MANUFACTURING - CLOTHING

1993 ~~[illegible]~~

Allwear reports bleak 10 months

MARCIA KLEIN (184)

CLOTHING company Allwear Limited has reported a R6,4m loss in the 10 months to end-December from income of R1m in the year to end-February 1992.

This loss comes on the back of reduced demand for babies' and children's wear and an operating loss in its Sherleys division.

Directors said Sherleys' operating loss had forced the board to discontinue the operations of this division

BDAY 14/4/93

The final closure, they said, was planned for the end of April, and all estimated costs and losses had been provided

Results showed a loss of 1,2c a share to end-December, compared with earnings of 8,2c to end-February 1992, and earnings of 19,6c to end-December, excluding the effect of Sherleys

Directors said results were affected by the recession and were aggravated by the drop in demand for baby and children's wear.

An extraordinary loss of R6,2m included an estimated loss of R5,8m on the discontinuance of Sherleys, R300 000 retrenchment costs and a R100 000 write-off of part of a loan to the share trust

Holding company Allwear Group, whose income is derived only from dividends received, reported a loss of 13c a share in the 10 months to end-December and a loss of 47c a share to end-February, including Sherleys No dividend was declared by Allwear Limited or the Allwear Group.

Local ragtime blues

184

ARG 10/4/93

TOM HOOD
Business Editor

OUTPUT by the clothing industry has dropped 40 percent since 1981 and there are few signs of a recovery, says National Clothing Federation economist Arnold Werbeloff

The number of lost jobs accelerated last year, leaving 101 000 in employment — a drop of 11 000 (10 percent) from the 112 000 employed in 1991

Thirty-six employers closed down in the Western Cape, leaving 395, and 4 500 jobs were lost, lowering employment levels to 47 400.

This happened in spite of exports reaching an all-time high of about R500 million, a 50 percent jump on 1991

"Exports account for more than 10 percent of official clothing industry output and are increasing daily," said Mr Werbeloff in the federation's latest newsletter.

The Western Cape lost 9 percent of its jobs.

He blames the industry's woes on "surging clothing imports" — because retail sales are rising and factory production is falling The sale of retail clothing rose to R818 million a month last year from R787 million a month in 1991

"The South African clothing market is expanding at a healthy pace but local clothing manufacturers are not seeing the benefits

"The reasons may be found in the substitution of second-hand for new clothing and imports for local garments, as well as the rise of the homeland clothing sector, informal cottage manufacturing and home sewing"

Clothing industry feels pinch

(184)

ARG 30/1/93

■ Poor sales and lack of orders have raised the spectre of further layoffs in the Cape clothing industry this year. This emerged in a discussion in Cape Town this week by representatives of the industry.

TOM HOOD, Business Editor

MORE than 15 000 Cape clothing workers lost their jobs in 1992 and 51 percent of employers say they fear they will have to cut staff this year.

The spectre of new redundancies emerged this week during a discussion in Cape Town by industry representatives of a special survey by FSA-Contact of remuneration and employment practices in the clothing infustry

A similar survey a year ago disclosed 42 percent of Cape clothing companies expected a decrease in staff in 1992

"Retrenchments have not peaked and we could see some more before the end of June," said FSI consultant Mrs Barbara Maughan

Hundreds of workers returned from their holidays this month to find their factories working short time because of lack of orders

The slack business follows poor sales in the shops — clothing prices at retail level rose only 8,8 percent in 1992 — and an upsurge of cheap imported garments

Forty percent of companies expect to trim their work force by up to 10 percent, according to the survey.

However, 24 percent of firms say they expect to employ 10 percent more workers than they did last year

The survey showed the squeeze on business put a damper on pay adjustments since the beginning of the year, with several categories of garment workers receiving increases lower than the inflation rate.

Artisans fared worst, averaging increases of 10,3 percent against the 13,5 percent paid a year ago

"Business is concerned about forecasting projected increases because of affordability and retrenchments," said Mrs Maughan.

However, forecasts for pay rises later in the year were for increases of only 10 percent for everyone

Companies expected to pay top management 10,2 percent, key specialist staff 10,5 percent, artisans 10,3 percent and lower-paid workers 10,5 percent

Speaking at the meeting, Mr Peter Cragg, executive director of the Cape Clothing Manufacturers Association, said the clothing industry was definitely in a serious crisis. However, there was some good news for certain companies

Those companies who were surviving were turning out to be lean, resilient and robust Many had started trading differently, sourcing garments in one country to satisfy orders in another.

More manufacturers were becoming export orientated

Union has 'saints and sinners' awards for bosses

ARG 31/8/93

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SHARON SOROUR
Labour Reporter

IN a labour relations first, the Southern African Clothing and Textile Workers' Union has, through a series of awards, recognised the behaviour — and *mis*behaviour — of the industry's employers.

At an "award evening" recently, Sactwu said employer Saphi Lambert — voted 'Employer of the Year' — "surprised" the union with its constructive attitude.

In a statement, the union said workers who were staging a sleep-in protest at a Saphi Lambert factory, were surprised when their employer, a Mr Kraamwinkel, arranged heaters and food for the workers.

This was not a one-off incident, Sactwu noted

On another occasion, Mr Kraamwinkel arranged a tent and other facilities for workers' children who accompanied their parents to work on child-care day. He also provided refreshments for workers when union meetings were being held.

"This is very unusual and highly commendable," said the union.

However, other employers, 14 in all, were nominated for the "Obstructive Employer of the Year" award.

"Two companies were head and shoulders above the rest. They were an East London-based factory, National Convertor Industries, and a Newcastle company, Apollo Industries

"In the end, it was decided to make them joint winners, or was it losers?" said Sactwu.

Both employers would receive their awards, a book on trade unionism, soon.

Apollo allegedly mistreated workers, held back wages, penalised them for talking while working and bringing union pamphlets on to the premises, while NCI allegedly repeatedly dismissed shop stewards, fired workers for taking part in stayaways and refused to pay industrial council rates.

The "Branch of the Year" award went to the Atlantis branch, while Liz Chetty, the union's national administrator, received the award for the most dedicated staff member.

Ensign Clothing slashes div 50pc

Business Staff (184) ARG 1/9/93

CLOTHING manufacturer Ensign Clothing reported a 55 percent slump in earnings to 29c a share — in line with predictions made at the group's AGM in April

The dividend was cut by 50 percent to 10c a share for the half year to end June

Operating profit plummeted 47 percent to R597 000 from a smaler turnover drop of 22 percent to R16 million This reflects tighter operating margins as a result of reduced demand and fierce competition in the market

The group has already indicated that special attention is being given to increasing efficiency and improving productivity through staff training at all levels

Ensign manufactures a wide range of garments under the trade marks Ensign (uniforms and rainwear), Samson Supreme (overalls and worksuits), Samson (workwear/protective clothing), Samsom International (leisurewear) and Macbean (PVC fabric)

■ Fertiliser and chemicals group **Omnia Holdings** cut its losses by more than half to R1,95 million in the half year to June — prompting directors to declare that full year earnings would better those of last year

Turnover showed a 28 percent improvement to R199 million, translating into a solid 37 percent gain to R10 million at operating level

However, a damaging interest bill of R12,2 million wiped out profits and pushed the group R2,6 million into the red at pretax level Static earnings from associate companies at R625 000 did little to offset bottom line losses

Directors said that all the group's major operations performed well in the period under review

Omnia's fertilizer business benefitted from a good winter season, improving volumes significantly and holding gross margins in a highly competitive market

The explosives division continued to grow and extended its established bulk mining supplies range to incorporate the underground platinum mining market.

The group's seeds business was also well placed for the peak sales period in the second half

Directors stressed that the seasonal nature of the group's agricultural interests (particularly the expanding seed busines) had a distorting effect on the first half.

"First half results are therefore traditionally well below those of the second six months Given normal climatic conditions for the rest of the year, the group's earnings for 1993 should exceed those of 1992"

In line with the group's distorted earnings profile, the interim dividend will only be declared at Omnia's November board meeting

Ensign's slide expected to continue

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Ensign Clothing continued to suffer a slide in profits in the six months to end-June BDay

Earnings plummeted 55,4% to 29c (65c) a share and an interim dividend of 10c (15c) a share was declared

Turnover dropped 21,6% to R16m (R20,4m) and operating income by 47% to R597 000 (R1,1m) The reduction in interest-bearing debt because of the cut in debtors and stock resulted in a lower interest bill 1/9/93

Ensign concentrates on the manufacture of work uniforms and protective clothing, much of it for state departments or parastatals. (184)

Financial manager Michael Bisset said the remainder of Ensign's production was taken up by commercial enterprises, which were also in the doldrums. There were no signs of improvement and the downtrend was expected to continue

Wooltru holding for CU

184

CT 16/4/93

WITH a total performance of 9,47% for the year to end March, the CU Growth Fund comfortably outperformed the 3,4% return of Overall Index.

Fund manager Roger Walness said during the last quarter the fund remained fully invested in equities, adding to its holding in Interleisure and acquiring a new holding in Wooltru at favourable prices.

The top five holdings are Premier, Richemont, Rembrandt, SA Breweries and Nedcor.

A total of 4,7% of the fund's equities are spread in a portfolio of top gold mines notably Kloof and Driefontein with additional exposure to mining through mining financials

Wanless said the major factor influencing investor confidence in the months ahead would no doubt be developments in the political climate.

"While the current situation is both fragile and nerve-racking for investors, it does hold the prospect of increasing the pace of negotiations towards an interim government and the lifting of the remaining trade and financial sanctions — all of which are necessary for a sustained recovery."

Clothing firm in final liquidation

Staff Reporter (184) CT 22/4/93

PROTECTIVE clothing manufacturer, Pro Wear Manufacturing (Pty) Ltd, was finally liquidated in the Supreme Court yesterday after an application was lodged by a trade finance company which is owed more than R1-million

The final order was granted after the company was provisionally liquidated on March 11

In papers before Mr Justice A M van Niekerk, Merchant Trade Finance Ltd director Mr Charalambos Philippou said Pro Wear Manufacturing was indebted to his company for an amount of R1 180 000 in respect of money lent and advanced over a period of time Mr Philippou said interest on the money was 2% above the prime overdraft rate and the firm's indebtedness attracted interest of 18,25% per annum.

He said Pro Wear Manufacturing indebtedness to Merchant Trade Finance was as a result of the company securing two loans amounting to R1,2m by executing a notarial general covering bond which pledged all moveable property and assets in favour of Merchant Trade Finance

Mr Justice Van Niekerk granted a final order liquidating the company

STERLING CLOTHING

Threadbare FM 23/4/93

(184)

FM 23/4/93

(184)

Activities: *Makes and distributes casual clothing*

Control: *Directors & SA Eagle 53%*

Chairman: *F N Haslett*

Capital structure: *19,4m ords Market capitalisation R5,8m*

Share market: *Price 30c Yields 3,3% on earnings, p e ratio, 30,0 12-month high, 30c, low, 20c Trading volume last quarter, 4,3m shares*

Year to Dec 31	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	4,8	5,6	9,1	8,5
LT debt (Rm)	1,3	1,5	1,5	1,2
Debt equity ratio	0 66	0,70	0 97	0,86
Shareholders interest	0,40	0,44	0,37	0,43
Int & leasing cover	7,6	3,3	2,1	1,1
Return on cap (%)	27,1	22,1	14,5	8,4
Turnover (Rm)	35	39	41	39
Pre-int profit (Rm)	6,2	5,1	4,3	2,2
Pre-int margin (%)	17,8	13,3	10,4	5,6
Earnings (c)	14,5	9,4	6,6	1,0
Dividends (c)	6,6	4	2,5	nil
Net worth (c)	47	53	57	58

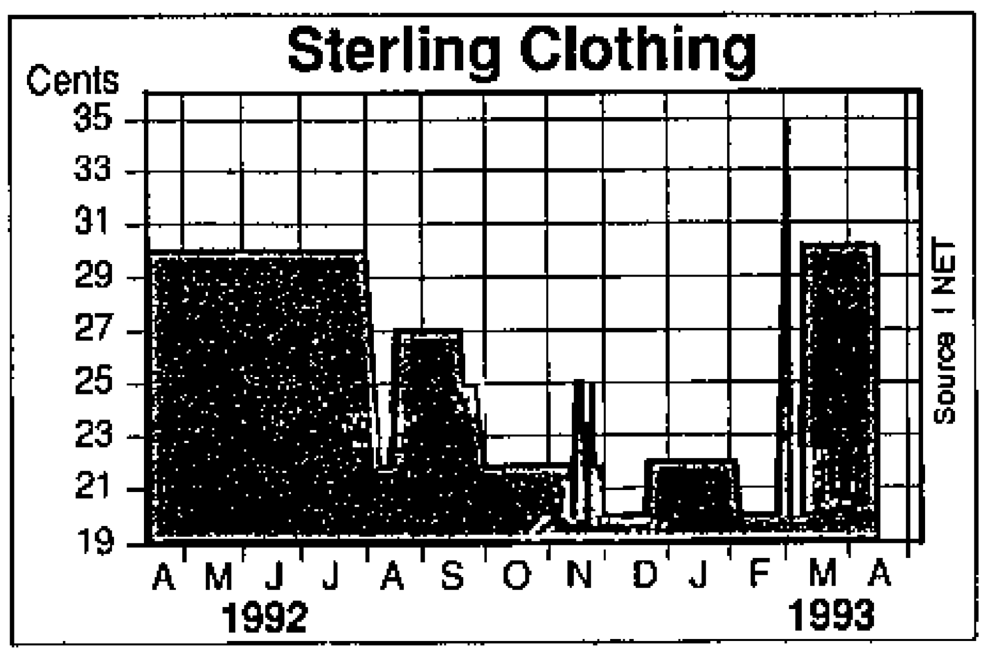
The bobbin came flying off Sterling's loom last year Despite tight stock control and continuous scrutiny of all operating costs, the clothing group posted a whopping 85% decline in earnings on a 5% drop in turnover That relationship between turnover and net earnings should make investors nervous

In the circumstances, chairman Fred Haslett's description of the results as disappointing is something of an understatement He says fierce competition forced down margins and caused further delay in the group's recovery Presumably, he's referring to a recovery to 1989 levels when EPS were 14,5c and pre-interest margin was 17,8%

To be fair, the results can't be considered in isolation and should be read against the clothing and textile industry's overall performance From January-November 1992, production of clothing in SA fell by 8% from the same period of 1991 Overall output has dropped by more than 40% in both the clothing and textile industries since 1981

Sterling's markets are largely rural and while the drought has been broken in some parts there are still many declared disaster areas As a result of both the drought and the state of the clothing industry, staff numbers were cut 10% — well below the Transvaal clothing industry's 15% average

Haslett sees grounds for limited optimism this year Retailers have tended to cut stocks



FM 23/4/93 (184)

to an absolute minimum Many are starting to realise that, without stock, a retail business cannot survive He also says the areas where the drought has broken have quickly regained some confidence These factors have resulted in forward orders for next summer showing some promising signs

After oscillating between 27c-20c for most of last year, the share settled at the 30c on which it started the year On a p e of 30, it seems fully priced *Kate Rushton*

COMPANIES

FNB may raise share dividend

FIRST National Bank Holdings is likely to raise its first-half dividend by at least 5c to 55c a share on the back of expected sturdy growth, analysts say

Results for the six months ended March 31 1993 were due tomorrow and should show earnings boosted by healthy interest rate margins, they said

"Interest margins have been very kind to them, but the benefits will be partly offset by bad debts," Graham Baillie of stockbrokers Davis Borkhum Hare said

Analysts expected strong first-half growth at the attributable income level, but said the dilution effect of last year's rights issue on share earnings would be marked Forecasts ranged from a 9% to 13% increase to 281c-290c a share

According to Anderson, Wilson Partners, the results would be influenced by two big unknown factors — the extent of the bad and doubtful debt provision and the expected benefits from the recently lowered corporate tax rate to 40% from 48%.

FNB would also be paying the new 15% secondary company tax on dividends.

Analysts said the mainstay of FNB's interim performance had been local interest rate margins of 5,0% to 6,0%, which had recently tightened to 4,0% to 4,5% as short-term interest rates edged upwards.

Marginal asset growth was expected in the first half as a result of the state of the recession-hit economy, they said "There's no demand for credit," Bailie said.

Analysts said bad debt was continuing to hammer earnings despite intensified credit risk management, and some expected the charge to top the previous period's R160,5m

638

But, David Southey of Edey Rogers said most banks seemed to have expected the rise in bad debts and he expected FNB's charge to remain the same. — Reuter.

Pep shakes off effects of selling Ackermans

BIDay 27/4/93 (184) (38)

LINDA ENSOR

CAPE TOWN — Strong gains in profitability enabled clothing manufacturer and distributor Pep Ltd to overcome the effects of the sale of the Ackermans chain and post a marginal rise in earnings a share in the year to end-February

Earnings a share inched up 1% to 43,2c (42,8c) and the declaration of a final dividend of 12c (11,1c) resulted in a 9% rise in the total payout to 19,5c (17,9c)

The group's accounting policies have been changed so that companies previously treated on an associate basis were consolidated as subsidiaries

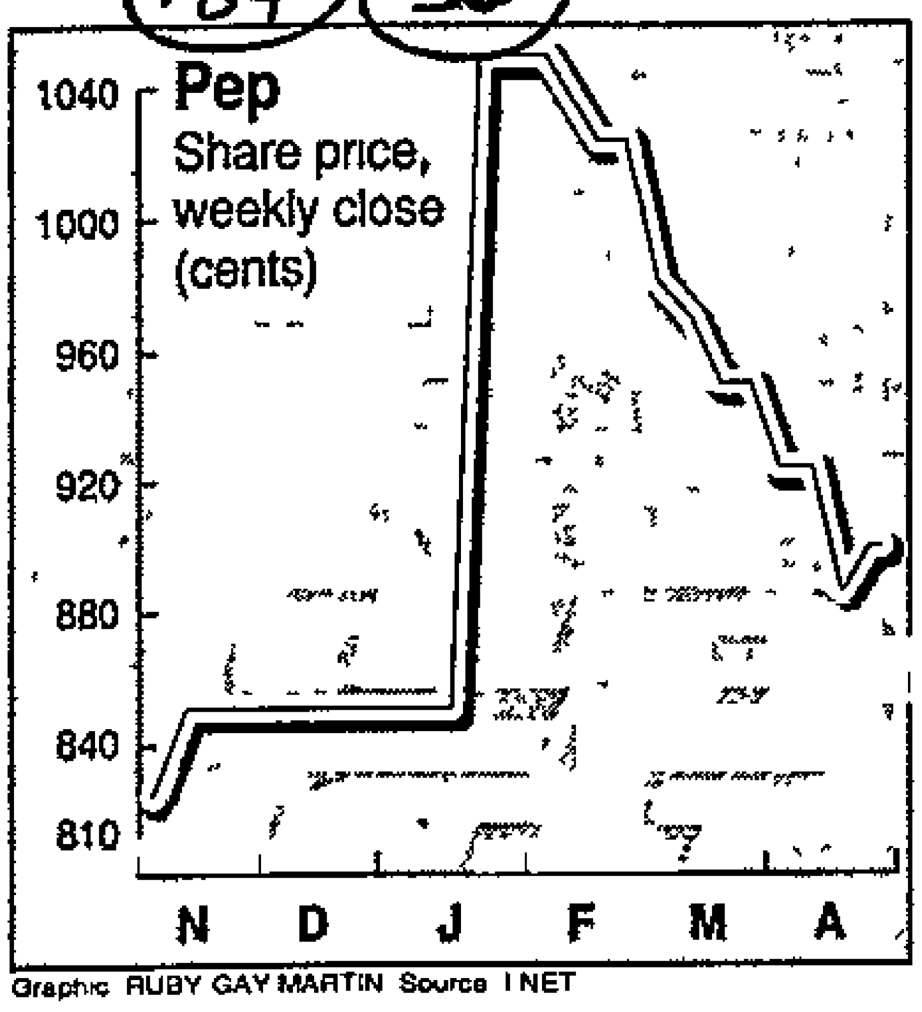
Group MD Tony Haughton said the past year had been the most difficult in Pep's history

The sale of Ackermans to Pepkor saw turnover slide by 11% to R1,4bn (R1,5bn) but the improvement in cashflow and profit margins, to 13,4% (10,8%), pushed up operating profit 11% to R181,5m (R164m)

Pep Stores' turnover was less than the official inflation rate as the group had kept annual selling price increases within a 6%-8% range for the past two years

Market share was improved despite overall market shrinkage

Pep Ltd's Your-More-Store chain in Scotland had expanded rapidly last year to 29 (16) with 25 more planned this year The overall operation showed a loss because of overhead and expansion costs but this had not had much impact on the consolidated group result



Graphic RUBY GAY MARTIN Source I NET

The interest bill rose 88% and this, together with the exhaustion of accumulated tax losses which saw the tax rate rise to 39,4% (36,5%), contributed to after-tax profit growth of 2% Haughton believes the future effective tax rate should stabilise at about 39%

With outside shareholders' interests significantly enlarged as a result of the 30% minority shareholding in Pep Botswana Holdings, attributable profit rose 1% to R99,5m (R98,5m)

An extraordinary profit of R33m was derived from the sale of shares in Pep Botswana, the restructuring of the property portfolios within the Pepkor group, and the closure of a number of former Hartles and Frasers outlets

The balance sheet was strengthened by an 87% decline in interest-bearing debt to R6,9m (R53m) and a 57% rise in investments (preference shares were bought) to R68,5m (R43,7m)

Haughton expected trading conditions in the 1993/94 year to be tough but results to be satisfactory.

EXECUTIVE SUITE

ENSIGN CLOTHING FM 30/4/93

Few clothes in the closet

184

Activities: *Clothing manufacturer*
Control: *Directors 53%*
Chairman and MD: *R Roy*
Capital structure: *660 000 ords Market capitalisation R4m*
Share market: *Price 610c Yields 5,7% on dividend, 21% on earnings, p e ratio, 4,7, cover, 3,7 12-month high, 650c, low, 590c Trading volume last quarter, 2 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	2,2	2,7	4,0	3,4
LT debt (Rm)	0,4	0,5	0,4	0,4
Debt.equity ratio	0,35	0,38	0,53	0,4
Shareholders interest	0,61	0,51	0,46	0,49
Int & leasing cover	4,6	5,6	5,1	5,1
Return on cap (%)	13,6	14,5	14,5	12,3
Turnover (Rm)	n/a	n/a	n/a	n/a
Pre-int profit (Rm)	1,7	2,3	2,7	2,3
Pre-int margin (%)	n/a	n/a	n/a	n/a
Earnings (c)	118	147	186	129
Dividends (c)	35	40	40	35
Net worth (c)	1 089	1 196	1 254	1 349

Are consumers wearing less or is it simply, in dark recession, that shrinking margins mark the downturn in results of most clothing manufacturers?

Financial director Michael Bissett says margin rather than volume diminished Volumes were roughly the same as in 1991

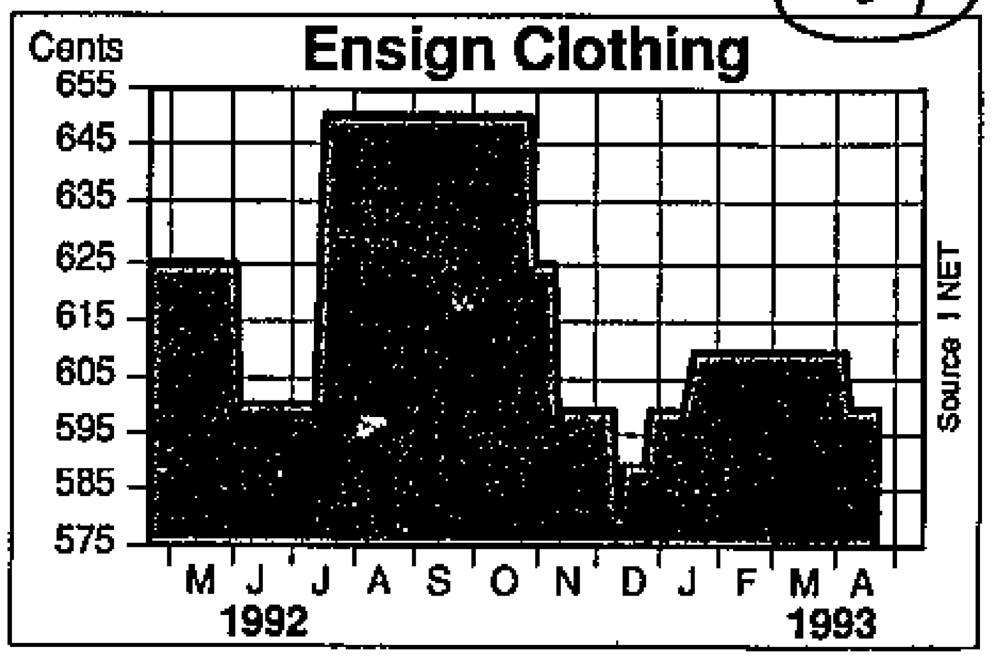
Many major clothing chains seemed to experience a more buoyant 1993 first quarter, but Bissett says this wasn't felt at the manufacturing end Retailers, he says, continue to cut stocks to increase efficiencies That is one reason why Ensign is satisfied with turnover growth of a meagre 6,5%

Chairman Ronald Roy reckons that reduced demand from the trade isn't yet over This really became manifest in mid-1992 With prospects made dimmer by declining demand, Ensign retrenched about 20% of the workforce last month Costs of the cutback are provided in the 1992 accounts

That partly explains why operating income fell 15% However, with interest payments about 16% down, it was the 53% (43%) tax rate — high because of retrenchment provisions and an adjustment arising out of a fire claim in the previous year — that dragged EPS down by 30%

With murky trading prospects, strong ac-

184



tion was taken to curtail growth in working capital As a result, Ensign commendably produced a positive cash flow, in contrast with a previous outflow

The balance sheet remains relatively healthy Stocks are down Debt equity is lower Indications are that this old established firm is set to weather the difficult conditions expected for the rest of 1993, though Roy expects results to deteriorate

Ensign is solid and conservative, with an unexciting record The share is tightly held and seldom traded As it is unlikely to break this mould, it is best left in the hands of existing shareholders *Gerald Hirshon*

Star 5/5/93

Edgars ends year on high note

By Stephen Cranston

A strong second half-year to March enabled Edgars to report an 18 percent increase in earnings per share to 365c

A final dividend of 102c has been declared to make a total payout of of 140c.

After a fairly pedestrian first half, in which sales increased by nine percent and earnings by five percent, aggressive marketing and an upgrade of merchandise ranges brought sales growth of 16 percent to R3,176 billion for the full year

The financial year was 53 weeks long. For the equivalent 52-week period, sales rose by 14 percent.

Sales growth for the first quarter of the financial year was just 5,5 percent, but by the final quarter to March growth had accelerated to 18,5 percent on a comparable basis

MD George Beeton says highlights included a turnaround in Jet Stores, which is focusing on core items in the most wanted sizes and colours. Its loss for the year fell from R9,7 million to R2 million

Jet made a pre-tax profit of R4 million in the second half, its sales increasing by 21 percent to R363,6 million

Beeton is confident that the new Jet formula has settled down New stores will be built in Westville, La Lucia and Empangeni in Natal, Menlyn, near Pretoria, and Somerset West, the latter being the first Jet in the Western Cape

Sales House had a phenomenal year, lifting earnings by 71 percent from R52 million and sales by 33 percent to R623,6 million

Beeton says its target market of middle-income blacks is perhaps the best off in the current economic environment because its income is rising faster than average, but that its living costs are rising at a below-average rate

He says Sales House is the retailer most in tune with the new South Africa and its understanding of this vital market is shared with the rest of the group

The more mature Edgars chain increased sales by 11 percent to R2,141 billion and earnings by 16 percent to R144,9 million

It tightened up debtor collections, which grew faster than the increase in credit sales

There was therefore a sharp improvement in cash flow, which increased from R28,7 million to R259,2 million

An 11 percent reduction in finance costs from R72,6 million to R64,5 million and a R49,3 million reduction in net working capital contributed to a turnaround in group cash flow from a R54,6 million outflow to R273,7 million inflow

After investing R77,5 million on maintaining and expanding operations, the group repaid R196,2 million in financing

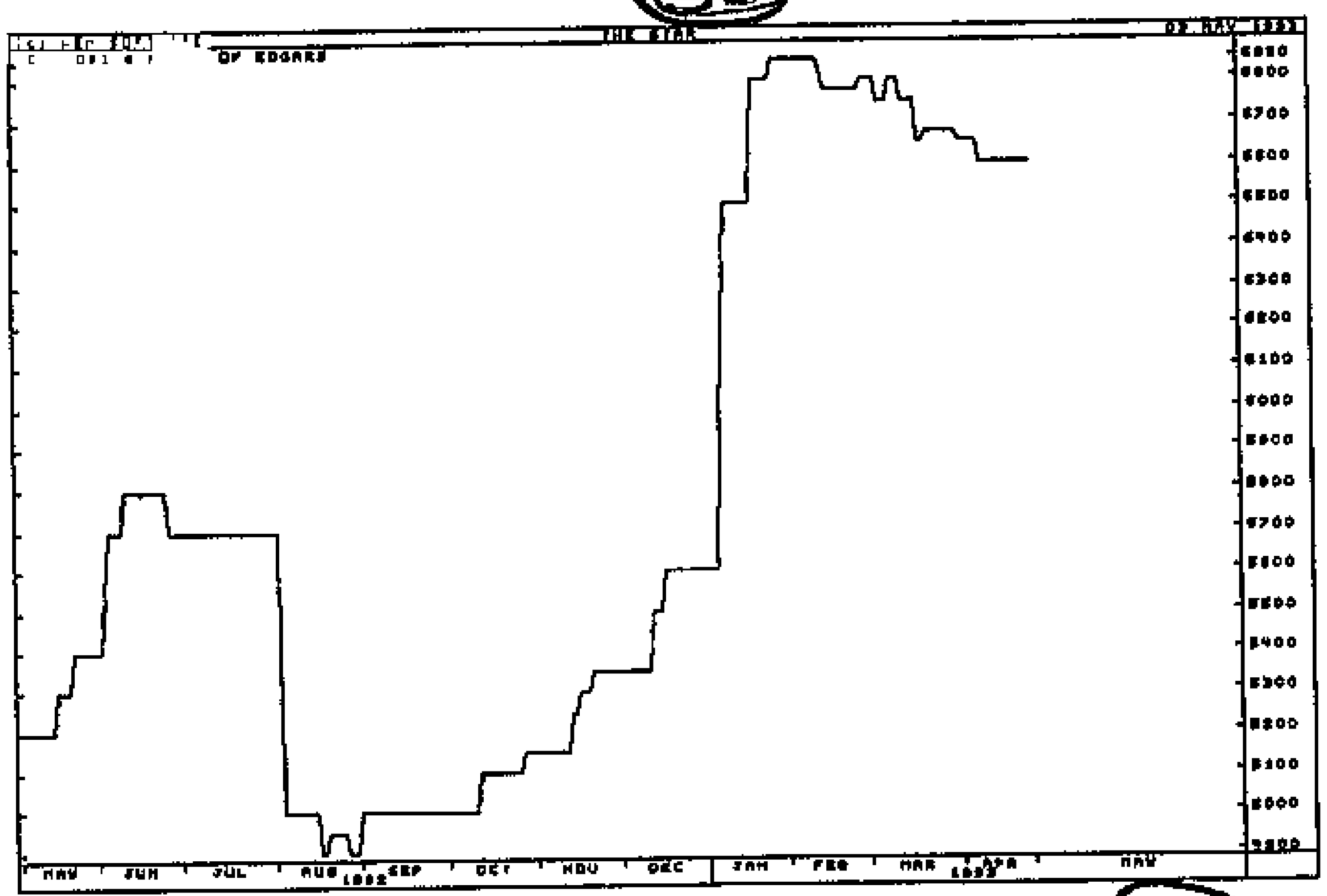
Sales House's market share increased from 6,1 percent to 7,2 percent and Jet's from 3,9 percent to 4,1 percent Edgars's share fell slightly from 25,1 percent to 24,7 percent.

One of the few black spots was a loss by manufacturing operation Celrose, which Beeton says reflects adverse conditions in the clothing manufacturing sector

Beeton predicts only modest sales growth in the year to March 1994, but says earnings will be assisted by a reduced level of corporate tax and should continue to show satisfactory growth

At a share price of R66, Edgars sits on a P/E ratio of 18,1 and offers a 2,1 percent dividend yield It's expensive, but it has delivered earnings growth well above inflation

Chris Gilmour, head of industrial research at Senekal Mouton & Kitshoff, says the share has earned its premium rating and recommends a switch of shares out of its holding company SA Breweries into Edgars



Edgars share price movement

184

Unity seen for rag trade after years of strife

ARG 6/5/93

(184)

Business Staff

AFTER years of bitter hostility, the clothing and textile industries could come together under one organisation "in the near future", say clothing and textile sector leaders Dr Aaron Searll and Mr Mervyn King

Dr Searll and Mr King, in a joint statement, pledged themselves to work together for the good of the sector after a "controversial" accusation made this week that fabric producers were attempting to manipulate negotiations on an import tariff system to suit their own ends

The two are respectively presidents of the National Clothing Federation and the Textile Federation and executive chairmen of the two leading producers in their fields, the associated Frame group and Seardel garment manufacturing group

In their statement, Dr Searll and Mr King said their federations were co-operating with the Board of Trafiff and Trade and the SA Clothing and Textile Workers' Union (Sactwu) "in endeavouring to work out a long-term plan for the benefit of the whole textile pipeline".

They reiterated their hope that the federations "in the near future" would operate under one umbrella body

They were responding to a claim by NCF executive director Mr Hennie van Zyl that the clothing industry suspected the fabric sector was behind delays in completion of a report being prepared by an industry working panel on a long-term tariff system

From rags to rich profit makers

CITIZEN 9/5/93

(184)

MARTIN de Vee, 28, and his wife Gloria, launched a successful clothing factory four years ago – at a time when their future looked uncertain.

The family's income had taken a severe knock when the clothing factory Gloria worked for went bankrupt. But the couple refused to be beaten and started their factory in a small room in Johannesburg with three industrial sewing machines.

They struggled on for two years with no financial backing.

Finally, they got a lucky break.

"A friend of ours was behind with an important contract and asked us to help him with some of the orders. We were only too keen for some work, so we did it in record time," Martin recalled.

The company which they helped with its huge order was so impressed with the quality of Martin and Gloria's work that they offered them a number of sub-contracts.

"As a result, we now supply staff uniforms to several major chain stores and franchising outlets," said Martin.

"We needed to buy more machines, employ more staff and move to bigger premises, and with all the capital outlay and high rentals in the centre of Johannesburg, we were still struggling to make ends meet."

Martin and Gloria then heard that the SBDC offered accommodation at reasonable rates and so they arranged a package deal with the SBDC's City Hive, which enabled them to start making a profit. They moved in nine months ago and "are now really going places", as Martin puts it.

"We have just landed our first overseas contract for 30 000 skirts and we hope that there will be more to follow."

Martin and Gloria now own 39 industrial sewing machines and employ 18 permanent and nine part-time staff.

Martin said that the real secret for Fabian Fashion's success was the fact that he had learned to value his staff and involve them in all aspects of the business.

His advice to would-be business entrepreneurs is to treat their staff well: "Don't make the mistake I made for years to try and drive them without making sure that they were motivated and happy. My staff are my biggest asset"

COMPANIES

Meritex upbeat despite losses

DUMA GQUBULE

GARMENT and Textile group Meritex Holdings' losses more than doubled in the year ended Januaryto R7,5m from R3,6m in the previous year BDM 14/6/93

This was equivalent to a loss of 48c (23c) a share, which contributed to a further erosion of ordinary shareholders' funds to just R4,2m, previously R12,2m

Chairman Edward Gordon said adverse domestic economic and political circumstances and the high level of low-priced and duty-free garments had affected the group's trading severely

Meritex was to restructure its manufacturing business

The group, which had long relied on a vertically integrated manufacturing structure, had decided to focus on its core competencies in-house and to source non-core activities (184)

This had resulted in the closure of a knitting operation which would release working capital and enable fabric raw material sourcing to be undertaken more advantageously

Meritex would concentrate on quality garment manufacturing and marketing and textile printing

Losses had been reduced since the beginning of the year and the group was confident that the improvement would be sustained

Meritex's long-term outlook was positive and the restructuring would enable the group to gear itself for future growth

Higher tax bill cuts Ovcon earnings 23%

BIOM 14/5/93

LINDA ENSOR

CAPE TOWN — A sharply higher tax bill was largely responsible for building and civil engineering group Ovcon suffering a 23% drop in earnings to 36,1c (46,8c) a share in the year to end-March.

The total dividend however was maintained at 12,5c a share after the declaration of a final dividend of 8,5c

Turnover rose 10,8% to R147,8m (R133,4m) but a slippage in margins saw the operating profit up by 6,5% to R5,3m (R5m)

Lower interest charges helped push pre-tax profits up 12,9%.

The final utilisation of assessed tax losses resulted in a sharp increase in the tax rate with the result that after-tax profits dived to R3,2m (R4,2m)

MD Jan Kaminsky said the group had performed exceptionally well considering the difficult economic circumstances

Major projects completed over the past year and others nearing completion included the Victoria & Alfred retail complex (R90m), the Harbour Island marina and residential complex (R30m), Paarl Reservoir (R8,5m), Helderberg Retirement Village frail care and sports club facilities (R9m) and a milk powder factory in Estcourt (R7m)

At year-end Ovcon had cash resources of R15,3m which Kaminski said would be used for investment by Ovcon as a minority partner in projects that would generate construction work for the group

Interest bearing debt was cut by nearly 50% to R2,3m.

Kaminsky noted that the group's order book was sound but pointed out that profit margins in the industry were thin at present

He warned that low contract prices currently being offered could not be sustained for much longer

New work included a major renovation to the old Garlicks building in Cape Town (R25m), renovations and extensions to the SA Library in Cape Town, (R19m), a grandstand at Newlands cricket ground (R20m), expansion of SA Breweries' Newlands brewery (R10m) and the Bluff shopping centre in Durban (R22m)

Kaminski said that Ovcon was actively seeking work outside SA which would generate better returns An office had been opened recently in Abu Dhabi and it had already won a contract worth R7m

Dividend dip for Metboard

PETER GALLI

METBOARD Property Fund (Metprop) has posted a 5,23% fall in total distributable income to R17,097m in the year to end-March from R18,04m previously.

This translates into a 5,23% dividend fall to 29c a unit from 30,6c previously. BIOM

Directors said net distributable income had fallen in the second six months of the financial year under review because of increased vacancies However, the fund had managed to let a "substantial amount" of space that had stood vacant for some time.

A 17,2% rise in dividend income to R16,16m (R13,78m) was offset by a 69,1% plunge in interest income to R1,57m (R5,06m) The drop in interest income was because the fund had continued to invest in industrial property. It had bought four properties for a total of R10,15m during the year, while another R3,44m was spent on improving existing properties.

Metprop was untraded yesterday, reflecting a seller at 210c but no buyer. 14/5/93

It last traded on May 11 at 205c, almost midway between its annual high of 240c, reached a year ago, and its August 28 low of 180c.

Recession, clothing imports hurt Cutrite

BIOM 14/5/93

(184)

MARCIA KLEIN

RECESSIONARY conditions and the adverse effect of duty-free imports saw clothing manufacturer Cutrite's earnings drop by 25% to 13,6c (18,1c) a share in the year to end-February

MD Peter Edel said the results should be viewed against the background of a weakening in the demand for clothing caused by sociopolitical problems, consumer resistance, boycotts and industrial unrest

Results were further affected by government's policy of allowing imports of new and second-hand clothing on a duty-free basis About 93-million units had come into SA over the last year, Edel said. This had resulted in "a general decline in the level of the price of goods manufactured for customers", and necessitated a reduction in profit margins in order to maintain market share

Turnover declined by 3,2% to R45,7m (R47,2m) and net income before finance costs and tax was 22,3% down at R5,2m from R6,7m.

Financial director Hymie Feinberg said Cutrite had focused on controlling stocks and increasing the rate of collections The 22,6% reduction in finance costs resulted in a 22,3% decrease in net income before tax to R4,5m (R5,8m)

A high tax rate, which included the effects of secondary tax on companies, saw net attributable income drop by 25% to R2,2m from R3m previously A 7% lower dividend of 6,5c (7c) a share was declared

Edel said although the issue of imports had been resolved to some extent, companies had until March 1993 to order stock duty free From next year, when these stocks would be depleted, the company should have more orders at better prices This would mean Cutrite would get its legitimate markup and its factories could operate at capacity

Cutrite expected an improvement in earnings in the coming year

Clothing, textile industries at odds over umbrella body

184 PETER DELMAR

EFFORTS to bring the warring clothing and textile industries together have run aground

Textile industry sources blame regional dissent within the National Clothing Federation (NCF) for stalling efforts to set up one association representing both ends of the "clothing pipeline".

NCF president Aaron Searll and Textile Federation president Mervyn King issued a joint statement this week attempting to pour oil on troubled waters following remarks by NCF executive director Hennie van Zyl. Van Zyl had intimated that "hanky panky" might be behind attempts to prolong the life of an interim import duty structure.

King and Searll said the statements were in breach of an agreement "between the presidents and the Trade Department that no controversial public statements would be made while the long-term panel was deliberating on a future strategy"

The panel consists of representatives of the clothing and textile industries, the Board on Tariffs and Trade and union representatives

"The presidents said the industries were working in a co-operative spirit and both hoped that, as in other countries, there would in the near future be one umbrella body for the textile and clothing industries."

However, Textile Federation director Brian Brink said it appeared that some regions of the NCF were baulking at the prospect of a merger

Some industry observers believe that only by forming one body will there be any prospect of clothing and textiles working together

Brink said it seemed a coalition leading to a gradual amalgamation might now be more feasible

BDAY 15/7/93

Romatex cautious on profit prospects

Star 25/11/93

IMPROVED performance off a low base is not automatically repeatable

■ BY DES PARKER

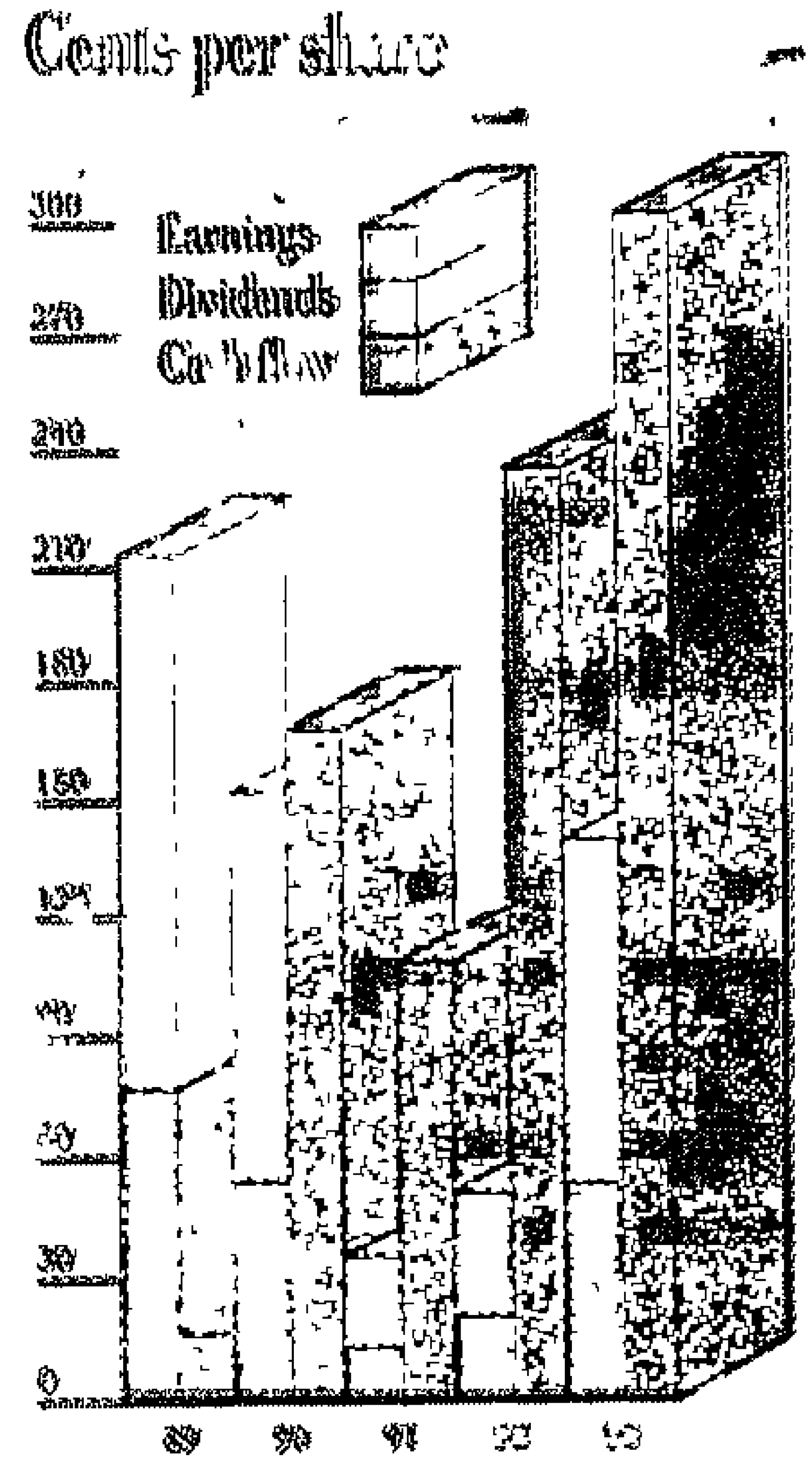
Durban — Despite a nearly twofold increase in earnings by Romatex in 1993, executive chairman Jack Crutchley takes a rather conservative view of prospects for next year.

One reason is self-evident.

The Durban-based industrial group's greatly improved performance is off a low base and the result of a major programme of restructuring over the past three years — and not, therefore, automatically repeatable

Another is the more subjective view that business conditions could well deteriorate in the lead up to the April elections.

Coupled with weak global trading conditions, this, he thinks, points to a year of difficulty and low economic growth at best.



Added to that is Romatex's involvement in the depressed clothing and textile sector through its fabrics division

Margins in the industry remain under pressure and manufacturing volumes are well below historic levels.

Crutchley says in the annual report he looks forward to the report of a sectoral study group into a long-term policy for the industry

In the meantime, however, the resulting uncertainty continues to delay capital spending and investment. (184)

Maybe, too, Crutchley is influenced in his sombre view by how difficult the struggle has been to reverse the downward spiral of earnings that followed Romatex's strong performances of the 1980s

The 140c a share earned in the year to September 1993 marked the first time since 1988 that the group has recorded higher profits than in the previous 12 months.

But that was not without considerable cost to jobs. Employment in the past year has dropped from 8 251 to 6 967.

In 1988, it stood a shade under 13 000.

While he makes no prediction about earnings in the current year, Crutchley says the group is prepared to take advantage of the next economic upswing

The group now operates through four clearly-defined divisions and has a balance sheet free of debt after last year's sale of Crossley Carpets

Set to sew up profits, jobs

(184)

EARGT 27/11/93

TOM HOOD
Business Editor

GARMENT exports could rise in value from R700 million to R3 billion in three years and create up to 30 000 new jobs with the ending of sanctions, says the new president of the National Clothing Federation, Sadek Vahed

He has just returned from a seven-week trip to Russia, Australia, Britain the European Community and the United States and said in an interview he was extremely optimistic that if the Department of Trade and Industries could have an urgent re-look at export incentives, there was no limit to what could be achieved in garment exports

In the new South Africa the greatest challenge would be job-retention and job-creation, said Mr Vahed The clothing industry was an ideal vehicle for more labour-intensive employment

"My principal aim will be to get the national clothing industry to focus strongly on exports," he said after his election as president at the federation's annual meeting in Cape Town

☐ **SHAKE ON IT:** Sadek Vahed (second right), new president of the National Clothing Federation and chairman of A M Moola group, is congratulated by his predecessor, Aaron Searll, chairman of Seardel Two vice-presidents elected at the annual meeting in Cape Town are (left) Danny Blignaut of Nadkin Clothing, Port Elizabeth, and Bernard Richards, joint managing director of Seardel.

With the lifting of sanctions, particularly in the United States not only at the federal level but very soon at state and city levels, there will be a new market that all of us will have to target strongly

Because of sanctions and our isolation we have not really exported to the US This we are ripe to do because of our quota-free status"

Customers in the US did not talk in terms of single units but in dozens he said If a customer in Britain or Europe spoke in terms of 10 000 units his American counterpart talked about 10 000 dozens

"Can one imagine that if we succeed in marketing to this region what would happen to the capacity and utilisation within our factories?

"With such large runs per single style, it would gear us into a double-shift situation"

Knitwear group picks up stitches

(184)

ARG 27/11/93

MARC HASENFUSS
Business Staff

DIRECTORS at knitwear group Towles Edgar Jacobs (TEJ) came out fighting at their annual general meeting after a shareholder suggested the group should not be in business in the prevailing economic environment

The shareholder pointed out that the group had produced intermittent losses over the last few years and that dividend prospects were dour

"Apart from providing a few jobs, are we doing the right thing by keeping the business going?"

In response, TEJ chairman Bobby Jacobs emphasised that management was "doing everything in its power" to keep the business going in threadbare industry conditions.

Although conceding that it was difficult to foresee reasonable profits in the knitwear industry, Mr Jacobs pointed out that with 300 less workers the group was still producing the same volume as three years ago

Cost-cutting has been a top priority, with overheads increasing a mere three percent in four years.

"There's not much more we can do on the cost side and we are also limited in our pricing."

After losing a hefty 25 percent of its domestic business through price-cutting by foreign competitors, TEJ was forced to look overseas for replacement business.

Exports make up about 12 percent of total turnover — but this level is set to go higher in the year ahead, with foreign markets being actively pursued

Managing-director Tony Owen told the meeting it would not be in the interest of employees or shareholders to close TEJ down.

This was confirmed by non-executive director Antony Ball — who also ruled out an operational switch into other areas of the textile industry. He said the group's 13 000 sq m of factory would not find easy alternative use.

"If we switched our operations it would mean a massive loss for shareholders and put workers out of jobs."

Mr Owen said that, in light of restricted overheads, a more comfortable domestic market could see TEJ make money again

"Accordingly, if there is an improvement in the economy the group is well positioned for a retrieval of profits"

Adonis Knitwear losses

ARG 9/12/93

ADONIS Knitwear, which manufactures and markets Dino Milano, Pierre Cradin and Lyle & Scott products locally, showed a R52 000 pre-tax loss (previously R280 000 profit) in the year ended September The group reported a disturbing R291 000 trading loss — well off last year's R73 000 trading profit Other income was slashed by 40 percent to R271 000 in the period under review Tax losses of R83 000 realised net income of R31 000 at bottom line However, an extraordinary write off almost R1,5 million (tax due on film investments) resulted in a net loss of R1,4 million for the year

(184)

Sharp turnaround for Delswa

B/Day 10/12/93

MARCIA KLEIN

CLOTHING manufacturer Delswa reported a sharp turnaround in the six months to October, continuing the improvement started in the second half of financial 1993

The company posted attributable earnings of R1,6m, against a R429 000 loss last year.

The results, off a low base in the previous year when difficult trading conditions and tax liabilities had severely hampered its performance, do not include turnover figures.

But operating profit rose 150% to R3m from R1,2m The interest bill was reduced and the tax rate lowered Taxed profit was R1,6m (R430 000 loss). (184)

Earnings were 22,3c (a loss of 6,2c) a share. An interim dividend of 4c was declared.

This compared with a total dividend last year of 6c when no interim dividend was declared

Pals to chase exports at quicker pace

MARC HASENFUSS (184) ARG 11/12/93
Business Staff

CLOTHING manufacturer Pals Holdings will continue to chase exports in the financial year ahead in a bid to offset tattered domestic trade

Chairman Selwyn Kagan told shareholders at an annual meeting yesterday that exports would grow to 30 percent of group turnover in the financial year to end June 1994 Last year exports constituted about 20 percent of total sales.

Pals recently signed an order deal with a Liverpool company for a significant clothing consignment.

"Our exports to the UK have shown considerable growth, even though this market experienced severe pressures on its growth in line with the low value of sterling and high unemployment"

However, Mr Kagan warned that the government was still undecided whether to maintain or discontinue export incentives.

Further growth in exports, coupled with a slight improvement in local trading conditions, augured well for the future

"But our margins are still under extreme pressure from retailers, who see the way ahead through greater turnover at lower prices without — in the main — affecting their margains"

The group's muted enthusiasm is reflected in management's decision to invest heavily in new machinery to cope with the changing requirements of new fabrics

The group bucked the sector trend by staying in the black and reporting bottom-line profits of R740 000 last year

Clothing firms told to export

B/Day

Own Correspondent

CAPE TOWN — The SA clothing industry could double its current output to $3bn — and create 225 000 new jobs — merely by securing a 1% market share in the US, Germany, Italy, France and the UK, says National Clothing Federation (NCF) director Hennie van Zyl 23/12/93

He says more use should be made of existing industry structures in a joint marketing effort to arrange trade missions, help manufacturers exhibit overseas and co-ordinate export training

Stressing the need to increase exports, Van Zyl says imports will soon rise and local manufacturers can compete only by ensuring two-way traffic (184)

Death knell sounded for Meritex core business

184

CT 23/12/93

By AUDREY D'ANGELO
Business Editor

COMPETITION from duty free imports of mass produced clothing from the Far East, allowed into SA under the structural adjustment plan (SAP), is forcing Meritex to close its manufacturing division at the end of this year.

The company, which has been in existence for 50 years, currently employs 800 people.

It will continue to trade but financial director Dave O'Donovan said it would be "primarily a marketing and trading organisation."

O'Donovan said it was intended to sub-contract the manufacturing side of the business, and it was expected that "a large proportion of the workforce" would be employed by the sub-contractor.

But, "regrettably, some jobs will be lost in the process."

O'Donovan said arrangements to sub-contract the manufacturing work had not yet been finalised because discussions with the SA Clothing and Textile Workers Union were still in progress.

For this reason it was not yet possible to say how many jobs would be lost. "These things can no longer be decided unilaterally, without consultation with the union."

Making the announcement yesterday MD Ed Gordon said: "Through this measure, which was necessitated not only by the increase in low-priced imports but also by the burdens of persisting industrial unrest and declining productivity, the company expects to achieve improved economies of scale."

Meritex, which manufactured T-shirts and underwear and has a textile printing operation, employed more than 2 000 people in 1990.

Its last good trading year ended in January 1989, when it achieved earnings of 26c a share and after-tax profits of R4,2m. No dividend has been paid since then.

Earnings fell to 1c a share and after-tax profits to R125 000 in January, 1990. Earnings remained at 1c a share the following year, after a first-half loss of R1m.

And in January 1992 the company reported a loss of R3,5m after reducing staff numbers by almost 30%.

The net loss had grown to R7,5m by the end of the company's last financial year, on January 31, 1993. Its knitted fabric manufacturing division, Tide Fabrics, was closed.

Ed Gordon, blaming "dumping" and uncontrolled imports, explained then that T-shirts were being imported at a free on board (FoB) price of R2,24 each, which was less than the cost price for a local manufacturer.

Exports

The average rate of duty paid on the T-shirts was 9% because exporters were allowed to bring in 70c worth of duty-free fabric or clothing for every R1 worth exported.

The permits to bring in duty free clothing will expire in April. But O'Donovan said yesterday: "We have been taking a hammering for a long time.

"The country is awash with these cheap imported clothes and the duty free imports will continue to affect the clothing industry for a long time to come."

The SAP, and the permit system, were introduced to encourage SA manufacturers to compete in high fashion, high quality niche markets internationally rather than in the high volume market in which they need tariff protection against goods from South East Asia.

TOWLES, EDGAR JACOBS

FM 24|12|93

Troubled by imports

Activities: *Makes and markets knitwear and other outerwear* (184)

Control: *Directors 38,5%*

Chairman: *R M Jacobs, MD B A Owen*

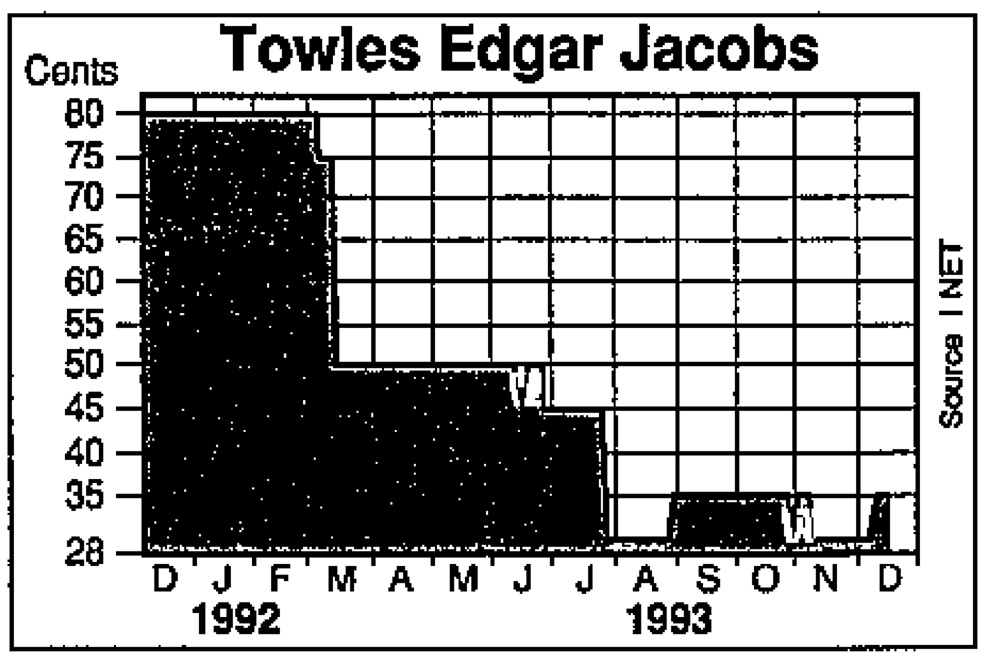
Capital structure: *2,95m ords Market capitalisation R1m*

Share market: *Price 35c 12-month high, 80c, low, 35c Trading volume last quarter, 112 000 shares*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	6,3	3,0	2,5	4,0
LT debt (Rm)	6,0	5,2	4,4	4,4
Debt equity ratio	1,32	0,88	0,69	0,97
Shareholders' interest	0 35	0 41	0,46	0,37
Int & leasing cover	0,84	1,61	1,36	0,44
Return on cap (%)	8,9	15,6	11,6	2,9
Turnover (Rm)	38	36	35	36
Pre-int profit (Rm)	2,3	3,5	2,5	0,7
Pre-int margin (%)	5,9	9,8	7,1	1,9
Earnings (c)	(19,9)	38,9	14,7	(37,5)
Tangible NAV (c)	263	252	268	232

Management will not reflect on the 1993 year with great joy The clothing retailer had problems with suppliers and, amid increased competition, profits were transformed into losses

MD Tony Owen says "TEJ's performance was prejudiced by erratic delivery and poor quality performance from the local textile industry as well as raw material problems This hindered our ability to deliver orders on time " Losses per share were 37,5c Director Antony Ball says though suppliers remain a problem, "1993 was a particularly difficult year and not part of a recurring pattern "



FM 24|12|93

Because of poor yarn quality, reject levels were well above budget Pre-interest margins plummeted from 7,1% to 1,9% Also, in the first half, there were substantial cancellations and selling prices weakened (184)

Stock rose 32% during the year and gearing jumped from 69% to 97% Ball says debt rose partly because larger raw material stocks were needed to execute export orders in the first quarter of the 1994 year He says management is not happy with the level of gearing "But bringing it down will depend on asset management and profitability "

One sentence in Owen's annual review is disconcerting "(TEJ) thanks bankers whose support is vital to the ability to recover from the setback " Ball says "Yes, this is a statement of fact And, yes, the business is heavily borrowed However, there is no cause for concern We do have the banks' support for the year ahead "

Imports of large volumes of knitwear and clothing are affecting TEJ's market Exports, which account for a small portion of the business, are increasing but attention to asset management — in particular stock — is essential for a return to profitability

The market is not convinced that matters will improve soon The share has fallen from 80c to 35c

Kate Rushton

Ragtrade 'in dire financial straits'

(184) ARG 24/1/93

ALIDE DASNOIS, Business Staff

MANAGEMENT and labour skills were the only source of sustainable competitive advantage for the textile and clothing industries, the Board on Tariffs and Trade's Nic Swart told the Clothing Industries Federation conference in Cape Town today

Dr Swart heads the Textile and Clothing Panel appointed in October last year to develop strategies to make the clothing pipeline more competitive on world markets

Studies so far suggested that both the clothing and textile industries were "in dire financial straits", Dr Swart said

Profitability had been declining since 1989, the interest burden was high and while investment needed for new technology had been estimated at R72 million, the clothing industry had only invested R32 million in 1993

"Ther average age of local textile plant indicates that our plant is ageing compared to that of our international competitors Huge investments supported by other programmes will be needed if the textile industry in this country is to become internationally competitive"

Rebate plan welcomed

ARGT 6/2/93

184

■ The clothing and textile industries have welcomed the new duty rebate scheme and feel that, on balance, while the value of the export incentives will be slightly reduced, it will eliminate certain abuses.

STEPHEN CRANSTON, Weekend Argus Correspondent

JOHANNESBURG. — The clothing and textile industries have welcomed the new duty rebate scheme which is to be introduced on April 1

Under the scheme, a duty rebate equal to 30 percent of exports will be given on imports of clothing, of 15 percent on imports of fabric and 10 percent on imports of yarn

It replaces the more complex Structural Adjustment Programme (SAP), in which duty-free permits were issued equal to 70 percent of the value of clothing exports, plus five percent of the value of local textile purchases

Textile Federation executive director Mr Brian Brink says a tax-credit system might have been preferable, but government was not prepared to give this

On balance, the value of the export incentives will be slightly reduced, but it eliminates certain abuses

"Under the SAP, importers were encouraged to bring in items which carried a high level of duty, as there would be a greater saving of duty Now, they have to use more permits if the duty is higher"

Mr Sadek Vahed, chairman of the A M Moolla clothing group, says he is extremely pleased the government has had the foresight to act urgently as a number of clothing manufacturers are hamstrung and can not quote on garment enquiries from overseas clients

"There was a great danger that the export momentum was on the verge of being jeopardised"

But, he says, exporters cannot work on a stop-go, year-to-year basis and he is disappointed that what has been announced could not have been extended an extra year to coincide with the expiry of GEIS incentives in March 1995

The old SAP increased clothing exports from R60 million to R600 million, creating or saving up to 20 000 jobs in the process

But, Frame chairman Mr Mervyn King says the SAP was cancerous and had to be phased out

He says it will take until March 1994 to stabilise the level of imports as there are still hundreds of millions of rands worth of duty-free permits which have to be worked out of the system

National Clothing Federation executive director Mr Hennie van Zyl says the new system is much easier to administer and he welcomes the fact that it no longer encourages importers to import items which carried high duties

PALS HOLDINGS FM 5/2/93

(184)

Diversifying exports

Earnings increases have become rare for local clothing companies An exception is Pals, whose profit improvement is described by → continue →

FM 5/2/93

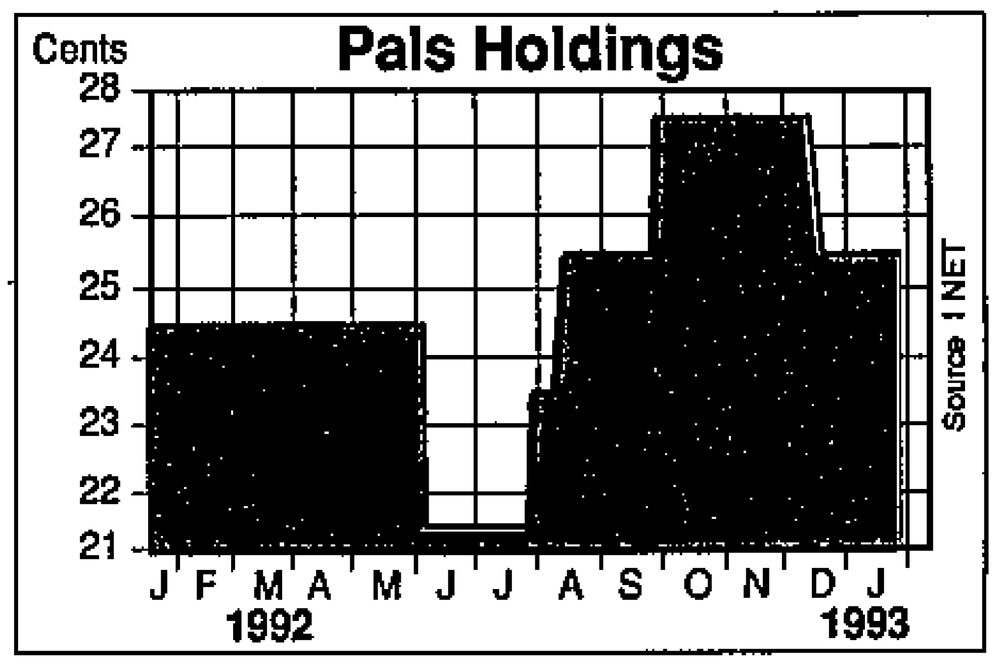
Activities: *Makes men's trousers, suits, jackets and shirts*
Control: *Directors 58,5%*
Chairman & joint MD: *S R Kagan, MD H Noik*
Capital structure: *10m ords Market capitalisation· R2,6m*
Share market: *Price 26c Yields 12,7% on dividend, 28,8% on earnings, p e ratio, 3,5, cover, 2,3 12-month high, 28c, low, 22c Trading volume last quarter, 32 600 shares.*

Year to Jun 30	'90	'91	'92
ST debt (Rm)	2,3	1,8	1,4
LT debt (Rm)	0,5	0,5	0,4
Debt equity ratio	0,65	0,48	0,33
Shareholders' interest	0,45	0,48	0,52
Int & leasing cover	2,6	2,7	3,2
Return on cap (%)	15	16	15
Pre-int profit (Rm)	1,5	1,7	1,6
Earnings (c)	7,9	7,1	7,5
Dividends (c)	3,0	3,3	3,3'
Net worth (c)	43	48	54

chairman Selwyn Kagan as satisfactory Joint MD Harold Noik contends the company is doing well in the circumstances

Pre-interest profit was down by 8%, with attributable earnings up 6%, thanks to a lower interest bill. Turnover, which remains undisclosed, increased 6% so margins narrowed Noik says exports helped to cushion difficult trading conditions. Products exported include men's golfing and bowling trousers — neither is in high fashion but both remain popular Pals does not make women's clothing, a traditional victim of recessionary times in the fashion industry

Exports, while continuing to grow, were hampered by poor trading conditions in the UK, which is Pals' main export market The ending of the export incentive scheme (under the structural adjustment programme), with no new scheme being considered by government, is causing concern about the continued profitability of exports to the UK There is the additional problem of the depreciation of the pound Noik says sterling exports are becoming less lucrative and there are plans to extend exports to France and the US



Competition has also increased locally and internationally Some local producers, using cheap labour, enjoy operating costs of about a quarter of those of Pals Similar wage structures exist in eastern Europe However, Pals is producing at full capacity and taking on workers while others are retrenching

Kagan says it is difficult to be optimistic about growth in turnover and profit this year and he would not be surprised to see a marked reduction in profit

Investors might find the high dividend

Slump batters Seardel profits

(184)

CT 12/02/93

By ARI JACOBSON

SEARDEL hit by the "full blast" of the recession saw after tax profits decline by 18% to R10,3m (R12,2m) for the six month period to December.

Chairman Aaron Searll speaking, after releasing the results last night, said: "I am not wildly bullish, but rather hopeful that the upturn will occur in the next six months"

The group manufactures and distributes clothing, toys and consumer electrics

Searll said the economic lesson learnt, in these tough times, was not to chase turnover without profitability

"Its all about obtaining good profit margins," he said

And so turnover grew a mere 1,8% to R585,7m (R496,3m) in the six-month period, in which, Searll said, working capital costs were cut markedly including the rationalisation of the group's workforce.

"But the signs are there for re-stocking to take place," he said

Searll said imports of new and second-hand clothing had battered the group's profitability and this would endure for another year, before these duty-free goods were out of the system

He pointed out that the 30% export incentive credit, to become operational from April, would give a much needed boost to the clothing and textile industry

Turnover is forecast to grow by 20% to R1,2bn (R1bn) for the full year to December and the dividend declaration is anticipated to rise to 9c (7c).

SANS (184) beefs up Bellville works

CT 17/2/93

Business Editor

SA NYLON Spinners' (SANS) has announced two projects with a combined capital cost of R160m, which will make its Bellville works more competitive globally.

A high tenacity industrial yarn plant, to be built at a cost of R120m, will use technology from Toray Industries of Japan, world leaders in that sector

The product will be sold mainly into the tyre market with the focus on earthmover, tractor, grader and off-road truck tyres

"The capacity of this plant will be sufficient to meet the needs of the SA tyre industry for the foreseeable future," a company spokesman explained

The plant will comprise four spinning machines. Full production will be reached in March 1996

The second project, costing R40m, will produce new generation polyester yarn for clothing It will use technology from Zimmer in Germany and full production will be reached by March 1994

SEARDEL FM 19/2/93.

Still bleeding

184

Seardel's directors and senior executives gathered over cocktails at the sumptuous head office to hear chairman Aaron Searll announce the interim results last week Perceptive observers noted the occasion was slightly more subdued than usual And the reason was obvious yet again, poor results

In a terse statement, Searll noted that the economic recession and shrinking consumer spending dented profits He added that recession would prevail for the duration of the second half The statement went on to discuss the fiscal disciplines imposed by the Reserve Bank, the effect on inflation, and the potential decline in interest rates It said nothing about the state of the group or what's being done to manage it out of its slump

Perhaps circumstances are such that there is little Searll can do to contain the slide when faced with declining demand for locally made clothing products — Seardel's main business — and burgeoning imports of cheaper substitutes Already, the group has retrenched hundreds of workers

The slide in EPS since 1989 is little short of appalling It has collapsed from 126c to 43c for the 1992 year From the new forecasts — revised from those in the 1992 annual report — it is almost inevitable that 1993's EPS will be lower

Six months ago (*Companies* October 30), the *FM* suggested this would happen, and that the historical p e of 5,8 was too high at the 250c price Now, at 180c, the historical p e is 4,3 With full-year EPS likely to be lower again — Searll now forecasts maximum EPS of 42c (53c) and a minimum 34c (43c) — the p e is still excessive

Until the market is convinced that the profit haemorrhage has been stemmed, the price will remain weak, irrespective of NAV The complexity of the problems is highlighted by the presence of three doctorates among as many CEs at the head of the group Not even they seem able to stem the bleeding and return the very ill patient to health

Gerald Hirshon

Share earnings beat inflation

Wooltru stages strong recovery

CT 19/2/93 (184)

Colin Hall

By AUDREY D'ANGELO
Business Editor

WOOLTRU — badly hit last year by a combination of the recession and high capital expenditure — made a dramatic recovery in the six months to December.

Earnings at share level rose by 17% to 192c (164,5c), comfortably outstripping inflation, and the interim dividend is maintained at 77c.

Profits before tax rose by 19% to R127,2m (R106,7m) But the tax bill was also 19% higher at R58m (R48,6m) Net income, after paying R2,2m to minority interests, rose to R67m (R57,3m)

Turnover was 52% higher at R3bn (R1,9bn)

Longterm borrowings were reduced to R167,2m from R214,8m on June 30, 1992 Short-term borrowings were reduced to R38,3m (R46,2m). Net asset value rose to 2,242c (2 218c a share

The directors say that the credit operation, Speciality Retail Group (SRG), again gave the best performance among operating companies Sales grew by 19% and the group gained market share. Truworths sales were 20% higher and Topics 18% higher

Wooltru CE Colin Hall said SRG had "offered the right lines to our target market" and there had been tight control of stock and operating costs

Cash chain Woolworths, which returned to its former policy of ordering long production lines and keeping prices down, showed a profit increase for the first time in 18 months Sales rose by 8%

Woolworths food sales grew by 12%, retaining market share Hall said price increases had been kept below inflation "In December, food price inflation was 8,9% compared with the national average of 17,2%."

But a growth of only 6% in sales of clothing, footwear and textiles meant a decline in real terms.

Hall said Woolworths would recover market share in clothing and profits would rise when the recession ended Higher volumes would enable it to under-cut the informal sector while offering better quality

Excluding the new acquisitions, Drop Inn and Shield, Massmart sales rose by 12% Hall said the liquor market, in particular, was "very tough" The recession had deepened and he saw no sign of it ending

"However, we anticipate an improvement in earnings for the full year that will be at least equal to that in the first six months, provided an increase in VAT does not adversely affect consumer spending"

Clothing giant lays off 570

184

SHARON SOROUR
Labour Reporter ARG 22/2/93

CLOTHING manufacturer Rex Trueform is to retrench at least 570 workers next month because of "the continued severe recession"

In a letter to staff, the company said there had been a further falloff in orders for garments manufactured in many departments

"This means there are surplus staff ang we have to again engage in retrenchments," the company said.

Last year hundreds of Rex Trueform workers were retrenched when its Wynberg and Atlantis plants closed

According to S A Clothing and Textile Workers' Union (Sactwu) spokesman Mr Joe Williams, the Salt River plant was overstaffed because many Atlantis and Wynberg workers had been moved there.

5 000 face unemployment in W Cape

Thousands of jobs to be axed this week

ANCT 23/2/93

SHARON SOROUR, Labour Reporter

THOUSANDS of workers in the Western Cape are to lose their jobs by the end of the month and thousands more could follow as the economy braces itself for a fresh wave of retrenchments.

Economists warn that even if there is an upswing this year, retrenchments will continue.

The clothing industry, mainstay of the Western Cape economy, could shed another 10 percent of its jobs — between 4 000 and 5 000 — by the end of the year, according to Cape Clothing Manufacturers' Association executive director Mr Peter Cragg.

More than half the industry's employers fear they will have to cut back on staff this year Last year the industry lost more than 15 000 jobs

Top Western Cape companies reeling under severe economic pressure include

- Construction and civil engineering giant Basil Starke Holdings which is to retrench more than 1 200 staff after the group and its subsidiaries were placed under provisional liquidation last week.
- Joyce s Dairy Farm which plans to retrench more than 200 workers at the end of the month when the company withdraws from the marketing and distribution of milk and dairy products because of adverse trading circumstances
- Garlicks, which is to close its Adderley Street branch
- One of the largest Cape clothing employers, Rex Trueform, which is to retrench about 600 workers
- Ensign Clothing which is to lay off more than 200

Further job losses include:

- More than 100 temporary policemen in the Western Cape losing their jobs at the end of the month in cutbacks
- At least 500 Cape Town Transnet workers.
- One in five South African Airways workers in the Western Cape — between 70 and 80 people — who will lose their jobs at the end of the month.

Between 300 000 and 400 000 jobs were lost in South Africa through retrenchments in the past three years, according to the Small Business Development Corporation (SBDC)

According to Mr Cragg, the main reasons for the retrenchments were very bad economic circumstances which had led to a "massive" reduction in consumer demand and consumer spending

News in brief

Bargains galore here

DO YOU want a bargain — anything from a car, house, gearbox, fridge or furniture?

All these things you can find in your copy of *Sowetan* every day in the paper's Classified section There are many more services offered in our Classifieds, such as education centres, driving schools, where to apply for jobs and our column on penpals

Briefly in court again

A MAN charged with the abduction of a 10-year-old Yeoville, Johannesburg, girl appeared briefly in the Johannesburg Regional Court yesterday

Mr Bhonoto Mpungose (38) of Bellevue, Johannesburg, was not asked to plead The case was postponed to April 5

Mpgungose is on bail of R1 000

Tribute in Atteridgeville

THE SA Defence Force at the weekend paid tribute in Atteridgeville, Pretoria, to the courage of 823 men who died when the SS Mendi sank in the Atlantic Ocean in 1917

The men were travelling from the English port of Plymouth to the French port of Le Havre when the SS Mendi was hit by another ship, the SS Darro, on February 21 1917 during a night of bad weather A total of 805 privates, 17 non-commissioned officers and five officers drowned or froze to death in one of the country's worst military disasters The men, all from the Native Labour Corps, were seconded for duty in France when the disaster occurred

Sowetan 23/2/93

Sadtu goes global

THE SA Democratic Teachers' Union has been accepted as an affiliate of the new

Sowetan 23/2/93

Education International and will form part of the international union's family of 30 million teachers

The EI was formed at a conference in Stockholm, Sweden, on January 26 after two former international teacher unions dissolved and merged into a new international body

Sowetan 23/2/93

Taxi rank torched

BETWEEN 200 and 300 youths torched a taxi and a taxi office and pulled down 16 parking shelters at a taxi rank in Katlehong after a meeting on Sunday afternoon, East Rand police said yesterday About R50 000 damage was caused and police are investigating a charge of property damage

Sowetan 23/2/93

Clothiers to retrench

CAPE clothing manufacturer Rex Trueform is to retrench at least 570 workers next month, citing the continued severe recession as the reason

In a letter to staff, the company said there had been a further fall-off in orders for garments manufactured in many departments (184)

Last year hundreds of Rex Trueform workers were retrenched when its Wynberg and Atlantis plants closed

Policeman under fire

SHOTS were fired at a policeman of the Internal Stability Unit in Ratanda near Heidelberg at the weekend, East Rand police said yesterday Sowetan

He was uninjured 23/2/93.

They said two men approached Sergeant R de Jager while he and colleagues were looking for a man in the township One of the men pulled out a firearm and shot at De Jager before they fled — *Sowetan Reporters and Sapa*

Staff cutbacks in Cape clothing industry worsen

CT 23/12/93

(184)

Business Editor

RETRENCHMENTS now being carried out by two Cape Town clothing manufacturers, the Rex True-form Clothing Co (RexTrue) and Ensign Clothing, are the latest in a steady reduction of jobs in the industry, says Mike Getz, chairman of the Cape Clothing Manufacturers Association.

RexTrue is retrenching 570 union members and retrenching or retiring monthly paid staff at all levels. Ensign is retrenching 120 workers from its Atlantis factory and 90 from its Cape Town factory

Getz said the Western Cape clothing industry "employed 60 000 people a few years ago, when it was at its peak Now the level has dipped below 47 000

"This is the result of the recession and a steady decline in retail sales by the formal sector

"This is the third year of a real loss of market share by the formal sector to the informal sector in this country"

At the same time SA's clothing exports — more than half from the Western Cape — were growing at the rate of 50% to 60% a year They were worth about R500m last year.

A letter from the directors of RexTrue to employees explains "Due to the continued severe recession there has been a further fall-off in orders for garments manufactured in many departments.

"This means there are surplus staff and that we again have to engage in retrenchment."

RexTrue executive chairman Stewart Shub said the domestic clothing market was weak and the situation would be even more serious if it were not for exports

RexTrue's own retail division, the 16 Queenspark shops including a new one at the Tygerberg Valley centre, were doing very well "But the rest of the retail market is very flat."

But, Shub said, even if it were not for the recession many jobs in the clothing industry would have to go in order to remain competitive with overseas firms serving the same markets

"SA is part of the real world now and we have to become more efficient and increase productivity If we can do that, and increase our sales, there will be more demand for our goods and therefore more jobs"

Cutting their cloth to suit

__Through__ sheer dedication husband-and-wife team David and Elise Sonnenberg have seen their their business, Colour Code grow from small to medium size in a relatively short period. Now they are moving to larger premises, employing more people and are about to embark on a joint venture with two other organisations.

MATERIAL BENEFITS ... David and Elise Sonnenberg of Colour Code, whose products were well received at an exhibition in France.

Star 24/2/93 (184).

Colour Code was established in 1985 in the Bophuthatswana National Development Corporation (BNDC) small industrial workshops, Tlhabane, near Rustenburg, by David and Elise Sonnenberg. It was an instant success.

David, who has a diploma in industrial design and Elise who is a qualified interior designer, have seen their business grow from small to medium size in a relatively short period.

Initially their main customers were small boutiques in SA, Sun International for casino uniforms and occasionally some chain stores. They have completed an order to re-do all the uniforms for the recently revamped Wild Coast Sun Hotel.

"This was a special one for us," said Elise, "as the whole theme was tied up with their new logo and colour scheme."

A breakthrough in business came after the Sonnenbergs were invited to exhibit at the SEHM Exhibition in Paris and to visit Germany and London last year.

Although they had been invited to this show twice before, a lack of exhibition knowledge, experience and finance had made them decline

In Paris they found enthusiastic acceptance for their products and soon discovered through various contacts and introductions how the market in France works and how to penetrate it.

"We expected to get wowed off our feet, but are proud to report that our standard of design and finish are up to scratch," says David.

Their European sortie provided then with numerous contacts in London, Sweden, Finland and the vast American markets where there is a demand for cocktail wear, their speciality.

Within a month of returning home, representatives from an international firm primarily servicing the export market to Germany and Italy were on their doorstep.

"They were impressed by quality, strength of design and commerciality of the goods shown and all the goods in the factory were suitable to move directly into Germany," said David

The African ethnic look shirts, ladies smart day wear and cocktail clothing received most attention

For David and Elise, the growth of their business has been a roller coaster ride David acknowledges the lessons of financial control, cash flow projections and planning were hard to learn

"It's been a tough ride One feels like giving up at times, but true entrepreneurs never give up Our dedication is finally starting to pay dividends

"Their recent move to larger premises at Tlhabane, with new layouts, a bigger work force and greater quality and production controls coincides with a joint venture involving two other organisations, the BNDC and the SAPHI Group of Companies

Colour Code is going places and will soon be big business.

For further information, please phone (01466) 55573

Bias Group suffers first decline in 14 years

MARCIA KLEIN

THE SA Bias Group, which holds trimmings and accessories manufacturer SA Bias Industries (Sabind) and financial and investment group Merhold, dropped its earnings by 24% to 75,5c (99,5c) a share in the year to end-December

Directors said "dismal conditions in the clothing and textile industries" saw the group report its first earnings decline in 14 years

The decline reflected a 42% drop in earnings to 27,3c (47,3c) a share reported by 87,3%-held Sabind

Sabind's turnover fell 9,2% during the year compared with a 12,5% increase in the previous year Attributable income was 42% lower at R7,8m (R13,5m), and its dividend was slashed 44% to 10c (18c) a share

Directors said this was slightly ahead of projections at the interim

While the trimmings, printing and labels, and industrial divisions had performed satisfactorily, the metals and plastics division performed poorly This was largely because of restructuring following demand shifts The curtain suspension products divisions also performed below budget

The thread division increased market share and profitability, as did International Trimmings in the UK

Sabind was expected to resume earnings and dividend growth in the coming year on the back of cost cutting and good prospects

Financial and investment group Merhold increased its earnings by 15% to 57,1c (49,5c), and its dividend by 12% to 19c (17c) a share

Its export trading operations performed satisfactorily, and the investment division "had a good year" The finance division showed improved earnings It was expected to continue to show earnings and dividend growth in financial 1993

BD 3/2/93

(184)

SA Bias slashes dividend to 22c

Finance Staff (184)

STAR 26/2/93.

The 1992 financial performance of SA Bias was hard hit by the poor results of its subsidiary SA Bias Binding (Sabind)

SA Bias' earnings per share fell 24 percent to 75,5c (99,5c). It is the first time since 1980 that the group has not raised its earnings

The dividend has been slashed by 27 percent to 22c (30c)

The directors says Sabind's 42 percent, or 20c, earnings decline to 27,3c was due to the extremely poor conditions in the clothing industry.

Particularly poor results were reported by two of Sabind's six operating divisions — metals and plastics

Its turnover fell 9,2 percent last year while the dividend for the year has dropped to 10c from 18c

Sabind is expected to show an improvement this year as the group has completed its cost reduction programme

Financial and investment subsidiary Merhold lifted earnings per share by 15 percent to 57,1c (49,5c), in line with forecasts.

Its dividend is up 12 percent to 19c (17c)

SA BIAS HOLDINGS FM 5/3/93

Mixed fortunes

(184)

SA Bias Holdings (Sabhold) has posted its first earnings decline in 14 years Contributions in the 1992 year from listed subsidiaries 79,8%-held Merhold and 87,3%-held SA Bias Industries (Sabind) turned out to be as different as their businesses Finance and investment arm Merhold lifted EPS 15% to 57,1c, Sabind saw its EPS slump 42%

FRAYING EDGES

Year to December 31	1991	1992
Pre-tax income (Rm)	28,7	21,9
Attributable (Rm)	19,2	14,5
Earnings (c)	99,5	75,6
Dividends (c)	30	22

Merhold is the one to watch Last week unlisted New Republic Bank (NRB) announced a R17,4m rights issue, which will make Sanlam (with 15%) and IGI Life (10%) the first institutional shareholders in NRB It will also place NRB on the road to a JSE listing But where does Merhold fit into the picture?

cont →

FOX FM 5/3/93. (184)

Sabhold's quasi-bank is underwriting the rights issue and will retain 20%-27% in NRB Considering Merhold's high liquidity and the good results from its divisions, the next step could be to combine some of Merhold's financial operations with those of NRB, possibly giving Merhold a larger stake

Merhold's investment division had a good year despite lower earnings from some of its industrial investments, notably Log-Tek, Woodrow and Autoquip. Executive chairman Christopher Seabrooke says the subsidiary has numerous unlisted investments that performed extremely well. NRB was among them Seabrooke is confident Merhold will maintain earnings and dividend growth Increases roughly in line with inflation are expected

Earnings of Sabind, the largest maker of accessories and trimmings for the local clothing, footwear and allied industries, fell 42% on a 9% drop in turnover (actual figure not disclosed) Seabrooke blames this on the depressed clothing and textile industries and notes the decline is off a high base This performance is slightly ahead of Seabrooke's projections at the interim stage, when he forecast earnings would halve

Most of Sabind's divisions performed poorly but the UK-based manufacturer International Trimmings Plc went against this trend Though other clothing and textile companies are experiencing extreme difficulties with their overseas operations, it seems Sabind's foreign division is taking off Perhaps Sabind should consider stronger overseas expansion

Seabrooke says though weak market conditions are expected to continue, most of the cost-reduction programmes in Sabind have been completed He is confident it will resume earnings and dividend growth this year Assuming exports are expanded and the cost reductions prove effective, it's hoped the growth in the current six months will be well into double-digit figures *Kate Rushton*

Star 9/5/93

Clothing industry shedding 800 jobs a month

184

By Tom Hood

CAPE TOWN — Employment in the Cape clothing industry is falling by 800 jobs a month and many factories are working four days a week, a leading employer claims

At this rate there will be a loss of 2 400 jobs by the end of March, says Simon Jocum, immediate past-chairman of the Cape Clothing Manufacturers Association

The employment figure at the beginning of this year was 48 429, which means a five percent fall in three months, he told the Cape branch of the Clothing Institute

"Today, happinesss is staying in business and having a job," he said

Production was at a low ebb and employment on the decline in spite of the lowering of interest rates, an upward movement in retail sales of clothing, and the effects of surging clothing exports.

The textile sector was also showing few signs of recovery and the production of natural fibres appeared to be hard hit by drop-offs in demand.

On the positive side, there were moves afoot to restructure the clothing pipeline to meet international competition and the first signs of foreign investor interest in the local clothing and textile industries was becoming evident

From January to November 1992, production of clothing in South Africa declined by 8 percent compared with the same period of 1991 with the figure for textiles being 12 percent.

This unhealthy pattern was illustrated by the downward spiral of monthly output since 1990 in both the clothing and textile industries, with clothing production around 95 percent of the 1985 level and textiles at less than 80 percent

Overall output had dropped by more than 40 percent in both industries since 1981.

Production price increases depressed both clothing (9 percent) during the last quarter of 1992 compared with the same period of 1991 and textiles (5 percent) These low increases were symptomatic of the pressure imposed by the consumer on the per-unit cost of garments

"This rather gloomy state of affairs has occurred despite a very different set of trends in retail clothing sales

"According to Central Statistical Service data, sales of clothing rose by four percent in real terms in the first 10 months of 1992 compared with the same period of 1991," said Jocum

Men's and boys' clothing showed a rise of 4,8 percent while that of women's wear was more subdued at 3,6 percent

The average sale of men's and boys' clothing at 1990 prices rose from R291 million to R305 million a month, while that of womens', girls' and babies' wear rose from R496 milion to R514 million

In total, the sale of retail clothing was up from R787 million to R818 million a month

"If this is indeed the case, the South African clothing market is expanding at a healthy pace, but local clothing manufacturers in the industrial council areas are not seeing the benefits

"The reasons for this may be found in substitution of secondhand for new clothing and imports for local garments, as well as the rise of the homeland clothing sector, informal cottage manufacturing and home sewing"

The industry had to contend with 50 million units of used clothing which were imported duty fee in 1992 by welfare organisations and this would be sold in 1993

"Used clothing imports have cost our industry 10 000 jobs these past few years," said Jocum

Clothing exports were still growing rapidly, with preliminary figures for the nine months to September 1992 of R350 million giving rise to a full year estimate of R500 milion

This level of exports would be more than 50 percent higher than in 1991

Drought dries up Sterling's rural market

MARCIA KLEIN 184

MANUFACTURER Sterling Clothing reported a drop in attributable income to R195 000 from R1,3m in the year to end-December on the back of a sharp decline in consumption expenditure on non-durables. BDay 10/3/93

Turnover was reduced by 5% to R39m from R41,1m and net operating income dropped by 45% to R2,4m from R4,4m.

An interest bill of R2,2m saw net income before tax drop dramatically to R205 000 from R2,3m in the previous year

Earnings dropped to 1c a share from 6,6c previously. No dividend was declared.

Describing the results as disappointing, a spokesman said the company had been severely affected by the drought.

Sterling's main market was in the rural areas, where farmers were its major customers.

In addition, competition had been fierce in terms of margins Excess capacity had led to price cutting.

The spokesman said Sterling was fairly optimistic about the coming year.

The drought had been broken and forward orders had picked up.

The company had taken steps in the second half of the year to rightsize the company, reduce stock levels and improve asset management.

Benefits would not be felt at the interim stage, but Sterling hoped they would begin to flow through in the second half, he said.

Adjustment programme's legacy still a 'nightmare'

([redacted])

B/DAny

26/2/93.

([redacted])

LINDA ENSOR

SALT ROCK — The legacy of the structural adjustment programme — which would be finally phased out only in March 1994 — would have "nightmarish" consequences this year, the National Clothing Federation's Mervyn Shabason said yesterday

He told trade union delegates at the clothing and textile conference that R600m worth of clothing exports for the year to end-March 1993 would translate into R420m in SAP permits for imports.

"The ramifications of what this is going to do to the manufacturing industry in the following 12 to 18 months is nothing short of a nightmare," Shabason said.

In terms of the programme, exporters are entitled to import duty free clothing and textiles to the value of 70% of the export order. The programme was abolished this year but permits will be valid until March 1994

Shabason said manufacturers were selling their import permits to retailers who were using them to import clothing at the expense of local manufacture and job creation In retail terms R420 worth of programme permits could translate into clothing sales worth about R1,2bn

Shabason said corruption was rife in the industry and customs officials were being bribed by grant permits.

Other abuses included the overinvoicing of exports to gain additional permits and the underinvoicing of imports so more goods could be imported.

He said confidential discussions were taking place at government level to find ways of stamping out the corruption Also, the new textile/clothing rebate system would result in a 60% drop in clothing imports (184) ([redacted])

Frame group executive chairman Mervyn King also hit out at the corruption and suggested three ways of combating the problem, namely limiting the ports of entry of clothing and textiles to perhaps Durban and Cape Town, private sector involvement in the screening of imports with the trade unions also participating, and the simplification of documentation and of the export incentive schemes, as the more compensation there was, the greater the likelihood of corruption.

Shabason told the conference that the clothing and textile industries had reached an agreement to hold back any further applications for duties, at least until the publication of official quarterly figures for the industry in April

Rex Trueform earnings soar 65%

(184)

CT 13/3/93

By AUDREY D'ANGELO
Business Editor

Cost control

FM 14/5/93.

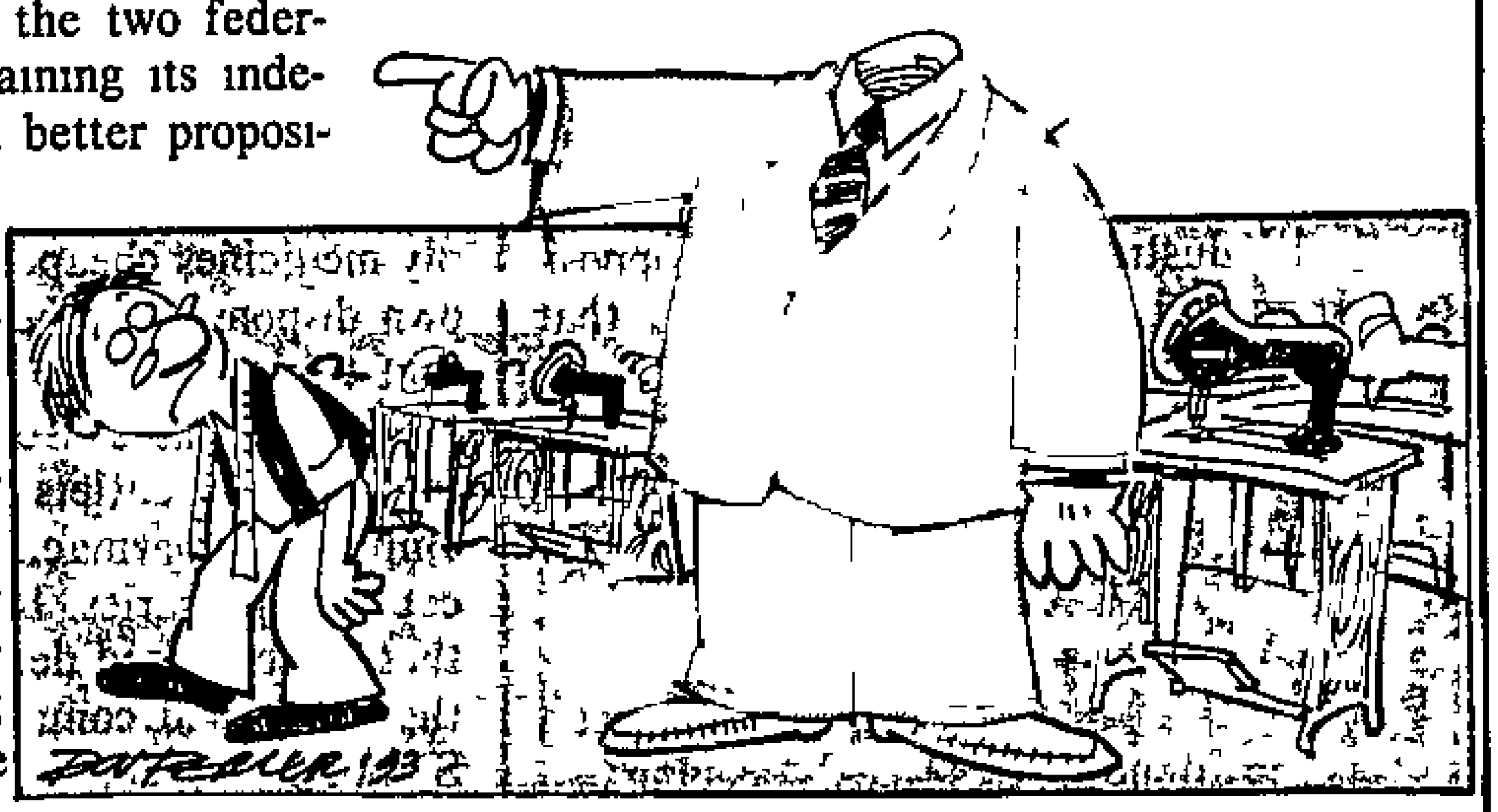
TEXTILES AND CLOTHING (184)

Searching for the best fit

The war between the R6,5bn-a-year textile industry and R4,4bn-a-year clothing sector has flared up again after being swept under the carpet by attempts to join the two combatants under one federation The proposed link followed last year's deal that saw clothing giant Seardel — headed by Clothing Federation president Aaron Searll — obtain a joint-controlling share in struggling textile giant Frame Group — headed by Textile Federation president Mervyn King

"There is no real war between the sectors," Searll claims "This is a time for co-operation, not war" But with Searll now saying a coalition of the two federations, with each retaining its independence, might be a better proposition than a merger, it is clear the raging battle over tariffs still divides the sectors

Many small manufacturers in the clothing industry now ask where legitimate lobbying stops and coersion starts after being forced to suffer the brunt of the protectionism engineered by the textile industry They feel that the dice are heavily loaded against them government is seemingly in cahoots with the powerful textile lobby and using tariffs to keep a bleeding industry alive — at the cost of a labour-intensive clothing industry that is now busy shedding jobs by the thousands



The textile sector, on the other hand, feels aggrieved by the hangover of the now-abolished structural adjustment programme for the two industries, which allowed a flood of duty-free imports based on export credits built up by clothing exporters About R550m in credits are still said to be in the pipeline, even after a huge jump in imported yarn and fabrics over the past two years The textile companies therefore feel that more protection is justified to keep them in business

Apart from the clout of its 93 000 jobs, the textile industry also has government's ear because it earns about R1,5bn a year in exports

But, opponents say, SA is still forced to import textiles to the value of almost R2bn a year So, they say, if jobs are the issue, rather look after the clothing sector, which not only employs almost 30 000 more people, but can also create many more jobs at a far lower capital cost

In a country with 30% unemployment, the clothing sector feels that it makes a much stronger case for creating jobs "In Natal alone, we are now down to about 35 000 jobs in the small clothing manufacturing sector, from about 43 000 a year ago High tariffs, especially on textiles not manufactured in SA, are killing us — and we get little support from the Board on Tariffs & Trade," says Clothing Federation vice-president Sadek Vahed, CE of the A M Moolla Group

Vahed adds that last year board chairman Nic Swart met both sectors and suggested simplified tariffs 35% on yarns, 50% on textile fabrics and 100% on clothing "On behalf of the Clothing Federation, I accepted this increase of protection on fabric imports (from 20%) on condition that all fabrics not made in SA be exempted from duties This would have made an average fabric protection rate of 35%, which we could bear"

But strong textile lobbying scuttled the plan The result interim protection of an effective 70%-80% on fabric imports since November until a panel under the chairmanship of Swart comes up with a long-term plan

"Since then, we have been engaged in ineffective, ongoing discussions with the board and the Textile Federation," Vahed says "And we have been forced to accept a 20% duty proposal on certain imports after textile manufacturers twisted our arms to agree to this or accede to even higher tariffs on some knitted-fabric items already subject to 109% tariffs"

With no final plan for the two industries expected for some time, Vahed says thousands of more clothing jobs will be lost

Swart says the board is now finalising new interim tariff proposals for the two industries, which will be published for discussion by August He will travel next month with Industrial Development Corp economist Hein Wiese to Belgium, the Gatt offices in Geneva and the World Bank in Washington to study sectoral restructuring further "My panel's final report should be published by November," he adds

Clothing Federation president Searll says the two major issues facing Swart's panel are reducing input costs for both the clothing and textile sectors, and export promotion On the textile side, cotton prices need to be brought down, while the clothing industry is seeking lower fabric prices

But, says Cotton Board GM Johan Gillen, with SA's small, 100 000-bale cotton crop this year, the textile industry will be free to import the additional 250 000 bales it needs at world prices — "and I am convinced they will pay more than the local cotton price of 490c/kg"

So the textile industry may have to look for other ways to reduce its costs, such as improved management, better technology, skills upgrading and both increased labour and capital productivity, says a clothing industry spokesman

But, says Textile Federation executive director Brian Brink, high taxes and high capital costs due to the tariffs and surcharges on imported machinery put local capital-intensive industries at a 50%-60% cost disadvantage against major overseas competitors He argues that the playing field must first be levelled before his industry can be expected to compete freely against imports

Pep Ltd MD Tony Haughton, whose R1,2bn-a-year clothing group operates nine factories, says free import of cloth and yarn is the only way to allow the clothing industry to grow "While most companies are struggling with the effects of a local and global recession, we must take a long-term view on our industries — and that means dropping input costs, going for volume production, and focusing on specific markets"

The problem, he says, is that tariff protection has allowed many companies to spread their product range too wide, to the detriment of volume production, economies of scale and the consumer, who must pick up the tab

Arnold van Huyssteen

EYEGLASS INDUSTRY Fm 14/5/93.

Shortsighted profession

Daring to say what a lot of people had been thinking — that eyeglasses cost too much — has earned DP MP Robin Carlisle the wrath of the optometric profession, which vehemently denies that it's to blame for high prices

Carlisle, whose accusations were directed to certain specific optometrists, refuses to apologise or retract any of his controversial statements (*Business & Technology* April 23) Instead he's pushing government to implement Competition Board recommendations that would end maximum or minimum price-fixing, allow greater advertising, and permit optometrists and optical dispensers to

SA clothing 'able to compete internationally'

KELVIN BROWN (184)

EXISTING wage levels did not preclude SA from competing internationally against major Asian textiles and clothing producers, World Bank representative Brian Levy said on Tuesday

Levy told an open session of the textile and clothing panel negotiating a long-term strategy for the local industry that when it came to competitiveness, wages did not tell the whole story.

"In the upper end of the clothing market, where competition was based on quality, reliability and the ability to switch output quickly, price was of minor importance. BDM 11/3/93

More than half of world trade in textiles and at least half of world trade in clothing was in high priced items Local wages were up to 10 times lower than Korea, Taiwan, Hong Kong and Italy — major exporters at the upper end of the market

SA should not try to compete in the lower end in Third World countries where wage rates were well below local levels. Price, not quality, gave these countries the competitive edge.

If SA wanted to remain in this sector, it would need high levels of protection

Clothing industry shows potential for true partnership

BDAY 8/3/93.

184

LINDA ENSOR

A GLIMPSE of exciting future possibilities of worker involvement in industrial development — and regret over lost opportunities — emerged at an SA Clothing & Textile Workers' Union (Sactwu) open school recently

On one day of the proceedings, industry leaders entered into an open debate with 70 shop stewards and union officials on the way they ran their companies, the rationale for industrial policies and what could be done to address problems facing the clothing and textile industries

Frame group executive chairman Mervyn King was questioned, for example, on his views on national collective bargaining Edgars' MD George Beeton was asked why Edgars stores were so pretty and yet sold such expensive clothes

King said afterwards he was impressed with the delegates' awareness of problems in the industry, adding that "economic reality has entered the workplace"

The open school was part of a process within the union to debate industry issues, formulate policy and take an active part in the restructuring of the clothing and textile industries As Sactwu deputy general secretary Ebrahim Patel puts it, it is up to the trade union movement to take the initiative in revitalising the economy, as the predominantly white management corps is paralysed by uncertainty over a future SA

There is, he says, a lack of management commitment to long-term thinking and an absence of innovation and dynamism Capital's drive to make profits is missing In addition to the political turbulence, decades of apartheid and an inward focus have stunted management's creative abilities

"In these circumstances the labour movement has an historic duty to be that innovative force within industry Whereas traditionally trade unions were involved with consumption issues such as rates of pay, the crumbling of apartheid has forced them to confront the issue of economic growth in order to address the massive unemployment and vast inequalities in our society Unless we can produce strong economic growth in the manufacturing sector, the likelihood of our establishing a stable democracy is just about nil

"We have become convinced there are major structural problems in our industry which limit economic growth and the possibility of wages being increased"

Sactwu has become a major player in deliberations on a future clothing and textile industrial strategy and is represented on the government-appointed committee formulating these plans Patel himself has played a vital role in assisting the feuding clothing and textile federations to sit round a table and seek agreement on the way ahead

The focus on broader economic issues has meant a shift from consumption to investment issues in the formulation of future trade union strategy While there is much talk of wage restraint to achieve economic growth, Patel is sceptical He believes the shift should take place in the restructuring of the total income package rather than in its reduction

He accepts there is a tension between investment and consumption which may involve short-term sacrifices But he believes it is possible, if the mix is right, to convince workers that their own long-term consumption needs will be better addressed by a focus on investment issues More simply, chances of higher wages are greater if strong economic growth is sustained

In practical terms, he says, the trade-off between investment and consumption can be made by restructuring the total package to make more resources available for training. There is also a need to restructure the grading system to take greater account of skills, giving workers an incentive to improve skills and productivity

Patel's scepticism about wage restraint stems partly from his union's rejection of a low wage growth path for manufacturing in SA generally and his union's industries in particular There is no way, politically and socially, SA can attempt to compete with China's low wage clothing industry, and it will have to look at producing high value-added goods instead.

"Wage restraint, seen as always getting workers to accept wage increases below inflation, is not feasible In any case, the impact of wage restraint on the final cost of goods is minimal"

To gain worker support and involvement in an investment-focused strategy, Sactwu initiated the debate among members, and they have developed an impressive level of awareness As Patel says, "the process by which you make policy is as important as the policy you make"

The shift in emphasis to a commitment to economic growth and job creation has meant that the union has had to adopt a pragmatic approach to labour policy in the TBVC states and in small business

Sactwu will lobby for TBVC states to fall under a national wage agreement when they are reincorporated into SA But Patel is cognisant of the impossibility of insisting on wage equality in the short term because of the absence in the TBVC states of certain key advantages present in urban areas, such as proximity to major markets, the presence of a sound infrastructure, and a relatively higher level of productivity of all factors of production

"The costing of those companies is such that immediate wage parity would force them to close down We need to come up with a programme aimed at bringing their wages more into line with urban wages over a period of time, while simultaneously restructuring the industries in those areas to give them some of the advantages of urban-based companies"

The same applied to small businesses, which were likely to be a central driving force in economic growth and which currently form the backbone of the clothing industry in SA

Sactwu has opposed the view held, among others, by the Small Business Development Corporation that small businesses be exempt from labour agreements and regulations Rather than promote small business through exemption, the union would like to provide them with support in overcoming disadvantages they experience because of their size — for instance, unavailability of cheap capital and lack of infrastructure for marketing, export promotion and training

However, while there is no blanket exemption from industrial council agreements granted to small businesses in the clothing industry, the union has adopted a flexible approach and will, for example, grant an exemption in the firm's first year to allow it to overcome its teething problems

The same dilemmas experienced with regard to TBVC states and small business can be found on a larger scale within the Southern African Customs Union and within the broader southern African region — Botswana, Lesotho, Swaziland and Namibia — which means goods produced under low wage conditions in those countries are imported into SA duty free Rather than break up the customs union, Sactwu is moving towards unionising workers in those countries to create uniformity of wages and working conditions

This principle has also been extended to the whole of southern Africa, including Zambia, Zimbabwe, Angola and Mozambique Sactwu is developing trade union links with these countries so that it can lobby for integration of social programmes and labour rights at a later stage when economies open up and a single market in southern Africa becomes a reality

The union's vision is broad, deep, exciting and perhaps has the capacity to galvanise its members to perform feats hitherto unimaginable in SA It believes new ideas can flow to management once the channels of communication open up, and who knows what allies management will find in their workforce? As Beeton said at the open school, Edgars' pretty stores are continually a bone of contention between him and his development manager

No glimmer of light for Ensign Clothing

CT 12/4/93 (184)

Deputy Business Editor

WITH no indication of any improvement in the economy in the forseeable future Ensign Clothing's results for the year to end December were expectee to be lower than 1992, says chairman Ronald Roy

In his annual report, Roy said 1992 results were disappointing but satisfactory in the light of conditions prevailing in the clothing industry.

Thd continuing depressed state of the economy and the uncertain political situation was seriously affecting the demand for their products. The reduced demand in turn had resulted in fierce competition in the market place causing strong eownward presure on margins

The downward trend, which started affecting Ensign seriously in mid-1992, was continuing this year and had forced the company to retrench 20% of its workforct in March

Adequate provision for retrenchment costs had been made, said Roy

He said while a drop was expected in the Macbean plastic division, it would be less severe than in the clothing division.

Special attention, he said, was being given to increasing efficiency and improving productivity through staff training at all levels.

"In addition we are upgrading our compu'erised production control system so as to monitor throughput more effctively and reduce wastage. In line with these objectives, we will also be replacing older machinery with modern equipment where necessary."

Roy said efforts to reduce stock holdings were beginning to show results with stock down by nearly R1,4m

However debtors were up by R671 000 reflecting

Edgars a good long-term bet

Star 13/4/93

By Stephen Cranston

The Edgars group offers considerable long-term potential, with results expected to improve strongly from the year to March 1995 onwards, predicts Mathison & Hollidge analyst Lynette Bowes.

But she says that for the year to March 1993 it will report earnings growth below the rate of inflation.

Excellent results from Sales House and a much reduced loss from Jet are expected to be partly offset by static growth from the Edgars chain and a reduced loss from Celrose

Earnings per share are expected to increase by 7,1 percent to 332c in the year to March 1993, and by 11,1 percent next year

The group's market share, which now stands at 17 percent, is expected to increase to 20 percent within two years

The group will continue to close under-performing stores, enlarge existing stores and open new ones, especially in Jet and Sales House

There has been strong growth from ladies' intimate wear, accessories and cosmetics

In the months ahead Edgars plans to increase its market share of footwear and to increase the proportion of core items in menswear

Bowes says future growth in the Edgars chain will come from the black consumers as there are already 900 000 white account holders

The important white consumer has come under obvious pressure and markdowns to give momentun to sales have put pressure on margins

She predicts static earnings for financial 1993 and an eight percent improvement in 1994

This compares with a compound growth of 29,1 percent in attributable income from 1988 to 1992

In Sales House, 26 percent of turnover is accounted for by footwear, and it is dominant in the menswear and children's wear business in its target market

Its improved performance is accounted for by very focused merchandise for the urban black consumer and an upgrading of stores to include leisure wear and younger fashion

Bowes expects this chain to increase earnings by 29 percent this year and by at least 10 percent in 1994

In a deal with Star Taxi, commuters in 14 000 taxis are exposed to Sales House advertisements

Bowes says that Jet is losing its reputation as the black sheep of the Edgars group

A major repositioning programme over the past two years has improved Jet's reputation for quality

(184)

ALLWEAR FM 16/4/93 (184)

Kicking out the cuckoo

Clothing company Sherleys is to leave the Allwear nest And, from its parent's point of view, not a moment too soon But for this division, a profit of 19,6c a share would have been recorded for the 10 months to end-December Instead, Allwear had to settle for a loss of 1,2c a share

Sherleys concentrates mostly on children's and baby wear But, after its closure (if a buyer isn't found) at the end of April, Allwear will be more focused and will concentrate on schoolwear, trading under the Prefect and Allwear labels Menswear will

FM 16/4/93. (184)

become its secondary operation MD Jerrie Jordaan says the group should not present shareholders with a loss in financial 1993 as it will be rid of its loss-making division

As with any closure, costs have been incurred Estimated loss on the discontinuance of the division totals R5,8m with retrenchment costs adding another R0,3m Roughly a third, or 400 people, of Allwear's workforce, including management, will be retrenched A part of the loan to the share trust written off (R0,1m) forms the remainder of a R6,2m extraordinary loss resulting in the negative bottom line — and another passed dividend

All this is, of course, assuming a buyer for Sherleys is not found But then, who in his right mind would want a clothing company under the economic conditions prevailing in that industry?

Kate Rushton

Hicor posts loss of R2m

BDAY 16/4/93. (84)

PETER GALLI

RETAIL company Hicor, owner of the Allwear clothing group, has posted a loss of R2,055m before extraordinary items in the 10 months to end-December from a R2,71m loss in the year to end-February 1992

However, an extraordinary item of R5,11m for the estimated loss on the discontinuation of Sherleys, a division of Allwear, pushed the net loss up to R7,16m from a R3,98m profit in the year to end-February

"The operating loss of the Sherleys division over the past 10 months forced the board to discontinue the operations of this division The final closure is planned for April 30," directors said.

A loss of 3,8c a share was reported and no dividend was declared However, the directors expect the group to move back to profitability in the year under review as all group manufacturing operations are now consolidated at Newcastle

The net asset value of 47c a share is substantially above the ruling share price of 13c. Hicor was untraded yesterday, reflecting a buyer at its annual low of 12c, but no seller.

McCARTHY/McRETAIL
Fm 15/10/93

Waiting for black power

McCARTHY

Activities: *Holding company of McCarthy Retail*

Control: *Amic 37%*

Chairman: *B C McCarthy; MD T Rosenberg*

Capital structure: *102,3m ords Market capitalisation R409m*

Share market: *Price 400c Yields 6,1% on dividend, 19,1% on earnings, p/e ratio, 5,2; cover, 3,1, 12-month high, 450c, low, 275c Trading volume last quarter, 1,5m shares*

Year to June 30	†'92	'93
ST debt (Rm)	193	157
LT debt (Rm)	53	43
Debt equity ratio	0,40	0,29
Shareholders' interest	0,47	0,42
Int & leasing cover	5,16	4,06
Return on capital (%)	19,4	15,2
Turnover (Rbn)	4,38	5,27
Pre-int profit (Rm)	236	213
Pre-int margin (%)	5,38	4,05
Earnings (c)	50,9‡	76,3
Dividends (c)	21‡	24,5
Tangible NAV (c)	292‡	119

† Proforma, assuming the merger took place on July 1, 1991
‡ Actual figure

(182) (184)

Fm 15/10/93

McRETAIL

Activities: *Sells motor vehicles, durable and semi-durable consumer goods and clothing*

Control: *McCarthy Group 87,8%*

Chairman: *B C McCarthy, MD T Rosenberg*

Capital structure: *155m ords. Market capitalisation R495m*

Share market: *Price 320c Yields 5,9% on dividend, 18% on earnings; p/e ratio, 5,6, cover, 3 12-month high, 340c, low, 250c Trading volume last quarter, 930 000 shares*

Year to June 30	†'92	'93
ST debt (Rm)	193	157
LT debt (Rm)	53	43
Debt equity ratio	0,28	0,20
Shareholders' interest	0,55	0,51
Int & leasing cover	5,16	4,06
Return on capital (%)	16,2	12,9
Turnover (Rbn)	4,38	5,27
Pre-int profit (Rm)	236	213
Pre-int margin (%)	5,38	4,05
Earnings (c)	54,4	57,6
Dividends (c)	30‡	19
Tangible NAV (c)	(383)‡	90

† Proforma, assuming the merger took place on July 1, 1991 ‡ Actual figure

Two of the major markets in which the merged McCarthy Group operates — motor vehicles and furniture — have been through a difficult year and with consumer spending still largely constrained by the weak economy, look soft for the foreseeable future

Still, with a decent set of maiden results behind the McCarthy Group (since the merger a pyramid holding company) and McCarthy Retail (comprising the operating companies of the former Prefcor and the motor holdings), it's hard to understand why the shares' ratings are so low

Both are now listed in the retail sector, where p.e ratios of 5,2 for the Group and 5,6 for McCarthy Retail compare with a sector average of 20,6 Admittedly, the merger has formed a collection of interests which make comparisons difficult, but even looking at the motor sector (p e 6,9) and furniture (p e 9,1) suggests the shares are undervalued

One possible explanation is that despite the recent uptick in the prices of both shares since the end of August, the ordinary shares still trade below the listing price of R5 But it should be borne in mind that the shares were floated as a R15 package, comprising one ordinary share and two senior convertible debentures McCarthy Retail's ords are down to R3,20, but the debentures trade at R7,25, making the package worth R17,70, or 18% more than the issue price

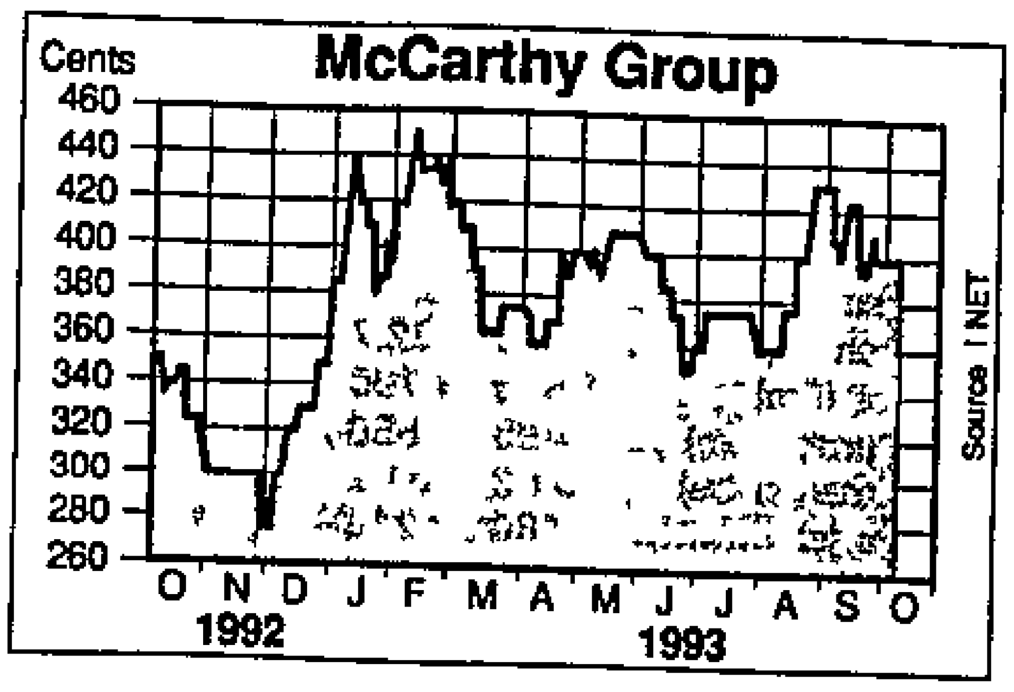
A more likely explanation is that investors might not like the new pyramid structure, whereby McCarthy Group now holds 87,8% of the ordinary equity in McCarthy Retail, as well as about one third of the senior debentures and about two-thirds of the junior debentures

To a certain extent, results were saved by the new corporate tax rate, which led to a tax charge of R44m against a *proforma* estimate of R90m Still, the operating performance was solid

CE Terry Rosenberg says the first three months since year-end have been slightly ahead of budget Motor holdings lost a little market share in the 1993 financial year (down to 13,1% from 13,7%), but prospects seem slightly more encouraging, with recent figures indicating national new vehicle sales for September up 12,2% compared with September 1992 They could be misleading, considering the low base new car sales are coming off, the pre-Vat spending spree and the launch of a number of new models, but there must be some light there

On the retail side, Rosenberg expects a better performance from Game Discount World, after it failed to meet budget by about R9m in financial 1993 "Game is now on budget and considering all the new stores opened last year have been expensed, it should make a good contribution this year"

Beares — after motor holdings the main contibutor to operating profit — is consolidating after opening 60 stores and closing 12, mainly in Natal, over the past three years The expansion has taken Beares away from any reliance on the Natal market — Rosenberg says about 57% of turnover now comes from the Transvaal and about 20% from the



Fm 15/10/93

Cape

He is cautious about prospects for this year, pointing out a lot depends on the political climate before and after next year's election, but believes earnings will increase

However, there are not likely to be fireworks in 1994 Many investors will probably want to see a few sets of sparkling results before committing themselves Still, the shares, particulary McCarthy Retail, seem cheap and could attract anyone who believes in the buying power of the emerging black market McCarthy has positioned itself in

(182) (184)

Shaun Harris

Slump trims Cutrite earnings

MARCIA KLEIN

CLOTHING manufacturer Cutrite, operating in a severely depressed market, has turned in a 15% decline in earnings to 6,5c (7,6c) a share in the six months to end-August. B/BDAY 15/10/93

The company, which manufactures trousers for the black consumer market as well as high fashion items, reported an 8% turnover growth to R25m from R23,1m. But margins were under severe pressure, and operating income declined by 22% to R2,1m from R2,7m. (184)

The interest bill was reduced by 17% to R266 000 (R320 000), resulting in a 22% drop in pre-tax income to R1,9m (R2,4m).

Financial director Hymie Feinberg said Cutrite had focused on marketing, asset management and control of expenses

A lower tax rate saw net income after tax decline by 15% to R1,1m (R1,2m).

The interim dividend was maintained at 3c a share, in line with the practice of covering dividends 2,5 times by earnings.

MD Peter Edel said it was not possible to forecast any improvement in trading conditions in the present uncertain climate, but the company had strength in its brand names, and management believed it was well positioned for growth when the economy recovered. The balance sheet was strong, the company was liquid, and stock levels were contained as it was manufacturing only to order.

Individual liquidations plunge to 30-month low

KELVIN BROWN

INDIVIDUAL and partnership liquidations have plunged to their lowest levels in 30 months, according to Central Statistical Service (CSS) figures released yesterday.

The data showed individual insolvencies continued on a downward trend in the year to July, falling 40% from a previous decline of 26,2%. On a cumulative basis insolvencies slipped 9,6% from the same period last year, the CSS said BDay

But company liquidations were up 11,7% in the eight months to August compared with the same period last year. So far this year the average number of company liquidations a month was around 220, from 201 in 1992 19/10/93

The positive news on the company side was that forced liquidations as a percentage of total liquidations fell to 79% in August from last year's average of more than 90%.

Credit Guarantee senior economist Luke Doig said the individual liquidation figures were surprising as there had been no major pickup in the economy and interest rates had not been cut since February

It could mean the length of the recession had forced individuals to prioritise spending and get their affairs in order Consumers also appeared to be putting off purchases of major items because of the uncertainty in the run up to elections

The improvement in the credit situation of individuals could explain why companies were still failing at a high rate, said Doig Companies were being knocked even further by the reluctance of firms to build up stock levels because of the uncertain environment they operated in.

Credit Guarantee's own experience supported the rise in liquidations of companies, said Doig The credit insurance company had paid out a record amount of claims in the third quarter.

But he said there was usually a seasonal uptick in payouts in the third quarter There were also signs that the increase in company liquidations was slowing down

Despite these factors it was still too early to predict future trends. He said it depended on the state of the economy and the political situation.

The negative factors were still outweighing positive elements

"While the economy may have bottomed technically, the forced shorter-term perspective of businessmen in the light of political uncertainty is hindering any significant upturn."

He expected overall economic growth for this year to be down 0,5% from last year and was not optimistic about the situation next year.

Even if things did go well after the election, it would take time to filter through, he said

New clothing, textile tariffs are criticised

LINDA ENSOR

CAPE TOWN — Long-awaited adjustments to the clothing and textile tariff structure were announced by Deputy Trade and Industry Minister David Graaff yesterday. BDay 19/10/93

The amendments, which drew sharp criticism from the clothing industry, are expected to be gazetted this month. A Board on Tariffs and Trade statement said the board had decided, as a short-term measure, to reduce ad valorem duties on clothing and textiles by 10%; not to change the maximum specific duties; and to cut the minimum specific duties by 15% for yarn, woven and knitted fabrics and by 10% for clothing and household textiles (184)

The duty on polyester staple fibres would be substituted by an ad valorem duty of 25% while the ad valorem duty on yarn was reduced from 35% to 32%, on wool yarn from 40% to 32%, on woven fabrics from 50% to 45%, on knitted fabrics from 50% to 45%, on clothing from 100% to 90% and on household textiles from 60% to 55%.

In most cases the changes were reductions but a few upward adjustments were made to rationalise and standardise the tariff structure. In the case of knitted fabrics, tariffs remained the same.

The board rejected the request by small clothing businesses that they be allowed to import six types of fabric at a duty of 15%, saying such an open and complex system could not be administered.

In making its decision the board took into account the sensitive nature of the clothing and textile industries, SA's commitments within the Uruguay Round of GATT, and the international focus on ensuring accessibility of clothing and textiles to markets, and on fair and unfair competition.

—COMPANIES

Smart Centre ready for new SA

MARCIA KLEIN

CLOTHING retailer Smart Centre, which celebrates its 25th anniversary, has made a significant investment to reposition itself for a changing SA

B/Day

MD Charles Fox said at the Pepkor subsidiary's relaunch last night that the marketing, image, merchandise and store development changes should enable Smart to increase turnover by 12,5% to R215m by end-February 1994.

15/9/93

The company had targeted "the urban, fashion conscious, youth market" as the key growth area Smart's new fashion clothing, combined with a six months to pay option, was expected to attract more and more of this sector into its stores Aggressive marketing, including the launch of the Smart Centre Club, was expected to increase the number of account customers by 25% to 375 000 by end-1994.

The changes have been supported by a R5m advertising campaign, and significant image, merchandise and store development strategies

(184)

Fox said Smart had started off in 1968 when Frasers bought three stores and a warehouse. It opened eight branches that year, four in 1969, 14 in 1970, 16 in 1971 and 28 in 1973 In 1981, turnover was R10m and there were 47 stores

In 1985, Smart bought the Top Centre chain, and reported R59m turnover.

Smart was listed on the JSE in July 1990, at 1,25c a share It closed yesterday at 375c, off a yearly high of 500c and a low of 335c

In the year to end-February, Smart increased earnings by 31,8% to 29c a share compared with a previous eight-month period. It was expected to report a further increase in earnings in the current financial year on the back of a lower tax rate and better trading since end-February

Fox said that aggressive marketing would result in higher levels of growth while still maintaining tight asset management and limited discounting

Fox said Smart's efforts would be directed at a market "with new opportunities and strategies in a country striving for political change"

Liquidation bid halted for talks

LINDA ENSOR

CAPE TOWN — Negotiations under way between Lenco Holdings and DCM-listed Romens Holdings led to a postponement yesterday of an application for the provisional liquidation of subsidiary Romens Menswear.

Lenco has a 26% stake in Romens Holdings and it is believed that the negotiations involve an increase of its stake The hearing was postponed in the Cape Supreme Court until today for possible settlement of the dispute by the parties. BiDay

Lenco Holdings subsidiary House of Monatic Manufacturing (HOMM) brought the provisional winding-up application against Romens Menswear on the basis of a R1,9m debt for goods sold and delivered. 15/9/93

But Romens Menswear opposed the application, accusing HOMM of trying to effect a hostile takeover of the company (184)

Romens Menswear MD David Marks said in an affidavit that Lenco directors had expressed an interest in acquiring the Romens group and had exerted "considerable pressure".

Tej R1-m into the red

MARC HASENFUSS
Business Staff (184)

CLOTHING manufacturer Towles, Edgar Jacobs (Tej) slumped R1,1 million into the red in the year to end June — forcing the group to retrench 100 employees ARG 21/9/93

But directors assured shareholders that in spite if the financial set back, the group had taken major steps to "secure the future of Tej during this difficult period"

They added that the majority of the retrenchments were in support staff positions and would not hinder the group's ability to respond to any upturn in clothing demand

Although TEJ managed a slender increase in turnover to R36 million in the year under review, profit margins were shredded by lost production and inefficiencies and left operating income well down at R682 000 (previously R2,5 million)

A R1,6 million interest bill pushed the group into a loss situation at pre-tax level Taxation (R14 000) and preference dividend payouts (R200 000) added to bottom line woes

Directors said management's failure to meet budget objectives led to production loses and inefficiencies during the year

However, they stressed that steps had already been taken to ensure these mistakes were not repeated

The unchecked importation of large volumes of knitwear and clothing seriously affected Tej's market

COMPANIES

TEJ suffers 37,5c a share loss

MARCIA KLEIN

CLOTHING manufacturer Towles, Edgar Jacobs (TEJ), reeling under conditions in the clothing and textile industry, has shown a loss of 37,5c (14,7c profit) a share in the year to end-June B/Day

Although the results reflect a significant worsening of the company's fortunes, the losses are significantly less than those reported at the December interim stage

Turnover was marginally higher at R36,2m (R35m), but operating profit dropped to R682 000 (R2,5m) An interest bill of R1,6m brought the pre-tax loss to R892 000 from a profit of R666 000 in the previous year 2/9/93

TEJ had been affected by erratic delivery, poor-quality performance from the local textile industry, and raw material problems Also, the contined importation of large volumes of knitwear and clothing had seriously affected TEJ's market

Exports were now a significant part of its business It was awaiting a decision on the replacement of an export benefit scheme due to end in March Directors said this incentive was a key element in establishing export prices (184)

TEJ had taken major steps to secure the future of its business Directors were confident "of an early retrieval of profits" with a domestic economy recovery

Work halts over mine killings

B/Day

ERICA JANKOWITZ

PRODUCTION at Randgold's Durban Deep mine was halted yesterday as miners refused to work after Tuesday night's fighting which left seven workers dead. 23/9/93

Randgold human resources director Richard de Villiers said he hoped production would return to normal last night after agreement yesterday on measures to defuse the situation

Any lost production has serious implications for already narrow profit margins at the marginal mine.

De Villiers said it appeared Zulu workers had attacked others at a beer hall. Workers had identified 34 alleged attackers and police were considering murder charges

NUM media officer Jerry Majatladi said eight workers had been killed and mine security and the police had failed to intervene.

De Villiers said agreement had been reached for the joint control of mine security personnel, until the situation was normalised, by mine management and ANC and Inkatha supporting factions on the mine. (233)

The national peace secretariat, which chairs a crisis committee at the mine, would appoint peace monitors who would reside in the hostels.

The committee, of mine management and ANC and Inkatha supporting factions, would "investigate the causes of the fighting and future mechanisms for resolving political differences and ethnic intolerance"

De Villiers disagreed with a NUM statement that the incident was a continuation of tensions which led to fighting in December last year when 15 miners died. He said the first incident was industrial relations-related but this week's had definite political overtones

☐ A report in yesterday's newspaper incorrectly stated that Durban Deep was owned by JCI. Business Day regrets the error.

Waste Tech bid to overturn ban

SUSAN RUSSELL

WASTE TECH applied for an order in the Rand Supreme Court yesterday overturning a Germiston City Council decison to refuse consent for further toxic waste disposal at the Margolis site in Rietfontein, Germiston.

The council refused consent for further toxic and hazardous waste disposal at the site after March 31 this year.

Its decision followed a history of complaints from residents in the area about air pollution.

Waste Tech is applying for an order overturning the council's decision and directing it to allow the company to use the site until the new Chloorkop toxic waste dump is commissioned and operational next year.

Alternatively, Waste Tech wants the court to refer the matter back to the Germiston City Council for reconsideration after giving the company a full hearing to state its case.

The city council is opposing the application It has also brought a counter-application interdicting Waste Tech from using the Margolis Class 1 disposal site.

Waste Tech counsel Clive Cohen SC told Judge D Beasley that the Margolis site was one of two in the Transvaal available for the dumping of toxic and hazardous waste.

He said it was also the only site available for the disposal of medical waste such as injections, amputated limbs and organs

Cohen argued that the council had given consent for the site in 1981 and extended this consent until last year.

Waste Tech, he said, had had a legitimate expectation that an extension would be granted until the Chloorkop site was commissioned and operational or until the Germiston site had reached the end of its useful life.

Cohen also argued that the failure to give Waste Tech an opportunity to put its case and address possible complaints, was a breach of the principles of natural justice.

He submitted that the council knew Waste Tech's many customers, including Baragwanath Hospital, depended on the facilities at the site.

The council, he said, also knew that failure to extend consent constituted a drastic interference in Waste Tech's contractual obligations to its customers.

Argument continues today.

Romens Holdings subsidiary liquidated

B/Day 23/9/93

MARCIA KLEIN

ROMENS Menswear, a subsidiary of DCM-listed Romens Holdings, was liquidated in the Cape Town Supreme Court yesterday.

Romens' attorney Adam Harris said the liquidated company was one of Romens' two operating subsidiaries There was speculation that liquidation of the other operating subsidiary, De Wet Brothers (which trades 10 of the 12 retail outlets), would follow soon (184)

Harris said the application for liquidation was brought by Lenco Holdings subsidiary House of Monatic Manufacturing (HOMM). (233)

HOMM said earlier this month that Romens Menswear owed it R1,9m

Strebel sinks deeper into red

B/Day 29/9/93

EDWARD WEST

STREBEL Group fell deeper into the red with an attributable loss of 8c (4,2c) a share in the year to end-June

Turnover for the manufacturer of trimmings, fasteners and accessories dropped 5,4% to R64,48m (R69,23m). This was against a background of falling demand due to depressed conditions in the clothing and textile industries Margins were under pressure and the the operating profit margin fell to 2% (3,6%)

Operating income before depreciation and interest fell to R1,34m (R2,49m) Depreciation was slightly lower at R2,13m (R2,19m) with interest paid up at R1,93m (R1,69m). Tax nearly doubled to R1,51m (R756 000)

Gearing increased to 58,2% from 45,3% The attributable loss was R1,21m (R635 000) (184)

Rationalisation was continuing and the zipper manufacturing units in Atlantis were merged. The M & M Reinhardt's belt division was being combined with Stresa Hats'

... Jack Lindstrom

Losses knock Strebel Group

184

ARG 29/9/93

MARC HASENFUSS, Business Staff

STREBEL Group — a Cape Town-based manufacturer and distributor of trimmings, fasteners and accessories — nearly doubled its losses to R1,2 million in the year to end June.

Demand for the group's products declined by 5 percent to R65,5 million in line with the depressed conditions prevailing in the clothing and textile industries.

Operating income of R1,34 million was pounded into the red by depreciation of R2,1 million and an increased interest bill of close to R2 million.

Corrective action taken during the period under review included the merging the group's zipper manufacturing units in Atlantis.

Strebel is also working on combining M&M Reinhardt's belt division with Stresa Hats.

Prospects for the new year also look bleak with directors reporting a continuation of difficult trading conditions.

■ Stellenbosch-based Union Mines (UML) increased its bottom line losses to R691 000 on the back of expenditure incurred on the Kapstevel development.

In the period under review UML acquired Ottoshoop Minerals — which has mineral options in the manganese-rich Vlakfontein farm.

Negotiations to acquire additional mineral rights in the area were also at an advanced stage, directors said.

Profit prospects for the new year look brighter with the company currently negotiating a contract with an overseas client to export its entire mineral production.

APPOINTMENTS

Bob Markstein, director, Helio Trust, Hout Bay.

Mike McLennan, director, Ogilvy & Mather Rightford Searle-Tripp & Makin Cape.

Clothing firm leaders meet

BIDay 3/5/93

PETER DELMAR

CLOTHING industry leaders meet today to plan action on an alleged behind-the-scenes effort to extend a temporary tariff structure which they claim is costing thousands of clothing jobs (184)

National Clothing Federation director Hennie van Zyl said it was suspected there was "some hanky panky going on"

In November last year a new tariff structure on imported textiles and clothing was introduced, but government said it would expire in November this year

The federation claimed duties could cost more than 25 000 clothing jobs For each textile job saved, four employees in clothing manufacture could become redundant

The textile industry has long campaigned for protectionism and the clothing industry has blamed high import duties for its growing uncompetitiveness

Van Zyl said the clothing industry was "a little perturbed" that a report on a long-term tariff structure for textiles and clothing was two months overdue

"We hope we are wrong when we say we suspect that the delay may be because of pressure to delay the new system longer than November," Van Zyl said

Board on Tariffs and Trade chairman Nic Swart said the deadline of November might not be met. Work on the new tariff structure, which would greatly simplify the existing one was, however, going ahead "at full steam"

Building on firm foundations

(1314) CT 5/11/93

LEADING underwear manufacturer SA Gossard has announced that it will discontinue the manufacture of swimwear, to concentrate on the growing market for foundation wear

GE David Fothergill said this was in line with the company's international policy

He said the company would honour all its commitments for delivery of outstanding orders of swimwear, until April 1994

"The move will allow us to cope with a predicted upsurge in sales of foundation wear

"Our order book is looking good We are already up 30% on 1992

LENCO FM 5/11/93

Attractive pattern

Good results for the six months to end-August indicate Lenco is well placed to return impressive earnings growth for financial 1994 This performance also helps to explain the rise in the share price to 700c, from 325c a year ago (184)

Based on 12-month EPS of 64,8c, the p e is 10,8, well below the average of 17,5 for the

FM 5/11/93

Industrial Holdings sector (where the share is listed) but above the 6,7 average of the clothing sector, which includes shoemakers Clothing and shoemaking are important contributors to Lenco's earnings

Interim operating profit rose by 15,1% and EPS by 20% Turnover increased by 21%, as unlisted House of Monatic's sales were helped by its accelerated penetration of export markets Exports now account for 35% of Monatic's production (184)

Listed footwear subsidiary Amalgamated Shoe increased operating profit by 12% off the low base of financial 1993 Chairman Douglas de Jager says losses in the Durban footwear plant, one of five manufacturing units in the division, were practically eliminated. A significant improvement in Amshoe's second half can, therefore, be expected, its interim EPS rose 18%, to 15,7c

Real growth was achieved in the plastic packaging division, as Combined Packaging met expectations even though one of its major customers reduced purchases by 60%

Recently acquired Hendler & Hart, the housewares division, returned an operating margin of only 3,1% This impaired the overall margin, but is better than the negative margin of 6% in financial 1993 De Jager says an order from a major cash-and-carry group in the US will widen the margin in the second half A growing export contribution from this division will further boost Lenco's foreign earnings

The quality of earnings has continued to improve While this trend continues, the market will inevitably increase the share's rating, further appreciation is probable. In financial 1994, EPS could grow by about 22%, to 73c, implying a prospective p.e of 9,6 That seems inexpensive for a group capable of generating Lenco's earnings growth in such difficult circumstances

Gerald Hirshon

184 ARGT 12/11/93

Ragtrade jobs threat looms

TOM HOOD
Business Editor

EMPLOYMENT in the clothing industry could be halved in six years by proposals to allow cheaper imports to flood into the country

This is the estimate of the National Clothing Federation, which represents 1 300 manufacturers employing about 130 000 workers

Import duties protecting local industry will be cut from 60 to 30 percent, if proposals by the government go ahead

South Africa is also under pressure from overseas countries and GATT to phase out import duties

Each 1 percent reduction on clothing protection saves consumers R3 million a year, says the federation in its annual report.

But it eliminates 1 100 jobs — at least 1 000 in the clothing industry, 120 in the textile industry and 20 in retailing

Each 1 percent increase in textile protection costs South African consumers R50 million and eliminates 700 jobs, says the report It creates 120 jobs in textiles and eliminates 750 jobs in clothing and 70 in retailing

The industry's total workforce was 87 149 at end-August, down from 95 862 in a year

The number of employers dropped to 1 008 from 1052 in the same 12 months

The clothing industry manufactured 165 million garments last year to the value of R4 426 million, excluding socks and pantihose

Exports amounted to R460 million in 1992 and clothing imports were worth R380 million

However, exports are growing at a rate of 56 percent in volume and 108 percent in value Imports are showing a 25 percent rise in volume and 6 percent in value

"A picture is emerging of a rising volume of lower-priced clothing imports into South Africa and vastly increased export opportunities," said the federation

More than half of the 1 300 manufacturers employ fewer than 50 people while average total investment in fixed assets is R280 000, compared to R2,1 million per textile manufacturer, the federation estimates

"The clothing industry therefore stimulates the growth of small business and is the most labour intensive of all industries

An investment of only R2 180 is needed to create one job compared to a textile figure of R18 000

"The clothing industry differs from most other industries in that it is not monopolistic but a textbook example of free enterprise where efective competition is king No wonder that ex-factory clothing price increases are below the inflation rate"

The industry's biggest component — more than half the cost of a garment — is the cost of fabric Labour costs approximate 27 percent, of which direct labour accounts for 12 percent

The federation said it was time for South African business to stop blaming the world economy for the inherent weaknesses in its economy and to stop passively assuming that the local economy had to wait for a global upturn to pull it out of recession

"Countries with dynamic economic and industrial policies have grown spectacularly even amid world recessions, on the same basis as dynamic and professionally run companies continue to prosper even within a recession

Strebel 'lean for upturn'

ARG 13/11/93

(184) (VIII)

MARC HASENFUSS
Business Staff

THE rationalisation and merging of the Strebel's manufacturing operations look set to continue in the year ahead as the group continues to battle for profits in the threadbare clothing and textile industries.

Chairman Fred Strebel told shareholders at an AGM in Milnerton yesterday that trading conditions remained tough and that it was difficult to predict results.

"Cash flow is uppermost in our minds ... we aim to make the group lean and nimble-footed so as to be ready for the upturn."

The group, which manufactures trimmings, zippers and accessories, reported a hefty R1.2 million loss in the year to end June on the back of reduced demand and severely eroded margins.

Responding to questions from Shareholders' Association chairman Issy Goldberg, Mr Strebel said the group's inability to increase prices had weighed heavily on the past years profit performance.

He pointed out that Strebel had not increased its zipper prices for three years.

The clothing industry — influenced by retail pressure — resisted the group's efforts to push up prices, impacting profit margins.

"To address this problem, we intend to be far more aggressive in our approach to price increases in the future."

He confirmed that this year the group had managed to increase prices to meet cost increases from suppliers.

Looking at corrective action for the year ahead, Mr Strebel said the group had just completed the merger of its zipper production units in Atlantis.

In addition Strebel was looking to combining the M & M Reinhardt belt division with Stresa Hats.

Strebel is also negotiating the sale of its Paarden Eiland premises. The premises, which the group has already vacated, should realise a capital profit in excess of R1 million, Mr Strebel estimated.

Other divisional alterations include:

- The closure of Strebel's commission dyehouse due to lack of demand.
- The relocation of Perl Fabrics to Epping and its integration into Hereford's operations.

Seardel's order books full

Star 26/10/93

BY TOM HOOD

Cape Town — Factories owned by Seardel, the country's largest clothing manufacturer, were working at full tilt and Cape redundancies had stopped, chairman Aaron Searll told the company's annual meeting in Cape Town yesterday

Searll reported a six percent jump in sales to almost R300 million for the three months to September

He said factory order books were full to the year-end and orders for next winter were expected to show an increase

184

Exports

A subsidiary, Prima Toys, was working 24-hour shifts seven days a week to cope with seasonal orders for Christmas

Clothing exports were heading for R77 million this year, about the same as last year, representing 10 percent of sales

"We are exporting only where we can benefit from added value, particularly in Germany"

Many inquiries had been received from the American market but exporting to that country had not begun

More than R90 million of profits had been ploughed back into reserves as a result of a conservative dividend policy, which would continue next year.

Star 26/10/93

Meritex still in red

■ BY MARC HASENFUSS

Clothing group Meritex Holdings is still battling for survival in spite of reducing losses markedly to R2,8 million (previously a R4 million loss) in the half year to end-July.

The performance is in line with comments made by Meritex chairman Ed Gordon at the group's annual meeting in July He told shareholders then that it was doubtful whether the company would move back into the black this year (184)

The group — which makes underwear, hosiery, T-shirts and shirts — has also had its recovery attempts hindered by the inconsistent government policy in the clothing/textile sector.

The results under review take into account most of the costs associated with the closing down of Meritex's Tide Fabrics division

The shutdown of Tide Fabrics should be completed by the year end.

The income statement shows sales up five percent, although no turnover figures is disclosed

Seardel aims to pump up the profits

TOM HOOD (184)
Business Editor ARG 26/10/93

SEARDEL, the country's largest garment manufacturer, expects next year's profits to gain at least R2 million by cutting out provisions it was forced to make this year

The losses of Frame Group cost Seardel R1,7 million while the cost of factory closures absorbed almost R7 million

Describing the Frame losses as "unacceptable", Seardel chairman Aaron Searll said he hoped as a result of the group's input Frame would show a break-even position or even a small profit

"Our share of Frame's attributable loss was R1,7 million Hopefully this will be nil in the 1994 financial year," Dr Searll said at Seardel's AGM in Cape Town yesterday

He reported an R18 million (six percent) jump in sales to almost R300 million for the three months to September

Factory order books were full to the year-end and orders for next winter were expected to show an increase, he said

A subsidiary, Prima Toys, was currently working 24-hour shifts for seven days a week to cope with seasonal orders for Christmas

Clothing exports were heading for R77 million this year, about the same as last year, and represent 10 percent of total sales

"We are only exporting where we can benefit from added value, particularly in Germany," said Dr Searll

Many inquiries had been received from the American market but exporting to that country had not started

More than R90 million of profits had been ploughed back into reserves as a result of a conservative dividend policy, he added

The next two years would see "a rather low" dividend, high plough-back into reserves and considerable capital growth

"Over the past two years, we have learned that turnover is vanity, profits are sanity and cash flow is reality," said Dr Searll

Turnover grew only R10 million to R1 068 million in the year to June and profit before tax jumped 27 percent to R23 million

Operating cash flow soared by 150 percent to R22,7 million (R9,1 million)

Total dividends of 13c were up from last year's 9,5c but were well below the 1991 payout of 23c

Exports muddle stymies Rex True

ARG 27/10/93

(184)

ALIDE DASNOIS
Business Staff

UNCERTAINTY about export incentives is holding back sales, Rex Trueform chairman Stewart Shub said at the annual meeting in Cape Town today.

He said though the government was sympathetic to the need to keep incentives in place for the moment — and South Africa's status as an economy in transition in the GATT would allow this — no decision had yet been announced

"We still don't know what the situation will be after April next year This makes it very difficult to take orders from importers we don't know what price to quote"

He said it would take five to eight years for the country to "join the real world" after decades of sanctions and high protective barriers

Mr Shub said Rex Trueform was looking at ways of improving efficiency

Star 28/10/93

Lenco lifts earnings 20%

Lenco Holdings increased earnings by 20 percent in the six months to August to 30,03c (24,99c) (184)

This followed a 21 percent increase in turnover to R341 million (R281,3 million). Operating profit was 15 percent higher at R35,5 million (R30,8 million).

After a lower interest bill of R7 million (R7,5 million), net pre-tax profit improved 22 percent to R28,5 million (R23,2 million)

Attributable earnings totalled R20,5 million (R16,6 million) after tax of R3,9 million (R3,2 million) and the payment of R3 million (R3,5 million) to outside shareholders

House of Monatic, Cravateur Clothing and Amalgamated Shoe divisions showed improved results. — Business Staff.

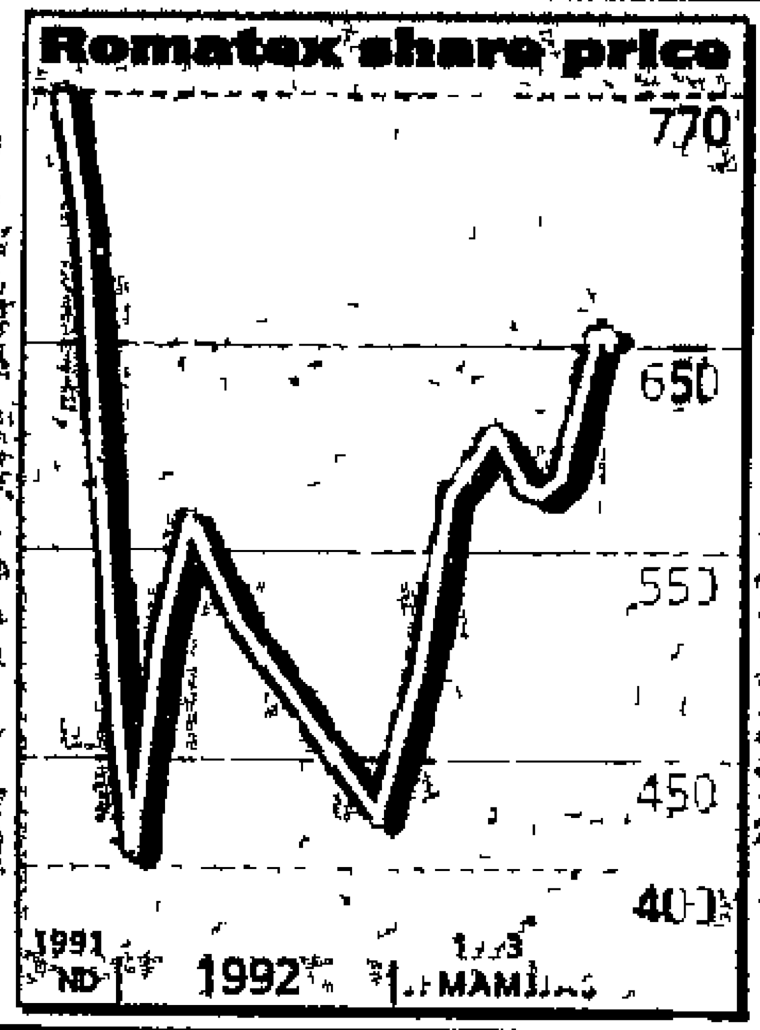
Earnings up 178 percent, dividend up 165 percent

Star 28/10/93

Romatex bounces back

TURNAROUND attributed in part to the operating efficiency ofthe restructured group

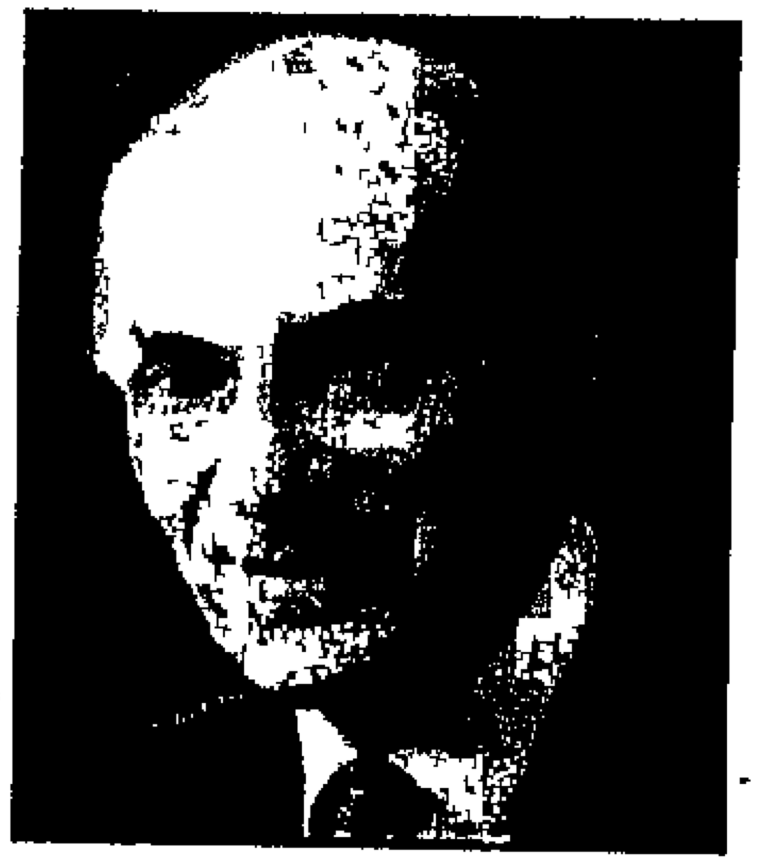
■ BY JOHN SPIRA



Company: Romatex
Sector: Clothing, textiles

SHARE PRICE: 650c
YEAR HIGH: 650c
YEAR LOW: 415c
Net asset value:
MARKET VALUE: R172 million
PE RATIO: 4,6
Dividend yield: 8,2%

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	740,4		8,6	14
1992	722,4		12,5	20
1993	707,5		34,7	53
% Change	-75		43	165



Jack Crutchley ... most gratifying.

In a dramatic turnaround, Romatex, the CG Smith group subsidiary, boosted earnings 178 percent to 140,4c a share in the year to September.

The year's dividend has been lifted 165 percent to 53c.

The spectacular improvement comes after two years of disappointing performance and restores earnings to close to the 152c level achieved in 1990 (184)

Executive chairman Jack Crutchley notes· "While the results are most gratifying, we must not ignore that they are off a low base."

The first hint of the long-awaited turnaround came from the interim results, which told of earnings up by 42,3 percent to 38c a share and the interim dividend 30 percent higher at 13c

Yet the market remained sceptical, since the improvement owed much to reduced finance costs and not to operating performance, which, in fact, declined.

And the directors cautioned "Trading conditions are not expected to improve in 1993, although second-half profits should exceed the equivalent results of last year"

Even so, the share price, having advanced from a low of 400c to the 600c level ahead of the interim, held steady thereafter.

In the event, trading conditions did not improve materially, with turnover for the year down by 2 percent at R707,5 million

And while last year's sale of Crossley Carpets partly accounted for the decline, ongoing operations reflected a turnover growth of only 4 percent, which is down in real terms.

What made the difference was management's ability to wring operating efficiency from the restructured group and to improve margins in the face of abnormally competitive conditions

Operating profit rose by 45 percent to R58 million, with the second half reflecting growth of 105 percent.

The result was a reduction in debt Accordingly, interest paid dropped 95 percent to R800 000

Since R1,1 million was paid in the first half, the group clearly earned net interest in the second six months.

Pre-tax profits were 136 percent up at R57,2 million. The slightly lower tax rate helped boost attributable profits by 178 percent to R34,7 million

All four of Romatex's divisions — bulk liquid storage, carpets, fabrics and industrial — contributed to the higher earnings figure.

Carpets, in particular — a poor performer in recent years — "achieved a major turnaround, with a positive contribution to group profits".

Bulk liquid storage benefited from imports necessitated by last season's drought.

Crutchley expects an improvement in earnings in the current financial year.

At the ruling share price, Romatex now yields 8,2 percent and 23,4 percent respectively on the increased dividend and earnings statistics — yields well above the textile sector's averages

The share seems bound to move higher in the wake of results which are considerably better than the market expected.

Fewer makers of children's clothes

Star 20/10/93

(184)

■ BY STEPHEN CRANSTON

The children's clothing market is worth R1,6 billion a year, yet the number of children's wear manufacturers is rapidly decreasing, says Sales House MD Arthus da Costa

Children's clothes account for 18,8 percent of the clothing market and comprises 22,7 percent of Sales House turnover

Many local manufacturers claim that children's wear manufacture is not lucrative

While children's clothing use less fabric, it requires nearly the same production time as adult clothing in terms of detail and finish, with labour time and costs almost equal

And while production costs for children's wear are proportionately far higher than for adult clothing, they are expected to retail at lower prices, and therefore provide lower margins

"The potential of the children's wear market is enormous," says Da Costa, "particularly if manufacturers look at achieving profitability through volume, as opposed to profit margin"

NEWS IN BRIEF

Cray computers for SA

SA company Cordata would import Cray Research supercomputers, Cordata announced at a ceremony at the US Embassy in Pretoria yesterday

The supercomputers, worth about R1,5m each, were extremely powerful and could be used in a wide range of endeavours, said Cordata sales manager Paul Castle

Commercial crime

THE SAP's Commercial Branch had opened 25 134 dockets by July 31 this year, representing a potential loss to the economy of R5,72bn, a police spokesman said yesterday In addition, the Office for Serious Economic Offences was investigating commercial crimes involving R2,3m

Workers reinstated

DURBAN's Royal Hotel has unconditionally reinstated about 280 employees dismissed after a strike over Christmas bonuses began five days ago, MD Charlie Cable said yesterday.

Natal Liquor and Catering Trade Employees' Union general secretary Leela Reddy said "Management and the two unions will carry on discussing the bonus issue until it is resolved."

Police campaign

THE SAP yesterday launched Operation Awareness, an initiative intended at reducing the number of vehicle collisions and crimes over Christmas

The operation, according to police liaison officer Rob Askew, would involve increased numbers of patrolling officers, aircraft and police caravans on holiday routes

Revamp for Beitbridge

THE Beitbridge border post between SA and Zimbabwe would be upgraded with a new freight complex and improvements to existing buildings to expedite the handling of tourist traffic, Deputy Finance Minister Theo Alant announced yesterday

REPORTS Business Day Reporter Sapa Own Correspondent.

Retailers expect sales to improve

B/Day 20/10/93

KELVIN BROWN

MAJOR retailers are optimistic that the downturn in the retail sector is over and predict that sales in October will be at their highest level since May last year.

However, they caution against any strong recovery in the near future.

Data released yesterday by the Central Statistical Service indicated that SA's 100 major retailers expected real seasonally adjusted sales in the three months to October to be up 2,5% from a decline of 0,4% in the quarter to July.

Over the same period last year retailers predicted that sales would increase 1,4%

Economists said the figures were further evidence of a recovery in the economy But they warned against expecting a major increase in sales until consumer confidence had improved dramatically.

CNA CE Ian Outram said sales figures appeared to be less erratic than before. "It seems to be pointing to a levelling off in the downturn."

Sales had followed a volatile pattern for several months after the assasination of SACP leader Chris Hani, he said

Outram did not forsee any big pickup in sales until consumers were more confident "The uncertainty in the run up to the election makes an upturn unlikly before April."

CNA was not expecting this year's Christmas season to be much of an improvement on last year.

Old Mutual economist Rian Le Roux said the figures were encouraging But there was still nothing to suggest the economy was on the verge of a strong recovery

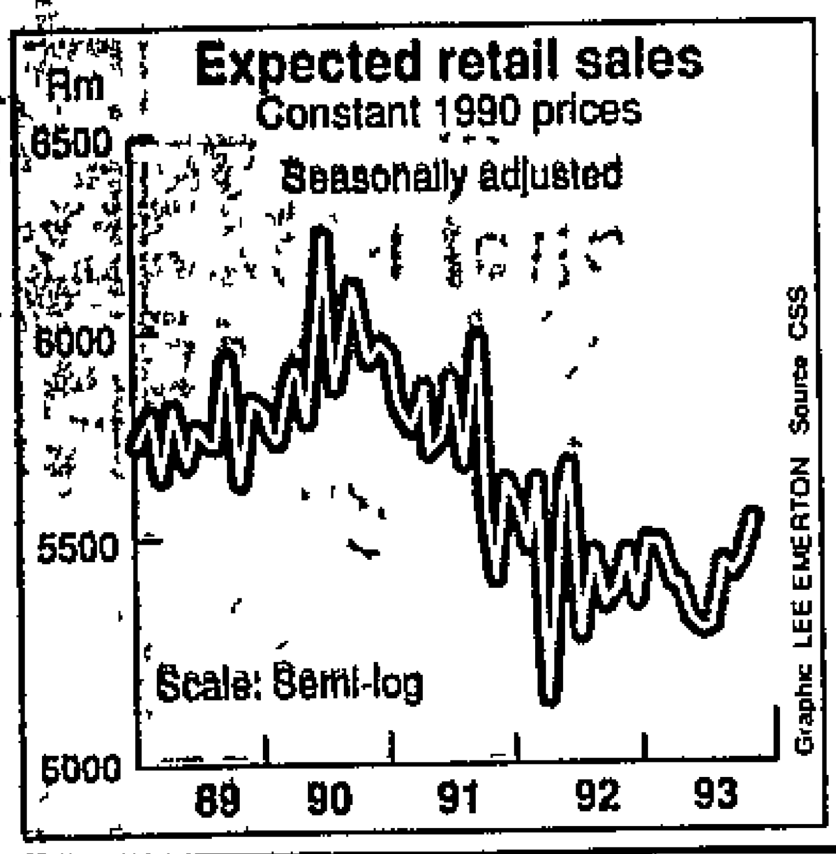
"Even when this does happen the man on the street will be the last to feel it in his pocket," he said

The main reason for an improvement in consumer spending appeared to be the low level of underlying inflation in the economy, he said.

Salary increases were still around the 10% level but annualised consumer inflation in the four months to July was lower at around the 6,5% level.

The recovery in the agricultural sector after the end of the drought was pushing up retail sales, he said

There could also have been some delayed buying after consumers put off purchases earlier in the year when the political situation become more uncertain, Le Roux said



Clothing federation slams tariff hike

B/Day 20/10/93

LINDA ENSOR

CAPE TOWN — The National Clothing Federation (NCF) has hit out at the sharp increase in the tariff on certain knitted fabrics announced by Deputy Trade and Industry Minister David Graaff this week.

Graaff announced the changes to the interim tariff structure following recommendations by the Board on Tariffs and Trade

NCF president Aaron Searll said the decision to increase the duty on certain imported knitted fabrics used in the manufacture of bras, foundation garments and swimwear from 20% to 45% was unacceptable

He said the highly inflationary measure would be harmful to the industries concerned and called for its immediate withdrawal.

When the announcement suddenly appeared in the Government Gazette on September 30 it was immediately opposed by the NCF, Searll said

Engineering graduations 'must rise tenfold'

B/Day 20/10/93

EDWARD WEST

THE present annual number of engineering graduates would have to increase tenfold to meet future demands on engineering resources, SA Association of Consulting Engineers outgoing president Peter Thompson said.

He said a turnaround in engineering infrastructure investment from the current estimated negative growth rate of minus 2% to a modest 5% growth would see all current engineering skills resources fully utilised in less than two years.

There were about 50 000 engineers, technologists and technicians in SA, of whom about 28 000 were engineers.

Thompson expected an appreciable increase in funds in the short term for infrastructure for social services, which would leave engineering resources overtaxed — despite current unrest, wavering international support and the recession, which indicated lower investment potential

Given an international economic recovery, the demand for engineering services would expand, making it easier for local engineers to operate internationally

Consulting engineers would face major changes in methods of operation They would have to choose between narrow, often highly technical, market niches and becoming multidisciplinary in addition to traditional engineering skills

Meritex reduces losses

CT 23/10/93 Business Staff (184)

CAPE Town clothing company Meritex, which has been hard hit by competition from imports, reduced its losses to 18c a share from 26c a share in the six months to July 31

Meritex's attributable loss dropped to R2,7m from R4,2m and its pre-tax loss to R2,6m from R4,1m

The interest bill eased to R1,11m from R1,2m

Childwear firms are toddling off

(184)

ARG 23/10/93

THE childwear market is worth R1,6 billion a year, yet the number of manufacturers is decreasing, says Sales House MD Arthus da Costa

Children's clothes account for 18,8 percent of the clothing market and comprises 22,7 percent of Sales House turnover

Many local manufacturers claim that childwear manufacture is not lucrative

While it uses less fabric, it requires nearly the same production time as adult clothing

And while production costs for childwear are proportionately far higher than for adult clothing, they are expected to retail at lower prices and, therefore, provide lower margins

"The potential of the childwear market is enormous," says Mr Da Costa, "particularly if manufacturers look at achieving profitability through volume, as opposed to profit"

Clothing, textile duties to fall

JOHANNESBURG — The Board of Trade and Tariffs (BTT) has recommended that most duties applicable to SA's textile and clothing industry be lowered.

In a statement released yesterday, Trade and Industry deputy minister David Graaff said the amended tariff structure was a short-term measure that would last from November 1993 through to December 1994.

However, these intermediate measures would be the starting point of a longer-term strategy aimed at the industries becoming internationally competitive.

"The BTT was of the opinion that no ad hoc adjustments, that may lead to further uncertainty, should be made," he said.

The 10% reduction in ad valorem duties should be left unchanged, maximum specific duties should not increase while minimum specific duties be reduced to the nearest five cents.

The latter recommendation would result in a 15% reduction in the minimum specific duty of yarn, woven and knitted fabrics, and a 10% reduction for clothing and household textiles.

"A few upward adjustments had to be made to rationalise and standardise the tariff structure."

(184) CT 19/10/93

and further growth in export values.

"If the gold price continues its steady performance, this will undoubtedly benefit export earnings," he said.

Gouws warned, however, that confidence and the resultant boost in demand for goods and credit were still some way off.

"Slower wage and salary increases, higher unemployment figures and the hike in VAT will combine to slow demand over the next few months," he forecast, adding that second-quarter production could also be adversely affected by the April stayaways.

"The factors are not yet in place that will give us a lift-off and the economy will continue to bump along its current lows for the remainder of the year," he said

Metlife passes to black control

Star 14/5/93

By Stephen Cranston

Effective control of life assurer Metropolitan Life (Metlife) will pass from Sankorp to the black shareholders of Metlife Investment Holdings (Methold)

In a press briefing in Johannesburg yesterday, Sankorp CE Marinus Daling said Methold had bought a 10 percent holding in Metropolitan from Sankorp for R134,9 million.

This is equivalent to R20 a share, the average at which Metropolitan's shares have traded over the three months preceding the agreement.

Methold will have the right to acquire a further 20 percent in Metropolitan within five years, and Sankorp's remaining 30 percent will be combined in a voting pool with Methold's share.

Funded by IDC

Methold will be funded by the Industrial Development Corporation which has provided R137 million in exchange for 137 million renounceable letters of allocation.

Daling said Sankorp had decided to dispose of a portion of its holding for the sake of black economic empowerment.

"If we are to have strong economy, it is important that everyone participate and be in control of capital."

Metropolitan Life is the ideal vehicle for this empowerment as 85 percent of its policy-holders are black.

He said the deal had been structured on strict business principles. "History has already shown that paternalistically driven black economic empowerment tends to fail."

Signing the deal to establish Methold Front from left: Jan de Bruyn, Marinus Daling, Dr Ntatho Motlana. Back: WS Pretorius, Attie du Plessis, Marius Smith

Daling said the move was not connected with the unbundling of Sankorp-controlled Gencor. "Unbundling is about improving focus and removing pyramids. This is not what we are doing here."

He said Sankorp would look at further disposals to the black community, but believed the present issue represented a considerable amount of capital to be absorbed.

The R137 million offer is somewhat larger than the R40 million share offering in National Sorghum Breweries

Methold shares will be sold to blacks only in units of one rand, with 20 shares corresponding to one Metropolitan share.

They will be sold primarily through Metropolitan's 3 000-strong sales force, which itself is 88 percent black.

Black-controlled businesses and funds will be able to buy shares, but nobody will be able to control more than 10 percent of Methold's shares.

Metropolitan MD Marius Smith said there would be marketing benefits from the deal.

It would be easier to sell policies to those who held an indirect stake in the company, and many people would wish to support a black-controlled business

With a black-controlled board it would be easier to attract high-calibre black staff and it would be beneficial that Metropolitan was no longer controlled by Sanlam, which was now competing with it in the black market.

Methold chairman Nthato Motlana, who will become chairman of Metropolitan, said he hoped Metropolitan's investment policy would focus more on the black market and look at investment in low-cost housing.

Daling said while it was easy to identify investment opportunities in the First World sector, they were harder to find in the Third World sector, but that they nonetheless existed.

Star 14/5/93

Restructure for Meritex

Star 14/5/93

CAPE TOWN — Meritex has announced a restructuring of its its manufacturing business after a net loss of R7,5 million in 1992/93.

"To maximise competitive ability, we have decided to focus on core competencies in-house and to source non-core activities externally," says financial director Dave O'Donovan.

The earnings a share loss for 1992/93 was 48c, while net asset value at year-end fell to 27c.

"Losses since the beginning of the current year have been reduced," says chairman Ed Gordon. — Sapa.

Star 14/5/93

Tiger Oats ups profits 3%

CT 15/5/93 (184)

JOHANNESBURG — Tiger Oats returned a 3% increase in attributable profit to R159m for the six months to March 31

While turnover rose 11% to R5bn, operating profit of R321m improved by only 1% as a result of squeezed margins, lower volumes in some divisions, losses in broiler and egg operations and incremental depreciation and financing costs resulting from Tiger's R652m capital programme last year which included the R215m capital cost of the new Maritzburg milling complex

Earnings per share were slightly down at 106c, reflecting the further 10-million shares in issue following last year's R386m rights issue The dividend was unchanged at 28c

The after-tax profit of R197m increased by 6%, assisted by the new dual tax structure introduced in this year's budget. Tiger's tax charge was reduced by R22m which included R9,7m in deferred tax

Chairman Robbie Williams says a major factor affecting Tiger's performance was the drought, which also resulted in imports of maize and attendant problems — Sapa

SA Bias sees higher payout

MARCIA KLEIN 184

SA BIAS, the holding company of trimmings and accessories manufacturer SA Bias Industries (Sabind) and investment group Merhold, has forecast earnings and dividends of 88c and 25c a share respectively in financial 1993

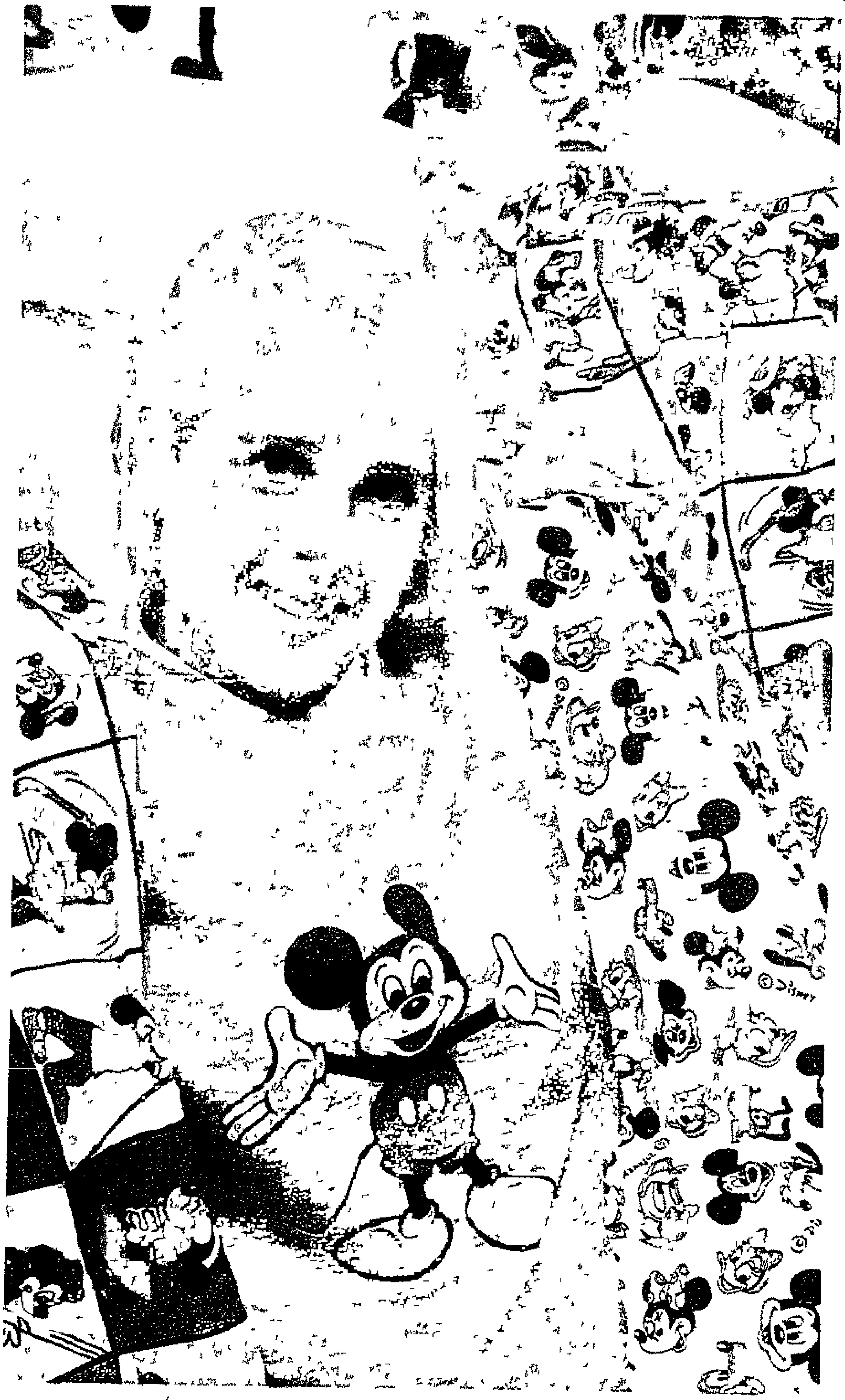
These increases, of 16,4% and 13,6%, would be achieved despite a weak economy in the year to end-December, executive chairman Christopher Seabrooke said in his annual review

In the year to end December 1992, the group dropped its earnings by 24% to 75,5c, the first time in 14 years that SA Bias's earnings were reduced BDAY 17/5/93

Sabind's contribution to attributable income fell to 46,9% from 61,5% Merhold increased its contribution to 53,1% from 38,5%

Merhold, in which SA Bias has a 79,8% interest, reported a 15% rise in earnings It expected earnings and dividend growth in excess of the inflation rate in 1993

CARTOON CRIBS LOSE SHIRTS



MICKEY CAUGHT ... Miss Amanda Dhalluin, who works for the South African agents for the Walt Disney organisation, examines material seized yesterday because it infringes trademark regulations

Picture HAROLD KING

Police smash Disney racket 'worth R50m'

CT 19/5/93 184

By BILL GODDARD

LOCAL police have smashed a trademark infringement racket that has cost the world-famous Walt Disney organisation and its South African marketing representatives an estimated R50 million in lost earnings

This was disclosed yesterday when members of the SAP commercial crime unit raided two fabric wholesalers, a silk-screen processing plant and a number of fleamarket stalls and confiscated about R500 000 worth of material and clothing decorated with Walt Disney cartoon characters

Raid co-ordinator Captain Gordon Duguid said more than 300 rolls of material were confiscated from fabric wholesale depots in Salt River and Woodstock, while a number of colour separating plates used for printing on material were found at a silk-screening plant in Athlone

"We also confiscated a number of T-shirts and other pieces of clothing from stalls at the fleamarkets at Greenmarket Square and the railway station he said

He said no arrests were made but prosecutions were pending

The managing director of the Walt Disney organisation s marketing structure in South Africa, Mr Ray Botha said he first became aware of trademark infringement when it was found that "poor quality material and clothing was being offered for sale in Johannesburg"

"We started investigating and everything seemed to indicate that the material came from Cape Town

"That is when we called in the police"

Mr Botha said textile firms and screen printers had to be licensed to use Walt Disney cartoon characters

"They have to pay royalties for the licence and I believe this operation has cost the Walt Disney organisation and licensed retailers in South Africa about R50m," he said

SA BIAS & MERHOLD (184)

Saved by its safety net

Activities: *Investment holding company with interests in listed SA Bias Industries and Merhold*
FM 28/5/93
Control: *Sabvest 52,8%*
Chairman: *C S Seabrooke*
Capital structure: *19,2m ords Market capitalisation R55,7m*
Share market: *Price 290c Yields 7,6% on dividend, 26,1% on earnings, p e ratio, 3,8, cover, 3,4 12-month high, 370c, low, 210c Trading volume last quarter, 233 000 shares*

Year to Dec	'89	'90	'91	'92
ST debt (Rm)	1,3	7,8	6,3	4,0
LT debt (Rm)	12,5	19,4	9,4	7,6
Debt equity ratio	0,17	0,30	0,15	0,09
Shareholders' interest	0,69	0,60	0 68	0 73
Int & leasing cover	19,4	10,1	8,1	9,7
Debt cover	2,0	1,2	2,0	2,3
Return on cap (%)	24	20	22	16
Pre-int profit (Rm)	27,5	29,6	32,8	24,4
Taxed profit (Rm)	22,1	22,5	24,5	19,5
Earnings (c)	98,4	99,0	99,5	75,6
Dividends (c)	30	30	30	22
Tangible NAV (c)	411	471	495	527

The first earnings dip in 14 years for SA Bias Holdings (Sabhold) would have been far worse than the reported 24% if it had not been for its diversified interests A good performance by the financial and investment arm, 80%-held Merhold, offset the sharp decline at 87%-held SA Bias Industries (Sabind)

Pyramid **Sabvest** holds 53% of the group Its earnings are proportionate to those of Sabhold, which is still trading at a 45% discount to year-end NAV

Sabind makes and distributes accessories to the clothing, footwear and allied industries Its earnings plunged 42% on a 9% drop in turnover (figure not disclosed)

Chairman Christopher Seabrooke believes structural difficulties in the industry are not likely to be resolved So the group wants to broaden its focus through synergistic ventures with other industries

The trimmings, printing & labels and industrial divisions performed satisfactorily

FM 28/5/93 (184)

COMPANIES

Kirton and the metals & plastics operations, sensitive to consumer spending because they sell only to clothing and footwear industries, did badly UK-based manufacturer International Trimmings Plc produced strong results, with increased market share and profitability

Domestic operations have undergone cost reduction and efficiency improvement programmes Seabrooke says the benefits will come through this year Sabind's contribution to attributable income has declined recently but there was a marked drop to 47% (62%) in 1992 Seabrooke is optimistic about Sabind's performance this year and forecasts earnings growth of about 20%

Merhold activities, except for financial ones, are consumer-driven For this reason, Seabrooke revised EPS and dividend forecasts at the interim Year-end results show EPS up a creditable 15% with dividends raised 12%

Return on average equity and average total assets fell marginally to 17,4% (17,5%) and 3,2% (3,6%) respectively About 66% of net income comes from the finance division The trading and investment divisions contribute 19% and 15%

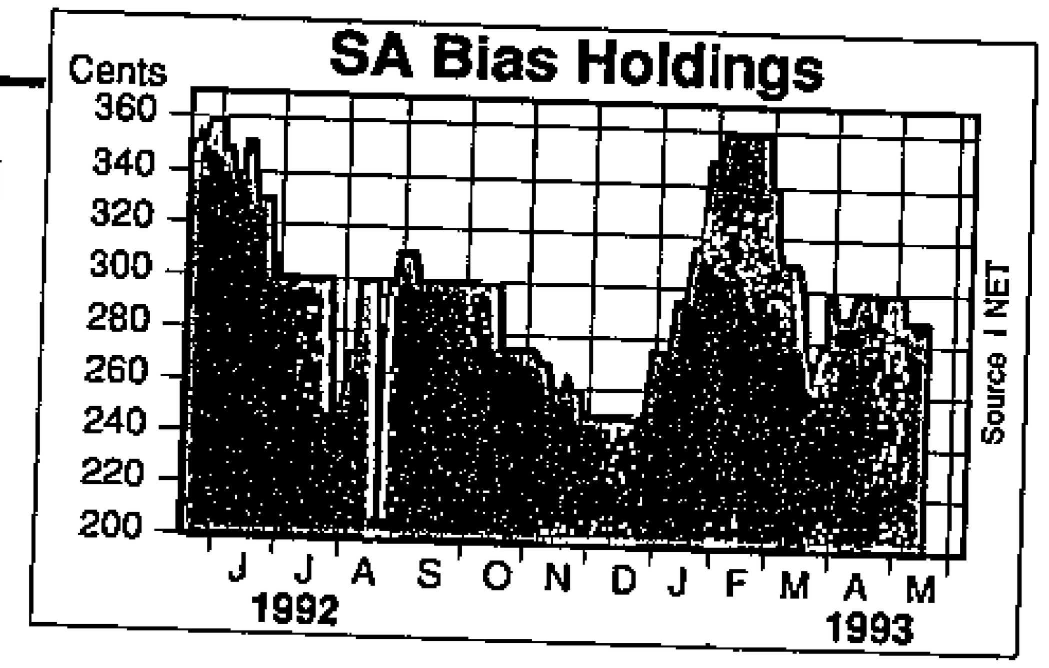
Net income from the finance division, in-

Activities: *Trade financing and factoring, export trading, investment and other related financial services*
Control: *SA Bias Holdings 79,8%*
Chairman: *C S Seabrooke*
Capital structure: *18,3m ords Market capitalisation R48,5m*
Share market: *Price 265c Yields 7,2% on dividend, 21,5% on earnings, p e ratio, 4,6, cover, 3,0 12-month high, 280c, low, 170c Trading volume last quarter, 420 556 shares*

Year to Dec	'89	'90	'91	'92
Total assets (Rm)	341	359	378	410
Advances (Rm)	283	297	317	336
Gearing ratio	4 3	4,2	3,5	2,7
Taxed profit (Rm)	10 9	11,6	12,2	13,1
Return on assets (%)	3,6	3,5	3,6	3,2
Return on equity (%)	20,6	18,8	17,5	17,4
Earnings (c)	46,4	47,7	49,5	57,1
Dividends (c)	17	17	17	19
Tangible NAV (c)	226	254	283	328

volved in trade and working capital finance and receivables factoring, was slightly down at R8,29m (R8,31m) Factoring accounts for less than 10% of total advances

Mertrade performed adequately and is expected to do the same this year Not a trader in the ordinary sense, it has a number of agencies and product specialities but all business is pre-sold, so no inventories are



held and no positions are open

The investment division's acquisition of 25% (raised to 40% after year-end) of Consolidated Fund Managers was a strategic move, says Seabrooke The division is cash-positive and he sees it becoming more important Ultimately, management hopes finance and investment will each contribute 40% to net income with trading making up the remainder Seabrooke expects Merhold's earnings for 1993 to rise by 15%

The earnings growth forecast for Sabind and Merhold suggest an increase to at least 88c in earnings in Sabhold All four listed shares trade at a discount to NAV but there should be room for improvement if forecasts are met Sabvest is the cheapest entry, with projected earnings of 45c This puts it on a forward p e of 3,6 and at a discount of more than 50% to NAV

Marylou Greig

Star 17/3/93

Benetton in major expansion

By Stephen Cranston

The Italian clothing chain Benetton plans to increase its branch network from 40 to 100 by the end of 1994 with a turnover of more than R100 million, says SA licence-holder Bruno Iaconi

Benetton plans to turn Iaconi's Lupo International factory in East London into its manufacturing base for sub-Saharan Africa, producing half of its needs for SA branches within two years.

Benetton opened a new store in the Smal Street Mall in Johannesburg CBD last week, and next month opens the first of its megastores, a 200 square metre shop in the old Surtee's shop in the Carlton Centre The Killarney Mall branch will be doubled in size within a few weeks

Iaconi says eight stores have been closed, which were not big enough or were not in the right position to benefit from customer traffic.

The product range will be updated and the shops will not just carry the previous year's range.

Prices have been reduced, even though 80 percent is imported at tariffs of 100 percent or more An embroidered shirt, for example, has been reduced from R220 to R170

Benetton orginally focused primarily on the white market, but has found the main thrust of interest from black customers, who appreciate the quality of its natural fibres

Benetton positions itself as the affordable chain for everybody and has a branch in Soweto.

The chain has 7 000 shops in 100 different countries It has a range of more than 2 000 items, each available in 30 to 40 colours

Internal rejig secures Foschini Group top line

(184) CT 12/4/93

Business Staff

WITH Clive Hirschsohn, MD of the Foschini Group (TFG) due to retire within the next year, the group has announced an internal restructuring to ensure long-term management continuity.

The changes include the appointment of Neville Goodwin, MD of Foschini Stores, as deputy MD of TFG while retaining his current position

MD of Markhams; Red Robb, has been appointed deputy MD of Foschini Stores and is succeeded by Dennis Polak who become MD of Markhams but also remains MD of Pages.

Doug Murray, already a member of the Pages executive team, has been appointed GM of Pages

As a result of TFG's recent acquisition of Sterns Jewellers, John Hoffman, MD of American Swiss, will assume responsibility for the group's overall retail jewellery merchandising operations

Hirschsohn said that while the restructuring would bring about significant savings through the benefits of economies of scale, it was important that Sterns should retain its separate identity and continue to trade as a competitor to American Swiss

Elliot Osrin, a director of Foschini Ltd, will become non executive chairman of TFG's board

The other directors are Clive Hirschsohn (managing), Neville Goodwin (deputy managing), Roy Norman (financial), Tony du Preez, Malcolm Park, Red Robb, Dennis Polak and John Hoffman

REX TRUEFORM FM 19/3/93 (184)

Retailing move rewarded

It's hats off to Rex Trueform chairman Stewart Shub, who put on his lateral-thinking cap in those heady days of 1989 Amid scepticism in the clothing trade and among retailers and the investment community, Shub pursued his plan to expand vertically He started the Queenspark chain of clothing stores

Though Shub has maintained that Queenspark has traded well since inception, results for the six months to December provide first evidence of this Shub says "higher margins have arisen from selling a larger share of production through our own retail outlets" That was the prime objective

With 15 stores, Shub is now making his presence felt in the retail sector, while capitalising on a retailer's markup as well as that from the manufacturing side He is making own-specification goods for Queenspark outlets, thereby avoiding, to some degree, the dictates of the large clothing retailing chains on fashion requirements and pricing

Shub's major risk of entering the retail arena was that of alienating business from these chains While their reaction was initially negative, the quality of merchandise produced by the group remains in demand

Export volumes have been maintained If the rand remains weak against the D-mark and the US$, these earnings could improve But the rand's strength against sterling will have the opposite effect

To bolster productivity, the group laid off 549 employees last month Rationalisation and retrenchment are likely to continue throughout the industry for some time yet as there are few signs of restocking by the trade

Off a 1% improvement in turnover, Rex Trueform lifted operating income 49% And its interest bill was held steady With tax also maintained, interim EPS rose 65%

Prospects appear more promising now that Queenspark is doing well This trend will probably continue

Gerald Hirshon

Strebel squeezed as demand falls

LINDA ENSOR (184)

CAPE TOWN — Losses of trimmings, fasteners and accessories manufacturer and distributor, Strebel, deteriorated in the six months to end-December to 5,1c (4c loss) as demand for its products by the clothing, retail and textile industries slumped.

Turnover of the group, which also produces knitted and non-woven fabric and embroidered products, fell by 4% and earnings by 28%, leading to the directors' decision to waive the declaration of an interim dividend.

Operating income before depreciation fell 54% to R343 000 (R745 000), with a pre-tax loss of R1,6m (R1,2m loss) being suffered after the provision for depreciation and the payment of net interest Tax credits eased the bottom-line loss to R760 000 (loss of R599 000). BDM 22/3/93

The debt to equity ratio at end-December stood at 53% (48%).

Chairman Fred Strebel said no improvement in earnings was expected in the second half of the year as trading conditions were likely to remain depressed.

He said losses in the knitting and dyeing divisions had been eliminated by their rationalisation in the second half of the last financial year. This restructuring led to the closure of the commission dyehouse, and the merger of the knitting division with Hereford industries.

Fall in earnings feared by Cape clothing firm

(184)

ARG 7/4/93

MARC HASENFUSS
Business Staff

CAPE Town's Ensign Clothing is likely to produce lower earnings in the year ahead, chairman Mr Ronald Roy said in his annual review.

He said reduced demand and and fierce competition in the market place would continue to place strong downward pressure on margins in 1993

The downward trend in the clothing industry had already seen Ensign retrench 20 percent (about 200) of its workforce last month.

In spite of predictions of lower income in the year ahead, shareholders should be pleased with the group's recent showing in the year to the end of December.

Although profits were reduced to R854 000 (previously R1,25 million), Ensign's financial position is far less threadbare than most of its fellow listings in the clothing and textile sector.

Mr Roy said special attention was being given to increasing efficiency and improving productivity through staff training at all levels.

Ensign was also upgrading its computerised production control system to monitor throughput more effectively, and reduce wastage.

"In line with these objectives we will also be replacing older machinery with modern equipment where necessary."

Ensign manufactured a wide range of garments under the trade marks Ensign (uniforms and rainwear), Samson Supreme (overalls and worksuits), Samsom (workwear/protective clothing), Samson International (leisurewear) and Macbean (PVC fabric).

Mr Roy expected the profit drop for Macbean plastics division to be less severe than for the clothing division.

Durbanville races ended

Political Staff

CAPE TOWN — There would be no more race meetings at Durbanville and the racing industry in the Western Province would not increase stakes, MEC in charge of horse-racing Dawie le Roux said yesterday.

These steps had been taken to make the industry stronger, and rescue it from its crisis, he added

The industry was also considering the possibility of reducing stakes in the province.

He said the decision had been taken by the Western Province clubs as a move to limit overheads. The clubs had also decided that there would be fewer Wednesday meetings with races incorporated with certain Saturday meetings.

Le Roux said a new effective administrative foundation had now been laid. New staff were being trained intensively — and "I need not expand on how clean new brooms sweep".

The MEC said that good progress had been made with the amendment of the ordinance Deadlines would be met with the draft ordinance ready on July 1. The final product would be ready at the end of the year.

He said that the recommendation of the Dienar Report on bookmakers and their activities in the four province, was being incorporated into the Cape's ordinance.

Bitter ending to TPA's 'final' budget debate

BDM 8/3/93

ADRIAN HADLAND

PRETORIA — What was probably the final budget debate of the Transvaal Provincial Administration ended in acrimony yesterday when several CP MPs walked out of the Ou Raadsaal in protest.

The action followed a rebuke by the extended public committee on provincial affairs chairman Salam Mayet after CP members' comments on the fact that an Indian was now chairing what was once an "Afrikaner" committee.

Hatred and venom eventually consumed the hater, Mayet said, and the CP members left the chamber.

Douglas Gibson (DP Yeoville) said the meeting of the public affairs committee, which proposed a R6,7bn budget for the province, was probably "the last session of its kind". Regional government restructuring was expected to take place within the next year, with the incorporation of self-governing states.

TPA MEC Andre Cornelissen told the committee negotiations on new political structures and rationalised provincial administrations were well under way.

He urged government to proceed with legislation to permit bilateral agreements between the TPA and Transvaal's self-governing territories.

During the Cape provincial committee's budget debate in Cape Town yesterday, MEC for roads Frik van Deventer said export fruit farmers lost up to 5% of their crop — or R5m — a year because of badly tended roads. Money budgeted for roads fell far short of what was needed.

Roger Hulley (DP Constantia) said during the debate Table Mountain was in a disgraceful state It was meant to be a fynbos showcase, but had become infested with hundreds of thousands of black wattles which would be expensive to remove.

In the Natal provincial budget debate in Maritzburg, MEC for Natal Health Services Peter Millar said outpatient fees for low-income families would be increased by one third at some Natal hospitals. This was part of a revised package which would result in uniform fees throughout SA.

Cabinet approves District Six plan

BDM 8/3/93.

Political Staff

CAPE TOWN — The Cabinet has given the go-ahead for the formation of a community land trust to redevelop District Six — 30 years after its inhabitants were forcibly removed

The step could finally lay to rest government's most controversial Group Areas Act enforcement.

Cape Administrator Kobus Meiring announced in Parliament yesterday that a decision had been taken to launch the trust, which would take possession of the land and set development guidelines

Meiring said a non-profit company would be responsible for the development project, while a third independent body would handle allocation of housing units.

Meanwhile, a massive R500m housing project for 36 000 homeless families on the Cape Flats was announced yesterday, after two years of negotiations, by Community Services MEC Dawie Le Roux

The Serviced Land Project was a true joint venture with the communities involved, he said during the debate in the joint committee on provincial affairs for the Cape.

Le Roux said 950ha of land had been identified on the Cape Flats for the settlement of 36 000 families — more than 200 000 people.

Dodo's extinction official

BDM 8/3/93 (184)

SUSAN RUSSELL

STEWART and Lynne Dodo's clothing company, SM Dodo Fashion Boutiques, was liquidated in the Rand Supreme Court this week with debts of R2,9m.

The company, represented by Stewart Dodo, brought an urgent application for its own winding up.

Stewart Dodo said in court papers that the company, which had four upmarket women's clothing stores under the name Elle, was commercially insolvent

Dodo said the luxury section of the clothing market for which his company catered, had been particularly hard hit by the decline in the economy

The company, he said, had assets of about R500 000 as opposed to liabilities of R2,9m It had incurred losses of R800 000 since July 1 last year.

Dodo said he had also suffered a heart attack last month and was unable to attend to the company's affairs for an indefinite period while he recuperated There was no-one else to run the company during his recuperation.

Dodo said the company had just been able to pay its March wages, but might not be able to do so this month.

A liquidator needed to be appointed urgently to ensure there was no pilferage in any of the retail outlets, he said

NEWS IN BRIEF

Lascho Mining in liquidation

LASCHO Mining cc was placed in liquidation by the Rand Supreme Court yesterday with debts of R5,1m and assets of R1,3m The application was brought by Lascho Mining Lascho Mining's Terence John Otto Barron blamed the decline in the mining industry and the economy for the company's situation

Shootout at Parkhurst bank

AT LEAST five people were injured yesterday when seven men armed with AK-47s started shooting during an abortive bank robbery in Parkhurst, Johannesburg Police said the men arrived at the bank in a bakkie and confronted security guards unloading money. The guards refused to hand over the cash and the robbers opened fire before driving off.

Cape Deeds Office probe

THE report arising from the departmental investigation into alleged irregularities at the Cape Town Deeds Office had been referred to the attorney-general, Regional and Land Affairs director-general Coenie

JACKIE MELTZ and copyright friend: Picture: HERBERT MABUZA

Disney's taking the Mickey out of pirates

S/Times (Business) 25/7/93

THE world's most famous mouse is cracking down on impostors Walt Disney licensed manufacturers in South Africa are losing R50-million in annual sales to Mickey Mouse pirates A ton of clothing has been collected from raids on flea markets and warehouses in the past three months, writes TERRY BETTY.

Ray Botha, managing director of marketing licensee Famous Name Company, says the goods will be given to orphans.

Mr Botha says "The police are empowered to confiscate clothing infringing Walt Disney's trademark.

"Fortunately, we know most of the pirates and several more raids are planned"

Some sellers are unaware they are contravening the law and are merely warned

"But the best way to stop counterfeiting is for people to lose the goods through confiscation.

"Some chaps are amicable because they don't want to break the law But some get tough One storekeeper even stuck a gun in my face."

Licensed manufacturer Meltz Success managing director Jackie Meltz believes the rip-off business is so big that more pirated than licensed goods are sold

(184)

The clothing is seldom much cheaper than the real thing

Mr Meltz says it has become easier in the past few months to track pirates because fewer manufacturers have received Walt Disney licences

(1554)

"Mostly clothing is copied because it is easy to print a logo on cheap t-shirts," says Mr Botha

"Sophisticated operators have printed fabric made up in the East."

The real bugbear for Mickey Mouse manufacturers is a pirate who is turning out car stickers of Mickey making rude signs

"We have been foiled in everything we have done to catch them,"

CLOTHING & TEXTILES FM 23/7/93.

(184)

Oiling the squeaking wheel

FM 23/7/93.

Conflicting views between the clothing and textile sectors are nothing new And with a new long-term policy for the two sectors in the process of being thrashed out, one might expect temperatures to rise

But last week's three-page blast from Clothing Federation vice-president Sadek Vahed, aimed at recent Textile Federation allegations that the 1989 structural adjustment programme (SAP) for the industries (due to be phased out in March, 1994) led to "a sharp escalation in clothing imports", shows that both sides are more than a little tender

The structural nature of the differences between the two sectors may require more than the wisdom of Solomon to resolve Internationally, many trading nations face a similar dilemma — as was demonstrated to Board on Tariffs & Trade chairman Nic Swart on a recent visit abroad

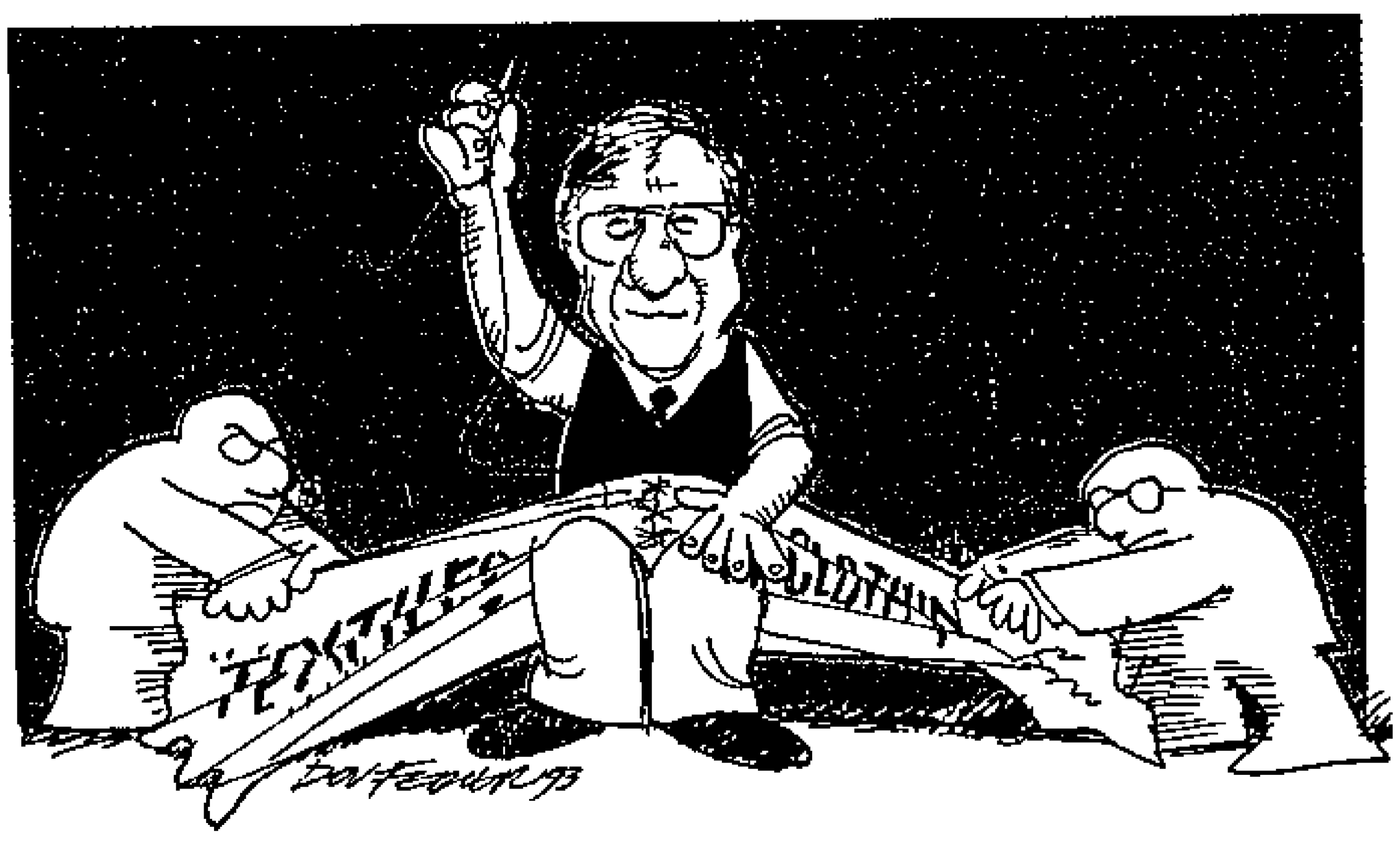
One example is that the proposals to reform Gatt's Multi-Fibre Agreement quota system allow for a 10-year adjustment period — much longer than that allowed for tariff reform in any other sector

Swart says the Board's own interim proposals for structural reforms to the existing tariff structures pertaining to the two industries should be with Trade & Industry Minister Derek Keys by November following discussions at a four-day end of August panel meeting "It will then be up to the Minister to decide whether he wishes to go public with our recommendations, but I would favour such a course of action," he says

Meanwhile, the Textile Federation's 24-page *Textile Statistics and Economic Review 1992/93* may have inadvertently exposed one of the major causes for the conflict between the two sectors in SA

Maintaining the local market revealed a sophisticated "First-World" demand for a high variety of textile products but at fairly low sales volumes and per capita consumption, it added that "the inevitable result was that the local (textile) industry had to meet the requirements of variety at volumes that tended to push production costs up higher than those of its overseas competitors "

This problem, aggravated by "aggressive and often price-disruptive tactics of the principal exporting countries in the East," led to "the need to extend a degree of protection to the industry "



In reply, clothing industry spokesmen argue the textile industry should move out of low-volume, highly protected production areas and allow freer imports of fabric in order to reduce input costs for the labour-intensive, export-focused clothing sector

Textile Federation executive director Brian Brink admits "Ideally, SA should have a system of moderate to low protection against imports in the long term Levels of 140% duty on clothing imports will have to be reduced " He says "long-term" could mean anything from Gatt's suggested five-year period to eight years, which would apply to "sensitive industries"

However, Vahed claims the textile industry is using "cry wolf" tactics in blaming most of its current problems on imports under the SAP In order to encourage clothing exports, permits were issued to import duty-free textiles or clothing at values based on proven export revenues

In addition, he charges the textile industry is using statistical "misinformation" in order to discreetly lobby government to extend the November 1 cut-off date for the so-called "band aid" increased 60% interim tariff protection it obtained last November

"The reason for incorrectly blaming imports and the SAP for the current recession in the textile industry is obviously to make a last-ditch stand against government's intention to accede to Gatt requirements to liberate trade through the lowering of current high levels of protection," Vahed says

The Textile Federation document refers to 1992 SAP-linked fabric and yarn imports of about R320m (compared with similar clothing imports of about R210m) But, says Vahed, these Customs & Excise figures are wrong "The latest statistics we obtained from the Department of Trade & Industry (DTI) show that out of total 1992 fabric imports of just more than R1bn, only R61m, not even 6%, constituted SAP imports Not only were SAP imports negligible, but they actually decreased since 1991 "

Brink "seriously questions" Vahed's DTI figures, but admits that DTI is now vetting import applications more carefully and perhaps delaying the issue of SAP permits in the process "Regarding the Gatt issue, we will submit our tariff proposals to government by the August 11 cut-off date," he adds

But, with the SAP now on its way out, what should replace it? Brink says to be globally competitive against countries that subsidise and support their clothing and textile exports, SA should do the same "We might have to look at subsidising raw materials and follow the US example of directly supporting their cotton growers Or, if the general export incentive scheme is phased out, we could even consider interest rate subsidies " ■

COASTAL CLOTHING (184)

Final cut

FM 16/7/93

After operating for 47 years in the clothing industry, Coastal Clothing Manufacturers was placed in provisional liquidation last Friday At the February year-end the company posted a loss of 8,74c a share and it was becoming increasingly strapped for cash

Management decided to refocus its businesses and dispose of certain operations Jon-Al, acquired for R746 000 in 1991, was sold in two parts the plant and equipment was sold to former director Atholl Robb for R400 000, the trading arm, certain stock and the Kresiv trademark were sold to former chairman Gary Neale-May for R259 000

Chairman Clive Martin says Coastal did not receive the full payments in cash and terms had to be arranged That meant there was little relief from the restructuring Also, the reduction in assets brought more stringent credit facilities With financiers tightening the squeeze, management resorted to

FM 16/7/93 (184)

retrenchments Unfortunately, it was too late Before matters deteriorated further, a provisional liquidation was applied for

Martin says "We did all we could to save the company but were finally advised to apply for provisional liquidation " The best hope now is that a buyer will appear and salvage what remains of this company that finally buckled to the deteriorating clothing industry

Kate Rushton

SA Hosiery 'in position'

BiDay 19/7/93

MZIWAKHE HLANGANI

THE SA Hosiery Company (SAHCO) is positioned to maintain growing export market and its dominant performance in the local hosiery industry, says group MD Allan Falconer

He added that SAHCO had targeted 35% in total export sales next year

He said while "sensitive to the responsibility" of its dominant position, competition was welcomed

Falconer said export initiatives had been restarted in central Europe, along with substantial new capital investment These included the upgrading of the company's facilities.

In spite of sanctions, the company's Burhose subsidiary had continued to export to Germany, Russia, Holland, Hungary, Poland, the UK, Ireland, the US, Austria and Spain

Burhose represented 60% of the local hosiery industry and was the biggest supplier of hosiery in Tesco stores in the UK and US

The company expected to export 10-million pairs of hosiery to another major European retailer in the ear ahead

Other three SAHCO-owned hosiery companies, included Berkshire, Golden Girls, and Arwa (184)

Through its international associations, the group was determined to maintain its competitive standard as one of the world's lowest cost manufacturers

Falconer denied media allegations that new hosiery importers had been blocked from obtaining listings within the major chains stores He also denied SAHCO had attempted to keep the industry a closed market

He said a variety of imported products from independent distributors were on retail shelves, while three small manufacturers were enjoying success

Good year for motor group

BiDay 19/7/93

MZIWAKHE HLANGANI

MARTIN Jonker Holdings is well geared to capitalise on any improvement in the economy after ending an "extraordinary" year in a recessionary motor industry, chairman Martin Jonker says in the group's annual review

The group had shown it could "weather the storms" of a difficult economy and a depressed motor market

A rights issue of 12-million shares in December 1992 had resulted in a net R4m cash injection The cash was used to finance increased working capital and reduce debt

Jonker said the group was aiming for growth in income attributable to ordinary shareholders in excess of inflation

Turnover for the year to February climbed to R181,66m (R151,69m) Earnings were increased to 6,2c (0,7c) a share

Factory under hammer

CT 20/7/93 (184)

Property Editor

THE former Pals Clothing factory in Salt River is to fall under the auctioneer's hammer today.

Sole agent for the property, Steve Kruger, said the building — which is close to the railway station — is particularly suitable for the clothing industry but also had development potential.

The building covers an entire block and comprises 4 067m² of factory space as well as five cottages which could be developed into offices or factory shops or incorporated into the main building. The auction is to be held at 11am by Seeff Commercial at 20 Scott Road, Salt River.

COMPANIES

BDay 14/7/93

Natal clothing industry battered

(184)

DURBAN — This year's performance of clothing firms in Natal — the second largest region of the industry in SA — was far worse than even the bleakest of predictions, Natal Clothing Manufacturers' Association director Len Smart said yesterday

Since October 1991, approximately 10 000 workers had been retrenched and the number of companies in the industry in the province had dropped from 425 in October 1991 to 365 in June this year, Smart said

The JSE announced yesterday that it had suspended the listing of major clothing maker Coastal Clothing Manufacturers after the company's provisional winding up in the Durban Supreme Court on July 9

The provisional liquidation of Coastal Clothing was "a hangover from the last nine months", Smart said.

He added that the prolonged recession had had a hard impact on the clothing industry in Natal, which accounted for 30% of the overall R5bn industry in SA

"Forecasts of how bad this year would be had exceeded the worst-case scenario," Smart said

He said coupled with the recession, a major factor for the industry's poor performance was government's decision to encourage exports by giving exporters duty-free import permits

In 1990 only 7% of garments were imported, but the figure had now risen to about 30%-35%, he said.

However, the granting of the duty-free import permits was due to end in March next year, which Smart believed would contribute to an upswing in the industry. — Reuter

Edgars takes up the cudgels

LINDA ENSOR

CAPE TOWN — Giant clothing retail chain Edgars, which turns over about R3,2bn annually, had no intention of relaxing its aggressive buying policies, MD and CE George Beeton said at the weekend

If anything, Edgars intended toughening up the process, he added

BDay

Beeton was responding to accusations by clothing and textile manufacturers that retail chains were tightening the screws on their margins by refusing to accept price increases

He said Edgars had embarked on a constant low-price strategy to replace promotions and discounts in an attempt to boost sales volumes, a development which would be in the interests of manufacturers and retailers If manufacturers did not increase their volumes, they were heading for trouble, Beeton warned

Edgars was in the first year of a five-year programme to lower its prices

Beeton said the huge investment retailers had made in information technology had changed the whole way of doing business Orders used to be placed six months in advance, but this was no longer necessary "The whole cycle of buying has changed To become cost effective the time factor has to be taken out of the process"

28/6/93

National Clothing Federation (NCF) president Aaron Searll confirmed that clothing retail chains had been highly aggressive in their buying practices which had made it difficult to obtain price increases Margins were at rock bottom

"It is essential for the industry to get back to respectable margins to generate profits to reinvest for future development," Searll said

(184)

NCF executive director Hennie van Zyl said there had been several complaints by clothing manufacturers against retailers and it had recently been agreed to renegotiate the code of conduct reached a few years ago between retailers and manufacturers

Beeton said, however, that he had never negotiated a code of conduct and did not think retailers, who were fiercely independent, would connive with manufacturers on such a code

Textile industry well placed for upswing, says Romatex

BDay 18/6/93

MZIWAKHE HLANGANI

THE domestic textile industry is well placed for an upturn in trading conditions in one to two years, says Romatex chairman Jon van Coller in the Textile Federation's latest newsletter (WARV)

The upswing cycle was at the stage where only a significant disruption, such as political events, could cause it to deteriorate, despite a mixed outlook in synthetics and wool markets, he said

However, textile markets continued to be depressed, but mill production maintained a fairly constant level for three months, February to April, with a capacity utilisation of about 75%

Van Coller said demand for clothing, footwear and textiles continued to grow strongly This demand was not being translated into orders to domestic clothing and textiles factories because of imports.

Clothing production last January was 12% down on a year ago and almost 22% below its 1989 peak Textile production was 5% lower in the same month of the previous year and nearly 30% down on its 1989 peak

(184)

The industry's strong link with the international economy would in any case bring an upswing as international demand improved, Van Coller said.

Textile Task Group's business cycle graphs showed the recession was drawing to a close. This coincided with the SA business cycle showing some early signs of rounding out.

There were a number of economic factors pointing towards improvement in the economy by the year-end, but initial stages were likely to be sluggish.

Encouraging signals included continual improvement in the US economy, the apparent turning point in the UK economy, stimulatory measures being applied to domestic demand in the Japanese economy, an improved domestic agricultural crop, declining domestic interest rates and a much improved gold price.

There was no excitement at this stage, but when the upswing came the industry would have to accept the first year would be fairly moderate.

Van Coller said the wool market in the world remained depressed and prices for SA wool have declined by about [illegible] since the beginning of the current wool marketing season last September.

The rate of price increases in both textile and clothing industries over the past year fell to below two key inflation rates, the consumer price and producer price index. The annualised rate over the latest three months reflected a decline of 2,4% in textile producer prices and small increases of only 2,9% in clothing producer prices.

This was reflected at the retail level where the annualised CPI for clothing for three months was 4,1%

Textile tariff battle lines are drawn

CT 25/10/94 (197)

AN ATTEMPT by the Textile Federaton (Texfed) and the National Clothing Federation (NCF) to find common ground over steps towards trade liberalisation failed yesterday

The two parties met in Cape Town in the hope that they could develop a common strategy to present to government But the NCF raised Texfed's ire by calling for a virtually immediate phasing down of textile tariffs while demanding extension of clothing import protection

The NCF proposed that duties for fibre be cut to zero within one year, and on yarns be removed altogether in three years It recommended phasing down to a 15% duty on fabric in five years

For clothing, it suggested that duties be phased down to 40% over a period of 10 years.

Texfed president Mervyn King expressed concern "that the National Clothing Federation proposals appeared to be motivated by self-interest and were inconsistent"

He said the NCF made its proposals after reneging on an agreement reached between the two parties, based on the Swart panel's findings

The proposed rates, which the Swart report suggested should be phased in over a 12-year period, were 40% for clothing, 30% for household textiles, 22% for fabric, 15% for yarn and 7,5% for fibres.

In a document tabled at yesterday's talks, the NCF emphasised the needs of small- thing manufacturers.

"There needs to be greater encouragement for small- and medium-sized enterprises for their job creation role The NCF would support removal of any obstacle to the development and growth of such enterpri Because of high protective tariffs on fibres, yarns and textiles, clothing was priced beyond the reach of many This stifled the growth and job-creation potential of the clothing industry

Adonis Knitwear plunges into the red

B/Day 28/6/93

DUMA GQUBULE

GARMENT manufacturer Adonis Knitwear plunged into the red in the half-year to end-March, reporting an attributable loss of 4,4c a share compared with a profit of 6,2c a share at the previous interim stage

Full year earnings for the year would be lower than those of financial 1992, although better trading conditions were expected during the second half

(184)

Adonis incurred a sharp drop in trading income to R73 000 (R2,16m) for the year ended September 1992

Interim turnover for 1993 was not disclosed, but it dropped 30,1% from the previous year There was a trading loss of R560 000, previously a profit of R215 000

The net loss before tax was R374 000, which resulted in a reversal of deferred tax of R218 000 The loss to shareholders was R156 000

Burlington sees 7% sales growth

B/Day 1/7/93

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Burlington Industries had achieved a sales growth of over 7% in the first five months of the current financial year to end-December, chairman Philip Kawitzky said yesterday.

"Our order books for delivery during the remainder of the year are full and there is still a good demand for mens and boys shirts.

"Indications are that we should be able to maintain turnover for the full year's trading," Kawitzky said at the AGM. (184)

Margins, however, were under pressure as large retailers had insisted that there should be no — or low — price increases.

But wages would rise by a negotiated 9,25% this year. To counter these increased cost factors, Burlington had undertaken a strategy to reduce operating expenses and improve productivity.

Also, a new pattern-making plant had been acquired for the knitwear division for R50 000 to speed up the production process.

Positive factors were the continued existence of sizeable tax losses — Burlington's tax rate was a low 6,8% last year — and the anticipated further drop in the interest bill this year.

Kawitzky said Burlington was concentrating on exports to Africa and Europe.

It had delivered its first trial orders to Zaire and neighbouring countries, and was also negotiating the establishment of a distribution and sales network in these countries.

He was confident of good results and repeat orders, but said a cautious approach was being adopted because of the financial and monetary restrictions imposed by the countries concerned. While risks were lower in Europe, competition was more severe.

In the year to end-December, Burlington reported earnings of 50,9c (63,2c previously) and maintained its dividend of 12,5c on a reduced dividend cover of 4,1 times

The group suffered from a reduced demand for summer knitwear.

CO

Da Gama ready to grow volumes

Bl Day 2/7/93

184

DUMA GQUBULE

DA GAMA was well positioned to take advantage of improved demand in its niche markets because of its strong balance sheet, management excellence and continuing investment in technology, CE Harry Pearce said in the group's 1992 annual report

He said Da Gama could substantially expand volumes should business conditions improve as its capacity was currently underutilised

The clothing and textile group had excellent brands and strong market positions, especially in the core areas of workwear, home sewing, household textiles, interlinings and state and provincial contracts

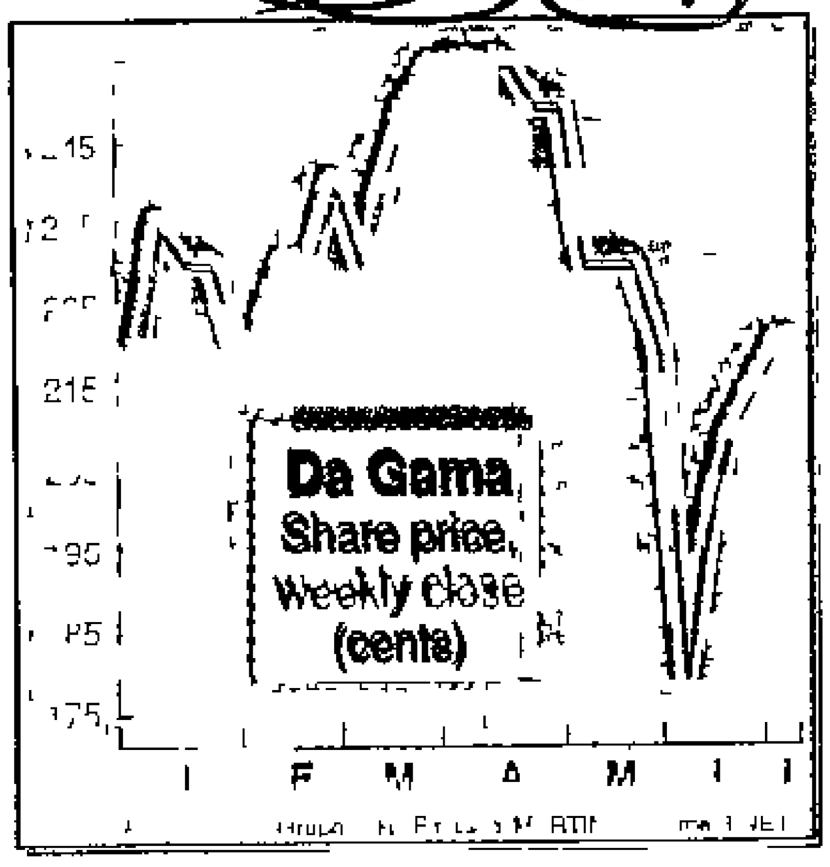
Management was continuing to focus on providing the best service to customers in the belief that this would be beneficial to the business of both parties

Da Gama reported a 30% drop in attributable earnings to R21,1m on a 2% decline in turnover to R254,1m

The performance was attributed to the deepening recession, intense price comptition and large-scale importation of foreign fabrics

Chairman Laurie van der Watt said in the report group earnings in the coming year were expected to approximate those of the past year, although no significant reduction in imports of foreign fabrics was likely to materialise

Pearce said the group's key strategic focus during the past year had been to improve working capital, reduce costs, institute a service excellence programme, increase market share of ethnic fabrics and improve design facilities



Working capital had been reduced by R30m, R17m of which came from lower inventory holdings

This had contributed to a R64m positive cash flow, which had improved an already sound balance sheet Success had been achieved in meeting other strategic objectives

Pearce said future sales in the apparel division depended on the state of the economy, fashion preferences and imports

The household textiles division continued to show growth This area had a promising future as housing became available to a greater portion of the population

Delswa expects to maintain earnings

B/Day 8/7/93

EDWARD WEST

CLOTHING manufacturer Delswa was confident of remaining competitive this year and had budgeted to maintain earnings in line with last year, chairman Sam Jaff said in the 1993 annual report.

Delswa, which manufactures women's and children's clothing, was operating in an environment of excess manufacturing capacity which placed pressure on margins, he said

(184)

In the year to end-April, earnings fell to 27,1c from 40,6c a share the previous year. The difficult trading conditions were expected to continue in 1994. There appeared to be growth at retail level, but this had not benefited local clothing manufacturers.

Margins were under pressure due to tough competition and surplus capacity, while garments imported duty-free under the strategic adjustment programme affected demand for local production.

Textile duties were increased last November and although importers expected duty relief on fabrics not manufactured locally, this had not happened, Jaff said

Thousands of clothing, textile jobs go

By AUDREY D'ANGELO
Business Editor

THOUSANDS of jobs have been lost in both the clothing and textile industries while between R500m worth and R600m worth of duty free clothing and fabrics are expected to be imported between now and March under the Structural Adjustment Programme (SAP)

This is pointed out in the SA Textile Federation's Economic Review which shows that the number of jobs in the textile industry fell from 98 000 in 1989 to 89 000 last year

The annual report of the Industrial Council for the Cape Clothing Industry shows that the number of clothing industry employees in greater Cape Town fell from 44 163 at the end of 1991 to 40 562 in 1992 In the same period the number of manufacturers fell from 362 to 334

But the number of jobs in the knitting industry in greater Cape Town rose to 5 269 from 5 146 and the number of manufacturers from 49 to 51

In the past five years the number of people employed in the Cape clothing industry has fallen from 55 886 working for 450 manufacturers to 48 429 working for 402 manufacturers The report says unemployment and short time working are increasing At present "there can be little hope for an improvement in this trend without an early political settlement which might engender economic recovery and growth in the industry."

In the Textile Federation review economist Jan van Coller says there are "a number of signals suggesting that the recession is drawing to a close"

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Van Coller says trading conditions in the textile industry continue to be depressed although mill production in the first quarter of this year was fairly constant at 75% of capacity

"Retail demand for clothing and textiles continues to grow strongly but this demand is not being translated into orders from domestic clothing and textile factories

"Manufacturing production for clothing in 1992 was 7% down on a year earlier and nearly 14% below its 1988 peak. Textile production in 1992 was 10% down on the previous year and 30% below its 1989 peak.

"It seems a great pity — at this time of high unemployment — that a buoyant market sector for consumer goods is not apparently being translated into domestic jobs"

Van Coller says fabric imports of R962m constitute nearly 50% of the SA market's requirements

He considers the provision under the SAP for exporters to import a proportion of duty free fabrics and clothing "has been a disaster for the textile industry and, in spite of statements to the contrary, appears to have impacted severely on sectors of the clothing industry during the past year as well

"Unfortunately the SAP programme in its present form is effective until the end of March 1994 and it is estimated that an overhang of between R500m and R600m worth of duty free permits remains to be utilised before that date"

Star 17/6/93

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Textile production slumps

By Stephen Cranston

Textile production is now 30 percent below its 1989 peak, says Romatex economist Jon van Coller

"Production is five percent down on last year

Writing in the Textile Federation journal, Textile Topics, Van Coller says clothing manufacture is 22 percent below the 1989 peak, and 12 percent below last year, despite continuing high retail demand for clothing

"It seems a great pity, at this time of high unemployment, that a buoyant market sector for consumer goods — a rare occurrence after four years of recession — is not apparently being translated into domestic jobs"

Van Coller says official statistics for the period January to September show that imports of duty-paid clothing fell from R187 million to R140 million from 1991 to 1992, but that imports under the Fourth Schedule rebates almost doubled from R76 million to R146 million, leading to a nine percent rise in total imports to R286 million

But clothing manufacturers are still less severely affected than their cousins in textiles, who competed against R885 million worth of imports — equivalent to 50 percent of domestic market requirements

Van Coller blames this mainly on the high volume of imports brought in under the structural adjustment programme (SAP).

"It is clear that the SAP has been a disaster for the textile industry and, despite statements to the contrary, appears to have impacted severely on sectors of the clothing industry during the past year as well"

The SAP is effective until March 1994 and there is an estimated overhang of R500 million to R600 million worth of duty-free permits to be used before then

Price increases continue to reflect the depressed state of the industry, with clothing producer prices up only 2,9 percent on an annualised basis over the last three months and textile prices actually declining by 2,4 percent

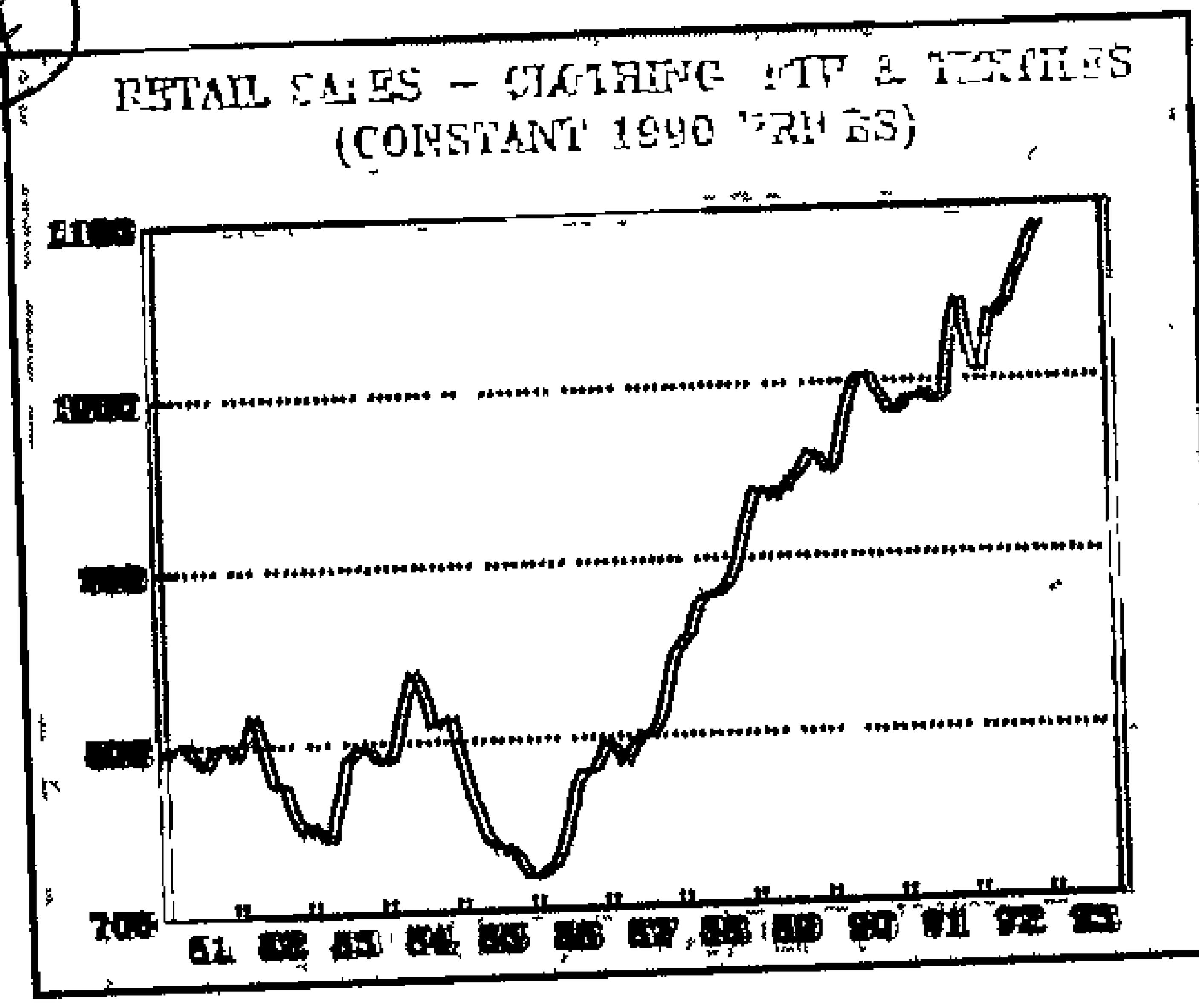
At the retail level, the annualised increase was just 4,1 percent.

Van Coller says that demand in the cotton sector appears to have stabilised in the last few months because of the new tariffs gazetted in November and because the differential in raw material input costs, particularly cotton fibre, compared with the world market, have narrowed in rand terms

But until the R600 million worth of SAP duty-free permits have worked through the system, it is difficult to foresee any significant upward movement in the cotton pipeline, he says.

Things will improve next year if the Long-Term Planning Group comes up with a satisfactory recommendation for addressing the question of the cotton and polyester input prices

The imported competition in synthetics, particularly in lightweights, is extremely tough, but local manufacturers appear to be holding their own in industrial fabrics in both quality and price



Star 29/6/93

Pay rise for clothing workers could hit jobs

By Tom Hood

CAPE TOWN — The 9,25 percent pay rise won by the country's 100 000 clothing workers from July 1 will fatten their wage packets by more than R15 million a year

But, unless the industry can pass its higher labour costs along the line — boosting shop prices — still more manufacturers will be forced to close their factories, warn industry leaders.

Chances are slim, however, of major retailers accepting price increases. Pep Stores chairman Christo Wiese said last week that this year had been the toughest yet for the clothing retailer but business could turn for the better in the third and fourth quarter.

The pay agreement was reached in negotiations conducted nationally for the first time between employers from the four provinces and the SA Clothing and Textile Workers' Union (Sactwu) in Johannesburg.

National Clothing Federation president Aaron Searll said that, while the industry was still operating under difficult trading conditions, the settlement was considered fair and reasonable to both sides.

"But, there is no way the industry will be able to absorb this increase and, unfortunately, it will have to be passed on to our customers," he said.

(184)

Vendome offers a place for luxury

LONDON — The rarefied world of European luxury goods has caught the scent of a new name with the christening of Vendome, the planned holding company for the portfolio of luxury brands owned by Richemont of Switzerland

Cartier, Piaget, Mont Blanc, Dunhill and Karl Lagerfeld will be injected into Vendome, which is to be listed in London and Luxembourg if a restructuring of Richemont's subsidiaries is approved by shareholders.

Analysts estimate the new company could be valued at up to £3 billion, making it a member of the FTSE-100 index in London, even though luxury brands are out of favour because of recession.

Richemont, controlled by the Rupert family of South Africa, has spelt out its plan to simplify its complex group structure by splitting off the tobacco arm, Rothmans International, and combining the two luxury goods businesses, Luxco and Dunhill Holdings, into Vendome.

Dunhill is at present a 57 percent owned subsidiary of Rothmans.

Shareholders

Shareholders in Rothmans and Dunhill Holdings are being offered cash and shares in the new tobacco and luxury goods companies.

Richemont said the new structure would lead to savings and improved marketing. "We are trying to get the operational structure to reflect operational necessities," said Johann Rupert, managing director

The restructuring will also bring to an end Dunhill Holdings' life as a publicly listed company The company, which was set up by Alfred Dunhill exactly 100 years ago, was listed on the London Stock Exchange in 1923

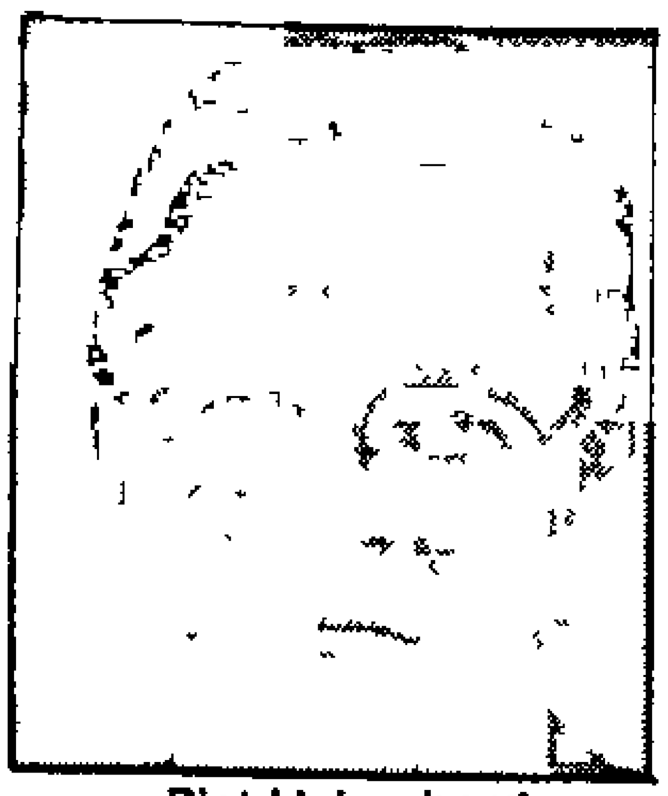
Lord Douro, Dunhill's chairman, said Vendome's individual brands would continue to be managed separately and the disappearance of Dunhill's listing was not significant

"We believe Vendome is one of the most distinguished group of brand names," he said. "It would be immodest to say more than that."

The new company is named after Paris's upmarket Place Vendome

Piet Liebenberg joins Cosab

Star 29/6/93



Piet Liebenberg

One of South Africa's best-known bankers, Piet Liebenberg, has been appointed chief executive of the Council of Southern African Bankers (Cosab)

The new appointment is effective from July 1.

Commenting on the appointment of his namesake, the chairman of COSAB, Chris Liebenberg, said that the Council was delighted and fortunate to obtain his services

"Piet's exposure to the different fields of banking, and his knowledge of the economy, will stand COSAB in good stead"

Piet Liebenberg succeeds Tony Norton who left COSAB recently He will retain his non-executive chairmanship of Bibliaton '94, a project of the Bible Society of South Africa

Star 29/6/93

Property firm clinches first 'unit' deal

Property Editor

Capital Property Fund is the first property unit trust (PUT) to buy property by the direct method of issuing units to the seller.

This follows recent changes to the trust deed provisions for property unit trusts

The new provisions, recommended to the Financial Services Board by the unit trust advisory committee last year, allow the PUTs to issue units directly to vendors of property, rather than holding a rights issue to raise cash for the purchase.

Capital, managed by the JH Isaacs group, has already used the new system to buy an industrial property from Anglo-Dutch, and says two more such deals are in the pipeline

The current deal involves the issue of 5 230 000 new units, worth R13,5 million, and the placement of these with a number of institutions in order to give Anglo-Dutch the cash

JHI (Transvaal) property management director Markham Becker says the new system will allow PUTs to compete on an equal footing with variable loan stock companies or direct buyers and that other funds are expected to follow Capital's lead

He says that using scrip for acquisitions will also eliminate the discount to market value in issuing new units which was necessitated by a rights issue, and which worked to the disadvantage of existing unit holders who tended not to follow their rights

Delswa drops back by 33%

8 May 30/8/93

DUMA GQUBULE

FASHION house Delswa reported a 33% drop in attributable earnings to R1,9m (R2,8m) for the year ended April, despite a strong performance in the second half.

This was equivalent to earnings of 27,1c (40,6c) a share from which a dividend of 6c (9c) a share was declared, the result being in line with company forecasts at the interim stage when it predicted a 30% decline in earnings to 28c a share for the year.

Group MD Stephen Jaff said in a statement published today the results reflected very difficult trading conditions. There appeared to have been a certain amount of growth at the retail level in the clothing sector but this had not been of benefit to manufacturers, he said. (1842)

Turnover was not disclosed, but Jaff said it had increased by 1% over the previous year's figure. Operating profit was down 28,5% to R5m (R7m) because of severe competition and surplus capacity in the industry which had placed margins under pressure.

Interest payments absorbed R1,8m (R1,9m) and tax R1,4m (R2,2m), leaving an after-tax profit of R1,9m (R2,8m)

Jaff said it was difficult to make confident forecasts for the year ahead.

There was significant excess capacity in the industry which had remained highly competitive. This was placing continued pressure on margins and the group's ability to show a reasonable return on its assets.

Delswa was, however, confident it had the managerial and financial strength to remain competitive and had budgeted to maintain profits.

Clothing firms in the black

MARC HASENFUSS (184)
Business Staff ARGT 2/10/93

THREE small clothing and textile listings based in Cape Town managed to stitch up profits in spite of the threadbare conditions prevailing in the industry

Waning local demand, which has needled the industry for close on four years, has destroyed profit margins and pushed gearing to dangerously high levels

■ **Pals Holdings** put in a gutsy performance for the year to end June, managing to hold bottom line at R740 000, close to last year's levels — thanks mainly to the reduction inthe tax bill to a petty cash R4 000 (previously a (R327 000)

Turnover was up 25 percent to R33,6 million but margins were ripped, leaving operating income down almost 10 percent at R1,4 million Increased finance costs of R665 000 also tore into bottom line

After skipping the interim payout, directors declared a 1,4c a share final dividend

■ **Burlington Industries** limited a decline in net income to R251 000 (19 percent) for the half year to end June

Turnover increased 7 percent in the period under review, according to directors Like Pals, however, operating profit slipped down 12 percent to R528 000 — indicating that there is still considerable strain on margins

Directors expect a similar trading pattern in the second half and predicted that earnings for the full year would be maintained This de-horned bullishness was supported by a maintained interim dividend of 2,5c a share

■ Leatherware group **Pointer Fashion International** surprised by staying in the black in the half year to end June

The group managed R132 000 at bottom line from last year's loss of R717 000 by cutting out all unprofitable lines

Chief executive Lawrence Turok said Pointer had reduced production and was banking on the fact that small businesses have a better chance of pulling through the prevailing poor trading

The group, he said, was also looking to export more exotic leather products

Although borrowings increased to R540 000 in the period under review, Pointer has cut its interest bill significantly to R784 000 by using a variety of financing options

The group's ability to hold the profit thread will depend on the pending upturn The interim dividend was passed

Others were less fortunate

■ Clothing retailer **Bergers Trading Holdings** — which sells through Bergers, Hilton Weiner and Jones outlets — posted a loss of nearly R3 million in the half year to end June as trading conditions continued to deteriorate

Rationalisation saw 20 loss-making stores closed in the period under review Directors pointed out that had these stores not been operating Bergers would have broken even, especially in light of the interest saving rights issue in July

Seardel forecasts better year ahead

(184) ARGUS 5/10/93

TOM HOOD, Business Editor

HIGHER sales, profits and dividends are forecast for 1994 by Seardel Investment Corporation, the country's largest clothing manufacturer.

Chairman Aaron Searll says he believes the recession has at last bottomed outand that a gradual upturn in the economy may start

"This perecption is contained in the budgets produced at operating level," says Dr Searll in his annual report

Turnover was R1,07 billion in the year to June and he forecasts this will rise to between R1,1 billion and R1,3 billion.

Profit before tax he estimates will be in between R22 million and R27 million (previously R23 million)

He sees earnings at between 65c and 75c a share (up from 65c) and dividends reaching 13c to 16c against 1993's 13c.

About R92 million of retained profit was ploughed into reserves in ther last seven years as a result of maintaining a policy of high dividend cover

The annual report shows finance charges of R34,5 million absorbed about 60 percent of the operating profit of R57,8 million, leaving R23,2 million The interest bill, however, was R2,5 million lower.

One effect of the recession was R6,7 million written off due to discontinued operations

The balance sheet shows group borrowings increased to R36,5 million at June 30 from R20,3 million a year ago Most of this was due to a R21 million bank overdraft, up from only R833 000 a year ago

FM 23/7/93 (184)

DELSWA

Second-half rally

Activities: *Makes clothing*
Control: *Jaff-Delswa 46,8%*
Chairman: *S L Jaff, MD S H Jaff*
Capital structure: *7m ords Market capitalisation R5,2m*
Share market: *Price 75c Yields 8,0% on dividend, 35,3% on earnings, p e ratio, 2,8, cover, 4,5 12-month high, 100c, low, 70c Trading volume last quarter, 54 000 shares*

Year to April 30	**'90**	**'91**	**'92**	**'93**
ST debt (Rm)	11,9	8,4	8,2	9,0
LT debt (Rm)	4,1	3,0	4,0	4,0
Debt equity ratio	0,78	0,48	0,47	0,47
Shareholders' interest	0,48	0,56	0,58	0,57
Int & leasing cover	3,0	3,7	3,6	2,8
Return on cap (%)	18 5	21,8	15,4	10,2
Turnover (% increase)	11	2	2	1
Pre-int profit (Rm)	8,1	9,3	7,0	5,0
Earnings (c)	39,6	54,4	40,6	27,1
Dividends (c)	9	10	9	6
Tangible NAV (c)	293	338	373	399

After a disappointing mid-year 90% vanishing act in pre-tax profit, investors must be pleased by only a 36% dip for the full year

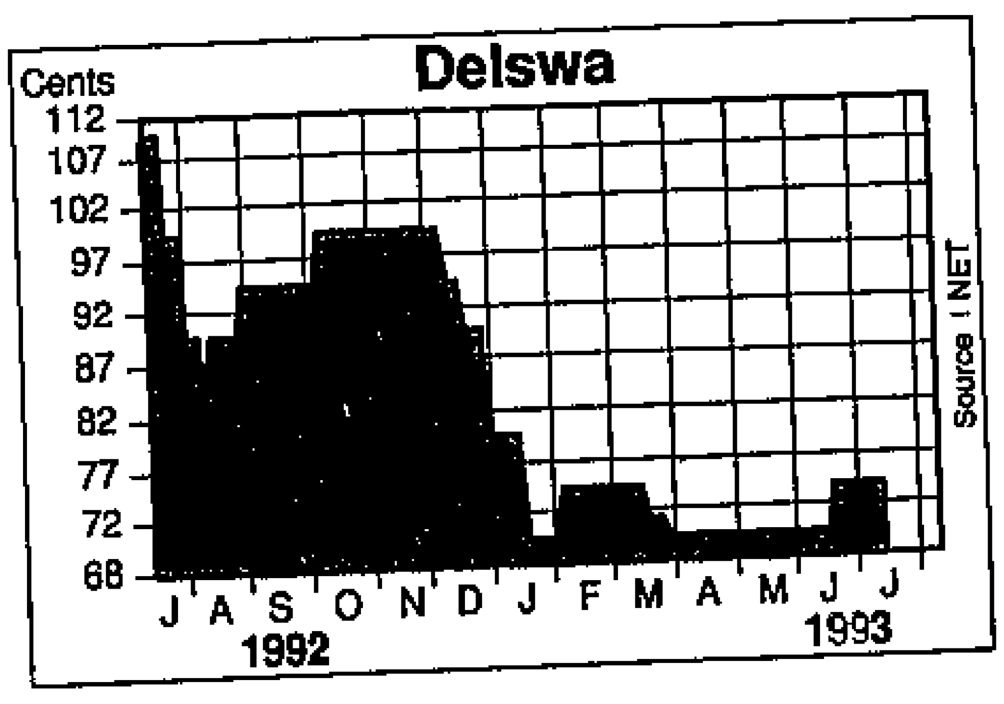
Says chairman of this long-established clothing manufacturer Sam Jaff. "A major factor contributing to the poor interim results was the delay by one customer in confirming a large contract which was originally due for delivery in September" The order was confirmed and together with lower interest rates boosted the full year

Turnover rose by a nominal 1% The actual figure is not disclosed, auditor KPMG Aiken & Peat points out that this does not comply with the Companies Act, but Jaff contends the directors feel full disclosure would not be in the company's interest

Stocks and debtors both rose, stocks by 25% to R13,9m and debtors 6% to R25,6m However, financial ratios remain sound, with current assets 2,4 times current liabilities

Jaff says results reflect very difficult conditions in the clothing industry While there appears to have been some growth at retail level, this has not helped local manufacturers Severe competition and surplus capacity have squeezed margins

Also, garments imported duty-free under the Strategic Adjustment Programme hit demand for local product Duties on textiles went up in November but expected duty relief on fabrics not made locally has not been forthcoming This, Jaff claims, led to unnecessary hikes in costs of imported fabrics Price increases of local fabrics have in general been held below the inflation rate but even if modest must be absorbed



Exports were maintained and Delswa again benefited from the various incentives Jaff says growth in the industry "will depend on our ability to become internationally competitive" To this end, he adds, it is essential that at all levels of the clothing pipeline inputs are available at world-related prices and that any increase in wages is at least matched by better productivity

With a volatile economic and political climate, Jaff finds it difficult to make confident forecasts for this year Significant excess capacity and keen competition place continued pressure on margins and Delswa's ability to show a reasonable return on assets

Jaff's son Stephen will take over the chair next month on the retirement of Jaff (81) He has a formidable task since most factors that contributed towards the difficult 1993 are expected to continue this year

Like EPS, the share lost a third in value over the year At 75c it trades at a 80% discount to NAV *Kate Rushton*

NINIAN & LESTER

Facing bare facts

Activities: *Makes textiles, clothing and hosiery.*
Control: *Directors 53,1%*
Chairman: *M R A McElligott; MD: D M Drysdale.*
Capital structure: *3,2m ords Market capitalisation R17,6m*
Share market: *Price: 550c. Yields: 2,7% on dividend, 10,4% on earnings; p:e ratio, 9,6; cover, 3,8. 12-month high, 600c; low, 500c. Trading volume last quarter, 3 000 shares.*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	5,2	7,3	16,5	16,4
LT debt (Rm)	4,0	4,3	4,4	4,0
Debt equity ratio	0,23	0,20	0,33	0,31
Shareholders' interest	0,55	0,57	0,56	0,54
Int & leasing cover	3,7	3,6	2,6	2,1
Return on cap (%)	19,7	16,4	12,5	9,4
Turnover (% increase)	29,8	39,3	5,9	11,9
Pre-int profit (Rm)	14,3	16,6	13,8	11,2
Earnings (c)	262	182	119	57
Dividends (c)	73	51	31	15
Tangible NAV (c)	1 221	1 443	1 533	1 575

One would expect resistance to giving up wearing underwear and socks, even in these tough times. Apparently not — Ninian & Lester, maker of these basic products, saw earnings halved last year

The 1992 year was characterised by short delivery periods, a thin order book, short time, reductions in staff complements including retrenchments — employment fell to 3 737 from 3 931 in 1991 — and tight cost controls (184)

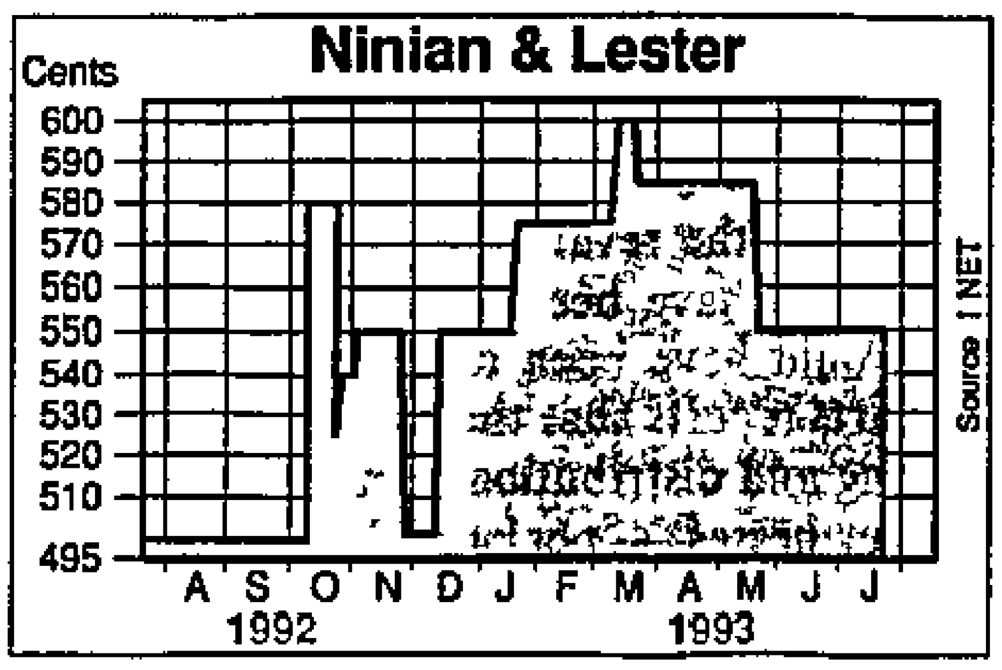
Trading income before depreciation, interest and finance leasing charges, fell to R18,8m from 1991's R21,2m Pre-tax income fell from R9m to R6,2m

Chairman Matthew McElligott says the outerwear division settled down reasonably well in new premises. Losses were about 70% lower than in the previous year. After the year-end the company stopped making ladies outerwear under the Leading Lady and Nina brand names. McElligott says these changes should enable improved performance, even profits, for outerwear in 1993.

With the continued pressure on margins, profits from the underwear division were almost a third lower than the previous year Fortunately, the rugby jersey division had a busy year; its exports performance was notable

The hosiery divisions, too, posted lower profits Both volume reductions and reduced margins reflected difficult trading.

Trading conditions have so far remained



at last year's low levels, order intakes this year are much the same as a year ago Management is thus looking for similar profit for 1993 (184)

EPS, at 237c only five years ago, now stand at 57c At 550c, the share trades 65% below NAV On a p:e of 10,4, double the clothing sector's average, the stock appears fully priced. *Kate Rushton*

Strike, imports and recession rip Da Gama

MARCIA KLEIN

CLOTHING and textile company Da Gama saw its earnings slump 27% to 14,9c (20,3c) a share in the six months to end-September on the back of a prolonged strike, recessionary conditions and continuing problems in the textile industry

The company, in the SA Breweries stable, reported an 8% drop in turnover to R120,1m (R130,4m), and a 39% fall in net operating income to R8,4m from R13,7m

Directors said the six-week strike in April and May, the recession and continued importation of fabric and clothing affected sales and earnings

Although Da Gama earned interest — after paying interest in the previous year — net pre-tax income was still substantially down at R9,2m (R13,3m) BDay 2/11/93

Net attributable income declined 27% to R7,6m (R10,4m) A 23% lower interim dividend of 5c (6,5c) a share was declared, in line with Da Gama's practice of covering dividends 2,3 times (184)

Directors said earnings would have shown a marginal improvement if not for the strike

They said the balance sheet remained sound The reduction in the net cash position since the year-end was due largely to an increase in working capital

Directors pointed out that the Trade and Industry Department had released a short-term tariff structure effective from yesterday and which would remain in force until the end of next year It would be replaced in 1995 by tariffs which would form part of a long-term strategy

They believed the short-term tariffs would contain or reduce imports of yarn fabric and clothing This, together with a slightly improved economy, should result in stronger earnings in the second half

Perks cut may slice exports

184

ARGT 20/11/93

■ Facing reduced incentives, clothing exporters are battling to remain competitive with Asian manufacturers.

TOM HOOD and ALIDE DASNOIS
Business Staff

PRICES of clothing exports could be forced higher and threaten many companies if export perks are taken away

"Exporters are worried by the uncertainty — they cannot plan ahead and tell overseas buyers what prices will be a few months ahead," say Johann Baard, the new chairman of the Cape Clothing Manufacturers Association

As much as 10 percent of turnover of major companies is derived from exports, providing a vital cushion against retrenchments

The Cape lost 2 977 clothing jobs in the 12 months to August and in 10 years the number of employees shrunk from 60 000 to 45 000, said Mr Baard

Clothing exports grew to R356 million in the first five months of this year compared to R460 million last year — "an expanding and still successful effort," he reported to the associatin's annual meeting

The top 10 destinations accounted for 85 percent of the total export value, with Britain and Germany responsible for two-thirds of the total

However, it was "a sobering experience" to consider that the total South African clothing and textile exports to American and European countries was about $100 million a year against Indonesia's $6,5 billion and Malaysia's $2,5 billion

Becoming internationally competitive was a sentiment easily bandied about but quite another thing to achieve, said Mr Baard

Over the next nine years the industry was likely to be faced with an ever-reducing tariff dispensation for the import of garments

This would likely result in increased quantities of imported garments reaching South Africa

While import duties on fabrics would at the same time be reducing, it was generally expected that input costs would not match those of overseas manufacturers

Export opportunities were most likely to predominate in the higher "value-added" products of world clothing markets

The demise of export assistance schemes would place an added burden on manufacturers, who maintained they were unable to survive and remain competitive without incentives

"A positive outcome of the current tariff reform programme is manufacturers will have more certainty as to where they stand with regard to tariffs and will be able to plan with greater confidence and predictability," said Baard

The creation of a trade bloc in North America would step up pressure on South Africa to conform with GATT requirements, SA Foreign Trade Association (SAFTO) general manager Ann Moore has warned

She said the direct implications for South Africa of the creation of a North American Free Trade Association would be minimal — the country's major exports to the United States, industrial raw materials, would not be affected

But the strengthening of links between the United States, Canada and Mexico would force South African companies to be more competitive in order to gain access to markets

"And the formation in North America of what could be a strong trading bloc in the years to come means that we cannot afford to stay out of a global bloc like the GATT"

South Africa was not a member of any other big trading bloc, Ms Moore said "And even if we were to join the Preferential Trade Association, it doesn't have the same status"

She said there was still room for negotiation with the country's main trading partners, who have rejected South Africa's revised offer to the GATT, asking for further reductions in import tariffs

"We can probably afford to concede in some areas, such as steel   this may give us room to manoeuvre on other more sensitive questions such as clothing and textiles, or automobiles"

{PAGE}

on name

NEWS IN BRIEF

B/DAY 8/4/93

Building plans gloom

THE total value of building plans passed dropped nearly 30% to R615,2m in January compared with R876,2m in the same month last year, CSS statistics released yesterday showed

The value of non-residential plans passed fell 71% to R70m, mainly due to R134m less space approved in Johannesburg. The value for residential buildings fell 19% to R313m (R384m)

Insignia 'a courtesy'

SWISS manufacturer Pilatus put SA Air Force insignia on one of its PC-7 training planes as a "courtesy" during a visit by former Defence Minister Gene Louw, a company spokesman said in Stans, Switzerland yesterday.

He said it was a "normal courtesy measure during a visit by ranking clients" The insignia was removed after Louw's visit.

Malaria rampant

B/DAY 8/4/93

OF THE 100-million cases of malaria reported annually, 80% occurred in Africa, Health and Population Development northern Transvaal director Dr Nicholas Crisp said yesterday after attending a World Health Organisation meeting in Brazzaville, Congo.

About 275-million Africans, or more than half the continent's 500-million people, were infected The disease was responsible for 1-million deaths a year, he said

Beit Bridge warning

B/DAY 8/4/93

ZIMBABWE could lose a substantial volume of tourist business over the Easter holidays if facilities at the Beit Bridge border post were not adequate for the large number of tourists expected from SA, Hotel and Restaurant Association of Zimbabwe president Charles Tawenga said

He said problems at the border post during the December/January holidays caused much unfavourable comment about Zimbabwe in SA

REPORTS Business Day Reporter Sapa-AFP

Thousands go as job losses rise in clothing industry

B/DAY 8/4/93. (184)

LINDA ENSOR

CAPE TOWN — Job losses in the clothing industry were accelerating and thousands of workers had joined the ranks of the unemployed, National Clothing Federation economist Arnold Werbeloff said in the latest issue of Clothing Industry News.

Employment levels had dropped 13% in the major manufacturing regions between January 1992 and January 1993 The number of employees dropped to 94 000 (108 000) in this period, with 3 700 jobs lost between December and January this year

He said Natal had been the most severely affected with employment levels falling 18% last year, followed by the Transvaal with 15% and the western Cape with 9%

Production volumes of clothing declined 8% and of textiles 12% in the 11 months to November 1992 while production prices in the last quarter of the year were 9% lower for clothing and 5% for textiles On the other hand retail sales of clothing rose by 4% in real terms in the first 10 months of last year

Werbeloff attributed this anomaly to the larger share of the market being taken up by second hand and imported clothing and the rise of the homeland and informal manufacturing sectors

Foreign interest in investing in SA clothing and textile industries had surged in recent months, particularly among US, Belgian and British importers, Werbeloff said

"The possibilities for exports of clothing and textiles from SA into the EC, eastern Europe, the North Atlantic Free Trade Area and even the Far East are very attractive and these opportunities are enhanced by a variety of export inquiries from these markets," Werbeloff said

"Trade missions are arriving on a regular basis and sourcing agents continue to make SA a favoured stopover," he said

Exports represented over 10% of official clothing industry output and were estimated to total R500m last year — a 50% increase over the 1991 figure, Werbeloff said

Federation executive director Hennie van Zyl said yesterday major overseas investors had expressed interest in establishing themselves in SA, mainly through joint ventures with SA firms, with the aim of using the country as a base for exports

No concrete steps had been taken, however, as there was concern over SA's complicated maze of rules and regulations and its tariff structure Potential investors were also awaiting the outcome of the investigation into a long-term strategy for the clothing and textile industries

Van Zyl noted that SA labour costs were competitive with those of Far Eastern clothing manufacturers and the clothing industry also had a well developed infrastructure and a highly demanding retail sector.

Informal rag trade growing

184

ARG 11/9/93

■ Despite a growing scarcity of available jobs in the formal garment industry, the informal sector continues to grow and provide employment.

MARC HASENFUSS
Business Staff

IN the next ten years one garment in two will be sold through the informal sector, National Clothing Federation economist Arnold Werbeloff said this week.

About one-third of total clothing business was already being sewn-up in informal outlets, he told delegates at the Renaissance Business Associates conference in Cape Town

The portion of the clothing market not measured by official statistics could grow to over 50 percent in the next decade, he said

"There is no doubt that the informal sector and its various forms of purchase are the growth market of the future for South Africa"

Mr Werbeloff said changes in the laws relating to starting up a business, the relaxation of restrictions on hawking and retrenchments in the formal garment sector had combined with the economic downturn to encourage informal sector development

He outlined a number of adjustments taking place in the clothing market in the new South Africa

■ The channels of distribution of clothing were becoming shorter, with fewer middlemen and less use of retailers

■ Factory shops were becoming the norm with their merchandise far more competitively priced

■ Mail order was becoming a key marketing tool — not only in far-flung rural areas, but also in urban markets

■ Hawkers were assuming an ever-increasing importance as old barriers to trading dissolved

■ Party plan selling with friends and acquaintances to provide a 'fun' buying experience at low cost

■ Workers who are retrenched from the garment sector were now sewing at home and selling through flea markets "Just as the formal clothing output has shrunk, so informal production has boomed"

Mr Werbeloff pointed out that a lowering of tariff barriers to trade would mean that an increasing volume of low priced clothing would enter the local market

As the economy becomes dominated by the lower income consumer, large chain stores were being forced to come down market, squeezing margins at the manufacturing level, said Mr Werbeloff

"We are being forced in the clothing industry to meet the needs of a changing local marketplace, become world class in our production methods, and ultimately to compete on world markets," he said

Stable clothing demand likely

MZIWAKHE HLANGANI

DEMAND for local clothing and textiles is expected to remain stable until there are more signs of an improvement in the economy, says Romatex strategist Jon van Coller

Writing in a textile industry publication, he said probabilities pointed towards consumer demand levels being maintained for the remainder of 1993. BiDay 9/8/93

Van Coller said there had been a general reduction in imports of fabrics, clothing and made-up textiles during the first quarter, while yarn imports were up 42%. (184)

The total imports of R483m for clothing and textiles for the first quarter amounted to R1,93bn when annualised, excluding imports for export

The outlook for SA textiles had improved marginally as a result of tariff levels being maintained at consistent levels since November 1992

However, SA textile manufacturers had serious doubts about making the local industry internationally competitive

Textile Coats/Thread Natal MD Peter Manns said "We must trust that the government will adopt a monetary policy which will encourage the manufacturer to export."

Da Gama Textiles CE Harry Pierce said the lowering of import duties would mean greater competition from subsidised foreign producers

Unless government was prepared to subsidise or protect the industry with subsidised exports or protection against cheap imports, it would be necessary to source abroad

This would mean a substantial number of job losses, he said

Union asks Cosatu to end ties with ANC in new SA

Star 22/7/93

(184)

By Paul Bell
Labour Correspondent

South Africa's third largest trade union, representing about 170 000 clothing, textile and leather workers, has joined metalworkers in calling for an end to the Congress of South African Trade Unions' alliance with the ANC once a new constitution has been drawn up.

The Southern African Clothing and Textile Workers' Union (Sactwu) made the call at a congress in Durban at the weekend

The union committed itself "on a once-off basis" to helping the alliance in the election of a Constituent Assembly, provided.

● Delegates nominated by the unions are accommodated on party electoral lists on a fair and balanced basis, without stripping the unions of the leadership they require to remain a major social force.

Guaranteed

● Electoral platforms support the inclusion in a Bill of Rights of protections for trade union membership, organising, the right to strike, and collective bargaining,

● Industry and nationwide centralised bargaining institutions and provident funds, as well as tripartite decision-making — in, for example, the National Economic Forum — are constitutionally guaranteed.

The Sactwu congress then called for the alliance with political parties to be ended as soon as a new national constitution was adopted.

It also reaffirmed, in the interest of worker unity, the right of its members to vote for the parties of their choice.

Sactwu's position is virtually identical to that adopted by the 238 000-strong National Union of Metalworkers of South Africa three weeks ago.

It underscores the efforts of the Cosatu-aligned trade unions to establish their independence from the ANC-led tripartite alliance in advance of the change in government.

Clothing workers to get 9,25% rise

B/Day 22/6/93

ERICA JANKOWITZ

WORKERS in the clothing sector will receive a 9,25% across-the-board wage increase from July 1 despite the recessionary climate factories are operating in. (255)

A Transvaal industrial council spokesman was surprised at the settlement. "I expected closer to 7,5%, but if we could successfully implement a productivity agreement we could afford to pay inflation-linked increases," he said. The union's opening demand was for a 16% increase. Employers proposed a wage freeze.

The agreement, reached late last week, affects 102 000 workers covered by the existing five industrial councils. ([illegible])

Part of the settlement involves establishing a national productivity subcommittee, with equal employer/employee representation. It will investigate the union's proposed skills-based grading system and employers' proposal of splitting annual leave to allow for greater production flexibility. In the interim, the union has agreed to look favourably at factory exemptions from the council's annual shutdown clause.

Lionel October of the Cosatu-affiliated SA Clothing and Textile Workers' Union said the agreement was important as the parties had agreed to a single national industrial council incorporating existing regional councils. Although this would come into effect only in June 1995, wage negotiations next year would be conducted at national level. The settlement included a clause obliging clothing employers to give workers severance pay. (184)

Star 5/2/93.

Clothing and textile industries welcome new duty rebate scheme

(184)

By Stephen Cranston

The clothing and textile industries have both welcomed the new duty rebate scheme which will be introduced on April 1.

Under the scheme a duty rebate equal to 30 percent of exports will be given on imports of clothing, of 15 percent on imports of fabric and 10 percent on imports of yarn

It replaces the more complex Structural Adjustment Programme, in which duty-free permits were issued equal to 70 percent of the value of clothing exports, plus five percent of the value of local textile purchases.

Textile Federation executive director Brian Brink says a tax credit system might have been preferable but government was not prepared to give this

On balance the value of the export incentives will be slightly reduced but it eliminates certain abuses.

"Under the SAP importers were encouraged to bring in items which carried a high level of duty, as there would be a greater saving of duty. Now they have to use more permits if the duty is higher"

Sadek Vahed, chairman of the AM Moolla clothing group, says he is extremely pleased the government has had the foresight to act urgently as a number of clothing manufacturers were hamstrung and could not quote on garment enquiries from overseas clients.

"There was a great danger that the export momentum was on the verge of being jeopardised."

But he says exporters cannot work on a stop-go year-to-year basis and he is disappointed that what has been announced could not have been extended an extra year to coincide with the expiry of GEIS incentives in March 1995

The old SAP increased clothing exports from R60 million to R600 million, creating or saving up to 20 000 jobs in the process

National Clothing Federation executive director Hennie van Zyl says the new system is much easier to administer and he welcomes the fact that it no longer encourages importers to import items which carried high duties.

Clothing sector stripping staff

184

ARG 6/8/93

TOM HOOD
Business Editor

EMPLOYMENT in the Cape clothing industry is falling by 800 jobs a month and many factories are working four days a week, claims a leading employer.

At this rate there will be a loss of 2 400 jobs by the end of March, says Mr Simon Jocum, immediate past chairman of the Cape Clothing Manufacturers Association

The employment figure at the beginning of this year was 48 429 which means a five percent fall in three months, he said this week at the Cape branch of the Clothing Institute

"Today, happinesss is staying in business and having a job"

Production was at a low ebb and employment on the decline in spite of the lowering of interest rates, an upward movement in retail sales of clothing, and the effects of surging clothing exports

The textile sector was also showing few signs of recovery and the production of natural fibres appeared to be hard hit by drop-offs in demand

On the positive side, there were moves afoot to restructure the clothing pipeline to meet international competition and the first signs of foreign investor interest in the local clothing and textile industries were becoming evident

From January to November 1992, production of clothing in South Africa declined by 8 percent compared with the same period of 1991 with the figure for textiles being 12 percent

This unhealthy pattern was illustrated by the downward spiral of monthly output since 1990 in both the clothing and textile industries, with clothing production currently around 95 percent of the 1985 level and texiles at less than 80 percent

Overall output had dropped by more than 40 percent in both industries since 1981.

"This rather gloomy state of affairs has occurred despite a very different set of trends in retail clothing sales According to Central Statisical Services data, sales of clothing rose by four percent in real terms during the first 10 months of 1992 compared with the same period of 1991," said Mr Jocum.

In total, the sale of retail clothing was up from R787 million to R818 million a month

"If this is indeed the case, the South African clothing market is expanding at a healthy pace, but local clothing manufacturers in the industrial council areas are not seeing the benefits The reasons for this may be found in substitution of second-hand for new clothing and imports for local garments, as well as the rise of the homeland clothing sector, informal cottage manufacturing and home sewing"

The industry had to contend with 50 million units of used clothing which were imported duty fee in 1992 by welfare organisations and this will be sold in 1993

"Used clothing imports have cost our industry 10 000 jobs these last few years," added Mr Jocum

"If our industry does not enter into a profit mode soon, no new investment in plant and technology can take place and we will all be left behind in the race for the global markets."

Cape clothing manufacturer heads back to the black

MARC HASENFUSS (184)
Business staff ARG 1/7/93

PAROW-based clothing manufacturer Hicor should shuffle back into the black this year, chairman Mr Renier van Rooyen told shareholders at an AGM yesterday

The group — which manufactures school and men's wear through Allwear and underwear, casualwear and sleepwear through Hicor Trading — has been stuck at over R2 million in the red for the past two financial years

Mr Van Rooyen said Hicor's manufacturing plant in Newcastle had not run at less than 80 percent capacity this year — thanks mainly to an effective export drive during the off-peak months between April and June

He expected exports to increase dramatically this year Since March, exports had already matched last year's total

Exports were not coming off a low base as the past three years has seen the group's exports more than double

Locally, Mr Van Rooyen said Hicor was trying to secure "one or two" big customers for school clothes

He said Hicor had recently signed an agreement for the sale of plant and equipment at the recently closed Sherleys at a price better than book value

Hicor Trading's underwear factory in Parow was closed near the end of 1992 and some operations moved to Newcastle

Mr Van Rooyen said directors would seriously consider a dividend if profits were adequate

He cautioned there was still substantial debt to service

Pay rise for 100 000 will hit customers

ARG 26/6/93 (184)

No way clothing industry will be able to absorb cost — leaders

TOM HOOD
Business Editor

THE 9,25 percent pay rise won by the country's 100 000 clothing workers from July 1 will fatten their wage packets by more than R15 million a year

But, unless the industry can pass its higher labour costs along the line — boosting shop prices — still more manufacturers will be forced to close their factories, warn industry leaders

Chances are slim, however, of major retailers accepting price increases Pep Stores chairman Mr Christo Wiese said at their AGM this week that this year had been the toughest yet for the clothing retailer

Mr Wiese said business could turn for the better in the third and fourth quarter in line with improvements in the political situation, the end of remaining sanctions and better agricultural conditions in the summer rainfall regions

The pay agreement was reached in negotiations conducted nationally for the first time between employers from the four provinces and the SA Clothing and Textile Workers' Union (Sactwu) in Johannesburg

The parties agreed to set up a national industrial council by July 5 1995 and to the regulation of severance pay

National Clothing Federation president Dr Aaron Searll said yesterday that, while the industry was still operating under difficult trading conditions, the settlement was considered fair and reasonable to both sides

"But, there is no way the industry will be able to absorb this increase and, unfortunately, it will have to be passed on to our customers with any other inflationary cost increases," said Dr Searll

"Costs have gone up for employees and we have a responsibility towards our labour force But, the time has come for retailers to pay more for their supplies After two years, there has been virtually no increase in our prices"

In the past 12 months, 23 Cape garment factories closed and more than 3 800 Cape clothing workers lost their jobs — almost 8 percent of the work force, according to industrial council figures

About 630 jobs were lost in May and 200 more in the first half of June, reported Mr Simon Jocum, past chairman of the Cape Clothing Manufacturers Association

Mr Mervyn Shabason, vice-chairman of the association, said retailers were trying to keep prices down to make consumers happy

Manufacturers' overheads had gone up and some of them would be forced to absorb the bulk of the wage increase This would affect profitability and some companies would make greater losses and forclose

The rand lost 5 percent of its value against the US dollar this week, making imports more expensive This cost, also, would have to be absorbed

Mr Jocum said in an interview he believed there was an urgent need for managements and workers to get together and increase productivity as soon as possible

Price increases would lead to lower volumes, more short-time working and retrenchments Basically, consumer spending had fallen and clothing imports had flooded into the country

Wages formed between 20 and 80 percent of costs — 80 percent in the case of small CMT firms where wages formed a huge component and the prospect of raising prices was not good

Mr Jocum said he believed the industry's depression had reached rock bottom and he could see a "very slight, hardly noticeable" increase in business coming in the second half of the year Exports were expected to increase, helped by the weaker rand

"I see a definite upturn in 12 months, after the election and after imports are closed The industry is becoming more competitive because of pressure from the large chains — even making it competitive in global terms for the first time"

■ See graph on page 3

Clothing exports soar to R460m

B/Day 29/6/93

LINDA ENSOR

CAPE TOWN — Clothing exports have boomed to such an extent that the industry had a positive trade balance last year for the first time, says the latest issue of the National Clothing Federation newsletter.

(184)

Exports of clothing amounting to R460m last year represented 10% of the total value of clothing production, with 61% of the exports going to the UK (R105m), Hong Kong (R71m), Germany (R64m), US (R24m) and the Netherlands (R17m) Clothing valued at R238m was imported, with 62% coming from China (R96m), Taiwan (R43m), Zimbabwe (R40m), Hong Kong (R36m) and India (R23m)

Federation economist Arnold Werbeloff said that despite the favourable business conditions emerging, employment in the formal clothing industry in urban areas was declining

Employment in the major urban concentrations of clothing manufacture fell by 13 000 to 93 000 workers in the first four months of this year Natal experienced the largest job losses (7 000 workers), while Transvaal suffered the largest percentage loss (15%) Between January and April, 91 factories were closed, 36 of them in the western Cape

"The decline in urban employment has occurred despite a steady 4% real growth in retail sales of clothing in 1992 The implication is that retail chains and other formal clothing retailers are not channelling this demand to their traditional suppliers of clothing, but rather to the competitive suppliers locally and abroad

"Destocking of goods from the urban clothing manufacturing sector has taken place at retail level and price competition is extremely tight," the newsletter said

Clothing production output fell 7% last year while textile production declined by 10% Clothing inflation at producer level averaged 9%, while that of textiles was 5%. These figures showed that the downturn in textile activity was more severe than in the clothing sector, in terms of output and producer margins

Star 16/6/93

Kahn wants less reliance on tariffs

184

The clothing and textile industries need to be far less dependent on tariff protection for survival, says Edgars chairman Meyer Kahn in the group's annual report.

"The prevailing high tariff levels are necessary to safeguard further job erosion or even business failure, but SA industry will have to develop a capability to compete internationally with far less reliance on tariffs and subsidies," he says.

Edgars is actively pursuing these aims in its own manufacturing business as well as taking part in the government-initiated Textile and Clothing Task Group.

SA's clothing and textile businesses have been threatened in the last year by cheaper imports, and alleged dumping, from the Far East.

He says, however, that traditional suppliers in the Far East to the European Community are experiencing rising costs, and "there is discernible interest in procuring this merchandise from African and Eastern Bloc countries". — Sapa

Star 15/7/93

280 Coastal jobs on the line

Business Staff

The fate of 280 workers will be sewn up unless JSE-listed Coastal Clothing of Durban, which was provisionally liquidated on Friday, can be rescued.

Provisional liquidator Mark Lynn says more than 20 employees were laid off at the beginning of last week and the rest of the workforce will be released gradually as work-in-progress is completed

The company, whose shares were suspended on the JSE at the request of its directors, passed its dividend and reported a loss of just under R1 million for the financial year to end-February 1993

Lynn said Coastal had committed itself to completing all cut-out garments and between 10 percent and 15 percent of "a solid order book for the coming summer"

Salvage bid

184

However, if an invitation for investors to come forward and tender for the business failed to result in a salvage bid, both the order book and "an extremely skilled work force" would be lost.

"Speed is of the essence because as time elapses, orders will be cancelled"

Despite loyalty of customers and creditors, attempts to rationalise through tighter cost control and the retrenchment of 52 workers in April, the men's shirt manufacturer — which uses the Van Heusen trademark — has been unable to patch a threadbare balance sheet

"By last Friday it became apparent that Coastal was commercially insolvent and unable to meet the demands of its creditors, said chairman Brian Sandberg

BUSINESS

Cape rag trade faces new imports threat

Business Staff (184) ARG 18/8/93

THE embattled Cape clothing industry is facing a new threat from imports, with Mauritius negotiating to sell upmarket garments at lower prices to large retailers.

A high-ranking delegation from the Mauritius Export Development and Investment Authority (MEDIA) is to visit Cape Town and Johannesburg at the end of this month.

MEDIA chief executive Chand Bhadain said in Port Louis his organisation will be bringing 20 Mauritian manufacturers to South Africa to meet large local retailers to discuss to selling Mauritian garments to them at competitive prices

"South Africans are already buying Mauritian-manufactured garments from Europe They're paying high prices for the upmarket European labels and the circuitous route via which those garments reach them It has to make sense to import the same goods direct from Mauritius

"We're looking at forging a niche in South Africa's top-of-the-range clothing market"

Accompanying the delegation will be Mauritian Minister of Industry and Industrial Technology Jean Claude de l'Estrac, who, with Mr Bhadain, will meeting high-ranking South African government officials to try to redress the trade imbalance between the two countries

Mauritius imports R300 million worth of merchandise from South Africa but exports a mere R5 million to this country, said Mr Bhadain

"Main reason for the distortion is Mauritius doesn't enjoy the same international trade privileges in South Africa as South Africa enjoys in Mauritius We will be raising this thorny issue with the South African government during our visit," he said

He believes South Africa could replace Europe as the main customer for Mauritius's Export Processing Zone (EPZ), which offers attractive tax and similar concessions to approved companies

Since 1985, when the EPZ was established, growth has been dramatic.

More than 600 companies employing 90 000 people have taken advantage of the EPZ facilities, resulting in a major expansion of Mauritian exports, 75 percent of which are textile-related

Manufactured goods now earn 40 percent of the country's foreign exchange, with sugar, formerly the top earner, contributing 35 percent

Of the 600 EPZ companies, only six are South African — the result, says Mr Bhadain, of South Africa's foreign exchange control regulations

"A relaxation of those regulations would enable South African companies to establish manufacturing bases in Mauritius (with the attractive concessions afforded by the EPZ) and participate in the EC privileges which Mauritius enjoys

"Additionally, they would have an edge on the new markets we have been opening up in the Far East"

Economy drive puts Seardel on growth path

B/Day 20/8/93

CAPE TOWN — Clothing, toy and electronics group Seardel Investment Corporation slashed borrowings and contained expenses in the year to end-June, achieving a 50% rise in earnings a share on a marginal turnover growth

Earnings of 64,8c (43,2c) a share were well above the maximum 53c forecast by chairman Aaron Searll in the last annual report The earnings growth also represented a dramatic turnaround from the 61% slide suffered last year

A final dividend of 9c (1,5c) increased the total by 37% to 13c (9,5c) for Seardel Investment Corporation and its parent Seardel Consolidated Holdings. Dividend cover was raised to five times (4,5)

Turnover rose marginally by 0,9% to R1,1bn and pre-tax profit was up 27,5% to R23,3m (R18,2m) after plummeting 61% last year on a 7% increase in turnover The margin after interest and tax showed a strong improvement to 2,2% from 1,7%

Clothing exports were maintained at about R77m Searll stressed the importance of maintaining export incentives to remain competitive

Deriving the benefit of a lower tax rate, the group generated a 56,8% hike in after-tax profit to R17,6m (R11,2m)

Searll said overheads had been contained and stock and debtors reduced, with the result that interest-bearing debt had been cut by R17m and finance charges had

LINDA ENSOR

been lowered Cost-cutting measures had included the shutdown of unprofitable operations and the retrenchment of about 2 000 people

(184)

Group equity had risen 3% to R168,8m and the debt equity percentage had fallen by year-end to 62% (74%)

Searll said the group was still on a recovery path and would run the business as efficiently and innovatively as possible

He said 1992 had been one of the most difficult years experienced The severity of the recession had been beyond the group's control

The group would introduce strategies to enable it to move ahead when consumer confidence returned

Searll said the substantial growth in imports of secondhand clothing was of great concern to the industry

These imports had grown from 33-million units in 1989 to more than 100-million units in 1992

"This is a very serious problem for the clothing industry in that it undermines local manufacturing and consequently leads to large-scale job losses"

SA needed a strong, vibrant economy able to provide the necessary infrastructure to achieve the minimum socioeconomic aspirations of the majority of the population

Exports propel Rex True growth

(184) CT 28/5/93

By AUDREY D'ANGELO
Business Editor

[illegible]

Rex Trueform swings back to profit growth

B/Day 30/8/93

LINDA ENSOR

CAPE TOWN — Clothing manufacturer Rex Trueform returned to profit growth in the year to end-June after several years of declining performance, producing a 15,6% rise in earnings a share to 155,4c (134,4c)

Last year, before the restatement of the figures, earnings declined 19% A dividend of 60c a share has been proposed, translating into a dividend cover of 2,6 times.

Rex Trueform's parent company, African & Overseas Enterprises, declared a dividend of 72c a share on earnings of 166c (139,9c)

Chairman Stewart Shub said efficiencies had been improved, working capital had been used prudently, stocks cut and non-productive expenditure reduced. Several hundred employees had been retrenched

The Queenspark retail division continued to make an important contribution to profits and had expanded. Export volumes had also shown a significant increase

"The recessionary climate resulting in weak domestic demand and pressure on selling prices continued throughout the year," Shub noted.

Turnover rose 6,4% to R171,7m and with margins strengthening to 4,7% (3,7%), net operating income rose 33% to R8m

The group exhausted its assessed tax loss and had to pay a deferred tax charge and the secondary tax on companies

(184)

Shub said Rex Trueform's balance sheet had been strengthened through improved asset management and a reduction in stockholdings while net borrowings had been virtually eliminated

Shub hoped the current export incentive package would be extended until a long-term plan for the clothing and textile industries was in place and the environment was more conducive for these industries to become competitive internationally.

Comparative figures were restated to take account of the over-accrual of refunded export incentive claims for the financial years from 1986 to 1992.

SA rag trade row over tariffs flares up again

(184)(1989).

ARGT 7/10/93

Business Staff

THE bitter dispute between the clothing and textile industries has flared up again

National Clothing Federation president Dr Aaron Searll describes statements in the Frame Group annual report by chairman Mervyn King as "misleading and inaccurate"

Also, Shirish Soni of the Consultative Business Forum describes Frame as one of the "spoilt brats of apartheid because of a history of feather-bedding with the government" to set high textile tariffs

Mr King says the Board of Tariffs and Trade wants to rush the textile industry into an unduly tight duty structure

The Department of Trade and Industry is adopting a pragmatic approach to Gatt discussions, recommending that duties be phased out over eight years from January 1995

The board, however, wants to implement a duty structure earlier, over a shorter period and at lower rates than Gatt requires

"If the board announces a duty structure which knocks the final nail into the textile coffin, it will not be able to escape the charge that it was to blame for the destruction of an industry which employs 90 000 people and supports 220 000 jobs in secondary industries," says Mr King

The board has indicated that the period for the interim ad valorem duty structure for textiles should cover two years until end-October 1994 to give the industry a two-year respite from the "devastating effects" of the board's structural adjustment programme introduced in 1989

The board is considering dropping the respite period at the end of this month, even though its efforts have not stopped the bleeding in the industry as there is a R500 million overhang in duty-free import permits

Dr Searll says the clothing industry is different from the textile industry as it consists largely of small businesses which are labour-intensive and operate on small margins

As a result of the ever-increasing protection granted to the textile industry, it has been shedding more than 1 000 jobs a month over the past two years

He says protection does not save jobs, but rather protects and encourages inefficiency and hence can only lead to massive job losses

Dr Searll claims that the current high duty levels of 70 percent on fabrics are only designed to stay in place until this month and are to be reduced progressively from now on

In return for tolerating high duty levels on its inputs, the clothing industry was promised a rebate facility in terms of which it can import fabric without having to pay duty This important "sweetener" never materialised

Dr Searll says that duty-free permits have had little effect on the textile industry as they account for just five percent of fabric imports

The majority of these permits are used to import clothing, not textiles

Ironically, Dr Searll is a director of Frame and in June last year became a major shareholder in the group

Clothing company owing R1,9 million faces liquidation

(84) ARG 23/9/93

Staff Reporter

CLOTHING company Romens Menswear has been provisionally liquidated

Mr Justice W A van Deventer yesterday issued an order in the Supreme Court allowing Romens until November 1 to show why the company should not be wound-up

In an application by House of Monatic Manufacturing, director Stanley Stubbs said Romens Menswear owed the company more than R1,9 million

Romens had assets of about R4,6 million, but its liabilities exceeded R8 million, he said

The company owed Standard Bank R3,2 million, Boland Bank R800 000 and trade creditors about R4,5 million

Although Romens' stock was worth about R6 million it would realise no more than R3 million in a forced sale

Some Romens stores were incurring "heavy losses" and the company lost about R700 000 last year This year had seen no improvement at all, Mr Stubbs said

Based on his experience in the clothing industry, Mr Stubbs believed there was "no possibility whatsoever" of Romens Menswear trading out of its present situation

Romens Menswear managing director David Marks claimed in a replying affidavit filed earlier this month that the company was "trading profitably" and that its assets exceeded its liabilities by more than R700 000

However, the company yesterday withdrew its opposition to the liquidation application

Clothing retailers join the cause for import tariff cuts

S Times (Buss) 31/10/93

By DON ROBERTSON

CLOTHING retailers, subject to import tariffs of 90%, have joined manufacturers in calling for further reductions in duties.

Representations by retailers follow the temporary restructuring of duties announced by the Board on Tariffs and Trade (BTT) on October 19 The decision was criticised by the National Clothing Federation (NCF)

Retailers wish to be included in discussions on the long-term restructuring of duties

The BTT has recommended a cut in import duties on wool yarn from 40% to 32%, yarn from 35% to 32%, woven and knitted fabrics from 50% to 45% and household textiles from 60% to 55% The import duty on clothing is 90%

The reductions will last from tomorrow until December next year and form the basis for a long-term strategy

Retailers say in a letter to Finance and Trade and Industry Minister Derek Keys and to the BTT that it is important the new structure promote the interests of all South Africans It should meet meet the free-trade requirements of the General Agreement on Tariffs and Trade, the World Bank and the IMF (184)

They say they represent about 40-million customers and they should be allowed to voice their industry's opinion on long-term tariff adjustments

Retailers recommend that duties be reduced to 30% for clothing and footwear and 15% for fabrics over five years Further reductions in duties on fibres, yarns and household goods should be spread over three years.

They also suggest that clothing manufacturers improve productivity and that inducements be offered to promote international price competitiveness

Retailers say protection duties add considerably to the price charged to customers. If a 100% duty were levied, an item of clothing costing \$1 (R3,43) would attract a customs value of 10%, the full 100% duty, import surcharge of 15% and VAT at 14% for a total of R8,45

This is an increase of 147% on the fob price At 50% duty, the increase is 89% and if no duties are charged the increase is 33% This excludes distribution costs and profits

One retailer says that even if retail chains are able to negotiate reduced prices on foreign goods, duties are automatically increased to the minimum For the next year, this will be 90%

GEIS keeping textile, clothing sectors viable

B/Day 25/11/93

LINDA ENSOR

CAPE TOWN — The textile and clothing industries were in dire financial straits, with operating losses being converted into pre-tax profits only by the addition of income derived from the general export incentive scheme (GEIS) and structural adjustment programme.

This was said yesterday by Board on Tariffs and Trade chairman Nic Swart at a National Clothing Federation seminar. He said an analysis had shown GEIS income was treated as separate in the income statements of clothing and textile manufacturers.

Costing studies by the National Productivity Institute on behalf of the panel appointed to formulate a long-term strategy for the clothing and textile industries showed that profitability had deteriorated since 1989/90 (184)

The study found that the difference between the operating loss and profit before interest and tax (-1,3% and 3,9%) of clothing companies surveyed was mainly made up of GEIS and structural adjustment programme income. Swart said the interest burden of the two industries was also high, averaging 3,8% of sales for clothing and 4,7% of sales for textiles.

A comparison with the cost structure of UK clothing manufacturers showed their SA counterparts' major problem was the high cost of raw materials. In SA raw materials constituted 51,2% of sales compared with the 33%-45% UK range. Direct labour costs in SA represented 14,3% of clothing sales, as against 18% in the UK, and overhead costs represented 35,8% of sales compared with 30%-38% in the UK.

Swart said the textile industry was hampered by an inability to obtain raw material at world prices landed in-house and to achieve a competitive labour cost/productivity balance for salaries and wages.

He said total new investment needed by the clothing industry for new technology was forecast at R72m, but the industry had invested only R44m in 1992 and R32m in 1993. Huge investments would be needed if the textile industry was to become internationally competitive.

□ Clothing industry employment had recently bottomed out after a year-on-year loss of 10 300 jobs was recorded in the January to September period, National Clothing Federation economist Arnold Werbeloff said in the latest issue of Clothing Industry News.

The industry was estimated to have 90 000 workers, compared with 130 000 in 1984.

Clothing output continued to fall, although retail sales had risen a real 8% in the first seven months of 1993.

Third quarter figures showed that producer price inflation for clothing had increased by 8% and textiles by 4%.

Clothing exports in the first six months of this year amounted to R400m compared with R460m for the whole of 1992, indicating the possibility of total exports of R700m this year.

Court faces funds shortage

B/Day 25/11/93

ADRIAN HADLAND

PRETORIA — The Industrial Court was facing the imminent burgeoning of its responsibilities, but a lack of funds and accommodation was making its task difficult, court president Adolf Landman said.

While the establishment of a Johannesburg seat was a priority, the court could not secure finances or appropriate office space to open the branch.

"There is little government-owned accommodation available and, what little there is, is unsuitable for our needs."

In the meantime, litigants would have to continue travelling to Pretoria for their cases to be heard, Landman said

The court was preparing for a considerable increase in litigation emanating from a number of new Bills and Acts.

The Public Service Act of 1993, which came into effect on August 1, conferred about 19 functions on the court "Unfortunately no additional financial arrangements were made by central government to cover these additional functions," Landman said

The Education Labour Relations Bill, which was tabled this year, would entitle primary and secondary school teachers to Industrial Court hearings.

Academic staff at universities and technikons would soon be able to approach the court for relief under proposed amendments to the Labour Relations Act of 1956

An agreement between the Congress of SA Trade Unions and the SA Agricultural Union over an Agricultural Labour Relations Act also envisaged the creation of a small labour court falling under the jurisdiction of the Industrial Court, he said.

The proposed Bill of Rights, equal opportunity legislation in the pipeline and the creation of structures to deal with domestic labour-related disputes would also impact on the responsibilities of the court.

But, without additional financial resources, the court would find it difficult to meet all its obligations timeously.

Some pressure could be taken off the court if parties held proper pre-trial conferences so that the issues and time taken to hear matters could be reduced, he said.

In the case of mass dismissals, it should be possible to hear such matters within two months provided parties prepared their cases expeditiously.

Star 12/4/93

Few signs of recovery seen for the clothing industry

By Tom Hood (184)

CAPE TOWN — Output by the clothing industry has dropped 40 percent since 1981 and there are few signs of a recovery, says National Clothing Federation economist Arnold Werbeloff

And the number of lost jobs accelerated last year, leaving 101 000 in employment — a drop of 10 percent from the 112 000 employed in 1991

Closed down

Thirty-six employers closed down in the Western Cape, leaving 395, and 4 500 jobs were lost, lowering employment levels to 47 400

This happened despite exports reaching an all-time high of about R500 million.

"Exports account for more than 10 percent of official clothing industry output and are increasing daily," says Werbeloff in the federation's latest newsletter

The Western Cape lost 9 percent of its jobs

He blames the industry's woes on surging clothing imports because retail sales are rising and factory production is falling

The sale of retail clothing rose to R818 million a month last year from R787 million a month in 1991

"The South African clothing market is expanding at a healthy pace, but local clothing manufacturers are not seeing the benefits

"The reasons may be found in the substitution of second-hand for new clothing and imports for local garments, along with the rise of the homeland clothing sector, informal cottage manufacturing and home sewing"

Werbeloff says with the ever-increasing exposure of South Africa to the international business scene, there is some evidence of American, Belgian, British and other interest in the local clothing and textile industries and markets

The possibilities for exports to the European Community, Eastern Europe ansd the North Atlantic Free Trade Area and even the Far East are attractive

Such opportunities have been enhanced by a variety of export inquiries from these markets

Trade missions are arriving regularly and sourcing agents continue to make South Africa a favourite stop-over

Standards

"The outlook for the clothing and textile industries will depend on how international standards of performance and productivity are met," he says

"One indicator of these requirements is export inquiries, which already account for more than 10 percent of official clothing output and are increasing daily

"It is only by high performance in meeting these standards that the industry's vast potential for job creation can be fulfilled," he says

CT 22/1/93 (184)

City clothing firm fashions a Middle East breakthrough

HENRIETTE GELDENHUYS
Staff Reporter

A CAPE TOWN company has made a trade breakthrough with the Middle East and is to export between R7,5 million and R10 million worth of clothing to Dubai annually

The link between South Africa and Dubai — a world trade centre like Hong Kong — became formal this week when general trading store owners Mr Abdulrahim Sharif and his wife Mariam flew to Cape Town and agreed to become agents for Dermar Fashions in Dubai

A full range of clothes for girls and women would compete in a market which sold high quality goods to middle and upper income customers, said Dermar managing director Mr Chris Belchers

Mr Sharif said that once they had established a market in Dubai, they planned to expand into Oman, Saudi Arabia, Kuwait, Bahrain, Quatar and the other United Arab Emirates

Strategically placed at the crossroads between east and west, Dubai borders Saudi Arabia and Oman and is the second largest of the seven United Arab Emirates

Exempt from various taxes and import duties with a free trade zone at the harbour, Dubai has become the commercial centre of the Gulf States

Contact was made in June when Dermar staff met a Dubai Chamber of Commerce delegation at a business conference in Johannesburg

In October 100 companies held a South African exhibition of a variety of goods and services in Dubai where the Sharifs met Mr Belchers and Dermar sales director Ms Anne Pharo

"We were very impressed with their clothes," said Mr Sharif

Adonis chairman blames imports

JOHN DLUDLU (184)

UNRESTRICTED knitwear imports in 1992 had resulted in a 32% drop in turnover, Adonis Knitwear chairman Joe Bencen said in his annual statement

Bencen said problems of the structural adjustment programme regulating imports, and the severe economic recession, had decreased unit volumes and turnover for the clothing, footwear and textiles group. BDAY 28/1/93

The company's trading income for the 1992 financial year plummeted to R49 406 (R1 923 007)

Earnings a share declined to 7,9c (33,7c) No dividends were paid.

Knitwear imports had now been restricted

Clothing and textiles to get duty credits

STAR 29/1/93

Finance Staff (184)

The government has once again rallied to the support of the textile industry, which is already being protected from dumped imports by high tariffs.

The Cabinet yesterday backed a scheme to aid clothing and textile exports for one year until the end of March 1994

The director-general of Trade and Industry, Dr Stef Naude, said the support would be in the form of duty credit certificates to the value of 30 percent of the FOB value of exports for the clothing industry

In the case of fabrics and yarns, the percentages would be 15 and 10 percent respectively.

It is estimated that the clothing industry exports about R600 million of goods a year.

The scheme, which replaces the old system on April 1, should help maintain the textile and clothing industries' export effort and curtail job losses, until a long-term strategy had been implemented

Naude said in a statement that such a long-term strategy would be devised to improve the competitiveness of the SA industries.

There would would be a phasing-out period of one year for the old system

"The international market for these products (textiles and clothing) is oversupplied and severe competition is being experienced, particularly from manufacturers in countries that subsidise their industries, low-wage countries and non-market economies that apply arbitrary pricing," Naude said.

Pals not optimistic about exports

DUMA GQUBULE

WITH no end in sight to the depressed state of the economy, it was difficult for clothing group Pals Holdings to be optimistic about growth in turnover and profit in the current financial year, chairman Selwyn Kagan said in the 1992 review

BDay 18/1/93

He said he would not be surprised to see a marked reduction in profits for the year

Pals reported a 6% increase in attributable earnings to R752 000 (7,52c a share) for the year ended June

Kagan said a cause for concern was the future viability of the group's export business after the ending of the export incentive scheme and the fall in the value of the pound by almost 15%

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Although prospects looked bleak, changes within the group had left it leaner and more able to adapt to changes within the economy and capitalise on opportunities

Kagan said labour costs were, by world standards, becoming exceptionally high. There was greater competition from cheap labour areas within the country, operating at 25% of the group's costs and from areas within eastern Europe with similar low wage structures

Futures exchange ponders rebate plan

BIDAY 20/1/93

TIM MARSLAND

THE SA Futures Exchange is planning to cut dealing costs on options transactions through a rebate system because of the market's success, says exchange CEO Stuart Rees.

The move comes amid continuing low volumes on the JSE's Traded Options Market (TOM)

Rees said yesterday high volumes in the options market had allowed the exchange to cut costs Turnover of 1 000 contracts a day had been budgeted for, but was currently running at around 2 800.

Rees said the product committee had approved the idea.

The exchange executive committee had still to decide on final details of the rebate

However, it is expected that costs will be reduced by up to two-thirds. The rebate will apply on a minimum number of contracts traded.

Options contracts currently cost R7 a trade and R2 a contract.

The exchange launched the options market in October and it is expected to pay for itself by March

An option contract gives the holder the right, but not obligation, to buy (call option) or sell (put option) an underlying asset at a predetermined price during a specified period.

TOM manager Jonathon Sims said the JSE continued to support TOM and was planning a campaign to promote it.

He said despite the low volumes, SA still warranted such a market.

The futures market was fortunate in that the underlying instruments on which options were based were highly liquid.

It had attracted a number of dedicated participants, which TOM had yet to do

Rees said the two markets complemented each other.

"Higher volume on TOM translates to higher volume on the JSE, which benefits our market," he said.

Educated

One options dealer said TOM's failure lay in it being order-driven rather than quote-driven, as was the case with the futures market.

Sims said while this could be a reason, ultimately investors had to be educated about how to use the market. "Even with a quote-driven market, there has to be an ultimate buyer and seller," he said

The dealer said players had to have easy access to the underlying instrument to implement investment strategy. This was difficult with the JSE because of its relative lack of liquidity, he said

SA garments jet to Kazakhstan

PETER DELMAR

THE world's largest cargo aircraft will load a R10m consignment of clothing at Durban's Louis Botha Airport today destined for the newly independent state of Kazakhstan.

Durban-based New South African Garment Manufacturers, the export arm of the A M Moolla Group, has clinched R30m in export orders to former Soviet Union states.

BIDAY 20/1/93

A Russian Antonov A N 124 cargo plane was specially chartered to take the first consignment of 7 500 cartons worth R10m.

A M Moolla director Mahamed Dhai said yesterday group CE Sadek Vajed sealed the orders during a seven-week marketing tour of several Commonwealth of Independent States (CIS) countries.

"The group has proved what many of us believed for some time, that if local manufacturers, and particularly the top brass, get out of their offices and do some travelling, there are niche markets that can be found," said Dhai.

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Kazakhstan is a large, but sparsely populated state in the south-east of the former Soviet Union which previously had virtually no trade links with SA.

Dhai said the export order broke a perception most South Africans had of life in the area. Most of the clothes were middle to upmarket garments which would cost the average person two to three months' pay.

Dhai said SA could emulate Mauritius, where government encouraged clothing exports, thereby creating 60 000 jobs.

Rag trade set for deal on import tariffs

(184)

ARG 6/9/93

Business Staff

STITCH by stitch, the rag trade is weaving its way towards compromise on trade protection as South African industry comes to grips with the reality of world trade.

The reality, according Gatt officials, who want a new multilateral international treaty ready for signature next April, is an about one-third cut in maximum import tariff levels in South Africa

The fierce rivalries in the sector — principally between fabric-makers and their customers in the apparel industry — were buried at the end of a four-day "bosberaad" last month

Negotiators agreed on a tariff offer of a maximum of 60 percent by the government to Gatt, the General Agreement on Tariffs and Trade

This is about double the rate suggested by the Department of Trade and Industry, but was agreed to by all in the rag trade as necessary to allow policymakers room for manoeuvre

By agreeing, the last remaining obstacle was removed for the submission last week by the DTI of a revised, hopefully final, provisional industrial offer to the international trade watchdog The programme allows for a five-year phasing in of reduced levels under 99 percent of tariff headings

But it is the more immediate debate on what level of tariffs should prevail for the next year or so until the Gatt programme begins, that is fraying tempers

The influential Textile Federation says its members are surviving greatly reduced production levels — caused principally by fabric and apparel imports — only by slashing employment and company structures A number, like Frame Group, are in the red and have been for some time

The sector has still to face the effects of an overhang of R500 million-worth or more of duty-free permits from the abandoned structural adjustment programme until next April

Fabric manufacturers want the government to keep in place a "band-aid" of higher tariffs introduced last November — as far as they were concerned to see them through until the Gatt tariff reduction begins

"We are prepared to to take a cut of about 10 percent as the commencement of a phase down to the Gatt programme," says Texfed executive director Brian Brink.

What Texfed negotiators could not accede to was a demand from representatives of the informal trade at negotiations last week for a scrapping of the minimum limit on ad valorem duty because, he said, that would expose them to huge imports of cheaper fabrics

"In the absence of effective anti-dumping measures, we need that lower limit to shield us from below-cost imports, particularly of lower-price cloth"

Others see it differently Durban manufacturer and secretary-general of the Consultative Business Movement, Shirish Soni, claims Texfed is "negotiating in bad faith".

In a telephone interview, he accused Texfed vice-president Harry Pearce, who is MD of SA Breweries subsidiary Da Gama Textiles, of indifference to the needs of poorer people and informal traders in an effort to maintain his group's financial welbeing through his determination to retain hefty tariffs on cheaper fabrics

"The entire garment pipeline, from retailers through to manufacturers, agree we need to scale down tariff barriers. Only Texfed is resisting

"There's going to be war if they don't see sense We will take a massive campaign to the streets," said Mr Soni Mr Brink said Mr Pearce represented all Texfed members in discussions, and not Da Gama.

TEXTILES AND CLOTHING

FM 3/9/93

Tackling knotty issues

The clothing and textile industries have fought for years over tariff protection and imports Clothing companies want low tariffs on textiles so they can make clothing as cheaply as possible Textile manufacturers want high tariffs so they don't have to compete with more-efficient overseas firms

Last week representatives of the two sides went into seclusion for four days at Edgars' head office in Johannesburg to thrash out their differences Even with the help of an American professor, who addressed the group on conflict resolution, the powwow was something akin to civil war, according to one participant Board on Tariffs & Trade chairman Nic Swart says, however, he's returned from the retreat more optimistic about ending the dispute

"I believe that the opposing positions of the two parties are moving closer together and that a measure of accommodation is taking place," says Swart, who also chairs the working group devising a new long-term government strategy for the two huge industries "I intend spending the next two months virtually full-time on the strategy and hope to present our final report to Trade & Industry Minister Derek Keys by November"

Swart admits that this report will not include a recommendation on the thorny tariff issue, only proposals on a less-divisive industrial strategy that will outline how government can help the industries to upgrade their technology, training and productivity, reduce costs and compete globally The strategy will also include recommendations from a Department of Agriculture committee that is looking at whether government should subsidise cotton production Just as the clothing people complain about the high cost of their inputs, the textile makers gripe about the high price of their inputs, such as cotton

Swart says he's been forced to divorce the issue of how to reduce textile tariffs gradually from the overall industrial blueprint and that another interim, one-year tariff schedule, beginning November 1, will have to be implemented "We had to separate the tariff issue from the industrial plan But the two industries are continuing their discussions and various committees are looking into the problem areas" He says the long-term tariff policy, together with the industrial strategy, should be in place by January 1 1995

The clothing industry, however, is not hopeful "The textile industry is still pushing for delayed implementation of a five-year tariff plan, even though both parties originally agreed on a five-year reform plan in 1989," says a spokesman

Fortunately, new thinking is now emanating from the textile industry Writing in the latest *Textile Topics* newsletter of the Textile Federation, retired textile chief Abe Frame says "How terribly disappointing to find that one-and-a-half years after interim

(184) (1

protection has been granted, large sections of our industry, both textile and clothing, have not taken advantage of the respite (from imports) They have neither adjusted nor attempted to make any changes in order to face the reality of the international textile trade in the next five years The writing on the walls is so bold and clear after the recent developments with Gatt (which is pushing for lower tariffs) that if we cannot compete internationally, then serious consideration should be given to cutting losses and closing shop as soon as possible"

This lesson seems to be lost on federation president Mervyn King who writes in the same issue "There is no need to accelerate the commencement date of the phase-out period (for tariffs), or to apply a shorter period than eight years to any sector of the textile pipeline Unrealistic duty levels (low tariffs), duty-free permits, duty credit certificates and special trade agreements still in the system will cause the final collapse of the industry"

King warns that this will be entirely the fault of Swart's board But if the industry ever did collapse, the board would probably receive more bouquets than brickbats The industry's demise would certainly be a boon for consumers and, in the long run, for the country Jobs and wealth would be created as resources and spending power shifted into efficient industries For once the power of an industry long coddled at the expense of everyone else would be broken ■

JOBS

Council faces R2,5m claim from a prize-winning firm

(184)

By CIARAN RYAN

WINNER of the 1992 Entrepreneur of the Year award, Annie's Creations of East London, plans to sue an industrial council for R2,5-million in lost profits, claiming unlawful harassment

The managing director of the baby-clothing manufacturer, Tom Cawood, says he was forced to lay off 160 workers after the Port Elizabeth Industrial Council for the Clothing Industry (Eastern Province) extended its jurisdiction to East London He says it sent fictitious applications by East London factories to the Industrial Registrar

"I am one of the lucky ones," says Mr Cawood "I survived Two other budding entrepreneurs in the East London area, employing more than 1 000, were forced into liquidation because of the industrial council Our three factories supported 15 000 dependants"

Industrial councils, in terms of the Labour Relations Act, regulate conditions of employment, minimum wages and other employee benefits and provide for the resolution of disputes They are private organisations made up of employer and trade union representatives

Membership is voluntary, but agreements are binding on non-members

The industrial-council system was given a shot in the arm two weeks ago when the Cape Supreme Court confirmed that agreements are binding on non-members Twelve employers contested the right of the National Industrial Council for the Iron, Steel and Metallurgical Industries to extend its agreements to non-members They were ordered to comply with the council's agreements

Enough

Mr Cawood moved Annie's Creations from Rustenburg to East London because the Cape city had no industrial council for the clothing industry and wage rates were lower But last year the council extended its jurisdiction to East London It sent a representative to Mr Cawood's offices last August

"In a very abrupt manner he demanded to see my books, so I threw him out. He returned with the police We were treated like criminals I was told that I was underpaying my staff and we had a criminal case pending against us

"We considered closing our business I have had to delay buying more equipment because of the uncertainty about my business"

Mr Cawood alleges that Port Elizabeth-based clothing firms, jealous of his lower labour costs, instituted the action Of the six employer representatives on the council, two are related and two are from the same company, says Mr Cawood

Applications to the Industrial Registrar and former Manpower Minister Eli Louw for exemption from the industrial council agreements failed

The council's records show its members are in the minority and therefore not representative of the industry, says Mr Cawood In spite of publication of a notice in the Government Gazette by the Industrial Registrar that the council was no longer sufficiently representative, its agreements are still imposed on non-members

Mr Cawood says "I decided enough was enough I decided to go to war with the industrial council I should have employed 800 people by now to fulfil the orders that were coming in, but I am down to 100 I know what it must have been like to own your own business in Russia

"Now we are instituting legal action against the council"

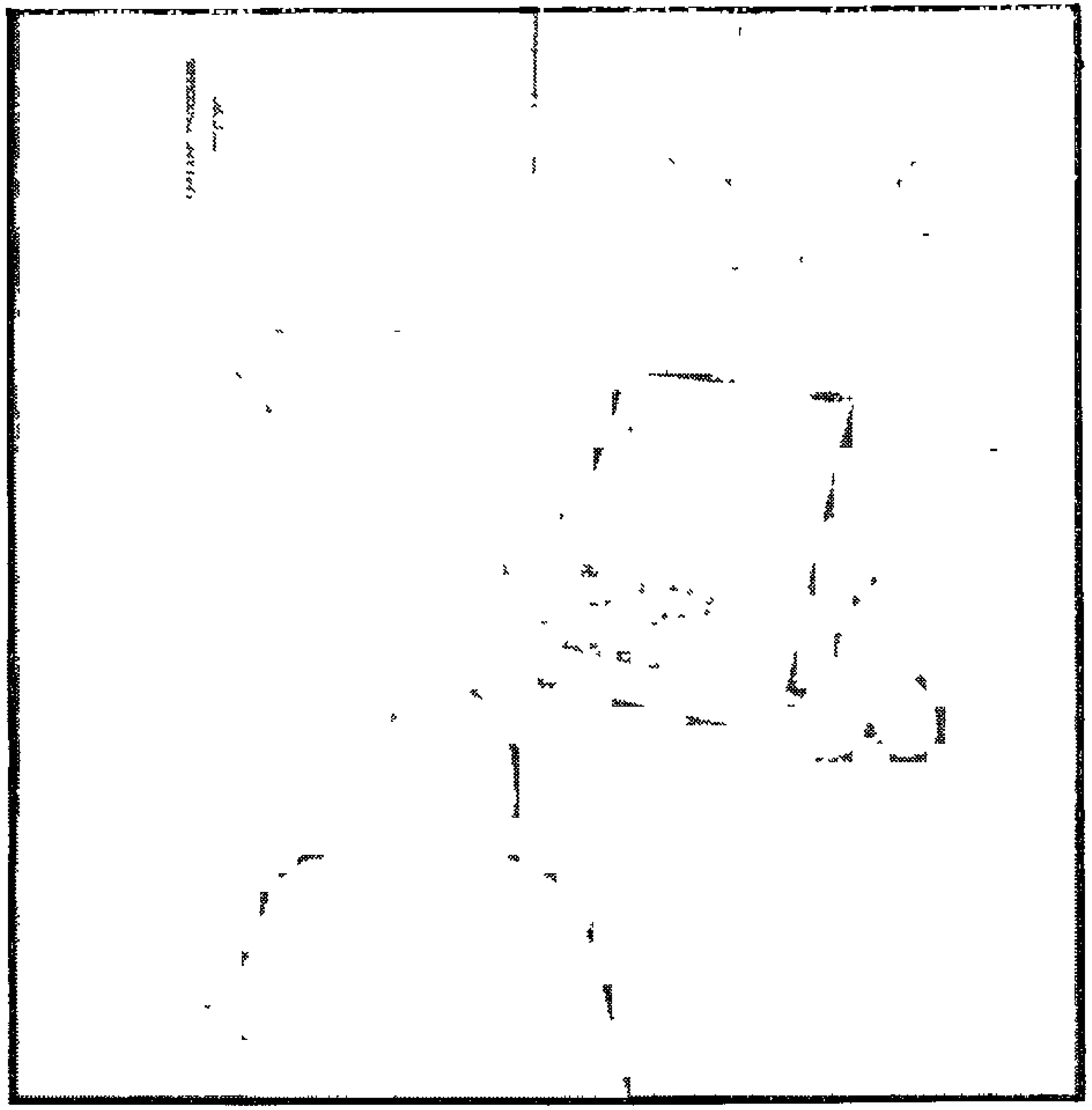
Brian Topic, who runs a car valet service on the East Rand, says an industrial council official arrived at his premises to inspect the wage book He was told some of his workers were underpaid

"The official called all staff members into my office and told them that they would receive pay increases of 18% Later, another inspector told me my original pay rates were correct."

Mr Topic says he may be forced to close his business after being summonsed to the industrial court for refusing to reinstate a driver found drunk at work.

Unfair

"Two months after firing this driver he turned up at my premises with a union official, claiming unfair dismissal because he was not given 24 hours' notice of the hearing I was told to reinstate him as a driver, even though he was frequently drunk and a risk to life and property I refused and must appear in court, placing my business and 33 jobs at risk."



TOM and ANNIE CAWOOD: Enough's enough, we're going to war to save our business

Several employer federations blame industrial councils for strangling job creation because agreements are binding on non-members, regardless of their ability to meet the cost of compliance The number of industrial councils declined from 104 in 1981 to 91 in 1990 The number of employees covered by industrial council agreements fell from 1,27-million in 1981 to 800 000 in 1990

"The system is blatantly undemocratic and immoral," says Hein van der Walt, director of the Confederation of Employers of Southern Africa, which has 120 000 members employing 2,4-million workers

"The industrial council system has a total disregard for the trade freedom of employers and the right to work."

Tax payments knock Glodina

EDWARD WEST

TOWELLING and linen products manufacturer Glodina dropped further into the red in the year to end-June 1993 as a result of an abnormal tax payment paid to settle a government offer on certain film schemes. BDay

Turnover was slightly up at R37m (R36,6m), but operating profit fell to R2m (R2,2m). Interest paid halved to R1,5m (R3m). Pretax income was back in the black at R504 000 (R860 000). 30/8/93

The abnormal tax payment amounted to R3,1m. (184)

Earnings were equivalent to 2,6c a share compared with a 4,4closs a share last year, but the abnormal tax payment resulted in an earnings loss equivalent to 13,5c a share. The dividend was passed.

Directors said cost control resulted in improved margins over the year. Working capital management and benefits of rationalisation in 1992 were reflected in the lower interest charge. No further liability in terms of film schemes was expected.

Rex Trueform cuts a dash

184

ARG 28/8/93

■ Rex Trueform has pushed operating profit up to R8 million on a 6 percent turnover gain.

MARC HASENFUSS
Business Staff

IMPROVED efficiencies and cost savings helped clothing group Rex Trueform (Rex True) cut a fine 16 percent gain in attributable earnings to R6,4 million in the year to end June

The results are commendable in light of weak domestic clothing demand and pressure on selling prices

Better efficiencies and cost cutting bolstered margins, pushing operating profit up a strong 33 percent to R8 million from a pedestrian 6 percent gain in turnover to R172 million

However, bottom line was impacted by deferred and STC tax charges. The tax bill nearly quadrupled to R964 000, diluting the gain to 16 percent at 155,4 c a share

In spite of the inflation-beating increase at bottom line, the dividend payout was pegged at last year's 60c a share level

Chairman Stewart Shub said there had been a significant increase in exports to mainly the UK, Germany, Japan and Taiwan in the year He would not disclose what proportion of turnover exports constituted, saying only that it was an 'important' percentage

However, he warned that uncertainty regarding export incentives was continuing to hinder forward planning

"It is hoped, therefore, that the Department of Trade and Industry will extend the current export incentive package for a further period until such time as a long term plan is in place and the environment is more conducive for the clothing and textile industries to become internationally competitive "

Mr Shub said the contribution from retail division Queenspark again showed growth

Looking at the balance sheet, he said Rex True still maintained a strong balance sheet, largely through improved asset management and a marked reduction in stockholding

Net borrowings had been substantially reduced, he added Interest paid was cut to R643 000 in the year

Mr Shub said it was not possible to forecast an improvement in trading conditions in the year ahead "The company's underlying strength, broadly based product range, diversified distribution network, and its continued focus on the need to improve competitiveness makes it well placed to benefit from any upturn in the economy "

Wooltru boosts income 62 percent

■ BY MARC HASENFUSS

Cape Town — Blue chip retailer Wooltru beat market expectations to post a 62 percent gain in net income to R149 million in the year to end June. Star

The surge, although off a low base, was surprising in light of the group's modest 17 percent profit recovery at the interim stage.

Chief executive Colin Hall attributes the strong showing to improved operating efficiency in all operations.

Mark-ups and expenses were kept to a minimum and cash flows from all the businesses were strong, he says.

Earnings a share came in at a record 425,4c, from which a final dividend of 123c has been declared, bringing the total payout for the year to 200c a share, covered 1,5 times. 20/8/93

Group turnover came in 46 percent higher at R5,56 billion, while operating profit rose 50 percent to R248 million.

Hall says the Speciality Retail Group had another "stunning" year and again achieved the best return on sales.

The division, comprising Truworths and Topics, recorded a 28 percent increase in pre-tax profit on a 17 percent increase in sales to R760 million. (184)

He says Woolworths has turned around, achieving a 71 percent increase in pre-tax profit from a slim 10 percent increase in turnover to R1,96 billion.

Massmart reversed the previous year's profit decline, with pre-tax profit rocketing 200 percent off a 10 percent rise in turnover to R2,6 billion in the period under review.

Shield Trading beat profit expectations, recording a 21 percent growth at pre-tax level, despite subdued sales.

Shield was mainly responsible for the additional R190 million debt in Wooltru's balance sheet.

Massmart's liquor subsidiary was the only blemish on results.

Seardel stages a healthy recovery

Star 20/8/93

BY TOM HOOD

Cape Town — Seardel, the country's largest clothing manufacturer, staged a big recovery in the year to June, with earnings surging 50 percent to 64,8c a share

Taxed profit jumped 57 percent to R17,6 million, helped by a lower tax rate and a R2 million saving in interest after a R17 million reduction in borrowings

(184)

Total dividends are up 37 percent to 13c after a final payout of 9c a share

But dividend cover has increased to 5 from 4,5 times.

Turnover grew marginally by less than one percent to R1,069 billion, including R77 million of exports.

Pre-tax profit rose 27 percent to R23,3 million

Interest-bearing debt is down to almost R104 million from R122 million, with gearing down to 62 percent from 74 percent last year.

Overheads have been contained and stock and debtor levels reduced, says chairman Aaron Searll

Eight out of 21 companies increased their profits and two, which he declines to name, made a significant impact on group results.

FM 13/8/93

ALLWEAR

Mending the flaws (184)

Activities: *Makes schoolwear, menswear, babywear, toddler s wear and children's wear*
Control: *Allwear Group 59%*
Chairman: *R van Rooyen*
Capital structure: *14,1m ords Market capitalisation R4,2m*
Share market: *Price 30c 12-month high, 40c, low, 30c Trading volume last quarter, 30 000 shares*

Year to December 31	*'90	◊'91	◊'92	†'92
ST debt (Rm)	15,2	12,4	16 7	17,3
LT debt (Rm)	5,3	5,4	4,9	4,4
Debt equity ratio	1,14	0,75	0,87	1,11
Shareholders' interest	0,38	0,47	0,45	0,32
Int & leasing cover	1,8	1,6	1,3	0,95
Return on cap (%)	18,2	16,1	9,7	5,2
Turnover (Rm)	62,3	57,8	66,3	57,5
Pre-int profit (Rm)	8,7	8,2	5,4	2,9
Pre-int margin (%)	14,0	14,1	8,1	5,1
Earnings (c)	‡44,6	38,8	8,3	‡(1,4)
Dividends (c)	16	16	nil	nil
Tangible NAV (c)	226	166	173	128

* 14 month trading period ‡ Annualised ◊ Year end-February † 10 month trading period

Allwear had a sizeable flaw in its financial 1993 results — clothing company Sherleys Though the division was closed at year-end, high closure costs (R5,8m) went straight to Allwear's bottom-line, resulting in an attributable loss of 1,2c a share

In contrast with a 4% growth in turnover, (using restated figures for comparison), pre-interest profit fell 58% to R2,9m Chairman Renier van Rooyen says the decline was directly because of the drop in turnover and operating profit of Sherleys Otherwise, EPS would have been 19,6c

More positively, stock was R4m less, thanks to a new computer programme and improved stock control However, debtors increased 22%, or R5m Van Rooyen ascribes this to the difference in account periods, year-end was changed from February to December

Though finance costs were R300 000 less, there is little chance of a repeat performance this year, the R6,3m loss caused debt.equity to increase to 1,11 (0,87) Also, a R3,2m increase in current assets was funded by trade creditors, which grew from R9,1m to R14,7m

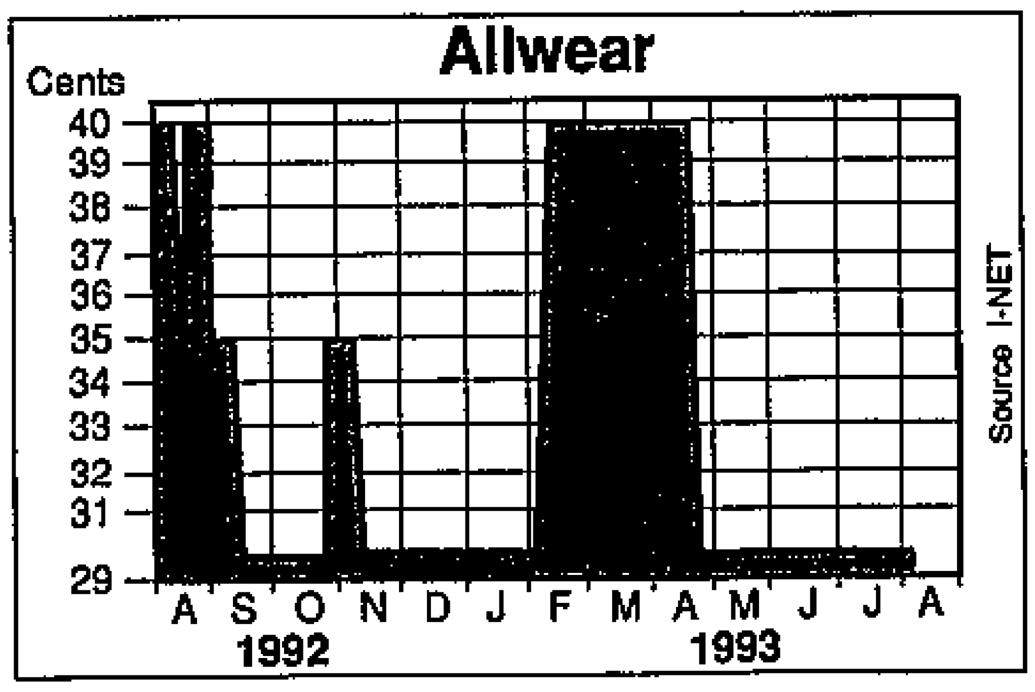
Van Rooyen says rationalisation, including retrenchment, launched during January last year at the Newcastle plant had the desired result Stock declined and profit improved However, the unforeseen sharp drop (11%) in demand for products in the Sherleys division negated this progress

Though difficult trading conditions are expected to continue, improved results are foreseen for this financial year Van Rooyen says closure of the Sherleys division, and the total quality processes at Newcastle, which are already producing results, should more than offset the interest burden He expects a return to profits this year

MD Jorrie Jordaan says interim figures will be published soon He is "comfortable" with these results "The first six months have gone according to plan," he adds "Export sales doubled and order books for the next six months are healthy "

The share peaked at R1 less than two years ago, but has fallen steadily since then and stands at 30c Shareholders should wait for the interim before considering trading

Kate Rushton



FM 13/8/93

PROGRESS INDUSTRIES

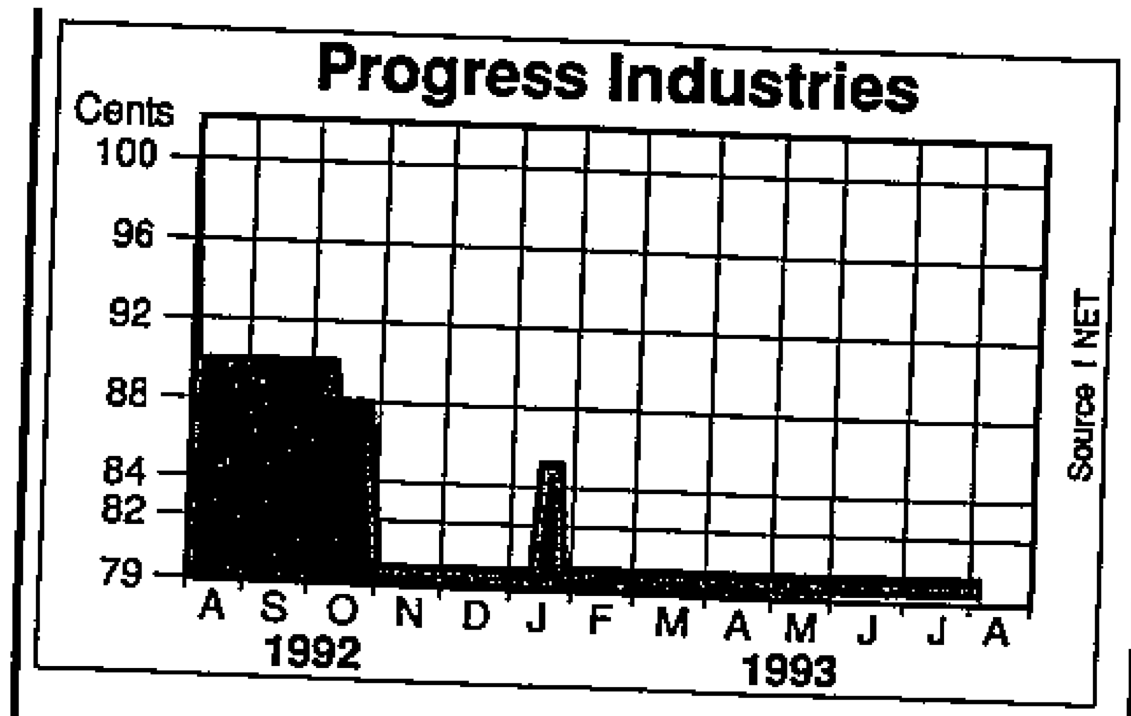
Not going anywhere

(184)

Activities: *Manufacture of knitwear, clothing and knitted fabric*
Control: *Directors 53,8%*
Chairman: *D Aronovsky, CE P Jacobson*
Capital structure: *2,8m ords Market capitalisation R2,24m*
Share market: *Price 80c 12-month high, 90c, low, 75c Trading volume last quarter, 0,2m shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	0,5	2,4	3,8	13,4
LT debt (Rm)	8,1	10,9	9,3	5,9
Debt equity ratio	0,4	0,5	0,5	0,88
Shareholders interest	0,45	0,49	0,48	0,42
Int & leasing cover	3,9	2,0	n/a	n/a
Return on cap (%)	21,5	10,9	5,2	n/a
Turnover (Rm)	65,3	61,7	65,1	53,0
Pre-int profit (Rm)	10,3	5,9	2,8	(2,7)
Pre-int margin (%)	15,8	9,6	4,2	n/a
Earnings (c)	192	102	(31,5)	(220)
Dividends (c)	48,0	34 0	11,0	nil
Tangible NAV (c)	775	948	905	785

What's in a name? It's a bitter irony for Progress Industries — the knitwear, clothing and knitted fabric group — that the qualified annual report was far from progressive Turnover fell 18,5% to R53m, operating profit plunged to a loss of R2,7m, reversing a R2,8m profit in 1991 Interest charges increased 14% to R3,5m, contributing to a R6,2m attributable loss EPS fell to a loss of 220c after 1991's loss of 31,5c



The auditor's qualification hinges on Progress remaining a going concern there are no profits to cover borrowing costs Since year-end, agreement has been reached with a consortium of bankers to provide additional finance

Assets pledged as collateral for extended financing include one of the group's properties, some moveable assets and the cession of debtors

According to CE Peter Jacobson, the interim results will be vastly improved on the last interims

However, he is understandably concerned about the prolonged recession "If nothing changes what will become of this country let alone Progress?"

But some things are working in its favour The deluge of second-hand clothing and dumped goods is being restricted

In March duty-free permits for acrylic jerseys were successfully reined-in and average duties on imported clothing were raised close to 100% Gatt requirements may pull down some of these protective barriers but Jacobson believes the duties will be extended for a year, after which they will be reduced over about eight years to the Gatt requirements the duties are due to be reviewed in November

Problem of debt

The main problem is debt Total debt of R19m sits uneasily in a group with shareholders' funds of R22m Though Progress depends on the return of its client base — the mass of independent retailers — it has switched 90% to retail groups, at reduced margins

The share reached dizzy heights of R4,50 during the peak years of 1989-1990 Recession has plumbed new depths, pulling down the price to 80c now, 90% below NAV A buyout opportunity maybe, but unlikely given the debt load and the directors' majority shareholding Progress needs economic revival We are keeping our knitting needles crossed

Louise Randell

FM 13/8/93

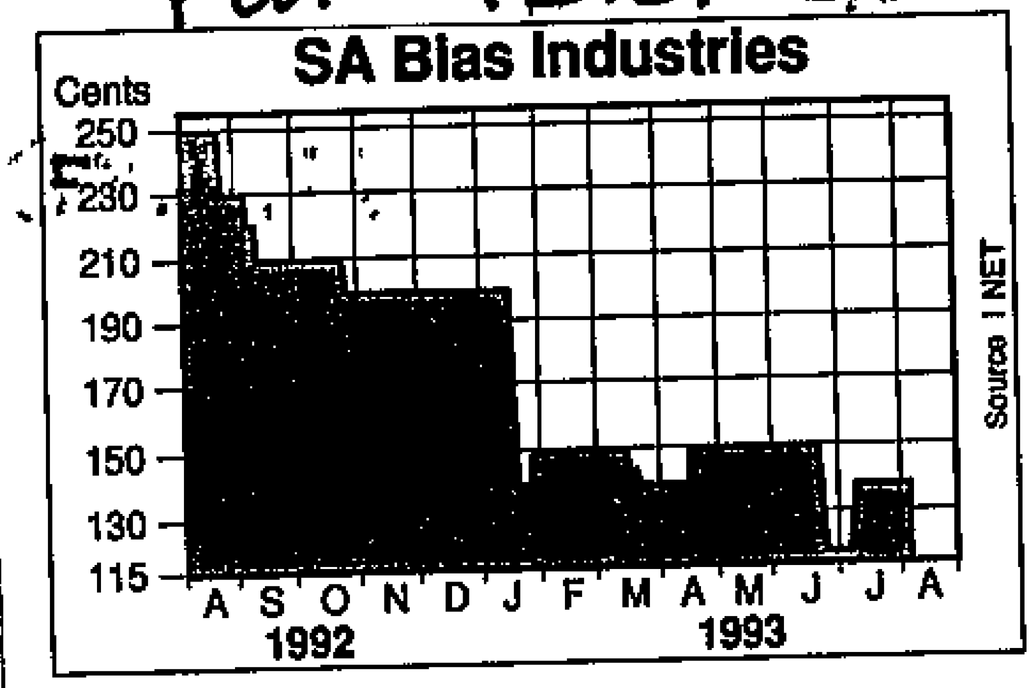
SA BIAS INDUSTRIES

Broadening the focus

184

Increasing pressure from recession and structural difficulties in the industry have forced SA's dominant supplier of trimmings and accessories to the clothing and footwear sector to broaden its focus through synergistic ventures with other industries This is after two years of flat EPS, followed by a 42% decline in the year to December 1992

FM 13/8/93



Activities: *Makes and distributes accessories to clothing, footwear and allied industries*
Control: *SA Bias Holdings 87%*
Chairman: *C S Seabrooke; MD P Coutts-Trotter*
Capital structure: *28,6m ords Market capitalisation R40m*
Share market: *Price 140c Yields 7,5% on dividend, 20,7% on earnings, p e ratio, 4,8, cover, 2,8 12-month high, 250c, low, 135c Trading volume last quarter, 53 300 shares*

Year to December 31	'89	'90	'91	'92
ST debt (Rm)	—	9,7	6,3	4,0
LT debt (Rm)	4,5	10,4	9,4	7,6
Debt equity ratio	0,04	0,40	0,28	0,18
Shareholders interest	0,65	0,48	0,52	0,59
Int & leasing cover	18,8	10,1	5,6	6,9
Return on cap (%)	29,4	20,5	21,7	11,5
Turnover index*	164,9	249,1	280,3	256,5
Pre-int-profit (Rm)	18,1	19,2	21,9	10,9
Earnings (c)	46,5	47,3	47,3	27,3
Dividends (c)	18	18	18	10
Tangible NAV (c)	141	157	185	196

* Base = 1987

184

Sabind found it increasingly difficult to maintain margins, which were squeezed by large imports of secondhand clothing and plastic accessories, as well as intensified price cutting by local manufacturers The situation, says chairman Christopher Seabrooke, was worsened by uncertainty about tariffs and duties

Volumes declined in almost all the operations and 1992 group turnover was down 9% (figure not disclosed) on year-ago levels Effects on the bottom line were minimised by the interest bill, which more than halved to R1,6m, helped by lower rates and reduced borrowings The tax charge was reduced 45% in line with profit

Sabind has found it difficult to meet financial objectives Return on assets of 11,5% is well below the long-term target of 25%, as is the 13,9% return on equity Though results are disappointing, domestic operations have undergone major cost reduction and efficiency improvement programmes

The balance sheet has strengthened. Borrowings are down by a quarter to R11,6m, cash has almost doubled to R1,2m and gearing is a healthy 18% With borrowings declining, there should be some interest relief this year, which will help underpin profit

The trimmings, thread and printing & labels divisions performed satisfactorily The last was particularly affected by the swing

FM 13/8/93

from printed to woven labels and the demise of a fashion trend towards using printed labels as fashion trimmings 184

Kirton and the metals & plastics operations did badly Restructuring of Kirton's operations is to continue; internal merchandising and distribution methods are to be changed and handled by specialist organisations UK-based maker International Trimmings Plc produced strong results, with increased market share and profitability

In the annual report Seabrooke is somewhat pessimistic about the potential for economic recovery But he believes cost reduction programmes and the broader strategic focus will boost profitability The release last week of Sabind's interim figures show benefits of measures taken In the six months to June, earnings recovered well, up 17,7% to 11,3c a share and dividends by 14,3% to 4c Management is forecasting EPS and DPS of 33c and 11c respectively for 1993

The share price has halved since our review last year and, like others in the clothing sector, it lost ground against the industrial market The 7,5% dividend yield and 4,8 p e suggest it may be underrated, particularly given the signs of revival in earnings growth.

Marylou Greig

Exports soar for Monatic

(184)

TOM HOOD
Business Editor

ARGUS 8/93

CAPE clothing company House of Monatic has accelerated its penetration of export markets and 35 percent of total production is now exported

This was disclosed by Lenco Holdings chairman Douglas de Jager at the annual meeting in Cape Town today

Monatic, which employs 1 000 is the only clothing company not to have retrenched employees, he said.

The factory in Salt River has increased its capacity and is fully booked to the end of December.

Four hundred workers are employed fully on exports

Lenco's plastic packaging company, Compak, was in negotiations to internationalise the packaging business, either through a joint venture or an acquisition.

Mr De Jager forecast a 15 percent rise in earnings for the six months to August 31, the improved performance coming from an ability to take up slack in the domestic markets with exports

BURLINGTON FM 30/7/93

Poor return

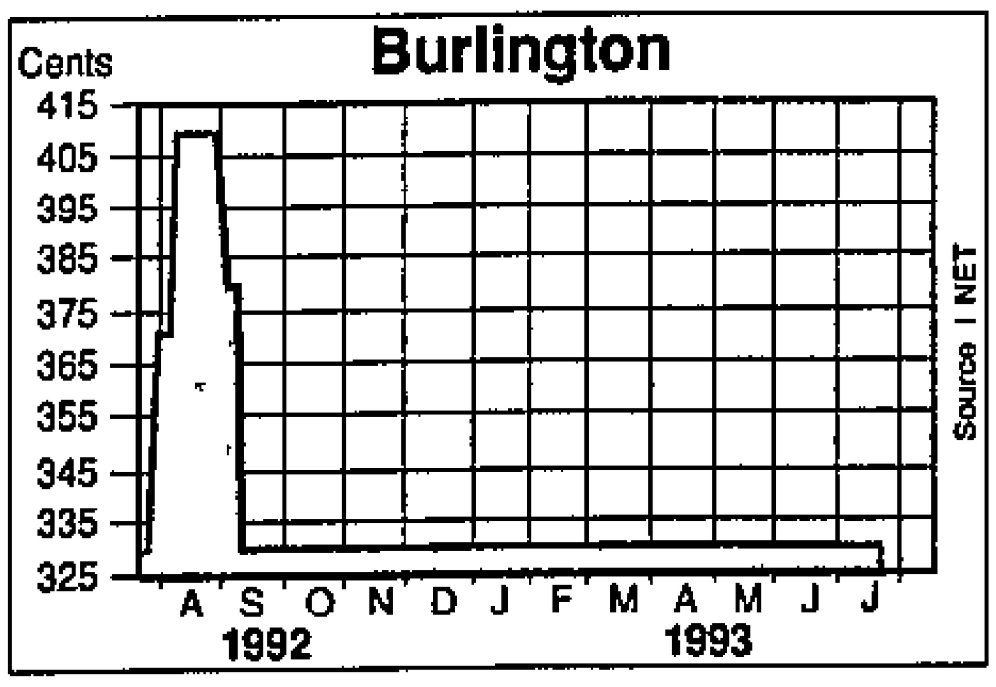
(184)

Activities: *Makes clothing*
Control: *Directors 68%*
Chairman: *P Kawitzky*
Capital structure: *600 000 ords Market capitalisation R2m*
Share market: *Price 330c Yields 3,8% on dividend, 23 0% on earnings, p e ratio, 4,3, cover, 6,0 12-month high, 410c, low, 330c Trading volume last quarter, 2 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	1,1	0,9	0,7	1,2
LT debt (Rm)	2,3	2,3	2,3	2,1
Debt equity ratio	0,86	0,72	0,63	0,64
Shareholders interest	0,41	0,47	0,46	0,46
Int & leasing cover	1,67	1,76	1,79	1,80
Return on cap (%)	13,4	14,7	10,7	9,3
Turnover (Rm)	249	263	254	218
Pre-int profit (Rm)	1,3	1,4	1,1	0,99
Earnings (c)	77,6	89,6	83,2	74,9
Dividends (c)	10	12,5	12,5	12,5
Tangible NAV (c)	641	712	763	814

Investors can't be pleased with the poor profitability shown by a 9,3% return on assets In a familiar tale, chairman Philip Kawitzky says difficult conditions in the clothing and textile industry hit volumes and margins

Turnover fell 10%, earnings 31% Kawitzky says demand for summer knitwear fell, while demand for shirts and casual wear under the Marlboro label was satisfactory



A R143 000 — or 23,8c a share — extraordinary item relates to further expenses on repairs to the building owned and used by the group The year before, 20c a share disappeared into the expensive repair pot

Gearing is rising Only 17% of the R3,3m debt is covered A tax rate of 6,8% is extremely low However, the estimated tax loss is shrinking rapidly In 1991 R859 000 was available, now it's only R472 000

Kawitzky says summer season orders are satisfactory

Burlington is exploring new avenues in all divisions Turnover for the first four months of this year, he says, is at the same level as last year At 330c, the counter looks fully priced though it is well below year-end NAV

Kate Rushton

ort

Clothing exporters use GEIS to compete

CT 26/10/93 (184)

Business Editor

SA clothing exporters build the General Export Incentive Scheme (GEIS) benefits into their prices in markets such as Germany, and could not compete without them, Aaron Searll, chairman of the Seardel Investment Corporation, explained at the AGM yesterday

He and joint MD Bernard Richards said uncertainty about how long the scheme would continue made it impossible to plan ahead.

Searll told shareholders that there had been "a modest growth" in group turnover in the first three months of the current year.

It had grown to R299m compared with R281m in the same period last year.

Clothing exports had risen by nearly 10% last year to R77m.

Discussing export incentives and tariff protection, he said that although protective duties would be phased out in accordance with the General Agreement of Tariffs and Trade (GATT), this could not be done overnight. It would be phased in gradually over eight years

Searll said a recommendation from the clothing and textile panel that the duty credit certificate scheme would be extended to March, 1995, had not yet been confirmed by the Department of Trade and Industry

This was very worrying and unacceptable. Because exports require long term forward planning it is absolutely imperative that this matter be confirmed as soon as possible so that commerce and industry be given ther comfort of certainty in future years.

Discussing the Frame group, Searll said: The group's input, together with that of our partner Gregory Knitting Mills, into the business operations of Frame Group Holdings has had a positive effect and the unacceptable losses that were incurred by Frame in 1992 have been drastically curtailed.

We are hopeful that in this financial year the company will show a break even position or even a small profit."

W Cape clothing industry braced for action as Sactwu supports strike

ARG 26/10/93 (184)

□ Union slams 'anti-worker clauses' in draft bill of rights — commits to mobilisation

SHARON SOROUR
Labour Reporter

WESTERN Cape clothing employers can brace themselves for industrial action in the run-up to the proposed November 15 strike after a decision by the powerful South African Clothing and Textile Workers' Union (Sactwu), to endorse Cosatu's call for a national work stoppage

Sactwu media officer Shahied Teladia said the union's national executive took the decision at the weekend

The 160 000-strong union, Cosatu's third largest affiliate, condemned the inclusion of a clause in the proposed bill of rights enshrining an employer's right to lock out employees and the proposed blanket constitutional guarantee of tenure for public servants

Sactwu agreed on a programme of action, which included workplace meetings, a march to the World Trade Centre, mass rallies and sit-ins, factory occupations and sending faxes to African National Congress secretary-general Cyril Ramaphosa, calling on him to move to scrap the lock-out clause.

Employers are to be asked to sign a declaration that they have not requested the lock-out clause in the bill of rights

Mr Teladia said "To the best of the union's knowledge, there is no example of any country in the world where the employers' right to lock out workers has been written into the constitution

"While the union's national executive was mindful of the economic damage caused by strikes, it also felt workers had to protect their own rights through action on these fundamental areas," he said

Sactwu also criticised negotiators who agreed to "anti-worker" clauses in the bill of rights and committed itself to mobilise through Cosatu's regional structures

In earlier reports, union assistant general secretary Ebrahim Patel said a blanket guarantee of tenure for public servants would limit a future government's ability to restructure the public service

Mr Patel said the right to strike, contained in the draft bill of rights, merely served to counter employers' property rights

If those were bolstered by the right to lock out workers, it would distort the balance of power

● At the weekend Cosatu former general secretary Jay Naidoo denied a split between the ANC and the labour federation was imminent, saying it was "impossible" as 99 percent of Cosatu members were card-carrying members of the ANC

The ANC and SACP have not officially reacted to Cosatu's announcement of a general strike

Tariff cuts to cost jobs?

ARGF 13/11/93 (184)

■ The clothing and textile industries are under pressure from foreign trading partners to implement tariff cuts — but there are fears of unemployment.

ALIDE DASNOIS
Business Staff

THE textile and clothing industries are limbering up to resist pressure from South Africa's main trading partners for cuts in tariffs, which they say would be disastrous for jobs

This week the United States and the European Union warned that South Africa's revised offer to the General Agreement on Tariffs and Trade (GATT) on household textile and clothing tariffs was not acceptable The offer suggested a phasing-in period of eight years to bring maximum tariffs down to 60 percent for clothing and 45 percent for household textiles

But the country's main trading partners are pressing for a further cut in clothing and textile tariffs to a maximum of 35 percent — the rate which applies to developing countries

The Clothing Federation has calculated that each 1 percent reduction in protection on clothing saves South African consumers R3 million a year — but eliminates 1 100 jobs

Between August 1990 and August this year, employment in the clothing industry — as measured by the number of employees covered by Industrial Council Agreements — has already dropped from 110 342 to 87 149

However, labour spokesman on the National Economic Forum, Ebrahim Patel of the South African Clothing and Textile Workers' Union, said there was "no need to panic"

The American and European response to South Africa's offer was part of the normal negotiation process, he said

"All the parties concerned are out to protect their national interests It would be surprising if no objections had been put forward to South Africa's offer"

He said South Africa had already agreed to a "massive" reduction in tariff levels

"Business, labour and the government have agreed on the need to protect industries which have historically been pressurised, which are employment-sensitive and which have growth potential

"It's vital we don't lose sight of our fundamental interests We need to support the economy in the delicate transition to democracy, which will last well beyond the elections next April We need to build new infrastructures and integrate parts of the population which have been divided This means stopping job loss and growing the economy"

Textile Industries Federation chief Brian Brink agreed that the American and British response was "probably part of the normal to-ing and fro-ing of negotiations"

He said the textile industry would defend the consensus reached with clothing employers and unions on tariffs in the Clothing and Textile Panel, although most of the textile tariffs proposed were not under threat

South Africa's proposals of a 15 percent maximum tariff on fibres, 20 percent on yarn and 30 percent on fabrics had apparently been accepted by the country's trading partners, he said

But, Mr Brink said, even if "the worst came to the worst", South Africa could not afford to stay out of the GATT

In an urgent submission to the South African GATT representative in Geneva, the National Clothing Federation expressed its "alarm" at the European and American demands

Any reduction in the tariffs offered will cause wide-scale unemployment in both the clothing and the textile industries, the federation said

Trade expert Alan Hirsch of the UCT-based Trade Policy Monitoring Project, said South Africa might be able to reach a compromise in GATT negotiations

By proposing the developing country rate of 35 percent — instead of the 12 percent maximum which applies to developed countries — the country's main trading partners had left the door open

An "a la carte" approach to tariff reform might be possible, with South Africa being considered as a "developing country" for some purposes and as a "developed country" for others, he said

The textile and clothing offer was made after lengthy negotiations within the country between clothing and textile employers and trade unions

Double protection for textiles, clothing

184 CT 7/9/93

From GRETA STEYN

JOHANNESBURG — Fear of major job losses in the clothing and textile industries caused government to rewrite its tariff reform offer to GATT, providing much more protection from imports than envisaged in the draft package

The Trade and Industry Department yesterday confirmed the proposals for the clothing and textile industries were changed substantially from the original reform proposals released in July A spokesman said the maximum tariff protection for clothing at the end of the reform period had been doubled from 30% in the draft proposal to 60% in the latest offer Analysts said this would make it the most heavily protected industry

Household textiles would phase in to a tariff rate of 45% in terms of the new package, instead of 30% Fibres, yarns and fabrics also received a more lenient deal

The spokesman said textiles and clothing would receive a longer phase-in period than the five years originally envisaged A possible longer period of up to eight years was on the cards for certain industries

The motor industry remained heavily protected in terms of the revised offer, but its tariff rate had been lowered from 60% to 50% Employment considerations were understood to have played a major role in determining the rate and the time to phase in reform Motor vehicles and certain inputs in the industry would enjoy a longer phase-in period, the spokesman said

Other categories to receive a more favourable deal were domestic appliances and white goods, electric motors and generating sets, the television industry, synthetic rubber and a few chemical products

ANC trade policy consultant Alan Hirsch said the clothing and textile industries were major employers, and the effect on jobs in terms of the original plan would have been severe

The decision to moderate the cut in tariff protection was appropriate, given the short and medium-term social considerations At the same time, the industries still had the long-term potential to be competitive The protection levels were not out of line with international experience If the impact of trade reform on jobs was less severe than projected, SA still would have the option to reduce tariffs from the maximum levels in the GATT offer

Trade and Industry emphasised the proposed tariff rates were maximum levels and the phase-down periods the maximum length of time needed The proposals for the clothing and textile industries still were subject to confirmation

Clothing industry in GATT appeal

(184) CT 13/11/93

By AUDREY D'ANGELO
Business Editor

THE National Clothing Federation (NCF) wrote yesterday to SA's negotiators on the General Agreement on Tariffs and Trade (GATT) objecting to the latest proposals that protective duties on imported clothing should be reduced to 35%.

It has also enlisted the support of the SA Chamber of Business (Sacob).

And the SA Clothing and Textile Workers' Union (SACTWU) is asking for the backing of unions in other countries to retain a higher rate of protection, on the grounds that thousands of jobs in the Cape and Natal would otherwise be lost.

SA's offer to GATT was that protective duties on clothing should be cut to 60% from the present 100% at the end of a phasing in period, and that duties on textiles should be cut to 30%.

But European Community (EC) and US negotiators have objected to 60% and suggested a maximum of 35%.

NCF director Hennie van Zyl said yesterday that if protective duties on clothing were halved those on textiles should be reduced by the same extent. Otherwise the clothing industry's inputs would be too high.

He said it was essential that the differential between protective duties for the two industries should be maintained and this had been agreed before the SA proposals were put to GATT.

Van Zyl said the textile industry would also suffer if clothing manufacturers were put out of business.

Accusing the EC and US of acting out of self-interest, Van Zyl said clothing was a labour-intensive industry and "those countries suffer from a shortage of labour, while we need more jobs."

He said a meeting of the Sacob executive committee yesterday morning had agreed with the NCF's proposal that GATT negotiators who wanted protective duties to be cut to 35% should motivate their objection, and the SA industries be given a right to reply.

Van Zyl, Rex Trueform executive chairman Stewart Shub and the immediate past president of the Textile Federation of SA, Malcolm Hughes, pointed out that the US and EC clothing and textile industries were protected by import quotas.

SA has no such protection. Shub said that, without it, high import duties were necessary to prevent "destructive surges" of low priced imports from wiping out sectors of the clothing industry.

Humphries said the textile industry did not necessarily subscribe to the suggestion that protection given to it should be half that given to clothing manufacturers.

But it would be difficult for the clothing industry to survive with protective duties of only 35% and no quota system unless the playing field between SA manufacturers and those in other industrialised countries was levelled.

SA manufacturers were handicapped by high interest rates, high taxation, high raw material costs and lack of meaningful investment allowances and training grants.

● Reuter reports that Ebrahim Patel, deputy secretary general of SACTWU, said countries pushing for political change in SA should now help it persuade GATT not to insist on too rapid tariff cuts.

Clothing industry begins GATT lobby

B/Day 15/11/93

GRETA STEYN

THE lobbying against lower tariffs demanded by GATT has kicked off in earnest with the clothing industry delivering a strong plea to keep its tariff rate at 60%

The National Clothing Federation of SA, in a statement faxed to the country's permanent representative to GATT, accused the EC and the US of acting out of vested interests when demanding a reduction in the clothing tariff to about 35%.

"It is believed the EC's and the US's preoccupation with clothing duties stems from the fact that developed countries have to a large extent lost their comparative advantage in clothing manufacturing," the federation said. (184)

Clothing was a value-added manufacturing activity with First World countries facing relatively high labour costs. They would derive maximum benefit from insisting that duties on labour-intensive activities such as clothing be reduced.

These countries were not, however, displaying the same zeal when it came to the more capital-intensive textiles industry.

"It is inconceivable that in SA's circumstances of large scale unemployment and a shortage of capital, the labour-intensive clothing industry should bear the brunt of trade liberalisation, whereas the fabrics industry is left relatively unaffected."

The clothing industry called on SA's

☐ To Page 2

GATT

B/Day 15/11/93

☐ From Page 1

GATT negotiators to recognise SA's trading partners' "parochial arguments" and called on them to have "a clear understanding" of the differences between the clothing and textiles industries. (184)

Historically, the ratio of clothing protection to fabric protection had been two-to-one. The reasons included the negative price and employment impact on downstream industries as a result of duties on inputs. Duties on clothing, however, had a positive impact on upstream activities.

The federation said a number of studies, including the World Bank's, had endorsed the principle of selectivity, and had concluded that SA's interests could best be served by promoting labour-intensive, small business economic activity.

If SA was forced to reduce the clothing tariff, the cut should be marginal and matched by a corresponding reduction in fabric and yarn duties The tariff rate of 60% for clothing will be in place only after a lengthy phase-in period from the current levels of above 100%.

● See Page 3

Wage deal reached in clothing industry

(184) ARG 23/6/93

SHARON SOROUR
Labour Reporter

AGREEMENT has been reached in clothing industry negotiations — conducted nationally for the first time and affecting more than 100 000 employees — with workers winning a 9,25 percent package deal

The finer points of the deal, clinched between employers from the four provinces and the South African Clothing and Textile Workers' Union, were still being drafted in Johannesburg yesterday by the national drafting committee, according to employer spokesman Mr Johan Baard

He said the exact wage increase included in the package had yet to be calculated, but it constituted about 98 percent of the deal

"People often relate the percentage cost to the wage cost, but there are additional costs such as extra public holidays and there are some regional peculiarities"

The other two "legs" of the agreement were a commitment to establish a national industrial council by July 5, 1995, and to regulate severance pay

Mr Baard said employers in all regions would negotiate severance pay with the union before retrenching

Mr Baard said the agreement was "a product of the process of negotiation and members of both parties ratified it"

Negotiations began about six weeks ago

Employers in the Cape were represented by the Cape Clothing Manufacturers' Association, the Cape Knitting Industry Association and the Garment Manufacturers' Association

Ragtrade urges import duty cuts to create jobs

CLAIRE GEBHARDT (BD) 17/11/93

JOHANNESBURG — The National Clothing Federation of South Africa has hit out at the government's reluctance to lower import duties on essential inputs

Executive director Hennie van Zyl says a 50 percent cut in imported fabric duties could add 7 000 jobs immediately and another 40 000 to the clothing industry over the next eight years

"Fabrics account for more than 50 percent of the final cost of clothing"

The federation, which represents more than 200 000 workers in the small and informal business sector, says the Department of Trade & Industry's proposed "marginal" reduction from an estimated average protection level of 75 percent to only 70 percent, is squandering a golden opportunity to stimulate growth and employment

Mr Van Zyl says the government appears once again to have favoured capital-intensive big business, such as the textile and synthetic fibre industries, at the expense of the labour-intensive clothing industry

He says a further factor contributing to the widespread unhappiness is that the federation received an official assurance, when the current high duties were imposed in November 1992, that inputs not manufactured locally would be exempted from import duty

"Subsequently, some 20 types of fabric not manufactured locally were identified, but the authorities said that for administrative reasons they could not give effect to their earlier undertaking"

The federation has sent an urgent letter to Deputy Minister of Trade & Industry Dawid de Villiers Graaf, asking him to reconsider his decision before an official gazetting

JOBS

Clothing and textiles still worlds apart

St Times (Buss) 24/4/94

The garment industry could become a major source of employment But will the recommendations contained in a new report do the job, asks **KEVIN DAVIE**

THE textile and clothing sector has long been one of South Africa's more troubled industries, lurching from one government report on how best to restructure it to the next.

A report commissioned by Finance Minister Derek Keys, and released this month, has been awaited with interest.

Its release was preceded by an up-beat speech by Ahmed-Sadek Vahed, a leading industry player, suggesting an exciting growth path But the report shows that the sharp divisions which have characterised this industry have not even been papered over

The report has been rejected by critics for serving vested interests and providing little new direction.

The industry has been identified by the World Bank and others as a major potential source of jobs

The sector is not internationally competitive, the report says, because of an inability to source inputs at world prices

The present situation results from past industrial policies

"These have created an environment of import replacement and employment creation at almost any cost, a non-competitive economic environment and price and supply controls at the input ends of the industries' pipelines"

This has "led to establishment of industries and activities which are not and may never be able to become internationally competitive"

The poor performance is reflected in real textile output now being worse than any time in the past 14 years. Clothing volumes are the same as in 1979-80

Exports grew from R1,3-billion in 1988 to R1,7-billion in 1991 but imports jumped from R1,8-billion in 1990 to R2,4-billion in 1991

A National Productivity Institute (NPI) study concluded that the raw-material input costs into the pipeline from farmers to textile mills and on to clothing manufacturers are too high to compete effectively on the international scene

Although this is a key theme of the latest report and clearly a central problem for the industry, little is said about what should be done about it.

The sector does not profit from overprotection Both industries are in 'dire financial straits"

"Profits earned by both industries will not sustain long-term growth and viability," says the report

A BAD FIT raw material input costs are too high for the clothing industry to compete on the international scene

The tensions which characterise this industry are a carbon copy of wider divisions in the economy

An overprotected uncompetitive textile sector using outdated equipment provides expensive inputs for clothing manufacturers

Uncompetitive textiles also have implications for the competitiveness of other downstream industries. Textiles are used by the furnishing, furniture, medical and other industries (184)

A major difference between textiles and clothing is that the former is capital intensive and clothing is labour intensive

Textiles need vast sums to create a job Clothing may need no more than working capital

The report for Mr Keys (Long-term strategic plan for the textile and clothing industries in SA) estimates that each textile job represents an asset base of R94 500

It says R2,7 billion will have to be invested in the next eight years in the textile sector on technology

Clothing, by comparison needs new investment of R150-million in the next five years

The World Bank's Brian Levy estimated that SA could create 160 000 garment jobs in the next seven years by boosting annual exports to $2-billion.

This compares with current total employment of 230 000 for both textiles (90 000) and clothing (140 000)

But the report recommends, in line with SA's offer to the General Agreement on Tariffs and Trade (Gatt), no lowering of tariffs for four years and then a phased lowering over the next eight years to 30% for household textiles

Clothing at the end of the 12 years would carry a duty of 45% The present duty is 100%

Since 50% of the price of a garment represents the cost of the material, this suggests that SA will take a long time indeed to become more competitive.

The report finds that some of SA's inputs are competitive, such as some synthetic fibres and cotton (until the former Soviet Union started dumping on world markets)

It also records that in one case an anorak made by a decentralised manufacturer was cost competitive with China China's labour earns 10% of SA's.

But China is not a competitor with SA in that it operates at the lowest end of the market, producing low-quality garments

SA has a history of producing relatively good-quality clothing; the Woolworths shirt is a case in point.

Also important, as noted by the report, is that SA's labour rates are competitive with those of Portugal, Hong Kong, South Korea, Taiwan and Turkey, but not Malaysia, Indonesia, China and Vietnam.

SA employees work on average 15% less than their East Asian competitors, 9% less than Turkey Morocco and Mexico and 11% more than workers in the European Union and the US.

The panel, appointed by Mr Keys under the chairmanship of Nick Swart of the Board on Trade and Tariffs was mandated to recommend that certain sections close down if necessary, but instead it appears to have taken the tame option of slow-motion (never-never?) reform.

The period of phasing in lower tariffs over 12 years is so long that it could be asked whether our trading partners in Gatt have given us this time because they don't want us to become competitive

An international expert says eight years should be the longest period given for restructuring. He says that the long timetables suggest the industry is not serious about restructuring.

Critics of the textile and clothing report say it serves to protect uncompetitive textile mills which should be closed.

Overprotection in this sector, as elsewhere in the economy, may protect existing jobs in the capital-intensive industries but at the expense of many more potential jobs in downstream ones

The report is designed to protect jobs. But its mix of frozen and slow-motion reform may end up by destroying more jobs than it creates

Foreign investors focus on SA clothing industry

CT 14/4/93 (184)

By AUDREY D'ANGELO
Business Editor

FOREIGN investors are looking at SA as a possible source of high quality clothing for export to Europe and other markets, says Aaron Searll, President of the National Clothing Federation of SA (NCF)

And he pointed out yesterday that new export markets opening up for local manufacturers will mean longer production runs and lower unit costs

He said his own group, Seardel, was already entering the US market "in a small way" in spite of the fact that sanctions against SA were still in place in some cities and states

The NCF newsletter, Clothing Industry News, carries a letter from a German manufacturer looking for a partner in a joint venture to export clothing to the European Community (EC)

It also carries advertisements from Greek and Pakistani importers, and British and US import agents who want to contact SA exporters

And it points out that the Department of Trade and Industry has opened a trade office in Singapore

The Economic Consul stationed there, A G Greyling, will promote SA exports "not only in Singapore but also in Malaysia, Indonesia and Sri Lanka."

Commenting on this, Searll said that although SA could not compete with the Far East in the manufacture of low-cost mass production garments there were opportunities for Western Cape manufacturers in niche markets

"We can export added-value clothing such as men's suits and high fashion ladies' clothing "

He said the new export incentives introduced last month would help to make SA attractive to foreign manufacturers intending to export their output.

World Bank representative Brian Levy recently told the textile and clothing panel negotiating a long-term strategy that present wage levels did not preclude SA from competing internationally

He said that in the upper end of the clothing market price was "of minor importance" compared with quality, reliability and the ability to switch output quickly

Levy pointed out that at least half world trade in clothing was in high-priced items SA wages were lower than those of major competitors in this market — Korea, Taiwan, Hong Kong and Italy

NCF economist Arnold Werbeloff says in the Clothing Industry News- "Clothing exports are still growing rapidly, with preliminary figures for the period from January to September 1992 of R350m, giving rise to a full year estimate of R500m "

This would be 50% more than in 1991.

"The countries which are importing the greatest value of SA clothing are Britain, Germany, Hong Kong and Khazakstan, while America is rapidly becoming a major market once more "

Werbeloff says that "with the ever-increasing exposure of SA on the international business scene there is evidence of American, Belgian, British and other interest in the local clothing and textile industries and markets

"The possibilities for exports of clothing and textiles from SA into the EC, Eastern Europe, the North Atlantic Free Trade Area and even the Far East are very attractive and these opportunities are enhanced by a variety of export inquiries from these markets

"Trade missions are arriving on a regular basis and sourcing agents continue to make SA a favoured stopover "

He concludes: "It is clear that the international business community is beginning to recognise the considerable potential of SA in terms of sourcing clothing and textiles

"Furthermore the strong possibility exists of international lending agencies (for example the African Development Bank, World Bank, IMF and EC) assisting in the local industrial and agricultural development effort.

"At the same time the current joint planning effort between the SA government, labour and the clothing pipeline will have decisive consequences through the framing and implementation of a longterm plan which is expected to be finalised and implemented by July "

AARON SEARLL
'New export markets opening up'

Exports up but jobs decline

(184) CT 15/7/93

By AUDREY D'ANGELO
Business Editor

EXPORTS of clothing are still booming and represented 10% of total production in 1992, economist Arnold Werbeloff says in the current newsletter of the National Clothing Federation (NCF) of SA

"Since 1989 there has been a marked increase in clothing exports which has outstripped the growth in imports The net result is that the trade balance in clothing was positive for the first time in 1992"

SA's largest clothing export markets last year were the UK (R105m), Hong Kong (R71m), Germany (R64m), the US (R24m) and the Netherlands (R17m)

"The top five export destinations accounted for R282m or 61% of the total exports of R460m"

Werbeloff says the most important exporters of clothing to SA were China (R96m), Taiwan (R43m), Zimbabwe (R40m), Hong Kong (R36m) and India (R23m)

"These countries therefore accounted for 62% of the total clothing imports of R382m"

But, Werbeleff warns, employment in the clothing industry in SA is definitely in decline

"Employment in the major urban concentrations of clothing manufacture fell by 13 000 in the first four months of 1993 leaving 93 000 workers against a peak of 130 000 workers during 1982"

The largest number of lost jobs was in Natal with 7 000 workers but the Western Cape had the largest number of factory closures with 36

Werbeloff says there are several possible reasons for this decline "including the rise in average import duties on fabrics from 10% to 60% since mid-November 1992, rapid increases in clothing imports attracting lower clothing duties, substantial numbers of garments being imported duty-free under the 1989-93 export incentive scheme, the dynamic growth of the informal sector in SA as well as rival clothing manufacturers locating in rural and homeland areas using attractive incentive packages"

CITY/NATIONAL

13 000 jobs lost but exports help clothes industry

(184)

☐ 91 factories close

TOM HOOD and ALIDE DASNOIS
Business Staff

ALMOST 13 000 clothing workers countrywide have lost their jobs this year, including 3 800 in the Western Cape

Losses in the industry would have been heavier but for record clothing exports which rose to R460 million last year from R322 million in 1991, reports the National Clothing Federation today

Most of the exports went to Britain, Germany, Hong Kong, the United States and Holland

Ninety-one factories closed down — 36 of them in the Western Cape.

The total workforce is now 92 500, down from 105 300 a year ago Natal is the hardest hit with 7 000 job losses More than 130 000 workers were employed in 1982, the clothing industry's boom time

The number of factories is down from 1 171 to 1 080

Federation president Dr Aaron Searll said today that textile exports amounted to R1,3 billion and imports to R2,1 billion, leaving a negative balance of R800 million

Clothing imports amounted to R382 million against exports of R460 million, leaving a positive balance of R78 million

These trends were expected to accelerate for the rest of this decade to the advantage of South Africa, he said

However, a disturbing trend was the 11 percent increase in imported clothing, which caused loss of business and factory closures ARGT 15/7/93

Retail clothing sales grew by 4 percent last year, indicating that retail chains and other retailers were not channelling their business to local factories, said the federation's economist, Mr Arnold Werbeloff

Millions of garments were being imported duty-free while rival clothing manufacturers located in rural and homeland areas were using attractive incentive packages

Prospects for growth of the local clothing industry depended largely on a reduction in the level of violence, lower duties on fabrics, a continuation of the healthy clothing export trend, an upturn in the international and domestic economies and a satisfactory political settlement

"If these conditions are met, rapid growth in clothing output and employment will result," Mr Werbeloff said "If not, peformance at the clothing factory level will be less than optimal and there will be little prospect of a return to the boom days of a decade ago."

The crisis in the clothing industry is reflected across the board with retrenchments accelerating throughout the country as the economic recession bites deeper

A survey by consultants Andrew Levy and Associates found in April that more than 40 percent of companies had retrenched an average of 4 percent of their workforce since the end of 1990

Jobs at last for clothing workers

184

ARG 9/10/93

OM HOOD,
ɩusiness Editor

■ An optimistic Cape clothing industry is starting to employ more workers and feels the economy is bottoming out.

FTER two years of horfying retrenchments, ape clothing factories e starting to employ ore workers as order ɔoks fill up

Employment increased y 600 jobs in the last few ıonths. "It's an encouraging gn," says Peter Cragg, excutive director of the Cape lothing Manufacturers Asɔciation.

For two years more than 000 clothing jobs were lost ach month, half of them in the ape, and 91 factories closed, ıcluding 36 in the Cape

But companies cautioned ıat part of the improvement ould be seasonal, with retailrs stocking up for Christmas t a time when higher export ıles are providing more work

A number of companies saw ‹ports as the only way of 'owing because of the poor ɔuth African economy and the ay the big retail chains forced them to absorb the higher costs of labour and fabric, making domestic sales less and less profitable

The country's largest garment manufacturing group, Seardel, employing 14 000 people, disclosed this week that exports of R77 million made up 10 percent of the group's clothing sales

Chairman Aaron Searll said in his annual report that the exporting companies were trying to broaden the scope of exporting with a major drive aimed at the Middle East, with potential new markets in Kenya, Hungary and the former Soviet republics

Dr Searll said he believed the recession had at last bottomed out and that a general upturn in the economy may start This perception was contained in group budgets.

Mr Cragg said there had been no more retrenchments. Most factories were now busy meeting year-end orders.

"If it is a trend it is an encouraging trend and we are cautiously optimistic, especially if there is an increase in consumer spending"

There was an increasing tendency for manufacturers to look outside the country while more interest was being shown in garments from the Western Cape because of their high quality.

The CCMA was embarking on an active investigation of how members could benefit from exports.

Edgars Stores managing director George Beeton confirmed "an uptick" in clothing sales and said it was becoming difficult to get re-orders because of factories' problems with shortages of fabric.

"As soon as we get an upturn there are delays with fabrics"

Sales were slightly ahead of budget, said Mr Beeton Credit business was well ahead but stores were "battling" with cash sales, though these were up on last year

Mr Hennie van Zyl, executive director of National Clothing Federation, said exports had increased substantially

"If companies want to grow and expand and weather the storm from imports, the only way is to export Export incentives are substantial and there is no excuse for people not to get involved in the export market with sanctions falling away."

A spokesman for Woolworths Stores cautioned that some retailers might have under-estimated their inventories and now needed extra goods

The start of credit sales in 11 Cape stores had brought "phenomenal" business, he added

Mr Arnold Louw, vice-chairman of Pepkor, said there were slight signs of an improvement in clothing sales but "it is very early days" He doubted if the improvement was significant enough to establish a trend

New clothing, textile tariffs are criticised

LINDA ENSOR

CAPE TOWN — Long-awaited adjustments to the clothing and textile tariff structure were announced by Deputy Trade and Industry Minister David Graaff yesterday. B/DAY 19/10/93

The amendments, which drew sharp criticism from the clothing industry, are expected to be gazetted this month. A Board on Tariffs and Trade statement said the board had decided, as a short-term measure, to reduce ad valorem duties on clothing and textiles by 10%; not to change the maximum specific duties; and to cut the minimum specific duties by 15% for yarn, woven and knitted fabrics and by 10% for clothing and household textiles. (184)

The duty on polyester staple fibres would be substituted by an ad valorem duty of 25% while the ad valorem duty on yarn was reduced from 35% to 32%, on wool yarn from 40% to 32%, on woven fabrics from 50% to 45%, on knitted fabrics from 50% to 45%, on clothing from 100% to 90% and on household textiles from 60% to 55%.

In most cases the changes were reductions but a few upward adjustments were made to rationalise and standardise the tariff structure. In the case of knitted fabrics, tariffs remained the same.

The board rejected the request by small clothing businesses that they be allowed to import six types of fabric at a duty of 15%, saying such an open and complex system could not be administered.

In making its decision the board took into account the sensitive nature of the clothing and textile industries, SA's commitments within the Uruguay Round of GATT, and the international focus on ensuring accessibility of clothing and textiles to markets, and on fair and unfair competition.

ARG 25/10/93 (184)

Seardel sales jump six percent

Business Editor

CLOTHING factories owned by Seardel, the country's largest garment manufacturer, are working at full steam and Cape redundancies have stopped, said chairman Aaron Searll at the company's annual meeting in Cape Town today.

Dr Searll reported a six percent jump in sales to almost R300-million for the three months to September

Factory order books were full to the year-end

Subsidiary, Prima Toys, was working 24-hour shifts seven days a week to cope with seasonal orders for Christmas.

Clothing exports were heading for R77-million this year, about the same as last year, and represent 10 percent of total sales, Dr Searll said.

"We are only exporting where we can benefit from added value, particularly in Germany," he said

There had been many inquiries from the American market but exporting to that country had not started.

More than R90-million of profits had been ploughed back into reserves as a result of a conservative dividend policy, which would continue next year, he added.

MANUFACTURING – CLOTHING

1994

Uncertainty on incentives hits SA clothing exports

YURI THUMBRAN

UNCERTAINTY about export incentives has hurt clothing exports, which dropped to R187m for the seven months to July, the National Clothing Federation (NCF) has disclosed B/Day 14/11/96

The number of items exported was just over 519-million. The NCF did not have figures for the corresponding period last year, but deputy director Arnold Werbeloff said there had been a huge drop 184

Clothing exports were worth R616m last year. Werbeloff said they could drop below R300m this year.

Werbeloff said the phasing out of the duty credit certificate (DCC) — an export incentive — next year had caused uncertainty among exporters. However, sales in the local market had improved, which led to local deliveries enjoying preference over export markets because there was less risk.

The Textile Federation (Texfed), meanwhile, submitted its proposals on tariff restructuring to the Trade and Industry Department on Friday.

Sources said Texfed's proposals — to be released publicly on Wednesday — would not differ from those proposed by the task group for the textile and clothing industries (the Swart panel).

The Swart panel recommended a tariff cut on fibre from 25% in 1995 to 7,5% in 2005, for yarn from 32% to 15%, fabric from 45% to 22%, household textiles from 55% to 30% and clothing from 90% to 40%.

The NCF proposed duties for fibre be cut to zero within a year and on yarns be removed in three years. It recommended a 15% duty on fabric in five years. For clothing, it suggested duties of 40% in 10 years.

Exports decline as clothing industry is hit by shortages

BIDay 14/10/94

EDWARD WEST

CAPE TOWN — The clothing industry was unable to reap the full benefit of the economic upturn because of a shortage of fabrics and yarns, uncertainty over export incentives and labour unrest, National Clothing Federation of SA director Arnold Werbelhoff said yesterday (184)

Writing in Clothing Industry News, Werbelhoff said there was a strong retail demand for clothing

However, from January to May clothing production volumes were only 2,7% higher than in the same period the year before, while textile production was stagnant, increasing only 0,7% The averages reflected a cyclical downturn in output in both sectors, Werbelhoff said

Contributing to the downward trend were reduced exports and increased exports Garment exports fell dramatically to R123m in the first five months of 1994 compared with R356m for the same period in 1993 Imports rose 16% to R200m

Federation executive director Hennie van Zyl said a survey in August among 150 manufacturers showed 80% were experiencing serious fabric and yarn delivery problems Deliveries were, on average, six weeks late

Some manufacturers had been unable to obtain cotton for up to 24 weeks However, Van Zyl said, textile manufacturers had denied there were supply problems

Van Zyl said import duties were too high and the issue had to be resolved by government rebating duties Given the uncertainty about export incentives, it was virtually impossible for exporters, who had to plan up to nine months in advance, to give buyers a firm price for goods

Werbelhoff said one reason for the increase in imports was the elimination of middle men following the lifting of sanctions This had lowered the cost of imported garments especially those from the Far East

Higher retail sales had also boosted imports Sales of men's and boys' clothes had risen 8% compared with the same period in 1993 Sales of women's, girls' and babies' garments had risen 7%

Fight for survival by the clothing industry

S Times (C metro) 5/6/94

By CHARL DE VILLIERS

A MEDIATOR will this week be faced with the unenviable juggling act of trying to balance cash-strapped clothing workers' hopes for fuller pay packets with a beleaguered industry's pleas for wage moderation.

"We are in a survival battle," said Cape Clothing Manufacturers' Association chief negotiator Johan Baard

"We have appealed to the trade union, and they have acknowledged this from the outset, that this industry is indeed in crisis."

Domestic constraints and international challenges had moved employers to start this year's negotiations with the credo· "Each item of additional cost is a potential area of competitive disadvantage "

Mr Baard was commenting on a Sactwu statement accusing clothing employers of attacking workers' living standards with a 7,25 percent pay offer

Negotiations affecting more than 110 000 Sactwu members nationwide deadlocked on Wednesday, with the parties agreeing to refer the impasse to mediation — mooted for Tuesday and Wednesday this week

Natal and Western Cape machinists earn an average weekly wage of about R240, according to a Sactwu spokesman

The employer offer translated into a take-home wage of roughly R235,95 Sactwu is demanding a 14 percent pay hike, or about R30,80 extra on weekly cash earnings

Mr Baard said the clothing industry was being squeezed internally and internationally by a stagnant economy, cut-throat competition from the informal sector, the gradual demise of protectionist measures — and the Asian economic tiger (184)

Sactwu's allegations were unfounded, he said

Industry employers had delivered everything possible in the past five years to improve workers' standards of living

"But last year's settlement was 9,25 percent — since then the industry has shed thousands of jobs "

Gatt had committed South Africa to reducing tariff protection over the next eight to 10 years

This meant opening much of the domestic market to fierce international competition from mainland China and South-East Asia

The mushrooming informal sector also added to the industry's woes

"The growth of informal clothing manufacturing has been phenomenal It is increasingly manufacturing for boutique chains and even accounts for the bigger chainstores Our market share is shrinking by the day " — Sapa

Rag workers strike over wages

ERICA JANKOWITZ

CLOTHING workers downed tools en masse in Isithebe yesterday in response to poor wages which were "an apartheid legacy from government's decentralisation policy", an SA Clothing and Textile Workers' Union (Sactwu) spokesman said

Workers went on strike when employers refused to negotiate wage increases with Sactwu, saying they had the right to determine wage levels unilaterally

Management could not be contacted for comment last night

In terms of the previous government's attempts to move industry to areas of high population concentration, companies had received incentives to move to Isithebe and had been exempt from minimum standards set down in industrial council agreements

Sactwu spokesman Shahied Teladia said more than 2 000 workers from AM Moola, Niran, the Seardel Group and Fashion Tech went on strike yesterday and a group of workers protested outside AM Moola's head office in Durban

The average minimum wage in Isithebe is R85 a week, with machinists earning about R140 a week in the area The minimum machinist wage set down in the textile industrial council agreement is R240 a week, Teladia said

Companies set up factories in Isithebe because of incentives given by the previous government and the total lack of labour regulation in the area — hence the huge discrepancy in incomes (184) ([illegible]) ([illegible])

Workers were protesting against this and the employers' association's decision not to negotiate with Sactwu despite a 1988 agreement to bargain with the union He said employers were "reluctant to come to the negotiating table as they had found refuge" in Isithebe from industrial council agreements

Teladia said the area had been extremely difficult to organise because of Inkatha/ANC antagonism in KwaZulu/Natal and the fact that Sactwu was perceived as an ANC union

Similarly, Sactwu Natal organiser Mark Bennett said the union recently realised former Manpower Minister Leon Wessels had signed an exemption for textile employers in Botshabelo near Bloemfontein which allowed the employers to pay below council level wages

He said the exemption order — which had been refused by the industrial council — was probably signed literally days before he left office after the April election and the handing over of power to the ANC-led government

As a result of this, workers in the area were receiving 30% of wages set down in the agreement

Botshabelo was also established as a decentralised region with an almost unlimited unskilled worker supply and no labour regulation

Bennett said he would try to resolve a looming dispute over wages and conditions of employment

Labour Affairs Minister Tito Mboweni said on several occasions that harmonising labour legislation and bringing into line these areas where employers were able to set their own standards was a top government priority

Changes needed for competitive edge

(184) CT 27/1/94

By ARI JACOBSON

LOCAL clothing manufacturers are gearing up to gain a competitive edge on world markets as the industry faces up to the challenges of becoming self-sufficient, says Seardel chairman Aaron Searll yesterday

Searll suggests that the industry can become more competitive through further automation, increased productivity, export incentives and lower input costs

In an interview at the group's headquarters, Monterey in suburban Cape Town, Searll confessed that the next five years would bring about sharp changes in the clothing and textile industries

FACING THE CHALLENGE . . . Seardel chairman Aaron Searll at the group's headquarters at Monterey. Picture ARI JACOBSON

Searll has only known regulations, of various forms, since his involvement in the industry some 37 years ago "at that time there were also exchange controls and import controls," he said

In those days Searll controlled a turnover of some R35 000, that has now ballooned to a massive R1,1bn — the constant has been the protection over the industry, which remains but may soon be gone

Searll reckons that the sole salvation for the clothing and allied textile industries is to work towards "interdependence" and the link should go one step further to include the local cotton producers

According to Searll the presently protected clothing and textile industries could become a formidable force in the next five to seven years, with no government support other than export incentives, by targeting the industry's problems "at source"

Searll envisages a subsidy for cotton producers, which currently provide only 40% of the country's needs and this would feed through to cheap input costs for the textile industry, which in turn would supply clothing manufacturers — and thereby create a domestic route to self-sufficiency

"Research shows that R1 turnover of cotton production cascades into R15 at the retail level," says Searll an arch supporter of the concept of adding value "at home"

It's for this reason he argues that any future protection or subsidy in the industry should be biased towards cotton production

He believes that tariff protection on textiles could decline to about 15% over the next five years, in a staggered process, which would at the same time lower the input costs on imported textiles for local clothing manufacturers

However regulation can only be successfully removed once the industry looks inward and becomes competitive

Seardel is already taking futurisitc steps in that direction through the automation of certain clothing manufacturing processes

Govt urged to cut cloth to fit a 'faster track'

EDWARD WEST

CAPE TOWN — Government should adopt a "fast track" approach and accept the latest clothing industry export incentive proposals to avoid stalling export growth, SA Clothing Industry Federation president Sadek Vahed said yesterday

Vahed said the export incentive recommendations contained in the recent report by the clothing industry task force should be urgently adopted by government.

There was uncertainty regarding a firm export incentive scheme which was hindering strategic planning by exporters.

The report, released two weeks ago, had recommended the continuance of GEIS as long as possible and the extension of the duty credit certification system (DCC) to March 31 1995 from expiry on September 30 1994.

Other recommendations were that DCCs be transferable, that one customs union issue authority for DCCs, and that incentives be allowed on clothing exports based on imported inputs

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Reports last week suggested that the proposals had invoked a storm of opposition by clothing retailers, the Customs Union and small manufacturers. They claimed the task force had done little to advance the over protected clothing and textile industries

But Vahed said that although there was industry opposition to certain aspects of the report such as tariff proposals, the industry was unanimous in its belief that the recommendations on export incentives be adopted as soon as possible and that the proposals would not injure any parties.

The value of clothing exports climbed to just under R600m in 1993 from R60m six years before, saving between 15 000 and 20 000 jobs.

If the recommendations were speedily adopted industry employment of about 120 000 employees could treble within 10 years, he said.

With the lifting of sanctions the US market was wide open to SA manufacturers who could increase exports there substantially. The European Union had also recently lifted import quotas from SA, he said

Clothing exports 'could grow 60%'

B Day

EDWARD WEST

CAPE TOWN — Clothing industry exports, which had grown strongly over the past two years in spite of uncertainty regarding export incentives, could increase by over 60% a year, the Clothing Federation of SA said on Friday 28/3/94

The value of clothing exports grew to R460m in 1992 from R100m in 1988. Exports for 1993 were expected to be about 15% of SA's total production, compared with 10% in 1992 (184)

Federation director Hennie van Zyl said the growth would have been higher had there not been uncertainty regarding export incentives This could be resolved when a strategic plan for the clothing and textile industries was discussed at a conference this week

The long-term plan, drawn up over the past 16 months, included industry strategy and specifics regarding tariffs and incentives. It also contained recommendations concerning the introduction of other export incentives which would compensate for a slight reduction in the General Export Incentive Scheme after April 1995, when the new GATT agreement would begin to be implemented, he said

Clothing industry imports remained virtually static in rand terms for the first nine months of 1993 at R287m compared with the same period in 1992 In contrast, exports grew 39% over the same period to R516m (R371m)

New R150-m pay deal for clothing workers

ARG 19/7/94

(184)

TOM HOOD
Business Staff

A NEW pay deal will put an extra R150 million a year into the pockets of clothing factory workers.

Employers and the trade union have agreed to a 9,95 percent boost to the total wage package — a compromise on the demand for 16,5 percent by the SA Clothing and Textile Workers' Union and the 5,5 percent counter-offer by employers

Confirming the settlement, Johann Baard, one of the negotiators and chairman of the Cape Clothing Manufacturers' Association, said machinists — the backbone of the industry — would get a 10 percent rise of R23, making for a basic salary of R263 a week.

But employers faced serious problems on two fronts, Mr Baard said·

- Chances of absorbing the increase with the industry's low margins were remote.
- They could not pass on higher costs to retailers in the present economic climate

"Companies may be pushed over the brink into bankruptcy or, alternatively, they will have to recover the costs from improved efficiency."

Mr Baard said the settlement was probably higher than manufacturers would have wanted in the circumstances, but people were referring to a so-called election premium that was built into the wage agreement.

Negotiations took more than two months, but were free from serious labour unrest.

Mr Baard said there was deep concern within the body of employers whether they were doing enough in the context of labour management relations.

"We are preparing the industry for the cold winds of competition, but we doubt if we are doing enough. The core sentiment we are trying to drive home is that each item of additional costs is a potential area of competitive disadvantage," said Mr Baard.

"With our current structure we are already at a cost disadvantage. So anything added on top of that needs to be met by a productivity quid pro quo.

"We have to look after our labour and improve standards of living and assist job creation, but it will have to happen on the basis of matching costs against other wages. That is a responsibility everyone will have to share.

"The informal sector was growing at such an uncomfortably rapid basis that we can no longer ignore the reality of the informal sector.

"The formal sector and the industrial councils will have to start drastically reshaping the way in which they interface."

Unions want review of Insolvency Act

(184)

ARCG 9/2/94

Call for workers' claims to have higher priority

SHARON SOROUR
Labour Reporter

CLOTHING industry unionists have called for an urgent review of the Insolvency Act in a bid to secure the wages and savings of workers when companies go into liquidation.

At present, when companies go insolvent, wage payouts to workers come well down the list of priorities listed in the Act — for instance, the Receiver of Revenue is accorded a higher priority

The SA Clothing and Textile Workers' Union is to approach the National Manpower Commission to address the issue and to ask the Congress of South African Trade Unions to launch a campaign in defence of workers' rights.

This follows the provisional liquidation of Highams SA in Maitland last year, when 142 staff lost their jobs — and personal savings totalling R49 581.

The workers participated in a factory savings scheme and the money was not held in trust, but in a company bank account, a press conference was told by union deputy general secretary Ebrahim Patel yesterday.

"The company was placed under provisional liquidation last August," Mr Patel said.

"Frame Textile Corporation and Merchant Trade Finance Ltd held security for claims totalling R13 million, and other creditors were owed in excess of R2 million.

"Because workers' savings were placed in the bank account of the company, their status was the same as any other concurrent creditors."

The Insolvency Act, which regulated the division of assets of companies placed under liquidation, set out the preference order of different creditors.

Mr Patel said Frame Group chairman Mervyn King supported the union and had helped secure the workers' money But the case had highlighted the vulnerable position of workers and the fact that the law favoured the interests of other, more secure stakeholders at the expense of workers.

Mr Patel said the union was calling for an "urgent review" of the Insolvency Act to ensure that workers' contractual money and savings were given the highest preference in the Act, and that creditors be obliged to notify the representative trade union of pending liquidations.

According to the order of preference set out in the Act, workers' salaries and wages were sixth on a list of 10, coming into consideration after secure claims, funeral and death benefits, the cost of sequestration, the cost of execution and statutory obligations.

"In our view this is quite unacceptable. By the time workers are considered, there is no money left to cover their wages or savings. Even the Receiver of Revenue (in statutory obligations) is placed above workers.

Supporting the union, Mr King said the workers' money had been wrongly placed in a company bank account and not in a separate trust account.

Frame Group, the major creditor, was owed R9 million for fabric supplied and was set to lose R5 million

The company had examined the situation and found workers' leave pay had not been paid and staff were to lose their savings money. The company had then paid both

Money lining pockets of Cape clothing workers

(184)

TOM HOOD
Business Staff

MORE than 47 600 clothing workers went home with about R60 million in their pockets when Cape factories closed for the holidays

They got R51 million for their week's pay plus three weeks and one day's holiday, said Johann Baard, chairman of the Cape Clothing Manufacturers Association

In addition, year-end bonuses that could amount to as much as R10 million were paid out

"The year-end bonus is a matter decided by management at plant level and is not regulated by the Industrial Council While the practices on bonus payments vary widely, most employers provide for some payment of a bonus"

Mr Baard, labour director of the giant Seardel group, was re-elected chairman at the annual meeting of the association, now in its 70th year.

In his annual review, Mr Baard said the industry's core issues surfacing for 1995 were

- The industry restructuring the tariff reform,
- The new Labour Relations Act,
- The Clothing Industry Training Board restructuring and the reform that would go with that,
- Affirmative action, and
- Small and medium manufacturing enterprises (SMMEs).

ARG 24/12/94

The new Labour Relations Act potentially would have important implications for shop-floor relationships, he said

The core theme that underpinned the discussion and debates on the rewriting of the Labour Relations Act was the democratisation of the workplace.

"I do not think the gravity and challenges of training facing us can be exaggerated There is a growing awareness of the need to empower the disadvantaged masses and there is growing concensus that this can take place only through sustained training and education initiatives," he added

The industry was fortunate in having a training board that was run jointly in a full and equal partnership with the trade union

Clothing industry recovers, but still behind '80s boom

BDay 10/6/94

AMANDA VERMEULEN

CLOTHING industry volumes have recovered from the slump in 1990 to 1992, but are still far from the boom experienced in the '80s, said Clothing Federation deputy director Arnold Werbeloff

In an interview with the industry's magazine, Clothing Industry News, Werbeloff said that although the industry had turned around in 1993, recording a 3% growth, it was still far from the healthy 19% in 1981 and 17% in 1982

"Analysis of clothing and textile production volume trends shows that although both industries are performing below 1990 levels, there was a definite improvement in fortunes last year"

He said that both clothing and textile production prices were under pressure during 1993 from retailers and consumers, resulting in small increases of 7,5% and 4,8% respectively

Additional pressure from low-cost producers in the former homelands, neighbouring countries and the Far East had also squeezed margins, he said

Werbeloff said that while imports had increased 9% to R405m last year, exports grew a healthy 34% to R616m, resulting in the balance of trade more than doubling

"The small increase in imports reflected heavy duties on imported items and the depreciation of the rand against the dollar The sharp climb in exports resulted from increased demand for SA clothing from the European Community"

(184)

However, Werbeloff warned that the future of exports was uncertain following the inclusion of SA into the GATT accord

"Another factor which could affect exports is the pressure on the government to divert expenditure to social upliftment programmes"

He said that despite an upward trend in the industry, employment was still declining and insolvencies were continuing

Werbeloff said recent political changes and the aid injections from the West, combined with rapid growth in the retail clothing sector (8% in 1993) would have a positve effect on the industry

"The long-term strategic plan for the textile and clothing industries, which should eradicate uncertainty about exports and increased interest in the sector from investors, bodes well for the future of clothing manufacture," he said

Clothing exports plunge by 69 percent

Star 18/7/94

■ BY CLAIRE GEBHARDT

Clothing exports plummeted by 69 percent in the first four months of 1994, according to the National Clothing Federation of South Africa (NCF).

Latest official statistics indicate that exports have dropped to R105 million from R336 million for the corresponding period last year.

NCF executive director Hennie van Zyl says the figure indicates that total clothing exports for the year might not reach R400 million — way down on the R616 million achieved in 1993

He says the figures are particlarly disappointing, given that clothing exports have a job-creating potential far in excess of any other SA manufactured export commodity.

"Every additional R45 000 worth of clothing exports creates one permanent job at a fixed investment cost of only R4 000."

Also disconcerting is the fact that clothing imports for the first four months of this year amounted to R185 million, compared with R153 million last year, he says.

"This implies that the R616 million clothing exports achieved last year — which represented only 11 percent of the total clothing industry output — sustained 14 000 jobs at an investment cost of only R55 million.

Van Zyl says if the industry succeeds in exporting only 30 percent of its current production, 37 000 clothing jobs could be generated at a cost of only R147 million, plus an additional 8 000 jobs in the upstream textile industry.

This gives a total of 45 000 jobs.

"The time required by the clothing industry to create such jobs ranges from two to six months, a period considerably shorter than virtually all other manufacturing industries"

Van Zyl says the clothing industry, more than other manufacturing industry, has the capacity to achieve the fundamental objective of the Government's Reconstruction and Development Programme — the rapid creation of the maximum number of permanent employment opportunities at the lowest cost.

"Clothing is possibly the widest traded commodity and clothing exports directly stimulate various other local industries such as textiles, machinery supplies, consulting services, etc"

(184)

He says the reasons for the disappointing export performance are related to the fact that the industry is currently required to quote export delivery prices for the second half of 1995, while no certainty about export incentives extends beyond September 1994

A second reason is the delay by the Government in affecting administrative changes.

"Although a government decision was taken in February 1994 to extend the current Duty Credit Certificate Export Scheme (DCC) — essential to countering the existing anti-export bias in the economy — to the end of September 1994, the implementation of this decision still awiats the signatures of the Ministers of Trade and Industry and of Finance."

Van Zyl says a third reason is the delay by the National Economic Forum in reforming the Geis (export incentive) system

A fourth is the political uncertainty prevailing prior to the election

Van Zyl says an urgent decision is required on export assistance to enable the industry to do forward planning

The most urgent outstanding issue requiring a decision is the unanimous recommendation of the Clothing/Textile Panel on export assistance, he says

"This recommendation is that the DCC and Geis schemes should continue, but be phased down in conjunction with the phasing down of import duties"

Clothing firm Boymans bounces back into black

YURI THUMBRAN B/Day

SPECIALIST clothing retailer Boymans bounced back into the black in the six months to end-September, reporting attributable income of R1,8m compared with a loss of R894 000 for the same period last year

The Amalgamated Retail subsidiary attributed growth at the bottom line to improved trading conditions and benefits stemming from restructuring management in the previous financial year 2/11/94

The company — its stores including John Orr's, Levisons, Deans, John Scott and Woolfsons, posted earnings a share of 6,3c compared to a loss of 3c after turnover rose to R112m (R106m) No dividend was declared as the directors amended dividend policy to an annual declaration at the financial year-end (184)

Growth in turnover, after adjusting for stores sold or closed, amounted to 8,5%, while improved margins, lower markdowns and greater operating efficiencies, led to a 243% increase in trading profit to R5m

Chairman Ronald Logan said earnings were further boosted by a saving in net financing costs attributable to enhanced cash flows

Strict working capital and cash management, along with the positive trading results, allowed the company to repay borrowings of R8,4m This led to a reduction in gearing to 0,83% (1,06%).

DA GAMA FM 4/11/94

Running smarter

Da Gama has long been regarded as one of the strongest in the clothing and textile sector. And for good reason. Unlike some of its competitors, it didn't post losses during the industry's tough times Neither did its balance sheet weaken; it remains ungeared, with R23m net cash on hand.

Latest interims to end-September show sales up more than a quarter, reflecting mostly a recovery from a six-week strike in April-May 1993, as well as some real volume growth Sales improved despite a 12% volume increase in fabric imports during January to June. Operating margins climbed from 7% to 10%.

"Yes," says CE Harry Pearce, "margins could return to 1991's 19% if the general market recovers But this requires greatly improved volumes" — roughly 70% of Da Gama's overheads are fixed

The future tax status of Ciskei, where Da Gama bases some of its major facilities, remains unclear. However, the group is prudently raising its effective tax rate (currently up from 18% to 25%) in anticipation of any change in Ciskei tax breaks.

The cash flow statement shows focus on asset management; net working capital requirement fell R1,7m after the year-ago R32m rise. This stems mainly from improved stock levels. Stock turn climbed from about 2,0 a year ago to 2,5 times. Pearce says it is simply a case of "running smarter" and adds Da Gama is delivering on time in an industry which is being accused of late deliveries.

Current order books are "good" and full-year earnings are expected to show "very satisfactory growth," though at a much lower rate than that of the first half. Capacity is under-used so Da Gama could expand volumes — widen margins — should business improve. (184)

The share more than doubled to 550c between October last year and June. This appreciation was perhaps too rapid; the stock has shed 200c to a more realistic 350c, giving a p:e of 10,1. *Kate Rushton*

BUSINESS PERSONALITY

Garment industry takes lead in 'working partnership'

TOM HOOD

(184) ARG 19/3/94

THE garment industry could be taking the lead in forming a partnership between employers and workers.

A fundamental step would be making clothing industry trade unions an equal partner on the Clothing Industry Training Board

This will happen once one or two minor details are resolved, says the new chairman of the Cape Clothing Manufacturers Association, Johann Baard.

His election as chairman pinpointed the increasing role that labour was playing in the industry

"I am confident the partnership role between business and labour is going to translate into practical, workable programmes, established initially in the arena of training," he said in an interview.

"The credo of unions used to be: "All we want is more." Their fundamental objective was to improve the standard of living of members, he said.

Now, however, shop stewards were gaining a better understanding of the wider issues and needs of the industry

Trade unions were playing an encouraging role in looking at the question of tariff policies and structures

There had been a shift of attitude The core debate in the clothing union was what role there was for the union and its members towards making the industry better positioned to face the future in a world increasingly characterised by free-trade policies.

The broad base of members understand that. They are prepared to contribute towards the debate and to play their role in programmes that may be designed with the trade unions in training and productivity to make the industry internationally more competitive

Mr Baard is one of the new breed of bosses who are not steeped in marketing, designing, production or accounting

He began his working life with a short stint in the Department of Foreign Affairs

"Then it dawned on me at a time when the whole labour-industry relationship was starting to take shape that the challenges of the future would lie within the boundaries of South Africa."

So, he left the service and carried on his studies in industrial relations and industrial sociology at the University of Cape Town.

He started the labour affairs division at the Cape Chamber of Industries as the union-employer confrontation began to develop in the Western Cape.

Ten years ago, he became the first group industrial relations executive to be appointed for the Seardel group, the country's largest garment manufacturing empire.

A hectic time with much travelling does not allow much time for hobbies, but Mr Baard keeps fit by playing squash or getting on the ski slopes when overseas. He undertook his first free-fall parachute jump with his brother this year.

He pointed out that historically the fundamental area where the clothing industry had generated jobs was in the high volume, cheaper end of the market

This was, however, not the future for the South African clothing industry as it simply did not have the capacity to compete with most of the Far East and certainly not with the likes of mainland China

There was confidence for continued export growth, but this depended largely on the government's response to the recommendations from the clothing and textile panel task group which were expected shortly.

Any recovery in economic and trading conditions would not reasonably lead to comprehensive re-employment of retrenched employees as many were now employed in the informal sector

The industry had moved in less than 10 years from a protective environment with labour, through a highly volatile and confrontational relationship with the new trade union movement. "But, it now has developed the essential ingredients of a lasting and meaningful partnership which can only be to the benefit of the industry, create jobs and make us more competitive in world markets," said Mr Baard

Uncertainty trims gains at Delswa

(184) BD 9/12/94

YURI THUMBRAN

CLOTHING manufacturer Delswa's attributable profit slipped to R417 000 (R1,5m) in the six months ending October as hesitancy among customers prior to the April elections affected operations

Company operating profit before interest and taxation slipped to R1,9m (R3m). Profit after tax dropped to R444 000 (R1,5m) Earnings a share were trimmed to 6c (21,7c), while the dividend was unchanged at 4c a share

The company said it had become difficult to predict future profits with accuracy, but it had budgeted for earnings for the full year to approximate the 27c achieved last year

The directors noted that Board on Tariffs and Trade chairman Nic Swart would shortly table his final recommendations on a long-term plan for the clothing and textile industries.

They were hopeful that the decision on export incentives, final duties and phase-down period would take cognisance of the clothing industry's job creation potential

Directors said given a favourable tariff dispensation the company was well placed to take advantage of expected economic growth

Subsidiary Jade reported attributable income of R129 000 (R128 000) Earnings a share were maintained at 4c and the interim dividend was steady at 4c

Strong demand for clothing

Star 2/12/94

BY THABO LESHILO

The demand for clothing in SA remains very high and far surpasses manufacturers' ability to deliver despite the recession, says the Textile Federation (Texfed) in its 1993/94 economic review.

"For 1993 as a whole, retail sales of clothing, footwear and textiles increased in real terms by 8,9 percent, compared with 1992," says the federation.

However, growth of only 3,7 percent was recorded for clothing and 2,7 percent for textiles by manufacturer during this period

The shortfall is blamed on a 38,4 percent growth in clothing imports and a three percent increase in imported fabric

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Exports

Clothing exports rose 37 percent to R622 million Overall, textile exports reached R514 million, marginally better than last year

"With the disruptive period surrounding the elections now behind us, there is every indication that the domestic economy will gain momentum again and achieve an overall growth rate of around three percent

"Demand for clothing and textiles will follow this trend and the only question is whether the domestic industry will benefit fully from this improvement," says Texfed

SA Bias will improve — MD

BD 9/12/94

YURI THUMBRAN

SA BIAS Industries, manufacturers and distributors of trimmings and accessories to the clothing, footwear and allied industries, should show an improvement on its first half in the period ending December

MD Phillip Coutts-Trotter said yesterday second-half sales had been strong and would have a positive effect on the full year figures The second half had not been hit by disruptions, as had the first, he said

The company reported a slip in attributable earnings for the six months to June to R2,5m (R3,2m), while turnover rose slightly to R69m (R67,1m) (184)

In its forecast at the interim stage, the company said it anticipated group trading to be in line with budgets

It expected to maintain dividends at 11c a share for the year and to achieve earnings a share of between 25c and 34c, against 33c in the previous financial year

Sources have said an improved performance by SA Bias would have a positive effect on the earnings of the Sabhold Group, which held an 87,4% interest

Commenting on its propects at the interim stage, Sabhold said SA Bias and financial subsidiary Merhold were doing well It expected dividends of 25c and earnings of between 72c and 84c a share

Ninian & Lester 'uptick'

8/5/9

YURI THUMBRAN

TEXTILE, hosiery and clothing manufacturer Ninian & Lester was confident of posting improved earnings for the financial year to end-December, the company's MD Dennis Drysdale said yesterday. 24/11/94

He said the Durban-based company's performance in the first six months to end-June had been satisfactory. The company was experiencing an uptick.

It reported attributable earnings of R1,4m (R430 000) for the half-year to June. Turnover rose to R115,4m (R108m), and margins improved slightly as trading income rose to R8,4m (R7,7m).

The company's products include the Jockey underwear range for men, women and children.

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Ragtrade call to end tariffs poser

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JOHN VILJOEN
Business Staff

ARG 3/11/94

TEXTILE manufacturers have called on the government to end uncertainty over the industry's future by finalising import protection levels.

"We are looking to government to tell us what is going to happen in the next 10 years," Textile Federation vice-president Mike Haskinson said yesterday

"Whatever the news is we will adjust our business activities accordingly — whether this means change by closing down or by expanding"

During a Press briefing in Paarl yesterday, Texfed members criticised National Clothing Federation proposals to slash textile industry benefits as being motivated by self-interest

The NCF wants the phase-down period of duties to be more than halved and the final duty levels on fabrics, for example, to be cut from 22 percent to 15 percent

Such a move would jeopardise the 360 000 jobs in textile and related industries by not giving the industry time to remodel itself and become internationally competitive, Mr Haskinson said.

He called on the government to accept proposals by the Swart Panel which were "a finely balanced set of proposals with the ultimate goal of having efficient and competitive clothing and textile industries in 10 years"

"As far as I'm concerned, there are very few South African industries which would survive if the duties were removed overnight," he said

"I don't believe the textile or clothing sector has problems which are different to other industries. As a country we have a problem with competition We need a chance to remodel, to change, to do training.

"Textiles are a sensitive area internationally All we are saying is treat us the same as the rest of the world What we are looking for is reasonableness"

Mr Hankinson did not believe the NCF proposals would be successful as they faced strong opposition, especially from the trade unions

According to Texfed, a viable textile industry was in the national interest

The industry produces goods worth R8,8 billion a year and is the country's sixth largest employer in the manufacturing sector and 11th largest exporter of manufactured goods.

REX TRUEFORM

Strategy working

FM 18/11/94

Activities: *Makes and retails clothing*
Control: *Shub family holds effective control through African & Overseas (71%)*
Chairman: *S C Shub*
Capital structure: *4,1m ords Market capitalisation R80,5m*
Share market: *Price 1 950c Yields 3,6% on dividend, 10,4% on earnings, p e ratio, 9,6, cover, 2,9 12-month high, R22, low, R10 Trading volume last quarter, 61 000 shares*

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	6,8	7,8	0,8	0,5
LT debt (Rm)	3,0	2,2	1,4	0,9
Debt equity ratio	0,02	0,08	n/a	n/a
Shareholders' interest	0,76	0,77	0,82	0,82
Int & leasing cover	n/a	10,2	10,3	7,1
Return on cap (%)	6,3	5,5	7,2	7,4
Turnover (Rm)	n/a	161,4	171,7	167,0
Pre-int profit (Rm)	6,9	6,3	8,1	8,8
Pre-int margin (%)	n/a	3,9	4,7	5,3
Earnings (c)	176,2	142,6	155,4	202,2
Dividends (c)	70	60	60	70
Tangible NAV (c)	2 039	2 130	2 192	2 389

The 38% rise in pre-tax profit on a 3% drop in turnover indicates major improvements in efficiencies and management After preference shares were redeemed in 1990, the balance sheet strengthened throughout the recession (184)

The company is now ungeared, virtually debt free and is enjoying returns on its R14,5m cash derived from the cash flow generated particularly from the Queenspark retail division

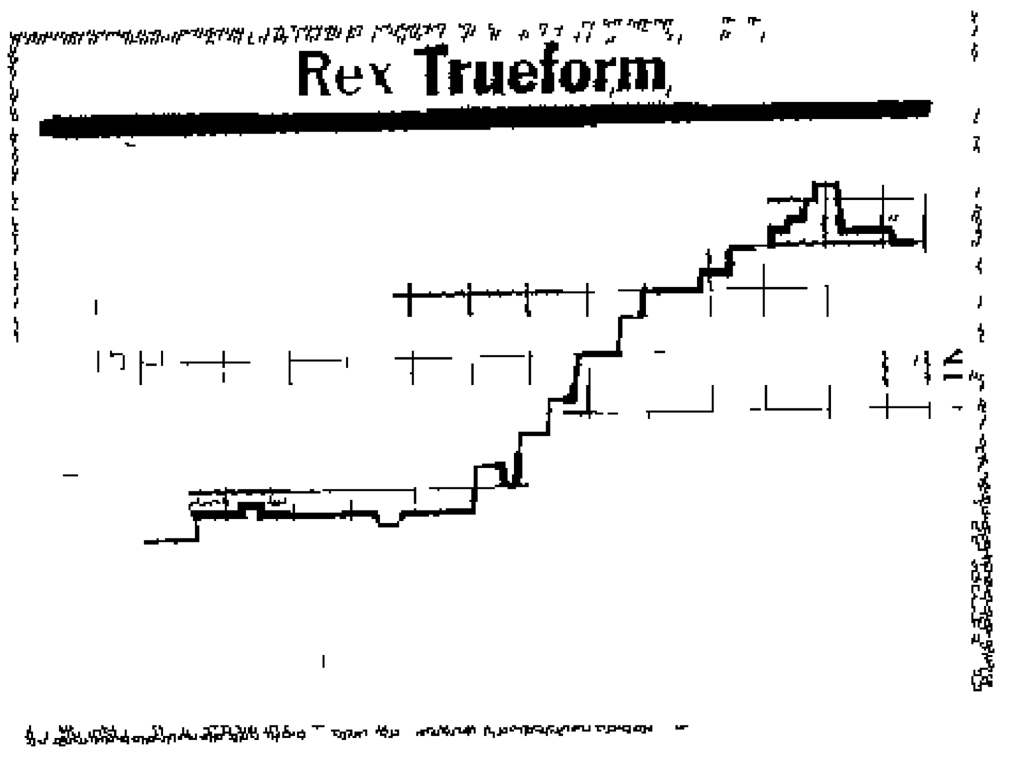
Queenspark is trading with increasing prosperity alongside leading retailers It is not difficult to understand why Unlike merchandise in many of the other retail chains, its merchandise is designed and made by Rex True exclusively for its own target market It is selling to a market that has been crying out for a classic fashion range of a quality not readily available in SA The merchandise is reasonably priced and offers good value

Rex True does not depend solely on Queenspark for its orders It markets also to specialist retailers who require its international brands (Lanvin of Paris, Daks of London) as well as other brands (Wall Street, John Stephen, Oggi and Cassidy) It has become increasingly successful at exporting to sophisticated Western markets

With the entry into retailing, some important retailing customers were lost Rex True contracted and restructured its manufacturing operations This, with rising volumes generated by Queenspark in particular but also by exports, is producing the efficiencies that chairman Stewart Shub was looking for However, uncertainty about government's Geis incentives is causing him anxiety about future export orders, though order books are full for the rest of the year FM 18/11/94

The share price has doubled since March but the p e is still only nine That may appear lofty (in the context of the clothing sector) because of Geis uncertainties But the value of Queenspark should not be underrated • (184)

Almost inevitably, Shub will eventually list it separately in the retail sector at a higher rating Until then, the chain should go from strength to strength Prospects also look favourable for Rextrue's margin, operating profit, investment income and EPS The share offers sound value *Gerald Hirshon*



sales and income rise

SPECIALIST clothing retailer Boymans expects the upsurge in disposable income to have a positive effect on sales and earnings in the second half of its financial year B1Day

The company, controlled by Amalgamated Retail (Amrel), operates a number of chain clothing retail stores including John Orr's, Levisons, Deans, John Scott and Woolfsons 10/11/94

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YURI THUMBRAN

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Boymans expecting a sales and income rise

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CLOTHING & TEXTILES

FM 8/4/94

Pipeline dissension

The 197-page report of the textile and clothing task force, released last week by panel chairman Nic Swart, has run into a storm of opposition and controversy (184)

The aim of the two-and-a-half-year investigation, involving the Board on Tariffs & Trade, the clothing and textile industries, SA Clothing & Textile Workers' Union,

FM 8/4/94

retailers, wholesalers and government, was to devise a long-term strategic plan for two industry sectors that have for decades been at loggerheads over protective tariff barriers.

In SA's offer to Gatt, the current tariffs were to be cut by about half, with a ceiling of 45% on imported clothing and 30% on imported household textiles, to be phased in over 12 years with an initial five-year standstill period That compares with the vast majority of other industries, which got much lower tariff ceilings to be phased in over just five years (184)

In response to the Gatt-imposed ceilings, the report recommends 40% tariffs on clothing and 30% on household textiles, to be phased in over 10 years

Judging by the response of major retail groups, Southern African Customs Union partners and small clothing manufacturers, the panel has done little to advance the overprotected textile and clothing industry sectors towards the restructuring needed to improve their international competitiveness

Woolworths, Edgars, Pep Stores, various wholesalers, the Concerned Independent Group of 235 smaller Natal clothing manufacturers, and representatives of Botswana, Lesotho and Swaziland have submitted a dissenting report

"The proposed 10-year period to phase out tariff barriers is inertia, not action," says an observer from the Customs Union who expects tension and disagreement when the tariff policy comes up for ratification there "It just defers the inevitable failure of some of SA's uncompetitive textile mills The two industries are so comfortable behind the high barriers, with an upturning economy to give them sufficient (local) demand, that they do not need to take the major steps needed for international competitiveness or to deal with the staff reductions "

Trade & Industry Minister Derek Keys has called for responses from interested parties But Keys, in a statement, has set the tone for the type of responses to which he's most amenable "Government is concerned that the transition to a more competitive environment should neither threaten nor damage the interests of any of the participants in the industries involved "

The refusal to bite the tariff reform bullet is ascribed by some to a cosy deal between the National Clothing Federation (representing the bigger clothing manufacturers), the Textile Federation and the trade union Others accuse Swart, who is also chairman of the Board on Tariffs & Trade, of bending over backwards to accommodate ever-increasing pressures to retain the status quo.

Apart from its important recommendations for an export focus, technological upgrading, the need for training and a more integrated management approach, the report is just a restatement of the old protectionist philosophy that has made SA one of the least competitive exporting nations of manufactured goods

And nobody states the case for ongoing

Fi

protection and huge subsidised handouts (to get rid of the so-called anti-export bias produced by tariff protection) better than Clothing Federation president Sadek Vahed "It therefore becomes critically important that government most urgently implements a follow-up export assistance system to replace the previous export programme, as clearly outlined in the panel's report," he says. "Government must take serious note that if no action is taken most urgently in this regard, it could spell the death knell of SA's clothing and textiles export momentum "

If government acts urgently, he adds, "within a matter of a few years we could see clothing and textile exports grow to a figure in the region of several billion rands. However, we must act quickly "

Woolworths director David Glasser isn't convinced "In the fast-changing world of today, for industry to rest on its laurels for 10 years does not augur well for the future " He criticises the report for having "hardly any

M 8/4/94 (184)

quantifiable features" and for creating no accountability for its implementation "And the interests of consumers have been left out of the equation."

Edgars Stores CE George Beeton says five years should be a sufficient period to phase out tariffs "Local consumers have to pay for the excessive protection afforded the textile and clothing industries Our clothing prices are more expensive than those in the US " Edgars supplies the burgeoning domestic market and participates in exports by manufacturing about 15% of its clothing inhouse

Adds Stanley Shlagman, spokesman for the dissenting group, the introduction of new specific duties (replacing the old *ad valorem* and formula duties) also means that the duty structure kicks off its 10-year reform period at higher levels than those that were effective in November 1992 "The industries have not restructured in order to help themselves They have merely reworked different ways in which the government should support

them "

Final damning words belong to Yakub Paruk, spokesman for the Concerned Independent Group. "The restructuring arrangement suggested by the panel in fact reinforces protectionism to the benefit of macroindustry, and is in direct conflict with the panel's own terms of reference. It is a complete disaster What was supposed to be a very temporary relief measure to protect the textile industry now appears to be a concretised basis upon which reluctant concessions are made to the clothing sector.

"We are following the path of India, where exorbitant protection led to a dual economy and massive smuggling syndicates India had eventually to abandon such protectionist practice."

SA, ever behind the times, seems set to repeat these costly historical errors before it will finally be forced by economic collapse to follow the path of reason — and of the market. ■

Tight customs control sought

JOHN DLUDLU

THE National Clothing Federation has called on government to tighten customs control measures.

Federation executive director Hennie van Zyl said yesterday that while the industry favoured the liberalisation of tariff duties — in line with GATT requirements — it was concerned about the amount of import penetration which suggested evidence of leakages in the customs control measures

"We're not advocating that imports be raised as that will be swimming against the tide," he said. "All we want is custom policing measures to prevent leakages"

Raising import duties would provide only temporary relief, he said. The industry's long-term salvation was in beefing up the country's exports

Clothing imports rose to R185m in the first four months of this year compared with R153m last year, while the import figure for the year could be as high as R520m — up from last year's R405m

This rise took place against a slump in exports, which dropped in the first four months to R105m against R336m last year.

Van Zyl also slammed the delays in government's response to recommendations tabled by the textile and clothing panel

The panel's recommendations included the adoption of a phased approach to export incentive schemes like the general export incentive scheme (GEIS) and duty credit certificate (DCC), which allowed manufacturers to claim up to 30% of the value of exports on subsequent import duties for items such as fabric BIDay

He said the industry favoured increasing the DCC claim to at least 36% to cushion the effects of removing tax rebates available through GEIS. 27/7/94

He said the clothing industry was losing out as a result of the uncertainty about the continuation of the DCC scheme beyond next March (184)

Clothing manufacturers favoured the continuation of the DCC incentives beyond March. The problem was compounded by the fact that no provision was made for retrospective claims, he said

Clothing stats don't tell all

ALIDE DASNOIS (184) ARG 16/7/94

EMPLOYMENT in the clothing industry is not shrinking, it's expanding, says an industry analyst

Joop de Voest of specialist research group Marketing and Planning Consulting Services, says official statistics based on Industrial Councils dramatically undercount the size of the sector.

Far from declining to 98 000 this year, he says, the industry's work force is increasing and stands at about 160 000 people — many of them working outside the industrial council network.

Against the official count of 1 200 clothing companies, he finds 2 500

Not all are small or informal sector operators, he says.

"Some are companies employing up to 200 people who prefer to stay outside the Industrial Council system"

Mr de Voest says the number of sewing machines imported into the country is an indication of the strength of this unregistered clothing sector

"Between 1989 and 1993, South Africa imported 1,1 million machines If there are really only 98 000 to 100 000 people employed in the clothing industry, assuming 65 percent of them are machinists, this means the total number of machines installed in clothing factories is only 65 000. Who is using all the other machines we've been importing?"

Official statistics underestimate production both in clothing and textiles, he says

"According to the Central Statistical Services, for instance, we produce about 40 million to 45 million pairs of underpants a year but we have a population of 40 million. Do we really only produce one pair of underpants for each man, woman and child?

Market confidence lifts clothing index to a high

BDay 16/6/94

MARCIA KLEIN

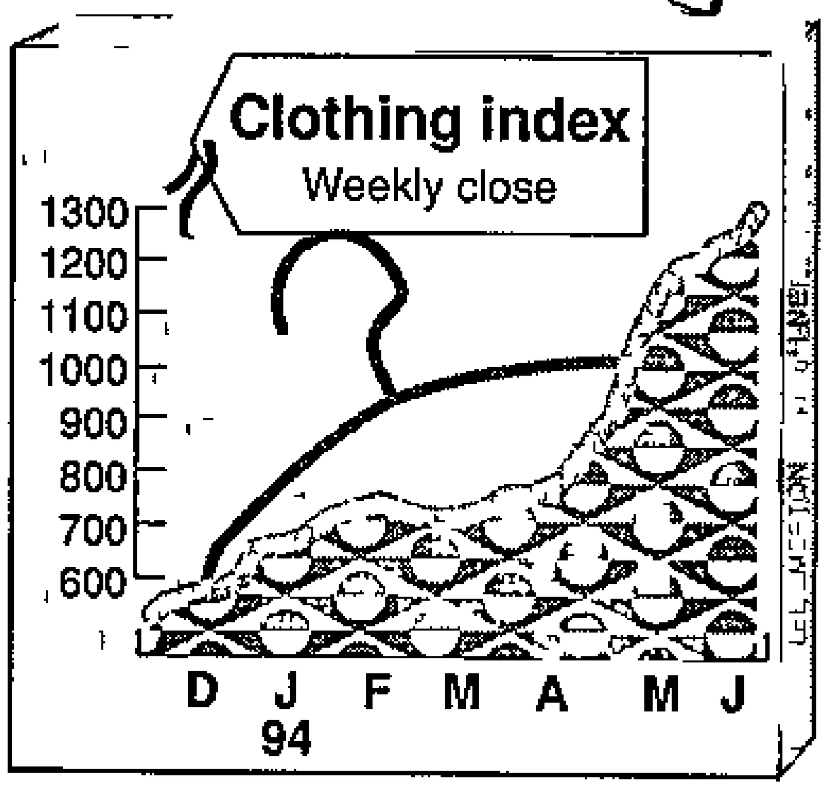
MARKET confidence in the clothing and textile industry, which seems finally to be coming out of a particularly severe down cycle, has seen a recent surge in the clothing index to outperform industrials since May

Yesterday the index closed 15 points up at a new high of 1 269 from a low of just 377,66 a year ago The index had risen steadily since the end of 1993, and sharply since mid-April

Analysts said there had been many casualties in the industry The companies which managed to survive would now be well placed for a fairly prolonged, but gradual, upswing

Clothing and textile companies had not been able to raise prices because there was simply no demand. Now there was a more healthy demand level, and a stabilisation of imports would benefit local manufacturers

One analyst said the industry would always be cyclical, but the last



bust cycle was amplified by the structural adjustment programme, which allowed for huge imports of clothing and textiles duty free

He said there had been a realisation that this was to the detriment of the industry, and GATT recommendations would be favourable to local manufacturers in the longer term In addition, demand had now improved substantially

The share prices were recovering, earnings were showing a turnaround, and there was a substantial improvement in the results of Seardel, Romatex, Frame and Da Gama

In addition, the up cycle would not be short-lived, as certain checks and balances would prevent a repeat of the previous disaster 184

The strong upward trend in the share price was expected to continue over the next two years

But in the longer term, a question mark still hung over its ability to compete internationally

An analyst said SA was competitive in certain areas, but at the lower end of the market the industry was not able to compete against the Chinese and other low-cost producers High costs, particularly wages, would not enable local manufacturers to match others on price

The important thing was for the local industry to be able to make profits in a recession By allowing a 10-year period to reduce tariffs, as proposed by GATT, they should be able to get to this stage

Clothing union slams Holiday Act

BIDAY

EDWARD WEST

CAPE TOWN — The Public Holiday Act reflected "racist baggage of the past" and should be reviewed to remove distinctions between factory workers and other employees, SA Clothing and Textile Workers' Union deputy secretary-general Ebrahim Patel said on Monday (184)

The holidays of factory workers, who were predominantly black, were governed by the Basic Conditions of Employment Act If the President had wanted to promulgate public holidays these, in terms of the Act, would apply only to office and other workers. 1|6|94

Patel announced that the union and the two main clothing industry employer organisations in the region had come to an agreement that the holidays over the election and the inauguration should be deemed public holidays with full pay.

The employer organisations were the Cape Clothing Manufacturers and Cape Knitting Industry Associations

Rag trade braced for tough wage talks

184

ARG 9/5/94

SHARON SOROUR
Labour Reporter

CRUCIAL wage talks in the embattled clothing industry — mainstay of the Western Cape economy — have begun, with employers and the clothing workers' union, the South Africa Clothing and Textile Workers' Union (Sactwu), braced for tough negotiations

Progress was made during the first round of national negotiations in Cape Town "but it's still early days", said Cape Clothing Manufacturers' Association chairman Johann Baard

Mr Baard said "Sactwu is demanding 16,6 percent The employers counter proposal amounts to 5,5 percent"

The wage component of the trade union proposal was 14 percent, with the balance made up by peripheral issues such as conditions of service

"The negotiations are taking place in a very good spirit at this stage, and both parties accept and appreciate that the industry is in a crisis

"It is generally accepted that the industry has not created a single job in the past five years, and the trend of factory closures and retrenchments has not been reversed or even halted," he said

Employers were concerned by the "extraordinary" growth of the informal sector and its level of sophisticated manufacturing

"The informal sector is not only supplying fleamarkets, but has begun supplying boutiques and even the bigger chain stores

"It is common cause that in the informal sector the rate for a machinist is R150 a week, while in the formal sector, with unionised rates, it's nearly double that," he said

Reports were also filtering through that the informal sector was "poaching" skilled labour employed in the formal sector on an ad hoc basis

Mr Baard said skilled workers like pattern-makers, graders and cutters were taking off up to three days a month as sick leave to work in the informal sector"

He said the whole debate on free trade, introducted by the recently concluded Uruguay Round of the General Agreement on Trade and Tariffs (Gatt), also raised the question of fair trade

First World developed countries now were trading with developing countries where child labour was prevalent and there were no minimum wage regulations or health and safety legislation

Clothing, textile exports up in 1993

Relief for local manufacturers

CHANGES in tariffs and duty-free allowances and the escalation of the international price for cotton fibre have placed domestic textile manufacturers in a competitive situation.

Demand for domestically manufactured textiles continues to improve although margins remain under pressure and the market cannot yet be described as buoyant, says Jon van Coller, economist and marketing consultant of Romatex, a textile company

Van Coller believes local manufacturers are finding some relief from the severe bombardment from imports they experienced over the past three years

This is due partly to the changes in tariffs and duty-free allowances, and partly to the rapid escalation of the international price for cotton fibre which has placed domestic textile manufacturers in a more competitive situation

"While demand for clothing fabrics is showing some improvement, that for made-up textiles such as bed linen is currently quite strong, and reflects the improving confidence in domestic households," says Van Coller

Last year, retail sales of clothing, footwear and textiles increased, in real terms, by 8,9 percent compared to 1992, and January 1994 — although seasonally a slack month — saw sales 3,5 percent higher than a year ago

At the manufacturing level, neither the clothing nor textile industries performed at levels in keeping with retail demand, achieving growth in 1993 of only 3,7 percent and 2,7 percent respectively

The shortfall is accounted for by clothing imports which grew by 38,4 percent in 1993 and fabric imports which increased 3 percent Cotton fabric imports were the same as for 1992

Total yarn imports reached R277 million, of which 64 percent was in man-made filaments and 30 percent in cotton and man-made spun yarns

Van Coller says local spinners experienced much difficulty last year when world cotton traded at a discount of 20 percent against the domestic price, and polyester at a discount of 25 percent

"The gap has subsequently narrowed and the current world shortage of cotton has also caused some escalation in polyester prices as well," he says

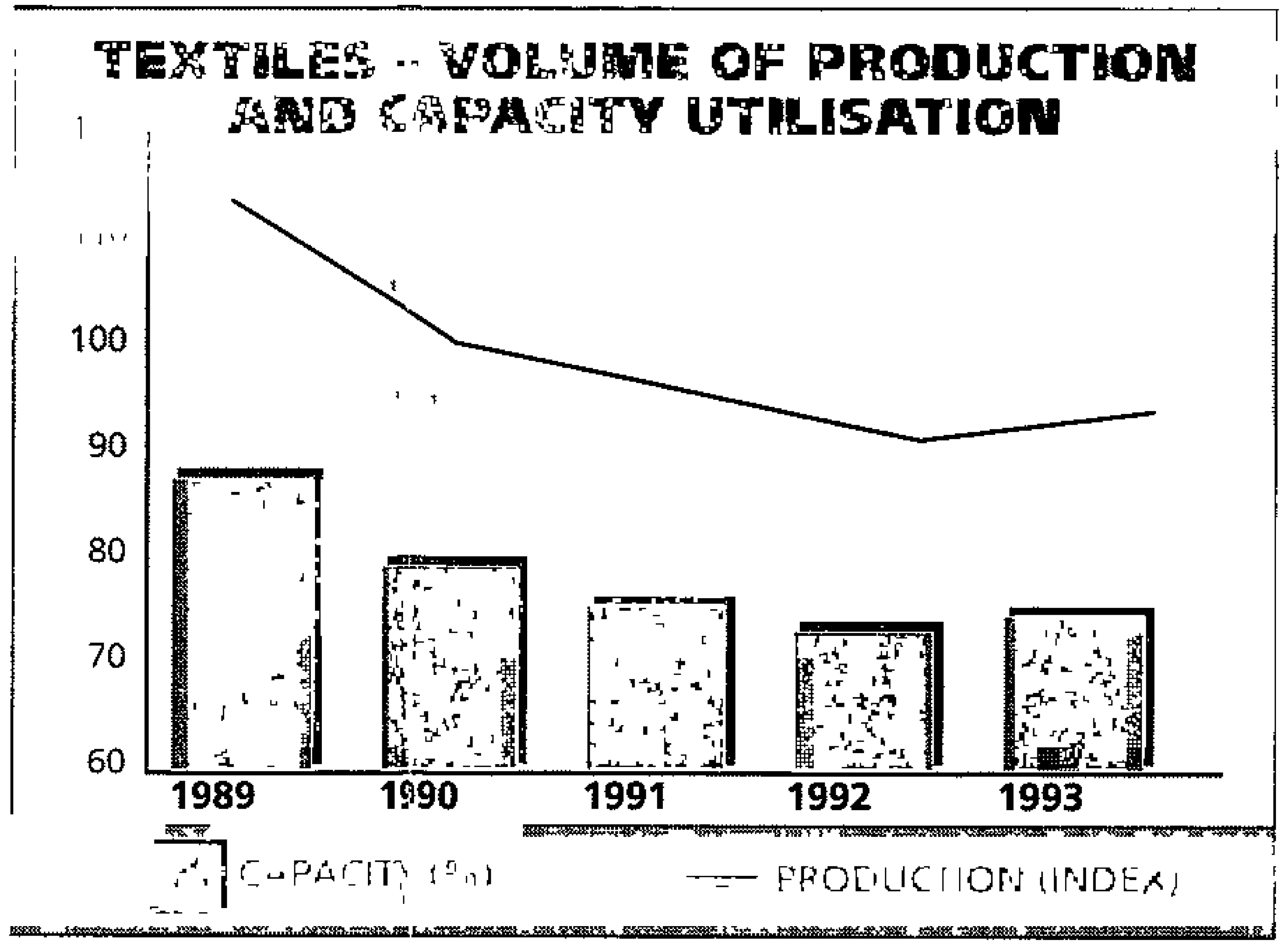
"These increases are also impacting on local fabric manufacturers in that they must import approximately 66 percent of their cotton fibre requirements Domestic cotton and polyester fibre prices have also moved up, to some extent, in sympathy with the world situation

"Local fabric and clothing manufacturers are finding it extremely difficult to pass on these cost increases to retailers, and margins are, therefore, under pressure, more from a 'cost-push' point of view than from the previous lack of demand," he adds

Both the clothing and textile industries showed significant increases in exports during 1993 Clothing exports reached R622 million, which was 37 percent up on the previous year

In textiles the different sectors varied in their performance — yarns were marginally down, while fabrics increased by 16 percent in value and 31 percent in volume

With regard to make-up textiles, bedroom and kitchen textiles were well up, but curtains and furnishing were well down Sales of miscellaneous textiles increased by 13 percent to reach R134 million Overall textile exports (excluding fibres) reached R514 million, which was marginally better than the previous year



SOUTH AFRICAN TEXTILE INDUSTRY STATISTICS SUMMARY 1989 - 1993

	1989	1990	1991	1992	1993
Employment	100 300	97 300	90 200	82 600	80 500
Sales (R million)	6 241	6 328	6 655	6 678	7 113
Imports (R million)	1 673	1 750	2 131	2 064	2 222
Exports (R million)	1 413	1 395	1 460	1 328	1 154
Fabric Production (million m2)					
Cotton Fabrics	188	175	138	103	118
Spun Synthetic Fabrics	152	132	127	102	112
Continuous Filament Fabrics	116	81	81	74	81
Wollen Fabrics	2	2	2	2	2
Worsted Fabrics	19	18	15	14	13
Woven Fabrics – Total	477	408	363	295	326
Knitted Fabrics	175	154	123	116	129
Fibre Consumption (000 t)	305	273	260	249	251
Spun Yarn Production (000 t)	116	110	93	87	87
Equipment					
Spindles	770 000	758 000	728 000	640 000	620 000
Looms	5 800	5 200	4 515	4 315	4 250

Tale of rags to riches

The history of the South African textile industry is truly a tale of rags to riches

The first weaving factory in the country was established in King Williams Town before the turn of the century to produce blankets for the "native territories"

Unfortunately the factory failed, along with a couple of others started in the Free State, and it was only after 1925 that the blanket industry developed

In that year, the customs duty on blankets, rugs, shawls and heavy sheeting was increased By 1933, there were 12 factories manufacturing woollen, woollen-and-cotton and cotton blankets, rugs, heavy sheeting, canvas, baize and webbing

Although these developments opened the doors to the use of South African cotton and wool, the industry at the time employed imported raw materials By 1944, there were 16 factories producing some 90 percent of the county's needs in the line of blankets, rugs and sheeting Employment amounted to 3 711 jobs

Today the textile industry employs about 80 000 people, has fixed assets of R3,2 billion and annual sales of about R7 billion

It is a primary industry and it is estimated that every job in textiles creates 2,5 jobs in secondary industries such as packaging, chemicals, transport and distribution In short, it supports some 220 000 jobs

After the mining industry, it is one of the largest users of electricity and one of the largest payers of rates and taxes in several cities in South Africa

Mervyn King, president of the Textile Federation of South Africa, says that although the industry has been through a difficult period, indications are positive with a decrease in imports and an increase in demand

"The decrease in imports has been partly due to the rand's devaluation and problems with the cotton crop in south-east Asia," says King

He believes the industry's priority is to have certainty "If the recommendations of the textile and clothing task force are implemented, then I will be confident of the industry's future"

Protection 'inhibitive'

South Africa's peaceful transition to democracy has brought a new-found atmosphere of confidence and a firm desire to make the new political dispensation work, all of which augurs well for the textile industry

This is the opinion of Jim Crook, executive chairman of David Whitehead & Sons, who says the more buoyant business conditions are due in part to the demise of the Structural Adjustment Programme and the improved level of confidence in the country

However, Crook says that considerable restructuring is required in the industry in the long term for it to be able to compete internationally

"We must focus on producing added-value merchandise, rather than commodity items This applies both to fabric decoration and clothing In hindsight, the heavy protection of the textile industry over the past 20 years has inhibited productivity," he says

"Unless the playing fields are levelled, and we can obtain inputs at prices that are competitive internationally, it will always be difficult to compete," he says

Crook feels South Africa needs to improve productivity and "come to grips with our work hours compared with those of South East Asia"

Crook says the high prices of cotton and polyester, which have increased by 50 percent and 25 percent year-on-year respectively, continue to pose problems for the clothing and textile industries and must be addressed

Federation takes up challenge

The Textile Federation of South Africa is hosting a conference entitled "The South African Textile Pipeline into the 21st Century . Taking up the challenge of a new trade environment" on August 18 at the Royal Hotel in Durban.

"The conference will cover issues of economic and political importance to local textile and clothing manufacturers," says Brian Brink, executive director of the Textile Federation of South Africa.

Productivity

The conference will, among other issues, examine the impact of the long-term Textile Clothing Plan on textile/clothing manufacturers; the importance of an export-oriented strategy; Government's trade and industry policy, ways in which to improve productivity; as well as the implications for South Africa in the context of the Southern African Trade Bloc

"The address to the conference by Minister of Trade and Industries, Trevor Manuel, will make for interesting listening as he will outline the Government's trade policy," says Brink.

Exports

Camille Blum, director general of Comitextil — the European equivalent of the Textile Federation of South Africa — and an expert on the European textile industry, will speak on European textile industry developments and the challenge it faces from eastern textile manufacturers

A local speaker, Sadek Vahed, president of the Clothing Federation, plans to address the all-important issue of exports.

Jabu Gwala, general secretary of the SA Clothing and Textile Workers Union, will discuss the future of industrial relations in the industry.

The conference will be preceded by a banquet on the night of August 17.

The conference venue can accommodate only 250 delegates so interested parties should advise Cecile Auld of the Textile Federation on (011) 404-2423 of their intention of attending, or fax (011) 404-2101 for a copy of the brochure and registration form

CLOTHING & TEXTILES

FM 2/9/94

The cost of protection

197

Last week's war of words involving Trade & Industry Minister Trevor Manuel, the Textile Federation, the National Clothing Federation, Cosatu and the SA Clothing & Textile Workers' Union (*Business*, August 26) may have quietened down. But it hasn't gone away.

The underlying issues that led to threats of industrial action unless government implements a R4,2bn support scheme for the textile and clothing industries over a proposed 10-year period are still very much in evidence.

Among them is that high protective tariffs on landed fabrics and on imported clothing not only price clothing out of the reach of the less affluent but undermine the growth potential of the small, medium and micro-enterprise business sector.

Pep spokesman Hennes Schreuder says his group, which is trying to offer the cheapest retail clothing on the market (it has nine clothing factories and imports about 20% of its clothing requirements), has major reservations about the effect of import tariffs on the price of fabric and finished clothing.

Says Schreuder: "The import tariff on basic and essential items of clothing is 90%, to be scaled down to 40% over 10 years in terms of the Swart Panel adjustment plan for the industries. But the percentages are grossly distorted by the exchange rate and additional taxes and costs.

135% markup

"For example, at an exchange rate of R3,60/US$, a R3,60 item would attract an additional 10% (36c) in insurance and wharfage costs, the 90% import tariff (R3,24), a 15% surcharge (54c) and 14% Vat (R1,08) on the cumulative total of R7,74. So the total cost to the importer would be R8,82."

Schreuder says this adds up to a 135% increase over the original purchase price — before Pep's distribution costs and profit margins are added.

"If we consider that we could be working with a R6/$ in 10 years' time, we may well be working with a 197% add-on to the value of an imported item — even at a 40% tariff level."

Apart from these figures — Schreuder says they show the rand exchange rate alone should offer the local clothing industry sufficient protection — minimum specific duties also apply to certain items that are priced at below the legislator's perception of what a fair minimum price should be. And, when these apply, a total of 224% could be added to Pep's costs.

"In this case, an item obtained by our buyers at a favourable price of R3,12 would end up costing us R10,10. And the less affluent consumer would be paying R6,98 of this in tax."

Darryl Cousins, MD of Edgars' Selrose clothing manufacturing division, says apart from these State-induced additional charges, SA's labour costs are way out of kilter compared with the Far East for example.

"In countries such as Indonesia, Sri Lanka and China, average labour costs are about $30-$100 a month. If you compare this with the average of $300 a month paid in SA, it is clear that we are pricing ourselves out of the international market unless we go for certain niches, drastically improve productivity or get government to bail us out."

The option of being bailed out is clearly not feasible following Manuel's slapdown of textile industry expectations of extended periods of grace for tariff reform, coupled with huge financial assistance from the State, to see it over the long adjustment period.

However, it has now emerged that officials at the Department of Trade & Industry have been instructed to draft proposals to assist small, medium and micro businesses.

In a 21-page report drafted by a special department task force, proposals have already been made to roll back tariff levels on imported clothing fabrics to pre-1992 levels within five years.

And, as only 25% of SA's textile production is used for the manufacture of apparel, the impact on the vociferous textile industry would be far smaller than is feared.

Other proposals — now being considered for comment by the clothing and textile federations and other interested parties for feedback to the Board on Tariffs & Trade — include duty-free access for six specific types of fabric widely used in clothing for the poorer section of the population, financial support measures for the small businesses involving about R335m in the first year, followed by a further 25% of that in the second year and 10% in the third.

All these issues are now being considered as part of the revised package to be gazetted for public discussion. ■

TRADE & INDUSTRY

Going cold turkey

Trade & Industry Minister Trevor Manuel has brought a change of style to his ministry. Apart from making SA more competitive by reducing tariffs and excessive export subsidies, he wants to create a climate conducive to job-creation.

These objectives might be difficult to achieve simultaneously but they're not necessarily mutually exclusive.

By bearding the protectionist textile lobby in its Durban lair, and spelling out his message of tariff reform to a hostile audience at a Textile Federation Conference, Manuel clearly demonstrated he has the courage of his convictions.

As he told parliament last week: "Many of our industries fail the competitiveness test. This places an enormous burden on overall society. There is a false dichotomy which suggests that either the status quo is retained or large numbers of jobs will be shed. This is clearly incorrect. The painful reality is that SA simply cannot afford the retention of the present norms. The Department of Trade & Industry operates in an environment marked by large and powerful lobbies of vested interests. The country will, however, address industrial restructuring only if we offer a decisive lead. Paralysis is not in the national interest."

Brave words — but also well considered, in the light of his following statement: "Attempts to lead industry out of the quagmire of the past is clearly the hardest part of the work of this department." And: "... there is no escaping the fact that in the process of leading the changes, we will run the risk of a significant reduction in popularity."

Underlining that Manuel is clearly committed to his task is last week's announcement by chief director of foreign

Clothing, textile exports up in 1993

Relief for local manufacturers

(184)

ARG 4/8/94

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Van Coller believes local manufacturers are finding some relief from the severe bombardment from imports they experienced over the past three years

This is due partly to the changes in tariffs and duty-free allowances, and partly to the rapid escalation of the international price for cotton fibre which has placed domestic textile manufacturers in a more competitive situation

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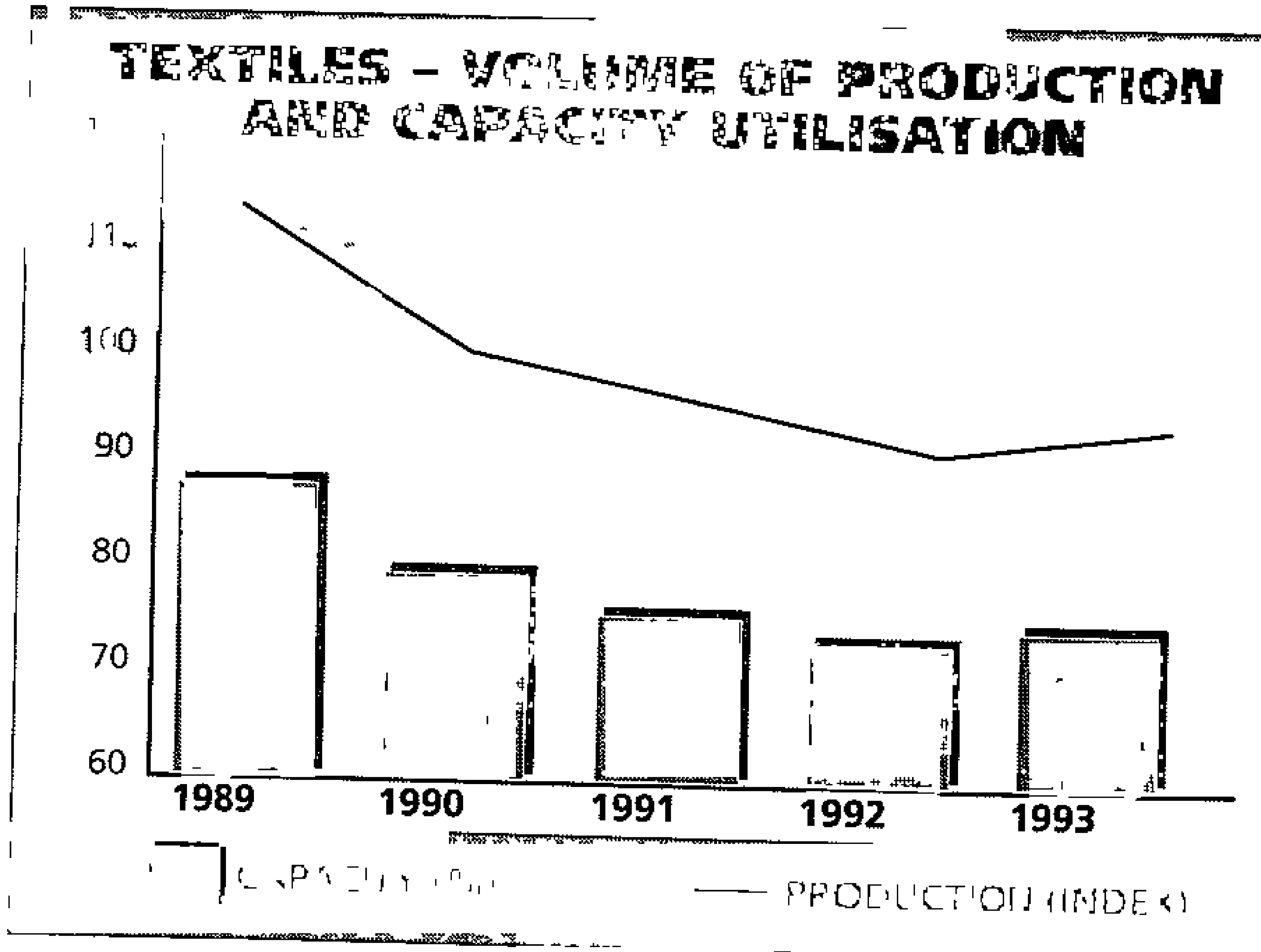
Both the clothing and textile industries showed significant increases in exports during 1993 Clothing exports reached R622 million, which was 37 percent up on the previous year

In textiles the different sectors varied in their performance — yarns were marginally down, while fabrics increased by 16 percent in value and 31 percent in volume

With regard to make-up textiles, bedroom and kitchen textiles were well up, but curtains and furnishing were well down Sales of miscellaneous textiles increased by 13 percent to reach R134 million Overall textile exports (excluding fibres) reached R514 million, which was marginally better than the previous year



SOUTH AFRICAN TEXTILE INDUSTRY STATISTICS SUMMARY 1989 – 1993

	1989	1990	1991	1992	1993
Employment	100 300	97 300	90 200	82 600	80 500
Sales (R million)	6 241	6 328	6 655	6 678	7 113
Imports (R million)	1 673	1 750	2 131	2 064	2 222
Exports (R million)	1 413	1 395	1 460	1 328	1 154
Fabric Production (million m²)					
Cotton Fabrics	188	175	138	103	118
Spun Synthetic Fabrics	152	132	127	102	112
Continuous Filament Fabrics	116	81	81	74	81
Woollen Fabrics	2	2	2	2	2
Worsted Fabrics	19	18	15	14	13
Woven Fabrics – Total	477	408	363	295	326
Knitted Fabrics	175	154	123	116	129
Fibre Consumption (000 t)	305	273	260	249	251
Spun Yarn Production (000 t)	116	110	93	87	87
Equipment					
Spindles	770 000	758 000	728 000	640 000	620 000
Looms	5 800	5 200	4 515	4 315	4 250

Lifeline for textile industry

YURI THUMBRAN

TRADE and Industry Minister Trevor Manuel has extended a lifeline to clothing and textiles exporters — provided they live up to National Productivity Institute criteria (197)

He has told exporters one of the few remaining export incentives — the duty credit certificate (DCC) scheme — will be extended on April 1. It had been feared that the scheme, which gives exporters access to duty-free imports of raw materials, would be phased out next year

The granting of DCC incentives would be subject to each applicant achieving targets set in terms of a productivity performance monitoring scheme and increased expenditure on training The institute would monitor productivity. BD 14/12/94

Yardsticks and targets were to be negotiated between employers and employees, in consultation with the institute and the Trade and Industry Department. Participants would have to carry the costs of monitoring Spending on training was envisaged at 4% of each participating company's wage bill

Manuel said "Our aim is to stimulate SA manufacturers to achieve international competitiveness, independent of government subsidies"

Industry sources said uncertainty about incentive schemes had led to clothing exports dropping to R187m in the period to July, against last year's total of R616m

Manuel said on Monday the scheme would be open to clothing and textile exporters The 2,5% of turnover minimum export requirement would no longer apply

JOBS

Protective textiles in tatters

The end of the general export incentive scheme and the government's rejection of protective tariffs has caught the textile industry in a tight fit, reports CIARAN RYAN.

THE hoped-for R4,5-billion assistance package for clothing and textile producers has been whittled down to around R2-billion at the stroke of a pen

The Swart report on restructuring the clothing and textile industry called for general export incentive scheme (Geis) payments of R1,4-billion and duty credit certificate (DCC) rebates of R1,2-billion

This was before Trade and Industry Minister Trevor Manuel announced the phasing out of Geis to comply with South Africa's Gatt obligations. The Swart report expected that Geis would continue at the current rate for 10 years

Instead, they will be phased out over the next two years with benefits on clothing exports falling from the current 18% of export value to 15,5% in October, to 14% in April next year, 11% in 1996 and disappearing altogether in 1997 Geis benefits on yarn exports will fall from the current 6% to 3% in October, phasing out altogether in 1995

The DCC scheme awaits a similar fate It is not Gatt-friendly and according to Shirish Soni, a spokesman for 450 small businesses in Natal, benefits a few dozen large clothing manufacturers The DCC scheme allows clothing exporters to import textiles duty-free. up to 30% of the value of their exports Like Geis, it is open to abuse

"Without any discussions taking place, the R4,5-billion assistance package has been more than halved as a result of changes to Geis," says Brian Brink, Textile Federation's director

Textiles account for nearly half the cost of a garment. A growing lobby of small clothing manufacturers say SA textiles are uncompetitive and raise the cost of producing clothing.

The controversy aroused by the Swart report, which supposedly has the full support of both clothing and textile producers, raises questions about the representivity of tripartism — a new buzzword for agreements between industry representatives, trade unions and government.

The R7,5-billion a year textile industry employs 80 000 workers, the R5,5-billion clothing industry more than 100 000 workers, excluding the informal sector which could easily double this number Texfed says it supports more than 200 000 additional workers in associated industries (197)

Mr Manuel told textile producers at a recent conference that the government could not afford the R4,5-billion and that "protection on demand is dead for all time"

The Textile Federation believes it has had a bad press "The public has been led to believe that the R4,5-billion will all go to textile producers," says Mr Brink. "Textile manufacturers will get only a small portion of the amount."

Texfed issued a press statement last week explaining how the R4,5-billion (now around R2-billion) is broken down, pointing out that only R650-million was earmarked for the textile industry

Export assistance in the form of Geis and DCCs would cost R2,6-billion under the Swart panel recommendations, but following the changes to Geis and the probable scrapping of the DCC scheme, this will amount to less than R400-million. The main beneficiaries of this assistance would be clothing manufacturers

Cotton subsidies will amount to R240-million for 10 years Texfed says cotton subsidies are common throughout the world A wool-beneficiating programme similar to that operated by most wool-producing countries will cost taxpayers R33-million for three years.

A training subsidy of R200-million will run for four years, to be funded by the government and industry and R570-million is required to subsidise technology upgrades through cheap loans, making the cost of capital for local manufacturers equal to that paid by overseas competitors

Small business support in the form of training and investment in infrastructure will cost R105-million for 10 years, while R20-million will go to the establishment of a clothing and textile authority

An anti-dumping unit and customs control will cost R184-million for 10 years, although this will become self-financing as tax collection become more efficient. The cost of social reconstruction such as retraining retrenched workers is put at R550-million

"South Africa is, to our knowledge, the only country in the world which is to dismantle its protective barriers faster, and to lower levels, than required by Gatt," says Mr Brink.

TEXTILES' R4,5-BILLION SUBSIDY PROPOSAL

		R-million	Period (Years)
1	Cotton subsidy	240	10
2	Wool beneficiation programme	33	3
3	Training subsidy	200	44
4	Technology upgrade	570	10
5	Geis	1 400	10
6	DCC Scheme	1 200	10
7.	Small business support	105	10
8	Textile Clothing Authority	20	10
9	Anti-dumping unit & Customs control	184	10
10	Consultancy costs	25	10
11.	Social reconstructing cost	550	5

Graphic: FIONA KRISCH

Source: TEXTILE FEDERATION

CLOTHING & TEXTILES

FM 22/7/94

All dressed up and nowhere to go

[redacted] (197) [redacted]

The tremendous slump in clothing exports in the first quarter of the year — from R150m to a mere R67m — has focused the spotlight on the Department of Trade & Industry and its new Minister, Trevor Manuel Manuel, who was travelling in North America this week and could not be reached for comment, is being taken to task for government's delay in acting on a proposed new strategic plan for the clothing and textile industries

Until a new plan is implemented the sectors will be plagued by uncertainty over the future policy on export incentives and tariff reductions, industry officials say They have been waiting a long time the 190-page report of the Panel and Task Group for the two industries was handed to former Minister Derek Keys in March after 18 months was spent on research The uncertainty is blamed for the export slump, which could have grave repercussions for two industries already on the ropes

For its part, the department says the criticism is unwarranted because the period for receiving public comments on the report ended only on June 30, so it has not yet finalised its own proposals and submitted them to Manuel "It is unreasonable to criticise the Minister because he is still to receive our own report," says a department spokesman

The R18bn-a-year retail clothing and textile industries, which employ 50 000 at the retail level and 250 000 overall, have a symbiotic relationship And, after fighting each other for decades over what the clothing people argued were excessively protective tariffs for the textile industry, they are now united in their criticism of the lack of any decision on how long and in what form will export incentives continue

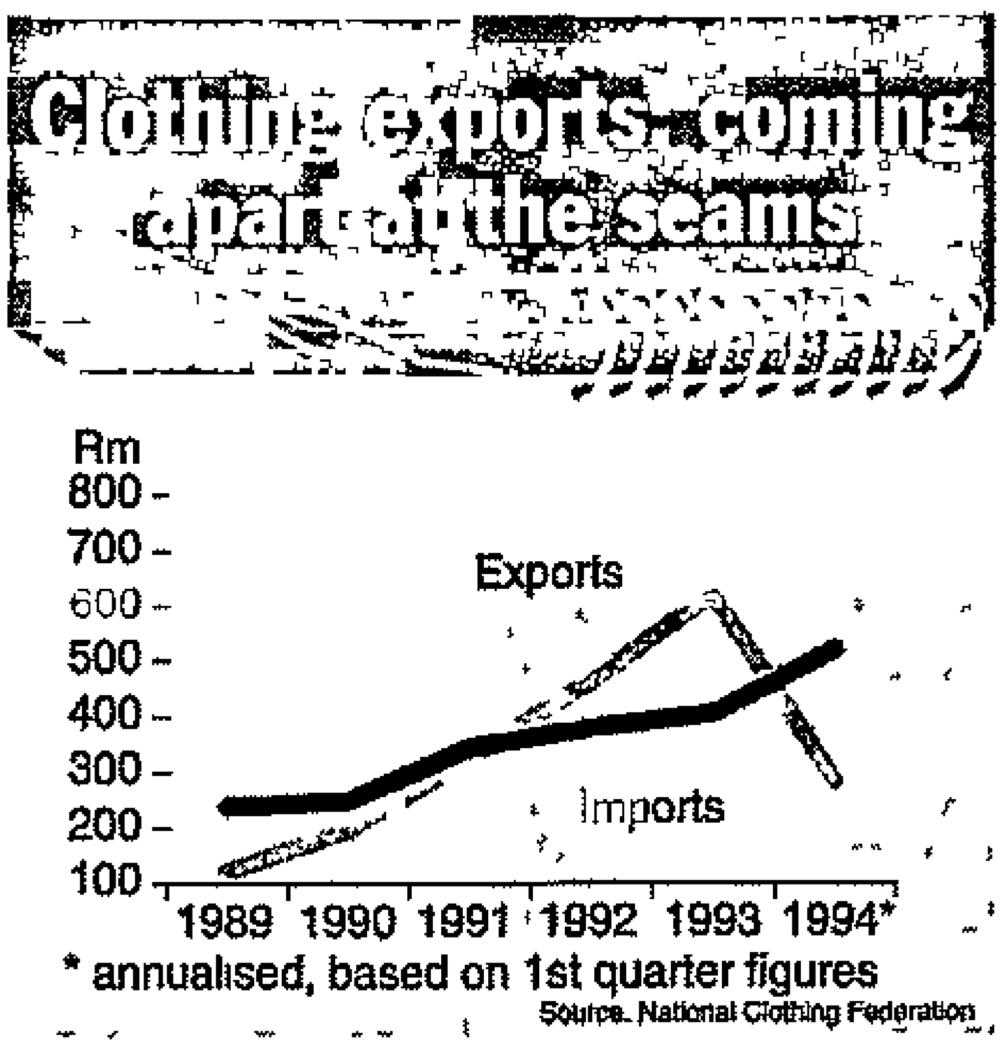
"We have been told that we could see the Minister only late in August," says National Clothing Federation chairman Sadek Vahed "Meanwhile, a crisis is brewing and everybody is in the dark on what to expect from government This is after the clothing and textile federations, the SA Clothing & Textile Workers' Union and panel chairman Nic Swart reached consensus and jointly asked government in March to treat the issue of future export incentives on a fast-track basis — separate from the panel's other recommendations " But the department says it is treating the proposals as one package

Vahed says the department asked his federation to participate in a September trade fair in the US "But how can we go to the fair if we do not know how to price or sell our goods? We must realise that the world is not waiting for us and trade is not coming to a standstill because we have an RDP "

Both of the incentive programmes used by exporters, the Duty Credit Certificate system, which grants discounts against import duties based on the value of a company's exports, and the General Export Incentive Scheme (Geis), expire on March 31

With SA's high textile tariffs forcing clothing manufacturers to pay high prices for their inputs, the subsidies are needed to prop up probably the bulk of SA's otherwise uncompetitive clothing exports Ending them without also slashing tariffs would spell disaster for the industry Last week the National Clothing Federation made a formal request to government to extend the credit certificate system, and the acting director-general of Trade & Industry, Johan Lambrechts, says now his department will push for that scheme to be extended As for Geis, which violates the Gatt accord SA signed in April, the National Economic Forum is debating how it can be legally extended for at least a few more years

The Textile Federation's Brian Brink says the unexpected decision in the Budget last month to tax the R2bn-a-year that com-



panies receive in Geis subsidies lopped off about 40% of the programme's value to exporters in one fell swoop "We need long-term certainty on government's plans, even if this is about taking away existing benefits "

Panel chairman Swart says the tariff recommendations contained in his panel's report are being finalised by the Board on Tariffs & Trade, which he also chairs, "and should be published within weeks "

The parties involved in the minority report — which suggested reducing tariffs over five rather than 10 years — will then have another chance to make recommendations, in time for the board to finish its tariff proposals before the January 1 Gatt deadline

"The balance of our recommendations rests with the department, and Minister Manuel has the final say," Swart says "But seeing that these are vitally important industries, this is an issue of great urgency and we cannot afford any undue delays "

He is sanguine about Geis's eventual demise and adds that supply-side measures such as low-interest IDC loans for upgrading skills and introducing modern technology could be the best way to help ■

MAIZE MARKETING

FM 22/7/94

Edging to deregulation

The single-channel maize marketing system that forces farmers to sell nearly all their maize to the Maize Board should move a step closer to the scrap heap next week, when the board looks at the recommended marketing system that may open the industry

But the five-man committee appointed by Agriculture Minister Kraai van Niekerk to recommend a new system (*Business* June 17) still has a lot of work to do to find a compromise between the farmers — represented by the National Maize Producers' Organisation (Nampo) — and the buyers, namely the main food companies Premier, Tiger Oats, Foodcorp, Genfood and Tongaat-Hulett, as well as major feed user Rainbow Chicken

Committee chairman Attie Swart, who is the Agriculture Department's chief director of marketing, says the old system will remain in place until next April, when the current marketing season ends He expects the committee to hand in a recommendation to the board by the end of the month The board then has to report to Van Niekerk by the end of next month [redacted]

A driving force motivating the changes is Gatt, which goes into effect in January The worldwide trade agreement does not allow a country to ban all private imports of a product, as happens with maize in SA To replace the protection afforded by import control, the maize producers are demanding a high tariff on imports Naturally, the processors want to be able to import maize freely

Nampo has proposed to the committee

☐ A 35% tariff on imports,

☐ Free competition for imports, after having tariffs imposed, in coastal areas,

☐ A protected inland market, where a formula price will be determined each year by the board (based on the tariff, import parity and cost of transport to Maritzburg), and

☐ A mandatory role for the board in getting rid of surplus maize, based on Nampo's suggested, annually fixed, inland price

No provision is made for regional prices, suggesting existing subsidies between areas should continue Nampo also favours phasing in a new marketing system containing

Textiles shake-up to feature in talks

B Day 6/9/94

JOHN DLUDLU

THE continuing debate on the restructuring of the clothing and textile industries was expected to feature in today's meeting between Business SA and Trade and Industry Minister Trevor Manuel in Cape Town, according to industry sources.

The hour-long meeting with BSA, which included representatives of both the textile and clothing industries, was called by Manuel to discuss various policy issues, the Minister's office said yesterday

National Clothing Federation executive director Hennie van Zyl said he expected NCF president Sadek Vahed to raise the subject of restructuring at today's meeting. The Textile Federation would be represented by its president Mervyn King.

The restructuring debate was sparked off by recommendations of the Swart report, which included a R4,5bn financial package to assist the industries through the restructuring process over the next 10 years

The debate heated up when Manuel indicated government was unlikely to provide the proposed R4,5bn for the industry to cover losses sustained as a result of tariff reduction in compliance with GATT

Proposals, contained in the Swart report which also had the backing of the labour representatives, included a reduction of tariffs on imported fabric to 22% from 45% over 10 years; clothing from 90% to 40% and yarn from 32% to 15%

Texfed CE Brian Brink and the NCF expected today's meeting to result in commitment by both parties to discuss the dispute further.

"The Minister might suggest a task group to work at ways to resolve the few outstanding issues," Brink added

He said government had gazetted the Swart recommendations for public comment

Van Zyl said the Minister was unlikely to back down on his earlier position as he had the backing of cabinet colleagues and clothing retailers behind him

In another development the Trade and Industry Department has tasked officials to draft proposals on assisting small and medium enterprises

The NCF said it was still consulting all its regions, and hoped to come up with comment next week, while Texfed said it had submitted its comment to the department

The clothing and textile index was seven points down at 1 219 yesterday.

CLOTHING & TEXTILES

Fm 2|9|94

The cost of protection

184

Last week's war of words involving Trade & Industry Minister Trevor Manuel, the Textile Federation, the National Clothing Federation, Cosatu and the SA Clothing & Textile Workers' Union (*Business*, August 26) may have quietened down But it hasn't gone away

The underlying issues that led to threats of industrial action unless government implements a R4,2bn support scheme for the textile and clothing industries over a proposed 10-year period are still very much in evidence

Among them is that high protective tariffs on landed fabrics and on imported clothing not only price clothing out of the reach of the less affluent but undermine the growth potential of the small, medium and micro-enterprise business sector

Pep spokesman Hennes Schreuder says his group, which is trying to offer the cheapest retail clothing on the market (it has nine clothing factories and imports about 20% of its clothing requirements), has major reservations about the effect of import tariffs on the price of fabric and finished clothing

Says Schreuder "The import tariff on basic and essential items of clothing is 90%, to be scaled down to 40% over 10 years in terms of the Swart Panel adjustment plan for the industries But the percentages are grossly distorted by the exchange rate and additional taxes and costs

135% markup

"For example, at an exchange rate of R3,60/US$, a R3,60 item would attract an additional 10% (36c) in insurance and wharfage costs, the 90% import tariff (R3,24), a 15% surcharge (54c) and 14% Vat (R1,08) on the cumulative total of R7,74 So the total cost to the importer would be R8,82"

Schreuder says this adds up to a 135% increase over the original purchase price — before Pep's distribution costs and profit margins are added

"If we consider that we could be working with a R6/$ in 10 years' time, we may well be working with a 197% add-on to the value of an imported item — even at a 40% tariff level"

Apart from these figures — Schreuder says they show the rand exchange rate alone should offer the local clothing industry sufficient protection — minimum specific duties also apply to certain items that are priced at below the legislator's perception of what a fair minimum price should be And, when these apply, a total of 224% could be added to Pep's costs

"In this case; an item obtained by our buyers at a favourable price of R3,12 would end up costing us R10,10 And the less affluent consumer would be paying R6,98 of this in tax"

Darryl Cousins, MD of Edgars' Selrose clothing manufacturing division, says apart from these State-induced additional charges, SA's labour costs are way out of kilter compared with the Far East for example

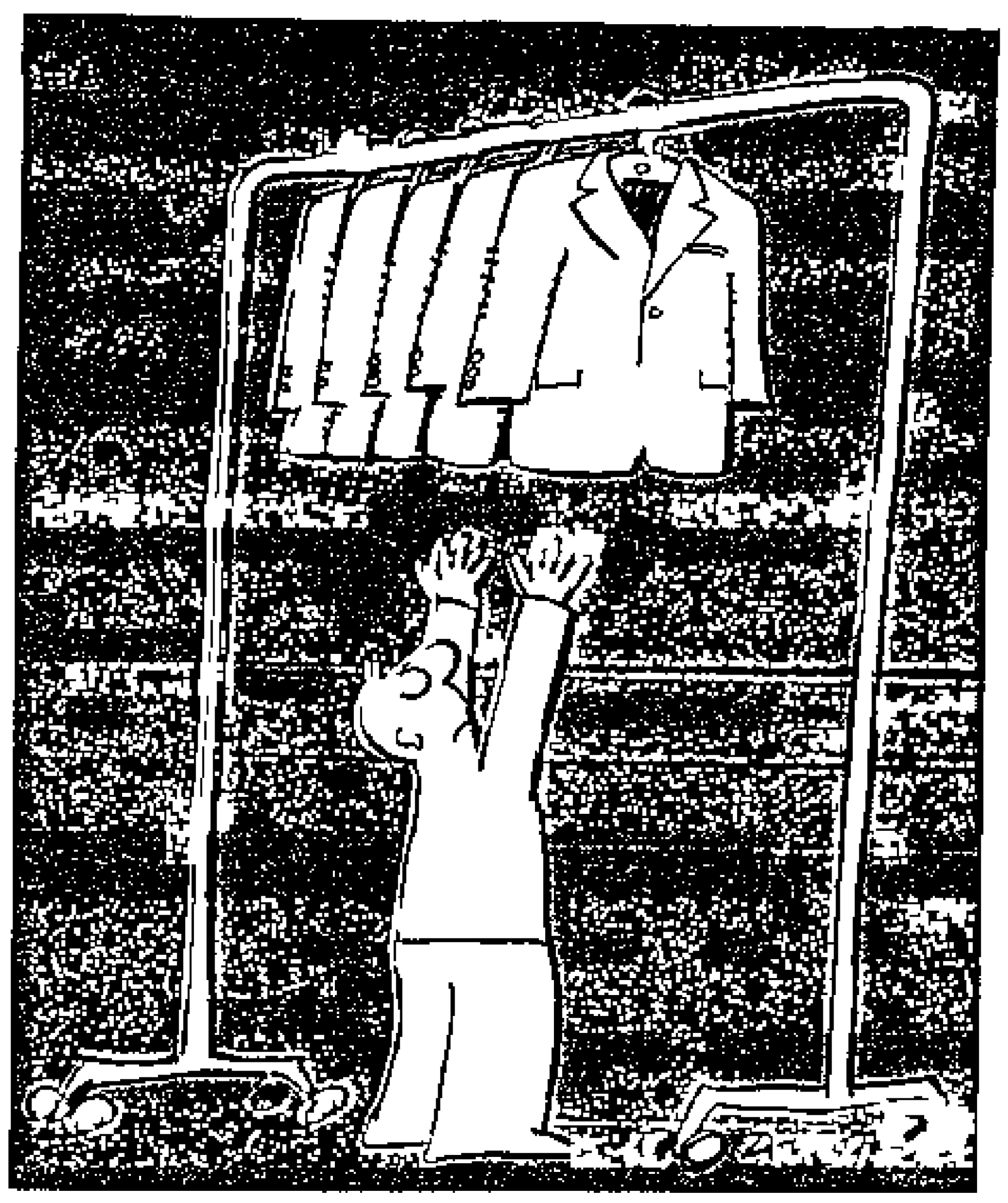
"In countries such as Indonesia, Sri Lanka and China, average labour costs are about $30-$100 a month If you compare this with the average of $300 a month paid in SA, it is clear that we are pricing ourselves out of the international market unless we go for certain niches, drastically improve productivity or get government to bail us out"

The option of being bailed out is clearly not feasible following Manuel's slapdown of textile industry expectations of extended periods of grace for tariff reform, coupled with huge financial assistance from the State, to see it over the long adjustment period

However, it has now emerged that officials at the Department of Trade & Industry have been instructed to draft proposals to assist small, medium and micro businesses

In a 21-page report drafted by a special department task force, proposals have already been made to roll back tariff levels on imported clothing fabrics to pre-1992 levels within five years

And, as only 25% of SA's textile production is used for the manufacture of apparel, the impact on the vociferous textile industry would be far smaller than is feared



Other proposals — now being considered for comment by the clothing and textile federations and other interested parties for feedback to the Board on Tariffs & Trade — include duty-free access for six specific types of fabric widely used in clothing for the poorer section of the population, financial support measures for the small businesses involving about R335m in the first year, followed by a further 25% of that in the second year and 10% in the third

All these issues are now being considered as part of the revised package to be gazetted for public discussion ■

TRADE & INDUSTRY

Going cold turkey

Trade & Industry Minister Trevor Manuel has brought a change of style to his ministry Apart from making SA more competitive by reducing tariffs and excessive export subsidies, he wants to create a climate conducive to job-creation

These objectives might be difficult to achieve simultaneously but they're not necessarily mutually exclusive

By bearding the protectionist textile lobby in its Durban lair, and spelling out his message of tariff reform to a hostile audience at a Textile Federation Conference, Manuel clearly demonstrated he has the courage of his convictions

As he told parliament last week "Many of our industries fail the competitiveness test This places an enormous burden on overall society There is a false dichotomy which suggests that either the status quo is retained or large numbers of jobs will be shed This is clearly incorrect The painful reality is that SA simply cannot afford the retention of the present norms The Department of Trade & Industry operates in an environment marked by large and powerful lobbies of vested interests The country will, however, address industrial restructuring only if we offer a decisive lead Paralysis is not in the national interest"

Brave words — but also well considered, in the light of his following statement "Attempts to lead industry out of the quagmire of the past is clearly the hardest part of the work of this department" And " there is no escaping the fact that in the process of leading the changes, we will run the risk of a significant reduction in popularity"

Underlining that Manuel is clearly committed to his task is last week's announcement by chief director of foreign

Textile industry backs union plan to force govt into restructuring

BDay 26/8/94

YURI THUMBRAN
and MUNGO SOGGOT

THE textile industry has thrown its weight behind union plans for industrial action to force Trade and Industry Minister Trevor Manuel into using taxpayers' money to bankroll the industry's restructuring

Frame Group MD Walter Simeoni said yesterday 80 000 jobs could be lost by 1997 if government did not implement the findings of the industry think tank, the Swart panel, on subsidising a 10-year reshaping. The recommendations were the result of two years of negotiations between the previous government, labour and employers

The SA Clothing and Textile Workers' Union (Sactwu) and Cosatu said they would use industrial action to force Manuel to push ahead with Swart's plan — a threat that was backed by the Textile Federation.

Simeoni said industrial action would not affect turnover significantly The industry had proved during the elections that it could stave off significant losses during stayaways. "If action is taken it will be against government, not the industry." The workforce would be given leave to demonstrate its anger

Texfed CE Brian Brink said it firmly supported Cosatu and Sactwu's stance.

Manuel sparked a storm last week by saying government was unlikely to pour R4,5bn into the industry to cover losses sustained by compliance with GATT tariffs — a move that had been recommended by the Swart panel He said GATT requirements could be phased in over eight years, rejecting the panel's proposal that they be phased in over 10 years

Trade and Industry Department acting director-general Gerrit Breyl said government was also considering cutting tariffs 50% below GATT requirements

Brink said Texfed was "suspicious of government's about-face, ditching agreements reached before taking office, discarding the entire tripartite consensus approach adopted by the Swart panel and assuming the role of sole arbitrator in determining trade and industrial policy"

Reuter reported that Sactwu president Amon Ntuli said the union would make sure the plan was implemented "If it is not we will consider marches, pickets and industrial action"

(184)

Cosatu general secretary Sam Shilowa said it was "incumbent on government to demonstrate its commitment to tripartism and implement the plan Now is the time to deliver We must send a clear signal that the plan must be implemented"

He said action could be averted if government adopted the plan. However the dispute was not just about clothing and textiles, "but to what extent we are prepared to defend tripartism".

Cosatu was concerned about implementing agreements reached before the new government took office

Manuel holds talks on clothing, textile tariffs

BD 15/12/94

YURI THUMBRAN

TRADE and Industry Minister Trevor Manuel is to meet representatives of the clothing and textile industries today to discuss tariff reform.

The Textiles Federation (Texfed), the National Clothing Federation, the SA Clothing and Textile Workers' Union and small and medium-sized enterprises are to attend the meeting.

This follows a public split between the industries after Manuel rejected their joint call for heavy subsidisation from government.

Sources said Manuel had called the meeting to facilitate consensus on the tariff issue following the fallout between Texfed and the National Clothing Federation. There were signs that Manuel had softened his hard line, as he had decided to extend duty rebates in the form of the duty credit certificate scheme.

(184)

Texfed supported the extension of the scheme and noted the move had been part of the plan devised by the Swart panel. The federation was hopeful that the relief might help the industries reach a joint plan based on the panel's recommendations.

Texfed president Mervyn King said the clothing federation had pulled out of the Swart package after government had opposed export incentive components, including extending the credit certificate scheme.

In terms of the scheme, clothing exporters get a R30 credit against future import duties for each R100 of clothing exported. Fabric exporters get R15 credit for every R100 and yarn exporters R10. A new inclusion is domestic textiles which would receive the same credit as clothing.

New salvo in ragtrade rumpus over tariffs

ARG. 21/11/94 (184)

ALIDE DASNOIS
Business Staff

THE National Clothing Federation has fired a new salvo in its war with the textile industry, claiming that 62 000 new jobs could be created by the rapid reduction of tariff protection on raw materials

In a submission to the Board of Trade and Industry, the Federation said the extra jobs could be created by the year 2005 in the clothing and textile industries.

Econometric modelling by the Industrial Development corporation and the Federation showed growth in the clothing industry could increase from three percent to six percent a year if the price of fabric inputs was reduced, said Bernard Richards, vice-president

He said the formal and informal clothing industry employed 160 000 people and the apparel textile industry 30 000

Dr Richards admitted lower duties on fabrics would hit the apparel textile industry in the short term

"However as result of increased efficiency forced by such imports as well as accelerated industry growth, apparel textile growth will accelerate and lead to net gain in jobs"

The Textile Federation (Texfed) is calling for import duties to be phased down over 10 years

Texfed has accused the National Clothing Federation of reneging on an agreement on tariffs reached in the Swart Report on the restructuring of the clothing and textile pipeline.

"We view the 10-year phase down period as the most critical factor in our survival," Texfed chairman Mervyn King said last week

Dr Richards said high tariffs on fibre, yarn and textile inputs had put clothing out of the reach oif many South Africans.

"The growth and labour-creative potential of the clothing industry in general and in particular of small and medium manufacturing enterprises are as a consequence being stifled

"There needs to be greater encouragement for these enterprises and their job-creative role"

He said shortages of fabric were inhibiting the growth of the clothing industry.

"Numerous individual clothing manufacturers complain that delivers are running four to six weeks late.

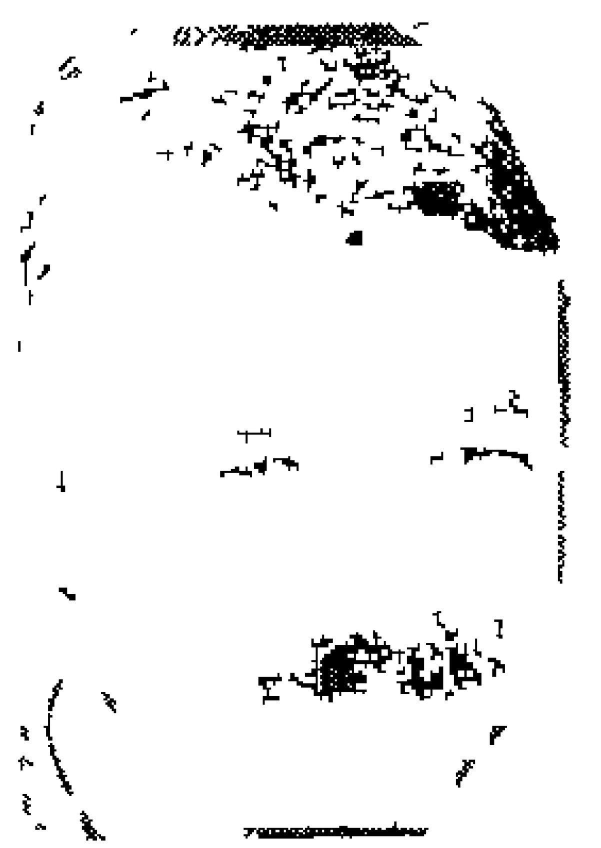
"Lead times on new textile orders can stretch into mid-1995"

Pleading for the maintenance of tariffs on clothing imports, Dr Richards said the clothing industry needed time to develop skills and prepare to compete on world markets.

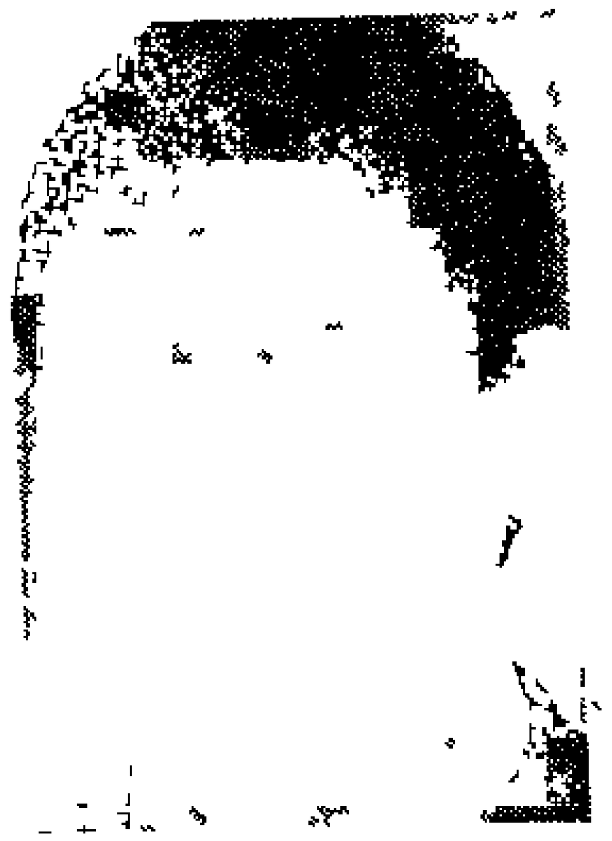
Apartheid had left South Africa with a legacy of low productivity and skills

The international Multifibre Agreement was being phased out over 10 years and the South African clothing industry needed the same phase-down period to protect it from dumping.

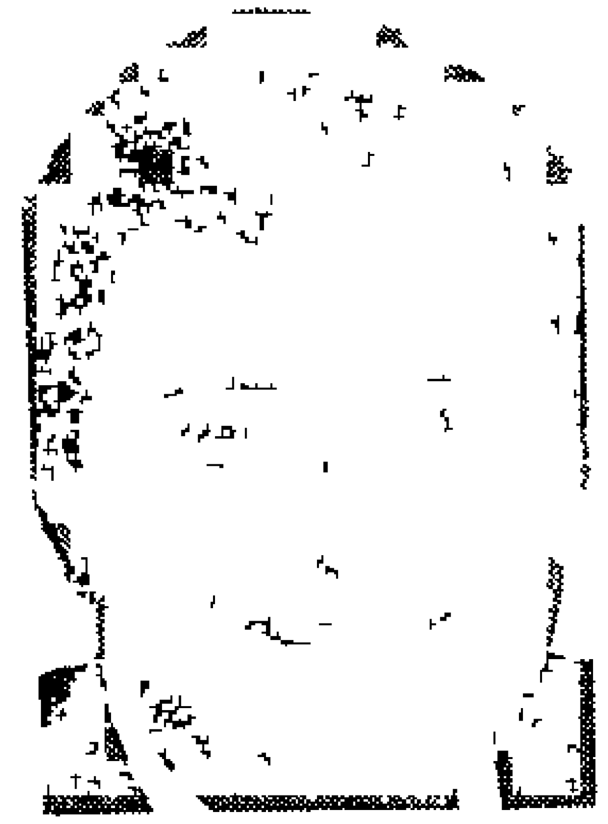
APPOINTMENTS



John Mather, Cape divisional director, Acoustical Fibreglass Insulation (Mnfg) (Pty).



Richard Cerfonteyn, manager customer accounts, First National Bank, Bellville.



Chris Elliott, national sales manager, Dunlop and India Tyres.

Gordon Munro, manager: Paarden Eiland branch, Standard Bank.

Department threat to penalise rag trade

YURI THUMBRAN

YARDSTICKS and targets for productivity in the clothing and textiles sectors would be negotiated between the National Productivity Institute, the Trade and Industry Department, business and labour, Trade and Industry director-general Zavareh Rustomjee said yesterday

He said clothing and textile companies stood to lose their duty credit certificate scheme benefits if they did not comply with criteria to lift productivity and spend money on employee training

Although government had set a target of 4% of wage bills for training, this could vary among companies producing different products

The department had set preconditions when it announced the extension of the scheme whereby clothing and textiles exporters would get duty rebates on imports used as inputs

Rustomjee said structures to focus on training and productivity had not yet been set up

But these should be in place early next month, as companies had had the opportunity to register until mid-January for the extended scheme Companies which failed to measure up to the negotiated yardsticks would not receive scheme incentives

Sapa reports Rustomjee said strengthening southern Africa's regional trade potential made good economic sense

"But this doesn't mean we're going to ignore economic relations with other regional groups There shouldn't be any perception that an emphasis on the one precludes an emphasis on any other"

His comments followed recent speculation over the extent of SA's commitment to formalised trading relations with African states via membership of the recently-formed Common Market for Eastern and Southern Africa (Comesa)

Comesa secretary-general Bingu wa Mutharika said SA had shown reluctance to join the organisation

However, Rustomjee said SA's regional trade policy was currently focused closer to home The department was re-negotiating the SA Customs Union (SACU) agreement between SA, Lesotho, Swaziland and Namibia (184) ([redacted])

The negotiations were aimed at "democratising" the SACU to allow all members an equal share of revenue benefits BD 23/12/94

Clothing, textiles to lose tariff protection

BDay 19/8/94

YURI THUMBRAN

DURBAN — Trade and Industry Minister Trevor Manuel yesterday pulled the protectionist rug from under the clothing and textile industries, saying they should have used past protection to prepare for the lifting of trade barriers.

At the National Textile Federation's annual conference, he said government would confine its support to areas where business could not act, such as trade policy. Direct intervention was ruled out.

He also rejected recommendations from the Swart panel — a textile industry and government think tank — that government invest R4,5bn in the next 10 years to help restructure the industry. (184)

The department's acting director-general, Gerrit Breyl, told delegates government planned to cut SA tariffs 50% lower than the GATT binding levels. The department wanted to phase the reduction in over eight years, rather than the 12 years demanded by industry.

He said the R7,5bn-a-year industry should show evidence of a drive toward self-sustained international competitiveness, rather than attempt to revive itself at taxpayers' expense.

Its productivity levels were far below those of its international competitors

Business and union leaders condemned these measures, warning that they would lead to heavy job losses.

Manuel said previous interventionism had blunted industry's competitive edge. The benefits of tariff support and the general export incentive scheme (GEIS) should have filtered through into investment and production reorganisation so that the sector was less dependent on subsidies Instead the benefits had fed through to higher profits and share prices.

"The key objective in assessing any support, whether in the form of tariffs or supply-side measures, will be the industry's competitiveness or the industry's programmes and commitment to attaining competitiveness," he said

Textile Federation president and Frame chairman Mervyn King said the proposals were "suicidal". SA was still recovering from sanctions and could not afford to lower tariffs yet. Small firms would close, while large companies would not be able to hold out against surging imports.

SA Clothing and Textile Workers' Union general secretary Jabu Gwala said the measures would lead to job losses.

National Clothing Federation chairman Sadek Vahed said 37 000 new jobs could be created in the industry if government, through the Industrial Development Corporation, was prepared to back its export drive financially.

Clothing dilemma

ARG 3/9/94 (184)

TOM HOOD

CLOTHING factories, emerging from a crippling recession, are working at almost 100 percent capacity for the first time in years.

Local retailers, who have seen an upsurge in sales since the election, are demanding extra stock, filling manufacturers' order books

But the industry's recovery is threatened by a 65 percent drop in exports Companies which have built complete production lines devoted to exports are being hard hit

Employers hope the upturn will stem the job drain which continued in the first seven months of 1994, leaving another 1 600 Cape garment workers jobless

This year 31 factories have closed down — nine in the Western Cape

Johann Baard, chairman of the Cape Clothing Manufacturers' Association, says factories in the Cape are between five and 10 percent busier than a year ago.

"This is traditionally a busy time of year, but retailers ran their stocks down to minimum levels before the election and delayed placing orders until now.

"We have seen something of an uplift in consumer spending and retailers are building up their inventories and contributing to the busy time"

Small businesses are also benefiting as bigger manufacturers farm out work to subcontractors, especially CMT (cut, make and trim) factories

Many firms, however, are pulling out of exporting

The latest survey by the National Clothing Federation (NCF) shows the value of exports plunged to R123 million in the first five months of this year from R365 million last year

This huge drop in foreign exchange earnings was mainly caused by uncertainties over export incentives, as well as pronounced shortages of local fabrics, says Mr Baard

"We predicted a year ago that exports would plunge

"We cannot go for the orders because we do not know what prices to quote six months ahead — it would be shooting in the dark.

"Exporters believe they will do less harm by not seeking export contracts than by having to cancel orders later

"They would rather hurt their bottom line than lose their export reputation You can always make a big effort to re-establish your profits but once your reputation is tarnished in the export business you are finished"

The drop in export business could have serious implications for subcontractors

■ The value of garment imports rose 16 percent from R170 million to R200 million in the first five months, reports the NCF

NCF economist Arnold Werbeloff says direct buying since the lifting of sanctions, cutting out middlemen, has lowered the cost of imported garments, especially from the Far East

"Producer price inflation has been constrained for both clothing (seven percent year-on-year) and textiles (five percent) by continued consumer demands for value for money as well as retail purchasing policies and practices," says Mr Werbeloff

■ NCF president Sadek Vahed, trapped in a row between small and large clothing manufacturers over tariff protection, confirmed that he had offered to resign but was persuaded to continue at least until the annual meeting in November

Mr Vahed said his conscience told him he could not continue to "wear two hats" — as spokesman for the NCF, representing the bigger employers, and as a supporter of small and medium-size businesses.

Happy New Year

THE Business Editor and staff of Saturday Business wish Jewish readers a happy New Year and well over the fast.

Clothing industry report slammed

S1 Times (Buss) 10/4/94

By CIARAN RYAN

THE long-term plan for the clothing industry released this week serves up the same old diet of duty protection and export assistance, say critics.

Chairman of the Border Clothing Manufacturers Association, Tom Cawood, says the report's recommendations are further evidence of "cosy, back-hand deals between big business, government and the trade unions"

He adds "If I can get raw materials at world prices, I can compete with China or anyone else."

The report calls for a continuation until 2005 of the duty credit certificate (DCC) system which allows exporters to import raw materials duty-free. It also says the general export incentive scheme (GEIS) must continue "as long as possible".

Critics say the DCC system is widely abused Importers who do not use their quota can sell to other importers

A group of 235 manufacturers called the Concerned Independent Group (CIG) says the report does not address the key point of reducing price inputs

CIG chairman Stanley Shlagman says "The document fails to provide a definitive plan to achieve its objectives, nor any effective reaction to lack of performance"

Although the report proclaims unanimity among government, manufacturers and trade unions, one senior executive told Business Times "Although I voted to support the task group report, my sympathies are with the dissenters. I think the 10-year phase down period is too long"

AHMED-SADEK VAHED

President of the National Clothing Federation, Ahmed-Sadek Vahed, says DCCs must be transferable and, to avoid fraud, must be issued by a single customs union authority

Incentives on clothing exports should be limited to the value-added portion of the exports, and not the total amount.

Mr Vahed says "This new incentive will encourage garment exports in respect of cut, make and trim items manufactured in terms of the outward processing export business that is being offered to clothing manufacturers in Europe and the US."

The report recommends tariff ceilings of 40% on clothing and 30% on textiles be phased in over 10 years

SA's current offer to the General Agreement on Tariffs and Trade is for tariffs of 45% on imported clothing and 30% on household textiles, phased in over 12 years

It seems likely that a compromise on the lowering of tariffs is imminent, resulting in a seven- or eight-year phase-down period. (184)

The report will renew fears that a stay of execution will be granted to inefficient textiles producers, whose productivity lags international norms by between 21% and 40%.

The present duty structure has added 12,2% to the cost of garments sold by companies surveyed by the report

An analysis of the textile industry showed a 5,1% decline in raw material productivity over the last year Had manufacturers been free to buy raw materials from the cheapest supplier without paying duties, costs would have been cut by R182-million in 1992 and R216-million in 1993.

Hours worked by SA clothing workers are on average 15% less than in the Far East and 9% less than Turkey, Morocco and Mexico, but 11% more than the US and Europe.

SA wage rates in the clothing industry are five times higher than those of Malaysia, Indonesia, Mexico and on a par with Turkey, Portugal, Hong Kong, Taiwan and Korea China and India are the cheapest sources of labour, paying 10% of the SA wage

Ragtrade rumpus as Swart plan sidelined

(184) ARG 20/9/94

DES PARKER

TEXTILE Federation president Mervyn King has come out with both guns blazing at the government for sidelining the Swart industry panel recommendations on the clothing and textile industries

"It is appalling that millions of rands were spent on consultants and executive time attending the panel meetings (with much blood, sweat and tears at arriving at consensus) and that we now learn that the report is merely to be one of the input documents having the same weight as any other submitted to the Department of Trade and Industry," Mr King fumes in the latest Textile Topics newsletter of the Textile Federation

"To make matters worse, we have been informed that the department is to make recommendations and that the DTI will be the sole arbitrator of the future paradigms for the textile pipeline In consequence, the whole exercise was one in futility!"

Mr King, executive chairman of the Frame group, was responding to the announcement last month at a Durban conference by Trade and Industry Minister Trevor Manuel that the government could not and would not afford the R4,5 billion supply-side measures proposed by Swart to bolster the fabric and clothing sectors over a 10-year period while import duties were brought below the levels stipulated in the 1994 international General Agreement on Tariffs and Trade

Mr Manuel and DTI head Gerrit Breyl also said more would have to be done for small business in the sectors — such as lowering tariffs further and over a shorter period

DTI officials revealed the Swart report would be considered in conjunction with special recommendations to stimulate small business

Mr King said contrary to DTI claims lower tariffs would make textile companies more competitive globally, South Africa would be inundated with imported material, hitting foreign reserves and knocking employment in the sector for six

"The 'sole arbitrator' should also not forget the hardship and trauma of the loss of thousands of jobs and that there will be no other job options available for these fellow South Africans"

PROPOSED new import duties for textiles and clothing have been delayed by the Board on Tariffs and Trade.

In a statement the board said that intially the proposals were to be ready by September 2 but would now be delayed until the end of the month.

The document of 750 pages will be made available to those who have already applied and the period for comment will be extended.

Meanwhile The Argus Business Editor BRUCE CAMERON reports that the Textile Federation has taken issue with criticisms that the large textile manufacturers are attempting to freeze out small clothing manufacturers by arguing for a delayed phasing out of trade barriers

In a statement the Textile Federation said it understood that, along with all other South African industries, it had to re-focus itself away from an inward-looking, sanctions-driven approach towards one of competing in the international market place

But it wanted the government to give it the same protection as other countries gave their textile industries

The industry had accepted this principle, and "embraced the GATT"

The industry, with the Swart Panel report, "has already demonstrated its commitment by agreeing to the reduction of duty levels faster, and to lower final levels, than South Africa's trading partners require in terms of the GATT"

"GATT requires duties on imported fabrics to reduce to 25 percent over 12 years, and the textile industry has already agreed to a reduction of 22 percent over 10 years"

The Federation said the US textile industry will get 15 years to phase down to its new levels in terms of NAFTA

"South Africa is, to our knowledge, the only country in the world which is to dismantle its protective barriers faster, and to lower levels, than required by GATT"

The Federation said the textile industry employs 80 000 people and supports about 220 000 jobs in secondary industries such as packaging and transport

Given the industry's commitment to remodel itself, and its national significance in terms of employment (and production of R7,2 billion worth of products last year), and the difficulties it faced, it "deserves some support from the government and from labour"

By support from government, the industry did not mean a R4,5 billion handout over 10 years

It said only R650 million of this amount is earmarked for the textile industry

This amounted to R65 million a year and not the R600 million per year which has been widely reported

Manuel 'backed down on tariffs'

(184)
BD 22/12/94

YURI THUMBRAN

THE National Clothing Federation has accused Trade and Industry Minister Trevor Manuel of bowing to pressure from the textile industry and labour to keep tariffs in place

The federation called on Manuel to grasp the nettle of tariff reform.

It expressed concern that he appeared to have second thoughts about trade liberalisation

Federation president Sadek Vahed said yesterday the recently announced extension of the duty credit certificate scheme, which provides rebates on import tariffs, was not enough

Most clothing manufacturers were small-to-medium size enterprises and had to look at imported fabric to manufacture clothing

He had expected Manuel to speedily move on the long-awaited tariff cuts for the industry

"It seems that the Minister is having second thoughts and could possibly be considering a much longer phase-down period than that asked by the federation," Vahed said

Vahed said Manuel's original view on tariff liberalisation — which would have seen drastic cuts on tariffs for yarn, fabric and fibres — boded well for the clothing industry

He also said local textile manufacturers remained late with deliveries — estimated at between four and six weeks by the federation — which affected production

Vahed said extension of the duty credit certificate scheme meant clothing exports could be expanded over the next three years The scheme provided rebates on import duties for materials used to manufacture exports

He said the emphasis placed on training was welcome He said Manuel's condition that 4% of the wage bill should be spent on training, was not pegged, but a target to strive for

Textile Federation executive director Brian Brink said textile and clothing companies could notch up between R150m and R170m in savings following the extension of the scheme, but the preconditions attached meant money would be diverted to training

Manuel last week announced the extension of the scheme from April 1

Clothing and textile industries clash

BiDay 7/10/94

EDWARD WEST

CAPE TOWN — A row has erupted between the clothing industry and yarn, fibre and textile makers over industrial protection.

The National Clothing Federation (NCF) yesterday called for a review of the recent Swart Panel's proposals to remodel the clothing and textile industries. But the Textile Federation (Texfed) said this plea smacked of opportunism and self-interest.

Texfed president Mervyn King said the NCF was laying the groundwork to renege on an agreement with Texfed and the SA Clothing and Textile Workers' Union (Sactwu) on the phasing-down period and levels of tariffs on textiles and clothing.

NCF vice-president Bernard Richards said that because of the high tariffs on fibres, yarns and textiles, clothing was overpriced. High tariffs were stifling small- and medium-sized manufacturers. (184)

But King said the clothing manufacturers could not compete internationally without government assistance. "What the NCF is trying to do is to justify a breach of their agreement and to look to the textile industry to become a replacement subsidy for the clothing industry."

The NCF said industry growth was being inhibited by the poor delivery of fabric since March, when the Swart proposals were finalised.

"There is insufficient capacity in the fibre/textile pipeline to meet increased demand. A reduction in import duties and greater use of lower-priced imports would contribute to the ability of the clothing industry to supply more affordable clothing."

But King said the NCF's claim was again preparing the groundwork to claim a temporary rebate of duties.

He said in 1988 when a temporary rebate of duty on fabrics was introduced the cost of savings was not passed on to consumers.

Richards said the NCF was finalising proposals on the length of phase-down periods on agreements and tariff structures.

Textile tariff talks end in deadlock

BDay 25/10/94

YURI THUMBRAN

AN ATTEMPT by the Textile Federaton (Texfed) and the National Clothing Federation (NCF) to find common ground over steps towards trade liberalisation failed yesterday.

The two parties met in Cape Town in the hope that they could develop a common strategy to present to government But the NCF raised Texfed's ire by calling for a virtually immediate phasing down of textile tariffs while demanding extension of clothing import protection.

The NCF proposed that duties for fibre be cut to zero within one year, and on yarns be removed altogether in three years.

It recommended phasing down to a 15% duty on fabric in five years

For clothing, it suggested that duties be phased down to 40% over a period of 10 years

Texfed president Mervyn King expressed concern "that the National Clothing Federation proposals appeared to be motivated by self-interest and were inconsistent."

He said the NCF made its proposals after reneging on an agreement reached between the two parties, based on the Swart panel's findings.

The proposed rates, which the Swart report suggested should be phased in over a 12-year period, were 40% for clothing, 30% for household textiles, 22% for fabric, 15% for yarn and 7,5% for fibres.

In a document tabled at yesterday's talks, the NCF emphasised the needs of small- and medium-sized clothing manufacturers

"There needs to be greater encouragement for small- and medium-sized enterprises for their job creation role. The NCF would support removal of any obstacle to the development and growth of such enterprises," the NCF said (184)

Because of high protective tariffs on fibres, yarns and textiles, clothing was priced beyond the reach of many South Africans.

This stifled the growth and and job-creation potential of the clothing industry, and in particular the growth of small- and medium-sized enterprises in SA

Bid to bury the hatchet in SA ragtrade rumpus

ARG 15|10|94 (184)

ALIDE DASNOIS
Business Staff

CLOTHING and textile manufacturers are trying to bury the hatchet after a policy switch by the National Clothing Federation on fabric tariffs prompted a furious reaction from the textile industry.

Representatives of the National Clothing Federation (NCF) and the Textile Federation (Texfed) met yesterday in Johannesburg

There were two issues on the agenda the Swart report on a plan for the clothing and textile industries, and the question of fabric shortages

NCF chief Hennie van Zyl and Texfed executive director Brian Brink both said the discussions had been "fruitful" and had taken place in a "spirit of conciliation"

Earlier this month Texfed president Mervyn King slammed the NCF for "reneging" on its agreement with textile manufacturers and with the labour movement with respect to the phasing down of import tariffs

In an angry statement, Mr King accused the NCF of "breach of contract"

This followed an about-face by the Federation on the Swart report, which it now says does not adequately address the aims of the Reconstruction and Development Programme (RDP)

The NCF says high textile tariffs are pricing clothing out of the reach of many South Africans and stifling the job creating potential of the clothing industry

Delegates at yesterday's meeting did not come to any conclusions, but agreed to meet again on October 24

By then the NCF is expected to have spelt out some of the practical implications of its policy switch

The Federation faces strong pressure from small and medium enterprises (SMEs) in the clothing sector who are struggling to cope with rising input prices

Fabric tariffs have risen from an average of 20 percent less than three years ago to an average of 70 percent, says clothing manufacturer Shirish Soni, secretary of the Consultative Business Movement, which has been spearheading moves by smaller companies to make their voice heard

The NCF says there is a shortage of fabrics at present, but Texfed says there is still spare capacity in the textile pipeline

Prompted by SMEs, the NCF has called for a specific plan for small clothing businesses, including government aid and export incentives, but Texfed is hostile to this

"It would create a bureaucratic nightmare for every industry to have its own SME plan", said Mr King in his statement

In an interview, Mr Soni accused Texfed of racism

He said spokesmen for the textile industry were "not in tune with government policy" on job creation

The labour-intensive clothing industry was given special treatment all over the world, he said

Mr Soni welcomed the NCF's decision to support small businesses But, he said, so far this was just rhetoric

"The NCF must not just pay lip service to the goals of the RDP We want to see concrete measures"

He said the Federation was "only at the starting blocks"

No steps had yet been taken in the right direction

"All that's happened is that a few big companies now agree with what the 1 400 smaller companies have been saying all along"

Any plans for the clothing and textile pipeline would have to take into account the needs of smaller businesses, many of which were black

"The World Bank has estimated that there are no less than 700 clothing businesses owned by Africans in this county

"But none of them are members of the NCF This is one of the things which will have to change"

The Swart report, which was presented to the government in March, is being examined by the Department of Trade and Industry

JOBS

Textile and clothing truce in tatters again

BY DON ROBERTSON

THE textile and clothing industries are again in conflict after a temporary truce was apparently reached when they both agreed to the recommendations of the Swart panel report.

Both industries were required to submit comments on the report to the Board on Tariffs and Trade by November 11 regarding the planned reduction in duties on fibres, yarn, fabrics and clothing.

The Textile Federation (Texfed), which in the past adopted a low-key stance in the long-standing dispute, is now accusing the National Clothing Federation (NCF) of reneging on the agreement.

Mervyn King, president of Texfed, says: "The NCF wants to retain all the benefits of the Swart recommendations for the clothing industry, but asks for the slashing of benefits for the textile industry."

At issue is the survival of the two industries and the preservation of 210 000 jobs, with many more workers employed indirectly.

The Swart report recommended that over 10 years duty be cut on fibres to 7,5% from 25%, on yarn to 15% from 32%; on fabrics to 22% from 45%, and on clothing to 40% from 90%.

Surprisingly, the general agreement on tariffs and trade required duty cuts over a 12-year period to 7,5% on fibres, 15% on yarn, 22% on fabrics and 40% on clothing.

The NCF, in its response, now wants duties to be removed on fibres in two years and on yarn in four years. Duties on fabrics should be down to 15% in five years and on clothing to 40% in 10 years.

"If these proposals were implemented, they would result in the winding down of much of the SA textile industry within 36 months," says Texfed.

The NCF insists that the textile industry is unable to deliver on time, has insufficient capacity, and that a reduction in duties would result in lower clothing prices and would stimulate exports.

Texfed president Mr King calls these allegations a "red herring" and says that the industry at present is operating at about 75% of capacity and has an excellent delivery record. In addition, there are plans for a R3-billion industry upgrading programme, provided the duty phase-down period is acceptable. (184)

On the high cost of clothing, Mr King points out that the cost of locally produced garments accounts for 2%-9% of the retail selling price. He says retail mark-ups — as high as 170% — are the main cause for high clothing prices.

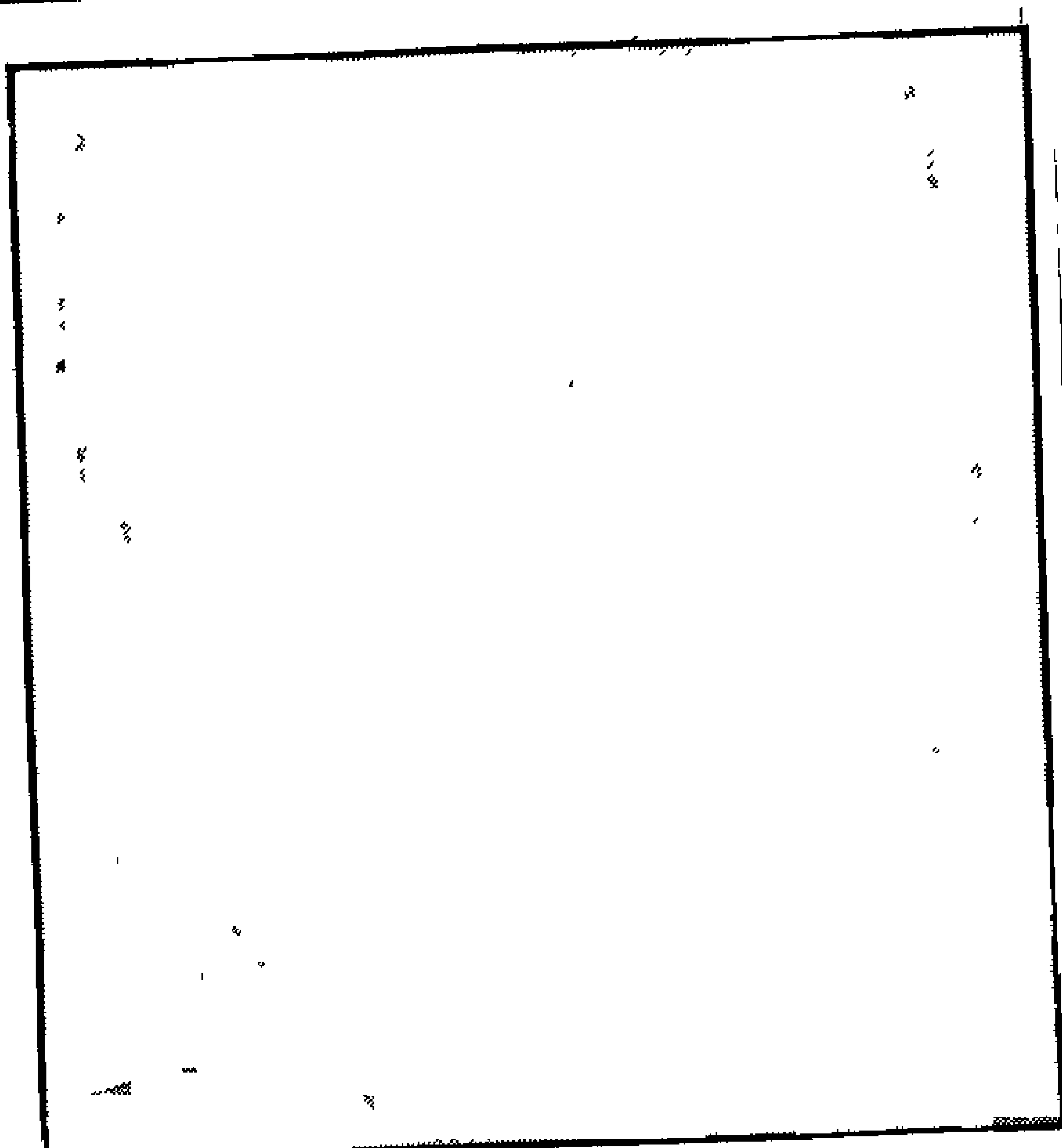
Mr King is particularly affronted by NCF claims that reduced duties would boost clothing exports.

"In terms of section 470.03 (Customs Act) exporters have for many years had the facility to import, duty free, all fabrics which they will export as clothing."

The textile industry exported R1,1-billion of goods last year with domestic sales at R7,7-billion, while the clothing industry exported R411-million with local sales of R6-billion despite the duty free import provision.

"According to the government, approximately 50% of 1993's 'clothing exports' were fraudulent to benefit from export incentives," claims Texfed.

The Swart report proposed support for both industries of R4,5-billion over 10 years, but this has effectively been rejected by the Minister of Trade and Industry Trevor Manuel.



MERVYN KING . fighting for the textile industry over tariffs

Rag trade rip and tear over tariffs

(184)

ARGUS 16/7/94

ALIDE DASNOIS
Business Staff

BIG and small clothing manufacturers are at each others' throats on the tariff issue, with the Board on Tariffs and Trade caught in the middle.

The board is looking into protective duties on fibres, yarns, fabrics and clothing. Details of its investigation, to be completed this year, will be gazetted next month.

But industry sources told Weekend Argus there did not seem to be much chance of a compromise between big and small clothing manufacturers.

A plan for the phasing down of tariffs put forward by the National Clothing Federation, the Textile Federation and the SA Clothing and Textile Workers' Union, though it is in line with SA's commitments to the General Agreement on Tariffs and Trade (GATT), does not go fast enough for the smaller manufacturers.

The smaller companies want quicker removal of tariffs on imported fabric inputs. They say they are being sacrificed to prop up big industry.

The plan, spelt out in the report of the textile and industry task group in March, suggests the maintenance of all ad valorem and specific duties until March 1995. After that, tariffs are to be phased down over 10 years to maximum levels of 40 percent for clothing, 30 percent for household textiles and 22 percent for fabrics, 15 percent for yarn and 7,5 percent for polyester fibre.

A minority of manufacturers based in KwaZulu-Natal, calling themselves the "Concerned Independent Group" vigorously oppose these plans.

They object to:

- The maintenance for 10 years of minimum specific duties on fabric which were introduced as a stop-gap measure, and
- The use of the same phasing down period for capital intensive inputs (fibres, yarns and fabrics) and finally, labour intensive products such as clothing.

The CIG is asking for shorter phasing-down periods of six years for clothing and four years for fabric and household textiles.

In a letter to Minister of Trade and Industry Trevor Manuel one manufacturer urges: "The tariff wall has to be broken if all clothing manufacturers are to survive."

"It should never have been, nor was it intended to be, a bargaining chip against the small and medium-sized clothing manufacturers."

The members of the Concerned Independent Group point out that the local textile industry cannot supply all the fabric requirements of the clothing industry and fabric has to be imported. Maintaining import tariffs on fabric, they say, will merely encourage local fabric manufacturers to put up prices.

High duties on fabrics were intended to save the textile industry, "but not at the price of killing the small and medium sized manufacturers within the clothing industry."

National Clothing Federation president Sadek Vahed would not comment on the issue.

But a director of Mr Vahed's company A M Moolla, Ebrahim Dhai, said the company was sympathetic to the worries of small and medium-sized manufacturers, including the cut, make and trim operators to whom A M Moolla sub-contracts a large part of its production.

Industry sources said Mr Vahed had been "told to toe the line" by industry heavyweights in the NCF and Textile Federation.

They said it was likely the Department of Trade and Industries would come up with some concessions to smaller manufacturers, who were becoming a powerful force in the industry.

Exemptions from tariffs on inputs would be difficult to implement, but there might be ways of sugaring the pill, including financial support.

The report of the textile and industry task force suggested that a committee drawn from both industries be formed to seek consensus between the opposing parties on the tariff issue. But, according to the Board of Trade, no committee was ever appointed.

Clothing industry set for boom

(184) ARG 23/3/94

DES PARKER

DURBAN — Garment makers are sharpening scissors and oiling machines to take advantage of the most favourable trading conditions in years

Arnold Werbeloff, economist with the National Clothing Federation, says imports of clothes are not growing, while exports in the first nine months of last year increased at an annualised rate of 39 percent

From R371 million in the January to September period in 1992, extra-territorial sales increased to bring in R516 million in the first three quarters of 1993 This expansion, Mr Werbeloff writes in the latest Clothing Industry News, is credited with saving about 10 000 jobs in the garment sector, where employment has fallen from 111 000 at the beginning of 1990 to 89 000 in January this year

A cause for concern among manufacturers is their failure to get their share of a rising trend in retail sales of garments since early 1992 At 1990 prices, monthly sales of women's, girls' and babies' outfits are R100 million higher than in 1991

Mr Werbeloff says it is expected that the long-term planning panel of the clothing/textile sector will recommend wide-ranging intervention to change the structure of the industry and to encourage exports

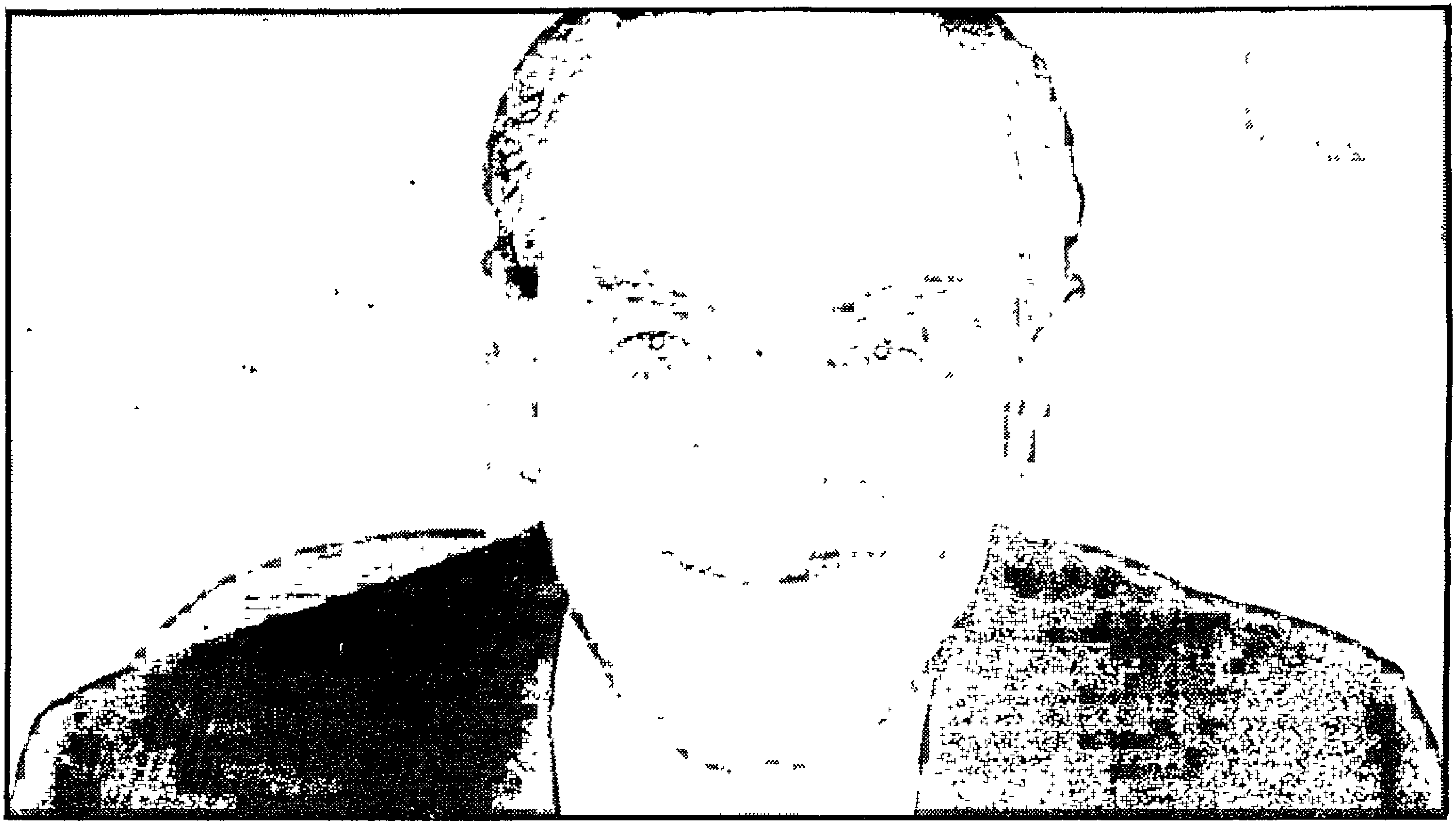
"Given the likely government assistance to become more efficient and effective suppliers of clothing and textiles, the current economic recovery, the ending of South Africa's isolation and the burgeoning foreign interest in investment in clothing and textile factories, the future seems to hold significant promise for the garment makers of this country," he says

Better financial results and improved stock market ratings underlined that

- NCF president Sadek Vahed, chairman and chief executive of Durban's A M Moolla group, said foreign investment was under way in the domestic garment industry

"Some very large" American companies were studying the feasibility of South Africa's clothing sector, while others had bought local companies, he wrote in the newsletter

Inquiries from Indian companies had poured in to the NCF, while joint ventures with several had been struck, he said



LEFT OUT Mervyn King says the NCF is trying to make the textile industry a 'replacement subsidy' for the clothing industry

Clothing and textiles torn apart

S/Times (Buss) 9/10/94

By CIARAN RYAN

THE clothing and textile pipeline suffered its most serious rupture yet with the call by clothing producers for a review of the Swart report's proposals for remodelling the two industries

The National Clothing Federation broke ranks with the Textile Federation and the unions by calling for access to textiles at world prices and a one-year extension of the duty credit certificate scheme which allows clothing producers to import textiles duty free, up to one-third of their export value

Texfed came back fighting, accusing the NCF of reneging on its agreement with Texfed and the SA Clothing and Textile Workers' Union to lower clothing and textile tariffs over 10 years

At the nub of the dispute is NCF's contention that textile producers are over-protected, which raises the cost of locally produced textiles and makes clothing uncompetitive The NCF says the proposed 10-year phase-down of import tariffs is too long and will damage exports

Mervyn King, president of Texfed, says "The NCF is aware of the phase-out of the general export incentive scheme and, on the admission of their president, they cannot compete internationally without government assistance

"What the NCF is now trying to do is to justify a breach of their agreement and to look to the textile industry to become a replacement subsidy for the clothing industry "

The labour cost component of SA clothing manufacturers is 23%, compared with Malaysia's 7%

Hennie van Zyl, NCF's executive director, says Texfed's comments are a manifestation of "total ignorance of how an economy works They are resorting to the old tactic of trying to lump clothing and textiles together Using the same argument, chemical producers and tractor manufacturers should be treated the same because they both supply agriculture

"We need access to raw materials at world prices to compete internationally and domestically Clothing is labour-intensive and textiles production is capital-intensive Texfed fails to recognise that any incentives enjoyed by the clothing industry benefits them too As clothing grows, it purchases more from local textile producers "

In terms of the Swart report, NCF, Texfed and the union had agreed to lower tariffs on imported fabric from the current 45% to 22% over 10 years, clothing from 90% to 40% and yarn from 32% to 15% The proposed tariff reductions are designed to conform with General Agreement on Tariffs and Trade ceilings of 45% on imported clothing and 30% on household textiles

Mr King says NCF's calls for lower tariffs to boost exports are a red herring The industry had been singularly unsuccessful in exporting despite the fact that for 30 years it acquired inputs duty-free under a rebate provision for the export of clothing

184

Rift brews in textile industry

Sowetan 9/9 13/9/94

By Waghied Misbach

PROPOSALS to change the clothing and textile industry have caused a major rift between small business, labour, government and the major manufacturers.

The 160 000 member Southern African Clothing and Textile Workers Union (Sactwu) is calling on the government to implement plans which will prepare the industry to enter the competitive global market. A union spokesperson said last week training and development programmes and the introduction of new technology were important to prepare for international competition.

The union wants the government to pump R4,5 billion into the industry for restructuring over a period of about 10 years.

The industry employs about 500 000 people, and thousands of jobs could be lost if the government did not implement the proposals, the union spokesperson said.

However, the union proposal has come under fire from the small business sector. They want the changes to be implemented within a shorter period.

Mr Shirish Soni, head of the Consultative Business Forum which represents 450 businesses, is adamant that access for small businesspeople to textiles at cheaper world prices would create more jobs.

He said there has been little response from the government on his proposal to lift the tariffs on the imported yarns used for producing clothing such as school uniforms.

Soni said the large manufacturers were also placing a "stranglehold" on reform. (KU)

He claimed that they were benefiting from an export incentive scheme which excluded the small businessperson.

He said the protection for a handful of producers had resulted in the loss of many thousands of jobs.

Last week Soni was forced to close down his Natal factory which employed 54 workers. He would only be able to reopen the factory when the industry became more "conducive" to the small business sector.

The ministry of trade and industry could not be reached for comment.

ADONIS KNITWEAR

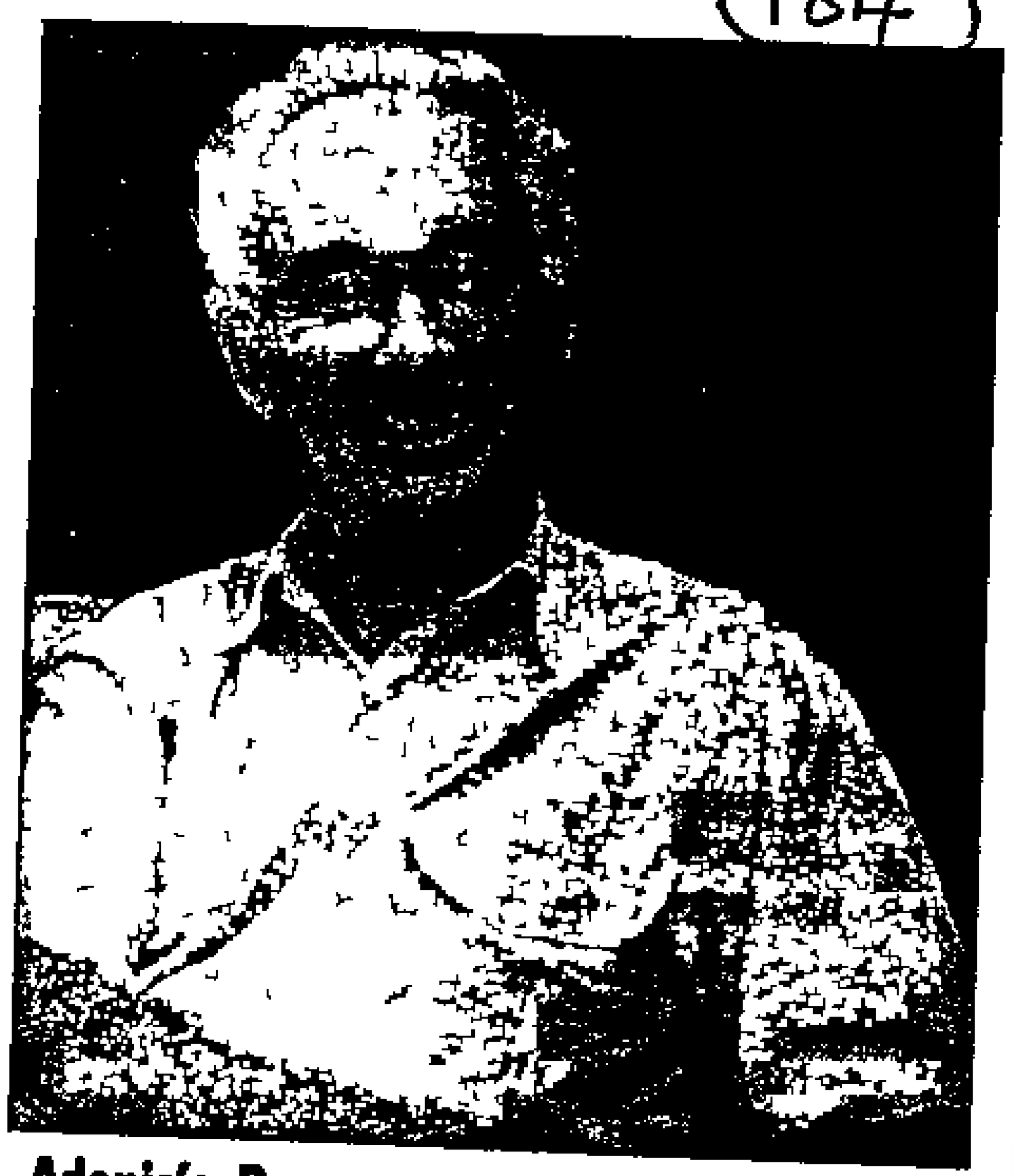
FM 11|2|94

Hoping for a blizzard

(184)

Activities: *Makes and distributes high quality men's knitwear*
Control: *Directors 77,5%*
Chairman & CE: *J Bencen*
Capital structure: *3,5m ords Market capitalisation R2,1m*
Share market: *Price 60c Yields 1,5% on earnings, p e ratio, 66,7 12-month high, 70c, low, 60c Trading volume last quarter, 9 200 shares*

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	0,3	—	—	—
LT debt (Rm)	0,3	—	—	—
Shareholders interest	0,7	0,8	0,9	0 8
Int & leasing cover	9,6	12,9	22,2	0,63
Return on cap (%)	23,7	23,0	5,4	0,2
Turnover (% increase)	18,0	(20,1)	(32,4)	(12,5)
Pre-int profit (Rm)	2,5	2,4	0,5	0,02
Earnings (c)	68,7	33,7	7,9	0,9
Dividends (c)	24	20	nil	nil
Tangible NAV (c)	214	228	236	195

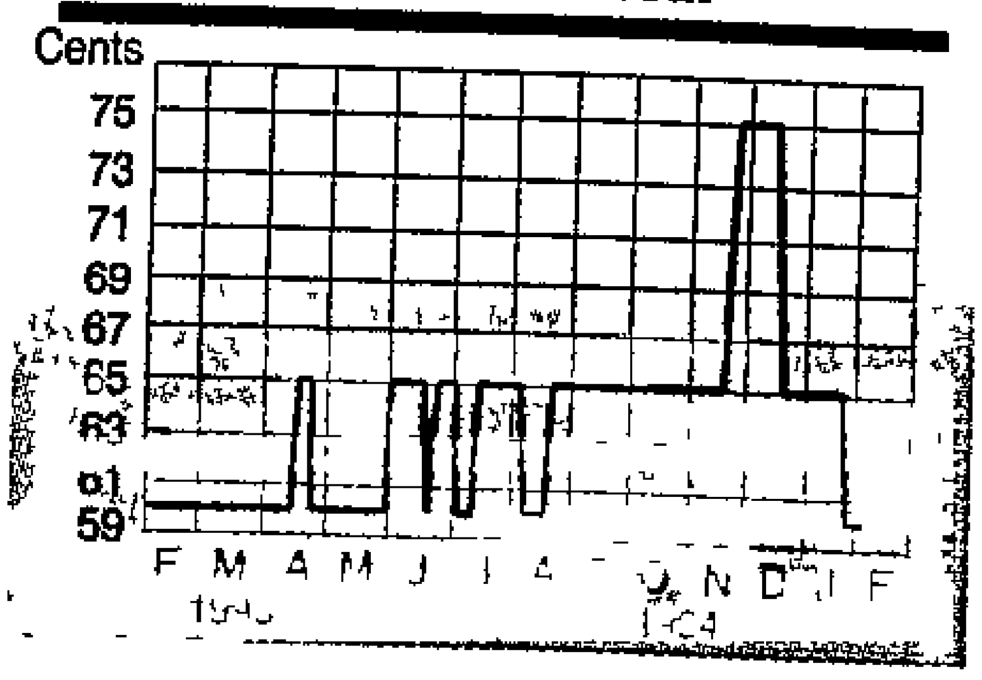


Adonis's Bencen . *trading conditions getting better*

Mild winters are bad news for companies selling woollies In 1993, trading difficulties for Adonis, already affected by the prolonged recession, were aggravated by a balmy winter. EPS fell sharply for the second consecutive year to 0,9c (7,9c)

Regrettably, the value of turnover is still not given — presumably for the last time, as disclosure of this figure is now a legal requirement However, it is revealed that the decline in turnover eased to 12,5% in the year to September 30, against 1992's 32,4% drop

Adonis Knitwear



Nevertheless, Adonis incurred a trading loss of R323 000 against the previous year's trading profit of R49 000 That converts into an operating loss for 1993 of R52 000 The change in the corporate tax rate from 48% to 40% offered relief — translating into deferred tax of R82 704 — and stemmed the decline in taxed profit to R30 000 (R280 000).

An extraordinary item of R1,5m reflects tax due on film investments, bringing the net loss for the year to R1,4m against the previous year's income of R280 000

Despite reduced reserves, the balance sheet remains healthy thanks to strong cash flow and tight asset management At year-end, Adonis was ungeared and had R2,6m cash.

But a closer look at the figures shows a marked improvement in performance in the second half of the financial year. An operating loss of R374 000 compares with a profit of R322 000 in the six months to September. Similarly, an attributable loss of R157 000 was turned into second-half earnings of R186 000.

Trading conditions have become better, says chairman Joe Bencen. Though margins have reduced, at least the 1994 winter order book has improved. Another problem is the system of permits allowing competitors to import goods duty-free.

The permits expire in March and that should make a big difference to the company's short-term prospects Products are marketed under the labels of Adonis, Dino Milano, Pierre Cardin of Paris and Lyle & Scott of Scotland With the company geared to meet increased demand for winter 1994, Bencen says management is budgeting for an improvement in earnings

With a strong balance sheet, enviable cash position and entrenched brands, Adonis should respond quickly to any upturn in demand. Meanwhile, principal shareholder Bencen is one of the few men in SA hoping for a savage winter

Marylou Greig

S Times (Buss)

Meritex fends off bankruptcy

By JULIE WALKER

SHAREHOLDERS have approved the disposal of all Meritex's assets for R117 500 to two officers of the company because the alternative was possible liquidation

Meritex, a Cape manufacturer of underwear and T-shirts, has been hurt by cheap imports. 6/12/94

Shareholders' funds have fallen to nearly nil from R16,3-million in 1991 Director John Morris says banks are owed R14-million and trade creditors R10,5-million. Bank lendings are secured by receivables of R7-million.

Professor Morris, a tax expert, told a shareholders' meeting in Johannesburg on Friday that action had to be taken quickly to avoid liquidation. (184)

Managing director Ed Gordon and group official Giancarlo Bovetti own Italtex, which bought the Meritex assets and intend to continue its operations on a reduced scale

An assessed tax loss of R14-million, probably Meritex's most valuable asset, has been passed on to Italtex

SUNDAY TIMES, Business Times, January 30, 1994 3

Julie Walker

Investors in Meritex try to keep their underwear

ST Times (Buss)

A PROPOSED Section 228 asset strip of underwear and clothing company Meritex by the chairman and major shareholder Ed Gordon with Giancarlo Bovetti will be resisted at a shareholders' meeting on February 4 30/1/94

Mr Gordon and Mr Bovetti respectively own 49% and 51% of Italtex, formed last November to buy the operations of Meritex Italtex has offered R117 500 for the assets. Mr Bovetti has bought Meritex subsidiary Italprint for R494 000.

No audited financial statements have been issued since January 31 last year. Meritex's net asset value then was 26,9c a share In July, the unaudited figure was 9,2c, yet the Italtex offer will leave only 0,53c a share in the cash shell.

Mr Gordon said in his chairman's statement — signed May 28 1993 — that since the beginning of the 1994 financial year (February 1993) "losses have been substantially reduced and the group is confident that this improvement will be sustained .."

Now, Meritex says it continued to lose money throughout 1993 and that the Italtex offer is at a premium to current net asset value.

Italtex aims to operate the Meritex assets on a reduced scale with third-party financial assistance

The value of Meritex's fixed assets was depreciated from R17-million to R4,6-million at January 31 last year, but the circular gives no indication of current value

Shareholders Association chairman Issy Goldberg says no mention is made of the value of the R10,3-million assessed tax loss noted in the 1993 report If Meritex lost money all year, this figure will be even larger by now The tax loss would pass to Italtex.

Auditor KPMG Aiken & Peat believes the disposal is fair and reasonable It says there were no material changes in the company's financial position between July and now (184)

Mr Goldberg says the onus is on the buyer to prove that the deal has been done at longer than arm's length The law requires full disclosure and Meritex falls short.

Mr Goldberg invites members unable to attend the meeting to make him proxy for their votes by getting in touch with Mercantile Registrars by 10am on February 2

☐ **Meritex was reverse-listed through the Welfit-Oddy cash shell in 1988. It made profits until 1992 when it lost R3,6-million and was down another R7,5-million in 1993.**

FM 14/1/94

PALS HOLDINGS

Tougher trading

184

Activities: *Clothing manufacturer*
Control: *Directors 61%.*
Chairman: *S R Kagan, Joint MDs S R Kagan and H Noik*
Capital structure: *10m ords Market capitalisation R2,4m*
Share market: *Price 24c Yields 5,8% on dividend, 30,8% on earnings, p e ratio, 3,2, cover, 5,2 12-month high, 28c, low, 20c Trading volume last quarter, 22 000 shares*

Year to Jun 30	**'90**	**'91**	**'92**	**'93**
ST debt (Rm)	2,3	1,1	1,0	3,5
LT debt (Rm)	0,5	0,5	0,4	1,1
Debt equity ratio	0,56	0,30	0,19	0,55
Shareholders' interest	0,48	0,51	0,61	0,38
Int & leasing cover	2,5	2,6	3,2	2,1
Return on cap (%)	23,8	23,7	15,3	7,1
Turnover (Rm)	n/a	n/a	26,8	33,6
Pre-int profit (Rm)	1,5	1,7	1,6	1,4
Pre-int margin (%)	—	—	5,8	4,1
Earnings (c)	7,9	7,1	7,5	7,4
Dividends (c)	3,0	3,3	3,3	1,4
Tangible NAV (c)	48	52	54	61

The minor difference between EPS for 1992 and 1993 masks a much worse trading year

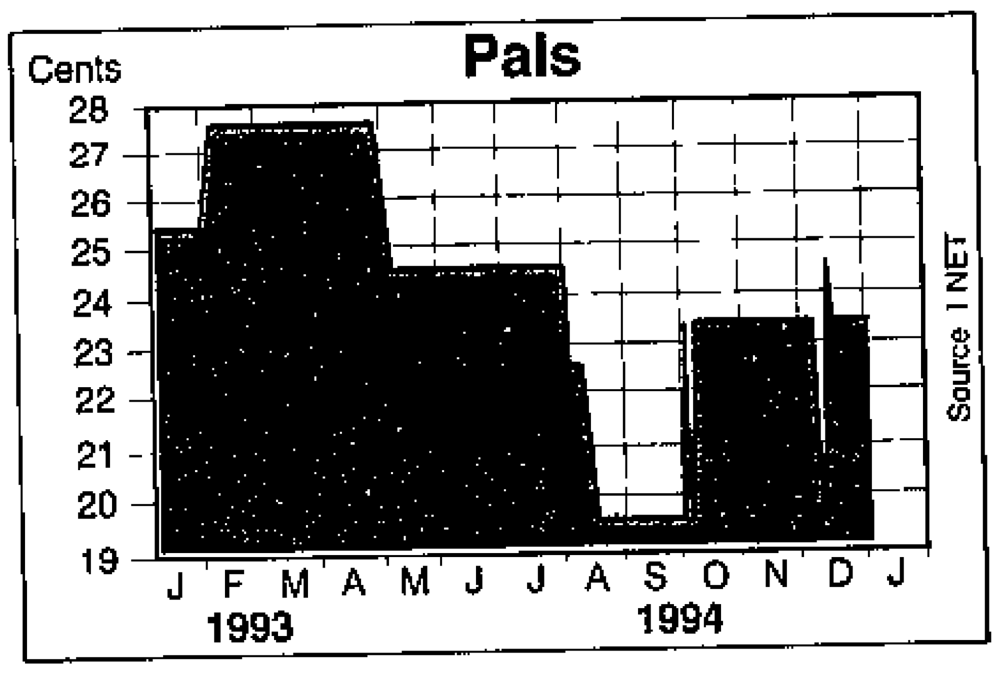
Increasing turnover was not the problem, it rose by a quarter The difficulty was in containing overheads This is reflected in a 13% drop in pre-interest profit To make matters worse, net interest paid rose from R485 000 to R641 000 on higher borrowings Pre-tax income fell 31% to R744 406 Without the tax loss which reduced tax to only R4 700 (R327 000), attributable earnings would have been much lower.

Two items in the balance sheet reflect, to a small degree, just how problematic the clothing industry has been Stock jumped from R3,4m to R7m and accounts receivable ended R5m up at R9,6m.

Several factors may have boosted stock management's sales forecasts were too optimistic, unusually large orders may have been received just before year-end; or there were serious productivity problems

FM 14/1/1994

Trade creditors have been the source of much of the funding needed to finance turnover growth, they rose by R5,8m to R8,6m But that still left a R2,8m shortfall between the increased current assets and current liabilities Additional overdraft facilities were used for this purpose, which explains the rise



in short-term debt

184

Chairman Selwyn Kagan highlights some of the problems facing the clothing industry Garments imported duty free under cover of the Strategic Adjustment Programme curbed demand for locally produced competitive products and increased duty on imported textiles made it even more difficult to compete at arm's length with imports Surplus capacity among local clothing manufacturers has kept margins under pressure The local clothing industry is confronted by many problems which make production forecasting — and, therefore, production management — difficult

Investment in Pals shares and the clothing industry in general is risky and should be avoided for now *Gerald Hirshon*

Textile index lags companies' growth

B/Day 22/11/94

YURI THUMBRAN

THE JSE clothing, footwear and textiles index, hampered by uncertainty over government's tariff restructuring for the industry, is still not reflecting the strong earnings growth from its mainstay companies, analysts said yesterday.

Frame, Da Gama and Romatex all reported upbeat performances, while PE-based Unispin was also in a recovery stage.

The index was at its high of 1 299,50 points on August 17 — the day Trade and Industry Minister Trevor Manuel pulled the plug on the Swart Panel report, which called on government to spend R4,5bn on supply-side measures to make the industry internationally competitive.

The index, which hit a low of 486,40 in November last year, ended at 1 228,0 yesterday

Before Manuel's announcement, Frame reported a profit of R11,8m for the year to June compared with a previous loss of R8,5m.

SA Breweries-controlled Da Gama lifted earnings by 56,2% for the six months to September, despite clothing manufacturers importing more fabric.

Romatex's profit rose by 37% to R47,5m, thanks to improved margins and favourable trading conditions.

Unispin Holdings continued its turnaround in the year to September, reporting an attributable loss of R452 000 against a loss of R3,8m the previous year.

Textile Federation executive director Brian Brink said the improved results reflected better economic conditions for the industry.

The companies were always among the hardest hit in tough economic times, he said.

"The current profits cannot be used as an argument against tariff protection. Look at the majority of textile manufacturers' losses three years or more ago."

Brink said a clear policy on tariffs by government would eliminate the uncertainty which the industry now faced.

Companies had to put long-term planning on hold because the tariff issue had not yet been finalised

An analyst said the index had consolidated, but uncertainty over government policy had negatively affected on the industry.

He said the textile industry could be destroyed without tariff protection.

Strategy for textile industry

BDay 30/3/94

EDWARD WEST

CAPE TOWN — The clothing and textile industries would have to invest R2,7bn over eight years to upgrade technology and become internationally competitive.

This was one of the supply-side measures identified by the task group set up to establish a long-term industrial strategy for the clothing and textile industries. The group, consisting of representatives from business, labour and government, presented its final report yesterday.

Other measures to increase competitiveness related to lowering input costs of cotton, synthetic and man-made fibres, as well as labour costs and other inputs. A R285m interest subsidy was also proposed

The report emphasised training needs, saying 2% of payrolls should be spent on training nex year, increasing to 4% in 1997

But most of the support measures proposed would not sufficiently benefit small manufacturers The report recommended a financial allocation to introduce means of improving competitiveness and encouraging new entrants

Agreement was reached on the 10-year reduction phase in import tariffs, starting on April 1 next year, with the goal of 40% on clothing, 30% on household textiles, 22% on fabrics, 15% on yarns and 7,5% on fibres. These objectives were well below GATT's targets.

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The task group recommended establishing a textile and clothing authority along the lines of the Australian Textile, Clothing and Footwear Authority.

SA Clothing Federation president Sadek Vahed said the group had accepted that some proposals ran contrary to GATT, but the industries hoped to draw on export incentives for as long as possible to assist in becoming internationally competitive

Rag trade hoping to do well out of retail demand

B Day 4/8/94

YURI THUMBRAN

THE clothing and textile industry could experience a mini-boom as retailers stocked up to meet increased demand, market sources said yesterday

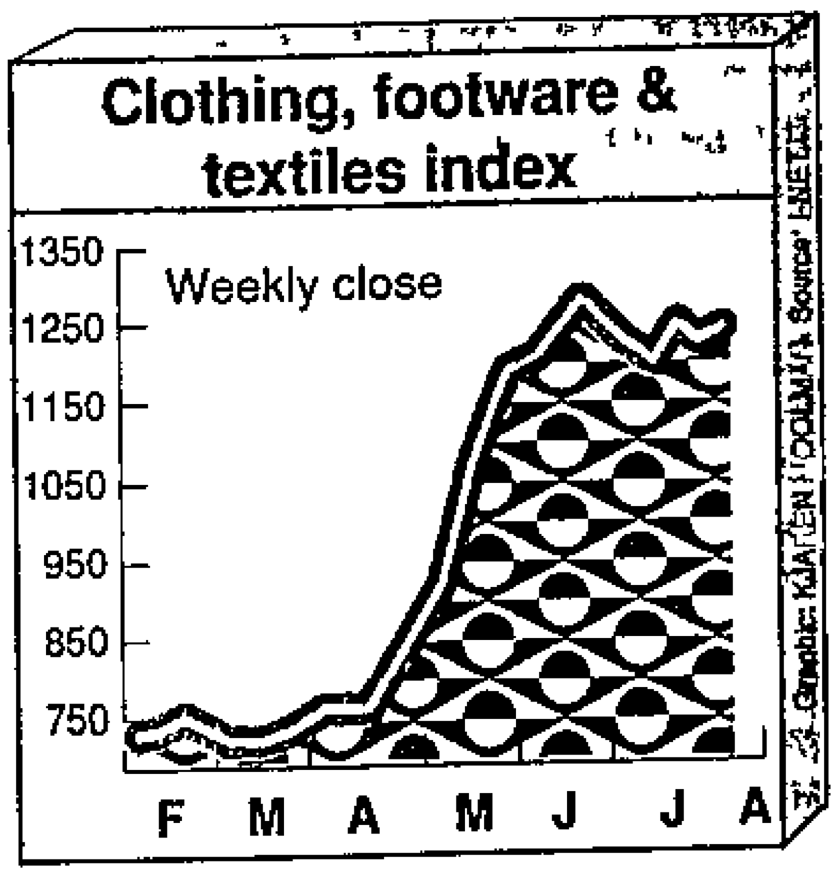
The industry was close to its cyclical high as retailers demanded more stock to meet higher sales volumes, an analyst said

He said the improvement in the economy, coupled with increased consumer spending and a higher volume demand from retailers, had already started to have benefits Companies were more positive in their annual reports

The industry, which had been battered since 1988 by the recession, had found new life and was drawing fresh attention from investors

The analyst predicted the sector could benefit further if the government implemented the findings of the Swart commission

A spokesman for the Textile Federation said the proposals tabled in March would have a positive effect, but it was unclear whether the government had made a decision to implement it



Clothing, footware & textiles index

The analyst said if the proposals were implemented, it would lead to a more optimistic outlook for the clothing and textile sector

Recent company results had underscored the industry's recovery and he predicted most companies should be in a far healthier position by mid-1995

"The sector has reason to be positive about the future There has been a substantial increase in demand over the last year for shares in the sector

It seems as if the sector has woken up to take advantage of the benefits offered"

Another benefit for manufacturers was the increased expansion by retail outlets such as Foschini, Woolworths, Edgars, Truworths and Topics, which had increased volumes, he said (184)

Major retailers were all expanding — which would benefit manufacturers who were now under pressure to increase production to meet volume demand

He said textile companies waiting for spin-offs from the reconstruction and development programme (RDP) would have to wait another 18 months before deriving any benefits

In its latest annual report, Da Gama predicted that volumes for the household textile division, which produced curtains, linen and other household textiles, would increase in the current financial year as more low-cost houses were built as part of the RDP

But this would happen only once large numbers of homes had been completed, which would have an effect on increased sales volumes of such goods

JOBS

Protective textiles in tatters

The end of the general export incentive scheme and the government's rejection of protective tariffs has caught the textile industry in a tight fit, reports CIARAN RYAN.

THE hoped-for R4,5-billion assistance package for clothing and textile producers has been whittled down to around R2-billion at the stroke of a pen

The Swart report on restructuring the clothing and textile industry called for general export incentive scheme (Geis) payments of R1,4-billion and duty credit certificate (DCC) rebates of R1,2-billion

This was before Trade and Industry Minister Trevor Manuel announced the phasing out of Geis to comply with South Africa's Gatt obligations The Swart report expected that Geis would continue at the current rate for 10 years

Instead, they will be phased out over the next two years with benefits on clothing exports falling from the current 18% of export value to 15,5% in October, to 14% in April next year, 11% in 1996 and disappearing altogether in 1997 Geis benefits on yarn exports will fall from the current 6% to 3% in October, phasing out altogether in 1995

The DCC scheme awaits a similar fate It is not Gatt-friendly and according to Shirish Soni, a spokesman for 450 small businesses in Natal, benefits a few dozen large clothing manufacturers The DCC scheme allows clothing exporters to import textiles duty-free up to 30% of the value of their exports Like Geis, it is open to abuse.

"Without any discussions taking place, the R4,5-billion assistance package has been more than halved as a result of changes to Geis," says Brian Brink, Textile Federation's director

Textiles account for nearly half the cost of a garment. A growing lobby of small clothing manufacturers say SA textiles are uncompetitive and raise the cost of producing clothing

The controversy aroused by the Swart report, which supposedly has the full support of both clothing and textile producers, raises questions about the representivity of tripartism — a new buzzword for agreements between industry representatives, trade unions and government.

The R7,5-billion a year textile industry employs 80 000 workers, the R5,5-billion clothing industry more than 100 000 workers, excluding the informal sector which could easily double this number Texfed says it supports more than 200 000 additional workers in associated industries.

Mr Manuel told textile producers at a recent conference that the government could not afford the R4,5-billion and that "protection on demand is dead for all time"

The Textile Federation believes it has had a bad press "The public has been led to believe that the R4,5-billion will all go to textile producers," says Mr Brink. "Textile manufacturers will get only a small portion of the amount."

Texfed issued a press statement last week explaining how the R4,5-billion (now around R2-billion) is broken down, pointing out that only R650-million was earmarked for the textile industry

Export assistance in the form of Geis and DCCs would cost R2,6-billion under the Swart panel recommendations, but following the changes to Geis and the probable scrapping of the DCC scheme, this will amount to less than R400-million. The main beneficiaries of this assistance would be clothing manufacturers

Cotton subsidies will amount to R240-million for 10 years. Texfed says cotton subsidies are common throughout the world. A wool-beneficiating programme similar to that operated by most wool-producing countries will cost taxpayers R33-million for three years.

A training subsidy of R200-million will run for four years, to be funded by the government and industry and R570-million is required to subsidise technology upgrades through cheap loans, making the cost of capital for local manufacturers equal to that paid by overseas competitors

Small business support in the form of training and investment in infrastructure will cost R105-million for 10 years, while R20-million will go to the establishment of a clothing and textile authority

An anti-dumping unit and customs control will cost R184-million for 10 years, although this will become self-financing as tax collection become more efficient The cost of social reconstruction such as retraining retrenched workers is put at R550-million

"South Africa is, to our knowledge, the only country in the world which is to dismantle its protective barriers faster, and to lower levels, than required by Gatt," says Mr Brink

TEXTILES' R4,5-BILLION SUBSIDY PROPOSAL

		R-million	Period (Years)
1	[illegible]	[illegible]	10
2.	Wool beneficiation programme	33	3
3	[illegible]	200	44
4	Technology upgrade	570	10
5	GEIS & [illegible]	1 400	10
6	DCC Scheme	1 200	10
7	[illegible] support	105	10
8	Textile Clothing Authority	.20	10
9	Anti-dumping unit & Customs control	184	10
10	Consultancy costs	25	10
11.	Social reconstructing cost	550	5

Graphic: FIONA KRISCH

Source: TEXTILE FEDERATION

CLOTHING & TEXTILES

Fm 26/8/94

An old spat flares anew

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The simmering debate between the clothing and textile industries is boiling over It was temporarily suspended by the "consensus" long-term strategic plan report issued in April by the Nic Swart Panel (Swart chairs the Board on Tariffs & Trade).

Clothing Federation president Sadek Vahed is threatening to resign and join a group of disaffected small clothing manufacturers The Textile Federation is accusing Trade & Industry Minister Trevor Manuel, the man who refuelled the debate, of being ill-informed. And three top ANC Ministers have been invited to Natal to discuss industry issues with Cosatu and SA Clothing & Textile Workers' Union (Sactwu) leaders.

The Swart report recommended a R4,2bn State aid package to wean the two sectors away from their excessive tariff protection over 10 years But a minority report by clothing retailers, small manufacturers and Customs Union trading partners opposed the proposals which they felt amounted to inertia.

Manuel set the debate raging when he effectively took the minority view and told a Textile Federation conference in Durban that real tariff reform was important to the new government and the days of multi-billion-rand support packages for nonperforming industries were over

Under the heading "Ill-informed recipe for disaster," textile federation president and Frame CE Mervyn King rejected part of the Minister's speech, saying "this statement was uninformed."

King also accused Trade & Industry acting director-general Gerrie Breyl of "a lack of information and understanding of the problems and issues."

Under what appears to be pressure from the textile federation and Sactwu, Manuel issued a subsequent rebuttal of certain media interpretations of his speech, confirming "government has not yet taken a decision on import tariff levels or the period over which tariffs are to be phased out."

He added that government was waiting for recommendations from the Board on Tariffs & Trade on the Swart report before taking a decision.

Swart, wearing his board hat, confirms that a précis of the Swart panel report and further ad hoc proposals subsequently received from various parties would be gazetted on September 2 and that interested parties would be given until mid-October to comment further on the reform proposals.

"It is hoped this will be the final round before we will be able to publish the tariffs which would then apply to both sectors as from the implementation date of the Gatt Uruguay proposals — either January 1 or July 1," says Swart.

Before that happens, a further round is bound to be slugged out in Durban this week. Sactwu has arranged a top-level, three-day "open school" meeting under the theme "Towards RDP for the Clothing and Textile Industry" which will be attended by Cosatu president John Gomomo, general secretary Sam Shilowa, negotiating co-ordinator Jay Naidoo as well as top Sactwu officials

Clothing industry sources claim the textile federation has called on the union "heavies" to add weight to its anti-reformist stance The federation's deputy president, Mike Hankinson, denies this: "I chaired last week's session which was addressed by Manuel and Breyl and must agree with the Minister that he was misquoted.

"Also, covering the point that the clothing industry requires inputs at international prices to promote exports, it is free to import, tariff-free, textile inputs for re-export in terms of Section 470 03 of the Customs & Excise Act. I assume that the real reason for this oversight is that it would then receive reduced export incentives under Geis"

Clothing exporters receive far higher Geis payouts from government than textile exporters get as they qualify for the higher category 4 (manufactured goods) benefits Says Hankinson: "Apart from the 18% Geis subsidy paid out on the *ad valorem* value of finished goods exports, they could qualify for the 30% Duty Credit Certificate benefit, based on export value, and get duty-free raw material imports to the value of the DCC certificate — making a total benefit of 48%."

No wonder Manuel needs the wisdom of Solomon to judge the claims ■

FOREIGN INVESTMENT

Spaced out

Fm 26/8/94

Deutsche Aerospace wants to enter a series of joint ventures with SA companies that could create up to 5 000 hi-tech jobs over five years

But there's a catch The German company, a major international player in the aircraft, space, defence and propulsion industries, wants to know the conditions under which it will operate Until government makes up its mind on rules for foreign investors, much of Aerospace's planning remains on hold.

There appears to be little doubt that Aerospace, part of the giant Daimler-Benz group, is anxious to invest in SA At the official opening of its Johannesburg office last week, Aerospace chairman Jürgen Schrempp — a former head of Mercedes-Benz SA and chairman-designate of the Daimler-Benz group — made it clear the company has ambitious plans for SA

It has been working for some time with local companies — notably Reutech on air traffic control systems and Denel subsidiary Simera on aircraft and satellite systems. The creation of Deutsche Aerospace Southern Africa (Dasa) is intended to herald a broadening of that co-operation

Schrempp sees SA as the natural base for all Aerospace's activities in sub-Saharan Africa. Predictably, much of the potential is within SA Plans are in hand for local modification and upgrading of aircraft on behalf of foreign airlines and Aerospace sees SA as a potential launch site for small satellite systems.

If these and several other proposed joint ventures go according to plan, Schrempp foresees up to 5 000 jobs being created in the next five years. Nearly all of them will be in the hi-tech field Aerospace is also prepared to co-operate in the education and training of local staff Schrempp says he is "positively surprised" at the skills and technical levels available and has little doubt SA can provide the people his company needs

Much of this is theoretical, however, until government gets around to devising an investment code

"We need to know a lot of things," says Schrempp "What is the tax policy? What is the attitude towards repatriating profits? What support will there be for investment?

Seardel group's earnings rocket by 71%

(184) CT 18/2/94

Business Editor

THE Seardel group — which achieved a strong turnaround in the year to June after a plunge in profits due mainly to retrenchment costs and its investment in the Frame group — reported a 71,5% rise in earnings in the six months to December 31

Earnings at share level rose to 59,8c from 34,9c last year The interim dividend is 7c (4c)

Operating income rose by 15,2% to R37,2m and pre-tax income by 54,2% to R20,9m After-tax income rose by 42,9% to R14 7m.

This was achieved on a 6,1% rise in turnover to R621,6m

The group's debt/equity ratio has been reduced to 67% from 75% This, combined with lower interest charges, meant that finance costs were reduced by R2,4m

The group has also benefited from the effect of rationalisation carried out earlier

The turnaround in the Frame group provided Seardel with attributable earnings of R750 000 compared with a loss of R1,5m last year

Chairman Aaron Searll said further reductions in interest rates were expected "and a gradual economic upswing would appear to be in progress

"With inflation under control we are hopeful that this positive economic momentum can be maintained

"It is absolutely imperative, however, that there is no escalation of violence prior to the election and that we experience political and social stability"

Searll said the group would maintain its asset management programme and was set to take advantage of any further increase in economic activity

"The negotiated General Agreement on Tariffs and Trade (GATT) has allowed the clothing and textile industries a breathing space to align themselves with the new tariff structures which will be phased in over a 12-year period"

But, he stressed, "in order to maintain the momentum of clothing exports it is necessary for the agreed current General Export Incentive Scheme (GEIS) and DCC schemes to remain in place and be phased down in harmony with the GATT agreement."

"In view of the improved results the directors have revised their forecasts upwards They now expect earnings for the current year to be 100c a share and the dividend 22c, with turnover rising to R1,3bn and pre-tax income to R30m

LABOUR BRIEFS

184

'Protect workers from insolvencies'

Compiled by SHARON SOROUR

CLOTHING industry unionists have called for an urgent review of the Insolvency Act in a bid to secure the wages and savings of workers when companies go into liquidation

The South African Clothing and Textile Workers' Union (Sactwu) is to approach the National Manpower Commission to address the issue and to ask the Congress of South African Trade Unions to launch a campaign in defence of workers' rights

This follows the provisional liquidation of Highams South Africa in Maitland last year, when 142 staff lost their jobs — and personal savings totalling R49 581

The workers took part in a factory savings scheme and the money was not held in trust, but in a company bank account

Frame Textile Corporation and Merchant Trade Finance Ltd held security for claims totalling R13 million, and other creditors were owed in excess of R2 million Because workers' savings were placed in the bank account of the company, their status was the same as that of any other concurrent creditor

Frame Group chairman Mr Mervyn King supported the union and later helped secure the return of the workers' money

But the case had highlighted the vulnerable position of workers and the fact that the law favoured the interests of other, more secure stakeholders at the expense of workers, the union said

■ SACTWU has also stepped into a row over election T-shirts which the ANC were to have imported

The union "convinced" the ANC to have the T-shirts made locally, thereby supporting South African manufacturers and creating jobs in the embattled industry

While Cosatu said it "accepted" the ANC's reasons for importing the T-shirts, Sactwu, Cosatu's third largest affiliate, insisted the ANC drop the plan

■ A PROGRAMME to promote job creation and the socio-economic empowerment of black women, sponsored by Investec Bank, was launched in Cape Town this week

The programme, co-ordinated by the Take Hands Foundation, aims to provide township women with the means to uplift themselves and play a meaningful economic role in society

The first project involves training young unemployed black women as paper bag and box makers in the packaging department of local company Alternate Labels and Printing (Pty) Ltd The company manufactures labels and related products for the clothing and footwear industries Training will include instruction in conflict resolution, primary health care, literacy, nutrition, personal upliftment, self confidence, budgeting, money management and voter education

■ WORKERS at Carlton Paper of South Africa in Epping are on a nationwide strike over wages and working conditions

About 40 workers were arrested outside the factory this week on a charge of intimidation, but the charges were later dropped and the workers released, according to Paper, Printing, Wood and Allied Workers' Union spokesman Shahied Mahomed

The company obtained a Supreme Court interdict barring workers from hindering the access to the factory by vehicles

More than 950 workers are on strike over wages nationwide, including about 150 in Cape Town, amounting to about 45 percent of the workforce at the Epping factory

Mr Mahomed said non-striking workers were upset at the arrests and were considering joining the strike

While production had been affected, the demand for products had not been as high as usual and the company was serving its customers "quite easily", factory manager Ben Erasmus said

Workers are demanding a 12 percent increase on the hourly wage, plus three months paid maternity leave The company is offering a 5 percent hourly increase and a profit-sharing scheme

The union has contested the profit-sharing scheme system, saying the company tabled the offer on the day of the conciliation board hearing and could give no details as to how it would work

■ DISGRUNTLED employees of the Sached Trust in Cape Town went on a solidarity work stoppage in support of a colleague who claims he is being victimised by the organisation

The South African Committee for Higher Education workers, members of the National Education, Health and Allied Workers' Union, suspended their three-day action this week pending the full-time appointment of Mr Ebrahim Harvey, who plans to take the matter to the Industrial Court

Mr Harvey declared a dispute with the organisation, claiming an unfair labour practice when his position as half-day administrator in the Educators for Transformation and Development programme was not upgraded

All half-day administration posts were supposed to have been upgraded to full-time positions This was in terms of a resolution adopted at a national staff meeting last August, which had been also adopted by the national planning meeting — the highest decision-making body in Sached

ARG 12/2/94

■ POLICE have detained the leader of Indonesia's largest independent trade union after he called for a one-hour national strike

Mochtar Pakpahan, chairman of the Indonesian Welfare Labour Union, was detained with two other people in Semarang 400km east of Jakarta while he was visiting union members

Police declined to comment

■ DE BEERS has warned it may leave Ireland, putting more than 600 employees out of work

Workers at the industrial diamonds division at Shannon voted to reject a planned 10 percent pay cut, having asked for strike action to be sanctioned De Beers are now threatening to move production elsewhere

They have been told by management the company is in "serious trouble" — prices for its products have slumped and it is now suffering significant losses from the recession and increased competition

Allwear back in the black

Own Correspondent

JOHANNESBURG — Clothing company Allwear is back in the black with a net income of R2,9m for the year ending December 1993 after a loss of R6,3m the previous year

Turnover rose only 0,6% to R57,9m (R57,5m), but tyhe directors said that excluding the now closed Sherleys division, turnover had increased 17,3% (184)

Financial director Arend de Waal said operating income almost doubled to R5,8m from R2,9m after the company's rationalisation programme, and the closure of the Sherleys division in George

Net income before and after tax of R2,9m compared with a loss of R147 000 in the previous year. CT 21/2/94

Taking into account an extraordinary loss in the year earlier, net income of R2,9m reflected a turnaround from a R6,3m loss in 1992

Earnings a share were 20,4c, compared with a loss of 1,2c a share in 1992.

No dividend was declared, and total shareholder interest rose to R31,2m from R18,3m

Improved results were anticipated by the market as the share closed at 40c on Friday

Rationalisation puts Allwear back in black

MUNGO SOGGOT

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Turnover rose only 0,6% to R57,9m (R57,5m), but directors said that excluding the now closed Sherleys division, turnover had increased 17,3%. (184)

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Earnings a share were 20,4c, compared with a loss of 1,2c a share in 1992.

No dividend was declared, and total shareholder interest rose to R31,2m, from R18,3m

De Waal believed these results would rekindle shareholder interest and thought Allwear would "maintain what they have achieved" in the coming year

Improved results were anticipated by the market as the share closed at 40c on Friday, up from an August low of 20c, but short of an annual high of 50c.

Sabind sees earnings jump 21%

CT 24/2/94

(184)

Deputy Business Editor

SA Bias Industries (Sabind), the country's largest supplier of trimmings to the clothing and footwear industries, has resumed its growth path, reporting a 21% jump in earnings to 33c a year for the year to end December

In spite of continued poor trading conditions in its major SA markets, the group lifted turnover to R145,9m from R139,6m the previous year

Net income after slightly higher interest and finance charges of R1,5m and taxation of R2,9m (R2,3m) was R7,8m (R6,9m)

The dividend has been increased by 10% to 11c a share

Reductions

Chairman Christopher Seabrooke said that after experiencing their first drop in earnings in 14 years in 1992, the group was now back on the growth path and expected a further increase in earnings during the current year in spite of anticipated higher tax charges

MD Philip Coutts-Trotter said that athough demand from their traditional markets remained very weak during 1993, the completion of their cost reduction programmes and an expansion drive into industries other than the clothing and footwear industries had resulted in an increase in profitability

He said that durring the year Sabind achieved significant growth in its turnover to industries other than the clothing and footwear industries and turnover in these markets now accounted for more than 40% of total South African sales

In addition, its UK operations International Trimmings, Plc, which was started in 1991, performed well with turnover and profits growing strongly as market share expanded Similar operations were now being considered in other countries, according to the directors

COMPANIES

Bias Industries bounces back

MARCIA KLEIN

SA BIAS Industries (Sabind), which had dropped its earnings for the first time in 14 years in financial 1992, lifted its earnings 21% to 33c (27,3c) a share in the year ending December. B/DAY

Sabind, the largest manufacturer and supplier of trimmings to the clothing and footwear industries, reported a 5% rise in turnover to R146m (R139,6m). 24/2/94

Income before tax, interest and finance charges was 13% higher at R12,3m (R10,9m), and income after tax was 11% up at R7,8m (R7m). Attributable income increased 21% to R9,4m (R7,8m). A final dividend of 7c a share brought the full year dividend up 10% to 11c (10c) a share.

MD Philip Coutts-Trotter said demand in Sabind's traditional markets remained weak, but cost reduction and expansion into new industries raised profitability.

Penetration of markets other than the clothing and footwear industries now accounted for over 40% of total SA turnover.

The metals and plastics division and the Kirton division improved their performance despite lower turnovers.

Chairman Christopher Seabrooke said the UK operations were producing excellent results with strong turnover and profit growth. (184) ~~(187)~~

The company expected higher tax charges in the coming year, but earnings and dividends were expected to show an improvement over the previous year.

Glodina bounces back

BEATRIX PAYNE

NATAL-based clothing, footwear and textile company Glodina reversed its fortunes in the year to December and recorded a pre-tax profit of R3,1m (R3,2m loss). B/Day

But pre-tax gains were virtually wiped out after the deduction of abnormal tax of R3,1m from a R4m investment by the company in a film scheme in 1988

The taxed profit of R11 000 would be reinvested in the company, MD Paul Redondi said

Earnings a share before the abnormal item were 16,11c (6,9c loss).

After the abnormal item, earnings a share were 0,1c (16,9c loss) 3/3/94

No dividend was declared by the company

Glodina's turnover in the period increased 3% to R79,1m (R76,9m). (184)

Operating profit rose to R6,2m (R3,6m) on the back of "stringent" cost-cutting and better capital management, directors said.

Interest payments fell 37% to R3m (R4,8m)

Pre-tax profit improved as a result of the company rationalising its product mix to focus on marketing products with the highest profit margins, Redondi said

Glodina shares traded unchanged at 55c on the JSE yesterday

Business Repo

Sterling lifts income 184%

JOHANNESBURG — Sterling Clothing yesterday reported lifting attributable income by 184% to R554 000 (R195 000) for the year to December, 1993, although turnover only increased marginally to R39,9m (R39,0m) (184)

Pressure on margins led to a decline in net operating income to R2,3m (R2,4m) However, the company's interest bill declined 31,2% to R1,5m (R2,2m) due to stringent expense control and asset management This left net income before taxation of R723 000 (R205 000).

Earnings a share were 2,9c (1,0c) CT 10/3/94.

The directors did not declare a dividend.

"Despite the continuation of a severely depressed and politically uncertain economic environment in which pressure on margins intensified, the group posted an acceptable operating income," says chairman F N Haslett

"The disciplined expense control programme combined with stringent asset management was largely responsible for the reduction in interest paid" — Sapa

Sterling survives tough conditions

BTDay 10/3/94

MARCIA KLEIN

CASUAL clothing company Sterling Clothing has reported a 184% rise in attributable income to R554 000 (R195 000) in the year to end-December despite a marginal turnover rise and severe pressure on margins

Despite the hike in earnings to 2,9c (1c) a share, directors said it was "prudent not to declare a dividend"

Turnover edged up to R39,9m (R39m), and pressure on margins resulted in a 4,2% decline in net operating income to R2,3m (R2,4m).

But a significant reduction in the interest bill resulted in a more than threefold hike in pre-tax income to R723 000 (R205 000).

(184)

Chairman Fred Haslett said the lower interest was due to a "disciplined expense control programme combined with stringent asset management".

Haslett said operating income was acceptable "despite a severely depressed and politically uncertain economic environment in which pressure on margins intensified".

Locally, there was the prospect of an improvement in consumer demand. Sterling was also looking at the export market and had made some progress, "but competition from the Far East and other low wage producers makes this extremely difficult"

Interest boost for Truform

BDay (184) 17/3/94

EDWARD WEST

CAPE TOWN — Clothing manufacturer and marketer Rex Truform's sales and operating profit held steady in the six months to December 1993, but earnings rose nearly two-fifths from interest income.

The results showed turnover in the first half at R84,71m (R85,64m) while operating profit was R2,94m (R2,85m).

Interest income amounted to R536 000 compared with the R552 000 interest paid out last year. This left pre-tax profit up nearly 50% at R3,47m (R2,3m).

MD Stewart Shub said interest was earned on cash through most of the period.

Earnings a share were 38,9% higher at 78,6c (56,6c).

Shub said production capacity was fully booked for the remainder of the year.

ALLWEAR FM 25/3/94

Good recovery prospects

Activities: *Makes schoolwear and menswear* (184)
Control: *Hicor 79%*
Chairman: *R van Rooyen, MD J H Jordaan*
Capital structure: *14,1m ords Market capitalisation R8,5m*
Share market: *Price 60c Yields· 34% on earnings, p e ratio, 2,9, 12-month high, 60c, low, 20c Trading volume last quarter, 66 000 shares*

Year to Dec 31	†'91	†'92	*'92	'93
ST debt (Rm)	12,4	16,7	17,3	11,9
LT debt (Rm)	5,4	4,9	4,4	7,3
Debt equity ratio	0,75	0,87	1,11	0,91
Shareholders' interest	0,47	0,45	0,32	0,41
Int & leasing cover	1,6	1,3	0,95	1,6
Return on cap (%)	16,1	9,7	5,2	11,1
Turnover (Rm)	57,8	66,3	57,5	57,9
Pre-int profit (Rm)	8 2	5 4	2,9	5,8
Pre-int margin (%)	14,1	8,1	5,1	10,0
Earnings (c)	38,8	8,3	(1,4)	20,2
Dividends (c)	16	nil	nil	nil
Tangible NAV (c)	166	173	128	168

† February year end * 10 month trading period

Corrective surgery has vastly improved the financial profile and profitability of clothing company Allwear, turning 1992's bottom line loss to a profit of R2,9m

The closure of trading division Sherleys shows on the balance sheet in an 8,4% reduction in total assets, but these seem to have been largely unproductive Removing them has stopped the bleeding, placing the company in a much stronger position for this financial year

That shows in a gearing ratio of 91% at year-end, high but since reduced to below 50% because of the seasonal nature of turnover, says MD Jorrie Jordaan The removal of Sherleys has also tightened up inventory control, with stock decreasing R5m to R11,9m

Though chairman Renier van Rooyen does not think 1994 will show much of a

Allwear's Van Rooyen *uncertainties around the election*

FM 25/3/94

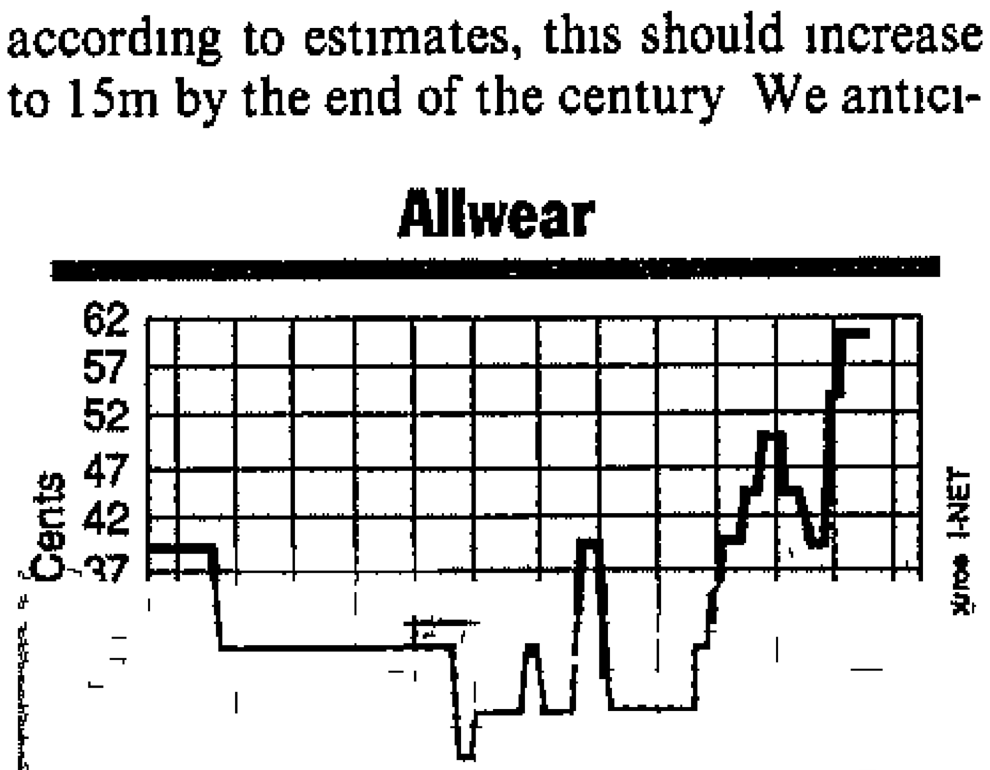
revival, mainly because of uncertainties around the election (shown in debtors increasing by R2,7m as clients take delivery of goods as late as possible), Allwear is looking towards 1995 as a period of growth Accordingly, R1,6m was spent upgrading facilities and buying new equipment in 1993, with capex of about R1,2m planned for this year

Allwear's shareholding structure has also been cleaned up with the removal of an unnecessary holding company, Allwear Group, which has been delisted Cape-based Hicor now holds 79% of Allwear directly Jordaan says Hicor recently invested in Melotronics, a TV and hi-fi business, and is looking at other investments

He says consumer spending remains depressed, but an encouraging sign is Allwear's focus on schoolwear, which accounts for about 80% of sales (184)

"The introduction of 10 years of compulsory education offers great potential There are now about 10m children at school, but according to estimates, this should increase to 15m by the end of the century We antici-

Allwear



COMPANIES FM 25/3/94

pate huge growth in the schoolwear market," Jordaan says (184)

The share has firmed considerably, appreciating from 20c in August to a high of 60c It's still off a fairly low base considering the share has traded as high as 180c in the past and, with long-term prospects for the business looking encouraging, could certainly move further, making it one of the recovery stocks in the clothing sector *Shaun Harris*

TEJ not so deep in the red

EDWARD WEST B/Day

CAPE TOWN — Knitwear and clothing manufacturer and distributor Towles, Edgar Jacobs (TEJ) continued to trade in the red in the six months to December 1993, but higher sales volumes reflected a marginally better trading position. (184)

Turnover was 9,8% higher R13,72m (R12,5m) in the first half and the operating loss was lower at R905 000 compared with the R1,67m loss last year 25/3/94

The loss a share was equivalent to 57,3c a share compared with 81,7c a share in the first half of last year and a loss of 37,5c a share in the year to June 1993.

Lean times for Ensign

Star 5/4/94

CAPE TOWN — The past 12 months have been the most difficult the company has faced for many years, says Ensign Clothing chairman Ronald Roy

Up to now the company had managed to weather reasonably well depressed trading conditions.

(184)

Roy says in the annual report that the downward trend, first experienced in mid-1992, continued throughout 1993.

"The consequent drop in sales was even more severe than we had been able to foresee, and well-nigh impossible to replace in alternative markets in the short term "

Significant cutbacks in state expenditure, widespread unemployment and intense competition, among other factors, all contributed to a rapidly shrinking market

Turnover fell by nearly 27 percent, from R41 million to R30 million.

"Although timeous and appropriate action was taken to downsize, in accordance with the reducing scale of manufacturing operations, there were inevitable time lags," Roy says.

"The extra costs of negotiated retrenchment packages also had to be borne and it was not always possible to trim overheads within the desired time frames "

Operating results for the year to December, after interest, taxation and the usual preference dividend, reflected a loss of R906 595, compared with an attributable profit of R853 741 the previous year

A reduced interim dividend of 10c per share (1992· 15c) was paid in November 1993.

In view of the results, the directors have decided to pass the final ordinary dividend (1992 20c).

The directors feel the situation has now stabilished and look forward to some improvement, if not in the first half, then in the second half of the current year

However, they believe current uncertainties, both political and economic, as well as the continuing competitive downward pressure on margins, preclude them from making a firm forecast "at this particular time". — Sapa

Ensign cuts its coat according to its cloth

B1Day 7/4/1994

EDWARD WEST

CAPE TOWN — Ensign Clothing had cut production in line with demand, but the benefits would flow through only in the second half of this year, the company said in its annual report

Deputy MD Dennis Roy said although the benefits of reducing production, orders and contract intakes were already being felt, trading conditions in the first half were likely to remain difficult

The clothing manufacturer, which fell deeply into the red in the year to December, was hoping for an improvement in orders for overalls and uniforms after the first half, as it appeared that state tenders had been put on hold in the run-up to the elections, he said

Export inquiries were also being pursued, but benefits were likely to feed through only in the long term

The company sustained a R906 595 attributable loss for the year to December, against a R853 741 attributable profit in 1992 (184)

Chairman Ronald ~~Roy~~ said significant cuts in state expenditure, widespread unemployment and intense competition had contributed to a rapidly shrinking market

This had cut turnover nearly 27% to R30m in 1993 from R41m in 1992

Although downsizing occurred, there were time lags and extra costs associated with retrenchment packages It was also not possible to trim overheads by year end, he said.

The directors chose not to make a forecast for 1994 results, due to economic and political uncertainties and continuing pressure on margins

But the company believed the situation had stabilised after what it described as the worst trading year it had faced for years

COMPANIES

Bergers shares face big dilution

AMANDA VERMEULEN

THE second refinancing package to rescue clothing group Bergers will heavily dilute shareholders' interests and prospective earnings, it emerged yesterday.

Group financial director Joe Wolfson said half the R12m refinancing would be raised with the issue of new shares 8/4/94

Market sources said that even before a discount on the current 90c share price Bergers would need to issue an extra 7,5-million shares to raise R6m, diluting the current share base by nearly two thirds.

The company raised R18m last year in an attempt to strengthen itself, but the sum proved inadequate. Bergers has been hit since then by depressed trading conditions, the effects of violence and stayaways and last month's unrest in Bophuthatswana, which have combined to cut its share price from 450c a year ago to its current level B/Day

Wolfson said the refinancing, for which JSE approval was still pending, had been built around a tight series of cash constraints imposed by the company's banks.

He said the company's conversion from cash to credit trading was the only way it could achieve the turnover it needed to end its predicament (184)

"We are in a consolidation period until the end of June," he added. "Provided the political and economic situation stabilises after the elections, the company should reap the rewards of the conversion to credit trading and refinancing after July"

Boost for ragtrade

TOM HOOD (184) ARCT 21/4/94

THE government today gave exporters of textiles and clothing a boost by extending an export incentive scheme for at least another year

The duty credit certificate scheme, by which exporters are repaid duty on 30 percent of their export sales, has been extended to cover the period from October 1 to March 31 1995, acting director general of Trade and Industry Gerrit Breyl said

Certificates would be issued after March 31 and would be valid for clearance of goods from April 1 next to March 31 1996, he said

"Hopefully this will anable the clothing and textile industries to maintain their export effort and to retain employment opportunities," he said

The long-awaited decision was welcomed today by Seardel group chairman Aaron Searll, who said it removed uncertainty prevailing in the industry

"Negotiations for exports need to be taken well in advance to meet seasonal requirements."

B/Day 3/5/94

Da Gama able to hold the line

AMANDA VERMEULEN

CLOTHING and textile company Da Gama limited earnings decline to 16,5% in the year to March despite large-scale imports of fabric, a six-week labour strike, recessionary conditions and intense price competition

Earnings declined to 34,6c (41,4c) a share and dividends dropped to 15c (18c), on a 5% increase in turnover to R266,6m (R254,1m). Net operating income declined to R20,9m (R25,1m).

The directors said earnings would have improved had there not been a strike. 184

They said the company's financial position remained sound, with net cash holdings of R17,6m.

Capital expenditure for the year was R13,2m and further expenditure of R15m was planned for continued upgrading and refurbishment. This would be funded from net operating cash flow.

A long-term strategic plan for the textile and clothing industry had been completed by business, organised labour and government representatives. Recommendations had been presented to the state and a reply was expected in June.

Recommendations included a 10-year phasing down of import duties from April 1995, lower than those set by GATT, but on the understanding government would help the industry to modernise and become internationally competitive.

The directors said the recent scrapping of the Structural Adjustment Programme should result in a sales increase in the coming year.

DA GAMA FM 6/5/94

Stitching on union time

Clothing and textile manufacturer Da Gama's decline continues A six-week strike at three of its textile plants was entirely responsible for financial 1994's 16,5% drop in EPS to 34,6c. Intense price competition and increasing imports add to its woes

However, relief is in sight Recent scrapping of the Structural Adjustment Programme (SAP) — which rewarded exporters with significant duty-free import permits — should reduce imports of fabric and clothing The Duty Credit Certificate Scheme (which

(184) PTO

FOX FM 6/5/94

LOOSE THREADS

Year to March 31	1993	1994
Turnover (Rm)	254	267
Pre-tax profit (Rm)	25,1	20,9
Attributable (Rm)	21,1	19,6
Earnings (c)	41,4	34,6
Dividends (c)	18,0	15,0

has replaced SAP) still allows duty-free imports, but at a lower level CE Harry Pearce says that volumes, which began declining in the late Eighties, are now starting to pick up and might even increase by a few percent this year Earnings should rise accordingly

Production facilities were rationalised in 1993 by consolidating finishing, dyeing and printing facilities in one factory at Zwelitsha, Ciskei Benefits should have been felt in the second half of financial 1994, but weren't, because savings in salaries went on overtime payments, the backlog caused by the strike needed to be cleared Pearce says the company is now delivering on time.

Notably, working capital increased by R34m Pearce says this comes mainly from an increase in debtors' days from 60 to 70 days He adds this is common throughout the textile industry To import, clients need to raise letters of credit from banks These bills are placed at the top of their payments list — and that makes textile manufacturers wait unduly long for payment (184)

Pearce believes relationships with the union have improved; there is little chance of another strike, he says. Earnings should improve this year The market confirms this positive sentiment — the counter is at an annual high of 320c and at a premium to the clothing sector

Kate Rushton

GOLD QUARTERLIES

Costs bogy returns

With a total work force exceeding 350 000, it is hardly surprising that pre-election tensions affected the mines in the March quarter Production losses are a major feature of the results but erratically across the industry and within individual mining houses

On affected mines, production losses more than offset the cessation of the State's share of profits from tax charges All things being equal, that should have added about 12% to bottom-line earnings of rich mines with high marginal tax rates such as Driefontein, in the event, the industry average was about 5%

With the spot rand gold price on the rise

FM 6/5/94

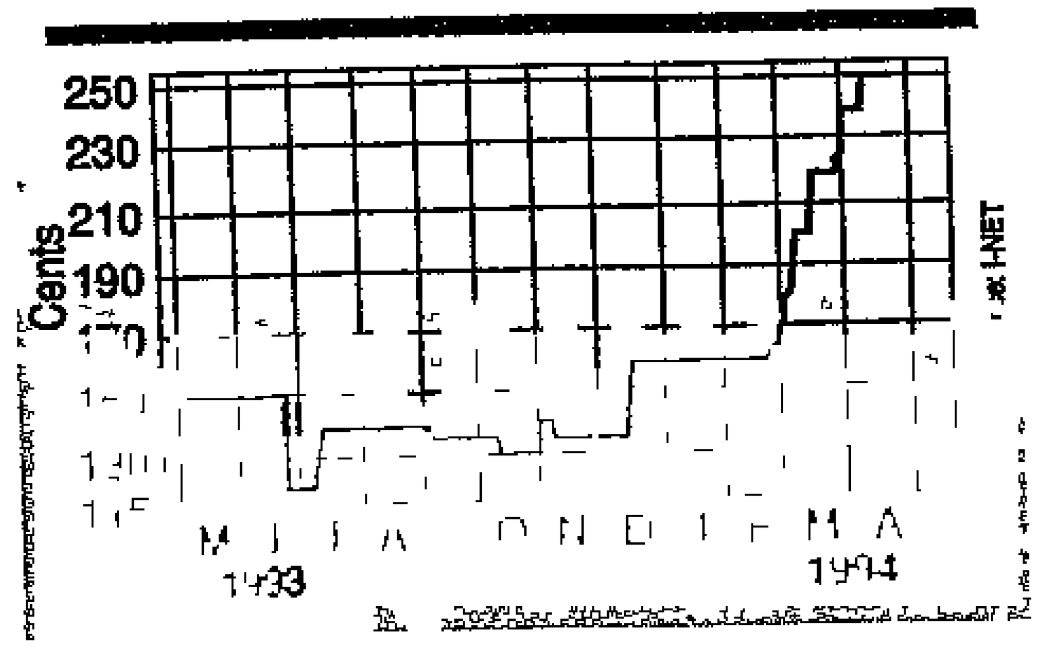
SA Bias Industries

Activities: *Makes and distributes accessories and trimmings to the clothing, footwear and allied industries*
Control: *Sabhold Group 87,4%*
Chairman: *C S Seabrooke, MD P Coutts-Trotter*
Capital structure: *28,6m ords Market capitalisation R71,5m*
Share market: *Price 250c Yields 4,4% on dividend, 13,2% on earnings, p e ratio, 7,6, cover, 3,0 12-month high, 250c, low, 120c Trading volume last quarter, 504 000 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	9,7	6,3	4,0	4,7
LT debt (Rm)	10,4	9,4	7,6	6,1
Debt equity ratio	0,40	0,28	0,18	0,14
Shareholders' interest	0,48	0,52	0,59	0,59
Int & leasing cover	10,1	5,6	6,9	7,8
Return on cap (%)	20,5	21,7	11,5	11,6
Turnover (Rm)	136,7	153,7	139,6	146,0
Pre-int profit (Rm)	19,2	21,9	10,9	12,3
Pre-int margin (%)	14,1	14,3	7,8	8,4
Earnings (c)	47,3	47,3	27,3	33,0
Dividends (c)	18	18	10	11
Tangible NAV (c)	157	185	196	218

The completion of rationalisation programmes, the successful expansion of the group's position as a supplier to other industries and a tighter grip on costs resulted in an earnings increase of 21% to R9,4m The marginal 5% increase in turnover to R146m bears testimony to a continuation of difficult operating conditions

Sabind has found it increasingly difficult in recent years to maintain margins,



squeezed as it has been by large imports of second-hand clothing and plastic accessories, as well as intensifed price-cutting by local manufacturers

(184)

Meeting financial objectives has been equally difficult Return on assets has been about 11,6% — substantially below the targeted 25% and the high point of 29% achieved in 1989 The equity ratio has been similarly disappointing

But the balance sheet has shown signs of strengthening Borrowings halved to R10,8m, from R20,1m in 1991, and the effect of lower gearing, now at 14%, is reflected in the decline in the interest bill, which helped to underpin profits

Reliance on one market — the clothing and textile industry — and the negative effects associated with this inflexibility has forced management to adopt a broad strategic focus Chairman Christopher Seabrooke says Sabind's core business, that of making and distributing trimming and accessories, will remain one of the three strategic pillars of growth

But attention is being given to synergistic ventures with other industries and development as a supplier in traditional business areas internationally The percentage of the group's turnover now being sold to industries other than clothing and footwear in SA exceeds 40% of sales

The trimmings, industrial and thread divisions performed well, says Seabrooke, but the slump and pressure on operating margins resulted in a disappointing performance from printing and labels The Kirton operation is now substantially improved following a two-year rationalisation plan Though results were disappointing, Seabrooke says they were in line with budgets

Offshore arm

Changes in the metals and plastics division will not affect sales and profitability this year The success of Sabind's UK-based offshore arm, International Trimmings, has prompted management to consider establishing similar operations elsewhere

The share price has recovered from its low of 120c but remains within a tight range established two years ago Though earnings growth is expected, movement of the counter much above 250c will depend on the recovery of the core businesses *Marylou Greig*

SA BIAS Fm 6/5/94

Back on track

(184)

Relieved shareholders saw SA Bias Industries (Sabind) regain its composure in 1993, accompanied by a resumption of earnings growth In 1992 the company returned its first decline in profits in 14 years

COMP

Amrel reverses interim loss

AMANDA VERMEULEN

FURNITURE and clothing retailer Amrel reversed its interim loss by reporting earnings of R3,3m (R4m) for the year to end March after better than expected Christmas retail sales. 8/Day

The decline in earnings to 36,1c (43,8c) a share was less severe than expected, but the board again decided not to declare a dividend. 184 (282)

The company was considering a rights offer to bring gearing down to appropriate levels.

The board said politically motivated disruptions, uncertainties leading up to the elections and escalating violence had dampened consumer confidence.

Turnover (excluding Shoecorp, which was sold to Sales House in June) increased by a marginal 4% to R1,2bn (R1,1bn), but trading profit slumped 23% to R62,8m from R81,4m. 6/5/94 (188)

The directors said the furniture division maintained gross margins, but fierce competition and the need to clear stocks in the footwear and clothing division resulted in an overall decline in gross margins. The increase in expenses was kept below the inflation rate but still exceeded sales growth.

A lower tax bill of R2,9m (R5,2m) reflected the drop in pre-tax profits to R6,1m (R10,1m). Taxed profits declined 33% to R3,2m (R4,8m). Extraordinary profits of R4,2m included net profit on the Shoecorp sale.

Financing costs were R56,7m (R71,3m). Net proceeds of R46,1m from the disposal of Shoecorp enabled the group to restrict borrowing to R1m for the year and to reduce gearing from 3,64 to 3,52.

was likely for export stocks such as gold.

ture between Saccawu,

taken to the HIPPF board

sible until the HIPPF's affairs had been sorted out.

BDay

Deal struck to end holiday pay strike

19/5/94

DURBAN — Thousands of striking clothing workers returned to work in KwaZulu/Natal yesterday after agreement was reached ending a two-week strike, the Natal Clothing Manufacturers' Association said.

The strike began over a refusal by the association to pay clothing workers for all of the April 27 and 28 and May 10 public holidays

"The strike has been resolved There is a settlement and most factories appear to be operating," said association director Len Smart

SA Clothing and Textile Workers' Union regional media officer Rajesh Jock said "We are happy with the proposal to pay our members for three days (184)

Smart would not confirm what had been agreed

Jock said it had been agreed that all three holidays "are payable, one up front, and the time-frame for paying for the other two will be negotiated at factory level"

He said the association had argued that smaller factories could not afford payment of all three holidays up front but had agreed to negotiate when these wages would be paid

Thousands of workers had returned to their jobs, Jock said.

The ANC and Labour Minister Tito Mbowem came out in support of the strikers, urging employers to pay workers who stayed away on the election and inauguration holidays — Reuter

Drug pricing system likely to be changed

BDay 19/5/94

BEATRIX PAYNE

MEDICINE pricing systems that offered different discounts to doctors and pharmacists were likely to be revamped this year, National Association of Pharmaceutical Wholesalers (NAPW) executive director Trevor Phillips said yesterday.

Phillips told the Pharmaceutical Society of SA annual conference at Sun City that the present pricing systems had created public perceptions of "high prices and unfair profits"

It was likely that a new system of "net pricing" for medicines would be introduced following the pharmaceutical wholesalers' discussions with interest groups

The NAPW aimed to introduce single exit pricing which could prevent "round tripping" of drugs, Phillips told the conference

He said "net pricing" would end the use of the Blue Book, which quoted suggested retail prices but was allegedly misleading because of widespread discounting

"Round tripping" occurred when dispensing doctors, who received greater discounts on medicines than pharmacists, supplied pharmacists with cheap medicines and bypassed the registered wholesaler

The NAPW aimed to rewrite the draft Prohibition of Discriminatory Pricing Act. This was gazetted last year, he said, to try to accommodate the objections of members of the Pharmaceutical Manufacturers Association (PMA)

He said the PMA had objected to the "unclear phraseology" of the Act when it was originally gazetted

Phillips said co-operation by interest groups in the industry could contribute to an overall reduction in health care costs (183)

The launch late last year of sole distribution networks by a number of international manufacturers had caused a storm among wholesalers, many of whom had refused to supply medicines manufactured by the multinational companies

Phillips warned that it could be impossible to bypass the wholesele network that distributed medicines to 8 500 community pharmacists, private clinics and doctors

But to remain the prime conduit of medicines to the customer, wholesalers had to satify the market's distribution needs, Phillips said

☐ Pharmaceutical Society vice-president Cecil Abramson was elected president, succeeding Gary Kohn

BDay 19/5/94

Business school opened to teach black managers

ERICA JANKOWITZ

ARTHUR Andersen yesterday launched a business awareness school at which black managers will learn essential business skills in an interactive environment.

Speaking at the launch, Arthur Andersen consulting partner Peter Prinsloo said the first group of 35 delegates had been identified by clients of the Andersen Organisation as having potential for promotion

They would attend an eight-week, part-time course aimed at "honing this important group's awareness of business practices and disciplines"

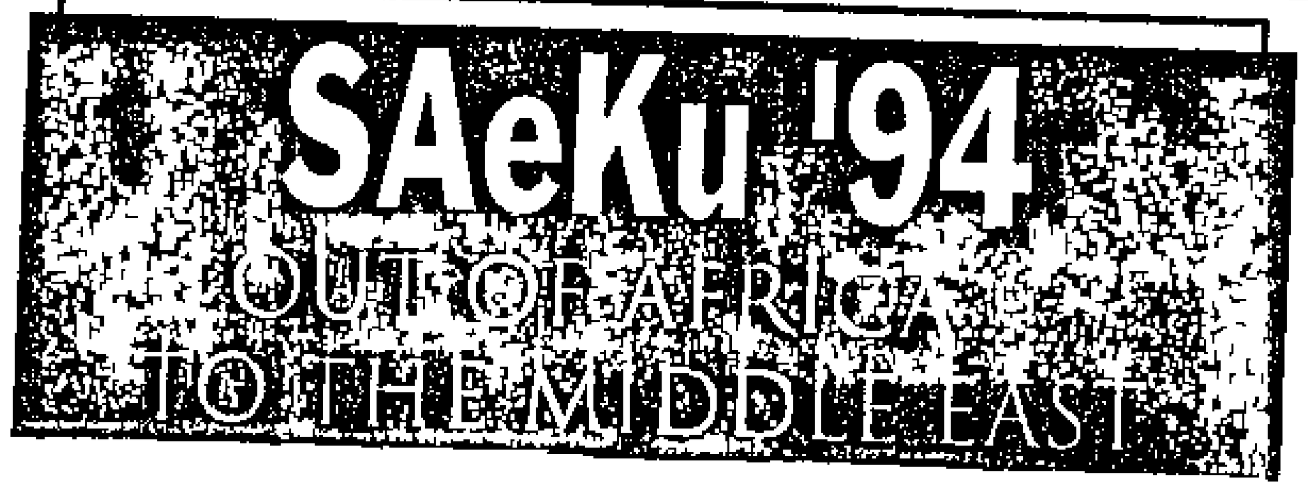
The company expected to train five such groups a year in disciplines such as business law, accounting practice and administration (182)

Prinsloo put the cost of establishing the school and training the first participants at R80 000-R100 000, borne by the Andersen Organisation

Prinsloo said the group set aside 7% of its annual revenues for training and education, and this project extended the process beyond its own employees to include clients' employees and eventually other candidates

"The courses will be presented by Andersen partners from, among others, business law, taxation, business finance consulting, accounting and auditing, operational consulting and management consulting practices"

The guest speaker at the launch was Anglo American director Don Ncube, who welcomed the initiative as an important first step in training aspirant black managers in complex business issues



Plan to end

Pepkor clothing arm revamp a smart move

184

MARC HASENFUSS
Business Staff

THE repositioning and relaunch of clothing retailer Smart Centre paid dividends in the year to end February with the Pepkor subsidiary reporting attributable earnings up 18 percent to R12,2 million ARG 20|4|94

Dividend payout was pushed up 17 percent to 10,5c on the back of a slight increase in the number of shares in issue. In lieu of the cash dividend shareholders are being offered two new shares for every 100 held

New marketing strategies — initiated in October last year — boosted turnover 16 percent to R222 million

Directors noted that real sales growth was 10 percent as inflation in clothing and footwear was 6 percent in the period under review.

They said that during the year seven stores were opened, eight stores were completely revamped and eleven underwent mini revamps Five non-profit making stores were also closed — leaving 143 outlets at year end

Operating margins came in slightly lower at 12,5 percent (previously 13 ercent) This restricted gains in operating profit to 12 percent at R28 million

The interest bill increased 7,5 percent to R4,8 million

Looking ahead, Smart Centre directors expect first half trade to be affected by the prevailing socio-political instability surrounding the elections

However, they believe the repositioning of stores and more aggressive marketing tactics will realise real growth for the group in the year ahead

■ **Anglovaal Group's** gold mines lifted after tax profits a slender 4,3 percent to R70 million in the quarter to end March (December R67,1 million)

Hartebeesfontein lifted profit after tax by 9 percent to R62,9 million in the quarter under review — thanks mainly to a higher gold price and the State's share of profits no longer being payable from the beginning of the year

Loraine showed a sharp drop in after tax profits to R440 000 from R2,9 million in the previous quarter This included a working loss of R149 000 The slump was attributed to lower mill throughput and lower grades

Eastern Transvaal Consolidated reported a 3,3 percent fall in after tax profits to R5,9 million due to higher taxation of R4,6 million (previously R2 million)

Village Main Reef more than doubled working profit to R1 million (R420 000 previously)

Sabhold Group set to sew up higher earnings — chairman

B/Day 23/5/94

MARCIA KLEIN

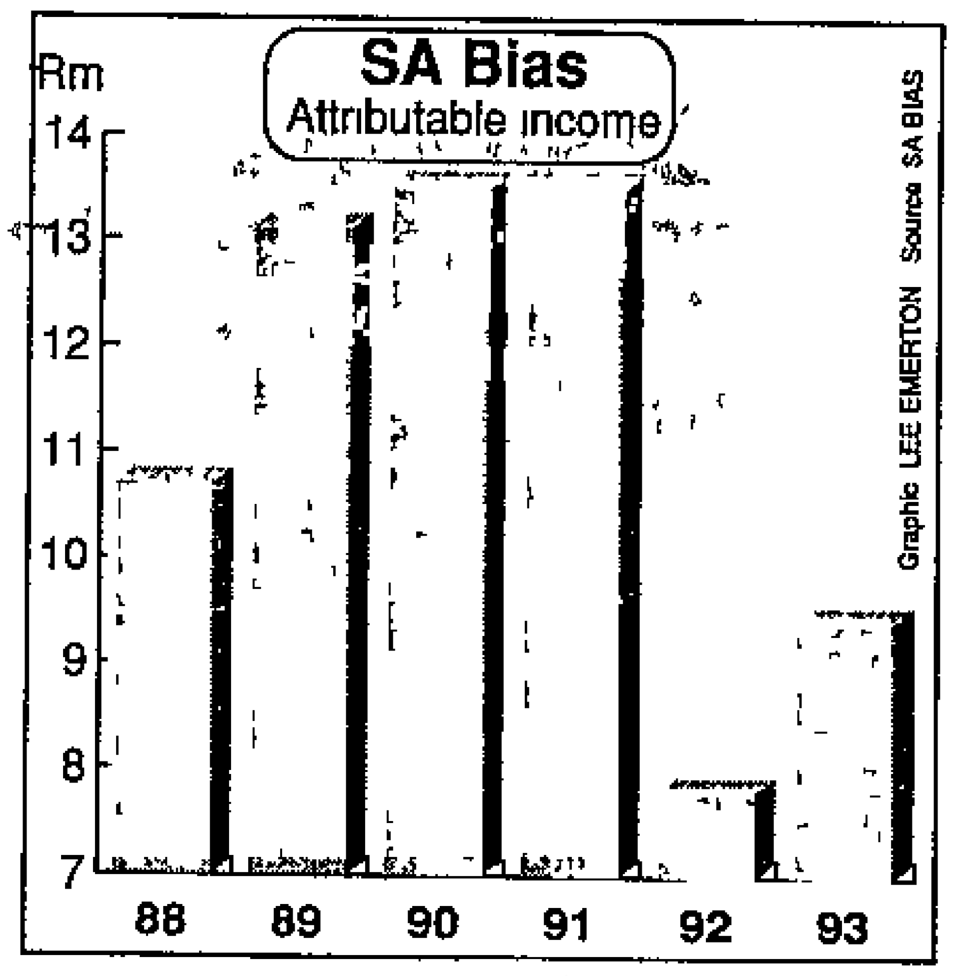
THE earnings of Sabhold Group, formerly SA Bias Holdings, could increase 10% to 98c a share, and dividends by 12% to 28c for the year to December, chairman Christopher Seabrooke said in the group's annual review.

He said the group's two major investments, SA Bias Industries (Sabind) and Merhold Investment Corporation, were forecasting income growth in the coming year Sabhold expected to achieve its forecasts despite a dilution in its share of Merhold's earnings due to the conversion of most of Merhold's debenture capital

In the year to December 1993, Sabhold lifted attributable income 18%. Subsidiary Sabind, the largest maker of trimmings and accessories for the clothing and footwear industry, increased attributable income 21% in line with forecasts

Sabind was well positioned "for significant growth" as it had completed its restructuring programmes and because of its broad strategic focus. Apart from its core business, it had moved into other sectors of local manufacture which now accounted for 40% of total SA turnover. The company had also increased its export drive.

The extent of its growth would depend on improvements in the SA economy and the sectors in which it operated Despite a higher tax rate, it would increase earnings and dividends. (184)



Investment group Merhold also expected higher attributable income, but said earnings a share would be diluted by additional shares in issue after the conversion of debentures

Seabrooke said that financial 1993 was an important year for the group Sabhold and pyramid controlling company Sadvest had repaid all interest-bearing debt and Sabind returned to earnings growth

Merhold disposed of its trade finance division — with a resultant reduction in gearing to 27% from 386% — and refocused on its investment operations.

For the time being, no expansion of the group's operations would take place outside its two core divisions.

Seardel's rise reflects sector's rosy prospects

B1Day

EDWARD WEST

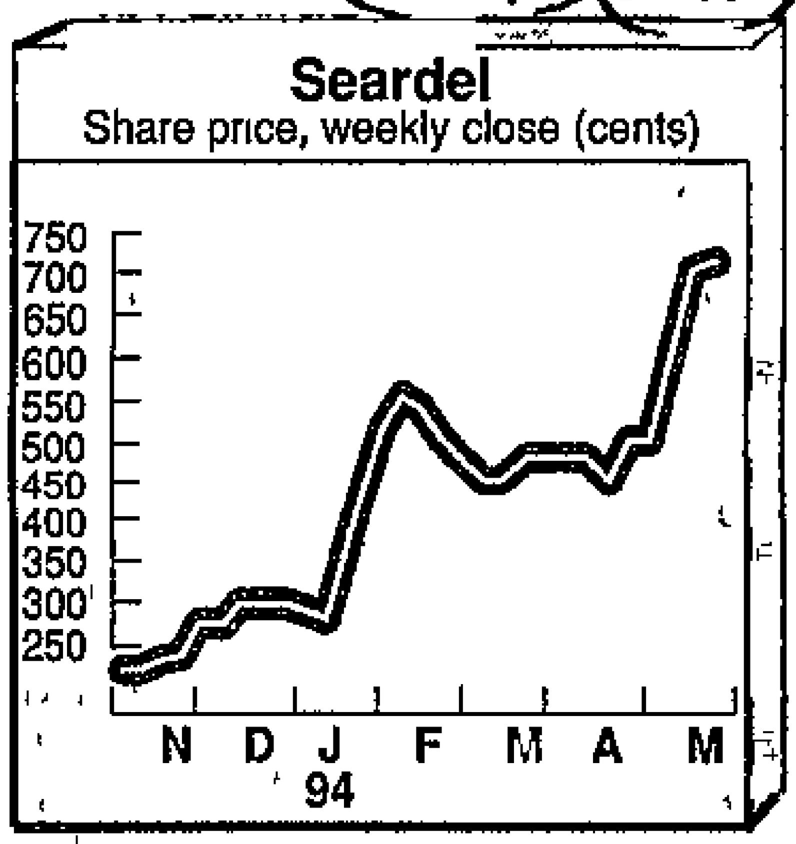
CAPE TOWN — Clothing manufacturer Seardel's rising share price was based on sound fundamentals and reflected improved prospects for the clothing and textile sector, sources said at the weekend 23/5/94

The share hit a new year high of 710c on Friday in heavy trade, up more than four times its price last June

One analyst said the share's hike was in line with the rest of the sector, which had seen its JSE index move from 364 to 1 136 over the past 12 months

He said the 71,5% rise in Seardel's earnings to 59,8c a share for the six months to December could be exceeded in the second six months

Earnings had been boosted mainly by price increases Interim turnover was only 6,1% up at R621,6m, but second half earnings would reflect higher sales as the economy had improved (184)



The clothing manufacturing sector would reap the benefits of rationalisation, retrenchment and investments in better technological capacities, analysts said

Recommendations contained in a recent report by the clothing industry task group set up to investigate strategies to improve competitiveness would enable longer-term sustained growth if they were approved by government, one analyst said

The industry's growth had followed the "boom-bust" pattern of the economy and retailers had reported 20%-25% sales growth over the past six months

Frame group, in which Seardel has a joint interest, reported a R6m profit for the six months to December, versus a R13,3m loss in the previous comparable period

Full-year earnings were forecast to rise 18% to 100c

Seardel joint MD Barry Richards said he was confident the group's earnings would grow but the effects of the election holidays had not yet been quantified.

Fm 27/5/94

PROGRESS INDUSTRIES

Buying time has passed

Activities: *Makes knitwear, clothing and knitted fabric* (184)

Control: *Directors 53,8%*

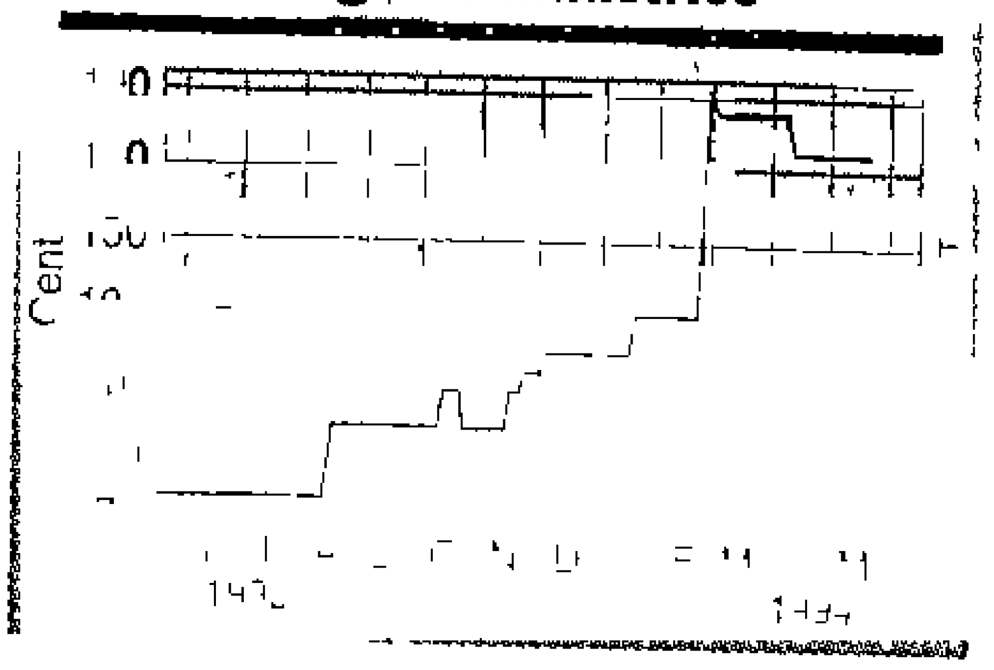
Chairman: *D Aronovsky; CE P Jacobson*

Capital structure: *2,8m ords. Market capitalisation. R5,3m*

Share market: *Price 190c Yields· 0,4% on earnings; p·e ratio, 237,5, 12-month high, 190c, low, 80c Trading volume last quarter, 24 000 shares*

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	2,4	3,8	13,4	14,9
LT debt (Rm) ..	10,9	9,3	5,9	4,1
Debt equity ratio ..	0,49	0,51	0,88	0,85
Shareholders' interest	0,49	0,48	0,42	0,43
Int & leasing cover .	2,0	—	—	1,0
Return on cap (%)	10,9	5,2	—	6,8
Turnover (Rm) ...	62	65	53	61
Pre-int profit (Rm) .	5,9	2,8	(2,7)	3,5
Pre-int margin (%) ..	9,6	4,2	—	5,7
Earnings (c)	102,3	(31,5)	(220,6)	0,8
Dividends (c)	34,0	11,0	Nil	Nil
Tangible NAV (c) ..	948	905	785	789

Progress Industries



Fm 27/5/94

This Natal knitwear company may finally be living up to its name After losses for eight consecutive quarters, the second half of 1993 produced a net profit after interest paid.

It became apparent during the third quarter of 1992 that orders from traditional sweater customers would not be enough to generate economic volumes So Progress embarked on an aggressive export drive, which pushed up export turnover of the sweater division 119%. Group turnover climbed 15%.

But investors should not get too excited. Export sales will drop this year for a number of reasons. First, Progress has decided to do business fob. Second, there are less stringent quotas in terms of Gatt; and third, demand for sweaters this winter has been disappointing

Also, there is still intense competition in the textile manufacturing division, where the main raw material, yarn, was being imported cheaply in large quantities.

Imports of supposedly second-hand clothing have been restricted, improving trade last year However, turnover was inhibited by concern for the creditworthiness of many customers — a strategic move that came a little late for one associate, which lost R38 000 to a bad debtor.

Accounting for this, and an extraordinary profit primarily from the sale of an empty factory in Swaziland, attributable profit was R109 000 (1992· loss R6,5m) There was a marginal improvement in the debt equity ratio Returns on equity, capital, assets and turnover all returned to positive percentages but are still far too low (184)

The share, at 190c, is more than double last year's low, but the buying opportunity has passed Investors should bear in mind that local knitwear manufacturers, including Progress, will not be able to expand capacity until they produce good profits — which in turn will not be possible if there is unfair competition, such as dumping — without adequate protection *Kate Rushton*

Clothing, plastics arms boost Lenco earnings

(184)

CT 27/5/94

By MAGGIE ROWLEY
Deputy Business Editor

CAPE-based Lenco continued its strong first half performance, lifting earnings for the year to end February by 18,3% to 70,73c in spite of a larger number of shares in issue.

This improvement in earnings on a 13,1% increase in turnover to R671,8m against R594,1m has been attributed in the main to solid performances by its clothing and plastics divisions.

Operating profit of R73,3m was up 23,7% on the previous year and while taxation rose from a nil base to R5,4m, a slightly lower interest bill of R13,6m (R14m) saw net profit up 19,6% at R54,3m.

The amount due to outside shareholders dropped from R5,1m to R4,5m resulting in attributable profits totalling R49,8m — up 23,5%.

The dividend has been increased 14,[illegible] to 16c a share.

Executive chairman Douglas de Jager said the Combined Packaging division continued to perform superbly through the challenges it faced during the year and remained the major contributor to group profitability.

He said they were "one step" away from internationalising the division and acquiring a foreign packaging operation.

"The Reserve Bank has given us permission but we have stipulated as a condition of sale that the seller institutes a four shift system such as we operate in South Africa before the sale can be finalised and they are currently seeing how best they can do so."

De Jager said that while the acquisition was not expected to make a significant impact on earnings in the immediate future, it was expected to have a very positive effect within the next few years.

The group had also entered negotiations for the acquisition for a local company, but these talks were still at an early stage, he said.

A star performer in the year under review was the clothing division, particularly the House of Monatic which had contributed to the group's improved results.

Monatics's performance in the menswear sector was enhanced by increased penetration of export markets particularly to the UK and contracts had jsut be renewed until 1988 with full escalations and prices in pounds. With the depreciating exchange rate of the rand, this would stand the company in good stead for years to come, he said.

De Jager said Amalgamated Shoes division improved its performance in the face of difficult trading conditions and rationalisation measures now under consideration should enhance profitability.

The housewares division, Hendler & Hart, had experienced difficult conditions in the industry under the uncertain socio-economic climate with stockists cutting back on stock levels. Since the April election however, a significant improvement had been noted and a more positive contribution was expected in the current financial year.

This, he said, would also arise in part from the rationalisation of the newly acquired Krost aluminium cookware division with Hendler & Hart's own aluminium division and other improvements.

● Lenco Investment Holdings, the results of which are dependent on its 50,3% stake in Lenco, reported net attributable earnings of R24,9m against R20,1m the previous year with earnings at the share level up from 39,7c to 47,13c. A dividend of 10,5c (8,85c) a share will be paid.

Workers to be paid for holidays

(184)
ARG 30/5/94

CLIVE SAWYER
Political Correspondent

CAPE clothing workers in factories which are members of the industrial council will be paid for the election and presidential-inauguration public holidays

The agreement was made in a spirit of national reconciliation, employer and labour organisations told a press conference today

They called on clothing factories which were not members of the industrial council, to follow suit by paying employees for the April 27, 28 and May 10 public holidays

Employer organisations which agreed to the new public holiday deal are the Cape Clothing Manufacturers' Association, Cape Knitting Industry Association and the executive committee of the Garment Manufacturers Association

Tomorrow will be a public holiday for clothing workers, and factories which operate will have to pay public holiday rates

The general secretary of the SA Clothing and Textile Workers Union, Ebrahim Patel, called for an end to the distinction between office and factory workers in legislation on public holidays

The distinction was a hang-over from the "racist past" when mostly African workers' conditions were governed by the Factories Act and mostly white employees were subject to the Shops and Offices Act

When former president F W de Klerk declared April 28 a special public holiday, this was done in terms of the Public Holidays Act This meant workers governed by the Basic Conditions of Employment Act, effectively factory workers, were not covered by the proclamation

In his opening speech to parliament, President Mandela called on employers to solve disputes about pay for public holidays in a spirit of national reconciliation

Mr Patel said the agreement gave effect to the spirit of reconciliation and he praised employer organisations for their "bold and correct" steps in agreeing to it

Textile pay talks reach deadlock

BDay 2/6/94

ERICA JANKOWITZ

THE SA Clothing and Textile Workers' Union (Sactwu) and clothing employers reached deadlock in pay negotiations yesterday with employers offering the more than 100 000 clothing workers a package increase of 7,25% and the union demanding 14%.

The parties were scheduled to meet next week in a bid to break the impasse and mediation had been suggested, Sactwu spokesman Shahied Teladia said. (184)

Thereafter, the union "would consider its options". (356)

Teladia said employers had used the April inflation figure of 7,1% as their "beacon for settlement", whereas in the past, when inflation was high, no such benchmark had been used. He said employers seemed determined to settle on a single-digit pay increase.

"The union views this as an attack on the living standards of workers"

Other issues on the table were employee benefits, which the union described as enjoying employer contributions that were well below those of other industries, and a guaranteed annual bonus.

Sactwu also demanded an employer contribution to its bursary fund and a halving of the maternity benefit qualification period to one year, Teladia said.

☐ Sactwu and footwear manufacturers yesterday signed a wage agreement granting the more than 40 000 workers covered by the industrial council an 11,5% increase.

Teladia said the increase was calculated on the premium rate paid to workers to encourage full attendance.

Workers paid for holidays

CT 3/5/94 (184)

Staff Reporter

CLOTHING workers in Cape factories that are part of the Industrial Council will receive pay for the April 27, April 28 and May 10 public holidays.

At a joint press conference called by the Cape Clothing Manufacturers' Association (CCMA), the Cape Knitting Industry Association (CKIA) and the SA Clothing and Textile Workers' Union (Sactwu), representatives of all the groups said this had been agreed on in the spirit of national reconciliation

The executive committee of the Garment Manufacturers' Association (GMA) has also endorsed the agreement, and a call was made for employers in the GMA to abide by it

CCMA chairman Mr Johan Baard said a previous agreement — that workers would make up for the May 10 holiday by working today — had been overturned by the latest agreement.

Both he and Sactwu general secretary Mr Ebrahim Patel called on employers to work towards effective labour relations in the Western Cape.

Wiese bids to take over UK clothing chain

ARG 2/6/94 (184)

BRUCE CAMERON, Business Editor

A R315 million bid by Cape Town food and clothing retailer Christo Wiese to take control of a major British 230-outlet chain-store, Poundstretcher, is expected to be accepted tomorrow.

Mr Wiese is about to launch a two-continent bid to sell shares in Pepkor, the holding company of Pep Stores and Shoprite-Checkers, to overseas investors as part of the financing of the project.

The deal will mean about R50 million in export earnings for Pepkor from clothing made by its in-group manufacturers, which will be sold through the British outlets.

Shareholders of holding company Brown & Jackson plc this week rejected a competitive bid for the troubled company by British-based entrepreneurs Gerald and Vera Weisfeld

Mr Wiese said today "It is now a foregone conclusion. There is nothing we are aware of that will hold up the deal"

This will be Mr Wiese's second foray into the British retail market He bought the 45-store clothing retailer Your More Store in Scotland in 1992

Poundstretcher, which retails mainly clothing, came on to the market earlier this year when banks refused to agree to its working capital requirements for the next year.

Pepkor was offered a stake in the company in return for an injection of cash but the deal was put on hold when the Weisfelds made their bid.

To finance the purchase of an ultimate 63 per cent stake in Brown & Jackson, 20 million Pepkor shares are being sold internationally

Success for Wiese bid now likely

Star 3/6/94

■ BY BRUCE CAMERON

A R315 million bid by Cape Town food and clothing retailer Christo Wiese to take control of a major British 230-outlet chain store, Poundstretcher, should be accepted today. (184)

Wiese is about to launch a two-continent roadshow to sell shares in Pepkor, the holding company of locally-based Pep Stores and Shoprite/Checkers, to overseas investors as part of the financing of the project

The deal will mean about R50 million in export earnings for Pepkor from clothing made by its in-group manufacturers, which will be sold through the British outlets

Shareholders of holding company Brown & Jackson plc rejected a competitive bid this week from British-based entrepreneurs Gerald and Vera Weisfeld for the troubled company

Wiese said in Cape Town yesterday "It is now a foregone conclusion There is nothing we are aware of that will hold up the deal."

More clothing job losses despite increase in sales

BDay 9/6/94

EDWARD WEST

CAPE TOWN — Clothing industry employment continued falling in the first quarter in spite of promising output trends, said National Clothing Federation of SA deputy-director Arnold Werbeloff

Clothing employment fell by 4 200 workers, or 4,5%, to 89 000 in the first quarter of 1994 compared with the same period a year ago The losses were most marked in the Western Cape with 2 400 losses, but the Transvaal showed the highest percentage reduction of 6% (184)

The employment trend was reinforced by a similar downward trend in the number of employers registered with industrial councils, which fell to 1 041 in the first three months of 1994 from 1 081 in the same period a year ago

But 1993 clothing industry sales grew 8% in real terms — higher than the 3%-4,5% growth rates of the three preceding years. Werbeloff said that by implication the boom in sales was not being passed on to local manufacturers

He said that figures for a "post-election" boom in clothing sales had not been calculated, but early indications were positive, with reports of order books filled months in advance There was a likelihood of production input shortages, which would push up costs

The industry faced a number of positive external influences, which included the opening of world markets to local producers, economic recovery which was expected to continue into 1995, and rapid retail sales growth

The long-term strategic plan for the industry under consideration by government, which proposed a range of measures to stimulate productivity, and change, added to the much improved prospects, said Werbeloff

Clothing industry employment picking up

184 CT 10/6/94

By AUDREY D'ANGELO

EMPLOYMENT in the formal sector of the Western Cape clothing industry is rising gradually, after a steep fall at the beginning of the year, industry sources said yesterday

But the informal sector, making clothes for street traders in unregistered factories, is taking business from the formal sector

And the industry is about to be hit by higher world cotton prices

National Clothing Federation (NCF) economist Arnold Werbeloff says in the Clothing Industry News that during the first quarter of this year employment in the clothing industry fell nationally, by 4 200 to 89 000 compared with the first quarter of 1993

"The losses were most marked in the Western Cape where 2 400 jobs were lost although the Transvaal showed the highest percentage reduction in its workers at 6%"

The number of registered clothing factories has also dropped, to 1 046 in the first quarter of this year from 1 081 in the first quarter of last year. Werbeloff says that "most of the affected companies were located in Natal and the Transvaal

"Between March 1993 and March 1994 the loss was even greater at 52 with the final total only 1 030 clothing employers compared with 1 082 the year before"

But Werbeloff considers future prospects are better, with the economy improving, export markets opening up and a longterm strategic plan for the clothing and textile industries which proposes a wide range of supply-side and demand-side measures

He said yesterday that employment figures for May were not yet available

Simon Jocum, a former chairman of the Cape Clothing Manufacturers Association, said that at the end of April a total of 44 810 people were employed in registered factories in the Western Cape compared with 46 260 at the same time last year

But the industry took on about 200 people in March and more in April Figures for May were not available but he thought "we have gained a few hundred.

"We are gradually coming up from the bottom and by the end of the year I think the number of people formally employed in the industry will be back to the same level as at the end of last year."

But, Jocum said, there was no doubt that the formal sector was being hit by competition from informal manufacturers. It was also still being hit by cheap imported clothes

Some of these had come in through the structural adjustment plan (SAP) for the clothing industry, which until March allowed exporters to import a percentage of duty-free clothing

Jocum said a rise in the world cotton price would also mean higher costs for SA manufacturers "We are going to be hit by this just as the economy is improving and new export markets are opening up"

Colin McCarthy, director of the Cape Chamber of Industries, said that a large proportion of clothing sales in SA were now made by street traders and some of them were supplied by manufacturers in the informal sector

But Arnold Werbeloff points out that SA clothing exports are growing substantially

He says that although imports rose by 9% to R405m from R371m last year, exports rose by 34% to R616m from R458m

"The relatively stable imports in value terms can be ascribed to heavy duties on imported clothing and the depreciation of the rand against the dollar, while the sharp rise in exports is the result of increased demand for quality, high fashion SA clothing by the European Community, North America and a variety of other markets as well as to the cheap rand and effective export incentives"

FM 10/6/94

CUTRITE

Learning to cope

184

Cutrite's 1994 accounts show the benefits of competent management of working capital

Activities: *Makes clothing.*
Control: *Directors 54,7%.*
Chairman: *S Cope; MD: P R Epel.*
Capital structure: *16,5m ords. Market capitalisation: R16,5m*
Share market: *Price 100c Yields. 6,5% on dividend, 14,2% on earnings, p·e ratio, 7,0; cover, 2,2. 12-month high, 100c; low, 40c. Trading volume last quarter, 70 000 shares*

Year to Feb 28	'91	'92	'93	'94
ST debt (Rm)	4,3	2,9	2,7	1,2
LT debt (Rm)	1,7	1,2	0,8	0,1
Debt:equity ratio	0,52	0,31	0,24	0,02
Shareholders' interest	0,52	0,80	0,71	2,04
Int & leasing cover	7,5	7,5	7,0	8,2
Return on cap (%)	32,3	37,1	23,2	20,9
Turnover (Rm)	45	47	46	49
Pre-int profit (Rm)	7,0	6,6	5,2	4,7
Pre-int margin (%)	15,6	14,1	11,4	9,7
Earnings (c)	18,4	18,1	13,6	14,2
Dividends (c)	7	7	6,5	6,5
Tangible NAV (c)	69	80	87	95

and strict asset control.

Each year since 1983 Cutrite had increased its turnover and attributable income. That changed in 1992 when it bowed to a deteriorating clothing industry and posted a 2% drop in EPS. A year later there was a further decline of 15%.

For shareholders, the financial 1994 picture is rosier. Earnings clawed back 5% on a 7% rise in turnover Operating margins were squeezed from 11,4% to 9,7% but competing with low-cost imports of new and second-hand clothing, as well as duty-free imports, is hardly easy, especially when markets are as weak as they are now.

184

Financial director Hymie Feinberg believes the group's strength lies in its labels. Cutrite makes clothing under the Aviation, La Finesse, Dijon, Cutrite, Cutwood and Cutricelli brand names However, there must be other strengths for the group to emerge almost ungeared from one of the worst periods the clothing and textile industries have had.

Accounts receivable fell last year and creditors grew — a favourable position Stock grew in line with turnover and borrowings more than halved to R1,3m, the lowest in many years.

More promising

This year looks even more promising Feinberg says that before the general election, clients reduced stocks because of political uncertainty "Now they need to restock and these purchases should be reflected in results Our turnover and earnings should grow"

Chairman Sydney Cope says trading results for the first two months of the 1995 financial year suggest such expectations are realistic

The market agrees The share has almost doubled to 100c since preliminary results were published last month With the yield at 6,5%, it still looks inexpensive

Kate Rushton

HATS OFF Carter Harris's Jeff Gochin, Charles Lab and Roy Block Picture CHRISTINE NESBITT

Family outfit sews up export coup

S Times (Buss)

By JULIE WALKER

CARTER Harris, the country's leading manufacturer of uniforms for the workplace, has won export orders to supply Kentucky Fried Chicken's Mexican franchises and Burger King's European, Middle Eastern and African outlets

Group companies Estralita and Pro-Clo supply uniforms for national high-street retailers, banking staff, car rental chains, hotels, hospitals, fast food outlets, restaurants, oil companies and messengers

Managing director Jeff Gochin says the decision to seek export orders was taken when sanctions began to be lifted

Financial director Charles Lab visited England's Wimpey chain, whose sit-down restaurants had been taken over by the world's second-biggest fast-food chain, Burger King

Mr Lab met a former Zimbabwean in charge of the uniforms who agreed to see samples of Carter Harris's products It took 18 months, but a contract worth between R3-million and R5-million annually has been secured

Mr Gochin says that in the two years Carter Harris has been supplying Burger King, the client has never been out of stock and not a single uniform has had to be returned The potential to reach other countries served by Burger King is being investigated.

Not to be outdone, marketing director Roy Block last year visited the head offices of 10 multinational corporations in America, seeking opportunities in the supply of bulk corporate clothing

He met Mike McBride, who at that time was with $100-million-a-year uniform supplier Crest Mr McBride and a colleague left Crest and became Carter Harris agents in North America

Carter Harris has since won a R3-million contract to supply Kentucky Fried Chicken staff uniforms for Mexico, complete with Spanish labelling 12/6/94

Carter Harris has been awarded another contract by Williamson Dickie, a $700-million a year corporate clothier, to supply R4,5-million of uniforms for the Sherwin Williams paint-shop chain, America's largest (184)

Mr Gochin says "The American market is so enormous that one contract could tie up all our capital and production facilities for a year or more

"We are not heavily geared, and already sub-contract to several workshops who mostly work purely for us, but we will have to be careful to maintain our quality and service and not take on more than we can handle

"Customer service is our foundation and we could not begin to compete overseas if our domestic clients became dissatisfied"

Many of the workshops have been set up by former Carter Harris employees — mostly blacks — with the financial and technical help of the company Mr Gochin says it has allowed many emerging entrepreneurs to come to the fore and collectively employ 700 people

Carter Harris has bought its Johannesburg premises and doubled the floorspace to cope with expansion Turnover, now more than R30-million, has doubled in two years

Mr Lab's wife Shirley runs Carter Harris's three up-market boutiques which were previously Hockey & Crane stores The Labs' daughter Niki scouts the world's fashion centres for exclusive styles and fabrics

This elimination of a middleman has added depth to the customer base and, after initial losses, the shops now provide sweeteners to the group's bottom line "We have gone from having no clients to a secure customer base that keeps on coming back," says Miss Lab

Amrel sets its sights on a more profitable year

B/Day 15/6/94

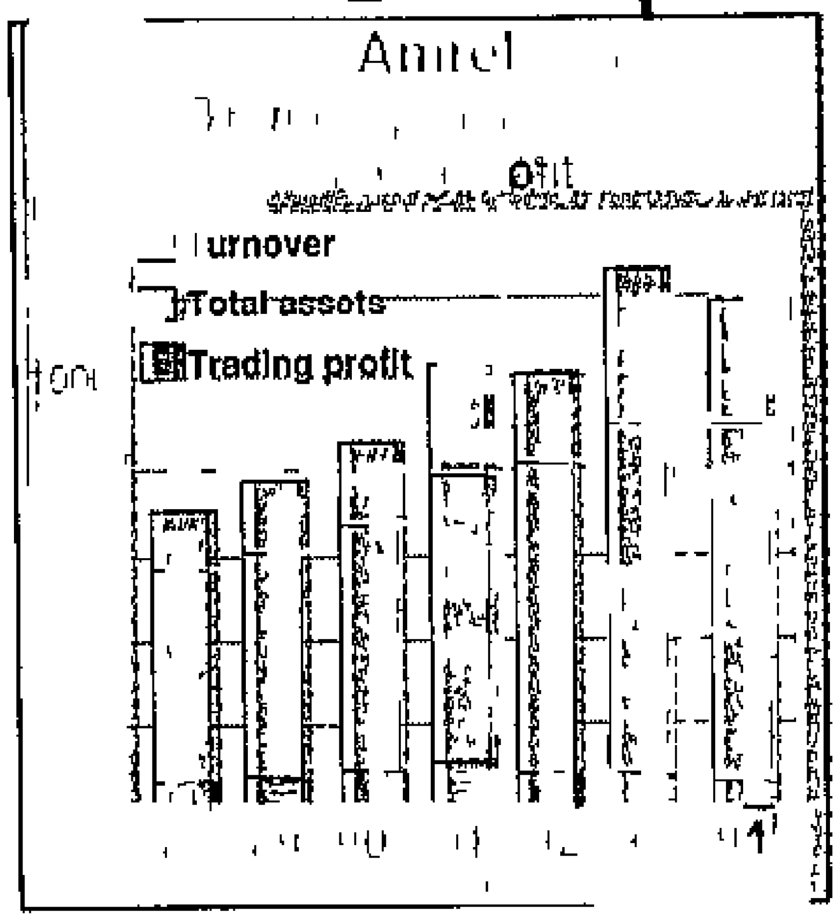
MARCIA KLEIN

FURNITURE and clothing retailer Amrel has forecast satisfactory growth in sales and earnings in financial 1995, based on expectations of limited progress in the first half and an improvement in trading conditions in the second, chairman Meyer Kahn said in his annual review

The group, in the SA Breweries stable, recently reported a drop in earnings to 36,1c (43,8c) a share in the year to March on a marginal turnover rise to R1,18bn (R1,13bn) Its major chains include Lubners, Geen & Richards, Melody's, Scotts, John Orr's, Levisons and Early Bird

Kahn said the Christmas retail season had been better than expected, but demand in recent months had been depressed by uncertainties before the election

Amrel's performance to March had been mixed Apart from Shoecorp, disposed of at the end of May 1993, the number of stores was reduced by 29 on the back of further



closures of non-performing stores in the footwear and apparel division

In the furniture division, Amrel had underperformed in appliances, audio, TV and video where margins are higher But the division maintained its share of the household furniture market and, as a result, its margins

The footwear and apparel division increased sales nearly 8% after adjusting for the sale of Shoecorp But fierce competition and the need to clear stocks affected margins The services division increased sales by 5,1% thanks to Early Bird's continuing "steady performance"

MD Stan Berger said furniture operations had maintained margins in the face of strong competition, but these benefits were "more than eroded by the considerable deterioration in Scotts' fortunes". (184)

The disposal of Shoecorp, which netted R46m, has "obviated the need to raise further debt" This, and the continued decline in interest rates, saw financing costs drop 20,5%

Amrel's gearing continued "to reflect a level of debt financing that exceeds the carrying capability of the group's asset base, thereby inhibiting the pursuit of any growth opportunities".

In the current financial year, Amrel will raise additional equity to enable it "to take full advantage of future anticipated opportunities while maintaining a more appropriate financial structure"

2 400 Cape clothing jobs lost

(184)

ARG 14/6/94

TOM HOOD

MORE jobs are being lost in the Cape clothing industry in spite of risig exports and retail sales

About 2 400 Cape garment workers lost their jobs in the first quarter of 1994, while total employment fell by 4 200 workers or 4,5 percent to 89 000, reports the National Clothing Federation

The drop in employment would have been even more severe if exports had not increased by 34 percent to R616 million last year, said Hennie van Zyl, executive director of the NCF

Clothing imports continued to rise, growing to R405 million from R371 million in 1992

More factories also closed down, with 52 employers going out of business in the 12 months ending March this year, leaving only 1 030

Both clothing and textile production prices were under pressure last year and achieved increases of only 7,5 and 4,8 percent respectively

Addis workers out on strike

ARGT 5/7/94

(184)

Labour Reporter

THE 400-strong workforce at Usabco in Sacks Circle, Bellville, which makes Addis products, are on strike over wages.

Members of the Chemical Workers Industrial Union are said to have dropped their increase demand from 15 to 12 percent while the company is offering a 10 percent.

Company personnel director Garth Snyman said negotiations were continuing

Mandela's big job-saving role

184

Argus 26/4/94

Union discloses dramatic effort in world talks

SHARON SOROUR
Labour Reporter

LAST-minute intervention by African National Congress president Nelson Mandela on the eve of the Nobel Peace Prize ceremony in Oslo, Norway, helped secure sound clothing trade tariffs for South Africa before the conclusion of the historic GATT (General Agreement on Tariffs and Trade) agreement.

Trade unionist Ebrahim Patel has disclosed details of the behind-the-scenes scramble to stave off a disaster for the country's clothing industry, mainstay of the Western Cape economy

The key to the scramble was a crucial attempt to convince the main GATT members of the drawbacks of lowering the country's trade tariffs too quickly before the Uruguay Round of the talks ended on December 15

The Uruguay Round accords of GATT, acknowledged to be the biggest market-opening treaty in history, were signed in Marrakesh, Morocco last week, ushering in a new set of world trade rules

Mr Patel, deputy general secretary of the South African Clothing and Textile Workers' Union (Sactwu), said the crux of the issue was convincing the United States and Europe of the need to delay the drastic liberalisation of South African clothing tariffs

With the help of Mr Mandela, the union and the ANC, a government proposal of a 30 percent level of tariff protection for clothing, implemented over a five-year period, was changed to 45 percent over 12 years.

Mr Patel explained "When Uruguay Round started, the South African government submitted an offer for products including clothing and textiles, proposing a 30 percent level of tariff protection for clothing

"The tariffs are presently in excess of 100 percent and they envisaged that in a short period they would be able to drop from 100 percent to 30 percent

"Sactwu got to know of this, and while we are committed to decreasing the level of protection on clothing and textiles, we believed we needed to manage the process carefully," he said The industry's history was one of high protective tariffs through which it had become uncompetitive

"A dramatic reduction would have resulted in thousands of jobs being lost."

The union identified two issues: a package of supply-side measures — instruments to ensure industrial upgrading such as investment in trading and new technology — and the need for pragmatic, "thought-through" trade liberalisation

"The union felt that a 30 percent tariff for clothing would decimate the industry, the period of five years, which was the proposed time of introducing the tariffs, would see the complete destruction of the country's manufacturing capacity in textiles and clothing

"The government acknowledged that our argument made sense, but said it would not be able to persuade the main players, Europe and the United States, of its merits We then approached, and won over, the National Economic Forum and the ANC"

Sactwu and the ANC undertook joint initiatives, which involved addressing European Union trade commissioner Leon Britten and advisers of President Clinton visiting South Africa and put their position to American Commerce Secretary Ron Brown when he was in this country

"But the dramatic clincher came when we approached Mr Mandela on the eve of the (Nobel) ceremony, which was the start of the critical two weeks leading up to the December 15 finalising of the deal, and asked him to phone United States President Bill Clinton in Washington and US trade representative Mickey Kantor, known as America's 'Mr Trade', in a bid to change the United States position on South African tariffs

"He was already in Oslo We got hold of the hotel where he was staying and spoke to him

"We took him through several issues, including the devastating effects of rapid liberalisation which could damage regional economies and the fact that the industry is female-intensive and a lot of women are sole breadwinners with no alternative employment option He agreed to make the calls"

Mr Patel said other factors which clinched the deal were efforts by Sactwu to win the support of two New York-based unions, the Amalgamated Clothing and Textile Workers Union and the International Ladies' Garment Workers' Union, whose presidents agreed to canvass support

"These three efforts all managed to change the position of the US administration — they agreed to a 45 percent tariff for clothing and a 12-year adjustment period," Mr Patel said

He explained that under the Uruguay agreement, when tariff levels had to be reduced, the "bound level" set a period in which to reach the new levels, called the liberalisation period

"We secured 12 years, which is very significant for the industry as it gives us space and opportunity to introduce supply-side measures which are vital to competitiveness — and it's necessary that the industry becomes internationally competitive"

Mr Patel said a quick liberalisation of 30 percent in five years would have destroyed the industry

He added "It's absolutely vital to the future of Cape Town, which does not have a heavy manufacturing base the heart of Cape Town and its future is to foster a high value-added sophisticated industry and we are delighted that the effort Mr Mandela made has given us a chance"

AMREL

Tackling the debt burden

Fm 15 7 94

Activities: *Retails furniture, footwear, clothing and various services*

Control: *SA Breweries 68,7%*

Chairman: *M Kahn, MD S Berger*

Capital structure: *9,2m ords Market capitalisation R53,3m*

Share market: *Price 860c Yields 4,2% on earnings, p e ratio, 23,9 12-month high, 950c, low, 350c Trading volume last quarter, 158 000 shares*

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	1,7	6,3	33,2	28,2
LT debt (Rm)	112	453	214	484
Debt equity ratio	0,80	3,13	3,39	3,5
Shareholders' interest	0,30	0,19	0,23	0,16
Int & leasing cover	3,8	1,1	1,1	1,1
Return on cap (%)	13,8	10,6	13,1	6,8
Turnover (Rm)	1 031	1 004	1 251	1 180
Pre-int profit (Rm)	64,9	83,7	81,4	62,8
Pre-int margin (%)	6,3	8,3	6,5	5,3
Earnings (c)	260	170	44	36
Dividends (c)	87	57	—	—
Tangible NAV (c)	1 592	1 518	1 310	1 391

Group MD Stan Berger has cause to be disconcerted "Fighting against interest charges as large as these is disheartening," he says (184)

He has cause to be unhappy Borrowings stand at a colossal R512m and gearing is 3,5 It's hardly surprising the interest bill in

COMPANIES

Fm 15 7 94

main retail areas furniture, footwear, apparel and consumer services Berger says the worst areas last year were shoes and clothing Indeed, the annual report says footwear and apparel continue to be "Amrel's Achilles heel efforts aimed at improving the competitive position of ABC and Cuthberts met with little success " Not surprisingly, Shoecorp was sold to Sales House during the year in a deal which netted R46m

Turnover was a little lower in 1994 at R1,2bn Trading profit was R62,8m, giving a margin of 5,2% That compares with 1993's margin of 6,5% and shows the severity of competition After tax of R2,9m, attributable profit was R3,3m (1993. R4m) and EPS were 36c The dividend was passed for the second successive year (184)

The cash flow is interesting Net outflow per share was 278c over the year — enough to give shareholders something to think about After generating R81,6m from trading and absorbing R53,4m in working capital (increases in stocks and debtors), the company was left with R28,2m That was swallowed by interest charges and tax, leaving a deficit of R24,9m

I am left with the distinct feeling that investors would be wise to sit on the sidelines until the rights issue has come and gone and until there is evidence of a sustained recovery Berger says the first quarter indicates a substantial turnaround Shareholders will pray it continues *David Gleason*

500 workers' jobs saved

THE jobs of about 500 workers at Meritex, a Penisula garment manufacturer recently placed in provisional liquidation, have been saved after an offer was received to buy the business as a going concern for R4,3m

The offer must, however, still be sanctioned or refused by the Supreme Court

This emerged in a Supreme Court application brought by Mr Jeremy Diepering and Mr Stephen Gore, provisional liquidators of Meritex, for an order authorising the sale of assets

The agreement was reached between Meritex and Roctrade 8 (Pty) Ltd to buy stock for R1,5m, and the business for R2,5m and to continue business pending the Supreme Court decision

184 CT 15/7/94

Mr Justice F D J Brand presided Mr G W Woodland, instructed by Mr Leonard Katz of Sonnenberg Hoffman and Galombik, appeared for Mr Diepering and Mr Gore

Clothing exports looking threadbare

184

APR 16/7/94

TOM HOOD

EXPORT business, which provides jobs for thousands of Cape clothing workers, has plummeted.

Official figures show clothing exports for the first four months of 1994 dropped to only R105 million — less than a third of the R336 million of garments exported in the first four months of 1993

The National Clothing Federation estimates 1994's total exports might not even hit R400 million — they were worth R616 million last year

A disconcerting trend is that clothing imports for the four months rose to R185 million from R153 million a year ago and are estimated to reach R520 million by the year-end

Last year's exports sustained 14 000 clothing jobs at an investment cost of only R55 million, says federation executive director Hennie van Zyl

Main reason for the drop in business was the lack of certainty about the government's policy to assist exports, he said

The current duty credit certificate export scheme, which was essential to counter the country's anti-export bias, was being renewed only on a short-term basis

"The industry is required to quote export delivery prices for the second half of 1995, yet no certainty about export incentives extends beyond September 1994."

Another reason was the delay by the National Economic Forum to reform the Geis payments system

Exports were also affected by the political uncertainty prevailing before the April elections

"The single most important requirement to solve the problem of promoting exports is for the government to implement decisions and enable the industry to do forward planning," added Mr Van Zyl"

Clothing trade settles wages

Sowetan

A NEW pay deal will put an extra R150 million a year into the pockets of workers in the clothing factories 20/7/94

Employers and trade unions have agreed to a 9,95 percent boost to the total wage package — a compromise on the 16,5 demand by the SA Clothing and Textile Workers Union and the 5,5 percent offer by employers

Mr Johann Baard, chairman of the Cape Clothing Manufacturers Association, said machinists would receive a basic R263 a week

He said employers' chances of absorbing the increase with the industry's low margins were remote They also could not pass on higher costs to retailers

(184)

Clothing firm probes export opportunities

BDay 20/7/94

YURI THUMBRAN

DURBAN-based clothing and textile group AM Moolla was planning fresh negotiations with Russian importers and was exploring export opportunities in other Eastern European countries, MD Sadek Vahed said yesterday. (184-

He said a subsidiary company, New SA Garment Manufacturers, would start fresh negotiations with Russian importers in August, and was investigating possibilities to export to Latvia, Romania, Hungary and Poland The company's main export market had been Russia BDay 20/7/94

The non-listed company scored a R39m export contract to Russia and Khazakstan in 1991, but export volumes since had dropped.

"We have been busy with exports during the past 18 months Volumes have come down but we hope to increase exports before the end of 1994," Vadek said.

Two basic problems in exporting to Eastern European countries were the low value of the rouble against the dollar and the lack of prompt payment by creditors But since trade started between SA and Eastern Bloc countries the Durban company had been expanding rapidly in that market. "This enabled us to retain our workforce of 5 000 and an 8% share of the market," Vahed said

COMPANIES

'Volume increase' for Da Gama

YURI THUMBRAN

CLOTHING and textile manufacturer Da Gama expected an increase in volumes for the current financial year after large-scale imports of fabrics and the recession had taken their toll in recent years

Chairman Laurie van der Walt said in his annual report the adverse trading conditions caused by these factors had been compounded by intensified local competition and the prolonged drought. B/Day

He said a reduction in imports of fabric and clothing with the recent scrapping of the structural adjustment programme would boost Da Gama's capacity.

The new duty credit certificate scheme would still allow duty-free imports, but to a lesser extent. 25/7/94

Van der Walt predicted that private consumer expenditure could show further real improvement which could benefit the industry.

CE Harry Pearce said in the report that Da Gama was under-utilised and it could therefore expand volumes should business improve (184)

"Da Gama is also well-positioned to take advantage of improved demand because of its strong balance sheet, sustained management excellence and continuing investment in modern technology"

Capital expenditure of R15m had been planned for the year for continued upgrading and refurbishment

Pearce predicted improved sales for the apparel division as imports were expected to be reduced following the scrapping of the structural adjustment programme

The home sewing division, which often formed a link in the supply chain to the informal sector, could sustain its good growth during the current financial year

The household textiles division, which had been hampered by several factors, including the dumping of cheap imports from Pakistan, was expected to grow later this year as government's house building project took shape and demand for its goods grew from new homeowners

The group's turnover rose 5% to R267m (R254m) for the financial year to March 31, but earnings fell 16,5% to R18m (R21m) or 34,6c (41,4c) a share.

ROMATEX FM 9/9/94

Listing logic

There is a compelling logic to the proposed division and separate listings of the Romatex group Textiles and carpets are a mature business in a competitive market It has taken extensive, often ruthless rationalisation to make the businesses profitable (184)

Bulk liquid storage and industrial products, on the other hand, have grown in stature, both in profitability (the former has become the biggest contributor to group profit) and as divisions positioned in growth markets This is evident in that capital spending is being primarily directed towards expanding capacity in the Island View Storage division A recent allocation of R11m went towards increasing capacity by 24 500m³, or 8%, at the liquid storage facility at the Bay V site in Durban harbour

FM 9/9/94

Besides, there can be little synergy between consumer textiles, and bulk storage and products aimed at the automotive, furniture and industrial markets It makes sense to unbundle and list Romatex's four divisions — Island View Storage, Industrials, Fabrics and Carpets — into two separately listed companies

But the split was inevitable for Romatex As the *FM* noted when interim results were reviewed (*Fox*, May 13), the growing contribution from bulk liquid storage made Romatex's listing more appropriate to the Industrial Holding sector than Clothing, the board where Romatex found its traditional home before the textile industry hit the skids (184)

It could only have been a matter of time before the JSE made Romatex switch sectors, which would have left Fabrics & Carpets sitting uncomfortably in a sector where p e ratios average about 23,2, as opposed to the average 10,3 of the Clothing sector

It's also very likely majority shareholder CG Smith, with 60% of Romatex, wanted the anomalous group structure changed.

Unfortunately, chairman Jack Crutchley (who under the proposals will remain chairman of both listed companies, though separate boards will be formed) was away this week Other directors declined to give details beyond the statement issued last week, on the grounds that listing documents for what will be known as Island View Industrials (IVI) were being prepared. They should be posted in November

Though details are still scanty and subject to various conditions, it seems shareholders will receive an equal number of shares in IVI to those held in Romatex This will allow investors a clearer view of the relative performance of the divisions now lumped together in one company, as well as spreading their investment in sectors better suited to the underlying operations

The big advantage, though, is that investors will be able to switch out of one or the other listed companies if they choose With IVI in what appears to be a growth industry and prospects, however tenuous, of a recovery in textiles, the investment choice becomes more interesting

Also, with what are now non-complementary cross influences between the four divisions removed, either share will be able to perform more freely on the merits of the underlying businesses

After its three-year restructuring process, vastly improved growth in earnings has seen Romatex's share sharply rerated Over the year the price has more than trebled to R21,50 — ratings are comfortably ahead of the average for the Clothing sector

But, for some of the reasons discussed above, that can be regarded as a false rating Unbundling and separate listings should enable a fairer value to be placed on the respective shares

Shaun Harris

and are not

Union threatens textile strike

SI Times (BUSS)

By CIARAN RYAN

BATTLE lines in the clothing and textile war were drawn this week with unions threatening action to force government to pump R4,5-billion of taxpayers' money into a 10-year plan to restructure the industry.

Clothing and textile producers distanced themselves from the SA Clothing and Textile Workers' Union threat to strike in support of a tripartite restructuring plan for the industry.

Frame Group managing director Walter Simeoni and Textile Federation chief executive Brian Brink also denied a report in Business Day on Friday which claimed they supported Sactwu's proposed industrial action.

Mr Simeoni said: "We do not support strike action, but we sympathise with the union's endeavour to conserve jobs. Unless the Swart report's recommendations are adopted we could be facing 40 000 job losses by the end of the decade." (184)

Sactwu president Amon Ntuli is reported to have threatened industrial action if government did not accede to the Swart report's recommendations for a R4,5-billion assistance package for producers. On Friday Sactwu disputed that R4,5-billion was needed to support the industry and would provide figures of its own.

Trade and Industry Minister Trevor Manuel has stated on several occasions over the past week that government cannot afford the R4,5-billion package. 28/8/94

Trade union leaders are reportedly furious over what they see as Mr Manuel's slighting of tripartism.

However, a spokesman for 400 small businesses in Natal, Shirish Soni, says the Swart report, which claims to represent the majority of the industry, gave scant attention to the needs of small businessmen.

National Clothing Federation president Sadek Vahed says the trade union's threat is unfortunate.

"The best solution is to sit down and reach compromise. Textile producers want a 10-year phase-down of import tariffs — what industry in the world gets this kind of relief?"

Rag trade in buoyant mood

Star 6/9/94

■ BY TOM HOOD

Cape Town — Clothing factories, emerging from a crippling recession, are working at almost 100 percent capacity for the first time in years

Local retailers, who have seen an upsurge in sales since the election, are demanding extra stock, filling manufacturers' order books

But the industry's recovery is threatened by a 65 percent drop in exports Companies which have built complete production lines devoted to exports are being hard hit

Employers hope the upturn will stem the job drain which continued in the first seven months of 1994, leaving another 1 600 Cape garment workers jobless

This year 31 factories have closed down — nine in the Western Cape

Johann Baard, chairman of the Cape Clothing Manufacturers' Association, says factories in the Cape are between five and 10 percent busier than a year ago

"This is traditionally a busy time of year, but retailers ran their stocks down to minimum levels before the election and delayed placing orders until now

"We have seen something of an uplift in consumer spending and retailers are building up their inventories and contributing to the busy time"

Exporting

Small businesses are also benefiting as bigger manufacturers farm out work to subcontractors, especially CMT (cut, make and trim) factories

Many firms, however, are pulling out of exporting

The latest survey by the National Clothing Federation (NCF) shows the value of exports plunged to R123 million in the first five months of this year from R365 million last year

This huge drop in foreign exchange earnings was mainly caused by uncertainties over export incentives, as well as pronounced shortages of local fabrics, says Baard

"We predicted a year ago that exports would plunge

"We cannot go for the orders because we do not know what prices to quote six months ahead — it would be shooting in the dark (184)

"Exporters believe they will do less harm by not seeking export contracts than by having to cancel orders later

"They would rather hurt their bottom line than lose their export reputation You can always make a big effort to re-establish your profits but once your reputation is tarnished in the export business you are finished"

The drop in export business could have serious implications for subcontractors

The value of garment imports rose 16 percent from R170 million to R200 million in the first five months, reports the NCF

NCF economist Arnold Werbeloff says direct buying since the lifting of sanctions, cutting out middlemen, has lowered the cost of imported garments, especially from the Far East

"Producer price inflation has been constrained for both clothing (seven percent year-on-year) and textiles (five percent) by continued Consumer demands for value for money as well as retail purchasing policies and practices," says Werbeloff

Staying on

NCF president Sadek Vahed, trapped in a row between small and large clothing manufacturers over tariff protection, confirmed that he had offered to resign but was persuaded to continue at least until the annual meeting in November

"I have offered to review my position at the AGM," he said

Vahed said his conscience told him he could not continue to "wear two hats" — as spokesman for the NCF, representing the bigger employers, and as a supporter of small and medium-size businesses

Romatex to split into two listed companies

Bi Day 2/9/94

YURI THUMBRAN

CLOTHING and textiles company Romatex would split its operations into two separately listed companies from October 1, it said yesterday

The CG Smith subsidiary would shift its bulk storage operations and the automotive, foam, extruded fabrics and non-woven operations of the industrial division into its Island View Industrial company and list it on the industrial holdings sector

Romatex would retain its listing in the clothing, textile and footwear sector while core business would include consumer apparel, household textiles and floor covering operations

The company said the group's expansion had left industrial operations contributing more to earnings than its original core business (184)

Romatex posted attributable income of R18,8m (R9,4m) for the half-year to March, on sales of R346,2m (R330m). Island View was the main contributor toward profit

The company had been restructured in the past three years, and the split would "provide focus and flexibility to existing shareholders . and enhance the attraction of the respective operations to new investors"

Romatex said the transaction would be effected by Romatex distributing all its Island View shares to shareholders As a result, shareholders would hold shares directly in Island View and in Romatex.

The respective companies would appoint independent boards of directors which would be chaired by Romatex chairman Jack Crutchley

The company's share closed at R21,50 yesterday, valuing the sector mainstay at R570m.

NINIAN & LESTER FM 26/8/94

Reversal of fortunes

Activities: *Makes textiles, clothing and hosiery*
Control: *Directors 53,3%*
Chairman: *M R A McElligott, MD D M Drysdale*
Capital structure: *3,2m ords Market capitalisation R22,4m*
Share market: *Price 700c Yields. 4,9% on dividend, 15,7% on earnings, p e ratio, 6,4, cover, 3,2. 12-month high, 800c, low, 500c Trading volume last quarter, 20 350 shares*

Year to December 31	'90	'91	'92	'93
ST debt (Rm)	7,3	16,5	16,4	13,7
LT debt (Rm)	4,3	4,4	4,0	9,0
Debt:equity ratio	0,20	0,33	0,31	0,33
Shareholders' interest	0,57	0,56	0,54	0,54
Int & leasing cover	3,6	2,6	2,1	2,6
Return on cap (%)	16,4	12,5	9,4	10,4
Turnover (Rm)	183,5	194,2	217,4	240,7
Pre-int profit (Rm)	16,6	13,8	11,2	13,1
Pre-int margin (%)	4,6	7,1	5,2	5,4
Earnings (c)	182	119	57	110
Dividends (c)	51	31	15	34
Tangible NAV (c)	1 443	1 533	1 575	1 650

(184)

Glancing at the financial statements for 1993 it is difficult to believe that textile and clothing maker Ninian & Lester is the same group whose earnings more than halved in the year to December 1992 In the 1993 financials, attributable earnings almost doubled to R3,5m

However, the boost came not from a significant improvement in the trading environment: turnover was up 10,7% to R240m, a real increase of just 1,2% Rather, the bottom line benefited from tight asset management and a drop in the effective tax rate to 41% from 53%.

In fact, chairman Matthew McElligott says the results for the first half-year to June, expected in the next few weeks, are likely to be disappointing This is because of time and production lost through a strike at Babalegi earlier this year and the paid holidays declared during the election period. However, with most of the profits

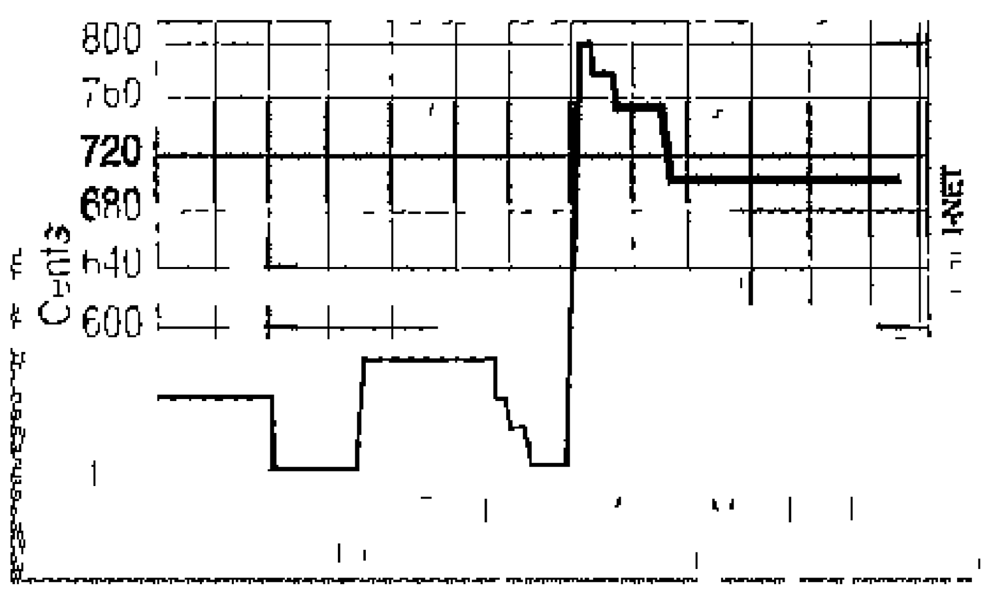
FM 26/8/94

earned during the second half, McElligott is confident earnings will improve in the 1994 year (184)

"In recent weeks there has been a better tone in the retail market and our order books have been filling satisfactorily," he says However, a concern remains the uncertain labour situation, particularly in the Babalegi area

Much was done during the year to trim expenses and streamline operations The manufacture of ladies outerwear under brand names Leading Lady and Nina was discontinued, as part of a strategy to narrow the focus of the clothing operations Land and factory buildings housing the sock and textured yarn manufacturing in Babalegi were bought for R4,75m Gearing rose slightly to 33%

Ninian & Lester



There were small increases in profit contributions from the textile operations, the underwear division and National Dye House Profit of the yarn texturing unit fell and the outerwear division again lost money However, future profitability of the industry as well as the group will depend heavily on capacity to adapt and compete internationally when tariff protection is steadily falling

Release of the results helped boost the share price from 500c to 800c, where it was still at a hefty 48% discount to NAV (influenced partly by limited tradeability) The counter has since shed R1, to settle at R7, on a p e of 6,4 and dividend yield of 4,9% Despite the discount to NAV, fundamentals suggest that the share is appropriately priced for now *Marylou Greig*

Manuel's stand fuels index fall

B/Day

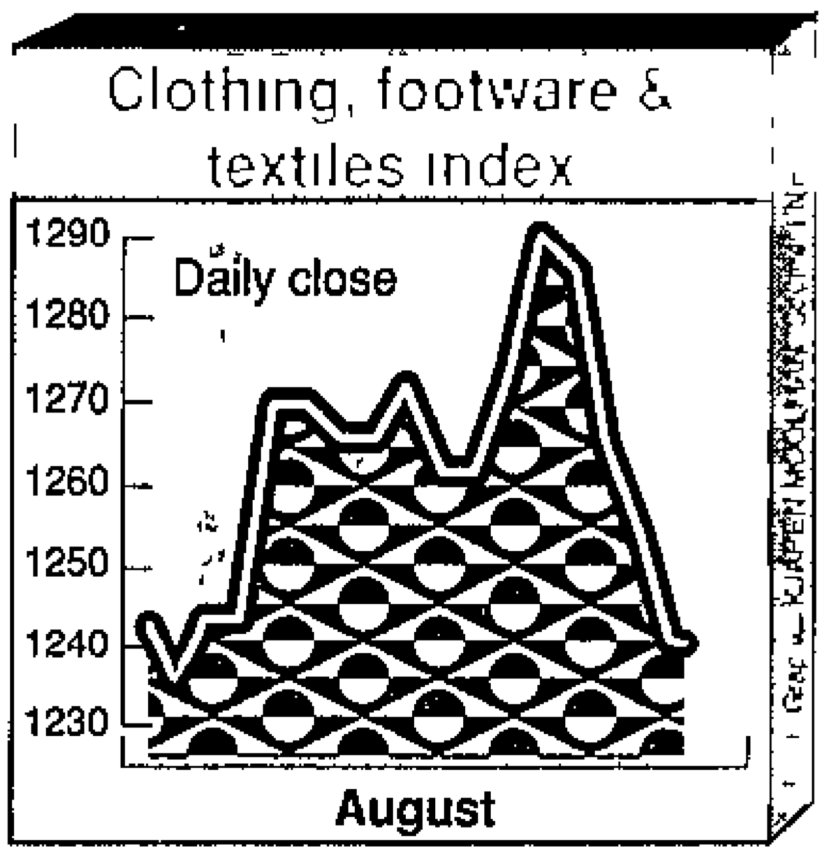
YURI THUMBRAN

THE JSE clothing, textiles and footwear index has slipped 57 points since last week after Trade and Industry Minister Trevor Manuel's negative response to the Swart panel's report

Manuel had announced that government could not provide the industry with a R4,5bn support package over the next 10 years as tariff protection was withdrawn 25/8/94

The index recorded an annual high of 1 299,50 points on Thursday, in anticipation of a positive response to the Swart panel report by Manuel at the Textile Federation conference, market sources said

Manuel said it was difficult for government to financially support the industry over a long period as proposed by the report



An analyst said Manuel and the industry were still involved in continuing debate over aspects of the report which had not been finalised

The market had reacted to some aspects of Manuel's speech, but it was not the final word on the issue

"The matter of tariffs and the period over which they would be phased down have not been finalised yet It is a continuing debate," the analyst said

This was confirmed by Manuel earlier this week when he said government was waiting for recommendations on tariffs from the Board of Trade and Industry.

Frame group MD Walter Simeoni said it was clear investors were reacting to government's uncertain policy at this stage

Despite textile imports doubling from 20% to 40% in the past five years, SA consumers saw no benefit

He said it was essential to retain protection tariffs until the industry was completely restructured to cope with imports (184)

Seardel rewards its shareholders

TOM HOOD (184)
Business staff ARG 17/8/94

SEARDEL, the country's largest clothing group, signalled victory over three years of recession by rewarding its shareholders with a record dividend of 24c for the year to June 30

This payout is 85 percent up on last year's 13c and is boosted by a 17c final.

Profit jumped R20 million or 86 percent to R43 million before tax, almost back to the 1991 level of R46 million.

Chairman Aaron Searll attributed the upturn to

- Record turnover of R1,1 billion, up 7,7 percent,
- Ploughing back profits to reduce debt, which lowered the debt-equity rate to 49 percent from 62 percent,
- Cutting finance charges on borrowings by R5 million; and,
- A turn-around by Frame textile group, which gave Seardel R2,4 million instead of costing R1,7 million as it did in write-offs last year

In a bid to improve its cash flow the company will give shareholders the choice of taking the dividend in cash or shares.

Mr Searll said he was optimistic about the future

Factory order books showed a big improvement and garment sales by retailers were good

But billions spent in the election had found their way into the economy and created a mini boom, which was not sustainable, he said.

He was concerned about clothing exports, which dropped to R61 million from R77 million last year

The Duty Credit Certificate scheme (DCC) was due to end next March and the government had still not indicated what would happen after that, which left clothing exporters in a difficult position.

Clothing union demonstrates (182)

ABOUT 150 South African Clothing and Textile Workers' Union members demonstrated at the gates of Parliament yesterday against visiting Malaysian entrepeneurs (184)

A Malaysian trade delegation is currently prospecting for business in South Africa CT 12/8/94

A pamphlet distributed by protesters claimed Malaysian clothing workers were paid R4,36 a hour, while their South African counterparts earned R7,68 a hour.

Boesak tosses initiative to manufacturers

(184) (193)

CT 3/8/94

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Rag trade buries the hatchet

184

ARG 30/7/94

Big brothers will be watching out for small

TOM HOOD
Business Staff

BIG and small clothing companies this week buried the hatchet, with the big companies promising to help smaller businesses by placing more business with them — creating more jobs

Disagreements over tariffs have been ripping the clothing industry apart as bigger clothing companies sided with textile companies to maintain protection against imported fabrics Smaller companies say these tariffs threaten their survival

Differences have also arisen over wages and working conditions, with a rapdily growing clothing sector outside the scope of the industrial council system

A meeting in Cape Town this week was attended by representatives from the Consultative Business Forum, the Garment Manufacturers' Association, the Border Clothing Manufacturers' Association, the Independent Garment Manufacturers' Association, the Independent Business Forum, the Small Business Development Association, the Western Cape Economic Development Forum, the Cape Chamber of Commerce and Industry and the National Clothing Federation

A new Clothing Authority was mooted, with equal representation from big companies, small and micro enterprises employing less than 100 people (SMEs), labour and the government

Suggestions from the SME team are to be discussed at a two-day workshop attended by the Minister of Trade and Industry These included

- Tighter control of fraud and the eradication of abuses,
- Delivery of the Duty Credit Certificate Scheme (DCCS) to the small clothing and textile manufacturing sector, based on the number of employees,
- Removal of high protection on fabrics used in rural areas, for school uniforms, children's wear and workwear,
- Removal of high protection on imported fabrics and restructuring of tariff codes,
- Setting aside by large factories and mills of 30 percent of procurements to SMEs, and support systems such as the transfer of technology,
- Clear targets on procurement from SMEs on the part of retailers, to be published in balance sheets, and,
- Equal representation on the National Clothing Federation, Textile Federation and training boards from labour, SMEs and bigger business

Shirish Soni, secretary of the Consultative Business Forum, told the meeting state incentives for larger firms would ultimately benefit SMEs, but this would not promote a self-sustaining development programme for smaller businesses

Allocation of 30 percent of business to SMEs would encourage larger companies to work more closely with them, building a national vision of exports within the industry, he said

"The alternative is that SMEs will become sweat-box factories in the clothing industry," he warned

Capel thinks anew on SA

BRUCE CAMERON
Business Editor

London-based finance house, James Capel, which placed a dampner on foreign investment in South Africa last year, has revised its view

Director of the Investment Management division Roger Atkins said the company had put out a publication that "paints a reasonably optimistic view of prospects in South Africa".

Mr Atkins said: "It takes two parameters for expenditure on the Reconstruction and Development Programme

"If expedentiture over the next five years on the RDP is R40 billion, then that is reasonable and won't put a strain on the economy

"If there is a breakdown and it costs R80 billion, then borrowing requirements as a percentage over the gross domestic product will create real problems."

He was however optimistic the lower figure was achievable

He felt foreign investors were not major buyers of South African equities at the moment, but: "If exchange control came off then a flood of money would come in."

Election disruptions batter Delswa

YURI THUMBRAN

DISRUPTIONS stemming from the election would leave first-half income at Delswa below last year's level, the clothing retailer warned in its annual report

Chairman Stephen Jaff said the company's expected results for the six months to September had been hit, but he could not forecast the outcome of the full year's trading. BDay 11/8/94

The company was confident of good medium-term prospects given the stable political environment during the current financial year. (1844)

But trading had been hit by election-related disruptions at both retail and manufacturing level which had filtered through into the new financial year

Delswa's net profit was R3,5m (R3,2m) for the year to April, while earnings rose to 26,7c (26,5) a share and dividends were set at 8c (6c).

There were no turnover figures

Jaff said the company, like other clothing and textile manufacturers, was awaiting government recommendations on the clothing and textile panel's report tabled in March.

International competitiveness hinged on improved productivity and greater investment in technology.

"Our industry needs certainty in regard to matters such as tariff structures and export incentives and the necessary action must be taken without further delay," he said

SA Bias pays same

Star 29/7/1994

BY DEREK TOMMEY

Poor trading conditions in the election period depressed the earnings of SA Bias Industries, the country's largest manufacturer and distributor of trimming and accessories for the clothing and footwear industries.

However, the company has maintained its interim dividend at 4c a share and expects to pay an unchanged 11c for the year (184)

SA Bias increased its turnover by 3,3 percent to R69,4 million in the six months to June

But income before tax, interest and finance charges dropped 11,7 percent to R3,97 million.

A higher tax rate resulted in attributable earnings dropping 22,1 percent to R2,52 million — equal to 8,8c a share.

SA Bias expects earnings for the full year to reach 25c to 34c a share, against the 33c earned last year

OK plans to restructure division

YURI THUMBRAN

OK BAZAARS would restructure its clothing division in an attempt to bring the business back into profit within 18 months, the SA Breweries-owned retail company said yesterday.

Clothing division director Jannie Holtzhauzen said the operation business would swing its focus towards middle-income groups, while cutting the number of product lines and bolstering quality

Holtzhauzen said a new marketing strategy had been developed to tackle Woolworths, Mr Price, Jet Stores and Ackermans for market share.

"Our focus had to change," he said. "Instead of competing directly with retailers aiming at low-income groups such as Pep, and those for high-income groups such as Edgars, we must target the middle-income group with a slight hedge towards the lower-income bracket."

B/Day

OK's summer range had already been purchased, but Holtzhauzen said changes were being made to attract more interest

The company would purchase 95% of its clothing locally, the rest from abroad.

Holtzhausen said the clothing industry showed signs of recovery. While many retailers showed an increase in sales, this did not happen at OK — which he felt could be rectified slowly

29/7/94

OK was delisted in February as part of SAB's bid to revive the debt-laden business The company planned to relist within five years, once its restructuring had been completed.

(184)

CLOTHING & TEXTILES

Nub of the problem

FM 9/9/94

A clothing manufacturer warns he will close his factory and lay off 54 workers unless a trade union stops threatening industrial action to force government into adopting a 10-year tariff reform package for the textile and clothing industries

Shirish Soni, chairman of the Concerned Independents Group of small Natal clothing manufacturers, which brought out a strongly dissenting minority view to the Swart panel proposals on tariff reform (*Business* August 26), says he has had enough of uncertainties in the clothing industry

He has written to the SA Clothing & Textile Workers' Union saying he will close his Durban factory unless the union stops threats intended to enforce implementation of the R4,2bn Swart plan

"I can no longer afford to risk my capital, my energy or my design talents on an industry plagued by such an uncertain business and investment environment," he says (184)

Soni claims the threats have not been properly vetted by shop stewards

"We had a meeting with our own shop stewards who are united in their support for reduced import tariffs on textiles And they insist the union did not seek a mandate from the workers to threaten industrial action It seems that a few key individuals are calling the shots at the unions without properly articulating the issues to the workers In the process, they have climbed into bed with big capital to act as a lobby in support of high import protection and substantial export incentives in exchange for promises of large industrial councils for the industry"

However, Soni says the export incentives benefit only about 30 clothing companies "Unless SA pulls up its socks and changes this situation, most smaller companies in all sectors of the economy will not survive

"I blame big business and the unions for this situation At the National Economic Forum small business interests are not properly represented If government starts legislating the various decisions reached by labour, business and government at these fora, we will roll the economy back Democratic government should not be bullied or pushed around by strong lobbies or interest groups. If this is the case, we are facing political thuggery and mob rule"

Strong words indeed No wonder Trade & Industry Minister Trevor Manuel has appointed a special task force to investigate and make recommendations in support of small and medium business interests (*Business* September 2)

FM 9/9/94

National Clothing Federation executive director Hennie van Zyl confirms federation members are busy responding to the Department of Trade & Industry's task force proposals suggesting a special assistance scheme for small clothing and textile enterprises (184)

"Manuel effectively told everyone to go back to the drawing board on the Swart long-term reform plan The Minister is the man in charge — so obviously we have to respond We will formulate our own response to the task force proposals that textile tariffs be phased out over five years, and not 10 years as proposed in the Swart report But, in view of the complexities involved, we expect to furnish our response only by the end of September"

Textile Federation executive director Brian Brink says "wild" statements that 89 000 textile jobs could be lost if the Swart plan is not implemented are devoid of truth This is the entire labour complement of the textile industry

"I believe all parties (labour, business and government) should get together and civilly discuss the proposals" ■

DELSWA

Waiting for decisions

FM 9/9/94

Activities: *Makes and distributes a wide range of branded products in the clothing and allied industries*
Control: *Jaff-Delswa Investments 46,9%*
Chairman & MD: *S H Jaff*
Capital structure: *6,96m ords Market capitalisation R11,8m*
Share market: *Price 170c Yields 4,7% on dividend, 15,7% on earnings, p e ratio, 6,4, cover, 3,3 12-month high, 285c, low, 80c Trading volume last quarter, 264 000 shares*

Year to April 30	'91	'92	'93	'94
ST debt (Rm)	8,4	8,2	9,0	9,2
LT debt (Rm)	3,0	4,0	4,0	4,0
Debt equity ratio	0,48	0,47	0,47	0,40
Shareholders' interest	0,56	0,58	0,57	0,61
Int & leasing cover	3,7	3,6	2,8	3,3
Return on cap (%)	21,8	15,4	10,2	10,2
Turnover (% increase)	2	2	1	8
Pre-int profit (Rm)	9,3	7,0	5,0	5,1
Earnings (c)	54,4	40,6	26,5	26,7
Dividends (c)	10,0	9,0	6,0	8,0
Tangible NAV (c)	338	373	399	435

The old adage adapt or die has never been more poignant than in its relevance to the clothing and textile industries today Though heated debate will decide their future over the next few months, the tough conditions experienced by the industries during years of recession, political unrest and distorted market forces are clear in the financial results (184)

Clothing manufacturer Delswa is an example Earnings of R1,86m are almost unchanged from 1993's R1,84m March and April are critical for Delswa's production and delivery of winter ranges. The period is characterised by the various paid holidays associated with the election

Operating income grew by only 2% to R5,1m — which seems a small number, considering the group has been in business since 1947 Some relief, however, came in the form of a smaller finance bill, which saw pre-tax profit rise 11% to R3,6m, though these benefits were all but eliminated by an increased tax rate of 48% (43%) which denied shareholders a solid return on their investment

Regrettably, though, analysis remains problematic as management still refuses to state turnover aside from reporting the percentage increase — and this is despite disclosure of turnover now being required under the Companies Act (paragraph 43 of Schedule 4) Chairman and MD Stephen Jaff argues that disclosure of the figure would reveal more to the competition, because this is a one-product company, than it would add value to the analysis of the financial records

But that is a thin argument A listed company, Delswa has an obligation to all its shareholders And it is irrelevant that most of its competitors are not listed and do not disclose their turnovers. Delswa is not the only public company breaking the law Several others continue to omit this figure and the Registrar of Companies should act to ensure compliance.

Delswa's Jaff . *cautious about prospects*

FM 9/9/94 (184)

Subsidiary Jaff & Co is the group's largest operation, making women's outwear under the brand names Delswa, Jade, Marchesa and Delton Originally one operation, this business has adapted to the changes in retailing It now supplies ranges to three distinct markets the independent retailer, corporate wear and retail chains

Jaff says supplying the retail chains is the biggest growth area, though margins are not attractive and it is the most difficult to co-ordinate because of the short lead times He concedes the independent buyer is a shrinking market, though management's decision to continue serving boutiques has resulted in increased market share

The manufacture of school uniforms remains a solid business, its profit contribution outweighing that from sales Delswa has a 90% stake in a children's wear manufacturer and though management does not disclose the operating profits of the subsidiaries, it can be deduced from the nil payment to minorities that the operation is making a loss

Despite the weakening rand, management does not expect to move into exports on a significant scale Exports make up about 3% of sales Potential is limited, says Jaff, because raw materials are expensive relative to overseas competitors Another inhibiting factor is the reduction in Geis benefits and uncertainty about their continuation

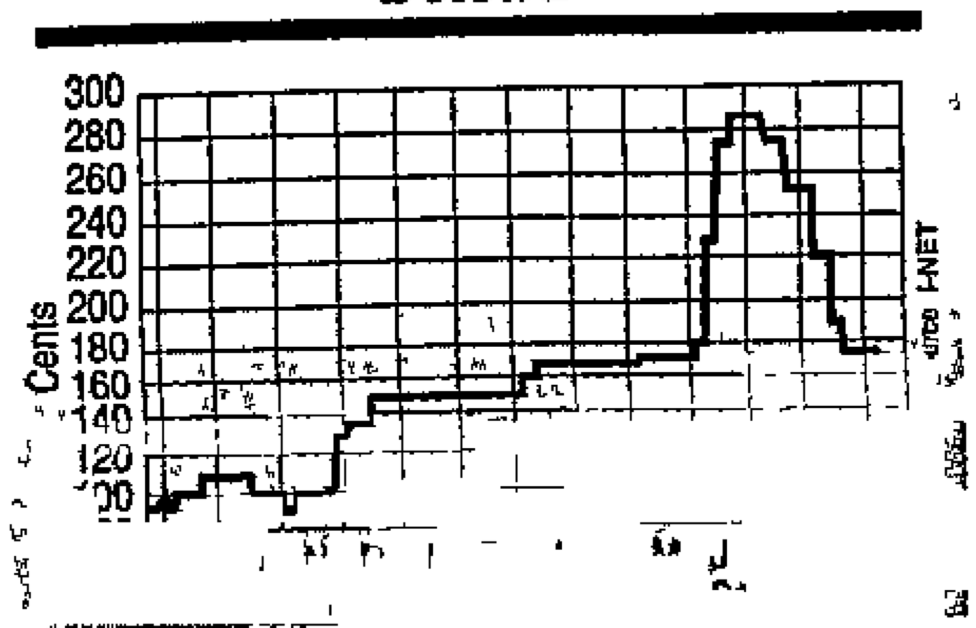
Shareholders are not in for any surprises at the interim — Jaff confirms earnings are unlikely to match year-ago numbers — but they can take heart from the knowledge that turnover in the second six months is usually seasonally high

Jaff is cautious about prospects for the year. Though order books are full, margins are expected to remain under pressure and uncertainty will prevail in the industry until government takes policy decisions

The share, at 170c, has lost the ground it gained in the post-election euphoria. With management expecting little profit growth this year, the high dividend yield offers no enticement to increase exposure

Marylou Greig

Delswa



Rex True offering shares or dividends

Star 12/9/94

■ BY ALIDE DASNOIS

Rex Trueform is to offer a choice of shares or dividends on the back of a 30 percent increase in attributable earnings to R8,35 million in the year to June.

Turnover was down slightly at R167 million as difficult trading conditions put downward pressure on selling prices, but improved efficiency boosted operating income

Interest came in at R1,2 million (interest deduction of R775 000 previously) (184)

Directors say exports fell because of uncertainty about incentives

Queenspark, which is making a growing contribution to earnings, is to be expanded

Directors say the balance sheet is strong and the company should benefit from the domestic upturn

Shareholders are to be offered a dividend of 70c (60c last year) or a share award

The principal shareholder, African & Overseas Enterprises, which reported a 15 percent rise in attributable earnings, is taking the shares

The shares traded at R20 last week ahead of the year-end figures

Sterling Clothing slips into the red

BiDay 1/9/94

ROBYN CHALMERS

PRODUCTION days lost due to strikes and unplanned public holidays contributed to clothing company Sterling Clothing slipping into the red for the six months to June, posting an attributable loss of R155 000 from a profit of R259 000 in the first six months of the previous year

This was equivalent to an earnings loss of 0,8c a share against an interim profit of 1,3c a share Directors passed on the interim dividend

Turnover was higher at R17,1m (R16,1m) but pressure on margins saw net operating income fall to R488 000 (R1m) The interest bill dipped to R643 000 (R732 000), but pre-tax income was well in the red at R155 000 (R301 000 profit) 184

Chairman Fred Haslett said the period was overshadowed by uncertainty surrounding the election and unstable labour conditions

Production losses as a result of strikes and public holidays had an adverse affect on margins

Analysts said the loss was a setback for the company which had shown signs of a recovery.

It posted its first earnings increase in more than four years last year, rising to 2,9c from 1c a share.

Sterling Clothing's share price closed untraded yesterday at 35c, having fallen from the one-year high of 50c achieved in June.

Glodina mops up after two years in the red

S/Times (Buss)

By JEREMY WOODS

GLODINA Holdings, South Africa's largest manufacturer of towelling, has moved sharply back into profitability after two years in red figures

"The losses represent the pain that we have borne during the process of change but the foundations have now been laid for a return to profitability," said chairman John Balladon

In 1992, Glodina, based in Hammarsdale, Natal, lost R3-million largely as a result of stayaways and friction between ANC- and IFP-aligned workers Local management stepped in, brought both sides together and devised a peace formula that has worked well ever since.

The following year the company only broke even, mainly because it had to pay back R3,1-million tax from a film investment later disallowed by Inland Revenue. 18/9/94

"While we shared the economic problems of severe recession with other textile companies, our problems were made worse by being overstaffed and by the opening of a new plant in QwaQwa, which incurred losses because of cheap imports until we closed it down," says Mr Balladon

PAUL REDONDI (184)

Glodina started turning a corner last year as the economy picked up and with it the demand for textiles.

By the halfway stage this year, Glodina showed a profit of R611 000, with plenty more in the pipeline

The company currently has full order books while its mills, which work 24 hours a day, are fully booked until next March

Given fair winds in the economy for the next few months, Glodina's board believes results for the full year could be some R4-million or better

Glodina's strength is its 35% share of the country's quality towel market, and the close service it gives its chain store customers

Many of its products are supplied to luxury hotels around the country and with constant use and laundering are replaced every year

"Glodina has made its name in the quality towel market because we are not prepared to skimp on the weight of the towel, the quality of the yarn or the dyeing methods, which in our top range are colour fast," says Glodina director Paul Redondi, who runs the mill operations.

The company also makes table cloths, dish cloths, face cloths, and nappies in large numbers, sometimes under other retailers' brand names.

The company still faces two challenges reduce its borrowings of R24-million (which give it gearing of almost 70% to shareholders funds) and increase the marketability of its shares.

"Once this year's results are out we will look at the options," said Mr Balladon

Rex Trueform in shape

BDay 5/10/94

EDWARD WEST

CAPE TOWN — Clothing group Rex Trueform's production was fully booked into the first half of 1995 while bookings for winter 1995 suggested capacity should be filled for the rest of the year, chairman Stewart Shub said in the annual report

In spite of difficult trading conditions, the company's earnings rose to 202,2c a share in the year to June 1994 from 155,4c a share the previous year, largely as a result of increased efficiency and a growing contribution from its Queenspark retail division

Shub said Rex Trueform was well positioned to take advantage of improvements in trading conditions in the next financial year

However, as a major exporter, the future was uncertain because of the lack of a long-term industrial strategy, said Shub (184)

He said increased structural investment was planned in the current financial year, and apart from the planned expansion of Queenspark, investment would be made in advanced machinery in the manufacturing division For this reason, the directors recommended conservation of cash resources through the award of capitalisation shares The dividend in the past year was 70c

About-face on tariffs sparks ragtrade row

ARG 8/10/94 (184)

ALIDE DASNOIS

Business Staff

THE National Clothing Federation's about-face on textile tariffs has drawn the wrath of textile manufacturers and of the SA Clothing and Textile Workers Union, who have accused the NCF of reneging on previous agreements.

But the NCF says it is still hoping consensus can be reached

In a statement issued this week by its vice-president Bernard Richards, the NCF bowed to pressure from smaller businesses and broke with previous policy, coming out in support of lower textile tariffs

High tariff protection on fibres, yarns and fabrics was stifling the growth of smaller clothing companies, Dr Richards said, and putting clothing out of the reach of many South Africans

He called for a review of the Swart Panel's proposals for the clothing and textile pipeline

The Textile Federation reacted immediately, putting out an angry statement signed by its president Brian Brink

Mr Brink accused the NCF of preparing to "renege" on its agreement with Texfed and with the SA Clothing and Textile Workers Union (Sactwu) in the Swart report

He said the NCF, aware that the General Export Incentive Scheme (Geis) was due to be phased out, was trying to get a "replacement subsidy" from the textile industry

In its own strongly worded statement, Sactwu expressed its disappointment with the NCF's stand

General secretary Jabu Gwala said the NCF's unilateral action cast doubt on its commitment to negotiate the future of the industry with all major role players

Sactwu had only been invited on October 3 to an October 5 meeting to discuss the new approach of the NCF to the Swart report and prior commitments had made it impossible for the union to attend

"We are concerned that given the serious nature of the NCF's new proposals and its possible impact on the industry, the NCF decided to continue with their plans without the input of other role players"

The Swart report had been tabled after almost two years of discussion, Mr Gwala said, and the NCF could have waited "a week or two" before issuing the statement

The Swart report is still under consideration by the government

The NCF's Dr Richards insisted that his organisation did not mean to "target" the textile industry

A meeting with Texfed was planned for next week and the union movement would also be consulted

He said a number of factors had prompted the NCF's change in stance since March

The election of a new government and the adoption of the Reconstruction and Development Programme, with its emphasis on job creation, had put the spotlight on the need to preserve and create jobs.

At the same time, smaller clothing companies were being squeezed by textile tariffs up on average from 20 percent to between 55 percent and 60 percent in three year

As the economy picked up, the demand for textiles had risen and the local textile industry was over-extended.

"Clothing manufacturers are desperately short of fabrics at the moment," said Dr Richards. "On average — and of course there are exceptions — deliveries are coming between four and six weeks late"

The clothing industry needed ready access to inputs in order to grow, he said

But Texfed's Mr Brink denied that there was a shortage of fabrics He said there was still spare capacity in the textile pipeline and the NCF was merely trying to claim temporary duty rebates on inputs pending a government decision

"In 1988 when a temporary rebate of duty on fabrics was introduced the cost savings were not passed on to the consumer in the form of lower priced clothing Where did the extra margin go?" said Mr Brink

■ Interviewed by telephone from London where he is on a business trip, NCF president Sadek Vahed said he was "delighted" that the Federation was now able to speak with one voice on the tariff question