MANUFACTURING — CLOTHING

1996 ~~1997~~

Jobs lost, but new factories open

(184)

ARG 4/9/96

Clothing industry survives strike over wages

ESTELLE RANDALL
Labour Reporter

NEW clothing factories opening in the Western Cape outnumber those that have closed since last month's clothing industry strike, but nearly 5 000 jobs have been lost in the past year

Fears that the clothing industry's first national wage strike last month would cause large-scale factory closures in the Western Cape do not appear to have materialised

Employers admitted wages were low, but said the increases being demanded could not be met in an industry threatened by cheap imports from Asia But they later agreed to the 10 percent package increase the Clothing and Textile Workers Union had demanded, and back-dated it to July 1.

Only four Western Cape factories employing about 52 workers have closed since the strike

Clothing Industrial Council secretary Dawie Ackerman said the closures resulted from applications for liquidation

"Small places come and go all the time," said Mr Ackerman "It's very easy to open a clothing factory"

He said that during the same period 22 new factories, providing jobs for 148 people had opened in the Western Cape.

There had been an estimated 10 percent drop in the number employed in the clothing industry in the year ending June. In June 1995, there were 415 clothing manufacturers with 49 000 employees registered with the industrial council, and in June this year there were 393 manufacturers with 44 282 employees

Mr Ackerman said the law required manufacturers to give the council seven days' notice of their intention to apply for provisional liquidation. But this did not stop manufacturers from going ahead with closures

"We would like to see changes as soon as possible to the existing legislation on insolvency," Mr Ackerman said

He knew of proposed changes to the Insolvency Act, and the council would lobby employers and trade unions about making joint representations

Show 'harmed AIDS workers'

(182)

JENNY VIALL
Health Reporter

ARG 4/9/96

THE musical *Sarafina 2* has done immense damage to people working in the AIDS field, says chairman of the National AIDS Convention of South Africa Peter Busse

The lack of transparency as well as the controversy surrounding the play had demoralised them, he said yesterday

Mr Busse was a member of a delegation from the convention which briefed the National Assembly portfolio committee on health

He said people with HIV (human immuno-deficiency virus), which can lead to AIDS, faced a lot of unfair and irrational discrimination A ban on testing people for HIV without their consent and a ban on pre-employment testing were two areas in which legislation was urgently needed

"AIDS is not a health issue AIDS is an issue for every citizen of this country to address"

Groceries for child sex 'rife' in W Cape town

(298)

CLIVE SAWYER
Political Correspondent

ARG 4/9/96

A LARGE number of schoolgirls in a Western Cape town were involved in a sex ring where abusers bought them groceries in return for favours, a parliamentary committee on welfare has been told.

Many parents, especially mothers, were aware of the situation but allowed it to continue, said Alan Jackson, director of the Cape Town Child Welfare Society

Some teachers and even police were aware of what was happening, but turned a blind eye because it had been happening for many years

This illustrated the extent of child abuse in semi-rural areas, Mr Jackson said

The name of the town was not disclosed in the submission to the committee

Mr Jackson told the committee that in 1995 the police Child Protection Unit had reported an increase of more than 20 percent in cases compared to 1994

A number of factors could be contributing to the reported increase, including greater publicity about child abuse, and recently-increased capacity on the part of organisations, the police and the courts dealing with the problem

"The extent of the problem is not known . the conspiracy of silence surrounding this issue means we might never know the extent of the problem"

Mr Jackson said the situation in the Western Cape town was one in which the difference between right and wrong had become blurred and where sexual abuse had become accepted as the norm.

It was also a situation which was unlikely to be solved by the usual legal methods alone

Mr Jackson said an awareness campaign and a debate at community level were essential to combat the problem

(184)

Queenspark helps Rextru lift turnover

ET (BR) 4/9/96

By Marc Hasenfuss

Cape Town — Rex Trueform, the clothing manufacturer and retailer, reported static attributable earnings of R10,2 million in the year to June 30, hemmed in by a steep rise in the tax bill after a solid operational performance

Earnings a share came in 4,1 percent lower at 57,8c on the back of more shares in issue The dividend, which was declared with a capitalisation share award option, was maintained at 20c.

Turnover rose 10,5 percent to R213 million Stewart Shub, the chairman of Rextru, attributed the increase to growth in the Queenspark retail division It accounted for more than half of company sales and generated most of the profit.

Slightly improved trading margins of 7,8 percent saw operating income rise 14 percent to R16,7 million Interest earned rose to R2,4 million and helped lift pretax income 17 percent to R16,5 million

Shub was pleased with the growth in pretax profit because trading conditions late in the financial year were difficult

The heavier tax bill of R6,2 million left the bottom line static The company paid a full tax rate because certain tax benefits relating to its export business fell away

Shub said Rextru's export performance remained inhibited as export incentives diminished

REX TRUEFORM (184) FM 13/9/96

EXPANDING RETAIL ARM

The 4% decline in EPS for the year to June 30 does not reflect Rex Trueform (Rextrue)'s solid, if unimpressive, trading performance in the trying conditions of the clothing and retail sectors It does indicate the effect of removing export incentives

It's probably not far from the truth that operating profit was derived largely from the 15-outlet Queenspark retail chain, with the manufacturing division achieving little more than breakeven

Before Queenspark was conceived, when the group was only a manufacturer, it profitably exported significant quantities of its locally manufactured, tailored clothing But in the competitive overseas markets, exports were profitable only because of the large export incentives provided by government With the tax benefits of these incentives no longer available, Rextrue is now paying full company tax

STANDING FAST

Year to June 30	1995	1996
Turnover (Rm)	192,4	212,6
Operating income (Rm)	14,6	16,7
Attributable (Rm)	10,2	10,2
Earnings (c)	60,3	57,8
Dividends (c)	20,0	20,0

For export purposes, its clothing factories now have to be competitive worldwide This could be possible if local textile suppliers were as free of duties as Rextrue's exports are free of incentives

Operating profit rose 14,3% and pretax 17,5% on turnover growth of 10,5% But, with the effective tax rate rising by 40%, the taxed profit was unchanged EPS were further diluted by an enlarged share capital

Queenspark goes from strength to strength and helps keep Rextrue's factories busy It is salutary to consider where the group would have been had not chairman Stewart Shub and his designer wife Pat not started the chain, which now accounts for more than half of group turnover

Queenspark opened no new stores in the past 12 months, but eight are planned for the current year, four before Christmas and four thereafter These will increase floor space by up to 50% The balance sheet is ungeared, and funding will not be difficult

Depending on the economy in financial 1997, as well as the accounting treatment applied to expansion costs, Queenspark's growth will have a large effect on turnover and could boost the retail division materially Profitability of the manufacturing side should also gain

In summary, the group has potential for rapid growth Queenspark's quality clothing is exclusive and differs from the run-of-the-mill stock sold by many other retailers It fills a growing niche for the A-B income group, whose clothing selection and quality is shrinking

Because of its retail component the share should not be rated on a par with other clothing manufacturers Its price has fallen 42% from the R12 high set in February to R7 now — where it offers a buying opportunity *Gerald Hirshon* though, the magic of the past year cannot be reproduced in 1997. These are not stocks for itinerant speculators but they do promise ample reward for those with patience *David Gleason*

CONSOL

(84)

SPENDING MOUNTS UP

FM 13/9/96

Faced with soft markets and another three years of substantial capital expenditure, Consol is braced for the load The annual report depicts a group holding its own so far

- **ACTIVITIES:** *Manufactures and markets glass, plastics and paper packaging and tableware, manufactures, markets and distributes new and retreaded tyres and industrial rubber stock.*
- **CONTROL:** *Anglovaal Industries 63,1%*
- **CHAIRMAN:** *J C Robbertze MD: P J Neethling.*
- **CAPITAL STRUCTURE:** *64,4m ords Market capitalisation. R2,8bn*
- **SHARE MARKET:** *Price 4 360c Yields. 2,3% on dividend; 8,3% on earnings, p e ratio, 12,0; cover, 3,6. 12-month high, 5 350c, low, 3 700c Trading volume last quarter, 570 465 shares.*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	43,9	107,5	230,5	313,9
LT debt (Rm)	63,3	169,4	270,4	236,5
Debt-equity ratio	n/a	0,34	0,37	0,43
Shareholders' interest	0,40	0,37	0,41	0,44
Int & leasing cover	33,3	10,1	5,9	4,5
Return on cap (%)	17,3	16,2	13,3	14,1
Turnover (Rm)	2 166	2 443	2 979	3 320
Pre-int profit (Rm)	280,5	285,5	339,5	389,3
Pre-int margin (%)	12,9	11,7	11,4	11,7
Earnings (c)	243	257	224	363
Dividends (c)	70	74	88	102

A good first half in 1996 outweighed the slowdown in the second half to deliver full-year growth in turnover of 11%, with operating profit up 15% and margins returned to 1994's 11,7% (11,4%)

The biggest short-term drain on resources has been the capex programme — though the long-term benefits of moving to world-class manufacturing equipment and standards should more than justify the expense

Capex for 1996 totalled R286m. In 1997, it is budgeted at R480m — R180m for a new furnace and production lines at the Bellville plant For the following two years, cash spend will drop to R300m, to be funded from cash flow and debt

Group MD Piet Neethling says much of the 1996 capex also went to the glass division As the SA glass packaging industry cannot get the economies of scale available to the many times larger European industry, its competitive edge must be derived from modern technology

The installation of an SAP R3 information technology system, which will replace a number of older systems, was also begun in the first half of this year

A drawback of such major capital expenditure is the disruptive effect on normal operations, where productivity has fallen But where refurbishment is complete, benefits should start flowing

Negative cash flow improved to R133m from last year's R170m, though it was below the forecast R100m Neethling says capex costs rose because of the weaker rand

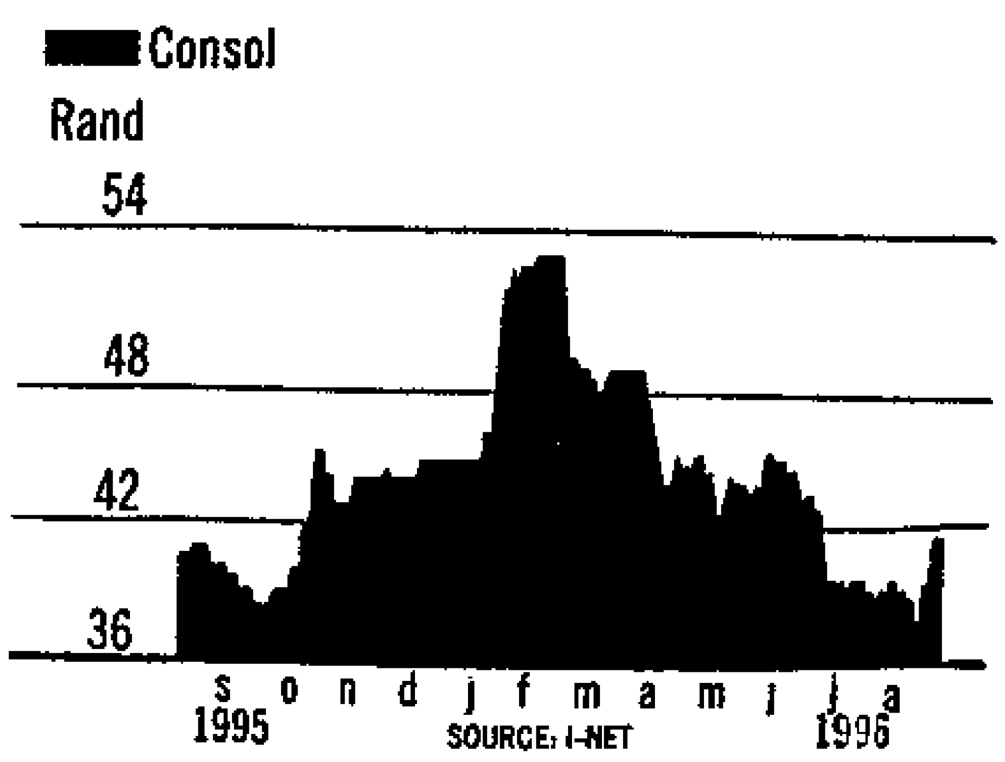
However, the capex programme is expected to peak in the current financial year Cash flow will be about R140m negative and net borrowing will reach about R670m, but in 1998 cash flow should turn positive (about R40m-R50m) and debt will decrease

The increase in net borrowings pushed gearing to 43%, which is high but not unmanageable Neethling stresses that the development programme was carefully planned and is on time and within cost limits. Provided the markets hold up, the group should be back to producing strong positive cash flows by 2000

Another imponderable in the equation is the reappearance of Goodyear on the scene It is considering a move back into the local company, though Neethling says the options are still wide open

One possibility is the US company's acquisition of a controlling shareholding and the separate listing of the glass and tyre divisions "The likelihood is more than zero," says Neethling It would also inject a hefty chunk of cash into the balance sheet

A key issue for the Americans is the rationalisation of product lines from about 300 to 100 and a restructure of the import-export balance Neethling says that management wants to do this, anyway, to "take the costs down in the plant"



The rand's weakening by about 25% is also starting to stem the uncontrolled inflow of imported tyres The market appears to favour the negotiations with Goodyear The share price has risen steadily since the talks were announced — its appreciation helped by the 17% increase in headline EPS

Analysts believe the glass/rubber combination hurts the share's rating "The p e is a mix of both sectors, which makes it fuzzy," says one "If the two businesses were split, it would be possible to value both more accurately" Consol's p e of 12 has lagged that of packaging companies Nampak (19,8) and Kohler (14,2)

Consol is seen as undervalued One analyst says headline EPS of 357c could easily be repeated next year and unbundling — should it occur — could unlock more value *Margaret-Anne Halse*

GENBEL/GENSEC

Frame eyes bid for Romatex (184)

Nicola Jenvey (1975)

BD 17/9/96

DURBAN — Clothing and textile group Frame was expected to buy CG Smith textiles subsidiary Romatex, paying above the company's current market price, analysts said yesterday.

The companies cautioned yesterday that talks were under way. Frame was unavailable, and CG Smith and Romatex declined to comment But analysts said the deal could be announced this week.

Romatex closed the session 13,6% up at 375c on the JSE, valuing the company at R99m. Its net asset value was 977c a share for the six months to March. Frame was expected to pay 600c-800c a share — valuing CG Smith's 60% stake at R95m-R127m. Frame gained 50c to close at 825c, valuing it at R205m

Analysts said the tie-up was in line with global joint venture trends

Workers frustrated by rate of change

CT 18/9/96 (184)

THE CLOTHING INDUSTRY is the largest industry in the Western Cape, employing 50 000 people, most of them women from single-parent families. The textile and footwear manufacturing industries are the next biggest, with 10 000 people each. Together, these three industries have historically formed a major component — if not the very foundation — of the South African manufacturing industry, and have served it well. They reserve judgment, however, on the impact the values of the new South Africa have had on conditions in the workplace, writes **YAZEED FAKIER.**

"THE jury is still out," says Mr Ebrahim Patel, labour co-ordinator for Nedlac (National Economic Development and Labour Council) and Sactwu's national deputy secretary-general

He was responding to the question of Western Cape Sactwu workers' impression of the new South Africa

"The visible trimmings of apartheid are gone — you can go to any beach, any post office, get married to any person

"But how often do you go to the beach, how often do you stand in the queue at the post office, and how often do you get married?

"You *do*, however, get your weekly wage every week, you live in Manenberg everyday, it's on your wage and the issue of Manenberg that the real transformation is being awaited — and there I detect a real sense of impatience from workers "

While workers embrace the values of the new South Africa to the extent that these are values of opportunity and advancement, "they want to see the delivery — *less talk more action*", he emphasises.

Patel says that "two years down the line, among the changes is that it's more likely today that you will see a black manager at the workplace"

However, "very little has changed for an ordinary worker on an ordinary shopfloor"

"They are essentially faced with the same pattern of power and income

"His or her pay hasn't changed, training hasn't changed, and career opportunities haven't changed either, because the black manager is unlikely to be drawn from the shop floor

"It's likely that the manager was drawn from the university, drawn from the professions

"The problem inherent in this is that you create a static workforce where there's no opportunity for people with dynamism and energy and who have put effort into the company to ever move upward

"This, in turn, results in a tremendous frustration — that whereas the new South Africa was to be the land of opportunity, it's now become very much like the old South Africa

The feeling is "as a blue-collar worker I'm stuck, working long hours for very little pay, other people are coming from the outside and creaming off the top positions, and obtaining that under the guise of affirmative action"

"So affirmative action, which ought to have been the mechanism to promote from within, has now become the means of cosmetic change, bringing in high-profile black managers to sit in the personnel office, or in the PR office or on the board "

GRAPPLING WITH CHANGE

Mr Antonio Hercules, director of the End Racism and Sexism through Education (Erase) centre, says that even though there are a number of black personnel "rising up the ranks to line, lower, middle and, sometimes, senior management, often they're placed within the field of human resources".

"This means that they might have high salaries and nice perks, but in terms of where the power lies within the company, they're still not really at the nexus of decision-making

"They are still on the periphery of that kind of core in terms of how companies function and where strategic decision-making business processes happen."

Patel says the most common concerns of workers in the Western Cape are about wages, job security, social benefits, training and work hours

● Wages "Still remain low and will remain so, unless we can make dramatic progress on the wage front and that will require, in turn, changes in the way in which companies are run "

● Job security "There's a real worry that instead of transforming themselves, companies are taking the easy option of moving offshore, and retailers are sourcing (importing goods) to a greater extent from east Asian countries

"So there's a concern about jobs and a determination to address the issue "

● Social benefits "For example, on the front of healthcare and housing young workers are saying housing is just unaffordable to them

"It's an issue that the union movement, increasingly, will have to take up with government and we'll have to be quite firm about it, that we need delivery in these areas urgently "

● Training "Workers have a hunger to be trained, to acquire more skills, and to increase their earnings and benefits at the workplace "

● Hours of work "Many of the women are in single-parent families; they're the only breadwinner in the house, two or three kids in the family, and there is a concern about not spending enough time with the kids

"Part of it is that parents are working during the day and the kids are rendered 'latchdoor key kids'

"The issues of quality of life, of making sure that we are able to spend more time with our families, these are likely to become important issues in future "

The union is busy with negotiations on the questions of working hours and maternity leave and is hopeful of progress there

"Both are areas where government can do something, but which government is seeking to do very modestly, they need to be more robust in putting forward proposals to modernise industry and increase the level of rights that workers have

"In doing so there needs to be a sense of urgency

"Take crime, for example Everybody recognises, theoretically, that it's a problem and it's only when communities start to mobilise in large numbers that we now see this energy that has been trained on the problem

"We need a similar burst of energy to bring our industrial relations structure, and the workplace in particular, into the new South Africa "

There was, however, unexpected evidence of change from an unusual sector during the recent strike — the police

"They have acted with much more restraint during industrial action protests There has been much greater sensitivity from the external agencies in industrial relations "

Upturn seen for battered clothing sector

Imports threat wanes

(184) ARG 24/9/96

BUSINESS EDITOR

Things could be looking up in the clothing industry, says Investec Securities analyst Arnold Werbeloff.

Writing in the latest issue of the newletter of the Clothing Federation (Clofed), he says smuggled imports of clothing are likely to drop from 50 percent of legal imports last year, to between 10 percent and 20 percent this year

Abnormal growth in exports from Malawi - which ranks second only to China as a source of clothing imports to South Africa - could be reduced by proposed regulations

Other positive factors for the industry include the rand's depreciation, which has contributed to a surge in exports, generous tax holidays and incentives offered under the government's macro-economic plan, an agreement with Zimbabwe on trade preferences which relieves pressure on South African suppliers, rising retail clothing sales growth, which is bouncing back to 10 percent a year from five percent.

In addition, Mr Werbeloff says, the dispute with the SA Clothing and Textile Workers' Union (Sactwu) was resolved at "relatively low cost"

"The combination of more expensive imports, tighter control of clothing import fraud, real growth in consumer purchases and restocking at retail level are combing to provide a gradual improvement in outlook for orders and bottom line performance in the clothing industry", Mr Werbeloff says

"Talk of the demise of the formal clothing industry in this country is misguided."

More efficient firms are likely to adapt to lower import duties and beat shareholder expectations, he predicts.

But in the same newsletter, Clofed economist Paul Theron warns that the recession in the clothing industry is far from over

Mr Theron says since a high point in October 1995, more than 15 000 clothing workers have lost their jobs

The number of clothing firms is still falling, Mr Theron says, suggesting that conditions in the industry have not improved as fast as expected

COMPANY NEWS

CLOTHING *Discussions on acquisitions are already under way, says LA Retail*

Jeans and workwear will power growth

(184) CT (BR) 26/9/96

MARC HASENFUSS
CAPE EDITOR

Cape Town — LA Retail Stores, which lists on the JSE's stores sector in mid-October via a reverse takeover of Ensign Clothing, could soon hit the acquisition trail

LA also indicated an interest in resuscitating Ensign's well-known workwear brands, which would complement the company's big-selling in-house jean range

AK Peer, the company's managing director, said yesterday discussions were already under way with a number of niche players in the fashion retail sector

"Acquisitions are definitely a route we will take But we will move cautiously and diligently in this regard"

LA is geared for expansion with R8 million in the kitty from the reverse takeover of Ensign, which is currently listed in the JSE's cash companies sector The company also intends increasing its store base from 18 to 55 by a carefully planned expansion programme

Peer said Ensign's workwear brands could be relaunched, with interest already apparent from manufacturers

"Brands like Samson have been active for around 60 years and still have a strong name in the market Samson, in fact, produced the first jeans in Africa

"Jeans are an important element in our business, with LA Jean Company a market leader We can build on this"

Peer noted strong institutional interest in the company's private placement of six million shares

"The private placement was fully subscribed In fact, there is a shortage of scrip with a number of institutions indicating they want more"

Peer and his family will own 70 percent of LA Sanlam, BoE, Southern, Investec, Standard Corporate and Merchant Bank and Brimstone Investments will collectively own 24 percent

"Demand for the share in the private placement was extremely heavy

"That is why we didn't have a public offer because we would never have been able to meet the demand"

Tradeability in the shares would be boosted by a 10-for-1 share split, Peer said

PEER PRESSURE *LA Retail boss AK Peer has big plans to expand*
PHOTO ANDREW BROWN

Clothing imports from Malawi tighten trade for SA's industry

(184) BD 26/9/96

CAPE TOWN — A sudden increase in clothing imports from Malawi was prolonging the period of tight trading conditions currently being experienced by the SA industry, Clothing Federation of SA economist Paul Theron said in the Clothing Industry News

There was "great concern" that Malawi, which had an "insignificant" clothing manufacturing industry, was being used as a conduit for low-priced garments (from other countries) to evade customs duty, he said The issue had been taken up with the trade and industry department, but Theron said officials had not taken it seriously enough

He attributed the rise in imports to the free trade agreement with Malawi and said import pressure was expected to grow under the new trade agreement with Zimbabwe.

"The industry will continue to face increasing pressures on the domestic market from imports as the customs tariff levels are phased down and preferential access is granted to neighbouring countries"

More than 15 000 people had lost their jobs in the clothing industry since October last year, indicating that "the recession in the industry is far from over".

Theron said the clothing producer and consumer price indices continued to be well below the general consumer price index, at about 4%.

"This is good news for the consumer although it is not translating into revived demand for value-priced products when compared to other consumer products . the rate of price increase of other consumer items is swallowing a greater proportion of disposable income "

Although the textile production price index had fallen, it was still out of line with the clothing indices and manufacturers would continue to be hard-pressed to contain costs.

In the same edition of the newsletter, Investec Securities analyst Arnold Werbeloff said talk of the demise of the SA formal clothing industry was "misguided"

"What is likely is that the more efficient and effective operators will adapt to the lowering of duties and exceed shareholder expectations

"Other firms will either lose market share or be overtaken by market demands. Thus, the task of the astute investor will be to identify well in advance the winners in the next business cycle upturn and decide whether to invest at the low prices currently available or to enter later on a market timing basis," Werbeloff said. — Reuter

R7,4-m loss hits rag trade trimmings firm

Asean to stay in the red this year

(184) ARG 30/9/96

BUSINESS EDITOR

Asean, the Atlantis-based supplier of trimmings to the clothing industry, will not be back in the black this year

Reporting a loss of R7,4 million in the six months ended June, managing director Ravi Bedi said the group would not return to profitability in the current year

Asean, formerly Strebel Holdings, was taken over by Industrial Investment International, part of the Singapore-based Tolaram group, last February Losses for the six months were incurred before the management changeover was effective, Mr Bedi said.

Turnover was down from R28 million to R21 million in the six months following a sharp downturn in the textile industry and rationalisation within the group

Operating losses totalled R4,9 million, with continuing operations contributing nearly R4,7 million and discontinued operations R257 000.

Additional losses of R1,7 million reflected exceptional write-offs of stock and debts which could not be called in

But, Mr Bedi said, restructuring was now at an advanced stage

Asean, which sold off Strebel's hats and belts division in March, has now also sold the wire components divisions of Sidley Manufacturing Sidley also makes cords, braids, rope and shoe laces.

The wire components division was sold for R771 247 in cash, making a profit of R284 190 Since the takeover, the new owners had ploughed in R700 000 in capital spending to improve service level, product quality and sales

● The Tolaram group's other Cape investment, Tolaram 2000 (formerly Fenix Industries) reported losses of R1,6 million in the six months ended June, compared to profits of R2,6 million a year ago

185. B+B

Like it or not, clothing faces tough competition

(184) ST 7/1/96

By MARCIA KLEIN

SEEKING CONSENSUS: Bernard Richards

CLOTHING manufacturers will have to become more and more market-driven to survive as the "chill winds of international competition invade our shores", says Bernard Richards, joint managing director of Seardel, South Africa's largest clothing manufacturer

Dr Richards, who was elected president of the Clothing Federation of South Africa in November, says international competitiveness will have to become the clothing industry's overriding objective

Late last year the Department of Trade and Industry announced its seven-year tariff phase-down plan, aimed at making the industry internationally competitive

The Clothing Federation says the industry, with about 2 500 manufacturers employing about 250 000 people, is the country's most labour-intensive and has the biggest potential for employment creation

It also has the greatest potential for increased exports and is the industry with the greatest number of small businesses

Industry output for 1995 was an estimated R7-billion, with exports of R600-million

Dr Richards says that in the year ahead, the clothing and textile industries will have to become more focused on value-added merchandise, information technology, specialisation, quick response and short runs

He also urges the fragmented industry to reach consensus in order to "talk with power" when dealing with unions, outside organisations and government

A major task this year will be tackling unfair competition While he welcomes government proposals to restructure customs and excise, Dr Richards says this needs to be implemented quickly to stop fraudulent imports

The clothing and textile federations have offered financial and other assistance to speed up implementation of suitable control measures

This year the industry will also focus on promoting exports and promoting and developing micro, small and medium-size enterprises

Dr Richards says the ad hoc extension of preferential duties to Zimbabwe must be resisted, and the "anomalies" of goods from Malawi having preferential access to South Africa and Zimbabwean goods having preference via Botswana and Namibia need to be eliminated

Dr Richards is concerned about the clothing industry's low rating on the JSE, which he believes is not deserved

"The cost of capital to our industry is inordinately high and affects not only listed companies but all clothing companies seeking bank and other forms of credit," he says

The perception that the clothing and textile industries are at war makes investors jittery

But in fact the two are working together "to formulate joint policy positions on many issues", including the development and promotion of small and medium-size businesses, the Southern Africa Development Community, training, tariff anomalies, customs control and disposal of confiscated goods

Clofed boss calls for unity in clothing industry

(184) ET(BR) 9/1/96

By Shirley Jones

Durban — South Africa's traditionally fragmented clothing industry, comprising 2 000 manufacturers employing 250 000 people, must talk with power when dealing with intra-pipeline lobbies such as the Textile Federation, outside organisations, the government and the South African Clothing and Textile Workers Union.

The call came last week from Bernard Richards, the joint managing director of Seardel, the country's largest clothing group, and recently elected president of the Clothing Federation of South Africa (Clofed)

Demands for increased international competitiveness requires enlightened and professional leadership with definite aims and a new set of management directives, he says

"By definition, manufacturers are headed by independently minded entrepreneurs with their own strong views It is not easy to achieve consensus in our industry But the cliche 'Unity is strength' has never been more important," he says

Key issues a united approach would enable the industry to tackle more effectively are inadequate customs and excise, the development of preferential trade agreements with neighbouring states, and the extension of the Duty Credit Certificate Scheme to enable local industry to grasp opportunities presented by European Union outward processing

Richards says efforts to establish a South African Clothing and Textile Export Council will continue this year

"A response from the department of trade and industry on funding proposals is still awaited. Richards said this body is expected to play a pivotal role in making the clothing and textile industries effective participants in the global market

Richards says Clofed will continue to participate in and promote the development of small, medium and micro enterprises He says that business and job creation thrive best when active efforts are made to remove uncertainty The new Labour Relations Act seems to have aided, this approach, he says

Challenging Nedlac to rapidly create a climate where the economy can grow for the benefit of all, Richards warns against trying to kick-start the economy by way of social accords

"There is a need to guard against the growing tendency to incorporate social needs within the training ambit at this critical stage in the development of the industry

"In our quest for international competitiveness, we must guard against smothering entrepreneurship while keeping labour costs under control In the international clothing industry, the quest for high wages linked to high value-added products as a means to create jobs is a pipe dream," he says

NEW POST Clofed's president, Bernard Richards

ADONIS KNITWEAR (184)

Knitting up a storm

FM 12/1/96

Activities: *Manufactures and distributes high-quality knitwear*

Control: *Directors 78%*

Chairman & CE: *J Bencen*

Capital structure: *3,5m ords Market capitalisation R7m*

Share market: *Price 200c Yields 8% on dividend, 26% on earnings, p e ratio, 3,8, cover, 3,3 12-month high, 200c, low, 90c Trading volume last quarter, 13 500 shares*

Year to Sep 30	'92	'93	'94	'95
ST debt (Rm)	n/a	n/a	n/a	0,6
LT debt (Rm)	n/a	n/a	n/a	2,0
Debt equity ratio	n/a	n/a	n/a	0,08
Shareholders' interest	0,85	0,76	0,73	0,55
Int & leasing cover	n/a	n/a	93,0	8,0
Return on cap (%)	1,4	n/a	5,6	20,9
Turnover (Rm)	n/a	n/a	9,9	15,5
Pre-int profit (Rm)	0,1	(0,3)	0,5	3,2
Pre-int margin (%)	n/a	n/a	5,5	20,5
Earnings (c)	7,9	0,9	9	52
Dividends (c)	none	none	4	16
Net worth (c)	236	195	200	236

Nowhere are economic trends more dramatically illustrated than in the movements of cyclical stocks Improving fortunes in the clothing industry have caused Adonis Knitwear to explode into activity

Results for the year to September 1995 are impressive For the first time turnover is disclosed, in accordance with JSE regulations and Companies Act requirements, and it increased 57% to R15,5m Trading income jumped 4,3 times to R2,1m

Last year's trading margin was 4,9%, this year's reached 13,7% Operating income increased to R3,2m with inclusion of R1,1m profit on disposal of fixed assets, pushing operating margins to 20,6% EPS of 52c (9c) includes 24c from the disposal of assets, but even without that addition, they more than tripled

The share is an interesting illustration of how the potential inherent in a cyclical stock emerges when there is movement in the sector

The intrinsic value of the assets has altered only slightly — NAV grew only 18% — but returns on equity and capital have quadrupled (ROE went from 4,5% last year to 22%), as have operating margins EPS and dividends also skyrocketed

Along with the pleasures of success come the burdens. Total borrowings have climbed to R2,6m after several years of debt-free operation, largely to fund the burgeoning demand for working capital, though gearing is still negligible

Tax quadrupled to R990 629 and net finance costs jumped from R5 800 to R355 000 Nonetheless attributable income of R1,8m was over five times that of the previous year, and there was a R1,8m cash balance at year-end

Good though these results look, they are only catching up with earnings and NAV achieved in 1992, underlining the decline in 1993 and 1994 Nonetheless, the recovery has been quite striking in its speed The share price has doubled since last January, to 200c, NAV is back to its 1992 level of 236c

A year ago the share traded at a 50% discount to NAV, now the discount has closed to 15% This is largely academic considering the share's illiquidity, but is useful for valuation purposes

On a p e of 3,8 the share still looks undervalued, but that is endemic to tightly held shares and to counters just beginning to benefit from the economic upturn

Management predicts "difficult trading conditions" due to high unemployment and less disposable income, but the market niches supplied by Adonis should be less affected by these phenomena

Though winter orders are down on last year's so far, further orders are expected and chairman Joseph Bencen is confident that earnings for 1996 will maintain the current level

Margaret Anne Halse

Zimbabwe deal outrages federations

(184)

CT(BR) 15/1/96

By Shirley Jones

Durban — The government's decision last week to lower the local content requirement for Zimbabwean products entering the country — from 75 percent to 25 percent as part of a proposed preferential trade agreement — has outraged the local clothing and textile industries

The clothing and textile federations, which have long opposed the reinstatement of pre-1992 trade concessions between South Africa and Zimbabwe, were upset at not having been consulted.

They said the move would set a dangerous precedent for future trade negotiations and were alarmed about an application from Mauritius for similar preferential trade status.

Paul Theron, an economist from the clothing federation, said it appeared the government had moved away from operating on a concensual basis in favour of arbitrary decisions.

He said that should Zimbabwe accept this offer, the industry's worst fears would be realised. Zimbabwe would become no more than a wholesaler of finished products. Just a small portion of imports would be bona fide Zimbabwean products and the country would act as a conduit for cheap imports from the East, said Theron.

According to the latest figures supplied by the textile federation, legitimate imports comprised 45 percent of local textile markets, and 15 percent of the local clothing markets.

Of this, Zimbabwean imports made up 7 percent and 5 percent respectively.

However, should the preferential trade agreement be finalised in this form, these figures would skyrocket, said Brian Brink, the head of the textile federation.

Msundo Nkuhlo, the director of trade relations, which falls under the trade and industry department, said that the clothing and textile industries and labour had enjoyed significant input into offers made to Zimbabwe He said the latest offer had not been such a radical departure from the original as the 25 percent local content requirement would be increased by 5 percent each year to accommodate increased production.

Zimbabwe, however, has refused the offer on the grounds that the increasing local content requirement would ultimately be unattainable as the majority of raw materials in the Zimbabwean clothing and textile pipeline were imported.

Nkuhlo said no date had yet been set to resolve the stalemate which had developed. He said he regretted that this could derail an attempt to conclude the trade deal by early next month.

Nkuhlo confirmed that an application for preferential trade status had been received from Mauritius last November. He said that although preliminary consultation between Mauritian authorities and the trade and industry minister, Trevor Manuel, had taken place, no details had been finalised.

He said that there were enough difficulties in negotiations with Zimbabwe, and the department was reluctant to engage in a multitude of trade negotiations at the same time

Brink said that since Mauritius was not far away and had access to cheap labour and cheap raw materials from the East, the entry of its goods, duty free, could deal a devastating blow to local industry.

Textile talks with Zimbabwe hit new snag

(184)

By Shirley Jones

CT (BR) 16/1/96

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

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

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

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

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

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

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

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

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

Coastal Clothing now among top three

(184) CT (BR) 31/1/96

By Shirley Jones

Durban — Coastal Clothing, the Durban-based clothing and textile group, has announced acquisitions and a restructuring strategy which it claims will position it as one of the country's top three textile producers

The managing director, Rajen Pillay, said yesterday that the company had, in addition to applying for a name change to The Coastal Group, restructured into three divisions and added its first operational subsidiary

This was necessary as the listed company, an 88,5 percent-owned subsidiary of the Indonesian textile group Polysindo, had expanded into textiles. Pillay said Coastal's assets totalled R340 million and turnover for the financial year to February next year had been pegged at more than R328 million

Coastal's largest division, Tasman, would comprise weaving and garment-making plants near Gaborone, Botswana Pillay said Polysindo had acquired a 77 percent stake in this operation for R39 million, which would be funded via a cash injection into Coastal The mill would be set up at a cost of R178 million, of which R104 million would be funded via borrowings from a banking consortium, secured via the Botswana Development Corporation The venture would comprise a joint venture between Coastal and the corporation.

The product for the venture — 100 percent polyester ladies apparel fabric and suiting — is now wholly imported at a rate of 100 million metres a year Garments produced from this fabric would be exported to the United States and Europe, allowing Coastal to take full advantage of Botswana's Lomé status

Coastal's second subsidiary, denim producer Algo Spinning and Weaving, also in Botswana, has just been acquired for $3 million cash from AIDC Investment Through a further investment of $3 million to upgrade plant, Pillay envisaged creating southern Africa's foremost denim manufacturer The production split would be 50-50 for the local and overseas markets He was looking to secure further deals for Coastal this year

Mugabe gets tough on imports from SA

(184)(187)

By Emelia Sithole (2282)

CT(BR) 27/5/96

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mugabe's tariff threat a strain on relations with SA

(184) BD 30/5/96

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

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

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

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

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

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

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

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

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

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

Sactwu members strike over agreement

BD 10/5/96 (152) (184)

Bonile Ngqiyaza

ABOUT 5 000 Sactwu members employed by Island View Industrials and the Romatex group of companies downed tools across the country yesterday, union spokesman Chris Gina said

They were protesting against the companies' failure to honour a 1992 agreement — before Romatex had unbundled — which stipulated quarterly meetings between the company and Sactwu, Gina said

"This is a forum where the company could have informed us of the impending unbundling," he said

Romatex had in October 1994 transferred its 100% interests in businesses operated by Island View Storage and Romatex Industrials to Island View Holdings

Yesterday's action by Sactwu comes during a three-week strike at Island View Industrials in Durban by their members The strike began after a deadlock in yearly wage negotiations

Gina said the decision to strike yesterday had been made after a shop stewards' council meeting last Saturday had expressed indignation at the companies' refusal to recognise the agreement on the grounds that they were independent of each other

An Island View Industrials spokesman yesterday confirmed the strike at the Durban plant, but declined to give details

Romatex said employees at their Durban plant had joined the strike in sympathy

In another development, Sactwu said 300 of its members employed at Prilla 2000 near Maritzburg went on strike in KwaZulu-Natal over the company's failure to implement an agreement negotiated with the union

"Fears which existed in the minds of many workers about foreign investment may prove to be well founded in the light of recent actions by some companies who are attempting to discard agreements between workers and the former owners," Sactwu general secretary Jabu Ngcobo said

SADC changes will boost clothing

BD 13/5/96

184

John Dludlu

THE transformation of the 12-nation Southern African Development Community into a common market would bolster wobbly clothing firms and increase competition in the region, says Clothing Federation president Bernard Richards

Addressing the ninth session of the UN Conference on Trade and Development, Richards said an SADC common market — which had nearly 140-million people — carried a potential for improved competition from lower cost neighbours

Such a market could also prolong the life of smaller operations by giving them an option of relocating to lower cost areas

"There is also a potential for increased export market opportunities through reduced cost structures and use of Lomé (Convention) benefits"

Most of SA's neighbours receive generous trade concessions from the convention, which allows their products to enter the European Union's 15-nation markets at preferential tariff rates

Although the SADC, which SA joined after the elections in 1994, is presently not a common market, SADC officials are known to be keen to forge a single market by the turn of the century

Bernard said the development of the SADC region as an economic powerhouse hinged on the creation of a free trade regime, with a 75% local content requirement in the clothing sector "This is a fundamental requirement and will generate jobs throughout the cotton farming, knitting, spinning, weaving and sewing sectors "

Bernard's comments follow a year of unsuccesful attempts by Pretoria and Harare to renegotiate the reinstatement of lapsed trade preferences on Zimbabwean clothing and textile exports to SA

The sticking point in the talks is the level of a local content requirement, which SA's textile and clothing industries want set at 75%

Bernard said the clothing industry did not understand the "flirtation" with a bilateral Zimbabwe agreement

Business and labour to join talks

(184) (22) BD 27/5/96 (1999)

John Dludlu

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

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

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

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

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

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

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

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

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

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(184)

CT (BR) 15/1/96

By Shirley Jones

Durban — The government's decision last week to lower the local content requirement for Zimbabwean products entering the country — from 75 percent to 25 percent as part of a proposed preferential trade agreement — has outraged the local clothing and textile industries

The clothing and textile federations, which have long opposed the reinstatement of pre-1992 trade concessions between South Africa and Zimbabwe, were upset at not having been consulted

They said the move would set a dangerous precedent for future trade negotiations and were alarmed about an application from Mauritius for similar preferential trade status

Paul Theron, an economist from the clothing federation, said it appeared the government had moved away from operating on a concensual basis in favour of arbitrary decisions.

He said that should Zimbabwe accept this offer, the industry's worst fears would be realised. Zimbabwe would become no more than a wholesaler of finished products Just a small portion of imports would be bona fide Zimbabwean products and the country would act as a conduit for cheap imports from the East, said Theron.

According to the latest figures supplied by the textile federation, legitimate imports comprised 45 percent of local textile markets, and 15 percent of the local clothing markets

Of this, Zimbabwean imports made up 7 percent and 5 percent respectively

However, should the preferential trade agreement be finalised in this form, these figures would sky-rocket, said Brian Brink, the head of the textile federation.

Msundo Nkuhlo, the director of trade relations, which falls under the trade and industry department, said that the clothing and textile industries and labour had enjoyed significant input into offers made to Zimbabwe He said the latest offer had not been such a radical departure from the original as the 25 percent local content requirement would be increased by 5 percent each year to accommodate increased production.

Zimbabwe, however, has refused the offer on the grounds that the increasing local content requirement would ultimately be unattainable as the majority of raw materials in the Zimbabwean clothing and textile pipeline were imported

Nkuhlo said no date had yet been set to resolve the stalemate which had developed. He said he regretted that this could derail an attempt to conclude the trade deal by early next month.

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Textile talks with Zimbabwe hit new snag

(493)(184)(775)

By Shirley Jones

CT(BA) 16/1/96

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

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

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

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

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

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

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

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

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

ALLWEAR

(184)

ALL DOLLED UP

FM 24/5/96

Since casting off loss-making children's and babywear division Sherleys four years ago, Allwear has grown in financial strength and stature The share, which the *FM* noted as a recovery stock two years ago when it was priced at about 65c, has responded accordingly

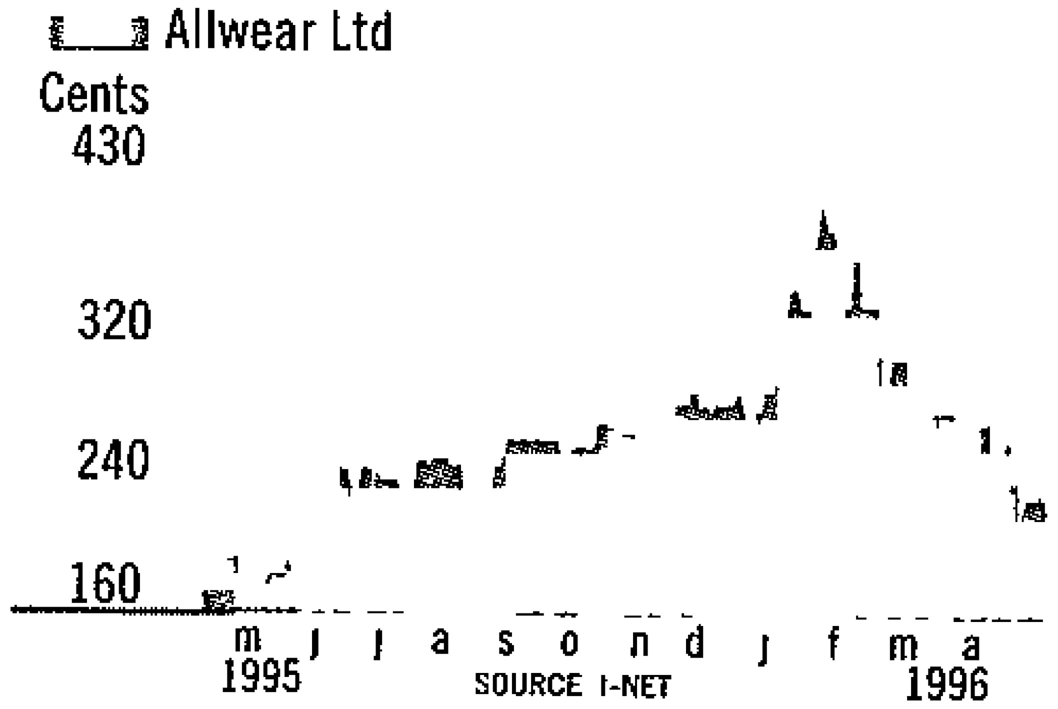
Results for financial 1995 set a new record So it's surprising to see that the share price has come back from its early February high of 415c to 224c

- **ACTIVITIES** *Makes schoolwear and menswear*
- **CONTROL·** *Hicor 61%*
- **CHAIRMAN** *R van Rooyen MD J H Jordaan*
- **CAPITAL STRUCTURE** *14,1m ords Market capitalisation R31,6m*
- **SHARE MARKET** *Price 224c Yields 23,9% on earnings, p e ratio, 4,2, cover, 5,4 12-month high, 415c, low, 185c Trading volume last quarter, 1,1m shares*

Year to December 31	†'92	'93	'94	'95
ST debt (Rm)	17,3	11,9	12,1	12,9
LT debt (Rm)	4,4	7,3	3,1	2,5
Debt equity ratio	1,11	0,91	0,58	0,48
Shareholders' interest	0,32	0,41	0,46	0,46
Int & leasing cover	1,0	1,6	3,8	9,2
Return on cap (%)	5,2	11,1	12,6	16,1
Turnover (Rm)	57,5	57,9	64,4	81,2
Pre-int profit (Rm)	2,9	5,8	7,1	11,1
Pre-int margin (%)	5,1	10,0	11,0	13,6
Earnings (c)	(1,4)	20,2	35,2	53,5
Dividends (c)	Nil	Nil	Nil	10
Tangible NAV (c)	128	168	184	227

† 10-month trading period

Either something has gone wrong in the company or it is a victim of negative investor perceptions of the embattled textile and clothing industry If the latter — which we believe to be the case — then this share is grossly undervalued, not only in the clothing sector



The numbers show a healthy increase, and, more important, key ratios improved At 13,6%, the pre-interest margin is the widest it has been, at least this decade Returns on capital and equity are also records Gearing of 48% is the lowest it has been but the percentage is misleading The core business is school uniforms, which are cyclical

Chairman Renier van Rooyen says at year-end 49% of annual turnover was outstanding as debtors, after November's peak sales "Debtors usually get 90 days, so February and March are big collection months We are now sitting on cash "

Exports, at about 15% of turnover in 1995, were disappointing, slipping by 16% to depress the 37% increase in local turnover to a total gain of 26% This year is looking brighter "Exports will increase We have, for the first time, picked up orders for the Littlewoods chain in the UK," Van Rooyen says His target for exports is 20% of turnover The slide in the value of the rand will boost margins

But the mainstay is school uniforms and it is here that Allwear is protected from many of the problems besetting the clothing industry Garments like school blazers are specialised in colours and styles, so there is little threat from imports and declining tariffs Continuing spending on technology enables Allwear to handle relatively short runs profitably

The main factor, though, which makes earnings growth look sustainable is government's focus on education, which has seen more pupils in schools and for longer periods than in the past That fact and the majority of the population being under 18 years old should ensure increasing demand

Van Rooyen says order books are fairly full this year Allwear is also looking at areas of diversification to fully use its plant at Newcastle in KwaZulu-Natal

A full tax rate will probably apply this year as assessed losses have been used up The average rate for financial 1995 was 29% So Van Rooyen does not expect this to put too much pressure on profits "We expect after-tax profits to be at least the same as or better than last year "

Holding company Hicor's stake has been reduced from about 82% to 61% following the sale of shares to institutions and corporations, including Coronation Asset Management which bought 2m at 180c each about a year ago

On a p e multiple of 4,2 and trading roughly at NAV, this share looks set to rerate as soon as investors see through the gloom surrounding the sector Interim results could set the share on another of its runs *Shaun Harris*

Federations slate statistical services

(184) (183)

By Stuart Rutherford

CT(BR) 2/5/96

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

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

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

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

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

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

Sactwu members strike over agreement

BD 10/5/96 (182) (184)

Bonile Ngqiyaza

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BD 13/5/96 (184)

John Dludlu

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The sticking point in the talks is the level of a local content requirement, which SA's textile and clothing industries want set at 75%

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Business and labour to join talks

(184) (22) BD 27/5/96 (K19)

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

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

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

Mugabe gets tough on imports from SA

(184) (1889) (282).

By Emelia Sithole

CT (BR) 27/5/96

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

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

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

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

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

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

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

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

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

"We have been very patient but we feel that we have been shortchanged by South Africa," he said

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

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

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

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

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

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

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

Mugabe's tariff threat a strain on relations with SA

(184) BD 30/5/96

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

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

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

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

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

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

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

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

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

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

Continued from page 22

One explanation is offered by Holomisa — that the ANC's defence of Sigcau is inseparable from its sensitivity to the broader question of its relationship with Kerzner

Holomisa, who has long crusaded for Kerzner to be indicted on bribery charges for his payment of R2m to Matanzima, believes that the ANC top brass is indebted to Kerzner and anxious to keep its link with the financial baron secret, understandably so given Kerzner's close past links with another alleged apartheid collaborator, former Bophuthatswana president Lucas Mangope, and his openly declared support of the "racist" 1983 constitution

Kader Asmal

For that reason, according to Holomisa's exposition, the ANC responds aggressively to finger-pointing on the Kerzner connection or, when vituperation fails, invokes pseudo-legal rationalisations about the issue being sub judice His explanation supplements rather than contradicts the theory that Mbeki was cutting him down to size in preparation for the post-Mandela era, known in ANC circles as WMG (When Mandela Goes)

Holomisa's specific charges are now part of the record

❑ The ANC accepted R2m from Kerzner for its 1994 election campaign at a time when Kerzner was trying to get bribery charges against him quashed, and

❑ ANC leaders Mbeki and Tshwete accepted "favours" from Kerzner, funding for Mbeki's 50th birthday party and hotel accommodation for Tshwete

The rider to these charges is Holomisa's contention that the ANC cannot be both judge and prosecution in disciplining him He rightly says that his accusers are interested parties in the move to discipline him for bringing the ANC in disrepute

The disciplinary hearing, now set for August 30, has been postponed twice Asmal recused himself at the first (curtailed) meeting because — in his curious phrase — "the appearance of impartiality is as important as the reality"

One wonders cynically whether Asmal belatedly wants to dissociate himself from the case As a former chairman of the Irish Anti-Apartheid Movement, he must know that Kerzner is not a cause worth fighting for

There have been several salient developments since Holomisa first publicly voiced his accusations on August 2 They include vehement ANC denials, with Holomisa being castigated for telling "blatant and malicious" lies, and a later, startling admission, by Mandela himself that Kerzner did indeed pay R2m to the ANC electoral fund

Mandela's admission has undermined the ANC's collective credibility and raised further questions If the ANC's initial denial that it received R2m from Kerzner has proved to be false, why should anyone accept its word in insisting that it has not tried to get the case against Kerzner quashed?

To be fair, though, it should be recorded that Transkei Attorney-General Chris Nel has said that he was never approached by the ANC to drop the charges against Kerzner and that his request for help in the investigation received a positive response from Safety & Security Minister Sydney Mufamadi

In the end, however, a central fact cannot be ignored Kerzner, who admitted giving Matanzima R2m in evidence to the Harms Commission in 1989, has not been charged since the ANC came to power two years ago The ANC can proclaim its innocence as loudly as it likes but many ordinary folk suspect that there is a connection between the failure to prosecute and the R2m donation

A subsidiary and perhaps academic question relates to the same sum of money in the Kerzner-Matanzima-ANC triangle a R2m inducement to Matanzima and R2m donation to the ANC

Mandela has attempted to protect the ANC and its deputy secretary-general, Cheryl Carolus, stating that no-one but he — not even the ANC treasurer-general — knew that the money had come from Kerzner His explanation is implausible in the light of the ANC's constant declarations that it is an open, accountable and democratic organisation If the treasurer-general at the time — the now conveniently dead Thomas Nkobi — did not know, it can only because he chose not to know or because he was deceived

There is a further issue Mandela, by waiting nearly 10 days after Holomisa voiced his accusation before offering his explanation, gives the impression that he would have preferred to have remained silent and, by extension, allowed ANC office bearers to lie

It is reminiscent of his 15-month silence before admitting that he had given ANC guards at Shell House the order to defend lives and property by all means, including shooting to kill, on March 28 1994

On the ideological front, it is an open secret that many ANC members are appalled by the thought of Mandela shaking the ANC's begging bowl in front of Kerzner Whatever rationalisations the ANC leadership may be forced to offer, Kerzner is widely perceived to have been an "enemy of the people," as the Mmabatho branch of the ANC made clear during its protests against ANC condonation of the opening of Kerzner's Lost City complex in Bophuthatswana in 1992

An Azapo statement almost certainly captures the feelings of many ANC members Labelling Kerzner a foe of the liberation movement, it says "He is known for his open support of the bantustan system and apartheid It is therefore surprising that an organisation of the ANC's calibre could have gone to the same person for assistance in its 1994 election campaign"

At stake is more than a question of ideological consistency Knowing that Kerzner had opened his purse to secure favours from Matanzima, the ANC should have treated the casino mogul with extreme caution, if not outright suspicion With its commitment to open and clean government, it should have given him a wide berth, not fraternised with him at Lost City and jolly birthday parties By not doing so, it has sent an appalling subliminal message to its huge constituency

The ANC national executive, admitting that it is "seized with the question of discipline within the ranks," has since accused those members who publicly criticise it of aiding and abetting unnamed forces wanting to destroy the organisation It does not mention Holomisa by name but there is no doubt that he is very much in its collective mind

But the origins of the crisis in which the ANC finds itself lie in Holomisa's testimony to the Truth Commission — very much the ANC's brain child — about an event nearly 10 years ago in which the ANC was not even involved By over-reacting, the ANC is now deservedly writhing under the glare of public attention ■

CLOTHING & TEXTILE INDUSTRY

(184)

SURVIVAL CHALLENGE LOOMS AS TARIFF BARRIERS TUMBLE

FM 23/8/96

Strikes a manifestation of anxiety

Pushed unceremoniously from the protectionism of pre-democratic SA, much of the clothing, textile and footwear sector is facing a crisis Its first movements into the world market have been clumsy, to say the least Granted, some problems are beyond its control But it now seems that — unless change is far-reaching and rapid — much of the sector simply isn't capable of taking on its world competitors As the sector's plummeting rating on the JSE makes clear, investors believe that this is unlikely to improve soon

Mike Hankinson

The clothing industry's recent nation-wide strike reflects growing discontent and fears Labour is unhappy about retrenchments as textile and clothing manufacturers automate production and export-led clothing growth fails to materialise Since 1990, the clothing, footwear and textiles industries have shed almost 77 000 jobs — a drop of 30% from the total 256 300 at the start of the decade Unions also complain about what they consider poor wage and incentives packages And they want training to help preserve jobs

Employers, thrust into the international market as import tariffs were cut, are equally vociferous They complain little has come from government's promised aid to the industry

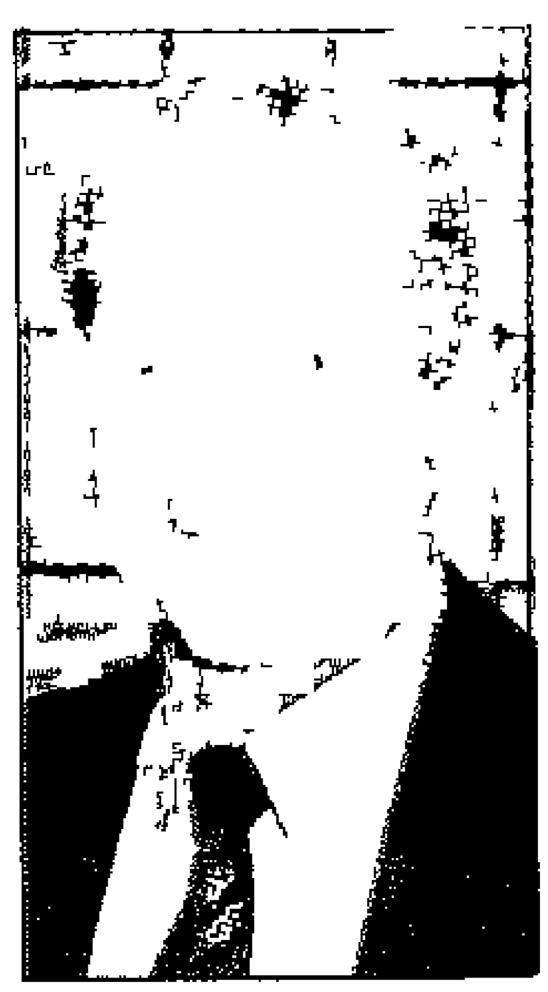
While employers and employees might accept the need for change in theory, for some it seems that only now are the implications sinking in The clothing workers' 10-day strike is an indication of this It is estimated that about R20m in wages and R120m in industry turnover was lost

Remuneration was the main issue The SA Clothing and Textile Workers' Union (Sactwu) initially demanded a 10% salary rise The compromise was 8,5%

"The union's willingness to strike is incomprehensible," says Seardel group industrial relations executive Johann Baard "It flies in the face of its campaigns earlier in the year to save jobs, promote buying South African rather than illegal imports, upgrade Customs & Excise, introduce a code of conduct for paying tariffs and duties and generally bring about an awareness of the plight of the industry "

Employers contend that, if the industry's to survive, it must shrink and restructure to become competitive "As much as a third of the sector could close down," says Baard "But the core remaining will be the companies that attract competent and skilled management, so that they obtain the necessary returns on exports The price will be further job losses "

Employers and unions say they have the same primary objective to preserve the industry and retain sufficient government protection while it adjusts to world demands Sactwu secretary-general Jabu Ngcobo says "Imports are biting manufacturers It's wrong to drop tariffs before the industry is ready "



Aaron Searll

The reality may be different By 2002, when target tariff levels should be reached, local tariffs will probably still be above 80% of world tariffs

Even so, the effects of diminishing protection are worsened by what manufacturers describe as the virtual collapse of SA customs controls Syndicates are flooding what is seen as a lucrative market with both legal and smuggled goods

Customs investigations chief Johann Beets says "Smuggling isn't a one-off crime any longer We're dealing with syndicates, and to stop fraud we have to catch the leaders "

For local manufacturers, who until recently were effectively guaranteed markets and sheltered from the need to compete, the competition has been a nasty shock Their raw materials and labour costs are expensive, productivity is low and much of the machinery outdated

They don't receive State incentives, which they claim benefit overseas competitors World manufacturing, migrating to where labour and other costs are lowest, has settled in China Many US and European production facilities have moved to the Pacific Rim and to south-east Asia, where production runs are long and productivity high — and continually improving

Legal imports of some products from the East into SA increased by as much as 80% since 1994 About 15% of all clothing, textiles and footwear now retailed in SA is imported from the East About 25% is imported in all, though the figure (including illegal imports) is estimated to be at least double that and mostly sold by hawkers

The SA government was to have had a large part in the industry's transition The Swart report, drawn up after consultation with labour, management and government, recommended supply side measures, including subsidised raw materials and plant upgrades, export incentives and training But at a Durban conference earlier this year, then deputy Finance Minister Alec Erwin told manufacturers to forget about a cash-based subsidy and to stop complaining

Footwear manufacturers are probably hardest hit "Things have never been this bad — the industry's shrinking," says Footwear Manufacturers' Federation economist Der-Anne Dodds "Theoretically, local factories can compete with all countries except China But imports, mainly from the East, are 80% up on last year and we can't fill our order books

Factories are closing "

Clothing manufacturer Seardel and associate company, textile producer Frame have released preliminary results for the year to June Seardel chairman Aaron Searll had predicted subdued results Group turnover grew 4,1% Consumer electronics subsidiary Seartec enabled group headline earnings to rise 11,4%

Frame's volumes dropped slightly and are unlikely to show much recovery soon The impact of worsening markets is shown in a R7,4m (8%) drop in trading income Fortunately, after years of restructuring under chairman Mervyn King, the balance sheet is strong

These results came after a turnaround in 1994, with earnings climbing from a loss of 24c a share in 1993 to positive 34,4c, and almost tripling in 1995 At its 1995 year-end, Frame was still grossing only 9% on capital (total assets, excluding interest-free liabilities) and was netting just 8,7% on equity

In its year to end-March 1996, footwear manufacturer Conshu lifted attributable earnings by 5%, with turnover up 10% It intends to restructure, but plans to stay in the shoe business Operating in the middle to upper end of the footwear market, Conshu is less vulnerable to import competition CE Robert Feinblum says Conshu makes 9m of the 100m pairs sold in SA each year Demonstrating faith in the future, it has built eight new factories

Industry exports will have to grow Clothing exports, for example, are about 6% of total SA production Factories must produce longer runs of quality products more cheaply for niche markets — no easy task Manufacturers need skilled labour and modern machinery

"Previously, the SA economy was functioning in a vacuum," says Coastal Group MD Rajan Pillay "Now any commodity has only one price, and the size of any country's manufacturing sector has to be determined by its competitiveness and the size of the market," he says "The SA market is small, but its past made it fussy It demands more variety than it can afford " Pillay believes that the industry will shrink and change but won't collapse "But to succeed, a re-orientation is necessary Manufacturers must modernise their factories and reduce product ranges Economies of scale are vital now that SA producers can no longer afford to sell at artificial prices "

Competing with Eastern manufacturers isn't possible Local companies want to reduce their ranges and produce value-added goods for niche US and European markets At Conshu and Frame and some other factories, this is happening

Da Gama CE Harry Pearce says his group aims to provide a service that foreign manufacturers cannot "We want to produce goods that others don't do — and faster We're not in fashion wear With smaller runs in niche products, we can react faster, though sometimes we have to accept orders which squeeze profit margins "

Some manufacturers say that they will spend what's necessary to upgrade plant and compete globally Textile Federation director Brian Brink says the textile industry has spent R2bn so far and benefits should be felt within two years of implementation "Most orders were put in before the rand resumed its fall," he says "But regardless of the currency, we must have the equipment If we don't, we may as well pack up and go "

Frame's spending was expected to double to R60m in 1996 Romatex, another likely survivor, spent R32m updating plant in the year to end-September 1995 and slightly less this year "Industry conditions remain tough," says CE Mike Hankinson "Our strategy is to specialise and emphasise products which meet export requirements "

Not all can afford this Ninian and Lester, which has upgraded plant mainly to increase capacity since 1994, will cut its spending this year

The main impediment to investment is not new Companies in this sector have historically generated low returns on capital and equity and often can't afford to borrow Low share ratings make rights issues unattractive

In the short term, analysts are unanimous in forecasting poor results "Frame's financial 1996 was marginally better than originally anticipated — probably about 20% down on the previous year," says an analyst "It's one of the textile groups most prepared for change "

Romatex is expected to match its half-year figures Da Gama which has widened operating margins and adapted well to change in the past, could do better than most

Managements of both Conshu and Bolton Footwear believe that results will be down on last year — partly because raw material prices have rocketed "Kolosus is taking over as the main local supplier and, with cash flows tight, importing is impractical, we cannot commit to the capital involved without an order," says Conshu financial director Charles Rapp

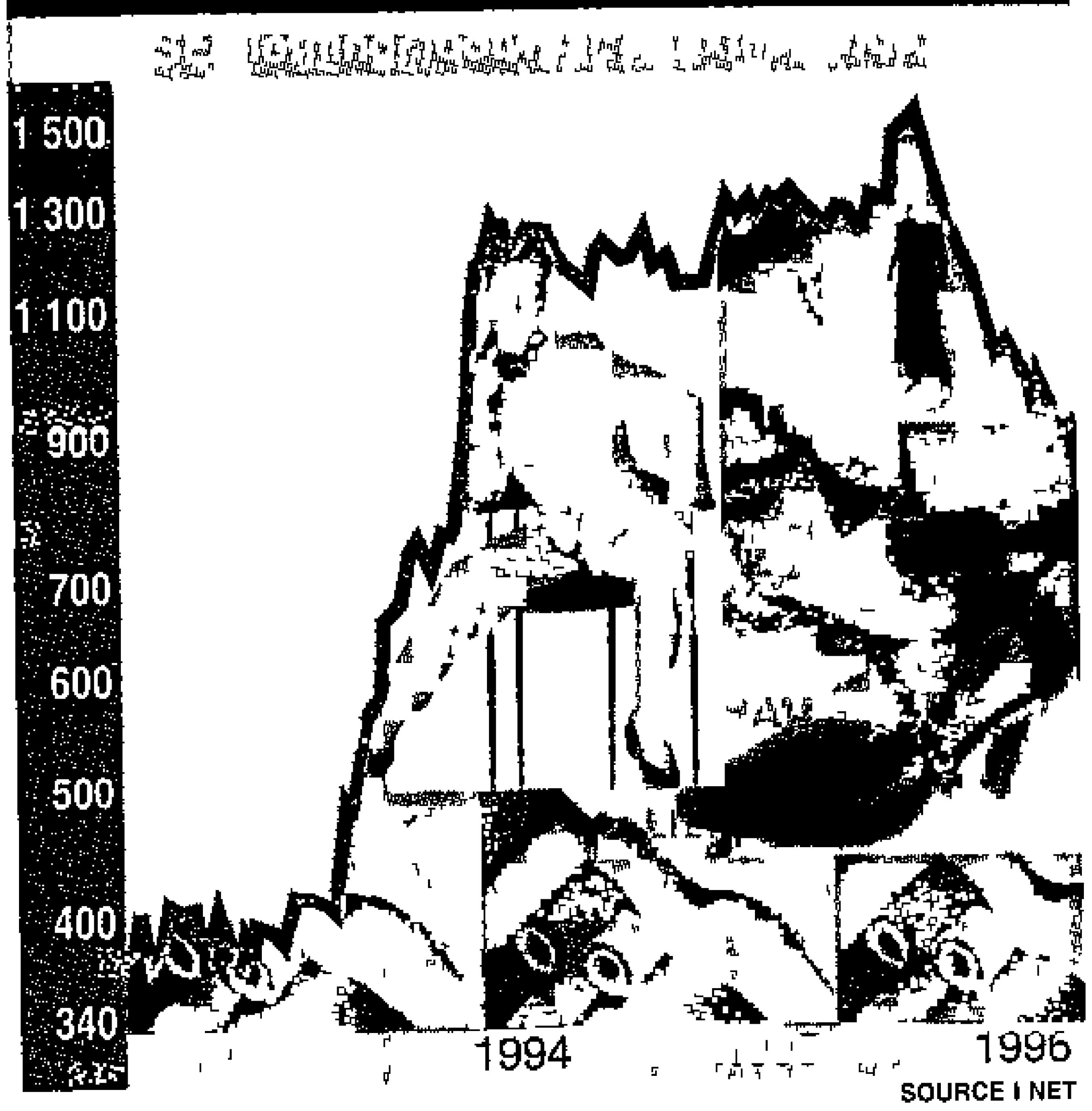
While profits won't be much better in fiscal 1997, Rapp says local manufacturers are benefiting from a slight increase in orders for the summer season

The prospects are evident in the share ratings on the JSE The average price earnings ratio of the sector is among the lowest on the Industrial board, its dividend yield among the highest Since February 1996, the clothing, textiles and footwear sector's index has dropped by 31% Market capitalisation has shrunk by almost a third to R1,81bn

Some shares may offer attractive recovery opportunities, provided the broader problems become less threatening These include macroeconomic conditions, the sector cycle, the weak rand and illegal imports Details of the new SA-Zimbabwe import deal have yet to be finalised

It's tempting to think that the market is being unduly pessimistic But investors will probably want proof that the stronger groups can prosper — as well as survive when protection of the local industry is reduced — before any significant upward rating of the shares can be expected *Michelle Joubert*

IN RETREAT



SOURCE I NET

According to the Central Statistics Service, 1994 October Household Survey the unemployment rate is 32 6% (4 656 076)

Phasing in of textile products

442 Dr R T RHODA asked the Minister of Trade and Industry (197)

(1) Whether the Government has decided to reduce the period for the phasing in of the GATT proposals in regard to the importation of textile products over a period of seven years, if so, what were the considerations giving rise to this decision,

(2) whether the textile industry was consulted in this regard, if not, why not, if so, to what extent?

N757E

The MINISTER OF TRADE AND INDUSTRY

(1) Yes The decision to opt for a shorter phase down period than provided for in the GATT 1994 stemmed from the comprehensive investigation carried out into the entire textile/clothing pipeline by a tripartite Panel consisting of representatives from the textile and clothing sectors, government and organised labour The lenient phase down period of 12 years negotiated in terms of the Marrakesh Agreement should be seen in the context of the sensitiveness internationally of textiles and clothing and was meant as a 'safeguard' measure to the South African industry should it become necessary in the event of a worst case scenario Originally a phase down period of 10 years was envisaged by the Panel However, taking into account the interests of and representations received from the South African Customs Union member countries, the clothing industry and manufacturers in the Small, Medium and Micro Enterprises (SMME) sector as well as the distributive sector, a phase down period of eight years was proposed in June 1995 with the first cut in tariffs implemented on 1 September 1995, which in effect meant a phase down period of seven years The textile industry, although expressing a preference for a phase down period of 10 years, nevertheless accepted the phase down period of seven years It was, obviously, not possible to have a tariff restructuring that would in every respect meet the diverse needs of all the respective interest groups The phase down schedule and end rates finally recommended, however, represent a fair compromise between the interests of the various interest groups

(2) Yes See explanations under (1) above For full information a copy of a document issued at the time and containing government's response to the proposals put forward by the Panel for a strategic plan for the restructuring of the textile and clothing industries is attached as Annexure A

ANNEXURE A

Final government response on proposals put forward for a strategic plan for the restructuring of the Textile and Clothing Industries

Introduction

Government's proposals for a long-term strategy for the textile and clothing industries were announced on 12 June 1995 The various stakeholders were given a period of one month to submit their final responses to the proposals and in order to allow for consultation with South Africa's Customs Union partners These consultations have now been finalised and a further meeting held with the interested parties where they were afforded an opportunity to further enlighten Government on the final representations put forward by them

Having considered these representations as well as the positions put forward by the other members of the Southern African Customs Union (SACU) Government's final response to those of the proposals put forward on 12 June 1995 that have elicited representations from the interested parties is set out below

TARIFF STRUCTURE

The proposal put forward on 12 June 1995 provided for the following phase down periods and end rates

Ad valorem duties

Products	Present rate	End rate
Clothing	90%	40%
Household & other made-up textiles	55%	30%
Fabrics	45%	22%
Yarns	32%	15%
Polyester fibre	25%	7,5%

Phase down period 8 years

Specific duties

Minimum specific duties to be phased down by 10% per annum over 4 years and then be removed, with a possible extension of 1 year Maximum specific duties to be increased by 5% per annum

Comments received, consideration and response
Ad valorem tariffs

A phase down period of 12 years, with an initial standstill period of four years, has been negotiated in terms of the Marrakesh Agreement This favourable dispensation should be seen in the context of the sensitiveness internationally of textiles and clothing as expressed in high levels of protection as well as non-tariff barriers in the form of Multifibre Arrangement (MFA) quotas that are still applied by developed countries

Originally, a phase down of tariffs over a period of 10 years to the levels in the proposal released on 12 June 1995 was envisaged However, taking into account the interests of and comment previously received from the BLNS countries, the clothing industry and particularly MSME manufacturers, and the distributive sector, a phase down period of 8 years was proposed

The textile industry, although expressing preference for a phase down period of 10 years, nevertheless accepted the phase down period and end rates proposed The clothing industry argued in favour of differentiated phase down periods for fabrics and clothing, respectively, with a period of six years proposed for fabrics The clothing industry also requested an end tariff of 45% instead of 40% on clothing The other SACU members expressed preference for tariffs on fabrics and yarns to be phased down over the shortest possible period to the lowest possible levels The distributive trade argued in favour of lower tariffs and a faster phase down in respect of all products with some of them also supporting the concept of differentiated phase down periods

It is obviously not possible to have a tariff restructuring that will meet the needs of all of the respective interest groups Once again considerable thought has been given to the requests for a shorter phase down period and differentiation between inputs and final products However, in the context of the sensitive and distorted situation of textiles and clothing internationally, as well as the considerable restructuring that would have to occur (particularly in the textile industry) and the timeframes and investment involved, it is considered wise to opt for a reasonable transition period to adjust to new circumstances

It has been decided, therefore to stick to the compromise proposals released on 12 June The first cut in the tariffs is, however, to be implemented as soon as possible, with a target of 1 September 1995, which in effect means that the tariffs will be phased down over seven years

Regarding differentiated treatment in respect of inputs and final products, respectively, it should be noted that differentiation does exist in the form of higher present and end levels in respect of final products (clothing and household and other made-up textiles) The differential also compensates clothing manufacturers for the relatively high cost of inputs

Furthermore, the shorter phase out period of minimum specific tariffs will benefit MSME manufacturers and the clothing industry in general

Minimum specific tariffs

The proposal to phase out minimum specific tariffs over 4 years, with a possible one (1) year extension, as opposed to the original proposal of 10 years, was intended to relieve the pressure of high input costs on clothing manufacturers, particularly MSME's, in South Africa and the other SACU members as well as to enable the distributive trade to make lower priced clothing available at more affordable prices to consumers

In view of the various requests for phasing down tariffs over a shorter period, and specifically to assist users of lower priced products, such as MSME's, it has been decided to drop the proposal for a possible one year extension of the minimum specific tariffs

This step was also motivated by the need to create certainty and to move the industry to timeously engage in restructuring

A proposal by the clothing industry to phase out minimum specific tariffs by 25 percentage points per annum could not be supported as this was considered to be too extreme and could have discouraged investment and other steps to improve competitiveness

Maximum specific tariffs

The proposed increase of 5% per annum in maximum specific duties was based on the need to limit the increase in tariff levels on certain products that will come into effect when maximum specific tariffs are removed

The clothing industry and retailers objected to the proposal on the basis of the cost raising effect in respect of higher priced products not available locally The textile industry on the other hand pointed out that it was an important objective of the strategy to move out of the lower end of the market into manufacturing of medium to higher priced fabrics In order to achieve this objective it is necessary to create an incentive for timeous investment to move into this market segment via an increase in duties from the low levels (in *ad valorem* equivalent terms) currently applicable to these fabrics In addition it was pointed out by them that a higher percentage increase was actually required in order to achieve the desired effect of narrowing the gap between the *ad valorem* and specific duty at the phase out point

In reaching a decision on the matter due consideration had to be given to the negative impact that the cost-raising effect of this measure could have, particularly on clothing manufacture At the same time Government had to be sensitive towards international trade ramifications

It has accordingly been decided to rather drop the proposal to increase the maximum specific duties by 5% per annum Maximum specific duties will therefore remain unaltered for four years and then be removed

The clothing industry and distributive trade will therefore have to prepare themselves for the effect of the increased tariff levels that will come into effect when the maximum specific duties are removed in 4 years time as there could be no question of retaining these duties beyond that period

REBATE PROVISIONS

The proposals released on 12 June 1995 provided for the phasing out of rebate provisions over 10 years This was an oversight as it is only logical and was all along the intention that the phasing out of rebates should occur over the same period as the phasing down of tariff levels All rebate items are therefore to be phased out over eight years except for those rebate items which have fallen in disuse which will be withdrawn with immediate effect This decision does, however, not affect the rebate provisions providing for export manufacturing (470 03) and the DCCS

DUTY CREDIT CERTIFICATE SCHEME

The proposals released on 12 June 1995 provided for the continuation of the Duty Credit Certificate Scheme for a period of 3 years The clothing industry submitted strong representations for the retention of the DCCS over a longer period as well as to extend it to value-added outward processing activities The industry's request was motivated by the anti-export bias argument and a desire to benefit from the current international practice by developed economies to increasingly utilise off-shore manufacturing contracting

Proper administration and verification of value added activities has proved to be complex and problematic in the case of other programmes Apart from human resources considerations the DTI as the accountable institution to Parliament is strongly opposed to extending an unsatisfactory verification situation to DCCS administration

It is not considered economically sound to address structural deficiencies in the economy that contribute to an anti-export bias via temporary subsidies In order to be sustainable in the long term the initiative should develop naturally and out of its own comparative advantage strength rather than through temporary subsidisation It is for the clothing industry to rise to this challenge as it has been the beneficiary from a considerable kick-start measure over a number of years, first through the SAP and currently through the DCCS

Value added activities can already be accommodated adequately under other rebate provisions such as item 470 03 Research has indicated the clothing industry generally to be globally competitive on direct cost and with the removal of raw material price disadvantages via rebate item 470 03 it should be able to manage on its own to exploit value-added/contracting opportunites

Depending on the size of value-added operations, DCCS benefits arising therefrom could create distortions in the domestic market through a surge in duty-rebated imports

It has accordingly been decided not to extend the DCCS beyond the 3 year period and not to include value-added activities in the scheme

SUPPLY SIDE MEASURES

The textiles and Clothing Panel recommended a set of supply side measures to support restructuring, increased competitiveness and growth in the textiles and clothing industries It consisted of support measures in respect of

- management consultancy
- upgrading technology
- training
- the social dimensions of restructuring
- stabilising the cotton price
- wool beneficiation

It is also recommended that a support programme for MSME's be developed

SACTWU, whilst in broad terms supporting the tariff phase down proposals released on 12 June 1995, proposed that a small working group be formed to further pursue the development and implementation of supply side measures within a period of two to three months SACTWU further suggested that the tariff phase down be postponed and be implemented only in conjunction with supply side measures

The MSME sector reiterated its request for a support programme based on the cost of fabrics owing to high tariff levels

The Government has already indicated that the set of supply side measures recommended by the Panel was not affordable However, general supply side measures are being developed for which the textiles and clothing industries would also qualify A critical issue, namely training, is being addressed via a study currently in progress while the Department of Trade and Industry is about to engage in discussions with the Department of Labour on this issue The Department has already given some support for enhancing training by making participation in the DCC scheme conditional upon increased expenditure on training with 4% of the wage bill as the target

The subsidisation of management consultancy has been approved and an amount of R5 million per annum has been set aside for this purpose Participation in a productively monitoring and improvement scheme has also been set as a condition for benefits from the DCC scheme

The IDC already has schemes in place for financing the upgrading of technology, while various schemes to assist exporters are in place or being developed

A national strategy for the development and promotion of MSME's has been almost completed and is to be implemented soon MSME's in the textiles and clothing sector will benefit from the strategy The decision on the tariff phase down schedule, particularly the removal of minimum specific tariffs after four years, accommodate the needs of the MSME sector as far was was considered possible

Various initiatives are, therefore, in progress and the measures will be implemented as soon as possible as the Government considers such support measures as extremely important to boost job creation and competitiveness

It is considered essential, however, that the tariff phase down should be finalised and implemented as soon as possible in order to give certainty to all interest groups and encourage industrialists to finalise investment decisions

The prosposal by SACTWU for the appointment of a small working group to pursue supply side measures has been accepted and such a working group will be appointed

Labour: Green Papers

589 Mr D W MAKHANYA asked the Minister of Labour †

(1) Whether his Department has released any Green Papers since 27 April 1994, if so when, in each case

(2) whether any comments have been received on these Green Papers, if so, what was the (a) nature and (b) extent of such comments in each case,

(3) whether any steps are envisaged with regard to such comments, if not, why not, if so, what steps?

N1041E

The MINISTER OF LABOUR

(1) This Department has released the following Green Papers since 27 April 1994

1 1 Green Paper on Policy Proposals for a New Employment Standards Stature This was released on 23 February 1996

1 2 Green Paper on Employment Equity Policy Proposals This was released on 1 July 1996 The deadline for public comments is 31 August 1996

(2) With respect to the Green Paper on Employment Standards, written comments were received from 88 trade unions, staff

Clothing strike in deadlock

(184)

Still no deal after all-night talks

AUG 1/8/96

ASHLEY SMITH
Staff Reporter

DESPERATE marathon all-night talks between clothing union chiefs and industry bosses failed to break the week-long strike that has crippled South Africa's clothing industry

The talks at a Bellville hotel began last night and lasted until early today without breaking the impasse

The SA Clothing and Textile Workers' Union (Sactwu) is demanding a 10 percent increase, while the employers have offered eight percent

But intensive all-night negotiations through the country's top mediator, Charles Nupen, failed to break the deadlock, leaving bleary-eyed negotiators exhausted

Negotiations began at 6pm yesterday and ended shortly after 8am today, with negotiators agreeing to meet later today

Mr Nupen who heads the commission for conciliation, mediation and arbitration, spent the night shuttling back and forth between separate hotel rooms occupied by Sactwu and the National Employers Caucus (NEC) caucuses, trying valiantly to get them to compromise

There was drama just after midnight when information leaked from the Sactwu delegation that the NEC had increased its settlement offer to 8,5 percent.

But hopes were dashed when hardline Sactwu members apparently refused to budge from their 10 percent demand even though some Sactwu negotiators appeared willing to accept the 8,5 percent offer

The midnight optimism then waned as the two sides remained deadlocked

The meeting was delayed as members of the Sactwu delegation had arrived late During the delay Mr Nupen was locked in discussions with the NEC

When all the Sactwu negotiators had arrived, union representatives explained that the delegates from other provinces had not had a chance to "touch base"

Sactwu then caucused separately, setting the pattern of separate caucuses for the night

The Sactwu caucus ended at11 30pm and at 12 15am Sactwu chief negotiator Ebrahim Patel emerged from the conference room saying he was still reasonably optimistic that a settlement would be reached

Meanwhile the NEC had broken for a meal At 1 15am the NEC and Mr Nupen re-entered the NEC caucus room again

At 1 30am the Sactwu negotiators held prayers for a settlement. They sat around, sharing anecdotes about the strike

At 2 20am they had something to cheer - not from Bellville but from Atlanta While the NEC was still in caucus with Mr Nupen, Sactwu delegates in the hotel television room saw Hezekiel Sepeng break the South African record to win a silver medal

At 2 40am rumours spread that NEC was about to make another offer to Sactwu

Both delegations then came out to the television room for a break.

At 3am Sactwu began discuss the offer made by the NEC It was rumoured the NEC had upped its offer to nine percent, but this could not be confirmed

At 4 35am Sactwu and Mr Nupen moved into a neutral conference room for talks Mr Nupen then shuttled back at 5 45am to the NEC caucus room

At 5 50am hopes were raised again when the NEC, Sactwu and Mr Nupen entered the neutral conference room for the first time together

All the chief negotiators were present at this meeting

Groups of exhausted members from the NEC and Sactwu appeared more relaxed than they had been all night

But at 6 15am the NEC returned to its conference room and the endless separate caucusing resumed

NEWS

Race-based structure is being replaced by class-based interracial structure

A third of SA 'can't find work'

CT(BR) 2/12/96

NANCY MYBURGH
FINANCIAL SERVICES EDITOR

Johannesburg — Almost one-third of South Africa's economically active population is unemployed, the Central Statistical Service's October Household Survey for last year shows

According to the survey which was released on Friday, 29,3 percent of people over the age of 15 who had expressed a desire to work, were jobless

Though unemployment was still heavily divided along racial lines, with 47 percent of African women and 29 percent of African men unemployed, Mark Orkin, the head of the service, said the data from those South Africans who had formal jobs showed a new and different trend

"The race-based structure of employment is being replaced by a class-based interracial structure," he said

The survey showed that Africans and coloureds had similar patterns in the jobs they held Most of the jobs held, for example, were classified elementary

Indians and whites also showed similarities, with the survey showing that the greatest numbers entered clerical and then semi-professional jobs

Of all those employed, about one-third belonged to a trade union, the survey said

Education statistics showed that 20 percent of African men and women had a standard 10 or higher level of education, compared with 73 percent of white males and 67 percent of white females

The survey estimated the country's population at 41,5 million, 76 percent of whom were African and 13 percent of whom were white Coloureds made up 9 percent of the total, and Indians 3 percent

The survey has been conducted every year since 1993 and received a R2 million revamp from the Swedish International Development Agency for last year The agency also funded a R2 million income and expenditure survey, taken from the same sample as the household survey, which Orkin said would be released soon

Clothing and textiles disagree on credits

CT(BR) 2/12/96 (184)

MAGGIE ROWLEY
PROPERTY EDITOR

Cape Town — The Clothing Federation will continue pushing for the extension of the duty credit certificate system to cover value-added goods despite opposition from its new bedfellow, the Textile Federation

The federations, which have a history of being at loggerheads with one another over tariff issues, held a breakthrough forum in Cape Town last week, emerging with consensus on important issues facing the industry

However, they say partners disagree even in the best of marriages, and the certificate issue still divides the newly unified clothing and textile industry

The Clothing Federation says the extension of the system to cover value-added goods will give the clothing industry an immediate R100 million shot in the arm

However, the Textile Federation says the system, which provides import credits to exporters, will hurt the textile industry because the credit points awarded for exports of outsourced goods will be offset against new imports of textiles and clothing

Bernard Richards, the Clothing Federation's president, said last week that offshore manufacturing was the fastest-growing segment in international clothing and textile trade, half the European Union's clothing production was made overseas, and was growing at 6 to 7 percent a year

However, he said for South African clothing manufacturers to attract outsourcing contracts from Europe and elsewhere, the system would have to be extended to allow fabric in at no value

"South African industry would then charge a CMT (cut, make and trim) fee before re-exporting at no charge," he said

Richards said local companies could receive at least R100 million in new contracts if the system was extended Based on this figure, an extended system would bring in a maximum of R30 million in additional fabric imports and create about 6 600 new jobs

The R30 million represents 0,3 percent of textile industry output and is equal to the average output of 260 textile employees It equates to 2 percent of fabric imports, which Richards said would clearly have a negligible effect

Mike Hankinson, the Textile Federation's president, said the figures were a matter of debate In the interests of the domestic textile industry, his federation could not support the Clothing Federation on the issue

CT (BR) 4/12/96

Clothing sector misses benefits

(184)

JONATHAN ROSENTHAL

Johannesburg — South African clothing manufacturers have failed to take advantage of the country's quota-free access to European and North American markets which gives them a competitive advantage over Asian and Pacific manufacturers, Waterton Southern Africa, an Asian-based clothing exporter, said yesterday

Chris Wynne-Potts, a director of Waterton, said his company was hoping to double its clothing exports from South Africa within the next year Waterton, a buying agent for more than 100 North American and European retail chains, exported about $5 million worth of clothing from South Africa during the past year.

Wynne-Potts said many South African manufacturers were not vigorous in pursuing export opportunities

"There is a tremendous opportunity for manufacturers here, but they seem to be very blinkered They seem to think the Far East is so much cheaper and that they can't compete," he said

He said South Africa was one of the world's cheapest manufacturers of flannel shirts and could also compete "on the better end", manufacturing men's suits using domestic wool, which was of a high quality and cheaper than much of the wool on international markets

Asian and Pacific manufacturers were also constrained by quota limits on the number of items of clothing they could export to North American and European markets.

"As the quotas become tighter, they become commodities to be bought and sold," he said In some cases a quota for a dozen knit tops could fetch $15, which is more than the manufactured value of the tops themselves, Wynne-Potts said

SEARDEL

BATTLING TO SOAR AMID INDUSTRY TURMOIL

fm 6/12/96 (184)

Higher share rating may be in sight

Puzzled Seardel chairman and controlling shareholder Aaron Searll shakes his head in bewilderment and bemoans the low 3,7 p e rating attached to his market-dominating group

With patience, stamina and determination, he pursued a mission to show that Seardel, now a giant in the clothing and textile industries, deserves to be rerated

Typical of a jet pilot — which Searll is — he set his course for the long journey that began in the mid-Eighties Since then, though buffeted by numerous storms, he has covered most of it successfully and a higher rating could be close now Seardel is a transformed company

Almost a decade ago, it was a heavily overgeared group of clothing manufacturers with minor interests in property and toy making and a growing investment in business and consumer electronics It still has a small interest in toys and property but is now the largest clothing manufacturing group in SA

It also controls the largest textile makers, Frame Holdings and Romatex, and several years ago listed on the JSE subsidiary Seartec, a thriving business that imports Sharp and Scripto business and consumer electronics and office equipment

Seardel's "mix" differs sharply from a year ago Whereas contribution from apparel sales was 79% and operating profit 71% in 1995, this year apparel contributed 53% of turnover and 39% of operating profit Textiles now dominate asset usage

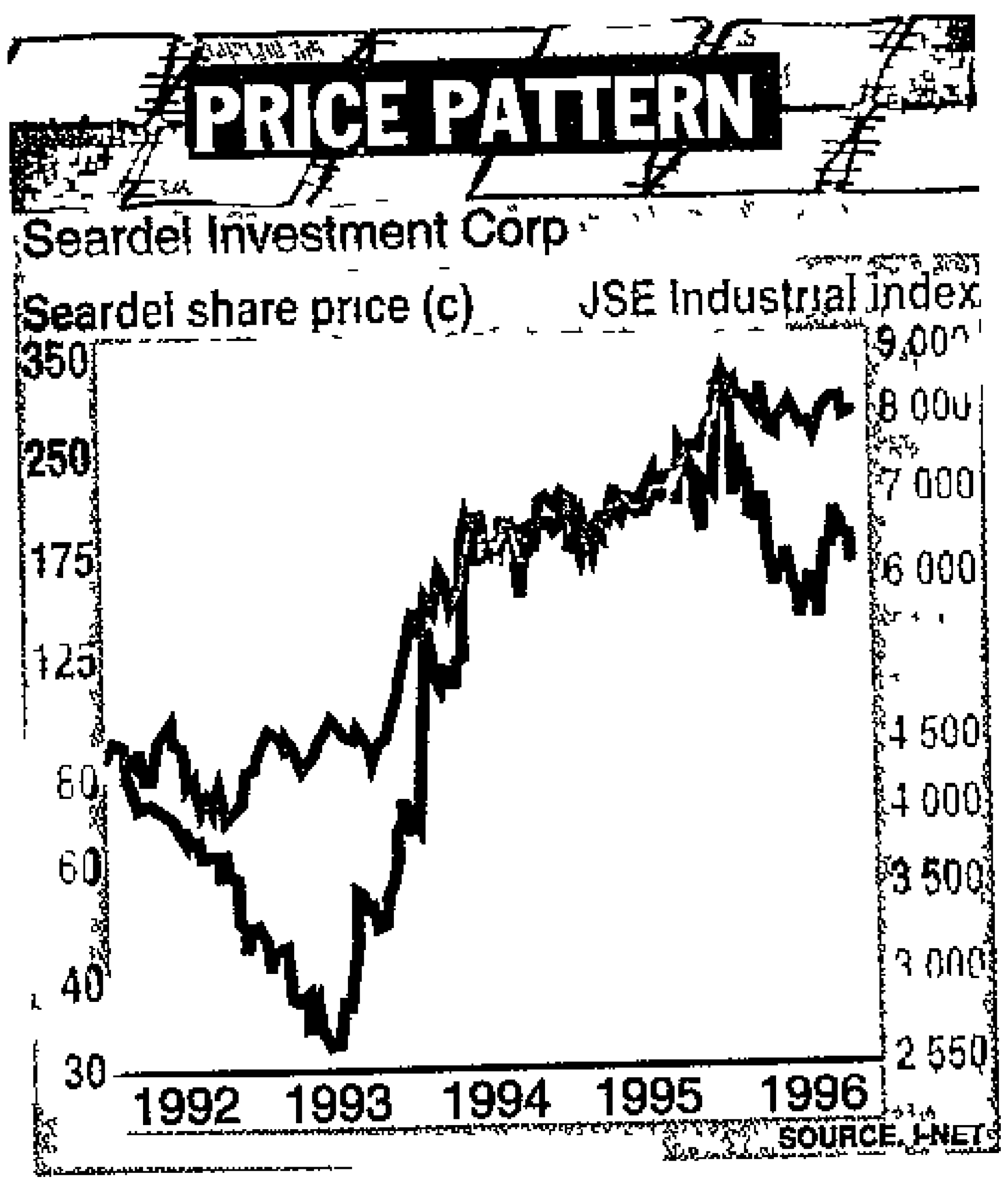
The evidence points to sound management of these holdings but investors cling to a perception that the local clothing and textile sectors are under siege — from each other, from foreign competition, from the destabilising influence of the unions and their demands, and because of ostensibly insufficient support from government

Most investors and researchers believe neither sector is yet able to produce sustainable real earnings growth They therefore shy away from investment in Seardel shares and others in the sector — hence the low market ratings

If their theses are right, how can the transformed Seardel be expected to perform when its main earnings thrust has to come from developments within these industries? Why has Searll recently invested so much in the "beleaguered" textile industry? Does he know something the market doesn't? Can he and his colleagues make the clothing and textile sectors sufficiently competitive against global rivals to produce real growth in profits in the companies he controls?

The broad answer is yes — but obviously he can't do it alone There are some wise heads working with him to sort out the problems in these sectors If they get effective supply-side measures from government, the chances are good that both sectors can stage solid recoveries and continue to deliver sustainable earnings growth even against fierce international competition

Aaron Searll



Throughout the late Eighties and early Nineties, Searll struggled to reduce the debt in Seardel Finance charges all but wiped out operating profits in those days Dividend cover — still a high five times — is a legacy of that period

Opportunity knocked in 1992 In partnership with Gregory Knitting Mills, Seardel acquired control of SA's biggest textile manufacturer, Frame Holdings, when it was losing money In that year, Frame's EPS were a negative 420c and borrowings were R179m In 1993, the loss was reduced to 61c a share and borrowings were R113m By end-June 1996, EPS were 152c, there were no borrowings and Frame held R144m cash

Last month, Frame bought control of Romatex, another large textile producer, from CG Smith Its profitability has plummeted from an attributable R27m in 1995 to R1m in 1996 The purchase price for 50,8% of Romatex was 225c a share, though net asset value was 970c Unlike Frame, Romatex is not losing money but, as with Frame, sound returns are expected about two years after it has been restructured

Seardel is listed in the clothing, footwear & textile sector of the JSE This sector has an average p e of 8, the third lowest on the JSE

Even now, after buying control of Frame and Romatex, Seardel's rating is among the lowest on the JSE Its p e of 3,7 seems strange for a 40-year-old company that has a turnover approaching R3bn in financial 1997, a net asset value of 379c, a return on equity of 12% and a return on capital of 9% Just this week Seardel was ranked in the *Business Times Top 100 Companies*

When Frame and Seartec are stripped out of the consolidated 1996 Seardel figures, Seardel's apparel, toy and property divisions (its original businesses) are rated on a meagre p e of about 2,6 No wonder Searll shakes his head when he thinks about it

In financial 1996, apparel and toys together had a turnover of R1,4bn and contributed R67m (42%) of group operating income from assets valued at R590m The combined debt equity ratio of these divisions, with Seardel's properties, is roughly 0,25 They employ 16 000 people out of a group total of 21 331

One argument for Seardel's low rating is that the overall group has increased EPS by only 11% compound if 1991 is used as a base year But with 1992 the base year (Seardel's worst in a decade), EPS have grown at a compound rate of 33,3% This approach may be debated but the message remains clear Seardel is one group that is not about to fold Yet the market is rating it as if it is

An underlying reason for the poor ratings of Seardel and the sector is that the clothing and textile industries were at each others' throats for many years

Each was trying to protect vested interests, often at the cost of the other Both had created competing, powerful lobbies in government and begged for added protection against foreign competition

When sanctions fell away, it became obvious they were highly vulnerable to the planned reduction in the general export incentive scheme that followed Gatt unless they collaborated

Only then did the back-stabbing stop Searll played a major role in bringing together and reconciling the clothing and textile federations They are now co-operating and planning constructively for the future

The clothing industry has had a torrid time over the past six years but the worst could be over The 1994 Swart report on the Uruguay Round recommended a formula for phasing out import duties on clothing and textiles over the next 10 years

Clearly racked by indecision, government took a full year to react In August 1995, it decreed that the phase-down period should be seven years (not 10) with a final duty after 2002 of 40% on clothing, 22% on fabrics and 15% on yarns Because the industry was already in the throes of rationalisation and reconstruction, this simply accelerated the process The industry has continued to petition for further supply-side relief

The Duty Credit Certificate (DCC) scheme was introduced This permits clothing exporters to claim a credit of 30% of the exported value of garments and offset it against duty payable on future imports of cloth

With the 470 03 regulation under which manufacturers import fabric with rebated duty, add value to it and export it again, the DCC was aimed at assisting exporters It is effective until 1998

There is a strong lobby from joint clothing and textile federation Clotex to have the DCC extended until 2003

After poor results in 1992, Searll appointed group directors Bernard Richards (55) and Chris de Bruin (59) as joint MDs of Seardel As well qualified, experienced managers — each holding DBA and MBA degrees — their appointments marked the turning point in the group's fortunes

Bernard Richards

They motivated innovations to reduce group debt and rationalised operations where necessary

Richards and De Bruin place great emphasis on increasing productivity and efficiency to meet demands from the retailing sector for quicker response times The consequences are shorter lead times for Seardel factories but better service, lower stocks and faster stockturns for retailers

Seardel is setting the example for the clothing industry by upgrading technology to advanced equipment It is investing more in education and developing worker skills In financial 1987, it will spend R85m on the latest technology, the more capital-intensive Frame will spend R80m of this Capex at Romatex is budgeted at R29m

Continuous updating of manufacturing equipment is reducing the cost of the relatively high labour content in these industries

The seven-day strike earlier this year took a hefty toll The estimated cost to the group in lost production was R6m Richards and De Bruin say it was a "lose, lose" exercise They believe lessons have been learnt on both sides — and that the industry summit with Sactu in October produced a better understanding of the problems of each, which will help avoid a similar strike in the future

Illegal imports is a crucial issue for many manufacturers Seardel has been at the forefront of attempts to help government curb these

But Richards says much of the illegally imported clothing is cheap, mass-market merchandise that finds its way into the informal sector and so does not have much of an effect on Seardel's sales

De Bruin, also Seartec CE, says only 9% of Seartec's turnover is directly affected by these imports

Frame deputy chairman and CE Roy Sable, who played the leading role in restoring Frame to good health, insists that even with these illegal textile imports, Frame is competitive and profitable in its niche markets

He says 1997 is the last year when cash resources will be used for capital expenditure, depreciation will take care of that Instead, shareholders' interests will be paramount

Chris de Bruin

Sable is forecasting real earnings growth for that group in future, irrespective of the consequences of the phase-down of import duties

Many uncertainties face the clothing and textile industries Market forces demand increasing productivity and specialisation But the clothing industry is forecasting output will drop 6% in 1997

De Bruin is confident of real earnings growth in 1997 Richards is confident Seardel's apparel factories will make substantial progress towards achieving their goals

Searll carefully proposes a maximum 6% advance in turnover to about R3bn at this stage but hedges on earnings He reckons headline earnings will either be slightly lower or not much higher than in the 1996 year

With many options open to the JSE investor, this is not an exciting prospect But Seardel has fundamental strength and the share is clearly undervalued Dividend cover will be reduced this year At the first glimpse of better times ahead, the market is likely to rerate the share It could then easily double *Gerald Hirshon*

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Pals shrugs off local market slump as exports boom

(184)

ARG 14/12/96

BUSINESS REPORTER

While local conditions in the clothing market are tight, exports are booming for Cape clothing company Pals Holdings, according to chairman Selwyn Kagan.

In an interview before Pals annual general meeting yesterday, Mr Kagan said the depreciation of the rand had more than compensated for the loss of export incentives.

Pals manufactures mens and ladies outer garments – jackets and nearly everything that will cover your legs.

Mr Kagan said that while the local market was weak "to say the least", Pals export order books for the current financial year were full.

"We have a shipment of nine containers leaving later this month – that represents 36 days production for us," Mr Kagan said.

One of Pals most popular exports is golf trousers. It exported 150 000 pairs last year – the company's entire production.

But the picture in the local market is not rosy. "We are not getting the figures we want, but we are still better of than some of our competitors because of the nature of our product," Mr Kagan said. "Ladies and mens outer wear is not trading as poorly as the general clothing market."

The weak demand might have represented a problem for Pals which tries to produce the same amount of product every month and could have left the company with stock it could not sell.

"We are confident we will sell out our entire production – it may squeeze margins locally, but export margins have improved significantly due to the depreciation of the rand," Mr Kagan said

He said the company had seen unusually strong activity this month

"Our strongest delivery months locally are usually September, October and November – and December is normally dead," he said, adding that it seemed some clients were ordering summer wear late and winter wear early

Pals has seen some volatile trade on the JSE recently, rising to an annual high of 106c in September after a 40 percent increase in profits for the year to June The share then slipped to 70c and is now struggling to find a level between 80c and 90c.

SALDRU

REX TRUEFORM (184)

RETAILING NOW DOMINANT

FM 20/12/96

Faced with an import-hammered, contracting clothing industry and the impending reduction of export incentives, Rex Trueform (Rextrue) chairman Stew-

- **ACTIVITIES:** *Clothing manufacturer and fashion retailer*
- **CONTROL** *African & Overseas 71%*
- **CHAIRMAN:** *S C Shub*
- **CAPITAL STRUCTURE** *18,1m ords Market capitalisation R125m*
- **SHARE MARKET:** *Price 690c Yields 3,0% on dividend, 8,6% on earnings, p e ratio, 11,7, cover, 2,9 12-month high, 1 200c, low, 450c Trading volume last quarter, 86 000 shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	0,8	0,5	—	0,3
LT debt (Rm)	1,4	0,9	0,6	0,3
Shareholders' interest	0,82	0,82	0,81	0,82
Int & leasing cover	10,3	7,1	8,0	n/a
Return on cap (%)	7,2	7,4	9,2	9,7
Turnover (Rm)	171,7	167,7	192,1	212,6
Pre-int profit (Rm)	8,1	8,8	12,5	14,0
Pre-int margin (%)	4,7	5,3	6,5	6,6
Earnings (c)	38,9	50,5	60,3	57,8
Dividends (c)	15,0	17,5	20	20
Tangible NAV (c)	548	597	631	656

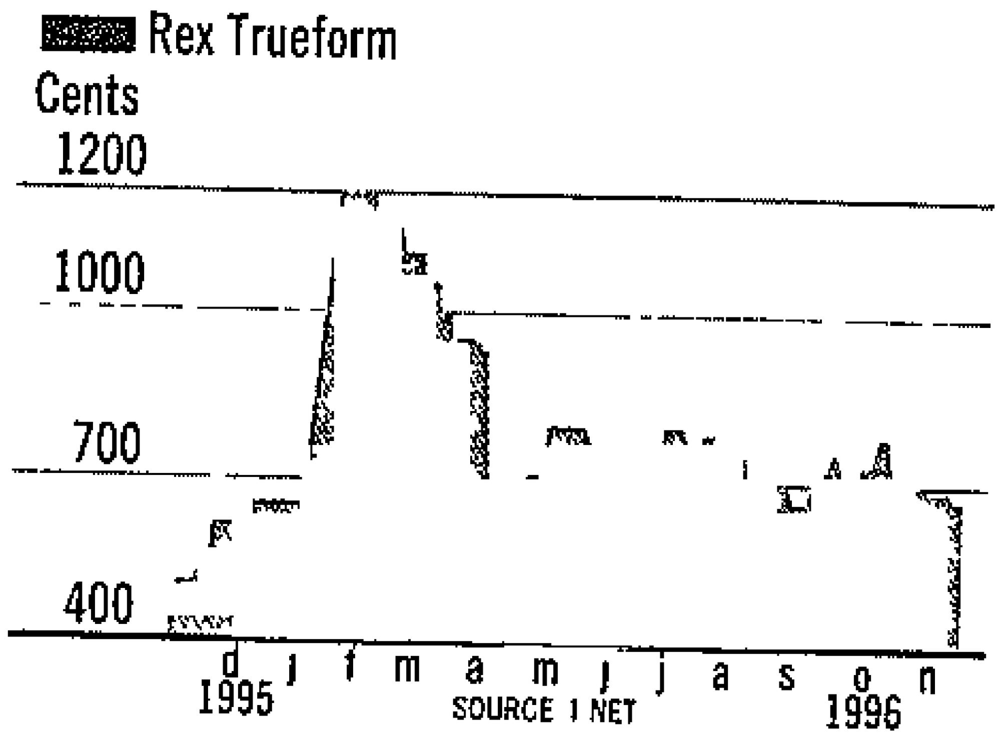
art Shub decided to start a retail division, Queenspark, in 1988 It now comprises 18 outlets with two more opening by year-end

At June 30, after a year in which other clothing retailers were hard-pressed to show real growth in turnover, Queenspark had increased sales by 16% to R117m It is now the dominant division and the major profit contributor

Queenspark sells high-quality "smart" men's and "chic" ladies' tailored garments, most designed and made in the company's factories Its focus is on the A-B income group which evidently appreciates the innovative ranges of export grade clothing sold at reasonable prices It is a successful, small but fast-growing and profitable retail chain

Profits from designing, manufacturing and retailing are retained in one organisation Growth in Queenspark should boost profitability of the company through longer manufacturing runs

Then there is the export division Rextrue has long exported fine clothing, mainly to Europe The swift reduction in export incentives and slow, trifling introduction of corresponding supply-side measures by government made exporting an activity of marginal worth — until the collapse of the rand over the past nine months Now exports are resuming their attraction



No new Queenspark stores were opened during the financial year Six new stores will open in financial 1997, a third more than at the 1996 financial year-end These are bound to benefit the bottom line And this pattern is likely to be repeated as the chain expands

The balance sheet is ungeared, with capacity to fund growth internally

Fundamentals of Rextrue are attractive and the (N) share price chart has given a strong buy signal If listed in the retail sector, the share would command a higher rating Shub should call for a change The canny investor should buy the share before then *Gerald Hirshon*

Inertia, illegal imports hurt clothing industry

(184) BD 29/11/96

Samantha Sharpe

CAPE TOWN — Government inertia in implementing meaningful supply-side incentives and surging illegal clothing imports were cited as the major reasons for the industry's worst year in its history

Clothing Federation (Clofed) executive director Hennie van Zyl told the federation's annual general meeting yesterday that industry output for this year was expected to shrink about 5%, despite a forecast of 3% for SA's overall economic growth rate

"From September 1995 to September 1996, total clothing industry employment in the four metropolitan areas shrank 13 700 to a record low of 79 755 employees The total number of clothing manufacturers declined from 1 086 to 981 over the same period "

A 1% market share of the current R600bn world trade in clothing could create 250 000 new clothing and textile jobs at a cost of as little as R3 000 a job, but export initiatives needed the support of government and the trade and industry department.

Clofed president Bernard Richards said the clothing industry had the potential to boost exports by between 25% and 30% next year However, this meant government would have to stop "dragging its heels" on tariff issues and finalise supply-side measures.

"The current duty credit certificate, without which clothing exports will be decimated, is due to expire in March 1998 We need an extension of the scheme as a matter of urgency until the end of the tariff phase-down period in the year 2003 "

Richards said problems arising out of government's failure to introduce the promised supply side incentives when the tariff phase-down period started in September last year were being exacerbated by alarming levels of illegal imports.

These were estimated to be worth at least R100m during the current year

Clothing exports slump: R200-million flood of seized imports feared

(184) ARG 30/8/96

LLEWELLYN JONES
BUSINESS REPORTER

For the first time in years South Africa has imported more clothing than it exported in the first six months of this year.

Disclosing this at a meeting of the newly established Clothing/Textile Industry Forum (Clotex) in Cape Town, Clothing Federation president Bernard Richards said clothing exports had slumped to R270 million in the first six months of 1996, resulting in a negative trade balance of R45 million

He said the situation was even worse once illegal imports were taken into account.

A total of 400 tons of illegal clothing imports had been seized over the past six months, increasing the mountain of confiscated goods in state warehouses to some 1 000 tons

"These goods pose an enormous threat to existing employment in the clothing industry," Mr Richards said

According to Mr Richards, an auction or donation of the goods – worth about R200-million in an R8-billion-a-year industry – in South Africa would flood the domestic market, undermining prices and production, and possibly result in the loss of 3 000 jobs in an already vulnerable industry

He said the clothing industry was expected to lose 15 000 jobs this year as a result of the slowdown in the sector. It is estimated that the industry will produce five percent less clothing this year

Mr Richards said Clotex would recommend that the confiscated goods should be given to Rwandan refugees, a gesture which he believed would be a huge public relations coup for South Africa.

"I think it is a huge opportunity for us to go out and do good in the world without putting ourselves at risk, without costing us any money "

He hit out at the government for dragging its feet on the conclusion of tariff policy supply-side measures, saying that a further delay could jeopardise a potential 25 percent increase in exports next year

There had been no action on the industry's report on problems with the first phase of the seven-year tariff reduction announced in September last year, and there was still no sign of the second phase which should have been gazetted in September this year

The forum believed the government had also made a "fundamental error" in not implementing the supply-side measures at the same time as the tariff phase down – one of the reasons for the 15 000 job losses this year

The forum would also lobby the government to push for the current local content definition in the bilateral agreement with Zimbabwe to be extended to all 14 other existing bilateral agreements in the region, particularly Malawi, which is the second largest exporter of clothing goods to South Africa after China

Bid to give unions and employers the same powers

(184)

ESTELLE RANDALL ARG 6/11/96
LABOUR REPORTER

Clothing employers in the Western Cape Clothing Council want all employers in the industry to pay a fee levied by the council even if they are not members.

The aim is to give employers the same powers as unions, which are allowed to levy fees on workers who are not union members. The compulsory fee system could also encourage maverick employers to join the employers' council.

Johan Baard, spokesman for the Cape Clothing Manufacturers' Association, told a meeting of the Cape Chamber of Commerce and Industry yesterday that Minister of Labour Tito Mboweni had been asked to extend this provision to all clothing employers in the Western Cape.

Deputy director-general of the Department of Labour Les Kettledas yesterday addressed the chamber on the new labour relations system. The new Labour Relations Act becomes law on Monday

It aims to foster a co-operative collective bargaining framework between business and labour in the economy generally

(184)

Cape clothing manufacturers are suitably attired for change

CT 13/11/96

THE intermittent squawking of a peacock gave the interview with Cape Clothing Manufacturers' Association (CCMA) chairman Mr Johann Baard and executive director Mr Peter Cragg an almost surreal quality

One can get carried away, sitting here in the austere boardroom, heavily hung with gleaming curtains, at Monterey, the headquarters of clothing giant Seardel In Bishopscourt

Every so often either gentleman — dashingly attired — would emphasise a point that would be counterpointed by a peacock squeal outside

Whether in agreement or disagreement one couldn't really tell

We've been discussing the clothing industry for about an hour and now it's about affirmative action and how it's being applied to assist people —"squawk!" — to make opportunities available for career development

Baard says that from the moment the debate kicked off in South Africa, the CCMA has been "in step" with the unions I would imagine, however, that with the recent clothing workers' strike, the union was clearly NOT "in step" with the CCMA

The CCMA is on record, says Baard, as having told unions that "we should jointly address, design and implement an affirmative action programme"

There are a number of "sensitive issues" the union and its membership need to work through "before any concrete policy or programme comes to the fore"

Still, says Baard "I'm not terribly concerned that there is this perceived delay or paralysis (in the implementation of affirmative action)

"The outcome of our recent (industry personnel) audit has shown that there is no real immediate urgency for us to take drastic steps

"We have a reasonable profile within the make-up of our labour force to feel reasonably relaxed about the whole employment equity debate."

We talk about wages and working conditions, the international market

Baard says the clothing industry internationally is a relatively low-paid one But in the Western Cape "in terms of mobility and career progression, we have found that throughout the ranks — from the lowest-paid worker through to the level of management — an absolute mirror image of the community here "

IN DISCUSSION: Mr Peter Cragg, Cape Clothing Manufacturers Association executive director, right, with chairman Mr Johann Baard
PICTURE: THEMBINKOSI DWAYISA

Strong words — "ABSOLUTE", "MIRROR IMAGE"

Earlier during the interview Cragg says the informal sector is being overlooked by everybody

"We reckon at the moment that the informal sector mirrors by way of employment opportunities the same as the formal sector " The SAME

"I'm prepared to wager that in the informal sector the vast majority of those people from an entrepeneurial ownership point of view are other race groups

"I reckon you've got the phenomenon of Aunty Mary or Gadieja having either been retrenched or leaving one of the formal sector factories with a range of skills that she now takes with her and she runs her own business

"She organises collectives of workers who work on a piecemeal basis "

Baard "The union confirms this that in fact is what is happening "

Cragg "It's an industry that lends itself wonderfully to entrepeneurial flair

"You've got these people who come through the formal sector, they learn the game, they understand the economics of it, they understand the construction of garments

"They leave work with this expertise and the promise of some work, either as cutters or as manufacturers on a small scale of a particular line — and they go out there and they self-help

"Now that phenomenon," he concludes, "we just can't discount when we look at the clothing industry I'm sure you'll find that there are massive incidents of success stories out there "

I must admit that at that moment, the idea was attractive

That there are hundreds of Cape Flats "Aunty Marys and Gadiejas" for whom fully-fledged financial independence is just a retrenchment away

Then again, sitting there with another clarion call from the peacock prancing the lawns of balmy Bishopscourt anyone could be forgiven for suspending reality altogether

Corporate governance is about collaboration, not annual reports

Too many SA companies see disclosure as the crux of corporate governance. But it is only a by-product of the kind of collaborative decision-making increasingly being seen as the key to business success, writes CIARAN RYAN

MUCH of the early debate on corporate governance centred on the need for improved disclosure, arousing understandable trepidation in boardrooms around the country

Directors feared South Africa would follow the British model where directors' remuneration is disclosed to all and sundry, providing a warehouse of ammunition for trade unions at the annual slug-fest over wage increases

While many believe South Africa should go this route, the King committee on corporate governance baulked at this fence But it may, in time, become a requirement

Corporate governance is a subject fraught with misconception It goes way beyond issues of disclosure in an attempt to improve decision-making within companies and make directors accountable for their decisions

"The misconception (about corporate governance) is the tendency to see corporate governance mainly as a requirement for annual report purposes, a tendency to treat corporate disclosure as an end in itself," says Roy Shough, head of Deloitte & Touche's corporate governance services division

"We believe this is putting the cart before the horse and, taken to extremes, could result in organisations seemingly complying with good corporate governance, but in truth deriving very little benefit from it"

Shough says the objectives of good corporate governance are good business management, improved relations with shareholders and trading partners, consideration for staff, good environmental practices and compliance with laws and regulations

"These objectives are all consistent with enhancing organisational performance for the benefit of shareholders and other stakeholders, to enhance information and decision-support processes, particularly at the director level, and to provide a framework for directors to perform their duties better and meet the responsibilities for which they are accountable," he says

"Most importantly, it limits the risk of serious fraud which is endemic within the business environment," says Peter Wilmot, non-executive chairman of Deloitte & Touche

It is also a safeguard against business failure Companies like Crusader Life, AA Mutual, Cape Investment Bank and Alpha Bank failed because of bad management decisions The failures could have been prevented had the companies adopted the kind of corporate governance structures which are becoming increasingly commonplace around the world

In the US, the timely intervention of good corporate governance prevented a number of potentially calamitous business decisions

John Pound, chairman of New Foundations, a multidisciplinary, Harvard-based research project on corporate governance, says Piccadilly Cafeterias built its customer base on home-style cooking, but in 1986 the CEO, brushing aside the financial director's objections, decided to save costs by substituting mass-produced products in recipes

By 1992, with profits and market share declining, the company fired the CEO and rehired the financial director who had resigned in 1986 in protest The company turned around

There is a growing body of evidence which suggests collaborative decision-making vastly reduces the potential for business failure

Pound coined the term "governed corporation" to describe this new system of collaborative decision-making, distinguishing it from the old "managed corporation", which stemmed from the dispersion of corporate ownership among many shareholders and the emergence of a new class of professional managers who were neither large shareholders or founders of companies

These senior managers shaped corporate policy in the era of absentee owners and, in fact, resented the opinions of shareholders In a hierarchical system, junior managers are usually loathe to challenge seniors and the corporation is exposed to potentially fatal risks

But tougher management audits and external surveillance are no substitute for better decision-making

"Mervyn King and his committee did not invent corporate governance nor did Lord Cadbury in the UK and others like him around the world," says Shough "What these committees did, though, was to codify best practices and other measures aimed at ensuring the effectiveness of the board of directors They drew these best practices and measures from the combined experience of their members and other business leaders with whom they consulted."

Done properly, improved disclosure is an automatic by-product of good corporate governance

Last month Deloitte & Touche presented its annual corporate governance award to NBS Accepting the award, group financial director of NBS Mark Farrer said it did not signal the end of the road in terms of improved corporate governance, but the beginning of an evolutionary process

King says his committee's purpose has been achieved — raising awareness "The corporate governance revolution which has swept the world has arrived in South Africa"

What is also evident is that corporate governance is increasingly regarded as a management tool rather than a burden

Writing in the *Harvard Business Review*, Pound notes that corporate governance has long been preoccupied with the balance of power between managers, boards of directors and shareholders

It is often assumed that a corporation which introduces more formal audits of management performance, separates the positions of chairman and chief executive, appoints outside directors and makes board members more accountable to shareholders has discharged its responsibilities

"But reforms that shift power from one party to another will not by themselves create more smoothly run, profitable organisations," says Pound "They do not address the fundamental problems in corporate governance, which stem not from power imbalances but from failures in the corporate decision-making process"

Companies that are serious about delivering better returns to shareholders, staff, customers and the public had better embrace the revolution, as King calls it, or face the fate of Marie-Antoinette and the thousands of others who resisted the tide of change

REVOLUTIONARY . . . Mervyn King, whose committee on corporate governance has rejected full disclosure of directors' pay

Clothing's unravelling thread

(194) ST(BT) 24/11/96

TORN BY TARIFFS

By CIARAN RYAN

THE government's macroeconomic policy makes repeated mention of the need to stimulate labour-intensive industries such as clothing to tackle unemployment Yet, two years after the implementation of the General Agreement on Tariffs and Trade, the clothing industry shows signs of buckling under the weight of competition from imports and rising costs

The government missed the September 1 deadline for reductions on clothing, yarn and fabric duty, putting manufacturers under undue cash flow pressure, says Hennie van Zyl, executive director of the Clothing Federation Duties on clothing were to have fallen from 84% to 78%, on fabric from 42% to 39% and on yarn from 30% to 28%

But the real challenge for clothing and textile producers lies two years away, when duty reductions are accelerated By 2002, duties on clothing will fall to 40%, on fabric to 22% and on yarn to 15%

The Clothing Federation has lobbied hard against the objections of textile producers for access to raw material at world prices and has forced the government into a compromise granting the industry an eight-year duty adjustment period instead of the normal five under Gatt

The score card so far shows that textile companies are faring substantially better than their chief customers, the clothing manufacturers

"For the clothing industry, the past 12 months have been the worst in a decade, if not longer," says Van Zyl

The industry forecasts a 6% drop in output this year over last Says Van Zyl "This is a very serious situation for an industry identified by government as a principle source of job creation"

The number of clothing producers countrywide is down to 980 from 1 086 a year ago

Then there are signs that producers are migrating from high-cost urban areas to lower-cost rural areas and neighbouring states A number of clothing producers have over the past two years moved their factories to Zimbabwe and Malawi, where labour costs are lower and productivity substantially higher One producer says labour costs in Malawi are a seventh of those in South Africa

To become a substantial exporter, the industry needs to raise productivity levels through substantial investment in training The government has been slow to implement its promised package of supply-side measures for labour-intensive industries, but Van Zyl concedes that manufacturers are partly to blame for the situation

"Worldwide, the clothing industry is worth R600-billion a year," he says "If we were able to capture just 1% of this market we would create 250 000 jobs But before this happens we need a concerted strategy from the industry backed by supply-side measures from government"

The SA clothing industry is worth R8-billion a year and employs an estimated 160 000 people The textile industry is worth R10-billion and employs just short of 80 000 people

Together with footwear companies, they have shed nearly a third of their labour force since 1990

The cutbacks point to serious structural deficiencies Wages are substantially higher than those in the Far East, but that should not preclude South Africa from becoming a major exporter of clothing and textiles

Several studies point to the example of Italy, which has a buoyant clothing industry despite much higher labour costs

Van Zyl identifies several problems in the industry

- Illegal imports and a myriad ad hoc trade agreements with neighbouring states which allow cheap clothing imports,
- A lack of meaningful supply-side measures to improve efficiencies

BRACED FOR HARDSHIP: Brian Brink, executive director of the Textiles Federation, who says the real crunch is yet to come

- A weak export performance, with exports accounting for just 6% of industry output,
- A troubled labour market,
- An industry mind-set inured to protection rather than exports, and
- Policy uncertainty, exemplified by the phasing out in 18 months of the duty credit certificate scheme, which allows exporters to import up to 30% of the value of their exports duty-free

The global clothing industry is undergoing sweeping changes and the efficiency benchmarks identified two years ago have long since been surpassed by international competitors

One trend is value-added processing, in which manufacturers send cloth to one country for cutting and to another for stitching and so on, seeking to optimise cost and efficiency benefits on a global scale

Van Zyl says he would like to see the duty credit certificate scheme extended to value-added processing rather than limited to finished products

The problem is that both this and the General Export Incentive Scheme have to be phased out to make way for Gatt.

The executive director of the Textiles Federation of SA, Brian Brink, says there are signs of an improvement in the textile industry "But the real crunch will come in two years when duties start to drop more rapidly It won't be easy, but I am confident the industry can survive"

Some analysts predict that more companies are likely to close and thousands more jobs may be lost before a recovery can be effected

In the harsh world of global trade, this may turn out to be the only solution for long-term survival, but it would put the kibosh on the government's job-creation plans

In response to the threat from global competition, textile producers are investing R1,1-billion in plant upgrades this year, compared with R800-million last year and R500-million in 1994

The benefits are already evident But for Romatex, most producers are showing improved profits

Frame, the country's largest textiles producer, reported a 61% increase in earnings for the year to June

Labour action continues to trouble the industry, however

The SA Clothing and Textiles Workers Union went on a 10-day strike earlier this year to force employers to concede to a pay increase of 10%, against an offer of 8,5%.

The strike is calculated to have cost R120-million in turnover and R20-million in wages

While the industry is in turmoil, it's a field day for consumers You may have noticed, browsing through flea markets and suburban shopping malls, that prices have seldom been more competitive

The clothing price index has increased 5% over last year, a figure well below the inflation rate But if you shop in the right areas, some prices have dropped in both nominal and real terms

Legally declared clothing imports amounted to R420-million last year According to some estimates, another R400-million can be added for illegal imports

The Department of Customs and Excise, working with the police and other government departments, has had some success in stamping out duty fraud, but the number of cases brought to book is reckoned to be the tip of the iceberg

If the government's job-creation intentions are to be taken seriously, says Van Zyl, it needs to shake itself out of the paralysis which has allowed the industry to slide to its present state

Picture DOUG PITHEY, The Argus

PRAYER FOR SETTLEMENT: Shireen Karriem, left, and Zubeida Reid, two striking clothing workers, attend the church service at St George's Cathedral yesterday.

Workers pray for clothing strike solution

(184)

ASHLEY SMITH
Staff Reporter

ARG 1/8/96

ON the eve of the marathon all-night, make-or-break talks to resolve the week-long national clothing strike, SA Clothing and Textile Workers Union (Sactwu) members held a prayer service at St George's Cathedral in Cape Town

Sactwu spokesman Joseph Williams said "This strike is not just about the 10 percent increase we have demanded It is about years and years of frustration Clothing workers are the most oppressed and exploited in the country and for us to live on such low salaries, is immoral"

He called on clothing bosses to be "compassionate" toward the strikers' demands Charles Williams of the SA Council of Churches, said his organisation supported the strike

Employers, union restart talks

BD 1/8/96 (184)(157)(552)

Reneé Grawitzky

MEDIATION was restarted last night between clothing employers and the SA Clothing and Textile Workers' Union (Sactwu) with neither party committing themselves to the outcome of the process.

Speculation was running high that the parties would be able to split the difference between the employers' 8% and the unions' 10%. However, such speculation was also evident prior to the mediation process on Sunday which failed to achieve movement from either side.

The mediation process was postponed on Sunday so that the parties could refer back to their respective constituencies to ascertain whether mandates could be adjusted.

In the interim the strike accelerated, with more workers being locked out and employers, especially those in the Western Cape, reporting intimidation, harassment of employers and other actions to put pressure on employers to revise their position.

Employers reported yesterday that the blocking off of factories continued, with one company having obtained an interdict to remove striking workers from the premises' entrances.

Sapa reports that non-striking workers at a number of clothing factories in the Cape Peninsula continued to be intimidated yesterday Many managers declined to comment in the belief this could lead to them being targeted and jeopardise mediation talks

Meanwhile, the SA Commercial Catering and Allied Workers' Union (Saccawu) has come out in support of the Sactwu strike.

Yesterday, Saccawu condemned what it termed "the intransigence of the textile and clothing bosses".

The employers' stance could be described as a declaration of war, against not only the workers in the clothing and textile industry. "We see it as an attack on organised labour as a whole," Saccawu said.

Saccawu has urged employers in the retail sector not to draw stock from companies involved in the strike.

Saccawu national office bearers have convened a special meeting to decide on action which will support the clothing and textile workers. Issues to be discussed include a demand to employers in the retail sector to return all back-up stock and to remove all goods from shelves and showrooms.

They are also planning a nationwide picket in all major cities and have issued a call not to buy "made in SA labelled clothing". — Sapa.

Better yields boost Kudu

David McKay

BD 1/8/96

KUDU Granite lifted attributable earnings to R8,3m (1995: R5,5m) in the year to June after benefiting from higher yields from more scientific mining techniques.

The group said yesterday turnover increased to R116m (R106,4m) as the divisions in the group continued to make positive contributions. It was confident this trend would continue, improving profitability.

Earnings a share was 19,9c (13,7c). A final dividend of 3,5c a share would be paid in a capitalisation share award to improve gearing. Total dividend for the year increased to 6,5c (3,9c).

OK delays decision to retrench pending talks with Saccawu

(184) BD 1/8/96

Jacqueline Zaina

OK STORES would delay the decision on retrenching 198 employees, pending negotiations with the SA Clothing, Catering and Allied Workers' Union (Saccawu), national chairman of the shop stewards' council Alfred Makena said yesterday.

The union which had declared a dispute with the retailer earlier this week, claiming the company had negotiated in bad faith, had been notified in writing that the proposed retrenchments would be delayed until September 6, to allow the groups time to reconvene to discuss alternatives.

Makena said the union would discuss possible industrial action in relation to the dispute as it still believed the company had violated a recently signed job security agreement. This had stipulated no job cuts should result from the OK's restructuring. He said a national strike remained an option

However, the union planned to set up a meeting with management next week. It intended to ensure that tenets agreed upon in the job security agreement were implemented Among the initiatives likely to lead to a solution were worker flexibility and retraining.

The union had agreed that employees would work according to the retailer's operational requirements rather than adhering strictly to job descriptions, to provide a solution to previous store closures and downsizing drives

A decision by the retailer to extend trading hours to include Saturdays until 5pm and Sundays until 1pm would also alleviate the pressure on staff numbers, said Makena

The union would be holding a national shop stewards' council in Cape Town from August 9 to 12.

OK representatives were unavailable for comment yesterday afternoon.

PPC ready for challenges of free market

BD 1/8/96

SA's Pretoria Portland Cement (PPC) was well-positioned to compete in a deregulated cement market after 25 years of operating in a cartel, it said on Tuesday

Addressing an investment analysts' presentation, PPC said that since 1992 it had been preparing itself for the eventual scrapping of the cartel.

"With our spread of operations, sales depots, sales and distributions systems . our spare capacity and ability to compete, we have the advantage to take on the challenges of a free market," said Clive Tasker, cement division MD

Under the cartel all distribution was done by Cement Distributors of SA (CDSA) — a business jointly owned by the country's three major players, PPC, Alpha Ltd and Blue Circle, a unit of Murray & Roberts Holdings (M&R).

PPC had now taken charge of its own distribution, no longer having to subsidise loss-making distribution operations through CDSA, said Graham Fabian, coastal cement operations MD.

PPC was focused also on establishing relationships with customers through building brands which had not existed under the cartel system.

"Two years ago, as producers of cement, we did not have a relationship with customers. It was all dealt with through the CDSA. This has changed fundamentally," Tasker said.

PPC's management said it was not concerned about the proposed merger of the cement operations of its competitors Alpha and Blue Circle. It doubted whether the Competition Board would allow a consolidation of interests so soon after the break-up of the cartel A merged group would have an estimated 55% share of the R2bn-a-year SA cement market, leapfrogging present market leader PPC.

Tasker forecast SA cement demand growing between 3% and 6% next year, with accelerated growth expected prior to the 1999 elections as government tried to deliver on election promises. — Reuter

Implats workers down tools as clothing strike is set to cool off

CT (PR) 1/8/96

(184)

Jonathan Rosenthal & Marc Hasenfuss

Johannesburg — Impala Platinum Holdings workers downed tools last night in support of wage and other demands, Mahlakeng Mahlakeng, the Rustenburg regional co-ordinator for the National Union of Mineworkers, said late last night

The decision to strike was taken at three mass meetings held yesterday.

Mahlakeng said all 27 000 workers would down tools, starting with last night's shift. The strikers, all members of the NUM, failed to report for the night shift, he said

Anne Dunn, an Implats spokesman, said last night that about 800 workers had reported for duty at the mineral processing plant, but that between 3 000 and 4 000 workers had refused to report for duty at the Bafokeng North mine

But she had no details as to the position at the Wildebeestfontein South mine

"All is peaceful so far, but we do not know what to expect on Thursday," she said

The workers are demanding wage increases of between 8,5 and 12 percent, an increased living allowance of R400 a month from the present R350 for those workers who do not stay in mine hostels, as well as company medical aid for workers on lower grades

"We were supposed to meet management on Wednesday night, but this has been postponed by the workers' decision to go on strike

"We hope to meet management on Thursday night to negotiate possible solutions," Mahlakeng said

This comes just as the strike that has disrupted the clothing industry for a week appears set to wind down today after another round of mediation between the South African Clothing and Textile workers' Union (Sactwu) and the National Employers' Caucus of the Clothing Industry

Mediation, under the independent mediator Charles Nupen, started last night in Cape Town, with both parties cautiously optimistic that a settlement could be forged.

Nupen has the tough task of coaxing the union and the employers from their uncompromising stance on wage increases

Sactwu is demanding an increase of 10 percent, while the employers have offered 8 percent The employers have, however, indicated a willingness to negotiate in the 8 to 8,5 percent range

But a settlement is unlikely to see conditions in the clothing industry return to normal today as union leaders and clothing industry negotiators will have to hold feedback meetings with their respective members

Ebrahim Patel, the deputy secretary-general of Sactwu, said there was a greater prospect for a settlement than there was at last weekend's mediation meeting

"I sense there is a desire to find a solution to the dispute from both sides," Patel said

He emphasised that the two parties would have to search "long and hard" within their respective mandates for a position that would produce a settlement

Peter Cragg, the executive director of the Cape Clothing Manufacturers' Association, was confident that Nupen could bring the parties to settlement

"He is a seasoned mediator . both parties have enormous respect for him

"We will have to see what common ground exists"

Hope for strike resolution today (184)

CT 1/8/96

CYNTHIA VONGAI AND WILLEM STEENKAMP

TALKS between employers and the SA Clothing and Textile Workers' Union (Sactwu) continued late last night as the two sides tried to find a way to end the five-day-old national clothing workers' strike — but a solution may only be reached today

Sactwu has demanded a 10% wage increase; employers refused to offer more than 8%. More than 60 000 workers from 800 factories throughout the country took part in the strike.

Chief negotiator for the Employers' Caucus of the Clothing Industry, Mr Johann Baard, estimated yesterday that the industry had lost about R30 million in turnover and R10m in wages since the strike began last Thursday

Last night Baard, employers, union officials and a mediator met at a Bellville hotel to thrash out a solution, the third such attempt since the start of the strike

Baard said afterwards the groups had met, then split up to caucus and were due to meet again with a mediator late last night But he did not expect the solution to be found and predicted the talks would resume today

He dismissed rumours that a 9% compromise wage increase had been reached

A union spokesman could not be reached for comment last night.

One of the most notable incidents of the strike occurred when striking workers staged a sit-in at Woolworths and Edgars stores' Adderley Street branches at lunchtime on Monday, forcing the shops to close The sit-in was an attempt by Sactwu to pressure retailers into signing a memorandum to force employers to agree to the 10% wage increase

In similar protests on Saturday strikers rang up goods at retail stores and then refused to pay

Sactwu's assistant secretary-general, Mr Ebrahim Patel, said the union justified this action because the retailers had a moral obligation to ensure the dispute was solved "Factory managers consistently quote retailers as one of the reasons they can't agree to 10%, as some stores put a 100% mark-up on clothing."

Clothing strike has implications beneath those on the surface

(184)

RENEÉ GRAWITZKY

BD 2/8/96

IT WOULD be simplistic to argue that the clothing industry strike of the past week was caused mainly by the entrenchment of the respective positions of employers and the SA Clothing and Textile Workers' Union (Sactwu), which forced them to resort to traditional "power play" tactics

The signs all point to a wide range of factors having blown up in the faces of management and the clothing and textile union, but which also have far-reaching implications for government

How did it come about that the parties — in an industry facing far more crucial challenges than a wage dispute — resorted to a strike and a lockout when the divide on increases was a mere two percentage points? What was the wisdom in implementing a lockout, which employers were warned would add fuel to the flames, when the industry is on the brink of disaster?

Can it be argued reasonably that the strike was driven by union leadership without regard to its membership base? Such an assertion seems unlikely to be true in view of the overwhelming support for strike action

The strike could have been sparked by an increasing sense of frustration of workers at the absence of change in their personal circumstances despite ongoing political change Also, the dynamics among the key negotiators on both sides, and the "personalisation" of the dispute, has played a crucial role in intensifying the dispute and acrimony on both sides

Invariably a strike of this magnitude becomes a battle of wills between personalities, which eventually draws attention away from the real issues underlying the actions and why more than 80 000 workers voted in favour of downing tools

In this instance, whether by design or otherwise, employers were privy to certain internal union dynamics. Employers say that certain leaders indicated prior to the that they were prepared to at the upper level of the employer offer, but were prevented from doing so by other officials This caused employers to entrench their position, with the intention of squashing those elements in the union they saw as being an obstacle to a settlement and who generally held a more militant position.

Instead of using the information strategically, employers used it to further divide leadership, which resulted in a hardening of the positions by both parties

However, some employers fear they may have been conned by a preplanned "good cop, bad cop" union strategy designed to encourage employers to reach terms with the "good guys"

As was evident in the recent Amplats strike, it is not in employers' interests to have a fragmented union, as this can lead to chaos and prolonged industrial action.

Attempts by employers to use these divisions can have unintended consequences. A union source says employers used information on union divisions at their disposal as a weapon, and embarked on the age-old divide and rule tactic

The internal employer dynamics are also of interest As the strike progressed and began to turn nasty, resentment grew between small and large manufacturers as some smaller employers broke ranks and agreed to the union's demand The large employers claim they were prepared to grant higher increases but were voted down by the smaller employers at the outset

Where does this leave centralised bargaining in the clothing industry in the future?

One striking worker in Gauteng who has worked in the industry for more than 20 years and earns R281 a week says: "We have been slaving for all those years We are paying the union leaders They must do what we tell them and we want 10% " This comment provides an insight into one of the underlying causes of the strike

The militancy was initially sparked by increased frustration, which could have overridden initial union leadership pragmatism

The strike ballot is often used as a negotiating tool In this instance, the union might have started out with the intention of using it in this limited way to force the employers' hands, but perhaps underestimated the extent of support for a strike.

Discussions with strikers this week suggest workers are becoming increasingly frustrated with the new political system, which promised change but has failed to deliver on these promises.

How does government explain to workers that they cannot expect change overnight? Many workers are beginning to feel they have been "ripped off", as they see elements in government lining their pockets while ordinary people are being asked to tighten their belts

NUM general secretary and prospective ANC secretary-general Kgalema Motlanthe said at a recent SACP meeting that in post-war Germany everyone operated under the same imperatives, meaning all parties were called on to pull together

However, in SA only one element of society, the lowest-paid workers, are being called on to make sacrifices. How do you explain to workers demanding a reduction in wage disparities reports that new executive directors at Transnet could be earning in the region of R1m a year? How do you explain to workers why senior executives of large corporations and Cabinet ministers all had urgent business in Atlanta recently?

Government will fail to heed the signals being sent out by workers at its peril

It is all very well for politicians to tell foreign investors the union leaders are trying to keep militant workers in check But those very same workers were mobilised under the call of the liberation struggle in the 1980s, and are now asking for a "payback" for their sacrifices

The industrial action cannot be dismissed as typical militant behaviour by workers who are prone to striking at the drop of a hat

This predominantly female workforce, which has rarely gone on strike in the past, has taken this route because they continue to be among the lowest-paid employees in the country

In this climate it was unlikely that union leaders, even if they wanted to, could have persuaded the workers not to strike, even though the industry is under threat as a result of the lowering of tariffs and the influx of cheap illegal imports

Durban-based management consultant Pat Stone says that, in an industry facing bigger issues than a wage dispute, he cannot understand why the employers could not find some sort of "bridge" for low paid workers It would have been different if the parties had been five percentage points apart

He says it is understandable that low-paid workers are reluctant to make further sacrifices and accept minimal increases with no corresponding improvement in job security In such instances, workers see they have nothing to lose and are prepared to take to the streets

If the employers' position or the plight of the industry was the real reason for the failure to meet the union demand, why did the employers not go for a wage freeze at the outset and stick to that? Or was this the year that employers finally decided to squash elements in the union it felt were undesirable?

And what of union tactics? Were they sound? Once the union leadership realised workers were prepared to strike, was this used to further the agendas of individuals in the union leadership? Whatever the underlying triggers which prolonged the strike, the parties will have to rebuild relations to tackle the challenges facing the industry

Strikers held for alleged intimidation

2/8/96 (184)

CAPE TOWN — Twenty striking SA Clothing and Textile Workers' Union (Sactwu) members were arrested on charges of intimidation in Cape Town yesterday morning.

Sapa reports police spokesman Sgt Vivienne Lentoor said about 30 people, all believed to be striking Sactwu members, gathered outside a clothing factory in Wynberg and blocked the entrance, preventing non-striking workers from entering the premises.

Factory management called the police and the group was warned to disperse Ten walked away, but the rest remained and allegedly intimidated workers Police then arrested them.

Renee Grawitzky reports that national clothing employers and Sactwu emerged from two days of mediation yesterday tightlipped about the outcome

It is understood that both parties have agreed not to say anything to the media before reporting back to their constituencies

It is believed that the union is having report-back meetings this morning and thereafter a clearer indication will be provided as to whether the parties were able to bridge the gap between the union's demand of 10% and the employer offer of 8%

Depending on the outcome, the strike could end on Monday.

End of clothing industry strike in sight

CT 2/8/96 (184)

THE crippling, eight-day national clothing industry strike may be resolved over the weekend, it emerged yesterday after almost 20 hours of mediation between employers and the SA Clothing and Textile Workers' Union at a Bellville hotel.

The mediation, chaired by Mr Charles Nupen, director of the Commission for Conciliation, Mediation and Arbitration, ended with Nupen saying the meeting had "concluded for the moment"

"We have reached a stage where the employers have tabled an offer dealing with outstanding issues to the union, and the union will now take their proposal for consideration by its members," he said

He refused to say what the proposal entailed — Staff Writer

Talks start but strike continues

(184)

Sowetan 2/8/96

Some employers say that they are being intimidated by strikers

By Abdul Milazi
Labour Reporter

ALTHOUGH EMPLOYERS and the South African Clothing and Textile Workers Union have resumed talks, the strike, which is now in its second week, continues

Thousands of workers have been locked out by employers, while some employers have reported that they are being intimidated by strikers

Sactwu's 85 000 members went on strike last week in support of their demand for a 10 percent wage increase and improved retirement benefits and bonuses.

The union complained that the clothing sector discriminated against blue collar workers

Sactwu assistant general-secretary Ebrahim Patel said the sector paid the lowest wages in the manufacturing industry and weekly-paid workers were not entitled to Christmas bonuses.

When Sactwu balloted its members a week ago, the employers followed suit Workers voted in favour of a strike while employers voted for lockouts.

The stage was set and speculation rife that the industry would collapse should the strike go ahead.

When the union began its strike, employers immediately responded by locking workers out.

Last week the two parties agreed to go for mediation, but nothing came of the first meeting as no settlement could be reached

However, negotiations are now back on track, but although they seemed optimistic, both parties do not want to commit themselves

Mutual sigh of relief as week-long textile strike and lockout called off after deal cut

Clothing employers yesterday invited the SA Clothing and Textile Workers' Union (Sactwu) to regional and national "bosberade" after a week-long strike and lockout was officially called off earlier in the day

National Employers' Caucus of the Clothing Industry chief negotiator Johan Baard said it would be back to work as usual on Monday, after the strike and lockout which was declared last Thursday

The strike affected more than 80 000 workers and 1 200 factories countrywide About R14-million to R16-million was lost in wages and "three times that" in turnover, Baard said.

The employers and Sactwu settled on a 9% wage increase, comprising a wage component of 8,5% and 0,5% added to the existing annual bonus payment, effective from June 1 1996

With effect from July 1 1997, the yearly increment to the provident fund would be 0,5% from employees and 1% from employers This would be done annually to a maximum of a 6% contribution by employees and 7,5% by employers

Before the strike, the union had demanded a 10% wage increase, while employers had offered 8% and later showed a willingness to negotiate 8,5%

Baard said "I am sure there has been a sigh of relief from both sides" – Sapa

Star 3/8/96

(184) ~~(177)~~ ~~(152)~~

Both sides claim victory in clothing strike settlement

ARG 3/8/96 AP (184)

ASHLEY SMITH
Staff Reporter

THE nine-day national clothing strike cost workers in excess of R14 million in wages, while employers lost close to R48 million in turnover

Both the union and employers claimed victory in yesterday's settlement, which gave workers an overall nine percent increase package – exactly midway between the union demand and the employers' offer

The strike has severely strained the relationship between the South African Clothing Workers' Union (Sactwu) and the National Employers' Caucus (NEC)

However, Johann Baard, chief negotiator for the NEC, has extended a warm hand of friendship toward Sactwu

He said he hoped the clothing union would join with his organisation in assessing the strike and rebuilding relationships

During the strike tension reached breakpoint countrywide as strikers picketed and spent nights in caravans outside factories

Widespread incidents of intimidation and tyre-burning were reported by employers, with Sactwu members intent on "twisting the arm" of the NEC to submit to a 10 percent wage increase

The NEC said they had always been flexible throughout the negotiations with Sactwu, but it was the union who said they would not budge from there demand for 10 percent

Workers who did not join the strike were locked in their factories by strikers – and bosses in turn locked out strikers

Shortly after an 8,5 percent wage component increase was accepted by Sactwu, the NEC invited them to regional and national meetings to conduct a post-mortem on the strike

The final settlement presented to Sactwu by the employers included a half percent increase in annual bonuses

"The deal is a nine percent total labour cost package-settlement," said Mr Baard

"The parties have also agreed to a yearly incremental increase in the provident fund from July 11997," he added

This means the union will contribute a half percent toward the increase and the employers one percent – until the employers have reached 7,5 percent

"The union-employer relationship, which has been the envy of other industries, has been strained, but we are committed to restoring it to the meaningful levels of the past," said Mr Baard, who conducted the negotiations for the NEC during the 20 hours of talks with Sactwu earlier this week.

■ See Page 8

Starvation wages – the price of profitability?

(184)

ARG 3/8/96

TOP: Johann Baard, left, chief negotiator for the NEC, expressed the hope that Sactwu and his organisation would rebuild their relationship, which came under severe strain during the strike With him is Peter Cragg, executive director of the Cape Clothing Manufacturers Association

FAR LEFT: Lillian Malan, vice-chairperson of Sactwu, addresses striking clothing workers at the Athlone stadium yesterday Next to her is Ebrahim Patel, who was the chief negotiator for Sactwu during talks with the NEC

LEFT: Clothing workers celebrate the end of the nine day strike at Athlone stadium

Pictures LEON MULLER, Chief Photographer

■ On the face of it, the settlement of the clothing industry wage dispute indicates that employers will pay up. Workers demanded a 10 percent package increase and this week, employers offered 8,5 percent on wages, 0,5 percent on annual bonuses and one percent on retirement funds. **ESTELLE RANDALL** looks at the issues which came under the spotlight during the strike.

THE 40 000 Western Cape clothing workers who ended their strike this week showed through their actions they could virtually cut one of the province's economic arteries

The first national strike in the history of South Africa's clothing industry has raised questions on the cost of being part of the global economy

For Deanne Collins, editor of the SA Labour Bulletin, the strike has cast doubt on starvation wages as the route to saving vulnerable local industries

"If you do that you won't have a well-trained, motivated workforce and increased production

"Trade unions won't accept lower standards and even if they did, lowering standards would undermine what South Africa has struggled for

"The increase workers wanted was close to inflation, estimated at between six and seven percent A 10 percent increase wouldn't have given much improvement, especially when you consider that the food and other essential items workers must buy are quite expensive

"If the industry's going to become competitive, it will have to improve labour standards and get workers to see they have a stake in it"

Collins said that if factories closed, the blame for this could not necessarily be attributed to the strike

"There are many reasons for factory closures and it's well-known that in South Africa one of these is that factories are poorly managed"

Employers and the SA Clothing and Textile Workers' Union (Sactwu) agree the clothing industry is in trouble and must change But they differ over who should make the most sacrifices

Employers admitted wages were low, but insisted a 10 percent increase was unaffordable in an industry threatened with cheap imports from Asia

"Internationally people are prepared to work for less," said Bernard Richards, president of the Clothing Federation of SA, the national employers' body

However, Mr Richards admitted the strike had been a "major shock" for employers

But the conditions under which people work for less differ from country to country

The Minister of Trade and Industry Alec Erwin has noted that Chinese goods were cheap because the pricing system was different – a "hangover of the centrally planned economy"

In Bangladesh wages could be low because food prices were low, Mr Erwin said in an interview with the SA Labour Bulletin

He said the government had established studies to see where South Africa's strengths lay and to identify areas of potential growth

Training had to impart portable skills which were not specific to a particular sector, he said

"As production patterns change, you enable people to move through different production sectors over a series of decades"

For Ebrahim Patel, Sactwu deputy general secretary, accepting the employers' offer of eight percent would have meant accepting the historic inequalities of low wages and poor provision for retirement in the clothing sector

He said Cape clothing employers contributed only three percent to workers' retirement benefits, whereas textile employers generally contributed 7,5 percent

Sactwu had proposed increasing clothing industry provident fund contributions over an agreed period

Mr Patel said current clothing industry wages were about seven percent below the breadline, as calculated by the University of South Africa in February

A qualified machinist in the Western Cape could expect wages of R293 a week, R146 50 as an annual bonus and a retirement payout of R16 000 after 30 years' service

Sactwu asked why workers earning such wages should further tighten their belts when management did not set an example

Executive directors of clothing giant Seardel last year earned 47 times more on average than clothing machinists

According to Seardel Industrial Corporation and Consolidated Holdings' annual reports, last year's total salary bill for executive directors increased by 21 percent, from R5,1 million to R6,2 million – an average monthly package of R47 000

South Africa's clothing industry was highly protected against international competition until September 1995, when the government agreed to lower duty on imported goods

This exposed local clothing manufacturers to competition from cheap imports, mainly from Asian countries

An increase in cheap illegal imports since the early 1990s had already made itself felt in factory closures

To mitigate the negative consequences of free trade, government, business and labour agreed on a plan to reposition the clothing sector

Stakeholders agreed the industry should focus on the niche-market, making high-quality, specialised goods for wealthy foreign and local consumers

Doing so meant greater mechanisation of the industry, upgrading skills and improving productivity to meet international norms

It also meant closing the gaps through which cheap, illegal clothing was brought into South Africa

In March the government introduced stiffer penalties and more effective enforcement to combat illegal imports

The National Economic Development and Labour Council (Nedlac) is currently discussing investment incentives, productivity and a Social Plan Act, which offers an overall approach to training

The departments of trade and industry and labour are also jointly developing a training programme, which they will pilot in the clothing and textile industry

Last month Nedlac agreed that the government would raise the idea of a social clause in trade talks This clause asks foreign trading partners to guarantee worker rights, such as freedom of association and collective bargaining

For these national plans to work sectoral wage negotiations should complement them in content and form

"It could be the last of the 'easy strikes'," said Tony Twine of Econometrix

"In a year's time, with the industry plan further down the road and trade barriers further reduced, it may not be possible for some employers to survive a strike like this"

Mr Twine noted that strikes in the motor industry, also heavily protected before the "big strike" appeared to be a feature of the past

"You still have wage disputes, but it seems parties are seeking other ways to get over these," he said

Workers stitch up victory deal, but more strikes loom

ST 4/8/96 (184)

By CAROL PATON

THERE was jubilation on Friday as clothing workers around the country celebrated a strike victory which brought them a nine percent increase and substantial improvements to their provident fund

The offer fell one percent short of the South African Clothing and Textile Workers' Union's demand for 10 percent, but union officials said an undertaking by employers, to increase their contributions to the provident fund by one percent a year from 1997 until their contributions reached 7,5 percent, would compensate for the shortfall

"We got our wage settlement and buttoned up a deal that took the retirement fund out of the Dark Ages We are delighted with the settlement," said Ebrahim Patel, the union's assistant general secretary

But while the union claims it has won the battle, the war over restructuring the clothing industry has only begun Over the past year it has had to shed 17 000 jobs due to pressure from illegal imports and reduced tariffs for imported garments

Patel said the union would now "harness the energy and power (of the strike) to address wider issues of industrial restructuring and workplace transformation"

The strike had "shown that workers are not going to accept the slide into a low-wage future"

The choice facing the industry was between a high wage, high value-added one that aims at a niche market or a far bigger industry producing cheaper, mass-produced goods as cheaply as possible

Johann Baard, chief negotiator for the clothing employers, said employers and the union would hold a series of meetings to discuss the future direction of the industry

Baard described the strike as "damaging to employers" and said it had tested the limits of their commitment to centralised bargaining Of the 1 300 manufacturers affected by the strike, small operations had been hit particularly hard

● While the clothing strike ended peacefully, most sectors of the economy were hit by labour disputes this week as annual wage negotiations reached deadlock, triggering strikes and protests

The retail sector was hit by wage disputes at Edgars, Metro Cash and Carry, Pep and OK Bazaars

In the mining sector, 28 000 workers at Impala Platinum near Rustenburg downed tools on Wednesday night in a legal strike over wage demands The National Union of Mineworkers is demanding increases of between 8,5 and 12 percent

Rustenburg Platinum Mines was also hit by labour unrest this week when continuing tensions over an illegal strike last month resulted in the murder of a mine security guard and the subsequent shut down of a number of shafts

Meanwhile, the NUM has declared a dispute with the Chamber of Mines after negotiations over annual wage increases for most gold and coal mines reached a deadlock

The union is demanding increases averaging 13 percent, but the chamber has pegged its offer at between four and 7,5 percent for gold and 6,75 percent and 12 percent for coal

The engineering industry will be hit by industrial action on Wednesday when workers organised by the National Union of Metalworkers of South Africa take "spontaneous action" over their dispute with the Steel and Engineering Industries Federation of South Africa

While wage negotiations are almost in the bag, disagreement has arisen over a penalty clause which states that workers absent immediately before or after a public holiday will not get paid for the holiday

The metalworkers' union is also negotiating in the auto sector where wage talks are heading for a deadlock over inflation-linked increases

Harare in deal with SA

AN AGREEMENT in principle was reached with Zimbabwe on Friday on preferential tariff and quota levels and rules of origin for Zimbabwean clothing and textile exports to South Africa, writes **THABO KOBOKOANE**

Trade and Industry Minister Alec Erwin said details would be spelt out soon so that the agreement could take effect in September.

At a previous meeting, South Africa had offered a 50% reduction on duties, but insisted on at least 25% local content.

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Erwin also "undertook" to respond to Zimbabwe's request for market access for its farm products.

Erwin and his Zimbabwean trade counterpart, Nathan Shamuyarira, said the agreement marked a "breakthrough" in trade relations.

Tension developed after 1992 when South Africa terminated the 1964 trade pact with Zimbabwe

ST (BT) 4/8/96

Clothing strike over as parties settle on terms

Susan Russell

(184) BD 5/8/96

STRIKING clothing workers will return to work today after employers and the SA Clothing and Textile Workers' Union on Friday reached a compromise 9% wage settlement and agreed to improvements to the provident fund

The wage settlement, reached after two days of mediation between national clothing employers and Sactwu, falls halfway between the 10% demanded by the union and the 8% offered by management, who had however indicated they would be prepared to negotiate as high as 8,5%

The 9% increase will consist of 8,5% in wages and a further 0,55% to be added to the existing annual bonus.

Although the settlement was 1% less than the increase demanded by workers, union assistant secretary Ebrahim Patel expressed himself satisfied with the outcome, particularly in the light of the employers' undertaking to increase contributions to the workers' provident fund by 1% annually from next year until their contributions amounted to 7,5%.

In terms of the settlement the annual increment to the fund would be 0,55% from employees from July 1 next year and 1% from employers This would rise each year until it reached a maximum contribution of 6% by workers and 7,5% by employers

The week-long strike, which affected more than 80 000 workers and 1 200 factories nationally, was characterised by reports, particularly in the Western Cape, of the harassment and intimidation of employers and non-strikers by workers and the lockout of striking employees by management.

One company obtained a court interdict to remove striking workers from its premises.

Employers' chief negotiator Johan Baard said about R16m had been lost in wages due to the strike and an estimated R42m in turnover

Workers strike a deal

(184) (1??) (1??)

By Abdul Milazi
Labour Reporter

SEWING machines will hum once again when workers in the clothing industry return to work today after a two-week strike

The strike, described by employers as "damaging", ended on Friday when the South African Clothing and Textile Workers Union (Sactwu) accepted a nine percent wage increase and an undertaking by the bosses to improve the industry's provident fund

Sactwu was demanding a 10 percent across-the-board wage increase while employers offered eight percent

A week ago, it seemed the industry was in for a protracted strike when Sactwu vowed it would accept nothing less than its demand, while employers threatened to lock out strikers

Both parties carried out their threats, but they realised there would be no winner They agreed to go for mediation

Sactwu assistant general secretary Mr Ebrahim Patel said employers agreed to increase provident fund contributions by one percent each year from 1997 until contributions reached 7,5 percent

Sowetan 5/8/96

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

Clothing industry strike ends as stoppages loom in other sectors

CT (BR) 5/8/96 (184)

By Thabo Leshilo

Johannesburg — The South African Clothing and Textile Workers' Union celebrated the end of its eight-day strike at the weekend after winning its desired wage increase Workers in other sectors of the economy are now gearing up for similar protests

The union's 80 000 members return to work today after bosses in the clothing industry agreed after mediation to an across-the-board increase of 9 percent They had earlier said they could not afford more than 7 percent

The industry's national employers' caucus said companies had lost about R42 million worth of sales and workers had lost about R14 million in wages

"Workers feel victorious because they moved employers from 7 to 8 percent with the (strike) ballot and from 7 to 9 percent with the strike," said Elias Banda, the union's chief negotiator

Meanwhile, the Union section of Rustenburg Platinum Mines came to a virtual standstill last week because of a strike, the third in a month

About 30 percent of the mine's production has been affected

On Saturday, Tito Mboweni, the labour minister, brokered an accord aimed at ending the disputes between the management and striking workers at the world's largest platinum mine

He said the industrial action should end at once and the workers should return to work unconditionally and drop the demands which prompted the strike The strikers had demanded that the mine pay death benefits and refund their Unemployment Insurance Fund and PAYE contributions The union and management urged strikers to accept the treaty

Industrial action by workers at Impala Platinum Holdings has not been ruled out after wage increase talks with the management deadlocked on Saturday

Reuter reports that the National Union of Mineworkers said the company had improved its wage offer to an average of 8 percent, from 7,44 percent The union has lowered its demand to an average of 9,5 percent, from between 8,5 percent and 12 percent

Jackie Kelly, a research associate at Andrew Levy and Associates, a labour consultancy, said the continued industrial strife plaguing mining and industry was not unusual She said it resulted from the breakdown in wage talks, which ended at about this time of the year

The railways and the coal and gold mines may also be hit by strikes after the National Union of Mineworkers and three Transnet unions declared a dispute with their managements last week

The deadlock between the mineworkers' union and the Chamber of Mines, which affects more than 300 000 miners, followed two months of negotiations over wages and other conditions of employment The union has demanded an increase of 13 percent The chamber has offered 7,5 percent for gold mines and up to 12 percent for coal mines

The Technical Workers' Union, the South African Footplate Staff Association and Employees' Union of South Africa, the Transnet unions, may embark on a strike involving about 40 000 artisans and train drivers in a month if their wage dispute with the company is not resolved

The unions have rejected Transnet's proposed 4,8 percent increase for middle-income employees They have demanded at least 8 percent The dispute goes to mediation tomorrow

Trouble is also brewing in the metal sector after a fallout between employers and the National Union of Metalworkers of South Africa Sapa reports that the union has threatened to embark on a national protest on Wednesday because of a disagreement with employers on a recognition agreement

Stringent local content rules relaxed

SA drops tariff on Zimbabwe textiles to 30%

(184)

BD 6/8/96

Samantha Enslin

SA's trade offer to Zimbabwe will lower barriers to imports further and faster than planned, in a bid to end the long-running trade dispute with Harare.

It emerged yesterday that the deal, struck in principle last week, includes SA relaxing stringent local content rules that had been a condition for the preferential tariffs on Zimbabwean clothing and textiles. The existing tariffs, which range between 63% and 78%, will be cut to below 30% from next month, and to 20% by the year 2000

The deal, which was forged in principle between Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira, follows four years of negotiations

Zimbabwe threw out SA's previous offers, claiming they were too onerous. The SA government has been under pressure from its clothing and textiles industries, which have been ravaged by cheap imports, to maintain a tough stand. The deal represents a climbdown by both sides. Zimbabwe had been seeking an 18% clothing tariff, while SA had initially offered a 40% tariff and stipulated that such products had to contain 75% Zimbabwean local content. SA had been concerned about the level of Zimbabwean imports that had originated in the Far East.

But under the new deal, any product that has undergone two manufacturing processes in Zimbabwe will qualify for the tariffs. The National Clothing Federation said SA was also moving far faster on cutting tariffs than previously planned.

Federation president Bernard Richards said the deal would put pressure on the SA clothing and textile industry but compromises had to be made on both sides

SA foreign trade relations deputy director Busi Gaboo said the tariff offer was in line with World Trade Organisation recommendations The Zimbabwe deal would be the basis on which trade deals with other Southern African Development Community countries would be negotiated, he said

Zimbabwe is also pushing to have the agreement extended to other sectors, including agricultural products SA has undertaken to respond to that request by the end of this month.

Michael Hartnack reports from Harare that Shamuyarira said thousands of textile sector jobs in Zimbabwe were now secure.

He told the Zimbabwe Herald that the deal "effectively reopens the SA market to those Zimbabwean manufacturers able to compete on price"

Shamuyarira said the Rhodesia-SA most favoured nation status bilateral pact of 1964 was being restored. SA was believed to be committed to an "interim arrangement" until an SADC regional trade protocol emerged.

Satisfactory Seardel results expected

Star 9/8/96 (184)

By Marc Hasenfuss

CAPE EDITOR

Cape Town — Seardel, the clothing, textile and consumer electronics company, should produce a satisfactory performance in the year to June 30, posting earnings a share of 47c and paying a dividend of close to 10c, analysts said

Seardel, whose mainstay clothing manufacturing interests are complemented by Seartec and its associate company Frame, reports its results next week

A clothing industry analyst noted that Seardel's share price, ranging between R1,30 and R1,60 for the ordinary and N-shares, seemed out of synch with the expected profit performance.

He said there were no fireworks in second-half trading, which meant that the year-end performance would be in line with the company's initial earnings predictions made at the interim stage

Though the shares were trading low, the analyst was reluctant to punt Seardel as a short-term buy

"The expected 20 percent return for this year is not enough for such a risky industry Only when demand picks up considerably will Seardel provide excellent returns"

The analyst said there had been some recent interest in Frame, Seardel's textile associate

He said there were high hopes that revenue could flow from leasing Frame's prime industrial sites in New Germany and Pinetown in KwaZulu Natal

"However, indications are that it may be some time before the full benefits from these properties flow through to bottom line"

The analyst said Seartec, whose office-automation, consumer electronics and stationery sales include leading brands such as Sharp and Scripto, would continue to build its reputation as the gem in Seardel's crown

"All indications are that Seartec's strong profit trend should continue this year"

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CT (PM) 9/8/96 (184) (~~185~~) (~~1020~~)

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"All indications are that Seartec's strong profit trend should continue this year."

Mixed feelings greet SA talks on clothing, textiles

BD 13/8/96 (184)

Martin Rushmere

HARARE — The progress made in the recent talks in Pretoria on a new SA-Zimbabwe tariff structure for clothing and textiles has been greeted with mixed feelings by the private sector in Zimbabwe.

Cynical comments have been made by manufacturers who say "SA has merely thrown us a few crumbs". This contrasts with the confidence expressed by Commerce and Industry Minister Nathan Shamuyarira that thousands of textile jobs are now secure after a recent wave of liquidations and redundancies.

Loss of the traditional SA market, high lint prices and ruinous interest rates caused by the high-spending government's monopolisation of the local financial market have driven 31 firms into bankruptcy since 1992.

"The SA clothing lobby has won the battle," said one MD in Zimbabwe's clothing sector. "We have come off second best."

The manufacturer contrasted the new terms with the situation before 1992 under the 1964 Rhodesia-SA "most favoured nation" bilateral pact. Then the maximum rate of duty was 17%, compared with the proposed 30% tariff from September 1.

Quotas were smaller, but if President Robert Mugabe's government had closed with early offers of talks with President FW de Klerk's government, it could have obtained more than the 3,2-million units pegged in the new deal, sources feel.

The Zimbabwe Clothing Manufacturers' Association is refusing to comment until it knows more details of the agreement reached between Shamuyarira and his SA counterpart, Alec Erwin.

But there is no doubt about the general "Oliver Twist" mood.

"We wanted 5,5-million garments, which would have given us a turnover of R95m compared to our estimate of a maximum R50m under the actual arrangement," said a leading industry member.

"That would not have hurt SA much, considering that the trade balance is running at R3bn a year in SA's favour. It is actually less than 1% of that."

Manufacturers in Zimbabwe are particularly vexed by the currently weak rand.

"We were hoping that Pretoria might have been more generous and given away more because of this," one commented.

The private sector here has been told little of the new deal.

Interest centres on the duration of the agreement, on which Shamuyarira and his team have been silent.

The private sector in Zimbabwe fears that this is a sign of bad news in store.

Confederation of Zimbabwe Industries president Jonee Blanchfield has been outspoken in her delight at the textile and clothing breakthrough, but her colleagues have reservations.

They believe she might have lobbied more effectively for a better deal, against the strong pressure imposed on Erwin by SA manufacturers and unions.

"SA has a much stronger voice for the private sector, while ours has become somewhat lily-livered," said a manufacturer.

"Alec Erwin was in no doubt about the feelings of his textile and clothing manufacturers.

"Our government could have been excused for assuming we did not care," he said.

Diplomatic sources in Harare feel the breakthrough holds most significance in the wider context of SA's future relations with the Southern African Development Community, with whom a regional protocol is planned.

"Rather than Zimbabwe getting all excited about securing special deals from SA, it should be examining the implications of trade throughout the whole region," said trade specialist Keith Atkinson of Imani Development Corporation.

"No one has yet come out to say how this fits in with SA's policy towards the SADC.

"And there are World Trade Organisation rules to consider when doing deals with individual countries," Atkinson said.

Under the WTO's Marrakesh agreement, which SA signed in 1994, Pretoria is barred from offering Zimbabwe long-term concessions which are not extended to every other Third World state which finds itself at a similar stage of economic development.

The proviso has fuelled speculation in Zimbabwe that there must be a time limit on the Pretoria concessions.

Frame income up despite sales drop

BD 13/8/96 (184)

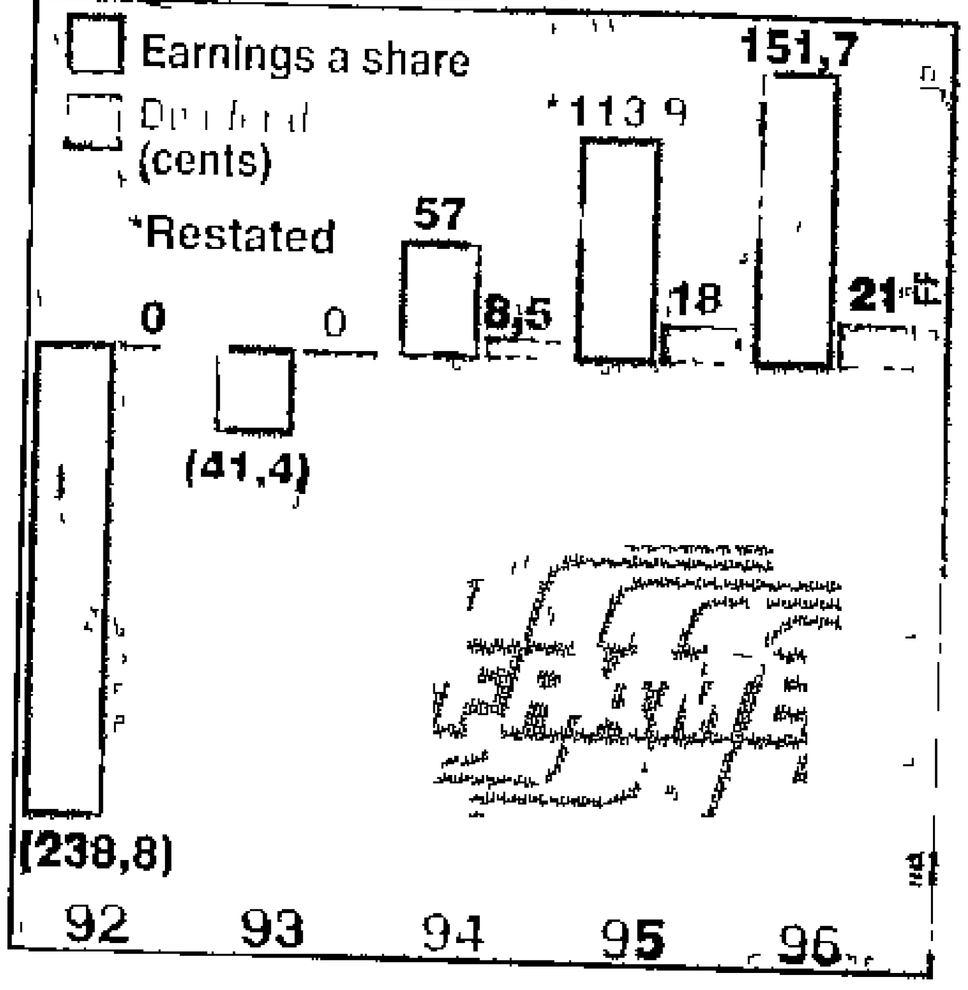
Nicola Jenvey

DURBAN — Clothing and textiles group Frame lifted attributable income after exceptional items 35% to R32,1m for the year to June amid trading conditions that led the group to slam government policy on tariff cuts and illegal imports

The group benefited from exceptional items to lift share earnings to 151,7c (113,9c). Stripping out exceptional items, share earnings dropped to 110,2c (165,1c) The total dividend rose 16,7% to 21c. Chairman Mervyn King said the results were "excellent", given the difficult trading environment, lower sales and high level of imports

King said he would resign from his executive responsibilities next month Deputy chairman Roy Sable would take his place King, who would stay on as non-executive chairman and consultant, had other interests to pursue

Sales dropped to R730,9m (R782,7m) in the wake of depressed consumer spending, while gross operating income slipped to R83,4m (R90,8m) Depreciation fell slightly, but the figures were boosted by a R7,2m exceptional gain attributable to surpluses on asset disposals, against an R18,5m exceptional loss last year. Interest received rose to R14,4m (R6,3m) Pretax profit jumped to R71,3m (R44,2m), but tax grew to R23,3m (R6,3m) The balance sheet showed inventory levels at R182,6m (R160m) Cash resources rose to R143,6m (R108,3m) Capital expenditure during the year totalled R58m, with commitments for a further R80m.



King said the group was continuing

Continued on Page 2

Frame

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Continued from Page 1

BD 13/8/96

with its strategic plan to become "a globally competitive textile manufacturer" by focusing on training, new technology and service. It had started restructuring after import tariff cuts.

The drive towards sharpening its competitive edge prompted Frame to retrench a large part of its workforce — a pattern followed across the clothing and textiles sector.

Frame has said that up to 2 000 employees — more than a third of its work force — could go over four years as machinery is upgraded.

Consolidated Frame Textiles, 71,3% held by Frame, posted share earnings of 62,3c (96,2c) before exceptional items. The total dividend was set 22,7% higher at 13,5c.

COMPAN

Mervyn King resigns as group's chief executive

Frame exceeds market forecast

CT(BR) 13/8/96 (184)

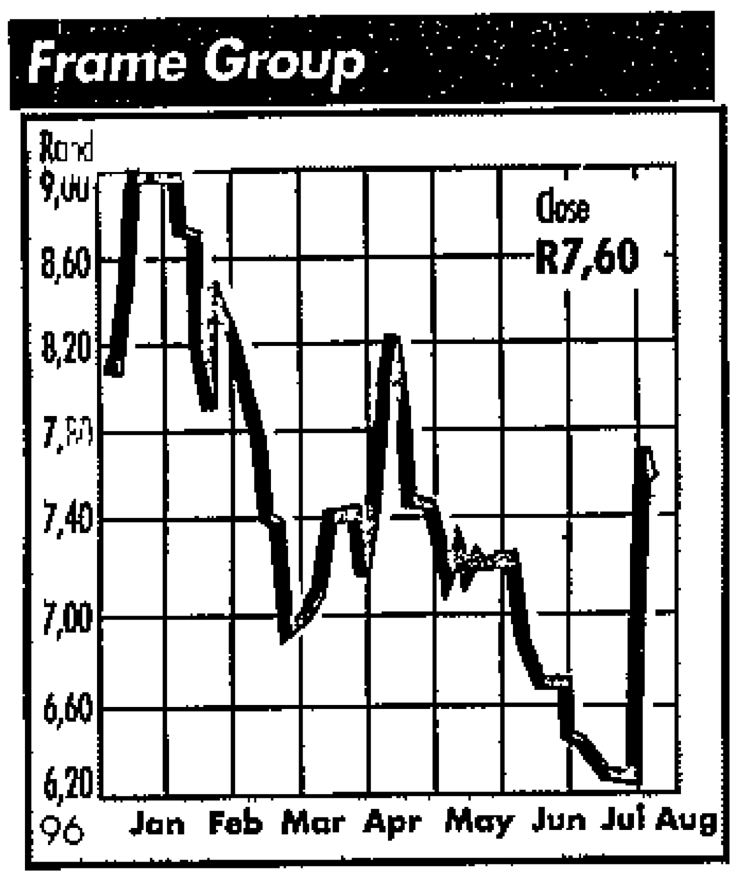
By Shirley Jones
KWAZULU NATAL EDITOR

Durban — Frame Group, the textile manufacturing company, exceeded market expectations with a 33,2 percent rise in earnings a share to R1,5170 from R1,1390 in the financial year to June 30.

Attributable income rose to R32,1 million from R23,7 million during the year, despite difficult trading conditions which caused turnover to dip by 6,6 percent to R730,9 million from R782,7 million.

Mervyn King announced his resignation as senior executive. He said he was pleased to have played a role in turning Frame from an over-geared and loss-making group into a profitable one with no borrowings.

"At one time, Frame's borrowings were R300 million and its losses exceeded R100 million," he said.



Headline earnings, which exclude non-recurring profit contributions, fell from R1,6510 to R1,1020 a share because of surpluses on the disposal of assets and an exceptional profit of R7 million, compared with an exceptional loss of R18 million last year.

Frame's income before tax increased 61 percent to R71,3 million.

After-tax income rose 27 percent to R48 million from R37,8 million last year despite a sharp rise in taxation from R6 million to R23 million. Frame declared a final dividend of 16c, bringing the total dividend for the year to 21c from last year's 18c.

The Frame Group has a 70 percent interest in Consolidated Frame Textiles, which reported a 25,5 percent increase in earnings a share to 85,2c and declared a 10,5c dividend. This brought the total dividend for the year to 13,5c.

Frame Group Holdings ended the financial year with a cash pile of R144 million. It ended the past financial year with R109 million cash in hand.

Capital expenditure for the year totalled R58 million. A further R80 million was committed to upgrading textile technology and to the refurbishment of unused properties, which would make an increasingly positive contribution to Frame's bottom line.

According to King, Frame's results were excellent in view of difficult trading conditions, lower gross sales and higher levels of legal and illegal imports.

He said Frame would continue its strategic investment plan to become globally competitive.

King intends to pursue other professional and business interests. He will remain the non-executive chairman and become a consultant to the group from September 1.

Roy Sable, the deputy chairman and head of Gregory Knitting, one of Frame's major shareholders, will succeed him.

Seardel's earnings higher despite tougher conditions

(BD 14/8/96

(184)

Samantha Sharpe

CAPE TOWN — Clothing, textile and electronics group Seardel lifted headline earnings 11,4% to R47,6m in the year to June in spite of substantial smuggled imports and government's softer stance on import tariffs

The earnings figure reflected for the first time the consolidation of subsidiary Frame Group Holdings. Headline share earnings before exceptional items rose 1,3% to 45,5c and a total dividend of 9,25c (8,875c) was paid on an increased number of shares in issue. Headline earnings after "Frame-related" exceptional items slipped 4,8% to 47,6c a share, with all comparative figures restated to reflect the Frame consolidation

Chairman Aaron Searll said although last year had produced robust growth, "this year has been one for a breather and consolidation" and had followed difficult trading conditions in the industry

However, the group had managed to lift turnover 4,1% to R2,34bn, with export sales rising 33% to R80m

This was achieved in the face of higher interest rates, declining import tariffs on imported apparel and textiles and substantial levels of smuggled imports of apparel, textiles and electronic goods

"As is seen in the recent seizures of enormous quantities of illegally imported textiles, clothing and electronics, the government is making meaningful progress in dealing with this problem and its efforts are to be applauded . (but) this is a serious problem that needs to be continually addressed as a matter of urgency," Searll said

Pre-tax income rose 17,6% to R136m, with after tax income 7,7% higher at R94,7m.

On the balance sheet side, Searll said the Frame consolidation has had a "dramatic" effect, with group equity rising from R271,6m to just under R1bn

Restated for the consolidation the rise was a more moderate 12,6% to R989,1m.

"Accordingly the balance sheet reflects nil borrowings

"Last year the debt/equity ratio was 39% In fact, cash reserves of about R51m are reflected," Searll said

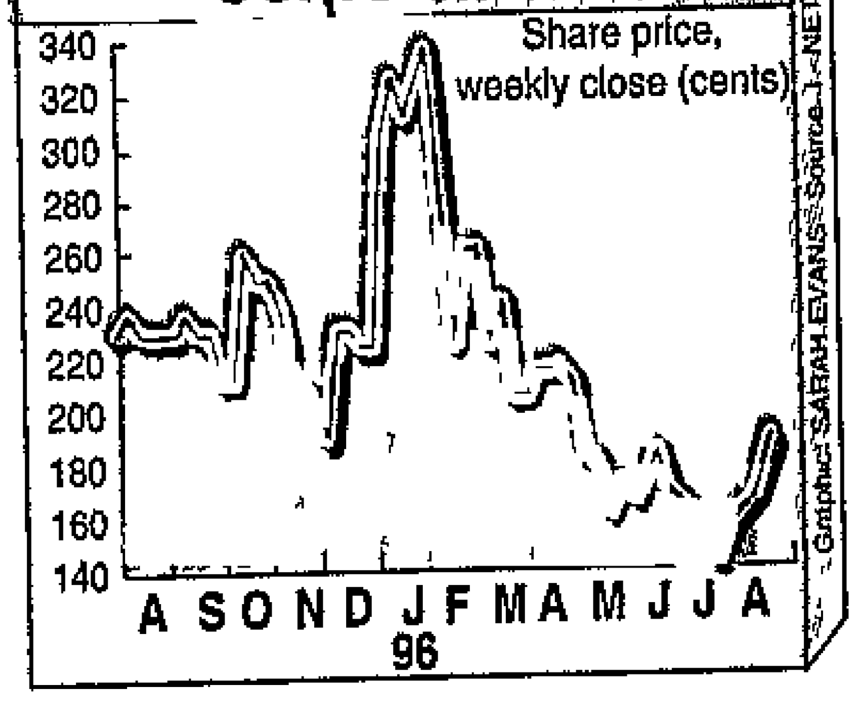
The group's net asset value rose to 379c a share compared with 250c at the same time last year, without Frame

He said performance in the new financial year would be hampered by difficult trading conditions, with volatility in SA's financial markets and high interest rates pointing to reduced consumer spending.

The cost of the recent strike in the clothing industry would also take its toll on the industry. "It should never have been allowed to take place — all that trauma over a 1% increase in wages "

"I am reluctant to make a profit forecast down the line to June next year our budgets however reflect a sales increase of 8% and hopefully this will be achieved with profit in line with this "

Seardel Investment Corporation



Strong balance sheet is likely to impress investors

CT (PM) 14/8/96

Seardel cuts its cloth to fit tough times

(184)

GEARED FOR GROWTH *Aaron Searll, the chairman of Seardel, reported satisfactory profit and a sound balance sheet*

PHOTO ANDREW BROWN

By Marc Hasenfuss
CAPE EDITOR

Cape Town — The Seardel Group, whose interests include clothing manufacturing, textiles, consumer electronics and stationery, shrugged off tough trading conditions to notch up a 7,7 percent increase in after-tax income to R94,7 million in the year to June 30

Profit was buoyed by a better-than-expected showing from Frame Group Holdings, Seardel's textile subsidiary, and another strong contribution from Seartec, which distributes the Sharp electronics, Scripto stationery and Prima Toys brands

A final dividend of 5,75c a share was proposed, pushing the annual payout up 4 percent to 9,25c a share. The dividend was covered about 5 times by headline earnings a share of 45,5c

The strong balance sheet and ungeared position, which set a sound platform for future growth, are likely to draw approving nods from investors

The consolidation of Frame, now a subsidiary company, pushed Seardel's group equity from R272 million to close to R1 billion The balance sheet was without borrowings at the end of the year and cash reserves stood at a healthy R51 million

Seardel's share price, which has been languishing below R1,50 recently, spurted to R2 before falling back to close 24c higher on the day at R1,90 on the JSE yesterday

Aaron Searll, the chairman of Seardel, said the year had been one of consolidation, unlike the previous year, which had produced robust growth

Turnover crept up 4 percent to R2,34 billion, but there were more noticeable gains on the export front, with international sales increasing 33 percent to R80 million Operating profit increased 18 percent to R136 million despite slimmer-than-expected margins of under 6 percent Searll said the tight margins reflected the tough trading conditions in the industry "We'd be more comfortable if our margins were closer to 8 percent"

He cited high interest rates, declining import tariffs on clothing and textiles and smuggled imports of apparel, textiles and electronic goods as factors hindering Seardel

Searll responded cautiously to speculation that further diversification of the company was on the cards through acquisitions in the year ahead

"The principle of acquisitions is always on our minds, but we would have to find an exciting area with strong growth prospects This is difficult because we would want to enter a market where we could be dominant"

He said the tough trading conditions were likely to continue in the next financial year, with volatility in the financial markets and abnormally high interest rates depressing consumer spending

"I am reluctant to make a profit forecast down to June 1997 In fact, it is impossible to do so Our budgets, however, reflect a sales increase of 8 percent"

☐ See Business Watch

CT (BR) 16/8/96

SA Bias earnings fall dramatically

(184) (BUT)

By John Soderlund

Johannesburg — SA Bias Industries, a clothing and footwear company, said yesterday that earnings a share in the six months to June 30 fell to 4,8c from 17,7c in the same period last year, in what it called "very poor" conditions in the clothing and footwear industries

Turnover was static at R118 million and attributable earnings fell to R1,4 million from R5 million last year The company said it expected its performance to improve in the second half of the year, but said full-year earnings a share before exceptional items would be below the 43,3c posted last year

Sabhold, which owns 62 percent of SA Bias, said earnings a share after exceptional items in the six months to June 30 fell to 8,3c from 21,3c in the same period last year

ABSOLUTE HEMPSENSE . . . Kim keeps cool in clothes made from hemp at South Africa's first hemp products shop, in Longmarket Street, Cape Town **Picture: JUSTIN SHOLK**

You don't smoke it, you wear it!

ST(CM) 18/8/96

Sunday Times Reporter

AS JOINT owner of South Africa's first hemp products shop, it's only natural that his business card reads, "Harry Kentrotatas, hemp proselytiser*"

And proselytise is what he does, with all the fervour of a Saul who's become Paul after walking the road to Damascus

"Hemp can save the planet," he asserts, drawing deeply on his Texan filter "Forget the new world order, the second coming, alien intervention . the only thing that can save the planet is hemp

"It can replace every harmful industry on Earth, its seed is the most complete form of protein in the plant kingdom, and its medical uses are legion "

Hemp is a fibre from the stalks of a strain of dagga plant, and according to Kentrotatas, clothes made from hemp are "stronger, more comfortable, and longer-lasting than other fabrics

"And they contain no chemicals or poisons — it's a completely natural product "

His shop, named Absolute Hempsense, sells clothes, fabric, massage oil, cigarette papers, soap, face paint, bags, lipstick and sweets all made out of — you guessed it — hemp, imported from China, Hungary and Holland

And, no, you won't get stoned if you smoke your hemp trousers

*Proselytise to convert someone from one religious faith to another.

(184)

Union closes in on foreign bosses

(184) CTCBR 22/8/96

By Shirley Jones

Durban — The South African Clothing and Textile Workers' Union is closing the net on foreign-owned businesses that have resisted unionisation

Mark Bennett, a union spokesman, said a number of court cases were pending between the union and foreign-owned businesses around Newcastle, where wages were way below statutory regulations

The union has come into conflict with the Taiwanese business community in the area on a number of occasions

Bennett said attempts to unionise the textile and clothing industry in Newcastle had resulted in members losing jobs and staff clock numbers being changed to undermine union investigations

He said it was very difficult to find the expertise in the area to organise workers effectively

Meanwhile, confusion surrounds a threatened strike ballot at Pinetown-based Standard Textiles, one of the country's larger knitwear manufacturers Although the management said Standard had recently unionised and knew nothing of the threatened strike, it is not a member of the Fabric Knitting Council, which the union claims to have set up to negotiate within the sector

Bennett said the union would take action after Standard management failed to turn up at a conciliatory board hearing last week He said the hearing was a followup to one the previous week, during which Standard had promised to submit a list of proposals for the resolution of disagreements

However, Alan Jarvis, Standard's financial director, said it was impossible for Standard to join the knitwear council because it had a wide spread of businesses reaching as far afield as Isithebe

He said Standard's wage negotiations had been agreed at levels above most in the industry.

Bennett said the union would soon entrench centralised bargaining in rural areas He said the extension of centralised bargaining would be the first prize, but the union would set up individual industrial councils in each of the areas as an interim measure.

He said the union had been successful in setting up a hosiery council in KwaZulu Natal and negotiations that would lead to the formation of a KwaZulu Natal south coast manufacturers' association were well advanced.

CLOTHING STRIKE (184)

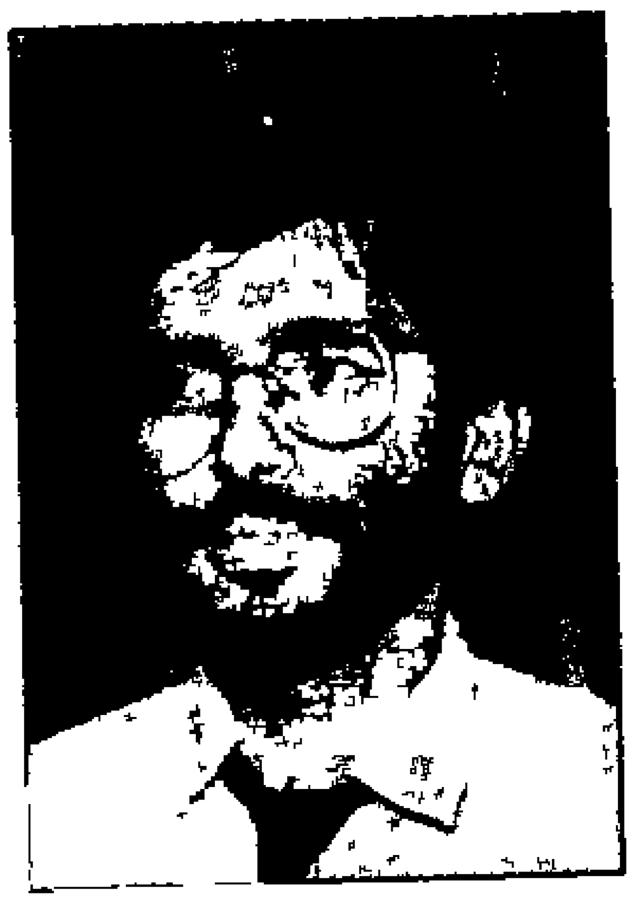
TAKING UP THE CUDGELS

As if to underline Cosatu's opposition to government economic policy, the SA Clothing & Textile Workers' Union (Sactwu), led by chief Cosatu strategist Ebrahim Patel, will go on strike this week, demanding a 10% "package" increase in pay and benefits

This follows the union's rejection of employers' final offer last week of an 8% increase in the annual wage negotiations Management's opening offer was

3%, which rose to 7%, at which point the union declared a deadlock Mediation and several meetings between the two sides had failed to deliver a solution "The action starts on Thursday, it will be a full-blown strike," says Sactwu's national education officer Andre Kriel, adding that the 83 000-member union "will, of course, evaluate the situation from time to time "

The decision to strike was taken on Monday night by Sactwu shop steward councils countrywide This followed a strike ballot conducted between July 10-16, which, in an 83% poll, registered 80% in favour of a work stoppage



Ebrahim Patel

"The strike is the absolute last resort It is unfortunate but unavoidable," says Kriel "In view of the fact that about 2% of the 8% offered has to go to benefits, including the provident fund, the actual wage increase amounts to only R17,50 "

He points out that the Supplementary Living Level (which covers the cost of the basic necessities of life) compiled by Unisa in February was R315 a week And "the highest qualified machinist's rate in our negotiations was already 6% below the SLL The lowest minimum wages in Johannesburg and Durban are both 40% below the SLL," he says

Aside from the wage increase, the union also wants improved annual bonuses, provident fund benefits, and maternity leave increased from 25% to 32% of the wage for three months since the workers are predominantly women

"Our demand for a living wage in the clothing industry is part of our campaign to bring about equity in our society "

On the question of fierce global competition which has undercut the local textile industry, Kriel says "The union believes it can't isolate itself from the global effects of Gatt, but economic growth in the industry can't be based on poverty wages It should rather be based on quality work targeted for niche markets

"We cannot compete with countries like China because their costing is based on starvation wages and child labour common in the East "

Kriel says the union is not asking for tariff protection, "but we say that tariff reduction on its own does not constitute an effective industrial policy Tariff reduction needs to be accompanied by a range of supply-side measures and social support during the restructuring process — for example, upgrading worker skills, and technology "

Sactwu maintains that government's accelerated programme of tariff reductions "cannot be done unilaterally, as all stakeholders including labour will have to be part of agreeing on such a programme We support the Cosatu call for macro negotiations around broader economic policy "

Cape Town, which employs nearly half the clothing industry work force, will be most affected by the strike Kriel says that many industries depend on the sector and the knock-on effect of the strike will be felt more widely

Johan Baard, chief negotiator of the National Employers Caucus of the Clothing Industry, which represents 1 200 factories, has condemned the strike, saying that no-one will benefit from it

"If unions embark on a strike, workers can expect that terms will not be dictated by them but that employers will respond by instituting various ranges of lock-out action "

Baard points out that the industry, which has been battered by cheap illegal imports in recent years leading to job losses, could not sustain a strike ■

Sactwu workers strike begins

(184) Sowetan 26/7/96

Sowetan Reporters and Sapa

THOUSANDS of clothing workers began a nationwide strike yesterday following the refusal by employers to meet a demand by the SA Clothing and Textile Workers Union for a 10 percent wage increase

In Durban, clothing manufacturers have threatened to expel from their association members who were making private deals with striking Sactwu members

About 10 000 workers gathered at Durban's Curries Fountain where their leaders claimed the strike was 90 percent successful Employers, however, estimated that 80 percent of the workforce had heeded the call

Substantiate

"Any employer who we can substantiate has made private deals beyond the mandate of the association will be expelled," spokesman for the employers Mr Johan Baard said

Union spokesman Mr Elias Banda said about 10 employers in Durban had approached the union offering to meet their demand for a 10 percent wage increase

In Cape Town thousands of Sactwu members gathered outside the Good Hope Centre Meanwhile, more unions have pledged their full support for Sactwu workers

"Your pending strike comes at a time when the SA workers have to endure enormous pressure from the bosses to accept cut-backs in wages and other working conditions as capitalism lurches from one crisis to the next," SA Municipal Workers' Union said in a letter of support to Sactwu

Transport and General Workers Union general-secretary Mr Randall Howard appealed to employers not to lock out strikers as this could lead to unnecessary conflict and make resolution of the dispute more difficult

"Workers of this country managed to demolish the apartheid regime and now they demand economic power," the National Union of Mineworkers said in a statement from Johannesburg

'HIGHER PRICES WILL HARM CLOTHING INDUSTRY'

Union 'mistaken about costs' (184)

CLOTHING manufacturers say the price of locally produced clothing will have to come down, reports **WILLEM STEENKAMP.**

SOUTH AFRICAN Clothing and Textile Workers' Union (Sactwu) assistant general secretary Mr Ebrahim Patel has said that giving striking clothing workers a 10% increase instead of the offered eight percent would raise the price of a R100 men's shirt by only 24,5 cents — but would it?

In the run-up to the nationwide strike, which began yesterday, Patel's example was used by newspapers to illustrate the union's stance and drew scoffs from clothing industry employers, who feel it is misleading and irrelevant.

Patel drew his information from a National Productivity Institute garment costing report, drawn up in 1993 for a forum of government, business and labour representatives. The report provides detailed breakdowns of the cost of a wide range of clothes, but Patel chose the cotton/linen men's formal shirt to support his argument.

According to the costing, it costs R39 to produce such a shirt. The rest, or R61, is the retailer's 156% mark-up.

Of the R39 a total of R6,43 is spent on labour. Direct labour, meaning the blue-collar workers who make the clothes, costs R2,45 — hence Patel's argument that a 10% wage increase translates to a production cost rise of 24,5 cents.

But for cash-strapped employers, production cost increases have to be avoided. The cost of locally-produced clothing must drop if the industry is to compete with cheaper imported clothing (legal or illegal) or informal sector products.

National Employers' Caucus of the Clothing Industry chief negotiator Mr Johann Baard said earlier this week that "we mustn't sell that shirt for R100 — we must sell it for R50".

"Manufacturers are under threat from cheaper imports, which consumers buy because they have decided units produced locally are too expensive. We have to drop the price, because if we don't the imports will take over," he said.

Clothing Federation economist Mr Paul Theron agreed yesterday, saying that lower-priced imported products were "setting the standards that retailers are prepared to pay" — and that this situation would be aggravated as import tariffs dropped.

Theron said the figures quoted by Patel were out of date, but the cost ratios remained similar. However, the R2,45 direct labour cost in his example made up 6% of the production cost, which was far lower than the more accurate 10-15% of production cost, and the 24,5 cents extra would actually be closer to 50 cents for every R100.

This 50 cents, as little as it is, could be disastrous for some manufacturers. "Depending on how tight the (cost) margins are, it could be make or break for sections of the industry," he said.

Theron said he felt manufacturers concentrated on curbing salary increases because, unlike the costs of overheads and raw materials, which could easily fluctuate, it was "one of the areas where you can better control your costs".

Clothing sales were also down and retailers would be loath to accept any increases in the price of the stock they bought, he said. Although the 156% mark-up seemed "large" to the lay person, it included all of the retailer's costs.

The mark-up absorbed the cost of providing customers with credit, the payment of agents from which retailers bought clothes, overheads and storage costs.

"Retailers are probably only making a 20% profit," Theron said.

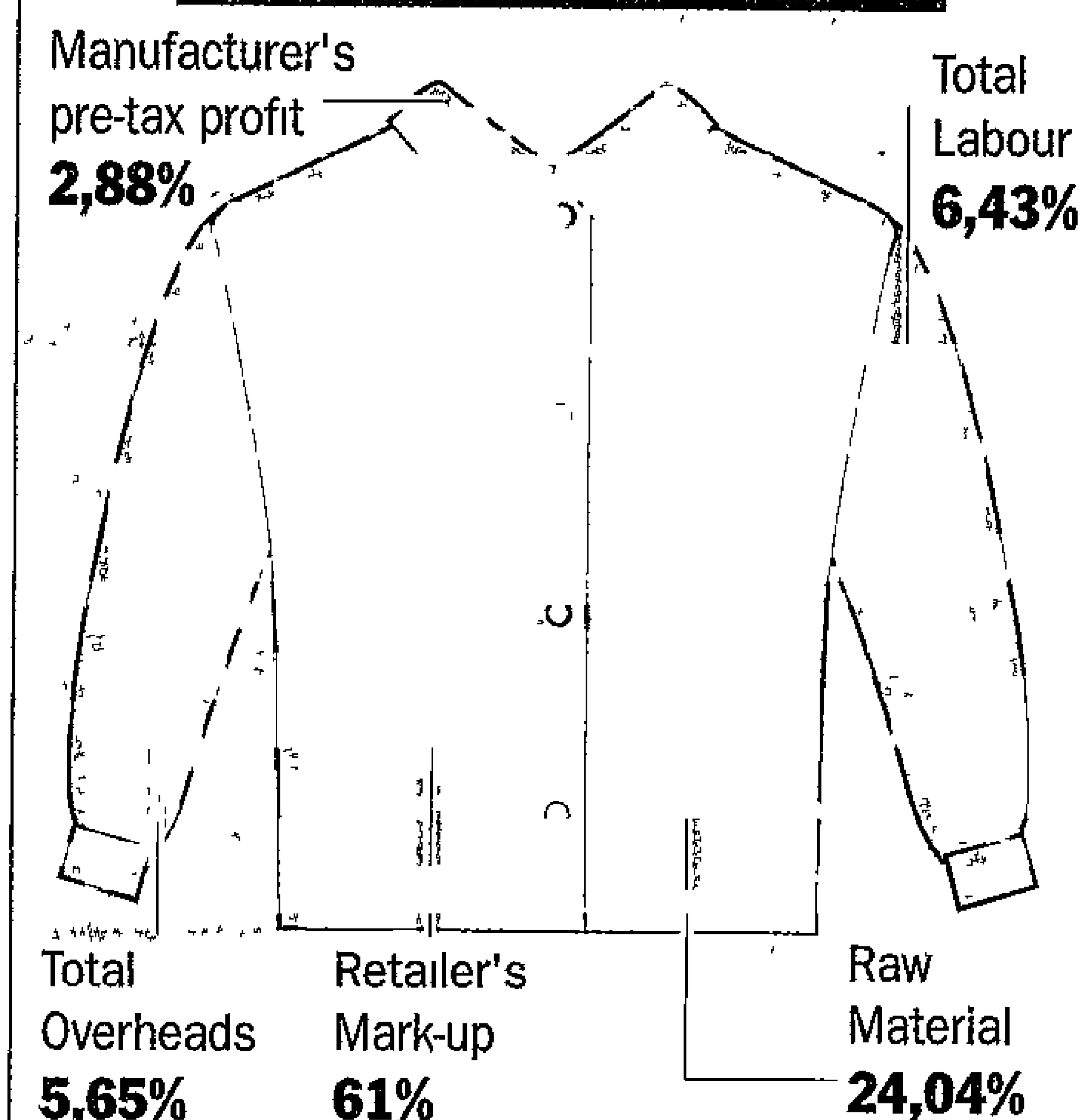
The only ways local manufacturers could hope to stave off the threat from imports was through higher productivity, by introducing more sophisticated production processes, more efficient computer designs, better finances and cheaper materials, and through "differentiation" — producing different, more expensive clothing than that being imported.

"You have to be upmarket, into value-added products," Theron said. "That's why we have to restructure (the industry)."

● See Page 17

FESTIVE: This group of striking clothing workers added a jovial air to their rally at the Good Hope Centre yesterday, which was attended by thousands of their colleagues. *PICTURE: THEMBINKOSI DWAYISA*

THE COSTS BEHIND A R100 SHIRT



'Successful' Sactwu strike to continue

CT 26/7/96

STAFF WRITER

THE strike by thousands of South African Clothing Workers' Union members will continue today.

Sactwu's regional secretary Mr Wayne Van der Rheede described the strike yesterday as "very successful so far" and said it would continue "till demands were met".

Thousands of union workers gathered at the Good Hope Centre yesterday to support the nationwide strike action for a 10% wage increase. Production had ground to a halt at most factories.

Employers are offering an eight percent wage hike.

Most employers will pay out wages today following a recommendation by The Cape Clothing Industrial Council, he said.

Today's protest action will be in the CBD and members will assemble at the Good Hope Centre at 9am, Van der Rheede said.

Workers will also be picketing outside city factories today.

Clothing industry's 'hidden face' shown

(184) CT 26/7/96

DALE GRANGER

THE clothing workers' strike had "taken the hidden face (of the industry) and brought it out into the open — the most important achievement of the dispute", the assistant general secretary of the South African Clothing and Textile Workers' Union (Sactwu), Mr Ebrahim Patel, said last night

Patel said six Cape Town companies, whom he declined to name, had already offered to meet union demands of a 10% wage increase, but it was significant that before the strike "people had no idea of conditions in the industry".

Last night Mr Johann Baard, chief negotiator for the National Employers' Caucus of the Clothing Industry, said Sactwu and the caucus were set to enter mediation to resolve the dispute at the urging of Mr Les Kettledas, deputy director general of the Labour Department

Employers were willing to go along with the department's proposal subject to the availability of a mediator and "certainly no later than Monday".

He said employers' see the proposal "as a breakthrough and only hope that ultimately the process will serve its purpose to bring the parties to a negotiated settlement".

Baard said up to 60% of workers had turned up for work in the Western Cape About 80% of workers stayed away in Gauteng and in some cases production was running close to normal

"Employers expect even more workers to report for work today However, employers will lock out strikers. Partial lock-out action is aimed at pressurising the strikers only and will not prejudice those workers who had not gone on strike"

Mr Elias Banda, chief negotiator of Sactwu, said both parties had shown a willingness to consider mediation as "we are always open to discussion and if the problem is solved, the sooner the better"

Nationwide action keeps out 70% to 80% of workers in Gauteng and KwaZulu Natal

Bid to cut short crippling clothing stri

(184) (182) CT (BL) 26/7

By Marc Hasenfuss

CAPE EDITOR

Cape Town — The South African Clothing and Textile Workers' Union (Sactwu) and the National Employers' Caucus of the Clothing Industry will start mediation this weekend in a belated bid to stave off a prolonged strike in the clothing industry

This follows a mediation request from the labour department, which the two parties have agreed to in principle

But the strike, which brought most of the clothing industry to a grinding halt yesterday, is likely to continue today despite this development

The strike seems to have been most effective in Gauteng and KwaZulu Natal, where an estimated 70 to 80 percent of workers did not go to work.

The Western Cape, the biggest clothing manufacturing region, was not hit as hard and there was limited production at some factories

Johann Baard, the employers' chief negotiator, said mediation talks would be set up as soon as possible

"It's undoubtably a major breakthrough in settling the wage deadlock," he said

Before the labour department's intervention, the union and employers were adamant that they would not back down from their respective wage demand of 10 percent and offer of 8 percent

Ebrahim Patel, the deputy general secretary of Sactwu, said last night that the union leadership was drifting towards mediation.

"The critical question is whether the employers' association (is) capable of moving out of (its) 8 to 8,5 percent wage increase offer"

He said the union would enter mediation in a positive mood if the employers put something significant on the table

Baard said that his organisation would not compromise on its wage offer

Elias Banda, Sactwu's chief negotiator, said the employers were cracking and several had approached shop stewards and the union to tell them they were prepared to increase wages by more than 8 percent

He also said 20 employers in small to medium-sized clothing companies had indicated a willingness to settle above the employer caucus's wage ceiling

Chris de Bruin, the managing director of Seardel, the flagship of the South African clothing industry, said the situation was sad He said the employers' solidarity over the 8 percent increase reflected circumstances in the local clothing industry

Jabulani Sikhakhane reports from Johannesburg that Zwelinzima Vavi, Cosatu's assistant secretary-general, called on all workers yesterday to show solidarity with the clothing workers by refusing to handle goods or materials destined for the clothing industry

Vavi said Cosatu had called on its members, particularly those working at harbours and South African Airways, to refuse to handle goods or materials in transit to the textile industry

The South African Commercial and Catering and Allied Workers Union wrote letters yesterday to all the large clothing retail groups, including Pepkor, Wooltru, Edgars, OK, Foschini and Specialty, asking them to put pressure on the clothing manufacturers to settle the strike

The union asked the retail groups not to buy from local clothing manufacturers until the strike was settled

☐ See Inside Labour, Page 18

SHOW OF STRENGTH *About 5 000 strikin above, crammed into Cape Town's Good Hope C Sactwu rally yesterday Below, two disgruntled discussion before setting off on a march*

'The bosses make a killing. We get peanuts'

Stuart Rutherford & Marc Hasenfuss

Durban — Shiraz Haniff was one of the R296-a-week clothing workers here who downed tools yesterday morning and hopped aboard a union-sponsored bus to Durban's Curries Fountain Soccer Stadium with more than 10 000 other workers to hear Jabu Ngcobo, the general secretary of the Southern African Textile and Clothing Workers' Union (Sactwu), and the chief negotiator, Elias Banda

While he sat on the grass and listened, Haniff said he worked on the south coast and earned R296 a week. This was "peanuts", and was insufficient to support his unemployed wife and three children "This just keeps me in a survival position. I can't even buy clothing for my children now that it is winter"

He said things were particularly bad for workers in smaller clothing factories They were not registered with the union and were under constant threat of dismissal He estimated that there were more than 200 000 such workers in the province

"The bosses make a killing out of us I believe they do a lot of things only because we have a black government, they want to bring down the black government," he said

Haniff's story was repeated by many other workers who struggled to make themselves heard above the numerous speakers placed around the field

One man, who had 10 people to support, said employers were making a lot of money and could afford to pay workers more

"Factories are only closing because people with a lot of money are running away," he said

Everyone spoken to said they had voted in favour of the national strike and were sure they would win a 10 percent raise, despite the fact that they could only afford to strike for a few weeks

The mass meeting in Durban ended like it began peacefully Most workers wandered off while others stood around the platform listening to unscheduled speakers or chanting "we want money"

The last speaker to jump up on the platform was Banda, who called shop stewards to a meeting early on Saturday because they were "going somewhere" A march? He wouldn't say

In Cape Town, morale was high when about 5 000 workers gathered in the Good Hope Centre at lunchtime, close to the mostly deserted clothing factories in Salt River and Woodstock.

Most workers canvassed seemed determined to see the strike through. Others were less committed and milled outside the centre drinking beer

Three middle-aged women employed at Pals Holdings made it clear that sacrificing part of their weekly pay to secure the better wage deal was well worth it "We're losing in the short term to win in the long run"

Another disgruntled striker pointed out that her weekly wage of about R300 was unacceptably low "The jackets we manufacture are being sold for R399 in the shops, but we still earn a wage we can't live on."

?% to 80% of workers in Gauteng and KwaZulu Natal

short crippling clothing strike

(184) (?) CT (BR) 26/7/96

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☐ See Inside Labour, Page 18

SHOW OF STRENGTH *About 5 000 striking clothing workers, above, crammed into Cape Town's Good Hope Centre during a Sactwu rally yesterday Below, two disgruntled strikers in animated discussion before setting off on a march*

PHOTOS ANDREW BROWN

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Clothing workers and bosses seek solution to dispute

ORG 26/7/96 (184)

ESTELLE RANDALL
Labour Reporter

CLOTHING workers and employers have agreed to start mediation this weekend to resolve the industry's first national strike, which continues today

This follows an appeal by the Department of Labour for the two sides to settle the crippling pay dispute

"I hope employers will put up a decent offer that has the prospect of bringing improvement," said SA Clothing and Textile Workers Union (Sactwu) deputy general secretary Ebrahim Patel

He said the strike would continue until settlement was reached

The National Employers Caucus for the clothing industry had said that a 10 percent increase was unaffordable in an industry which faced the threat of cheap imports

However, Sactwu questioned why workers earning R1 268 a month should accept poverty pay when, it said, management failed to set an example of salary restraint

It said that the executive director of clothing giant Seardel last year earned 47 times more on average than clothing machinists who receive R1 268 a month

According to the Seardel Industrial Corporation and Consolidated holdings annual report, last year's total salary bill for executive directors increased by 21 percent from R5,1 million to R6,2 million

Thousands of workers throughout the country yesterday began their strike to support a 10 percent package increase Employers had offered 8 percent

But on the eve of the strike at least 20 companies had broken ranks and agreed to workers' demands of 10 percent

Several other companies had offered to settle between 9 percent and 10 percent, Mr Patel said

Unions in the Congress of SA Trade Unions, to which Sactwu is affiliated, had also indicated support for the strike – either through solidarity action or by making resources available.

Johann Baard, chief negotiator of the National Employers' Caucus, said "Two days ago Les Kettledas, deputy director general of the Department of Labour, wrote to me and to Elias Banda, chief negotiator for Sactwu, strongly urging the parties to refer the dispute to mediation in a last attempt to avert a strike

"I responded yesterday to the trade union, confirming the employers' willingness to go along with the department's proposal and the union confirmed to me through Mr Banda their willingness to accept the proposal," Mr Baard said

"From the employers' side, we see this as a breakthrough," he declared

Strikers locked out of Wynberg factory

ANDREA WEISS
Staff Reporter

CLOTHING workers were locked out of a Wynberg factory today when they attempted to return to work during the national strike

But several of their colleagues who did not strike yesterday were allowed to enter the building

The lockout at Elzet Clothing in Lester Road is in line with the position of the National Employers' Caucus of the Clothing Industry, which had threatened strikers with a lockout

SA Clothing and Textile Workers' Union (Sactwu) shop steward Leon Swartz said that "the bosses want workers to sign agreement that they accept the 8 percent" which employers offered in response to Sactwu demands of 10 percent

Maré Dreyer, a company director, said today that workers were not being forced to sign any agreements

Rag trade turns to mediation

ARG 26/7/96

(184)

ESTELLE RANDALL
Staff Reporter

Workers and employers in the clothing industry vow to go on with industrial action as South Africa's new labour mediator tries to make peace.

NEWLY-APPOINTED chairperson of the Commission for Conciliation and Mediation Charles Nupen will tomorrow mediate the wage dispute which sparked the clothing industry's first national strike

At issue is the demand from workers for a 10 percent package increase to cover improvements to wages, annual bonuses, retirement payouts and maternity leave Employers are offering eight percent.

The commission is a new statutory body to resolve industrial disputes It was established in terms of the Labour Relations Act which comes into operation next month

Union representatives and employers were yesterday cautiously optimistic about resolving the wage dispute "I hope employers will put up a decent offer that has the prospect of bringing improvement," said Ebrahim Patel, deputy general secretary of the SA Clothing and Textile Workers Union (Sactwu)

National Employers' Caucus for the Clothing Industry spokesman Johan Baard said "There are a number of difficult issues to be resolved, but with the necessary commitment on both sides I'm sure that we will be able to make progress "

The Employers' Caucus has argued that a 10 percent increase is unaffordable in an industry which faces the threat of cheap imports However, Sactwu has questioned why workers should accept poverty wages when management failed to set an example of salary restraint

A qualified machinist who earns R293 a week in the Western Cape could expect an annual bonus equal to half a week's wages and a retirement payout of about R16 000 after 42 years' service

Executive directors of clothing giant Seardel last year earned 47 times more on average than clothing machinists who receive R1 268 a month, Sactwu has said

This is according to annual reports of the Seardel Industrial Corporation and Consolidated Holdings, which showed last year's total salary bill for executive directors increased by 21 percent from R5,1 million to R6,2m – an average monthly package of R47 000

Sactwu has argued that the increase for which workers are striking would add 24,5 cents to the cost of a R100 shirt at a typical retail store

"This is not a high price to pay for equity in the industry," Sactwu said

The union also says that on the eve of the strike it was approached by at least 20 employers prepared to pay the 10 percent which workers want. Several other employers had offered between nine and ten percent

"We see the revised offers as an acknowledgment of our proposal and a major step forward in the resolution of the dispute," Mr Patel said

Employers in the National Bargaining Forum dispute Sactwu's claim that employers are breaking ranks

"We question the veracity of the information until Sactwu reveals the names of the employers," said Peter Cragg, executive director of the Cape Clothing Manufacturers Association

However, Mr Cragg admitted that Chelsea West was expelled from the association about two weeks ago when owner Laurie Dreyer announced his intention to agree to the union's demand of a 10 percent increase

Tomorrow's bid to resolve the dispute also comes against the backdrop of growing support for the strike from other affiliates of the Congress of South African Trade Unions – either through solidarity action or by making union resources available

Predictably, Sactwu and employers differ over the level of support for the strike which continued yesterday

Mr Baard said that 60 percent of workers had come to work in the industry stronghold of the Western Cape, while Sactwu said that 90 percent of workers had heeded the strike call

Mr Baard said the will to work was apparent from the low level of attendance at union rallies However, in Cape Town the Sactwu strikers' rally crammed the Good Hope Centre to capacity

Despite their commitment to mediation, employers and workers plan to continue industrial action

Sactwu said that the national strike would continue until settlement is reached Employers vowed to continue locking out strikers if there is no settlement by Monday

Mediation likely in clothing strike

BD 26/7/96

(184)

Reneé Grawitzky

CLOTHING employers and the SA Clothing and Textile Workers' Union (Sactwu) could meet within a few days to resolve the national strike after the labour ministry intervened yesterday.

The parties confirmed last night they had agreed to mediation and Labour Minister Tito Mboweni said approaches had been made to both to consider mediation, which had not been exhausted. Mboweni said the gulf between the parties was not that wide.

The start of the strike yesterday by about 60 000 workers was marked by the union claiming that more employers had broken ranks with the employer body and offered the 10% demanded.

This followed indications from the employer body that one company had broken ranks and offered workers a 10% increase. Union spokesman Ebrahim Patel said the employer body should see the fact that employers were offering 10% as a signal that a section of the industry was not happy with the employer body's position.

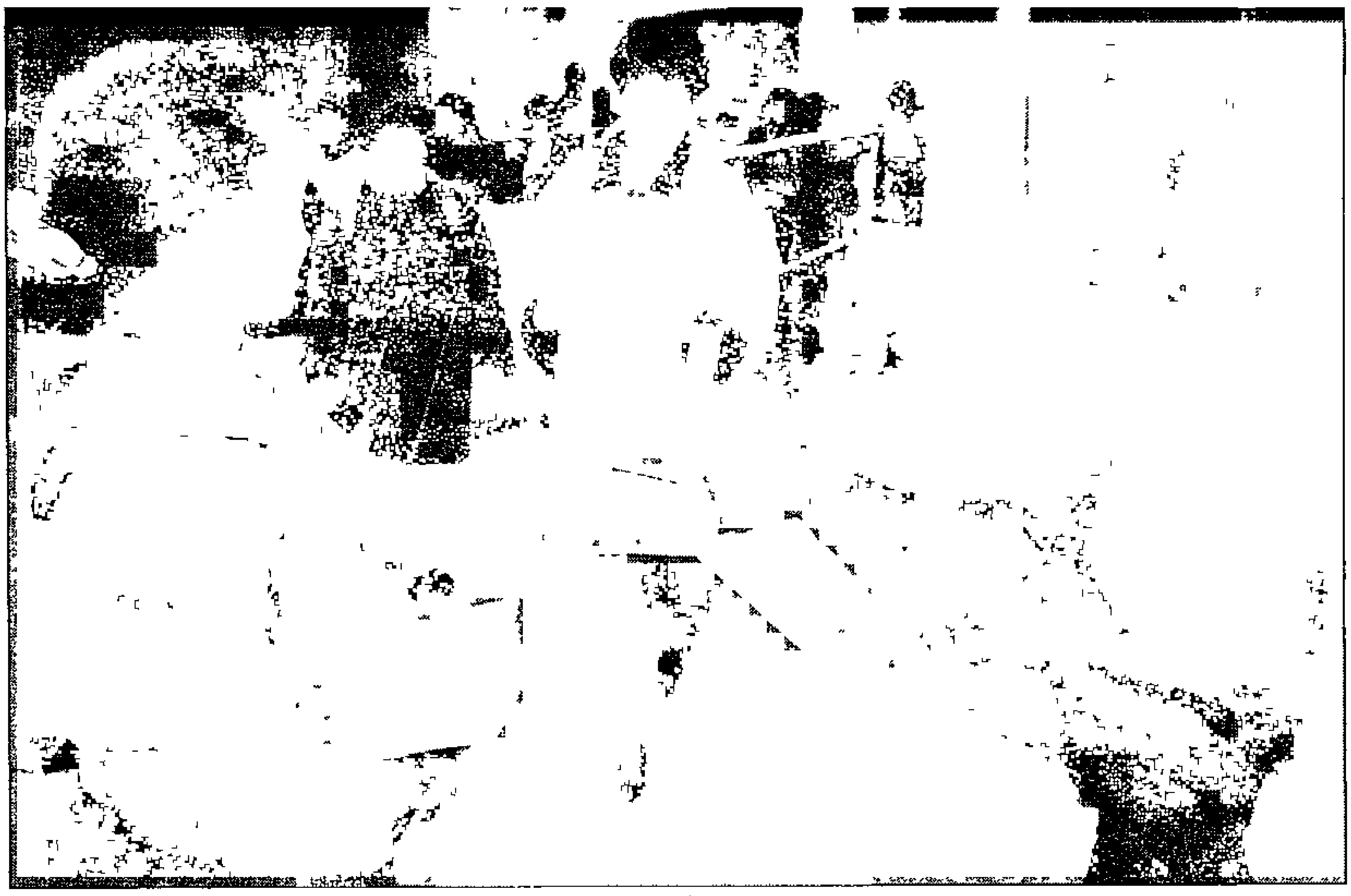
Such claims were countered by Western Cape employers who said the strike was not successful with up to 65% of employees working.

Employer spokesman Johan Baard said 80% of KwaZulu-Natal and Gauteng workers heeded the strike call, and 40% in the Cape. The employers said most of them had given the union notice that all striking workers would be locked out today until further notice.

Striking workers countrywide gathered at various centres to hold demonstrations, rallies and marches.

Major retailers could become the target of solidarity action by Cosatu and affiliates. It is believed Cosatu general secretary Sam Shilowa has written to retailers demanding their intervention in the strike. Their failure to do so could result in the dispute affecting the entire clothing pipeline.

Cosatu's Zwelenzima Vavi, who addressed a gathering in Johannesburg, highlighted the earnings gap between workers who received R140 and R80 a week and employers who he estimated earned R15 000 a week.



Campaigning· A member of Sactwu hands out leaflets to clothing workers at Salt River station a day before strike action

PHOTOGRAPH RODGER BOSCH

Strike rips the seams of the clothing sector

(184)

(184) C1+C 26/7-1/8/96

With 2% at stake, Western Cape clothing workers are to make history by striking for higher wages, writes **Rehana Rossouw**

THE clothing workers' strike is their first in the Western Cape for higher wages Although there have been work stoppages over the years, never before has there been a co-ordinated strike by the overwhelming majority of workers in Western Cape clothing factories demanding more wages. At stake is 2% They want 10%, and their employers are offering 8%

Salt River station services some of the biggest clothing factories in Cape Town and is usually teeming with weekday commuters. "This time tomorrow, this place will be empty," predicted clothing worker Maria Fortuin with some satisfaction

On Wednesday afternoon, clothing workers were easy to identify as they streamed on to the platforms They clutched pamphlets issued by South African Clothing and Textile Workers Union (Sactwu) and the word "strike" was on their lips

On Thursday morning, about 40 000 clothing workers in the Western Cape formed the backbone of the national strike of 80 000 Sactwu members.

Fortuin, a machinist for 19 years and employed by clothing giant Rex Trueform, said her family was her motivation for going on strike for the first time in her working life

"I'm doing it for my children Who knows, one day they may end up in a clothing factory and I don't want them to ask me why I did nothing about the peanuts we earn," she said

"I have my pride, you can only trample it for so long before I say I've had enough "

Fortuin earns R293 a week Her labourer husband is unemployed and she is the sole supporter of a household which includes four school-going children

"R293 doesn't go very far when you have to pay the rent, the electricity and buy food and clothes for children At least I have a husband who works whenever he can find something There are hundreds of women at Rex Trueform who are single parents or support their parents How are they expected to live decent lives?"

Fortuin said she was not afraid of threats by employers to lock out the strikers and withhold their wages at the end of the week "I am striking for my rights and there's nothing in the world that can stop me "

Work had come to a standstill on Wednesday already at Rex Trueform when workers were angered by posters put up in the factory by management telling them the strike would hurt the economy.

"The posters were only up for a few minutes when they were torn down The bosses don't care about the economy, all they care about is their good lives and having enough money to send their children to expensive schools and on holiday every year," Fortuin said

'I have my pride, you can only trample it for so long before I say I've had enough' — Maria Fortuin

"We struggle just to keep our children in school so that they don't end up on the factory floor like their parents We can forget about fancy holidays at the end of the year, we're too worried about the school uniforms that must be bought for the next year "

Sactwu does not have a strike fund for its members, but this does not deter Fortuin She was using the last of her weekly train ticket to travel to union meetings on Thursday and Friday and wasn't sure if she would have money to attend next week.

"We get by on so little, I'm sure we'll get by on nothing at all People in the community are fantastic They started collecting food for us last week already, so at least my children won't go hungry. I'm on strike until the bosses give in and pay us a decent wage "

This is the first ever legal strike in the history of the clothing industry in the Western Cape Until 1987, workers were represented by the Garment Workers Union, a "sweetheart union" which never once called for a wage strike.

Sactwu representative Andre Kriel said the union was not surprised by the 83% support for the strike ballot in the Western Cape as workers had previously responded well to stay-away calls in support of national demands.

"Before the ballot was held, we were well aware of the determination of our members to improve their wages We had about 400 factory meetings in the run-up to the ballot and every one of them was packed like never before," said Kriel

"Our members are very determined to stay out until they have won their demands There seems to be very little fear of a lengthy strike "

The strike comes at a time when the South African clothing industry is facing fierce competition to match lower prices offered by foreign imports National Employers' Caucus of the Clothing Industry representative Johann Baard said this had prompted many employers to adopt "survival strategies" and they could not afford to offer more than an 8% increase

Baard said employers reserved the right to lock out strikers as this was still permitted in terms of the Labour Relations Act Many employers have indicated they would lock out strikers

He also warned that thousands of workers could lose their jobs as a result of the strike, which would cost the already struggling industry R15,6-million a day The strike would also "tarnish" efforts to promote more investment in South Africa

'Clothing industry in tatters', PAGE B2

Strike wears down clothing industry

Long nights spent at meetings, the persistent ring of the telephone. These are some of the experiences of Wayne van der Rheede, Western Cape secretary of the SA Clothing Workers' Union, and Peter Cragg, executive director of the Cape Clothing Manufacturers' Association, two of the key figures behind the clothing strike. ESTELLE RANDALL, labour reporter for The Argus, spoke to them about what it's been like.

(184) (182) CT(BR) 26/9/96

"I need an early night tonight, so I'm definitely leaving at 2 am," said Wayne van der Rheede, Sactwu's Western Cape secretary on the eve of the clothing industry's first national strike

He had just ended a meeting with union marshals, where last-minute logistics for the strike had been sorted out

For more than an hour, the smoke-filled meeting had delved into the minutiae of transport arrangements, what would happen at the Good Hope Centre meeting and what was expected of the marshalls

Dragging intermittently on a cigarette and sipping black coffee, Mr Van der Rheede leaned back on a couch in his office, enjoying a brief respite from the whirl of activity which had occupied him on Wednesday

His day had started at 5 30 am with a "quick shower" before he headed off from home to hand out pamphlets at Salt River station At 8 pm on Wednesday it was far from over

There was still a visit to be made to the Good Hope Centre to ensure everything was ready for yesterday's strike rally while discussions with local and national union officials to assess what employers were doing still beckoned

"It's been like this for the last couple of weeks," he said

Besides union meetings, he had to spend time negotiating for lower prices from companies which had been hired to provide support services at the strike rally

"This wouldn't have been necessary in the United Democratic Front days during the 1980s," he lamented

"But now, post-1994, things have changed dramatically, so we have to negotiate for reductions"

For him, the strike, his first major one as regional secretary, has been developing for a long time

He has first-hand experience of the problems which workers in the industry experience, having worked as a cutter at Rex Trueform for 10 years

"The strike is a necessity We all knew the time would come when employers would not be able to get away with putting forward something which our members would just accept"

He was pleasantly surprised when Rex Trueform workers started their strike on Wednesday, instead of yesterday, after management displayed a poster in the factory which workers interpreted as showing that Sactwu's general secretary was unsupportive of the strike

"Workers were legally entitled to strike from Monday, in terms of the union's 48 hours' notice to employers, and the early Rex Trueform strike showed that the propaganda of employers has no place in mature industrial relations"

At Rex Trueform Mr Van der Rheede was a shop steward before he joined the union as an organiser in 1988 He graduated from organiser to regional organiser and was appointed regional secretary in April this year

"As regional secretary I see myself as the union's Western Cape political head and manager but I work closely with a team of union officials who help me keep my finger on the pulse of developments in the industry"

It's demanding work which could put a strain on family life, if not managed carefully

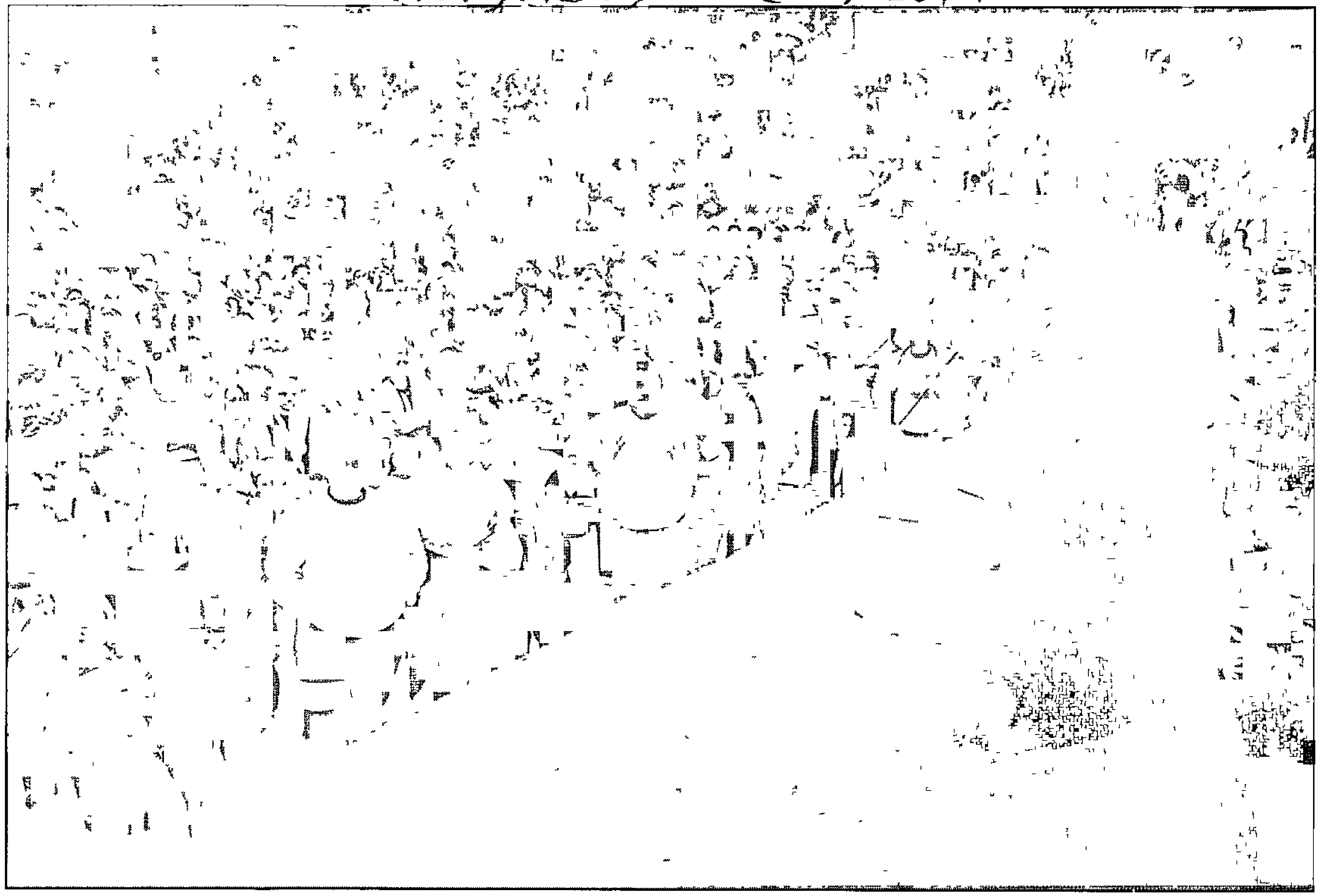
"Since the preparations for the strike started, my wife and I have seen each other when we pass in the passage on the way to the bathroom in the morning It's crazy

"But generally in the union we try to encourage staff to spend time with their families

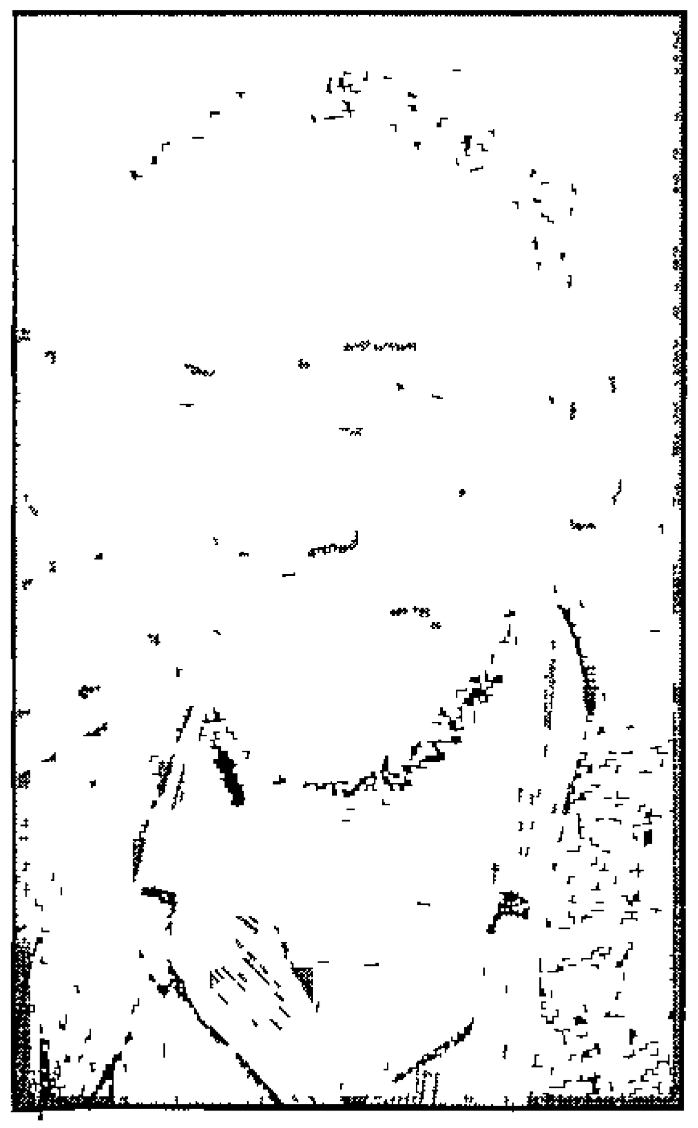
"If strain develops at home it makes it much more difficult to handle the crises of the work we do We need our families' support"

For Mr Van der Rheede it may be a while before he is able to regain the balance between work and personal life

Upstairs, his colleagues were waiting finally to review their strategy for Wednesday And after the strike, there will be the long list of other issues, which are already posted on a board in his office



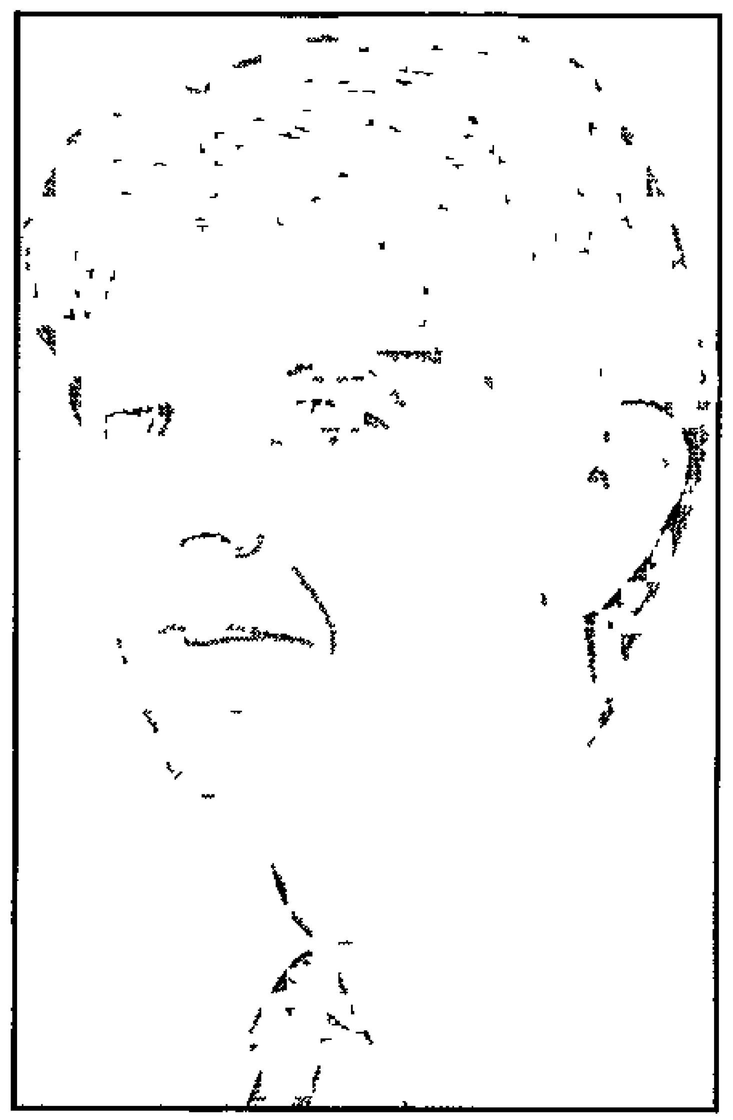
STANDING FIRM: Thousands of striking clothing industry workers gather at the Good Hope Centre at the start of the industry's first national strike



VETERAN UNIONIST: Left, Wayne van der Rheede, Western Cape secretary of the SA Clothing and Textile Workers' Union

INDUSTRY REP: Right, Peter Cragg, executive director of the Cape Clothing Manufacturers' Association

Pictures BRENTON GEACH and ANDREW INGRAM, The Argus



'Of course we will settle, but ...'

As the clothing workers' strike unfolded yesterday, the persistent ring of telephones shattered the orderly calm of Peter Cragg's Foreshore office

Mr Cragg, Cape Clothing Manufacturers' Association executive director, has been in the clothing industry for eight years but this is not his first big strike In 1988 when he was industrial relations executive at SA Breweries, the Food and Allied Workers' Union embarked on a company-wide strike

Then, the employers whom Mr Cragg represented were able to claim victory

In what shape clothing employers will emerge from their skirmish with Sactwu is unclear

"I have huge respect for the Sactwu officials with whom I have worked on some exciting initiatives We must get back to those once this strike is over We don't have an adversarial relationship in our industry This is because the union and employers respect what the new South Africa is about Workers have the right to express their needs," he said, before taking a call from an employer

"I read your fax and want to lock-out but what do we do from there?" was the query

"Of course we'll settle," Mr Cragg assured the caller, "but we need to lock out to get speedy settlement"

Mr Cragg said the lock-out was a device employers hoped would "break the spirit of the strike"

"We don't believe workers really want this strike The threat of a lock-out will have the effect of compelling those who are not so keen to give in and settle I feel we're in a stronger position than the union but we'll assess the balance of power over these two days and see what happens from there"

Mr Cragg acknowledged that the striking workers had a compelling human argument But it was not an argument based on the economics of South Africa

"Of course it's difficult to live on R293 a week, but it's a damn sight more difficult to live on nothing We've offered the best deal we can manage"

Don't buy from local clothing manufacturers, retailers urged

(184) (1687) (1662)

By WILLIAM-MERVIN GUMEDE

The South African Clothing and Textile Workers' Union has called on local retail groups not to buy from local clothing manufacturers until a settlement is stitched up to end the strike it started on Thursday.

Sactwu will target retail outlets suspected of buying from clothing and textile manufacturers with mass action, the union's Gauteng regional secretary Norman Ratshidi told the *Saturday Star*. He said the strike had been most effective in Gauteng, where 95% of the workforce had stayed home

Ratshidi said some employers in Gauteng had already agreed to the 10% wage increase demanded by the union, opening the way for workers to return to the factory floor Sactwu and the National Employers' Caucus of the Clothing Industry will go for mediation tomorrow in the hope of ending the strike.

"Sactwu was always open to mediation, and will end the strike if the employers come to the table with a good offer," he said Employers have offered between 8 and 8,5%.

Charles Nupen, director of the Commission for Conciliation, Mediation and Arbitration, has been appointed as mediator, following a proposal to the disputing parties by Department of Labour deputy director-general Les Kettledas that they seek mediation

Ratshidi said the strike and demonstrations would continue at the weekend despite mediation efforts

"The mass action will go on, but this won't scuttle the mediation talks," he maintained The union would report back to its members on the results of the mediation on Monday.

Johann Baard, the employers' chief negotiator, said yesterday the employers would not compromise

Star 27/7/96

Star 29/7/96

Textile talks end in stalemate

(184) (443)

Cape Town – No settlement could be reached after a day-long mediation meeting between the South African Clothing and Textile Workers' Union (Sactwu) and clothing industry employers in Cape Town yesterday

Johann Baard, chief negotiator of the National Employers' Caucus, told a media briefing various settlement options were considered, but after seven hours of talks it was clear that a settlement was beyond both parties' reach.

The strike and lock-out called on Thursday will continue today, but both parties have agreed to meet again on Wednesday with mediator Charles Nupen, director of the Commission for Conciliation, Mediation and Arbitration.

Sactwu called the strike after a demand for a 10% wage increase was turned down by employers.

Baard said yesterday it was disappointing that Sactwu had not made a counter offer to the employers' 8% – Sapa

Union declares disputes with seven big employers

Stage set for strike in retail sector

CT(BR) 29/7/96 (184)

By Jonathan Rosenthal

Johannesburg — Widespread labour conflict in the retail sector is brewing following the deadlock in negotiations between the 100 000-member South African Commercial, Catering and Allied Workers' Union and seven employers in the past few weeks

Sithembele Tshwete, a union spokesman, said at the weekend that the union had declared disputes with Edgars, Dion, Clicks, Metro Cash and Carry, OK Bazaars and City Lodge Hotels

On Friday, union members plan to march to the Edgars head office in Johannesburg and the company's regional offices in support of demands for an increase of R350, or 19 percent, with a minimum wage of R1 300 Management has offered the higher of R220 or 10,5 percent, Nigel Unwin, the human resources director, said

The union has applied for a conciliation board hearing It also alleged management had not provided it with full information during the negotiations Unwin denied this, saying "there was full disclosure of the company's finances to the extent that we invited the union to bring in its own auditors"

Tshwete said workers were ready to strike if the conciliation board could not resolve the issue

The union's dispute with Dion revolves around its demand for a R1 200 minimum wage, a R250 increase and a 15 percent staff discount at the store, up from the present 10 percent discount The company has offered a R200 wage increase and no increase in the discount The union has applied for a conciliation board hearing

At Clicks, where the union claims a membership of 1 213 out of a workforce of 2 152, the union has demanded a R215 increase and an additional day's leave each month against the company's offer of R115 and no additional leave "We will make a last effort for conciliation on 31 July and, if this fails, we will then meet with workers to ballot for a strike," Tshwete said

The union declared a dispute with Metro last weekend and is demanding a minimum wage of R1 500

At City Lodge, where the union has 250 members out of 533 employees, it has demanded an increase of R260 Management has offered R150 and a 1,5 percent increase in the company's contribution to pension and provident funds

"Our offer would take the minimum wage to R1 600 a month, which I think is the highest minimum in our industry," said Clifford Ross, the managing director

The union has also demanded two days of paternity leave and an increased transport allowance to R18 a shift, from R13,50

The union and OK Bazaars reached an agreement on wages but the union has declared a dispute over OK's restructuring It has entered into negotiations in an attempt to forestall "unilateral" restructuring, but is also considering taking industrial action

NUM tables demands at Implats

Johannesburg — The National Union of Mineworkers on Friday sent a list of its demands to Impala Platinum Holdings (Implats), Phillip Motloung, a regional organiser for the union, said at the weekend

"If the response is negative we will have no option but to go to strike action," Motloung said.

Most of Implats' almost 30 000 employees voted to strike in the ballot on Thursday

The union is demanding pay rises of between 8,5 percent and 12 percent, an increase in the allowance to R400 a month from R335 for the 57 percent of miners who live off the mining site and the introduction of medical benefits to poorer-paid miners

Management has offered an across-the-board wage increase of 7,44 percent. An Implats spokesman said Implats had not tabled an increase in the live-out allowance and regarded discussion on extending medical benefits as "off the table".

A strike will probably start today or tomorrow if no agreement is reached. – AP-Dow Jones.

DEADLOCK *Johann Baard, chief negotiator of the National Employers' Caucus of the Clothing Industry, independent mediator Charles Nupen, and Ebrahim Patel, deputy secretary-general of the SA Clothing and Textile Workers' Union (Sactwu) during their weekend negotiations The clothing industry strike, which started on Thursday, looks set to continue at least until mid-week*

Employers still hoping for a settlement

Clothing union votes for national strike

(184) CT (BR) 19/9/96

By Stuart Rutherford

Durban — Workers in the clothing and textile industries have voted for a national strike, but employers still hope that a wage settlement can be reached at a make-or-break meeting today

Ebrahim Patel, the deputy general secretary of the Southern African Clothing and Textile Workers' Union, said yesterday that its members in all the regions had voted to reject the employers' 7 percent wage offer and to embark on a strike

The union held a national shop stewards' meeting last night, where they were to ratify the ballot and formulate proposals concerning the logistics of the strike.

Patel declined to say whether he expected a settlement before the start of industrial action, but said the union was still demanding a 10 percent wage increase

"At this stage we will be conveying the results (of the voting) and the logistics of how to give expression to the feelings of the workers at the meeting with employers," he said

The union has 87 480 members

Johan Baard, the chief negotiator for the National Employers' Caucus of the Clothing Industry, said that against the background of previous negotiations the caucus hoped the union would settle for a wage increase of between 8 percent and 8,5 percent at the meeting

"We will be going to tomorrow's talks with an open mind and if the union wants to re-open negotiations on a settlement, we will gladly do so"

Baard said he believed support for an 8,25 percent settlement was gaining support at shop-floor level as the only reasonable alternative to a strike

"We hope that sense prevails and that today is historic for the industry in averting a disaster," he said

The strike will cost the workforce an estimated R6,2 million a day in lost wages and the industry an estimated R15,5 million a day in lost turnover

There is unlikely to be any dispute over the results of the strike ballot, though the union decided to conduct the voting itself Getting an independent organisation to conduct the ballot would have cost the union about R300 000

Baard commended the union's leadership on the way it had managed the ballot and said his impression was that the process went "reasonably well"

"There are minor grievances, but nothing that would constitute grounds for challenging the overall results," he said

Patel said the union had succeeded in balloting 82 percent of its members, about 83 650 people, even though some smaller companies had refused the union access to their factories.

☐ See Inside Labour, Page 18

Union demands that Pep protects jobs

BD 1/2/96 (184)

Jacqueline Zaina

THE SA Clothing and Textile Workers' Union (Sactwu) has demanded that Pep Manufacturing safeguard the 3 000 jobs at its clothing operation, following its decision to move the production of some of its lines to Malawi

Sactwu deputy general secretary Ebrahim Patel said yesterday that job losses in the industry over the last five months had resulted in an annualised loss in production of close to R750m Wage cuts averaged R187m annually

Pep Manufacturing human resources director Bertie Hoffmann said the union's call constituted a "major demand" in the light of the company's plan to become a world-class manufacturer

The Western Cape-based company, owned by Pepkor, would try to limit any negative effect the venture might have, through internal transfers and the retraining of affected staff.

If Pep's stategy to expand its value-added business was successful, the impact of the venture on existing employees would be minimised

The Malawian production plant had been set up only for the manufacture of goods which were no longer viable to produce in SA, he said "Instead of losing market share to companies based in the Far East — many of which are dumping products in SA — it was decided to retain the operations, but move them to Malawi "

Patel said a number of companies had indicated their intention to set up manufacturing plants elsewhere in southern Africa

It had become common practice for companies operating in those countries to import half-finished goods almost duty free from the Far East and then export the finished product to SA, often evading SA duties because of preferential trade agreements between the countries

Sactwu favoured a negotiated multilateral agreement covering all southern African countries, rather than separate bilateral agreements, and had submitted its proposals to the trade and industry department, he said

It had also proposed a limit on imports in instances in which preferential agreements existed.

Hoffmann said the Malawian factory would not use semi-completed imports.

Trade deal threat to Cape Town rag trade

ARG 5/2/96

(184)

Labour Reporter

CAPE Town's clothing industry is under threat from a proposed preferential trade agreement with Zimbabwe that could allow cheap clothes from the Far East to swamp South Africa.

The 200 000-member South African Clothing and Textile Workers' Union (Sactwu) is holding talks today with employers about industry-wide protest action against the proposed preferential trade agreement with Zimbabwe.

The trade agreement could result in products from the Far East and elsewhere entering South Africa duty-free through Zimbabwe, unless there is a high enough Zimbabwean local content stipulation.

This is aimed at ensuring that imports from Zimbabwe are genuinely from that country and not from other countries using Zimbabwe as a back door into South Africa.

The clothing and textile industry had proposed an initial 75 percent Zimbabwean local content for imports from Zimbabwe, as well as import quotas. They argued that the Zimbabwe agreement would set a precedent for trade deals with other countries.

In response, the Department of Trade and Industry suggested a local content stipulation of 25 percent. But Zimbabwe has not accepted this.

South African manufacturers currently pay duty on fabric bought in other countries, which increases product costs.

In terms of the trade agreement which Zimbabwe wants, Zimbabwean manufacturers would not have to do so. This would give Zimbabwe an unfair advantage over South Africa which could translate into substantial job losses.

Sactwu has estimated that up to 100 000 jobs could be lost in the sector if local manufacturers shifted their operations outside South Africa's borders to combat the tariff cut.

Sactwu plans day of action over relocation plans (184)

By James Lamont

CT (BR) 7/2/96

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

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

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

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

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

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

Imports threaten footwear industry

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

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

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

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

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

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

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

☐ See Page 17

Factories to shut down for march on parliament

Textile workers lose rag over job loss fears

ARG 10/2/96 (184)

MAUREEN MARUD
Business Reporter

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

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

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

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

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

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

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

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

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

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

The job losses were caused by

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

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

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

Textile union calls for stayaway

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

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

(184) ST 11/2/96

Reports by own reporters, Sapa-Reuter-AFP

CI Cellular is the sole distributor of Ericsson

high of 350c.

Sactwu calls for a day of protest

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

STAFF WRITER

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

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

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

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

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

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

[redacted]

market. The Syfrets group account-

Union calls for day of action to protest against job loses

Star 13/2/96

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

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

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

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

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

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

(184)

Seardel beats difficult conditions in trading

(184) BD 14/2/96

Samantha Sharpe

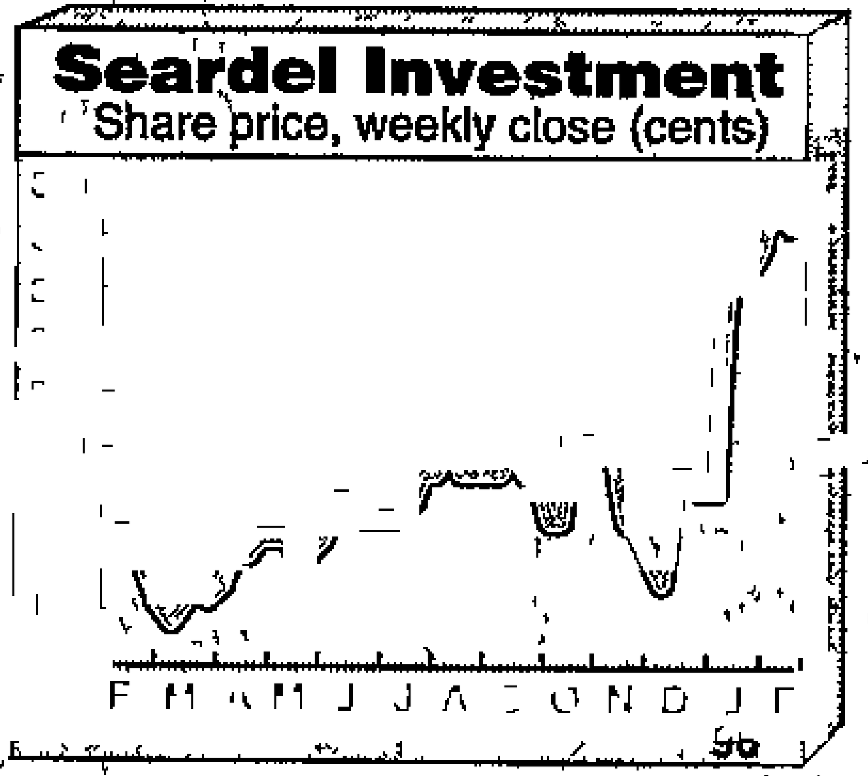
CAPE TOWN — Clothing, footwear and textile group Seardel managed to overcome difficult trading conditions and a slowdown in consumer spending with a 12,5% rise in attributable earnings to R25,3m in the six months up to December.

Its chairman, Aaron Searle, said the results showed the group was on track for an expected rise in pre-tax income to R70m for the full financial year from the previous year's R66m.

The contribution from newly acquired Cutrite Apparel Manufacturers was a key factor behind an 11,4% increase in turnover to R871,9m, he said. The group bought 100% of the company in September.

The sales increase was accompanied by 13,6% growth in operating income before depreciation to R60,77m.

Pre-tax income advanced 11,3% to R35,6m, and there was a similar increase in after tax income to R24,9m.



A R3,28m contribution from the group's associated companies, which reflected pre-tax income from the Frame textile group, also helped to lift attributable earnings 12,5%.

However, an increase in the weighted average number of shares in issue to 102,6-million in December, from a previous 95,8-million led to a subdued 5,1% rise in share earnings to 24,7c.

An interim capitalisation award came to 3,5c, compared with a previous 3,125c, although shareholders could elect to receive a cash dividend in place of the capitalisation issue.

Searle called on government to speed up its decision-making process on urgent issues affecting the industry, with "serious adverse conditions arising from the negotiation of preferential trade agreements with neighbouring countries".

Government had to act quickly in extending duty credit certificates to local value added production enabling SA clothing manufacturers to "network" with world producers, he said.

It also had to move fast to stop illegal clothing and textile imports, while enforcing strict anti-dumping measures.

Reduction to previous levels of duties that increased on September 1 and removal of maximum specific duties on other tariff headings were also essential to the long-term sustainability of the industry.

EXECUTIVE SUITE

Seardel's profit rise 'satisfactory'

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

BY AUDREY D'ANGELO

Cape Town — The Seardel Investment Corporation lifted attributable earnings 12,5 percent to R25,3 million (R22,4 million) in the six months to last December

Chairman Aaron Searll said yesterday the group was on track to achieve earnings of 43c to 47c a share, and pay a dividend of 9c or 10c, for the year to June 30

The directors said the increase of R89,3 million in turnover to R871,9 million included R13,3 million achieved by the group's new acquisition, Cutrite Apparel.

Searll said the results were "satisfactory" in difficult trading conditions, with consumer spending softer than in the same period in 1994

He said that with increased economic activity, an increasing population and more equitable distribution of wealth, "a positive future beckons the South African clothing industry"

But he warned "The South African clothing and textile industries employ a substantial labour force of approximately 250 000 that needs to be safeguarded and nurtured in order to grow and create more job opportunities

"Serious adverse implications arise from the negotiation of preferential trade agreements with neighbouring countries, particularly Zimbabwe, and these should be resisted"

Searll also called on the government to encourage exports by extending the duty credit certificate scheme to cover clothing made by local manufacturers for foreign companies, using imported cloth

This would enable South African companies to "network with the world clothing production system", he said

Sactwu protest to protect 100 000 jobs could cost industry R100m

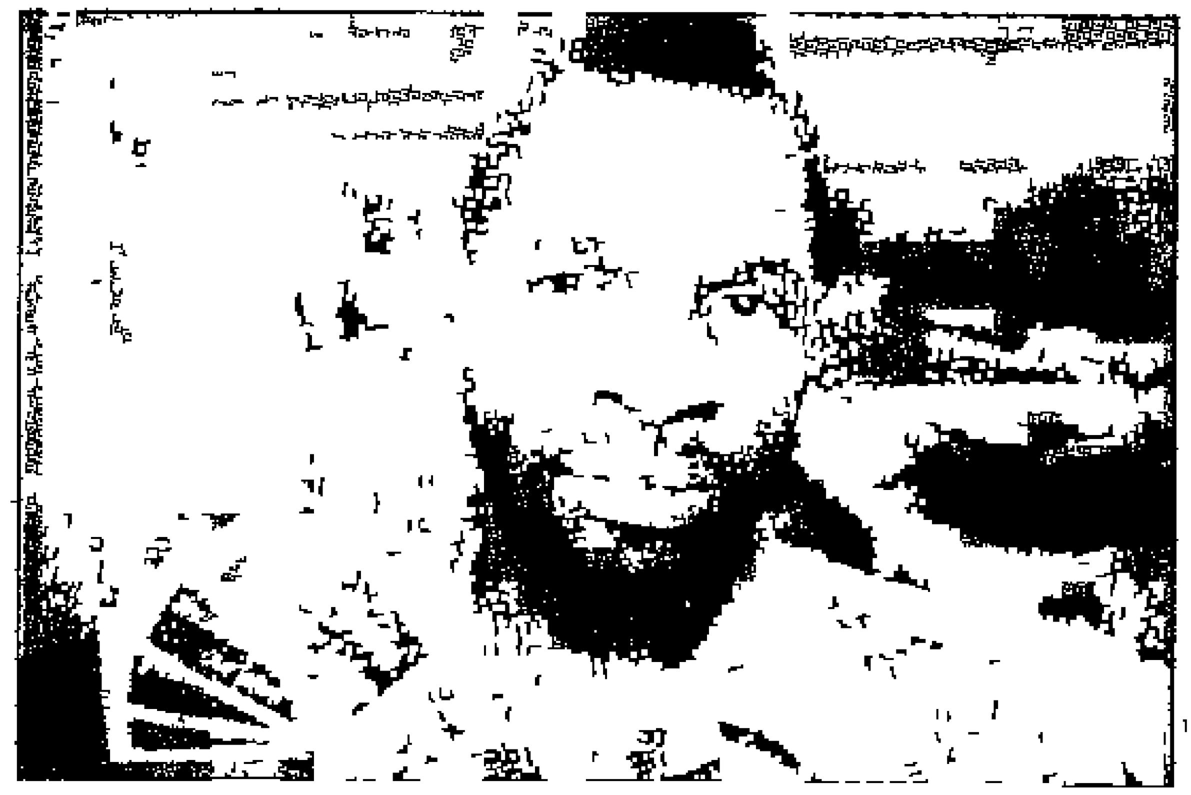
(184) CT(BR) 14/2/96

SHIRLEY JONES

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

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

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



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

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

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

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

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

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

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

Seardel comes out in support of marchers

ARG 14/2/96 (184)

ALIDE DASNOIS
Business Editor

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

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

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

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

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

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

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

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

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

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

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

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

● See page 14.

Textile workers march to back demands on jobs

BD 15/2/96 (184)

Renee Grawitzky
and Nicola Jenvy

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

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

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

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

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

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

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

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

Clothing workers want protection

Sowetan 15/2/96

(184)

By Abdul Milazi and Muzi Mkhwanazi

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

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

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

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

The memorandum further demanded that

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

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

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

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

The Ministry of Trade and Industry was not available for comment

Protesting clothing workers give Manuel broken flowers

CT 15/2/96 (184)

STAFF WRITER

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

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

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

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

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

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

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

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

Ramaphosa thanked the workers for bringing the issue to light

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

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

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

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

Ensign Clothing moves to liquidate its surplus assets

(184) (187) BD 13/3/96

Samantha Sharpe

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

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

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

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

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

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

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

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

UFO only a cable

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

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

REPORTS Sapa, Reuter, Business Day reporter

Business SA proposals made

BD 14/3/96 (180)

John Dludlu

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

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

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

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

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

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

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

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

Union to review 'save jobs' drive

Renee Grawitzky

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

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

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

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

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

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

BD 14/3/96 (184) (187)

Texfed to act on imports

Amanda Vermeulen

(184) (34F)

THE Textile Federation (Texfed) is putting together a task team to identify illegal clothing imports in retail outlets, and to assist customs and excise to crack down on the culprits.

Executive director Brian Brink said yesterday that the disarray within customs and excise had made it essential that the industry itself help stamp out illegal imports in the clothing chains.

BD 15/3/96

Texfed to act on imports

Amanda Vermeulen

(184 [illegible])

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BD 15/3/96

Excellent trading helps to fashion Glodina's results

(184) CT(BR) 5/3/96

By Jon Beverley

Durban — Glodina Holdings, the clothing company, enjoyed excellent trading conditions last year, with a 14 percent increase in turnover and 31 percent rise in operating income, though conditions deteriorated in the second half

Paul Redondi, the group managing director said prospects for the coming year looked less promising than last year

"Trading conditions are becoming increasingly difficult — consumer spending is down and the high business confidence we experienced last year is flagging, particularly in the textile industry

"However we expect to begin reaping the benefits of the capital expenditure programme and anticipate an increase in earnings for this year"

Earlier forecasts were exceeded with a 21 percent increase in headline earnings of 33,8c a share compared with 27,9c in 1994

A 5c dividend was declared, or a capitalisation issue of 3,5 shares for every 100 held Major shareholders would take capitalisation shares

Clofed moves to stop illegal cloth imports

(184) (~~[illegible]~~)

Business Editor

ARG 23/3/96

THE Clothing Federation has called on all its members to sign a code of conduct on customs and excise fraud, to put an end to illegal imports of clothing and textiles

The code commits member companies to do their best to make sure the prescribed duties are paid on all imported clothing and textiles, to take action against any employee or agent involved in illegal imports and to report irregularities to the authorities

Clofed said in a statement that they would also support legislation which would make it compulsory for all imported clothing to carry the label of the country of origin This would help to block illegal imports.

The single greatest immediate threat to the future of the clothing industry was the flood of illegal imports of clothing and textiles, Clofed said

43pc tyre imports 'illegal'

TYRE manufacturers' figures suggest that R320 million – or 43 percent – of South Africa's annual tyre imports are smuggled into the country

Gavin Hardy, chairman of Firestone SA holding company Fedstone, said yesterday that imports accounted for 32 percent and domestic manufacture for 68 percent of wholesale tyre sales. Control of the inflow of imported tyres was "woefully inadequate".

Call for clothing labels details

(184)

Amanda Vermeulen

BD 25/3/96

THE Clothing Federation has called for legislation to ensure that imported clothing carries the label of its country of origin

Federation executive director Hennie van Zyl said at the weekend the legislation formed part of a code of conduct drawn up with the SA Clothing and Textile Workers' Union to cut down on illegal imports

The code would require signatories to ensure import duties were paid on all clothing and textile imports, and action including dismissal be taken against employees who were involved in illegal activities Clofed said legislation ensuring that imported clothing carry the label of its country of origin existed in various countries, including the US

The federation would help improve imports control, reducing loss of government revenue, and providing consumers with more information as well as enhancing international copyright/trademark regulations Van Zyl also welcomed the beefing up of the customs and excise function.

Textile union set for wage talks

184

Star 26/3/96

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

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

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

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

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

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

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

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

Sactwu aims to end apartheid wage gaps

Sowetan 26/3/96 (184)

By Abdul Milazi
Labour Reporter

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

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

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

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

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

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

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

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

Steps against imports 'justified'

BD 28/3/96 (184)

Nicola Jenvey

DURBAN — Illegally imported clothing was less than 3% of the total industry output of R7bn, but the severe measures against the practice were justified to prevent job losses and deterioration in the industry, SA Clothing Federation executive director Hennie van Zyl said yesterday

He said declared clothing imports amounted to R500m a year, with a further estimated 40%, or goods valued at R200m, being smuggled into the local market.

However, customs and excise investigation unit head and customs and VAT enforcement caucus chairman Johan Beets disagreed, saying company closures and industry complaints did not correlate with only 3%. He said industry estimates did not include goods bypassing official channels

Textile industry sources estimated illegal imports represented 16% of total sales, given the industry imported R3,5bn of its R9bn turnover Textile Federation president Mike Hankinson said there was insufficient information to estimate the effect, "but the rumours surrounding the level of illegal imports appear true".

Van Zyl blamed ad hoc trade agreements in southern African for the explosion of illegal goods

Searlls keep control of Seardel

Pyramid holding company Searcon unbundles

ARG 2/10/96

LLEWELLYN JONES (184) (~~1???~~)
BUSINESS REPORTER

Control of clothing and electronics group Seardel will stay firmly in the hands of the Searll family after the unbundling of pyramid holding company Seardel Consolidated Holdings.

Until now the Searll family has exercised control of Seardel Consolidated Holdings (Searcon) through a 42 percent holding in Searcon which, in turn, controlled Seardel with a 50,1 percent stake in that company.

With the unbundling of Searcon, the Searll family will hold only about 20 percent of Seardel. But the family will maintain voting control of Seardel by arrangement with existing institutional shareholders.

The institutions will vote with the Searll family, and the family has first option to buy the institutions' shares should they wish to sell

Aaron Searll, the chairman of the Seardel group, said the pyramid structure had become cumbersome and confusing, and the existence of two listed companies was causing unnecessary expense

"It became an imperative to tidy up the structure of the group," Dr Searll said.

David Sylvester, the chairman of the South African Shareholders Association, said the association always welcomed the collapse of a pyramid structure

But, he said, the Searll family's agreement with major institutional shareholders diluted the effect of the move He hoped this would be temporary

"We would like to see market forces determining the control of companies," Mr Sylvester said

"In other words, poor management would lead to a weaker share price and the possibility of a takeover."

Searcon was established as the pyramid holding company of Seardel in 1987. Stockbroker analysts said the unbundling became inevitable when Seardel and Searcon established a second class of low voting "N" shares last year.

Low voting "N" shares, which are identical to ordinary shares in all respects except voting rights, are a way for controlling shareholders of a company to maintain control when they need to raise new capital

Seardel has extensive interests in the clothing industry, manufacturing everything from Triumph underwear to Jonty's Fashion Trousers, and in the textile industry through its holding in the Frame Group

The company also holds an 81 percent stake in Seartec which distributes Sharp electronic equipment and manufactures Scripto writing instruments

Clothing, textiles fight illegal imports

ARG 4/10/96

Government urged to match R360 000 spent each year

(184)

BUSINESS EDITOR

Clothing and textile manufacturers are spending R360 000 a year on the fight against illegal imports, according to the clothing and textile federations, which have called on the government to match these funds.

In a submission this week to parliamentary hearings on tariff policy, the presidents of the Clothing Federation (Clofed), Bernard Richards, and of the Textile Federation (Texfed), Mike Hankinson, said the two industries had contributed R167 000 to the Customs and Law Enforcement Task Group since its creation in May

"We are supplying the money and on an annualised basis it is costing us R360 000 a year at the moment," Dr Richards told the Cape Argus

The task group pools information on suspected fraud from Inland Revenue, Customs, the Reserve Bank and sources in industry Tip-offs from industry sources are passed on to the authorities for action

"Government needs to address the customs control problem as the most urgent priority and to match industry funds and resources to correct the situation," Clofed and Texfed say in their submission

They say it is "absurd" to try to create an industry competitive in world terms if the industry is faced with illegal imports

Reviewing the scaling down of protective import duties which started a year ago, the federations say they have asked for amendments so that the minimum duty on clothing imports does not drop below 40 percent and on fabrics 22 percent

The current programme scales down ad valorem duties on clothing from 84 percent last year to 40 percent in the year 2002 But the two federations say that when maximum and minimum specific duties are taken into account, the duty on imported garments could drop below 10 percent and the duty on the same fabric could be between 20 percent and 40 percent.

Textile and clothing industries all over the world are protected, Clofed and Texfed say, and most governments also assist these industries

"The Korean government introduced a strategic plan for its textile and clothing industries in 1990 which included R23-billion of support measures France is to give its textile and clothing industry R1,4-billion a year to moderate the effects of Far Eastern competition as well as creating an aid programme to offset currency devaluation

"Other countries with extensive aid and support measures are Taiwan, Chile and India "

Calling for the creation of a Textile and Clothing Export Council funded by the state, Texfed and Clofed say the capture of one percent of world trade in clothing could create 250 000 jobs at a cost of R1-billion

Seardel's labour productivity jumps

ARG 4/10/96 (184)

LLEWELLYN JONES
Business Reporter

Labour productivity rose fast at Cape-based clothing and textile group Seardel last year, according to the group's annual financial statements released this week.

Operating profits per employee jumped 20 percent to R7 428 in the year to June, compared to R6 190 last year.

The improvement in productivity is even more startling considering the value added by Seardel in the manufacturing process. The value added to materials and services purchased climbed to 69 percent compared to 41 percent last year.

These figures add an interesting twist in the wake of the industry-wide strike in August when employers and employees battled over a single percentage point for this year's wage increases. Agreement was reached on an increase of nine percent.

In his chairman's statement, Aaron Searll said the dispute and subsequent strike raised a number of questions.

"Two key issues which require attention are the efficiency of industry-wide centralised bargaining, and whether our industry's labour cost is a significant factor in the quest to become internationally competitive," said Dr Searll

Motor, clothing sectors making best of new era

(184)

John Dludlu BD 4/10/96

MORE than a year since government implemented strict restructuring plans scaling down protection, the motor and clothing sectors appeared to be adjusting to the changed circumstances, sources said yesterday

The National Association of Automobile Manufacturers of SA said the restructuring plan, known as the motor industry development programme, had helped make cars more affordable.

The development plan had bolstered the sector's export performance. Overall industry exports — including car parts and built-up vehicles — were expected to rise to R4bn from last year's R3,3bn About R3,2bn would be component exports

The Clothing Federation said its seven-year plan had encouraged manufacturers to develop niche markets

The industry, one of the most protected in SA, was facing a 6% slump in growth this year However, Clofed executive director Hennie van Zyl attributed the sector's misfortunes to pressure from illegal imports and a wobbly export performance rather than the reduction of protection This year tariffs dropped to 84% from 90%.

The other factor cited as contributing to the contraction was the snail's pace at which steps towards regional economic integration were being taken and the state's delay in implementing supply-side support schemes.

Van Zyl did not feel the current restructuring initiative was "tight", but warned that it should not be hastened as had been hinted at by some observers lately. At this week's parliamentary hearings in Pretoria on tariff policy, business leaders criticised the state for not adequately marketing its "scattered" support schemes.

The industry, which has lost 17 000 jobs because of poor customs control, believed the implementation of its proposals could see it gaining 1% of the world's clothing trade, worth R600bn. "We believe we can create a quarter of a million jobs within a year," he said.

Call for export incentives for the clothing industry in SA

(184) BD 7/10/96

Samantha Sharpe

LABOUR-intensive manufacturing exports should have first call on export incentives given the tough competition in the international market, Rex Trueform chairman Steward Shub said in the group's latest annual report.

The clothing industry's export performance had taken a hard knock from further reductions in export incentives recently, a move which the industry could not afford in the "intensely competitive international environment".

He called for an extension to the duty credit certificate scheme beyond its March 1998 deadline, to provide support for clothing exports

Rex Trueform posted a fall in earnings to 57,8c a share in the year to June after an increase in the number of shares in issue

Attributable profit remained virtually unchanged at R10,23m from a previous R10,22m.

Turnover rose 10,5% to R212,57m, buoyed by further growth in the group's retail division Queenspark and improved sales to the retail market.

Profit before tax came in 17,5% higher at R16,5m.

Shub said Queenspark had become the dominant operation in the Rex Trueform group and was now the major contributor to profits.

Two new Queenspark stores had been opened since the end of the financial year, both of which had produced turnover in excess of budget.

"Potential development opportunities are being explored, aided by market research recommendations, and we are planning to open eight stores during calendar year 1997," said Shub.

LABOUR *Mboweni gets tough with businessmen on exploitation in clothing industry*

Department probes 'slave wages'

(184) CT(BR) 15/10/96

JONATHAN ROSENTHAL

WARNING *Rudi Heine, the president of Sacob, at the chamber's convention in Kempton Park yesterday*

PHOTO JOHN WOODROOF

Johannesburg — The labour department has launched an investigation into the "slave wages" workers allege are paid in the clothing industry.

Les Kettledas, the deputy director-general of the department, told the South African Chamber of Business (Sacob) annual convention in Kempton Park yesterday that the department would act on complaints received from workers in the clothing industry "where wages as low as R1,11 an hour, in practice R49,95 a week, are not uncommon".

He was reading an address prepared by Tito Mboweni, the labour minister

He said most of the complaints had come from the former homelands. The recently reconstituted Wage Board was investigating the matter and would report to the minister, who has the power to set wages by way of a wage determination

The department would consider prosecutions if companies failed to comply with the determination, he said. "Is it acceptable that almost 40 percent of our workforce earn below the breadline, which is currently estimated at slightly less than R1 000 a month?" he asked

But Mboweni's speech was greeted with some hostility at the convention "I have a dreadful vision that we are going to hire 100 000 Gestapo types from the department of labour who are going to rush around ramming the Labour Relations Act down our throats," one business delegate said

Rudi Heine, the president of Sacob, warned that wage increases in the public and private sectors could undermine the government's macroeconomic strategy "The strategy's hopes of creating more and more jobs simply cannot happen if there are significant across-the-board rises in the general levels of real wages of those already in full-time formal employment "

Employers, Sactwu agree to rebuild their bridges

Reneé Grawitzky (184) BD 21/10/96

CLOTHING employers and the SA Clothing and Textile Workers' Union (Sactwu) embarked on a bridge-building exercise last week, after the week-long strike and lockout in August marked by high levels of conflict on both sides

In a joint statement, both parties committed themselves to promote the "immediate and long-term viability of the SA clothing industry to the benefit of all its stakeholders"

Both the union and employers took responsibility for the strike They said the exchange had partially restored the relationship that existed before the strike They acknowledged that mistakes had been made on both sides, with the union criticising the "assertive negotiating stance adopted by the national employer caucus"

The union said the stance could have been adopted because of limitations in the employers' mandate

The parties resorted to a strike and lockout after the union had demanded a 10% increase and employers had offered 8%. As the strike developed, much intimidation was reported, while many employers showed willingness to meet union demands.

Both sides committed themselves jointly to drafting a code of conduct for the industry

Y NEWS

Rex Trueform 'will not unbundle Queenspark'

(184) CT(BR) 24/10/96

MARC HASENFUSS
CAPE EDITOR

Cape Town — Rex Trueform was not looking to unbundle Queenspark, its fast-growing retail arm which contributes more than half of the clothing company's sales and profit, but was mulling a move from the JSE's Clothing sector to the Stores sector

Speculation around a separate listing for Queenspark follows its strong performance in the year to June 30 this year and indications that the fashion retailer will drive Rextru's future profit growth

At the group's annual meeting yesterday, Stewart Shub, the chairman, said the company would rather look at transferring its listing from the Clothing and Textile board to the Stores sector when retailing was the dominant part of the business

"The clothing manufacturing and retail operations are part and parcel of Rextru so when the timing is right, and that might not be too far away, we might consider switching our listing"

He said an unbundling could disturb the relationship between Rextru's manufacturing operations and Queenspark

"The manufacturing operations are important and give us a strategic advantage Although these operations and Queenspark are encouraged to operate at an arm's length, they still enjoy a unique and valuable working relationship"

Shub said the manufacturing operations would remain an important exporter for years to come and a large proportion of its production would be earmarked for Queenspark's stores

Queenspark, which chipped in R117 million of Rextru's R212,5 million turnover in the year to June 30, is set to bolster sales and profits through four new outlets

Another eight Queenspark stores are in the pipeline for next year

Pick 'n Pay cleared in clothing probe but forks out thousands

(184) CT(BR) 4/4/96

By Shirley Jones

Durban — The department of customs and excise this week collected duties running into hundreds of thousands of rands on goods detained in two of Pick 'n Pay's Cape Town warehouses

Johan Beets, who headed the investigation into Pick 'n Pay's dealings with the supplier Nirvana Trading based in Cape Town, said the immediate issue had been settled administratively

No prosecution would follow

He said the parties did not get off scott free because "a lot of money changed hands" for clothing that could have filled two to three containers.

Though Pick 'n Pay had been cleared by the commissioner of customs and excise and authorised to break the seals on the goods, the overall investigation was not over

Nirvana's previous imports destined for unidentified clients were still under investigation, he said.

Beets revealed yesterday that a fourth party had been involved in the Nirvana investigation He said though customs knew his identity, they had been unable to trace him

On the strength of this, the defendant's legal council had persuaded customs to settle for recovering the duties

"We judge our own cases and decided to settle this according to the administrative provision of the Act," he said, refusing to provide further details because of the secrecy clause in the Act

Beets said that though Pick 'n Pay might have suspected the origin of the goods, this was an assumption that could not be proved Price alone was usually a good indicator of whether duties had been paid

He said the position of retailers as accomplices was difficult to define and, contrary to manufacturers' beliefs, retailers could not be prosecuted unless there was concrete proof they were directly involved in a scam

Retailers were in business for profit and nothing prevented them from buying goods, he said

Sean Summers, Pick 'n Pay's retail managing director, said the company was relieved the issue had been cleared up to the satisfaction of everyone He said the goods had been released for sale and would shortly appear in Pick 'n Pay stores

"We stated at the outset that we would not knowingly purchase goods that had in any way circumvented the South African duty and importation structures

"When we were initially offered the goods, we knew them to be of foreign origin and consequently researched our supplier, Nirvana, and found everything to be in order," he said

Summers said he believed Pick 'n Pay's decision to buy from Nirvana had been totally vindicated and he saw no reason why it should not continue to do business with the company

Union blows the whistle on retailers' 'hot' imports

(7425) (184) ST(BT) 7/4/96

By JEREMY WOODS

THE Clothing and Textile Workers Union is to ask the Office for Serious Economic Offences in Cape Town to raid the warehouses of several "significant retailers" who allegedly buy millions of rands worth of illegal duty-free clothing, and to impound the clothing as if it were stolen goods

The union also wants the office to prosecute offending retailers in the courts "in the same way that any ordinary citizen would be made to pay the price for handling stolen goods"

"We have the names of the suspected offenders, and these are significant retailers We also have the evidence to support our claims," says Ebrahim Patel, deputy general secretary of the 170 000-strong Sactwu

EBRAHIM PATEL

"We are lodging our complaint at the OSEO in Cape Town with the request that it initiate raids on the warehouses of those retailers who are involved," he says

Mr Patel claims that in the seven months since September, illegal duty-free clothing imports worth millions of rands, in addition to tariff reductions, have caused the loss of 17 000 jobs in the clothing, textile and shoe industries alone

Furthermore, Sactwu is calling for the top-tier management of Customs and Excise to be fired for failing to stop duty-free clothing from flooding into the country

"As with other managers who cannot do their jobs, they should be removed Retailers who close their eyes to the buying of clothing where no import duty has been paid are destroying the fabric of our society People with no work who have families to feed inevitably turn to crime, which threatens our society "

But, Mr Patel contends, the whole cycle starts when the retailer sees fit to buy illegally imported clothing

Tommy Prins, head of the OSEO in Cape Town, said he was aware of the allegations

If the union made a complaint, the OSEO would examine any evidence provided and decide whether to launch an investigation, he said

Inquiries about the buying and selling of duty-free clothing at the head offices of retailers in Cape Town met with little response

"We do not buy or sell clothing where import duty has not been paid Nor do we have any in our warehouse But if we did, we would not be making statements about it to the largest newspaper in the country," said one retail spokesman

□ The Department of Customs and Excise this week collected hundreds of thousands of rands worth of duties on goods detained in two of Pick 'n Pay's Cape Town warehouses

Johan Beets, who headed the investigation into Pick 'n Pay's dealings with supplier Nirvana Trading, said the immediate issue had been settled administratively No prosecution would follow

Sactwu calls for tougher action

(184)

BD 9/4/96

Renee Grawitzky

RETAILERS caught in possession of illegally imported clothing should face prosecution by customs and excise instead of being "let off" and merely paying duties, SA Clothing and Textile Workers' Union (Sactwu) assistant general secretary, Ebrahim Patel said yesterday

Patel's call comes in the wake of a raid by customs officials on two Pick 'n Pay warehouses in Cape Town, as part of a crackdown on the inflow of illegal imports

He said retailers should not be "let off" and merely pay duties on illegal goods, as was currently the case, but should be prosecuted as accessories to a crime

The union was compiling information on those companies and retail outlets which obtained illegally imported (duty-free) clothing The union was demanding that once this information was submitted to the Office for Serious Economic Offences (Oseo), raids on their warehouses would be carried out

The union indicated that at this stage the names of those large retailers who had bought illegal imports could not be made public until the information had been given to the office, or until the office released the names.

Patel said that before the recent Cabinet reshuffle, discussions had taken place with the trade and industry ministry on the establishment of a special task team, with representatives drawn from the economic offences office, to investigate claims in clothing, textiles and footwear.

He said the level of sophistication relating to invoice fraud, bribery and the "systematic setting up of operations by big business with middle men to bypass customs" required additional expertise besides the SAPS and customs and excise

Patel said these initiatives had serious consequences on the level of employment

Following the cabinet reshuffle, the union had decided to direct evidence directly to the office

Patel said it appeared customs and excise was reluctant to prosecute or name offenders, which was contrary to the spirit of an agreement reached within the National Economic Forum in 1993

The union on numerous occassions, and organised labour's recently released document Social Equity and Job Creation — the Key to a Stable Future, called for the replacement of customs and excise top management in order to stem the huge flow of goods entering SA illegally

Clothing unions urge clampdown on fraud

(184) BD 16/4/96

Renee Grawitzky

BD 16/4/96

CLOTHING industry wage negotiations begin today amid calls by both the SA Clothing and Textile Workers' Union (Sactwu) and the SA Clothing Federation (Clofed) for the prosecution of retailers and others involved in customs fraud.

These calls come in the wake of recent raids on major retailers who possessed illegal imports, and the signing of a code of conduct on customs and excise between the union and clothing and textile manufacturers — to commit themselves to ensuring duties were paid on all imports, whether their own or third party imports.

A snap survey of several major retailers, including Pick 'n Pay, Edgars and Mr Price, indicated that although some claimed not to have seen the code, they were not, at least in principle, opposed to such a move.

It is believed that Clofed has expressed its concern to the finance ministry that customs and excise had failed to prosecute retailers for customs fraud unless there was concrete proof they were directly involved in such actions

Customs and excise commissioner Dan Colesky said the Customs and Excise Act provided only for action taken against importers for non-payment of duties.

Retailers in possession of illegal imports who wanted to reclaim their goods were only obliged to cover any outstanding duties, he said The clothing industry estimated that between 40%-50% of total imports were illegal.

At the start of clothing industry negotiations, Sactwu expressed concern that last year's agreements had not yet been gazetted by the labour department.

Sactwu's core demands include a 17% increase, extension of wage agreements to all regions, increased provident fund contributions, and a 1% employer contribution to the proposed Housing Development Trust, to be administered by the industrial council

Tip-offs anonymous

CLOTHING and textile employers and employees privy to information regarding illegal imports and industry malpractices could tip off the Clothing Federation anonymously, Clofed executive director Hennie van Zyl said yesterday

He said this week's meeting of the law enforcement task group, a private sector initiative aimed at ridding the economy of illegal imports, had made facilities available for members of the public to anonymously report malpractices to the federation.

BD 17/4/96 (184)

Tough start to wage talks

Renee Grawitzky

(183) (184)

METAL and clothing industry parties reported a tough start to negotiations this week where metal employers tabled a 6% increase and clothing a 3% increase.

Metal industry stakeholders have been meeting within a working group since late last year to reach a common understanding on a new wage model — which is likely to dominate the negotiations

Meanwhile, clothing parties have to reach agreement amid the severe constraints facing the industry.

In the metal industry, unions expressed concern about the tabling of an unmandated employer position on a wage model which attempted to take union concerns into account.

The Steel & Engineering Industries' Federation of SA said this model proposed the introduction of a five-grade job system.

Yesterday employers tabled a 6% increase which would raise the minimum scheduled rate to R7,14 an hour or R1 350 a month.

Clothing employers expressed concern at the manner in which this year's negotiation process began, with employer spokesman Johan Baard indicating that employers had expected a more realistic stance being adopted by the SA Clothing and Textile Workers' Union.

Union negotiator Elias Banda said it was a "bad start" to negotiations, with the parties being very far apart

The union's initial demand was 17% which was reduced to 15,25% after employers tabled a 3% offer. He was optimistic that negotiations would improve.

But, Baard said, given the state of the industry a wage freeze would have been plausible.

BD 19/4/96

Cheap imports close company

CT (BR) 22/4/96

By Françoise Botha

(184)

Cape Town — Sarjar Fashions, a Cape clothing manufacturer, was set to join what would probably become a string of clothing firms to go into liquidation following the flood of cheap imported clothing into South Africa, said Gerald Sarembock, the managing director of the company

An application for the liquidation brought by Reichmans, the creditors and financiers, was granted in the Supreme Court in Cape Town last week

The company, which has been trading for 24 years, would close its doors to about 270 workers, including highly trained cutting room staff and machinists

The industry could not compete with the illegal imports, he said "They are affecting our margins and our cashflow It is very difficult in the clothing industry at the moment," said Sarembock

He did not believe the liquidation had anything to do with the South African Clothing and Textile Workers' Union demanding a 17 percent pay increase

Sarembock said illegal imports had also affected the computer equipment industry

"There is really only one solution to all this and that is to remove all import duties and increase the VAT substantially," said Sarembock

Last month, the Clothing Federation called for its members to sign a code of conduct on customs and excise fraud in a bid to stamp out illegal imports

The union said it would support legislation that would make it compulsory for imported clothing to carry a label that identified the country of origin

This would help to block illegal imports, the organisation said

'Clothing industry has 2 years'

(184) BD 23/4/96

CAPE TOWN — The clothing industry had at most two years to address structural problems and ensure future growth, Clothing Federation of SA president Bernard Richards said.

In the latest edition of Clothing Industry News, Richards said that the main problems facing the industry remained illegal imports, rising input costs and the failure of the trade and industry department to provide adequate export incentives.

"If these issues can be addressed positively and resolved satisfactorily during the next two years, the seeds will have been sown to provide our industry with a good base from which to grow and thereby create jobs," Richards said.

In a section on economic conditions in the industry, the newsletter said that after good growth up until the first quarter of last year, the production volume index had declined sharply from the middle of the year. "This is attributed to continuing lacklustre performance on exports due to procrastination by government on several critical issues, the severe undermining of the market by illegal imports, destocking by retailers and retailers sourcing increasingly from the informal and non-unionised sectors."

Richards said in order for individual companies to survive "as the chill winds of international competition invade our shores", they would have to become internationally competitive. This would require further export incentives by government and firm steps to halt fraudulent imports.

He welcomed the recent imposition of a 125% duty on goods in transit in a bid to halt fraudulent imports.

Richards said the federation remained opposed to the domestic disposal of goods confiscated by customs officials "as the volumes involved are substantial, will be highly disruptive to the marketplace and are often used by local importers as a method of circumventing duties and other charges".

He called on the SA Clothing and Textile Workers' Union to show restraint in wage demands at a time when international competitors were increasingly moving towards low-wage countries.

"Wage settlements in excess of the rate of inflation such as the 13% of 1995 will inevitably lead to the demise of the clothing industry over a period of time," Richards said.

Recent marches on parliament to press wage demands had been disruptive. "As sure as day follows night, such disruptions increase cost structures and prices, making it easier for international goods to penetrate our market." — Reuter.

Number of jobs in textiles up

(184)

Amanda Vermeulen

BD 16/2/96

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

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

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

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

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

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

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

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

Malaysian multinational acquires SA clothing firm

ARG 16/2/96 (184)

Business Editor

MALAYSIAN multinational Mycom is to take over clothing group Delswa and holding company Jade as part of a major thrust into South Africa.

In an announcement today, the group said Mycom had entered into a R13 million deal with controlling shareholders in Delswa and Jade — now called DJI Clothing and DJI Clothing Investment Holdings — through its subsidiary M C Industrial Investment Holdings (MCI).

MCI would serve as the holding company for a major investment drive by Mycom into South Africa, with interests in the hotel and leisure industry, property development and construction, stockbroking, trading and the food industry

DJIH and DJIC would be the main corporate vehicles for this programme

Mycom said DJIH could also acquire controlling interests in other listed companies, becoming the holding company for a conglomerate including DJIC

Negotiations were already in progress concerning specific acquisitions

Minority shareholders are offered 320,4c for each DJIH share, 305,3c for each DJIC share and 201,5c for each DJIC preference share.

Mycom said the listing of the preference shares would probably be discontinued because their infrequent trading did not justify administrative costs.

■ **Del Monte Royal Foods** has cut the final dividend 23 percent to 10c as attributable profits slumped 20 percent to R145,5 million in the year ended November.

Exceptional items, reported in profits, included profits of R30 million on the sale of a 50 percent stake in Royal Beech Nut.

Chairman Vivian Imerman said spending had been swelled by aborted attempts to buy a major European food business and by restructuring of the Philippines associate.

■ **First National Bank's** $200 million one year Revolving Credit Facility arranged by Japan's Fuji Bank has been oversubscribed and increased to $230 million The original facility was signed in February last year.

■ Attributable profits of **Associated Manganese** shot up from R24,4 million to R70,2 million for the six months ended December, on the back of higher sales volumes and better ferro-chrome prices But directors said improved supplies of ferro-chrome would reduce prices in the second half.

The interim dividend is unchanged at 250c to leave cash to finance the replacement of mining equipment and vehicles.

■ **African Life** is to raise R125 million through a rights offer to finance growth Directors said recurring premium income had grown at 39 percent a year since 1989, trading conditions had improved since Real Africa took control of the group and Aflife had started several strategic developments.

1 100 lose their jobs

(184)

ARGT 17/2/96

MAUREEN MARUD
Business Reporter

SPORTSLINE, a clothing company based in Botswana, but managed from Cape Town crashed this week with the loss of 1 100 jobs.

Richard Wistyn, head of R W Design of Cape Town, was unavailable for comment this week, but planning manager David Johnstone confirmed that the firm had procurement and design agreements with Sportsline in Selebi-Phikwe, Botswana, and that Mr Wistyn was Sportsline's managing director.

The firm was Selebi-Phikwe's largest private-sector employer with an average annual turnover of about 20 million pula (R26 million). It was one of the biggest manufacturing companies in Botswana

Among its laid-off workers were about five from Cape Town, who were repatriated this week, said provisional liquidator John Stevens of Deloitte & Touche in Gaborone

The firm's failure would cause "serious hardship" for the town's economy and the workers, said Mr Stevens.

He said he had paid the labourers off on Wednesday The labourers received a total of one million pula (R1,3 million), of which 200 000 pula (R260 000) was paid by the Botswana Development Corporation (BDC), a 20 percent shareholder that is owed about 28 million pula (R36,4 million) in equity, loans and guarantees by the failed company

Mr Stevens said on Wednesday "I have lent the Cape Town chaps a truck, and they all left this morning with their families and will be arriving tomorrow"

The first creditors' meeting will be held next month, when a liquidator will be appointed

"In this case, there will be a full liquidation," said Mr Stevens

Mr Johnstone said R W Design had no shares in Sportsline He said the 80 percent shareholder lived in England

"R W Design is a marketing and sales company which used Sportsline for production purposes We use production facilities all over the country, and Sportsline was one"

He said Mr Wistyn had been managing director of Sportsline for about 18 months

A BDC spokesman said that before joining their organisation, Sportsline was financially helped through the Botswana government's business incentive programme, which included labour and capital grants over a five-year period and a tax holiday

Hi-tech bid to stop clothing smuggling

(184)

By TOM HOOD

ST (M) 18/2/96

HIGH-TECH X-ray machines able to see what's inside containers are to be brought into South African ports in an effort to stop illegal imports of cheap clothing which threaten business and jobs.

The clothing industry also planned to set up a task group to work with the government to combat trade fraud

These steps were reported this week as workers and employers moved independently to stamp out illegal imports which, say the Clothing and Textile Workers Union, threaten up to 100 000 jobs

Agreement has also been reached on restructuring the management at the undermanned Department of Customs and Excise and bringing in experts from overseas, said the chairman of the Cape Clothing Manufacturers Association, Johann Baard, this week.

"We are optimistic that with these measures and others we should start seeing some improvement We are getting a sympathetic hearing from the government and we are seeing this being translated into action "

The industry, meanwhile, was waiting to get the green light from the United Nations about distributing the mountain of confiscated illegal clothing imports The plan was to distribute the garments to needy countries in Africa where there was no clothing industry.

"We cannot just load them on to aircraft Diplomatic and other arrangements still have to be made," said Mr Baard

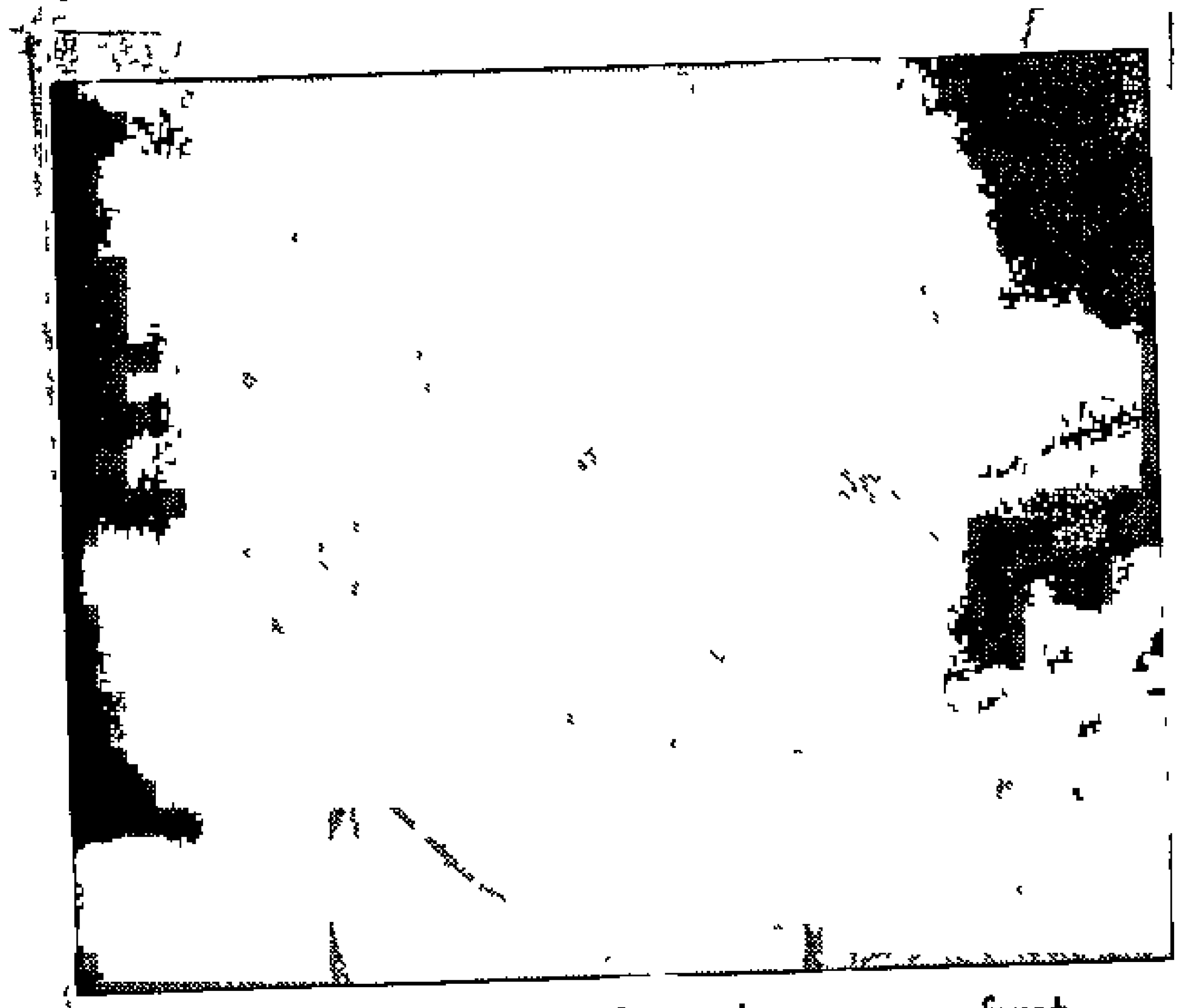
The 328 000kg of confiscated goods, if released on the open market, would wipe out 5 000 jobs in the industry, according to the National Clothing Federation

Only about 4 000 of Cape Town's 47 000 workers in clothing factories took part in this week's unofficial march on parliament to protest against job losses

But forecasts that the union's national day of action would cause massive disruption and factory closures proved groundless

Arrangements at factory level ranged from taking a voluntary day off to agreements to make up lost time at normal rates of pay.

At some factories with tight delivery commitments, workers stayed on rather than risk the cancellation of orders, said Mr Baard



AARON SEARLL: SA workers come first

Seardel boss pleads for workers

(184) ST 18/2/96 (BT)

By JEREMY WOODS

THE jobs of 250 000 workers employed by the clothing and textile industries are being threatened by government policy and inaction, says Aaron Searll, chairman of the Seardel group

Already 12 000 industry jobs have been lost and Dr Searll believes more will go unless the government moves quickly to implement new policies "South Africa has a huge unemployment problem and we must look after our own workers"

Dr Searll does not accept that South Africa has to import more goods from its African neighbours to rectify the current trade imbalance

"America imports more than it exports and look at the large trade deficit this has brought America."

He says existing jobs must be "safeguarded and nurtured in order for them to grow and create more jobs The 250 000 people employed in the clothing and textile industries feed some 1,25-million people, if you include their families."

Dr Searll said the marches on Parliament this week by SA Clothing and Textile Workers Union members "is a clear message to government that our workers will fight for the preservation of their jobs.

"Serious, adverse implications arrive from the negotiations of preferential trade agreements with neighbouring countries, particularly Zimbabwe, which should be resisted"

The government should also serve the clothing and textile industries better by speeding up decision-making on urgent issues, including extending duty credit certificates to local value added production so "local manufacturers can network with world clothing production". The curtailment of illegal clothing and textile imports and the enforcement of anti-dumping provisions also need attention

Dr Searll also wants to see the disposal of confiscated textiles and clothing out of the SA market and a reduction of duties to levels pertaining before last year's increase following the redefinition of certain tariff headings

Dr Searll delivered his urgent plea to the government after releasing the Seardel group's interim results.

Turnover increased by 11,4% to R872-million, net profit increased 11,3% to R35,6-million and earnings a share increased by 5,1% to 24,7c Earnings a share were based on an increased weighted number of shares now in issue after a recent acquisition and capitalisation share award

Navy's corvette fleet may cost more than expected

Stephen Laufer

BD 19/2/96

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

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

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

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

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

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

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

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

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

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

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

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

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

Union questions govt's inconsistency

Renee Grawitzky

BD 19/2/96 (184)

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

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

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

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

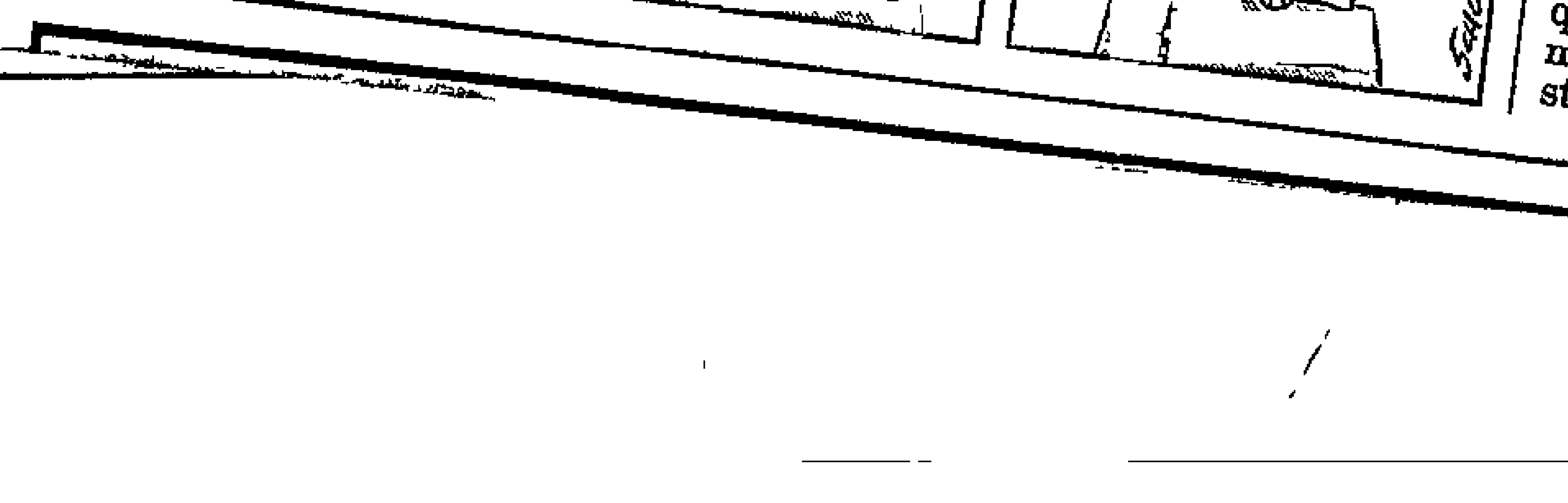
During the countrywide action last week, the union highlighted government's failure to implement supply-side measures to assist the industry in the wake of tariff reductions.

Ngcobo said the union's national executive committee would meet this week to reevaluate its commitment in terms of its support of tariff red[illegible]

[illegible] planned with KwaZulu-Natal economic affairs MEC Jacob Zuma and representatives in the Eastern Cape to discuss the consequences of the implementation of national strategies on the ground.

PEANUTS

By Charles Schulz



Unions fume as govt tries to 'normalise' trade with China

(184) (?) CT 19/2/96

WHILE union rage against cheap Chinese clothing imports is rumbling around South Africa, Department of Trade and Industry (DTI) officials have been off to the People's Republic to talk about "normalising" our trade relations with that country

Unionists have estimated, informally, that up to 90% of the cheap clothes and shoes now flooding into the country are maunfactured in Red China

PETER DENNEHY
STAFF WRITER

The SA Clothing and Textile Workers Union held a march in central Cape Town on Wednesday, attended by about 8 000 employees, to put pressure on the government to do something to preserve jobs The National Union of Leatherworkers, which is not Cosatu-affiliated, is now trying to muster 5 000 workers for its own Cape Town protest march on February 28

The government has clearly taken union anger into account — but is it doing what the unionists want? The primary concern of the DTI is to create jobs in this country, its representatives say, but they aim to achieve this through limiting import-related job losses and facilitating job-creation through exports

Mr Gerry Breyl, deputy director general of the DTI, and deputy director of foreign trade relations Ms Kate Kuper said they had gone to the People's Republic of China last week to negotiate the contents of a "note", rather like a memorandum of understanding, to be exchanged between the two governments

Essentially China has agreed to give SA goods the same tariff treatment it gives those from other countries with which it has close trade ties In trade jargon, China is willing to give SA "most-favoured nation" status — which we already give China in practice

SA does not discriminate against Red China in trade, even though China was not part of the GATT arrangement, nor is it party to GATT's successor, the World Trade Organisation (WTO)

South Africa was and is part of those agreements so cannot impose high tariffs on goods imported from other countries that are also members All members have to grant all other members "most-favoured nation" status over tariffs

Technically we are free to do as we like in the case of China, at least until it succeeds in its efforts to join the WTO, which will probably be within a year Yet we have not imposed higher tariffs on goods from there The DTI says doing so would harm our future relations with China, and prejudice our longer-term prospects of creating more jobs in this country than we lose

China, however, does at present impose higher tariffs on goods imported from South Africa than on goods from many other countries Goods from this country generally have duties of between 6% and 20% slapped on them if they go to China — often enough to take away our competitive edge

The Chinese tend to discriminate in this way against any country with which they do not have formal diplomatic relations It's up to the South African cabinet to decide whether we will have such relations

Meanwhile, in the absence of diplomatic relations, the Chinese have offered to "exchange a note" This is a process that can provide a legal document governing our trade

The South African officials agreed on the content of the proposed note, so the exchange is due to take place in the next few weeks, after the Chinese New Year festivals

"We have also provided for a mechanism for discussions and consultations if we find that products from there are causing injury to our industries in South Africa," Breyl said

"If those can't resolve the problem, each party will be able to engage in other actions as they see fit One option to consider, in terms of the mechanism that we now have in place, will be a voluntary export restraint "

Unionists have expressed surprise that South Africa seems to be taking a course of action which will probably result in a mere voluntary restraint of trade agreement — when South Africa would be entitled to act much more harshly against Red China

Breyl agrees that the balance of trade between this country and China is in China's favour But he said it would be unwise for SA to shut itself out of such a large growing market

State attacks union over tariff stance

CT(BR) 20/2/96 (184)

By Bruce Cameron

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

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

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

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

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

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

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

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

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

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

Delswa drops listing

(184)

ARG 20/12/96

Business Editor

THE Delswa clothing group would continue trading as a non-listed company, director Stephen Jaff said after the sale of the group's cash shell listings to Malaysian multinational Mycom.

The Jaff family and management, in association with Transvaal Clothing, have bought Delswa's operating assets.

The cash shells of Delswa and holding company Jade, now listed on the Johannesburg Stock Exchange's cash companies board as DJI Clothing and DJI Clothing Investments, are now controlled by Mycom.

Mycom intends to use the listings as a platform for a major investment thrust into South Africa.

Mr Jaff said the previous controlling shareholders had decided it was no longer justified to retain a listing.

Shareholders in Jade and Delswa had not benefitted from the listing because the shares were tightly held and trading volumes were low.

The deal would give shareholders the chance to realise their investment at a premium to the market prices of shares, he said.

Delswa was first listed on the Johannesburg Stock Exchange in 1948.

ARG 21/2/96

Textile job loss claims dismissed

(184) (437)

CLIVE SAWYER
Political Correspondent

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

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

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

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

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

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

Workers plan mass protest march

eT (BR) 22/2/96 (182) (184/177)

By Shirley Jones

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

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

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

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

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

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

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

NEWS IN BRIEF

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

Sactwu prepares for next round in battle with government

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

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

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

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

Clothing union increases its estimate of job losses

(184) BD 27/2/96

Renee Grawitzky

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

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

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

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

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

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

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

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

Sactwu forecasts further job losses

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

By Shirley Jones

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

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

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

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

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

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

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

Job loss fears: Clothing union holds talks with Manuel

(184)

ESTELLE RANDALL
Labour Reporter

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

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

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

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

ARG 27/2/96

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

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

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

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

ES

Textile compromise hinted at

(184) BD 19/2/96

John Dludlu

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SA Bias year-end results disappointing, says MD

(184) BD 29/2/96

Edward West

SA BIAS Industries (Sabind) lifted attributable income 16% to R11,9m in the year to December after strong performances from its industrial and thread divisions and in spite of a softening in demand in the second half, MD Philip Coutts-Trotter said yesterday

Share earnings before exceptional items for the 88%-held Sabhold subsidiary amounted to 43c from 36c a year before A final dividend of 8c (7c) was proposed, which would raise the total payout to 14c (11c)

Turnover increased 14,8% to R247,7m, while operating income before depreciation was 6,5% higher at R33,3m. After depreciation, operating income was only 3,4% up at R22,4m, indicating sliding margins

Interest payable was largely steady at R3,9m, but tax was slightly lower at R5,1m from R6,4m, leaving taxed income 9,7% higher at R12,7m Outside shareholders' interest came to R742 000 from R1,3m

Short-term interest-bearing debt increased to R25,9m from R13,8m and total shareholders' funds rose to R85,9m (R78,1m)

Coutts-Trotter said the results were disappointing considering that earnings had doubled in the first half to R5,1m. Manufacturing sector activity as a whole had slowed in the second half and there had been a marked slowdown in demand for footwear and apparel at the same time due to high levels of clothing and footwear imports

While the industrial and thread divisions had performed well, the metals and plastics, and trimmings and labels divisions' results were below budget because of softer demand in the second half

In view of the uncertain trading environment, only a moderate increase in earnings was expected during the current financial year

Sabind manufactures components for the mining, automotive, luggage, leisure and household sectors It also makes and exports trimmmings for the clothing and footwear sectors in the UK and SA

Textile's woes

(184 ~~177~~) Sowetan 29/2/96

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

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

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

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

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

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

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

By Shirley Jones

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SATF wants Govt to reduce tariffs

(184) Sowetan 3/7/96

SOUTH Africa's textile and clothing industry says it has recommended that the Government reduce punitive tariffs on Zimbabwean exports by about half

The president of the South African Textile Federation, Mike Hankinson, says the offer was made at a meeting held in Pretoria last week between representatives of the textile and clothing sector from both countries

The meeting was the first of several planned between three technical committees set up at Victoria Falls when Zimbabwe and South Africa met last month to resume stalled talks aimed at concluding a new bilateral trade pact

"A lot of progress was made on the issue of local content and tariffs, and we have found common ground to negotiate from," Hankinson says

"On the duty, we have offered a reduction for Zimbabwe on the duties in place of about 50 percent Obviously Zimbabwe is looking for much lower duties and we continue to negotiate and there is no deadlock"

He says while Zimbabwe's demand for lower duties is understandable, it has to be accepted that international trade in clothing and textile products is depressed at present

"It is a difficult situation not only for Zimbabwe, but for South Africa as well and the whole industry internationally We are going through a difficult phase and everybody is trying to do their best to survive," Hankinson says

The Zimbabwean official news agency *Ziana* reports that South African clothing and textile companies are no longer insisting on local content of 75 percent for Zimbabwean products destined for SA, saying it is "no longer an issue between the two parties"

However, Hankinson has denied that local companies have dropped the demand for local content, but will not be discussing it at the meetings as the groups believed they could reach a fair agreement

He says a further meeting is scheduled to be held in Cape Town by the end of this month – *Sapa* and *Ziana*

Clothing strike could end tomorrow

(184)

By Terry Bell and Marc Hasenfuss

CT (BR) 3/9/96

Cape Town — If employers in the clothing industry make a "bold and imaginative offer" of an unconditional 9 percent pay increase, the national clothing strike should be over by tomorrow, Ebrahim Patel, a South African Clothing and Textile Workers' Union negotiator, said at a press conference in Cape Town yesterday.

He said it was in the interests of workers and employers that a settlement was reached, but he refused to put a figure on what the union would accept

Another senior union official said confidentially that 9 percent was the bottom line, but he admitted "it could be dressed up in all sorts of ways"

Patel refused to be drawn on what a bold and imaginative settlement would be He stressed that the union was demanding 10 percent, while the employers were offering 8 percent

The equivalent of 9 percent could be made up of a basic wage rise of 8,5 percent and increased employers' contributions to provident and bonus funds

The National Employers' Caucus of the Clothing Industry has said an 8 percent wage offer is all the industry can afford. But last week, Johann Baard, the caucus's chief negotiator, indicated that the employers could consider negotiating a settlement of between 8 percent and 8,5 percent

Baard and Patel, with their negotiating teams, will meet again tonight in a mediation session chaired by Charles Nupen Significantly, the time scheduled for the meeting runs into the small hours of tomorrow morning.

A speedy resolution seems critical, with indications that the strike is turning ugly in parts of the country. Last night the Cape Clothing Manufacturers' Association claimed to have evidence of intimidation, violence, drunkenness and unlawful behaviour during the strike

Peter Cragg, the executive director of the association, said there was a state of virtual siege at Arwa, Bonwit, Pep, HK Manufacturing, Jacques Hau, Farrelli Clothing and Cape Underwear

"The situation is so serious at these factories that there are grave concerns for the the safety of both personnel and property," he said

Truck chaos at border in SA tariff war with Harare

(184)

ARG 4/7/96

Political Staff

HUNDREDS of truck drivers are stuck with decomposing goods at Beitbridge on the border of South Africa and Zimbabwe, in what appears to be the start of a tariff war between the two countries

Zimbabwe increased tariffs on a wide range of South African goods on Monday, after complaining for months about cheap South African goods flooding the Zimbabwean market

The two countries also are engaged in tough negotiations over trade and import duties Zimbabwe has insisted on a reduction of more than 50 percent on goods exported to South Africa

The higher Zimbabwean tariffs on South African imports include what have been described as "punitive" tariffs on such goods as clothing, textiles, electrical equipment, batteries and some foods

Zimbabwe slapped on the higher tariffs after the apparent failure of negotiations late last month to reduce South African import duties on Zimbabwean goods

There also have been many complaints from organised commerce and industry in Zimbabwe about cheaper South African goods flooding the Zimbabwean market

A series of meetings between trade representatives of the two countries are scheduled to take place in coming weeks

Speaking from his position on the Zimbabwean side of Beit bridge yesterday, driver Trevor Neuman said hundreds of trucks stood with goods at the border unable to move into or out of South Africa

"It's so full here you couldn't fit an ant," he said by cellular phone

Another driver, carrying apples bound for Harare, said his goods would last one more day and then his buyer would turn them away

Drivers confirmed the problem was due to Zimbabwean tariffs having been increased on July 1 However, customs officials at Beitbridge had not yet been informed of the new tariffs and were subsequently refusing entry and exit to anyone transporting saleable goods

A Zimbabwean customs official confirmed tariffs had increased at the start of this month, but said he could not "divulge the exact amount on the telephone"

He denied any knowledge of a huge build-up of trucks on the border, as did Zimbabwe's Department of Foreign Affairs The Zimbabwean High Commission in South Africa could not comment, an employee saying yesterday that it was closed on Wednesdays

South African customs officials said they had not heard of any problems, but if there were it would be on the Zimbabwe side of the border

Mr Neuman said he had been waiting since Sunday and looked set to spend another few days "hanging out on the bridge" He said he had never seen so many trucks in a row in his 16 years of trucking

Reuter reports Zimbabwe's new import tariff regime is a measured response to local industry demands to curb alleged South African "dumping" and the need to keep vital trade talks between the two states on track, according to business and political analysts

The new import tariffs, effective from Monday, include a 30 percent raise on import duty to about 75 percent on a wide range of goods that have flooded the local market from abroad

Employers criticise union's opposition to shift work

Clothing strike ballot looms

CT (BR) 9/7/96 (184)

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — A ballot to decide whether clothing workers will embark on a national strike will be held this week, the South African Clothing and Textile Workers' Union said yesterday

The strike would be a sequel to the union's demands of higher wages, maternity leave and pension fund contributions

Johann Baard, industrial relations executive for the Seardel Investment Corporation, said the industry had met last night to discuss the issue

Baard said that until unions accepted that competitiveness was the ultimate goal, no economic model would boost growth

"Where on the road of economic prosperity, development and job creation, do we find ourselves when a union leadership is opposed to shift work in the clothing industry? This neglect of the rights and aspirations of the unemployed can only lead to mounting criticism and questioning of the legitimacy of centralised bargaining, not to mention the allegation that our labour markets are over-regulated and characterised by rigidities which undermine our competitiveness and job creation potential," Baard said

"As long as the focus of the trade unions' training vision contains as a core-element the proposition that people be paid for skills acquired and not for skills applied, the race for the achievement of the objectives of the new Labour Relations Act will be off to a false start"

He said the belief by Tito Mboweni, the Minister of Labour, that South Africa could no longer afford the adversarial labour relations system of old was justified

"But, until the unforgiving realities of global competition and the inescapable truth of the dictatorship of the consumer enjoy centre stage status on the trade union agenda, I am afraid that adversarialism and not joint participation will remain the fall-back position when the chips are down I am not convinced that the new labour act will take us significantly beyond the status quo"

Baard said there was growing suspicion that the German industrial relations model, on which the new act was based, had key faults

He said the debate in Germany was that the productivity of workers there did not justify the world's highest labour costs German companies had expanded their production abroad, he said, followed by small to medium-sized enterprises that had been lured to central Europe where wages were about one-fourth of German levels

Germany had shed more than a million workers in the past four years, and unemployment was at its highest since the 1930s

"Many are arguing that the German model has resulted in a system where labour laws are making workers too expensive and inflexible If the system is preventing people being priced back into work then something has gone wrong at the heart of the model

"This all sounds curiously familiar At the very moment that the South Africa Foundation, the Brenthurst group and Business SA are calling for fundamental reform of our labour market, the divide between business and labour appears to be wider than ever

"The irony is that the reforms proposed by the business community here are largely in step with the debate in Germany, while Cosatu's position is compatible with the status quo in Germany," he said

READY TO VOTE *The general secretary of the South African Clothing and Textiles Workers Union, Jabu Ncgobo* PHOTO PURI DEVJEE

Clothing workers take strike ballot

(184)

By Stuart Rutherford

CT (BR) 10/7/96

Union bosses expect the 100 000 clothing workers to vote in favour of a national strike when they ballot today, the South African Clothing and Textile Workers' Union national organiser Elias Banda said yesterday

"We are expecting the ballot to be in favour of the strike, but we hope common sense will prevail with the employers and that they sit down and continue the talks," he said

The union has been negotiating since mid-April for a 10 percent wage increase plus paid maternity leave, increased provident fund benefits, better bonuses and changes to the job grading systems. The employers are offering a 7 percent wage increase

Banda said he hoped the balloting would be completed by Friday, after which a meeting would be held on Tuesday to decide on a course of action

Banda said the employers' contributions to provident funds was disgraceful

"These employers are not even ashamed of the fact that on retirement, their employees receive R4 000 as full and final payment after their service of 20 years"

Meanwhile, Johann Baard, the chief negotiator of the National Employer Caucus of the Clothing Industry, representing 1 200 factories, has warned that a strike will further prejudice an industry already on the brink of collapse The strike would cost workers R6,2 million a day in lost wages and cost the industry R15,5 million in lost turnover a day

Strike 'endangers' industry

BD 10/7/96 (184)

Linda Ensor

CAPE TOWN — The threatened strike in the clothing industry would cost R15,5m in lost sales each day, further jeopardising an industry "already on the brink of collapse", the employers' chief negotiator warned yesterday

Seardel industrial relations head Johann Baard said employers would also begin voting tomorrow to determine whether they wanted to embark on a lockout in reaction to the strike.

The proposed strike — the SA Clothing and Textile Workers' Union ballots today — stems from an employers' offer of a 7% package increase, against union demands of 10%.

The union, representing about 100 000 workers, said yesterday that the ballot would take about three days to complete, with the results expected next week.

"Employers are being unfair by not agreeing to a demand which is reasonable," Sactu general secretary Jabu Ngcubo said.

"We believe the results will be favourable, but there is always hope that common sense will prevail and both the workers and employers can resolve this issue more amicably"

Baard said he had been told the two sides had agreed that a package rise of 8% to 8,5% was possible. The strike would cost workers about R6,2m in lost wages each day. The industry had lost 20 000 jobs in the past five years, and the strike could jeopardise the security of a further 100 000 workers.

Renee Grawitzky reports that Sactwu chief negotiator Elias Banda warned that the strike would also "seriously undermine the credibility" of the centralised bargaining structure due to be established next year.

Big Cape clothing companies ready to lock out workers who go on strike

ESTELLE RANDALL (184)
Labour Reporter

ARG 11/7/96

MORE than 90 percent of big clothing companies in the Western Cape favour a lockout of workers if the SA Clothing and Textile Workers' Union (Sactwu) goes on strike

In the Western Cape the difference between union and employers amounts to only R1,46 a week for machinists who form the majority of the industry workforce, said Johan Baard, spokesman for the 1 200-member National Employers' Caucus for the Clothing Industry

He said 91 percent of Western Cape clothing employers balloted had supported the lockout option

Results for employers in KwaZulu-Natal, the second biggest concentration of the industry, are still to come

The ballot among employers over lockouts follows a decision by Sactwu to conduct a strike ballot among its 100 000 members About 45 000 of them are in the Western Cape

At issue is a wage dispute between employers, which offer a 7 percent increase, and Sactwu, which is calling for a 10 percent package increase to cover wage increases and improvements to maternity leave benefits, annual bonuses, provident funds and skills training programmes

Sactwu Western Cape secretary Wayne van der Rheede said the union was not surprised by the employers' stance

"We will continue with our ballot and will see what happens from there," Mr van der Rheede said

As the union and employers flex their muscles for a show of strength, Mr Baard said employers were prepared to improve their wage offer to nearly 8,5 percent

He said informal discussions between Sactwu and employers had indicated a settlement of between 8 and 8 5 percent was possible

"Employers do not understand why we can move to within a whisker of a settlement in behind-the-scenes talks at leadership level, yet formal negotiations fail to settle the dispute "

Clothing workers dismiss claims of industry collapse

(184)

Bonile Ngqiyaza

BD 11/7/96

THE SA Clothing and Textile Workers' Union (Sactwu) yesterday dismissed employers' claims that the clothing industry was on the brink of collapse, saying the union had been provided with no evidence that employers could not afford a 10% increase.

Deputy general secretary Ebrahim Patel said there was a "lot of moral legitimacy" to the demands put forward by the union because workers in the industry were being paid 40% of the norm.

Patel said the 10% proposed by the union would effectively amount to less than R20 after deductions. "These negotiations are an attempt to bring the industry in line with the new SA and other sectors."

Union representatives said a qualified machinist in Gauteng who worked a 40-hour week took home R276. The figures in other provinces were Eastern Cape R270, Free State R229, Natal R295 and Western Cape R293. All these worked a 42-hour week.

The union slammed reports that employers were to vote yesterday on a lock out in reaction to the strike, saying this was an attempt to scare workers.

The union condemned any such move as "illegal" and said it would push on with its announced intention to ballot its 100 000 members.

Clothing employers said on Tuesday the strike would cost workers about R6,2m in lost wages a day and lose the industry R15,5m daily in turnover.

Clothing industry in dire straits

(184)

M+G (BM) 12-18/7/96

Jacquie Golding-Duffy

THE threatened strike in the clothing industry over wage increases will be disastrous for the already crippled sector, says labour analyst Gavin Brown.

The industry is on its knees, having suffered from massive closures, resulting in about 20 000 job losses in the past five years, he says.

With the industry in the middle of tariff reform, Brown argues the only alternative is a compromise by the union and employers.

Wage talks between the South African Clothing and Textile Workers' Union (Sactwu) and the National Employer Caucus of the Clothing Industry (representing 1 200 factories) reached deadlock, with unions demanding a 10% wage increase, paid maternity leave, increased provident fund benefits, changes to the job grading system and better wage bonuses.

Sactwu is demanding a 10% increase and embarked on a strike ballot among its 100 000 members on Wednesday. It hopes to have results by Monday on whether or not workers are in favour of a national strike.

The strike will, however, cost the industry R15,5-million in lost turnover and workers about R6,2-million in lost wages each day.

Johann Baard, chief negotiator for employers and Seardel industrial relations head, says employers appealed to workers ahead of the national ballot to consider the consequences of striking and also the timing; President Nelson Mandela and industrialists were spearheading a foreign investment drive in Britain and Europe. He says Sactwu's planned strike will further prejudice the future of an industry already on the brink of collapse.

Sactwu general secretary Jabu Ncgobo agrees the industry is going through hard times, but argues that workers are being forced into a strike because management refuses to meet basic wage demands. The wage increases, he argues, are far below the inflation rate, leaving workers virtually living below the bread line.

Ncgobo says employers could demonstrate their commitment to workers by upping salaries and agreeing to a substantial increase — at least 8,5%, to be topped up by a 1% provident fund contribution and another 1% bonus.

Baard says employers may go for an 8,25% increase, but more than this would be unacceptable.

Provident fund contributions depend on what workers and unions put into the kitty and this is matched by employers. Unfortunately, workers with long records of service in factories do not regard the benefits as sufficient to see them through their retirement.

Amina Baker worked in a clothing factory for nearly 30 years and received R6 000, while "Sharkey" Davids stayed with his company for 38 years and reaped a mere R4 100 from his provident fund.

Despite the heart-breaking stories, Baard says employers do care about provident funds and are committed to its improvement.

However, he argues that benefit levels stand in direct line to contributions made, adding that the blame for poor pay-outs can be shouldered by workers and unions on the one hand and employers on the other.

Baard sees the solution for better pay-outs in unions getting a mandate from members to contribute more in to the provident fund by, for instance, taking a portion of their wage increases and putting that into the fund.

Ncgobo says workers' wage increases are so low they prefer the cash in hand rather than pumping it into a fund.

Sactwu's ultimate goal is to have contributions from both sides at 7,5%, but contributions vary from region to region, from 3% to 5% of total salary contributed to the fund.

Baard says employers will commit themselves to providing incremental increases each year should workers during this round of negotiations give 1% of their increase to the provident fund, which he says, is a form of saving and investing.

Gavin Brown and Associates predicted in their collective bargaining survey for this year that the clothing and textile industry will have wage settlements between 7% and 9%.

With the industry in irreversible decline and Asian countries able to manufacture goods at a quarter of the price it takes to make goods here, coupled with low tariffs, the industry is destined to shrivel. Some analysts say the clothing sector will become a smaller industry with more competition in niche markets.

Baard agrees that if the current rate of decline is not arrested, the industry can be "accurately described as on the brink of collapse" because:

- It is in the middle of a programme of tariff reform, under the World Trade Organisation agreement;
- The industry is facing severe prejudice as a result of the daily inflow of illegal imports. "The imports evade the customs net due to the inefficiency of the Customs and Tariffs Department and we find tons of finished garments are being dumped on our domestic market without any import duties." This is killing the clothing industry.

But while Sactwu is conducting its strike ballot, employers are voting on whether to exercise their right to lock-out. In the Cape, with the bulk of clothing factories, 94% of employers have voted in favour of the lock-out clause.

Clothing bosses vote to lock out workers if national strike goes ahead

(184) CT (BR) 12/7/96

By Stuart Rutherford

Durban — Clothing industry employers have voted overwhelmingly in favour of embarking on a lock-out in reaction to a possible strike by the South African Clothing and Textile Workers' Union

The strike and the ensuing lock-out would be the first such industry-wide deadlock since the adoption of the new constitution on May 8, which does not enshrine the right of employers to lock out striking workers

The lock-out ballot follows a breakdown in wage negotiations between the union and the employers — which began in mid-April — and a decision by the union to engage in a national strike ballot

The union claims a paid-up membership of about 95 000

A spokesman for the National Employers' Caucus of the Clothing Industry, Peter Cragg, said a ballot of members of the Cape Clothing Manufacturers' Association and the Cape Knitting Industry Association had returned a 91 percent vote in favour of a lock-out There was an 84 percent poll by the Cape employers, who account for 49 percent of total employment in the industry countrywide

The Natal Clothing Manufacturers' Association, in a 66 percent poll, recorded a 100 percent vote in favour and results from Gauteng are still awaited

Cragg said there was clearly massive support for a lock-out, but that the caucus was still available to resolve the dispute

"It is not inconceivable that a meeting of employers and union representatives at national level could be held once the full results of the lock-out ballot and the union strike ballot are known"

Cragg said the union intended to call a general meeting of employers once the results of the union strike ballot were known, to adopt a policy position on lock-outs

This is the first time a national lock-out ballot has taken place in the clothing industry, due partly to the fact that wage negotiations have only taken place on a national level in the past few years

Pat Stone, a director at Andrew Levy and Associates in KwaZulu Natal, said employer ballots were not common on an industry-wide basis, as they had to be a collective decision by all the employers and were viewed as confrontational

Ebrahim Patel, the deputy general secretary of the union, said yesterday the ballot was premature and provocative, but said he did not expect it to have an effect on the union's voting

"We are keeping our eyes on the issues, to the extent that if employers are prepared to put a 10 percent offer on the table, we would be happy to conclude an arrangement," he said

Clothing employers have offered a 7 percent wage increase

Patel said about one-third of the union's membership had voted in its national strike ballot

He expected the voting to be complete by Tuesday next week, after which counting would begin

Ballot officers have to visit over 1 000 factories nationwide

Strike mars clothing's recovery

(184) ST(BT) 14/7/96

BY DON ROBERTSON

THE clothing industry is facing a massive strike just at the time when it is showing the first signs of recovery from a 10% slump in production volumes over the past six six months

The SA Clothing and Textile Workers Union is balloting its members on possible strike action next week, a strike the industry warns will cost it R16-million in lost sales a day

Paul Theron, chief economist of the Clothing Federation of SA, says the production volume index is showing an upward trend from the previous downswing, but the recovery will not be fully reflected until the end of the next quarter

He is cautious about predicting a sustained improvement, however, and believes that production levels will settle at about current levels for the rest of the year

The improvement in the industry is also likely to result in job levels stabilising after more than 9 000 workers were laid off between October and April

"The industry has had to endure difficult conditions," he says "Hopefully, the recent fall of the rand will assist in strengthening the export drive as it is unlikely that the domestic economy will provide much stimulation "

In contrast, the rand's decline will result in an increase in raw material prices, while local suppliers are likely to introduce import-parity pricing, says Theron

The downturn was caused by several factors, including illegal imports of clothing estimated at a conservative R455-million last year.

This compares with official imports of R412-million and exports of R490-million

Theron estimates that illegal imports cost the government about R200-million in lost duties and the industry about 8 500 jobs

The retail sector misread the extent of last year's extended winter period, hurting the industry

But Clofed is hopeful "certain initiatives" regarding exports may come to fruition, including a revision of the export marketing assistance scheme

Clothing bosses say they'll raise offer in bid to stave off national strike

(184) CT (BR) 15/7/96

By Stuart Rutherford

Durban — The National Employers' Caucus of the Clothing Industry would settle for a yearly wage increase of between 8 and 8,5 percent in a bid to resolve a looming confrontation, Johann Baard, its chief negotiator, said on Friday

The announcement comes as the South African Clothing and Textile Workers' Union conducts a strike-ballot among its 100 000 members to decide if they want to embark on the first industry-wide strike since the adoption of the new constitution

Baard said the employers were making their position public, to inform people that the 10 and 7 percent wage increases were not the true bottom-line offers of the union and the employers respectively

He said he was not negotiating through the media, but trying to advise interested parties and stakeholders of the true position

Responding to this, Elias Banda, the national union organiser, slammed the announcement as a publicity stunt He said the employers should formally put the offer on the table and then they would discuss it

Baard said feedback from industry sources indicated that a settlement at 8,25 percent was gaining support at shop-floor level as the most reasonable alternative to a strike He said that in informal discussions, the top union leadership indicated that they were equally confident that settlement between 8 and 8,5 percent was possible

Banda denied this, but he was not prepared to say how close they had come to a settlement on a number of issues during their private discussions

Baard said a strike would have a devastating consequence on an industry on the brink of collapse

"In the past five years, without a strike in the industry, and just due to the effects of international competition, we have shed 20 000 jobs in the industry," he said

Baard said the union might be bluffing If they were serious however, he said they would engage in a test of strength and strike for a significant duration, which would add thousands of workers to the unemployed statistics

A national strike is estimated to cost workers R6,2 million in lost wages a day and the industry R15,5 million in lost turnover a day

Baard said representatives from both sides were due to meet on Friday this week to discuss the outcome of the employers lock-out ballot and the workers strike ballot

Both sides said they were prepared to negotiate, during or after the national strike ballot Voting is expected to be complete by Tuesday or Wednesday this week.

***THUMBS UP** Alwyn Pillay, the Sactwu branch organiser for the north coast of KwaZulu Natal, counts votes in Durban yesterday. By last night, votes in favour appeared to be in the majority* PHOTO:

Sactwu poised for national strike

(184) CT(BR) 18/7/96

By Stuart Rutherford

Durban — The first national strike by the clothing and textile industries is likely to go ahead, judging by early indications from the strike ballot held this week.

Most of the members of the South African Clothing and Textile Workers' Union (Sactwu) in KwaZulu Natal appeared to have voted in favour of strike action by late yesterday.

KwaZulu Natal was the only region which was expected to have a significant number of votes against strike action and to favour the 7 percent wage offer. Many factories in the region are on short time.

Jabu Ngcobo, the general secretary of Sactwu, said the national results would be made public this morning. Union leaders were, however, expecting workers to vote in favour of a strike.

If the strike goes ahead it will be the first industrywide strike since the adoption of the new constitution. It will cost the workforce about R6,2 million a day in lost wages and the industry R15,5 million a day in lost turnover.

If workers were against a strike, the union would go back to the employers, ask for a confirmation of their 8 percent to 8,5 percent wage offer and resume negotiations, he said.

Clothing union faces lockout

(184)

By CAROL PATON

ST 21/7/96

WORKERS and employers in the clothing industry lurched one step closer to confrontation this week, when employers repeated a threat to lock out 100 000 workers and the SA Clothing and Textile Workers Union gave 48 hours notice of their intention to strike.

The union rejected an eleventh-hour offer by employers on Friday to increase the wage package to eight percent, one percent up from the previous offer. Union members can legally start striking tomorrow.

However, Jabu Gwala, the union's general secretary, said workers were not likely to begin their strike tomorrow· "We have not yet set a time to begin the strike. Both parties have agreed to keep their doors open and there is still the possibility of a settlement"

Shop stewards were to discuss the offer over the weekend. The union has demanded a 10 percent increase in the wage package, although "we have indicated that we are not fixed on 10", Gwala said.

A spokesman for employers, Johann Baard, said the national caucus of clothing employers would meet in Durban tomorrow to formulate its response to the threatened strike. "On the agenda will be the implementation of a lockout which employers have overwhelmingly supported in a ballot," he said

Baard said the wage offer would not be revised: "The employers regret that the union has seen its way clear to expose the industry to the ravages of a strike. Apart from the risk of dismissals, employees face the loss of R6,2-million a day in wages and the industry faces lost turnover of R15,5-million."

The industry is under extreme pressure from dropping tariff barriers and illegal dumping, and has shed 17 000 jobs since last September.

But its low wage structure, where a qualified machinist earns a maximum of R295 a week, has made workers determined to have past inequalities dealt with, said Ebrahim Patel, the union's assistant general secretary

"The difference between the parties stands at two percent. Two percent will not spell disaster for the industry. It's a relatively negligible sum but it is the difference between dealing with the inequalities or accepting them," said Patel

However, there were indications that the union would like to see a strike averted.

Gwala said that the dispute had caught the union by surprise.

"A large strike like this does not make sense for our members, the industry or the economy," he said.

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rovince. The civilians, includ- children and the elderly, died itions against Hutu rebels by army, which is dominated by nority.

ad reported that civilians human shields by the rebels, e innocent people had died in attacks.

e, the United Nations High er for Refugees has accused xpelling 1 800 Rwandan Hutu m a camp in the northwest, y more had fled to surround- r being attacked by local peo- ncy has protested against the ibezi camp by the army.

o accused the agency of bad ising to provide transport for . — Sapa-Reuter-AFP

AND TIDES

It will be partly cloudy.

EASTERN CAPE: Partly cloudy and mild but cold over the interior with light rain along the coast, clearing in the west

KWAZULU NATAL. Fine and mild but cold in the interior with a light to moderate south-westerly wind along the coast.

	High/Low	High/low
Cape Town	0621/0015	1841/1222
Mossel Bay	0635/0025	1856/1233
Knysna	0653/0037	1914/1245
Port Elizabeth	0637/0030	1858/1238
East London	0636/0030	1858/1238
Durban	0633/0029	1857/1241
Walvis Bay	0648/0021	1854/1230

Clothing union readies for national strike this week

(784)(182) CT(BR) 22/7/96

By Stuart Rutherford

Durban — Almost 100 000 workers in the clothing industry may embark on a national strike this week after employer and union representatives failed to reach a wage settlement at an 11th-hour meeting on Friday.

Jabu Ngcobo, the general secretary of the Southern African Clothing and Textile Workers' Union (Sactwu), said the union had not decided on a programme for the strike, but he thought it would start no later than Wednesday.

"We gave them notice at the meeting that we were not going to strike within a 48-hour period, but that we may strike after that," he said.

During the meeting in Johannesburg, the employers moved their final wage offer from a 7 percent to an 8 percent increase, which the union rejected.

Ngcobo said that the union would be prepared to accept a 9 percent wage increase, though the strike ballot results indicated strong member support for a 10 percent increase.

"If the employers can close the gap between our positions that would be enough to call off the strike," he said.

Johann Baard, the chief negotiator for the National Employers' Caucus of the clothing industry, said the employers had no intention of modifying their final offer unless the union made it worthwhile for them to do so.

He said the caucus would meet in Durban today to consider union proposals on access for union officials and picketing facilities during a strike He said the caucus would respond by midday tomorrow.

"The union emphasised that the strike must be peaceful and violence will not be tolerated. It also referred to the establishment of contact committees in the regions to monitor events against a code of conduct the parties may agree to."

He said employers reserved the right to seek appropriate legal intervention or to lock out workers should the union embark on selective, targeted strikes

Both sides said they regretted that a settlement had not been reached and that the union would resort to strikes.

Employers estimated that a strike would cost their employees R6,2 million a day in lost wages and the industry R15,5 million a day in lost turnover. No other meetings between union and employer representatives have been planned.

THE CAPE

Clothing workers poised to strike

ARG 22/7/96 (184)

Union claims more than 80 percent support for nationwide stoppage

ESTELLE RANDALL
Labour Reporter

ABOUT 83 percent of Western Cape clothing workers and 80 percent of clothing workers nationwide support a strike for higher wages, says SA Clothing and Textile Workers' Union (Sactwu) assistant general secretary Ebrahim Patel

The union has yet to announce the date of the strike

A meeting between Sactwu and employers last week failed to break the deadlock over clothing industry wages, leaving the way open for an industry strike, which a national ballot showed had 80 percent support.

Employers' revised offer of 8 percent failed to find favour with Sactwu, whose members want 10 percent to cover wage increases and improvements to maternity benefits, annual bonuses, the provident fund and a skills training programme

Mr Patel said that a 10 percent increase could add about 75c to the cost of a R100 shirt

"A shirt bought at a shop for R100 would have been sold by the factory which made it for R50

"Of that R50 only 15 percent (R7,50) would have been spent on blue-collar labour costs and a 10 percent increase on that R7,50 would mean an extra 75c on the cost of a R100 shirt, if there are no additional mark-ups," Mr Patel said

He said the clothing industry, unlike other sectors in manufacturing, was marked by low wages and benefits

A qualified machinist with 30 years' experience could expect to earn R293 a week in the Western Cape, R295 in KwaZulu-Natal and R229 in the Free State

The bonus paid to such a machinist at the end of the year would be only half a week's wages.

This amounted to one-tenth of the 13th cheque which workers in other manufacturing sectors received, Mr Patel said

And at the end of a lifetime's service, the same machinist could expect to retire with a meagre R6 000 to R7 000

Cape clothing employers contributed only 3 percent to workers' retirement benefits, whereas textile employers and others in manufacturing generally contributed 7,5 percent, Mr Patel said

"If we accept their offer, which amounts to a package increase of R23,40, it will mean we accept the historic inequalities of low wages and poor provision for retirement in the clothing sector," he said

During wage negotiations this year, Sactwu had opened with a demand for a 17 percent increase, with employers offering 3 percent

The union had declared a dispute when employers reached 5,5 percent

Employers had later moved to 7 percent during mediation, he said

Meanwhile, employers were to meet in Durban today to formulate their responses to the threatened strike

Johan Baard, spokesman for the National Employers' Caucus of the Clothing Industry, said employers reserved their rights to seek appropriate legal intervention should the union embark on selective, targeted industrial action

He said employers would also consider locking out workers on a selective, targeted basis

Mr Baard said employers would respond by midday tomorrow to union requests for access to factories and picketing facilities if they decided to go on strike

He said that employers had moved from 7 percent to 8 percent as a final offer and they had no intention of modifying this "without the union making it worthwhile for them to do so"

"The employers are deeply disappointed and regret that the union has seen its way clear to expose the industry to the ravages of a strike

"Apart from the risk of dismissals, employees face the loss of R6,2 million a day in wages from a strike, and the industry faces daily lost turnover of R15,5 million," Mr Baard said

Clothing firms meet today as strike looms

(184) (...)

Renée Grawitzky

BD 22/7/96

CLOTHING employers meet in Durban today to discuss action in the face of a possible strike following the breakdown in talks with the SA Clothing and Textile Workers' Union on Friday after a revised wage offer of 8% was tabled.

The revised offer was tabled after the union informed employers that more than 80% of members had voted in favour of a national strike.

Despite talks of a national strike and an impending employer lockout, leaders on both sides are grappling to find settlement proposals which could be sold to their respective constituencies at the eleventh hour. There are 100 000 workers in the industry.

The union indicated yesterday that its secretariat was meeting to finalise a response to employers' revised position and to map out final plans for a national strike. It gave no indication of when a strike would start.

Employers are meeting today to decide on their course of action.

Employer spokesman Johan Baard said employers had gone into Friday's meeting hoping that the union was committed to continuing negotiations "to ward off an escalating crisis in the industry".

However, the union had said it was not prepared to take the revised offer into a caucus or modify its demand for a 10% increase. It had given 48 hours notice of strike action.

Baard said employers would consider the implementation of a selective lockout if the union resorted to selective industrial action.

He said that apart from the risk of dismissals, workers faced the loss of R6,2m a day in wages as a result of any strike.

The industry faced lost turnover of R15,5m a day.

Clothing workers prepare to strike

Star 23/7/96 (184)

Own Correspondent
Cape Town

Thousands of clothing workers will begin the industry's first national strike on Thursday, the SA Clothing and Textile Workers' Union (Sactwu) announced today

About 40 000 clothing workers in the Western Cape are expected to take part in the strike which will draw in about 80 000 workers nationally

In the Western Cape, almost 400 factories will be affected

About 600 Western Cape Sactwu shop stewards met last night – one of several such meetings held countrywide – to discuss strike arrangements

"We don't want to hurt the economy," explained Frances Hartley, a shop steward at Peerless

"But every year there's a fight

"The bosses think we should be satisfied with whatever we get," she said

Workers want a 10% increase to cover wage increases and improvements to maternity and provident fund benefits Employers are offering 8%

Sactwu's textile and retail members were exploring "blacking action", meaning they would refuse to handle goods from factories affected by the strike

Retail stores likely to be affected include Stuttafords, Ackermans and Edgars

Union officials were meeting this week the SA Commercial, Catering and Allied Workers' Union to discuss solidarity action at Woolworths

Sactwu does not have an established strike fund, but workers have run fund-raising drives at their factories

About 12 000 textile members in the Western Cape, who will not be on the strike – which only affects the clothing industry – were discussing making weekly contributions to a strike fund

Strike preparations go ahead

Clothing union 'between rock and hard place'

(184) CT(BR) 23/7/96

By Stuart Rutherford

Durban — Planning for the first national strike by clothing industry workers this week is going ahead even though union and employer representatives appear to be close to a settlement.

Details of the programme for the strike are due to be announced this afternoon, once comment has been received from regional shop stewards' councils.

The strike will cost the industry an estimated R15,5 million a day in lost turnover

At Friday's meeting between the Southern African Clothing and Textile Workers' Union (Sactwu) and the National Employers' Caucus of the Clothing Industry, employers made a final offer of 8 percent, going up from 7 percent.

This is not that far from the union's official 10 percent demand, which is believed to be negotiable, despite stubborn member support.

Johann Baard, the chief negotiator for the employers' caucus, said yesterday employers would not move on their final offer

"If, however, Sactwu puts forward an offer of between 8 and 8,5 percent we would be prepared to take it to our constituency for their consideration."

He said employers would meet today to discuss picketing facilities and access, and to formulate a strategy on how to use their mandate for a lock-out

Labour consultants believe the stand-off is mainly because of high worker expectations after eight years of wage settlements in the industry which have far outperformed inflation Last year a wage settlement of 11 percent was agreed upon.

Pat Stone, of labour consultants Andrew Levy and Associates, said "Sactwu officials are stuck between a rock and a hard place.

"They know the wage settlement will be worse than last year but the employers' offer is so low, that they would lose credibility if they accepted it."

Baard says expectations of such increases are unrealistic in an industry which is under threat from cheap imports.

"If we were in a position to grant our workers in excess of 10 percent, we would most certainly have done so"

Certainly, a wage increase of about 8,5 percent would be more in line with the agreed 7,75 percent in the footwear sector, the 8 percent in the general goods and handbags sector and the 9 percent in the tanning sector.

Ebrahim Patel, the deputy general secretary of Sactwu, sought to quantify the impact that such a wage increase would have on the price of clothing.

He calculated that a 10 percent wage increase would amount to a 24,5c increase in the cost of a R100 shirt at a typical retail store

"Twenty four and a half cents on a R100 shirt is not a high price to pay for promoting equity in the industry," he said.

Clothing force poised to strike

(184)

CT 23/7/96

WILLEM STEENKAMP

MORE than 87 000 clothing workers — about 40 000 of them in the Western Cape where their industry is the largest — are poised to embark on a nationwide strike following last week's deadlock in wage talks

The SA Clothing and Textile Workers' Union (Sactwu) rejected a revised offer of an 8% wage increase when it met employers last week

Sactwu is calling for a 10% increase which includes improved provident fund benefits, an increased annual bonus and paid maternity leave

In the country's first national clothing workers' strike ballot — held between July 10 and July 16 — 80,3% of workers nationwide and 83% in the Western Cape voted in favour of a strike. A date has not been set yet

In a report on the dispute in the industry, Sactwu assistant general secretary Mr Ebrahim Patel noted that wages were so low that they "condemn workers to lives of poverty".

In Cape Town, a qualified clothing sewing machinist with 25 years' experience earned 7% below Unisa's Supplemented Living Level (SLL) of R315 a week (in February this year), Patel said Minimum wages were 40% "below the SLL".

Provident fund contributions were historically "very low", with city employers contributing 3% — half the manufacturing sector norm — towards the fund This meant that a worker with 26 years' experience retired with a lump sum of R8 580 before tax and no further payments

Weekly-paid workers did not receive an annual bonus, Patel said Monthly staff received half a week's wages as a 13th cheque, which amounted to one-tenth of a traditional 13th cheque

The cost of a strike to workers and employers would be "immense", Patel said If Sactwu's demands were met, the cost of an item such as a R100 shirt would increase by only 24,5 cents

The industry could also afford to meet Sactwu's demands if managerial costs and perks, as well as retailers' mark-ups of between 40% and 180%, were reduced, Patel said

The National Employers' Caucus of the Clothing Industry met in Durban yesterday to formulate responses to the strike, but attempts to reach it for comment were unsuccessful However, employers' negotiator Mr Johann Baard said yesterday the caucus meeting did not intend to consider increasing the 8% offer

The caucus is due to meet again today.

Clothing strike 'will paralyse industry'

(184) (158)

Renée Grawitzky

BD 23/7/96

CLOSE to 100 000 clothing workers would bring the industry to a standstill by embarking on a national wage strike on Thursday, SA Clothing and Textile Workers' Union spokesman Elias Banda said last night

He said employers had been given 48 hours' notice on Friday of the impending strike, which would officially start on Thursday.

He indicated that some workers might wish to start industrial action earlier

However, the union wished to discourage this to ensure that the strike began simultaneously

The strike was in support of a package increase of 10% which related to wage increases, provident fund contributions and annual bonuses

Employers will decide on a course of action today.

They met yesterday and will meet again to decide on a course of action following the collapse of negotiations with the union at the weekend.

However, there are strong indications that they are preparing to lock workers out if the strike goes ahead.

Nationwide strike call by Sactwu

(184) (~~1997~~ 168)

THE Shopstewards' Council of the Southern African Clothing and Textile Workers' Union, which represents 87 480 workers, has announced a nationwide strike which begins tomorrow

A spokesman for the union said the strike would probably continue until Monday Sactwu is demanding a pay hike of 10 percent

Talks deadlocked with an employers' offer of a total package of seven percent, increased later to eight percent

Employers also demanded a change in the calculation of overtime pay, so that overtime is only paid once an employee has completed a full week's hours They offered a 0,5 percent premium in the Free State-Northern Cape area, where wages are particularly low

Sactwu has proposed a 10 percent increase in the wage package of all members who fall under the jurisdiction of the clothing and knitting industrial councils in KwaZulu-Natal, Gauteng, Western Cape, Eastern Cape and Free State-Northern Cape

The 10 percent increase in the package includes provision for increased wages, increased provident fund benefits, increased Christmas bonus and paid maternity leave

Sowetan 24/7/96

Minimum wage

Sactwu said the minimum wage in the area covered by the negotiations was R140,80 per week in the Free State area In Durban the lowest wage was R186,25 and in Johannesburg R187,15 per week

A strike ballot – the first in the clothing industry – was held over a five working day period from Wednesday July 10 to Tuesday July 16 A total of 82 695 workers were eligible to vote in the ballot Of them 68 693 voted – a poll of 83 percent

Nationally 54 301 workers voted to strike

Mr Ebrahim Patel, deputy general secretary of Sactwu said the cost of the strike would be immense to workers and to the industry – *Sapa*

Test of lock-out rights looms large

CT (BR) 24/7/96 (184)

By Jonathan Rosenthal & Stuart Rutherford

DOWNING TOOLS *Cosatu general secretary Sam Shilowa and Sactwu's Elias Banda, Ebrahim Patel and Freddie Magugu called for a national strike by clothing workers* PHOTO JOHN WOODROOF

Johannesburg — The first national test of an employer's right to lock out striking workers is looming as the 82 000 members of the SA Clothing & Textile Workers Union (Sactwu) prepare to embark on a national strike tomorrow.

This action is expected to be met by retaliatory lock-outs by employers, who are legally entitled to keep striking workers off their premises However, the recently approved final Constitution failed to entrench company rights in this regard

The strike will be the first test of the lock-out clause in a national strike. It follows Cosatu's national stay-away in April against the inclusion of a lock-out clause in the constitution.

Sam Shilowa, the general secretary of Cosatu, yesterday supported the strike and called on affiliates to engage in "solidarity action" if the lock-out was used.

The strike, scheduled to start tomorrow morning, is in support of union demands for wage and pension increases of 10 percent.

Employers last offered an 8 percent increase, conditional on workers accepting a change in how overtime pay was calculated.

Striking workers are expected to leave their posts in the morning and assemble at rallies in each of the larger centres.

Jabu Ngcobó, the general secretary of Sactwu, said that violence could erupt if employers tried to pre-empt the strike by locking workers out or employing "scab" labour.

However, he called on workers to show "discipline and restraint" and adhere to the strike rules which had been issued

Marshals would be present at all pickets and actions to ensure order, but "we appeal to employers not to institute a lock-out because we might not be able to control the situation," he said.

Johann Baard, the chief negotiator for the National Employers' Caucus of the Clothing Industry, said yesterday that employers would use their right to lock employees out should the union target specific factories

"The rule is that picketing and striking workers will not be allowed on employers' premises," he said The employers also rejected the union's idea of regional monitoring committees being used to monitor strike behaviour They felt that such committees would duplicate existing structures in the provinces

Baard warned that any selected, targeted strike action would place a serious question mark on employers' commitment to centralised bargaining and the establishment of a National Bargaining Council next year

"The union said that should we agree to the establishment of a National Bargaining Council industrial action would not take place on a selected, targeted basis," he said

☐ **See Shilowa speech, Page 24; Business Watch, Page 17; Steel industry attack, Page 16**

Payday snags unlikely for clothing strikers

ARG 24/7/96 (184)

ESTELLE RANDALL
Labour Reporter

THE Cape Clothing Industrial Council has dispelled veiled threats from clothing employers that "disruption" from tomorrow's strike may result in workers not being paid as normal for time worked

Dawie Ackermann, secretary of the Cape Clothing Industrial Council, said the council agreement obliged employers to pay workers at their place of employment for time worked, even if there was "disruption"

The council agreement specifies that employers must pay workers for work done by 5pm on Fridays at the normal place where they are paid.

"Employers may have immediate logistical problems, such as wage clerks being on strike, but ultimately employers are responsible to ensure payment is made without delay," Mr Ackermann said

"The council expects employers to comply with this. Non-compliance would be a contravention of the council agreement and would be investigated and whatever sanction is appropriate would be applied," he said

"The hint that workers may not get their wages on Friday came from Johan Baard, spokesman for the National Employers Caucus of the clothing industry,

"We accept that, legally, people are entitled to wages for the week they worked, but even with the best will in the world factories may face the situation where disruption prevents this," Mr Baard said

SA Clothing and Textile Workers' Union (Sactwu) Western Cape secretary Wayne van der Rheede said the union was liaising with employers to help them to meet their legal obligations and to make arrangements for workers to be paid as normal

Sactwu members have voted to go on strike from tomorrow to back their demand for a 10 percent package of increases - employers are offering eight percent

Employers had banked on Sactwu embarking on a "grasshopper" staggered strike in which workers came to work and went on strike on alternative days In that case, employers were planning to lock out workers on the days they went to work

But Sactwu has eliminated this option by resolving to go on a continuous strike

Mr Baard said that if workers took continuous strike action, employers would have to "sit it out or capitulate"

● See page 9.

Cosatu threatens clothing industry over lockout plan

Reneé Grawitzky BD 24/7/96 (184)

COSATU's leadership has thrown its weight behind the strike called by the SA Clothing and Textile Workers Union (Sactwu), threatening solidarity action by all Cosatu members if employers institute a lockout of workers in the industry.

Cosatu general secretary Sam Shilowa said yesterday Cosatu members and the broader community would be called on to participate in solidarity action if clothing employers resolved to undermine the union's strike, starting on Thursday, with a lockout. Action could include boycotting or failing to handle goods made by clothing manufacturers implementing a lockout.

This follows earlier statements by Shilowa that the federation would respect and abide by the decision of the Constitutional Court on the lockout provision. He said then that even if the federation was unhappy with the final outcome, it would not put pressure on the court's judges.

In the case of the pending clothing lockout, Shilowa said the judges "must take into account how employers abuse the lockout". The union expressed concern about possible violence that could erupt if scab labour was used.

Clothing employer spokesman Johan Baard said the national employer caucus had resolved yesterday to recommend various strategies on how to implement the majority decision by employers for a lockout. Such strategies related to implementing partial or total lockouts, the refusal to allow striking workers on premises or the conducting of pickets. Baard said if the union thinks "employers are bluffing it is in for a sobering experience and lockout action will only make sense if it extends beyond the limits and duration of the strike action."

Sactwu leaders said yesterday the deadlock was not only over a 10% wage

Continued on Page 2

Lockout

(184) BD 24/7/96

Continued from Page 1

demand, but the total package which entrenched discrimination in the industry, particularly against black women who represented most workers in the industry.

Minimum wages varied from R140,80 a week to R187,15 and in all cases fell well below Unisa's supplementary living level, the union said.

It accused employers of continuing to perpetuate the legacies of apartheid by failing to improve payments around the annual bonus and retirement provisions. Workers currently received one week's wages as an annual bonus which could amount to R146,50 in some cases.

Unions denied strike access to members

ARG 24/7/96
(184)

ESTELLE RANDALL
Labour Reporter

CLOTHING giants in the Cape Clothing Manufacturers' Association, including Pep Clothing, have refused SA Clothing and Textile Workers' Union (Sactwu) officials access to their members to discuss rules for the nationwide strike starting tomorrow

"This is a deliberate attempt by management to destabilise our strike organisation and to confuse workers," said Richard Kawie, Sactwu's regional organiser.

About 28 000 workers in the Western Cape are expected to join the clothing industry's first national strike

Mr Kawie said Sactwu told Pep Clothing management the union wanted to meet workers to explain the strike rules, discipline during the strike and venues for meetings during the strike

But in a letter to Sactwu yesterday, Pep Clothing said it believed it was "unnecessary" for union officials to get access as employees had already been briefed by shop stewards and management about the wage negotiations

"Management will ensure everyone is briefed on the rules of the strike once we have feedback from our negotiating team," the letter said

Mr Kawie said Sactwu rejected management attempts to act as spokesman for Sactwu members and had told the company that it would meet members at lunchtime today

"It is our legitimate prerogative to communicate directly with our members

"Our right is not a privilege based on company prerogative The companies are also in breach of the industrial council agreement which says they must give union officials access to members, even if members are on strike

"In this case our members had not yet started to strike," said Mr Kawie

In contrast to the stance of the Cape Clothing Manufacturers Association, smaller companies in the Garment Manufacturing Association had allowed officials to brief members.

Nationwide strike by clothing industry workers takes new turn

Star 25/7/96 (184)

Today's nationwide strike by thousands of clothing workers has taken a surprise turn with some employers breaking ranks with their organisation and offering to meet workers' demands for a 10% wage increase

Salt River clothing factory Chelsea West is one of the Cape Town manufacturers which has made the offer, according to Johan Baard, chief negotiator and spokesman for the National Clothing Employers' Association

Laurie Dreyer, owner of Chelsea West, was expelled from the Cape Clothing Manufacturers' Association about two weeks ago, when he told the association of his intention to agree to the union's demands

Baard said the mandate from the association was their final offer of 8% and no "private deals" with the SA Clothing and Textile Workers' Union (Sactwu) would be tolerated If this meant expelling employers who entered into such deals and the collapse of the employers' association, then that would have to happen

Nationally, some of the larger employers were offering to settle at between nine and 10%, he said "We see the revised offers as an acknowledgment of our proposal and a major step forward in the resolution of the dispute," Patel said

A qualified machinist who had worked in the clothing industry for 30 years could now expect to earn R293 a week in the Western Cape, R295 in KwaZulu Natal In the Free State, the same worker would get R229

"We accept that individual employers have the right to break ranks, but the consequence of doing so is that they will be expelled," Baard said – Own Correspondent

Strike will 'cripple' industry

Sowetan 25/7/96 (184 ...)

By Abdul Milazi
Labour Reporter

TODAY'S planned national strike by 100 000 members of the South African Clothing and Textile Workers Union (Sactwu) is set to cripple the clothing industry which is already in financial difficulties

Sactwu is adamant that it will not accept anything less than a 10 percent wage increase, while employers are not prepared to improve on their eight percent wage offer

Both parties held special ballots on Friday in which Sactwu members voted in favour of a strike, while employers voted for lockouts

Spokesman for the employers Johan Baard yesterday said they were not bluffing when they threatened to lock out workers if they went on strike

Locking workers out

Congress of South African Trade Unions general secretary Sam Shilowa said locking workers out would not solve the industry's problems but would worsen things

He said the employer's decision to implement lockouts as a counter to the strike, undermined workers' rights to strike

"Employers should have called the union to the negotiating table to find ways of getting around their problem"

Sactwu general secretary Ebrahim Patel said the clothing industry was the lowest paying in the manufacturing sector, with a minimum wage of R186 a week for Durban workers and R187 in Johannesburg

"Conditions of employment vary within the area covered by the negotiations but both the minimum wage for workers and the wage for qualified machinists condemn workers to perpetual poverty," said Patel

Patel said a qualified sewing machinist with long service still earned a weekly wage that varied from R205,70 a week in the Free State and Northern Cape to R295,50 in KwaZulu-Natal

"The wages for qualified machinists are below the breadline as calculated by the University of South Africa's Supplemented Living Level (SLL)," said Patel

He said the SLL for coloureds and Africans was R315 a week in February 1996

"The highest qualified machinist rate in the negotiations was already six percent below the SLL in February 1996, while the lowest rate was more than one-third below the living level," said Patel

Patel said minimum wages in Johannesburg and Durban were 40 percent below the SLL

"The industry lies at the economic faultlines of apartheid, in that there has been systematic discrimination against black workers in wages, retirement benefits and Christmas bonuses For a number of years Sactwu has sought to reduce these inequities in the industry," said Patel

However, the Black Management Forum's Greater Pretoria branch vice president, Kate Bapela, said both the workers and employers would lose as a result of the strike

Bapela warned that should production come to a standstill, buyers would look elsewhere

"The industry is already under extreme pressure from illegal dumping of goods by foreign companies, especially the Taiwanese, and the relaxing of trade tariffs," said Bapela

"The strike would open the doors for the Taiwanese to exploit the need and will also lead buyers to look to neighbouring countries for textile goods"

Bapela said workers would lose jobs as many factories will find it difficult to regain their market and will be forced to close

Sactwu's assistant general secretary Ebrahim Patel

Thursday July 25 1996 SOWETAN

Lockout test for employers

(184)

Sowetan 25/7/96

By Abdul Milazi and Simon Zwane

EMPLOYERS' muscle to lock out workers will be tested for the first time when the South African Clothing and Textile Workers' Union (Sactwu) embarks on a national strike today

Sactwu assistant general-secretary Mr Ebrahim Patel said yesterday the union had decided to go on strike after a special meeting between employers and workers last Friday failed to break the deadlock over wages

Employers said yesterday they will lock out striking workers

Chief negotiator for the employers Mr Johann Baard said employers knew that a lockout would have to exceed the planned duration of the strike to be successful.

He said employers would notify their workers as they arrived for work that all those not present at the start of business and those leaving premises without permission would be locked out

Some employers had notified the union and workers that they had been locked out with effect from last night and the lockout would remain in force irrespective of what happened today and tomorrow

Sactwu is demanding a 10 percent across-the-board wage increase and a restructuring of the provident fund and Christmas bonus system

Employers on Friday also increased their offer to eight percent from the initial seven percent in a bid to avert a strike However, Sactwu rejected the revised offer saying they would not accept anything less than 10 percent

Sactwu said yesterday "The cost of a strike is immense to workers and the industry"

Baard said the strike would cost the industry about R15 million a day in lost turnover while workers would lose R6,2 million in wages

Patel said accepting the employers' offer would mean accepting past imbalances rather than addressing them He argued that a further two percent increase would not cost the industry much Sactwu said its doors were still open if employers wanted to resume negotiations

Congress of SA Trade Unions general-secretary Mr Sam Shilowa criticised employers for locking out workers

"It is irresponsible of employers to take that stance They should have called the union to the negotiating table"

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Congress of SA Trade Unions general-secretary Mr Sam Shilowa criticised employers for locking out workers

"It is irresponsible of employers to take that stance. They should have called the union to the negotiating table"

Bonus paid to workers not enough, says union

184 CT 25/7/96

From Page 1

for employers to increase it to 7,5%," he said

Also, the R146,50 bonus paid to workers — the equivalent of three working days — was insufficient to cover the costs of a Christmas season "It's the price of a family meal at a modestly priced restaurant," he argued

"If (employers) put forward an offer which addresses these three areas, the union will be interested," he said.

Patel said workers would gather at their workplaces today, before heading to the Good Hope Centre for a rally There they will be addressed, before the tactics of the strike will be revealed.

Patel was unwilling to discuss the tactics, saying that the union wanted to retain an element of surprise.

He would also not be drawn on how long the strike could be expected to last, saying that that depended on the union and the employers.

Unions say some companies breaking ranks and bowing to wage demands

CT (BR) 25/9/96

Clothing industry to lock out strikers

(184)

By Marc Hasenfuss
CAPE EDITOR

Cape Town — The National Employers' Caucus of the Clothing Industry threw down the gauntlet yesterday by announcing an uncompromising national lockout in response to expected country-wide industrial action by more than 80 000 workers today

But some clothing companies may have broken ranks with the employers' association and offered to meet the wage demands of the South African Clothing and Textile Workers' Union (Sactwu)

Ebrahim Patel, Sactwu's deputy general secretary, said last night that some employers had approached shop stewards and offered to meet union demands for a 10 percent wage increase

"This is the first sign of maturity by sections of employers in the clothing industry who recognise that a settlement of 10 percent is not unaffordable," he said

Johann Baard, the employers' chief negotiator, acknowledged the speculation but said it was unsubstantiated and could even have been spread by shop stewards He said, however, that an unnamed clothing company had been expelled from the organisation two weeks ago for attempting to negotiate an independent settlement with the union He said yesterday that the lockout strategy was aimed at bringing the parties to a negotiated settlement "Employers appreciate that lockout action, to be successful and to achieve its intended objectives, will have to exceed the planned duration of strike action" He said the strike would affect about 1 500 factories, resulting in R15,6 million in lost turnover and R6,2 million in lost wages a day He said some factories had told the union and workers yesterday that they would be locked out regardless and the decision to strike had generated unprecedented support among employers for lockout action "It has the dual benefit of enabling the company to achieve some production output as well as not having to prejudice workers who have no interest in pursuing union demands"

NO COMPROMISE *Johann Baard, left, the chief negotiator for the National Employers' Caucus of the Clothing Industry and Peter Cragg, the executive director of the Cape Clothing Manufacturers' Association talking tough at a media briefing*

PHOTO ANDREW BROWN

Patel said the proposed lockout would escalate tension and conflict in the industry and probably prolong the strike

The union and employers are holding their ground regarding their 10 percent demand and 8 percent offer Baard said employers had agreed to consider negotiating settlements between 8 and 8,5 percent, but would not accommodate demands beyond this range Patel said small incremental increases missed the point "The employers need to come up with something bold to meet our requirements" Labour experts said last night that there had been a hardening of attitudes among clothing workers Both unionists and textile employers, who are annoyed that there had been no joint bargaining position for the clothing and textile sectors, were blaming it on Baard

"Johann Baard has messed it up," a leading textile company executive said He said Baard had misread the situation by going public with details of informal discussions with the union and trying to make them the basis for further negotiations

☐ See Correspondents, Page 21

(184) CT 25/7/96

Clothing workers' strike: The big divide

Mother-of-three Ms Adams, 31: Why I am going out on strike

MS THELMA Adams has worked as a machinist at the same clothing factory for 13 years Every week she earns R293, and takes home less than R200 of that

A single mother of three, 31-year-old Adams of Grassy Park says she can't make ends meet and relies on her retired parents to keep going

She pays them R100 for board, R20 to put her youngest child in a crèche, R30 for transport to and from work and another R80 to service her debts With a grand total of R230 in costs, she does not earn enough to cover even that

"On Mondays I have to go to the moneylender to borrow money to survive," she said last night "I can't afford to be sick If I don't work, I don't get paid"

School fees are paid "in dribs and drabs", and her annual bonus of R146,50 usually goes that way also Treats for her children, let alone herself, are out of the question and she is forced to do private jobs over weekends "for pocket money"

And so it goes every week, without any prospect of a major change for the better Even when she retires, she will most likely be paid a small lump sum and be bade farewell

This is why Adams and thousands of others will be part of tomorrow's national clothing workers' strike, called by the SA Clothing and Textile Workers' Union (Sactwu) after wage talks with the National Employers' Caucus of the Clothing Industry broke down last week.

The union is demanding a 10% increase, including adjustments to employers' contribution to the provident fund and workers' annual bonuses, and the caucus has stood fast on an 8% raise — which has not found favour with the workers.

"Even if I have to eat porridge and water, I will You have to sacrifice to triumph," Adams said

Sactwu assistant general secretary Mr Ebrahim Patel claimed last night, however, that employer resistance was crumbling and a large number of clothing factories in the city, Durban, Johannesburg and the Eastern Cape had offered the union the 10% it wanted

"We were a bit surprised It's happening country-wide It's been the most dramatic development"

His remarks contrasted with those of chief negotiator of the National Employers' Caucus of the Clothing Industry Mr Johann Baard, who said yesterday that 8% was the final offer, but employers would negotiate up to 8,5%

Patel said the union had not yet decided on the matter but if this trend continued, it was possible the strike could be over by tomorrow

He said the union's stance was based on Cosatu's long-standing strategies of effecting a living wage for workers and revitalising South African business. Sactwu argued that "one can't take the jump" to a living wage in one step, but that progress had to be made every year

An 8% increase was on a par with or slightly below the inflation rate, indicating that such a wage increase would mean no progress at all, he said

Also, most parts of the manufacturing sector paid 7,5% Provident Fund contributions, but the clothing industry was "the glaring exception" and paid only 3%

This was a "double whammy" for workers, he said, as it was a 3% contribution from a very low wage base

"The union has campaigned for more than six years

● To Page 3

BREADLINE: Clothing factory worker Ms Thelma Adams earns R293 a week *PICTURE: THEMBINKOSI DWAYISA*

80 000 face lock-out action

WILLEM STEENKAMP

THE controversial lock-out clause, which allows employers to lock out strikers, is certain to feature strongly in today's national strike by the SA Clothing and Textile Workers' Union (Sactwu).

More than 80 000 workers, half of them in the Western Cape, are expected to participate in the first national strike in the new SA.

Months-long wage negotiations broke down last week when Sactwu and the National Employers' Caucus of the Clothing Industry failed to reach agreement on wage increases.

Sactwu is calling for a 10% raise, including increases to provident fund contributions and workers' annual bonuses, and the employers have stuck to eight percent.

Sactwu then held a strike ballot, which was passed by 80,3% of workers, and management responded yesterday by saying they would lock out strikers if they went on strike.

'Manufacturers are under threat from cheaper imports'

STRIKING clothing workers — and perhaps non-striking workers — will be locked out from today, National Employers' Caucus of the Clothing Industry chief negotiator Mr Johann Baard said yesterday, adding "We do not intend to lock out non-striking workers, although we reserve the right to do so"

Companies could decide for themselves on partial or total lockouts

Baard said striking was the mechanism used by unions to pressure employers to give in to their demands It therefore stood to reason that employers should also have the right to protect their businesses, seek tactical advantages and even "retaliate"

He said the SA Clothing and Textile Workers' Union (Sactwu) decision to strike had "generated unprecedented support" among employers to lock out the strikers, but he denied that employers were acting unconstitutionally or that their actions would affect arguments for lockouts being entrenched — like strikes — in the new constitution

"The constitution is silent on the right of employers to lock out — it doesn't prohibit it," he said Lockouts were not mentioned in the constitution but they were still "statutorily" enforceable under the present Labour Relations Act

Baard warned that thousands of workers stood to lose their jobs as a result of the action, which would cost the already struggling industry R15,6 million a day The strike would also "tarnish" efforts to promote investment in South Africa

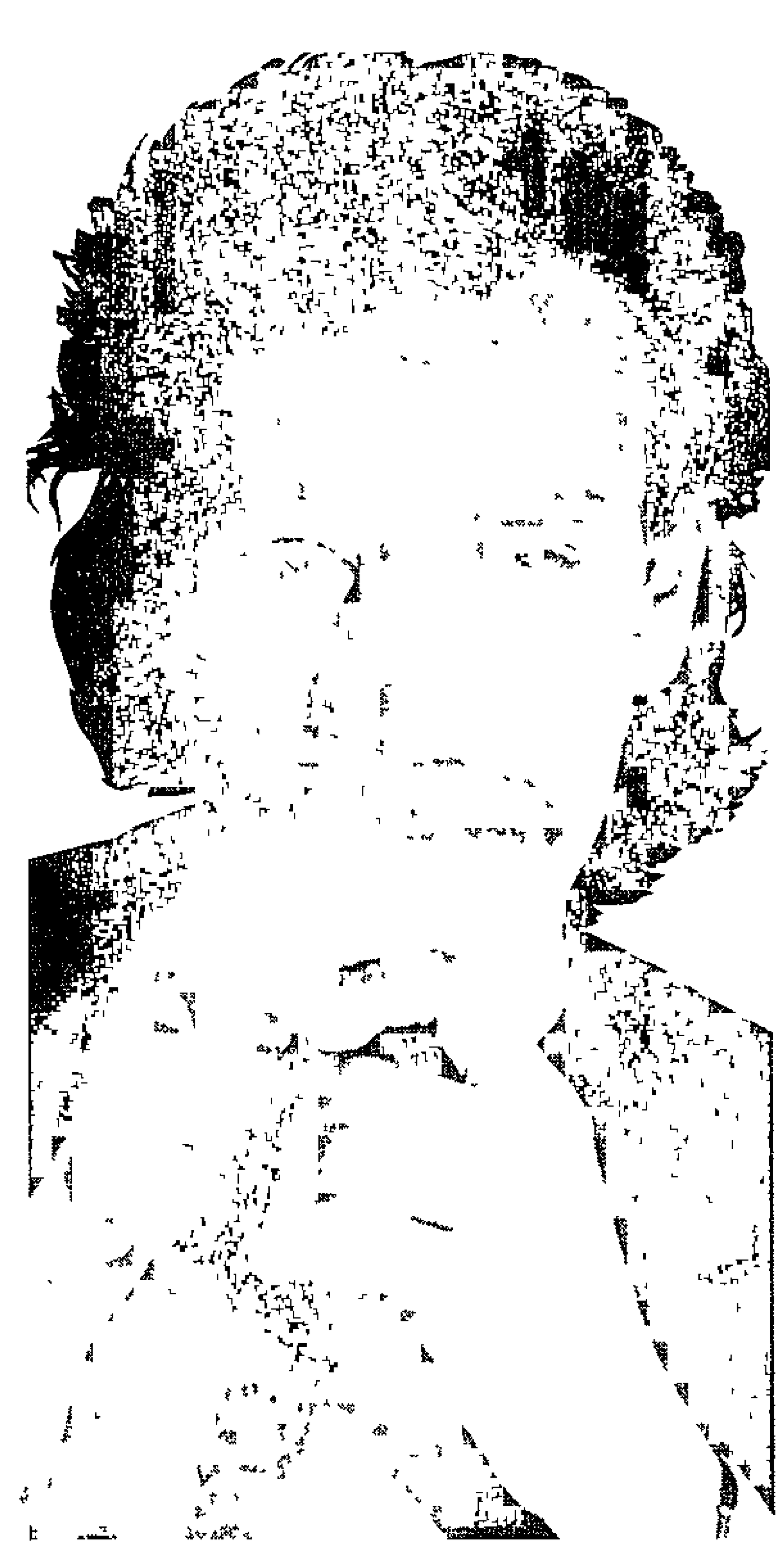
He denied a contention by Sactwu assistant general-secretary Mr Ebrahim Patel that a 10% increase would add only $24^1/_2$ cents to the price of a R100 shirt, saying fewer and fewer locally produced garments were being sold because imports were cheaper

"Manufacturers are under threat from cheaper imports, which consumers buy because they have decided units produced locally are too expensive

"We have to drop the price, because if we don't the imports will take over"

Baard said the breakdown in negotiations last week was "a failure of collective bargaining", an example of "old-style adversarial industrial relations", and did not encapsulate the new South African vision of closer relations between industry and labour

However, employers were still prepared to negotiate with Sactwu — and even raise their 8% wage increase offer to 8,5% — but further talks would be pointless unless all parties showed a "commitment" to breaking the impasse



FINAL OFFER: Mr Johann Baard, chief negotiator of the National Employers' Caucus of the Clothing Industry

"We are prepared and ready to talk at any time if the the unions are prepared and ready to talk, but there must be commitment," he said

He stressed that the only solution to the situation lay in negotiation, and not industrial action "The ultimate objective remains to bring the parties to a negotiated settlement"

Cape Clothing Manufacturers' Association executive director and caucus delegate Mr Peter Cragg said yesterday that up to 500 000 Capetonians could directly or indirectly be affected by the strike

Many companies were in "survival situations" and were fighting to stave off the threat from imports, "but we have got to keep our costs down"

Baard warned that, depending on how "widespread and intense" the strike was, there might be problems in making wage payments to workers tomorrow, but he said employers would do their "utmost" to prevent any delays

Clothing employers to lock out strikers today

BD 25/7/96

(184)

Reneé Grawitzky

CLOTHING employers resolved yesterday to lock out workers from today to counteract a national strike called by the SA Clothing and Textile Workers' Union (Sactwu).

The strike is scheduled to begin today.

Nearly 100 000 clothing workers will be locked out of their places of work as, from today, employers institute their lockout in response to the decision to strike. The strike centres on a union demand for a 10% increase on a total package.

This package includes wages, increases to the current annual bonus and improvements to retirement contributions. Employers tabled a revised offer of 8% at a meeting last week, which the union said was conditional upon its acceptance of a recalculation of the payment for overtime.

Employer spokesman Johan Baard said factories would remain closed until Monday, when "at management's sole discretion, a decision will be taken whether to cease the lockout. This decision may be influenced by the state of the strike generally within the clothing industry and by an indication that the union is prepared to negotiate the matter to settlement".

Baard said employers had received reports that the strike was likely to be suspended or withdrawn by Monday.

Whatever the union's position, Baard said, "management reserves their right to suspend lockout action and to reintroduce it at any time" or extend the lockout beyond the suspension of the strike.

Sactwu said last night that employers could not hope that the strike would be called off on Monday.

The union said employers would first have to put something on the table for the union to consider before such a move could be contemplated.

It also called on employers not to act in a manner which could lead to the loss of life.

The union indicated that marshals had been appointed to ensure that picketing went peacefully and it called on its members to act in a peaceful manner.

Clothing strike confusion

ARG 25/7/96 (184)

Shake-up as employers break ranks over pay demand

ESTELLE RANDALL and PIETER MALAN
Staff Reporters

TODAY'S nationwide strike by thousands of clothing workers has taken a dramatic turn, with some employers offering to meet workers' demand for a 10 percent wage increase

This emerged as clothing workers began their strike today

Despite threats by management to lock out workers, most factories did allow in those who arrived to clock in

The crippling effect of the strike on one of the Western Cape's biggest industries was already clear early this morning as shop stewards reported that more than 90 percent of workers kept their resolve not to go to work

However, employers said only 40 percent of workers were on strike

At Triumph Chamfit in Parow Industria – one of the biggest factories in the Western Cape – only about 30 of a workforce of 700 arrived for work this morning, according to Sactwu regional head Lilian Malan

Many workers gathered outside factories at 7 45am, their usual clock-in time, while others simply stayed at home, not willing to venture out on a rainy morning

At Riviera Clothing only about 20 machinists started work, said shop stewards The company has more than 300 staff

At nearby Farelli Clothing shop stewards also reported a high strike rate

"We are tired of living like we do, we want a better deal," said shop steward Elizabeth Onrust, vowing to continue striking until she saw the 10 percent offer "black on white"

Hundreds of clothing workers in Salt River began to gather at factories early today preparing to march to the Good Hope Centre for a strike rally

At Rex Trueform, workers began their strike yesterday after employers put up posters "using our officials' words to confuse workers", said a worker, Selma Adams

She said employers had put up posters calling on workers not to strike, misquoting an earlier statement from the clothing union's Jabu Ngcobo and indicating the union's willingness to compromise

"We are confident we are going to get the 10 percent we want because we won't stop until we have achieved that," she said

Large numbers of workers also gathered outside other Salt River factories, such as Val Hau Lingerie and Heriswell Manufacturing, preparing to meet at Rex Trueform before the march to the Good Hope Centre

Salt River clothing factory Chelsea West has broken ranks with other employers

Picture BRENTON GEACH, The Argus

IN DISPUTE: Hundreds of striking clothing workers march down Main Road in Salt River on their way to the Good Hope Centre

and made the 10 percent offer, confirmed Johan Baard, chief negotiator and spokesman for the National Clothing Employers Association

Laurie Dreyer, owner of Chelsea West, was expelled from the Cape Clothing Manufacturers Association about two weeks ago when he told the association of his intention to agree to the union's demand of a 10 percent increase

Mr Baard said the mandate from the employers' association was their final offer of eight percent, and no "private deals" with the SA Clothing and Textile Workers' Union (Sactwu) would be tolerated If this meant expelling employers who entered into such deals and the collapse of the employers' association then that would have to happen, he said

"One of the potential consequences of the pressure the union is putting on employers is that people in a desperate situation could, in many instances, be faced with no option but to break ranks in the interests of the survival of their enterprises

"We understand that, but we've said you can't expect the association to accommodate you once you've broken ranks," Mr Baard said

Sactwu deputy general secretary Ebrahim Patel said a further two members of the Cape Clothing Manufacturers Association had also already offered to settle at the 10 percent which clothing workers are demanding

One of these employed about 500 workers, large by the standards of Cape Town, where most firms average around 100

Nationally, some of the larger employers were offering to settle at between nine percent and 10 percent, he said

"We see the revised offers as an acknowledgment of our proposal and a major step forward in the resolution of the dispute," Mr Patel said

Sactwu would later today release further details about employers' individual improved offers, Mr Patel said

Mr Baard warned that if the claim was true, and more employers were expelled from the employers association, this could place future central bargaining in the industry in jeopardy

Meanwhile, the SA Commercial Catering and Allied Workers Union, in support of the striking Sactwu members, has asked 13 leading clothing retail chains to urge their suppliers publicly to settle the dispute

● See page 5

Textile workers strive for better benefits, pay

(184) ARG 25/7/96

42 years' service rewarded with R16 000

ESTELLE RANDALL
Labour Reporter

POOR wages have resulted in low retirement benefits for workers in the clothing industry

In the Western Cape, a qualified machinist with 42 years' service could expect to retire with a lump-sum of a mere R16 000

Today clothing workers have begun the industry's first national strike to improve wages and the retirement benefits upon which these are based The Argus spoke to a few workers about their experiences

Egypt and Palestine were two of the places 72-year-old Sharkey Davids visited as an army driver during World War 2

"Bethlehem hasn't changed much," he confides, "from what I see on the TV "

For Mr Davids, television documentaries are what he will have to make do with and he harbours no secret dreams to revisit the exotic sites of his wartime youth A retirement payout of R4 100 after 40 years service in the clothing industry "with one boss" has made a trip into the past an unreachable dream, not worth having

"I wouldn't call it retirement I didn't want to retire because I had responsibilities at home I had to step down when they called me in and told me I could no longer contribute to the provident fund because I had reached 65 years But even now I can still work," he insists

He started work as a driver with Gering and Shames in 1951, after working for a "furniture place" when he came back from the war in 1946

"I felt ashamed when a street sweeper friend of mine retired at the same time I did in 1991 and he received about R28 000," Mr Davids recalls

"I had hoped to start a little something with the money I would get when I retired It didn't work out like that and now I have to rely on handouts from my children

"What can you do with my state pension of R450 I get an extra R20 for serving in World War 2? My wife , also a pensioner, gets R430 a month How far can you go with that kind of money?

"But I mustn't complain "

QUOTE

I can still march and it would be wrong not to stand by those who are struggling.

Sharkey Davids
Retired clothing worker

He doesn't want today s workers to go through his experience That is why he will be in town today, an interested bystander in the industry's first national strike

"I can still march and it would be wrong of me not to stand by those who are struggling in the industry now "

The urge to make a small change to retirement and other conditions in the clothing industry is what motivated 63-year-old Moegsien de Hahan to join today's strike

"Despite my age I am going to join the strike I took part in the 1988 Rex Trueform strike I don't feel afraid because I won't lose anything The strike will benefit me, even if not for long "

Mr De Hahan turns 64 next month and will retire next year

"I have worked at Rex since 1967 When I started in the industry I earned about R1,75 a week Today I earn R245, after deductions

"My five children all went into the clothing industry, followed by two of my grandchildren

"I will retire next year when I am 65 – *en nog nie 'n rimpel in my gesig nie,'* (and still there's not a wrinkle on my face) he boasts

"I want to see conditions improve for younger workers and I believe workers should fight for their rights

"The employers threaten retrenchment and other bad things if we insist on improvements but these are gimmicks If there is not enough work, why do they buy warehouses? Why do they want us to work overtime? Why do they want to have night shifts?"

Amina Baker wishes she could turn back the clock to her days as a militant shop steward

When, after 30 years, she retired in April last year, she was working at Seventh Avenue in Maitland, earning R352 a week Her retirement package was R4 000

"I was very very upset because I had put a lot into the industry " At 16 she got her first clothing job, as a machinist at Cape Underwear

"We were in Newmarket Street then and I stayed there for 10 years before moving to Lolita with a Cape Underwear manager who opened her own business

"I stayed there for 10 years, then moved to Mandy's Clothing in Salt River I retired at 55 "

Mrs Baker is too young to receive a state pension and she and her husband rely on his wages as a security guard at Groote Schuur Hospital

She hopes he will get a bigger payout when he retires

WE'RE NOT WORTH A NICKEL AND DIME: Clothing workers Moegsien de Hahan (left), Arlene Martin, Sharkey Davids and Amina Baker want improvements to clothing industry retirement benefits.

Picture LEON MULLER
Chief Photographer

(184) (185) (452)

Textile strike enters its second day, but mediation due to start at weekend

The clothing industry's first national strike is in its second day, but the union and employers have agreed to start mediation to resolve it this weekend

The agreement follows an appeal from the Department of Labour, and the SA Clothing and Textile Workers' Union (Sactwu)

The union hopes employers "will put up a decent offer that has the prospect of bringing improvement", deputy general secretary Ebrahim Patel said yesterday.

The National Employers' Caucus for the clothing industry has argued that a 10% increase was too costly in an industry which faced the threat of cheap imports

However, Sactwu has questioned why workers earning R1 268 a month should accept poverty pay when management failed to set an example of salary restraint

It stated that the executive director of clothing giant Seardel last year earned 47 times more on average than clothing machinists who receive R1 268 a month.

According to the Seardel Industrial Corporation and Consolidated holdings annual report, last year's total salary bill for executive directors increased by 21% from R5,1-million to R6,2-million.

Thousands of workers began their strike yesterday to support a 10% package increase Employers had formally offered 8% But, on the eve of the strike, at least 20 companies had already broken ranks and agreed to 10%

► See Business Report Page 1

Star 26/7/96

MAIL & GUARDIAN
July 26 to August 1 1996

M&G (BM) 26/7-1/8/96

'Clothing industry in tatters'

(184)

Jacquie Golding-Duffy

IN the next five years, the effect of strikes in the clothing industry will be minimal as the clothing sector will have collapsed. South Africa will be forced to embrace imports, argues Econometrix economist Tony Twine.

Twine says the economy, while in a transitional phase, will not benefit from a strike in the already declining sector. However, neither will management or workers benefit from such a strike, he says. Twine cites the example of the motor industry strike two years ago. Workers' demand for a wage increase was met by employers after nearly six weeks of striking, but workers were then forced to waive any claims for further increases for the next two years, until production caught up again.

Twine adds that while there is sympathy for industries that are declining owing to holes in the customs net, the move towards lowering import tariffs will benefit the economy in future.

But Peter Cragg, executive director of the Cape Clothing Manufacturers' Association, an employers' body, says the industry can "definitely be saved" by, among other things, developing competitive goods for niche markets and containing input costs.

Twine's view, he says, is clinical and certainly not a model of encouragement for manufacturers.

The strike, argues Cragg, is about containing input costs "This is not just the union asking for a marginal increase, it's about a total cost perspective, which means consumers will feel the pinch and they are the ones who will ultimately decide the industry's future."

Jabu Ncgobo, general secretary of the South African Clothing and Textile Workers Union (Sactwu), says he is aware of problems in the industry, but meeting workers' demands for a 10% increase will not bring it to its knees. "It is going downhill owing to a number of factors, including the lowering of tariffs and the skipping of customs and import duties. Our demands will not cause the industry to collapse any further."

The strike by Sactwu has allowed employers to exercise their right to lock-out and has generated support among employers for "selective and partial" lock-out action, intended to bring pressure on strikers, while not prejudicing workers who refuse to support the strike.

South Africa's clothing, textile sector in tatters

(194) ST (BT) 2/6/96

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

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

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

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

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

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

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

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

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

So would companies servicing niche markets, he said

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

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

NEWS

Industry stands firm on local content clause

Renewed effort to break textile trade deadlock

(184) (1?) (?) CT(BR) 4/6/96

By Shirley Jones
KWAZULU NATAL EDITOR

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

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

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

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

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

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

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

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

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

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

"We are trying to stimulate the whole pipeline," he explained

CAPE
BUSINES
SOUTH AFRICA'S NAT

Government and industry co-operate in u-

(184)

Smuggling syndicates smashed

CT(BR)5/6/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The customs and excise department has smashed two clothing-smuggling syndicates in the past week

Johan Beets, the head of the customs law enforcement unit, said yesterday that further raids could be expected within days

He said the arrests and the seizure of smuggled clothing worth almost R2,5 million were just a small part of countrywide undercover investigations

He said there was a national onslaught on B-route goods, which usually bypass customs because of false documentation

Customs' latest haul is the product of a Cape Town investigation The goods came through Cape Town and a surveillance team followed the containers until they were offloaded at a wholesaler in Randfontein Officials fear the goods may have been destined for established local retail chains

Beets said customs had confiscated two trucks and 127 cartons of polyurethane jackets worth about R300 000 A Pakistani national was arrested and released on R70 000 bail this week Three South Africans are also under investigation, but no charges have been laid

Industry sources believe this investigation will uncover a much wider syndicate Beets said this case illustrated a particularly frustrating problem, namely the bringing in by fraud syndicates of Pakistani and Indian nationals for periods of between six months and three years to run front companies

When customs investigations lead to arrests, the frontmen supply no leads When they make bail, they leave the country

"Investigations are successful but we battle to get prosecutions We seize the goods but it is difficult to prove intent as the person arrested often has no knowledge of what he is doing," Beets said

He said an investigation involving a Durban clothing retailer remained sub judice until the importer returned from India to contest suspect documentation.

Customs seized a container headed for the retailer and goods at the store to which it had been delivered, with a combined value of about R2 million The customs duties owed by the retailer on the goods were more than R1 million

He called the operation leading to the action a joint venture between customs and a task group which represented the Receiver of Revenue, representatives of the affected industry, the Reserve Bank and the trade and industry department

He hinted that there was little chance that the retailer would contest the documents Beets wants to strengthen branch investigation units in the major centres

However, it could take two to three years to bring them to full strength

Strike hammers clothing industry in Eastern Cape

CT (BR) 6/6/96 (184)

By Shirley Jones

Durban — The clothing industry in the Eastern Cape is in tatters, with 11 000 workers on strike and 14 000 jobs on the line

According to Leon Deetlefs, the chairman of the Kei Clothing Employers' Association, there are fears that the international investors who own seven of the 13 factories affected by the strike could disinvest That would rob one of the most impoverished areas in the country of millions in international investment

The association was formed to negotiate ~~with~~ labour a year ago

Deetlefs said tough economic conditions, compounded by the poor performance of the rand and illegal imports, had stripped the clothing industry in the former Ciskei and Transkei regions of 2 451 jobs in the past six months, bringing job losses for the year to 3 800

He said the strike, which began on Monday, was the result of deadlocked talks between the association and the South African Clothing and Textile Workers' Union over wages and a host of additional demands

In March the union demanded a wage increase of 17 percent, which could be lowered slightly for rural areas, six months' paid maternity leave, and increases in employer contributions to provident funds It insisted that these demands be extended to the former homelands and self-governing territories

Desperate manufacturers considering applying for an interdict

Deetlefs said the union had called out 9 500 workers on strike but there had been so much intimidation that the strike had spread to factories not represented by the association

He said three companies would consider closing if the situation were not resolved soon

Desperate manufacturers were considering applying for a court interdict against the union

The hardest hit area has been Dimbaza, 75km from East London and 15km from King William's Town, which the government has called one of the most poverty-stricken regions in the country Each worker in the region is estimated to support at least five dependants

Deetlefs said the clothing industry accounted for a large chunk of the economy in the region because it was the area's largest employer If the industry crumbled in the area, at least 7 500 people would be thrown out of work, he said

Interskei, one of the larger manufacturers in the region, has already closed its doors, shedding 680 jobs Another company has closed down temporarily but is negotiating the possibility of reopening if sufficient orders could could be secured

The union could not be reached for comment

Confrontation looms in clothing industry

Renee Grawitzky

BD 7/6/96

(184)

CONFRONTATION is looming between clothing industry employers and the SA Clothing and Textile Workers' Union (Sactwu), with employers threatening to withdraw from the national bargaining forum after a spate of illegal industrial action

Industrial action has been experienced in KwaZulu-Natal and Gauteng after a deadlock in wage talks covering about 100 000 workers In a separate regional wage dispute in the Eastern Cape 3 000 Sactwu members have been on strike since Monday for a R30-a-week increase Sactwu said weekly wages were as low as R48 and employers were offering a R10 increase

Clothing employer spokesman Johan Baard said the illegal actions by mainly KwaZulu-Natal and Gauteng workers breached a signed undertaking to uphold labour peace The industry was in serious decline and there was no need for the union to engage in such tactics to exercise its power

The Natal Clothing Manufacturers' Associations said earlier that more than 4 000 jobs were shed in the greater Durban area alone between October last year and May this year.

Sactwu's Elias Banda said workers were striking because employers had postponed meetings this week

The union has rejected a 7% offer on the total pay package and wants three months paid maternity leave. The union is demanding a 10% increase on the package, improvements on the annual bonus and increased contributions to the provident fund will cost an estimated R365-million – Staff Reporter

Clothing, textile industry hit by strike

(184)

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

Star 7/6/96

Special patrol for embassies

Star 7/6/96

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

Strike over R48 a week pay

ARG 7/6/96 (184)

ESTELLE RANDALL
Labour Reporter

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

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

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

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

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

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

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

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

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

Clothing industry wage talks stall

Labour Reporter

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

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

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

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

Clothing companies fight back

(184) (~~184~~) (~~199~~) (~~183~~) ST (BT) 9/6/96

By MARCIA KLEIN

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

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

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

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

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

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

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

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

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

The difference lies mainly in hours worked and the pay rates

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

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

Crucial talks for clothing industry

By Adam Cooke (184) Star 10/6/96

The clothing industry could face a national strike by one of Cosatu's biggest affiliates, the 100 000-strong SA Clothing and Textile Workers' Union (Sactwu), if the final round of negotiations in Durban today fails to break a deadlock.

Spokesman for the union, Shahied Teladia, said today's meeting was the last chance to reach a settlement before clothing workers throughout the country would be balloted for a strike.

In the national deadlock Sactwu is demanding a 10% wage increase, while employers are offering 7%. High on the list of demands is three months' fully paid maternity leave for the industry, which employs mainly women.

The president of the Cape Clothing Manufacturers' Association, Johan Baard, said there may have been a flicker of hope to reach a settlement "if it were not for illegal industrial action that has soured the whole agenda"

Baard was referring to sporadic strikes in Gauteng and KwaZulu Natal which plagued the industry last week.

Employers and the union in the struggling industry have spent two months trying to reach agreement at the annual wage talks Today's meeting is a last-ditch attempt.

In a regional dispute in the Eastern Cape, about 3 500 Sactwu members have been on strike since last Monday, crippling what an employer called an industry already in the doldrums

The managing director of the biggest employer in the area, Clockwork Clothing's Harry Keoth, said the strike was costing him around R30 000 a day. "This excludes potential customers who will now begin buying elsewhere," he said

A statement from the union last week said workers at a number of Eastern Cape companies were receiving starvation wages – some as little as R48 a week

Baard said the industry was in decline due to the threat from international competition The industry had been forced to shed 30 000 jobs in the past five years

"The industry is potentially a very big employer, but illegal imports are flooding the market and we are not competitive internationally," he said.

Strike over wages looms in clothing industry

Star 12/6/96 (184)

One of Cosatu's biggest affiliates, the 100 000-strong SA Clothing and Textile Workers' Union, is to ballot its members for strike action next week following the failure of a final dispute meeting with employers on Monday

A spokesman for clothing employers, who wished to remain anonymous, said he hoped "sense would prevail" and that union members would not go on strike in an industry already in "serious decline" He said more than 20 000 jobs had been lost in the past six years because of legal and illegal imports

The dispute arises from problems with the annual wage negotiations

At the last possible attempt to break the deadlock in the National Bargaining Forum in Durban on Monday, employers stuck with their offer of a 7% increase in the total labour cost package, while the union stayed with its demand for a 10% increase The package under negotiation includes wages, a provident fund and annual bonus increases

The employers' spokesman said the two parties had made a principled agreement on the strike procedures The Independent Mediation Services of South Africa is to facilitate discussion between the parties to agree to the rules and parameters of the ballot – Staff Reporter

Tensions mount in wage negotiations

BD 12/6/96 (184)

Renee Grawitzky

A NATIONAL strike looms in the clothing industry as parties failed to resolve the wage dispute on Monday, while there are indications of mounting tension in the metal industry as the union calls for countrywide action tomorrow

Negotiations this week between clothing employers and the SA Clothing and Textile Workers' Union (Sactwu) failed to break the impasse — the union still demanding a 10% package increase and employers offering a 7% package increase The package deal covers wages, provident fund contributions and annual bonus

Parties indicated that the executive of the national bargaining forum would meet on June 18 to draft a balloting procedure with the help of the Independent Mediation Services of SA

Sactwu national organiser Elias Banda said last night he hoped the issues would be resolved However, workers were being mobilised and it did appear a strike was imminent He said "if a ballot favours a strike, this will force the union to push harder for demands, because workers would have been mobilised"

Employer spokesman Johan Baard said the union had been advised that employers would co-operate with the processing of the ballot procedure only as long as no further breaches by the union occurred in terms of illegal industrial action He said employers reserved the right to respond appropriately against breaches

A strike could cost R15,5m in lost turnover daily and workers could lose R6,2m in wages

Meanwhile, the National Union of Metalworkers of SA has called on members to participate in demonstrations and marches tomorrow to strengthen the hand of negotiators and to highlight worker demands at Eskom.

The call coincides with the final round of negotiations tomorrow

This year, parallel negotiations have occurred in the industry with discussions on a wage model being held outside the main negotiating forum where broader demands have been discussed

Not much progress has been made on the broader items as the main focus has been on reaching agreement on a new wage model

It is understood that good progress has been made on broad-banding but limited progress on wage rates for the new grades

The union said the dispute centred on what artisan rate all other grades should be fixed to and what percentage of the artisan rate each grade should be

Numsa's engineering sector co-ordinator Elias Monage said; "We have accepted the diverse nature of the industry So we have accepted that not all employers can go into the new five-grade model" But Seifsa was misrepresenting the union's demands, he claimed

Strike ballot goes ahead

Labour Reporter (184) ARG 12/6/96

A strike ballot among about 100 000 clothing workers is going ahead after annual wage negotiations between employers and the Clothing and Textile Workers' Union (Sactwu) deadlocked this week

Most of the workers – about 43 000 – are in the Western Cape

The union and employers will meet the Independent Mediation Service of South Africa (IMSSA) on Tuesday to advise it to proceed with balloting, and it will draw up balloting rules

OI

BUSINESS WATCH

Pyrrhic victory

CT(BR)12/6/96

(184)

The clothing industry's first national strike ballot can only have one winner — and it is unlikely to be the clothing industry.

For one thing, if a countrywide work stoppage is likely to cost the industry R15,5 million a day in lost turnover, without the price to be paid for cancelled orders and overtime to catch up, the industry will spend more in only four days than the extra R50 million it would have laid out had it acquiesced to union demands.

This is a best-case scenario because, based on the strike under way in the Eastern Cape at present, any work stoppage is likely to stretch beyond that.

It seems the standoff between business and labour goes far deeper. It is also easy to see why, while Sactwu does not want to pre-empt the outcome of the strike ballot, it is confident. As the third-largest affiliate, it has Cosatu as its chief supporter, which is an invaluable ally.

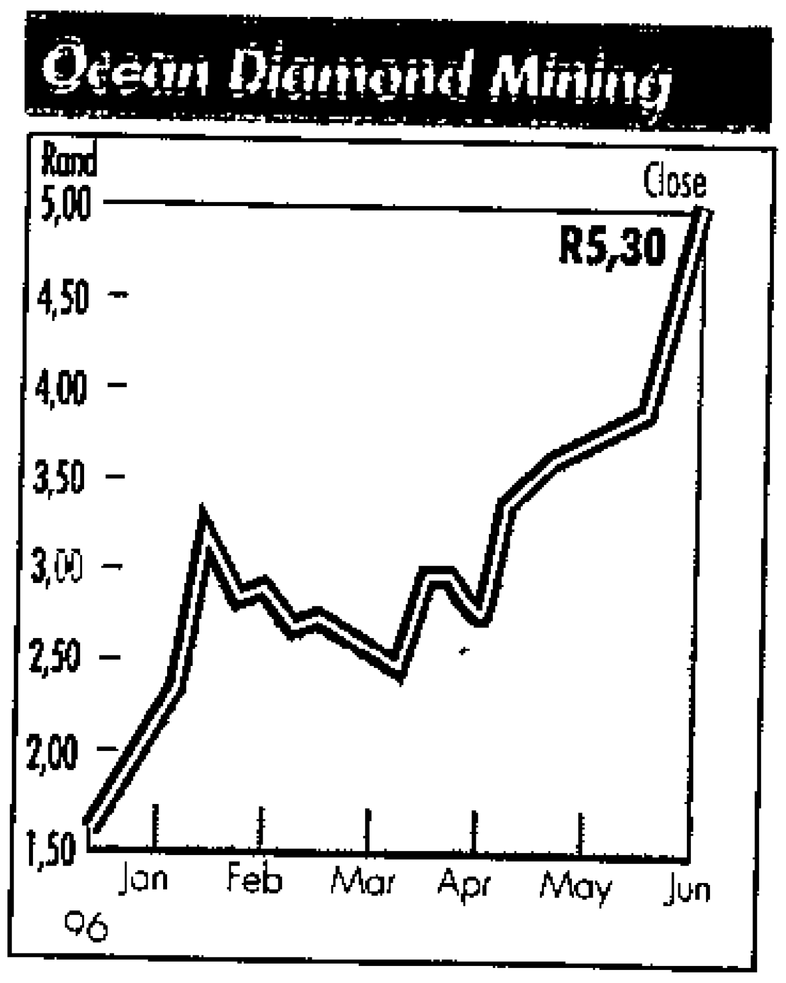
JSE

The move to fully automated, on-screen equities trading is expected to bring a closer correlation between the South African and United States stock markets, traders said yesterday.

Without a trading floor, a central meeting place, brokers will be deprived of a feel for the local market. They will have to take their cues from the news on overnight developments in other markets. It will take them a while to learn how to get a feel from a decentralised, and what many call a depersonalised local stock exchange.

Global markets, including South Africa's, already track the New York Stock Exchange. And given that more than half of Johannesburg's stock trades are conducted by non-residents, how investors do in the US market will continue to influence what they do in Johannesburg, regardless of the local news.

But over the past few months, traders say our correlation with the NYSE has broken down. Since mid-February, the Dow Jones industrial average has risen 3 percent, while the JSE all share index has fallen about 1,5 percent. There have been times when they have moved in tandem, and others when the JSE slumped while the Dow jumped.



If the Jet system does bring the two markets more into line, traders will be likely to note the irony that the eschewing of the open-outcry system helped the JSE to track one of the few open-outcry exchanges left.

Ocean Diamond

Ocean Diamond Mining Holdings continues to navigate a successful path through the tricky swells of the marine diamond industry.

Today's announcement that it has been granted exclusive prospecting and mining rights by the Namibian government for the lucrative island concessions off Luderitz is one of the most important developments in the company's history.

Considering the success achieved in ODM's current sea-mining concessions, the additional sea areas add more than a glint of hope to the company's long-term prospects.

There is already talk of establishing a small mining fleet if substantial reserves are proven. Encouragingly, initial geological research has indicated sufficient potential.

Mbeki

Journalists have become used to deputy president Thabo Mbeki berating the commercial press for its supposed inability to communicate with the new South Africa.

Unfortunately, they have also had to become used to Mbeki not communicating with the commercial press. What passes for a public relations team in his office would have made Atilla the Hun's image consultants look really talented.

Thus it has been with coverage of the government's growth and development strategy. A draft is ready and the cabinet will see outlines today. The financial markets, hoping for good news, are moving South Africa's way — for the moment. But as with any plan, the manner of its communication will be important, if not paramount. Attempts to speak to Mbeki's people have been useless.

If, being charitable, one assumes this has been a deliberate ploy, one of two things will now happen. Either the plan will be leaked to allow the government to gauge reaction to anything contentious in it. Or it will be presented in full, as a done deed.

It is highly unlikely it will be thrown open to public debate because, for one thing, Cosatu is going to hate it. If it does not, then the markets will.

Any signs of dithering or uncertainty as the plan now gets bounced between Mbeki's office, the cabinet and the ANC will be pounced on and probably misinterpreted. That will be because the government is such an awful communicator.

Federation plans to lobby for changes in the law

Clothing sector takes tough line

ET (BR) 12/6/98 (184)

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — The clothing sector is pulling out all the stops to bring errant wholesalers and retailers to book

Bernard Richards, the president of the South African Clothing Federation, which represented clothing manufacturers, responded positively to the news that customs had seized yet another container of smuggled clothing from a warehouse in Durban at the end of last week, but said confiscating goods was not enough to stamp out the cancer of illegal imports

He said past investigations had sent out the message that it was fine to take a chance because the worst that could happen was that you would be forced to pay the duties you had ducked

He said it was particularly worrying that unscrupulous retailers could exploit legal loopholes and say they were not responsible for the illegal goods removed from their warehouses

Daan Coleski, the commissioner for customs and excise, confirmed that under South African law a retailer would not face prosecution unless it could be proved that he had brought in the goods himself or knowingly purchased smuggled merchandise At worst, he would lose the goods seized

Richards said this made it easy to set up lone importers as middlemen to escape taking the rap

He said his federation intended lobbying for changes in the law so that retailers could be prosecuted if they were caught in possession of more than 1 000 units of illegal goods, as happens in the United States

He said the federation feared that manufacturers themselves could turn to illegal imports to remove smugglers' unfair advantage, thus creating a vicious and destructive cycle

He said the federation had recently circulated a code of conduct among its members to address this prospect

He said there had been an overwhelming response, the vast majority of members signed in favour of not dealing in illegal imports and taking disciplinary action against those who did

He said the code had been circulated among retailers as an act of courtesy and had been signed by many of them

The federation has since decided to use the code as a basis for a retailers' code of conduct

This code would require retailers to purchase goods only from manufacturers able to provide audited proof or a certificate from a professional body stating that duties had been paid on imported inputs and garments

He said the federation was trying to create an infrastructure within which legitimate operators could work

This would not only allow honest retailers to protect themselves but also help customs to prove whether retailers caught with fraudulently imported goods knew what they were buying

The code is under discussion in the Cape and will be debated in the rest of the country soon

Textile workers face total lock-out

(184) (183) ST 16/6/96

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

By CAROL PATON

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ET cold-shouldered by rightwingers

By CHRIS BARRON

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

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

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

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

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

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

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

If anyone noticed nobody seemed to care

Call for strong purgative medicine

Head of Pharmaceutical Manufacturers' Association calls for rapid action and prosecution of offenders in the industry

(183) Star 19/6/96

BY DAVID ROBBINS
Health Writer

The best laid plans by the national Department of Health to clean up South Africa's pharmaceutical industry and lower the price of medicines could be scuppered if firm action is not taken against those who break the rules

This is the forthright view of Mike Norris, president of the Pharmaceutical Manufacturers' Association (PMA), who believes that a special prosecution system for pharmaceutical malpractices needs to be set up, and that prosecutions should be made to stick.

"Doctors and pharmacists, as well as manufacturers and wholesalers, all need to be subject to much stricter policing, and those who break the rules should be prosecuted There should be no hesitation, as there obviously is now"

Norris gives three recent examples of highly dubious or downright illegal actions which have elicited no action from the relevant authorities

■ A doctor writes to a pharmaceutical manufacturer (Norris shows me the letter) threatening to prescribe no more of that manufacturer's products unless free samples of one particular product are forthcoming "Is this an ethical problem or isn't it?" Norris asks "Yet to date the South African Medical and Dental Council has declined to take any action."

■ A pharmacist supplies drugs to a patient at full cost even though the drug packaging has been stamped "sample – not for sale" "Some manufacturers are now marking samples given to doctors in this way Clearly, this one has found its way out of the consulting rooms and on to the shelves of a commercial pharmacy The pharmacist concerned (again Norris shows the correspondence) was merely given a warning by his professional association. But was a doctor also involved?"

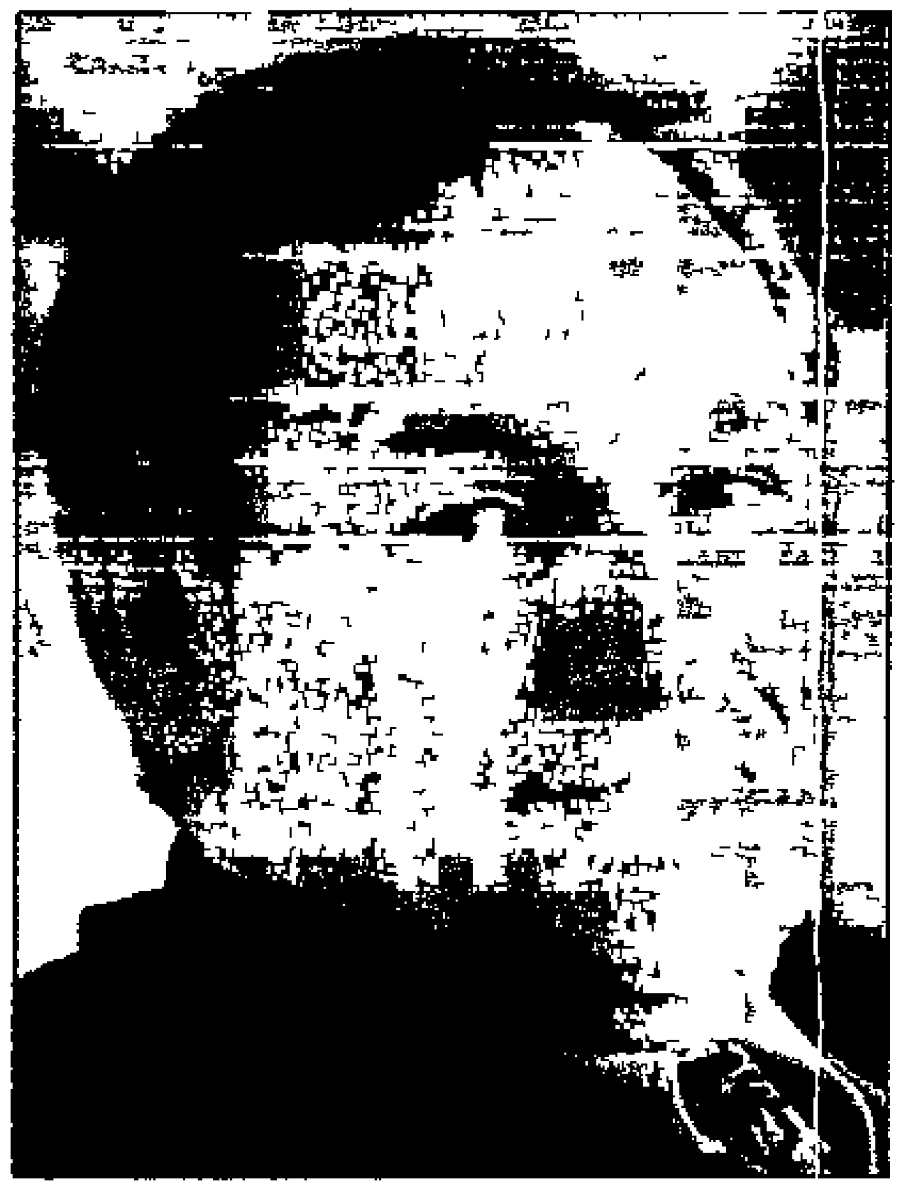
■ One recently stolen batch of pharmaceuticals valued at R1-million and taken from the manufacturer's premises has been identified (by batch number) on the open market. Wittingly or unwittingly, pharmaceutical wholesalers and retailers are trading in stolen goods But there's no word of any prosecutions, says Norris

The litany of problems is lengthy Manufacturers have been accused of offering bonuses in the form of uninvoiced pharmaceutical stock, especially to dispensing doctors This has encouraged the practice of round-tripping where doctors are able to acquire more drugs than they need and to channel the surplus back into the market, often at enormous profits.

This practice, along with widespread theft from the public sector, has done nothing to contain the price of medicines in South Africa, and there is also the very real fear that stolen or round-tripped drugs are not properly stored This could mean the sale to an unwitting public of high priced drugs that have lost much of their efficacy

"The PMA welcomes the Government's endeavours to clean up this undesirable situation. We, the manufacturers, have recently agreed to end the practice of off-invoice bonusing In fact, some association members are phasing out the giving of samples to doctors altogether. But this alone won't stop the spiral of theft. Estimates are that the stolen-drugs sector of the market is worth between R500-million and a R1-billion each year." says Norris

THYS DULLAART



Concerned ... Mike Norris wants to see pharmaceutical industry cleaned up.

Norris outlines the fortunes of one expensive drug which is supplied to the state and to the private sector market in considerable quantities. It is stolen from state warehouses and hospitals and released into the highly lucrative private sector market, resulting in many millions of rands of easy profit.

"The government stock was marked as such, on the boxes in which the drug was distributed, in a bid to discourage theft. But the thieves simply repacked the drugs. In fact, the manufacturer in question even found the printer who was reprinting the packaging, but the police did not take the matter further

"So the manufacturer printed with ink-jet the words – government pack: not for resale – on to the actual aluminium blisters in which the individual tablets were packed But the thieves removed this telltale information with a specially formulated solvent.

"Then the manufacturers actually embossed the batch numbers into the aluminium blisters The thieves then stole the drugs at source, before they could be marked as government stock."

But Norris insists that controls at government hospitals and warehouses must be stepped up "Theft, poor stock control and inefficient administration at state institutions still accounts for the lion's share of stolen pharmaceuticals No amount of control at the manufacturing level can alter this"

He points, also, to the cost implications for manufacturers. The anti-theft printing and embossing has undoubtedly added to the cost without adding anything to the value of products, while manufacturers' security systems are becoming more and more sophisticated – and expensive

"We have been criticised for the high manufacturing costs of pharmaceutical products, and the Government is still talking about parallel importing and international tendering as initiatives to reduce these costs. But in my view they will do nothing to solve the basic problem. If Government can't effectively police the theft of existing products, think what a mess it's going to be with the situation confused by a multitude of imported ones."

Other planned Government interventions, such as the outlawing of dispensing doctors, the removal of the profit motive from pharmacists by paying instead a dispensing and product holding fee, and even the introduction of an essential drugs list, would not help, to discourage the dishonesty in the industry at present, Norris says

"The same applies to the Government suggestion to use a varicode system to identify every pack of pharmaceutical product in the country It's feasible, provided everyone in the distribution chain keeps the necessary records. It'll add to the basic cost of medicine. Nevertheless, I know that members of the PMA would probably be prepared to contribute to the system. But will it solve the problem? It's one thing – and a good thing – to be able to identify stolen goods, but quite another to catch the thief"

It is for this reason that Norris has called for the establishment of a special pharmaceutical prosecutions body

"This is what the Government should be doing Unless people are speedily prosecuted for dishonesty, and unless the guilty are firmly punished, no amount of reform will fundamentally rectify the situation. And people within the distribution chain all need to play their part."

Workers strike over 'starvation wages' issue

184

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

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

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

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

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

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

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

Motor, textile and clothing industries 'not targeted'

CT(BR) 19/6/96

State denies growth plan tariff stand

(184)

By Christo Volschenk and Nancy Myburgh

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

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

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

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

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

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

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

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

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

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

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

☐ See Business Watch Page 18

We'll stick to the plan, says Manuel

By Paul Harris

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

Manuel said the government would show that it could lead by sticking to the plan

The framework has been welcomed by business but drawn some criticism from labour unions for being "conservative"

One of the key planks of the plan is a commitment to the partial or complete privatisation of state-owned assets, starting with the telecommunications sector

Parts of other areas like radio, leisure, forestry, minerals and transport would follow

He said that the plan would not be affected by inability to reach a free trade agreement with the European Union

Earlier Steffen Smidt, the EU director-general of development, attacked South Africa for hesitating over the talks and asked if it really wanted such a deal

"We have not really factored significant contributions from the prospective EU-South Africa trade agreement into our macro-economic framework," Manuel said

The plan aims for annual growth of 6 percent by 2000 and to create 400 000 new jobs a year by the turn of the century It is seen as vital for South Africa's future development

Manuel said the free trade talks were taking time because South Africa had to consult its other trading partners on the implications thereof — Reuter

☐ See Bifsa's reaction, Page 21

Clothing industry prepares for legal lockout

(~~182~~)(184)

ESTELLE RANDALL
Labour Reporter

ARG 20/6/96

CLOTHING industry employers are preparing for a legal lockout of workers, in response to union preparations for a legal strike over wages

This week the SA Clothing Workers Union (Sactwu) is finalising preparations for a strike ballot of its 95 000 members in the industry About 43 000 are in the Western Cape

Workers are demanding a package of 10 percent to cover wage increases and improvements to maternity-leave benefits, annual bonuses, a provident fund and a skills training programme Employers have offered a package of seven percent

Clothing industry workers are now entitled to three months paid maternity leave at 33 percent of their salaries and another three months unpaid leave

Sactwu said the employers' offer of seven percent would only accommodate a wage increase, with no improvements to other benefits A worker with 20 years' service in the industry could receive as little as R5 000 on retirement, in terms of the present retirement benefit

Sactwu, employers and the Independent Mediation Service of South Africa met in Johannesburg on Tuesday to finalise the wording of the strike ballot form

Bernard Richards, spokesman for the Clothing Federation, said the federation was preparing to meet employers in the provinces to pave the way for a legal lockout

He said neither the union nor employers wanted to "go to war", but employers were considering an industry-wide lockout in the light of the union's preparations for a legal strike

Mr Richards conceded that national industrial action could have a devastating effect on the clothing industry, which is facing an onslaught from cheap imported goods entering the South African market

Back to work for Sactwu strikers

(184)

M+G 21-27/6/96

Bronwen Roberts

The mass sacking of thousands of clothing workers was averted this week when striking South African Clothing and Textile Workers Union (Sactwu) members returned to work.

After months of negotiations and a two-week strike by about 8 000 employees, all but two of the affected 14 clothing factories in Dimbaza, Mdantsane and Fort Jackson are back at work. Negotiations between workers and management at the EV Krull and Clock Clothing plants are planned.

Sactwu regional secretary Gladman Plaatjies told *Ecna* the union was satisfied with "important gains" achieved by the strike and negotiations

Plaatjies said employers' threats to fire all who did not return to work on Friday had not influenced the decision to end the strike

A Kei Clothing Employers' Association advertisement warned that all strikers would be dismissed if they were not back at their posts by Friday The advertisement said the companies were suffering "huge financial losses"

Association chairman Leon Deetlefs earlier estimated R3-million in turnover was lost every day of the strike

But Plaatjies said today the last offer of a uniform minimum hourly wage of R1,95 per general worker and R2,35 per machinist had satisfied workers

Employers had also agreed to contribute 20c per worker a year to Sactwu's bursary fund All workers would also get a R12 a week increase, backdated to the beginning of the year, with further R12 increases planned for the rest of the year

Plaatjies said workers had been told some employers were planning to relocate to other Southern African countries where labour was cheaper He said they were using the strike as an excuse to close down "That is why we were very surprised they are still around and can afford to pay us almost double."

He said some employers were "hiding" behind the increased pressures facing the clothing industry in the province to keep wages low

Deetlefs said last week the devaluation of the rand, increased employer taxes, illegal imports and poor infrastructure in the Eastern Cape were putting pressures on the industry

He said some plants were facing closures — *Ecna*

Sactwu call for ballot

Renee Grawitzky

(184) ([redacted])

ABOUT 100 000 clothing workers will begin balloting for a strike within the next two weeks after the SA Clothing and Textile Workers' Union and employer organisations failed this week to resolve the deadlock over wages

BD 21/6/96

Sactwu spokesman Elias Banda said the union was not in a position to accept a 7% package increase

The union was demanding 10% Banda said "we will actively encourage our members to reject the 7% offered".

He questioned how the union could agree to a 7% increase, when workers in the Free State, for example, earned R140 a week

The parties met this week to discuss co-operation around the balloting procedure It would appear that agreement could not be reached on a balloting procedure

Banda said employers would not be party to the balloting procedure

Wage dispute may lead to showdown in clothing industry

(184) ARG 21/6/96

Plans for a major clothing industry strike have led employers to take a hard look at invoking the lock-out clause, writes Labour Reporter ESTELLE RANDALL.

A DISPUTE over wages could bring South Africa's clothing industry to a standstill for the first time in its history

This week the South African Clothing Workers' Union (Sactwu) said it expected to conduct a strike ballot among the 95 000 workers in the industry in two weeks time These workers, all members of Sactwu in terms of closed shop agreements, are concentrated in the Western Cape and KwaZulu-Natal

While the union is preparing for the industry's first legal strike, clothing employers are looking at legal processes to establish the first industry-wide lock-out

Bernard Richards, president of the Clothing Federation of South Africa (Clofed), said employers in different regions would be consulted about the idea of a lock-out in response to Sactwu's preparations for a legal strike

At issue is Sactwu's demand for a package increase of 10 percent to cover wage and improvements to worker benefits Employers have offered seven percent

The new Labour Relations Act (LRA) entitles employees to hold legal strikes and employers to engage in legal lock-outs, with identical procedures in both cases The right to strike is also protected in the new constitution, making it very difficult for it to be watered down in the LRA

Although the right to lock-out does not enjoy constitutional protection, an 11th hour amendment to the new constitution stipulated that provisions of the LRA would remain valid until amended or repealed by an act of parliament

But despite their potential to bring the industry to a standstill, neither the union nor employers have ruled out the possibility of a last-minute settlement

"We want to settle – really," said Sactwu's general secretary Jabu Ngcobo

"We're continuing to meet and hope for a break in the deadlock," said Mr Richards

Mr Ngcobo said he did not think employers would embark on an industry-wide lock-out

"If they (employers) went for a lock-out, they would force workers into a hard-line position where their demand of 10 percent would become non-negotiable," Mr Ngcobo said "And if faced with a lock-out, workers would feel obliged to go on strike "

Although Sactwu is preparing for a strike ballot, even if the ballot shows majority support for a strike it need not be carried out

Furthermore, the clothing industry has not been characterised by militant action in the past Nor does the Western Cape have a history of militant worker action

During the national strike over the lock-out clause in May, worker response in the Western Cape to the one-day strike call was moderate There are about 43 000 clothing workers here and Sactwu is one of the largest trade unions

The effects of a shut-down of the industry could also be minimal Several of its larger concerns already work shorter hours because of a drop in retail demand

"Companies are not as busy this year as they were in 1995," said Mr Richards, "so it is difficult to quantify what effect the strike would have on production "

Mr Ngcobo acknowledged that the shorter hours being worked would minimise the effect of an industry strike on production, but said the export clothing market could be hit

The extent of the damage could be avoided if employers were prepared to compromise, he added

Mr Ngcobo said that despite preparations for a strike ballot, the union was still open to compromise, but that this depended on employers presenting a reasonable offer Even if the strike went ahead, further compromise was possible, he added

Mr Ngcobo said the current offer made by employers was lower than the 12,75 percent agreed on during last year's negotiations Last year's settlement had increased a machinist's weekly wage to R295, he said During negotiations this year, Sactwu had opened with a demand for a 17 percent increase, with employers offering three percent

"When they reached 5,5 percent we declared a deadlock and went into mediation During mediation they moved to seven percent," he said

The seven percent offer would mean increasing wages only and abandoning improvements to maternity leave, annual bonuses, the provident fund and a skills training programme Clothing industry workers, mostly women, are entitled to three months paid maternity leave at 33 percent of their salaries, and another three months unpaid leave

The union wants three months fully-paid maternity leave It also wants the current contributions of 3,5 percent each from employers and workers to the provident fund to be increased to at least five percent, and agreement for these contributions to increase over a set time period to 9,25 percent from employers and seven percent from workers

Sactwu said that under the present system, a worker with 20 years' service in the industry could get as little as R5 000 on retirement

Transport bodies slam fuel hike plan

(183)

By Mandla Mthembu

Star 25/6/96

Transport organisations which plan to embark on nationwide protest action on Thursday against increases in the fuel price have reacted angrily to another price rise proposal by Transport Minister Mac Maharaj.

The SA Independent Trade Union Confederation (Saituco) and the Transitional United SA Taxi Council have warned that Maharaj's remarks will have the effect of intensifying their protest action.

Both bodies said the proposal to raise the petrol price to subsidise diesel and paraffin, which comes only a few weeks after the Government had recommended an increase in fuel levies for a dedicated road fund, indicated that the Government was dealing with the petrol and subsidy issues as if public transport was in good order

Maharaj, who had commissioned a study on the practicality of taxis to convert to diesel, yesterday proposed that the country should consider a price differential of about 40% between diesel and petrol.

He said diesel was considered to be an economic fuel because it was used by vehicles conducting public and goods freight transport, while petrol was considered a luxury fuel because it was used mainly for private transport

Saituco spokesman Success Maitatsane called on all motorists to stop for 15 minutes at 1pm on Thursday, regardless of where they might be, to protest against the petrol price increase

(294) (183)

Petrol price cut a mere drop in the ocean

Star 28/6/96

By Nikki Whitfield

The price of high octane petrol is to drop by 1c a litre on Wednesday, from R2,19 to R2,18 the Central Energy Fund (CEF) has announced.

The drop could have been 2c a litre, but there has been a 1c/l increase in the fuel tax. The pump prices of 87 octane and unleaded fuel will drop by 3c/l, from R2,15 to R2,12.

Diesel prices will drop by 2c/l, to R2,00 while illuminating paraffin will come down by 6c/l.

The CEF said international fuel prices had decreased on average during the period in review – May 26 to June 25 – while the rand/dollar exchange rate had improved slightly.

This is the first time this year the price has moved downwards, after rocketing alarmingly since March.

But it is unlikely to put smiles on the faces of many motorists or trade unions.

A 1c drop is far from the R1,50/l price demanded by members of the SA Independent Trade Unions Confederation (Saituco) when they marched on the Pretoria offices of the Ministry of Mineral and Energy Affairs yesterday.

"The present pricing structure is unacceptable and tends to be inflationary as the actual cost is not considered," said Saituco, which claims a membership of 200 000 members

Pictures BRENTON GEACH and OBED ZILWA, The Argus

STRIKE FORCE: Part of the crowd of thousands of striking clothing workers who crammed the Cape Town Civic Centre for a meeting today. Inset Sactwu deputy chairman Lillian Malan addresses workers

ARG 29/7/96

Strikers plan pressure on stores

184

ESTELLE RANDALL, ASHLEY SMITH and JUDY DAMON
Staff Reporters

STRIKING clothing workers decided today to put pressure on managers of major Cape Town shops not to buy clothes from strike-hit factories

This was decided at a South African Clothing and Textile Workers Union (Sactwu) rally at the civic centre

Organisers said they would put pressure on stores including Edgars, Woolworths and Mr Price They also planned to to tell store managers not to buy clothes from foreign markets to replace local goods Strikers would further ask shop management to put pressure on factories not to lock out workers

Tomorrow employees plan to picket factories and put pressure on non-striking workers to join the strike

Talks to settle the clothing industry's first national strike will continue on Wednesday, but more employers were breaking ranks and offering between nine and 10 percent, Sactwu said

Yesterday's meeting in Cape Town between mediator Charles Nupen, employers and Sactwu failed to move the parties closer to a settlement and the strike, which began last Thursday, continues Employers will also continue to lock out strikers wanting to return to work

The union wants a 10 percent package increase to improve wages, annual bonuses, maternity leave, retirement benefits and skills training Employers are offering eight percent

Sactwu deputy general secretary Ebrahim Patel said, at the union's last count, employers countrywide had broken ranks with the official eight percent offer He refused to give their names

Cape Clothing Manufacturers Association executive director Peter Cragg questioned this claim and insisted Sactwu disclose the names

Johann Baard, spokesman for the National Employers Caucus for the Clothing Industry, said employers were disappointed when Sactwu yesterday failed to move from its demand for a 10 percent package increase, although employers had not moved from their offer of eight percent

"We were particularly disappointed since the union has publicly acknowledged that 10 percent was negotiable We will continue to appeal to workers about the consequences of continued strike action as this will only lead to further retrenchments," Mr Baard said

Mr Patel accused employers of playing with the industry's future

"We have shown our demand for a 10 percent package increase is affordable and just Nevertheless, employers have kept the lockout going and have refused to move to a settlement range "

He said employers' use of the lockout had not been implemented in Gauteng nor was it being used in all factories in Cape Town and Durban

Last week strikers staged demonstrations at retail stores in Cape Town's city centre and in the southern suburbs Striking Rex Trueform clothing workers in Salt River burnt tyres early today

Speaking in solidarity with the clothing workers at the civic centre, SA Municipal Workers Union (Samwu) member Vincent Jonas said the union fully supported the strike

The regional organiser of Sactwu in the Western Cape, Rachel Visser, said workers had to be disciplined and not get drunk while on strike

Workers told to 'camp' at factories

(184)

Cape Town – Amid accusations that striking clothing workers were resorting to "dirty tactics", Ebrahim Patel, deputy general secretary of the SA Clothing and Textile Workers' Union (Sactwu) has called on striking workers to "camp" outside factory gates today.

Shortly after a "vote of confidence" in the strike at a mass rally in the city yesterday, workers marched to retail stores in the city centre, causing branches to close at lunchtime.

Peter Cragg, director of the Cape clothing industry manufacturers' association, said about 75% of clothing workers had returned to work yesterday – Own Correspondent.

Star 30/7/96

Textile bosses call for truce

(184)

Sowetan 30/7/96

CLOTHING industry employers would partially modify the conditions of their lockout and reinstate all striking workers if they reported for duty today, employers' negotiator Mr Johann Baard said in Cape Town yesterday

The strike called by the South African Clothing and Textiles Workers Union entered its fifth day yesterday

Baard said employers were losing about R15,5 million a day in turnover, while employees were losing R5,6 million a day in wages

A second round of mediation is scheduled for tomorrow after no agreement was reached on Sunday

Intensify action

After a report-back to members, the union yesterday said it would intensify strike action and hold placard demonstrations at the premises of large retailers

Baard said employers had no difficulty with workers' right to peaceful protest but that tyres had been set alight in the street at some factories in Salt River and Woodstock outside Cape Town and that non-striking workers were being intimidated

Baard said there was minority worker support for the strike. He said taking back striking workers was the employers' gesture of goodwill in an effort to create a better climate for mediation tomorrow

Sactwu deputy general secretary Ebrahim Patel said the union would put pressure on employers and if demands were not met, it would ask the public to boycott large retail stores – *Sapa.*

UNION HAS LOST CONTROL – CHIEF NEGOTIATOR

Strikers shut down city stores

CT 30/7/96 (184)

AN ATTEMPT by strikers in the clothing industry to draw retailers into their wage dispute has failed Woolworths and Edgars spokesmen said they would not respond to the union's "bully-boy tactics" **CYNTHIA VONGAI** reports.

STRIKING SA Clothing and Textile Workers' Union (Sactwu) members picketed Woolworths and Edgars retail stores yesterday, forcing the stores' Adderley Street branches to shut from lunchtime.

In an attempt to pressure retailers into forcing employers to settle their wage dispute with Sactwu, they rang up goods at the stores and then refused to pay for them They carried out similar protests on Saturday

Clothing workers have been striking since Thursday in support of a 10% wage increase, but the National Employers' Caucus of the Clothing Industry has only agreed to eight percent.

Allegations made yesterday by the chief negotiator of the caucus, Mr Johann Baard, that Sactwu had lost control of the striking workers were dismissed by Sactwu assistant general-secretary Mr Ebrahim Patel

Baard said stonings at factory premises and the invasion of retail stores and the homes of clothing company executives were clear proof that Sactwu had lost control of its members

He claimed there had been incidents of violence in Salt River and Woodstock, when strikers burnt tyres and intimidated non-striking workers

"We are in the midst of a mediation initiative, yet Sactwu members have seen fit to resort to dirty tactics From reports of incidents yesterday it is clear that the union ranks have been swelled by outsiders," Baard said

"Interference and intimidation have become commonplace We hope the unruly behaviour and intimidatory tactics will be condemned by the union.

"Thuggery and blackmail will not win the day," he said.

However, Patel countered "I dismiss this allegation emphatically Some workers made fires to keep warm and it is absurd to equate this with tyre-burning.

"The strike has been characterised by the utmost discipline and dignity in the face of provocation "

The strike is set to continue until tomorrow when employers and strikers meet again to try to resolve the dispute.

Sactwu has drafted a memorandum and distributed it to retailers asking them to sign it and return it to the employers' caucus.

The memorandum asks retailers not to buy goods from local clothing manufacturers for the duration of the strike and also asks them not to buy imported goods to replace the local orders because of delays caused by the strike It also asks retailers to condemn the employers' lockout of striking workers.

In a statement yesterday, Woolworths said "a large number of Sactwu members" picketed outside Woolworths House (its head office) and staged sit-ins at its stores in Adderley Street and Claremont.

"They demanded our signature on their memorandum, but by agreement with the organisers Woolworths did not sign and instead faxed a copy to the Employers' Caucus of the Clothing Industry The fax said 'A large number of employees picketed inside Woolworths head office today We sincerely hope that this matter is resolved at Wednesday's mediation We have received Sactwu's memorandum.'"

Edgars group human resources executive Mr Nigel Unwin said Sactwu's attempt to involve retailers would not work.

"We will not respond to bully-boy tactics used by Sactwu and we do not appreciate the disruption of business because we have lost a considerable amount of money "

Unwin said the avenue the strikers were taking would not result in a peaceful solution to the wage problem, which reached a stalemate during negotiations between Sactwu and the caucus.

Sactwu regional secretary Mr Wayne van der Rheede said the workers wanted to pressure retailers into helping settle the dispute.

"Retailers have the power to insure there is a settlement."

Patel said Sactwu viewed the retailers as the benefactors of the low wages paid in the clothing industry

"Woolworths and Edgars put a 100% mark-up on clothing goods."

By picketing in and outside retail stores, Sactwu wanted to win the support of retailers and the public and draw attention to what was happening in the industry

"Strikers have shown incredible determination in pursuing a set of legitimate demands, which call on employers to place on the table a proposal to address the problems of the poorest workers in the industry," Patel said.

● See Page 24

SHOPS TARGETED: Two policemen keep watch outside the Adderley Street branch of Woolworths yesterday, as a group of SA Clothing and Textile Workers' Union (Sactwu) strikers stage a sit-in inside

PICTURE: BENNY GOOL

News

Hard-headed positions could bring down the garment industry

A testing time for all in the rag trade

(BR) CT 30/7/96 (184)

By Marc Hasenfuss
CAPE EDITOR

Cape Town — Bringing the strike in the local clothing industry to an end before the production disruptions tear into the already threadbare trading conditions will sorely test the uncompromising stances adopted by the employers and the trade union.

The longer the strike continues the greater the chance that the wage dispute will be overshadowed by the spectre of bankruptcy.

A clothing sector analyst said the strike was sustainable in the short term.

"Some of the bigger factories are on short time, so a few days' disruption won't have a disastrous effect. But if industrial action lingers on then we could see problems," he said.

The worst of the present strike was the effect on investor confidence. "This disruption could prompt more companies to move out of the country," he said.

The South African Textile and Clothing Workers Union (Sactwu) and the National Employers's Caucus of the Clothing Industry were both sticking to their guns on wages when the strike began last Thursday.

The hard-headed attitude seems unnecessary and short-sighted considering that the employers' 8 percent offer and Sactwu's 10 percent demand translates into a few more pennies in the weekly pay packet and an insignificant addition to the wage bill.

Far more is at stake here than simple wrangling over wage increases. The clothing industry needs to send out a signal that it is serious about becoming internationally competitive.

One industry leader said the employers' unyielding attitude on the wage increase reflected the circumstances in the industry.

"This is all we can afford. That's why we are sticking to it."

Some workers take home less than R300 a week and their demands are understandable. Claims that employees were being manipulated by sinister forces with other agendas ring hollow. Sentiment at the stayaway rallies around the country highlighted genuine hardships.

While ordinary workers were rallying behind Sactwu's demand for a living wage, the employers played their trump card in adopting the controversial decision to lock them out.

The lockout means that striking workers, who were prepared to sacrifice a few days' wages for the cause, could face greater losses as the industrial action drags on. The lockout essentially precludes workers from returning to work once they have embarked on a strike.

With mediation due to resume tomorrow, striking workers are already losing a week's wages.

Cracks have started appearing on the employers' side with the news that several companies have broken ranks with the clothing association and have agreed to meet Sactwu's demands for a 10 percent wage increase.

One company has already been expelled from the organisation for breaking ranks.

On Sunday, Charles Nupen, the independent mediator, offered the union and employers time to reflect and reconsider their stances.

Mediation resumes tomorrow after consultation with members and it is hoped that both sides give the necessary leeway to reach a settlement.

If mediation fails to break the deadlock, the production losses that by then will be well over R100 million could become ominous. Local retailers and international buyers, whose supply arrangements have the clothing industry on a tight leash, could be forced to increase their reliance on imported garments.

Sactwu and the employers' caucus have to move swiftly to preclude serious supply disruptions. The final settlement will be rendered meaningless by factory closures and job losses if industrial action is prolonged.

STRIKING SALES *Police keep a watchful eye as striking clothing workers protest outside a retail outlet in central Cape Town yesterday. After a mass meeting, clothing workers decided to march to town to pressure large retail chains into not buying clothes from factories affected by industrial action.* PHOTO: ANDREW BROWN

Workers released after overnight strike blockade

(184) ARG 30/7/96 ARG 30/7/96

ASHLEY SMITH
Staff Reporter

AMID accusations that striking clothing workers were resorting to "dirty tactics", strikers today blockaded a Salt River clothing factory, barricading non-striking workers inside the factory

About 300 striking workers from clothing factories Bonwit, Kinross Clothing and Rex Trueform blocked the entrance to Bonwit clothing factory

They refused to move until Jack Kipling, managing director of Bonwit Industries, agreed to the 10 percent increase being negotiated by the SA Clothing and Textile Workers' Union (Sactwu)

Some shop stewards had been outside the gates since midnight

Non-striking workers said they were upset that the picket meant they were not allowed to exercise their right to work

Striking workers had apparently locked staff members inside the factory last night

After discussions, working staff members were released

Mr Kipling said the behaviour of the strikers was immature

"Non-striking workers should be allowed in," he said

"To prevent people from entering was not agreed between union bosses and management

"My main priority is, however, the safety and security of my workers "

Two staff members were allowed into the premises to make up pay packages

The picket follows a call yesterday by Mr Ebrahim Patel, deputy general secretary of Sactwu, who called on strikers to camp outside factory gates today

But Peter Cragg, executive director of the Cape clothing industry Manufacturers' Association, said 75 percent of clothing workers had returned to work yesterday

He said there was a growing tendency for workers to abandon the strike and to "tender their services"

Shortly after a vote of confidence in the strike at a mass rally in Cape Town yesterday, strikers marched to retail stores in the city centre

Some outlets closed at lunch-time No violent incidents were reported although tensions ran high

Edgars, Woolworths, Foschini and Markhams were targeted by chanting workers

Johann Baard, chief negotiator for the National Employers' Caucus of the Clothing Industry, said Sactwu members were resorting to "dirty tactics"

He said factories targeted for "interference and intimidation" by Sactwu members were those which had an attendance rate as "high as 90 percent"

Mr Cragg said "There are pockets of high strike incidence, particularly in the Salt River area close to Sactwu offices "

Employers accuse striking clothing workers of barricading factories

BD 30/7/96 (184)

Reneé Grawitzky

THE clothing strike took a confrontational turn yesterday with employers claiming that strikers were barricading factory entrances and harassing clothing employers despite an undertaking by the parties to continue mediation tomorrow.

In line with Cosatu's call, there was picketing of a number of retail outlets in the Western Cape which could spread to other parts of the country today. As the strike gained momentum, there were rumours of an increasing number of employers threatening to break ranks which could ultimately undermine future centralised bargaining and the solidarity of the strike.

Amid claims of increased intimidation, SA Clothing and Textile Workers' Union assistant general secretary Ebrahim Patel denied the strike was turning violent. In an industry where 80% of the workers were female, it was unthinkable that the strike could have turned violent, he said.

Clothing employers claimed that not only were people prevented from entering or leaving factory premises, but a senior clothing employer and his family had been harassed at home by striking workers at the weekend.

Patel said in this case the employer had refused to pay the workers on Friday and the workers had picketed outside his home at the weekend. Workers were paid yesterday.

Patel said there were two instances where guns had been pulled on striking workers and on Friday women had been forced to stand in the rain for up to seven hours before they were paid their weekly wages.

He said it was in the industry's interest not to prolong the dispute. He stressed, however, that clothing workers were the lowest paid in the manufacturing sector, saying the "level of human misery of a family that earns R250 is incredible"

Clothing employer spokesman Johan Baard said more than 300 striking workers had gathered outside Seardel head office in Cape Town yesterday demanding a meeting with its chairman Aaron Searl A meeting was held but it was unclear what had transpired during the meeting

Baard said employers were disappointed with the lack of progress during mediation on Sunday and with the union's failure to revise its 10% demand after the employers revised their position from 7% to 8% following the strike ballot.

He said employers were questioning whether the necessary commitment

Continued on Page 2

Clothing

(184) BD 30/7/96

Continued from Page 1

and desire existed to resolve the dispute, especially in view of the actions which had taken place yesterday.

He expressed concern that a relationship built up over years could be destroyed in a matter of days.

Union general secretary Jabu Ngcobo warned that the "parties must really come together with a sense of settlement" He said the first mediation meeting reflected that employers were not prepared to move towards a settlement. It was becoming evident that employers were taking advantage of the debate between labour and government on macroeconomic policy, Ngcobo said "They are using this as their opportunity to fight labour by believing labour will have less strength to fight the struggle around wage negotiations this year."

CT 31/7/96

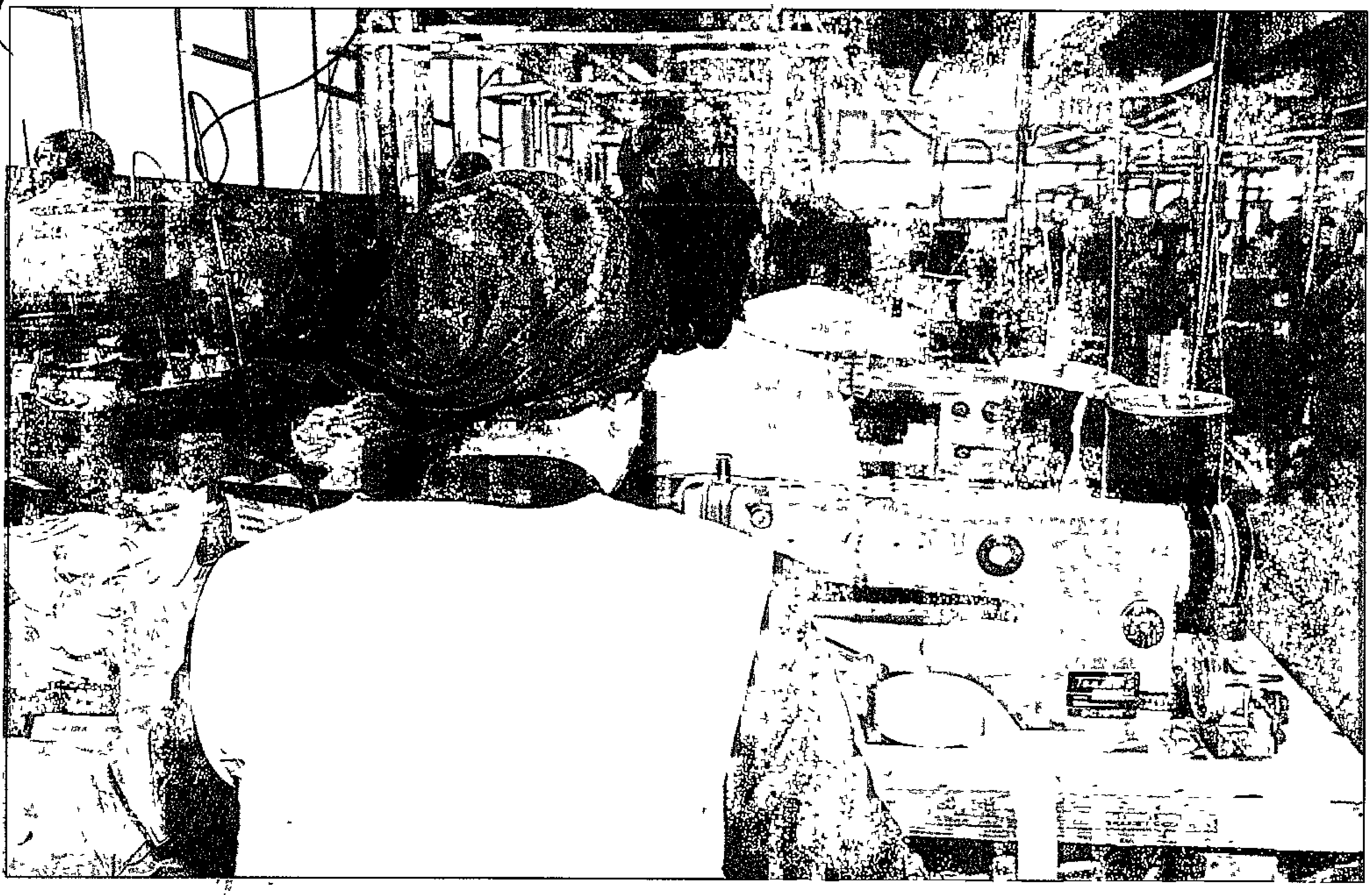
Office staff held (~~152~~)
captive by strikers

(184)(~~149~~)

PRETORIA: About 300 striking workers yesterday held 15 administrative staff captive in their offices at a metal factory here for 12 hours before police freed the captives.

Police spokesman Captain Dave Harrington said none of the trapped staff had called the police.

A shock grenade was thrown and two rubber bullets fired before the strikers dispersed — Sapa



NO WORK, NO PAY: While a four-day strike by workers has closed many Cape clothing production factories, others have been kept going by workers who cannot afford to stop earning, even for a few days, or who do not wish to risk losing their jobs *PICTURE: GUY ADAMS*

Fear for jobs keeps factories running

CT 31/7/96 (184)

LISA TEMPLETON
STAFF REPORTER

MONEY and fear of job losses has kept many clothing workers at their machines — in spite of pressure to join a nationwide strike

The strike — which entered its fourth day of deadlock yesterday, with the SA Clothing and Textile Workers' Union (Sactwu) demanding a 10% increase and the National Employers' Caucus of the Clothing Industry offering eight percent — has brought many Cape clothing factories to a standstill

However, some factories have been kept going — by workers who earn R293 a week and could not afford to stop earning even for a few days

"It was not good for me to strike because I have a husband who works now and then and three teenagers to support," said one worker "If I go on strike I get no wages and then there will be no food in the house "

The worker said she was frightened by the strikers, who yesterday morning barricaded the doors of the factory where she is employed in an attempt to stop people from working

"I am scared of them — they are dangerous and they shout ugly things at us, things you would not want to print in the newspaper," said the woman

A second worker said she was sympathetic towards the strikers, but could not afford to lose even one day's money

"I sympathise with them The strike is worth it even if it is only for a little bit of money," she said "Most of the women workers are single parents and an extra R6 a week makes a difference to them "

A third worker, who had not joined the strikers because it went against her Christian principles, said she worried about small companies which could not afford to increase wages and would fold under union demands, leaving people without jobs

She expressed concern for strikers who did not earn money while striking — unlike union officials — and who could not tell how long the strike would go on for

Another worker said she was not prepared to strike because she was disillusioned with the union

"I was a union member for 20 years, until my friend lost her house in a fire and we appealed to the union for help," she said "All they gave her was R50 "

One clothing manufacturer, who asked not to be identified, said his employees who worked through the strike were "terrified", after strikers hurled abuse and threats at them

Big return to work, say employers

CYNTHIA VONGAI
STAFF REPORTER

CLOTHING factory employers yesterday claimed that 70% of their workers had arrived for work yesterday — but the SA Clothing and Textile Workers' Union (Sactwu) angrily denied its four-day-old national strike was falling apart and said the claim was "propaganda"

The union also denied allegations that their members were guilty of thuggery, drunkenness, violence and intimidation, but employers hit back, claiming that they had documentary proof of this

Cape Clothing Manufacturers' Association (CCMA) executive director Mr Peter Cragg said yesterday there was a 70% worker attendance at clothing factories, compared with 65% on Monday Factories that shut at the beginning of the strike on Thursday have remained closed

Cragg said there had been reports of widespread intimidation of workers trying to return to work

"Contrary to Sactwu's denial of violence during the strike, we have documentary and visual evidence of intimidation, violence, drunkenness and general unlawful behaviour by striking Sactwu members "

He also claimed that the situation at some factories was serious, with workers being physically intimidated by fellow strikers not to return to work, but to remain on strike

"Our intention is not to create a negative perception of the strike, but the public must know what is happening," said Cragg

Sactwu's assistant general secretary, Mr Ebrahim Patel, said last night the employers' claims of violence and unruliness were untrue and mostly "exaggerated", as the strike had been peaceful

● See Page 22

No compromise in Sactwu dispute

(184) BD 31/7/96

CAPE TOWN — Clothing industry employers and the SA Clothing and Textile Workers' Union agreed yesterday that a settlement of the four-day clothing workers' strike was in both parties' interest, but neither was prepared to offer any compromise before today's second mediation meeting in Cape Town.

Claims and counterclaims were made by both parties after the National Employers' Caucus and the Cape Clothing Manufacturers' Association accused union members of violence, drunkenness and intimidation of non-striking workers.

Sactwu deputy general secretary Ebrahim Patel said his union unequivocally condemned any violence and called on all strikers to behave in a peaceful and disciplined manner.

Peter Cragg, executive director of the association, made written statements from seven companies available to the media stating that striking workers were burning tyres, erecting barricades, damaging gates and physically abusing non-strikers

Doug Miller, spokesman for Pep Manufacturers, said exits at Pep in Parow were blocked, tyres had been set alight and non-striking workers had been prevented from entering. Other companies had similar complaints.

Johan Baard, chief negotiator for the caucus, said the relationship between employers and workers in the clothing trade had always been the envy of other industries and it was essential that this relationship be maintained

He said both parties had to do everything in their power to find a settlement and to look back on the strike as a learning process, and not one which had destroyed an unique relationship between management and workers.

He said he remained hopeful that a positive announcement would be made after today's meeting, but that both sides would have to compromise.

Patel said his union would not harden its position, and would enter the "with an open mind and a positive attitude".

Sactwu is demanding a 10% wage increase and employers have offered eight percent, but have indicated an 8,5% offer was on the cards.

Reneé Grawitzky reports that sources close to the negotiations indicated that about 40 companies had shown their willingness yesterday to concede to the union's demands, which could put pressure on the employers to revise their positions.

Patel said the offer of 8,5% was not new "In fact the employers sought to define what would be their settlement range (between 8% and 8,5%) and then tried to lock-in the union into this settlement range."

Patel said more than 60 000 workers were still on strike. He said he knew the workers would experience hardships, but they were determined to get a fair deal.

Workers picketed stores, corporate head offices and stores yesterday and a number of church services were planned for today.

Baard said the loss in turnover after the four-day strike was about R10m-R12m —Sapa

MANUF. - CLOTHING
1997

Clothing industry's on the up

(184)

Employment, orders, exports rising – survey

ARG 8/10/97

EDWARD WEST
DEPUTY BUSINESS EDITOR

Employment in the clothing industry is rising, order books have improved, exports are increasing and manufacturers are spending more money on equipment, according to a survey of industry trading conditions.

Clothing Federation of South Africa president Bernard Richards said yesterday the survey reflected a level of confidence not seen in the clothing industry for some time

The industry poll, the first by the federation, drew a response from 20% of the 400 member companies in the federation, and covered the entire clothing industry in terms of size and merchandise

Of the companies to respond, 35% reported a higher level of employment in September compared with 28% in April

About half said employment was at the same level as last year, against 37% in April Only 15% were employing fewer people in September, compared with 35% in April.

'Productivity is one of the most pressing issues affecting operations'

The higher employment levels were supported by reports that forward order books were up for 49% of the respondents in September, against 47% in April, while stock levels of finished goods were lower or the same for 73% in September against 62% in April

Most of the manufacturers increased the factory prices of their clothing by between 5% and 10%. Local fabric prices increased between 4% and 10%.

Mr Richards said another sign of growing confidence in the industry was rising capital expenditure plans In September, 54% of respondents said they planned to spend money on new capital equipment, against 45% in April – 67% said they planned to replace equipment, against 63% in April

"On the back of this has come the good news that Government has seen fit to extend the life of the duty credit certification scheme beyond March to March 2000 The extension of this scheme will be a welcome boost to manufacturers who are striving to adapt effectively to international competition," said Mr Richards.

Most manufacturers expect to increase exports over the next 12 months Of those to respond, 41% in April and September believed exports would increase, while in September only 10% predicted a drop in exports, compared with 21% in April In September, 28% of the respondents expected exports to remain at present levels, compared with 21% in April.

Productivity was singled out as one of the most pressing issues affecting operations, followed by fabric costs, fabric availability and competition Only about 9% of the respondents complained about weak demand, said Mr Richards

Small players want protection from retailers

Clothing makers call for controls

CT (BR) 16/1/97 (184)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — Small manufacturers in the clothing industry are demanding a legal code of conduct as protection against some large retailers after the pre-Christmas closure of Miba Clothing, a small cut and trim operation in Durban

A growing number of small manufacturers is demanding protection against cancellations of orders and last-minute changes by larger retailers. It follows speculation that banks are refusing finance to small firms whose order books are dominated by these retailers

However, large players in the clothing industry and the retail sector yesterday labelled this an overreaction, despite allegations that Mr Price, the budget clothing chain, has been blamed for Miba's closure.

Alastair McArthur, the managing director of Mr Price, which has prided itself in building up smaller manufacturers, was not available for comment yesterday

Demands for a legal safety net are also reflected in a report by the University of Cape Town's Unit of Development Policy Research on the future of the Durban clothing industry The report suggested that business practices of larger retailers and their relationship with the manufacturing sector needed investigation and the legal aspects of contractual agreements re-evaluating

Hennie van Zyl, the executive director of the Clothing Federation (Clofed), admitted there could be a need to revisit the contractual side of the pipeline

He said that although there had been a code of conduct during the 1980s, this had fallen by the wayside At this point, there was no standard contractual agreement similar to the one governing the building industry Van Zyl said he was not sure whether the clothing/textile pipeline was either ready or suited to such a rigid structure

Bernard Richards, a joint managing director of Seardel and the president of Clofed, rejected a code of conduct on the grounds that it would ruin established relations with retailers.

Richards said the code of conduct of the past was ineffectual.

While there might be a need for a code of conduct, the power dynamics within the industry were largely in favour of retailers, which meant it would be ignored

Van Zyl also conceded that because the bulk of clothing retailers were small, medium and micro enterprises, contractual negotiations could be one sided

The fact that smaller retailers were more than willing to supply information, but refused to put their names to their disclosures for fear of losing orders, also illustrated who called the shots within the pipeline

Michael Coles, the general manager of Pick 'n Pay's clothing division, said the company had its own code of conduct, which it negotiated with suppliers He felt this was free and fair and minimised problems. He said, however, Pick 'n Pay reserved the right to cancel orders which were faulty or not delivered on time

Colin Hall, the chairman of Wooltru, also tossed out the notion of a code of conduct on the grounds that the company supported proactive relationships rather than empty agreements

He said that although the allocation of legal responsibility might control the mechanics in the short term, it would not solve problems in the long term and would destroy the manufacturer's chances of further orders

Clothing export plan is rejected

(184)

SHIRLEY JONES
KWAZULU NATAL EDITOR

CT (BR) 20/1/97

Durban — The government and large clothing manufacturers had responded coolly to a call by small clothing manufacturers for a centralised export house to provide urgently needed support to boost exports, industry sources said last week

A key member of the Natal Clothing Manufacturers Association said yesterday that the government appeared indifferent and large companies which dominated the industry and its representative bodies such as the Clothing Federation (Clofed), were hostile to the idea.

The manufacturer, who asked not to be identified, is based in KwaZulu Natal and is a member of Clofed's Small Business Committee

He said since the department of trade and industry had not met its September deadline for the conclusion of a tariff structure for the clothing industry, it was unlikely that time would be devoted to the concerns of small business

Moving into the value-added global market was the only hope for the rapidly shrinking local clothing industry, he said.

But, he said, small businesses had neither the finance nor the infrastructure to enter the export market.

According a report by the University of Cape Town's Unit of Development Policy Research, only large clothing companies have entered the export market to date, while smaller companies cannot afford to finance the large volumes required The time and cost burden of marketing and after-sales service are also beyond small firms, the report says

Hennie van Zyl, the executive director of Clofed, said exports were the domain of big clothing companies who could then draw in the smaller firms

Clothing industry warning

CT(BR) 23/1/97 (184)

Shirley Jones

KwaZulu Natal Editor

Durban — Large clothing manufacturers and retail chains are preying on smaller manufacturers and killing this part of the industry, Stanley Finn, a consultant to the KwaZulu Natal clothing industry, said yesterday

He said a national code of conduct was needed to govern the crumbling clothing industry

Statistics supplied by the industry showed that nearly 15 000 people had lost jobs in the industry in Gauteng, KwaZulu Natal and the Western Cape over the 18 months to October 31 last year During the same period, 124 companies collapsed However, the statistics do not paint a true picture given the large numbers of re-entries in the industry

Finn said at least 66 percent of small clothing manufacturers were poorly capitalised when they started Their attempts to fund both stock and debtors at South Africa's punitive interest rates exacerbated problems.

"The clothing industry is one of the very few where the entry level, both financially and skills-wise, is so low that most factory owners do not have a basic understanding of the challenges they face

"It is sad to see how heavily they are exploited. In most cases the factory owner is bonded to the hilt and, once the weekly wage ritual is complete, there is little else to live on, so organic growth goes out of the window," he said

One of the main problems for small manufacturers, Finn said, was getting most of the main retailers to pay their bills He said they often ground to a halt, with full order books, while waiting for the capital needed to fund their next consignments

"I have first-hand experience of instances where it has taken six weeks to get money into the factories. This is totally unacceptable," Finn said

He said that unlike retailers such as Mr Price, which was sympathetic to small manufacturers' needs and was well known for speeding up payments, most big retailers only paid up on an average of 60 to 75 days from the statement

Finn said there was a lack of accountability throughout the clothing retail pipeline and that many small manufacturers were "by no means innocent victims"

Allwear to be delisted, says Hicor

(184) CT (BR) 28/1/97

MAGGIE ROWLEY

Cape Town — Hicor will delist its clothing manufacturing subsidiary Allwear and offer minorities a cash settlement or shares in the parent company Hicor, chairman and managing director Renier van Rooyen said yesterday

He said more than 60 percent of minorities, including Coronation Asset Management, which holds 8 percent of the equity in Allwear, had indicated they supported the decision

Minorities will be given a choice between a cash settlement close to the prevailing trading price of 200c a share or shares in the parent company Hicor.

Van Rooyen said negotiations with two potential cash buyers for Allwear collapsed because they offered prices that were less than the present trading price

He said poor performance of the share price because of the biased view investors had of the clothing industry, despite Allwear's good performance, was the reason behind the delisting decision

"Delisting Allwear and bringing it into the Hicor stable, either as subsidiary or a division, will be beneficial to the group as a whole and allow us, among other things, to use export funds of Allwear to cover electronic imports of Hicor," he said

China has dynamic edge for SA exporter

(984) (~~748~~) CT(BR) 28/1/97

AUDREY D'ANGELO

Cape Town — Lawrence Dreyer, the managing director of Cape Town clothing manufacturers Chelsea West, is one of a growing number of South African businessmen already doing business with mainland China

Returning last weekend from his sixth visit to the country within 12 months, Dreyer told Business Report he intended to set up a manufacturing operation there to take advantage of low costs combined with high productivity and skills

He said he was still in the process of deciding in which region to set up "It is about a year down the road"

Dreyer said it was impossible for a manufacturing operation in this country to compete with one in China in terms of price

Praising the standard of efficiency he found there and the rapid improvement in infrastructure, he said a 240km stretch of highway, which had been started when he was in China in April last year, had already been in use last week

"There is a tremendous dynamism I am confident from what I have seen that China will become the dominant economy in the world"

Dreyer said he believed South African businessmen would continue to make regular visits to Hong Kong, which was the world's biggest showcase for goods ranging from toys to electronic goods, textiles, plastics and many other products

He did not foresee this situation would change after Britain handed over Hong Kong to China on July 1

Illegal imports and less protection take their toll

Nicola Jenvey BD 27/3/97 (184)

DURBAN — Port Elizabeth-based industrial clothing, footwear and textiles group Unispin saw attributable income crumble to R904 000 for the 15 months to December (12 months in 1995 R10,5m) as industrywide problems of illegal imports and decreasing tariff protections again took their toll, chairman Claas Daun said yesterday.

Unispin is the major supplier of hand and industrial knitting yarns and cotton yarn. Annual attributable losses in the early 1990s were followed by two years of profits

Headline earnings to December a share dropped to 0,3c (18c) No dividend was declared

Sales increased 13% to R293,9m, as the local trading environment proved highly demanding Capital expenditure of R46,9m (R9,1m) lifted the interest bill to R7,7m (R1,5m) and retained income at year-end came in at R16,2m (R15,3m)

Daun said the year had marked Unispin's first year under new financial control and phase 1 of a three-year strategic plan which included an extensive capital expenditure programme aimed at reducing costs and improving efficiencies Unispin would attempt to export products to combat the cheaper imports entering SA

The group's balance sheet remained strong and liquidity was maintained through a healthy cash flow

Daun said Unispin's progress towards recovery had been good during the period under review Improvements effected under the strategic plan had not yet been converted into consistent profits

This year the group would continue implementing the strategic plan, structured for medium- and long-term growth. A further R15m had been earmarked for capital expenditure However, Daun warned that although the benefits of the plan were becoming evident, no significant profitability improvements would be achieved before the latter part of the year

"The present chaotic local market conditions are not expected to vary significantly during the forthcoming year, but in the longer-term, Unispin's commitment to international excellence should provide appropriate reward," Daun said

Unions gear up for bargaining

(184)

Reneé Grawitzky

AN INCREASE of 15% across the board, a 40-hour week, six months' maternity leave, a national provident fund and a skills based grading system would form part of the SA Clothing and Textile Workers' Union core demands this year

In the wake of the union's recent bargaining conference, general secretary Jabu Ngcobo said negotiations would start in all sectors by April

He said the union wished to move towards a national provident fund with improved employer contributions of 10% and employees paying a maximum of 7,5% He said employers' current contributions ranged between 5% and 9% The conference also focused on broader issues relating to tariff reductions and continuing customs fraud

Ngcobo said government should withdraw any concessions granted to those involved in customs fraud and confiscated goods should be sent out of SA He said trade talks with Mozambique had been concluded with no union involvement in the discussions

A number of other affiliates from union federation Cosatu were planning their bargaining conferences during the next few weeks and would concentrate largely on industrial restructuring issues

National Union of Metalworkers of SA assistant general secretary Mbuyi Ngwenda said yesterday that the union's bargaining conference next month would focus on work reorganisation with specific emphasis on productivity, gains sharing and incentive bonus schemes

Critical to the conference would be an attempt by the union to develop a dynamic strategy on levels of bargaining, the challenges posed by the new Labour Relations Act and the acceleration of training

On centralised bargaining, he said the union had decided that Mercedes-Benz had to be brought back into the fold of the Automobile Manufacturers Employers Organisation

The Chemical Workers' Industrial Union's (CWIU) bargaining conference next week would focus on finalising the establishment of the central forum in the chemical industry and industrial restructuring and productivity issues

CWIU official Bheki Ntshalitshali said negotiations on the constitution had yet to be finalised

BD 4/3/97

Illegal imports and strike take toll on Seardel

(184)(7845)

Samantha Sharpe

BD 14/2/97

CAPE TOWN — Clothing, footwear and textile group Seardel posted a 5,5% decline in attributable earnings to R23,9m in the six months to December, plagued by illegal imports and the adverse effect of a seven-day clothing industry strike at the end of July

All comparative figures were restated to give effect to the acquisition of a controlling interest in textile group Romatex by subsidiary Frame Group during the reporting period.

The fall in attributable income was accompanied by a drop in earnings from 24,7c to 22,3c a share

However, the group lifted its interim dividend distribution from 3,5c to 4c a share.

Turnover rose 4,2% to R1,4bn following the difficult trading environment and sluggish consumer spending, with operating income showing a marginal decrease of 1,4% to R78,3m

Income before tax and exceptional items fell 4,5% to R63,3m, with a marginally lower taxation charge resulting in income after tax slipping 4,7% to R44,3m

Seardel group chairman Aaron Searll said that the group's short-term economic prospects were not generally encouraging Consumer demand was likely to affect earnings Yet longer-term prospects for the clothing and textile industry stayed bullish

Weak economy puts damper on rag trade

(184)

But city firms upbeat on exports

ARG 1/10/97

LLEWELLYN JONES
BUSINESS REPORTER

Cape clothing companies are still taking a beating at the hands of a weak economy, but there might yet be some light at the end of the tunnel.

For Woodstock clothing manufacturer, Pals Holdings, which reported its annual results for the year to June this week, profits all but came undone, sliding to R966 000, from R3,25 million last year

Financial director Harold Noik said although the group performed better for the second six months of the financial year, trading conditions remained difficult as turnover and profit margins dropped

"Some of the retail groups were really taking strain and we had to come in with far keener prices to remain competitive," Mr Noik said

"But we're quite bullish for the future Our order books are full and the slightly better conditions in the second half look set to continue "

Rex Trueform chairman Stuart Shub would appear to agree

Writing in Rex Trueform's annual report released this week, Mr Shub said the performance of the company in the second half of its financial year "provided a positive outlook for the future"

But both companies are still looking more to export markets for future growth

Mr Noik said Pals had broken into new markets in Australia and the United States which looked promising

Mr Shub said Rex Trueform remained committed to the promotion of its export business Although the company had lost export orders on the European continent because of depressed economic conditions, the company had landed additional large orders from the UK

"We will continue in our endeavours to achieve international competitiveness," Mr Shub said.

Sactwu warns textile employers on skills survey

(184)

THABO MABASO
BUSINESS REPORTER

ARGT 9/9/97

The South African Clothing and Textile Workers' Union (Sactwu) has threatened to declare a dispute with companies it claims have ignored attempts by the Textile Industry Training Board to conduct an audit of skills in the industry.

Sactwu spokesman Andre Kriel told the Cape Argus yesterday that the skills audit was supposed to have been completed by the end last month.

Only 23% of companies in the textile industry had responded to a questionnaire enquiring about workers' skills.

"The union is disgusted at this response from industry leaders.

"It shows a lack of interest amongst textile industry employers to place the issue of industrial training at the top of the agenda," Mr Kriel said.

Sactwu has warned those companies that it claims have ignored the survey to complete the questionnaire by September 12 or risk facing its wrath.

The skills audit was launched in July and seeks to gauge the level of education among workers in the textile industry.

Thousands of clothing jobs on line

(184)

New strike looms

ARG 4/6/97

ALIDE DASNOIS AND THABO MABASO
Business Staff

Tough behind-the-scenes lobbying has begun in a bid to avert another strike over the Basic Conditions of Employment Bill which could deal a fatal blow to the embattled Cape clothing industry.

Clothing workers in the Western Cape were among those who came out in force for Monday's industrial action, called by the Congress of South African Trade Unions (Cosatu) in protest against some clauses in the bill.

Employers calculate the strike cost the clothing industry R10-million in lost turnover, dealing another severe blow to a sector already reeling under competition from cheap imports, many of them smuggled, and from falling consumer spending.

The industry lost 15 000 jobs last year, 3 000 of them in the Western Cape, and employers say similar job losses are on the cards this year unless something is done to curb illegal imports.

At a briefing yesterday in Cape Town, Freddie Magugu, chief negotiator of the SA Textile and Clothing Workers' Union (Sactwu), said his union would make every effort within Cosatu to reach a compromise on the disputed provisions of the bill.

Cosatu, which is arguing for a 40-hour week, phased in over five years, and six months maternity leave with four months of it paid, has warned of another strike on June 24 if business does not give in on these points.

So far, negotiations in the National Economic Development and Labour Council (Nedlac) have not produced a consensus.

Mr Magugu said Cosatu might be prepared to make a deal on some of the disputed clauses but would stand firm on others.

"We hope that in two weeks' time there will be no need for anyone to be in the streets," he said.

Maternity rights might be an issue for discussion, he said.

"But I do not see how we can compromise on the 40-hour week. It is not that the labour movement likes strikes. Industrial action is something we resort to when we find ourselves in a corner."

Johan Baard, vice-president of the Cape Chamber of Commerce and Industry, said there were "lots of initiatives behind the scenes" to try to avert the June 24 strike through a compromise, but he warned that business would not be prepared to compromise "at all costs".

If agreement could not be reached in Nedlac, business would expect the Government to take a firm stand.

Clothing industry reaches agreement

Samantha Sharpe (184)

CAPE TOWN — The SA clothing industry and the SA Clothing and Textile Workers' Union (Sactwu) have agreed on a 9% prescribed wage rate increase and other benefits for the year to June 1998, following an acrimonious strike over wage issues last year.

Sactwu negotiator Freddie Magugu said this would not detract from the recent Congress of SA Trade Unions (Cosatu) call for rolling mass action before the end of the month should its concerns over the basic conditions of employment fail to be met "Hopefully within the next two weeks, negotiated resolution will stop the need for anyone to go to the streets" BD 4/6/97

Cape Clothing Manufacturers' Association director Peter Cragg said Cosatu's protest action had cost the Western Cape industry about R12m

HE said labour and employers had formed a decision-making subcommittee under the industry's National Bargaining Forum, which would focus on productivity and other areas

The terms of the latest agreement included a further 1% increase to the provident fund contribution by employers from January 1 1988. The current retrenchment clause in the industry's' different agreements would be amended to include the provisions of the Labour Relations Act.

NEWS

***STITCHING A DEAL** (from left) Wayne van der Rheede, the spokesman for the South African Clothing and Textile Workers' Union, Freddie Magugu, the union's negotiator, Johann Baard, the employers' negotiator and Peter Cragg, a spokesman for the Clothing Manufacturers' Association*

PHOTO ANDREW BROWN

Clothing industry in wage accord

CT (BR) 4/6/97 (184)

MARC HASENFUSS

CAPE EDITOR

Cape Town — The South African clothing industry has successfully brokered an agreement on wages and other benefits for the year to June 30 1998, in stark contrast to last year when a wage dispute resulted in a prolonged national strike

In a joint statement yesterday, Freddie Magugu, the negotiator for the South African Clothing and Textile Workers' Union, and Peter Cragg, the employers' spokesman, confirmed the industry's national bargaining forum had agreed on a 9 percent wage increase, annual bonuses, leave and healthcare benefits

"The agreement marks the development of a mature working relationship between the employers and the union. We are particularly pleased that labour peace has been restored after last year's wage strike"

Magugu said last year's strike had prompted the union and employers to examine what had gone wrong "We knew that something had to be done to restructure our industry and make it internationally competitive"

Cragg said discussions with the union were under way with regard to flexible working hours and more accommodating leave structures

"The union and the employers have identified areas of common interest, and intend building on these," he said

Magugu said the wage agreement set the minimum wage for machinists in the clothing industry at about R350 a week, but Cragg said the cost to employers was closer to R485 if the bonus and healthcare fund were to be included

Illegal imports 'cripple' clothing and textile sectors

(184) ([illegible]) ([illegible])

FRANK NXUMALO

Johannesburg — South Africa's footwear, clothing and textile industry is losing R17 billion a year to illegal imports, and manufacturers are in danger of being permanently crippled if the abuse is not controlled as a matter of urgency, Mervyn King, the chairman of the Textile Federation and of the Frame group, said last week

The industry has also lost 17 000 jobs to illegal imports and has called for the appointment of a judicial commission of inquiry into customs abuse

However, King said there were indications that the government was at last taking note of the federation's warning on the urgent need for tighter customs control.

"The government appears to have at last heeded our continual warnings about the need for improved customs control and, among other initiatives, there are moves being made to drastically reduce the number of border posts in South Africa

"The massive loss of revenue to the fiscus as a result of duty evasion has now become apparent, as has been the extent of illegal importing," King said

But King said despite the problem of illegal imports, he felt confident the industry was at last coming in from the cold

"It's my firm belief that the pall of gloom that has hung over our industry for so long is a thing of the past There are indications, however slight, that we are entering a new phase," he said

On free market globalisation and industry concerns that bilateral trade agreements with other African countries were undermining the domestic market, King said the critical issue would be the proper policing of the Southern African Development Community area and finding ways of working with overseas countries that would be beneficial to South Africa

"There is business to be done in southern Africa All we need to do is to think creatively and look for opportunities

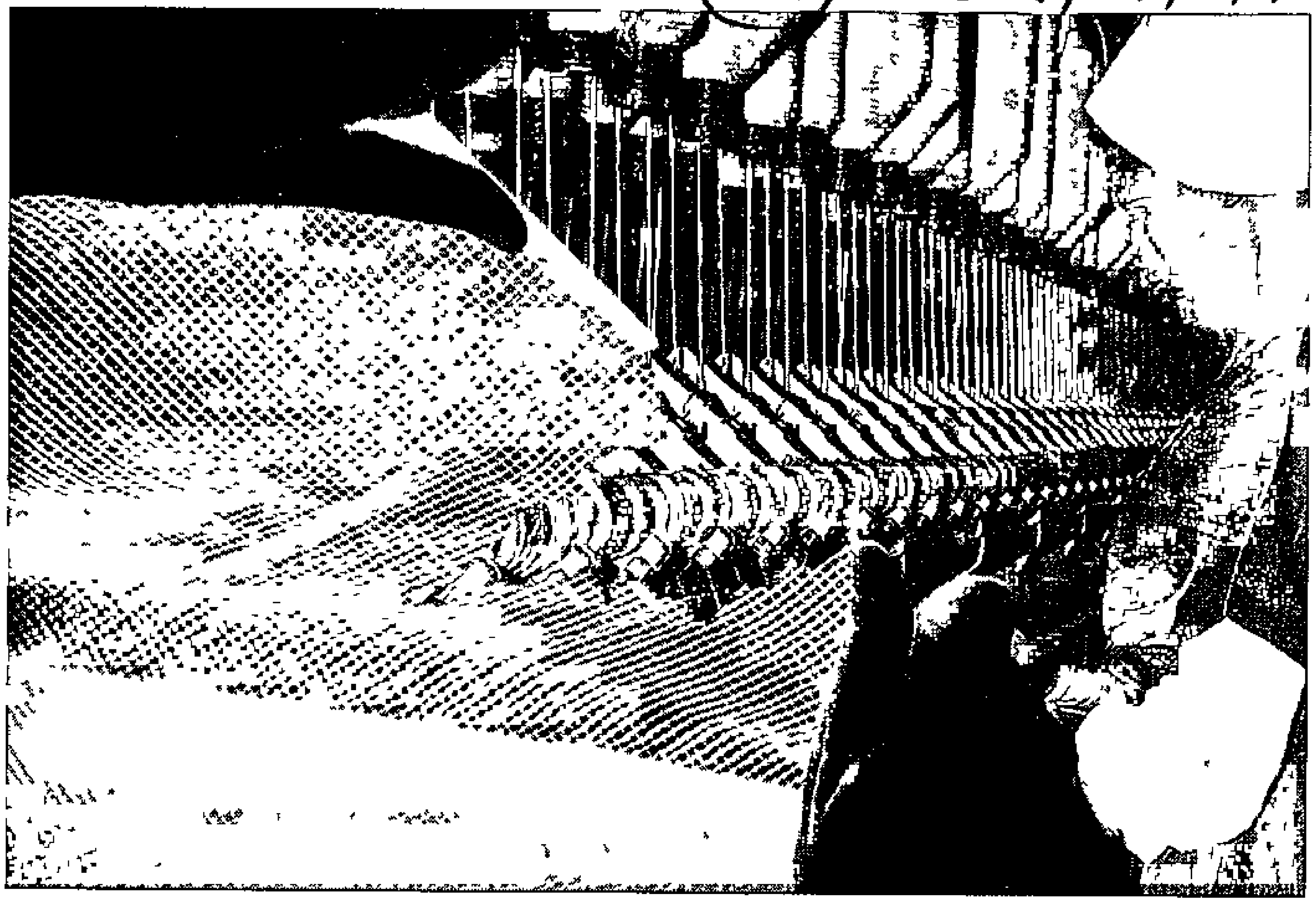
"Similarly, globalisation of our industry presents new and exciting possibilities Rather than merely seeking to avoid the cold winds of international competition, we should be looking for ways to work with, say, the Asian Tigers," King said

CT (BR) 23/6/97

SA jobs start jumping the wage border

(184) CT(BR) 25/7/97

SHIRLEY JONES



Durban — South African clothing operations are migrating to lower wage areas, within our borders and in neighbouring states, the Clothing Federation (Clofed) and manufacturers admitted yesterday

Beleaguered clothing manufacturers in KwaZulu Natal and the Cape said, in the wake of ever-increasing wages and competition from imports, they had to consider whether to reopen urban plants next year

Other manufacturers, who are considering direct investments in neighbouring states to lock into significantly lower wages and take advantage of the low duties determined by free trade agreements, are already sub-contracting increasing amounts of production to factories there.

Ivor Shaer, who heads Denim House in Worcester, said he suffered from productivity problems caused by excessive absenteeism and recent union demands, which would necessitate a 40 percent wage increase

He had no choice, he said, but to move out of the Cape, if not out of the country

"Simply put, the inequality of wages within the Southern African Customs Union, together with the iniquitous Malawi and Mozambique free trade agreements, make my factory unviable," he said

Shaer is considering a shift to Lesotho, which offers a R2,18 an hour wage rate compared with R6,81 in South Africa's outlying areas and R9 in urban centres

While the Worcester absentee level was sometimes as high as 18 percent, he said, Lesotho's averaged 3 percent

Clothing manufacturers are looking to Swaziland and Botswana — which sanction lower wages and offer massive cash wage rebate incentives — as well as Mozambique and Malawi

"Malawi and Mozambique are outside the South African customs union," Shaer said

"Their wage rates are R105 a month and they are able to bring in fabrics from China, India and Pakistan, not to mention partly made up goods"

Paul Theron, Clofed's economist, pointed out that the movement across the border was in keeping with the Department of Trade and Industry's SADC vision

He said although many manufacturers had already shifted their operations, the migration was not yet cause for alarm

However, he conceded there was no way of keeping track of the degree to which clothing companies in central areas were scaling down and contracting out work in outlying areas which were outside formal industrial councils' jurisdiction

Shaer said there were also urban factories which slipped through the industrial council net

"There are many unregistered factories which pay well below the set rate

"Some of these factories employ up to 100 workers and seem to be beyond the reach of the unions, but not of the chain stores who trade with them"

Shaer complained that the South African Clothing and Textile Workers' Union (Sactwu), in particular, "has made no effort to protect its members from this obviously destructive situation"

"We are willing to pay our workers any amount, provided Sactwu can explain how we can compete against companies paying one third of the wage rate," he said

"Have (Sactwu) told the Worcester workers about the 17 000 jobs lost in the Cape in the last two months? Have they told their members about the huge expansion at the China Garment factory in Maseru after the closure of their plant in East London last year?"

Shaer is one of few manufacturers prepared to put his name to protests

He and others point out that, despite Clofed's declaration that the South African clothing industry could be entering a cautious recovery phase, it is in fact disappearing, largely because wage demands are unrealistic

Jabu Ngcobo, a spokesman for Sactwu, replied that companies in dire straits were entitled to apply for exemptions to industrial council agreements

He said it was a poor excuse to blame the union, when the true motive for moving was to make large profits

"I believe it's really wrong to relocate," Ngcobo said "With the levels of unemployment here, we haven't reached the stage where we can share jobs"

He said the issue would be debated at length at Sactwu's August congress

Sadek Vahed, the chief executive of the AM Moolla Group, said his company did not intend turning its back on South African labour even though it had to grasp opportunities in neighbouring states

He explained that the group scaled down to weather the industry's decline and now had to prepare for an obvious pick-up This included embracing the vision of a southern African free trade zone

As a result, he said, 60 percent of the company's product — A-grade or high fashion niche-market items — was produced in its own factories, 35 percent — B-grade output — was contracted out to between 75 and 100 cut, make and trim operations in rural areas, and the remaining 5 percent — C-grade items such as T-shirts and boxer shorts — were sent out to neighbouring states

Vahed pointed out that workers in Mozambique and Malawi needed a great deal of training

Nevertheless, while manufacturers were able to get a six-day week at a single pay rate with slightly less efficiency in those countries, in South Africa they had to contend with a four-and-a-half day week at a higher single pay rate, a Saturday morning at one-and-a-half times the pay rate and Saturday afternoons and Sundays at double pay

Sactwu workers protest medical aid fund change

ARG 1/8/97 (184)

LABOUR REPORTER

Hundreds of members of the South African Clothing and Textile Workers Union (Sactwu) marched on the union offices yesterday demanding that the union reject the introduction of a new medical aid fund.

Sactwu's offices were besieged by about 300 chanting, singing and placard-waving members The disgruntled members claimed the union had been negotiating behind their backs on the introduction of the fund

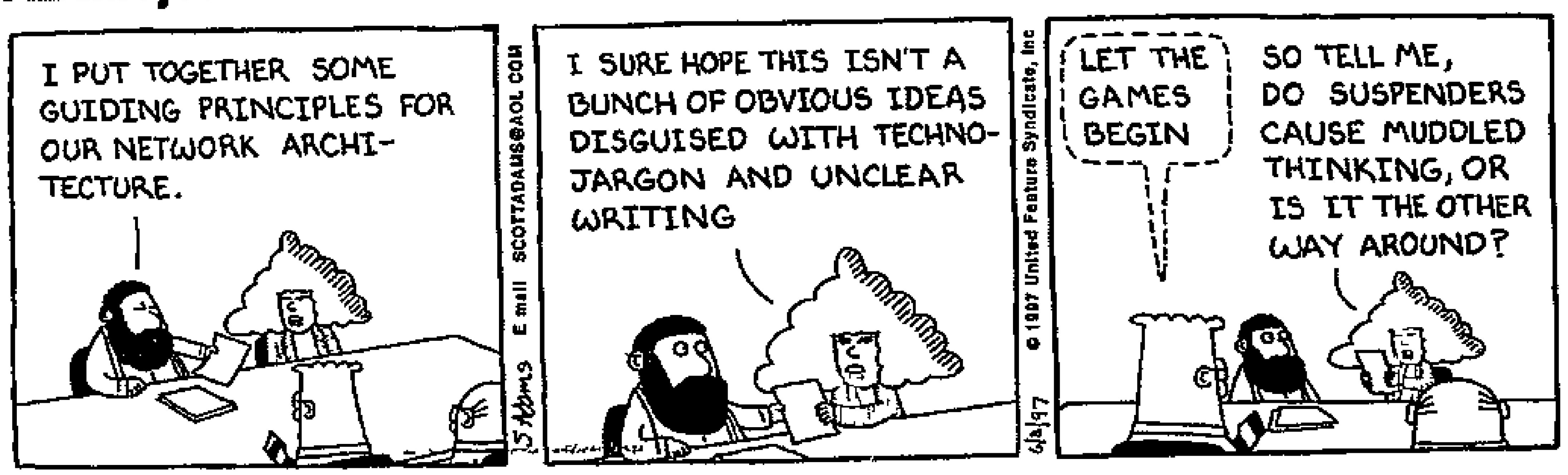
They said the fund restricted them to eight visits to a doctor a year and required that they make use of the clothing industry bargaining council's health care clinics

"When people go to these health clinics they are often full, we never had such problems with the previous fund, so why introduce it if we don't like it," Rex Trueform employee Jamieda Jaffer said

Bonwit employee John Brown said the workers wanted the old fund reinstated

Sactwu regional secretary Wayne van der Rheede said no decision had been taken yet at the bargaining council There was a misunderstanding among members about the union's objectives, he said

DILBERT by Scott Adams



Protest: clothing and textile workers converge on their union offices to demand that the union reject the introduction of a new m

BRENTON GEACH

Strike talk: Cosatu general secretary Sam Shilowa addresses thousands of protesting workers gathered on Church Square

Women lead battle for maternity leave

(63)

ARG 21/8/97 (184) (62)

Female strikers halt rag trade

JOSEPH ARANES AND JERMAINE CRAIG
STAFF REPORTERS

A majority of the workers who took to the streets for yesterday's Cosatu march were women – many of them seeing the demand for six months' maternity leave as their personal battle.

While fully supportive of the union federation's other demands for inclusion in the Basic Conditions of Employment Bill, many of the women marchers felt the maternity leave issue was fully justifiable given their long, hard hours in factories.

Most clothing factories, which employ mainly women, were paralysed yesterday Big factories reported 75% to 100% absenteeim among Cosatu-affiliated employees.

Rayhana Adams, a machinist at the Peter Blond clothing factory, was one of those who supported the strike yesterday "to show employers that we strongly support the call for six months' maternity leave"

"At least as mothers we can be at home with our babies at the most important time of their lives. We do not want to leave our children when they are that young. It will also cause less absenteeism, as mothers take off work to look after their children," said Mrs Adams

Another marcher, Solomazi Buzani, a cleaner at the Khayelitsha Day Hospital, felt six months' maternity leave was just reward for the long hours women put in at the workplace.

"My role here was to come and complain. As a mother, I support the six-month maternity period. Workers work very hard When we deliver we need to rest properly before starting to work again," said Mrs Buzani

Commenting on the importance of Cosatu's mass action, the federation's secretary-general, Sam Shilowa, said Business South Africa's objections had nothing to do with affordability, but were aimed at preserving apartheid-era legislation in the workplace.

Cosatu's demands include a 40-hour working week, double pay for Sundays and a minimum working age of 16 years.

"For most of our history legislation was made not to support workers and the people of this country It was made to say how can we make apartheid better. We are here to say apartheid legislation will end in the workplace," said Mr Shilowa.

He said media reports that Cosatu was close to a settlement on the bill were meant to "sow division and confusion among workers"

"Our mandate to negotiate comes from you, the workers. That mandate to settle will come from you, the workers "

He was pleased with the response to the call for mass action, saying there had been fears that workers were "mass action- weary and were not going to respond".

"We have had good responses nationwide both in terms of the attendance at marches and the strike. This is important as it sends a clear message to employers that contrary to their beliefs that workers do not support our demands, they do stand squarely behind us," said Mr Shilowa.

The federation, which has a membership of 1,6 million, would have an executive committee meeting tomorrow to discuss its next move

Dispute on strike support, page 21

COMPANIES *Strike and economic conditions weaken performance*

Seardel's profit unravels

CT (BR) 14/2/97 (184)

MAGGIE ROWLEY

Cape Town — Last year's seven-day clothing strike proved costly for Seardel, the clothing, textile and electronics group, which yesterday reported a 5,5 percent decline in attributable earnings for the six months to December 31

Competition from illegal imports and generally tough trading conditions in a climate of high interest rates and declining consumer buying power saw attributable earnings down at R23,9 million (R25,3 million) The decline in earnings at the share level was a steeper 9,6 percent to 22,3c (24,7c) because a greater number of shares was in issue.

The group's 1995 pro-forma figures have been restated to include the Frame Textile Group, which acquired a controlling stake in Romatex during the reporting period.

Turnover for the six months was 4,2 percent up at R1,4 billion, but operating income was 1,4 percent lower at R78,3 million and pretax income was 4,5 percent down at R63,3 million

A segmented analysis of the results shows the clothing division was hardest hit It accounted for an unchanged 49 percent of turnover, but pressure on margins saw its contribution to operating income falling 10 percentage points to 35 percent at R38,29 million Textiles' contribution to turnover was also unchanged at 40 percent but its contribution to operating profit increased from 35 percent to 41 percent, or R44,8 million.

Electronics continued to provide 8 percent of turnover and 12 percent of operating profit, but improved margins in the toys division contributed 6 percent to operating profit against 4 percent previously in spite of providing an unchanged 3 percent of turnover

The interim dividend has been raised to 4c (3,5c) with the distribution cover reduced from the previous seven times to five times because of the substantially stronger balance sheet after the consolidation of the Frame Group

Aaron Searll, the chairman, said that while consumer demand was expected to remain soft, he hoped there would be slight improvement in the second half of the year

To take into account the acquisition of a controlling interest in Romatex by the Frame Group, the group has restated its forecasts for the year to June 30 It now expects turnover to rise R200 million to R2,9 billion, income before taxation R10 million to R130 million, earnings a share by 6c to 43c and dividends from 10c to 12c a share.

☐ **Business Watch**

OPTIMISTIC *Aaron Searll, Seardel's chairman, expects consumption to improve later this year*

PHOTO ANDREW BROWN

TEXTILES *Claims of theft highlight the crisis in government warehouses*

Cheap cloth swamps market

(184) ( ) CT (BR) 4/2/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Cheap textiles flooding the Durban market might have been stolen from government warehouses, textile brokers said yesterday

They alleged the textiles on offer were often cheaper than conventional smuggled goods, and the obvious place of origin was from seized goods already stored in the chaotic government warehouses

But the South African Revenue Service (SARS) in Pretoria and Durban said this was impossible Although the warehouses were stacked to capacity, they were patrolled by private security firms, SARS said

Clothing and textile industry bosses agreed that the goods in dispute were unlikely to have originated from customs and excise warehouses, but emphasised that the allegations of seized goods highlighted the crisis "What was once an embarrassment had now become a crisis," one said

Behind closed doors, industry leaders have called for the destruction of the millions of tons of clothing and textiles in the warehouses and in the 300 unopened containers that have piled up at depots in Durban, Cape Town and Johannesburg

Industry spokesmen and the SARS were unable to provide estimates of either the volume built up over the past two years or its potential value Only customs and excise officials in Durban had some idea of the amount of seized goods

Joe Britz, the acting regional manager of the SARS, said there had been a massive escalation from 110 tons at the end of last year to 400 tons last month as containers were unpacked after space had become available in January About 150 containers, many of which contained clothing and textiles, were still waiting to be unpacked

The figures supplied by Durban were part of a massive national stocktake by the SARS

Trevor van Heerden, the commissioner for the revenue service, said this was not an easy process because some of the goods had been stored for long periods in poor conditions and were probably ruined

He said the stocktake was part of an application for a tender aimed at removing the entire textile backlog He hoped greater publicity would make the tender more successful than one a few months ago, which had only yielded three offers

Van Heerden did not know how long it would take to move the goods once permission for the tender had been granted, but said he had approached the Tender Board in the hope of speeding up the lengthy process

OVERLOAD *Joe Britz, acting regional manager for SARS in KwaZulu Natal, inspects clothing and textiles worth millions which cannot be sold off*
PHOTO PETER DUFFY

☐ Business Watch, Page 17

SEARDEL (184)

WAITING FOR VOLUMES

FM 21/2/97

Given the static EPS for the six months ended December 31, Seardel's low 182c share price and earnings multiple of 4,0 confirm the market's preference to value companies on earnings potential rather than on assets

Only last February, the share traded at 320c That was before the market realised that burgeoning consumer debt, coupled with lower disposable income because of interest rate increases and a generally softer economy, would seriously inhibit earnings growth in the apparel sector

GAINING WEIGHT

Six months to	Dec 31 1995	Jun 30 1996	Dec 31 1996
Turnover (Rm)	872	1 469	1 442
Pre-int profit (Rm)	60,8	140,5	106,4
Pre-tax profit (Rm)	35,6	93,1	63,3
Attributable (Rm)	25,3	24,4	23,9
Earnings (c)	24,7	20,8	22,3
Dividends (c)	3,5	5,8	4,0

Seardel's share price tumbled as the economic scenario unfolded and the market, as usually happens, anticipated the financial effects correctly The last six months of 1996 were tough for clothing manufacturers and retailers

When Seardel consolidated its controlling stake in textile manufacturer Frame Group in financial 1996, its trading account and balance sheet ratios changed dramatically In 1995 the apparel division accounted for 79% of turnover and 71% of operating income After consolidation in 1996, it accounted for 53% and 39% respectively


Aaron Searll

In 1995 textiles accounted for 4% of turnover and 5% of operating income A year later textiles contributed 34% of turnover, 40% of operating income

In contrast with Seardel's 5,5% drop in attributable earnings in the first half, Frame produced a 12,2% increase (included in Seardel's consolidated accounts) Seardel's accounts also include results from its subsidiary Seartec whose earnings for the period were unchanged All this means the apparel division's figures were considerably worse than is apparent from the group result

An important cause was the cost of the national strike in July-August Seardel chairman Aaron Searll says it cost Seardel R8m

Searll adds that short-term prospects are not encouraging, but he is hopeful of a slight improvement in the second half That's much in line with general market expectations

Joint MDs Chris de Bruin and Bernard Richards are working on efficiencies throughout the group Profitability of Seardel's apparel operations depends heavily on capacity usage The MDs are ensuring the subsidiaries are all lean, functional operations that will benefit when the economy improves Much the same applies to Frame Group

Seardel's share price should move northwards at the first sight of that improvement — if not just before it becomes obvious Group earnings will improve sharply when increased demand boosts capacity usage

It may require patience, but buyers of Seardel shares at the current level will be well rewarded when the economy turns up *Gerald Hirshon*

CRIME *State's bid to halt textile racket thwarted by Namibia*

Huge smuggling scam uncovered

(184) CT (BR) 26/2/97

Shirley Jones
KWAZULU NATAL EDITOR

Durban — A multimillion-rand customs scam uncovered recently involving South African and Namibian companies will not be fully exposed because Zavareh Rustomjee, trade and industry director-general, has allegedly called off a Customs and Excise investigation.

Sources from within the textile industry said last week that Rustomjee had intended intervening in the R20 million customs union scam, in which a number of large South African clothing retailers are implicated.

However, through negotiations with the Namibian finance and trade departments, Rustomjee is believed to have discovered he could not stop Namibian authorities from issuing permits which allowed companies like Walvis Bay Apparel to import finished clothing and textiles duty- and VAT-free under section 460.11 of the Namibian Customs Act. But this stipulates that the imports be used to manufacture goods for re-export outside the customs union.

According to the source, a preliminary investigation revealed the goods were simply being repacked and transported into South Africa by road through the Adriaansvlei or Noordoever border posts

A consignment opened in Cape Town two weeks ago was destined for Meltz Success, a clothing supply company within the Edgars group. A previous consignment waylaid in January allegedly contained clothing with tags on which the Woolworths name appeared.

Neither Rustomjee nor Edgars could be reached for comment.

Colin Hall, the chief executive of the Wooltru group, said his company would not tolerate fraudulent business within its group or within suppliers

The industry source said the seven Meltz Success containers were on their way to South Africa from Walvis Bay with 16 containers of textiles. Two more were expected to follow

The Meltz Success containers were opened and investigated in Cape Town where they were being held in bond before being forwarded to Walvis Bay Duty and VAT was due on delivery in Namibia

However, when the goods arrived in Walvis Bay, completely different documentation declaring that the goods had come in from Asia under section 460 11 instead of through South African ports was presented.

The source said the Walvis Bay scheme was just one of a number of round-tripping scams operating within the customs union.

SWAG *A policeman offloads a carton of contraband clothing during the investigation which exposed the Namibian export scam. This forms part of the consignment which is on its way to Meltz Success (inset), part of the Edgars group*

Raise sights, SA clothing industry urged

(184) ARG 7/2/97

BUSINESS EDITOR

South Africa must focus on the top end of the clothing market because global competition will destroy the lower end, says Western Cape Minister of Economic Affairs Chris Nissen.

Addressing the Western Cape Textile Institute's clothing division in Cape Town, Mr Nissen said South Africa could not compete with low wages paid in Indonesia, China or India

"Besides, our people are so well skilled that we cannot pay them lower wages Yet we cannot lose these skills," he said

The government and the industry should focus on increasing the skills of employees at the top end of the clothing industry

"We need to become more competitive by being more innovative, so that we can satisfy the demands of the discerning middle-to upper-income overseas buyer," said Mr Nissen

"We must focus on the higher value niches in the overseas market "

Consolidation is likely theme for the year (184)

No fireworks expected from Frame's interims

CT(BR)10/2/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Frame, the clothing and textile manufacturer, is not expected to deliver any fireworks when it reports its interim financial results to December 31 1996 later this week, analysts said at the weekend.

One analyst said the results would be a little flat: "I don't see a decline in earnings, but growth for the first six months is unlikely to be more than 3 percent."

This would be an improvement on the same period last year when earnings at Frame and its manufacturing arm, Confram, dipped Earnings at Confram during the full financial year to June 30 last year increased by 25 percent, while headline earnings dropped by 36 percent on a 7 percent turnover fall

The general consensus is that Frame's current financial year will be characterised by consolidation and investment. Meaningful earnings growth, again at about 25 percent, can be expected during the next financial year.

This is when Frame is expected to slow down its accelerated investment strategy and channel an increasing percentage of earnings to shareholders It is also during this period that investments are expected to deliver quantifiable downstream improvements in capacity utilisation, quality and volumes

In the meantime, analysts return to the wild card in the group, the property division, which has generated excitement in investment circles but which has been downplayed by Confram.

Though significant value is tied up in the division, and additional capital has been allocated to property refurbishments, this is only likely to affect earnings at a later stage.

David Sable, Confram Property Holdings' chief executive, said the initial effects of letting, which has taken off, and the project in New Germany near Durban, would only be felt in the second half of the financial year, at best.

The effect the Romatex takeover is likely to have is uppermost in the market's mind. Analysts say that, given the bargain basement price paid for the struggling subsidiary, it is unlikely to prove a drag on cash reserves

The extent to which Frame has and will continue to inject additional capital to stabilise Berg River Textiles and the floor covering division, in particular, remains to be seen.

What Frame's due diligence study of its new acquisition has revealed is a mystery The only certainty as far as analysts are concerned is that a more tightly focused Romatex will provide a meaningful contribution to Confram's earnings in the longer term.

In the shorter term, expected drops in interest rates and the strengthening of the rand are of greater concern.

A drop in interest rates would boost demand and Frame's turnover. The textile sector reported a listless festive period because of poor orders and cancellations from overstocked retailers

On the negative side, a strengthened rand could counteract the trend for retailers to buy locally produced clothing and textiles, again emphasising the urgent need for illegal imports to be brought under control. This would enable large textile manufacturers to gain market share without having to expand the market itself, an analyst said.

Landmark decision on food, canning industry

'Tomato sauce, lemons not essential'

ARG 1/7/97 (184)

THABO MABASO
BUSINESS REPORTER

A 38-year-old provision in the Labour Relations Act (LRA) that deemed tomato sauce and lemons to be essential foods and banned strikes in the food and canning industry has been lifted following a landmark decision by the Commission for Conciliation, Mediation and Arbitration (CCMA).

The CCMA's Essential Services Committee ruled last week that the sector did not constitute an essential service.

The decision was the first to be taken by the committee which was set up last year to rule on which sectors of the economy constituted essential and non-essential services.

The CCMA defines essential services as those which, if interrupted, would endanger the life, personal safety or health of the whole or any part of the population.

Committee chairperson Dhaya Pillay told Business Argus that investigations had failed to reveal what reasons there where in 1959 for deeming the food and canning industry to be an essential service.

"Nothing seems to make any sense. I think that it's quiet hilarious because some of the commodities they declared as essential include tomato sauce and lemon citrus," Ms Pillay said.

"Nobody is going to die if they have tomato sauce."

Ms Pillay speculated that their inclusion on the list of essentials may have been part of a plan by the previous government to stem political demonstrations, which trade unions seemed to spearhead

"I suppose it was also a political decision to protect farmers from workers who wanted to strike," Ms Pillay added.

The LRA stipulates that workers employed in essential services cannot strike and that disputes must be referred for arbitration.

A spokesman for Langeberg Foods, one of the biggest canning plants in South Africa, said the company would not be affected by the ruling because it had not used the provision banning strikes.

The Food and Allied Workers' Union could not reached for comment.

The committee also ruled that the supply and distribution of petrol or other fuels to local authorities was a non-essential service

The regulation and control of air traffic and the weather bureau, as a support service to air traffic control, have been declared essential services

CCMA spokeswoman Happy Zondi said that the committee had also probed the supply of electricity, water and sanitation and firefighting to see if they were essential or not.

"The determinations with respect to whether or not these industries are essential will be published shortly in the Government Gazette," Ms Zondi said.

District 6: All yours, families told

ANDREA WEISS AND SHARKEY ISAACS
STAFF REPORTERS

Cape Town judge Siraj Desai has resigned as chairman of the trust set up to redevelop District Six, to clear the way for the formation of a new body which is more representative of families thrown out by the Group Areas Act.

Mr Justice Desai made the dramatic announcement that he was leaving the Cape Town Community Land Trust at a public meeting

He was responding to demands by residents for a more representative organisation to take the development and restitution process forward.

He said events had overtaken the trust, formed several years ago.

"I share the view that the trust is not representative of former District Six residents and stakeholders

"I also agree it would be more appropriate that the land be handed over to those who were dispossessed," Mr Justice Desai added

Siraj Desai: cleaning way

Through the land claim process there was now an "emergent beneficiary community" that could be identified

He formally tendered his resignation after making the announcement at a meeting in District Six attended by several hundred people.

It was convened by facilitators Neville Alexander and Elaine Clarke as the culmination of a series of meetings to consult former District Six families

Dr Alexander and Dr Clarke were appointed by the Commission on Restitution of Land Rights to resolve a dispute over the way in which the redevelopment of the land was to take place

At the meeting, the residents passed a

ARG 2/7/97

To page 2

Imports blamed as 3 000 clothing jobs are chopped

ARG 2/7/97

THABO MABASO
BUSINESS REPORTER

(184)

Nearly 3 000 jobs were lost in the Western Cape's formal clothing and textile industry last year, mainly because of the reduction of import tariffs and growing illegal imports, the Cape Clothing Manufacturers' Association has disclosed.

The association added that in spite of these losses, there seemed to be a national phenomenon of an increasing number of workers employed in the informal clothing industry

"We don't understand the phenomenon but we suspect there is less regulation and far more flexibility which leads to significantly lower input costs," association spokesman Peter Cragg told the Cape Argus during a snap survey to ascertain if there were significant job losses in the Western Cape last year.

The Central Statistical Service (CSS) reported last week that South Africa's economy had shed 71 000 jobs in the non-agricultural formal sector last year This was in spite of hopes by the Government to create 126 000 jobs in 1996

Cape Chamber of Commerce and Industry spokesman Charl Adams said in spite of losses in the clothing and textile industry there seemed to be a growth of jobs in the tourism industry

We're told that our region is booming. But where are all the jobs? Business editor Alide Dasnois (right) investigates

ISSUES 10

Three arrested over killing of doctor, fiancée

JOHAN SCHRONEN
CRIME CORRESPONDENT

Three alleged gangsters from Hanover Park have been arrested in connection with the killing of Simon's Town doctor Rolly Kessow and his fiancée, Henrietha Millward.

Two suspects were arrested in a gang stronghold in Hanover Park and police tracked down the third in Pollsmoor prison, where he was being detained under a false name after an armed robbery

The bodies of Dr Kessow, 56, and Mrs Millward, 54, were found on June 7 beside Highlands Drive in Mitchell's Plain, where they had been dumped in pouring rain

Minutes later, a gang travelling in the couple's car attacked service station staff in Morgenster Drive, not far from where the bodies were found They took a radio-tape player from a petrol attendant

Namibian EPZ targets Cape garment makers

'Operating in EPZ could give SA firms chance to be more competitive'

ARG 8/7/97

(184)

LLEWELLYN JONES
BUSINESS REPORTER

Cape garment companies are among the sectors being targeted by the Namibian government to take advantage of its export processing zone.

Steve Galloway, the executive director of the Namibia Investment Centre, said Namibian Export Processing Zone (EPZ) which was established at the end of 1995, was beginning to come into its own

Mr Galloway was in Cape Town yesterday to market the EPZ to local companies

"So far we have 29 companies from around the world which have been given EPZ status, and are getting applications at a rate of about four or five a month "

The main criterion for being granted EPZ status is that at least 70% of the company's production should be export oriented (out of the Southern African Customs Union), but Mr Galloway said it should also be incremental business (not something which would take away another company's business)

"At the moment the South African clothing and textile industry exports only about 10% of its production "

"We believe there is a huge opportunity for South Africa firms to grow that and to increase their global competitiveness

"To do this, the industry needs a major revamp and we believe operating in an EPZ is one way of doing this "

Mr Galloway said Namibia would also encourage the South Africa footwear and general leather manufacturing business to expand their operations into the EPZ

"But we're not trying to convince them to relocate their entire operations to Namibia, but rather just that part which is very labour intensive They will still need the high tech back up they would receive from South Africa "

Mr Galloway believed that moving to Namibia would be viable as wage rates in the country were half, and in some cases a third, of those in South Africa

He said that taking advantage of the EPZ would help "stabilise" some of the industries as they restructured to become globally competitive

He was quick to point out, however, that Namibian labour was not "sweat shop" labour as was the case in most other EPZs, and that the normal regulations regarding labour still applied

The advantage of the EPZ was rather the total absence of import duties, taxes and other "hassle" factors, he said

"Also, unlike other EPZs throughout the world, the development of the Namibian EPZ has also encouraged the processing of Namibian raw materials "

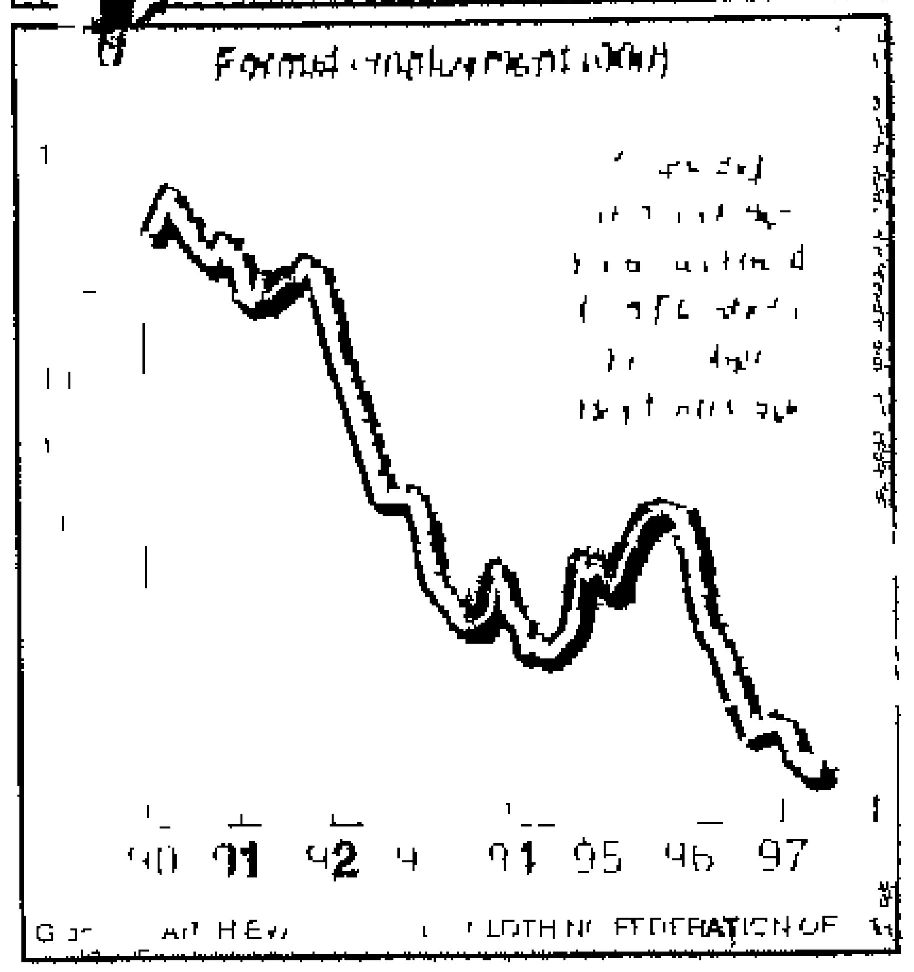
He said the Namibian Government was negotiating a Namibian $2 million (N$1=R1) investment in a copper smelter

"This would make it the second largest investment in Namibia after De Beers mining operations "

‘Clothing industry not able to create new jobs this year’

(184) BD 14/7/97

Clothing industry jobs



Linda Ensor

CAPE TOWN — Growth in the clothing industry will not be sufficient to create new jobs this year, Clothing Federation of SA (Clofed) economist Paul Theron has warned

Employment in the four main clothing industrial council areas in the country has plummeted from over 121 000 jobs in 1990 to about 84 000 in April this year

“The industry appears to be moving into a cautious recovery phase. In general (it) will be consolidating its position and growth will not be sufficient to create additional jobs,” he said in an article in the latest issue of Clothing Industry News.

Employers would be hesitant to take on more workers, preferring to first reduce short-time and introduce overtime until the situation stabilised and definite prospects of sustained growth emerged

Theron noted that at the start of the year the decline in the total number of formal jobs appeared to have eased, while the upturn in the production volume index also confirmed that the industry’s turnaround had firmed But there was a stark regional differentiation in conditions.

“The Natal and Gauteng regions continue to shed jobs, while the Western Cape region has shown some recovery to offset the losses of the other two regions,” he said Firms in the former two regions were still being closed.

KwaZulu-Natal, with its predominance of small clothing companies catering for the lower end of the market, had been particularly badly hit and it appeared that some firms had begun to migrate to lower wage areas both within and outside SA

Theron said that consumption would be constrained by high interest rates in the short term, but he hoped that the US’s initiative to allow free access to sub-Saharan Africa’s textiles and clothing would materialise.

Investec Securities’ Arnold Werbeloff noted that the SA clothing and textile industries would face a major restructuring if duties on textile exports into the US were abolished. There would be a significant influx of foreign players and it would be necessary for large local manufacturers to either have strategic alliances with foreign companies or be held by them

“At present around 3 000 SA clothing industry jobs are dependent on exports to the US According to Clofed, another 26 000 jobs would be created by a tenfold increase in such exports,” Werbeloff said

In 1995 SA exported R178m’s worth of clothing to the US, or 36% of that year’s total exports of R490m. Last year exports totalled over R600m, and this is expected to reach R750m-R800m this year due to an expected improvement in access to the US market

However, export growth has been outstripped by imports, which remain at a low level relative to the total market

Write-offs and cut in duties take toll on Cape's Hicor

But future looks bright

ARG 16/9/97 (184)

LLEWELLYN JONES
Business Reporter

The future is looking bright for Cape-based electronics retailer and clothing manufacturer Hicor even though net profits slipped 14% to R2,5 million for the 15 months to March.

Managing director Renier van Rooyen said he was "very positive" about the future of the group

"Now it's really going to start flying," he said

"If it wasn't for the various write-offs, we could easily have added another R3,2 million to the bottom line"

Mr Van Rooyen also noted that the change in year-end had adversely affected the group's bottom line as it had encountered two "first quarters (of a year)", traditionally the worst trading quarter of the year

Finance charges also climbed nearly four times due to the purchase of Audiolens and bigger stock holdings required by the seven new stores which had been opened during the period

Most of the write-offs came in the group's consumer electronics division, which includes retailers AudioVision, Audiolens, Hitronix and wholesalers HiFi Specialists

Mr Van Rooyen said the group had had to write off R1,6 million as a result of the reduction of import duties on electronic goods earlier this year

"The reduction in duties is fantastic for the future, but we had to reduce prices to the consumer immediately to remain competitive"

A major fraud by a supplier of computer parts saw the electronics division write-off another R950 000

"Several companies belonging to the supplier have been sequestrated, and it appears unlikely that we will get anything back"

But, Mr Van Rooyen said, the division was running smoothly and was well on its way back to profitability.

He was also very enthusiastic about the division's recent venture into computer retailing through its AudioVision outlets The Samsung branded personal computers are being assembled by Hicor subsidiary Holbert Technologies and computer specialists PCE

The pilot programme at the Tyger Valley and Audiovision stores last week saw the company sell out its stock within two or three days and they are now both running order books

LLEWELLYN JONES

Optimistic: Renier van Rooyen, Hicor MD

Mr Van Rooyen said Hicor had also struck a deal with Mustek to sell the Mercer and Acer branded personal computers, starting out at the V&A Waterfront outlet.

He said HiFi Specialists was performing well, according to expectations, and would become a full division in its own right

Mr Van Rooyen was also buoyant about Hicor's clothing manufacturing subsidiary Allwear, which manufactures suits for export to the UK market and school clothing for the local market

Hicor is in the process of delisting Allwear, and constituting it as a wholly-owned subsidiary

"We had to write-off R600 000 worth of stock due to a change in trend in the market for school clothing," Mr Van Rooyen said

"A lot of schools, particularly black schools, are looking for more individualistic schoolwear This left us with quite a bit of obsolete schoolwear, but we will more than make up for it with higher margins on the new styles"

Garment makers urged to speed delivery

(184) CT(BR) 15/7/97

AUDREY D'ANGELO

Cape Town — Fast delivery times may save the South African clothing industry from being killed off by cheaper imports, Bernard Richards, the president of the Clothing Federation of South Africa, said in the federation's latest newsletter this week.

Richards said the clothing factories he visited in Vietnam were of world-class standard and paid wages one-seventh of those in South Africa

"International manufacturers have transposed their systems, quality controls, training methods and production systems successfully into the Vietnamese environment.

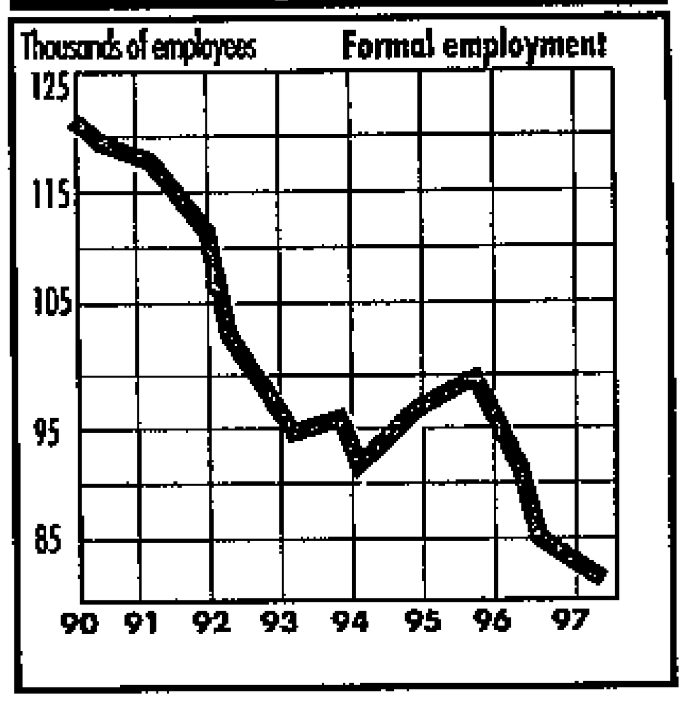
"Wages for a 45-hour week are $50 a month, one-seventh of what we pay in South Africa. Supervisors earn $120 and plant managers $200 Wages at this level are common in many east Asian countries, with Thailand expensive at $110 a month."

But Richards said that internationally retailers were recognising that the cost of a lost sale was greater than the few cents that could be driven out of labour costs by sourcing from a cheaper country

"Quick response, shorter pipelines, reduced inventories, focus and flexibility are the forces driving retail"

Richards said although the industry will be subject to increasing international competition, its salvation lay in its being close to its market. He said the industry must develop capability to give consumers what they want when they want it.

SA clothing industry



Paul Theron, the federation's economist, said the clothing industry appeared to be moving into a cautious recovery phase, but in general it would be consolidating its position and growth would not be sufficient to create additional jobs

"There are signs that the restructuring process is starting to take place, with the smaller operations in Natal that have catered for the lower end of the market being the casualties It would appear some operations have begun the migration to lower wage areas, both within and across the borders

"The US initiative on duty-free access (for SA clothing) remains the brightest hope for the industry to achieve a sustainable export-led growth path," said Theron

Footwear, textiles 'must compete fairly'

BD 16/7/97 (184)

Paul Vecchiatto

CLOTHING, footwear and textile manufacturers in SA would not offer investment opportunities until they learned to compete in the open market unaided by tariff protection, analysts said yesterday

The sector is little considered on the Johannesburg Stock Exchange as it accounts for 0,12% of the all share market capitalisation of R1 133,8bn Its overall price to earnings ratio of 10,6% is the fourth lowest on the exchange

A recent Industrial Development Corporation (IDC) study found that SA footwear manufacturers would have to sharpen their focus on exports in the medium to upper market segments

They would also have to produce unique SA footwear as manufacturers tried to lift the stranglehold on cheap imports, the corporation found

Luke Doig, an economist at insurance company Credit Guarantee, said this would be an "uphill battle" owing to the damage done by cheap imports

"We are particularly concerned about import penetration in SA standing at a crippling 60% The unacceptability of this situation becomes apparent when compared to other middle-income regions like Taiwan, South Korea and South America"

Doig said production had fallen from 72,6-million pairs of shoes produced in 1992 to 55-million pairs last year which resulted in 6 300 job losses

He said part of the problem was that it took government two years to impose tariffs on shoes imported from non-World Trade Organisation countries

Credit Guarantee senior manager John Thornton said clothing and textile industries had suffered from smuggling of clothes from the Far East which, although reduced, had left its mark

Furthermore, an increasing amount of clothes were being produced in small facilities in the townships, which Thornton called "African sweatshops"

He said that the larger manufacturers had maintained their ability to produce high quality-styled garments in small runs which placed them in good stead in the export market

JSE dealers were more sceptical about the sector's prospects One dealer said "No one really looks at those companies If you had to take out Seardel, the rest would be rats and mice" — I-Net

The clothing industry can look to better times ahead

CT (BR) 21/7/97 (184)

Ravin Maharaj

Durban — The potential for higher exports to the US, increased local orders and the closure of entry points for smuggled goods would reinforce an upturn in the in the clothing and textile industries during next year, an analyst said last week

Arnold Werbeloff, an analyst at Investec Securities, said in the Clothing Federation of South Africa's latest report that a decrease in the number of airports available for international commercial flights, reduced from 36 to eight, and the reduction of border posts from 112 to 30, was likely to cut import penetration

He said a further measure was the dedication of specified entry points for particular products Estimates had indicated that illegal textile imports during last year had accounted for R500 million or 50 million m², he said This was equivalent to 20 percent of all imported textiles or 10 to 12 percent of local output.

This, he said, was expected to fall to about 5 to 6 percent by year-end, boosting industry output more than 5 percent in the second half

Werbeloff said even though imports were high, there had been a marked pick-up in orders for local textiles, with many spinners and weavers running at over 85 percent capacity But warp knitters and knitwear suppliers were not yet benefiting

Clothing exports were more than R600 million during last year, a rise from R490 million in 1995 With the prospect of improved access to the US market, the industry was expecting exports to rise to R750 million to R800 million this year

Regarding industry restructuring, Werbeloff said if duties on products were abolished, the local clothing and textile industries would experience a significant influx of foreign players and a large boost to local production and exports On average, South Africa faces 17 percent duties on clothing exports to the US

Werbeloff said it would be vital for leading local manufacturers to have strategic alliances with foreign companies At present, about 3 000 South African clothing industry jobs were dependent on exports to the US.

CT (BR) 21/7/97

Horse-trading ahead over duty credit scheme

(184)

NCABA HLOPHE

Johannesburg — The review and imminent scrapping of the Duty Credit Certificate Scheme by the state is at the centre of intense horse-trading with manufacturers who claim it has been their export lifelife

The scheme was started in 1993 as a long-term strategic plan for the restructuring of the textile and clothing industries to boost their export performance.

It has benefited some 67 participating exporters to the value of R108 million so far, Susan van der Merwe, the director of the textile, clothing and footwear department, said

The government is assessing whether the scheme has been effective in boosting exports and if it breaches World Trade Organisation (WTO) free trade rules

The government has budgeted about R875 000 for the scheme and is expected to decide it will remain valid until March next year.

"In our view, it has definitely assisted the manufacturers, but a study is under way to determine whether is has achieved the objectives originally specified, and it is still to be decided whether it should be terminated," Van der Merwe said

Paul Theron, an economist for the Clothing Federation of South Africa, said scrapping the scheme will result in the "total collapse of exports in textile and clothing products" as it had been critical in boosting the industries' exports He said the scheme is not in contravention of WTO rules as it promotes reciprocal trade and penetration of the international markets by South African products.

In terms of the scheme, exporters can earn duty credit certificates based on the export of prescribed locally produced products covered by the scheme

Sactwu and Nulaw merger talks stalled

CT (BR) 24/9/97 (184)

RAVIN MAHARAJ

Durban — Cosatu said yesterday it would continue its attempts to persuade the leadership of the South African Clothing and Textile Workers' Union (Sactwu) and the National Leather and Allied Workers' Union (Nulaw) to amalgamate and create one voice in the troubled footwear, leather, clothing and textile industries.

John Zikhali, Cosatu's KwaZulu Natal chairman, said the federation was "waiting patiently" for a single voice to lobby the government and save the industries, all of which were facing a surge in imports, factory closures and increasing unemployment.

Industry sources have said in Pietermaritzburg alone, employment in the footwear manufacturing sector had dropped from 7 700 to 4 800, production had declined by 40 percent and 19 factories had shut down.

Zikhali said the issue of amalgamation was a priority for Cosatu. Sactwu, he said, had indicated the matter would be debated at its forthcoming annual congress.

Zikhali was reacting to last month's moves by Sactwu — the tanning sector's majority voice and which has a 40 percent voice in the footwear sector — to join Nulaw to create a single power in the leather and footwear industry.

But Andrew van Rooyen, the general secretary at Nulaw, said the union "would not entertain" any amalgamation talks — as it had indicated last month — unless its footwear membership was returned.

He said Nulaw's status as an independent union — which was the majority voice in the general goods, handbags and footwear sectors — was under threat.

Van Rooyen said the amalgamation of independent unions under a separate federation not affiliated to Cosatu was likely to create a "more balanced labour voice in South Africa"

Federations oppose Zambian trade deal

BD 8/8/97

(184)

John Dludlu

SA's clothing and textile federations — Clofed and Texfed — are refusing to back a trade deal granting better market access for Zambia in domestic markets, a week before Pretoria is due to make a new offer to Lusaka

Government sources indicate the state might have to table the offer, regardless of the two bodies' support

"The process of negotiations will not be stalled because of their intransigence," a trade and industry department official said. However government would be sensitive to local industries' legitimate concerns

Texfed executive director Brian Brink said. "We reject it ... we are totally opposed to it We are saying 'let us stay focused on the SADC (Southern African Development Community) trade protocol'." The SADC is seeking to free trade exchanges among its 12 states over the next eight years.

Clothing and textile workers' union

Continued on Page 2

Zambia

(184)

Continued from Page 1

Sactwu is seeking a meeting with Trade and Industry Minister Alec Erwin to discuss the offer.

Clofed's Paul Theron said a proliferation of bilateral trade agreements in the region would only complicate looming multilateral liberalisation.

The two federations are also worried that a deal between the Southern African Customs Union and Zambia will open a floodgate of similar requests from other countries, undermining the SADC free trade protocol

SA and its partners in the customs union — Botswana, Lesotho, Namibia and Swaziland — have agreed to open their markets more generously to products from Zambia.

The trade department official said the federations were not even prepared to discuss details of the offer, including safeguards against damaging import penetration from Zambia.

It was expected Erwin would unveil a draft proposal, as a final deal had to be ratified by Parliament, to Zambia next week during the SADC's ministerial meeting.

The department official said the proposed accord, containing import quotas like the accord with Zimbabwe, would be scrapped once the SADC free trade deal kicked in

BD 8/8/97

Clothing union goes a-building

CT (BR) 12/8/97

SHIRLEY JONES

(184) (1...) KWAZULU NATAL EDITOR

Durban — The South African Clothing and Textile Workers' Union (Sactwu) would use the proceeds of its investments to provide members with the social benefits that the government had not yet satisfactorily delivered, Jabu Ngcobo, the general secretary, said yesterday

He said the union had decided to start its own housing project It had already put R20 million aside for the project and was negotiating to buy sites He said the union would meet developers in the Western Cape today and had set up a similar meeting in KwaZulu Natal next week

Ngcobo said some sites had been selected, and purchases would probably go through soon Some of the projects would probably take the form of joint ventures, although he was not prepared to identify potential partners or to disclose where the projects would be sited

"When you discuss housing in this country, it appears more difficult than it needs to be It's made out that one needs to be a rocket scientist to build houses There are massive margins and ridiculous profits are made, so it is often too expensive to build houses," Ngcobo said

The union would use the money it had set aside as bridging finance to buy land and to bring down costs The union's pension funds would be used as collateral, he said

The union had also also set aside R3 million of the proceeds from its investments in HCI, Vodacom and M-Cel to help dilapidated and struggling schools

Union targets firms moving out of SA

BD 12/8/97 (184)

Reneé Grawitzky

A CAMPAIGN to target companies moving out of SA into low-wage economies was launched at the SA Clothing and Textile Workers' Union (Sactwu) weekend national congress, after a report on Pep Stores' decision to open up factories in Malawi

Sactwu's assistant general secretary, Ebrahim Patel said the union would focus attention on Pep Stores' decision to move to Malawi, where the company had already experienced strike action

Attention would be drawn to its consumers, many of whom were workers and their families, that Pep Stores was taking advantage of low-wage societies to boost profit at the expense of SA jobs

This campaign would also highlight the upsurge of imports from Malawi Goods from South East Asia were being rerouted through Malawi to SA — thus taking advantage of the preferential trade agreement between the two countries

An international comparison of total hourly wage rates in the clothing industry revealed that SA ranked 50 out of 74 countries and was well below Hong Kong, Singapore, Malaysia and Honduras, Patel said

As part of a broader campaign around job losses, the union would consider a day of action to highlight the fact that since 1995, 40 378 jobs had been lost in the clothing, textile and leather industries

Patel said focus of debate at the conference was trade unionism and economic policy in the context of globalisation There was a sense the union had to position itself in an economy which had become global, he said

This did not mean acceptance of trade liberalisation and other policies, but rather adopting an agenda which ensured the advancement of economic redistribution

Delegates resolved that the Zimbabwean trade deal should be reviewed because of the Zimbabwean government's role in the mass dismissal of 8 000 clothing workers in that country A Zimbabwean trade unionist said there was a general news blackout of the plight of the striking workers.

Patel said the congress also adopted a range of resolutions to strengthen the Congress of SA Trade Unions at central and national level One such proposal called for a clearer role for Cosatu in collective bargaining by the move towards macro-level wage negotiations across the entire economy Other resolutions focused on more effective training and organising capacity

COMPAN

CLOTHING AND TEXTILES *Restructuring tears into trading margins*

Seardel's slump 'expected'

CT (BR) 13/9/97 (184)

Marc Hasenfuss
CAPE EDITOR

Cape Town — The Seardel Group, which has interests in clothing, textiles, consumer electronics and toys, reported a 37 percent slump in attributable earnings to R31,4 million as sizeable, one-off restructuring costs ripped up trading margins

Headline earnings, diluted by slightly more shares in issue, came in 38 percent lower at 26,5c a share A final dividend of 5,25c made for an unchanged annual payout of 9,25c

Aaron Searll, the chairman of Seardel, conceded yesterday that the results were disappointing but not unexpected, following the publication of a profit warning in June

He said profits reflected the impact of a seven-day strike in the clothing industry, the continued influx of illegally imported apparel and abnormally high interest rates

Turnover crept up 6 percent to R2,9 billion but operating profit dropped 30 percent to R94,2 million as non-recurring writeoffs of R22 million eroded trading margins from 5 percent to 3,3 percent

The writeoff was mainly a result of downsizing, restructuring and the subsequent retrenchment of 1 550 workers

Searll said that while these costs had a negative effect on the earnings of the apparel division, the board was satisfied that the move was in the best long-term interests of the company

Searll noted that the local retail trading environment was improving slowly, a development reflected in the company's reasonably full order books Margins, however, still needed to be improved

Searll said he believed the company's exports to the US could increase substantially because of the expected reduction of US import duties on goods originating in South Africa

"We only exported clothing worth R81 million mainly to Germany and the UK this year but we are looking at breaking into one or two states in the US in the year ahead," Searll said

He also confirmed that Seardel could relocate from Monterey, its plush head office in Bishopscourt in Cape Town, as part of an aggressive cost-cutting exercise

☐ Business Watch

NEW DIRECTION *Aaron Searll, the chairman of the Seardel Group, believes better days could be ahead for the company after non-recurring costs, including more than 1 500 retrenchments in the mainstay clothing division, hammered its profits in the year to end June*

PHOTO ANDREW BROWN

Private equity fund showing interest

Cape Town — Seardel was weighing up an offer from a private equity fund, Aaron Searll, the chairman, confirmed last night.

The company extended its long standing cautionary announcement today, warning that buyout proposals were still under consideration.

Searll said the unnamed private equity fund had already conducted a due diligence investigation into Seardel and that an announcement could be made shortly. "They've had a look at our factories and could soon submit a proposal"

Sactwu on trail of defaulting firms

CT (BR) 14/8/97 (184)

SHIRLEY JONES

Durban — At least 53 clothing manufacturers in KwaZulu Natal had deducted nearly R10 million in provident and healthcare fund contributions, union subscriptions and council levies from workers' salaries, but had failed to pay them to the local clothing-sector bargaining council, according to a recent survey by the South African Clothing and Textile Workers' Union (Sactwu).

"As a result, many workers could suffer and may be refused housing loans, health, retirement and other benefits," Joshua Mbelu, Sactwu's regional organiser for the KwaZulu Natal area, warned yesterday.

He said although some of the larger companies had paid up within hours of receiving threats of work stoppages and legal action, large sums were still outstanding.

While one company owed more than R670 000, another had not paid at least R250 000. One manufacturer had not forwarded workers' contributions since 1995, he said.

Sactwu would continue to put pressure on companies to pay. It intended applying for the liquidation of two companies next week. A further four, two of which had paid with postdated cheques, were also on the liquidation list, he said.

Five defaulters, whose names are known to Business Report, refused to comment on these wage irregularities yesterday. Mbelu asked that the company names not be published until legal action had been concluded.

"Employers have claimed poor trading conditions, retrenchments and short time, but this is not the issue. Some employers have been trying their luck, hoping no one would catch them," he said.

In some instances, companies had failed to pay both workers' and their own contributions. Sactwu alleged some employers had delayed payments to pocket the interest on workers' money.

STERLING CLOTHING

SA: the little Malaysia

(184)

FM 15/8/97

Another Malaysian businessman comes shopping for SA companies

The investment community will soon have to learn another Malaysian tycoon's name Saypol Anwar bin Mohammed Aini Last week, Aini took control of Sterling Clothing for R2,6m in a shotgun acquisition He has big plans

The vehicle for the takeover is SA-registered Bengoshi Investments, solely owned by Aini and named after the pet golden labrador of David Bate, corporate finance vice-president for merchant bank ABN-Amro

Bate says Aini will use the listed vehicle to expand into nonclothing and textile operations in SADC countries through new ventures and strategic partnerships which will dominate their markets

"We have hopes for the company but cannot disclose the game plan because of offshore compliance issues," he says "Within two weeks of the offer to minorities closing on September 12, you will see substantial activity"

Bate says the clothing operations will remain intact and Aini will provide some relief for the R12m debt which has been threatening to crucify Sterling

"The future of the SA clothing industry is bleak

"It could become extinct within five years but Sterling is lean and wholly owned subsidiary Casual Clothing has staged a remarkable turnaround in the past 12 months"

Bate expects real earnings growth in the six months to June 30

Rumours of the takeover caused dramatic swings in Sterling's share price in recent weeks

It has firmed at 43c, high considering the deal was valued at 25c a share

Bate says calculations put the share's value at 19c-20c and warns that market confidence is unwarranted considering the next few months will be traumatic as debt is reduced and Sterling consolidates its position in the market

But minorities are not likely to accept an offer in the lower price band

Bate says the deal, which took only four days, is an example of the premium service offered by his bank, which will be spearheading a substantial number of similar JSE takeovers for other Asian clients

"I have to place US$300m in SA by end-October for Malaysian investors and need to find blue-chip listed and unlisted companies in which to take 20%-30%"

Bengoshi is also on the prowl for equity partners and is talking to several prominent organisations and black empowerment groups

Stuart Rutherford

Taiwanese clothing firms hit by strikes

CT(BR) 18/8/97 (184)

STAFF REPORTER

Durban — Striking workers at three Taiwanese-owned clothing factories in Botshabelo in the Free State were involved in a wage dispute with management, the South African Clothing and Textile Workers' Union (Sactwu), said at the weekend

Jabu Ngcobo, the general secretary of Sactwu, said 110 workers from Fu Cheng Plastic Footwear, Hsin Chu Manufacturing and Sunny Bag had been on a protected legal strike since July 3.

The striking workers were demanding a minimum wage of R100 a week from the current R34 a week. Ngcobo said the strikers worked 12 hours a day and seven days a week for these wages

"Such disgusting wages are totally unacceptable to Sactwu and the country as a whole," Ngcobo said "We call upon these employers to settle the strike immediately by giving our members their reasonable demand of R100 and at least a maximum of R150 per week"

He said Sactwu had enlisted the intervention of the embassy of Taiwan, the department of trade and industry, the State Development Corporation and the Free State economic affairs MEC in an attempt to put pressure on the employers

"We want to see those employers treating their workers like human beings," Ngcobo said. "Taiwanese employers in most parts of the country, particularly the former homelands, have a very bad reputation of exploiting workers.

"It is now time they convinced us that they are here to help provide jobs, not just to make huge profits by exploiting workers"

The factory owners could not be reached for comment.

Clothing union set for global links initiative

(184)

Gear plan slammed as 'backward'

ARG 18/8/97

THABO MABASO
BUSINESS REPORTER

South African Clothing and Textile Workers Union (Sactwu) deputy secretary-general Ebrahim Patel is to spend six months overseas drumming up support for an international clothing workers' summit to plan a response to threats from globalisation.

Sactwu spokesman Andre Kriel said that the decision to call for the summit had been reached at the union's sixth bi-annual congress in Durban last week

"We will first hold a summit of Southern African unions in the clothing, textile and leather industries

"This would be followed by an African and world summits respectively," Mr Kriel said.

These summits would be held under the auspices of the International Textile, Garment and Leather Workers' Federation

Mr Kriel said that to achieve this task Sactwu had mandated Ebrahim Patel to take six months sabbatical leave starting in October, so that he could travel to Latin America, Asia and Europe

In these countries Mr Patel would study the strategies unions had used to fight against the bad effects of globalisation

Mr Kriel said unregulated global trade was threatening jobs and economic growth in Southern Africa

In South Africa over 40 000 jobs in the clothing, leather and textile industries had been lost since 1995.

This in no small measure had been as a result of negative globalisation, Mr Kriel added

These negative effects were the reduction of tariffs and a flooding of illegal imports into the domestic market

In a statement on the results of the congress Sactwu rejected the Government's Growth, Employment and Redistribution (Gear) strategy as a "dramatic and backward shift away from the Reconstruction and Development Strategy (RDP)".

The union said Gear had failed to create the 250 000 new jobs which it said were going to be created as result of its implementation

"The Gear proposal to lower tariffs on clothing and textile two years earlier than previously proposed by government has been rejected," the statement said

Mr Kriel said the union had proposed that employers pay a once-off levy of R2 per worker to help fund a campaign against illegal imports and job losses

"We will also intensify a campaign for a social clause to be included in world trade agreements and to persuade governments across the world to accept the link between trade and labour rights," Mr Kriel said

Another agreement reached at the congress was for a call on Government to implement a programme to assist workers affected by industrial restructuring

The decision also proposes that Government should fund trade unions and shop stewards so as to build their capacity to negotiate the maintenance of jobs and transformation of industries

Deal: Clotex chairman Johan Maree and Western Cape MEC for Economic Affairs Chris Nissen sign an R80 000 support contract

Training boost for Cape clothing industry

ARG 18/8/97 (~~179~~) (184) (~~197~~)

LLEWELLYN JONES
BUSINESS REPORTER

The Western Cape Clothing and Textile Service Centre (Clotex) will use the R80 000 given to it by the provincial Department of Economic Affairs last week to subsidise training workshops for small cut, make and trim operations over the next nine months.

Clotex manager Dug Miller said it would also be used to finance a mentoring system through which industry experts would give regular advice to emerging companies

The provincial department also handed R30 000 to the Atlantis Business and Information Centre (Abic) to help it in its role in developing small businesses in Atlantis

Economic affairs MEC Chris Nissen said the financial support handed to the two NGOs was in line with his department's policy of "sourcing out" business support

The department would focus on the clothing and canning industries, he said.

ROY WIGLEY

New premises Cape Union Mart's manufacturing director David Gaussen in the new factory that was officially opened in Ottery today

Sparks & Ellis steps out to meet the demand

(184)

LLEWELLYN JONES
BUSINESS REPORTER

ARG 19/8/97

While most Cape clothing manufacturers are struggling in tough market conditions, uniform and outdoor wear supplier Sparks & Ellis, today officially opened its new factory, K-Way Manufacturers, in Ottery to cope with demand

Sparks & Ellis, a subsidiary of Cape Union Mart, is the oldest supplier of law enforcement and corporate security uniforms in South Africa

Nearly 70% of the company's production lies in uniforms, while the remaining 30% is mostly casual outdoor wear for Cape Union Mart stores

Head of manufacturing for Sparks & Ellis David Gaussen said the company had begun to outgrow its premises in Barrack Street, Cape Town, which housed both the clothing factory and Cape Union Mart head office, four years ago

The decision to move the manufacturing operation was taken last year, but it took the company nearly 18 months to find suitable premises

"We were in the market for quite a long time but couldn't find what we were looking for it was either too big or too small or not the right area," Mr Gaussen said

The premises in Ottery were ideal for Sparks & Ellis, bringing the factory closer to its 125-strong workforce and to its outsourcing partners in the small business sector

Mr Gaussen said although factory floor space had nearly doubled, little of this was used for production as the company preferred to outsource

Sparks & Ellis decided to go the outsourcing route some four years ago when it was awarded a major contract by Telkom It did not have the production capacity, so made a strategic decision to limit its internal manufacturing facilities, rather farming out the excess demand to people from previously disadvantaged communities

Storage space and the space allocated to its cutting department has been trebled

SA textile union takes up Zimbabwean strikers'

BD 19/8/97

Michael Hartnack

HARARE — The SA Clothing and Textile Workers' Union (Sactwu) has written to the SA Customs Union demanding that it block Zimbabwean attempts to revive textile exports to SA until all the workers sacked after a strike in July have been reinstated

The letter was made public at the weekend by Morgan Tsvangirai, secretary-general of the Zimbabwe Congress of Trades Unions (ZCTU).

In March Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira signed a clothing and textile agreement restoring Zimbabwean access to the SA market under the 1964 most favoured nation bilateral pact The pact had been moribund since 1993 when SA imposed 90% protective tariffs New preferences drop tariffs progressively from an average 30% to 15% by 2002 However, quotas average less than 4% of Zimbabwe's output capacity, compared to more than 75% before 1993, say local manufacturers

Loss of SA markets contributed to the closure of at least 41 firms with the loss of thousands of jobs, but in July 2 200 workers in Harare struck for 46% rises to their R68,62 a week minimum Managements obtained dismissal authority from the labour ministry after the strike was declared illegal, but most strikers were re-employed, settling for an 18% offer

Tsvangirai said Sactwu had demanded that SA customs officers block Zimbabwean shipments until all strikers had been reinstated unconditionally

"The exploitation of clothing workers in Zimbabwe causes loss of jobs in SA The only beneficiaries are employers who grow richer," the Sactwu letter said

Zimbabwe Clothing Manufacturers' Association chairman Steve Bowen said that since the strike firms had increased their labour by 500 as confidence revived

The SA workers' decision to use the revived agreement as a lever was taken at their congress last week, Tsvangirai said

SA and Zimbabwe recently signed a second sectoral agreement, covering agricultural products and foodstuffs, and a third, covering other items such as footwear, leatherware, travel goods and electrical appliances is under discussion Recapturing SA markets is vital for Zimbabwe to redress its R2bn a year trade imbalance with Pretoria

Union federation Cosatu has long been unhappy with the lack of "shop-floor democracy" in Zimbabwe and with wage rates it claims are sometimes a sixth of those in SA During a failed attempt to call a general strike, Tsvangirai was detained last year and nurses tear gassed

The existence of 2-million unemployed and the lack of parliamentary opposition has put unions in a weak bargaining position. Cosatu attempts to ally with the ZCTU were weakened through the 1980s by President Robert Mugabe's open preference for the Pan Africanist Congress and its rival trade union contacts.

Clothing industry downswing could be over

High interest rates have squeezed jobs out of economy, says Richards

(184)

ARG 14/8/97

LLEWELLYN JONES
BUSINESS REPORTER

The downswing in the clothing and textile industries, and ensuing job losses could well be at an end, says Bernard Richards, the joint managing director of Cape clothing and textile group Seardel.

Mr Richards, who is also the president of the Clothing Federation (Clofed), was speaking after the release of Seardel's annual results which showed a R22-million write-off for the retrenchment of 1 550 employees at Dermar and Melia

The employment market in the Western Cape clothing industry – with its focus on the middle to upper end of the market – had been more stable, Mr Richards said

Hardest hit have been those operations that focussed on the bottom end of the market. Firms in this sector had moved to lower wage areas like northern KwaZulu-Natal

According to Mr Richards, the staffing levels in the urban areas have dropped to 78 000 people from 125 000 five years ago

"But we get the sense that the downswing and job losses in the clothing and textile industries is coming to an end," Mr Richards said

He noted that the retail trading environment was improving slowly as indicated by full order books

"We also expect interest rates to drop by two or three percentage points in the short- to medium-term which will further buoy consumer spending and reduce finance costs in the industry"

Mr Richards had harsh words for Reserve Bank governor Chris Stals, saying Mr Stals had kept interest rates too high for too long.

"This policy has been squeezing jobs out of the South African economy"

Ian Robertson, the managing director of Berg River Textiles, the beleaguered textile group in which Seardel has a significant stake through its holding in the Frame Group, said exports of cloth and tailored clothes to the United States could increase substantially because of the expected reduction of US import duties on goods originating in South Africa

He also noted that there was a mushrooming trade in tailored ladies' apparel, probably as a result of increasing numbers of women in business

Both Mr Richards and Mr Robertson expressed concern over the competition in the household textiles coming from Malawi and Mozambique

Factories in the two countries were importing cloth at no duty, making clothes and household textiles, and then exporting the final products to South Africa, they said.

"The goods are effectively coming in duty free.

"This is having a dramatic effect on textile mills and is making complete nonsense of the tariff phase down"

BUSINESS

Clothing firms flock to Lesotho

(184) BD 19/8/97

Candi Ratabane Ramainoane

MASERU — Lesotho has become a popular site for Taiwanese garment manufacturers, 14 of which have set up shop there, in their quest for a competitive location from which to serve world markets

The 14 firms, which employ about 8 000 workers, constitute more than half of the 23 textile manufacturers in Lesotho

Lesotho National Development Corporation spokesman Lesa Makhoalibe says Taiwanese firms began investing in Lesotho from 1986, and she claims the quality of Lesotho's labour is attractive to investors

Labour is relatively cheap by SA textile industry standards — at a minimum of $100 a month — but this is still a higher minimum than that set in several other African and Southeast Asian countries

Makhoalibe says the productivity of Lesotho's English-speaking workforce has resulted in low-unit labour costs and "most companies pay above the minimum wage to reward this productivity" The unions, however, argue the Taiwanese firms seldom pay above Lesotho's minimum wage.

Investment incentives are also a factor. The development corporation offers a 15% corporate tax rate with no further withholding taxes or restrictions on the repatriation of profits, as well as training grants of up to 50% of the wage bill during the training period

It also provides cheaper loan finance for projects which can demonstrate long-term viability The duration of the loan is usually up to 10 years. In addition, the corporation can guarantee loan finance provided to its clients by other financial institutions.

Despite the fact that Lesotho is landlocked within SA's borders, it has managed to secure quota-free shipments of garments to the North American and European Union markets — the destination of most shipments. The capital Maseru has also been designated as an inland port, and containers are cleared and shipped through Durban without further customs formalities

Makhoalibe declined, "for strategic purposes", to comment on the number of Taiwanese companies which had relocated to Lesotho from SA, particularly after SA's decision to switch diplomatic recognition from Taiwan to China

Swaziland, which still recognises the nationalist island, is also understood to be wooing Taiwanese investors following SA's diplomatic switch

Makhoalibe would say only that Taiwanese investors were arriving in Lesotho from "elsewhere", and some established operations were growing rapidly. She said Taiwanese company United Clothing had expanded its factory space of 4 000m² by 2 000m², thereby creating additional jobs and bringing its total employment to 2 200

A second Taiwanese firm, J&S Fashions, has also expanded its operations recently.

Furthermore, it was announced recently that Singaporean firm Lekin Textiles had invested R21m in Lesotho

Makhoalibe said of the 23 clothing manufacturers in Lesotho, five came from SA

Ts'eliso Ramochela, secretary-general of the Lesotho Federation of Democratic Unions, is not impressed by the Taiwanese investors and alleges they have the worst industrial relations records in Lesotho

He said many of them imported Taiwanese and Filipinos to do supervisory jobs instead of training locals They also kept workers inside the premises for 12-hour stretches, from 7am to 7am, because they "feared that the workers may confer with the trade unionists who operate in the area"

He alleged they paid the lowest salaries and stuck to the minimum wage stipulated in the law He also claimed they did not observe international environment guidelines, and employees were in danger of contracting fibrotisisi, a lung disease caused by fibre dust

'Women more keen than men to set up own business'

Patrick Wadula

THE small and medium-sized enterprise sector in Mpumalanga is dominated by women in garment manufacturing who, through their own initiative, have set up their own businesses

Felani Mahlangu, business consultant of the National African Federated Chamber of Commerce (Nafcoc) affiliate Midveld Industrial Chamber, said yesterday that unlike men, women had come to the chamber "in droves" to seek ways of employing themselves Men had sought jobs.

"We have to move away from the need to be employed and rather employ ourselves by setting up our own businesses," he said

Areas of business undertaken by the chamber include steelwork, woodwork and confectionery About 80% of men who approached the chamber were involved in repair services of various types

Mahlangu said 70% of the women in the chamber were involved in home-based garment manufacturing The chamber had formed 18 groups, seven of which were owned by women.

Three years ago there were more than 22 groups

He urged small businesses to develop their business skills to avoid bankruptcy. However, there was a lack of funds for technical and business courses The chamber was also lobbying government for an industrial site for small businesses, he said.

The chamber was instructing its members on how to tender for provincial contracts

A spokesman at the provincial government's small and medium-sized enterprises desk said government was developing a comprehensive business database for Mpumalanga.

She said the business desk was involved in establishing three small business support institutions

"This would be done by identifying suitable organisations which might be interested in setting up in the province."

The official said increased funding and greater support for small firms in the province were important to improve the sector's chances of participating in emerging opportunities

Business chambers, associations and the provincial small business council had to be strengthened to contribute meaningfully to help develop the smaller firms

(184) BD 8/9/97

Unispin has tough time

(184)

Samantha Sharpe

CAPE TOWN — Footwear, clothing and textile group Unispin slipped further into the red in the six months to June with a net loss of R6,5m, compared with a R2,7m loss in the year to September last year.

This was reflected in a 2,1c loss a share compared with 0,9c last year

There was no dividend

MD Chris Snyman said the results, while disappointing, reflected conditions in the market. "Until benefits of the company's three-year strategic plan are felt, profitability is likely to remain uncertain "

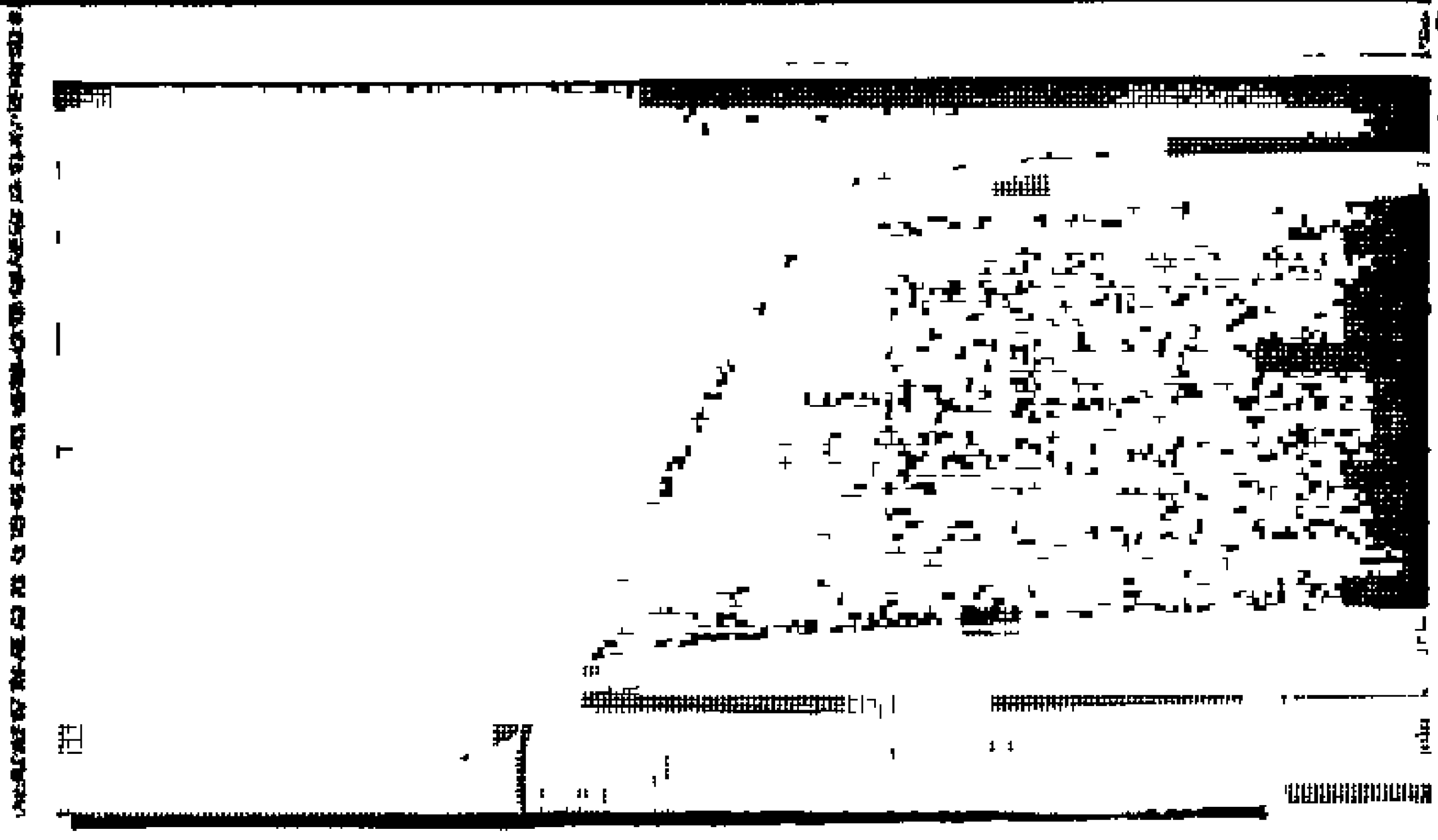
The plan includes plant upgrading and relocation, with the aim of improved efficiency and cost savings

Revenue fell to R144,8m from R237,7m Snyman said trading conditions continued to be depressed, with margins under continuous pressure and operating income the victim, falling to R430 000 from R3,6m previously.

A rise in finance costs following increased borrowings showed an operating loss after finance costs of R6,5m compared with R2,5m, with a zero tax bill reflected in the net loss.

Snyman said the establishing of an export market for the company's products was proceeding satisfactorily, with a reliable international customer base being developed The benefits of the strategy would become increasingly apparent later on.

However, local market conditions were expected to continue to be difficult and no major improvement in the financial position of the company was expected this year.



SA textile, clothing exports declared no threat to US firms

~~et~~ BD 11/9/97 (184)

Simon Barber

WASHINGTON — The removal of tariffs on SA textiles and apparel exports has received strong backing from the US government's international trade commission, which concluded that such a step would pose no immediate threat to US producers, given the parlous state of the industry in SA.

The independent panel found SA producers were not in a position to ramp up exports dramatically without massive investments — as much as $605m over eight years in the clothing sector alone — to upgrade equipment and productivity

Another factor making SA no threat, in the commission's view, was the absence of export-processing zones to attract investors looking for tax and regulation friendly platforms from which to penetrate the US market

The report was requested by Congress, which is considering removing all tariffs and quota restrictions on African textiles and clothing as part of an initiative — the African Growth and Opportunity Act — to stimulate private sector growth and investment in the continent

Samantha Sharpe reports from Cape Town that Clothing Federation acting executive director Paul Theron welcomed the recommendations providing they were not qualified by too many riders "However, we know this is only the first step, with the real job to get the recommendations through Congress, where we have been informed the textile clothing sector in the US plans to lobby against us.

4 Officers shall remain free of any influence, interest or relationship which could impair their professional judgement at all times display honesty and loyalty towards the Republic of South Africa and not seek or accept instructions from any persons or bodies within or without the Republic of South Africa that could impair their ability to serve the Republic of South Africa

5 Officers shall maintain a high level of professional expertise and skills to carry out their functions and responsibilities in accordance with all relevant laws, regulations and customs and technical and professional standards applicable

6 Officers shall at all times respect the laws, codes statutes, rules and conventions of the Republic of South Africa and the host country

7 Unbecoming conduct which is discreditable, dishonourable, dishonest, irregular or which is derogatory or brings the good name of South Africa and its foreign service into disrepute shall be subject to the rules and regulations of the Public Service Act as well as any other rules and regulations applicable to officers "

Namibian clothing/textiles dumped on SA market

(184)

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

(1) Whether he or his Department intends entering into discussions with the Namibian authorities in regard to clothing and textiles worth millions of Rands which are being dumped on the South African market, if not, why not, if so, (a) when and (b) what is his or his Department's position in this regard,

(2) whether he or his Department has determined or intends determining what impact such dumping of clothing and textiles may have on the clothing industry in South Africa, if not why not, if so, what are the relevant details

(3) whether he will make a statement on the matter? N1981E

The MINISTER OF TRADE AND INDUSTRY

(1) I assume the question refers to clothing and textiles imported with rebate of the duty in terms of Duty Credit Certificates issued by Namibia During 1996 we became aware of a number of such certificates issued by Namibia in terms of the scheme under which exporters of clothing and textiles qualify for such certificates, subject to very specific rules and requirements We communicated with the relevant Namibian authorities on this matter Namibia has since withdrawn some of the certificates and has, according to our information also issued only one new certificate The previous certificates have all lapsed Most of the clothing and textiles imported with rebate of the duty in terms of these Namibian certificates were sold in the South African markets which by itself, is not a problem as South Africa and Namibia are both members of a customs union The issue is whether the certificates issues by Namibia, were issued in accordance with all the requirements and conditions of the relevant rebate provision and whether the firms to whom the certificate were issued, were fully entitled to certificates of the value issued, based on the export of clothing and textiles manufactured within the customs union and subject to other relevant requirements and conditions My Department has been communicating with the Namibian authorities concerned for months to try to set up a process to resolve the issue, without success In view thereof, we are considering other steps, one alternative being to withhold the amount of duty rebated from Namibia's disbursement from the common revenue pool until such time as the matter is resolved

(2) It is difficult to accurately measure the impact of certain factors on the local industry as a number of variables could be involved It is however accepted that such alleged uncontrolled importation of the magnitude in question would negatively impact on the South African industry, which explains the DTI's determination to resolve the matter

(3) In view of the explanation given, a further statement is not necessary

Roads in Postberg Nature Reserve deproclaimed

*31 Mr D J DALLING asked the Minister of Environmental Affairs and Tourism

(1) Whether the National Parks Board has deproclaimed or intends deproclaiming any roads in the Postberg Nature Reserve, if so, (a) which roads and (b) on whose application,

(2) whether this deproclamation has or will have any effect on public access to any beaches, if so, which beaches,

(3) whether any occupiers of property in the Reserve will as a result of such deproclamation gain exclusive access to such beaches, if so, what are their names? N1989E

The MINISTER OF ENVIRONMENTAL AFFAIRS AND TOURISM

(1) Yes

(a) Division Road 1164 and Minor Road 117,

(b) On application by the National Parks Board

(2) No The section of Admiralty Reserve between Minor Road 117 at Kreeftebaai and the sea was proclaimed national park land on 7 October 1994 and access to the beach became subject to the National Parks Act, 1976 (Act no 57 of 1976)

(3) No

Question standing over from Wednesday, 10 September 1997 (transferred for oral reply in terms of Rule 202)

Amount spent in payments to non-statutory service providers

*9 Mr A S BEYERS asked the Minister for Agriculture and Land Affairs [Written Question No 931]

(a) What is the total amount spent by his Department in payments to non-statutory service providers during the period 1 January 1995 up to the latest specified date for which information is available, (b) to which service providers were such payments made and (c) what amount was paid to each such service provider? N1632E

The MINISTER FOR AGRICULTURE AND LAND AFFAIRS

In the case of the Department of Agriculture

(a) R1 314 683 55

(b)		(c)
Africare	R	15 000 00
Afrophone Translation Services	R	419 52
BKS Raadgewende Ingenieurs	R	190 21
Boskop Training Group	R	398 700 00
Brabus Training Interna Corp	R	35 420 00
C B M Advisory Services	R	15 139 20
Conference Committee	R	4 446 00
Deloitte and Touche	R	151 320 51
Feedit cc	R	3 921 60
Genres C	R	1 492 00
Gerhard Beukes & Associates	R	7 980 00
J P Planning cc	R	600 00
Mof Lemmer Associates cc	R	2 394 00
Noord-wes Koop BPK	R	8 545 51
Small Grower Development Trust	R	669 115 00

In the case of the Department of Land Affairs

I understand that the question requests information on Departmental funds spent on payments to non-governmental Organisation (NGOs), and is not intended to refer to services contracted in to the Department from (for example) valuers, planners, surveyors, computer companies and other similar non-statutory commercial service providers

The relevant information concerning the Department of Land Affairs is as follows

(a) R277 622 during the period 1 January 1995 to 31 July 1997,

(b) the Land and Agricultural Policy Centre (LAPC), and

(c) R277 622 to the LAPC for organising and facilitating the process leading up to the Land Policy Conference, which was held on 31 August and 1 September 1995 The member is furnish remain proprietary to the official and the Minister concerned Out of respect to the official it would never be correct to undermine his or her probity in any way It is for this reason that I must request that this is not an issue for further discussion or questions and

(2) I will not be making any statement on the matter

SANDF budget curbed

*30 Mr J A MARAIS asked the Minister of Finance †

What are the reasons for curbing the budget of the South African National Defence Force? N1454E

The MINISTER OF FINANCE

I would like to reply to the hon member s question by providing the following information

The budget request of the South African National Defence Force was considered in relation to similar requests from other departments against the background of the availability of financial resources and urgent needs such as socio-economic upliftment crime prevention lags of poverty, medical treatment for all, housing and borrowing limitations of the State

Although various fundamental defence capabilities are necessary, it should also be viewed in the Southern African context where peaceful co-operation between states does exist and the South African National Defence Force must move towards a defensive posture as stated in the Defence White Paper The South African National Defence Force has also embarked on a transformation process that should bring about organisation structure changes and subsequent savings The savings could then be redirected to those areas where significant decreases occur

New questions

Permit for export of Namibian manufactured clothing (184)

*1. Mr A J LEON asked the Minister of Trade and Industry

(1) Whether, with reference to the issuing of permit No 460 11 by the Namibian government providing for the export of Namibian manufactured clothing he or his Department has been informed that the permit allows for the export of goods in excess of the capacity of the Namibian clothing industry, if so, what are the relevant details,

(2) whether he or his Department is or intends investigating the possibility of irregularities with regard to importing and re-exporting clothing from South Africa which may be allowed in terms of this permit, if not, why not, if so, what are the relevant details? N1561E

The MINISTER OF TRADE AND INDUSTRY

(1) The Department of Trade and Industry and I are aware of permits that have been issued by the Namibian Government in terms of item 460 11 of Schedule 4 to the Customs and Excise Act This item governs importation of certain textile and clothing products in terms of the Duty Credit Certificate Scheme (DCCS) In terms of the scheme an exporter of textile and clothing products can earn a duty credit certificate on the basis of its exports, which allows the owner of such certificate credit, to the value of the certificate, on customs duties payable on prescribed textile and clothing products The DTI was notified by the Office of the Commissioner for Customs and Excise of 460 11 permits/certificates which were issued by the Namibian authorities in terms of which goods were entering South Africa The DTI has its concerns about the magnitude of the permits/certificates applicable

(2) Yes The matter is being taken up with the Namibian Government with the view to discussion and exchange of information pertaining to the administration of the Duty Credit Certificate Scheme for exporters of textiles and clothing, and verification of certificates issued by Namibia

The DTI will meet with the Namibian authorities on this matter soon

Training of police detectives for criminal investigations

*2 Mr W L FOURIE asked the Minister for Safety and Security

(1) How many active police detectives have not yet been adequately trained to carry out criminal investigations,

(2) whether he or the South African Police Service has any plans to improve the training of police detectives, if not, what is the position in this regard, if so, (a) when will such plans be put into effect and (b) what do these plans entail,

(3) whether he will make a statement on the matter? N1562E

The MINISTER FOR SAFETY AND SECURITY

(1) 6 052

(2) Yes

(a) During 1997/1998

(b) The detective and specialised units training programmes are currently being revised These training programmes are being developed to enhance the investigative skills of the investigators This is done by developing these training programmes according to competence- and outcomes based training as prescribed by South African Qualifications Authority and in line with the priorities of the South African Police Service

(3) No

Task team appointed to investigate Sarfu

*3 Mr A J LEON asked the Minister of Sport and Recreation

(1) Whether, with reference to his reply to Question No 22 on 26 March 1997, the task team that was appointed to investigate the South African Rugby Football Union has completed its task, if not, what is the position in this regard, if so, (a) what were its findings and (b) what action has been taken as a result,

(2) whether Sarfu has co-operated fully with the task team, if not, what action has been taken as a result

(3) whether he intends to take any other action in regard to South African rugby, if not, what is the position in this regard, if so, what action? N1563E

The MINISTER OF SPORT AND RECREATION

(1) No

The Task Team had indicated that their task would be completed by the end of September 1997 but SARFU urged its provincial affiliates not to co-operate with the Task Team toward the end of July 1997, and gave the Task Team an ultimatum to provide them with specific allegations by 15 August 1997, failing which they would seek a High Court order to obtain same

(a) The Task Team has not yet completed its task

(b) None

(2) No Arrangements will be made to initiate a Commission of Inquiry in this regard

(3) A written application for the institution of a Commission of Inquiry has to be submitted to the President

*4 Mr M J ELLIS – Education [Withdrawn]

Crime Prevention Strategy: powers extended

*5 Mr D H M GIBSON asked the Minister for Safety and Security

(1) Whether the Government intends strengthening political management over and increasing the role of the Presidency and the Cabinet in respect of the National Crime Prevention Strategy, if not, what is the position in this regard, if so, (a) what form will these measures take, (b) when will they be introduced, and (c) why are they considered necessary,

(2) whether these measures have been discussed with the South African Police Service, if not what is the position in this regard, if so, what was the response thereto? N1565E

The MINISTER FOR SAFETY AND SECURITY

(1) Yes

(a) The National Crime Prevention Strategy (NCPS) is currently managed by the Cabinet Committee for Security and

CONI

Firms 'not adapting to change'

BD 22/9/97

(184)

Nicola Jenvey

DURBAN — A new study has found "very little evidence" of clothing firms attempting to adapt to increased domestic competition, tumbling profits, shrinking turnover and shifts in market focus

In a University of Natal Durban study on the KwaZulu-Natal clothing industry, researcher Karen Harrison disclosed that 58% of cut, make and trim companies and 42% of full manufacturers had not made significant changes in recent years, when tariff barriers and protection had been falling away for the industry

This was despite international experience which highlighted that changes in product and market focus required alternative production methods

Harrison said that besides automation, few visible signs of change had been noted One company had introduced cells on the factory floor to focus on shorter runs with simpler styles, while several others were attempting to accommodate increased style changes — and relatively low skill levels — by running more than one style at a time on the line

Although this had diminished machine changeover and threading times, handling time had increased dramatically

The study showed that of the full manufacturing clothing companies in KwaZulu-Natal, 57% were experiencing increased turnover However, profit trends were more disturbing with only 29% experiencing an increasing profit trend

Harrison suggested companies which had migrated from the lower to the upper-market segments were surviving more successfully However, even here competition was rising and companies were experiencing price squeezes

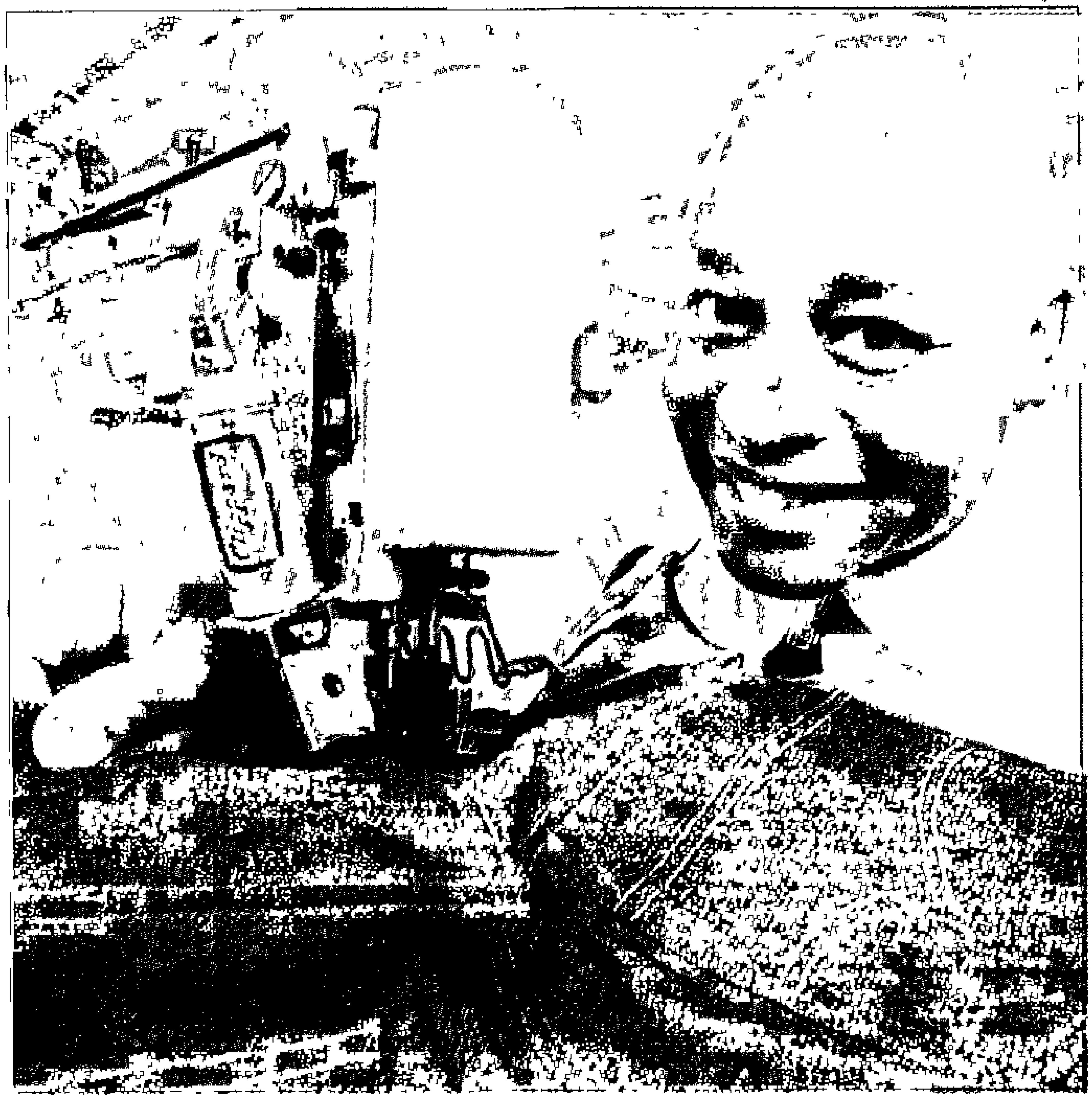
On the whole, local manufacturers were being forced to sacrifice profit for turnover

Harrison argued that competitiveness no longer relied solely on price, as particularly in the higher-income market segment, quality, delivery, quick response and flexibility played an increasingly vital role

Late or unreliable deliveries necessitated high inventories of raw materials and long lead times Quality problems meant unacceptably high defect rates and higher levels of finished goods inventories.

For companies to remain competitive domestically, they had to migrate out of doomed market segments and restructure so as to close the gaps between market expectations and company performance

It was clear even in market segments where price was critical that nonprice factors were increasingly becoming significant



STITCHED UP *Waddell Blackwell, the managing director of Levi Strauss South Africa, says the jeans manufacturer has swung into the black sooner than expected* PHOTO SHAVONNE HILL

Levi Strauss sews first profit

CT (BR) 3/10/97 (184)

MARC HASENFUSS
CAPE EDITOR

Cape Town — Levi Strauss South Africa (LSSA), the jeans manufacturer, has beaten its break-even forecast by a year, Waddell Blackwell, the managing director, disclosed yesterday when announcing that the company would sew up its first profits this year.

"We're one year ahead of schedule and this is attributable to our employees, retail partners and South Africa's increasing interest in denim jeans. At start up in April 1995 we only expected to break even after three years ... to go above the line after just two years is phenomenal."

He said sales of Levi jeans continued to surge in South Africa with figures more than doubling in LSSA's second year of operation and predictions of a 40 percent growth in sales for the year ahead.

"We are projecting a continued 20 percent sales growth per year in South Africa for the next two to three years."

Blackwell was reluctant to disclose the market share of Levi jeans but noted "significant recognition" among the teenage target market.

He said LSSA was still falling well short of retail demand for Levis and that business plans were under consideration to boost productivity at the company's Epping plant next year.

"But we must have stability at our plant before we can pursue dramatic growth."

Blackwell said LSSA would invest R15 million in capital equipment in the coming year for a new over-die machine and laundry.

Blackwell said the Levi jeans stores were trading well and plans were afoot to franchise another four stores next year. "The idea is not to challenge the mainstream retail network and we are looking at only about 15 percent of total distribution through Levi's jeans stores. About 12 to 14 stores will eventually be franchised."

Sactwu to join protest on child labour

CT (BR) 3/10/97 (184)

Shirley Jones
KwaZulu Natal Editor

Durban — The South African Clothing and Textile Workers' Union (Sactwu) will join the International Textile, Garment and Leather Workers' Federation, representing 220 unions and 8,25 million members in 120 countries, in a protest tomorrow against the abuse of workers' rights.

A Sactwu spokesman said that while globalisation of these industries should spur growth and social development, the opposite was often the case, particularly in developing countries

"Every day brings stories of underpayment of wages, excessive working hours, child labour, unhealthy and unsafe working conditions and the harassment, intimidation and even murder of those who try to improve conditions through trade union organisation," he said

"In these sectors, the majority of production is for export and is carried out on the orders of multinational manufacturers, merchandisers and retailers," he said

He said multinationals often plugged into seemingly inexhaustible supplies of poor, uneducated workers in Asia, Latin America and Africa "Of over 250 million working children across the world, as many as 5 million, some as young as four, are enslaved in the textile, clothing and footwear industries

"A visit to a factory in Bangladesh revealed children as young as seven working 20 hours a day Many were sick, some almost blind . Many of these children received only a couple of bowls of rice per day," he said

Similar stories came from Pakistan, China, Vietnam, Hong Kong, Korea, Taiwan, the Philippines, El Salvador and Haiti.

"Most of the 120 000 garment workers in Sri Lanka's free trade zone live in converted cattle sheds and barns. These house 50 to 60 workers without sanitation. Wages are so low all suffer from malnutrition. They also suffer sexual harassment and rape "

Sactwu said Lesotho's garment workers were often locked into factories and not permitted to leave until the day's quota was complete. Quotas were arbitrary, depending on orders. Working days were between 16 and 18 hours Mistakes meant a beating with a knotted piece of fabric.

Tomorrow's demands, which will be endorsed by Sactwu, include the implementation in every country of the core conventions of the International Labour Organisation, including the right to freedom of association and to bargain collectively, the prohibition of forced labour, child labour and discrimination, the implementation of all labour laws, the payment of living wages, the adoption of codes of conduct by all employers' organisations and by individual companies, and a commitment by retailers to only sell goods made without exploitative conditions.

Sactwu joins world protest

BUSINESS EDITOR (184) ARGT 3/10/97

The S A Clothing and Textile Workers' Union (Sactwu) is to demonstrate in the city centre tomorrow as part of an international protest against abuses of workers' rights in the industry.

The protest action has been called by the International Textile, Garment and Leather Workers' Federation which represents 220 unions with 8,25 million members in 120 countries

It is designed to draw attention to illegal underpayment of wages, excessive working hours, child labour, unhealthy and unsafe working conditions and harassment of unionists who try to improve working conditions, mostly in poor countries

Sactwu shop stewards will hold a placard demo and hand out brochures Similar protests will be held in Durban, Johannesburg and Port Elizabeth

DTI calls for more competition and exports

Clothing and textiles warned 'to get in gear'

ET (BOR) 7/10/97 (184)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town — The department of trade and industry (DTI) has sent a strongly worded warning to the clothing and textile industries to become more competitive and increase exports.

In a statement yesterday announcing the extension of the duty credit certification scheme to March 2000, the DTI said it was concerned "that there does not seem to be sufficient commitment by the industries as a whole towards training and work organisation

"Nor does there seem to be a significant commitment by the industries to the export market, as is borne out by export trends in recent years It would appear that there is excessive reliance on the domestic market and that exports are considered only when there are downturns in domestic demand "

Sources said this judgement of the industry might appear harsh, but government was clearly disappointed with the export performance of the industries and was sending a clear signal that it should get its house in order

Although some of the larger textile and clothing firms have been undergoing extensive restructuring and have invested heavily in training and new work organisation programmes, many small to medium-sized firms have been less active. This was mainly for financial reasons but also because they expect continued government support programmes

The scheme was due to run out in March next year and, after consultations with industry organisations and trade unions, DTI agreed to extend it to March 2000.

The scheme allows firms to use 30 percent of the value of their exports to import textiles.

DTI said to provide certainty to the industry the level of support in 1999 would be examined by all parties. The final phase-down levels of the scheme, and any other measures that the parties might develop during the discussions, would be announced in March 1998.

Clothing and textile exports grew from R2,3 billion in 1995 to R2,8 billion last year, with textiles making up the bulk of the exports

The DTI said it expected the two sectors to make a major contribution in realising the DTI's goal of creating between 70 000 and 100 000 sustainable new jobs a year in manufacturing by 2000.

To improve competitiveness in the sector, DTI said it had adopted a strategy that included the phasing-down of tariffs, investment financing support by the Industrial Development Corporation, increased support for small business through a range of financial and non-financial support programmes; and the refining of the scheme in favour of firms willing to invest in training and improved work organisation

Exports likely to rise, says clothing industry

CT(BR) 8/10/97 (184)

VERA VON LIERES AND SHIRLEY JONES

Cape Town — Clothing industry exports, buoyed by upbeat conditions in the industry, were likely to show a healthy uptick this year from about 8 percent of total turnover to about 10 percent, Bernard Richards, the president of the Clothing Federation of South Africa, said yesterday

This comes in the wake of a decision by the trade and industry department to extend the Duty Credit Certificate Scheme, an export incentive that allows firms to use 30 percent of the value of their exports to import textiles, for a further two years The controversial scheme was scheduled to be scrapped in March next year

But, at the same time, the department took the two industries to task for a lack of commitment to exports

Richards said he viewed the extension of the scheme as positive, but did not agree with the department's stance on the clothing industry's exports

Brian Brink, the executive director of the Textile Federation, took an equally cautious line by saying the scheme was useful to the clothing industry and, to a lesser extent, the textile industry He said unless the two sectors committed to exports, their long-term futures could not be secure

Customs and the Customs and VAT Enforcement Caucus agreed yesterday that extending the Duty Credit Certificate Scheme was one thing, but policing it was another

Lee Dutton, the convener of the Customs and VAT Enforcement Caucus, which represents all South African industries that have been severely prejudiced by illegal imports, said yesterday the scheme had serious flaws and was behind at least 50 percent of the import scams within the Southern African Customs Union

UPBEAT *Bernard Richards, Clothing Federation president*

He said, while the caucus appreciated the rationale behind the department's decision to extend export incentives for the clothing and textile industries from March next year to March 2000, no mechanism had been put in place to deal with fraudulent issuing of permits in nearby states

Illegal imports worth hundreds of millions had flowed into South Africa thanks to the issuing of Duty Credit Certificate permits to companies that did not qualify for them These permits were then sold to dealers who brought in goods duty-free for sale to leading retailers within the region

Dutton said the department needed to put in place a means of auditing the issuing of duty credit certificates within the customs union. He said there was no means of checking documents on which the issuing of these certificates were based

An industry source said duty credit certificates were in effect a doubled-edged sword for the clothing and textile industries While they did boost the bottom lines of the larger firms with the capacity to export, they also provided a convenient conduit for the smugglers that undermined their livelihood

SEARDEL (184)

Hitting the right buttons FM 10/10/97

Hard-nosed management is needed for a higher rating

Chairman Aaron Searll is a nice guy with more money than he can spend in a month of Sundays So it could be said he's not too fussed by the low rating the market attaches to Seardel's share In fact, he's so concerned about it, he's almost at his wit's end

That's why he contemplated a management buy-out of some of the group's divisions and a subsequent delisting of the group But when he saw that any sale based on an earnings ratio in the present climate would not realise a realistic price, he withdrew the proposition

He was right to do so Searll says in the 1997 annual report "Enough of the excuses — the time has come to focus on shareholders' (sic) wealth The management buy-out proposals that were ultimately declined have helped to focus management's attention on the creation of value"

Searll has put his finger right on the button He continues "Back in business school (at the University of Lausanne in Switzerland) we learnt there are only three ways to grow earnings 1 cut costs, which we are doing, 2 endeavour to raise margins, and 3 grow revenues, which we are planning to do"

Unless the group shows it is capable of doing this every year, its share rating will suffer even though its net worth may steadily increase

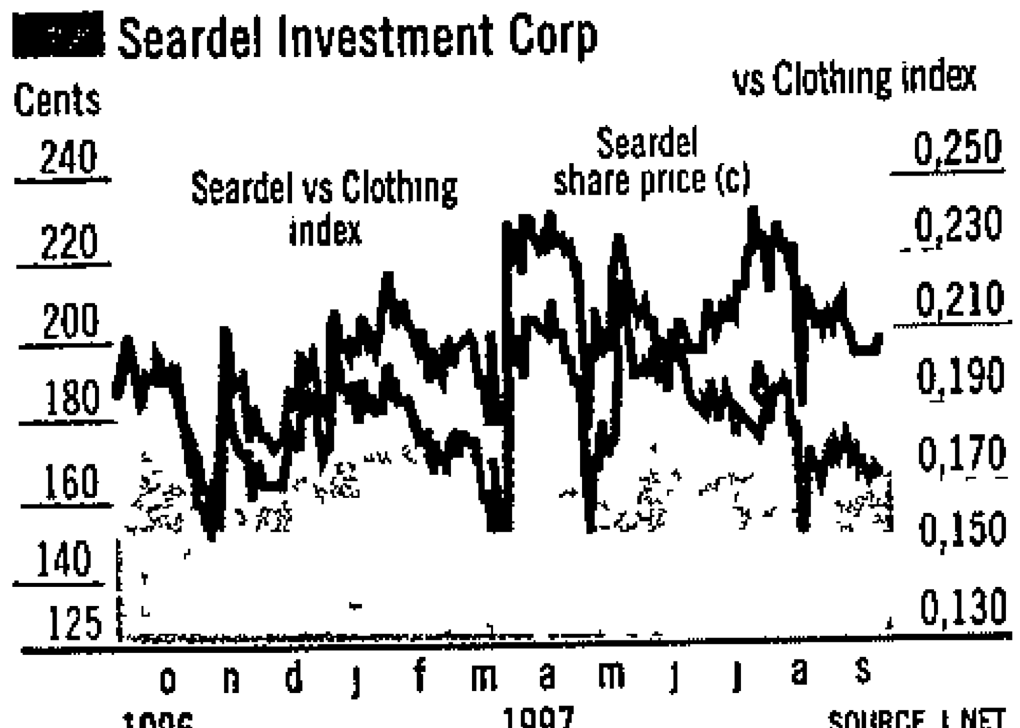
Seardel's EPS growth has been volatile Until the Frame Group was consolidated in the accounts, the apparel division contributed between 61% and 72% of group operating income This rose from R25m in 1988 to R52m in 1990, only to drop to R33m in 1992 It then rose steadily to R62m in 1996, only to plunge to just above the 1988 figure in 1997

Even if the R22m nonrecurring write-off from the July-August 1996 seven-day strike, restructuring and closures of nonprofitable clothing activities is added back to the apparel division's operating income of R30,5m, the divisional profit would have been R10m less than that achieved in financial 1996

Much work remains to be done (particularly in the apparel division) to attain sustained profit growth Searll should try to contain the group's rising debt and avoid the curious phenomenon of depreciation (R75,3m) exceeding group income after tax (R74,5m)

In spite of the many obstacles *(Fox September 5)*, Searll has the resources to achieve this There are capable divisional managers, starting with joint MDs Bernard Richards and Chris de Bruin But the group's ups and downs over the years lead to the conclusion that management has not chased earnings growth ruthlessly enough That seems to be changing

Seardel Investment Corp



■ **ACTIVITIES.** *Makes men's, women's and children's apparel, textiles, toys, consumer electronics*

■ **CONTROL·** *Searll family 21,7%*

■ **CHAIRMAN** *A Searll Joint MDs G C de Bruin, B G Richards*

■ **CAPITAL STRUCTURE·** *107m ords Market capitalisation R208m*

■ **SHARE MARKET:** *Price 194c Yields 4,8% on dividend, 13,7% on earnings, p e ratio, 7,3, cover, 2,9 12-month high, 250c, low, 140c Trading volume last quarter, 3,3m shares*

Year to June 30	'94	'95	'96	'97
ST debt (Rm)	29,3	37,6	23,1	53,3
LT debt (Rm)	84,0	93,1	118,3	144,4
Debt equity ratio	0,49	0,39	n/a	n/a
Shareholders' interest	0,36	0,37	0,59	0,58
Int & leasing cover	2,5	3,4	6,7	3,5
Return on cap (%)	12,8	12,2	9,1	6,2
Turnover (Rm)	1 151	1 465	2 340	2 876
Pre-int profit (Rm)	68,8	90,0	151,2	131,7
Pre-int margin (%)	6,3	6,1	6,5	4,6
Earnings (c)	120	179,5	*45,5	*26,5
Dividends (c)	24,0	35,5	9,25	9,25
Tangible NAV (c)	827	1 003	379	411

* Headline

Unless the economic climate worsens dramatically, EPS for financial 1998 should at least be equal to the 45,5c of 1996 On this assumption, and with the share price at 194c, the prospective p e is 4,3 With fresh motivation in management and NAV at 411c, the share offers sound value

Gerald Hirshon

CAPE ARGUS, **FRIDAY,** OCTOBER 24, 1997

Jeans maker to cut work week to 40 hours

No loss of pay for employees

(184)

ARG 24/10/97

THABO MABASO
BUSINESS REPORTER

The Southern African Clothing and Textile Workers Union (Sactwu) has reached a ground-breaking agreement with Levi Strauss that commits the jeans manufacturer to introducing a 40-hour work week before the end of 1999.

Levi Strauss human resources manager Tim Sylvester said the agreement, which was worked out after months of negotiations, meant the working week would be reduced with no loss of pay for the company's 180 workers

The present working week of 42,5 hours, which was the maximum legal level in the clothing industry, would be reduced to 42 hours with immediate effect, Mr Sylvester said

"The transition to a 40-hour week is based on the efficiency performance of the Epping factory The factory opened in May 1995 and is working towards its targeted efficiency "

Sactwu regional organiser Joseph Williams said the agreement with Levi Strauss was a victory for workers He applauded the company for taking a bold step that "will probably not go down well with business organisations"

"We made the demand for a 40-hour week because as an affiliate of the Congress of South African Trade Unions (Cosatu) we support this historic demand," Mr Williams said

Cosatu has been lobbying for the maximum working week to be cut to 40 hours in the Basic Conditions of Employment Bill

Levi Strauss, a R22-billion a year multinational, opened its South African operation in 1995 The company invested R31-million in the Epping plant Levi Strauss' South African managing director Waddell Blackwell recently announced that the company had beaten its break-even forecast by a year and would soon make its first profit

Clothing sector to get export council

CT (POR) 21/11/97 (184)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The establishment of an independent export council for the clothing, textile and footwear industries was far advanced, Paul Theron, the head of the South African Clothing Federation, said this week

Theron said moves were afoot to fast-track exports in the wake of ultimatums handed to the clothing and textile industries in early October by Alec Erwin, the trade and industry minister, when he extended the duty credit certificate (DCC) system that had underpinned the industry's export activities

He intends phasing out the DCC system, which allows exporters to import fabric or clothing duty-free where the duty is equivalent to 30 percent of their exports, over a five-year period

Theron said representatives from the clothing and textile industries had met Erwin last Tuesday to begin transforming the DCC process while working on additional packages to intensify the focus on exports

Theron said that as a result of work with the Export Trade Promotion directorate within the trade and industry department, it was hoped an export council could be set up by early next year

Theron said the original plan was to launch a separate body that would embrace members of the industry federations as well as associations and non-members

He said he doubted whether Erwin would have been as hard on the clothing industry had he seen the 51 percent rise in exports during the first six months of the year when compared with the equivalent period last year

Union marches through Durban

ET (BR) 18/11/97

Companies hold back benefits, says Sactwu

(184) (183)

SHIRLEY JONES

KWAZULU NATAL EDITOR

Durban — The South African Clothing and Textile Workers' Union (Sactwu) marched through central Durban yesterday in protest against more than 100 manufacturers that are allegedly withholding millions in union subscriptions, pension and provident fund contributions, sick fund contributions and housing loan payments

The clothing companies involved are members of the Confederation of South African Employers (Cofesa)

According to Sactwu, the march was also in support of the Clothing Industry Bargaining Council's court action against Cofesa members who had apparently turned their backs on the Labour Relations Act by refusing to adhere to the collective wage and employment agreement

Joshua Mbelu, a spokesman for Sactwu, welcomed the Durban court's judgment in favour of the central bargaining council The employers would now be forced to hand over the money he alleged they intended pocketing and comply with the agreement

Sactwu sentiment is that over 6 000 employees at the mercy of the Cofesa employers were being hoodwinked Mbelu said Cofesa tactics were to change the basic conditions of employment and persuade manufacturers to outsource labour, which would allow them to pay minimum wages

According to the union, employees taken on a contract basis had welcomed the reduction in the number of deductions from their wages, but did not realise they had been robbed of all their benefits Piet Pelser, Cofesa's regional representative, could not be reached for comment yesterday

The pandemonium within the Durban clothing industry comes against the backdrop of a strategic agreement between clothing employers and Sactwu aimed at promoting the future of Durban's clothing industry

Len Smart, the executive director of the Natal Clothing Manufacturers' Association, confirmed that a meeting held over the weekend had resulted in a programme to stabilise and expand this section of the industry

"The meeting, arranged by the Clothing Industry Bargaining Council, looked at the failure of many smaller employers to comply with the industry's collective bargaining agreement, job losses in the Durban area, and the migration of employers to decentralised areas which pay lower wages," he said

Since 1989 the area's clothing workers had been reduced by 17 000 The parties represented, including the bargaining council, agreed to an overall package due in December

The need to assist Durban employers grappling with increased local and overseas competition was recognised as equally vital to the process as the need to assist employees through social security benefit funds, Smart said

Call to go for growth in clothing industry

ARG 26/11/97 (184)

THABO MABASO
Business Reporter

Clothing manufacturers in the Cape should encourage co-operation with other employer bodies and trade unions in order to nurture growth in the industry, Johan Baard, the former chairperson of the the Cape Clothing Manufacturers' Association said.

"The seeds of goodwill and commitment towards nurturing growth should be pursued with imagination and sensitivity," Mr Baard told the last meeting of the Cape Clothing Manufacturers Association (CCMA) in Cape Town yesterday.

The annual general meeting changed the the CCMA's name to the Cape Clothing Association (CCA) and elected Gordon Joffe as its new chairperson.

'Employment levels in the clothing industry have stabilised and are firming'

The name change was necessitated by the the establishment of the of statutory Commission for Conciliation, Mediation and Arbitration which has the same acronym as the Clothing Association.

Mr Baard said the similarity between the acronyms caused confusion among CCA members. The clothing manufacturers chief stepped down from the CCA hotseat to take up the chair of the Cape Chamber of Commerce and Industry. He will, however, retain the vice-chairman's position of the CCA.

In its annual report the CCA said an economic survey conducted by the Cape Chamber of Commerce and Industry had revealed that 38% of members viewed business conditions as excellent during 1997, while 50% said conditions were fair.

A Clothing Federation survey which was conducted this year showed that employment levels had stabilised and were firming. Labour productivity and costs were the most significant constraints followed by fabric cost and availability of fabric.

Company News

'Bright' future for clothing industry

CT (BR) 28/11/97 (184)

Marc Hasenfuss

Cape Town — Clothing exports were up 50 percent in the first half of this year, compared with the first half last year, Paul Theron, an executive director of the South African Clothing Federation (Clofed), said yesterday

He estimated that the value of exports for the full year could be R800 million to R1 billion

"We are starting to get something together on the export front, and there is a host of initiatives to trigger these sales through The future is looking bright for the clothing industry for the next two years "

Bernard Richards, the president of Clofed, said with the extension of the duty credit system and the export marketing initiative assistance scheme the government had created a platform from which exports could be pursued

Turning to illegal clothing imports, Richards believed there were definite signs that customs officials' actions were having a curbing effect

"There is a sense that illegal imports are becoming less prevalent We must, however, maintain our vigilance and pressure to eradicate this cancer"

He expressed concern that at least half of about 900 tons of illegal clothing confiscated in July was still housed in warehouses, and called for its incineration

KEEP UP THE PRESSURE *Bernard Richards, the president of Clofed, believes the clothing industry must maintain its vigilance against illegal imports* PHOTO ANDREW BROWN

SA clothing industry 'will show growth next year'

BD 28/11/97
(184)

Samantha Sharpe

CAPE TOWN — SA's clothing industry was poised for growth well into the new millennium, showing a clear turnaround in the past year, Clothing Federation president Bernard Richards said yesterday.

Speaking after the body's annual meeting, he said the industry appeared to be in a strong recovery phase following one its most serious declines in many years — a phase which had resulted in the closure of a number of firms and significant job losses.

However, output for the industry was expected to show a real growth rate of 4% this year, with a declining interest rate environment conducive to improved growth.

On the export front the industry had increased its export performance from R493m in 1995 to R626m last year — a growth of 27%.

"It is expected this positive trend will be continued, with the first half of the year showing exports 50% higher."

Through the extension of the Duty Credit Certificate Scheme and the announcement of a scheme to facilitate the establishment of an export council for the industry under the new Export Marketing Investment Assistance Scheme, government had created a platform to pursue exports.

"Regional and national export structures are in place to re-evaluate and redevelop our export strategy within the new environment," he said.

These included the possibility of the identifying and developing capabilities within the clothing and textile pipeline to make them internationally competitive, the identification of international target markets and trends and a focus on higher value-added incentives.

"The industry is well into restructuring mode. Bottom-end long-run manufacturers are already starting to source from Southern African Development Community countries. Middle and top end manufacturers are shortening their lead times and improving flexibility to service both the local and international markets."

Buoyant clothing industry on a roll

ARG 28/11/97 (184)

THABO MABASO
BUSINESS REPORTER

The clothing industry seems to be recovering from wounds inflicted by illegal imports and is in a buoyant state, Clothing Federation (Clofed) president Bernard Richards said.

Dr Richards told a news conference after Clofed's annual general meeting in Cape Town yesterday that even small businesses in the clothing industry seemed to be growing

"I have spoken to a number of retailers who deal with small businesses in our industry and they tell me that they have never had business so good," he said

But growth in small businesses was difficult to quantify, he said

Conditions fuelling the byoyant conditions included various support measures for exporters introduced by the Government and stable labour conditions this year

Dr Richards said exports were in excess of R800 million this year and the industry was targeting the R1 billion-mark by the end of next year

The Governnment was beginning to win its fight against illegal imports, he added

"Actions taken by the Government such as the training of customs inspectors are beginning to bear fruit "

Dr Richards said since the 1994 elections the European Union (EU) and the United States had not made good their promises of trade assistance

"It is time for the European Union negotiations to be finalised with an asymmetrical trade agreement between South Africa and the EU "

He said that it was imperative that existing bilateral agreements with countries in the Southern African Development Community should be dissolved as these countries could be used as illegal conduits for cheap goods being transshipped into South Africa

He urged countries in SADC to strengthen their borders with the outside world before opening up a free trade area

"It is vital that before the SADC free trade area comes to fruition, secure borders and non-corrupt customs procedures be in existence "

(1842)

Rextrue plans rationalisation

BD 1/12/97

Ronelle Burger

THE clothing manufacturer and retailer Rex Trueform (Rextrue) is planning to improve global competitiveness through rationalisation and by investing in technology and training.

Chairman Stewart Shub said in the annual report released at the weekend, that overheads would also be reduced through the sale of obsolete factories.

Absenteeism had disrupted the six months to end July and the company had commissioned studies to address this problem, he said.

Shub was upbeat about Rextrue's prospects for the future, although trading conditions locally and abroad were likely to remain difficult The financial position of the company was sound, he said.

The company planned to expand and strengthen its flagship retail division Queenspark

Queenspark opened four new branches during the financial year and since end-June three more stores had been opened, among these its first franchised store in Windhoek, Namibia. A further 10 stores were scheduled to start trading next year.

Adonis attributes decline to sluggish conditions

Samantha Sharpe (184)

BD 10/12/97

CAPE TOWN — Knitwear manufacturer and marketer Adonis Knitwear Holdings took a knock from a sluggish market to report a decline in attributable income to R528 000 in the year to September, compared with R599 000 at the same time last year.

The figure was reflected in share earnings of 21c compared with a previous 26c and a dividend of 6c a share — 3c lower than in September last year.

Group MD Joseph Bencen said the economic conditions had obliged the company to extend credit terms to customers.

This had resulted in an increase in interest and finance charges, which had corroded improved operating income.

Operating income rose to R1,9m from a previous R1,8m. This growth was outstripped by that of the financing bill, which soared to R664 000 from R393 000 in September last year, translating to net income before tax of R1,2m from R1,4m.

Looking forward Bencen said that while the next year's winter collection had been hit by the sluggish market the past summer range was retailing well.

CUSTOMS *Industry watchdog demands radical revision of tender process*

Destruction of seized goods disputed

(184) (###) (###) CT (BR) 11/12/97

NOT ROUND-TRIPPED *Goods confiscated from warehouses by the police, including counterfeit Nike jeans and Caterpillar shoes, are destroyed in Pretoria* PHOTO LINDSAY YOUNG

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Industry was demanding the radical revision of Customs' methods of disposing of confiscated goods, members of the Customs and VAT Enforcement Caucus, the industry watchdog body, said yesterday

They said dissatisfaction stemmed from the sale of seized textiles and clothing from Durban, Cape Town and Johannesburg through government tender in July this year

Speculation that the goods had never left the country despite stringent tender procedures, and allegations that they had been round-tripped through neighbouring countries and again sold on the local market, prompted the Textile Federation to ask Customs more than a month ago for proof that the goods had been exported

Brian Brink, the executive director of the Textile Federation, said no response had come from Customs to date He said he was still not convinced the goods had left the country

The original rules of the tender were that the goods' departures and arrivals at overseas ports were to have been documented by Customs officials

Lee Dutton, the head of the Customs and VAT Enforcement Caucus, called last week for greater transparency in the disposal process He said the tender process needed to be audited by official industry bodies such as the Textile Federation or the Footwear and Leather Industries' Association

Christo Henning, the spokesman for Customs, said Customs had all the documentation to show the tender procedures had been strictly adhered to However, he did not offer copies as proof

"If the goods were returned to this country, it was not due to an error on our part," he said

He confirmed that, despite demands from industry that confiscated clothing and textiles be destroyed, the next consignment of confiscated goods would again go the tender route He said now that the revenue service was autonomous, with its own internal tender board, procedures would be quicker

He said when considering destroying the goods, Customs would look at what was economically viable "If the goods can generate income for government, then it would be unwise to simply destroy them It doesn't make economic sense"

Clothing industry, textile union agree on protests to workers' bill

(184)

BUSINESS REPORTER

B ARG 13/3/97

Clothing industry bosses have given the go-ahead for the South African Clothing and Textile Workers' Union (Sactwu) to stage protests aimed at forcing negotiators at talks for a new Employment Standards Bill to accept the union's proposals.

It was agreed at a meeting between Sactwu and the Cape Clothing Manufacturers' Association (CCMA) which is an umbrella body of clothing and textile employers, that protests would be by prior arrangement if not held during lunch hours.

"If requests are received from shop stewards, we will recommend that since Sactwu is not calling for mass attendance, members (of the CCMA) be accommodating without there being any undue disruption to their production schedules," CCMA executive director Peter Cragg said in a statement.

Mr Cragg also said that the protests would not only focus on the Employment Standards Bill, but on the illegal importation of clothes and policing problems at customs control points

Since tariff barriers were lifted South Africa has seen a rise in the number of cheap illegal clothing and textile imports

As a result thousands of jobs have been lost and factories have closed

The Employment Standards Bill is currently being discussed by labour, business and Government, and seeks to establish basic conditions of employment.

Mr Cragg told manufacturers to adopt a "constructive approach" to Sactwu's plans for protests as there had been consultation before the mass action

"Should it be necessary for employees to participate beyond their lunch period, we suggest that this time be made up in a flexible manner to ensure that establishments do not lose production."

The clothing industry employs close to 45 000 people in the region and the deal would be signed

Closure of operations hits SA Bias

BD 14/3/97

Ingrid Salgado

(184)

FOOTWEAR and clothing accessories supplier SA Bias Industries moved into the red in the year to December, reporting a R6,9m attributable loss against profit of R11,9m in the previous year

The group's strategic plan to deal with problems in the SA clothing and footwear industries — which resulted in several loss-making operations being closed or sold last year — knocked the bottom line. Share losses came in at 24,2c against earnings of 41,6c the previous year, although headline share earnings of 17,6c (42,5c) were reported The final dividend declared was 6c (14c)

A once-off R14m exceptional item related to costs from closing and restructuring discontinued operations, as well as a payment to a former director for loss of office Various Kirton departments were closed last year while the metals and plastics division was restructured, and the trimmings, printing and labels units merged and rationalised

The group was expected to return to profitability this year as all remaining divisions were profitable Turnover for the year grew 5,4% to R261m (R247m) but operating profit slipped 36% to R14,3m (R22,4m) Continued operations added R21,7m to operating income but discontinued divisions chewed into R7,5m of this

SA Bias would continue to operate as a supplier to the footwear and clothing industry although this contribution would amount to no more than 40% of group sales

Meanwhile, SA Bias parent Sabvest posted a R5,8m attributable profit in the same period, from a restated R17m loss the previous year Share earnings rose to 27,4c against restated share losses of 87,9c A final dividend of 3c (8,5c) was declared

DUTIES *Mr Price fights back, arguing it is a victim of a dirty tricks campaign*

Knives out in clothing row

CT (BR) 19/3/?? (184)

Shirley Jones

KWAZULU NATAL EDITOR

CLEAN HANDS *Laurie Chiappini and Stewart Cohen, the joint chairmen of Specialty Stores, and Alistair McArthur, the group managing director (centre) inspect customs clearance documents at their distribution centre in Durban*

PHOTO PETER DUFFY

Durban — Mr Price, the clothing retailer, launched a scathing attack on the textile and clothing industries this week, accusing them of wanting to put it out of business

Laurie Chiappini, the joint chairman of holding company Specialty Stores, said industry rivals hired private investigators in an attempt to destroy the company by linking it to customs duty fraud "Covert agents are working for people who want to destroy this business," he said

A customs enforcement task group source said last month a swoop last December on two Qwa Qwa companies, Drakensberg Clothing and Can-dan Clothing, had resulted in the seizure of large quantities of Mr Price merchandise and labels

Mr Price has vehemently denied that it is involved in import fraud, stating that its documentation-checking system was probably "far more efficient than that of other retailers" and had been set up on the advice of senior customs officials

Mr Price has provided an affidavit stating that a major supplier, rather than Mr Price, was under investigation. The South African Revenue Service yesterday refused to confirm this or to deny off-the-record statements that two separate investigations were under way

Mr Price management said the goods impounded in December at the factories were rejects returned to Danny Chu, a major supplier, two years ago Chiappini and Stewart Cohen, the joint chairmen of Specialty Stores, said the company was being set up because it was "a thorn in the side" of large retailers and manufacturers "I and my company are carrying the rap for a supplier," said Cohen

"It's a tough industry and people will stoop to all levels to have a go at us," he said Cohen said that as soon as Mr Price had undercut other retailers' prices, accusations that it was buying illegal goods surfaced

"There are a lot of people who would like to have a go at us That's okay – as long as it is done fairly," Cohen said

Chiappini said attempts to implicate Mr Price in import duty fraud could be linked to Mr Price's refusal to a request from Clofed to help fund a government task group to investigate customs fraud

Cohen said Mr Price had grown enviably from a "nothing business" in 1993 to a company with 200 stores and turnover which would top R1 billion in the next financial year

Texfed and Clofed said yesterday the organisations denied any conspiracy "Last year, the clothing industry instituted a customs code of conduct supported by clothing manufacturers All major retailers were invited to contribute The fact that Mr Price does not contribute in no way led to a vendetta against the company," they said

"It is nonsense for Mr Price's executives to say that the textile and clothing industries have got together to destroy one of their retail customers," said Brian Brink, the head of Texfed

COMPANY NEWS

Rex Trueform feels bite of chilly trading climate

(184) CT(BR) 19/3/97

MARC HASENFUSS
CAPE EDITOR

Cape Town — Rex Trueform (Rextru), the clothing manufacturer and retailer, reported a 12 percent drop in attributable income in the half-year to December 31 as tough trading conditions cut profit margins, said Stewart Shub, the managing director of RexTru, yesterday

Earnings came in 17 percent lower at 21,3c a share on increased scrip in issue Turnover was down marginally at R105 million but a markedly reduced margin of just over 3 percent saw operating profit slump 45 percent to R3,2 million

Shub said both Queenspark, the fast-growing retail chain, and the traditional manufacturing arm suffered in difficult trading conditions

He said that Queenspark, which accounted for half of the company's revenue, boosted sales 11 percent compared to last year

Shub said the volume-sensitive manufacturing arm experienced a disrupted and unsatisfactory production period Exports were at the same level despite the loss of a parastatal order "But margins from our export business were hit by the unexpected removal of export incentives "

The company is a big exporter, with Marks & Spencer as one of its offshore clients

Bottom line was cushioned by asset management with interest earne at R1,8 million, and a lower tax bill of R1,1 million

Looking ahead, Shub said that although operating profits for the full year would not exceed last year's, the company, particularly Queenspark and the export business, had a bright future

"We are not discouraged by the disappointing interim period Overall RexTru has a sound operational structure and there are ample opportunities ahead "

He said Queenspark was considering a franchising arrangement in Namibia "Franchising can take this business to areas normally out of reach to us There's even a possibility of moving abroad "The share price was unchanged at 510c yesterday

☐ Business Watch, Page 2

RETAIL *Pantihose maker wants to treble market share by the end of the year*

Falke to stretch SA's hosiery market

ET (BR) 20/3/97 (184)

Mpho Mantjiu

Johannesburg — Falke South Africa, part of the German Falke Group which had a yearly turnover of about R1,5 billion, had entered the South African women's hosiery market, Dennis Shepherd, the managing director of Falke South Africa, said yesterday

Shepherd said his company had a 2 to 3 percent stake in the local hosiery market, but he expected that to treble to between 9 and 10 percent by the end of the year To achieve that, the company had invested millions in the local operation and hoped to have a turnover of R60 million by the end of this year

The local company employed about 429 people, and Falke's factory in Rosslyn near Pretoria had been in production since September last year The company produced house-brand pantihose for retailers like Woolworths, Jet, Hyperama, Edgars and OK Bazaars

Shepherd said the company would export its pantihose range, starting with France this year, and hoped to increase exports to 25 percent of production

Shepherd said the company's foray into hosiery with its new Imago range was part of an international growth strategy

HIGH HOPES *Dennis Shepherd, the managing director of Falke SA, assists in the display of the company's Imago range of pantihose made by its Pretoria-based factory*

"In the past we concentrated on fashion and sports socks for men, women and children, which enjoy a reputation for quality and durability"

Falke South Africa imported the yarn used for the Imago range from Israel, which was of a better quality than that produced locally, he said

"We believe that the company has the potential to double turnover over the next two to three years, and we are investing significantly in getting the required additional technology in place while investing in the training of key staff who, in many instances, are sent to the parent in Germany or suppliers in Italy for training"

Knitwear group stays in the red

(184) CT(BR) 26/3/97

Maggie Rowley

Cape Town — In spite of a 39 percent increase in turnover to R20,9 million, knitwear manufacturer Towles, Edgar Jacobs (Tej) slipped further into the red in the six months to December 31

The group has reported an attributable loss of R1,5 million, equal to 49,2c a share, against a loss of R556 000 or 18,8c for the corresponding period last year

The directors said the pressure on margins which saw the operating loss increase from R68 000 to R881 000 was largely because of the cost of sourcing key raw materials offshore

In addition, substantial benefits earned from the expanded export sales, which now account for 38 percent of turnover, would only be brought to account during the next financial year

No interim dividend is to be paid, the company said

The company said it was now the largest knitwear manufacturer in South Africa, with its knitwear manufacturing operations representing 90 percent of group turnover The woven manufacturing division would be closed over the next six months to concentrate resources on the core business Staff would be redeployed to the knitwear manufacturing division and no writeoffs were anticipated.

Production capacity had been increased through a R1,7 million investment in machinery, a computer systems upgrade and an additional building as a warehousing, training and shop facility

The directors said that production levels and orders on hand for the rest of the year should enable the group to achieve its sales budget and a "satisfactory operating profit."

The share price was unchanged at 160c yesterday

COMPANIES *Poor market rating takes toll*

Seardel boss to head management buyout

CT (BR) 18/4/97 (184)

MAGGIE ROWLEY

Cape Town — Aaron Searll, the chairman of Seardel, said yesterday he was spearheading a management buyout which would see the diversified clothing and textiles group delisted or becoming a cash shell

Searll said the move had been prompted by the poor rating the market gave the share, precluding the financing of acquisitions with scrip or staging a rights issue.

The share has been trading at a considerable discount to net asset value. Book net asset value at the end of financial 1996 was at 379c while the share languished at about 150c

However, a cautionary issued to shareholders yesterday sent the share soaring 68 percent to peak at 250c before falling back to close at 200c Share prices of other companies in the group also moved on the news, with Frame gaining 40c to close at 875c while Seartec lost 4c to close at 138c

Searll, the group's largest shareholder with 31,5 percent of its ordinary shares and 23 percent of the N-shares, said maintaining the listing under present conditions was an expensive exercise.

He said its financial advisers were weighing up the pros and cons of delisting versus the creation of a cash shell. An offer would be made to minorities within about six weeks

The consortium staging the buyout consisted of senior management and financial partners, but Searll said there was no indication at this stage whether Liberty Life, with 13 percent of the equity, would stay on board

Seardel is an investment holding company whose interests stretch beyond clothing and textiles to electronics, stationary, toys, property and travel The buyout will include all the interests in subsidiary and associated companies

Searll said the proposal should have no effect on the other listed companies controlled by the group, namely, Seartec, the Frame Group, and indirectly, Romatex

The listing of these companies would be retained

□ Business Watch, Page 18

Seardel delisting after buy-out

(184) BD 18/4/97

Samantha Sharpe

CAPE TOWN — The market's negative view of the clothing and textile sector group had spurred plans for the delisting of investment holding company Seardel Investment Corporation.

The move follows a management buy-out of all its investments, including those in subsidiaries and associated companies, chairman Aaron Searll said yesterday.

Searll cautioned earlier this week that the acquisition of the group's investments by a consortium of senior management and financial partners and delisting of the holding company was under way. This would have no effect on other listed companies controlled by the group.

Searll said poor market perceptions flowing from the flood of illegal clothing and textiles into the country, and the apparent inability of government to stop the flow, had led to a low rating of the investment holding company's shares.

This meant that existing share capital could not be used for acquisitions or further capital raising and there was thus no point in retaining the company's listing "It is intended that the management buy-out will enable shareholders to free up their capital to find better performing investments."

The group posted a 17,6% rise in pretax income to R136m in the year to June 1996 boosted by the consolidation of recently acquired subsidiary Frame into the results.

Headline earnings increased 11,4% to R47,5m, although headline share earnings remained at 45,5c — a 1,3% increase.

Clothing industry 'consolidating'

BD 21/4/97

SA's battered clothing industry is heading for a year of consolidation before moving back on to a long-term growth trend, says Clothing Federation of SA economist Paul Theron

In his latest review in Clothing Industry News, Theron said future growth in the domestic market would depend largely on the extent to which government could implement its new economic strategy

"On the other hand, export-led growth in the short term will be dependent on a stable or depreciating rand and the view taken by the international community on the implementation of that strategy," said Theron

In the longer term, export growth would be linked to government's ability to secure improved access to specific markets such as the EU and the US on a bilateral basis

The production volume index showed that the downturn in the industry started showing signs of levelling out towards the end of 1996 Job losses in the industry also began to level out in the second half of 1996 but it was unlikely there would be much job creation in the formal sector

Clothing imports exceeded exports last year, but this trend was not likely to continue because of the depreciation of the rand —Reuter

(184)

Clothing industry casts off core workers

(184) CT(BR)22/4/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — A flash survey by the South African Clothing and Textile Workers' Union showed yesterday that over 5 600 jobs had been lost as a result of large clothing factory closures and retrenchments since July last year

Mark Bennett, a spokesman for the union, said this was just the tip of the iceberg and did not reflect the huge number of closures and retrenchments within the small to medium sectors of the industry

Although these often involved less than 10 workers at a time, the total was probably greater than the combined job losses for the larger manufacturers, Bennett estimated

The union's figures included the escalating job losses in decentralised regions like QwaQwa, Isithebe and Botshabelo

This takes into account the loss of 803 jobs in QwaQwa following the closure of Rifle Clothing; the loss of 700 jobs in the Eastern Cape as a result of the closure of China Garments, the combined loss of 950 jobs after clothing group AM Moolla's retrenchments in Isithebe; and the loss of 520 jobs following the closure of the Burhose factory in Estcourt

Bennett said casualties among the larger clothing companies had resulted in the loss of about 1 300 jobs in the Western Cape, about 1 200 in the greater Durban area and 3 800 in rural areas throughout the country

The loss of jobs in rural areas was not represented in statistics provided by the larger industrial councils, he said.

Bennett said that, while he accepted the clothing industry was presently in a cyclical downturn, the bottoming out of job losses as reported by the industry would not be meaningful until these were made up through job creation

Paul Theron, the Clothing Federation's economist, said yesterday that although both plant closures and employment losses appeared to have begun to ease towards the end of last year, latest figures from the industrial councils for the first two months of this year suggested this might have been optimistic

He said that prior to December last year, the production volume index showed signs of levelling out

Theron said indications were that this year would be one of consolidation, and it was unlikely there would be much job creation in the formal sector He also acknowledged that closures were continuing, particularly in KwaZulu Natal and Gauteng

Da Gama income drops 26% amid mills' fierce competition

Nicola Jenvey BD 6/5/97

(1857) (1859) (1847)

DURBAN — Industrial textile, clothing and footwear group Da Gama Textiles saw attributable income crumble 26% to R21,7m in the year to March after the fierce competition among local mills placed pressure on margins.

Earnings a share on a cash equivalent basis fell to 76c (1996: 92,1c) and an 11,5c final dividend was declared, bringing the total to 18,5c (25c). Earnings a share on an attributable earnings basis dropped to 42,6c (57,9c).

Turnover fell 4% to R297,8m as importation of fabric and garments continued at significantly high levels during last year.

However, chairman Lawrence van der Walt said the growth in volume and value had shown signs of abating in the second half of the year.

Soft consumer demand had led to fierce price competition among the local mills. Although Da Gama had controlled overhead costs and benefited from the lower effective taxation rate, earnings had decreased.

Van der Walt said sound asset management in the year — particularly on inventory levels — was reflected in the increase in liquid resources to R77,5m (R66,6m) at year-end. This growth was after funding R17,7m in capital expenditure to update equipment and introduce new technology.

Da Gama planned a R23m capital expenditure programme for this year.

New Asean chief promises strong turnaround

BUSINESS REPORTER (484)
ARG 6/5/97

Ken Eldridge, the new chief executive of Asean Investment Corporation, the Atlantis-based supplier of trimmings to the clothing industry, is determined to show the textile industry "a hell of a turnaround story" this year.

Mr Eldridge said he had been with Asean for five weeks and was still getting "some of the basics into place"

The company has been hard hit by woes experienced by the local clothing industry recently, reporting a trading loss of R12,3 million for the year to December

Trade in the company's share on the Johannesburg Stock Exchange has been poor. Yesterday the share price slipped 12c, or 44 percent, to 15c with just 1 000 shares changing hands – the first trade since April 16.

400 workers lose jobs as clothing factory closes

(184)

ARG 10/5/97

BUSINESS REPORTER

Close on 400 workers at Seardel Group's Melia Sleepwear Manufacturers lost their jobs yesterday when the factory closed its doors due to loss of profits.

Seardel Group industrial relations executive Johan Baard said about 20 percent of workers at the Diep River factory would be absorbed into other jobs within the group

"Those who cannot be absorbed have been given an assurance that should employment become available within the group they will be given first preference. There however is an expiry clause of about 18 months attached to that agreement," Mr Baard said.

Workers who could not be placed at other Seardel plants would be receive retrenchment packages, he said.

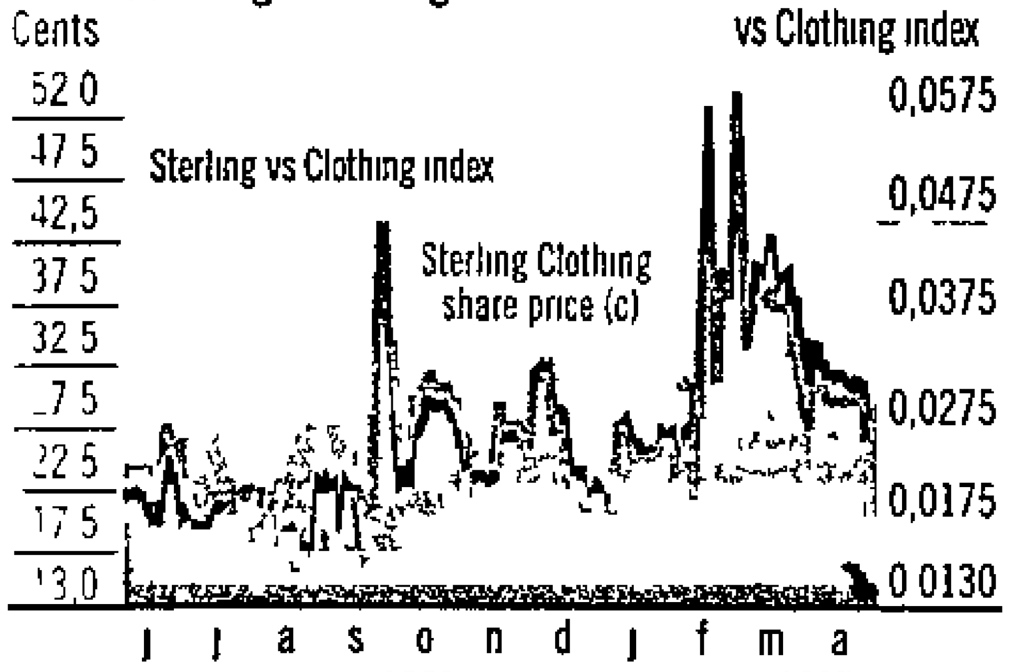
STERLING CLOTHING (184)

Safari suit's faded glory

FM 16/6/97

Serving a niche market was no protection against imports

Like many companies in the clothing industry, Sterling is engaged in a desperate life-and-death struggle against liquidation The once dominant producer of that distinctly SA fashion item, the safari suit, has seen earnings erode from R2,8m in 1990 to a loss last year of R3,9m Of more concern is gearing, now an alarming 139%



Reasons for the decline in the clothing industry are well known Imports — especially from the East — have gouged out a large share of the market and forced domestic manufacturers into cut-throat competition This has been aggravated by the credit explosion and labour problems, notably a one-week strike last July

Though Sterling mainly supplies a niche market of khaki-related casualwear for A-B income group men, it lost 15%-20% of sales directly to imports Margins were hit, too

To offset this decline, it embarked on a number of restructuring exercises The most drastic took place last year, when the 600-strong work force was cut by 200, the Durban factory reorganised, top management shed (joint MD Manrico Barbieri retired and auditor Len Resnick left) and the number of items in each range reduced

Financial director Michael van Niekerk believes that, with this process complete, the company can look for 15% growth in turnover and attributable earnings of R1,7m, or EPS of 8,8c, this year He points to the full order books for summer and the success in supplying separate lines to retail chains, such as Woolworths, which now account for 20% of sales

Van Niekerk adds that the company will need to spend the next two years getting gearing down to 50% before it can start producing good profits again

Chairman Fred Haslett seems less convinced He says much still depends on factors beyond Sterling's control "Economic growth must continue at a reasonable rate, organised labour must accept that it has a responsibility to contribute to the recovery process and action must be taken to curb the excessive amount of clothing entering SA illegally"

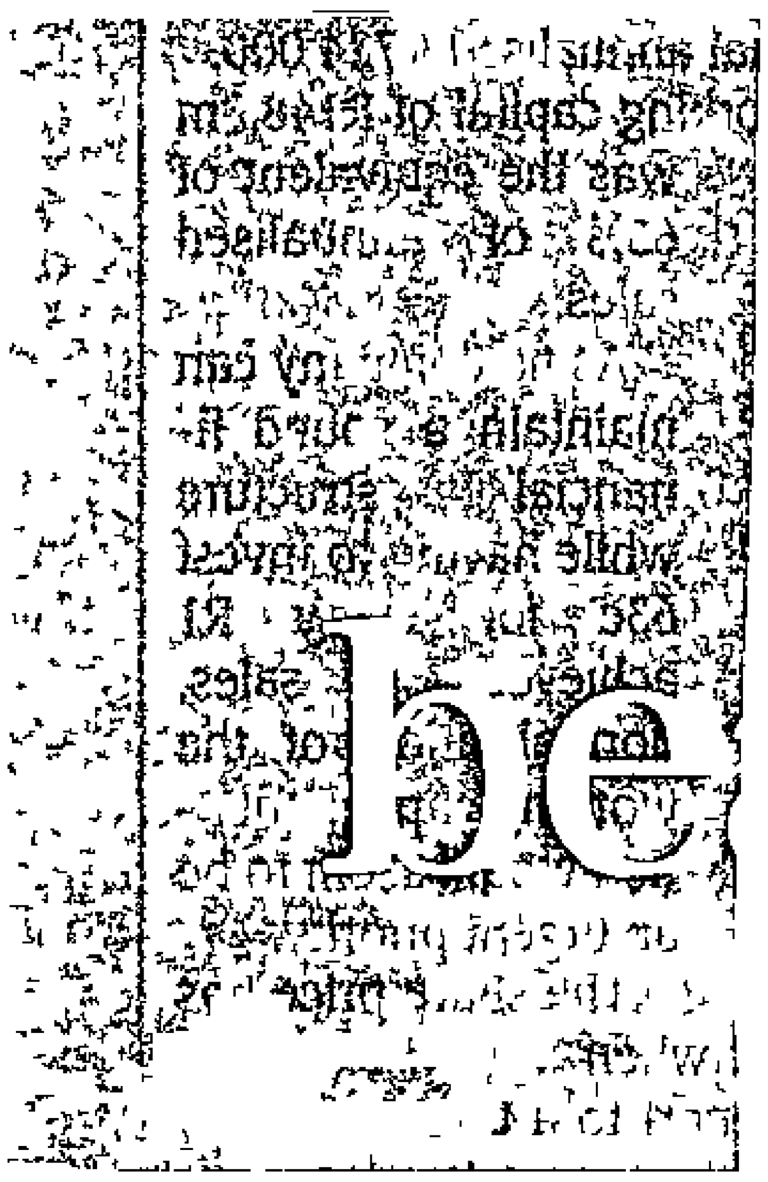
It will be hard for Sterling to climb out of its debt hole New investors should avoid the share until Sterling seems able to deliver its stated objective of a real return on capital, but existing shareholders might as well hold on for the promised early partial recovery

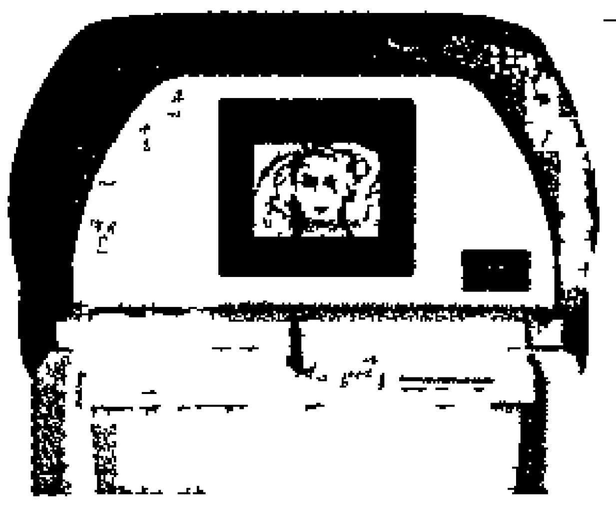
Stuart Rutherford

- **ACTIVITIES** *An investment holding company whose subsidiaries make and distribute casual apparel*
- **CONTROL** *SA Eagle 22,1%*
- **CHAIRMAN** *F N Haslett MD B J Desmet*
- **CAPITAL STRUCTURE** *19,4m ords Market capitalisation R4,46m*
- **SHARE MARKET** *Price 22c 12-month high, 60c, low, 15c Trading volume last quarter, 120 000 shares*

Year to December 31	'93	'94	'95	'96
ST debt (Rm)	8,5	9,2	10,7	10,4
LT debt (Rm)	0,6	0,7	0,9	0,8
Debt equity ratio	0,78	0,82	0,97	1,39
Shareholders' interest	0,44	0,34	0,34	0,30
Return on cap (%)	7,9	5,8	6,6	—
Turnover (Rm)	39,9	41,9	52	41,7
Pre-int profit (Rm)	2,1	1,7	2,3	(1,7)
Pre-int margin (%)	5,3	4,0	4,4	—
Earnings (c)	2,9	1,5	0,7	—
Tangible NAV (c)	61	62	62	42

Fred Haslett much is still dependent on external factors





Hicor offers minority shareholders three options

Allwear delisting deal is on

CT(BR) 21/5/97 (184)

Maggie Rowley

Cape Town — Hicor is proceeding with its planned delisting of Allwear, its clothing manufacturing subsidiary, in an R11 million deal, the company said yesterday

Minorities are being offered the choice of a cash settlement amounting to 220c a share, or 3,5 Hicor shares in exchange for every Allwear share held, or a combination of shares and cash

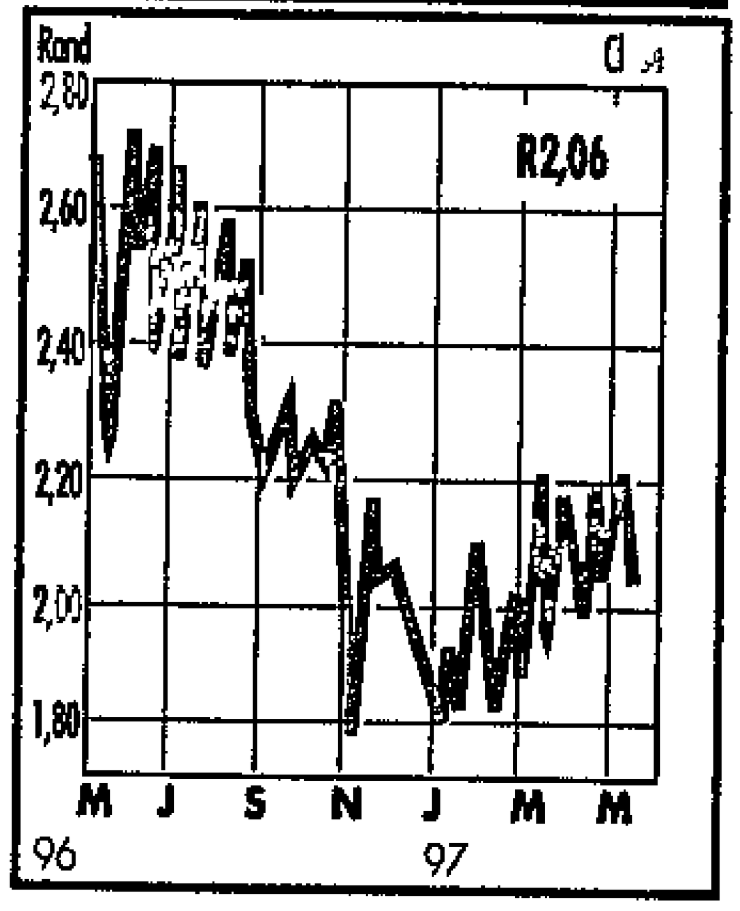
However, the deal has been structured to encourage minorities to opt for the share option

The cash offer is in line with Allwear's current trading price, which closed yesterday at 206c, a fall of 12c from the previous close

At Hicor's current trading price of around 69c, the share option amounts to an extra 21c a share for minorities

Renier van Rooyen, the chairman and managing director of Hicor, said Allwear minorities holding about 48 percent of the offer shares — including Coronation Asset Management, which holds 8 percent of Allwear — had given written undertakings to accept the offer and take up the share option

Allwear



Hicor holds 61,3 percent of Allwear The acceptance of the offer by minorities will see Allwear being delisted and becoming a wholly owned subsidiary of Hicor

Van Rooyen said, had the deal been in effect for the past financial year and assuming Allwear minorities had opted for the share option, Hicor earnings would have increased by 27,6 percent to 9,7c a share, and net asset value would have risen by 7,9 percent to 65,9c a share

The proposed delisting arises from the "unjustified" poor performance of the Allwear share price in recent years

Hicor entered into negotiations last year to sell its interests in Allwear, but talks were terminated as the offers from two potential cash buyers fell short of both the trading price and the current net asset value of 276c.

Retailer considers JSE transfer away from Clothing and Textiles

Rex True may shift sectors

CT (BR) 22/5/97 (184) ~~(177)~~

MARC HASENFUSS
CAPE EDITOR

Cape Town — Rex Trueform, the garment manufacturer and fashion retailer, could in due course consider a transfer from the JSE's depressed Clothing and Textile board to a more appropriate sector

Alan Hodgkinson, the Rex True financial director, said yesterday a transfer of the listing — most likely to the JSE's Stores sector — was a likely step but stressed that no firm decision had yet been taken

"Everybody knows we transformed the company by moving slowly into the retail side a decision on our listing could be taken in due course, but we won't jump the gun"

This week Allwear, a KwaZulu Natal-based clothing manufacturer, detailed plans to move off the Clothing and Textile sector after punishing market ratings no longer justified the maintenance of the listing Similar plans are under consideration at Seardel, the flagship of the sector

Hodgkinson said Rex True's 19-strong retail chain would be increased further this year, with a handful of new stores on the drawing board "Our newest Queenspark stores in the Victoria & Alfred Waterfront, Cavendish Square, Southgate and Sunny Park will be complemented by another outlet in Boksburg and possibly two or three others"

Queenspark already chips in substantially more to Rex True's bottom line than the traditional clothing manufacturing arm

Hodgkinson said Queenspark, which catered for the better end of the market, was not being hampered to the same degree as other upmarket fashion retailers by the credit squeeze

Market watchers canvassed yesterday generally believed Rex True's proposed transfer to the Stores sector could bolster sentiment, but some cautioned against expectations of a marked rerating One argued Queenspark did not boast the management depth of Edgars or Foschini and that the retention of the clothing manufacturing arm, despite consistent profits, would still weigh on sentiment

"Their current p-e ratio of around 8,5 times, which is better than most on the Clothing and Textile board, does reflect their retail potential But we really can't see this moving up as the retail arm flexes to much more than 10 times, which will still lag traditional fashion retailers like Foschini or Edgars"

Rex True closed yesterday unchanged at R4,60 The N shares fell 30c to R3,50

☐ **Business Watch**

SA BIAS

The fire-fighting is over (184)

Recovery is evident but the outlook still isn't exciting FM 30/5/97

It would be a mistake to take SA Bias' 1996 results at face value. After years of struggling to retain profitability in tough conditions, the company ended the year firmly in the red.

But the worst is over. More important for investors are the much improved results of continued operations. This doesn't imply the share has become an attractive investment. Chairman Christopher Seabrooke says the fire-fighting is over. But despite management's confidence — ailing operations have beenclosed, disposed of or restructured — the outlook still isn't great.

"SA Bias enters 1997 well focused and with all operations profitable," Seabrooke says. "The manufacturing sectors of SA's clothing and footwear markets are still under pressure from imports. The trimmings and accessories operations, which supply the clothing and footwear industries in SA, bore the brunt of the restructuring. More changes are likely. But after restructuring, less than 40% of turnover comes from that sector in SA."

Seabrooke *SA Bias enters 1997 with operations profitable*

ACTIVITIES *Manufactures and distributes accessories and components to the clothing, footwear and allied industries. Manufactures and distributes suspension products.*

CONTROL *Sabhold Group.*

CHAIRMAN *C S Seabrooke. MD P Couttes-Trotter.*

CAPITAL STRUCTURE *28,6m ords. Market capitalisation R63m.*

SHARE MARKET *Price 220c. Yields 2,7% on dividend. 12-month high, 220c, low, 140c. Trading volume last quarter, 74 400 shares.*

Year to December 31	†'93	'94	'95	'96
ST debt (Rm)	18,1	18,1	30,1	26,2
LT debt (Rm)	10,7	10,7	13,9	15,9
Debt equity ratio	0,34	0,35	0,49	0,46
Shareholders' interest	0,48	0,49	0,46	0,47
Int & leasing cover	5,9	5,7	5,6	0,04
Return on cap (%)	14,2	13,9	11,9	0,1
Turnover (Rm)	192,5	215,6	247,7	261,0
Pre-int profit (Rm)	18,2	21,7	21,7	0,2
Pre-int margin (%)	9,5	10,1	8,8	0,1
Earnings (c)‡	33,0	36,0	42,5	17,6
Dividends (c)	11	11	14	6
Tangible NAV (c)	213	247	275	260

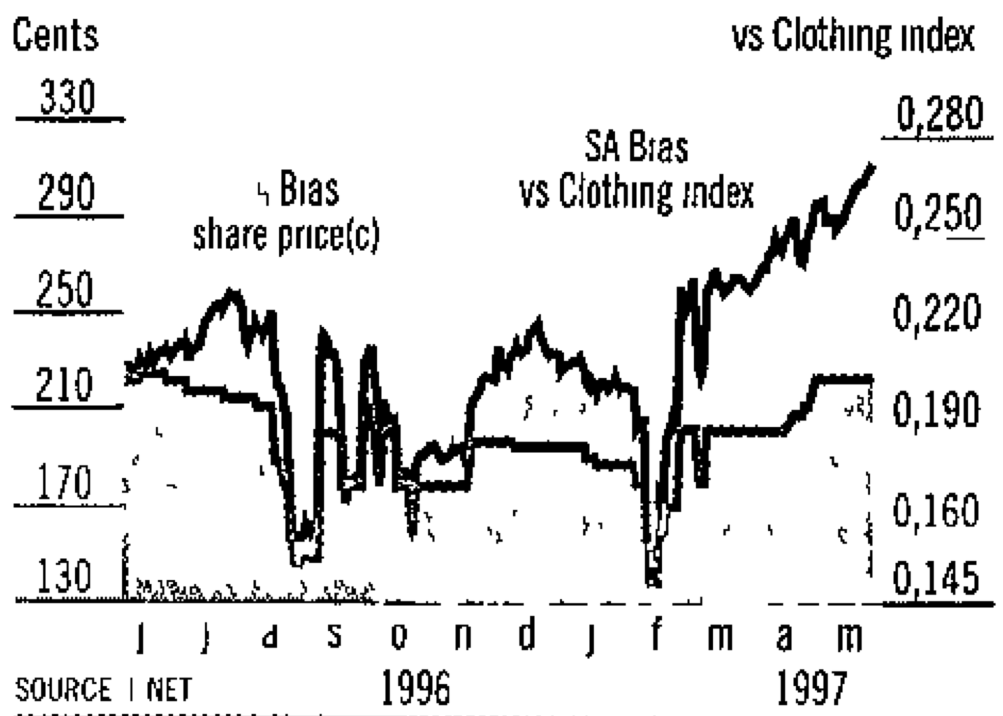
† Includes 50% shares in subsidiaries previously accounted for on an equity basis. ‡ Headline EPS

The star performer continues to be the industrial division, which makes components mostly for the automotive and timber industries. "The division once again had an excellent year, with increased turnover and profitability in SA and in its new export markets," says Seabrooke.

He claims offshore expansion — operations in the UK began in 1993 — is another growth area. Last year, though, profitability of the offshore division was hit by price competition. And the UK market isn't likely to get easier. Optimism would be premature.

Results of continuing operations were below budget. Trading income was R32m on turnover of R236m, attributable earnings of R11m were about R1m under 1995's figure for all operations (including loss makers).

SA Bias Industries



SOURCE I NET

Continuing and discontinued operations together returned R7,2m attributable earnings before exceptional items. The group net loss was R6,9m.

This is not to underestimate management's achievements. "We had already established foreign manufacturing and export operations to supply trimmings and accessories to the clothing and footwear industries," says Seabrooke.

"We had also developed an operation to manufacture components and accessories to other industries. Last year was part of a longer-term rationalisation."

Seabrooke is justifiably satisfied with the balance sheet structure, which is healthy enough considering 1996's restructuring. Debt cover has fallen to 0,16, however, and the interest and leasing cover remains negligible. Improved profitability has yet to affect these ratios. Gearing remains at 46%. Seabrooke says most borrowings are in the foreign operations, set up during the sanctions years. A financial reshaping of those operations is planned for this year.

Analysts forecast EPS for 1997 of between 45c and 50c. At 220c, this puts the forward p e at 4,4-4,9.

Michelle Joubert

Clothing workers expected to heed Cosatu's strike call

(184)

BUSINESS REPORTER

The Cape Clothing Manufacturers' Association (CCMA) said it expected the majority of the industry's 45 000 workers to strike on Monday following a call by the Congress of South African Trade Unions to down tools.

CCMA chairman Johann Baard said the strike would have far-reaching consequences on the clothing industry.

ARG 31/5/97

"It stands to reason that any form of disruption over and above the customs problem and the removal of tariffs further adds to the woes of the industry," Mr Baard said.

The trade union federation has called for a 40-hour working week and six months maternity benefits, four paid, to be included in the Basic Conditions of Employment draft bill

COMPANY NEWS

Negotiations hinge on deregulation

Caltex strikes refinery deal with Afric Oil

CT(BR) 3/6/97

JAMES LAMONT

Johannesburg — Caltex, the international oil company, was likely to offer Afric Oil, a black empowerment oil company, a stake in its Cape Town oil refinery, BusinessMap, a business intelligence consultancy, said last week in an investment report.

Afric Oil, the largest black owned chain of petrol retail outlets, is a joint venture between Caltex and Worldwide African Investment Holdings (WAIH) The report said WAIH's interest in Afric Oil and Zenex, which holds 2 percent of the petrol and diesel sales by market share, would be linked.

Joe Makobe, a spokesman for WAIH, said yesterday that Afric Oil had no plans "at the moment" to acquire a stake in Caltex's refinery

"It would be prudent first to see what happens with deregulation before making such a decision Deregulation could affect those companies with heavy capital investments in the industry," he said.

South Africa has three coastal refineries and one inland the Caltex refinery in Cape Town, the Sapref and Engen refineries in Durban, and Natref in Gauteng, owned by Sasol and Total. These refineries process 450 000 barrels a day

The oil industry is waiting for a white paper, to be published shortly, to lay the ground rules for a regulatory environment.

The report said the oil sector had been far slower to transform after the 1994 elections than other sectors, and retained the characteristics of the apartheid siege economy, with fixed pricing on retail and wholesale margins and restricted entry to petrol retail.

Relations between the oil industry and the new government have been cool, partly because the foreign multinationals resisted ANC pressure to enforce sanctions in the 1980s Steps towards deregulation were not furthered by a period of inertia under Pik Botha, the former minister for mineral and energy affairs.

"In the next few years the most probable scenario is one of partial deregulation and changes in legislation to favour black companies Fixed prices look like staying and import restrictions partially lifted," the report said.

Until the government gives a clearer picture on deregulation, new investment and additional capacity, including refinery investment, are on hold.

Demand for industry projects will outstrip existing refining capacity by the turn of the century for petrol (a 12 percent shortfall) and kerosene and fuel oil (a 52 percent shortfall)

A refining capacity shortfall of 150 000 barrels a day is expected by the year 2000 An expansion of capacity to meet this shortfall would cost an estimated R8 billion to R10 billion

Mooitex gets pick of cartoon catalogue

(184) CT(BR) 3/6/97

IS THAT A PUDDY TAT? *Franklin Haddon, Mooitex's marketing director, says its new Warner Brothers licence would have a significant effect on the bottom line* PHOTO ANDREW BROWN

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Mooi River Textiles (Mooitex), the KwaZulu Natal-based textile manufacturer which is part of Anglovaal's textile's division, has been appointed the South African houseware licensee for Warner Brothers, the global entertainment group

Warner's portfolio of characters includes Bugs Bunny, Daffy Duck, Tasmanian Devil, Tweety & Sylvester, Tom and Jerry, Fred Flintstone, Yogi Bear, Scooby Doo and the superheroes Batman and Superman.

Franklin Haddon, Mooitex's marketing director, said yesterday the company was unwilling to forecast the amount by which this deal would boost turnover, but said it would have a significant effect on the bottom line.

"It's going to be huge because we have sole rights"

Already, several retailers had placed orders for customised Warner ranges Later this year Mooitex will launch a range of bedroom co-ordinates such as duvet covers and curtains It would also import allied products such as towels, said Haddon.

He said Mooitex had its eye on the children's market "Kids' awareness is unprecedented They want brands that they can identify with," he said.

"In today's competitive market, differentiation is the name of the game. Our use of the Warner Brothers characters adds value to our products because of the emotive elements of association and affection which they create in the minds of consumers"

The new Batman movie will be released in September "It's destined to create a huge demand for Batman and Robin merchandise The introduction of Batgirl also opens up opportunities for products created specially for girls."

Fawu calls on members to toe union line over disputes

(184) (124)

THABO MABASO
BUSINESS REPORTER

ARG 5/6/97

The Food and Allied Workers Union (Fawu) has called on its members to use the mechanisms provided in the union's constitution to address grievances rather than seek redress through legal action.

The call by Fawu follows an internal battle between two groups over alleged corruption. The dispute has led to the suspension of 11 national, regional and branch officials over the past two months

Some of the dismissed officials are said to have instituted legal proceedings to be reinstated.

"Following the route indicated by our constitution would have been far more effective and expedient," Fawu said.

"Grievances that have arisen previously within the union have been successfully mediated to the satisfaction of all parties concerned

"Actions of all Fawu staff, office-bearers and members are regulated by an agreed code of conduct and are subject to democratic and transparent decision-making," said the statement.

The union added in the statement that it stood by its actions, which it believed were fair and just.

"It is not and never has been the policy of the union to purge people," said the statement

Top city clothing company on a roll

Sparks & Ellis farms out production to meet demand

ARG 11/6/97 (184)

ROY WIGLEY

at Sparks & Ellis' manufacturing facility

LLEWELLYN JONES
BUSINESS REPORTER

While most Cape clothing manufacturers are struggling in tough market conditions, uniform supplier Sparks & Ellis is farming out a large chunk of its production to keep up with demand.

Sparks & Ellis, a subsidiary of Cape Union Mart, is the oldest supplier of law enforcement and corporate security uniforms in South Africa

Leonard Jocum, Sparks & Ellis' director of marketing and procurement, said the company had decided to go the outsourcing route some four years ago when it was awarded a major contract by Telkom

"We didn't have the capacity to meet the increased production and made a strategic decision to limit our internal manufacturing facilities, rather farming out the excess demand to people from previously disadvantaged communities," Mr Jocum said.

"So far this year 30 percent of our manufacturing has taken place outside our own manufacturing facility, either to organisations that we have seen grow into medium sized factories, or to individuals who perform the more specialist tasks for us such as the embroidery on an officer's peak cap."

Mr Jocum believed that this was true empowerment, creating employment and capital among disadvantaged communities

"The people we are dealing with are probably not going to fill out state tender forms because they don't have the capacity to handle the volume - if we can help them get the volume through the group - that is empowering them "

Sparks & Ellis first outsourcing venture was with Cheryl Masoet, a supervisor at a clothing factory who had been laid off.

Ms Masoet began her business with six employees out of her garage at home, and has seen her business, Eez Clothing, graduate to a small factory in Lansdowne with 15 employees

Eez Clothing produces parka jackets and other warm clothing for Sparks & Ellis

Here Sparks & Ellis learned its first lesson, sending back the first batch of clothing because it did not meet specification

"We realised we had to give continual support and training and, in some cases, lend them machines to perform certain tasks

"Now when we run training sessions for our own staff, we ask these suppliers to send any of their own staff along "

Vivian de Klerk, the proprietor of Vestido Clothing, which has been producing for Sparks & Ellis for the past four years, said the group's support had helped his business grow into a medium sized factory employing 100 staff members

NEW

Red tape blamed for ever-growing mountain of confiscated goods

Rag trade slates Customs inaction

(184) CT(OR) 12/6/97

WAREHOUSED *A member of the SAPS inspects previously confiscated clothing*

PHOTO JOHN WOODROOF

SHIRLEY JONES AND JACK DEWES

Port Elizabeth — The textile and clothing industries vented their frustration yesterday over inaction by Customs over the disposal of the ever-increasing mountain of confiscated goods clogging state warehouses

Chris Snijman, the managing director of Union Spinning Mills (Unispin), said this week that confiscated goods were stashed in containers held in bond in Durban and Cape Town — subject to an as yet undisclosed plan to get rid of the goods

"It has been discovered, however, that these containers are being stolen out of the bonds, emptied and put back again with tyres and other things inside them It's a case of fraud upon fraud, compounding the fact that goods coming into this country are being fraudulently declared .. in fact, not even declared because of inadequacies in the customs and excise department"

Snijman said the government had asked the textile industry to suggest how to get rid of the confiscated goods "Our idea, quite frankly is to burn it, but they have a problem with that"

Brian Brink, the head of the South African Textile Federation, said yesterday the industry had agreed to try the government's plan This was to sell the goods by public tender to buyers prepared to guarantee they would be sold offshore and would never again encroach on the South African market. If this did not work, industry would lobby for a more permanent means of destruction, he said

Brink said that, as far as he knew, the latest tender process for the disposal of 900 tons of clothing and textiles, mainly from Cape Town, was proceeding and had been narrowed down to 12 applicants. The whole issue was back with the Tender Board, and it was a case of wait and see, he said

Customs itself seemed more frustrated with red tape Christo Henning, a spokesman for the South African Revenue Service (SARS), said the latest tender calling for offshore buyers for the clothing "was with the Tender Board" This follows a previously unsuccessful tender for which Customs claims to have received totally inappropriate offers

Henning said the ideal would be to dispose of the goods through private consultants. However, this would be impossible, given budgetary constraints, and would be held up until SARS was granted its autonomy in legislation now before parliament

He said red tape meant processing of tenders by the conventional means was not as quick as Customs would like.

Rag trade in union merger talks

ET (BR) 24/6/97 (184)

Ravin Maharaj

Durban — Cosatu said yesterday it would support the amalgamation of the South African Clothing and Textile Workers' Union (Sactwu) and the National Union of Leatherworkers (NULW), the two largest labour voices in the footwear and leather industries

John Zikhali, the KwaZulu Natal chairman of Cosatu, said the federation was "waiting patiently" for a single voice to represent the clothing, textile, leather and footwear sectors which, he said, were "inextricably linked"

He said an amalgamation of the unions would give labour a powerful voice in lobbying the government in the tanning, footwear and general leather goods manufacturing sectors

Zikhali was reacting to moves by Sactwu — the majority voice in the tanning sector which has a 40 percent voice in the footwear sector — to join the NULW to create a single voice in the troubled leather and footwear industry, which is facing a surge in imports

But the NULW yesterday questioned Sactwu's motives behind the amalgamation, saying its independence as the majority voice in the general goods, handbags and footwear sectors would be "threatened"

However, Kevin Perumal, the national leather co-ordinator at Sactwu, said the idea behind the proposed amalgamation was to remove the "fragmented voice" in an industry which, he said, was rapidly declining.

Perumal said poor management, unskilled labour, the lack of training facilities and the "constant bickering" between unions were "dragging the industry down".

Andrew van Rooyen, the NULW general secretary, said it would only consider an amalgamation if its membership was returned to the NULW

He said Sactwu could keep members in the clothing and textile sectors, but should return NULW's leather and footwear membership

Van Rooyen said it was not just a matter of combining strengths, but maintaining its independence as a force in the leather and footwear sectors was also important

Setback for proposed union merger

(184)

ARG 25/6/97

THABO MABASO
Business Reporter

Moves to set up a united trade union in the clothing, textile and leather industries suffered a set-back yesterday when the National Union of Leather Workers (NULW) said its independence would be undermined if it merged with another union.

The NULW's Cape Town branch co-ordinator, Ashraf Ryklief, told Business Argus that the South African Clothing and Textile Workers' Union's (Sactwu) open relationship with the African National Congress (ANC) would not appeal to his union's membership.

"We are an independent union and we represent a broad spectrum of people who have very different views on many political issues," Mr Ryklief said.

Sactwu is affiliated to the Congress of South African Trade Unions, which has an alliance with the ANC.

Sactwu's secretary general, Jabu Ngcobo, said the union had requested a meeting with the NULW for sometime in July to discuss the possibility of the two merging.

Rethink strike action, says textile, clothing industry

Sactwu gives support to Cosatu call

ARG 28/6/97

THABO MABASO
BUS S REPORTER

Employers in the clothing industry have called on the South African Clothing and Textile Workers' Union (Sactwu) to reconsider its participation in industrial action over the next weeks over the Basic Conditions of Employment draft bill.

The Congress of South African Trade Unions (Cosatu), to which Sactwu is affiliated, is calling workers in the Western Cape out on three strikes in the coming weeks as part of a national programme of action to protest against business's stand on the draft bill

Workers will be asked to strike on August 20 and again on the days that Cosatu and business make their respective submissions to Parliament on the draft bill. Cosatu would like to see a shorter working week and better maternity leave provisions in the bill, but business has claimed this would add to labour costs.

The Cape Clothing Manufacturers Association (CCMA) warned that the province's fragile textile and clothing industries can ill-afford the strikes.

"There is no doubt that any disruption of economic activity will harm and prejudice an industry that is attempting to restructure and become internationally competitive," Johann Baard, chairman of the association, told Saturday Business

Mr Baard called on Sactwu to reconsider taking part in the strike action.

"It's disappointing and regrettable that whilst we have so much in common in working together to uplift the skills and ability of our industry, from, time to time we take a step backwards, when the only steps we need to take are forward," he said.

Sactwu said yesterday it would support the strike The planned action, the union said, would not harm the industry.

"We have, over the years, consistently argued and committed resources to a long-term, coherent development strategy for the industry," Sactwu said.

University of Cape Town industrial relations academic, Frank Horwitz, said the strike would dampen the morale of those who had invested in the industries

MANUFACTURING – CLOTHING

1998

SA clothing industry lifts real growth, but employment falls

BD 7/1/98 (184)

Nicola Jenvey

DURBAN — SA's clothing industry achieved 4% real growth in 1997, compared to -8% the previous year, but the recovery did not translate into new jobs, Clothing Federation (Clofed) executive director Paul Theron says in the latest industry newsletter

Theron said employment had continued decreasing with the total number of Industrial Council employees dropping to 76 437 by September (September 1996 79 755)

However, he believed the situation was "not as dramatic as in previous years" and there were indications employment figures were levelling out.

He attributed this levelling out to employers adopting "a cautious approach" by moving from a slack time to an overtime situation, higher productivity and companies moving to lower wage areas

Theron said the industry had grown exports 27% to R626m in 1996 and early indications were that this trend had continued during 1997

Clofed president Bernard Richards said through the extension of the duty credit certificate scheme for another two years and the newly announced export marketing investment assistance scheme, government had created a platform from which the industry could pursue exports

Certain industrial initiatives had been established in the country to identify and develop capabilities in the clothing and textile pipeline to increase international competitiveness

One example was the study being undertaken in the wool and mohair sector to boost its effectiveness at spinning profit in the international arena

Richards said that the industry was also identifying international targets on which to focus, while incorporating the government incentives allowed via the certificate scheme and the investment scheme

Theron was confident that this year would also herald substantial increased growth in export revenues.

Richards was critical of the new labour legislation, claiming that SA was moving towards less flexible labour practices when successful economies were moving in the opposite direction.

He said that internationally, clothing jobs were migrating from developed to developing nations and whereas the total number of jobs in the sector had not diminished, absolute real wage figures had done so.

A southeast Asian study revealed that the $110m a month being paid in Thailand was already "too high" by Asian terms and the jobs were migrating to cheaper countries.

"This is our real competition," Richards said.

He said the industry supported government's initiative towards enhancing the SA Development Community (SADC).

However, existing bilateral agreements with Mozambique and Malawi had to be dissolved into the SADC agreement, as these countries were being used as illegal conduits for goods transshipped into southern Africa

He said the rules of origin defined in the Zimbabwean negotiations should be applied across the SADC to encourage the growth of an internationally competitive clothing and textile pipeline in sub-Saharan Africa

Industry leaders complain about continued flow of clothing and textiles into SA

Illegal trade with Malawi 'still rife'

CT (BR) 14/1/98 (184)

Shirley Jones
KwaZulu Natal Editor

Durban — Nothing had been done to stem the flow of illegal goods from Malawi to South Africa despite industry efforts to get the bilateral agreement between the two countries tightened, industry leaders said yesterday

Irregularities in trade between the two countries were outlined in a report commissioned by the trade and industry department early last year

Highly placed textile and clothing industry sources said despite the questionable activities by some Malawian manufacturers outlined in the report, and the fact that industry investigations had regularly uncovered illegal activities over the past three years, import scams between the two countries continued unchecked

Textile brokers claimed this week the largest portion of illegal textiles circulating in the Durban market came from Malawi

They said it appeared that the so-called Malawi route remained undiscovered by now-vigilant customs and industry inspectors who were stopping goods brought in directly through the Durban port

The so-called Malawi route remains undiscovered by customs inspectors

They said the traditional route was from Malawi to Zimbabwe to Botswana and then to South Africa "You buy goods from Bangladesh, take them to Malawi where you add a label," said one clothing manufacturer

The clothing and textile industries have requested that, in order to clamp down on round tripping of Malawian clothing and textiles, the ports of entry be restricted to two Beit Bridge and Johannesburg

The industries have also requested that export certificates be issued to Malawian manufacturers by a government agency and not the Chamber of Commerce The latter comprised the exporters themselves and led to the situation where they certified their own goods, sources explained

"The problems that have been created by the Malawian free trade agreement and the severe trade distortions that have arisen have been taken up with the department of trade and industry but, yet again, the resolution of the problem has become extremely protracted," said Paul Theron, the executive director of Clofed

Industry sources said although proposals aimed at tightening up the policing of trade between the two countries had been submitted to the Malawian government, the lack of pressure aimed at driving these through was leading to a build-up of tension within the clothing, textile and tea industries, which had been the main victims of the transgressions

"As we understand, there have been some stumbling blocks and some resistance from the Malawian government, especially when it comes to the issuing of export certificates," Theron said

He said the industries concerned remained in the dark and were not aware of any progress between the two governments

The trade and industry department and customs officials said they would comment later in the week on the trade issues with Malawi

CAPE ARGUS, THURSDAY, JANUARY 22, 1998

Rags to riches after 2 years of job losses

(184)

Illegal imports of clothing on wane

ARG 22/1/98

EDWARD WEST
DEPUTY BUSINESS EDITOR

The clothing industry has stabilised after two years of job losses.

Clothing Federation (Clofed) president Dr Bernard Richards said there were signs that illegal imports were decreasing and over 700 tons of illegally-imported clothing and textiles were being packed for distribution throughout sub-Saharan Africa

Negotiations for a free trade area in the region were underway, but it was essential all existing and pending bilateral trade agreements be dissolved into the multilateral Southern African Development Community (SADC) agreement

The Department of Trade and Industry hopes to have the free trade agreement signed by March or April next year

Dr Richards said: "It is not acceptable that textiles made up into clothing are arriving into our market legally, having paid no duty or a minimal 3% duty on value added "

China remained the largest source of imports of clothing into South Africa The volume of Malawi imports had reached "alarming proportions" and the use of Malawi as a conduit to circumvent South African customs duties had been taken up with the Department of Trade and Industry

Federation economist Paul Theron said adequate customs control was the basis of the domestic industry's acceptance of the planned SADC trade agreement Only South Africa and Zimbabwe had reasonable controls.

The clothing industry had been crushed in Zambia and Tanzania because of illegal imports

The federation estimated that total exports amounted to R626-million last year – against imports of R694-million South Africa's largest export markets were the United States and the United Kingdom, with sales of over R200-million to each of these countries, followed by Germany, Mozambique and Angola

Education breakthrough stitched up

Course could be a pioneer in clothing industry

ARG 26/1/98 (184) (1009)

BUSINESS EDITOR

A basic education programme for Rex Trueform workers was launched last week in what the SA Clothing and Textile Workers' Union (Sactwu) hopes will be the first of many in the clothing industry.

The programme, driven by the shop stewards committee, involves 200 workers, mostly women Courses will take place on Fridays and comprise 300 hours People who complete the course will be awarded certificates recognised by the National Qualification Framework

Rex Trueform shop steward and Sactwu national treasurer Connie September said the union hoped similar initiatives would be taken by other clothing companies

She said the start of the programme at the company was a "breakthrough"

Human relations director James O'Brien, said the Clothing Industry Training Board had appointed a full-time co-ordinator of adult education and he was confident similar programmes would spread throughout the industry

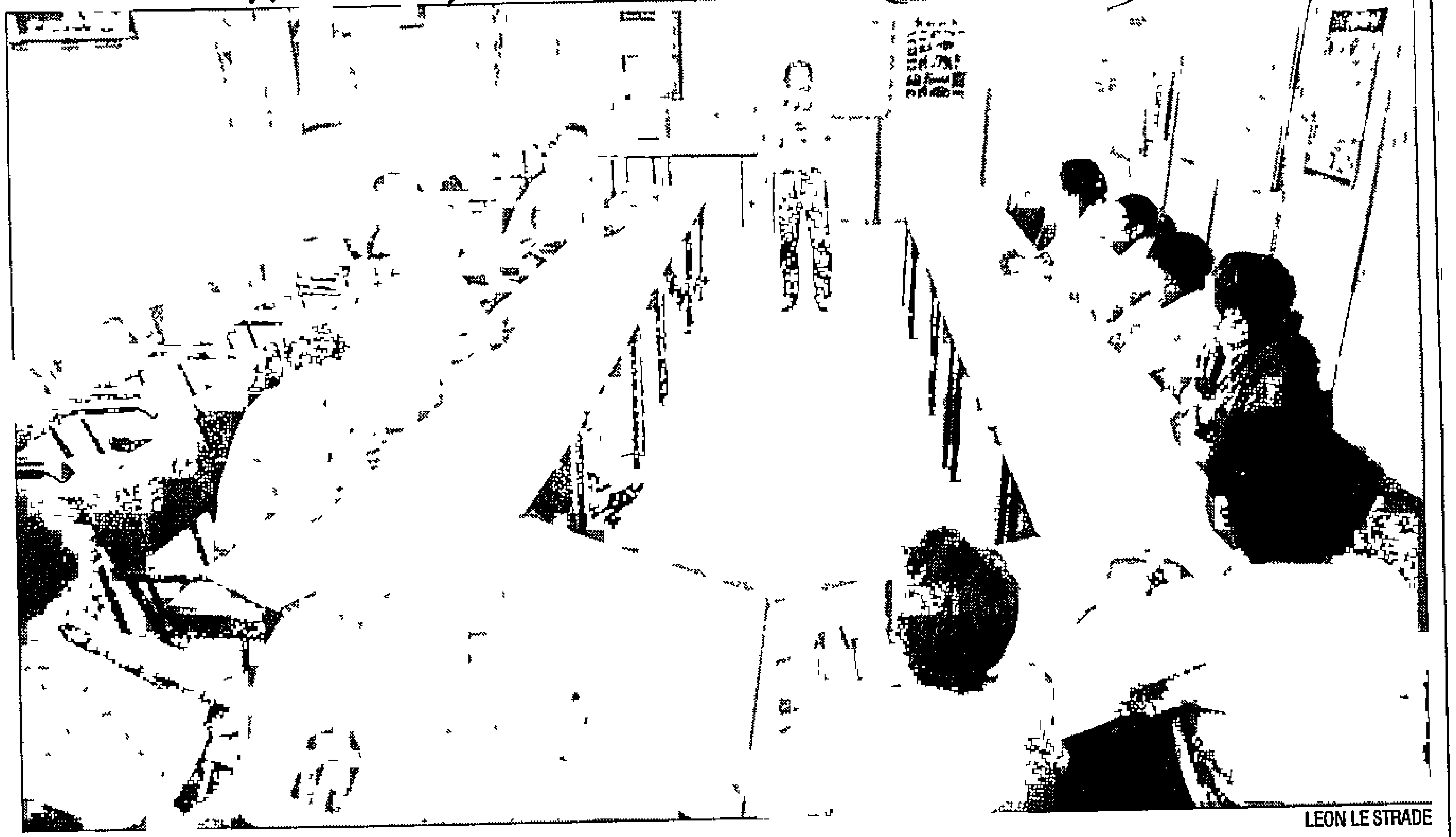
The basic education programme is part of a deal negotiated by the clothing industry with the Department of Trade and Industry, which has linked export incentives for the industry to training and other conditions of work

Ms September said Sactwu had argued since 1995 that export incentives should be awarded only in terms of a development plan which would oblige clothing, textile and leather companies to spend 4% of their payroll on training for production workers

Sactwu wanted the pioneer programme extended to other days of the week so that more workers could take part, she said

She said the adult basic education programme was part of a broader programme and it was an important element of transforming work and society and promoting a productive and efficient industry

Two shop stewards, Gregory Hoedemaker and Thelma Adams, have been trained as class tutors



LEON LE STRADE

In training: Rex Trueform launched the clothing industry's first adult basic education course last week

NEW

Subpoenas served on Cofesa members who redefine themselves as contractors

Battle looms over new labour law

(184) CT(PR) 10/2/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The Clothing Industry Bargaining Council is about to clash with some employers who have redefined themselves and about 150 000 workers as contractors — a move which may enable them to avoid labour legislation

The council has subpoenaed about 40 members of the Confederation of Employers of Southern Africa (Cofesa) to explain their failure to register with the council

Piet Pelser, Cofesa's KwaZulu Natal representative, accused the council yesterday of blatant victimisation, saying that the members were no longer subject to labour legislation

Pelser said Cofesa had redefined more than 3 000 factories and 150 000 workers as contractors over the past few months

He said the clothing manufacturers who had been subpoenaed intended to ignore the council's request because, as contractors, they were excluded from the council's jurisdiction in terms of section 213 of the Labour Relations Act

"The council was informed that the factories concerned have changed to contractors outside its jurisdiction We will protect our members," he said

'Contractors have doubled their income and go-slows are a thing of the past'

But a council spokesman said the subpoenas had merely formalised requests for first-hand explanations sent to the clothing manufacturers in December

He said the council wanted first-hand information on why the manufacturers had withdrawn from the council and on what grounds they had declared themselves and their employees independent contractors It had no intention of pre-judging individual cases and would not comment further, the spokesman said

Pelser claimed that the manufacturers he represented felt the council's actions were meant to intimidate them and were a violation of their freedom to trade

"We retain our rights regarding civil action for damages suffered," he said

He alleged that the companies concerned had reported massive productivity increases after being redefined as contractors "Most contractors also doubled their incomes, and waste and go-slows are something of the past," he said

He said Cofesa's strategy supported the government's Gear policy "The old concept of workers being subordinates is also now contrary to the fundamental constitutional right of equality "

In addition, the exclusion of contractors from the Labour Relations Act enabled Cofesa to create new entrepreneurs who, from protected environments, would grow into fully fledged traders, he said

Pelser said Cofesa had trained a large panel of experts to assist companies with transformation in terms of the Labour Relations Act Its contract was based on international concepts and had been approved in the Labour Appeal Court and the Industrial Court, he said

The bargaining council represents employers and labour

Knitwear firm Adonis faces labour practice cases

(184)

Shareen Singh

KNITWEAR firm Adonis faces unfair labour practice cases by former directors, while shareholders question its drop in earnings over the past two years

The labour cases concern Adonis chairman Joe Bencen's unilateral decision not to pay bonuses to former financial director Steve Chaitel and the late Charles Joffee, who submitted a constructive dismissal charge against Adonis before his death. His family is continuing the action

Bencen, who controls more than 70% of Adonis, did not attend the hearing last week at the clothing industry bargaining council The cases have been referred to the Commission for Conciliation, Mediation and Arbitration.

Chaitel left the company last year after he and Joffee failed to secure a management buyout One shareholder said Bencen had blocked the deal "He was negotiating with another partner on the sideline, behind the backs of Chaitel and Joffee."

Bencen denied the allegation He said he was approached by a stockbroker whose client was interested in buying the company and requested "absolute confidentiality I informed the directors as soon as the (potential) buyer agreed that I could break the confidentiality agreement. I was not double-crossing anyone" The prospective buyer later decided not to go through with the deal

Bencen said there was "no way" he could have accepted the deal Chaitel and Joffee were offering "They wanted to buy some shares, take over the company and make me a nonexecutive chairman, even though I would still be the majority shareholder."

Chaitel said he and Joffee wanted to buy out the firm as they believed they could turn it around

Shareholders questioned Adonis's declining profits at the firm's annual general meeting last week

One shareholder said Bencen's explanation for the firm's performance was unconvincing. Bencen said that operational profit during the past financial year had improved, but, as a result of an extension on payment granted to several customers, the firm's books reflected a lower net profit

BD 17/2/98

FOOTNOTES

Hilary Joffe

Clothing industry in calls for levy equality

ET (BR) 24/2/98 (184)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Drastic steps needed to be taken to level the playing fields between clothing companies which paid levies to the Bargaining Council for the Clothing Industry (BCCI) and those outside the system, Hassim Randeree, vice-president of the Clothing Federation of South Africa, said last night

Randeree was speaking at the launch of the Durban Manufacturing Advisory Centre (Dumac), a pilot project aimed at helping small businesses develop

He said the clothing industry in the greater Durban area had changed radically Currently, 301 companies employing 27 000 workers were registered In 1990 there had been 450 companies with 45 000 workers But, while the formal industry had shrunk, informal and unregistered clothing companies had grown to about 12 000

Randeree said globalisation of the South African economy, rationalisation of the tariff structure and customs inefficiency had devastated the clothing industry

This had placed downward pressure on prices, which saw companies move to low-wage areas like QwaQwa

Others joined the Confederation of Employers of Southern Africa (Cofesa), which advocated contracted employment, instead of registration with the BCCI The BCCI had responded with legal action against Cofesa affiliates and had liquidated manufacturers for outstanding debts

Changes to labour legislation had boosted unemployment in the clothing sector and had led to workers being prepared to work for lower wages and avoid joining unions Unions had lost their top manpower to government, resulting in a lack of strategic thinking and leadership, he said

Industry puts match to counterfeit goods

(184) ([illegible]) ([illegible])

Shirley Jones
KwaZulu Natal Editor

Durban — Police and industry investigators put a match to R30 000 worth of counterfeit clothing, shoes and watches in Pietermaritzburg yesterday

The goods, carrying Nike, Fila, Adidas, Reebok, Citizen and Seiko labels, were confiscated from hawkers in October

However, the Anti-Counterfeit Coalition (ACC) said this haul consisted of only a small part of the R246,2 million worth of counterfeit goods that were seized throughout South Africa between April and November last year

The ACC represents 25 companies that sell major sporting and clothing brands Stanley Kotkin, the chairman, said warehouses were overflowing with counterfeit goods

Counterfeiting, which went hand-in-hand with smuggling, was having a devastating effect on businesses, he said

"We were naive and didn't realise what we were heading for," he said "This started about 18 months ago with goods coming in in waves There was no stopping it"

Kotkin said that 5 000 pairs of fake Fila shoes had been stopped in Johannesburg two weeks ago The fake shoes had been declared at $2,50 a pair whereas the genuine articles were imported at $28 a pair The difference in duty was R1 a pair versus R42

Kotkin said that the confiscated goods were just the tip of the iceberg

CT (BR) 26/2/98

Clothing sector braces itself for showdown

CT(BR) 27/2/98 (184)

Shirley Jones
KwaZulu Natal Editor

Durban — Employers in the clothing industry say they are determined to continue converting employees into contractors despite threatened legal action by the Bargaining Council for the Clothing Industry (BCCI)

"Only when all the workers in the country have changed will we stop," said Piet Pelser, the Durban chief of the Confederation of Employers of Southern Africa (Cofesa)

The row erupted when the BCCI issued summonses to several of Cofesa's Durban members because they had not registered with the council Cofesa claimed its members no longer fell under the jurisdiction of the BCCI as they had been restructured into a system of contractors

Pelser also objected to vice-president of the clothing federation Hassim Randeree's claim that the BCCI would liquidate manufacturers to recover outstanding debts

"When a country is desperate to create new jobs, it is a crime for an employers' organisation such as the Clothing Federation to liquidate employers, cut the lifeline of employees, and then boast about it Members of the federation should reconsider their membership of an organisation which does not support job creation," Pelser said

"The bargaining councils contributed towards job losses In the Johannesburg criminal court alone, they prosecuted more than 4 000 employers in one year under the previous Labour Relations Act "

INFORMAL FACTORIES OUTSTRIPPING FORMAL INDUSTRY

Concern for clothing trade

CT 2/3/98 (184)

AFTER A BUOYANT year, the clothing industry is once again facing tough times Meanwhile, the informal sector is growing fast, creating new jobs for the Western Cape **DIANE CASSERE** reports

POOR Christmas sales have caused renewed concern in the clothing industry, but it is too soon to talk of job losses and recession say experts

In the second half of last year reports said that the industry was growing, exports were increasing and manufacturers were spending more on equipment

Mr Johan Baard, vice-chairman of the Cape Clothing Manufacturers' Association, said this week that the optimism "has been diluted by poor Christmas sales"

Retrenchments at two of clothing giant Seardel's factories last year were not part of a trend, but a restructuring and consolidation in the company, says Baard.

Adjustments that had been necessary in the company had now been made and no further retrenchments were anticipated for the "foreseeable future"

Baard is also president of the Western Cape Chamber of Commerce and group industrial relations executive for Seardel

Asked why, against the background of an apparently stabilising industry, some 1 000 jobs had been lost in the company nationwide last year, Baard explained "Dermar and Funfrills were manufacturing children's clothes and competing in the same market

"The children's market had been hit by flourishing street markets and kids' boutiques, so we consolidated these factories into a profit-making division in Durban

"However, we retained Funfrills Design Centre and Dermar Design Centre in the Cape "

Baard said most of those retrenched were absorbed back into the industry, many of them within the Seardel Group

"Most of the employees were qualified machinists

"I was inundated with calls from other companies looking for qualified people

"Some of them must have joined the ranks of the unemployed, but they would probably have become part of the informal sector

"If we look at the national figures, the informal sector, which we define as those manufacturers outside the bargaining council's jurisdiction it is now outstripping the formal industry," says Baard

"If we also look at the number of industrial sewing machines imported into the country, we see they are not coming to the registered formal sector "

Baard said that a micro-industry of clothing manufacture was building up in communities such as Mitchell's Plain, Paarl, Wellington and Worcester

He said the clothing industry internationally was extremely competitive

"If we can build on the trend of increasingly effective relations with organised labour over the next years, we can confront foreign competition

"The unions are increasingly aware that the market sometimes dictates that we will need to take on additional labour in the short-term

"We also need to build on the lessons we learn from the strikes of 1996 "

Baard said that three to four years ago when import levies were lowered, South African companies increasingly looked to the labour markets of South-East Asia for cheaper manufacture

"That trend is now being reversed

"They realised that it is difficult to establish a meaningful relationship with a supplier thousands of kilometres away, in a foreign language."

The moral question of child labour and sweatshops in many of the Asian countries also gave rise to a new trend, said Baard

"In the US, high profile product brands are under increasing pressure to reveal the circumstances under which their garments are manufactured.

"This trend is gaining a lot of momentum and people are coming back to local manufacturers "

Baard says the disappointing Christmas sales, cancellations and return by stores of late deliveries have given rise for concern

"However, things are not so tough as to be translated into a shedding of jobs. The job situation appears to have stabilised "

Orders for the winter season were also disappointing, said Baard

He conceded that if poor sales continued this year, there could be job losses in the Western Cape

The clothing industry is the biggest formal employer in this region

Growth in the street markets have "undoubtedly affected the volume of sales" by manufacturers to the lower end of the market over the past five years

Referring to the start of the downturn five years ago when cheaper imports in the market severely knocked the clothing industry, Baard said the problem was no longer acute

"We have had tremendous co-operation from the Department of Trade and Industry in fighting and blocking loopholes

"Some garments still slip through, but nothing like before "

Mr Paul Theron, executive director of the South African Clothing Federation, said members of the federation are wary

"We saw a recovery in the industry last year, but this recovery should start easing off

"At the rate we are going at the moment we could face another knock, but I'm going to stick my neck out and say I don't think there will be another crash. Things are reasonably stable," said Theron

While admitting that times ahead looked tough for the industry, Theron said possible interest rate cuts this year could give the consumer more cash to buy clothes.

"In the Western Cape, a lot of companies are export orientated and this area is growing all the time.

"We are looking at a tough time, but I think we are going to get through it," he said.

REFORMS GAINED: Among the garment workers who spoke to the *Cape Times* were (from left) Frances Eksteen, Revon Erasmus, Christina Julies, Rita Ramperthab and Emma Bosman The women all remember the "bad times" in the industry but are confident that despite tough times ahead, the union has won far-reaching reforms for them

PICTURES: THEMBINKOSI DWAYISA

Workers' load eased by unions

CT 4/3/98

(184)

MS Lilian Malan casts a giant figure in more ways than one Because of her and other union workers like her, factory workers' problems are now more likely to be socio-economic than work related

Women may still be afraid to go to work on trains and buses, but when they reach the factory door, they find their working lives dramatically improved

Today there is negotiation where before there was tyranny and being "put off" summarily is a thing of the past

Malan traces the reforms in labour relations in the industry to the 1994 political reforms in the country

She is the first woman regional chairperson of Sactu, the South African Clothing and Textile Workers' Union She began as a shop steward in difficult days for the union 15 years ago and rose through the ranks to senior shop steward and plant-level negotiator for the bargaining council at Charmfit

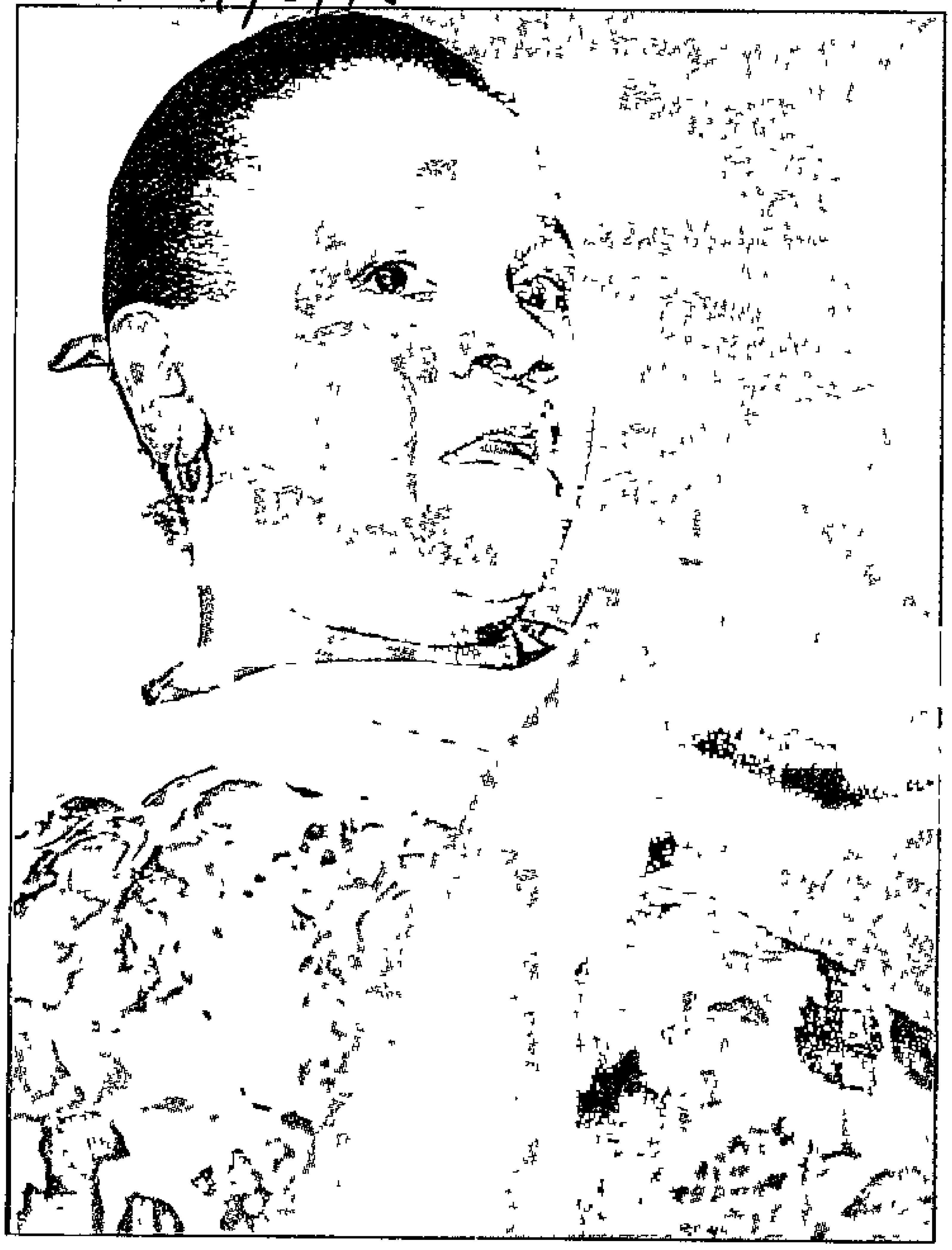
Today, in addition to her role in the union, she is a liaison counsellor at Charmfit, advising staff on matters as diverse as alcoholism and child care

She is also on the company's management committee and the health care management committee

Malan has seen the changing face of unionism in the clothing and textile industry and says "We have succeeded in narrowing the gap between management and workers and have opened avenues in which to negotiate

"In the strikes of 1996 (following failed wage negotiations), we hit the hell out of them — big!" she says wickedly

Malan says job losses in the clothing industry were big three to five years ago but the situation is



GIANT FIGURE: Lilian Malan, labour activist and chairperson of the Western Cape region of the SA Clothing and Textile Workers' Union

stabilising now, to the point where factories are recruiting again At the time of the retrenchments, the industry was hard-hit by illegal imports and second-hand clothing sales, as well as informal vendors and street markets Liquidations of some of the smaller factories then resulted in job losses, in some cases with no retrenchment packages because of the liquidation of the company

Last year 700 workers lost their jobs when the House of Youth and Funfrills closed both were under the Dermar stable, part of the Seardel group These workers received retrenchment packages Malan says most of them were absorbed back into the industry

Sactu has some 55 000 members and was formed almost ten years ago, the result of a merger between three smaller unions in the region

Sactu is also the fourth biggest union affiliated to the Congress of South African Trade Unions

Also at the meeting between the *Cape Times* and union members were Ms Valda Hercules, Ms Frances Eksteen, Ms Revon Erasmus, Ms Christina Julies, Ms Rita Ramperthab, Ms Emma Bosman and Ms Marlene Roberts, a shop steward

All the women, with the exception of Erasmus who joined this year, had between 15 and 20 years' experience in the garment industry All followed their mothers into the factories, as had their mothers before them

The clothing and textile factories are the biggest formal employers in the Western Cape, offering some 50 000 jobs Retrenchments from these factories therefore have a ripple effect on the economy of the region

Ramperthab recalls that when she was 15, her mother was retrenched, leaving her father as the sole breadwinner for the family "I had to leave school and go into the factory At that stage I was paid R12,50 a week for marking button holes"

Today Ramperthab is a machinist, a better paid job The majority of the women work as machinists and earn about R348 per week The highest-paid workers on the floor are the cutters at about R600 a week "But there are relatively few of them," explains Malan

The women believe their union has achieved a better life for them, including the introduction of bursaries, given by Sactu, for their children's education

With the exception of Erasmus, they all took part in the 1996 strikes when workers were asking for an 11% increase and management would not move from 7%

As a result of industrial action, the union won $9\frac{1}{2}$% "The women are not to be messed with in this industry," says Malan

RETAILING *Difficult trading conditions are shrugged aside*

Rex Trueform dons an 18% rise in profit

CT(DR) 16/3/98 (184)

Marc Hasenfuss

CAPE EDITOR

Cape Town — Rex Trueform Clothing Company (Rextru), which retails and manufactures clothing, shrugged off threadbare conditions in the rag trade to notch up an 18 percent increase in attributable profits to R4,6 million in the six months to December 31

Operating income rose 20 percent to R3,9 million and pre-tax profit soared 38 percent to R6,9 million following a 71 percent rise in interest received Bottom-line gains, however, were impeded by a doubling of the tax bill to R2,4 million

Stewart Schub, the chairman of Rextru, said this weekend that the company's performance was pleasing in light of the difficult trading conditions experienced in the period under review

"The operational and financial structures of the business are soundly based and the company is well positioned to benefit from any improvement in the trading environment," he said

He said the manufacturing division had performed well and improved asset management had resulted in higher interest earned

Schub said trading conditions were expected to improve in the second half "The outlook for Queenspark, the company's clothing chain, and our export division is promising," he said

African & Overseas Enterprises, the holding company for Rextru, reported a 13 percent increase to R2,9 million in the half-year to December 31

MEASURE OF SUCCESS *Nelaar Adams, a sales consultant at Queenspark, the retail arm of Rex Trueform, shows off one of the strong-performing products*

PHOTO ANDREW BROWN

Rextru closed at R6 on the Johannesburg stock exchange on Friday, compared with a stated net asset value of R6,92 a share African & Overseas Enterprises closed at R4,50 compared with a net asset value of R6,49 a share

SA News Digest

(184)

Africa Trade and Opportunity Act 'will create 100 000 clothing jobs'

America's gift of 100 000 jobs to the South African clothing [illegible] try through the Africa Trade and Opportunity Act would have significant repercussions, Bernard Richards, the president of the Clothing Federation of South Africa [illegible], said yesterday. Local and international inv[illegible] ntage of the opportu[illegible] nities and the inves[illegible] boost infrastr[illegible] training [illegible] nt through

[illegible] presented the lowest job creation costs in South Africa [illegible] would necessitate investment of R500 million. However, this would probably extend over three to five years. Paul Theron, Clofed executive director, said the act could increase the [illegible] 50 percent.

[illegible] clothing imports [illegible] ould be created, providing [illegible] ers [illegible] believe the loc[illegible]

CT (BR) 25/3/98

Rag trade looks to Africa deal for exports bonanza

ARG 26/3/98 (184)

Policy could create thousands of jobs

ALIDE DASNOIS AND LLEWELLYN JONES
BUSINESS STAFF

Clothing manufacturers are hoping the Clinton administration's new trade policy for Africa will open up lucrative export markets in the United States – creating tens of thousands of new jobs in the industry

At the moment, high walls protect US clothing and textile industries against competition from other countries

But the new Africa Trade Growth and Opportunities Act, part of President Clinton's "trade, not aid" policy, offers countries in Africa better access to US markets under certain conditions

Clothing Federation executive director Paul Theron said South African clothing exports made up only 0,1% of clothing imports into the US If exports were allowed to rise to just 1% over three years, 30 000 new jobs could be created, he said.

The bill offered a "window of opportunity" to the South African garment industry, said federation president Bernard Richards

Up to 100 000 new jobs could be created over five years if clothing exports from South Africa were allowed into the US more freely, said Dr Richards.

But he warned that textile manufacturers in the US could still scupper the plans to open up the country's markets

The bill has been passed by the House of Representatives, but is being blocked by the Senate, where some senators want more protection for the US textile industry

Although textile imports from Africa are not likely to pose any significant threat to US manufacturers, textile lobbies in the US fear African countries could become springboards for illegal exports of clothing and textiles from Asia to the US

Dr Richards said United States textile companies were trying to get the bill changed so that only clothing made with US-made yarns and fabrics would benefit from better market access

The bill offers African countries better access to US markets on condition they lower their customs barriers and other conditions The Department of Trade and Industry welcomed the bill, but had reservations about some of the conditions

It also was worried the US could withdraw access if it considered the country concerned was no longer meeting conditions

BRENTON GEACH

Breezing in: US president Bill Clinton and First Lady Hillary greet wellwishers on their arrival in Cape Town

Clothing industry keeps eye on Asia

BD 31/3/98

(184)

Samantha Sharpe

CAPE TOWN — The Clothing Federation remained "nervously optimistic" about prospects for the industry this year, as effects of the Asian crisis on international trade still remained to be established, Clothing Federation (Clofed) executive director Paul Theron said in the latest Clofed bulletin

Theron said the fact that most Asian business was based on the US dollar meant that there had been little change in international prices so far

Although this boded well for the industry, it was still too early to forecast whether or not the industry's recovery phase last year would be interrupted by the recent economic troubles experienced in Southeast Asia.

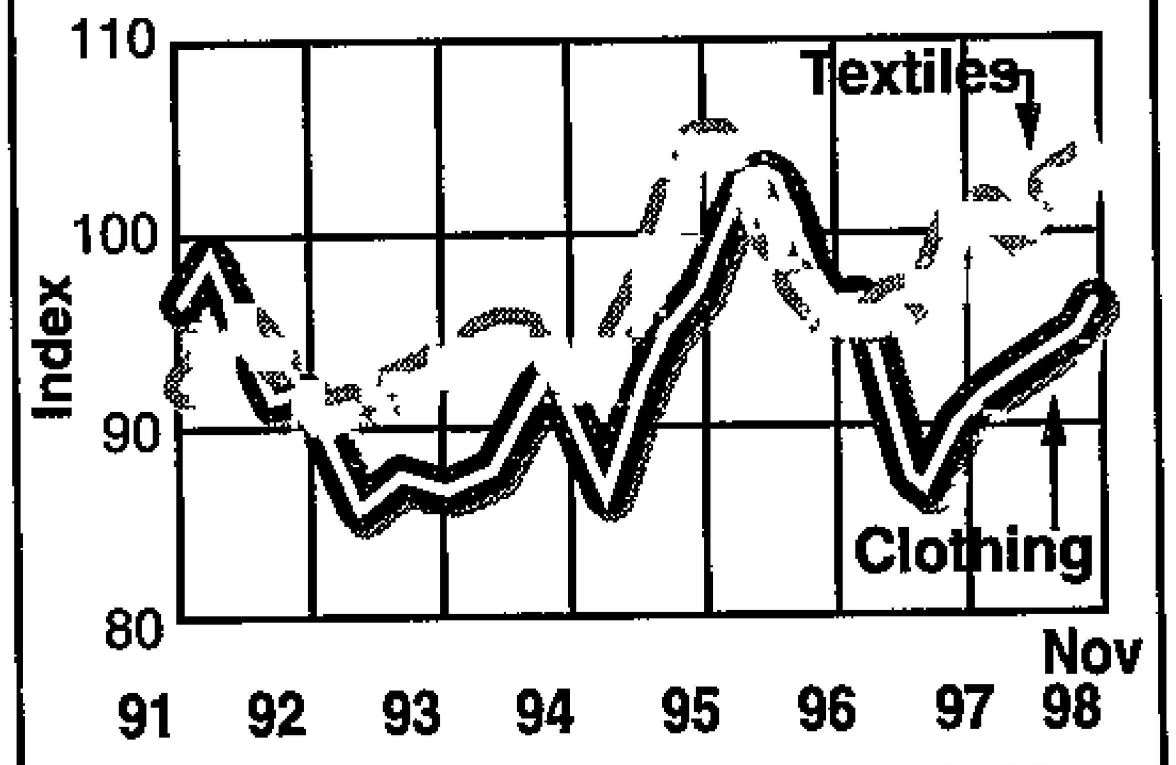
Theron said the industry's production volume index clearly showed the steady continuation of the recovery phase for the clothing industry last year The textile industry showed a similar trend

However, despite solid growth last year, this had not translated into jobs "The growth-without-jobs scenario can be attributed to a more cautious approach to employment as employers to move from a short time to an overtime situation," he said

He said that this meant that employers would like to be more certain of the sustainability of growth There had been restructuring at firm level with improved productivity, technology upgrades and more value-added production

If employment was to grow in the clothing sector, which was essential to government's restructuring strategy, then there had to be significant growth within the domestic economy as a precursor, coupled with significant market expansion both within the region and internationally, Theron said

Clothing and textile production volumes (constant 1995 prices)



Graphic KUBEN DAVID Source CSS,CLOFED

First private sector bargaining council formed

Reneé Grawitzky (184) (180)

THE signing of the constitution of the national bargaining council for the clothing manufacturing industry yesterday marked the formation of the first national council in the private sector in terms of the new Labour Relations Act

Agreement on the constitution comes after four years of talks between clothing manufacturers and the SA Clothing and Textile Workers' Union

However, the adoption of the constitution was nearly hijacked by a small employers' group, the Garment Manufacturers' Association of the Western Cape, which argued that the interests of small business were not properly accommodated in the constitution

The matter was resolved when the parties agreed to adopt a resolution at the first council meeting to the effect that the management of small businesses would be addressed by the regional structures of the council

The signing of the constitution paves the way for the application for registration of the council, which will cover 85 000 workers

BD 9/4/98

CLOTHING INDUSTRY

Fashioning an export market recovery

(184)

FM 24/4/98

Exports are the key. But preferential trade deals must be signed

SA clothing manufacturers are excited about the prospects of an export-led recovery in the industry But much depends on trade agreements with southern African countries, the US government and European Union (EU)

SA's clothing manufacturers experienced a healthy 4% output growth over the past year Production value at wholesale manufacturing level jumped by more than R1bn to R8,4bn, says SA Clothing Federation executive director Paul Theron

Leading the upturn was clothing exports, with growth of 72% in the first six months of 1997 (1996 26%)

"Exports, as a percentage of total industry output, doubled from 5% in 1995 (or R493m) to 10% in 1996 (R626m) and constituted 15% of local production (or R465m) in the first six months of 1997 For the first nine months of last year, we expect exports to reach R600m," he says "Total clothing exports could reach R800m-R1bn for 1997 "

At the same time manufacturing plants are moving into Southern African Development Community (SADC) nations

"As we restructure and bring tariffs down, the ability of local companies to compete at the lower end of the domestic market against imports from cheap-labour Far Eastern countries obviously diminishes To stay alive, they will have to bring costs down — which includes relocating to neighbouring countries," says Theron

Cape Town-based Pep Ltd already employs about 600 people in its Malawi factory, which produces for the SA market Pep also runs hundreds of stores selling mainly SA-manufactured clothing in Mozambique, Namibia, Botswana, Zambia and Zimbabwe Three more will soon open in Kenya

But the fact that certain fabrics can be imported tariff-free into neighbouring SADC states complicates cross-border trade with SA, where high tariffs against imported textile fabrics still exist "Until we have a free trade agreement binding all SADC countries in an implementable, low-tariff regime, problems will remain," says Theron

Meanwhile, existing benefits — such as duty-free entry for SADC countries into the huge EU market under the Lome agreement — could induce smaller, Natal-based manufacturers to relocate to SA's north "Government's strategy of creating synergies in the SADC region could also lead to SA in future sourcing more of its cotton from countries like Zimbabwe, Malawi, Angola, Mozambique and even as far afield as Tanzania," adds Theron

"The real opportunities for top-of-the-range niche market exporters would become real once we cement our bilateral trade deals with the EU and the US," says Seardel joint MD Bernard Richards

The garment industry is pinning hopes on the US-Africa Growth & Opportunity Bill, touted recently here by US President Bill Clinton

"This Bill aims to create huge benefits for clothing and textile exports emanating from sub-Saharan Africa By offering preferential access constituting up to 3% of total US clothing imports, SA's manufacturers — whose US exports currently make up only 0,1% of total US clothing imports — are also set to benefit hugely In fact, if we can get only 1% of the US market that would mean a tenfold increase in our US exports-related job creation, to 30 000," says Theron

The industry is also counting on the SA government for assistance Rex Trueform CE Stuart Shub says government needs to finalise its decision on the extension — to 2000/1 — of the existing duty credit certificate (DCC) scheme This allows clothing exporters to obtain a DCC to the value of 30% of their net export value, which can then be utilised to obtain duty-free textile fabric imports for an equivalent value

"In view of the fact that the capital cost of creating one job in the clothing sector — R7 000-R10 000 — is the lowest in industry, government should encourage us to create more jobs by urgently extending the DCC scheme," says Shub

Shub says training a competent clothing industry operator only takes about 6-8 weeks "Furthermore, it is ideally suited for the operation of small businesses — employing 10 or more people — and should be a priority in government's policy-making "

Sources say government will decide on the extension of the DCC scheme in July

Arnold van Huyssteen

NEWS

Bag makers get sacked by illegal imports

CT(MR) 7/5/98 (184)

THABO LESHILO
BUSINESS EDITOR

DYING TRADE *Charles Kopps, the owner of International Bag & Travel Goods, is retrenching 30 percent of his employees because of overwhelming competition from illegal importers* PHOTO: JOHN WOODROOF

Johannesburg — South Africa's embattled bag manufacturers were under threat of extinction because of rampant customs fraud, the association of bag makers said yesterday.

Charles Kopps, the vice-chairman of the Association of SA Manufacturers of Luggage, Handbags & General Goods, also accused China and other Asian countries of dumping bags on the local market.

Kopps said the situation was so bad that only three bag manufacturers remained in Gauteng, compared with 30 a decade ago. The 15 registered manufacturers employ only 3 000 people countrywide, down from 30 000 employees in the old Transvaal area 10 years ago.

Kopps said the bags industry had a combined annual turnover of R120 million and commanded only 6 percent of the local market.

Kopps's company, International Bag & Travel Goods, based in Amalgam, is negotiating the retrenchment of 30 percent of its 150 employees with the South African Textile Workers' Union. He blames his company's fortunes on illegal imports

"Unless the government does something drastic to address the problem, the entire industry will die, leading to further job losses, which will in turn threaten the stability of the country," Kopps warned.

Figures released by the South African Police Service in 1996 showed the government lost more than R1 billion a month in revenue through customs fraud.

Steven Lipschitz, the director of Travelscene, a luggage manufacturer based in Industria, said under-invoicing had reached "ridiculous depths".

He said one culprit was recently caught bringing in a consignment, including sets of six-piece tapestry luggage valued at $7,70, or R38,50 each. The bags retail for about R800 locally.

Lipschitz said his company had not raised its prices in the past five years because of the cheap illegal imports. "We make all our products from beginning to end, and my workers have accumulated skills over the years I would annihilate the Chinese if only they paid the 30 percent duty," he said.

Christo Henning of the South African Revenue Service confirmed that Lipschitz was helping the service with the valuation of imported bags. He said four importers were being investigated to ascertain if their prices reflected what they actually paid for the goods

There is also illegal importation into the country of tea, shoes and other goods worth hundreds of millions of rand.

Fears mount of a clothing sector strike as wage talks deadlock

(184) CT (PM) 14/5/98

Shirley Jones
KwaZulu Natal Editor

Durban — Fears are growing that the clothing sector could be heading for a strike similar to the one that brought the industry to a standstill in mid-1996

Industry sources reported yesterday that annual wage negotiations had reached deadlock on Tuesday Employers and the South African Clothing and Textile Workers' Union (Sactwu) had declared a dispute, but agreed on mediation. This two-day process began yesterday Neither the union nor the Central Bargaining Council was prepared to make a statement yet.

However, observers are concerned about the gap between Sactwu's 11 percent demand and the manufacturers' 5 percent offer

Union sources said Sactwu did not regard 11 percent as unrealistic But employers sources said the industry, which is locked in a major seasonal depression, simply could not afford a wage increase of more than the 5 percent inflation rate

"The extended summer has created havoc within the industry Many manufacturers are simply hoping they can make it through to December," said one manufacturer

The consumer price index for clothing was between 2 percent and 3 percent, and it would be difficult for manufacturers to pass increases through to the already struggling retail sector

Those likely to be hardest hit were small to medium-sized operations and those competing against cheap imports of commodity items such as T-shirts

There were also fears the problem could be aggravated by the dumping of cheap clothing on to the South African market as Eastern manufacturers attempted to offload stocks in the wake of the Asian currency crisis

Disputes declared in clothing and motor industry talks

(184) BD 14/5/98

Reneé Grawitzky

UNIONS in the clothing and motor industries have warned employers of major battles after wage negotiations ended in disputes being declared at relatively early stages in the bargaining process.

Three motor industry unions, the National Union of Metalworkers of SA (Numsa), the Motor Industry Employees' Union of SA and Motor Industry Staff Association, declared a dispute yesterday against the SA Motor Industry Employers' Association after its failure to table a wage offer.

Behind this dispute is a continuing battle over whether increases should be based on actuals or minimum rates of pay. This dispute was referred to the Labour Court last year and resolved through mediation.

Employer spokesman Vic Fourie said an aspect of the mediation agreement was that the parties would engage in a facilitative process to decide on whether increases should be based on actuals or minimum rates of pay.

He said this had not happened as a proposal to meet next week to resolve the matter had been rejected by the unions.

Numsa said the union was "braced for a major battle with employers this year" in view of a commitment given to union members employed in the motor industry at the union's recent national bargaining conference. The union resolved to focus extensively on the motor sector in an effort to bring wages and working conditions in line with the rest of the metal industry.

Core wage demands included increases on actuals ranging between 12% and 18%, an end to plant-level negotiations and agreement that outsourcing be the subject of negotiations.

The SA Clothing and Textile Workers' Union announced yesterday that national negotiations in the clothing industry had also ended in dispute, with parties engaged in conciliation at the Commission for Conciliation, Mediation and Arbitration. The dispute comes closely on the heels of the parties signing the constitution for the establishment of a national bargaining council in terms of the Labour Relations Act.

The dispute revolves around the union's demand for an 11% increase on a wage and annual bonus package and the provident fund. Employers have allegedly offered 5% on a package.

Meanwhile, negotiations have also commenced in the petroleum and chemical-related sectors.

Sactwu starts housing scheme for members

(183) (184) (189)

SHIRLEY JONES

KWA ZULU NATAL EDITOR

CT(BR) 30/6/98

Durban — The South African Clothing and Textile Workers' Union (Sactwu) would launch a housing scheme this week, thanks to an investment fund that began with just R2 million six years ago but is now more than R1 billion.

Jabu Ngcobo, Sactwu's general secretary, said the union had decided to provide a housing fund rather than have its members continue living in shacks

Homelessness was a major problem within Sactwu, compounded by non-recognition of members by commercial banks because of low incomes and perceived high lending risks

Ngcobo said Sactwu was working on a scheme known as Khuphuka, a supervisory process that trained people to build their own houses Through this, a three-bedroomed house with a kitchen and living room could be built for R26 000

The scheme would not work on handouts It would be administered through Unibank. If members could not repay loans, Sactwu would allow them to fall back on the provident fund rather than repossess houses.

The maximum repayment period was eight years, and repayments could not exceed 25 percent of a member's salary.

Clothing sector wage talks have crumbled, says union

(184) CT (BR) 11/6/98

Shirley Jones

KWAZULU NATAL EDITOR

Durban — Wage negotiations had broken down and centralised bargaining was in danger of disintegrating in Isithebe, one of the largest decentralised clothing manufacturing areas in KwaZulu Natal, a union official said.

Patrick Shabalala, the regional secretary of the Southern African Clothing and Textile Workers Union (Sactwu), said leading clothing groups had turned their backs on deals struck with the union Some were even negotiating to leave the country to avoid centralised bargaining

He said Sactwu and the Isithebe Clothing Manufacturers Association (ICMA) agreed to push wages to 66 percent of those paid by Durban manufacturers, before implementing the 8,25 percent wage package increase agreed upon at national level

"But employers reneged on the 66 percent benchmark Niran, one of the ICMA members, pulled out, followed by the AM Moolla (AMM) group This left only Bluebell Wrangler, part of Seardel, to negotiate with Sactwu While prepared to consider the 8,25 percent wage increase, Bluebell, too, did not want to budge on the 66 percent benchmark

"The union finds this unacceptable These employers are undermining the registered employers' association and a long-term agreement to negotiate collectively If this attitude persists, we might have difficulty in stopping our 11 000 members from resorting to industrial action," he said

Sactwu also said that Taiwanese employers, who were not part of the ICMA, were negotiating with the Swaziland government to relocate, leaving 6 000 workers without jobs, citing centralised bargaining and poor security as reasons for withdrawing from Isithebe

Yasmeen Motala, AMM's human resources executive, said the group had suspended its membership of the ICMA out of sheer frustration "While the group does not oppose centralised bargaining, it does have great difficulty with being railroaded annually by a negotiating partner who fails to deliver its part of the deal"

AMM believed the 8,25 percent was exorbitant and an even higher percentage increase in decentralised areas was unaffordable, particularly as other factories in the area paid as little as 45 percent of the AMM's wage

She said when it came to low wages, Taiwanese companies were not the only culprits South African-owned companies also paid 60 percent of the negotiated wage "The good companies seem to have to continuously take a beating while factories outside of the collective bargaining process gain the upper hand with a more competitive pricing advantage due to their lower labour input costs"

AMM was willing and ready to negotiate reasonable wage increases, but challenged Sactwu to include all Isithebe factories in a uniform wage structure. "If this is not properly structured it could eventually lead to complete chaos and disruption of the South African clothing industry"

Keith Robson, Bluebell's managing director, declined to comment

Cofesa claims micro victory

ET (AR) 1/7/98 (184)

Shirley Jones

KWAZULU NATAL EDITOR

Durban — The Confederation of Employers of Southern Africa (Cofesa) this week claimed victory over the Bargaining Council for the Clothing Industry after the Labour Court dismissed the council's application to prevent Cofesa from tempting small business away from centralised bargaining

According to Hein van der Walt, director of Cofesa, the bargaining council had failed to force 22 companies to reregister with the bargaining council, pay levies as well as interest on outstanding levies and foot the bill for the court case

However, Len Smart, the executive director of the Natal Clothing Manufacturers' Association, said this was not a victory He said the court case had not dealt with the contentious issue of employee versus contractor, and had in fact been dismissed by the judge because he felt he did not have jurisdiction in this area

Smart said this was a difficult issue The bargaining council was still considering further legal action

However, Van der Walt continued to celebrate a collective stand against the council, alleging members had been interrogated and intimidated He said this was the first collective issue Cofesa had taken up in court on behalf of members

"We expect this judgment will provide the fundamental right of freedom of trade for micro enterprises, the freedom of choice to empower more people to fully participate in the economy"

He said Cofesa had already restructured more than 6 000 companies with 300 000 workers into networks of micro enterprises, the much-needed entrepreneurs of a modern, competitive economy.

"We assist companies to restructure their workforces, to change them to contractors and to outsource production With this, we establish micro enterprises in a protected environment with existing markets, business skills, training and expertise," Van der Walt said

"We also promote the concept of ownership Some contractors own and some rent the equipment for production In time, they will develop into small and medium enterprises

"It is a worldwide trend Factories which change to this system normally increase production by 60 percent In America, more than 60 million people make a living as contractors

"Normally contractors increase their incomes Some employees took home R2 000 As contractors, they take home R5 000 per month We know of contractors who take home more than R10 000 per month "

Thread of confidence in clothing industry

(184) CT (IOR) 2/7/98

SHIRLEY JONES

Durban — Despite economic uncertainty and the prospect of being thumped by high interest rates, the Clothing Industry Confidence Index (CCI), released by the South African Clothing Federation (Clofed) yesterday, indicated glimmers of hope for a traditionally downtrodden industry

Bernard Richards, the president of Clofed, said the most positive aspect was that exports were significantly up and had a positive future outlook More than a third of the clothing companies within the middle to upper market segment — which form the basis for the CCI — were exporting and were looking to better prospects for the second half of 1998

Richards said unofficial figures, soon to be confirmed by official statistics, showed that clothing exports during 1997 were significantly up on 1996 Growth prospects were underscored by the pending EU agreement, the US Africa Growth and Opportunities Bill within the US Senate, opportunities created through east Asian problems and competitiveness exacerbated by the devaluation of the rand

Another positive pointer was the fact that half the respondents were looking to significant investment in both new and replacement equipment. Richards said a precise figure was impossible. This was more a reflection of confidence

But Clofed's concern was that this optimism was expressed before the escalation in interest rates and currency devaluation

Sactwu workers to embark on pay strike

RAVIN MAHARAJ CT(MR) 24/7/98 (184)

Durban — The South African Clothing and Textile Workers' Union (Sactwu) had declared a new dispute with the South African Footwear and Leather Industries Association (Saflia) and the National Union of Leatherworkers (NULW), Andre Kriel, a Sactwu spokesman, said yesterday.

At a meeting yesterday, Sactwu said the wage agreement reached last week between NULW and Saflia, who represent the employers, was invalid and that the matter could go to conciliation.

About 15 000 workers aligned to NULW returned to work last week after winning an 8 percent across-the-board increase, but about 7 000 Sactwu-aligned members, who were not party to the agreement, were still protesting yesterday.

Kriel said the strike would be held early next week. Sactwu is asking for a 12 percent increase against the employer's offer of 8,75 percent.

Hemp hopes to unlock SA closet

(184) Star 31/7/98

African Eye News Service

It's strutted on the fashion boardwalks of Paris and Milan, is the key ingredient in a range of medicinal cures, and is a big moneyspinner for at least 25 foreign economies, yet it has been banned in South Africa

Hemp, the far less potent sister of dagga or marijuana, may come out of the closet, however, after government, researchers and business met this week to start lobbying for its controlled regulation and the development of a hemp industry in South Africa.

Unlike dagga, hemp has low levels of the narcotic tetrahydrocannibol (THC), but was banned by the health department more than 50 years ago, before THC had been isolated

Now moves are afoot to move the regulatory authority away from the health department to the department of agriculture to get more support for industrial hemp and development initiatives

"South Africans can either become competitors in the race to seek economic advantages from hemp, or allow other nations to carve out their niches in the hemp market at our expense," warned James Wynn, project manager of the Southern Africa Bast Crop Consortium (SABCC) and author of a hemp feasibility report released at the meeting

The report stresses that legalising hemp in South Africa would not only create jobs for thousands of small black farmers, but would also provide food, clothing and building materials that would enable the country to compete in an increasingly competitive market.

Worldwide hemp sales are expected to reach $1,5-billion by 2001 and the number of American companies that import, manufacture or sell hemp products have already grown from just four in 1991 to more than 1 000 in 1996

"Production of hemp in South Africa has the potential to provide jobs, foreign exchange, and offset the increasing trade deficit from imported hemp products," explained Wynn

He said South Africa could produce hemp products such as food, drinks, soap, body-care products, as well as paper, textiles and fuel for existing domestic and international markets

Some of the advantages of growing hemp in South Africa, said Wynn, was that it could be grown in rotation with food crops such as wheat and that small foresters could use it as a transition fibre crop while they waited for trees to grow

"Hemp is also being investigated in other countries as a replacement crop for tobacco, which has an uncertain future due to health concerns," he added

Hemp could also be used as a replacement for wood that was fast becoming depleted for domestic use

Wynn said SABCC members had been researching hemp in Rustenburg since 1994, and that similar research projects were conducted in the Eastern and Western Cape in 1996 and 1997

The possibility of a hemp industry in South Africa is gaining so much popularity in government circles that last month the Department of Arts and Culture commissioned a documentary on the issue

Water and Forestry Affairs Minister, Kader Asmal, has also told the pulp and paper industry to recognise the potential of hemp as a means to not only produce fibre yields equivalent to that of wood, but also as a means of accelerating economic development in the whole of southern Africa

Representatives from Asmal's department and about 50 organisations, ranging from the Department of Trade and Industry to the Agricultural Research Council and Council for Scientific and Industrial Research attended the meeting.

Wage strike continues as talks end in deadlock

(184) (...)

SPECIAL CORRESPONDENTS

The national strike by thousands of leather and clothing workers entered its fifth day today

About 6 000 National Union of Leather Workers and South African Clothing and Textile Workers Union members are demanding a 12% wage increase and have rejected the 8,5% offered by the South African Footwear Leather Industry Association.

This week, about 350 Western Cape workers gathered at the union's headquarters in Salt River to hear the outcome of a meeting between the National Union of Leather Workers and the employers only to be told it had ended in deadlock.

Ashraf Ryklief, NULW Cape regional co-ordinator, said the union was sticking to its initial demand of 12%.

It was also demanding the inclusion of spouses and children as beneficiaries of sick fund schemes.

Mr Ryklief said that if employers were not willing to offer "an acceptable wage", and the inclusion of dependents in their packages, the strike would continue

Negotiations between employers and unions were expected to continue today

ARG 10/7/98

6 000 jobs lost in clothing industry

Linda Ensor BD 18/8/98 (184)

CAPE TOWN — The clothing industry shed 6 000 formal jobs in bargaining council areas in the 12 months to May, the Clothing Federation of SA reported

Production in the industry has been sliding, forward orders have fallen off and business confidence has slumped

The Central Statistical Service found that total employment in the sector, including the decentralised areas and an estimate for the informal sector, fell from 150 400 in December 1996 to 139 600 in December 1997, a loss of 10 400 jobs

"The fall in employment in the most labour-intensive manufacturing sector is indeed cause for concern," the federation said in its newsletter

The federation noted that while last year's restructuring had created a more export-oriented, more productive and more value-added industry, there had been no job-creating growth in the formal, labour intensive sector of the industry

"Conditions on the domestic market coupled with adverse economic fundamentals (for example, high interest rates, compounded by the financial markets, high tax rates, labour market rigidities) are not supportive of the restructuring programme "Difficult trading conditions on the local market are being compounded by disruptions in the financial markets and the resources of the industry will be severely stretched to weather what hopefully will be a short-term situation," the federation said However, it said the export market continued to look promising

Clothing industry warned not to pin hopes on US Africa Bill

(184) CT (MA) 21/8/98

Shirley Jones
Kwazulu Natal Editor

Durban — The South African clothing industry should not pin its hopes on the US Africa Growth and Opportunities Bill, which was still languishing in the Senate, Keryn House, the director-general of clothing and textiles in the department of trade and industry, said this week.

She said the department expected to have an answer on whether the bill had been approved by the end of September. If it had not come through by then, there was a very real danger that it might not, or that it would be significantly delayed by the next US election

The department stood firmly behind the industry's protests against the Americans' insistence that any preferential export orders processed in South Africa use American fabrics

House said it was incorrect that South Africa did not want America's help

However, it did not want an American strategy for South Africa It had its own and wanted to implement it

"It should be a development bill because we're a developing country," she said.

The industry, through the South African Clothing Federation (Clofed), also voiced its concern that a decision on the bill was critical

Paul Theron, Clofed's executive director, said yesterday that although the industry should not see it as an answer to all problems, it was an enormous opportunity In conjunction with the opportunities provided via European trade negotiations, these would see the local sector through until the World Trade Organisation changed its policy on tariff restrictions to the American market

He said the industry needed such opportunities as it had to accept that concessions such as the duty credit certificate scheme, which allowed duty free imports in proportion to exports, would not last for ever

The US Africa Growth and Opportunities Bill was a meaningful long-term way of stimulating the local industry and would provide a much-needed kick-start to a concerted export focus, Theron said

Clothing tariff walls to go

(184) CT(MR) 20/8/98

SHIRLEY JONES

Durban — The clothing, textile and footwear sectors had to come to terms with the fact that tariff protection would ultimately disappear, the trade and industry department admitted during yesterday's Durban leg of its national export promotion roadshow

Keryn House, the director-general of clothing textiles and footwear, said it was no longer possible to delay or deny the fact that tariffs were on their way out. The department, in conjunction with industry, needed to work out how best industry could manage that change

During the workshop, it emerged that 89 percent of South Africa's markets, including clothing, textiles and footwear, would be opened to the European Union after trade talks were concluded by year-end However, those markets more vulnerable to competition from imports would only be opened towards the end of the agreement.

The next hurdle for these sectors to cross would be the reopening of negotiations with the World Trade Organisation on tariff phase-downs in 2000

House said a strategy was needed to deal with this eventuality The clothing and textile industries, in particular, needed to identify their strengths and develop long-term strategies At this point, unless industry bodies acted soon, she said, the department would have to take the lead in developing strategies.

She said government was also meeting industry once a month to discuss both the extension of the controversial duty credit certificate (DCC) scheme beyond the year 2000 and other measures which needed to be taken The clothing and textile industries had fought long and hard for the retention of the DCC scheme, which allows companies to import raw materials duty-free in proportion to their exports

In the meanwhile, the department was encouraging more widespread use of DCCs Usage had actually declined and was now confined to large corporates, said House

She said of South Africa's R10 billion clothing and textile pipeline R4 billion was imported and R2 billion exported.

Diet improves Seardel figures

(184) ST (BT) 23/8/98

CLOTHING AND TEXTILES

By MARCIA KLEIN

MAJOR surgery in the past two years paid off for clothing and textiles group Seardel, which this week reported a 28 3% rise in headline earnings to 34c (26 5c) a share in the year to June

This result was achieved on a marginal 1.8% rise in turnover to R1 7-billion, although chairman Aaron Searll says if discontinued operations are excluded, turnover was up 11 3% Operating income rose 26 1% to R87 5-million

The results benefited from a R32 4-million exceptional profit relating to the capital profit from the listing of Prima Toy and Leisure and the sale of certain properties "This is non-recurring and we cannot hope to do another Prima flotation next year," says Searll Another extraordinary profit, this time taken below the line, is R23 5-million from an insurance claim Financial director Arthur Jacobson says according to accounting standards, the profit is taken below the line if it relates to an act of God — a fire or flood. "We managed the fire this year, now we are organising a flood for next year"

The 71 8%-held Seartec, the holding company for Sharp Electronics, increased pre-tax earnings by 8% to R21 8-million Searll says Seartec has done well, and the new acquisition (Compatible Information Systems) in IT fits in well with the office automation interests

Frame Textiles, in which Seardel has joint control, reported a 47% rise in headline earnings to 166c a share Searll says in line with Frame's announcement to simplify its group structure, the group has decided to equity account rather than consolidate Frame's results

Group exports increased 27% to R105 9-million, and about 8% of production is dedicated to exports Searll says the group has been very successful with sportswear, swimwear, girls' hand painted dresses, lingerie and men's tailored garments, especially in the UK, Germany and France

Commenting generally on results, he says the group's apparel companies with international brand names, like Triumph, Speedo and Wrangler, performed well during the year The rationalisation and merger of certain clothing operations has also made a positive contribution

Searll says trading conditions are tough, exacerbated by high interest rates and low consumer spending However, Seardel factories are well booked for summer This winter has been weak at the retail level, and retailers may approach next winter with caution

"We went on a diet, became leaner and more focused, and it is evident from the balance sheet that we have improved the foundation of the business," says Searll Prima was not part of the core, and this was part of the motivation for its listing. This does not mean Seardel will not look at acquisitions or diversification, but with caution "We will be careful not to go out of the central focus, any acquisition must be within the capability and energy of our management"

It clearly upsets Searll that the group's net asset value is 422 2c a share yet it traded at 143c just prior to the results announcement "Surely the time has come where NAV has to be recognised," he says, adding that Frame, with a NAV of R29 is trading at R14

Rextru reports in style as annual income adds 15%

CT(BR) 7/9/98 (184)

Marc Hasenfuss

Cape Town — Rex Trueform Clothing Company (Rextru), which is involved in manufacturing and retailing, shrugged off tough trading conditions to notch up a 15 percent increase in attributable income to R14,3 million in the year to June 30, Stewart Schub, the chairman, said yesterday

Earnings, diluted by additional shares in issue, came in 10 percent higher at 73,1c a share The dividend, however, was pegged at 22,5c with shareholders allowed to opt for an N share capitalisation in lieu of a cash payout

Turnover — reflecting tighter trading conditions — edged up only 6 percent to R232 million but stronger trading margins of 6,8 percent helped operating profit rise almost 16 percent to R15,7 million

Schub said the satisfactory improvement in operating profit stemmed largely from a good performance from the manufacturing division

Improved export performance and the continuing success of Queenspark (Rextru's retail arm) also contributed to the group's success

Stewart Schub

He added that Rextru's strong financial position was reflected in the 54 percent increase in interest received to R5,9 million, which pushed pretax income up 19 percent to R23,3 million

The company's cash balance was R39 million at the end of June, well up from last year's R32,2 million

Rextru was untraded on the JSE on Friday The ordinary shares last traded at annual lows of R4,90 and the N shares at R4,60 respectively

CLOTHING INDUSTRY

EXPORTS OFFER PANACEA

184

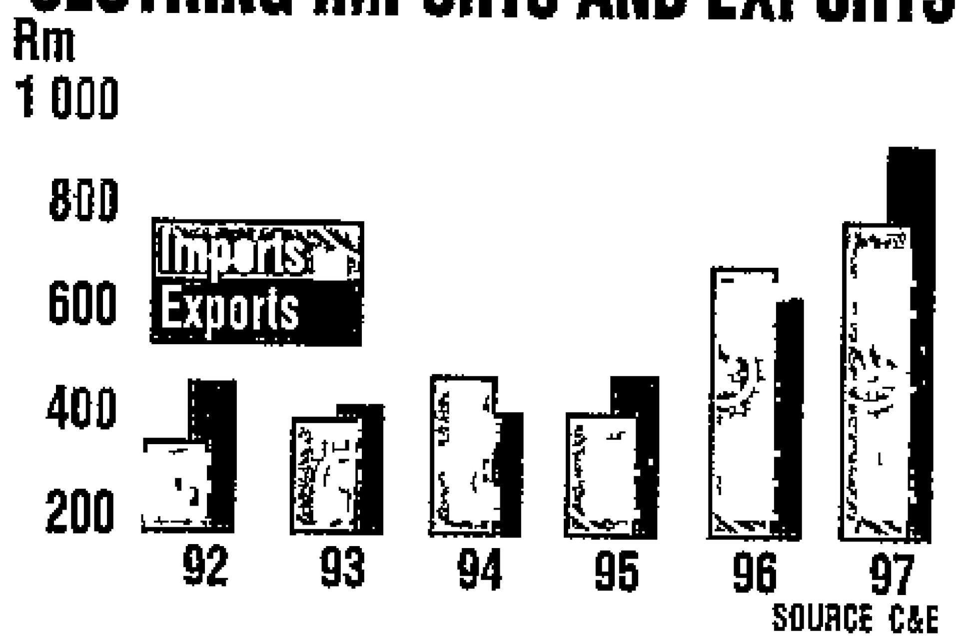
SA's clothing industry is poised to break new export records on top of cross-border and overseas sales of almost R1bn during 1997 — 49% up on 1996

Executive director of the Clothing Federation of SA Paul Theron says "The low rand — coupled with the tariff reduction benefits of the Duty Credit Certificate scheme — allows us to sell more competitively into the European and US markets And it seems that both the US Africa Growth & Opportunity Bill and the SA European Union (EU) Free Trade Agreement (FTA) negotiations should be completed by the end of the year "

The US Act — which will allow duty-free access to the US market for Sub-Saharan clothing exports up to a maximum of 3% of total US clothing imports — has been approved in committee by the Senate with the proviso that such clothing be made from US fabric only The Act, which will create more local jobs, is expected to be wrapped up soon

If both the US Act and the FTA deal become reality before the end of the year, SA clothing exporters would have freer access to the world's two biggest markets Currently, SA exporters have to pay 11% duty to export into the European Union "Hopefully, agreement will be reached soon to drop this to zero," says Theron "This should put us on par with our Lomé Convention counterparts, including other member states of the neighbouring Southern African Development Community (SADC) "

CLOTHING IMPORTS AND EXPORTS



In terms of inter-regional agreements, SA would have to pass on identical tariff reduction benefits to its SADC partners, once the EU allows tariff-free access to its market for SA clothing exports This would also open SA's market to clothing imports from the 14-member SADC

"But, while government expects an SADC deal to be in the bag by early next year, the general industry and business feeling is that this should be subject to agreed Customs controls being in place to prevent dumping and illegal imports," says Theron

"We also need to cement a mutual agreement that Lomé-style rules of origin should apply In the case of clothing, the country of origin is determined by the fact that any imported product — for example, cloth or yarn — should undergo at least two processes in that country before it can qualify for tariff-free access to the importing country "

He says having the proper Customs documentation in place will also allow the local industry to "get feedback at source", if illegal imports slip in through the Customs net

"But," he adds, "in SA there tends to be a lot of talk Whether everything will be in place by the time the SADC agreement is signed, nobody knows As far as our own industry — and, I believe, the rest of the SA Chamber of Business — is concerned, no SADC agreement should be signed until it can be guaranteed that the mechanisms for a properly functioning Customs control system are in place

"Industry concern is that the SADC process is being 'steamrollered' by government, regardless of the consequences to business and workers, with the new SADC deal planned to be in place by January, 1999 "

Meanwhile, clothing manufacturers employing about 6 500 workers in Malawi are already making use of an existing bilateral FTA, signed between SA and Malawi in 1990

"Malawi, with clothing exports valued at R176m sold into the SA market in 1997, is now the main source of SA's clothing imports China is next, with R174m Even SA manufacturers like Pep have seen the gap, as they can import fabric tariff-free into Malawi and then export freely into the SA market," says Theron

Malawi's clothing exports to SA grew from R78m in 1995 to R130m in 1996 Ironically, though the local industry is perturbed by the growing imports, this could be a mere precursor of a future import flood from SADC countries, once the EU and SADC tariff deals are finalised

Arnold van Huyssteen

NEWS

Sactwu accuses clothiers of stealing R18m in benefits

CT (BR) 18/9/98 (184)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The South African Clothing and Textile Workers' Union (Sactwu) yesterday accused more than 160 Durban clothing manufacturers of stealing over R18 million in workers' sick and provident fund contributions.

According to Joshua Mbelu, a Sactwu spokesman, these mostly small manufacturers had deducted members' fund contributions but had not forwarded them to the Bargaining Council for the Clothing Industry (BCCI), which administers the contributions.

In retaliation, Sactwu has called out between 8 000 and 10 000 workers to strike to put pressure on employers to settle up.

Mbelu said in some instances the union had to attach employers' houses and machinery to try to retrieve the workers' money.

Mbelu said the guilty parties included members of the BCCI, those not registered with the council and manufacturers who had deregistered to join the Confederation of Employers of Southern Africa (Cofesa).

Mbelu said Sactwu had payslips to prove its allegations. These included the charge that some companies had continued deducting contributions despite switching to Cofesa.

He said Sactwu had been forced to withdraw members' medical benefits and to refuse loans against provident funds which were not paid up.

He said Sactwu also had to contend with manufacturers telling union members that Sactwu was withholding benefits and making urgent demands for payment because it was bankrupt. He said a story was circulating that Sactwu would close by mid-November.

Apart from quashing this speculation, he said Sactwu would blacklist defaulters and take further action against them.

Len Smart, the acting secretary of the BCCI, said less than a quarter of Durban clothing manufacturers were involved in the controversy and most BCCI members paid deductions in good time.

However, he said the BCCI had taken legal action against the defaulters. As a result, some companies faced liquidation for non-payment of levies. In some cases employers had been held personally liable.

SA moves up two places in world competitiveness table

CT (BR) 18/9/98

FRANK NXUMALO
LABOUR EDITOR

Johannesburg — South Africa had moved up two places in global competitiveness, according to a survey released by the Institute of People Management (IPM) yesterday. The survey was published in the World Competitiveness Yearbook by Professor Stephane Garelli of the Swiss Institute of Management Development.

The report, entitled World Competitiveness' New Frontiers in 1998, is published annually and provides 259 criteria, grouped into eight competitiveness input factors, for 46 industrialised and emerging economies.

The eight input factors are management, investment in people, investment in science and technology, the domestic economy, infrastructure, finance, government and the degree of international participation.

Ranked number one, the US was described as the "most competitive nation in the world", while at the other end of the scale Russia was described as being on a "chaotic path to reform".

South Africa moved to position 42, with fiscal policy and governance both at 31 — up from 36 and 34 respectively. Fiscal policy and governance were South Africa's healthiest indicators.

Investment in people was at 46, the same position as last year, and only slightly above management, which dropped from 37 to 38.

A spokesman for IPM said the effect of government macro-policies in the case of South Africa — Gear with investment as its primary pillar — was used to measure the strength of the domestic economy. In this regard the country was ranked 40, up from 42 last year.

Investment in people looked at the kinds and levels of literacy and numeracy, the types of skills development programmes and whether these were practically orientated, entrepreneurial or academic. In this category South Africa had not moved from position 46, at the foot of the table, since 1994.

TEXTILES *Chairman believes updated policy will counter tough trading conditions*

Seardel pins its hopes on exports

CT(BR)29/9/98 (184)

VERA VON LIERES

Cape Town — Seardel Investment Corporation, which has clothing, textiles and consumer electronic interests, would place greater emphasis on its export performance in the coming financial year to counter a tough trading environment, Aaron Searll, the chairman, said yesterday

In the group's recently released annual report Searll said the company's export business continued to climb during the past financial year, increasing 27 percent to R106 million, and could be boosted further by the weak performance of the rand

"This amount is nonetheless still below the target of 10 percent of clothing turnover," he said

Bernard Richards, the joint managing director of Seardel, said the weaker rand meant export opportunities were opening up in the clothing sector

"The clothing industry has been tarnished as an industry that will not grow because of the threat from the Far East But, in fact, companies can offer flexibility, quick response, service and short runs "

Richards predicted that Seardel's Charmfit division, which produces men's, women's and children's wear under well-known brand names such as Triumph and boasts state-of-the-art manufacturing, could be in a position to export up to 25 percent of its total production within one or two years

Despite the prospect of tough trading conditions and the slowdown in consumer demand because of high interest rates, Seardel factories were well booked for the first half of the 1999 financial year

Targets for the year included turnover of between R1,8 billion and R1,9 billion from R1,7 billion previously, and headline earnings a share of between 30c and 35c from 34c

Seartec, the office automation and consumer electronics firm in the Seardel stable, was expected to grow through emphasis on information technology (IT) and office automation

Chris de Bruin, Seartec's chief executive, said the focus in IT would be on "companies that we can add value to in terms of our technical expertise and infrastructure"

Seartec made its long-awaited foray into IT last month when it announced the acquisition of 51 percent of Compatible Information Systems

Seardel closed unchanged at R1,40 on the JSE yesterday

CONFIDENT *Aaron Searll, the chairman of Seardel, says the group is well booked for the first half of financial 1999 despite high interest rates and low consumer spending* PHOTO ANDREW BROWN

□ Business Watch, Page 2

Exports offer growth prospects to Seardel

Linda Ensor (184) BD 9/10/98

CAPE TOWN — Clothing and textile group Seardel had budgeted to achieve a 16,7% increase in headline earnings in the year to end-June but with trading conditions under pressure, turnover was expected to show a slight 5,6% rise to R1,9bn (R1,8bn), chairman Aaron Searll said in the group's annual report

Consumer spending would be hit severely by high interest rates and the recent devaluation of the rand, though the group would try to offset these trends by giving more emphasis to exports

In the previous financial year, exports rose 27% to R106m and could be given further impetus by the lower rand Searll said growth in exports would be greatly aided if the US Congress approved the African Preferential Trade Bill

"Notwithstanding the perceived benefits arising from the forthcoming demutualisation of Sanlam and Old Mutual assurers, local retailers have repositioned themselves in anticipation of difficult trading conditions in the medium term," Searll stated

Pretax income was targeted to rise 40% to R46m (R40m) and the dividend by 20% to 12c (10c) Some of the group's subsidiaries had been restructured, with some operations being closed down to create more focused manufacturing entities

Searll said at the recent release of Seardel's results that the drastic action taken in the last year, which had involved a substantial downsizing, the closure of loss-making operations and restructuring of its apparel division, had clearly had a positive effect on the group's bottom line

"The group is strong . we are confident that the medicine we took in writing off the substantial amount associated with the restructuring last year has worked well "

Searll said the export market offered growth prospects for the group given the lower rand and the tough local business environment in which the industry had to operate

In the annual report, Searll highlighted the financial strength of the group, with equity having increased considerably during the year by R103m to R486m. Total assets amounted to R936m (R825m) and net asset value rose 27,5% to 422c (331c) a share

In the annual report of Seartec, in which Seardel has a 71,8% stake, Searll said the group was ready for new growth opportunities in both office automation and consumer products Additional growth would come from the group's investment in information technology through its 51% stake in Compatible Information Systems (CIS) which was expected to make an after-tax profit of R1,5m this financial year

"CIS will form the base for other acquisitions in this field and several possibilities have emerged We believe that our future growth must come from the information technology and office automation area

"Present market conditions for Seartec are tough The slow pace of implementation of the government's (macroeconomic) strategy is gradually undermining investor confidence The enactment of inappropriate labour bills is guaranteed to hinder job creation," Searll said.

REX TRUEFORM (184)

STEADY PLOD PAYS OFF

- **ACTIVITIES** *Clothing retailer and manufacturer*
- **CONTROL.** *African & Overseas 72%*

Year to October 30	'95	'96	'97	'98
Debt equity ratio	n/a	n/a	n/a	n/a
Int & leasing cover	8,0	n/a	n/a	n/a
Return on cap (%)	9,2	9,7	8,3	8,9
Turnover (Rm)	192,1	212,6	218,3	231,9
Pre-int margin (%)	6,5	6,6	6,5	6,8
Earnings (c)	60,3	57,8	66,2	73,1
Dividends (c)	20	20	22,5	22,5
Tangible NAV (c)	20	20	22,5	22,5

FM 16/10/98

Rex Trueform has never been a high flier, not even when times were good It seemed to plod along, showing relatively little earnings growth, constrained by the rigours of the clothing market

That is, until the Shubs decided to create a retail division, which began when Queenspark opened its doors to the public in the early Nineties

Even then, Queenspark grew slowly as the Shubs made sure the niche they set out to fill was well chosen and that sustained demand for the style of garments sold would finance expansion

That conservative approach is paying off in these tough times

Ask Rex Trueform chairman Stewart Shub He'll tell you how pleased he is to have R39m cash in the bank earning over 20% interest and not a cent's worth of debt in the company

Both the manufacturing division and Queenspark stores are trading well — partly because of vertical integration, partly because of the image of quality and value presented by the exclusive apparel, designed and manufactured "in house"

The manufacturing division performed well during the year, maintained by a steady order book — predominantly from Queenspark but also from the specialised retail trade division that markets Lanvin-Paris and Daks-London brands, among others And the growing export division's long runs add economies of scale to production units

The number of Queenspark stories increased from 19 to 24 A further eight stores are planned to open in financial 1999

At the current share price of 420c, the company is trading on an historical p e of 5,7 It represents sound value **Gerald Hirshon**

Clotex warns against free trade area plan

(184) BD 6/11/98

Samantha Sharpe

CAPE TOWN — Joint clothing and textile industry forum Clotex has warned of "unprecedented" retrenchments and bankruptcies among its members should proposals for a Southern African Development Community free trade area go ahead in their current form

The trade and industry department is expected to present an outline of the proposed free trade area agreement for ratification by parliament early next year, although it will have to be accepted by all SADC member countries before implementation

Textile Federation president Malcolm Hughes said after a meeting of Clotex members yesterday that while both industries, which employ about 215 000 people, were fully supportive of government's initiatives to establish an SADC free trade area, the current agreement contained major deficiencies which could do more harm than good

"As is the case the world over, free trade agreements must be properly and carefully constructed, with all the control mechanism and safeguards in place and fully operational before implementation

"Unfortunately, this is not the case, with the proposed SADC free trade area, and we believe that, if it is implemented in the form currently proposed, its deficiencies will result in bankruptcies and retrenchments in our and other manufacturing industries on an unprecedented scale "

Clothing Federation vice-president Hassim Randeree said the industries' concerns arose from three main areas, which included the exclusion of established common exterior tariffs on imports into member countries prior to the accelerated elimination of tariffs between members

"For example, import duties on cotton imported from outside the SADC free trade area would be permitted (in the agreement's current form) to vary among member countries, ranging from 0% to 50%

"It does not take a rocket scientist to work out that importers would simply reroute all cotton imports from non-SADC countries through the SADC point of entry with the lowest duty (in this case being 0%), immediately nullifying higher duties in other SADC countries

"Such a scheme would make a mockery of SA's already accelerated seven-year import duty phase-down on clothing and textile imports," Randeree said

Other areas of concern included the exceptionally low local content requirements necessary for SADC imports into SA and the ability of the customs authorities in SA and the SADC countries to police imports properly, despite the progress being made in this regard in SA.

"More than 17 000 jobs have already been lost in our industries, contributing to an overall decline in employment in SA of 5,5% over last year

MANUFACTURING - CLOTHING

1999

CLOTHING SECTOR

FM 29|1|99

UNCLEAN, UNCLEAN, THE CRIES CAN BE HEARD

(184)

The bells toll for a sector shunned by investors

JSE investors continue to shun the clothing, footwear and textile sector and it is not difficult to see why

Battered by cheaper imports, depressed international prices, lower demand and high production costs, companies in this sector have fallen out of favour with investors who prefer to seek value elsewhere

Measured in terms of EPS growth, the sector came last in the *FM*'s recent roundup of industrial sector corporate results And there is no relief in sight

Fresh from a disappointing festive season, clothing firms can expect no improvement in the coming winter months

"Last winter's retail sales were disastrous and most retailers might still be having stock to roll-over into this year," says Malcom Hughes, president of the Textile Federation of SA

International markets also look dull But there is a flipside to the doom and gloom surrounding the industry

Faced with difficult trading conditions, clothing firms have had to knock themselves into shape to remain afloat Most have low levels of debt and are aggressively rationalising in line with market conditions, though with varying degrees of success

This is encouraging, but can only impact significantly on earnings if supported by stronger demand

Sampling a few counters in the clothing sector shows why it makes sense to avoid it, at least in the short term

Gubb & Inggs

For the year to June 1998, the wool maker reported a R2,8m loss from the pervious year's R 2,6m profit

The turmoil in Asia was fingered as the main cause of the loss as all the group's major Asian markets had vanished The situation was no better in Europe and the USA

Finance director Harry Bonner says there is still no significant improvement in the demand for wool and that prices remain depressed "Some of the prices we are expected to sell at are ludicrous"

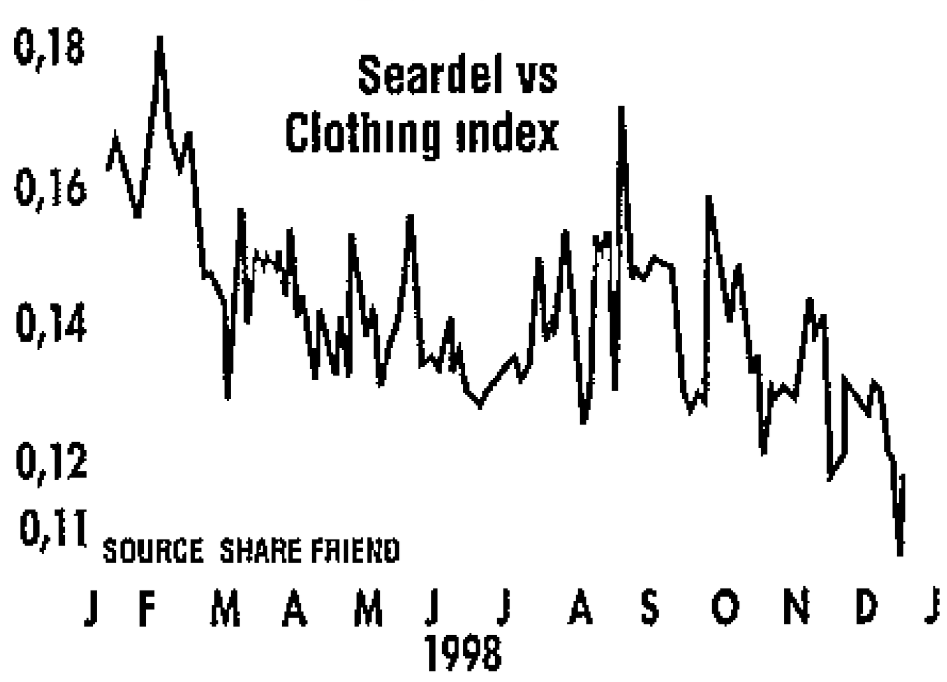
In recent years, the group has been in and out of the red and margins are likely to remain under pressure

It is pinning its hopes on rationalisation and cost-reduction Its low debt should be a big plus

Whatever appeal the share has seems to be eroded by poor prospects

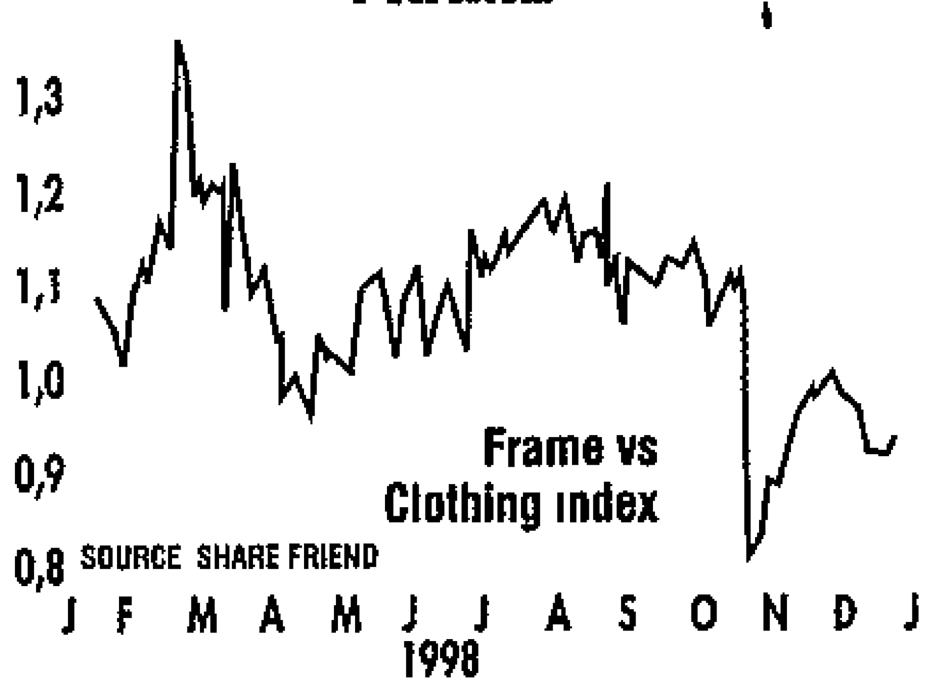
Even its rand hedge qualities fail to draw investors as world demand for wool remains weak Little wonder the counter is so thinly traded

SEARDEL



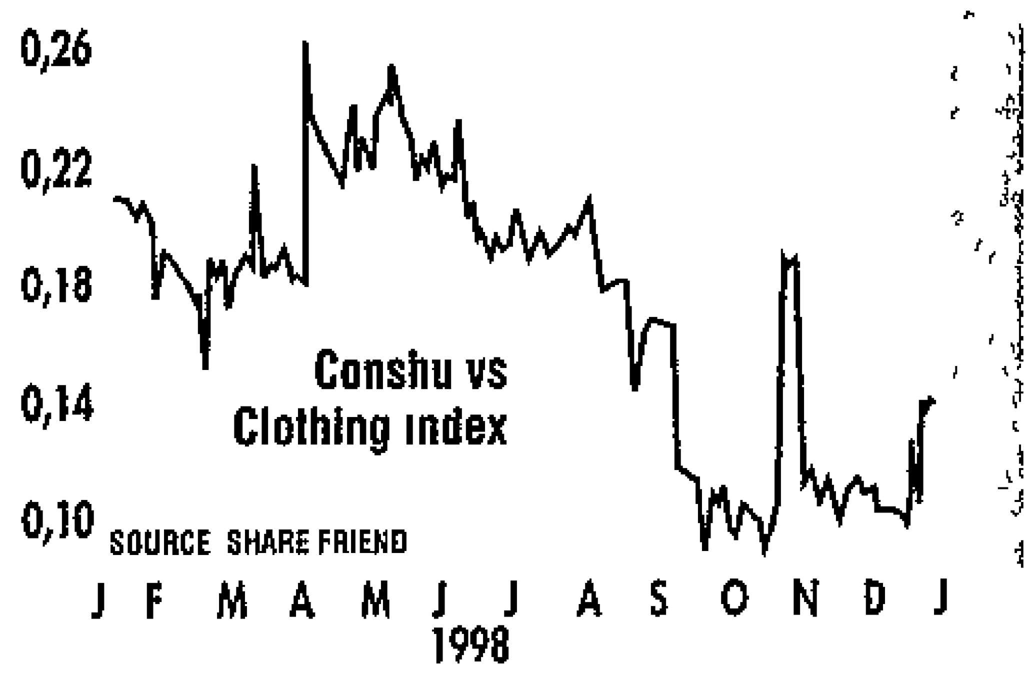
The relative strength chart of volatile Seardel against the JSE Clothing index shows another spurt of strength since reaching a five year low

FRAME



The relative strength chart of erratic trading Frame against the JSE Clothing index shows it gaining some strength against others in the sector

CONSHU



The relative strength of Conshu against the JSE Clothing index shows that it has gained ground in the past two weeks

Conshu

The move by SAB to sell its stake in Conshu was met with market approval, the share firmed 28c on the day of the announcement which suggests the market expects the new controlling shareholder, Claas Daun, to turn the shoemaker around But this could prove difficult as Daun lacks experience in the footwear industry and the planned retention of Conshu's management means no major changes can be expected in the running of a company already under strain from harsh trading conditions

After a strong showing in financial 1998, margins for the six months to September 1998 shrank following higher input costs and weak demand And a R6m loss from a strike in July made matters worse Now management is forecasting "modest earnings" for financial 1999

Under Claas Daun, Conshu faces an uncertain future It looks like a share to be avoided

Frame

Frame is probably one of the well-positioned clothing firms

The textile group, which also has interests in commercial and industrial property, continues to report impressive results in depressed conditions

Management can justifiably complain about the way investors treat the share,

It's likely that the overall negative sentiment towards the clothing sector blinds investors to the share's potential

The group attributes its performance to rationalisation and massive investment in new technology

While trading conditions are likely to remain tough, the group's strong fundamentals should save the day and the share's long-term prospects look good

Seardel

Much like Frame, Seardel has interests beyond the clothing sector, which should minimise the effect of depressed conditions in the clothing sector Its latest financials illustrate this point clearly

A strong showing from electronic subsidiary Seartec boosted headline EPS, which came in 28% higher on last year's pro forma figures, these exclude Frame's results

The exclusion of Frame's results follows an announcement that the group intends simplifying its structure Seardel has a 26,8% stake in Frame

To deal with the slump in the clothing sector, the group rationalised aggressively Though it is confident of higher export revenue from its apparel division, trading conditions continue to bother management

The December interms should give pointers on the share's prospects

Rex Trueform

A reflection that the group is not immune to the vagaries of the clothing sector is that for the year to June, though operating income jumped 16%, there was a meagre 0,6% rise in margins Both the manufacturing and retail arms performed well, and exports did not disappoint

Following the popularity of the group's retail chain, Queens Park, more outlets will be opened In fact, the retail division, which began only in the early Nineties, has become a major contributor to the group's earnings This trend is expected to continue

Maybe it's time the group moved its listing to the retail sector as its continued listing under the embattled clothing sector could be harming the share's tradability

Percy Mthimkhulu

Accusations of contempt in Cofesa legal wrangle

(184) CT (BR) 9/2/99

Shirley Jones

Durban — The feud between the bargaining council for the clothing industry in KwaZulu Natal and the Confederation of Employers of Southern Africa (Cofesa) escalated last week when Hein van der Walt, Cofesa's founder and director, accused Len Smart, the acting council secretary, of being in contempt of court

The accusation centres on a continuing court confrontation, after an application brought against Cofesa by the bargaining council Cofesa had tried to get 22 clothing manufacturers, who had joined Cofesa to comply with the council's main agreement, to pay their levies, interest on outstanding levies and costs of the court case

The application was dismissed in favour of Cofesa on June 15 last year, but is to come up for appeal on February 25

Van der Walt accused Smart of violating the sub judice rule and being in contempt of court when he asked clothing manufacturers to appear before him prior to a court hearing on the same grounds and between the same parties taking place

"We help companies restructure their workforces, to change employees to contractors and to outsource production to them With this we establish micro enterprises in a protected environment with existing markets, business skills, training and expertise," Van der Walt said

"We expect this judgment to promote the right of freedom of trade for micro enterprises

"In terms of Gear (the government's macroeconomic strategy), Cofesa has restructured over 13 000 companies with 700 000 workers into networks of micro enterprises or independent contractors and outside the scope of the bargaining council

"The loss of thousands of members prompted the bargaining council to lodge an application in the Labour Court to stop Cofesa from changing workers into independent contractors and to have these micro enterprises declared employees in terms of labour legislation "

Smart said he had been advised that the two issues involved were separate The court case, which centred on finding the correct court to hear the case in the first place, dealt with an agreement that had expired on May 10 1998 His invitation to manufacturers was to discuss a second agreement that came into effect on November 30

Queenspark a boost to Rextru

CT(MN) 5/3/99 (184)

MARC HASENFUSS
CAPE EDITOR

Cape Town — Rex Trueform (Rextru), the clothing company with a strong retail slant, yesterday reported a 26 percent increase in net income to R5,8 million in the half-year to December 31

The Queenspark fashion chain once again turned in a smart performance

Stewart Shub, the chairman, said the 29-strong chain contributed more than half of Rextru's R124 million turnover

"Several new stores have been opened, and existing stores have shown real growth compared with last year In the process there has been a material improvement in market share and trading margins"

Rextru planned to continue the selective expansion of Queenspark, and another two stores would be opened in the second half of the year

Shub confirmed that Rextru's growing retail interests had prompted the JSE to request that the company transfer its listing from the Clothing, Textiles and Footwear board to the Retail board

Market watchers welcomed the move, saying a sector shift for Rextru was long overdue They said market sentiment for Retail listings was markedly better than for companies on the Clothing, Textiles and Footwear board

Turning to Rextru's traditional clothing business, Shub said the export business notched up turnover growth despite difficult trading conditions prevailing in international markets

But the manufacturing division, although stable and well managed, experienced an "exacting half-year", with profits lower than the previous period

"Efforts are being directed at the further improvement of productivity and quality"

Looking ahead, Shub said Rextru's operational and financial structures were sound, positioning the company well to benefit from any economic upturn

Rextru boasts a current assets to current liabilities (quick) ratio of over six times and has cash of almost R34 million

Rextru shares increased 15c to close at R2,95 on the JSE yesterday

'EU, US fail the local clothing industry'

(184) BD 9/3/99

Samantha Sharpe

CAPE TOWN — SA's clothing industry is losing patience with the European Union (EU) and the US following their repeated failures to make good on promises of trade assistance, says Clothing Federation's (Clofed's) Bernard Richards

The EU and US made promises of trade assistance during SA's first democratic elections in 1994

Commenting in the latest Clofed annual report, Richards says it is time for the two powerful trading regions to finalise their verbal accords with SA clothing manufacturers and to get on with the business of trade

"The Africa Opportunity Bill currently in the US Senate grants only duty-free and quota-free access to the US market if US textiles are used in the garments

"It is common cause that if the bill is passed in this form, it is of no value to sub-Saharan suppliers of apparel, and Clofed will withdraw its support for the bill," says Richards

On the issue of exports, he says clothing industry exports increased 47% in 1997 (the latest figures available) on the export promotion platform created by government

However, he says, government is still dragging its heels about granting recognition to the federation's own export subcommittee, created to deal with incoming trade missions

Effectively, this means that the federation is not being recognised as part of an Export Council, says Richards and it is, therefore, missing out on export support, which is vital to the survival of the industry in SA

Commenting on the state of the clothing industry, Richards says given the continuing global upheaval and domestic economic slowdown in SA, business confidence in general remains quite brittle, with the clothing industry unable to escape the national trend

"It is pleasing to note that in terms of Retail Liaison Committee figures, the total consumer spend on clothing remains at a solid 24%," Richards says

At the time of writing his report, factories were fully booked for the balance of last year "although retail commitments for winter 1999 have been hesitant following the warm 1998 winter," he says

According to Richards, the industry continues to restructure with mass market manufacturers increasing their sourcing from Southern African Development Community countries Because of its labour-intensive nature, the industry is affected more severely by SA's labour friendly legislation

"Our ultimate competition and threats come from countries having more labour flexibility and wages substantially lower than do ours

"Our middle and top-end manufacturers continue to shorten lead times and improve flexibility to service both the local and international niche markets," he says

NEW BLOOD *Henry Yih from Joseph Sport International, the Taiwanese exhibitor, displays some products at the opening of the International Clothing and Textiles Trade Week in Durban yesterday*

PHOTO BARRY TUCK

(184) ET(DR) 24|3|99

SA's clothing and textiles sector 'must embrace global market'

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The clothing and textile industry had to grow up, shrug off its xenophobia and welcome international companies into its markets, Philip Krawitz, the chief executive of the Cape Union Mart group, said at yesterday's opening of the International Clothing and Textile Trade Week in Durban

Krawitz stuck his neck out in a local industry traditionally suspicious of competition from the East and welcomed companies from Taiwan and China, saying a country frightened of development had to learn to value its diversity to develop the strength to compete

He said ultimately Africa stood to be the world's largest developing market, providing South African businesses with greater opportunities South Africa was well positioned as the conduit into Africa, one of the most exciting markets in the world

Predicated population figures showed that by 2012, the African continent would be one of the largest untapped markets in the world

"There is a place for each of us, but we have to choose our niches more carefully," Krawitz said He suggested the clothing and textile industry should develop a similar perspective to the motor industry by focusing on its strengths and developing key export markets for defined products and importing to fill the gaps

The high duties on clothing and textile imports flowed from the country's greatest crime, he said In the past, its people had been deprived of education and training, mak ing its labour force more resistant to market shifts and more partial to protection

But Krawitz said the government was keen to see duties reduced and the textile industry as part of the global marketplace

Krawitz appealed to the local industry to back America's Africa Growth and Opportunities Bill with all its might

"It is no use continuing to rape this continent by exporting our raw materials when we need to export value-added products and create jobs "

But while Krawitz welcomed overseas companies into local markets, he called for level playing fields He appealed to would-be exporters to ascribe to high moral values and not resort to child labour or starvation wages

"Trade is the game, morality and efficiency the rules and prosperity the prize," Krawitz said

Clothing workers picket after work time reduced

Sactwu and IM Lockhat clash on outsourcing

eT (MR) 29/3/99 (184)

SHIRLEY JONES
KWAZULU-NATAL EDITOR

Durban — The South African Clothing and Textile Workers Union (Sactwu) and IM Lockhat clashed this week over complaints that workers were being retrenched and put on short time, and orders being contracted out to dubious cut, make and trim operations paying starvation wages

Glen Goldstone, the shop steward at IM Lockhat, one of Durban's oldest and largest clothing operations, said the company had sent out work for finishing to a tuberculosis clinic near Newlands East

However, the union was un able to prove this conclusively In the interim, he said, the "suspicious operation" at the clinic had been closed down

The disagreement culminated in a picket in central Durban last week and the handing over of a memorandum listing workers' grievances This followed the enforcement of a three-day working week for a large portion of the company's workforce after IM Lockhat said it intended laying off employees and orders began decreasing

Sactwu has demanded that the company bring back work which has been outsourced, ensure that its workers have a five day working week and stop giving work to cut, make and trim operations which did not comply with Industrial Council rates and regulations The union also demanded the suspension of further retrenchments.

Mervyn Naidoo, the industrial relations manager for IM Lockhat, said last week that though the company understood the reasons for its workforce's protest, the protest was illegal and no dispute had been declared Nothing had been discussed between the company and its workers

Naidoo said the industry was in shreds His company, he said, was competing against clothing manufacturers whose standard practice was to give out work to smaller companies which operated outside industrial agreements

Len Smart, the head of the local bargaining council, said he could not comment because there had been no unfair labour practice and the issue was mainly commercial

However, industry leaders admitted this week that the clothing sector was crumbling They feared labour unrest would escalate in the run-up to further retrenchments and industry wage negotiations

'A losing soccer, cricket or rugby side does not bring peace ... it leads to anger'
- Cape Points, page 17

Pulling the wool over workers' eyes

Small business owners 'deprive staff of union rights and other labour benefits'

ARG 31/3/99 (184)

Entrepreneurs are abusing their status as small businessmen and women to deprive thousands of clothing and textile workers in the Western Cape of basic workplace rights and legally stipulated wages

TYRONE SEALE

SPECIAL WRITER

Under cover of doing their bit for the economy, company owners who refuse to join employer associations and follow the Labour Relations Act (LRA), are operating sweatshops where written contracts are non existent and where workers are threatened with their jobs when they cite their rights under the LRA

Where workers insist on their rights, owners frequently shut their businesses at short notice only to reappear several weeks later using different company names and employing newly recruited and intimidated staff to continue supplying textiles and garments to retailers

Between them, the South African Clothing and Textile Workers' Union (Sactwu) and the bargaining council for the industry – comprising 50-50 employer and union representation – believe there are hundreds of unscrupulous operators of small factories

Sactwu estimates that some 5 000 workers are playing Russian roulette with their rights every day in these factories

In separate interviews, Sactwu's media officer, Rachel Visser, and Ronald Bernickow, labour affairs manager for the bargaining council, said this situation reflected an abuse of the government's largely uncritical drive to promote small and medium enterprises

"This is what you get when you have unfettered deregulation," said Mr Bernickow He said the challenge facing the bargaining council's inspectorate was to strike a balance between enforcing the law and protecting jobs

He cited a case where a company that had come under pressure to join the council and to entertain workers' rightful demand to join a trade union, had refused to accede Instead, it put 200 people out of work, sacrificing a lucrative contract with a national fashion retailer

He said the owner was sure to resurrect the business under another guise

Mr Bernickow was also reacting to a complaint to the Cape Argus by Washiela Esburgh, of Steenberg, who until Monday was a supervisor at New Concepts, a Diep River clothing factory that employed 42 people Mrs Esburgh has 15 years' experience.

According to Mrs Esburgh, factory owner Kevin Arendse owed the New Concepts staff three weeks' wages.

Mrs Esburgh said Mr Arendse told staff that the factory was not making money and that he was closing it down

She and her colleagues found this strange, as they consistently recorded good production which sustained the company's contracts with major national retailers

Mrs Esburgh said Mr Arendse had on several occasions threatened to close the business when staff had indicated their interest in joining unions

Mr Arendse runs three other factories, but he is not part of the bargaining council, which confirmed that Mr Arendse had previously been the subject of complaints about ignorance of labour law

On Monday afternoon, as staff waited outside the factory to eventually receive a week's pay, Mr Arendse told the Cape Argus that he was on the verge of renting the factory to two businessmen who would take over the staff

He said he was waiting on "the money to get here" so he could pay workers all the money they were owed.

But Mrs Esburgh said later that the staff had only received a week's pay

At the bargaining council, Mr Bernickow said the Basic Conditions of Employment Act, coupled with the Labour Relations Act, provided protection for workers, unionised or not and imposed severe penalties on employers

In some cases, the Labour Court could impose a fine of double the value of the employer's debt to staff, on top of ordering such an employer to compensate affected workers to include interest that accrued during the dispute

Mr Bernickow said he regretted the Labour Relations Act's decriminalisation of such transgressions Abusive employers now faced penalties without the added threat of having their abuses reflected on their personal criminal records, he said.

Rachel Visser of Sactwu said "There are hundreds of them (abusive employers) who you could call small businesses There are more than 5 000 people employed by companies like this."

She said workers had to demand from employers contracts setting out the conditions under which they would be working

She advised prospective employees to check with trade unions, the bargaining council and the Department of Labour whether specific companies were known to them or registered with statutory bodies.

She said some of the worst employers made no deductions for workers' unemployment insurance, health benefits or other essentials, and desperate workers were only too pleased to end up with more cash at the end of each week.

"And when the company closes, they've got nothing This is the gamble everyone takes when they join a company where there is no rights culture "It's a tough thing to do, but our advice is when you come across someone like this, just don't take the job "

Ms Visser said employers stood to gain significantly from having unions on the shopfloor

Unions could help to develop productivity, analyse problems and improve owners' own skills and understanding of their businesses

Union to recycle illegal imports

(184)

John Dludlu BD 15/4/99

THE SA Clothing and Textile Workers' Union is to take steps to curb the damaging effects of illegally imported goods

Sactwu general secretary Jabu Ngcobo says the union is setting up a company that will shred and recycle illegal imports that are confiscated by customs officials.

In spite of reservations by the textile and clothing industries, the union has applied for a section 21 company (not-for-profit organisation) status

"We already have machines and a site," says Ngcobo A business plan has also been drawn up. It is unclear how much the initiative has cost.

Ngcobo says talks with government will be held shortly to discuss the regulatory steps to be taken He says business supports the idea.

Sactwu's plans represent the first step in dealing with confiscated goods since government halted the practice of auctioning the goods. Previously, such goods were exported out of the continent.

A government official says the recycling plan will help reduce the excess goods stored in government warehouses

The textile and clothing industries have previously estimated the value of illegal imports at R1bn.

Brian Brink, the executive director at the Textile Federation, says the industry's first choice would be for government to take responsibility for the recycling process or contract this function out. If Sactwu is prepared to shoulder this responsibility, so be it, he says.

Ngcobo has said profits generated by the venture will either go towards worker training or be donated to charity.

Clothing industry pay to be probed

Reneé Grawitzky (184)

NONCOMPLIANCE by clothing manufacturers with the industry wage agreement will be the focus of a national audit to be conducted jointly by clothing employers and the SA Clothing and Textile Workers' Union

They agreed late last week to conduct the audit after manufacturers in some regions raised concerns that they were being undercut because other manufacturers were not complying with the industry agreement.

An employer spokesman said there was a perception of noncompliance among manufacturers, but no proof of this. Union spokesman Wayne van der Rheede said the parties did not have factual information to show noncompliance.

Meanwhile, the parties have started wage negotiations. The union is demanding a 13% wage increase and improvements in social benefits like the provident fund, health-care benefits and housing

BD 19/4/99

'Take two joints and call me in the morning'

USEFUL Call it dagga, cannabis or marijuana it still remains an illegal substance in South Africa

By SHAUN SMILLIE

Some doctors in SA are urging their patients to take dagga to ease discomfort

When Yvonne began chemotherapy to treat breast cancer, she experienced extreme nausea and vomiting – a typical side effect. To remedy this, her doctor suggested she use dagga. Her doctor is not that unusual. More and more medical practitioners in South Africa, and worldwide are prescribing the use of this illegal substance for treating a number of ailments.

"Besides treating extreme nausea, other uses for dagga include its application as an appetite stimulant in Aids patients, the treatment of asthma and as a pain reliever. And that's just to start with," says Professor Francis Ames, retired joint professor of neurology at the University of Cape Town.

Ames also points out that dagga may also help with epilepsy, migraines, and relieving intra-occular pressure in glaucoma sufferers, and there is even the suggestion that those with cerebral palsy could benefit.

One patient who uses dagga for medicinal reasons is Francois Leblonde who for the past 12 years has suffered from multiple sclerosis. "I get bad spasms in my left shoulder but three drags of marijuana is all it takes to ease the spasm," he says.

With the help of dagga, Lehlonde says, he has been able to continue running his business from home. But cannabis is an illegal substance and there is always the danger of a police raid or a jail sentence. Leblonde has been raided by the police on five separate occasions. "Here I am wheelchair bound and with a criminal record," he says.

There is another option for multiple sclerosis sufferers. On the market is synthetic delta-9-tetrahydrocannabinol, or THC – the ingredient believed to ease the spasms.

"The product I could use is called Elevat, but I would have to pay R500 a month to use it, in comparison with a kilogram of dagga which costs R800 and would last six months," says Leblonde.

Dr Zuma turned down a suggestion that marijuana be assessed for use in individual medical cases

But not all doctors feel that dagga is for everyone. "Marijuana is best for terminally ill patients. The sedation-like side effects make it difficult for an asthma sufferer to take it and still be able to work," says one doctor who does recommend dagga for some of his patients.

Other side effects often cited are short term memory loss, and possible sterility in males.

In an attempt to make dagga more accessible to patients, Ames wrote to Minister of Health Nkosazana Zuma suggesting that a panel of medical experts be appointed to assess individual cases and see if dagga would help.

"The answer was a definite no," says Ames.

Overseas there is growing interest in the medicinal use of cannabis. Since 1978, in 36 states of the United States, patients with certain disorders have been permitted to use dagga with a physician's approval.

In a 1990 survey, 44% of oncologists said they had suggested that a patient should smoke dagga for relief of the nausea induced by chemotherapy.

Also in the US, patients are able to get hold of dagga through medical marijuana clubs. These clubs operate openly, offering dagga to those who need it for medicinal purposes at no profit to the club. The San Francisco club has more than 500 patients and is protected by city law.

Many medical practitioners believe that more research is needed. "We know a lot about the THC in marijuana, but when it comes to the other 400 chemicals, little is known," said one doctor.

Yvonne finds it difficult to get hold of dagga, as suggested by her doctor. When she did, just before her main chemotherapy treatment, she didn't know what to do with it. "I am not too sure how to take it, and when I'm in hospital I'm sure the nausea is going to be bad but I won't be able to use the dagga."

Hemp makes a big global comeback

Star 8/5/99 (184)

By SHAUN SMILLIE

The ancient Egyptians used it to build the pyramids and even American presidents were known to have had a stash of this illegal plant.

The plant is hemp, and because it belongs to the same genus as dagga, it is considered an illegal substance in many countries.

But hemp is making a comeback. Canada, China, Russia, the US and several European countries are cultivating the crop.

In South Africa, the Agricultural Research Council's Tobacco and Cotton Research Institute in Rustenburg has been doing research into hemp over the past two growing seasons. The institute's breeding programme is experimenting with creating a hemp cultivar that would be adapted to local conditions.

"The problem we have is that the hemp cultivars from Europe don't grow as well in South Africa – they need longer periods of daylight," explains Louise van der Merwe, a plant breeder working with hemp at the institute. "The stems don't attain the heights of over two metres that they often reach in Europe."

To find a strain of hemp that will flourish under local conditions the institute is crossing European hemp with local dagga, which is adapted to the local shorter daylight periods and has a longer growing period than the European hemp cultivars.

Fibre content

"The appropriate hemp plant we want to develop will need to contain a very low delta 9-tetrahydrocannabinol (THC) content, long growth periods and a high percentage/weight of fibre," says Van der Merwe.

This plant will need a fibre yield of 20 to 30% compared with local dagga plants that often have a fibre content of less than 10%.

"Both hemp and marijuana belong to the cannabis plant genus but while they look alike dagga usually develops more side branches and therefore has a bushier appearance than hemp," she says.

But the main difference between the two plants is in their alkaloid content. Dagga has a higher level of THC – the drug that makes you high – while hemp has a higher fibre content and a very low THC level. It is the fibre and seed oil yield that is creating renewed interest in the plant.

"The hemp plant has been used in the clothing and building industries, and car manufacturers are looking into using hemp for making dashboards," Van der Merwe explains.

Hemp can also be used in paper manufacture, while the seed husks can be used as fuel. Hemp was used extensively before World War 2 because its tough fibre was ideal for the manufacture of clothing and ropes. US presidents George Washington and Thomas Jefferson were hemp farmers and the ancient Egyptians used hemp ropes to lug the huge blocks used in the building of the pyramids.

ROPED IN Louise van der Merwe of the Agricultural Research Council's Tobacco and Cotton Research Institute with a hemp hybrid the institute is cultivating to suit local conditions

Photograph: CHRIS ADLAM

Turning point for battle of the weed

Ukiah, California – Christopher Brown sauntered into the Ukiah sheriff's office last month and walked out with a 227g bag of marijuana.

In what is believed to be one of the first cases in the United States of someone legally retrieving a drug stash seized by law enforcement, Brown's victory marked a turning point in California's battle over medical marijuana, his lawyer said.

"It's the first time a person has walked out of a police station with marijuana legally," attorney Hannah Nelson said.

"The fact is that the marijuana was being used legally and he has a right to it."

Local drug agents confiscated Brown's marijuana during a 1997 raid on his house.

He took his case to the California Supreme Court. California has legalised the use of marijuana for treatment of pain and symptoms of diseases such as Aids and cancer.

Brown smokes up to two marijuana cigarettes a day to alleviate chronic pain from injuries suffered in a motorcycle accident. – Reuters

Sactwu blames high job cuts on low tariff

CT (BR) 18/5/99 (184)

FRANK NXUMALO

Johannesburg – The recently concluded Maputo conference of 13 clothing, textile and footwear trade unions from southern Africa representing some 215 000 workers identified premature tariff reductions and weak custom and excise arrangements as the major causes of massive job losses and factory closures in the region

Ebrahim Patel, spokesman and representative of the South African Clothing and Textile Workers Union (Sactwu), said the region's economies were not well placed to benefit from open system as a result of trade liberalisation forced on them by the industrialised nations

He said many developed and Asian countries had "developed strong industries behind high tariff walls and then liberalised"

"We were asked to liberalise before we modernised our industries We therefore call on governments (in the region) not to reduce tariffs where there is massive unemployment and instead use industrial policy to improve the performance of the industry"

This required massive investment in human resources development in the sector and for the unions to approach the World Trade Organisation for a special development deal that recognised tariff reductions were often damaging to local economies, he said

The unions condemned export processing zones of the traditional type and said basic labour rights, including collective bargaining agreements and core International Labour Organisation conventions should apply vigorously to such zones

They committed themselves to a day of mass action on July 19 this year throughout the regions in defence of jobs, a living wage and basic labour rights

New act may improve access to US markets

Clothing pegs its hopes on 1999 recovery

(184)

Shirley Jones
KwaZulu Natal Editor

Durban – The clothing industry might begin to recover this year from one of its most difficult periods in its history, Paul Theron, the executive director of the Clothing Federation, said on Tuesday

He said the industry remained a mixed bag, with some apparel producers locked into financial hardship while others indicated some improvements

Theron said the production volume index declined drastically in the first half of 1998, but turned upwards during the second half

However, this was insufficient for the industry to recover to 1997 levels 'Production sales values declined from R9,9 billion in 1997 to R9,3 billion in 1998

He said in the short term there was no reprieve for job losses Total employment within the clothing industry fell from 149 200 in January 1997 to 132 750 in December 1998

This loss of more than 16 000 jobs was mirrored in the bargaining council areas, where the drop was from 84 400 to 73 500 during the same period By February 1999 employment in the bargaining council areas had fallen to 70 100

"The international financial crisis affected the local economy and the resultant high interest rates severely curtailed consumer demand and pushed finance costs to ridiculous levels," Theron said

The retail sector reflected this Total retail sales had remained virtually stagnant at R24,7 billion in 1998 compared to R24,1 billion in 1997

The declining trend in interest rates should provide some relief for consumers, resulting in a slight recovery in demand this year, he added

The greatest hope for the industry hinged on the Africa Growth and Opportunity Act under debate by the US Senate

Theron said although the industry was keeping its hopes up that the bill, which allowed sub-Saharan Africa preferential access to US markets, would come through late this year, it seemed more likely that any resolution would occur next year

Textile imports and exports tax collection discussed

(184)

CP 20/6/99

By SIMBA MAKUNIKE
BUSINESS EDITOR

THE South African Revenue Services this week met the Textile Federation to discuss the improvement of tax collection and adminstration of textile imports and exports.

The viability of the textile industry in the country is under threat from illegal imports

The Commissioner of the SARS said the meeting was aimed at improving communication between the two organisations in the fight against illegal imports

"The overall goal of these initiatives is intended to improve tax morality within the industry," the Commissioner said He said the Textile Federation has already provided training to officers in his department at the country's two major seaports in a bid to improve tax collection

In order to protect the fledgeling textile industry, the government has imposed high tariffs in the sector raising the ire of neighbouring countries like Zimbabwe who produce textiles at a much cheaper price

Under pressure from the federation and workers' unions, the government also imposed high tariffs to fend off stiff competitions from the East

Clothing sector survey reflects upbeat outlook

Sibonelo Radebe (184)

A CLOTHING industry confidence survey recently conducted by the Clothing Federation of SA produced positive responses on the view of the future from the majority of the industry players polled in the survey

"The overall climate appears to be stabilising with the future outlook showing signs of improved activity in the near future," said the federation's executive director Paul Theron

The trend of employment figures is beginning to stabilise after the industry recorded up to 10 000 job losses last year

Theron said good fundamentals of the local economy, including the direction of interest rates to lower levels and hopes of better gross domestic product growth, explained clothing sector players' optimism

He said the declining trend of interest rates boded well for the industry as it would deliver increased consumer expenditure and sales volumes would rise again The optimism was further buoyed by the improved forward order books, he said

More than half of the survey respondents are in the middle market segment and the rest are located slightly towards the top end of the market Most of them indicated that their stock levels of raw materials and finished goods are on a declining trend

About 30% are exporters, and expressed a positive view on export market next year However, nearly half the respondents will not be investing in new or replacement equipment

BD 24/6/99

Clothing industry settles on a two-year wage agreement

(184)

CAPE TOWN — The clothing industry yesterday, for the first time in several years, reached a wage settlement before the end of June

Cape Clothing Association chairman Gordon Joffe complimented the SA Clothing and Textile Workers Union and employers for their commitment by reaching a settlement before this date

The settlement for July 1 1999 to June 30 2000 involves a total labour cost increase of 7,5% plus an additional day's paid leave for shop stewards

Joffe said the negotiating partners in the clothing industry realised that the costs associated with the "road show" to bargain nationally could not be justified in future and a two-year agreement was made

For this period the labour cost increase will be equal to the annual rate of change in the consumer price index in March 2000, provided that this is not below 6% or above 9% — in which event either party will have the right to re-open negotiations on the provisions of this clause only —Sapa

BD 29/6/99

State slammed for lifting clothing tariffs

CT (BR) 9/7/99 (184)

Ravin Maharaj

Durban – The government was not doing enough to stop Southern African Development Community (SADC) members from being used as conduits to flood the local market with illegal imports, Jabu Ngcobo, the general secretary of the Southern African Clothing and Textile Workers' Union (Sactwu), said yesterday

Union and employers agree that a 'political rush' on SADC tariff cuts is harmful

"By rushing into phasing out tariffs on clothing and textile products without proper policing of borders, our government will be accelerating job losses in local industries," Ngcobo said

He said instead the government should focus on creating a "multilateral trade agreement to which all parties will be loyal" with SADC members

The union was concerned by talk among employers of moving their operations to Malawi, Mozambique and Botswana, where they could compete better

"Why does this talk increase when a tax holiday for new investors comes to an end next year? Is it because these employers do not want to pay tax to the South African government, or are they genuinely being pushed by the inability to compete under the present conditions?" he asked

Ngcobo said employers would not be able to "run away" to countries like Malawi because sister unions in other SADC countries were already mobilising for working conditions similar to those in South Africa

Sactwu also believed employers were "only concerned" about making huge profits

Ngcobo said Sactwu was angry about the continuing job losses in the textile, clothing and footwear industries

Sactwu's membership base, for example, had declined from 200 000 to 126 000 in 10 years

Paul Theron, the executive director of the Clothing Federation, agreed with Ngcobo on the tariff issue

He said rushing into phasing out tariffs on clothing and textile products without proper policing of borders was putting the "cart before the horse"

Theron said it would be more practical to set up a proper monitoring authority prior to the "political" rush to phase out tariffs within the SADC

"We need a dose of reality instead of political ideology," Theron said.

The department of trade and industry was unavailable for comment yesterday

Sactwu workers to vote with their feet

(184)(197)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban - The Southern African Clothing and Textile Workers' Union (Sactwu) would take to the streets on Monday to protest against job losses and demand worker involvement in negotiating trade agreements, S'bu Ndawonde, a union spokesman, said yesterday

Ndawonde said that since the formation of the union 10 years ago its membership had steadily declined as a result of retrenchments and factory closures.

He called on the government to impose a moratorium on the reduction of tariffs on imported goods because local markets were being flooded with cheap imports

"We want the government to revert to the general agreement on tariffs and trade, which required South Africa to phase out its tariffs over 12 years, and not within eight years as this country volunteered to do. This reduced period for tariff reduction is responsible for the rapid jobs loss.

"We have identified some of the contributions our government has made to job losses We want them to correct their mistakes and make it possible for investors to remain competitive in global markets without eroding favourable rights workers enjoy under current labour legislation "

Brian Brink, the chief executive of the Textile Federation, said although manufacturers did not believe protest marches would solve the sectors' problems, they shared a number of concerns with labour.

Statistics for the textile sector show that total employment within the clothing industry fell from 149 200 in January 1997 to 132 750 in December 1998.

CT (BR) 14/7/99

Big unions on march as job cuts protest grows

(251) (197) (184)

ARGUS CORRESPONDENT

Johannesburg – Three big public service unions affiliated to the Congress of SA Trade Unions are set to intensify their protest action today against wages and job losses, which could culminate in a national strike.

Another Cosatu affiliate – the SA Clothing and Textile Workers' Union (Sactwu) – also embarks on a nationwide protest action today against "unabated job losses in the textile industry".

About 500 000 members of the National Education, Health and Allied Workers' Union (Nehawu), SA Democratic Teachers' Union (Sadtu), and the Police and Prisons Civil Rights Union (Popcru) are expected to stage a picket outside the offices of the public service administration in Pretoria.

Nehawu president Vusi Nhlapo said the protest action would continue until there was a better offer from the Government.

The unions are protesting against the Government's 5,5% salary increase offer. The unions are demanding 10%, a compromise on their initial demand of 15%.

"We expect the Government to come up with a date for our next bargaining council meeting. It's incumbent upon the Government to initiate this process. Maybe we can reach a compromise," said Mr Nhlapo.

About 150 000 marchers planned to converge at the offices of the PSA on Friday.

"All members who work around Pretoria will be there. Other areas will go on with their own demonstrations this week," said Mr Nhlapo.

Meanwhile, Sactwu said it would hand over a memorandum to Gauteng Premier Mbhazima Shilowa and would march on the offices of the Department of Trade and Industry.

"Our membership has dropped from 149 200 in January 1997 to 132 750 in December 1998 (because of job losses). This is ridiculous. We can't accept this and fold our arms," the union said in a statement.

Sactwu called on all employees in the clothing, textile and leather industries to join the protest action.

The SA Communist Party has thrown its weight behind the unions. SACP general secretary Blade Nzimande said heavy job losses were set to continue, unless urgent action was taken. "We cannot stand on the sidelines and watch workers being thrown into the streets," he said.

Save our jobs, cry clothing workers

(184) ARG 20/7/99

Protesters call for import crackdown as 10 000 face unemployment this year

THABO MABASO
STAFF REPORTER

Thousands of clothing, textile and leather sector workers took to the streets in major cities throughout the country yesterday as part of a nationwide protest against job losses in the fragile industry.

The Southern African Clothing and Textile Workers Union (Sactwu) estimates 20 000 workers lost their jobs last year and another 10 000 jobs are set to go this year

In Cape Town, hundreds of singing and chanting workers formed a human chain that snaked along Victoria Road in Woodstock and Salt River

In Maitland, Epping, Parow and Bellville, workers held similar protests outside their factories

In Pretoria, workers marched to the offices of the Department of Trade and Industry, while in KwaZulu Natal a protest was held outside the American Embassy

Sactwu believes last year's job losses were due to cheap imports and illegal imports that flooded the market

And Sactwu spokeswoman Rachel Visser told the Cape Argus that the union expected close to 10 000 workers to lose their jobs this year

"We think it is important that something is done about this sorry state of affairs, because more factories are closing and people are still losing their jobs," she said

The union has called on the Government to freeze tariff reductions on clothing and textiles for four years, maintain the quota system relating to imported footwear, stop imports of second-hand clothing and improve customs and excise functions to minimise illegal imports

Mrs Visser said the union would intensify its campaign against job losses in the coming months

"There will definitely be a follow-up to this action, because a human chain won't change the status quo People are still losing jobs," said Mrs Visser

Among the workers in the human chain in Victoria Road was Mitchell's Plain resident Mark Buckenjohn, 37

Mr Buckenjohn has been working for Rex Trueform as a mechanic for the past 17 years and he believes the recent strain of not knowing what will happen to his job has literally caused his hair to "turn grey"

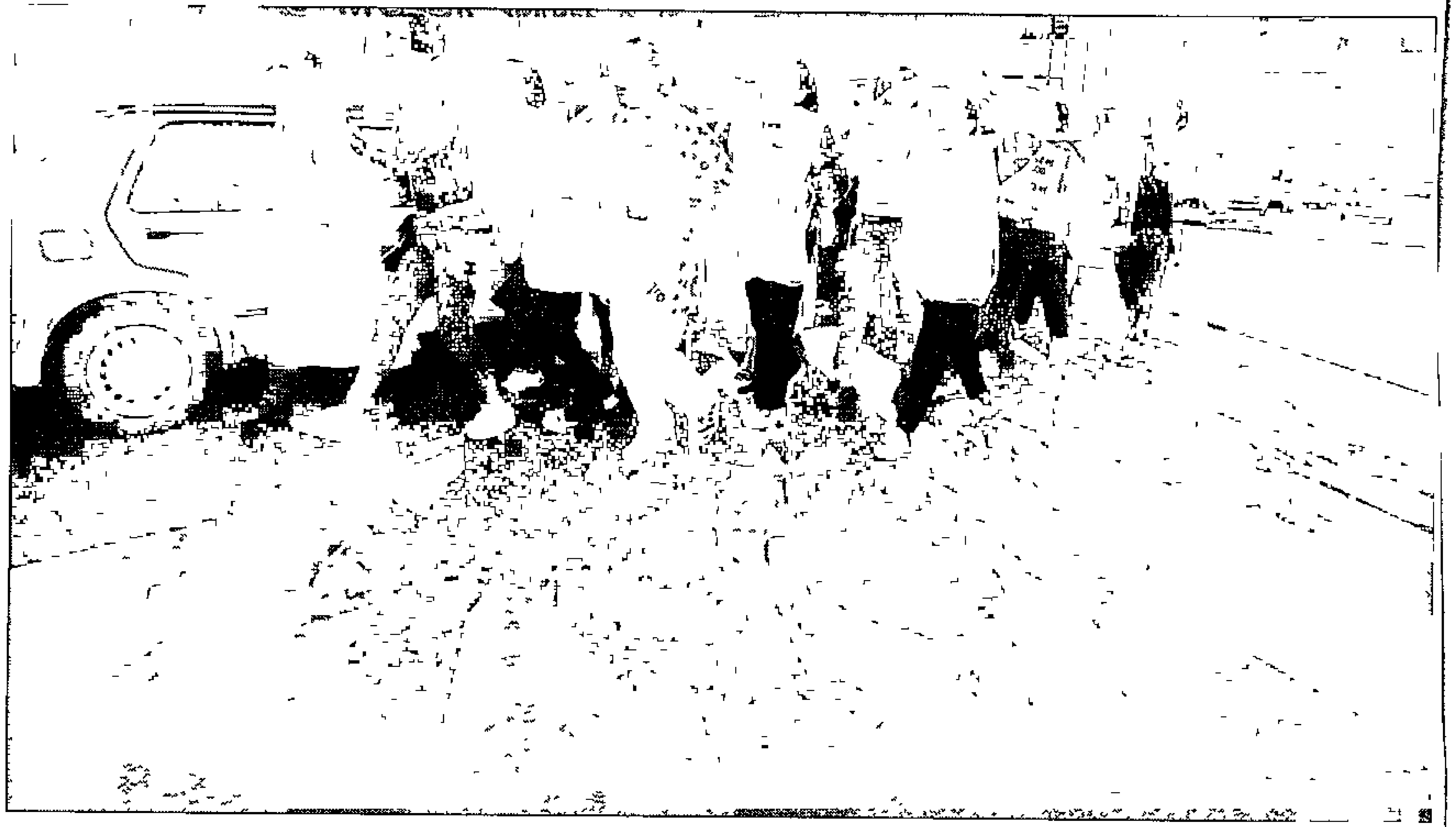
"It does not make you happy The future looks bleak We have families and this is not good for their welfare," he said

A colleague, Aziza Khan, lost her job at Rex Trueform in 1993 after 18 years She was recently re-appointed on a contract by the same firm

Mrs Khan was adamant that something had to be done to save jobs in the industry

"They must keep the tariffs to save our jobs Our industry is not ready for reduced tariffs," she said

Sactwu will meet tonight to assess the success of yesterday's campaign and plan follow-up action



WAYNE CONRADIE

Time to act: workers protest yesterday against job losses in the clothing, leather and textile industry

Clothing workers set to down tools in September

(184) ARG 23/7/99

THABO MABASO
STAFF REPORTER

The Western Cape's biggest employer, the clothing, leather and textile industries, could be plunged in to turmoil in September if workers go ahead with a plan to strike.

The Southern African Clothing and Textile Workers Union (Sactwu) said yesterday it had filed a notice with the National Economic, Development and Labour Council of its intent to strike against retrenchments

Sactwu national education officer André Kriel said: "The intended protest action is against government, clothing and textile employers and industry supply chain retailers."

Earlier this week, Sactwu embarked on nationwide lunchtime protest action against job losses in their industry

In Cape Town, thousands of workers formed a human chain along Victoria Road in Woodstock and Salt River as part of the protest

Mr Kriel said the strike would probably be called in the first week of September.

There are about 60 000 workers in the Western Cape's clothing, textile and leather industries

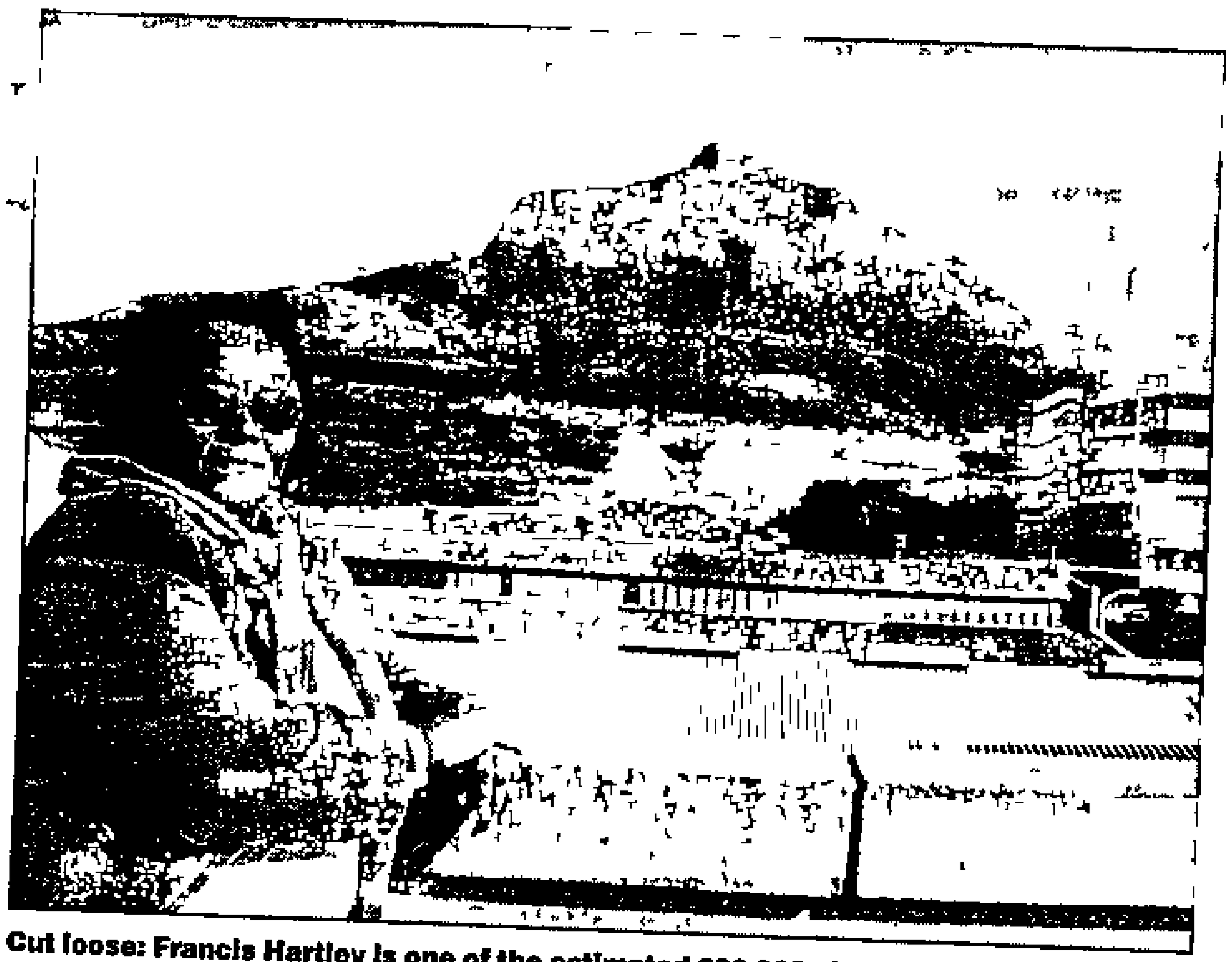
Sactwu blames, among other things, rapidly reducing tariffs and cheap illegal imports for job losses in the industry

The union estimates that 90 000 workers have lost jobs since 1989, and says close to 10 000 workers stand to lose their jobs this year.

Mr Kriel said the Government had to implement a host of measures to stop the retrenchments.

These included maintaining the quota system relating to imported footwear and halting imports of second-hand clothing

"Most importantly, the Government must implement the 'Buy South Africa' campaign that was agreed at last year's Presidential Jobs Summit," he said



Cut loose: Francis Hartley is one of the estimated 200 000 clothing and textile workers across South Africa who lost their jobs last year PHOTO. ANWAR ESSOP

Textile workers suffer after cutbacks in the rag trade (184)

M+G 23-29/7/99 (197)

Marianne Merten

Francis Hartley spent 35 years working in Cape Town's clothing and textile factories She has been unemployed for almost a year since her factory was liquidated because orders were being cancelled

She is one of the estimated 20 000 clothing and textile workers across South African who lost their jobs last year The South African Clothing and Textile Workers' Union (Sactwu) estimates 10 000 workers have been retrenched so far this year.

Lunchtime protests this week drew attention to the job losses The union blames the losses on companies moving to neighbouring countries where labour is cheaper and often not as organised, and on illegal products and cheap imports

Hartley turned 60 last December She is known as Auntie Fran to friends, factory workers and at Sactwu, where she was a shop steward

She had been working at Peerless, one of Cape Town's oldest factories, for 29 years when it closed last August.

"I felt sorry for the young ones," she says "Each week a group used to go We used to have prayer meetings The liquidator came to speak to us Even the bosses cried."

Two brothers who had worked at the factory for more than 20 years, she remembers, looked worried that day for the first time Their father had just retired from the same factory.

Hartley blames the cheap imports and the lack of modern technology at many of the factories The government has done little to save jobs, she adds

"Workers are willing. Many are really good machinists But they are illiterate It's heart breaking There is no training going on They should have started this long ago."

Since she started working as an examiner and later as a quality controller in the Sixties, little has changed in Cape Town's clothing and textile industry Hartley says she still gets phone calls from workers complaining they are not being paid for overtime

In an industry where women are the majority of the workforce, many are employed on a casual basis Those without permanent jobs are the first to go

A friend and former colleague of Hartley s who was also retrenched is now at home with her daughter — who also lost her job in one of the clothing factories — her daughter's baby and her son's child

"A lot of the workers are still unemployed Their unemployment money has now run out," says Hartley, shaking her head "Some of them are having a really hard time. The little money that comes in goes to the children A lot of them are women, single parents"

Hartley herself is getting a monthly pension of around R500 "I'm used to working for my money. You have to stand in the queue You feel like a beggar." In June she received a R600 one-off pay-out from the liquidated company Apparently more money could be paid to former workers as the building has been sold off

"I had enough Two factories [have] closed down on me."

But Hartley says she is lucky. She managed to raise four sons while working in the clothing sector All of them have good jobs

The eldest of seven siblings who grew up in a convent in Parow, she says she had to start working when her second child was on the way.

Over recent years Hartley has attended several workshops in her capacity as union shop steward One on Aids/HIV captured her heart and she now wants to volunteer at an Aids/HIV awareness organisations. She is also on the proportional representation list as an African National Congress candidate for elections to the Tygerberg Council

(2799)

Employers, unions unite on SA tariffs

(184) (197)

Reneé Grawitzky (74)

CLOTHING and textile employers and labour have joined forces to put pressure on government to review bilateral agreements with southern African countries and to look at tariff restructuring ahead of the World Trade Organisation talks in November.

The joint initiative was agreed to at a meeting this week between the SA Clothing and Textile Workers Union, the Clothing Federation of SA and the Textile Federation of SA.

It comes against a background of rising job losses and a growing crisis in the clothing and textile industries, as customs is ineffective in stemming illegal imports.

Employers and labour say they are frustrated by the way the industry's plight is disregarded by government. Since 1996 more than 20 000 jobs have been lost in the clothing industry alone.

The parties agreed to submit a joint memorandum to Trade and Industry Minister Alec Erwin and Finance Minister Trevor Manuel, asking them to hold an urgent meeting to discuss government's trade policy and retrenchments in the two industries.

Both the union and employer bodies believe that before a Southern African Development Community (SADC) free trade agreement is concluded, safeguards should be put in place such as adequate customs control, common external tariffs and the withdrawal of preferential trade agreements.

BD 23/7/99

Clothing workers to protest

THE National Economic Development and Labour Council (Nedlac) yesterday considered notice from the SA Clothing and Textile Workers' Union that it would embark on protest action against job losses resulting from government policy and sourcing decisions of retailers

The union said a range of trade and other government policies coupled with the sourcing decisions by retailers had led to job losses, retrenchments and factory closures

The parties agreed yesterday that a further meeting would be held so government could respond to the union's proposals — Reneé Grawitzky

(184) (197)

BD 29/7/97

Clothing sector in a financial wringer

(184) CT (BR) 2/8/99

SHIRLEY JONES
KWAZULU NATAL EDITOR

IN A HARD PLACE *Sadek Vahed, the chairman of AMM* PHOTO BARRY TUCK

Durban – Clothing manufacturers faced a harsh choice of compromising on prices and forfeiting margins or losing orders completely, Sadek Vahed, the chairman of the AM Moolla (AMM) group, warned shareholders at the annual general meeting on Friday

AMM's turnover was 12 percent down for the first five months of the financial year, he said The first half traditionally accounted for about 40 percent of annual turnover "It is therefore too soon to predict sales performance for the year as a whole, but indications are that interim turnover will be below that of the previous year"

Vahed said AMM had resorted to taking on large-volume tender orders, effectively "machine fodder", which kept the factories turning over and met overheads, but did not contribute to the bottomline"

He said illegal imports appeared to be increasing and AMM was seeing them for the first time in its core sector, which was large-volume products from legitimate suppliers of local or imported products

"The severity of the recession has impacted on many of the chains, who are our major customers Competition among them has become intense and it is probably not exaggerating to say that some of them see it as a battle for survival"

Vahed said this had resulted in a drive to prop up margins without losing turnover, a trend that was being passed up the supply chain

He said AMM was struggling to strike a reasonable balance between the need to retain its productive resources to meet any upturn and to achieve a reasonable return on investment

Help for ailing industry

(184) (197) (187)

By Mzwakhe Hlangani
Labour Reporter

ORGANISED labour, business and Government delegations are completely engrossed in discussions aimed at alleviating the bleak future of the textile, clothing and footwear industry, which is beset by job losses and the closure of factories

The National Economic Development and Labour Council (Nedlac) is engaged in a series of conciliatory meetings between social partners after the Congress of South African Trade Unions threatened to embark on a nationwide strike in protest against the current massive job losses, acting executive director Ms Wendy Dobson said at the weekend

The protest action is directed at the Government, business and the Reserve Bank and the reasons cited include several elements which Cosatu believe relate to the increasing job losses

These elements include employers' ability to retrench workers through Section 189 of the Labour Relations Act, insolvency laws, restructuring of government-owned enterprises and reduction of import tariffs

More than 20 000 jobs were lost in the textile and shoe industry last year as factories continued to close down

In the middle of all this, illegal clothing, shoes and textiles flood the South African markets, forcing the SA Clothing and Textile Workers Union (Sactwu) to submit a notice of possible nationwide protest action to Nedlac if this does not stop

Dobson said a third meeting was held last Friday to consider all the options to redeem the lost confidence in the shoe and textile industry

The union cited retrenchments and factory closures in these sectors and their supply chain caused by a range of trade policies, and sourcing decisions by retailers, in motivating their intended protest action

Employer federations, labour and Government representatives agreed over a range of issues, but were deadlocked on labour's proposal to freeze the tariff phase-down scheduled for September 1 1999 and retention of the existing footwear quota and trade union involvement in the adjustment of quotas for Zimbabwe

It was further agreed that the Department of Trade and Industry and labour would hold a bilateral meeting to discuss further the areas of deadlock and report back to the Nedlac committee soon

Retailers at the meeting also agreed to source their stock from South Africa, spokeswoman Jennifer Wilson said

Sowetan 16/8/99

Act to benefit SA textile industry

(197) (184)

Sowetan 31/8/99

THE Eastern Cape's once critical textile and garment industry is set to surge if legislation now before the United States senate is passed

Centre for Investment and Marketing in the Eastern Cape (Cimec) operations director Don Maclean says that America's pending African Growth and Opportunity Act will benefit manufacturers based in sub-Sahara Africa

He says the Eastern Cape's ports at East London and Port Elizabeth are on the main east-west shipping routes and this makes the province a "logical home" for new investments

He says there is additional legislation in the pipeline to free up exports from South Africa to both the European Union and the United States

Maclean says the Eastern Cape's large pool of skilled garment workers is an added attraction for new investments into the area Also of benefit to locally-based manufacturers was South Africa's "quota-free status" for exports to the United States

Maclean says if the province's now "extremely attractive package" was correctly promoted it will prompt a number of major new investments in the province

Cimec has just been on a textile and garment road show to Asia to promote the Eastern Cape to potential investors From the Singapore leg of the road show, a R15 million investment has already been secured for Dimbaza outside East London

The joint venture between Dimbaza-based Leekim and May Garments will create an additional 200 jobs

It will also preserve 400 jobs, which had been threatened by the possible closure of Leekim's factory

Maclean says the King William's Town Transitional Local Council has worked closely with Cimec and played a major supportive role in the deal

He said the new venture would be the first of many in the province New equipment for the plant, which will make designer golf shirts for export, has arrived through the East London port and is being installed

The plant will produce internationally-recognised brand names Leekim's existing 400 skilled workers and the new recruits will be retrained to ensure everything made is "designer grade"

Leekim has been manufacturing women's and men's casual sport shirts in Dimbaza for five years

Maclean says the new factory has been "fast-tracked" by Cimec to take advantage of the Government's tax holiday incentives which are to be phased out at the end of September – *ECN*

Sactwu opts for mass action to push government on tariff reductions

(184) (197) CT(MR) 1|9|99

MARGIE INGGS

Durban - The Southern African Clothing and Textile Workers' Union (Sactwu) planned marches in Cape Town, Durban and Pretoria on September 8 to force the government to temporarily freeze tariff reductions to curb job losses in the industry Amon Ntuli president of the union, said yesterday.

The annual tariff reduction takes place today.

Ntuli said 22 000 workers had lost their jobs in the industry last year and, in Durban alone this year, 73 factories had closed, necessitating urgent action

The union expects about 80 000 of its 135 000 members to join the marches, which will cul minate in the handover to parliament of a memorandum of key union proposals for rebuilding the industry, including import tariffs customs controls the SADC free-trade agreement and specific government support.

Ntuli said the World Trade Organisation had given South Africa 12 years to phase out tariffs to make the country globally competitive, but the government had unilaterally reduced this to eight years.

Conditions in the industry were being aggravated by trade agreements with SADC (Southern African Development Community) and the European Union, which were "taking food from our mouths", he said

"Tariff reductions have caused major problems in the industry, which has not had enough adjustment time to upgrade its machinery and train its workforce. As a result, thousands of jobs have been shed and major investors have pulled out, exacerbating matters by creating the impression of a dying industry."

A campaign against job losses was launched on July 19 with memorandums to the government, employers and other social partners. "Industry employers accepted the challenge to save jobs, as well as some of the measures Sactwu proposed to attempt this," said Ntuli.

He conceded that other factors had contributed to job losses in the industry, but felt that tariff reductions were the main culprit.

"We've done everything in our power to persuade the government to freeze tariff reductions without success. Mass action is now our only option"

Ntuli said after the mass protests Sactwu would enlist the help of church leaders and target major retailers to buy South African in an effort to achieve their objective The support of Cosatu had also been enlisted

Sactwu plans protest action 'fashion show'

(184) (197)

Reneé Grawitzky

THE 127 00-strong SA Clothing and Textile Workers Union (Sactwu) has served notice on the National Economic, Development and Labour Council (Nedlac) of its intention to embark on protest action next Wednesday to protest against job losses

Sactwu said yesterday that the country would see a "fashion show" with a difference when thousands of workers, would protest against the thousands of job losses in their sector.

At the same time, a Nedlac standing committee met again yesterday to consider a notice of possible protest action served by the Congress of SA Trade Unions (Cosatu) also in connection with job losses

The protest action is directed at government, the Reserve Bank and business

Cosatu has indicated that a number of government policies coupled with the actions of business are contributing to job losses.

The notice served by Cosatu is in line with Section 77 of the Labour Relations Act which entitles workers to engage in protest action to promote and protect their social and economic interests.

Sources close to the process said that various government officials were concerned that Cosatu and Sactwu were abusing the intention of the act in providing workers the opportunity to engage in such protest action.

Such concerns extended to the belief that a number of issues that were raised by Sactwu and Cosatu were being discussed in Nedlac.

Nedlac decided yesterday to hold a special session of its management committee to discuss Cosatu's notice.

Sactwu's decision to embark on countrywide protest action next Wednesday follows the failure of the parties to reach an agreement in Nedlac after numerous meetings held to consider their demands

Sactwu deputy general secretary Ebrahim Patel said that during these meetings the union had called for an immediate freeze on any further reductions in tariffs during a transitional period when a new plan to tackle job losses could be put in place

BD 1|9|99

Textile workers to march over jobs 197

STAFF REPORTER

The South African Clothing and Textile Workers Union plans to march in city centres throughout the country next week to draw attention to unemployment in the textile industry. ARG 2/9/99

This was announced yesterday (184) after a 500-strong delegation of union shop stewards marched to the offices of Customs and Excise.

The marchers handed over a memorandum calling for improvements in tariff charges and general functions to cut down on imports

The shop stewards represented workers from 123 factories in the Peninsula, Boland and Atlantis

Union deputy general secretary Ebrahim Patel said, "Our industry lost 22 000 jobs in 1998 alone, affecting 100 000 people, and some of this has been caused by illegal imports"

Illegal traders are stealing the shirts off our backs, say makers of 'cool' clothing

(184) ARG 4/9/99

TWEET GAINSBOROUGH-WARING

Kids who hang out on Cape Town beaches in their cool designer surf gear may be wearing cheap imitations that will fall apart at the first hint of water

Image, they say, is everything and unscrupulous dealers are exploiting that by selling fake junk masquerading as big-name surfing leisurewear

Clothing counterfeiters have been cashing in on the worldwide craze for popular sportswear such as Nike and Adidas for a long time Now they are making a fast buck out of the growing surfing mania.

Dealers in the real thing are losing millions of rands and the surfing set are being conned into buying clothes that fall apart the first time they are washed.

Arthur Lomaris, who supplies the Quiksilver range of surf and casual wear in South Africa said fake T shirts carrying the brand name were the biggest problem at fleamarkets and exhibitions

"The biggest problem is that the police are toothless "

Mr Lomaris said that if caught with counterfeit gear, traders were usually not charged under the copyright law

"This means they simply pay admission of guilt fines and continue trading "

If convicted under the copyright law, illegal traders could be "locked up"

Mr Lomaris told Saturday Argus the illegal sale of counterfeit items was costing his company R2 million a year in lost sales And the genuine product was losing credibility because of the poor quality of the fake items, which were being sold at a third of the price

Most of the fakes came from Thailand, he said.

Fake goods were smuggled in by travellers who went overseas with no luggage and returned with suitcases filled with garments, which they slipped through customs

He said some illegal traders also applied for permits to exhibit goods at trade exhibitions, but instead set up stalls to sell the clothes and other gear, making a fortune.

Mr Lomaris said his company had employed private investigators to help combat the problem.

"We need support from the big names such as Nike and Adidas if we are to stop this illegal dealing," he said.

Cape Town businessman Carl Ebel of Surf Centre said he was fed up with people bringing poor-quality imitations of recognised brand names to him and complaining about them.

Mr Ebel said it was easy to spot the fake items as the fabric was lighter, the logos often out of register and the colours poor

'We can turn the situation around'

CT 7/9/99

IN the last year, almost 22 000 workers in the textile industry lost their jobs. Although it is still the biggest single employer in the province, the South African Clothing and Textile Workers' Union (SACTWU), says that the government's decision to reduce import tariffs and inability to stop illegal goods flooding in will cripple the industry. Consumer Writer **GUSTAV THIEL** analyses the state of the industry and how it might be saved

THE president of SACTWU, Amon Ntuli says more than 100 000 members of the union will protest tomorrow against the government's decision to proceed with its plans to decrease import tariffs on textiles, which could spell the end of local textile manufacturing

Economists warned that the industry is a vital cog in the country's efforts to establish a manufacturing industry and, as such, is hugely important to the entire economy

In the Western Cape alone, workers in the industry earn annual wages of more than R2 billion

More than one million people are dependent on the industry which emphasises further why SACTWU believes that it is worth every effort to save

SACTWU's deputy secretary-general, Ebrahim Patel, denied that the protest action will have a significantly negative effect on the economy of the country, instead insisting that the almost 200 000 workers in the industry countrywide contributed towards the future of the country

"The protest is designed to bring the point home to the government that South Africa needs a manufacturing industry and that the textile industry already possesses the people with the skills to ensure that it survives in a globally competitive environment"

> *'The textile industry already possesses the people with the skills to ensure it survives'*

As part of the protest action, SACTWU will hand over to Parliament a memorandum of its key proposals, which are designed to save the industry

The memorandum includes proposals to rebuild the industry including tackling the thorny issue of import tariffs, custom controls, the Southern African Development Community (SADC) free trade agreement and specific government support.

Patel says while the World Trade Organisation had given South Africa 12 years to phase out import tariffs, the previous minister of Trade and Industry decided to reduce this period to seven years

Ntuli says in addition a... ments ... SADC signatories and the European Uni...

especially in the East, where labour costs are next to nothing. Local manufacturers all agree that it was becoming increasingly difficult to produce a product that is equal in quality, but cheaper than imported ones

While textile exports dropped by 5,2% last year, fabric imports increased by almost 13%

Patel agrees with the advice of marketers that the ultimate salvation of the industry will come through product differentiation

This can be achieved through improved quality of South African products in an ultimate attempt to fix the country's fashions as a leading brand name on international markets

Patel says we need to educate the workers and to use better quality machines

In an effort to aid the industry the Italian Trade Commission, in conjunction with the Italian Association of Textile Machinery Manufacturers is holding Italian Textile Machinery Workshops in several cities, including Cape Town this month

Patel says he is confident that the textile industry in South Africa will survive "if we can boost productivity and educate our workers, and also ensure that the government realises what contribution the industry can make to the entire economy

"That is why we organised this protest action, to bring home the point that the industry is important enough to save

As part of the memorandum that will be handed over to Parliament tomorrow, the workers in the industry will commit themselves to participate actively and constructively in the restructuring of enterprises, provided job security is agreed

They also pledge "To find ways of improving total factor productivity at enterprises to ensure efficient production and promote life-long training both at the workplace and through the industry training institutions"

The memorandum of which the *Cape Times* has an exclusive copy, states that as a country we have no alternative but to save a vital industry. Don't let the clothing, textile and leather industry die

"We can turn the situation around and grow a sector which could provide jobs, wages for workers quality goods for consumers tax to government a return for investors and foreign ...

OUR JOBS ARE IMPORTANT Fatima Benjamin says the textile industry must be saved for the sake of the thousands of workers in the industry

PICTURES: PETER BAUERMEISTER

'When factories close women are the worst hit'

MORE than a year ago, the Peerless textile manufacturing factory in Lansdowne closed down due to pressures created by international competition

Today, more than half the people who worked at the factory are still unemployed because their skills cannot be utilised elsewhere

Frances Hartley, the shop steward of SACTWU at the factory, has been spending her time trying to track what happened to the workers of Peerless

employed and I knocked on one door where a shebeen was in operation

"The worker told me that there is no other way to survive

"She is a single mother with three children"

Hartley says her efforts are part of SACTWU's "Save Jobs" campaign.

The campaign is an ... on the part of the union not only to find ... for workers but to assist in boosting th...

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Patel says while the World Trade Organisation had given South Africa 12 years to phase out import tariffs, the previous minister of Trade and Industry decided to reduce this period to seven years.

Ntuli says in addition, agreements with SADC signatories and the European Union were "taking food from our mouths"

He adds that "tariff reductions have caused major problems in the industry, which has not had enough adjustment time to upgrade its machinery and train its workforce"

"As a result, thousands of jobs have been shed and major investors have pulled out, exacerbating matters by creating the impression of a dying industry"

Patel says the issue is simply that textiles can be manufactured more cheaply overseas and Workshops in several cities, including Cape Town, this month

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"We can turn the situation around, and grow a sector which could provide jobs, wages for workers, quality goods for consumers, tax to government, a return for investors and foreign exchange for our country"

Patel says one way to ensure the industry's viability on the international scene is to establish recognisable brand names.

One new designer making a splash in the fashion industry is Shakur Olla who recently established his own line of upmarket fashions.

Says Olla, who has been in the business for decades "The way to go is quality

"We need brands to sell on the international markets."

OUR JOBS ARE IMPORTANT Fatima Benjamin says the textile industry must be saved for the sake of the thousands of workers in the industry

PICTURES. PETER BAUERMEISTER

THE RIGHT TO PROTEST SACTWU deputy secretary-general Ebrahim Patel tells workers at the Jacques Hau factory about tomorrow's strike

'When factories close women are the worst hit'

MORE than a year ago the Peerless textile manufacturing factory in Lansdowne closed down due to pressures created by international competition

Today, more than half the people who worked at the factory are still unemployed because their skills cannot be utilised elsewhere

Frances Hartley the shop steward of SACTWU at the factory, has been spending her time trying to track what happened to the workers of Peerless

She found that 134 of the 272 workers who lost their jobs have been unable to find any kind of employment

Only 12 workers have found jobs outside the industry and others are floating between temporary contracts at other textile factories

Says Hartley "We were recently doing door to door visits to get information on those former workers of Peerless, who had no telephones

"Most of the workers we found were not yet employed and I knocked on one door where a shebeen was in operation

"The worker told me that there is no other way to survive

"She is a single mother with three children

Hartley says her efforts are part of SACTWU's "Save Jobs" campaign

The campaign is an effort on the part of the union not only to find jobs for workers but to assist in boosting their morale

"There were two sisters who worked as a machinist and administrator respectively at Peerless

"When I telephoned their home, the one sister pleaded with me to find a job for her sister who is working for her mother who is a pensioner

"They have no other income and I promised to be on the lookout for something

"This survey has made me realise the true impact of the employment situation and once again, women are the worst hit and living in terrible conditions"

Designer opinions

THE answer to the survival of South Africa's textile industry lies in finding ways to tap into the international fashion market.

One of the country's foremost designers, Shakur Olla, says he is convinced that the industry is creative enough to survive in the international fashion arena

"What we need to do is create a link between large manufacturers like Rex Trueform and Monatic and an exclusive label to develop a brand that can be marketed successfully"

Olla started his brand in 1993 and today already sells his clothes in 120 outlets in South Africa, making it one of the fastest-growing brands in the country

Fashion experts, like *Elle* magazine fashion editor Dion Chang, agree that the quality of the clothes are of international standard.

Olla says locally his brand is increasingly preferred to international brands like Versace and Armani because it is cheaper and is often of superior quality

"I have been in the textile industry in this country for 20 years and I am sure that it can survive if we can develop the right kind of brand identification

"This will have to be coupled with efforts to educate the workers and ensure that we have the skills necessary to compete

"Countries in the Far East have based their entire economies on labour intensive industries like textiles and I think South Africa should do the same

"But we have to make sure that we follow the right strategies to suit the specific needs of South Africa"

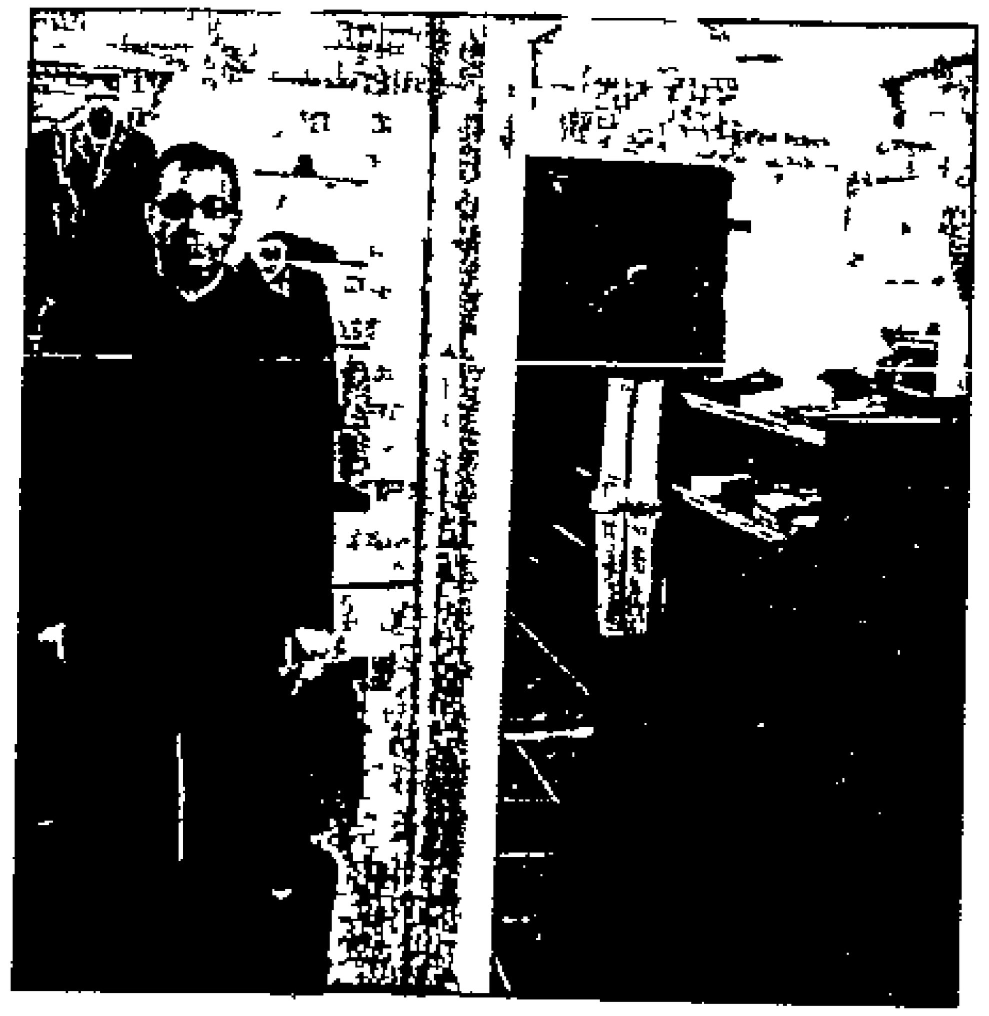
Olla says local brands have mistakenly copied international markets which made them impossible to sell overseas

"If we can establish a link with large manufacturers I am sure we can sell my brand overseas.

"We have to get government involved in the process because the unions understand where the industry needs to go

"When South Africa went into deregulation the government did not exercise enough customs control, which allowed illegal products to enter the country," Olla says.

He adds that the industry should remain optimistic about its future if the right levels of co-operation between designers, manufacturers and law makers can be established.



'STAY OPTIMISTIC' Designer Shakur Olla

Textile industry 'vital'

THE workers and management of the Jacques Hau factory in Lansdowne say the textile industry is a vital aspect of the cultural and economic landscape of the Western Cape

Nearly 500 people work in the factory, which supplies clothing mainly to Woolworths through a semi permanent contractual arrangement.

The manager of the factory Detlef Adelheim, says that the workers are "a happy bunch" because they have a regular buyer for their goods and therefore do not face closure in the immediate future

"Our workers are also happy because we treat them properly and give them more and more responsibility for their work

"It is true that the industry is under enormous strain, but it is up to the government to realise how important the industry is to the economy of the country

"I am just as dependent on the industry for my survival as any of my workers

"It is important that we survive"

All the workers who spoke to the *Cape Times* said they are going to take part in tomorrow's planned protest march Charlotte Samuels, the SACTWU shop steward at the factory, says "This industry is rooted in the blood of the people of Cape Town and therefore the industry must be saved

"It is an industry that can offer work to thousands of people in the future, but it can also stimulate the economy of this country"

Estelle van Niekerk has been working at the factory for nine years and says generations of families in the Western Cape have relied on the industry for their survival

"We have to take part in the protest march to show everybody that we are serious about keeping the industry going

"All these workers like working in the factory and the people are all happy That is very important

Christine Gordon is a 30 year veteran of the textile industry, who says the government must realise how important the industry is to the people of the Western Cape

"This factory is a good one, but there are problems in the future

"Lots of people can lose their work in the future

'Let's hope it does not happen'

Factory Closures in the Western Cape since 1998

(Company and number of workers affected)

Omega Knitting — 31	Riverside	Buccaneer Shoes — 637
Tournesol Textiles — 12	t/a Summerfields — 85	Ronda — 200
Storm Sportswear	Basin Street — 11	Grading Connection — 17
t/a Storm Clothing — 10	Zanetti — 18	Jest CMT — 15
Emerald Clothing — 20	Rubnot — 13	Milbeach — 19
[illegible] — 15	Rich Blu Rags — 29	Mountain High — 30
Joel Paul — 194	Needletech — 163	NS Company — 21
Stamsa — 13	Brave Sportswear — 6	On Time Clothing — 99
John Daly Underwear — 170	Black Sheep Knitwear — 12	Manhattan — 346
Peerless Shirts — 450	W Fulton — 29	Well Hung Clothing — 47
Seventh Avenue — 40	Pendragon Clothing — 38	Ronda Clothing — 54
Quality Workwear — 50	Adventure Screenprint — 22	Corum — 46
Union Badge — 29	Modatex — 90	Stresa Hats — 73
The Wright Stuff — 69	Bruce CMT — 35	

HELPING HANDS Workers at the Jacques Hau factory putting their hand-prints on a banner which symbolises the job losses within the industry

'JOBS CAN BE SAVED'

Bid to rescue SA clothing industry

CT 7/9/99

(197) (184)

THE SOUTH AFRICAN textile industry faces disastrous job losses and factory closures if it fails to co-ordinate its efforts for survival with government policy **GUSTAV THIEL** reports

A BID to rescue the clothing and textile industry will gather momentum tomorrow with a nationwide protest march expected to involve at least 100 000 workers. The government will be urged to freeze at 17% all import tariffs on textiles.

Key players have warned since 1997 that the government's policy on the importing of textiles and the inability of customs authorities to control the influx of illegal goods may spell the end of the industry.

The industry is the country's most labour-intensive and employs about 200 000 workers nationwide — even with dramatic job losses in the past five years.

The South African Clothing and Textile Workers' Union says that more than 20 000 jobs have been lost in the past year.

The union's Ebrahim Patel says continued job losses could bring the industry to its knees, increasing fears that South African textile manufacturers may be unable to survive the pressures of the global economy.

Faried Manuel, a senior economist at Wesgro, says the textile industry is of vital importance to the entire Western Cape economy. Workers within the industry earn more than R2 billion annually in wages in the province, and almost 250 000 people are dependent on this money for their survival. The industry contributes about two percent to South Africa's gross domestic product.

Patel says it is expected that more than 20 000 workers will march to Parliament tomorrow to deliver a memorandum to the government to impress on it the urgency of the situation.

Temba Rubushe, spokesperson for Trade and Industry Minister Alec Erwin said the department would respond to the memorandum after its delivery tomorrow.

TOP DESIGNER Shakur Olla says SA must compete with Versace and Armani

The union announced its intention to march last week when 500 shop stewards went to the offices of Customs and Excise on Cape Town's Foreshore.

A memorandum calling for improvements in tariff charges on imports was handed over to customs officials.

The union has also compiled a code on customs and excise fraud that will be handed to all companies involved in importing textile products or buying imported goods.

The proposed code states: "This company commits itself to use every endeavour to ensure that neither we, nor any of our employees or agents acting on our behalf, engage in activities to import clothing, textile or leather/footwear goods into the Republic of South Africa or the rest of the Southern African Customs Union for conversion or resale without paying the full duty applicable, subject to any legal rebates and duty credit schemes available to it."

The memorandum, of which the *Cape Times* has a copy, states that "over the past number of years, the industry has faced a growing crisis. Large numbers of workers are being retrenched, factories are closing and imported clothing, shoes and textiles are flooding into South Africa, both legally and illegally."

According to a directive from the World Trade Organisation (WTO), trade tariffs are cut every year in September.

Patel says although the WTO stipulated that the reduction in tariffs should take place over 12 years, the previous minister of Trade and Industry, Trevor Manuel, reduced this to seven years.

South Africa is thus already substantially below the level necessitated by the WTO, which has prompted the union to ask the government to freeze tariffs at 17% as soon as possible.

The memorandum also states: "Poorly co-ordinated bilateral agreements have further eroded the market. Huge leakages in the customs and excise function are causing floods of goods to enter the country illegally. The industry needs resources, appropriate policies and sufficient time to transform itself to build new sources of strength and dynamism to meet the challenges of operating in a global economy."

Patel says the industry needs an improvement of skills. "We also need to refocus the design and fashion benchmarks of the industry."

Top designer Shakur Olla says the only way to ensure the industry's survival is to fix brands on the international fashion markets that can compete with top labels such as Versace and Armani.

"The government simply does not

❑ Turn to Page 3

Clothing crisis

❑ From Page 1

understand just how much it contributed to the breaking down of one of the most labour-intensive industries in the country," commented Olla, who has been involved in the domestic textile industry for more than 20 years.

CT 7/9/99

"Most of the Far Eastern countries based their entire economies on labour-intensive economies and on relatively cheap, but skilled, labour."

An important aspect of the handing over of the memorandum at Parliament tomorrow will be to ask all retailers to source at least 90% of their goods by value from South African factories.

They will also be asked to put "proper and credible monitoring processes" in place to ensure this.

Retailers should also publicly undertake to assist manufacturers to improve their performance in order to create further jobs within the domestic industry, according to the union's memorandum.

The union will also ask all employers in the industry to support workers' rights to job security and minimum standards at small factories and small businesses.

Employers will also be asked to agree to make a commitment to stamp out fraud in their dealings with customs and excise authorities and to accelerate the training of workers.

● See Page 9

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CAPE TIMES
WEDNESDAY, SEPTEMBER 8, 1999 ★

NATIONWIDE PROTEST TODAY

Union, clothing chiefs disagree on industry

(184) (197)

SOUTH AFRICAN textile and clothing leaders disagree about the future of the industry, which is in crisis after a spate of factory closures in the past five years and 20 000 job losses in the past year **GUSTAV THIEL** reports.

CT 8/9/99

THE South African Clothing and Textiles Workers' Union (Sactwu) will present a list of 58 proposals to the government today in a bid to co-ordinate efforts to save the struggling industry

These demands have been formulated in a memorandum that will be handed to Parliament as part of a nationwide protest march in which an expected 100 000 workers will take part

Sactwu says it is vital that the government freezes tariff reductions on clothing and textiles for the next five years, which would include a freeze at 17% of tariffs on fibre imports

Gordon Joffe, chairman of the Cape Clothing Association, says the government is unlikely to alter its stance that tariff reductions should take place over a period of seven years The World Trade Organisation specifies that this should happen over 12 years

Joffe adds that while he agrees with the majority of Sactwu's proposals, there are some he thinks will harm the industry

"I think it is not an appropriate time to comment on the issue, but I think it is wrong to say that the industry is still in a crisis

"We have survived and while the industry faced serious problems in the past, the market is expanding

"The state of the industry is less about struggling and more about remodelling and, in my view, there is going to be a successful textile and clothing industry in this country"

Aaron Searle, one of the most influential figures in the industry over the past 20 years, says he supports Sactwu's proposals "wholeheartedly" He says "it is very important to push the government to rectify their inconsistency in policies"

"When the government talks about creating jobs, they seem to ignore the fact that the clothing industry is one of the most labour intensive in South Africa and as such should be seen as one of the most important industries in South Africa

"I don't agree that the industry is facing problems because of a lack of work ethic and productivity

"That will follow a natural course when the country stops exporting jobs and work within the guidelines set by the World Trade Organisation"

Searle adds that South African clothing and textiles are "world class", which leads him to believe that the industry will survive "The government must stop its madness and rethink all their policies"

Len Odomsky, a retired spokesperson for the industry and ex financial director of a textile factory in Port Elizabeth, says "the biggest problem within the industry is the fact that the workers have no work ethic"

"The rate of absenteeism in the industry is very high and I think this will eventually spell the end of it (the industry), which is a pity because there is still a lot of potential in the industry"

Ebrahim Patel, deputy secretary-general of Sactwu, says the issue of productivity is a complex one, but the truth is that, according to Reserve Bank statistics, productivity in the entire economy increased by more than five percent last year

Sactwu conducted a research survey on an example of a shirt that costs R100 and found that the unionised labour cost of that shirt was only R4,13

"Even if you increase productivity by five percent, it would still not reduce the cost significantly," Patel says

He adds that, although productivity is a complex issue and also relates to managerial performance and capital management, it can be improved by training workers better, improving technical skills, improving the social infrastructure of workers, embracing cutting edge technology and becoming more quality conscious

Stitch up new policies – Sactwu

ARG 8/9/99 (184)(197)

YUNUS KEMP
STAFF REPORTER

In one of the biggest marches in Cape Town since the dawn of the new South Africa, thousands of Western Cape clothing and textile workers marched on Parliament, calling for an overhaul of policies governing the industry.

Ebrahim Patel of the South African Clothing and Textile Worker's Union said the march was a direct reaction to the 22 000 workers who lost their jobs last year

"The lost jobs mean that thousands of women have become economically marginalised

"About a half of all the employers in the manufacturing industry work in the fashion sector, many of whom are sole breadwinners," said Mr Patel.

The union also called for a new policy framework in light of the staggering amount of job losses, asking for a renewed partnership between the industry and the Government.

The union also called for a slower pace of tariff reductions It says the country's tariff rates are where the international community expect them to be in the year 2004 By being five years ahead of its obligations, tens of thousands of jobs were being sacrificed.

The union emphasised that it would call for the setting up of centres of fashion excellence in Cape Town and Durban, to promote local fashion in the domestic and export markets

These centres would help to promote fashion designers, fashion studies, local labels and brand name promotion, the holding of fashion shows and the promotion of local fashion abroad The union also slammed customs and excise services, calling it incompetent.

It proposed that the Government introduced a compulsory inspection of at least 20% of fashion goods entering the country, a new method of valuation at all ports of entry

It also asked for the prosecution of retailers and middlemen caught with goods which had entered the country illegally

As an immediate step, the union said it favoured the introduction of a "label of origin" requirement.

This would mean that all clothes, shoes and finished textiles carried a label stating where the item was produced.

Other important changes the union proposed included.

- The setting up of the sectoral restructuring fund, financed by a 1% levy on retail sales
- New ways in which the Council for Scientific and Industrial Research and other state institutions could co operate to help the industry
- The introduction of a social plan to address, among others, the training of workers
- Changes to the Labour Relations Act and the Insolvency Act to stem the flood of job losses
- A review of monetary and interest rate policies which had negative consequences on the retail sector of the economy

The union said the industry was capable of creating tens of thousands of jobs, provided the right policies were followed.

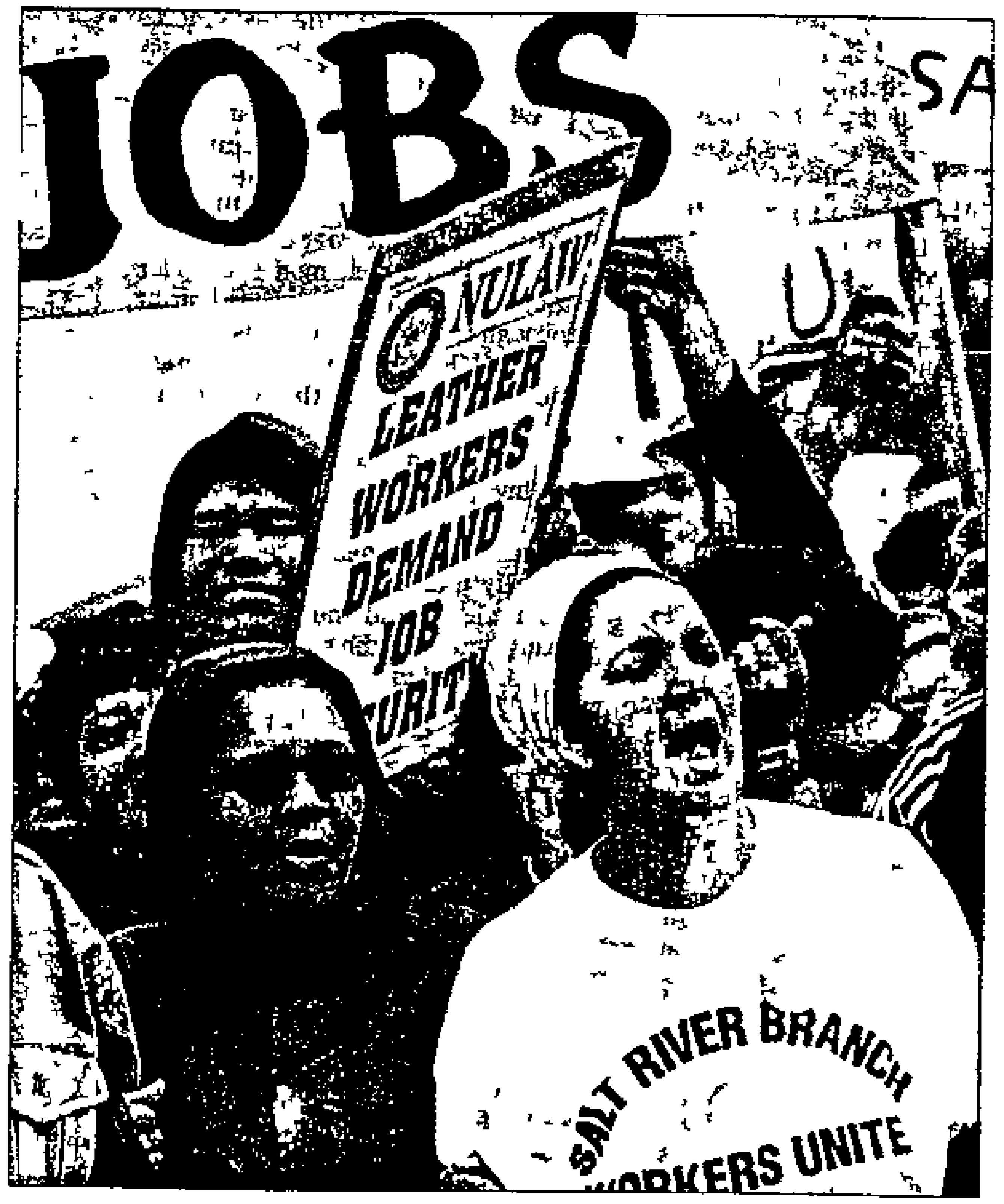
Mr Patel said they were also encouraged by the support shown by managers in the industry, many of whom had signed the union's petition

30 000 clothing workers march to save jobs

(184) (197)

Government urged to curb imports and stop smuggling

ARG 9/9/99



NO CUTS *Protesters, fearing for their jobs after 22 000 were lost in the textile sector last year, march on parliament in Cape Town yesterday*

Workers march against imports

CT (MR) 9/9/99 (184) (197)

FROM REUTERS

Cape Town – Tens of thousands of textile workers marched to the gates of parliament yesterday to demand an end to tariff cuts and cheap imports they said were strangling their industry

The marchers estimated at 30 000 walked through Cape Town chanting and carrying banners with slogans such as Cape Underwear says buy South African and Imports kill our jobs

Ebrahim Patel a union leader told them cheap imports and poor customs control had combined to cost 22 000 textile workers their jobs last year alone This was a devastating blow to the economies of the Western Cape Eastern Cape and KwaZulu Natal

Patel said South Africa had sacrificed tens of thousands of local jobs by cutting import tariffs faster than stipulated under the General Agreement on Tariffs and Trade We call therefore for the immediate freezing of tariffs until our rates are in line with the World Trade Organisation rates

Inspection rates on imported clothing were as low as 2 percent and fraudulent declarations of value were widespread He urged retailers to sign a code of conduct to eliminate such fraud and urged the government and industry to launch a Buy South Africa campaign

BEAUREGARD TROMP
STAFF REPORTER

More than 30 000 clothing workers marched on Parliament to bring home the message "Buy local labels and wear them with pride"

In one of the strongest post apartheid shows of dissatisfaction with Government policy and job losses Cape Town has seen, they called for an overhaul of policies governing the textile and clothing industry

With traffic brought to a standstill throughout the city centre yesterday, the wave of chanting and placard waving demonstrators marched from the Bo-Kaap to Parliament, in spite of a steady downpour

The march was organised by the South African Clothing and Textile Workers Union, an affiliate of Cosatu, which represents most workers in the industry

In a memorandum handed to Trade and Industry Minister Alec Erwin, the union called for a "Buy South Africa" campaign, a freezing of import tariffs and the opening of Schools of Fashion Excellence in Cape Town and Durban to promote South Africa's fashion industry

The clothing and textile industry is the largest employer in the Western Cape, but in the past year more than 22 000 jobs have been lost, a situation largely blamed on the import of designer brands and smuggling.

The Dean of St George's Cathedral, Rowan Smith, told the crowd from the back of a flatbed truck. "We all like to wear designer labels, but we must learn to wear our own labels with pride

"Local is lekker!" he shouted to raucous cheers from the crowd gathered in Corporation Street.

Under rain-soaked pieces of cardboard and colourful "doekies", the workers bowed their heads and raised their fists from amid a sea of bodies to sing Nkosi Sikelel' iAfrika.

Meanwhile about 40 policemen stood guard at the steel gates to Parliament with casspirs and police vans, and a police helicopter hovered over head Among the throng were three textile workers who had come straight off a night shift in Epping to take part in the march.

"We came here to show our support for all those who don't have a job," said a tired looking Lucas Matthew

Colleagues Elijah Peter said "I think that this thing is worth it, because now the government must hear the voice of the people."

Mr Matthew said "We voted this Government of the people into power and now they must work for us so everybody can at least have a job otherwise the people will just go and steal or rob because they're hungry"

Cosatu secretary general Zwelinzima Vavi lead the crowd in struggle songs and condemned smuggling.

"Every time you buy boots or clothing in the street that is illegally imported into the country, you must know you are retrenching a few workers and bringing suffering to their families," said Mr Vavi.

He warned there could not be stability in the country when so many people were jobless.

"If the current rate of job losses continues, there will surely be a second revolution in this country," he warned.

Sactwu claimed in its memorandum that "for every worker who loses their job, five dependents are sentenced to suffering", implying that the 20 000 job losses in 1998 actually affected 100 000 people

Mr Erwin had to interrupt a meeting with deputy president Jacob Zuma to accept the memorandum from Sactwu deputy secretary-general Ebrahim Patel.

Mass action: a sea of clothing and textile workers march on Parliament to voice their anger at recent job losses

LEFI MULLER

CT 9/9/99

30 000 workers cry for help

(197) (184)

GUSTAV THIEL

MORE than 30 000 clothing and textile workers marched on Parliament yesterday in the first of a series of concerted efforts to convince government to alter its stance on the industry

The march was the biggest in the history of the industry in the Western Cape and, according to the South African Clothing and Textile Workers' Union (Sactwu), indicated the extent of solidarity among its members in efforts to rescue the foundering industry which lost 22 000 jobs last year

Sactwu presented a memorandum of 58 proposals to Trade and Industry Minister Alec Erwin, calling, inter alia, for a freeze on all tariff reductions on imports at current levels for the next five years

Erwin told the marchers that he supported their right to protest and would do everything in his power to ensure that no further jobs were lost in the industry

Erwin's spokesperson, Temba Rubushe, said the minister "is unable to provide the *Cape Times* with a detailed response on the protest action"

He said Erwin was working with his directorate to furnish the media with a response, "but we have already committed this response to other newspapers"

Rubushe said yesterday· "You can get the response from the other newspapers or wait until tomorrow (today) for it "

Western Cape Premier Gerald Morkel expressed his "solidarity" with the protesting workers

"While we agree that we would rather do without tariff protection, one needs to take the unemployment situation into consideration

"We also agree on the need for the restructuring of the textile industry, but the Western Cape textile workers are now being forced by national government policy to do so within seven years whereas the terms of our agreement with the international community allow us 12 years "

He urged Erwin to stick with the requirements of the General Agreement on Tariffs and Trade in terms of the 12 year period.

Sactwu deputy secretary-general Ebrahim Patel said the protest was organised as a first step in a union job-saving campaign

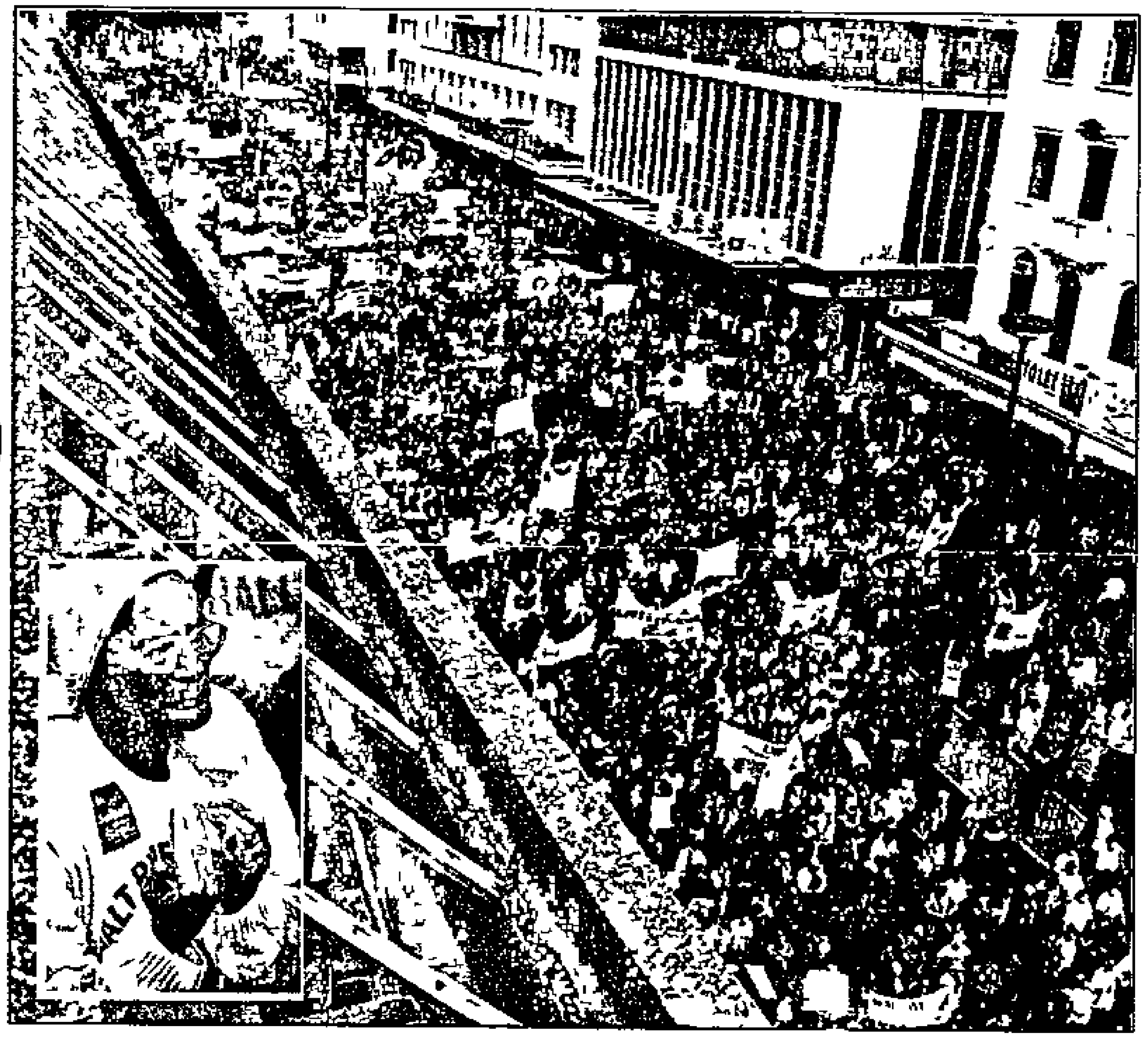
Patel said the social and economic consequences of job losses were staggering He called for a new policy framework incorporating a partnership between the industry and the government.

"The age we live in has brought the pressures of global competition from abstract possibility to hard reality

"Yet within that global market in spite of the theory of free trade espoused by all, governments intervene to assist local industries and ensure employment for citizens "

Patel called on the government to lend assistance to the industry

"China, for example, effectively closes its market to imports of products they make," Patel said



SHOW OF SOLIDARITY Some 30 000 clothing and textile workers marched on Parliament yesterday
Inset: One of the workers affected by problems in the industry *PICTURES. DAVID LEITE, PETER BAUERMEISTER*

SA must protect fashion industry

(184) (197)

At a union protest march to Parliament this week, **Ebrahim Patel** called for policies to maintain jobs

WE HAVE lived through a half-decade of job losses and factory closures described by many veterans in the fashion world as the most serious they have experienced in living memory — 22 000 job losses last year alone

The social and economic consequences we face are staggering They call for a new policy framework that goes to the heart of our problem They call for a new partnership between industry and government

The first step is to start with the simple economics of our industry The age we live in has brought the pressures of global competition from abstract possibility to hard reality Yet within that global market, in spite of the theory of free trade espoused by all governments intervene to assist local industries and to ensure employment for citizens

Brazil today still has import licences that are used to provide effective protection to domestic producers Mexico set up a system of reference prices with what they called a pre-import notification requirement designed to blatantly offer protection for local industry

Nigeria has a deposit requirement for importers Kenya imposes some strange technical standards on imports

Europe is replete with hidden protection, from special ports for imported items to technical and environmental standards The US imposes quotas on imports, from mutton to steel and textiles, and uses political pressure to force Japan to buy American goods and to locate production capacity in the US.

Asian countries give subsidies based on value-addition and China effectively closes its market to imports of products that it makes itself

This is not an attempt by nation-states to turn their back on the global trading system It is their way of managing their participation in an increasingly integrated world in a manner that helps domestic employment

Governments have recognised the need to develop and give appropriate support to local industry As Prof Dani Rodrik of Harvard University argued two years ago, Taiwan and South Korea grew precisely because the state played a critical role in "fostering industrial transformation and diversification"

Clothing and textile workers on the march this week. Picture: TYRONE ARTHUR

He says that "in both countries, domestic markets were opened up to international trade only gradually and over a period of three decades"

There are lessons to be learnt naivety in the face of globalisation will extract a very heavy price in jobs and loss of productive capacity Successful economies have not been naive

In 1993 the industry asked the National Productivity Institute to do a study of the cost composition of various items of clothing This study has become the benchmark and the different proportions have not altered fundamentally

For a men's formal shirt made of a linen/cotton mix, sold at Edgars for R100, the bulk of the price is made up by costs in the retail sector In this case, we found that the textile price was only R24,04 and the clothing industry price (excluding the fabric) was R14,96 The cost added in retail, including the costs of discounts, was R61 So almost two-thirds of the costs of the normal price paid by the consumer was added in retail

Of the combined clothing and textile costs of R39, only R4,13 was made up of the wages of unionised workers (direct labour costs)

This shows that the structural problems of the industry cannot be put at the door of workers. But washing our hands in innocence is not helpful when the ship is sinking

So we need to help save this industry, which supplies all of us with work. What are the policies we call for? They are forward-looking, for we have confidence in the capacity of this industry to grow and to be world class

The fashion industry has some inherent strengths and the challenge for public policy is to nurture and enhance these strengths.

Of particular importance is our call for the setting up of centres of fashion excellence in Cape Town and Durban to promote local fashion in the domestic and export markets These centres will help to promote fashion designers, studies in fashion, local label and brand name promotion, the holding of fashion shows, and the promotion of SA fashion abroad

This must go together with a programme of research into fibre development, product development and process technology through the Council for Scientific and Industrial Research to place SA in the forefront of global industry in new technology products The SA Clothing and Textile Workers' Union (Sactwu) will take these proposals to government and to retailers We pledge to set up a fashion fund to promote the industry — and to raise from within our ranks in industry a substantial sum of money to help kickstart the fund

We will look to government to put sufficient resources into the fund Its purpose will be to ensure we build on the strengths of the fashion industry

We are submitting 10 sets of proposals to government embracing 43 specific areas Some of these are:

□ Tariffs Our tariffs now are where our international obligations require them to be in the year 2004. By being five years ahead of our obligations we have sacrificed tens of thousands of jobs We call therefore for the immediate freezing of tariffs at their current levels until our rates are in line with those of the World Trade Organisation,

□ Customs and excise If it was not so damaging, the sheer incompetence of customs and excise in dealing with clothing, shoes and fabric flooding into the country would be a source of mirth We have a number of proposals to fix the problems

These range from government introducing a compulsory inspection of at least 20% of fashion goods entering the country (compared with the current 2%) to a new valuation methodology at all ports of entry and a preparedness to prosecute retailers and middlemen caught with goods which have entered the country illegally

The names of the guilty parties should be publicly disclosed and they should face stiff tax penalties

We are prepared to train 30 shop stewards nationally to act as a resource and pool of expertise to customs and excise, and

□ We propose retailers sign a code against customs fraud

Our other proposals cover the setting up of the sectoral restructuring fund, financed by a 1% levy on retail sales, new ways in which state institutions can co-operate to assist industry; the introduction of a social plan to address the human dimension of change, including the training of workers, changes to the Labour Relations Act and the Insolvency Act to stem the flood of job losses, and a review of monetary and interest rates policy — which currently has very negative consequences for the real economy

Our industry is capable of creating tens of thousands of additional jobs provided the right policies are followed It is the fashion centre of Africa and can move towards greater fashion and quality value, can export huge quantities of manufactured items and become a major engine of employment and growth for the SA economy

□ *Patel is assistant general secretary of the SA Clothing and Textile Workers' Union. These are excerpts of his speech*

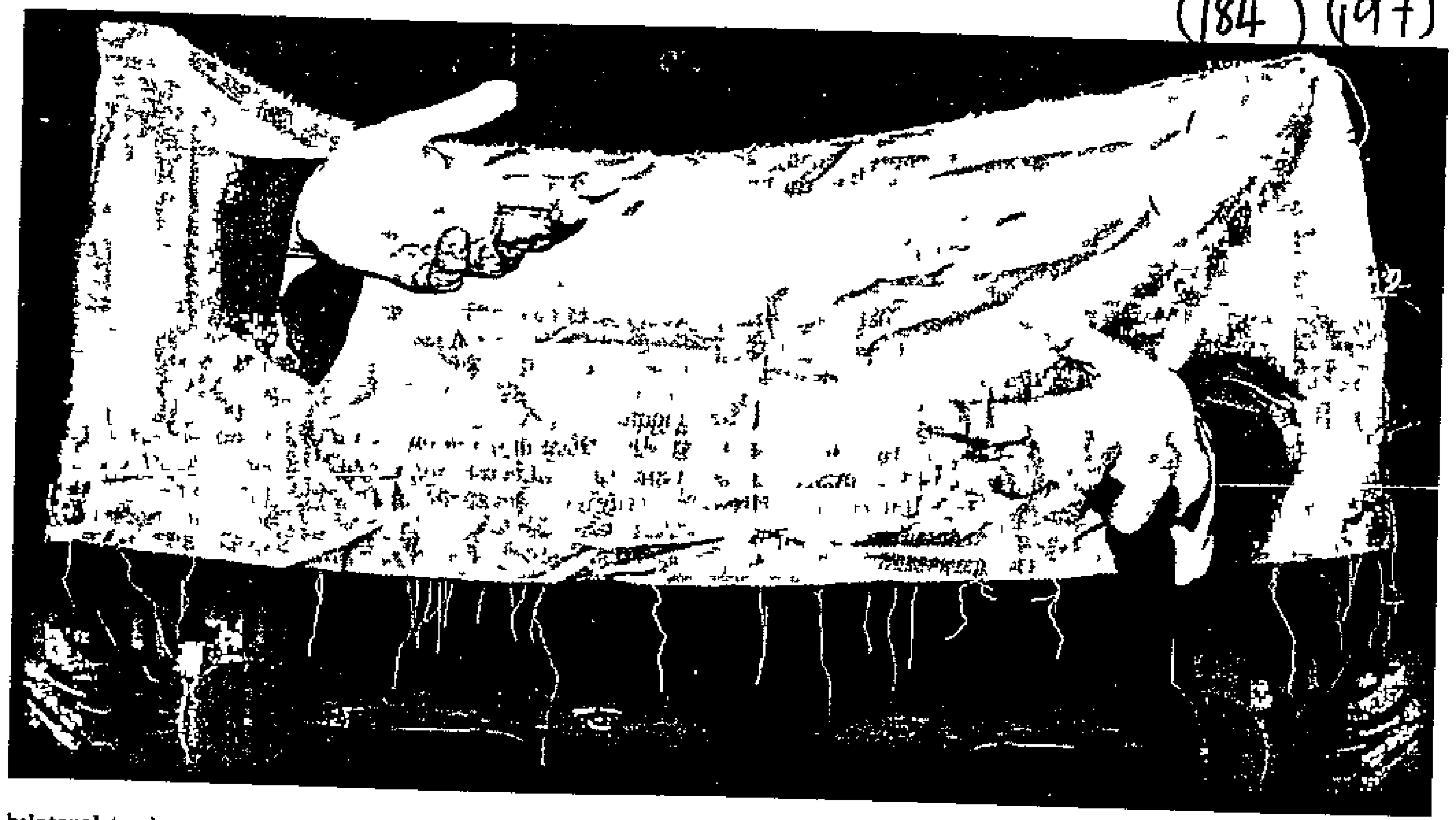
BD 10/9/99

CT (BR) 14/9/99

Fragmented fabric sector inhibits export competition

(184) (197)

ZAV RUSTOMJEE



The clothing and textile sectors enjoy the most complex and elaborate dispensation in South Africa's manufacturing tapestry. There are 1 800 clothing and textile tariff lines (out of a total of 7 000). There are minimum specific duties on 1 600 products designed to counter the fraudulent under invoicing of imports.

Apart from enjoying so called 470 03 blanket tariff rebates on imports of inputs which are used for manufacturing exports the clothing and textile sectors have a special duty credit certificate programme which provides additional support for exporters.

This complexity is matched by the level of protection enjoyed by the sectors. In 1994, average tariffs were 100 percent of clothing and 45 percent on textiles. In 1999 these were 66 percent and 30 percent respectively. Considerable government resources have had to be diverted to enforcing this complex system of protection as there is a huge incentive for corrupt business people to smuggle.

The textile industry has successfully restructured and is modern and competitive. The age of machinery is down from 18 years in 1994 to seven. Production is higher in real terms than in 1994 and the export to output ratio has grown from 19 percent to 25 percent.

As was expected in 1994 employment has fallen from 67 800 in 1994 to 50 600. The textile sector can now nourish employment on a competitive and sustainable basis particularly through exports.

After the beginning of next year the Southern African Development Community (SADC) Free Trade Agreement Rules of Origin will supersede existing bilateral trade agreements in the region. This will increase opportunities for regional exports of fabric to be reimported as garments.

There is potential to also reduce pipeline costs and raise competitiveness by developing low cost high quality SADC fibre sources to enhance the export effort to non SADC countries. We are witnessing investments in this direction already.

The clothing industry is also more competitive than in 1994. This has come about through a less capital intensive process. The strategy is to get firms to move up the value chain and to move out of lower quality garments, which are dependent on low wages and low skills.

It is also for firms to commit themselves as serious and permanent exporters to traditional and non traditional export markets and in particular to focus on higher value added niches and (in consortia) to take on large export orders.

There has been a shift up the value chain and some relocation of lower value added activity to SADC. But overall with one or two exceptions there has been insufficient commitment to the export market over the past five years.

Clothing manufacturers are taking an inordinate time to set up an export council. Meanwhile opportunities of quota free access to the US and the European Union (EU) through South Africa's non membership of the Multi fibre Arrangement are being missed by domestic clothing firms.

Behind this is a more serious trend mirroring well worn processes in other economies. Instead of the bulk of production being carried out in large factories employing thousands of workers garment production in South Africa is now carried out through increasingly fragmented but integrated networks of formal and informal production. Many of these smaller entities pay no tax or VAT.

In 1995 the department of trade and industry estimated the size of the informal garment manufacturing sector was 30 percent of the formal sector a figure confirmed by industry sources. The department argued that formal sector job losses could be outweighed by informal sector job growth.

Sadly the government has been criticised by those who link tariff policy and a seven year phasedown with formal sector job losses. The greatest loss in this process has been in the quality of the jobs that have sprung up in the informal clothing sector and in declining membership of trade unions and formal business associations.

The real issue is not about tariffs and jobs but whether South Africa's production system can successfully adjust to compete with the increasingly transnational production systems that have emerged to dominate global production of garments in the last decade.

Will the increasing fragmentation of the sector be more capable of sustaining a competitive export base? Will more dynamic firms emerge which are able to capture significant niches in export markets?

Will employers and retailers be able to manage this lower cost fragmented production pipeline to ensure consistent quality and tight delivery times and simultaneously raise commitments to training?

At the same time there is a diminishing impact of the suite of government support measures, since these are not available to the increasing number of firms that are unregistered or operating informally, nor are support programmes available to unregistered individuals working from home.

The government's labour legislation is designed to support basic rights and obligations, no matter what changes take place in the labour market.

The tapestry of our garment sector makes a mockery of the arguments put forward by those supporting increased labour market "flexibility". For trade unions, retaining organisation in this sector and charting a progressive course under such conditions is increasingly difficult.

The South African Clothing and Textile Workers Union has presented a long list of demands, most of which are being fleshed out, either in Nedlac or in the structured bilateral relationship with the department.

For government, the challenges include simplifying the regulatory complexities outlined above tightening up and improving customs and excise control and managing the rules of origin that underpin the SADC and EU free trade agreements.

As we lead up to sectoral summits, designed to review commitments made in last year's jobs summit, the government employers and unions need to share a clear, common and sophisticated understanding of what is actually happening in the real economy and construct an agenda that takes us beyond the traditional positions of posture.

Zav Rustomjee is the director general of the department of trade and industry

Union wants govt to revisit tariffs policy

Simphiwe Xako

THE SA Clothing and Textile Workers' Union (Sactwu) resolved at the weekend to put pressure on government to bring its tariff reduction in line with World Trade Organisation (WTO) standards

Sactwu national education secretary, Andre Kriel, said the union was concerned that government was reducing tariffs at a rate faster than any country in the world

"We are not against the reduction itself — we don't hold a perfectionist attitude — we are just saying government must keep to the requirements of the WTO," Kriel said

The Sactwu congress, which coincided with the union's 10th anniversary, also resolved to increase the "buy SA campaign" and the "save jobs campaign" It also resolved to step up the fight against alleged customs fraud

"We have reached an understanding with major SA clothing and textile companies to report any fraudulent sources who try to sell them illegal goods Most of the companies have signed a record of understanding with the union, but we are gravely concerned by those still refusing to sign," Kriel said

The congress also vowed to strengthen the Congress of SA Trade Unions by organising in the entire Southern African Development Community (SADC) region

"Union organisers will be mandated to work in the broader SADC region and educate workers about their rights This will stop exploitation of the region by developed and industrialised countries "

Sactwu will also start talks with major international clothing firms like Reebok and Nike to try to broaden its knowledge about global market developments

The congress re-elected Amon Ntuli president while Ibrahim Patel was appointed new general-secretary Patric Shabalala is the new deputy general-secretary

John Zikhali is the new first vice-president with Faith Modise appointed as second vice president Carmen Jephta is treasurer

BD 20|9|99 (184)(197)

NEWS

'Practice makes economic sense'

CT (AR) 15/10/99

Speedy tariff cuts justified, says Erwin

(184)(197)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town – It made economic sense to fast track the implementation of tariff cuts in textiles and clothing, and most of the sectors' job losses appeared to have been absorbed by the informal sector, Alec Erwin, the minister of trade and industry, said yesterday

In a written reply to a question tabled in parliament Erwin admitted that his department had nearly halved the phase-down of tariffs under World Trade Organisation (WTO) agreements, from 12 years to seven years

Although the tariff cuts were being implemented more quickly than agreed, the industry had been made aware of the decision This was also 'common practice' in many countries as the WTO commitment was the upper limit allowed

'It is therefore obvious that countries go below this in their actual tariffs to give themselves flexibility,' Erwin said 'To remain at the WTO level is economically unwise '

Erwin said that although South Africa faced an obligation under WTO rules to reduce its tariffs its policy decisions were centrally geared towards responding to domestic needs and efforts towards restructuring and enhancing global competitiveness of its industries and the economy"

The phase-down, which started in September 1995, would end in September 2002 Cuts would be introduced in a phased manner and were currently still relatively high Clothing, for example, enjoyed a 60 percent protection rate compared with the 40 per cent set for 2002

Further protection had been provided by minimum specific tariffs against low priced imports as well as the depreciation of the rand, which made imports less attractive

Because of the aim to move towards higher value-added, middle to upmarket merchandise for exports "any ongoing protection of a relatively high level on low priced and low value added products is not economically viable or justified, both in terms of local consumer needs and the local industry's access to world competitively priced inputs," Erwin said

It was recognised that restructuring because of tariff cuts would have implications for employment, but the total impact of this had been difficult to quantify on the basis of present data As a result, discussions were being held with Statistics South Africa to determine the growth of informal employment, or the casualisation of labour, in the sector

Formal employment in the sector in the Western Cape had fallen from a high of 54 267 in 1990 to 38 415 in September this year

At the same time there had been a large increase in the number of small firms in both the formal and the informal sectors, which was linked to the global trend towards outsourcing by large companies and the trend toward specialisation by some firms.

Employment levels had also been affected by the emergence of powerful retail chain stores

"The size of the informal sector in clothing is understood to be growing rapidly and some sources are now estimating it to be as large as 1 5000 firms employing up to 40 000 workers in the Western Cape alone," Erwin said

The textile industry had suffered job losses mainly because of the need for investment in capital intensive equipment to meet world standards.

New code will curb clothing smuggling

Sactwu hails port raids by customs

CT (?) 21/10 (184) 99

STEWART BAILEY

Johannesburg – Andre Kriel, the education secretary for the South African Clothing and Textile Workers Union (Sactwu), said yesterday that the union welcomed Tuesday's raid on Mozambique International, which uncovered a clothing smuggling operation reported to be worth millions of rands in tax and customs duty evasion

"We call on customs officials to pursue such corruption at our ports of entry in an even more aggressive manner," said Kriel

He rejected suggestions that clothing retailers were unaware of the origin of "the fraudulent stocks", given that the low prices paid for the stock were "sufficient evidence that it had been brought into the country illegally"

To counter the proliferation of black market imports, which Kriel said were causing strong job losses in South Africa's clothing and textile industry, Sactwu had issued a code of conduct on customs and excise fraud to "key retailers"

The signatories to the code were bound to "introduce proper due diligence procedures" in their procurement policy to avoid sourcing goods imported illegally

Woolworths, the Edgars Group, Foschini, Pep and Shoprite-Checkers had already signed the document

Mr Price and Pick 'n Pay had not signed the agreement

Michael Coles, the chief buyer at Pick 'n Pay, said the company's failure to sign the document had been "an oversight" He said although Pick 'n Pay imported footwear, the bulk of the its textile stocks were sourced locally

"It is likely that the code of conduct fell through the cracks in our organisation but we would not involve ourselves in illegal dealings of any kind, we would most certainly sign the document"

Attempts to reach Mr Price for comment were unsuccessful

Marcelle Joubert, the chairman of Hilton Weiner clothing, said some of its competitors were selling current merchandise with a full mark-up "at prices so low that it is impossible for them to be manufactured locally"

Such undercutting, he said, was "forcing local retailers to source increasing amounts of stock offshore in order to survive"

Kriel said that last year alone the clothing and textile industries had shed 22 000 jobs, due mainly to corruption at the country's ports and duty evasion on imported products

This year the sector had lost about 12 000 jobs and the "trend would probably increase" next year, when the Southern African Development Community's free trade agreement came into effect

The smuggling operation involved a syndicate that falsified documents of origin on goods manufactured in Asia

Goods were then imported into South Africa through neighbouring countries to benefit from substantially lower tariffs

150 get the axe for Christmas

Shocked clothing workers left jobless in sudden factory shutdown

(184) CT 24/11/99

HELEN BAMFORD
STAFF REPORTER

With just over a month to Christmas and the celebration of the approaching new millennium, a group of 150 clothing and textile workers suddenly face a future without jobs.

Wave Clothing, a 10-year-old company based in Lansdowne, has been put into liquidation and the workers, most of them women and mostly sole breadwinners, are devastated

Workers, many close to tears, kissed each other goodbye and wished each other well when they met at the union offices yesterday to sort out their pensions

More than 22 000 industry jobs have been lost in the past year, prompting the SA Clothing and Textile Workers' Union to organise a huge march on Parliament

Sactwu shop steward Geyaat Jabwar said Wave workers were still in shock, because there had been no indication anything was amiss

WAYNE CONRADIE

Out: clothing workers Judy Hendricks, Geyaat Jabwar and Josephine van der Niel

"We were all just summoned by the owners and told the company was being liquidated – no explanation, no remorse, nothing"

The workers, earning on average R398 a week as machinists, had been looking forward to their annual bonuses to buy little extras

Now they are wondering how they are going to put food on the table

Ms Jabwar said workers had also been shocked by the presence of police and armed security officials when they had been given the news

When Judy Hendricks, 34, heard the news, she fainted

"I couldn't believe it, I went into shock I've got three children to feed and my husband is out of work How do you tell your children there is no food?"

She said she would have to rely on family and neighbours for help until she managed to get another job

"But you can't expect people to help you every day, especially when you don't know if you'll get another job"

Another woman, who has been with the company owners for 11 years, said "I never thought it would end like this I've always been happy working there but these last few days have been a nightmare"

She said she didn't even want to think about how she would spend the New Year

She had an abusive husband and was being forced to raise six children on her own, so it was only her job that kept her going

"Its a devastating feeling to wake up and know there is nothing out there for you," she said