MANUFACTURING — CLOTHING

1991

JAN. — SEPT.

TRACLO FM 4/1/91 (184)

CHANGE OF EMPHASIS

Since listing in 1987, Traclo has aggressively pursued market share. Success here is reflected in the increase in turnover by more than 60% in the past two years But shareholders, especially outsiders who paid 60c a share in the private placing/preferential offer ahead of the listing, must be wondering whether the costs have been worth it.

They have lost two-thirds of their capital, against which the 4c received in dividends to date — 2c each in 1988 and 1989 — pales into insignificance.

To be fair, the poor financial results, particularly last year, cannot altogether be blamed on the company or its policies Any attack on market share based on cutting margins carries high risk. When this is compounded by sudden change in the business climate, as in the first half of calendar 1990, results can be disastrous

The dramatic change in fortunes is evident from analysis of the half-yearly results. In the first half of the year to June 1990, it could be argued the group's policies are still working It achieved a small increase in EPS, despite a substantially higher interest charge But under the tougher trading conditions of the second half, margins crumbled so that the group was operating at little more than break-even

Operating profit was swamped by interest charges and a bottom line loss equivalent to 1c a share was incurred This virtually wiped out the first-half profit and, with annual earnings of only 0,4c, brought the cumulative earnings decline over two years to 94%.

There is evidence that management has responded quickly and effectively. The total asset base has been trimmed back, with the result that the asset turn ratio has continued to improve, bringing the cumulative gain over two years to 27% — from 1,75 times in 1988 to 2,23

The same success in asset management is found in working capital. Calculated net (stock plus debtors, less creditors) working capital in relation to turnover has declined from 28,6% to 20,2%, most of this occurring in 1990

Without tight asset management, last year's results would have been worse. This, however, limits options when it comes to recovery There is only one real option and that is to restore profit margins which, taking the full 1990 year, were little more than a third of the 1988 level. Underscoring the urgency, interest cover has slumped to 1,3 times and, despite some reduction in debt, the balance sheet remains heavily geared with the gearing ratio at 1,04

There are, however, at least two reasons why this year's results should show improvement Firstly, 1990 profits were arrived at after a write-down of stocks — hopefully a non-recurring item Secondly, interest charges should moderate as the benefits of the reduction in borrowings have not yet filtered through to the income statement Last year's effective cost of debt, taking interest charges in relation to total year-end borrowings, was a high 25,4% If debt can be held down, this should lead to a reduction of about a fifth in the interest burden

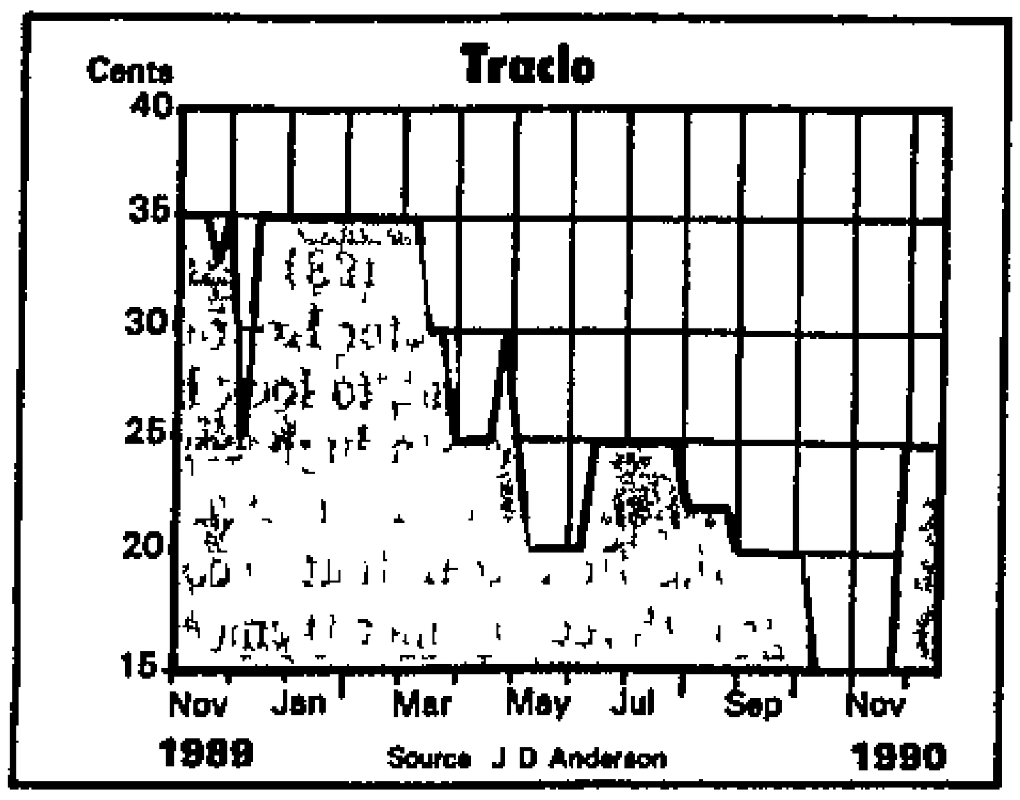
If Traclo is to fulfil its potential, it needs a breathing space to achieve the benefits that should have been conferred by the expanded turnover base. MD Michael Destombes basically agrees and says management emphasis has switched from increasing market share to restoration of margins Effects of this change are unlikely to reflect in the intertim results which, measured off a relatively high year-ago base, will be lower. Benefits should, however, be evident in the second half

Brian Thompson

Activities: *Manufactures and distributes clothing.*
Control: *Directors 40%.*
Chairman: *L Lipkin; MD: N A M Destombes*
Capital structure: *23,4m ords. Market capitalisation· R4,7m*
Share market: *Price: 20c. Yields 2,0% on earnings; p e ratio, 50,0 12-month high, 35c, low, 15c. Trading volume last quarter, 640 000 shares.*

Year to June	'88	*'89	'90
ST debt (Rm)	2,7	5,7	4,3
LT debt (Rm)	1,2	1,4	1,1
Debt.equity ratio	0,71	1,26	1,04
Shareholders interest	0,38	0,30	0,29
Int & leasing cover	6,1	2,2	1,3
Return on cap (%)	22,5	12,7	9,7
Turnover (Rm)	26	34	40
Pre-int profit (Rm)	3,2	2,4	1,8
Pre-int margin (%)	12,9	7,0	4,4
Earnings (c)	6,4	2,9	0,4
Dividends (c)	2	2	—
Net worth (c)	22,4	23,7	21,2

* 14-months annualised



FM 26/4/91 (184) FOX

ABHOLD FM 26/4/91

DELISTING PLAN (184)

After a recent disappointing profit performance, the major shareholder of Abhold, the Aboo family, intends to buy out minorities for 110c a share

The take-out price is well below tangible net asset value, which is stated in the circular to shareholders as 182c a share Sandberg & Partners, the group's auditors, contend that minorities are being offered a fair price That view would be based largely on the market price and the profit performance, both of which have weakened markedly.

A preliminary estimate of Abhold's results for the year to end-February 1991 indicates a loss of 11,2c a share Operating income fell from the 1990 level of R7,6m to R2,1m, while the interest bill rose from R2m to R3,6m, with R250 000 paid in tax This left an after-tax loss of R1,8m, and it was only the income from disposal of fixed assets worth R3,6m that enabled attributable income of R1,9m

The local market for knitwear has been particularly poor, and the development of export markets "has not proved to be financially successful" In December 1990 Abhold's Teconit knitwear plant in Cape Town was closed, and the knitwear wholesaling operations are being wound down Surplus plant will be closed. Abhold's other knitwear factory at Botshabelo will convert surplus raw material stocks into finished goods to realise the full value of the stock.

Abhold chairman Yusuf Aboo says the intention was to seek an increased spread of shareholding in the company, but this has not been achieved The family has increased its shareholding through the market, and now owns more than 90%

Since Abhold was listed in November 1988, two major deals have fallen through. It bought Big Time Stores, a chain of country retailers, in March 1989, with the issue of 2m Abhold shares but then pulled out, citing "altered strategy" In June 1990 a reverse takeover of Abhold was proposed by Swiss company Bizitex, who would take 90% of Abhold's paper in a R90m deal that would increase the size of the company accordingly, this, too, was cancelled Now, Abhold consists of a closed factory plus another factory and wholesaling arm which are in the process of being wound up

The offer to minorities, which takes the form of a conversion of ordinary shares into redeemable preference shares, will be paid out of the company's own resources The outlay will total R1,62m After trading around 250c in mid-1989, the share has slumped to about 100c Given the poor prospects, the offer may be as good a way out as any But the steep discount to asset value makes the price look unattractive

Stephen Cranston

FINANCE

Meritex orders 'satisfactory'

B/Day 30/4/91.

(184)

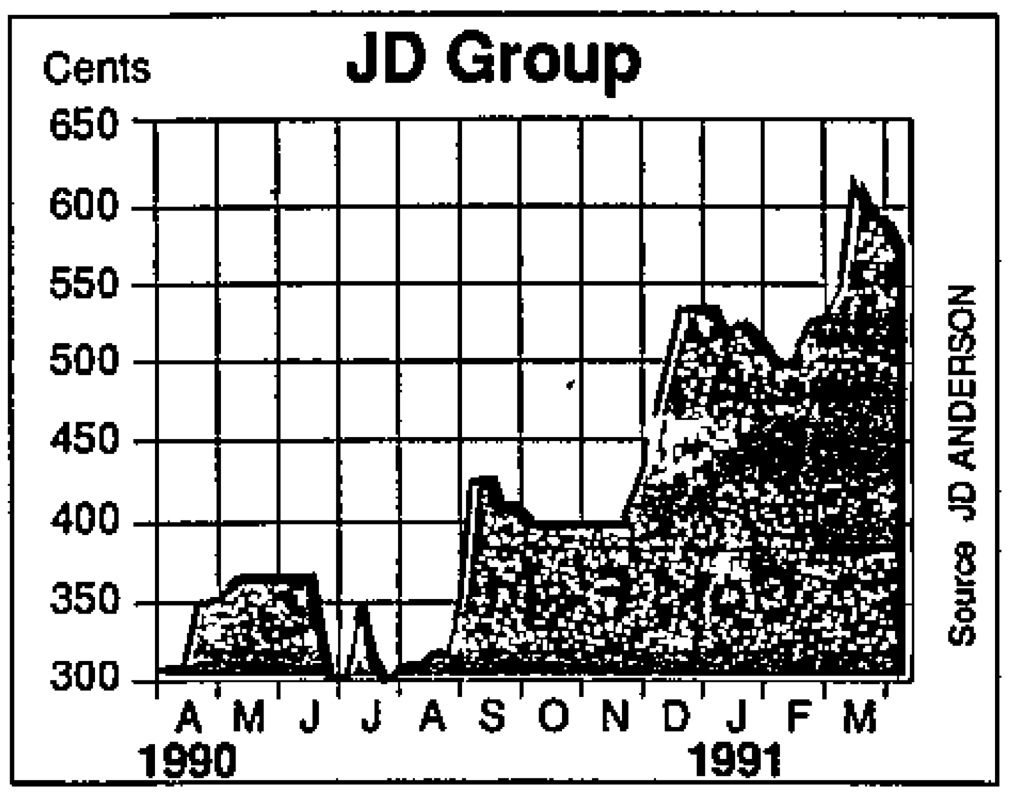
LIZ ROUSE

MERITEX Holdings' garment order book is satisfactory in relation to the reduced staff complement and the group expects to maintain fabric sales, says chairman Ed Gordon in his annual review.

Much higher levels of cotton knitted fabrics and garment imports as well as possible labour difficulties could adversely affect earnings, but hopefully any such reverses will be offset by enhanced management controls, further reduced inventories, lower interest rates, shortened order lead times and improved customer interaction

He says on balance the group expects to improve profits in the current year.

Meritex reversed its R959 000 first half loss into earnings of R117 000 for the year to January 1991 Annual turnover increased 9%.



be the case — expanding credit sales should enable the group to derive a higher proportion of its income from financial activities. As Sussman points out, the fixed interest rates prevailing at the time of doing the sales will be higher than the rates the group expects to be charged on its own borrowings during 1991

Even so, interest and leasing cover had dropped last year to 2,9 times, so pre-tax profit could well prove brittle should sales slow abruptly this year. However, it's hoped that any easing in economic conditions will result in a stronger sales performance at the non-discount chains, the 60-store Bradlows and the 68-store Score Furnishers, with favourable effects on margins

On present indications, increases in earnings and dividend of at least 20% still look attainable for this year, while rising credit sales will help to fuel longer-term growth. The share looks reasonably priced on an historical dividend yield of 3,8% and p:e of 4

Andrew McNulty

FOSCHINI FM 19/4/91 184

TRADING WELL

Activities: *Chainstore, retailing clothing and jewellery*
Control: *Lewis Foschini 53,22%.*
Chairman: *S Lewis, MDs C Hirschsohn; B Belcher*
Capital structure: *10,2m ords. Market capitalisation R1,37bn*
Share market: *Price 13 500c Yields 2,3% on dividend; 5,6% on earnings; p e ratio, 17,7, cover, 2,5. 12-month high, 13 500c, low, 6 000c Trading volume last quarter, 5 620 shares.*

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	13,5	2,4	14,4	13,8
LT debt (Rm)	30,7	40,4	60,5	56,8
Debt equity ratio	0,33	0,27	0,39	0,27
Shareholders' interest	0,44	0,42	0,41	0,45
Int & leasing cover	9,1	11,4	7,5	7,8
Return on cap (%)	26	30	29	31
Turnover (Rm)	407	529	661	822
Pre-int profit (Rm)	69,5	99,9	125,2	170
Pre-int margin (%)	17,1	18,9	18,9	20,7
Earnings (c)	333	488	573	762
Dividends (c)	141,4	206,0	242	311
Net worth (c)	1 218	1 500	1 834	2 450

Foschini's results for the 1990 financial year were considerably better than most analysts expected An exceptionally buoyant second half reflectng operating profit growth of 37% enabled the group to record an impressive performance for the full year

The turnover advance of 24% was about in line with most analysts' forecasts, but the net operating income jump of 35% surprised almost everyone Joint MD Clive Hirschsohn says there were many reasons for this leap

He notes the pre-interest margin rose to a record 20,7% thanks to hard-won productivity increases These were achieved across two fronts Firstly, the group's clothing companies had their best clearances ever, resulting in an important profit contribution. Secondly, and more significantly, the investment in information technology is paying off. This is helping to improve stock control and the efficiency of purchasing and distribution

Hirschsohn says most of the real growth in turnover can be ascribed to demand from the black sector, as off-take from white consumers has been stagnant for several years. Asked if easier credit conditions were responsible for the additional sales, he says that while the percentage of cash sales has fallen marginally, the group has not changed its policies on granting credit recently

Moreover, though accounts receivable are up by 30%, Hirschsohn says "the collection rate remains satisfactory and the average days outstanding have hardly moved at all."

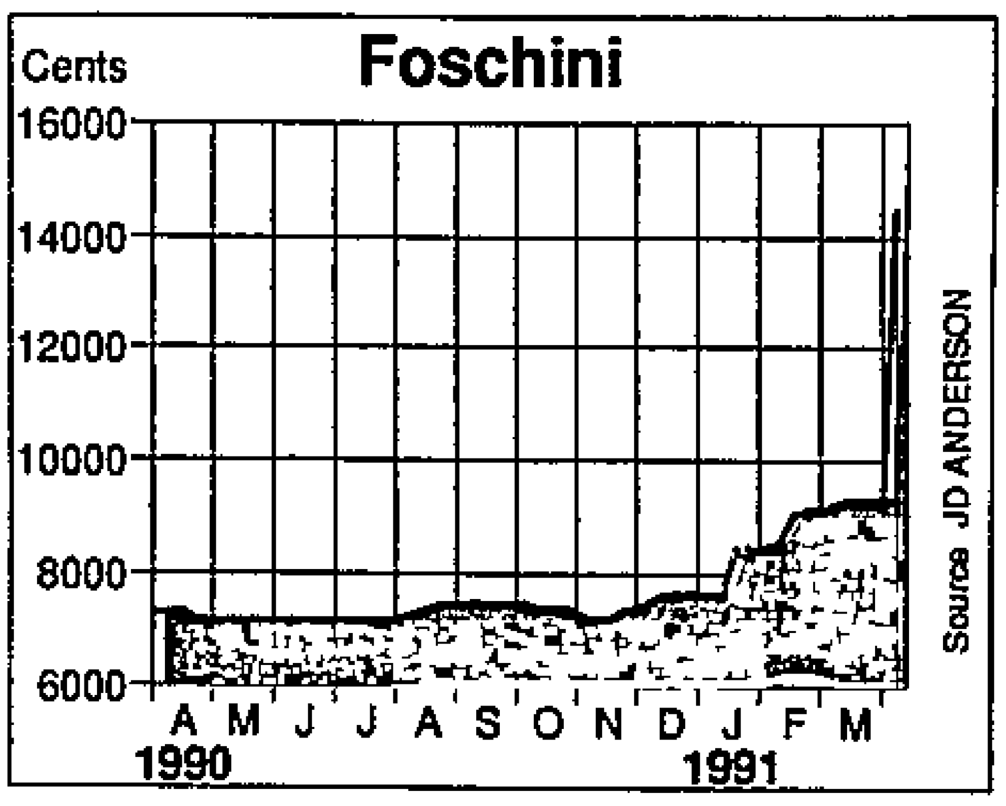
New store openings apparently did not contribute materially to the bottom-line result Most only came on stream during October and November Of the 22 new outlets opened during the year, the men's clothing chain, Markhams, accounted for half. This partly explains the 29% increase in the Markhams turnover index, compared with 26% for Foschini and 16,3% for the jeweller, American Swiss

Tight control was maintained over capital expenditure, most of which continued to be channelled into information technology This investment has enabled plans for a new, multi-million rand distribution centre to be shelved. Restraints on capex also enabled lower gearing, even though additional borrowings were needed to finance the enlarged debtors book

Ordinary share capital was increased because 0,5m new shares were issued at R72,33 per share to pay for the purchase of 1m Lefic shares, for a new staff incentive scheme And, to celebrate the good results, a special scrip dividend bonus of one ordinary share for every 23 held has been declared, based on a share price of R91. The premium generated from the issue of the new shares, together with the share distribution reserve created from the current year's retained earnings, has meant an increase of R77,1m in shareholders' funds The current distribution reserve will be reflected as new shares in the 1991 accounts

Stanley Lewis does not offer any predictions for 1991's results. However, Hirschsohn says real growth is budgeted

Apart from the 1985 dip in profit, the group has an outstanding record (return on average shareholders' interest over the past nine years averages 60%). In the past few



weeks the share price has risen to R135, from around R75 At the current p e, it is in line with the average for the sector, but still offers value The small number of shares traded emphasises that the counter is held in firm hands

Gerald Hirshon

CUSAF FM 19/4/91

A VINTAGE YEAR

Activities: *Composite insurer*
Control: *Commercial Union London 36%, UBS 28%, GFSA 24%.*
Chairman: *A M D Gnodde; MD J A Kinvig*
Capital structure: *10m ords. Market capitalisation R245m*
Share market: *Price 2 450c Yields. 4,3% on dividend, 13,5% on earnings; p.e ratio, 7,4; cover, 3,2 12-month high, 2 500c, low, 1 650c. Trading volume last quarter, 11 000 shares*

Year to Dec	'87	'88	'89	'90
Total assets (Rm)	305	432	572	724
Solvency ratio (%)	43,3	70,6	88,8	95,3
Underwrit profit (Rm)	10,9	21,3	11,5	(14,9)
Inv income (Rm)	18,1	26,1	35,1	38,4
Pretax profit (Rm)	27,8	43,0	50,5	31,2
Earnings (c)	187	312	387	331
Dividends (c)	57	75	95	105
Net worth (c)	1 090	1 629	2 335	2 896

The short-term insurance industry may have problems but in the case of Cusaf these have not spread to shareholders, for whom 1990 was a vintage year Since the *FM* reviewed the 1989 annual report the share price has bounded from 1 700c to 2 450c Adding in the 105c dividend brings the total investment return to a shade over 50% — far higher than the 1988 return when, operationally, the industry was at the peak of its fortunes.

One reason for the rerating may stem from expectations in the market that if there is to be an Absa-style rationalisation of the insurance sector, Cusaf — which has UBS as one of its three major shareholders — would be included. But management believes this would not be the case and suggests other reasons for the rerating· the shares are tightly held; the group has produced consistent growth in dividend and net worth; and there is substantial value in Cusaf's life operation.

In fact, even when rationalisation prospects are excluded, it would not be difficult to justify the performance of the share The group has so far weathered current industry

continued →

Management buys out Arwa Leisurewear

CAPE TIMES 16/4/91 184

By AUDREY D'ANGELO
Business Editor

ATLANTIS-based Arwa Leisurewear has been taken over by its management, backed by Senbank, for an undisclosed sum It will be removed from the Arwa group and renamed

An announcement yesterday said Senbank would have a majority shareholding, and would be represented by five non-executive members on the nine-man board. Management would have four executive directors

Senbank senior GM Etienne du Toit will be the non-executive chairman

The new company will retain the Hang Ten franchise for Southern Africa It will also continue to market underwear under the Arwa label

The announcement by Senbank said management would have a "substantial" shareholding

"The management team is led by MD Peter Richardson, supported by financial director Johan van Tonder and marketing director Ian Mostert"

Richardson said that in spite of the recession, which had hit other local clothing companies, "our end of the market has held up remarkably well We have full order books up to the end of November"

Discussing plans to build up the company's export market, and possibly seek a listing on the Johannesburg Stock Exchange in two years' time, he said "We have had three years of solid profits After another two we will look at the possibility of a listing on the JSE"

He said at present between 7% and 10% of the Hang Ten garments produced by the company went to other countries in the Southern African region including Malawi, Botswana, Mauritius and the Seychelles.

But the market in neighbouring countries was still "largely untapped and there is a lot we can do there

"The local market has been enough to keep us moving, but two or three years down the line we plan to expand into other countries."

However, Richardson emphasised, "it is very important to us to continue giving satisfactory service to our existing customers We shall not allow that to deteriorate in order to penetrate new markets"

He said Edgars was the company's biggest customer

"We are one of the few companies to have been given an Edgars' citation for good service and we are very proud of it.

"It is extremely important to us to maintain these standards of service"

Discussing the takeover, he said there was a clause restraining him from disclosing the size of management's stake or the price paid for it

"We are very excited — and a little apprehensive"

Etienne du Toit said the takeover was part of Senbank's restructuring of the Arwa group

"Leisurewear is a sound company with a good profit history and a strong management team.

"When management came to us and suggested a buy-in we were happy to support it on those grounds."

COMPANIES (184)

Management takes Arwa Leisurewear

BRENT VON MELVILLE

CAPE-based clothing manufacturer Arwa Leisurewear has been taken over in a Senbank-backed management buy-in, and is being moved out of the dismembered Arwa group. B/Day 16/4/91.

The sale is another major step in the asset-stripping of the defunct group, following the leasing of Arwa fabrics to Scorpio Textiles, and sale of Arwa hosiery to W & A Investment Corporation. It precedes the sale of Arwa Cravateur to House of Monatic.

Senbank will have a majority shareholding with five non-executive directors on the nine-man board of the new Leisurewear. Senbank senior GM Estienne du Toit will be non-executive chairman.

The buyout, of about R2,75m, was led by MD Peter Richardson and supported by financial director Johan van Tonder and marketing director Ian Mostert.

Richardson said yesterday that the team would have total executive control and management "held a substantial stake". The last Arwa group annual report alluded to Leisurewear and Cravateur as the two strongest performers.

The Atlantis-based clothing arm of the Arwa group, has negotiated the retention of its exclusive southern African franchise for Hang Ten men's and ladies' underwear. It will also continue to market intimate wear under the Arwa label.

Du Toit said yesterday that the buy-in was part of Senbank's restructure of the Arwa group. "Leisurewear is a sound company with a good profit history and a strong management team."

Richardson said Arwa Leisurewear would be changing its name to reflect its new independent status.

Senbank backs a buyout at Arwa

Star 16/4/91 (184)

Cape clothing manufacturer Arwa Leisurewear has been taken over in a Senbank-backed management buy-in and is being moved out of the Arwa group.

According to an announcement released yesterday, the Atlantis-based company, at present the clothing arm of the Arwa group, has negotiated the retention of its exclusive Southern African franchise for Hang Ten men's and ladies' underwear

Senbank will have a majority shareholding and five non-executive members on the nine-man board of the new Leisurewear. Non-executive chairman will be Senbank senior general manager, Estienne du Toit

Management will have a substantial holding and four executive directorships. The management team is led by MD Peter Richardson, supported by financial director Johan van Tonder and marketing director Ian Mostert

Mr Du Toit said that the buy-in was part of Senbank's restructure of the Arwa group.

"Leisurewear is a sound company with a good profit history and a strong management team When management came to us and suggested a buy-in we were happy to support it on those grounds"

Mr Richardson said Arwa Leisurewear would be changing its name to reflect its new independent status and its separation from the Arwa group.— Sapa.

B Day 15/4/91

Turnaround predicted for Ensign

184

Business Day Reporter

CLOTHING manufacturer Ensign Clothing should achieve a turnaround in earnings for the first six-month period to June 1991 compared to the same period last year, chairman Ronnie Roy stated in his latest annual review

Commenting on the results for the full year ended December, he noted that the company was fortunate to recover "lost ground" on the first six months which saw attributable earnings dropping by 51% to R205 913 (419 223) However, Ensign's earnings for the full trading period climbed by 25% to 147c (118c) a share

The fall in the first six months of 1990 was ascribed to "reduced manufacturing volumes" which were later offset by an "accelerated tempo of activity" in the second half.

Roy said the company was continuing to upgrade its manufacturing plant by steadily replacing old and outdated equipment About R327 083 was spent on upgrading last year.

Ensign has also been rationalising its product ranges

Foschini hopes for continued growth curve

MARCIA KLEIN

CLOTHING and jewellery retail group Foschini was hopeful it would continue its pattern of growth in financial 1991, chairman Stanley Lewis said in the annual report.

Foschini, whose operating divisions include Foschini, American Swiss, Markhams and Pages, has shown a 20,5% compound growth in earnings and a 20,8% compound growth in dividends over the last 10 years.

In the year to December 1990, Foschini's consistent performance saw a 31,9% increase in net income to R73,4m and a 33% rise in earnings to 762,2c a share on a 24,3% increase in turnover to R822m.

The group also declared a share dividend from retained earnings in addition to a 225c cash dividend.

Lewis said the international recessionary climate could make the first half of the year very difficult.

He said financial 1990 had generated "an all-time record in earnings a share" B/Day 11/4/91

Foschini had an excellent year, in which seven new stores were opened, several relocations were made and many stores were fully refurbished. The division gained market share.

Financial 1990 was a year of consolidation and satisfactory profit growth for American Swiss. Six new stores were opened and 25 boutiques were established within the Foschini division.

Turnover levels increased in the second half despite hire purchase restrictions, and the jewellery manufacturing industry had approached the authorities in this regard.

Markhams opened 11 new stores during the year.

Four new Pages stores were opened during the year and a number were refurbished.

R4

Times.

Acquisitions help see Bergers through the year

BDay 28/3/91 (184)

MARCIA KLEIN

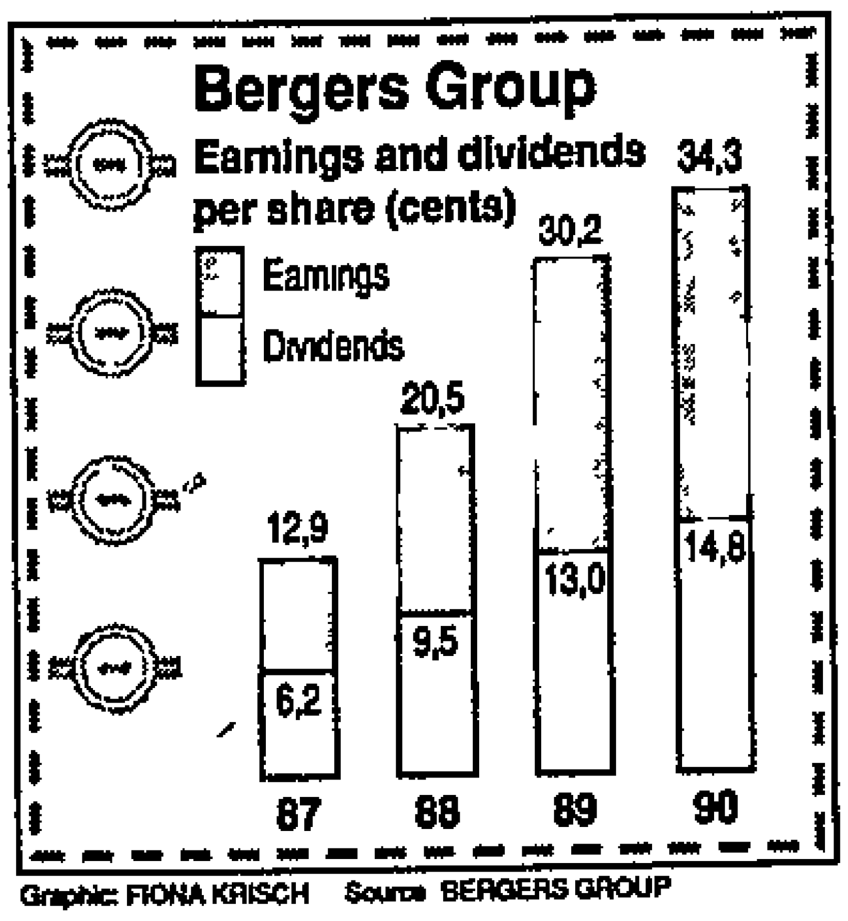
TOUGH conditions in what is traditionally the better half of the year saw Cape-based clothing retailer Bergers produce a 13,6% increase in earnings to 34,3c (30,2c) a share in the year to end-December 1990.

Chairman Howard Mauerberger said trading conditions deteriorated in the second half due to the state of the economy, increased unrest and consumer boycotts At the June 1990 interim stage, Bergers increased its earnings by 39% to 10,3c a share

Bergers now holds 94% of the merged business Bergers Trading Holdings (Bertrad) which was formed through Bergers acquiring 54% of Independent Fashion Holdings (Infash) for R1,8m in cash

An increase of 71,2% in turnover for the year to R143,0m (R83,5m) reflects the acquisitions during the year of Hilton Weiner and Infash.

Mauerberger said the investment and acquisitions were essential "to ensure that the group had the infrastructure and facilities to cope with its long term growth plans". Berger's turnover growth excluding the acquisitions would have been 26%



Graphic: FIONA KRISCH Source BERGERS GROUP

Operating income rose by 45,5% to R13,7m (R9,4m) and the interest bill of R3,1m, was more than 13 times higher than R227 000 interest paid last year.

The increased interest arising from the acquisitions saw pre-tax profits up by 15,5% to R10,6m (R9,2m).

A small increase in tax resulted in a 21,7% increase in net income after tax to R7,5m (R6,2m), and after minority interest, attributable income was 13,7% up at R6,9m (R6,1m)

A 13,5% higher dividend of 14,75c (13c) a share was declared.

Mauerberger said the increase in net income was "contained" by interest payments on the acquisitions, expansion of the Bergers chain and substantial investments in computer equipment and fittings

Bertrad results for the 10 months to end-December show turnover of R133,6m compared with R27,6m for the year to end-December 1989, and income of R10,6m (R1,3m) after interest of R3m (R258 000)

After tax and minority interest of R3,2m, attributable income was R7,4m (R992 000). A dividend of 3,7c a share for the 86-million shares now in issue was declared from earnings of 8,6c (11,0c) a share

Mauerberger said comparisons of the results of Bertrad with the previous year were meaningless due to changes in the business's structure

First period for new-look Abbey group

184

Bday: 28/3/91.

CHARLOTTE MATHEWS

PROPERTY and clothing group Abbey Holdings has declared earnings of 8c a share in its first reporting period as a newly constituted group.

Abbey's results reflect its 85% holding of clothing group Fenix Industries and 92% interest in property company Property Corporation of SA (Propcor).

As it is a restructured operation, previously known as the Property Group of SA and holding listed and unlisted property related investments and Retco, the results for the same period in 1989 are not comparable.

On operating income of R2,6m (no turnover figure is given), Abbey reported attributable income of R994 000, after an extraordinary payment of R429 000 was made. This represented Fenix's loss on the disposal of Retprop debentures

Subsidiary Fenix achieved attributable earnings of R317 000 (earnings of 7,5c a share), on operating income of R938 000 Fenix incurred a loss of R504 000 on selling its Retprop debentures

In this period Fenix acquired 44% of The Debonair Group, which rose to 66% after Fenix underwrote Debonair's January rights offer.

Propcor declared attributable income of R605 000 on operating income of R1,5m. This translates into earnings of 2,6c a share

None of the three companies declared an interim dividend as a matter of policy.

Bergers does well in difficult conditions

By Derek Tommey (186) (184)

Bergers is a highly successful clothing retailer which operates 258 cash clothing stores aimed at the better-off black and white shopper

It has also been one of the top performers on the JSE in the past year with its share price more than doubling from 110c to 245c

Against this background of strong share market activity its shareholders are likely to be both pleased and disappointed with company's figures for the 12 months ended December

Pleased

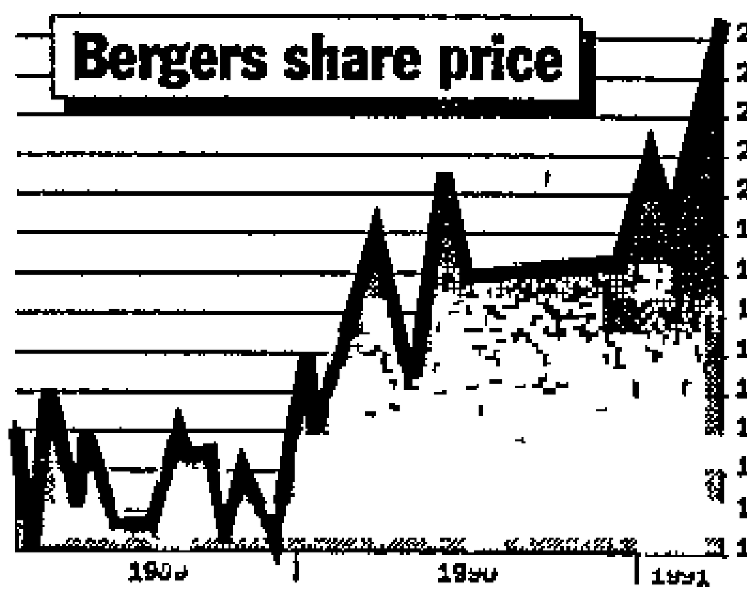
Star 28/3/91

They are likely to be pleased because the company shows continued growth. Turnover rose 71 percent to R143,0 million, helped partly by the acquisition in February last year of two other clothing chains, Hilton Wiener and Independent Fashion Holdings.

Operating profit showed a highly acceptable increase of 45 percent to R13,7 million. But then came the disappointments

A sharp jump in finance charges from R227 000 to R3,1 million resulted in pre-taxed profit rising only 15,5 percent to R10,6 million And a 21,7 percent increase in tax payments led to a taxed profit of R6,9 million, only 13,7 percent, more than last year.

Earnings a share were equal to 34,3c against 30,2c in 1989. The dividend has been raised by only 13,6 percent from 13,0c to 14,75c a share.



Chairman Howard Mauerberger reports that trading conditions deteriorated in the second half of the year owing to the general state of the economy, the increase in unrest and consumer boycotts

Mr Mauerberger says the increase in the interest bill arose from the acquisitions of Hilton Wiener and Infash and also from substantial investments in computer equipment and in fitting out the group's new merchandise distribution centre in Cape Town.

Income

Operating company Bertrad had sales of R133,6 illion and attributable income of R7,4 million equal to 8,6c a share A dividend of 3,7c has been declared

Mr Mauerberger makes no profit forecast, possibly because of the high degree of uncertainty about the business outlook But the conditions which have given the company its huge sales growth in the past three years are still there. It would seem to be only a matter of time, before Bergers again starts reporting further sharp increases in profits and, one hopes, in dividends

Traclo suffers in difficult times for clothing industry

(184)

B Day 27/3/91

BEVERLY HUCKLESBY

THE effects of the recession and tough competitive conditions on Transvaal Clothing Industries (Traclo) are reflected in the 74,5% decline in earnings to 0,38c (1,41c) a share in the six months to end-December.

Despite difficult conditions and the sale of the Cape-based factory, the company was able to produce a 9% rise in turnover to R20,5m (R19m)

Directors said in a statement yesterday that market share was maintained and that the results reflected an improvement over the loss incurred in the second half of the past financial year.

Net income before a reduced interest bill of R665 000 (R761 000) dropped by 39% to R890 000 (R1,5m). However, despite a 58% reduction in taxation, profit after tax declined by more than 75% to R113 000 (R427 000).

Financial director Doug Smith said yesterday Traclo hoped to make some profit in the second half of the year and contain finance costs

"Our results were a bit disappointing, but compared with many other companies in the industry we are doing quite well.

"Our internal labour situation is stable and there have been no order cancellations. We are not expecting fantastic profits in the next six months, but something pretty major would have to happen to upset our present position," he said.

The clothing manufacturing industry was going through a difficult time as a result of the high inflation rate, but volumes were encouraging

Traclo had re-established itself in the market place and was meeting requirements

Smith said the company was starting to experience the benefits of last year's restructuring and consolidation

Meritex moves back into black

BEVERLY HUCKLESBY

CAPE-based garment and textile group Meritex Holdings turned its interim loss into a profit in the second half of the year to end-January 1991. (184) (180)

At interim stage the company suffered an attributable loss of R959 000, but this was converted into an attributable profit of R117 000 — 6,4% lower than the previous R125 000 Earnings remained unchanged from 1990 levels at 1c a share This was a considerable improvement over a loss of 6c a share in July 1990.

Turnover rose 9% (24,3%) and operating income increased by 17,7%

Despite a substantial decline in the tax rate to 34,3% (50,6%), a 47% increase in the interest bill to R3,2m (R2,2m) depressed income after tax by 43% to R243 000 (R427 000) B Day 21/3/91

An extraordinary loss of R78 000 due to the write-off of goodwill on an acquisition was brought to account, leaving net income at R39 0000.

Chairman and MD Ed Gordon said in a statement yesterday that annual turnover had increased by 9% despite the virtual cessation of exports in the second half of the year.

Even more significant was the final reversal of the two-year trend of rising stock levels and borrowings.

"Further progress has been made with the implementation of the computer planning and control systems, and the first-half of the current financial year order book is satisfactory in relation to current reduced staffing levels," Gordon said

Financial director Dave O'Donovan said yesterday the second half of the year was a vast improvement over the first six months, with many problems being solved

Clothing exports expected to pick up

184

Star 19/3/91

By Tom Hood

CAPE TOWN — Dropping of sanctions on South African clothing is expected to lead to major export opportunities, says the National Clothing Federation.

Latest estimates for clothing exports are R300 million in 1991 and R500 million in 1992.

NCF economist Arnold Eerbeloff says in a report: "If these targets are achieved, the clothing industry could be a catalyst in reducing the high unemployment levels in the Western Cape, Natal, the national states and ultimately South Africa as a whole."

A rise in clothing output has been accompanied by a drop in clothing employment, indicating a growth in productivity per worker

Altogether 5 600 jobs have been eliminated over the 12 months, representing five percent of the national clothing workforce

The clothing industry had 37 fewer employers at the end of 1990, with smaller workforces per employer (93 against 96 people) producing considerably more per worker in November 1990 than in November 1989

"The NCF is encouraged by the increased number of inquiries which it is receiving from abroad since the State President's opening speech in Parliament," said Mr Eerbeloff.

"The benefits of increased job creation, better living standards, lower clothing prices and greater bargaining power on world markets are there for the taking."

Company's results are amended

B/Day 19/3/91

LIZ ROUSE

CLOTHING and textile group Niman & Lester Holdings has had to amend its results for the year to end-December, published on February 8. The result is a 12% cut in earnings a share to 182c from the original announcement's 207c, which increases the decline in the past year's earnings to 30,3% from 1989's 261c before an extraordinary item. The dividend total is unchanged at 51c

Niman directors say that since the February 8 announcement was made, it has been ascertained that certain decentralisation benefits granted to a subsidiary company had been overstated by the authorities (184)

Depreciation

The correction has resulted in a decrease in trading income from R24,67m to an amended R23,33m in the year to December

Depreciation, interest and finance lease charges remain the same, as does tax at R4,6m despite the lower pretax income of R12,5m (R13,9m), leaving a net taxed income of R7,9m (R9,2m)

Outside shareholders' interest has been scaled down to R2,03m (R2,57m).

The balance sheet has also had to be amended. Shareholders' funds are now R46,4m (R47,2m) and outside shareholders' interest is decreased to R11,1m (R11,6m), making total capital employed R63,4m (R64,7m)

Net current assets are restated at R41,4m (R42,8m) and current liabilities at R38,1m (R36,8m).

Truworths takes a shot at mail order

ST Times 17/3/91

By JANE ARBOUS

184

TRUWORTHS' move into the non-clothing mail order business, an operation well outside its traditional fashion and accessories field, might be questioned by sceptics

Greater exposure to credit sales will also surprise more conservative businessmen.

Speciality Retail Group managing director Eddie Parfett says Truworths is following an established trend in Europe and the United States and the move will allow it to exploit its account database and sophisticated credit system

In the process, says Mr Parfett, the new venture will boost Truworths' exposure throughout Southern Africa

The first phase of the three-million catalogue mailshot is well under way, using the retail clothing group's account holders as its base.

The next distribution channel will be inserts in newspapers and magazines A second brochure, twice the size of the first, will be distributed at the end of May

Mr Parfett says: "We have been looking for a long time at ways of using our infrastructure more fully. Offering non-interest credit for six months to people buying our new range of products is highly unusual in international mail-order terms, but it's not a new policy for us.

"About 80% of our core business is based on credit. We have the elements that are crucial to success in credit management, such as a central on-line credit-rating system"

The new venture, Leading Concepts, offers a range of middle to upmarket non-essential goods that are largely unavailable in SA.

Goods range from a dog repeller costing R69,95 to the world's first multilingual talking translator at R889,95; from jewellery to kitchenware and home textiles At least 40% of the product range will be changed in each catalogue

Truworths' decision to move into mail order follows well-established trends overseas In Britain almost £4-billion a year is generated by mail-order sales

In the US 10% of general merchandise sales and 3,2% of national retail sales are mail-order transactions, which account for 1,7% of GDP

Major retail chains in the US also rely on mail order to supplement their over-the-counter trade

Truworths has spent the last two years conducting research and setting up the infrastructure for Leading Concepts

Although the local market is small, Truworths believes there is massive potential for growth, and that there is room for high-quality, good-value products

Mr Parfett declines to disclose the capital investment involved, except to say "In our terms it's fairly small."

A new division has been created, with a small mangement team backed by the full Truworths management structure A wholesale operation has also been established, which will offer trade terms for large orders.

Doors are to open as sanctions on clothing end

By TOM HOOD
Business Editor

DROPPING of sanctions on South African clothing is expected to lead to major export opportunities, says the National Clothing Federation today

Latest estimates for clothing exports are R200-million in 1990, R300-million in 1991 and R500-million in 1992

"If these targets are achieved, the clothing industry could be a catalyst in reducing the high unemployment levels in the Western Cape, Natal, the national states and ultimately South Africa as a whole," says Mr Arnold Eerbeloff, NCF economist, in a report today

A rise in clothing output has been accompanied by a drop in clothing employment indicating a growth in productivity per worker, he reports

Industrial Council data shows that the largest decreases have occurred in Natal, which is down from 45 100 in January 1990 to 42 600 in January 1991, and the Western Cape down from 55 300 to 53 600 over the same period

Decline in employers

Altogether 5 600 jobs have been eliminated over the 12 months, representing 5 percent of the national clothing workforce

This downturn in employment is reflected in a less than proportionate decline in employers

The clothing industry had 37 fewer employers at the end of 1990, with smaller workforces per employer (93 vs 96 people) producing considerably more per worker in November 1990 than in November 1989

As a leading job-creating mechanism, the clothing industry must be encouraged to meet export opportunities at all times, and not only in recession when excess capacity is available, he said

"The NCF is encouraged by the increased number of inquiries which it is receiving from abroad since the State President's opening speech in parliament "It is apparent that the local clothing pipeline could become a significant player in African, North American and other markets if it readies itself now for the challenge of international trade

"The benefits of increased job creation, better living standards, lower clothing prices and greater bargaining power on world markets are there for the taking

The South African economy is in a state of flux, as a result of the rapid rate of change in the socio-political environment The dismantling of apartheid, the negotiations which have yet to begin in earnest and the pressure from abroad to move toward an internationally acceptable constitution, have all led to uncertainty in the minds of consumers and investors. This is seen in conservative forecasts for domestic spending and production over the year

However there are grounds for optimism, as sanctions are likely to be lifted on trade and investment, foreign debts rolled over and interest rates lowered during 1991

Bad times for Rex Trueform

REX Trueform Clothing Company has disclosed a 41% drop in attributable income to R3,1m for the six months to end December B/Day 6/3/91 (184)

Earnings clocked in at 77,3c (131,1c) a share.

The clothing manufacturer's poorer performance resulted from tighter economic conditions, the unreliability of certain textile suppliers and order availability from some customers

Rex Trueform also had difficulty meeting budgeted production levels, chairman Steward Shub said.

However, he commented that textile companies, which had appealed to the authorities for greater levels of protection, should "attend to their own shortcomings in order to deliver timeously and up to internationally acceptable standards of quality".

He said textile firms had blamed government and the clothing industry for their problems, but further protection would erode international competitiveness.

On a positive note, Shub said the company's export trade continued to expand and was broadly based.

Foschini's cherry on top: a R40,4m scrip dividend

B|Day 8/3/91 80 184

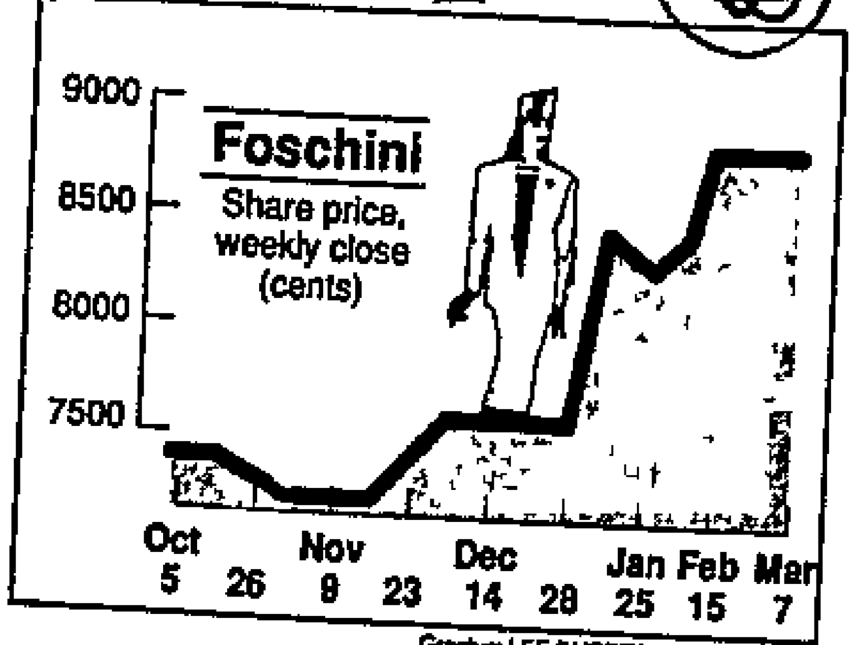
LESLEY LAMBERT

CAPE TOWN — Foschini has declared a share dividend, in addition to a 225c cash dividend, from this year's retained earnings.

In an innovative move to expand its share base and boost the marketability of its ordinary shares, the group will distribute an additional scrip dividend of R40,4m, or R91 a share, for the financial year to end December. The issue price is based on the ruling price on the Johannesburg Stock Exchange on February 27

Shareholders will receive one new ordinary share for every 23 ordinaries held

The clothing and jewellery retail group has reported another year of consistently good performance with earnings a share, before extraordinary items, growing 34,6% to R74,8m. This translates into 762,2c a share on an increased share base.



Graphic: LEE EMERTON Source JSE

Turnover grew by 24,3% to R821,9m after a strong second half in which all operating companies achieved healthy levels of merchandise clearance. Directors said all trading companies — Foschini, American Swiss, Markhams and Pages — made consistently good contributions to bottom-line profits.

Tight control of capital expenditure enhanced operating profits which grew by 35% to R168,9m, but directors stressed that investments in strategic projects, such as information technology and new stores, was not curtailed. Thirty new stores were opened during the year.

Directors said the 40,8% increase in the interest bill did not reflect the trend in borrowings which had declined by the end of the year. Although no figures were provided for borrowings, the directors said the interest-bearing debt.equity ratio had declined from 41% to 28,5%

Lewis Foschini Investment Company (Lefic) reported 31,9% growth in attributable earnings to R36,6m, or 386,5c a share.

Unionists find knowing your Marx isn't enough

W/Mail 8/3-14/3/91 (184)

Financial woes and retrenchments at South Africa's only union factory, Zenzeleni Clothing, have serious implications for labour and its drive for industrial democracy. **DREW FORREST** reports

THE framed union T-shirt hanging behind the reception desk leaves the visitor in no doubt: here is no ordinary clothing factory.

On the shopfloor, where more than 100 workers are cutting, sewing and pressing workwear, the impression deepens. "Quality starts with you," exhorts a notice, scrawled by a worker's hand; posters urge solidarity with Chile, and farmworkers to "organise or starve".

"South African managements are so uptight about what goes on notice-boards," says managing director Glen Cormack. "We try to remove those areas of conflict."

The uniquely worker-centred atmosphere is that of Zenzeleni Clothing in Durban, launched two years ago by the South African Clothing and Textile Workers Union (Sactwu). But idle sewing machines on the T-shirt line are a tell-tale pointer that all is not well at South Africa's only union factory.

Days earlier, Zenzeleni ("Do it yourself") retrenched 125 of its 300 workers. Two shopstewards are directors, and workers had a more than usual say, but it was ultimately a decision of a union board of trustees. It was a nightmare for Sactwu which launched the project to employ retrenched Frame workers with a view to ploughing profits into further job creation. Following closely on the closure of a National Union of Metalworkers' supermarket co-operative in Port Elizabeth, Zenzeleni's woes have implications for labour's drive to increase workers' stake in the economy.

The battle for survival at the factory — reports put losses last year at R2-million — has done more than embroil Sactwu in painful contradictions. Assistant general secretary Yunis Shaik estimates the union has injected R1-million to prop it up.

What went wrong? Some setbacks have clearly been beyond Sactwu's control sales of political and union T-shirts, a potentially captive market, collapsed from 3 000 to 300 a month last year under the brunt of political violence, while R2,5-million pledged by Frame was drip-fed into the project, leaving it initially under-capitalised.

The key hurdles in servicing orders, Shaik complains, have been credit from textile mills and finance.

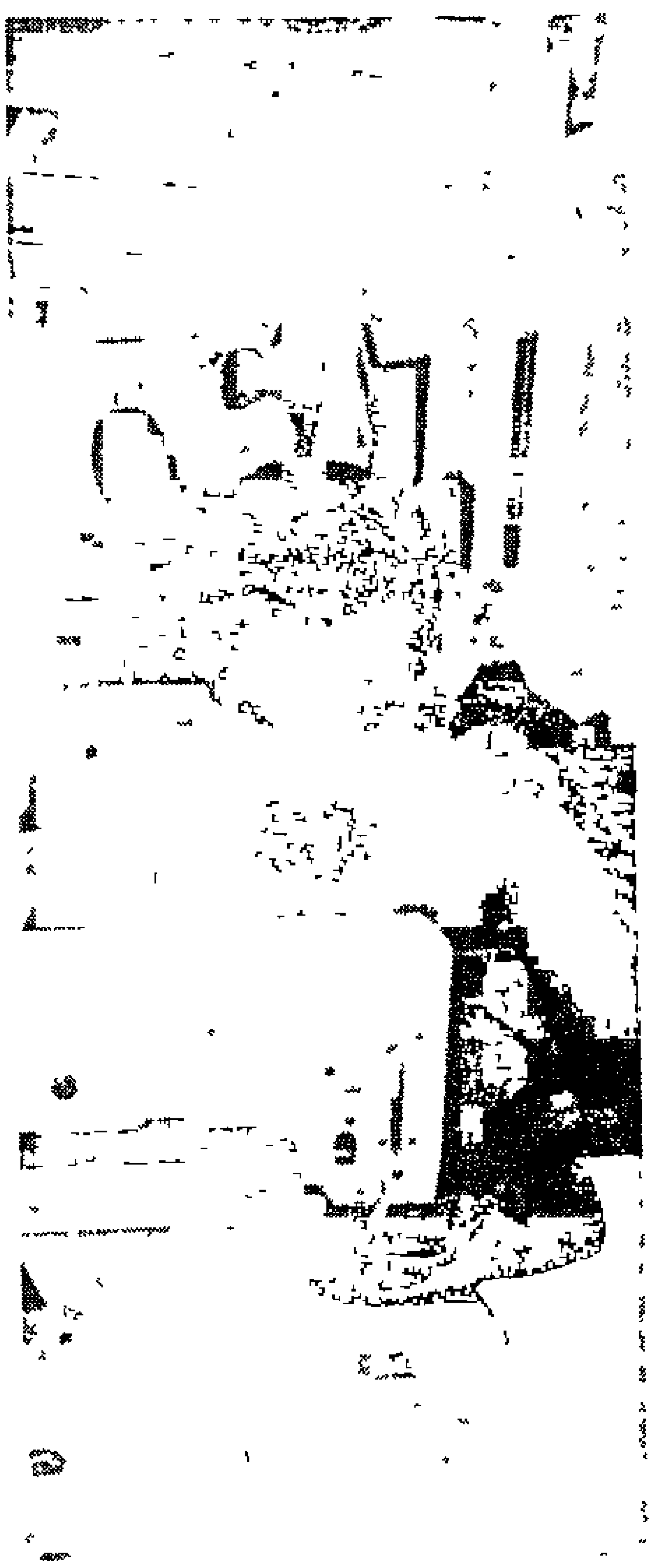
"Banks are happy to have our multi-million rand account — but for loans, they want double security; they fear it'll be politically sensitive if they have to foreclose. It's infuriating that we don't get equal treatment."

He warns that if business refuses to play ball, labour will have to launch its own financial instruments.

But Sactwu is also grappling with its own failures. In a frank assessment, Shaik said labour had to learn "to make business, rather than political, decisions. Business is not run on the buddy system, and knowing your Marx is not enough — if you don't pay, the supplier cancels; if you don't supply, the customer cancels."

He said: "We've got to be accountable for errors — we can't keep pointing to what we have suffered."

Setting up a factory to employ 300 and then seeking orders had been a mistake, Shaik added. "You need a workable plan based on business principles and managed by a businessman, not some arty-farty progressive."



Union democracy: Workers face the reality of making a business succeed
Photo: DREW FORREST

For some union critics, the retrenchments expose a root flaw at Zenzeleni: Sactwu is the workers' employer and representative. Workers have unusual powers — dismissals, for example, are negotiated on the basis of a mutually agreed code of conduct.

But in contrast with a classical co-op, they don't have the final say on the running of the enterprise or how earnings are distributed. Pay is negotiated by Sactwu at the industrial council, and any surplus goes to the trust for further work creation.

The National Union of Mineworkers' (NUM) co-ops embody a contrasting approach: although NUM provides loan capital and support services, these are producer-controlled.

"We're critical of union-owned factories," said NUM co-ops co-ordinator Kate Philipp. "They set up irreconcilable differences between workers and the union."

For Shaik, the NUM schemes fail to address the key question of ownership, of how to "strengthen the economic stake of the class as a whole.

"Through Zenzeleni, our 200 000 members have a stake, however small, in the economy and their own industry. Ordinary workers — Dolly and Jayshree in the factories — paid for this project."

Shaik and Cormack stress that the aim is growing shopfloor control as workers acquire business skills, as well as a greater slice of the product. One idea is the conversion of some profits to shares redeemable by workers on leaving the company.

The approach was endorsed by Zenzeleni shopsteward Yusuf Smith, who urged closer co-operation between workers and managers, but told *The Weekly Mail*: "Maybe when workers are fully trained and experienced in the industry, they can take over. But it will take years; it's better like it is at the moment."

Shop-floor conflict sometimes sparked charges that "Sactwu is oppressing us", but only from "a few individuals", he said.

Zenzeleni has a new plan involving stepwise reconstruction in tandem with the cultivation of credit — Frame has been helpful here — and Shaik is convinced the company can work.

He dismisses claims that worker involvement is an obstacle to business success: "There's no conflict between demands for higher wages and company growth." Certainly the Zenzeleni system has its advantages, Cormack says absenteeism is lower than one percent, as against three to five percent in normal companies.

"We paid a high price but we've now reached the top of the learning curve," Shaik says. "We had to live the dream to learn the reality."

TEXTILES AND CLOTHING FM 15/3/91. (184)

BATTLE OVER PROTECTION

Stand by for clothing price hikes at the retail level amounting to about R3bn a year. Alarmed clothing manufacturers say this could be the consequence of the sudden rash of applications for tariff hikes by the textile industry

The Department of Trade & Industry (DTI) recently granted textile manufacturers an "interim" tariff increase on imported cotton yarn.

Textile Federation executive director Brian Brink says Texfed has also applied for increased tariffs on knitted fabrics and is busy preparing its application to increase tariffs on woven fabrics by about 50%

National Clothing Federation executive director Hennie van Zyl says the tariff increases will have an inflationary effect on the whole textile-clothing pipeline and, if granted, would force the R4,4bn/year clothing industry to ask for similar increased protection on imported clothing

Says Edgars CE George Beeton of the protectionist pleas: "This is not in the interest of the clothing industry. Consumers will buy less as prices escalate. It will also harm SA's export efforts and the textile industry will end up harming itself as its local market shrinks.

"This is a self-defeating exercise and one wonders whether the parties involved are not merely looking for a quick fix."

Consumers would be obvious losers. The textile manufacturers, too — especially as they sell about 30% of their total output, worth R6,2bn, to the local clothing industry.

But, more disturbing, the spate of tariff applications raises a serious question mark over government's commitment to the free market.

In 1989, both clothing and textile manufacturers agreed to commit themselves to a structural adjustment programme. In terms of the programme, import tariffs would be frozen at the newly increased levels for a period of five years, after which they would be gradually decreased. The object was to allow both industries to restructure themselves towards increased exports and away from excessive protection (see tariff feature in *Business*.)

Should government now cave in and allow special pleading to sway its commitment to freeze all tariffs for five years in terms of the textile-clothing adjustment programme, it would severely undermine its credibility in setting a sensible tariff policy.

The question is, which way will it go? Neither the DTI nor the Board of Trade & Industry was available for comment on these vexing issues.

Van Zyl, however, is adamant. He believes government should stand firm. He says the clothing industry's boom in exports sparked by the adjustment programme will be severely damaged if the textile tariffs go through.

"Exports surged by 44% last year to about R170m We now expect them to reach R300m by the end of this year and R500m by end 1992," he says

Van Zyl's sentiments are echoed by Durban-based A M Moolla CE Sadek Vahed, who says a surge in exports will create more jobs and lead to a growing local market for textiles. "The adjustment programme benefits apply only to SA-sourced cloth The more we export, the more they will sell to us," he says.

But Texfed's Brink counterattacks by noting that the textile industry itself has been active in the export market and has increased its export revenues from R230m in 1987 to R425m in 1990

Federation president Ernest Wilson maintains the textile industry needs protection against "blatant dumping" by countries in the Far East

"Should government devise an effective anti-dumping policy, we will be happy to agree to the scrapping of the existing formula duties. But local inflation has also aggravated the threat posed by cheap imports" ■

BLACK BUSINESS FM 15/3/91

MAPONYA'S REVIVAL

For much of the late Eighties the diverse empire of Richard Maponya, the country's best-known black businessman, tottered on the brink of collapse. Township boycotts, management talent stretched too thin, and a shortage of capital, he acknowledges, almost put him out of business

He was rescued last year by the Small Business Development Corp (SBDC) It extended loans to several of his businesses on the grounds that, taken separately, each of his businesses is a small business. It also set up training programmes for his managers.

His conglomeration of businesses, which includes a full-service supermarket, several smaller grocery stores, dairies, bottle stores, car hire outlets and a BMW dealership, will be given a financial boost if he can carry out his plan to develop a shopping centre on 20 ha he owns in Nancefield, Soweto

But Maponya (64) is disappointed that developers have shown so little interest in the centre, even though it would have an estimated 3m people on its doorstep. The SBDC, which has developed several neighbourhood centres, does not have the funds to become the developer

FM 15/3/91

"Building another Eastgate or Cresta is not our business," says the corporation's Joe Schwenke, "though we would offer finance to the smaller shops in the centre on merit."

Major developers have concentrated on peripheral centres, such as Highgate and Southgate, which have given retailers access to the Soweto market without the risks of developing in the heart of the township.


Maponya

Maponya believes there is still a lot of discrimination and risk is often used as an excuse "There is a resistance to giving meaningful loans to the black community The stock answer is that blacks cannot offer collateral but legislation has made it very difficult for blacks to accumulate assets"

First National Bank's Rod Cusens agrees that the lack of collateral makes it difficult to use normal lending criteria for blacks Greater emphasis is placed on the viability of the business and its long-term prospects, rather than collateral. "But you have to look at our track record. We have incurred a disproportionate amount of bad debt. Black businesses have often failed to keep accurate records, so it's impossible to assess their health"

Maponya readily admits that he has found it difficult to find the line management talent he needs to run his businesses. And being based in the townships, his outlets have had to contend with frequent stayaways and boycotts. "These have affected business in the black areas more than anywhere else," he says "And turnover lost on a single day cannot be regained"

Carlos dos Santos of Score, which manages Maponya's Supermarket for a fee, says the unrest and boycotts certainly add to the business risk. He adds that the sales per square metre at Maponya's is very good and he would like to expand.

Carmakers have been predicting an explosion in black car ownership but until that happens the returns from his BMW dealership will not reach expectations "That cannot take place as long as the economy is as depressed as it is, but with more blacks moving into managerial positions, the prospects can only improve," Maponya says.

BMW spokesman Chris Moerdyk notes, however, that Soweto BMW is profitable and, despite the fall in car sales, the outlet has steadily increased sales

Maponya believes the prospects for black business would be much better if it were allowed greater access to capital and other

Continue →P

Trueform's profits plunge

Star 6/3/91

CAPE TOWN — Rex Trueform has had a rough time of it during the six months to December last year with profits down by 41 percent. 184 180

The clothing and textile group said yesterday that attributable profits slumped from R5,42 million in 1989 to R3,19 million during the second half of 1990.

Earnings per share fell by the same level to 77,3c (131,1c) The interim dividend was passed.

The declining economy in South Africa played a major role in the decline in the company's fortunes.

The board said in its statement. "Textile companies have blamed both the Government and the clothing industry for their problems and have appealed for higher levels of protection which will result in an erosion of international competitiveness in this very intensive labour intensive industry.

"We appeal to these companies to attend to their owm short comings in order to delivcer timeously and up to internationally standards of quality." — Sapa.

MEDIA SPOT

Truworths in big mail order launch

B/Day. 5/3/91 (184) (30)

Reports by
MARCIA KLEIN

FASHION retailer Truworths is distributing almost 3-million copies of its new home shopping catalogue, Leading Concepts, in what it believes to be the biggest launch of a speciality home shopping venture in SA.

Truworths, part of the Wooltru Group, intends the division to offer customers an additional way of purchasing, and to reach a broader spectrum of the consumer market, says MD Eddie Parfett

"Although finely focused, the new publication will offer the middle to upper income consumer products that are largely unavailable at retail outlets"

The Leading Concepts catalogue will be sent to Truworths's account holders and will also be distributed via inserts in various publications.

The announcement of Truworths's venture follows a commercial arrangement with a major London-based international home shopping company.

In terms of the arrangement, Truworths will now have access to a wide range of the latest high-tech and consumer products available worldwide.

CE of the London firm Nigel Swabey said in an interview yesterday that mail order had grown dramatically in Britain recently, and now contributed about 9% of non-food retail sales

Although mail order had a "dowdy image" in the past, Swabey said the introduction of a major player like Truworths into mail order would give it a new respectability.

The new division will also have a "gifting service", through which direct mail products can be sent all over the world.

It also offers potential for export, and successful products made in SA may go to Britain to be sold by direct mail.

Truworths has also opened a wholesale division to handle requests for wholesale buying from its catalogues.

Leading Concepts will initially offer high-tech consumer electronics, home accessories, kitchenware, jewellery, home textiles and apparel Orders received will be despatched within 48 hours

Textiles and clothing at it again

S Times 3/3/91 (184)

By DON ROBERTSON

THE INTERMINABLE battle between textile makers and clothing maufacturers has been rejoined, with the release of disastrous results from the Frame Group.

Consolidated Frame Textiles and Frame Group Holdings' suffered huge losses in the six months to December.

The directors say increased imports are one of the main reasons for the decline in Frame's earnings.

They lay some of the blame on increased imports of cotton and man-made staple yarns and fabrics and the duty-free import permits granted to manufacturers in the textile pipeline under the Structural Adjustment Programme (SAP).

Disputed

In terms of the SAP, exporters of clothing or fabric are entitled to duty-free imports based on a percentage of their exports.

The same conditions exist in terms of the Phase Six local content programme for vehicles.

But the National Clothing Federation (NCF) disputes the claims of the Frame directors.

Executive director Hennie van Zyl says latest figures show only moderate increases in imports from January to October compared with the previous year.

Yarn imports increased by only 13%. But he concedes that cotton yarn imports rose by 400%. Cotton-yarn imports, however, represent only 20% of the yarn total.

Mr Van Zyl says the reason for this was the inability of cotton-yarn manufacturers in SA to deliver on time and provide acceptable quality. Clothing manufacturers were thus forced to import to meet requirements.

Total fabric imports fell by 4%, although cotton-fabric imports rose by the same amount.

Mr Van Zyl says that in the year to March 1990, the latest figures, imports of clothing, fabric and yarn through the SAP permits amounted to R74-million, compared with total imports of these three products of R1,2-billion.

The duty-free import system had been in operation for a year by that time. These imports made up only a small part of the total.

Little change for Sabvest

(184)

Finance Staff Star 27/2/91

Sabvest, the pyramid holding company of SA Bias Holdings, reported marginally improved attributable income of R9,6 million (R9,5 million) for the year to December.

Earnings a share showed a corresponding increase to 49,5c (48,9c).

An unchanged dividend of 14,9c has been declared.

SA Bias Holdings' net attributable income rose to R19 million (R18,9 million), with earnings a share improving to 99c (98,4c).

An unchanged dividend of 30c has been declared.

Management says it is expecting the group to resume earnings growth in '91 and "to be well placed to achieve above average growth rates when the economy improves".

SA Bias Industries reported earnings per share of 47,3c (46,5c) and has declared a final dividend of 11c a share for an unchanged total of 18c

For financial '91 management is looking to an increase in earnings in line with the inflation rate

FM 22/2/91 (184)

WOOLTRU

COOLING DEMAND

Weakening cash sales have curbed Wooltru's interim performance. Fortunately, credit sales, which have remained firm, have largely compensated for this and the group again achieved a solid trading result with gains well ahead of inflation

Whereas Woolworths' sales increased by a commendable 18%, the Speciality Retail Group (SRG), which includes the credit retail chains Truworths and Topics, lifted sales by no less than 25%

Wooltru CE Colin Hall records that clothing sales in Woolworths — the group's largest stores division — only generated a sales increase of 13% compared with the same period last year. Surprisingly, in Woolworths' case, this area of trade, therefore, showed no real growth and this doubtless affected margins.

Food sales nevertheless sweetened Woolworths' results, with an improvement of 28%. Clearly, consumers remain willing to part with cash in this fast-growing department; food, it seems, still attracts cash buyers even if clothing does not An obvious reason is that purchase decisions on clothing can be deferred, but everyone needs regularly to eat; another is that not too many supermarkets give credit on food sales

What rescued the group from posting only mediocre after-tax profit figures, was the continuing boom in credit sales to all sectors of the community. Hall says SRG's profit growth was better than its 25% sales improvement Efficiencies in these chains thus impacted favourably on the margin Effects of credit sales are reflected partly in the accounts receivable, which rose by 37%.

Wooltru's best performer during the half-year was Makro, whose sales (all for cash) rose by 34% As is the case with the other divisions, figures are not disclosed However, profit was apparently ahead of both expectations and last year's levels. Makro's profit contribution is becoming increasingly material to the group

While group sales for the first six weeks of

WOOLTRU'S INTERIM

Six months to	Dec 31 '89	Jun 30 '90	Dec 31 '90
Turnover (Rbn)	1,36	1,35	1,69
Pre-tax profit (Rm)	124,8	124,0	149,3
Attributable (Rm)	64,4	66,5	80,6
Earnings (c)	185,1	190,3	220,7
Dividends (c)	64	86	77

1991 were 22% ahead of the year-ago period, there are signs that this level of trade may not be sustainable for the remainder of the financial year, in the face of cooling consumer spending, for cash as well as for credit

Add to this the fact that the second half will comprise 26 instead of the 1990 second half's 27 weeks, and the results may be such that it will be difficult to justify (at least in the short term) the high expectations in the R77 share price.

ADONIS

FM 22/2/91 (184)

BACK TO BUSINESS

Activities: *Manufactures knitted outerwear*
Control: *Directors 77,5%*
Chairman: *J Bencen*
Capital structure: *3,54m ords. Market capitalisation R6,74m*
Share market: *Price 200c. Yields: 12% on dividend, 34,3% on earnings, p e ratio, 2,9, cover, 2,8 12-month high, 250c, low, 185c. Trading volume last quarter, 15 000 shares.*

Year to Sep 30	'87	'88	'89	'90
ST debt (Rm)	0,1	—	0,2	0,3
LT debt (Rm)	1,1	0,9	0,4	0,3
Debt equity ratio	0,04	—	0,06	—
Shareholders' interest	0,50	0,62	0,56	0,70
Int & leasing cover	16,7	7,9	17,9	9,6
Return on cap (%)	23,7	24,0	61,1	33,6
Pre-int profit (Rm)	1,8	2,0	3,64	2,55
Earnings (c)	24,4	48,8	48,3	68,7
Dividends (c)	12	18	24	24
Net worth (c)	111	147	169	214

On two occasions over the past five years, clothing manufacturer Adonis has invested in films It scored handsomely on resulting tax benefits and recorded compound annual EPS growth of 51% over the period — but the group is not likely to gain from such tax avoidance schemes this year

The trading performance has not been as good as the bottom line result suggests In financial 1990, there was a 6% advance in operating profit, which the film investment turned into a 33,5% drop in pre-tax profit A R1,4m abnormal item arising from the film venture reduced the taxable income and turned the previous year's R1,7m tax bill into a R145 000 tax loss

Though earnings improved by about 42%, the board decided to maintain the total dividend at 24c — a sure sign of expected lean times ahead Shareholders' interest rose accordingly (see table)

He says no schemes to reduce tax through film investments will be employed this year, nor are acquisitions considered Growth will be organic, though at a substantially lower pace, as the order book (concluded last August) for this year's winter season showed a 20% decline More than 80% of the group's annual turnover is for winter sales

Regrettably, Adonis still does not disclose turnover It is a needless omission for a group that has been listed for more than 20 years and certainly does nothing to enhance investors' view of the share.

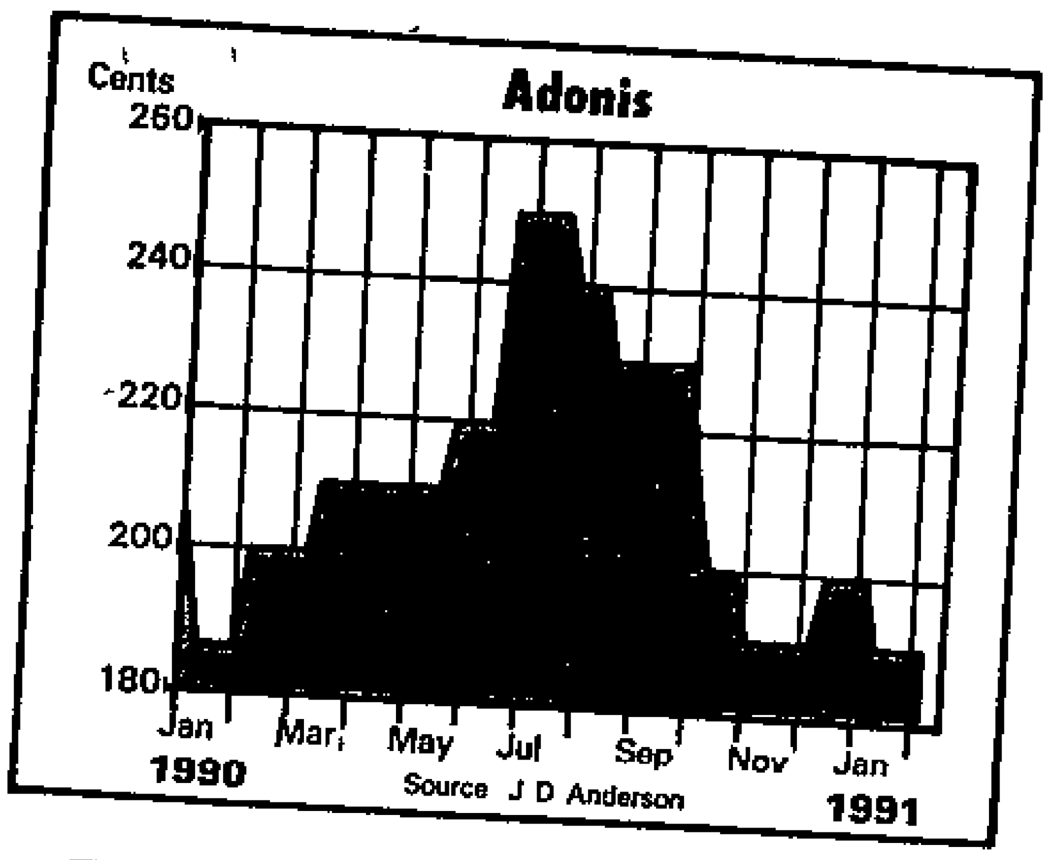
The order book for summer would indicate whether the trend is going to continue, but it only opens next month Chaitel remains positive for two reasons the fashion trend is towards knitwear, and the group serves the top end of the market, where consumer spending is said to be less affected by the downturn

Management is not depending unduly on gaining further earnings benefits from non-trading sources Chairman Joe Bencen notes that extra cash flow generated from investments is being used to reduce interest-bearing debt and has not been ranked for dividend distribution

As a result, the balance sheet has been strengthened and the group ended the year with net cash of about R600 000, while the dividend was maintained at the previous year's level of 24c on a higher cover

The share remains poorly rated on a 2,8 earnings multiple, despite the good earnings record over the past five years Factors that may be contributing to this include the poor tradeability of the share, the failure to disclose turnover, the fact that the growth record has rested heavily on tax avoidance schemes and the pegged dividend In present conditions, the earnings outlook is unexciting

Gerhard Slabber



Financial director Steven Chaitel says he is comfortable with the group's ungeared balance sheet, which shows interest-bearing debt of R600 000 and a cash balance of R1,2m He reckons liquidity may even improve this year as inventory levels are under close scrutiny and management is "firmly sympathetic" with debtors

ANIES

Tough year results in slim pickings for SA Bias

B/Day 27/2/91 MARC HASENFUSS (184)

INVESTMENT company SA Bias Holdings managed a slender improvement in earnings in the year to end-December after hefty increases in operating costs, interest and bad debts coupled with the economic decline affected the group's operating subsidiaries

SA Bias holds a 87,8% interest in trimming and accessories manufacturer SA Bias Industries (Sab Ind) and a 77,8% stake in financial and investment group Merhold

Its attributable earnings crept to R19m (R18,9m) translating into an earnings a share of 99c (98,4c) A final dividend of 9,4c a share was declared, maintaining the total payout at 30c, covered 3,3 (3,28) times

Turnover for the period under review was not disclosed Interest-bearing debt showed a sharp increase to R7,8m (R1,3m) SA Bias is 50,1% held by pyramid Sabvest, the results and dividend distribution of which are proportionate to those of SA Bias

Executive chairman Christopher Seabrooke said both Sab Ind and Merhold performed in accordance with expectations and maintained their earnings

Turnover for Sab Ind was boosted 51% (actual figure was undisclosed) but was offset by a doubling of the interest bill to R1,9m (R961 000) Earnings were static at 47,3c (46,5c) a share or R13,4m (R13,1m), while the dividend was unchanged at 18c.

MD Phillip Coutts-Trotter said the increase in levels of assets and liabilities, as well as turnover, were a result of acquisitions during the year

Merhold showed a marginal earnings increase to 47,7c (46,4c) or R8,7m (R8,5m) under difficult trading conditions, while a 17c dividend a share was declared

Clothing outlets show good sales

b10cq 13/2/91 (184)

BEVERLY HUCKLESBY

CLOTHING retail outlets are showing good profit margins in post-Christmas clearance sales, despite a slowdown in the economy

Managers of major chain stores said the recession had yet to affect sales figures, and that stores were experiencing satisfying results despite the economic climate.

Marketing director of Edgars Group cash outlet Jet Stores, Sandy Barnes, said Jet had come out of Christmas sales with less stock than last year.

"Aggressive advertising campaigns and weekly specials with price reductions of up to 50% have resulted in better than expected figures," he said.

"During a tough economic climate, we reduce our stock orders accordingly, which is probably why we haven't as yet suffered depleted margins."

Although it was logical for businesses to cut back on advertising to relieve pressure on margins, Jet had stepped up campaigns and was satisfied with higher than expected turnover, he said.

Sales House MD Ian Thompson agreed, saying January turnover had been about four to five percentage points higher than the inflation rate, which meant real growth for the chain.

Sales House is an Edgars subsidiary.

"We had good Christmas sales figures and clearance stocks were in line with expectations.

"Sales House is not budgeting huge quantities of stock, in fact we are tailoring the cloth to meet our needs."

Edgars group director Fred Haupt said price reductions of up to 50% in January clearance sales had elicited a good buying response.

Stepped-up advertising was important in recessionary times, he said.

"However, cash sales are slightly down, and there has been an increase in the use of credit facilities."

This appeared to indicate that people did not have cash available, Haupt said.

Transvaal Clothing Industries financial director Doug Smith had a different view of the situation.

Small retailers were being squeezed out by large retailers, which were gaining a market monopoly, he said.

Pick 'n Pay clothing director Johnny Rosenberg said his chain was ordering larger quantities of stock than before.

"In a recession people tend to buy functional rather than fashionable, and sales have been substantially greater than last year," he said.

Cash store Bergers recorded growth during the Christmas period 35% above that of the December/January period a year before.

MD Mervyn Jacobson said his company had been pleasantly surprised to note that the recession had not yet affected the retail clothing industry.

Wooltru figures fall slightly short of market expectations

184

By Ann Crotty

STAR 14/2/91

After an excellent performance in financial '90, Wooltru's 19 percent increase in earnings to 220,7c (185,1c) a share in the six months to December was a little short of market expectations

An interim dividend of 77c (64c) a share has been declared

Sales were up 24 percent to R1,69 billion (R1,36 billion), while pre-tax profit rose 20 percent to R149,3 million (R124,8 million), reflecting a reduction in margins from 9,2 percent to 8,8 percent

Indications are that higher interest payments, and an increased contribution from lower-margin food sales cut into overall margins

In addition, the group is in the middle of a hefty expansion and refurbishment programme and it is policy that the costs associated with the programme are written off against profits in the year in which they occur

There was marginal relief on the tax front, leaving taxed profit showing a gain of 22 percent to R78,3 million (R64,4 million)

After allowing for outside shareholders' interests, attributable profit was up 19 percent to R76,8 million (R64,4 million)

The end-December '90 balance sheet shows a sharp increase in long-term borrowings — up to R138,5 million (R71,2 million) But it is down on the end-June figure of R155,2 million

Fixed and other assets are up sharply to R767,8 million (R471,3 million), but R142,8 million of this increase is accounted for by revaluation of properties

The directors refer to a number of difficulties, including depressed consumer spending, the swing from cash to credit sales and the fact that the supply of merchandise became less reliable as many manufacturers experienced labour action

Woolworths' sales were up 18 percent, with buoyant food sales — up 28 percent — helping to compensate for the 13 percent increase in clothing sales

All divisions of Specialty Retail Group traded well Makro performed ahead of management expectations

Ninian & Lester suffer a 20,7% drop

BEVERLY HUCKLESBY

CLOTHING group Ninian & Lester posted a 20,7% drop in earnings a share to 207c (261c) before an extraordinary item in the year to end-December 1990. (184)

Attributable income — before the extraordinary item of R2,5m derived in 1989 from the surplus on disposals — dropped to R6,7m (R8,4m)

A final dividend of 45c (50c) has been declared, bringing the total to 51c — a 10% drop on last year's 68c B|PM 12|2|91.

Ninian & Lester makes clothing for men, women and boys, as well as a range of knitted clothing and hosiery

Results for the group including those of Hacks Holdings showed a 31,5% increase in trading income to R24,7m (R18,75m).

Ninian & Lester increased its stake in Hacks Holdings in January last year from 50% to 60% making year-on-year comparisons difficult

Financial director Gerd Rahmer said yesterday the results reflected the state of the economy last year and they were not optimistic about this year

The clothing industry had seen a substantial increase in the price of raw materials, Rahmer said

A higher interest bill and finance leasing charges and a dramatic hike of 61% in depreciation increased deductions by 38,6% to R10,8m (R7,8m)

A lower tax bill of R4,65m (R4,75m) resulted in a 48,3% rise in taxed income to R9,24m (R6,23m)

Crunch for clothing industry

W/Argus 9/2/91 (184)

By TOM HOOD
Business Editor

POOR-QUALITY fabric and late deliveries to Cape clothing factories are causing "horrific" losses and forcing up clothing prices, say manufacturers.

An unprecedented broadside was fired on the South African textile industry this week by Mr Aaron Searll, chairman of Seardel, the country's largest garment manufacturing group, which buys R200 million of locally made fabric a year

"We have lost out on two major export orders because of shocking quality and delivery from one local supplier When we got the fabric it was the wrong colour and the quality was not acceptable to a British fashion house that had placed a trial order"

One export order worth R500 000 was cancelled because the fabric collapsed a week before the clothing factory was due to receive the raw material

"We are losing potential export orders because the standards required by European customers are not being met by South African textile firms

"Most of our factories refuse to buy from the Frame group (the largest textile company)," he said

"We are also losing out because of local chain stores cancelling orders after late deliveries of fabric."

He claimed South African textile mills had increased their prices by about 40 percent in two years

Retailers no longer accepted the textile mills' standards and had gone to the expense of testing all fabric in their laboratories

Clothing companies now checked every square metre of cloth — a costly and inflationary practice — because so much was faulty and was wasted, he said

"You cannot rely on what you have ordered being delivered We have high costs of reexamining the fabric"

Factories have increased their stock holdings to compensate for the inefficiency of the textile mills

A poor delivery performance caused severe work shortages, a drop in productivity, high reject factors and cancellations by customers for late deliveries"

"Some textile mills are performing well and did a fabulous job to help with our exports"

Mr Searll said the time had come to say "That's it, no more, we have had enough It is quite easy for me to give a directive to our top management not to buy from those textile mills who are our most vociferous critics"

Mr Brian Brink, executive director of the South African Textile Federation, said today that late deliveries were understandable in a time of high demand but should not happen in a time of severe downturn

"There are a lot of things that need to be corrected"

There had been many retrenchments in the industry, mills were running with much lower stock levels and there were management problems.

Factories were also working short time

"When we are operating short hours, our unit costs of production escalate Factories with a capacity of 168 hours are running at 120 or less"

Mr Brink said he disputed Mr Searll's claim of a 40 percent price hike — a figure derived from government statistics

He said the weighting of synthetic and other materials was too high and distorted the figures He estimated the price increase at between 13 and 14 percent a year

Exports play a major part in Seardel's record sales

Own Correspondent (184)

CAPE TOWN — Exports helped the Seardel group achieve record sales in the six months to December, in spite of the recession B/Day 8/2/91

Chairman Aaron Searll forecast yesterday that sales could reach the R1bn mark by the end of the financial year in June He expected exports alone to reach R51m by June 30, compared with R35m last year

But, in an attack on textile manufacturers, he said "We have lost out on two major export orders because of shocking quality and delivery from one local textile supplier."

Seardel lifted interim turnover by 13,9% to R535,8m but attributable earnings of R15,3m (R14,5m) were only 5,6% ahead of those in the first half of the previous year Earnings at share level were 65,5c (62c) The interim dividend is unchanged at 8c a share, with very conservative cover of 8,2 (7,8) times earnings

Operating income was 3,1% higher at R42,7m (R41,4m) Pre-tax income was 6,6% higher at R26,9m (R25,2m)

But after-tax income, helped by export incentives, was well ahead of inflation at R18,4m (R15,3m) — a rise of 19,7%

Searll said "The most important feature of these results is that the ratio of borrowings to equity has been brought down to 67% from 119% a year ago. We have reduced borrowings by a whopping R41m."

He said these results had been achieved "in spite of a tremendous slowdown in the economy".

Discussing the outlook for the coming year, Searll said overall demand for Seardel's product range was "reasonable".

Seardel notches up record sales, profit

CAPE TIMES 8/2/91 (184)

By AUDREY D'ANGELO
Business Editor

EXPORTS helped the Seardel group to achieve record sales in the six months to December, in spite of the recession

Chairman Aaron Searll forecast yesterday that sales could reach the R1bn mark by the end of the financial year in June

He expects exports, alone, to reach R51m by June 30, compared with R35m last year

But, in an outspoken attack on textile manufacturers, he said "We have lost out on two major export orders because of shocking quality and delivery from one local textile supplier"

Seardel lifted turnover by 13,9% to R535,8m in the first half of its financial year But attributable earnings of R15,3m (R14,5m) were only 5,6% ahead of those in the first half of the previous year

Earnings at share level were 65,5c (62c) The interim dividend is unchanged at 8c a share, with very conservative cover of 8,2 (7,8) times earnings

Operating income was 3,1% higher at R42,7m (R41,4m) Pre-tax income was 6,6% higher at R26,9m (R25,2m)

But after-tax income, helped by export incentives, was well ahead of inflation at R18,4m (R15,3m) — a rise of 19,7%

Loss of export orders

SEARDEL chairman Aaron Searll named the Frame group as the textile manufacturers who, he claimed, had caused his group to lose two large export orders, through late delivery

No-one from the Frame group was available to comment last night

Announcing these results at a party at the Seardel corporate heaquarters, Searll pointed out that "The most important feature of these results is that the ratio of borrowings to equity has been brought down to 67% from 119% a year ago We have reduced borrowings by a whopping R41m"

He said these results had been achieved "in spite of a tremendous slowdown in the economy Clothing in particular is going through a very difficult time"

He said the clothing industry's difficulties had been increased by poor quality and late deliveries by some textile firms

Demand for locally produced fabrics had dropped But this was not because of increased imports Fabric imports had, in fact, dropped by 6% in the first eight months of 1990 About 90% of fabrics used were sourced locally

Demand had dropped "because of the abnormal increase in prices of textile fabrics which have gone up by about 40% in two years — and because of poor quality and delivery by SA textile firms"

Searll pointed out that poor delivery by textile manufacturers caused a loss of jobs through "severe work shortages, decrease in productivity, high reject factors and cancellations by customers for late deliveries"

He continued "I wish to say to the textile industry — stop moaning, stop misleading the public (about the need for tariff protection against imported fabrics), stop insulting your customers put your own house in order once and for all"

He warned "We spend about R200m a year on local fabric purchases and it is quite easy for me to give a directive to our top management not to buy from those textile companies who criticise us and make shocking deliveries"

Claiming that some textile factories were "importing loomstate and finished cloth in large volumes," Searll said the textile industry had enjoyed 40 years of tariff protection

He thought they should be bringing prices down to reduce inflation "instead of looking for higher prices"

Discussing the outlook for the coming year, Searll said overall demand for Seardel's product range was "reasonable"

There was a difficult time ahead "But I remain optimistic — 1992 should show better conditions"

Seardel notches up record sales, profit

CAPE TIMES 8/2/91 (184)

By AUDREY D'ANGELO
Business Editor

EXPORTS helped the Seardel group to achieve record sales in the six months to December, in spite of the recession.

Chairman Aaron Searll forecast yesterday that sales could reach the R1bn mark by the end of the financial year in June

He expects exports, alone, to reach R51m by June 30, compared with R35m last year.

But, in an outspoken attack on textile manufacturers, he said "We have lost out on two major export orders because of shocking quality and delivery from one local textile supplier"

Seardel lifted turnover by 13,9% to R535,8m in the first half of its financial year But attributable earnings of R15,3m (R14,5m) were only 5,6% ahead of those in the first half of the previous year

Earnings at share level were 65,5c (62c) The interim dividend is unchanged at 8c a share, with very conservative cover of 8,2 (7,8) times earnings

Operating income was 3,1% higher at R42,7m (R41,4m) Pre-tax income was 6,6% higher at R26,9m (R25,2m)

But after-tax income, helped by export incentives, was well ahead of inflation at R18,4m (R15,3m) — a rise of 19,7%

Loss of export orders

SEARDEL chairman Aaron Searll named the Frame group as the textile manufacturers who, he claimed, had caused his group to lose two large export orders, through late delivery.

No-one from the Frame group was available to comment last night

Announcing these results at a party at the Seardel corporate heaquarters, Searll pointed out that "The most important feature of these results is that the ratio of borrowings to equity has been brought down to 67% from 119% a year ago We have reduced borrowings by a whopping R41m"

He said these results had been achieved "in spite of a tremendous slowdown in the economy Clothing in particular is going through a very difficult time"

He said the clothing industry's difficulties had been increased by poor quality and late deliveries by some textile firms

Demand for locally produced fabrics had dropped But this was not because of increased imports Fabric imports had, in fact, dropped by 6% in the first eight months of 1990 About 90% of fabrics used were sourced locally

Demand had dropped "because of the abnormal increase in prices of textile fabrics which have gone up by about 40% in two years — and because of poor quality and delivery by SA textile firms"

Searll pointed out that poor delivery by textile manufacturers caused a loss of jobs through "severe work shortages, decrease in productivity, high reject factors and cancellations by customers for late deliveries"

He continued "I wish to say to the textile industry — stop moaning, stop misleading the public (about the need for tariff protection against imported fabrics), stop insulting your customers put your own house in order once and for all"

He warned "We spend about R200m a year on local fabric purchases and it is quite easy for me to give a directive to our top management not to buy from those textile companies who criticise us and make shocking deliveries"

Claiming that some textile factories were "importing loomstate and finished cloth in large volumes," Searll said the textile industry had enjoyed 40 years of tariff protection

He thought they should be bringing prices down to reduce inflation "instead of looking for higher prices"

Discussing the outlook for the coming year, Searll said overall demand for Seardel's product range was "reasonable"

There was a difficult time ahead "But I remain optimistic — 1992 should show better conditions"

Protection threatens clothing exports

Cape Times 25/1/91 (184)

By AUDREY D'ANGELO
Business Editor

CLOTHING exports — which have reached R200m a year and still growing — will be endangered if the Deputy Minister of Trade & Industry, Theo Alant, gives way to pressure to give more protection to the textile industry, the National Clothing Federation (NCF) claims

A simmering row between the clothing and textile industries came to a head this week when delegates from both the NCF and the Textile Federation saw the minister, and senior officials from his department and the Board of Trade & Industry

The clothing industry has, for years, accused the textile industry of unreliability and of pushing prices up to unacceptable levels The textile industry, in turn, has accused clothing manufacturers of being willing to sacrifice jobs in order to be able to import cheap fabrics

Textile Federation executive director Brian Brink issued a statement that senior representatives of his industry had met Alant.

"The purpose of the meeting was to discuss the critical situation presently being faced by the industry," he said

"This has been brought about by the current recession, greatly increased output costs, the level of imports of cotton and man-made staple spun yarn and fabric, and under-utilized capacity within the industry"

The NCF statement said clothing exports represented 5% of total production in this country and were continuing to grow at a rate of 30% a year This could increase "as export efforts mount in scale, reflecting broader industry involvement"

It said these exports were one of the reasons employment in the clothing industry — the largest single employer in the Western Cape — was still higher than in other sectors Clothing exports were "critical in the present recessionary climate, where real domestic sales have declined"

Pinpointing the dominant role played by the Frame group in supplying cotton yarn to SA fabric manufacturers, the statement continued: "The clothing industry has been advised that imports of cotton yarn are not motivated exclusively by price

"The consistently higher quality and reliability achieved when imported yarn is used improves output and productivity by a considerable 30%"

The statement said its delegation had advised Alant "that further protection to yarn suppliers would merely perpetuate and exacerbate prevailing problems of supply in SA, undermining international competitiveness throughout the pipeline

"The textile industry should be advised to focus on improving its competitive position through effective management rather than protection."

The NCF said the textile industry had "created the impression of a flood of cheap textile imports But Customs statistics showed there had been a 6% decline in the volume of fabric imports

It would be "extremely unwise" to amend the structural adjustment programme for the clothing and textile industries just when dramatic results were starting to appear

"To change a system which has been in operation for only 18 months, and which the industries were told would remain in operation for the foreseeable future, will play havoc with forward plenning in the business sector and will also result in a negative perception and loss of confidence in economic policy."

Star 5/2/91.

Monatic to be delisted

By Tom Hood (184)

Shareholders of the Cape clothing company House of Monatic have decided to "take the money" when they voted 98 percent in favour of proposals by Lenco Holdings to delist the company and buy out their shares at 80c each

The 80c offer was the company's highest price for the past two years, said Mr Issy Goldberg, chairman of the SA Shareholders' Association.

"The clothing industry is in pretty poor shape just now and the chance of an early recovery is not on the cards," he said.

He suggested shareholders should accept the offer, which would cost Lenco R1,6 milion, and they should buy into other companies whose share prices had been decimated to about 20 percent of the price two years ago.

Minorities

Lenco chief executive Mr Douglas de Jager said that when Monatic was listed 23 percent of the shares were held by minorities. Today minorities held only about 6 percent and big savings could be achieved by delisting For instance the annual report cost R60 000 a year.

Asked if the offer could be raised to include a dividend, Mr De Jager said the directors considered 80c a share was fair value for the company's assets.

COMPANIES

No probe into W&A's Arwa deal

(184)

ZILLA EFRAT

THE Competition Board would not launch a formal investigation into FSI subsidiary W & A Investment Corp's acquisition of Arwa's hosiery knitting and distribution activities, announced yesterday

The board said this was because Arwa was in dire financial straits and the sale of its various divisions was necessary to avoid liquidation

An announcement today said the purchase price of the deal, effective from Monday, would be determined by an audit of the net asset value of the acquired businesses. However, a ceiling price of R27m has been set Settlement will be through the issue of ordinary shares in W & A

A previous attempt by the FSI group for Arwa, for a price believed to be considerably higher, failed in April last year after the Competition Board said it would investigate the deal. BDay 11/2/91.

This was because FSI, through its holding of Burhose and Arwa, was expected to have 99% of the pantihose market

Competition Board chairman Pierre Brooks said yesterday the board could not be expected to sanction any acquisition that gave rise to a monopoly situation However, in the case of a failing company, where the interests of creditors and employees were at stake, such an acquisition could be justified

The board was presented with figures that showed the piecemeal sale of Arwa's various divisions would result in a substantially higher return than would the sale of the whole business to a single buyer.

A piecemeal sale would lead to a monopoly situation in hosiery production, while a sale to the only willing buyer of the whole business also had questionable "corporate conglomeration" implications.

In the year to December 1989, Arwa incurred a net loss of R3,3m and borrowings shot up from R1,9m to R44,5m In June, Arwa chairman Johan Claasen and a consortium bought Arwa's assets and liabilities from Tollgate Holdings for R42m

A W & A statement released yesterday said costs would be incurred in streamlining and upgrading the newly acquired hosiery activities in 1991.

FIM 1/2/91 (184)

REX TRUEFORM

FIM 1/2/91

ENTERING THE FRAY (184)

To the consternation of clothing stores, a manufacturer is developing a national chain.

Rex Trueform has started a retail division called Queenspark Already 10 shops have opened to offer a range of Rex Trueform's classic menswear and ladieswear at discount prices at a time when retail margins continue to increase

The company has always had factory outlets but this new chain is a sharp departure because it is aimed at the traditional shopper The latest stores were opened in November in Waterkloof, Pretoria, and Northcliff, Johannesburg The stores are not being located in primary shopping areas but are focusing on retailing upmarket clothing

Rex Trueform chairman Stewart Shub insists that Queenspark will not compete with the company's principal customers such as Edgars, Woolworths and Levisons

"Queenspark does not stock our national brand names such as Miss Cassidy, Wall Street and Daks It will be selling goods that were previously made exclusively for the export market We have valley periods in our production and Queenspark has been able to take this up."

Shub adds that originally Queenspark was supplied only with overruns but is now stocked with its own range of merchandise

Predictably, some retailers do consider Queenspark a competitor Sid Hurwitz, MD of the JSE-listed Romens chain, says he is against the principle of a manufacturer opening stores

"It means that they are competing against their own customers The customer may be getting a price benefit but this is by no means everything At Romens we believe in offering the consumer an acceptable price and in providing the consumer with selection, advice, tailoring services and payment facilities."

Queenspark does not offer alterations or payment terms over six months, but Shub says the staff is trained and encouraged to provide service and advice

There is unlikely to be a stampede of manufacturers following Shub's example Mike Getz, of the Seardel group, says "The strong clothing brands tend to be the private labels of the retailers — except in lingerie and men's suits — which circumscribes a manufacturer's ability to market his own brands"

In Edgars, the largest clothing chain, private labels account for 70% of sales, and in Woolworths, which is number two, they account for 100%

Getz adds· "The more manufacturers' margins are squeezed, the more likely it is that manufacturers will move into retailing themselves."

Seardel, however, has no plans to go retail, though it is the country's largest clothing manufacturer "There are definite skills needed to go retail so we have to stick to what we know already" A M Moolla's Sadek Vahed says he will also remain focused on manufacturing

Edgars group MD George Beeton admits that retailing does offer a better margin than manufacturing but notes that it is also more risky "We have a sizeable manufacturing division, Celrose, but we don't think we are the best manufacturers in SA and it's unlikely that a manufacturer would be the best retailer"

Hennie van Zyl, executive director of the National Clothing Federation, says it is a logical diversification to go retail, especially for a company such as Rex Trueform that has gained marketing experience by exporting for 30 years "The retail trade is very concentrated, five groups control 60% of the market. But there are few barriers to entry and retailers know that manufacturers always have the option of going retail if retailers become uncompetitive"

Tony Factor, flamboyant Johannesburg area discounter, welcomes competition but warns "Rex Trueform has shops in smarter locations than ourselves They may find that their running costs will force them to increase prices in the course of the year" ■

W & A buys Arwa Hosiery

CM-7/4/5 1/2/91 (184)

By AUDREY D'ANGELO
Business Editor

W & A Investment Corporation has bought the entire hosiery knitting and distribution activities of Arwa Hosiery from the Duros group, with effect from Monday, January 28.

In a statement yesterday W & A said: "The purchase price, to be settled through the issue of ordinary shares in W & A, will be determined after completion of an audit of the net asset value of the acquired businesses, but is subject to a ceiling of R27m."

The deal will give W & A about 90% of the total SA hosiery and pantihose market — which is estimated to be 80m pairs a year — and substantially increase the group's export capacity.

A spokesman for W & A said the deal had been sanctioned by the Competition Board because Arwa was "a failing company".

He said market research by an independent company had shown that W & A's Burhose group had 60% of the SA market before the deal and Arwa 30%.

Burhose had been in the export market for seven years. Sales overseas had reached a level which justified the opening of an office in Europe last year. Before then the export business had been handled through agents.

The statement issued by W & A said the transaction was "consistent with W & A's stated policy of developing its core businesses on a global scale through gaining significant market share at home, then entering export markets, and finally acquiring direct international investments.

"The additional manufacturing facilities now available to W & A are expected to assist in further development of W & A's existing, substantial hosiery export business, with beneficial impact on foreign exchange earnings."

The statement continued: "There will be some rationalisation of W & A's enlarged hosiery manufacturing operations, but marketing, sales and promotion activities of Arwa will remain autonomous, competing freely for business with W & A's existing brands and with imports.

"The established hosiery brand names acquired from Arwa will be developed under the strategic guidance of W & A executives."

It said costs would be incurred this year in streamlining and upgrading the newly-acquired hosiery activities, "but thereafter meaningful, ongoing benefits are expected to accrue to W & A".

Alan Falconer, MD of Burhose, said that companies within the group including Cape Town-based Golden Girl competed fiercely with each other. Arwa would continue to compete with them.

Falconer said the SA market was not completely recession-proof and had fallen by 13% in the current downturn.

But exports to Europe were successful because "SA hosiery is very competitive in world markets. We can produce and ship high quality hosiery much more cheaper than they can make it themselves."

The quality of SA products was higher than those from "the other cheap production areas.

"People who are shopping around for good value in hosiery have SA high on their lists, particularly now that sanctions are falling away."

Markets were opening up "at a very fast rate". Although the group was not yet exporting hosiery to the US it was receiving inquiries and discussions were taking place, said Falconer.

Arontex Holdings listing is terminated by the JSE

B/D, 30/1/91 (184)

MARC HASENFUSS

THE JSE listing of Arontex Holdings was terminated by the JSE's general committee yesterday.

The Durban-based clothing group has been under investigation by the SAP commercial branch since May 1990 after more than 1,2-million Arontex shares changed hands in four deals during the last week of trade before its suspension on March 21 last year. It had been provisionally liquidated the previous day.

Ernst & Young trust director Lloyd Spendiff, one of the liquidators, said last night that although the commission of inquiry into Arontex had completed its investigations last week, its findings would be reported next week.

JSE equity market GM Richard Connellan said the group had requested that the normal six month suspension period be extended, but since then there had been no new developments and the listing was terminated under normal JSE policy. The matter was not in the JSE's hands as documentation regarding deals in Arontex shares were forwarded to the Registrar of Companies in June last year.

A Business Day investigation of share transactions showed that Arontex director Jorin Ryckebusch sold 800 000 shares and Martinne Yvonne Roesel (not a director) sold 380 000 shares to Kayemees Nominees, which increased its shareholding from 0,2% to 10%.

FM 8/2/91

CLOTHING INDUSTRY (184)

SEARLL ON THE ATTACK

Top clothing tycoon Aaron Searll, chairman of the Seardel group, entered the clothing-textile war this week with a stinging broadside at the textile industry.

Until recently Searll has remained aloof from the quarrel, preferring the less controversial publicity of the social pages But last month he joined for the first time a National Clothing Federation delegation to government. He has now made his views public. His remarks were prepared for a shareholders' meeting on Thursday of this week and released to the *FM* in advance.

Searll says the woes of the textile industry cannot be blamed on increased imports — customs figures show that the volume of fabric imports declined by 6% in the first eight months of 1990 compared with 1989

"Demand has dropped because of the abnormal increases in the price of textile fabrics, which has gone up 40% in two years And SA textile mills are notorious for poor quality and an unimpressive delivery performance. We have lost out on two major export orders because of shocking quality and long delivery delays from one local textile supplier"

Brian Brink, the executive director of the Textile Federation, confirms that fabric imports have declined overall but adds that in the crucial cotton fabric area, imports were up by 11% Brink also questions whether textile companies should take all the blame for lower demand He says the recession and the strict monetary policy have contributed

Clothing exports, however, have increased by 30% — thanks to the structural adjustment programme that gives clothing companies access to a limited quantity of duty-free cloth

"We are able to offset the higher cost of local cloth in SA against the incentives," says A M Moolla's Sadek Vahed He predicts that exports could increase to R500m a

FM 8/2/91 (184)

year by the end of next year, provided the structural adjustment programme is retained and textiles are not given more protection

Putting the case for textile producers, Harry Pearce of Da Gama textiles says the clothing industry has no right to claim the free-market high ground "Clothing duty is between 30% and 35% An import permit is required to import clothing but no permit is needed for textile imports" He claims that the clothing industry is thus adopting a selective free-market approach

The textile industry is now attacking the mechanism for implementing the structural adjustment programme Frame's Mervyn King says the export incentives should be in cash and not consist of duty-free permits, which lead to lost sales by local textile mills "Incentives should be paid by the taxpayer and not by another industry," he insists.

Searll

Searll's speech verges on a personal attack on King He says most Seardel factories refuse to buy from Frame. He adds that if other textile companies continue to insult Seardel, he will stop buying from them

"We spend R200m a year on local fabric purchases and it is quite easy for me to give a directive to our top management not to buy from those textile mills that are the most vociferous critics"

King declines to return the fire "I don't want to insult any customers I just want to talk about the issues" ■

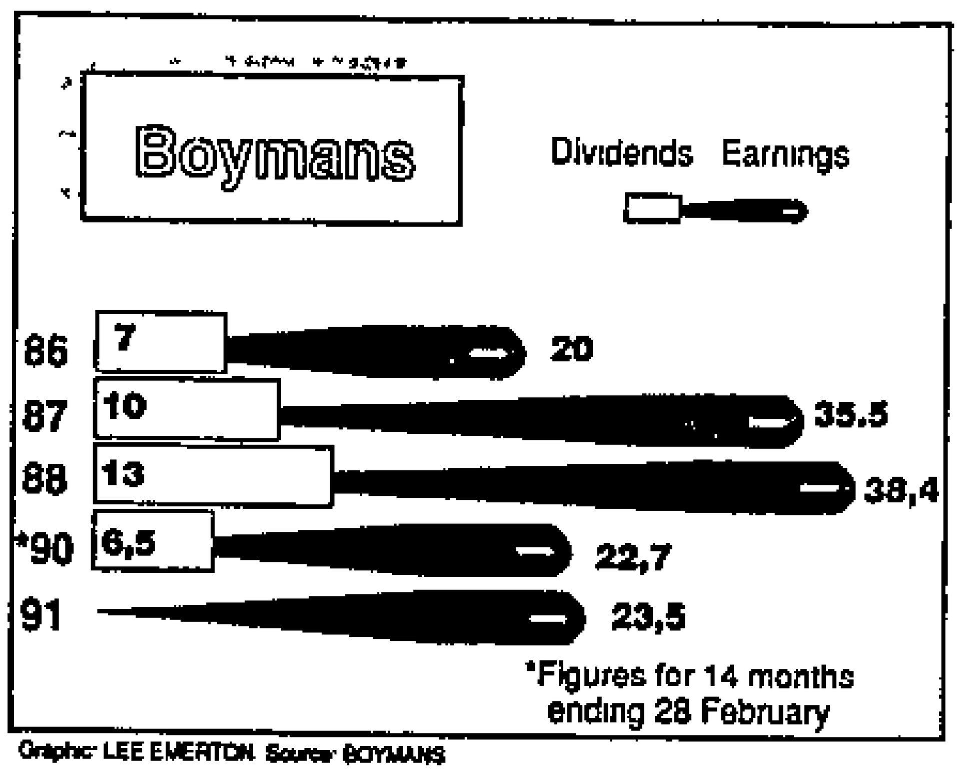
Boymans maintains earnings and halts downward trend

B/Day 17/4/91.

MARCIA KLEIN

SPECIALITY clothing and departmental chain Boymans has halted its downward trend by maintaining earnings in the year to end-February

The group, which trades under John Orr's, Levisons, Deans, Cyrils, John Scott and Woolfsons, increased its attributable earnings by 3,2% to R2,5m for the year, compared with R2,4m for the 14 months to end-February 1990 There was a similar increase in earnings to 23,5c (22,7c) a share



Graphic: LEE EMERTON Source: BOYMANS

This was in spite of the economic downturn aggravated by consumer boycotts and high interest rates, directors said

Financial director John Connaway said yesterday said the year had been particularly pleasing for the company, which had managed to come back after "bottoming out" at the August 1990 interim stage, when it reported a 38% drop in earnings to 9,3c (15c) a share

At year-end operating profits had increased by 10,7% to R14,2m (R12,8m) on a marginal 0,9% increase in turnover to R190m (R188m)

During the year Boymans embarked on an asset reduction programme Connaway said stocks had come down nicely

Interest paid rose by 16,8% to R9,2m (R7,9m), bringing pre-tax profit up slightly to R5m (R4,9m) Connaway said the interest bill was kept at a level lower than the group had budgeted for

Despite the fact that rationalisation was costly, the balance sheet had been tidied up with stock levels significantly reduced and gearing contained

Net profit for the year was up by 3,1% to R2,5m after a small reduction in taxation. Retained profit was R2,5m, compared with R1,7m for the 14 months to end-February 1990

Boymans did not declare a final dividend

Connaway said earnings were likely to continue improving in financial 1992

Boymans's share closed yesterday at 130c after reaching a yearly high of 145c in August and a low of 120c in May 1990

BUSINESS PERSONALITY OF THE WEEK

New SA's industrial relations challenge

By TOM HOOD
Business Editor

W/CAR6A5 20/4/91

184

Mr Peter Cragg ... "change inevitable".

DEATH threats have become a new hazard for industrial relations practitioners as liberation politics take hold in the workplace

This was the experience of Mr Peter Cragg during a period of "hands-on" IR involvement in the road transport, and beer industries

"I was negotiating on an industrial council and certain elements were not happy about our approach Their aim was to terrorise and my wife and I both received death threats," he said

As the newly-appointed, first full-time executive director of the Cape Clothing Manufacturers Association and Cape Knitting Industry Association, he brings experience of the organised black struggle to an industry that has also experienced labour pains

However, the challenges of this new job are different from only handling labour relations issues for the industry

Clothing is the Western Cape's biggest industry — in fact the Industrial Council for the Clothing Industry in the Cape is one of the largest councils in the country

Mr Cragg believes that because of its size and commercial importance to the region the industry will have an interest in South Africa's rapidly-normalising relations with the world trading community.

"There is need for a strongly-organised regional clothing initiative to take advantage of opening trading opportunities These opportunities are not only for the large well-established companies Smaller manufacturers can become competitive through the Board of Trade and Industry's General Export Incentive Scheme"

The CCMA would be planning an increasingly active role in developing the interests of its members in these areas

"The industry will need to adopt a higher, more assertive profile to further members' interests"

Mr Cragg said he would try to create an even more powerful cohesive employer body with more members, particularly among the smaller manufacturers

The association needs to sell its services to existing and potential members more actively, so initially Mr Cragg will concentrate his efforts on membership and collective bargaining

The association will have its own dedicated hands on industrial relations consultancy, for use by members free of charge

Peter Cragg may be a newcomer to the clothing industry but he is no stranger to either the Cape or to industry-level executive involvement.

Born in Cape Town 38 years ago, he says he has had the finest kind of life South Africa can offer.

Nurtured under the "civilising influence of Table Mountain," he went to school in Port Elizabeth.

After matriculating at Grey College and completing national service as an infantry instructor, he enrolled for a degree at the University of Port Elizabeth

See page 3

P.T.O

Death threats in industrial relations

From page 1

Studying economics and industrial psychology in Port Elizabeth in the early 1970s was, he reflects, like studying the evolving history of organised black labour and black "alternative" politics.

Port Elizabeth was alive with all kinds of groundswell movements and ideas.

"None of us really understood the significance then, but looking back it was clear that the roots of the organised black struggle could be found in Kwazakele and New Brighton."

He was influenced at the time by South African labour opinion makers such as Professor Nic Wiehahn, Professor Roux van der Merwe and Professor Ampie Muller.

This period saw the start of his interest in the systematic dismantling of apartheid.

In his final year at university he won the Nedbank Budget Speech competition and as part of his prize was flown to parliament to listen to Dr Nic Diedrich's Budget.

After graduating with distinction he joined the Chamber of Mines as an economist. Here be benefited enormously from the diverse thinking on the migrant labour issue on the gold mines.

Both the morality and the economics of the industry concerned him and profoundly influenced his determination to become involved in change.

Then followed a period of career growth and development within the Standard Bank group, "which takes the development of its fast trackers seriously"

Promoted quickly, he was chosen for an overseas development role While abroad he attended a management development programme at Templeton College, Oxford.

There he learned more about the evolving South African labour and political scene than at any time before.

Back in South Africa he became human resources director of Cargo Carriers and industrial relations executive for the beer division of S A Breweries.

He was appointed to the executive committee of the Motor Transport Owners' Association and immediately became actively involved in the industrial issues of the

He was one of the industry's strategists and negotiators on the industrial council at the time of Cosatu's thrust to achieve "one industry, one union".

After studying for the industrial relations development programme at Stellenbosch Business School, he graduated with a full house of A's — the first student to ever do so.

This, with his industry-level experience, involved him more directly with the emerging trends of black politics in the workplace.

He advocated the importance of "constructive engagement" of trade unions in meaningful debate on populist issues — a view not widely shared by certain trucking entrepreneurs at the time.

On the other hand he was fiercely committed to the protection of managerial prerogatives and the importance of saying "no".

Today he believes collective bargaining in an unjust and immoral political environment means examining critically what "managerial prerogative" is.

Although surprised at the pace at which change has taken place he believes the process was inevitable

From the moment Professor Blackie Swart counselled the then manpower authorities to recognise black trade unions, Mr Cragg believed a normalised South Africa was possible

The Cragg family are delighted to have settled in Cape Town again. Mr Cragg has two young sons who go to SACS. "Not quite as good as Grey," he jokes, "but still, an excellent school"

A Comrades Marathon runner some years ago, he is taking to the sport again. He also supports his old rugby club, Villagers, which, he says, has all the unique Cape qualities

SA Bias expecting growth against the odds

LINDA ENSOR

SA BIAS Holdings chairman Christopher Seabrooke anticipates a resumption of earnings growth in 1991 despite the continued weakness of the economy. (184)

The group's listed subsidiary SA Bias Industries expects an increase in attributable income in line with the inflation rate But financial group subsidiary Merhold projects only a marginal increase in attributable income for the year

SA Bias Industries' attributable income rose slightly to R13,5m (R13,1m) in the 1990 financial year while that of Merhold increased to R8,7m (R8,5m).

No expansion outside the group's operations is planned.

However, the divisions of subsidiary SA Bias Industries, which manufactures and distributes trimmings and accessories, are expanding into industrial markets other than the traditional clothing and footwear sectors BDay 23/4/91

SA Bias Industries embarked on an acquisition strategy in 1991, aimed at opening up of new industries and product lines and to acquire compatible businesses where rationalisation is possible

Acquisitions in the last financial year included the Kirton group, Designer Labels and the asset base of Webbing Products A joint venture was set up with the Barbour Campbell group of Ireland through the merger of the sewing thread operations of Barbour Threads and Perivale-Gutterman, SA Bias Industries's sewing thread firm

"The new company, Barbour Perivale Threads, has been geared up to produce locally all sewing-threads required by SA industry," Seabrooke says

Also, International Trimmings was set up in the UK to produce printed and woven labels, ribbons and bows for the UK and European markets

As regards Merhold, Seabrooke says the company undertook a major review of operations in 1990 because the improved political climate in SA has led to a reduction in the number of trade services required from the finance division

SA BIAS INDUSTRIES

TEMPORARY SETBACK

Activities: *Manufactures and distributes accessories to clothing, footwear and allied industries*
Control: *SA Bias Holdings (87,8%)*
Chairman: *C S Seabrooke, MD P Coutts-Trotter.*
Capital structure: *28,5m ords. Market capitalisation. R71,3m.*
Share market: *Price· 250c. Yields: 7,2% on dividend, 18,9% on earnings, p e ratio, 5,3, cover, 2,6. 12-month high, 280c, low, 200c. Trading volume last quarter, 40 000 shares*

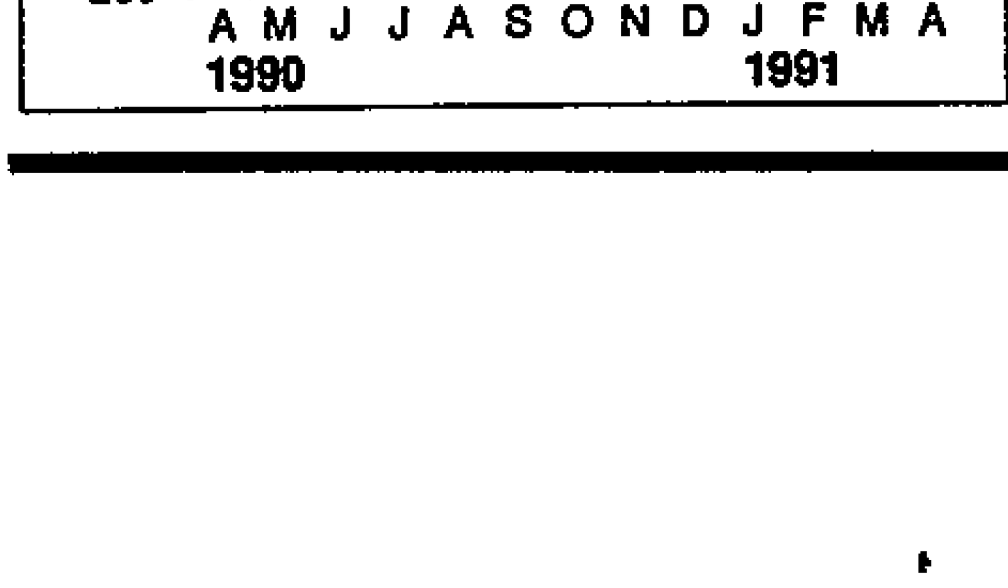
Year to Dec	'87	'88	'89	'90
ST debt (Rm)	2,2	1,3	—	9,7
LT debt (Rm)	3,6	3,3	4,5	10,4
Debt equity ratio	0,29	0,11	0,04	0,40
Shareholders' interest	0,52	0,62	0,65	0,48
Int & leasing cover	7,4	22,3	18,8	10,1
Return on cap (%)	27,3	26,8	29,4	20,5
Turnover (index)	100	128	165	249
Pre-int profit (Rm)	9,6	13,4	18,1	19,2
Pre-int margin (index)	100,0	108,9	114,6	80,3
Earnings (c)	29,5	39,4	46,5	47,3
Dividends (c)	9,8	15,2	18	18
Net worth (c)	72	109	141	157

Shareholders should by now be used to quantum leaps in SA Bias Industries' asset base but less so to the group not deriving a commensurate gain in profit. However, Sab Ind chairman Christopher Seabrooke seems to view last year's flat earnings as a temporary setback He is forecasting a resumption of growth this year in line with inflation.

The balance sheet shows a 52% increase in total assets employed (net of intangibles) to bring the total gain over the past three years to 166% Main reason for last year's growth was management's exploitation of opportunities for acquisitions created by a weakening economy Also, a manufacturing operation was established in the UK, thereby realising another long-standing objective to expand internationally.

Growth in assets was virtually matched by the advance in turnover, and the 1990 asset turn ratio was little changed from 1989 But there was no follow-through in profit, with margins apparently affected by the economic climate and by costs associated with the integration/rationalisation of new acquisitions.

Among these was Kirton, bought in February last year, this added curtain suspension products to the product range The operation has been merged with Narrowtex,



SA Bias Industries' Seabrooke
exports will benefit

whose main products are webbings. While there is no explicit comment on profit, the statement that Kirton is expected to contribute strongly to results from 1992 implies its contribution so far has not been material

Margins were also affected because Sab Ind incurred a much heavier depreciation charge on a fixed asset base that grew 64% compared with 1989.

The total annual depreciation charge jumped from R3,7m to R6m. The effect is reflected in the fact that profit before depreciation rose almost 16%, whereas after this charge the increase was only 6% The resulting dilution of profit growth was considerably more severe than that attributable to higher finance charges which, though double the 1989 figure, reduced pre-tax profit by only R0,9m.

That turnover growth was maintained in line with assets reflects sound asset management. Also, the increase in net working capital was confined to 44%, seven percentage points fewer than the growth in sales There can hardly be any cause for concern that last year's disappointing profit resulted from a lapse in management controls

Even so, lower operating margins cost the group more than R8m in pre-interest profit Two relevant questions now are whether the shortfall can be made good, and, how long this is likely to take?

Seabrooke's forecast for this year, while obviously influenced by the economy (which he does not see improving in the short term), suggests the full recovery to previous profitability could take a number of years. However, scope for improvement exists. To the extent that 1990 results were affected by costs associated with rationalisation of new acquisitions, benefits should become apparent as these are fully bedded down

Something else that should contribute increasingly to profit in the medium term and beyond, is an enhanced export potential with the establishment of a UK base. Seabrooke believes the export effort will benefit significantly from what he calls this logistical support base There is no question that timing here was excellent given the rapid normalisation of trade links between SA and, in particular, Europe

Overall, there appear to be enough positive factors to warrant a share rating better than is indicated by the 7,2% historical dividend yield However, the rating is clearly affected by the listing in the Clothing sector which, not without reason, is not exactly a glamour area at present

Brian Thompson

ROOIBERG TIN FM 26/4/91

THINLY SPREAD

Activities: *Tin mining and smelting in the Warmbaths district*
Control: *GFSA 48%, directly and indirectly.*
Chairman and MD: *J G Hopwood.*
Capital structure: *2,1m ords Market capitalisation· R5,3m*
Share market: *Price 250c. 12-month high, 700c, low, 250c Trading volume last quarter, 9 621 shares.*

Year to Dec 31	'87	'88	'89	'90
Turnover (Rm)	22 2	21,1	25 0	18,9
Pre-tax profit (Rm)	0,025	1,47	2,4	(3,6)
Attrib profit (Rm)	0,025	1,47	2,4	(3,6)
Earnings (c)	1	47	114	(173)
Dividends (c)	—	50	30	—
Tin sales (t)	1 507	1 260	1 129	1 128

The fate of Rooiberg — SA's largest tin producer — hangs by a thread and depends on whether the high grades shown in the March quarter can be maintained

That is not a comfortable position. The complex nature of the tin-bearing orebodies mined by Rooiberg has caused large and apparently uncontrollable grade fluctuations in the past

Average grade of 0,8% tin shown for the March quarter is up by a third on the December quarter, thanks to higher grades at both the "C" mine and the NAD mine, where grade is running at 1,5% tin.

Even so, Rooiberg is still not breaking even on operations because the tin price remains bombed-out and looks like staying that way The current LME price of US$5 470/t equates to R14 769/t, and compares with the mine's average net revenue of R16 764/t sold last year and R22 102/t in 1989. Rooiberg's average cost of sales for 1990 was R21 131/t.

In the struggle to survive, management slashed the operation to the bone last year, closing two mines, selling redundant equipment and stopping all non-essential activities

That resulted in a 12% drop in total working costs to R22,2m (1989: R25,3m) despite the average inflation rate for the year of 14,7%. The number of workers employed dropped to 732 at end-December from 1 133 a year ago Chairman John Hopwood says there is little scope for further rationalisation.

He reckons world tin production should drop this year, because of cutbacks in output

continue →

Lewis family in bid for UK fashion chain

Bday 2/5/91 (184)

JOHN CAVILL

LONDON — Oceana Investment, the £20m UK group which is 56%-owned by the Lewis family who control Foschini, is hopeful of winning acceptances for its contested £22,3m tender offer to buy 18,5% of the fashion chain Etam.

Michael Lewis, director of Oceana and Foschini, said yesterday: "We've had a lot of brokers ringing up to ask how to tender shares for the offer.

"Etam's share price is staying in the 170p-175p range (against the Oceana offer of 185p) and with a bit of luck that will persuade people to sell."

Oceana has already accumulated 6,6% of Etam which reported a 51% drop in profits to £8,5m for last year. Etam did so despite turnover rising by more than 80% to £207m since 1987-88 when pre-tax earnings hit a peak of £17,9m

Etam, valued at £121m by the tender price, is fighting the offer

Financial director Keith Miles said: "It is an attempt to gain backdoor control at an unacceptably low price"

Oceana is considering a full bid for the group, having been rebuffed in February when it proposed a cash and shares offer valuing Etam at 150p — when it was priced at 117p in the market.

Lewis, whose family controls the 700-store Foschini group in SA, said. "We think we can do a better job with Etam than it's present management Etam is tightly run but every key indicator of performance, from sales per square foot to profit margins, has shown a decline.

"And we believe there is a difference between a tightly-managed company and a well run company."

Oceana's tender for the Etam stake closes on May 7

FM 3/5/91 (184)

MERHOLD FM 3/5/91

BELOW TARGET

(184)

A little less than a year ago, trade finance houses such as Merhold were being punted in some quarters on the basis that they were undervalued relative to their historical performance and what was perceived to be the largely recession-proof nature of their business. Be that as it may, Merhold in 1990 had its worst year since the SA Bias group entered the financial field more than a decade ago, with minimal growth in assets and almost unchanged profits.

Chairman Christopher Seabrooke in his review does not specify reasons for the company's disappointing (by historical standards) performance, though he tells the *FM*

Activities: *Trade financing & factoring, export trading, investment and other related financial services*
Control: *SA Bias Holdings (77,8%)*
Chairman: *C S Seabrooke*
Capital structure: *18,3m ords Market capitalisation R32,9m*
Share market: *Price 180c Yields 9,4% on dividend; 26,5% on earnings, p e ratio, 3,8, cover, 2,8 12-month high, 260c, low, 170c. Trading volume last quarter, 62 000 shares*

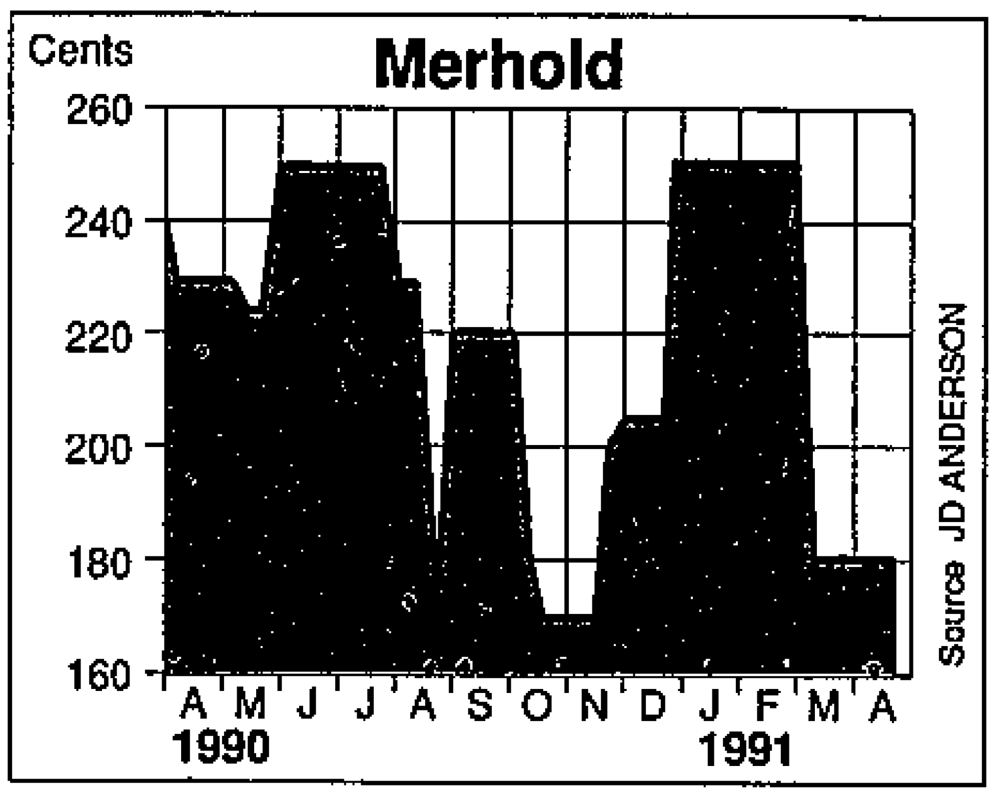
Year to Dec	'87	'88	'89	'90
Total assets	207	268	341	359
Advances	182	226	283	297
Gearing ratio	5,4	3 8	4,3	4,2
Taxed profit (Rm)	519	7,4	10,9	11,6
Return on assets (%)	2,9	2,8	3,6	3,5
Return on equity (%)	18,0	18,8	20,6	18,8
Earnings (c)	32,0	36,5	46,4	47,7
Dividends (c)	11	14	17	17
Net worth (c)	158	195	226	254

it was intended to be a year of consolidation It is clear that the biggest single factor was the unexpectedly rapid deterioration in the economy. This not only limited business opportunities but, in common with the banking sector, led to increased bad debts which alone reduced potential profit by R1m (8%). With a portion of the group's business offshore, the firmer rand cannot have been much help either

What Seabrooke does make clear, however, is that a lot of management time has been spent on a thorough review of activities. Among the objectives of this exercise is to improve profitability which, in all material respects, continues to fall far short of management's targets For example, the target return as measured by attributable profits in relation to average total assets employed of 4% compares with the actual return of 2,5% achieved last year Return on equity of under 20% (calculated on average shareholders' funds) was five percentage points off the group's objective, even though Merhold has no liability of any consequence for tax

Of lesser importance in the short term is that dividend cover, at 2,8 is also below the target of 3 This means future dividend growth is likely to lag that of earnings until the shortfall is made good

The one area where the group scores positively in relation to its own financial objectives is in terms of financial structure. The aim in this regard is to maintain a relationship with shareholders' funds to gross assets of not less than 12% The 1990 figure was closer to 18%, indicating Merhold has ample capacity to expand activities within its existing capital base It also means the prospect of Merhold ever having to hold a rights issue to fund expansion of its operations is remote



As regards prospects, Seabrooke expects that a continuing weak economy will again retard earnings, and at this stage he is forecasting only a slight increase in attributable income The longer-term outlook is more positive, with expectations of a 20% annual growth rate "over a period." He notes that the group has been diversifying from its trade finance activities, and now also has separate trading and corporate divisions

While the short-term outlook is unexciting, it has to be recognised that it is no worse than for most companies, and to this extent the marked downgrading of the share over the past year is a little difficult to understand

Since the *FM* reviewed the 1989 annual report the share price has fallen from 250c to 180c, and with the dividend unchanged the yield has risen from 6,8% to 9,4%. Viewed against the industrial market, the discount at which Merhold is rated has deepened from 47% to 65% and is hardly a vote of confidence either in Seabrooke's assessment of the future or, for that matter, in the share itself — though the limited tradeability may be a factor.

Brian Thompson

Merhold's Seabrooke *reviewing activities*

ENSIGN Fm 31591

DOUR PERFORMER

(184)

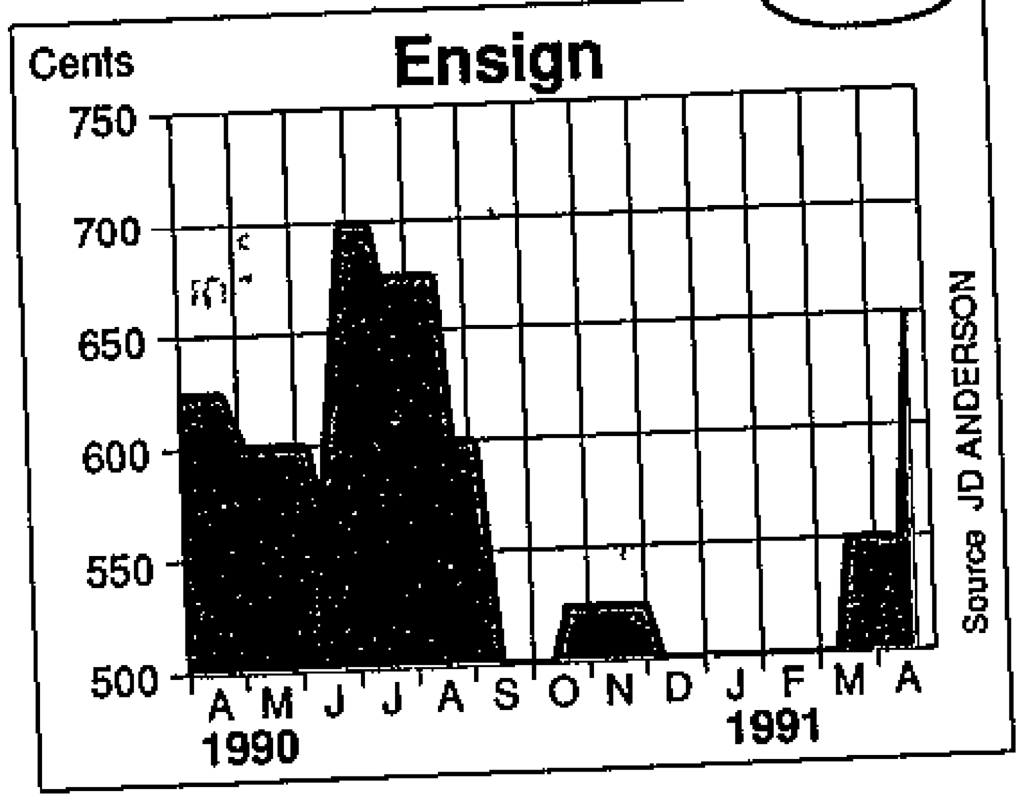
Activities: *Manufactures clothing*
Control: *Directors*
Chairman and MD: *R Roy*
Capital structure: *660 000 ords Market capitalisation R3,6m*
Share market: *Price 550c Yields 7,3% on dividend, 27% on earnings, p e ratio, 3,7, cover, 3,7 12-month high, 700c, low, 500c Trading volume last quarter, 2 700 shares*

Year to Dec	**'87**	**'88**	**'89**	**'90**
ST debt (Rm)	0,65	1,67	2,17	2,65
LT debt (Rm)	0,48	0,48	0,43	0,53
Debt equity ratio	0,18	0,3	0,35	0,38
Shareholders' interest	0,64	0,61	0,61	0,51
Int & leasing cover	12,3	8,5	5,6	6,5
Return on cap (%)	16,7	15,8	16,5	16,5
Turnover (Rm)	n/a	n/a	n/a	n/a
Pre-int profit (Rm)	1,62	1,81	2,06	2,77
Pre-int margin (%)	n/a	n/a	n/a	n/a
Earnings (c)	120	120	118	147
Dividends (c)	35	35	35	40
Net worth (c)	920	1 006	1 089	1 196

Ensign has a low profile as an investment stock It is a small company, in which few shares are traded, and it has produced little dynamism in its results

In the face of a difficult year for the clothing industry, however, Ensign's turnover index increased last year by 23,6%.

Fm 31591 (184)



Turnover value is not disclosed so margins cannot be established, but as income before tax rose by 45%, it is evident that the margin rose significantly. A climb in the effective tax rate to 48% from 40% detracted from this performance and confined EPS growth to 25%

There was a time when "Samson" was a household name, it was then synonymous with overalls "Ensign" also had a high brand awareness, even before business school jargon was in vogue

Gradually the prominence that these logos enjoyed in consumer's minds has diminished, as competition and different fashions have overtaken the products Today they are perhaps less known in the market but they retain a quality tag. The SABS mark was recently awarded to Samson work clothing and more fashionable leisure-workwear is being sold under the Samson International brand name in a more focused, niche marketing effort

Activity was considerably greater in the

continue

(184) Fm 31591 (184)

second half than in the first Both debtors and creditors rose sharply as a result This also accounted for the increase of 22% in bank borrowings required to fund working capital

Director Alan Bissett confirms that 1991 started off well and says there is a substantial order book While the industry may be depressed, he explains, the group is enjoying buoyant conditions because Ensign merchandise is more functional than fashionable and its bread-and-butter clothing is often produced "under longish contracts" While he is confident the company will again produce real growth in 1991, he is reluctant to commit himself to a figure ahead of inflation

Over the past four years net worth has risen slowly and now stands at 1 196c At 550c, a purchase could prove worthwhile for the patient investor *Gerald Hirshon*

Odds and ends maker

S/Times 5/5/91 (184) (Bus Times)

Trimtex in better trim

SHARES in Trimtex, the group that makes unfashionable bits for fashion garments, are being snapped up at the current low of 17c.

Trimtex earned 17c a share in the year to March 1989 and since then shareholders have had a rough ride

But the view is that the downside is now minimum

The Pinetown manufacturer will probably report another loss for the year to March 1991

But there are few sellers of the shares, which will not fall much more

They have been to 9c and were 43c last May Institutions came aboard before the pyramiding exercise two years ago when Columbia Consultants sold its 36% holding at more than R1 a share.

Of more interest is how much the price could rise Founder-chairman David Teperson and managing director of months Hilton Greenbaum say Trimtex now has everything but profits

At listing, Trimtex comprised three divisions — interlining maker DHJ, collar and cuff maker Linings Natal and shoulder-pad manufacturer Helsatex

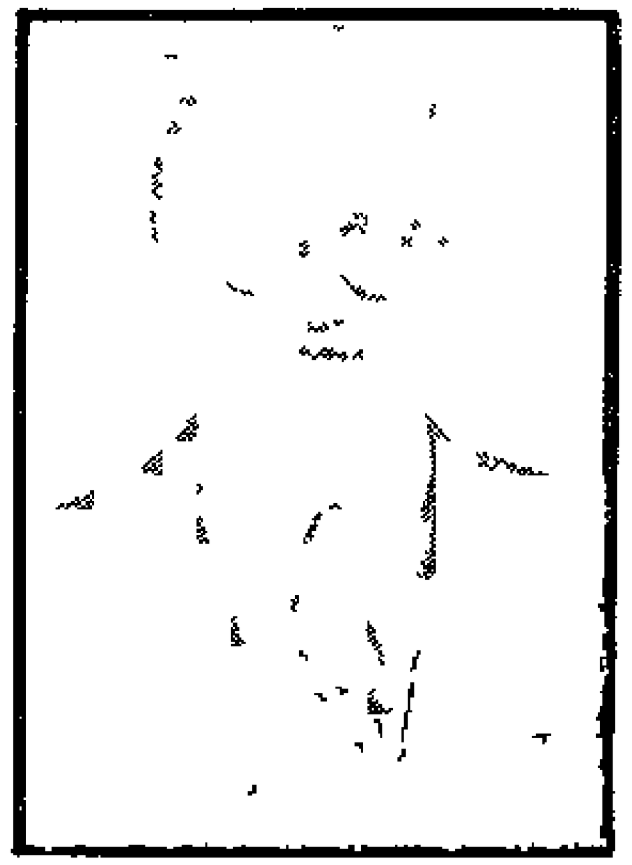
These businesses make all sorts of things to go into garments, ranging from bra bones to waistband stiffeners

Soon after listing, Trimtex bought Tricot, a factory near Krugersdorp where Velcro-type fastener and elastics are made It looked like a great buy An article I wrote two years ago reflects the positive outlook the then Trimtex management had of Tricot

Mr Teperson tells me Tricot has still not come right He refers to the many changes in the Trimtex group since the retirement of long-serving managing director Issy Goldberg last year

What went before was "BC" — Before Change

Mr Teperson says everything has been changed — corporate culture, worker philosophy, management style, group structure and premises



HILTON GREENBAUM Longer than expected to tidy up

All these adjustments took place in a time of crisis for SA's clothing industry Cheaper imports are still squeezing the margins of manufacturers, who are putting pressure on their suppliers Most of Trimtex's production goes into clothing

Mr Greenbaum was brought aboard from an auditing career to bring financial discipline to management He says cash flows are in hand, debtors' days down and stock is better controlled

"What we need is more sales," says Mr Greenbaum "We are ready for the economy to rally "

All the businesses previously housed in old works in Durban are now in either the modern Pinetown factory which originally held only Procare, or at a factory in QwaQwa

Procare was Trimtex's next acquisition after Tricot

It makes medical disposables, such as swabs and face masks, cotton wool and nappy liners

"Procare has developed its retail business and is not looking bad," says Mr Greenbaum "There is a teamwork atmosphere and staff members know they have improved prospects "

Both he and Mr Teperson agree that it took much longer to tidy up Trimtex than they expected

Mr Greenbaum says "We thought about two months That was last August "

What puzzles me is that there was no indication to shareholders that the group was in a mess and likely to dive from a profit of 17c a share in 1989 to one of 10,6c in 1990, followed by a loss of 7,5c in the six months to September 1990

Results for the year to March 1990 carried the comment that "benefits which will accrue from new machinery should reduce the effects of the slowdown in the economy on the group's operating results in the forthcoming year"

Six months later, operating profit was down to R247 000 from more than R3-million previously on similar turnover of R21-million

It was nowhere near enough to cover an interest bill of almost R1-million and extraordinary items of R574 000

Trimtex's assets were sold into Trimtrade Trimtex became the pyramid holding company in 1989

It seems to me that in an effort to secure control through this exercise, management's eye might have gone off the business ball

Even though investors are willing to take a punt at the current low, they will want to see a sustained black bottom line before they are really comfortable in Trimtex It takes the market a long time to forgive

Acquisition by clothing firm

Business Day Reporter

IN A move to meet the increased demand for women's knitted garments, Coastal Clothing Manufacturers has acquired 100% of Jon-Al Fashins (Pty) Ltd, trading as Limaco Modes, for a cash consideration of about R750 000. (184)

Limaco manufactures women's knitwear

The acquisition, effective from April 10 1991, would not have affected Coastal's net asset value or earnings a share had it been effective for the year to February 28 1991, said financial director Clive Martin.

Following a management reshuffle in June last year, Coastal Clothing took steps to rationalise its activities, which included the disposal of the unprofitable ladieswear and outwear divisions

By focusing on the economical manufacture of quality shirts, the company's year-on-year shirt unit sales are up 30% and turnover for the current financial year in this division is up more than 50% on the previous corresponding year, chairman Gary Neale-May said

In terms of overall unit and rand value for the winter season, the company saw a 40% rise on last year.

6/5/91 BDay

Ensign Clothing expects a slowdown

(18L) BDay 8/5/91

LINDA ENSOR

CAPE TOWN — The first four months of Ensign Clothing's financial year had been reasonably good, chairman Ronald Roy said at the company's AGM yesterday.

He said interim results for the six months to end-June should be better than last year's. However, he warned that while the order book remained satisfactory, there were indications that manufacturing activity could slacken off in the last quarter.

Longer contract work, on which Ensign mainly relies, was slowing down, he said.

Ensign is involved in the manufacture of work clothing and leisure work-wear.

In the year to end-December earnings a share rose to 147c (118c) on a 23,6% (16,4%) rise in turnover. A 3,7 times covered dividend of 40c (35c) was declared.

Oceana lifts its Etam stake to 25%

184

GILLIAN HAYNE

OCEANA Investment, the UK group 56% owned by the Lewis family which controls Foschini, increased its holding in the fashion chain Etam to 25,1%, by the close of its tender offer on Tuesday

Oceana's offer of a maximum price of 185p an ordinary share for up to 18,5% of Etam's share capital, against a backdrop price of 170p-175p on the International Stock Exchange, was oversubscribed

Shareholders willing to sell their shares to Oceana submitted tenders between 169c and 185c In terms of the offer it was not inevitable that shareholders would receive the maximum 185p price for their shares

Oceana specified that if the offer was oversubscribed the "striking price" (185p) would be scaled down pro rata, while if it was undersubscribed the maximum price would be paid

By the close of the offer, valid tenders had been received for 13,4-million shares, representing about 20,5% of the ordinary share capital of Etam Oceana, however, still set the striking price at 185p

Etam, valued at £121m by the tender price, reported a 51% drop in profits to £8,5m for its past financial year despite increasing turnover by more than 80% to £207m since 1987-88 In the 1987-88 financial year, Etam's pre-tax earnings reached a peak of £17,9m.

Oceana and Foschini director Michael Lewis was reported as saying Oceana could "do a better job with Etam than its present management" He said although Etam was tightly run there was a difference between that and a well run company

BD – 10/5/89

STERLING FM 10/5/91

MARGINS SQUEEZED

Activities: *Manufactures and distributes men's clothing*
Control: *Directors hold 14,9%* (184)
Chairman: *F N Haslett, MD M Barbieri and B J Desmet*
Capital structure: *19,4m ords Market capitalisation R7,6m*
Share market: *Price 39c Yields 10,3% on dividend, 24,1% on earnings, p e ratio, 4,1, cover, 2,4 12-month high, 55c, low, 35c Trading volume last quarter, 10 000 shares*

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	3,0	1,8	4,5	5,7
LT debt (Rm)	0,7	0,4	1,3	1,5
Debt equity ratio	—	0,9	1,5	1,4
Shareholders' interest	—	0,20	0,22	0,28
Int & leasing cover	9,0	8,7	7,4	3,3
Return on cap (%)	48,6	42,4	35,0	28,5
Turnover (Rm)	25	30	35	39
Pre-int profit (Rm)	3,5	5,1	6,2	5,2
Pre-int margin (%)	14,0	16,9	17,8	13,3
Earnings (c)	10,3	14,2	14,5	9,4
Dividends (c)	3,8	6,0	6,6	4,0
Net worth (c)	n/a	16,0	20,3	25,8

* After deduction of intangibles valued at R5,2m

Results from Sterling last year broadly reflect the tough conditions facing clothing manufacturers. Retailers have generally

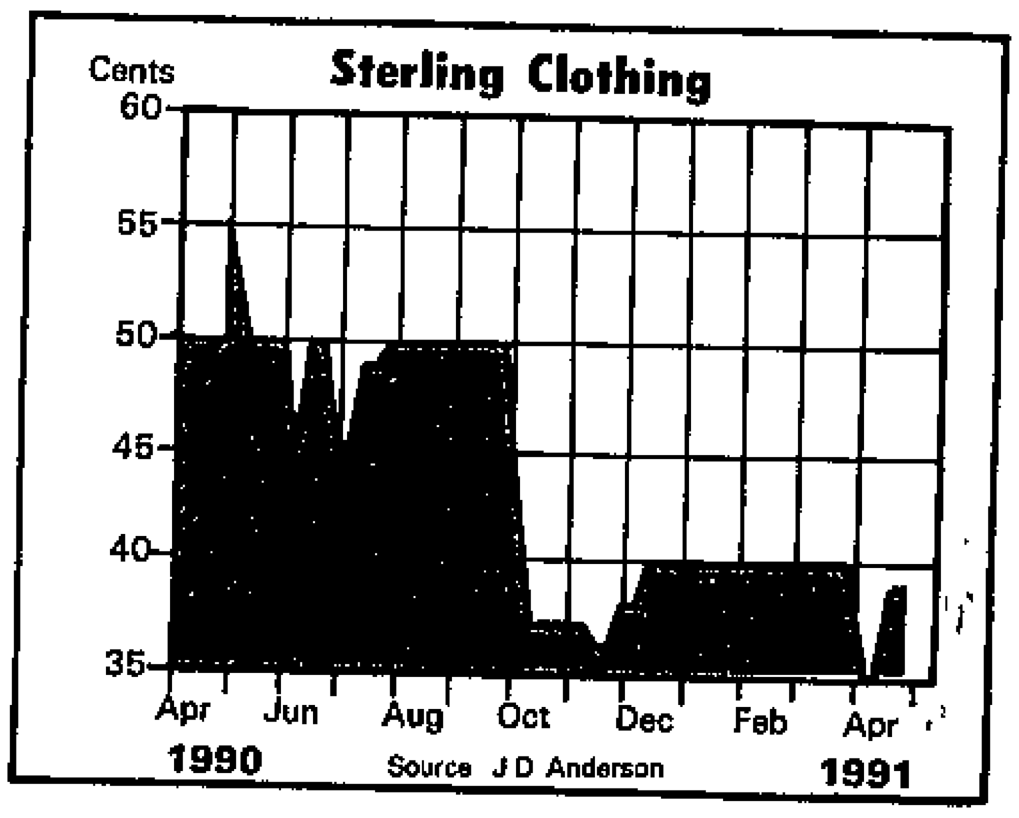
FM 10/5/91 (184)

been squeezing suppliers' margins and running tighter stock levels Effects in this instance were more severe because Sterling sells only to independent retailers and this sector is still losing market share to national chains.

Turnover growth was a sluggish 10,8%, representing a decline in unit sales The trading margin fell sharply, and the pre-tax profit was down by a third The dividend was cut to 4c from 6,6c

Profitability figures are influenced markedly by the treatment of intangibles, as the balance sheet includes trademarks (such as Sterling, Moustache and Dakota) valued at R5,2m When these are deducted, net worth drops to only 25,8c, similarly, their deduction makes the return on capital look high at 28,5%. However, this is well down on the figure of about 48% — calculated on the same basis — for 1987

At year-end the group was holding higher borrowings, and the interest and leasing cover deteriorated sharply The interest bill almost doubled, which does not bode well for the current year



However, joint MD Bruno Desmet notes that trading in the first quarter of the year has improved as retailers' inventory levels have become unacceptably low He believes the casual menswear market has more growth potential than the formal men's suit market

The share stands on a p e of 4,1, well below the sector average of 13,5 The earnings yield of 24,1% and dividend yield of 10,3% compare with sector averages of 7,4% and 3%. Not surprisingly, the share has fallen over the year Desmet is confident earnings growth will resume in 1991 Even so, prospects at this stage appear unexciting.

Stephen Cranston

Cutrite wears recession well

BIDay 17/5/91 (184)

SEAN VAN ZYL

CLOTHING manufacturer Cutrite Investments' attributable income rose 11% to R3m for the year to end-February in spite of declining consumer spending.

Earnings clocked in at 18,4c (16,6c) a share of which a final dividend of 7c (6,5c) a share was declared.

MD Peter Edel said that Cutrite's two wholly owned operating subsidiaries — Diva Fashions and Cutrite Apparel Manufacturers — performed satisfactorily considering the economic and socio-political problems plaguing the clothing industry. Diva Fashions is a niche operator in the clothing fashion market and Cutrite Apparel Manufacturers holds a number of well-known labels in the black consumer market

The company achieved sales growth of 14,7% to R44,9m (R39,1m) compared to the previous year. While operating income climbed by 13% to R7,15m (R6,33), the operating margin came under slight pressure and fell by one percentage point to 15%

The operating margin, however, dropped further to 13,3% due to higher finance costs of R1,08m (R856 000). A full tax bill of R3m (R2,7m) at 50% cut distributable profits to R3,03m (R2,74m).

Edel said that often unreliable supplies of fabrics from local manufacturers, reduced consumer spending and black consumer boycotts were major obstacles restricting earnings growth in the clothing industry.

As a result, it would be extremely difficult to make a firm prediction on Cutrite's earnings growth. However, the forward order position was very encouraging.

Move for stricter rules on labelling of SA clothing (184)

B|Day 20|5|91.

SEAN VAN ZYL

THE SA Bureau of Standards (SABS) has released a new draft code which would require textile and clothing manufacturers to print the fabric make-up on their labels.

While compulsory content labelling is unlikely to be included in the Merchandise Marks Act before mid-1992, SAB spokesman Keith Smith said the move would bring local industry in line with international textile and clothing standards He added that it would also block the dumping of inferior foreign products in SA

The new label content standard code comes at the same time as the SABS-proposed Standards Bill, which is expected to replace the Standards Act. It would allow the SABS greater autonomy from government in its functioning and decision-making — while government struggles with the problem of whether or not to sign the final clauses in the international GATT trade agreement

Smith said the draft label content code had been approved by a SABS-appointed committee comprising both clothing and textile industry representatives The committee also includes members from state and various consumer watchdog bodies

The SABS council is expected to give final approval to the draft when it meets in August. A more comprehensive document will then be submitted to the Department of Trade and Industry, and it was hoped a Bill would be presented in the first half of 1992, Smith said

Labelling of fabric contents would provide standardised information for the consumer "Correct fibre content labelling would assist them in making purchase decisions and buying more wisely"

Consumers had become more demanding and conscious of different fabrics and quality, and also needed to know how to care for garments Complaints about allergies to certain fabrics would also be eliminated, he said.

The code would require manufacturers to print "garment caring instructions" on labels This would also be in line with world standards

SA Chamber of Business economist Keith Lockwood said there was a definite trend towards eliminating artificial trade barriers, which could be caused by varying standards requirments. "It is a positive development that the SABS is taking cognisance of international trading standards."

Bringing regulations for goods designated for the local market in line with those for export was a good thing "There's little point in setting up different standards for exported products and locally consumed goods, which is essentially the existing practice"

Cape clothing exports boom

(184) Argus 25/5/91

TOM HOOD, Business Editor

EXPORTS from Western Cape clothing factories have soared by 45 percent to about R100 million in the past year as a result of greater buying of fashionable high-quality garments by foreign clothing retailers, mail-order houses and wholesalers.

This export effort is a major factor in the country's clothing industry increasing production volumes by 4,5 percent in 1990

In money terms, the output of clothing manufacturers increased by R540 million — and R77 million of this came from from exports. Total clothing exports were worth R195 million

The volume growth is remarkable when compared with declines of 1,3 percent in manufacturing as a whole and 15 percent in textiles, said a spokesman for the National Clothing Federation

"The lifting of sanctions on South African clothing, especially by the Unuited States, will give an added boost to exports and investment in the industry, which will in turn provide many more jobs"

The surge in exports shows that Cape manufacturers are also cashing in on government's export incentive schemes

However, the huge growth in clothing industry volume was achieved in a year when 40 number factories closed, cutting jobs by 1 300 to 123 000 in the 12 months ending January this year

"Many employers are producing more with the excess capacity which clearly exists in the industry," said the federation spokesman

"More clothing employers are also embarking on shift work implementation" The federation calculates that at less than R3 000 in fixed capital per worker, the industry is likely to be a leading provider of new jobs through exports

Estimates show that if the local garment industry reaches its potentional of R1,2 billion in exports by the end of the decade, another 50 000 people could be employed in making products for the world clothing market.

This could in turn allow another 200 000 dependents of these clothing workers to be fed, clothed, housed and educated

To achieve this export target, however, three hurdles will have to be overcome

☐ First, the industry needs access to fabrics at world price, quality and delivery standards

Says the federation "If successful, current applications by the local textile industry to increase the already high protection on yarns and fabrics will raise the already prohibitive cost of inmputs to the clothing industry

"This in turn will make local clothing much more expensive in all markets ands reduce the demand for clothing made in South Africa"

☐ Second, there is a critical need to develop a more stable, better-trained and productive work force to meet stringent foreign requirements

☐ Third, there is still room for improvement in the fiscal incentives to local and foreign investment

For example, the boom in Mauritian clothing exports in the last two decades was fuelled by a variety of measures including 15 percent company taxes, tax-free holidays of 10 to 20 years, tax-free dividends for 10 years, duty-free machinery and raw material imports, low-interest loans, low-rental buildings and electricity and water at cost.

COMPANIES

Truworths gets into franchise

LINDA ENSOR (184)

CAPE TOWN — Woolworths' fashion clothing subsidiary Truworths has launched into its first franchising operation after concluding a deal with an entrepreneur in Botswana.

Keith Colley, Truworths' store operations executive, says franchising will allow the company to trade in lucrative centres too far removed from the company's divisional offices for full ownership. B/Day 30/5/91

"The arrangement means that local expertise can be drawn on, supported by merchandise and marketing input from a centralised base," Colley says.

He adds that franchising will enable the chain to trade in many parts of southern Africa not normally considered under its existing trading formula.

Truworths owns an operation in Namibia and has a significant stake in one in Zimbabwe.

The first franchising agreement has been concluded with Ish Handa, who owns several retail and manufacturing businesses in Botswana, including the Woolworths franchise.

He will open his first store in Gaborone tomorrow and is considering starting a second in Francistown.

Unlike Truworths in SA, which sells about 80% of its goods on credit, all sales in the Botswana stores will be cash only.

MERITEX FM 31/5/91

COMPUTER WOES (184)

Activities: *Manufacturer of underwear, leisurewear and weft-knitted fabrics*
Control: *Directors 59,8%*
Chairman and MD: *E Gordon*
Capital structure: *15,7m ords Market capitalisation R6,3m*
Share market: *Price 40c Yield 1,7% on earnings, p e ratio, 57 12-month high, 55c, low, 30c Trading volume last quarter, 3 100 shares*

Year to Jan	'89	'90	'91
ST debt (Rm)	1,8	10,3	9,2
LT debt (Rm)	3,5	2,8	2,5
Debt equity ratio	0,3	0,8	0,7
Shareholders' interest	0,5	0,4	0,4
Int & leasing cover	25,7	1,4	1,1
Return on cap (%)	19	7	9
Pre-int profit (Rm)	5,8	3,0	3,6
Pre-int margin (%)	n/a	n/a	n/a
Earnings (c)	27,0	0,8	0,7
Dividends (c)	7	—	—
Net worth (c)	87	100	100

MD Edward Gordon's candid admission that management lost control goes a long way to explain the poor earnings of the past two years The cause, he says, was unexpected difficulties and delays in installing sophisticated computerised systems These failed to produce the information required and almost damaged the business beyond repair

When the old and well-established Meritex was reversed into Welfit Oddy in 1987, management methods were clearly in need of modernisation Gordon's team ran a new

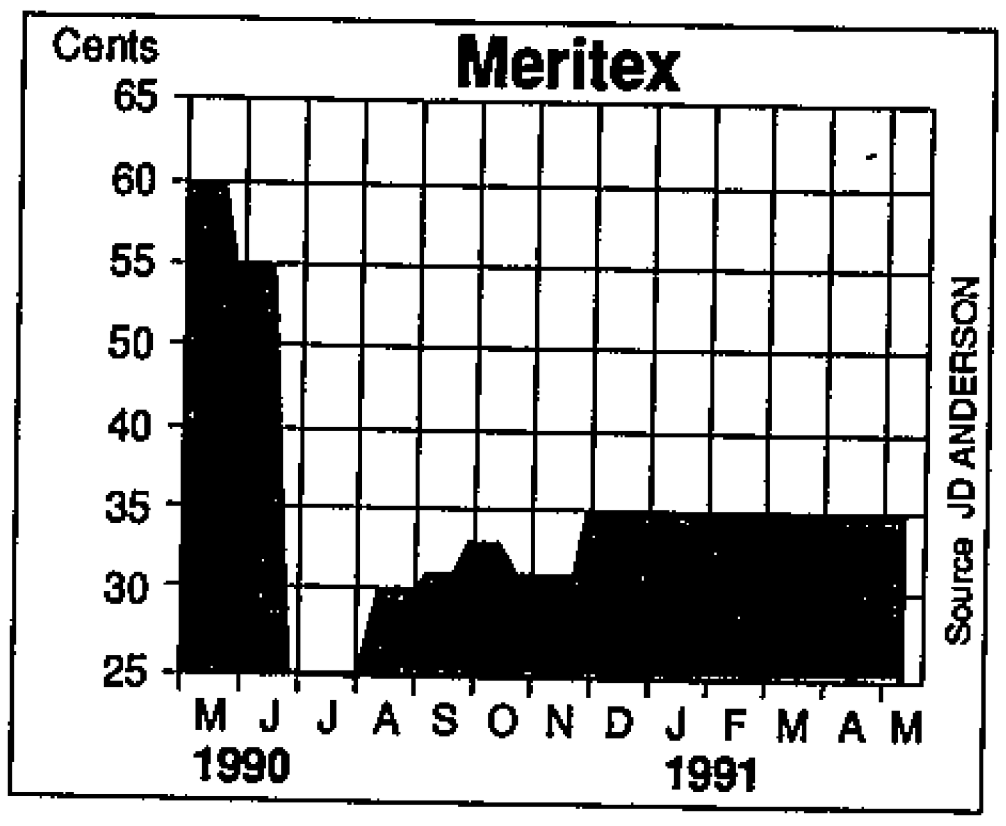
FM 31/5/91 (184)

computerised system in parallel with the tried methods, only to find it did not work Introduction of the specially tailored, highly integrated system that involved planning, production, sales, accounting and stock control brought innumerable faults, order cancellations and many other peripheral problems, generating excess stock which then had to be financed

Only since September, says Gordon, has management again been able to control manufacturing Now, he says, the system is producing the information demanded, together with genuine savings because the element of human error has been markedly reduced

The balance sheet obviously reflects the deterioration that has taken place since 1988 Tarnished as it may be, there is still inherent strength By reducing both stocks and short-term borrowings a much better picture could emerge Both depend on judicious trading, which Gordon says will flow from the state of the economy as much as from management ability

While this year is not expected to produce material growth, Gordon is conservatively



optimistic He says Meritex will trade profitably — though he will not make precise forecasts But "next year (financial 1993)," he reckons, "the new computer systems should pay off handsomely Our major customers' order lead times will be reduced — as will our and their stock levels"

At 40c, the share is at a 60% discount to net worth The clothing industry has been and remains weak, and is now facing stern competition from the relaxation of import controls on fabrics and finished garments At any sign of a recovery, the counter could be an interesting spec *Gerald Hirshon*

Turnaround after 1990's loss disaster

B Day 6/6/91

Own Correspondent

DURBAN — After a disastrous 1990, Coastal Clothing has turned the corner under its new management and become profitable for the year to February 1991, says chairman G Neale-May in the annual report

A 1c dividend has been declared out of earnings of 3,29c a share. The previous year saw a loss of 2,61c a share

(184)

Turnover was down slightly but operating income showed a R1m turnround from a loss of R386 000 to a profit of R673 0000

Since the year-end the company has bought Jon-Al Fashions (Limaco Fashions) for R746 000 of which R300 000 was borrowed and the rest raised from working capital

Neale-May notes that the purchase followed a swing to ladies knitwear, where demand had grown substantially, and it was decided to buy additional plant dedicated to the manufacture of these quality products

On prospects, he says "the changing face of SA with a depressed economy has made trading conditions extremely difficult and margins are under severe pressure, especially in men's wear".

Achieving a turnaround in these conditions was notable

BUSINESS

Clothing and textiles development on agenda

184

BDay 6/6/91.

LINDA ENSOR

CAPE TOWN — A top-level meeting between leaders of the clothing and textile industries and members of the Board of Trade and Industry is scheduled to be held on Monday to thrash out a future development policy for the industries

Textile Federation executive director Brian Brink confirms the meeting will take place.

He says the Board of Trade and Industry will be presenting a development programme for discussion and this could include changes to the structural adjustment programme, elements of which the textile industry are not happy with but which clothing manufacturers say has been vital to their export market success

Total value

Clothing exports are expected to more than double this year, bringing projected foreign exchange earnings of the industry to an estimated R300m Provided the duty free permits granted under the structural adjustment programme as well as the benefits under the general export incentive scheme (GEIS) remain in place, exports are forecast to reach R450-R500m by 1992

Last year clothing exports earned R195m, up 65% from 1989's R118m Taking the industry's total value of production in 1989 of R3,6bn, estimated exports for this year of R300m would represent about 9% of total production of that year

Aaron Searll, chairman of SA's largest clothing manufacturer, Seardel Investment Corporation, emphasises that the increase in exports has been possible only by working within the framework of the structural adjustment programme and by taking advantage of the GEIS incentives

Seardel's exports have risen over 50% to reach about R50m in the past year "It is essential for the clothing industry that these incentives remain in place as without them it would not be possible to compete on price with the major world players," Searll says He adds the incentives make major inputs into costings

The clothing industry says it cannot compete internationally without these incentives as in terms of the Lome Convention, a 14% import duty is imposed on SA clothing imported into the UK and Europe Also SA has a higher inflation rate and faces competition from the Far East

But Textile Federation executive director Brian Brink says the textile industry is opposed to the form of reward given under the structural adjustment programme for clothing exports This takes the form of a duty free import permit against the exports whereas other forms such as tax rebates, cash etc are preferable

The textile industry has lobbied against the import of fabrics and has applied for a tariff increase on knitted and woven fabrics

But Searll says that the clothing industry's success on the export market would be seriously jeopardised were the textile industry's application to be granted

He estimates that in some cases the cost of clothing would increase by as much as 30% if the tariffs were increased, while the National Clothing Federation believes consumers would pay about R3bn more for clothing, household textiles, and textiles used in other products

Clothing exports have also been good for the local textile industry, Searll says, as about 90% of the fabric used in the products is locally made

"Textile imports dropped by 2% in volume in the year to end-December so it is pointless for the textile industry to complain about import volumes What needs to be looked at is ways to reduce the input costs of textile manufacturers"

The international scenario for a burgeoning export trade in clothing looks promising Already the rapprochement between foreign governments and the South African government and the easing of sanctions has played a role in opening up markets for SA clothing manufacturers

Capture

"Hopefully, when the US market opens up this will present us with very exciting opportunities," says Searll

The NCF estimates SA clothing exports could capture up to 1% of the American imported clothing market

Seardel's exports have taken up a lot of the slack in production at the group's factories and without this outlet, more drastic job losses and cutbacks might have been necessary For the industry as a whole the absence of exports would have led to a net 2% decline in activities last year, one source said

Good performance from Burlington

BIDAY 14/6/91.

LIZ ROUSE

BURLINGTON Industries, the Cape-based knitwear, shirt and casualwear maunfacturer, performed well in the past year and is confident of achieving satisfactory results

Chairman Philip Kawitzky says in his annual review that despite the uncertain economic conditions currently prevailing, turnover for the first four months of 1991 is running at the same level as the previous year and the board expects the trend to continue.

(186)

Burlington's taxed ~~profit~~ amounted to R543 615 in the year to December (1989 R471 560), equal to earnings of 89,6c (77,6c) a share The dividend total was raised to 12,5c (10c).

Jocum disputes import claims

Argus 11/6/91

(184) (197)

By TOM HOOD, Business Editor

CLAIMS that the textile industry is being hit by increased imports of fabrics by clothing firms and that it needs protection from imports are disputed by Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association

Mr Brian Brink, executive director of the Textile Federation, reported that the domestic market for textiles was shrinking and said the volume of clothing produced by local manufacturers had increased — "showing that they are using more imported fabrics"

However, Mr Jocum said in a statement that imports of textiles were in fact down in volume by 2 percent in 1990 compared to 1989

"The Textile Federation persistently blames the clothing industry for the recession in South Africa as well as the recession in the textile industry

"This is just not on The clothing industry is also in a recession but with a difference in that it does not ask the government to bale it out with requests for further protection to ride out the recession"

The economy was expected to improve in the third and fourth quarters and history had shown that both industries could ride out of recession without further protection

The increase in the clothing industry's output in 1990 over 1989 was 3,6 percent

The textile industry only supplied 37,5 percent of its total output to the clothing industry The balance went to packaging, towels, industrial, household textiles, furniture and upholstery, carpets and the motor industry

Said Mr Jocum "Perhaps it is the reduced volumes in industries other than clothing which is accounting for the textile industry's reduction in volumes of 16 percent in 1990 compared with 1989 So why pick on the clothing industry? Any increases in duty will damage the clothing industry as well as further erode volumes in the textile industry"

● THE marked deterioration in profitability in the textile industry and contraction in local production is of concern to both clothing retailers and manufacturers, says **EDGAR**'s chairman, Mr Meyer Kahn

He says in his annual review the rate of inflation on clothing has exceeded the consumer price index for the past two years

"The solution to this problem should be sought through improved productivity with higher volumes being produced for the local and export markets"

Mr Kahn believes greater levels of protection through increased duties would undermine vital elements of the structural adjustment programme which seeks to make South African industry internationally competitive

Many manufacturers faced with severe cost pressures have sustained their operations by developing exports and earning export incentives, Mr Kahn says

Commenting on the prospects for the group in the current financial year, he expects private consumption expenditure to remain depressed, aggravated by high interest rates, increasing unemployment, and the introduction of VAT

"Uncertainty and the stubborn unrest situation is likely to affect trading adversely"

Satisfactory growth in earnings, but at a lower rate can be expected for the year to March, says Mr Kahn

PERSONAL FINANCE

Tough times for clothing industry, but prospects look better

(184) ARGUS 15/6/91

JOHN SPIRA

Weekend Argus Correspondent

IF you're wrapping up against the winter chill, your thoughts might drift towards the companies that have made your woollies.

Should your musings be in this direction, you might be tempted to cast an eye over the generous returns offered by clothing companies listed on the JSE.

You'll assure yourself that the yields are high because the textile industry is facing a crisis, while the clothing industry, abeit in much better shape than textiles, is also struggling

Your next consideration might well be that if you looked a year or two ahead you'd discover that the clothing industry could rally significantly, largely because of its growing commitment to exports

You might even convince yourself that certain clothing counters should be bought

The clothing industry has not been immune to the economic downturn, but recent reports indicate that clothing sales have held up reasonably well at the retail level

Even so, clothing companies have been struggling, with sectoral share index having been underperforming the industrial share index for more than two years, because

□ Clothing companies face difficulties in their relations with textile manufacturers The clothing industry claims that deliveries of textiles can be late and the quality of textile items is variable

□ Manufacturers face labour problems The industry is labour intensive and many companies are located in the politically volatile Durban area Strikes and stayaways have plagued parts of the industry and some companies have complained about declines in the productivity of black labour.

□ Imports of clothing are a problem, despite the tariff protection the industry enjoys

There are nevertheless grounds for arguing that the industry's prospects are poised to improve

For one thing, the squeeze on profit margins should diminish next year in line with the start of the pending economic upturn

For another, clothing exports are soaring, albeit it from a low base. As trade embargoes and sanctions wither, new export markets are emerging in Europe and the Far East

Such exports are being promoted by government incentives A new structural adjustment programme allows exporters of clothing to claim 70 percent of the fob value of their exports in the form of duty-free import permits for any type of fabric or clothing.

And, under what is known as the General Export Incentive scheme, exporters of clothing items can claim 18,5 percent of the fob value of their exports as a cash payment

Clothing exports are expected to soar by more than 50 percent this year, bringing foreign exchange earnings to an estimated R300 million, compared with R195 million last year and R118 million in 1989 Exports now account for 10 percent of the industry's total production

The textile industry is lobbying for changes to the benefits available under the structural adjustment programme for clothing exports However, in view of the importance now being attached to the promotion of manufactured exports by the authorities, it is unlikely that the incentives will be diminished

If this proves to be the case, exports could reach between R450 and R500 million next year — which would represent another increase of more than 50 percent

Clothing exports are not spread right across the industry Even among listed companies, there are only a select few — Seardel, Rex Trueform and Lenco — which are strongly geared to exporting

Acquisition-inclined Lenco holds promise of growth not fully discounted by the 4,1 percent dividend yield

Seardel is a diversified clothing group, which is stepping up its exports - a strategy that is helping to keep profits intact in the face of difficult domestic trading conditions

Rex Trueform is the most speculative of the three Its profits for the current financial year are slated to decline substantially, although it should maintain its dividend

B/Day 17/6/91.

Mixed fortunes for Lenco group

LINDA ENSOR (184)

CAPE TOWN — Expanding business boosted turnover of diversified industrial group Lenco Holdings, in the year to end-February, but lower margins, an onerous finance bill and a greater number of shares in issue saw earnings a share fall slightly

Earnings slipped to 43,2c (45,3c), but the dividend inched up to 10c (9c) on a dividend cover of 4,3 times (5 times) The weighted average number of shares in issue increased to 48,2-million from 39,9-million.

While turnover showed a strong growth to R440,8m (R283,9m), margins fell to 12,2% (14,9%) and operating income rose to R54,2m (R42,3m)

Subsidiary House of Monatic contributed 16% towards group turnover; Lenco's 53% stake in Amalgamated Shoes (Amshoe) 48%, and the packaging division the balance

Growth of businesses and borrowings to purchase a 28% stake in Combined Packaging increased finance costs At year-end, long-term interest bearing debt was R34,4m (R28,3m)

Finance costs rose to R16,3m (R7m), giving a 7,5% increase in after-tax income to R33m (R27,8m).

☐ Chairman Doug de Jager said the official delisting of Combined Packaging from the JSE was scheduled for September 30, and not July 19 as indicated last week

Lenco buys foothold in UK market

184

LINDA ENSOR

CAPE TOWN — Lenco Holdings, which at the weekend reported a slight drop in earnings a share, has bought a British marketing and distributing company, Capital Fashions, as a step towards gaining a foothold in the export market

B/Day 18/6/91

Chairman Doug de Jager said Lenco would export its clothing goods to Capital, based in Manchester, for distribution in the British market

"We want to expand the export business slowly and establish a customer base to bring in regular orders," De Jager said

He said that 2,5% of Lenco's clothing volumes were exported at present and this was expected to grow to 10% as the company saw exports as a source of future growth

Capital Fashions was still incurring set-up costs but should show a profit by the end of the year, he said

Bday 21/6/91

Recession, high interest hit Allwear

184

SEAN VAN ZYL

CLOTHING manufacturer Allwear has disclosed attributable earnings down by 30% to R2,9m for the year ended February 1991, reflecting the interest rate squeeze and the economy's overall depressed state.

Weighted earnings, not taking into account the full dilution of the recent rights offer, were 38,8c (53,6c) a share. However, the dilution resulting from the issue of the additional 6,26-million new ordinary shares in January, would reduce the earnings by 60,6% to 21,1c a share

A dividend of 16c (16c) a share has been declared, reducing the weighted dividend cover to 2,4 times from 3,4 times.

The recently restructured Allwear Group's earnings, listed on the DCM as Sherleys and Veka, were heavily affected by high finance charges of R4,89m (R4,23m) which more than halved the operating margin of 14% to 5,6%.

Dropping

Group chairman Renier van Rooyen said performance was further restricted due to intense competition and the generally lacklustre state of the economy "We were forced to lower prices to hold our current marketshare position "

Operating income fell to R8,1m from R8,4m, with attributable earnings dropping to R2,97m from R4,2m

Holding company, Allwear Group, reported an 80% increase in attributable earnings to R1,32m (R735 000). A 16c (16c) dividend was declared

Allwear Group's holding company Hicor, which recently sold off its interests in Harties, also reported a massive drop in attributable earnings to R562 000 from R2,76m

COASTAL CLOTHING FM 21/6/91.

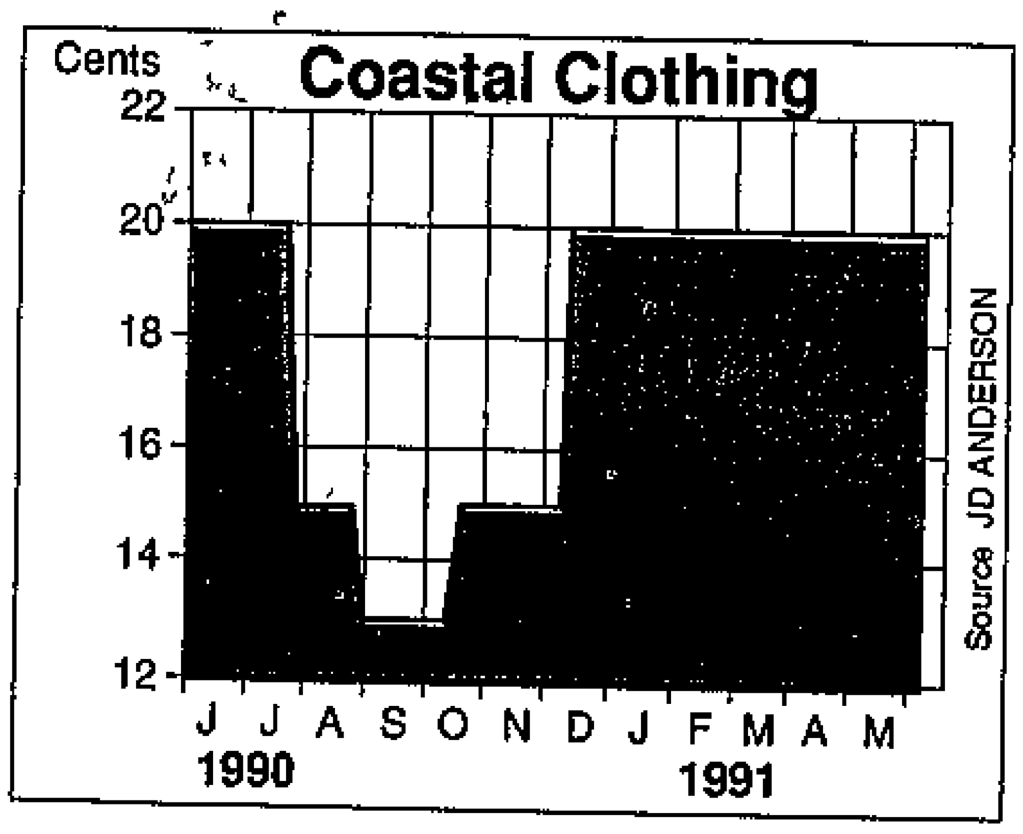
THE TIDE TURNS (184)

Activities: *Clothing manufacturer*
Control: *Directors 73,6%*
Chairman and MD: *G Neale-May*
Capital structure: *11,2m ords Market capitalisation R2,2m*
Share market: *Price 20c Yields 5% on dividend, 16,5% on earnings, p e ratio, 6,1, cover, 3,3 12-month high, 20c, low, 13c Trading volume last quarter, 11 000 shares.*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	0,06	0,03	0,03	—
LT debt (Rm)	—	0,13	0,38	0,38
Debt equity ratio	—	0,02	0,10	0,06
Shareholders interest	0,62	0,62	0,57	0,56
Int & leasing cover	21,5	14,6	n/a	2,3
Return on cap (%)	34,1	61,8	—	18,9
Turnover (Rm)	11,7	13,5	14,3	14,1
Pre-int profit (Rm)	1 548	1 619	(49)	1 182
Pre-int margin (%)	13,3	12,0	—	8,4
Earnings (c)	12,7	9,1	—	3,3
Dividends (c)	2,5	2,5	—	1
Net worth (c)	28	35	30	31

The progressive deterioration in profitability which set in soon after Coastal Clothing's 1987 listing, was finally arrested in financial 1991 by the new management that took over last June Half-time pre-tax profit was only

FM 21/6/91 (184)



slightly up, at R160 000 (R140 000), but 1990's second-half loss of R526 000 was converted into a R513 000 profit. Absorption of the tax loss held back growth at the net level

New chairman/MD Gary Neale-May says unprofitable divisions were closed and marginal product lines discontinued Stocks were marked down to get rid of old raw materials and finished goods Current winter sales are 40% up by both units and value, even though 28% of last year's unit sales came from lines now discontinued

Jon-Al Fashions has been bought since year-end for R746 000 to increase production capacity for a range of women's knitwear that is doing well This will be financed from working capital, plus about R300 000 borrowings

Neale-May believes the restructured company is well placed to meet the challenges of the Nineties and is confident of improved growth and profitability this year

Coastal has had to contend not only with the profit downturn, but also the abortive merger with Jaguar, which did the image no good It has come through these tribulations in remarkably good shape borrowings are modest and there should be no difficulty in financing the Jon-Al acquisition

However, the thinly traded share is at a 12-month high With the yield pattern already discounting further recovery, there seems to be little reason to chase the stock

Michael Coulson

R77m jump for clothing exports

Argus 22/6/91 (184)

Business Editor

THE value of clothing exports increased from R118 million in 1989 to R195 million last year and the figure could be R1,2 billion by 2000, providing work for an additional 50 000 people, says National Clothing Federation (NCF) economist Arnold Werbeloff.

Mr Werbeloff atributes the increase to State export incentives and to improved sales of "big ticket" items

But he warns in an article in NCF's mid-year newsletter that the textile sector could nip export growth in the bud if it succeeds in an application to Government for higher tariff protection on yarns and fabrics

Textile manufactured volumes declined by 16,6 percent in 1990, compared with a 1,2 percent drop for all sectors.

Although the clothing industry achieved a healthy, export-led growth in manufacturing volume of 3,6 percent last year, 41 factories closed their doors and 1 300 people lost their jobs.

Employment now stands at about 123 370.

Foreign traders keen to buy Cape clothing

Argus 22/6/91

TOM HOOD, Business Editor

FOREIGN trade delegations and international financing agencies are showing increasing interest in buying clothing from Cape Town factories, says Mr Peter Cragg, executive director of the Cape Clothing Manufacturers Association.

"Already the largest contributor to the national gross clothing export effort, Cape manufacturers seem poised to grow this aspect of their markets even further," he says

He has arranged presentations on international clothing trends for members as well as convening meetings with foreign embassies for senior industry executives to brief visiting delegations

Mr Simon Jocum, chairman of the association, says an important observation made by these visitors is that manufacturers who expect to reap exceptional profits from exporting will be disappointed

"Foreign buyers are extremely demanding on both quality and price. Producers need to work much harder at export orders than they do for some of their less demanding local buyers.

"However, the real pay-offs come by the improved output capacity to fill local orders. The result of exporting is a leaner, more competitive company than has developed a far more robust profile due to its international experience

"This in turn creates far better returns on their local trade"

Mr Jocum said on the labour front, manufacturers were still reporting closures, short time and retrenchments. However, the net position was stabilising, lost jobs being replaced by new factory openings

Lower tax bill makes Adonis look better

184

Business Day Reporter

CLOTHING company Adonis Knitwear announced an 11% fall in operating profit to R1,8m in the six months to March 1991 — a decline the company says was to be expected

But a lower tax bill came to the rescue to lift net income after taxation to R1,1m, slightly up from the previous year The company, whose principal shareholder is the Bencen family, paid substantially less tax in the interim period with the tax rate declining from 50% to 38%

In spite of sluggish earnings, the company has doubled the dividend payout, slicing 44% off attributable earnings to R355 000. The company is paying an interim dividend of 20c a share, compared with earnings of 30c a share

Today 26/6/91

A calculation based on attributable income shows earnings were 10c a share

FM 28/6/91 (184)

CUTRITE

IN GOOD SHAPE

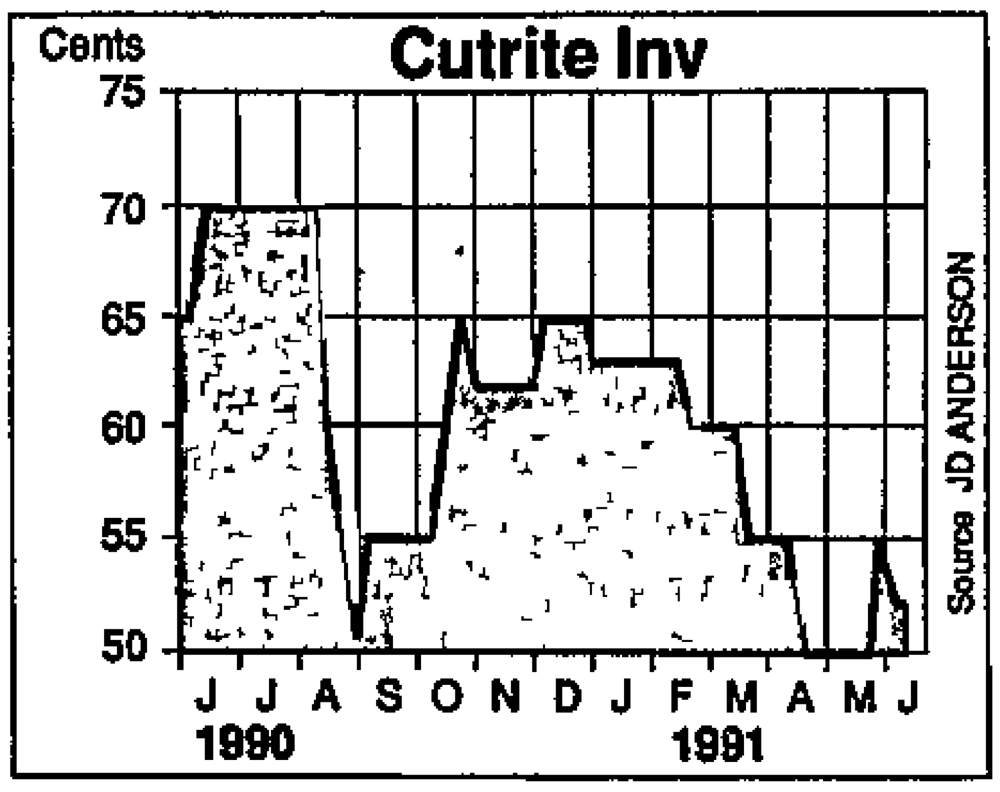
Activities: *Clothing manufacturer*
Control: *Directors 55%.*
Chairman: *S Cope; MD P R Edel*
Capital structure: *16,5m ords. Market capitalisation· R8,6m*
Share market: *Price· 52c Yields 13,5% on dividend, 35,4% on earnings, p:e ratio, 2,8, cover, 2,6. 12-month high, 70c, low, 50c Trading volume last quarter, 37 000 shares*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	2,6	3,6	4,7	4,3
LT debt (Rm)	0,6	0,8	1,5	1,7
Debt equity ratio	0,48	0,55	0,64	0,70
Shareholders' interest	0,5	0,5	0,5	0,5
Int & leasing cover	9,5	8,1	6,7	7,5
Return on cap (%)	32	32	32	32
Turnover (Rm)	26,4	32,2	39,2	44,9
Pre-int profit (Rm)	4,1	5,0	6,3	7,0
Pre-int margin (%)	15,4	15,6	16,1	15,6
Earnings (c)	12,8	13,8	16,7	18,4
Dividends (c) ..	2,5	5,5	6,5	7
Net worth (c) ...	39	47	58	69

The record of steady increases in earnings and dividends was further extended last year

Margins were shaved slightly but, considering the problems experienced by many clothing manufacturers, Cutrite did well.

Tight financial control seems to be one of its strengths Stocks — up 34% in financial 1990 — were almost unchanged and year-end borrowings actually fell.



Chairman Sydney Cope says that while demand for group products remains strong, unsettled trading conditions, high interest rates and other factors dampening consumer demand make it difficult to predict prospects. The order book is encouraging and he expects "satisfactory" performance this year. Emphasis will be placed on aggressive marketing, asset management and cost control.

The record hardly seems to warrant a 13,5% yield Though the Industrial index is setting new highs, this share price is actually a few cents lower than when we reviewed the 1990 annual report and near its 12-month low. It's also a modest discount to NAV.

A company this size can never become an institutional counter, but it looks a sound income stock for the small investor, with the vague chance that it could some time be favourably rerated. *Michael Coulson*

Delswa pulls up socks after hiccoughs

B (Day 28/6/91 (184)

MARCIA KLEIN

DELSWA has produced record results in the year to end-April, despite a 5% drop in earnings at the interim stage and a hiccough in 1990 after a five-year sustained earnings growth

The women's and children's clothing manufacturer increased its earnings by 37,4% to a record 54,4c (39,6c) a share on a 2% turnover growth

MD Stephen Jaff said in an interview that margins were still very much under pressure

Operating profits were up by 14,9% to R9,3m (R8,1m) compared with the 2% turnover increase (turnover figures are not disclosed), but Jaff said the rise in operating profits was partly a function of export turnover, where export benefits included duty free permits

Also, although Delswa exported last year, it only received the benefits in the current year

A slightly reduced interest bill saw pre-tax profit up by 25,6% to R6,8m (R5,4m) Tax increased by only 11% because of export allowances and tax free decentralisation benefits

After dividends on preference shares and earnings to outside shareholders, attributable earnings were up by 37,4% to R3,8m (R2,8m)

The final dividend increased by 18% to 6,5c (5,5c) a share, but full-year dividends rose by only 11% to 10c (9c) a share Directors said this was a prudent step "in view of present difficult trading conditions and the adverse effect the introduction of VAT will have on group borrowings". Also, clothing retail sales had been very flat over the past few months, with the clothing industry generally feeling the effects of the downturn later than many other industries

Jaff said although earnings had dropped at the interim stage, results for the second half were "well up on the comparable period last year".

This was achieved through tight control of expenses, strong asset management — resulting in a reduction of debt and interest, and the receipt of significant government export and decentralisation incentives The second half of the previous year had also been affected by stayaways

He said any increase in duty on textiles could have a major effect on the company

Another factor was the possible change on export benefits currently under consideration. Jaff said it was essential that export benefits were not reduced as this could affect the ability of the SA clothing industry to maintain its present growth in exports.

Delswa had maintained its exports during the year, and was looking at increasing them in the medium term In the short term it hoped to maintain exports at at least 2,5% of turnover to continue benefiting from export incentives

The share closed yesterday at 130c, giving an earnings yield of 42%

NINIAN & LESTER FM 28/6/91

LOWER THROUGHPUT

Activities: *Manufactures textiles, clothing and hosiery* (184)

Control: *Directors 52,3%*

Chairman: *M R A McElligott, MD D M Drysdale*

Capital structure: *3,2m ords Market capitalisation R17m*

Share market: *Price 525c. Yields 9,7% on dividend, 34,7% on earnings, p e ratio, 2,9, cover, 3,6 12-month high, 825c, low, 525c Trading volume last quarter, 9 875 shares*

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	2,7	2,0	5,2	7,3
LT debt (Rm)	4,0	4,0	4,0	4,3
Debt equity ratio	0,28	0,19	0,23	0,20
Shareholders interest	0,53	0,53	0,55	0,57
Int & leasing cover	5,2	6,6	3,7	3,6
Return on cap (%)	25,1	20,9	19,7	16,4
Turnover (% increase)	20,1	20,7	29,8	39,3
Pre-int profit (Rm)	7,5	12,1	14,3	16,6
Earnings (c)	184	237	262	182
Dividends (c)	50	65	73	51
Net worth (c)	732	954	1 221	1 443

When Ninian & Lester announced its 1990 interim results, EPS were down by two thirds and the directors were forecasting that the full year's earnings were likely to be less than half the 1989 level of 261c a share. In the second half, the bottom line recovered more than expected, as the group ended the year with both earnings and dividend down 30%

However, chairman Matthew McElligott notes that trading profit was as envisaged in his previous review, in that it just exceeded half the 1989 figure The group — listed in 1969 — still does not disclose the value of turnover, giving only the percentage increase during the year There was a 39% increase in 1990, but McElligott says the bulk of this resulted from the first-time consolidation of the Hacks Group Pre-interest profit was up by 16,5%, so the trading margin narrowed considerably

Ninian & Lester is one of the few groups

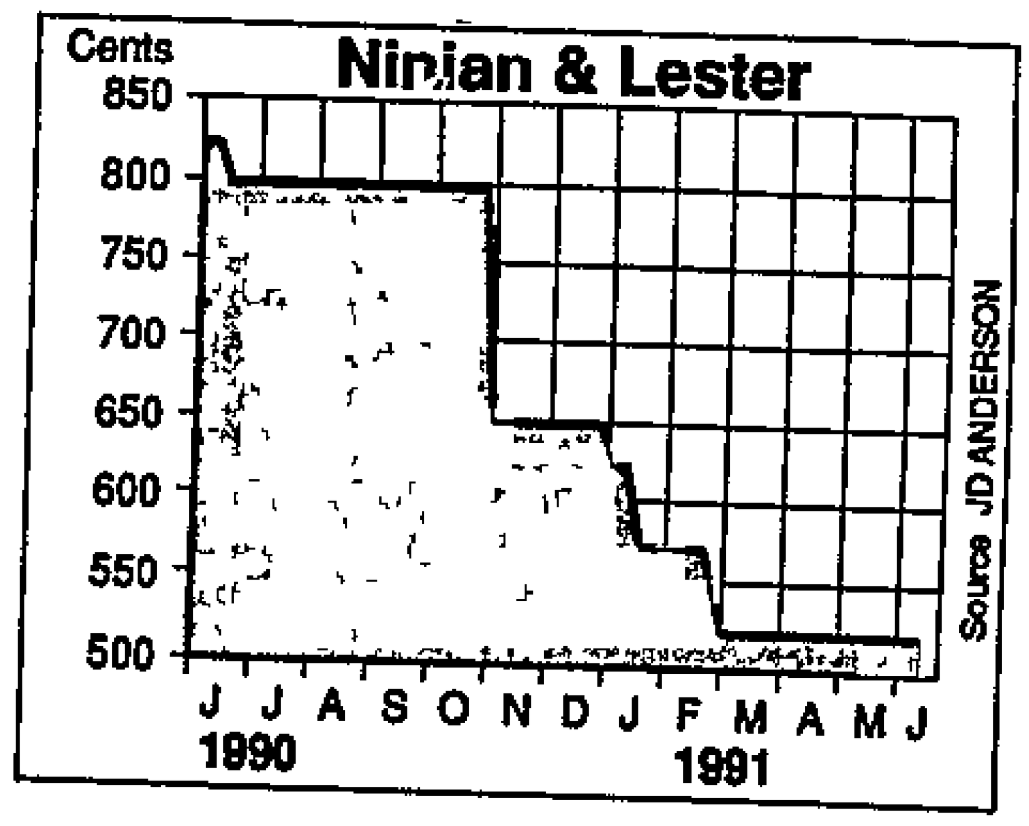
Continue ->

(184)

operating in both the textile and clothing industries and conditions were tough throughout the year in both sectors Order intake slowed and delivery lead times were reduced. Lower throughput meant some of the divisions had to cope with considerable short time

Increased capacity

Net working capital (stock plus debtors less creditors) expanded by 40%, in line with turnover Capital expenditure absorbed R8,1m, mainly for replacement of textile plant, increased capacity for hose knitting and some modernisation of the clothing sew-



ing plant. A further R1,4m was spent on the acquisition of 10% of Hacks

Net borrowings rose by R2,3m over the year, but gearing improved to a conservative 0,20 Cash flow per share increased from 313c to 332c.

By some measures, the tightly held share looks decidedly cheap. At 525c, the price is marginally more than a third of the 1 443c NAV and the p·e is only 2,9 But McElligot is taking a gloomy view of the current year's outlook — he says trading conditions in the first four months of 1991 have been more difficult than in the same period of 1990 and profits for the year will not equal those of last year.

With another earnings decline forecast, there is little point expecting a price recovery soon Long-term investors may find the share worth watching.

Andrew McNulty

Clothing companies fight back

SATURDAY MARCH 30 1991

By TOM HOOD
Business Editor

CAPE clothing companies are gearing up to fight a threat to business and employment that could come from dearer imported fabric and cut-backs in export incentives

The threat comes from moves by the country's recession-hit textile industry, which has asked the government to clamp down on fabric and yarn imports by clothing manufacturers and on duty-free fabric used by exporters.

The export incentives were a key factor in a 51 percent jump in clothing exports last year

"The textile industry could pull the entire temple down if it succeeds and prices are forced upwards," says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association.

"Retailers have backed the clothing industry at government level to retain the existing duty structure They would also be affected by a tremendous loss of business"

The association will try to develop a close liaison with ministers when the government is in Cape Town so that the industry's problems and point of view is understood

The Cape saw 59 clothing factories close down last year and 49 new ones register Eight firms employing 718 workers were liquidated

Employment levels dropped to 53 671 at end-February from 54 792 a year ago The number of factories is down to 443.

A 10 percent increase in sales volume in the clothing industry brings a 10 percent increase in the labour force, according to Mr Jocum.

The export incentive programme was originally supported by the textile industry, but "suddenly they don't like it because the recession is here and they are losing money like other businesses," said Mr Jocum

The association, meanwhile, is strengthening its organisation by setting up a number of regional committees where employers can meet after hours and deal quickly with pressing problems.

A new full-time executive director, Mr Peter Cragg, will also be able to give instant service with industrial relations problems.

More communication with trade unions at regional level is also planned on matters of common concern such as job creation, absenteeism and increased productivity.

"There needs to be a greater appreciation of how export markets can be affected by industrial unrest. We want to create mutual trust with the unions and break down any adversarial relationship which may have existed in the past."

BURLINGTON FM 2/8/91.

Lower gearing

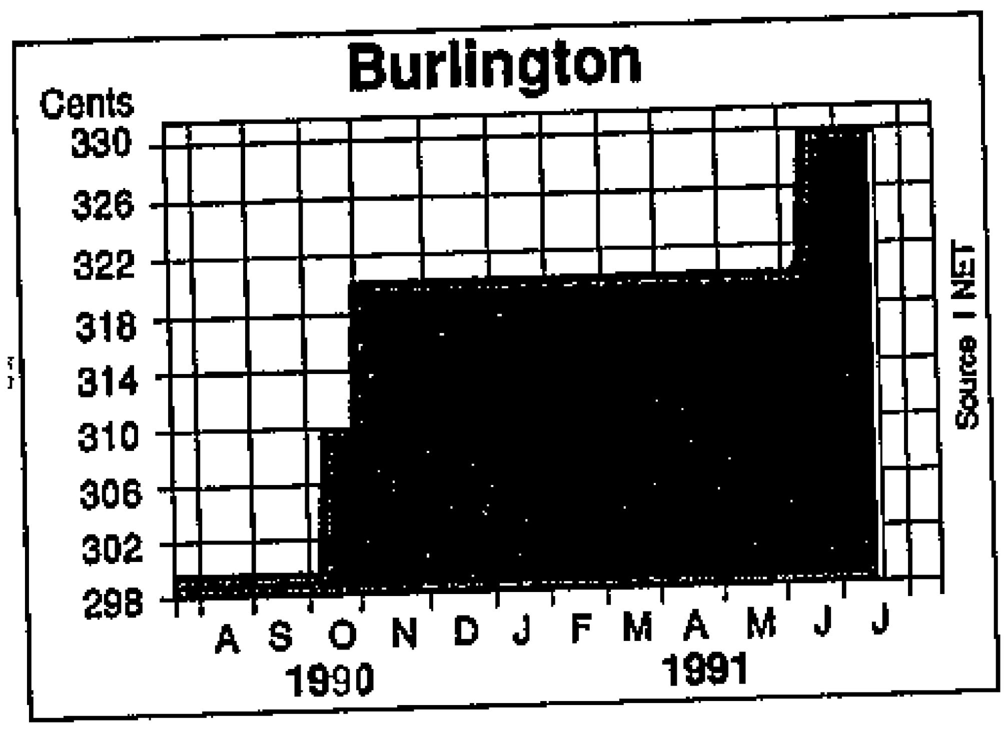
184

Activities: *Manufactures clothing.*
Control: *Directors 61%*
Chairman: *P Krawitzky*
Capital structure: *600 000 ords Market capitalisation. R1,8m*
Share market: *Price 310c Yields 4,0% on dividend, 26,3% on earnings, p e ratio, 3,8, cover, 7,2 12-month high, 320c, low, 310c Trading volume last quarter, 1 000 shares*

Year to Dec	**'88**	**'89**	**'90**
ST debt (Rm)	1,7	1,0	0,8
LT debt (Rm)	2,8	2,3	2 3
Debt equity ratio	1,4	0,8	0,7
Shareholders' interest	0,33	0,46	0,47
Int & leasing cover	1,5	1,6	1,7
Return on cap (%)	10,4	13,3	14,8
Pre-int profit (Rm)	0,99	1,28	1,38
Earnings (c)	47,5	77,7	89,6
Dividends (c)	6,0	10,0	12,5
Net worth (c)	5,2	641	712

The clothing industry has been hit hard by the recession so it's to the credit of Burlington Industries' management that good progress has been made towards strengthening the financial position of the company

Finance costs remained at a similar level to that of the previous year Interest payments still absorbed 48% of pre-interest profit but this figure has fallen from 56% in 1988 and from 53% in 1989 It's to be hoped that the trend will continue, particularly if interest rates decline later in the year



More important is that the level of debt has also fallen, and gearing has dropped significantly over the past two years It is still too high for comfort but there is no obvious

FM 2/8/91

reason why it should not continue to diminish, especially if turnover grows at a reasonable pace

184

Real growth in turnover was not achieved last year but pre-tax income rose by an encouraging 15% and attributable earnings and EPS by 15,5% Were it not for the small market capitalisation, and the thin market in the share, the 56% discount to net worth would suggest it merits more interest In the circumstances, it is likely to remain relegated to the sidelines

Gerald Hirshon

Losses at Leegall continue

(184)

LIZ ROUSE Bday 9/8/91

THE Leegall Clothing Company is still suffering large losses since the short provisional liquidation order (subsequently withdrawn) in July 1990, and reorganisation of production facilities.

Directors say in the preliminary report for the year to March that they do not expect an early return to profitability, and because of the financial position of the company, no preference dividends will be paid for the year to March 1992.

The report shows a bottom-line loss of nearly R6,4m for the year to March 1991, despite a turnover of R52,5m, compared with a net loss of R5,4m on a turnover of R39,7m in the nine months to March 1990.

Staff morale suffered because of the provisional liquidation order and the company lost key management. However, management has been strengthened substantially, say directors.

Other problems — the closure of the ladieswear division and production difficulties relating to the doubling of capacity of the Lesotho jeans factory, have been overcome.

Directors warn that the current slowdown in the economy makes it difficult to be optimistic in the short term.

Exports guide Seardel through difficult period

B/Day 9/8/91 (184)

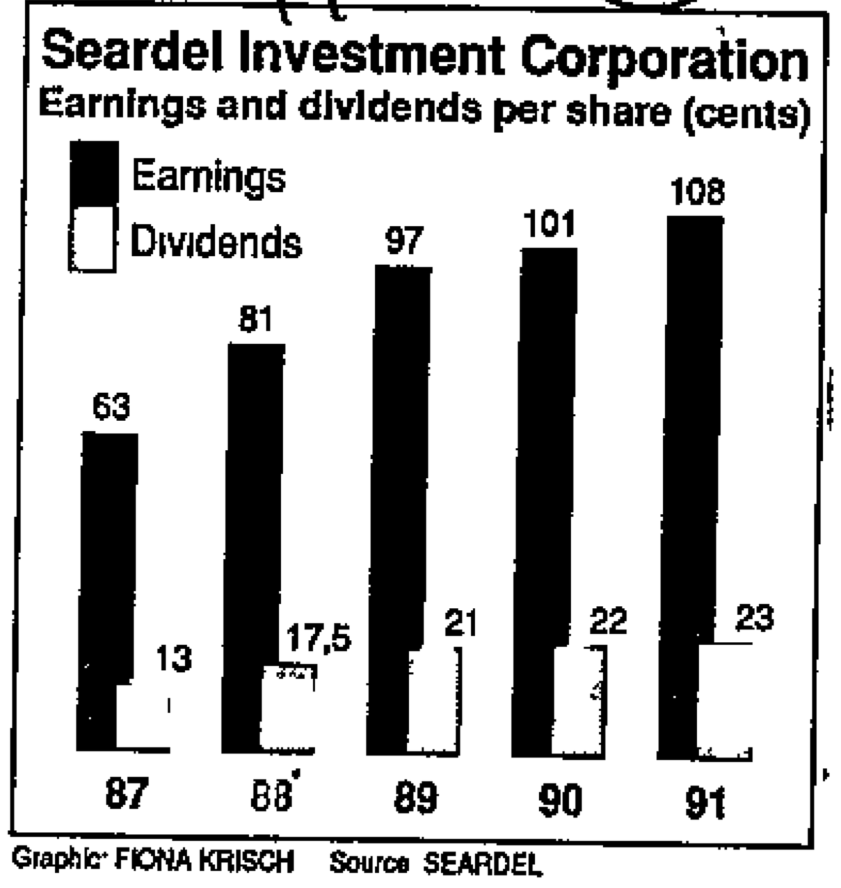
LINDA ENSOR

CAPE TOWN — Clothing manufacturer Seardel Investment Corporation increased earnings a share by 7% to 108c in the year to end-June on a 10,3% rise in turnover to R992,4m

Chairman Aaron Searll said the results, slightly below the expected turnover of R1bn, were achieved in difficult circumstances and in this light were satisfactory Exports had played an important role in the performance, generating sales of R48m or 6% of total clothing sales.

A final dividend for both Seardel Investment Corporation and Seardel Consolidated Holdings of 15c (14c) has been proposed, bringing the total to 23c (22c) Dividend cover was 4,7 times.

"The group experienced extremely difficult trading conditions in the second half of the year and continued with its stringent asset management programme in order to enhance its balance sheet and key financial ratios. This resulted in a marked improvement in the ratio of borrowings to group equity to a level of 60% from 75% last year," Searll said



Graphic: FIONA KRISCH Source SEARDEL

Group equity improved by 25,2% to R156,7m and reserves by R30m. Net asset value at year-end was 628c while the return on gross assets was 18%, which Searll said was not up to standard He said the group was dealing with underperforming assets

The pre-tax margin of 4,7% was also not good enough, with 8-10% being the more acceptable level.

Searll said the 1991/92 year would continue to be difficult but Seardel would try to maintain market share A turnover of just over R1bn was forecast but an improvement in margins could result in a real increase in earnings Margins in the 1990/91 year had been squeezed by retailers

Seardel subsidiary, Bonwit MD Ron Malcolm said the supply and quality of textiles had deteriorated rapidly over the past six months The reject rate — garments not fit for sale because of flaws in the fabric — was as high as 6-7% of total production In the high fashion division the reject rate was 15%.

"The problems with the supply and quality of textiles are costing us millions of rands in lost sales and profits," Malcolm said. Bonwit produces about 20% of the group's clothing

Low knitwear demand hits Ninian & Lester

B/Day 13/8/91

Business Day Reporter

RECESSIONARY conditions and a declining demand for knitted fabrics resulted in clothing and textile group Ninian & Lester Holdings' attributable earnings falling by 35% to R569 000 for the six-months ended June, the directors stated

184

The company's 1991 interim earnings fell to 18c a share from the previous period's 28c A dividend of 4c (June 1990 6c) a share has been declared

Although the company lifted its trading income to R7,4m (R6,3m), a hike in finance charges to R1,9m from the previous period's R1,1m resulted in a significant drop in pre-tax profit to R1,3m (R1,7m)

The company's tax bill also climbed to 48% at R673 000 compared with the previous period's tax rate of 30% at R521 000

The directors said there was no sign of an upturn in demand for knitted fabrics and clothing, and expected consumer demand to remain low for the remainder of the trading year

"In these circumstances and against the background of continuing high inflation and the effects of the introduction of VAT on disposable income," the directors did not expect any improvement in earnings for the 1991 financial year to end-December

SA-backed bid for UK fashion giant held at bay

B/Day 14/8/91

JOHN CAVILL

LONDON — The £121m battle for fashion retailer Etam, by the Foschini-Lewis consortium's UK vehicle Oceana, remained stalemated yesterday three weeks after it started 1864

Oceana announced it was extending its all-cash offer of 185 pence a share for Etam for another week, having bought 31,9% of the company through the stock market and received acceptances from holders of another 1,2%

David Hudson of Campbell Lutyens Hudson, advisers to Oceana, said yesterday "August is a very quiet month on the stock exchange and we are keeping our options open

"We could close the offer next week or leave it open until September 2

"Until we set a final date, a lot of people will sit on the fence waiting to see which way the market is moving and for data about the economy, especially retailing "

Oceana needs 51% of Etam for the offer to be declared unconditional

But Etam, noting that since the previous closing date additional acceptances for the offer had been received for only 6 846 shares (0,01% of the capital), again said the bid was inadequate.

The buying operation netted just 1,74% of the besieged company last week

Etam has won commitments from holders of nearly 34% not to sell out

SA Bias undermined by high interest charges

b/Day 14/8/91

(184)

SEAN VAN ZYL

INVESTMENT company SA Bias Holdings achieved a marginal 3% growth in attributable earnings to R8,08m for the six months ended June, despite weak market conditions experienced by operating subsidiaries, group chairman Christopher Seabrooke said yesterday

Group pyramid company Sabvest, which the Seabrooke family controls, reflected a similar 3% increase in attributable earnings to 21c (June 1990 20,2c) a share Sabvest has maintained its dividend of 5c a share

SA Bias Holdings, which has a 87,8% stake in SA Bias Industries and a 77,8% interest in financial and investment group Merhold, reported earnings of 42c (40,6c) a share for the six month period As a result, the company maintained its dividend of 11c in line with the June 1990 payout

Operating subsidiary SA Bias industries (Sab Ind) dislosed attributable earnings up 5% to R5,4m from the previous period's R5,1m Earnings came in at 19c (18c) a share, of which a dividend of 7c a share has been declared

Seabrooke said that the company's earnings growth was largely undermined by substantially higher interest charges Sab Ind manufactures and distributes clothing and footwear trimmings

The company's 21% increase in operating profit to R8,7m (R7,1m) was eroded by a dramatic 314% hike in finance charges to R1,4m (R347 000) resulting in a more modest 6% growth in pre-tax profit to R7,2m (R6,8m).

The directors expected Sab Ind's performance to pick up in the second half of the trading year with the earnings growth for the year likely to be between 10% to 15%

The group's financial arm Merhold also achieved a modest 4% growth in attributable earnings which clocked in at 23,4c (22,4c) a share for the period Merhold kept its dividend of 8c a share in line with the previous period

Seabrooke said that the restructuring of the company's divisions was ahead of schedule

While the SA Bias group overall expected a moderate rise in earnings for the current trading year, Seabrooke said he was confident of a strong performance in 1992

Sterling gives dividend a miss

B/Day 15/8/91 (184)

SEAN VAN ZYL

MANUFACTURER Sterling Clothing achieved a modest 13% increase in attributable profit to R913 000 for the six months ended June

Earnings came in at 4,7c (June 1990 4,2c) a share No interim dividend has been declared

Sterling manufactures a range of men's casual wear aimed at the middle income group

Although consumer spending showed no real improvement in 1991, the company lifted sales by 9% to R17,9m (R16,4m) for the six months.

However, Sterling's operating profit rose by 15% to R2,5m (R2,2m) on the back of a stronger operating margin The company's operating margin was lifted to 14,2% from the previous period's 13,5%.

Joint MD Bruno Desmet said the order book was fully booked for the rest of the year

SEARDEL FM 16/8/91

Below expectations (184)

Seardel Investment Corp has posted unimpressive preliminary figures for the year to June 30 Two factors, however, mitigate when viewing its investment merits

First, the poor state of the economy put further pressure on an already beleaguered clothing manufacturing industry Disappointing results are, therefore, not altogether unexpected, nor can they be ascribed simply to inefficient management. Second, clothing retailers are so de-stocked that any sign of an upturn in the economy could develop into a surge of orders for manufacturers as inventories are rebuilt

Turnover fell short of chairman Aaron Searll's optimistic forecast (*Leaders* November 16) of breaching R1bn It nevertheless rose 10,3% to R992,4m

Continue →

FOX FM 16/8/91 (184)

Preliminary results give only the barest profit information At half-time it was hoped that EPS would reach 115c As things turned out, EPS of 108c are 7% up on 1990 but well short of a target set in hope that interest rates would have eased by now and the economy improved as a result

Searll says the last three months (April-June) were particularly difficult for clothing What proved a boon were the electronics and toy operations While the contribution from clothing fell, both provided "gratifying" gains in turnover and attributable earnings

Searll makes much of the improvement in debt equity ratio which, he says, is now 60%, down from 77% last year But shareholders' funds rose to R156m, from which it can be deduced that the level of debt is roughly R93m, much the same as a year ago It is, therefore, only additional retained earnings that trimmed the ratio

The current price of 320c is well off its high of 385c five months ago The marginal increase in total dividend to 23c (22c) puts the share on an attractive historical yield of 7,2%, higher than the 6,8% average of the clothing sector whereas, at a p e of 3, Seardel is well below the sector average of 5,5

So the market continues to discount the share heavily But when the economy starts to recover and consumer demand again increases, Seardel will be well placed to improve profits as interest rates decline and productivity is boosted by greater volume That is why, taking a long-term view, now could be a good time to start accumulating

Gerald Hirshon

Higher interest charges hammer Progress

BDay 21/8/91

(184)

WILLIAM GILFILLAN

CLOTHING and knitwear manufacturer Progress Industries reported attributable earnings down 35% to R1m from R1,7m for the six months to June.

Turnover was up 17% at R35m from R30m, and operating profit increased 3% to R3m from R2,9m, but the group took a hammering on interest charges which increased to R1,6m from R1m.

This resulted from liabilities which were built up in the latter part of the first six months of last year after an expansion programme, CE Peter Jacobson said

An interim dividend of 11c a share was declared.

Jacobson said difficult trading conditions in the textile and clothing industry and the increased competition from imports, particularly in the area of jerseys, continued to affect results.

He said no improvement in earnings was expected until proposed changes, announced at the beginning of August by the Board of Trade and Industry (BTI), to the Structural Adjustment Programme (SAP) and to import duties became effective.

It has been proposed that import duties on clothing be increased from 30% to 60%

BUSINESS

Clothing industry rejects protection

B Day 29/8/91. (184)

LINDA ENSOR

CAPE TOWN — Clothing industry leaders have slammed the Board of Trade and Industry's (BTI) proposals to give greater import protection to the textile industry, saying that between 18 000 and 30 000 jobs would have to be cut because of lost exports if the "disastrous" plans go ahead.

The international competitiveness of the SA industry would be undermined and many small clothing firms would be forced to close down, they said

The proposals, gazetted early in August, include increasing the tariffs on imported yarn, fabric and fibre, withdrawing rebates and reducing the incentives for clothing exports. The plans withdraw the facility for duty free imports, representing 10% of total domestic purchases by clothing manufacturers, and reduce to 50% from 70% the duty free portion of the value of exports.

The National Clothing Federation (NCF), in a document released yesterday, calculated that doubling duties on fabric imports to 40% would cost the clothing industry an extra R120m.

If import parity pricing occurred, as was probable, the extra cost would be R390m

NCF president designate and Seardel chairman Aaron Searll and Rex Trueform chairman Stewart Shub said at a news conference yesterday that the introduction of the proposals, planned for January 1 1992, would seriously threaten the strong gains made by the clothing industry on the export market over the past year.

The textile industry would also be affected as 90% of all clothing exports were manufactured with SA textiles

Clothing exports are expected to grow from less than 2% of industry output in 1988/89 to almost 10% in 1992/93, with their monetary value reaching R400m in 1991 from R65m in 1988.

Searll said the proposals had "horrific" implications for the inflation rate and the cost of clothing which would increase by between 30%-40%

Duties on some textiles not produced in SA would increase by a massive 40%, he said As fabric represents 50% of the cost of clothing, such an increase would mean a 20% increase in the cost price of clothing with the retail price being much higher.

He predicted that a number of smaller businesses would go under

He said there were about 1 300 clothing firms in SA, 80% of which employed less than 80 people The total workforce in the labour intensive industry is about 125 000

He said it would be totally disruptive if the proposals were implemented from January 1992 as the industry needed at least nine months to negotiate adjustments with customers.

Searll said the BTI had completely ignored the Development and Structural Adjustment Programme in formulating the proposals. He said a campaign was to be launched to inform consumers of the disaster of the BTI plans

Competitive

Shub stressed the importance of creating a competitive environment in order for the clothing and textile industries to become internationally competitive

He said if government wanted the industry to be internationally competitive, as it had stated, it made no sense to double the protection as prices inevitably would rise.

"It has been a mammoth task to get the intiative going to sell clothing on foreign markets. If the momentum is torpedoed now there will be no chance later of getting it going again," Shub said.

Figures presented at the conference showed that the deficit between garment imports and exports was closing with a possibility of parity by the end of the year. While exports and imports of garments in the period January to April 1990 totalled R40m and R94m respectively, the figures for 1991 were R91m and R121m

Clothing prices 'set for 30% hike'

CT 29/8/91 By AUDREY D'ANGELO (184)
Business Editor

CLOTHING prices will be pushed up by more than 30% if proposed new protective duties on imported clothes, fabrics and yarns are imposed, Aaron Searll, president elect of the National Clothing Federation (NCF), said yesterday.

He said at a press conference that the new increased duties and the withdrawal of a concession allowing exporters to import duty free fabrics would ruin a successful drive to build up exports, close down many small businesses and endanger up to 20 000 jobs — most of them in the Western Cape.

Searll suggested that the increased duties proposed by the Board of Trade and Industry, and detailed in the Government Gazette on August 8, were the result of "grumbling" by textile firms which were badly managed and not in the export market.

Other textile firms were well managed and producing good quality fabrics for export. He did not think such firms would need protection.

He said the NCF's objections were "not a fight between clothing manufacturers and textile manufacturers" but between "performers and non-performers."

Brian Brink, executive director of the Textile Federation, said yesterday that it was putting together a considered response to the BTI proposals.

Under the proposals duties on yarn between January 1 and the end of 1994 will be 20%, on fabric 40% and on imported clothing 60%.

These will be reduced gradually between 1995 and the year 2 000 when the duty on yarn will be 12%, on fabric 24% and on clothing 36%.

New import duties could cost clothing industry 20 000 jobs

184

By Tom Hood Star 29/8/91

CAPE TOWN — More than 20 000 jobs in the clothing industry are at risk and hundreds of small firms could be put out of business by proposals to double import duties on fabrics

This was claimed yesterday by Dr Aaron Searll, president-designate of the National Clothing Federation

The duties are estimated to add at least R390 million a year to the clothing industry's costs and push up shop prices by about 30 percent. Consumers could not afford hikes of this size and the result would be a big drop in business, he said in Cape Town yesterday.

"This has horrific implications for the inflation rate and the cost of clothing

"One cannot think of a worse time to gazette proposals that simultaneously represent so serious a threat to immediate jobs, the inflation rate, consumers and exports."

The Board of Trade also proposed to withdraw export concessions, which threatens clothing exports estimated to be worth about R400 million this year — half of them made in the Western Cape.

Dr Searll, chairman of Seardel Investment Corporation, the country's largest clothing group, said many of the country's 1 500 clothing firms would be put out of business There could be an immediate loss of about 20 000 jobs and the potential for many more

Mr Stewart Shub, chairman of Rex Trueform, the country's leading menswear exporter, said a significant drop in exports would have a major impact on jobs.

"If our internationally competitive position is eroded, as it must be, how can we export and compete internationally.

"I believe the government has had complaints from companies suffering from the competition which the government wanted to encourage."

The federation is to mount a compaign to persuade the Board of Trade and Industry to drop or modify the proposals, due to come into force on January 1, 1992.

Clothing manufacturers claimed the higher duties were the result of complaints by loss-making textile companies whose powerful lobbies had pressured the government.

The government proposals also boost duties on imported clothing to 60 from 35 percent

"We didn't ask for an increase We were happy with the 35-percent rate," said Dr Searll.

Trueform hit by slump in clothing

184

ET 30/8/91

Business Staff

In a bad year blamed on the difficulties experienced in the clothing industry Rex Trueform's earnings a share fell 33,7% to register 176,2c (265,5c) for the year to June

The dividend was reduced from 90c to a 70c declaration

The directors said increased operating costs and weaker demand in traditional markets resulted in severe pressure on margins and a sharp drop in operating costs

Turnover increased by 5% compared against the 15% jump in the previous year — largely supported by a 21% rise in exports and the strong showing of subsidiary Queens Park.

They said consumer spending continues to decline

Star 30/8/91 (184)

Trueform off form

Rex Trueform had a bad year to June.

Earnings per share fell from 1990's 265,5c to 176,2c, while the dividend has been reduced from 90c to 70c.

Turnover was up five percent, compared with the previous 15 percent, mainly as a result of a 21 percent rise in exports.

The board says "Increased operating costs and weaker demand in traditional markets resulted in severe pressure on margins, resulting in a significant drop in operating income" — Sapa.

CLOTHING AND TEXTILES

FM 30/8/91 (184)

Ripping apart the tariff plan

It's hard to believe the textile and clothing industries have ever agreed on anything, but it was just-two-and-a-half years ago that they agreed on a structural adjustment programme for their industries that would reduce protection and increase exports

As intended, the textile companies suffered under the programme, while the clothing outfits prospered Last year the textile industry began pleading with the Minister of Trade and Industry to scrap or revamp the programme, and it began peppering the Board of Trade and Industry with applications for greater protection from imports

This month the board relented Under its proposal, the original five-year programme for the fibre, apparel-textile and clothing industries, which still had two-and-a-half years to run, would be replaced by a nine-year programme, and tariffs on imported textiles would rise dramatically Sharply higher clothing prices would surely follow, in addition to quality taking another tumble

So now it is the clothing industry's turn to go on the offensive Seardel CE Aaron Searll, who is also president-designate of the National Clothing Federation, slammed the proposal this week as "excessive, highly inflationary and massively disruptive "

He claims the board's plan has disastrous implications for the clothing industry "The proposals to raise tariffs on imported inputs and withdraw key rebates, while radically reducing the incentives for clothing exports, are driven by a board that once again seems persuaded to increase protection for local textile producers "

The board's proposal calls for a doubling of tariffs on imported fabric, to 40%, and the federation calculates that this would cost its members R120m a year But, it adds, if local textile companies take advantage of the higher-priced imports to raise their own prices, the notorious technique of import parity pricing, then clothing producers will pay as much as R390m more This is because clothing companies buy 70% of their fabric from local mills

Luckily for the clothing industry, Trade and Industry Minister Org Marais and Director-General Stef Naudé do not appear keen to rubberstamp the board's proposal They stress that the board merely acts in an advisory capacity and that government has the final say In fact, the Minister has not approved any of the tariff adjustment programmes put forward by the board this year Government is taking comments on the textile-clothing plan until October 15

Naudé also points out that the board's proposals run counter to the Industrial Development Corp (IDC) report, released in April "The report did not recommend any tariff increases — only tariff reductions "

The clothing federation's executive director, Hennie van Zyl, fully agrees "Surely, if one wants to increase competitiveness, one has to reduce duties, not double them This is particularly true of the oligopolistic and capital-intensive textile industry The new plan, unfortunately, has a strong pro-protection and pro-textile industry bias "

If accepted, the board's plan would jeopardise the clothing sector's "astonishing export performance," Van Zyl claims Rebutting the textile industry's argument that higher textile tariffs are needed to save jobs, he says the board's plan could lead to an immediate loss of some 20 000 clothing jobs "and a much bigger potential job loss "

Cut from the same old cloth . *the pattern of protectionism continues*

Searll expects clothing exports to jump from less than 2% of the industry's output in 1988-1989 to almost 10% in 1992-1993. "We expect exports to reach R400m this year, compared with R65m in 1988 "

But while he says the board's "creative and imaginative" 1989 plan encouraged clothing exports "at minimal cost to the taxpayer and consumer, while introducing competitiveness in our domestic markets for textiles and clothing," the new plan apparently is aimed in the opposite direction

In making its new protectionist proposals, the board appears to be breaking a commitment that the current plan, which started on April 1 1989, "remain in place for five years to avoid the uncertainty of government policy that has characterised the experience of clothing exporters," Searll says

And, he adds, "one cannot think of a less appropriate time to gazette proposals that simultaneously represent so serious a threat to jobs, inflation, consumers and exports "

As with the board's proposal for the paper industry, the textile-clothing plan would slap higher duties on items not even made in SA

Searll says that "duties would be increased on certain textiles that are not produced here but are vital to local clothing manufacturers Prices will soar It is ironic that a key goal in the 1989 programme was the maintaining of consumer prices below inflation "

Oddly, while the clothing sector is up in arms, the textile industry does not seem overly excited with the board's proposal Textile Federation executive director Brian Brink says the proposal is "good in parts "

"We are happy with the tariff proposals, but we need assurance that effective anti-dumping measures will form part of the final package Rationalising tariff headings is another good principle (this is what would cause higher tariffs on products not made in SA), although one must warn against over-simplification There is a danger of going a little too far and removing some of the essential protective mechanisms required by the textile industry "

Board chairman Lawrence McCrystal says the plan would begin reducing tariff protection after the first three years During the final six years, the 20% ad valorem duty on fibre would be phased out, yarn duties would drop from 20% to 10%, fabric from 40% to 20%, and clothing from 60% to 30%

But, Van Zyl says, with fabric making up about half of the clothing industry's input costs, the board's objective of increasing international competitiveness and boosting exports would be negated

Adds Searll "We need a positive signal that the board supports the IDC report. The overall challenges facing a labour-intensive industry such as ours include long-term viability, job creation and global competitiveness These goals are central to a viable and sustainable social order They will not be served by timidity or retreat in the face of necessary change "

Arnold van Huyssteen

ALLWEAR FM 30/8/91 (184)

Aiming high

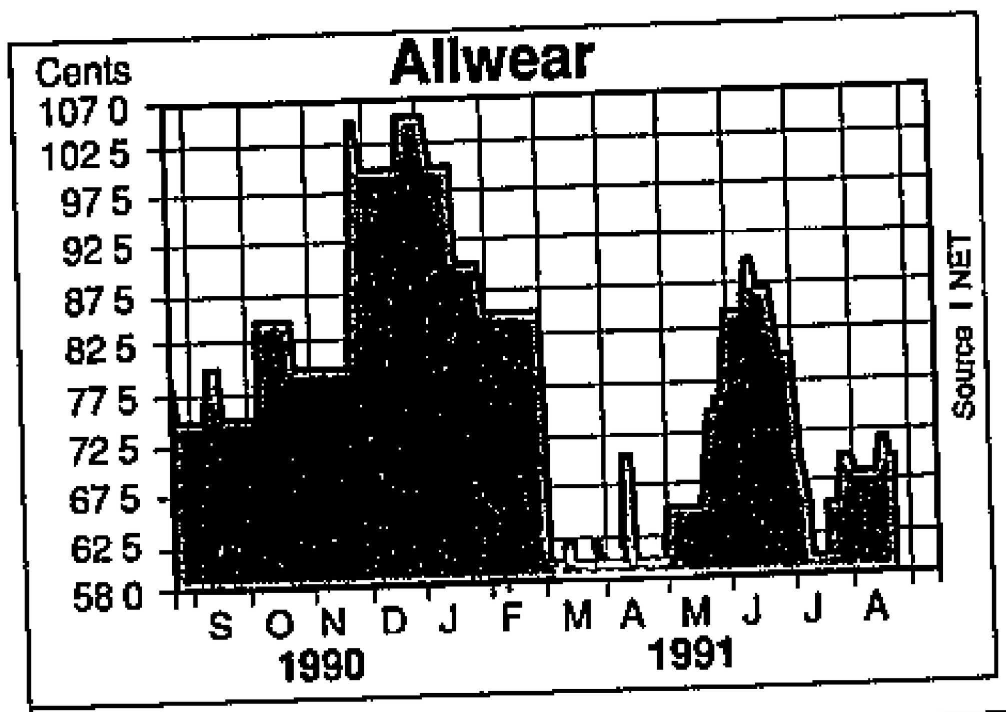
Activities: *Manufacture of schoolwear, menswear, childrens- and babywear*
Control: *Hicor 79%*
Chairman: *R van Rooyen*
Capital structure: *14m ords Market capitalisation R9,8m*
Share market: *Price 70c Yields 22,9% on dividend, 55,4% on earnings, p e ratio, 1,8, cover, 2,4 12-month high, 105c, low, 65c Trading volume last quarter, 75 000 shares*

Year to Feb	*'88	†'90	'91
ST debt (Rm)	14,3	15,2	12,4
LT debt (Rm)	3,0	5,3	5,4
Debt equity ratio	1,48	1,14	0,75
Shareholders' interest	0,35	0,38	0,47
Int & leasing cover	2,4	1,8	1,7
Return on cap (%)	15,5	18,2	16,1
Turnover (Rm)	37,5	62,3	57,8
Pre-int profit (Rm)	5,2	8,7	8,1
Pre-int margin (%)	13,9	14,0	14,1
Earnings (c)	52,8	52,0	38,8
Dividends (c)	—	16	16
Net worth (c)	196	226	166

*To Dec 31
† 14 months

Talk to chairman Renier van Rooyen jnr about earnings prospects for Allwear, and he will optimistically tell you that pre-tax profit is on target for a 20% improvement this year If attained, it will be a meritorius achievement, given the economic climate and the difficulties facing the clothing industry

Some scepticism must, however, be forgiven Van Rooyen is also chairman of Hicor,



FM 30/8/91 (184)

which recently sold the Harties chain of retail outlets to Pep Stores for about R14m (because the selling price of R18,4m is payable over three years, the present value of the sale proceeds is less than the stated price) Shareholders of that business have so far received little return on their investment

Allwear has undergone substantial change since it was known as Veka clothing manufacturers In 1990 (a 14-month trading period), Shirleys Products, which makes baby, toddlers and childrenswear, was acquired for R3,8m It has since made a rising contribution to group turnover and profit.

Gearing has been reduced from the excessive levels seen in 1988, principally through last year's R5m rights issue which increased issued capital by 80%

However, scepticism again creeps in when it is noted that the aggregate cash flow deficit over the past three years amounts to R10,5m Though the 1991 deficit was reduced from R4,2m in 1990 to R2,2m, the dividend payment of R1,3m was a major cause of the deficit The dividend was funded with bank borrowings, hardly a prudent action at this stage But perhaps the gesture indicates the confidence with which the board views the future

Exports to Germany and the UK are forecast at R4,5m in the 1992 year, up from R1,7m This would contribute to the predicted 20% profit growth, of which half would come from quality schoolwear and half from girlswear, supplied mainly to Pep Stores, Ackermans and Edgars

The pyramid structure of the group is cumbersome and costly Top holding company Hicor, which has no debt, is looking for an operation to inject into Allwear Group, but Van Rooyen says there is no immediate prospect of this happening

The share is poorly rated, probably because it is in the clothing business and because the market is waiting to see whether Van Rooyen's optimism will be justified by the 1992 results The interims, expected shortly, will provide some pointers to the prospects of the profit target being met

Gerald Hirshon

BDay 3/9/91

Acquisition by Hunts of Arwa being probed

SHARON WOOD

THE Competition Board opened a formal investigation into Hunts' aquisition of Arwa Hosiery in January because the deal had not gone as expected, Competition Board director Pierre Brooks said yesterday.

Prices the board was told would be paid in the deal, and the selling of the divisions, had allegedly not proceeded as had been disclosed, he said.

184

"There have also been complaints from retailers that prices have taken off and contractual arrangements have unilaterally changed

"The board has been in correspondence with bankers for about a month and they had an inkling that the investigation would be launched," he said.

The investigation would allow all involved to give their views

FSI approached the Board in December last year and provided information that Arwa was a failing company.

Based on this information the Board had decided the sale of Arwa's various divisions was necessary to avoid liquidation, and told FSI it would not do a formal investigation

"The Board was not fully appraised of all the details at the time and there is a question mark over whether it (Arwa) was a failing company," said Brooks

Hunts' holding company, W & A Investment Corp, is controlled by FSI.

A previous attempt by FSI to take over Arwa failed in April last year after the board called off an official investigation

This was because FSI, through its holding of Burhose and Arwa, was expected to have 99% of the pantihose industry.

Both Hunts Hosiery Division MD Alan Falconer and FSI chairman Jeff Liebesman said they had not been notified of the investigation.

Brooks said it had been announced in Friday's Government Gazette.

Rising imports may hit 15 000 workers

3/Day 3/10/91

WILLIAM GILFILLAN

SIX thousand jobs had been lost and a further 15 000 were threatened as a result of rocketing imports of jerseys and sweaters, the South African Worsted Spinners and Garment Knitters Association claimed yesterday.

At the same time the association called on the authorities to ignore last week's objections by the National Clothing Federation on the latest Board of Trade and Industry (BTI) proposals for restructuring the textile and clothing industries.

The proposals, gazetted in August, include increasing the tariffs on imported textiles and clothing, withdrawing rebates and reducing the incentives for clothing exports.

By siding with the textile industry, known to support the BTI proposals for increased protection, the association had created a major rift in the clothing industry, analysts said.

Association chairman Peter Jacobson said that apart damaging local businesses and jobs, the duty-free structural adjustment programme had done "horrendous damage to the fiscus and done nothing to alleviate inflation".

184

He said "the BTI proposals can be combined with a more meaningful anti-dumping duty which has the teeth to ensure prompt action before irreparable damage is done"

Clothing industry reports dramatic rise in orders

B/Day 3/9/91. (184)

SEAN VAN ZYL

IN SPITE of the long recession, clothing manufacturers have reported a dramatic increase in stock orders placed in the third quarter of this year.

A number of operators indicated that present production capacity was being stretched to the limit, with their order books filled right through to the end of the year. They ascribed the increased demand to new export markets which had opened up and also local retailers restocking in anticipation of increased consumer spending in the beginning of 1992.

National Clothing Federation economist Arnold Werbeloff said compared to the overcapacity experienced last year, manufacturers were now faced with the problem of keeping up with large orders

He added the increased demand was largely export related, and that local operators in some cases had been forced to turn orders away because of the volume involved

Althought the recession was expected to reduce the clothing industry's real output growth to about 2% this year, compared to 3,6% attained in 1990, Werbeloff believed the industry could achieve a real growth in production of about 5% next year if current growth in exports were maintained

"If the growth in exports and increased local demand comes through next year, the industry's growth potential would improve dramatically"

Werbeloff noted industry exports were expected to show major growth in 1991, with the value of orders more than doubling to R400m compared to last year's R195m

Future

Indicators also pointed to increased local demand by the end of the first quarter of 1992, with consumer spending likely to be up depending on interest rate movements

Analysts said the clothing, footwear and textile sector had been poorly rated due to the tight operating conditions mostly resulting from the recession However, they said a number of clothing companies' shares were now now offering value, "with most of them trading at a tremendous discount to net asset value".

Although the outlook for the clothing sector seemed more promising, analysts noted the Board of Trade and Industries' recently proposed export incentive changes could have a negative affect on the industry's future export earnings potental

Werbeloff admitted the BTI's intention of phasing out export incentives could reduce some of the attraction of selling to offshore markets However, he said the industry regarded exports as a long-term growth area, and did not expect volumes to drop significantly

"Besides, the proposed incentive changes, should they be approved, would only come into affect during the course of next year," he said.

Clothing manufacturer Seardel Investment Corporation director Mike Getz expected the industry's present export growth to hold for at least the coming year

While exports now accounted for almost 10% of Seardel's total output, Getz was optimistic local demand would also increase in 1992. "We have definitely hit the bottom of the cycle, and we are now seeing a slight upturn coming through"

Clothing costs set to outstrip inflation

Star 12/9/91

(184)

Consumer Reporter

The cost of clothing will increase by more than the current rate of inflation if proposed tariff increases on imported clothing and fabrics are accepted, a leading retailer said this week.

The proposals, which appeared recently in the Government Gazette, recommend that tariffs on imported clothing be increased from 30 to 60 percent. There are also proposals that duties on imported fabric be increased from 20 to 40 percent.

Sales House MD Ian Thompson said the increase in tariffs for imported clothing, proposed by the Board of Trade and Industry (BTI), would undoubtedly affect consumers.

"Should BTI's proposal be accepted by the Government, the cost of clothing will increase to a level above the current rate of inflation and customers will suffer," Mr Thompson said.

However, he said it was unlikely that clothing prices would increase by as much as 50 percent as suggested.

The National Clothing Federation of South Africa has issued a hard-hitting statement against the proposed increases

The NCF, which has a direct membership of 530 clothing manufacturers throughout southern Africa who account for about 80 percent of all clothing manufacturers, said it was gravely perturbed about the "resurgence of a strong and vociferous pro-protection lobby".

Burden

NCF executive-director Hennie van Zyl said increasing South Africa's already high current protection levels would not only be contrary to international trends but would also burden the already embittered consumer — which, in turn, would kill economic growth and create further unemployment.

"To increase import duties at this stage will only benefit a few highly concentrated, capital-intensive industries, and then only in the short term, because domestic inefficiencies and uncompetitiveness cannot be protected indefinitely," Mr van Zyl said.

"One does not have to be a prophet to predict that any further increases in protection will elicit retaliatory action from our trading partners"

The organisation disputed claims that imports of knitwear and spun garments had increased by 131 percent in the first four months of 1991

Official statistics showed no increase whatsoever, but a decrease in the importation of all knitted fabrics of 17 percent in volume and 13 percent in value in the same period compared to the corresponding period of 1990.

Comparing the same periods, imports of knitted clothing reflected a 65 percent increase in units and 19 percent in value, according to Customs ansd Excise figures, he said.

Mr van Zyl said manufacturers throughout the country were discussing the proposals at present and would comment on them before October 15.

Violence is affecting our mental health

Star 12/9/91

Medical Reporter

"The impact of the spiral of violence on the mental health of individuals, groups and communities could only be detrimental to a future South Africa, the president of the Psychological Association of South Africa (Pasa), Dr Theo Veldsman, said in the latest issue of the association's newsletter.

Dr Veldsman, the outgoing president of Pasa, said the "continuing and increasing wave of violence sweeping the country is a serious concern for all, including Pasa".

He added that the "daily manisfestation of violence" could in the long term result in an "institutionalised culture of violence".

He appealed to anyone who could play a role in the elimination of violence to support such attempts in their communities

"Pasa is also more than willing to become actively involved in the planning, co-ordination and initiation of actions directed at preventing and remedying the consequences of violence on the mental health of South Africans," Dr Veldsman said

3. KLOUSULE 8 BYDRAES

Vervang klousule 8 3 deur die volgende

"8 3 **Lys van Bydraes**

	Kolom 1	Kolom 2	Kolom 3
	Werknemer se bydrae	Werkgewer se bydrae	Werkgewer se eie bydrae
	R	R	R
Werkende werkgewer, nie-werkende werkgewer, persoon wat 'n direkteur of aandeelhouer is in 'n maatskappy wat 'n werkgewer in die bedryf is en 'n lid van 'n beslote korporasie wat 'n werkgewer in die bedryf is			6,50
Haarkapper (wat ook al) die kode op die Sertifikaat om Haarkappery te bedryf)			
Eerste jaar na kwalifikasie			
Daarna	5,80	2,90	
Vakleerling en/of leerlinghaarkapper			
Eerste jaar	1,70	0,85	
Tweede jaar	2,20	1,10	
Derde jaar	2,80	1,40	
Daarna	2,80	1,40	
Manikuris en/of skoonheidskundige			
Eerste drie maande ondervinding	1,50	0,75	
Tweede drie maande ondervinding	1,80	0,90	
Derde drie maande ondervinding	1,90	0,95	
Daarna	4,10	2,05	
Ontvangsdame/Telefonis	4,00	2,00	
Sjampoeïs	2,80	1,40	
Operateur	3,00	1,50	
Algemene assistent	1,70	0,85	
Minderjarige	1,70	0,85"	

Namens die partye op hede die 28ste dag van Mei 1991 te Roodepoort onderteken

J DANIEL,
Voorsitter

M MULLER,
Ondervoorsitter

J A MARTIN,
Sekretaris

No. R 2276 **20 September 1991**

LABOUR RELATIONS ACT, 1956

CLOTHING INDUSTRY, NATAL· RE-ENACTMENT OF THE MAIN AGREEMENT

I, Eli van der Merwe Louw, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1992, upon the employers' organisation and the trade union which entered into the said Agreement and upon the employers and employees who are members of the said organisation or union, and

No. R. 2276 **20 September 1991**

WET OP ARBEIDSVERHOUDINGE, 1956

KLERASIENYWERHEID, NATAL HERBEKRAGTIGING VAN DIE HOOFOOREENKOMS

Ek, Eli van der Merwe Louw, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is; en

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the said Agreement, excluding those contained in clauses 1 (1) (a), 2 and 3, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking Industry, Trade or Occupation in the areas specified in clause 1 of the said Agreement

E. VAN DER M. LOUW,

Minister of Manpower

SCHEDULE

INDUSTRIAL COUNCIL FOR THE CLOTHING INDUSTRY (NATAL)

MAIN AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Natal Clothing Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisation"), of the one part, and the

South African Clothing and Textile Workers' Union

(hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the Industrial Council for the Clothing Industry (Natal)

1. SCOPE OF APPLICATION

(1) The terms of this Agreement shall be observed in the Clothing Industry (Natal)—

(a) by all employers who are members of the employers' organisation and who are engaged in the Clothing Industry (Natal) and by all employees who are members of the trade union and who are employed in the said Industry,

(b) in the Magisterial Districts of Chatsworth, Durban, Inanda, Pinetown, Pietermaritzburg and Lower Tugela

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall only apply in respect of employees for whom wages are prescribed in the Agreement published under Government Notice No R 46 of 11 January 1980, as amended

(3) The terms of this Agreement shall not apply to employers who are not members of the employer's organisation and who employ five or fewer employees Provided that such employers may elect to voluntarily comply with the provisions of this Agreement

2. PERIOD OF OPERATION OF AGREEMENT

This Agreement shall come into operation on a date to be fixed by the Minister of Manpower in terms of section 48 (1) of the Act and shall remain in force for the period ending 30 June 1992 or for such period as may be determined by him

3 SPECIAL PROVISIONS

The provisions of clauses 7 (6) (x), 20, 21, 21*(bis)*, 22 and 25 of the agreement published under Government Notices Nos R 46 of 11 January 1980, R 2774 and R 2775 of 24 December 1982, R 2606 of 30 November 1984, R 918 and R 919 of 26 April 1985, R 2175 of 17 October 1986, R 2721 of 24 December 1986, R 393 of 27 February 1987, R 2890 of 31 December 1987, R 1462 of 22 July 1988, R 1684 of 19 August 1988, R 2417 of 9 December 1988, R 1459 of 7 July 1989, R 2112 of 29 September 1989 and R 2310 of 28 September 1990 (hereinafter referred to as the "Former Agreement") as further extended, renewed, amended or re-enacted from time to time, shall apply to employers and employees

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die genoemde Ooreenkoms, uitgesonderd die vervat in klousules 1 (1) (a), 2 en 3 met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1992 eindig, bindend is vir alle ander werkgewers en werknemers as die genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die genoemde Ooreenkoms gespesifiseer.

E. VAN DER M. LOUW,

Minister van Mannekrag

BYLAE

NYWERHEIDSRAAD VIR DIE KLERASIENYWERHEID (NATAL)

HOOFOOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Natal Clothing Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasie" genoem), aan die een kant, en die

South African Clothing and Textile Workers' Union

(hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Klerasienywerheid (Natal)

1. TOEPASSINGSBESTEK

(1) Hierdie Ooreenkoms moet in die Klerasienywerheid (Natal) nagekom word—

(a) deur alle werkgewers wat lede van die werkgewersorganisasie is en by die klerasienywerheid (Natal) betrokke is en deur alle werknemers wat lede van die vakvereniging is en wat in genoemde Nywerheid werksaam is,

(b) in die landdrosdistrikte Chatsworth, Durban, Inanda, Pinetown, Pietermaritzburg en Lower Tugela

(2) Ondanks subklousule (1) is hierdie Ooreenkoms slegs van toepassing ten opsigte van die werknemers vir wie lone voorqeskryf word in die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 46 van 11 Januarie 1980, soos gewysig

(3) Hierdie Ooreenkoms is nie van toepassing nie op werkgewers wat nie lede van die werkgewersorganisasie is nie en wat vyf of minder werknemers in diens het Met dien verstande dat sodanige werkgewers vrywilliglik aan die Ooreenkoms kan voldoen indien hulle dit verkies

2. GELDIGHEIDSDUUR VAN OOREENKOMS

Hierdie Ooreenkoms tree in werking op die datum wat die Minister van Mannekrag kragtens artikel 48 (1) van die Wet vasstel, en bly van krag vir die tydperk eindigende 30 Junie 1992 of vir die tydperk wat hy bepaal

3. SPESIALE BEPALINGS

Die bepalings soos vervat in klousules 7 (6) (x), 20, 21, 21*(bis)*, 22 en 25 van die Ooreenkoms gepubliseer by Goewermentskennisgewings Nos R 46 van 11 Januarie 1980, R 2774 en R 2775 van 24 Desember 1982, R 2606 van 30 November 1984, R 918 en R 919 van 26 April 1985, R 2175 van 17 Oktober 1986, R 2721 van 24 Desember 1986, R 393 van 27 Februarie 1987, R 2890 van 31 Desember 1987, R 1462 van 22 Julie 1988, R 1684 van 19 Augustus 1988, R 2417 van 9 Desember 1988, R 1459 van 7 Julie 1989, R 2112 van 29 September 1989 en R 2310 van 28 September 1990 (hierna die "Vorige Ooreenkoms" genoem) soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op sowel werkgewers as werknemers

184

4 GENERAL PROVISIONS

The provisions contained in clauses 3 to 7 (6) (ix), 7 (6) (xi) to 19, 23, 24, 26 to 28 of the Former Agreement, as further extended, renewed, amended or re-enacted from time to time shall apply to employers and employees

5. CLAUSE 4: WAGES

(1) Substitute the following for subclause (1)

"(1) No employer shall pay and no employee shall accept wages lower than the weekly wages prescribed hereunder

4. ALGEMENE BEPALINGS

Die bepalings soos vervat in klousules 3 tot 7 (6) (ix), 7 (6) (xi) tot 19, 23, 24, 26 tot 28 van die Vorige Ooreenkoms soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op sowel werkgewers as werknemers

5. KLOUSULE 4: LONE

(1) Vervang subklousule (1) deur die volgende

"(1) Geen loon wat laer is as die minimum weeklone hieronder voorgeskryf mag deur 'n werkgewer betaal en deur 'n werknemer aangeneem word nie

184

Period	Occupation	Number of months' experience in the Industry (inclusive) 0–6	7–12	13–18	19–14	25–30	31–36	37–42	43–48	Meer as 48
		R	R	R	R	R	R	R	R	R
From the date of coming into operation of this Agreement	Head cutter	312,50								
From the date of coming into operation of this Agreement	Assistant head cutter	244,50								
From the date of coming into operation of this Agreement	Cutter and trimmer	→	118,50	132,00	145,50	161,50	188,50			
From the date of coming into operation of this Agreement	Bandknife cutter	→	129,50	145,00	160,00	178,00	201,00			
From the date of coming into operation of this Agreement	Mechanic	→	155,50	179,00	205,00	231,50	259,50	285,50	311,00	337,50
From the date of coming into operation of this Agreement	Grade I employee	→	121,50	133,00	144,00	182,50				
From the date of coming into operation of this Agreement	Grade II employee	→	121,50	159,00						
From the date of coming into operation of this Agreement	Grade A employee	→	128,50	164,00						
From the date of coming into operation of this Agreement	Clerical employee	→	139,50	157,50	172,50	205,00				
From the date of coming into operation of this Agreement	Foreperson	→	237,00							
From the date of coming into operation of this Agreement	Watchman	164,00								
From the date of coming into operation of this Agreement	Driver Motor vehicle, the unladen mass of which— 1 does not exceed 454 kg	154,50								
From the date of coming into operation of this Agreement	2 exceeds 454 kg but does not exceed 2 722 kg	174,00								
From the date of coming into operation of this Agreement	3 exceeds 2 722 kg but does not exceed 4 540 kg	205,00								
From the date of coming into operation of this Agreement	4 exceeds 4 540 kg	248,50								

(184)

Period	Occupation	Number of months' experience in the Industry (inclusive)								
		0–6	7–12	13–18	19–14	25–30	31–36	37–42	43–48	Meer as 48
		R	R	R	R	R	R	R	R	R
From the first pay-week in January 1992	Head cutter	338,00								
From the first pay-week in January 1992	Assistant head cutter	264,50								
From the first pay-week in January 1992	Cutter and trimmer	→	128,00	143,00	157,50	174,50	204,00			
From the first pay-week in January 1992	Bandknife cutter	→	140,00	157,00	173,00	192,50	217,50			
From the first pay-week in January 1992	Mechanic	→	168,50	193,50	222,00	250,50	281,00	309 00	336,50	365,00
From the first pay-week in January 1992	Grade I employee	→	131,50	144,00	156,00	197,50				
From the first pay-week in January 1992	Grade II employee	→	131,50	174,00						
From the first pay-week in January 1992	Grade A employee	→	139,00	179,00						
From the first pay-week in January 1992	Clerical employee	→	151,00	170,50	186,50	222,00				
From the first pay-week in January 1992	Foreperson	→	256,50							
From the first pay-week in January 1992	Watchman	179,00								
From the first pay-week in January 1992	Driver Motor vehicle, the unladen mass of which— 1 does not exceed 454 kg	169,50								
From the first pay-week in January 1992	2 exceeds 454 kg but does not exceed 2 722 kg	189,00								
From the first pay-week in January 1992	3 exceeds 2 722 kg but does not exceeds 4 540 kg	222,00								
From the first pay-week in January 1992	4 exceeds 4 540 kg	269,00								

N B —Where wages are to be increased on the basis of experience, the last amount shown opposite each occupation is the rate of pay for a qualified employee

Whenever a qualified Grade II employee is transferred to another occupation classified as the work of a Grade I employee, he shall receive not less than his existing rate of pay for a period of six months and thereafter, on completion of that period, he shall receive his next increment and thereafter the prescribed increments in his new occupation An unqualified Grade II employee who is transferred to another occupation classified as the work of a Grade I employee shall be paid not less than the wage he was receiving prior to his transfer but shall be paid the prescribed increments in his new occupation "

(2) Substitute the following for sub-clause (4) (a)

"(4) (a) Any increase in the wage to which a learner becomes entitled as a result of previous experience shall become payable on the accruing date unless the employee has been absent from work of his own accord for a longer period, or periods, than seven days in the aggregate in any of the six monthly qualifying periods provided for in this clause The accruing date, when an increase of wage falls due to him, may be advanced to the equivalent of the number of days in excess of seven days that he has been absent from work of his own accord in any of his six monthly qualifying periods "

6. CLAUSE 12: HOLIDAY LEAVE

(1) Substitute the following for sub-clause (1)

"(1) (a) Half-day on the Thursday before Good Friday, Good Friday, Family Day, Workers' Day, Ascension Day, Republic Day, Day of the Vow, Christmas Day, Day of Goodwill and New Year's Day shall be paid holidays

(b) Notwithstanding paragraph (a), employees shall be entitled to one additional day's holiday leave per annum the date of which shall be decided on by the Industrial Council in January of each year, and such day shall be regarded as a paid public holiday

(c) Subject to subclause (2) hereof, payment for the days in subclause (1) (a) and (b) hereof shall be made not later than the first pay-day succeeding such day

(d) Should any of the public holidays referred to in this subclause fall on a Saturday or Sunday, each employee shall be paid in respect of each such day the wage he would have been entitled to for a normal working day For the purposes of this subclause, 'half-day' means, in the case of employees referred to in clause 8 (1) (a), four and a half hours immediately after starting time and in the case of employees referred to in clause 8 (1) (b), four and a quarter hours immediately after starting time "

(2) Substitute the following for subclause (2) (a)

"(2) (a) Every employer shall, each year during which this Agreement is in operation, subject to the provisions of subclause (9) of this clause, between 15 December and 15 January ensuing grant to each of his employees, whether employed on piece-work or on time-work, who has been in his employ for a continuous period of not less than 12 months prior to the date of granting leave, not less than three consecutive weeks' holiday leave at 15 days' wages, plus three days' pay in respect of Christmas Day, Day of Goodwill and New Year's Day falling within such leave period Provided that when Day of the Vow falls within the period of holiday leave, it may be added to the said period of holiday leave on full pay For the purposes of this subclause, 'day's wage' shall mean the weekly wage divided by five "

L W —Indien lone na aanleiding van ondervinding verhoog moet word, is die laaste bedrag teenoor elke beroep die loonskaal vir 'n gekwalifiseerde werknemer

Wanneer 'n gekwalifisieerde werknemer graad II oorgeplaas word na 'n ander beroep wat as die werk van 'n werknemer graad I geklassifiseer word, moet hy minstens sy bestaande besoldiging vir 'n tydperk van ses maande ontvang en daarna, nadat hy die tydperk voltooi het, sy volgende salarisverhoging en daarna die voorgeskrewe salarisverhogings vir sy nuwe beroep 'n Ongekwalifiseerde werknemer graad II, wat oorgeplaas word na 'n ander beroep wat as die werk van 'n werknemer graad I geklassifiseer word, moet minstens die besoldiging wat hy voor sy oorplasing ontvang het betaal word, maar moet die voorgeskrewe verhogings vir sy nuwe beroep ontvang "

(2) Vervang subklousule (4) (a) deur die die volgende

"(4) (a) 'n Verhoging in die loon waarop 'n leerling geregtig word as gevolg van vorige ondervinding, is betaalbaar op die datum waarop dit aan hom verskuldig word, tensy die werknemer uit eie beweging van sy werk afwesig was vir 'n langer tydperk of tydperke as altesaam sewe dae in enige kwalifiserende tydperk van ses maande waarvoor daar in hierdie klousule voorsiening gemaak word Die datum waarop 'n loonsverhoging aan sodanige leerling verskuldig word, kan vorentoe geskuif word met dieselfde getal dae wat hy meer as sewe dae uit eie beweging van sy werk afwesig was in enige kwalifiserende tydperk van ses maande "

6. KLOUSULE 12: VAKANSIEVERLOF

(1) Vervang subklousule (1) deur die volgende

"(1) (a) Die halfdag op die Donderdag voor Goeie Vrydag, Goeie Vrydag, Gesinsdag, Werkersdag, hemelvaartsdag, Republiekdag, Geloftedag, Kersdag, Welwillendheidsdag en Nuwejaarsdag is vakansiedae met besoldiging

(b) Ondanks paragraaf (a) is werknemers op een addisionele dag verlof per jaar geregtig, waarvan die datum bepaal moet word deur die Nywerheidsraad in Januarie van elke jaar, en sodanige dag moet as 'n betaalde openbare feesdag beskou word

(c) Behoudens subklousule (2) hiervan, moet betaling vir die dae genoem in subklousule (1) (a) en (b) hiervan voor of op die eerste betaaldag na sodanige dag geskied

(d) Indien enigeen van die openbare vakansiedae in hierdie subklousule bedoel, op 'n Saterdag of Sondag val, moet elke werknemer ten opsigte van elke sodanige dag die loon betaal word waarop hy geregtig sou gewees het vir 'n gewone werkdag Vir die toepassing van hierdie subklousule beteken 'halfdag', in die geval van werknemers in klousule 8 (1) (a) bedoel, vier en 'n half uur onmiddellik na begintyd en in die geval van werknemers in klousule 8 (1) (b) bedoel, vier en 'n kwart uur onmiddellik na begintyd "

(2) Vervang subklousule (2) (a) deur die volgende

"(2) (a) Behoudens subklousule (9) van hierdie klousule, moet elke werkgewer elke jaar waartydens hierdie Ooreenkoms in werking is, tussen 15 Desember en die daarop volgende 15 Januarie, aan elkeen van sy werknemers, hetsy in diens op stukwerk of op tydwerk, wat 'n aaneenlopende tydperk van minstens 12 maande in sy diens was voor die datum waarop verlof toegestaan word, minstens drie agtereenvolgende weke vakansieverlof toestaan met 15 dae se loon, asook drie dae se besoldiging ten opsigte Kersdag, Welwillendheidsdag en Nuwejaarsdag wat in sodanige verloftydperk val Met dien verstande dat indien Geloftedag binne die tydperk van vakansieverlof val, dit met volle besoldiging by genoemde tydperk vakansieverlof gevoeg kan word Vir die toepassing van hierdie subklousule beteken 'dag se loon' die weekloon gedeel deur vyf "

7. CLAUSE 12*(bis)*: MATERNITY LEAVE

Subsitute the following for subclause (2) (c)

"(2) (c) 'eligible employee' shall mean a permanent employee, other than a casual or temporary employee, who is or was pregnant and who has been in the continuous service of the same employer for a minimum period of 12 months "

8. CLAUSE 19: COUNCIL FUNDS

Substitute the following for subclause (3)

"(3) Whenever criminal proceedings are instituted against an employer for the failure to pay outstanding contributions and/or subscriptions for one or more of all of the following, i e Council levies, Provident Fund contributions, Sick Benefit Fund contributions, Training Fund contributions, trade union subscriptions, employers' association subscriptions, holiday pay and arrear wages, the employer shall pay interest on such amounts outstanding, calculated from the date or dates when such amounts become due and payable at the bank prime rate prevailing at the same date "

9. CLAUSE 27: SICK BENEFIT FUND

Substitute the following for subclause (9) (c)

"(9) (c) in any calendar year, sick pay equal to half a day's wage prescribed in clause 4 for each day of absence from work through illness to a maximum of 40 days' absence Provided that a member shall not be entitled to any sick pay whatsoever in respect of a period of absence of two days or less unless they consitute the first two days of a period of not less than three continuous days' absence, in which case such member shall receive for a period of absence which is limited to three days, one day's sick pay No claim for sick pay shall be recognised if lodged after the expiry of six calendar months, calculated from the date of fitness for work indicated on the medical certificate In cases of permanent unfitness, the period of six months shall be calculated from the last day in respect of which sick pay is due "

Signed at Durban, on behalf of the parties, this 22nd day of January 1991

A. B. ROLANDO,
Chairman of the Council

E. BEAUMONT,
Vice-Chairman of the Council

R. E. REDFERN,
Secretary of the Council

No. R. 2277 **20 September 1991**

LABOUR RELATIONS ACT, 1956

CLOTHING INDUSTRY, NATAL RE-ENACTMENT OF THE PROVIDENT FUND AGREEMENT

I, Eli van der Merwe Louw, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1992, upon the employers' organisation and the trade union which entered into the said Agreement and upon the employers and employees who are members of the said organisation or union; and

7. KLOUSULE 12*(bis)*: KRAAMVERLOF

Vervang subklousule (2) (c) deur die volgende

"(2) (c) 'werknemer wat vir kraamverlof kwalifiseer' 'n permanente werknemer, uitsonderd 'n los of tydelike werknemer, wat swanger is of was en wat vir 'n minimum tydperk van 12 maande ononderbroke in diens is van dieselfde werkgewer "

8. KLOUSULE 19: FONDSE VAN DIE RAAD

Vervang subklousule (3) deur die volgende

"(3) Wanneer geregtelike stappe gedoen word teen 'n werkgewer wat versuim het om uitstaande bydraes en/of ledegeld oor te betaal vir een of meer van of al die volgende, d w s Raadsfondse, Voorsorg- en Siektebystandsfondsbydraes, Opleidingsfondsbydraes, vakverenigingledegeld en die ledegeld van die werkgewersorganisasie, vakansieverlofgeld en agterstallige lone, moet die werkgewer rente betaal op sodanige uitstaande bedrae, bereken vanaf die datum of datums waarop genoemde bedrae betaalbaar word teen die heersende prima bankkoers "

9. KLOUSULE 27: SIEKTEBYSTANDSFONDS

Vervang subklousule (9) (c) deur die volgende

"(9) (c) in enige kalenderjaar, siektebesoldiging gelyk aan 'n halfdag se loon voorgeskryf in klousule 4 vir elke dag afwesigheid van die werk as gevolg van siekte tot 'n maksimum van 40 dae afwesigheid Met dien verstande dat 'n lid nie op siektebesoldiging ten opsigte van tydperke van afwesigheid van twee dae of korter geregtig is nie, tensy hulle die eerste twee dae uitmaak van 'n tydperk van minstens drie agtereenvolgende dae afwesigheid In welke geval sodanige lid een dag se siektebesoldiging moet ontvang vir 'n tydperk van afwesigheid wat tot drie dae beperk is Geen eis vir siektebesoldiging word erken nie indien dit ingedien word na verstryking van ses kalendermaande, gereken vanaf die datum van geskiktheid vir werk, soos gemeld in die mediese sertifikaat In gevalle van permanente ongeskiktheid moet die tydperk van ses maande gereken word vanaf die laaste dag ten opsigte waarvan siektebesoldiging verskuldig is

Namens die partye op hede die 22ste dag van Januarie 1991 te Durban onderteken

A. B. ROLANDO,
Voorsitter van die Raad

E BEAUMONT,
Ondervoorsitter van die Raad

R. E REDFERN,
Sekretaris van die Raad

No. R. 2277 **20 September 1991**

WET OP ARBEIDSVERHOUDINGE, 1956

KLERASIENYWERHEID, NATAL. HERBEKRAGTIGING VAN DIE VOORSORGFONDSOOREENKOMS

Ek, Eli van der Merwe Louw, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierde kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is, en

FM 20/9/91.

(184)

FOSCHINI

Interest drag

Weaker interim results posted by Foschini for the six months to June mask a trading performance that remains solid But the R130m investment in Oceana Investment Corp Plc (Oceana) was funded by borrowings, so interest charges hampered pre-tax profit

The purchase price was paid in two tranches The first, paid in May, significantly increased the first-half interest charge, the second was paid in July Since the investment has not yet produced any return, the financing cost has taken its toll This is reflected in pre-tax income, which rose by just 16,4%

Even so, trading profits were restrained by the unexpectedly severe fall-off of sales in April, a modest recovery in May and then a mediocre June Joint MD Clive Hirschsohn says that until April sales figures were showing substantially greater growth than for the year-ago period Until then, growth was being driven by the consumer trend to buy on credit rather than pay cash This too ended suddenly after Easter After-tax income was, however, bolstered by the reduction in the company tax rate

The group is to change its year-end to March 31 from December 31 There are two reasons. first, the debtors' book will reflect a more accurate picture than the inflated position shown at the present year-end After the first quarter of the year, those pre-Christmas customers who bought on credit should, by reporting time, have already paid off half their accounts Second, the published stock figure will be "clean", consisting almost entirely of merchandise being carried in the clothing stores for the new season

Cash flow is to be conserved, to eliminate as rapidly as possible the debt acquired to fund the 35,3% stake in Oceana Dividends will be distributed to shareholders in the form of new, fully paid ordinary shares instead of cash This will continue for about three years, during which the company is to distribute its entire profit

The interim dividend that corresponds with the trading period from January to June 1991 is to be based on the distribution that would have been paid had it continued to be paid in cash This will consist of the issue of a scrip dividend amounting to one new ordinary share for every 129 held The final dividend for the 15 months ending March 31 1992 will include net income earned in the first six months but not yet distributed

For the remaining nine months of the current year, Hirschsohn is targeting moderate real growth "Operating income is expected to be marginally higher than at the halfway mark," he says, "but pre-tax profit growth will not be higher than the 16,4% realised at the interim stage"

The investment in Oceana — and indirectly in the UK-based retailing chain Etam — should be seen as a strategic holding that could benefit Foschini substantially in future Investors are justified in holding the share even if EPS growth does take a knock in the short term

Gerald Hirshon

COMPANIES

Trimtex details strategy for recovery

B/Day 23/9/91

MARCIA KLEIN

GARMENT accessory manufacturer Trimtex has outlined a detailed strategy to be implemented in financial 1992, in an attempt to return to profitability

Directors said in the group's annual report that the successful implementation of the strategy would lead to a return to profitability in the near term (184)

The Durban-based company reported an attributable loss of R1,4m (profit of R1,4m) on a reduction in turnover to R37,5m (R40,2m) in the year ended March

The strategy includes careful management of working capital resources to minimise the effects of high interest rates, and continuous improvement to budgetary control procedures, started at the end of the 1991 financial year

It would also increase sales and operating margins, develop new product ranges and increase awareness of brand names

The longer term strategy of improving and updating machinery and technology would also be continued

Directors said Trimtex would continue to monitor its unprofitable subsidiaries and develop operating strategies to restore the group to profitabilty in the short term

They said the past year was characterised by numerous significant changes, including a new senior management team and the consolidation of three Durban-based operations into a single building

Meritex hit by recession

By AUDREY D'ANGELO
Business Editor

CAPE Town-based clothing and textile group Meritex was hit by a combination of the recession and competition from the Far East in the six months to July.

It reports an after-tax loss of R731 000 which is, however, an improvement on the loss of R959 000 in the first half of the previous year. The company made an attributable profit of R39 000 in the year to January.

Turnover in the six months to July was 1,1% higher but the operating loss was R694 000 before tax and R692 000 after tax. Net tangible asset value per share rose to 96c (94c).

Chairman and MD Ed Gordon says significant reductions are being made in operating costs. But the group does not expect to feel the benefit of these before the final quarter.

Financial director Dave O'Donovan blamed "dumping" from the Far East, as well as falling demand from consumers, for the group's losses.

He said proposed higher duties on imported fabric and clothing would be of tremendous help.

"Without them we are in great trouble. We are all being hit by goods coming in from the Far East, at prices far below the raw material costs.

"The new duties eliminate this sort of thing and enable us to plan ahead."

Finance charges hit Meritex

LINDA ENSOR

CAPE TOWN — Meritex, the underwear and clothing manufacturer, remained crippled by finance charges in the six months to end-July, during which period a loss of R731 000 (loss R959 000) was recorded

Turnover stagnated, rising only 1,1% (12,3%), because of tough economic conditions and the flood of cheap Far East imports

Operating income of R698 000 (R847 000) was wiped out by an interest bill of R1,4m (R1,6m)

Financial director Dave O'Donovan said attempts were being made to improve the cash flow

At the January 31 year-end, interest-bearing debt stood at R11,7m. 184

Chairman and MD Ed Gordon said losses were expected to continue into the second half, as there was unlikely to be any improvement in turnover Operating cost reductions were unlikely to be cost effective before the final quarter

Cost-cutting drive sends Traclo earnings up 350%

B Day 27/9/91. (184)

SEAN VAN ZYL

LADIES clothing designer and manufacturer Transvaal Clothing Industries (Traclo) has lifted attributable earnings for the year to end-June by 350% to R466 000 through stringent cost-cutting.

Earnings came in at 2c (0,4c) a share. The directors decided not to pay a dividend to strengthen further the company's recovery potential following the recessionary period.

The significant cost rationalisation achieved during the trading year is reflected by the 26% jump in operating income to R2,2m (R1,7m) compared with the more modest 10% rise in sales to R44,4m (R40,1m).

As a result, Traclo has strengthened its operating margin to 5% compared to the previous year's 4,3%.

The company has also reduced borrowings with finance charges dropping to R1,34m (R1,38m), providing further relief at the pre-tax level and the dramatic 350% rise in attributable earnings to R466 000.

Although long-term liabilities were more than halved to R465 000 (R1,2m), current liabilities rose to R14,8m from the previous year's R11,5m. The reshuffling of liabilities on the balance sheet therefore showed only a modest reduction in gearing.

Margins and tax put Pals earnings under pressure

LINDA ENSOR (184)

CAPE TOWN — Clothing manufacturer Pals Holdings boosted turnover by 23% in the year to end-June, but in the final tally earnings were slightly down as margins suffered in the scramble for market share and the tax rate doubled.

Earnings a share slipped 10% to 7,1c (7,9c) but the final dividend was marginally pruned to 1,5c (1,6c), making a total of 3,3c (3c) for the year.

Joint MD Harold Noik said the rise in the tax rate to 34,4% (17%), which resulted from the exhaustion of tax losses and allowances, diminished the 10,5% gain in operating income. B Day 30/9/91

Noik said increased exports of trousers — mainly to Britain — had become a significant proportion of turnover and the benefit of orders already negotiated would be reflected in the current year.

Since the financial year-end, turnover had increased by 30%. "If there is an upswing in the economy, we are pretty confident about a real increase in earnings this year," he said.

Pals had not retrenched any staff and employees were working overtime, Noik said. The factory would move to larger premises in the new year.

MANUF. — CLOTHING

1991

Seardel expects pressure on margins until next year

B/Day 1/10/91 (184)

LINDA ENSOR

CAPE TOWN — Clothing group Seardel is expecting margins to come under severe pressure in the year to end-June 1992

It has budgeted for a 9% increase in pre-tax income to R49m (R45m) on a 21% increase in turnover to R1,2bn (R992,4m).

In the annual report released yesterday, chairman Aaron Searll indicates that an 11% rise in earnings a share to 120c (108c) and a dividend of 25c (23c) has been budgeted for, while a commitment to reduce gearing to 50% (60%) has been made.

Economic conditions are likely to remain difficult, with a recovery expected only in the second half of 1992

Searll says profit margins have been eroded by the fact that "a small number of retailers wield significant influence at retail level in the SA economic environment. Resulting from that is an erosion of profit margins which does not allow for the recovery of increased input costs."

He says Seardel has turned to the export market to reduce the impact of this pressure. In the year to end-June, export sales of R49m represented 6,5% of total turnover from the apparel division — with 10% the target

Whereas the apparel division contributed 77% of turnover and 72% of operating income in 1990, this fell to 75% and 61% respectively last year.

The performance of the non-woven textiles and quilted products division, which operated in an environment of severe competition, was relatively unchanged with the contribution to turnover at 4% (4%) and to operating income at 5% (6%).

However, the toy division increased its share of group operating income to 12% (6%) on a turnover share of 7% (5%), while the electronics division experienced a dramatic improvement in profitability, taking a 22% (16%) share of operating income on an unchanged 14% slice of turnover

The electronics division includes Sharp Electronics and the Scripto writing instrument company

Capex for the coming year is not expected to exceed R31m

BTI plan hits exports, says Rex Trueform

B/Day 3/10/91 (184) (102)

WILLIAM GILFILLAN

THE new development plan by the Board of Trade and Industry (BTI) for the textile and clothing industries would seriously disrupt the export initiative under way in the clothing industry, Rex Trueform chairman Stewart Shub says in his annual review.

According to Shub, the BTI report proposes a substantial reduction to the "import for export" permit facility which will lower incentives to export.

He says the new proposal has created uncertainty in the export community, and appeals to the authorities to allow the existing programme to run its course until the end of 1994.

He says during this time any genuine problems and anomalies encountered by textile and clothing producers can be addressed.

The group's annual report discloses that Rex Trueform's export sales during the year increased by 21% over the previous year, and while no export figures are provided, Shub stresses that this is not off a low base.

"This is due to improved international acceptance and has been backed by government's commitment to aiding export performance," he says.

The clothing industry, with one job created for each R8 000 in new capital injected, enjoys the lowest cost of capital per job of all industries, according to Shub.

Seardel hopes to top R1-bn mark

Star 3/10/91

(184)

By Tom Hood

Turnover of between R1 billion and R1,2 billion for the year to June 1992 is forecast by Seardel Investment Corporation, the country's largest clothing manufacturer.

Group turnover was R992 million, up from R899 million in the past year to June 30

The chairman, Mr Aaron Searll, forecasts in the annual report a modest rise in pretax profit to between R45 million and R49 million compared with R46 million in the past year

He believes earnings could be from 108c to 120c a share against the 108c achieved in the past year

Dividends could total 23c to 25c against 23c.

Mr Searll says exports have allowed group operations to maintain their staffing levels even though the country is in a recession

"It is vitally important that export incentives are not constantly changed by the authories. To remain competitive on overseas markets, we need to be able to plan our export strategy in the longer term in the knowledge that we can rely on existing incentives."

Exports increased to R49 million from R35 million last year and represented 6,5 percent of apparrel turnover, he says

"A small number of retailers wield significant influence at the retail level in the South African economic environment. Resulting from this is an erosion of profit margins, which does not allow for the recovery of increased input costs

"The group has looked to the export market in order to reduce the impact of this pressure from the major retailers."

COMPANIES

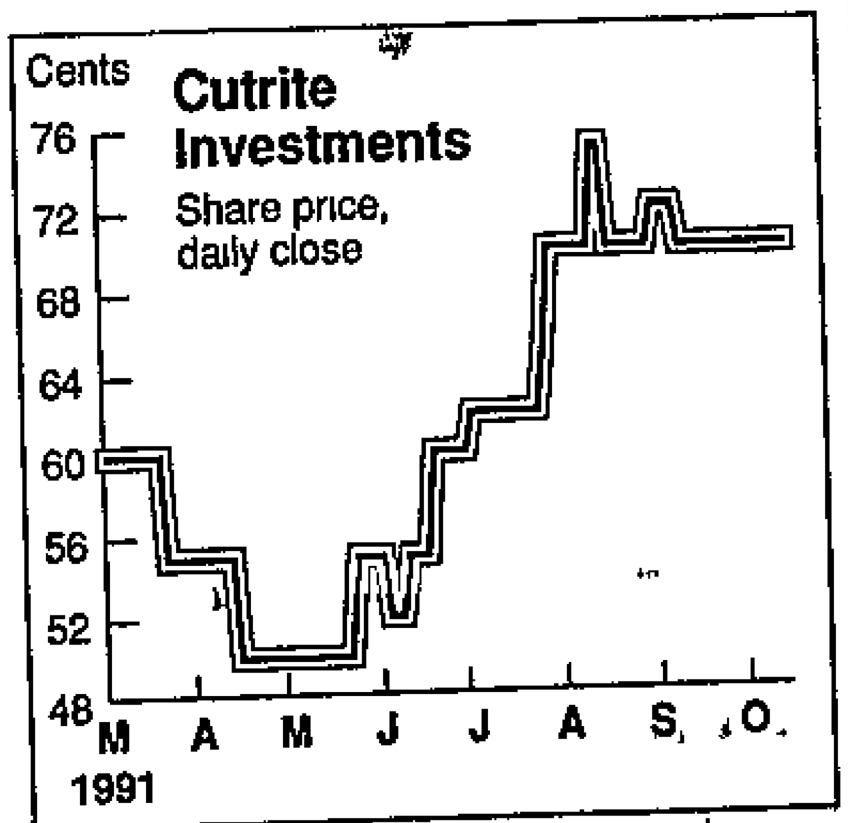
Positive cash flow lifts Cutrite's profits by 16%

B/Day 15/10/91 WILLIAM GILFILLAN (184)

CLOTHING manufacturer Cutrite Investments turned in a 16% increase in attributable earnings to R1,6m from R1,4m on the back of a 15% increase in turnover to R25,8m from R22,4m for the six months to August.

With an unchanged 16,5m shares in issue, earnings a share also increased 16% to 10,1c from 8,7c.

A 3c a share interim dividend was declared which made it unchanged from the interim dividend in the previous year. With operating income up 9% at R3,8m from R3,4m, margins were tighter which finance director Hymie Feinberg attributed to Cutrite's desire to retain market share in the recessionary environment.



Graphic FIONA KRISCH Source I-NET

Feinberg said the positive cash flow in the previous year reduced its debt level and helped bring interest payments down 21% to R426 000 from R540 000.

Cutrite Investments comprises two divisions, Diva Fashions in the high fashion market, and Cutrite Apparel Manufacturers, which places emphasis in the black market. Cutrite MD Peter Edel said the group, which employs about 650 people, expected earnings in the second half to grow at the same rate as in the first half provided there is political stability.

Clothing industry output down 11% since January

(184)

B/Day 15/10/91

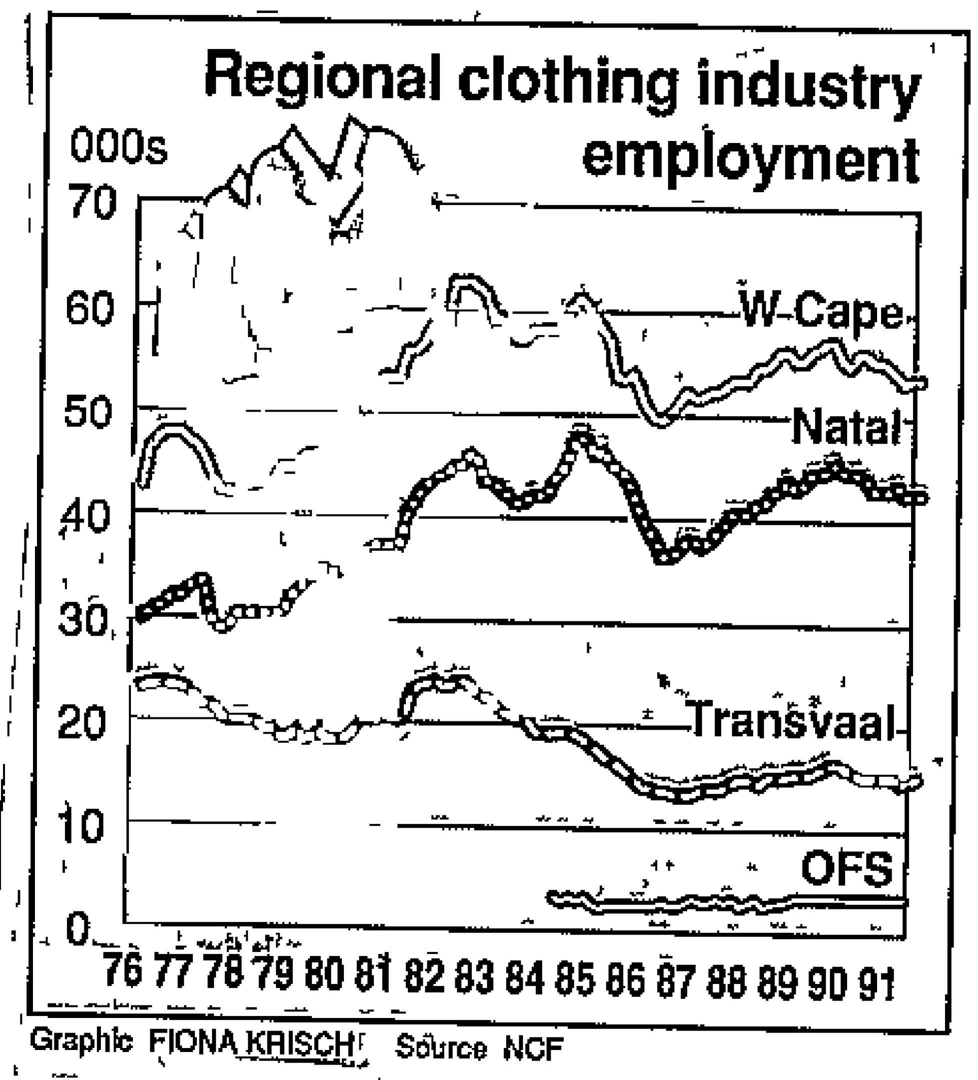
WILLIAM GILFILLAN

THE SA clothing industry showed a marked downturn in production during the period from January to April this year, the National Clothing Federation (NCF) said in its September newsletter

NCF economist Arnold Werbeloff said volume of clothing output fell 11% during the first four months of this year, compared with the same period in 1990

The slump in clothing demand at manufacturer level was reflected in the rapidly decreasing rate of clothing and textile inflation Clothing prices were only 12,3% higher in May 1991 than in May 1990

Werbeloff said the downturn in output and low price increases were reflected in the drop in employment in the sector Central Statistical Service (CSS) figures showed the average employment level in the industry dropped from 124 000 during the first four months of 1990 to 122 000 from January to April 1991



Graphic FIONA KRISCH Source NCF

Industrial Council data showed a fall of 4 500 in employment during the period January to June 1991 compared with the first half of 1990, leaving an average of 113 800 workers in the industry in 1991

Retail sales of clothing were 7% higher in real terms from January to April compared with the same period in 1990 He attributed the strong growth to clothing imports and retailer destocking

Clothing imports reached R122m in the first quarter of 1991, up R28m on the same period in 1990 However, sanctions on clothing exports to the US were lifted during July, and could boost export figures

During the period from January to April this year, clothing exports were up 125% in value terms to R91m (R41m in the comparable period in 1990)

The NCF was expecting clothing exports for this year to reach R400m (R195m in 1990), or 9% of clothing industry sales (3%)

Werbeloff said the success of clothing exports resulted from the depressed local market and the attractive clothing export incentives offered by government

"The vast size of the North American, European and higher-income Asian markets indicates that there is ample room to expand clothing exports to at least R1,2bn by the end of the decade"

Weberloff believed it important that the 1989 structural adjustment programme for the clothing pipeline be allowed to run until 1994 as it was achieving its objectives

World clothing exports level with textiles for first time

(184)

AG 16/10/91

GENEVA — World exports of clothing at $104 billion (R291,2 billion) equalled exports of textiles for the first time in 1990, according to a study by the International Textiles and Clothing Bureau.

Both exceeded $100 billion for the first time

Traditionally, exports of textiles have been larger. In 1974 they amounted to $28 billion (R78,4 billion), almost twice as much as clothing exports, but the clothing trade has consistently expanded faster.

The ITCB, which groups 22 developing-country exporters, charts exchanges in textile products for 1982-1990

During the whole period, the trade was governed by the Multi-Fibre Arrangement (MFA), the system of bilaterally negotiated import quotas, dismantling of which is one of the primary objectives of Gatt's trade-liberalising Uruguay Round.

Talks aimed at phasing out the MFA over a period of 10 years resumed in Geneva this week Existing restrictions would hold back the growth of imports from developing countries during the 1990s, the ITCB study stated.

On the other hand, agreement in the near future on the gradual dismantling of the MFA would eliminate discrimination and remove a major impediment to trade flows.

Introduction of a single market in the European Community from 1993 would enable developing countries to make better use of access provided, letting them compete on equal footing with domestic suppliers

But the ITCB is more doubtful about EC concessions on imports from Eastern Europe and about the effect of the North American free trade area (Nafta) under negotiation between the US, Canada and Mexico.

Bigger EC import quotas for the East Europeans could be introduced at the expense of developing countries

Creation of Nafta would encourage faster growth in trade in textile products among its three members.

A recent suggestion that part of US quotas for textile imports be transferred from China to Mexico was rather ominous, ITCB said.

Exports of clothing from developing to developed countries had showed the fastest growth during the 1980s, expanding from $15,5 billion (R43,4 billion) in 1982 to $54 billion (R151,2 billion) in 1990

Consumer spending on clothes goes down

B Day 18/10/91 (184)

LINDA ENSOR

CAPE TOWN — Consumer spending on clothing over the last three months had been lower than planned for, Foschini joint MD Clive Hirschsohn said in an interview yesterday

If the trend continued, the Christmas season would also not be as good as expected

"Consumer demand is very weak and making projections is difficult as the pattern is uncertain. Factors extraneous to the suitability of the merchandise — such as socio-political developments — are affecting demand throughout the country," Hirschsohn said

Confusion over VAT contributed to customer resistance to spend in spite of Foschini's clothing being 3% cheaper since the introduction of the tax

Another trend, experienced by other clothing retailers, had been the switch to credit which now represented the major part of Foschini's business The group had a book of about R350m which is self-financed so that the switch has had an impact on cash flow and borrowings

While there had been an increase in bad debts, Hirschsohn stressed this was still within industry standards.

He said the Foschini group had attempted to cut operating costs by keeping the inflow of merchandise in line with projected sales as far as possible. A prudent view had been adopted towards capital expenditure, but Foschini would not cut back on strategic developments such as opening new stores and investing in new technology

Hirschsohn said the Foschini group, which includes Markhams, Pages jewellery retailer American Swiss, had a high operating profit-to-turnover ratio, largely due to the improved productivity derived from its sophisticated technology

About 20 to 24 new stores would be opened by the end of the year, with substantial growth taking place in Markhams, which had increased its 97 stores by 20 since 1989. Pages, a chain catering for the lower end of the market, has about 152 stores and American Swiss 135 stores The more mature Foschini chain, which had 230 stores, would open about eight new stores this year

Foschini's year-end has been changed from end-December to end-March and it will next be reporting for a 15-month period, which will cover two low-profit periods of January to March

However, Hirschsohn said a real increase in earnings was planned for At interim stage Foschini generated a 21% growth in net income to R24m (R19,8m) Last year earnings grew 33% to 762,2c (573c), while the compounded growth rate for the 10 years to 1990 was 21%

Clothing industry forced to slow down price rises

Star 19/10/91. (184)

DES PARKER

DURBAN — Sales of clothing have come unstitched — leading to a more threadbare performance in the area of price rises

For example, says economist Arnold Weberloff of the National Clothing Federation (NCF), after an 11 percent drop in the volume of clothes produced in factories in the first four months of the year, prices in the year to May were only a relatively low 12,3 percent higher than a year before

This compares with an average year-on-year increase in clothing prices last year of 16,4 percent.

Similarly, textile production for the comparable period fell by eight percent and fabric prices in May were only 11,3 percent higher than May last year (15 percent average in 1990)

Mr Weberloff says in the latest edition of the NCF's Clothing Industry News that employment in the clothing sector fell from an average of 118 300 in the first six months of 1990 to 113 800 in the first half of this year

Despite the poor outlook in the factories, retail sales outstripped inflation by seven percent in the early months of the year.

The discrepancy Mr Weberloff puts down to a combination of destocking by shopkeepers and an increase of almost 30 percent — to R122 million — in the value of clothing imported to the country in the first quarter of the year

Mr Weberloff argues that the figures underline the need for the Government to maintain the structural adjustment programme (SAP) its Board of Trade and Industry (BTI) sewed together two years ago to increase the international competitiveness of the "clothing pipeline", which extends from yarn-spinners and cotton farmers to clothing retailers.

The BTI this year proposed some revisions to the SAP in a new nine-year programme

The NCF has claimed the new move could wipe out another 30 000 jobs and put paid to its successful export initiative.

Mr Weberloff says exports this year are expected to fetch about R400 million, more than double last year's figure. This amounts to about nine percent of total national production, compared with a level of three percent 11 years ago

"It is important that whatever reforms are in the offing, the 1989 structural adjustment programme be allowed to run its full lifetime, that is, until 1994.

"Long-term business decisions have been taken based on the 1989 SAP, and the SAP is clearly achieving its main objectives, which are the promotion of value-added exports and a rationalisation of the oligopolistic local textile industry"

Exports support Cape clothing industry

B/Day 24/10/91 (184)

LINDA ENSOR

CAPE TOWN — The Cape Clothing Manufacturers' Association says exports have been the lifeline of the Cape-based clothing industry this year, offsetting the estimated 20% drop in domestic volumes

Association chairman Simon Jocum said SA's clothing industry exported R91m in the first four months of 1991, against R40m in 1990

Well over 50% of the exports have been generated in the Western Cape, home to about 45% of the country's industry, including major manufacturers such as Seardel, Pepkor and Rex Trueform which, together, make up about 40% of the industry

The industry is expected to produce R5bn worth of merchandise this year, up 25% on last year's R4bn

Export success has enabled the Western Cape workforce to remain fairly stable at 54 000, about 1 000 down on last year

Clothing manufacturers are concerned about the proposed Board of Trade and Industry changes to the Structural Adjustment Programme which Jocum says has been fundamental to the export success

These changes involve an initial 40% rise in import duties on fabric which will affect the international competitiveness of SA clothing The National Clothing Federation estimates the proposals could mean an additional R120m for fabric imports

A change could mean a 10% reduction in jobs Especially vulnerable are the small cut-make-and-trim manufacturers, the core of the industry in the Western Cape

Seardel sales growth falls

Star 24/10/91

By Tom Hood (184)

CAPE TOWN — Turnover of the giant Seardel Investment Corporation showed a "modest" increase of 8,7 percent in the first quarter to R284 million, said the chairman, Dr Aaron Searll, at the annual meeting in Cape Town today

A sales increase rise of this amount did not reflect any real growth, he said.

"This is clearly a reflection of retail trading where consumer spending is at a low ebb The current year is going to be a difficult one."

His forecasts in the annual report of increases in turnover to between R1 billion and R1,2 billion, pre-tax profits of between R45 million to R49 million and dividends of 23c to 25c were subject to revision in early 1992

These forecasts were made on economic conditions prevailing at the June year-end, Dr Searll commented

The expected slow recovery of the economy could not be expected until the second half of 1992

The balance sheet had shown a substantial improvement and reflected a prudent dividend policy

The company would continue its policy of high plough-back of profits — R80 million had been ploughed into shareholders funds in the last four years

Total interest-bearing debt has declined from R118 million to R94 million in the past year

He said the directors looked on the business as a long-term investment.

"We must look at 20 to 30 years ahead If there is a hiccup, it is not that important"

Seardel, which employs 16 800 people and is the country's largest clothing group, raised its exports by R8 million to R42 million from R34 million last year

However, he was concerned that the Board of Trade of Industry, which gave an undertaking that its programme for import protection would last for five years from 1989, was in danger of being discarded after two and a half year and posed a threat to the health of the business and jobs

"There should be a businessman represented on the Board of Trade and Industry — they are completely out of touch with the reality of the market place",

COMPANIES

Seardel sales show a modest increase

BDay 25/10/91 (184)

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Seardel increased sales by a modest 8,7% in the first three months of its current financial year, executive chairman Aaron Searll said at the group's AGM yesterday.

Sales of R284m were earned in July, August and September by the group which is also involved in consumer electronics, toys and non-woven textiles.

"This is a reflection of the position at retail level, where trading is particularly weak at the moment with consumer spending at a low ebb," Searll said.

He said the current year would be an extremely difficult one during which Seardel would maintain its policy of consolidation.

"With continued high interest rates and an economy that only now appears to be levelling out, the anticipated slow recovery cannot be expected until the latter half of 1992."

Searll stressed that the group's budget forecasts contained in the annual report were based on the prevailing economic conditions. Earnings a share were forecast to rise about 11% to 120c (108c) and the dividend to 25c (23c). A turnover of R1,2bn and pre-tax income of R49m were budgeted for.

Searll said these forecasts were indicational only and subject to revision in February 1992 when the interim results for the six months to end-December were released.

"Shareholders are no doubt fully aware of the difficulties experienced in forecasting results in the volatile South African economic scenario."

Searll said the group's balance sheet had improved substantially. Gearing levels were down to 60% from last year's 75% and 1989's 110%.

"This positive trend stems from our financial disciplines, prudent dividend policy and the group's policy of five-yearly revaluations of its property portfolio"

SEARDEL FM 25|10|91

Squeezed margins (184)

The cash flow statement in the excellently presented and detailed report tells the tough-times story like it is in essence, cash generated by operations at R85,4m was only a marginal 0,5% better than the previous year But the most revealing aspect is that operating cash flow per share dropped to 140c from 198c This says a lot about the cash-strapped state of the clothing and textile industry, especially when a 10,3% increase in turnover is followed by a meagre 3,9% increase in operating income

Clearly, margin took a thumping as the trend to de-stock continued at the retail end Keen competition at the manufacturing level

FM 25\10\91 (184)

Activities: *Makes apparel, toys, consumer electronics and non-woven textiles*
Control: *Searcon 50,1%*
Chairman: *A Searll.*
Capital structure: *23,4m ords Market capitalisation· R82m.*
Share market: *Price 350c Yields 6,6% on dividend, 3,1% on earnings; p:e ratio, 3,2; cover, 4,7 12-month high, 395c, low, 230c Trading volume last quarter, 563 000 shares.*

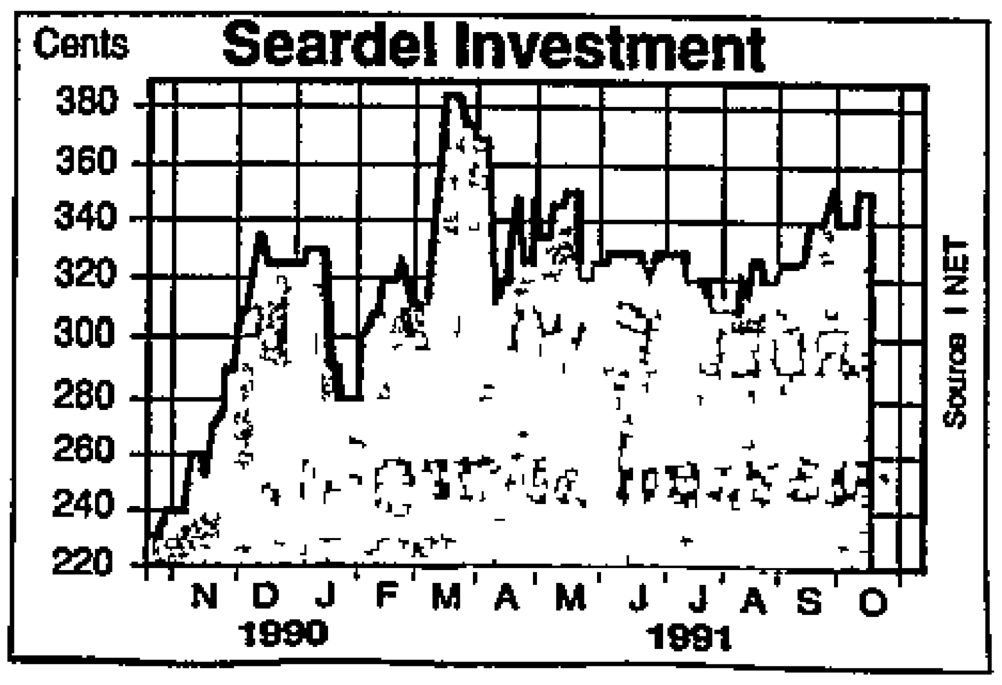
Year to June 30	'88	'89	'90	'91
ST debt (Rm)	21,7	28,7	24,4	29,8
LT debt (Rm)	73,4	91,7	80,6	80,8
Debt equity ratio .	1,33	1,35	0,77	0,61
Shareholders' interest	0,29	0,27	0,32	0,35
Int & leasing cover	4,1	3,1	2,4	2,6
Return on cap (%) .	14,6	17,8	19,0	16 9
Turnover (Rm)	566	741	900	992
Pre-int profit (Rm)	39,8	61,6	73,2	76,1
Pre-int margin (%)	7,0	8,3	8,1	7,7
Earnings (c) .	105	126	101	108
Dividends (c)	17,5	21	22	23
Net worth (c)	431	523	498	630

and a dominant few major clothing chains which use their buying power to squeeze suppliers' mark-ups made respectable margin difficult to achieve In addition, operating income per employee increased by only 3,3% across the spectrum of 16 800 people. Real productivity therefore fell, partly explaining the disappointing cash generation

A rise of R8,6m in working capital, compared with a R5,5m decrease in 1990, brought about a cash flow swing of R14m. After net finance costs, tax and dividends paid, cash retained from operations was only R27,1m (1990: R41,8m)

Maintenance of operations absorbed R11,5m (1990: R15,2m) of this. But instead of using the balance to retire debt — an objective pursued with vigour by chairman Aaron Searll over the past few years — R15m was placed in a "secured investment " Searll justifies this because the after-tax yield exceeds the highest cost of group debt.

Given the recession and special difficulties of the clothing and textiles arena, it is a matter of opinion whether the group did



Seardel's Searll ... *reducing gearing*

FM 25|10|91 (184)

relatively well to increase turnover by only 10,3%. However, turnover growth falling short of inflation of roughly 15% suggests loss of market share. Most of this loss was incurred in the apparel division, which accounted for 75% of group turnover, but whose turnover rose only 7,7%.

One bright spot is that exports jumped to R49m from R35m, and now represent 6,5% of total apparel turnover. Turnover growth in the consumer electronic division was 13,7%, toys 38,6% and non-woven textiles 11,5%.

Size and, more particularly, the apparel division, with sales of R747m, make Seardel inescapably vulnerable to cyclical swings of the economy. However, the balance sheet continues to strengthen as debt assumes less importance and has less impact on operating income. When the economy improves, Seardel should be well structured and positioned to perform better than most

Net worth is almost double the share price and both earnings and dividend yields point to the share being under-priced. But until the market can see a likelihood of an upturn in earnings and the dividend in excess of the inflation rate, it is unlikely that the share will find more market favour *Gerald Hirshon*

Searll lashes textile industry

SEARDEL chairman Aaron Searll has lashed out at the textile industry, saying millions of rands of potential sales had been lost due to the poor performance of certain suppliers (184)

He said in the clothing group's annual report that orders from export and domestic customers had been cancelled due to late deliveries and substandard quality, and "the time has come for the textile industry to put its house in order and to stop pressurising government for more protection" B/Day 1/10/91.

Searll said this pressure was unjustified as textile exports for 1990 declined by 2% in real terms

Recently published proposals of the Board of Trade and Industry for the development of the clothing sector had "serious and disastrous implications for the clothing industry", he said

Proposals for raising tariffs on imported inputs, withdrawing key rebates and radically reducing incentives for clothing exports were "seen to be driven by a board once again persuaded to increase protection for local textile producers"

MARCIA KLEIN

Searll said exports had allowed group operations to maintain staff levels despite the recession, and it was therefore vitally important that incentives currently in place were not constantly changed

"In order to remain competitive on overseas markets we need to be able to plan our export strategy in the longer term, in the knowledge that we can rely on existing incentives"

Seardel's exports increased from R35m to R49m in the year to end-June, representing 6,5% of apparel turnover Searll said the group hoped to raise exports to about 10% of total apparel turnover in financial 1992 Apparel currently contributes 75% to group turnover and 61% to operating income

Searll also spoke out against pressure from the small number of major retailers This resulted in an erosion of profit margins which did not allow for the recovery of increased input costs

In the year to end-June the group reported a 10% turnover increase to R992,4m and a 7% rise in attributable earnings to R25,3m

No sparkle at Boymans

184

MARCIA KLEIN

CLOTHING and department store chain Boymans has put in a mediocre performance for the six months to end-August BDay 29/10/91

The speciality chain, whose operating companies include John Orr's, Levisons, Deans, Cyril's, John Scott and Woolfsons, has reported a 22,8% decline in attributable earnings to R798 000 (R1,0m) after having halted its downward trend in the year to end-February

Results for the six months to end-August 1990 have been restated to reflect the capitalisation of financial leases

Financial director John Connaway said yesterday the main problem which the company experienced in the six months had been the marginal increase in turnover to R96,0m (R95m) on the back of continued deterioration in the economic and political situation

All divisions in the group had been adversely affected, he said

Operating profits dropped by 10,4% to R6,1m (R6,8m), while the interest bill was reduced by 3,7% to R4,6m (R4,7m)

Connaway said Boymans did well to keep its interest burden in check, and the small reduction reflected tight asset management

Support for clothing industry against textile 'losers'

Chamber objects to BTI protection plan

(184) Arg 2/11/91

TOM HOOD
Business Editor

THE Cape Town Chamber of Commerce has decided to support the clothing industry's battle to prevent imported fabric and yarn being hit with huge increases in duties from January 1.

The chamber said today it had written to the Board of Trade and Industry to express its objections "in clear and forthright terms" to the proposed new range of duties on imported fibres, apparel textiles and clothing.

In its letter it describes the local textile industry as a loser which had enjoyed some 25 years of protection and did not deserve any more

The government plan, designed to make the textile industry more competitive on the international market, provides for a change from the present formula duties which are expressed in cents per kilogram to an ad valorem duty based on the landed cost of the imports

The proposed duties would remain in force for three years and then be gradually reduced over the next five years.

The chamber said in a statement t it rejects these proposals and says their effect will be to double the current protection levels for three years and then to reduce them over the following five years back to the existing levels

"It is ridiulous to provide additional protection for eight years over and above present protection levels which can be classified as generous"

Increased duties, the chamber says, will lead to import parity pricing and within six months the price of local textiles will be pushed up to just below the new cost of imports

The argument in favour of tariff increases is that the competition of cheaper imports will reduce the industry's contribution to the country and will cause unemployment.

However, the chamber argues in its letter to the BTI that many businesses will be adversely affected by the higher import duties which will lead to higher prices, discontinued lines, lower sales and unemployment in the whole distribution chain.

It points out that the clothing industry estimates that more than 20 000 jobs could be at risk if the proposed duty increase are implemented

In addition many other businesses such as freight forwarders, cartage contractors and insurance underwriters could also be affected

Local retailers, wholesalers and manufacturers wanted to purchase from the local industry, but the textile mills did not produce the quality required, they could not deliver in time and they were unreliable in terms of pre-arranged delivery dates

"To approve the higher tariffs would condemn the consumer to accept lower quality at higher prices because the State continued to back a loser"

The chamber said the government had made impressive strides in stimulating economic activity and in encouraging exports and industry development These schemes were aimed at successful business organisations which were likely to become self sufficient

The textile industry had been given about 25 years to succeed but it was still inefficient

The chamber said it was surprised by the BTI proposals

"Economic thinking over the past 18 months, as expressed by the IDC and a number of Cabinet Ministers has been directed towards export orientation and reduced protection for local industries in order to become a competitive player in the international market

"In terms of the apparel textile, and clothing industries, the BTI has prposed to delay the process to the end of this century Commerce does not believe we can wait that long The political developments are racing ahead of the economic developments"

Mr Mike Getz, a director of Seardel, the country's largest clothing manufacturer amd a former president of the Cape Chamber of Industries, said the Board of Trade and Industries, in tampering with the structural adjustment programme for the clothing and textiles Industries, signalled a gap separating it from the official stance urging exports on the one hand and a steady stream of tariff increase proposals on the other

"There must be serious doubts about the ability of the BTI to sustain the policies it formulates, " Mr Getz saids this week

"It remains vulnerable to pressure

'Desperate' textile sector needs protection to survive

TEXTILE Federation president Mr Wallace Grace says if the local textile manufacturing sector, which employs about 92 000 people, is to survive, the BTI's development plan must be implemented on January 1.

Mr Grace said huge financial losses and escalating retrenchments in the industry — more than 7 000 since 1989 — were impacting throughout the textile pipeline, a pipeline estimated to provide 400 000 jobs.

"The output of textile manufacturers has declined by 20 percent in the last two years, due to the general economic downturn, continued high levels of imports and the introduction of the current Structural Adjustment Programme (SAP)," he said this week.

The executive director of Texfed, Mr Brian Brink, said the programme was not implemented in its originally agreed form. As a consequence, "imports increased and while exports of yarn, fabric and clothing grew significantly, the textile and clothing trade balance worsened.

"The export gain has therefore been at the expense of local textile producers and also at the expense of taxpayers"

The textile industry was operating with 25-30 percent spare capacity. To bring effective unit cost reductions, it required a 168-hour working week and full capacity utilisation.

Without duties, the industry maintains it cannot compete effectively on cost due to the benefits Pacific rim countires receive in terms of subsidised raw materials, perferential benefits for exporting, tax concessions and lower labour rates

The high cost of updating machinery was also a major factor. Setting up a new mill in South Africa would require double the capital investment of a comparable plant in Taiwan, Mr Grace estimated. And it was only by continuing to modernise local mills that the industry could compete.

"To keep abreast of latest technologies, the textile capital expenditure rate needs to increase five-fold," Mr Brink calculates.

The textile and clothing sector was looking increasingly to exports of fabric and garments to ensure a positive balance of trade and encourage employment Here substantial incentives were required to counter those received by the Pacific rim countries.

Mr Grace pointed out "The textile sector is currently in a desperate situation, with major companies losing money and unable to reinvest It is only by temporarily increased protection while macro economic factors are corrected, that this situation can be arrested."

Spring in air as TEJ recovers

Diagonal Street
184
LYNNE PEACH
Star 4/11/91

The spring-cleaning of clothing manufacturer TEJ got off to a great start and breathed some life into the group's 1991 financial statements

In the latest annual report, managing director BA Owen says he is pleased with the progress made in the recovery programme and that a sound base for continued progress towards acceptable levels of return has been established

Achievements in the past year include a turnaround to profitability, a reduction in stock levels and improvements in productivity, cash flow and gearing.

Sales budgets

Mr Owen says the group is striving to further improve productivity and gearing in financial 1992 and also to enter successfully into the export market.

He adds that group factories are fully booked for the first six of the current year and that if sales budgets for the second half of the year are achieved, a further increase in earnings will materialize.

TEJ produces quality knitwear and co-ordinated woven garments marketed through three major brand names, Tej, Mondi and Copperfield.

The group also manufactures for Woolworths and other retail groups under their trade names.

In the year to June, group turnover fell six percent from R38,1 million to R35,9 million, while operating profit shot up 55 percent from R2,3 million to R3,5 million.

After interest expense decreased 22 percent from R2,7 million to R2,1 million, pre-tax profit amounted to R1,4 million, compared with a loss of R500 000 in financial 1990.

Similarly, last year's attributable loss of R600 000 was transformed into a profit of R1,1 million.

Earnings per share amounted to 38,9c, compared with a loss of 19,9c in financial 1990, but no dividend was declared

Better health

The balance sheet appears in better health, with stock levels down 16 percent and gearing down from 118 to 75 percent.

TEJ, priced at 70c, is trading on an attractive P/E ratio of 1,8.

The thinly traded share offers good value at this price, especially if the group continues on the expected recovery path.

Comment TEJ's share price bottomed at 30c at the start of 1991 before recovering to its current level of 70c.

The charts reveal that the primary bull trend is intact and furter price increases are expected in the short-to-medium term.

'Too much, too little, too late . . .'

(184)

CT 7/11/91

By AUDREY D'ANGELO
Business Editor

ACCUSATIONS that retailers gave orders too late and buyers knew too little about fabrics, that deliveries were made too late and that clothing manufacturers' margins were squeezed too much by the big retail chains were made at a seminar organised by the Menswear Group of SA yesterday

Summing up at the end of a panel discussion Justin Schaffer, former MD of SA Nylon Spinners and now a director of Abbey Holdings, urged everyone in the industry to co-operate and to communicate more

Pointing out that each needed the other to succeed, he said "Tariff protection is something that will always be with us

"You are each stakeholders in each others' business success The retailers are the clothing manufacturers' customers and the clothing manufacturers are the textile mills' customers You cannot talk to your customers too much."

Panelist John Connor had said earlier "Retailers and manufacturers must get together I have worked in the UK and I think this industry in SA must be the worst in the world in terms of co-operation.

"Retailers and manufacturers have to sit down and work together."

Mike Johnson of Markham's said the industry had been hamstrung by the textile mills

"They seem to be geared towards production, not to the end-consumer. What has scared me most is the suggestion that the workforce is moving towards a degree of contrived negligence.

"In spite of tough times the mills don't seem to be in the market to do business As business has dropped so have their standards.

"I am sorry for the (clothing) manufacturers."

But, Johnson said, manufacturers were accepting orders knowing that they would be unable to deliver on time. "The number of cancellations is frightening."

There had been complaints that retailers were sending in their orders late But in the fashion industry they needed the latest information before committing themselves.

"Retailers order goods to sell, not to cancel Every cancellation means a loss of turnover."

But, Johnson admitted, there had been instances of "indecisive, inexperienced buyers causing havoc", which were also dismaying.

He said the delivery situation had improved since the worsening of the downturn "It is amazing to see what can be done when it needs to be done."

Gerrie Viljoen of Bergerts said he would like to see a better selection of local fabrics and a shorter lead time

"With better communication between manufacturers and mills we could solve a lot of problems."

Textile makers going on the warpath

184

Star 8/11/91

By Des Parker

DURBAN — Textile-makers are bunkering down for an intensification of their war of words with clothing producers over a new government plan.

The Board of Trade and Industry's proposed eight-year development plan moots another change to import tariffs on fabric and is popular with domestic producers.

Clothing firms, with the support of the Cape Town Chamber of Commerce, have said the proposals will be inflationary and will nip their export drive in the bud, putting thousands of jobs at risk

Cheap imports

Textile businesses, supported by disastrous financial results recently, say they need more protection from cheap imports

Textile Federation executive director Brian Brink said this week fabric-makers were taking a lead in reducing producer prices in the sector.

"The producer price index for textiles has shown a persistent downward trend for the past 24 months.

Proportion

"Additionally, it has been below the rate of increase for clothing since March 1990, despite a higher proportion of so-called cheaper imported fabrics, and below the rate for total manufacturing since January this year"

BDay 12/11/91

Federations at odds over textile fees

WILLIAM GILFILLAN

NATIONAL Clothing Federation claims that duty levels on textiles are too high have been disputed by the Textile Federation, which says the average duty raised on textile imports in 1990 was 11%.

Textile Federation executive director Brian Brink has called on the authorities to introduce import permits over and above the higher duties proposed by the Board of Trade and Industry.

"Failing some quantitative import quota system similar to that operating in most developed countries under the Multifibre Arrangement, the prospects for the local textile and clothing industries will be extremely vulnerable to imports" (184)

Brink says duties to protect the local textile industry will not affect the clothing manufacturing industry's export effort

"Clothing exporters can obtain the necessary fabrics and finishes they require to service the sophisticated European and American markets It is not true that these fabrics are unavailable domestically."

Generally, imported products did not suffer from "these fiscal imposts" and were often subsidised

State President's Export Awards

Former UK customers flock back to DCM

B/Day 12/11/91

184

SUCCESSFUL export initiatives by Durban Clothing Manufacturers (DCM) amid escalating sanctions featured in it winning the manufacturing category

Engaged in the design and manufacture of high class men's formal wear, DCM made its mark in Britain and Europe in the '70s and early '80s, before being forced to find replacement export markets

Spectacular results saw export turnover increase 41,3% in its 1990 financial year compared to 1989, with a further 38,6% improvement in financial year 1991

MD Graham Cartwright says exports as a percentage of sales improved 9,9% in the first year of assessment, 13,4% in the second and 16,6% in year three

DCM, a division of Seardel-controlled SA Clothing Industries, established an offshore company and made its mark in Britain and Europe 12 years ago

However, when some major British clients saw fit to close their accounts the company pursued other avenues

Switched

It switched to distributors and wholesalers which could provide DCM's merchandise without the high product profile needed by major retail companies and sold to clients in South America, Europe, the US and Africa

"Prepared to work only with 'dyed-in-the-wool' designers, manufacturers and agents abroad, we clinched contracts with European manufacturers for a variety of menswear products

"This necessitated the employment of a versatile and competent workforce coupled with the provision of new machinery in order to be productive and competitive," he says

Providing group annual reports and promotional information to prospective clients and persuading buyers and their principles to visit SA and witness the sophistication of production units has helped boost export orders

DCM, which employs 1 500 people, has worked closely with domestic textile manufacturers in developing ranges suitable for marketing purposes in the northern hemisphere

Cartwright says much credit for DCM's export successes goes to Worsted Mills and for all the assistance received from SAA Safto, the SA Wool Board and the National Clothing Federation

It is also grateful for the incentives provided by the Board of Trade & Industries

Inundated

Despite the low profile it was forced to take in the last years of sanctions, DCM has become well known in Europe and has been inundated with inquiries

Most of DCM's former high profile customers are returning to trade with the company

"We are engaged in trial orders and bulk business with our former High Street connections in the UK," he says

Dumping Bill replies extended

(184) B/Day 14/11/91

ANDREW GILL and LINDA ENSOR

TRADE and Industry Minister Org Marais has bowed to pressure from the business community and extended the period for comment on the draft legislation for anti-dumping measures released on Tuesday

A spokesman for his department said yesterday organised business had been given an extra eight days (until November 26) to submit comment on the legislation

The spokesman said Marais had been in close co-operation with industry on the matter and was sympathetic to their concerns about the short period allowed for comment

However, he said, if they waited for too long they would miss the boat and there would be no anti-dumping legislation on the statute books in 1992.

The SA Chamber of Business (Sacob) said in a statement it welcomed Marais' "speedy and positive" response to the request for extra time to comment on the draft.

It would enable Sacob to consult industrialists and importers throughout the country more fully on the matter. The statement said Sacob hoped to complete its consultation process by November 26

Meanwhile, speaking in Cape Town last night Marais said government would not support a broad definition of dumping which covered all low priced imports

At a National Clothing Federation banquet Marais was commenting on the proposed amendments to anti-dumping legislation intended to ensure "efficient action against real cases of dumping".

"We simply have to accept that elsewhere in the world there are more competitive producers against which we will have to learn to compete This problem cannot be addressed by means of anti-dumping measures," Marais said.

He stressed the need for SA industry to become locally and internationally competitive, saying the protectionist policies of the past were obsolete

"The policy directions outlined in the IDC's (Industrial Development Corporation) report on the future tariff protection policy will form a crucial element in government's economic restructuring programme aimed at enhancing industrial growth and employment creation."

Despite the need to become competitive, however, the militant trade union movement with its stayaways, strikes and demands for high minimum wages, was making SA industry less competitive.

Marais said he would be meeting representatives of the textile and clothing industries on November 19 to discuss the revised Board of Trade and Industry proposals for a development plan for the restructuring of the industries

"Government's role in the restructuring process should be to provide an environment conducive to the industry making the necessary changes itself"

Marais appealed to the clothing and textile industries to work out a joint strategy to overcome their conflicts He said it appeared the main weakness of the two industries was that they had tried to service all market segments — including uneconomic and unprofitable product ranges — rather than concentrating on what they did best

Neither industry in its present state with outdated technologies and high price of inputs was in a position to compete internationally without assistance and protection

Rationalisation of manufacturing and product ranges, exploitation of comparative advantages through niche marketing, improved productivity and a commitment to exports were required.

● See Page 13

REX TRUEFORM FM 15/11/91

Risks in retailing (184)

Activities: *Manufactures clothing*
Control: *African & Overseas 71%*
Chairman: *S Shub*
Capital structure: *4,1m ords Market capitalisation R41m*
Share market: *Price 1 000c Yields 7% on dividend, 17,6% on earnings, p e ratio, 5,7, cover, 2,5 12-month high, 1 100c, low, 900c Trading volume last quarter, 8 400 shares*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	1,8	1,6	—	—
LT debt (Rm)	6,2	4,6	9,8	3,0
Debt equity ratio	0,4	n/a	n/a	n/a
Shareholders interest	,64	,69	,72	,76
Return on cap (%)	26,4	31,8	13,5	4,8
Pre-int profit (Rm)	12,1	16,4	15,0	5,4
Earnings (c)	287	416	266	176
Dividends (c)	75	90	90	70
Net worth (c)	1 414	1 759	1 931	2 039

A specialised manufacturer such as Rex Trueform (Rextru) takes a finely calculated risk when it embarks on a vertical diversification programme

Management is usually moved into an area of expertise in which, by definition, it has little or no experience This is compounded if the diversification means competing with the firm's original customers

Add an unfortunate factor — the beginning of a prolonged recession, which severely curtails consumer demand — and you have a snapshot of Rextru's position

In the clothing market the debate continues over whether Rextru should have gone into retailing by opening its Queenspark stores At least one major retailing chain

Cont

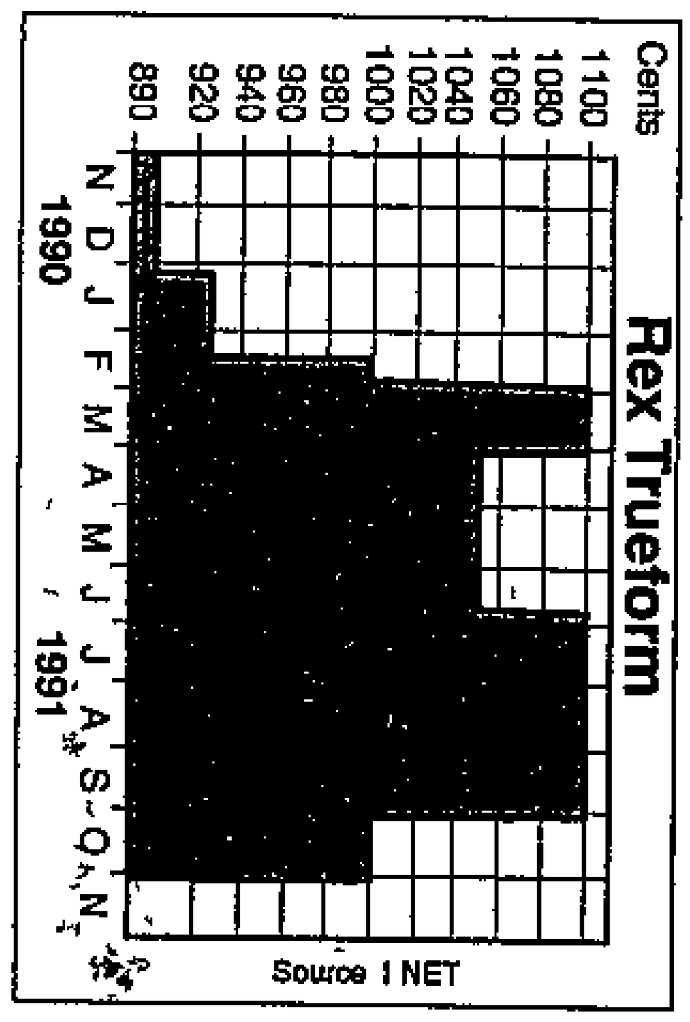
 FM 15/11/91 (184)

which was a large buyer is no longer a customer because of the additional competition Loss of orders from this source contributed to the bath that Rextru took in the year to June

Operating income fell by 67% to R4,7m, following a 5% rise in turnover Chairman Stewart Shub discloses higher exports and "substantially increased turnover in our Queenspark division" Maybe so, but the cost of achieving the increase appears high Margins were obviously slashed, not just in Queenspark but also in the manufacturing plants, as a result of intense competition

Regrettably, Shub is well known for making available as little information as possible Since turnover is not given, margins cannot be calculated But the conclusion is obvious, though Shub is enthusiastic about the way Queenspark performed and emphatic that it produced a healthy profit

Retail clothing sales were soiled by the demand contraction that manifested itself from May/June But clothing stores in gen-



FM 15/11/91 (184)

eral have, for a much longer period, been destocking in anticipation of the recession

There may have been some improvement since year-end as manufacturing orders have been expedited to cater for Christmas sales But there is doubt whether Christmas will produce the hoped-for buoyant sales

If it does not, and even though the industry is already approaching the winter production cycle and orders have already been booked, the first six months of next year are also likely to be lean Rextru will experience a tough financial 1992 with EPS unlikely to pick up

But the balance sheet remains strong The company is still making profits And behind the scenes there is a hard-core management that really knows its way around the business of focused clothing manufacturing Exports are playing a more important role And if Queenspark continues to run profitably, it could be that the worst is over These are some possible reasons why the thinly traded share has held up

Gerald Hirshon

Uproar over plan to hike import duties

ARG 16/11/91 (184)

TOM HOOD
Business Editor

THE National Clothing Federation is incensed by a revised set of proposals by the Board of Trade and Industries (BTI) to increase customs duties on imported fabrics, says NCF president Dr Aaron Searll.

The original draft legislation, devised to protect textile companies from "dumping" by foreign countries, was attacked by clothing manufacturers as likely to add 30 percent to retail prices, put hundreds of small clothing firms out of business and threaten 20 000 jobs.

Dr Org Marais, BTI Minister, said in Cape Town this week that more protection would not guarantee the future of the clothing and textile industries but "the competence of your managerial and supervisory staff, your productivity performances and exposure and competitiveness in the international market place will guarantee a future."

The BTI had devised a new development plan to help these industries become more competitive

A feature of the plan was that it would run for several years to allow the various sectors of these industries time to restructure and adapt to changes needed.

Dr Marais said a revised set of proposals based on comments received from industry and further analysis by the staff of the BTI had been sent out.

Discussions with the textile and clothing industries would be held on Tuesday and he intended attending personally because of the importance he attached to the industries.

However, Dr Searll said clothing companies were amazed to be advised that the Board has not yet debated these new propsals and that they should be seen merely as proposals by the Board staff

"We regard these proposals as being highly inflationary, unjustified and unnecessary. There is no case to further increase the duties on imported fabrics, as imports have not increased significantly.

"In this recessionary climate, we feel that it is not the government's function or duty to bail out inefficient textile businesses, but rather to follow a course of reducing protection in the form of import tariffs, as recommended by Dr Marais and the Industrial Development Corporation."

The State President, in a recent speech in Taiwan, stated "our goal is to remove obstacles to imports and exports in a responible manner."

Said Dr Searll "We will be putting our case to the Minister at a meeting to be held in Pretoria on Tuesday with the Textile Federation representatives

"It appears that attempts are being made to steamroller the tariff increases through with indecent haste by January 1992

"Our advice to the Board of Trade is to resist pressure from the Textile Federation, to stop panicking, and hold everything until the new chairman Professor Nick Swart, takes up office in Feburary 1992, and all interested parties have the opportunity of jointly addressing the problems in a constructive manner."

The BTI development plan includes proposals to abolish certain export concessions where clothing manufacturers may import fabrics duty free for garments destined for export

The BTI claimed exports did not take place under Customs supervision, which meant no control was exercised over what was exported.

Clothing industry output 'set to fall'

B'Day 18/11/91 LINDA ENSOR (184)

CAPE TOWN — The physical output of the clothing industry is likely to show a decline of 5% this year, says economist Arnold Werbeloff in the latest National Clothing Federation newsletter.

Last year output grew by 3,6%.

"Further evidence of the depressed state of the local clothing industry is the fact that output of garments is below the 1985 level and fell by 7% during the first seven months of 1991, compared to the same period last year."

Output of the textile industry was also down 7% in this period.

Werbeloff says the recession in the clothing industry indicates that retailers are not restocking and that textile manufacturers are finding export markets as well as non-apparel growth opportunities. Overall there was zero growth in retail clothing sales in the first seven months compared with a 5,8% growth in the same period in 1990.

Clothing imports in the first six months of the year rose by 34% (R44m) over last year, while exports increased by 90% (R61m) to R129m. Werbeloff says the latest projections show clothing exports at R370m this year. Producer prices are under pressure, rising 11,7% for clothing in August compared with August 1990 and 9,2% for textiles.

In the nine months to September the number of workers employed by the industry in the western Cape, Natal, Transvaal, Free State and northern Cape also rose by 1 900 to 115 400.

Marais in bid to save 60 000 jobs

BIDay 18/11/91

(184)

LESLEY LAMBERT

TRADE and Industry Minister Org Marais will meet representatives of the clothing and textile industries tomorrow in an effort to thrash out an agreement on new tariff proposals which could forestall the loss of up to 60 000 jobs.

The tariff proposals are aimed at simplifying the industries' import tariff structure and giving them an opportunity to become profitable and internationally competitive over the next three years

But the clothing industry has objected to the proposals because they will increase duties on imported fabric from the higher cost producing centres such as Europe

National Clothing Federation executive director Hennie van Zyl says the changes constitute increased protection for the textile industry and are contrary to an agreement in 1989 that the structural adjustment programme for the industries remain in force for five years

Marais is keen to resolve the battle between the two industries He is concerned that unless the industries reach an agreement which provides a degree of relief for some sectors, between 40 000 and 60 000 jobs could be lost

"There are unlikely to be any big winners at tomorrow's meeting, but we need to reach an agreement which will save jobs and enable the industry to become stronger and internationally competitive in the longer term," Marais said in an interview on Friday.

In an effort to make the agreement as comprehensive as possible, Marais has asked the Board of Trade and Industry to invite the SA Clothing and Textile Workers' Union to the meeting.

Commenting on an indication by President F W de Klerk in Israel last week that government intended removing the import surcharges it imposed in the 1980s to protect the balance of payments, Marais said this would depend on the amount of revenue collected under the new taxation system

"The lifting of the 40% surcharge on imported consumer goods and the 5% on imported capital and intermediate goods will result in a revenue loss of more than R1bn We will have to see what VAT brings in before we start removing the surcharges or adjusting taxes," he said.

The various policy documents on a new industrial strategy would soon be completed and handed over to the Cabinet.

Marais calls in task group

(184)

LESLEY LAMBERT

Trade and Industry Minister Org Marais suspended proposed changes to the clothing and textile industries' protective tariff structure and invited an inter-industry task group to investigate a new export-oriented system

Addressing a meeting in Johannesburg yesterday at which the industries tried to resolve their differences over import tariffs, Marais made it clear he was opposed to higher levels of protection. He urged the industries to negotiate a new tariff system which would enhance their international competitiveness

Industry representatives agreed yesterday to establish an inter-industry task group to devise a long-term stategy and a shorter term transitional plan

They were told that the Board of Trade and Industry's (BTI) recent tariff proposals would be placed on hold pending the task group's proposals

The BTI proposals are aimed at simplifying the industries' import tariff structure and providing a period of transitional relief before tariffs are lowered But they have angered the clothing industry essentially because they constitute increased protection for the textile industry

In a statement yesterday, Marais said the task group "must take into account that government cannot and will not continue with high levels of tariff protection indefinitely Industry must accept that increased international competitiveness and

To Page 2

Task group

B/Day 20/11/91

(184)

From Page 1

lower protection remain the goals"

However, government would maintain protective measures for a few years to allow unprofitable industry participants to adjust to lower levels of protection

The task group was instructed to propose ways of assisting the industries to adjust and was asked to propose a long-term strategy.

The group is made up of a number of high-powered leaders in all sectors of both industries and will be chaired by Barlow Rand special projects consultant, Paul Hatty

Marais insisted that the SA Clothing and Textile Workers' Union be invited to appoint a representative to the group

Sapa reports from Cape Town that Sactwu welcomed moves to establish a task group. Union leadership would discuss the details of the proposals and would probably nominate a representative to the group, if ratified by the union

R400-m in clothing exports protect industry workers

Star 18/11/91

184

By Tom Hood

CAPE TOWN — Exports of clothing worth R400 million this year have protected 10 000 workers and their dependants in the worst recession in recent history, says Dr Aaron Searll, the new president of the National Clothing Federation.

However, the industry is concerned at sustained pressure being exerted to undermine its export effort and he warns that this must be resisted with vigour.

"Our resolve must not be under-estimated," said Dr Searll after his election

The threat of increased customs duties and import parity were grave issues for clothing manufacturers.

If the latest Board of Trade proposals were implemented, they would raise clothing prices, which would result in consumer resistance and lead to less business for the textile industry.

Other critical issues faced by the industry were the need for more job creation, increasing exports and improving relationships between management and the trade unions.

Dr Searll also welcomed a statement by Dr Org Marais, Minister of Trade and Industry and Tourism, that protection in the form of import tariffs would have to be phased out and that a revised set of proposals for a development plan for the clothing and textile industries would be discussed soon.

"This is good news and this view is clearly in agreement with the recommendations of the Industrial Development Corporation, which has also called for the lowering of customs duties and removal of inport duties."

Guest speaker Dr Marais told federation members the South African clothing and textile industries would have to become locally and internationally competitive.

The alternative of becoming more protectionist in trying to prevent these forces from having an impact on the SA economy "is not open to us".

"We have pursued a protectionist policy for 70 years and as a policy it is now obsolete," he said.

Amendments to legislation were being considered to ensure efficient action against real cases of "dumping" of textiles and clothing

However, all low-priced imports could not be classified as dumping — "elsewhere in the world there are more competitive producers against which we will have to learn to compete," said Dr Marais

Imports scheme under fire

B Day 22/11/91 (184)

WILLIAM GILFILLAN

THE Textile Federation, hitting out at the import-for-export scheme enjoyed by clothing manufacturers, said yesterday as much as R58m of the total R166m of clothing imports in the first half of this year had come into the country duty free

It also said the increase in clothing exports in the past year — often quoted by supporters of the scheme — had been almost offset by the jump in clothing imports.

Under the scheme local clothing manufacturers were permitted to import clothing duty free according to a formula based on their clothing exports

Executive director Brian Brink said serious shortcomings and flaws in the scheme were now coming to the fore and the Board of Trade and Industry had suggested curtailing it severely.

Of the R58m imported duty free, 66% consisted of knitted clothing, jerseys and cardigans

Brink said the actual duty raised on jerseys imported during the first half of this year was less than 5%

The average landed cost of a jersey was about R18 and the benefit of these low-priced goods had not been passed on to the consumer

Although supporters of the scheme pointed to the 54% increase to an estimated R298 (R193m) in clothing exports, they overlooked the rise in clothing imports These had jumped 41% to an estimated R322m in 1991 from R235m last year

"Foreign exchange gains from the increase in clothing exports have been almost cancelled out by the rise in clothing imports"

Brink added that much of the clothing exports had used duty-free imported fabrics in their manufacture

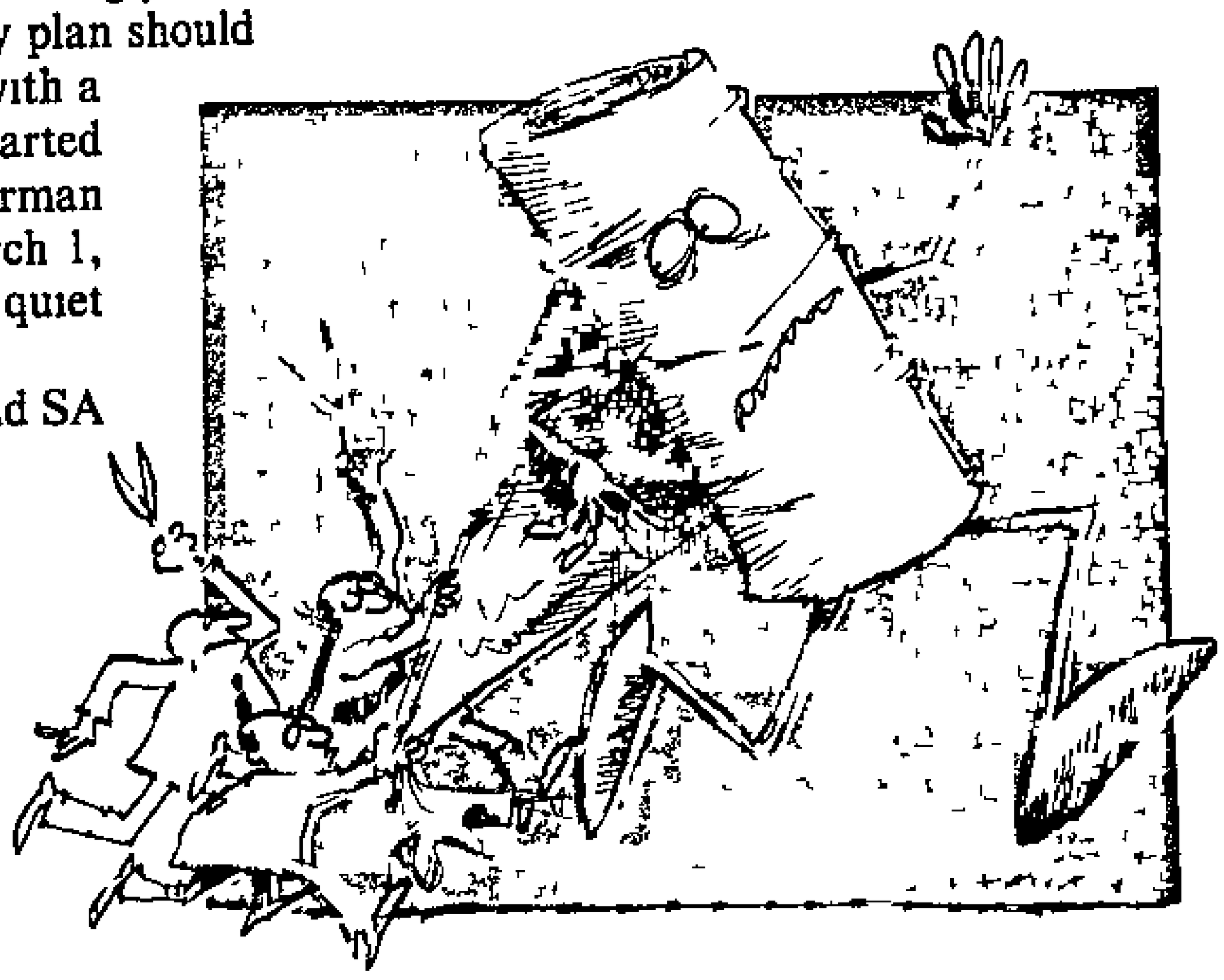
CLOTHING AND TEXTILES

184 FM 22/11/91

Cutting from a different cloth

The year-long campaign by the textile industry for sharply increased tariff protection is apparently unravelling

Trade & Industry Minister Org Marais this week put a plan for higher protection on ice and appointed a task force to examine the issue The industry had lobbied strongly that the Board of Trade & Industry plan should take effect on January 1 but, with a two-month study now getting started and new reformist board chairman Nic Swart taking over on March 1, the protectionist plan may die a quiet death



Paul Hatty, Barlow Rand and SA Chamber of Business industrial policy fundi, will chair the task force, which will present the Minister with an acceptable clothing and textile development plan to be submitted to the Cabinet The task force was decided upon after an hours-long meeting this week. It will comprise, says National Clothing Federation executive director Hennie van Zyl, two representatives from major clothing retailers, the clothing industry and the textile industry, as well as one from the Cotton Board, the synthetic fibre manufacturers, the furniture apparel sector and the SA Clothing & Textile Workers' Union The group will meet for the first time on Thursday

It is well-known where most of the members stand, except for the union. Ebrahim Patel, the union's assistant general secretary, says the 190 000-member union — SA's third largest — is drawing up its proposal to present to the task force and will not make it public until then. But in a speech last week to a clothing federation meeting in Cape Town, Patel offered clues that may indicate which side of the debate it favours He called protection of the domestic industry "a narrow and short-sighted view" and said "the winds of free trade have so swept the world that one has got to see that no economy can insulate itself from world trade "

He told delegates that maximising economic growth and job creation, as well as meeting global marketing requirements, were essential conditions for economic advancement and sectoral growth

The Board of Trade's plan, stiffly fought by the clothing federation, would increase protection for textile manufacturers over the next three years It would also replace a programme for the two industries, devised by the board in 1989, which was aimed at reducing protection for textile manufacturers by now.

The battle comes down to which industry would keep or create more jobs. The textile industry says thousands of jobs are at stake if it doesn't get more relief from imports. The clothing industry says it will create many more jobs if it can purchase cheaper textiles. The conflict has been one of the most high-profile of the many fights over protectionism that are raging in sector after sector as SA tries to move away from decades of sheltering its industries

"We see the appointment of a task force as a highly positive move and fully support the investigation," Van Zyl says

"The federation does not see the textile industry as an uncompetitive dinosaur that needs to be killed off. We sympathise with its problems — but if government wants to assist that industry, it should follow the direct, quantifiable subsidy route, rather than imposing tariffs that hurt the whole economy "

Cotton Board GM Johan Gillen supports the view that direct subsidies would be a cheaper and more effective support system, compared with tariffs

"Government could either subsidise textile manufacturers or cotton producers — the effect would be the same, namely to bring us on a par with the US and EC, where cotton producers are subsidised at R1,60-R5/kg of cotton or fibre produced. SA has no such subsidies."

He adds that, should government decide to subsidise the 200 000-bale (of 200 kg each) crop, "this would cost taxpayers a mere R40m-R50m a year, compared with the estimated annual cost of R75m imposed on consumers by the existing tariffs."

The textile industry now consumes about 360 000 bales of cotton — and cotton farmers could produce up to 500 000 bales a year, he says.

Meanwhile, the Board of Trade last week imposed stringent anti-dumping duties on certain cotton fabric imports

Van Zyl says the 80% anti-dumping tariffs imposed on certain fabrics imported from China, Taiwan and Hong Kong raised fears that the board might now use the new anti-dumping rules announced as a sharper, targeted protectionist measure The federation sees this tariff imposition as the thin end of the wedge and hopes that this targeted tariff response (while preferable to the blanket protection offered by formula duties) does not presage a new interventionist policy favouring the textile industry

Board chairman Lawrence McCrystal says an anti-dumping duty was instituted after dumping of woven poly-cottons from China was proven, "at prices that have disrupted the local market "

But, Van Zyl responds, the federation is disappointed that the board unilaterally imposed the duties after the federation had submitted voluminous proof obtained from about 60 clothing manufacturers that no dumping had taken place "The application for duties was already published early this year and one would at least have expected some form of communication from the board that our submissions were wrong or that other proof of dumping was found, before imposing the new duties " ■

TELECOMMUNICATIONS FM 22/11/91

First National's bold bid

Deregulation of the telecommunications industry may be slow in coming, but there is little doubt that it is going to have a major impact on business

One of the most significant advances to emerge so far from the relaxation of Telkom's grip on the national telecommunications system has been the rise of value-added network services Organisations such as First National Bank (FNB), Standard Bank and IBM distributor ISM have taken advantage of recent changes in legislation and set up companies that provide users of Telkom's national network with additional telecommunications services These value-added services include the management of corporate networks, the storing and re-routing of electronic mail and the distribution of on-line customer information

In a bid to steal a march on its rivals, FNB subsidiary FirstNet announced this week that it is introducing an electronic data interchange (EDI) service based on the highly successful TradaNet system in the UK. EDI involves the transfer of standardised electro-

Continue →

Minister acts to defuse tariff row in textile industry

Star 20/11/91

184

By Sven Lunsche

Proposals to double duties on imported fabrics from next year have deen delayed after a meeting between the Minister of Trade and Industry and the clothing and textile industries in Pretoria yesterday.

A committee of businessmen from both industries, the retail trade, trade unions and government has been appointed to investigate tariff proposals and export incentives and has been given 14 days to report to the Minister

The committee is to be headed by a leading businessman

Dr Org Marais, the Minister for Trade and Industry, said yesterday he hoped to make a final decision on tariffs by mid-January

The proposals are aimed at simplifying tariff structures for both industries to make them more competitive on an international scale.

He said the committee must take into account "that the Government cannot and will not continue with high levels of tariff protection indefinitely

"After a transitional period, the industries will be expected to operate under moderate levels of protection, coupled with effective anti-dumping measures"

The proposed tariff structures are being vigorously resisted by the clothing industry, which fears they will push up the cost of imported fabric, while at the same time providing higher protection for the textile industry

Jobs at risk

Clothing spokesmen fear that up to 60 000 jobs in both the clothing and textile industries are at risk from the higher clothing prices which would follow if higher import duties were imposed

The industry wants to keep the structural adjustment programme, implemented in 1989, in force for five years, as originally planned

However, spokesmen for the textile industry, which is far more capital-intensive than the clothing industry, have warned that a reduction in import tariffs would have dire consequences in terms of sales and thus employment.

Tom Hood reports that the chairman of the Cape Clothing Manufacturers Association, Simon Jocum, said the industry's brief at the Pretoria meeting was to call a halt to an "ill-timed and ill-conceived plan aimed at assisting the already well-protected textile industry"

Mr Jocum said 1991 had been a trying year for the clothing industry Retailers had de-stocked and more recently retail business had fallen off.

Many factories worked short time, which was preferable to retrenchment, in the hope that the upturn would take place in the second half of the year But the upturn had not happened.

Employment was down two percent, productivity was down, absenteeism was at an all-time high and illegal stayaways and strikes added to costs

Profits were eroded and bookings for winter 1992 were well down on those of winter 1991

Healthy exports had curbed further unemployment as more than 50 percent of all exports came from Cape factories.

National exports increased by 61 percent this year, compared with last year

600 jobs to get needle as garment plants shut

(184) ARG 23/11/91

TOM HOOD
Business Editor

TWO Cape clothing factories employing about 600 workers are to be closed by Rex Trueform, the country's largest menswear manufacturer.

The plants are in Wynberg and Atlantis and the closures could be the worst to hit the Cape this year

More than 1 000 people have already lost their jobs in Cape garment factories since January, with total employment down 2 percent

The company recently reported a R10 million (56 percent) drop in operating profits to R8,4 million for its financial year and, like many other clothing companies, is being forced to counteract a continued fall in sales, high interest rates, rising input costs and cancellations of orders by retailers whose businesses have suffered from violence and consumer boycotts

Union sources believed up to 600 jobs would be affected but Rex Trueform's chairman Mr Stewart Shub said this was not accurate as it was proposed to integrate many of the jobs into the company's huge Salt River operation

He said the directors had decided "in principle" to close the plants but he declined to comment further as the closure was subject to consultations with the South African Clothing and Textile Workers Union (Sactwu).

A Sactwu spokesman, Mr Shahied Teladia, said the union was formally told of the closures on Thursday

Mr Shub reported to the company's annual meeting last month that unsold stocks worth R58,5 million had piled up — an increase of R11 million in 12 months

The chairman of the Cape Clothing Manufacturers Association, Mr Simon Jocum, said today Rex Trueform was a trailblazer and its action could be disconcerting for the rest of the industry.

'The consumer has been sending out signals that you cannot pass on costs to him any more Things can only get worse if the government goes ahead with proposals to increase duties on fabrics we import It is also a signal to the unions for moderation and responsibility and a focus on jobs rather than above-inflation wage increases"

Mr Jocum said 1991 has been a "most difficult" year for the Cape industry

Retailers de-stocked and more recently retail business has fallen off.

Many factories worked short time in preference to retrenchments in the hope that an upturn would take place in the second half of this year. But that upturn has not happened.

Profits were eroded away and bookings for winter 1992 were well down on winter 1991.

"Retailers extended their payments considerably as a result of consumer boycotts and many have cancelled orders for the first half of 1992 due to uncertainties and political stayaways, while inflation continues to erode consumer incomes"

Clothing factories cut back production as a result of cancellations because of the volatile political situation

"Unless we get back to normalisation soon, retailers will simply adopt negative postures and curtail their buying. If illegal strikes and consumer boycotts continue, the result will be unemployment in the new year," he added

Traclo beginning to look more positive

STAR 25/11/91 (184)

Diagonal Street
LYNNE PEACH

Transvaal Clothing Industries (Traclo) has a balance sheet that needs to be nursed into good health but appears to be on the road to recovery

In the latest annual report, chairman Mr L Lipkin says that on the strength of healthy order books the group is well positioned to improve performance further this year.

He says that the rate of improvement in earnings accelerated in the second half of financial 1991 and that this trend has continued into the current year.

Traclo, through its subsidiaries, manufactures ladies' fashionwear and is involved in the national wholesaling of haberdashery, textiles and clothing

Mr Lipkin says the group has been able to maintain its share of all market sectors in which it trades and that all group companies have been trading profitably.

In the year to June, group turnover increased 11 percent from R40,2 million to R44,4 million while operating profit shot up 27 percent from R1,8 million to R2,2 million.

Mr Lipkin comments that while the operating margin of 5 percent represents a significant improvement on the previous year, it is still below desirable levels

After interest expense declined 2 percent from R1,4 million to R1,3 million, pre-tax profit more than doubled from R380 000 to R889 000

A decrease in the effective tax rate from 57,5 percent to 35,2 percent resulted in after-tax profit more than tripling from R162 000 to R576 000

After deducting outside shareholders interest, attributable profit quadrupled from R103 000 to R466 000.

Earnings per share grew from 0,4c to 2,0c and no dividend was declared

The last dividend payout was in 1989.

Mr Lipkin explains that the directors deem it prudent not to resume dividend payments in order to further reduce gearing but that a return to dividend payments remains a priority

The balance sheet reveals an increase in borrowings from R5,4 million to R5,7 million which exceeds shareholders' equity of R5,4 million

Gearing at 107 percent shows a marginal improvement on 109 percent a year ago

Mr Lipkin says a recent agreement for the sale of vacant land at Stormill will contribute to a further reduction in gearing

Traclo, priced at 20c, is trading on a price earnings ratio of 10,0

Shareholders' are advised to adopt a cautious approach to the share until the financial strength of the group has been restored

COMMENT: Traclo's share price entered a downtrend in the second half of 1988 after peaking at 60c.

The price will have to rise above resistance at 25c before the charts confirm that a bull trend is under way.

TRIMTEX FM 20/12/91

First red ink

(184)

Activities: *Manufactures and distributes garment interlinings, clothing components, shoulder pads, surgical and hospital non-woven fabrics and elastic products*
Control: *Directors 62%*
Chairman: *D S Teperson, MD H J Greenbaum*
Capital structure: *17,4m ords Market capitalisation R2,6m*
Share market: *Price 15c 12-month high, 22c, low, 9c Trading volume last quarter, 353 000 shares*

Year to March 31	'88	'89	'90	'91
ST debt (Rm)	2,4	5,8	8,1	8,4
LT debt (Rm)	1,9	2,2	2,9	2,2
Debt equity ratio	0,36	0,85	1,12	1,43
Shareholders' interest	0,57	0,42	0,38	0,32
Int & leasing cover	6,9	4,3	2,1	0,2
Return on cap (%)	17,5	21,7	17,5	1,2
Turnover (Rm)	26,6	35,0	40,2	37,5
Pre-int profit (Rm)	3,7	4,9	4,6	0,3
Pre-int margin (%)	13,9	13,3	7,7	0,7
Earnings (c)	17,1	17,2	7,6	(8,2)
Dividends (c)	5,0	6,0	3,0	—
Net worth (c)	72,9	54,5	40,6	32,5

While clothing manufacturers seem to be having a torrid time getting through the recession, it seems even worse for companies supplying the industry Natal-based Trimtex Holdings, top company in a group making odds and ends for clothing manufacturers, has recorded a loss for the first time since the company was formed nearly 20 years ago.

With trading volumes down, turnover fell 7% Results were further affected by an interest bill of R2,3m (R1,9m) and gross cash flow was negative

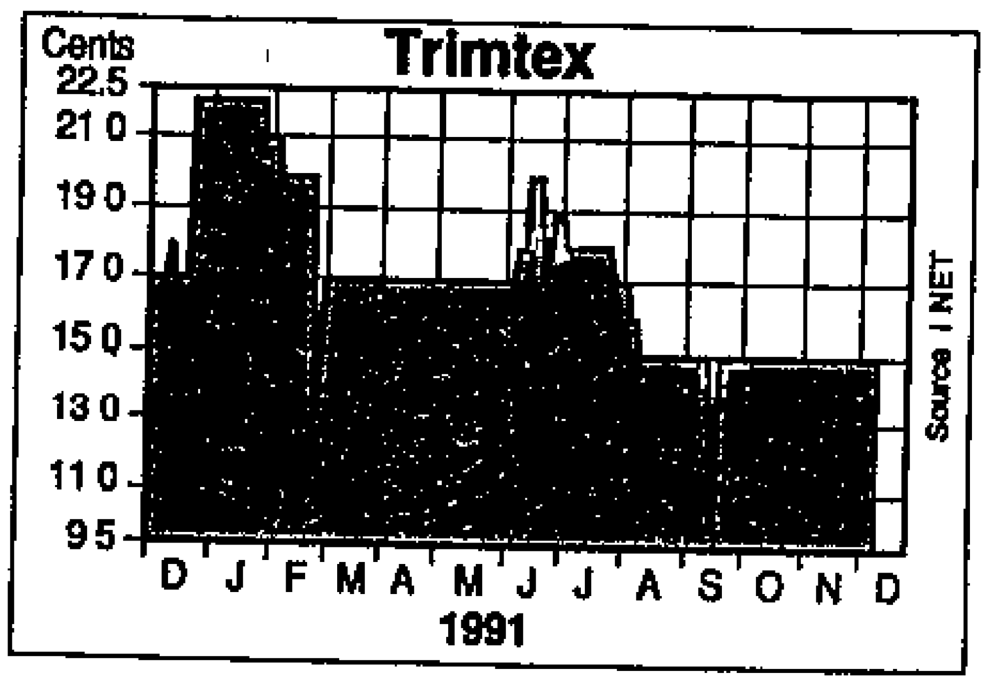
Adding to the poor performance was an extraordinary charge of R3,9m Contributing to this were write-offs of loans and goodwill related to battling subsidiary Tricot Fasteners, and R766 000 relating to provisions

Continue →

for slow-moving and redundant stock, as well as the consolidation of the company's three Durban factories on a single site in Pinetown

Attributable earnings plunged from the year-ago R1,4m to a loss of R1,4m, giving negative EPS of 8,2c and extending the downward trend since EPS stood at 17,2c in 1989 Dividends have also fallen steadily since 6c was paid in 1989; the 1991 year's payout was passed

Management did manage to reduce interest-bearing debt by 4%, to R10,6m Empha-



sis was placed on improving efficiencies and reducing stock levels But Trimtex remains heavily overgeared, with debt equity at 1,43 and interest cover at a mere 0,2

A tax loss of about R3,4m should help to reduce tax payments if profitability improves Even so, this year's outlook looks bleak, unless there is a dramatic turnaround in the clothing industry MD Hilton Greenbaum, who heads a new management team that took over just over a year ago, says Trimtex is continually looking at ways of cutting overheads and making business fit the shrinking industry

"We've called in consultants and should start to see the benefits coming through," he says "Our consolidation under one roof has also been successful in reducing overheads "

Despite two sharp dips this year, the price has remained fairly stable at 15c-17c The tightly held shares trade at half NAV But, aside from the earnings performance, NAV has shrunk steadily from 72,9c four years ago to 32,5c at year-end It is unlikely there will be much investor interest at this stage, with the possible exception of small speculators

Shaun Harris

FM 20/12/91 (184)

TEJ FM 20/12/91

Looking up (184)

Activities: *Manufactures and markets knitwear*
Control: *Directors 31,5%*
Chairman: *R M Jacobs, MD B A Owen*
Capital structure: *2,95 ords Market capitalisation R2m*
Share market: *Price 70c Yields 56% on earnings, p e ratio, 1,8 12-month high, 70c, low, 30c Trading volume last quarter, 12 000 shares*

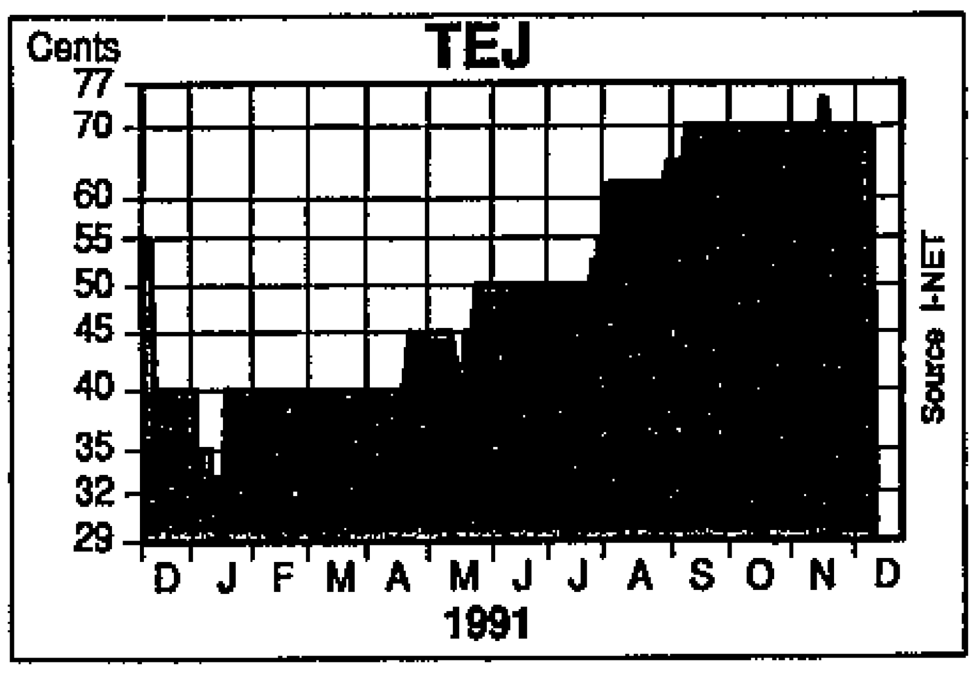
Year to June 30	'88	'89	'90	'91
ST debt (Rm)	4,7	8,4	5,4	2,1
LT debt (Rm)	2,4	3,1	6,0	5,2
Debt equity ratio	1,2	1,97	1,42	0,78
Shareholders' interest	0,34	0,23	0,35	0,41
Int & leasing cover	1,45	0,54	0,84	1,6
Return on cap (%)	7,4	3,8	8,9	15,6
Turnover (Rm)	23,0	32,3	38,1	35,9
Pre-int profit (Rm)	1,4	1,0	2,3	3,5
Pre-int margin (%)	6,2	3,0	5,9	9,8
Earnings (c)	11,6	(29,0)	(19,9)	38,9
Net worth (c)	240	212	263	314

At a time when the clothing and textile industries are under severe stress, TEJ has succeeded in pulling out of the tailspin it slipped into in 1988

It has for many years been a household name in quality knitted garments More recently, this name — as well as Mondi, the other major name the group markets — seems to have become less prominent But perhaps that is a perception which does not reflect reality Chairman Bobby Jacobs says these brands have prospered even in the face of strong competition from the chain stores' house brands

An important contributor to the group's financial setback was an unprofitable contract to make garments for a major European brand This tied up substantial capacity which could not be turned to better use until the contract was cancelled or completed The contract was not the only bugbear but its termination does coincide with the improved results now flowing through

The income statement and balance sheet suggest that considerable change has occurred in the organisation over the past two years Though turnover for 1991 was 6% lower than in the previous year, pre-interest income leaped by 55% to R3,5m Interest paid was 22% down, leaving pre-tax profit at R1,4m compared to the R500 000 loss in 1990 Because of losses incurred in the two previous years, no tax was payable



It is a matter for debate whether the write-off of R1,1m, arising from the discontinued operation with the overseas contractor, should have been posted as a trading loss rather than being written off as an extraordinary item Had it been a trading loss, attributable earnings would have been roughly at breakeven — but reflecting a more conservative and, arguably, more realistic recovery position.

In any event, there were no retained earnings of consequence and shareholders' funds remained unchanged Working capital decreased by R3,4m because of reductions in stock and debtors The effect was a positive swing in cash flow generated from operating activities, part of which was used to repay short- and long-term loans

The business has a much healthier appearance Jacobs is confident improved results will again be posted this year If he is right, the share offers good value at 70c

Gerald Hirshon

(184) FM 20/12/91

STREBEL GROUP (184)

Tightening the belt

FM 20/12/91

The slump — especially in the textile and clothing sectors — caused a 4% drop in turnover and put pressure on margins, leading to attributable earnings for the 1991 year of R3,2m (1990. R5,7m)

The deterioration came largely in the second half Reporting on the halfway results, MD Fred Strebel said the group was well positioned to grow strongly In the event, the final dividend was halved, reducing the total payout from 13c to 7,5c

The textile division came under pressure from increased imports. During 1989, the group invested R2,3m on the acquisition of Atlantis Non-Woven, which supplies nonwoven fabrics for the duvet, mattress, shoe and building industries This operation showed a loss last year because of a change in market requirements.

Perl Fabric saw lower volumes and reduced margins, in line with the fabric industry This was blamed on high imports, leading to underuse of capacity.

Funding requirements were reduced, with working capital absorbing R319 000 (R3,8m) while capital spending was trimmed to R2,1m (R3,3m). Capex went into plant and machinery, to modernise and automate production further The investment was also aimed at increasing the proportion of turnover derived from sales to retailers, which tend to be less cyclical than sales to manufacturers

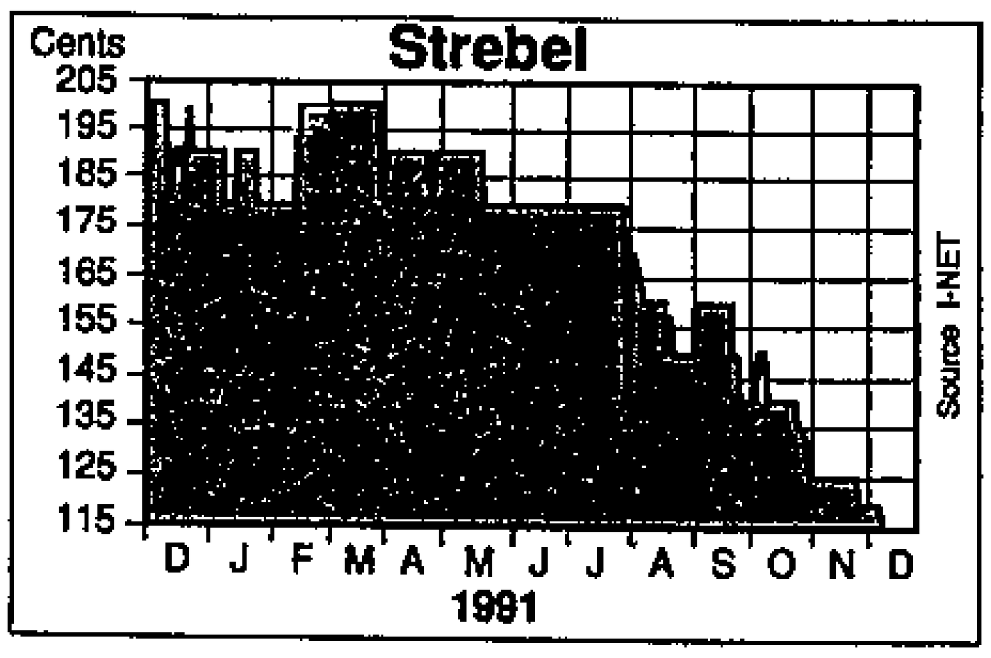
Operating income dropped by 36% to R8,6m There was some help from a lower effective tax rate of 37% (40%), but the net interest bill was up by R298 000 or almost a third Attributable income slumped 44%, as did EPS

Gearing remains sound at 39%, though the interest and leasing cover was more than halved last year to 5

Strebel says management sees no improvement for the economy nor the company this year Earnings are not expected to improve and the 1992 year is likely to be "extremely difficult " Emphasis will be placed on liquidity, the work force and more efficient management of assets

Activities: *Makes and distributes trimmings, fasteners and accessories to clothing, footwear and retail sectors, knitted and non-woven fabrics, and embroidery*
Control: *Strebel family 70%*
Chairman: *J Strebel, MD F Strebel*
Capital structure: *15m ords Market capitalisation R17,3m*
Share market: *Price 115c Yields 6,5% on dividend, 18,5% on earnings, p e ratio, 5,4, cover, 3 12-month high, 200c, low, 125c Trading volume last quarter, 5 300 shares*

Year to June 30	'88	'89	'90	'91
ST debt (Rm)	2,1	2,8	5,5	7,8
LT debt (Rm)	2,5	3,7	3,5	2,3
Debt equity ratio	0,05	0,25	0,33	0,39
Shareholders' interest	0,54	0,50	0,50	0,52
Int & leasing cover	34	17	11	5
Return on cap (%)	15,5	23,8	23,5	12,6
Pre-int profit (Rm)	7,3	10,5	11,1	6,3
Earnings (c)	35,3	35,8	38,0	21,3
Dividends (c)	11,2	13,0	13,0	7,5
Net worth (c)	111	132	158	172



Poor growth prospects have pushed down the share price from the 12-month high of 200c to 125c There is no incentive to buy now

Basil Barber

113 workers retrenched

CT 30/11/91

Staff Reporter

CAPE workers face a bleak Christmas with the announcement of 113 more retrenchments in the textile industry

The Ivitex group has announced that its Modatex Textile Printing department in Epping is to close on December 13 and 113 workers are to be retrenched.

A spokesman for the SA Clothing and Textile Workers' Union (SACTWU) said yesterday employers had given workers "a sour bonus" this year in the form of 10 000 job losses nationally in the clothing and textile industry.

The spokesman said major factories such as Hebox, Frame's East London and Pinetex plants, RMB Dress and two Rex Trueform plants have closed and claimed it was as a result of bad government and employer policies.

In an attempt to diffuse the crisis a meeting was held this week with the government, the union and major employers.

Meanwhile, a working group appointed last week is to report to the Minister of Trade, Industry and Tourism, Dr Org Marais, on strategies to diffuse the crisis in the textile and clothing industry.

SACTWU assistant general-secretary Mr Ebrahim Patel said yesterday: "We need a strong clothing and textile industry and the fight among employers is not helping to create a modern industry. We see the solution as needing a proper plan for the industry to restructure itself."

● Sapa reports that about 654 workers from four Armscor subsidiaries — Somchem, Overberg testing range, Swartklip and Houwteq — will be retrenched.

These retrenchments will have a drastic effect on the quality of life of workers, who come from towns in the Western and Southern Cape.

Many workers will be re-employed on a contractual basis, Armscor has announced.

Already about 5 000 Armscor workers have been retrenched in the fourth quarter of this year as part of company rationalisation as a result of big cuts in the defence budget.

Order books remain depressed at Delswa

WILLIAM GILFILLAN

CLOTHING manufacturer Delswa reported a 1% decline in earnings to R1,44m from R1,46m for the six months to October

Directors warned that the low level of the forward order book meant earnings would be down by at least 30% for the full year to April An unchanged interim dividend of 3,5c a share was declared which, on earnings of 20,8c a share (21c), gave a dividend cover of 5,9 BDay 6/12/91

Although operating income was down 10% to R3,6m (R4m) this decline was ameliorated by the sharply lower interest charge, down 27% to R1m (R1,4m).

Finance director Peter Jaff said lower working capital levels were the main reason for the decline in the interest charge.

Directors said the outlook was not good "Trading conditions have continued to deteriorate, and a very cautious attitude has been adopted by our customers — our order books for the next six-months are well down on last year." (184)

The directors said that in view of the difficult and uncertain economic and political climate they did not expect any immediate improvement in the order book As a result earnings for the full year would be at least 30% lower than they were last year

Holding company Jaff-Delswa declared an unchanged interim dividend of 3,5c a share for the six months to October.

FM 13/12/91

LEEGALL CLOTHING

Slimming down

(184)

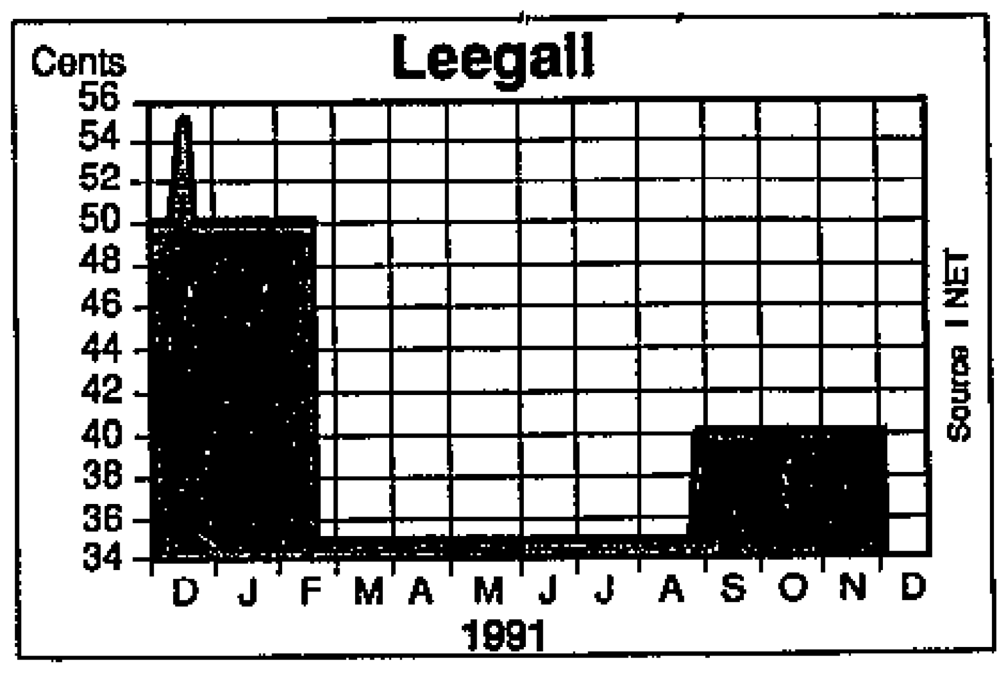
Losses continued at Leegall for the third consecutive year In 12 months plagued with labour disputes, strikes and the loss of senior management, the group recovered from a provisional liquidation order that was lifted in the second quarter of the financial year

FM 13/12/91 (184)

Activities: *Makes and distributes fashion garments*
Control: *Directors hold control*
Executive chairman: *F Falowitz*
Capital structure: *7,5m ords Market capitalisation R3m*
Share market: *Price 40c 12-month high, 55c, low, 35c Trading volume last quarter, 700 shares*

Year to Mar 31	**'88**	**'89**	**'90***	**'91**
ST debt (Rm)	5,7	12,0	17,3	6,0
LT debt (Rm)	3,0	1,3	1,7	0,9
Debt equity ratio	1,0	0,95	5,96	1,11
Shareholders' interest	0,35	0,29	0,11	0,28
Turnover (Rm)	28,4	53,5	39,7	52,5
Pre-int profit (Rm)	1,4	(2,9)	(2,8)	(2,7)
Earnings (c)	0,9	(236,5)	(239,2)	(149,2)
Net worth (c)	477,0	373,5	134,1	81,1

* Nine-month period



Despite a R9,5m rights issue in November, and reductions in stock and debtors, management decided to close the Gallant ladieswear division

This leaves two core operations: LEE menswear and boyswear and Gallant girlswear These divisions are considered to be incompatible and will be separated under new management A move to smaller premises is certain This, with the cost of the restructuring, will result in an adverse extraordinary item.

All trade debtors of the company and its subsidiary Gallant clothing have been ceded to Nedbank as security for overdraft facilities Total borrowings were reduced to R6,9m (1990: R19m), leaving the debt equity ratio still excessive, at 1,11 (1990 6,0)

In addition to the R2,2m proceeds on the disposal of fixed assets and subsidiaries, Leegall generated R5,3m from working capital This contributed to a net cash inflow of R1,7m, in contrast to the previous year's R6,4m cash outflow, and the current ratio improved to 1,2 (0,89)

A loss per share of 149,4c (239,3c) was incurred, based on a weighted average of 4,1m (1990 2,3m) issued shares No tax was paid and at year-end there was a computed tax loss of R18,2m available for set-off against future taxable income

With new management and smaller premises there could be a recovery in profits in the longer term But Leegall remains undercapitalised and the clothing industry continues to trade under pressure

The share price languishes at 40c, less than half the year-end NAV — which has shrunk from 477c four years ago. There appears little reason to buy now, though a predator might be interested in the tax loss

Kate Rushton

SAM JAFF: A family move from Harrismith to Johannesburg and Delswa was born 60 years ago

Sam spins wealth from high fashion

(184)

S Times (Buss) 15/12/91

SIXTY years ago Sam Jaff started a business with a £500 loan to make women's fashion garments from imported silk.

Today he is the octogenarian chairman of Delswa, a company named through a contraction of the French words de la soie — from silk. It remains one of the best-known labels.

In the first year, Jaff & Co made £258 2s 7d profit from the manufacture and sale of pure silk dresses at 25 shillings, tailored woollen frocks at 26 shillings and blouses at nine shillings and six pence.

Delswa was listed on the JSE in 1948. Its current market capitalisation is R9-million. It is 47% held by Jaff-Delswa (Jade).

Mr Jaff's son Stephen is managing director and there are four Jaff executives on the board.

Delswa is so tightly held and lightly traded that it is a group I have not followed. But a chance meeting with Mr Jaff gave me a glimpse of the group's history.

In the 1920s, his father moved the family from Harrismith to Johannesburg to join relatives involved in the import of Japanese silk. Mr Jaff established Delswa with the intention of keeping the supply of high-quality clothing short of demand. Even today, it delivers only to order.

The first factory was in temporary premises and was moved to the site in President Street, Johannesburg, the group has occupied for 59 years.

Delswa originally had about 100 employees, all white women. But when the war came and labour was scarce because industry boomed, Mr Jaff sought premises elsewhere.

"I read that the mint in Kimberley was to close and 2 000 would lose their jobs," says Mr Jaff. "But the City Council was reluctant to sell me any land, so I set up at Kroonstad. When Kimberley heard, it changed its mind and we now have three factories there."

Even then, there was a shortage of labour. "All the Kroonstad applicants — mainly the daughters of railwaymen — did an aptitude test. The top ones were given jobs. I asked that two who finished close to the bottom be employed to check the merits of the test.

"After a year, all the top girls had been lured to other jobs and the two poorest were the only ones left."

So Mr Jaff screened the factory in half and employed blacks. There might have been trouble — this was half a century ago — but there was none.

Mr Jaff encouraged the Garment Workers Union, led by Solly Sachs. These two figures virtually controlled the industry in the 1940s.

Three years ago a fourth site was established at Botshabelo, near Bloemfontein. Botshabelo industry was largely established under seductive incentives and many marginal businesses have closed.

Mr Jaff is proud that Delswa's factory has been built up on its own strengths and stands on its own without the bonsellas of decentralisation.

Several years ago Mr Jaff handed the reins to his son and is now semi-retired. But he retains an office at headquarters, travels on Delswa business and is a consultant to the group.

Fashions change, and Mr Jaff shakes his head at some of the gaudy prints on the racks of stock at Kroonstad.

Adonis Knitwear suffers double blow to earnings

BDay 17/12/91 (184)

MARCIA KLEIN

ADONIS Knitwear's earnings were more than halved to 33,7c (68,7c) a share in the year to end-September on the back of reduced trading profit and a dramatic change in its tax-paying position

Adonis, which manufactures men's and children's brands including Adonis, Dino Milano, Paul D'Orsay and Lyle & Scott, reported a 38,2% decline in trading profit to R2,44m (R3,95m) for the year.

After decreased interest and finance charges, pre-tax profit was marginally lower at R2,25m (R2,29m)

However, the company paid tax of R1,06m after having gained R145 000 from a tax loss in the previous year as a result of its investments in films

At the March interim stage, Adonis showed a decline in operating income, but a lower tax bill lifted income after taxation to R1,1m.

At year-end, however, profit after tax was slashed by half from R2,43m to R1,19m.

After dividends of R709 000 — relating to dividends paid at the interim stage — attributable income plummeted from R1,57m to R485 000.

Directors said that in view of the final results it was not appropriate to declare a final dividend.

The results are in line with directors' expectations as stated in the 1990 annual report and at the interim stage They expected manufacturing volumes to decline, following more conservative buying patterns.

Bad

Financial director Steven Chaitel said yesterday the company was now paying normal taxation after benefiting in the previous year, and normal taxation would continue in the current year

He said next year would be a bad year

This was because of the general state of the economy, the effect on importers of the structural adjustment programme aimed at boosting exports, and the relatively mild winter last year

Employment levels up in rag trade

(184) BDay 18/12/91

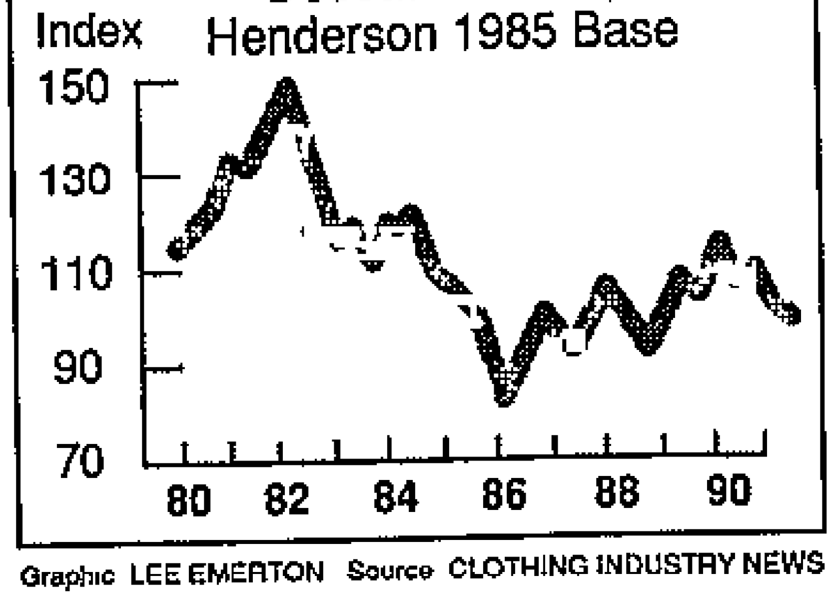
WILLIAM GILFILLAN

EMPLOYMENT in the clothing industry was on the rise despite the 7% decline in output in the first seven months of this year, National Clothing Federation (NCF) economist Arnold Werbeloff said yesterday

Employment levels in the metropolitan areas, which represented 75% of the national clothing manufacturers, rose by 1 900 to 115 400 in September from 113 500 in January

Both Natal and the Western Cape generated 1 000 new jobs since January to take total employment to 43 600 and 54 600 in the two regions Total employment in the Transvaal metropolitan areas was 14 900

The NCF said a survey in August showed there were 161 000 employed in local clothing manufacture including businesses outside the metropolitan areas



Graphic LEE EMERTON Source CLOTHING INDUSTRY NEWS

The TBVC states accounted for 38 000 (24%) of the clothing jobs and 180 (13%) of the 1 375 local firms

In line with the increase in employment, there had been an increase in the number of clothing firms in metropolitan areas which grew to 1 203 in September from 1 197 in January

The Western Cape and Natal both saw an increase of six firms to take their totals to 432 and 445 However, there was a drop of six in the Transvaal which took the total there to 326 firms

But clothing output, which was expected to decline by 5% this year, was currently at levels lower than those in 1985 "When the clothing industry's employment trend is combined with its reduced output, it is clear that output per worker decreased during the first seven months of 1991"

He added the apparent anomaly of output falling while employment was on the increase could be explained by shorter working hours and the new firms entering the market.

Producer prices in the clothing industry were up 11,7% year on year in August

Textile committee convened

(184)

STAR 28/11/91

CAPE TOWN — A high-powered working committee charged with advising the government on strategies for the long-term growth of the clothing and textile industries meets in Johannesburg tomorrow

Confirming the meeting, Ministry of Trade and Industry spokesman Mr Johan Morkel said the committee would report back to Trade and Industry minister Dr Org Marais by December 2

Dr Marais convened a meeting last Tuesday where the working committee, comprising industry and trade union representatives, was appointed.

The committee was instructed to draw up proposals on measures needed to make the industries internationally competitive in the shortest possible period

It was convened amid opposition by the clothing industry to proposals for high import tariffs protecting domestic textiles which, clothing producers say, will inflate costs and threaten thousands of jobs

CLOTHING AND TEXTILES

Stitching a deal together

FM 20|12|91 (184)

The task group appointed by Trade & Industry Minister Org Marais to resolve the conflicting interests of the clothing and textile industries is expected to hand in its report by January 7

And, says chairman Paul Hatty, a public statement on any policy suggestions made will be issued as soon as possible after Marais receives the report "Our discussions are on course," he adds

At the request of Marais, the task group has on board a union representative, Ebrahim Patel, assistant general secretary of the SA Clothing & Textile Workers' Union

Last month he raised eyebrows at a Cape Town clothing industry convention by suggesting that the only way for SA's clothing and textile industries to survive — and grow — was to become global players (*Business & Technology* November 22)

The implication for the textile industry is that protectionism, and the higher costs it induces, are the way of the past, growing exports of competitively priced garments and fibres is the best way to create more jobs

Meanwhile, the textile industry is not just complaining about disruptive imports — it is bleeding profusely By Christmas, more than 6 000 textile workers in Natal will have lost their jobs as factories are forced to close because of falling local demand and growing imports of textiles by the clothing sector

According to the union's Natal regional secretary, Elias Banda, three big companies

FM 20|12|91 (184)

will close their doors by the end of the year The Tongaat group, which has shed 2 000 jobs over the past year, will have to pay off another 1 000 workers before Christmas, while 900 workers at the Frame group, 600 at the Kingsgate group, 2 000 workers at Scotford Mills in Ladysmith and hundreds of workers at QwaQwa and at Isithebe on the north coast will be laid off

National Clothing Federation executive director Hennie van Zyl says the task group has appointed several subcommittees to investigate various aspects of the complex textiles-clothing relationship With the Cotton Board as well as clothing retailers also involved in the discussions, the whole "pipeline" is under investigation

The major issue is the level of protection to be allowed to the textile industry, which has repeatedly complained about alleged dumping by Far East manufacturers The clothing industry, conversely, calls for reduced tariffs because this would lower local clothing costs and make this labour-intensive industry more globally competitive

"One subcommittee is looking into existing rebate facilities, another will propose an interim system to tide the industries over the next year, while the third committee is looking at a long-term strategy for the whole pipeline," Van Zyl says ■

Clothing and textiles still under whip

Business Times Reporter

THE economy may be about to move out of recession, but orders for textiles and clothing are expected to remain low

Production declined by between 7% and 8% in the first half of the year

A report in the Textile Federation's newsletter says retail sales in clothing, footwear and textiles for the seven months to July were nearly 3% up on the same time a year ago, but there has been a softening since then

The slackening is attributed to consumers' disposable incomes coming under pressure and to large-scale retrenchments.

Textile production was helped by a small increase in yarn sales after the formula duties for imports were revised.

184

Difficult

The volume of yarn imports fell by 21% in the first six months of this year. But the volume of fabric imports rose by 19% to more than R500-million

This is adversely affecting the textile industry and it is awaiting finality about government policy for both industries The delay is adversely affecting short-term confidence and causing tension between the two industries

Arnold Werbeloff, economist at the National Clothing Federation, says the uncertainty makes export and investment planning difficult

Mr Werbeloff says "The clothing industry sees no advantage in changing the terms of the structural adjustment programme for the clothing pipeline and wishes to see it remain in place until 1994 when its five-year lifespan is completed."

Growth in clothing output is expected to fall by 5% this year after a 3,6% improvement last year.

Production of garments has fallen to below the 1985 figure which led to the market dipping to its lowest-ever level in 1986

In the first seven months of this year, production fell by 7% compared with the 1990 figure

Textile Federation president Wallace Grace says in the newsletter there will be more company losses, closures, retrenchments and short-time working until the industry receives some relief from the ravages of imports

They have reached 40% of the total amount of fabric used

Mr Werbeloff says the clothing recession indicates that retailers are not restocking Textile manufacturers are finding export markets as well as non-apparel growth opportunities

Shorter

In spite of this, employment in the first nine months of the year increased by 1 900 to 115 400 Total employment, including Bophuthatswana, Ciskei, Transkei and Venda, was 161 000

Mr Werbeloff says lower production indicates that output by each worker has fallen, suggesting shorter working hours and fewer companies entering the market

Clothing imports rose by 34% to R173-million in the first six months. Exports increased by 90% to R129-million

Latest projections indicate that exports could rise to R370-million for the year

MANUFACTURING - CLOTHING

1992

SA clothing industry slated by World Bank

S/Times (BUSS) 25/10/92 (184) ~~356~~ ~~177~~

THE South African garment industry is well placed to become a major exporter and to create hundreds of thousands of new jobs, according to a preliminary World Bank study of the country's manufacturing sector.

But this potential is being hampered by an "inward-oriented" mindset, inappropriate government policies, vested union and textile industry interests and continuing political uncertainty, says the assessment

The textile producers, and the conglomerates and foreign multinationals who control most of them, are subject to particular censure Tough government measures may be needed to get them "to accept restructuring as necessary for the broader objective of dynamically efficient, labour-demanding expansion of manufacturing"

The study, completed last January, is one of a series of papers the Bank is starting to make public to stimulate debate on South Africa's post-apartheid economic options

The author, Bank economist Brian Levy, concludes that there is a substantial international niche for the high-quality, up-market clothing now being produced in such centres as Cape Town and Durban

By SIMON BARBER: Washington

Assuming output per worker and production for local consumption remain constant, an additional \$2-billion worth of exports — comparable with Turkey's performance in 1980-1987 — might produce more than 300 000 new jobs, more than doubling 1991 employment (135 000) in the industry

Reluctance

Even if lower protection and other policy reforms caused production for the local market to decline by a third, employment gains would still be of the same order

By contrast, expansion of the industry based on growing domestic demand from low-income consumers would likely entail maintenance of currently high import duties on low-end clothing, implying increased costs for those least able to afford them and leading the industry "down an uncompetitive dead end"

As the present tariff structure indicates, the low end is not a market segment in which SA is internationally competitive. In part, this is because it is a "middle wage supplier", with industry wage levels double those of Thailand and two-thirds those of South Korea and Portugal

On the other hand, the industry does have the necessary skills, experience and infrastructure to focus on the "higher-end" export market, since it has long been serving the same kind of market domestically

However, interviews with 12 large to medium sized firms in Durban and the Cape found a marked reluctance to compete overseas, despite the General Export Incentive Scheme and inducements offered by the Department of Trade and Industry as part of the Structural Adjustment Programme it launched in 1989/90

These changes were viewed by many firms as "temporary windfalls" in a climate that otherwise did not lend itself to shifts of long-term strategy

Further reforms — including radical simplification of the tarriff structure and removal of formula duties — put forward by the BTI in September last year, while basically sound, tended to reinforce the uncertainty

"The credibility of any reform effort is undermined if firms are not confident that it will be sustained" In addition, it was unclear whether the new package actually made the export market any more attractive than sticking with the domestic one

Trade policy is not the only obstacle to an outward-oriented strategy Others include the textile producers and, potentially, the powerful SA Clothing and Textile Workers' Union

To compete successfully at the medium-to-high end of the international market, firms need a highly responsive and cost-competitive source of fabric, often made to precise specifications

"Unfortunately SA's large and complex textile industry can hardly be described as flexible, reliable and cost-competitive"

Vociferous

Textile firms interviewed for the study were "vociferous" in the support for continued high protection and would have to be shaken by "explicit government decisions" from their "inward-focused culture"

Opponents of necessary change include "the dominant textile firm, the major conglomerates (principal shareholders in seven other large textile firms), influential German and British multinationals, politically volatile cotton farmers in the far Northern Transvaal and perhaps the dominant the union"

Searll warns on second-hand imports

184 CT 27/10/92

By ARI JACOBSON

IMPORTS of new and second-hand clothing, bought by those forced downmarket in tough economic times, had impacted on Seardel's earnings performance said its chairman Aaron Searll at its AGM held yesterday.

Searll mentioned that second hand clothing which until recently had escaped a tariff — and were classified as duty free goods — had a price advantage which gave these goods the edge in the local industry.

He said "20% of clothing purchased locally in 1992 were second-hand imports.

"Second-hand clothing provides a once-off benefit to the consumer, which is a short-sited strategy that could put manufacturers out of business."

But since September an import tariff of R25/kg has been imposed on second-hand clothes, which Searll still considers insufficient.

He said export promotion of clothing products had worked — with exports jumping from a small base, five years ago, to about R500m this year alone.

He stressed that instead of duty free imports which have the effect of encouraging the dumping of overseas products "import incentives should be altered to a cash equivalent, while tariffs remained to protect certain local industries".

Earlier chairman of the SA Shareholders' Association Issy Goldberg had highlighted the plight of clothing manufacturers pointing to Seardel's after tax return, for the year to June, which amounted to about 1c in every rand of sales.

"Its hopelessly inadequate," said Searll.

But Searll said that greater integration between the clothing and textile industries would help to reduce costs and enhance competitiveness.

Further he proposed that the textile and clothing federations should merge into a single body to be called the National Clothing & Textile Federation.

SEARDEL FM 30/10/92

Misplaced optimism (184)

Activities: *Makes clothing, toys, consumer electronics and nonwoven textiles*
Control: *Seardel Consolidated Holdings 50,1%*
Chairman: *A Searll, Joint MDs G C de Bruin, B G Richards*
Capital structure: *23,4m ords Market capitalisation R58,6m*
Share market: *Price 250c Yields 3,8% on dividend, 17,3% on earnings, p e ratio, 5,8, cover, 4,5 12-month high, 385c, low, 225c Trading volume last quarter, 359 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	28,7	24,4	29,8	20,4
LT debt (Rm)	91,7	80,6	80,8	115,1
Debt equity ratio	1,35	0,77	0,61	0,74
Shareholders' interest	0,27	0,32	0,34	0,32
Int & leasing cover	3,1	2,4	2,6	1,5
Return on cap (%)	17,8	19,0	16,4	10,8
Turnover (Rm)	741	900	992	1 058
Pre-int profit (Rm)	61,6	73,2	76,1	55,2
Pre-int margin (%)	8,3	8,1	7,7	5,2
Earnings (c)	126	101	108	43
Dividends (c)	21	22	23	9,5
Net worth (c)	523	498	630	655

A year ago, when everything pointed to recession deepening, Seardel shares were 350c, the p e was 3,2; and the dividend yield 6,6% Now the share has fallen to 250c But, with earnings and dividends having collapsed, the p e has risen to 5,8 and the dividend yield has fallen to 3,8% Can such an implicit rerating be justified?

If a share's value is set mainly by the present value of an expected stream of earnings, then the stronger the growth of future earnings is believed to be, the higher will be the p e investors attach to a share Conversely, an historical 3,2 p e suggests that the market didn't believe that Seardel's EPS growth rate of recent years was sustainable

Last year's results bore that out, as EPS plunged to 1986-1987 levels The market expressed its disapproval in the most censorious way — by selling the share down But the relatively high p e of 5,8 suggests that earnings growth prospects are now seen as better than they have been in the past few years

Economic circumstances seem to suggest this is misplaced optimism No upturn of the economy is expected until at best the second half of next year Hence apparel sales (77% of 1992 turnover and 61% of operating income) are unlikely to increase either to the trade or consumers before June — the end of this financial year Nor are sales increases likely in the toy, electronic, quilting or textile divisions

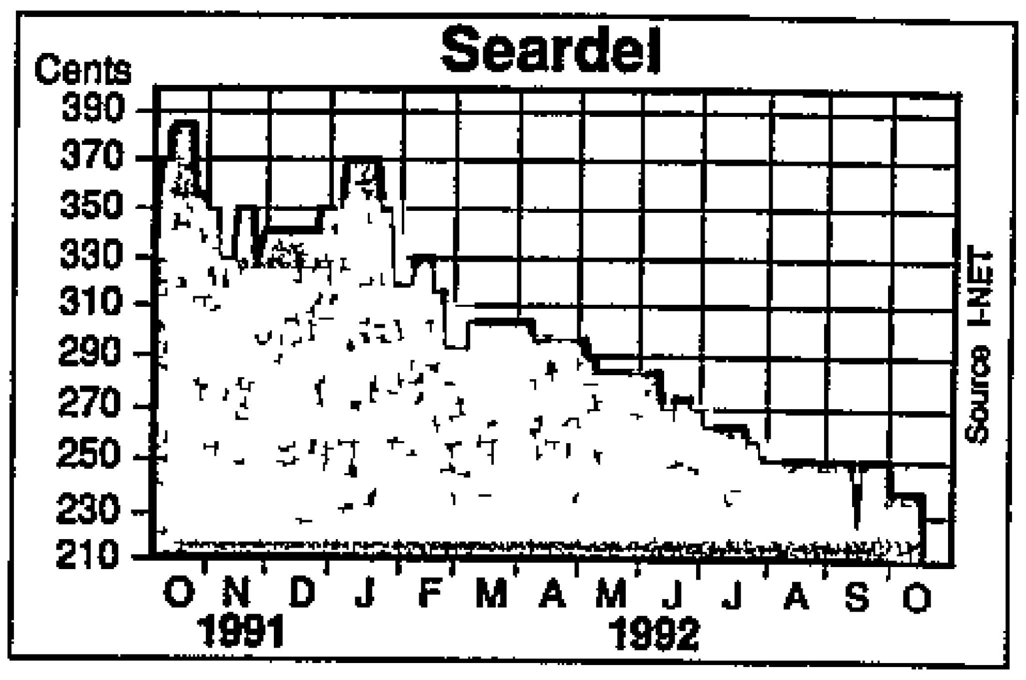
Recession will continue to hammer margins as Seardel struggles to maintain market

FM 30/10/92 (184)

Seardel's Searll..
recurring problems

share Shorter runs mean reduced productivity is likely to remain a problem

Last year was tough. Retailers were demanding previous year's prices from suppliers while textile suppliers were calling for price increases. Increased working capital needs led to higher borrowings and finance costs Overheads escalated as employee service benefits alone increased by 22% (No wonder lay-offs were necessary)



The same problems are likely to recur next year In short, aside from an increasing contribution from exports, there is little scope for optimism about results in the short term, especially if interest rates do not drop

Furthermore, even if EPS reach the topside of chairman Aaron Searll's forecast of 53c, at 250c the p:e will still be 4,7 This looks too high, relative to historical ratings. So, therefore, is the share price — in spite of the huge discount to NAV of 655c

Gerald Hirshon

FM 30|10|92

TEXTILES AND CLOTHING (184)

Finding the right fit

The Textile & Clothing Task Group will have much to talk about when it meets on November 10 for the first of many discussions on a long-term strategy for these industries Three days after the meeting, the Department of Trade & Industry's new temporary

BUSINESS & TECHNOLOGY

FM 30|10|92 (184)

duty structure for textile and clothing imports will take effect

The previous duty structure, which provides for an *ad valorem* duty linked to a maximum specific duty, has been retained, but a minimum specific duty has been introduced into the formula The department says the minimum duty will act as a safety net to deal with the problem of insufficient protection against "disruptively" low-priced products not necessarily dumped

Additional partial rebate provisions have been recommended for industries that cannot be supplied locally

"We've tried to cover all fronts, we're not favouring anybody," says Nic Swart of the Board on Tariffs & Trade, which drew up the temporary measures His priority now is to "get this thing stabilised for the holding period"

Swart says the new tariff levels will prevent the collapse of the industries but the board will be flexible and look at individual items during the interim period The new structure will effectively abolish the quota system recommended by the Hatty Commission and implemented in May.

Tariffs for imported yarns, fabrics, clothing and made-up textiles will be pegged no higher than proposed maximum levels, which will be well below the tariffs proposed by the Hatty Commission Maximum *ad valorem* tariffs are expected to be set at 35% for yarns (five points under Hatty), a maximum of 50% for fabrics (about 30 points under Hatty) and 100% for clothing (compared with 150% under Hatty)

Textile Federation president Malcolm Hughes says the new proposals fall short of the levels requested by his organisation "This will constitute a problem for the industry, but we still need to work through the ramifications"

National Clothing Federation spokesmen reserved comment until the new structure could be assessed ■

FM 30/10/92 (184)

REX TRUEFORM FM 30/10/92.

Gamble pays off (184)

There is a stand-off from new investment in the clothing industry In general, businessmen are demoralised by economic uncertainties Long-term planning has become seriously impaired Conditions in the clothing industry are worse than elsewhere because manufacturers have no assurances on the import protection they will have

Rex Trueform prospered while its market was almost exclusively local, and relatively small, with cheap labour available. But by world standards production runs were short and economies of scale limited. Inefficiencies were rife

Only in the past few years have these truths really become exposed, as consumers' disposable income has shrunk, and the facts have been rammed home by an inflow of cheap imports.

Rex Trueform's merchandise has been aimed largely toward the higher income consumer, where the big retail chains dictate designs and price. The consequent squeeze on margin led Rex Trueform's chairman Stewart Shub to diversify vertically into Queenspark, now a 14-store chain, to secure a market for his factory's products. He lost some old, large customers. Store establishment costs were, and remain, high and the risk of failure was large because of keen competition.

Shub says the gamble has paid off Queenspark is successful and the source of "better margins and a more reliable production flow for our factories " Even so, group results in the first six months of financial 1992 were below budget because of an abnormal seasonal peak in stocks and debtors. This was responsible for the 9% fall in operating income for the year Still, operating income in the second half matched that of the same period in 1991, an encouraging sign that could indicate a better financial 1993.

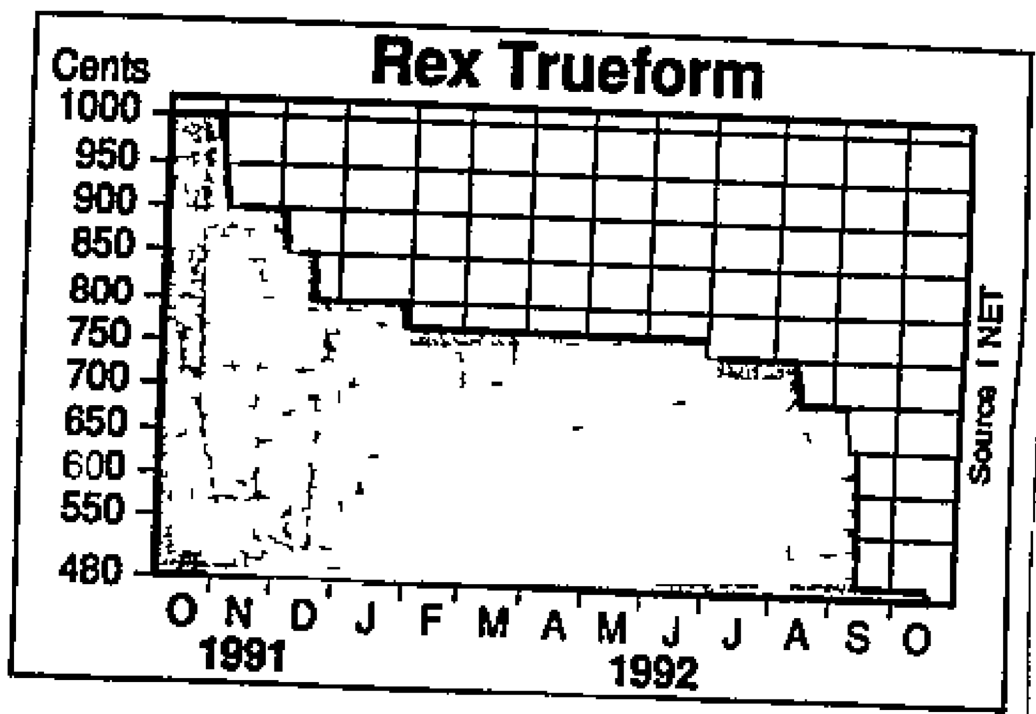
Finance costs exceeded interest received for the first time in many years because of investment in distribution infrastructure and additional stocks. After-tax income was R5,9m (1991. R7,2m) because of a net tax credit of R232 000 for export incentives. Without this profit would have been considerably lower It emphasises Rex Trueform's reliance on export incentives.

In 1992, cash flow deteriorated along with EPS. Economic indicators point to financial 1993 being an even tougher year for retailers and, therefore, for clothing manufacturers. But the group is financially robust and if exports (perhaps boosted by a softer rand) and Queenspark remain strong, perhaps the deterioration in attributable earnings can be halted

Gerald Hirshon

Activities: *Manufacturing and marketing clothing in local and export markets.*
Control: *African and Overseas 71%*
Chairman: *S Shub*
Capital structure: *4,1m ords Market capitalisation: R32m.*
Share market: *Price 775c Yields 7,7% on dividend; 18,4% on earnings, p e ratio, 5,4; cover, 2,4 12-month high, 1 000c, low, 750c Trading volume last quarter, 3 800 shares.*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	1,6	0,8	6,8	7,8
LT debt (Rm)	4,6	9,8	3,0	2,2
Debt:equity ratio	n/a	n/a	0,02	0,08
Shareholders' interest	0,69	0,72	0,76	0,77
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	31,8	13,5	6,3	5,5
Turnover index (1988=100)	119	137	144	145
Pre-int profit (Rm)	16,4	15,6	6,9	6,3
Pre-int margin (%)	n/a	n/a	n/a	n/a
Earnings (c)	416	266	176,2	142,6
Dividends (c)	90	90	70	60
Net worth (c)	1 759	1 931	2 039	2 130



Clothing industry axes 5 000

(184) ARG 27/6/92

TOM HOOD
Business Editor

■ The trend in the clothing industry is worsening and there seems no end to the job losses

TWENTY-TWO garment factories in the Pensinula closed and 5 000 workers lost their jobs in the June quarter, reports the National Clothing Federation.

The Cape still has 411 factories and a workforce of about 49 700

"Countrywide, 7 000 clothing workers lost their jobs this year, leaving 102 800, and 40 factories closed, leaving 1 154, according to federation figures

"Production volumes are declining steeply in both clothing and textile industries," says federation economist Mr Arnold Werbeloff.

"Meanwhile clothing imports were R288-million or R80-million (37 percent) higher from January to October 1991 compared with the same period of 1990," he reports in the federation's latest newsletter

Imports for the whole of last year are an estimated R340-million compared with exports of R320-million If these growth rates are maintained this year, imports will rise to R470 million and exports to R520-million, says Mr Werbeloff

Mr Simon Jocum, reporting from the Cape Clothing Manufacturers Association, says the June quarter has been characterised by further reduction in units sold which resulted in about 5 000 job losses — almost 10 percent of the industry

Many manufacturers were working short time because of cancellation of orders and general downturn in demand for garments

Mr Danie Blignaut, chairman of the Eastern Province CMA, says with the closure of companies, retrenchments and short time the industry was in the most difficult times.

Referring to pay negotiations, he said "Manufacturers are in a survival mode and the union should recognisde that one cannot squeeze water out of a stone

"The threat of stayaways and strikes by unions definitely does not help to attract investments in machinery etc The unions must decide whether they want to increase employment in our industry or support political means."

Another problem is that permits for fabric imports will be less than half (46 percent) of the 1991 volume and will force many clothing manufacturers to buy permits at inflated prices

Clothing stretched

St Times (Buss) 28/6/92 (184)

By DON ROBERTSON

THE clothing industry is being forced to lay off more workers and is financially stretched to the limit in spite of an increase in exports

Chief economist Arnold Werbeloff says in the newsletter from the National Clothing Federation (NCF) that production volumes in the clothing and textile industries are declining steeply As a result, the workforce is being depleted

In the first four months of this year, the average number of employees in the industry was 107 200 compared with 113 700 in the same time last year, a decline of 6 500

Employment in April 1992 dropped to 104 600

"Thus the trend is worsening and there seems no end to the job losses," says Mr Werbeloff.

Clothing imports from January to October last year rose by 37%, or R80-million, to R288-million They are estimated at R340-million for the year.

If these growth rates are maintained, imports could rise to R470-million this year.

Exports rose by R90-million to R231-million from January to October 1991 and are expected to be R320-million for the year.

Estimates for 1992 are that exports will reverse the unfavourable balance of trade and will rise to R520 million

"This would represent a major achievement for the local garment export sector," says Mr Werbeloff.

Lower clothing demand hits Delswa performance

GAVIN DU VENAGE (184)

FASHION house Delswa reported pre-tax profits of R5,1m for the year ended April 1992 compared with R6,8m the previous year

The dividend for the year was 9c (1991 10c) and earnings a share were 40,6c (54,4c)

Group MD Steven Jaff said trading conditions over the past six months had continued to deteriorate with a major drop in demand for clothing This had led to smaller margins and a "serious underrecovery of costs" at the group's factories.

He said fashion had been particularly affected, which resulted in the reorganisation of one of the divisions. Jaff added that Delswa had maintained its export market and had benefited during the year from incentives available to clothing exporters

B|Day 30/6/92

However, the future of exports was uncertain with the erosion of benefits, he said, and as those available under the Structural Adjustment Programme were up for review next year, exports could become unviable

He noted that the predicted drop in pre-tax profits of 30% had been restricted to 25%

Jaff said a major obstacle to progress in the coming year would be limits placed on imported fabrics through a quota system and "excessively high" duties on imports out of the quota resulting from the implementation of many of the Hattie committee proposals on May 1

"These restrictions are certain to cause serious hardship to most clothing manufacturers and severely affect employment in our industry," he said

In a market characterised by volatile political and economic developments, he expected profits to continue to decline

Progress's shares drop

184

8 Day 1/7/92

MICK ELLINGHAM

CLOTHING, footwear and textiles group Progress Industries' shares yesterday reached a low of 100c, having fallen by 33% since the beginning of June

The share stood at 290c a year ago, but fell steadily to its present low of 100c.

Fergusson Bros analyst Howard Cantor said the drop was probably a result of poor consumer demand.

Cantor said it was also possible that investors were getting out the market, as shown in the high volume of shares traded over the past two weeks.

The Natal-based group recorded a R250 000 trading loss for the year ended December 1991

FM 3/7/92 (184)

DELSWA FM 3/7/92

Getting worse

(184)

Delswa is the latest in a line of clothing manufacturers to release mediocre results Earnings are marginally better than the predicted 30% decline, but are still a quarter down on the 1991 figures At the interim stage taxed profit was almost identical to the same period the previous year — so profitability continued to deteriorate in the second half of the year to end-April

An earnings yield of 37% indicates dwindling market confidence and not even the 8,2% dividend yield has been able to attract investors and increase the share price

The share is not heavily traded, but shareholders saw the price plummet from 180c to 100c, before recovering slightly to 110c, during the year And though they received a 3,5c (1991. 3,5c) dividend mid-year, they had to settle for a 1c cut in the payout at year-end

Hatty Committee proposals implemented by the Board of Trade & Tariffs on May 1 include a limit on imported fabrics by means of a quota system and excessively high duties must be paid on fabrics imported out of quota MD Stephen Jaff says this will cause "serious hardships" to most clothing manufacturers and will affect employment Delswa's latest employment numbers were 1 879 (1991 1 941) before a post-balance sheet retrenchment programme Working capital rose by a fifth last year

Diminishing order books and a "serious under-recovery of costs" at Delswa's factories are responsible for depressed earnings, on the back of a 2% increase in turnover Jaff forecasts a further weakening of margins and admits the order books are still low, but firmly believes "the balance sheet is satisfactory under the present conditions " Gearing was 47% at year-end.

Because of lower borrowings, net interest paid has decreased 22%. This flows from management's emphasis on maintaining a strong balance sheet so that the company is positioned for an eventual upturn in the economy

Meanwhile, management is expecting profit will decline even further during this year. On that outlook the high dividend yield offers no enticement to hold the share — another dividend cut is a real possibility.

Kate Rushton

Clothing dispute mended

W/Mail 17/7/92 - 23/7/92 184

By MONDLI MAKHANYA

WHILE strike threats in the beleaguered clothing industry may have receded, the tanning industry is teetering on the verge of strike action.

Eleventh-hour negotiations between the National Clothing Manufacturers' Association and the South African Clothing and Textile Workers' Union (Sactwu) at the weekend averted a strike by 20 000 workers nationwide which would have dealt a deadly blow to the ailing industry.

Workers have settled for raises of between 12,75 percent in the Cape and 13,11 percent in the Transvaal, as against the opening demand of 22 percent and an opening offer of eight percent. A dispute had already been declared and workers were poised for strike ballots. 17/7-23/7/92

At the same time, a pay dispute in tanning has been referred to the executive committee of the leather industrial council, and 2 500 workers are due to begin strike ballots on Tuesday.

Sactwu, which joined forces in the talks with its long-standing rival, the National Union of Leatherworkers, is demanding a 17,8 percent raise, while the South African Tanning Employers' Association has offered 12,5 percent. Negotiations began in April and increases should have come into effect at the beginning of this month.

TABEL 2 • TABLE 2

Soort oliesade Kind of oilseeds	Spesiale heffing per ton (BTW ingesluit) Special levy per ton (VAT included)
	R
1 Gedopte eetgrondbone/Shelled edible groundnuts	11,00
2 Ongedopte eetgrondbone/Unshelled edible groundnuts	7,98
3 Gedopte persgrondbone/Shelled crushing groundnuts	1,10
4 Ongedopte persgrondbone/Unshelled crushing groundnuts	0,80
5 Sonneblomsaad/Sunflower seed	—
6 Eetmark sojabone/Edible market soya beans	15,40"

DEPARTEMENT VAN MANNEKRAG

No. R. 1861 **3 Julie 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

KLERASIENYWERHEID, TRANSVAAL WYSIGING VAN HOOFOOREENKOMS

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Desember 1992 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is, en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die Wysigingsooreenkoms, uitgesonderd dié vervat in klousule 1 (1) (a) met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Desember 1992 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die Wysigingsooreenkoms gespesifiseer

G. M. E. CARELSE,
Adjunkminister van Mannekrag

BYLAE

NYWERHEIDSRAAD VIR DIE KLERASIENYWERHEID (TRANSVAAL)

HOOFOOREENKOMS

ingevolge die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Transvaal Clothing Manufacturers' Association

(hierna die 'werkgewers" of die "werkgewersorganisasie" genoem), aan die een kant, en die

South African Clothing and Textile Workers' Union

(hierna die ' werknemers" of die "vakvereniging" genoem) aan die ander kant,

DEPARTMENT OF MANPOWER

No. R. 1861 184 **3 July 1992**

LABOUR RELATIONS ACT, 1956

CLOTHING INDUSTRY, TRANSVAAL AMENDMENT OF MAIN AGREEMENT

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 December 1992, upon the employers' organisation and the trade union which entered into the Amending Agreement and upon the employers and employees who are members of the said organisation or union, and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the Amending Agreement, excluding those contained in clause 1 (1) (a), shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 December 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the Amending Agreement

G. M. E. CARELSE,
Deputy Minister of Manpower

SCHEDULE

INDUSTRIAL COUNCIL FOR THE CLOTHING INDUSTRY (TRANSVAAL)

MAIN AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Transvaal Clothing Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisation"), of the one part, and the

South African Clothing and Textile Workers' Union

(hereinafter referred to as the "employees" or the 'trade union"), of the other part, wat die partye is by die Nywerheidsraad vir die Klerasienywerheid (Transvaal),

tot wysiging van die Hoofooreenkoms gepubliseer by Goewermentskennisgewing R 3149 van 24 Desember 1991, soos hernieu by Goewermentskennisgewings R 242 van 10 Januarie 1992 en R 1064 van 16 April 1992

1 TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet nagekom word—

(a) deur alle werkgewers wat lede van die werkgewersorganisasie is en by die Klerasienywerheid betrokke is en deur alle werknemers wat lede van die vakverenigings is en in die Nywerheid werksaam is,

(b) in die provinsie Transvaal

(2) Hierdie ooreenkoms is nie van toepassing op patroonmakers, patroongradeerders, voormanne en ambagsmanne wat meer as 15% meer as die minimum loon wat op hulle kategorie werk van toepassing is, verdien nie

2. KLOUSULE 4: LONE

Vervang klousule 4 (1) deur die volgende

"4 LONE

(1) Behoudens subklousules 2 (a), 2 (b), (3), (5) en (6) van hierdie klousule is minstens die volgende weeklikse minimum lone betaalbaar aan ondervermelde kategorieë werknemers vanaf die eerste betaaldag na die inwerkingtreding van hierdie Ooreenkoms en op elke betaaldag daarna Met dien verstande dat leerlinge wie se verhoogde ondervinding soos op 31 Desember 1991 hulle geregtig maak op 'n hoër loon ingevolge die tabel hieronder, die verhoogde loon betaal word vanaf die eerste betaaldag na inwerkingtreding van die Ooreenkoms en op die betaaldag daarna

being the parties to the Industrial Council for the Clothing Industry (Transvaal), (184)

to amend the Main Agreement published under Government Notice R 3149 of 24 December 1991, as renewed by Government Notice R 242 of 10 January 1992 and R 1064 of 16 April 1992

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed—

(a) by all employers who are members of the employers' organisation and who are engaged in the Clothing Industry, and by all employees who are members of the trade union and who are employed in that industry,

(b) in the Province of the Transvaal

(2) The terms of this Agreement shall not apply to pattern makers, pattern graders, foremen and artisans earning in excess of 15% above the minimum wage applicable to their category of work

2. CLAUSE 4: WAGES

Substitute the following for Clause 4 (1)

"4 WAGES

(1) Subject to the provisions of subclauses 2 (a), 2 (b), (3), (5) and (6) of this clause, not less than the following weekly minimum wages shall be paid to the undermentioned categories of employees from the first pay-day after the coming into operation of this Agreement and on each pay-day thereafter Provided that learners whose increased experience as at 31 December 1991 entitles them to a higher wage in terms of the table below shall be paid the increased wage from the first pay-day after the coming into operation of this Agreement and on each pay-day thereafter

VOORGESKREWE LOONSKALE VIR KLERASIEWERKERS (TVL) VIR DIE TYDPERK 92-01-01 TOT 92-06-30

Kategorie	Beroep	Gekwalifiseerd	9de ½ jaar ond	8ste ½ jaar ond	7de ½ jaar ond	6de ½ jaar ond	5de ½ jaar ond	4de ½ jaar ond	3de ½ jaar ond	2de ½ jaar ond	1ste ½ jaar ond
		P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week
		R	R	R	R	R	R	R	R	R	R
A	Patroonmaker en/of -gradeerder	360,64	334,71	308,79	282,87	256,95	231,03	205,11	179,19	153,27	127,35
B	Afmerker	299,09	279,99	260,91	241,83	222,75	203,67	184,59	165,51	146 43	127,35
C	Werktuigkundige	291,69	273,43	255,17	236,91	218,65	200,39	182,13	163,87	145,61	127,35
D	Uitsnyer, snyer en/of hersnyer, negatiefmaker, skermmaker (graveerder), skermdrukker, monstersnyer	217,16	Q	Q	Q	Q	199,19	181,23	163,27	145 31	127,35
E	Naaimasjienwerker, afwerker, operateur van 'n ketelmasjien, omsluitsteekmasjien en/of naaimasjien, fynstopper, borduurder, borduurmasjienwerker (behalwe borduurmasjienbediener), sierlaswerker, kraleaanwerker en/of handplooier, ryger, fatsoeneerder, saampasser, nasiener, parser van kledingstukke, assistentskermmaker (graveerder) assistentskermdrukker, donkerkamerassistent, meng-en filtreerbediener, oond- en droogmaakbediener, skermkontroleur skermbereider, aanstrykerbereider en versendingsverpakker	184,00	Q	Q	Q	Q	Q	169,83	155 67	141 51	127,35
F	Assistenttoesighouer, versendingsklerk, fabrieksklerk, magasynman	233,05	Q	Q	Q	Q	Q	210,04	197 02	184 00	127 35
G1	Ander parsers nie elders vermeld nie, voorparser, parser van hemde, dasse, pajamas en ander nagklere, hoede, pette, onderklere, breidrag, voorskote, oorpakke en bloese sonder kant, borduurwerk, opnaaisels en handgemaakte plooie, masjiendryfbandhegter onderhoudsassistent, laagoplêer, gewone naaldwerker, operateur van 'n knoopoortrekmasjien, ritssluitmasjien en/of plooimasjien werknemer betrokke by die trubenisering van boordjies en/of perssnyer en fatsoeneerder volgens patroonplaat algemene werker, appliekknipper natrekker en/of merker en/of ramer, plooiwerker borduurmasjienbediener	150 11	Q	Q	Q	Q	Q	144 42	138 73	133 04	127 35

Kategorie	Beroep	Gekwalifiseerd	9de ½ jaar ond	8ste ½ jaar ond	7de ½ jaar ond	6de ½ jaar ond	5de ½ jaar ond	4de ½ jaar ond	3de ½ jaar ond	2de ½ jaar ond	1ste ½ jaar ond
		P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week
		R	R	R	R	R	R	R	R	R	R
G2	Alle werknemers geklassifiseer as G1 wat op 1987-12-31 gekwalifiseerd was, behalwe algemene werker, appliekknipper, natrekker en/of merker en/of ramer	152,58									
H1	Voorman	492,07									
H2	Toesighouer	268,53									
H3	Ambagsman	561,25									
H4	Arbeider, bromponiedrywer en/of keteltoesighouer	169,56									
H5	Wag	200,16									
H6	Drywer van 'n ligte motorvoertuig	194,40									
H7	Drywer van 'n swaar motorvoertuig	210,52									
	Monstermasjienwerker	211,60									

PRESCRIBED WAGE SCALES FOR CLOTHING WORKERS (TVL.) FOR THE PERIOD 92-01-01 TO 92-06-30

Category	Description of occupation	Qualified	9th ½ year exp	8th ½ year exp	7th ½ year exp	6th ½ year exp	5th ½ year exp	4th ½ year exp	3rd ½ year exp	2nd ½ year exp	1st ½ year exp
		P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week	P/week
		R	R	R	R	R	R	R	R	R	R
A	Pattern maker and/or grader	360,64	334,71	308,79	282,87	256,95	231,03	205,11	179,19	153,27	127,35
B	Marker-in	299,09	279,99	260,91	241,83	222,75	203,67	184,59	165,51	146,43	127,35
C	Mechanic	291,69	273,43	255,17	236,91	218,65	200,39	182,13	163,87	145,61	127,35
D	Chopper out, cutter and/or re-cutter, negative maker, screen maker (engraver), screen printer, sample cutter	217,16	Q	Q	Q	Q	199,19	181,23	163,27	145,31	127,35
E	Sewing machinist, finisher, operator of a linking, overlocking and/or sewing machine, invisible mender, embroiderer, embroidery machinist (other than embroidery machine minder), fagotter, beader and/or pleater by hand, baster, shaper, fitter up, checker, presser of garments, assistant screen maker (engraver), assistant screen printer, darkroom assistant, mixing and filtering operator, oven and curing operator, screen controller, screen preparer, squeegee preparer and dispatch packer	184,00	Q	Q	Q	Q	Q	169,83	155,67	141,51	127,35
F	Asst supervisor, despatch clerk, factory clerk, storeman	233,05	Q	Q	Q	Q	Q	210,04	197,02	184,00	127,35
G1	Other pressers, not provided for elsewhere, underpresser, presser of shirts, ties, pyjamas and other nightwear, hats, caps, underwear, knitwear, aprons, overalls and blouses without lace, embroidery, tucks and handmade pleats, machine belt fixer, maintenance assistant layer-up, plain sewer, operator of a button covering, zip tacking and/or pleating machine, employee engaged on the truoenizing of collars and/or clicker and shaper by template, general worker, applique cutter, tracer and/or marker and/or framer, pleater embroidery machine minder	150,11	Q	Q	Q	Q	Q	144,42	138,73	133,04	127,35
G2	All employees classified in G1 who were qualified as at 1987-12-31, other than general worker, applique cutter, tracer and/or marker and/or framer	152,58									
H1	Foreman	492,07									
H2	Supervisor	268,53									
H3	Artisan	561,25									
H4	Labourer, scooter driver and/or boiler attendant	169,56									
H5	Watch	200,16									
H6	Driver of a light vehicle	197,40									
H7	Driver of a heavy vehicle	210,52									
	Sample machinist	211,60									

(184)

(2) Vervang klousule 2 (b) deur die volgende tabel

Werkskategorie	Kolom 1	Kolom 2
	R	R
A	336,73	23,91
B	279,27	19,82
C	272,25	19,44
D	202,76	14,40
E	170,00	14,00
F	208,26	14,79
G1	137,60	12,51
G2	140,80	11,78
H1	463,00	29,07
H2	250,73	17,80
H3	524,04	37,21
H4	156,60	12,96
H5	186,40	13,76
H6	183,60	13,80
H7	196,56	13,96
Monstermasjienwerker	195,50	16,10"

3. KLOUSULE 6. KORTTYD

(1) In subklousule (1), vervang die bedrag "R1,40" deur die bedrag "R2,80"

Op hede die 7de dag van Februarie 1992 te Johannesburg onderteken

W. ARON,
Voorsitter

N RATSHIDI,
Ondervoorsitter

L. WANNENBURG,
Sekretaris

No. R. 1862 **3 Junie 1992**

WET OP MANNEKRAGOPLEIDING, 1981
(WET No 56 VAN 1981)

LUGRUIMNYWERHEID OPLEIDINGSRAAD AANWYSING VAN AMBAGTE EN VOORSKRYWING VAN LEERVOORWAARDES

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, handelende kragtens artikel 13 van die Wet op Mannekragopleiding, 1981—

(a) trek hierby, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing, Goewermentskennisgewing No. R 1987 van 13 November 1970 (soos toegepas by Goewermentskennisgewing No R 307 van 5 Maart 1971), soos gewysig by Goewermentskennisgewings Nos R 1945 van 25 Oktober 1974 (soos toegepas by Goewermentskennisgewing No R 10 van 10 Januarie 1975) en R 1141 van 24 Junie 1977 (soos toegepas by Goewermentskennisgewing No R 1810 van 9 September 1977), in Met dien verstande dat die klousules betreffende leertyd, tegniese studies, betaling van klas-, kursus- en eksamengelde, ambagstoetse en opleidingskursusse in die Leervoorwaardes voorgeskryf by genoemde Goewermentskennisgewing, van toepassing bly ten opsigte van vakleerlinge wie se kontrakte van vakleerlingskap aangegaan is voor die datum van inwerkingtreding van hierdie kennisgewing,

(2) Substitute the following for the table under clause 2 (b)

Job category	Column 1	Column 2
	R	R
A	336,73	23,91
B	279,27	19,82
C	272,25	19,44
D	202,76	14,40
E	170,00	14,00
F	208,26	14,79
G1	137,60	12,51
G2	140,80	11,78
H1	463,00	29,07
H2	250,73	17,80
H3	524,04	37,21
H4	156,60	12,96
H5	186,40	13,76
H6	183,60	13,80
H7	196,56	13,96
Sample machinist	195,50	16,10"

3 CLAUSE 6: SHORT TIME

(1) In subclause (1), substitute the figure "R2,80" for the figure "R1,40"

Signed at Johannesburg this 7th day of February 1992

W. ARON,
Chairman

N. RATSHIDI,
Vice-Chairman

L. WANNENBURG,
Secretary

No. R. 1862 **3 June 1992**

MANPOWER TRAINING ACT, 1981
(ACT No 56 OF 1981)

AEROSPACE INDUSTRY TRAINING BOARD DESIGNATION OF TRADES AND PRESCRIPTION OF CONDITIONS OF APPRENTICESHIP

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, acting in terms of section 13 of the Manpower Training Act, 1981—

(a) hereby withdraw, with effect from the second Monday after the date of publication of this notice, Government Notice No R 1987 of 13 November 1970 (as applied by Government Notice No R. 307 of 5 March 1971), as amended by Government Notices Nos R 1945 of 25 October 1974 (as applied by Government Notice No. R 10 of 10 January 1975) and R 1141 of 24 June 1977 (as applied by Government Notice No R 1810 of 9 September 1977) Provided that the clauses pertaining to period of apprenticeship, technical studies, payment of class, course and examination fees, trade tests and courses of training in the Conditions prescribed by the said Government Notice, shall remain applicable in respect of apprentices whose contract of apprenticeship was entered into prior to the date of coming into operation of this notice;

ARG 3/7/92

Fired workers are reinstated, but union is indicted

184

SHARON SOROUR, Labour Reporter

HUNDREDS of clothing workers who were fired for taking part in an illegal march have been reinstated — but the union has been indicted for "misleading" workers who will have to pay R15 000 back to employers over six months

A total of 348 workers at Dermar and Cygnet were ordered back to work by mediator Ms Sarah Christie, but a cost award was made against the union This entitles employers to seek industrial council exemption from provisions which oblige them to pay union dues for six months after the workers' reinstatement.

"The companies shall be entitled to retain all such monies which would have been paid to the union during the six-month period," Ms Christie said

The union subscriptions of SA Clothing and Textile Workers' Union (Sactwu) of R1,65 a week will be deducted from wages and be paid to the companies over six months in terms of the mediation award.

This amounts to R15 000, according to Seardel group industrial relations executive Mr Johan Baard

Ms Christie said the union sought, and was given, municipal and magisterial permission for the march This was widely publicised and "raised confusion in the minds of the workers".

She said "The union sought to capitalise on the permission granted by the civil authorities to persuade . workers that they were entitled to march because it was 'legal' "

The union approached various employers on June 12, including Dermar and Cygnet, requesting permission for employees to take part in the march a week later.

Dermar and Cygnet, both Seardel companies, refused permission and management at both plants made its intention "absolutely clear" in discussions with shop stewards and addresses and letters to the workforce.

Both companies gave unambiguous ultimatums to workers, but the "single most telling point in favour of the workers" was that they answered a call to march, having to choose between honouring the call of the union or submitting to managerial prerogative.

Taking all circumstances into account, Ms Christie found the companies were not entitled to dismiss the workers, who had been guided and "incited" by their union

Clothing bosses 'not prepared for future'

S Times [Cape Metro] 5/7/92 (184)

MANAGEMENT needs an injection of new blood at executive level, a drastic inward evaluation and a change of attitude if it is to keep pace with skilled trade unionists in efforts to strengthen the ailing Western Cape clothing industry

This is the opinion of Mr Willie Wilson-Haig, whose credentials include 33 years of management consultant experience in the clothing and textile industries of the UK, Holland, Northern Ireland and Eire

Mr Wilson-Haig said the giant SA Clothing and Textile Workers Union (Sactwu), "professionally-organised with well-trained and forward-looking officials", had valuable ideas about improving productivity, but he questioned whether management was ready to complement the trade union's "progressive approach"

"Personally, I feel the industry management is by no means ready It doesn't always help to blame external problems and there is a need for an inward look at key areas under its control," he said Mr Haig

"A major handicap under which the clothing industry executive labours today is the severe lack of knowledge of what is really possible Scepticism is the most common reaction when research data on what the industry is capable of achieving is publicised by qualified authorities," he said

"Some just don't believe that up to a 50 percent increase in productivity is possible, or that a three to five percent saving in material usage and management is achievable plus, say, a five to 10 percent reduction in operating overheads Such achievements would more than double pre-tax profits"

Mr Haig said there were four key areas to be addressed by clothing companies if they wanted to survive

Reality

These were Innovation in design and product development, competitiveness through increased productivity and cost efficiency, correct decision-making using computer-based technology and data, and human resource development

"Weakness in any one of these areas is suicidal Companies that don't address them will not survive," he said

Human resource development was the most important area It would have to include all levels of the industry from machinist to managing director, as well as a harmonious relationship between the union and management

Wage demands would be the greatest pressure faced by management in the 90s Clothing companies did not have "enough money in the kitty" to meet this demand at present

If the total productivity gains achievable were addressed the industry would be self-financing enough to pay a market value to its multi-skilled employees

"The R1 000 a week machinist by the year 2 000 is a reality of a new clothing industry which can pay its workforce

"Industry leaders will also be tested

THE clothing industry is on its knees, hit by recession, retrenchments and factory closures and with management under pressure from a large, well-unionised workforce, militant and unhappy at low wages. But Mr Willie Wilson-Haig, right, who has studied the Western Cape's leading employee industry for 10 years, has a vision of a powerful future industry, geared for export, producing quality garments selling at prices high enough to enable it to pay its employees the wage they demand. This week he posed the question: is the management sector of the industry ready to take the industry to a brighter future? He spoke to KURT SWART

by a new breed of young union negotiators like (Sactwu assistant general secretary) Ebrahim Patel and (branch organiser) John Eagle who have been professionally trained in South Africa and abroad"

The union was becoming powerful because of a high level of intellect, skill and academic background.

"These are not just folk dragged from the shopfloor, they are a highly professional umbrella of people representing the workforce The question is whether the industry's executives are equipped to deal with these whizzkids in terms of skills and being in tune with the industry's requirements for the next 10 years"

Sactwu's Patel had proposed a multi-wage incentive scheme and the union was waiting for proposals from management on productivity improvement, which was urgently needed

Mr Haig said the older management stalwarts had "done a tremendous job" in getting the industry started, but now "an injection of new blood" was required at executive level

The output necessary to enable a "living wage" to be paid also needed to be examined

"There is a call for a living wage, but some workers are not earning in output terms the wage they are presently being paid Some are being overpaid even on R199,50 a week."

This was because some workers were showing a personal lack of application, but also because of the management fault of not giving them a continual organised supply of work.

"The objective is for people to be paid a fair market value equal to the skills and high concentration needed to work as a machinist"

Machinists were the lifeblood of the industry, "the hand that feeds the industry", and this had to be appreciated by management

"The sewing machinists of the local industry have the quality to produce garments for any market in the world

"I agree with Patel He sees the industry producing high quality merchandise It takes the same skill to produce a garment of R35 as one of R135 We should be trying to export the strength of the industry — high quality at higher prices This will produce an acceptable profit contribution which will allow the higher wages to be paid"

Increased performance of clothing companies would provide a sound base for export of high quality, high sales value garments to contribute to a secure industry future

"One thing is certain We are heading for an industry with a first division only. Second and third rate companies will not survive," said Mr Haig

The industry was also fractured between retailer, cloth supplier and manufacturer.

"There is pressure from the cloth supplier who more or less dictates what the price is going to be The profits of many big retailers are up Retail markups are much too high, more than 100 percent in cases. They are in the gravy"

But the manufacturers were in a no-win situation They took most of the risks, including dealing with employee problems, and companies were struggling to make a living wage for themselves in business terms.

"There is a need to build one strong industry, with the textile and retail side becoming an integrated part of the industry At the moment they are all in it for themselves, with an us and them mentality They need to go beyond seeing only their own interests"

Survive

Mr Haig compared the present situation with his experience of the British clothing industry of the 70s, which was hit by major retrenchments, closures and recession

"What happened there was an improvement in the level of efficiency — an in-depth view of total manufacturing resources was undertaken with a determined ongoing commitment to performance improvement"

The companies that survived had applied modern techniques, effective use of resources and training and management development

"The UK was left with a leaner, healthier and more profitable industry which was able to grow stronger and survive cyclical economic trends

"I have no doubt that the clothing industry will survive. I can't predict the size of it, but it will consist only of high-productivity, well-managed companies

"With union, manufacturer, supplier and retailer showing a total respect for each other with the goal of putting out the best garments, everyone would get a good reward for their efforts," said Mr Haig

Falling demand for clothing disastrous — Lenco

(189) STAR 13/7/92.

By Stephen Cranston

There was a marked decline in demand for Lenco clothing and footwear products but a much smaller decline in demand for its packaging products, chairman Douglas de Jager says in his review of the year to February.

Lenco makes a wide range of packaging products it sells to a broad spectrum of industries

He describes the decline in demand for clothing and footwear in the last quarter as disastrous

"These industries are finding it increasingly difficult to compete with imports from the East, where productivity is so much higher"

The performances of Lenco subsidiaries House of Monatic and Amshoe were better than most of its domestic competitors

"But this is not to be taken as consolation," he says. The clothing division does not yet yield the required returns on capital employed

Mr de Jager describes SA clothing manufacturers as undisciplined.

"Manufacturers offer over-extended credit terms to retailers, there is a shortage of modern equipment and unreliable deliveries from the cloth manufacturers."

Mr de Jager says the current fiscal and monetary policies are slowly bleeding the economy to death.

The onus is on Finance Minister Derek Keys to rectify matters

During the year, Lenco's gearing fell from 46 percent to 24 percent, while the share price rose 74 percent.

Lenco remains focused in the formal menswear market and the lower-to-middle footwear market.

Strike averted by last-minute talks

B/Day 13/7/92 (184)

LINDA ENSOR

CAPE TOWN — A threatened strike by clothing workers to back wage demands has been averted at the 11th hour and the beleaguered clothing industry has been rescued from what employers say would have been a disastrous blow

Finishing touches were being placed on agreements in the western Cape, Natal and Transvaal on Friday, with only the eastern Cape still plagued by indecision

The agreements were reached in informal, closed door negotiations after the SA Clothing Workers' Union declared a formal dispute and workers staged a march

Wage increases averaged 11%-12%, with packages ranging between 12,75% in the Cape and 13,9% in the Transvaal

Cape Clothing Manufacturers' Association and Cape Knitting Industries Association executive-director Peter Cragg said the settlement was realistic in current economic conditions Retrenchments were at record levels.

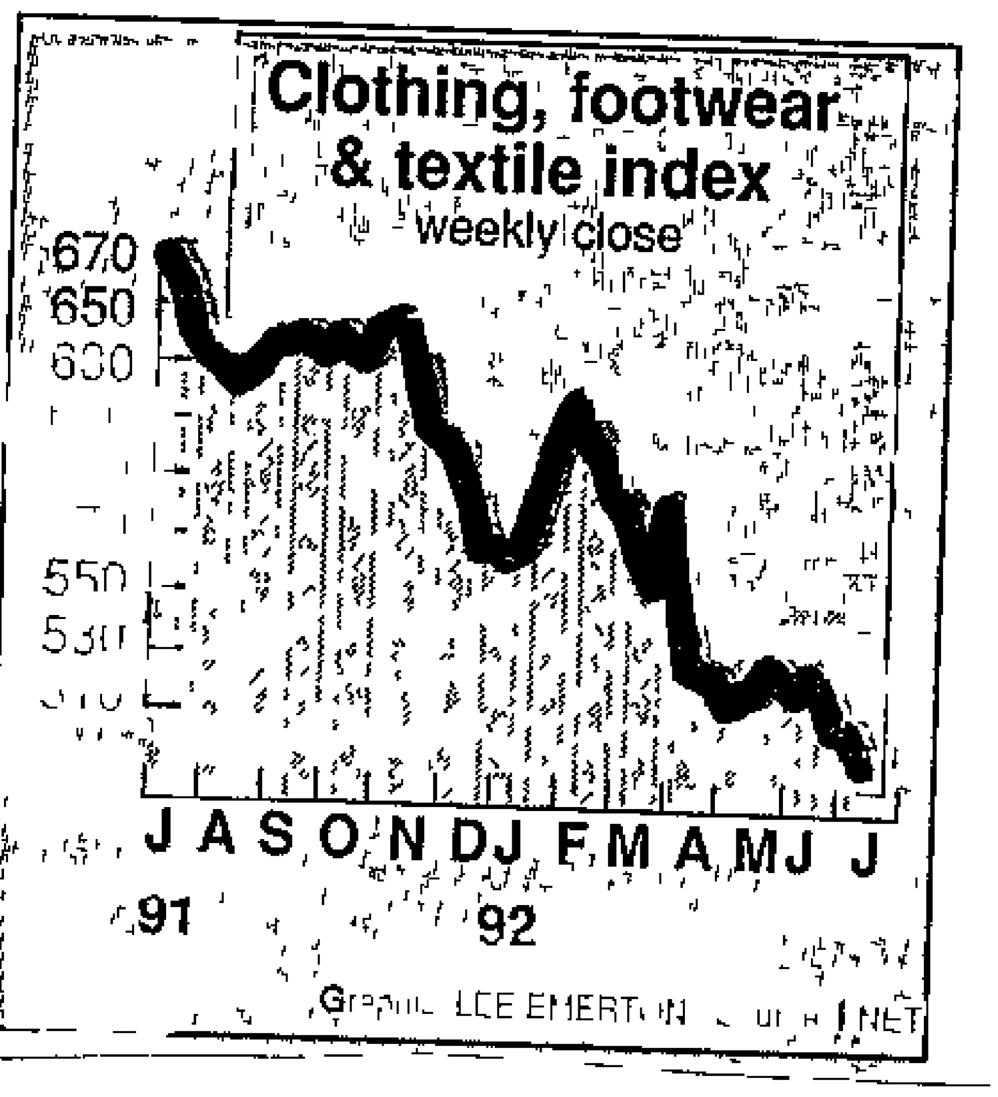
National Clothing Federation (NCF) figures showed that over the last eight months the number of manufacturers in the western Cape, Natal and Transvaal had fallen by 73, and more than 13 000 jobs had been lost

The clothing, footwear and textiles index fell about 25% since July 1991.

Cragg said Cape employers, unlike those in Natal and Transvaal, would not accede to calls for the creation of a slack fund and for a guaranteed annual bonus.

Chief negotiator for Cape employers and Seardel industrial relations executive Johan Baard said employers had started out with a 5% offer and the union with a package which amounted to a 45% increase A dispute was declared at the point

☐ To Page 2



Strike

B/DAY 13/7/92. (184)

☐ From Page 1

where the unions proposed an increase of 22% and the employers 8%.

Baard said it was the first year since the industry had been exposed to "Cosatu-style negotiations" that the parties had reached a settlement without third party intervention. This augured well for the future of collective bargaining in the industry.

Meanwhile, five listed clothing and textile companies have disappeared from the JSE board over the last year. And many unlisted companies have gone under.

The two industries' circumstances have been made more difficult by an uncertain legal framework.

A new interim tariff and quota structure was introduced in May and was due to be amended again by the Board of Tariffs and Trade in the next few weeks The long delay in instituting a new structure caused serious disruptions, industry sources said.

One analyst said this was a sector in deep trouble and a lot of the share prices were at "bombed-out" levels. But he added there was still relative value in some shares like Seardel and Romatex.

Earlier this month, JSE-listed clothing retailer Focus Holdings was provisionally liquidated Leegall Clothing, Trimtex, Filati Holdings (DCM) and, last week, Debonair Group were other listed companies which collapsed

Unispin was only saved from the brink by a R120m restructuring agreement with its bankers. Chairman Robert Wachsberger partly blamed the flood of cheap imports, estimated at 65% of the market.

Significant unlisted companies which fell by the wayside include Starter Clothing in Cape Town and Calypso, Triple-A, Daylee Clothing and Nina Fashions in Durban, while Hebox Textiles in Hammarsdale and Scotford Mills in Ladysmith had been plagued by problems.

Employment over the last eight months had fallen to 103 000 from 116 000, NCF executive director Hennie van Zyl reported This excluded the rural and homeland areas where 40 000 people worked.

Clothing output dropped 5% between November and June and 13% since the beginning of 1990 Van Zyl expected a further contraction up to the fourth quarter. Thereafter, positive growth was expected.

Meritex Group still in red

MARC HASENFUSS (184) ARG 13/7/92
Business staff

LOCAL garment manufacturer Meritex Group continued to operate in the red for the first half of the year, chairman Ed Gordon told shareholders at the AGM today.

He said that although second half profits were invariably better than the first half, they profits were unlikely to offset first half losses.

In spite of likely further losses in the current financial year, Mr Gordon did not anticipate any funding problems.

But South African Shareholders Association chairman Mr Issy Goldberg pointed out that a repeat of last year's R3,5 million loss in the current year could threaten the group's funding.

Mr Gordon said one of the main problems facing the group was the continued lack of defined government policy.

The government's unrealistic import tariff policy on yarns, fabrics and garments had also been unduly damaging, he said.

"Until these aspects of import tariff policy, dumping and the Structural Adjustment Programme are satisfactorily resolved, there can be no real growth prospects for our industry."

"Because our industry is labour intensive, we do believe that in the long term government will draft a realistic policy."

Demand for clothing down

Argus Correspondent 184 AUG 13/7/92

JOHANNESBURG — There was a marked decline in demand for Lenco clothing and footwear products, but a much smaller decline in demand for its packaging products, chairman Douglas de Jager says in his review of the year to February

Lenco makes a wide range of packaging products for a wide range of industries

Mr De Jager described the decline in demand for clothing and footwear in the last quarter as disastrous

"These industries are finding it increasingly difficult to compete with imports from the East, where productivity is so much higher," he said

The performances of Lenco subsidiaries House of Monatic and Amshoe were better than most of its domestic competitors

"But this is not to be taken as consolation," he said "The clothing division does not yet yield the required returns on capital employed"

Mr De Jager described South African clothing manufacturers as undisciplined

"Manufacturers offer over-extended credit terms to retailers, there is a shortage of modern equipment and unreliable deliveries from the cloth manufacturers"

Mr De Jager said the current fiscal and monetary policies were slowly bleeding the economy to death

The onus was on Finance Minister Derek Keys

During the year, Lenco's gearing fell from 46 percent to 24 percent, while the share price rose 74 percent

Lenco remained focused in the formal menswear market and the lower-to-middle footwear market

Lenco planned to decentralise Amshoe's management structure

Combined Packaging had a vast array of management skills and was lean and hard, said Mr De Jager

FM 17/7/92 (184)

BURLINGTON INDUSTRIES

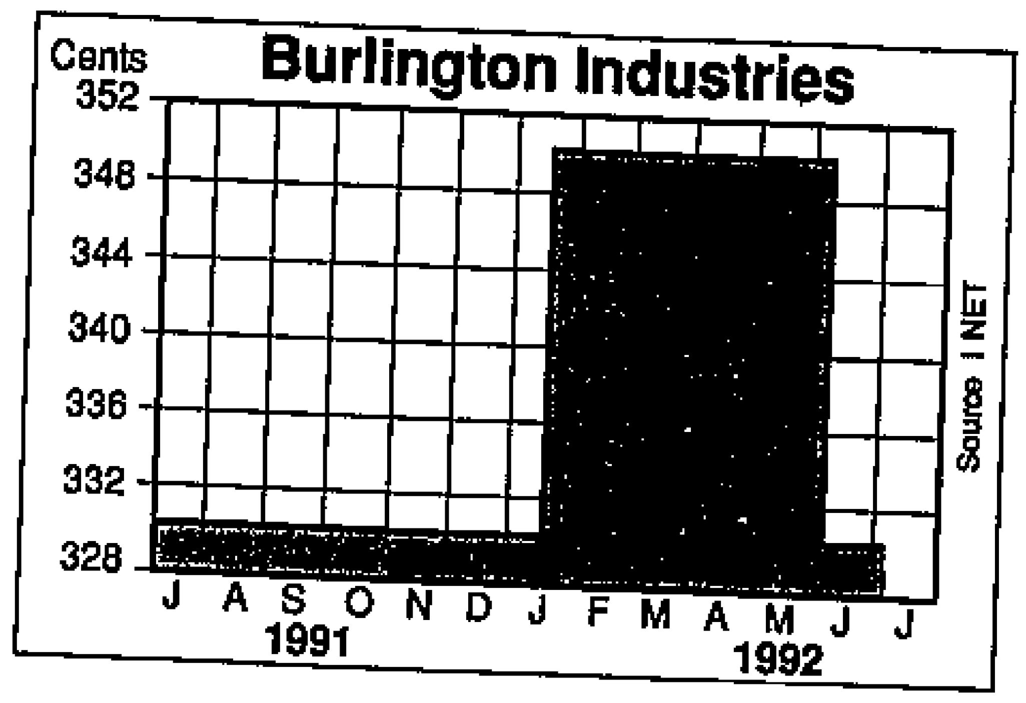
Weaker trading (184)

Activities: *Manufactures clothing*
Control: *Directors 61%.*
Chairman: *P Kawitzky*
Capital structure: *600 000 ords Market capitalisation R1,78m*
Share market: *Price 297c Yields 4,2% on dividend, 28,0% on earnings, p e ratio, 3,6, cover, 6,6 12-month high, 350c, low, 297c Trading volume last quarter, nil shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	1,7	1,1	0,9	0,7
LT debt (Rm)	2,8	2,3	2,3	2,3
Debt equity ratio	1,40	0,86	0,72	0,63
Shareholders interest	0,33	0,41	0,47	0,46
Int & leasing cover	1,50	1,67	1,76	1,79
Return on cap (%)	10,4	13,4	14,7	10,7
Turnover (% change)	n/a	31	5,6	(3 4)
Pre-int profit (Rm)	1,0	1,3	1,4	1,1
Earnings (c)	47,5	77,6	89,6	83,2
Dividends (c)	6	10	12,5	12,5
Net worth (c)	512	641	712	763

Interest payments were brought down during 1991, in line with a strengthening of the balance sheet, but this was accompanied by a deterioration in profitability Operating profit fell by a fifth and finance costs are still absorbing more than 48% of pre-interest profit — though this has dropped from the previous year's 55%

Gearing is far more manageable than the



1,4 of three years ago but remains high at 0,63 Director Anthony Kawitzky says management will make every effort to hold or reduce this figure

As well as the poor trading performance, a R119 898 building repair bill was charged as an extraordinary item and Kawitzky says repairs are still not complete He is unable to estimate future costs but says there will be a further extraordinary charge this year

Management is concerned about a possible clothing industry strike Kawitzky says it is hoped that a new agreement will be finalised soon or the present "state of imbalance" in the industry will worsen

Turnover in the first four months of this year has remained weak. That does not bode well for a recovery Gearing has remained high despite the high dividend cover of more than six times The problem is inadequate profitability, as indicated by the return on assets of only 10,7% There is no incentive to buy the share now

Kate Rushton

CLOTHING & TEXTILES (184)

FM 17|7|92

Reaching agreement

The textile and clothing industries have buried their differences and reached an agreement on tariff and import rules affecting the two sectors Initialled last week, the agreement between the Textile Federation, the National Clothing Federation and the Board on Tariffs & Trade is now on the desk of Trade & Industry Director-General Stef Naude for final approval.

Both industries want a decision from Naude as quickly as possible. "Rome is metaphorically burning with enormous losses being sustained on a daily basis in the clothing sector, and the ongoing uncertainty is holding back further investment in both sectors," says one industry source

Central to the agreement is a roughly 40% increase in the extremely restrictive import quotas granted for various types of fabrics (used in clothing manufacture) recommended by the Hatty report and implemented on May 1 The proposed increase will apply retroactively to May 1 for companies that had already applied for quotas.

Secondly, it is agreed that the quota system would be terminated on October 31, to be replaced by a new, simplified duty system that will be published as soon as possible in the *Government Gazette*. Tariffs for imported yarns, fabrics, clothing and made-up textiles will be pegged at no higher than proposed maximum levels that will be well below the excessive tariffs proposed by the Hatty report

The proposed new tariffs would come into effect on November 1 and remain for a period of a year. Until the end of October, the Hatty-recommended tariffs will remain.

For yarns, the agreement stipulates a maximum ad valorem tariff of 35% (com-

Cont →

FM 17|7|92

pared to about 40% under Hatty); for fabrics, a maximum rate of 50% (about 80% under Hatty), and for clothing 100% (against Hatty's 150%)

While these levels will still be well above the regime in place before Hatty, both sectors agreed to the interim ruling and will now participate in devising an acceptable long-term strategy for the industries.

The agreement also states that

☐ From November an anti-dumping role will be fulfilled by government's new anti-dumping unit, and

☐ Government will investigate the feasibility of replacing the current arrangement under the structural adjustment programme — highly unpopular with the textile industry — by allowing duty-free imports for use in exports

The long-term strategy committee hopes to avoid getting bogged down by tariff issues, the board is expected to publish a schedule of guidelines, for the gradual reduction of tariffs over a period of years, before the committee's first meeting, which is expected to take place in weeks

"We need to focus more on jointly important issues such as promotion of exports, training of manpower and management, wool beneficiation, new technologies and operating as global players," says an industry source

With the agreement not yet ratified by government, officials from the two industries declined to comment *Arnold van Huyssteen*

184

ARG 18/7/92

Delay costly on clothing imports

■ Changes in a plan devised to prevent dumping of cheap imports on South Africa, a plan which threatened to hit small clothing and textile firms, are in the pipeline.

TOM HOOD, Business Editor

STRONGER anti-dumping action against cheap imports of clothing and textiles could be taken by the government before the end of the year

This emerges from disclosures that proposals to solve the "Hatty debacle", which threatens smaller firms in both industries, are expected to be gazetted before the end of the month

A quota system and sharply higher import duties was among trade protection measures devised by a committee headed by Mr Paul Hatty, a Barlow Rand executive, and sprung on the industries from May 1

Small clothing and textile manufacturers attacked the Hatty measures as a threat to their survival and claimed that the giant companies would benefit most

The Textile Wholesalers Association said the cost of clothing at the lower end of the market would double as a result of higher import duties from May 1

After weeks of argument, top officials of the National Clothing Federation and Textile Federation are reported to have agreed to changes to the Hatty plan

The agreement is being considered by the Director-General for Trade and Industry, Dr Stef Naude, and industry officials expect details to be published soon in the Government Gazette.

"There is the possibility that this agreement, like the last one, will be circulated by the government for further comment," said a Cape clothing manufacturer

"If that happens it will add to the uncertainty. We are trying to quote prices to large customers for next winter, but we don't know what we will pay for imported textiles.

"This uncertainty is turning business into a gamble."

According to industry sources, the quota system is likely to end on October 30 and be replaced by a simplified duty system

New levels of tariffs on imported yarns, fabrics, clothing and made-up textiles will be lower than the high rates recommended by the Hatty report

The controversial Hatty import quotas could be increased by about 40 percent and apply to companies that sought quotas from May 1

The new tariffs are likely to stay in force for 12 months from November

Both industries are anxious to devise an acceptable long-term strategy and are reported to have agreed to the Hatty plan for the time being

The government is said to be studying the unpopular structural adjustment programme and improving it by allowing duty-free imports to be used for exports.

Shift in spending patterns

CT 23/7/92

184

Business Editor

THE closing of shebeens as a result of violence in the townships is one of the factors affecting black spending on clothes, Morokile Shuenyane, communications director of the Black Management Forum, told the Cape branch of the Clothing Institute yesterday

He said that people frequenting shebeens used to copy each other's style of dressing "A way of advertising through peer pressure has gone That will impact on business."

And people who used to spend extravagantly on clothes and shoes now had to help unemployed relatives, which reduced their disposable income.

Shuenyane said one of the reasons blacks had been "known as snappy dressers" was that, in the past, they had few other status symbols available to them

Now they could buy houses And it had become much easier to obtain a passport, so that more were going overseas "Now we find local blacks travelling — and finding foreign countries not what they thought"

Blacks who went overseas expecting to find the lifestyles shown in Ebony magazine and US television programmes discovered "they have to search to find the few who live like that"

This was helping to change styles of dress Blacks now tended to favour jeans and T-shirts or track suits

There was an increasing trend of wearing traditional African robes at social functions.

Discussing black aspirations, Shuenyane said blacks "go to places like Bantry Bay and wish to live like the people there"

Role models included "people like Sol Kerzner, who stood in the middle of nowhere and decided to build Sun City there because he wanted to"

Business Report

Clothing industry knocked for 'bias'

(184) CT 23/7/92

By AUDREY D ANGELO
Business Editor

THE reluctance of the clothing industry to advance blacks and women might result in legislation being passed by the next government "to appease their constituencies", Morokile Shuenyane, communications director of the Black Management Forum, warned yesterday.

Shuenyane was speaking at a breakfast organised by the Cape branch of the Clothing Institute at the Vineyard Hotel, Claremont.

He said that blacks considered the clothing industry had plus factors, but it also had its faults. And their perceptions that the industry had no blacks in key positions affected its image very negatively.

Among the plus factors, Shuenyane said, were that the clothing industry was a large scale provider of jobs and had a big impact on the local market.

"I think most clothing firms really care for their staff and strive for healthy industrial relations."

There was a "homely family atmosphere" in most companies.

"You minimise the necessity to import clothing. You have striven for high standards and have impressive quality control."

Negative factors were that blacks saw clothing manufacturers as too paternalistic.

And they considered the manufacturers politically naive in their reactions to threats of a strike and in thinking that "a broad line can be drawn between labour and politics."

The industry was "racially insulated" — with white people at the top — and was resistant to change.

"You behave like a foreign institute in an African environment. You are scared to tackle racial issues. The Clothing Institute has only one colour — and that is too conspicuous in SA in the 1990s."

A blind eye was being turned to the "many brilliant black designers in this country", whose skills and talents were being ignored.

An example of this, said Shuenyane, was that a former designer for Pierre Cardin in Paris, Nandipa Madizkiza, had been unable to find a job since returning to SA four years ago.

Shuenyane warned that the industry's reluctance to be pro-active in the advancement of blacks and women might mean that it had missed the boat.

"You should not be surprised, when there is a new government in SA, if the key players appease their constituencies by coming out with laws loaded in favour of black designers and little people hanging around in the townships."

Politicians might "come out with silly suggestions, to get votes."

Exports put Lenco on profit road

B/DAY 23/7/92

LINDA ENSOR

CAPE TOWN — Exporter Lenco Holdings was expecting reasonable profit in the year to end-February 1993, executive chairman Douglas de Jager said yesterday.

De Jager has recently returned from a trip to Russia and is in the process of finalising export orders for packaging equipment worth about R8,4m.

If, as expected, Lenco acquires 100% of Metkor's Hendler & Hart — which manufactures this equipment and which is presently under Lenco management — the group will derive full benefit from the export orders.

The deal will also give Lenco exclusive distribution rights in Africa for certain Russian products.

De Jager says export orders for packaging equipment worth R14m from the US market will come in by next year, and that inquiries worth R28m have been received.

One of the main reasons for the continued buoyancy of the group's performance is its four-year secured contract for clothing exports

De Jager says these exports will increase by 50% this year and are responsible for clothing manufacturer House of Monatic operating at full capacity for the first time

As a result of exports, clothing margins have strengthened, but footwear margins remain under serious pressure However, the market has responded well to Amshoe's latest range

Allwear moots action plan

KARIN FRANKEN (184)

CLOTHING manufacturer Allwear Group planned to improve future results through tighter control of expenses, production cuts and staff reductions, chairman Renier van Rooyen said yesterday BDM 24/7/92

Earnings a share dropped by 78,9% to 8,2c from 38,8c for the year to end-February 1992, while turnover rose by 10% from R60,3m to R66,3m The dividend was passed

An increase in profit during the coming year should materialise after introducing stricter asset management and more stock reductions, he said

"Rationalisation programmes have already been implemented in an effort to adjust the company's cost structure and production capacity

"Extremely difficult trading conditions will continue, despite a slight growth in the economy predicted for the year ahead"

FM 24|7|92 (184)

COASTAL CLOTHING

FM 24|7|92

Short-lived recovery

(184)

Activities: *Clothing manufacturer*
Control: *Directors 73,6%*
Chairman and MD: *G Neale-May*
Capital structure: *11m ords Market capitalisation R1,3m*
Share market: *Price· 12c Yields· 12,5% on earnings, p e ratio, 8 12-month high, 23c, low, 12c Trading volume last quarter, 1 000 shares.*

Year to Feb 29	**'89***	**'90***	**'91***	**'92**
ST debt (Rm)	0,03	0,03	—	—
LT debt (Rm)	0,13	0,38	0,38	0,68
Debt equity ratio	0,02	0,10	0,06	0,14
Shareholders' interest	0,62	0,57	0,56	0,51
Int & leasing cover	14,6	—	2,3	1,5
Return on cap (%)	61,8	—	18,9	14,7
Turnover (Rm)	13,5	14,3	14,1	20,0
Pre-int profit (Rm)	1,6	(0,05)	1,2	1,1
Pre-int margin (%)	12,0	—	8,4	5,4
Earnings (c)	9,1	(2,6)	3,3	1,5
Dividends (c)	2,5	—	1	—
Net worth (c)	35	30	31	34

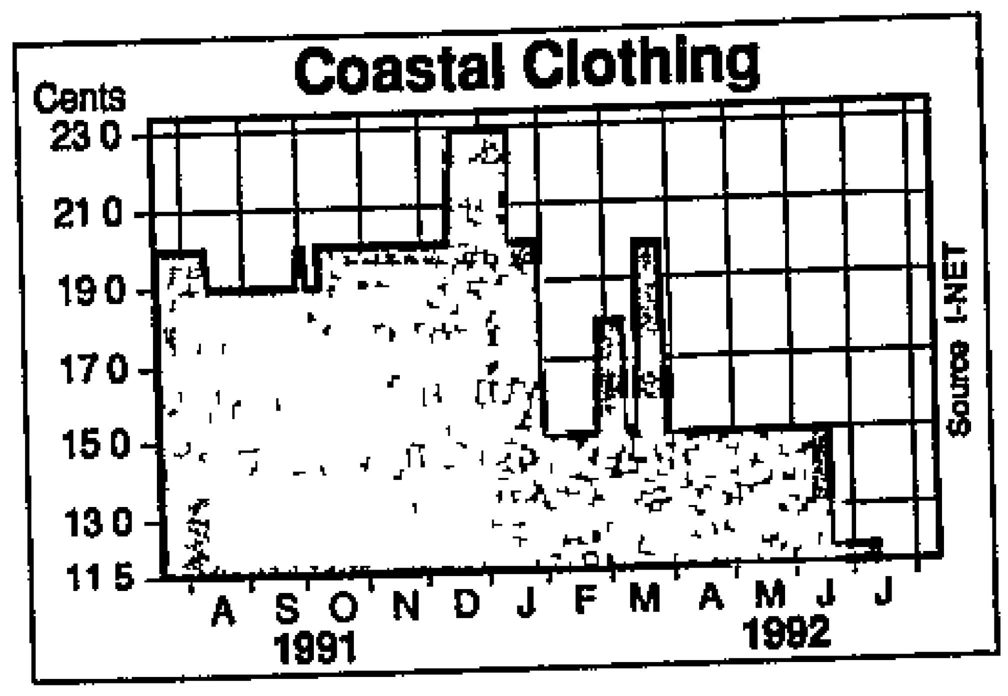
* Holding company only

A management shakeup in 1990 saw Coastal's earnings return to profitability the following year But the recovery was short-lived EPS were more than halved in 1992 and the dividend was again passed

Soon after his appointment in June 1990, chairman Gary Neale-May closed unprofitable divisions and discontinued marginal product lines Management also started looking towards acquisitions. In the first quarter of last year, Coastal acquired a 100% stake in Jon-Al Fashions for R746 000, financed by long-term borrowings and working capital Gearing increased, but at year-end was conservative at 0,14.

Working capital was, nevertheless, R500 000 down on the previous year's figure Stock increased 18% on a 42% increase in turnover, stock turn rose from 5,5 to 6,1. Financial director Clive Martin says the company works to order, but depressed retail sales have meant lower production volumes Total units may be up, but units per employee are down.

The 18% drop in net income, according to Martin, was due to slack demand for winter clothing, particularly in the ladies' wear division



Jon-Al has started to show promise of improved sales in the second half of 1992 after contributing a loss of R11 000 for the year Neale-May expects a positive contribution this year.

He points out that recently gazetted increases in tariffs on raw material imports will be adverse for the industry and he says management is taking a cautious view on future trading activity. Large chains and groups account for 70% of the group's turnover, so higher costs are not easily passed on to customers

Given Martin's assurance that orders are now healthy and that Coastal is taking on more staff, recovery is possible. But the share is at a 12-month low and offers little attraction to investors

Kate Rushton

FM 24/7/92 (184)

COASTAL CLOTHING

FM 24/7/92

Short-lived recovery

Activities: *Clothing manufacturer*
Control: *Directors 73,6%*
Chairman and MD: *G Neale-May*

(184)

Capital structure: *11m ords Market capitalisation R1,3m*
Share market: *Price 12c Yields 12,5% on earnings, p.e ratio, 8 12-month high, 23c, low, 12c Trading volume last quarter, 1 000 shares*

Year to Feb 29	'89*	'90*	'91*	'92
ST debt (Rm)	0,03	0,03	—	—
LT debt (Rm)	0,13	0,38	0,38	0,68
Debt equity ratio	0,02	0,10	0,06	0,14
Shareholders' interest	0,62	0,57	0,56	0,51
Int & leasing cover	14,6	—	2,3	1,5
Return on cap (%)	61,8	—	18,9	14,7
Turnover (Rm)	13,5	14,3	14,1	20,0
Pre-int profit (Rm)	1,6	(0,05)	1,2	1,1
Pre-int margin (%)	12,0	—	8,4	5,4
Earnings (c)	9,1	(2,6)	3,3	1,5
Dividends (c)	2,5	—	1	—
Net worth (c)	35	30	31	34

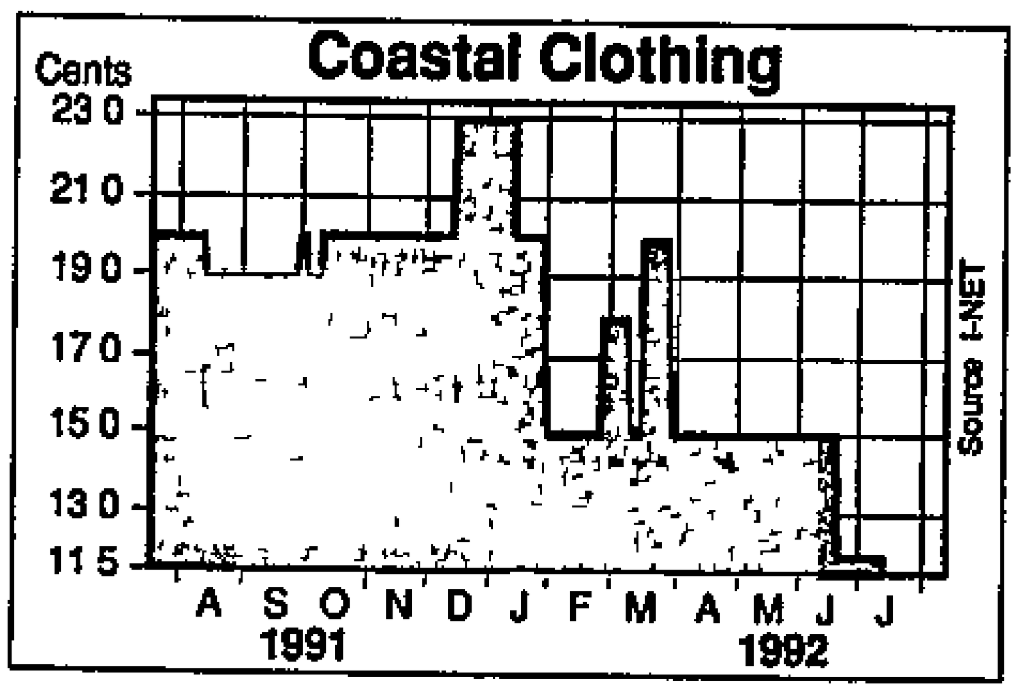
* Holding company only

A management shakeup in 1990 saw Coastal's earnings return to profitability the following year But the recovery was short-lived EPS were more than halved in 1992 and the dividend was again passed

Soon after his appointment in June 1990, chairman Gary Neale-May closed unprofitable divisions and discontinued marginal product lines Management also started looking towards acquisitions In the first quarter of last year, Coastal acquired a 100% stake in Jon-Al Fashions for R746 000, financed by long-term borrowings and working capital Gearing increased, but at year-end was conservative at 0,14

Working capital was, nevertheless, R500 000 down on the previous year's figure Stock increased 18% on a 42% increase in turnover, stock turn rose from 5,5 to 6,1 Financial director Clive Martin says the company works to order, but depressed retail sales have meant lower production volumes Total units may be up, but units per employee are down

The 18% drop in net income, according to Martin, was due to slack demand for winter clothing, particularly in the ladies' wear division



Jon-Al has started to show promise of improved sales in the second half of 1992 after contributing a loss of R11 000 for the year Neale-May expects a positive contribution this year.

He points out that recently gazetted increases in tariffs on raw material imports will be adverse for the industry and he says management is taking a cautious view on future trading activity Large chains and groups account for 70% of the group's turnover, so higher costs are not easily passed on to customers

Given Martin's assurance that orders are now healthy and that Coastal is taking on more staff, recovery is possible But the share is at a 12-month low and offers little attraction to investors *Kate Rushton*

SA Bias takes tumble after 14 years

BDAY 3/7/92. (184)

DUMA GQUBULE

SA BIAS group has reported its first earnings decline in 14 years, due mainly to depressed conditions in the clothing and footwear industries

SA Bias Holdings (SABH) — holding company for subsidiaries SA Bias Industries (Sabind) and Merhold — reported a 20% decline in earnings to 33,4c (42c) a share in the half year to end-June The dividend was reduced to 8,5c a share. Management is now forecasting a 25% decline in full year earnings to 75c (99,5c) a share

The directors said the results had to be viewed in light of the difficult economic conditions prevailing and the depressed state of the clothing and footwear sectors But the group's operations were well placed to take advantage of any improvements in trading conditions Its strategic positioning and forward planning suggested interesting developments in the near future, they said

Results for pyramid Sabvest — which has a 50,4% interest in SABH — were in line with SABH's Earnings per share fell to 16,7c (21c) and the interim dividend to 4,25c (5,5c)

SA Bias Industries (Sabind), a manufacturer and distributor of accessories to the clothing, footwear and allied industries, saw its earnings plunge by a half to 9,6c (19c) per share An interim dividend of 3,5c (7c) per share was declared.

Turnover, which was not disclosed, fell by 14% compared with the comparable figure last year A squeeze on margins resulted in a 50% decline in profits before interest and tax Attributable income fell by a similar ammount to R2,7m (R5,4m)

Financial services and investment subsidiary Merhold, however, increased earnings by 18% to 27,5c (23,4c). An interim dividend of 9c (8c) was declared Management has forecast a 15% increase in earnings to 57c a share.

Turnover increased marginally to R55,1m (R54,2m) and net income was 4,1% up to R6,2m (R5,9m) Attributable income was reported at R5m (R4,3m)

Textile, clothing union agrees on 14,5%

DIRK HARTFORD 184

BD 24/3/92

THE SA Textile and Clothing Workers' Union (Sactwu) has negotiated an average 14,5% wage increase for most of its 107 000 members in the clothing industry.

In agreements with various employer organisations nationally, the union secured R150m in increases to wages, bonuses and provident and sick funds.

Sactwu assistant general secretary Ebrahim Patel said the settlement was acceptable to workers against the backdrop of the economic recession and a huge decline in the clothing industry's output. The agreement represented "a fair balance between wage improvements and the need to maintain maximum employment in a highly labour-intensive industry".

The union also managed to extend its closed shop agreement to employers who were not part of Transvaal and western Cape employers' associations

The Transvaal industrial council will now cover highly paid categories of work and an industry short-time fund has been established. It was also agreed that a joint union-employer delegation would visit the Bophuthatswana government to seek recognition for Sactwu in the homeland

Patel said employers had also agreed to discuss matters which included national centralised bargaining, a national productivity council and wage parity

Revised duties for clothing industry

(184)

BIDAY 10/8/92

LINDA ENSOR

CAPE TOWN — The controversial tariff quota system for clothing and textiles, introduced on an interim basis on May 1, will be discontinued on November 1 when a revised duty structure will take effect

Deputy Trade and Industry Minister David Graaff said yesterday the Board on Tariffs and Trade had proposed a revised duty structure for one year while a long-term strategy for the two industries was formulated by a special task force

Board deputy chairman Helgaard Muller said yesterday the ad valorem duties would be published for comment in the Government Gazette in two weeks There would be a maximum specific duty in respect of each tariff sub-heading

The duties would be lower on more expensive imports of clothing and textiles, as SA was able to compete against these goods, and higher on cheaper, dumped goods. While the duties appeared high at first glance, the maximum duty would lighten the amount paid on expensive goods The previous formula duties had lower ad valorem duties but no maximum limit.

Muller said it had been decided not to continue with the interim Hatty proposals as they were not practical and there were critical problems with their implementation. They had also been rejected by the clothing industry

Graaff said the quotas on household textiles and certain categories of fabric had been increased until October 31. Rebate permits in respect of the increased quotas had been issued to those who qualified for increased allocations

"The duties imposed on May 1 for imports in addition to the quota system are confirmed and will be maintained with minor exceptions until October 31 In a few cases the duties will be reduced retroactively"

He said an announcement would be made on the appointment of a task group to advise government on a long-term strategy for the textile and clothing industries.

A document outlining the changes to the tariff quotas and the proposed new duty structure was available from the board, the Textile Federation and the National Clothing Federation (NCF).

NCF president Aaron Searll said the industry had been waiting eagerly for the announcement

Textile Wholesalers' Association president Munro Bloch said much depended on the level of duties.

police hut was damaged in a grenade

Cautious reaction to changes in SA rag trade duties

Business Staff

CAPE Town Chamber of Commerce spokesmen reacted cautiously today to news that clothing and textile duties and quotas were to be revised.

The deputy chairman of the Board on Tariffs and Trade, Mr Helgaard Muller, said last week new *ad valorem* duties would be published in the Government Gazette in two weeks' time and new duties would come into effect from November 1 for a year.

"It's difficult to comment until we've seen the new duty structure," said Mr Herbert Hirsch, president of the Cape Town Chamber of Commerce. "But provided the proposals are reasonable and generally acceptable, a fixed structure for 12 months will at least bring some measure of certainty to the business community.

"One of the worst aspects of government treatment of this issue — and of many other economic issues — has been a lack of decision"

After the recommendations of the Hatty Commission, an interim set of quotas and tariffs was introduced on May 1.

A three-tier system was set up, with low or zero duties on goods imported for use in exports, "moderate" duties on quotas of goods based on previous sales, and "prohibitive" duties on imports falling outside the quota, said Mr Albert Schuitmaker, assistant director of the Cape Town Chamber

The system was sharply criticised by the clothing industry.

"Smaller businesses and upmarket clothing shops were particularly hard hit," he said.

Mr Schuitmaker said constant changes in the duty structure were "disconcerting" to the industry

"Clothing businesses have lead times of 1½ to two years. They're preparing now for winter fashion in 1993. When the interim tariffs were introduced in May, we were told it would be for 18 months. Now, six months later, there's to be another change."

(184) ARG 10/8/92

AHI 'hopes economy will not be a battleground'

Police thwart 'people's court'

Three men killed as car crashes into safety barrier

Sactwu censured for march call

W/Mail 10/7-16/7/92

184

By GAYE DAVIS: Cape Town

HUNDREDS of clothing workers sacked after marching for higher wages under the banner of the South African Clothing and Textile Workers' Union (Sactwu) have got their jobs back — but the union has been rapped over the knuckles for "unacceptable" conduct in the affair and will have to forfeit union dues to employers for six months.

Arbitrator Sarah Christie found that children's wear manufacturer Dermar and swimwear maker Cygnet, both Seardel companies, had no right to dismiss 348 workers for taking part in the march without managerial permission. At the same time, she criticised Sactwu for trying to capitalise on the fact that Cape Town's city council and chief magistrate had granted permission for the march, to persuade workers that they could march because it was "legal".

This "raised confusion in the minds of the workers".

Plagued by stoppages prior to the march, both companies acted reasonably in forbidding workers to march on pain of dismissal, Christie found.

But the "crux of the issue" was that the march was sparked by a dispute which arose during industry-wide negotiations on wages and working conditions — and not out of any specific dispute between either company and its employees.

Workers were faced with the difficult choice of either submitting to management or heeding their union's call for industrial action. "The single most telling point in favour of the workers at both plants is that they answered a union call to march," Christie found.

However, while the employers were not entitled to dismiss the workers, Sactwu's conduct in relation to the events leading up to the march was "unacceptable", Christie found. Sactwu was determined to go ahead with the march "irrespective of the wishes, the negotiations or any other circumstances which obtained" and the seriousness of this "cavalier attitude" was exacerbated by unprocedural action at both plants prior to the march.

Ordering the sacked workers' reinstatement without loss of service or benefits, Christie also ruled that Cygnet and Dermar would be entitled to dues which would have been paid by the workers to Sactwu for a period of six months, a sum estimated by Sactwu and employer representatives to be about R9 000.

Sactwu assistant general secretary Ebrahim Patel said the award vindicated the union's position that employers had no right to dismiss workers for taking part in a march organised by a trade union — which should be seen in a different light to illegal stoppages not sanctioned by the union.

The union had also won out against employers' wishes to reinstate selectively workers with whom new employment contracts would be negotiated.

He said criticism of the union's conduct was "regrettable", and "not based on any argued facts".

Patel pointed out that Sactwu was not asked during arbitration to defend itself against the charge that it exploited the civil legality of the march.

Cygnet and Dermar have meanwhile voiced concern "that the award could be read to mean that employees can act in breach of their service contracts and put up as a defence that they acted on a call from their union — and that such a defence will hold", according to Johan Baard, Seardel's group industrial relations executive.

Seardel buffeted by 'worst slump in 30 years'

(189)

BDAY 7/8/92

LINDA ENSOR

CAPE TOWN — Earnings of clothing manufacturer and toy and electronics retailer Seardel slumped 60% in the year to end-June as consumer spending dried up, debt levels rose, and margins were thinned.

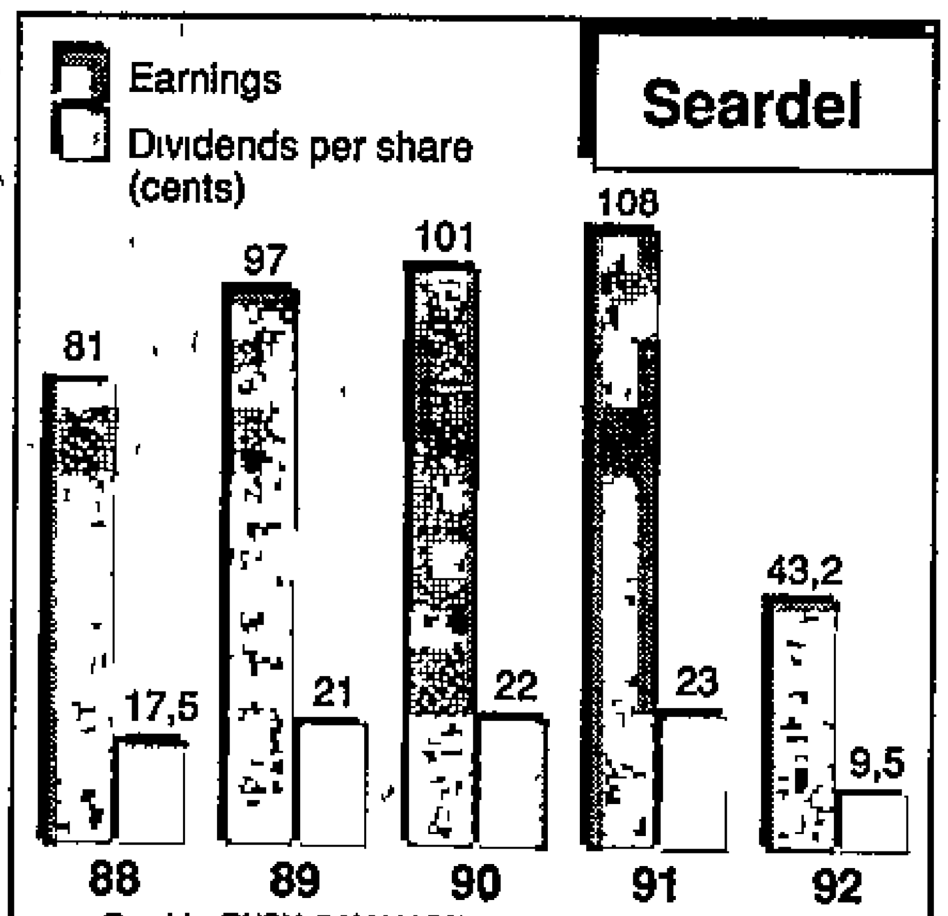
Earnings of 43,2c (108c) a share were generated on a 6,7% increase in turnover to R1,06bn (R992m). Pre-tax income after finance charges fell 61% to R18,2m (R46,7m), defying the revised forecasts made at interim stage

Dividend cover was maintained at a high level of 4,5 (4,7) times so that a final dividend of 1,5c brought the total to 9,5c — a drop of 58,7% over last year's 23c.

Executive chairman Aaron Searll said the "horrific" trading conditions were the most difficult in the group's 30-year history. The recession, strikes and stayaways had affected all the group's divisions Profits of the electronics and toy divisions were both down about 20% on last year

Severe competition had compressed margins in the battle for market share and the debt equity ratio had increased to about 70% (60%) in a situation of "punishing" interest rates This was partly due to the R12m spent on acquiring a stake in the Frame group and partly to finance higher stocks and debtors.

Last year exports increased by 60% to



Graphic RUBY-GAY MARTIN Source SEARDEL

R80m (R50m) but Searll did not think they would grow at the same pace this year

He said prospects for recovery seemed to be remote. "The extremely difficult trading conditions currently being experienced are not expected to improve until political and social stability returns"

Searll announced a restructuring of top management last night. Financial director Arthur Jacobson has been appointed to the Seardel board and Sharp Electronics executive chairman Chris de Bruin and Charmfit executive director Bernard Richards are new joint MDs of the group

Seardel hit by recession

(184) CT 7/8/92

By AUDREY D'ANGELO
Business Editor

THE combined effects of recession and inflation hit the Cape Town-based Seardel Investment Corporation in the year to June 30

Executive chairman Aaron Searll announced yesterday that although turnover had risen by 6,7% to a record R1,059bn, earnings had fallen by 60% to 43,2c a share from 108c last year

The final dividend will be 1,5c a share, making a total pay-out for the year of 9,5c compared with 23c last year

Pre-tax income fell by 61% to R18,2m and after-tax income by 61,6% to R11,2m.

Group equity has risen by 4,5% to R164,3m

Searll told staff, customers and business associates at a cocktail party at the corporate headquarters in Upper Wynberg "The cold economic winds that blew at the time of the interim report in February turned into an icy blizzard by the time the year ended on June 30

"The extremely difficult trading conditions currently being experienced are not expected to improve until political and social stability returns

"The prevailing uncertain transitional phase needs to be urgently addressed and resolved by all parties concerned to allow the economy to recover to acceptable levels"

In the interim, "the group will take appropriate steps to protect its asset base"

Before announcing the results, Searll said this week's mass action had been "very disruptive because of the loss of contribution to fixed overheads as well as the loss of production".

There was no sign of any improvement in trading conditions, with consumer demand low and margins squeezed

Exports were doing "reasonably well" but it was becoming more difficult to remain competitive on overseas markets because the high rate of inflation in this country was driving up costs

Seardel was still finding it profitable to export to Germany in spite of the effects of inflation

It was also exporting to the UK. But demand had been affected by the recession there

"Eventually we will recover from all this We shall just have to hang in long enough"

FM 7/8/92 (184)

SA BIAS HOLDINGS

Financial support

Diversification has paid off for SA Bias Holdings (Sabhold) Results for the first half of 1992 show good performance by its financial and investment arm, 79,8%-held Merhold, which stemmed the fall in group attributable earnings by offsetting the sharp decline by 87,3%-held SA Bias Industries (Sabind)

But Sabhold still reported its first earnings decline in 14 years, with attributable earnings down 20% Sabhold is 50,4% held by pyramid Sabvest whose results and dividends are proportionate to those of Sabhold

Merhold, which operates in banking, corporate investment and services, export trading, trade finance and factoring, lifted attributable income 18%, to R5,1m, and EPS to 27,6c (23,4c)

After almost two years of restructuring and repositioning the finance and operations divisions, management is bullish about a higher return on assets and growth in earnings The import and export arm, Mertrade, has done extremely well, says group deputy chairman Philip Coutts-Trotter Opening up of the political situation has lent itself to export opportunities into Africa and beyond

Woes affecting most of the clothing and footwear sector resulted in a 49% slide in Sabind's EPS SA's largest maker of accessories and trimmings for the clothing, footwear and allied industries saw turnover down 14% (actual figure undisclosed) There was extreme pressure on margins and pre-tax profit also fell 49% The interim dividend was halved, at 3,5c

Sabind's metals and plastics operation, the most sensitive to consumption expenditure because of its exclusive ties with the clothing and footwear industries, suffered a severe downturn While rationalisation in the Kirton division is on track, it has yet to prove profitable, and any progress towards this is hindered by the recession.

Apart from the financial services side of Merhold, most of the group's activities are consumer-driven These influences are unlikely to show marked improvement in the next six months Executive chairman Chris Seabrooke has revised forecasts, placing EPS and dividends for the year at 75c and 22c respectively

After extensive rationalisation, management believes Sabhold is well-placed to take advantage of an upswing The group has a large presence in consumer-related industries, latest technology is in place and overheads have been reduced A small increase in turnover could result in a turnaround in profitability

DOWNWARD BIAS

Six months to	Jun 30 '91	Dec 31 '91	Jun 30 '92
Pre-tax income (Rm)	11,9	28,7	9,4
Attributable (Rm)	8,1	19,2	6,4
Earnings (c)	42,0	99,5	33,4
Dividends (c)	11,0	30,0	8,5

At a 12-month low of 250c, Sabhold yields an historical 35% on earnings The dividend yield is 10,6%, suggesting income attractions Seabrooke's forecasts, which assume some improvement in the second half of the year, give a forward p e of 3,3 and a dividend yield of 8,8% Clearly, Sabhold is sensitive to the influences guiding the clothing and footwear industries Investors should wait until there is visible improvement in these areas However, an alternative avenue worth considering is Merhold, which has turned in good results

Marylou Greig

Clothing group glum about economic prospects despite 'reasonable' order book

Seardel faces storm

(184) ARG 8/8/92

TOM HOOD, Business Editor

THE cold economic winds that blew at Seardel's halfway stage turned into an icy blizzard by the year-end on June 30, says Mr Aaron Searll, chairman of the country's largest clothing group

Turnover grew by 6,7 percent to a record R1 059 million but operating profit plunged by 61 percent to R18,2 million, earnings were down 60 percent to 43,2c and total dividends are 58 percent lower at 9,5c (23cv) a share

Seardel paid an 8c interim dividend but the final was slashed to 1,5c from 15c so that the high dividend cover could be maintained at 4,5 times

Only six out of 21 companies increased their profits, Mr Searll said in announcing the year's results

Prospects for an economic recovery were remote, he said in an interview

The order book for the rest of the year was "reasonable" but pressure on margins was becoming unsustainable

Major chains were demanding goods at last year's prices — after making the same demands a year ago

"We are getting to the point where we will have to refuse some business," he said

Exports brought in R80 million, up 25 percent on a year ago and now worth more than 12 percent of turnover.

But he said these were threatened by high inflation in South Africa. Costs were rising here at 15 percent and clothing companies were trying to sell into countries where inflation was three or four percent

In addition, the latest wage increase of 12,75 percent would add "many milions" to the group's wage bill

He added "We need to recover that through either higher turnover or better selling prices"

Trading conditions — "the worst we have ever experienced" — were not expected to improve until political and social stability returned

Staff had been retrenched in certain areas and short time was being worked in others

"The prevailing uncertain transitional phase needs to be urgently addressed and resolved by all parties concerned to allow the economy to recover to acceptable levels In the iterim the group will take appropriate steps to protect its asset base

"We have a great company and great products. We will sit this period through and look forwared to the eventual upturn," Mr Searll added

■ Seardel's involvement with Frame Group has meant a top management restructure and the appointment of two joint managing directors, Dr Chris de Bruin, executive chairman of Sharp Electronics, and Dr Bernard Richards, executive director of Charmfit Mr Arthur Jacobson has been appointed financial director.

R150-m wage deal

Sowetan 11/8/92 (184)

-By Ike Motsapi

■ BIG PACKAGE Sactwu says new agreement covers 107 000 workers in clothing business:

WAGE AGREEMENTS covering 107 000 workers in the clothing industry have been reached between employers and the South African Clothing and Textile Workers' Union

Assistant general secretary of Sactwu Mr Ebrahim Patel said the agreement, worth about R150 million, would last for 12 months It covers improvements on wages, provident funds, sick funds, annual bonuses and the setting up of short-time funds in some regions.

He said the package included increases measured on the existing wage rate of the sewing machinists category This category consists of 60 percent of the workforce

These wage hikes varied between 14 and 15 percent.

He said· "Employers further agreed to meet with Sactwu in October this year to consider other proposals made by the union "

These are

- National centralised bargaining,
- A national productivity council,
- Wage parity,
- A must-skill wage incentive,
- A national procedural agreement on grievances, discipline and retrenchments and,
- Job grading in the clothing industry

Meanwhile, the Steel and Engineering Industries Federation of South Africa is planning to appeal against the dismissal in the Pretoria Supreme Court last Friday of its application for an interdict declaring the national strike by members of the National Union of Metalworkers of South Africa illegal.

The application, on the grounds of strike ballot irregularities, was dismissed on the basis that Seifsa and its associations had no legal standing to bring the action on behalf of individual employers

About 135 000 Numsa members in the three industries are affected by the strike

About 113 000 are in the engineering, 17 000 in the motor assembly and 5 000 in the tyre and rubber industry

ARG 13/8/92

Mandela: IFP adamant

Little chance of talks until amends made for 'government surrogate' charge

Political Staff

THE Inkatha Freedom Party has put its foot down and said there was little chance of political negotiations restarting until African National Congress leader Mr Nelson Mandela made amends for the allegations he levelled against the IFP at the United Nations

Dr Frank Mdlalose, national chairman of the IFP, said in an interview in Ulundi yesterday "Until this issue is cleared up, many things cannot be done."

Mr Mandela said in his address to the UN's Security Council debate on South Africa last month that the IFP was a surrogate of the government and no agreements could be made with the IFP

IFP leaders have taken this as an insult and an affront to IFP pride The issue was raised at this week's meeting of the National Peace Committee The executive of the National Peace Committee meets again on August 18 to see if it can at least agree on an adjudicator to look into Mr Mandela's remarks

The IFP also complained to the National Peace Committee about ANC allegations that IFP leaders were murderers, and the ANC's mock trials


Dr Frank Mdlalose

Dr Mdlalose said the IFP was undermined by Mr Mandela saying no agreements could be reached with the IFP "We are so insulted that our presence within the Peace Accord needs to be reviewed

"These remarks were in his prepared speech for the Security Council and we take strong exception to that They were not off the cuff remarks

"If we cannot be regarded as people on our own by the ANC — if they do not think that we are an organisation that stands on its own feet — then what is the importance of having a National Peace Accord? They should have said so then We would not have signed it if we were surrogates"

Initial ANC response to the IFP's anger ranged from telling the IFP that Mr Mandela's remarks were legitimate expression to suggesting they were "nothing really to worry about"

Dr Mdlalose declined to say what the IFP would like the ANC to do to amend the situation

But until the issue is cleared up it is unlikely that IFP leader Dr Mangosuthu Buthelezi would attend a peace meeting with Mr Mandela and President De Klerk and it is unlikely that the IFP would throw its weight behind efforts to restart negotiations The climate surrounding renewed negotiations has been improved recently by the positive meeting between the PAC and a government team and reports of informal but positive contact between senior ANC members and government people

If the ANC does make amends on this issue, the IFP would like a multiparty conference of review to sit to look at how the negotiation process has been conducted so far Dr Mdlalose has raised the idea already with other Codesa participants

(184) ARG 13/8/92

Clothing industry agreement

SHARON SOROUR
Labour Reporter

EMPLOYERS and unionists party to the Clothing Industrial Council have signed historic agreements after lengthy negotiations, narrowly averting strike action in the beleaguered sector

The agreements were the first industry-wide accords concluded nationally this year

Reached between the employer bodies the Cape Clothing Manufacturers' Association (CCMA), the Garment Manufacturers' Association, the Cape Knitting Industry Association and the SA Clothing and Textile Workers' Union (Sactwu) about two weeks ago, they were signed yesterday

Union assistant general secretary Mr Ebrahim Patel said the agreements were the first which sought to extend union rights and facilities to non-parties

Mr Patel said the union had sought not only to attain the maximum improvement in conditions of employment for members but also to work towards creating a viable industry

"It has meant settling for wage levels we might have otherwise been reluctant to accept," Mr Patel said.

CCMA chairman Mr Simon Jocum said the parties had concluded "tough negotiations with what is generally considered as a fair settlement"

● The Western Cape agreement consists of a package deal with an 11 percent increase backdated to July 1 Machinists are set to get a wage increase of R22 a week (R95,26 a month) and provident fund contributions will be increased by one percent on April 1, 1993

Employers will pay up to R9,5 million into a medical benefit development fund for dependants of employees Employers have also agreed to contribute R3,60 a week for each employee for one year suit asking for more than $10 000 (about R28 000). — UPI

The facts

MR Peter Cragg, executive director of the Cape Clothing Manufacturers' Association, has pointed out that in terms of the industry's new wage deal signed in Cape Town on Wednesday, machinists in the Western Cape will get 11% more a week, not 15% as was reported in the Cape Times, yesterday This will mean an average wage increase of R22 a week, as stated in the story (184) CT 14/8/92

Teleletters

The facts

MR Peter Cragg, executive director of the Cape Clothing Manufacturers' Association, has pointed out that in terms of the industry's new wage deal signed in Cape Town on Wednesday, machinists in the Western Cape will get 11% more a week, not 15% as was reported in the Cape Times yesterday. This will mean an average wage increase of R22 a week as stated in the story.

(184) CT 14/8/92

Wooltru 'will not cut dividend'

(184) ARGT 15/8/92

MARC HASENFUSS, Business Staff

WOOLTRU'S year-end results reflect the combined effect of appalling trading conditions and the heaviest investment programme in the group's history

In line with market predictions, the Cape Town-based retailer posted a massive 38 percent drop in earnings to R91,9 million or 263,3c a share in the year to June

But the financial performance did not warrant the cowardly market reaction that preceded the release of the results The group's share price slipped to R46 this week from R53 earlier this month

Shareholders who sold out must be kicking themselves In spite of the earnings drop, Wooltru did not renege on its generous dividend policy The dividend payout was maintained at 170c a share, covered 1,5 times (2,5 times previously)

Chief executive Mr Colin Hall stressed that the investments (much of which had been made through the income statement) and the maintained dividend had not placed any strain on Wooltru's balance sheet

He said the counter-cyclical investment strategy and the maintained dividend were a gauge of the directors' long-term confidence in Wooltru

Analysts' predictions of a possible dividend cut in the curent year were also discounted by Mr Hall. "We will never have to cut the dividend!"

During the period under review five properties, in which Wooltru holds security of tenure by way of long leases, were sold for R119,7 million to fund future expansion and acquisitions.

The sale of properties is definitely not a trouble signal Mr Hall explained that investment in buildings was one of Wooltru's key business strategies.

Profits derived from the sale of buildings is re-invested into the trading assets of the business "We are in a unique position — because of our strong cash flow and property resources — to make huge investments for the future"

Union action to reinstate 100 sacked over stayaway

THE South African Clothing and Textile Workers' Union (Sactwu), is launching a major campaign for the reinstatement of about 100 workers who were dismissed for taking part in last week's mass action campaign.

The union's regional co-ordinator, Mr Ronald Bernickow, said this week that six clothing manufacturers out of a total of 400 in the Cape Town area had dismissed about 100 workers.

(184)

S A Cap and Shareen Knitwear had dismissed 65 people, Maxmore Knitting Mills three out of 85 who had taken part in the march, H K Manufacturers 21, Teeny Tages nine and Alpa Rose 20.

ST (Times) [C (Metro)] 16/8/92

"We are convening meetings with the factories' major customers, including Woolworths, Edgars and Pick 'n Pay to persuade them to take a stand," Mr Bernickow said.

The union would also try to meet with the employers concerned. There would also be pickets and demonstrations at the factories and at the offices of their major customers.

"The alliance partners are also drawing up a blacklist of companies which will be launched internationally," he said.

Agreement may stabilise ailing clothing sector

S Times [Cape Metro] 16/8/92

By EVE VOSLOO

AN HISTORIC agreement signed in Cape Town this week after three months of "extremely tough" negotiations between clothing manufacturers and a trade union, is expected to bring stability to the hard-pressed industry

Spokesmen for both sides said after signing that the agreement, the first countrywide industrial agreement in South Africa, was fair

It was signed by the South African Clothing and Textile Workers' Union (Sactwu), The Cape, Natal, Transvaal and Eastern Province Clothing Manufacturers' Associations, the Cape Knitting Industry Association and the Garment Manufacturers' Association under the aegis of the Clothing Industrial Council, which gives it sanction and force of law by publication

Some of its terms are

- Wage increases of R22 per week and R23 in Natal
- Cover for dependents of members through medical aid facilities
- New protecion for workers against dismissals which do not comply with the Labour Relations Act

The agreement also contains peace clauses and provision for the parties to meet again in October to discuss key issues for the long-term future of the industry

Among these are national centralised bargaining, a national productivity council, wage parity, a multi-skill wage incentive, a national grievance proceedure, discipline and retrenchment and job grading

The union's assistant general secretary, Mr Ebrahim Patel, said at the signing that the bargaining had been done against the background of a "very harsh" economic climate

The union had sought maximum improvements in its members' working conditions and had tried to help create a viable industry with the capacity to employ people and provide long-term stability.

Exciting

He said the union had changed in the past five years — it no longer existed only to bargain with employers on pay and conditions

"We have a vision," Mr Patel said — which included the view that organised labour had a right to influence society and could and should strive for democracy.

Mr Patel said it was "very exciting" that employer associations were beginning to develop the same vision

If business and labour could progress to this point in South Africa it could happen in other spheres, including the political sphere.

The chairman of the Cape Clothing Manufacturers' Association, Mr Simon Jocum, said a fair agreement had been reached but the industry was not yet out of the woods

"Work stoppages, stayaways and mass demonstrations added tremendously to costs which have had to be absorbed and nearly brought our industry to its knees," he said.

Retrench

The industry now had to consolidate and control costs and both employers and employees had to get on with the job to make good quality clothing at the right prices and deliver on time

"Hopefully the coming year will see the unions and ourselves engaged in creating job opportunities and increasing productivity through co-operation and consultation."

Mr Patrick Boers, chairman of the Garment Manufacturers' Association, said the industry faced the worst recession in 20 years In six months 6 000 workers had been retrenched

"The writing is on wall unless all parties play a positive role," he said

Manufacturers were being squeezed, retailers wanted unreasonable mark-ups and the high expectations of the workforce could not always be met.

Sactwu had to play a role in addressing the issue of higher productivity

"South Africa desperately needs to create employment," Mr Boers said

184

Hicor will not declare a final dividend

184

BDAY 17/8/92

ANDREW KRUMM

CLOTHING manufacturer and retail holding company Hicor will not declare a final dividend for the six months ended February, says chairman Renier van Reenen

In his annual chairman's report Van Reenen said the directors had decided on this move as Hicor's earnings had deteriorated in the second six months of the financial [illegible]

He said the past year had been a difficult period for the clothing and textiles industry, with trading severely affected Conditions were unlikely change in 1993, he added.

High interest rates and the [illegible] drought, during the review period have had an adverse effect on consumer spending, while a sharp decrease in local demand has resulted in an increase in the number of liquidations.

It is my belief that prevailing economic conditions will continue and there will be little, if any, change in trading in 1993.

Although Hicor forecast positive earnings for the [illegible] it reported a R2,7m [illegible] extraordinary items. "While much of this disappointing performance can be attributed to the state of the economy, lower profit margins, reduced production capacity and an increase in bad debts have been further aggravating factors

Harties sustained a loss of R2,4m during the months of March and April 1991, for which Hicor remained accountable in terms of the agreement of sale of the company"

Van Reenen said the company had implemented a rationalisation programme in all divisions, and employee numbers were down

"We believe that the rationalisation programme will have a more positive effect on the company," he said

Engineering sector hard hit

SHARON SOROUR
Labour Reporter

THE Western Cape engineering sector has been hard hit by the two-week nationwide strike by tens of thousands of workers, with strategically important companies being crippled by the industrial action

According to National Union of Metalworkers of SA (Numsa) regional secretary Mr Adrian Sayers, about 2 000 regional workers have downed tools

He said it was the first time the Western Cape engineering sector had been severely affected by a strike.

Mr Sayers said the last strike, in 1988, had barely had an effect, but this year companies in the docks were involved, as well as other "strategic engineering firms". Artisans were also on strike.

Workers were set to march to Seifsa's Foreshore offices this afternoon following a deadlock in talks with the employer body

Seifsa spokesman Mr Hendrik van der Heever said the meeting had ended in deadlock.

Numsa was not prepared to withdraw its key demand for a moratorium on retrenchments, he added

Seifsa would appeal against a Pretoria Supreme Court dismissal of its application for an interdict declaring the strike illegal.

ARG 19/8/92

Dispute over fired workers

Labour Reporter

(184)

CLOTHING union Sactwu has launched a campaign to secure the reinstatement of about 100 dismissed workers who were fired for joining a city centre protest march in June

According to SA Clothing and Textile Workers' Union regional organiser Mr Ronald Bernickow, six Western Cape employers had refused to reinstate workers.

ARG 19/8/92

The companies, SA Cap, Teeny Tages, Alpa-Rose Manufacturing Co, Maxmore, HK Manufacturers and Shareen Knitwear, had also refused to enter into talks, he said

Workers demonstrated outside the factories yesterday and handed a memorandum to the Cape Clothing Manufacturers' Association (CCMA)

● CCMA executive director Mr Peter Cragg was not available for comment.

Walmer Estate decision soon

Municipal Reporter

ARG 19/8/92

A CABINET decision on selling the seven ministerial residences in Walmer Estate is expected soon, a Department of Public Works spokesman said

There had been a lot of interest from corporate potential buyers

The department had drawn up a memorandum asking the Cabinet for guidelines for disposing of the property

Responding to a proposal by the Woodstock/Walmer Estate/Salt River management committee that the houses be sold to the Saudi Arabian government, the director-general of public works said the future use of the houses had not been determined

Professor's plea to keep transplant ops

ARG 19/8/92

ANDREA WEISS, Health Reporter

PROFESSOR John Odell, outgoing head of heart surgery at Groote Schuur Hospital, has made an impassioned plea for the survival of transplant surgery under a new dispensation.

Professor Odell was responding to ANC health secretary Dr Ralph Mgija's view that heart transplant surgery may well be scrapped to make way for broader health needs in the future

Professor Odell

Speaking at a mayoral function to launch Organ Donor Week, Professor Odell said the ANC view was "rather shortsighted"

He said transplantation and organ donation had no racial barriers

If transplantation was stopped it would set a precedent which would have a negative ripple effect on other related disciplines

Transplantation was cost effective because the results were excellent and patients returned to active life

It could also not be offered only in private practice because if only the affluent were to benefit from transplantation it would be impossible to approach the families of brain dead people to ask for their organs

He said if transplantation was stopped, there would be impassioned pleas to raise money for transplants abroad The money would leave the country and everybody would be reminded of the standard of medicine the country once practised

Dr Mgija said the ANC's position was that basic health-care should be available to all Once this had been budgeted for, the remaining money could be allocated to things like "heart transplants and other exotic operations"

Dr Mgija added that, given this background, it was highly likely that heart transplants would be scrapped

Registration fees for doctors to be increased

ARG 19/8/92

The Argus Correspondent

JOHANNESBURG — Registration fees for doctors will increase from R258,50 to R281 (including VAT) next year, according to the latest South African Medical Journal

Meanwhile, doctors have called on the Medical Association of South Africa (Masa) to investigate the structure of the South African Medical and Dental Council (SAMDC) and look at alternative ways of funding for the organisation

The SAMJ said the fees were payable to the SAMDC by all registered practitions on or before January 1 next year Practitioners who failed to pay their fees might find themselves removed from the register

"Although the percentage increase for 1993 is well below the inflation rate, the fact that these fees have risen steadily over the past few years has resulted in widespread criticism from among the ranks of the profession," said the journal The fees have risen from R100 in 1987 to R235 plus VAT this year

Changes to controversial textile plan expected

STAR 2/7/92

184

By Tom Hood

Stronger anti-dumping action against cheap imports of clothing and textiles could be taken by the government before the end of the year.

This emerges from disclosures that proposals to solve the "Hatty debacle", which threatens smaller firms in both industries, are expected to be gazetted before the end of the month.

A quota system and sharply higher import duties were among trade protection measures devised by a committee headed by Paul Hatty, a Barlow Rand executive, and sprung on the industries in May.

Small clothing and textile manufacturers attacked the Hatty measures as a threat to their survival and claimed that the giant companies would benefit most.

The Textile Wholesalers Association said the cost of clothing at the lower end of the market would double as a result of the higher import duties.

After weeks of argument, top officials of the National Clothing Federation and Textile Federation are reported to have agreed to changes to the Hatty plan.

The agreement is being considered by the Director-General for Trade and Industry, Dr Stef Naude, and industry officials expect details to be published soon in the Government Gazette.

"There is the possibility that this agreement, like the last one, will be circulated by the government for further comment," said a Cape clothing manufacturer.

"If that happens it will add to the uncertainty. We are trying to quote prices to large customers for next winter, but we don't know what we will pay for imported textiles.

"This uncertainty is turning business into a gamble."

According to industry sources, the quota system is likely to end on October 30 and be replaced by a simplified duty system.

FM: 21/8/92 (184)

ALLWEAR FM 21/8/92 (184)

Sobering second half

Perhaps chairman Reinier van Rooyen jnr was unduly optimistic when he predicted a 20% improvement in Allwear's pre-tax profit (*Companies* August 30 1991) A 19% increase was achieved at the interim but the group was counting on an economic recovery which did not materialise Full-year earnings fell 79%.

The decline is attributable to a decrease of about 4% in unit output, leading to lower profit margins. As local demand dropped, some of Allwear's smaller customers went into liquidation and bad debt provisions were increased.

With cash generation falling, gearing again swung upwards Van Rooyen admits debtors remain a problem He adds that steps have been taken to curb costs and improve efficiencies Since December a tenth of the staff have been laid off Stock is down by R2m or a tenth since year-end

Allwear's cash deficit rose to R3,7m (R2,2m) — of which R2,3m were dividend payments After funding the dividend through borrowings in 1991, the board passed the 1992 dividend

Exports failed to meet the forecast R4,2m after two large German orders were cancelled Nevertheless, exports were up from R1,7m to R2,6m If contracts with the UK materialise, Allwear may well export schoolwear and these orders would fill the slow period between February and March

However, Van Rooyen is concerned about the duty that will be imposed on imported fabrics for the export market, which will make the group uncompetitive overseas He says trading is tough and the changing policies of the Hatty Commission are not helping In August and September some customers did not place orders, claiming they were overstocked or suffering in the slump

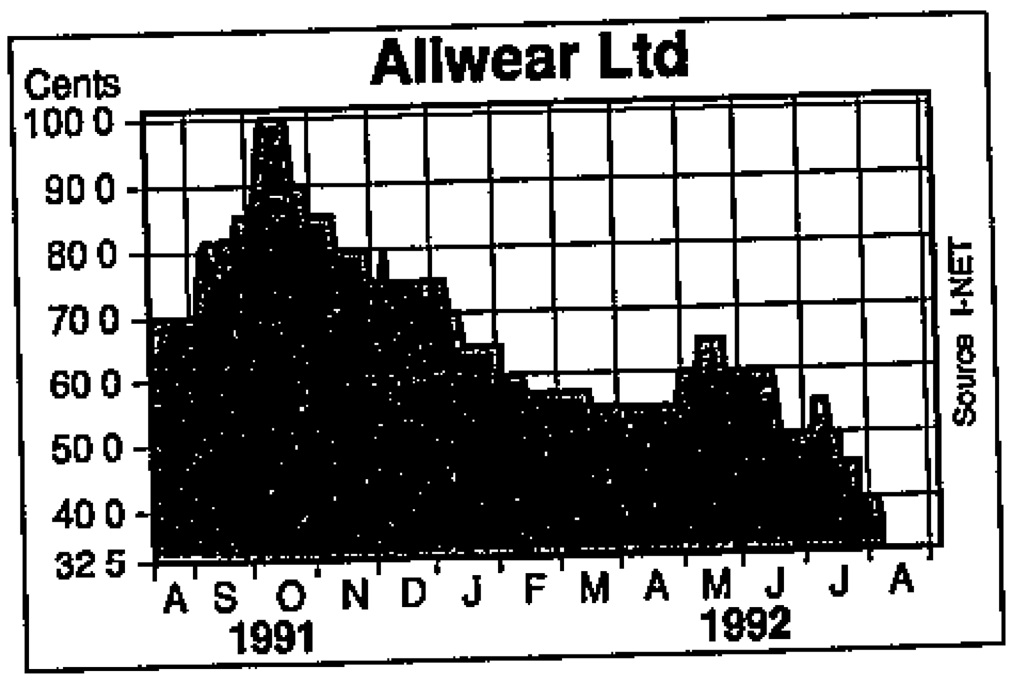
Allwear has not paid tax for some years and is unlikely to do so for a while longer Van Rooyen is again forecasting an increase in earnings and productivity, but does not venture a figure After peaking at R1, the share has fallen to 45c and shows no sign of recovery.

Kate Rushton

Activities: *Manufactures and markets men's and children's clothing, schoolwear and babywear*
Control: *Allwear Group 59%*
Chairman: *R van Rooyen*
Capital structure: *14,1m ords Market capitalisation R6,3m*
Share market: *Price 45c Yields 18,4% on earnings, p e ratio, 5,4 12-month high, 100c, low, 45c Trading volume last quarter, 31 000 shares*

Year to Feb 29	'89	*'90	'91	'92
ST debt (Rm)	14,3	15,2	12,4	16,7
LT debt (Rm)	3,0	5,3	5,4	4,9
Debt equity ratio	1,48	1,14	0,75	0,87
Shareholders' interest	0,35	0,38	0,47	0,45
Int & leasing cover	2,3	1,8	1,6	1,3
Return on cap (%)	15,5	18,2	16,1	9,7
Turnover (Rm)	37,5	62,3	57,8	66,3
Pre-int profit (Rm)	5,2	8,7	8,2	5,4
Pre-int margin (%)	13,9	14,0	14,1	8,1
Earnings (c)	52,8	†44,6	38,8	8,3
Dividends (c)	—	16	16	—
Net worth (c)	39	226	166	173

* 14 months † Annualised



Dismissals 'not due to mass action'

S/Times [CM] 23/8/92

By EVE VOSLOO

THE managing director of one of six clothing manufacturers which recently dismissed 100 workers said this week this had nothing to do with the mass action campaign of August 3 and 4 as the SA Clothing and Textile Workers Union claims.

A union spokesman said last week it was launching a major campaign to have the workers reinstated. (184)

The MD, who made his statement anonymously, said on behalf of all six companies that the workers had been dismissed on June 22 for participating in a march on June 18

The march took place during a deadlock in negotiations between Sactwu and clothing manufacturers An industry-wide agreement was signed last week.

The MD said the workers had been warned before the march that they faced dismissal if they took part

"The march was not in any way related to the mass action campaign of August 3 and 4," the statement said "During the campaign we complied with the union's request for a no work, no pay, no victimisation approach No workers were disciplined for failing to work during this period"

Rex Trueform buoyed by exports

(184)

CT 29/8/92

By AUDREY D'ANGELO
Business Editor

AUG 29/8/92

Drop in profits (184) for Rex Trueform

MARC HASENFUSS
Business Staff

REX Trueform Clothing Company put in a patchy performance for the year to end June — posting a 19 percent dip in earnings to R5,9-million

The fall in bottom line profits was cushioned by concessionary tax measures. Profits before tax showed a disturbing 34 percent drop to R5,7-million

This year's tax charge was eliminated by the effect of tax allowances, exempt income and a release from deferred tax (previously the tax charge was R1,3-million). The company ended the year with a R232 000 tax credit

Earnings a share fell by almost 34 percent to 142,6c compared to 176,2c last year. Dividends were cut by 10c to 60c a share

Chairman Mr Stewart Shub reported a "pleasing" increase in export volumes although uncertainty regarding export incentives was inhibiting forward planning

He said exports remained a priority for the group. "When foreign markets like Japan, the United Kingdom and United States recover, we will be well positioned as our company is well known in these markets"

The group's turnover index increased one point to 145 for the period under review, a reflection of tight trading conditions locally and abroad

The group's retail division, Queenspark, expanded further during the period under review

Shub said it was not possible to forecast an improvement in earnings now, but the firm's underlying financial strength, product range and diversified distribution network put it in a strong position to benefit from an economic upturn

Graphic: RUBY-GAY MARTIN

Rextrue slumps

S Times (Buss) 30/8/97

(184)

REX Trueform Clothing's income before tax fell by 33% in the year to June 30, but concessionary tax measures limited the fall in taxed earnings to 19%

Income after tax fell to R5,907-million from R7,292-million in the previous year,

The tax charge in the previous year was R1,276-million, but it was eliminated by tax allowances, exempt income and a release from deferred tax in the latest year

The company ended the year with a R232 000 tax credit.

Earnings a share fell by almost 34% to 142,6c from 176,2c.

Dividend fell 10c to 60c.

London gold

Rex Trueform earnings fall despite exports boost

(184)
BDAY 31/8/92

LINDA ENSOR

CAPE TOWN — Leading clothing manufacturer Rex Trueform suffered a 19% drop in earnings a share in the year to end-June as difficult trading conditions and pressure on margins continued to take their toll.

Earnings fell to 142,6c (176,2c) and the dividend dropped 14,3% to 60c (70c)

Turnover remained fairly static but the pressure on margins resulted in an 11% decline in operating income to R6,3m (R7,1m) Chairman Stewart Shub said to get orders in the highly competitive environment meant that prices had to be keen

"We are not disappointed in the results as, in the circumstances, they could be worse. Trading conditions have been very difficult both locally and abroad where the world economy is experiencing a general recession"

Nevertheless there had been a "very rewarding" increase in exports to Europe and the Far East. While the contribution of exports to profits is not disclosed, Shub said they represented a significant percentage of the group's production However, exports were being inhibited by the uncertainty over export incentives

Exports had increased more than 10% during past year, offsetting the contraction in local consumer spending Retail chain stores had been cutting back sharply on orders and local volumes had declined Rex Trueform's factory shop chain Queenspark had shown good profits and made a significant contribution

He said the Queenspark chain had 14 stores around the country following four additions made in the past seven months. The conflict between the chain and Rex Trueform's other retail customers had been resolved as what was sold to national retailers was not sold in Queenspark stores

The group reverted to a net interest paying situation compared with last year's net receipt of R1,5m in interest Shub said about R12m in the group's cash resources had been used at the end of last year to redeem the preference shares and the group had borrowings of about R8m and a debt to equity ratio of about 10%

Export allowances helped produce a tax credit which resulted in the 34% decline in pre-tax profit being stemmed by a 19% fall in attributable income to R5,9m (R7,3m)

Shub said Rex Trueform was well placed to benefit from any upturn in economic conditions. Order books for summer were quite good in the circumstances with solid orders for national brands, although orders from the retail chains were substantially lower The export order book was fairly solid, he added

Shub expressed opposition to the latest tariff proposals for clothing and textiles saying they provided less protection and less access to imports He said uncertainty in the industry had to be eliminated urgently.

Rex Trueform's parent company African & Overseas Enterprises, which derives most of its income from the group, reported a drop in earnings to 147c (183,8c) and declared a dividend of 72c (80c).

Romatex in R32-m deal

By Stephen Cranston (184) STAR 1/9/92

Romatex has sold its Crossley woven-carpet operation to Irish-based Ulster Carpet Mills for R32 million in cash.

The deal is effective from October 1, subject to Reserve Bank approval.

The deal is in excess of Crossley's net asset value and is expected to increase Romatex's net asset value per share by 36c.

Ulster Carpets ranks among the world's three leading woven carpet producers and it was looking for a suitable overseas base from which to broaden its geographical spread.

CE Mike Mills says the Crossley acquisition complements Ulster Carpets' international operations, particularly in the Pacific Rim countries where Crossley has developed export markets.

Romatex executive chairman Jack Crutchley says the deal gives it the opportunity to invest the proceeds in attractive growth opportunities.

Romatex's carpet interests will now be concentrated on its tufted operations, which incorporate the Van Dyck and Constantia brands, and which are beginning to reflect the benefits of a substantial restructuring.

John Louw will continue as MD of Crossley Carpets under the new ownership, which promises that management and staff will enjoy the same employment conditions.

The property at the Reunion complex is included in the deal. The woven and tufted operations, which share the complex, will be separated by a sub-division of the plant.

Clothing industry task force formed

BDAY 4/9/92 (184)

PETER DELMAR

GOVERNMENT yesterday announced the appointment of a task group to advise on a long-term strategy for the clothing and textiles industry

Trade and Industry Department director-general Stef Naude said the new strategy had to be in place by not later than November next year

The 12-member task force, assisted by a 33-member advisory panel, comprises equal representation from government, private sector and organised labour, and, together with the panel, will be chaired by Board on Tariffs and Trade chairman Nic Swart

The names of the task group and panel appointees were not announced.

Naude said "It may not be feasible to conserve all sectors of the industry, and those which cannot become viable and competitive through restructuring will not be conserved

"Economic conditions in general and in the (clothing and textiles) industry in particular require the task to be completed as quickly as circumstances allow.

"What the government fundamentally requires of the strategy is achievable recommendations based on sound economic principles for the restructuring necessary to develop a viable and competitive industry"

Naude said international trends, including obligations under GATT, would be taken into account

The strategy should create an environment for the industry to make the "maximum contribution to the long-term welfare of the nation"

He said it was decided to appoint a panel and a task group because of the complex nature of the industry and the diversity of interest groups.

The task group was appointed because the size of the panel meant it would be unable to undertake the investigation itself

The four private sector members of the task group represent the raw materials, clothing and textiles, furniture, and distributive industries

□ GERALD REILLY reports from Pretoria that Deputy Agriculture Minister Tobie Meyer said last night the clothing and textiles and retail industries had been under severe pressure in the past few years because of recession and a disruptive surge of imports from the East

Speaking at a Cotton Board function in Verwoerdburg, he said a task group representative of all levels of industry had submitted proposals to government for the creation of jobs and the containment of prices within the cotton industry Many of its recommendations for stabilisation of the industry had been accepted

Meyer said marketing uncertainty and the last announced lint prices had caused a sharp crop decline in the past season

REX TRUEFORM FM 4/9/92

A shrinking business (184)

The extent of the deterioration in Rex Trueform's earnings is only appreciated when performance figures over the past five years are examined together The preliminary figures for the 1992 year show EPS of 142,6c — this is 35% lower than EPS in 1987, and 66% below the EPS peak of 416,3c in 1989

More than anything, perhaps, it highlights how desperately ill the clothing industry is After all, Rex Trueform remains one of the leaders On a compound basis, its earnings have decreased by a nominal 8,3% a year since 1987 In real terms, its business is shrinking at a rate of over 20% a year

DEFROCKED

Year to June 30	1991	1992
Turnover index*	144	145
Operating income (Rm)	7,1	6,3
Pre-tax income (Rm)	8,6	5,7
Attributable (Rm)	7,3	5,9
EPS (c)	176,2	142,6
Dividends (c)	70	60

* 1988 = 100

Caught, as Rex Trueform was, in the web woven by the few large retail chains that dominate the clothing industry and largely dictate fashion requirements and margins, the decision to open its own chain of competing retail stores is paying off, according to chairman Stewart Shub Queenspark has expanded further and its 14 outlets are an important distribution channel Shub says it has also accounted for better margins

If only these encouraging reports translated into improved earnings

Shub adds that exports rose significantly during the year But, he points out, uncertainty about the continuity of export incentives is inhibiting planning Clarity on the matter is imperative, and it is hoped the Department of Trade and Industry will soon say what is to replace the General Export Incentive Scheme after it is phased out in 1995

Given the circumstances of the clothing industry, it is almost comforting that Rex Trueform managed to confine the fall in operating income to 11% But a disturbing aspect is the R2m swing from interest received to interest paid of R618 000 It was

FM 4/9/92 (184)

evidently caused by an abnormal peak in stock holdings and debtors in December Both are back to normal levels

Income after tax fell 19%, with EPS moving in line The dividend was cut 14,3%, placing the share on a dividend yield of 8,3% and a p e of 5,1

There is still no good reason to think an earnings recovery is imminent Investment in the share must therefore remain a dubious proposition

Holding company African & Overseas declared EPS of 147c (183,8c) and a dividend of 72c (80c) *Gerald Hirshon*

B/DAY
10/9/92

Clothing import clamps

GOVERNMENT yesterday announced new clamps on the import of used clothing. A concession to churches and welfare organisations to sell this clothing to offset costs would be withdrawn because of large-scale irregularities. (184)

Government clamps down on used clothing imports

STAR 10/9/92

Finance Staff (184)

In a further clamp on imported clothing, the government has zipped up a loophole in the Customs and Excise Act through which millions of rands-worth of second-hand clothing was being imported every year, ostensibly for distribution by churches and welfare organisations to the needy.

The move comes a week after the Government gazetted generally higher duties for cheap clothing imports

In response to frequent requests by clothing and textile-maufacturing-companies to act, Deputy Finance Minister J A van Wyk yesterday announced that with immediate effect importing organisations would require — in addition to the existing quantitative import permit from the Department of Trade and Industry — a separate rebate permit issued by the Director-General for Trade and Industry on the recommendation of the Board on Tarrifs and Trade.

Mr van Wyk said "The rate of duty on taxable importations of worn clothing, including overcoats, is increased to 60 percent, or R25 a kilogram, with effect from September 7 1992

"As the new measures take immediate effect, it is recommended that these institutions apply immediately for permits so as to avoid the detention by Customs of consignments in the absence of the required permit."

It was estimated that 60 million items of worn clothing a year were being sold on the open market.

"The apparent illegal diversion" of the garments was happening on such a large scale that withdrawal of the rebate concession was justified

Mr van Wyk also invited representatives of churches and welfare organisations to discuss with the Commissioner for Customs and Excise a proposal to withdraw the concession granted in 1986 permitting charity institutions to sell the garments at nominal prices to cover port handling costs and inland cartage charges.

The government wanted to scrap the concession because of widescale trade in the clothing taking place

Used clothing imports zipped by duty hike

ARG 10/9/92

(184)

TOM HOOD, Business Editor

IMPORTS of worn clothing amounting to 6 million garments a year are likely to be curtailed through a steep and immediate rise in duty.

The government has zipped up a loophole in the Customs and Excise Act through which second-hand clothing worth more than R1 billion was being imported

The imports were allowed for distribution by churches and welfare organisations to the needy, but traders got in on the act and an upsurge in imports sold in flea markets was claimed to be hurting clothing and textile manufacturers

President of the National Clothing Federation Aaron Searll said today the industry and trade union had objected to the abuse of duty free imports. They estimated these amounted to 100 million pieces a year — or 25 percent of total South African factory production — and were a significant factor in the loss or orders and jobs in the industry.

Only 33 million pieces were imported three years ago, said Dr Searll.

According to chairman of the Garment Manufacturers Association Patrick Boers, the industry was being crippled by imported clothes sold at "incredibly low prices" at flea markets and second-hand shops

After months of protests by clothing and textile companies, deputy Finance Minister J A van Wyk yesterday announced importing organisations would require — in addition to the existing quantitative import permit from the Department of Trade and Industry — a separate rebate permit issued by the Director-General for Trade and Industry on the recommendation of the Board on Tarrifs and Trade

The rate of duty on taxable imports of worn clothing, including overcoats, will soar to 60 percent, or R25 a kilogramme from September 7 The rate was 25 percent or 40c a garment, and second-hand clothing was imported in huge bales

"As the new measures take immediate effect, it is recommended that these institutions apply immediately for permits so as to avoid the detention by customs of consignments in the absence of the required permit."

The "apparent illegal diversion" of the garments was happening on such a large scale that withdrawal of the rebate concession was justified, said Mr Van Wyk

The deputy minister also invited representatives of churches and welfare organisations to discuss with the Commissioner for Customs and Excise a proposal to withdraw the concession granted in 1986 permitting charity institutions to sell the garments at nominal prices to cover port handling costs and inland cartage charges

The Government wanted to scrap the concession because of widescale trade in the clothing taking place at ordinary market prices

"It has been found that the concession is being misused on a large scale and trade at normal prices is taking place openly in such clothing, frequently to the advantage of the traders rather than that of the people for whom it was intended" added Mr Van Wyk

"It is clear that this concession can no longer be allowed

He estimated "a couple of hundred" institutions were involved and they have been asked to send delegates to discuss their problems with the Commissioner for Customs and Excise.

Curbs on import of used clothes

CT 10/9/92

By BARRY STREEK

(184)

THE government yesterday announced new clamps on the import of used clothing — as well as the withdrawal of a concession to churches and welfare organisations to sell this clothing to offset costs

The move was the result of large-scale irregularities, the Deputy Minister of Finance, Mr Japie van Wyk, said yesterday

He said the escalation in the import of worn clothing had been a cause of concern lately as it had increased out of proportion to the social need for these imports

"For the local clothing and textile industry this implies a serious threat, and of particular concern is the potential loss of jobs in these industries", he said

Mr Van Wyk said in future churches and welfare organisations which imported second-hand clothing would require quantitative import rebates and a separate rebate permit

Previously a concession had been granted allowing them to sell the clothes to cover port handling costs and inland cartage charges

ARG 11/9/92 (184)

Cosatu warns: Re-hire them or else ...

SHARON SOROUR
Labour Reporter

COSATU has threatened to take "action" against five Western Cape clothing employers who have not reinstated about 100 workers dismissed for taking part in an illegal "Living Wage" march in June

The companies involved are SA Cap, Shareen Knitwear, H K Manufacturers, Teeny Tages and Alpa Rose

Cosatu accused the companies of victimising the workers and warned it would not "sit back while employers ride roughshod over the inalienable rights of workers".

"These employers should bear in mind that the consumers of their products are the families, friends and communities of those dismissed workers. We will not hesitate to support any action decided on by those communities if these employers continue to refuse to settle"

However, Cape Clothing Manufacturers' Association executive director Mr Peter Cragg said negotiations between the five companies and the SA Clothing and Textile Workers' Union (Sactwu) were continuing.

Mr Cragg said the companies had tendered an offer to Sactwu to re-employ the dismissed workers.

Employers warned workers not to take part in the industrial action on June 18 because it was a breach of contract

Clothing imports and downturn stifle Progress

184

DUMA GQUBULE

Sowetan 2/11/92

PROGRESS Industries, the Natal-based knitwear company, plunged deeper into the red in the six months to June.

CE Peter Jacobson said the company's reported loss of R4,7m, against R1m profit in the same period last year, had been due mainly to a flood of imports, particularly of sweaters and knitted clothing The extremely serious situation had been exacerbated by the economic downturn

Sales declined by a little more than a fifth to R27,2m from R35m

A severe squeeze on margins resulted in a trading loss of R3m (R3m profit last year). Interest payments of R1,7m resulted in an attributable loss of R4,7m, equivalent to 168,6c a share

Jacobson said import controls and quotas which could have alleviated the situation had been circumvented by abuses The authorities had shown a complete lack of interest in policing the situation

He did not expect any improvement in trading conditions until government took positive action to rectify problems Meanwhile, steps had been taken to reduce overheads, improve productivity and promote Progress's export business to curtail losses and return the company to profitability

No. R. 2598 **11 September 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

KLERASIENYWERHEID, KAAP: HERBEKRAGTIGING VAN DIE OOREENKOMS VIR DIE PLATTELANDSE GEBIEDE

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1993 eindig, bindend is vir die werkgewersorganisasie en die vakvereniging wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasie of vereniging is; en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van genoemde Ooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (a), 2, 3 en 8 met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1993 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van genoemde Ooreenkoms gespesifiseer

G. M. E. CARELSE,
Adjunkminister van Mannekrag.

BYLAE

NYWERHEIDSRAAD VIR DIE KLERASIENYWERHEID (KAAP)

OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Cape Clothing Manufacturers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

South African Clothing and Textile Workers' Union

(hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Klerasienywerheid (Kaap).

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet in die Klerasienywerheid nagekom word—

(a) deur die werkgewers en die werknemers wat lede van onderskeidelik die werkgewersorganisasies en die vakvereniging is,

(b) in die landdrosdistrik George

(2) Ondanks subklousule (1), is hierdie Ooreenkoms—

(a) slegs van toepassing op werknemers vir wie lone in hierdie Ooreenkoms voorgeskryf word,

No. R. 2598 (184) **11 September 1992**

LABOUR RELATIONS ACT, 1956

CLOTHING INDUSTRY, CAPE: RE-ENACTMENT OF THE AGREEMENT FOR THE COUNTRY AREAS

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1993 upon the employers' organisation and the trade union which entered into the said Agreement and upon the employers and employees who are members of the said organisation or union; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the said Agreement, excluding those contained in clauses 1 (1) (a), 2, 3 and 8 shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1993 upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the said Agreement

G. M. E. CARELSE,
Deputy Minister of Manpower.

SCHEDULE

INDUSTRIAL COUNCIL FOR THE CLOTHING INDUSTRY (CAPE)

AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Cape Clothing Manufacturers' Association

(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

South African Clothing and Textile Workers' Union

(hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the Industrial Council for the Clothing Industry (Cape)

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Clothing Industry—

(a) by the employers and employees who are members of the employers' organisations and the trade union, respectively,

(b) in the Magisterial District of George

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall—

(a) only apply in respect of employees for whom wages are prescribed in this Agreement,

(b) nie van toepassing nie op werknemers en werkende direkteure wie se lone meer as R19 864 per jaar bedra;

(c) nie van toepassing nie op werkgewers en werknemers wat betrokke is by of in diens is in die Brei-afdeling

2. KLOUSULE 2: GELDIGHEIDSDUUR VAN OOREENKOMS

Vervang klousule 2 deur die volgende

"Hierdie Ooreenkoms tree in werking op die datum wat die Minister van Mannekrag kragtens artikel 48 (1) van die Wet vasstel en bly van krag tot 30 Junie 1993 "

3. SPESIALE BEPALINGS

Die bepaling soos vervat in klousules 5 (4) (h), 14 (2), 23, 24, 27, 31–33 van die Ooreenkoms gepubliseer by Goewermentskennisgewing R 1375 van 1 Julie 1983, R 2659 van 2 Desember 1983, R 1261 van 22 Junie 1984, R 1554 van 27 Julie 1984, R. 2436 van 9 November 1984, R 2670 van 7 Desember 1984, R. 1744 van 9 Augustus 1985, R 2693 van 6 Desember 1985, R 306 van 21 Februarie 1986, R 2367 van 14 November 1986, R 252 van 6 Februarie 1987, R 2857 van 31 Desember 1987, R 2068 van 14 Oktober 1988, R 2455 van 2 Desember 1988, R 2328 van 27 Oktober 1989, R 2529 van 17 November 1989, R 2087 van 31 Augustus 1990, R 2868 van 7 Desember 1990 (hierna die "Vorige Ooreenkoms" genoem) soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op sowel werkgewers as werknemers

4. ALGEMENE BEPALINGS

Die bepalings soos vervat in klousules 3–5 (4) (g), 5 (4) (i)—14 (1), 15–22, 25, 26, 28–30 van die Vorige Ooreenkoms soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op sowel werkgewers as werknemers.

5. KLOUSULE 4: LONE

(1) Vervang subklousule (1) deur die volgende:

"(1) Die minimum lone wat betaal moet word aan en aangeneem mag word deur die ondergenoemde klasse werknemers, onderhewig aan die bepalinge van hierdie Ooreenkoms, is soos volg·

	Loon per week
Deel A: Ontwerp- en Snyafdeling	R
Hoofsnyer	382,00
Patroonmaker	
(a) Gekwalifiseer	382,00
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	211,00
Tweede ses maande ondervinding	233,50
Tweede jaar	
Eerste ses maande ondervinding	257,00
Tweede ses maande ondervinding	280,50
Derde jaar	
Eerste ses maande ondervinding	306,00
Tweede ses maande ondervinding	331,50
Daarna die loon voorgeskryf in (a), d w s	382,00
Patroongradeerder.	
(a) Gekwalifiseer	307,00
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	196,00
Tweede ses maande ondervinding	211,00

(b) not apply to employees and working directors whose wages are more than R19 864 per annum,

(c) not apply to employers and employees engaged or employed in the Knitting Division

(184)

2. CLAUSE 2: PERIOD OF OPERATION OF AGREEMENT

Substitute the following for clause 2

"This Agreement shall come into operation on a date to be fixed by the Minister of Manpower in terms of section 48 (1) of the Act and shall remain in force until 30 June 1993 "

3. SPECIAL PROVISIONS

The provisions of clauses 5 (4) (h), 14 (2), 23, 24, 27, 31–33 of the Agreement published under Government Notice R 1375 of 1 July 1983, R 2659 of 2 December 1983, R 1261 of 22 June 1984, R 1554 of 27 July 1984, R 2436 of 9 November 1984, R 2670 of 7 December 1984, R. 1744 of 9 August 1985, R 2693 of 6 December 1985, R 306 of 21 February 1986, R 2367 of 14 November 1986, R 252 of 6 February 1987, R 2857 of 31 December 1987, R 2068 of 14 October 1988, R. 2455 of 2 December 1988, R 2328 of 27 October 1989, R 2529 of 17 November 1989, R 2087 of 31 August 1990, R 2868 of 7 December 1990 (hereinafter referred to as the "Former Agreement") as further extended, renewed, amended or re-enacted from time to time, shall apply to employers and employees

4. GENERAL PROVISIONS

The provisions contained in clauses 3–5 (4) (g), 5 (4) (i)–14 (1), 15–22, 25, 26, 28–30 of the Former Agreement, as further extended, renwed, amended or re-enacted from time to time, shall apply to employers and employees.

5. CLAUSE 4: WAGES

(1) Substitute the following for subclause (1)·

"(1) Subject to the provisions of this Agreement, the minimum wages that shall be paid to and accepted by the undermentioned classes of employees shall be as follows

	Wage per week
Part A: Design and Cutting Department	R
Head cutter	382,00
Pattern Maker	
(a) Qualified	382,00
(b) Learner	
First year	
First six months of experience	211,00
Second six months of experience	233,50
Second year	
First six months of experience	257,00
Second six months of experience	280,50
Third year	
First six months of experience	306,00
Second six months of experience	331,50
Thereafter, the wage specified in (a), i e	382,00
Pattern Grader	
(a) Qualified	307,00
(b) Learner	
First year	
First six months of experience	196,00
Second six months of experience	211,00

	Loon per week
	R
Tweede jaar	
Eerste ses maande ondervinding	225,00
Tweede ses maande ondervinding	240,00
Derde jaar	
Eerste ses maande ondervinding	257,00
Tweede ses maande ondervinding	273,00
Daarna die loon voorgeskryf in (a), d w s	307,00
Snyer, snylaagpatroonoplêer.	
(a) Gekwalifiseer	295,50
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	175,50
Tweede ses maande ondervinding	194,50
Tweede jaar	
Eerste ses maande ondervinding	214,00
Tweede ses maande ondervinding	235,00
Derde jaar	
Eerste ses maande ondervinding	258,00
Daarna die loon voorgeskryf in (a), d w s	295,50
Tussenvoeringsnyer, voeringwerker, leersnyer en dassnyer.	
(a) Gekwalifiseer	212,00
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	156,50
Tweede ses maande ondervinding	165,50
Tweede jaar	
Eerste ses maande ondervinding	175,00
Tweede ses maande ondervinding	184,50
Derde jaar	
Eerste ses maande ondervinding	194,00
Daarna die loon voorgeskryf in (a), d w s	212,00
(c) Indien bevorder tot leerlingsnyer.	
Eerste ses maande na datum van bevordering	230,00
Tweede ses maande na datum van bevordering	258,00
Daarna die loon vir 'n gekwalifiseerde snyer voorgeskryf, d w s	295,50
Laagoplêer.	
(a) Gekwalifiseer	179,50
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	151,00
Tweede ses maande ondervinding	156,50
Tweede jaar	
Eerste ses maande ondervinding	163,00
Daarna die loon voorgeskryf in (a), d w s	179,50
(c) Indien bevorder tot leerlingsnyer	
Eerste ses maande na datum van bevordering	179,50
Tweede ses maande na datum van bevordering	214,00
Derde ses maande na datum van bevordering	235,00
Vierde ses maande na datum van bevordering	258,00
Daarna die loon vir 'n gekwalifiseerde snyer voorgeskryf, d w s	295,50
Perssnyer	
(a) Gekwalifiseer	218,50
(b) Leerling	
Eerste jaar ondervinding	161,00
Tweede jaar ondervinding	184,50
Daarna die loon voorgeskryf in (a), d w s	218,50
Natrekker	
(a) Gekwalifiseer	204,50
(b) Leerling·	
Eerste jaar	
Eerste ses maande ondervinding	161,00
Tweede ses maande ondervinding	172,50
Tweede jaar	
Eerste ses maande ondervinding	183,50
Daarna die loon voorgeskryf in (a), d w s	204,50

	Wage per week
	R
Second year	
First six months of experience	225,00
Second six months of experience	240,00
Third year	
First six months of experience	257,00
Second six months of experience	273,00
Thereafter, the wage specified in (a), i e	307,00
Cutter, lay-maker·	
(a) Qualified	295,50
(b) Learner.	
First year	
First six months of experience	175,50
Second six months of experience	194,50
Second year	
First six months of experience	214,00
Second six months of experience	235,00
Third year	
First six months of experience	258,00
Thereafter, the wage specified in (a), i e	295,50
Interlining cutter, trimmer, leather cutter and tie cutter	
(a) Qualified	212,00
(b) Learner	
First year	
First six months of experience	156,50
Second six months of experience	165,50
Second year	
First six months of experience	175,00
Second six months of experience	184,50
Third year	
First six months of experience	194,00
Thereafter, the wage specified in (a), i e	212,00
(c) If advanced to learner cutter	
First six months from date of advancement	230,00
Second six months from date of advancement	258,00
Thereafter, the wage specified for a qualified cutter, i e	295,50
Layer-up	
(a) Qualified	179,50
(b) Learner	
First year	
First six months of experience	151,00
Second six months of experience	156,50
Second year	
First six months of experience	163,00
Thereafter, the wage specified in (a), i e	179,50
(c) If advanced to learner cutter	
First six months from date of advancement	179,50
Second six months from date of advancement	214,00
Third six months from date of advancement	235,00
Fourth six months from date of advancement	258,00
Thereafter, the wage specified for a qualified cutter, i e	295,50
Clicker	
(a) Qualified	218,50
(b) Learner	
First year of experience	161,00
Second year of experience	184,50
Thereafter, the wage specified in (a), i e	218,50
Tracer.	
(a) Qualified	204,50
(b) Learner	
First year	
First six months of experience	161,00
Second six months of experience	172,50
Second year	
First six months of experience	183,50
Thereafter, the wage specified in (a), i e	204,50

Deel B Fabriekswerkers	Loon per week R
Klerasiemasjienwerktuigkundige	
(a) Gekwalifiseer	382,00
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	211,00
Tweede ses maande ondervinding	233,50
Tweede jaar	
Eerste ses maande ondervinding	257,00
Tweede ses maande ondervinding	280,50
Derde jaar	
Eerste ses maande ondervinding	306,00
Tweede ses maande ondervinding	331,50
Daarna die loon voorgeskryf in (a), d.w.s	382,00
Werknemer graad A:	
(a) Gekwalifiseer	233,50
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	162,00
Tweede ses maande ondervinding	174,50
Tweede jaar	
Eerse ses maande ondervinding	186,00
Tweede ses maande ondervinding	198,50
Derde jaar	
Eerste ses maande ondervinding	212,00
Daarna die loon voorgeskryf in (a), d w s.	233,50
Werknemer graad B	
(a) Gekwalifiseer	196,00
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	158,50
Tweede ses maande ondervinding	167,50
Tweede jaar	
Eerste ses maande ondervinding	176,50
Daarna die loon voorgeskryf in (a), d w s	196,00
(c) Indien bevorder tot werknemer graad A	
Eerste ses maande na datum van bevordering	196,00
Tweede ses maande na datum van bevordering	198,50
Derde ses maande na datum van bevordering	212,00
Daarna die loon vir 'n gekwalifiseerde werknemer graad A voorgeskryf, d w s	233,50
Werknemer graad C	
(a) Gekwalifiseer	174,00
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	155,00
Tweede ses maande ondervinding	160,50
Daarna die loon voorgeskryf in (a), d w s.	174,00
(c) Indien bevorder tot werknemer graad B:	
Eerste ses maande na datum van bevordering	174,00
Tweede ses maande na datum van bevordering	176,50
Daarna die loon vir 'n gekwalifiseerde werknemer graad B voorgeskryf, d w s.	196,00
Voorparser, blokker:	
(a) Gekwalifiseer	176,50
(b) Leerling	
Eerste jaar	
Eerste ses maande ondervinding	151,00
Tweede ses maande ondervinding	156,50
Tweede jaar	
Eerste ses maande ondervinding	163,00
Daarna die loon voorgeskryf in (a), d w s	176,50
(c) Indien bevorder tot leerlingparser	
Eerste ses maande na datum van bevordering	176,50
Tweede ses maande na datum van bevordering	212,00
Daarna die loon vir 'n gekwalifiseerde werknemer graad A voorgeskryf, d w s	233,50

(184)

Part B: Factory Operatives	Wage per week R
Clothing machine mechanic	
(a) Qualified	382,00
(b) Learner:	
First year	
First six months of experience	211,00
Second six months of experience	233,50
Second year	
First six months of experience	257,00
Second six months of experience	280,50
Third year	
First six months of experience	306,00
Second six months of experience	331,50
Thereafter, the wage specified in (a), i.e	382,00
Grade A employee.	
(a) Qualified	233,50
(b) Learner	
First year	
First six months of experience	162,00
Second six months of experience	174,50
Second year	
First six months of experience	186,00
Second six months of experience	198,50
Third year	
First six months of experience	212,00
Thereafter, the wage specified in (a), i e	233,50
Grade B employee:	
(a) Qualified	196,00
(b) Learner	
First year	
First six months of experience	158,50
Second six months of experience	167,50
Second year	
First six months of experience	176,50
Thereafter, the wage specified in (a), e i	196,00
(c) If advanced to Grade A employee	
First six months for date of advancement	196,00
Second six months from date of advancement	198,50
Third six months from date of advancement	212,00
Thereafter, the wate specified for qualified Grade A employee, i e	233,50
Grade C employee	
(a) Qualified.	174,00
(b) Learner	
First year	
First six months of experience	155,00
Second six months of experience	160,50
Thereafter, the wage specified in (a), e i	174,00
(c) If advanced to Grade B employee	
First six months from date of advancement	174,00
Second six months from date of advancement	176,50
Thereafter, the wage specified for qualified Grade B employee, i e	196,00
Underpresser, blocker	
(a) Qualified	176,50
(b) Learner	
First year	
First six months of experience	151,00
Second six months of experience	156,50
Second year	
First six months of experience	163,00
Thereafter, the wage specified in (a), e i	176,50
(c) If advanced to learner presser	
First six months for date of advancement	176,50
Second six months from date of advancement	212,00
Thereafter, the wage specified for qualified Grade A employee, i e	233,50

	Loon per week
Deel C: Klerke	R
Klerk	
(a) Gekwalifseer	258,00
(b) Leerling	
Eerste jaar ondervinding	187,50
Tweede jaar ondervinding	206,00
Derde jaar	
Eerste ses maande ondervinding	225,50
Daarna die loon voorgeskryf in (a), d w s	258,00
Fabrieksklerk:	
(a) Gekwalifseer	191,00
(b) Leerling	
Eerste jaar ondervinding	150,50
Tweede jaar ondervinding	161,50
Derde jaar	
Eerste ses maande ondervinding	174,00
Daarna die loon voorgeskryf in (a), d w s	191,00
Deel D: Algemeen	
Ketelbediener	180,50
Versendingsverpakker	186,50
Algemene werker	173,50
Arbeider	176,50
Drywer van motorvoertuig waarvan die onbelaste massa, tesame met die onbelaste massa van 'n sleepwa of -waens wat deur sodanige voertuig getrek word—	
onder 2 720 kg is	196,50
2 720 kg en meer is	225,00
Toesighouer, gehaltebeheerder en instrukteur	240,00
Handelsreisiger se drywer	196,50
Wag of opsigter, wie se normale werkure—	
(a) minder as 60 uur per week is	203,50
(b) 60 uur per week is	214,00"

(2) In subklousule (10) vervang die uitdrukking "R 2328 van 27 Oktober 1989" deur die uitdrukking "R 2087 van 31 Augustus 1990"

6. KLOUSULE 26: SIEKEFONDS

(1) In subklousule (4) vervang paragrawe (a), (b) en (c) deur die volgende

"(a) Vir die doel van sodanige Fonds moet elke werkgewer, behoudens subklousule (13), elke week van die loon van elkeen van sy werknemers vir wie minimum lone in hierdie Ooreenkoms voorgeskryf word en wat gedurende 'n week gewerk het, afgesien van die tyd aldus gewerk (hierna 'n 'bydraer' genoem), die volgende bedrag aftrek

Groep 1: In die geval van 'n bydraer wat 'n loon van minder as R205,00 per week ontvang. R3,70,

Groep 2: In die geval van 'n bydraer wat 'n loon van R205,00 per week en meer ontvang: R4,70.

(b) **Werkgewer se bydrae:** 'n Werkgewer moet elke week ten opsigte van elke bydraer van wie se loon 'n aftrekking ingevolge (a) hierbo gemaak moet word, 'n gelyke bedrag bydra

(c) Die totale bedrag wat die werkgewer se bydrae en die bydraer se bydrae verteenwoordig, moet maandeliks deur die werkgewer aangestuur word aan die Sekretaris van die Raad in die vorm van Aanhangsel G van hierdie Ooreenkoms en werk voor of op die 14de dag van elke maand wat volg op die maand waarop genoemde bydraes betrekking het."

(2) Vervang subklousule (4) (h) deur die volgende

"(h) Die werkgewer moet die Fonds elke week in kennis stel, volgens die voorskrif vervat in klousule 16 (4) van hierdie Ooreenkoms, van elke bydraer wat sonder besoldiging vier of meer agtereenvolgende betaalweke afwesig was "

	Wage per week
Part C. Clerical Employees	R
Clerk	
(a) Qualified	258,00
(b) Learner	
First year of experience	187,50
Second year of experience	206,00
Third year	
First six months of experience	225,50
Thereafter, the wage specified in (a), i e	258,00
Factory clerk	
(a) Qualified	191,00
(b) Learner	
First year of experience	150,50
Second year of experience	161,50
Third year	
First six months of experience	174,00
Thereafter, the wage specified in (a), i e	191,00
Part D: General	
Boiler attendant	180,50
Despatch packer	186,50
General worker	173,50
Labourer	176,50
Motor vehicle driver of a vehicle the unladen mass of which, together with the unladen mass of any trailer or trailers drawn by such vehicle is as follows	
Under 2 720 kg	196,50
2 720 kg and over	225,00
Supervisor, quality controller and instructor	240,00
Traveller's driver	196,50
Watchman or caretaker whose ordinary hours of work are—	
(a) Less than 60 hours per week	203,50
(b) 60 hours per week	214,00"

(2) In subclause (10) substitute the expression "R 2087 of 31 August 1990" for the expression "R 2328 of 27 October 1989"

6. CLAUSE 26: SICK FUND

(1) In subclause (4), substitute the following for paragraphs (a), (b) and (c):

"(a) For the purpose of such Fund, every employer shall, save as provided in subclause (13), each week deduct from the wages of each of his emplyees for whom minimum wages are prescribed in this Agreement and who has worked during any week, irrespective of the time so worked (hereinafter referred to as 'contributor') the following amount

Group 1: In the case of a contributor earning a wage of less than R205,00 per week: R3,70,

Group 2: In the case of contributor earning a wage of R205,00 per week and more R4,70

(b) **Employer's contribution:** An employer shall each week in respect of each contributor from whose wages deductions are due in terms of (a) above, contribute an equal amount.

(c) The total sum representing the employer's contributions and the contributor's contributions shall be forwarded monthly by the employer, but not later than the 14th day of each month following the month to which such contributions relate, in the forms of Annexure G to this Agreement, to the Secretary of the Council "

(2) Substitute the following for subclause (4) (h):

"(h) The employer shall each week notify the Fund of all contributors who have been absent without pay for four or more consecutive pay weeks in the manner prescribed in clause 16 (4) of this Agreement "

(3) Voeg die volgende by subklousule (5)

"(c) **Kraamvoordele:**

(i) 'n Afsonderlike kraamvoordeelrekening word ingestel waaruit alle kraamvoordeelbetalings gemaak moet word

(ii) Die kraamvoordeelrekening moet soos volg gefinansier word

(aa) 'n Gedeelte van die totale Siekefondsbydraes moet in die kraamvoordeelrekening inbetaal word

(bb) Die gedeelte wat in die kraamvoordeelrekening inbetaal word, verteenwoordig gelyke bydraes van die werkgewer en bydraer teen 'n koers van 35c elk per week

(iii) Behoudens die bepalings van hierdie Ooreenkoms is 'n vroulike bydraer wat—

(aa) deurlopend bydraes tot die Siekefonds gemaak het vir minstens twee jaar; en

(bb) deurlopend in die Nywerheid in diens was vir minstens twee jaar;

op die datum waarop sy ophou werk as gevolg van haar swangerskap, geregtig op die kraamvoordeelbetaling soos bepaal in paragraaf (v) hieronder

(iv) Vir die toepassing van hierdie subklousule word niebydraende tydperke as gevolg van siekte en/of korttyd beskou as bydraende tydperke.

(v) 'n Werknemer wat geregtig is op die kraamvoordeel, ontvang 'n enkelbedragbetaling van die kraamvoordeelrekening gelyk aan 25% van sodanige werknemer se weeklikse loon ten tyde van diensstaking vanwee haar swangerskap, vermenigvuldig met 13 Met dien verstande dat geen sodanige betaling aan die werknemer gemaak moet word—

(aa) vroeer as vier weke voor die verwagte datum van haar bevalling nie, en die verwagte datum van bevalling moet vasgestel word deur 'n resente mediese sertifikaat geteken deur 'n mediese praktisyn waarop die aantal weke swangerskap en die verwagte datum van die bevalling aangedui word, of

(bb) in die geval van 'n vroeggebore baba wat lewendig is by geboorte nie, tensy sy 'n geboortesertifikaat verstrek, of

(cc) ten opsigte van 'n miskraam, aborsie of doodgebore baba gedurende die eerste 35 weke van swangerskap nie; of

(dd) indien haar diens beëindig word vroeër as die 22ste week van haar swangerskap nie, of

(ee) indien die werknemer te sterwe kom voordat sy die voordeel opeis wat haar toekom ingevolge hierdie subklousule, tot tyd en wyl die Meester van die Hooggeregshof besluit het aan wie die voordeel betaal moet word nie "

(4) Hernommer die bestaande subklousule "(15)" om te lui "(16)"

(5) Voeg die volgende nuwe subklousule (15) in

"(15) Die Komitee moet van tyd tot tyd besluit oor die vorm en wyse waarop eise ingestel en voordele betaal moet word ingevolge hierdie klousule "

7. KLOUSULE 30: KRAAMVERLOF

Vervang hierdie klousule deur die volgende

"30 KRAAMVERLOF

(1) Behoudens die bepalings van hierdie Ooreenkoms is 'n vroulike werknemer—

(a) wat deurlopend minstens twee jaar vir dieselfde werkgewer gewerk het, en

(b) wie se werkgewer deurlopend minstens twee jaar by die Raad geregistreer was,

tot en met die datum van aanvang van haar kraamverlof, geregtig op kraamverlof van hoogstens ses maande vir elke swangerskap

(3) Add the following to subclause (5) 184

"(c) **Maternity benefits:**

(i) A separate maternity benefit account shall be established from which all maternity benefit payments shall be made

(ii) The maternity benefit account shall be financed as follows

(aa) A portion of the total Sick Fund contributions shall be paid into the maternity benefit account

(bb) The portion to be paid to the maternity benefit account shall be equal contributions from the employer and the contributor at the rate of 35c per week each

(iii) Subject to the provisions of this Agreement a female contributor who—

(aa) has continuously contributed to the Sick Fund for no less than two years; and

(bb) has continuously been employed in the Industry for no less than two years;

as at the date of ceasing employment because of her pregnancy shall be entitled to the maternity benefits set out in paragraph (v) below.

(iv) For purposes of this subclause non-contributing periods owing to illness and/or short time shall be deemed as periods of contribution

(v) Any employee who is entitled to maternity benefits shall receive a lump sum payment from the maternity benefit account equal to 25% of such employee's weekly wage earned at the time of ceasing employment because of her pregnancy, multiplied by 13 Provided that no such payment shall be made to the employee—

(aa) earlier than 4 weeks prior to the expected date of her confinement; the expected date of her confinement shall be determined by a recent medical certificate signed by a medical practitioner indicating the number of weeks of pregnancy and the expected date of confinement, or

(bb) in the event a prematurely born child which is alive at birth, unless she produces a birth certificate, or

(cc) in respect of a miscarriage, abortion or still-born child that occurs during the first 35 weeks of pregnancy, or

(dd) if her employment terminates prior to the 22nd week of pregnancy, or

(ee) if the employee dies prior to claiming the benefit due to her in terms of this subclause, until such time as the Master of the Supreme Court has decided to whom such benefit should be paid "

(4) Renumber subclause "(15)" to read "(16)"

(5) Insert the following new subclause (15)

"(15) The Committee shall decide from time to time on the form and manner in which claims shall be lodged and benefits paid in terms of this clause."

7. CLAUSE 30: MATERNITY LEAVE

Substitute the following for this clause:

"30 MATERNITY LEAVE

(1) Subject to the provisions of this Agreement a female employee who—

(a) has continuously worked for the same employer for no less than two years; and

(b) whose employer has been continuously registered with the Council for no less than two years;

as and at the date of commencing her maternity leave shall be entitled to maternity leave not exceeding six months for any one pregnancy

(2) Alle regte en pligte wat die werkgewer en die werknemer het ingevolge die dienskontrak, moet opgeskort word gedurende die tydperk van kraamverlof en die werknemer ontvang geen voordeel gedurende hierdie tydperk nie, behalwe dat—

(a) indien sy voldoen het aan subklousule (3) (a), (b), (c) en (d) hieronder, haar diens as ononderbroke beskou moet word;

(b) die werkgewer voorts—in die geval van 'n bydraer tot die Siekefonds, alle bydraes tot die Siekefonds soos bepaal in die Ooreenkoms vir die Plattelandse Gebiede van die Raad, gepubliseer by Goewermentskennisgewing No. R. 1375 van 1 Julie 1983, en in die geval van 'n bydraer tot die Voorsorgfonds alle bydraes tot die Voorsorgfonds soos bepaal in die Voorsorgfondsooreenkoms, gepubliseer by Goewermentskennisgewing No R. 678 van 31 Maart 1983, of ingevolge die ooreenstemmende bepalings van alle wysigings van genoemde Ooreenkomste—moet betaal ten opsigte van homself en die werknemer wat met kraamverlof is, terwyl die werknemer met sodanige verlof is en totdat—

(i) die werknemer die bepalings van hierdie Ooreenkoms verbreek deur te versuim om haar werkgewer in kennis te stel van die voorgenome datum van haar terugkeer na haar werk soos bepaal in subklousule (3) (b) hieronder, tensy goeie rede aangevoer word vir versuim in dié verband; of

(ii) die werknemer die bepalings van hierdie Ooreenkoms verbreek deur te versuim om na haar werk terug te keer op die datum soos bepaal in subklousule (3) (a) en (b) hieronder, tensy goeie rede aangevoer word vir versuim in dié verband; of

(iii) die werknemer na haar werk terugkeer;

wat ook al eerste gebeur.

(3) By verstryking van die tydperk van kraamverlof is die werknemer geregtig om werk te hervat in 'n identiese of soortgelyke betrekking, maar een wat nie minder gunstig is nie as die een wat sy beklee het voordat sy kraamverlof geneem het. Hierdie verpligting wat op die werkgewer rus om die werknemer weer in diens te neem, is onderworpe daaraan en op voorwaarde dat die werknemer aan die volgende voldoen het:

(a) Deur die vorm voorgeskryf in Aanhangsel N van hierdie Ooreenkoms minstens een maand voor die datum waarop sy met kraamverlof gaan, in te vul· Met dien verstande dat hierdie vereiste nie van toepassing is in die geval van 'n werknemer wat vroeër as verwag as gevolg van mediese redes moet ophou werk nie; en

(b) deur haar werkgewer minstens vier weke vooraf in kennis te stel van die datum waarop sy van plan is om na haar werk terug te keer deur die vorm voorgeskryf in Aanhangsel O van hierdie Ooreenkoms in te vul of deur enige ander skriftelike kennisgewing, en die vorm of kennisgewing per geregistreerde pos aan die werkgewer te stuur of deur die vorm of kennisgewing af te lewer of te laat aflewer aan 'n verantwoordelike beampte van haar werkgewer en'n skriftelike erkenning van ontvangs daarvoor te verkry; en

(c) deur terug te keer na haar werk en haar gewone pligte te hervat op die datum bepaal in Aanhangsel N, of deur goeie rede te verstrek waarom dit nie moontlik was om op die bepaalde datum terug te keer nie; en

(d) deur haar kraamverlof nie vroeër nie as op 22 weke swangerskap te begin en terug te keer na haar werk binne die tydperk van ses maande of, indien die kraamverloftydperk gedurende die werkgewer se jaarlikse verloftydperk verstryk, of waar die datum van terugkeer op 'n openbare vakansiedag val, deur na haar werk terug te keer op die eerste werkdag na die jaarlikse verloftydperk of die openbare vakansiedag.

(4) Behoudens die bepalings van hierdie Ooreenkoms mag geen werkgewer van 'n vroulike werknemer vereis of haar toelaat om te werk gedurende die tydperk wat vier weke voor die verwagte datum van haar bevalling 'n aanvang neem en wat agt weke na die datum van haar bevalling verstryk nie.

(2) During the period of maternity leave all the rights and obligations that the employee and the employer may have under the employment contract shall be suspended and no benefit shall accrue to the employee during this period except that—

(a) provided she has complied with subclause (3) (a), (b), (c) and (d) hereunder, her service will be regarded as uninterrupted,

(b) the employer shall continue to pay—in the case of a Sick Fund contributor, all Sick Fund contributions as provided for in the Agreement for the Country Areas of the Council, published under Government Notice No R 1375 of 1 July 1983, and, in the case of a Provident Fund contributor, all Provident Fund contributions as provided for in the Provident Fund Agreement, published under Government Notice No R 678 of 31 March 1983, or the corresponding provisions of any amendments to such Agreements—in respect of himself and of any employee on maternity leave while such employee is on such leave and until—

(i) the employee breaches the provisions of this Agreement by failing to notify her employer of her intended date of return to work as provided for in subclause (3) (b) below, unless good cause for such failure is shown, or

(ii) the employee breaches the provisions of this Agreement by failing to return work on the date as provided for in subclause (3) (a) and (b) below, unless good cause for such failure is shown; or

(iii) the employee return to work;

whichever occurs first

(3) At the end of the period of maternity leave the employee shall be entitled to resume her work in a position identical or similar, but not less favourable, to the one which she held prior to her taking maternity leave. This obligation on the employer to re-engage the employee is subject to and conditional upon the employee having complied with the following.

(a) By completing a form identical to Annexure N to this Agreement at least one month before the date of commencement of her maternity leave. Provided that this requirement shall not apply in the event of the employee having to stop work owing to medical reasons, earlier than anticipated, and

(b) by notifying her employer at least four weeks prior to her intended date of return to work of her intention to so return to work by completing a form identical to Annexure O of this Agreement, or by any other written notice, and forwarding such form or notice to her employer by registered mail or by delivering such notice or form to a responsible officer of the employer and obtaining a written acknowledgement of receipt therefor, and

(c) by returning to work and resuming her normal duties on the date stipulated in Annexure N or by showing good cause why it was not possible to return to work on the stipulated date; and

(d) by commencing her maternity leave not earlier than at 22 weeks of pregnancy and returning to work within the six month period or, where the maternity leave period expires during the employer's annual leave period or the return day falls on a public holiday, by returning to work on the first working day after the annual leave period or the public holiday.

(4) Subject to the provisions of this Agreement, no employer shall require or permit any female employee to work during the period commencing four weeks prior to the expected date of her confinement and ending eight weeks after the date of her confinement

(5) 'n Werkgewer is geregtig om 'n pos te vul wat vakant geraak het as gevolg van 'n werknemer wat met kraamverlof is, deur 'n ander persoon in diens te neem op 'n vastetermynkontrakgrondslag totdat die werknemer wat met kraamverlof is na haar werk terugkeer. Die vastetermynkontrak moet die voorskrifte bevat soos uiteengesit in Aanhangsel P van hierdie Ooreenkoms en moet onderteken word deur die werkgewer en die werknemer wat ingevolge dié vastetermynkontrak in diens geneem word. Laasgenoemde moet besoldig word volgens die skaal voorgeskryf in hierdie Ooreenkoms vir die klas werk waarvoor hy in diens geneem is.

(6) Ofskoon die dienskontrak van 'n werknemer beëindig kan word indien sy versuim om te voldoen aan die bepalings van subklousule (3) (a), (b), (c) en (d) hierbo, verander sodanige diensbeëindiging geensins die tydelike aard van die dienskontrak van enige ander werknemer wat in haar plek in diens geneem is nie."

8. KLOUSULE 33: WERKWINKELVERTEENWOORDIGERS

(1) Vervang subklousule (3) deur die volgende:

"(3) Werkwinkelverteenwoordigers wat deur 'n werkgewer erken word, is geregtig op drie dae betaalde verlof per jaar met die doel om opleidingskursusse vir werkwinkelverteenwoordigers by te woon waar genoemde bywoning binne gewone werkure val: Met dien verstande dat 'n sinopsis van elke sodanige opleidingskursus by die werkgewersorganisasies ingedien is."

(2) Voeg die volgende nuwe subklousule (4) in:

"(4) Benewens die verlof in (3) hierbo toegestaan, is die werkwinkelverteenwoordigers wat deur 'n werkgewer erken word, geregtig op en het hulle toegang tot addisionele betaalde verlof om aan vakverenigingverpligtinge te wy. Die betaalde verlof hiervolgens word bereken teen drie dae per jaar per werkwinkelverteenwoordiger wat deur 'n werkgewer erken word. Die addisionele verlof aldus bereken ingevolge hierdie subklousule moet by elke bedryfsinrigting gepoel word en die werkwinkelverteenwoordigers wat deur 'n werkgewer erken word, is geregtig om die gepoelde addisionele verlof te gebruik vir en toe te wys aan vakverenigingverpligtinge op enige wyse wat die vakvereniging goed ag."

9. AANHANGSEL G

Vervang Aanhangsel G van die Ooreenkoms deur die aangehegte Aanhangsel G.

Namens die partye op hede die 30ste dag van Januarie 1992 te Soutrivier onderteken.

W. F. ALEXANDER,
Voorsitter van die Raad

C. E. McCARTHY,
Ondervoorsitter van die Raad

J. N. VAUGHAN,
Sekretaris van die Raad

(5) An employer shall be entitled to fill a position which has become vacant owing to an employee having gone on maternity leave by employing another person on a fixed-term contract until the return of the employee from maternity leave. The fixed-term contract shall contain the provisions set out in Annexure P to this Agreement and shall be signed by both the employer and the employee employed on a fixed-term contract. The latter shall be remunerated at the wage prescribed in this Agreement for the class in which he is employed.

(6) Although the contract of employment of an employee may be terminated if she fails to comply with the provisions of subclause (3) (a), (b), (c) and (d) above, such termination shall not in any way whatsoever change the temporary nature of the fixed-term contract of employment of any other employee who may have been employed to fill her position."

8. CLAUSE 33: SHOP STEWARDS

(1) Substitute the following for subclause (3).

"(3) Shop stewards recognised by an employer shall be entitled to three days' paid leave per annum to attend shop steward training courses when such attendance falls within normal working hours, provided an outline of each such training course has been lodged with the employers' organisations."

(2) Insert the following new subclause (4).

"(4) In addition to the leave granted in (3) above, shop stewards recognised by an employer shall be eligible for and have access to further paid leave to attend to trade union duties. The paid leave in terms hereof shall be calculated at three days per annum per shop steward recognised by an employer. At each establishment the additional leave generated in terms of this subclause shall be pooled and shop stewards recognised by an employer shall be entitled to use and allocate the additional leave so pooled to attend to trade union duties in any manner that the trade union deems fit."

9. ANNEXURE G

Substitute the attached Annexure G for Annexure G of the Agreement.

Signed at Salt River, on behalf of the parties, this 30th day of January 1992.

W. F. ALEXANDER,
Chairman of the Council

C. E. McCARTHY,
Vice-Chairman of the Council

J. N. VAUGHAN,
Secretary of the Council

Used coat tariff furore

184

ARG 12/9/92

■ While clothing manufacturers have welcomed the increase on tariffs for imported used clothing, some distributors say it will cause more hardship for the poor.

PATRICK FARRELL
Weekend Argus Reporter

IMPORTERS of used coats have lashed out at this week's duty hike on imported secondhand clothing, saying the move will cause hardship to the poor and could bankrupt established businesses

This follows a statement by the Ministry of Finance this week that the surcharge on imported worn clothing, including overcoats, would be immediately increased from 25 to 60 percent, or R25 a kilogram The government estimates that yearly, about six million used garments worth about R1 billion have been coming into the country

The increase comes after pressure from local clothing manufacturers and unions, but established businessmen who import only used coats say the move is unjustified

A Cape Town director of one of the country's biggest importing ventures, who declined to be named, said he had received telephone calls from "many" other suppliers who are unhappy at the tariff rise

"We held talks with the government last year about this and we will have to see them again because it is necessary to separate used overcoats from the rest of used clothing.

"The reason is, firstly, there is little or no overcoat manufacture here. Secondly our market is the people in the rural areas who have no heating and clothing was the reason government brought in the import hikes, as the Customs and Excise Act allowed churches and welfare organisations to bring in used clothing duty free for the needy

"Traders got in on the act and were bringing in clothing and selling at market prices," said Deputy Minister of Finance, Mr J A van Wyk, explaining the increase

He said bona fide welfare organisations would not be affected under the new regulations as they could apply for a permit and still receive free donations of clothing from overseas without paying duty, provided the clothes were given away here

The city director said "We say that the problem is policing

"Issue permits to all traders and the established guys will operate the way they always have done while the illegals can be monitored and flushed out"

He said some charities were accepting "donations" from people in exchange for a duty-free container of clothing which was then sold on the open market afterwards.

"Other people are also bringing in secondhand clothes through the TBVC states and then smuggling them into South Africa.

"The system is riddled with irregularities and the duty increase will allow all these to continue"

He said the average coat-seeker will now be faced with about a R60 increase from the new duty costs.

Company waives dividend after poor results

LINDA ENSOR (184)

CAPE TOWN — Clothing manufacturer Towles, Edgar Jacobs (TEJ) has waived paying a dividend for the year to end-June after a 62% decline in earnings a share to 14,7c (38,9c) BDAY 17/9/92.

Chairman Robert Jacobs said the results reflected the deterioration in trading conditions during the second half of the year

Turnover slipped 2,6% to R35m (35,9m), while margins came under severe pressure, falling to 7% (9,8%)

Finance charges — which represented 73% (61%) of operating profit — placed a heavy strain on the group, although gearing improved to 62% Jacobs said cost-saving measures, including short time, had produced a positive cash flow of R997 000

TEJ paid no tax and recorded an attributable profit of R435 000 (R1,15m),

Small traders nibble at clothing industry

A BURGEONING informal sector of hawkers, flea markets, factory shops and home-sewing is taking business from the clothing industry

Marketing & Planning Consulting Services (MPCS) estimates that 10% of all fabrics bought in South Africa are taken up by the home-sewing and informal market

MPCS chief executive Joop de Voest says the growth of the informal market is one of several profound changes that the SA textile industry has had to face in the past few years

Many companies in the retail trade have outpriced themselves, leaving a gap in the market and consumers are increasingly looking for more value for money

This has led to flea markets mushrooming, often attracting SA's affluent shoppers

Cape Town is estimated to have 20 flea markets. The Bruma Flea market in Johannesburg has expanded from one day a week to four

Mr De Voest says the worn-garment trade has taken, at conservative estimates, R2-billion a year of

By ZILLA EFRAT

disposable income from retailers S Times (BUSS)

This trend shows that the clothing industry may be providing for the elite market and not the basic need for affordable clothes 20/9/92

"Put another way, the SA market appears to be realigning itself along the lines of a developing nation," says Mr De Voest (186)

Pipeline

The number of factory shops has also risen rapidly In the past factory outlets sold slightly damaged goods and returns But now they go to shops which sell lower-priced, good-quality goods.

In addition, apparel wholesalers, squeezed out of the distribution pipeline some years ago, are back in a big way, offering goods at low mark-ups.

Another major shift in the textile manufacturing industry has been a widespread proliferation of newcomers The trend continues in spite of the recession.

For example, in 1985 there were about 80 knitwear manufacturers in SA Today there are more than 200. In the same time the number of sock manufacturers has grown from fewer than 20 to 45

Mr De Voest says that in some manufacturing sectors, certain newcomers are on a par with the top five traditional players in their respective markets

The spinning, weft knitting, knitwear and hosiery manufacturing sectors are prime examples

These new operations are often started by people who have lost their jobs in the formal manufacturing sector.

A reason for their success is that they can produce at low prices They have survived because they are small, flexible and more customer oriented

Many older players are feeling the pressure and need to adapt new marketing policies to counter and take advantage of these developments, says Mr De Voest

Manufacture and distribution of clothing is becoming a strong area of growth for black entrepreneurs, ranging from hawkers to small manufacturing operations

Tip

MPCS senior consultant Monica de Witt says "One needs only to attend the Matchmakers exhibition to realise that this is the tip of the iceberg

"Traditional home-sewing as we know it has branched into a flourishing small-business sector in its own right

"The home-sewer no longer provides for her own needs, but is producing thousands of items"

Mr De Voest says foreign companies are also playing an important role in the industry Many have set up in decentralised zones Foreigners are also increasingly opening shop in other industrial areas like Newcastle

Although SA may not be a cost-effective country in which to produce, foreign investors look at the African market as a whole, not SA alone

Water shortage threat to four power stations

S Times (BUSS) 20/9/92.

By DON ROBERTSON

THE possibility of water shortages at four Highveld power stations has forced Eskom and the Department of Water Affairs to rush ahead with a R60-million pipeline to serve the drought-stricken Kangwane area

Construction of the 42km pipeline, financed by Eskom, will link the Usutu and Komati Government water schemes It is hoped that it will avoid any water shortage at the power stations

The Department of Water Affairs and Forestry says the normally reliable Komati River which flows through SA, Swaziland and Kangwane, has run dry

To meet the needs of peo-

ple the Arnot, Hendrina, Duvha and Komati power stations. Should further releases be needed, "it could have serious implications for electricity supply which could have serious socio-implications for the country," says the department

The four power stations supply 8 700mW of electricity

Work started on the pipeline at the beginning of this month and will be completed by March 1993

Rains

Lenco's R51m purchase of Metkor effective from May 1

BIDAY 23/9/92.

LINDA ENSOR

CAPE TOWN — Diversified industrial holding group Lenco Holdings has bought Metkor Industries — the sole assets of which are Hendler & Hart (H & H) and certain property interests — from the Metkor Group for R51m.

Savings will be achieved through the rationalisation of H & H's and Lenco's plastic injection-moulded closures and container business.

Both companies have similar factories in Durban.

H & H also produces metal and aluminium kitchenware at its Boksburg factory and has started exporting its products to the US.

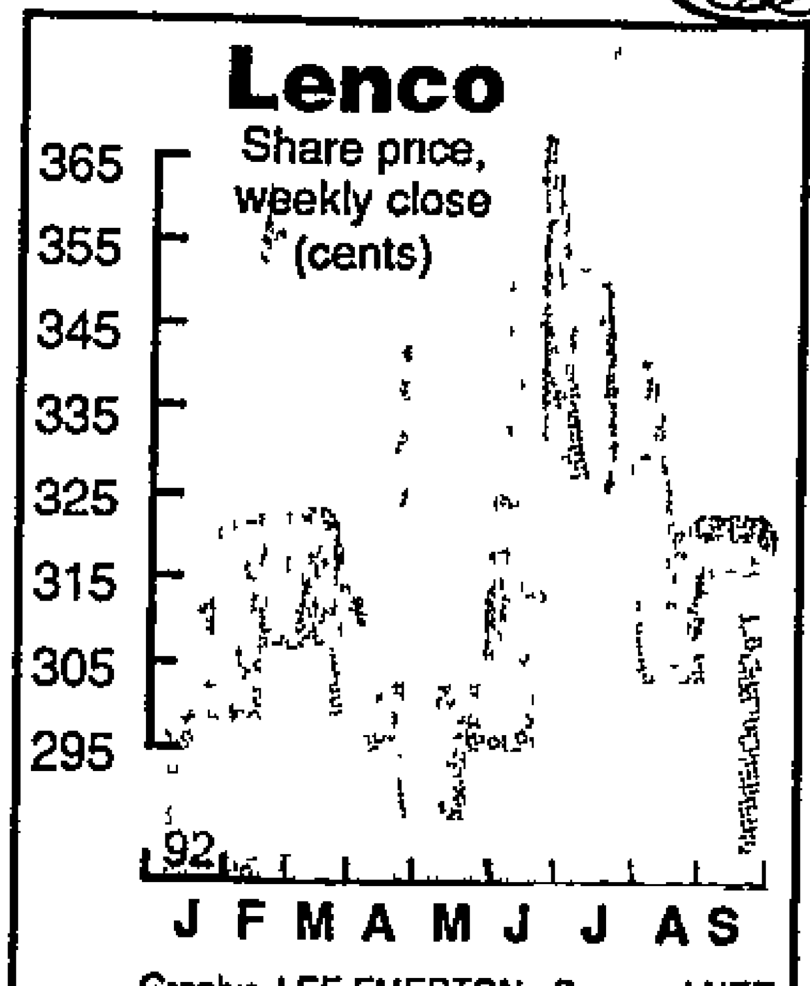
(184)

Losses

Payment will be made with R31m cash and the issue of 6-million renounceable Lenco shares at 333c a share. The deal takes effect from May 1.

The purchase price takes into account the fact that Metkor Industries made losses for the three months from May to August attributable partly to strikes and abnormal write-offs.

Had the deal been effective for the six months ending August 31, Lenco's earnings would have increased 12,85% to 24,32c from 21,55c and tangible net asset value 7,63% to 222,3c from 206,54c



Graphic LEE EMERTON Source I-NET

The group's gearing ratio would have increased to 39,94% from 22,91%, a rise which executive chairman Doug de Jager said was within limits and would be lowered by year-end by the cash generated through operations

The group intends to announce its interim earnings to end-August during October.

Diluted earnings a share of 24,32c would represent an increase of 8% over last year's 22,5c a share

De Jager said yesterday that trading conditions had been very tough in the clothing and footwear industries, where demand was sluggish

There had been severe pressure on prices.

He said the acquisition of H & H would open the way for rationalisation in sales, administration, distribution and production

These synergies would enable H & H's Durban operation to become profitable.

The Boksburg factory would be turned around through rationalisation

Option

De Jager said the acquisition gave Lenco access to a licensing agreement for patented closures.

Lenco has been managing Metkor Industries, and has acquired the company in terms of an option to purchase granted in terms of the management agreement

De Jager said a conflict of interest had emerged between Lenco's management contract and its own business

De Jager was confident the acquisition would contribute positively to the group in the short to medium term

Mauritians woo SA clothing retailers

PETER DELMAR (184)

MAURITIAN manufacturers are wooing SA clothing retailers and wholesalers.

More than 40 South Africans — believed to include leading clothing retailers — will attend the island's fabric and clothing exhibition, Mitex, next month.

BIDAY 24/9/92

Mauritius Export Development and Investment Authority representative in SA Arvind Radhakrishna said about 130 Mauritian suppliers would be exhibiting. He said Mauritian products cost less than a fifth of similar products from Europe or North America.

However, SA retailers said that despite the good quality and very competitive prices of Mauritian products, clothing imports had declined recently because of high duties on imports.

Multi-million scams in duty-free permits

(184)

S/Times (BUSS) 27/9/92.

A SYSTEM of duty-free permits is being widely abused, wreaking havoc in the sectors it was designed to help.

By ZILLA EFRAT

The permits are part of the structural adjustment programme for the clothing and textile industries

Some in the industries believe a host of multimillion-rand scams are resulting in huge duty-free imports with which they cannot compete

The permits are issued to companies that export at least 2,5% of their turnover The permits can be legally sold at a premium — a reward for exporting.

Non-exporting wholesalers and retailers find that if they do not obtain permits they are soon outpriced.

One manufacturer, who does not wish to be named, says there is widespread counterfeiting of the permits

Problem

Frame Textile Corporation managing director Walter Simeoni says many permits are obtained by submitting false information

Entries against permits are not foolproof They may be used over and over again, he says

South African Clothing and Textile Workers Union assistant general secretary Ebrahim Patel says another problem is the Customs officials of the TBVC and BLS states

They are believed to issue permits even when no exports take place, either out of ignorance or for a kickback

Export Marketing & Management Consultants director Nora Hill says irregular methods of exports, like round tripping and false documents, are also used to obtain permits.

The Department of Trade and Industry (DTI) confirms that it is investigating certain cases related to the issue of permits It has referred some suspected abuse cases to the Department of Customs and Excise

About R343-million in duty-free permits were legitimately issued for the year to March 1993

Industry players are reluctant to estimate what amounts may have been obtained irregularly The abundance of permits on the market, however, has resulted in large falls in the premiums paid for some of them

One importer says duty-free permits are being offered at a premium of between 40% and 45% This means that the holder of a permit worth R1-million can make about R400 000 by merely trading the certificate

He says there is "no benefit to the country or the manufacturing sector"

The DTI will not support an extension of the programme when it expires at the end of March next year

A textile and clothing panel and a task group have been appointed to advise the DTI on a long-term strategy for these industries

DTI Director-General Stef Naude says a new strategy must replace transitional short-term measures not later than November next year.

The duty-free permit system was intended to enable producers to limit their output ranges and supplement them with imported products

Dr Naude says one problem was that exporters were increasingly importing end products which attracted the highest duty To curb this, the permits are now issued on a menu basis

The total permit value is allocated in fixed percentages of different product categories

Dr Naude says there have also been problems in implementing the system "owing to the department's limited ability to manage a programme of this nature"

In spite of the apparent abuse of the system, most industry players point to its success in boosting exports.

The DTI says the number of serious exporters has more than doubled The value of clothing and textile exports rose from R270-million in 1988 to R520-million in 1990 In the first six months of 1991 exports were R260-million

Dr Naude says the programme was intended to run for five years — until March 1993 Assurances were given that it would not be terminated without reasonable notice.

He says export contracts are negotiated up to nine months before delivery The programme's benefits are costed into contract prices This means the programme cannot be terminated immediately and will have to run its course

Fear

However, several people fear there could be a huge rush for permits before the scheme runs out

There are also allegations of the abuse of two other duty-rebate schemes, cases of incorrect documentation and lack of control at border crossings

Mr Simeoni says "The overall effect is that the already overgenerous volume of genuine duty-free textile imports is swollen by an uncontrollable inflow of addition large volumes of illegal imports"

The result can be seen in the financial results of most textile and clothing companies. If the trend is not stopped, the industry will be destroyed, he says.

STEF NAUDE: Steps are being taken to stamp out the abuses

SA throws keys away

S/Times (BUSS) 27/9/92.

By KEVIN DAVIE: Washington

A boost for the islands

Traclo manages to lift earnings

STAR 29/9/92 (184)

Transvaal Clothing Industries (Traclo) posted a 10 percent increase in earnings a share of 2,2c for the year to June, despite tough trading conditions.

Sales rose, but competition forced margins down and operating profit before interest and tax rose 10 percent to R2,47 million on a turnover of R53,75 million

The proceeds of the sale of vacant property effectively helped to pin down interest paid to a 4 percent increase to R1,4 million, boosting pre-tax profit by 20 percent to R1,07 million — Sapa

Mines limit capex to essential projects

BIDAY 30/9/92

MATTHEW CURTIN

CAPITAL spending at Gengold's Buffelsfontein and Beatrix mines was confined to essential projects in the year ended June 1992 as the mines tried to manage their way out of the depressed conditions in the industry, chairman Naas Steenkamp said in his yearly review.

"The profit margin squeeze in our business has created a vicious circle of higher ore reserve pay limits, reduced ore reserve tonnage, capacity under-utilisation, higher unit costs and consequently still higher pay limits."

He said management efforts to reduce working costs and pay limits would be "relentless", but the medium-term future of the mines was "heavily dependent" on higher rand gold prices.

"The local industry faces aggressive international competition

"Structural changes in the world gold market have rendered SA reserves less competitive internationally than historically was the case," he added.

Both mines reduced total working costs in 1992

Buffelsfontein shed 935 jobs in the year, with 8 802 workers employed at year-end

Beatrix lost 1 303 jobs, and had 7 636 workers on June 30

Buffelsfontein gold mining company's results reflected the profit from the Buffels mine and its 16% share of Beatrix's earnings It reported after-tax profit of R68m (R66m) in the year.

The mine's gold output held at a little more than 12 tons as an increase in grade to 5,9g/t from 5,7g/t offset a fall in tons milled to 2,1-million tons (2,2-million tons)

Tremors

Gengold consulting engineer John Cockburn said although Buffelsfontein's safety record was improving, the severity of earth tremors was increasing with the possibility that ventilation seals could be ruptured

All underground employees had been provided with self-rescue breathing apparatus in case noxious gases were released from the ventilation system.

Buffels had 1,37-million tons of available ore reserves at June 30, against total reserves of 4,21-million tons

Pals Holdings shareholders' interest cut

BIDAY 30/9/92

LINDA ENSOR (184)

CAPE TOWN — Clothing manufacturer Pals Holdings increased earnings a share 5,6% to 7,5c (7,1c) in the year to end-June.

Declaring a final dividend of 1,3c it maintained its total dividend at 3,3c.

Turnover rose 16%, but slashed margins saw operating income tumble 8% to R1,6m (R1,7m), a reversal counteracted by lower finance and tax charges.

Chairman Selwyn Kagan said earnings were likely to drop as the economy slid deeper into recession.

Shareholders' interest was cut to R7,9m (R8,2m) as a result of the write-off of a premium paid on acquisition of subsidiaries after group rationalisation. Net tangible asset value was unaffected.

Siltek looks to offshore arms

BIDAY 30/9/92

DUMA GQUBULE

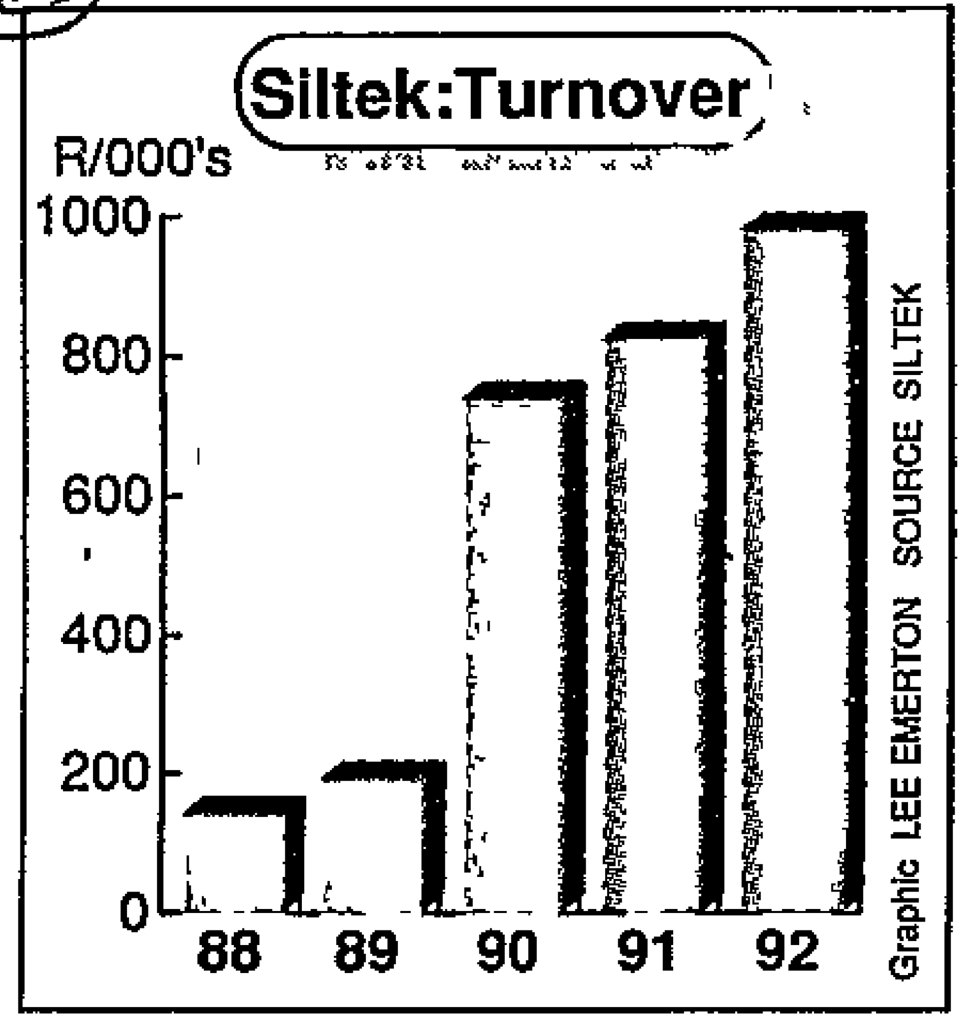
SILTEK, SA's second largest computer group, is confident its growing offshore companies will boost its profits significantly in the medium term

In its 1992 annual review chairman Jack Saulez said the group's offshore companies would open a important pipeline for group products into international markets

Hi-Performance Systems (HPS), recently appointed Hewlett Packard distributor for the subcontinent, had expanded to the UK HPS UK would serve as a platform for expansion into Europe Siltek recently reported a 30% increase in attributable income to R36,5m on a 19% increase in turnover to nearly R1bn for the year to June

In the report, MD Mike McGrath said the company had entered the current year with significant orders on hand

Siltek's results were the brightest spot in holding company Grinaker Holdings' "most disappointing in a decade". Grinaker Holdings has a stake of 67% in Grintek, which in turn has 96% of Grinaker Electronics and 65% of Siltek



Grinaker, in its annual review, disclosed that Grinaker Construction, which reported a loss of R17,2m for the year to June, had created a special projects division to investigate opportunities in the housing, health and education sectors

Clothing contract as textile plant closes

ARG 1/10/92

EAST LONDON — A company here is to produce clothes for Benetton, while a textile factory is being closed because of falling profits

The director of Lupo International, Ms Maria Morlacci said her firm had been granted a licence to manufacture and distribute Benetton clothes

Mr Morlacci said the company would start with the present number of staff and look into employing more people "if we require it"

She said Lupo could not produce the entire Benetton range as her plant could not produce wool products, which made up some 30 percent of the range

Meanwhile, Da Gama Textiles announced yesterday that it was closing its East London plant and moving the equipment to its larger plant in Zwelitsha, outside King William's Town

"All that's going to happen is that the dyeing and printing will be moved from East London," the chief executive officer, Mr Harry Pearce said

He confirmed there would be retrenchments

The Clothing and Textile Workers Union has proposed an urgent meeting with the company on Monday — Ecna.

Seardel sees ground for (184) improvement

By Tom Hood STAR 2/10/92

CAPE TOWN — A modest recovery in profits and dividends for 1993, but still below 1991 levels, is forecast by Seardel Investment Corporation's chairman Aaron Searll

He says in his annual review turnover is expected show nominal growth from this year's R1,1 billion to a record R1,3 billion, with operating profit rising to R23 million from R18 million — but well below the R46 million achieved in 1991.

Earnings are forecast at 53c (43c) a share (108c), while dividends could rise from 9,5c to 12c (23c).

In an interview Dr Searll said the forecasts were based largely on budgets produced at operating level and indicated that the upturn would appear to be delayed until 1993.

This factor would also be governed by the attitude of the fiscus, the level of interest rates and the political scenario

Of great concern to the clothing industry was the substantial growth in imports of second-hand clothing, he said

These imports grew from 33 million units in 1989 to more than 100 million this year.

"This is a very serious problem for the industry in that it undermines local manufacturing and leads to large-scale job losses."

Dr Searll welcomed the curbs on imports introduced by the Government to counter the widespread abuse taking place and curb the flood of second-hand clothing imports.

Exports increased to R81 million from R49 million last year and were largely responsible for maintaining staff levels.

"Exports to a certain extent alleviated the problem of trying to recover increased input costs from the all-powerful retailers, who, because of their influence, are in the main responsible for the erosion of margins. This trend is expected to continue"

A stagnating economy was probably the worst catalyst in the current scenario of political manoeuvring and social unrest

Clothing output falls but exports increase

184 CT 3/10/92

MAGGIE ROWLEY
Deputy Business Editor

TOTAL output of the South African clothing industry, which shrank by 6% in 1991, looks set to contract by the same magnitude this year although exports rose substantially, according to Hennie van Zyl, executive director of the National Clothing Federation of South Africa

And, he said, indications were that the industry would see further negative growth in 1993

Total employment levels plunged from 155 000 in September last year to 132 000 in September this year

"This translates into more than 20 000 jobs lost in the industry over a 12 month period and averages out at more than 1 100 per month"

The number of employers in the industry has also dropped off dramatically with only 1 048 factories operating as of July this year

In Cape Town the number of factories operating dropped to 349 against 385 a year earlier

Van Zyl and Simon Jocum, executive director of the Cape Clothing Manufacturers Association, both point out that the casualties in the industry would have been much higher as a result of the drop off in domestic demand had it not been for an increase in exports

After topping R340m in 1991, imports were currently growing at 52% in volume and 12% in value due to the flood of cheap imports hitting the South African market which was of great concern to the industry, Van Zyl said

Clothing exports on the other hand reached R320m last year and were currently increasing at a rate of about 57% in volume and 92% in value with "some prominent manufacturers reporting they had made substantial inroads into the top end of the Japanese market and the middle to top end of the Russian market"

Exports now accounted for about 8% of total turnover and this would hopefully continue to grow rapidly in the years ahead

Exporters, he said, were also reporting a crumbling of resistance in European and other markets to SA origin labelling

Van Zyl said inflation in the clothing industry was presently hovering at around 8% The average annual inflation in clothing production prices for the seven years since 1985 had been 14,8% which was below the textile production price increase of 16,6% and the clothing CPI average (the price to the consumer) of 15,5% per year

During this period the overall CPI rate averaged out at 17,4% a year

A fearless Seardel tells it the way it is

STAR 5/10/92.

By Tom Hood (184)

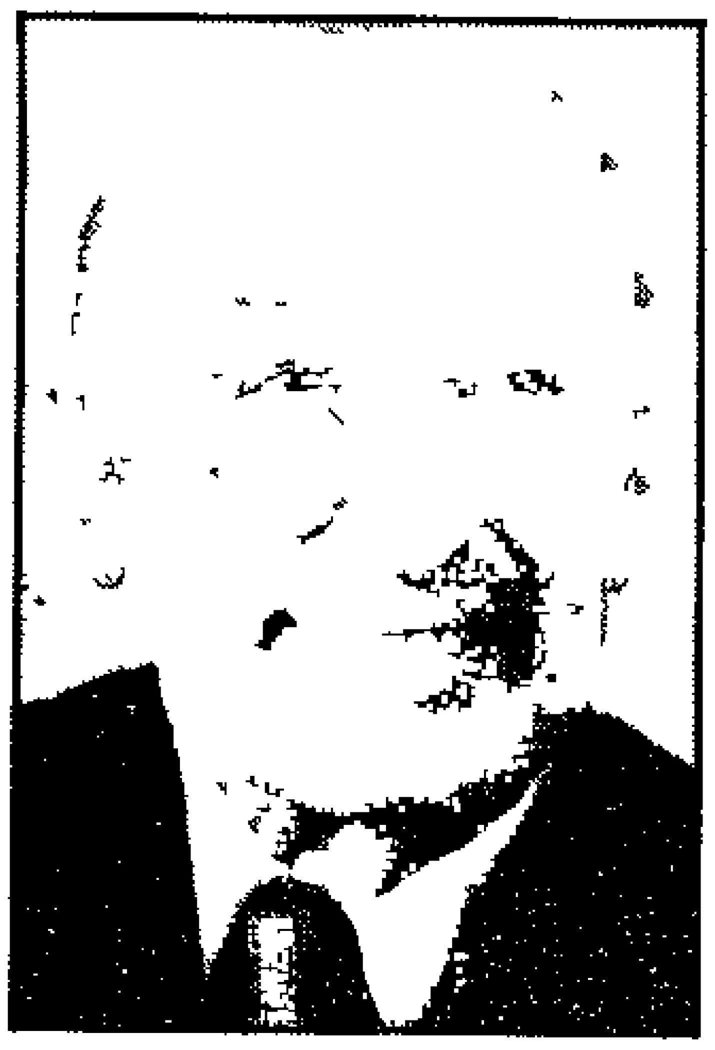
CAPE TOWN — Profits reported by many companies are fictitious and would turn into losses if they were adjusted for inflation in accordance with guidelines of the South African Institute of Chartered Accountants.

One of the few companies to go for full disclosure of information and expose financial statements to the searchlight of inflation accounting is clothing manufacturer Seardel Investment Corporation.

Seardel, now issuing a 72-page annual report covering the 12 months to June, has consistently been placed in the top 10 of the chartered accountants' annual financial statements reporting awards and has been the leading Western Cape participant since 1980.

Like almost all clothing companies, Seardel with 15 400 employees, struggled to recover increased input costs "from the all-powerful South African retailers who, because of their influence, are in the main responsible for the erosion of margins", says the report

Turnover grew to a record



Issy Goldberg . . . a brave step in these tremulous times

R1 billion, a nominal growth of 17 percent, but a drop of 1,9 percent if inflation is considered.

Operating profit dropped from R76 million to R55 million.

But operating profit adjusted for inflation worked out at only R19,4 million.

This was because depreciation took an extra R5 million and the cost of sales absorbed R30,5 million more.

In addition, a financial gearing adjustment of R14 million wiped out the remaining profit and left a R3,4 million loss, which became a R10,4 million loss after tax.

The bottom line was that inflation turned earnings of 43c a share into a loss of 36c

Dividends of R2,2 million were paid on the basis of 9,5c a share and dividend cover of 4,6 times But dividend cover became a negative 3,8 after inflation adjustment.

The return on total assets dropped to 6,9 from 11,9 percent

However, some balance sheet ratios improved — the ratio of borrowings to group equity became 66 percent (74 percent), total debt to group equity improved to 174 from 196 percent and net asset value a share increased to 735c from 655c.

The value of shareholders' interest jumped to R172 million from R153 million and group equity was adjusted to R184 million from R164 million

Inflation boosted the value of fixed assets to R78 million from R63 million and stock valued at R220 million became worth R225 million.

Another effect was to increase long-term borrowings of R122 million by R21 million and lower short-term borrowings by R4,2 million

"Seardel is one of the few major companies unafraid to highlight its results by saying that the results without inflation accounting are certainly much better than if inflation is taken into account," says Issy Goldberg, chairman of the Shareholders Association.

"This is a brave step in these tremulous times and Seardel is to be complimented on its courage in adopting this revealing accounting experience," he says

Seardel was hit by an interest bill of R37 million, up by R8 million on a year ago, so naturally the company is worried about continuing high rates.

Chairman Aaron Searll says a strong and vibrant economy is needed to provide the infrastructure to achieve even the minimum socio-economic aspirations of the vast majority of the population

"A stagnating economy is probably the worst catalyst in the current scenario of political manoeuvring and social unrest. Urgent atttention must be given to lowering interest rates, while still combating inflation and controlling the money supply.

"This will go a long way to revitalising the economy," he says

Exports keep Rex Trueform buoyant

184

CT 6/10/92

Business Editor

A "SUBSTANTIAL growth" in export sales has enabled the Rex Trueform Clothing Company (Rex True) to maintain production volumes and employment at reasonable levels during the recession, chairman Stewart Shub says in the annual report.

Pointing out that weaker domestic demand and lower capacity utilisation mean higher unit costs, Shub says the company is "firmly committed to improving productivity and rationalisation, while giving urgent attention to the control of operating costs and the elimination of waste and shrinkage"

He stresses that "the export of labour intensive, high value added products remains both a corporate and a national priority.

"It provides significant employment opportunities for our growing population and an expanded production base for our company."

In view of this he is concerned that some export incentives may be discontinued

Group beating long recession

DUMA GQUBULE (184)

AFRICAN & Overseas Enterprises, the holding company for Rex Trueform Clothing, is confident the expansion of its Queenspark division on the domestic front, and the broadened base of its export markets, will provide support for the group in the current financial year.

In his 1992 annual review, chairman Stewart Shub said the group's products had continued to achieve a high rate of acceptance locally and overseas, despite a recession that had lasted for longer than expected. BDAY

He said the group's export business, assisted by improved international acceptance and export incentives, had flourished during the past five years and was now more broadly based. 8/10/92

Certain export incentives, however, were under review and in danger of being discontinued. Representations had been made to relevant authorities and unless the position was clarified, Rex Trueform's export capabilities would be seriously threatened.

Shub said the group's Queenspark division had continued to expand during the past year and now represented an important part of Rex Trueform's business. The growth of the division had required restructuring in certain areas of the company's operation. Care had been taken to ensure funds for capital expenditure were channelled productively into the refurbishing of new outlets for the division, and in improving the quality of production lines.

Although it was not possible to forecast an improvement in earnings, the group's financial strength, broadly based product range and diversified distribution network meant that it was well placed to benefit from any upturn in the economy.

The group reported a 20% decline in earnings to R3,7m on an unchanged turnover figure for the year to June.

Shutdowns, job cuts hit W Cape clothing industry

(184)

ARG 8/10/92

TOM HOOD, Business Editor

THIRTY-EIGHT clothing factories closed down in the Western Cape in the 12 months to end-August and 6 000 workers lost their jobs, reports the National Clothing Federation

In 10 years, the number of jobs in Cape clothing factories has plunged by 19 000 from 67 700 to 48 500

Job losses averaged 122 a month in the 10 years from 1981 to 1991.

But the figure jumped to 500 a month in the year to end-March, according to a federation survey.

Nationwide, the industry has been losing 1 242 jobs a month and employment dropped by almost 30 000 over 10 years

Dr Aaron Searll, federation president, blames the loss of work and jobs on a huge increase in clothing imports

"Almost every third garment sold in South Africa has been imported and nearly every fifth garment is an imported second-hand one," he said today.

Permits to import second-hand overcoats and raincoats and other second-hand clothing are readily granted, he says.

The permits are supposedly granted to church and welfare organisations only and on condition that the clothing was not resold.

"Unfortunately, large-scale abuse is the order of the day," says Dr Searll

Four months have elapsed since the industry received assurances from the government that remedial action would be taken "within days".

"But no action to date has been forthcoming. In the meantime, reports continue to be received of a sustained surge of second-hand clothing imports."

15 00 jobs lost in clothing industry

BIDAY 8/10/92

(184)

DUMA GQUBULE

MORE than 15 000 jobs were lost in the clothing industry last year in its worst recession, National Clothing Federation (NCF) president Aaron Searll said.

Commenting in the latest edition of Clothing Industry News, he said the situation had been compounded by a sharp increase in second-hand clothing imports. About 158-million second-hand clothing units had been imported last year compared with 33-million in 1989.

While about every third garment purchased in the country had been imported, every fifth garment was an imported second-hand one, he said

Searll said the Trade and Industry Department had promised the clothing industry "remedial action within days" during a meeting in May More than four months had lapsed and there had been no action

NCF economist Arnold Werberloff said the clothing industry, the country's most labour intensive in the manufacturing sector, now employed 98 000 people, compared with 137 000 in 1982.

Clothing output had fallen by 4% in the first five months of the year and by a third since its peak in 1982. Textile production had fallen by 11% in the first five months of the year and by 40% compared with 1982.

Retail clothing sales, however, had been rising over the past six years which meant that real increases in clothing sales had not always been reflected in rising clothing and textile production.

The conclusion, he said, was that the growth in demand had been diverted on an ever increasing scale to imports of new and used clothing.

Werbeloss said the industry's silver lining was the healthy growth in exports. After rising to R325m last year (from R195m the previous year), 1992 figures would be considerably higher since new markets were opening up almost daily.

Local manufacturers had recorded multimillion rand deals in the former Soviet Union recently and US retailers were, once again, becoming aware of the considerable potential of sourcing through SA suppliers.

Highly competitive pricing, quality, delivery and fashion were reasons given by many international sourcing agents surveying the country's garment factories.

Werbeloff said it seemed the SA clothing industry was set to become a significant supplier to many developed countries The picture was of a rising tide of imports and vastly increased export opportunities.

Riches run out in rag trade

184
ARG 10/10/92

TOM HOOD
Business Editor

MORE than 7 000 people a month are affected by retrenchment in the country's clothing industry.

About 1 200 workers are losing their jobs each month — including 500 in the Western Cape — and as there are usually at least five dependants for each worker, the number of directly affected people is growing by more than 7 000 a month, estimates the National Clothing Federation.

Job losses would be even greater if the opening of overseas markets had not generated an export boom worth at least R350 million this year.

Jobs are being lost six times faster than they were lost last year, when the average was 226 a month

Federation president Dr Aaron Searll puts the number of lost jobs at 15 000 over 12 months — and losses are continuing.

Eighty-two garment factories closed in the 12 months to end-August, including 38 in the Western Cape, while the Transvaal clothing industry has halved its employment in the past 10 years.

The industry's collapse is blamed on the economic depression and ever-increasing imports of new and used clothing.

In 10 years the number of jobs in Cape clothing factories has plunged by 19 000 from 67 700 to 48 500

Job losses averaged 122 a month in the 10 years from 1981 to 1991. But the figure jumped to an average 500 a month in the year to end-March

Dr Searll commented "Almost every third garment sold in South Africa has been imported and nearly every fifth garment is an imported second-hand one"

Permits to import second-hand overcoats and raincoats and other second-hand clothing are readily granted by the Department of Trade and Industry, he says

The clothing escapes import duty because is is supposedly for church and welfare organisations only and is not to be resold

"Unfortunately, large-scale abuse is the order of the day," says Dr Searll.

Meanwhile, export sales are running at record levels and offset lower local sales and profits

Exports were worth R320 million last year and R195 million in 1990 The 1992 figures should be considerably higher, says the federation.

Multimillion-rand deals have been achieved in Russia and American retailers are surveying South African factories for garments.

Men's clothing is being exported to Japan and quality hypermarkets in France are interested in middle to upper-price quality garments

■ Sapa-AFP reports from Harare that Zimbabwe's clothing and textile industry has suffered the worst slump in years Manufacturers are reporting up to 80 percent downturn in local market demand

This has resulted in the retrenchment of thousands of workers and the closure of several companies.

Huge job losses blamed on state

(164) Arg 10/10/92

Weekend Argus Correspondent

DURBAN. — The clothing and textile industries will collapse unless the government moves "with urgency" to undo the harm caused by its industrial policies, says Frame textiles boss Mervyn King.

The Board on Trade and Tariffs (BOTT) had been told that if it implements its proposed duty structure from the end of this month, Frame might have to lay off another 2 500 employees, he said.

He blamed government for the uncertainty behind the "loss of thousands of jobs, and untold misery".

Frame Group cut its losses for the year mainly through the continued reduction of the size of the group and containment of costs.

The group had been reduced from an empire with 14 factory complexes from Blantyre to East London employing 32 000 in the early 1980s to five mill complexes confined to the Durban area and Ladysmith employing 8 800.

Mr King said the need for protection from fabric imports — which had doubled in five years — stemmed from high input costs.

Cotton, 45 percent by cost of the group's raw material requirement, was bought locally on a quota system at about R5 a kilogramme, compared with a world price of around R3,80.

Some countries exporting textiles to South Africa subsidised their own mills to the extent that they paid only 230c a kilogramme for cotton

Textiles, clothing the most cosseted

S|Times (BUSS7 11/10/92.

(184)

By CIARAN RYAN

TEXTILES and clothing are South Africa's most protected industries.

The effective import tariffs are between 90% and 348%, says a survey by the Industrial Development Corporation (IDC).

Nominal tariffs on most textiles and clothing vary between 8% and 87%.

The highest import tariff is imposed on pottery, china and earthenware with effective import protection of 421%. But nominal protection is only 38%.

Effective protection includes adjustments for import tariffs on raw-material inputs and on the processed product. In the case of textiles and clothing, the imported raw materials for the manufacture of the finished product are subject to high nominal protective tariffs.

A delegation from the General Agreement on Tariffs and Trade (Gatt) visited SA and criticised import protection. If SA's offer to the Uruguay Round of Gatt is accepted, import tariffs will have to be dropped by an average of 24% on 40% of tariff headings to be phased in over several years from 1994. Other Gatt members will be obliged to drop tariffs by 33% on all items.

The IDC highlights industries most successful in lobbying the Board on Tariffs and Trade (formerly the Board of Trade and Industry) which is responsible for setting tariff levels. Most basic foods have little or no protection.

Canning

But certain types of machinery used in the manufacturing sector are subject to import protection of up to 44%, attracting widespread criticism from industry.

Among the least protected items are aircraft (nil) and railway equipment (3% effective and 5% nominal), both of which are strategic imports with little SA manufacture. Shipbuilding and repairs are subject to 7% effective and 10% nominal protection.

Other products with little or no protection are agricultural machinery (7% effective), special industrial machinery (nil), office and computing machinery (7%), fish canning (2%), malt beverages (1%), wool and cotton (nil) and meat processing (nil).

Footwear enjoys 87% effective protection, jewellery 114%, bakery products 139% and clothing 239%.

Paper and pulp imports are subject to effective protection of 22%. But an effective tariff of 148% applies to some paper and pulp products, says the IDC.

Medicines are subject to 24% effective protection. Calls have been made for the scrapping of import tariffs on medicines which generate relatively little revenue.

Iron and steel imports are subject to 11% nominal and 27% effective protection. Steel users have called for lower tariffs because of the high level of natural protection enjoyed by producers. It often costs more than the import duties to freight steel to SA.

Chemicals are subject to 14% nominal and 16% effective protection, although tariffs of 50% are levied on some basic products. Tariffs on glass imports are 17% nominal and 25% effective, furniture (25% and 44%), electrical appliances (22% and 44%), metal furniture (25% and 68%) and rubber (25% and 62%).

Several developing countries dropped import tariffs as part of a package of measures aimed at stimulating economic growth. About 95% of imports to Korea are subject to tariffs of less than 20%. Another drop to 10% is planned by 1994. Mexico's average tariff level is 11%.

Formula

"The main disadvantage of formula duties is the unnecessarily high tariffs to which these duties give rise," says the IDC.

"A solution will have to be found for this problem in the form of a more acceptable but also a more effective mechanism dealing with dumping."

The average level of import tariffs and surcharges is 20% and 4% respectively, representing a cost burden of 14% of gross domestic product, says the IDC in its 1990 report on protection policy.

Threatened industries frequently resort to anti-dumping laws to keep foreign competitors at bay. In terms of SA's amended anti-dumping legislation, additional duties may be levied wherever "disruptive competition" is deemed to have occurred.

Industry sources suggest that the definition of dumping is so broad as to include almost anyone importing cheaper than a domestic producer.

● The IDC research, completed in 1990, is the latest available and refers to 1988 tariff information. The Board on Tariffs and Trade says several tariffs have been adjusted since then, but it is unable to supply updated figures because of the IDC tariff categories are agglomerated.

COMPANIES

Lenco keeps ahead of inflation

LINDA ENSOR

CAPE TOWN — The recent acquisition of Hendler & Hart (H & H), and lower interest and tax charges, kept earnings growth at Lenco Holdings ahead of inflation in the six months to end-August despite the increase in its number of shares in issue

Attributable income of the clothing, footwear and packaging group increased 26,7% to R17m (R13m) while earnings a share rose 17% to 25,75c (22,03c) on an increase in the weighted average number of shares in issue to about 66,4-million (61-million). B/DAY 14/10/92

Financial director Stanley Stubbs said yesterday that, excluding the acquisition of H & H, earnings would have been slightly down on the previous interim result and gearing would have been at 19% instead of the actual 37% (184)

The inclusion of H & H was also the reason for the 16,6% rise in group turnover to R281,4m (R241,4m), which would otherwise have remained stagnant

The beneficial effects of a lower tax rate, a lower interest bill and outside shareholders interest was apparent in the disparity between the lack of growth at operating profit level and the 26,7% rise in attributable income. No figures are provided to allow for a comparison of tax and finance charges with the previous period

Acquisition helps Lenco

Finance Staff 184

Clothing and packaging group Lenco maintained its profit growth in the six months to end-August with earnings per share rising by 16,9 percent to 25,75c (22,03c). STAR 14/10/92

The results were boosted by the takeover of Hendler & Hart with effect from May. Without the acquisition, earnings would have been marginally below last year's level, the directors say.

However, the acquisition also lifted Lenco's gearing from 19 to 37 percent, although the company is optimistic that it will be below 25 percent by year-end.

Turnover rose from R241,4 million to R281,4 million.

Garment trade is 'well placed'

B/DAY 14/10/92.

SIMON BARBER

WASHINGTON — The SA garment industry is well placed to become a major exporter and to create hundreds of thousands of new jobs, according to a preliminary World Bank study of SA manufacturing.

But this potential is being hampered by an "inward-oriented" mindset, inappropriate government policies, vested union and textile industry interests and political uncertainty.

The study, completed last January, is one of a series of papers aimed at stimulating debate on SA economic options.

The study concludes that there is a substantial international niche for the high-quality clothing now being produced in such centres as Cape Town and Durban.

It envisages a possible \$2bn increase in exports of garments and the creation of 300 000 new jobs.

CAST-OFFS 'COULD COST 50 000 JOBS'

S Times (B455) 18/10/92.

By DON ROBERTSON

THE never-ending controversy in the clothing industry has taken a new turn following the increase last month in duties on imported second-hand clothing.

Local manufacturers claim that a sharp increase in second-hand clothing imports has been partially responsible for major job losses in the industry, while importers say the duties will cause even bigger retrenchments in the informal sector.

On September 7, the Department of Finance announced that the duty on worn clothing, including overcoats, had been increased by 60% or R25 a kilogram.

In the past, second-hand clothing was imported by welfare organisations and churches by permit for distribution to the needy. The Department found that, although no permits were issued to the clothing trade, about 60-million pieces were handled by this sector each year. "For the clothing and textile industry this implies a serious threat, and of particular concern is the potential loss of jobs in these industries."

184

In the latest newsletter from the National Clothing Federation (NCF), president Aaron Searll says the importation of second-hand clothing is of great concern to the industry.

Although permits are supposedly issued to welfare organisations only, large scale abuse is taking place. In 1991, 386-million pieces of clothing were manufactured in SA, while 158-million pieces were imported, of which 95-million were second-hand. The volume of second-hand imports compares with 33-million in 1989 and 54-million in 1990.

"This means that almost every third garment purchased in SA has been imported, whereas nearly every fifth garment is an imported second-hand one," says Dr Searll.

Ironically, retail clothing sales have grown in the past six years NCF economist Arnold Werbeloff says: "The conclusion must be that the growth in demand has been diverted on an ever-increasing scale to imports of new and worn clothing."

He points out that, in the year to August, 15 000 jobs had been lost in the clothing industry. In contrast, however, SA's exports of clothing rose to R320-million in 1991, compared with R195-million the year before.

The NCF newsletter was compiled before the new legislation was introduced.

Dealers in used clothing, however, say that the higher duties have trebled their costs and that, as a result, about 50 000 people in the informal sector could lose their jobs

Archie Comyn, who operates the extensive Rags to Riches used clothing operation in White River, says that nobody buys used clothing because they want to.

The average farm worker in the Lowveld earns R120 a month, plus rations A forestry worker earns R250 a month and rations.

"Because of their circumstances, they would be prepared to pay R15 for a pair of trousers rather than R100, even at a cheap clothing store," says Mr Comyn.

"The average cost of clothing delivered to me in White River used to be R12 a kilogram. It has now risen to R35"

Mr Comyn claims the new legislation was introduced because of pressure on government by vested interests, such as large clothing stores He says that the local clothing industry is inefficient and its prices are too high

He says that an estimated 50 000 people will be put out of work as a result of the new import duties, of which about 10% work in shops and the rest are in the informal sector.

A colleague of Mr Comyn's in Richards Bay, who does not want to be named, says he imports a full container each month containing about 220 bales

He claims one container provides jobs for about 500 people.

LABOUR

Dismissed workers appeal to retailers

1841 ARG 20/10/92

SHARON SOROUR, Labour Reporter

TWO national chain stores have been drawn into a dispute between clothing union Sactwu and two Cape clothing manufacturers over the dismissal of workers who took part in an illegal march.

The SA Clothing and Textile Workers' Union is to meet Woolworths and Edgars today in a bid to convince them to cancel orders placed with manufacturers HK Manufacturing and Alpa-Rose Manufacturing — the companies that dismissed 41 workers.

At a Press conference attended by the ANC and Cosatu, union spokesman Mr Ronald Bernickow said about seven companies had dismissed about 700 workers after the march in June to protest against a wage offer.

Most had been reinstated, but after four months HK Manufacturing in Atlantis had refused to reinstate 21 workers and Alpa-Rose Manufacturing in Athlone had refused to reinstate 20 workers.

"The union has done everything to reason with the companies to no avail We are only talking about 41 jobs, but it is an issue of principle here," he said.

Alpa-Rose Manufacturing managing director Mr Solly Alpert said the company had had "quite a few meetings with Sactwu", and had offered to reinstate 10 of the 20 dismissed employees.

Mr Alpert said the union had rejected the offer and litigation was pending Workers had been warned they would be dismissed before the march took place

Mr Bernickow said the union intended taking the matter further by "applying direct pressure" to Woolworths and Edgars, both customers of the two clothing manufacturers

"We are calling on Woolworths and Edgars to cancel orders they have placed with these two manufacturers, and we intend to pressure the suppliers of fabrics, yarns and buttons as well," Mr Bernickow said

ANC assistant regional secretary Mr Willie Hofmeyr said the ANC had written to the two manufacturers, as well as Woolworths and Edgars, to request a meeting, and to urge the parties to resolve the situation.

A Woolworths spokesman confirmed that Woolworths would attend the meeting this afternoon

Mr Hofmeyr said the ANC was "very concerned" about the situation as the June march led to "a settlement of the wage dispute at that stage, averting a national strike in the industry"

Cosatu regional secretary Mr Jonathan Arendse said the federation had monitored the situation and warned that while the two manufacturers were not on a blacklist "as yet", "hard and severe" action would be taken if they did not reinstate the workers

Lenvest earnings climb by 22%

DUMA GQUBULE (18c)

RECENTLY listed Lenco Investment Holdings (Lenvest), pyramid holding company of Lenco Holdings (Lenco), has lifted attributable earnings by 22% to R8,6m for the half year to end-August

The results were almost identical to those of Lenco. Lenvest's only source of income is its 50,01% interest in Lenco. BDAY 21/10/92.

Lenvest's turnover is up 17% to R281m and operating profit is unchanged at R31,1m Attributable income came to R8,6m (R7m), equivalent to 17,17c (14,68c) a share.

Union force gets workers rehired

AN Atlantis garment factory has rehired 21 fired workers after the ANC and Cosatu threatened to put pressure on clothing retailers. (184)

Mr Mauritz Rossouw, general manager of H K Manufacturing, said yesterday that the workers had been reinstated after last-ditch talks with the SA Clothing and Textile Workers' Union

"If the ANC and Cosatu had not threatened to put pressure on our customers we would probably not have taken them back," he said — Sapa

23/10/92

LENCO HOLDINGS

FM 23/10/92

Beating forecast

(184)

Lenco has beaten the earnings forecast made at the time of the acquisition of Hendler & Hart in September It was then looking for EPS of 24,3c in the six months to August 31, this has turned out conservative, with actual first-half EPS of 25,8c

Turnover for the six months was 16,6% higher than for the same period in 1991 As with earnings, this includes Hendler & Hart However, while growth in turnover is gratifying, its lack in pre-interest profit indicates either that Hendler & Hart made no contribution or that Lenco as a whole suffered a drop in productivity

A rise in pre-tax profit reflects reduced finance payments, possibly because of higher liquidity until the Hendler & Hart takeover absorbed most of it Post-acquisition debt equity has risen from just over 0,19 to 0,37, but financial director Stanley Stubbs expects it to be below 0,25 by year-end

Considering that Lenco trades in shoes, clothing and plastics (much of which is used for the consumer market as components in shoes and packaging), it would not have been surprising if, in the current economy, earnings had turned down No divisional breakdown is given at half-time but Stubbs says all operations remain profitable

Cont — 2

FM 23/10/92 (184)

He adds that Hendler & Hart has started to trade profitably and predicts real growth in EPS for the full year Should this be the case, it will again be a compliment to the expertise of chairman Doug de Jager and his management teams in turning around companies which seemed to have poor prospects

For real growth, EPS must rise by at least 12% to 55c at which, with the share at 320c, prospective p e is 5,8 EPS growth since 1989 has not been exciting, as Lenco has used paper to grow by acquisition, and the bigger equity has diluted earnings But if management in good times can be as effective as in recession, then the share is a "buy" if the market as a whole holds up *Gerald Hirshon*

BUSINESS DAY, Tuesday, May 19 1992

3

No agreement as clothing wage talks near conclusion

B.Day 19/5/92

(184)

LINDA ENSOR

CAPE TOWN — Wage negotiations in the clothing industry enter their final, third round this week with prospects of an agreement being reached looking extremely bleak at this stage.

An estimated 7 000 SA Clothing & Textile Workers Union members opposed the increase of about 6% offered by manufacturers at a mass meeting at the Goodwood Showgrounds on Sunday.

Union members committed themselves to strike action should employers not improve on the offer

They also rejected the 9,75% increase in wages for footwear workers and the increases of less than 10% offered by some textile companies.

Chief negotiator for the Cape Clothing Manufacturers Association and the Cape Knitting Industries Association and Seardel group industrial relations executive Johann Baard said yesterday the two parties "were poles apart" with only one more day left to negotiate. Further rounds of negotiations required the mutual consent of both parties.

"Things are not looking optimistic, but the negotiations are still alive so there is still hope," he said, adding that employers were deeply concerned about the gulf separating the two parties. The Cape negotiations resume today.

According to official statistics provided by the National Clothing Federation, employment in the clothing industry declined from 113 700 in April 1991 to 104 600 in April 1992, 40 factories had closed since December and production volumes were expected to decline by about 6% in line with last year's fall.

The union has demanded a 17,5% increase or R35, whichever is the greater, and has also presented other demands which Baard said would add an approximate 20% to the wage increase.

He said employers were offering a 3% wage increase and a further 3% increase in benefits, for example, sick pay. Alternatively, the full 6% could be taken as a wage increase

Move to head off clothing industry strike

ARGT 19/5/92

184

ESANN van RENSBURG and SHARON SOROUR

CLOTHING workers and employers are meeting in Cape Town today for crucial talks to try to avoid an industry-wide strike over wages.

Representatives of the Clothing and Textile Workers' Union said strike action would be inevitable if talks with the Cape Clothing Manufacturers' Association failed.

More than 56 000 workers in the Western Cape are affected by the talks, which revolve around a union demand for a 17,5 percent across-the-board increase and an employers' offer of three percent and a three percent sick pay increase.

Interviewed before the meeting, union national treasurer Ms Connie September said: "Their offer is totally inadequate and laughable" Workers would take "the best form of industrial action" should talks fail.

"Our employers are keeping the money for themselves. When the going gets tough, they want us to share the burden, but when times are good they don't let us share in the profits. We now demand our share."

Ms September said the union had considered its demand for a 17,5 percent increase carefully. "We don't think it's unreasonable, not even in the present economic climate."

Shop steward Mr Michael Cheenee said employees demanded a share of the profits from the "good times". But agreement seemed far away "After six weeks of negotiations, employers increased their offer by only one percent," he said.

At a meeting at the weekend attended by about 7 000 workers, union members rejected "below-inflation" wage offers in the clothing, textile and leather industries

Talks in the textile and leather industries are continuing, with employers offering 9,75 percent for footwear workers and "below 10 percent" for textile workers.

Workers in all three industries have threatened to strike if employers do not improve their offers.

● The Minister of Finance and Trade and Industry, Mr Derek Keys, has dashed hopes in the textile and clothing industries that the controversial import duty and quota structure promulgated on May 1 will be suspended

Mr Keys, who was previously willing to amend the structure, said during debate on his budget vote in parliament it would remain until a long-term strategy had been completed

Manufacturers, wholesalers and the union believe the plan will damage hundreds of small and medium-size companies, with high tariffs restraining cash-flows

Clothing talks start (184)

A THIRD round of wage negotiations in the Western Cape clothing industry started yesterday between employers and the SA Clothing and Textile Workers' Union CT 20/5/92

Negotiations deadlock despite compromises

BD 21/5/92 (184)

LINDA ENSOR

CAPE TOWN — Negotiations between western Cape clothing manufacturers and the SA Clothing & Textile Workers' Union have reached stalemate, despite compromises by both parties at the third and final round of talks this week.

Employers increased their packaged offer of 6%, which covers wages, the provident fund and sick pay, to 7%, while the union dropped its wage demand to 16% from 17,5%, Cape Clothing Manufacturers' Association and the Cape Knitting Industries' Association chief negotiator Johann Baard said yesterday.

The union found the proposals "unsatisfactory", but agreed to take them back to its membership for discussion, Baard said.

The third and final round of negotiations in Natal takes place today.

SA BIAS HOLDINGS

Big discount

FM 22/5/92 (184)

Pyramid holding companies often trade at large discounts to underlying assets and SA Bias Holdings (Sabhold) is no exception Asset stripping the company, which trades at a 35% discount to year-end NAV, would yield an 80% stake in listed trade finance house Merhold — worth about R25m plus some change — in effect for free

The 87% interest in listed clothing and footwear accessories manufacturer SA Bias Industries is worth more than the value the market accords the holding company Merhold is the remaining investment Sabhold's current 350c translates into a market capitalisation of R67,4m; its 87% stake in Bias Industries is valued at R80m and its interest in Merhold at R25m

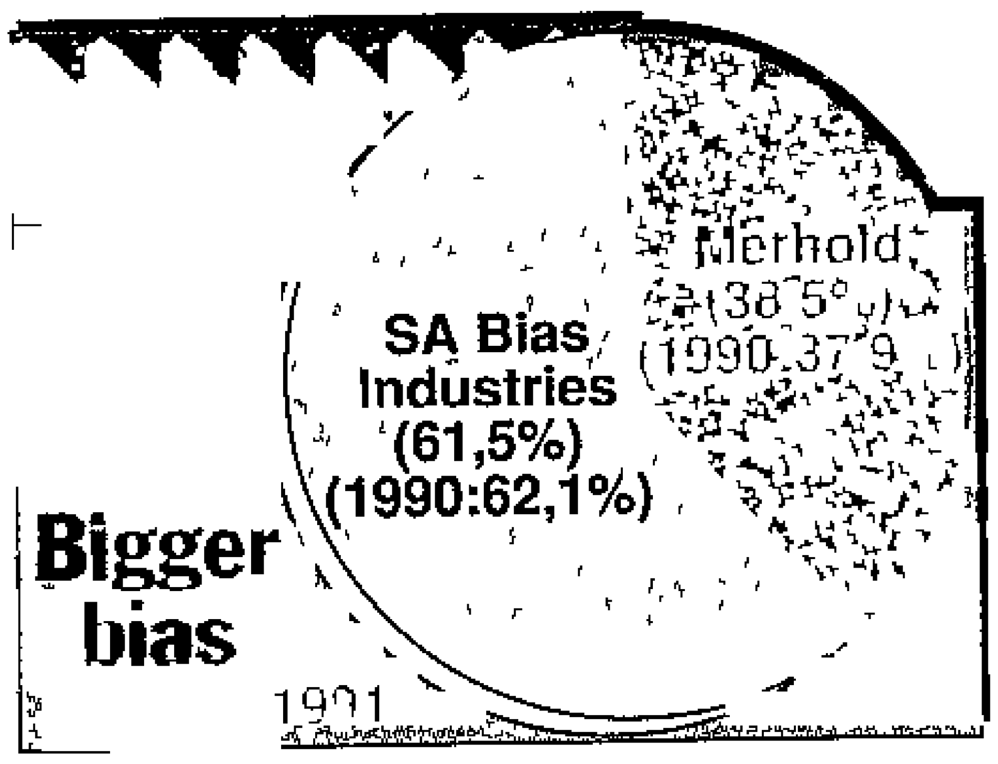
Cont

Activities: *Investment holding company with interests in listed SA Bias Industries and Merhold*
Control: *Sabvest 50,4%*
Chairman: *C S Seabrooke*
Capital structure: *19,2m ords Market capitalisation R67,4m*
Share market: *Price 350c Yields 8,6% on dividend; 28,4% on earnings, p.e ratio, 3,5, cover, 3,3 12-month high, 530c; low, 350c. Trading volume last quarter, 904 000 shares*

Year to Dec	'88	'89	'90	'91
ST debt (Rm)	2,4	1,3	7,8	6,3
LT debt (Rm)	11,3	12,5	19,4	9,4
Debt equity ratio	0,22	0,17	0,30	0,15
Shareholders' interest	0,67	0,69	0,60	0,68
Int & leasing cover	23,4	19,4	10,1	8,1
Debt cover	1,55	1,97	1,2	2,2
Return on cap (%)	22	24	20	22
Pre-int profit (Rm)	20,9	27,5	29,6	32,8
Taxed profit	17,9	22,1	22,5	24,5
Earnings (c)	78,0	98,4	99,0	99,5
Dividends (c)	25	30	30	30
Net worth (c)	330	411	471	533

Chairman Christopher Seabrooke says Bias Industries (*Companies* May 8) continues to suffer from weak demand. He remains pessimistic for this year. Seabrooke says Merhold's performance has been held back over the past two years while it has been restructuring and repositioning its finance and investment operations. As the restructuring is nearing completion he expects a higher return on assets and growth in earnings — starting this year.

The pie chart indicates the marginal

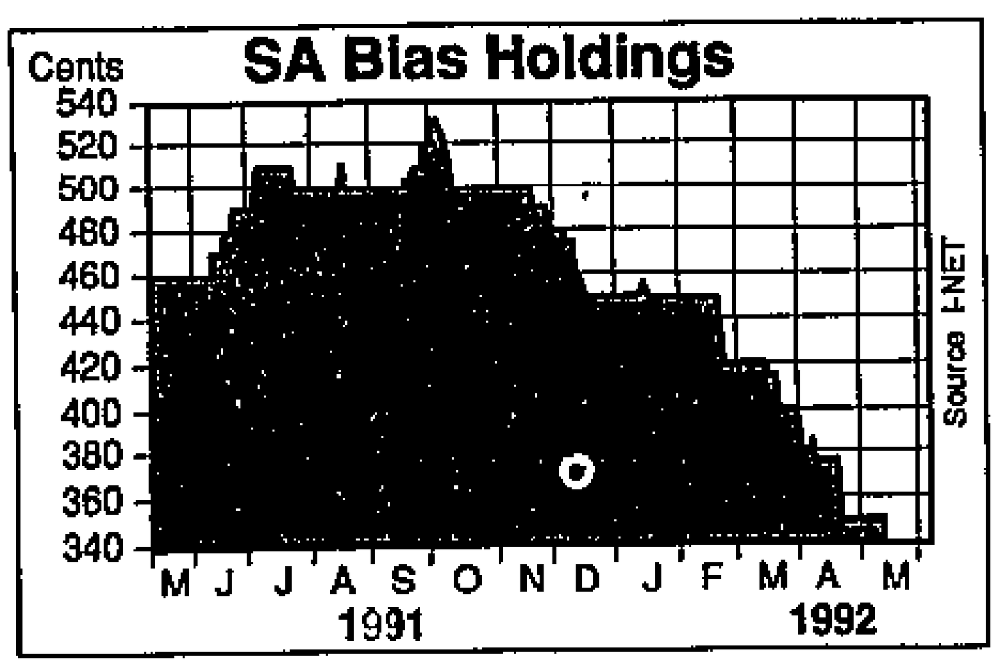


Bigger bias

change to the split in attributable income between Bias Industries and Merhold last year. However, given Seabrooke's bullish expectations for Merhold and bearish outlook for Bias Industries, he expects the contribution from the finance house to top 50% this year It should return to about 40% over the medium term as Bias Industries picks up

At a 12-month low of 350c, Sabhold yields 28% on earnings. The dividend yield is over 8% despite the relatively high cover of 3,3 This could offer useful recovery potential

William C



MERITEX

Thumping from dumping

Activities: *Makes underwear, leisurewear and weft-knitted fabrics*
Control: *Directors 59,8%*
Chairman and MD: *E Gordon*
Capital structure: *15,7m ords Market capitalisation R3,8m*
Share market: *Price 24c 12-month high, 40c; low, 24c Trading volume last quarter, nil*

184

Year to Jan 31	'89	'90	'91	'92
ST debt (Rm)	1,8	10,3	9,2	9,8
LT debt (Rm)	3,5	2,8	2,5	2,5
Debt equity ratio	0,3	0,8	0,7	1,0
Shareholders' interest	0,5	0,4	0,41	0,33
Int & leasing cover	25,7	1,4	1,1	nil
Return on cap (%)	19	7,6	9,4	nil
Pre-int profit (Rm)	5,8	3,0	3,6	(0,4)
Earnings (c)	27,0	0,8	0,7	(22,8)
Dividends (c)	7	—	—	—
Net worth (c)	87	100	100	77

Either people are making do with the same underclothes for longer or they have been buying cheap, imported substitutes. This is one reason for the poor Meritex results Chairman Edward Gordon is diffident about them He did not expect matters to sour as much as they did Rather, this time a year ago, he was hoping to improve profits

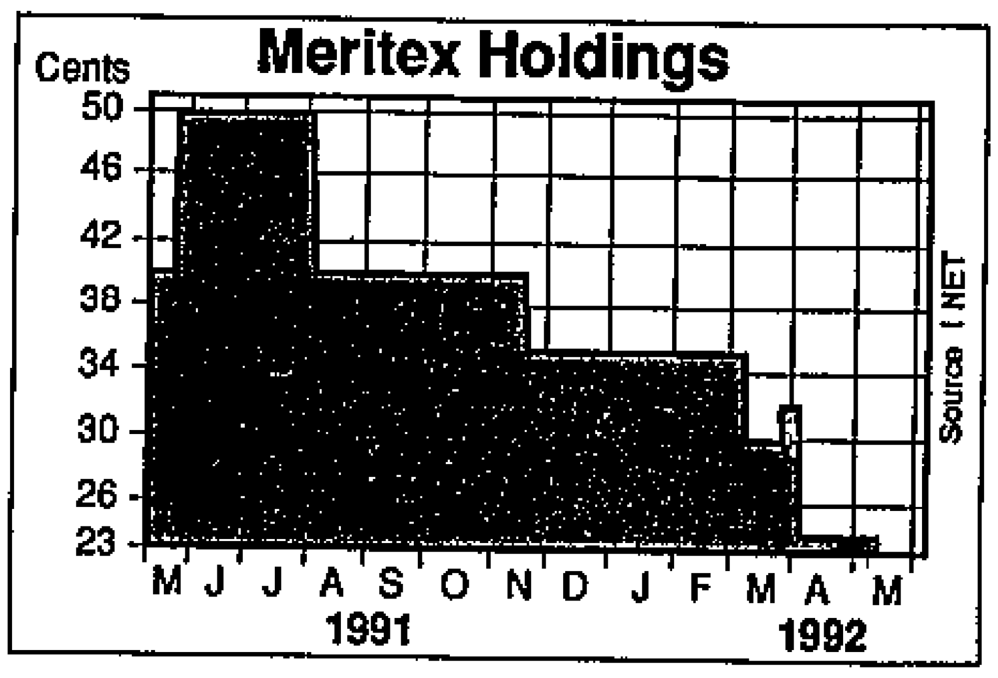
He maintains dumping of imported merchandise took a substantial toll on sales In addition, retailers have been keeping stocks as low as possible Clearly, offtake from producers like Meritex suffered accordingly There is much sympathy for clothing and textile manufacturers who are suffering from the recession Partial lifting of tariff barriers could not have come at a worse time

This should not detract from other reasons for Meritex's deteriorating performance since 1989 Gordon has been explicit about these *(Companies* May 31 1991) but he has now had three years to rectify his computerised management information system which, it is to be hoped, is no longer the problem Essentially, Meritex cannot compete with foreign (mainland China) producers

The Hatty Committee has recommended and government has introduced tariffs to stop imports of fabrics outside of specific quotas While this may alleviate matters, the lesson is simple. with globalisation of trade, if you cannot compete, you cannot survive

Obviously, margins are being squeezed and, except where carefully identified niche marketing applies, or as protection is again imposed, margins will deteriorate further In the past 18 months Meritex has laid off 550 people — 30% of the complement — as survival tactics are employed

Gordon hopes for breakeven in 1993 It may happen if interest rates fall and he can keep turnover going at slightly better than current levels But, even though the share is priced at just a third of net worth, it is difficult to see reasons to invest in it until there is more clarity about where the industry is heading *Gerald Hirshon*



FM 22|5|92 (184)

STERLING CLOTHING

Just battling away (184)

Activities: *Makes casual clothing*
Control: *Directors 24%*
Chairman: *F N Haslett, Joint MDs B J Desmet and M Barbieri* FM 22|5|92
Capital structure: *4m ords Market capitalisation R5,8m*
Share market: *Price 28c Yields 12,5% on dividend, 23,6% on earnings, p e ratio, 4,2, cover, 1,9 12-month high, 40c, low, 28c Trading volume last quarter, 77 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	2,1	4,8	5,6	9,1
LT debt (Rm)	0,3	1,3	1,5	1,5
Debt equity ratio	0,3	0,7	0,7	1,0
Shareholders' interest	0,4	0,4	0,4	0,4
Int & leasing cover	9,0	7,6	3,3	2,1
Return on cap (%)	29,6	27,1	22,1	14,5
Turnover (Rm)	30,0	34,9	38,7	41,1
Pre-int profit (Rm)	5,1	6,2	5,1	4,3
Pre-int margin (%)	16 9	17,8	13,3	10,4
Earnings (c)	14,2	14,5	9,4	6,6
Dividends (c)	6	6,6	4	3,5
Net worth (c)	39	47	52	57

Chairman Fred Haslett's first comment in the annual report is how well the company has done in the face of economic, social and political woes It's an interesting way of justifying consecutive declines in operating

cont →

Sterling's Haslett .. *the battle for profits continues*

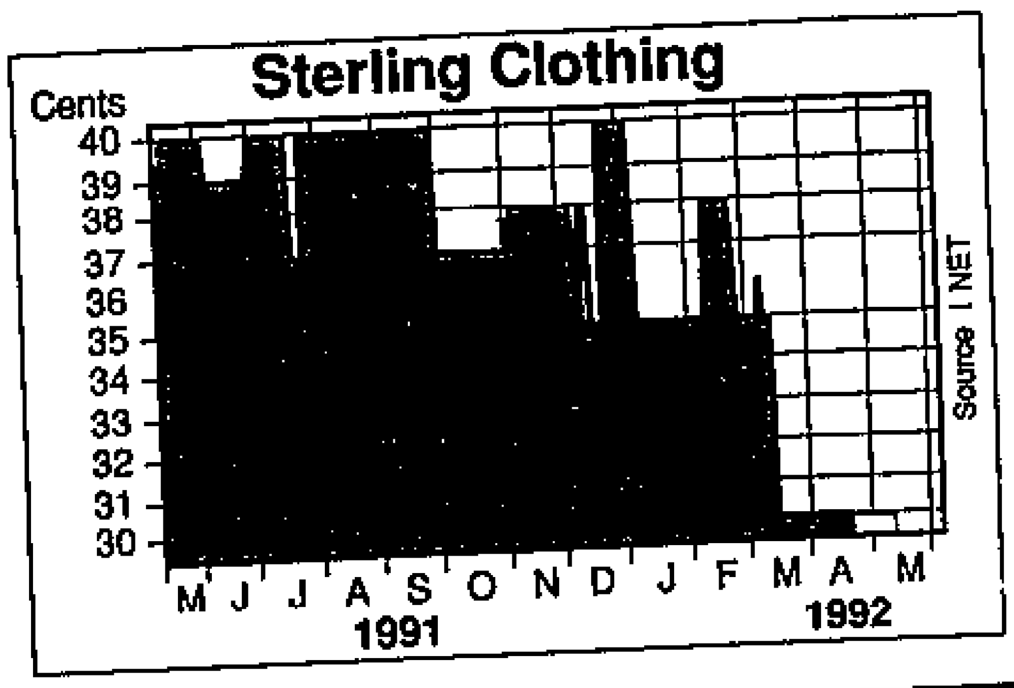
income and EPS. His phraseology is an understandable attempt to encourage people to continue the unequal struggle Regrettably, it does not change the fact that results have worsened each year since 1989.

Interest-bearing debt has steadily increased and gearing, interest and leasing cover have deteriorated accordingly Return on capital has nose-dived, especially last year, the same goes for return on equity, down to 11,6% from 39,7% in 1987

Given that clothing manufacturers have had major difficulties as tariff protection was lifted and cheap import substitution played havoc with an already weak market, it can be argued that Sterling has done well just to remain in profits at all

Management has had to try to hold market share while at the same time cutting overheads But there is a limit to what can be achieved without affecting the image of the business and service to customers The fall in the pre-interest margin, which accompanied a 6,4% rise in turnover, illustrates how difficult this juggling act is

In the tough economic environment it is also not surprising that stocks and accounts receivable rose — yet another reason for deteriorating performance To finance these increases, short-term borrowings climbed by 62%. Finance costs jumped by 32% Creditors now have to wait longer for their money,



as accounts payable rose by 62% Otherwise, the balance sheet is little changed

Tariffs introduced recently to curb imports of cheap substitutes outside specific quotas will help somewhat But there is not much management can do to improve general trading conditions It's a case of employing survival tactics, battling to improve efficiencies and cutting costs wherever possible till better times return *Gerr ' Hirshon*

Clothing industry tattered

ARG 23/5/92 (184)

SHARON SOROUR
Weekend Argus Reporter

Mounting troubles for small shops

TENSION is mounting in the clothing industry as wage negotiations threaten to collapse, plunging the crippled industry, especially small manufacturers, into further crisis.

The industry, one of the biggest employers in the Western Cape, is in tatters and small manufacturing concerns are coming apart at the seams.

The industry has been crippled by a severe economic recession, tens of thousands of jobs have been lost through factory closures and retrenchments and now employers fear that unrealistic wage demands by the S A Clothing and Textile Workers' Union will be the last straw

Chairman of the Garment Manufacturers' Association Mr Patrick Boers said "The situation is extremely serious at the moment"

While negotiations have not deadlocked officially, the parties are "miles apart" and strikes may be around the corner.

Employers are waiting for the union to respond to their latest offer — a seven percent package increase The union is demanding a 16 percent wage rise and other increases which amount to an overall 30 percent cost increase

The Garment Manufacturers' Association, formed five years ago, is desperately concerned about the state of the industry

"As small manufacturers, we have little control over our destiny," says Mr Boers

The association, which fought a running battle with larger competitors for four years to become a registered employer body on the Industrial Council last November, represents about 55 clothing manufacturers employing from 15 to 250 employees

Until then, the interests of "cut, make and trim" (CMT) manufacturers — who make up garments for other concerns — were not represented on the Industrial Council

"The interests of the bigger concerns are very different from ours," he says

The Hatty Committee — appointed by the Board of Trade and Industry to prepare an 18-month interim plan for the clothing and textile industries — has not helped at all, claims Mr Boers

New import duties and quotas were announced on May 1 and the high level of duties imposed outside the quotas will hit small to medium manufacturers

Mr Boers says the industry needs government protection from the huge amount of clothing imported from the East

"The Hatty Committee placed a far higher duty on imported fabric than imported garments, which is ludicrous in a labour-intensive industry," he says

According to Mr Shirish Soni, secretary of the Consultative Business Forum which represents small businesses in Natal, small to medium-sized businesses will be prejudiced by the new tariff structure in that the quota allocations will be determined on the basis of historical import levels — at least for the first six months of the scheme

This will give the two large clothing manufacturers, Seardel and Rex Trueform, 40 to 50 percent of the quota

The rest of the quota will have to be shared among the smaller enterprises, which would be forced to import at the crippling duties outside the quota

The new structure increases the duties to be paid on textiles imported outside the quota system by an average of 80 percent and on clothing about 120 percent

WILSENACH 910903/E

'Strikes could kill clothing industry'

182

184

S/Times [Cape Metro] 24/5/92

FEARS of crippling industrial action are rising in the financially-beleaguered clothing industry after wage negotiations broke down this week and militant workers took part in wildcat strikes at factories throughout the Western Cape

The wage deadlock will be discussed at a national shop stewards' meeting of the SA Clothing and Textile Workers Union (Sactwu) in Port Elizabeth this weekend A statement will be released tomorrow

The meeting follows rejection by workers of the industry employers' wage offer on Sunday at a mass meeting of clothing, textile, and leather workers at Goodwood Showgrounds in Cape Town.

"We conveyed to the employers (on Tuesday) the strong rejection by our members of their offer," said Mr Ebrahim Patel, Sactwu assistant general-secretary.

"The union and the workers are not prepared to accept starvation wages There can only be a settlement if employers improve their offer significantly," he said.

By KURT SWART

Members of the employer body, the Cape Clothing Manufacturers Association (CCMA), fear that if the union decides on strike action it could mean the virtual collapse of the clothing industry in the Western Cape

Keen

Sactwu, a giant trade union with a claimed membership of 190 000 nationally, has about 60 000 members in the Western Cape, representing 90 percent of the workers in the region, according to union figures

Sactwu is demanding a 17½ percent wage increase, while the employer offer is eight percent, said a union spokesman

"The employers' offer is way below the inflation rate, yet they are not even keen to close the gap between the figures "

But CCMA chief negotiator Mr Johan Baard said that with benefits costed out the union wage demand amounted to a 25 percent increase

"The employers' total position is six percent. The outcome of the negotiations on Tuesday is that the parties are miles apart

"When the union first approached the industry with its proposals, three steps in negotiation were scheduled, each round lasting about one working day," said Mr Baard

"Once we finished the last round, further negotiations could only take place with the consent of both sides. At the end the employers indicated their willingness to continue talks in the light of the parties being so far apart. The union said it had to report back to its members and could not commit itself to further negotiations

"The ball is in their court. Our tender stands for further negotiations We don't believe the parties have exhausted the process If the union believes that it's exhausted, it would be regrettable, but there's very litle we can do "

Eyeballs

A strike would be an "unmitigated disaster" for the largest industry in the Western Cape, which is currently "in its worst state in living memory", acccording to Mr Baard

Most of the 400 registered factories in the Western Cape were of small to middle size

"Many of our members are up to their eyeballs in debt, in overdraft and closed to credit. If the union seeks to advance its interests with a strike the resultant disruption in production and cancellation of orders would see further factory closures and retrenchments It would be disastrous," said Mr Baard.

A Sactwu spokeman said on Friday the union recognised that the clothing industry was "not as healthy as it should be".

"We have advanced quite comprehensive plans to prolong the life of the industry, and things are not so dismal that we should be forced to accept such a paltry increase "

Expansion plan trims earnings

6 Day 29/5/92

(184)

DUMA GQUBULE

COASTAL Clothing Manufacturers has reported a 55% decrease in attributable earnings for the year to end-February in spite of a 42% increase in sales

Turnover rose to R20m (1991 R14,1m), but lower operating margins resulted in an 8% drop in operating profit to R1,09m (R1,18m)

The directors said they had to lower operating margins to improve market share in the women's clothing sector

Interest payments increased by 42% to R724 000 (R509 000) and pretax profit, at R362 000, was 46% down on last year's R673 000. Attributable earnings came to R165 000 (R368 000). The dividend has been passed

The directors said they were confident of the group's ability to meet the challenges ahead and to take advantage of any potential improvement in the economy as they had completed the expansion into the women's and men's clothing sectors.

Searll sees no conflict of interest in his operations

STAR 1/6/92.

By Des Parker 184

DURBAN — Despite controlling SA's two largest operations in the clothing and textile industries, Cape Town magnate Aaron Searll sees no conflict of interest

"I am not a textile manufacturer I am a clothing manufacturer with a share in a consortium which has made a controlling investment in a textile business," he says

Last week, Seargreg Investments, a consortium in which his clothing group Seardel is a 50 percent partner, sewed up control of Durban-based Frame, which, despite major amputation of ailing operations in recent years, remains SA's leading producer of fibre, yarn and fabric for the clothing industry

Traditionally, clothing and textile producers conduct their mutual business in a distinctly cool environment, taking strongly opposing views on the question of import protection

Seldom has that been more apparent than since May 1 when the Government promulgated an interim programme of tariffs and quotas for the industries

Angry small clothing manufacturers said they would be forced under by duty levels averaging 70 percent for imports of fabric outside what they consider excessively restrictive quotas

Under the banner of the Consultative Business Forum (CBF), they even took issue with their own industry association, the National Clothing Federation, claiming they had not been kept abreast of debate within the industry working committee which advised the Government on the interim tariff structure.

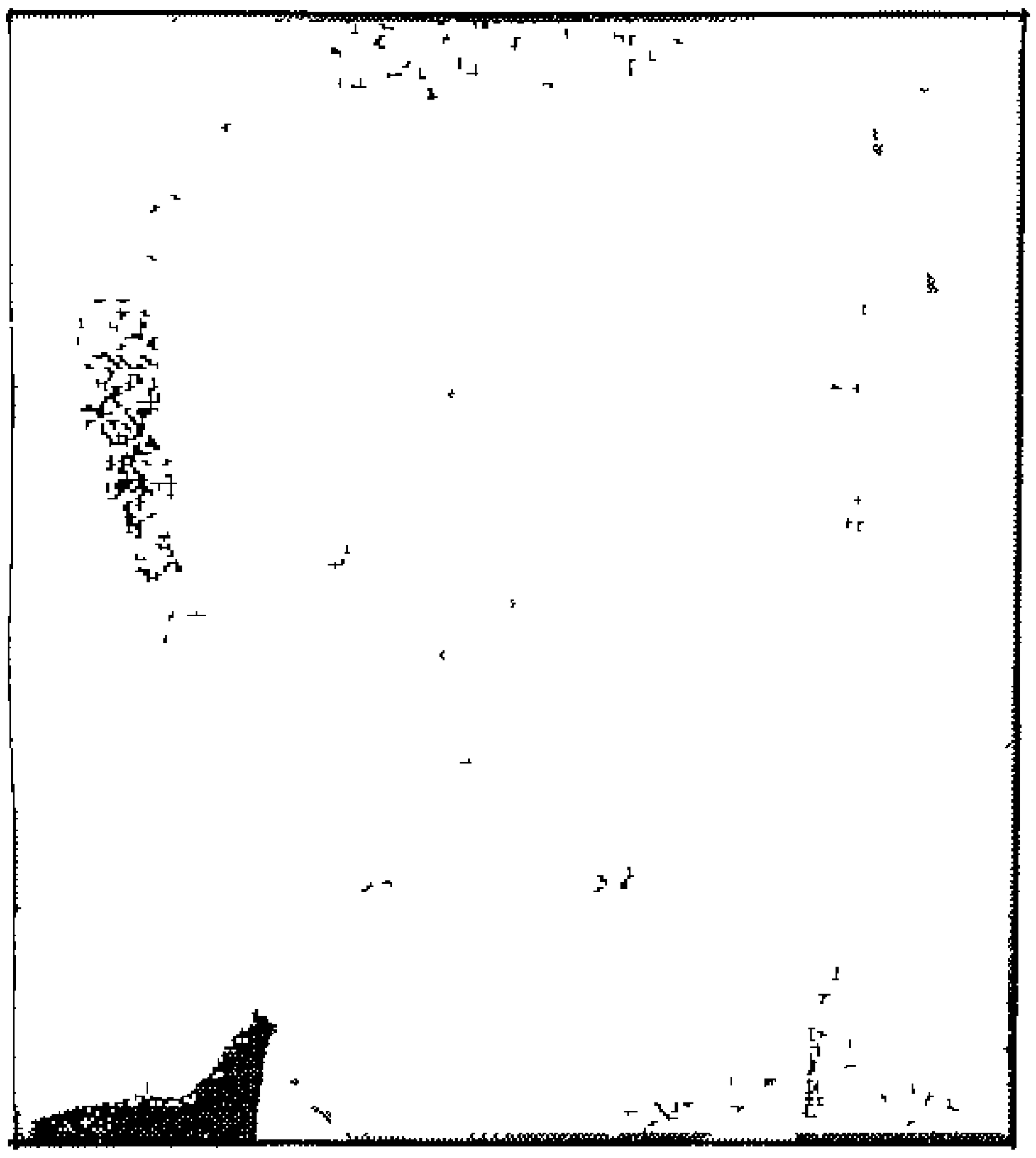
Dr Searll said in a telephone interview that the differences had been cleared up

"We've had two meetings with the CBF and they are a lot happier They realise they had the wrong perception, but that has been cleared up," he said

The NCF had made proposals to the Board of Trade and Industry for the tariff structure to be modified, particularly in the area of duty levels outside quotas

"Consensus was never reached at Hatty (the working committee chaired by Barlow Rand executive Paul Hatty) on that point

"The tariffs outside quotas were decided on by various parties in the Government, we are very upset because they are punitive for clothing manufacturers



Aaron Searll differences cleared up

"That said, the textile industry does need a certain amount of relief It's the middle ground that must be found I'm delighted the Government has moved quickly, taking preliminary steps to constitute a committee to work out a long-term plan Names will be announced very shortly."

Dr Searll said Seargreg was working with Frame management on a review of the textile group's strategic plan, under which whole divisions and mills have been sold or shut down and several thousand workers retrenched at facilities across Southern Africa in recent years

Frame, under executive chairman Mervyn King, would remain autonomous He did not envisage big changes in its method of operation

While comment on further cutbacks was not his to make, the Seardel chief expected the new interim duties to start benefiting Frame once they had worked through the pipeline in about six months

"We've had a look at some of the plants We are very impressed with them They have good top and middle management and excellent plant and machinery on which they've spent a fortune in the last couple of years

"In the next three years they intend to spend a considerable amount more"

R2,4m loss for Cape clothing group

(184) ARGT 6/6/92

MARC HASENFUSS, Business Staff

CAPE Town-based clothing group Hicor put in a patchy performance in the year ending February, but director Renier van Rooyen remains bullish about prospects for this year

For the period under review, the group posted a loss of R2,4-million or 5c a share (previous earnings of R1,7-million or 1,4c)

Mr Van Rooyen attributed the poor showing to the prevailing economic conditions.

"Operating income was adversely affected by lower profit margins, lower productivity levels, increased provisions for bad debts, as well as the loss sustained by the sale of Harties"

He pointed out that the results included a R2,4-million loss made by Harties for March and April 1991 and therefore could not be compared with the previous year's results

Harties was sold to Pep just over a year ago for R18,6-million The Harties sale realised an extraordinary profit of R6,7-million after cost-control write-offs of about R3-million were taken into account.

The sale of Hicor's Harties chain was also reflected in the marked drop in turnover to R80-million from the previous year's R148-million.

Net income, including the extraordinary profit, totalled almost R4-million from which a special dividend of 5c a share was declared No further dividend has been provided for the year.

On the positive side, the interest bill was reduced to R5,5-million (1991 — R7,8-million) in line with the cut in interest-bearing debt from R28-million to R22-million.

Mr Van Rooyen said Hicor would "definitely return to real profitability this year"

He said rationalisation programmes had been implemented to adjust the group's production capacity and cost structures

"Trading is still tough, but we expect fully loaded factories from July to December"

Patchy results from Hicor

184

By Marc Hasenfuss

Star 8/6/92

CAPE TOWN — Clothing group Hicor put up a patchy performance in the year to February, but director Renier van Rooyen remains bullish about prospects for this year.

For the period under review, the group posted a loss of R2,4 million, or 5c a share, against previous earnings of R1,7 million, or 1,4c

Mr Van Rooyen attributes the poor showing to the prevailing economic conditions.

He says that the results include a R2,4 million loss made by Harties for March and April 1991 and therefore cannot be compared with the previous year's results

Harties was sold to Pep just over a year ago for R18,6 million The sale realised an extraordinary profit of R6,7 million after cost control write-offs of about R3 million were taken into account

The sale of Hicor's Harties chain was also reflected in the marked drop in turnover to R80 million from the previous year s R148 million

Net income, including the extraordinary profit, totalled almost R4 million, from which a special dividend of 5c a share has been declared No further dividend has been provided for the year

(184)

Crunch talks today for clothing industry

ARG 8/6/92

Jobs on the line, warn employers

SHARON SOROUR
Labour Reporter

CRUCIAL clothing industry wage talks continue today in a bid to avert an impending impasse which could plunge the ailing sector into further crisis

Employers have warned that threatened strike action would "backfire" as workers would be the only ones to suffer and thousands of jobs would be lost

More than 50 000 Western Cape clothing workers are affected by the talks which have been marred by unprocedural work stoppages at factories

Representatives from the S A Clothing and Textile Workers' Union meet employers from the Garment Manufacturers' Association and the Cape Clothing Manufacturers' Association to attempt to bridge the great divide between their respective wage demands and offers

At the last meeting on May 19, the parties were "poles apart" with employers offering a seven percent package increase and the union demanding a 16 percent wage rise and other increases which amount to an overall 30 percent cost increase

The union has requested today's meeting in an attempt to reach agreement

About 7 000 Western Cape clothing workers rejected this year's below-inflation wage offer of employers at a meeting in Goodwood last month

Employers are hoping to salvage the situation but have accused the union of playing "Russion roulette" with their members jobs

Garment Manufacturers' Association chairman Mr Patrick Boers said "Their wage demands are unrealistic and the union is beating a dead horse The situation, if anything, in the industry has worsened since the last meeting"

Employers would go to the negotiating table to "bargain in good faith" but there was not much hope of them increasing their offer to double-digit figures, he warned.

Mr Boers believed the workers themselves were aware of the crisis facing the industry and fully appreciated the position of employers.

Union assistant general secretary Mr Ebrahim Patel said the negotiations had been "challenging", but they had been "conducted with a greater undertone of sourness" because the industry was "in a bad way"

Reacting to claims by employers that the union's wage demands were "unrealistic", he said "There is a fixation by employers that the response to the industry's crisis must be a low wage increase. This is not logical

"There is a point where any cost increase impacts on business but in wage negotiations, proportion is what counts," Mr Patel said

Mr Patel said machinists earned R199,50 a week and even a R40 wage increase would still put them below the recommended household subsistance level

"Many garment workers are single earners whose husbands have been retrenched How can you bring up a family on R199,50 a week or even R239,50 a week?"

Clothing strike looms (184)

THE South African Clothing and Textile Workers' Union has declared a wage dispute with employers in the clothing industry, heralding a potential production shutdown early next month. The disputes affect 105 000 workers covered by industrial councils in Cape Town, Durban and Johannesburg. Union official Ebrahim Patel said a strike ballot would be held if dispute meetings failed to yield a settlement — Sapa.

STAR 13/6/92

Clothing row: Union plans major protest

S/Times (Cape Metro) 14/6/92 (184)

Thousands set to take to the streets

By KURT SWART

THOUSANDS of clothing and textile workers are expected to take to the streets of Cape Town this week in a mass wage protest as the clothing industry braces itself for a possible national production shutdown early next month.

The huge SA Clothing and Textile Workers Union (Sactwu) has declared wage disputes with five clothing employer associations in Cape Town, Durban and Johannesburg after wage talks failed this week.

Sactwu has an estimated 110 000 members representing 93 percent of the industry's workforce

Militant

The union's assistant general secretary Mr Ebrahim Patel said on Friday that Sactwu and the employer bodies would hold dispute meetings in the next two weeks in a final attempt to break the negotiations deadlock

If this failed Sactwu intended undertaking a strike ballot If support for a strike was forthcoming from the union's increasingly militant members, a total nationwide shutdown of the industry was on the cards

According to Sactwu, employer wage offers had all been well below the inflation rate, with a 10 percent package being offered in the Transvaal, 9,5 percent in Natal and eight percent in the Western Cape

"These offers would be an effective wage reduction when measured against an official inflation rate of 15,4 percent and a food inflation in excess of 25 percent Employers have shifted the burden of the recession onto the workers," said a union spokesman

The wage components of Sactwu's demands are a 14 percent increase in Transvaal and Natal and 15 percent in the Western Cape

In Cape Town on Thursday clothing workers from as far afield as Atlantis will gather on the Grand Parade and march to the Foreshore offices of the Cape Clothing and Knitting Manufacturers Associations (CCMA) to emphasise their wage demand

CCMA chief negotiator Mr Johan Baard said employers felt the workers' march was "ill-timed and irresponsible" in the light of the serious economic state of the clothing industry

A strike was seen by employers as "an unmitigated disaster" for an industry already crippled by recession and widespread retrenchments

Surprise

Further job losses and factory closures were possible if production was disrupted, industry sources forecast.

"If one takes into account that Tuesday, June 16, is a negotiated holiday in the industry, it would seem to us sensible and more mature in approach for the union to use that day to deliver whatever documentation they want to"

The fourth round of wage talks between Sactwu and the employer bodies failed on Monday this week.

With Sactwu demanding a 24 percent package to the employers' offer of seven percent, the employers proposed a third party mediator in an attempt to narrow the gap

"The union said our proposal of a third party, made as a commitment to keep the talks alive, was premature and ill-timed, but they did not dismiss it as a possible avenue We interpreted this to mean they were still committed to further negotiations," said Mr Baard

"We therefore were somewhat surprised and disappointed when out of the blue and without any prior discussions or contact we were served with a written notification that they have declared deadlock and a dispute"

The current position is that the union has gone into dispute at 22½ percent and the employers at eight percent

"It's important to note however that the eight percent offer is equivalent to a R16 increase a week We have stated that that is not our final offer and we are still prepared to negotiate"

Mr Baard said that workers had received a R15 increase in the first six months of the year and if the employer offer had been accepted workers would in effect have gained a R31 increase for the year

The dispute will now be handled by the disputes provisions of the Clothing Industrial Council, which has convened the first of three dispute meetings for Wednesday this week

Pointless

Said Mr Baard "Employers are also suffering the consequences, the burden and the brunt of the recession to the extent that the industry nationally has lost in excess of 10 000 jobs. These jobs were facilitated by many companies which are no longer in existence

"One also has to bear in mind the plight of the unemployed It's pointless focusing the emphasis on an ever-shrinking elite of employed workers The industry and the union have a responsibility not only to maximise the benefits of the few that are still employed, but also to recapture the jobs lost and to create new jobs in the industry"

Workers are in a militant mood, however, showing visible anger at Sactwu report-back meetings in which they rejected the employer offer as "disgusting" and called on the union to reject "starvation wages"

Clothing, textile industry development investigated

(184) BDay 16/6/92

LINDA ENSOR

CAPE TOWN — Board on Tariffs & Trade deputy chairman Helgaard Muller and a delegation of clothing and textile industry representatives have just returned from investigating development programmes in the Far East

Muller sets off next week for a similar tour of Europe

He said yesterday he had formed strong views about what the SA clothing and textile industries needed but was not willing to disclose these

Textile Federation executive director Brian Brink said Thailand's development programme for the clothing and textile industries was based on the initial increase and subsequent phasing out of ad valorem duties, much along the lines of the Board of Trade & Industry's (BTI) August 1991 proposals

Muller said the board had been inundated with submissions on the interim tariff and quota proposals promulgated on May 1. The board would attempt to sort out an interim solution within two weeks of the closing date for submissions next week

National Clothing Federation executive director Hennie van Zyl said there had been strong reaction against the proposals The federation had recommended the Hatty proposals be scrapped in favour, preferably, of the status quo prior to May 1 or alternatively in favour of the BTI proposals

Van Zyl said the uncertainty in the industry was bordering on chaos as local textile mills were unable to meet the needs of clothing manufacturers

He said SA's trading partners had all expressed opposition to the country's reversion to protectionist policies

Many boat owners underinsured

MICK ELLINGHAM

MANY boat owners are finding themselves underinsured because of the rapidly escalating prices of small craft

PFV Special Risks deputy MD John Pile said boat owners should not wait for annual policy renewals to reassess replacement values

Santam Marine division spokesman Petra Fordyce confirmed boat prices had risen dramatically in the past few years, and brokers were not always aware of the high replacement cost of small craft. She recommended boat owners should re-assess their policies every six months, saying the average claim on a small craft was now R5 000

Lindenberg Marine's Bill Lindenberg said boat prices had gone up by at least 5% since January, adding the price of small engines was affected by the weak Rand/yen exchange rate.

Undercover insurance brokers spokesman Julian Dreyer suggested that boat values should be standardised — as with motor car "book" values — for accurate valuation

New company to market SA citrus

MEREDITH JENSEN

SA citrus producers could look forward to bigger profits and greater visibility as a result of Outspan International, the newly created private marketing arm of the SA Co-operative Citrus Exchange (Sacce), a spokesman for the company said yesterday.

Outspan has assumed the overseas marketing and promotion of citrus fruit formerly handled by Sacce.

He said Outspan would operate as the only local overseas marketer of citrus products under protection of the single-channel Marketing Act. BDay 16/6/92

However, the long-term goal was "voluntary participation", whereby the Act would be eliminated

SA exported approximately 60% of the crop. Producers could choose what they did with the remaining 40%. Industry sources said if world market prices for export concentrate were higher than local fresh prices, farmers could choose to export.

Outspan CE Douglas Stanton said the new infrastructure would make marketing and distribution more efficient

Stanton said political changes in central and eastern Europe and the dramatic economic development in the Far East could open new markets for citrus.

And the expanding EC market could also provide opportunities for SA producers.

While SA was only the sixteenth largest producer of citrus fruit in the world, it was the fifth largest exporter. Stanton said Outspan would help the industry maintain its competitive edge

Rag trade in uproar over threat of imports

STAR 17/6/92.

By Des Parker (184)

DURBAN — A flood of an estimated R85 million-worth of imported clothing over the next six months at relatively low rates of duty is causing as much, if not more, consternation among clothing manufacturers than the latest restrictions on imports of fabric

Len Smart, executive head of the Natal Clothing Manufacturers Association (NCMA), believes retailers could take advantage of the introduction this month of the latest in a six-year series of controversial tariff plans for the textile and garment sector by buying in large quantities of clothing from abroad at rates of duty considerably lower than those applied under the formula duty structure scrapped last month

While this could be good for shoppers — or would be if retailers took the uncharacteristic step of passing on the savings they made from cheaper imports and lower tariffs — domestic producers of clothing stand to lose more orders than poor demand has already caused

Russia buys SA fashions

184

By Tom Hood STAR 18/6/92

Russia is to buy fashion clothing worth "several million rands" from South Africa.

One order, believed to be the biggest single export order won by a South African manufacturer, is for several hundred thousand garments and has gone to the AM Moola group of companies, the country's largest privately owned clothing business.

The order will not only prevent retrenchments, but will allow the company to employ more people, says Mr Sadek Vahed, chairman and chief executive.

Mr Sadek, who is also vice-president of the National Clothing Federation, said he had stressed time and again that the survival of this country would have to come out of exports and result in job creation on a massive scale.

"There is no other industry like the labour-intensive clothing industry that can meet this challenge."

His company has a turnover of about R160 million of which exports amounted to about R3 million until now.

He declined to disclose the value of the Russian order but said it ran to several millions of rands.

SOWETAN Thursday June 18 1992

Clothing workers declare dispute

184

Sowetan 18/6/92

Sowetan Correspondent

CLOTHING workers will march in Cape Town tomorrow in what employers have slammed as "grossly irresponsible", warning that jobs are on the line

The Grand Parade will be closed for parking the whole day to allow a meeting of the SA Clothing and Textile Workers' Union (Sactwu) between noon and 2pm, the city council public relations officer, Mr Ted Doman said

Sactwu spokesman Mr Ronald Bernickow said workers would march on the offices of the Cape Clothing Manufacturers' Association on the Foreshore to hand over a list of wage demands

A dispute was declared on June 10 and the looming strike action is threatening to cripple the ailing industry.

The union is demanding a wage increase of 15 percent across-the-board while employers have offered an eight percent package increase

The parties meet today in the first of three Industrial Council meetings in an attempt to resolve the dispute, said association executive director Mr Peter Cragg

The march, which has magisterial and municipal permission, is expected to cause a half-day shut down at factories

But employers warned yesterday that permission from the workplace will not be granted and the march is viewed in "a very serious light"

Garment Manufacturers' Association chairman Mr Patrick Boers said workers who "desert their positions must be prepared to face the consequences .. and possible dismissal"

Boers said "Workers will be placing their jobs on the line and they know that there are thousands of unemployed people who would love to replace them immediately "

Boers accused the union of having no interest in the survival of the industry

Cragg said the timing of the march was "completely inopportune" and could have taken place yesterday, a paid public holiday in the industry

The association was discouraging its member factories from giving workers permission to take part in the march which breached agreements

Wage march by clothing workers

(184)

ARG 18/6/92

SHARON SOROUR Labour Reporter

TENSION in the strife-torn clothing industry escalated today as unionists prepared for a mass show of strength in the city centre to back wage demands

Despite warnings from employers that their jobs were on the line, thousands of workers prepared to march on the Foreshore offices of the Cape Clothing Manufacturers' Association at 2pm

Employers remain adamant that the march is "grossly irresponsible" and disciplinary action would be taken if workers deserted their workplaces, said Cape Clothing Manufacturers' Association chairman Mr Peter Cragg

The union has called on employers not to "abuse their power" and to allow workers to take part on the basis of a "no work, no pay, no penalty principle".

Mr Cragg said permission had been denied and the march was viewed as an "illegal industrial action" and "gross subordination"

Cape Town's biggest industry is expected to grind to a haltwhen workers descend on the Grand Parade

The union has negotiated with Spoornet to lay on eight fare-free trains to bring workers from all major industrial areas

● Workers will march along Darling Street towards Sir Lowry Road into Oswald Pirow Street and Hertzog Boulevard to Broadway Centre

● See page 21.

(184) ARGT 18/6/92

Fears of Cape clothing industry ending in tatters

CLOTHING manufacturers are desperate to save their beleaguered industry, warning that today's march by thousands of disgruntled workers demanding higher wages, will only sink another nail in its coffin Labour Reporter SHARON SOROUR reports

FACED with despondent manufacturers, disgruntled workers, thousands of retrenchments and a crippling new duty and quota structure, the clothing industry is on the brink of collapse

This dire prediction is not new, but as the first strike in the industry looms while parties to annual wage negotiations struggle to bridge a great divide, the future really does look grim

The labour-intensive clothing industry is the Western Cape's largest employer, but the recession has played havoc with workers' jobs, and retrenchments continue almost daily

Six thousand jobs have been lost this year in the Western Cape, where employment is down to a 10-year low of 49 000

Employers are bearing the brunt of the recession and have offered wage increases way below the inflation rate — a source of dispute in current wage negotiations

They feel the industry is in decline and have criticised the controversial import duty and quota structure, prepared by the Hatty Committee and promulgated on May 1, saying it will damage seriously hundreds of small and medium-size companies

According to the assistant general secretary of the SA Clothing and Textile Workers' Union (Sactwu), Mr Ebrahim Patel, two main short-term problems are the recession and the surge of imports — of second-hand clothing and garments from the East

He believes the clothing and textile industries are well-positioned to be a real engine of growth in South Africa, where the cost of capital to create jobs is very low, there is a developed infrastructure for expansion and as black incomes rise, a growing market

But Mr Patel says the industries also face structural problems, including

- The under-capitalisation of the industries — companies do not keep up with technological development
- The lack of beneficiation of wool
- The under-use of manpower and weak — or non-existent — training institutions, which result in low productivity
- The size of enterprises — in some parts of the industry larger enterprises are needed For example, plants in South Korea and Taiwan successfully manufacturing synthetic yarn are big and they achieve economies of scale not possible with short runs and small plants

In spite of the crisis in the industry, Mr Patel believes the union's wage demands this year are not irresponsible or unrealistic

(184)

Most of the industry's workers are women — single earners whose husbands are retrenched or have left them to bring up the children on their own

He said machinists earned R199,50 a week and even a R40 wage increase would still put them below the recommended household subsistance "How can you bring up a family on R199,50 a week, or even R239,50 a week?" he asked

The union is demanding a R30 a week increase, or an increase of 15 percent across-the-board Employers in the Western Cape have offered an eight percent package increase

The Hatty Committee — appointed by the Board of Trade and Industry to prepare an 18-month interim plan for the industries — has not helped at all, claims Garment Manufacturers' Association chairman Mr Patrick Boers

According to the new ruling, any company that exports will be allowed a duty-free quota on imports Once the quota has been reached, additional imports will be taxed by an average 80 percent on textiles and about 120 percent on clothing

Employers believe most textile wholesalers will be forced out of business as cash flows will be severely strained by higher duties and the quotas will place a severe restraint on business growth

Many small manufacturers are facing ruin as orders are cancelled by retailers who refuse to accept higher manufacturers prices caused by the new duties on imported fabrics

CMT (cut-make-and trim) manufacturers — who make up garments for other concerns — are being offered less money by retailers this year than they were last year Mr Boers says

Wholesalers say it is not always easy to "buy local" as local mills do not produce al kinds of fabric They complain that local fabric is often more expensive than imports is flawed and hardly ever delivered on time

Almost besieged by problems, the textile and clothing industries are clearly fighting for their survival Against this background the prospect of strike action is being viewed with deep concern

Pay: 15 000 clothing workers march

CT 19/6/92 184

By PETER DENNEHY

THE massive SA Clothing and Textile Workers' Union (Sactwu) signalled powerfully to embattled employers yesterday that its members were prepared to strike rather than accept an 8% annual wage increase.

Between 10 000 and 15 000 workers, the vast majority of them women, assembled on the Grand Parade under banners proclaiming their places of employment and union demands.

They then marched to the Foreshore to hand over a petition to the Cape Clothing Manufacturers' Association (CCMA)

The petition asked that no disciplinary action should follow the march, but last night a report was received that 110 workers at an Epping Industria concern who went on the march would be fired.

Mr Peter Cragg, executive director of the CCMA, said the march had taken place at an inopportune time as negotiations were still going on and "we have not yet made our final offer".

When Sactwu assistant general secretary Mr Ebrahim Patel asked for a response to the proposed R9,97-a-week increase, the crowd roared "strike".

After the march, Mr Patel said labour costs were not the cause of the problems in the clothing industry at present. High capital costs, high inflation and a recession in SA had led to the clothing industry crisis.

● Some 30 000 Sactwu workers marched in Natal yesterday, also in support of wage demands. The union has 105 000 members nationwide.

Shop stewards' bulletin

By FERIAL HAFFAJEE [redacted]

A GLOSSY and sophisticated publication, *The Shopsteward*, resembling a little sister of the *South African Labour Bulletin*, was launched last week.

The ambitious bi-monthly bulletin — which will replace *Cosatu News* — is an attempt to unclog communication between national union leadership and rank-and file-membership. It is being targeted at shop stewards, the first line of union leadership.

"There was a need for a publication to enable workers to get full information on campaigns and to be able to mandate the leadership," says editor Fiona Dove.

Central to the new bulletin will be political and economic report-backs and simplified information on campaigns like the National Economic Negotiating Forum and the restructuring of the National Manpower Commission. It will take up "bread and butter issues like food prices, VAT and poverty and drought relief", says Dove.

The bulletin is based on a study of about 800 shop stewards done by the Community Agency for Social Enquiry. Their average education is between Standard 6 and 8, but they are all highly politicised and well-read. Most of the respondents read a variety of magazines, a number of daily papers and at least two weekly papers.

The study revealed that over 80 percent of the shop stewards are black men in their early thirties, practising Christians and politically active and they watch a lot of television and listen to the radio extensively.

W/Mail 19/6-25/6/92.

SA rag trade in tatters

W/Mail 19/6-25/6/92

(184)

By FERIAL HAFFAJEE

THE hard-pressed clothing industry is battling to find a wage settlement this year and prospects dimmed when the South African Clothing and Textile Workers' Union declared disputes in three industrial councils last week.

The union, which represents 105 000 members in the three councils, threatened to ballot members for strike action by the end of July if sufficient progress is not made.

Last week, garment workers in the western Cape marched to the headquarters of the Cape Clothing and Knitting Manufacturers Association to present wage demands to employers.

The union is demanding increase of between R28 and R30 a week, a provident fund by January (with three percent contributions by the company) and bonus payments. The union tabled additional demands in Cape Town, the heart of the clothing industry.

These are sick pay in accordance with the Basic Conditions of Employment Act, an industry minimum severance pay and a short-term fund.

Employers to date have offered average increases of five percent which would bring the minimum wage to R875 in Johannesburg, R907 in Cape Town and R930 in Durban.

The union accused employers "of shifting the burden of the recession on to workers".

But all is not gloomy in the negotiations. Key non-wage demands were met when employers agreed to discuss national industrial and productivity councils with the union in October. The dependents of garment workers will now be treated at clothing industry clinics while workers at small businesses will be covered by council agreements.

A statement from the clothing industry this week said "The industry is financially stretched to the limit. It is suffering the accumulated impact of recession, rising imports and wage pressures."

One of the first corners the cash-strapped consumer cuts is the clothing budget. And the clothing industry is reeling from the impact of cut-backs: 20 000 jobs were shed in the past year, 40 companies went to the wall, and many others are just surviving.

Rent protest death as security guards open fire

ARG 19/6/92

HENRIETTE GELDENHUYS, Staff Reporter

A MAN was shot dead and two were injured when Western Cape Regional Services Council security guards opened fire on about 300 members of the Elsies River Civic Association and the ANC outside the RSC offices in Clarke's Estate

Secretary of the association Mr Jeremia Christian said a meeting between residents and housing officials to discuss high rents and evictions was arranged for 2 pm yesterday at the RSC offices

When they got there residents were told the meeting had been cancelled and they occupied the offices

Chairman Mrs Sara Martin said that about 4 pm, six armed security guards came through the back door, released dogs and hit people with batons

People fled and the guards opened fire through windows and doors from inside the office building, she said

Mr David de Bruyn of Muldersdrift Street collapsed and died after he was shot four times, said Mrs Martin

Mr Marius Hoffman, 19, was shot in the arm and leg and Mr William Davids was hit in the side by a rubber bullet.

Ravensmead ANC committee member Mr Richard Martin and several witnesses said the guards fired without warning

Mr Hoffman's mother, Mrs Kathy Hoffman, said her son was an innocent bystander who came to fetch her from the meeting

The ANC accused police of refusing to arrest the RSC security officers.

Police liaison officer Captain Denise Brand said "We know these security guards well Why do they have to be arrested if they could have fired the shots to save their lives?"

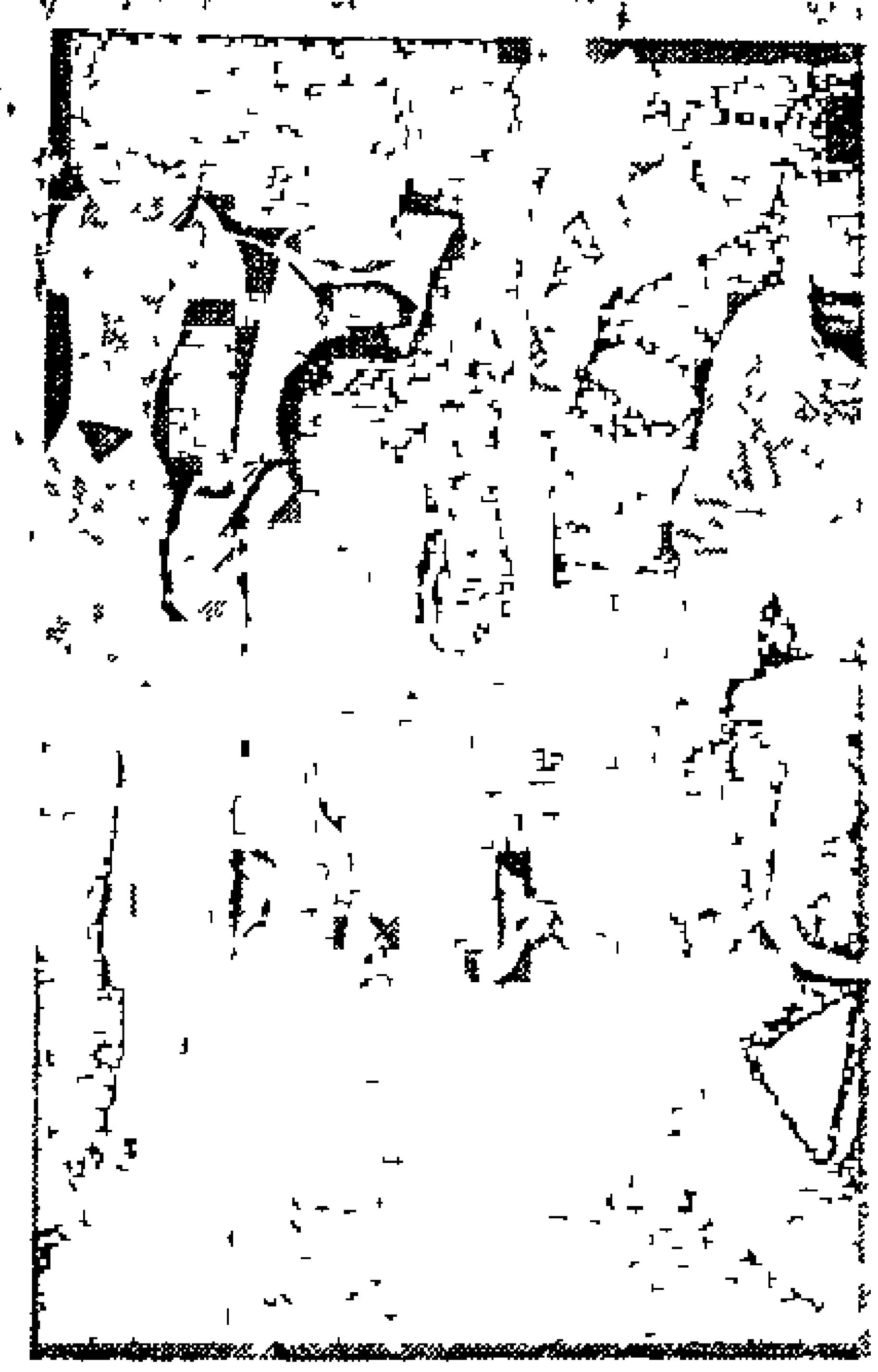
In a statement last night, the ANC said it was "appalled" by the shootings of "innocent people" and called for the resignation of "all councillors serving on these corrupt, discredited and illegitimate RSCs".

"To allow armed security guards to shoot innocent members of the public can only be described as complicity to murder," the ANC said

RSC chief executive Mr Chris Mocke said today he had learnt about the shootings in his newspaper this morning.

He said the RSC would comment later

SHOT: Shocked children and residents gather around Mr David de Bruyn's body after he was shot dead by Regional Services Council security guards.



Pictures BRENTON GEACH, The Argu

GRIEVING: Friends and communit members support Mrs Moira d Bruyn, who collapsed when she sav her husband's body

Owl, art stolen

KING WILLIAM TOWN — Stuffed owl an art print, three han towels and other iten are missing from a m suem here after a bu glary. — Ecna.

Cape clothing firms brace for trial of strength

ARG 19/6/92

SHARON SOROUR (184)
Labour Reporter

EMPLOYERS in Cape Town's biggest industry are today assessing their next step after 15 000 workers marched in the city centre in a show of solidarity against the industry's pay offer

The fate of many clothing companies — and their workers — depends on the outcome of the trial of strength and skill in wage negotiations

The threat of the sector's first strike still hangs over the Western Cape's biggest employer.

Fresh from making a forceful presence felt in yesterday's march, the SA Clothing and Textile Workers' Union (Sactwu) is to respond today to the employers' proposal to settle through mediation

A jovial, disciplined crowd of about 10 000 workers from as far as Atlantis and Wellington gathered at the Grand Parade from noon, but by the time the march began at 2 45pm numbers had swollen to about 15 000

Union assistant general secretary, Mr Ebrahim Patel, told the gathering that workers could not let their children go hungry by accepting the employers' offer of an effective R9,97 a week increase

Clothing industry employers in the Transvaal were offering an R18 a week increase

"We would rather strike than accept R9,97," he said

According to the union, about 20 000 workers marched to the headquarters of the Cap Clothing Manufacturers' Asso ciation in Broadway Centre o the Foreshore to hand over memorandum of demands

Accepting the memorandun association executive directo Mr Peter Cragg said he woul present the document to mem bers on Monday

● Thousands of Natal cloth ing workers took part in mass march in Durban to pro test against a wage offer b their employers

CLOTHING & TEXTILES (184)

Missing the boat

FM 19/6/92

The clothing and textile industries are locked in an ideological struggle that is diverting them from what should be the real objective — becoming internationally competitive

The ingredients for success are there, it is just a question of marshalling them.

That's the view of a visiting British consultant, Nottinghamshire-based Jim Aspinall, who says that, with the right priorities, the domestic clothing and textile industries have substantial growth potential and could quickly become significant job creators

He says the local clothing and textile industries suffer from the same malady that plagued its British counterparts in pre-Thatcherite Britain And his view is supported by specialists from other parts of the world The comments come at a time when the clothing industry is protesting over new, higher tariffs temporarily imposed on textile imports last month under the much-maligned Hatty proposals

Aspinall explains. "When Margaret Thatcher became prime minister, the UK's highly protected, but ailing, clothing and textile industries trembled — the Iron Lady made no secret of plans to abolish import tariffs that staved off competition from cheaper imported products

"It was a case of adapt or die when she kept her promise And our industry trimmed down and then geared up to export The result, now, is an internationally successful industry employing 1,25m people "

Similarly, he adds, the SA industries are preoccupied with salvation through tariffs and the infighting between textile and clothing manufacturers as to where the duties should be applied "There's this perception that you can't compete internationally because of labour problems But your problems are management, not worker-related Your factories are well-equipped with modern technology and staffed by competent people

"But your managers are still trapped by a siege mentality Instead of looking to exploit new export potential, they want to hide behind duties "

Cont'd

BUSINESS & TECHNOLOGY FM 19/6/92 (184)

He concedes that scrapping these duties could see the demise of inefficient sectors of the industry, but this would be more than compensated for by the growth of the efficient ones

His view is endorsed by Sunil Mirpuri, export manager for Thailand clothing manufacturer Shalimars During a recent Thai trade delegation visit to SA, Mirpuri said he'd come to SA to scout a possible manufacturing or distribution base in the region "But we won't invest here because the industrial policies lack direction Added to that, inflation is high, interest rates are high, the corporate tax rate is too high at 48%, and exchange control regulations are onerous

"If that wasn't enough, there seems to be a great deal of confusion over industrial policy between organisations such as the SA Foreign Trade Organisation and the Department of Trade & Industry One says they are liberalising and the other says SA will remain protectionist There is also doubt over anti-dumping measures and SA's compliance with Gatt "

He points out that since Thailand scrapped protective duties for clothing and textiles, these industries have contributed considerably towards the country's growth (now averaging 8% a year) ■

PROGRESS INDUSTRIES (184)
FM 19/6/92

Stained with red dye

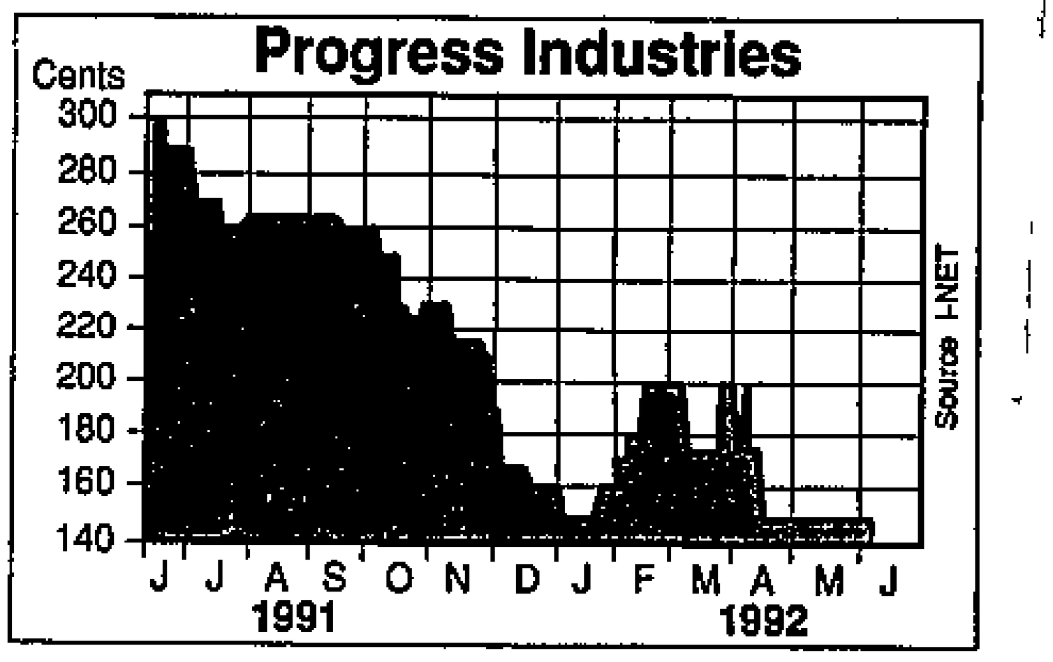
Earnings broke into the red and an upturn this year is unlikely Management blames the huge increase in imports as well as the economic situation for poor trading margins

Activities: *Makes knitted clothing and fabrics*
Control: *Vizoma 24,7%*
Chairman: *D Aronovsky, CE P Jacobson*
Capital structure: *2,8m ords Market capitalisation R5,6m*
Share market: *Price 200c Yield 5,5% on dividend 12-month high, 300c, low, 150c Trading volume last quarter, 71 000 shares*

Year to Dec 31	**'88**	**'89**	**'90**	**'91**
ST debt (Rm)	0,6	0 5	2,4	3,8
LT debt (Rm)	9,9	8,1	10,9	9,3
Debt equity ratio ,	0,59	0,4	0,5	0,52
Shareholders' interest	0,43	0,49	0,49	0,48
Int & leasing cover	5,5	4,2	1,9	0,9
Return on cap (%)	18,3	21,4	10,9	5,2
Turnover (Rm)	50,8	65,3	61,7	65,1
Pre-int profit (Rm)	7,6	10,3	6,0	2,8
Pre-int margin (%)	15,0	15,8	9,7	4,3
Earnings (c)	158,0	191,7	102,3	(31,2)
Dividends (c)	42	48	34	11
Net worth (c)	631	774	947	905

But CE Peter Jacobson believes the financial ratios are satisfactory He says that though gearing did not meet the target 50%, it is still manageable at 59,3% (1990 57,6%)

Jacobson says the Hammarsdale sweater division lacks orders but "some success has been achieved and (it) should achieve export volumes this year in excess of 10% of last year's production " He claims that the first quarter for 1992 has been "the most difficult period anyone can remember" since 1945



Jacobson says it's no longer viable to run two separate factories 500 km apart The Swaziland operation was closed at end-1991 The property is being offered for sale, proceeds will be used to reduce debt of R13,1m

Progress is relying on exports and government's new textile proposals to take it back into the black It does not expect this to happen until the last quarter of 1992 Till then the share must remain speculative

Kate Rushton

Demo: Clothing workers fired

Staff Reporter (152) (184) CT 20/6/92

BETWEEN 300 and 400 clothing industry employees have been fired for taking part in Thursday's big union "living wage" march in town, but intensive negotiations were under way yesterday to have them reinstated.

Mr Johan Baard, industrial relations executive for the Seardel Group and chief wage negotiator for the employers' association, said yesterday that between 200 and 250 employees — about 40% of the work-force — at Dermar Fashions in Newmarket Street had had their employment "terminated"

"We will be meeting with the union on the weekend or early on Monday," he said

Between 100 and 150 workers at Speedo SA/Cygnet Manufacturing in Epping were also dismissed

Mr Ebrahim Patel, assistant general secretary of the South African Clothing and Textile Workers' Union, said the union remained optimistic that the matter could be resolved

Imports of used clothes 'straining' SA industry

184

STimes (Cape Metro)

21/6/92

LARGE quantities of imported second-hand clothes "flooding" into the country under the pretext that it is destined for charity, are placing the already embattled clothing and textile industry under strain and could lead to further job losses and factory closures.

The industry — currently involved in a bitter wage dispute with the SA Clothing and Textile Workers Union (Sactwu) — was being "crippled" by the imported clothes being sold at "incredibly" low prices at flea markets and second-hand shops all over Cape Town, the chairman of the Garment Manufacturers Association, Mr Patrick Boers, said this week.

By JESSICA BEZUIDENHOUT

A Department of Trade and Industry spokesman, Mr Charl Nel, said it was "unfortunately" true that most of these garments had been imported duty-free.

He said some retailers were "abusing" a provision in the Customs and Excise Act which allowed churches and charity organisations to import second-hand clothing duty-free, provided it was distributed free.

Misuses

According to Mr Nel these retailers imported under the pretext that the goods would be used for charity.

He said proposals for the amendment of this provision to stop this abuse "would be submitted" to the government by the Board of Trade and Industry, which is currently investigating.

The alleged misuses are specifically connected with a concession granted a few years ago which allowed churches and welfare organisations to sell some of the imported second-hand clothing to cover import and distribution costs, he said.

Mr Nel also said recommendations to cancel this concession had been received by the department and an investigation into cancelling it or finding ways to police it was currently underway.

Customs permits to the value of R639 939 have been issued to churches and welfare organisations so far this year.

Dr Helgard Muller, a spokesman for the Board of Trade and Industry, said the board was "doing everything possible" to protect local industries.

He said a full report on the investigation would be available soon.

Another concern is that "a lot" of the imported goods were being "dumped" in South Africa.

According to Mr Hennie van Zyl, executive director of the National Clothing Federation, these goods were being sold more cheaply here than in their country of origin.

It is extremely difficult to control the import of second-hand or dumped goods, Mr van Zyl said, mainly because the duty was too low.

Block

He said the government should increase the current duty of 30 percent and implement anti-dumping legislation to prevent retailers from selling imported garments for less than in their country of origin.

Sactwu's assistant general secretary, Mr Ebrahim Patel, said the government should block the unnecessary import of textiles which were available in South Africa.

He said SA had an excessive tendency to import, which caused problems because it created jobs abroad, but resulted in severe job losses and factory closures in SA.

Rag industry is in tatters

Sowetan 22/6/92 (184)

CLOTHING manufacturers are desperate to save their beleaguered industry, warning that Thursday's march by thousands of disgruntled workers, demanding higher wages, will only sink another nail in its coffin. Sowetan Correspondent SHARON SOROUR reports.

FACED with despondent manufacturers, disgruntled workers, thousands of retrenchments and a crippling new duty and quota structure, the clothing industry is on the brink of collapse.

This dire prediction is not new, but as the first strike in the industry looms while parties to annual wage negotiations struggle to bridge a great divide, the future really does look grim

The labour-intensive clothing industry is the Western Cape's largest employer, but the recession has played havoc with workers' jobs, and retrenchments continue almost daily

Six thousand jobs have been lost this year in the Western Cape alone where employment is down to a 10-year low of 49 000.

Employers are bearing the brunt of the recession and have offered wage increases way below the inflation rate - a source of dispute in current wage negotiations

Decline

They feel the industry is in decline and have criticised the controversial import duty and quota structure, prepared by the Hatty Committee and promulgated on May 1, saying it will seriously damage hundreds of small and medium-size companies

According to the assistant general secretary of the SA Clothing and Textile Workers' Union, Mr Ebrahim Patel, two main short-term problems are the recession and the surge of imports - of second-hand clothing and garments from the East.

He believes the clothing and textile industries are well-positioned to be a real engine of growth in South Africa where the cost of capital to create jobs is very low, there is a developed infrastructure for expansion and, as black incomes rise, a growing market.

But Patel says the industries also face structural problems, including·

The under-capitalisation of the industries - companies do not keep up with technological development.

The lack of beneficiation of wool

The under-utilisation of manpower and weak - or non-existent - training institutions, which result in low productivity

The size of enterprises - in some parts of the industry large enterprises are needed For example, plants in South Korea and Taiwan successfully manufacturing synthetic yarn are all big and they achieve economies of scale not possible with short runs and small plants

But the Hatty Committee - appointed by the Board of Trade and Industry to prepare an 18-month interim plan for the industries - has not helped at all, claims Garment Manufacturers' Association chairman Mr Patrick Boers

Taxed

According to the new ruling, any company that exports will be allowed a duty-free quota on imports Once the quota has been reached, additional imports will be taxed by an average 80 percent on textiles and about 120 percent on clothing

Employers believe most textile wholesalers will be forced out of business as cash flows will be severely strained by higher duties and the quotas will place a severe restraint on business growth

Many small manufacturers are facing ruin as orders are cancelled by retailers who refuse to accept higher manufacturers' prices caused by the new duties on imported fabrics

CMT (cut-make-and trim) manufacturers - who make up garments for other concerns - are being offered less money by retailers this year than they were last year, Boers says.

Wholesalers say it is not always easy to "buy local" as local mills do not produce all kinds of fabric They complain that local fabric is often more expensive than imports, is flawed and hardly ever delivered on time Almost besieged by problems, the textile and clothing industries are clearly fighting for their survival

Against this background, the prospect of strike action is being viewed with deep concern

While the clothing industry fights for survival, textile workers are fighting for more money.

Clothing workers ... their industry is in tatters.

Workers may be rehired [redacted]

STAR 23/6/92

Hundreds of sacked clothing workers who took part in a 15 000-strong mass march in Cape Town last week to highlight wage demands, may be reinstated SA Clothing and Textile Workers' Union media officer Shahiekd Teladia said the union was confident all the workers would get their jobs back (184)

ESS

Export success boosts award winner

B/Day 28/6/92. (184)

Business Day Reporter

ONE of the business success stories of the year belongs to the A M Moolla group, former winner of the SA Non-Listed Company Award, which has secured the first major clothing export order by an SA company to the Commonwealth of Independent States

The first contracts were air-freighted to Moscow to coincide with President F W de Klerk's visit to Russia earlier this month, and since then further contracts worth several million rands have been signed.

The Durban-based manufacturer made its first venture into the export field after winning the Non-Listed Company Award in 1988. The award, which is being sponsored again this year by Business Day, Arthur Andersen & Co and the Wits Business School, is made to companies which show initiative and entrepreneurial skill in meeting the challenges of business

"Winning the award gave us credibility with foreign buyers, and improved our stature in the marketplace," says financial director Ebrahim Dhai.

However, it was not until March 1990 — after the unbanning of the ANC — that the group decided to "aggressively enter the garment export market".

It founded the Amm Export Corporation (AEC) and opened a marketing office in London Despite the fact the move coincided with a recession, the group invested R5m in plant for the export market.

Contact was made in Russia with Alexandre Bagaev, MD of a "progressive business organisation, and an entrepreneur in every respect".

The outcome was a flying visit by the Russians to SA earlier this year They liked what they saw of the export corporation Sample ranges were sent to Moscow, and the deal was clinched

Asked whether payments were being facilitated by the R100m credit line announced by De Klerk on his visit to Moscow, Dhai said "Our plans were in place several months before then, and we are having no problems with payment"

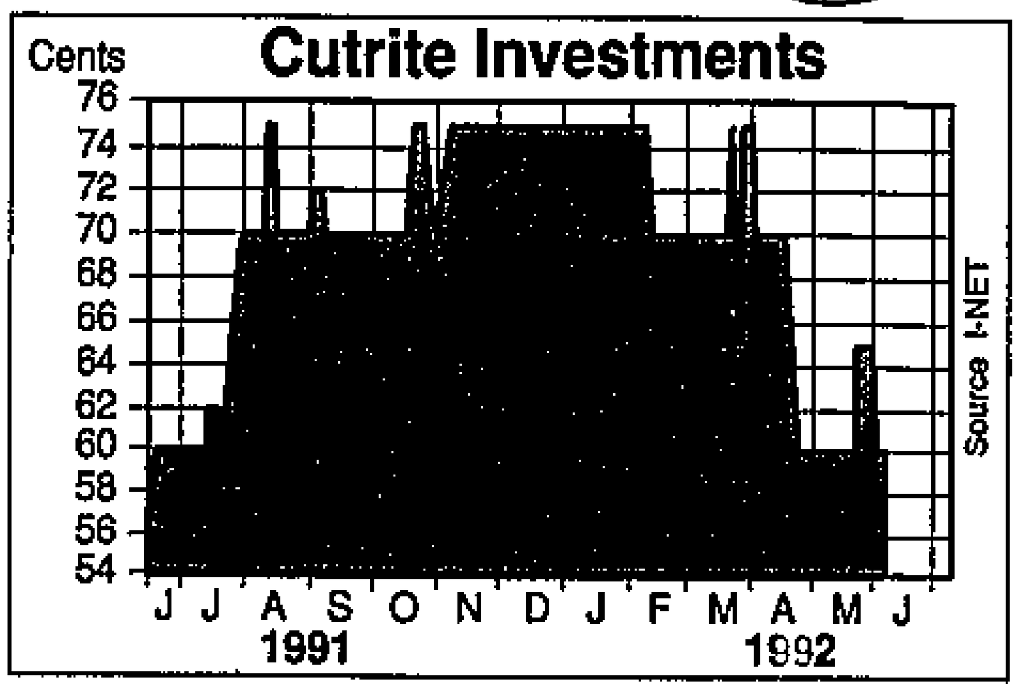
Now the Moolla group has launched a larger export division.

Moolla group CE Sadek Vahed says the clothing industry can make a major contribution to economic growth through exports

"Our survival depends on exports, and they hold the potential for job creation on a massive scale in a labour-intensive field like the clothing industry," he said

● Non-Listed Company Award entry form — Page 7

FM 26/6/92 (184)



Activities: *Manufactures clothing*
Control: *Directors 55%*
Chairman: *S Cope; MD P R Edel*
Capital structure: *16,5m ords Market capitalisation R9,9m*
Share market: *Price 60c Yields 11,7% on dividend, 30,2% on earnings, p e ratio, 3,3, cover, 2,6 12-month high, 75c, low, 60c Trading volume last quarter, 90 000 shares*

Year to Feb 28	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	3 6	4,7	4 3	2,9
LT debt (Rm)	0,8	2,1	1,7	1,2
Debt equity ratio	0,55	0,71	0,70	0,31
Shareholders' interest	0,5	0,5	0,5	0,6
Int & leasing cover	10,4	7,9	7,5	7,5
Return on cap (%)	32	31	32	31
Turnover (Rm)	32,2	39,2	44,9	47,2
Pre-int profit (Rm)	5,0	6,3	7,0	6,6
Pre-int margin (%)	15,5	16 2	15,6	14 1
Earnings (c)	13,8	16,6	18,4	18,1
Dividends (c)	5,5	6,5	7	7
Net worth (c)	47	58	69	80

CUTRITE FM 26/6/92

Hopes dashed (184)

Each year since 1983, Cutrite had increased its turnover and attributable income That changed in 1992, when it bowed to the deteriorating clothing industry and posted a 2% drop in EPS With turnover falling 5% in the full year, management did well to contain the earnings decline to this extent

Interim figures for the six months to end-August 1991 were promising, with turnover and attributable income up 15% Management believed then that Cutrite was well positioned to benefit from an upturn

But depressed consumer spending and a general downturn in the clothing sector dragged the second-half result down and tarnished the year's figures Cutrite, according to financial director Hymie Feinberg, fell into the same "melting pot" as other clothing manufacturers

Management, nevertheless, reduced interest-bearing debt from R6m to R4,1m and cut the interest payments Gearing fell to the lowest level in several years Chairman Sydney Cope is determined to preserve Cutrite's financial position in order to maximise opportunities that may arise Cope does, however, say "There is a real possibility of the group not maintaining its level of profitability unless economic factors improve "

Though the profit outlook is not bright, there is probably a reasonable prospect that the dividend will be maintained, in which case the share has income attractions

Kate Rushton

NINIAN & LESTER FM 26/6/92

Slower orders

(184) [redacted]

Profitability and the financial structure both weakened during last year The main problem was that order intake continued to slow and delivery lead times also shortened Most of the divisions worked short time

Turnover increased by only 5,9%, indicating a decline of some 5% in volumes The result was narrower trading margins, as well as a larger working capital funding requirement Inflation and the introduction of VAT contributed to increased investment in stock and debtors, net working capital ballooned by 21% VAT alone added R3m to working

Cont →

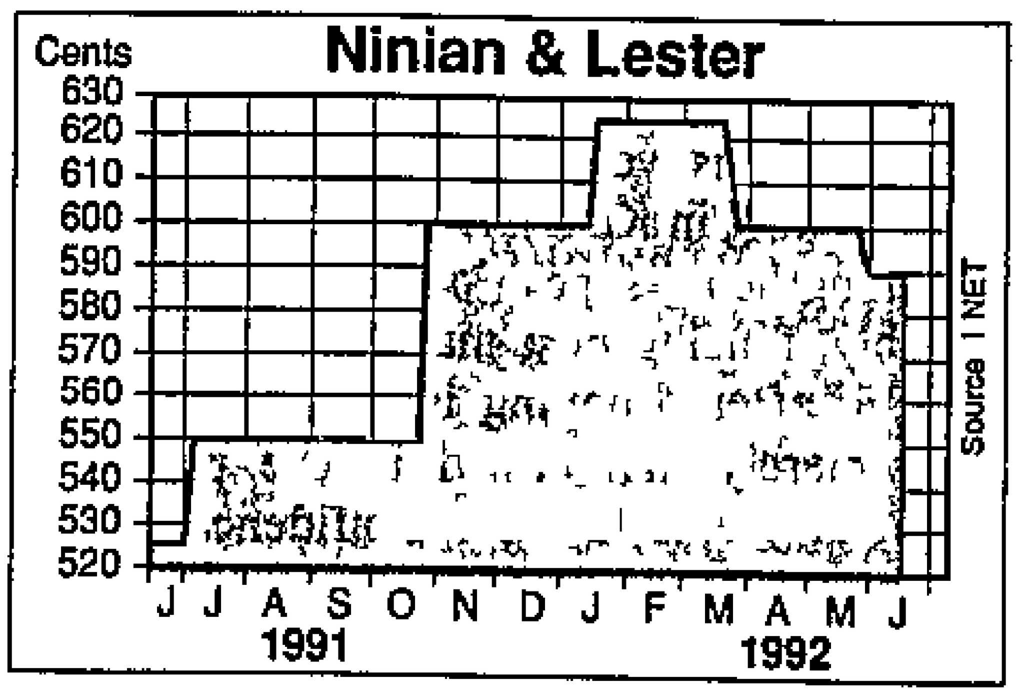
Activities: *Manufactures textiles, clothing and hosiery*
Control: *Directors 52,7%*
Chairman: *M R A McElligott, MD D M Drysdale*
Capital structure: *3,2m ords Market capitalisation R19m*
Share market: *Price 590c Yields 5,3% on dividend; 20,2% on earnings, p e ratio, 5,0, cover, 3,8 12-month high, 625c, low, 550c Trading volume last quarter, 11 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	2,0	5,2	7,3	16,5
LT debt (Rm)	4,0	4,0	4,3	4,4
Debt equity ratio	0,19	0,23	0,20	0,33
Shareholders' interest	0,53	0,55	0,57	0,56
Int & leasing cover	6,6	3,7	3,6	2,6
Return on cap (%)	20,9	19,7	16,4	12,5
Turnover (Rm)	20,7	29,8	39,3	5,9
Pre-int profit (Rm)	12,1	14,3	16,6	13,8
Earnings (c)	236,8	261,5	182,3	119,3
Dividends (c)	65	73	51	31
Net worth (c)	954	1 221	1 443	1 533

capital

With the interest burden also worsening, pre-tax profit fell by almost two-fifths The greatly increased funding requirement — despite capex being cut from R8,1m to R6,7m — was met largely through short-term borrowings, which more than doubled to R16,5m At 0,33, gearing is the highest since the company's listing in 1969

Chairman Matthew McElligott says profit fell in the textile division, which experienced a particularly difficult year because of the recession and competition from imports The clothing division fared little better, with efficiencies hampered by the



shortening lead times Results from the underwear division improved due to tight cost controls and growth in market penetration, but the outerwear divisions made losses

He says trading conditions in the first four months of 1992 were worse than in the same period last year Extremely difficult trading conditions are likely for the rest of the year

Last week, the SA Clothing and Textile Workers Union (Sactwu) declared a wage dispute with employers in the clothing industry If settlement is not reached, a strike may well take place in the first week of July As Ninian & Lester operates in both these industries, a strike could depress the company's margins further

The clothing operations reorganised during 1991, by way of moving one underwear division's operations to those of another Two outerwear divisions were combined and moved to new leased premises

At 590c, the share stands at less than a third of the 1 533c NAV The p e of 5 (up from last year's 2,9) is in line with the sector average There is no incentive to buy

Kate Rushton

COMPANIES

SA hosiery set to warm Russian legs

MARCIA KLEIN

RUSSIA is soon to become the recipient of millions of pairs of pantihose following a trade agreement with an SA company.

The SA Hosiery Company (Sahco), which recently bought Arwa and Burhose from W & A to become SA's major hosiery company, has secured a contract to export 12,5-million pairs of pantihose to Russia.

It also announced yesterday that it had signed a distribution agreement for its products to go to the Commonwealth of Independent States. B/Day 26/6/92

The deals were concluded through a joint venture — Corona Trading — which was based in Moscow and in Johannesburg, and followed a month-long trip to SA by trading company Cinema Union Moscow's Andrei Bredikhin.

Corona had been exploring opportunities for both countries following the relaxation of sanctions, Sahco CE Allan Falconer said, and this was "the first of many similar opportunities that will follow".

Deliveries, which would start at the end of July, would be "secured by cash payments prior to each shipment", Falconer said.

He said this order was "a milestone in the refocused export strategy of Sahco arising out of the restructuring of the SA hosiery industry since Sahco took control in April this year".

Sahco's products had also been listed with two major European stores, and it had received a trial order from the US worth $200 000.

Falconer said SA hosiery prices were now world competitive, and the Russian business had been won against strong competition from Italy, Portugal and Turkey.

Sahco exported 17-million pairs in 1991. Export volumes to end-June 1993 were expected to reach 30-million pairs, which would bring it to full capacity.

☐ US company Sara Lee was believed to be the investor behind Sahco's R200m acquisition of W & A's hosiery business.

TEXTILES & CLOTHING (184) FM 26/6/92

End of the truce?

The lull in the war between the labour-intensive clothing sector and capital-intensive textile industry is over The National Clothing Federation (NCF) has decided to withdraw its support for the "iniquitous" import quota system which, coupled with massively increased tariffs on imported fabrics outside of the quota, was proposed by the Hatty committee

Government, it seems, will now be forced to go back to the drawing board to determine a new interim ruling on quotas and tariffs governing imported textiles The Hatty proposals, the subject of discussions between the textile and clothing camps this year, were formally gazetted on May 1 and are said to have created chaos in the R4bn-a-year clothing sector

They were supposed to create a mutually acceptable, temporary quota and tariff agreement that would run for 18 months while a still-to-be-appointed committee of government, industry, labour and cotton growers thrashed out a long-term agreement on imports.

The dispute between the two groups has a long history The Hatty proposals were the third attempt since 1989 to resolve the conflicting interests between textile producers and clothing manufacturers The two approach the question of imports from opposite positions higher levels of imports prejudice the viability of textile producers, while clothing manufacturers argue that their livelihood is threatened if they can't get access to sufficient quantities of low-priced cloth

Considering the complex nature of the dispute, there is a pervasive feeling that government's new committee has little hope of finding a more permanent solution to the problem

NCF executive director Hennie van Zyl says "We are at loggerheads again The NCF has met more than 800 clothing manufacturers over the past few weeks and they are unanimous in their rejection of the Hatty proposals "

The NCF has also called on the Board on Tariffs & Trade (BTT) to re-institute its 1991 proposals for an amended structural adjustment programme for the two industries The reason is that it now sees scope for negotiating lower tariffs with government Conversely, it feels the present punitive quota system threatens to destroy a large percentage of smaller clothing manufacturers

"With hindsight,' we would have been better off if we had stuck with the board's 1991 plan and negotiated a better tariff deal with the textile industry In fact, several textile industry spokesmen at that stage indicated that they were quite prepared to consider reducing the original call for a temporary doubling of fabric tariffs from 20% to 40%," says Van Zyl

While he and the NCF may be viewing the 1991 proposals in a new light, the Textile Federation remains bitter that valuable time has been lost by their quibbling

"Going back to the 1991 plan means that months will be lost in which the essential restructuring process could have progressed It would also seem that clothing industry representatives on the Hatty committee were not speaking on behalf of the entire industry," says Textile Federation executive director Brian Brink

Van Zyl admits that the clothing sector may have been short-sighted in rejecting the 1991 plan out of hand The Hatty quota system is now perceived as being the worst of the two options

For the clothing industry, the problem since May 1 has been the unavailability of cloth — even if importers are prepared to pay the massively increased tariffs In addition, the secondary market in import quotas has created further chaos as importers scramble to get scarce permits to bring in competitively priced fabric The textile industry, on the other hand, appears to be happy with the status quo which effectively means it is protected by higher tariff walls

But even Brink realises that the quota system, in its present form, is not equitable — though he would prefer its retention, in amended form, during the interim period

Quotas allowed

"The two main problems with the Hatty proposals are the size or scope of the quotas allowed (46% of current import levels) and the high levels of tariffs gazetted for imports beyond the quotas The problem could be resolved by allowing import quotas at levels between 1989 and 1991 import volumes "

However, Van Zyl feels a quota system is unacceptable "We are getting more flak from overseas trading partners in the Republic of China and elsewhere who oppose such a unilateral restriction on imports The quota system may be harming our trade relations, especially when viewed against the background of attempts to resolve global trading problems at the Uruguay round of Gatt "

While these differences rage on, have some sympathy for the BTT.

"Even Solomon would find it impossible to reconcile the opposing positions of the two sectors," says BTT deputy chairman Helgaard Muller

"In 1989, the textile industry was originally in favour of and later against our structural plans for the two industries The opposite applied to the clothing sector Then, in 1991, the NCF first supported and later opposed our proposals, while the opposite applied to the Textile Federation Now the NCF opposes the Hatty plan while the textile industry supports it," says an exasperated Muller.

He confirms that the BTT is now looking at developing a new interim ruling on imports as a matter of "utmost urgency We cannot allow the uncertainty to continue." It seems that by trying to structure a temporary interventionist measure through the Hatty committee, government has allowed its predilection for protectionism to create more problems

It is hoped the lesson has also shown that the way for SA to move is away from high tariffs and towards a globally competitive economy — the only sure recipe for growth, investment and reduced inflation ■

TELKOM FM 26/6/92

Subscribers' distress

Competitions — rather than psychological (for which, read sexual) advice — have tarnished Telkom's public image Some subscribers face telephone accounts running to thousands of rands The major cause appears to be the unauthorised use of domestic telephones to submit premium-rated 087 competition entries

Telkom MD Danie du Toit announced on Tuesday that customers connected to electronic exchanges will be able — with immediate effect — to bar any use of 087 numbers at the exchange, for a fee of R20 To reinstate the facility costs another R20

Clients connected to electromechanical exchanges will have to wait about six months for an equivalent barring device — which Telkom is developing This system will be available to rent In the interim, Telkom is offering a lockable telephone jack at a (heavily subsidised) cost of R7,50

Associated with the problem of unauthorised calls to 087 numbers is the recent problem of errors in telephone accounts Telkom acknowledges that a considerable number of incorrect accounts were recently posted in Verwoerdburg and Illovo, Johannesburg. These are being corrected

Telkom says it is unlikely its own staff have been calling 087 numbers from clients' telephones in the course of service visits — in view of the "high ethical standards required of staff and the threat of summary dismissal if such conduct is discovered "

Neil Jacobsohn, chairman of the Premium Rated Association of SA (Prasa), considers Telkom is overreacting to what is admittedly a genuine problem He argues it would be absurd and self-penalising for Telkom to

Cont

184

ARG 9/4/92

Job losses, closures hit clothing industry

TOM HOOD, Business Editor

FOUR thousand jobs were lost in the South African clothing industry in 1991, with the Western Cape feeling the brunt, reports the National Clothing Federation today.

Employment dropped from 113 500 in January 1991 to 109 050 in January this year, says the federation, quoting from up-to-date industrial council data for the industry.

This seems to contradict figures from the Central Statistical Service, which reported clothing employment up 800 from December 1990 to December 1991 to 123 400.

However, Mr Arnold Werbeloff, federation economist, says many clothing firms did not reopen in January this year, as shown by industrial council figures, and this was not yet reflected in the CSS figures.

In the Western Cape the number of jobs dropped by 1 700 to 51 900

The total number of clothing factories fell by 20 to 1 177, including the closure of seven Western Cape plants.

The industry is showing all the signs of recession, says Mr Werbeloff Industry output fell by 6 percent last year compared to the relatively prosperous growth of 4 percent in physical volume in 1990.

The recession was most severe in the last quarter of 1991

The continued slump in output was reflected in a steep drop in clothing and textile inflation.

Clothing prices in December were 8,6 percent higher than a year earlier, a rate higher than textiles (6,6 percent) but lower than the rate for total manufacturing (9,2 percent)

The figures for 1990 were 15,2, 12,8 and 11,8 respectively

"The intensifying pressure on prices in the clothing pipeline is indicative of retailers faced with scarce demand and a consumer with scant disposable income," said Mr Werbeloff.

The value of exports for the first eight months of 1991 was R174 million compared to R112 million for the same period of 1990.

This 56 percent rise was a highly commendable effort considering the depressed world market and adverse local conditions

However, there had been a significant decrease in the growth rate of exports and the goal of a doubling to R400 million in 1992 now seemed out of reach, with a more likely outcome of R300 million

"It is likely that the sharp decline in the local market has had the effect of constraining clothing export growth as the financial resources of domestic apparel manufacturers have been stretched to the limit," said Mr Werbeloff.

While exports were under pressure, imports were mounting. The value of imported clothing increased by 35 percent from R167 million in the first eight months of 1990 to R225 million in the same eight months of 1991.

"At this rate, imports would grow from R250 million in 1990 to R340 million in 1991 Similarly fabric imports were up by 31 percent fo R752 million in the same period, with volumes rising by 29 percent to R217 million."

It was clear that 1992 would have to be a year of restructuring and performance improvement for the local clothing and textile industries

The World Bank, in a recent report on the local clothing and textile industries, stressed the possibilities of job creation and exports of domestic clothing production Thus any restructuring of the clothing pipeline should be aimed at fulfilling this potential, added Mr Werebloff

Govt rejects Competition Board's ruling on Arwa's acquisition by FSI

184

STAR 24/3/92

The Government has rejected the Competition Board's recommendation that the FSI acquisition of Arwa's ladies' hosiery division be declared unlawful.

Minister of Public Enterprises Dr Dawie de Villiers said yesterday that he would ask the Board of Trade and Industry to consider whether the import tariff on hosiery should be lowered.

Reacting to the decision, Competition Board chairman Dr Pierre Brooks said he was "rather philosophical" about it

"We did our best. In this particular case, we could not come to another conclusion. If the Minister decides not to accept our advice, that's his prerogative."

Dr de Villiers said the Competition Board had ruled in December 1990 that it would not investigate the purchase of the failing Arwa by FSI

The Government did not necessarily agree with that decision.

On the basis of this ruling, contracts were concluded and investment decisions made.

The board did subsequently investigate the matter after allegations were made that Arwa's assets had been disposed of in a different way to that which had been discussed; that other potential purchasers had been ignored, and that FSI had abused its monopoly position

True value

Dr de Villiers said the Government did not believe that the evidence produced in the investigation would have led to a different decision in December 1990, had it been available then.

"As far as the downward adjustment to the original price that was offered for Arwa's assets is concerned, two independent auditing firms were appointed on behalf of the major creditor bank and the purchaser to apply due-diligence tests and to confirm the true value of these assets.

"Both investigations led to markedly reduced values for the assets

"It must be accepted that the same reduced value would have been determined by any of the other parties who had expressed an interest originally, but who have since been excluded from the transaction following the Competition Board's earlier implicit indication that FSI and Arwa may enter into negotiations for the purchase.

"In the light of the above, the Government decided against accepting the recommendations of the board."

Competition could be enhanced through imports in a monopoly situation

In the case of hosiery in SA, imports offered a viable alternative source of supply.

The Government would therefore ask the Board of Trade and Industry to advise whether it was desirable to keep the import tariff at its present 15 percent — Sapa.

Seardel must pay R13m in Frame bid

(184) CT 24/3/92

By LINDA ENSOR

CLOTHING manufacturer Seardel would have to put up R13m of the R26m required for the bid by a consortium for majority control of the Frame Group, Seardel chairman Aaron Searll said yesterday

Seardel, in conjunction with one of its suppliers, Gregory Knitting Mills, has offered to purchase 43% or 10,5-million of Frame ordinary shares at 250c a share, a 25% premium over the closing price on March 19 A minimum of 30% or 7,2-million shares will be necessary for the bid proceed

Searll said the consortium was only interested in control, not in having a portfolio of Frame shares, adding that certain financial institutions had indicated their support in respect of a portion of their holdings

These institutions believe it is necessary to accept the offer to ensure the consortium gains control of Frame

He said control would offer Seardel strategic benefits in securing a source of supply of textiles and admitted that it was possible that the group would divert orders presently placed with other textile mills with Frame provided Frame met the group's criteria of price, quality and efficiency

Seardel would have to be meticulous that all trading with Frame was done at arms length, Searll said

Gregory Knitting Mills, which is also a supplier of Seardel, operates in the circular knit fabric and warp knit fabric market and there could be scope for further rationalisation of the textile industry in areas where its activities overlap with those of Frame

"My participation in the deliberations of the Hatty Clothing and Textile Working Committee during the past four months has led me to realise the the interests and success of both the clothing and textile industries are interdependent," Searll said

He believed it would take a minimum of two years to turn the loss-making Frame group around and felt the presence of a majority shareholder with a meaningful financial stake would play an important role

Since the sale by the Frame family of its majority stake, the Frame group has not had a majority shareholder

"Notwithstanding its short term problems and the current economic recession, we regard this as a matter of strategic importance, as we believe in the long term viability of the company We see ourselves as being able to lend technical, financial, and management expertise, and are fully aware that there are no short term magic solutions

"The overall objective is to unlock value by trying to improve the return on total assets Our ultimate target figure for a satisfactory return on total assets is 20%," Searll said

The return on assets would be improved by increasing throughput and capacity utilisation, with exports being a high priority

"The more business that is channelled through Frame, the better will be the contribution to overhead costs," Searll said.

He said the difficulties of Frame, a huge diversified group, had been exacerbated by the economic downturn and rationalisation costs

However Searll saw light at the end of the tunnel as the Frame group was a strategic enterprise in SA, buying over 60% of the country's cotton crop and about 50% of its polyester

If the bid succeeded a full investigation of Frame's financial position would be undertaken Searll said Frame's gearing ratio would be the first thing to be closely looked at At end-December it had R200m in debt

● Seardel has been awarded the Excellence in Financial Reporting Award by the SA Institute of Chartered Accountants for the third time.

Financial director Arthur Jacobson said contestants were judged on the nature of the financial information provided

Nestle close to clinching Perrier deal

STAR 24/3/92

(184)

ZURICH — Swiss food giant Nestle SA which made record net profits of 2,47 billion Swiss francs ($1,62 billion) last year, is now scenting victory in its bid for French mineral water group Perrier

The company, Switzerland's biggest industrial concern and the world's biggest food manufacturer, has been battling with Italy's Agnelli family for control of Source Perrier SA since January

But its chances improved considerably with two recent French court rulings in its favour On Friday it made clear it felt the end of the fight was in sight

"Now that the legal situation has been cleared and that some signals have come from the other side, I would not exclude that the resolution of this matter would not happen in the next few weeks," company spokesman Francois-Xavier Perroud said

He said a New York Times report that the Agnellis had little further appetite for the fight over Perrier confirmed "other indications" that Nestle had received from the Italian camp

Swiss analysts said all the signs were that Nestle and the Agnellis, who control Italian carmaker Fiat SpA, would negotiate a settlement This would give Nestle control of Perrier and leave the Agnellis with a handsome profit

"It's clear Agnelli does not want to lose face Nestle will probably raise its offer to all shareholders after first getting an understanding from Agnelli that he will accept the offer for his part," analyst Rene Weber of Bank Vontobel said

Nestle and its partner, French merchant bank Indosuez, launched their bid for Perrier on January 20, valuing Perrier at 13,3 billion French francs ($2,34 billion)

A month later an Agnelli-controlled holding firm Exor SA and its allies, which already held a 49,3 percent stake in Perrier, made a counter bid, offering the same price

Nestle already owns French mineral water producer Ste Generale des Eaux Minerales de Vittel SA and German mineral water firm Blaue Quellen Mineral- und Heilbrunne AG But it has hinted for a long time that it wanted to increase its mineral water activities with a major purchase

As part of its offer, Nestle has agreed to sell Perrier's Volvic brand, representing about 20 percent of the Perrier group's total value, to French food group BSN — Sapa-Reuter

FSI acquisition of Arwa upheld (184)

B/Day 24/3/92

MARCIA KLEIN

GOVERNMENT has ruled against a Competition Board recommendation deeming FSI's acquisition of Arwa unlawful

The board undertook an investigation after complaints about FSI's acquisition of Arwa in January, in which FSI gained control of 99% of the hosiery market through Arwa and subsidiary Burhose

The board recommended to government that the acquisition by FSI of the ladies' hosiery division be declared unlawful — after initially approving the transaction in December 1990 — and that FSI sell Arwa.

But Public Enterprises Minister Dawie de Villiers said yesterday government had decided against accepting the board recommendations This was because the board's report did not produce evidence which would have led to a different decision to that made on December 18 1990, when the board said it would not investigate the acquisition, he said.

The board also said FSI had paid almost

□ To Page 2

Arwa

B/Day 24/3/92 (184)

□ From Page 1

half of the price initially offered. Both FSI and SA Breweries had made offers for the company, with FSI's being lower

In terms of the downward adjustment to the original price, De Villiers said an investigation by independent auditing firms had shown markedly reduced values for Arwa's assets

De Villiers said that in a monopoly, competition could be enhanced through imports and, in the case of the hosiery division, imports offered a viable alternative source of supply In this regard, government would request the Board of Trade and Industry to advise "on whether continuation of the present tariff of 15% is necessary and/or desirable"

Competition Board chairman Pierre Brookes said last night the board believed its approach was correct, but that it acted only as an advisory body to government

He said there had been one other occasion to his knowledge where a Competition Board recommendation had been overruled by goverment About five years ago government only partially accepted its findings on the liquor industry

There has been no further news on speculation that FSI could be selling its hosiery division for about R200m Government's ruling could pave the way for FSI to go ahead with such a deal

FSI chairman Jeff Liebesman said last night FSI welcomed the ruling

Y, March 24 1992

Seardel bids for control of Frame

(184) B/Day 24/3/92

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Seardel would have to put up R13m of the R26m required by a consortium bidding for majority control of Frame Group, Seardel chairman Aaron Searll said yesterday.

Seardel, in conjunction with one of its suppliers, Gregory Knitting Mills, has offered to purchase 43% or 10,5-million of Frame ordinary shares at 250c a share, a 25% premium more than the closing price on March 19. A minimum of 30% or 7,2-million shares will be necessary for the bid to proceed.

Searll said the consortium was interested only in control, and not in having a portfolio of Frame shares, adding that certain financial institutions had indicated their support in respect of a portion of their holdings. Those institutions believed it was necessary to accept the offer to ensure the consortium gained control

He said control would offer Seardel strategic benefits in securing a source of supply of textiles and admitted it was possible that the group would divert orders presently placed with Frame by other textile mills, provided Frame met the group's criteria of price, quality and efficiency.

Seardel would have to make sure all trading with Frame was done at arms length, Searll said.

Gregory Knitting Mills, also a supplier of Seardel, operated in other sectors of the knit fabric market and there could be scope for further rationalisation of the textile industry in areas where its activities overlapped with those of Frame.

"My participation in the deliberations of the Hatty Clothing and Textile working committee during the past four months has led me to realise the interests and success of the clothing and textile industries are interdependent," Searll said

He believed it would take a minimum of two years to turn around Frame and felt the presence of a majority shareholder with a meaningful financial stake would play an important role Since the Frame family's sale of its majority stake, the Frame group never had a majority shareholder

"Notwithstanding its short-term problems and the current economic recession, we regard this as a matter of strategic importance as we believe in the long-term viability of the company. We see ourselves as being able to lend technical, financial, and management expertise, and are fully aware that there are no short-term magic solutions.

"The overall objective is to unlock value by trying to improve the return on total assets Our ultimate target figure for a satisfactory return on total assets is 20%," Searll said

The return on assets would be improved by increasing output and capacity utilisation, with exports being a high priority.

"The more business that is channeled through Frame, the better will be the contribution to overhead costs."

He said the difficulties of Frame, a huge diversified group, had been exacerbated by the economic downturn and rationalisation costs. However, there was light at the end of the tunnel as Frame was a strategic enterprise in SA, buying over 60% of the country's cotton crop and about 50% of its polyester.

If the bid succeeded a full investigation of Frame's financial position would be undertaken. Searll said Frame's gearing ratio would be the first thing to be closely looked at. At end-December it had a R200m debt.

Seardel Consolidated Holdings has been awarded the Excellence in Financial Reporting Award by the SA Institute of Chartered Accountants for the second successive year and for the third time. The group has been among the top ten for the past 11 years.

Financial director Arthur Jacobson said contestants were judged on the nature of the financial information provided. Seardel complied the local and international standards by, among others, providing details about cash flows and forecasts

Traclo maintains recovery

(184)

STAR 25/3/92

Transvaal Clothing Industries (Traclo) continued its recovery in the the first half of the year to last December, pushing turnover up 29 percent to R26,5 million, compared with the previous year

Traclo showed steady growth, despite sluggish conditions and persistent difficulties facing the clothing industry.

Continuing the recovery which began in the second half of 1990, the group achieved earnings of 1c per share, up from a low base of 0,4c previously

The increased turnover was partly attributable to higher market share and improved margins, the company says

Operating profit rose 30 percent to R1,1 million.

Gearing improved marginally, and consequently the increase in interest paid for the interim period was contained to four percent.

This resulted in a more than doubling of income before and after tax.

Earnings attributable to ordinary shareholders increased 184 percent over the previous interim period to R239 000 (R84 000).

The question of new import tariffs remains unresolved and consequently the clothing and textile industries continue to operate in an environment of uncertainty.

But, the directors say that barring unforeseen circumstances, earnings for the full year should continue to improve steadily. — Sapa.

Traclo grows steadily despite problems in industry

BDay 25/3/92 (184)

MICK ELLINGHAM

DESPITE difficulties facing the clothing industry, Traclo has shown steady growth for the six months ended December

Traclo CE Michael Destombes said yesterday he was happy with the company's results in the light of market conditions

The clothing, footwear and textiles group disclosed an operating profit of R1,1m for the interim period (1990 R0,9m) and achieved earnings of 1c a share, up from a low base of 0,4c in the comparable period. This was achieved off attributable profit of R239 000 (R84 000)

The directors anticipate an improvement in earnings for the year barring unforeseen circumstances

Turnover increased to 29% to R26,4m (R20,5m), partly attributable to higher market share Net income before tax doubled to R465 000 (R225 000)

Gearing improved marginally, and the increase in interest paid was contained at 4%

COMPANIES

No merger, say FNB and Nedcor

MERVYN HARRIS and SHARON WOOD

SPECULATION hotted up again on financial markets yesterday about a possible merger between FNB and Nedcor, but both denied there were plans to join forces

Nedcor CEO Chris Liebenberg said a merger could not be done without Old Mutual, because it was the majority shareholder in Nedcor and it was not looking for a buyer. FNB senior GM Norman Axten said the two parties had not spoken and had no intention of merging

Speculation was bound to happen after the Absa/Bankorp merger, Axten said FNB and Standard Bank were seen as unlikely partners and this left a possible Standard Bank/Nedbank merger or an FNB/Nedbank merger, and markets had settled on the latter

The rumours first started circulating about a month ago after Absa announced it would be taking over Bankorp While some analysts initially scoffed at the suggestion, the persistence of the rumours has given credence to such a possibility

An analyst said Anglo American would probably be happy to reduce its stake in the financial services sector. It had recently reduced its interest in FNB

On the other hand, FNB would be favourably inclined to increasing its share of the home loan market through the Perm, which was part of the Nedcor group

There could be cultural synergies between Nedcor and FNB, the analyst said While Old Mutual would have to have discussions with Anglo's insurance-arm Southern Life, analysts pointed out that Old Mutual already had interests in all the major banks.

Immediate investment rush unlikely, says poll

B/Day 26/3/92

Business Day Reporter

THERE has been a subtle post-referendum shift in sentiment towards investment in SA among UK investment brokers, according to a survey

But while the referendum will provide impetus to the renewed global interest in SA, it is unlikely to galvanise institutions into immediate investment activity.

This has emerged from a snap survey of influential brokers by London communications consultancy Financial Dynamics

James Capel broker John Taylor said SA was now increasingly viewed as a legitimate market "The final moral impediments are now out of the way and the stigma of unacceptability has been removed," Taylor said

But without exeception, brokers did not expect the reform mandate to kick-start investment in SA immediately, the survey found

Capital House CE Norman Riddell told Business Day yesterday there was still a lot of work to be done before SA could expect any significant inflow of funds

Inflation remained a hurdle and the country could not expect any serious investment until government had addressed the problem, Riddell said

Smith New Court analyst Steve Oke said there had not been a flood of activity into the market but the way had been cleared for investors to make informed decisions about SA.

The brokers surveyed were still looking forward to positive words from ANC leader Nelson Mandela regarding US investment

"This, coupled with the clear positive message from the referendum, will provide the much needed boost of American interest The frustration of still having American investment potential excluded continues to dampen the market," the poll found.

Investors could still take the view that the balance between risk and reward did not yet lie favourably Although the attraction of the financial rand discount did not go unnoticed, liquidity was a serious hindrance and the market was considered expensive

Govt slated for backing takeover

184

LINDA ENSOR

CAPE TOWN — Government action in overturning the Competition Board's ruling against the takeover by FSI of Arwa raised doubts about its commitment to the promotion of competition, Cape Town Chamber of Commerce acting president Herbert Hirsch said in a statement yesterday B/Day 26/3/92.

Government had counteracted the first major action by the board in recent years to combat monopolistic practices, as FSI's takeover of Arwa created a monopoly in the manufacture of women's hosiery, Hirsch said, adding that government should instead give the board its support

EXECUTIVE SUITE

FM 27/3/92

(232) (184)

COMPETITION POLICY

The Arwa case

Government's decision this week to overrule the Competition Board and allow FSI to take over Arwa's ladies' hosiery division was interesting for three reasons.

Firstly, despite all the rumblings from the ANC that it would break up conglomerates and put an end to monopolies, government allowed a purchase that gives a conglomerate, FSI, 99% of one market, ladies' hosiery. Secondly, for possibly the first time, government cast import competition in a positive light instead of in the negative light it always invokes when it is slapping on higher tariffs or imposing anti-dumping duties

Finally, government not only overturned a board decision for the first time in five years, but the board's recommendation was a reversal of its own decision 15 months ago.

The board recommended that FSI should be forced to divest the Arwa acquisition on the grounds that it would create a horizontal monopoly The board would have given FSI four months to make the sale, if a suitable buyer could be found — a requirement that was by no means a formality FSI would have had to make monthly progress reports to the board.

But government's decision does not mean that the "horizontal monopoly" will last for long. Public Enterprises Minister Dawie de Villiers, in making the announcement, said imports could enhance competition in the market by offering a "viable alternative source of supply "

So government will ask the Board of Trade & Industry to review the 15% tariff on hosiery imports. At the same time the Competition Board will monitor the market "to prevent any possible exploitation of a concentration of business activities."

Arwa, as the board explained in its report to government, was a failing company under threat of liquidation The liquidator had to choose between disposing of Arwa's divisions separately or selling the company in one piece SA Breweries considered acquiring the entire company but the liquidator believed that more money could be raised through piecemeal sales. Under this process, FSI bought the hosiery division for nearly R14m — cut from R25m after a large reduction in the book value of the assets and other adjustments

In its first decision, in 1990, the board agreed to let FSI's purchase go ahead to maximise the proceeds from Arwa for its holding company, Tollgate, and its principal creditor, Senbank.

But, this year, the board reopened the matter and reversed itself, citing complaints that

☐ Arwa's assets had been valued at a far lower level than had been first expected;

☐ Other potential purchasers had been ignored; and

☐ FSI had abused its monopoly

But De Villiers pointed out that the board's report did not justify the change of mind. He said the downward rating of Arwa's assets — as a result of investigations by two independent auditors — would have affected other offers. And he said that FSI's potential domination of the market could be countered by imports ■

FISHING INDUSTRY

Unhooking the long lines

Fishermen who trawl for hake have finally won their long battle against anglers who catch the fish using long lines

Environment Affairs Minister Louis Pienaar has defined a long line as a fishing line with more than 10 hooks This definition now allows officials of the Fishery Inspectorate of the Cape Provincial Administration to enforce the year-long ban against long-line hake fishing and to prosecute offenders.

The ban could not be carried out until now because there was no legal definition of a long line (*Business & Technology* February 21). FM 27/3/92

Long liners, who use lines up to 15 km long with a hook every metre, are catching thousands of hake in the rocky sea bottoms

continue

PUBLISHING TIE-UP

FM 27/3/92

One of the first fruits of last week's Yes vote in the referendum is a joint publishing venture between Times Media's *Leadership* and Britain's *First* magazines. In June, they will publish a major survey that will assess the chances of a democratic SA becoming the engine of growth in southern Africa and providing a buoyant market for British trade and investment.

In the normal style of both magazines, much of the material will consist of interviews with leading business and political figures in SA and Britain They will discuss key issues such as nationalisation, the repatriation of dividends, and the honouring of international loans and agreements.

The publication will be called *Partnership* "to reflect the restored relationship between the political and business communities of both countries," says *Leadership*'s editor, Martin Schneider. At least 35 000 copies will be distributed in Britain and SA. The cost of advertising in *Partnership* will reflect the decision-making power of its anticipated readers. A full-colour page will cost R20 000.

First, which is a quarterly published in London independently of any major publishing group, is now six years old. Like *Leadership*, its editorial content consists largely of contributions from leading political and business figures.

Seardel bid for Frame worries clothing sector

DES PARKER (184) ARG 27/3/92

DURBAN — Some clothing manufacturers and fabric producers are apprehensive about the possible consequences of garment producer Seardel succeeding in its bid to buy 43 percent of shrunken Durban-based textile empire Frame

For one thing, they claim, Seardel chairman Aaron Searll is president of the National Clothing Federation, so they envisage a conflict of interests for him in representing probably the two biggest operations on either side of the great divide between clothmakers and their customers, the garment producers

Mr Searll said yesterday while he did not see the dual status he could have if Frame shareholders accepted the offer as "conflicting", he would ask NCF members if they wanted him to resign

He is to chair a meeting of the NCF council today at which the subject will be raised.

But probably of greater concern to clothing producers is Mr Searll's role on the "Hatty Committee", established at the instigation of of the Board of Trade and Industry to try to reach consensus on the thorny issue of import/export policy for the two sectors.

No clothing maufacturers were prepared to put their names to their claims, but they felt that Mr Searll might no longer have the best interests of the garment sector at heart as he was negotiating to buy a leading textile mill

One Durban factory owner said it was the view of many manufacturers that the Hatty Committee was being too secretive about its deliberations.

Its proposals have been handed to the BTI and are expected to be implemented from April 1.

"I managed to get hold of the final proposed duty formula and, apart from needing a nuclear scientist to try to fathom it all out, it perpetuates the old problem of applying duties to some fabrics which either aren't made locally or which we can't get hold of in sufficient quantities or timeously enough for our needs," he said.

The formula worked heavily in favour of exporters of both clothing and fabric by regarding them with duty-free import permits for either cloth or garments

The Durban manufacturer said he had heard that exporters currently held permits for about R18 million-worth of goods

"So smaller operators, which include the cut, make and trim (CMT) businesses, are more vulnerable to the vagaries of the domestic market, which is severely depressed at the moment."

Mr Searll said his loyalties remained firstly to clothing manufacturers but together with some of his associates, he saw Seardel's prospective acqusition of Frame as positive because it was bringing together two major players from the two feuding sectors.

Seardel and Gregory Knitting Mills (Seardel's consortium partner in the takeover bid) would assist Frame with technical and other expertise to try to "unlock the value" in the textile group's assets.

With Seardel's 26 independently-managed subsidiaries continuing to operate at arm's length from Frame, he did not believe there was anything for suppliers to Seardel companies or for traditional Frame customers to be concerned about.

"We've got to do everything we can to bring down input costs because consumers are resisting abnormally high prices by refusing to buy"

BUSINESS

Frame bid: warning of rival asset-strippers

184

ARG 28/3/92

DAVID CANNING
Weekend Argus Correspondent

SEARDEL/GREGORY consortium's bid for control of the Frame Group has received the full backing of Shareholders Association chairman Issy Goldberg, who warns it is vital for the Natal-based textile giant be protected from "asset-strippers" waiting in the wings.

Mr Goldberg said from Cape Town yesterday he believes the rival bids for Frame possibly are being formulated for exploiting the wide theoretical gap between net asset value and the quoted price

He could not specify who might be planning a bid.

Mr Goldberg feels an asset-stripping exercise would be "disastrous" for Natal, with more than 10 000 jobs likely to be lost.

He warns would-be predators, however, that they face some steep hidden costs that could surface all the time

Putting off staff would not be easy. On the basis of past Frame cut-backs, he estimates the cost of retrenchments may be R100-million. Moreover Frame has borrowings of between R150-million and R200-million which cost some R30-million to R40-million a year to service.

Mr Goldberg says the consortium's bid price of R2,50 for only 30 percent of each shareholding has to be seen in the light of these borrowings and other circumstances, many of which may manifest themselves in time.

Forty-three percent of Frame Group Holdings could give the consortium effective control because of a provision in section 39 of the Companies Act. Consolidated Frame (the main operating subsidiary) holds five million shares in Frame, its holding company whose only asset is a 67 percent stake in Consolidated Frame.

The five million Frame shares held by Confram were held when the Act was amended to prohibit membership in holding companies by subsidiaries In terms of the regulations, Confram can continue to hold these shares, but they do not carry voting rights.

Mr Goldberg pays tribute to Frame chairman Mervyn King's efforts at Frame, inspite of the criticism he has received.

He says, by the Seardel consortium's own admisson, Frame's delivery times and quality have improved. Mr King's efforts had resulted in much more streamlined operations at plants in Durban and Ladysmith

Mr Goldberg says the full-year loss for Frame could be between R80-million and R100-million before any extrordinary writeoffs — after a loss of about R32-million at the interim stage. He says senior Frame executives told him more turnover is needed to rescue Frame from the red into the black. Close ties with Seardel may ensure that the giant clothing group steers most of its business in Frame's direction on an arm's length basis.

Mr Goldberg believes Aaron Searll and Gregory Knitting Mills' Roy Sable are astute and successful proven entrepreneurs who can retore the once-mighty Frame group to profitability. Their infrastructures are in place, including Seardel's large clothing export operation. Searle would obviously increase its export potential.

He therefore recommends that in their own interests shareholders dispose of 30 percent of their shares to the consortium as "a cheap insurance premium" to enhance better returns on the rest of their holdings and better JSE prices.

MACHINIST AT WORK: Will the clothing industry spearhead economic growth in the Western Cape?

Export surge is expected to create new clothing jobs

(184)

South 28/3-2/4/92

The clothing industry seems set for a phase of exports, says a researcher. **Quentin Wilson** reports:

CAPE TOWN'S clothing industry is widely expected to be a leading creator of new jobs through its exports According to Mr Ray Jenson, a Wesgro consultant, last year's 65 percent jump in clothing exports "may not be a bubble like previous export surges".

The chairperson of the Cape Clothing Manufacturers' Association sub-committee on exports, Mr Jack Kipling, says Cape Town is expected to provide most of the growth

He sees this trend increasing employment in the sector by up to 20 percent over the next five years This works out to 10 000 more jobs in the Cape Town area.

Jenson said the clothing industry was entering its next phase of development.

In a research paper he said the clothing industry had taken 40 years, from 1914 to 1954, to grow larger than traditional tailoring It had taken another 38 years for local clothing production to grow sufficiently to supply 94 percent of domestic demand

The next phase would be an era of stable clothing exports, which it has been estimated would start at 10 percent of production.

Professor Lieb Loots of UWC's economics department said· "The clothing sector, in line with its low capital intensity, is by far the most important manufacturing industry, with 48 854 people (or 22 percent of manufacturing employment) employed in the industry"

Although the sector is a major employer, wages may not be attractive for workers.

"The average wage is one indication of this It suggests that the perception of the sector as a low-wage sector is still justified," Loots said

"The average per capita earnings in textiles was R6 544, in footwear it was R5 636 and in clothing it was a low R5 031.

"This is in sharp contrast with per capita earnings of R9 596 in all other manufacturing industries," he said

He also cited low wages in this sector as being a reflection of the high proportion of women employed

"On top of this, the ease of entry into clothing, the nature of clothing production and the low capital cost of setting up a factory, tend to result in an industry structure unlikely to pay high wages

"The relatively low wages paid in this sector is more than compensated for by its high labour intensity," Loots said

While estimates for informal employment and wages in this sector are not available, it was likely that there could be a fair amount of unrecorded employment, particularly in clothing, at lower levels, Loots said.

Searll resignation rejected

(184)

LINDA ENSOR

CAPE TOWN — National Clothing Federation (NCF) president Aaron Searll received an overwhelming vote of confidence at last Friday's council meeting when he offered to resign on the grounds that his group's bid for textile group Frame might create a conflict of interests

The support came from chairmmen of the federation's four regional associations

Searll said yesterday he had suggested to the meeting that if the joint bid by Seardel and Gregory Knitting Mills was successful he would offer his resignation

"The overwhelming feeling was that I shouldn't resign," Searll said He said the meeting decided to wait and see what the outcome of the bid was

"I have fought long and hard to protect the interests of the clothing industry but if the bid succeeds and there is any feeling of discomfort about my position as president of NCF I am more than happy to hand over to a successor," Searll said

Conflict has raged for decades between the clothing and textile industries and was finally resolved recently during the negotiations of the Hatty committee under the chairmanship of Barlow Rand special projects consultant Paul Hatty.

Some clothing manufacturers felt if the bid succeeded, Searll would be caught with feet in both camps and this would affect his ability to represent the interests of the clothing industry impartially

The closing date for the R26m bid for

☐ To Page 2

30/3/92 BDay

Searll

BDay 30/3/92

(184)

☐ From Page 1

43% of Frame shares at a bid price of 250c per share is April 15

There has been intense market speculation about the possibility of a counterbid but Searll said the consortium had commitments from a number of institutions for a substantial portion of their shares

He added that the consortium had its defences lined up in the event of a counterbid and this might include an increase in the bid price However, he was firmly convinced that this would not be necessary

Searll did not believe a counterbid would be able to significantly increase the bid price, which he thought was fair He said the bid price represented a premium of 25% over the market price of the Frame share at the time the bid was made

The bid price also took into account that if the Frame Group continued making losses in the next two years — its losses ran up to R226m last year — then its cash resources would run out, shareholders' funds would almost be wiped out and net asset value would be eliminated

Sara Lee may be 'buyer' in W&A sale

B/Day 31/3/92

MARCIA KLEIN

THE overseas investor behind the R200m cash acquisition of W & A's hosiery division could be US company Sara Lee, various sources said yesterday. [redacted]

Yesterday W & A said it had sold its hosiery division — Arwa and Burhose — to The SA Hosiery Company, a subsidiary of Durban-based Kiwi Brands which makes Kiwi shoe polish and Radox bath additives. The announcement said Kiwi was supported in this investment by First National Corporate and Investment Bank. (184)

Sources said Sara Lee, with interests in the largest manufacturer of ladies' hosiery in the US, also had a large stake in Kiwi Brands. Known as a producer of cake mixes and frozen foods and desserts, Sara Lee was also involved in textiles.

Analysts said the sale of the hosiery division was a strategic move for W & A. One said any local buyer of the hosiery division would be faced with problems, as the SA market was limited. [redacted]

The SA company would have to establish additional volumes overseas, either by establishing the SA brand name overseas or by exporting and selling under an international company's brand name.

But it was likely that if this second route was taken, the overseas partner would reap the benefits of the added value of the brand name, and the SA company would become a commodity producer, an analyst said. B/Day 31/3/92

The disposal of the hosiery division meant it would have the opportunity to expand, but with another parent. "When seen in terms of the global market, the disposal makes sense and can be seen as strategic on behalf of W & A."

W & A said at the weekend the transaction had the effect of reducing gearing, and by selling less than 10% of its assets it had recouped "the entire purchase price of obtaining a controlling shareholding in the W & A Group in September 1987".

Information for textile operators

184

B Day 31/3/92

IN LINE with its philosophy of servicing all areas of industry, KreditInform has consolidated its position with regard to providing information about the textile and clothing operations in the Cape

For some years, KreditInform had a 50% stake in the SA Merchants Combined Credit Bureau (Cape) and has now increased this holding to make the bureau a wholly-owned subsidiary of KreditInform. SAMCCB has moved into KreditInform's Cape Town premises

KreditInform MD Ivor Jones believes the move will have important spin-offs for clients

"Whereas SAMCCB has traditionally provided a telephonic enquiry system for the clothing, textile, and related industries, this has now been expanded through the launch of the integrated clothing and textile KreditInformation Sharing System (KISS)," he says

"KISS information is gathered at meetings, and circulated to members of the KISS group — in addition to relevant SAMCCB information"

Computerisation of SAMCCB's data has also started and this is expected to speed-up the handling of enquiries

Credit chain Jones pulls Bertrad down

BDay 2/4/92 (184)

MARCIA KLEIN

CLOTHING company Bergers Trading Holdings' (Bertrad's) earnings dropped by 27,9% from R7,4m to R5,3m in the year to end-December as a good performance from cash-based Bergers was counterbalanced by losses from credit chain Jones.

Chairman Howard Mauerberger said the results, in which earnings dropped from 8,6c to 6,2c a share, reflected a year characterised by recession, VAT stayaways, unrest and boycotts. These factors had caused a major deterioration in trading.

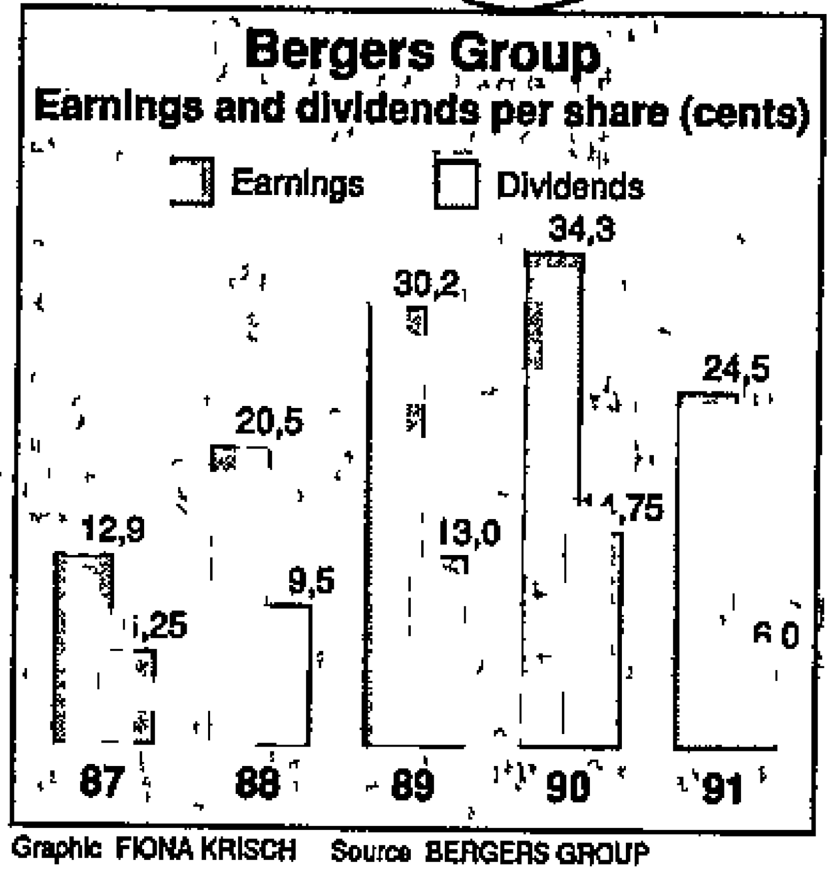
The family-controlled company, which operates Hilton Weiner as well as the Bergers and Jones clothing stores, showed a 23% turnover growth from R134,3m to R165,1m, or 14,8% growth on an annualised basis.

Although results for the year are compared to a previous 10-month period, Mauerberger said results are comparable as profits are traditionally not generated in the first two months of each financial year.

Operating income was 14,8% down at R11,6m (R13,6m), but a 59% higher interest bill of R4,8m resulted in a 35,9% decline in pre-tax income from R10,6m to R6,8m. Taxation was more than halved to R1,3m.

Mauerberger said the core cash-based Bergers chain — the major contributor to earnings — had performed well, while the Hilton Weiner chain contributed marginally.

But the Jones credit chain showed an operating loss of R1,5m compared with the previous year's R1m profit.



Graphic FIONA KRISCH Source BERGERS GROUP

The credit nature of the Jones business had resulted in increased borrowings, Mauerberger said, but gearing and working capital ratios remained within acceptable limits.

He said Bertrad was considering increasing its capital base to reduce borrowings, and it is believed that a rights issue was under consideration.

Mauerberger expected the depressed trading conditions to continue during financial 1992. But he said Bertrad expected to improve profitability and earnings.

Bertrad declared a full year dividend of 2c a share, 46% lower than the 3,7c declared the previous year.

Holding company Bergers Group, which has a 94% interest in Bertrad, reported earnings of 24,5c (34,3c) a share for the year. A dividend of 6c (14,75c) a share was declared.

No silver lining for clothing industry

(184) CT 27/6/92

By AUDREY D'ANGELO
Business Editor

[illegible]

CLOTHING AND TEXTILES FM 10/4/92 (184)

Stitching together a deal

Trade & Industry and Economic Co-ordination Minister Derek Keys will soon have to handle yet another hot potato — implementing the Hatty Committee's interim recommendations for the clashing clothing and textile sectors

Hatty proposes an 18-month temporary plan to be followed by an acceptable long-term strategy for the two industries, which together employ about 275 000. The long-term plan is to be jointly devised by business, labour and government.

Those directly involved are enthusiastic "We could double current employment in the clothing industry within a few years and at relatively low capital cost," says SA Clothing Federation executive director Hennie van Zyl This view is supported both by the Wool Board and the SA Clothing & Textile Workers' Union

One aim is to encourage beneficiating locally the 90% high-quality wool clip, now exported in raw form, by spinning, weaving and then exporting lucrative worsted garments.

"Beneficiating raw wool exports must be strongly promoted, as well as putting a strong outward-orientated stamp on the two industries, which were too inwardly focused in the past," says the union's deputy general secretary, Ebrahim Patel.

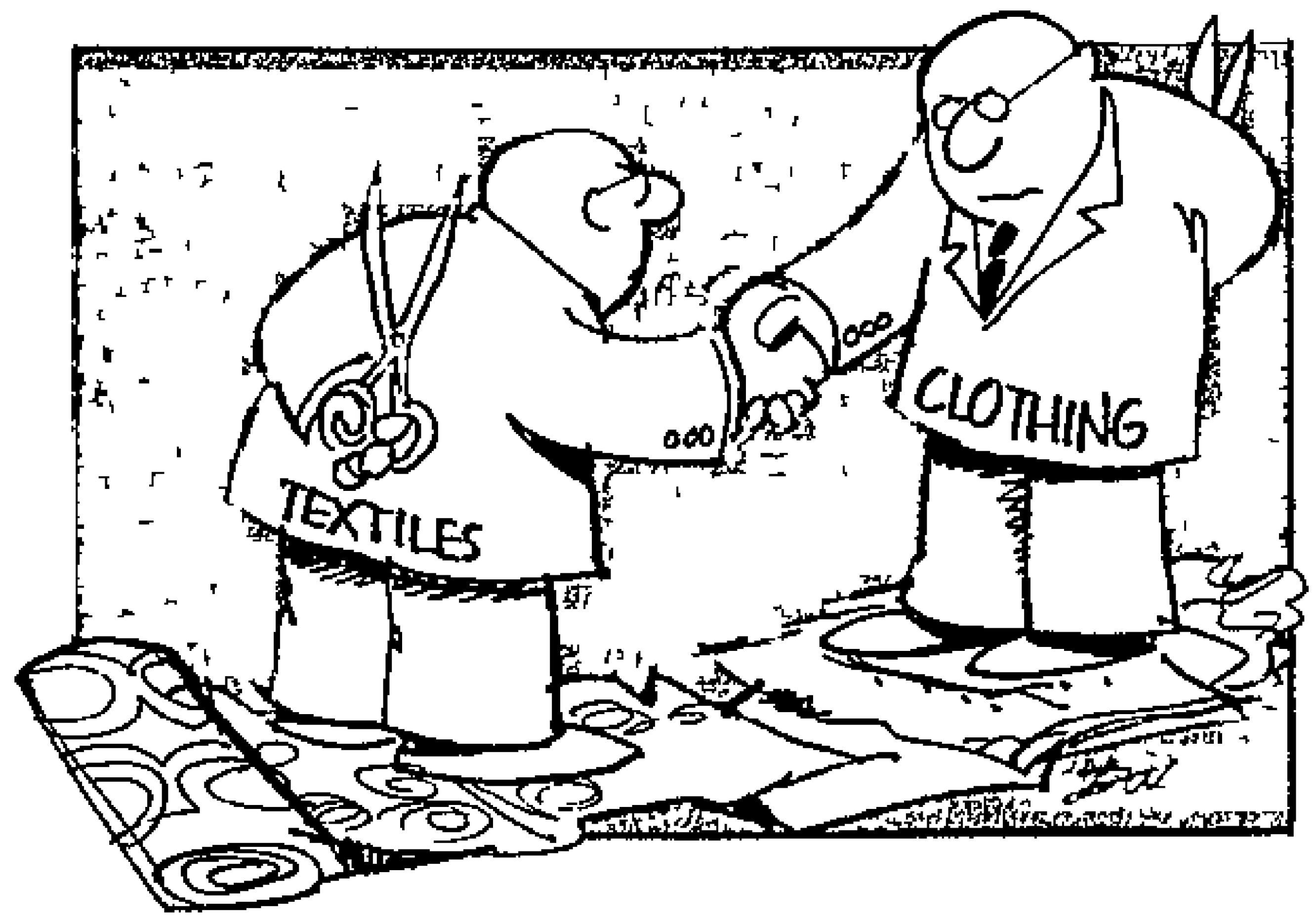
"But the union would support a stronger focus on manpower training, opening up of advancement opportunities to workers, and harnessing all available talents to make clothing and textile sectors meaningful forces on global markets. New concepts such as modular manufacturing, co-operative clusters of small clothing manufacturers on a regional level (as successfully operated in Italy) and a powerful focus on marketing products should boost industry fortunes "

While agreement on the Hatty proposals has meant a truce in the long feud between the clothing and textile industries, cotton farmers and some other parties remain unhappy with the deal Says Cotton Board GM Johan Gillen "The cotton price should be increased to meet escalating costs — due to the drought and industry uncertainty, farmers expect to produce only about 120 000 bales this year, necessitating imports of about 210 000 bales at a cost of R185m."

Gillen's views are not too popular with spinners, who feel that, because they can import cotton at the current world price of 380c/kg, they should not be forced to pay even last year's local crop price of 472c/kg

Gillen doesn't help his case when he argues that the spinners can afford to pay more for the local crop because they will benefit from increased imports this year. The crop is so low they will be obliged to import more — at a lower price

Van Zyl suggests, as the doors to the rest of Africa open up, "we should consider drawing Zimbabwe and other countries into a joint regional plan, utilising their production also " This is in line with recommendations made in December to the UK government by the Overseas Development Institute, a European research body that looked at trade and investment opportunities for the UK and EC in a post-apartheid SA



The unpublished draft report recommends that SA should join the Lomé Convention, redefine itself as a developing country in terms of Gatt, and develop its huge potential in the textile and clothing industries by focusing on niche exports.

Meanwhile, the Hatty plan is the umpteenth instalment in the never-ending contest between the textile and clothing sectors, which have been at each other's throats for years Clothing producers demanded reduced tariffs to benefit from cheaper imports, while the textile industry (and cotton farmers) say tariffs must shield them against huge subsidies paid by overseas competitors such as the US and EC and South American, Francophone and Far Eastern countries that lead to the alleged dumping of cheap yarn, fabric and clothing here and elsewhere

In February, Keys rejected Hatty's proposals that subsidies should be paid on local cotton fibre so that raw-materials costs could be reduced to more competitive levels An alternative, Gillen says, would be reasonable tariffs to protect farmers, ginners, spinners, weavers and clothing manufacturers against "dumped" imports

Mooi River Textiles and SA Clothing director Dennis Solomon (supporting the Seardel offer to take over the struggling Frame textile empire), says SA "needs to retain a viable textile industry for strategic reasons " He claims that small clothing companies cannot afford the financial requirements of importing fibre and yarn through offering letters of credit six weeks in advance By buying locally, they can get guaranteed delivery and credit of up to 120 days "

Seardel CEO and chairman Aaron Searll says the Hatty negotiations prepared the way for the Seardel offer for Frame And, he adds, by reducing some of Frame's product lines ("we don't have to manufacture everything here") he is confident that the company could become a profitable undertaking

The Hatty report is now in the hands of the board and the Department of Trade & Industry, while Customs & Excise officials are working out details of the final tariff and rebate recommendation for Keys

The report recommends that, based on 1989 volumes, quotas should be granted to existing importers of yarn, fabric and clothing at current tariff rates, while heavy tariffs would be imposed on imports in excess of proposed quotas As an example, Van Zyl says, fabric would be imported at a 20% tariff within the quota (the current duty) and outside the quota at about 80%

"We are now finalising the report, in co-operation with the Department of Customs & Excise," says Department of Trade & Industry chief director, industrial promotion, Danie Jordaan. "As soon as the Minister has signed, details will be published in the *Government Gazette*." ■

POST OFFICE FM 10/4/92

Mopping up the red ink

Business interests are screaming about the Post Office's plan to increase its tariffs by 33% But for years tariffs have been kept artificially low — supposedly to cater for the underprivileged — and subsidised by the more lucrative telephone business The reality is that businesses account for more than 80% of all items posted and it's about time the postal service was made to pay its own way

Described as "exorbitant and unjustified," the new tariffs, which take effect May 1, have met with near hysteria from vested interests The National Communications Committee — representing the AHI, SA Chamber of Business and the Steel & Engineering Industries Federation of SA — condemned the hike as inflationary and predicted mail volumes would drop The Consumer Council and the Democratic Party also criticised the increases

Direct-mail users plan to lobby against the new tariffs, suggesting that the increases will

continued

Huge job losses hit rag trade

By Tom Hood (184)

STAR 10/4/92

CAPE TOWN — Eight thousand jobs in the clothing industry have been lost since October, with the Western Cape feeling the brunt, says the National Clothing Federation

Employment dropped from 115 000 in October to 109 500 in January and about 107 000 last month, says the federation, quoting from up-to-date industrial council data..

Arnold Werbeloff, federation economist, says many clothing firms did not reopen in January this year

In the Western Cape the number of jobs dropped by 1 700 to 51 900 last year

The number of clothing factories fell by 20 to 1 177, including the closure of seven Western Cape plants.

The industry is showing all the signs of recession Industry output fell by six percent last year, compared with the relatively prosperous growth of four percent in physical volume in 1990.

The recession was most severe in the last quarter of 1991

The continued slump in output was reflected in a steep drop in clothing and textile inflation.

Clothing prices in December were 8,6 percent higher than a year earlier, a rate higher than textiles (6,6 percent), but lower than the rate for total manufacturing (9,2 percent)

The figures for 1990 were 15,2, 12,8 and 11,8 respectively.

"The intensifying pressure on prices in the clothing pipeline is indicative of retailers faced with scarce demand and a consumer with scant disposable income," says Mr Werbeloff

The value of exports for the first eight months of 1991 was R174 million compared with R112 million for the same period of 1990.

This 56 percent rise was a highly commendable effort considering the depressed world market and adverse local conditions

However, there was a significant decrease in the growth rate of exports and the goal of a doubling to R400 million in 1992 now seems out of reach, with a more likely outcome of R300 million

"It is likely that the sharp decline in the local market has had the effect of constraining clothing export growth as the financial resources of domestic apparel manufacturers have been stretched to the limit."

While exports were under pressure, imports were mounting The value of imported clothing increased by 35 percent from R167 million in the first eight months of 1990 to R225 million in the same eight months of 1991

"At this rate, imports would grow from R250 million in 1990 to R340 million in 1991

"Similarly, fabric imports were up by 31 percent to R752 million in the same period, with volumes rising by 29 percent to R217 million."

It is clear that 1992 will have to be a year of restructuring and performance improvement for the local clothing and textile industries.

The World Bank, in a recent report on the local clothing and textile industries, emphasised the possibilities of job creation and exports of domestic production.

Any restructuring of the clothing pipeline should be aimed at fulfilling this potential, says Mr Werebloff

Clothing industry demands

By DICK USHER Wkly Mail 16/4 - 23/4 /92

A DETERMINED push for centralised structures to cover more than 100 000 workers in the clothing industry will be a major feature of this year's pay negotiations. (184)

Proposals presented to employers by the South African Clothing and Textile Workers' Union (Sactwu) have several provisions aiming at this, including a demand that all employer associations support the setting up of a national industrial council to cover all of South Africa.

In line with this, Sactwu has presented a common set of proposals to employers in all four regional industrial councils and the Transvaal knitting industry.

The union will co-ordinate negotiations through the national shop stewards' council, which will take decisions about settlement.

Sactwu wants industrial council registration to cover factory shops and all employees whose earnings do not exceed the limit for UIF contributors. It also calls for the deletion of clauses which exclude categories of monthly paid employees from agreements.

Sactwu also demands that provisions which exclude from the scope of agreements businesses employing fewer than a specified number of workers be scrapped

It also seeks extension of the closed shop to all employers, not just members of employer associations, and for the ending of exemptions for certain categories of workers from the closed shop provision.

Sactwu has also proposed that a "framework" agreement be negotiated covering grie-vance, disciplinary and retrenchment rights and procedures.

Negotiations should start within two months of the conclusion of this year's agreement, and if not completed after three months, unless the parties decide otherwise, unresolved issues will be referred to arbitration.

The union's wage demand is for R40 a week or 20 percent on basic wages, whichever is the greater. This is considered to be realistic, given the effects of inflation and VAT.

15 000 lose jobs, and more will go

81 Day 16/4/92 (184)

MICK ELLINGHAM

ABOUT 15 000 workers had lost their jobs in the clothing industry since late 1990, National Clothing Federation executive director Hennie van Zyl said yesterday.

Employment at present was down to 109 000 compared with 124 000 at the end of 1990

These figures — which applied to metropolitan areas, excluding the TBVC states and peri-urban areas — showed that in 1987 the clothing industry employed 106 000

The SA Textile Federation said its records showed that employment in the textile industry had fallen from 95 600 in 1987 to 93 100 in 1991.

Cape Clothing Manufacturers chairman Simon Jocum said "reductions in employment will continue unless government lowers interest rates by 2% immediately"

More workers would have had to be retrenched if many companies had not used short time in the hope that market conditions would improve, he said

"It is imperative that the retailers move clothing stock to ensure a flow of goods through the textile and clothing industries," he said

Da Gama personnel director Eric Milne said the East London-based textile manufacturer employed 4 300 people at present, the lowest number "for at least the past 10 years" Unless relief to the industry came soon, job losses would continue

Seardel financial director Arthur Jacobson said, "the textile industry is having a tough time and unless consumer demand picks up, further retrenchments may be necessary"

Short-time measures would be used wherever possible to prevent retrenchments, he said

Sapa reports that Sales House merchandise director Arthur da Costa said earlier massive job losses and factory closures in the clothing industry would continue unless local retailers gave more support to the local market

He said import duties, over-capacity, labour, productivity problems and limited disposable income for consumers had all contributed to the declining output of the clothing and textile industry

FM 17|4|92 184

ENSIGN CLOTHING

Beating the fire

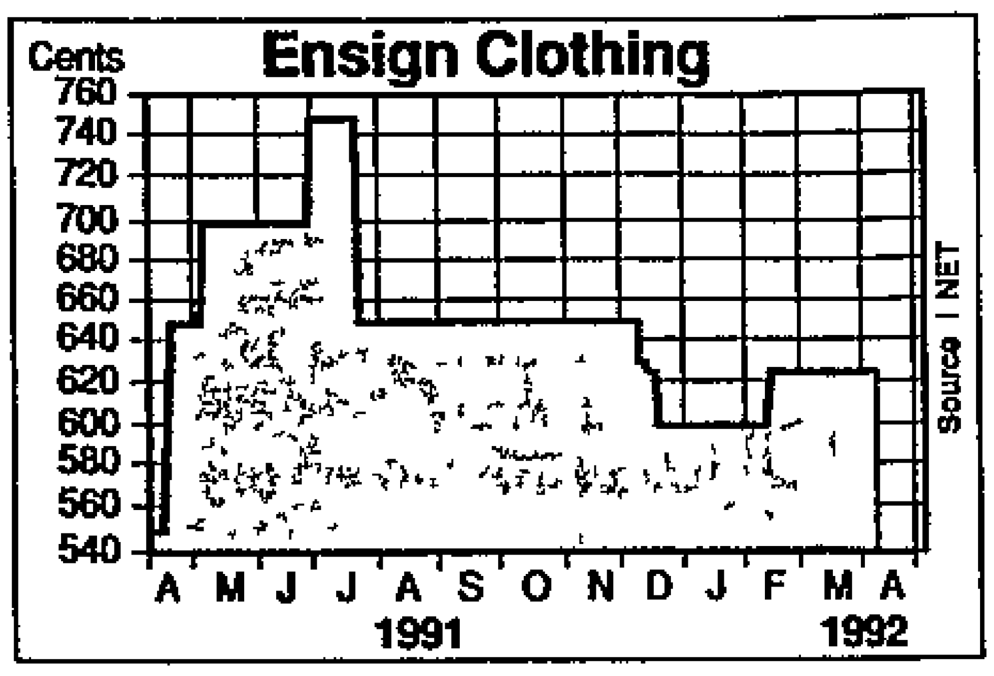
Activities: *Clothing manufacturer.*
Control: *Directors 53%.*
Chairman & MD: *R Roy.*
Capital structure: *660 000 ords Market capitalisation. R4,1m.*
Share market: *Price. 625c Yields· 6,4% on dividend; 29,8% on earnings, p e ratio, 3,5, cover, 4,6. 12-month high, 750c; low, 575c Trading volume last quarter, 9 000 shares*

Year to Dec 31	'88	'89	'90	'91
ST debt (Rm)	1,67	2,17	2,65	4,0
LT debt (Rm) . .	0,5	0,4	0,5	0,4
Debt:equity ratio ..	0,30	0,35	0,38	0,53
Shareholders' interest	0,61	0,61	0,51	0,46
Int & leasing cover .	8,5	5,6	6,5	6,1
Return on cap (%)	15,8	16,5	16,5	17,4
Turnover (% increase)	16,3	16,4	23,6	20,1
Pre-int profit (Rm)	1,81	2,06	2,77	3,25
Earnings (c)	120	118	147	186
Dividends (c)	35	35	40	40
Net worth (c) .. .	1 006	1 089	1 196	1 254

Many small clothing companies have not survived the recession Most others are struggling. Yet the few that market products that fulfil consumers' needs continue to do well Ensign is among those few.

Its sound performance comes in spite of a serious fire. Chairman Ronald Roy reports that within days of printing the 1990 annual report last March, a fire during maintenance operations gutted the raw materials store Fortunately, full production could be maintained, but the financial damage is reflected in the low retained income.

At R383 000, this was cut by at least R578 000 as an extraordinary provision against outstanding insurance claims This is



why shareholders' funds grew by a nominal 5% and also why the dividend was pegged

Turnover rose a gratifying 20,1% but growth in operating income before interest and tax was confined to 15,8%, illustrating the difficulty in controlling costs and production efficiencies

Because of the fire and extraordinary loss, relatively large sums had to be borrowed to fund expenditure on plant This pushed up the cost of borrowing, which in turn cut growth in pre-tax income to 13,6% However, a lower 43% (48%) tax rate enabled attributable income to post a 25,9% rise

Growth in turnover in recent years has been financed by a parallel increase in debtors and creditors An 18% rise in stock — acceptable in inflationary terms — and the higher bank borrowings hit the balance sheet to the extent that the negative trend in debt.equity extended its upward momentum It appears to be as high as it should go

If, as Roy warns, it will be hard to attain real growth in sales and operating income this year, finance costs could pull down earnings and mar a praiseworthy record

Since 1986, compound annual growth in operating income and EPS have been 23,3% and 22,3% respectively However, the share price, up just 75c since this time last year, still languishes at about half of NAV.

There are two main reasons· the company is small, with few shares in issue and not much trade, and the share is in the clothing sector, which the market has almost ignored for a long time

Ensign is clearly well run Results have been solid, if not exciting Management's conservative attitude (vide the 4,6 times cover) bodes well for financial strength This could be a worthwhile share for an individual investor who, knowing the liquidity risk, wants a high-yielder to tuck away.

Gerald Hirshon

Meritex R3,6m in the red

(184)

MICK ELLINGHAM

GARMENT and textile group Meritex Holdings fell R3,6m into the red for the year ended January 1992, after the group had disclosed a profit of R39 000 in 1991

Chairman Ed Gordon said turnover had been badly affected by "recessionary market conditions and large-scale garment dumping". B|Day 22/4/92

After reporting a 1c earning a share last year, the group recorded a loss of 23c a share this year

Meritex experienced a decline in turnover the first time in over a decade Staff had been reduced by about 30% the past 18 months Gordon said although it was unlikely the group would break even this financial year, it did not foresee difficulty in financing its operations.

Poor clothing sales forecast

B/Day 23/4/92 (184)

MARCIA KLEIN

PEDESTRIAN results were the most that shareholders could expect from many of the clothing retailers who would report for the period to end-March, analysts said.

Declining retail sales over the past few months pointed to severely depressed results from all retailers, they said, but in a recession of this nature, sales of durables were hardest hit, and sales of semi-durables came a close second.

In this light, clothing companies were expected to produce poor results, but they would not show the same declines as those reported by furniture retailers

Since the sharp downturn in consumer spending in September last year, the retail clothing industry had reported a turnover growth of between 5% and 10% — a decline in real terms

Edgars, which is one of the star performers in the clothing retail sector, is expected to show a 2% to 5% earnings growth, off a high base Although this was a poor result for Edgars, analysts said it would be a good result in comparison with a number of other companies reporting next month.

Analysts said Foschini's results were difficult to forecast due to the Etam acquisition and a change in the group's year-end

Wooltru division Speciality Retail Group, whose major contributor is Truworths, had reported an 18% rise in pretax profit in the six months to end-December Analysts said these results were buoyant, but did not include reduced earnings in the first quarter of 1992

Although Pep Stores would show a good earnings growth, analysts said it would also feel the pinch of reduced consumer spending, although not to the same extent as the other companies in this sector.

An analyst said there was no reason to believe that this sector would pick up in the next six months.

Duties may double on some textile, clothing imports

B/Day 24/4/92

LINDA ENSOR

CAPE TOWN — A doubling of existing duties on textiles and clothing imported outside the quota system is expected to be gazetted in the next few weeks as an interim measure

This follows government's acceptance of the final version of the Hatty committee proposals for the clothing and textile industries as amended by the Board of Trade and Industry (BTI) Some duties will more than double while others might be lower than existing duties

It was learnt yesterday that Trade and Industry Deputy Minister David Graaff had approved the proposals

The increase in the duties on about 2 000 line items forms part of the clothing/textile development plan formulated by the Hatty committee

A new duty will replace the formula duty structure and will consist of an ad valorem duty and a "specific" or minimum duty outside the proposed quota system. Committee chairman Paul Hatty said yesterday the minimum duty would apply if the ad valorem duty was less than the specific duty on imported items

Duties on imports inside the quota would remain the same.

The interim duties will take immediate effect and will remain in place until the BTI has received comment from the clothing and textile industries over a maximum of 18 months

This is in line with the Hatty committee proposals which accepted a transitional phase for a committee to work out a development strategy for the industries

184

Hatty said considerable comment had been received by government departments Opinions ranged from those who did not approve of the level of duties to those who wished to import clothing or textiles freely

National Clothing Federation (NCF) president and Seardel chairman Aaron Searll said the NCF felt the duty on imports outside the quota should not exceed 40% while the Textile Federation wanted an 80% duty

COMPANIES

SA Bias gears up for higher exports

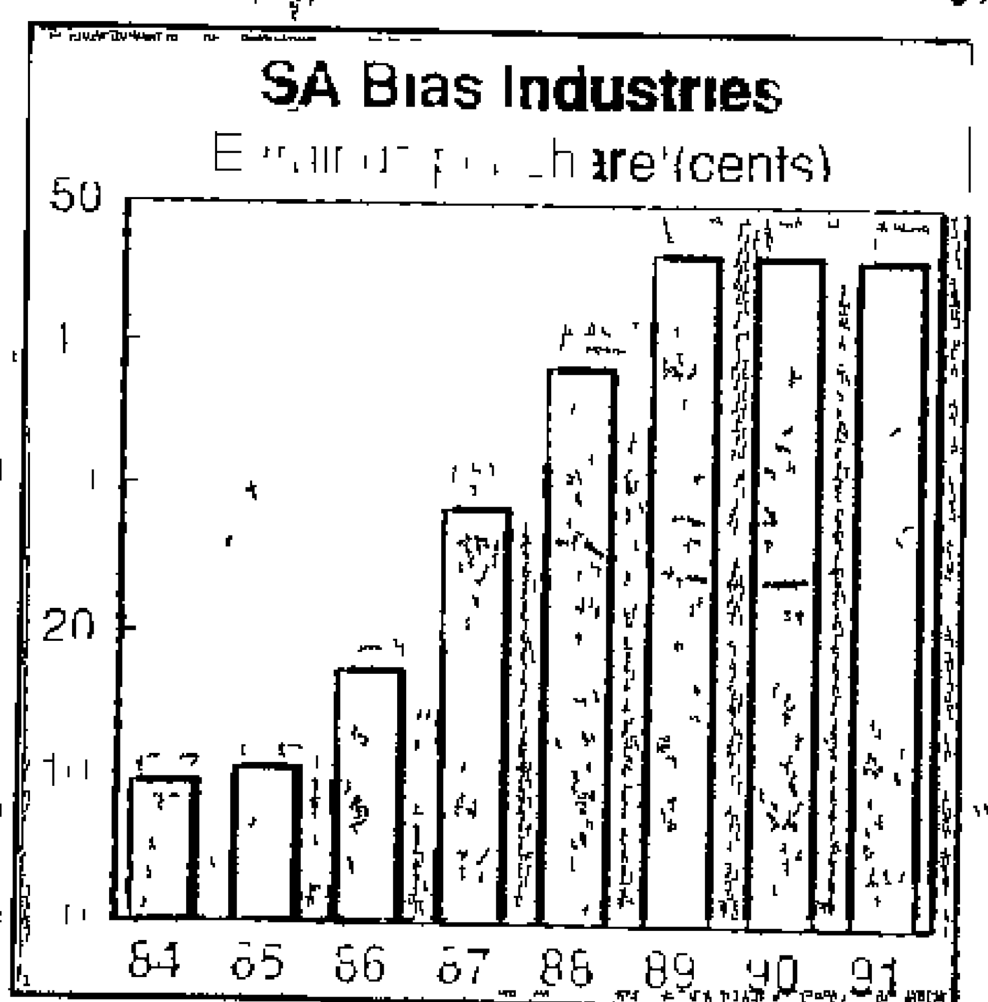
B/Day 184

MICK ELLINGHAM

SA BIAS group is set to increase exports of trimmings and accessories to international markets such as the UK, Europe, Israel and the US. B/Day 27/4/92

Directors said in the 1991 annual report that in spite of weak local economic conditions, SA Bias's 1992 income would increase.

The group manufactures and distributes trimmings and accessories to the clothing and footwear industries. Results for the year ended 1991, published in February,



Graphic RUBY GAY MARTIN Source SA BIAS INDUSTRIES

showed unchanged earnings a share of 47,3c and a dividend of 18c, also unchanged.

Operating income went up 14% to R21,9m on the back of a 12,5% increase in turnover. Attributable income was unchanged at R13,5m.

Directors said the trimming, printing and label, metal and plastic and industrial divisions performed satisfactorily.

The recently acquired Kirton group performed poorly. Its manufacturing facility in Bronkhorstspruit was closed and the production plant relocated in the division's Qwa-Qwa factory.

SA Bias's thread division was completed during 1991, changing Barbour Perivale Threads from a wholesale distributor of sewing threads to a fully integrated sewing thread manufacturer.

The sharp decline in unit sales in the second half of the year was explained by directors as the "result of falling demand in the clothing and footwear industry, import competition and severe price competition among local manufacturers."

Directors said International Trimmings plc — started by the group in the UK in the second half of 1990 — performed satisfactorily in spite of the severe UK recession.

Govt puts quotas on clothing imports

STAR 1/5/92 (184)

The Government has decided to implement a system of tariff quotas for the import of clothing and textiles

Announcing this yesterday, the Minister of Trade and Industry and for Economic Co-ordination, Mr Derek Keys, said these measures included:

- A system of tariff quotas that will enable the importation of pre-determined quantities of textiles and clothing at the currently existing rate of ad valorem duties. The total quantities are to be limited to 1989 imports.
- A doubling of the rates of ad valorem duties plus alternative specific duties that replace the formula duties, in respect of imports in addition to the tariff quota.
- Amendments to the programme of duty-free imports for exports in order to prevent imports in terms of the programme being concentrated on certain products, thus causing harm to the sectors manufacturing these products.

Imports in terms of rebate item 470,03, manufacturers' rebates and imports in terms of bilateral trade agreements are, however, not affected by the measures.

A Government notice providing for the new duties applicable to imports in addition to the tariff quota as well as the partial rebate of duty for imports within the quota will be published in an extraordinary Government Gazette today.

He saidthe measures to be implemented weree the result of the acceptance by government of recommendations made by the Board of Trade and Industry.

In formulating its recommendations due cognisance was taken by the Board of the proposals received from a private sector working group and other interested parties, said the minister

"The measures to be introduced were accepted by Government realising that they have certain deficiencies".

"It was, however, found necessary to urgently introduce interim relief measures to address the serious and deteriorating situation in the textile industry in particular, as a result of a sharp increase in imports coupled with a decrease in local demand due to the recession", he said.

"The objective is to limit imports while at the same time striving to keep increases in input and end-product costs to a minimum The increased rates of duty will, therefore, only apply to imports in addition to the tariff quotas The alternative would have been to place increased duties on all imports of textiles and clothing"

Interim basis

Mr Keys emphasised that the increased rates of duty applicable to imports in addition to the tariff quota were being implemented on an interim basis and were subject to immediate review by the Board of Trade and Industry.

The Minister said that permits for imports in terms of the tariff quota will be issued on a six-monthly basis

"Firms that imported products covered by the measures during the period April 1, 1991 to September 30, 1991 with payment of the full duty may apply to the Department of Trade and Industry for such permits which will be issued to them on the basis of proven imports during the said period"

The minister stressed that the measures now introduced would apply only for a period of 18 months. — Sapa.

Hatty group suggestions implemented

B Day 5/5/92

WILLIAM GILFILLAN

GOVERNMENT had implemented the Hatty committee recommendations in the main, Textiles Federation executive director Brian Brink said yesterday (184)

He was reacting to yesterday's notice in the Government Gazette (promulgated last Friday) announcing the duties relating to the new quota-based structure to be implemented in the textile/clothing pipeline for the next 18 months

The committee had recommended a transitional quota-based structure to protect local manufacturers while a long-term strategic programme for the textile/clothing pipeline was drawn up

Under the new structure, duties on imported yarns, fabric and clothing falling within the quota net have been set at 15%, 20%, and 30%, while those outside the net are 30%, 40%, and 60%

Although the authorities have not indicated the size of the quotas, Brink believed they would be in line with the Hatty recommendations

Careers Expo 1992
12, 13, 14, May 1992
12:00 - 19 00 Daily

The Technikon Witwatersrand is running a careers programme next week to help matric pupils

Excellent mining opportunities

STAR 7/5/92

The mining industry is by far the most important industry in the South African economy and offers excellent career opportunities

The school offers courses in Coal Mining, Economic Geology, Extraction Metallurgy and Mine Surveying

The diplomas provide students with both the theoretical and practical knowledge skills applicable to the middle management position on mines

At the National Diploma level all the necessary practical and theoretical knowledge required for an individual to competently carry out supervisory positions in the production mining discipline are catered for

At National Higher Diploma level, advanced practical and theoretical knowledge is gained, sufficient to competently carry out the job requirements of a middle management position on a mine

Entry requirements

- A matric certificate with a D in mathematics (Standard Grade) or E symbol (Higher Grade) A science subject at this level is a distinct advantage.
- Medical fitness
- Good communication skills — be able to make unsupervised decisions and enjoy a challenging job

Students usually have some form of experience in their chosen careers

Before being accepted, you must try to obtain employment as a "student mine official" at a mining house, or obtain sponsorship from the mining house that will include the initial introduction to the industry and a conditional promise of practical learning

"Private" students may be accepted on the understanding that they cannot proceed to second year before obtaining their first level practical learning opportunities available only through mining institutions

Prospective students should contact the Manpower Departments of the Mining Organisation to obtain employment or bursary opportunities If this is not successful you can contact the Head of the Mining Department at the Technicon Witwatersrand

These technologists help to build future

STAR 7/5/92

The field of expertise of the qualified architectural technologist is mainly in construction methods and materials

This expertise is employed to translate achitectural designs into technical drawings and specifications used for the construction of buildings

Employment opportunities exist with architectural practices, government institutions property developers and others

The technologist communicates by graphic means and prepares drawings for building contracts

A technologist's job is mainly to advise and make decisions about building materials and elements and how they are assembled to form effective buildings Other skills include presentation drawing, surveying (using optical instruments) office management building site supervision negotiations with local authorities and application of building regulations

The first and third year of the Architectural Technology course require full-time study The second year entails work ing for a firm of architects whilst studying part time

Entrance requirements include matric with mathematics and the successful completion of a one day selection programme

Classes commence in January of each year Applications should be made before August 15 of the preceding year and selection is done in December

Other courses are offered in Building, Mechanical Engineering Civil Engineering, Chemical Engineering Construction Management and Quantity Surveying, Electrical Engineering Metallurgical Engineering, Town and Regional Planning

The beauty business looks good

STAR 7/5/92

The beauty therapy industry is in a phase of growth and development and is currently realising the importance of well-trained therapists

People are required to walk into a job situation and combine theoretical knowledge with practical skills For this reason, technicon diploma-holders are preferred as opposed to those training at private institutions

Technikon-qualified therapists (National Diploma in Beauty Technology) are in high demand and job opportunities include positions at beauty salons, health spas, gymnasiums, electrolysis clinics and cosmetics companies.

Wits Technikon graduates have a good relationship with related paramedical and medical professions.

They can broaden their scope by liaising with plastic surgeons, performing treatments such as manual lymph drainage, soft infra-red laser therapy, cosmetic camouflage and other general pre and post operative maintenance treatments

Dermatologists may benefit from working closely with a beauty technologist performing highly skilled facial maintenance treatments to improve healing, reduce scarring and enhance recovery

The prospects and advancements in pursuing a career in Beauty Technology are almost endless

Making the right choice

STAR 7/5/92

Matric pupils in South Africa are currently faced with the single most important decision at this point in their lives — choosing a career

Their future happiness because of the satisfaction and fulfilment they will derive from their jobs, will depend on this decision.

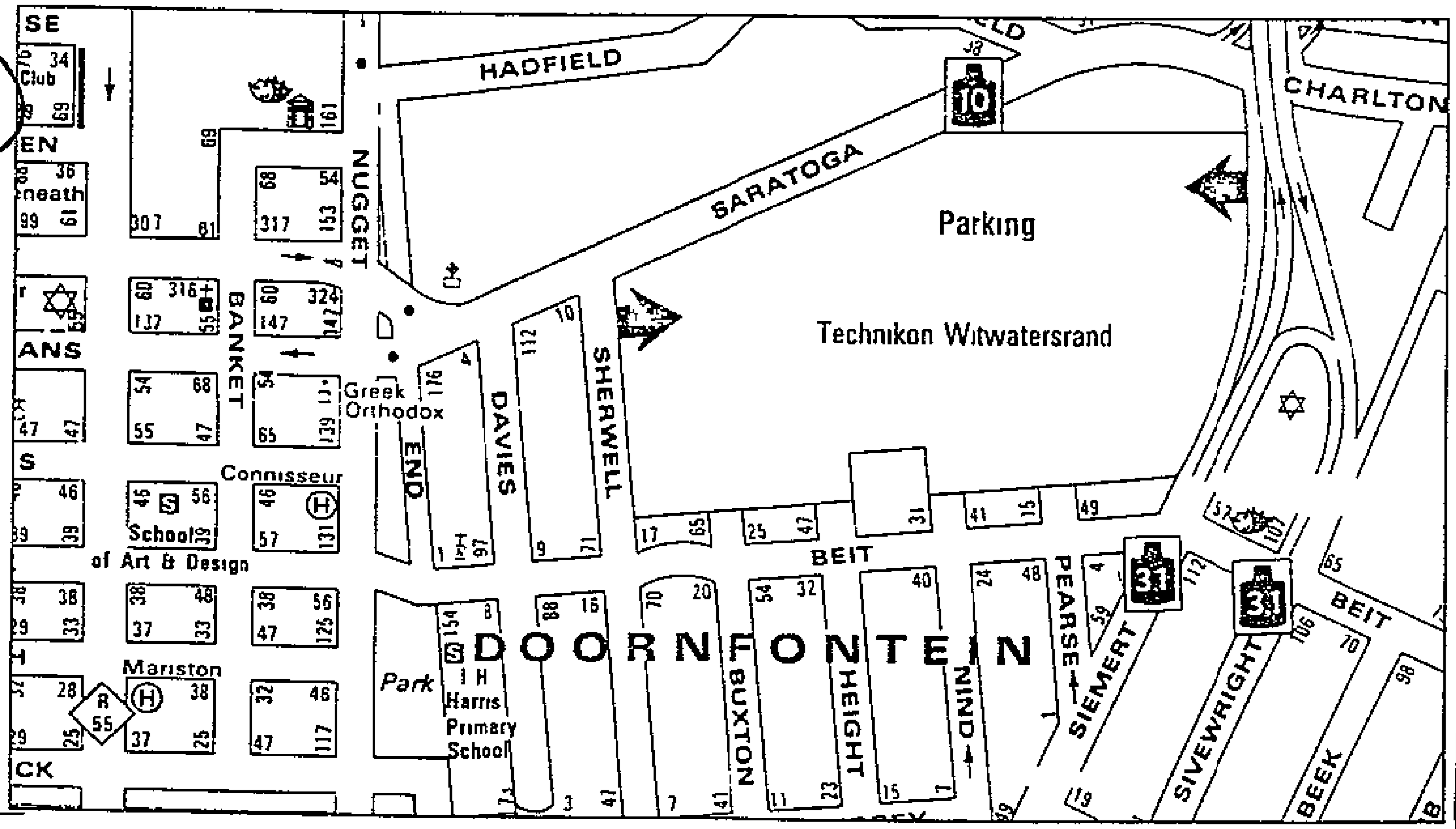
To help the country's matric pupils make informed decisions about this all-important matter the Technikon Witwatersrand (TWR) will host a careers exhibition — Career Expo 92 — at its Doornfontein campus from Tuesday May 12 to Thursday May 14

On display will be no fewer than 50 possible careers — with academic staff at hand to give expert first-hand information and advice Visitors will also receive informative brochures to study at home

An additional 14 stalls will be manned by companies to give much-needed information about career opportunities bursaries student loans, practical training and many more aspects of your chosen career

Moreover, a series of 50 lectures will be presented daily to explain the career opportunities offered by TWR Question and answer sessions will help to clear up uncertainty

Groups of pupils and teachers will be taken on tours of the campus and be shown such facilities as laboratories architectural and art studios



Where to go, and when, to clear up confusion about your career

STAR 7/5/92

Are you interested in studying but confused about how to go about it or what direction to follow? Attend the lectures on May 12, 13 and 14 to find out more about the following programmes

Time	Venue 5309
2 pm	Student Counselling (May 13 and 14 only)
3 pm	Company Administration
4 pm	Information Technology
5 30 pm	Management (May 13 and 14 only)
18 15	Marketing

Time	Venue. 4309
2 pm	Ambulance and Emergency Care
3 pm	Beauty Technology
4 pm	Dental Technology
4 45 pm	Food Technology
5 30 pm	Medical Technology
6 15 pm	Biotechnology

Time	Venue. 2309
2 pm	Chemical Engineering
3 pm	Mechanical Engineering
4 pm	Electrical Engineering (L/C)
4 45 pm	Electrical Engineering (H/C)
5.30 pm-7 pm	Architecture and Town and Regional Planning

Time	Venue 1309
4 pm	Personnel Management
5 pm	Graphic Design

Time	Venue: 5407
2 pm	Packaging Management
3 pm	Organisation and Work Study
4 pm	Industrial Engineering
4 45 pm	Production Management
5.30 pm	Purchasing Management
6 15 pm	Retail Business Management

Time	Venue 4407
2 pm	Analytical Chemistry
3 pm	Podiatry
4 pm	Environmental Health
4.45 pm	Radiography
5.30 pm	Travel and Tourism

Time	Venue 2407
2 pm	Food Service Management and Hotel and Catering Management
3 pm	Building
4 pm	Civil Engineering
4,45 pm	Community College

Time	Venue 1407
3 pm	Metallurgical Engineering
4 pm	Student Counselling (May 13 and 14 only)
4 45 pm	Secretarial Training and Office Administration
5 30 pm	Public Relations

Reach for the sky

In the field of further qualifications, the Technikon Witwaters rand offers the National Higher Diploma (one year) Masters Diploma in Technology (one year) and the Laureatus in Technology (Masters plus one year)

Competitive environment

STAR 7/5/92

The Clothing Technology department offers two courses National Diploma in Clothing Design (three years) and the National Diploma in Clothing Production (three years)

The South African fashion and clothing industry is the second largest employer after the mining industry

It is moving through a period of rapid technological change that creates a competitive trading environment

The fashion and clothing industry expects diploma-holders to be commercially viable and productive from the onset

Clothing industry angry about duties

LINDA ENSOR

(184)

CAPE TOWN — Thousands of small and medium-sized businesses facing bankruptcy under clothing and textile duties gazetted last Friday are considering seeking a court interdict to prevent the implementation of the measures.

This was said yesterday by Shirish Soni, the secretary of the Consultative Business Forum (CBF) which represents small businesses in Natal. The CBF organised a meeting in Durban last night between small businessmen in the clothing and textile industries and Hatty committee chairman Paul Hatty. B/Day 7/5/92

Soni said small businessmen had been taken aback by the high level of duties imposed on imports outside the quota. While they would like an amicable solution, court action would be taken if the new measures "are pushed down our throats".

He said small to medium-sized businesses would be prejudiced by the new tariff structure in that the quota allocations would be determined on the basis of historical import levels. This would give the two large clothing manufacturers, Seardel and Rex Trueform, 40%-50% of the quota.

The rest of the quota would have to be shared among the smaller enterprises, which would be forced to import at the crippling duties outside the quota.

National Clothing Federation (NCF) executive director Hennie van Zyl said the

☐ To Page 2

Clothing

B/Day 7/5/92

(184)

☐ From Page 1

federation had calculated that the new interim tariff structure increased the duties to be paid on textiles imported outside the quota system by an average 80% and on clothing by roughly 120% This was despite a federation mandate that the duty on textile imports not exceed 40%

Van Zyl conceded that the new duties would have a big impact on the small businesses However, he said that the use of historical imports to determine the quota would apply only for the first six months of the scheme. In the second six months the historical amount of local purchases would also be taken into account

Soni said the Hatty committee, which drew up the interim development plan, did not represent or consider the interests of small business.

Van Zyl said the interests of small businessmen should have been represented on the Hatty committee by the federation However, he admitted the structure of the federation, which consists of four separate regional associations, could have played a part in the lack of consultation at a regional level

He said a federation meeting today was likely to decide to appoint consultants to investigate a revision of its structure

Federation president and Seardel executive chairman Aaron Searll believed the proposals should be given a chance to work as it might emerge that there was enough permit quota for everyone. Furthermore, the quota permits were tradeable.

New protection for clothing and textile industry (184)

IN a move designed to irk true believers in a free market and to push up the price of clohing, Derek Keys, still wearing only his Trade & Industry hat, announced new interim tariff protection for the clothing and textile industry A doubling of the ad valorem duty rate on imports of clothing and textiles above the import quotas, fixed at 1989 levels, was announced A long-term strategy will be worked on, he promises

W/mail 8/5-14/5/92

SA BIAS INDUSTRIES

FM 8/5/92 (184)

Outlook worsening

Activities: *Makes and distributes accessories to clothing, footwear and allied industries*
Control: *SA Bias Holdings (87,3%)*
Chairman: *C S Seabrooke, MD: P Coutts-Trotter*
Capital structure: *28,6m ords Market capitalisation R80,1m*
Share market: *Price 280c Yields 6,4% on dividend, 16,9% on earnings, p e ratio, 5,9, cover, 2,6 12-month high, 330c, low, 260c Trading volume last quarter, 528 000 shares*

Year to Dec	'88	'89	'90	'91
ST debt (Rm)	1,3	—	9,7	6,3
LT debt (Rm)	3,3	4,5	10,4	9,3
Debt equity ratio	0,11	0,04	0,40	0,28
Shareholders interest	0,62	0,65	0,48	0,52
Int & leasing cover	22,3	18,8	10,1	5,6
Return on cap (%)	26,8	29,4	20,5	21,7
Turnover index*	127,7	164,9	249,1	280,3
Pre-int profit (Rm)	13,4	18,1	19,2	21,9
Pre-int margin (index*)	108,9	114,6	80,3	81,4
Earnings (c)	39,4	46,5	47,3	47,3
Dividends (c)	15,2	18	18	18
Net worth (c)	109	141	157	185

* Base = 1987

Flat earnings since 1989, viewed last year as a "temporary setback" after years of strong growth, are turning out more deeply seated

In his 1990 annual review, chairman Christopher Seabrooke looked for a resumption of growth in line with inflation, which looked reasonable at the time given that the group should have started to benefit from 1990's substantial expansion.

As things turned out, however, these benefits continue to prove elusive Substantially higher financing costs are barely matched by the increase in operating income

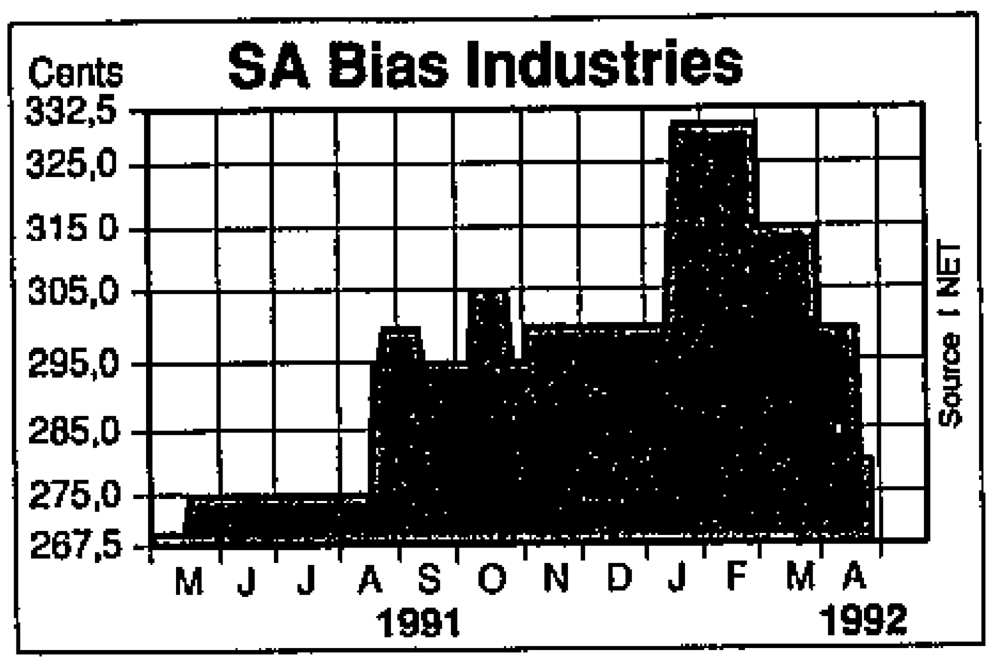
Main problem area remains Kirton, a manufacturer of curtain suspension products acquired in February 1990 SA Bias has yet to see any return on this investment and instead has been saddled with additional costs associated with a revamp.

SA Bias' Seabrooke unable to match inflation

Backed by a cost reduction programme, improved performance is expected from Kirton this year, with full recovery (economic conditions permitting) in 1993

The other main 1990 development, the establishment of a UK manufacturing facility, has been less troublesome Though this has not yet yielded a return either, at least

FM 8/5/92 (184)



initial losses can be attributed to the fact that it was a greenfields venture that had to establish a sales base before any profit could reasonably be expected

This point was in fact reached during the second half of 1991 Though the company incurred a loss for the full year, a small positive contribution is forecast for 1992

The rest of the group seems to have performed reasonably, though some activities were affected, particularly in the second half, by a fall in demand from the clothing and footwear industries as trading conditions in those sectors tightened progressively

The balance sheet remains in good shape Net borrowings, which jumped from R1,6m to R18,1m in 1990, reflecting a 52% increase in total assets, moderated to R15m last year, giving a debt equity ratio of only 0,28

The full impact of the 1990 debt increase saw interest charges rise to R3,9m from R1,9m in 1990 and only R961 000 in 1989. With borrowings again on the way down, there should be some relief this year, which will help underpin profits

It is also noteworthy that despite two disappointing years, SA Bias continues in most respects to meet its financial objectives.

While return on assets has dipped below the long-term target of 25%, a low 24% tax rate has ensured that return on equity, at 25,6%, is still satisfactory As for a number of years, 1991 saw the group pay out more in dividends than it should have in terms of its three-times cover policy, but given that, even with profits relatively depressed, it is still generating cash (as evidenced by the reduction in borrowings), it could be argued that it is the dividend policy that is in need of adjustment, not the level of retentions

Despite prospects of improved results from Kirton and the UK and likely lower financing costs, Seabrooke is pessimistic about this year in view of the substantial deterioration in the clothing and footwear industries in recent months This, he says, has led to a marked decline in unit orders for trimmings Unless this trend is reversed (which he does not foresee by the end of 1992) it will be impossible to maintain earnings

The share price is only 30c higher than when the *FM* reviewed the 1990 annual report, so has lost ground relative to the industrial market But, like the company itself, it's done quite well in the context of the clothing sector, which is down some 20% over the past 12 months and could drop further as profits respond to the continued deterioration in trading conditions

In these circumstances, SA Bias is impossible to value Its track record, a 6,4% historic dividend yield and p.e under six all suggest it is under-rated, long-term But any improvement in investor perceptions is unlikely until conditions in markets the group serves show signs of revival.

Brian Thompson

Garment chief opposed to protection measures

STAR 8/5/92

By Des Parker (184)

DURBAN — National Clothing Federation (NCF) vice-president Sadek Vahed says he supports the Durban-based Consultative Business Forum (CBF), which is seeking to force the Government to set aside a number of interim trade protection measures for the textile and garment sector it claims will force many small producers out of business

Mr Vahed, chairman and MD of the AM Moolla Group of Durban — one of the largest independent clothing manufacturing groups in SA — said yesterday he sympathised with small manufacturers, many of whom believed the industry committee set up under the chairmanship of Barlows executive Paul Hatty, and which recommended the measures, was "hijacked" by big business interests.

At a meeting with angry CBF members in the city earlier this week, Mr Hatty conceded that the new measures might damage small companies and he agreed to try to set up a meeting between their representatives and the Board of Trade and Industry (BTI) to have the tariffs set aside

He also would try to arrange a meeting with Trade and Industry Minister Derek Keys, if necessary.

Stressing that he did not wish to differ publicly with NCF president and Seardel group chairman Aaron Searle, who was one of two NCF representatives on the committee, Mr Vahed said it was wrong that the new measures should threaten the existence of small companies in their effort to serve the interests of big exporting manufacturers.

The crux of the CBF complaints is the high level of duties imposed on imports outside quota levels and based, according to Mr Vahed, on 46 percent of total imports in 1991 — a year when business was slack

He said he had heard that big textile interests had convinced the BTI to switch to the 1991 basis after the original proposal using 50 percent of 1989 imports

TEXTILES AND CLOTHING

FM 8/5/92

The never-ending conflict

The Hatty report on the clothing and textile industries, published in last week's *Government Gazette*, was supposed to signal a ceasefire in the long-running war between the sectors But, like many ceasefires, the battle just rages on (184)

The Hatty recommendations will temporarily limit low-tariff fabric imports to the 1989 level Any imports over the low-tariff quota will be hit with sharply higher duties A final programme is supposed to be set in 18 months

The idea behind the Hatty report was that it would have the broad support of the clothing and textile industries, cotton and wool producers, government and the SA Clothing & Textile Workers' Union But, after just a few days, it is already under strident attacks from groups that fear higher costs and fewer jobs

The strongest challenge comes from the Consultative Business Forum, which represents Natal Indian traders, wholesalers and clothing manufacturers with an annual turnover of about R1bn and about 50 000 employees.

It has joined forces with its Transvaal counterpart, the Congress of Business & Economics, which represents about 1 400 wholesale, retail and distribution firms, and the Free Market Foundation

The purpose is to lobby government to reject, tone down or amend the Hatty report The Transvaal and Natal bodies, accompanied by Soweto businessmen, were to meet with Paul Hatty, Barlow Rand director and chairman of the Hatty committee on textiles and clothing, this week

"We also requested a meeting with new Finance Minister Derek Keys to discuss our objections," says the forum's Shirish Soni "Should we fail in our endeavours, we may have to resort to a Supreme Court interdict to stop the report "

So the saga of two troubled industries, which began in 1989 with a structural adjustment programme that lasted less than two years, continues ■

art and
ved" As
ing hot
eat.
, gulping
"It's also
d. It's an

piece of
nagically
mmer to

gloves be-
by feel.
urements
fire, if it
crawling
at of five,
"

attoo of a
unded by
with a bi-
iron — in

m, I was
farm girl
are of my-
nd wanted
is time of
remember

Local government analyst Mr Roland Hunter said
nancing were investigated by a commission.

Clothing prices 'may sky-rocket'

TOM HOOD, Business Editor (184) ARC 9/5/92

THE price of clothing will sky-rocket if new import duties and quotas are not stopped, warns Dr Aaron Searll, president of the National Clothing Federation.

After a special meeting Dr Searll said the federation would seek an urgent interview with the Minister of Trade and Industry, Mr Derek Keys, and ask him to delay new legislation announced in the Government Gazette on May 1.

The federation represents 1 400 clothing manufacturers employing 150 000 workers

A study of the impact of the new protective duties and quotas indicates that clothing companies could be hit by a double whammy

■ Clothing firms can import only 46 percent of the fabric they imported last year — anything above this will be hit by import duty of at least 70 percent compared to the present 20 percent.

■ Clothing importers can bring in only 73 percent of their 1991 imports, but duties on these imports will be slashed from an average of 80 percent to 30 percent.

ROY BLOCK: We don't stop after a sale Picture CATHERINE ROSS

Corporate styling spells winning line

184

S/Times (Buss) 10/5/92

By JULIE WALKER

IT is refreshing to hear of a success story when 15 000 clothing-industry workers are jobless.

Estralita Carter Harris, a privately owned company whose sales should top R18-million this year, was brought together in the past four years to become the largest corporate clothing business in SA

It comprises five broad divisions Carter Harris, which was bought from Malbak's Berden Group in 1989, concentrates on the top end of the women's corporate apparel market.

Designer Nicki Lab, whose parents Charles and Shirley are directors of the group, visits Europe each year to keep abreast of styling

"We can give our customers a new look, with updated fabrics and trends, at a good price," she says. Imported fabrics are used if SA material does not meet specifications.

The group employs 200 and sub-contracts a lot of work because demand has outstripped its factory's capacity

Carter Harris clothes most of SA's employees who are in the public eye — at banks, insurance companies, car hirers and cosmetic houses

National representation through regional offices and incentive-driven management have helped Carter Harris to become the dominant player in a competitive market

Marketing director Roy Block says one of the most important ingredients of success is the constant attention to after-sales service

Hotels

The Estralita division mass produces corporate uniforms and overalls, such as required by chain-store retailers, fast-food chains, oil companies and others The corporate identity is enhanced by silk-screened or embroidered logos, hats, ties, scarves, shoes and belts

Pro Clo numbers SA's best-known hotel groups among its customers. It won a contract to clothe many of the 2 000 staff members with three outfits each at the Carousel, north of Pretoria

Technical director Mrs Lab says "Each part of the Carousel had to have its own theme and its own identity Most of the staff members were hired close to the opening day We worked on site for two weeks from 7am to 11pm to do the alterations for all the shift workers "

Last year, the group acquired Road, a sports and leisurewear company with good products, but lacking in direction Road has opened up two avenues

One is in the retailing of fashionable wear, such as designer tracksuits, sports shirts, shorts and wind-cheaters The label Sergio Tacchini is being promoted and several boutiques and chain stores have ordered these lines

The other opportunity lies in functional corporate and team sportswear SA's return to world sport could bring opportunity for clothiers as well as for sportsmen.

Financial director Mr Lab believes the way to expand the company is to do it organically Allied diversifications, such as Road, might be considered, but the in-house expertise and service level have stood it in good stead.

Gearing

Mr Lab says "Companies that have been going for 20 and 30 years are closing because of the recession. But we have no gearing and have tried hard in the past two years to attract customers through high quality and service.

"We are approached regularly by companies that want us to take them over Customers want value for money and are more discerning about placing orders Our expertise and professionalism are vital."

The group has increased sales and profit every year since the current owners bought the businesses

Speedy review of textile tariffs

BDay 11/5/92 (184)

LINDA ENSOR

CAPE TOWN — The Board of Trade and Industry (BTI) has committed itself to a speedy review of the newly promulgated, interim tariff structure for the clothing and textile industries as soon as it has received comment and representations from industry.

The undertaking by BTI deputy chairman Helgaard Muller at the weekend followed protests against the new structure which culminated in the call by the National Clothing Federation (NCF) and the Consultative Business Forum (CBF) for the suspension of the measures pending further negotiations

The NCF is hoping for an urgent meeting with Trade and Industry Minister Derek Keys this week The CBF tried to have unofficial talks with Keys at the weekend. The BTI is also planning to meet Keys.

Muller said the board had decided on Friday to finalise a programme for the clothing and textile industries as soon as possible He felt the uncertainty should be resolved quickly and said even a three month delay would be too long.

There was a need to find strategies to make the clothing and textile industries financially viable without resorting to high tariffs, Muller said

The BTI gave notice in the Government Gazette on Friday that it had applied for a revision of the duties promulgated the pre-

☐ To Page 2

Textile

BDay 11/5/92 (184)

☐ From Page 1

vious week and invited comment within six weeks

Industry sources believe that the BTI found fundamental flaws in the Hatty Committee proposals and they were therefor promulgated as interim measures only The board's final recommendations might differ radically from the interim tariff structure and might overhaul it completely, the sources said

The NCF said in a statement the new proposals cut back "savagely" on the clothing industry's access to fabric at world market prices The average clothing manufacturer would now be able to import only 46% of the fabric imported during 1991 Fabric imports in excess of this 46% would attract a "highly punitive" duty averaging at least 70%, compared to the current 20%

The statement also objected to the reduction of duties on clothing imports within the quota to 30% from 80%

A conflict appears to have emerged within the NCF between large export orientated clothing manufacturers and small producers The statement was seen in some quarters to reflect the interests of the small Natal-based manufacturers

CBF secretary Shirish Soni said the CBF was calling for the creation of a forum representative of all interests to work out a strategic plan for the industry

Hatty Committee chairman Paul Hatty said there was a lot of misunderstanding of the plan which had been poorly communicated to individual manufacturers He conceded that amendments should be made to assist small manufacturers in Natal who made low-cost clothing for rural areas. The plan was flexible and he was working on these amendments, he said

Meanwhile, textile manufacturers said they were unhappy that levels of duty outside the quota were not high enough to act as a blocking mechanism and should be increased by about 20-25%

SA could be facing oil slick disaster

ARG 13/5/92

Shipping Reporter and The Argus Correspondent

THE oil contamination of the Natal coast could turn into a "national disaster" with the delicate eco-systems of Kosi Bay, Sodwana Bay and St Lucia threatened by more slicks.

Department of Environment Affairs spokesman Mr Neil du Bois said of the oil, thought to have spilled from the Greek tanker Katina P on its fateful voyage to Mozambique about a month ago "This is a national issue. There are so many variables "The possibility a huge part of the Natal coast could be badly damaged is not excluded."

Prevailing offshore winds were yesterday keeping thin slicks close inshore at the bay, but fears were that a change in wind direction could blow it ashore.

The first oil on northern beaches was noticed by Natal Parks Board rangers on Saturday A large slick was spotted further offshore

Dead sea-birds had begun washing up, according to reports, and scientists said the slicks could smother and kill sea life

The insurers of the sunken tanker have been called to Richard's Bay. The costs incurred during the clean-up and monitoring operation will have to be repaid to the South African authorities by the ship's owners and the insurers, Mr Du Bois said

He would not speculate on exactly how much this could be, but implied it could run into millions

Mr Du Bois said some patches offshore were between 40km and 20km long and between 10km and 2km wide.

The oil was hovering just outside Kosi Bay and Sodwana It had already begun gathering against containment booms and sandbanks blocking the mouth of ecologically-sensitive Kosi Bay

About 600m of boom was flown from Cape Town to Durban yesterday.

Some booms will be kept on stand-by to block the mouth of the St Lucia estuary in case the slick is blown that far south.

Mr Du Bois said the department was worried, although the situation yesterday afternoon was not described as serious

"The coastal ecology is not necessarily doomed," he said

Oil pollution control chief Mr Anton Moldan said from Richard's Bay that the slick was spread very thinly — "a few microns thick" — in a sheen on the sea's surface, with some patches of brown oil.

He said today the situation was "under control"

The SA Defence Force's Zulu 121 Battalion are standing by to scoop the oil.

Clothing firms seek talks with Keys

184

Business Editor

PRESSURE is mounting from clothing and textile companies for the Minister of Trade, Industries and Finance, Mr Derek Keys, to abandon new import quotas and duties.

Seeking a meeting with Mr Keys are the National Clothing Federation — representing 1 400 manufacturers employing 150 000 workers — and the Textile Wholesalers Association (TWA), whose members supply most of the country's garment manufacturers and boutiques.

TWA chairman Mr Munro Bloch says the new import plans will cause serious damage to hundreds of small and medium-size companies in the clothing and textile business.

CT 13/5/92

He claimed there was not full representation of all interested parties when the quotas and duties were negotiated.

Many manufacturers would not get import quotas and would have to pay duties of between 40 and 150 percent.

"How are we expected to remain in business, let alone grow, when we are allowed to import less than half of last year's needs at an affordable price in today's inflationary times?" Mr Munro asked.

Argus
Van

New tariff structures row

184

LINDA ENSOR

CAPE TOWN — Government should not allow separate representations on the new tariff structure by interest groups in the clothing and textile pipeline, the SA Clothing and Textile Workers' Union said yesterday.

The union, which was represented on the Hatty Committee and participated in drawing up a plan for the clothing and textile industries, said any review of the new tariff structure should be based only on the committee's representations. B/Day 14/5/92

The union called on all business groups including the National Clothing Federation, the Textile Federation and the Consultative Business Forum to support a meeting of the industry working group.

The union expressed concern at the recent attempts to discredit the work of the committee.

The only constructive way of dealing with the complaints was for employers, labour and government to meet to consider these representations, the union said.

It said the disagreements over the new tariff and quota system arose either out of misunderstanding, narrow sectional interests undermined by the proposals, or unfair prejudice suffered by particular businesses in the import of particular types of fabric.

B/Day 15/5/92

SAP 'trains terrorists'

THE Mozambican army has accused the SAP of training anti-government rebels.

Mozambique's AIM news agency reported yesterday that the army said "elements linked to the SA police" recruited young Mozambicans and trained them in terrorism.

A Foreign Affairs department spokesman could not comment.

B/Day 15/5/92

Duties 'threaten firms'

THERE was almost anarchy in the clothing industry because of the huge increase in duties on imported cloth, Cape Clothing Manufacturers' Association chairman Simon Jocum said in Cape Town yesterday.

Jocum said the near 50% increase in duties would result in large-scale retrenchment and many factories would close.

Postal services halted

POSTAL workers suspended services in Alexandra yesterday because of criminal attacks, Alexandra ANC branch secretary Obed Bapela said in a statement.

He said workers had complained to the ANC that their lives were in danger. B/Day 15/5/92

2,7-million jobless

THE number of unemployed people in Britain claiming benefits went up in April to 9,5% of the workforce or about 2,7-million people, the Employment Department said in London yesterday.

REPORTS, Political Staff, Sapa, Own Correspondent.

B/Day 15/5/92

R85-m flood of imports worries clothing industry

(184)

AMQ 15/5/92

Business Staff

DURBAN — A flood over the next six months of an estimated R85 million-worth of imported apparel at relatively low rates of duty is causing as much, if not more, consternation among clothing manufacturers than the latest restrictions on imports of fabric

Len Smart, executive head of the Natal Clothing Manufacturers Association (NCMA), said before an association meeting in Durban yesterday he believed retailers could take advantage of the introduction this month of the latest in a six-year series of controversial tariff plans for the textile and garment sector by buying in large quantities of clothing from abroad at rates of duty considerably lower than those applied under the formula duty structure scrapped last month

While this could be good for shoppers — or would be if retailers took the uncharacteristic step of passing on the savings they made from cheaper imports and lower tariffs — domestic producers of attire stand to lose more orders than poor demand already has caused.

Last night the NCMA held one more in an endless stream of meetings organised in the garment sector since government's May 1 gazetting of a new tariff and quota programme for clothing and textiles, based largely — but not entirely — on recommendations by an industry working committee chaired by Barlow Rand executive Paul Hatty

Apart from discussion of the latest proposals made at wage negotiations, the NCMA asked members to produce — or those who hadn't already done so — accurate calculations of the effect of the plan on their businesses

They also gave their support to a move by parent body the National Clothing Federation to have the plan suspended

At a meeting earlier in the week, the Board of Trade and Industry agreed to accept a document next week to be drawn up by the Consultative Business Forum, an association made up in the main of small and medium-sized Durban garment-makers, outlining changes it would like to see made

Mission: Impossible

FM 15|5|92

(184)

After six years of blunder, Pretoria should drop protection for textiles

The never-ending feud between the clothing and textile industries has now claimed its latest victim — Barlow Rand director Paul Hatty He tried hard but never had a chance His Hatty Committee proposals were published on May 1 and met such furious reaction that government has quickly backtracked Officials are now back at the drawing board trying to devise something new

Hopes were high last year when government named Hatty, chairman of the SA Chamber of Business's industrial policy committee, to head another committee to sort out finally the tariff tussle between the two sectors The clothing companies demanded low tariffs on imported textiles to cut input costs and sell more clothes The textile people warned that only high tariffs could save the R6bn-a-year industry and its 95 000 jobs

Government had been trying to sort out the conflict since 1986 First there was a two-year, 310-page study by the Board of Trade & Industry that resulted in an original bureaucratic solution the structural adjustment programme That fell apart just a year after both industries agreed to it, it turned out that textiles were even more uncompetitive than most people believed and were buckling under the pressure of mild tariff adjustments, while clothing prospered

Ad hoc remedies followed, then ad hoc chaos So, when government finally turned to the private sector to straighten out the mess, the feeling was that the answer was now just a few committee meetings away Hatty threw himself into what turned out to be a five-month effort and two weeks ago his recommendations were gazetted Within a week, they were filling the same rubbish bin

continued on p32

contin-b.

continued from p29

as that 310-page board study

The vitriol has come from nearly every quarter Hundreds of small clothing manufacturers say they would be put out of business by the 70% tariffs (up from 20%) on textiles outside a quota they claim only the big companies would get Retailers of low-cost clothing say there would no longer be any such thing as low-cost clothing Economists see a huge burden for consumers and a big loss of jobs Textile companies complain that some of the duties are not high enough

The low point for Hatty came last week when he went to Durban for a meeting of the Consultative Business Forum, which was formed to fight his recommendations on behalf of Natal small clothing manufacturers and traders and had threatened to block the proposals in court Hatty was subjected to a stream of abuse

Though everyone agrees Hatty's recommendations will not survive, they're now in effect and wreaking all the economic havoc their detractors said they would

What went wrong? Nothing really, because the task was doomed from the start The board now says it will quickly revise the recommendations — but this attempt is also doomed

Board deputy chairman Helgaard Muller unwittingly summed up the hopelessness of its quest when he said there was a need to find strategies to make the clothing and textile industries financially viable without resorting to high tariffs That is clearly impossible Without high tariffs, the mammoth textile industry will wither to just a few niche markets and jobs will be lost With high tariffs, the clothing industry will sell far fewer clothes here and abroad, jobs will be lost and many more will not be created

The textile industry, sheltered by government for decades, is frantic at the thought of ever losing its patron Says Frame Group executive chairman Mervyn King "SA cannot afford to ditch a R6bn-a-year industry Our role as a major job-creator means that massive economic damage would be sustained if we were forced to close"

But, contrary to the claims by Frame and other textile companies, more jobs will be saved in the long run if government sides with clothing and gives it the lower textile tariffs it wants The thrust of government policy since the start of this debacle six years ago, however, has been to protect — or minimise the damage to — textile companies

SA is not the first country to fall into this trap It's always easier politically to save thousands of jobs concentrated in one high-profile industry — even if it's a dying one — than it is to save thousands more jobs scattered throughout the economy plus those that could be created Protectionism is always done in the name of saving jobs but countries with the lowest tariff walls have the lowest unemployment rates — Hong Kong and Switzerland, with almost no tariffs, are two shining examples Protectionism

Committee man Hatty
shouted down by the traders

saves highly visible jobs by rescuing a dead-end industry But it costs consumers more, lessens the efficiency of the economy and in the end many more less visible jobs are lost

This is what's happening in the clothing industry National Clothing Federation executive director Hennie van Zyl says the industry has lost 16 000 of its 160 000 jobs since October 1989, largely because of higher tariffs on textiles put in place temporarily until the entire issue is resolved He says that if all tariffs and surcharges on textiles were eliminated, his industry would create far more jobs than would ever be lost in textiles "We cannot become globally competitive while hiding behind high tariff walls"

To take the example a step further, textiles might lose fewer jobs — or even gain jobs — if the protection for the cotton farmers ended and cotton could be imported at low world prices Hatty originally recommended that local cotton production should be subsidised to give textile companies the advantage of low-cost cotton This was rejected by Trade & Industry Minister Derek Keys as too costly

For a country that got its textile-clothing pipeline right, look no further than Mauritius Says Wits economist Frank Vorhies "Mauritius is an excellent example of a country that developed its comparative advantage — labour — by dropping all tariffs on wool imports and becoming a major player in the export of quality wool garments SA should follow suit"

Says business consultant and consumer writer Don Caldwell "The end-consumer is the most important segment of any production pipeline — but his interests seem to count for little We should accept cheaply priced exports to SA — such as textile fibres — as a gift"

This goes to the heart of the protectionists' argument King and other textile chiefs say other countries dump textiles on SA through subsidies or by selling them at below cost The counter argument is So what? Cheap imported textiles, or cotton for that matter, will make clothing more competitive And clothing, as the higher value-added industry, will create the most jobs

So, instead of endless structural adjustment programmes and Hatty committees, the answer to the textile-clothing dilemma is simple — phase out cotton, textile and, yes, clothing tariffs over five years 20% a year starting a year from now until the imports arrive duty-free Case closed, no more special pleadings, no more whingeing MDs Even radical free marketeers agree that an immediate end to tariffs is unfair — it would change without warning the rules companies have lived under and it sacrifices firms that might survive with an adequate adjustment period But a longer period just drags out the inevitable and allows more time for government's resolve to weaken

Government has not yet arrived at this answer and there is no guarantee that the additional weeks of soul-searching for the Board of Trade to review the Hatty report will do the trick But the vociferous lobbies lined up in support of freer trade must eventually lead government to the obvious conclusion — that one of the two industries has to give and it's likely to be textiles

Has the Hatty fiasco been a total loss? Despite the worthlessness of the recommendations, the answer is no

First, the saga has galvanised and united a wide range of groups — from the International Freedom Foundation to the unions — in support of freer trade The ANC wrote to Keys urging that the clothing tariffs should be reduced and the quotas dropped

South Africans have long been complacent over how high tariffs and myriad regulations drive up prices — they meekly pay R1 000 for a dress that costs R200 elsewhere, or R100 000 for a car that should cost R50 000 But this controversy, along with the recent protests over high food prices, and other episodes, is finally waking up consumers and could put tariff reduction and deregulation firmly on the national front burner

And second, the saga clearly shows up the fallacy of believing that a detailed industrial policy — *a la* South Korea or Japan — could be the solution to SA's economic problems In this case, government's goal was modest — just two industries, clothing and textiles It picked a veteran industrialist with experience in the field, and gave him the time and resources to do the job

But no matter how much Hatty consulted the different players, there were always some left out His experience in the field left him accused of a conflict of interest Every tariff level he recommended was always too low or too high For every winner in his proposals, there was a loser And he had no authoritarian government behind him — like South Korea's — to make the quarrelling companies, consumers and workers toe the line

Six years ago government should have left the whole thing up to the market Deciding how big each industry should be, how much clothes and textiles should cost, and how many jobs should be saved or sacrificed was never its job ■

Cutrite blots longstanding growth record

B Day 15/5/92

(184)

MARCIA KLEIN

CLOTHING manufacturer Cutrite Investments' marginal reduction in earnings in the year to end-February brings to an end its longstanding growth record

The company reported earnings of 18,1c a share for the year, compared with 18,4c the previous year

After declaring a final dividend of 4c a share, the full year dividend was maintained at 7c a share in line with Cutrite's practice of covering dividends about 2,5 times by earnings.

At the August interim stage, earnings were 16% up on the previous year and MD Peter Edel expected earnings in the second half to grow at the same rate as in the first.

However, turnover growth, which was 15% at the interim stage, was restricted to 5% for the full year to R47,2m (R44,9m) Edel said this was the result of difficult trading conditions and a decline in consumer spending and economic confidence

Operating income was reduced by 6% to R6,7m, and after a reduction in finance costs from R1,1m to R957 000, and lower taxation, attributable income was down marginally to R3m

Financial director Hymie Feinberg said results were satisfactory considering the decline in consumer demand and in political and economic factors.

Edel said although the group's products continued to be in demand, it was difficult "to make a sensible prediction of the group's future prospects" Unless economic factors improved, there was "a real possibility the group may not be able to maintain existing levels of profitability"

(184)

18/5/92

Govt unlikely to suspend tariff structure for ailing textile industry

BDay 18/5/92 (184)

LINDA ENSOR

THE clothing and textile industries, teetering on the brink of a blow-up over new tariffs, will have to bury their hopes of a suspension of the controversial duty and quota structure promulgated on May 1.

The howls of protest, threats of court action and cries of imminent bankruptcies and retrenchments are not likely to find a receptive ear from officialdom.

This became clear in Trade and Industry Minister Derek Keys' budget vote speech on Friday when he suggested that while the authorities would welcome representations on the level of duties, the structure would remain pending the finalisation of a long-term strategy.

Previously, Keys indicated his willingness to amend the tariff duties.

"I must make it clear to the groups and individuals who have protested against the interim measures that at the time of the original announcement we explicitly drew attention to the fact that we expected representations seeing that a small task group could not be fully representative and that we had a general attitude of flexibility as far as improvements were concerned."

The immediate solution, Keys said, was to establish a group fully representative of the clothing and textile industries to work out a long-term strategy. In the meantime damage control measures were necessary to stem the losses of currency and jobs.

Keys singled out the valuable contribution made by SA Clothing and Textile Workers' Union general sectary Ebrahim Patel, a member of the Hatty Committee which drew up the original draft proposals.

Last week the union called on government to ignore the separate representations by different interest groups in the clothing and textile industries and said any review of the tariff structure should be based on the committee's representations.

The statement said protests against the new measures arose either out of misunderstanding, narrow sectional interests, or unfair prejudice suffered by particular businesses in the import of fabric types.

The National Clothing Federation (NCF), the Consultative Business Forum, the Textile Wholesalers' Association and the Cape Clothing Manufacturers' Association are among those who have called for a suspension of the new measures.

The informal sector and small manufacturers which bought large amounts of imported fabric were identified as being particularly vulnerable to the high level of duties imposed on imports outside the quota system as they would not be eligible for quota. The NCF has calculated that an average duty of 80% would be imposed on textiles imported outside the quota.

The Board of Trade and Industry has given the industry six weeks to submit representations pending a review of the duties.

Textile workers are retrenched

(184)

W/Mail 3/1-9/1/92

By FERIAL HAFFAJEE

A NASTY Christmas present awaited many clothing and textile workers.

Over the holiday period, 7 000 workers in Natal and almost three hundred in Cape Town were retrenched

The recession has bitten deep in the clothing and textile industry with more than 10 000 jobs lost in the past year alone. And with economists predicting that the recession will not ease until at least the second quarter of this year, unionists are worried that more jobs could be lost in the new year.

South African Clothing and Textile Workers' Union (Sactwu) representative Elias Banda said three big companies in Durban had informed the union that they would close at the end of the year.

At Scotford Mills, the biggest employer in Ladysmith, more than 2 000 workers lost their jobs. And at the Frame Group, 900 workers lost their jobs, while the closure of Hebox in Hammardale, near Maritzburg made a further 1 000 workers redundant. A thousand shoe factory workers were also retrenched when factories closed for Christmas, according to Sactwu.

The giant Kingsgate Clothing company in Durban shed 600 workers to deal with the sharp drop in clothing sales, said company representative Bobby Logue

Banda also said that many Natal workers will lose their jobs through cost-cutting measures in QwaQwa and border industries on the Natal North Coast.

In the Western Cape, one of the region's major employers, Rex Trueform, announced plans to shut down two plants in Atlantis and Wynberg near Cape Town

Rex Trueform betters margins

B/Day 6/1/92

WILLIAM GILFILLAN

IMPROVED margins were being achieved at Rex Trueform's factories as a result of the growth of its retail division, Queenspark.

In his chairman's review of African & Overseas Enterprises (AOE) — the holding company of Rex Trueform — Stewart Shub said that the Queenspark division was providing an improved distribution channel for the clothing company. Better margins and a more reliable production flow were being achieved by the factories through this. (184)

The 5% growth in turnover at Rex Trueform, AOE's principal operating subsidiary, was supported by an increase in exports "and substantially increased turnover in the Queenspark division".

He believed the 21% growth in export trade was due to improved international acceptance of SA and encouragement by government to promote exports.

He was thus alarmed by the Board of Trade and Industry's new development plan for the textile and clothing industries, proposing reduced export incentives for clothing manufacturers.

On the group's outlook, he said the continuing decline in local consumer spending meant it was not possible to forecast improved profits for the current year. But, provided the existing export incentive programme remained fully in place, the results would be ameliorated to some degree by export prospects.

Freeman & Marks stops trading

(184)

By Roy Cokayne

STAR 7/1/92

Clothing chain Freeman & Marks (Pty) Ltd, which has 28 stores largely on the Reef, has been placed under voluntary provisional liquidation.

Buyer Mr Nicholas Nicolau said the company, established 14 years ago, had filed for provisional liquidation because trading from September had been very disappointing.

"As yet the company is not insolvent but we are anticipating another eight months of poor sales and decided to close now and see what we can sort out with our creditors rather than get into more difficulty," he said

Paper industry probe also complete

Competition Board may kill Arwa deal

B Day 8/1/92

(184)

JABULANI SIKHAKHANE

THE deal which saw FSI take over Arwa Hosiery in 1990 could be in jeopardy following the release of a Competition Board report within the next month.

Board chairman Pierre Brooks said yesterday the board had completed its investigation of the FSI takeover which gave the conglomerate's subsidiary, Burhose, a 99% share of the pantihose market

"A report is expected within the next month," Brooks said.

"Depending on the findings of the board and whether its recommendations are approved by the Minister of Economic Affairs and Public Enterprises, it could lead to the FSI/Arwa deal being declared unlawful or left as it was with certain conditions attached to it," he said.

Should the deal be declared unlawful, FSI would be forced to dispose of the Arwa business, Brooks said.

The probe into the FSI/Arwa deal has been on-off and then on again since 1990 when the deal was first proposed. In the first instance, when the Competition Board announced an investigation into the deal, FSI withdrew its offer for Arwa.

But after the board's preliminary investigations and an announcement in February last year that it would not launch a full-scale probe, the deal was resuscitated.

At the time the board reasoned that Arwa was in dire financial straits and the sale of its various divisions was necessary if the hosiery maker was to avoid liquidation. Brooks said that after the acquisition had been completed, several new factors emerged which necessitated a full-scale investigation

One was the discrepancy in the price that FSI was prepared to pay for the acquisition of Arwa Hosiery and what other interested parties were willing to offer. Secondly, it transpired that FSI was in the second instance paying less than the original offer

FSI's initial offer was pitched at R25m. But last February it was announced that the purchase price would be determined only after an audit of the net asset value of the Arwa Hosiery business and that the ceiling price would be R27m.

It is understood that the actual price paid for Arwa by Burhose was closer to half that amount.

Yesterday Brooks said that, after FSI's takeover of Arwa, the board received complaints from retailers that pantihose prices had gone up and that their original contracts with Arwa had been changed. They also complained that FSI's Burhose effectively monopolised SA's pantihose market.

Approached for comment yesterday afternoon, FSI chairman Jeff Liebesman would only say: "It would be premature to comment because I don't know the board's recommendations."

□ The board had also completed its investigation of the paper industry Brooks said the board's report had been approved by the Minister and should be released soon. He added that the release of the report had been delayed by the fact that some of the

□ To Page 2

Arwa

B Day 8/1/92 (184)

□ From Page 1

industry participants who made submissions to the board were private companies

"The information regarding the balance sheets and profitability of private companies is confidential"

The board would probably issue only a resumé of the report, he said The thrust of the board's investigation was to determine whether any restrictive practices existed in firms which made paper or paper products, including packaging materials The investigation looked at the extent, pattern and implications of price increases, as well as international prices and the relationship, if any, between the two

PALS HOLDINGS FM 10/1/92

Sales still rising

(184)

Activities: *Manufactures men's trousers, suits, jackets and shirts.*
Control: *Directors 58,5%.*
Chairman: *S R Kagan, MD· H Noik*
Capital structure: *10m ords Market capitalisation R2,5m*
Share market: *Price, 25c Yields· 13,2% on dividend, 28,4% on earnings; p e ratio, 3,5, cover, 2,1 12-month high, 28c; low, 24c*
Trading volume last quarter, 75 600 shares

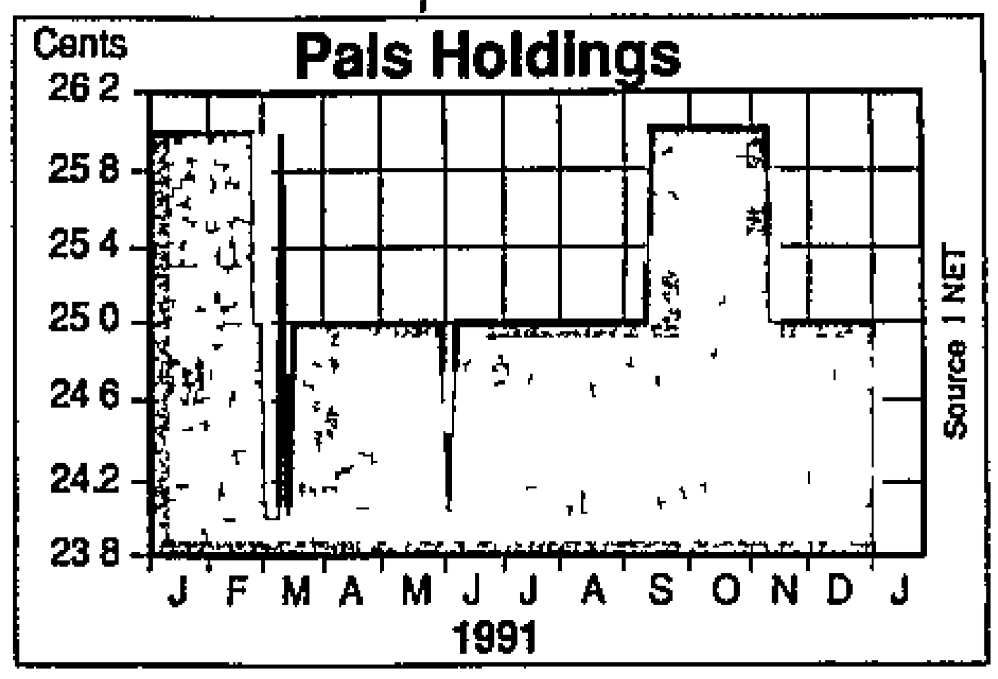
Year to June 30	'88	'89	'90	'91
ST debt (Rm)	0,5	0,6	1,9	0,7
LT debt (Rm)	0,3	0,4	0,5	0,5
Debt equity ratio	0,14	0,3	0,5	0,2
Shareholders' interest	0,6	0,5	0,5	0,5
Int & leasing cover	11,2	5,1	2,6	2,7
Return on cap (%)	21	15	15	16
Pre-int profit (Rm)	1,2	1 2	1,5	1,7
Earnings (c)	8,1	9,2	7,9	7,1
Dividends (c)	1,4	3,4	3,0	3,3
Net worth (c)	32	37	48	52

Considering the poor trading conditions in the retail sector, the group did well to increase turnover by 23% in the 1991 year. On the other hand, margins were tightly squeezed and earnings fell

Turnover remains undisclosed; investors are favoured only with the percentage change, which limits the scope for meaningful analysis and does little for investor perceptions of the share But it has been notable that since the listing in 1987, the group has concentrated on expanding its turnover base

Despite the buoyant sales for the full-year, there was a decline of 6% in the second half. Joint MD Harold Noik says the benefit of sale orders already negotiated should be seen this year and exports of trousers — mainly to the UK — are expected to account for 35%

FM 10/1/92 (184)



of turnover He adds that Pals is "well positioned" to meet further global marketing requirements and since year-end turnover has shown growth of 30%

Another factor that contributed to the drop in earnings was the doubling in the tax rate, to 34,4% (1990.17%) Tax losses were exhausted and fewer allowances were available

Chairman Selwyn Kagan attributes the marginal growth in pre-tax income to higher finance costs and inflation But, given the past year's performance and the halving of bank borrowings, these factors may be overstated.

The balance sheet has strengthened significantly, but the recent earnings performance and the fact that current assets are still only 1,8 times current liabilities, suggest that even if profitability recovers this year (which is no certainty), the dividend policy will remain conservative.

The factory will be moved to larger premises in April 1992, with more efficient conveyor systems, but Noik declines to disclose the total cost involved. He simply says no short-term benefits will be derived from this capex, which was aimed primarily at catering better for customer needs rather than ex-

continue

FM 10/1/92 (184)

panding capacity — though capacity will be increased by 10%. Kagan notes that staff did not have to be retrenched during the year and employees had to work overtime

At 3,5, the earnings multiple on the 25c share price compares with the clothing and textile sector average of 3,9. Net worth has continued to increase and stands at more than double the share price. Pals could recover in an upturn but it is, nevertheless, difficult to recommend with much enthusiasm at this stage.

Basil Barber

Big plan to boost rag trade unveiled

184

ARG 16/1/92

VUYO BAVUMA
Staff Reporter

A WATERSHED plan aimed at creating 30 000 jobs and preventing the loss of at least 12 000 in the clothing and textile industries has been unveiled by senior industrialists and a labour representative

The scheme — the brainchild of union representatives, cotton farmers, manufacturers and retailers — is seen as an important factor that could resuscitate the ailing economic situation affecting clothing and textiles

Yesterday Mr Paul Hatty, chairman of the Textile and Clothing Industry Working Group, disclosed details of the plan, which he said had been handed to the government 10 days ago

He said the plan represented a new working relationship between different elements within the industries

It also reconciled elements that used to be antagonistic towards each other

One of the two main elements of the plan was a two-year transitional scheme aimed at stabilising the textile and clothing industries by, among other things, controlling disruptive imports, promoting greater exports of South African textiles and stimulating the expansion of South African production of cotton as an input to the textile industry pipeline

A long-term strategy was to finalise a programme by March next year, aimed at making the industry internationally competitive, he said

Mr Hatty said the industries' problems were caused by the severe recession in the economy and the disruptive surge of imports of textiles and clothing from the East

"The transitional plan seeks to limit the negative impact of these imports by a tariff quota system This seeks to permit imports at current rates of duties in quantities agreed between the various sectors of the industry," he said

"The plan also calls for assistance at spinner level relating to cotton and yarn This is to encourage the growth and spinning of South African cotton

"This is expected to create 27 000 new jobs on cotton farms and a further 2 500 at spinning plants The plan will also prevent the loss of 12 000 jobs," said Mr Hatty

It was expected that the plan would be implemented by April 1

Mr Mervyn King of Frametex, who represented the textile industry, said the appointment of Gencor chairman Mr Derek Keys into the Cabinet was a positive move but he believed "the weight of unanimity of the compilers of the plan is decisive for its acceptance".

The Cabinet would study the plan, which was presented as a total package, on January 20, he said

Spokesman for the South African Clothing and Textile Workers Union Mr Ebrahim Patel said the project was "consistent with calls by Cosatu and other parliamantary groupings for greater consultation on economic issues"

Clothing and textile accord a milestone for industrial policy

(184)

LINDA ENSOR

BDay 17/1/92.

IN 10 short days, clothing and textile manufacturers, cotton farmers and worker representives achieved a consensus on a job-creating growth strategy In doing so they have perhaps established a precedent for the future formulation of industrial policy in SA by the players themselves

Negotiations were held under the chairmanship of Barlow Rand special projects consultant Paul Hatty whose guidance — described by participants as balanced and unbiased — helped wrest compromises from the traditional warring parties in the textile and clothing industries

Another participant, SA Clothing and Textile Workers' Union (Sactwu) assistant general secretary Ebrahim Patel, who has also been singled out for his constructive role in mediating conflicts between the two industries, agrees with the view that the agreement represented a watershed

We see the process in which employers and labour got together to shape the future as complementing the efforts being taken at the macro-economic level and as being consistent with calls by Cosatu for greater consultation and negotiation between capital and labour," he says

The outcome, Hatty says, is not ideal to any of the players, but provides a workable solution which addresses each of their complaints No dissenting voices are likely in future, as all were involved and have agreed to the proposals.

The clothing industry, proud of the strides it has made in increasing exports under the structural adjustment programme, was insistent that the programme not be tampered with The textile industry, crippled by imports, was equally adamant that the levels of imports allowed under the programme should be curbed The development plan devised by the Board of Trade and Industry (BTI) was rejected by all parties

In terms of the working group's two-year transitional plan, the programme should be kept in place, but a tariff quota system would limit the total quantity of textile imports allowed. Permits would be allowed at current rates of duty in quantities agreed upon and imports above these quantities would be allowed only at higher duty levels The permits would have a rebate of the proposed higher duty to bring them back to the present duty

"The tariff quota has been constructed so that it limits imports in relation to where they were in 1989 — the last year before the penetration of imports under the structural adjustment programme — and in relation to the amount of throughput in the industry pipeline," says Hatty

"If there is more production in the local industry there will be more import permits available and obviously the converse is also true.

"In addition, the programme is such that as the exports grow so the amount that can be imported duty-free in terms of the programme grows. This has been retained as part of the total quota system so that as exports grow the amount available on the normal import quota would drop and more would be imported under the structural adjustment programme import quotas"

One of the advantages of the scheme, Hatty says, is that it has a release valve Those who do not have sufficient quota for their requirements could either purchase a permit, produce more locally or import outside the permit at a much higher duty level

Hatty gave details of the proposals at a news conference this week attended by industry leaders — National Clothing Federation president and Seardel group executive chairman Aaron Searll, Frame

□ HATTY

chairman Mervyn King, Edgars group MD George Beeton and Patel.

He says the quota permits would be allocated in terms of a complicated formula to specific sectors within the various industries as well as to companies within these sectors The aim would be to avoid concentration of the use of permits in areas of vulnerability in particular sectors An innovative proposal is for the permits to be tradeable.

A private sector secretariat would control the quota system — which Hatty concedes has been criticised as being an "administrative nightmare" — with the BTI acting merely to endorse the issue of permits The secretariat, seen as a step towards industry self-management, would manage the trading in permits and have a sufficient close-hand knowledge of the industry to be able to monitor abuses of the quota system.

The working group has also decided to set up a committee to draw up a long-term strategy by March 1993 to enable the clothing and textile industries to become more competitive, to become world players and employ more workers

"There is a general feeling that the clothing and textile pipeline, from the production of cotton to the manufacture of clothing, can make a significant contribution to economic growth if developed in terms of a growth plan," Hatty says

Labour is to participate in this planning process, Patel says, as there would be an industrial relations component to the long-term plan. Matters such as wage restraint and the curtailment of strikes would have to be examined

The success of the long-term plan would, however, require an expansion of the local cotton industry and the working group proposes, as part of the short-term plan, that government provide input cost assistance for spinners to stimulate cotton farming Hatty estimates the cost of this assistance would be about R35m annually The stimulation of the cotton industry would see the creation of 27 000 new jobs on cotton farms and a further 2 500 at spinning plants, he estimates

"One of the problems with the structure of cotton production in SA is that the price farmers are being paid for their seed cotton is not sufficient for them to grow cotton Another problem is that the world price of cotton is much lower than the production cost of locally produced cotton

"We feel it is necessary to get cotton lint into the textile production process at an internationally competitive price"

One of the concerns confronted by the committee was the effect of the proposals on prices Hatty emphasises that the plan was put together "recognising the essential need to contain price increases and to limit the impact on the consumer The textile and clothing industries are to improve their position by increased volumes and not by way of price increases"

Searll says he does not believe the plan would result in price increases and would, in fact, contain increases

Retailing representative Beeton says the whole exercise was to contain costs, and whenever the various elements of the formula were discussed they were evaluated in terms of the end price. "We were keen to ensure that local consumers did not bear the cost of the industry achieving international price competitiveness, and I think we have been reasonably successful in that"

King points to the beneficial effects on prices which would be achieved if the volumes of the highly capitalised textile industry were increased The industry is currently operating at only 70% capacity, he says. Patel adds that cost increases in the textile industry would be contained as tariffs would be fixed at their current low level, acting as a stimulant to competition in the local industry

The participants in the working group, which represents industries with a combined gross turnover of about R11bn, are confident that its proposals will be accepted by government, if only because of the sheer weight of the unanimity achieved in the unique planning exercise

LABOUR: *Unions and employers pull together ...*

(184)

Textile industry sews up new restructuring deal

W/Mail 17/1 - 23/1/92

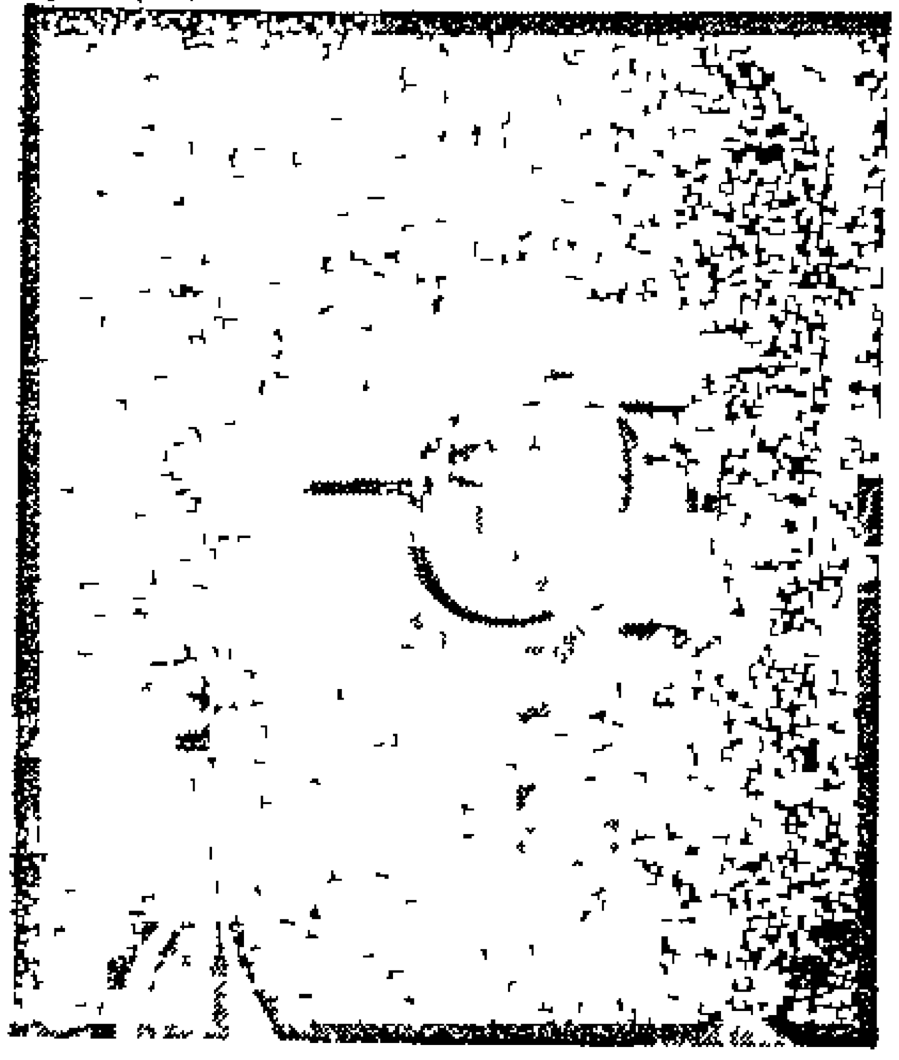
(154)

A ground-breaking deal to restructure the ailing textile and clothing sectors also heals rifts among employers, reports **DREW FORREST**

IN A decisive step towards industrial co-determination, employers and organised labour have clinched a deal aimed at securing growth and stemming job cuts in the recession-hit clothing and textile sectors

The plan — South Africa's first industrial restructuring agreement involving labour — will now go to cabinet for a decision. Trade and Industry Minister Org Marais is known to favour the agreed approach

"We see it as the first step in securing a role for the union movement in macro-economic decision-making It complements the Congress of South African Trade Unions' demand for a role in broader economic restructuring," said South African Clothing and Textile Workers' Union (Sactwu) assistant general secretary Ebrahim Patel



Ebrahim Patel

Agreed in the "working group" on clothing and textiles set up to advise the government last year, the plan entails an initial, transitional phase which seeks to limit the damaging effect of cheap textile and clothing imports, largely from the East, by means of a tariff quota system.

This would permit imports at current rates of duty in quantities agreed by the various sectors, with imports above the agreed quantities being permitted at higher duties

In phase two, the industry will formulate a long-term growth plan to make it more competitive internationally and a larger employer.

From agriculture through to retailing, the industry "pipeline" employs some 500 000 workers — although it has shed 20 000 in the past 18 months The intention is to stem the loss of a further 12 000 and create 30 000 new jobs

Agreed by Sactwu and employers in the cotton-growing, spinning, knitting, textile and furniture industries, as well as clothing retailers, the agreement has healed an ancient breach in employer ranks

Textile and clothing employers have been at odds for years over tariff protection. It is understood that Sactwu played a constructive role in bringing together these historic antagonists.

Cosatu and employers will next week resume talks on the creation of a macro-economic negotiating forum, but the Sactwu deal bears out predictions that progress towards joint policy-making is likely to be most rapid at industry level

Restructuring talks in some form are also under way in the metal, motor assembly and mining industries.

inbegrip van 'n peiling van die gemeenskap se persepsie van die effektiwiteit van bestaande vorme van straf

* Die gemeenskapsinspraak en individuele belange by strafoplegging, onder andere vergoeding van slagoffers
* Voorvonnisprosedures, veral met betrekking tot jeugdige oortreders
* Opleiding van voorsittende beamptes, onder andere inligting oor strafoplegging, die kurrikula van regsfakulteite, 'n permanente eenheid vir navorsing oor strafoplegging en empiriese werk oor strafoplegging
* Die huidige effektiwiteit en toekomstige wenslikheid van die verkorting en verlenging van aanhouding deur die uitvoerende gesag
* Voorkomende optredes ten einde misdaad te bekamp
* Dekriminalisasie en depenalisasie van geringe misdade en nuwe vorms van straf

Die Kommissie ontvang graag voor 28 Februarie 1992 gemotiveerde skriftelike voorstelle vir die ontwikkeling, verbetering, modernisering of hervorming van die fasette van die reg

Die Kommissie se kantore is op die Agste Verdieping, NG Kerk Sinodale Sentrum, Visagiestraat 228, Pretoria Korrespondensie moet asseblief gerig word aan

Die Sekretaris
Suid-Afrikaanse Regskommissie
Privaatsak X668
0001 PRETORIA

Telefoon (012) 322-6440 (Mev. Kruger)

(17 Januarie 1992)

KENNISGEWING 51 VAN 1992

RAAD VAN HANDEL EN NYWERHEID

ONDERSOEK NA DIE BEWEERDE DUMPING VAN GEBREIDE TRUIE EN AKRIEL- OF MODAKRIELVESELS INGEVOER UIT OF AFKOMSTIG VAN DIE REPUBLIEK VAN SJINA EN KOREA

Die Raad van Handel en Nywerheid het 'n klag van die South African Worsted Spinners en Garment Knitters Association, Posbus 78416, Sandton, 2146, aanvaar waarin beweer word dat gebreide truie van akriel- of modakrielvesels indeelbaar by tariefsubpos 6110 30 20 vanuit die Republiek van Sjina en Korea op die Suid-Afrikaanse mark gedump word, waardeur wesenlike skade aan die Suid-Afrikaanse nywerheid berokken word of dreig om berokken te word

Die Raad van Handel en Nywerheid het besluit om invoer van die betrokke produk by tariefsubposte 6002 93 90 en 6117 90 90 ook by die ondersoek in te sluit aangesien die produk in halfvervaardigde vorm verkeerdelik by hierdie subposte geklaar word

Ten einde die Raad van Handel en Nywerheid behulpsaam te wees met sy ondersoek na die oplegging van antidumpingregte op die betrokke produkte afkomstig van die Republiek van Sjina en Korea, word belanghebbende instansies versoek om binne 21 dae

offenders, including establishing the community's perceptions of the effectiveness of existing forms of punishment.

* The community's participation and individual interests in sentencing, *inter alia* compensation for victims
* Pre-sentencing procedures, with special reference to juvenile offenders
* Training of presiding officers, *inter alia* information on sentencing, the curricula of law faculties, a standing research unit on penology and empirical work on penology
* The present effectiveness and future desirability of shortening and extension of detention by the executive.
* Preventive measures to combat crime
* Decriminalisation and depenalisation of petty offences and new forms of sentencing

The Commission would like to receive, before 28 February 1992 reasoned suggestions in writing for the development, improvement, modernisation and reform of these facets of the law

The Commission's offices are on the Eighth Floor, NG Kerk Sinodale Sentrum, 228 Visagie Street, Pretoria Correspondence should be addressed to:

The Secretary
South African Law Commission
Private Bag X668
0001 PRETORIA

Telephone (012) 322-6440 (Mrs Kruger)

(17 January 1992)

NOTICE 51 OF 1992 184

BOARD OF TRADE AND INDUSTRY

INVESTIGATION INTO THE ALLEGED DUMPING OF KNITTED JERSEYS OF ACRYLIC OR MODACRYLIC FIBRE IMPORTED FROM OR ORIGINATING IN THE REPUBLIC OF CHINA AND KOREA

The Board of Trade and Industry has accepted a complaint by the South African Worsted Spinners and Garment Knitters Association, P O Box 78416, Sandton, 2146, Alleging that knitted jerseys of acrylic or modacrylic fibres, classifiable under tariff subheading 6110 30 20, originating in the Republic of China and Korea are being dumped on the South African market resulting in material injury or threatened material injury to the South African industry

The Board of Trade and Industry decided to include imports of knitted jerseys of acrylic or modacrylic fibres, imported under tariff subheadings 6002 93 90 and 6117 90 90 in this investigation owing to the fact that the product in semi-finished form may be incorrected cleared under these subheadings

In order to assist the Board of Trade and Industry in its investigation into the imposition of anti-dumping duties on the products concerned, originating in the Republic of China and Korea, interested parties are invited to send written representations, comments or vanaf die publikasie van hierdie kennisgewing skriftelik vertoe, kommentaar of inligting in dié verband te te rig aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001 Vertroulike inligting moet duidelik as sodanige gemerk wees.

Belanghebbendes moet daarmee rekening hou dat die Raad sy bevinding baseer op die beste beskikbare inligting ingewin met betrekking tot die volgende·

(a) Kan die invoer vanuit die betrokke lande ingevolge artikel 56 (2) van die Doane- en Aksynswet, 1964, as dumping geag word;

(b) ondervind die betrokke nywerheid wesenlik skade of bestaan daar 'n wesenlike bedreiging van skade as gevolg van die dumping; en

(c) is dit in die openbare belang om antidumpingregte op die betrokke invoer op te lê?

Sou bevind word dat optrede teen dumping ingevolge artikel 56 van die Doeane- en Aksynswet, 1964, geregverdig is, kan antidumpingregte met terugwerkende krag tot die datum van publikasie van hierdie kennisgewing ingestel word.

Navrae moet gerig word aan mej. E Wolfaardt by telefoon (012) 322-8244 x255.

[RHN-verw T5/2/11/8/1 (910428)]

(17 Januarie 1992)

KENNISGEWING 52 VAN 1992

DOEANE- EN AKSYNSTARIEFAANSOEKE LYS 1/92

Onderstaande aansoeke betreffende die Doeane-en Aksynstarief is deur die Raad van Handel en Nywerheid ontvang Enige beswaar teen of kommentaar op hierdie vertoe moet binne ses weke na die datum van hierdie kennisgewing aan die Voorsitter, Raad van Handel en Nywerheid, Privaat Sak X753, Pretoria, 0001, gerig word. Die aandag word daarop gevestig dat die skale van reg wat in die aansoeke genoem word, dié is wat deur die applikante aangevra is en dat die Raad, afhangende van sy bevindinge, hoer of laer skale van reg mag aanbeveel.

Verhoging van die reg op:

Landboutoerusting van 'n soort ontwerp om deur diere getrek te word deur die bestaande voorsienings by tariefsubposte 8432.10.10, 8432.29 10, 8432 29.20 en 8432 30.10 te vervang deur die volgende.

Subpos	*Artikelbeskrywing*	*Skaal van Reg*
8432 10 10	Ploee van 'n soort ontwerp om deur diere getrek te word	6 000c elk
8432 29 10	Êe van 'n soort onwerp om deur diere getrek te word	600c elk
20	Korsbrekers, skoffelploeë, skoffelaars en skoffels, van 'n soort ontwerp om deur diere getrek te word	6 000c elk
8432 30 10	Planters en verplanters van 'n soort ontwerp om deur diere getrek te word	13 500c elk

[RHN-verw. T5/2/16/2/1 (910351) (mev. I Metz)]

information in this ragard to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within 21 days of the date of publication of this notice. Confidential information should be clearly marked as such (184)

Interested parties must bear in mind that the Board's findings will be based on the best available information obtained in respect of the following·

(a) Can the imports from the countries concerned be regarded as dumping in terms of section 56 (2) of the Customs and Excise Act, 1964;

(b) does the industry concerned experience material injury or threatened material injury owing to the dumping; and

(c) is it in the public interest to impose anti-dumping duties on the imports concerned?

Should it be estabished that action against dumping is justified in terms of section 56 of the Customs and Excise Act, 1964, is justified anti-dumping duties may be implemented with retrospective effect from the date of the publication of this notice.

Enquiries should be directed to Miss E. Wolfaardt at Telephone (012) 322-8244 x255.

[BTI Ref. T5/2/11/8/1 (910428)])

(17 January 1992)

NOTICE 52 OF 1992

CUSTOMS AND EXCISE TARIFF APPLICATIONS: LIST 1/92

The following applications concerning the Customs and Excise Tariff have been received by the Board of Trade and Industry. Any objections to or comments on these representations must be submitted to the Chairman, Board of Trade and Industry, Private Bag X753, Pretoria, 0001, within six weeks of the date of this notice. Attention is drawn to the fact that the rates of duty mentioned in the applications are those requested by the applicants and that the Board may, depending on its findings, recommend lower or higher rates of duty.

Increase in the duty on:

Agricultural equipment of a kind designed to be drawn by animals by the substitution for the existing provisions under tariff subheadings 8432 10.10, 8432 29.10, 8432 29.20 and 8432.30.10 of the following·

Subheading	*Article Description*	*Rate of Duty*
8432 10 10	Ploughs of a kind designed to be drawn by animals	6 000c each
8432 29 10	Harrows of a kind designed to be drawn by animals	600c each
20	Scanfiers, cultivators, weeders and hoes, of a kind designed to be drawn by animals	6 000c each
8432 30 10	Seeders, planters and transplanters of a kind designed to be drawn by animals	13 500c each

[BTI Ref. T5/2/16/2/1 (910351) (Mrs I. Metz)]

HOPE BUT NO QUICK FIX IN PROPOSALS TO ALTER THE FACE OF TEXTILE AND CLOTHING INDUSTRIES

Major plan to save W Cape jobs

S/Times (CM) 19/1/92

184

By CHRIS CAIRNCROSS

A MAJOR plan to save jobs in the clothing and textile industry will come too late for thousands of workers who have been forced out by factory cut-backs and closures.

The two-year plan to save 12 000 jobs and create 30 000 more was presented to the Minister of Trade and Industry, Dr Org Marais, on Tuesday.

But the plan is long-term and offers no immediate solutions — so for the thousands of Western Cape workers who have lost their jobs in the past year or have been placed on short time there will be no respite from the battle to feed their families.

The industry had pinned its hopes on the retail sector achieving good sales over Christmas to make up for poor trading during the year — but consumer spending was markedly down on previous seasons and will undoubtedly affect jobs.

Industry sources have confirmed that they expect a growing number of workers to be put on short time in the first six months of the year.

More than 15 000 workers lost their jobs at textile and clothing factories in the Western Cape last year. At least 9 000 of these job losses were retrenchments, most of them associated with factory closures.

The two-pronged plan submitted to Mr Marais on Tuesday is a long-term programme — it is not designed to bring immediate solutions.

It offers hope in that it could be the first blueprint to provide a successful means of overcoming sectional interests, which have led continually to confrontations and have undermined the interests of all sectors of the industry.

The plan, for the first time in the industry, was put together jointly by key role players — representatives of the textile and clothing industries and of the SA Clothing and Textile Workers' Union.

Also party to the negotiations were cotton farmers and the distributive trade.

The plan proposes an initial two-year transitional phase to stabilise the industry and a longer-term programme of growth that is to be put together by March 1993.

It entails controlling disruptive imports and increasing exports.

Because of the apparent consensus achieved by the manufacturers and the union, the plan is the first really positive step in a major process of restructuring that will bring greater stability to the sector.

One of the programme's objectives is to reverse the increasing loss of jobs.

It envisages creating 30 000 more jobs in the longer term while saving 12 000 in the short term.

The programme — if implemented — will offer a ray of hope, particularly for the Western Cape's clothing and textile industry which, with a workforce of about 56 000, has been one of the region's main sources of employment.

There are no accurate figures for the number of unemployed or workers on short time.

The chairman of the Cape Clothing Manufacturers Association, Mr Simon Jocum, noted that the situation might have been far worse but for the cushion provided by exports. These have enabled factories to keep working, although at reduced levels.

nouncement of separate ... worth a total of R3bn. GENCOR eased to a low of R11,55 but recovered to end 20c up on the day at R11,85 with a foreign sale at that price Holding company GENBEHEER slipped to a low of R10 but edged

perception ... Other electronic shares were mostly firmer with REUNERT rising 100c to a new high of R21.

MERVYN HARRIS

JSE suspends listing of Filati Holdings

JONO WATERS

THE listing of shares of knitwear manufacturer Filati Holdings Limited was suspended on the JSE at the commencement of business yesterday. (184)

JSE listing and equity marketing division GM Richard Connellan said a notice had been issued last year He requested shareholders to exercise extreme caution in their dealings as the main Filati subsidiary, Filati Knit, had gone into liquidation.

He said it had since come to the JSE's attention that all the directors at Filati had resigned. B/Day 23/1/92

"Since there were no directors we felt it prudent to suspend the group in terms of Section 17 (3) of the Stock Exchange Control Act 1985 as it was hopelessly insolvent," said Connellan

FOCUS HOLDINGS FM 31/1/92

Cash focus

(184) (30)

Activities: *Operates own and franchised speciality stores in executive men's clothing and bedding, and conducts wholesale distribution*
Control: *Directors 65,6%*
Chairman: *I Sacks; Joint MDs M J Cohen and G de Katz*
Capital structure: *21,9m ords Market capitalisation R3,28m*
Share market: *Price 15c 12-month high, 25c, low, 15c Trading volume last quarter, 513 000 shares*

Year to July 31	'88	'89	*'90	'91
ST debt (Rm)	—	1,0	2,5	8,8
LT debt (Rm)	—	—	4,5	2,4
Debt equity ratio	—	0,4	0,8	6,7
Shareholders interest	0 33	0,28	0,30	0,06
Int & leasing cover	8,6	8,9	1,7	—
Return on cap (%)	18,3	18,9	16,1	—
Turnover (Rm)	11,0	21,3	76,8	63,0
Pre-int profit (Rm)	1,4	2,2	5,0	(3,4)
Pre-int margin (%)	12,4	10,3	6,47	—
Earnings (c)	6,3	8,5	9,9	(14,4)
Dividends (c)	1 75	3,25	1,0	—
Net worth (c)	15	17	15	—

* 17 months

Rapid expansion over the past two years has drained the resources of Focus Holdings but the group has come up with a plan to ensure continued growth Focus has 120 stores of which 27% are franchised It has had to absorb losses from six closed stores, six openings and a new Mattress World warehouse

Retail operations — covering Smiley Blue, Mattress World, Forty Winks, Cashworths, Bachelors, Grant Mackenzies and Spracklens — have been cash-driven but cash sales fell sharply in the second half of the financial year MD Michael Cohen says trading was stifled by a limited capital base and inability to fund a large book. Essentially, the group gave six months' interest-free revolving credit Mattress World had no HP funding

Now Unibank associate Bonus Card will, for a fee, manage the risk, administer and collect debts. The credit sale-funding package, a first in SA, operates by a private label store charge-card scheme It was launched in November to attract more customers so that the group could develop quicker in the medium-to-long term The number of men's clothing accounts has already risen 50%

Year-end gearing was high, with growth funded through borrowings Cohen says gearing is likely to improve as the card scheme develops (184) (30)

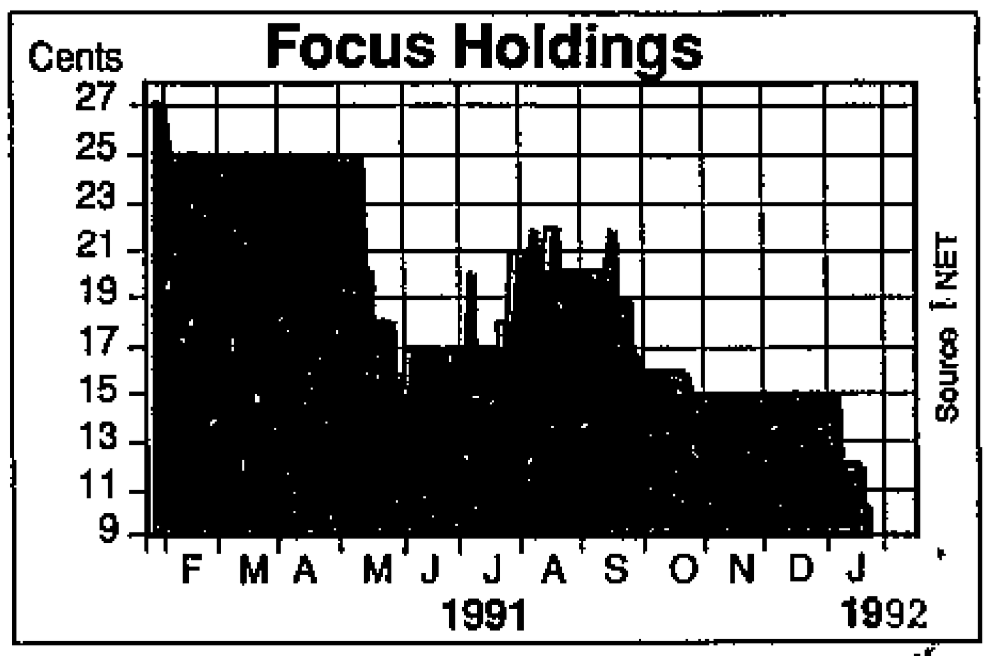
The interest bill, R2,4m in financial 1990, almost consumed the interim trading profit of R1,3m, and, because of the group's need to restructure and grow, reached R2,5m in the second half

Stock fell by R1,3m, partly through shrinkage Slow-moving winter stock was sold at heavy markdowns to push cash sales but a large fixed overhead component squeezed remaining profit margins. Margins have since risen significantly and losses stemmed since year-end.

Focus's Sacks *gains from new credit card scheme*

Chairman Irwin Sacks says management has been strengthened and controls on stock and money management have improved He feels the need for a solid capital base was met largely by the recent R7m rights issue

The group is still consolidating Acquisitions are not being considered Dividend policy remains conservative with priority accorded to strengthening the balance sheet Substantial losses, no dividend and management weakness do not make an appealing investment But the share is trading at a 12-month low and the overall market is high Aggressive investors could see good recov-



ery potential Others might prefer to steer clear until the impact of refinancing can be assessed

Basil Barber

ADONIS KNITWEAR FM 7|2|92

Mild winter chill

(184)

Activities: *Makes knitted outerwear.*
Control: *Directors 77,5%*
Chairman and CE: *J Bencen.*
Capital structure: *3,5m ords Market capitalisation, R5m*
Share market: *Price· 130c Yields. 15,4% on dividend, 26% on earnings; p:e ratio, 3,9, cover, 1,7 12-month high, 225c; low, 130c. Trading volume last quarter, 18 000 shares*

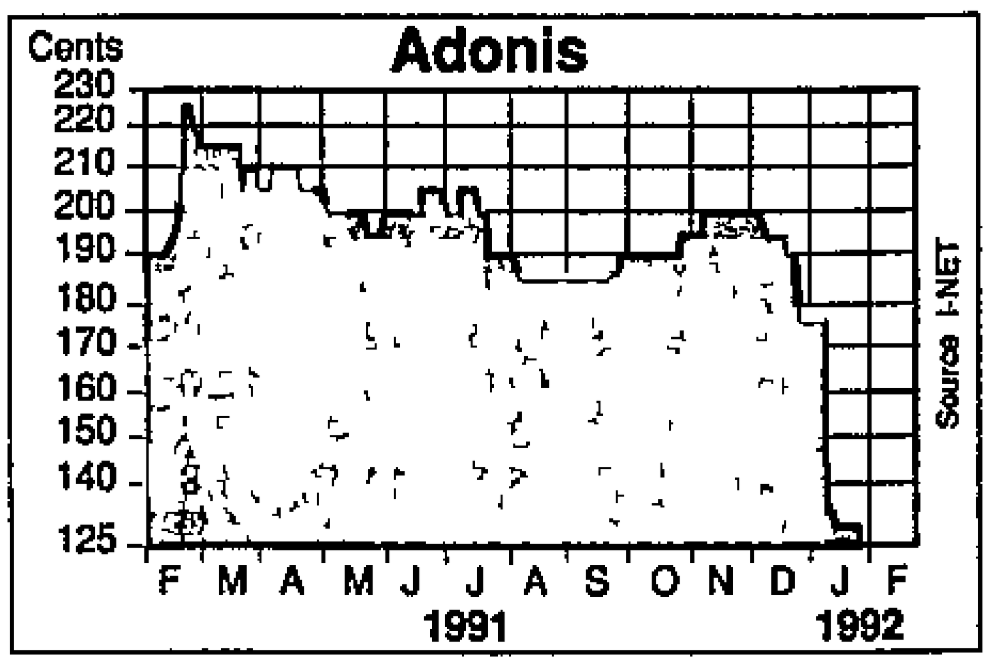
Year to Sep 30	'88	'89	'90	'91
ST debt (Rm)	—	0,2	0,3	—
LT debt (Rm)	0,9	0,8	0,3	—
Debt equity ratio	—	0,1	—	—
Shareholders' interest	0,6	0,5	0,7	0,8
Int & leasing cover	7,9	17	9,6	12,9
Return on cap (%)	24	32,5	23,7	23,0
Turnover (increase)	15,6	26,3	18,0	(20,1)
Pre-int profit (Rm)	2	3,6	2,5	2,4
Earnings (c)	48,8	46,7	68,7	33,7
Dividends (c)	18	24	24	20
Net worth (c)	147	170	214	228

Though Adonis serves the top, fashion-end of the market, lower consumer spending crumbled margins More directly, results suffered from the effect on importers of the structural adjustment programme aimed at boosting exports and the relatively mild winter

In August, a new in-house label, Paul D'Orsay, was created to replace Dior (given up, as satisfactory new terms could not be negotiated), complementing the other labels of Adonis, Dino Milano and Lyle & Scott

Financial director Steven Chaitel says keen competition at manufacturing level followed more conservative buying patterns Sales fell 20% Conditions must have deteriorated suddenly in the second half, as at halftime, profits were barely changed and the company felt confident enough to double the interim dividend from 10c to 20c — which ended up the only payment for the year

Thanks to strong cash flow and tight asset management, the remaining modest loans



Continue →

COMPANIES

FM 7|2|92 (184)

Adonis' Bencen *well placed for expansion*

were eliminated, with a beneficial impact on interest and finance charges There is now cash backing of over R1 a share At net level, the decline in trading profit was compounded by the reversion to a normal tax charge after 1990's major tax write-back in respect of losses on investments in film production

Winter is the main sales season. Chairman Joe Bencen says the winter 1992 order book at a unit level was 40% lower than last year and there are unlikely to be "positive earnings" this year However, he feels the group is well prepared for expansion when it arises

With the strong balance sheet, enviable cash position and well-entrenched brands, Adonis should respond quickly to any upturn in demand. But that may not happen for a while

Basil Barber

ROMENS

FM 7/12/92

Cutting the cloth

Activities: *Retail clothing chain, including franchised outlets*

184

Control: *Directors 51%*

Chairman: *Daniel Kahn; MD David Marks*

Capital structure: *13,375m ords Market capitalisation R2,1m*

Share market: *Price· 16c 12-month high, 50c, low, 10c Trading volume last quarter, 2 000 shares*

Year to June	'88	'89	'90	'91
ST debt (Rm)	1 1	2,9	4,4	2,8
LT debt (R000)	—	—	736	720
Debt equity ratio	0,52	1,2	2,8	0,58
Shareholders' interest	0,21	0,23	0,14	0,45
Int & leasing cover	1,0	0,6	0,3	n/a
Return on cap (%)	17,0	12,7	2,6	n/a
Turnover (Rm)	10,0	13,4	18,0	14,2
Pre-int profit (Rm)	9,8	0,4	0,3	(0,5)
Pre-int margin (%)	13,5	11,1	1,9	n/a
Earnings (c)	6,0	6,6	(4,7)	(13,2)
Dividends (c)	2 25	nil	nil	nil
Net worth (c)	14	18	14	14

FM 7/2/92 184

This men's wear specialist adopted a marked change in strategy to avoid becoming another casualty in the hard-pressed retail clothing sector In 1989, when it was growing comfortably, it aimed to have 20 outlets by the end of that financial year

Deteriorating trading changed this and Romens now operates 13 stores, mainly in the Cape But as with many competitors, the object has become survival rather than growth Results to June reflect a still precarious position Earnings plunged into the red, leading the directors to pass the dividend for the third year in a row

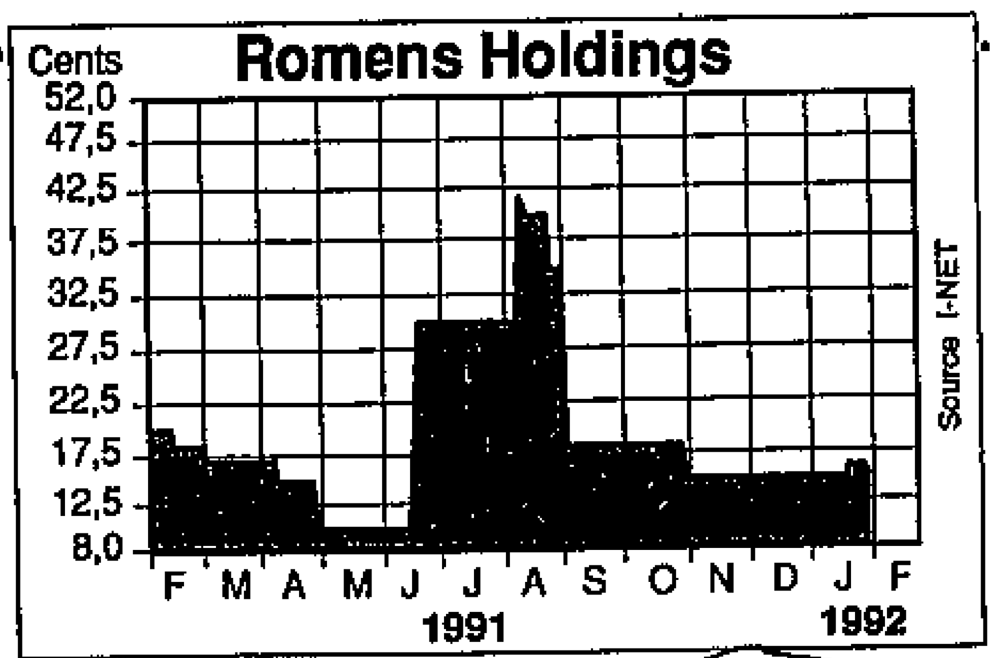
But CE David Marks believes the group has turned the corner "Trading in the coming year will remain tough, but we bit the bullet last year and brought down costs. This meant retrenchments and moving stock to where we now only carry six months"

Though rationalisation cost R295 000, Marks says there have been encouraging results "Retail sales show a pleasing swing away from credit and we are now concentrating on cash sales Since year-end, the company is showing a trading profit."

What's helped a lot is getting debt down by over a third, financed largely by the issue of compulsory convertible 13% cumulative preference shares, that raised close to R3m Stringent financial discipline is also evident in the 30% reduction in stock and debtors. Though not yet out of the woods, Romens has improved its position to take advantage of any increase in trade

The board has been shaken up. Sid Hurwitz resigned as MD for health reasons, with David Marks vacating the chair to become CE Ex-chairman Daniel Kahn returned and two of the non-executive directors quit

Predictably, the closely held share has had a roller-coaster ride on the DCM board, bouncing in the past eight months in thin trade between a record low of 10c and a high



FM 7/2/92 184

of 50c Interested investors should wait for the interim results, due in about a month, before making any decisions *Shaun Harris*

Export market boosts Pals' turnover

B/Day 7/2/92

WILLIAM GILFILLAN

A 45% rise in export business enabled clothing group Pals Holdings to increase turnover by 24% for the six months to August

But the lower margins earned by the group to get a foothold in the export market resulted in earnings growing by only 9% to R514 000 (R472 000)

All exports by the company, which manufactures men's trousers, jackets, and suits, were to the UK

The lower operating margins meant the 24% rise in turnover (actual figures were not given) converted into a virtually unchanged operating income (before the depreciation charge) of R1,4m

However a lower depreciation charge of R279 000 (R292 000) and a reduced interest charge of R225 000 (R277 000) helped income before tax rise to R885 000 (R801 000).

MD Harold Noik said the lower interest charge came on the back of a drop in borrowings generated by a stronger cash flow as a reult of the higher exports

Pals' importers pay for their goods on shipment from SA which was preferable to local sales which involved credit terms

An interim dividend of 2c (1,8c) a share was declared on earnings of 5,7c (4,7c) a share

Klipton's record of real growth marred

B Day 7/2/92

MARCIA KLEIN

INDUSTRIAL holding company Klipton's 13,3% decline in attributable profit to R2,4m from R2,8m in the six months ended December could bring to a halt its six-year record of real growth.

Turnover rose by 21% to R59,9m (R49,5m), but operating profit dropped by 4,6% to R5,1m (R5,3m), with operating margins narrowing from 10,8% to 8,5%

The diversified operating companies in the group "focused on maintaining market share, sometimes at the expense of operating margins", joint chairman Nigel Matthews said

Gearing was seasonally higher Although creditors were reduced, stock levels were above budget, resulting in a higher than budgeted level of debt and a 72,5% hike in Klipton's interest bill to R1,2m.

This saw pre-tax profit decline by 15,7% to R3,9m (R4,7m) and earnings a share drop by 27,2% to 20,6c (28,3c) on more shares in issue

Matthews said Klipton's safety and security division had performed well, but the industrial division had been hard hit by worsening trading conditions in its target markets

Sales across the group had slowed significantly

Klipton would continue to concentrate on reducing costs through improved productivity and asset management.

Although Matthews expected no change in trading conditions over the next six months, he said Klipton would continue to investigate acquisitions

Export market boosts Pals' turnover

B Day 7/2/92

WILLIAM GILFILLAN

A 45% rise in export business enabled clothing group Pals Holdings to increase turnover by 24% for the six months to August

But the lower margins earned by the group to get a foothold in the export market resulted in earnings growing by only 9% to R514 000 (R472 000)

All exports by the company, which manufactures men's trousers, jackets, and suits, were to the UK.

The lower operating margins meant the 24% rise in turnover (actual figures were not given) converted into a virtually unchanged operating income (before the depreciation charge) of R1,4m.

However a lower depreciation charge of R279 000 (R292 000) and a reduced interest charge of R225 000 (R277 000) helped income before tax rise to R885 000 (R801 000)

MD Harold Noik said the lower interest charge came on the back of a drop in borrowings generated by a stronger cash flow as a reult of the higher exports

Pals' importers pay for their goods on shipment from SA which was preferable to local sales which involved credit terms

An interim dividend of 2c (1,8c) a share was declared on earnings of 5,7c (4,7c) a share

Govt has no funds to aid scheme

Clothing and textile rescue plan at risk

(184)

BDay 11/2/92

LINDA ENSOR

CAPE TOWN — Key aspects of the proposed growth strategy for the clothing and textile industries have been rejected by government because of a lack of finance

The proposals have gone back to the drawing board for revision in some cases and overhaul in others after they encountered opposition from Trade and Industry Minister Derek Keys and director-general Stef Naude.

Government has said it does not have the funds to finance the R35m input cost assistance to spinners, which was proposed in order to bring the price of cotton to international standards to encourage farmers to grow cotton

Barlow Rand special projects consultant Paul Hatty, who chaired the working group which devised the plan, said yesterday options — such as the scrapping of the Cotton Marketing Act — were being investigated He said, however, such a course was highly sensitive and would "touch raw nerves"

Because of the Customs Union, government was not willing to consider imposing a levy on imports to pay for the cotton subsidy

Hatty said increasing the cotton throughput of spinners was considered fundamental to the plan as this would result in a higher utilisation of spinning capacity and a lower unit cost to the textile industry.

It would also enable the spinning industry to become internationally competitive and to enter the export market.

"We were trying to get inputs at the front end of the pipeline as close as possible to international standards," Hatty said.

Government found the proposed formula for tariff quotas too complicated, Hatty said, and work was under way to simplify this while retaining its essence

The proposal aimed at keeping the structural adjustment programme in place while limiting its negative effect on the textile industry by placing a cap on the quantity of textile imports allowed

A technical meeting would be held tomorrow, Hatty said

Hatty said the working committee was fine-tuning details of those aspects of the plan accepted by government and in spite of the hitches, hoped to see it implemented from April.

"There were a number of aspects acceptable to government and now it's a case of working out the mechanisms to implement them."

Hatty emphasised there was no danger of the consensus reached by the clothing and textile industries being jeopardised by government's opposition of some elements of the proposals.

The proposals were drawn up by a working group consisting of representatives of all the industries in the clothing/textile pipeline, the SA Clothing and Textile Workers' Union, cotton farmers, the Board of Trade and Industry and the retail trade.

Government had accepted the idea of a permanent committee consisting of representatives of government, industry and trade unions to plot a long-term strategy for the clothing and textile industries, Hatty said

NEWS IN BRIEF

Jersey dumping claims

THE Department of Trade and Industry said yesterday claims by SA garment makers that Taiwanese and Korean competitors were dumping knitted acrylic jerseys could not be proved "in the time available" (184)

The board received an application from the SA Worsted Spinners and Garment Knitters Association for urgent anti-dumping action B Day 11/2/92

Smart geared for rapid growth

BDay 12/2/92 (184)

MARCIA KLEIN

CLOTHING retailer Smart Centre's 5% rise in attributable profit to R7,7m (R7,4m) in the half year to end-December brings to a close its seven-year record of earnings growth of well above 25%

Although its 5% earnings increase to 22c (21c) a share is well below its growth of previous years, the newly-acquired Pepkor subsidiary has placed itself well for rapid expansion

During the six-month period, turnover declined by 2% to R99,4m (R101,1m) on the back of recessionary conditions and the disruption of trade following the implementation of VAT

Turnover was also affected by the closure of nine of the 18 Kappa stores and the temporary closure of other stores for refurbishment

MD Charles Fox said many retail companies had been discounting in an attempt to boost turnover, but Smart's approach had been not to discount and to retain margins

The effects of this strategy, and the rationalisation of the non-profitable Kappa stores, were reflected in Smart's 9% rise in operating profit to R18,6m (R17,2m)

After higher interest of R2,1m and taxation of R8m (R7,7m), profit after tax was up by 3% to R8,6m (R8,3m).

Due to a change in Smart's year-end to fit in with Pepkor's, two months remain in the current financial period. Fox said these were historically low profit months, so results for the eight months to end-February would not vary significantly

Although Fox expected the market to remain tight in the shorter term, he said Smart would open new stores as its cash flow was healthy and its borrowings were down.

It had acquired three new stores and would revamp and enlarge five others

Smart's share has been significantly re-rated since Pepkor acquired a controlling interest from the Tradegro group last year.

It closed yesterday at 400c after climbing from 155c at this time last year to touch a yearly high of 475c in September

Recession knocks Wooltru

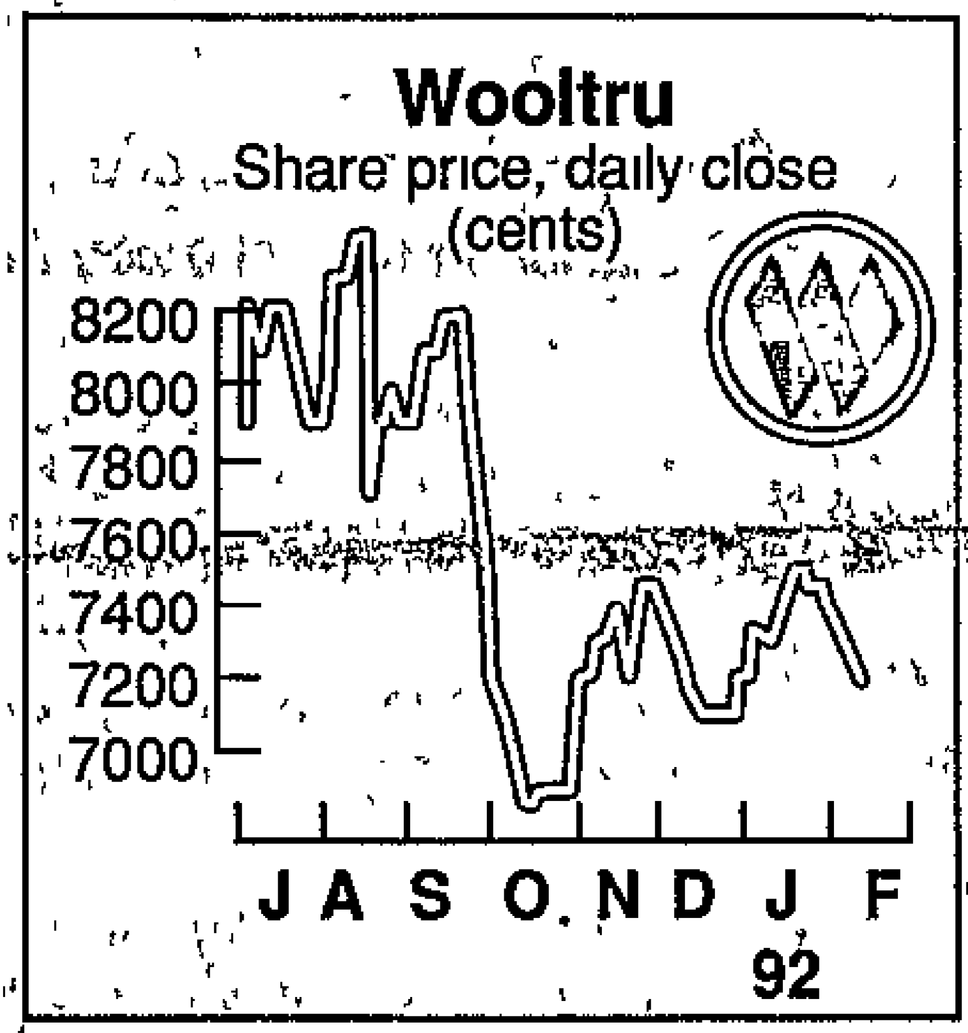
BDay 13/2/92

Own Correspondent

CAPE TOWN — The Wooltru group has been badly hit by what CE Colin Hall described yesterday as the harshest recession he could remember.

Earnings in the 26 weeks to December 29 dropped by 28% to 164,5c (228,5c) a share — although turnover rose by 17% to R1 976m (R1 688m) as prices were slashed to clear surplus stock

(184)



Graphic LEE EMERTON Source I-NET

Hall said this was a steeper drop even than in the 1985/86 period

The interim dividend has been maintained at 77c a share because of directors' confidence in the group's inherent strength. Hall said they were budgeting "on the assumption that there would be a flat economy for at least a year"

He said even credit spending — which had made the Speciality Retail Group (SRG), including Truworths, "the star of the group" — was beginning to tail off

Net income after tax fell by 28% to R58,1m (R81,1m) in the 26 weeks. Woolworths was the hardest hit division with pre-tax profits falling by 55% in spite of a 9% rise in turnover.

SRG lifted pre-tax profits by 18% on a

☐ To Page 2

Wooltru

BDay 13/2/92 (184)

☐ From Page 1

20% rise in turnover.

Makro, which incurred heavy capital expenditure on an expansion programme in preparation for the upturn, reported a 61% drop in pre-tax profits on a 26% rise in turnover.

Hall said the costs of the development programme over the past 11 months had severely depressed Makro's profitability But the programme left Makro poised to take advantage of the upturn.

He said there had been an overall decline in consumer spending Industry figures had shown a turnover decrease in real terms of 3,5% for the clothing, footwear and textile sectors and a drop of 13,5% in the food sector. This reflected horrific hardship.

In this situation it would not be sufficient for interest rates to drop by one or two percentage points or for government to cut spending. It was necessary for the private sector to spend money on fixed investment to provide jobs

Hall said the group intended to extend its franchise operations into more southern African countries

No. R. 477 **14 Februarie 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

INTREKKING VAN GOEWERMENTSKENNISGEWINGS. KLERASIENYWERHEID, KAAP—HOOFOOREENKOMS

Ek, Pieter Gabriel Marais, Minister van Mannekrag, trek hierby, kragtens artikel 48 (5) van die Wet op Arbeidsverhoudinge, 1956, Goewermentskennisgewings R. 2865 van 7 Desember 1990 en R. 1233 van 30 Mei 1991 in met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing.

P. G. MARAIS,
Minister van Mannekrag.

No. R. 478 **14 Februarie 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

KLERASIENYWERHEID, KAAP: HERBEKRAGTIGING VAN HOOFOOREENKOMS

Ek, Pieter Gabriel Marais, Minister van Mannekrag, verklaar hierby—

(a) kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1992 eindig, bindend is vir die werkgewersorganisasies en die vakvereniging wat genoemde Ooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of vereniging is; en

(b) kragtens artikel 48 (1) (b) van genoemde Wet, dat die bepalings van die genoemde Ooreenkoms, uitgesonderd dié vervat in klousules 1 (1) (a), 2 en 3 met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1992 eindig, bindend is vir alle ander werkgewers en werknemers as dié genoem in paragraaf (a) van hierdie kennisgewing wat betrokke is by of in diens is in genoemde Onderneming, Nywerheid, Bedryf of Beroep in die gebiede in klousule 1 van die genoemde Ooreenkoms gespesifiseer.

P. G. MARAIS,
Minister van Mannekrag

BYLAE

NYWERHEIDSRAAD VIR DIE KLERASIENYWERHEID (KAAP)

HOOFOOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

Cape Clothing Manufacturers' Association

en die

Cape Knitting Industry Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

South African Clothing and Textile Workers' Union

(hierna die "werknemers" of die "vakvereniging" genoem), aan die ander kant,

wat die partye is by die Nywerheidsraad vir die Klerasienywerheid (Kaap).

No. R. 477 **14 February 1992**

LABOUR RELATIONS ACT, 1956

CANCELLATION OF GOVERNMENT NOTICES. CLOTHING INDUSTRY, CAPE—MAIN AGREEMENT

I, Pieter Gabriel Marais, Minister of Manpower, hereby, in terms of section 48 (5) of the Labour Relations Act, 1956, cancel Government Notices R. 2865 of 7 December 1990 and R. 1233 of 30 May 1991 with effect from the second Monday after the date of publication of this notice.

P. G. MARAIS,
Minister of Manpower

No. R. 478 **14 February 1992**

LABOUR RELATIONS ACT, 1956

CLOTHING INDUSTRY, CAPE. RE-ENACTMENT OF
184 MAIN AGREEMENT

I, Pieter Gabriel Marais, Minister of Manpower, hereby—

(a) in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1992, upon the employers' organisations and the trade unions which entered into the said Agreement and upon the employers and employees who are members of the said organisations or unions; and

(b) in terms of section 48 (1) (b) of the said Act, declare that the provisions of the said Agreement, excluding those contained in clauses 1 (1) (a), 2 and 3, shall be binding, with effect from the second Monday after the date of publication of this notice and for the period ending 30 June 1992, upon all employers and employees, other than those referred to in paragraph (a) of this notice, who are engaged or employed in the said Undertaking, Industry, Trade or Occupation in the areas specified in clause 1 of the said Agreement

P. G. MARAIS,
Minister of Manpower.

SCHEDULE

INDUSTRIAL COUNCIL FOR THE CLOTHING INDUSTRY (CAPE)

MAIN AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

Cape Clothing Manufacturers' Association

and the

Cape Knitting Industry Association

(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

South African Clothing and Textile Workers' Union

(hereinafter referred to as the "employees" or the "trade union"), of the other part,

being the parties to the Industrial Council for the Clothing Industry (Cape)

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet in die Klerasienywerheid nagekom word—

(a) deur die werkgewers en werknemers wat lede van onderskeidelik die werkgewersorganisasies en die vakvereniging is,

(b) in die landdrosdistrikte—

(i) Die Kaap, Simonstad, Goodwood, Bellville, Somerset-Wes en Strand deur werkgewers en werknemers wat onderskeidelik betrokke is by of deelneem aan die werksaamhede bedoel in paragrawe (a) en/of (b) van die omskrywing "Klerasienywerheid" in klousule 3 van die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 1373 van 1 Julie 1983;

(ii) Wynberg deur werkgewers en werknemers wat onderskeidelik betrokke is by of deelneem aan die werksaamhede bedoel in paragrawe (a) en/of (b) en/of (c) van die omskrywing "Klerasienywerheid" in klousule 3 van die Ooreenkoms gepubliseer by Goewermentskennisgewing No R. 1373 van 1 Julie 1983, en

(iii) Malmesbury en Moorreesburg deur werkgewers en werknemers wat onderskeidelik betrokke is by of deelneem aan die werksaamhede bedoel in paragrawe (a) (uitgesonderd lyfbande wat van leer of van sintetiese materiaal gemaak word) en/of (b) van die omskrywing "Klerasienywerheid" in klousule 3 van die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 1373 van 1 Julie 1983

(2) Ondanks subklousule (1), is hierdie Ooreenkoms—

(a) van toepassing slegs op werknemers vir wie lone voorgeskryf word in die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 1373 van 1 Julie 1983, soos van tyd tot tyd gewysig,

(b) nie van toepassing nie op werknemers en werkende direkteure wie se lone meer bedra as R18 564 per jaar tot 12 Desember 1991 en R20 046 per jaar vanaf 13 Desember 1991,

(c) nie van toepassing nie op werkgewers en werknemers wat betrokke is by of in diens is in die Brei-afdeling

2. GELDIGHEIDSDUUR VAN OOREENKOMS

Hierdie Ooreenkoms tree in werking op 'n datum wat die Minister van Mannekrag kragtens artikel 48 (1) van die Wet vasstel, en bly van krag vir die tydperk eindigende 30 Junie 1992 of vir die tydperk wat hy bepaal.

3. SPESIALE BEPALINGS

Die bepalings van klousules 5 (4) (h), 14 (2), 23, 24, 27 en 31 tot 33 van die ooreenkoms gepubliseer by Goewermentskennisgewings R 1373 van 1 Julie 1983, soos gewysig, herbekragtig en hernieu by Goewermentskennisgewings R 2658 van 2 Desember 1983, R. 1260 van 22 Junie 1984, R 1553 van 27 Julie 1984, R 2433 van 9 November 1984, R 2668 van 7 Desember 1984, R 1742 van 9 Augustus 1985, R 2692 van 6 Desember 1985, R 305 van 21 Februarie 1986, R 2333 van 14 November 1986, R 251 van 6 Februarie 1987, R 2810 van 18 Desember 1987, R 2066 van 14 Oktober 1988, R 2455 van 2 Desember 1988, R. 2326 van 27 Oktober 1989, R 2529 van 17 November 1989, R 2755 van 15 Desember 1989, R 2085 van 31 Augustus 1990, R 2865 van 7 Desember 1990 en R 1233 van 30 Mei 1991 (hierna die "Vorige Ooreenkoms" genoem), soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op sowel werkgewers as werknemers

4. ALGEMENE BEPALINGS

Die bepalings van klousules 3 tot 5 (4) (g), 5 (4) (i) tot 14 (1), 15 tot 22, 25, 26 en 28 tot 30 van die Vorige Ooreenkoms, soos verder verleng, hernieu, gewysig of herbekragtig van tyd tot tyd, is van toepassing op sowel as werkgewers as werknemers

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Clothing Industry— 184

(a) by the employers and the employees who are members of the employers' organisations and the trade union respectively;

(b) in the Magisterial Districts of—

(i) The Cape, Simon's Town, Goodwood, Bellville, Somerset West and Strand by employers and employees who are engaged in or employed on the operations referred to in paragraphs (a) and/or (b) of the definition "Clothing Industry" in clause 3 of the Agreement published under Government Notice No. R 1373 of 1 July 1983,

(ii) Wynberg by employers and employees who are engaged in or employed on the operations referred to in paragraphs (a) and/or (b) and/or (c) of the definition "Clothing Industry" in clause 3 of the Agreement published under Government Notice No R 1373 of 1 July 1983; and

(iii) Malmesbury and Moorreesburg by employers and employees who are engaged in or employed on the operations referred to in paragraphs (a) (excluding belts made from leather or synthetic material) and/or (b) of the definition "Clothing Industry" in clause 3 of the Agreement published under Government Notice No R 1373 of 1 July 1983.

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall—

(a) apply only in respect of employees for whom wages are prescribed in the Agreement published under Government Notice No. R. 1373 of 1 July 1983, as amended from time to time,

(b) not apply to employees and working directors whose wages are more than R18 564 per annum up to 12 December 1991 and R20 046 per annum from 13 December 1991,

(c) not apply to employers and employees engaged or employed in the Knitting Division

2. PERIOD OF OPERATION OF AGREEMENT

This Agreement shall come into operation on a date to be fixed by the Minister of Manpower in terms of section 48 (1) of the Act and shall remain in force for the period ending 30 June 1992 or for such period as may be determined by him

3. SPECIAL PROVISIONS

The provisions of clauses 5 (4) (h), 14 (2), 23, 24, 27, 31, 32 and 33 of the agreements published under Government Notice R 1373 of 1 July 1983, as amended and extended by Government Notices R 2658 of 2 December 1983, R 1260 of 22 June 1984, R 1553 of 27 July 1984, R 2433 of 9 November 1984, R 2668 of 7 December 1984, R 1742 of 9 August 1985, R 2692 of 6 December 1985, R 305 of 21 February 1986, R 2333 of 14 November 1986, R 251 of 6 February 1987, R 2810 of 18 December 1987, R 2066 of 14 October 1988, R 2455 of 2 December 1988, R 2326 of 27 October 1989, R 2529 of 17 November 1989, R 2755 of 15 December 1989, R 2085 of 31 August 1990, R 2865 of 7 December 1990 and R 1233 of 30 May 1991 (hereinafter referred to as the "Former Agreement"), as further extended, renewed, amended or re-enacted from time to time, shall apply to employers and employees.

4. GENERAL PROVISIONS

The provisions of clauses 3 to 5 (4) (g), 5 (4) (i) to 14 (1), 15 to 22, 25, 26 and 28 to 30 of the former Agreement, as further extended, renewed, amended or re-enacted from time to time, shall apply to employers and employees

5. KLOUSULE 26: SIEKEFONDS

(1) In subklousule (4) (a) vervang die uitdrukking "R190,00" deur die uitdrukking "R205,00" oral waar dit voorkom

(2) In subklousule (5) (c) vervang die uitdrukking "Kraamvoordeelfonds" deur die uitdrukking "Kraamvoordele" in die opskrif.

(3) In subklousule (5) (c) (i), (ii), (ii) (aa), (ii) (ab) en (v) vervang die uitdrukking "Kraamvoordeelfonds" deur die uitdrukking "kraamvoordeelrekening"

Namens die partye op hede die 31ste dag van Oktober 1991 te Soutrivier onderteken

W. F. ALEXANDER,
Ondervoorsitter van die Raad

S. JOCUM,
Verteenwoordiger van die Raad

J. N. VAUGHAN,
Sekretaris van die Raad

5. CLAUSE 26: SICK FUND 184

(1) In subclause (4) (a) substitute the expression "R205,00" for the expression "R190,00" wherever it appears.

(2) In subclause (5) (c) substitute the expression "Maternity Benefits" for the expression "Maternity Benefit Fund" in the heading

(3) In subclause (5) (c) (i), (ii), (ii) (aa), (ii) (ab) and (v) substitute the expression "maternity benefit account" for the expression "Maternity Benefit Fund"

Signed at Salt River, on behalf of the parties, on this 31st day of October 1991

W. F. ALEXANDER,
Vice-Chairman of the Council.

S. JOCUM,
Representative of the Council

J. N. VAUGHAN,
Secretary of the Council.

No. R. 496 **14 Februarie 1992**

WET OP MANNEKRAGOPLEIDING, 1981

MINING INDUSTRY ENGINEERING TRADES TRAINING BOARD: SKRAPPING VAN AMBAG

Ek, Pieter Gabriel Marais, Minister van Mannekrag, handelende kragtens artikel 13 (3) van die Wet op Mannekragopleiding 1981, skrap, met ingang van die datum van publikasie van hierdie kennisgewing, die ambag grofsmid waar dit voorkom in die lys van ambagte soos gepubliseer in Goewermentskennisgewing No. R. 1273 van 16 Junie 1989. Met dien verstande dat al die bepalings van voormelde kennisgewing van toepassing bly ten opsigte van 'n vakleerling grofsmid wie se kontrak van vakleerlingskap aangegaan is voor die datum van inwerkingtreding van hierdie kennisgewing.

P. G. MARAIS,
Minister van Mannekrag

No. R. 496 **14 February 1992**

MANPOWER TRAINING ACT, 1981

MINING INDUSTRY ENGINEERING TRADES TRAINING BOARD· DELETION OF TRADE

I, Pieter Gabriel Marais, Minister of Manpower, acting in terms of section 13 (3) of the Manpower Training Act, 1981, delete, with effect from the date of publication of this notice, the trade blacksmith where it appears in the list of trades as published in Government Gazette No. R. 1273 of 16 June 1989: Provided that all the provisions of the above-mentioned notice remain applicable in respect of an apprentice blacksmith whose contract of apprenticeship was entered into prior to the date of coming into operation of this notice.

P. G. MARAIS,
Minister of Manpower.

No. R. 497 **14 Februarie 1992**

WET OP MANNEKRAGOPLEIDING, 1981

MANNEKRAGOPLEIDINGSKOMITEE VIR DIE HAARSNYERSBEDRYF, BLOEMFONTEIN. WYSIGING VAN LEERVOORWAARDES

Ek, Pieter Gabriel Marais, Minister van Mannekrag, handelende kragtens artikel 13 van die Wet op Mannekragopleiding, 1981—

(a) wysig hierby met ingang van die tweede Maandag na die datum van publikasie van hierdie kennisgewing, Goewermentskennisgewing No. R. 1677 van 2 Augustus 1985 deur klousule 3 (1) van die Leervoorwaardes, met betrekking tot lone, met die volgende klousule te vervang:

"3. Lone

(1) 'n Werkgewer moet 'n vakleerling maandeliks besoldig teen minstens die skale hieronder uiteengesit, welke skale jaarliks op 1 Julie hersien moet word

Eerste jaar R240,00

Tweede jaar R300,00

Derde jaar R360,00."

P. G. MARAIS,
Minister van Mannekrag.

No. R. 497 **14 February 1992**

MANPOWER TRAINING ACT, 1981

MANPOWER TRAINING COMMITTEE FOR THE HAIRDRESSING INDUSTRY, BLOEMFONTEIN. AMENDMENT OF CONDITIONS OF APPRENTICESHIP

I, Pieter Gabriel Marais, Minister of Manpower, acting in terms of section 13 of the Manpower Training Act, 1981—

(a) hereby amend, with effect from the second Monday after the date of publication of this notice, Government Notice No. R. 1677 of 2 August 1985 by the substitution for clause 3 (1) of the Conditions of Apprenticeship, with regard to wages, of the following clause·

"3. Wages

(1) An employer shall pay an apprentice monthly at not less than the rates specified hereunder, which rates must be revised annually on 1 July:

First year R240,00

Second year R300,00

Third year R360,00.".

P. G. MARAIS,
Minister of Manpower

Seardel suffers 'the cold wind of recession' in 1991

B/Day 14/2/92. (184)

LINDA ENSOR

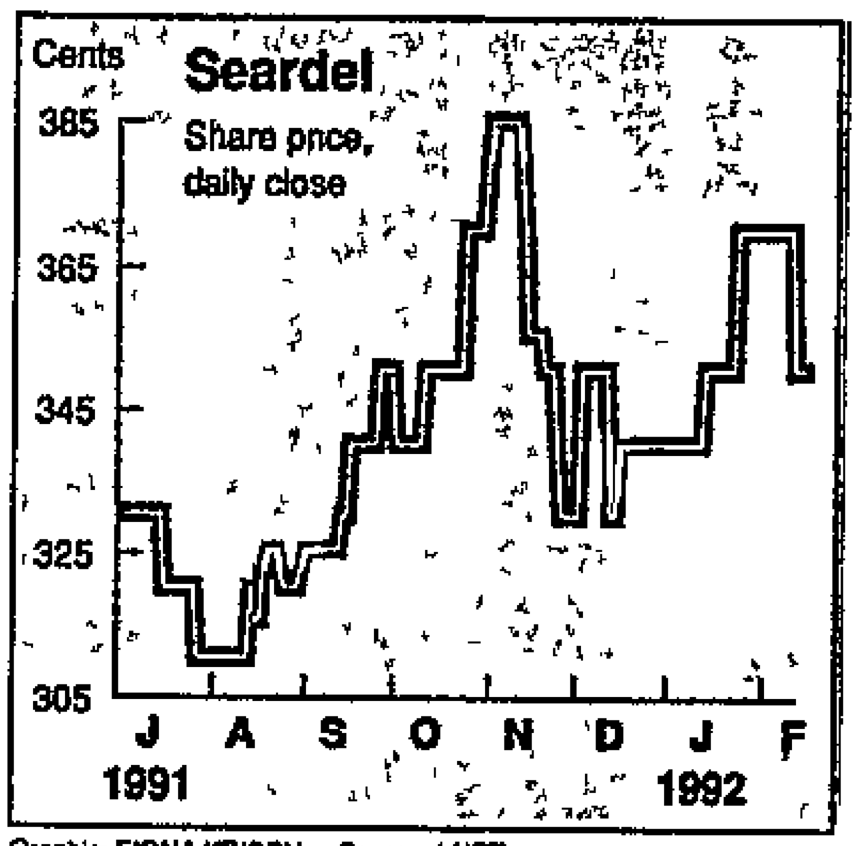
CAPE TOWN — Clothing, electronics and toys group Seardel has maintained an unchanged interim dividend of 8c despite suffering a 25% drop in earnings in the six months to end-December.

The fall in earnings a share to 49,2c defied expectations and prospects for the second half look bleak. Chairman Aaron Searll expects the economy might slow down further by June and believes conditions will continue to be tough through 1992-'93.

Forecasts contained in the 1991 annual report for the 1992 year to end-June have been revised downwards. Pretax income of between R26m-R36m is now expected (previously R49m); earnings a share of between 70c-90c (120c) and a dividend of between 16c-21c (25c).

On this basis annual earnings a share are expected in a worst case scenario to show a decline of 35% and at best a drop of 17%.

"We don't expect an upturn in consumer spending for a year, especially as the country is in the grips of a severe drought, which historically has an overhang of about 18 months," Searll said yesterday.



Graphic: FIONA KRISCH Source: I-NET

He said the 7,3% rise in interim turnover to R575m was insufficient to bear the weight of inflationary cost rises and described the results as reflecting the "cold winds of recession".

Margins came under pressure, dropping to 6,2%, with the result that operating income fell by 16,4% to R35,7m. And taking into account finance charges pre-tax income plunged 30,2% to R18,8m with the bottom-line result being partly salvaged by the lower tax rate.

Exports rose about 15% over the six months and enabled the group to utilise capacity fully to compensate for the fall in local consumer spending. Searll estimates exports made up 7% of sales by end-December.

Export orders looked good until May but thereafter were uncertain. Searll pointed to the difficulties of being competitive when goods from high-inflation SA were exported to countries with a low inflation.

The demise of the Ninja Turtle craze affected the toy division, which experienced a dull trading over the festive season. Results of the electronics division were 15% down on the same period in 1990, though CEO Chris de Bruin said the 1990 year was a high base. Christmas spending was, however, 50% below budget.

Iveco Turbostar wins truck award

Business Day Reporter

TRUCKMAKERS' four-by-two Iveco Turbostar heavy rig won the truck of the year award at the SA Transport Blue Riband Truck of the Year Awards held in Johannesburg this week.

The panel was chaired by SA Transport editor Richard Proctor-Sims.

The Isuzu Artik 250D won the award for "most innovative entry" and the most environmentally acceptable vehicle.

Liberty Life dividend up 25,6%

B/Day 14/2/92

SEAN VAN ZYL

LIBERTY Life has declared a final dividend of 65c (1990 54c) a share for the six months ended December.

This brought Liberty's total dividend for the year to 108c a share (86c), up 25,6% on the previous year.

A final dividend declaration of 174c by Liberty Holdings boosted its total dividend payout for the year to 284c (220c). Liberty Investors total dividend was 16,6c (14c) after it declared a 10,4c a share final dividend.

Based on yesterday's closing share price of 4150c, Liberty Life is now on a dividend yield of 2,60%.

Liberty Holdings' is on a yield of 2,58% and Liberty Investors' 2,21%, compared with the insurance sector's average of 3,2%.

The Liberty group said its 1991 results would be published on March 12.

Shareholders registered by the close of business on February 28 would qualify for the final dividends declared.

EXECUTIVE SUITE By William Wells and Jack Lindstrom

Seardel comes in for a hammering

STAR 14/2/92

184

By Tom Hood

CAPE TOWN — The recession hit Seardel hard in the half-year to December, says chairman Aaron Searll

SA's largest clothing group reported a 7,3 percent turnover increase to R575 million, but bottom-line earnings were worse than expected, falling 25 percent to 49,2c a share.

Operating profit fell 16 percent to R36 million, indicating a trimming of profit margins.

For the full year, Mr Searll has revised his forecasts downwards.

Turnover is still expected to reach R1 billion to R1,2 billion. But pre-tax profit is now forecast to plunge to between R26 million and R36 million from last year's actual R47 million.

Total dividends could fall to 16c to 21c (23c last year)

A payout of 23c to 25c was forecast in the 1991 annual report Earnings of 108c a share last year could dip to 70c to 90c

However, the interim dividend is being held at last year's level of 8c a share

"We feel sufficiently confident that there is no point in passing the dividend," he says

"It is a matter of urgency that interest rates come down by at least two percent in the next six months."

Not all the 22 companies reported a poorer performance - 10 increased their profits, several of them helped by exports to keep plants running near capacity

"We are still in a terrible recession — the worst I have known in 30 years — and we will have to strap ourselves in," Mr Searll says.

"From past experience, the drought takes 18 months to work through the economy and it will have a detrimental effect. It will take a long time to come out of this recession"

CLOTHING AND TEXTILES (184)

Joining the fray

FM 14/2/92

Government's reaction to the suggested "new deal" for the clothing and textile industry sectors has reopened the debate on the fate of

FM 14/2/92 (184)

the two industries and has drawn in a new participant — the cotton industry

Trade & Industry Minister Derek Keys and director-general Stef Naude this week called the new scheme too complex and said government does not have the funds to finance R35m a year to help textile spinners pay for local cotton.

The proposed scheme did not specify the source of the R35m in input assistance and government obviously balked at the idea of making further calls on a cash-strapped fiscus

One of the proposals was a levy on all future clothing and textile imports, an idea that runs counter to the growing calls for reducing import protection in all industries. Government also did not like the idea of a separate fund administered by the two industries So the Cabinet sent the task group back to the drawing board.

"The plan is not at risk," says task group chairman and Barlow Rand director Paul Hatty "We don't see government's reaction as a rejection of our proposals — and we are encouraged by Keys's maiden speech in parliament, when he intimated that future industrial policy would be based on a partnership of government, labour and industry That is the way we would like to approach the issue."

The task group will modify the plan and Hatty still expects it to be implemented on April 1. Hatty hopes subsidies for the spinners will remain a part of the plan because he believes this would encourage exports by making locally made fabric more competitive worldwide.

Textile Federation executive director Brian Brink agrees that government's reaction is not a "total rejection" of the task group's proposals. "While the proposed cotton spinners' subsidy and an increased incentive for exports are critical issues for cotton producers, the scheme could remain in place without these subsidies, should the textile industry be allowed free imports of cheaper cotton lint, yarn and fabric"

By bypassing local cotton producers and taking advantage of freer imports, the textile and clothing industries might be able to compete better on global markets. "The tough question that may have to be asked is whether we should grow cotton in SA," Brink says. "Government will have to answer this, based on both political and economic considerations"

But cotton producers find it difficult to understand why government balks at the suggested subsidy scheme They argue that the world price of cotton is often higher than the local price, so freeing cotton imports would not reduce costs

Cont →

FM 14/2/92

Subsidies are needed, they say, to help match the enormous cotton subsidies in the US and other countries These subsidies, they say, make it difficult for SA textile manufacturers to compete with foreign firms ■

(184)

Recession knocks Seardel earnings

(184) CT 14/2/92

By AUDREY D'ANGELO
Business Editor

A COMBINATION of the recession and inflation hit the Seardel group in the six months to December 31 Earnings dropped 24,9% to 49,2c a share with turnover up only 7,3% — lagging well behind the inflation rate

But the interim dividend is unchanged at 8c a share Executive chairman Aaron Searll explained that the directors had confidence in the group

Turnover was R575,1m, operating income R35,7m and pre-tax income R18,8m

Searll said growing exports of clothing had helped to cushion the group against the effects of a steep fall in consumer spending in SA Exports had increased by about 16% in the past six months and now accounted for about 7% of sales.

But he warned that continuing high inflation threatened to price SA exports out of European markets, particularly Germany

Calling for a cut in interest rates — which were, themselves, having an inflationary effect — in the next six months, he said that a drop of 1% would be too little At least 2% or 3% was needed.

Even then, he thought it would be about a year before consumer spending revived

He pointed out that the drought would have a disastrous effect on the economy From previous experience, it would "overhang the economy for about 18 months"

In his interim report, Searll revises the forecasts made for the financial year to June 30

"It is anticipated that economic activity might slow down further in the second half of the group's financial year," the report says

"It is a matter of urgency that interest rates be reduced in the next six-month period. This, together with the anticipated political settlement, should lead to positive reactions in the marketplace

"This is not, however, expected to occur before the third quarter of 1992

"The above scenario therefore requires a revision to the forecasts made in the 1991 annual report as follows: turnover R1bn to R1,2bn, pre-tax income R26m to R36m, earnings per ordinary share 70c to 90, dividends per ordinary share 16c to 21c."

Searll said new export markets were opening up The US market was now open to SA clothing manufacturers and looked very promising

Orders for menswear and ladies fashions had already been taken from "one or two large retail groups"

Other exports included swimwear to France.

CLOTHING/TEXTILES

ARG 17/2/92 184

Weaving a future together

SOUTH Africa's clothing and textile industries have been brought to their knees by the severe economic recession and other structural problems. But now, for the first time, the industries' major players are finding solutions together to stabilise and re-position the textile-clothing pipeline as a major economic force Labour Reporter SHARON SOROUR investigates

CRIPPLED by one of the worst economic recessions in recent history, the clothing and textile industries are struggling to survive

At least 20 000 jobs have been lost in the past 18 months through factory closures and retrenchments, and industry sources ominously expect more to follow

The problems stem not only from the dire state of the South African economy, but from the disruptive nature of the surge of imports of textiles and clothing from mainly the Far East, the slump in clothing sales, high interest rates, a huge increase in local and imported raw material costs and the uncompetitive cotton price

But there is hope on the horizon

For the first time, the major players in the industries have devised a two-year transitional plan which they hope will provide 30 000 new jobs and save 12 000 in danger

Industry sources say the new plan is a notable achievement because it is the first product of employer-union discussions It is also the first time the competitive clothing and textile industries have been able to co-operate to "put together a plan"

Unveiled last month, the plan was agreed on after nine days of discussion between clothing and textile manufacturers and the SA Clothing and Textile Workers' Union (Sactwu), in consultation with cotton producers and retailers

It seeks to stabilise the industries by controlling disruptive imports, promoting export of textiles and continuing to support the successful clothing export drive

The plan calls for a tariff quota system aimed at limiting textile and clothing imports Agreed quantities can be imported at current rates of duty and imports above these quantities would be allowed, but at higher duty

Although certain key aspects were rejected by Trade and Industries Minster Mr Derek Keys and director-general Dr Stef Naudé this week, industry sources are still confident solutions can be found to overcome the hitches and they hope it will still be implemented on April 1

The government said it did not have the funds to finance the R35 million input cost assistance for spinners, a proposal designed to bring down the price of cotton to international levels and encourage farmers to grow the fibre

Because of the Customs Union, the government was not willing to consider imposing a levy on imports to pay for the cotton subsidy

It also found the proposed formula for tariff quotas too complicated

Barlow Rand special projects consultant Mr Paul Hatty, who chaired the working group which devised the plan, said there were a number of aspects accepted by government and mechanisms to implement them were being negotiated

He emphasised there was no danger of the consensus reached by the industries being jeopardised by the government's opposition to some elements of the proposals

The government had accepted the idea of a permanent committee of representatives of government, industry and trade unions to plot a long-term strategy for the industries

The clothing industry's crisis has been exacerbated by falling sales due to high prices which exceeded the inflation rate, work stayaways, a high rate of absenteeism and heavy wage agreements, says Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association

The textile-clothing pipeline employs more than 500 000 workers in the agricultural, manufacturing and retail sectors

A lifeline of the Cape clothing industry — which employs 56 000 people — has been the successful export drive, which saw exports shoot from R195-million in 1990 to about R400-million last year

Mr Jocum believes the future of the industry is not in the domestic market, but internationally where there is a greater demand

Mr Ebrahim Patel, assistant general secretary of the SA Clothing and Textile Union (Sactwu), believes the industries are well-positioned to be a real engine of growth in South Africa where the cost of capital to create jobs is very low, there is a developed infrastructure to serve as a launch pad for expansion and as black incomes rise, people will buy more clothing

"These are all opportunities waiting to be realised but this is being prevented by certain structural problems," he says

The two main short-term problems are the recession and the surge of imports, particularly from the East

In the short-term, the new plan also seeks to "cap" the importing of second-hand clothing

"This has become a major problem Second-hand clothing is brought into the country under the pretext of being given to the poor or welfare organisations free It is then sold in second-hand shops or in other shops as new clothing," says Mr Patel

"Another scenario is new clothes come into the country disguised as second-hand clothing because it is duty free but they are then sold as new"

About 25 million units of second-hand clothing were imported in 1988 and this shot up to 100 million units last year, he says.

"We have seen a proliferation of second-hand clothing shops opening in the major areas, and even in Cape Town it is happening under our noses and Customs and Excise do not have the resources to check every container shipped into the country," Mr Patel says

While the plan is expected to provide immediate relief it will not overcome the industries' structural problems

According to the union, these include

- The under-capitalisation of the clothing and textile industries as companies do not keep up with technological development,
- The under-utilisation of manpower and weak or "non-existent" training institutions which result in low productivity,
- The size of enterprises — "in some parts of the industry one requires large enterprises For example, plants in South Korea and Taiwan successfully manufacturing synthetic yarn are all big and they achieve economies of scale not possible with short runs and small plants," Mr Patel says
- The lack of beneficiation of wool

Medium and long-term relief to the industries depends on when the South African economy and those of its trading partners lift out of recession to allow new export opportunities

Clothing industry jobs rise

WILLIAM GILFILLAN

EMPLOYMENT in the clothing industry was rising despite the 7% decline in output in the first seven months of this year, National Clothing Federation (NCF) economist Arnold Werbeloff said yesterday.

Employment in metropolitan areas, representing 75% of clothing manufacturers, rose by 1 900 to 115 400 in September from 113 500 in January.

The Western Cape and Natal saw an increase of six firms to total 432 and 445 However, Transvaal lost six to total 326

Natal and the Western Cape generated 1 000 new jobs, taking the total to 43 600 and 54 600

A survey in August showed 161 000 people were employed in clothing manufacture in SA

The TBVC states accounted for 38 000 (24%) jobs and 180 (13%) of the 1 375 firms.

But clothing output was currently lower than in 1985

BD 12/10/89

(184)

FOSCHINI FM 21/2/92 (184)

Joint MD retires to UK

In what chairman Stanley Lewis calls a strategic move, Brian Belcher is to retire as Foschini joint MD from July 1 Though he is to live in the UK, Belcher will remain a director.

Foschini is setting up offices in London next to those of Oceana Investments, which Lewis also chairs They are to become headquarters for personnel whose destination is London and Belcher will operate from there

Specifically, Belcher is to advise MDs of the local clothing companies on merchandise, marketing and general retail strategies and systems-related activities in the UK,

FM 21/2/92 (184)

Europe and US Lewis stresses there is no direct link between Belcher's move and Foschini's indirect stake in UK clothing retailer Etam through Oceana's 35% holding. But there is little doubt that Belcher's presence will help Foschini to assess Etam's merchandising, management and marketing

Clive Hirschsohn, who was joint MD with Belcher, will become sole MD from July 1.

London Stock Exchange rules bar Lewis from buying more than 2% of Etam's issued capital a year unless, a year after the first bid, another all-out offer is made or unless as a counter-offer to one from a third party

Meanwhile, Lewis has to wait for Etam to offer Oceana a seat on the board or, as he is doing, negotiate for one *Gerald Hirshon*

SA Bias keeps on even keel

STAR 26/2/92

(184)

Poor trading conditions cramped the SA Bias group's development in the 12 months to December

Earnings and dividends per share of 99,5c and 30c respectively were virtually unchanged from the previous year

Pyramid Sabvest's results were in line, with earnings and dividends per share of 49,8c and 14,9c

Subsidiary SA Bias Industries (Sabind), maintained its performance at the 1990 level, with earnings per share of 47,3c and an unchanged dividend of 18c

The financial and investment arm Merhold achieved a marginal improvement in earnings to 19,5c (1990 47,7c) and maintained its dividend at 17c

"Although Sabind's performance lagged our interim-stage expectations, we consider it reasonably satisfactory," says group executive chairman Christopher Seabrooke

"Trading conditions in the clothing and footwear industries were worse in the latter half of 1991 than they have been at any time during the past three recessions, and Sabind did well to maintain earnings in these circumstances," he says.

He expects poor trading conditions to continue for most of the current year.

"Sabind and Merhold are both in good shape, however, and well-placed in their markets.

"We are therefore hopeful that Sabvest and SA Bias will resume earnings growth in the current year," he says — Sapa

Trading conditions hit SA Bias

BDay 26/2/92

(184)

EDWARD WEST

POOR trading conditions in the clothing and footwear industry crimped SA Bias Group's profitability in its financial year to December 1991, but management is confident of resuming earnings growth in 1992

Today's published results show holding company SA Bias Holdings (SABH) recording virtually unchanged earnings of 99,5c (99c) a share and a 30c dividend from attributable profit of R19,1m (R19m).

Results for pyramid Sabvest — which has a 50,4% interest in SABH — with taxed profits of R9,65m (R9,6m) were in line with SABH earnings and dividends, producing earnings of 49,8c a share and declaring a dividend of 14,9c

Subsidiary SA Bias Industries (Sabind), producer of trimmings and accessories for the clothing and footwear sector, maintained performance at 1990 levels with earnings at 47,3c and dividends at 18c a share from a virtually unchanged profit of R13,5m

Financial and investment arm Merhold achieved a marginal improvement in earnings a share to 49,5c (47,7c), but maintained dividends at 17c a share.

Group chairman Cristopher Seabrooke said in a statement Sabind did well to maintain earnings because, in the latter half of 1991, trading conditions in the clothing and footwear industries were worse than they had been at any time during the past three recessions

Sabind's established divisions — trimmings, printing and labels, metals and plastic industrial operations — improved sales and profitability, but recently acquired Kirton had performed poorly, he said

Seabrooke said the expansion of the thread division was complete, while International Trimmings Plc moved into profitability ahead of schedule in the latter half of 1991.

Sasol buys R40m acrylic fibre plant from France

B/Day 27/2/92 (184)

EDWARD WEST

SASOL's first step into synthetic fibre production, the purchase of a R40m acrylic fibre plant from France, has brought it into conflict with the National Clothing Federation.

The plant is to be erected near Durban.

Sasol intends to export the fibre as well as replacing imports of about 30 000 tons a year.

National Clothing Federation chairman Hennie van Zyl greeted news of the plant with scepticism.

He said there was a glut of acrylic internationally and, because its manufacture was capital intensive, there was very little chance SA could compete as effectively as European manufacturers with their higher export volumes.

Van Zyl said traditionally capital intensive investment in SA tended to follow industrial policy geared towards import replacement and foreign exchange savings.

Such investments were usually followed by protection measures from so-called "dumped" import prices, said Van Zyl.

However, Sasol's Fourie said the plant would not operate under industrial protection measures and would contribute towards foreign exchange savings and earnings from import replacement as well as exports.

Acrylic fibre, often known as "poor man's wool", is a cheaper substitute for wool.

Sasol's plant will polymerise then extrude and spin an imported compound called acrylo-nitrile manufactured from ammonia and propylene.

Textile Federation director Brian Brink said the plant's capacity represented about 0,5% of world production capacity. SA consumed about 30 000 tons a year, he said.

Sasol GM Jan Fourie said Sasol Fibres had awarded a R40m contract for the dismantling, transport and re-erection of a French acrylic fibre plant last week to a consortium consisting of Genrec subsidiary MEI Construction and Spie Batignolles of France.

MEI Construction MD Chris Biden said plant, pipework, electrical control gear and instrumentation would be dismantled, labelled, packaged and shipped from Calais.

Once in SA it would be re-erected, tested and commissioned for full production in 1993 on a site near Durban.

Sasol buys R40m acrylic fibre plant from France

B/Day 27/2/92

EDWARD WEST

SASOL's first step into synthetic fibre production, the purchase of a R40m acrylic fibre plant from France, has brought it into conflict with the National Clothing Federation.

The plant is to be erected near Durban.

Sasol intends to export the fibre as well as replacing imports of about 30 000 tons a year

National Clothing Federation chairman Hennie van Zyl greeted news of the plant with scepticism.

He said there was a glut of acrylic internationally and, because its manufacture was capital intensive, there was very little chance SA could compete as effectively as European manufacturers with their higher export volumes

Van Zyl said traditionally capital intensive investment in SA tended to follow industrial policy geared towards import replacement and foreign exchange savings.

Such investments were usually followed by protection measures from so-called "dumped" import prices, said Van Zyl.

However, Sasol's Fourie said the plant would not operate under industrial protection measures and would contribute towards foreign exchange savings and earnings from import replacement as well as exports

Acrylic fibre, often known as "poor man's wool", is a cheaper substitute for wool.

Sasol's plant will polymerise then extrude and spin an imported compound called acrylo-nitrile manufactured from ammonia and propylene

Textile Federation director Brian Brink said the plant's capacity represented about 0,5% of world production capacity SA consumed about 30 000 tons a year, he said

Sasol GM Jan Fourie said Sasol Fibres had awarded a R40m contract for the dismantling, transport and re-erection of a French acrylic fibre plant last week to a consortium consisting of Genrec subsidiary MEI Construction and Spie Batignolles of France.

MEI Construction MD Chris Biden said plant, pipework, electrical control gear and instrumentation would be dismantled, labelled, packaged and shipped from Calais.

Once in SA it would be re-erected, tested and commissioned for full production in 1993 on a site near Durban

(184)

Clothing solutions on offer

184

S/Times (CM)

AN Italian company is offering to act as a "troubleshooter" for South African clothing manufacturers with production problems when it exhibits at Clomatex '92 at the Cape Showgrounds, Goodwood, from March 18 to 21.

1/3/92

The show will feature clothing, machinery, accessories and trimmings, and the Italian company will show new products and have to experts on hand specially flown out from Italy.

"They will conduct private workshops with South African manufacturers and offer solutions to their problems," says Roger Haupt, the exhibition organiser

"Clomatex '92 is targeted at all clothing manufacturers and cut, make and twin operations, as well as anyone involved in the sewing or stitching of products.

"Exhibitors will show everything from overlockers and satin labels to a pattern development system and a hot-and-cold cleaner for dirt and grime

"Companies specialising in reconditioned machinery and spare parts will also attract attention"

Mr Haupt pointed out that the last clothing, machinery and textile fairs in Cape Town were held in 1984

STAR 2/3/92

Sterling cuts interim

Finance Staff

The decline in consumer spending hit Sterling Clothing's results in the six months to end December. 1864

While turnover rose from R36,7 million to R41,1 million, earnings per share dropped from 9,4c to 6,6c and the interim dividend was lowered from 4c to 2,5c a share

The group says the decline in consumer spending had an inevitable effect on results and action was taken to maximise profitability during the remainder of the year

Clothing and textile plans in jeopardy

184 140

B/Day 4/3/92

LINDA ENSOR

CAPE TOWN — The proposed agreement on a development plan for the clothing and textile industries has been jeopardised by a disagreement between the two industries over the level of duties to be placed on imports outside the quota system

The question of import tariff levels was the second hitch to bedevil the plans within the past month The first was government's rejection of a key element of the proposals, namely an annual R35m input cost assistance scheme to cotton spinners.

Working group meetings in the past week were reportedly stormy. The level of duties was the last stumbling block as consensus had been reached on other issues in the agreement, a source said.

Working group chairman, Barlow Rand special projects consultant Paul Hatty, apparently assuaged feelings at the meeting on Monday by presenting a compromise, details of which are being worked out

Intense discussion was still under way yesterday with one source indicating agreement might be in sight He hoped a final agreement would be be reached today and that proposals would be presented to Trade and Industry Minister Derek Keys shortly. The working group hopes the scheme will take effect on April 1

A source said yesterday the parties had agreed in principle on how the level of duty on imports inside and outside the quota system would be calculated It was now a question of applying this formula to the hundreds of different items. 4/3/92

The working group has proposed a tariff quota system to limit the total quantity of textile imports. Permits would be allowed at current duty rates for agreed quantities; imports above these quantities would be allowed only at higher duty levels.

One source said the textile industry — said to be seeking protection against dumping — was demanding "punitive" duties of 100%-150% for imports outside the permit system. Clothing manufacturers insisted this would kill off their industry and opted for 40% plus the formula duty.

Clothing manufacturers said if the textile industry was not prepared to compromise, they would prefer to fall back on the Board of Trade and Industry's proposal of a flat 40% ad valorem duty on imported textiles and 60% on clothing

Heavy trading in Lenco shares

BDay 6/3/92

JABULANI SIKHAKHANE

MORE than 4-million Lenco shares, or 7% of the firm's issued share capital, were traded in a bookover on the JSE yesterday at the ruling price of 320c a share.

The R13,95m deal was originally done on Wednesday, cancelled and then rebooked yesterday by Lenco's sponsoring broker Senekal, Mouton & Kitschoff

(184)

Stanley Stubbs, Lenco's finance director said that there was nothing "untoward" about the deal He said two large institutions were looking for blocks of Lenco shares and the group had managed to get shares from a major shareholder

Lenco is ultimately controlled by the De Jager family and Rembrandt Group via Lenco Investment Holdings, which owns 43% of Lenco's equity According to McGregor's Who owns Whom other substantial shareholders are Sanlam, which last year increased its holding from 12,20% to 20,6%, Titan Nominees with 10,6% and Syfrets Nominees with 5,6%

The Lenco group manufactures footwear, clothing, rigid plastics packaging and owns property

Among its major brand names are Viyella, Yves St Laurent, Carducci, Consulate and Monatic

Group results are due towards the end of April, but the annual dividend (the group only pays a single dividend) declared last month is up 15% to 11,5c (10c) a share

Lenco has been one of the better performers on the JSE's industrial, clothing, footwear and textile sector, having gained 73% over the past months

COMPANIES

Progress hit hard by imports

WILLIAM GILFILLAN

A FLOOD of duty free imported knitwear cut into the sales of Natal-based Progress Industries in the second half of 1991, leaving a recorded trading loss of R250 000

This pushed bottom-line losses to R874 000 for the 12 months to December, against last year's profit of R2,8m — equivalent to a 31,5c loss a share from 102,3c Trading income in the period more than halved to R2,7m from R5,9m on the back of a turnover rise to R65m from R61m Although no final dividend was declared, the total dividend for the year was 11c a share (1990 34c)

Progress CE Peter Jacobson said knitwear sales volumes dropped 40% in the second half, compared to the previous year, as a result of the import surge

He said although the Hatty proposals would help the industry in the medium term, imported knitwear for the winter season had already arrived in SA

In an unusual move, the company has recorded adjustments made to the previous year's tax charge below the line. These relate to expenses disallowed by the Receiver This was the reason for the difference of R594 000 between the company's above and below the line earnings

A R660 000 contingent tax liability relating to losses arising from a film investment was not included in the results.

Progress has lodged an objection against the Receiver's decision

Exports fail to propel Rex-True earnings

(134)

ARG 13/3/92

By AUDREY D'ANGELO
Business Editor

CAPE Town-based clothing manufacturer Rex Trueform increased exports "substantially" in the six months to December 31, executive chairman Stewart Shub said yesterday.

But SA's soaring inflation rate, pushing up costs, resulted in a loss on exports to Germany on which no compensating exchange rate profits were made.

The rand fell against the British pound sufficiently for exports to the UK to remain profitable.

Weak demand in the domestic market meant that turnover rose by only 9% compared with the same period in 1990. But in spite of continuing pressure on margins operating profit rose to R2,1m (R1,8m).

However, attributable income was lower at R1,7m (R3,1m). Earnings at share level were 41,2c (77,3c).

Capital expenditure during the six months was lower at R920 000 (R1,9m). Capital commitments totalled R1 635 000. The directors say this is all contracted for and will be financed from the group's own resources.

They say increased investment in stocks and debtors, stemming largely from a major production programme for an important client and also in preparation for the 1992 autumn-winter season, resulted in lower interest earnings.

"Most of these current assets have now been converted into cash and interest-bearing debt has returned to a more normal level of approximately R10m."

They say the group's retail division, Queenspark, "has expanded further and is proving to be an important and growing sector of our business.

"Export volumes have increased substantially but, due to the exchange rate not moving in tandem with inflation rate differentials, certain of these exports are proving to be unprofitable at present."

Stewart Shub said Germany was an important export market and it would be a mistake to withdraw from it because of a temporary situation. But, because the DM had moved very little against the rand, inflation meant exports to this market were being made at a loss at present.

There was a growing demand in Germany for good quality clothing. "Since reunification East Germans have proved to be aggressive consumers."

Shub said that although the fall of the rand against the pound meant that exchange rate profits were made on exports to the UK, that market had been affected by the deep recession there. But an improvement was expected later this year.

So far there was no sign of any improvement in the domestic market.

But, Shub said, the short-term strategy on which the SA clothing and textile industries had agreed, which was intended to boost exports and make clothes more affordable for the domestic buyer, was currently being considered in its final form by the Department of Trade and Industry.

This was intended as a short term measure to stabilise the industry while a long-term plan was prepared.

Stressing the importance of the plan, Shub said it would enable the industry to supply the domestic market efficiently at prices consumers could afford and to become a world player.

● Holding company African and Overseas Enterprises lifted net operating income to R2,8m (R2,4m) in the six months to December. Attributable income was R1,3m (R2m) and earnings at share level 53,2c (81,9c).

Rex Trueform (184) suffers 47% drop

BDay 13/3/92

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Rex Trueform suffered a 47% drop in earnings a share in the six months to end-December as weak domestic demand and unprofitable exports took their toll on the business.

Earnings fell to 41,2c (77,3c) on a 9% increase in turnover. However, despite weak local demand and pressure on margins, Rex Trueform gained 17,4% at operating level to R2,2m (R1,8m).

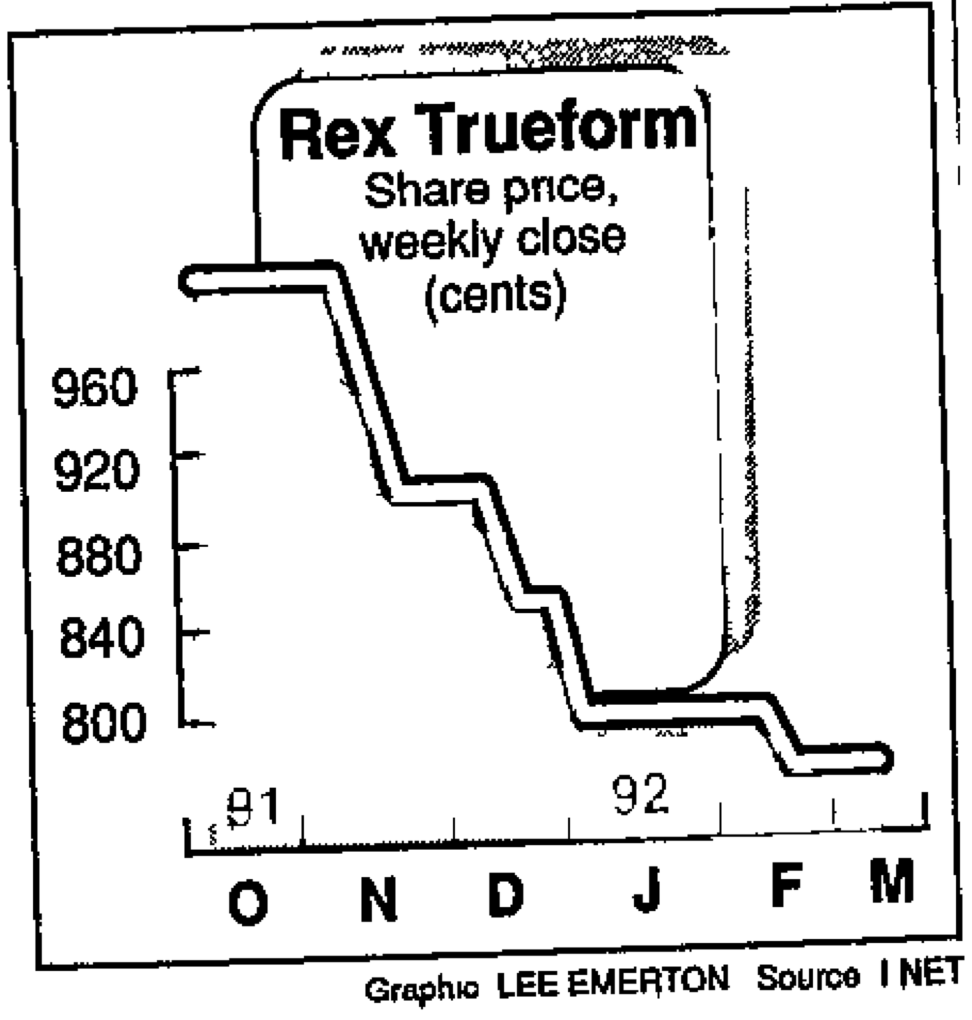
Chairman Stewart Shub said the group's retail division, Queenspark, had expanded and was proving to be an important sector of the business.

"Export volumes have increased substantially, but due to the exchange rate not moving in tandem with inflation rate differentials, certain of these exports are proving unprofitable at present."

Interest-bearing debt had doubled by end-December to R20,6m (R10m). Instead of earning substantial interest as in the previous period (R1,3m), Rex Trueform had to pay R479 000.

Tax was largely eliminated by the effect of tax allowances and exempt income.

Shub said the increased investment in stocks and debtors stemming mainly from a major production programme for an important customer, as well as the preparation for the 1992 Autumn Winter season, had resulted in a reduction in interest earned during the six month period.



Graphic LEE EMERTON Source I NET

Assets at end-December stood at R94m (R80m) due to the increase in stock. Capital expenditure amounted to R920 000 (R1,9m).

Holding company African & Overseas Enterprises, which has a 73% stake in Rex Trueform ordinary shares as well as other holdings in the group, earned 53,2c a share on a 6% increase in turnover, down from last year's interim earnings of 81,9c.

Cape knitwear firm latest to be hit

(184) ARGT 14/3/92

Business Editor

THE country's largest knitwear manufacturer, TEJ, is the latest Cape company to be hit by recession and falling retail clothing sales

It slipped R460 000 into the red in the six months to December after recovering to a R1,3 million profit at its June 30 year-end

But the loss is better than that of R730 000 a year ago, and equals a loss of 15,9c (24,7c) a share.

Chairman Mr Robert Jacobs says trading deteriorated, but the operating profit improved marginally from 3 to 3,25 percent of sales Improved control of working capital resulted in interest charges dropping to R743 000 from R973 000

Managing director Mr Tony Owen said substantial export contracts from Europe would be delivered from May onwards and keep production at normal levels. These exports could lead to new business.

But a major British customer had ordered a stop to exports until the referendum was settled.

"They are waiting to see which way the cat jumps," said Mr Owen.

"If the answer in the referendum is No, our overseas customers will stop buying and we will be out of business Our whole existence depends on exports"

In the half-year, the company's new productivity programme had shown results and absenteeism had halved.

The directors' interim report said the export business would offset the lower demand on the local market

Market conditions were volatile and forecasting the immediate future was complex

While they did not want to make any firm prediction on final profit levels in the current year, the directors said their were confident of an improvement in the net earnings made in 1991

TEJ unravels as recession bites and retail sales fall

STAR 17/3/92

By Tom Hood (184)

CAPE TOWN — SA's largest knitwear manufacturer, TEJ, is the latest clothing company to be hit by recession and falling retail sales.

It slipped R460 000 into the red in the six months to December after recovering to a R1,3 million profit at its June year-end.

But the loss is better than that of R730 000 a year ago, and equals a loss of 15,9c (24,7c) a share.

Chairman Robert Jacobs says trading deteriorated, but that operating profit improved marginally from three to 3,25 percent of sales

Improved control of working capital resulted in interest charges dropping to R743 000 from R973 000.

MD Tony Owen says substantial export contracts from Europe will be delivered from May onwards and keep production at normal levels

But a major British customer has ordered a stop to exports until the referendum is settled

"They are waiting to see which way the cat jumps," says Mr Owen.

"If the answer in the referendum is no, our overseas customers will stop buying and we will be out of business Our whole existence depends on exports."

In the half-year, the company's new productivity programme had shown results and absenteeism had halved

The directors say the export business should offset the lower demand on the local market.

While they do not want to make any firm prediction on final profit levels in the current year, they are confident of an improvement in net earnings

TEJ says major export drive hinges on referendum result

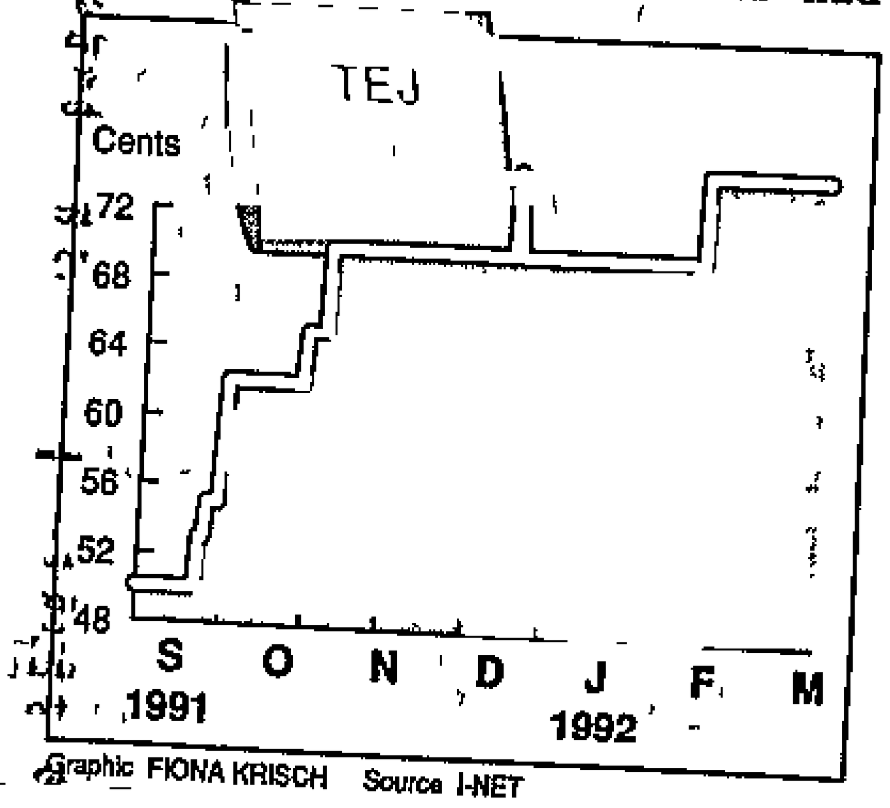
B/Day 17/3/92 (184)

LINDA ENSOR

CAPE TOWN — A "no" vote in today's referendum would wipe out export orders for clothing worth millions of rands, Towles Edgar Jacobs (TEJ) chairman Robert Jacobs said yesterday on the release of the knitwear manufacturer's interim results.

He said TEJ had launched an export drive, but a number of contracts depended on the negotiating process remaining on track and a "yes" vote today

TEJ won substantial export orders which Jacobs said had offset a low local demand. Domestic sales had



Graphic FIONA KRISCH Source I-NET

fallen more than expected and had been very sluggish since January.

Jacobs said added, however, that most of the benefit flowing from exports would only be realised in the 1992 financial year He said TEJ had set up a sales team abroad and envisaged exports becoming a substantial part of future business.

The loss of 15,9c a share was lower than last year's interim 24,7c loss and an improvement over the 1991 profit of 38,9c a share was expected Better capital control resulted in lower interest charges of R743 000 (R973 000)

The short-term portion of interest bearing debt was cut to R4,6m (R7m) but the interest bill relative to operating profit nevertheless remained onerous

Turnover fell 3,2% to R12m (R12,5m), operating profit rose 3,3% (3%) and an attributable loss of R468 000 (R730 000) was notched.

No tax was paid Jacobs said TEJ benefited from export allowances especially in that it was able to get a rebate on imported raw materials.

In the last financial year TEJ wrote off R1,1m related to an unprofitable contract for a European brand which was discontinued

Hard-hit clothing makers cut prices

S/Times (CM) 22/3/92 184

By FRED ROFFEY

CLOTHING manufacturers are quoting 1991 prices for 1992 to hard-pressed retail chains, whose pre-Christmas price slashing did little to improve their flagging December and January turnovers in South Africa's harsh economic climate.

This was disclosed at Clomatex '92, the clothing and textile machinery exhibition held at the Goodwood Showgrounds this week by Cape Town-based Roger Haupt Exhibitions

The move to hold down prices comes at a time when the clothing industry is facing its most grave crisis in recent years, with many manufacturers battling to stave off closures and remain in business until a turn in the economy comes.

The clothing and textile industries have traditionally been one of the Western Cape's largest employers and the job losses and cutbacks which they have experienced have had a direct knock-on effect on the regional economy.

SIMON JOCUM
Traumatic year

Last year alone 15 000 workers in clothing and textile factories in the Western Cape lost their jobs, with at least 9 000 of these jobs the result of retrenchments because of factory closures

In January, the then Minister of Trade and Industry, Mr Org Marais, presented a two-year plan which it is hoped could save 12 000 jobs and create 30 000 more But that is seen as a long-term measures and for many manufacturers the name of the game at present is survival

Move to boost sales by industry in crisis

Alarmed executives at this week's exhibition said the petrol price increase announced in the Budget would add to their transport costs at a time when clothing companies were closing, turnovers dropping and profits plummeting

"The year 1992 is going to be traumatic for the clothing and textile industry," warned Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, when he opened the exhibition

"Little or no new investment has taken place during the past few years and manufacturers are quoting 1991 prices for 1992 to the retail chains

"The pressure on prices by the chains is nerve-wracking, and to increase productivity it is essential that our workers are equipped with the most modern technology

"It is appropriate that we start by looking at new plant and machinery

"The emphasis today is on exports to achieve growth and employment, and to compete internationally, we are up against the latest plant, machinery and technological developments in the Far East"

Mr Jocum pointed out that a factory which increased investment in plant and machinery or switched to a multi-shift system to fulfil export commitments could apply to the Industrial Development Corporation for a low interest rate loan at nine percent a year

But there had to be confirmed export orders to justify an application

Backing Mr Jocum's call for exports was Mr James Arthurs, executive director of Gerber Garment Technology Inc of Connecticut in the USA, who said at the opening that he spent 70 percent of his time travelling to Latin America, Europe, Middle and Far East and Africa to promote his company's products

'Charity' leaves 20 000 jobless

By ROY RUDDEN

SUNDAY TIMES, March 22 1992 3

S Times 22/3/92

Clothing industry crippled as traders abuse concession on welfare imports

...-APARTHEID and church groups have become involved in a R2-billion "charity" clothing operation which is crippling the South African clothing and textile industries.

It has already put 20 000 people out of work, according to union and employer sources

The operation is based on a system under which the government grants permits to churches and welfare bodies to import second-hand clothes duty-free so that they can be given to the poor

Instead, 100-million garments a year are flooding into the country and pouring huge profits into the pockets of middlemen and, it is suspected, some church and welfare people with dubious motives.

The situation is "gravely serious and growing worse", union and industry officials say, and has already contributed to the closing of textile and clothing factories and had a devastating effect on the milling town of Harrismith. It threatens other towns like Ladysmith and Pinetown.

The SA Clothing and Textile Workers' Union is so concerned that this week in Durban it staged the first of a planned series of nationwide worker demonstrations outside one of a fast-growing number of used clothes shops

Ironic

And soon it plans to meet foreign anti-apartheid and church groups to point out that it is ironic that clothes they are collecting for South Africa's unemployed are contributing to further mass unemployment.

Mr Ebrahim Patel, assistant general secretary of the SA Clothing and Textile Workers' Union, said the garment industry employed 165 000 people in clothing production, 100 000 in cotton growing, and 95 000 in textiles. With their dependendants, this represented 1,7-million people

It was the most labour-intensive manufacturing industry and one for which product volume was all-important When, in 1988, there was an annual duty-free importation of 24,5-million used garments it was bad enough, he said. But last year the figure grew to 100-million (industry sources say R2-billion is a conservative estimate of how much they would have sold for).

Dr Johan Lamprecht, deputy director-general of the Department of Trade and Industry, said duty-free import permits had been granted initially to church and welfare bodies to enable them to bring in donated used clothing on the strict proviso that it be distributed free of charge However, the government later conceded that the charities could sell the items to cover transport costs

This, industry and union sources say, is what opened the door to abuse.

Industry and union officials said irregularities were almost impossible to control because of import volumes and staff shortages at customs and excise.

A special working group for the textile and clothing industry has been set up to investigate. It comprises representatives of manufacturers, unions, customs and excise, and other government departments

Members of the group — including government representatives — told of some remarkable abuses uncovered. Among them·

- Containers, accompanied by duty-free permits specifying that they contained used clothing, were found to have cars inside — in one case, a brand-new Porsche hidden behind old clothes,
- Others contained new clothes from Hong Kong and other Eastern countries, also under a layer of old clothes,
- Duty-free permits are issued by TBVC countries, Lesotho and Swaziland, but the containers never reach them. The clothes are sold to South African middlemen.

SAVE OUR JOBS ... textile workers demonstrate outside a second-hand clothes shop this week

The Commissioner for Customs and Excise, Mr Daan Colesky, said it was impossible to police the vast volume of duty-free clothing pouring into the country

Meanwhile, whatever the method of acquisition, used clothing — mainly jackets of European and American origin — is being sold in mushrooming shops, at flea markets, by door-to-door sales and via classified advertisements

Misery

The working group has a list of 55 church organisations involved in importing duty-free clothing and members say that although most are probably acting in good faith, they understand that officials of some church or welfare bodies are being investigated at government level

Mr Patel said "The union is determined to stamp out the profiteering in second-hand clothing

"The effect on our industry is devastating and the human misery and pain caused by this is not appreciated by those who make a quick profit"

(184)

MANUFACTURING — CLOTHING

1992

NOV. — DEC.

Clothing exports in jeopardy

APR 7/11/9 (184)

Seardel

TOM HOOD Business Editor

THE future of R500 million in clothing exports, which equals 15 000 jobs, is in danger, believes Dr Bernard Richards, joint managing director of Seardel, SA's largest clothing manufacturer.

Seardel employs 15 000 people in 22 operating divisions, with 80 percent of its turnover in clothing.

The entire garment industry's export programme is in jeopardy as a result of the phasing out of export concessions by next March, he said

"If the government does not see its way to continuing the export programme, then I believe it will have a huge effect in terms of lost jobs," he said.

"It is vital that an agreement is in place to replace the duty free permits"

In 1989 the government introduced the Structural Adjustment Programme (SAP) to enable the clothing industry to increase exports.

The programme has been a great success with Seardel's companies alone achieving R80 million of export sales, representing 10 percent of its garment turnover and about 3 000 jobs. Seardel, in fact, is one of the entrants for the State President's Export Award this year.

One of the weaknesses of the SAP was that it rewarded exporters through the issue of duty free permits — a system which had been "totally abused".

Dr Richards suggested that as an alternative some form of tradeable tax certificates should be introduced, being a percentage of export turnover. He believed it would not be offensive to Gatt and to the Receiver of Revenue because no subsidies were involved

The battle for the industry's survival made business more complex and led to Searel's chairman, Dr Aaron Searll, becoming president of the National Clothing Federation at a critical time.

He in turn delegated some of his responsibilities and appointed two joint managing directors — Dr Richards, who is also chairman of Charmfit, where he has worked for 18 years, and Dr Chris de Bruin, chairman of Sharp Electronics and the group's Atlantis knitting and quilting division.

All three hold Swiss doctorates in business Administration — qualifications they obtained from part-time study while holding top jobs in the Seardel empire.

Dr Richards does not see the appointments of group managing directors as a major change in Seardel policy.

"We have broken up the group into various areas of responsibility and some companies report to me and some to Chris," he said.

Dr Richards said clothing manufacturers were in a critical situation regarding exports and imports.

Internationally the industry had basically followed low wages, said Dr Richards.

Japan became a major manufacturer after World War 2 but as wages increased it became a mimumum producer.

The industry moved to Hong Kong and Taiwan but their clothing business was on the way down

The latest manufacturer was Vietnam — for example, 19,6 percent of German clothing manufacturers were now producing in Vietnam and another 36 percent were considering doing so.

Vietnam's output was now substantial — factories were able to cut, make and trim a shirt for R1,82 Wages were R30 a week or 70c an hour — an eighth of the wages paid in South Africa

"This is what you are up against and I am not saying people are overpaid or underpaid in in South Africa," Dr Richards said.

Business and employment were still under threat from cheap imports.

A new duty structure began this month and would be in place for a year.

"We as an industry are still evaluating the effects of the new duties They are inflationary. Provision has been made within the new duty structure for companies to make application for rebate of duty for fabrics not made in South Africa

"Duties on some major fabrics such as viscose and poly-cottons will increase from 20 percent to 55 percent, an increase of 175 percent. Price increases of this order are not acceptable and will result in more lost jobs," said Dr Richards

If the Board of Trade and Tariffs responded speedily to these applications, a large part of the inflationary input of the duties could be avoided

Clothing and textile industries and the board would get together to work out a long-term strategy for survival and growth, he said.

Clothing was highly labour intensive and the more people who had jobs the better it would be for everybody.

Dr Richards believed South Africa had an opportunity in the longer term to be successful in high value clothing production

One of the major problems facing manufacturers was the large number of protected industries

The price paid for cotton lint in South Africa was above the world price and meant that industries along the line became less competitive on a world scale.

Retailers were refusing to pay more for basic merchandise in 1993 because they faced a consumer who did not have money in his pocket. There was a lot of pressure on manufacturers to hold prices.

"For example we are faced with price increases on cartons," said Dr Richards.

"Suppliers said the price of paper had increased by 12 percent and asked for a 9 percent increase. I said it was impossible. If we grant a price increase like that we would go out of business."

Sappi and Mondi had both said that the price of paper would go up and the carton makers could not import cheaper paper from the world market because they could not get an import permit. So they are forced to buy from Sappi and Mondi.

"The protected industries must realise that they must get their prices back in line with world prices," said Dr Richards.

Born in Cape Town, Dr Richards says he keeps fit to meet the arduous demands of his job by exercising regularly in the gym and squash courts, with an "occasional hack" around a golf course and cycling — including the Argus Cycle Tour.

He is married, has three children and lives in Constantia.

Group seeks new clothing exports plan

ARG 7/11/92

DES PARKER
Weekend Argus Correspondent

A NEW export promotion programme for the clothing and textile industry will be a priority at the first meeting of a long-term industry strategy group after the government gave notice of an end to the contentious three-year-old import-for-export scheme.

Deputy Trade and Industry Minister Mr David de Villiers Graaff said exports of garments and fabric would not qualify for duty-free import permits after March 31 next year. The permits would be invalid after March 31, 1994.

The scheme, introduced as part of a structural adjustment programme (SAP) in 1989, has caused controversy because permits have been issued on quotas based on historical performance.

In addition, irregularities in administration and trade at premium prices in the documents proliferated.

The scheme was unpopular with domestic fabric manufacturers because their turnover was hit as successful clothing exporters could obtain increasing quantities of often less expensive, better quality fabric abroad.

Mr Hennie van Zyl, executive director of the National Clothing Federation (NCF), said the SAP incentive combined with general export incentive scheme (Geis) benefits had worked well to boost clothing exports — even if they weren't "entirely Gatt kosher". (Gatt is the international trade regulating body, the General Agreement on Tariffs and Trade)

Mr Graaff said it had been widely believed the SAP would run for five years and the government had decided to let it last the full term. However, it had felt compelled not to extend it beyond 1994 because of distortions it caused in the market and widespread rumours of its abuse.

He emphasised that the government would not entertain requests for extension of the programme

Mr Van Zyl said the NCF was still calculating the effect of a new interim duty structure for clothing and textiles announced by the department last week. Garment makers took strong issue with the structure, saying it meant higher duties on cheaper imported fabrics

Mr Van Zyl said that if that proved to be the case, the duties could destroy more clothing jobs than the textile positions they saved A rough calculation used by the NCF was that four clothing workers were laid off for every textile job saved by government intervention

Traclo sells up, heads for delisting

(184) STimes (BUSS) 8/11/92

By JULIE WALKER

TRANSVAAL Clothing (Traclo) is to sell its business to a consortium of its directors for R4,69-million and be wound up.

The Stamford Hill consortium intends to maintain the operation as a going concern

Lionel Lipkin, the director of Traclo who is not a member of the consortium, and the adviser to the minority, UAL Merchant Bank, consider that the disposal is fair and reasonable to Traclo's shareholders They recommend its acceptance

Members will receive 20c a share When Traclo was listed in 1987, the public and preferential offer was at 60c a share

In 1987, four directors including Mr Lipkin and current chief executive Mike Destombes, and Durrant Investments issued themselves 14-million Traclo shares of 60c for the assets of TCI (1979), which became Traclo's business.

With a total 22-million shares of 60c in issue at listing, Traclo's technical worth was more than R13-million

The balance sheet reflected fixed assets worth R2-million and net assets of less than R1-million

The profit history in the prospectus had been restated on the assumption that the company had been recapitalised by the proceeds of the 1987 rights issue as far back as 1983 The outcome — a much lower hypothetical interest bill and much better earnings

In spite of this flattering restatement of profits and a tax rate reduced because of special allowances, Traclo made only R726 000 in the year to April 1987 — rather low to warrant a market capitalisation of R13-million

Traclo's performance over five years has been nowhere near as good as the directors' bullish comments about healthy order books and good prospects led shareholders to believe

Original

The consortium claims any variance in Traclo's net assets between July and the date of winding up as its own At June 30, net current assets were R5,2-million and capital employed R6,5-million

Just as Traclo restated the past to suit itself, it now sees fit to pre-state the future

It says that the effect on a holder of 100 Traclo shares is a R5 decline in net asset value to R20

But assuming that the holder invests the liquidation dividend to yield earnings and dividends equivalent to those of the JSE's clothing, footwear and textiles index, he would be 66% better off in terms of earnings and would receive a dividend

Directors Mike Destombes, Doug Smith and David Jacobs respectively own 45%, 10% and 25% of Stamford Hill and Durrant the rest

Durrant was one of the original sellers of TCI (1979) Its shareholders are all based abroad

Stamford Hill has Reserve Bank approval for a foreign loan to help finance the acquisition

Shareholders will have the opportunity to voice their opinion at a general meeting on November 25

Exporters and govt to discuss incentives

BDAY 11/11/92 (184)

LINDA ENSOR

CAPE TOWN — The Board of Trade and Industry will convene an urgent meeting with clothing exporters within the next few weeks to discuss a replacement scheme for export incentives, which are to be phased out from March 31 next year

National Clothing Federation executive director Hennie van Zyl said the decision was taken yesterday at the first meeting of the task force to formulate a long-term strategy for the clothing and textile industries.

The move came as major clothing exporters reported their inability to conclude important export orders because of the recent announcement by Trade and Industry Deputy Minister David de Villiers Graaff.

He said exports of clothing and textiles would not qualify for duty-free imports from March 31 next year, and import permits would be invalid after March 1994

The clothing industry fears that the R500m clothing export market will be destroyed by the phasing out of the export incentive scheme established in 1989 under the Structural Adjustment Programme Termination of the scheme threatened 10 000-15 000 jobs, Van Zyl said.

He personally believed that a modest change to the export incentive scheme could be made to compensate clothing exporters for the loss of the duty-free permits A sliding scale for incentives for manufactured products could be introduced

The clothing federation calculated that structural adjustment programme permits were worth about 15%-18% of export turnover Exporters received an additional 19% cash payment from the incentive scheme (less the amount deducted under the scheme for the use of imported materials), giving a total cost saving on exports of approximately 34%-37%

Clothing: 'Sell what consumer wants'

184 CT 12/11/92

By AUDREY D'ANGELO
Business Editor

CLOTHING and textile manufacturers, and retailers, should find out what customers want and give it to them rather than expecting them to buy what is available, members of the Menswear Group of SA heard at their annual seminar in a city hotel yesterday.

This message was given first by Ken Barker of the BRM Group, who is successfully marketing the high-priced Patrick Ewing range of clothes — mainly to young black men.

It was repeated in a panel discussion chaired by Justin Schaffer, a director of Abbey Holdings and former MD of SA Nylon Spinners.

Schaffer and members of the panel, including manufacturers, retailers and Ebrahim Patel, of the SA Clothing and Textile Workers Union (SACTWU), urged that everyone in the industry should work together to increase efficiency and productivity and become globally competitive.

Patel — suggesting that the industry should concentrate on producing quality clothes for niche markets and stop asking for tariff protection against goods made cheaply for the mass market — said higher productivity and sales should lead to higher wages.

Pointing out that wages in Taiwan were higher than in SA, because productivity was higher, Patel said: "The challenge is how to make our industry more efficient and productive."

There was a need to create more jobs in the formal sector. No modern economy with a high standard of living was fuelled by the informal sector.

Jim Crook of David Whiteheads said SA industry was not cost-competitive in global terms. With a very few exceptions it was inward-thinking and isolationist.

Most companies thought in terms of protection against imports rather than how they could become global players.

The high cost of raw materials was a major problem. SA cotton farmers, who produced 100 000 bales a year, wanted to be paid 490c/kg when the international price was 370c/kg because of oversupply.

Philip Krawitz of Cape Union Mart pointed out that competition was "the very life-blood of the economy".

Manufacturers and retailers must become more flexible in responding to customer needs. Manufacturers should visit the shops they supplied and speak to shoppers, to find out what these were.

Prices of clothing may soar and thousands of jobs may be lost when the government's plan to protect the textile industry takes effect this week, reports **Edwina Booysen**

TEXTILE TURMOIL: Consumers may have to fork out more for clothing

Rag trade in tatters over import duties

SOUTH 14/11 - 18/11/92

184

CLOTHING bosses are at the end of their tether over government moves to end the special deal on imported textiles

Besides cutting bosses' profits, the move could also lead to thousands of workers in the clothing industry, mostly women, losing their jobs.

The government's measures to protect the textile industry take effect on Friday and will drastically increase import duties on textiles, pushing up the cost of clothing for the domestic and export markets.

Cape Clothing Manufacturers Association (CCMA) chairperson Mr Simon Jocum told SOUTH that the government was protecting the textile industry at the expense of the much larger clothing industry.

National Clothing Federation executive director, Mr Hennie van Zyl, said at the weekend that the changes could destroy more jobs in the clothing industry than they saved in the textile industries It had been estimated that four clothing workers were laid off for every job saved in the textile industry.

What the government has done is to start phasing out a scheme that helped promote clothing exports by allowing manufacturers to import textiles cheaply. This scheme had affected the sales of local textile manufacturers, who also claimed that the scheme was being misused But the scheme was very successful in increasing clothing exports.

The CCMA remains dead set against the new move that makes imported textiles more expensive by increased duties by as much as 300 percent in some cases

This increase will push up prices for both the domestic and export markets and generally make the clothing industry less competitive at a time of increased international competition and falling consumer spending power at home.

Jocum predicts that, come the New Year, factories will go on short-time as retailers will be buying less items

"Instead of keeping the status quo, the government was seduced by the textile industry which was blaming the recession and everything that went wrong, on imported textiles," he said.

The Cape is considered to have the largest clothing industry in the country and has "the greatest potential for creating jobs"

"This is insanity — look at the price the clothing industry will have to pay in loss of employment," Jocum said.

The chairperson of the Garment Manufacturers Association (GMA), Mr Patrick Boers, said the "demise of the clothing industry" was im nent with the implementation of new import duty.

The GMA, which represents smaller clothing factories, felt t the new structure was not a "v well-balanced effort" by the gove ment and that the clothing indus would have to "pay the cost" o the next few years.

In a statement, the Deputy Mi ter of Trade and Industry, David de Villiers Graaff, saic minimum duty has been introdu to act as a "safety net" to addr the problem of "insufficient prot tion" from low priced products.

New tariffs to cost 27 000 clothing jobs

184

ST Times (BUSS) 15/11/92

By CIARAN RYAN

THE new tariff structure for the clothing and textile industry will cost 27 000 jobs in the clothing sector, says the National Clothing Federation (NCF).

The structure is designed to curb cheap imports and save textile jobs

NCF executive director, Hennie van Zyl says "For every job saved in textiles through higher protection, four jobs are lost in the clothing industry

"This tariff structure will save between 7 000 and 8 000 jobs in the textile sector, but will put 27 000 out of work in clothing"

Textile Federation executive director Brian Brink disputes this claim, saying "There is no scientific basis whatsoever for making these assertions"

The tariff structure, which came into effect on Friday, expires in November 1993.

Clothing industry spokesmen say it will do little to deal with the root cause of declining sales and employment in textiles.

The structure imposes minimum and maximum tariffs for different categories of imports The maximum ad valorem tariffs on yarns are 35% (up from the previously 15%), fabrics 50% (20%) and clothing 100% (130%)

Mr Van Zyl says the Government has placed short-term job preservation in textiles above the long-term interests of the industry and job creation in general

The new structure replaces the much-abused and complicated quota system of the Hatty Commission

Maximum

Mr Brink says "On balance the new structure is better than the Hatty system, which was complicated and difficult to administer"

A long-term strategy group comprising members of the textiles and clothing industries met for the first time last week to thrash out a survival plan High SA input costs are blamed for the industries' problems

Cheap fabric imports caused havoc for the textile industry, but were a boon for clothing manufacturers

Higher import tariffs will curtail cheap imports, resulting in higher clothing prices, says Mr van Zyl

The impact of higher tariffs will not be felt for some months because most firms have stocked up for Christmas

Textile manufacturers blame cheap imports for declining sales and employment in the industry. Clothing manufacturers blame high input costs, low labour and management productivity, high cost of capital, high tax rates and inflation, exacerbated by severe recession

Main

Employment in the textile industry fell from 95 000 in 1988 to 89 600 in June this year, according to Central Statistical Service figures Employment is 4,4% down compared with June 1991

The number of working hours in the fabric and yarn-spinning sectors has fallen sharply in that time

Textile production was 14,6% lower in June than in the the same month of the previous year.

The main market for textiles is the garment industry, which employs 130 000 But job losses in this sector have been running at 1 500 a month for the past year

For several years textile manufacturers have campaigned for higher import tariffs to preserve jobs There is some surprise that the Government agreed to higher protection at a time when it is committed to lower tariffs and trade liberalisation

Gold cuts

RATIONALISATION has reached a point where mines cannot make job cuts without sacrificing entire mining operations

The Chamber of Mines says gold mines cut staff by 5,5% in the year to May compared with 12,4% the year before

Clothing factory workers hold woman hostage

8/007 17/11/92

DIRK HARTFORD

A JOHANNESBURG clothing factory owner was held hostage yesterday for three hours by 60 workers after her ex-husband — their employer — left the country without paying them

Linear Fashions owner Guera Ovadia said she had feared for her life when his employees had taken over her factory and demanded to be paid the money owed them She said her ex-husband Shlomo Ovadia, owner of clothing firm Shapes, had fled the country on Sunday, leaving his workers without pay, benefits and holiday bonuses

She said she had found out he was leaving 20 hours before his departure, but that she "could not betray him because he is the father of my kids"

One of the employees said they believed that just before Ovadia left, he had moved everything from his factory to his ex-wife's. "We came to the wife's factory to get what is rightfully ours."

Ovadia said the workers took over her factory and started shouting and rioting They confiscated her keys, held her hostage and threatened to get their union — the SA Clothing and Textile Workers' Union (Sactwu) — to arrest her

Police were called and the workers left the factory peacefully

Ovadia said her factory's employees, who are also Sactwu members, were not involved in the dispute No one at Sactwu could comment on the incident

184

Clothing retailers' mark-ups slammed

184

ARG 19/11/92

Business Staff

TEXTILE manufacturers have torn a strip off apparel retailers for pricing clothing out of the market.

In its latest Textile Topics newsletter, the Textile Federation says factory shops may prove to be the retail medium of the future and the way the public can avoid paying the big mark-ups of clothing stores.

According to Texfed, the retail mark-up constitutes 60 percent of the price of "the average basic garment", with the cost of fabric and "cut, make and trim" contributing equally to the remaining 40 percent

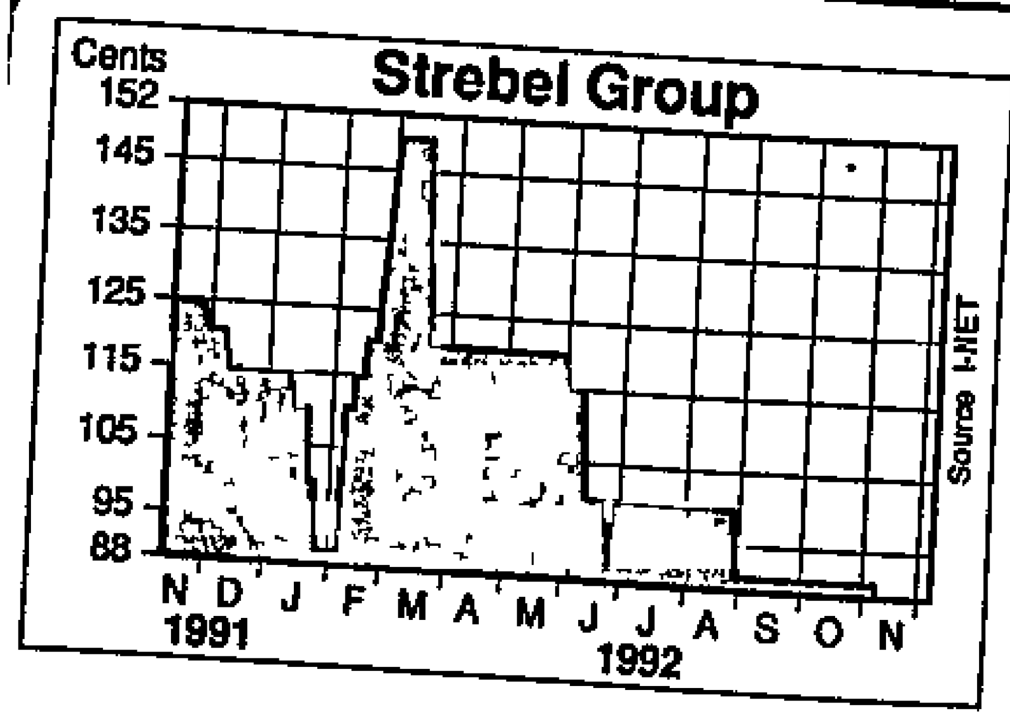
"Retail puts no added value on the product, so how is this huge mark-up justified?" the writer asks.

"Simple, clothing retail is heavily 'overshopped'.

Returns per square metre of shop space are falling, while shop rentals are rising.

"Modern shopping malls are largely responsible for the high cost of clothing, together with high costs of credit"

FM 20/11/92



Activities: *Makes trimmings and accessories for clothing and knitted and non-woven fabrics*
Control: *J Strebel Investments*
Chairman and MD: *F Strebel* (184)
Capital structure: *15m ords Market capitalisation· R15m.*
Share market: *Price 100c 12-month high, 150c, low, 90c. Trading volume last quarter, 10 000 shares*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	2,7	5,5	7,8	8,4
LT debt (Rm)	3,7	3,5	3,0	2,3
Debt:equity ratio	0,29	0,31	0,42	0,41
Shareholders' interest	0,50	0,50	0,52	0,50
Int & leasing cover	17,0	11,1	5,0	0,2
Return on cap (%)	26,3	23,5	12,6	0,06
Turnover index (1982 = 199)	520	625	601	562
Pre-int profit (Rm)	10,5	11,1	6,3	0,3
Earnings (c)	39,8	38,0	21,3	(4,2)
Dividends (c)	13	13	7,5	—
Net worth (c)	132	157	172	171

STREBEL GROUP FM 20/11/92.

Fears about imports

(184)

Shrinking material sales, retailers' demands on manufacturers not to increase prices, new-fashion floral fabrics that require fewer accessories and trimmings and competition from imports all impaired Strebel's volumes and operating profits

Every time a fabric manufacturer reports losses, it brings to mind the debate in the textile and clothing industry about the use of duties and tariffs to protect local industry from cheaper imports

It is difficult not to sympathise with the plight of local manufacturers, who, until recently, had every justification for believing competition would come only from local competitors because the authorities would continue to discourage imports. But the argument that it would be better to allow imports of cheap textiles and then add value to them is intuitively more appealing than permitting imports of cheap ready-made clothing, to which no value can be added.

Should the authorities adopt a similar outlook, the present structure of the textile industry is in jeopardy. Strebel's Embroitex, which makes embroidered products, as well as its Atlantis Non-Woven and Pearl Fabrics plants, will continue to incur losses unless they can become price effective in competition with imports. That possibility does not make any textile manufacturer an attractive investment proposition.

However, since duties and tariffs were reimposed on imports following the Hatty Commission, Strebel chairman Fred Strebel says subsidiary Embroitex is recovering profitability

Moreover, there has been substantial rationalisation with employees reduced by almost a quarter The need to conserve cash has meant working capital management has had to be tightened and capital expenditure confined to essentials.

The balance sheet remains relatively strong, but interest cover and return on capital continue to deteriorate. Prospects for an improved 1993 financial year are slim Management will do well to achieve break-even this year

Gerald Hirshon

Cape rag trade jobs crunch to worsen in '93, Jocum warns

(184)

ARG 25/11/92

TOM HOOD, Business Editor

MORE Cape clothing factories will have to go on to short-time and retrench workers as a result of new import duties on textiles and reduced duties on imported clothing.

This forecast by Mr Simon Jocum, retiring chairman of the Cape Clothing Manufacturers Association, was made at the annual meeting in Cape Town yesterday

"In an effort to prop up the ailing textile industry in a recession, the clothing industry will be forced to pay a heavy price in job losses," he said.

"To offest the damage the clothing industry has applied urgently to the Board of Trade and Industry to allow us to import fabrics which are not available in South Africa duty free."

Mr Jocum said 1992 was a bad dream for the Cape industry — 34 of 435 factories closed and there was a loss of 5 000 jobs.

He suggested six essentials to stop the rise in unemployment

■ New incentives to replace the structural adjustment programme to be withdrawn at the end next March

"Exporters must know where they stand"

■ The ending of import surcharges on textiles and plant and machinery.

■ Lowering interest rates by another 2 percent to stop the decline in consumer spending

■ Fabrics not available in South Africa should be freed of duty

■ Trade unions should appreciate the damage of high protection on downstreeam industries.

This would ultimately cause loss of jobs in the clothing industry.

■ Unions should also consider the harmful effects of work stoppages and stayaways during future wage negotiations.

"Happiness is having a job in 1993.

"This means that all wage and salary increases must be accompanied by increased productivity.

"No longer can the inflation rate be regarded as a yardstick for increases"

Retailers were demanding lower prices than last year

This meant public should see excellent values in the stores this Christmas, added Mr Jocum

Clothing and textile unity considered

B/Day 26/11/92 (184) (184)

LINDA ENSOR

CAPE TOWN — After decades of bitter acrimony, the clothing and textile federations have agreed to establish a working group to investigate the possibility of amalgamating the two bodies.

Textile Federation executive director Brian Brink said the planned phasing out of the structural adjustment programme — long a bone of contention between the organisations — had opened the way for getting together.

The programme provided exporters with duty-free import permits which textile manufacturers complained were used by exporters to the detriment of the textile industry

Brink said the National Clothing Federation (NCF) and the Textile Federation had much in common. Combining forces would achieve rationalisation benefits and provide the industries with a stronger voice.

The main point of dispute between the industries, Brink said, was the duty on fabric. However, where such disagreements arose, these could be ironed out internally in much the same way as sectional differences in the textile industry were solved within the Textile Federation.

When the working group had finalised investigations, a report would be submitted to the federations.

Meanwhile, a meeting between representatives of the clothing and textile industries, the Board on Tariffs and Trade (BTT) and the Department of Trade and Industry has been scheduled for December 7 to discuss alternatives to duty free fabric imports during the last year of the structural adjustment programme which ends in March 1994.

Deputy Trade and Industry Minister David Graaff recently announced that clothing and textile exports would not qualify for duty-free imports from March 31 next year and import permits would be invalid after March 1994.

Brink said the purpose of the meeting under the chairmanship of BTT deputy chairman Helgaard Muller was to find ways of limiting the damage the structural adjustment programme had on the textile industry by offering alternative incentives to clothing exporters to replace the duty-free permits.

NCF executive director Hennie van Zyl said the federation wanted to ensure that exporters' financial positions would not be any worse after the end of the structural adjustment programme. It would propose an amendment to the General Export Incentive Scheme (GEIS) to replace duty-free import permits.

The NCF said the permits were worth about 15%-18% of export turnover. Exporters received an additional 19% cash payment from GEIS (less an amount for imported materials) giving a total cost saving on exports of 34%-37% Total clothing exports amounted to about R500m

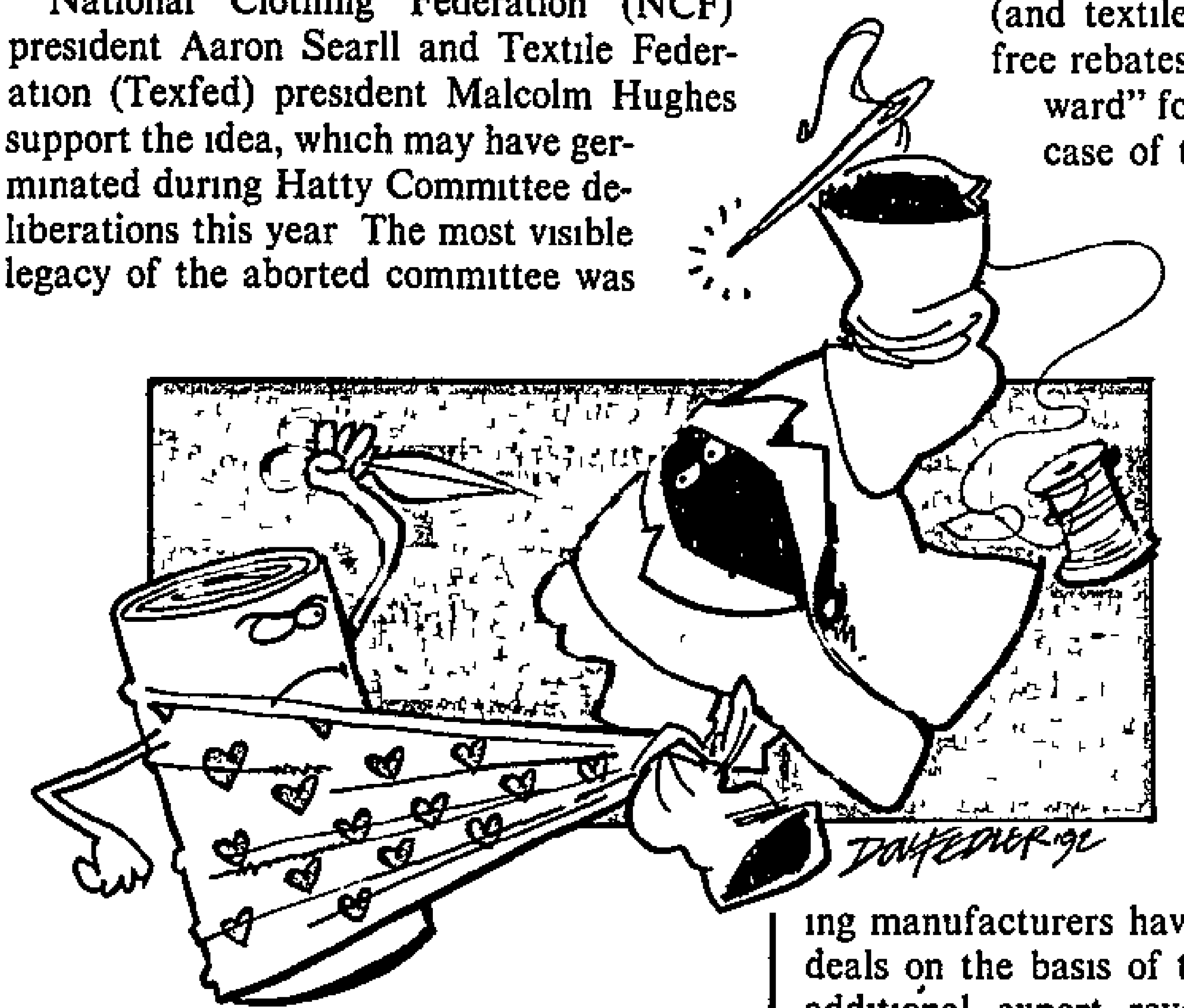
CLOTHING & TEXTILES

FM 27/11/92 184

Heading for a marriage?

The yarn and cloth may be flying as the R4,5bn-a-year clothing industry slogs out its tariff policy differences with the R6,3bn-a-year textile sector, but the two opposing industries may soon be united in a single federation A joint working group representing textile and clothing federations will shortly be formed to look into a merger proposal The federations are expected to consult their national congresses early in 1993

National Clothing Federation (NCF) president Aaron Searll and Textile Federation (Texfed) president Malcolm Hughes support the idea, which may have germinated during Hatty Committee deliberations this year The most visible legacy of the aborted committee was the takeover of the Frame (textile) Group by Searll's Seardel clothing empire.



Hughes says a single federation "should be better equipped to deal with the problems of the entire industry pipeline" The SA Clothing & Textile Workers' Union (Sactwu), representing workers in both industries, also strongly supports the proposed joint approach.

"We welcome the unity moves, which could stop the destructive trade war between the two sectors and also improve the climate for bipartite agreements between labour and manufacturers on issues relating to trade, employment and restructuring of the industries," says Sactwu assistant general secretary Ibrahim Patel

The two sectors have long been at loggerheads over protectionist issues Clothing manufacturers want low tariffs to get cheap fabric inputs But the textile industry says it cannot compete against often-subsidised fabric imports, while buying local cotton lint at premium prices Cotton farmers have a R1,60/kg tariff against imported cotton lint, which effectively forces local spinners to pay the locally inflated cotton price of R4,90/kg, against world prices of R3,40/kg

"And, apart from this, the textile industry has been hit by the flood of duty-free imports This year permits to the value of R340m have been issued by government and we expect a further R500m in 1993 This is a result of the 1989 structural adjustment programme which allows manufacturers duty-free permits to import clothing and textiles, based on the value of proven exports," says Texfed executive director Brian Brink

The adjustment programme was devised to promote exports of clothing (and textiles) by allowing duty-free rebates on imports as a "reward" for exports And, in the case of the clothing industry, it has born fruit

Says NCF executive director Hennie van Zyl "Clothing exports will this year reach an estimated R600m — a huge increase on the R190m achieved in 1990, first year of the programme We are lobbying government not to abort it prematurely, as many clothing manufacturers have entered into export deals on the basis of the benefits And the additional export revenues support about 12 000 jobs"

But the programme does grant clothing exporters a double benefit, as they also qualify for government's generous general export incentive scheme Total effective benefit is about 30%-35% on net export value Nevertheless, only R183m of this year's R340m import permits will be utilised for fabric and yarn imports the rest (almost R160m) goes on duty-free clothing imports

And, says Van Zyl, the R114m worth of "permit" fabric imports constitute only 10% of total fabric imports of about R1,1 bn "It is a storm in a teacup," he says

However, the system has damaged the local jersey knitwear sector, according to Progress Knitting CEO Peter Jacobson He says locally manufactured jerseys were protected by tariffs of 35%-150% — but permit holders have been bringing in dumped, high-quality jerseys at about R29 landed and selling them at retail level for R90

"Consumers do not benefit from these imports and we therefore want the permit system to be scrapped," agrees Texfed's Brink Adds Jacobson "The knitwear and acrylic worsted spinning sectors have already shed about 8 000 jobs and we are now down to a 12 000-odd labour complement And, while the idea is to add value locally to wool exports, nobody will invest in an industry that is decimated by dumped imports"

He says government has now closed the loopholes (also on cheaply imported "second-hand" clothing), but the industry will not see any turnarounds before winter in 1994

Van Zyl says fast-growing clothing exports could be jeopardised if government aborts the adjustment programme, though he agrees abuses must be stopped Government has already introduced a list of goods that can be imported in terms of future permits

Van Zyl says the NCF opposes the new interim (one-year) tariff arrangement gazetted on November 13, as it hiked fabric tariffs from 20% to 50% "This could cost us 10 000-15 000 jobs We have also asked that 31 imported fabric headings be placed on the Third Schedule of customs tariffs, allowing for duty-free imports of fabrics not made in SA" Brink says clothing duties will be about 150%, on average

Lastly, Van Zyl and Brink agree that retailers add most to the cost of clothing in the R8bn-R10bn retail market

Says Van Zyl "Retail markups in SA differ little from those in the US, where in 1990 retailers added a US$34bn (46%) markup to the $39bn wholesale value of clothing sold to retailers by manufacturers Fortunately, in SA, barriers to entry in the clothing retail sector are low and informal sales could soon force major retailers to bring down prices to more realistic levels"

Here, at least (as well as in the area of input costs), the two federations find common ground as a basis for their proposed merger ■

POST OFICE FM 27/11/92

Changing guard

The management shake-up at the Post Office is over for the time being The appointment of Volkskas/TrustBank operating executive Hennie Diedericks as the new MD completes the team of ex-private-sector people recruited by chairman Donald Masson since he took charge of the troubled organisation earlier this year

Diedericks, who takes office in January, likes restructuring exercises and the Post Office is a textbook case of an operation needing new direction

He was involved with the restructuring of management at TrustBank/Volkskas, one of Absa's banking divisions, Bonuskor and others

cont ->

TRANSVAAL CLOTHING

FM 27/11/92

End of the cycle

(184)

The life cycle of Traclo's share is an interesting one After being issued at 60c five years ago, it listed a few cents higher and peaked at 80c within a week A month later the share survived the '87 Crash when others fell But the Nineties saw it succumb to the poor state of the clothing industry and the stock now trades at around 16c

Director Doug Smith says there has been little or no demand for shares in the clothing sector Traclo has shown limited growth and if it had wanted to raise capital there is little

FM 27/11/92 (184)

attraction for investors As the directors want to increase their stake, and delist the company, they are prepared to pay a premium above market price

A consortium of the directors, known as Stamford Hill, is offering minorities 20c a share for their holdings Three directors, Mike Destombes, Doug Smith and David Jacobs, own 45%, 10% and 25% of Stamford Hill respectively Stamford Hill has Reserve Bank approval for a foreign loan to help finance the deal

When Traclo was listed, 14m shares, worth R8,4m, were issued to the original directors In addition to a public offer of 2,4m shares, there was a preferential offer of 3m shares, directors then held 51% As directors left, not all their shares were acquired by new directors The three existing directors hold only 25% between them, with the price having fallen by two-thirds since the listing Though below the June 30 NAV of 25c, the offer to minorities is 4c above the price of the last trade It seems attractive enough

If a majority of minorities vote to accept the offer at the meeting on November 25, Traclo will appear on the board for the last time on Friday November 27 *Kate Rushton*

'1% tariff cut will cost 1 100 jobs'

CT 28/11/92

(164)

By AUDREY D'ANGELO
Business Editor

EACH reduction of 1% in tariff protection for the SA clothing industry "saves the consumer R3m a year but eliminates 1 100 jobs — more than 1 000 in the clothing industry, more than 120 in the textile industry and nearly 20 in retail trade," the annual report of the National Clothing Federation (NCF) claims

On the other hand, the report continues, each 1% increase in tariff protection for the textile industry "costs the SA consumer R50m and eliminates 700 jobs by creating 120 jobs in textiles and eliminating 750 jobs in clothing and 70 in retail"

These figures, says the report, "represent first approximations based on linear extrapolations of current patterns."

Disputing them, Malcolm Hughes, President of the Textile Federation of SA, said yesterday: "They are totally unsubstantiated and I would say they are a complete guess"

Hughes said the trade-weighted average protection for the clothing industry was 150% and that for textiles 50%

These latest shots in the long-standing "war" between the textile and clothing industries follow a request for more protection from textile manufacturers and protests from clothing manufacturers that their costs are being pushed up and high import duties charged on fabrics not made in this country

At the annual seminar of the Menswear Association of SA last week all speakers agreed that everyone in the textile and clothing industries should work together to improve efficiency and keep costs down

This message was repeated at the agm of the Cape Clothing Manufacturers Association on Tuesday.

But Simon Jocum, outgoing chairman of the association, said the latest request for more protection for textile manufacturers would lead to retrenchments and short-time working in clothing firms.

He said higher unit sales of locally-made clothing would result in more sales for the textile industry and therefore more jobs

The NCF's annual report points out the need to restructure the SA economy, if continuing real growth is to be achieved

"It is the economy and not politics that will decide whether or not the promised land, the new SA, will turn out to be a Canaan or a desert"

Urging all South Africans to take an interest in economic matters it continues "It is also time to stop blaming the world economy for the inherent weakness in our own economy and to stop passively assuming that the local economy has to wait for a global economic upturn to pull it out of recession

"Countries with dynamic economic and industrial policies have grown spectacularly even amidst world recessions, on the same basis as dynamic and professionally-run companies continue to prosper even within a recession"

It says industries should be selected for help and encouragement on the basis of

- maximum job creation
- low-tech manufacturing processes
- significant export potential
- sparse use of capital
- promotion of small business
- manufacture of a final product
- manufacture of a basic necessity
- promotion of local suppliers
- easy entry and exit, ensuring effective competition
- high level of education and training activities
- positive linkages with neighbouring states.

Cape knitwear factory workers agree to cut in pay

(184)

STAR 30/11/92

By Tom Hood

CAPE TOWN — About 800 workers at a Cape Town knitwear factory have agreed to take a pay cut next year in an effort to save jobs.

The directors of TEJ, faced with the plunging sales and income, negotiated a no-retrenchment deal with the shop stewards which will save R1,250 000 on the salary bill.

"Everyone from the chairman down will sacrifice 24 days pay in this financial year," said managing director Tony Owen.

"It is more important to preserve jobs than to raise wages and see people out of work. Turnover is down and so is turnover per employee.

"We were budgeting for R38 million turnover in the past year but we made R35 million."

The company had been forced to retrench 200 employees two years ago, Owen said.

"We have a responsibility to our employees as well as to shareholders," he added. 30/11/92

Substantial export orders had been booked for next year and could bring an improvement, reported TEJ chairman Bobby Jacobs. This effort would be negated, however, if the government did not come up with an arrangement to replace the loss of export benefits.

TEJ, one of the few knitwear manufacturers to survive the recession, is among 400 Cape clothing companies whose business is being crippled by a combination of mountains of cheap garments being imported, cancelled orders from chain stores and soaring costs of fabric as a result of protection for the textile industry.

(184) ARGT 28/11/92

Workers take pay cut to save jobs

TOM HOOD and MARC HASENFUS
Business Staff

ABOUT 800 workers in a Cape Town knitwear factory have agreed to take a R1 250 000 pay cut next year in an effort to save jobs.

The directors of TEJ, faced with plunging sales and income, negotiated a no-retrenchment deal with the shop stewards

Managing director Mr Tony Owen said "Everyone from the chairman down will sacrifice 24 days' pay in this financial year.

"It is more important to preserve jobs than to raise wages and see people out of work Turnover is down and so is turnover per employee.

"We were budgeting for R38 million turnover in the past year, but we made R35 million," he said this week at the 41-year-old company's annual meeting.

The company had been forced to retrench 200 employees two years ago, said Mr Owen

Business looked quite good early this year, but the company began to experience cancellations from the big stores Conditions were "extremely difficult"

"We have a responsibility to our employees as well as to shareholders," said Mr Owen

Substantial export orders had been booked for next year and could bring an improvement, reported TEJ chairman Mr Bobby Jacobs But, this would be negated if the government failed to replace loss of export benefits

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers Association, said 5 000 Cape clothing factory jobs had been lost in the past 12 months He forecast more factories would close after the December holidays

"Many more companies will have to follow TEJ if they want to be viable and survive," he said yesterday "Every firm is looking at ways of cutting costs and working longer hours or more shifts may be an answer

■ Meanwhile, luggage makers say they will have to close down in the wake of the Department of Trade and Industry's (DTI) proposal to increase duties on textiles imported by the industry from 25 and 30 percent to more than 100 percent

The new tariff structures, aimed at curbing cheap imports and saving textile jobs, could see at least 10 000 workers lose their jobs in the luggage industry within the next few months

Although luggage manufacturers got a temporary reprieve after meeting deputy Finance Minister Mr David de Villiers Graaf last week, the long-term future of the industry is in the balance.

Travel & Leather Products managing director Mr Dave Malley confirmed that the DTI would allow luggage makers to temporarily revert to the old import duty structure

However, industry sources complained the temporary tariffs had not been introduced yet

Travelex managing director Mr Isaac Levy said the imposition of the new tariffs would lead to the collapse of an entire industry

In a letter to the DTI, Mr Levy chillingly summed up the problem "This serves to confirm that the duties you have imposed will mean the closure of this factory (Travelex) and its complement of 80 people"

Mr Levy said the hardest thing to digest was that the duty on imported luggage was a fraction of the duty imposed on raw material

Foschini goes from strength to strength

(184) STAR 30/11/92

By Stephen Cranston

Foschini had a strong first half, increasing net income by 20,7 percent to R38,8 million in the six months to September.

As a dividend Foschini will offer one new share for every 45 held. This is the fifth scrip dividend and is in keeping with Foschini's current financial policy.

Operating subsidiaries Foschini, American Swiss, Markhams and Pages reported strong trading in the traditionally weaker first half of the year.

MD Clive Hirschsohn says this success is due to the tight focus on the broad middle-income market.

"Although total personal disposable income has decreased, our target market shows a steady increase along with the consistent entry of new customers across the board."

A total of 17 stores were opened during the period, with Markhams opening six, including its 100th store at the Victoria Wharf, Cape Town.

Hirschsohn says sophisticated information systems in credit and merchandise control have played an important role in the group's continued profitability.

Merchandise mix

"We don't buy turnover by pushing stock into stores. We have a highly efficient merchandise mix and distribution system in place, which enables us to provide stores with a coherent, consistent and co-ordinated supply of fresh merchandise, tying in with promotions."

"This elminates the need for a warehouse, and our distribution centre simply moves stock swiftly to the stores."

"As a result, we aren't excessively burdened by interest payments on inventories."

Markhams and Foschini have converted to a centralised credit system, which should be in full operation by July next year.

Hirschsohn says the system introduced a far more sophisticated form of credit management and selection, as well as increasing dynamic marketing and merchandising opportunities.

"It also allows store management and staff to focus completely on the customer."

Hirschsohn says he is confident about Foschini's prospects for satisfactory profits and earnings growth in the year to end-March 1993, considering the stronger trading expected in the second half.

Pyramid Lewis Foschini Investment increased total earnings by 20,7 percent to R19,3 million and will offer one new share for every 48 held as a scrip dividend.

Clothing exports soar

(184) ARG 1/12/92

TOM HOOD, Business Editor

EXPORTS of clothing are soaring at a rate of 57 percent in volume and 92 percent in value after rising to R320 million last year from R195 million in 1990, reports the National Clothing Federation.

However, imports, having reached R345 million in 1991, are rising by 52 percent in volume and 12 percent in value, says the federation's annual report.

"A picture is emerging of a rising tide of clothing imports and vastly incrased export opportunities

"It seems the clothing industry is set to become a significant supplier to the middle-upper price/quality market segments in many develeoped countries"

Rising penetration of the Japanese and Russian markets is reported as well as interest expressed by quality hypermarkets in France.

Retail clothing sales have shown a rising trend over the last six years, says the report.

But the growth of demand has been diverted on an ever-increasing scale to imports of new and worn clothing and also to producers outside industrial council areas such as the homelands

"This has had a knock-on effect on the clothing-textile industry as witnessed by the precipitious drop in output, employment and employers in this industry."

Output shrank by 6 percent last year and a similar contraction is estimated for 1992.

Total employument dropped from 155 000 at the beginning of 1991 to132 000 in September this year — a loss of 23 000 people in 21 months or 1 100 a month

The report estimates each 1 percent reduction in clothing protection saves consumers R3 million a year but eliminates 1 100 jobs — 1 000 in clothing, 120 in textiles but adds 20 in retailing.

Each 1 percent increase of textile protection costs the consumer R50 million a year and eliminates 700 jobs — 750 in clothing and 70 in retailing but adds 120 in textiles

'Uncertainty' closes export facilities

BDAY 10/12/92

LINDA ENSOR

CAPE TOWN — Clothing manufacturers who usually started selling exports for the second half of the following year at this time were closing down their export facilities because of uncertainty about export incentives, National Clothing Federation (NCF) deputy president Sadek Vahed said yesterday

(184)

He said the R600m SA clothing export market was in danger of being destroyed as exporters were not able to cost their products. About 12 factories in Natal had shut down their export activities and between 2 000 to 3 000 workers faced retrenchment

It was critical that government indicated within the next seven days whether it would continue to provide alternative export incentives.

NCF president and Seardel executive chairman Aaron Searll said the group was looking at the viability of its export business

Seardel subsidiary SA Clothing Industries announced recently that it and its subsidiary Prestige Lingerie planned to retrench 800 workers (12% of the total workforce) this month because of the recession in SA and overseas which had hit the group's forward order books

A meeting on Monday of clothing and textile manufacturers and the Board on Tariffs and Trade failed to achieve consensus on a replacement for the export incentives made available in terms of the Structural Adjustment Programme (SAP)

A further meeting with Trade & Industry director-general Stef Naude is scheduled for tomorrow

Government has said the SAP incentives would be phased out from next year. It has announced also that permits issued under the scheme would terminate early in 1994

Clothing manufacturers are seeking to replace the export incentives under SAP with alternative incentives of equal value, such as tradeable tax certificates or a duty permit, which they said were essential if they were to export clothing on a competitive basis

Vahed said that duty free importers under the SAP reduced the price of exports by 28% That, with the 19% benefit under GEIS, ensured a 47% subsidy for clothing exports

This enabled SA manufacturers to compete with Far Eastern producers who, because their countries were classifed as developing nations, had only a 14% import duty imposed by European countries on their goods

Poor results at Adonis Knitwear

ROBERT WICKS

GARMENT manufacturer Adonis Knitwear Holdings incurred a sharp decline in trading income of R2,09m from R2,16m to R73 000 in the year to end-September 1992

Chairman and MD Joe Bencen blamed the company's poor performance on a severe recessionary phase and the large amounts of duty free knitwear imported into SA during 1992

6/0A/M

These imports fell under the provisions of government's Structural Adjustment Programme

11/12/92.

Earnings dropped to their lowest level since 1985 from 33,7c a share (1991) to 7,9c

Adonis shares were last traded at 100c on November 11, and were quoted at 70c by sellers yesterday The directors decided not to declare a dividend

The company manufactures and markets exclusive men's and children's knitwear under the labels of Adonis and Dino Milano and under licence of Lyle and Scott (Scotland) and Pierre Cardin (Paris)

"The industry is really in a bad way, and has been hard hit by the adjustment programme," said Bencen

(184)

"Large department stores ~~have~~ been able to buy heavily into the market and the smaller firms are finding it extremely difficult to emulate their prices," he added

Licences allowing for duty free importing in the sector exist until March 1994

"We have a good level of reserves which will see us through next year, but government urgently needs to come up with a new system," he said

Tiger Oats, Rainbow sign R1bn feed contract

(184) CT 11/12/92

Own Correspondent

TIGER Oats subsidiary Meadow Feeds has signed a R1bn contract with Rainbow Chicken for the supply of animal feed in Natal.

The contract, which would be reviewed in 1997, would initially involve the supply of at least 180 000 tons of feed a year to Rainbow.

Meadow Feeds chairman Terry Millar said the contract would ensure that Meadow Feeds, Maritzburg, remained operating at full capacity, adding strength to the about R200m investment by Tiger Oats in the recently completed wheat and maize mill.

Tiger Milling & Feeds had announced it had sold its Meadow Worcester feed mill to Rainbow subsidiary Epol for an undisclosed sum.

PANIES

Delswa knocked hard by uphill conditions

ROBERT WICKS

(184)

NEGATIVE factors in the clothing and textile sector have resulted in garment manufacturer and distributor Delswa reporting a 90% drop in pre-tax profit to R264 000 (R2,58m) for the six-month period to end-October

Delswa director Peter Jaff said the fall in profits was due not only to the depressed economic climate, but also the considerable increase in imported clothing, uncertainty regarding import levies on fabrics and the threatened removal of export benefits

"These factors have made it extremely difficult to plan effectively and we had to accept lower margins in order to maintain employment levels," Jaff said

Tax liabilities and losses incurred in the showroom division resulted in an after-tax loss of R430 000

Margins had been further eroded by continued pressure from stores demanding higher margins for themselves, he said

BDAY 11/12/92

Jaff predicted a 30% drop in earnings to 28c a share for the full financial year, provided there was satisfactory performance from all subsidiaries

"A major factor contributing to our poor results has been the delay by one of our customers in confirming a large contract which was originally due for delivery in September," he said

"The order has since been confirmed and together with the recent reduction in interest rates should have a positive effect on our results in the six months to end-April."

The group's interest bill decreased from R1,03m to R913 000 and its taxation dropped 39% to R694 000 (R1,14m)

He said the group's structure and management was well placed to meet any upturn in the economy

Delswa is the main source of income for holding company Jaff-Delswa Investments, which did not declare an interim dividend for the six months to end-October

Last year an interim dividend of 3,5c was paid by Delswa and 3,75c by Jaff-Delswa

Delswa is one of a number of firms in the clothing and textiles sector to post poor results in the current financial year

Industry sources have slated government's permit scheme which, although set to terminate in early 1994, has allowed vast quantities of duty-free materials and clothing to be brought into the country

National Clothing Federation deputy president Sadek Vahed warned this week that the R600m domestic clothing industry was in grave danger

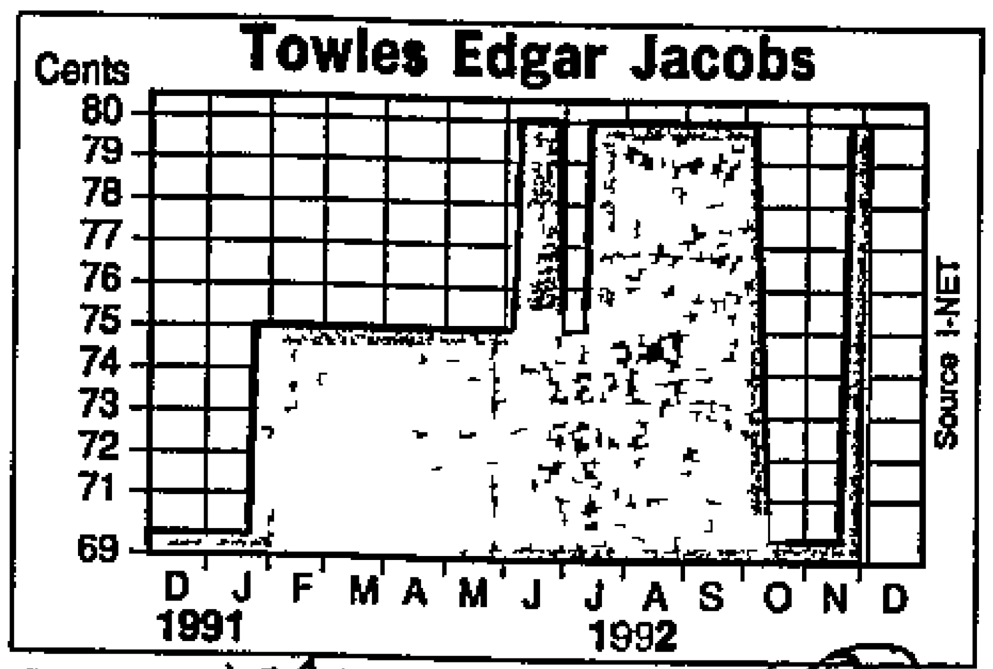
He called on government to clarify its position on alternative export incentives

TEJ FM 18/12/92 (184)

Paying the price

Activities: *Knitwear manufacturer*
Control: *Directors 40,6%*
Chairman: *R M Jacobs, MD B A Owen*
Capital structure: *2,95m ords Market capitalisation R2,4m*
Share market: *Price 80c Yields 18,4% on earnings, p e ratio, 5,4 12-month high, 80c, low, 70c Trading volume last quarter, 21 000 shares*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	8,4	5,4	2,1	2,0
LT debt (Rm)	3,1	6,0	5,2	4,4
Debt equity ratio	1,9	1,42	0,78	0,64
Shareholders interest	0,23	0,35	0,41	0,46
Int & leasing cover	0,54	0,84	1,6	1,4
Return on cap (%)	3,8	8,9	15,6	11,4
Turnover (Rm)	32,3	38,1	35,9	35,0
Pre-int profit (Rm)	1,0	2,3	3,5	2,5
Pre-int margin (%)	3,0	5,9	9,8	6,9
Earnings (c)	(29,0)	(19,9)	38,9	14,7
Dividends (c)	Nil	Nil	Nil	Nil
Net worth (c)	212	263	252	268



FM 18/12/92

Towles Edgar Jacobs (TEJ) wrote off R1,1m in 1991 as an extraordinary item on terminating a relationship with a customer — a treatment with which the *FM* took issue (*Companies* December 20 1991) (184)

Had the loss been taken at operating level, 1991 operating profit would have been only 7,2% higher instead of the reported 55% improvement But 1992's operating profit would then have been marginally higher than in 1991, instead of down 30% Pre-tax profit would have been up 122% instead of down 52% and EPS would have leapt from 2c to 14,7c — instead of plummeting 62% The impression created would have been one of a strengthening organisation, rather than a perception of weakness.

TEJ, like most clothing firms, could not escape recession It suffered lower demand and a consequent cut in margins MD Tony Owen is not optimistic about financial 1993 but does not expect any further deterioration He is, however, enthusiastic about the export programme now under way

Despite depressed earnings, this seldom-traded company is slightly stronger financially and should produce better results when the economy improves *Gerald Hirshon*

Hopes of textile exporters dashed

(184) LINDA ENSOR

CAPE TOWN — A decision on temporary export incentive measures for clothing and textile manufacturers to ease the phasing out of the structural adjustment programme would be finalised within days, Trade and Industry director-general Stef Naude said yesterday

However, he ruled out the possibility of clothing and textile exporters receiving any additional export incentives, other than GEIS, on a long-term basis as the department was against singling out any industry. "Of course we want exports, but clearly not at any price"

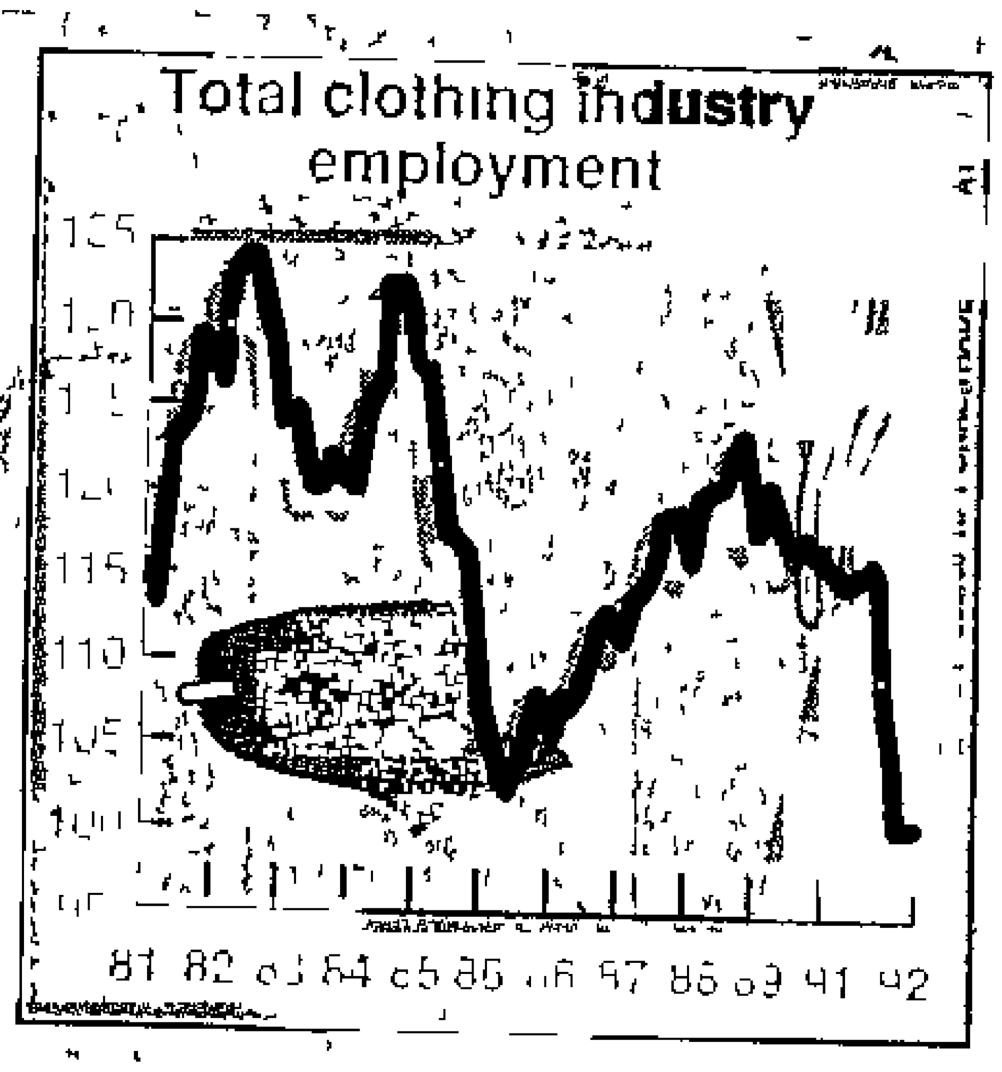
Naude said there was a different argument that the termination of the structural adjustment programme would cause uncertainty at a time when the long-term strategy being formulated for the industry still had to be completed. Completion was likely only by the end of 1993.

"The question then becomes whether a temporary and relatively simple arrangement to avoid a highly undesirable disruption of exports and to provide a better opportunity for adjustment to the expected long-term strategy is wiser in the prevailing circumstances Preparatory work has been done in this regard."

Clothing manufacturers held urgent meetings with Naude and the Board on Tariffs and Trade over the past few weeks to try to get alternative incentives

The meetings followed Deputy Trade and Industry Minister David Graaff's announcement in November that the programme for the clothing and textile industries, allowing for duty-free imports based on exports, would be phased out from March 31 1993, while rebate permits would be valid until end-March 1994.

24/12/92



Clothing industry 'hurt by duties'

LINDA ENSOR 184

CAPE TOWN — Average import duties on fabrics had risen to 50% from 20% since mid-November, threatening the jobs of thousands in the clothing industry next year, National Clothing Federation economist Arnold Werbeloff said

Writing in the December issue of the federation's newsletter, Clothing Industry News, he said· "Further negative factors are that the domestic economy is depressed, the local consumer is not yet in a position to stimulate production volumes and the world economy is stagnant."

Clothing volumes fell 7% in the first seven months of 1992 and the index was now less than the 1985 average. Textile production had declined 14% in the same period, with the index falling to 77% of the 1985 average Producer price inflation was 9% for clothing and 5% for textiles, with the latter reflecting the lowest increase in the past decade. BDay 24/12/92.

Urban employment appeared to be stabilising at about 100 000 people in October but had declined steadily in the Transvaal In the past year more than 40% of Natal jobs were lost. The western Cape lost about 33%, the Free State and northern Cape 25% and the Transvaal 19%.

Werbeloff said retail sales for the first eight months of 1992 were 3% higher in real terms than in the same period last year. However, sales had fallen since March from R820m to R785m a month

Higher fabric duties could cost many jobs

STimes (BUSS) 27/12/92

1/184

By DON ROBERTSON

A SHARP rise in import duties on fabrics could cost the clothing industry thousands of lost jobs next year.

Although employment figures appear to have stabilised at about 100 000, more than 15 000 employees have been laid off since October last year, equivalent to 13,2% of the labour force.

National Clothing Federation economist Arnold Werbeloff says in the latest newsletter that average import duties have risen from 20% to 50% since the middle of last month and "this could result in the loss of thousands of jobs in the clothing industry over the next year".

Aggravating this situation are the depressed domestic and international economies and the decline in consumer spending.

The job losses have been accompanied by a large number of factory closures. A total of 1 097 factories are still operating, but 110 or 9,1% have closed since October 1991. As with retrenchments, the major losses were in the Transvaal. In addition, the average employment by factories dipped from 95 people to 91.

In contrast, retail sales of clothing in the first eight months of the year rose by 3% compared with 1991.

"Nevertheless, on a moving average, sales have been falling since March from R820-million a month to R785-million mainly due to decreases in ladies', girls' and babies' garments from R515-million a month to R485-million with men's and boys' clothing still stable at about R300-million a month," says Mr Werbeloff.

There are, though, some encouraging signs.

The drought appears to have been broken which should improve agricultural production and exports and reduce the diversion of resources to drought relief and rural employment.

SA goods are now being accepted in non-traditional markets such as Russia and Eastern Europe.

"This is especially true of clothing exports, which are booming. Latest estimates are for a growth of more than 80% in 1992 to R600-million compared with R320-million in 1991," says Mr Werbeloff.

Under discussion is the possibility that the separate clothing and textile federations be linked under a single body. This could have benefits to members of both groups and could lead to a more concerted export effort. Because of the recession, the clothing industry is leaner and better prepared to take advantage of growth opportunities in SA and overseas.

COMPANIES

Romens readies itself for upturn

MARCIA KLEIN

CLOTHING company Romens Holdings remained in the red in the year to end-June, but substantial rationalisation had positioned it well to benefit from an upturn, chairman Danny Kahn said in the annual report BDM 28/12/92

Kahn said the previous year's trading loss before tax of R1,6m was contained to only R72 000 in financial 1992. This was achieved after the introduction of a series of measures by directors

In the year to end-June, the DCM-listed company increased turnover to R17,2m from R14,2m previously, and showed a small profit before interest

The net loss before extraordinary items was R151 000, compared with a R1,8m loss in the previous year

But the loss for the year was R585 000 after extrarodinary items of R434 000, relating to rationalisation costs which included closing a store and a warehouse and reducing executive staff. 184

Kahn said Romens had previously moved away from its policy of franchised outlets, results showed that company-owned branches were regularly producing more business It also opened more new branches "in line with a strategy of carefully controlled expansion".

But Kahn said the concept of developing into a national group had "proved to be ahead of its time", and Romens had subsequently decided to concentrate on developing branches in the western Cape

During financial 1992, Romens strictly controlled overheads and other costs, reduced staff and implemented new management and marketing concepts.

Kahn said the tightening up of group operations had strengthened the company percent of purchases and other season was disappointing, with says price advantage than usual.

Exports of clothing at risk, industry chief warns

STAR 30/12/92

(184)

By David Canning

DURBAN — National Clothing Federation (NCF) president Aaron Searll has warned of the "early demise" of blossoming clothing exports unless a new system of import permits is introduced urgently.

And, in a look at likely conditions in the industry in 1993, the NCF has cautioned that the recent 20 to 50 percent rise in average import duties on fabrics could result in the loss of thousands of jobs.

Looking at likely business conditions, the NCF's Arnold Werbeloff says in the latest edition of Clothing Industry News that the sector faces a depressed local economy and a stagnant world economy.

The local consumer is not yet in a position to stimulate production volumes, he says.

Volumes

He says volumes in the clothing industry fell by 7 percent during the period January-July 1992, compared with the same period in 1991, with the index now less than the 1985 average.

Textile production declined over the same period by 14 percent, with the index falling to 77 percent of the 1985 average

As a result of these poor conditions, producer price inflation in the clothing industry rose 9 percent in the year to August 1992 In the textile industry the rise was just 5 percent.

In his presidential message, Searll says urgent replacement of Structural Adjustment Programme (SAP) permits has become essential.

Outlining the recent history of the permits, he says a formal

Aaron Searll . . . urgent replacement of permits essential

permit for the clothing pipeline was implemented in April 1989.

"This SAP, which was endorsed by all the participants, granted both industries a higher and fixed level of protection, to be gradually reduced after a period of five years, from April 1994 onwards."

In a sense the SAP had been years ahead of subsequent reports emanating from the IDC, Gatt and Sacob.

One of the major objectives of the SAP was actively to encourage exports by, inter alia, giving the local industries access to inputs at world prices.

This was achieved by issuing permits to exporters, enabling them to import raw materials duty-free.

As an afterthought, exporters also were allowed to use these permits to import finished goods such as clothing, the reason advanced being to supplement existing ranges.

"Latest official statistics for the 12-month period to March 31 1993, unfortunately indicate that this concession to import finished goods has been somewhat abused."

Of the R344 million worth of permits issued, R160 million was for clothing, whereas only R114 million was for the import of raw fabric and R69 million for the import of raw yarn.

Despite this problem (which could easily be addressed by merely limiting the import of manufactured goods), the SAP was achieving its major objective, Searll says.

Exports of clothing took off from R190 million in 1990 to an estimated R550 million two years later. About 15 000 jobs had been created in the process.

Provision

It was important to remember that the 1989 SAP made provision not only for permits to import duty-free, but also for a deliberate, tailor-made export incentive package, which later contributed significant features to the General Export Incentive Scheme (Geis).

The "phenomenal" growth of clothing exports had been underpinned by two factors — the duty-free permit provisions and Geis.

"Having recently heard that the above duty-free import permit provisions are to be terminated at the end of March 1993 (12 months early), it becomes critically important that the Government and the industry urgently establish a system to replace these permits, with an alternative of equal value.

"Failure to do so will in all probability herald the early demise of South Africa's blossoming clothing exports," says Searll.

IMF, World Bank plans go awry

STAR 30/12/92.

WASHINGTON — The International Monetary Fund (IMF) and World Bank are ending what should have been a year of celebration on a sombre note, faced with a stalling world economy and new fissures in Russia's economic reforms.

Charged with guiding the increasingly complex international monetary system, IMF officials say they are particularly concerned about an apparent breakdown in 1992 of a carefully woven system of economic co-operation among the world's largest and richest industrial countries.

It has raised the threat of world recession next year, with policymakers in rich nations going their separate ways rather than doing what is best for the world economy as a whole.

For their part, World Bank officials are worried by their continued inability to lift the world's poorest countries — especially those in sub-Saharan Africa — out of the grinding poverty that has gripped them for decades.

It wasn't supposed to be like this.

This was, after all, the first full year that both the IMF and World Bank became truly global after Russia and the other former Soviet republics joined the two institutions

"While not every country agrees with everything the two institutions press for, virtually none feel they can be a part of the international economic system without being members," says an official.

The entry of Russia into the ranks of the IMF and World Bank has proven a mixed blessing

The IMF particular has been harshly criticised for being too tough on Russia, demanding Moscow carry out painful reforms before it can obtain IMF money. — Sapa-Reuter.

Clothing exports expected to show massive growth

BDAY 31/12/92. (184)

DUMA GQUBULE

LATEST estimates for clothing exports point to a massive growth of more than 80% to R600m for 1992 compared with R320m last year, National Clothing Federation economist Arnold Werbeloff says

Commenting in the latest issue of Clothing Industry News, he said a positive factor in the industry was the increasing acceptance of SA products in non-traditional markets such as Russia and eastern Europe

Werbeloff warned, however, that the recent increase in average import duties on fabrics, from 20% to 50% since mid-November 1992, could result in the loss of thousands of jobs in the industry next year

He said urban clothing industry employment appeared to be stabilising at 100 000 after a fall from 115 000 in the year to October

Volume in the industry had dropped 7% during the period January to July 1992, reaching 1985 levels, compared with the same period last year. Producer price inflation for August was held at 9%.

Textile production, which dropped 14% over the same period, had also fallen to 1985 levels Producer price inflation for textiles had fallen to 5%, its year-on-year increase during the past decade

Werbeloff said another key aspect of the clothing industry was that its member firms were lean and well-prepared by the recession for growth opportunities locally and abroad

Federation president Aaron Searll said the 1989 structural adjustment programme was achieving its objective of encouraging exports by giving local industry access to inputs at world prices Exports had taken off from R190m in 1990, creating or saving about 15 000 jobs in the process

This growth had been underpinned by two factors issuing of permits to exporters, allowing them to import raw materials duty-free, and the general export incentive scheme

Searll said the recent announcement that duty-free import permit provisions were to be terminated at the end of March 1993 made it critically important that government and industry establish a system to replace the permits with an alternative of equal value

Failure to do so would probably herald the early demise of SA's clothing exports, he said

Searll also expressed concern about the abuse of government concessions allowing the use of permits to import finished goods

Latest figures for the year ended March showed that of the R344m worth of permits issued, R160m had been for clothing and only R183m for the importation of raw materials.

He said this "misuse" of permits could have been corrected by limiting the importation of finished goods