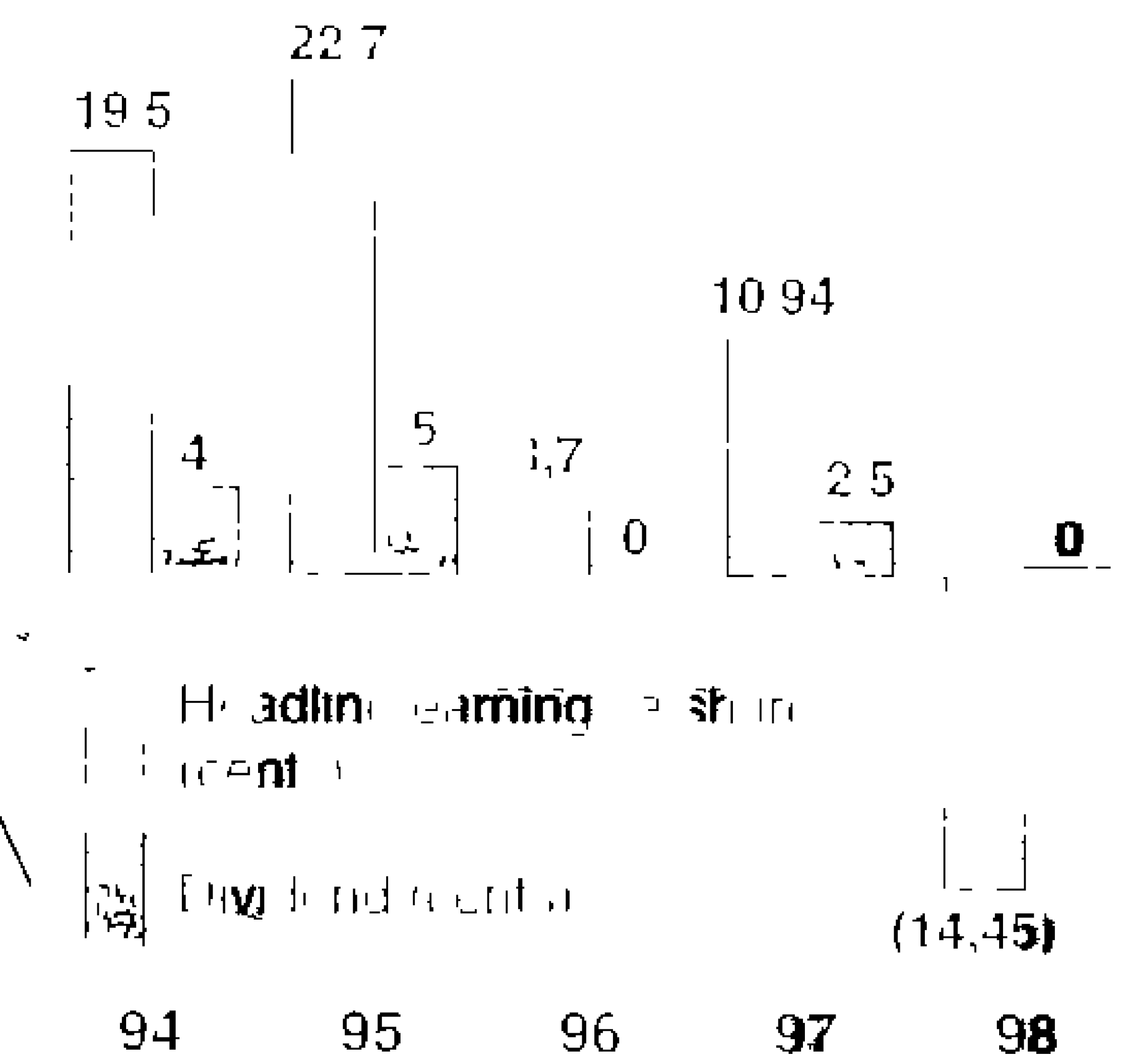
Marketing would concentrate on mass cash discounters and independent stores, as Glodina perceived these channels "to have the largest growth potential"

The company would also capitalise on inroads made into exports, while improving and rationalising production facilities to further reduce manufacturing costs

Although the order book was strong, margins would remain under pressure this year

"Notwithstanding the current difficult economic environment, the trend towards lower interest rates should improve prospects for Glodina in the second half of 1999 and the company is expected to return to profitability by the end of the year"

Glodina Holdings



KUBEN DAVID Source GLODINA HOLDINGS

NEW BLOOD *Henry Yih from Joseph Sport International, the Taiwanese exhibitor, displays some products at the opening of the International Clothing and Textiles Trade Week in Durban yesterday* PHOTO BARRY TUCK

(197) CT(DR) 24/3/99

SA's clothing and textiles sector 'must embrace global market'

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The clothing and textile industry had to grow up, shrug off its xenophobia and welcome international companies into its markets, Philip Krawitz, the chief executive of the Cape Union Mart group, said at yesterday's opening of the International Clothing and Textile Trade Week in Durban

Krawitz stuck his neck out in a local industry traditionally suspicious of competition from the East and welcomed companies from Taiwan and China, saying a country frightened of development had to learn to value its diversity to develop the strength to compete

He said ultimately Africa stood to be the world's largest developing market, providing South African businesses with greater opportunities South Africa was well positioned as the conduit into Africa, one of the most exciting markets in the world

Predicated population figures showed that by 2012, the African continent would be one of the largest untapped markets in the world

"There is a place for each of us, but we have to choose our niches more carefully," Krawitz said He suggested the clothing and textile industry should develop a similar perspective to the motor industry by focusing on its strengths and developing key export markets for defined products and importing to fill the gaps

The high duties on clothing and textile imports flowed from the country's greatest crime, he said. In the past, its people had been deprived of education and training, making its labour force more resistant to market shifts and more partial to protection.

But Krawitz said the government was keen to see duties reduced and the textile industry as part of the global marketplace

Krawitz appealed to the local industry to back America's Africa Growth and Opportunities Bill with all its might

"It is no use continuing to rape this continent by exporting our raw materials when we need to export value-added products and create jobs "

But while Krawitz welcomed overseas companies into local markets, he called for level playing fields He appealed to would-be exporters to ascribe to high moral values and not resort to child labour or starvation wages.

"Trade is the game, morality and efficiency the rules and prosperity the prize," Krawitz said

Mooi River facing hard times

BD 2/3/99 (197)

Nicola Jenvey

MOOI RIVER — The KwaZulu-Natal midlands town of Mooi River is in danger of becoming a ghost town after the imminent closure of its largest employer, Mooi River Textiles.

The decision by German industrialist Claus Daun to close the factory will wipe out about 1 000 jobs and slash 60% off the town's electricity consumption, and about R1m a month from disposable income flowing into local businesses.

Mooi River Chamber of Commerce and Industry president Alan Venables likened the move to closing a mine in a mining community.

Mooi River Textiles pumps R50m a year into local wages. The knock-on effect will be reflected primarily in the loss of income to the Mooi River community, rather than in the domino effect as small companies lose their main customer.

Venables said about 60% of those being retrenched had school-aged children, which meant scores of children would disappear from the system as their parents sought work away from Mooi River. This would lead to further retrenchments among teachers.

The neighbouring township of Bruntville has a 65% unemployment rate which will be compounded as nearly 800 workers try to re-enter the job market.

Mooi River Textiles was a division of Anglovaal Textiles, which incorporated four factories around the country. Daun bought the factories for R120m in August

Venables said Daun repeatedly warned Mooi River Textiles' management to get the factory into the black or face closure when he moved to Da Gama in East London.

Mooi River Textiles owes R77m and the interest bill, coupled with operating losses, costs Daun R2m a month. Unsold stock amounts to R40m However, the cut, make and trim division is profitable and will stay in Mooi River, employing about 150 people.

One estate agent estimated that more than 10% of the housing stock in the traditionally white area would come on the market as a result of the closure, which meant house prices would tumble as people left to find jobs.

In Bruntville 750 new houses had been built under government's low-cost housing scheme in the past 18 months. Another 2 000 are scheduled for completion soon Venables questioned whether their occupants would find jobs.

Mooi River town clerk Don MacAllister said the move was "devastating". The local authority and the town faced a dramatic drop in income

A public meeting was scheduled for today to discuss the matter, he said.

Footwear makers put the boot in

(197) CT(BR) 3/3/99

RAVIN MAHARAJ

Durban — The embattled South African footwear industry was "sick and tired" of the continuing flood of cheap counterfeit goods from the Far East and had decided to take the bull by the horns to seek a speedy solution to the "epidemic"

David Palmer, the marketing director of Medicus Shoes, the Port Elizabeth-based footwear company, said yesterday that industry players were forming an Association of Imported Goods and Apparel in an attempt to put the boot into fakers

He said one of the initial aims of the association would be to pool their capital to erect warehouses to store counterfeit goods until a further solution was found.

The idea was to put up warehouses initially in Port Elizabeth, Cape Town, Durban and Johannesburg "We cannot wait for government handouts while the industry continues to be decimated (Nothing) has happened until now and companies are angry," Palmer said

Several companies, including Medicus, which has the exclusive distributor rights for Caterpillar-branded footwear such as the popular "Walking Machines", have joined the Anti-Counterfeit Coalition to speed up efforts to track down counterfeit goods

Counterfeit imports have hampered competitiveness and translated into job losses

On another note, Cedric Novis, the executive deputy chairman of Bolton Footwear, the footwear manufacturer, said a combination of high interest rates, which had shrunk consumer spending, and soft retail trading conditions continued to "hit the industry between the eyeballs"

He said a practical example was the destruction of the local ladies footwear market, given the readily available fashionable imports from Europe and the Far East

Novis said the disparity between the price of imports and locally produced women's shoes was huge It was cheaper in some cases to import shoes and retail them

He said trendy new women's shoes from Spain, and particularly South America, were heading for South Africa's shores

The devaluation of Latin American currencies would make this a good hedged proposition for those countries but would continue to hurt the local industry, Novis said

Men, on the other hand, had greater loyalty to their chosen brands, which meant this market was in a somewhat better position, he said

Shutdown creates panic in Mooi River

(197) BD 3/3/99

Nicola Jenvey

MOOI RIVER — Residents have called for Chinese investment to replace the town's largest employer, Mooi River Textiles, which is to close soon.

At an emergency public meeting yesterday, residents suggested that the business community attract Chinese investors to the region. The People's Republic of China has already established a range of new factories in nearby Ladysmith. This followed an investment drive by the KwaZulu-Natal Marketing Initiative advertising the investment potential of the town.

Mooi River residents at the meeting said the KwaZulu-Natal Midlands town should be promoted as an investment haven on the N3, with an abundance of labour.

Da Gama Textile Company, whose controlling shareholder is German industrialist Claus Daun, effectively purchased Anglo Vaal Textiles in July last year. Mooi River Textiles, which has been unprofitable for several years as the industry adjusted to overcapacity and increasing legal and illegal imports, was a division of Avtex.

Daun's decision to close down the loss-making factory will wipe out about 800 jobs, reduce the town's electricity consumption by 60% and result in a loss of about R1m a month from disposable income flowing into local business.

Da Gama CEO Harry Pearce said the Mooi River Textiles cut-make and trim (CMT) operation could be restructured and remain in the town, but the fabric and yarn manufacturing would closed down, possibly by the end of May, with the loss of 800 jobs. This figure will rise to 1 000 if the CMT is closed.

Meanwhile, Mooi River mayor Justice Shabalala said the proposed closure "has taken the business community by surprise" but he urged residents to "put their heads together and come up with a solution" for saving the town.

Mooi River Chamber of Commerce and Industry president Alan Venables said residents must "put the decision in perspective". Da Gama was not cash-flush and Mooi River Textiles carried a R77m debt." The company also has R40m in unsold stock.

Local businessman Phil Chaperon criticised the statement, saying Da Gama was "only interested in its bottom line".

Imports sap vitality of the local textile industry

ET(BR) 3/3/99 (197)

RAVIN MAHARAJ

Durban — It was becoming easier and more attractive for the textile industry to import yarns and fabrics because of the phasedown of import duties and the duty credit certificate scheme, Helena Claassens, an economist at the Textile Federation, said yesterday.

During the first nine months of 1998, yarns worth R426 million had been imported, 21 percent more than the same period in 1997. Increases were mainly in yarns of cotton and man-made staple fibres. Fabrics imported during the same period were 13 percent higher at R1,41 billion.

Claassens said the value of exports of textiles had declined 5,2 percent, according to 1998 export statistics. "This was alarming as the industry's survival was in exports." The demand for locally manufactured textiles had also slumped.

There was growth in retail sales of clothing, but there was a decline in the retail sales of textiles to a level lower than that of 1996.

Claassens said the difference between the clothing and textile performances had been made up predominantly by imports, which could be attributed to the duty credit certificate scheme.

Latest preliminary South African textile market indicators showed employment on average had declined to 75 534 from 76 068 in 1997. Textile capacity use had dropped to 75 percent from 80,6 percent.

Claassens said the cotton industry was expecting a higher crop this season than originally anticipated. Cotton prices appeared to be coming down. During the last quarter of 1998, the South African price was between R7,10 and R7,94 a kilogram.

Claassens said a number of issues would continue to affect the local clothing and textiles industry. These included Southern African Development Community negotiations, the continuing debate on the US's Africa Growth and Opportunity Bill, existing trade agreements between South Africa and Zimbabwe, Malawi and Zambia, and the smuggled textiles and clothing.

Textile demand was expected to remain weak and the reaction to lower interest rates would be slow.

Frame earnings down despite cost-cutting

CT (BR) 12/2/99 (197)

SHIRLEY JONES

Durban — Frame, South Africa's largest textile company, recorded an earnings drop and turnover decline during the six months to December 1998 despite consistent investment and technological upgrades over the past four years that have increased both manufacturing and cost efficiencies

Roy Sable, the group executive chairman, said yesterday that turnover for the interim period had slumped 10 percent to R638,3 million However, the decline in headline earnings a share had been a modest 2c to 81c for the Frame group as a whole, but a 1c increase to 47c for Confram, the operating company

Sable said that with volumes down and deflationary pressure on prices from currency depreciations and overcapacity in Asia, Frame's focus on cost containment had been intense The group weathered the worst sectoral downturn in 50 years

Income before interest fell 17 percent to R35,5 million at Frame, while Confram recorded a 9 percent drop to R39,4 million

Frame's attributable income fell 8 percent to R17,7 million and Confram's eased from R24,9 million to R24,1 million Earnings a share dropped 8 percent to 83c and 2 percent to 48c respectively

Frame maintained its dividend at 10c and Confram at 6c

Sable said Frame had continued to buy Confram shares as part of a strategy to flatten the group's ownership structure During the interim period, its holding in Confram increased to 82,1 percent from 74 percent in December 1997 for an investment of R35 million

He said Frame's weakest point remained Romatex, whose recovery during the past financial year was fragile Earlier this week, Romatex reported an attributable loss of R2,7 million for the half year as opposed to a R1,8 million profit last year

Frame's property division turned in a positive performance, with its external rental revenue increasing by 43 percent to R7,2 million

Capital expenditure for the half year was R18,8 million, bringing total investment in its turnaround to over R400 million over four years

Although Sable was pessimistic about market conditions, he said Frame's strategy to improve efficiencies, quality and service would continue to provide some stability