

MANUFACTURING - TEXTILES

1993

Zimbabwe faces textile import duties

8/10/93 5/11/93 (197)
HARARE — SA's government has not extended the exemption period for import duties on Zimbabwean textile products which lapsed on December 31 1992

The reimposition of the punitive import duties would further worsen the viability of Zimbabwe's clothing and textile industry, Ziana news agency reported yesterday

SA waived import duties of more than 50% on Zimbabwean textile exports in October 1992

However, despite efforts by industry executives and the national trade promotion organisation, Zimtrade, to

extend the exemption period, the import duty was reimposed, Zimbabwe Clothing Council chairman Adrian Neely said yesterday

He said the duties, about four times higher, had resulted in orders from Zimbabwe drying up, prompting a number of factories to shut down some operations and retrench more of their staff.

He said about 7 000 workers had already been retrenched in the clothing and textile industry, with about 6 000 others set to lose their jobs by mid-1993

"The imposition of very high duties

seems to come at a very bad time when the economy is experiencing one of the worst recessions and there is fear that the repercussions will be great," Neely said. Depressed domestic demand was also worsening the industry's cash flow problems

In addition, the present worldwide recession meant the industry was relying more on the SA market, which was no longer viable because of the high import duties

Neely said the industry was holding discussions with the Zimbabwean industry and commerce ministry on the matter — Sapa

be inevitable collapse or has it merely delayed it?

The drastic measures taken included an agreement with Consolidated Frame Textiles (Confram) in terms of which Confram would convert its R30m preference shares in Unispin into ordinary shares, so increasing its stake to 40%. A debt restructuring agreement was reached with the company's bankers, whereby R120m owed by Unispin would be converted into preference shares of subsidiary Union Spinning Mills. Numbers employed have been reduced by 550.

Unispin's debt came largely from a capital spending spree which was, at the time, intended to move the group from the limited long-staple yarn market into the bigger short-staple market. With hindsight, chairman Robert Wachsberger admits it was excessive and the timing disastrous.

Turnover in the year to end-September declined 4%, but the most striking feature of the income statement was the erosion of operating profit (before abnormal items) of R18,5m in financial 1991 to a R27,1m loss in 1992. The figures are worse if the R8,2m categorised as an abnormal item is included.

↓ continue

Attributable losses rose to an unacceptable 112,1c a share, partly influenced by a R20m increase in issue capital. There is an extraordinary item of R10,9m, relating to the write-off of the offshore trade investment and the employee share incentive scheme.

WHERE TO NOW?

Year to September 30	1991	1992
Turnover (Rm)	132	127
Operating income (Rm)	18,5†	(35,2)†
Attributable (Rm)	(4,9)	(61,4)
Earnings (c)	(14,0)	(112,1)
Dividends (c)	nil	nil

† Includes abnormal items.

Nevertheless, there have been signs of improvement on the debt side. Borrowings were cut by 61% to R42,8m, and finance costs fell 4%. The relatively small decline in the latter suggests the debt reduction occurred towards the end of Unispin's financial year and the interest bill will continue to shrink.

MD Chris Snijman says the priority now is asset management, which is being strictly controlled so that advantage can be taken of any recovery in the economy. Stocks have been reduced, though he concedes there is room for further improvement. Unispin is operating at 47% of capacity.

The collapse in the share price from its peak of 245c in April 1989 to its current 10c epitomises the problems of the clothing and textile sectors, which are closely tied to government decisions on protection. The recently gazetted tariff structure is expected to provide benefits. The maximum *ad valorem* tariff on yarns will be increased to 35%, from 15%, but Snijman cautions these have yet to be promulgated by the Department of Trade & Industry.

Unispin's performance this year hinges not only on an economic recovery but also on the ability of the DTI to provide a stable environment for the textile industry. This may be difficult to achieve, given government's apparent commitment to trade liberalisation.

Marylou Greig

UNISPIN Fm 8/11/93

Still reeling (197)

Remedial action, set in motion in August, to try to rehabilitate SA's largest knitting yarn manufacturer has yet to show results. The question left begging is whether it has in fact avoided what six months ago seemed to

13/11/93

'High duties hit exports'

HARARE — High duties imposed on textile imports by SA had cut the Zimbabwe textile industry's export earnings by between 15% and 20%, Central African Textiles Manufacturers' Association chairman Alan Smith said yesterday. (12)

The SA government's refusal to extend the import duty exemption period on Zimbabwean textile products had resulted in companies such as Zimbabwe Spinners and Weavers closing down some of their operations as export orders were being cancelled, Smith said. (13)

SA's Department of Trade and Industry last week defended its decision not to extend the exemption period, which lapsed on December 31. (14)

The DTI said the high duties were not aimed specifically at Zimbabwe and a margin of preference in favour of SA's northern neighbour was still being maintained.

Smith said his organisation was negotiating with the SA Textile Federation to try to establish a basis for equitable trade in textiles. — Sapa.

Frame gives cause for optimism

STAR 15/1/93

By Stephen Cranston

(197)

The giant Frame textile group is expected to report a further loss in the six months to December and for the full year but it can begin the year with more optimism than it began 1992.

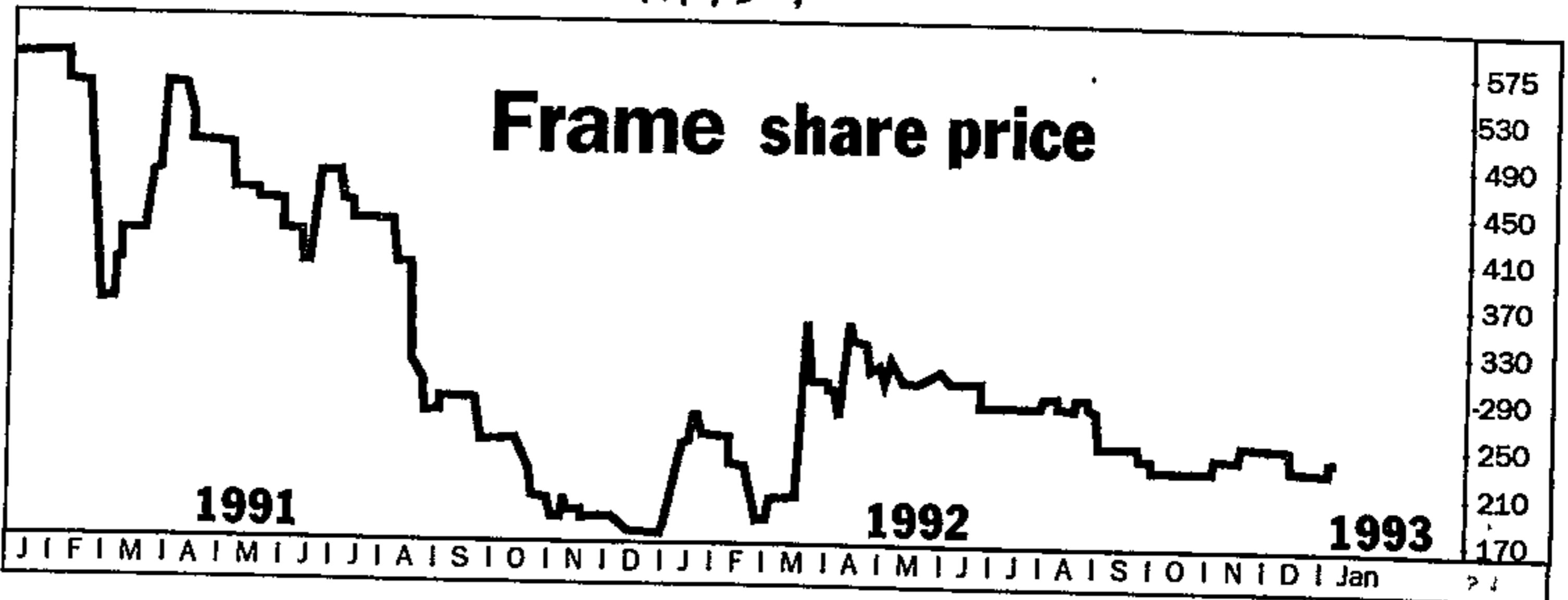
Chairman Mervyn King says that although turnover will be lower there will be a substantial improvement in results

The market has generally taken what he has to say at face value. Instead of the meltdown which wiped more than 90 percent off the value of Rusfurn, another high profile lossmaker, the Frame share price increased from 170c to 240c. It is now hovering around the 230c level.

Loss forecast

This price is way below net asset value of R18,70 but in view of the likelihood that there will be no profits until at least the 1994 financial year the rise from the 170c level represents a measure of increased confidence.

Simpson McKie textile analyst Heidi Vollmer predicts that Frame will report a loss of 66c a share, up from 110c for the six months to December 1991, and 94c a share for the year to June 1993, compared with 239c for the 1992 financial year.



The external environment still looks poor, with imports now taking up 40 percent of South Africa's textile requirements.

The local industry has to contend with local cotton prices of 480c/kg, compared with a world price of 380c, and under the cotton marketing agreement Frame and other mills are obliged to take up 80 percent of local production.

The Board of Tariffs and Trade still has not provided a long-term policy for the textile pipeline.

Yet there are causes for optimism.

King has cut out loss-making operations such as the blanket division and reduced the number of mills from 14 to six.

The workforce has been cut

from 32 000 to 8 800 and last year alone turnover per employee increased by 30 percent.

The group has spent R60 million a year modernising its plant which now includes ultra-modern computer-aided design and printing and weaving machines.

From being notoriously unreliable on deliveries, between 90 percent and 95 percent of deliveries are now on time.

Slimmer operation

Working capital management has improved with stocks down by 16 percent and debtors down 8 percent in the past financial year.

King says that Frame has a contingency plan to cut capaci-

ty further and to cut 2 500 more jobs if the industry is not provided with adequate protection.

Just as important for shareholder confidence was the formation of a new controlling consortium set up by clothing giant Searl and Gregory Knitting Mills. It is committed to keeping Frame as a going concern rather than stripping its assets.

Though it has not put any new capital into Frame, the consortium wants to see a viable local textile industry remain.

Searl chairman Aaron Searl is now arguing for a tariff regime which is good for both the textile and clothing industries rather than arguing for the sectoral interests of clothing manufacturers.

State to support textile exports

CAPE TOWN — Cabinet has approved a scheme to support clothing and textile exports for one year from April 1 to replace the export incentives under the structural adjustment programme which ends in March

Trade and Industry director-general Stef Naude announced yesterday that exporters of clothing would earn duty-credit certificates valued at 30% of the free-on-board value of their exports, while fabric and yarn exporters would receive 15% and 10% respectively

"The qualifications for participation in the scheme will be the same as those applicable to the current system, including those applicable to sources of inputs and the products.

"Credits on import duty will apply to imports of the same range of products," Naude said. Certificates would be issued at the end of the period

He said the scheme was intended to provide a phasing-out period for the current system of duty free imports based on exports to maintain the current export effort and restrict job

losses until a long-term strategy had been devised and implemented

The long-term strategy would focus on improving the competitiveness of the clothing and textile industries.

"Textile and clothing firms are at present faced with a severe internal recession and increased exports have helped significantly to curtail decreases in turnover and retrenchments

"The international market for these products, is, however, oversupplied and severe competition is being experienced, particularly from manufacturers in countries that subsidise their industries, very low wage countries and non-market economies that apply arbitrary pricing."

Naude said the scheme would be administered by the Trade and Industry Department

Measures would be introduced to prevent abuse and the granting of the benefits would be subject to manufacturers' full and unconditional compliance with these measures.

8 (DAILY) 29/1/93
1997
LINDA ENSOR

Export (197)

support

plan for

textile

industry

er 29/1/93

JOHANNESBURG. —
The SA government is to introduce a new export support scheme for the country's textile and clothing industries, Trade and Industry department director general Stef Naude said yesterday. He said the support will be in the form of duty credit certificates to the value of 30% of the FOB value of exports for the clothing industry

In the case of fabrics and yarns, the percentages will be 15% and 10% respectively.

The new scheme which replaces the old system on April 1 this year would help to maintain the SA textile and clothing industries' export effort and curtail job losses. Naude said the scheme had been approved by the Cabinet and was a "phasing-out" period of one year for the old system.

"The international market for these products (textiles and clothing) is oversupplied and severe competition is being experienced, particularly from manufacturers in countries that subsidise their industries, very low wage countries and non-market economies that apply arbitrary pricing," he said. He said a long-term strategy would be devised to improve the competitiveness of the industries. — Sapa

Clothing and textiles to get duty credits

Finance Staff

The government has once again rallied to the support of the textile industry, which is already being protected from dumped imports by high tariffs

The Cabinet yesterday backed a scheme to aid clothing and textile exports for one year until the end of March 1994.

The director-general of Trade and Industry, Dr Stef Naude, said the support would be in the form of duty credit certificates to the value of 30 percent of the FOB value of exports for the clothing industry

In the case of fabrics and yarns, the percentages would be 15 and 10 percent respectively.

It is estimated that the clothing industry exports about R600 million of goods a year.

The scheme, which re-

places the old system on April 1, should help maintain the textile and clothing industries' export effort and curtail job losses, until a long-term strategy had been implemented.

Naude said in a statement that such a long-term strategy would be devised to improve the competitiveness of the SA industries.

There would be a phasing-out period of one year for the old system.

"The international market for these products (textiles and clothing) is oversupplied and severe competition is being experienced, particularly from manufacturers in countries that subsidise their industries, low-wage countries and non-market economies that apply arbitrary pricing," Naude said.

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STYL 29/1/93

Star 5/21/93

Clothing and textile industries (1991) ~~(1992)~~ welcome new duty rebate scheme

By Stephen Cranston

The clothing and textile industries have both welcomed the new duty rebate scheme which will be introduced on April 1

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

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

Textile Federation executive director Brian Brink says a tax credit system might have been

preferable but government was not prepared to give this.

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

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

Sadek Vahed, chairman of the AM Moolla clothing group, says he is extremely pleased the government has had the foresight to act urgently as a number of clothing manufacturers were hamstrung and could not quote on garment enquiries from overseas clients.

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

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

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

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

Rebate plan welcomed

ART 6/2/93

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

STEPHEN CRANSTON, Weekend Argus Correspondent

pared to give this

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Mr Sadek Vahed, chairman of the A M Moolla

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

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

But, he says, exporters cannot work on a stop-go, year-to-year basis and he is disappointed that what has been announced could not have

been extended an extra year to coincide with the expiry of GEIS incentives in March 1995.

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

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

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

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COMPANIES

JSE revises formula for listing fees

BIDAM 18/2/93

DIRK VAN EEDEN

THE JSE yesterday announced a revised basis for determining listing fees after a review indicated disparities between services used and amounts paid.

The move entails a sliding scale for the determination of initial listing fees. In effect small, low-priced issues will cost less while larger high-priced issues will cost more.

According to a circular sent to companies listed on the JSE, annual revision fees would not be increased in 1993, but the maximum and minimum fees would be raised by 5%. For the JSE this would mean

an increase in income from this source of about 4%.

Fees for the processing of listings will rise by an average 12%.

The revised annual fees are payable on March 1, but the new fee structure for initial listings will come into effect only on June 1. The current rate of listings and documentation fees would be applied to all transactions where documents had been formally approved by the JSE by May 31.

Battered but leaner Frame reins in losses

BIDAM 18/2/93

(197)

MARCIA KLEIN

A SIGNIFICANTLY downsized and rationalised Frame Group contained its attributable loss to R8,6m for the half-year to end-December after showing a R20,9m loss in the previous year.

Increased imports of textiles and reduced consumer spending resulted in a 9% decline in turnover to R308,1m (R338,2m), chairman Mervyn King said. The group was operating at well below capacity.

Operating income of R872 000 compared with an operating loss of R7,9m in the previous year and an operating loss of R30,2m at the June year-end. King said this was the first time since June 1990 that the group had shown an operating profit.

However, this profit was offset by interest charges of R14,2m, 20% lower than the previous year's R17,7m. This resulted in a R13,3m (R33,8m) pre-tax loss.

Frame reported a loss of 41,4c a share, compared with a 110c a share loss in the previous period and 238,8c a share loss at the June year-end. No interim dividend was declared.

In the two years to end-December, staff had been reduced by 47% to 8 005, and factory premises scaled down significantly. Since December 1991, working capital levels and borrowings had been reduced

King said the results reflected "a marked improvement". If the sales volume had been the same as the previous year, the group would have operated profitably after interest, King said. But "imports and the recession took their toll on gross sales".

He said the combined effects of the structural adjustment programme and the recession "had devastated the textile industry". A panel was considering the industry's long-term strategy but the Board on Trade and Tariffs had not yet announced the time period for the interim ad valorem duty structure.

He said structural adjustment programme duty-free permits were "still rife", and it would take until March 1994 to work them out of the system.

The group's future would be influenced by the economy and "equitable barriers against disruptively priced textile imports from subsidised textile exporters".

But the rationalisation meant Frame was well placed to take advantage of "a beneficial structure in the textile industry and an upturn in the economy".

Subsidiary Consolidated Frame Textiles reported a loss of 23,9c (60c) a share.

UK firm pulls out of Africa

BIDAM 18/2/93

LONDON — British packaging group Low & Bonar said yesterday it had sold its remaining African businesses in SA, Zimbabwe and Zambia to a Virgin Islands-based company for £1,5m.

It said £1,1m had been paid in cash by Cavmont, based in the British Virgin Islands, and the balance was payable over the next three years.

Group finance director Norman McLeod said the six industries in question were involved in manufacturing textiles for the clothing trade and industrial plastics.

Last year the group disposed of operations in Kenya and Nigeria. McLeod said the move out of Africa was to enable the company to concentrate on its core business.

— Sapa-Reuter.

EXECUTIVE SUITE



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Frame turns corner

STAAL 18/2/93

(197)

By Stephen Cranston

For the first time since June 1990, Consolidated Frame Textiles has reported an operating profit, although of only R884 000, in the six months to December.

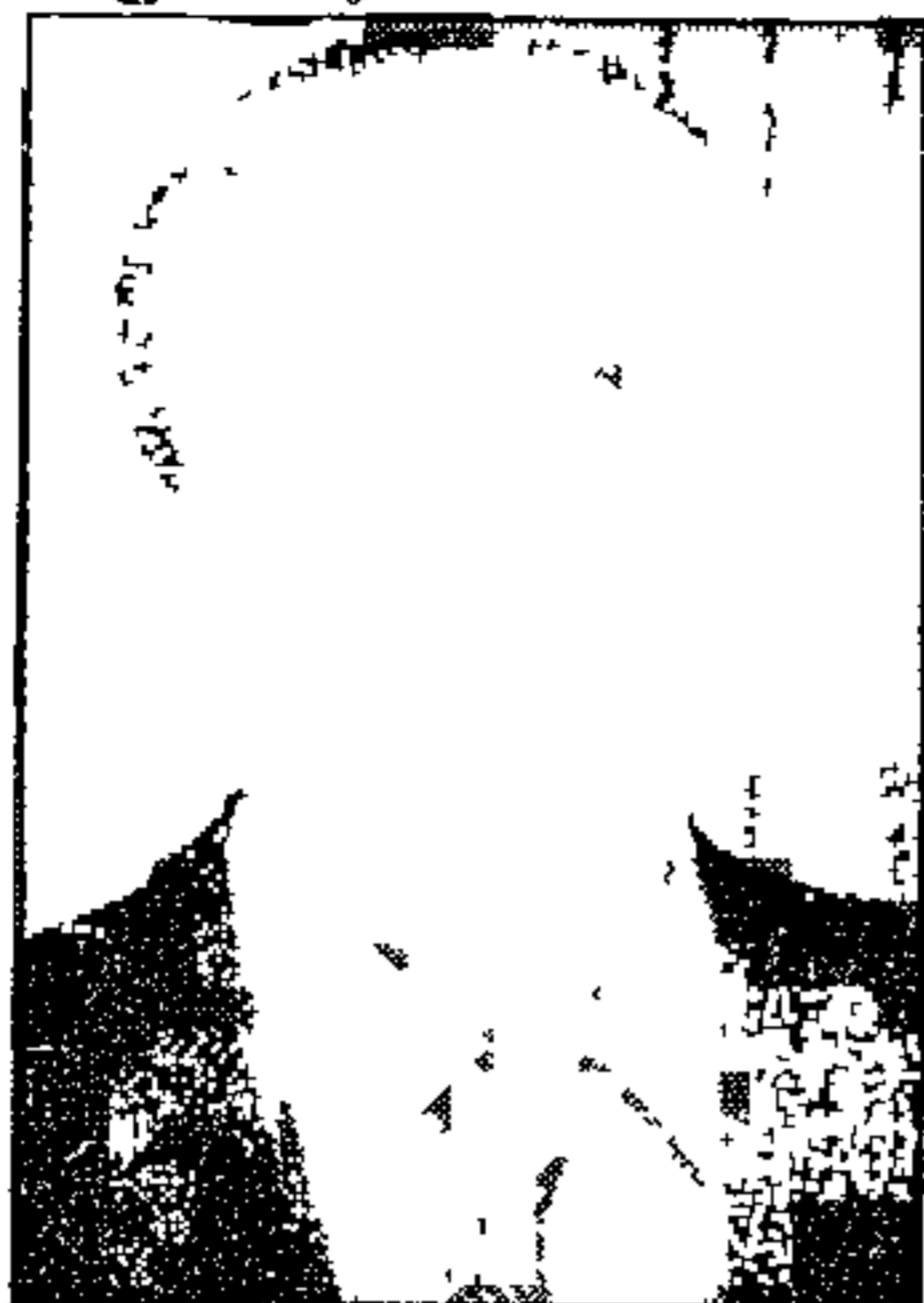
This was an improvement from a R7,34 million operating loss in the six months to December 1991.

Chairman Mervyn King says that the Structural Adjustment Programme and the recession has devastated the textile industry.

Trading in the second half would be helped by the interim tariffs which had been introduced on yarns (of 35 percent) and fabrics (of 50 percent) on January 1 by the Board of Tariffs and Trade (BTT) but SAP duty free permits are still rife and it would take until March 1994 to work them out of the system.

"The Department of Trade and Industry created a cancer with this system which will continue its destructive course into 1994. It is therefore hoped that the BTT will permit the interim duty structure to operate into 1995," says King.

An industry panel was already planning a strategy for the longer



Mervyn King .Frame well-placed to take advantage of a constructive long-term plan for the development of the textile industry.

term.

Turnover fell from R338 million to R308 million King says that if the volume of sales for the period had been the same as for the previous first half the group would have operated profitably after interest.

Frame's research shows that it did not lose market share and might even have gained at the expense of competitors

Frame's factories are operat-

ing at 70 percent of capacity and with a further 10 percent to 15 percent utilisation profitability would improve dramatically

The interest bill fell from R17,75 million to R14,20 million and the attributable loss from R33,76 million to R13,40 million

The loss per share of 23,9c was an improvement from a 60c loss in the six months to December 1991.

King says that in the two years to December the payroll has been reduced from 11 776 to 8 005, which includes the sale of the blanket business with a workforce of 1 500

The factories are concentrated in Mobeni and New Germany in the Durban area with a small spinning operation in Ladysmith. The factory premises in which the group operates has been reduced from 778 000 square metres to 419 000 square metres

But in the interim period there was no loss attributable to the downsizing of operations, which added a further R9,13 million to losses last year

Over the past year net borrowings have been reduced from R259 million to R167 million and gearing has fallen from 40,0 percent to 30,2 percent

Working capital levels have been contained.

Capital expenditure was continuing but the group was not spending more than annual depreciation

King says that Frame is now well-placed to take advantage of a constructive long-term plan for the development of the textile industry

Encouraged

He was encouraged that the Cotton Board was working hard with the cotton farmers to deliver cotton at world prices Under the present Cotton Marketing Agreement local mills are paying a premium of between 30 percent and 40 percent for local cotton which they are obliged to buy.

The shape of a plan for the industry and the course of the recession were the overriding factors for the future prospects of the group. This year will be difficult for the group but a significant improvement in the trading environment is expected in 1994

Consolidated Frame's pyramid Frame Group Holdings reports a reduction in attributable loss from R20,9 million to R8,60 million and in loss per share from 110c to 41,4c.

Neither company is paying an interim dividend.

COMPANIES

Garment imports squeeze locals

IMPORTED garments' penetration of the yarn market had risen to 60% from 12% in the past year as a direct result of the structural adjustment programme, Unispin chairman Robert Wachsberger and MD Chris Snijman said in the group's annual report *BIDM 22/2/93*

The programme, instituted by the Trade and Industry Department, allowed clothing exporters duty-free import permits as a percentage of their export turnover

As the knitwear industry attracts high import duties, these permits were used profitably in the importation of knitwear, to the disadvantage of the local industry

Listed companies whose principle business is producing knitted jerseys, had shown turnover decreases of 34%, Wachsberger and Snijman said *(197)*

A dumping duty of 280% was imposed against Taiwanese knitwear imports in January 1992, but this was revoked two weeks later

DIRK VAN EEDEN

No further dumping duty has been imposed

"This reflects the reluctance of the authorities, in spite of claims to the contrary, to impose dumping duties against SA's trading partners," they said

Amendments to the structural adjustment programme had been made recently, limiting permits to 7,5% of the volume of exports, and Deputy Trade and Industry Minister David Graaff had announced in January that the programme would cease on March 31 1994, they said.

"However, distortions in the industry are expected to continue over the short term and are compounded by the issue of permits by independent neighbouring states and discretionary permits issued by the Finance Minister."

Unispin shares closed unchanged at 18c on the JSE on Friday, off their year-low of 10c, but still short of the 1992 high of 55c.

'Competition from East poses major threat'

MAGGIE ROWLEY
Deputy Business Editor

INCREASED competition from the East posed a major threat to many South African companies who would have to meet this challenge or face the consequences, says Professor Robert Schrire, head of political studies department at the University of Cape Town

Schrire said in an interview that during the years of political and economic isolation South African companies had hidden behind a high cushion of inefficiencies and high tariffs

Emerging from this isolation, he said, would be very painful, not least of all for organised labour which could as a result of this increased competition, become poorer

Industries being and likely to be effected included the airline industry, textiles, electronic and communications and many service industries

"Due to the hothouse of sanctions we have been engaging in activities which we should not have been trying to have a finger in every pie."

Due to circumstances it was impossible for SA companies to be competitive in some of these areas and they country had to focus on areas of strength and possible future growth such as tourism, he said

Addressing a luncheon of the Institute of Directors earlier, Schrire said with the demise of communism much of the old framework which had governed the global scenario had crumbled

CT 25/2/93

BRIGHTER PROSPECTS

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	338	314	308
Operating income (Rm)	(7,3)	(22,9)	0,9
Attributable (Rm)	(33,7)	(40,1)	(13,4)
Earnings (c)	(60,1)	(71,4)	(23,9)

revaluation reserve

This reduced the depreciation charge for the six months by about R5m. It was a significant factor behind the return to profit, though cost cutting measures have also helped.

Earnings were also aided by the absence of rationalisation costs, which totalled R9,1m in 1991. On the other hand, King notes, the company had to forgo some R1,9m in dividends from Unispin this year.

Confram's volumes dropped and turnover fell 9% to R308m. But, with net borrowings down 36% to R167m, the interest bill shrank from R17,8m to R14,2m. The interim attributable loss declined to R13,4m (R33,8m) and the loss per share was 23,9c (60c).

Lower gearing (30% against 40% in 1991) and capital spending of no more than annual depreciation should see the interest bill decline further. Whether these and cost-cutting measures will be enough to ensure Confram remains on the road to profitability will depend largely on how beneficial the awaited revisions to the tariff and import structure will be to the textile industry.

King says the interim tariffs gazetted in January on yarns (35%) and fabrics (50%) should result in improved turnover in the second half if implemented before the June year-end. But the Structural Adjustment Programme's duty free permits are still rife, creating an import imbalance. It will take until March 1994 to work the overhang out of the system.

Though trading profit is forecast to improve in the second half, full-year earnings will remain in the red. Assuming a favourable tariff structure is introduced, though, there should be a significant improvement in



Frame's King
protection still needed

1994. But Frame remains a marginal performer and, as such, may not justify a share price (now 200c) remotely close to NAV of some R13.

One analyst says "Once capacity utilisation reaches breakeven, profits will rise quickly and may continue to do so for several years. But the key factor is the efficiency of the business. It's probably not efficient enough to compete against imports." In other words, Frame's survival may depend on protection given to the industry — and such measures are not necessarily permanent.

Marylou Greig

CONFRAM/FRAME FM 26/2/93
More hopeful signs (197)

Whipping SA's largest textile manufacturer into shape has not been an easy job for Frame chairman Mervyn King. But benefits of the substantial headway made in downsizing and realigning the business are at last filtering through to operating profits.

However, a close look at the interim figures to December shows they seem better than they really are. Consolidated Frame Textile (Confram)'s small operating profit of R884 000 against 1991's R7,3m loss was achieved partly by the reversal of a plant

to continue

Winter woollies from Sasol feed plant

810m, 9/3/93. (197)

SASOL is to build a R300m feedstock plant at Sasol Three in Secunda which could see blankets and sweaters in SA being made from coal derivatives

The plant was planned to add value to its feedstock resources and supply its new acrylic plant under construction, the group said yesterday

Acrylonitrile is a raw material for acrylic fibres and is an essential link in textile production

Once the acrylonitrile supply was assured, South Africans would be able to say that many of their blankets, sweaters and other products were made from coal, said Sasol

EDWARD WEST

Sasol acquired a licence from BP Chemicals for the acrylonitrile process and secured an existing plant with a 75 000-ton capacity from the Austrian-based Chemie Linz, group spokesmen said. It would be commissioned in 1995.

Sasol and the Industrial Development Corporation (IDC) were in the process of establishing a R320m acrylic fibre plant in Durban to supply the SA textile industry with the fibre that was imported at present.

The Durban acrylic plant would initially require 36 000 tons of acry-

lonitrile a year which would later be extended to 50 000 tons a year. About 20 000 tons of acrylonitrile production would be exported with the remainder sold locally.

Every year nearly 55 000 tons of acrylonitrile was imported at \$700 a ton. Although the acrylonitrile plant would not employ many people directly, its construction phase would provide about 1 500 job opportunities, Sasol said.

Textile Federation director Brian Brink said in acrylic terms the acrylonitrile plant was a logical step towards backward integration

ARC 13/3/93

Sasol set for expansion into textile fibre

Business Staff

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MOST blankets and courtelle sweaters worn in South Africa will soon be made from coal, when energy group Sasol becomes a major textile fibre manufacturer as well.

Sasol is spending R300 million to erect a plant at Secunda to produce acrylonitrile, the raw material for the R320 million acrylic fibre plant now under construction in Durban.

The acrylic plant is being built jointly by Sasol and the Industrial Development Corporation (IDC) and should start production later this year.

It will use imported acrylonitrile until Sasol's plant starts operating in 1995.

Acrylonitrile is also of importance to the plastic industry because it is used in the manufacture of telephones, computer housings, car components, synthetic rubber and many more products.

Progress's losses widen

BLOOM 24/3/93 EDWARD WEST (19)

PROGRESS Industries' losses widened to an equivalent of 220,6c a share in the year to end-December 1992 from a loss of 31,5c a share in 1991, but losses were contained in the second half, today's published results showed.

Turnover for the knitwear group dropped to R53m (1991 R65,1m) Operating profit fell from R2,75m in 1991 to an operating loss of R2,68m in 1992. However, directors said rationalisation resulted in an operating profit in the last quarter of 1992. Attributable loss amounted to R6,2m against a previous loss of R884 000.

An 11c dividend was paid in the 1991 financial year. The reduction in turnover and operating profit was blamed on declining consumer spending and imports. However, more stringent control of the granting of import permits and changes to import structures for second hand clothing by government had resulted in improved trading conditions, the directors said.

A return to profitability would depend on the policing of existing import controls, they added.

The group had a contingent liability for R660 000 taxation arising from a film investment for which no provision had been made.

An objection had been lodged for this assessment of taxes and directors believed no liability would arise.

2/13/92
SPAY 26.12.92

Textile workers strike

A WAGE strike at three Da Gama textile factories in the eastern Cape involving about 2 000 workers has brought production to a halt since Wednesday



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Glodina hit by poor conditions

MARCIA KLEIN

1997

TOWELLING manufacturer Glodina fell into the red in the year to end-December as it continued to be plagued by worsening conditions in the textile industry. *8/10 AM 29/3/93*

Lost production output in the third quarter and retrenchment costs exacerbated its problems, resulting in a loss of R3,3m (loss of R920 000) for the year. No dividend will be paid.

Turnover was reduced by 18,4% to R76,9m from R94,3m. Operating profit dropped to R3,6m from R8,5m.

Rationalisation and improved working capital management contributed to a 61% reduction in interest-bearing debt.

Despite the lower interest bill of R4,8m (R5,7m), Glodina showed a loss of R3,3m (income of R2,7m) before extraordinary items.

The loss of 16,3c a share compared with earnings of 14,1c in the previous year.

SA textile makers missing the party ⁽¹⁹⁷⁾

Business Staff

Aug 29/3/93

TEXTILE manufacturers are concerned that they are missing the party as apparel and shoe sale graphs climb healthily upwards, while the trend of fabric production heads relentlessly southward.

Romatex group planning director Jon van Coller says the fact that government statistics are more than half a year out of date makes him reluctant to state categorically that the contradiction is a consequence of increasing imports.

Nevertheless, apparel, footwear and fabric sales have grown consistently since 1986, with relatively noteworthy dips in 1990 and 1991 followed by strong rises.

By contrast, textile production has been declining consistently since 1989, with only temporary reversals.

Mr Van Coller says while standard fabric imports in the first half of last year were only 2 percent above the comparable level of 1991, foreign purchases under the duty-free permit system were 124 percent up, at R64 million-worth.

At the same time, "significant" quantities of duty-free clothing came into the country under the clothing and textiles industry's government-administered structural adjustment programme.

"Under the present recessionary conditions, the domestic textile industry would have benefitted tremendously if the bulk of this imported business had been imported its way," Mr Van Coller writes in the Textile Federation's latest Textile Topics newsletter.

"Unfortunately, official policy deemed otherwise and the industry will have to wait until the second quarter of 1994 before the structural adjustment programme runs out and is replaced by a more equitable import-for-import incentive programme."

He sees the state of the industry as a spin-off from a generally depressed and oversupplied world fabric market. Natural raw material prices — those for cotton and wool — are low and are putting pressure on those of synthetic materials.

Last year, textile price inflation was only 5,8 percent, compared to the rate for all manufactured goods of 8,2 percent. In the last three months of 1992, prices actually declined by an average of 2,4 percent, says Mr Van Coller, clearly indicating the extent of the squeeze on producers.

2 500 E Cape textile workers start wage strike

SHARON SOROUR, Labour Reporter

THOUSANDS of textile workers have gone on a wage strike at three Da Gama textile plants in the Eastern Cape

About 2 500 workers, members of the SA Clothing and Textile Workers' Union (Sactwu), downed tools last Wednesday after negotiations between the union and management deadlocked, said union spokesman Mr Shahied Teladia

Workers at the three plants — Cyril Lord in East London, Good Hope Textiles in Zwelitsha and Home Fashions Mdantsane — took part in a strike ballot and voted for industrial action.

Mr Teladia said: "Workers at Da Gama textile plants in the Eastern Cape earn the lowest wages in the country."

The workers were demanding a R40 weekly wage increase backdated to January 1, a 10 percent allowance for night shift employees and a long service bonus of 50c a week for every year of service.

"Da Gama responded with an offer of an increase of six percent or R10 a week across-the-board, whichever is greater. This was rejected.

"The latest offer was R9 and will decrease by 50c for every week which passes without workers accepting it. Therefore, if we do not accept by the end of this week, the wage offer will be R8,50."

Mr Teladia said Da Gama workers earned about 50 percent less than Sactwu members at the Frame group in Natal.

"Frame pays a spinner R250,69 a week compared with the R125,29 that Da Gama pays its workers. Another company, David Whiteheads in Natal pays R229,50 for the same grade of work."

Workers at Da Gama did not get a night shift allowance or a long service bonus, while workers at the other two plants received both.

Mr Teladia said the union wanted to address the issue of "unfair competition regarding wages" with employers nationwide

"This strengthens our call for a national industrial council for the textile industry."

Trade union federation Cosatu had pledged its support for the strike, said Cosatu spokesman in East London Mr Isaac Rayi.

... contributed more than 16% of Amic's earnings in 1989, but Mond and NTE, the forestry company taken up to 20% of the local market Trahar says these imports affect Mond's core business packaging, A4

Trahar adds, without divulging figures, that Mond is "in good shape" as it waits for the upturn

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Abbey stays deep in the red

ANDY DUFFY

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PROPERTY and textile group Abbey Holdings stayed deep in the red for the year to December, despite second-half improvements in trading performance

The group, which holds 92% of Property Corporation of SA (Propcor) and 85% of textile company Fenix, sustained attributable losses of R7,8m for the year, against R15,7m for the 18 months to December 1991. No turnover figures were given

Operating losses in the second half dropped on those incurred in the first to give a year total of R6,06m, against R9,35m for 1991. *B10AM 31/3/93.*

But second-half finance charges hit R4,73m — 65% higher than the interim charge — bringing the total interest bill for the year to R7,6m (R9,6m)

The holding company's retained loss for the year was R7,175m, against R22,8m in 1991, with losses a share down from 88,4c to 22,7c. There was no dividend

Of the two subsidiaries, Propcor enjoyed the larger trading gain on the interim period. Its operating profit of R1,6m for the six months to December cut trading losses for the year to R670 000 (R8,62m)

But Propcor also suffered the greater rise in finance charges. These hit R3,4m in

the period — more than 200% at the interim level — to bring the total to R4,94m (R4,97m)

Abbey Holdings financial manager and group company secretary Cullen Penny said the rise was due to Propcor's decision to stop capitalising interest charges on developments. He said Propcor would cease new investment, and would devote cash from sales to cutting debt. He was unable to set a target

Propcor was further sapped by a R4m provision on trading properties, which pushed attributable losses to R6,93m (25,2c a share), against R950 000 in 1991. A revaluation of fixed assets to R35,6m from R19,1m underpinned the balance sheet

Fenix made an attributable loss of R3,5m (R11,05m), with losses a share also down at 31,2c. An operating loss of R670 000 (R8,62m) suggests the operation made a trading profit approaching R400 000 in the second half

Neither Propcor nor Fenix paid a dividend, and Penny said there was unlikely to be a dividend from any part of the group this year

Da Gama workers on pay strike

By Ferial Haffajee

A STRIKE by 2 500 workers at three Da Gama textile plants in the eastern Cape is adding fuel to the call for a national industrial council in the textile industry.

The South African Clothing and Textile Workers' Union (Sactwu) this week pointed out that there are huge wage discrepancies in the industry and that this is giving some companies an unfair edge.

As an example, Sactwu this week showed that workers of a grade at

Da Gama (spinners who are paid R125 a week) earn half the wages of their colleagues on the same grade at the Frame clothing company in Natal (R250 a week).

Employees on strike are demanding a R40 increase backdated to January, a 10 percent allowance on night shift and a service bonus of 50c a week for every year of services.

Sactwu also claims Da Gama's East London plant pays the lowest textile wages in the country and says the strike has won it new members.

The company initially offered a six percent or R10 increase across the board, whichever is the greater. Workers rejected the offer and the company subsequently decreased their offer by 50c and will continue to do so for every week that workers remain on strike.

Da Gama financial director Nick Pietersma acknowledged the company's employees are "paid less", yet he added: "To the best of my knowledge we are the only textile company that is making money."

W/Mail

2/4-7/4/93

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SA Nylon Spinners set to target exports increase 197

TRACY SCHNEIDER

IN AN effort to reduce reliance on domestic markets and increase international competitiveness, SA Nylon Spinners will spend R500m on upgrading technology and plant capacity.

MD Peter Boxall said the company — a wholly owned subsidiary of AECI — hoped the investments would increase income from its exports.

"The severity of the depression in the local textile industry has highlighted the importance of exports, and the corresponding need for up-to-date technology to attain world competitiveness," said Boxall.

Plants for textured polyester, nylon hosiery and industrial polyester yarns have been commissioned, with projects under way for a 5 000-ton-a-year nylon

tyre yarn plant.

AECI chairman Gavin Rely said in the group's latest annual report that these investments met the group's criteria of "clear capability to be internationally competitive in all aspects, including unit costs of production and after-tax return on investment".

Recessionary conditions caused local textile industry production to fall to 72% of capacity in 1992, with domestic filament yarn sales being the lowest in seven years. Modest improvements were expected.

However, Boxall said strong export performance in 1992 allowed the company plants to run near full capacity with no retrenchments.

Textile company talks tough over wage strike

Labour Reporter

DA GAMA Textiles in the Eastern Cape has hit back at thousands of striking workers, threatening to fire them if they refuse to accept a final wage offer.

But the 189 000-strong SA Clothing and Textile Workers' Union — the third largest union in the country — is planning a massive solidarity cam-

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paign, calling on all its members to "assist in any way possible".

Union media officer Mr Shihied Teladia said trade union federation Cosatu had agreed to throw its full weight behind the campaign

The union also expected the giant Amercian union, Amalgamated Clothing and Textile Workers Union, to respond to a

call for international solidarity action.

"Da Gama has a history of anti-union activity. Some years back it dismissed an entire workforce who were on strike," Mr Teladia said

But company chief executive Mr T H Pearce said workers who were not taking part in the industrial action had been subjected to "numerous acts of vi-

olence and intimidation" during the strike.

A large number of assaults had taken place and some of the victims had been admitted to hospital while others had had their homes burned.

The workers went on strike at Cyril Lord in East London, Good Hope Textiles in Zwelithsha and Home Fashions in Mdantsane on March 24 after wage negotiations deadlocked

Textile workers pool R1,5m to form co-operatives

(197) ARG 17/4/93

Laid-off staff take on bosses

TOM HOOD
Business Editor

RETRENCHED textile and clothing workers are clubbing together to form co-operatives and compete against their former employers.

About 450 workers retrenched at Frame group factories in Wellington and Natal pooled R1,5 million, part of their retrenchment packages, are now making knitting jersey and printed T-shirts.

They have the support of grassroots business organisations but large textile and clothing companies are beginning to take notice and view the small business sector as a growing threat — especially as they see little improvement in the economic depression

However, at this stage the co-ops cannot market their garments in the shops and their output goes to the larger companies, which regard them as useful contractors who could save the high cost of expanding to meet an in-

crease in business

The worsening recession saw 97 of the country's clothing employers go out of business last year, leaving 1080 (see graph on Page 3), while 14 000 workers lost their jobs. In the Western Cape, 11 500 workers were retrenched and 36 employers closed down, leaving 395

"When there is a pick up in production they can get the benefit from lower direct costs, lower overheads and a competitive price from the co-ops," said Mr Theo Rudman, director of the Self-Employment Institute, a specialist in the informal sector

"The co-operatives are working and selling their products," said Mr Rudman

The institute, while backing the formation of co-ops, is trying to get employers to donate or sell cheaply redundant machines and help retrenched workers to earn a living

The institute believes the worker co-ops are far better than the Department of Manpower scheme which spent hundreds of millions of rands on job creation, paying the un-

employed R4 a day but leaving them jobless and no better qualified when funds ran out

In many ways products could be sold much more cheaply using this method than traditional capital-intensive centralised manufacturing, he said.

Experienced suggested that the co-op the work force was more productive and less politicised with less absenteeism

"The need is to create businesses, not provide handouts, and that is how retrenchment packages should be looked at"

He suggested companies could "privatise" some of their operations and follow the example of AECI in the Transvaal where ex-employees took over the job of maintaining company vehicles and running a scrapyard

Another company let a retrenched worker take over its laundry work, giving him a small loan to get started

"Personnel departments should investigate retrenchment packages and instead of just paying people off and giving them some bonus to com-

pensate for past service, some of the money should be placed in a pool and the company should look at ways of creating a new business to employ the retrenched people"

Job creation of this nature was badly needed in places like Khayalitsha. Some of the poorest people in the country with very little education lived there but showed tremendous drive and a high level of entrepreneurship

A recent calculation revealed R91 million a year was transacted in the small shops and supermarkets of Khayalitsha

One man with a standard 4 education and unable to speak English and Afrikaans started earning cash by fixing punctures for taxis in Khayalitsha. He was now earning R1 800 in net income a month

Finding working capital was the major worry for small informal businesses.

Grassroots organisations such as Get Ahead and Get Up were geared to help and their maximum loans were between R3 1000 and R5000, said Mr Rudman. However, they were short of cash to lend

Glodina adapts to changing market

TOWELLING manufacturer Glodina is going "back to basics" after falling into the red for the year to end-December 1992

In his annual report, chairman John Balladon said 1992 was a "difficult and traumatic year" with turnover plummeting to end 18,4% down on 1991

He referred to the R3,3m loss in 1992 as "the pain we have borne during the process of change", but said foundations had been laid for profitability in the years ahead

Major restructuring occurred during the year to adapt to changed trading conditions

Difficulties in the clothing sector caused much of the decline in industrial turnover, where towelling dressing gowns were largely a luxury item

Lack of consumer disposable income forced the company to align itself with changing customer needs

"The average consumer is currently attracted by lower price rather than higher quality, causing Glodina to lose market

TRACY SCHNEIDER

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share," said Balladon

Loss of a large state tender in 1992 resulted in a further decline in turnover. However, half this tender had been awarded to the Dano subsidiary and this market segment was expected to grow

Glodina was also attempting to broaden its customer base and produce fabric for a wider range of end-users after being "too reliant on a single major chain last year" and facing steep competition from cheaper fabrics

The QwaQwa subsidiaries were closed in March 1992, with the company preferring to concentrate on the more modern plants in Hammarsdale and Ladysmith

Balladon expected the long-awaited tariff protection on household textiles to hold some benefit for the SA textile industry but said neighbouring preferential trade countries may benefit more from this protection

COMPANIES

Da Gama textile group shows 30% drop in earnings

DUMA GOUBULE

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TROUBLED textile group Da Gama reported its third successive drop in profit with attributable earnings down 30% to R21,1m (R30m) for the year ended February.

This was equivalent to earnings of 41,4c (58,9c) a share, just over a third of financial 1990 earnings of 120c a share. The SAB subsidiary's payout for the year was 18c (25,5c) a share.

Chairman Laurie van der Watt said little benefit had flowed from government increases in customs duties, effective on November 1, on yarn, fabric and clothing.

This was because duty free import permits covering some R600m were estimated to be still available under the structural adjustment programme's export reward scheme. The duty free permits were to end at the end of March 1994.

Turnover eased 2% to R254,1m despite deepening recession, intense price competition and the unabated large-scale importation of foreign fabrics.

Operating income declined 31,3% to R25,1m (R37,4m). Interest absorbed R590,000 and tax R4,6m. Attributable earnings came to R21,1m (R30m).

Van der Watt said the group's balance sheet remained sound with a further improvement in the cash position underpinned by a strong cash flow from operations.

A major contributor to the improvement was a R17m reduction in inventory holdings.

Capital expenditure for the year and a further R13m had been planned for the coming year.

Van der Watt said earnings this year were expected to equal those of the past year although no significant reduction on foreign fabric imports was likely.

Businesses

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Push for fabric import deal

CAPE TOWN — Representatives of the clothing and textile industries meet today to thrash out an agreement to amend the interim tariff structure to allow clothing manufacturers to import fabrics not produced in SA at a reduced tariff.

Textile Federation executive director David Brink said several meetings had been held and it was hoped details could be finalised today. The issue concerned an alteration of the current system rather than its extension, he added.

The textile industry would agree to a relaxation of the system only if there were proper controls to prevent abuse.

Board on Tariffs and Trade chairman Nic Swart said the board was awaiting the submission of these proposals which would be supported as long as they were limited and did not allow for abuse, did not harm the

LINDA ENSOR

textile industry, and could be easily administered by the board.

Swart said broad international input was being sought for the long-term development plan for the clothing and textile industries. The plan was being researched by a special task group.

World Bank and GATT opinions would be canvassed and information gleaned about the state of the textile industry worldwide.

The aim would be to put in place a long-term tariff structure which took account of international trends as well as the specific SA situation, Swart said.

Until finalisation of the long-term plan — hopefully by November — the interim tariff structure would, apart from the amendment under discussion, remain intact, he said.

FM 7/5/93

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R17m reduction in inventory holdings helped to reduce total interest-bearing debt by nearly 60% and improve the cash position. Capital expenditure in 1992 was almost R16m. Capital commitments for 1993, at the end of 1992, were R13,3m.

Though the company is financially well managed, Da Gama's immediate future depends on a decision on import tariffs and the termination of duty-free import permits by

STRUGGLING

Year to	Mar 31 '92	Mar 31 '93
Turnover (Rm)	259,0	254,1
Operating income (Rm)	37,4	25,1
Attributable (Rm)	30,0	21,1
Earnings (c)	58,9	41,4
Dividends (c)	25,5	18,0

April 1994. No significant reduction in the imports of foreign fabric is expected in the coming year, and earnings are expected to approximate those in 1992.

The share price touched a low of R1,60 over the past year but has recovered some ground at R2,50. It's worth remembering it reached the dizzy heights of about R12 in early 1990. The dividend, determined by cover of 2,3 times, fell from 25,5c to 18c. 1993 promises to be a tough year but if and when talks about tariffs, now in progress, work in Da Gama's favour, the share price may be in the ascendant.

Louise Randell

DA GAMA FM 7/5/93

Praying for protection

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Da Gama's preliminary results highlight the pressures faced by the textile industry combined with intense price competition and recession. The directors blame the "unabated large-scale importation of foreign fabrics — currently estimated to be about 45% of SA's requirements for cotton and man-made/cotton woven fabric."

Though government announced increases in customs duty, effective November 1992, the move isn't expected to provide any relief from the flood of imports of yarn, fabric and clothing. Da Gama estimates that R600m duty-free import permits are still available under the Structural Adjustment Programme's export reward scheme. These expire at end-March 1994.

No-one was available for comment at Da Gama, but the results reflect tough trading conditions. Turnover fell by about 2%, but the damage was evident at the operating margin which fell from 14,4% to 9,9%, operating income plunged by nearly a third.

Da Gama (an SA Breweries subsidiary) has tackled the question of how it will account for the Secondary Tax on Companies (STC) and has broken down its total tax bill into normal, deferred tax rate change and STC. It's all taken above the line. This gives an effective tax rate of nearly 18% — unchanged from 1991.

Despite the fall in operating income, cash flow from operating activities rose to just under R70m, from about R22m in the previous year due to improvements in working capital management. In particular, the

Star 7/15/93

Romatex lifts earnings 42%

By Stephen Cranston

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Reduced finance costs have enabled Barlow Rand's textile group Romatex to report a 42 percent increase in earnings per share to 38c in the six months to March.

The interim dividend has been raised by 30 percent to 13c.

The sale of the upmarket Crossley Carpets brought gearing down from 32 percent to four percent and finance charges fell from R9,4 million to R1,1 million.

Turnover and operating profit, however, fell by nine percent to R330,8 million and

R19,3 million respectively.

In the last annual report, chairman Jack Crutchley warned that economic recovery was unlikely in the absence of solutions to political problems and that providing there was no further deterioration, the year should see a marginal improvement in results.

At Romatex Fabrics severely depressed markets resulted in a decline in profits, while conditions deteriorated in the automotive, furniture and industrial fabrics sectors of the industrials division, marginally lowering profits.

The carpet division,

which now consists of the tufted and needlepoint operations, continue to improve, albeit off a low base.

Island View Storage was the stalwart of the group, growing both turnover and profits as it benefited from imports.

Pre-tax profit increased by 56 percent to R18,2 million, but the reduction in company tax was more than offset by increased provision for deferred tax arising from the reduced capital expenditure projections.

The effective tax rate remained high at 48 percent, reducing growth attributable earnings 42 percent to R9,4 million.

Glodina confident corner has been turned (197)

By David Canning

DUREBAN — Glodina Textiles believes it has turned the corner after a loss of more than R3 million in the year to March

Chairman JB Balladon says in the annual report the loss on household textiles represents pain that has been borne in the process of change and he believes the foundations have now been laid for a return to profitability

The Hammarsdale-based textiles firm experienced a tumultuous year which included closure of operations in QwaQwa and concentration of manufacturing at Hammarsdale and Ladysmith

Board changes have included the appointment of Paul Redondi as managing director of Dano.

The report discloses that a loss of R2,4 million was shown in the second half owing to worsening trading conditions and production output problems

Lost production output and retrenchment costs (the staff has fallen from 1 410 to 851 in the past year) resulted in an abnormal loss in the third quarter

This flowed from under-recovery of production and related overhead expenses

Turnover declined by 18 per cent in the second half

Retrenchment of 150 employees led to two incidents of

sabotage and there were productivity losses and an inability to work overtime during production bottlenecks

At year-end, the company was still unable to fulfil orders from the retail sector for core products

Balladon says Dano has been reduced from a three-shift to two-shift operation.

He believes Glodina is now on the road back to basics. Lack of price competitiveness caused Glodina to lose market share, as consumers are at present attracted by low cost rather than quality.

Management consultants have helped to change the philosophy of the organisation
Continuing peace and stability

in the Mpumalanga area has also helped to contain the absentee problem

Looking at prospects, he says the long-awaited tariff protection on household textiles is expected to hold some benefit for the local textile industry

"On the other hand, countries such as Zimbabwe continue to enjoy a preferential trade agreement, and Botswana and other members of the customs union have overlapping trade agreements with neighbours.

"As a result, the flow of cheaper products into the Republic through this conduit continues unabated, and the tariff protection may well benefit those countries more than our own textile industry."

COMPANIES

Meritex upbeat despite losses

DUMA GOUBULE

GARMENT and Textile group Meritex Holdings' losses more than doubled in the year ended January to R7,5m from R3,6m in the previous year **BOM 14/8/93**

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

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

Meritex was to restructure its manufacturing business

The group, which had long relied on a vertically integrated manufacturing structure, had decided to focus on its core

competencies in-house and to source non-core activities. **(197)**

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

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

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

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

Clothing, textile industries at odds over umbrella body

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

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

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

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

PETER DELMAR (197)

erating on a future strategy".

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

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

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

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

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

14/5/73
SIDAM

TEXTILES AND CLOTHING

FM 14/5/93.
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Searching for the best fit

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

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

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

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

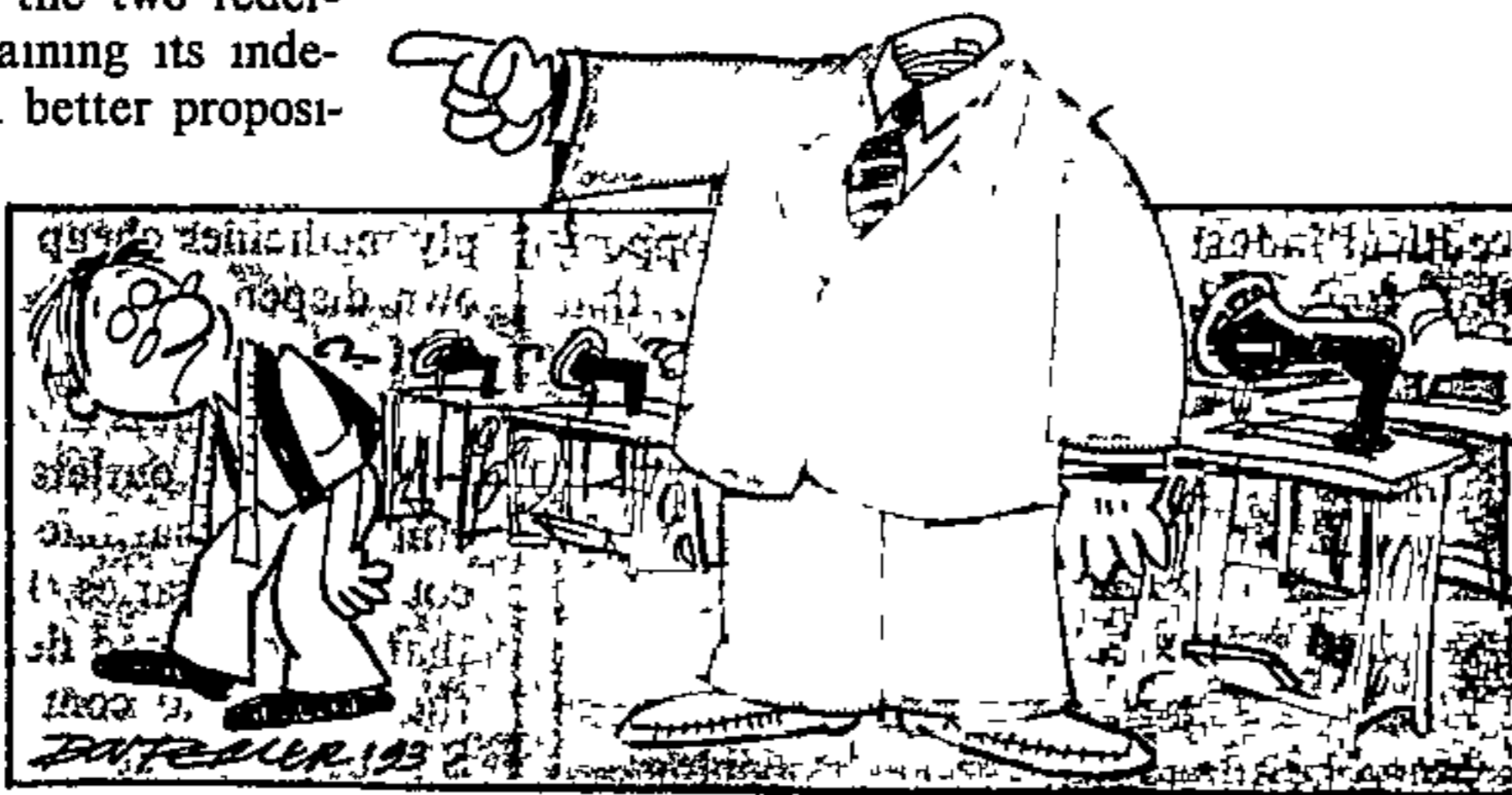
Apart from the clout of its 93 000 jobs, the textile industry also has government's ear because it earns about R1,5bn a year in exports.

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

In a country with 30% unemployment, the clothing sector feels that it makes a much stronger case for creating jobs. "In Natal alone, we are now down to about 35 000 jobs

in the small clothing manufacturing sector, from about 43 000 a year ago. High tariffs, especially on textiles not manufactured in SA, are killing us — and we get little support from the Board on Tariffs & Trade," says Clothing Federation vice-president Sadek Vahed, CE of the A M Moolla Group.

Vahed adds that last year board chairman Nic Swart met both sectors and suggested simplified tariffs: 35% on yarns, 50% on textile fabrics and 100% on clothing. "On behalf of the Clothing Federation, I accepted this increase of protection on fabric imports (from 20%) on condition that all fabrics not



made in SA be exempted from duties. This would have made an average fabric protection rate of 35%, which we could bear."

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

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

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

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

Clothing Federation president Searll says the two major issues facing Swart's panel are reducing input costs for both the clothing

and textile sectors, and export promotion. On the textile side, cotton prices need to be brought down, while the clothing industry is seeking lower fabric prices.

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

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

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

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

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

Arnold van Huyssteen

EYEGLASS INDUSTRY ^{FM 14/5/93} Shortsighted profession

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

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

FM 14/5/93

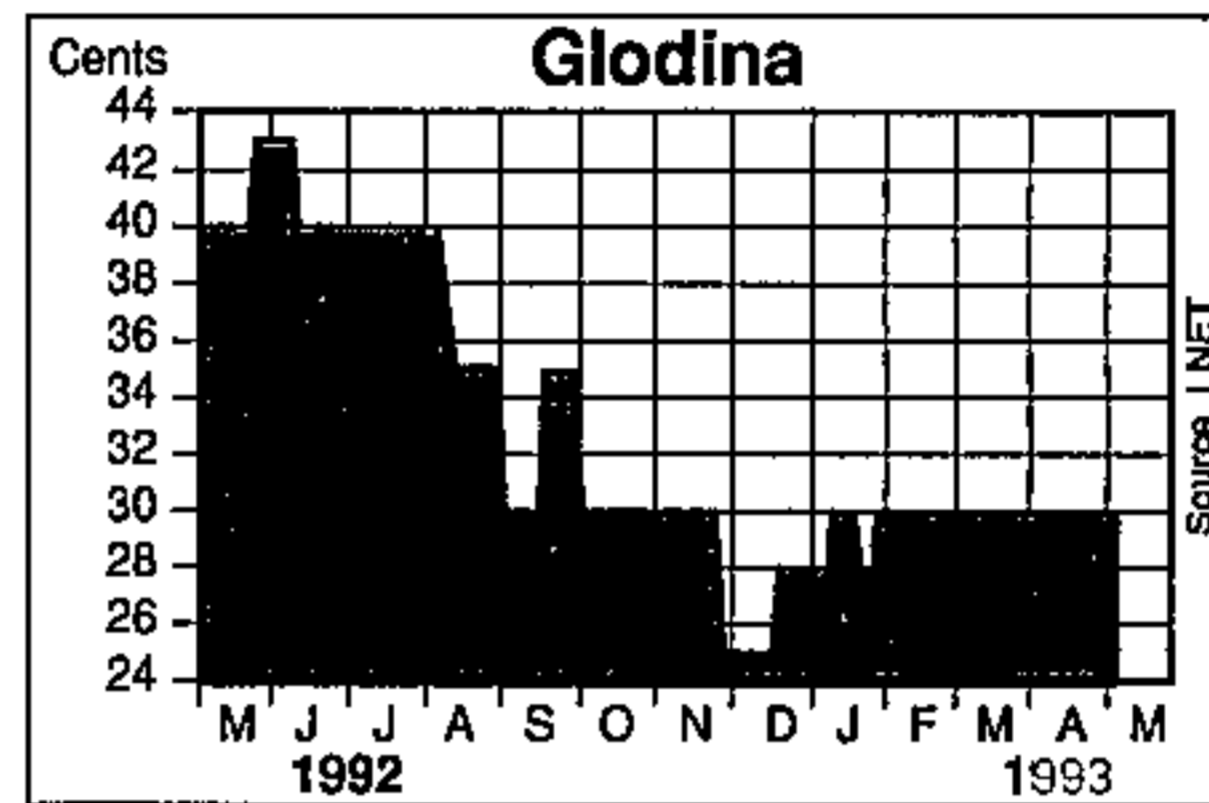
Activities: Makes household textiles
Control: B J Balladon & Sons 70%
Chairman: J B Balladon
Capital structure: 19,5m ords Market capitalisation R5,9m

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Share market: Price 30c 12-month high, 43c, low, 25c Trading volume last quarter, 55 000 shares

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	18,3	19,2	23,3	7,0
LT debt (Rm)	7,9	6,1	5,0	4,0
Debt equity ratio	0,67	0,69	0,80	0,34
Shareholders' interest	0,37	0,47	0,45	0,56
Int & leasing cover	3,6	1,7	1,7	0,3
Return on cap (%)	12,0	11,8	10,2	2,8
Turnover (Rm)	75,1	89,5	94,3	76,9
Pre-int profit (Rm)	8,5	9,2	8,0	1,6
Pre-int margin (%)	11,4	10,3	7,9	2,1
Earnings (c)	31,9	19,8	14,1	(16,9)
Dividends (c)	12,5	nil	nil	nil
Net worth (c)	173	186	181	164

behind the slackening off of demand for Glodina's thick, soft and thirsty products; turnover at year-end December fell 18,4%



He says another major factor in the loss of turnover were the repercussions arising from a retrenchment programme. In July, 150 employees (15%) were laid off. Unfortunately, sabotage, productivity losses and a consequential inability to arrange overtime work were the unwanted by-products of management's game plan. Losses per employee were R4 000 at year-end.

The group's industrial turnover fell because of difficulties in the clothing sector where the towelling dressing gown — the major end product of towelling fabric — is largely a luxury item. To combat this trend, Balladon says Glodina plans to broaden its customer base. He says it was too reliant on a single major chain last year. Of course, if he knows that now it begs the question of why he didn't take action sooner.

Focus on asset management and improved cash flow resulted in a R17,4m reduction in total borrowings and had a positive impact on balance sheet ratios, gearing fell to 34%.

Balladon says the foundations have been laid for a return to profitability in the years — not year — ahead. That's his way of saying shareholders shouldn't expect anything dramatic this year. And it's understandable considering return on capital collapsed from 10,2% to 2,8% last year and the group is facing growing competition from alternative cheaper fabrics. The share, at 30c, has lost almost a third in value over the past 12 months — and is now a paltry 13% of its 225c February 1989 high. That tells its own tale.

Kate Rushton

GLODINA

FM 14/5/93

A wet rag

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Chairman John Balladon is only too thankful to have financial 1992 behind him. Considering Glodina recorded losses in the order of 16,9c a share, his relief is understandable. The year before EPS of 14c were achieved.

The average consumer is currently attracted by lower prices rather than higher quality. Balladon maintains this is the reason



Crutchley off to a
bad start

from R97,2m to R12,9m during the 12 months to the March interims and that shrank the interest bill from R9,4m to R1,1m and boosted pre-tax profit 56% to R18,2m

The four operating divisions returned mixed performances. The bulk liquid storage division, which contributed more than half of group pre-interest profits in 1992, continued to benefit from the higher imports of vegetable oils caused by drought. But recent better rains will ensure that high import levels won't continue. That will affect second-half earnings from this division. Margins on the bulk liquid chemical sector have been under pressure.

The sale of Crossley Carpets has significantly reduced the size of the carpet division but the remaining businesses have improved their performance. The industrials division experienced continued pressure on margins but nonetheless produced profits only marginally lower than in the previous year. The fabrics division suffered from a surge of cheaper imports and low tariffs in textiles and cotton production respectively.

Chairman Jack Crutchley says "1993 second-half earnings should outstrip those of second-half 1992." This suggests that 1993 EPS will be upwards of 62c, which is a 22,5% increase. The combination of debt reduction, through asset sales and improved working capital, has helped to boost earnings. Unfortunately, organic growth will be less spectacular considering persistently tough markets.

Since January 1993 the share price has risen from R4,25 to R6, putting it on a rating of about nine. Investors shouldn't expect much improvement in the share price in the short to medium term.

Louise Randell

ROMATEX ⁽¹⁹⁹⁷⁾ Looking threadbare

Romatex — the textiles, industrial and bulk liquid storage group — had a bad start to 1993. The March interims reflect a 9% fall in turnover and operating profit.

The decline was partly due to the sale of Crossley Carpets, effective from October 1 1992, which reduced turnover by 4% and operating profit by 6%. The sale realised R37m, of which R6,4m was booked as an extraordinary profit. FM 21/5/93.

Of course, that produced a saving in interest payments, sufficient to offset the loss at the operating level. The trend of debt reduction continued — interest-bearing debt fell

STimes & Bus 23/5/93
SA 'damages' neighbour

SOUTH AFRICA has refused to temporarily remove duties on Zimbabwean textile products, damaging that country's troubled industry, says Industry and Commerce Minister Chris Ushewokunze.

Mr Ushewokunze says the Zimbabwean Government has for some time been negotiating with SA for temporary relief before an update of the 1964 trade agreement.

Duties and a depressed Zimbabwean market have hit clothing and textiles and led to the retrenchment of about 7 000 workers in the past year. (197) (22)

SA tariffs
Star 21/5
jeopardising
co-operation

By Bruce Cameron

CAPE TOWN — South Africa is jeopardising future co-operation with Zimbabwe by maintaining tariff barriers against Zimbabwean textiles, the governor of the Zimbabwe central bank, Dr. K. J. Moyana, has warned.

In an interview Dr. Moyana, who is attending a conference of southern African bankers in Somerset West, said Zimbabwe had invested heavily in the textile and travel goods industries and now that the investment was starting to pay off South Africa had closed the door.

"Now we are told, no. This is difficult as over the past two years South Africa has become the major supplier to Zimbabwe.

"We have shifted away from Europe and Japan. Now we are being given a slap in the face. This is jeopardising future co-operation in other areas."

Dr. Moyana said Zimbabwe was prepared to sit down and resolve the problems. South Africans should remember the strength of the European community came not from trade with other areas but from trade between the member states.

In a speech earlier to the conference, Finance Minister Derek Keys said he was aware the countries such as Zimbabwe saw South Africa as a threat.

Textile industry well placed for upswing, says Romatex

Bibay 10/16/93

THE domestic textile industry is well placed for an upturn in trading conditions in one to two years, says Romatex chairman Jon van Coller in the Textile Federation's latest newsletter (1997)

The upswing cycle was at the stage where only a significant disruption, such as political events, could cause it to deteriorate, despite a mixed outlook in synthetics and wool markets, he said.

However, textile markets continued to be depressed, but mill production maintained a fairly constant level for three months, February to April, with a capacity utilisation of about 75%.

Van Coller said demand for clothing, footwear and textiles continued to grow strongly. This demand was not being translated into orders to domestic clothing and textiles factories because of imports.

Clothing production last January was 12% down on a year ago and almost 22% below its 1989 peak. Textile production was 5% lower in the same month of the previous year and nearly 30% down on its 1989 peak.

The industry's strong link with the international economy would in any case bring an upswing as international demand improved, Van Coller said.

Textile Task Group's business cycle graphs showed the recession was drawing to a close. This coincided with the SA business cycle showing some early signs of rounding out.

MZIWAKHE HLANGANI

There were a number of economic factors pointing towards improvement in the economy by the year-end, but initial stages were likely to be sluggish.

Encouraging signals included continual improvement in the US economy, the apparent turning point in the UK economy, stimulatory measures being applied to domestic demand in the Japanese economy, an improved domestic agricultural crop, declining domestic interest rates and a much improved gold price.

There was no excitement at this stage, but when the upswing came the industry would have to accept the first year would be fairly moderate.

Van Coller said the wool market in the world remained depressed and prices for SA wool have declined by about 11% since the beginning of the current wool marketing season last September.

The rate of price increases in both textile and clothing industries over the past year fell to below two key inflation rates, the consumer price and producer price index. The annualised rate over the latest three months reflected a decline of 2.4% in textile producer prices, and small increases of only 2.9% in clothing producer prices.

This was reflected in the retail level where the annualised CPI for clothing for three months was 4.1%.

Textile industry wary on special export zones ¹⁹⁷

CT 12/6/93

Business Editor

EXPORT processing zones (EPZs) could provide unfair competition to established SA exporters outside them — who would have to go to the expense of relocating to them — says Mervyn King, president of the Textile Federation

And, he warns, they would provide opportunities for abuse it would be hard to police

But David Bridgman, director of Wesgro, said yesterday that he thought the answer would be to set up Export Processing Units (EPUs) in factories geared to export, rather than forcing them to relocate in EPZs

Bridgman said the success of EPZs in other countries had shown that it was possible to prevent abuse. An EPZ could contain the administrative headquarters for EPUs

The government announced itself in favour of setting up EPZs last year. The SA Special Economic Zones Association was launched in Cape Town this week to act as a national forum for key players in the sector

The meeting was attended by representatives of labour, government, financial institutions and manufacturers

King says in the federation newsletter that SA textile manufacturers are handicapped by high taxation, exchange controls and inflation when competing in world markets with others who are subsidised by their governments

The Department of Customs and Excise was shortstaffed and having difficulty policing regulations "more particularly having regard to the level of corruption involving imports

"In this context the proposal to start EPZs is one of concern. With SA's lengthy borders and coastline it will be impossible to police EPZs"

King continues "SA has a well established industrial sector. EPZs have worked where the entire country has been declared an EPZ and new ventures have been financed by international financiers

"In SA established industry would have to bear the burden, both industrially and fiscally, of supporting new exporters in EPZs

"Operators within the zones will be subsidised on their inputs while the government will expect established companies outside the zones — who will not be receiving subsidies — to become exporters from SA"

Star 16/6/93

Kahn wants less reliance on tariffs

The clothing and textile industries need to be far less dependent on tariff protection for survival, says Edgars chairman Meyer Kahn in the group's annual report.

"The prevailing high tariff levels are necessary to safeguard further job erosion or even business failure, but SA industry will have to develop a capability to compete internationally with far less reliance on tariffs and subsidies," he says.

Edgars is actively pursuing these aims in its own manufacturing business as well as taking part in the government-initiated Textile and Clothing Task Group.

SA's clothing and textile businesses have been threatened in the last year by cheaper imports, and alleged dumping, from the Far East.

He says, however, that traditional suppliers in the Far East to the European Community, are experiencing rising costs, and "there is discernible interest in procuring this merchandise from African and Eastern Bloc countries". — Sapa

Industry chiefs fire broadside at concept of export processing zone

By Des Parker

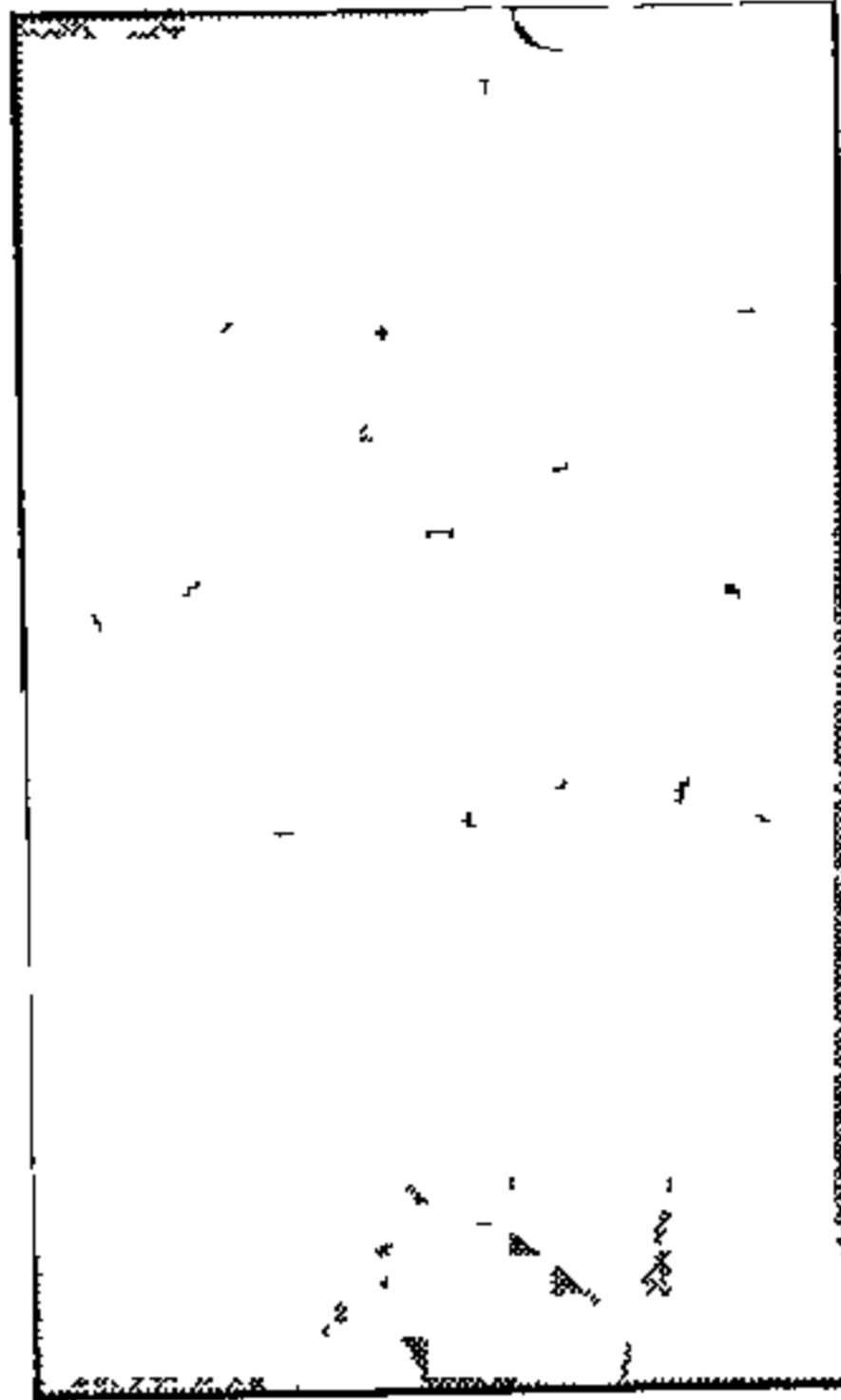
DURBAN — Two top textile industry men have fired a broadside at the concept of export processing zones (EPZs) for SA

Mervyn King, executive chairman of Frame and new president of the Textile Federation, and Textile Federation head Brian Brink say the proposed zones — geographic areas where export manufacturers receive substantial tax and import tariff benefits — are likely to place an intolerable burden on Customs officials

Legislation is expected to be enacted in the not too distant future to enable zones to be set up

The recently formed Special Economic Zones Association has earmarked ports such as Durban and Richards Bay and those of the Western and Eastern Cape, as well as areas of the PWV, as potential EPZ sites

The association, comprising business people, politicians and regional and local authority representatives, has said special customs and excise arrangements would need to be in place to "regularise and po-



Mervyn King, executive chairman of Frame

lice" zones

Brink, however, reckons EPZ protagonists are a "self-seeking lobby" and the concept just one more in a series of misguided export incentives that have had a woeful performance "at huge cost to the fiscus"

He claims adequate policing of SA's extensive borders and

coastline to ensure products made in EPZs for export did not re-enter SA would be "nigh on impossible"

"Existing exporters located outside such processing zones will be disadvantaged and prejudiced, having to purchase higher-priced inputs, pay higher taxes and other fiscal commitments.

"They are also generally farther from ports of entry and will therefore be subject to higher transport costs — all of which would lend fuel to the sometimes acrimonious regionalism debate"

Smuggling and corruption would flourish, placing an intolerable strain on already overstrained officialdom.

In addition, new fixed investment would be disrupted with existing exporting businesses being forced to move to EPZs

Brink suggests the Government would be better advised to address the anti-export bias in existing duty-free provisions for imports used to manufacture goods for export, at the same time as awarding incentives for new investment in production and technology.

Star 17/6/93

Textile production slumps

By Stephen Cranston

Textile production is now 30 per cent below its 1989 peak, says Romatex economist Jon van Coller.

Production is five percent down on last year.

Writing in the Textile Federation journal, Textile Topics, Van Coller says clothing manufacture is 22 percent below the 1989 peak, and 12 percent below last year, despite continuing high retail demand for clothing

"It seems a great pity, at this time of high unemployment, that a buoyant market sector for consumer goods — a rare occurrence after four years of recession — is not apparently being translated into domestic jobs."

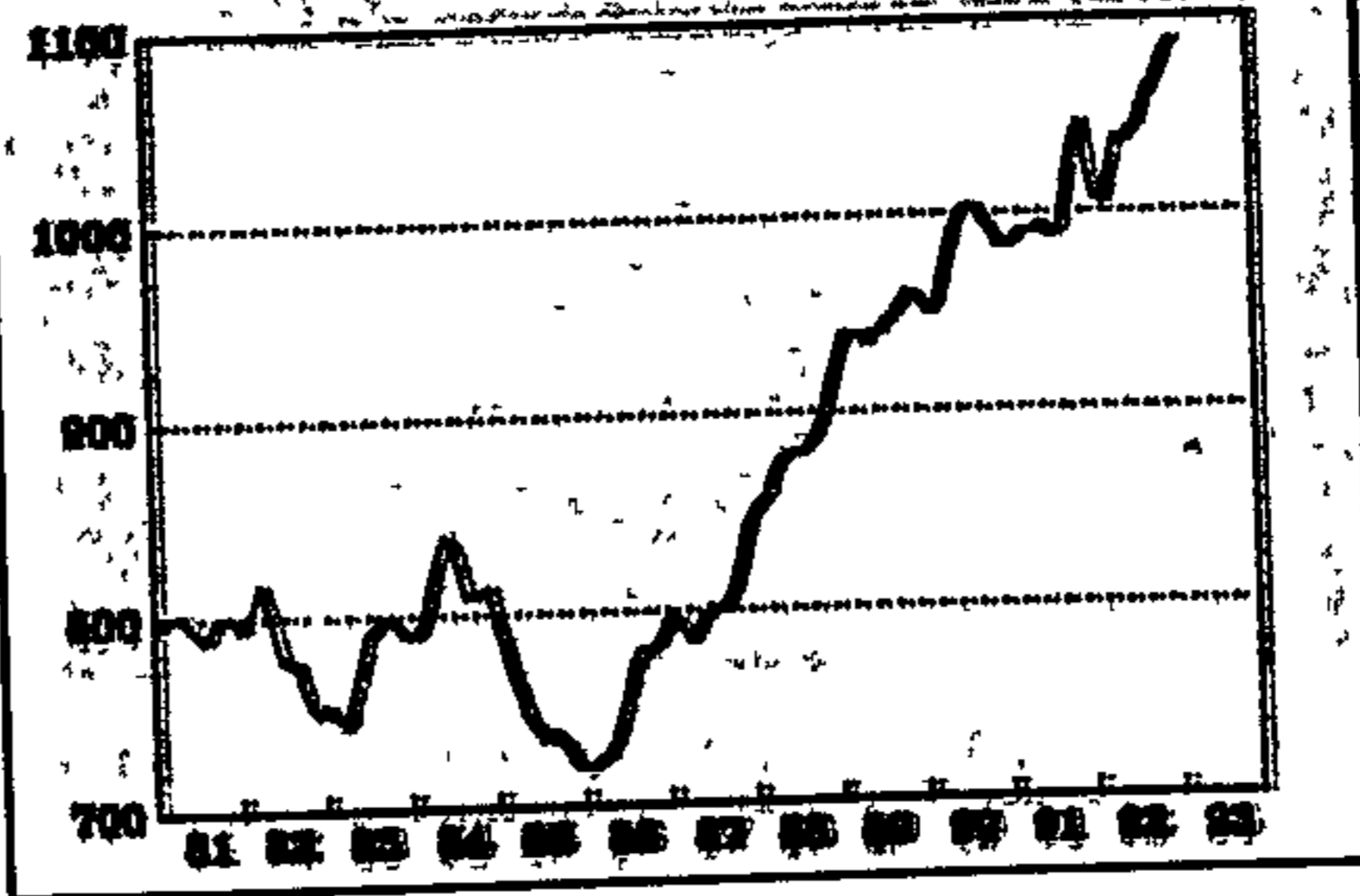
Van Coller says official statistics for the period January to September show that imports of duty-paid clothing fell from R187 million to R140 million from 1991 to 1992, but that imports under the Fourth Schedule rebates almost doubled from R76 million to R146 million, leading to a nine percent rise in total imports to R286 million.

But clothing manufacturers are still less severely affected than their cousins in textiles, who competed against R885 million worth of imports — equivalent to 50 percent of domestic market requirements

Van Coller blames this mainly on the high volume of imports brought in under the structural adjustment programme (SAP)

"It is clear that the SAP has been a disaster for the textile

RETAIL SALES - CLOTHING, FTW & TEXTILES (CONSTANT 1990 PRICES)



industry and, despite statements to the contrary, appears to have impacted severely on sectors of the clothing industry during the past year as well."

The SAP is effective until March 1994 and there is an estimated overhang of R500 million to R600 million worth of duty-free permits to be used before then.

Price increases continue to reflect the depressed state of the industry, with clothing producer prices up only 2,9 percent on an annualised basis over the last three months and textile prices actually declining by 2,4 percent.

At the retail level, the annualised increase was just 4,1 percent.

Van Coller says that demand in the cotton sector appears to have stabilised in the last few

months because of the new tariffs gazetted in November and because the differential in raw material input costs, particularly cotton fibre, compared with the world market, have narrowed in rand terms

But until the R600 million worth of SAP duty-free permits have worked through the system, it is difficult to foresee any significant upward movement in the cotton pipeline, he says

Things will improve next year if the Long-Term Planning Group comes up with a satisfactory recommendation for addressing the question of the cotton and polyester input prices

The imported competition in synthetics, particularly in lightweights, is extremely tough, but local manufacturers appear to be holding their own in industrial fabrics in both quality and price.

Interest bill drop helps Unispin reduce losses

B/Day 22/6/92

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UNISPIN, which featured among the five largest lossmakers in the industrial sector last year, significantly reduced its losses in the six months to end-March.

The knitting yarn manufacturer reported a loss of 8,3c a share from 60,6c in the previous year and 112,1c at the September year-end. Because of the loss for the six-month period under review, no interim dividend was declared.

The company said it had reached agreement to acquire the business of a competitor, subject to certain conditions.

Details and finalisation of the deal, which followed a cautionary announcement in April, would be announced as soon as the conditions were met. Unispin advised shareholders to trade with caution.

The improved results were achieved through a substantial reduction in operating losses and a lower interest bill, in spite of lower turnover.

Directors said the 10,4% decline in turnover to R52,7m from R58,8m was due to depressed economic conditions and the continued duty-free importation of knitted garments under the Structural Adjustment Programme.

In addition, turnover figures reflected

Unispin's strategy of rationalising its product range "to concentrate on those products that contribute positively to an increased margin".

The operating loss before interest improved to R3,3m from R8,5m in the previous year.

In financial 1992, Unispin embarked on a R120m debt restructuring which saw Consolidated Frame Textiles increase its effective stake in Unispin to about 30%.

The restructure of debt resulted in a substantial reduction in interest to R2,1m from R11,8m last year and "consequent strengthening of financial ratios". The attributable loss of R5,4m compared with R21,2m in the previous year and R50,4m at the September year-end.

Directors said providing there was no further decline in the economy and in the textile market, the group expected to trade profitably in the current six-month period.

The group had traded profitably since January and would recover most of the losses sustained in the first quarter, directors said.

The share closed yesterday at 23c from a 40c high a year ago and a December low of 10c.

Cape Meritex textile group trims losses

Deputy Business Editor

CAPE-based textile group Meritex has trimmed losses substantially during the current financial year, according to chairman and MD Ed Gordon

In the annual report released this week, Gordon said that given a reasonable level of political stability and no major adverse tariff changes, the group was confident this improvement could be sustained

Trading of the group was severely affected in the year ending January 31 1993 due to the recession, drought, political uncertainty and the continuing high level of low-priced and duty-free garment imports

Turnover for the year declined by 12% and group losses almost doubled at R7,5m against R3,6m the previous year

The group also experienced certain garment manufacturing problems, which Gordon said had since been remedied

1993 24/6/93

1977 April 26/6/93

Abbey set to creep out of the cloister

MARC HASENFUSS
Business Staff

PROSPECTS for the Abbey group in the year ahead might be tepid — but the free-flowing style of this week's general meeting went a long way to dispel notions that the group was facing an uncertain future

Abbey, which holds 58 per cent of property group Propcor and 79 per cent of textile group Fenix Industries, posted a R7.9 million loss in the year to end December

The efforts of the three group's directors to open the meeting to shareholders was refreshing and should be an example to most listed groups, many of which conclude AGM business in 10 minutes flat

For more than an hour, shareholders, directors, accountants and the media discussed almost every nook and cranny of the holding company and its operating subsidiaries — ultimately prompting the bold and reassuring statement from chairman Benny Rabinowitz: "There is absolutely no risk in our company"

In his annual review, he said that the group had exercised prudent cash flow and administrative management, and had maintained 'excellent' relations with its bankers and project financiers. "We are not flush with cash, but we are not under pressure"

The group looks set to creep quietly back into the black by year end. Mr Rabinowitz predicted modest profits but stressed that a dividend payout would be held back until group

debt was reduced to acceptable levels

Looking at Propcor, Mr Rabinowitz believed the group had taken the bad medicine during the past year and that the group was now soundly based to face the future

Propcor's capital base of the group was bolstered after the group acquired the remaining 50 per cent of Partners in property

Mr Rabinowitz said the group's fixed asset portfolio was independently valued, giving rise to a R11 million surplus which was transferred to non-distributable reserves

He pointed out that the bulk of Propcor's land stock has already been serviced at competitive prices, positioning the group favourably to take quick advantage of any improvement in the trading environment

Taking into account the underlying assets of joint ventures, Propcor's involvement in property exceeds R120 million

The property portfolio includes Golf Park (Mowbray), Longwharf (Cape Town), Boafdmans (Claremont) and three industrial parks in Epping and Paarden Eiland joint ventures include Constantiaberg Glose (with Bellandia), San Marina (with Rabie), Bokkenskloof and Grotto Bay (both with Cape of Good Hope Bank)

Propcor is also considering a separate listing for its two divisions. Mr Rabinowitz said investors were not looking favourably at Propcor at the moment in light of losses and no dividends. However, he believed that with the split the inherent strengths of each division would become apparent

The proposed split is still in the embryonic stage — but all options are still open

Moving to textile manufacturer Fenix, chairman Cedric Walton said management was confident of continuing the trend of improved trading achieved during the second half of 1992

In his annual review, he said new machinery continued to be installed, impacting favourably on quality and productivity

Fenix's Ivitex operation sold off its printing division in April for cash and a favourable supply contract. Directors at the AGM would not disclose the selling price, but said they were satisfied with the deal

The group's Landsdowne Textile division is currently under-utilised. Mr Walton said the capacity slack should be taken up as and when trading conditions improve

Da Gama ready to grow volumes

BIDAY 2/7/93

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DUMA GOUBULE

DA GAMA was well positioned to take advantage of improved demand in its niche markets because of its strong balance sheet, management excellence and continuing investment in technology, CE Harry Pearce said in the group's 1992 annual report.

He said Da Gama could substantially expand volumes should business conditions improve as its capacity was currently underutilised.

The clothing and textile group had excellent brands and strong market positions, especially in the core areas of workwear, home sewing, household textiles, interlinings and state and provincial contracts.

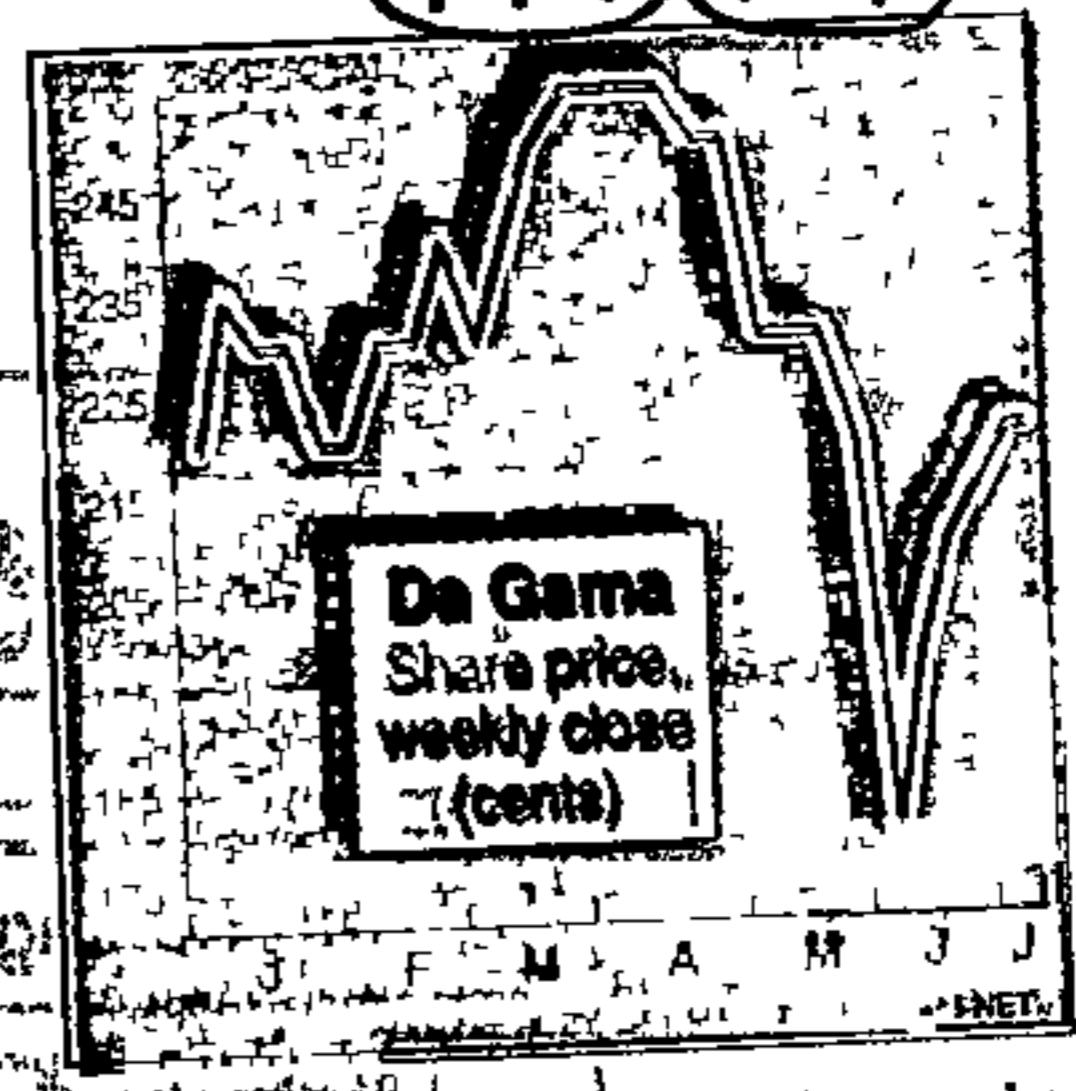
Management was continuing to focus on providing the best service to customers in the belief that this would be beneficial to the business of both parties.

Da Gama reported a 30% drop in attributable earnings to R21,1m on a 2% decline in turnover to R254,1m.

The performance was attributed to the deepening recession, intense price competition and large-scale importation of foreign fabrics.

Chairman Laurie van der Watt said in the report group earnings in the coming year were expected to approximate those of the past year, although no significant reduction in imports of foreign fabrics was likely to materialise.

Pearce said the group's key strate-



gic focus during the past year had been to improve working capital, reduce costs, institute a service excellence programme, increase market share of ethnic fabrics and improve design facilities.

Working capital had been reduced by R30m, R17m of which came from lower inventory holdings.

This had contributed to a R64m positive cash flow, which had improved an already sound balance sheet. Success had been achieved in meeting other strategic objectives.

Pearce said future sales in the apparel division depended on the state of the economy, fashion preferences and imports.

The household textiles division continued to show growth. This area had a promising future as housing became available to a greater portion of the population.

Da Gama's profits unwound last year. Earnings dropped by almost 30% and operating margins fell below 10% for the first time in seven years.

Laurie van der Watt, chairman of this SA Breweries subsidiary, says the "unabated large-scale importation of foreign fabrics resulted in a further real decline in textile manufacture in SA." About 45% of SA's requirement for cotton and man-made/cotton woven fabric is now being imported. Van der Watt also blames the poor results on the increase in clothing — particularly second-hand — imports.

In November the government announced increased import tariffs on yarn, fabric and clothing. Van der Watt says these have been largely nullified by the availability of duty-free import permits issued by the Board on Tariffs & Trade under the Structural Adjustment Programme.

In his 1992 review CE Harry Pearce said "Cash management is uppermost in our minds and improvement in stock turn is a major element in our plans for the coming year." These issues were indeed addressed in financial 1993: cash flow improved from 26,3c to 125,5c a share, borrowings were reduced by R6,7m to R5m and cash holdings increased by R36,7m to R39,6m. Most of the increase in cash came from a R30m reduction in working capital.

Production facilities were rationalised by consolidating finishing, dyeing and printing at one factory at Zwelitsha, eastern Cape, instead of the previous two plants. The full savings from this consolidation will be seen only in the latter half of the 1994 financial year.

Curiously, what neither Van der Watt nor Pearce mention in the 1993 review — signed on May 10 — is the strike which began at three of its textile plants at the end of March and which continued into May. Pearce says the strike was in the last week of the financial year and had no bearing on financial 1993 figures.

Financial effects

Da Gama was accused of paying its workers the lowest wage in the textile industry. Pearce says Da Gama's wages "may well be lower than textile wages in Durban but they are competitive in the geographic location in which the factories operate. This (Da Gama) is an international business and wages in China, Malaysia, Indonesia and India are considerably less than ours." The financial effects of the strike have not been disclosed.

Another point on which management remains silent is how much longer Da Gama will benefit from Ciskeian tax incentives which have kept its effective tax rate at 17,9%.

Just over three years ago the share price was almost R12. Now shareholders will receive a paltry 210c for their stock. The balance sheet is sound but investors will want to see an improvement in profitability and some assurance of a turnaround in the textile industry before considering buying. *Kate Rushton*

DA GAMA FM 2/7/93

Profitability unravelling

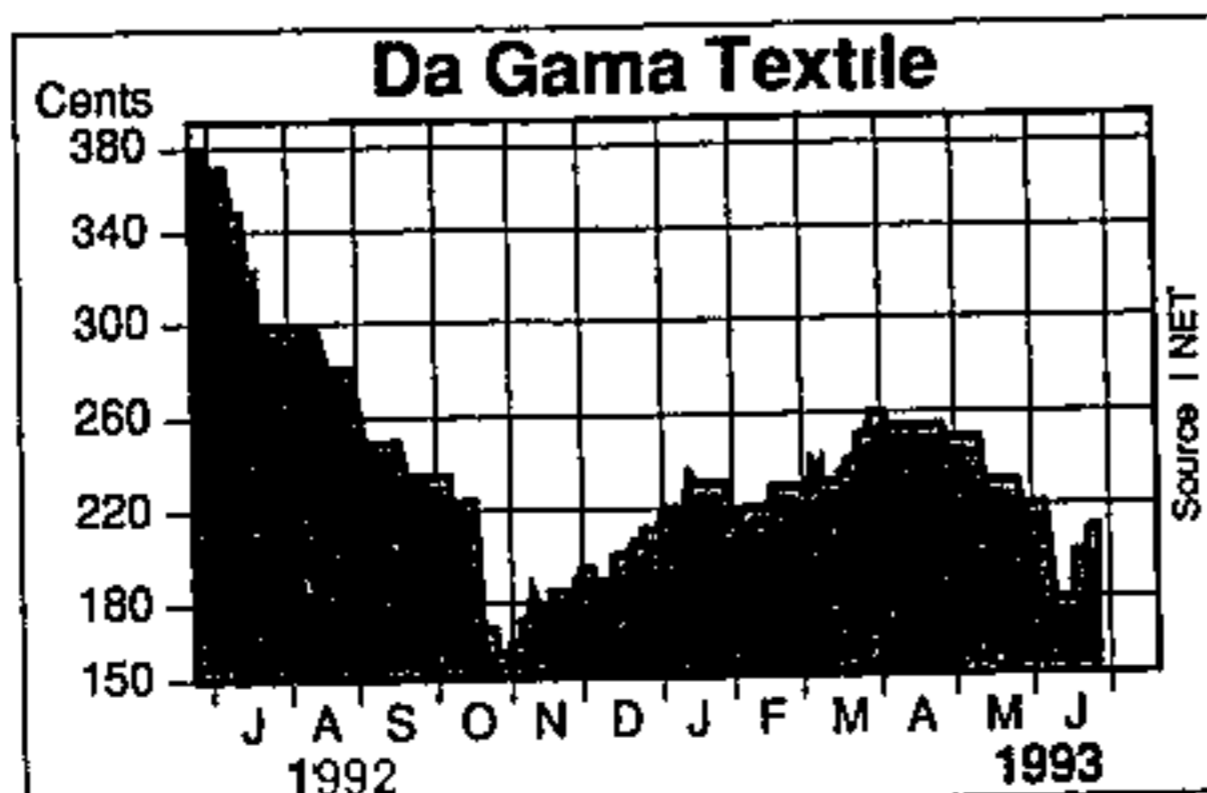
Activities: Textile manufacturer
Control: SA Breweries 60,7%
Chairman: L van der Watt, CE TH Pearce
Capital structure: 51m ords. Market capitalisation R107m

Share market: Price 210c. Yields 8,6% on dividend, 19,7% on earnings, p/e ratio, 5,1, cover, 2,3. 12-month high, 400c, low, 160c.

Trading volume last quarter, 2m shares

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	0,2	0,3	6,4	0,6
LT debt (Rm)	0,4	1,3	5,3	4,4
Shareholders interest	0,70	0,77	0,75	0,80
Int & leasing cover	n/a	n/a	44,0	n/a
Return on cap (%)	‡24,7	19,5	13,1	8,9
Turnover (Rm)	345	261	259	254
Pre-int profit (Rm)	87,5	50,3	37,4	25,1
Pre-int margin (%)	25,4	19,3	14,4	9,9
Earnings (c)	‡120	83	59	41
Dividends (c)	64,5	36,0	25,5	18,0
Tangible NAV (c)	339	386	420	443

‡ 15 month trading period † Annualised



Meritex faces another year in the red as losses rise

First-half recovery curbed after Tide Fabrics closed

MARC HASENFUSS
Business Staff

GARMENT manufacturer Meritex Holdings looks set to remain in the red for another year

Chairman and managing director Mr Ed Gordon told shareholders at an AGM in Cape Town today it was doubtful the group would move back into the black this year

He said that at this stage of the financial year it was difficult to estimate how much the group's losses would be cut

Mr Gordon said losses in the second half had increased on the back of the closure of the Tide Fabrics division

The increased losses were unfortunate as Meritex managed to reduce losses significantly in first-half trading

The group — which makes

underwear, hosiery, T-shirts and shirts — doubled its losses to R7,5 million in the previous financial year to the end of January

Mr Gordon stressed that the decision to close down Tide Fabrics was the correct one and that losses stemming from the Tide Fabrics closure were of a one-off nature

Second quarter turnover had also suffered since the assassin-

ation of communist party secretary general Mr Chris Hanu

However, Mr Gordon said turnover prospects looked slightly better for the rest of the year in line with traditionally stronger second-half sales

The group's recent restructuring should ensure an improvement in trading — provided the government did not introduce any major adverse tariff adjustments

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APLG 12/7/93

Local textiles ousted by imports

Sunday 12/7/93

MZIWAKHE HLANGANI

BUOYANT retail demand for clothing had failed to boost the domestic textile industry, as imports had absorbed the demand, Romatex strategist Jon van Coller said in the 1992/93 textile industry review.

Imports had won out as a result of a sharp escalation in duty-free permits in terms of government's structural adjustment programme for the clothing industry.

Van Coller said a surplus of between R500m and R600m in duty-free permits remained to be utilised before March 1994, the date until which the programme in its present form was effective.

He said it was difficult to foresee heightened local activity until this remaining R600m had been utilised.

He believed government's structural adjustment programme had been a disaster for the SA textile industry.

Although retail demand for clothing and textiles had continued to grow strongly, this had not been translated into local or-

ders. Clothing production in 1992 was 7% down on the year before. Textile production reported a 10% decline, and was nearly 30% below its recent peak in 1989.

The domestic market for woollen apparel had seen a substantial decline as a result of high wool price in recent years.

In synthetics, domestic apparel had experienced "tough competition from imported lightweights", he said.

Van Coller said the SA business cycle was showing early signs of bottoming, but this should be viewed against the political background.

A number of economic factors pointed towards improvement in the economy by year-end, and prospects for next year were good for the domestic textile industry if a political settlement was achieved without undue turmoil, he said.

Losses, write-off will affect Meritex results

CAPE TOWN — The once-off write-off of losses related to the closure of Meritex Holdings' tide fabrics division would affect the 1993 results of the clothing manufacturer, chairman Ed Gordon said in an interview after the company's annual review yesterday.

Over 200 workers were re-trenched as a result of the closure necessitated by Meritex's inability to sustain operating costs of the division, which was forced to compete with a flood of cheap imported fabrics. In the past 30 months Meritex's labour force had been cut by 56% from about 1 800 to 800, Gordon said.

He added that closure of the division would enable Meritex to cut its working capital commitments and bring down its high level of interest-bearing debt.

In his chairman's review Gordon said Meritex had embarked on a strategy to convert itself from a vertically integrated operation into a modular one to maximise its competitive ability. This change would require the closure of the fabrics division and the termination of outside fabric sales activi-

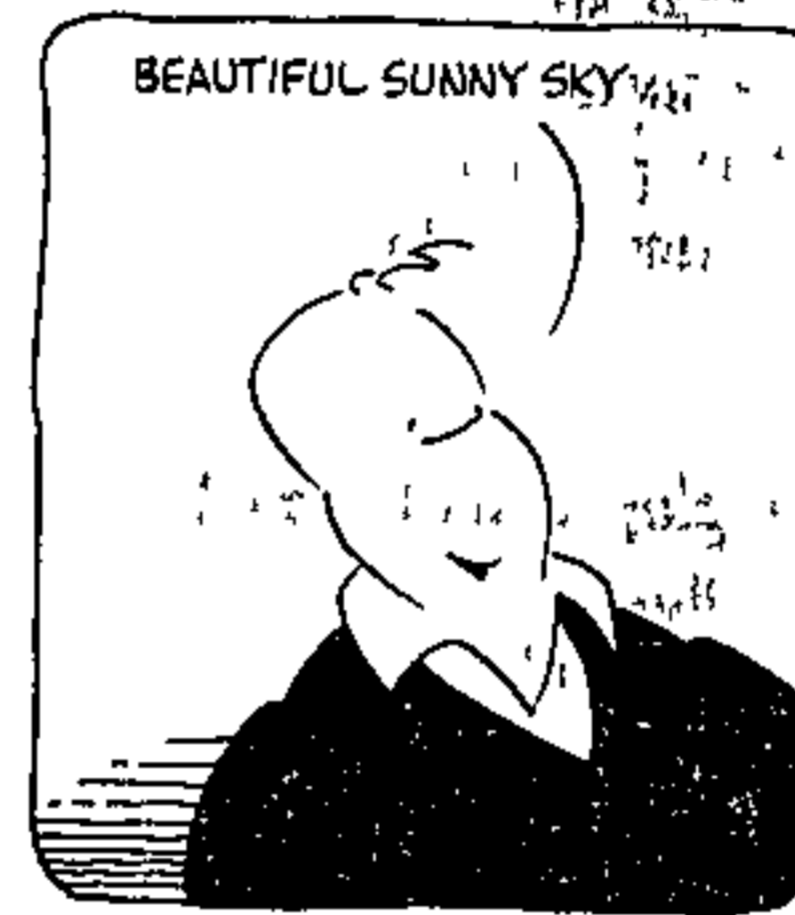
LINDA ENSOR

ties

Gordon noted yesterday that trading in the first quarter of the current financial year to end-January had resulted in a substantial reduction in losses. Trading in the second quarter had been as expected. Last year Meritex's turnover fell 12% and its losses doubled to R7,5m (R3,6m).

Gordon was not prepared to hazard a forecast about the annual performance, saying that delays in government decision-making on the future of the clothing and textile industries had left them in limbo.

EXECUTIVE SUI



Thousands of clothing, textile jobs go

By AUDREY D'ANGELO
Business Editor

THOUSANDS of jobs have been lost in both the clothing and textile industries while between R500m worth and R600m worth of duty free clothing and fabrics are expected to be imported between now and March under the Structural Adjustment Programme (SAP).

This is pointed out in the SA Textile Federation's Economic Review which shows that the number of jobs in the textile industry fell from 98 000 in 1989 to 89 000 last year.

The annual report of the Industrial Council for the Cape Clothing Industry shows that the number of clothing industry employees in greater Cape Town fell from 44 163 at the end of 1991 to 40 562 in 1992. In the same

period the number of manufacturers fell from 362 to 334.

But the number of jobs in the knitting industry in greater Cape Town rose to 5 269 from 5 146 and the number of manufacturers from 49 to 51.

In the past five years the number of people employed in the Cape clothing industry has fallen from 55 886 working for 450 manufacturers to 48 429 working for 402 manufacturers. The report says unemployment and short time working are increasing. At present "there can be little hope for an improvement in this trend without an early political settlement which might engender economic recovery and growth in the industry."

In the Textile Federation review economist Jan van Collier says there

are "a number of signals suggesting that the recession is drawing to a close." **997**

Van Collier says trading conditions in the textile industry continue to be depressed although mill production in the first quarter of this year was fairly constant at 75% of capacity.

"Retail demand for clothing and textiles continues to grow strongly but this demand is not being translated into orders from domestic clothing and textile factories.

"Manufacturing production for clothing in 1992 was 7% down on a year earlier and nearly 14% below its 1988 peak. Textile production in 1992 was 10% down on the previous year and 30% below its 1989 peak.

"It seems a great pity — at this time of high unemployment — that a buoy-

ant market sector for consumer goods is not apparently being translated into domestic jobs."

Van Collier says fabric imports of R962m constitute nearly 50% of the SA market's requirements.

He considers the provision under the SAP for exporters to import a proportion of duty free fabrics and clothing "has been a disaster for the textile industry and, in spite of statements to the contrary, appears to have impacted severely on sectors of the clothing industry during the past year as well.

"Unfortunately the SAP programme in its present form is effective until the end of March 1994 and it is estimated that an overhang of between R500m and R600m worth of duty free permits remains to be utilized before that date."

Conflict in Sibay 1973 textile sector

DUMA GOUBULE

THE National Clothing Federation has slammed the textile industry for spreading "dangerous untruths" to prevent government from lowering current high protection levels.

Federation vice-president Sadek Vahed said at the weekend the textile industry had to stop blaming imports and government's structural adjustment programme for the recession.

The textile industry was making a last ditch stand against government's intention to accede to GATT requirements to liberate trade by lowering current high protection levels.

He said the volume of fabric imports had dropped by 16% last year, while the textile industry's physical output had declined 11% over the same period.

Vahed said structural adjustment programme imports were negligible.

Textile union to support ANC election campaign

BIDAY 21/7/93

CAPE TOWN — The Southern African Clothing & Textile Workers' Union (Sactwu) agreed at its national congress at the weekend to use the union's organisational resources on a once-off basis to support the ANC alliance in the forthcoming general elections.

However, this support would be conditional on trade union delegates being fairly represented on the election list and on the inclusion in the election platform of basic worker rights such as the right to belong to trade unions, to bargain collectively and to strike.

Sactwu deputy general secretary Ebrahim Patel said yesterday that support would also be conditional on certain principles being enshrined in the constitution and in legislation. Provision would have to be made for centralised bargaining and national provident funds in each industry and a system of tripartite decision-making between government, capital and labour.

The congress also called for the termination of Cosatu's political alliance with the ANC and SACP as soon as a new constitution for SA had been agreed upon at a constituent assembly. Patel said this decision was based on Sactwu's commitment to trade union independence and on its

LINDA ENSOR

view that the trade union movement should negotiate with government through tripartite institutions.

Delegates affirmed the right of workers to belong to and vote for the political party of their choice.

The union adopted an economic policy based on principles of co-determination between capital and labour and social equity for workers rather than nationalisation. The policy envisaged the continuation of strong tripartite institutions such as the national economic forum in a democratic SA. Emphasis was placed on self-regulation rather than state regulation.

A coherent development strategy for industry was proposed rather than "big bang" market deregulation, and detailed policy proposals for the clothing, textile and leather industries were adopted. These covered a growth and investment strategy, productivity, training, technology, tariffs, industrial relations and a programme for small and medium enterprise development.

Congress condemned the effort by many black businesses to secure advancement on the basis of past disabilities under apartheid while at the same time exploiting workers and undermining social standards.

Sactwu changed its name to reflect the whole of southern Africa, taking the view that the southern African economy had in practice become a single regional economy and that trade union organisation should mirror this. Trade unions should protect worker rights in all countries in the region.

ERICA JANKOWITZ reports that Cosatu circulated an appeal to all affiliates late last week to contribute to its election campaign by paying a once-off levy to the federation.

Cosatu election co-ordinator Jesse Maluleke said this money would be used to fund Cosatu's proposed voter education campaign revolving around workplace training.

Maluleke said the federation would establish an election fund consisting of affiliate levies as well as foreign funding.

He suggested affiliates needed to "discuss how much they can contribute".

On the issue of releasing union leaders for election to political parties, Maluleke said Cosatu envisaged about 20 to 30 leaders being asked to stand for election.

However, no names had been put forward as selection would only take place in August during a special central executive council meeting.

Workers 'paid R12,50 a week'

CT 22/7/93 Own Correspondent (197)

DURBAN — Two Newcastle textile employers are paying their employees as little as R12,50 for a five-day week, the Southern African Clothing and Textile Workers' Union claimed yesterday.

This was a gross violation of the wage determination which stipulates minimum wages as approved by the department of manpower, senior union official Mr Mark Bennett claimed.

Both companies involved — Apollo and Ascendo — hotly denied the allegations and said they were paying their employees above the required minimum. However, Mr Bennett said there was documentary evidence to prove that an employee doing sewing at Apollo was paid R13,02 for six days, which worked out to R2,17 a day. The union also alleged that Ascendo paid a worker R12,50 for working from Monday to Friday.

● The Newcastle Chinese Chamber of Commerce said it had no control over its individual members, which include Ascendo and Apollo.

CLOTHING & TEXTILES

FM 23/7/93.

(197)

Oiling the squeaking wheel

FM 23/7/93.

Conflicting views between the clothing and textile sectors are nothing new. And with a new long-term policy for the two sectors in the process of being thrashed out, one might expect temperatures to rise.

But last week's three-page blast from Clothing Federation vice-president Sadek Vahed, aimed at recent Textile Federation allegations that the 1989 structural adjustment programme (SAP) for the industries (due to be phased out in March, 1994) led to "a sharp escalation in clothing imports", shows that both sides are more than a little tender.

The structural nature of the differences between the two sectors may require more than the wisdom of Solomon to resolve. Internationally, many trading nations face a similar dilemma — as was demonstrated to Board on Tariffs & Trade chairman Nic Swart on a recent visit abroad.

One example is that the proposals to reform Gatt's Multi-Fibre Agreement quota system allow for a 10-year adjustment period — much longer than that allowed for tariff reform in any other sector.

Swart says the Board's own interim proposals for structural reforms to the existing tariff structures pertaining to the two industries should be with Trade & Industry Minister Derek Keys by November following discussions at a four-day end of August panel meeting. "It will then be up to the Minister to decide whether he wishes to go public with our recommendations, but I would favour such a course of action," he says.

Meanwhile, the Textile Federation's 24-page *Textile Statistics and Economic Review 1992/93* may have inadvertently exposed one of the major causes for the conflict between the two sectors in SA.

Maintaining the local market revealed a sophisticated "First-World" demand for a high variety of textile products but at fairly

low sales volumes and per capita consumption, it added that "the inevitable result was that the local (textile) industry had to meet the requirements of variety at volumes that tended to push production costs up higher than those of its overseas competitors."

This problem, aggravated by "aggressive and often price-disruptive tactics of the principal exporting countries in the East," led to "the need to extend a degree of protection to the industry."

In reply, clothing industry spokesmen argue the textile industry should move out of low-volume, highly protected production areas and allow freer imports of fabric in order to reduce input costs for the labour-intensive, export-focused clothing sector.

Textile Federation executive director Brian Brink admits: "Ideally, SA should have a system of moderate to low protection against imports in the long term. Levels of 140% duty on clothing imports will have to be reduced." He says "long-term" could mean anything from Gatt's suggested five-year period to eight years, which would apply to "sensitive industries".

However, Vahed claims the textile industry is using "cry wolf" tactics in blaming most of its current problems on imports under the SAP. In order to encourage clothing exports, permits were issued to import duty-free textiles or clothing at values based on proven export revenues.

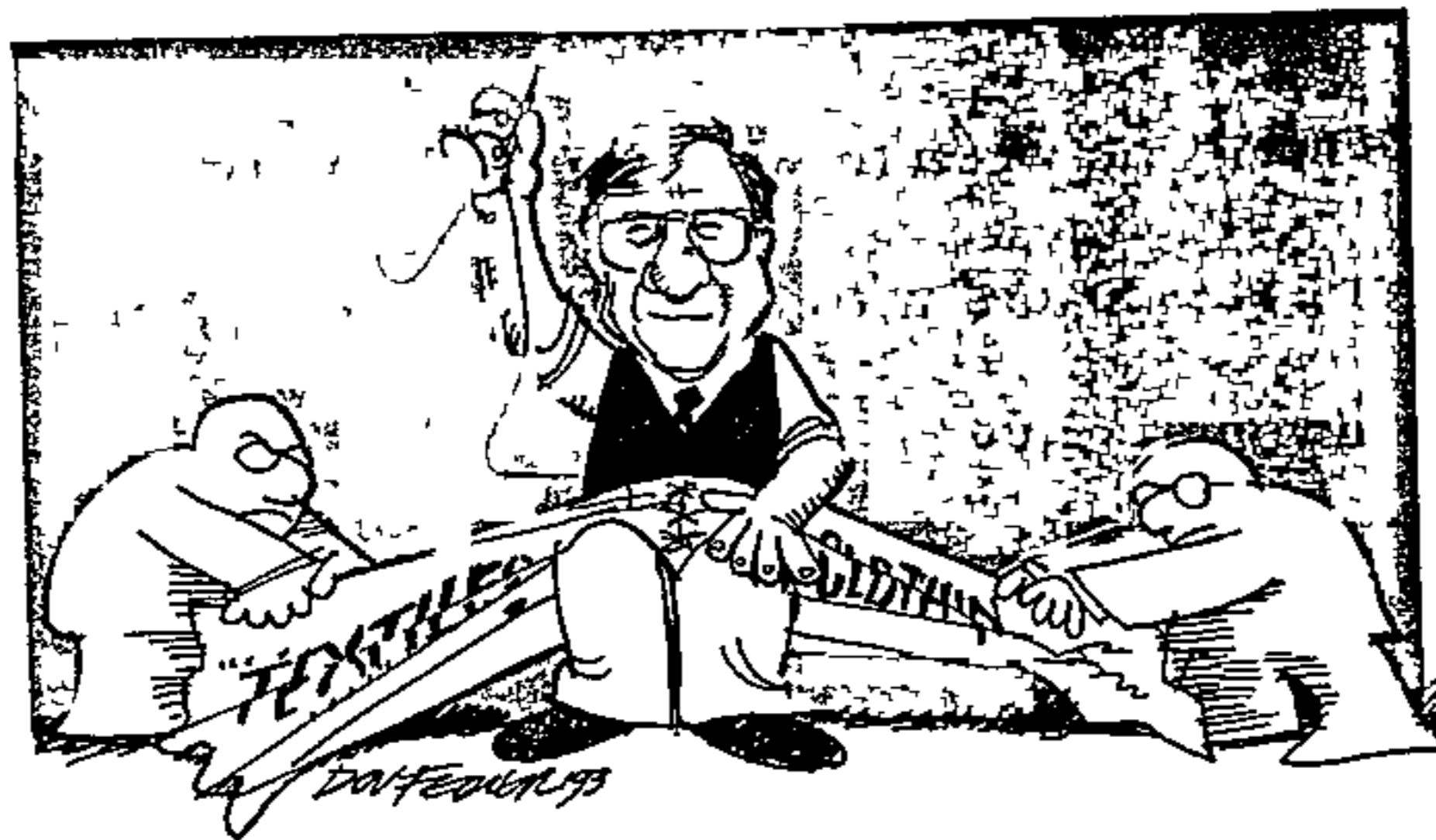
In addition, he charges the textile industry is using statistical "misinformation" in order to discreetly lobby government to extend the November 1 cut-off date for the so-called "band aid" increased 60% interim tariff protection it obtained last November.

"The reason for incorrectly blaming imports and the SAP for the current recession in the textile industry is obviously to make a last-ditch stand against government's intention to accede to Gatt requirements to liberate trade through the lowering of current high levels of protection," Vahed says.

The Textile Federation document refers to

Brink "seriously questions" Vahed's DTI figures, but admits that DTI is now vetting import applications more carefully and perhaps delaying the issue of SAP permits in the process. "Regarding the Gatt issue, we will submit our tariff proposals to government by the August 11 cut-off date," he adds.

But, with the SAP now on its way out, what should replace it? Brink says to be globally competitive against countries that subsidise and support their clothing and textile exports, SA should do the same. "We might have to look at subsidising raw materials and follow the US example of directly supporting their cotton growers. Or, if the general export incentive scheme is phased out, we could even consider interest rate subsidies."



1992 SAP-linked fabric and yarn imports of about R320m (compared with similar clothing imports of about R210m). But, says Vahed, these Customs & Excise figures are wrong. "The latest statistics we obtained from the Department of Trade & Industry (DTI) show that out of total 1992 fabric imports of just more than R1bn, only R61m, not even 6%, constituted SAP imports. Not only were SAP imports negligible, but they actually decreased since 1991."

SA Bias bounces back with earnings up 16.2%

CT 30/7/93
CT 30/7/93 (197/93)

By MAGGIE ROWLEY
Deputy Business Editor

AFTER reporting a hefty drop in earnings last year, SA Bias Holdings Ltd lifted interim earnings by 16.2% to R7.4m equal to 36.8c a share for the six months to end June.

Cape-based SA Bias, is the holding company for SA Bias Industries (SABIND), the country's largest manufacturer of trimmings and accessories to the clothing and related industries and banking, financial and commercial group Merhold.

The dividend has been raised by 11.8% to 9.5c a share in line with forecasts for 1993.

In spite of continued recessionary conditions in the group's major markets in South Africa, SABIND put in a strong recovery lifting earnings by 17.7% to R3.2m, equal to 11.3c a share

on a 6% increase in turnover. Restructuring of certain of its operations were complete and improved results were anticipated by the directors who are forecasting earnings of 33c (27.3c) per share and a dividend of 11c (10c) for the full year.

According to the director earnings for the full year are expected to rise to 88c (75.6c) a share with the total payout increasing by 3c a share to 25c.

Merhold earnings increased by 14.3% to 31.7c with all divisions performing on budget. An interim dividend of 10c a share up 11% on last year, will be paid.

The group disposed of its trade finance division to the new Republic Bank Ltd on July 1 in exchange for shares in the bank some of which had been disposed of to reduce its holding to below 49% as required by the Registrar of Banks.

Krugerrands

Cape Gold Coin Exchange

	Buyers	Sellers
1 oz	1365	1385
1/2 oz	690	710
1/4 oz	350	370
1/10 oz	140	150

Gold averages

Average London PM fix for year to Jul 28: \$352,25 (R1180,24).

ER'S TALE



resque Constantia Valley
usts and mellow fruitfulness
nor house crackling fires and
e aromas are beckoning
m is alive with the patina
wood and silver cutlery
is menu awaits
h menu - book now!

By MAGGIE ROWLEY

ATLANTIS-based Aries Packaging increased earnings by 47% to R608 000 for the six months to end June on an improved performance by the Transvaal operations.

Turnover was up 19% at R15.6m with profit before tax showing an increase of 56.6% at R1.2m

A heftier tax bill of R639 000, up 67% on the corresponding period last year reduced the increase in earnings to 5.5c a share from 3.8c previously.

The interim dividend has been raised 50% to 1.5c a share with the dividend covered 3.7 times against 3.8 times for the first six months last year.

CE Dieter Neckel pointed out that the improvement in earnings had to be seen in relation to the unsatisfactory performance during the first half of 1992 when substantial costs were incurred in the establishment and improvement of the Transvaal operations.

These operations which were opened in 1990 took longer than expected to get established. Neckel forecast earnings for the full year would show an increase of about 20% over last year.

"Very strict control of materials and other expenses has ensured a healthy bottom line"

No retrenchments had been implemented during the recession and in fact more people had been employed at the Atlantis plant bringing total employment in the group to about 275.

Aries bumps up earnings by 47%

Fm 30/7/93

Fm 30/7/93 COMPANIES

NINIAN & LESTER

Facing bare facts

Activities: Makes textiles, clothing and hosiery

Control: Directors 53,1%

Chairman: M R A McElligott, MD D M Drysdale

Capital structure: 3,2m ords Market capitalisation R17,6m

Share market: Price 550c. Yields 2,7% on dividend, 10,4% on earnings, p e ratio, 9,6, cover, 3,8 12-month high, 600c, low, 500c

Trading volume last quarter, 3 000 shares

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	5,2	7,3	16,5	16,4
LT debt (Rm)	4,0	4,3	4,4	4,0
Debt equity ratio	0,23	0,20	0,33	0,31
Shareholders interest	0,55	0,57	0,56	0,54
Int & leasing cover	3,7	3,6	2,6	2,1
Return on cap (%)	19,7	16,4	12,5	9,4
Turnover (% increase)	29,8	39,3	5,9	11,9
Pre-int profit (Rm)	14,3	16,6	13,8	11,2
Earnings (c)	262	182	119	57
Dividends (c)	73	51	31	15
Tangible NAV (c)	1 221	1 443	1 533	1 575

One would expect resistance to giving up wearing underwear and socks, even in these tough times. Apparently not — Ninian & Lester, maker of these basic products, saw earnings halved last year.

The 1992 year was characterised by short delivery periods, a thin order book, short time, reductions in staff complements including retrenchments — employment fell to 3 737 from 3 931 in 1991 — and tight cost controls (197) (197)

Trading income before depreciation, interest and finance leasing charges, fell to R18,8m from 1991's R21,2m. Pre-tax income fell from R9m to R6,2m.

Chairman Matthew McElligott says the outerwear division settled down reasonably well in new premises. Losses were about 70% lower than in the previous year. After the year-end the company stopped making ladies outerwear under the Leading Lady and Nina brand names. McElligott says these changes should enable improved performance, even profits, for outerwear in 1993.

With the continued pressure on margins, profits from the underwear division were almost a third lower than the previous year. Fortunately, the rugby jersey division had a busy year, its exports performance was notable.

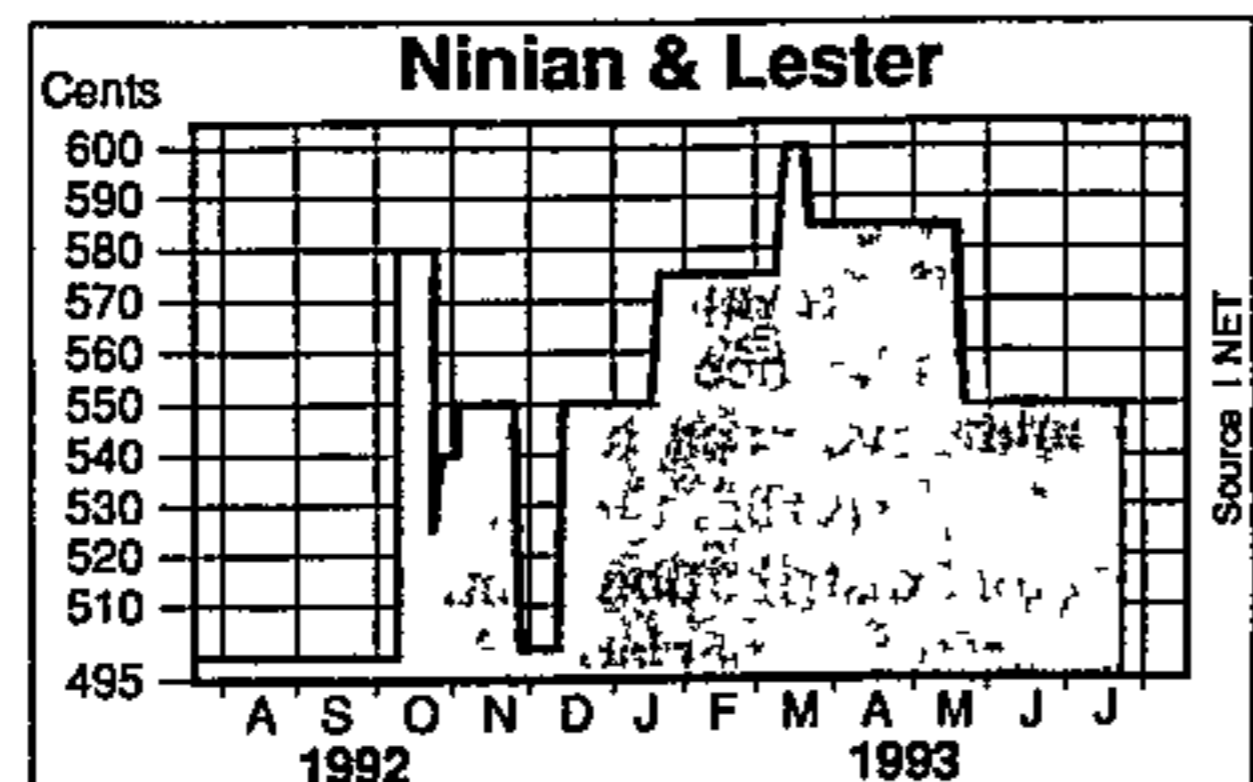
The hosiery divisions, too, posted lower profits. Both volume reductions and reduced margins reflected difficult trading.

Trading conditions have so far remained

at last year's low levels, order intakes this year are much the same as a year ago. Management is thus looking for similar profit for 1993 (197) (197)

EPS, at 237c only five years ago, now stand at 57c. At 550c, the share trades 65% below NAV. On a p e of 10,4, double the clothing sector's average, the stock appears fully priced.

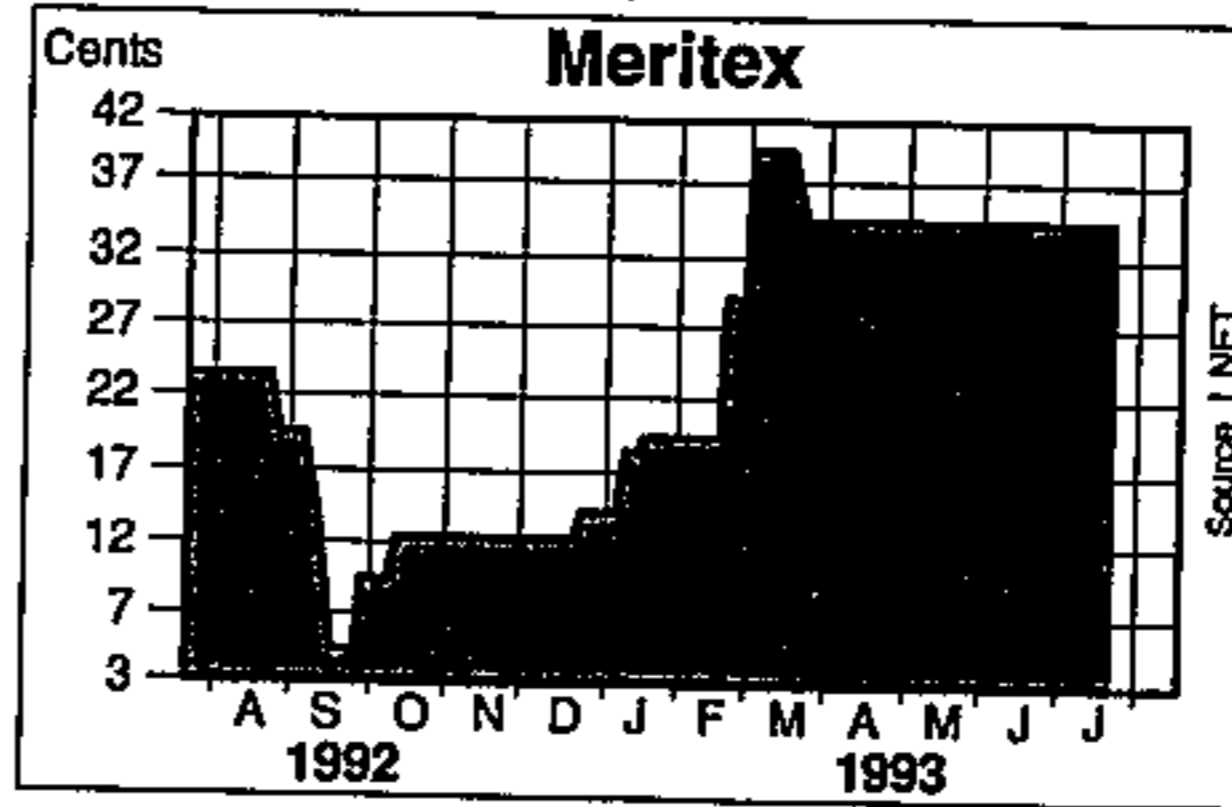
Kate Rushton



On top of this came slowing turnover growth and dwindling trading profitability, worsened by competition from cheap imports. The result was a 1993 loss of nearly R8m after extraordinary items. MD Ed Gordon blames the damage from imports on the Department of Trade and Industries (where four Ministers have been in office since 1989) and its Structural Adjustment Programme. **Fm 30/7/93**

Shareholders' funds, static at R16,2m for 1990 and 1991, fell to R12,9m in 1992 and to R4,2m in 1993. It was this rather than higher borrowings that caused gearing to rise.

Gordon reports that the closure of Tide Fabrics's manufacturing and outside sales activities will release working capital. This, presumably, will enable retirement of debt. Also, further rationalisation and staff cuts are planned. Staff have been cut to 800 from 2 000 two-and-a-half years ago. **197**



Gordon emphasises the crisis in Meritex was caused more by the cheap imports of basic garments than the operational problems of 1990. That is a moot point. Nevertheless, he says, since the beginning of financial 1994 losses have been substantially reduced and he is confident the improvement will be sustained. His previous profit predictions have been too optimistic. If he is wrong again, the outlook for the share will be bleak.

Gerald Hirshon

MERITEX Fm 30/7/93
Cutting the losses

Activities: Makes cotton-based textiles, underwear, leisurewear, and prints textiles

Control: Directors 59,8%

Chairman and MD: E Gordon

Capital structure: 15,7m ords Market capitalisation R6,3m

Share market: Price 40c 12-month high, 40c, low, 3c Trading volume last quarter, 179 000 shares

Year to January 31	'90	'91	'92	'93
ST debt (Rm)	10,3	9,2	9,8	10,3
LT debt (Rm)	2,8	2,5	2,5	4,0
Debt equity ratio	0,8	0,7	1,0	3,1
Shareholders' interest	0,4	0,4	0,4	0,2
Turnover (% change)	24,3	8,9	(1,8)	(12,1)
Pre-int profit (Rm)	3,0	3,6	(0,4)	(4,7)
Pre-int margin (%)	n/a	n/a	n/a	n/a
Earnings (c)	0,8	0,7	(47,8)	(22,8)
Dividends (c)	nil	nil	nil	nil
Tangible NAV (c)	100	100	77,3	26,9

A look back at the earnings record and changes in the financial structure of this textile and clothing company reveals how one mistake has damaged what was once a sound enterprise. **(197)**

In 1990, the ill-conceived introduction of computer technology into Meritex's Tide Fabrics and basic garment divisions caused bottlenecks and late deliveries which seriously hampered performance. Stocks leapt by a third, or almost R5m. The additional working capital had to be financed by debt, and gearing jumped from 0,30 to 0,80, the ballooning interest burden slashed profits.

Sasol Fibres at start of export drive

Star 1118193

■ BY SHIRLEY JONES

A trial consignment of acrylic fibres from Sasol Fibres at Prospecton, near Durban, was shipped to Mombasa, Kenya, yesterday.

The product of a venture started with the shipping to Durban and reassembling at Prospecton of a dismantled French factory, the consignment is expected to initiate export contracts worth R60 million.

Angus Napier, Sasol Fibres' marketing manager, says until the plant opened on June 24, acrylic fibre for the manufacture of knitwear, knitting yarns, blankets, carpets and furnishing fabrics had to be imported by African states.

Now, the plant, with production in excess of the needs of the home market, will sell two-thirds of its output to local clients and export the remaining third (197)

Napier says although Sasol Fibres has been producing about half of its range of fibres, the full range will be available by end-August.

Distributing samples on the local market coincides with the Mombasa shipment.

ABBEY/FENIX/PROPCOR
Fm 13/8/93
Still some way to go

(197)

Abbey:

Activities: Textile manufacturing, property development and trading, share trading

Control: Directors 78%

Chairman: B P Rabinowitz

Capital structure: 17,5m ords Market capitalisation R15m

Share market: Price 85c 12-month high, 120c, low, 60c Trading volume last quarter, 32 000 shares

Year to Dec 31	*'89	*'90	†'91	'92
ST debt (Rm)	14,4	8,1	20,6	18,2
LT debt (Rm)	0,2	0,3	23,2	28,0
Debt equity ratio	n/a	n/a	0,94	0,88
Shareholders interest	0,73	0,66	0,52	0,56
Int & leasing cover	2,3	2,3	nil	nil
Return on cap (%)	11,6	6,2	nil	nil
Pre-int profit (Rm)	13,8	5,1	(9,3)	(6,1)
Earnings (c)	39,1	14,3	(88,4)	44,4
Dividends (c)	16,5	180‡	nil	nil
Tangible NAV (c)	337	218	195	199

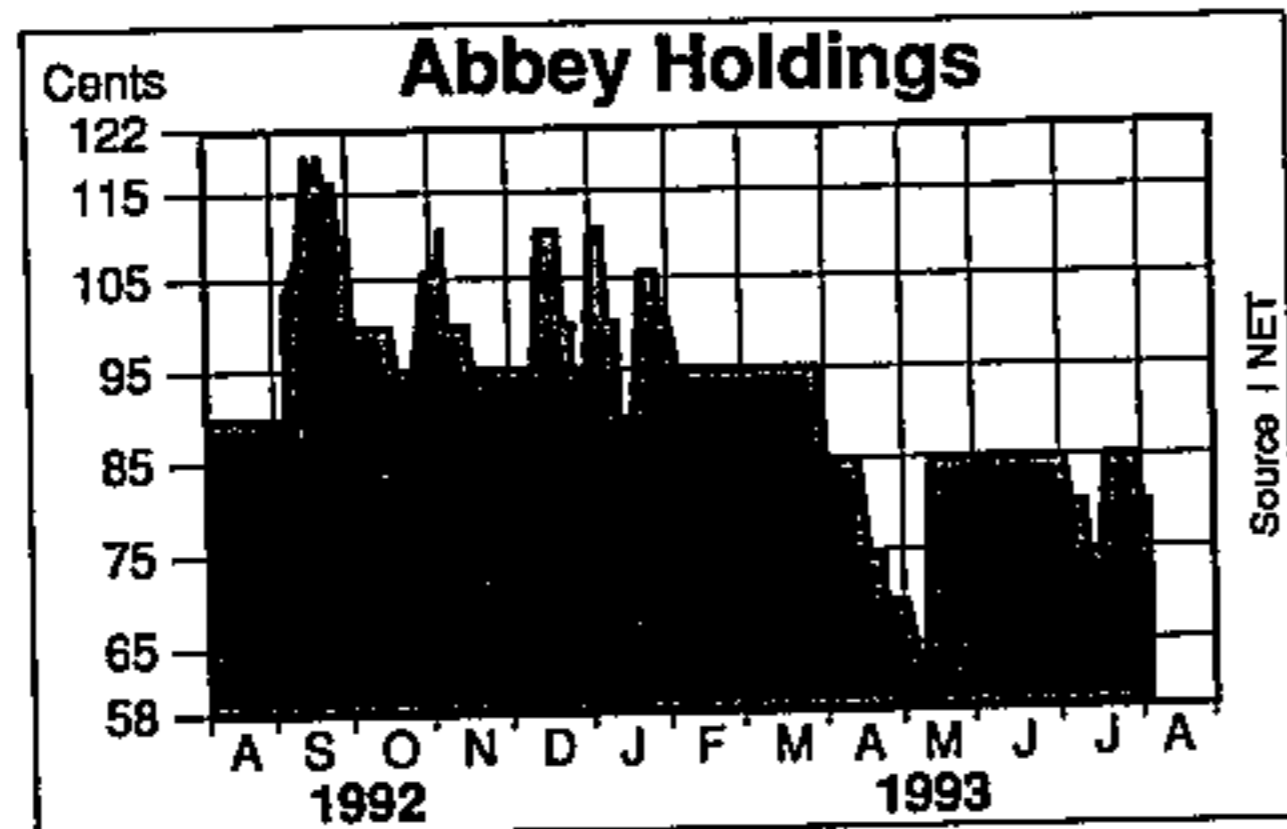
* Year-end June 30

† 18 months to December 31

‡ Special dividends of 162,5c plus ordinary dividend 17,5c

Chairman Benny Rabinowitz reportedly told the Abbey AGM "We are not flush with cash, but we are not under pressure" With debt equity above 1,0, and those of the two major subsidiaries at about 0,90, the "no pressure" part seems hyperbolic But the impression that the group is not yet out of trouble follows more from the losses of the past two years than from its present structure and asset composition

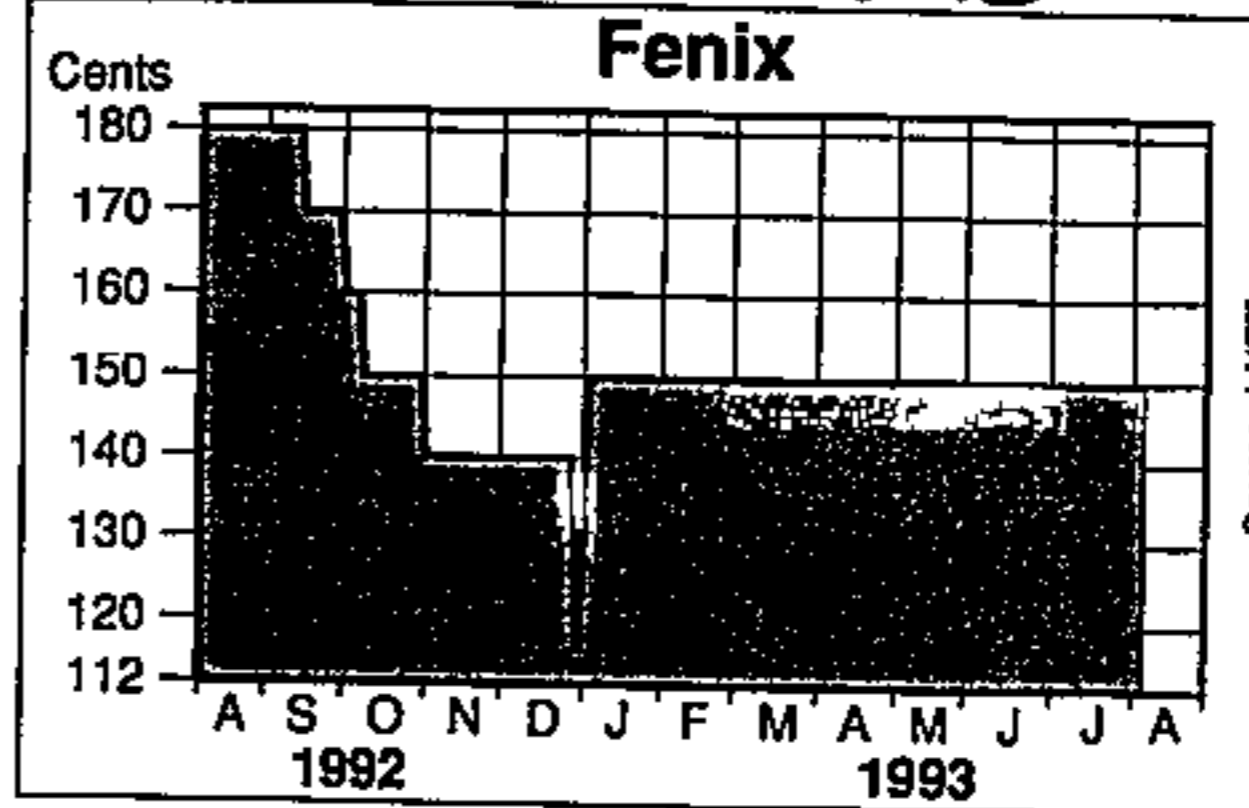
Having lost or written off R23m after extraordinary items in financial 1991 (18



Cont →

COMPANIES

Fm 13/8/93



(197)

Fenix:

Activities: Textiles manufacturing and dyeing

Control: Abbey Holdings 79%

Chairman: C L Walton, MD M J T Bryan

Capital structure: 11m ords Market capitalisation R16,5m

Share market: Price 150c 12-month high, 180c, low, 100c Trading volume last quarter, 4 500 shares

Year to Dec 31	*'91	'92
ST debt (Rm)	6,2	5,2
LT debt (Rm)	9,4	10,1
Debt equity ratio	0,7	0,9
Shareholders' interest	0,49	0,43
Turnover (Rm)	67,9	42,9
Pre-int profit (Rm)	(8,6)	(0,7)
Pre-int margin (%)	nil	nil
Earnings (c)	(87,4)	(31,2)
Dividends (c)	nil	nil
Tangible NAV (c)	182	158

* 18 months to December 31

months), the loss was limited to R7m in financial 1992 It amounts to a R30m diminution of shareholders' funds over the past two years, yet shareholders' interests — R44m at the 1990 year-end — are down by only R11m The deficit was absorbed by revaluing property assets

Propcor (58%-held by Abbey), lost an attributable R6,9m in 1992 and R950 000 in 1990 Fenix Industries (79%-held) lost almost R18m after extraordinary items in 1991 and R2,6m in 1992

Fenix swallowed medicine two years ago, when it shed unproductive investments, retaining two unlisted operating companies, Lansdowne Textiles, a commission dye house, and Ivitex, a textile knitter Propcor has adopted more conservative accounting policies

In 1992, Fenix swung the previous year's R6,7m operating loss to a R2m profit After depreciation which was higher than normal, profit reverted to a pre-interest loss of R673 000, the attributable loss was R3,5m

Rabinowitz says Lansdowne's performance has improved to the point where, though trading at roughly half of capacity, it is about breaking even He hopes any trading improvement with increased turnover could mean a good profit gain With the new conservative approach, he is not predicting this New investment in plant and equipment continues

Rabinowitz talks optimistically about Ivitex Under Fenix MD Michael Bryan, he says, production efficiencies have improved through asset management With increased turnover, Ivitex is profitable, but margins remain thin, it has gained market share

Scott offers R1 a share to Progress minorities

Star 13/8/93

■ BY DES PARKER

Racehorse owner and businessman Des Scott is to make an offer to buy out minority shareholders in Progress Industries, manufacturers of knitted fabric and apparel at Hammarsdale, near Durban.

Scott, who holds 18,2 percent of the issued shares in the company, is to offer R1 a share to minorities for their estimated 28 percent. The shares are currently quoted at 80c (197).

The notice said Progress's controlling Aronovsky and Jacobson families do not want to sell their holding, estimated to be 53,8 percent.

Neither Scott nor directors of Progress could be reached for comment and it was not clear whether the offer was aggressive nor whether the shares would be delisted if it succeeded.

The notice said Scott had told the JSE's securities regulation panel he had the financial means to pay out minorities if they accepted his offer.

Progress made a R6,16 million after-tax loss in the year to December 31, which it attributed to the effect of "floods of imports" of knitwear and fabric as a result of abuses of government incentive measures for the clothing and textile sector.

Scott founded and built up the Scotts Stores fashion chain, which he sold control of in 1982.

Frame improves in second half

Star 20/8/93

BY STEPHEN CRANSTON

Frame broke even in the second half of the financial year to June, with operating company Consolidated Frame Textiles reporting a loss of 23,8c per share for the year as a whole.

For the third year in a row no dividend is being paid.

After reporting an operating profit of R872 000 in the first half, the figure for the full year was R13,7 million.

Of the R22,8 million interest bill, R8,6 million was paid in the second half.

Chairman Mervyn King says that while there was a marked improvement over the year, the poor state of the textile industry was shown by the provisional liquidation of two major and long-standing customers in August, the second month of the current financial year.

The warning that the ill-conceived Structural Adjustment Programme of 1989 and the recession

would destroy the industry went unheeded.

"Senior clothing executives now acknowledge that the duty-free permit system proved to be destructive" (197)

Frame's sales fell four percent, but the improvement in trading enabled borrowings to be reduced by R58 million to R97 million.

King says the improvements were a result of management focusing on costs and efficiency.

Frame continues to be threatened by a high

level of imports. Yarn imports in the first quarter rose by 20 percent, with a 32 percent increase in cotton yarns.

Total yarn imports were 10 percent more than Frame's own yarn output.

Frame trades at a discount of more than 90 percent to net asset value and could provide a recovery opportunity.

But investors should wait until the outcome of the probe into the long-term future of the textile industry in November.

Company: Frame
Sector: Cloth, Textiles

SHARE PRICE: 70c
YEAR HIGH: 103c
YEAR LOW: 40c
Net asset value: 982c

MARKET VALUE: R39,4m
PE RATIO: —
Dividend yield: —

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	7,89	—105	—164	—
1992	6,52	—30	—74	—
1993	6,28	14	—8,6	—
% Change	—4	N/A	88	—

Frame cuts losses in tough sector

MARCIA KLEIN

MANAGEMENT's focus on costs and efficiencies enabled the Frame textile group to reduce its losses to 41,4c (238,8c) a share in the year ended June **BIDAY 2018/193**

Chairman Mervyn King said Frame continued to operate "well below capacity", for the high level of imported textiles had prevailed, and many factors had continued to negatively affect consumer spending

Turnover was 4% down at R628,3m (R652,2m) The group showed operating income of R13,7m from a loss of R30,2m in the previous year King said operating income, just R872 000 at the interim stage, had improved in the second half. **(197)**

Income before interest was R9,8m, compared with a loss of R36,3m in the previous year After a reduction in net interest and finance charges to R22,8m (R37,2m), the pre-tax loss was contained at R13,1m from a R73,5m loss in the previous year Working capital levels had improved, and borrowings had been reduced by R59m to R96m

Frame reported an attributable loss of R8,6m (R45,6m), and did not declare a dividend

King said the improvements resulted from management's focus on costs and efficiencies

The liquidation of two companies, which owed the Frame group R25m, evidenced the poor state of the industry Frame had made provisions for these two accounts in this and previous years

Speaking on conditions in the industry, King said "Warnings that the ill-conceived structural adjustment programme of 1989 and the recession would destroy the industry went unheeded Now even senior clothing executives acknowledge the duty-free permit system to be destructive"

The industry was expecting an announcement by the Board on Tariffs & Trade in November "about the long-term strategy" Meanwhile, the high level of imports continued King said yarn imports were currently about 10% larger than the whole of Frame's yarn output

Ninian & Lester earnings up

EDWARD WEST

Biday

KNITTED fabric products group Ninian & Lester's earnings climbed in the six months to end-June 1993 while profits were not expected to improve over 1992

Today's published results for the first half showed turnover up to R108,9m (R98,4m), but trading income was lower at R7,8m (R8m). Combined depreciation, interest and finance lease charges decreased to R6m (R6,3m) Tax dropped to R766 000 (R875 000) 2518193

Attributable income increased by more than a tenth to R430 000 (R378 000) Earnings a share amounted to 13c (12c) and the interim dividend was maintained at 4c

Results were expected to be similar to 1992 when earnings amounted to 57c a share. (197)

FRAME/CONFRAM
Fm 27/8/93
Shrinking the loss

There is light at the end of the tunnel for SA's largest textile maker, Frame, though admittedly it's dim and any improvement depends heavily on the outcome in November of government's proposed long-term strategy for the textile and clothing industries. Frame's operating arm, Consolidated Frame Textiles (Confram), broke even in the second half of financial 1993, reducing the loss a share to 23,8c (1992 131,4c) for the year (197)

Though volumes were down, resulting in a 4% decline in turnover to R628m, benefits of downsizing and realigning the business enabled Confram to achieve operating profit of R13,7m, a good turnaround on the year-ago loss of R30,2m. A R58m reduction in borrowings to R97m knocked R14,4m off the interest bill, which fell to R22,8m. Of this, R8,6m was paid in the second half.

Despite a lower tax charge, further improvement in the bottom line was constrained by downsizing costs of R4m and the absence of dividend income from Unispin. The depreciation charge was down to R34,4m (R48,3m). Attributable loss for the year was R13,4m, against 1992's loss of R73,9m. But this impressive turnaround was partly achieved by the reversal of a plant revaluation reserve. The more comparable improvement is R46,6m, rather than the reported R60,5m.

Analysts believe recommendations arising from the government's probe of the existing tariff and import structure are unlikely to help Frame much in the future. That raises the question of whether the group can compete against imports. In the first quarter of 1993, yarn imports increased 20%, the figure now represents 10% more than Frame's own yarn output. Cotton yarns imports rose 32%.

Financial director Robert Whiteford says two aspects must be considered: pricing the raw material, and its conversion. Whiteford says Frame has done much for internal economies of scale that has reduced the base cost of processing, but he concedes more can be done. Raw material continues to present major difficulties. Whiteford says the input cost is vital and that without subsidies similar to those afforded international competitors, the group will remain at a disadvantage.

FINANCIAL MAIL • AUGUST • 27 • 1993 • 103

Cont →

FOX

Fm 27/8/93

(197)

Immediate prospects are indeterminate. Whiteford says demand over the first two months of the new financial year has continued at about 70%. There's little room for confidence, and management is taking each

month as it comes. "We have our heads above water — just." Confram's profit potential depends entirely on the introduction of new tariffs — and that means, in effect, a form of subsidy. However, Confram has the

ability, once its plant is being used adequately, to produce exponential growth in profits.

Confram's share price, at 75c, trades at a discount of more than 90% to NAV. While this may provide a recovery opportunity, disillusioned investors will be waiting for an opportunity to sell. That may come when the long-awaited announcement on future strategy for the industry is finally issued.

Marylou Greig

Textile concerns delay GATT offer

B/D ay 27/8/93

GRETA STEYN

CONCERN over job losses in the textile industry, caused by tough trade reforms, was holding up the finalisation of SA's tariff offer to GATT, a Trade and Industry Department source said yesterday.

A Trade and Industry spokesman confirmed that SA was unlikely to meet GATT's August 31 deadline, but said the delay would not be significant. He said trade reform plans for the motor and textile industries still had to be finalised.

Sources said serious consideration was being given to doubling the tariff on imported textiles to 60% from 30% at the end of the reform period. This would require a lowering of tariffs for other industries to bring the average in line with GATT criteria. The motor industry, at present the most heavily protected, might have to give up its 60% rate. Motor industry sources had indicated to government that they could live with a 50% rate.

Overall, tariffs might be cut by an average of 40% in terms of the final offer, compared with about 35% in government's original draft.

When the draft was released, labour's representative at the National Economic Forum, Alan Hirsch, expressed concern

that the offer amounted to "a cold shower of liberalisation". He was concerned that the motor industry had been singled out, and noted that the textile, clothing and footwear industries were facing more dramatic reforms than the motor industry.

In terms of government's draft, all tariffs will be cut in equal stages over five years to maximum levels of 0%, 10%, 15%, 20% or 30%, depending on the type of product. Final consumer goods would carry the highest tariffs, while intermediate and capital goods would be lower and raw materials the lowest.

The offer to be handed to GATT will be SA's third attempt to please the world trade watchdog.

The first proposal was more lenient because it included only 40% of tariff "headings", or import categories. The latest draft binds 99% of tariff headings.

SA's trade regime would also be simplified in terms of the new draft offer. Import quotas would be phased out and variable rate formula duties scrapped. The number of industrial headings would be reduced from more than 10 000 to about 4 000.

Textile concerns stall GATT offer

Own Correspondent

(197)

CT 27/8/93

JOHANNESBURG — Concern over losses in the textile industry flowing from tough trade reforms was holding up finalising SA's tariff offer to GATT, a trade and industry source said yesterday

A Trade and Industry Department spokesman confirmed SA was unlikely to meet the 31 August deadline set by GATT, but added the delay would

not be significant. He said the trade reform plans for the motor and textile industries still had to be finalised

Sources said serious consideration was being given to doubling the tariff on imported textiles from 30% at the end of the reform period to 60%. The move would require a lowering of tariffs for other industries to bring the average in line with GATT criteria. The motor industry, at present the most heavily protected, might have to

give up its 60% rate. Motor industry sources had indicated to government that they could live with a 50% rate.

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When the draft was released, labour's representative at the National Economic Forum, Alan Hirsch, said the offer amounted to "a cold shower of liberalisation".

New forum for textile trade

Sowetan 30/8/93

A NATIONAL industrial council for the clothing industry is to be established in 1995

This follows an agreement reached during this year's clothing industry negotiations which have just ended,

according to Mr Johnny Malebo, national chairman of the textile shop stewards council of the South African Clothing and Textile Workers' Union (SATWU)

He said employers in the industry

had this year proposed a wage freeze but this was opposed by the union

"We resisted the move after employers had come up with a loose forum which does not compel them to join any bargaining structures

Fenix achieves strong turnaround to profit

BT Day

3/18/93

LINDA ENSOR

CAPE TOWN — Textile manufacturer Fenix Industries achieved a strong turnaround in the six months to end-June, with earnings a share of 1c compared with a 27,4c loss in the previous period.

At end-December 1991 and 1992, Fenix reported losses a share of 31,2c and 87,4c respectively. It broke even in the second half of last year.

However, the Abbey Group subsidiary has decided not to pay an interim dividend as it needs to conserve its cash resources.

Chairman Cedric Walton said while he was optimistic about the swing to profits being maintained in the second half of the year, there was no possibility of a final dividend being declared either. This would make it three years since Fenix last declared a dividend.

Walton attributed the return to profitability to strong growth in turnover, which seemed to indicate the group was gaining market share. Turnover figures are not provided, but at operating level the company produced an income of R1,3m compared with a R1,6m loss in the previous period. Attributable income amounted to R114 000 (loss of R3m).

Walton said the decision to sell the printing division earlier in the year at a satisfactory price had enabled Fenix to trade at a profit and improve liquidity. Long-term liabilities and provisions fell to R9,9m (R11,4m), he said.

"Turnover has increased considerably and although operating margins are under pressure, management is confident that

profitable trading will continue during the second half of 1993. New machinery is being installed in the knitting division, which will impact favourably on quality and productivity."

Our Cape Town correspondent reports that director Justin Schaffer said times were "still very tough, and while the profit is a modest figure it nevertheless is a significant turnaround against the flow of the economic river". (197)

Fenix has two major operating subsidiaries. They are Lansdowne Textile Industries (LTI), believed to be the largest and most diversified commission dye house in SA, and Ivitex Knitting Mills.

Fenix bought LTI out of provisional liquidation in July 1991 and the directors say they have turned it around.

Schaffer said the textile industry in general was still under very severe pressure from imports and domestic competition — and manufacturers were being squeezed by suppliers and by the retail chains.

"Margins are slender and remain under pressure from raw material suppliers seeking higher prices."

"The only way that textile companies can survive and improve their profitability is by investing in state of the art machinery, skills training and improving productivity at every level of their trade."

"Fenix management is committed to this strategy, which is proving very successful," Schaffer said.

Abbey's Fenix back in the black

CT 31/8/13 (197)

By AUDREY D'ANGELO
Business Editor

FENIX Industries, the textile company in the Cape-based Abbey Group, returned to profitability in the 12 months to June 30.

It reported an attributable profit of R114,000 compared with a loss of R1m in the first half of last year. Operating profit was R1.2m compared with a loss of R1.6m.

Earnings at unit levels were compared with a loss of 27.4%. Turnover was not disclosed but the director said it was 60% higher than in the same period last year.

Director Arthur Schiller commented that times were still very tough and while he profited a modestly, it was not the result of a significant turnaround in the flow of the economy.

Fenix has two major operating subsidiaries. They are Lau-dome Printing Industries (ITI) believed to be the largest and most diversified company in the house in SA, and Ivitex Knitting Mill.

Fenix bought ITI out of provisional liquidation in July 1991 and the directors say they have now succeeded in turning it around.

The success of the group is attributed to an expanded customer base, a cost reduction programme, productivity improvements and a dedicated commitment to quality and customer service.

"During the year ITI sold off the machinery in its printing division, which had been operating at a loss for some time."

"Management can now concentrate on the core business of the group."

Schiller said the textile industry in general was still under severe pressure from imports and domestic competition — and manufacturers were being squeezed by suppliers and by the retail chains.

Margins are very slender and remain under pressure from raw material suppliers seeking higher prices for fuel and other textile inputs.

The retail chains, at the other end of the pipeline, vigorously try to resist the results of inflationary cost increases.

The only way that textile companies can survive and improve their profitability is by investing in state-of-the-art machinery, full training and improving productivity at every level of their trade.

Fenix management is committed to this strategy, which is proving very successful.

TEXTILES AND CLOTHING
Fm 3/9/93
Tackling knotty issues

The clothing and textile industries have fought for years over tariff protection and imports. Clothing companies want low tariffs on textiles so they can make clothing as cheaply as possible. Textile manufacturers want high tariffs so they don't have to compete with more-efficient overseas firms.

Last week representatives of the two sides went into seclusion for four days at Edgars' head office in Johannesburg to thrash out their differences. Even with the help of an American professor, who addressed the group on conflict resolution, the powwow was something akin to civil war, according to one participant. Board on Tariffs & Trade chairman Nic Swart says, however, he's returned from the retreat more optimistic about ending the dispute.

"I believe that the opposing positions of the two parties are moving closer together and that a measure of accommodation is taking place," says Swart, who also chairs the working group devising a new long-term government strategy for the two huge industries. "I intend spending the next two months virtually full-time on the strategy and hope to present our final report to Trade & Industry Minister Derek Keys by November."

Swart admits that this report will not include a recommendation on the thorny tariff issue, only proposals on a less-divisive industrial strategy that will outline how government can help the industries to upgrade their technology, training and productivity, reduce costs and compete globally. The strategy will also include recommendations from a Department of Agriculture committee that is looking at whether government should subsidise cotton production. Just as the clothing people complain about the high cost of their inputs, the textile makers gripe about the high price of their inputs, such as cotton.

Swart says he's been forced to divorce the issue of how to reduce textile tariffs gradually from the overall industrial blueprint and that another interim, one-year tariff schedule, beginning November 1, will have to be implemented. "We had to separate the tariff issue from the industrial plan. But the two industries are continuing their discussions and various committees are looking into the problem areas." He says the long-term tariff policy, together with the industrial strategy, should be in place by January 1 1995.

The clothing industry, however, is not hopeful. "The textile industry is still pushing for delayed implementation of a five-year tariff plan, even though both parties originally agreed on a five-year reform plan in 1989," says a spokesman.

Fortunately, new thinking is now emanating from the textile industry. Writing in the latest *Textile Topics* newsletter of the Textile Federation, retired textile chief, Abe Frame says "How terribly disappointing to find that one-and-a-half years after interim

(197)
protection has been granted, large sections of our industry, both textile and clothing, have not taken advantage of the respite (from imports). They have neither adjusted nor attempted to make any changes in order to face the reality of the international textile trade in the next five years. The writing on the walls is so bold and clear after the recent developments with Gatt (which is pushing for lower tariffs) that if we cannot compete internationally, then serious consideration should be given to cutting losses and closing shop as soon as possible."

This lesson seems to be lost on federation president Mervyn King who writes in the same issue "There is no need to accelerate the commencement date of the phase-out period (for tariffs), or to apply a shorter period than eight years to any sector of the textile pipeline. Unrealistic duty levels (low tariffs), duty-free permits, duty credit certificates and special trade agreements still in the system will cause the final collapse of the industry."

King warns that this will be entirely the fault of Swart's board. But if the industry ever did collapse, the board would probably receive more bouquets than brickbats. The industry's demise would certainly be a boon for consumers and, in the long run, for the country. Jobs and wealth would be created as resources and spending power shifted into efficient industries. For once the power of an industry long coddled at the expense of everyone else would be broken. ■

Double protection for textiles, clothing

From GRETA STEYN

JOHANNESBURG — Fear of major job losses in the clothing and textile industries caused government to rewrite its tariff reform offer to GATT, providing much more protection from imports than envisaged in the draft package.

The Trade and Industry Department yesterday confirmed the proposals for the clothing and textile industries were changed substantially from the original reform proposals released in July. A spokesman said the maximum tariff protection for clothing at the end

of the reform period had been doubled from 30% in the draft proposal to 60% in the latest offer. Analysts said this would make it the most heavily protected industry.

Household textiles would phase in to a tariff rate of 45% in terms of the new package, instead of 30%. Fibres, yarns and fabrics also received a more lenient deal.

The spokesman said textiles and clothing would receive a longer phase-in period than the five years originally envisaged. A possible longer period of up to eight years

was on the cards for certain industries.

The motor industry remained heavily protected in terms of the revised offer, but its tariff rate had been lowered from 60% to 50%. Employment considerations were understood to have played a major role in determining the rate and the time to phase in reform. Motor vehicles and certain inputs in the industry would enjoy a longer phase-in period, the spokesman said.

Other categories to receive a more favourable deal were domestic

appliances and white goods, electric motors and generating sets, the television industry, synthetic rubber and a few chemical products.

ANC trade policy consultant Alan Hirsch said the clothing and textile industries were major employers, and the effect on jobs in terms of the original plan would have been severe.

The decision to moderate the cut in tariff protection was appropriate, given the short and medium-term social considerations. At the

same time, the industries still had the long-term potential to be competitive. The protection levels were not out of line with international experience. If the impact of trade reform on jobs was less severe than projected, SA still would have the option to reduce tariffs from the maximum levels in the GATT offer.

Trade and Industry emphasised the proposed tariff rates were maximum levels and the phase-down periods the maximum length of time needed. The proposals for the clothing and textile industries still were subject to confirmation

1971 2/7/91

COMPANIES

TEJ suffers 37,5c a share loss

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

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

Turnover was marginally higher at R36,2m (R35m), but operating profit dropped to R682 000 (R2,5m) An interest bill of R1,6m brought the pre-tax loss to R892 000 from a profit of R666 000 in the previous year **2119193**

TEJ had been affected by erratic delivery, poor-quality performance from the

MARCIA KLEIN

local textile industry, and raw material problems Also, the continued importation of large volumes of knitwear and clothing had seriously affected TEJ's market.

Exports were now a significant part of its business. It was awaiting a decision on the replacement of an export benefit scheme due to end in March. Directors said this incentive was a key element in establishing export prices **(197) (197)**

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

Strebel sinks deeper into red

Biday 29/9/93
EDWARD WEST

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

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

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

Gearing increased to 58,2% from 45,3%. The attributable loss was R1,21m (R635 000) (197).

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

... Jack Lindstrom



LOCAL MEALIES, EXOTIC TASTE: Snack Factory's Stephen Silberman and Craig Lowenthal Picture: DAVID SANDISON

Singaporean group snaps up Tongaat mill

TONGAAT Textiles has sold its fine yarns manufacturing subsidiary, Prilla Mills, to the Tolaram Group of Companies of Singapore. **S Times**

The sale price is roughly R11.5-million — the mill's net asset value. The deal is believed to be the largest investment in South Africa from Singapore. **[BUSS]**

Tolaram will make further investments in expanding and modernising the Maritzburg-based mill, which is uncompetitive by world standards.

The deal marks the start of a thrust by Tongaat-Hulett to boost its business relations with the fast-growing Far East market. **3/10/93**

Group MD Cedric Savage says plans are in progress to open a representative office in Beijing ahead of the South African-Chinese exhibition in March **(1997)**

Prilla Mills was not considered a core activity of Tongaat-Hulett and the group says it had been reluctant to increase its investment in this

By ZILLA EFRAT

uncompetitive operation. As a result, it looked for a buyer who could make the required investment and preserve as many jobs as possible.

Singaporean trade authorities say Singapore companies are looking for labour-intensive foreign investments in countries which have not fulfilled all their quotas into North America and Europe.

Meanwhile, Mr Savage says the Tongaat-Hulett Group board has approved further investments at its David Whiteheads factory in Tongaat aimed at technology advancements and quality improvements for exports

"New bleaching and preparation equipment will be installed during December and this will lead to further growth in the capacity and quality of decorated fabrics for both local and export markets," he says.

Popcorn for a market bursting with potential

By ZILLA EFRAT

A FLAVOURED ready-to-eat popcorn war is about to erupt in a bid to capture a slice of the R1-billion-a-year snack market.

Popcorn company Baker Street launched its Jumpin Jack and Diddle Daddle ranges in July and The Snack Factory will put its flavoured products on the market in six weeks' time.

Cape Town-based Cornfields has been in this niche market for about two years. There is also talk of the entry of one of South Africa's major snack food producers, but this could not be confirmed this week. **S Times**

South Africans will be able to choose from flavours like butter, white cheese, spicy cheese and glazed caramel. **[BUSS]**

The Snack Factory and Baker Street developed their own flavours after investigating winning tastes from the US and Europe. They expect growth in flavoured popcorn to follow trends in the US market. **3/10/93**

Baker Street director David Mostert says the US popcorn market is worth about \$1.5-billion a year. The ready-to-eat section of this market grew 12.5% last year, but sales of microwave and unpopped popcorn shrank.

Flavoured popcorn is expected to score with consumers because it is healthier than many other snack products. It is lower in fat and calories and higher in fibre. But the two local companies have taken different approaches

towards developing the SA market.

Cape Town-based Baker Street imports its corn from the US where, Mr Mostert says, the corn is especially developed for popcorn. The company, which was opened six months ago by Mr Mostert and two breakaway Simba directors, will also use the latest packaging technology

However, The Snack Factory director Craig Lowenthal says. "We do not see any need to import the corn. We will source the corn from farms in KwaNdebele and grade it ourselves with local labour"

The Snack Factory is associated with Bettafresh which produces a wide range of fresh food products

Bettafresh MD Stephen Silberman says "We are not going for hi-tech packaging as this will increase costs. We have developed our own packaging which gives the product a shelf-life of 12 to 15 weeks. Our aim is to cater for a new tradition of customer to whom we will offer value for money"

The Snack Factory, which also produces flavoured peanuts, has built a factory in KwaNdebele, while Baker Street has spent about R10-million on buildings and equipment in Cape Town.

Frame chief optimistic for business in new SA

ARG 4/10/93 (197)

Business Staff

THE private sector has a better chance of prospering in the new South Africa than in the old, says Frame Textiles chairman Mervyn King

Speaking at a conference on US investment in the new South Africa in New York, Mr King said the political changes had taken place in a situation in which the commercial infrastructure and economy had remained intact

The economy had survived in spite of the economic warfare launched against it through sanctions, the severe drought and having no access to international loans

Government debt was 45 percent of national income, compared with a 68 percent average for the OECD countries

The end of the Cold War meant that African states had lost their bargaining power with the West and East and increasingly African states were now looking to South Africa as their main source for trade, in-

vestment, technology and expertise

South African companies had already moved into the southern African states in infrastructural building and rebuilding and repair programmes

These included projects such as the construction of the Lesotho Highlands Water Project, the rebuilding of Mozambique's Cahora-Bassa hydro-electric project and the rehabilitation of tourist projects such as the Polana Hotel in Maputo

Development aid would be given to South Africa and a well of money which had been built in South Africa would be spent on housing, infrastructure and other capital projects

South Africa's status in Gatt has been changed from a developed country to a country in transition

There was a great likelihood that first world countries would give South Africa preferential rights of entry for its manufactured products.

There was no commercial infrastructure in Eastern Europe but in South Africa there was an excellent chance of successful upliftment

Trade preferences should be given to South Africa, which had moved away from practising human wrongs to practising human rights

South Africa exported \$100 million of clothing and textiles to America and Europe

This compared with Malaysia which exported \$2,5 billion worth, Indonesia \$6,5 billion and Thailand \$5 billion

Entrepreneurs had already realised the potential in South Africa

The French Bull Group had bought Mohawk Computers, the hotel group Accor has concluded a joint venture with Southern Sun to build Formule 1 hotels and Liquide-Air had announced a R100 million development

Board 'rushing textile industry'

Biday 6/10/93

FRAME Group Holdings chairman Mervyn King has accused the Board on Tariffs and Trade of wanting to rush the textile industry into an unduly tight duty structure.

In his annual report King said the Trade and Industry Department was adopting a pragmatic approach to GATT discussions. It accepted that the textile industry was a sensitive one, and that duties should be phased out over eight years from January 1995, he said.

"The board, as the final arbiter on tariffs, has contrary views and wants to rush the industry into a duty structure" This would be implemented earlier, over a shorter period and at lower rates than GATT required.

"If the board announces a duty structure which knocks the final nail into the textile coffin, it will not be able to escape the charge that it was to blame for the destruction of an industry which employs 90 000 people and supports 220 000 jobs in secondary industries"

He said the board had indicated that the period for the interim ad valorem specific duty structure for textiles would cover two years, until end-October 1994

The intention was to give the industry a two-year respite from the "devastating" effects of the board's structural adjustment programme, introduced in 1989. (197)

However, the board was contemplating ending that respite period at the end of this month

"They are contemplating it although they know that their band-aid has not stopped the bleeding in the industry because of the overlap of some R500m in duty-free permits, issued by the board for the period April 1993 to March 1994," he said.

He saw no material return to profit this year and would be content with stemming losses. Frame posted an attributable loss of R8,59m in the past year

He said the two major factors governing a return to profit were an upturn in the economy and an equitable long-term industry package within GATT parameters, which would have to take account of structural problems in the economy

He did not envisage any significant upturn in the economy this year

The shape of a package for the industry, which needed aid to create jobs, rid itself of its export bias and become internationally competitive, was in the board's hands — Reuter

Own Correspondent

PORTELIZABETH. — In yet another multi-million rand coup for the East Cape region, Port Elizabeth-based manufacturer Industex yesterday announced a R55m joint venture with German company Corovin

The latest announcement, described as a "great achievement" by MD Francois de Selliers, comes in the wake of several other positive business developments in the region during the past month

The venture has the potential to create at least 35 jobs in the first phase — but will have a significant effect on job opportunities in related industries

Export opportunities to south east Asia, Europe and Latin America could also arise from the deal

Corovin is a world leader in the manufacture of non-woven composite textiles. The combined move makes Industex SA's top technical textile manufacturer and the first company in the country with

Industex nets R55m deal with Corovin

a major involvement in the manufacturing of spun-bonded roll goods from polypropylene

The R30m first phase — a highly sophisticated plant and production line — will be erected in the Port Elizabeth-Uitenhage area

Local operational and maintenance staff will be trained in Germany for six months and the plant should be on-line by late 1994 with an expected capacity of 2 000 tons annually

Besides exports, this production line will also represent substantial import replacement

The second phase of the venture entails a second production line due for completion by early 1996

PHOTO COURTESY OF COROVIN

Tariff lobbying alleged

LINDA ENSOR

CAPE TOWN — The National Clothing Federation believes 11th-hour lobbying by the textile industry has taken place behind the scenes to prevent the Board on Tariffs and Trade from announcing a revised interim tariff structure this week. **Biday**

Board chairman and Clothing/Textile Task Force chairman Nic Swart had given an undertaking to decide on the revisions by this week, federation executive director Hennie van Zyl said yesterday.

Van Zyl said he had heard the textile industry was trying to abort the revised structure and had apparently taken the matter up with government.

Textile Federation executive director Brian Brink said his organisation had not been involved in any lobbying, and he knew of no lobbying by individual

textile manufacturers.

An interim tariff structure that imposed an average duty of about 70% on imported fabrics was introduced last November. Clothing manufacturers complained. **7/10/93**

Textile manufacturers reluctantly agreed to a 10% cut in duties for 1994 while the clothing federation wanted a 50% reduction. The decision was left to Swart. **(197)**

Clothing federation president Aaron Searll criticised statements by Frame chairman Mervyn King in his recent annual report.

Searll said the clothing and textile industries had agreed to abide by Swart's decision "and to refrain from further unproductive rent-seeking and lobby efforts".

SA rag trade row over tariffs flares up again

Business Staff

THE bitter dispute between the clothing and textile industries has flared up again.

National Clothing Federation president Dr Aaron Searll describes statements in the Frame Group annual report by chairman Mervyn King as "misleading and inaccurate"

Also, Shirish Som of the Consultative Business Forum describes Frame as one of the "spoilt brats of apartheid because of a history of feather-bedding with the government" to set high textile tariffs

Mr King says the Board of Tariffs and Trade wants to rush the textile industry into an unduly tight duty structure

The Department of Trade and Industry is adopting a pragmatic approach to Gatt discussions, recommending that duties be phased out over eight years from January 1995

The board, however, wants to implement a duty structure earlier, over a shorter period and at lower rates than Gatt requires

"If the board announces a duty

structure which knocks the final nail into the textile coffin, it will not be able to escape the charge that it was to blame for the destruction of an industry which employs 90 000 people and supports 220 000 jobs in secondary industries," says Mr King

The board has indicated that the period for the interim ad valorem duty structure for textiles should cover two years until end-October 1994 to give the industry a two-year respite from the "devastating effects" of the board's structural adjustment programme introduced in 1989.

The board is considering dropping the respite period at the end of this month, even though its efforts have not stopped the bleeding in the industry as there is a R500 million overhang in duty-free import permits

Dr Searll says the clothing industry is different from the textile industry as it consists largely of small businesses which are labour-intensive and operate on small margins

As a result of the ever-increasing protection granted to the textile industry, it has been

shedding more than 1 000 jobs a month over the past two years

He says protection does not save jobs, but rather protects and encourages inefficiency and hence can only lead to massive job losses.

Dr Searll claims that the current high duty levels of 70 per cent on fabrics are only designed to stay in place until this month and are to be reduced progressively from now on

In return for tolerating high duty levels on its inputs, the clothing industry was promised a rebate facility in terms of which it can import fabric without having to pay duty. This important "sweetener" never materialised

Dr Searll says that duty-free permits have had little effect on the textile industry as they account for just five percent of fabric imports.

The majority of these permits are used to import clothing, not textiles.

Ironically, Dr Searll is a director of Frame and in June last year became a major shareholder in the group

1997

ARC 7/10/93

Fm 15/10/93

nobody, particularly the consumer who could be left to pick up the tab

There is still no answer to the question as to whether a company such as Frame (one could just as easily pick any other link in the chain) can hope to earn a return on funds employed. Management's success to date has been based, firstly, on weeding out most important loss-makers and, secondly, on improving efficiencies of the remaining business units.

The turning point for the group was its decision to end blanket manufacture and the sale of this division with effect from the start of the 1992 financial year

As *pro forma* figures prepared at the time of the sale showed, the immediate effect was to reduce 1991's losses by almost half. This was confirmed by the 1992 results, which saw the attributable loss reduced from 533c a share to 239c. In the 1993 year a further cut-back of operations, improved efficiencies and a change in accounting policies involving a reversal of asset revaluations saw an end to the flow of red ink.

The loss of 41,4c for the full year occurred entirely in the first half; breakeven was achieved from the start of the 1993 calendar year

Other achievements of 1993 included re-establishment of a positive cash flow of almost R20m compared with a cash outflow of R24,4m the previous year, and a further reduction in net borrowings from R178,6m to R112,8m. This, despite shrinkage of the permanent capital base, brought debt:equity down from 0,3 to 0,2.

While the group has established a more stable base, progress from here is less certain. As King notes, the two prerequisites for a return to profitability are a more favourable tariff structure for the textile industry, and an upturn in the economy. His conclusion in each instance is that nothing much is likely to happen on either front to benefit the group this financial year, and consequently he appears to expect little more than a modest profit.



Frame's King ... what's wrong with the textile industry?

FRAME GROUP Still in the vice

Followers of Frame are likely to have been left with mixed feelings after digesting the latest annual report. On the one hand, there must be considerable admiration for management which, under extraordinarily difficult circumstances, has succeeded in staunching losses. Against this, must also be the realisation that no company can prosper in an industry that is structurally unsound — and is likely to remain that way.

Chairman Mervyn King again goes to considerable trouble to explain what is wrong with the textile industry *vis-à-vis* tariffs and imports, and how Frame believes imbalances and distortions should be addressed. But the crux of the problem lies in the fact that any new dispensation needs to take into account the requirements of at least four different interest groups: cotton growers; textile makers, the clothing industry; and the consumer.

Given that the interests of these groups are opposed, any solution is going to involve compromise which may, in the end, satisfy

Activities: Textile manufacturer

Control: Seareg Investments (37% of voting capital)

Chairman: M E King; MD: W Simeoni

Capital structure: 20,8m ords. Market capitalisation R35,4m

Share market: Price 170c. 12-month high, 250c, low, 150c. Trading volume last quarter, 423 000 shares

Year to June 30	'91	'91	'92	'93
ST debt (Rm)	213,8	154,6	157,4	98,5
LT debt (Rm)	14,5	13,2	23,2	16,1
Debt:equity ratio	0,31	0,23	0,30	0,20
Shareholders' interest	0,58	0,66	0,67	0,71
Int & leasing cover	n/a	n/a	n/a	0,4
Return on cap (%)	(10,1)	(6,4)	(4,1)	1,2
Turnover (Rm)	789,1	657,9	652,2	628,3
Pre-int profit (Rm)	(121,9)	(68,1)	(36,3)	9,8
Pre-int margin (%)	(15,6)	(10,5)	(5,8)	1,5
Earnings (c)	(533)	(293)	(239)	(41,4)
Tangible NAV (c)	2 300	2 306	1 870	1 798

† Actual

* Pro-forma (excluding blanket division)

Fm 15/10/93 (97)

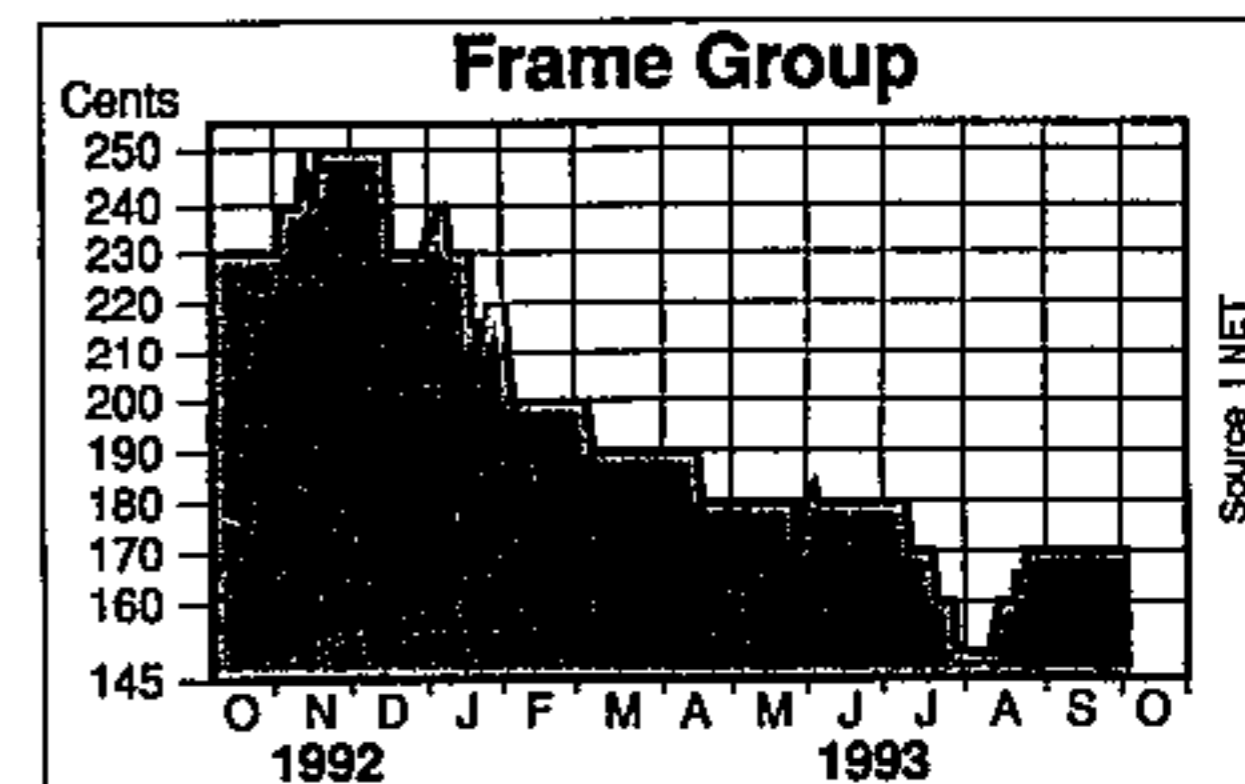
What's really worrying is that it is not even certain whether Frame would benefit from improved trading conditions. True, this would enable it to absorb unused capacity (now about 30%), but on present indications the costs of higher activity could easily swamp the additional revenue.

Though the group has succeeded in reducing its ratio of net working capital to turnover from 48% to 41,5%, even a 10% increase in sales could without any inflation-based adjustment to stock values require an additional R26m in working capital — 1,3 times last year's cash flow.

Financing working capital out of borrowings while the group earns only 1,4% on funds employed (excluding interest-free liabilities) can hardly be considered an option. The potential crunch is further emphasised by the fact that the current 1,5% margin on sales would imply additional profits of only R1m from a 10% sales increase, against an additional R4m interest charge if the higher working capital requirement was entirely financed with debt.

A return to real profitability is almost entirely dependent on the establishment of a dispensation for the textile industry that would allow groups such as Frame to earn a competitive rate of return on funds employed. Only then will it have the financial flexibility to benefit from an upturn in the economy needed to justify plant capacity.

It is, perhaps, this realisation that has been responsible for the continued crumbling of the share price despite the improved 1993 results. Since the *FM's* review of the 1992



10/93

(97)

annual report, the price has dropped 26% from 230c to 170c, and the discount to net worth has widened to over 90%.

Brian Thompson

Individual liquidations plunge to 30-month low

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

The data showed individual insolvencies continued on a downward trend in the year to July, falling 40% from a previous decline of 26.2%. On a cumulative basis insolvencies slipped 9.6% from the same period last year, the CSS said. **B/Bow 1910/93**

But company liquidations were up 11.7% in the eight months to August compared with the same period last year. So far this year the average number of company liquidations a month was around 220, from 201 in 1992. **B/Bow 1910/93**

The positive news on the company side was that forced liquidations as a percentage of total liquidations fell to 79% in August from last year's average of more than 90%. **B/Bow 1910/93**

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

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

The improvement in the credit situation of individuals could explain why com-

KELVIN BROWN

panies were still falling at a high rate, said Doig. Companies were being knocked even further by the reluctance of firms to build up stock levels because of the uncertain environment they operated in.

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

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

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

The negative factors were still outweighing positive elements. "While the economy may have bottomed technically, the forced shorter-term perspective of businessmen in the light of political uncertainty is hindering any significant upturn."

He expected overall economic growth for this year to be down 0.5% from last year and was not optimistic about the situation next year.

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

New clothing, textile tariffs are criticised

LINDA ENGBR

CAPE TOWN — Long-awaited adjustments to the clothing and textile tariff structure were announced yesterday by Deputy Trade and Industry Minister David Graaff. **B/Bow 1910/93**

The amendments, which drew sharp criticism from the clothing industry, are expected to be gazetted this month. A Board on Tariffs and Trade statement said the board had decided, as a short-term measure, to reduce ad valorem duties on clothing and textiles by 10%; not to change the maximum specific duties; and to cut the minimum specific duties by 18% for yarn, woven and knitted fabrics and by 10% for clothing and household textiles. **B/Bow 1910/93**

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

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

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

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

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Clothing, textile duties to fall

JOHANNESBURG — The Board of Trade and Tariffs (BTT) has recommended that most duties applicable to SA's textile and clothing industry be lowered.

In a statement released yesterday, Trade and Industry deputy minister David Graaff said the amended tariff structure was a short-term measure that would last from November 1993 through to December 1994.

However, these intermediate measures would be the starting point of a longer-term strategy aimed at the industries becoming internationally competitive.

"The BTT was of the opinion that no ad hoc adjustments, that may lead to further uncertainty, should be made," he said.

The 10% reduction in ad valorem duties should be left unchanged, maximum specific du-

ties should not increase while minimum specific duties be reduced to the nearest five cents.

The latter recommendation would result in a 15% reduction in the minimum specific duty of yarn, woven and knitted fabrics, and a 10% reduction for clothing and household textiles.

"A few upward adjustments had to be made to rationalise and standardise the tariff structure."

(97)CTA/143

New clothing, textile tariffs are criticised

LINDA ENSOR

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NEWS IN BRIEF

Cray computers for SA

SA company Cordata would import Cray Research supercomputers, Cordata announced at a ceremony at the US Embassy in Pretoria yesterday.

The supercomputers, worth about R1,5m each, were extremely powerful and could be used in a wide range of endeavours, said Cordata sales manager Paul Castle.

Commercial crime

THE SAP's Commercial Branch had opened 25 134 dockets by July 31 this year, representing a potential loss to the economy of R5,72bn, a police spokesman said yesterday. In addition, the Office for Serious Economic Offences was investigating commercial crimes involving R2,3m.

Workers reinstated

DURBAN's Royal Hotel has unconditionally reinstated about 280 employees dismissed after a strike over Christmas bonuses began five days ago, MD Charlie Cable said yesterday.

Natal Liquor and Catering Trade Employees' Union general secretary Leela Reddy said: "Management and the two unions will carry on discussing the bonus issue until it is resolved."

Police campaign

THE SAP yesterday launched Operation Awareness, an initiative intended at reducing the number of vehicle collisions and crimes over Christmas.

The operation, according to police liaison officer Rob Askew, would involve increased numbers of patrolling officers, aircraft and police caravans on holiday routes.

Ravamp for Beitbridge

THE Beitbridge border post between SA and Zimbabwe would be upgraded with a new freight complex and improvements to existing buildings to expedite the handling of tourist traffic, Deputy Finance Minister Theo Alant announced yesterday.

REPORTS Business Day Reporter, Sapa Own Correspondent.

Retailers expect sales to improve

BIDAY 2011/193

KELVIN BROWN

MAJOR retailers are optimistic that the downturn in the retail sector is over and predict that sales in October will be at their highest level since May last year.

However, they caution against any strong recovery in the near future.

Data released yesterday by the Central Statistical Service indicated that SA's 100 major retailers expected real seasonally adjusted sales in the three months to October to be up 2,5% from a decline of 0,4% in the quarter to July.

Over the same period last year retailers predicted that sales would increase 1,4%.

Economists said the figures were further evidence of a recovery in the economy. But they warned against expecting a major increase in sales until consumer confidence had improved dramatically.

CNA CE Ian Outram said sales figures appeared to be less erratic than before "It seems to be pointing to a levelling off in the downturn."

Sales had followed a volatile pattern for several months after the assassination of SACP leader Chris Hani, he said.

Outram did not foresee any big pickup in sales until consumers were more confident. "The uncertainty in the run up to the election makes an upturn unlikely before April."

CNA was not expecting this year's Christmas season to be much of an improvement on last year.

Old Mutual economist Rian Le

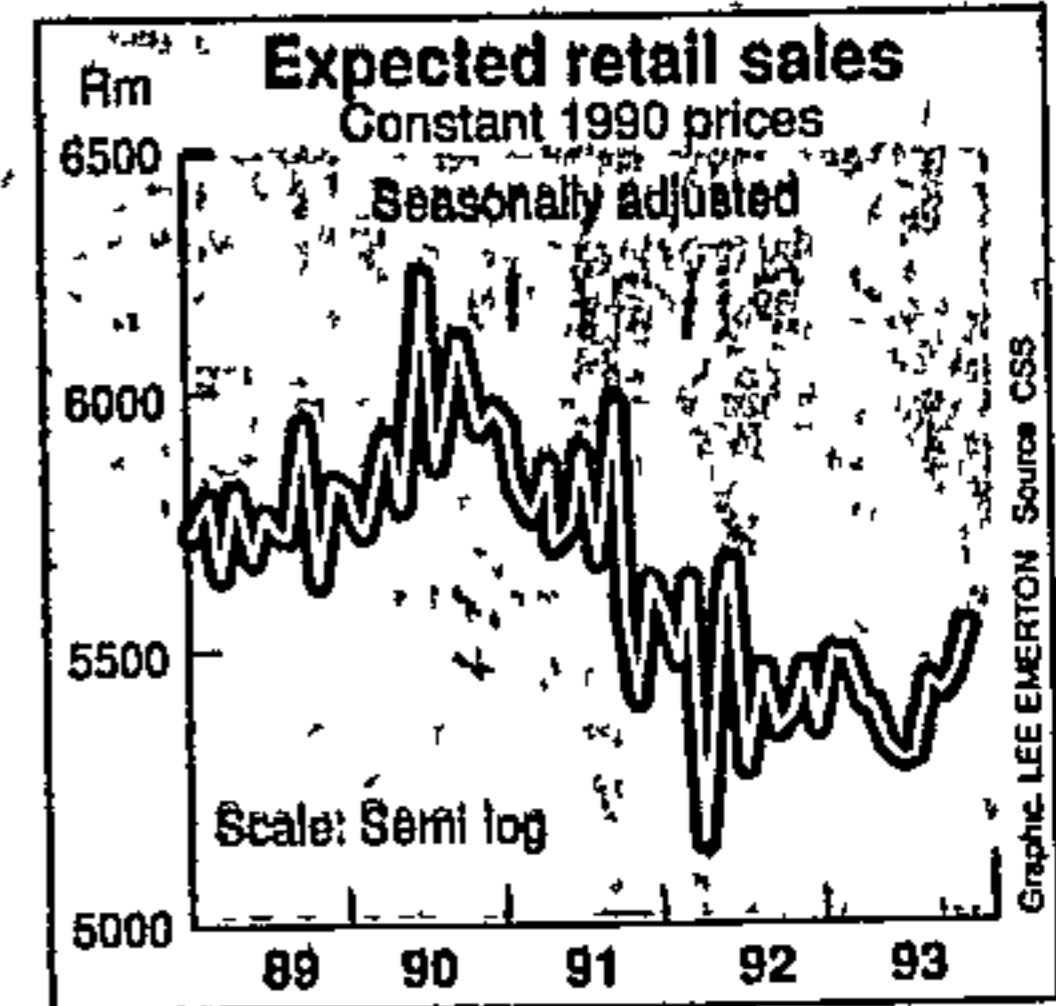
Roux said the figures were encouraging. But there was still nothing to suggest the economy was on the verge of a strong recovery.

"Even when this does happen the man on the street will be the last to feel it in his pocket," he said.

The main reason for an improvement in consumer spending appeared to be the low level of underlying inflation in the economy, he said.

Salary increases were still around the 10% level but annualised consumer inflation in the four months to July was lower at around the 6,5% level.

The recovery in the agricultural sector after the end of the drought was pushing up retail sales, he said. There could also have been some delayed buying after consumers put off purchases earlier in the year when the political situation became more uncertain, Le Roux said.



Clothing federation slams tariff hike

CAPE TOWN — The National Clothing Federation (NCF) has hit out at the sharp increase in the tariff on certain knitted fabrics announced by Deputy Trade and Industry Minister David Graaff this week.

Graaff announced the changes to the interim tariff structure following recommendations by the Board on Tariffs and Trade.

NCF president Aaron Searil said the decision to increase the duty on certain imported knitted fabrics used

LINDA ENSOR

in the manufacture of bras, foundation garments and swimwear from 20% to 45% was unacceptable.

He said the highly inflationary measure would be harmful to the industries concerned and called for its immediate withdrawal.

When the announcement suddenly appeared in the Government Gazette on September 30 it was immediately opposed by the NCF, Searil said.

Engineering graduations 'must rise tenfold'

THE present annual number of engineering graduates would have to increase tenfold to meet future demands on engineering resources, SA Association of Consulting Engineers outgoing president Peter Thompson said.

He said a turnaround in engineering infrastructure investment from the current estimated negative growth rate of minus 2% to a modest 5% growth would see all current engineering skills resources fully uti-

EDWARD WEST

used in less than two years.

There were about 50 000 engineers, technologists and technicians in SA, of whom about 28 000 were engineers.

Thompson expected an appreciable increase in funds in the short term for infrastructure for social services, which would leave engineering resources overtaxed — despite current unrest, wavering international support and the recession, which indicat-

ed lower investment potential.

Given an international economic recovery, the demand for engineering services would expand, making it easier for local engineers to operate internationally.

Consulting engineers would face major changes in methods of operation. They would have to choose between narrow, often highly technical, market niches and becoming multidisciplinary in addition to traditional engineering skills.

New tariffs leave clothing in tatters

SI Times (Buss)

24/10/93

By CIARAN RYAN

A TARIFF structure announced this week protects inefficient textile producers at the expense of downstream clothing makers, says the National Clothing Federation (NCF).

More than 1 000 jobs are being lost each month in the labour-intensive clothing sector because it is forced to buy textiles at up to 90% above world prices

The new package drops protection for textile producers to 65% and remains more than 100% for clothing manufacturers. The NCF says it will do little to attack the root cause of declining sales and employment in the textiles and clothing industries

NCF executive director Hennie van Zyl says "The new tariffs merely tinker with a bad system. For every job saved in textiles through high protection, four are lost in clothing

"The Government has fallen prey to the arguments of the pro-protection lobby which trots out the same arguments about the need to save jobs in textiles. They do not understand that these jobs are saved in only the short term. The longer we have protection, the more inefficient we become."

Clothing manufacturers say the R4,4-billion-a-year clothing industry, which employs 130 000 workers, is being held to ransom by a handful of large textile companies. The textile industry is worth R6,5-billion a year and employs fewer than 90 000. A quarter of its output is sold to clothing manufacturers who are eager to import cheaper fabric

Mervyn King, president of the Textile Federation, says any drastic cuts in tar-

iffs would harm the marginal recovery in textiles over the last year. A long-term survival package for clothing and textiles is due to be announced in November

Duty credit certificates (DCCs) replace the old structural adjustment programme permits (SAPs), although both systems favour large exporters rather than small manufacturers reliant on domestic sales

The DCCs allow manufacturers to import raw materials worth 30% of their exports. The previous system allowed imports worth 70% of the export value

The SAP was supposedly designed to allow clothing manufacturers access to imported fabric at world prices. But the result was a 130% increase in clothing rather than fabric imports since 1990, contributing to the loss of clothing jobs.

A vibrant secondary market in SAP duty-free import permits evolved as companies which did not use theirs sold them at a discount face value.

Clothing's request to import six types of fabric at 15% duty was rejected by the Board on Tariffs and Trade as "too complex to administer"

The Government this week slightly lowered tariffs on some imported textiles. Wool yarn is down from 40% to 32%, yarn from 35% to 32%, woven and knitted fabrics from 50% to 45% and household textiles from 60% to 55%

Textile manufacturers blame high input costs, a small domestic market and dumping (cheap imports subsidised by foreign governments) for their woes. A spokesman for the industry says a major

reason for the lack of competitiveness in textiles is an average machine age of 15 years. "We pay surcharges on capital equipment, our raw material inputs are high, and we have high tax and inflation. All of these need to be addressed if the industry is to survive."

Textile producers pay 20% above world prices for cotton and polyester fibre

SA's largest textile producer, Frame, last reported a profit in 1990, although it is now said to be breaking even. Da Gama's earnings a share are less than half their 1991 level

The World Bank says SA should exploit niche export markets for job creation. Taking Mauritius as an example, it estimates that a \$1-billion increase in garment exports in the next seven years would create an additional 135 000 jobs

In international terms, SA is a middle-wage manufacturer, 1987 wages being about double those in Thailand and about two-thirds the Korean and Portuguese levels. Wages of SA garment workers rose by 18% a year between 1989 and 1991 to match those of Korea and Portugal.

Brian Levy, writing in a World Bank report, says "Both a long history of inward-oriented policies and economic sanctions have induced SA garment firms to focus their attention on the domestic market."

SA could rapidly expand into the middle-to-upper end of the world garment market, notwithstanding moderate increases in wages, provided there is a commitment to outward-oriented policies by garment and textile employers, labour and government, improved design, marketing, product quality, productivity and speed of delivery

Earnings up 178 percent, dividend up 165 percent

Star 28/10/93

Romatex bounces back

TURNAROUND
attributed in part to
the operating
efficiency of the
restructured group

BY JOHN SPIRA

197

In a dramatic turnaround, Romatex, the CG Smith group subsidiary, boosted earnings 178 percent to 140.4c a share in the year to September.

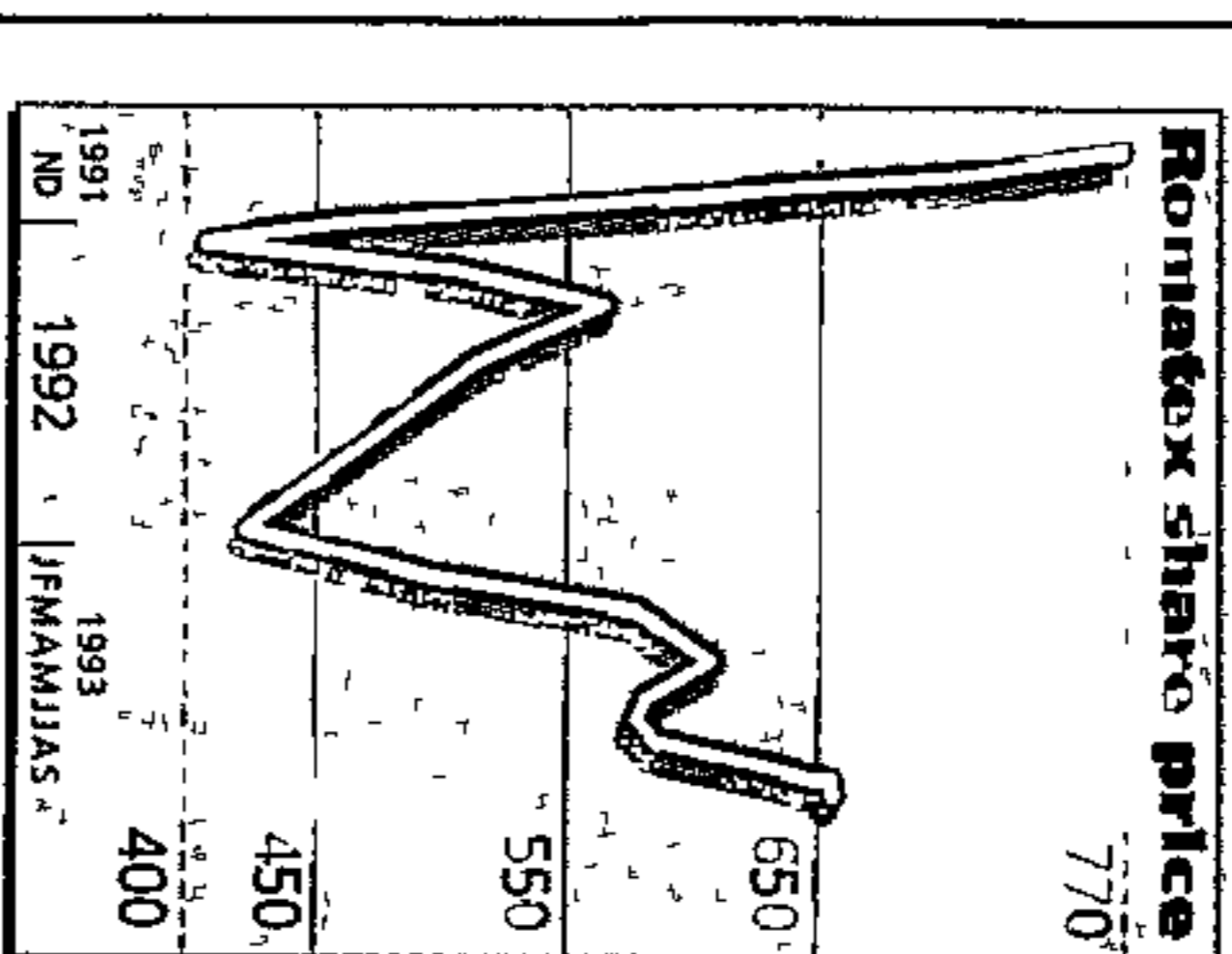
The year's dividend has been lifted 165 percent to 53c

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

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

The first hint of the long-awaited turnaround came from the interim results, which told of earnings up by 42.3 percent to 38c a share and the interim dividend 30 percent higher at 13c

Yet the market remained sceptical, since the improvement owed much to reduced



finance costs and not to operating performance, which in fact, declined

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

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

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

Company: Romatex
Sector: Clothing, textiles

SHARE PRICE: 650c
YEAR HIGH: 650c
YEAR LOW: 415c
Net asset value: J.M. Dividend yield: 8.2%

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	740.4		8.6	14
1992	722.4		12.5	20
1993	707.5		34.7	53
% Change	-7.5		43	165

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

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

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

The result was a reduction in debt Accordingly, interest

paid dropped 95 percent to R800 000.

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

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

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

Carpets, in particular — a poor performer in recent years — "achieved a major



Jack Crutchley ... most gratifying.

turnaround, with a positive contribution to group profits"

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

Crutchley expects an improvement in earnings in the current financial year

At the ruling share price, Romatex now yields 8.2 percent and 23.4 percent respectively on the increased dividend and earnings statistics — yields well above the textile sector's averages.

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

REX TRUEFORM
Fm 29/10/93
Retail activities growing

Activities: Manufacture and retailing of clothing

Control: African & Overseas 71%

Chairman: S C Shub

Capital structure: 4,1m ords Market capitalisation R41m

Share market: Price 1 000c Yields 6,0% on dividend, 15,5% on earnings, p e ratio, 6,4, cover, 2,6 12-month high, 1 000c, low, 475c

Trading volume last quarter, 18 000 shares

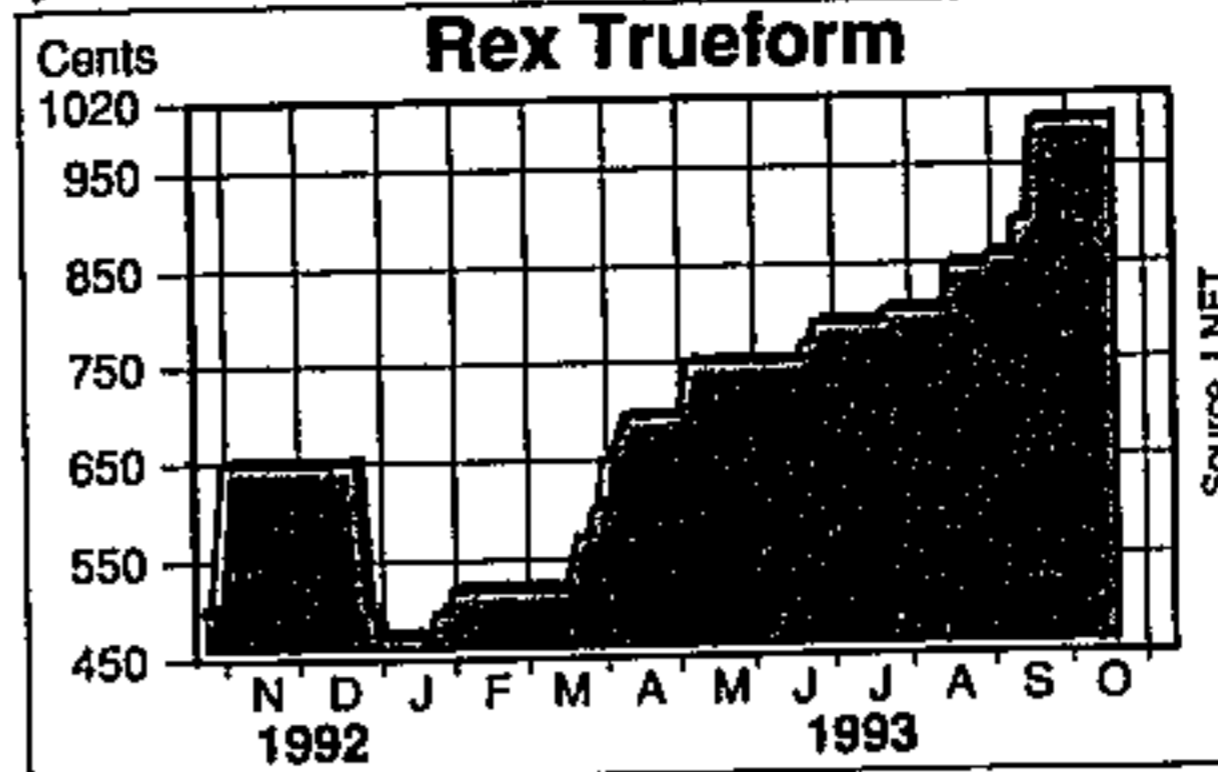
Year to June 30	'90	'91	'92	'93
ST debt (Rm)	0,8	6,8	7,8	0,8
LT debt (Rm)	9,8	3,0	2,2	1,4
Debt equity ratio	n/a	0,02	0,08	n/a
Shareholders' interest	0,72	0,76	0,77	0,82
Int & leasing cover	n/a	n/a	10,2	10,3
Return on cap (%)	13,5	6,3	5,5	7,2
Turnover (Rm)	n/a	n/a	161,4	171,7
Pre-int profit (Rm)	15,6	6,9	6,3	8,1
Pre-int margin (%)	n/a	n/a	3,9	4,7
Earnings (c)	266	176,2	142,6	155,4
Dividends (c)	90	70	60	60
Tangible NAV (c)	1 931	2 039	2 130	2 192

Almost all its competitors in the clothing manufacturing sector have struggled to maintain earnings, so Rex Trueform's improved results highlight the usefulness of its diversification into retailing (197)

The Queenspark retail division continues to grow, both in popularity and success. It has become an important distribution channel for men's and women's garments made in Rex Trueform plants, and it is making a strong contribution to profits. During the year, three new stores were opened to bring the total to 16 throughout the country.

Queenspark's development into a profitable operation, when all but the most sophisticated chains have been battling to break even, is a remarkable achievement in this

Fm 29/10/93



economy, its management deserve accolades. Its success, however, partly hides the difficulties with which the rest of the organisation was confronted (197)

Lower capacity usage due to diminished consumer demand, destocking by retailers while searching for better stockturns, and vicious competition affected plant loading. Chairman Stewart Shub was obliged to reduce overheads, cut production facilities and consolidate. Redundancies were inevitable. Had it not been for a significant increase in export turnover, rationalisation might have been far more stringent.

Tight management clearly benefited the group, as stock was reduced to enable a faster turnaround; net working capital decreased. Cash flow generated by operating activities increased to R12,9m from R5,1m, finance costs dropped by a quarter. The increased cash flow was used to retire borrowings, of which little remains.

Shub is reluctant to call for better earnings for 1994, partly because of the economy but also because uncertainty about export incentives continues to inhibit forward planning. Continued expansion of the Queenspark chain should help boost profits, assuming overall plant utilisation does not worsen.

The share price began its long decline from a peak of 1 375c in March 1989. It reached a low of 475c in January, before climbing rapidly back to R10. With NAV at 2 192c, a dividend yield of 6% and a p e of 6,4 the share looks cheap, especially if the economy starts to strengthen.

Rex Trueform could become a force in clothing retailing, thereby subordinating its manufacturing to its retailing activities. If that happens and it merits a retailer's market rating, the share could prove to be cheap. A position in this tightly held share could pay handsomely in the next few years. *Gerald Hirshon*

Strike, imports and recession rip Da Gama

CLOTHING and textile company Da Gama saw its earnings slump 27% to 14,9c (20,3c) a share in the six months to end-September on the back of a prolonged strike, recessionary conditions and continuing problems in the textile industry

The company, in the SA Breweries stable, reported an 8% drop in turnover to R120,1m (R130,4m), and a 39% fall in net operating income to R8,4m from R13,7m

Directors said the six-week strike in April and May, the recession and continued importation of fabric and clothing affected sales and earnings

Although Da Gama earned interest

MARCIA KLEIN

— after paying interest in the previous year — net pre-tax income was still substantially down at R9,2m (R13,3m) *Biday 2/11/93*

Net attributable income declined 27% to R7,6m (R10,4m) A 23% lower interim dividend of 5c (6,5c) a share was declared, in line with Da Gama's practice of covering dividends 2,3 times *(197)*

Directors said earnings would have shown a marginal improvement if not for the strike

They said the balance sheet remained sound The reduction in the

net cash position since the year-end was due largely to an increase in working capital

Directors pointed out that the Trade and Industry Department had released a short-term tariff structure effective from yesterday and which would remain in force until the end of next year It would be replaced in 1995 by tariffs which would form part of a long-term strategy

They believed the short-term tariffs would contain or reduce imports of yarn fabric and clothing This, together with a slightly improved economy, should result in stronger earnings in the second half

Textiles duty credit programme extended

197 CT 211193

JOHANNESBURG — The duty credit certificate scheme to support textile and clothing exports has been extended for a further six months, Department of Trade and Industry general Stef Naude said yesterday.

Clothing exporters would earn duty certificates to the value of 30% of their export sales. With regard to fabrics and yarns, the percentages would be 15 and 10% respectively.

Certificates would be issued at the end of September 1994, and would be valid for the clearance of goods during the period October 1, 1994 to September 30, 1995.

Dr Naude warned, in a statement, the scheme would not be extended again and any future export assistance would be limited to those under the General Export Incentive Scheme and other support measures contained in the industry's long term strategy.

“Exporters of textiles and clothing are

therefore advised at this stage to begin their export planning accordingly,” he said.

Meanwhile, clothing and textile company Da Gama saw its earnings slump 27% to 14,9c (20,3c) a share in the six months to end-September on the back of a prolonged strike recessionary conditions and continuing problems in the textile industry.

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Da Gama strike

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They believed the short-term tariffs would contain or reduce imports of yarn fabric and clothing. Thus, together with a slightly improved economy, should result in stronger earnings in the second half. — Sapa and Own Correspondent

Hoechst buys Frame plant

Biday

EDWARD WEST

GERMAN chemical group Hoechst has expanded its SA operations through the R70m acquisition, by subsidiary Hoechst SA, of Frame Textiles' polyester fibres plant, the companies said yesterday. 4/11/93

The acquisition involved Frame's operating arm Consolidated Frame Textiles, which reported a loss of 23,8c a share in the year to end-June. (197)

Two further acquisitions were being negotiated in SA and an announcement probably would be made by the end of the year, a Hoechst spokesman said in Germany

Hoechst SA MD Reinhard Traub said a major portion of the R70m would be invested in upgrading local fibre production technology. The acquisition was part of an investment and development programme to diversify and strengthen local operations and to build up a solid export base

Frame Textiles chairman Mervyn King said the sale was motivated by the rationalisation of SA's polyester fibres business

The textile industry was shrinking and production inputs needed to be rationalised

The acquisition by Hoechst would result in foreign exchange savings, as Frame had previously paid royalties overseas for technological advances and innovations which characterised the fibres industry. Hoechst had its own substantial fibres research and development programme

The acquisition would boost Hoechst SA's existing production — including its Milnerton plant — to 40 000 tons of fibre a year, which would be taken up by local demand and increased exports. The acquisition would be renamed Durban Fibres and would come on line in December

King said the plant's sale would not affect Frame's net asset value or its bottom line. Hoechst SA's main competitor for fibres was imports, as Frame's fibres production was primarily for its own use

Unispin slashes its loss

Biday 12/11/93

MARCIA KLEIN

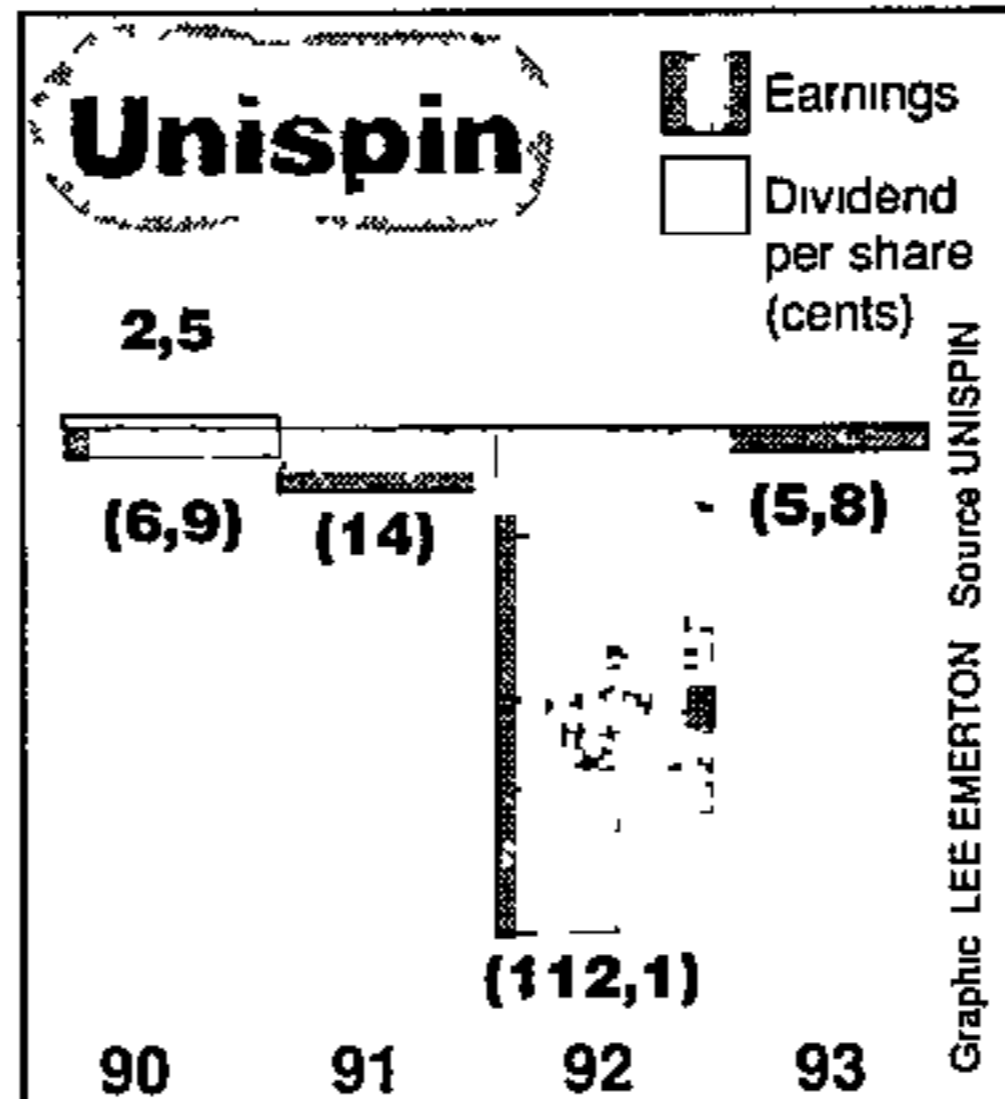
KNITTING yarn manufacturer Unispin slashed its attributable loss to R3,8m (R50,4m) in the year ending September after benefiting from an improved operating performance and measures taken to return it to profitability.

Unispin recently announced it had taken over competitor Bertrand Holdings for R13,1m in cash. The consolidation of Bertrand has had no material effect on the reported earnings. But newly appointed chairman Neil Davies said the full benefit of the acquisition would be felt in the current year.

Turnover showed a marginal improvement to R127,5m (R126,9m), and operating income was R53 000 (R27,1m).

Davies said the operating performance was "most encouraging and reflects the benefits of focused production and marketing strategies as well as disciplined cost reduction measures which were implemented during 1992".

The interest bill was slashed to



R3,8m from R14,3m previously, bringing the pre-tax loss to R3,7m (R49,5m loss). The R120m debt restructuring arrangements concluded in the previous year — which saw Consolidated Frame Textiles increase its effective stake in Unispin to about 30% — had significantly reduced the debt burden, Davies said.

Unispin reported a reduced loss of 5,8c (112,1c) a share. But after arrear preference dividends (including

secondary tax on companies) the loss was 18,9c a share (121,6c loss). No dividend was declared.

Davies has taken over as chairman from Robert Wachsberger, who resigned with effect from September 30 but will remain on the board as a non-executive director.

Following its recent acquisition, Unispin controlled more than 50% of the local market for industrial and hand-knitting yarn. At the time of the acquisition, directors said synergies would enhance the profitability and financial strength of the two companies and provide a cost-effective focus on exports. If the market contracted more, the acquisition would facilitate further rationalisation.

Davies said the short-term tariff structure announced by the Trade and Industry Department should result in the curtailment of imports of yarn, fabric and clothing. Unispin was well positioned "to take full advantage of these changes".

The share was bid at the ruling price of 12c, off a high of 32c in August, and not far from its December 1992 low of 10c a share.

Tariff cuts to cost jobs?

ARC 13/11/93

197

THE textile and clothing industries are limbering up to resist pressure from South Africa's main trading partners for cuts in tariffs, which they say would be disastrous for jobs

This week the United States and the European Union warned that South Africa's revised offer to the General Agreement on Tariffs and Trade (GATT) on household textile and clothing tariffs was not acceptable. The offer suggested a phasing-in period of eight years to bring maximum tariffs down to 60 percent for clothing and 45 percent for household textiles.

But the country's main trading partners are pressing for a further cut in clothing and textile tariffs to a maximum of 35 percent — the rate which applies to developing countries.

The Clothing Federation has calculated that each 1 percent reduction in protection on clothing saves South African consumers R3 million a year — but eliminates 1 100 jobs.

Between August 1990 and August this year, employment in the clothing industry — as measured by the number of employees covered by Industrial Council Agreements — has already dropped from 110 342 to 87 149.

■ The clothing and textile industries are under pressure from foreign trading partners to implement tariff cuts — but there are fears of unemployment.

ALIDE DASNOIS
Business Staff

However, labour spokesman on the National Economic Forum, Ebrahim Patel of the South African Clothing and Textile Workers' Union, said there was "no need to panic".

The American and European response to South Africa's offer was part of the normal negotiation process, he said.

"All the parties concerned are out to protect their national interests. It would be surprising if no objections had been put forward to South Africa's offer."

He said South Africa had already agreed to a "massive" reduction in tariff levels.

"Business, labour and the government have agreed on the need to protect industries which have historically been pressurised, which are employment-sensitive and which have growth potential."

"It's vital we don't lose sight of our fundamental interests. We need to support the economy in the delicate transition to democracy, which will last

well beyond the elections next April. We need to build new infrastructures and integrate parts of the population which have been divided. This means stopping job loss and growing the economy."

Textile Industries Federation chief Brian Brink agreed that the American and British response was "probably part of the normal to-ing and fro-ing of negotiations."

He said the textile industry would defend the consensus reached with clothing employers and unions on tariffs in the Clothing and Textile Panel, although most of the textile tariffs proposed were not under threat.

South Africa's proposals of a 15 percent maximum tariff on fibres, 20 percent on yarn and 30 percent on fabrics had apparently been accepted by the country's trading partners, he said.

But, Mr Brink said, even if "the worst came to the worst", South Africa could not afford

to stay out of the GATT.

In an urgent submission to the South African GATT representative in Geneva, the National Clothing Federation expressed its "alarm" at the European and American demands.

Any reduction in the tariffs offered will cause wide-scale unemployment in both the clothing and the textile industries, the federation said.

Trade expert Alan Hirsch of the UCT-based Trade Policy Monitoring Project, said South Africa might be able to reach a compromise in GATT negotiations.

By proposing the developing country rate of 35 percent — instead of the 12 percent maximum which applies to developed countries — the country's main trading partners had left the door open.

An "a la carte" approach to tariff reform might be possible, with South Africa being considered as a "developing country" for some purposes and as a "developed country" for others, he said.

The textile and clothing offer was made after lengthy negotiations within the country between clothing and textile employers and trade unions.

Strebel 'lean for upturn'

ARG 13/11/93

(182) 197

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

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

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

The group which manufactures trimmings zippers and accessories, reported a hefty R12 million loss in the year to end June on the back of reduced demand and severely eroded margins

MARC HASENFUSS
Business Staff

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

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

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

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

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

from suppliers

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

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

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

Other divisional alterations include

■ The closure of Strebel's commission dyehouse due to lack of demand.

■ The relocation of Peri Fabrics to Epping and its integration into Hereford's operations

Star 16/11/93

Govt urged to cut duties on imported fabrics

BY CLAIRE GEBHARDT

The National Clothing Federation of SA has hit out at the Government's reluctance to lower import duties on essential inputs

Executive director Hennie van Zyl says a 50 percent cut in imported fabric duties could add 7 000 jobs immediately and another 40 000 to the clothing industry over the next 8 years

"Fabrics account for more than 50 percent of the final cost of clothing."

The federation, which represents more than 200 000 workers in the small and informal business sector, says the Department of Trade & Industry's proposed "marginal" reduction from an estimated average protection level of 75 percent to only 70 percent, is squandering a golden opportunity to stimulate growth and employment

Van Zyl says the Government appears once again to have favoured capital-intensive big business, such as the textile and synthetic fibre industries, at the expense of the labour-intensive clothing industry

He says a further factor contributing to the widespread unhappiness is that the federation received an official assurance, when the current high duties were imposed in November 1992, that inputs not man-

ufactured locally would be exempted from import duty.

"Subsequently, some 20 types of fabric not manufactured locally were identified, but the authorities said that for administrative reasons they could not give effect to their earlier undertaking"

The federation has sent an urgent letter to the deputy Minister of Trade & Industry, Dawid de Villiers Graaf, asking him to reconsider his decision before an official gazetting.

Police fire teargas and rubber bullets after employees blockade factory entrance in Bellville

26 workers held after strike clash

1971
AUG 24/11/93

SHARON SOROUR and STEFANS BRUMMER Staff Reporters

POLICE fired teargas and rubber bullets to remove strikers from the Bellville South factory of SA Nylon Spinners after they blockaded the entrance and allegedly threatened other employees.

At least 26 workers were arrested on a charge of public violence, said police liaison officer Verna Louw. They had applied for bail.

Sergeant Louw said one worker, who fell and hurt his chin, was taken to hospital. Police opened fire after employees threw stones at them.

Production at the factory, one of the country's largest synthetic yarn producers, ground to a halt, causing "very

substantial losses".

Managing director Peter Boxall said workers on an illegal strike threw stones and blocked the entrance to the factory in Sacks Circle.

Hundreds of shift workers, members of the Southern African Clothing and Textile Workers' Union, downed tools yesterday. They also stopped work for 24 hours at the weekend.

Mr Boxall said, "We were in the middle of normal wage negotiations when we had an unprecedented stoppage last weekend which slowed down the process considerably."

"Large numbers of workers on a number of shifts occupied the road in front of the factory. Police were called as we were forced to protect the people inside and the equipment."

He declined to elaborate on the company's wage offer.



DANGEROUS DEBRIS: Striking workers hold empty shells after police fired teargas and rubber bullets

Union negotiator John Eagles said the strike was a spontaneous action by workers after the union told them management's latest offer.

"Our commitment to a negotiated settlement remains but we are not going to settle for anything less than inflation."

The union's wage demand was almost double the offer.

Mr Boxall confirmed workers had been given ultimatums yesterday to return to work by

noon or face dismissal. But the action was delayed and a new deadline set. He could not confirm the deadline.

"There will be dismissals as we cannot have a situation like this in the factory. It takes ages to get back up again and the losses are very substantial."

Mr Eagles said union members had not used force to keep employees who wanted to work outside the plant.



STANDOFF: Members of the Internal Stability Unit monitor proceedings outside SA Nylon Spinners after hundreds of striking workers blocked the entrance and prevented vehicles and staff from entering

Pictures: LEON MULLER, The Argus

GEIS keeping textile, clothing sectors viable

BIDAY 25/11/93

LINDA ENSOR

CAPE TOWN — The textile and clothing industries were in dire financial straits, with operating losses being converted into pre-tax profits only by the addition of income derived from the general export incentive scheme (GEIS) and structural adjustment programme.

This was said yesterday by Board on Tariffs and Trade chairman Nic Swart at a National Clothing Federation seminar. He said an analysis had shown GEIS income was treated as separate in the income statements of clothing and textile manufacturers.

Costing studies by the National Productivity Institute on behalf of the panel appointed to formulate a long-term strategy for the clothing and textile industries showed that profitability had deteriorated since 1989/90 (197).

The study found that the difference between the operating loss and profit before interest and tax (-1,3% and 3,9%) of clothing companies surveyed was mainly made up of GEIS and structural adjust-

ment programme income. Swart said the interest burden of the two industries was also high, averaging 3,8% of sales for clothing and 4,7% of sales for textiles.

A comparison with the cost structure of UK clothing manufacturers showed their SA counterparts' major problem was the high cost of raw materials. In SA raw materials constituted 51,2% of sales compared with the 33%-45% UK range. Direct labour costs in SA represented 14,3% of clothing sales, as against 18% in the UK, and overhead costs represented 35,8% of sales compared with 30%-38% in the UK.

Swart said the textile industry was hampered by an inability to obtain raw material at world prices landed in-house and to achieve a competitive labour cost/productivity balance for salaries and wages.

He said total new investment needed by the clothing industry for new technology was forecast

at R72m, but the industry had invested only R44m in 1992 and R32m in 1993. Huge investments would be needed if the textile industry was to become internationally competitive.

□ Clothing industry employment had recently bottomed out after a year-on-year loss of 10 300 jobs was recorded in the January to September period, National Clothing Federation economist Arnold Werbeloff said in the latest issue of Clothing Industry News.

The industry was estimated to have 90 000 workers, compared with 130 000 in 1984.

Clothing output continued to fall, although retail sales had risen a real 8% in the first seven months of 1993.

Third quarter figures showed that producer price inflation for clothing had increased by 8% and textiles by 4%.

Clothing exports in the first six months of this year amounted to R400m compared with R460m for the whole of 1992, indicating the possibility of total exports of R700m this year.

Court faces funds shortage

BIDAY 25/11/93

ADRIAN HADLAND

PRETORIA — The Industrial Court was facing the imminent burgeoning of its responsibilities, but a lack of funds and accommodation was making its task difficult, court president Adolf Landman said.

While the establishment of a Johannesburg seat was a priority, the court could not secure finances or appropriate office space to open the branch.

"There is little government-owned accommodation available and, what little there is, is unsuitable for our needs."

In the meantime, litigants would have to continue travelling to Pretoria for their cases to be heard, Landman said.

The court was preparing for a considerable increase in litigation emanating from a number of new Bills and Acts.

The Public Service Act of 1993, which came into effect on August 1, conferred about 19 functions on the court. "Unfortunately no additional financial arrangements were made by central government to cover these additional functions," Landman said.

The Education Labour Relations Bill, which was tabled this year, would entitle primary and secondary school teachers to

Industrial Court hearings.

Academic staff at universities and technicians would soon be able to approach the court for relief under proposed amendments to the Labour Relations Act of 1956.

An agreement between the Congress of SA Trade Unions and the SA Agricultural Union over an Agricultural Labour Relations Act also envisaged the creation of a small labour court falling under the jurisdiction of the Industrial Court, he said.

The proposed Bill of Rights, equal opportunity legislation in the pipeline and the creation of structures to deal with domestic labour-related disputes would also impact on the responsibilities of the court.

But, without additional financial resources, the court would find it difficult to meet all its obligations timeously.

Some pressure could be taken off the court if parties held proper pre-trial conferences so that the issues and time taken to hear matters could be reduced, he said.

In the case of mass dismissals, it should be possible to hear such matters within two months provided parties prepared their cases expeditiously.

PINOTA

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This leading reported that at a Pinotage wines, awarded to Fleur

Monde Selecti

Between 197 Pinotage gained

International Competition

Romatex cautious on profit prospects

Star 25/11/93

IMPROVED performance off a low base is not automatically repeatable

■ BY DES PARKER

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

One reason is self-evident.

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

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

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

best.

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

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

historic levels.

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

In the meantime, however, the resulting uncertainty continues to delay

capital spending and investment. (197)

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

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

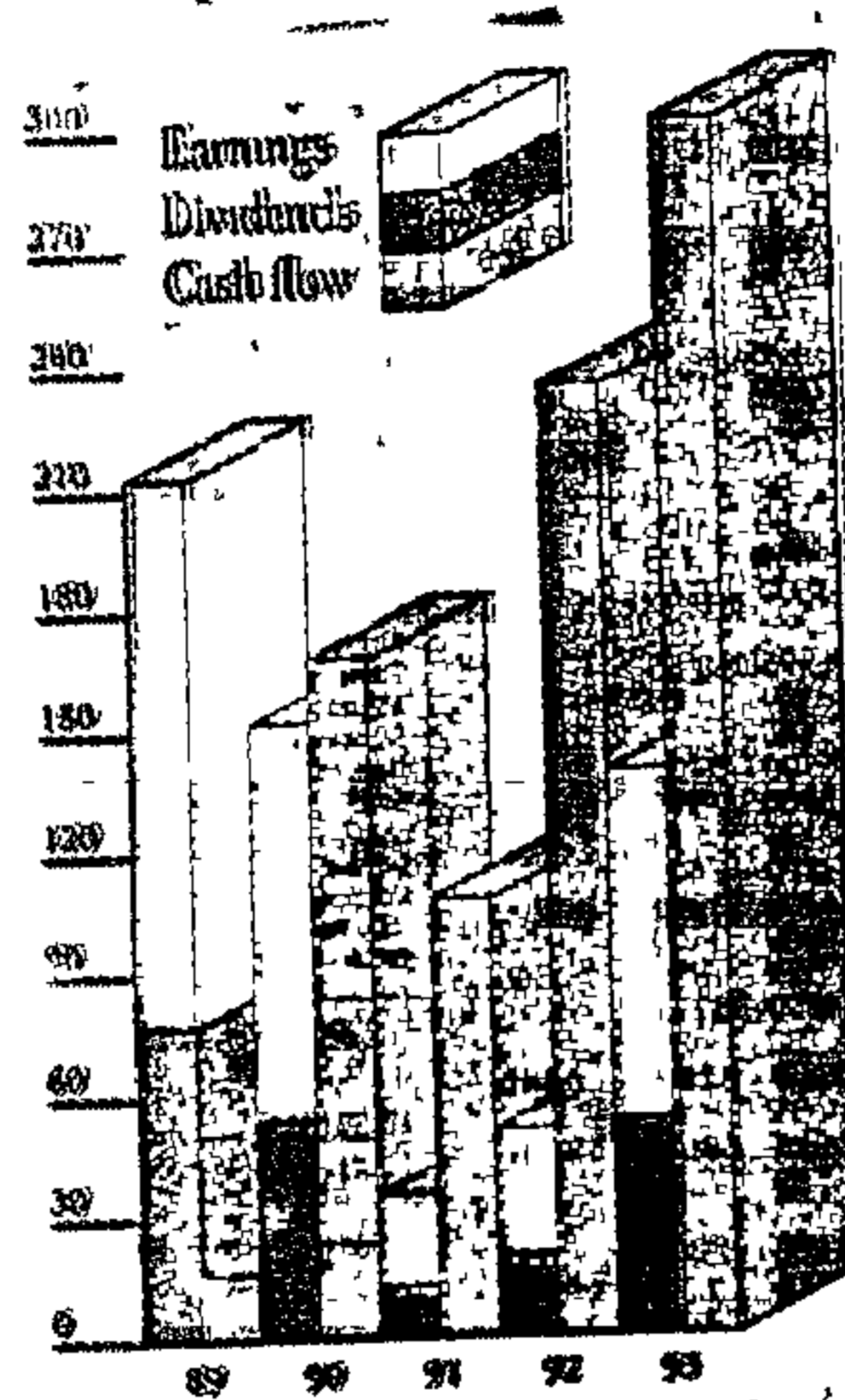
But that was not without considerable cost to jobs. Employment in the past year has dropped from 8 251 to 6 967.

In 1988, it stood a shade under 13 000.

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

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

Cents per share





Strebel's Strebel . more aggressive on pricing

Fm 26/11/93

land building which is for sale.

Aside from losses in these divisions, another adverse effect of the expansion was that net borrowings jumped from R1,6m in 1988 to R5,7m the next year and have since risen to R13,8m. The growing interest burden has absorbed operating profit, which peaked at R11,1m in 1990 and declined rapidly since then. (1997)

Downsizing should leave Strebel much leaner. In time, closure of part of its textile division may be seen to be a wise decision.

The group built its success by providing the clothing industry with accoutrements for garments and is turning back to the specialised activities it knows best. But SA's insulated world is changing rapidly as it opens up to international trade. Strebel could be faced increasingly with competition from imports.

Given customer resistance to price increases, Strebel's statement that "to address this problem, we intend to be far more aggressive in our approach to price increases in future" is a trifle forbidding. In current economic circumstances, ways other than increasing prices have to be sought to raise margin, otherwise customers may rebel, and that would again leave Strebel holding excessive stocks.

At 70c, the price stands well below the 240c peak set in 1990. There is no obvious reason for a recovery.

Gerald Hirshon

STREBEL
Fm 26/11/93
Unfortunate expansion

Activities: Makes trimmings and accessories for clothing, produces knitted and non-woven fabric.

Control: J Strebel Investments.

Chairman and MD: F Strebel.

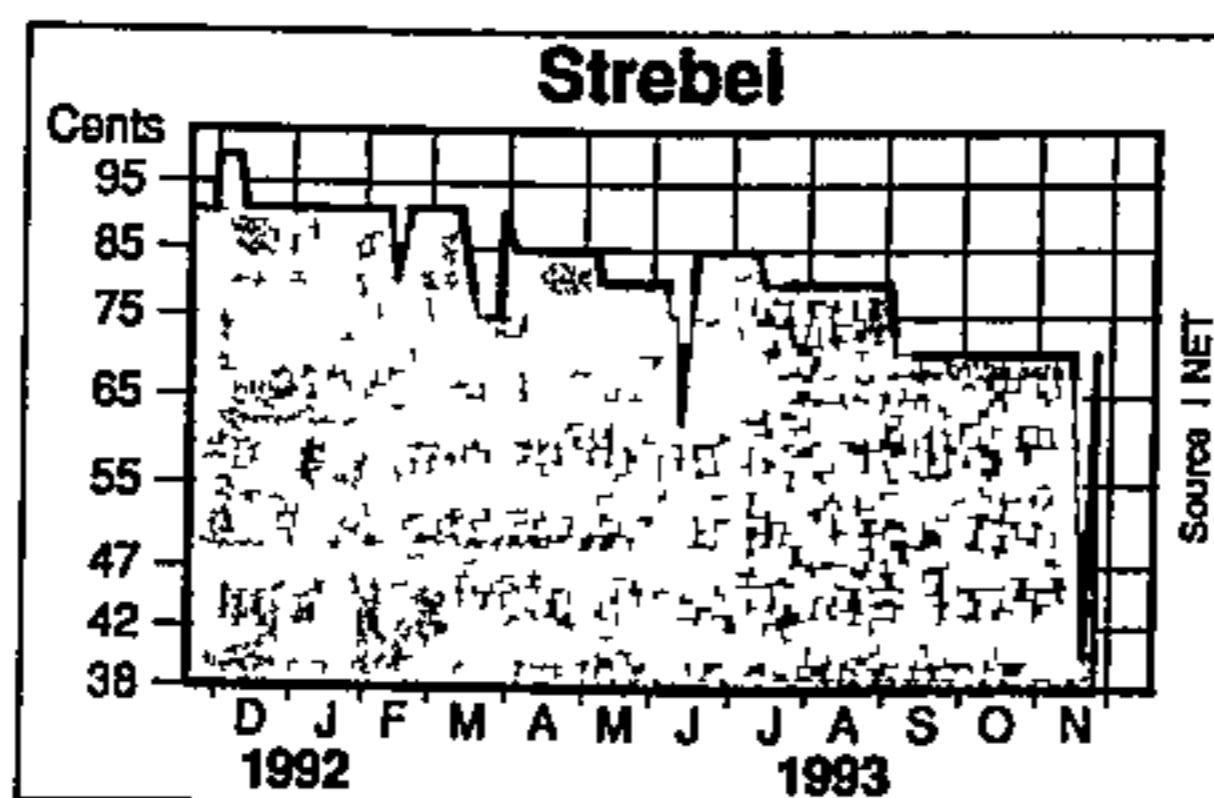
Capital structure: 15m ords Market capitalisation. R10,5m

Share market: Price: 70c 12-month high, 100c; low, 60c. Trading volume last quarter, Nil.

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	5,5	7,8	8,4	10,2
LT debt (Rm)	3,5	3,0	2,3	3,8
Debt:equity ratio	0,31	0,42	0,41	0,57
Shareholders' interest	0,5	0,52	0,5	0,47
Int & leasing cover	11,1	5,0	0,2	nil
Return on cap (%)	23,5	12,6	0,06	nil
Turnover (Rm)	77,0	74,0	69,2	65,5
Pre-int profit (Rm)	11,1	6,3	0,3	(0,8)
Pre-int margin (%)	14,5	8,5	0,4	nil
Earnings (c)	38,0	21,3	(4,2)	(8,0)
Dividends (c)	14,5	8,5	0,4	nil
Tangible NAV (c)	157	172	171	161

Strebel's troubles began in 1989, the last year of a really buoyant period. The growth era encouraged MD Fred Strebel to make acquisitions worth R4,6m in the textile industry, which he then called a sunrise industry, and to spend R4,3m to increase production capacity. Results of these decisions could hardly have been much worse. (1997)

Difficulties faced by the clothing and textile industries over the past four years have forced Strebel to close Atlantis Non-Woven and its commission dye-house, to merge Peri Fabrics with Hereford's operations, merge the zipper production units into Atlantis and the belt division M&M Reinhardt and Stresa Hats and to vacate the Paarden Ei-



ROMATEX FM 3/12/93

Obscure synergies

Activities: Manufactures foam, fibres, textiles, automotive components, floor coverings Also provides bulk storage liquid facilities

Control: C G Smith 60%, Afcol 13% (197)

Chairman and CEO: A L Crutchley

Capital structure: 24,7m ords Market capitalisation R215m

Share market: Price 870c Yields 6,1% on dividend, 16,1% on earnings, p e ratio, 6,2, cover, 2,6 12-month high, 950c, low, 415c

Trading volume last quarter, 39 000 shares

Year to Sep 30	'90	'91	'92	'93
ST debt (Rm)	29,3	38,2	21,2	9,7
LT debt (Rm)	59,9	50,0	28,8	3,2
Debt equity ratio	0,28	0,26	0,16	n/a
Shareholders' interest	0,57	0,57	0,60	0,63
Int & leasing cover	5,8	2,0	2,5	72,5
Return on cap (%)	12,0	7,7	7,8	11,2
Turnover (Rm)	716	740	722	708
Pre-int profit (Rm)	63,3	39,8	40,0	58,0
Pre-int margin (%)	8,8	5,3	5,4	8,2
Earnings (c)	151,6	34,9	50,5	140,4
Dividends (c)	55	19	20	53
Tangible NAV (c)	1 220	1 202	1 246	1 324

Romatex is a puzzling company. It is listed on the JSE's clothing board, is generally perceived to be involved exclusively in textiles, yet owes much of its current profitability to a bulk liquids storage operation

If this appears to be a *non sequitur* it is because Romatex is heir to an historical aberration in the shape of Island View Storage, the largest bulk liquid storage operator in SA. This division takes its name from the

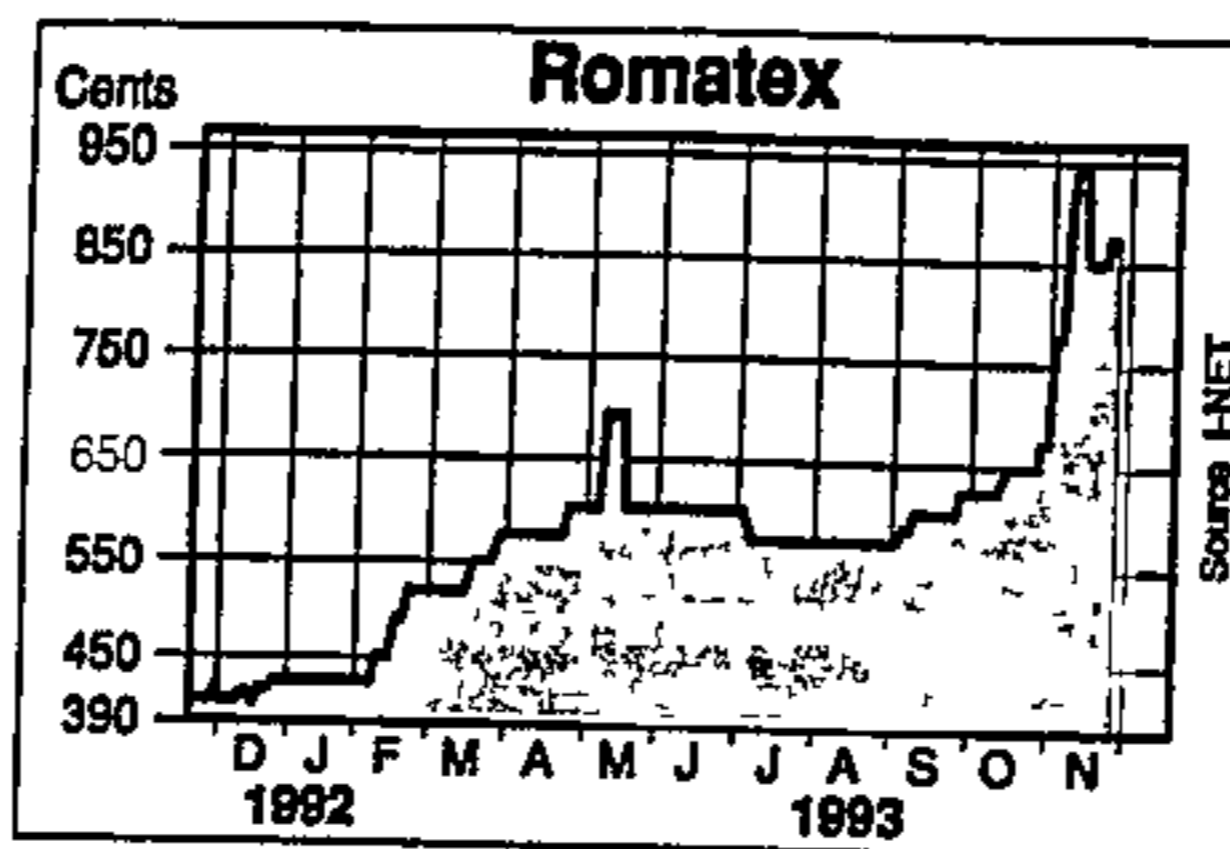
Island View facility in Durban harbour but also operates a large inland tankage farm at Isando, near Johannesburg

What the link is between bulk liquid storage and a company better known for carpets, automotive components, foam and textiles, is something no-one seems able to explain. Chairman Jack Crutchley says only that Island View gives Romatex a healthy flexibility and contributes vitally to its viability.

That's true, but it shouldn't preclude the possibility of finding it another — and perhaps more appropriate — home. Crutchley says Island View is the key to his plans for the company. "It is the central building block because it fits so well with our plans for the industrials division. It's not as though we haven't thought about how Island View dovetails," he says.

None of this should derogate from Romatex's good results for 1993. Any company that successfully reverses a three-year record which threatened a plunge into red ink deserves attention — and one which then returns an EPS nearly three times better than the previous year is worthy of much closer examination.

Crutchley, having presided over a perilous decline, has applied all the right remedies



This year, all the divisions reported profits, though Island View continues to predominate — its R21,6m or 37% contribution overshadows Romatex's other businesses.

Island View stores liquid products in bulk, either imported or for export, and provides bulk-break services as well as clearing and forwarding facilities. "It is," says Crutchley, "a very good business, profitable and autonomous. It fits superbly with everything we do." I have reservations about this approach, though Island View's contracyclical contribution has kept Romatex's corporate head above water in recent years.

Romatex Industrials, focused principally on the automotive industry, provides carpeting, sound-deadening materials and foams in car seats for most manufacturers but especially for Toyota. It also produces foam for the furniture industry. The recent resurgence in both industries, in which the division has a good market share, has enhanced profitability.

Romatex Fabrics embraces Berg River Textiles (cotton and polyester cotton fabrics), Hextex (worsted and polyesters) and Home Textiles. Crutchley says this division made a strong recovery (its contribution to pre-interest profit nearly doubled).

This was Romatex Carpets' first year



Romatex's Crutchley ... applied all the right remedies

after the sale of Crossley. The division has some strong brand names (Van Dyk, Constantia) and has reversed the losses of the past two years to return a pre-interest profit of nearly R5m.

The balance sheet is appreciably stronger: borrowings have fallen and gearing has disappeared; there is a net surplus of funds. Considering turnaround has been achieved in the last year of a savage recession, it is a noteworthy achievement.

The share is tightly held (between C G Smith and Afcol, 73% is locked away). If a parcel of scrip should suddenly come into view, prudent investors will seize it.

David Gleason

Romatex 'positive'

MARCIA KLEIN

A FURTHER real improvement in carpet, fibre and textile manufacturer Romatex's profit was possible in the current financial year, chairman Jack Crutchley said yesterday.

Speaking at the group's AGM in Durban, Crutchley said there was no reason to change the forecast made in the annual review which said that Romatex should enjoy "slightly better business conditions in 1994" *B/D*

All four divisions were on track to achieve their first half targets, but Crutchley warned that political factors ahead of the April elections could have an effect.

In the year to September, earnings grew 178% to 140,4c a share, despite a marginal decline in turnover to R58m. The rise, which came after four years of falling profits, stemmed from the flow-through of benefits from a three-year restructuring.

The share more than doubled over the past year to close unchanged yesterday at a high of 950c. *912/93*

Romatex had embarked on capex programmes at Hextex and Island View Storage. A strong balance sheet, coupled with the prospects of improved economic conditions would enable the group to modernise production processes, especially in the industrials division (197)

The group would focus on optimising efficiencies and being flexible to respond to changing customer needs.

Meritex retreats before imports

GARMENT and textile company Meritex will close its manufacturing division at the end of the year as a result of its inability to compete with cheap imported clothes and fabrics, the company said yesterday.

Meritex cautioned shareholders on Tuesday that it was involved in discussions. The company makes underwear, T-shirts and other basic garments from knitted fabrics, sells its products to retail chains and is involved in textile printing.

MD Ed Gordon said Meritex had decided to subcontract its manufacturing operations from next year as it faced "the results of government's disastrous duty-free imports for exports structural adjustment programme" (197)

He said the closure was largely due to increased low-priced imports, but also to

SIDAY 23/12/93
MARCIA KLEIN

"burdens of persisting industrial unrest and declining productivity". Following the closure, it would trade as before and expected improved economies of scale.

Meritex was holding talks with the SA Clothing and Textile Workers' Union. Gordon said some jobs would be lost, but it was expected that most workers would be employed by the contract manufacturer. Sapa reported that about 300 to 400 workers would be affected by the closure.

In the six months to July, Meritex reduced its losses to R2,6m (R4,2m). This included the costs of closing its Tide Fabrics division. This closure, in which more than 200 workers were retrenched, would be completed by the January year-end.

MANUFACTURING — TEXTILES

1994

Textile firm disputes 320 to be reinstated

Biday 7/11/94
ERICA JANKOWITZ

MOOI River Textiles yesterday disputed union claims that 320 dismissed workers would be reinstated later this month with full back pay at an estimated cost of R9m.

The Southern African Clothing and Textile Workers' Union (Sactwu) said the company dismissed the workers during 1991 and 1992 as a result of alleged illegal industrial action.

Sactwu took Mooi River Textiles to the Maritzburg Supreme Court to force the company to honour an agreement in which arbitration was set down as the method of dispute resolution.

Once this issue was settled, the parties agreed to process four individual arbitration cases to test the validity of the dismissals. "It was agreed that after the arbitration, the parties would review the cases of the remaining workers," Sactwu said.

The union contended its members had been unable to report for duty during political turbulence in the Mooi River/Bruntville area which had resulted in the deaths of several members, including one killed on the company's premises.

This, Sactwu said, had been upheld by the arbitrator who had found the dismissals unfair as workers had stayed away because of "manifestly genuine and reasonable fears for their personal safety" which the company had not allayed.

Mooi River Textiles chairman David Royston said at most about 250 workers

To Page 2

Reinstatement

Biday 7/11/94

From Page 1

would be affected by the award as workers had been dismissed in two batches and the union had taken no action with regard to the other 70. He said the four who had been through the arbitration process would be reinstated as set down in the award.

However, the company was studying the text of the award and was "exploring and assessing all alternatives open to it".

Royston said the arbitrator had given the parties until January 24 to meet to discuss the situation and "there was no foregone conclusion that the remainder would be reinstated". The company would be considering further proposals and there was a possibility that more than 200 additional arbitrations would be conducted before the dispute was resolved.

Workers may get 2 years' back pay

CTI/1194 (197)

Own Correspondent

DURBAN — The Mooi River Textile factory may have to reinstate — with full back pay — more than 320 workers it dismissed about two years ago after an independent arbitrator found that the company had acted unfairly, the Southern African Clothing and Textile Workers Union (Sactwu) said yesterday.

The union said its members were dismissed in 1991 and 1992

after the company alleged they had participated in illegal industrial action

A union statement said "The dismissals occurred when trade union members found themselves unable to report for work due to the conflict between ANC and Inkatha supporters in the Mooi River/Bruntville area"

Rather than process the individual cases of all those employees dismissed, the parties agreed that the arbitrator would only hear the cases of four workers and after the arbitration the parties would then review the cases

of the remaining workers, the union said

Mooi River Textile chairman Mr David Royston yesterday confirmed that four workers had won their case. He said the 320 figure mentioned by Sactwu was incorrect as only 250 workers had been dismissed

Mr Royston said as far as the other 246 workers were concerned the matter was still in progress and his company would be meeting with Sactwu on January 24 to try and resolve the matter, failing which the parties would go back to the arbitrator

Textile shares starting to show some signs of life

Star 19/11/94

(197)

BY STEPHEN CRANSTON

Textile shares, among the most dismal performers on the JSE over the last five years, are at last showing some life

The Frame group, once considered to be in terminal decline, has more than doubled its share price from 150c in August to 350c and Romatex has trebled over the past year from 430c to R12,75.

Da Gama has not had quite the same rerating. A strike in April and May led to a further fall in earnings for the six months to September

But even its price has increased since December from 190c to 310c.

In the last quarter of 1993, all major textile producers showed an increase in volumes. Stocks have been run so tight that a restocking of the textile pipeline is needed.

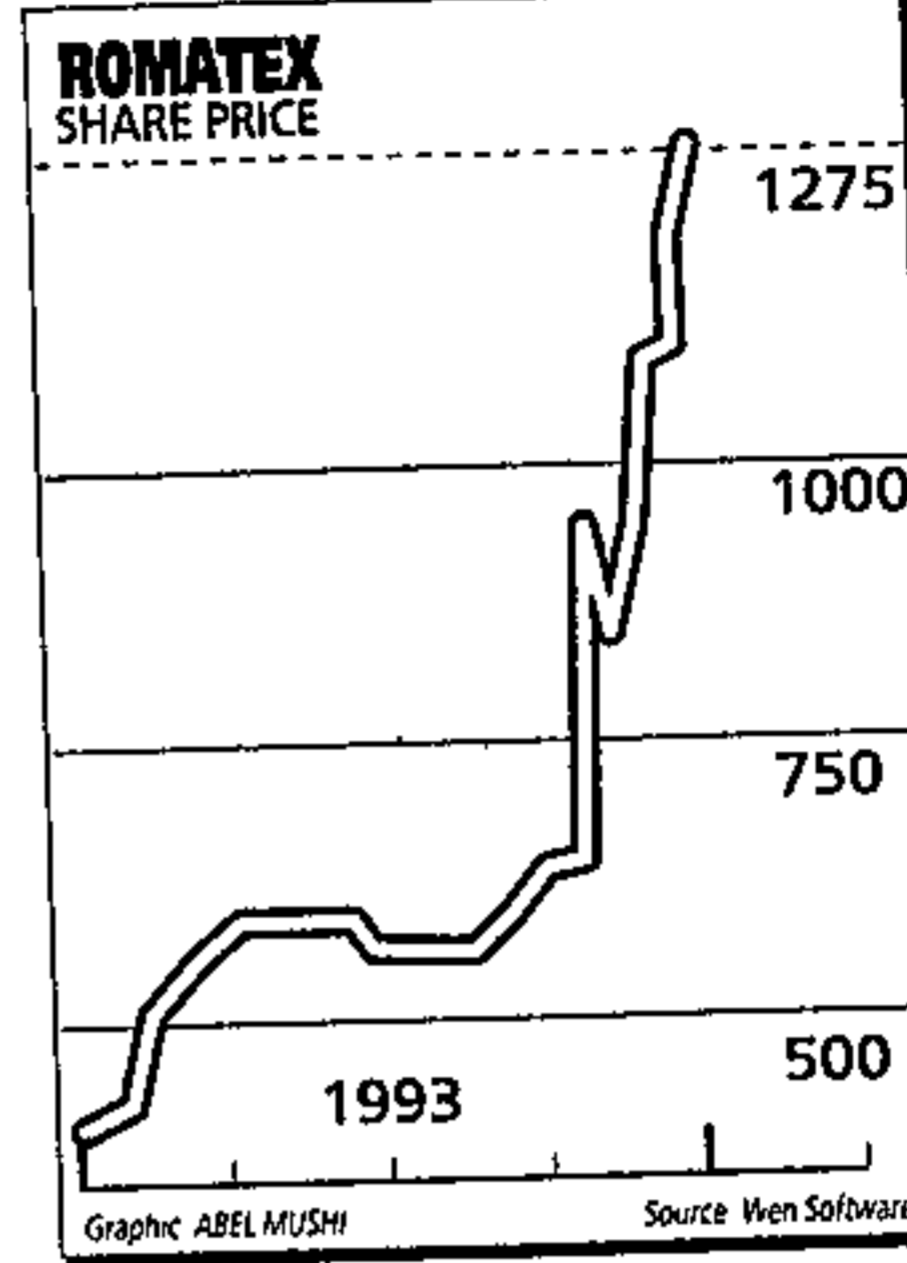
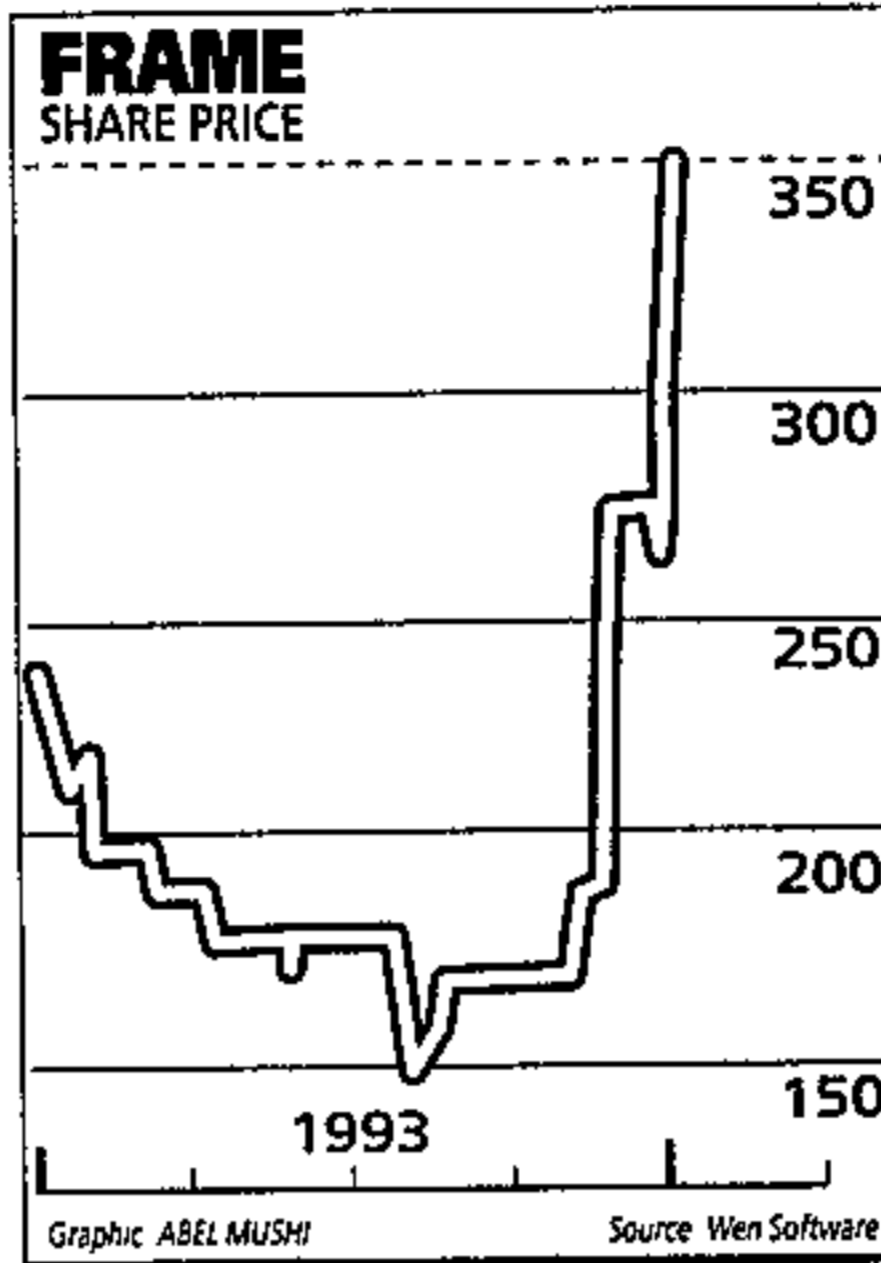
Consultant Joop de Voest says that several retailers were caught short and their conservative stock levels were unable to supply consumer demand over Christmas.

There is a danger that many of the new orders could be placed overseas. The weakening rand is seeming to do that.

But the industry has been given a significant breathing space by the announcement that Gatt has allowed SA 12 years to bring its tariffs down, in the case of fabrics, to 15 percent.

What's more, it will allow tariffs on fabrics to be kept at the same level for four years, up to a maximum of 50 percent.

A major bugbear falls away when the Structural Adjustment Programme permit, al-



lowing duty-free imports of clothing and textiles, ends in April.

Government, of course, is not obliged to follow Gatt's timetable. National Clothing Federation chairman Sadek Vahed says the Gatt maximums should be seen as a ceiling rather than a recommendation.

"We will be negotiating very hard, and would like to see the Gatt maximum tariffs divided in two. We would also like to see the elimination of specific and formula duties, which place an effective tariff on many budget fabrics of 72 to 137 percent.

"We need to be able to import budget fabrics to cater for the needs of the Third World market," Vahed says.

But after all the pain of recent years, the textile industry is certainly looking leaner and fitter.

The industry employed 110 000 people ten years ago, but only 87 000 today.

Frame has sold many of its widespread assets and focused

its operations on Durban, except for a spinning mill in Ladysmith.

It has sold its blanket operations and synthetic fibre factory and modernised its remaining operations beyond recognition.

Romatex sold Crossley Carpets, shut down Romatex Nylon Spinners and cut staff numbers from 15 000 to 9 000.

The surgery at Da Gama, which has been far more profitable than its competitors for some years, was not as drastic, but it nonetheless reduced capacity and recently centralised all dyeing and finishing in its King William's Town factory, shedding 400 jobs.

But the industry is not yet out of the woods. Anglovaal has put Mooi River Textiles on the market, after it made significant losses in the last two financial years, but nobody's showing interest.

While Frame is set to report its first attributable profit since 1990, its returns on capital will still be shockingly low.

'Enough's enough', say Epping textile strikers

SHARON SOROUR
Labour Reporter

HUNDREDS of workers at SBH Cotton Mills (Pty) in Epping have gone on strike over wages

According to the SA Clothing and Textile Workers' Union (Sactwu), "workers have decided that enough is enough they are no longer satisfied with the meagre wage increases they have received in the past"

The union said about 360 workers had gone on strike after wage negotiations ended in deadlock

Company managing director N W Irvine said the wage offer was generous in view of the difficult trading conditions in the textile industry

The union said it wanted a 9,05 percent increase of R25 across the board, while the company "would not move from R21" — 7,6 percent

"Last year workers had to be

content with an increase of only seven percent — representing R19 on a minimum wage of R257," the union said

Mr Irvine said lower wage offers had been accepted by other textile industry workers, who were represented by the same union

ARC 21/1/94
"It should be of interest to note that SBH employees are among the higher wage earners in the sector of the industry in which we operate," Mr Irvine said

Workers went on strike on Wednesday, after 73 percent of workers who took part in a strike ballot voted in favour of industrial action

Mr Irvine confirmed that the strike ballot had been held after a conciliation board hearing failed to resolve the dispute

He said many workers were being kept away through intimidation

Textile industry 'can beat GATT deadline'

GRETA STEYN

THE textile industry would probably need less than the 12 years allowed by GATT to phase in huge tariff cuts, Romatex strategic planning manager Jon van Coller said yesterday. **BDOH**

At a conference on GATT near Johannesburg, he said "tremendous competition" along the textiles and clothing pipeline would speed up reform. The industry was getting used to small tariff cuts implemented at end-1993, and a reform period of eight years seemed feasible. **25/11/94**

In terms of SA's offer to GATT, clothing tariffs would be adjusted to 45%, while tariffs on "made-up products" would be brought down to 30%, fabrics 25%, yarn 17,5% and fibres 10%. Protection for these industries was currently more than 100%.

Edgars manager Leon Coetzee maintained that tariff reduction in terms of GATT did not go far enough to make SA's clothing and textile industries competitive. With duties still at 45% after the phasing-in period, SA could face a "massive attack" from countries such as Thailand, China, Indonesia, India and Vietnam. **(197)**

Seifsa economist Michael MacDonald said the exact details of the phasing down of tariff levels had yet to be worked out by the National Economic Forum, but should be completed soon.

The phasing-down exercise could prove to be a bit "tricky" for products on which formula duties currently applied, he said.

To Page 2

Textiles

BDOH

25/11/94

From Page 1

The rates of duty varied in accordance with the import price — the lower the price was below a stated reference price, the higher the duty rate. **(197)**

The IDC was playing a major role in this exercise, and industry would be consulted. "While it may not be painless, it should be manageable," he said.

The GATT offer should have a relatively limited effect on unemployment. While textiles and clothing, the motor industry, footwear, electronics and agriculture should shed jobs, increased exports would open new employment opportunities.

See Page 3

Textile industry may still face 'massive attack' after GATT

From GRETA STEYN

JOHANNESBURG — The textile industry would probably need less than the 12 years allowed by GATT to phase in huge tariff cuts, Romatex strategic planning manager Jon van Collier said yesterday

While another SA manager warned that the industry could still face a "massive attack" from other developing countries after the phasing-in period

At a conference near here, Van Collier said that "tremendous competition" along the textiles and clothing pipeline would speed up reform

The industry was getting used to small tariff cuts implemented at end-1993, and a reform period of eight years seemed feasible

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be manageable," he said

The GATT offer should have a relatively limited effect on unemployment. While textiles and clothing, the motor industry, footwear, electronics and agriculture should shed jobs, increased exports would open new employment opportunities

● Sapa reports that SA would not stand to benefit a great deal from being classified as a developing country under GATT, according to a director of the GATT Secretariat

Speaking here yesterday, negotiations services division director David Hartridge said the terms of tariff preferences for developing countries in GATT had been exaggerated

● Import controls on the remaining industrial tariff lines should be phased out within the next 12 months, according to Trade and Industry department deputy director-general Gerrie Breyt

2 000 jobs lost at Pan Textiles

JOHANNESBURG —

Two thousand Natal textile workers are to lose their jobs, it was reported yesterday (1977).

The Maritzburg Supreme Court on Wednesday granted an order to liquidate one of the provinces largest textile companies, Pan Textiles, which has a factories at Hammarsdale and Estcourt.

Liquidator Mark Lynn confirmed the company had liabilities of about R50m — Sapa

'Low skills' holding back clothing sector

CF 3/2/94 (184)

By ANDREW BROWN

ECONOMIC growth and international competitiveness in the South African clothing industry will not be achieved with its poorly trained labour force.

This was the hard hitting message conveyed by the Peninsula Technikon's senior vice-rector Brian Figaji, guest speaker at the Chairman's evening of the Clothing Institute at Josephine's Mill in Newlands this week.

Figaji delivered the speech on behalf of the National Education and Training Forum chairman, Franklin Sonn, who said that education and training had a crucial role to play in attaining economic growth and competitiveness.

He assured members of the institute on Tuesday evening that prominent leaders, who will directly influence future government policy, have openly expressed their support for the clothing industry as an industrial sector.

"This sector is labour intensive and

has the capacity to provide jobs to thousands of people at a relatively cheap rate," he said.

The ANC's economic chief Trevor Manuel had assured the National Clothing Federation, Figaji continued, that the industry would benefit from the implementation of a viable industrial policy.

"This positive pronouncement from a leader of the government-in-waiting certainly augurs well for the clothing industry and our economy in general," he said.

In order to stimulate economic growth and competitiveness, he said SA companies had to produce high quality products if they wanted to export and compete internationally.

Figaji said the future government would have to adapt its innovation support schemes to place more emphasis on incentive schemes for local manufacturing of products.

"It is only fair to urge both the state and the private/industrial sector to make a firmer commitment to technology development," he said.



TOP AWARD ... Hilda Barry receives the Chairman's award from John Jacobs, the chairman of the Cape Branch of CFI International, on behalf of her late husband, Kevin Barry. A past chairman of the Cape branch of the Clothing Institute, Barry also headed the new school of clothing production and design at the Cape Technikon

Picture Andrew Brown

Tobacco giant's profits plummet

(197) APR 15 5/2/94
NEW YORK — R J R Nabisco emerged as the big loser in last year's United States cigarette price wars, reporting a big operating loss for the final quarter of 1993

The tobacco-to-foods group, whose results are still skewed by heavy debt left over from a 1989 buyout, lost \$429 million (R1 458 m), or 34 cents (R1,15) a share, on an operating basis during the quarter, compared with a profit of \$171m (R581 m) or 12 cents (40c) the year before

RJR's heavy discounting in the US cigarette market was the main victim of a decision by its rival, Philip Morris, to cut the price of its best-selling Marlboro brand last April

RJR's US tobacco sales fell 20 percent in 1993, reducing the division's contribution to overall profits by 43 percent to \$1.2 billion (R4,08 bn)

The results were worse than most estimates, prompting an early sell-off that left RJR's share price down in New York

MERITEX Fm 4/2/94

Unpalatable choice

The proposed takeover of Meritex's assets for just R117 500 by present MD Ed Gordon and Giancarlo Bovetti through Italtex Investments may at first glance seem to prejudice minority shareholders. If the offer proceeds, the minorities will be left with shares in a cash shell that owns only R82 500 and the value of listing — but even that is not certain now. (197) (222)

The 1993 annual report (*Companies July 30*) showed Meritex faced collapse. At the time, with ordinary shareholders' funds having fallen from R12,2m in 1992 to R4,2m, Gordon said 1994 losses were being cut and the improvement could be sustained. As in the past, he was too optimistic. Losses for the year to January 1994 evidently wiped out shareholders' funds and Meritex is insolvent (in 1993, debt:equity was 3,1).

The sale of shares in subsidiary Ital Print to Bovetti for R494 000, with the proceeds from the Italtex offer, means that, after the deal, Meritex will be a cash shell holding little. If it is liquidated, though, it appears unlikely that shareholders would receive a dividend and it's anybody's guess what creditors would get.

Bovetti has been an associate of Gordon's for many years. Holding 51% and 49% respectively, they incorporated Italtex Investments in November to effect this transaction. If shareholders approve the deal, Italtex

Fm 4/2/94

will have bought all Meritex's assets (valued in the 1993 balance sheet at R8,5m), with a tax loss of about R14m. But Gordon says it is also compelled to assume the group's liabilities of about R29m. These comprise R14m short-term bank loans and R15m made up of creditors' liabilities and long-term property loans (stated as R14m in the 1993 balance sheet). (197) (222)

Gordon says he and advisers combed the country to find a white knight who would refinance or buy the company. They investigated every avenue to rescue Meritex from insolvency — without avail. He has personally lost everything his 60% shareholding in Meritex represented.

He says he is involved in Italtex now for only two reasons: he hopes to revive parts of the business with which he has been associated for more than 20 years and wants to keep the remaining 400 workers in jobs. But, he adds, Meritex's bankers will not go ahead with the deal unless he is involved.

That the bankers have decided to support the transaction rather than let Meritex go insolvent suggests they believe it will render better returns. Tough as it is, minorities would probably be well advised to follow the bank's course and approve the deal.

Gerald Hirshon

Closures hit worker savings

JACQUIE GOLDING

THE SA Clothing and Textile Workers' Union (Sactwu) will be hosting a conference in Cape Town today to discuss the rights of workers in the event of factory closures or liquidations. *Biday 8/2/94*

"Workers often lose their savings when companies they have been working for go into liquidation. The recent closure of a clothing company in Cape Town saw the personal savings of 42 workers, totalling R50 000, lost," said Sactwu spokesman Shahied Teladia.

Teladia said the conference would look at the rights of workers and discuss the reform of the Insolvency Act.

He said the company's savings scheme — a common feature of many factories — had come under close scrutiny by the union. *(197)*

Highams, a clothing company in Maitland, went into liquidation in August last year, and workers' savings for the year were lost. R50 000 was held by the clothing company on the workers' behalf but was not held in trust. The money was placed in the company's bank account.

The chairman of one of the major creditors of Higham, Mervyn King, and Sactwu deputy-general secretary Ebrahim Patel, will address the conference today and the Highams closure will be used as a case study.

Wellington workers strike over wage offer

CT #12/2/74 Staff Reporter

1974

A WELLINGTON factory was forced to halve work shifts yesterday when 200 workers belonging to the SA Clothing and Textile Workers' Union embarked on an indefinite strike.

Most cotton manufacturing workers at the Industex factory picketed and toy-toyed on the premises yesterday, a union spokesman said.

Annual wage negotiations deadlocked in January with workers demanding a 9.2% increase as opposed to management's offer of 7%.

COMPANIES

Frame continues on comeback trail

By Day 18/2/94

MARCIA KLEIN

THE Frame textile group continued its turnaround trend, posting interim earnings of 18.2c a share to end December compared with a loss of 41.4c a share in the previous year.

Chairman Mervyn King said results were largely due to increased efficiencies, expense savings and lower working capital levels.

He said although turnover rose just 5% to R323.6m (R308.1m), operating income was R14.3m against just R872 000 in the previous year. A sharp drop in interest

and finance charges saw pre-tax income rise to R6.4m from a prior year loss of R13.3m.

After tax and outside shareholders, attributable income was R3.8m from a loss of R8.6m. No interim dividend was declared, but King said if the improving trend in Frame's performance continued, the board would review its dividend policy.

Major operating subsidiary Consolidated Frame Textiles reported earnings of 10.5c a share from a prior

year loss of 23.9c a share.

King said there were many indications that the group was turning around. Borrowings had dropped to R74.7m from R166.9m previously and from R300m a few years ago, and working capital levels were much lower.

Other indications were the R20m swing after interest in the six months, and that the group's net asset value improved for the first time in four years.

By the June 1993 year-end, a focus on costs and

efficiencies enabled the Frame group to reduce its losses to 41.4c a share from a massive 238.8c a share in the previous year. That loss, equivalent to R46m, was one of the largest losses recorded by an SA industrial group in that year.

Since then, and the Sear del acquisition of control of Frame in the same year, the group has continued to improve its results.

During the six months, Frame sold its polyester fi-

bre division to Hoechst for R44m cash, resulting in a R20m extraordinary profit. Trading in Frame Factory Shops was stopped due to continued losses. Adequate provision had been made for retrenchment, store closures and other costs.

King said he was concerned about the socio-political situation in the next six months, as well as the economy, and what the Board on Tariffs and Trade would recommend as a long term strategy for the industry.

GATT had agreed to a phase down period of 12 years and reasonable tariff levels. GATT levels were ceiling rates, and the board could legislate for lower tariff levels and a shorter phase down period. The board had already lowered tariff levels to below GATT starting levels.

King said "it would take years for the industry to adjust to international levels and to rebuild its reserves after years of adverse policies". "An accelerated erosion of the tariff levels and phase down period could impact adversely on the industry."

WORKERS GET THEIR SAVINGS

BACK FROM BANKRUPT COMPANY

Subheader [suppl to Sactwu]
New laws on the cards to stop the bosses from making a run with your money

BY WAGHIED MISBACH

WORKERS who nearly lost years' worth of savings when their company went bankrupt had their money returned to them recently.

The textile industry has pledged to protect workers' savings in the event of more companies being liquidated.

Workers at Higham's SA Ltd, a Maitland-based company participated in a factory savings scheme, with weekly contributions over one year which totalled R49 581.

But when the company folded, their savings, which were kept in the company's bank account, was regarded as part of the company's assets and was subsequently paid out to their major creditors, the Frame Textile Corporation and Merchant Trade Finance Ltd, which were owed a total of R13 million.

The president of the Textile Federation, Mr Mervyn King stepped in to prevent the 147 retrenched workers from losing their savings.

King, who is chairperson of the Frame Group supported the claim by the Southern African

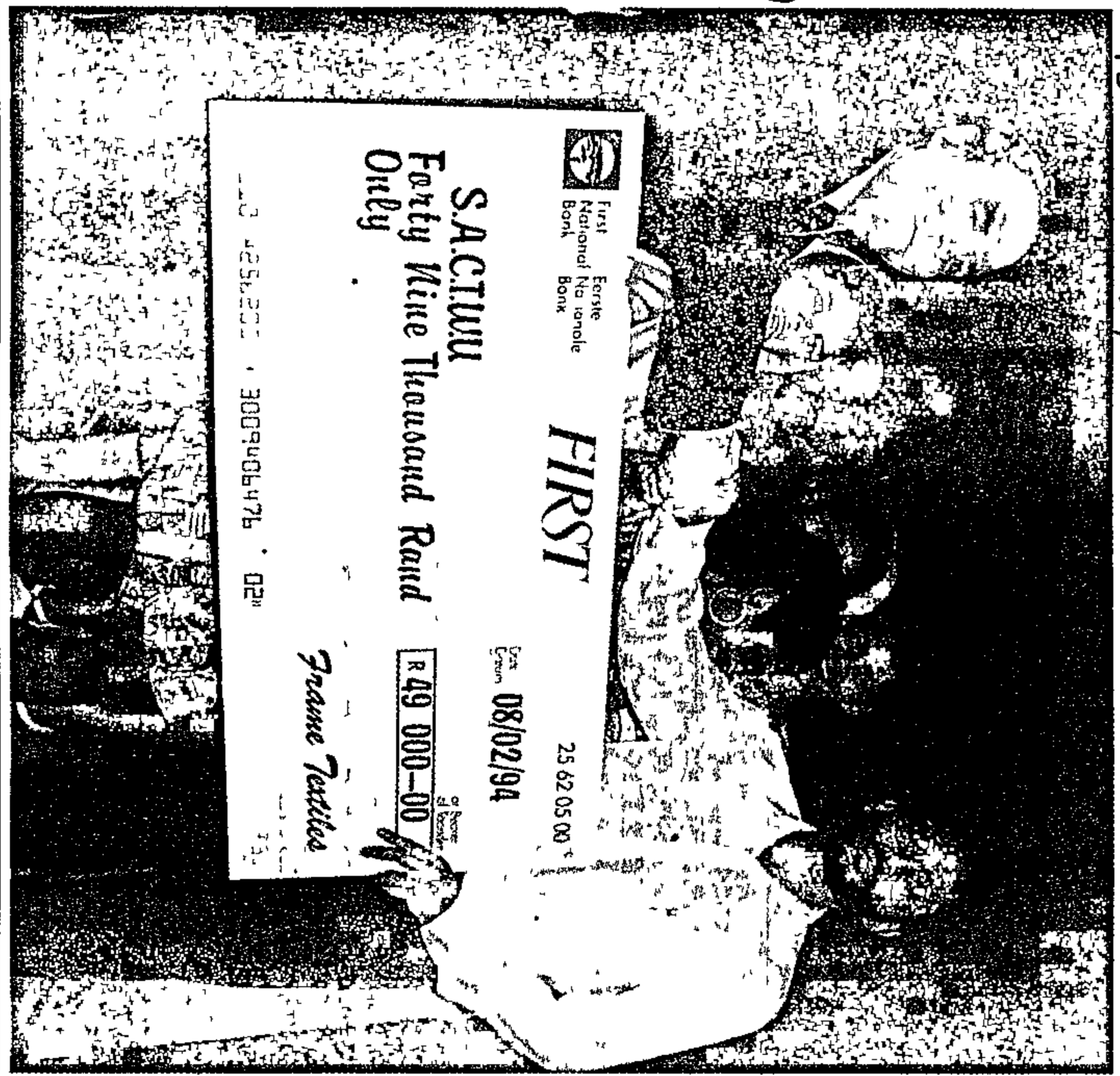
Textile Workers Union (Sactwu) that the workers should have their money returned to them.

King said at a joint press conference with Sactwu last week, he would request textile companies in the Western Cape to place workers' money in separate bank accounts to prevent the money being lost if a company goes under.

Mr Ebrahim Patel, Sactwu's Deputy General Secretary, said the union would be launching a campaign with Cosatu to have the law changed by the first parliamentary sitting after elections.

At the moment, workers' wages and savings are on the lowest rungs of preference, with major creditors and the government being paid out first when a business goes bust

SAVINGS: Workers' savings were returned to them last week after their company went into liquidation and their money was paid out to creditors. Here one of the major creditors, Mr Mervyn King of the Frame Group hands over a cheque of R49 000 to Sactwu's Mr Ebrahim Patel



Plan to revamp textiles industry

BA ay 18/2/94

KELVIN BROWN

LABOUR and business have drawn up proposals to restructure the clothing and textiles industry in a move which could end years of squabbling and set the trend for SA's future trade policy.

The recommendations contain far-reaching proposals concerning forms of export incentives that were not against GATT, measures to ensure a reliable supply of local raw materials as well as ways of boosting job opportunities in the industry.

The panel negotiating a long term strategy for the clothing and textile industry met earlier this week to finalise some of the finer details.

There were still some small differences between the parties that would be ironed out in the next few days. The panel would meet in the middle of next month to ratify the document containing the recommendations that would be sent to government.

Textile Federation executive director Brian Brink said the industry realised exports were vital for future growth and that export incentive measures would be needed.

GEIS and the current duty credit certificate scheme (DCCS) would have to be phased out as GATT did not allow direct subsidies.

The panel was looking at phasing out the DCCS over three years and replacing it with indirect support measures such as tax rebates linked to productivity levels, he said.

The panel also supported the idea of introducing support measures on the raw materials side to help local cotton producers who had battled to survive in recent years.

Brink said the idea of direct subsidies to cotton producers during hard times had been mooted. (197)

To prevent massive job losses the players wanted to set up retraining institutions to retrain displaced workers to work in other areas of the industry.

It was hoped this job training programme would be administered by a new authority made up of representatives from government, business and labour.

National Clothing Federation vice-president Bernard Richards said the agreement on the long term strategy could lead to it and the Textiles Federation uniting to form a new organisation to represent business interests.

It had been accepted tariff reductions would be phased in over 10 years, bringing average tariffs on clothing to 40% and textiles to 22%, said Richards.

This is considerably below the tariff ceilings contained in GATT. In terms of SA's offer to GATT clothing tariffs could not be higher than 45% at the end of 12 years while tariffs on made up items had to be brought down to 30%.

UNISPIN

FM 18/2/94

Waiting for the orders

Activities: Manufactures hand and industrial spinning yarns and spun cotton yarns

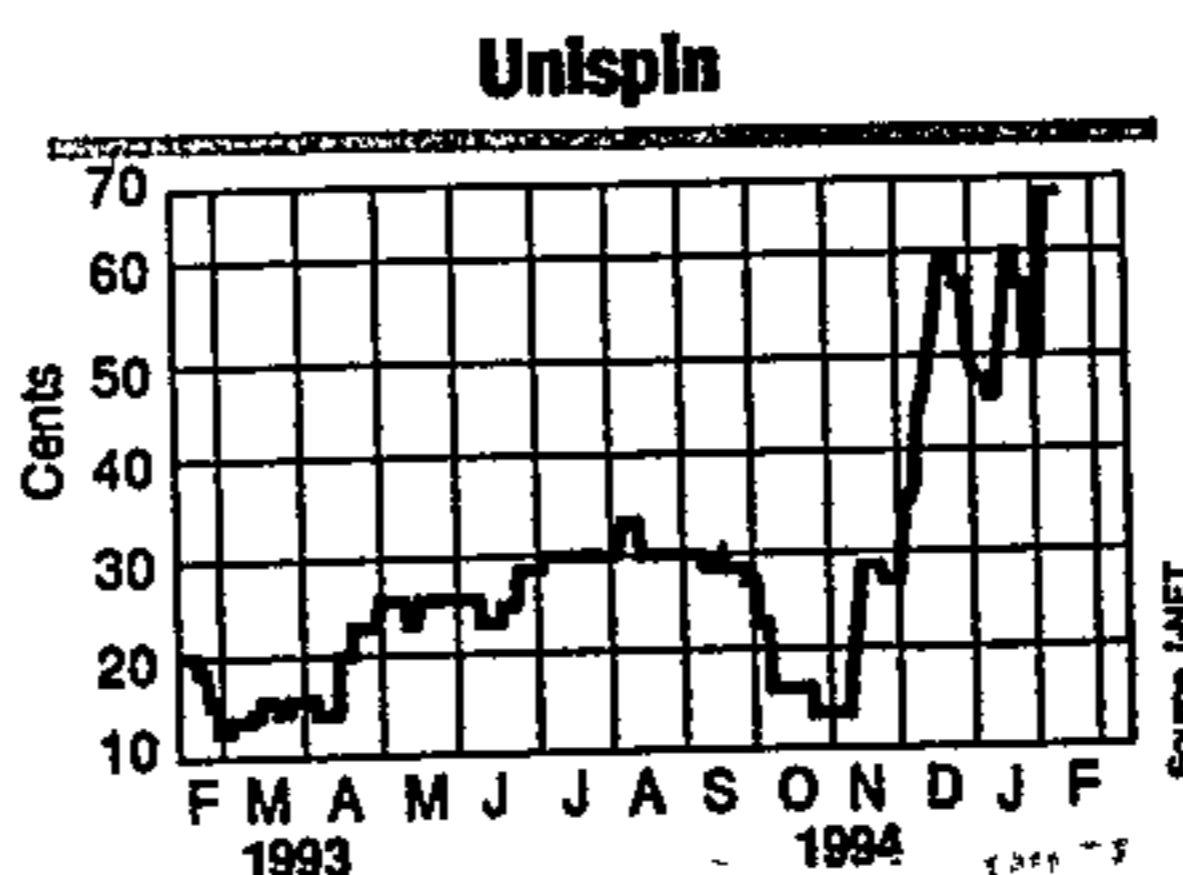
Control: Directors 21%.

Chairman: N Davies, MD: C Snijman

Capital structure: 65m ords Market capitalisation: R35,8m.

Share market: Price: 55c 12-month high, 65c, low, 12c. Trading volume last quarter, 2,1m shares

Year to Sep	'90	'91	'92	'93
ST debt (Rm)	47,5	57,0	11,4	11,8
LT debt (Rm)	53,0	52,7	31,4	24,3
Debt equity ratio	1,9	2,6	6,4	3,4
Shareholders' interest	0,30	0,24	0,10	0,17
Int & leasing cover	0,91	0,85	n/a	n/a
Return on cap (%)	n/a	n/a	n/a	n/a
Turnover (Rm)	123,9	131,7	126,9	127,5
Pre-int profit (Rm)	11,2	18,5	(27,1)	0,05
Pre-int margin (%)	0,09	0,14	n/a	n/a
Earnings (c)	(6,9)	(14,0)	(112,1)	(5,8)
Dividends (c)	2,5	—	—	—
Tangible NAV (c)	166	152	34	61



The facts are incontrovertible this company has slid inexorably down those tubes from which — ordinarily — there is no return. Unusually, however, it has been rescued by lenders willing to pump in the substantial sums needed. Now, depending on which way the industry moves, Unispin may even return

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to profitability. At first sight, there's not much in its track record to inspire confidence. Turnover, the first indicator of a company holding on to market share and matching inflation, is barely unchanged from four years ago, shareholders' interest has plunged; gearing in one year (1992) actually went to a colossal, frightening 6,4 times, and tangible NAV has fallen from 166c in 1990 to 61c now. This kind of catalogue makes bankers pale. What has happened? Unispin's business demonstrates clearly the dangers of government interference in commerce and trade — not that governments alone can be blamed when they respond to the frenetic pleas of businessmen under challenge. The SA textile industry is, all too clearly, an example of a government and business community unable to meet the stern challenges posed by com-

Cont. — p

COMPANIES

FM 18/2/94

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petition that is cheaper and much more competitive

The response — the knee-jerk reaction — is to raise tariff walls behind which an uneconomic textile industry has been allowed to fester. In recent years, those walls have been breached first by the Structural Adjustment Programme permits designed, however inequitably, to enable SA retailers to source from overseas and now by the agreement reached on the Uruguay Round of Gatt.

An unhappy Unispin MD Chris Snijman says the duties applicable under Gatt have been settled but a decision within the general framework has not been made. "Argument within the Department of Trade & Industry and in the Board of Trade is still going on and this vacillation is debilitating the industry," he says "If this problem isn't sorted out soon — and reasonably — we may as well all go home and plant tomatoes."

Meanwhile, Unispin's own financial arrangements have been re-engineered. Some debt has been retired and there has been a huge increase in redeemable share capital. Interest paid was slashed in 1993 to a modest R3,8m compared with 1992's crippling R14,3m, partly because of the prefs and the capitalisation of the pref dividend. A stringent cost reduction programme has been introduced.

The net effect is that operating income for 1993 was R53 000. That may sound pathetic

in the context of turnover of R128m but it's much better than the previous year's loss of R32,5m. After taking account of interest due, there was an attributable loss of 5,8c a share (18,9c after bringing in the arrear pref dividend). It sounds dreadful but is thrown into perspective by 1992's results, when the attributable loss was R50,4m and EPS a negative 121,6c.

An important aspect last year was the acquisition of the Bertrand group for R13m. The effect will be to neutralise a competitor and enable further rationalisations.

What about prospects for 1994? Snijman says Unispin is in a much better position. The labour force has been trimmed (by 500 employees in 18 months), inventories have been reduced and indications are that the order book is expanding.

Unispin's modern plant is running at only 60% of capacity. In a volume-related business, that's bad news. Snijman confirms the key lies in greater throughput. That will require a surge in orders, which, in turn, depends on confidence. Snijman is looking to and praying about late April. So are many other businessmen.

Shareholders understand they are involved in an enterprise that can scale heights and plumb depths. They've had the depths over the past four years. Unispin has a distinguished board which includes the Ellermes and Kroks and is now chaired by Neill Da-

vies. If these legendary profit-spinners can't get it right, no-one will.

David Gleason

Glodina bounces back

NATAL-based clothing, footwear and textile company Glodina reversed its fortunes in the year to December and recorded a pre-tax profit of R3,1m (R3,2m loss) *Biday*

But pre-tax gains were virtually wiped out after the deduction of abnormal tax of R3,1m from a R4m investment by the company

BEATRIX PAYNE

in a film scheme in 1988.

The taxed profit of R11 000 would be reinvested in the company, MD Paul Redondi said *197*

Earnings a share before the abnormal item were 16,11c (6,9c loss)

After the abnormal item, earnings a share were 0,1c (16,9c loss) *312/94*

No dividend was declared by the company

Glodina's turnover in the period increased *3%* to R79,1m (R76,9m) *(R76,9m)*

Operating profit rose to R6,2m (R3,6m) on the back of "stringent" cost-cutting and better capital management, directors said

Interest payments fell 37% to R3m (R4,8m).

Pre-tax profit improved as a result of the company rationalising its product mix to focus on marketing products with the highest profit margins, Redondi said.

Glodina shares traded unchanged at 55c on the JSE yesterday

Interest boost for Truform

EDWARD WEST

CAPE TOWN — Clothing manufacturer and marketer Rex Truform's sales and operating profit held steady in the six months to December 1993, but earnings rose nearly two-fifths from interest income.

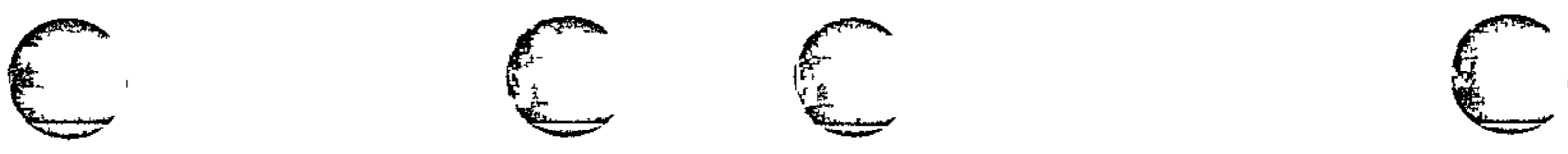
The results showed turnover in the first half at R84,71m (R85,64m) while operating profit was R2,94m (R2,85m). Interest income amounted to R536 000 compared

with the R552 000 interest paid out last year. This left pre-tax profit up nearly 50% at R3,47m (R2,3m).

MD Stewart Shub said interest was earned on cash through most of the period. Earnings a share were 38,9% higher at 78,6c (56,6c).

Shub said production capacity was fully booked for the remainder of the year.

1713194



Fenix back in the black

MARC HASENFUSS
Business Staff

FENIX Industries, the Abbey Group's textile manufacturing subsidiary, reported attributable earnings of R1,6 million for the year to end December — a commendable turnaround from being R3,5 million in the red previously

Fenix managing director Michael Bryan attributed the recovery to increased volumes, improved market share, significant cost reductions and improved productivity

"The trading results to a certain extent reflect improved market conditions which are being experienced by most Western Cape textile and garment manufacturers"

Mr Bryan said although there had been a slight upturn in the past 12 months, trading margins were still under pressure

Turnover jumped 47 percent to R63 million in the period under review. Operating income came in at just over R4 million — reflecting a slimmish gross margin of 6,4 percent

The interest bill was cut by about R300 000 to R2,5 million, in line with a drop in interest bearing debt to R5,7 million for the period under review. Gearing currently sits at an acceptable 31 percent

A major detractor in the year end results is the write-off of a significant portion of the hard earned trading profits as an ex-

traordinary item covering against a provision for film investment deductions disallowed by the tax authorities

The extraordinary write-off, which totalled almost R1,2 million, also covered losses sustained in the closing and selling-off of a non-profitable division

Bottom line profits, after the extraordinary item, came in at R447 000 compared with a loss of R2,6 million in the 1992 financial year

■ Marvol subsidiary Concorde Travel Holdings shrugged off the uncertainty in the local tourist market, reporting an 11 percent rise in attributable earnings to R866 000 for the nine months to end December

Directors said that although trading conditions were difficult all local travel operations produced good results

The results are not really a real reflection of Concorde's profit performance as the previous reporting period was for a full 12 months. The differing reporting periods are due to a change in the group's year end

The dividend payout was upped to 2,5c a share against last year's 2c — indicating some confidence about future trading

During the period under review R412 000 was written off as a bad debt to cover alleged fraud by a customer. Directors said steps to recover this money were being taken

(197) ARCT 18/3/94
Concorde's Russian offices incurred a R164 000 loss due to initial start-up costs. Directors said the potential of the Russian offices remained high

The group's recently acquired freight operation enjoyed an "excellent" trading period, exceeding its profit warranty

■ The Autoquip Group — an automotive component retailer — managed an 8 percent increase in attributable earnings to R846 000 in the six months to end December

Directors said the consolidation and repositioning of the Autoquip division was completed in the interim period. An improved contribution is expected in the next six months

Partquip and Partco also consolidated their position in the period under review, they said

■ Diamond group Broadacres Investments nearly halved bottom line earnings to R560 000 in the half year to end December

The dividend payout was skipped to conserve cash flow for repairs and replacement of machinery and equipment

■ Kudu Granite posted attributable profits of R1,9 million in the six months to end December on the back of stronger demand for local granite

The group has decided to increase capacity to service the new levels of demand and directors have approved the necessary investment expenditure

Fenix back in black as textile sector strengthens

By AUDREY D'ANGELO
Business Editor

BETTER market conditions for the textile and clothing industries in the Western Cape have helped Fenix Industries achieve a trading profit of R1,6m in the year to December compared with a R3,4m loss last year.

Earnings at share level were 14,5c compared with a loss of 31,2c. Turnover soared to R63m (R42,9m) and operating income was R4m compared with a loss of R673 000.

Attributable profit was R1,6m compared with a loss of R3,5m, after an interest bill of R2,4m (R2,7m) and a sharply lower tax bill of R29 000 (R70 000).

But an extraordinary loss of R1,1m — caused by the closure of an unprofitable division and provision for film investment deductions disallowed by the tax authorities — reduced net income to R447 000 compared with a loss of R2,6m.

Net current assets have grown to R3,6m (R1,5m). The net asset value per share is 162,4c (158,5c).

Fenix, which was badly hit by the recession, returned to profitability in the first half of 1993 after selling its loss-making textile printing division. It ended the six months to June with an attributable profit of R114 000 and earnings of 1c a share.

Discussing the year-end results the directors say the "substantial turnaround from the loss of the previous year is satisfactory. However, margins re-

main low and the increase in profit is, in the main, due to a 50% increase in trading." (197)

MD Michael Ryan said yesterday that the trading results to a certain extent reflect improved market conditions experienced by most Western Cape textile and garment manufacturers.

"There has certainly been a slight upturn in the last 12 months although trading margins are still under intense pressure."

He said the turnaround of Fenix was due to "increasing volumes through improved market share, significant reductions in operating costs and improved productivity throughout the manufacturing operations."

CT/18/3/94

Ryan warned: "The only way the SA textile industry can compete against imports is by providing local customers with a comprehensive package which can help add value to the customer's business."

The operating subsidiaries include Lansdowne Textile Industries, bought out of provisional liquidation in 1991, which operates the largest and most diversified commission dye-house in SA.

This services a wide range of textile manufacturers in the Western Cape and other parts of the country. Fenix's turnaround follows improved results from the Searcel Corporation and Rex Truiform Clothing Co.

Fenix back in profit

Star 18/3/94

■ BY STEPHEN CRANSTON

Textile manufacturer Fenix Industries has reported earnings of 14,5c a share in the year to December, a major turnaround from the 31,2c a share loss the year before.

MD Michael Bryan ascribes the turnaround to increased volumes — turnover was up 50 per cent to R63,0 million — a significant reduction in operating costs and improved productivity.

Its two main operations are Ivitex Knitting Mills and Lansdowne Textile Industries, which operates the largest dye-house in the country.

"The trading results to a certain extent reflect improved market conditions being experienced by most Western Cape textile and garment manufacturers," he said.

Disallowed

A substantial portion of the trading profits, R1,18 million out of R1,63 million, was written off as an extraordinary item as a provision for film investment deductions in prior years which have been disallowed by the authorities.

Director Justin Schaffer promises that once stability returns to the country Fenix will create new job opportunities in the region.

Approximately 40 per cent of the workforce were laid off in the past two years to bring productivity to acceptable levels.

TEJ not so deep in the red

EDWARD WEST *Edway*

CAPE TOWN — Knitwear and clothing manufacturer and distributor Towles, Edgar Jacobs (TEJ) continued to trade in the red in the six months to December 1993, but higher sales volumes reflected a marginally better trading position. ~~(R1,67m)~~ (197)

Turnover was 9,8% higher R13,72m (R12,5m) in the first half and the operating loss was lower at R905 000 compared with the R1,67m loss last year. 2513194

The loss a share was equivalent to 57,3c a share compared with 81,7c a share in the first half of last year and a loss of 37,5c a share in the year to June 1993

Strategy for textile industry

CAPE TOWN — The clothing and textile industries would have to invest R2,7bn over eight years to upgrade technology and become internationally competitive

This was one of the supply-side measures identified by the task group set up to establish a long-term industrial strategy for the clothing and textile industries. The group, consisting of representatives from business, labour and government, presented its final report yesterday.

Other measures to increase competitiveness related to lowering input costs of cotton, synthetic and man-made fibres, as well as labour costs and other inputs. A R285m interest subsidy was also proposed.

The report emphasised training needs, saying 2% of payrolls should be spent on training next year, increasing to 4% in 1997.

But most of the support measures proposed would not sufficiently benefit small manufacturers. The report recommended

By Day 30/3/94
EDWARD WEST

a financial allocation to introduce means of improving competitiveness and encouraging new entrants.

Agreement was reached on the 10-year reduction phase in import tariffs, starting on April 1 next year, with the goal of 40% on clothing, 30% on household textiles, 22% on fabrics, 15% on yarns and 7,5% on fibres. These objectives were well below GATT's targets (1997).

The task group recommended establishing a textile and clothing authority along the lines of the Australian Textile, Clothing and Footwear Authority.

SA Clothing Federation president Sadek Vahed said the group had accepted that some proposals ran contrary to GATT, but the industries hoped to draw on export incentives for as long as possible to assist in becoming internationally competitive.

Exports may save ailing industries

TOM HOOD

~~1974~~ ~~1974~~ 197
ARG 2/4/94
SOUTH Africa's beleaguered clothing and textile industries could be rescued by substantial export opportunities to the United States and Europe

This is the view of National Clothing Federation president Sadek Vahed

His company, A M Moola, one of the biggest privately owned manufacturers, notched up American orders for large quantities of various garments. But a serious problem for exporters is the late arrival of fabrics. The fabrics must arrive in time to meet tight delivery dates, he said in Cape Town this week.

"Markets are open to us because of our quota-free status. Potential customers are waiting on the sidelines and immediately after the election is over, orders will be coming to place volume business with manufacturers in the new democratic South Africa.

"We therefore need export incentive certainty so that manufacturers can know how to cost and market their products.

"The export potential for South African clothing is vast and could transform this country into the first African 'tiger'."

By securing only a 1 percent market share in the US, Britain, Germany, France and Italy the South African clothing industry could double its current output from R4,5 billion to R9 billion. This would have a direct job-creating effect of 225 000 — 150 000 in clothing, 35 000 in textiles and 40 000 in the cotton-growing and wool producing sectors.

South Africa should follow the route taken by Mauritius which in seven years went out for an export-driven clothing and textile industry and created more than 60 000 new jobs in that period of time.

Clothing exports were worth R66 million six years ago and rose to just under R600 m last year, creating or saving 15 000 to 20 000 jobs.

A new export assistance system was needed and if action was not taken soon it could spell the death-knell of South Africa's export momentum.

"If urgent action is taken to introduce a new export assistance programme, within a few years we could see clothing and textile exports grow into a figure of several billion rands. We must get cracking urgently."

protection and huge subsidised handouts (to get rid of the so-called anti-export bias produced by tariff protection) better than Clothing Federation president Sadek Vahed "It therefore becomes critically important that government most urgently implements a follow-up export assistance system to replace the previous export programme, as clearly outlined in the panel's report," he says. "Government must take serious note that if no action is taken most urgently in this regard, it could spell the death knell of SA's clothing and textiles export momentum"

If government acts urgently, he adds, "within a matter of a few years we could see clothing and textile exports grow to a figure in the region of several billion rands. However, we must act quickly."

Woolworths director David Glasser isn't convinced. "In the fast-changing world of today, for industry to rest on its laurels for 10 years does not augur well for the future." He criticises the report for having "hardly any

quantifiable features" and for creating no accountability for its implementation. "And the interests of consumers have been left out of the equation."

Edgars Stores CE George Beeton says five years should be a sufficient period to phase out tariffs "Local consumers have to pay for the excessive protection afforded the textile and clothing industries. Our clothing prices are more expensive than those in the US" Edgars supplies the burgeoning domestic market and participates in exports by manufacturing about 15% of its clothing inhouse.

Adds Stanley Shlagman, spokesman for the dissenting group, the introduction of new specific duties (replacing the old *ad valorem* and formula duties) also means that the duty structure kicks off its 10-year reform period at higher levels than those that were effective in November 1992 "The industries have not restructured in order to help themselves. They have merely reworked different ways in which the government should support

BUSINESS

them"

Final damning words belong to Yakub Paruk, spokesman for the Concerned Independent Group. "The restructuring arrangement suggested by the panel in fact reinforces protectionism to the benefit of macroindustry, and is in direct conflict with the panel's own terms of reference. It is a complete disaster. What was supposed to be a very temporary relief measure to protect the textile industry now appears to be a concretised basis upon which reluctant concessions are made to the clothing sector.

"We are following the path of India, where exorbitant protection led to a dual economy and massive smuggling syndicates. India had eventually to abandon such protectionist practice"

SA, ever behind the times, seems set to repeat these costly historical errors before it will finally be forced by economic collapse to follow the path of reason — and of the market

CLOTHING & TEXTILES Pipeline dissension

The 197-page report of the textile and clothing task force, released last week by panel chairman Nic Swart, has run into a storm of opposition and controversy

The aim of the two-and-a-half-year investigation, involving the Board on Tariffs & Trade, the clothing and textile industries, SA Clothing & Textile Workers' Union,

retailers, wholesalers and government, was to devise a long-term strategic plan for two industry sectors that have for decades been at loggerheads over protective tariff barriers

In SA's offer to Gatt, the current tariffs were to be cut by about half, with a ceiling of 45% on imported clothing and 30% on imported household textiles, to be phased in over 12 years with an initial five-year standstill period That compares with the vast majority of other industries, which got much lower tariff ceilings to be phased in over just five years

In response to the Gatt-imposed ceilings, the report recommends 40% tariffs on clothing and 30% on household textiles, to be phased in over 10 years.

Judging by the response of major retail groups, Southern African Customs Union partners and small clothing manufacturers, the panel has done little to advance the overprotected textile and clothing industry sectors towards the restructuring needed to improve their international competitiveness

Woolworths, Edgars, Pep Stores, various wholesalers, the Concerned Independent Group of 235 smaller Natal clothing manufacturers, and representatives of Botswana, Lesotho and Swaziland have submitted a dissenting report.

"The proposed 10-year period to phase out tariff barriers is inertia, not action," says an observer from the Customs Union who expects tension and disagreement when the tariff policy comes up for ratification there "It just defers the inevitable failure of some of SA's uncompetitive textile mills The two industries are so comfortable behind the high barriers, with an upturning economy to give them sufficient (local) demand, that they do not need to take the major steps needed for international competitiveness or to deal with the staff reductions"

Trade & Industry Minister Derek Keys has called for responses from interested parties But Keys, in a statement, has set the tone for the type of responses to which he's most amenable. "Government is concerned that the transition to a more competitive environment should neither threaten nor damage the interests of any of the participants in the industries involved"

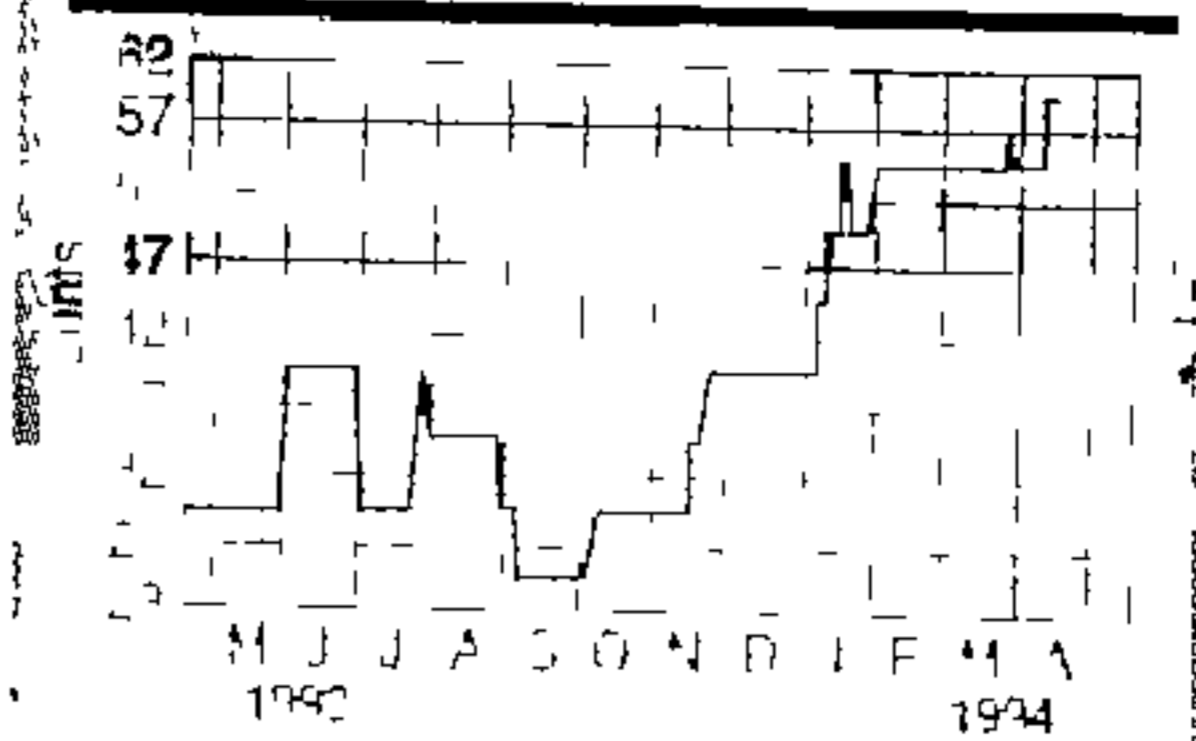
The refusal to bite the tariff reform bullet is ascribed by some to a cosy deal between the National Clothing Federation (representing the bigger clothing manufacturers), the Textile Federation and the trade union Others accuse Swart, who is also chairman of the Board on Tariffs & Trade, of bending over backwards to accommodate ever-increasing pressures to retain the status quo

Apart from its important recommendations for an export focus, technological upgrading, the need for training and a more integrated management approach, the report is just a restatement of the old protectionist philosophy that has made SA one of the least competitive exporting nations of manufactured goods

And nobody states the case for ongoing

FM 29/4/94

Glodina



Activities: Makes household textiles

Control: B J Balladon & Sons 70%

Chairman: J B Balladon

Capital structure: 19,5m ords Market capitalisation R11,7m

Share market: Price 60c Yields 26,9% on earnings, p e ratio, 3,7 12-month high, 60c, low, 25c Trading volume last quarter, 5 600 shares

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	19,2	23,3	20,5	20,1
LT debt (Rm)	6,1	5,0	1,5	1,1
Debt equity ratio	0,69	0,80	0,68	0,66
Shareholders' interest	0,47	0,45	0,59	0,60
Int & leasing cover	1,7	1,7	0,3	2,0
Return on cap (%)	11,8	10,2	3,1	11,7
Turnover (Rm)	89,5	94,3	76,9	79,1
Pre-int profit (Rm)	9,2	8,0	1,7	6,2
Pre-int margin (%)	10,3	7,9	2,2	7,8
Earnings (c)	19,8	14,1	(16,9)	0,1
Dividends (c)	nil	nil	nil	nil
Tangible NAV (c)	186	181	164	165

(197)

extent offset improvements

The clothing and textile industry, like so many of SA's protected industries, has been hit by the inflow of highly competitive imports. The current offer made to Gatt by the Board of Trade & Industry suggests duties on imported finished goods should be halved over 12 years. Balladon says import duties on Glodina's major raw material, cotton yarn, which is by far the largest single cost component in the finished product, will be similarly reduced. This should go some way towards making exports more competitive. However conflicting interests of the textile and clothing sectors are still to be resolved. A final structure is expected to be announced soon.

Capex of R600 000, to be funded internally, is planned for this year, earmarked for technological upgrading and investment in research and development.

The share is cheap on a p e of 3,7 compared with the sector average of 10,3. Still, though Glodina's products have a reputation for quality which will benefit earnings in an improved trading environment, much will depend on the resolution of industry conflicts.

Marylou Greig

GLQDINA FM 29/4/94
Much healthier

Investors who heeded Glodina chairman John Balladon's 1993 statement that the textile group had turned the corner, after the 1992 figures were awash with red ink, will be pleased they did. A year later, the share price has doubled to 60c and the group has reversed its fortunes with a profit of R11 000 against a year-ago loss of R3,3m.

Though turnover increased a marginal 3% to R79,1m, the marked improvement in margin from 4,7% to 7,8% bears testimony to management's efforts to control overheads and fine-tune the business. A 70% jump in operating income to R6,2m and reduced finance costs due to lower interest rates and borrowings saw pre-tax profit rise to R3,1m against 1992's R3,2m loss (197).

The underlying improvement is better than the bottom-line result suggests. Another company unfortunate enough to have invested in a film scheme, Glodina incurred a R3,1m tax liability arising from the Finance Minister's offer of settlement, which to some

8 Day 315194
**Da Gama able
to hold the line**

AMANDA VERMEULEN

CLOTHING and textile company Da Gama limited earnings decline to 16,5% in the year to March despite large-scale imports of fabric, a six-week labour strike, recessionary conditions and intense price competition.

Earnings declined to 34,6c (41,4c) a share and dividends dropped to 15c (18c), on a 5% increase in turnover to R266,6m (R254,1m). Net operating income declined to R20,9m (R25,1m).

The directors said earnings would have improved had there not been a strike.

They said the company's financial position remained sound, with net cash holdings of R17,6m.

Capital expenditure for the year was R13,2m and further expenditure of R15m was planned for continued upgrading and refurbishment. This would be funded from net operating cash flow.

A long-term strategic plan for the textile and clothing industry had been completed by business, organised labour and government representatives. Recommendations had been presented to the state and a reply was expected in June.

Recommendations included a 10-year phasing down of import duties from April 1995, lower than those set by GATT, but on the understanding government would help the industry to modernise and become internationally competitive.

The directors said the recent scrapping of the Structural Adjustment Programme should result in a sales increase in the coming year.

Fun 6/5/94
Stitching on union time

Clothing and textile manufacturer Da Gama's decline continues. A six-week strike at three of its textile plants was entirely responsible for financial 1994's 16,5% drop in EPS to 34,6c. Intense price competition and increasing imports add to its woes.

However, relief is in sight. Recent scrapping of the Structural Adjustment Programme (SAP) — which rewarded exporters with significant duty-free import permits — should reduce imports of fabric and clothing. The Duty Credit Certificate Scheme (which ~~is~~ *(197)* *P 107*)

FOX

Fun 6/5/94
LOOSE THREADS

Year to March 31	1993	1994
Turnover (Rm)	254	267
Pre-tax profit (Rm)	25,1	20,9
Attributable (Rm)	21,1	19,6
Earnings (c)	41,4	34,6
Dividends (c)	18,0	15,0

has replaced SAP) still allows duty-free imports, but at a lower level. CE Harry Pearce says that volumes, which began declining in the late Eighties, are now starting to pick up and might even increase by a few percent this year. Earnings should rise accordingly.

Production facilities were rationalised in 1993 by consolidating finishing, dyeing and printing facilities in one factory at Zwelitsha, Ciskei. Benefits should have been felt

Fun 6/5/94
 in the second half of financial 1994, but weren't, because savings in salaries went on overtime payments, the backlog caused by the strike needed to be cleared. Pearce says the company is now delivering on time.

Notably, working capital increased by R34m. Pearce says this comes mainly from an increase in debtors' days from 60 to 70 days. He adds this is common throughout the textile industry. To import, clients need to raise letters of credit from banks. These bills are placed at the top of their payments list — and that makes textile manufacturers wait unduly long for payment ~~(197)~~ *(197)*

Pearce believes relationships with the union have improved; there is little chance of another strike, he says. Earnings should improve this year. The market confirms this positive sentiment — the counter is at an annual high of 320c and at a premium to the clothing sector.

Kate Rushton

GOLD QUARTERLIES

Costs bogey returns

With a total work force exceeding 350 000, it is hardly surprising that pre-election tensions affected the mines in the March quarter. Production losses are a major feature of the results but erratically across the industry and within individual mining houses.

On affected mines, production losses more than offset the cessation of the State's share of profits from tax charges. All things being equal, that should have added about 12% to bottom-line earnings of rich mines with high marginal tax rates such as Driefontein; in the event, the industry average was about 5%.

With the spot rand gold price on the rise

nodes 7/1/0

oil to 100

annual 25



Rag trade braced for tough wage talks

197
ART 9/5/94

SHARON SOROUR
Labour Reporter

CRUCIAL wage talks in the embattled clothing industry — mainstay of the Western Cape economy — have begun, with employers and the clothing workers' union, the South Africa Clothing and Textile Workers' Union (Sactwu), braced for tough negotiations.

Progress was made during the first round of national negotiations in Cape Town "but it's still early days", said Cape Clothing Manufacturers' Association chairman Johann Baard

Mr Baard said "Sactwu is demanding 16,6 percent. The employers counter proposal amounts to 5,5 percent"

The wage component of the trade union proposal was 14 percent, with the balance made

up by peripheral issues such as conditions of service

"The negotiations are taking place in a very good spirit at this stage, and both parties accept and appreciate that the industry is in a crisis

"It is generally accepted that the industry has not created a single job in the past five years, and the trend of factory closures and retrenchments has not been reversed or even halted," he said.

Employers were concerned by the "extraordinary" growth of the informal sector and its level of sophisticated manufacturing

"The informal sector is not only supplying fleamarkets, but has begun supplying boutiques and even the bigger chain stores

"It is common cause that in the informal sector the rate for a machinist is R150 a week,

while in the formal sector, with unionised rates, it's nearly double that," he said

Reports were also filtering through that the informal sector was "poaching" skilled labour employed in the formal sector on an ad hoc basis

Mr Baard said skilled workers like pattern-makers, graders and cutters were taking off up to three days a month as sick leave to work in the informal sector"

He said the whole debate on free trade, introduced by the recently concluded Uruguay Round of the General Agreement on Trade and Tariffs (Gatt), also raised the question of fair trade

First World developed countries now were trading with developing countries where child labour was prevalent and there were no minimum wage regulations or health and safety legislation



Romatex takings double on improved conditions

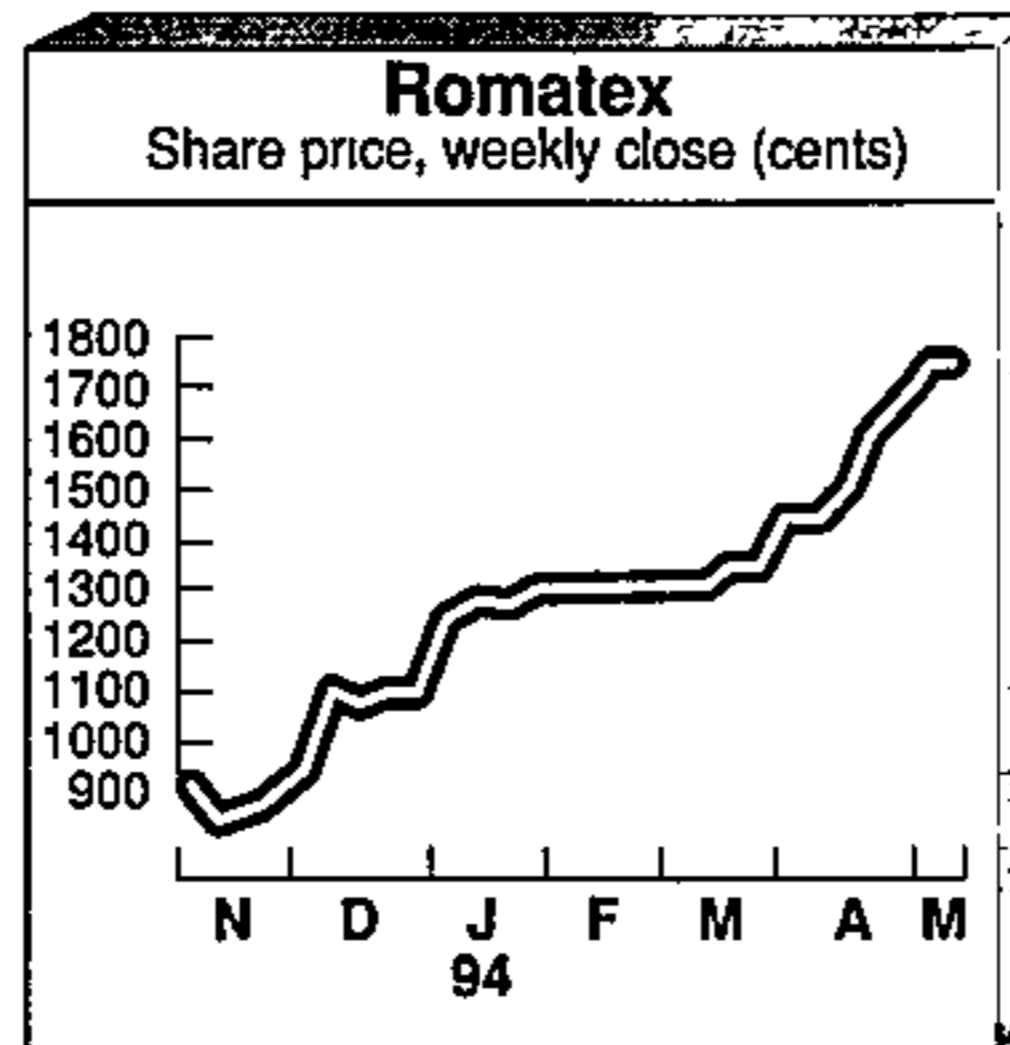
MARCIA KLEIN

CARPET, fibre and textiles group Romatex doubled its attributable profit to R18,8m (R9,4m) in the six months to end-March — off a high base — as the trend of more favourable business conditions in the second half of financial 1993 continued.

The company, which had lifted earnings 178% at the September year-end, reported earnings of 76,1c (38c) a share for the interim period. A 54% higher interim dividend of 20c (13c) a share was declared, with an increased cover of 3,8 (2,9) times.

But executive chairman Jack Crutchley warned this growth level could not be expected to continue into the second half as it would be off a significantly higher base. But profit in the second half would match the previous year's performance and full year growth would be satisfactory.

The pedestrian 5% increase in turnover to R346,2m (R330m) indicated that trading conditions remained



difficult and competitive (197)

The benefits of restructuring and improved operational efficiencies in the fabrics and carpets divisions resulted in a 50% hike in operating profit to R28,9m (R19,3m), and an improvement in operating margin to 8,3% from 5,8% last year.

Gearing was eliminated, and net interest received of R1,9m compared with a prior year interest payment of

R1,1m. This, together with a drop in the effective tax rate to 39% (48,3%), enabled it to double taxed profit.

Crutchley said that all four divisions had been profitable. Results reflected a "combination of increased operational profit, net interest received and a lower average tax rate".

Bulk liquid storage division Island View Storage continued to increase import and export volumes handled, "taking advantage of the recently completed capacity expansion".

Consumer textiles operated in competitive conditions, but the fabrics division increased profitability through a focus on productivity and customer service.

The carpets division, which had been a major contributor to the recovery last year, reported continued growth through product development and market share gains.

In the industrials division, extruded fabrics, filtration division Filtaflo and the foam sector performed well, though offset by tough trading in the automotive and non-woven sectors.



Romatex Ltd

Reg No 05/16831/06
(Incorporated in the Republic of South Africa)

1994

INTERIM REPORT AND DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 1994

Group Income Statement

	Unaudited 6 months ended 31 March		% Change	Audited year ended 30 September
	1994 Rm	1993 Rm		1993 Rm
Turnover	346,2	330,0	5	707,5
Operating profit before interest	28,9	19,3	50	58,0
Interest received/(paid)	1,9	(1,1)		(0,8)
Profit before taxation	30,8	18,2	69	57,2
Taxation	12,0	8,8		22,5
Profit after taxation attributable to ordinary shareholders	18,8	9,4	100	34,7
Extraordinary items	-	6,2		(2,5)
Dividends	4,9	3,2		13,1
Retained surplus for the period	13,9	12,4		19,1

Ordinary Shares

Number of ordinary shares of R1 each in issue (000's)	24 726	24 726	24 726
Earnings per ordinary share (cents)	76,1	38,0	140,4
Dividend per ordinary share (cents)	20,0	13,0	53,0
Dividend cover (times)	3,8	2,9	2,6

Group Cash Flow

	Unaudited 6 months ended 31 March		Audited year ended 30 September
	1994 Rm	1993 Rm	1993 Rm
Cash generated by operations	43,0	34,1	88,2
Requirements for continuing operations	20,2	26,0	13,7
Working capital movements	(9,7)	7,2	(10,4)
Replacement of fixed assets	9,8	3,2	7,9
Interest (paid)/received	1,9	(1,1)	(15,4)
Taxation paid	22,0	14,5	0,8
Cash available from operations	22,8	8,1	74,5
Dividends paid	9,9	2,5	5,7
Cash retained from operations	12,9	5,6	68,8
Other movements	0,3	32,4	27,4
Cash available for investment	13,2	38,0	96,2
Investment in future operations	3,8	1,0	12,5
Expansion capital expenditure	7,0	1,0	11,2
Decrease/(increase) in investments	3,2	-	(1,3)
Cash inflow for period	9,4	37,0	83,7
Financing Movements			
Long term liabilities	(3,2)	(14,6)	(25,6)
Short term movements	(6,2)	(22,4)	(58,1)
	(9,4)	(37,0)	(83,7)
Other group salient features			
Net asset value per share (cents)	1380	1297	1324
Net borrowings total			
shareholders funds (%)	-	40	-
Interest cover (times)	-	17,5	52,7
Current assets/current liabilities (ratio)	1,9	2,0	1,8

Group Balance Sheet

	Unaudited 31 March		Audited 30 September
	1994 Rm	1993 Rm	1993 Rm
Capital employed			
Share capital and premium	29,5	29,5	29,5
Non distributable reserves	32,2	33,2	32,2
Retained surplus	279,6	258,0	265,6
Shareholders funds	341,3	320,7	327,3
Deferred taxation	20,4	18,9	20,2
Long term liabilities	-	14,2	3,2
	361,7	353,8	350,7
Employment of capital			
Fixed assets	220,9	220,9	218,4
Investment - unlisted	1,8	3,0	5,0
Current assets	298,5	254,8	292,8
Stock	91,4	95,7	90,2
Debtors	155,6	151,9	155,9
Deposits and cash	51,5	7,2	46,7
Total assets	521,2	478,7	516,2
Current liabilities	159,5	124,9	165,5
Interest bearing debt	8,3	5,9	9,7
Creditors, taxation and shareholders for dividends	151,2	119,0	155,8
	361,7	353,8	350,7
Capital expenditure	16,8	4,2	19,1
- Expansion	7,0	1,0	11,2
- Replacement	9,8	3,2	7,9
Capital commitments	18,4	11,3	11,0
- Contracted	10,0	8,3	9,9
- Approved	8,4	3,0	1,1
Lease commitments	7,9	6,6	7,5
- Land and buildings	5,9	6,4	4,4
- Other	2,0	0,2	3,1

REVIEW OF RESULTS

The profit improvement reflects a continuation of the more favourable business conditions experienced in the second half of the previous year.

As a result of increased operational profits, net interest received and a lower average tax rate, profit after tax doubled to R18,8m.

All four divisions were profitable. The benefits of restructuring and improved operational efficiencies in both the Fabrics and Carpets divisions contributed to a Group operating margin of 8,3% compared to the previous 5,8%.

The Bulk Liquid Storage division handled increased volumes in both the import and export sectors and therefore was able to take advantage of the recently completed capacity expansion.

Trading conditions in the consumer textiles markets remained extremely competitive but focus on productivity and customer service resulted in an improvement in profitability in the Fabrics division.

In the Industrials division, gains in Extruded Fabrics, Filtaflo and the Foam sector were offset by difficult conditions experienced in the Automotive and Non Woven sectors.

The Carpet division increased profits through product development and improved market share particularly in the domestic ranges.

Increased levels of capital expenditure and commitments reflect the plan to further expand the capacity of the Bulk Liquid Storage division and to refurbish and update technology in the Industrials and Fabrics divisions.

Cash flows remained healthy with emphasis on working capital control. Cash resources increased to R43,2m.

PROSPECTS

Profits in the second half are expected to match the strong performance of the same period of the previous year. Consequently earnings for the full year will show satisfactory growth.

ORDINARY DIVIDEND NUMBER 100

Notice is hereby given that an interim dividend of 20 cents per share has been declared payable to shareholders registered in the books of the company at the close of business on 20 May 1994.

The transfer register and register of members will be closed from 21 May 1994 to 5 June 1994, both days inclusive, for the purpose of determining those shareholders to whom the dividend will be paid.

Dividend warrants will be posted to shareholders on or about 17 June 1994.

For and on behalf of the board

A L Crutchley W R H Bowden Jacobs
(Executive Chairman) (Group Financial Director) 6 May 1994



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CG SMITH GROUP

Registered Office
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(P O Box 82549
Southdale 2135)

Directors: A L Crutchley (Executive Chairman) (British), R Bourne-Lange, W R H Bowden, N A Bury, E P Connellan, D E Cooper, R W Graham, N W E Griffin, M J Hankinson, B C McCarthy, J H Ward, R A Williams, N N Wilmoit

Efficiency sees Unispin achieve R352 000 profit

By
CHARLOTTE MATHEWS

TEXTILE group Unispin produced its first bottom-line profit for several years of R352 000 in the six months to March — against a loss of R5,4m in the same period in 1993 — as a result of continued efficiencies and better market conditions

Turnover climbed by 75% to R92,1m from R52,7m, including a R26m contribution from Bertrand Holdings which was bought with effect from January 1993

Operating income was R5,3m, against 1993's loss of R3,3m, and the interest bill fell to R997 000 from R2,1m due to better asset management. No tax was payable because of accumulated losses. Net income of R4,7m went mostly toward paying arrear preference dividends and STC tax.

The arrear preference dividends arose from the conversion of a major portion of Unispin's interest-bearing debt to preference shares held by banks. Unispin had since not had sufficient profit to pay the dividends.

Earnings a share were 0,8c against 14,8c in the same period in 1993 and the dividend was passed. Company directors warned

the ordinary dividend would be passed until current and arrear dividends on the A preference shares had been serviced.

Unispin director John Erasmus said the improvement in results was due partly to higher consumer spending but also to new anti-dumping legislation. (197)

He welcomed the imminent publication of the long-term strategic plan for the textile and clothing industries in SA, also known as the Swart Report. If its proposals were implemented it would mean a far more stable climate. 1315194

Unispin's directors said the recovery of the textile industry, and the fact that trading in the second half of the year was better than the first, should see operating profits continuing to improve.

The company remained labour intensive, with about 2 500 employees in the Eastern Cape. Labour disruption over April and May had affected production, but the group remained on track.

Mugabe warns SA on textile tariffs

CT: 2015/94

197
SFA
GIP

From LINDA ENSOR

LONDON — The most pressing issue bedevilling Zimbabwe's relationship with SA was the high tariffs imposed on Zimbabwean textile exports, an issue which would have to be addressed if SA was to join Southern African economic associations, state president Robert Mugabe indicated yesterday

Mugabe is on an official state visit to Britain and gave a press conference at a Confederation of British Industry conference on investment opportunities in Zimbabwe

So pressing was the problem of high tariffs which made Zimbabwean textiles uncompetitive on the SA market, that Mugabe raised the issue with Nelson Mandela while in SA for the presidential inauguration

"At the moment SA is very closely guarded in respect of its textile products. They are guarding the market quite jealously because of a flood of dumped goods from the Far East, South Korea, Taiwan, Hong Kong and other countries"

This was the reason for the heavy duty imposed on Zimbabwean tex-

tiles, Mugabe said

If SA joined COMESA and SADCC, it would have to abide with the regulations of those organisations to facilitate trade "We want to remove tariff barriers altogether by the year 2030 to promote trade in the region"

Mugabe said SA's participation in these organisations would enhance markets and lend weight to them. He hoped that SA would lay its comparative advantages in the areas of quality and technology at the disposal of its neighbours

Britain's Board of Trade president Michael Heseltine also emphasised that the most effective form of regional cooperation at this stage could be the removal of trade barriers and the simplification of border controls to encourage the free flow of trade within Southern Africa. SA had a key role to play in Southern Africa, he added

On the issue of investment, Zimbabwe enjoyed certain advantages over SA, Mugabe said

"We pride ourselves on a much higher level of education amongst blacks than in SA and amongst blacks we also have a higher level of skills"

Seardel's rise reflects sector's rosy prospects

Bibay
EDWARD WEST

CAPE TOWN — Clothing manufacturer Seardel's rising share price was based on sound fundamentals and reflected improved prospects for the clothing and textile sector, sources said at the weekend **23/5/94**

The share hit a new year high of 710c on Friday in heavy trade, up more than four times its price last June

One analyst said the share's hike was in line with the rest of the sector, which had seen its JSE index move from 364 to 1 136 over the past 12 months

He said the 71,5% rise in Seardel's earnings to 59,8c a share for the six months to December could be exceeded in the second six months.

Earnings had been boosted mainly by price increases. Interim turnover was only 6,1% up at R621,6m, but second half earnings would reflect higher sales as the economy had improved **(197)**

The clothing manufacturing sector would reap the benefits of rationalisation, retrenchment and investments in better technological capacities, analysts said.

Recommendations contained in a recent report by the clothing industry task group set up to investigate

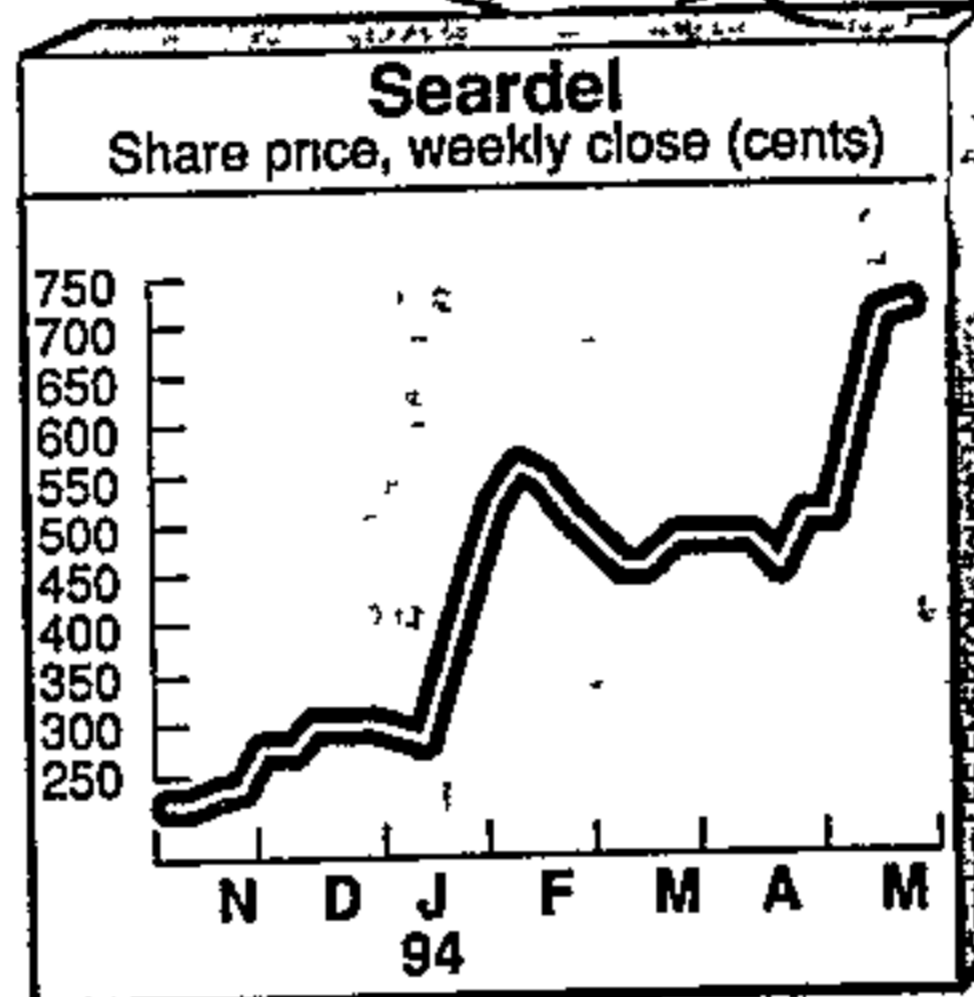
strategies to improve competitiveness would enable longer-term sustained growth if they were approved by government, one analyst said.

The industry's growth had followed the "boom-bust" pattern of the economy and retailers had reported 20%-25% sales growth over the past six months

Frame group, in which Seardel has a joint interest, reported a R6m profit for the six months to December, versus a R13,3m loss in the previous comparable period.

Full-year earnings were forecast to rise 18% to 100c.

Seardel joint MD Barry Richards said he was confident the group's earnings would grow but the effects of the election holidays had not yet been quantified



Fun 27/5/94

This Natal knitwear company may finally be living up to its name. After losses for eight consecutive quarters, the second half of 1993 produced a net profit after interest paid

It became apparent during the third quarter of 1992 that orders from traditional sweater customers would not be enough to generate economic volumes. So Progress embarked on an aggressive export drive, which pushed up export turnover of the sweater division 119%. Group turnover climbed 15%

But investors should not get too excited. Export sales will drop this year for a number of reasons. First, Progress has decided to do business fob. Second, there are less stringent quotas in terms of Gatt; and third, demand for sweaters this winter has been disappointing.

Also, there is still intense competition in the textile manufacturing division, where the main raw material, yarn, was being imported cheaply in large quantities.

Imports of supposedly second-hand clothing have been restricted, improving trade last year. However, turnover was inhibited by concern for the creditworthiness of many customers — a strategic move that came a little late for one associate, which lost R38 000 to a bad debtor

Accounting for this, and an extraordinary profit primarily from the sale of an empty factory in Swaziland, attributable profit was R109 000 (1992: loss R6,5m). There was a marginal improvement in the debt:equity ratio. Returns on equity, capital, assets and turnover all returned to positive percentages but are still far too low. (197) (187)

The share, at 190c, is more than double last year's low, but the buying opportunity has passed. Investors should bear in mind that local knitwear manufacturers, including Progress, will not be able to expand capacity until they produce good profits — which in turn will not be possible if there is unfair competition, such as dumping — without adequate protection.

Kate Rushton

Fun 27/5/94
PROGRESS INDUSTRIES
Buying time has passed

Activities: Makes knitwear, clothing and knitted fabric.

Control: Directors 53,8%.

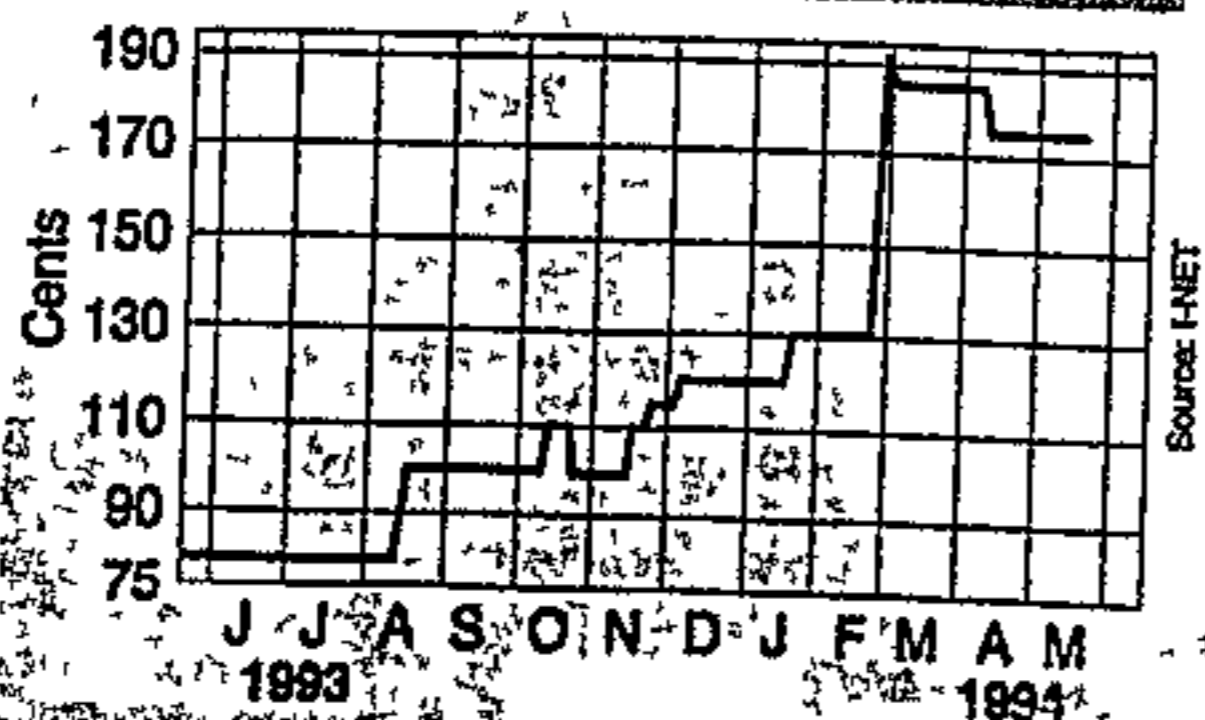
Chairman: D Aronovsky; **CE:** P Jacobson

Capital structure: 2,8m ords **Market capitalisation:** R5,3m.

Share market: Price. 190c. Yields: 0,4% on earnings; p:e ratio, 237,5; 12-month high, 190c; low, 80c. Trading volume last quarter, 24 000 shares.

Year to Dec 31	'90	'91	'92	'93
ST debt (Rm)	2,4	3,8	13,4	14,9
LT debt (Rm)	10,9	9,3	5,9	4,1
Debt:equity ratio	0,49	0,51	0,88	0,85
Shareholders' interest	0,49	0,48	0,42	0,43
Int & leasing cover .	2,0	—	—	1,0
Return on cap (%) ..	10,9	5,2	—	6,8
Turnover (Rm)	62	65	53	61
Pre-int profit (Rm) ..	5,9	2,8	(2,7)	3,5
Pre-int margin (%) ..	9,6	4,2	—	5,7
Earnings (c)	102,3	(31,5)	(220,8)	0,8
Dividends (c)	34,0	11,0	Nil	Nil
Tangible NAV (c) .	948	905	785	789

Progress Industries



Clothing industry wants lower tariffs

CAPE TOWN — The clothing and textile industry would call on President Nelson Mandela to push for lower tariffs for exports to the US, the sector's trade association said yesterday.

SA Clothing Federation executive director Sadek Vahed said he was deeply disappointed that clothing exports had not been included in the US's General System of Preference (GSP) measures.

GSP will allow lower import duties on 4 400 tariff items, but only nine related to clothing and textiles, none of which SA could manufacture (197)

Vahed said the industry would appeal to Mandela to make representations on the issue to US President Bill Clinton. (187)

Although SA clothing industry exports as a whole have grown strongly to about R600m in 1993 from R80m six years before, analysts say fulfilling export potential to the US had barely begun.

EDWARD WEST

The sector had also submitted a report to the Trade and Industry Department arguing for it to negotiate duty and quota free exports into Europe

Vahed said the industry had suffered under sanctions and was the most labour intensive in SA.

Clothing exporters currently pay 17% duties to the US, while the import duty for SA clothing to European Union countries was 14%.

Trade and Industry foreign trade director Bert Pienaar said the department intended to attempt to include clothing exports in its negotiations on EU import duties which were due to begin within weeks

The industry, along with the motor and electronics industries, has been allowed an extended period to comply with GATT provisions because of its relative international uncompetitiveness arising from the sanctions era.

Textile pay talks reach deadlock

BIDAY 2/12/94
ERICA JANKOWITZ

THE SA Clothing and Textile Workers' Union (Sactwu) and clothing employers reached deadlock in pay negotiations yesterday with employers offering the more than 100 000 clothing workers a package increase of 7,25% and the union demanding 14%.

The parties were scheduled to meet next week in a bid to break the impasse and mediation had been suggested, Sactwu spokesman Shahied Teladia said. (197) (184)

Thereafter, the union "would consider its options". (SSS)

Teladia said employers had used the April inflation figure of 7,1% as their "beacon for settlement", whereas in the past, when inflation was high, no such benchmark had been used. He said employers seemed determined to settle on a single-digit pay increase.

"The union views this as an attack on the living standards of workers."

Other issues on the table were employee benefits, which the union described as enjoying employer contributions that were well below those of other industries, and a guaranteed annual bonus.

Sactwu also demanded an employer contribution to its bursary fund and a halving of the maternity benefit qualification period to one year, Teladia said.

□ Sactwu and footwear manufacturers yesterday signed a wage agreement granting the more than 40 000 workers covered by the industrial council an 11,5% increase.

Teladia said the increase was calculated on the premium rate paid to workers to encourage full attendance.

Textile industry opposes quick tariff change

THE textile industry was against hastening the implementation of lower import tariffs which could lead to disarray in the industry and the loss of a significant number of jobs, sources said yesterday.

They said that the textile industry would not be calling on the Trade and Industry Department to bring in

MARCIA KLEIN

import tariffs lower than the industry task force had recommended and to hasten implementation of the lower tariffs. 22/6/94

Earlier this week, it was reported that the clothing and textile industry would make these calls in their submissions on proposals

by the task force, which was seeking import tariff reductions on clothing, textiles, fabrics and yarns over a 10-year period. BIDAY

The sources said they believed it was largely the retailers — who possibly had manufacturing or textile arms — which were set to benefit from hastening the process. (97)

But purely manufacturing companies were not in favour of bringing tariffs down lower over a shorter period of time. (97)

Textile Federation executive director Brian Brink said the industry preferred what had been recommended by the task group, including the phasing in of lower duties, export incentives, productivity incentives, an effort to improve training and education and the promotion of investment in the industry.

Brink said the task group's recommendations had reflected consensus

among people in the clothing and textile industry, but these had not been ideally suited for any one party.

EDWARD WEST reports several small and medium-sized clothing manufacturers have criticised the clothing and textile industry task group's proposals to restructure the industry as a reinforcement of protectionism.

They enjoined a call on Monday by representatives of major clothing and textile companies and associations for import tariffs significantly lower than those proposed by GATT instituted and to speed up the implementation of the lowering of tariffs.

The manufacturers rejected the task group's "ridiculously high minimum specific ceiling duties" relating to, for example, knitted and woven fabrics, which would be lowered from 96.1% and 74.7% to 22% by 2005.

DA GAMA

Em 24/6/94

Tax questions

Activities: Textile manufacturer
Control: S A Breweries 60,7%
Chairman: L van der Watt MD T H Pearce
Capital structure: 51m ords Market capitalisation R281m
Share market: Price 550c Yields 2,7% on dividend, 6,3% on earnings, p e ratio, 15,9, cover, 2,3 12-month high, 550c, low, 160c Trading volume last quarter, 800 000 shares

Year to March 31	'91	'92	'93	'94
ST debt (Rm)	0,3	6,4	0,6	0,8
LT debt (Rm)	1,3	5,3	4,5	3,6
Shareholders' interest	0,77	0,75	0,80	0,81
Int & leasing cover	n/a	44,0	n/a	n/a
Return on cap (%)	19,5	13,1	8,9	7,2
Turnover (Rm)	261	259	254	267
Pre-int profit (Rm)	50,3	37,4	25,1	20,9
Pre-int margin (%)	19,3	11,4	9,9	7,8
Earnings (c)	83	59	41	35
Dividends (c)	36,0	25,5	18,0	15,0
Tangible NAV (c)	386	420	443	463

Da Gama, the large textiles group, has had a torrid time so far this decade and still looks like a company under considerable pressure. A marginal increase in turnover, the first in several years, did little to improve the rest of the income statement. Margins deteriorated further, leading to a 17% decline in operating profit, to R21m.

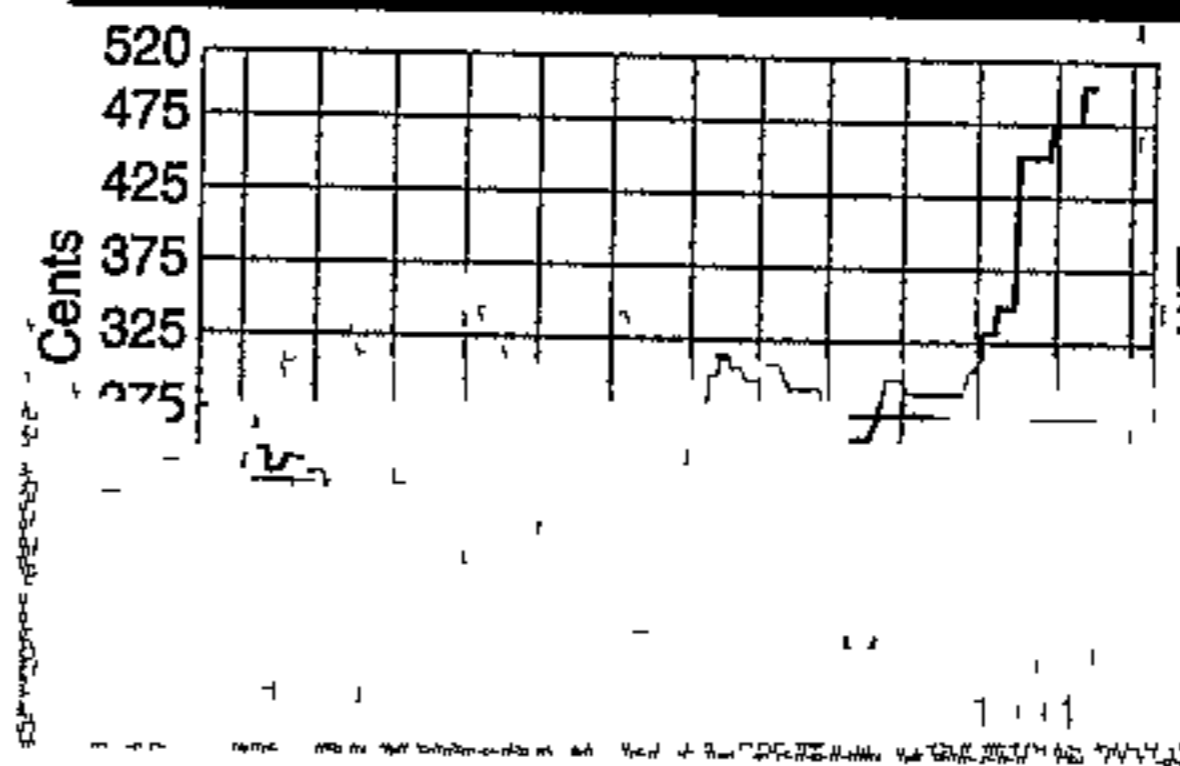
But investors are looking far beyond latest results, backing the share and pushing the price up to a high for the year of R5, more than doubled on a year ago. Fundamentally, Da Gama is about as close to a pure recovery stock as one can get — with one big question mark, namely the future tax status of Ciskei, where Da Gama bases some of its major facilities.

In 1994, Da Gama's effective tax rate was only 19,5%, largely through the tax breaks it gets from Ciskei. A terse note in the annual report records that Ciskei was reincorporated into SA in April. Earlier this week, before the budget was announced, the future tax status of Ciskei was still unclear. That could be one of the biggest factors affecting Da



Da Gama's Van der Watt
volumes rising

Da Gama Textiles



Gama's results in financial 1995

A major event depressing 1994's results, apart from Da Gama's ongoing complaints about the poor state of the economy and "surging imports", was a six-week strike at the beginning of the financial year.

CE Harry Pearce says had the strike not taken place, earnings would have improved over the previous year. Relations with organised labour now appear to be on a better footing, so the absence of industrial action in the current financial year should provide a useful boost to results.

So should the scrapping of the Structural Adjustment Programme, which has already resulted in reduced imports. With increasing volumes, which chairman Laurie van der Watt notes should increase further, Da Gama is expecting earnings to improve this year, provided socio-economic conditions remain stable.

There are at least three other factors which point to a strong recovery. Despite the tough time the textile industry has been through, Da Gama survived the recession without posting losses, unlike many of its competitors. That involved rationalisation and clamping down on stock control and costs, something management must take credit for.

Da Gama also has a strong balance sheet. Debt has been kept under control, the group is ungeared and has net cash of R17,6m. That positions it to take advantage of improved conditions.

Thirdly, Da Gama has some leading brand names and in many areas has retained market share. It is focusing on quality — capital expenditure for 1995 has increased from R13,2m to about R15m — which should pick up the benefits of increased consumer spending.

But it's questionable whether this potential is justified in the sharp appreciation of the share price. There seems little question that Da Gama, along with a few others in the clothing sector, is a good long-term recovery stock. But the price may have appreciated a little too quickly in the short term. *Shaun Harris*

Textile factory must reinstate 250 workers

ERICA JANKOWITZ

A RECENT arbitration award reinstating about 250 workers dismissed by Anglovaal's Mooi River Textiles in 1991 and granting them about R5,2m in compensation has been extended by agreement with the SA Clothing and Textile Workers' Union (Sactwu) **5/10/94**

Company chairman David Royston said Sactwu contacted Mooi River Textiles immediately after the award, expressing concern about the potentially damaging effect of reinstating the workers **11/7/94**

The union feared a resurgence of violence if the company dismissed workers to make way for those it had to reinstate.

The dismissals occurred in 1991, after violence in the area prevented workers from reporting for duty at the plant.

In his award, arbitrator Clive Thompson accused the company of taking inadequate steps to guard employees against other workers arriving at the company armed with lethal weapons.

"Individuals stayed away from work because of genuine and reasonable fears concerning their personal safety," Thomson said **(197)**

Royston said the company had considered taking the award on review, but decided against it as the case had dragged on long enough.

As a result of negotiations with Sactwu, the parties agreed to extend the reinstatement timeframe to 1995. To date, the company had managed to accommodate 160 workers by increasing shifts in the spinning section and through natural attrition.

"The agreement also requires that the company employs 10 workers each month until the end of March 1995. Affected workers not employed by the company by this date will be paid full wages," Sactwu said.

Royston described the settlement as "a pretty good solution to what appeared to be an insoluble problem."

Sactwu said workers would receive about R20 000 each in compensation and had pledged R1 000 each "to assist those who still had no jobs."

1 000 without jobs as seven factories close

BiDay. 817194

ERICA JANKOWITZ

SEVEN Taiwanese knitting factories in Kimberley closed yesterday with the loss of about 1 000 jobs, citing continuing labour problems as the reason for their sudden departure

SA Clothing and Textile Workers' Union (Sactwu) spokesman Mark Bennett said the move was unfortunate as the parties had met on Tuesday and were close to agreement on several issues in dispute

"We are open to ongoing negotiations and are anxious to retain these jobs in an area of such high unemployment," Bennett said.

Taiwanese consul-general RT Yan said the fact that these factories had been forced to close after being unable to fulfil orders because of labour unrest did not augur well for further overseas investment

"It is regretted that the factories have been forced out by the unreasonable demands of the workers"

Bennett contested this, saying the parties had agreed to negotiate grievance and disciplinary codes and procedures. In addition, employers had agreed to comply with the relevant wage determination and pay workers accordingly.

Bennett said the only point of contention was Sactwu's unwillingness

to assure employers that no further industrial action would be called for by workers

"We agreed to address workers and tell them about progress as well as using our best endeavours to persuade them not to strike" (197)

However, employer fears were not appeased and, because of mounting losses from irregular production, they decided to close the factories immediately, without consultation or completing negotiations

Meetings had been held with Northern Cape premier Manne Dipico and several members of the local municipality in a bid to resolve the problem, but to no avail, he said

According to local newspaper reports, one factory had closed by yesterday and the others would be "systematically removed"

The factories included Sunward Garment, Top Knitting, Kimberley Knitting, MC Handicraft and Jade Knitting, it said

Bennett said not all factories had been affected by the wildcat strikes that had plagued the area for the past few weeks, but a collective decision had been taken to close the factories

Textiles still in need of unravelling

(197) WM 15-21/7/94

Textile firms' share prices are surging, but the industry is still in the doldrums, reports

Jacques Magliolo

MARKET experts play down last year's 80 percent increase in textile industry share prices, saying the sector has "seen its good times and must now face the real world of Gatt, higher competition, strained profit margins and much-needed improvements in efficiencies"

Says Lenco Holdings financial director Stanley Stubbs "The sector's rating dropped to a record low during the recessionary years and, therefore, last year's share price movement was off an extremely low base." He adds that it has taken a long time and much change for the companies to "look lean and mean"

Since 1990 directors have implemented group restructurings, merged subsidiaries or with competitors, consolidated operations, mechanised to offset the effects of labour unrest, hired new management teams and reassessed product ranges to reduce the high cyclical nature of textile products

By the end of that year, promises of a streamlined industry prompted numerous analysts to recommend the sector as "containing companies which should be regarded as recovery stocks with strong potential for high growth" But it took another three years before share prices reacted and now the "fight to obtain concessions is being conducted to delay the implementation of Gatt", says Stubbs

Clothing analysts are, rightly, a worried bunch Despite South Africa's signing of the Gatt accord and thus the inevitable implementation of the agreement, most textile company directors are not changing strategies or even recognising that these could affect their companies

One industry spokesman said "The sector is in such an appalling state that businessmen are (or should be) embarrassed to admit that they are



In need of a stitch in time .. Clothing analysts are a worried bunch

part of that industry." To make matters worse, these directors have tried to adjust to years of economic and political instability through a number of major structural changes

However, changes generally proved ineffectual Despite all these alterations, industry problems mostly remain the same. Debt levels and interest payments continue to climb, share prices are under pressure and risk profiles worsen.

In essence, the expected synergistic benefits, economies of scale and greater cost efficiencies did not materialise and textile companies could find themselves the target of takeover attempts in the near future.

Experts say that the predicament directors find themselves in was initiated as far back as 1963, when import substitution policies were introduced

From 1963 to 1974 the policies, not surprisingly, worked — the average annual growth in textile products was nine percent a year However, latest figures released by the Textile Federation show that annual growth rates have since fallen, from 1975 to 1983 rates fell to three percent a year and subsequently declined to an annual two percent to 1991 From 1991 to end 1993 the rate fell even further, to a dismal -2 percent growth a year

— "The very nature of protective tariffs

is an initial boost to the market it protects, but this causes quality standards to fall," says a stockbroking-based economist In turn, consumers either move to more expensive imported items or to cheaper synthetic products

Other Federation statistics reveal that, between 1989 and end-1993, the volume of total fabrics produced in South Africa dropped from 652-million square metres to 455-million square metres

Yet these figures do not seem to register as important There are still experts who are adamant that the answer lies in increasing and not eliminating protection They are advocating that import duties and quotas be raised, to "re-establish a reasonable domestic base from which to meaningfully launch a committed export drive".

In addition to a tariff quota system the industry has recommended to government "to limit domestic price increases and to preserve the domestic textile and clothing market".

"The improvement in share prices is indicative of a recovery in the sector and should not be tampered with," says an industry expert, adding that "government should delay Gatt for at least two years or the sector will revert to a recessionary, second-rated one".

Govt dithering blamed for clothing export slump

CAPE TOWN — Clothing exports in the first four months of 1994 slumped to less than a third of exports over the same period last year, the National Clothing Federation (NCF) said recently.

The drop in exports followed five years of sustained growth

NCF executive director Henne van Zyl said latest official statistics showed clothing export sales in the first four months this year had been valued at R105m, compared with R336m in the corresponding period last year

Based on these statistics, the NCF estimated exports this year would slump to about R400m, compared with R616m, or 11% of total local production in 1993. Clothing imports increased to R185m from R153m over the same period.

Van Zyl said the export figures were disappointing. If SA only exported 30% of its production — other countries exported up to 90% of production — 45 000 clothing and textile jobs could be generated at a fixed investment cost of only R4 000 a job

EDWARD WEST

He blamed continuing uncertainty about government's policy on assisting exports, and delays by the new government in effecting administrative changes, as the major reasons for the slump in exports.

The Duty Credit Certificate export scheme (DCC), essential to counter the economy's anti-export bias, was being renewed only on a short-term basis, he said. A recent recommendation by the clothing industry task force was that the scheme should have long-term continuity, and only be phased down over the period negotiated with the GATT. (84) (34)

The task force also recommended that any reduction in GEIS benefits — as announced in the recent Budget — should be compensated for by an equivalent increase in the DCC scheme. This had not yet materialised, Van Zyl said

The delay by the new government in making administrative changes was another reason for the low export sales. Although a government

decision was taken in February to extend the DCC scheme to the end of September 1994, the practical implementation of this still awaited the signature of the Ministers of Trade and Industry and of Finance

Other reasons for the low exports were the delay by the National Economic Forum to reform the GEIS system and political uncertainty prior to elections

Van Zyl said government should implement decisions to enable the industry to do forward planning with certainty. The most urgent outstanding issue was the task force's recommendation that the DCC and GEIS schemes continue to be phased down in conjunction with the phasing down of import duties.

□ In line with the RDP, the clothing industry could potentially generate more permanent jobs, more rapidly and at the lowest cost of any manufacturing industry. Housing projects would take longer and cost more to train the necessary workers, said Van Zyl

Clothing firm probes export opportunities

Biday
2017/194

YURI THUMBRAN

DURBAN-based clothing and textile group AM Mool-la was planning fresh negotiations with Russian importers and was exploring export opportunities in other Eastern European countries, MD Sadek Vahed said yesterday (~~1997~~)

He said a subsidiary company, New SA Garment Manufacturers, would start fresh negotiations with Russian importers in August, and was investigating possibilities to export to Latvia, Romania, Hungary and Poland. The company's main export market had been Russia. *Biday 2017/194*

The non-listed company scored a R39m export contract to Russia and Khazakstan in 1991, but export vol-

umes since had dropped.

"We have been busy with exports during the past 18 months. Volumes have come down but we hope to increase exports before the end of 1994," Vadek said

Two basic problems in exporting to Eastern European countries were the low value of the rouble against the dollar and the lack of prompt payment by creditors. But since trade started between SA and Eastern Bloc countries the Durban company had been expanding rapidly in that market. "This enabled us to retain our workforce of 5 000 and an 8% share of the market," Vahed said.



'Volume increase' for Da Gama

CLOTHING and textile manufacturer Da Gama expected an increase in volumes for the current financial year after large-scale imports of fabrics and the recession had taken their toll in recent years.

Chairman Laurie van der Walt said in his annual report the adverse trading conditions caused by these factors had been compounded by intensified local competition and the prolonged drought. *8/Day*

He said a reduction in imports of fabric and clothing with the recent scrapping of the structural adjustment programme would boost Da Gama's capacity

The new duty credit certificate scheme would still allow duty-free imports, but to a lesser extent. *25/7/94*

Van der Walt predicted that private consumer expenditure could show further real improvement which could benefit the industry

CE Harry Pearce said in the report that Da Gama was under-utilised and it could therefore expand volumes should business improve. *(197)*

"Da Gama is also well-positioned to take advantage of improved demand because of

YURI THUMBRAN

its strong balance sheet, sustained management excellence and continuing investment in modern technology."

Capital expenditure of R15m had been planned for the year for continued upgrading and refurbishment.

Pearce predicted improved sales for the apparel division as imports were expected to be reduced following the scrapping of the structural adjustment programme

The home sewing division, which often formed a link in the supply chain to the informal sector, could sustain its good growth during the current financial year

The household textiles division, which had been hampered by several factors, including the dumping of cheap imports from Pakistan, was expected to grow later this year as government's house building project took shape and demand for its goods grew from new homeowners

The group's turnover rose 5% to R267m (R254m) for the financial year to March 31, but earnings fell 16,5% to R18m (R21m) or 34,6c (41,4c) a share



COMPANIES

Frame 'ready for profit turnaround'

YURI THUMBRAN

TEXTILE manufacturer Frame would show a turnaround in the year to June, which could see earnings hit 40c a share against a loss of 23,8c last year, analysts said yesterday.

One analyst said its fortunes had continued to improve since breaking even in the second half of the 1993 financial year. *Biden*

She said Frame was set to benefit further due to the deterioration of the exchange rate which would dent imported textiles and increase consumer spending. *27 17 194*

"The company made a profit during the first half of financial year 1994 and continued with that performance during the second half. It should show strong profit growth and sales."

The analyst predicted that net asset value per share would increase to 1 700c (982,3c).

Frame was on the verge of profit growth for the next three years although its share had not reached its full optimum value. *(197)*

The company's share reached a new high of 900c on Friday and analysts said investors had gained new confidence in Frame and expected good results.

"Frame is showing a remarkable road to recovery. This is evident in the new high of its share price and the demand for it," another analyst said. The company's share had been climbing steadily from just over 310c in April last year to its current ruling price of 900c.

Frame was in a very good position to improve its market share and set itself up for a boom period.

Parent Seardel Investment said recently the Natal-based company was in a phase of economic recovery and was primed for a turnaround.

Chairman Aaron Searll said the economic recovery was most strongly reflected in year-on-year sales which had risen 15% in May.

Searll said Frame had reduced loss-making operations and was set to contribute to Seardel's growth targets for 1994.

Carpet body in trouble

BEATRIX PAYNE *Biday*

THE Carpet Manufacturing Employers' Organisation could be deregistered within the next month, the Industrial Registrar has warned in the Government Gazette. Assistant industrial registrar Deon Koen said yesterday the organisation had not been able to elect office bearers in the past 18 months, and so was not operating in terms of its constitution.

But industry sources said the body could still play an important role in restructuring the textile industry. SA Commercial and Textile Workers' Union official Mark Bennett said he was concerned that the organisation may be deregistered as the union was attempting to set up sectoral collective bargaining.

(197)

28/7/94

Kimberley textile factories to reopen

THE SA Clothing and Textile Workers' Union yesterday signed an agreement with Taiwanese knitting factories in Kimberley securing their reopening and 800 jobs.

Sactwu spokesman Mark Bennett said four of the six factory owners signed the agreement. Negotiations with the other two should be finalised soon. If these factories did not sign, an Industrial Court application for reinstatement would be pursued.

In terms of the agreement, 800 workers would be reinstated, Sactwu

ERICA JANKOWITZ

would be recognised on a plant-level basis, and disciplinary and grievance procedures implemented. If Sactwu could prove majority status it would be granted industry negotiating rights in the area. The owners also agreed to abide by the terms of the wage determination which laid down minimum wages for the area.

The negotiations began on July 5, when the factories decided to close because of labour unrest.

SA Bias

pays same

Star 29/11/94

■ BY DEREK TOMMEY

Poor trading conditions in the election period depressed the earnings of SA Bias Industries, the country's largest manufacturer and distributor of trimming and accessories for the clothing and footwear industries.

However, the company has maintained its interim dividend at 4c a share and expects to pay an unchanged 11c for the year ~~(1994)~~ (1995).

SA Bias increased its turnover by 3,3 percent to R69,4 million in the six months to June.

But income before tax, interest and finance charges dropped 11,7 percent to R3,97 million.

A higher tax rate resulted in attributable earnings dropping 22,1 percent to R2,52 million — equal to 8,8c a share.

SA Bias expects earnings for the full year to reach 25c to 34c a share, against the 33c earned last year.

Boesak tosses initiative to manufacturers

(1984) (197)

CT3/8/94

LOCAL government would pick the winners" in the textile and clothing industry for discussions on the nature of support needed for future growth

Dr Allan Boesak, Economic Affairs Minister, addressing a textile and clothing industry conference hosted by UCT's Graduate School of Business, said his department "did not want to generalise support" for the region's major manufacturing industry.

"To put it bluntly, we will target those companies who will most successfully implement LDP-friendly industrial policies over the short to medium term

He listed creating more permanent jobs, increasing investment, raising productivity and competitiveness and improving trade performance as key concerns

Boesak said his government would "certainly intervene minimally," but was hoping to play "more of an encouraging role" in an industry vulnerable to the easing of import protection measures and outdated technology

Focusing on the theme of the conference — "Towards a Western Cape Textile and Clothing Cluster" — Boesak pointed to successful industry

networking projects in South East Asia and Europe as promoting economic growth and boosting export competitiveness.

Networking and co-operation, he said, could assist companies in among others, the sharing of expensive technology and equipment, distribution, research and training needed to strengthen performance

Service centre

Towards this, and specifically to support small and medium-sized companies, local government could assist in setting up a clothing textile service centre, where appropriate services could be provided at a very low cost.

While co-operation was constructive at certain stages of production, at other stages competition would have to dominate

Through the networking system led by the co-operation and competition dynamic, it was envisaged that the industry would become more competitive locally and worldwide

He warned against depending on international goodwill and said that initiatives led by local people would be critical

"Democracy is not a spectator sport," he said. — Political and Business Staff

Rag trade hoping to do well out of retail demand

B1 Day H 18 194

YURI THUMBRAN

THE clothing and textile industry could experience a mini-boom as retailers stocked up to meet increased demand, market sources said yesterday

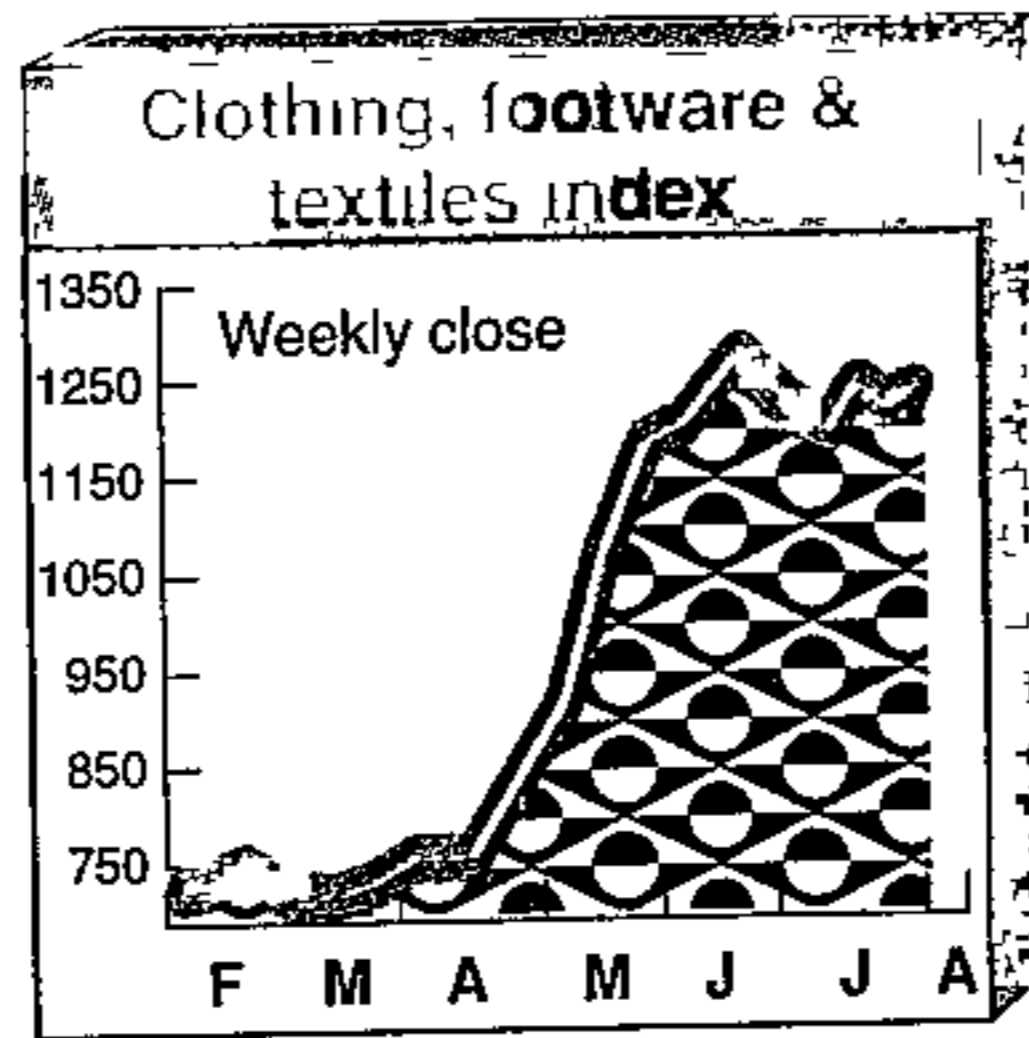
The industry was close to its cyclical high as retailers demanded more stock to meet higher sales volumes, an analyst said.

He said the improvement in the economy, coupled with increased consumer spending and a higher volume demand from retailers, had already started to have benefits. Companies were more positive in their annual reports

The industry, which had been battered since 1988 by the recession, had found new life and was drawing fresh attention from investors

The analyst predicted the sector could benefit further if the government implemented the findings of the Swart commission

A spokesman for the Textile Federation said the proposals tabled in March would have a positive effect, but it was unclear whether the government had made a decision to implement it



The analyst said if the proposals were implemented, it would lead to a more optimistic outlook for the clothing and textile sector

Recent company results had underscored the industry's recovery and he predicted most companies should be in a far healthier position by mid-1995

"The sector has reason to be positive about the future. There has been a substantial increase in demand over the last year for shares in the sector

It seems as if the sector has woken

up to take advantage of the benefits offered"

Another benefit for manufacturers was the increased expansion by retail outlets such as Foschini, Woolworths, Edgars, Truworths and Topics, which had increased volumes, he said (184) (197)

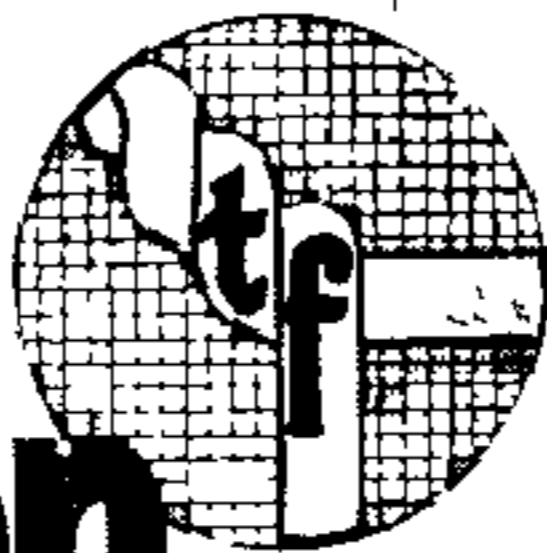
Major retailers were all expanding — which would benefit manufacturers who were now under pressure to increase production to meet volume demand

He said textile companies waiting for spin-offs from the reconstruction and development programme (RDP) would have to wait another 18 months before deriving any benefits

In its latest annual report, Da Gama predicted that volumes for the household textile division, which produced curtains, linen and other household textiles, would increase in the current financial year as more low-cost houses were built as part of the RDP

But this would happen only once large numbers of homes had been completed, which would have an effect on increased sales volumes of such goods

Textile Federation



The textile industry is emerging from a difficult period and is now looking forward to renewed growth. To this end a conference hosted by the Textile Federation in Durban on August 18 will contribute information, strategy and analyses vital to players in the industry.

Editorial: Alf James
Advertising: Linda Stock

A Star, Argus and Daily News survey



Clothes make the woman ... and making cloth keeps 80 000 people in jobs. PICTURE: DA GAMA TEXTILES

Gearing for world markets

The Textile Federation of South Africa has the principal objectives of creating the best possible environment to promote the successful functioning and growth of the textile industry.

"The federation attends to all matters relating to trade and exports tariffs, export incentives, custom duties and trade agreements," says executive director Brian Brink.

The textile industry is one of the most important industrial sectors in SA in terms of value of product, employment, exports and import substitution.

The federation is made up of 80 companies, some of which represent more than one mill.

Cover ⁽¹⁹⁷⁾

"This membership figure constitutes 100 percent cover of the fibre side of the industry, about 90 percent of the spinning and 95 percent of the weaving sector," says Brink. "The only sector that we are not very well represented in is fabric knitting, where about 55 percent of producers belong to the federation."

"Our comparatively low exposure in the fabric-knitting sector is largely a result of Taiwanese operators coming into South Africa and not seeing the need to join a local federation."

The Textile Federation was formed in 1975 as a result of the amalgamation of three separate sectoral associations — the fabric knitters, worsted manufacturers and cotton associations.

"The federation's emphasis has changed substantially over that time," says Brink. "In the early '80s the industrial emphasis was on import substitution and satisfying the domestic market, which was a function of the politics of the day and the laager mentality prevalent at the time."

"Today, with the dropping of sanctions and trade barriers, the industry is much more outward-looking and concerned with exports, with the result that the industry has found it necessary to improve quality standards and levels of service for the discerning international markets."

President speaks out on future Textile industry at crossroads

(197)
ARLT 4/8/94

MERVYN King gives his views on the state of the industry

The anxiously awaited recommendations of the textile and clothing panel, investigating a long-term plan for the textile and clothing industries, have finally been published

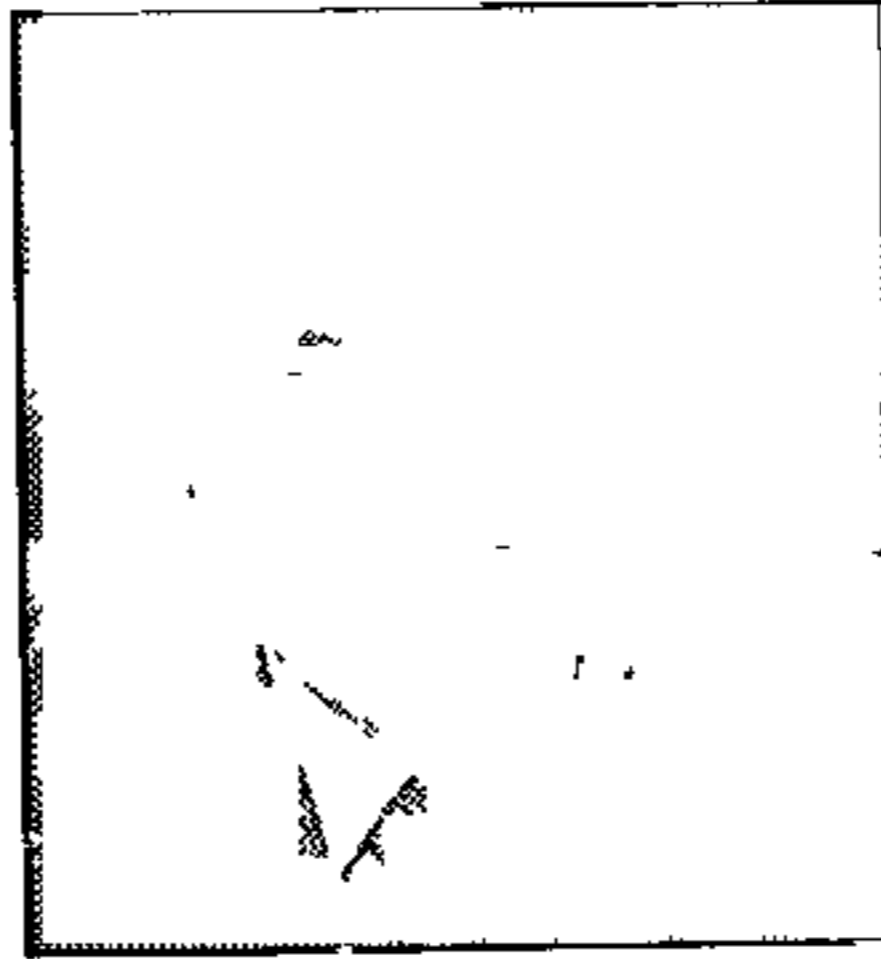
The recommendations await the approval of the Ministers of Finance and of Trade and Industry

The textile industry is treated as a sensitive and primary one all over the world. It is for this reason that the industry was regulated internationally by the Multi-Fibre Arrangement (MFA) outside of the GATT provisions prior to the Uruguay Round agreement and will be phased out over a period of 10 years

It must be remembered that South African industry has been isolated for many years and therefore requires time to adjust from an isolated protectionist past to a participant global future

This is even more so in the case of sensitive industries

The panel recognised the difficulties involved in this evolution and the adverse impact on the South African economy should the textile and clothing industries collapse as a result of endeavouring to restructure them too quickly



Mervyn King . . . the textile industry needs time to adjust to a global future.

The adverse impact would flow from the fact that these two industries employ some 200 000 people between them (80 000 textiles/120 000 clothing)

It is estimated that every job in the textile industry alone creates 2,5 jobs in secondary industries such as packaging, chemicals, transport and distribution

In short, the textile industry alone supports some 320 000 jobs

The panel recommends the phasing in of lower and simpler tariffs over 10 years, coupled with certain supply-side mechanisms, despite the fact that our trading partners agreed to a 12-year period at the GATT negotiations

The recommendations follow a substantial consensus between Government officials,

textile and clothing manufacturers and organised labour

The recommendations, therefore, have a broad base of support and rest on the foundation of much deliberation and input from the "golden triangle" negotiations between Government, manufacturers and labour

It was never thought possible that the recommendations would find favour with everyone. Some persons have already launched an attack against the recommendations and there has been a minority submission to the Board of Trade and Industry

Two recent events have, however, given the "golden triangle" negotiators the reassurance that the recommendations will be implemented

Firstly, at the March conference between the Textile Federation, National Clothing Federation representatives and the SA Clothing and Textile Workers Union, the Minister of Trade and Industry, Trevor Manuel, gave the ANC's backing to the recommendations

Secondly, in April, President Mandela said in writing that the ANC would assist in the development and growth of the textile and clothing industries

With the ANC now the majority party in the Government of National Unity, we should at last have a plan implemented on which the industry can do some long-term planning and, more importantly, make some long-term investments

Tale of rags to riches

Aug 4/8/94 (197)

The history of the South African textile industry is truly a tale of rags to riches. The first weaving factory in the country was established in King Williams Town before the turn of the century to produce blankets for the "native territories".

Unfortunately the factory failed, along with a couple of others started in the Free State, and it was only after 1925 that the blanket industry developed.

In that year, the customs duty on blankets, rugs, shawls and heavy sheeting was increased. By 1933, there were 12 factories manufacturing woollen, woollen-and-cotton and cotton blankets, rugs, heavy sheeting, canvas, baize and webbing.

Although these developments opened the doors to the use of South African cotton and wool, the industry at the time employed imported raw materials. By 1944, there were 16 factories producing some 90 percent of the country's needs in the line of blankets, rugs and sheeting. Employment amounted to 3 711 jobs.

Today the textile industry employs about 80 000 people, has fixed assets of R3,2 billion and annual sales of about R7 billion.

It is a primary industry and it is estimated that every job in textiles creates 2,5 jobs in secondary industries such as packaging, chemicals, transport and distribution. In short, it supports some 220 000 jobs.

After the mining industry, it is one of the largest users of electricity and one of the largest payers of rates and taxes in several cities in South Africa.

Mervyn King, president of the Textile Federation of South Africa, says that although the industry has been through a difficult period, indications are positive with a decrease in imports and an increase in demand.

"The decrease in imports has been partly due to the rand's devaluation and problems with the cotton crop in south-east Asia," says King.

He believes the industry's priority is to have certainty. "If the recommendations of the textile and clothing task force are implemented, then I will be confident of the industry's future."

Protection 'inhibitive'

South Africa's peaceful transition to democracy has brought a new-found atmosphere of confidence and a firm desire to make the new political dispensation work, all of which augurs well for the textile industry.

This is the opinion of Jim Crook, executive chairman of David Whitehead & Sons, who says the more buoyant business conditions are due in part to the demise of the Structural Adjustment Programme and the improved level of confidence in the country.

However, Crook says that considerable restructuring is required in the industry in the long term for it to be able to compete internationally.

"We must focus on producing added-value merchandise, rather than com-

modity items. This applies both to fabric decoration and clothing. In hindsight, the heavy protection of the textile industry over the past 20 years has inhibited productivity," he says.

"Unless the playing fields are levelled, and we can obtain inputs at prices that are competitive internationally, it will always be difficult to compete," he says.

Crook feels South Africa needs to improve productivity and "come to grips with our work hours compared with those of South East Asia."

Crook says the high prices of cotton and polyester, which have increased by 50 percent and 25 percent year-on-year respectively, continue to pose problems for the clothing and textile industries and must be addressed.

Frame group is back in the black

Biday 17/8/94

YURI THUMBRAN

TEXTILES group Frame bounced back into the black for the year to June, reporting attributable income before extraordinary items of R11,8m against last year's R8,5m loss.

Earnings a share rose to 57c (41,4c loss), while borrowings were eliminated and the company had R19,5m in cash on hand

Turnover rose to R645,8m (R628,2m) and operating income recovered to R30,4m (R13,6m) Taxation increased from R172 000 to R2,6m, mainly due to the transition levy (197) (192)

The KwaZulu/Natal company posted a dividend of 8,5c compared with none last year. Retained income rose to R230m (R201m)

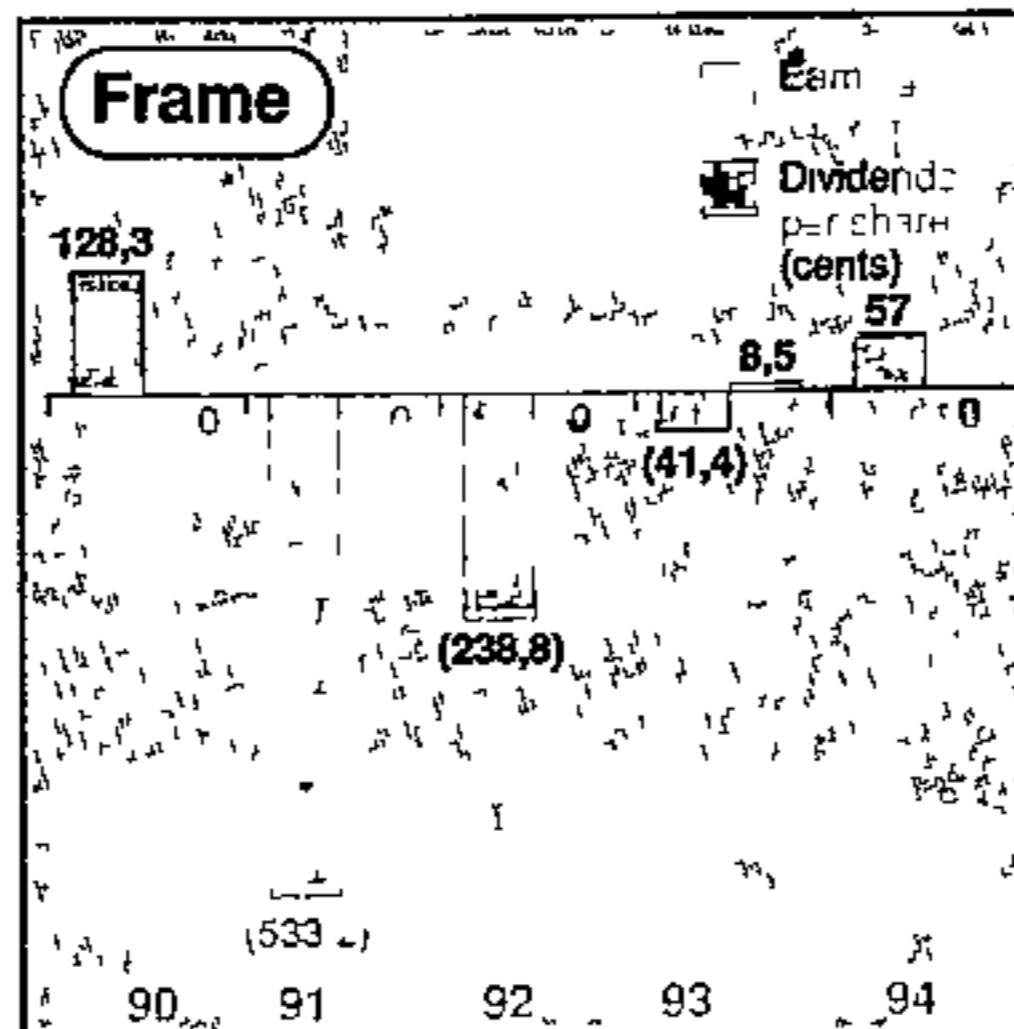
Chairman Mervyn King said the results were the pinnacle of a five-year plan to revive the company

If the economy continued to improve and the Swart Panel recommendations on the textile industry were implemented by October, this year's results would improve

Trading had been hit by a high level of imported textiles, while the Customs and Excise Department failed to police regulations properly.

King was upbeat about the elimination of borrowings — which stood at R96m last year

The group had also benefited from selling or closing peripheral business, closing mills outside KwaZulu/Natal, upgrading plants and reducing its



Graphic: LEE EMERTON Source: FRAME

working capital.

He said the industry needed the certainty of approval of the 10-year plan submitted by the Swart Panel to the Trade and Industry Minister

The plan for clothing and textiles was part of an overall change to a more liberal global trading policy.

He also called for the scrapping of exchange controls

Subsidiary Consolidated Frame Textile (Confram) posted attributable income before extraordinary items of R19,3m compared with a loss of R13,4m Earnings a share rose to 34,4c compared with a loss of 24c.

The extraordinary item of R23,9m on Confram's income statement was attributed to the disposal of the Polyester fibre division and its Harri-smith property Of this Frame's attributable share was R15,3m Confram declared a dividend of 5c. There was no dividend last year

Hard work continuing to pay off for Frame

Star 17/18/94

BY CHARLOTTE MATHEWS

Textile manufacturer Frame continued the turnaround seen at interim stage to post a full-year profit in the year to June after extraordinary items of R27,1 million from a R12,7 million loss in the year to June 1993.

Chairman Mervyn King said yesterday the results were pleasing, but he was predicting that 1994/95 would be better.

Turnover grew 3 percent to R645,9 million, but operating income more than doubled to R30,4 million from R13,7 million previously.

Finance charges fell to R8,7 million from R22,8 million as the group moved to a position of R19,5 million net cash from R96,7 million net borrowings in 1993.

Earnings were 57c a share (loss of 41,4c a share in 1993), and shareholders have been offered capitalisation shares or a dividend of 8,5c (no dividend in 1993).

Consolidated Frame (Confram), the operating company, reported earnings of 34,4c a share from 1993's 23,8c a share and capitalisation shares or a dividend of 5c a



Mervyn King . no more rationalisations

share. The dividend was passed in 1993 (197)

In 1994, capital expenditure was R24,5 million. King said this was expected to rise to R40 million in 1994/95 and the same level of expenditure was likely to be necessary each year (200)

The proposed 10-year plan for the clothing and textile industry, now awaiting the approval of the Minister of Trade and Industry, would reduce protection to a low level after five years.

Frame had to ensure its level of technology was comparable to its European competitors by that time.

Frame has completed a five-year plan which has seen operations cut back, plant upgraded, working capital levels reduced and borrowings of R300 million eliminated.

King said no more rationalisations would occur under the plan but any further moves would depend on the long-term plan for the textile industry. If that were approved and the economy continued to improve, no major downsizing would need to be undertaken.

The group's export activities were progressing well, with the contribution from the export division more than double a year ago and growing.

Frame shares closed at 900c yesterday, slightly below their twelve-month high of 925c, but more than six times higher than a year ago. Confram were similarly buoyant.

At their closing price of 500c, they were seven times their 70c of last August. With the slimming of operations and better prospects, the shares could still run some distance.

Frame bounces back into the black

By YURI THUMBRAN

JOHANNESBURG. — Textiles group Frame bounced back into the black for the year to June, reporting attributable income before extraordinary items of R11,8m against last year's R8,5m loss. Earnings a share rose to 57c (41,4c loss), while borrowings were eliminated and the company had R19,5m in cash on hand.

Turnover rose to R645,8m (R628,2m) and operating income recovered to R30,4m (R13,6m). Taxation increased from R172 000 to R2,6m, mainly due to the transition levy.

The Kwazulu/Natal company posted a dividend of 8,5c compared with none last year. Retained income rose to R230m (R201m). Chairman Meryyn King said the results were the pinnacle of a five-year plan to revive the company.

If the economy continued to improve and the Swart Panel recommendations on the textile industry were implemented by October, this year's results would improve.

Trading had been hit by a high level of imported textiles.

King was upbeat about the elimination of borrowings which stood at R96m last year.

The group had also benefited from selling or closing peripheral

business, closing mills outside Kwazulu/Natal, upgrading plants and reducing its working capital.

He said the industry needed the certainty of approval of the 10-year plan submitted by the Swart Panel to the Trade and Industry Minister.

He also called for the scrapping of exchange controls.

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inary items of R19,3m compared with a loss of R13,4m. Earnings a share rose to 34,4c compared with a loss of 24c.

The extraordinary item of R23,9m on Confram's income statement was attributed to the disposal of the Polyester fibre division and its Harrismith property. Of this Frame's attributable share was R15,3m. Confram declared a dividend of 5c. There was no dividend last year.

Protection for textiles goes

CT. 1981/99 Own Correspondent

DURBAN — Trade and Industry Minister Mr Trevor Manuel yesterday pulled the protectionist rug from under the clothing and textile industries, saying they should have used past protection to prepare for the lifting of trade barriers

Speaking at the National Textile Federation's annual conference, he said the government would confine its support to areas where business could not act, such as trade policy. Direct intervention was ruled out.

He also rejected recommendations from the Swart panel that the government invest R4,5bn over the next 10 years to help restructure the industry.

Business and union leaders condemned the measures, warning they would lead to heavy job losses.

Mr Manuel said previous interventionism had blunted the industry's competitive edge.

Textile Federation president and Frame chairman Mr Mervyn King said the proposals were "suicidal".

Wooltru performs the best

Shareholders to get dividend 40 percent higher than last year

BRUCE CAMERON
Business Editor

WOOLTRU has outperformed its retailing competitors with a quality performance of a 68 percent growth in after-tax profits

Shareholders will receive a final scrip dividend of 18c a share, with a total for the year at 28c — up 40 percent on last year — on the strength of the performance.

Turnover of R6,67 billion was up 20 percent for the year end-

ed June, 1994, with pre-tax profits of R389 million up by 57 percent

Earnings a share were up a healthy 59 percent from 42,5c to 67,5c

Individual performance of the divisions of the company included

■ Woolworths' sales were up 21 percent to R2,3 billion, with gross profits up by 125 percent. Managing director Colin Hall said a dramatic improvement in the merchandise offered by

Woolworths was underpinned by improved systems and logistics, as well as the successful introduction of the Woolworths' card to all stores.

■ Speciality Retail Group (SRG), which includes Truworths, Topics, the home-shopping operation, Leading Concepts and the new budget chain, Number 1, saw a sales growth of 20 percent to R911 million, pushing gross profits up by 29 percent.

Mr Hall said the solid perfor-

mance was owing to the decision to revitalise Woolworths and Massmart

■ Trenchor's troubled subsidiary W & A has taken another step to resolving its problems, with negotiations in progress to sell its Varex motor spares business to the world's largest motor parts suppliers, the United States company, Federal-Mogul Corporation, for R248 million, in what will be the biggest post-sanctions deal involving a foreign company

197

ARU 19/8/94

Clothing, textiles to lose tariff protection

BIDAY 19/8/94

YURI THUMBRAN

DURBAN — Trade and Industry Minister Trevor Manuel yesterday pulled the protectionist rug from under the clothing and textile industries, saying they should have used past protection to prepare for the lifting of trade barriers.

At the National Textile Federation's annual conference, he said government would confine its support to areas where business could not act, such as trade policy. Direct intervention was ruled out.

He also rejected recommendations from the Swart panel — a textile industry and government think tank — that government invest R4,5bn in the next 10 years to help restructure the industry. (197)

The department's acting director-general, Gerrit Breyl, told delegates government planned to cut SA tariffs 50% lower than the GATT binding levels. The department wanted to phase the reduction in over eight years, rather than the 12 years demanded by industry.

He said the R7,5bn-a-year industry should show evidence of a drive toward self-sustained international competitiveness, rather than attempt to revive itself at taxpayers' expense.

Its productivity levels were far below those of its international competitors.

Business and union leaders condemned these measures, warning that they would lead to heavy job losses.

Manuel said previous interventionism had blunted industry's competitive edge. The benefits of tariff support and the general export incentive scheme (GEIS) should have filtered through into investment and production reorganisation so that the sector was less dependent on subsidies. Instead the benefits had fed through to higher profits and share prices.

"The key objective in assessing any support, whether in the form of tariffs or supply-side measures, will be the industry's competitiveness or the industry's programmes and commitment to attaining competitiveness," he said.

Textile Federation president and Frame chairman Mervyn King said the proposals were "suicidal". SA was still recovering from sanctions and could not afford to lower tariffs yet. Small firms would close, while large companies would not be able to hold out against surging imports.

SA Clothing and Textile Workers' Union general secretary Jabu Gwala said the measures would lead to job losses.

National Clothing Federation chairman Sadek Vahed said 37 000 new jobs could be created in the industry if government, through the Industrial Development Corporation, was prepared to back its export drive financially.

Textile plan torn to shreds

SITimes (Buss)

By CIARAN RYAN

SIGNALLING an end to protection for inefficient industries, Trade and Industry Minister Trevor Manuel told textile producers this week that "protection on demand is dead for all time"

The announcement dismayed textile producers but drew applause from small clothing manufacturers, who claim excessive protection is pushing up the cost of garments and strangling clothing exports

Mr Manuel threw out recommendations in the Clothing and Textile Pipeline Report (the Swart report) for R4,2-billion in taxpayer assistance for clothing and textile producers over the next 10 years

Gerrie Breyl, acting director-general of the Department of Trade and Industry, criticised the Swart report for recommending high tariffs and a 10-year phase-down

period, "only marginally below the binding levels agreed to in the Uruguay Round negotiations"

This was a substantial deviation from earlier discussions where a shorter phase-down period and tariff levels 50% below the GATT bindings were the target

Sadek Vahed, chairman of the National Clothing Federation but speaking in his personal capacity as a clothing producer, said he applauded the move and announced that he plans to resign from the NCF later this year "I am heartened by the fact that we at last have a minister who can stand up to the powerful lobbies"

Frame group chairman and president of the Textile Federation,

Mervyn King, says the 18 months it took to prepare the Swart report was "an exercise in futility" and predicted a sharp rise in imports

"What the industry needs is an entire restructuring and this cannot be done just by lowering tariffs. We need to update technology, we need literate and numerate workers and we need to address macro-economic issues such as inflation and interest rates"

"There is no evidence that lowering tariffs over eight years instead of the 10 recommended in the Swart report will compel industry to become competitive. There is also no evidence that the jobs lost through these proposed measures will be made up elsewhere"

The Swart report recommended tariffs of 40% on clothing imports after a 10-year phase-down, 30% on household textiles, 22% on fabrics,

15% on yarn and 7,5% on fibres. The GATT bindings are 45% on clothing after a 12-year phase-down, 40% on household textiles, 25% on fabrics, 17,5% on yarns and 10% on fibres

The Consultative Business Forum and the Concerned Independent Group, a grouping of 400 small businesses in Natal, called on the government to scrap tariffs and surcharges on fabric, yarn, thread and manufacturing trim

Mr Manuel told textile producers to trim their range of products, improve innovation and invest in technology 21/8/94

The duty credit certification scheme, which allows clothing manufacturers duty-free imports up to 30% of the value of their exports, was a product of "the old culture of protection" and favours large established producers rather than small business

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Call to curb power cost

MUNGO SOGGOT
THE National Electrification Forum has recommended that government use legislation to prevent local authorities bumping up electricity tariffs so as to raise taxes **Biday**

In proposals under discussion in the Cabinet on RDP electrification projects, the forum said some local authorities were inflating charges by 50%

Forum secretariat member Hendrik Barnard said yesterday that the proposals acknowledged that the Katz commission and government had to have the final say on local government taxation **22/8/94**

But the forum opposed the practice of bumping up electricity bills as an easy way of raising taxes

"All the civic centres in SA have been built with surplus profits from electricity sales," he said

Forum secretary Johan du Plessis said if it was decided that money from electricity sales could only be used for electrification projects, then a decision would have to be taken on how to fund other services

Du Plessis said the forum was expecting Cabinet's response to the proposals this month. The forum would meet on September 9 to discuss Cabinet's reaction

The central issue before Cabinet was the mechanics of a national regulator to help meet RDP electrification targets, he said

Manuel says govt role on textiles will be 'positive'

TRADE and Industry Minister Trevor Manuel played down suggestions at the weekend that his department would leave the clothing and textiles industries at the mercy of an unshackled free market

Manuel dismissed reports that his department had rejected proposals from an industry think tank, the Swart Panel, and that a decision had been made on the period for phasing out import tariffs

He said government was playing a "positive role" in supporting increased competitiveness

There is a growing row over the department's plans, with the Textile Federation (Texfed) warning that the department's stance was uninformed and ill-considered. **(197)**

Manuel and the department's acting director-general, Gerrit Breyl, told Texfed's annual conference last week that government wanted to confine its support to areas such as trade policy, rather than direct intervention. The industry had to cut its dependence on government for survival, and should instead lift its levels of productivity and competitiveness

Manuel reportedly rejected the Swart proposals that taxpayers should foot the R4,5bn bill for the industry's 10-year restructuring plans. Breyl said government wanted to cut import tariffs over eight years, rather than the

and government departments
concerned with housing

weeks of negotiations in
000 6

10 expected by the industry
Texfed president Mervyn King said at the weekend that lower tariffs would not correct structural problems within the SA economy or compel global competitiveness

He said the department's stance was ill considered and based on a lack of information and understanding of problems and issues

King said the Swart panel had turned out to be an "exercise in futility"

"Government has once again assumed for itself the role of sole arbiter on the crucial issues facing the industry"

The industry had haemorrhaged from the 1989 Structural Adjustment Programme, King said, losing 25 000 employees and R1bn from shareholders' funds

"Turnovers have not increased for the past two years and any profit now being realised is only the start of a recoupment phase in order to re-equip," King said

The department had been represented on the Swart panel, but it had used the conference to reveal for the first time that it had never contemplated approving a phase-out period of longer than eight years

● Comment: Page 12

Power 'stock exchange' mooted

CAPE TOWN — Mineral and Energy Affairs officials are working towards establishing an electricity "stock exchange" which member countries can sell to and buy from

A memorandum of understanding signed between SA and Zimbabwe on Friday was an important step in that process, officials said

According to the commu-

TIM COHEN
sell to utilities as well as assist in the sharing of technical research information, the communique said

Mineral and Energy Affairs deputy director-general Gert Venter said SA and Zimbabwe would start looking at common interests in the energy sector. A joint team had been established to pursue this

be "ideal", Venter said, adding that discussions on this possibility were still at the initial stage

The electricity "stock exchange" was a "conceivable possibility and an achievable goal," he said

Apart from the need to gain the agreement of all countries involved on the principle, one of the most difficult issues would be to arrange what is known as

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Textile import duty cuts a breakthrough

Bidayi 25/8/1994

TRADE and Industry Minister Trevor Manuel's refusal last week to endorse the continuation of high import duties on textiles and raw materials requested by major local textiles producers signals a new era of economic policy lobbying in SA. The decision represents a breakthrough for the small and medium enterprise (SME) sector, which currently is not sufficiently represented at forums where economic policies have been debated and decided in the past.

The high protection measures were introduced by government in May 1992 after representations by the major textile manufacturers. Small textile and clothing manufacturers protested as the measures denied them access to fabrics and raw materials at low world prices. Government ensured the SMEs that the "band aid" measure would only remain in force for one year, and established a task force to investigate the restructuring of the industry. However, the protection measures have been in place for 27 months now, and tens of thousands of jobs have been lost by small manufacturers because of the strangling effect of these measures.

The Clothing and Textile Pipeline Report compiled by the task force

and submitted to government in March 1994 recommended the continuation of high import duties and other protection measures, in spite of SME representatives' objections.

The report's recommendations meant SMEs would still be forced to either face high import duties on foreign fabrics and raw materials, or high prices for locally produced textiles, determined by major local textile producers.

The restructuring recommendations should have resulted in the SA consumer obtaining clothing at affordable prices. This will certainly not be the case if high tariffs are kept in place. Communities who can least afford it would be penalised the most, as the duties are the highest on fabrics preferred by African women from our rural communities and for school uniforms. Although the recommendations promote an upgrading of technology and training, existing institutions are not capable of meeting the training and technological needs of SMEs.

SMEs also want to see changes to the duty credit certification scheme which allows clothing manufacturers duty-free imports up to 30% of the value of their exports, as it favours large established producers

SHIRISH SONI

rather than small businesses.

The chairman of the panel, Nic Swart, was requested to forward the objections of SME representatives in writing to the then Trade and Industry and Finance Minister Derek Keys, informing him also that the SMEs had not been sufficiently catered for in the investigation and final outcome of the report.

To ensure that their voice be heard, the SMEs in the clothing and textile industry joined together in a number of organisations representing more than 800 small firms in Natal, the Western Cape and the PWV area. The Sunnyside Group, a national coalition of more than 70 members including the National African Federated Chamber of Commerce and the Foundation for African Business and Consumer Services, and which represents SME interests, added its support and resources to the campaign.

Manuel's announcement at the Textile Federation's conference in Durban last week that, for inefficient industries "protection on demand is dead for all time", has encouraged

the SMEs that their requests will finally be addressed.

We have pointed out that the objectives set for the task force were not met by the Swart report. It was to have looked at job creation in the industry, yet the report speaks of retrenching 12 000 workers over the next 10 years — that in the face of a recent World Bank report which suggests that every R50m invested in fabricated metal products or garments will yield 25 000 to 40 000 jobs.

The report recommended an allocation of only R105m for SME development over the next 10 years, in comparison with a proposed total state input of R4,2bn. And although the panel was told to develop an export promotion strategy, it failed to examine ways for small manufacturers to take advantage of the global economy.

The clothing and textile industry is only one of many where SMEs have been neglected in policy recommendations. The National Economic Forum has failed to produce a self-sustaining development programme for SMEs, as have others.

Many of these forums have been dominated by corporate sector business representation which reflects their interests alone. The structures

of organised business are made up largely of membership that could be defined as SMEs, but the leadership and policies of such organisations reflect and protect only the interests of the corporate sector.

It therefore becomes important to change the current triangular structure of discussions on economic transformation taking place between government, labour and organised business to a square structure representing government, labour and big business, as well as small business. Cash resources and resources in the form of research capacity, personnel and infrastructure need to be made available to SME representative organisations to enable them effectively to enter economic policy negotiations.

If the playing fields could be levelled, the SME sector could be the key to providing new job opportunities. If not, we may face an exodus of entrepreneurs frustrated by unequal access to opportunities.

□ **Soni is a small clothing manufacturer and also secretary of the Consultative Business Forum and a member of the Concerned Independent Group, a grouping which represents 400 small textile and clothing businesses in Natal.**

LETTERS

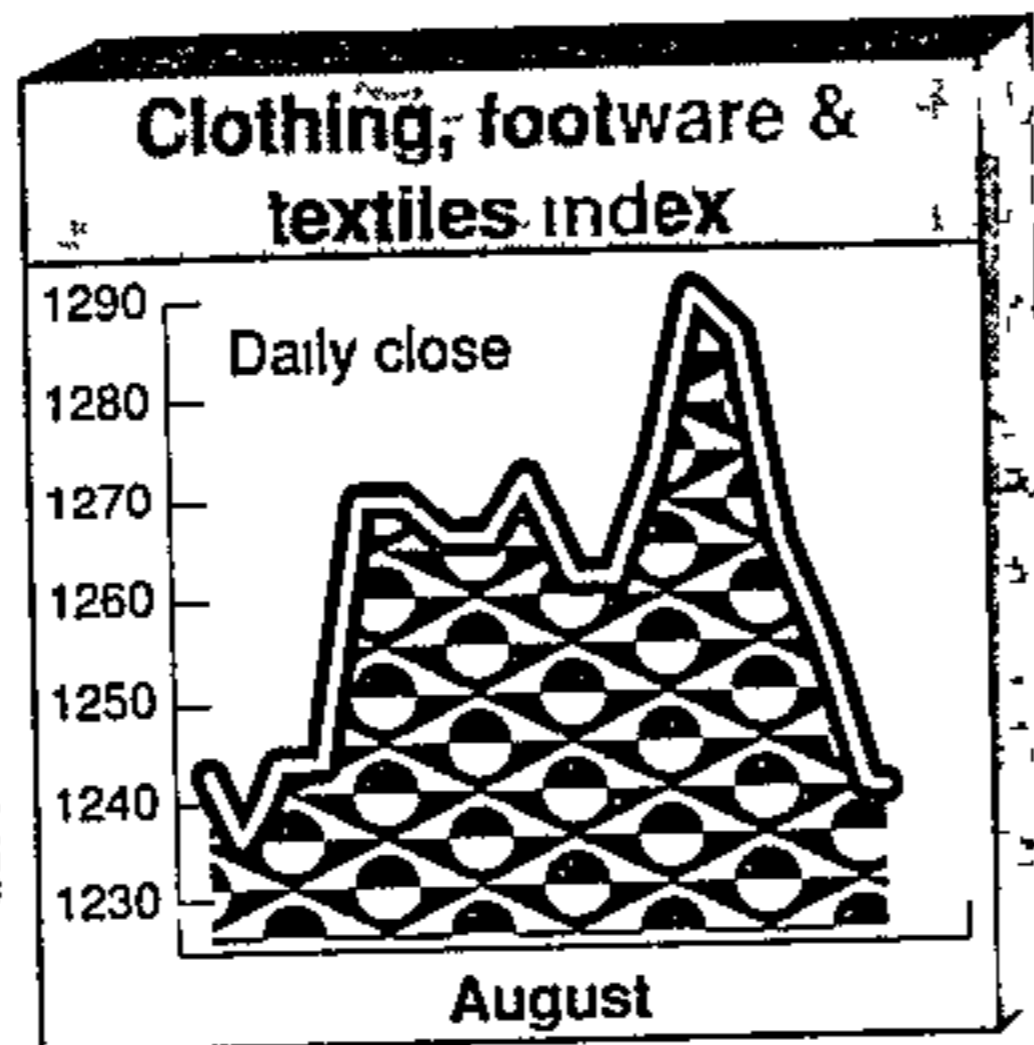
Manuel's stand fuels index fall

THE JSE clothing, textiles and footwear index has slipped 57 points since last week after Trade and Industry Minister Trevor Manuel's negative response to the Swart panel's report

Manuel had announced that government could not provide the industry with a R4,5bn support package over the next 10 years as tariff protection was withdrawn

The index recorded an annual high of 1 299,50 points on Thursday, in anticipation of a positive response to the Swart panel report by Manuel at the Textile Federation conference, market sources said

Manuel said it was difficult for



YURI THUMBRAN

government to financially support the industry over a long period as proposed by the report

An analyst said Manuel and the industry were still involved in continuing debate over aspects of the report which had not been finalised

The market had reacted to some aspects of Manuel's speech, but it was not the final word on the issue

"The matter of tariffs and the period over which they would be phased down have not been finalised yet. It is a continuing debate," the analyst said

This was confirmed by Manuel earlier this week when he said government was waiting for recommendations on tariffs from the Board of Trade and Industry

Frame group MD Walter Simeoni said it was clear investors were reacting to government's uncertain policy at this stage

Despite textile imports doubling from 20% to 40% in the past five years, SA consumers saw no benefit

He said it was essential to retain protection tariffs until the industry was completely restructured to cope with imports (197) (197)

Textile industry backs union plan to force govt into restructuring

THE textile industry has thrown its weight behind union plans for industrial action to force Trade and Industry Minister Trevor Manuel into using taxpayers' money to bankroll the industry's restructuring.

Fyame Group MD Walter Simeoni said yesterday 80 000 jobs could be lost by 1997 if government did not implement the findings of the industry think tank, the Swart panel, on subsidising a 10-year reshaping. The recommendations were the result of two years of negotiations between the previous government, labour and employers.

The SA Clothing and Textile Workers

Union (Sactwu) and Cosatu said they would use industrial action to force Manuel to push ahead with Swart's plan — a threat that was backed by the Textile Federation.

Simeoni said industrial action would not affect turnover significantly. The industry had proved during the elections that it could "stave off significant losses during stayaways. "If action is taken it will be against government, not the industry." The work force would be given leave to demonstrate its anger.

Texted CE Brian Brink said "it firmly supported Cosatu and Sactwu's stance

YURI THUMBRAN
and MUNGO SOGGOT

Manuel sparked a storm last week by saying government was unlikely to pour R4,5bn into the industry to cover losses sustained by compliance with GATT tariffs — a move that had been recommended by the Swart panel. He said GATT requirements could be phased in over eight years, rejecting the panel's proposal that they be phased in over 10 years.

Trade and Industry Department acting director-general Gerrit Breyl said govern-

ment was also considering cutting tariffs 50% below GATT requirements.

Brink said Texted was "suspicious of government's about-face, ditching agreements reached before taking office, ditching the entire tripartite consensus approach adopted by the Swart panel and assuming the rôle of sole arbitrator in determining trade and industrial policy."

Reuter reported that Sactwu president Amon Ntshu said the union would make sure the plan was implemented. "If it is not we will consider marches, pickets and industrial action (197) (197)

Cosatu general secretary Sam Shillowa said it was "incumbent on government to demonstrate its commitment to tripartism and implement the plan. Now is the time to deliver. We must send a clear signal that the plan must be implemented."

He said action could be averted if government adopted the plan. However the dispute was not just about clothing and textiles, "but to what extent we are prepared to defend tripartism."

Cosatu was concerned about implementing agreements reached before the new government took office.

Industry sides with union

(197) CT 26/8/94

Own Correspondent

JOHANNESBURG — The textile industry has thrown its weight behind union plans for industrial action to force Trade and Industry Minister Mr Trevor Manuel into using taxpayers' money to bankroll the industry's restructuring

Frame Group managing director Mr Walter Simeoni said yesterday 80 000 jobs could be lost if the government did not implement the findings of the

Swart panel on subsidising a 10-year reshaping

The SA Clothing and Textile Workers' Union (Sactwu) and Cosatu said they would use industrial action to force Mr Manuel to push ahead with the Swart plan — a threat that was backed by the Textile Federation

Cosatu general secretary Mr Sam Shilowa yesterday threatened labour uprisings if the government did not honour the deal struck before the elections, to restructure the industry

Union set on collision course

Star 20/8/94

Durban — A showdown is looming between government and organised labour over Trade and Industry Minister Trevor Manuel's apparent reluctance to implement a plan to restructure the clothing and textile industry

"The South African Clothing and Textile Workers Union (Sactwu) will make sure the plan is implemented

"If it is not, we'll consider marches, pickets and industrial action," Sactwu president Amon Ntuli told a news conference yesterday

"It is incumbent on the government to demonstrate its commitment to tripartism and implement the plan," Cosatu general secretary Sam Shilowa told the briefing

Unionists told reporters they were anxious for the government to implement a plan drawn up by labour, employers and government during two years of negotiations

The plan contained proposals on trade policies, restructuring the industry and laid emphasis on social adjustment, Sactwu deputy general secretary Ebrahim Patel

said "The clothing and textile industry is the first to put a challenge to the government in the form of this plan for economic growth," he said

Union leaders said it appeared the government was yielding to criticism of the plan from small players in the textile industry who were only interested in their own short-term gain (197)

The government had also incorrectly assumed the plan would cost as much as R4,5 billion to implement, Patel added

Shilowa said Cosatu

was not only concerned about the delay in restructuring the clothing sector, but about implementing agreements reached before the government took office

"The government must go ahead and implement the clothing plan

"Now is the time to deliver. We must send a clear signal that the plan must be implemented

"The government is making a lot of noise about the need for a social compact, but if you want to retain the re-

spect of trade unions the government must deliver on its undertakings," Shilowa said

Shilowa said industrial and other action could be averted if the government adopted and implemented the plan

"Cosatu is prepared to call on our members to give the support that Sactwu requires

"The issue is not just about the clothing and textile plan, but to what extent we are prepared to defend tripartism," he added — Reuter

Union threatens textile strike

SI Times (BUS)

By CIARAN RYAN

BATTLE lines in the clothing and textile war were drawn this week with unions threatening action to force government to pump R4,5-billion of taxpayers' money into a 10-year plan to restructure the industry.

Clothing and textile producers distanced themselves from the SA Clothing and Textile Workers' Union threat to strike in support of a tripartite restructuring plan for the industry.

Frame Group managing director Walter Simeoni and Textile Federation chief executive Brian Brink also denied a report in Business Day on Friday which claimed they supported Sactwu's proposed industrial action.

Mr Simeoni said: "We do not support strike action, but we sympathise with the union's endeavour to con-

serve jobs. Unless the Swart report's recommendations are adopted we could be facing 40 000 job losses by the end of the decade." (197) (197)

Sactwu president Amon Ntuli is reported to have threatened industrial action if government did not accede to the Swart report's recommendations for a R4,5-billion assistance package for producers. On Friday Sactwu disputed that R4,5-billion was needed to support the industry and would provide figures of its own. (S2)

Trade and Industry Minister Trevor Manuel has stated on several occasions over the past week that govern-

ment cannot afford the R4,5-billion package. 28/8/94

Trade union leaders are reportedly furious over what they see as Mr Manuel's slighting of tripartism.

However, a spokesman for 400 small businesses in Natal, Shirish Soni, says the Swart report, which claims to represent the majority of the industry, gave scant attention to the needs of small businessmen.

National Clothing Federation president Sadek Vahed says the trade union's threat is unfortunate.

"The best solution is to sit down and reach compromise. Textile producers want a 10-year phase-down of import tariffs — what industry in the world gets this kind of relief?"

Romatex to split into two listed companies

CLOTHING and textiles company Romatex would split its operations into two separately listed companies from October 1, it said yesterday

The CG Smith subsidiary would shift its bulk storage operations and the automotive, foam, extruded fabrics and non-woven operations of the industrial division into its Island View Industrial company and list it on the industrial holdings sector.

Romatex would retain its listing in the clothing, textile and footwear sector while core business would include consumer apparel, household textiles

BY YURI THUMBRAN

and floor covering operations.

The company said the group's expansion had left industrial operations contributing more to earnings than its original core business.

Romatex posted attributable income of R18,8m (R9,4m) for the half-year to March; on sales of R346,2m (R330m). Island View was the main contributor toward profit.

The company had been restructured in the past three years, and the split would "provide focus and flexibility to existing shareholders" and

enhance the attraction of the respective operations to new investors"

Romatex said the transaction would be effected by Romatex distributing all its Island View shares to shareholders. As a result, shareholders would hold shares directly in Island View and in Romatex.

The respective companies would appoint independent boards of directors which would be chaired by Romatex chairman Jack Crutchley.

The company's share closed at R21,50 yesterday, valuing the sector mainstay at R570m.

Textiles shake-up to feature in talks

JOHN DLUDLU

THE continuing debate on the restructuring of the clothing and textile industries was expected to feature in today's meeting between Business SA and Trade and Industry Minister Trevor Manuel in Cape Town, according to industry sources.

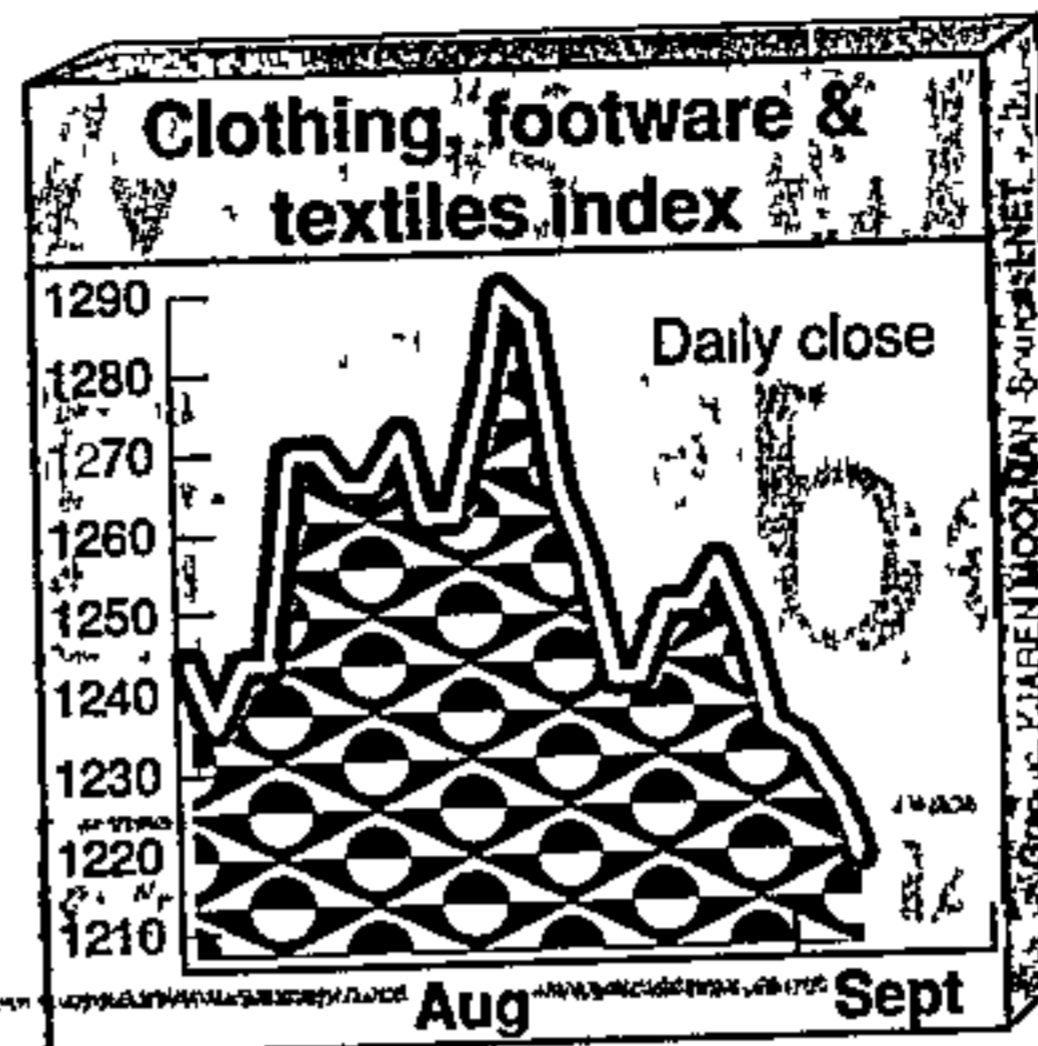
The hour-long meeting with BSA, which included representatives of both the textile and clothing industries, was called by Manuel to discuss various policy issues, the Minister's office said yesterday.

National Clothing Federation executive director Hennie van Zyl said he expected NCF president Sadek Vahed to raise the subject of restructuring at today's meeting. The Textile Federation would be represented by its president Mervyn King.

The restructuring debate was sparked off by recommendations of the Swart report, which included a R4,5bn financial package to assist the industries through the restructuring process over the next 10 years.

The debate heated up when Manuel indicated government was unlikely to provide the proposed R4,5bn for the industry to cover losses sustained as a result of tariff reduction in compliance with GATT.

Proposals, contained in the Swart report which also had the backing of the labour representatives, included a reduction of tariffs on imported fabric to 22% from 45% over 10 years, clothing from 90% to 40% and yarn from 32% to 15%.



Textfed CE Brian Brink and the NCF expected today's meeting to result in commitment by both parties to discuss the dispute further.

"The Minister might suggest a task group to work at ways to resolve the few outstanding issues," Brink added.

He said government had gazetted the Swart recommendations for public comment.

Van Zyl said the Minister was unlikely to back down on his earlier position as he had the backing of cabinet colleagues and clothing retailers behind him.

In another development the Trade and Industry Department has tasked officials to draft proposals on assisting small and medium enterprises.

The NCF said it was still consulting all its regions, and hoped to come up with comment next week, while Textfed said it had submitted its comment to the department.

The clothing and textile index was seven points down at 1 219 yesterday.

Rag trade in buoyant mood

Star 6/9/94

■ BY TOM HOOD

Cape Town — Clothing factories, emerging from a crippling recession, are working at almost 100 percent capacity for the first time in years

Local retailers, who have seen an upsurge in sales since the election, are demanding extra stock, filling manufacturers' order books

But the industry's recovery is threatened by a 65 percent drop in exports. Companies which have built complete production lines devoted to exports are being hard hit

Employers hope the upturn will stem the job drain which continued in the first seven months of 1994, leaving another 1 600 Cape garment workers jobless

This year 31 factories have closed down — nine in the Western Cape

Johann Baard, chairman of the Cape Clothing Manufacturers' Association, says factories in the Cape are between five

and 10 percent busier than a year ago.

"This is traditionally a busy time of year, but retailers ran their stocks down to minimum levels before the election and delayed placing orders until now

"We have seen something of an uplift in consumer spending and retailers are building up their inventories and contributing to the busy time"

Exporting

Small businesses are also benefiting as bigger manufacturers farm out work to subcontractors, especially CMT (cut, make and trim) factories

Many firms, however, are pulling out of exporting

The latest survey by the National Clothing Federation (NCF) shows the value of exports plunged to R123 million in the first five months of this year from R365 million last year

This huge drop in foreign exchange earnings was mainly caused by uncertainties over ex-

port incentives, as well as pronounced shortages of local fabrics, says Baard.

"We predicted a year ago that exports would plunge.

"We cannot go for the orders because we do not know what prices to quote six months ahead — it would be shooting in the dark. (1993) (1994)

"Exporters believe they will do less harm by not seeking export contracts than by having to cancel orders later

"They would rather hurt their bottom line than lose their export reputation. You can always make a big effort to re-establish your profits but once your reputation is tarnished in the export business you are finished."

The drop in export business could have serious implications for subcontractors

The value of garment imports rose 16 percent from R170 million to R200 million in the first five months, reports the NCF.

NCF economist Arnold Werbeloff says direct buying since the lifting of sanctions, cutting

out middlemen, has lowered the cost of imported garments, especially from the Far East

"Producer price inflation has been constrained for both clothing (seven percent year-on-year) and textiles (five percent) by continued Consumer demands for value for money as well as retail purchasing policies and practices," says Werbeloff

Staying on

NCF president Sadek Vahed, trapped in a row between small and large clothing manufacturers over tariff protection, confirmed that he had offered to resign but was persuaded to continue at least until the annual meeting in November.

"I have offered to review my position at the AGM," he said

Vahed said his conscience told him he could not continue to "wear two hats" — as spokesman for the NCF, representing the bigger employers, and as a supporter of small and medium-size businesses

Rift brews in textile industry

Spoken 9/9- 13/9/94

By Waghied Misbach

PROPOSALS to change the clothing and textile industry have caused a major rift between small business, labour, government and the major manufacturers

The 160 000 member Southern African Clothing and Textile Workers Union (Sactwu) is calling on the government to implement plans which will prepare the industry to enter the competitive global market. A union spokesperson said last week training and development programmes and the introduction of new technology were important to prepare for international competition.

The union wants the government to pump R4,5 billion into the industry for restructuring over a period of about 10 years.

The industry employs about 500 000 people, and thousands of jobs could be lost if the government did not implement the proposals, the union spokesperson said.

However, the union proposal has come under fire from the small business sector. They want the changes to be implemented within a shorter period.

Mr Shirish Soni, head of the Consultative Business Forum which represents 450 businesses, is adamant that access for small businesspeople to textiles at cheaper world prices would create more jobs.

He said there has been little response from the government on his proposal to lift the tariffs on the imported yarns used for producing clothing such as school uniforms.

Soni said the large manufacturers were also placing a "stranglehold" on reform (197) (197)

He claimed that they were benefiting from an export incentive scheme which excluded the small businessperson.

He said the protection for a handful of producers had resulted in the loss of many thousands of jobs.

Last week Soni was forced to close down his Natal factory, which employed 54 workers. He would only be able to reopen the factory when the industry became more "conducive" to the small business sector.

The ministry of trade and industry could not be reached for comment.

ROMATEX *FM 9/9/94*
Listing logic

There is a compelling logic to the proposed division and separate listings of the Romatex group. Textiles and carpets are a mature business in a competitive market. It has taken extensive, often ruthless rationalisation to make the businesses profitable ~~(197)~~ (197)

Bulk liquid storage and industrial products, on the other hand, have grown in stature, both in profitability (the former has become the biggest contributor to group profit) and as divisions positioned in growth markets. This is evident in that capital spending is being primarily directed towards expanding capacity in the Island View Storage division. A recent allocation of R11m went towards increasing capacity by 24 500m³, or 8%, at the liquid storage facility at the Bay V site in Durban

FM 9/9/94
harbour

Besides, there can be little synergy between consumer textiles, and bulk storage and products aimed at the automotive, furniture and industrial markets. It makes sense to unbundle and list Romatex's four divisions — Island View Storage, Industrials, Fabrics and Carpets — into two separately listed companies.

But the split was inevitable for Romatex. As the *FM* noted when interim results were reviewed (*Fox*, May 13), the growing contribution from bulk liquid storage made Romatex's listing more appropriate to the Industrial Holding sector than Clothing, the board where Romatex found its traditional home before the textile industry hit the skids ~~(197)~~ (197)

It could only have been a matter of time before the JSE made Romatex switch sectors, which would have left Fabrics & Carpets sitting uncomfortably in a sector where p.e ratios average about 23,2, as opposed to the average 10,3 of the Clothing sector.

It's also very likely majority shareholder CG Smith, with 60% of Romatex, wanted the anomalous group structure changed.

Unfortunately, chairman Jack Crutchley (who under the proposals will remain chairman of both listed companies, though separate boards will be formed) was away this week. Other directors declined to give details beyond the statement issued last week, on the grounds that listing documents for what will be known as Island View Industrials (IVI) were being prepared. They should be posted in November.

Though details are still scanty and subject to various conditions, it seems shareholders will receive an equal number of shares in IVI to those held in Romatex. This will allow investors a clearer view of the relative performance of the divisions now lumped together in one company, as well as spreading their investment in sectors better suited to the underlying operations.

The big advantage, though, is that investors will be able to switch out of one or the other listed companies if they choose. With IVI in what appears to be a growth industry and prospects, however tenuous, of a recovery in textiles, the investment choice becomes more interesting.

Also, with what are now non-complementary cross influences between the four divisions removed, either share will be able to perform more freely on the merits of the underlying businesses.

After its three-year restructuring process, vastly improved growth in earnings has seen Romatex's share sharply re-rated. Over the year the price has more than trebled to R21,50 — ratings are comfortably ahead of the average for the Clothing sector.

But, for some of the reasons discussed above, that can be regarded as a false rating. Unbundling and separate listings should enable a fairer value to be placed on the respective shares.

Shaun Harris

Rex True offering shares or dividends

■ BY ALIDE DASNOIS

Rex Trueform is to offer a choice of shares or dividends on the back of a 30 percent increase in attributable earnings to R8,35 million in the year to June.

Turnover was down slightly at R167 million as difficult trading condi-

tions put downward pressure on selling prices, but improved efficiency boosted operating income

Interest came in at R1,2 million (interest deduction of R775 000 previously)

Directors say exports fell because of uncertainty about incentives

Star 12/9/94
Queenspark, which is making a growing contribution to earnings, is to be expanded

Directors say the balance sheet is strong and the company should benefit from the domestic upturn

Shareholders are to be offered a dividend of 70c

(60c last year) or a share award

The principal shareholder, African & Overseas Enterprises, which reported a 15 percent rise in attributable earnings, is taking the shares

The shares traded at R20 last week ahead of the year-end figures

Exports worry Rex Trueform

CAPE TOWN — Rex Trueform Clothing Company lifted earnings 30% to 202,2c (155,4c) a share for the year to June, despite lower sales stemming from the uncertainty surrounding export incentives.

Turnover fell 2,75% to R167m (R171,7m) as a result of lower export sales. Chairman Stewart Shub said the uncertainty was worrying for the company, which had been exporting for the past three decades.

He said government was reducing import tariffs and export incentives before the original reasons for those measures, the anti-export bias in industry such as high input costs, were being tackled.

Operating income was up 7,9% to R8,8m (R8,2m). Interest received amounted to R1,2m compared with the R775 000 paid out the previous year. Taxation was R1,7m (R964 000). Taxed income was 30% higher at R8,4m (R6,4m).

Shareholders could opt for capitalisation shares in lieu of the 70c (60c) dividend. The terms of the capitalisation issue would be approved at the annual meeting on Octo-

EDWARD WEST

ber 26 - *B/Say* 12/19/94

The company said a further improvement in stock-turn had resulted in a more economical use of cash resources and interest earned had made a more meaningful contribution to profit in the period.

Trading conditions continued to be difficult for much of the year. The increase in income was largely a result of continuing efficiencies and the growing contribution from the Queenspark retail division.

Shub said the retail division would make an increasing contribution to overall profit over time, with the company well placed to benefit from the up-turn in the domestic market.

(197)
Africa & Overseas Investments, which had as its principal operating subsidiary the Rex Trueform Clothing Company, reported earnings of 191,6c (166c) a share in the year to end-June 1994. A dividend of 80c (72c) was declared, for which shareholders could also opt for capitalisation shares.

Textile firm doubles earnings

ALIDE DASNOIS and MARC HASENFUSS,
Business Staff

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TEXTILE company Gubb and Inggs more than doubled attributable earnings on a five percent rise in turnover in the year ended June

Turnover of R248 million gave operating income of R13,6 million, 41 percent up on last year's figures. A lower interest bill and the consolidation of the group's Dimbaza activities into the Uitenhage operation helped boost attributable income to R5,98 million.

Directors said capacity use was satisfactory.

Wool margins were under pressure, but worldwide demand boosted mohair.

The group's mohair processing and trading subsidiary is in Texas and its trading interests in Europe.

The final dividend has been hiked from 20c to 30c making 50c for the year.

■ Further down the pipeline, Sterling Clothing slid into the red in the six months ended June.

Though turnover was up slightly at R17 million, operating income dropped to less than half previous year's levels. Attributable profit of R259 000 in the six months ended June, 1993, was turned into a loss of R155 000 this year.

Directors said only that margins had been affected by uncertainty, unstable labour conditions and public holidays.

■ Cape clothing company Ensign has passed its interim dividend, though orders are on the increase. A company spokesman said the second half of the

year was always more buoyant and the downward trend of first half should be reversed.

The Premier Group has asked the JSE to suspend the listing of its subsidiary, W P H, after allegations that W P H director N Knight and some of his associates were involved in 'unacceptable' activities.

According to today's joint announcement by Premier and W P H, monies had been appropriated and a formal complaint was lodged with the Attorney General alleging theft and fraud totalling R40 million.

In addition to those allegations, there were others that the affairs of W P H subsidiary United Pharmaceutical Distributors (UPD) were also conducted in a reckless and negligent manner — resulting in trading losses of R18 million in the first four months of the current financial year.

These losses — funded by Premier — would continue until the necessary remedial action takes effect.

"It will take some time to restore UPD to profitability and to achieve this, a major capitalisation of the company is essential in an industry fraught with difficulties."

Premier and W P H said the necessary actions to recover the losses and damages were being pursued — but no assessment could be made yet on possible recoveries.

"It is clear that these losses will impact on Premier's and W P H's earnings for the six months of the current financial year."

ABBEY/PROPCOR/FENIX

Signs of recovery

FM 23/9/94

Until recently, it's been a torrid time for Abbey chairman Benny Rabinowitz

For the past five or so years, many of his investment initiatives went awry. But now the outlook for his companies is improving. His investment in duvets through Debonair turned out to be a disaster. The stake in Faircape Homes proved to be cold comfort, as that group's fortunes turned sour (197)

Fenix

FM 23/9/94

Activities: Commission dye-house, textile knitter and fabric wholesaling

Control: Abbey Holdings 79%

Chairman: B P Rabinowitz

Capital structure: 11,2m ords Market capitalisation R18m

Share market: Price 160c Yields 9,1% on earnings, p/e ratio, 11, cover, n/a 12-month high, 160c, low, 120c Trading volume last quarter, 3,1m shares

Year to December 31	'91	'92	'93
ST debt (Rm)	5,2	6,2	5,7
LT debt (Rm)	9,4	0,1	9,1
Debt equity ratio	0,70	0,89	0,81
Shareholders' interest	0,49	0,43	0,35
Int & leasing cover	—	—	1,7
Return on cap (%)	—	—	7,8
Turnover (Rm)	67,9	42,9	63,1
Pre-int profit (Rm)	(8,6)	(0,7)	4,1
Pre-int margin (%)	—	—	6,4
Earnings (c)	(87,4)	(31,2)	(14,5)
Dividends (c)	—	—	—
Tangible NAV (c)	182	158	162

The property market collapsed. Despondent about prospects at the time, Rabinowitz was unable to find suitable investments into which he could channel his cash resources of more than R20m, so he distributed it to shareholders by way of special dividends in 1990 (197)

Then he set about rationalising and restructuring his group. During this process the textile and property holding subsidiaries Fenix and Propcor made large losses, which compelled him to borrow heavily. Finance costs ballooned and there was every indication that if the economy did not improve then Rabinowitz's group could end up with its back to the wall.

Though he is primarily a property man, Rabinowitz now has every right to be pleased with the group's progress. Just as he was criticised for venturing into Lansdowne Textiles (the textile dying house) and Ivitex (the textile knitter) when the investments made losses, so he should be lauded for grasping the nettles.

JOBS

Protective textiles in

THE hoped-for R4,5-billion assistance package for clothing and textile producers has been whittled down to around R2-billion at the stroke of a pen.

The Swart report on restructuring the clothing and textile industry called for general export incentive scheme (Geis) payments of R1,4-billion and duty credit certificate (DCC) rebates of R1,2-billion.

This was before Trade and Industry Minister Trevor Manuel announced the phasing out of Geis to comply with South Africa's Gatt obligations. The Swart report expected that Geis would continue at the current rate for 10 years.

Instead, they will be phased out over the next two years with benefits on clothing exports falling from the current 18% of export value to 15,5% in October, to 14% in April next year, 11% in 1996 and disappearing altogether in 1997. Geis benefits on yarn exports will fall from the current 6% to 3% in October, phasing out altogether in 1995.

The DCC scheme awaits a similar fate. It is not Gatt-friendly and according to Shirish Son, a spokesman for 450 small businesses in Natal, benefits a few dozen large clothing manufacturers. The DCC scheme allows clothing exporters to import textiles duty-free up to 30% of the value of their exports. Like Geis, it is open to abuse.

"Without any discussions taking place, the R4,5-billion assistance package has

The end of the general export incentive scheme and the government's rejection of protective tariffs has caught the textile industry in a tight fit, reports **CIARAN RYAN**.

been more than halved as a result of changes to Geis," says Brian Brink, Textile Federation's director.

Textiles account for nearly half the cost of a garment. A growing lobby of small clothing manufacturers say SA textiles are uncompetitive and raise the cost of producing clothing.

The controversy aroused by the Swart report, which supposedly has the full support of both clothing and textile producers, raises

questions about the representivity of tripartism — a new buzzword for agreements between industry representatives, trade unions and government.

The R7,5-billion a year textile industry employs 80 000 workers, the R5,5-billion clothing industry more than 100 000 workers, excluding the informal sector which could easily double this number. Textfed says it supports more than 200 000 additional workers in asso-

ciated industries (197).

Mr Manuel told textile producers at a recent conference that the government could not afford the R4,5-billion and that "protection on demand is dead for all time".

The Textile Federation believes it has had a bad press. "The public has been led to believe that the R4,5-billion will all go to textile producers," says Mr Brink. "Textile manufacturers will get only a small portion of

the amount."

Textfed issued a press statement last week explaining how the R4,5-billion (now around R2-billion) is broken down, pointing out that only R650-million was earmarked for the textile industry.

Export assistance in the form of Geis and DCCs would cost R2,6-billion under the Swart panel recommendations, but following the changes to Geis and the probable scrapping of the DCC scheme, this will amount to less than R400-million. The main beneficiaries of this assistance would be clothing manufacturers.

Cotton subsidies will amount to R240-million for

tatters

10 years Textfed says cotton subsidies are common throughout the world. A wool-beneficiating programme similar to that operated by most wool-producing countries will cost taxpayers R33-million for three years.

A training subsidy of R200-million will run for four years, to be funded by the government and industry and R570-million is required to subsidise technology upgrades through cheap loans, making the cost of capital for local manufacturers equal to that paid by overseas competitors.

Small business support in the form of training and in-

vestment in infrastructure will cost R105-million for 10 years, while R20-million will go to the establishment of a clothing and textile authority.

An anti-dumping unit and customs control will cost R184-million for 10 years, although this will become self-financing as tax collection become more efficient. The cost of social reconstruction such as retraining retrenched workers is put at R550-million.

"South Africa is, to our knowledge, the only country in the world which is to dismantle its protective barriers faster, and to lower levels, than required by Gatt," says Mr Brink.

TEXTILES' R4,5-BILLION SUBSIDY PROPOSAL

	R-million	Period (Years)
1. Cotton subsidy	240	10
2. Wool beneficiation programme	33	3
3. Training subsidy	200	44
4. Technology upgrade	570	10
5. GEIS &	1 400	10
6. DCC Scheme	1 200	10
7. Small business support	105	10
8. Textile Clothing Authority	.20	10
9. Anti-dumping unit & Customs control	184	10
10. Consultancy costs	25	10
11. Social reconstructing cost	550	5

Graphic: FIONA KRISCH

Source: TEXTILE FEDERATION

Textile industry 'committed to GATT'

3 Day

6/10/94

MUNGO SOGGOT

THE textile industry was committed to restructuring import tariff barriers in terms of GATT, contrary to suggestions that it was in favour of its current protection, chairman Mervyn King said in an update to the Frame Group's annual report

King said he hoped the Trade and Industry Department would announce its policy for the industry early next year to give the industry a "reasonable chance not only to survive but to thrive as a global competitor"

"He said the industry was keen to cut duty levels faster and to lower final levels than required by GATT. The industry's commitment to gearing itself for international competi-

tion had led it to agree to slash import tariffs to 22% over 10 years, whereas GATT stipulated that duties on imported fabrics drop to 25% over 12 years, he said

King said he had released the update to the Frame annual report published on August 15 in response to Trade and Industry Minister Trevor Manuel's speech to the Textile Federation conference in Durban on August 18.

The speech had led to some "inaccurate and misleading" comments about the industry

Manuel told the conference government was unlikely to spend

R4,5bn on the industry to cover losses sustained by compliance with GATT tariff levels

King said the report drafted by the industry's think-tank, the Swart panel, showed the industry had recommended a package of R650m over 10 years

"The textile industry has not asked for a 'trough' of R4,5bn over 10 years," he said

Of the total R4,5bn, about R2,6bn was for export incentives, of which 80% was for the textile industry. About R550m would be used to help out retrenched workers and R200m would be channelled into worker education — an amount which would be matched by the industry

Protection policy shift angers textile body

□ Clothing priced out of market for many in SA

ALIDE DASNOIS
Business Staff

THE Textile Federation has reacted angrily to a policy shift on tariff protection by the National Clothing Federation

NCF vice-president Bernard Richards called yesterday for lower import tariffs on textiles to help small and medium clothing manufacturers

The Federation said high protective tariffs were putting clothing out of the reach of many South Africans and were stifling the growth of smaller companies

In a swift and strongly worded reaction to Dr Richards' remarks, Textile Federation president Mervyn King accused the NCF of preparing to renege on its agreement with Textfed and the SA Clothing and Textile Workers'

Union over textile and clothing tariffs

Mr King said the NCF had admitted that clothing manufacturers would not be able to compete internationally once the General Export Incentive Scheme (GEIS) was phased out

He slammed the Federation for "breaching" an agreement reached after long months of discussion in the Swart Panel, which presented its report in March.

"What the NCF is now trying to do is to justify a breach of its agreement and to look to the textile industry to become a replacement subsidy for the clothing industry"

Mr King denied that there was a shortage of locally produced fabrics

He said the textile pipeline still had spare capacity and claims to

the contrary by the NCF were merely an attempt to secure rebates of duties on inputs

"In 1988 when a temporary rebate of duty on fabrics was introduced the cost savings were not passed on to the consumer in the form of lower priced clothing. Where did the extra margin go?"

Low duties on inputs and high tariff protection for clothing would not improve the clothing industry's high cost structure, Mr King said.

As regards small and medium manufacturers, the Textile Federation favoured a national initiative to promote small business

"The question of raw material input costs is a problem for all industries in South Africa," said Mr King "The solution is not to ask one part of a pipeline to subsidise another part"

ARC 7/10/94

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About-face on tariffs sparks ragtrade row

ARL 8/10/94 (481) (197)

ALIDE DASNOIS

Business Staff

THE National Clothing Federation's about-face on textile tariffs has drawn the wrath of textile manufacturers and of the SA Clothing and Textile Workers Union, who have accused the NCF of renegeing on previous agreements.

But the NCF says it is still hoping consensus can be reached.

In a statement issued this week by its vice-president Bernard Richards, the NCF bowed to pressure from smaller businesses and broke with previous policy, coming out in support of lower textile tariffs.

High tariff protection on fibres, yarns and fabrics was stifling the growth of smaller clothing companies, Dr Richards said, and putting clothing out of the reach of many South Africans.

He called for a review of the Swart Panel's proposals for the clothing and textile pipeline.

The Textile Federation reacted immediately, putting out an angry statement signed by its president Brian Brink.

Mr Brink accused the NCF of preparing to "renege" on its agreement with Textfed and with the SA Clothing and Textile Workers Union (Sactwu) in the Swart report.

He said the NCF, aware that the General Export Incentive Scheme (Geis) was due to be phased out, was trying to get a "replacement subsidy" from the textile industry.

In its own strongly worded statement, Sactwu expressed its disappointment with the NCF's stand.

General secretary Jabu Gwala said the NCF's unilateral action cast doubt on its commitment to negotiate the future of the industry with all major role players.

Sactwu had only been invited on October 3 to an October 5 meeting to discuss the new approach of the NCF to the Swart report and prior commitments had made it impossible for the union to attend.

"We are concerned that given the serious nature of the NCF's new proposals and its possible impact on the industry, the NCF decided to continue with their plans without the input of other role players."

The Swart report had been tabled after almost two years of discussion, Mr Gwala said, and the NCF could have waited "a week or two" before issuing the statement.

The Swart report is still under consideration by the government.

The NCF's Dr Richards insisted that his organisation did not mean to "target" the textile industry.

A meeting with Textfed was planned for next week and the union movement would also be consulted.

He said a number of factors had prompted the NCF's change in stance since March.

The election of a new government and the adoption of the Reconstruction and Development Programme, with its emphasis on

job creation, had put the spotlight on the need to preserve and create jobs.

At the same time, smaller clothing companies were being squeezed by textile tariffs up on average from 20 percent to between 55 percent and 60 percent in three years.

As the economy picked up, the demand for textiles had risen and the local textile industry was over-extended.

"Clothing manufacturers are desperately short of fabrics at the moment," said Dr Richards. "On average — and of course there are exceptions — deliveries are coming between four and six weeks late."

The clothing industry needed ready access to inputs in order to grow, he said.

But Textfed's Mr Brink denied that there was a shortage of fabrics. He said there was still spare capacity in the textile pipeline and the NCF was merely trying to claim temporary duty rebates on inputs pending a government decision.

"In 1988 when a temporary rebate of duty on fabrics was introduced the cost savings were not passed on to the consumer in the form of lower priced clothing. Where did the extra margin go?" said Mr Brink.

■ Interviewed by telephone from London where he is on a business trip, NCF president Sadek Vahed said he was "delighted" that the Federation was now able to speak with one voice on the tariff question.

Bid to bury the hatchet in SA ragtrade rumpus

ARCT 15/10/94

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ALIDE DASNOIS
Business Staff

CLOTHING and textile manufacturers are trying to bury the hatchet after a policy switch by the National Clothing Federation on fabric tariffs prompted a furious reaction from the textile industry.

Representatives of the National Clothing Federation (NCF) and the Textile Federation (Textfed) met yesterday in Johannesburg

There were two issues on the agenda the Swart report on a plan for the clothing and textile industries, and the question of fabric shortages.

NCF chief Hennie van Zyl and Textfed executive director Brian Brink both said the discussions had been "fruitful" and had taken place in a "spirit of conciliation".

Earlier this month Textfed president Mervyn King slammed the NCF for "reneging" on its agreement with textile manufacturers and with the labour movement with respect to the phasing

down of import tariffs

In an angry statement, Mr King accused the NCF of "breach of contract"

This followed an about-face by the Federation on the Swart report, which it now says does not adequately address the aims of the Reconstruction and Development Programme (RDP).

The NCF says high textile tariffs are pricing clothing out of the reach of many South Africans and stifling the job creating potential of the clothing industry

Delegates at yesterday's meeting did not come to any conclusions, but agreed to meet again on October 24.

By then the NCF is expected to have spelt out some of the practical implications of its policy switch

The Federation faces strong pressure from small and medium enterprises (SMEs) in the clothing sector who are struggling to cope with rising input prices

Fabric tariffs have risen from an average of 20 percent less than three years ago to an average of 70 percent, says

clothing manufacturer Shirish Soni, secretary of the Consultative Business Movement, which has been spearheading moves by smaller companies to make their voice heard.

The NCF says there is a shortage of fabrics at present, but Textfed says there is still spare capacity in the textile pipeline.

Prompted by SMEs, the NCF has called for a specific plan for small clothing businesses, including government aid and export incentives, but Textfed is hostile to this

"It would create a bureaucratic nightmare for every industry to have its own SME plan", said Mr King in his statement.

In an interview, Mr Soni accused Textfed of racism.

He said spokesmen for the textile industry were "not in tune with government policy" on job creation.

The labour-intensive clothing industry was given special treatment all over the world, he said.

Mr Soni welcomed the NCF's decision to support small businesses. But, he said,

so far this was just rhetoric

"The NCF must not just pay lip service to the goals of the RDP. We want to see concrete measures."

He said the Federation was "only at the starting blocks".

No steps had yet been taken in the right direction

"All that's happened is that a few big companies now agree with what the 1 400 smaller companies have been saying all along"

Any plans for the clothing and textile pipeline would have to take into account the needs of smaller businesses, many of which were black.

"The World Bank has estimated that there are no less than 700 clothing businesses owned by Africans in this county

"But none of them are members of the NCF This is one of the things which will have to change"

The Swart report, which was presented to the government in March, is being examined by the Department of Trade and Industry

Textiles restructuring 'will bring stability'

By Day
YURI THUMBRAN

THE Frame group has reiterated its call on government to accept the Swart Panel's report on restructuring the textiles industry. 18/10/94

Writing in the company's annual review for the year to June, MD Walter Simeoni said if the report was accepted, the resulting stability would contribute a great deal in allowing the industry to adjust itself to the international trading environment. (197)

The 1994/95 financial year would see the Frame Group take full advantage of improved economic conditions and the generally positive environment created within the new SA, Simeoni said.

Frame bounced back into the black this year, reporting attributable income before extraordinary items of R11,8m against last year's R8,5m loss. Earnings a share rose to 57c (41,4c loss) while borrowings were eliminated and the company had R19,5m in cash on hand and paid a dividend of 8,5c a share.

Turnover rose to R645,9m (R628,3m) and operating income recovered to R30,4m (R13,7m).

Chairman Mervyn King said Frame could maintain profitability if the economy improved further and the recommendations of the Swart Panel were implemented. He said the economy should respond favourably to the peaceful transition, renewed interest in SA by overseas investors, the general system of trade preferences (GSP) being granted to SA by First World countries and increased agricultural production.

King said the group had spent R24m on capex to upgrade facilities. If the Swart report was approved the group planned to launch a capex programme, he said, but it needed certainty.

Textile tariff talks end in deadlock

B/Day 25/10/94

YURI THUMBRAN

AN ATTEMPT by the Textile Federation (Texfed) and the National Clothing Federation (NCF) to find common ground over steps towards trade liberalisation failed yesterday.

The two parties met in Cape Town in the hope that they could develop a common strategy to present to government. But the NCF raised Texfed's ire by calling for a virtually immediate phasing down of textile tariffs while demanding extension of clothing import protection.

The NCF proposed that duties for fibre be cut to zero within one year, and on yarns be removed altogether in three years.

It recommended phasing down to a 15% duty on fabric in five years

For clothing, it suggested that duties be phased down to 40% over a period of 10 years.

Texfed president Mervyn King expressed concern "that the National Clothing Federation proposals appeared to be motivated by self-interest and were inconsistent."

He said the NCF made its proposals after renegeing on an agreement

reached between the two parties, based on the Swart panel's findings.

The proposed rates, which the Swart report suggested should be phased in over a 12-year period, were 40% for clothing, 30% for household textiles, 22% for fabric, 15% for yarn and 7.5% for fibres.

In a document tabled at yesterday's talks, the NCF emphasised the needs of small- and medium-sized clothing manufacturers.

"There needs to be greater encouragement for small- and medium-sized enterprises for their job creation role. The NCF would support removal of any obstacle to the development and growth of such enterprises," the NCF said.

Because of high protective tariffs on fibres, yarns and textiles, clothing was priced beyond the reach of many South Africans.

This stifled the growth and job-creation potential of the clothing industry, and in particular the growth of small- and medium-sized enterprises in SA.

Star 27/10/94

Clothing, textile industries at loggerheads

BY GLENDA DANIELS

The clothing and textile industries, once united in their fight with the Government on import duties, are now at loggerheads with each other about reducing duties on fibres.

Business Unit Fibres Hoechst SA manager Wolfgang Raffalsky said yesterday the clothing industry now wanted duties on yarns and fibres to be dropped to 0 percent. This, he said, would cripple the textile

industry.

"Those advocating this option omit to point out that without a textile industry, some 80 000 people would lose their jobs and it would impact on 220 000 jobs in secondary industries," added Raffalsky.

A few months ago, the clothing and textile industries approached the Government to investigate tariffs and duties, on what is regarded as the "sensitive" clothing and textile industry.

The Swart Report,

which emanated from this investigation, recommended the lowering of tariffs below the proposed General Agreement on Tariffs and Trade levels (197)

The official Gatt level proposed is a reduction for fibre from 25 to 10 percent and for clothing a reduction from 100 to 45 percent, both over a period of 12 years.

"Considering the fact that the Swart Report was a combined effort, we cannot understand why the clothing industry

is looking to further reduce the duties levelled on textiles, which are already below Gatt requirements," Raffalsky said.

National Clothing Federation director Hennie van Zyl said "We want to bring down the cost of fabric and clothing. The only way is to reduce import duties."

He added that the cost of raw materials was too steep, making input costs very high. "It's higher than international levels and we need to be internationally competitive."

Clothing and textile industries clash

CAPE TOWN — A row has erupted between the clothing industry and yarn, fibre and textile makers over industrial protection.

The National Clothing Federation (NCF) yesterday called for a review of the recent Swart Panel's proposals to remodel the clothing and textile industries. But the Textile Federation (Texfed) said this plea smacked of opportunism and self-interest.

Texfed president Mervyn King said the NCF was laying the groundwork to renege on an agreement with Texfed and the SA Clothing and Textile Workers' Union (Sactwu) on the phasing-down period and levels of tariffs on textiles and clothing.

NCF vice-president Bernard Rich-

EDWARD WEST

ards said that because of the high tariffs on fibres, yarns and textiles, clothing was overpriced. High tariffs were stifling small- and medium-sized manufacturers.

But King said the clothing manufacturers could not compete internationally without government assistance. "What the NCF is trying to do is to justify a breach of their agreement and to look to the textile industry to become a replacement subsidy for the clothing industry."

The NCF said industry growth was being inhibited by the poor delivery of fabric since March, when the

Swart proposals were finalised.

"There is insufficient capacity in the fibre/textile pipeline to meet increased demand. A reduction in import duties and greater use of lower-priced imports would contribute to the ability of the clothing industry to supply more affordable clothing."

But King said the NCF's claim was again preparing the groundwork to claim a temporary rebate of duties.

He said in 1988 when a temporary rebate of duty on fabrics was introduced the cost of savings was not passed on to consumers.

Richards said the NCF was finalising proposals on the length of phase-down periods on agreements and tariff structures.

CLOTHING INDUSTRY

Seizing the day

Thu 28 10 1994

~~197~~ 197

Shielding behind the job-creating focus of government's Reconstruction & Development (RDP) Programme, the National Clothing Federation has once again thrown down the gauntlet to its traditional enemy, the Textile Federation, by proposing that the phasing out of the tariff protection on imported textiles be speeded up.

Turning its back on the gradualistic approach to tariff reform called for in the Swart Report, it now proposes a speedy reduction in tariffs on imported textile fibres (from 10% to 0% over one year), yarns (20% to 0% over three years) and fabrics (35% to 15% over five years), while allowing itself 10 years to tone down its own import tariffs from 85% to 40%.

The background to its about-face is Trade & Industry Minister Trevor Manuel's call to the industries to "go back to the drawing board" on previous proposals to bring down tariffs in both sectors over 10 years with the backing of a R4,5bn government support package (*Business*, August 26). Manuel told the Textile Federation that government did not have the funds to back the proposed twin industry reform plans.

Subsequently, the Board on Tariffs & Trade (BTT) gazetted an amended version of the 174-page Swart Panel policy proposals for the industries (agreed to by the SA Clothing & Textile Workers' Union), which included the previously excluded minority views of the small enterprise clothing lobby supporting speedy cuts in textile tariffs. The Department of Trade & Industry (DTI) also circulated its own proposals for supporting the small enterprise sector and asking all parties for their comments.

With the closing date for comment on the BTT proposals (November 11) fast approaching, the Clothing Federation has now decided to take the bull by the horns. Following Manuel's statements, it feels public policy has swung in its favour.

The clothing industry now cites its job-creating propensity (which slots in nicely with the RDP) and its ability to promote the advancement of the small and medium enterprise (SME) sector as twin arguments in its favour. Both fit squarely with government's new policy focus. So the clothing industry seems to feel that it now has both the right (creating more jobs more

cheaply) and the might (government policy support) on its side.

This change in the political environment (the previous government strongly supported high tariff protection for the powerfully lobbying, capital-intensive textile industry) is a welcome shift for an industry that used to be on the receiving end of the textile industry's political clout. An example is the fact that the tariffs on some textiles trebled in "value" over the past three years and 32 fabrics not made locally are still subject to import tariffs.

Understandably, the Textile Federation is calling "foul" to the Clothing Federation's alleged breach of the Swart Panel "agreement" — but the clothing industry is convinced it now has both national policy and interests as well as equity on its side.

The labour-intensive clothing sector sees its higher job-creating propensity as a major factor supporting its view that government would (and should) back its proposals that relatively high import tariffs on textiles, yarns and fibres should be speedily reduced. Not surprisingly, though, it seeks to retain the high import tariffs on imported apparel for at least 10 years.

"While we need to reduce the high textile cost inputs for the clothing industry in order to help bring down local costs of clothing, there is no related argument against high clothing tariffs."

"The low barriers to entry makes the clothing industry so competitive that any manufacturer trying to lift its prices too high will be speedily undercut by other companies using similarly priced fabric inputs," says Clothing Federation vice-president Bernard Richards.

Naturally, Textile Federation vice-president Mike Hankinson disagrees. He says high labour costs in the clothing industry are a major contributor to its uncompetitively priced products.

"The clothing industry also has the ability to import its fabric inputs tariff-free in

terms of Item 470 03 of the Customs & Excise Act, but it is the industry's high labour costs which make its produce globally uncompetitive."

For example, while the monthly wages of skilled clothing industry workers in three Far Eastern countries range from US\$35 to \$60, local clothing manufacturers pay their workers \$85 a week. "Retail clothing price mark-ups of 150%-170% are the other reasons for high local clothing prices — not the tariffs on imported fabric textiles," Hankinson insists. ■

SMALL BUSINESS

Growing bolder

The Trade & Industry Ministry's 49-page discussion document released this week on Strategies for the Development of an Integrated Policy and Support Programme for Small, Medium and Micro Enterprises (SMME) in SA is making big waves in small business circles.

The most visible target for reform is the 13-year-old Small Business Development Corp (SBDC). The document proposes that its State grant be cut off and CE Ben Vosloo be replaced.

However, the discussion paper also raises policy issues that are bound to lead to lively national debate.

Ambitious strategy

Predictably, there are some clear contradictions. It calls for increased funding for the SMME sector and a wide range of sometimes controversial legislative and institutional changes, some of which could raise fears of State interventionism. But it also comes out strongly in support of a competitive market economy, a "constructive partnership between the public and private sector" and a restructuring of existing service organisations.

Then it says "overall development of the small business sector requires concerted policies and the creation of an enabling environment."

Department of Trade & Industry (DTI) special adviser on small business development Alistair Ruiters admits "the national strategy is ambitious, not unlike the programmes found in some of the Asian Tigers."

"The challenge will be to rally small businesses around the strategy, strengthen implementation capacities and focus on mobilising support funds that place the least pressure on the Budget."

"What we need is a silent revolution of



Romatex closes Uitenhage plant

PORT ELIZABETH — Years of labour unrest and the subsequent struggle to remain profitable have forced the Romatex group to close down their Veldspun operation in Uitenhage

The company, which is involved in the manufacture of clothing fabric and aircraft seat covers, employs approximately 350 people (197)

Company spokesman Seton Thompson said Romatex would try to find work for some of the employees, but it was obvious they would not be able to accommodate all staff members

He was not prepared to say what the direct cause of the closure was. However, Veldspun was subject to labour unrest some 10 years ago and has since struggled to remain profitable

Thompson said the company had consulted with organised labour

Veldspun's product range will be sustained through Hextex, with the exception of certain polyester/viscose lines

ET 29/10/94

Textile Federation lobbies for report

By
EDWARD WEST

CAPE TOWN — The Textile Federation (Texfed) has urged government to support the clothing industry panel's Swart report on restructuring because it could lead to billions of rands of investment during the next decade 3/11/94

At a textile industry briefing yesterday, Texfed vice president Mike Hankinson urged government to support the report proposals, despite the National Clothing Federation's rejection of them.

The industry planned to invest about R3bn in technology and capital equipment in the next 10 years and a further R200m on training.

Hankinson said although government had balked at the R4,5bn supply-side package envisaged by the report, the figure could be debated and would already be lower considering the envisaged reduction in Geis and duty credit scheme benefits over the next three years.

The industry needed long lead times to adjust capital equipment and retraining requirements. The federation's proposed tariff reduction periods could destroy much of the textile industry, he said. (197)

Textile import duty row hots up

(197)
CT 3/1/94

By AUDREY D'ANGELO
Business Editor

THE import duty battle between textile and clothing manufacturers intensified yesterday when a background document issued by the Textile Federation (TF) claimed that fabric tariff protection plays a very minor role in determining clothing retail prices.

The document says that 700,000 or more jobs in the textile and related industries are being put at risk by new proposals from the National Clothing Federation (NCF) that protective import tariffs on yarn, fabric and fibres should be phased out rapidly.

It also criticises an NCF statement that this would result in more jobs in the clothing industry claiming the domestic market "is currently being satisfied and dramatic growth in the clothing industry is unlikely to be generated from the source

"The NCF has called for a very modest export duty in spite of exporters' long plea for import duty free allowances which they will be demanding for clothing."

It continues "One of the primary reasons for the poor export performance of the textile sector is the high cost of labour. In SA the average rate is R10 an hour compared with between 54c-R1,80 an hour in East Asia. It is therefore highly unlikely that the clothing industry will be able to realise significant growth in export

Recent statistics show that textile exports for 1993 were R1.1bn compared with R411m for the clothing industry, for example. Furthermore, according to a document, approximately 50 per cent of 1993's 'clothing exports were fraudulent to benefit from export incentives'

Attempts to encourage the two industries to work more closely together to bring down clothing prices and make them more competitive in export markets ap-

peared to have succeeded when both agreed on the proposal of the Scarf Panel for a phasing out of the down of wool to be applied to the over 10% a period.

But the NCF chairman urged following protection for the clothing manufacturers and called for a wider phase-out period.

It proposed that future duties be cut to not more than one per cent on yarns to nothing with a three year phase-out date. On clothing, should be reduced to 40 per cent.

The TF noted document said that tariff protection on fabric would only account for only 2 per cent of retail price of garments and that the high cost of clothing is the result of numerous structural factors such as low productivity and mark-up through the pipeline.

While textile prices have lagged the price of a price index (CPI) for the past few years, high retail margins for clothing have contributed to high clothing prices.

High hopes for Romatex

TEXTILE manufacturer and automotive component supplier Romatex should be able to lift earnings 30% for the year to end-September, analysts said

The Durban-based company, expected to report results next week, was doing "rather well", having lifted earnings 100% to 76,1c at the halfway stage, an analyst said this week

An interim dividend of 20c (13c) was declared

The CG Smith-controlled company's earnings for

YURI THUMBRAN

411194

financial 1992/93 amounted to 140,4c a share, achieved on turnover of R707,5m

The analyst said the company's bulk liquid storage division, Island View Storage (IVS), was performing well, while an improvement in fabric sales should affect earnings positively. However, August's motor industry strike would have a negative effect on earnings from its automotive section (197)

Da Gama has long been regarded as one of the strongest in the clothing and textile sector. And for good reason. Unlike some of its competitors, it didn't post losses during the industry's tough times. Neither did its balance sheet weaken; it remains ungeared, with R23m net cash on hand.

Latest interims to end-September show sales up more than a quarter, reflecting mostly a recovery from a six-week strike in April-May 1993, as well as some real volume growth. Sales improved despite a 12% volume increase in fabric imports during January to June. Operating margins climbed from 7% to 10%.

"Yes," says CE Harry Pearce, "margins could return to 1991's 19% if the general market recovers. But this requires greatly improved volumes" — roughly 70% of Da Gama's overheads are fixed.

The future tax status of Ciskei, where Da Gama bases some of its major facilities, remains unclear. However, the group is prudently raising its effective tax rate (currently up from 18% to 25%) in anticipation of any change in Ciskei tax breaks.

The cash flow statement shows focus on asset management, net working capital requirement fell R1,7m after the year-ago R32m rise. This stems mainly from improved stock levels. Stock turn climbed from about 2,0 a year ago to 2,5 times. Pearce says it is simply a case of "running smarter" and adds Da Gama is delivering on time in an industry which is being accused of late deliveries.

Current order books are "good" and full-year earnings are expected to show "very satisfactory growth," though at a much lower rate than that of the first half. Capacity is under-used so Da Gama could expand volumes — widen margins — should business improve. *(197) (199)*

The share more than doubled to 550c between October last year and June. This appreciation was perhaps too rapid, the stock has shed 200c to a more realistic 350c, giving a p/e of 10,1.

Kate Rushton

FRAME/CONFRAM

Begging to be bought

FM 4/11/94

The huge workforce is a thing of the past — and it shows

It seems the Frame Group is emerging from its years in the wilderness. The results for financial 1994 reveal a return to profitability, a strengthened balance sheet, better use of assets and even a small dividend for faithful shareholders. The question is can it be sustained?

Executive chairman Mervyn King is confident that the group, which comprises Frame Group Holdings — a first-stage pyramid — and operating company Consolidated Frame Textiles (Confram), can maintain this recovery. Of course, after six years at the helm of this greatly contracted textile giant, you would expect him to express this assurance.

Confram's 1994 results reflect a big improvement on only marginally increased turnover (up 3%) of R645,9m, operating income more than doubled to R30,4m (1993 R13,7m). That reflects a trading margin of 4,7% compared with the previous year's 2,2%,

brought about not merely by higher end prices but by better operating efficiencies, use of new technologies and reduced personnel overheads. Turnover per employee increased by 22%, indicative of better management and higher productivity.

Since 1991, when the debt burden stood at R228,3m (and gearing a surprisingly low 31,2%, brought about largely by shareholders' funds being boosted artificially by a R160m revaluation of fixed assets), Confram's surplus cash has been applied in reducing debt. In 1992 this debt fell to R181m, it was reduced last year to R115m, now it is nil. Indeed, the company sails into 1995 with a cash balance of R19m. This was thanks mainly to the R44m injection from the sale in November of the polyester fibre plant. In 1991 the group paid R40m in interest — in that year fully a third of its operating income.

The avoidance of the need to service debt has a profound effect on the bottom line. In the first six months to December 1993, the interest bill stood at R7,9m — half the operating income. In the second six months finance charges dropped to R838 000, the effect on profit was substantial, at R13,5m almost two and a half times that of the interim figure. In financial 1994 interest and finance charges amount to a mere R8,8m, compared with 1993's 22,8m and 1991's R40,8m. There seems little point now in maintaining the dividend cover at almost seven times

Tax this year is a modest R2,4m and leaves a final attributable profit of R19,4m — a turnaround from 1993 of R33,2m. EPS is 34,4c (1993 a negative 23,8c) and enabled King to present long-suffering shareholders with a token 5c payout, small compensation for the barren years but pregnant with promise.

All this has not gone unnoticed in the market. For years, the share price languished in those doldrums reserved for companies deserving of suspicion. It was always far below conservatively estimated net worth (and still is).

However, in mid-November last year, news of the recovery spread among investors, the counter moved from 80c to a high of 550c in mid-July. Since then, and following confirmation of the recovery, it has slumped to 350c where it offers a further rerating opportunity. Though the asset base has shrunk over the years, the share price is still only 29% of underlying net worth.

And it is worth remembering that shareholders have suffered a huge diminution of their wealth in 1987, at the restructure into Frame and Confram (replacing the then four listed businesses), Frame's share price was R25 and Confram was R15. The current 550c and 350c illustrate poignantly the depths to which the group sunk. Other key indicators of enhanced management competence come in stock holdings and working capital requirements. Stock peaked at R401m in 1990, by 1994 these were reduced to R146,5m.

Founder Philip Frame died in 1979, legend has it that when he was told he couldn't take his fortune with him, he said he wouldn't go. He left behind a business empire on which more than 30 000 employees depended, vast and under-used assets (including much property) and a body of shareholders long deprived of dividends (Frame was particularly mean in this area).

He also left disgruntled and helpless heirs. The structure of Frame's will was constructed in a manner which enabled him to rule from beyond the grave. It limited the scope for changes and created the grounds for legal tussles which lasted for years. Finally the courts sanctioned changes to the will which would enable professional managers to introduce long overdue changes and strategies.

King has been an advocate, then a respected Transvaal Supreme Court judge,

then a businessman credited with successes under Natie Kirsh and later with Tradegro. When King took the reins in 1988, his first task was to set new priorities and determine a long-term strategy. Among his earliest problems was the need to continue reducing the group's huge workforce. From 32 000 at the beginning of the Eighties, it now stands at 6 500. The bill for the featherbedding of the past is being presented in the Nineties.

King's strategy was based on a single essential: he needed to shrink the operations. If successful, that would yield cash injections from asset sales, and huge reductions in personnel and, therefore, in operating overheads. These would produce a balance sheet of inherent strength, and concentrate focus on core businesses. King and his team have reduced the number of mill sites from 14 in 1979 to five, weaving sites have been reduced to one (at New Germany), and the length of production lines has been drastically cut by implementing modern technologies. Disposals have included assets in Malawi and Zambia, property in Umgeni, Durban, Harismith and Balfour, the handknitting yarn plant, the polyester fibre factory and the



King long haul

MUCH STRONGER WEAVE

ACTIVITIES

Operates a variety of textile, fibre and knitting factories, holds wide property portfolio

CONTROL

Frame Group Holdings 67,3%
Chairman M E King MD W Simeoni

SHARE MARKET

Capital Structure 56,2m Ords
Market Capitalisation R197m Price 350c
Yields 1,4% on dividend 9,8% on earnings, PE ratio, 10,2, cover, 7,0 12-month high 560c, low, 80c Trading volume last quarter 2,0m shares

Year to June 30	'91	'92	'93	'94
ST debt (Rm)	154,6	157,4	98,5	-
LT debt (Rm)	13,2	23,2	161,0	-
Debt equity ratio	0,22	0,31	0,20	n/a
Shareholders' interest	0,68	0,65	0,18	0,83
Int & leasing cover	-*	-*	0,43	3,51
Return on cap (%)	(6,9)	(4,5)	3,1	4,0
Turnover (Rm)	658	652	628	646
Pre-int profit (Rm)	(71,0)	(40,3)	9,4	30,7
Pre-int margin (Rm)	-*	-*	1,5	4,8
Earnings (c)	(159,9)	(131,4)	(23,8)	34,4
Dividends (c)	-	-	-	5,0
Net worth (c)	1247	1039	993	1121

*Negative, not shown

Source Frame

Better margins, trading conditions help Romatex

YURI THUMBRAN

DURBAN-based textile maker, Romatex, lifted earnings attributable to ordinary shareholders 37% to R47,5m on the back of improved margins and more favourable trading conditions in the year to end-September.

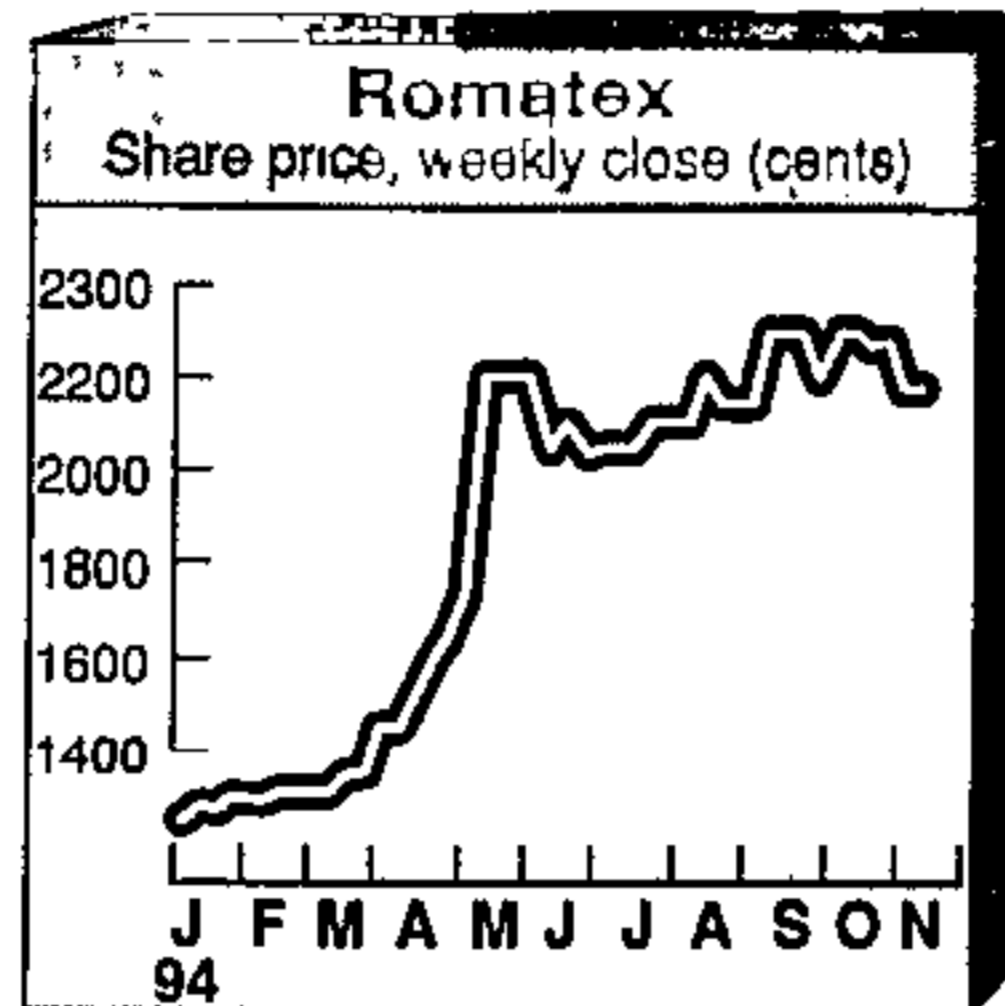
The CG Smith-controlled company also said it was splitting into two, with a view to listing its industrial operations separately before the end of the year.

The company, which also supplies automotive components and provides bulk liquid storage facilities, lifted turnover 7% to R755,3m. Operating profit rose 29% to R73,9m. The tax bill was R26,4m — a 17% increase.

However, the profit from its industrial division was dented because of the effects of the four-week motor industry strike in August.

It lifted earnings a share to 192c (140c). A dividend of 73c (53c) — up 38% — was declared.

Executive chairman Jack Crutchley said despite higher levels of capital expenditure, strong cash flow en-



abled the group to earn R3,1m interest on surplus funds (197)

All the group's operations contributed to the improved results apart from the automotive-linked companies.

He said the recently expanded bulk liquid storage division generated profit, with increased volumes in imported and exported products.

A general buoyancy in the domestic textile market enabled the fabrics division to achieve much improved results in the worsted, cotton and

home textile business.

Crutchley said the carpet division achieved good results as demand for domestic and contract coverings strengthened and market share improved.

In addition, the board of directors approved splitting the existing operations into two.

Romatex would hold the apparel, household and floor covering operations, while a new company, Island View Holdings (IVH), would hold the bulk liquid storage operations and the industrial division.

IVH would be listed in the JSE's industrial sector in mid-December.

Crutchley said that an improvement in earnings in real terms was expected from IVH in line with the more favourable economic trends and the expectation that industrial unrest would ease in the automotive industry.

He said demand in both textile and floor-covering markets was improving. This would have a favourable effect on Romatex, which should also show real earnings growth in the year ahead.

Unispin benefits from demand for textiles

UNISPIN Holdings continued its turnaround in the six months to September, reporting an attributable loss before extraordinary items of R452 000 against a loss of R3,8m in the corresponding period last year.

Turnover rose 57,2% to R200,4m, while operating profit increased significantly to R19m (R53 000).

Earnings a share rose to 9,3c compared to a previous loss of 18,9c. However, ordinary dividend payments would not resume until arrear dividends on A preference shares had been paid.

The company made an R11,7m provision for the payment of preference dividends, including secondary tax on companies, which would leave a R6,6m arrears bill on dividends. The company expected to pay the arrears by the financial year-end.

An extraordinary item of R592 000 related to the sale of shares held by the company.

MD Chris Snyman said

YURI THUMBRAN

the results reflected increased demand in the textile market, as well as improved efficiency and cost controls.

Results for the Bertrand Group — bought in January 1993 — were for the first time included.

Snyman said the Bertrand Group had an "excellent" year and contributed to earnings (1993).

He said the company still had a substantial tax loss which would be set off against future profit. The 5% transitional levy and the increased secondary tax on preference dividends had been provided for.

He said the first stage of the turnaround was completed and further rationalisation was expected to further improve results.

Clothing's defence comes out of the consumer's

FOR the past 70 years, industry has developed in this country behind high tariff walls. Since the signing of the General Agreement on Tariffs and Trade earlier this year South Africa's commitment to a regime of tariff reductions is cast in concrete.

In a short space of time (on average five years) the only avenue for redress against "disruptive" competition is to bring anti-dumping proceedings against a foreign producer and the local importer of dumped goods.

In August the National Economic Forum reviewed existing anti-dumping mechanisms adminis-

By GARY EISENBERG

tered by the Board on Tariffs and Trade to bring existing procedures in line with Gatt requirements.

One of the principles put forward by the NEF is that anti-dumping and countervailing measures must be defensive and should not serve as a protectionist measure. This principle underscores the policy commitment underlying the Gatt.

The primary objective of anti-dumping policies is to neutralise the effects of by foreign producers who export products at prices below those in their home market.

Government, organised labour and formal business has thought it fit to review the anti-dumping regime without any regard to consumer welfare. An issue of national importance is how readily should we sacrifice consumer welfare in the name of producer welfare?

While SA consumers pick up most of the tab for protection of local industry they have absolutely no say in the country's participation in the Gatt.

Officially, South Africa imported almost R33-million worth of T-shirts in 1993. The tariff burden carried by the consumer because of the prevailing tariff has been calculated

by the IDC at 105%.

Under Gatt tariff commitments the cost burden will be reduced by an average of 45% to 55% over the next 12 years. For various reasons, South Africa has chosen a more stringent course domestically, promising to reduce tariffs on T-shirts to 40% over ten years.

The NEF review emphasises that the textiles and clothing sectors constitute a special case, and "that effective anti-dumping measures will have to become an important part of the dispensation for these sectors as soon as possible."

There is always a danger of a so-called "defensive" anti-dumping re-

STILES CC memo's

11/9/94

gime being used as a protectionist tool. In fact, the language of the NEF review that "effective anti-dumping measures will have to become an important part of the dispensation for these sectors as soon as possible" smells of the protectionism of yesterday.

The textile and clothing industries are two of the most vulnerable in terms of their ability to withstand import competition. It is thus not a foregone conclusion that anti-dumping procedures implemented strictly in accordance with the Gatt will be used only defensively.

Successful anti-dumping petitions lodged by the local industries

will translate into duties added to existing levels. These duties will invariably increase the retail prices of products or remove them altogether from the store shelves.

As a recent Gatt study shows, the poorer families are hardest hit by the protective duties as mostly core consumers attract the highest rates of duties.

Since T-shirts are a staple clothing line the 60% envisaged tariff decrease, which hopefully will translate into lower consumer prices, could be topped up again by anti-dumping duties.

The possibility exists that consumers will be sacrificing a signif-

cant portion of their household budget to keep inefficient and uncompetitive producers alive.

The NEF review reaffirms South Africa's commitment to act in strict accordance with Gatt rules. It does this, however, without considering whether those rules are the most appropriate in light of the absence of an effective competition policy.

Gary Eisenberg is a lawyer with attorneys Miller Gruss Katz & Traub and a consultant to the ANC-aligned Trade Policy Monitoring Project. This article does not necessarily represent the TPMP's view.

pocket

Romatex prepares for listing

2, 1 Day
YURI THUMBRAN

THE restructuring of Romatex will be completed on December 12 when its new company, Island View Holdings (IVH), will be listed on the JSE 14/11/94

Executive chairman Jack Crutchley said in terms of the restructuring IVH would hold Island View Storage (the principal bulk liquid storage operator in the southern hemisphere), the automotive components, foam, extruded fabrics, filtration and non-woven products operations from the present industrial division

The "new" Romatex would focus on apparel and upholstery textiles, household textiles and carpets and carpeting accessories.

Crutchley said the growth of the non-textile sector of Romatex's business to the dominant profit contributor was one of the key factors in the "rational" of the restructuring

CG Smith, with a 60% holding, and Afcot, with a 21% holding, have committed themselves to supporting the deal.

Romatex has, with effect from October 1, transferred its 100% interests in the businesses operated by Island View Storage and Romatex Industrials to IVH.

Each shareholder in the old Romatex would retain the same interest in the restructured Romatex plus a share in IVH 197

Crutchley predicted 18% earnings growth for both companies in the financial year to September 30 1995, provided there was "reasonable economic growth and stability in industrial relations".

Crutchley will be chairman of both companies.

Romatex International MD Rob Bourne-Lang becomes CE of IVH, while Romatex will be headed by Romatex Fabrics head Mike Hankinson.

DURBAN — Frame Group chairman Mervyn King says the textile industry is back in good shape

"It's in better shape now than it's been since 1989," he said after the company's AGM "It certainly is lean and is ready to take on the challenge to embrace GATT," he said

King reiterated the industry's commitment to remodelling itself in the face of international competition "It has committed itself to doing so at a rate faster than that required by GATT, and to lower final duty levels

"In exchange, the industry has requested the Trade

Textile industry shapes up

and Industry Department to recognise the international practices of textile producing countries and the structural problems at home, and to support the textile industry in its endeavours to become internationally successful"

King hoped the department would announce a policy early next year

He criticised the National Clothing Federation for reneging on an agreement earlier this year to phase down duties on textiles and clothing over 10 years

"Subsequent to the year end, the federation decided to renege on that agreement and has proposed that duties on fibre, yarn and fabrics phase down to nil and 15% in one to five years (197)

"At the same time they propose keeping the 10-year phase-down period for clothing, effectively at the same duty levels agreed to with Texfed and the SA Clothing and Textile Workers' Union"

King said the proposal "smacked of self-interest"

— Reuter

Critical time for textile industry

■ BY THABO LSHILO

The proposed 10-year phase-down period for the reduction of tariffs on imported textiles was the most critical factor in the survival of the R7,5 billion local fabric industry, Textile Federation chairman Mervyn King said yesterday.

Explaining the federation's submissions to the government, King said this was well short of the 12-year period allowed in terms of Gatt.

"Giving us the time we need involves no material costs to anyone, but will minimise losses among the 360 000 jobs the industry supports."

Gatt requires that the protection enjoyed by SA textile industry be not higher than 30 percent for household textiles, 25 percent for fabric, 17,5 percent for yarn and 10 percent for fibres at the end of the 12 years — beginning next January.

The industry currently enjoys 45 percent tariff protection from international competition.

King accused Textfed's sworn enemy, the National Clothing Federation (NCF), representing the R5,8 billion clothing industry, of having reneged on its support for the 10-year period.

The NCF favours a speedier reduction of duties on imported fabric, arguing that the higher tariffs on fabric push up the price of clothes and harm exports.

The organisation says lower tariffs would enable it to source cheaper materials overseas, thus reducing input costs and promoting international competitiveness.

Ironically, the body wants the government to allow it 10 years for the 85 percent tariff protection it enjoys to be reduced to 40 percent.

Textile index lags companies' growth

BIDAY

22/11/94

YURI THUMBRAN

THE JSE clothing, footwear and textiles index, hampered by uncertainty over government's tariff restructuring for the industry, is still not reflecting the strong earnings growth from its mainstay companies, analysts said yesterday

Frame, Da Gama and Romatex all reported upbeat performances, while PE-based Unispin was also in a recovery stage

The index was at its high of 1 299,50 points on August 17 — the day Trade and Industry Minister Trevor Manuel pulled the plug on the Swart Panel report, which called on government to spend R4,5bn on supply-side measures to make the industry internationally competitive

The index, which hit a low of 486,40 in November last year, ended at 1 228,0 yesterday.

Before Manuel's announcement, Frame reported a profit of R11,8m for the year to June compared with a previous loss of R8,5m (1993) (1994) (1995)

SA Breweries-controlled Da Gama lifted earnings by 56,2% for the six months to September, despite clothing manufacturers importing more fabric

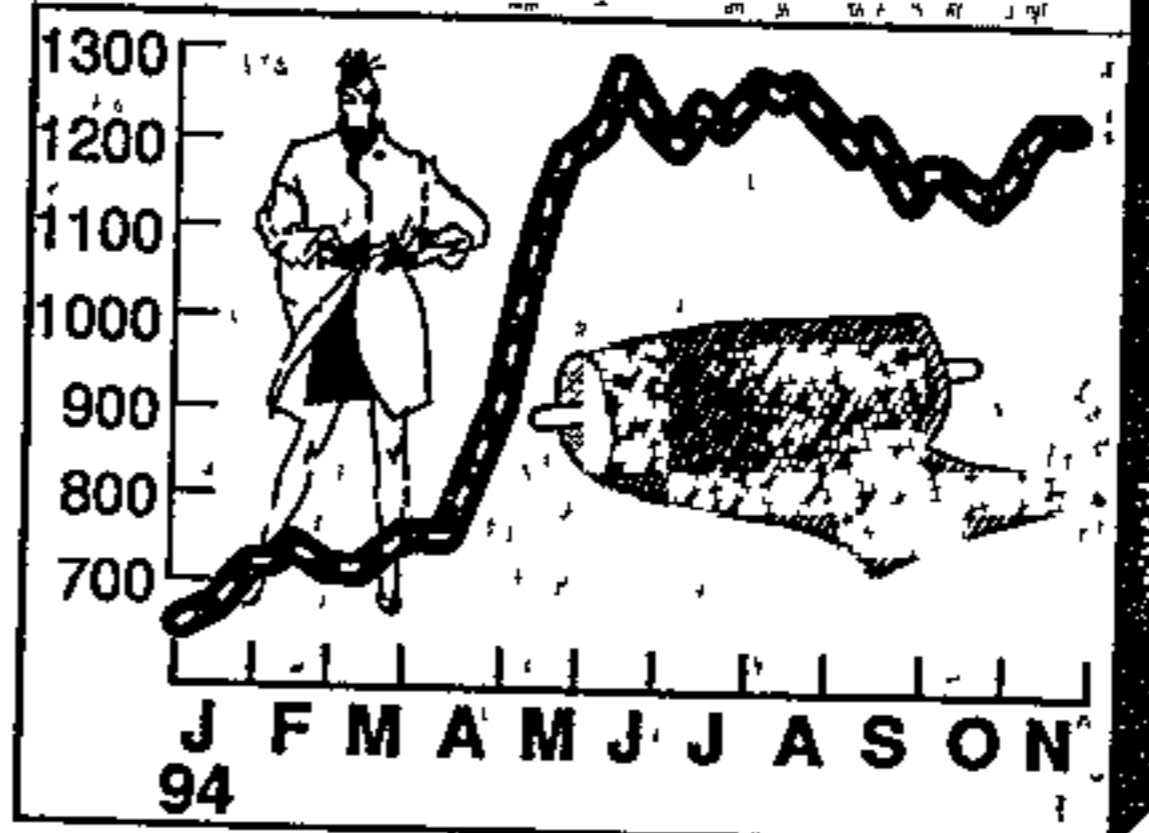
Romatex's profit rose by 37% to R47,5m, thanks to improved margins and favourable trading conditions

Unispin Holdings continued its turnaround in the year to September, reporting an attributable loss of R452 000 against a loss of R3,8m the previous year.

Textile Federation executive director

Clothing, Footwear & Textiles index

Weekly index



Brian Brink said the improved results reflected better economic conditions for the industry

The companies were always among the hardest hit in tough economic times, he said.

"The current profits cannot be used as an argument against tariff protection. Look at the majority of textile manufacturers' losses three years or more ago"

Brink said a clear policy on tariffs by government would eliminate the uncertainty which the industry now faced

Companies had to put long-term planning on hold because the tariff issue had not yet been finalised

An analyst said the index had consolidated, but uncertainty over government policy had negatively affected on the industry

He said the textile industry could be destroyed without tariff protection

Ninian & Lester 'uptick'

TEXTILE, hosiery and clothing manufacturer Ninian & Lester was confident of posting improved earnings for the financial year to end-December, the company's MD Dennis Drysdale said yesterday. *24/11/44*

He said the Durban-based company's performance in the first six months to end-June had been satisfactory. The company was experiencing an 'uptick'.

Sunday
YURI THUMBRAN

It reported attributable earnings of R1,4m (R430 000) for the half-year to June. Turnover rose to R115,4m (R108m), and margins improved slightly as trading income rose to R8,4m (R7,7m). *(197) (10)*

The company's products include the Jockey underwear range for men, women and children.

APPOINTMENTS



John Mather, Cape divisional director, Acoustical Fibreglass Insulation (Mntg) (Pty).



Richard Cerfonteyn, manager customer accounts, First National Bank, Bellville.



Chris Elliott, national sales manager, Dunlop and India Tyres.



Gordon Munro, manager, Paarden Eiland Standard Bank.

New salvo in ragtrade rumpus over tariffs

ALIDE DASNOIS
Business Staff

ARL. 2/11/94
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THE National Clothing Federation has fired a new salvo in its war with the textile industry, claiming that 62 000 new jobs could be created by the rapid reduction of tariff protection on raw materials.

In a submission to the Board of Trade and Industry, the Federation said the extra jobs could be created by the year 2005 in the clothing and textile industries

Econometric modelling by the Industrial Development Corporation and the Federation showed growth in the clothing industry could increase from three percent to six percent a year if the price of fabric inputs was reduced, said Bernard Richards, vice-president

He said the formal and informal clothing industry employed 160 000 people and the apparel textile industry 30 000.

Dr Richards admitted lower duties on fabrics would hit the

apparel textile industry in the short term.

"However as result of increased efficiency forced by such imports as well as accelerated industry growth, apparel textile growth will accelerate and lead to net gain in jobs."

The Textile Federation (Texted) is calling for import duties to be phased down over 10 years

Texted has accused the National Clothing Federation of renegeing on an agreement on tariffs reached in the Swart Report on the restructuring of the clothing and textile pipeline.

"We view the 10-year phase down period as the most critical factor in our survival," Texted chairman Mervyn King said last week.

Dr Richards said high tariffs on fibre, yarn and textile inputs had put clothing out of the reach of many South Africans.

"The growth and labour-creative potential of the clothing industry in general and in particular of small and medium

manufacturing enterprises are as a consequence being stifled

"There needs to be greater encouragement for these enterprises and their job-creative role."

He said shortages of fabric were inhibiting the growth of the clothing industry.

"Numerous individual clothing manufacturers complain that deliveries are running four to six weeks late.

"Lead times on new textile orders can stretch into mid-1995."

Pleading for the maintenance of tariffs on clothing imports, Dr Richards said the clothing industry needed time to develop skills and prepare to compete on world markets.

Apartheid had left South Africa with a legacy of low productivity and skills.

The international Multifibre Agreement was being phased out over 10 years and the South African clothing industry needed the same phase-down period to protect it from dumping.

TEXTILES & CLOTHING

For 25/11/94

Is the end of the saga in sight?

When Board on Tariffs & Trade chairman Nic Swart tables recommendations on a new, long-term plan for the textile and clothing industries early next year, Trade & Industry Minister Trevor Manuel will be faced with a tough choice

This will be the fourth time since 1989 that a major reform plan for the two industries has been submitted to government. The others were rejected.

On Manuel's shoulders will rest the final responsibility for distinguishing between the arguments of propagandists and vested interests, on the one hand, and facts, figures and market principles on the other.

As the deadline for the submission of the board report draws nearer the voluble clothing and textile federations are again attempting to outdo one another in the battle for the hearts and minds of policy-makers.

The choice Manuel faces is between supporting the Textile Federation's position of a 10-year phasing out of tariffs (as recommended by the Swart Panel) to safeguard "about 360 000 jobs," and the Clothing Federation's view that tariffs must be reduced within the next five years to allow the clothing industry to add "more than 60 000 new jobs."

Clothing Federation vice-president Bernard Richards says his industry is concerned about export promotion and the jobs not created in this labour-intensive sector.

He says that high textile tariffs create uneconomic input costs which deny it the opportunity to create jobs fast. Meanwhile, the textile industry clings to its position that it is a hi-tech sector whose growth potential (and the hundreds of thousands of jobs it supports) would be destroyed "within 36 months" if government acceded to the clothing industry's requests.

Other important issues to be resolved by Manuel are whether additional export incentive support should be instituted to replace the outgoing general export incentive scheme (Geis) and whether government should continue with the duty credit certificate (DCC) system which allows manufacturers, especially in the clothing industry, to import raw materials duty-

free and which is due to be phased out by early next year.

Richards expects that uncertainty over the continuation of the DCC and Geis systems after March will lead to a 20% fall in this year's clothing exports from a record R622m last year. "All clothing exporters ask for now is an ad hoc one-year extension of the DCC system so that they can at least quote their prices for the next season with confidence. Without this assistance (which is recompensed to the fiscus through a growing tax base), we will lose our export contacts to international competitors. It is a tragic situation."

For 1995 he foresees an even more catastrophic fall in exports of about 50%.

Apart from the uncertainties over export incentives, he says the increase in average textile tariffs over the past three years, from around 20% to the current 50%-60%, have increased the cost of clothing.

However, Textile Federation chairman Mervyn King says any clothing manufacturer wishing to export can apply for tariff-free inputs in terms of item 470 03 of the Customs & Excise Act.

He says that as the Swart tariff reform proposals (which he supports) involve a 10-year phasing out period for fabric tariffs to 22% (lower than the final

Gatt level of 25%, phased in over 12 years), he cannot see why the industry should be thrown to the wolves, as he puts it, when most other countries, including the US where there is a 15-year phase-out, treat their textile sectors sensitively.

"Last Friday was the last day for public comment on the published board proposals for the two industries (*Business* October 28). We have received a large number of commentaries and set aside the first week in December to deliberate on the complex and often conflicting issues. We will then submit our final recommendations to the Ministry of Trade & Industry in January," says Swart.

King says Manuel, as "sole arbitrator," will announce the long-term plan for the textile and clothing industries. With sound research at his disposal, and no doubt some

of Solomon's wisdom to guide him on this complex issue, this should happen early next year.

This could be the culmination of a long and convoluted controversy, which began with the 1989 clothing/textile Structural Adjustment Programme devised by then chairman of the Board of Trade & Industry Lawrence McCrystal, the Hatty report (both the plan and the report were ditched following acrimonious lobbying by the two sectors), and the recent Swart Panel report, which was the result of an 18-month deliberation between representatives of most sectors, from cotton and wool growers right through to retailers.

The authors of the last report were recently sent back to the drawing board by Manuel when he effectively rejected its R4,5bn supply-side package of supporting measures (*Business* August 26), which were aimed at helping the industries, over 10 years, to adjust and move away from high tariffs on imported textile and clothing products.



PUBLISHING

The paper chase

The serial drama of Richard Rolfe and Lynne Hill versus Alan Greenblo and *Finance Week* unfolds further this week with the filing of (*Business* November 4) a further urgent Supreme Court application.

This time Greenblo's former editorial colleague Rolfe, along with Hill, wife of expatriate financier Oliver Hill, are asking the Witwatersrand Local Division for an order interdicting the sale of *Finance Week* by Finance Week (Pty) Ltd without the approval of the shareholders of its parent company, Finance Week Holdings Ltd.

The issues between Rolfe and Greenblo have become urgent because of negotiations by Greenblo and *Finance Week* to introduce *Euromoney* as a major partner — on a basis, which the applicants argue would be highly prejudicial to minority shareholders.

The applicants are also asking the court for other orders, notably one to bar the voting of the shares held by the Finance Week Trust, which holds the balance of power among the shareholders. Greenblo and co-director Ronald Turog are the trustees. This crucial parcel of 3 864 shares (out of a total of 36 500 in issue), say the applicants, was transferred to the trust in defiance of Article 89 of the articles of association of Finance Week Holdings.

This is a pre-emption clause (common in

ROMATEX

Dividing the spoils

Activities: Manufactures foams, fibres, textiles, automotive components, floor coverings Also provides comprehensive bulk liquid storage facilities

Control: C G Smith 60%, Afcol 20%

Chairman & CEO: A L Crutchley

Capital structure: 26,5m ords Market capitalisation R609,5m

Share market: Price 2 300c. Yields 3,2% on dividend, 8,4% on earnings, p/e ratio, 12, cover, 2,6 12-month high, 2 300c, low, 850c Trading volume last quarter, 489 000 shares

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	38,2	21,2	9,7	5,5
LT debt (Rm)	50,0	28,8	3,2	nil
Debt:equity ratio	0,26	0,16	n/a	n/a
Shareholders' interest	0,57	0,60	0,63	0,65
Int & leasing cover	2,0	2,5	72,5	n/a
Return on cap (%)	7,7	7,8	11,2	12,9
Turnover (Rm)	740	722	708	755
Pre-int profit (Rm)	39,8	40,0	58,0	70,8
Pre-int margin (%)	5,3	5,4	8,2	9,4
Earnings (c)	34,9	50,5	140,4	192,1
Dividends (c)	19	20	53	73
Tangible NAV (c)	1 202	1 246	1 324	1 431

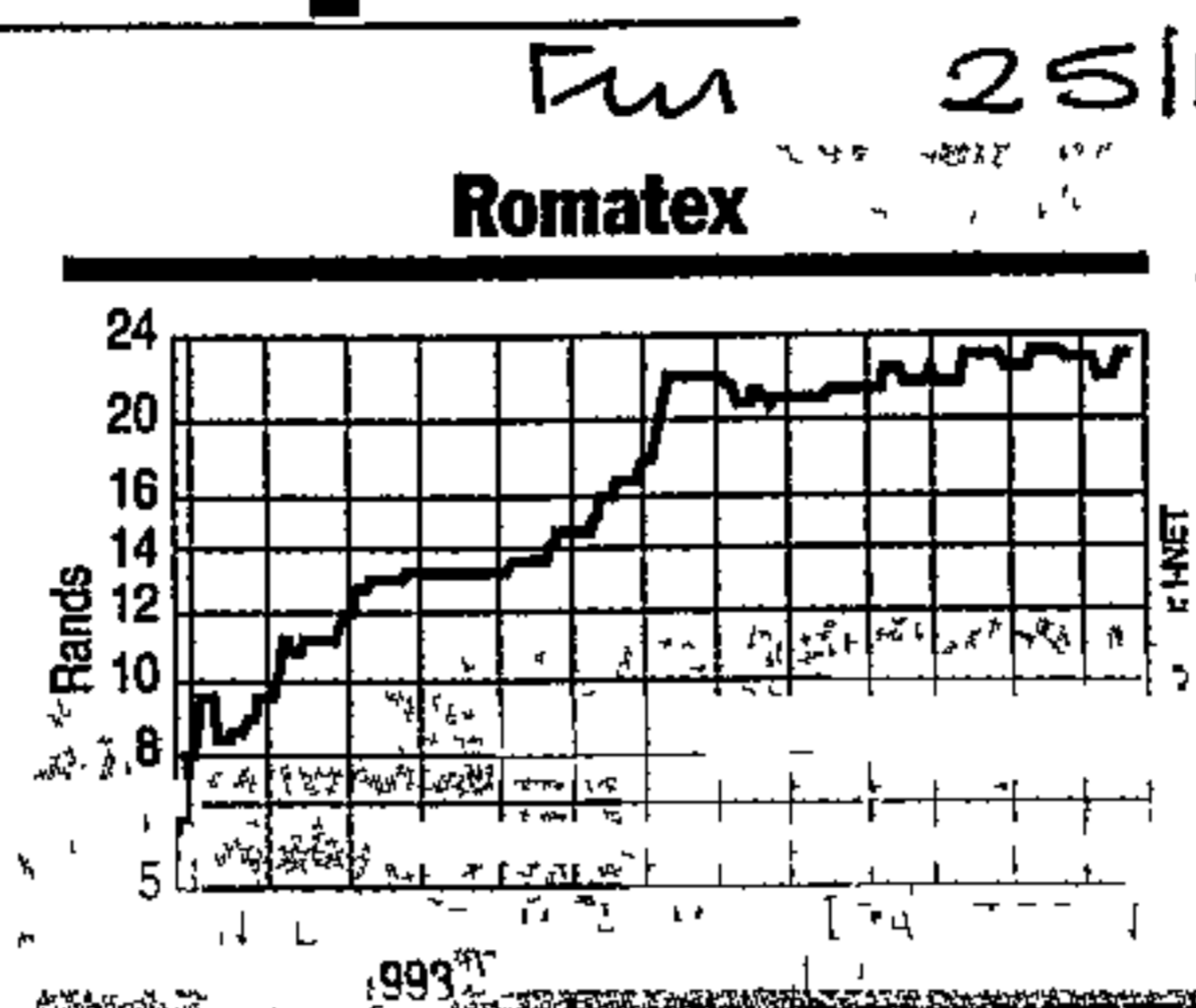
With better justification than many, Romatex has fallen sensibly in line with the popular process of unbundling.

Within weeks, it will be split between fabrics, household textiles & carpets — under Romatex — and a reconstituted Island View Holdings, concerned mainly with bulk liquid storage operations but also involved in industrial products mostly for the automotive industry.

Chairman Jack Crutchley says the division will enhance shareholder wealth. But there is also a sound underlying rationale. The *FM* has long argued (*Companies*, December 3 1993) that the disparate structure of Romatex's business makes little sense and serves only to continue an historical accident of acquisition. A year later and the division is taking place, which leaves the *FM* able to claim parenthood.

However, the real issue now is whether the division is soundly based. Romatex will continue with its listing in Clothing & Footwear, it will retain the fabrics, household textile and floor covering operations. According to a circular to shareholders, Romatex earned 86c a share over financial 1994, 45% of the 192c total.

Island View will comprise the bulk liquid



storage operations and an industrial division that makes product such as foam, extruded fabrics and nonwoven items, much of which is destined for SA's car makers. The pro forma profit history indicates Island View earned 106c a share over 1994, 55% of the total.

The comparative figures for 1995, according to the directors' forecasts, are: Island View 125c per share, Romatex 101c, so maintaining the relationship artificially contrived to give effect to the division of the spoils.

This remains the issue. Island View's business, operated and managed at the highest international standard, is to receive, store, and subsequently decant and sometimes blend a variety of products, chemicals included. What this has to do with making sound absorption material for motor cars, foam for furniture and polypropylene fabrics, is a puzzle.

Defending the split, Crutchley says it is reasonably synergistic. But is it? Not in my book. I think an attempt has been made to devise two companies more or less equal in size and profitability as measured by EPS. I do not think this arrangement will last long. Further rationalisation will be inevitable.

Meanwhile, it is worth looking at the old Romatex for the last time. It exhibits all the signs of having been well husbanded in recent years. The balance sheet is strong (with gearing now at zero in net terms), shareholders' interest is steady at about 65%, return on capital employed has grown consistently over the past four years and EPS have risen from 34,9c in 1991 to this year's 192,1c. By the same token, tangible NAV has grown much

slower — clear evidence that assets are better managed (197)

All this implies the unbundling, inevitable though it is, draws the curtain across a company which was getting its act together. Crutchley will remain chairman of both operations. Island View will be Durban-based, Romatex will transfer its head office to Cape Town. Investors who get an opportunity to buy shares in either — unlikely because the stock is so tightly held — shouldn't hesitate.

David Gleason

ELLERINE

Formula still working

Activities: Retail furniture and appliances predominantly on HP, through Ellerines, Town Talk, Royal Furnishers, Oxford Rhein Gold and Furn City chains in SA, Swaziland, Botswana, Lesotho and Namibia

Control: Malbak 59,5%

Chairman & MD: E Ellerine

Capital structure: 71,8m ords Market capitalisation R1,54bn

Share market: Price 2 150c. Yields 1,7% on dividend, 5,1% on earnings, p/e ratio, 19,6, cover, 3,0 12-month high, 2 500c, low, 1 100c Trading volume last quarter, 521 000 shares

Year to August 31	'91	'92	'93	'94
ST debt (Rm)	22,9	43,5	71,9	45,4
Debt:equity ratio	0,10	0,17	0,23	0,12
Shareholders' interest	0,53	0,54	0,54	0,55
Return on cap (%)	24,6	20,2	19,7	19,4
Turnover (Rm)	592	588	758	839
Pre-int profit (Rm)	104,8	97,8	114,6	136,6
Pre-int margin (%)	17,7	16,6	15,1	16,3
Earnings (c)	77,4	70,2	88,9	109,6
Dividends (c)	25,7	23,3	29,6	36,5
Tangible NAV (c)	313	360	436	543

There is little that hasn't been sung in the way of praise for Ellerine, blue chip of the furniture industry. Where others have floundered, Ellerine has vigorously employed its long-developed and successful formula, one which has seen it return real earnings growth year after year.

Results for financial 1994 were no different: earnings advanced 23%. In the most demanding of trading conditions, with disruptions before the elections, Ellerine surprised analysts by staging a recovery of note in the second half, to lift earnings 31% on the previous year's second half. A 20% growth in volumes in the four months before the year-end helped swing the figures after a disappointing 3% sales increase in the first half.

There is, however, no room for complacency, the playing fields are changing. Whereas Ellerine's growth has been organic rather than by acquisition — 13 stores were



Crutchley... enhancement of shareholder wealth

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Ragtrade plea on import duty phase-down

JOHN VILJOEN, Business Staff

A TEN-year period for the phasing down of import duties was critical for its survival, the textile industry has said in a submission to government.

The government set a deadline of Friday last week for interested parties to forward their proposals on supply-side measures, import duty levels and phase-down periods for the clothing and textile industries.

In its submission, made public yesterday, the textile industry called for import duties to be phased down over 10 years, well short of the 12 years allowed in terms of GATT.

"We view the 10-year phase-down period as the most critical factor in our survival," said Textile Federation chairman Mervyn King.

"Giving us the time we need involves no material cost to anyone, but will minimise job losses among the 360 000 people which the industry supports."

The Texted has accused the National Clothing Federation of reneging on the consensus reached on the recommendations of the Swart panel.

The NCF has called for duties and phase-down periods for the textile industry to be slashed. The Texted has complained that the NCF wants this done while retaining all the benefits to the clothing industry, including the supply-side measures.

"While it was always contemplated that the supply-side measures would have to be debated, depending on what government could afford, we cannot over-emphasise how crucial the 10-year phase-down period is if we are to successfully remodel," said Mr King.

The industry planned to invest R3 billion on increasing efficiency and global competitiveness during the next decade, he said.

It could not afford to make these expensive adjustments all at once. The installation of machinery disrupted operations and had to be phased in over a manageable period.

"If there is any further shortening of the phase-down period, the industry is extremely unlikely to proceed with the remodelling process."

The benefits of any initial new investment would start to accrue only after two years, because of the lengthy planning, order filling, shipping, installation and training process, he said.

Giving the textile industry 10 years to remodel would entail no material costs to South Africans. It would not prove an obstacle to clothing export growth, because a rebate provision allowed clothing manufacturers to import fabric, duty free, for the manufacture of garments for export.

The consumer would not be worse off because protection on textiles added only between two and nine percent to the cost of a garment, he said.

"There are no material benefits to be derived from rushing the process, but the costs of doing so would be enormous in both economic and human terms."

Fired workers in legal dispute with textile company

By JESSICA BEZUIDENHOUT

A CAPE TOWN textile firm has been accused of "blatantly dishonouring" a court order to reinstate dismissed workers. *S. Times (Cape Metro)*

The accusation was made by the South African Clothing and Textile Workers' Union (Sactwu) after they obtained an order in the industrial court instructing the company, W M Eachus & Co (Pty) Ltd, to re-employ workers on the same terms and conditions that existed prior to the termination of their services. *27/11/94*

Sactwu spokesman Mr Richard Karwie said the workers were employed by Sangreen, an associate company of W M Eachus & Co, until it was provisionally liquidated last month.

He said workers were dismissed after they signed up as members of the union. Although Sangreen was an associate company of W M Eachus & Co, the court found they were jointly employed by W M Eachus and the two companies could not be regarded as separate corporate entities.

Workers who reported for duty on Tuesday were turned away from Sangreen's Diep River premises, Mr Karwie said.

Legal representative for W M Eachus & Co, Ms Francis Anderson, said her client had instructed her to apply to the Supreme Court for an urgent review of the court order.

She denied they were in contempt of court as the union has been informed of the intention to challenge the court order. *(197)*

Strong demand for clothing

Star 2/12/94

■ BY THABO LSHILO

The demand for clothing in SA remains very high and far surpasses manufacturers' ability to deliver despite the recession, says the Textile Federation (Texfed) in its 1993/94 economic review.

"For 1993 as a whole, retail sales of clothing, footwear and textiles increased in real terms by 8,9 percent, compared with 1992," says the federation

However, growth of only 3,7 percent was recorded for clothing and 2,7 percent for textiles by manufacturer during this period

The shortfall is blamed on a 38,4 percent growth in clothing imports and a three percent increase in imported fabric

Exports

Clothing exports rose 37 percent to R622 million Overall, textile exports

reached R514 million, marginally better than last year

"With the disruptive period surrounding the elections now behind us, there is every indication that the domestic economy will gain momentum again and achieve an overall growth rate of around three percent.

"Demand for clothing and textiles will follow this trend and the only question is whether the domestic industry will benefit fully from this improvement," says Texfed

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R35m for fabric plant

YURI THUMBRAN

STRAND Group Holdings would spend R35m on constructing Spuntex Africa's plant at Mount Edgecombe outside Durban, it said.

Spuntex produces spunbound, a non-woven fabric derived from polypropylene, which is being imported for applications in hygiene, furniture, bedding and the agricultural and medical sectors. *B/004*

Spuntex Africa spokesman Ian Porteous said when the plant was on full steam it would produce 3 000 tons of spunbounded fabric a year. *6/12/94*

He said it would result in significant foreign exchange savings from import replacement, and foreign exchange earnings from exports.

The civil contract was recently awarded to Murray & Roberts. *(197)*

JSE-listed Strand procured the equipment and technology for the project from Italian company NWT. Production staff were being trained in Italy as the plant was being set up by NWT.

Manuel holds talks on clothing, textile tariffs

BD 15/12/94

TRADE and Industry Minister Trevor Manuel is to meet representatives of the clothing and textile industries today to discuss tariff reform.

The Textiles Federation (Textfed), the National Clothing Federation, the SA Clothing and Textile Workers' Union and small and medium-sized enterprises are to attend the meeting.

This follows a public split between the industries after Manuel rejected their joint call for heavy subsidisation from government.

Sources said Manuel had called the meeting to facilitate consensus on the

YURI THUMBRAN

tariff issue following the fallout between Textfed and the National Clothing Federation. There were signs that Manuel had softened his hard line, as he had decided to extend duty rebates in the form of the duty credit certificate scheme. (197)

Textfed supported the extension of the scheme and noted the move had been part of the plan devised by the Swart panel. The federation was hopeful that the relief might help the industries reach a joint plan based on

the panel's recommendations

Textfed president Mervyn King said the clothing federation had pulled out of the Swart package after government had opposed export incentive components, including extending the credit certificate scheme.

In terms of the scheme, clothing exporters get a R30 credit against future import duties for each R100 of clothing exported. Fabric exporters get R15 credit for every R100 and yarn exporters R10. A new inclusion is domestic textiles which would receive the same credit as clothing

Textile and clothing truce in tatters again

THE textile and clothing industries are again in conflict after a temporary truce was apparently reached when they both agreed to the recommendations of the Swart panel report.

Both industries were required to submit comments on the report to the Board on Tariffs and Trade by November 11 regarding the planned reduction in duties on fibres, yarn, fabrics and clothing. The Textile Federation (Textfed), which in the past adopted a low-key stance in the long-standing dispute, is now accusing the National Clothing Federation (NCF) of renegeing on the agreement.

Mervyn King, president of Textfed, says: "The NCF wants to retain all the benefits of the Swart recommendations for the clothing industry, but asks for the slashing of benefits for the textile industry." At issue is the survival of the two industries and the preservation of 210 000 jobs, with many more workers employed indirectly.

The Swart report recommended that over 10 years duty be cut on fibres to 7.5% from 25%; on yarn to 15% from 32%; on fabrics to 22% from 45%; and on clothing to 40% from 90%.

Surprisingly, the general agreement on tariffs and trade required duty cuts over a 12-year period to 7.5% on fibres, 15% on yarn, 22% on fabrics and 40% on clothing. The NCF, in its response, now wants duties to be removed on fibres in two years and on yarn in

BY DON ROBERTSON

Duties on fabrics should be down to 15% in five years and on clothing to 40% in 10 years.

"If these proposals were implemented, they would result in the winding down of much of the SA textile industry within 36 months," says Textfed.

The NCF insists that the textile industry is unable to deliver on time, has insufficient capacity, and that a reduction in duties would result in lower clothing prices and would stimulate exports.

Textfed president Mr King calls these allegations a "red herring" and says that the industry at pre-

sent is operating at about 75% of capacity and has an excellent delivery record. In addition, there are plans for a R3-billion industry upgrading programme, provided the duty phase-down period is acceptable.

On the high cost of clothing, Mr King points out that the cost of locally produced garments accounts for 2%-9% of the retail selling price. He says retail mark-ups — as high as 170% — are the main cause for high clothing prices.

Mr King is particularly affronted by NCF claims that reduced duties would boost clothing exports.

"In terms of section 470 03 (Customs Act) exporters have for many years had the facility to import,

duty free, all fabrics which they will export as clothing."

The textile industry exported R1.1-billion of goods last year with domestic sales at R7.7-billion, while the clothing industry exported R411-million with local sales of R6-billion despite the duty free import provision.

"According to the government, approximately 50% of 1993's 'clothing exports' were fraudulent to benefit from export incentives," claims Textfed.

The Swart report proposed support for both industries of R4.5-billion over 10 years, but this has effectively been rejected by the Minister of Trade and Industry Trevor Manuel.



MERVYN KING fighting for the textile industry over tariffs

MANUFACTURING — TEXTILES

1995

Textile industry aims at R750m in capex

(197) BD 16/1/95

YURI THUMBRAN

THE SA textile industry is set to spend R750m on capital investment this year, reflecting a return of confidence in the industry, Textile Federation executive director Brian Brink said at the weekend.

Capital expenditure totalled R500m in 1994, when uncertainty over tariff phase-downs hit the R8,8bn industry.

Brink said the industry was showing signs of moderate recovery and a further impetus would be the favourable finalisation of the tariff phase-down period.

Among the factors leading to the newfound confidence were the pick-up in demand and optimism that government would settle for a tariff settlement close to that proposed by the Swart panel which investigated the industry.

However, Brink warned there was still some reluctance in the industry to spend money, as players were awaiting government's final response to the Swart proposals.

"Until a government decision was reached, probably early in March, uncertainty would continue to prevail. 'Capex could have been far higher if we had a decision on our future and on the tariff phase-down scale and period.'"

The industry would spend money this year on

new products, technology, equipment, upgrading of facilities, weaving, spinning and yarns. Textfed president Mervyn King said the industry would spend R3bn on increasing its efficiencies and global competitiveness.

The industry's confidence took a knock last year when Trade and Industry Minister Trevor Manuel indicated government could not spend R4,5bn on supply-side measures to help the industry become internationally competitive.

An analyst pointed out that the market was recovering, but investors were still able to get shares cheaply.

He said shareholders had to approach the market with caution until government ruled on the tariff phase-down period.

The clothing, footwear and textiles index closed at 1 256,1 on Friday after having peaked at 1 299,5 last August.

Largest SA textile group Frame has indicated that it would embark on a major capital investment programme this year. MD Walter Simeoni said the company had a microplan for capital expenditure, which still had to be "refined" with departmental heads.

Textile bodies call for help

BY DAVID BRAUN

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Harare — The South African and Zimbabwean textile industries have called on their respective governments to act urgently to save tens of thousands of jobs threatened by too-rapid deregulation and a growing threat of dumping by predator countries.

At a meeting in the Zimbabwean capital yesterday, representatives of the Central African Textile Manufacturers' Association and a delegation from South Africa headed by Mervyn King, president of South Africa's Textile Federation, agreed that the industry was in dire straits because of the way it was being made to comply with the General Agreement on Tariffs and Trade and the phasing out of import protection.

As a matter of urgency, the Zimbabweans want the two governments to reinstate a preferential trade agreement as it existed before 1992. Their industry has been forced to retrench 11 000 out of 25 000 people in recent months, and it faces ruin unless extremely urgent measures are taken.

King said the South African industry wanted an agreement on policing against illegal dumping and smuggling. He said the South African and Zimbabwean governments were supposed to be meeting on February 14 to discuss these issues.

SAW 26/1/95

Textile deal needs govt approval

(197)

BD 26/1/95

R500m Frame bid for firm in Zimbabwe

THE Frame Group, SA's largest textiles company, has launched a R500m bid to buy Cone Textiles of Zimbabwe in an effort to take advantage of the export potential offered by that country's favourable exchange rate and cheap labour.

But the deal hinges on approval by the Zimbabwean government, which Frame hopes will agree to certain conditions in return for the investment which would guarantee 6 000 jobs.

Details of the proposed deal were disclosed yesterday by Frame chairman Mervyn King during a visit to Harare. King was in Harare to hold talks with the Zimbabwean textile industry leaders.

Frame, whose operations some years ago stretched to Malawi and Zimbabwe, cut operations in neighbouring states as part of a restructuring programme that restored profitability.

King said there were "immense synergies" for Frame in obtaining Cone. Plans were afoot to export greige — unbleached fabric — to overseas markets, especially Europe. It was understood that Frame planned to import raw materials from SA into Zimbabwe.

Cone, the second largest textile company in southern Africa after Frame, is in provisional liquidation. The company stopped operating in mid-December in the wake of the devaluation of the Zimbabwean dollar and massively high interest rates of 40%.

Cone MD Victor Cohen said the company had debts of about Z\$400m but its capital

YURI THUMBRAN

investments were worth Z\$600m and its buildings Z\$300m. Its turnover was Z\$20m a month, he said.

King proposed to fund the deal by issuing equity to banks to deal with the debt problem and raising further capital in Zimbabwe. He did not expect to take capital out of SA to fund the deal.

However, the deal hinged on the Zimbabwean government meeting conditions set by King. These included the establishment of a policing unit for customs regulations in southern African states, particularly Zimbabwe and SA. He also wanted the export incentives reinstated which had been applicable before the IMF and World Bank imposed structural adjustment on Zimbabwe in 1992.

King also asked that support (in the form of subsidies) for cotton farmers should at least be equal to that in First World countries such as the US.

King said while import control of textiles should not be reinstated in Zimbabwe, there should be a simplistic system of ad valorem tariff duty which should start at a relatively high level of duty, for instance 60%. Analysts said the proposal suggested he wanted to export raw materials from SA to Zimbabwe.

He suggested reducing the 60% duty on fabric to 30% over a 10-year period, with a similar programme for yarns and domestic textiles.

□ To Page 2

Frame

(197) BD 26/1/95

□ From Page 1

Another condition was duty-free imports into Zimbabwe of primary input products such as chemicals and man-made fibres.

King said Zimbabwe's textile industry had been devastated because of the structural adjustment programme. The programme forced the reduction of duties from 65% to 15% over five years, causing employment in the clothing and textile industry to fall from 50 000 to 28 000. For

every job lost in the textiles industry three jobs were lost in allied industries.

King said SA and Zimbabwe had to cooperate on textiles tariffs but policing had to be improved to prevent large-scale dumping into SA through Zimbabwe and Botswana.

The Zimbabwe government is expected to react to King's proposals by the middle of next month.

Frame deny bid for Cone Textiles

Business Staff

REPORTS from Harare that Frame Group Holdings had made a R500m bid for Cone Textiles in Zimbabwe were denied by its chairman, Mervyn King, and a director, Aaron Searll, yesterday. King, who visited Zimbabwe in his capacity as president of the Textile Federation of SA, issued a statement yesterday that he had been approached to buy Cone but was "firmly against" doing so.

ET 27/1/95

"The Zimbabwe government has got things to correct before anyone can consider investing there"

Searll, chairman of the Searll Corporation, which, with Gregory Knitting Mills, owns 47% of the voting shares of Frame, said: "There is no way the board of Frame would vote in favour of such a proposal" (197)

● Reuter reports that King said Zimbabwe's economic structural ad-

justment programme (Esap), prescribed by the World Bank, had devastated that country.

"Tariff protection for the Zimbabwean industry was reduced from 65% to 15% percent in five years. Cotton subsidies were ended, tripling lint prices.

"Export incentives were scrapped overnight without warning. Simultaneously, interest rates were ratcheted to 40%. The Zimbabwean dollar was also devalued," King said.

He said Cone was just one victim of the programme. "More than 11 000 jobs, 44% of the total number in textiles, have been lost."

Cone acquisition 'not possible'

THE Frame Group would not be able to acquire Cone Textiles of Zimbabwe because of the Zimbabwean government's contractual obligations to the World Bank on tariff protection, Frame chairman Mervyn King said yesterday. (197)

Frame had made initial approaches to Cone last month, King said. Frame had set several conditions before it could make a formal bid, including an initial ad valorem tariff of about 60% on imported textile goods, declining to 30% over 10 years.

While an official response was not expected from the Zimbabwean authorities before month-end, King said yesterday he had been informed "semi-officially" that the Zimbabwean government could not renegotiate its economic structural adjustment programme agreed with the World Bank. In terms of the programme, tariffs were reduced from 65% to 15% over five

YURI THUMBRAN

years. He did not see how the Zimbabwean government could find the leverage to renegotiate these terms.

Analysts had mixed reactions to the possibility of Frame buying Cone. One said moving to Zimbabwe would allow King to hedge Frame's operations should government not implement the Swart panel proposals, a tripartite deal for clothing and textile restructuring which sought a heavy state subsidy. BO 27/1/95

Another analyst said the move would benefit the industry, but Frame had just become profitable again and needed to consolidate its operations to reward shareholders who had backed it in bleak times. "King has a good plan, but it's too early to expand and go on an acquisition spree."

● Comment: Page 8

Snap it
up ~~197~~ 197

Pep MD

ARC 4/2/95
COLIN DOUGLAS

Business Staff

THE government must take decisive action on the vexed question of clothing and textile tariffs, even if the consequences are unpopular, says Pep Stores MD Hennie Smal

Speaking at the Textile Institute's chairman's evening, Mr Smal said: "The government needs to take responsibility for framing a policy that favours the national interest, not sectional interests.

"The previous government, which was unwilling to take unpopular decisions, adopted a consensus approach which was doomed to fail.

"Up to now the government has tried to get the parties together and say: 'You sort it out' — but its interests are irrevocably in conflict."

Tariff decisions should form part of a national industrial policy whose adoption was essential if South African manufacturing was to become internationally competitive, Mr Smal argued.

A central export-promotion infrastructure should be established.

"In Taiwan there's a 20-storey government building devoted to promoting textile and clothing exports, but in South Africa the small manufacturer has nowhere to go."

20 7/2/95

Strong growth in Frame earnings is expected ⁽⁹⁷⁾

THE Frame group could show earnings growth of 60% to 42c a share for the six months to December, analysts said yesterday.

An analyst said the textile manufacturing group was benefiting from the general improvement in the economy, and had lower gearing than a year ago.

Frame, expected to release its half-year results early next week, posted earnings of R3,6m for the same period last year compared to a previous interim loss of R8,5m.

The group's borrowings decreased to R74,7m at the halfway stage last year from R166,9m.

Another analyst said the textile industry was enjoying an upturn in trade de-

YURI THUMBRAN

spite the uncertainty it faced regarding the tariff phase-down periods.

He said the upturn in the retail market had led to improved demand for clothing, which in turn had led to higher textile output.

Downsizing Frame's operations and continued leasing and selling of land would contribute to profit growth, he said.

He said positive sentiment in the textile industry indicated a probable compromise with government on the tariff issue.

Frame shares closed at 750c on the JSE yesterday. The counter has a price to earnings ratio of 13,5 and a dividend yield of 7,6.

Prudent asset management assists Frame's comeback

BDIS/2/95

(197)

FRAME Group, SA's largest textile manufacturer, continued its comeback in the six months to December, lifting attributable earnings to R16m (R3,7m) after benefiting from prudent asset management and volume increases.

Earnings a share grew to 80c (18,2c), and a dividend of 5c a share was declared, but the group said it intended to announce a capitalisation share award later this month.

No dividend was declared in the same period the previous year.

Turnover increased to R399,1m (R323,6m), while improved margins were reflected in operating income which rose to R25,3m (R14,2m).

Income after tax and interest paid jumped 333% to R26,1m (R6,3m).

Chairman Mervyn King said that it was Frame's best half-year since 1989 but that the group had some way to go towards achieving accept-

YURI THUMBRAN

able returns

Borrowings of R75m reported during the previous interim period had been eliminated and the group now had cash of R32m.

King said order books were fuller than last year.

If the economy continued to improve and the Swart panel proposals were implemented, improved earnings for the year were expected, but he is concerned about escalating raw materials and packaging prices.

King noted that because of fiscal constraints, government was critically examining the supply side measures which had been proposed by the Swart panel.

"The more supply side measures are diluted, the longer will be the phase-down period required," he said.

King also announced that Frame planned to spend R400m on capital expenditure over the next 10 years.

However, the total amount and timing of the investment would be dependent on government's announcement on the long-term plan for the industry.

Because of past losses, Frame has a negligible tax rate King said the rate was likely to remain low for some time because of the group's heavy investment programme.

Subsidiary Consolidated Frame (Confram), in which Frame holds a 67,3% stake, reported attributable income of R26,3m (R5,9m). Earnings a share rose to 46,6c (10c) and a dividend of 3c was declared. A share capitalisation award was also announced for Confram.

Frame's net asset value is R19,66 and Confram's is R11,24. The discount to net asset value is 62% and 58% respectively.

EXECUTIVE SUITE

Confram earnings soar four-fold ⁽¹⁹⁷⁾

JOHANNESBURG — Consolidated Frame Textiles yesterday reported quadrupled earnings to R26m (R6m) in the six months to December. An interim dividend of three cents was declared.

Confram also improved its liquidity by some R106m in the year to December.

The results of Frame Group Holdings improved roughly in line, with attributable earnings at R16,7m.

Earnings of Frame were up 340% to 80c (18,2c) and those of Confram 343% to 46,6c (10,5c). Frame's interim dividend was five cents a share. Confram's higher attributable earnings were explained by a side holding of 14% in Frame Group.

Chairman Mervyn King said the improved performance was a result of prudent asset management and volume increases because trading margins actually decreased.

King reported that economy had picked up and order books were fuller than last year.

Frame said it would spend R400m in capital equipment in the next 10 years.

"The total amount and timing of the investment will, however, be dependent on the Minister of Trade and Industry's (Trevor Manuel) announcement on the long-term plan for the industry," the statement said. Manuel is due to announce the long-term plans for the industry in the next few months.

Because of past losses Frame has a negligible tax rate. King said the rate was likely to remain low for some time because of the group's heavy investment programme — Sapa

Oil price

London oil prices were not received at the time of going to press.

(162) ~~197~~ (197)

Zim pleads for textile tariff cuts

HARARE — Zimbabwe asked SA yesterday for an interim tariff cut for its textile makers, brought to their knees after Pretoria slapped punitive duties on clothing imports in 1992

Zimbabwe had made the request in response to concerns by its industrialists at protracted talks on a new trade agreement. — Reuter

CT17/2/95

National council begins work in textile industry

RENEE GRAWITZY

(197)

DURBAN — A national industrial council for the cotton textile, processing and manufacturing industry was launched yesterday.

Labour Department deputy director-general Les Kettledas said the establishment of such a forum was an important vehicle to forge greater co-operation between stakeholders in the industry.

This development marked the first step in the SA Clothing and Textile Workers' Union campaign for centralised bargaining in the textile industry.

The council at this stage will cover more than 11 000 workers from 10 companies with the potential of including more than 22 000 workers from more than 20 companies in the cotton textile industry.

Some of the companies involved at this stage include Frame Textiles, Romatex and Mooi River textiles.

Over the past two years, discussions took place between the union and employers on the establishment of a national industry forum to represent the industry in macroeconomic negotiations and collective bargaining on "macroindustrial issues common to the industry".

These would include training, pension and provident fund, health care and industry-wide exemptions from relevant legislation and any other matter agreed to by the parties.

The newly established industrial council for the cotton textile industry constitutes one of nine identified sectoral bargaining forums in the industry.

Attempts would continue in those textile subsectors where there were significant numbers of union members to establish an industrial council forum, said Sactwu spokesman Mark Bennett.

The collective bargaining relationship will be governed by single-tier bargaining. However, operational level issues guided by "productivity considerations and operational requirements shall continue to be negotiated exclusively at operational level".

FRAME GROUP

Suitable for framing

As recently as two years ago, the market seemed prepared to write Frame's obituary. But the December 1994 interim results for the holding company and operating subsidiary Consolidated Frame Textiles (Confram) show how the group has confounded detractors (197) FM 24/2/95

Drastic surgery on nonperforming assets and the transfusion of capital from the sale of redundant assets, combined with the economic upturn, appear to have saved its life — bearing out predictions of five years ago by chairman Mervyn King that it would survive with the right medicine.

Confram's turnover to December 1994 is up 23%. Pre-interest income rose 79% but the operating margin remains low at 6.4% (4.4%). EPS more than trebled to 46.6c.

Net cash has risen to R31.6m (1993 net debt of R74.7m), a nest-egg for the group investment programme. Capital spending of R400m over 10 years is on the cards. King says it will be spent on modernising plant and training workers to handle the new hi-tech and largely computer-aided machinery. Funds have also to be earmarked for retraining redundant workers.

Trade & Industry Minister Trevor Manuel has yet to set out his policy for deregulation of the textile and clothing industries. King wants some firm guidelines on import duty phase-down periods, final duty levels and compensatory incentive measures before he commits himself to a development plan.

The National Clothing Federation wants tariffs reduced quicker. King says, "I think reason must prevail." He cites the example of Zimbabwe, where the IMF forced a tariff phase-out over four years with the consequent collapse of the industry.

Export prospects look good. There is strong international interest in ethnic designs from SA, particularly among American blacks exploring their African heritage. Frame has developed an export arm to make exports a permanent contributor to profits.

The group recovery remains tentative, dating only from 1993. The share price stands at 450c, up from its 12-month low of 180c but nowhere near the long-term high of R22. Confram's NAV is R10.99, the discount to NAV is 59%.

King's prognosis is conditional. If Manuel's trade policy benefits the textile industry, he expects at least another two years of sound growth before the pre-election uncertainty bites. If the trade policy is deleterious to the industry, the group's prospects will suffer.

Another negative is the rise in raw material and packaging prices. Bad weather and pests in China and Pakistan have reduced the cotton crop and prices are about 27% higher than a year ago. Also, the cost of imported chemicals that go into textiles

SPINNING WINS

Six months to	Dec 1993	Jun 1994	Dec 1994
Revenue (Rm)		1,16	1,1
Operating profit (Rm)		15.6	
Dividend (c)			

has risen.

The clouded future is making investors reticent, especially considering Frame's history, and it remains underrated on the JSE.

Margaret Anne Halse

CSIR steps up plans to make small projects pay

197

ST 5/3/95

By ZILLA EFRAT

A PEDAL-powered loom for small textile industries is just one of the CSIR's many pilot projects aimed at providing technology for development

The loom, which is easy to pedal and weaves fabric for upholstery and clothing, has been developed to create jobs in areas with no electricity

It is being tested by the Ntami family near Stutterheim in the eastern Cape

When training ends, the Ntamis will receive raw materials and be linked with marketing agents. After three months, the CSIR will assess their success and correct any technical problems in its prototype loom

A bonus is that once the Ntamis and their community finally get electricity, they can connect the loom to an electric motor

Other CSIR projects include a knitting academy in Port Elizabeth, and the development of community-based, low-cost and hygienic poultry abattoirs

The CSIR, the largest technology organisation in Africa, is also transferring its scientific advancements

in areas such as housing, roads, energy, health care, education and recycling.

Mike Groch, executive in charge of the CSIR's technology for development programme, says the organisation has been seeking ways to utilise its expertise for the benefit of urban as well as rural communities over the past four years

The CSIR reshuffled its management structure last year in order to co-ordinate strategies with those of government and to provide technology for the RDP

It has started appointing regional development managers to deal with provincial governments

The CSIR's projects are usually community driven and focus on economic factors so that jobs can be created and revenue retained in communities

For example, it has been developing ways of providing communities with affordable and acceptable drinking water, as well as efficient sewage disposal

In addition to developing low cost water treatment packages which are easy to install and require little

maintenance, the CSIR has been involved in various other community projects.

One was the development of a full water supply system for the village of KwaNyuswa in Ndwedwe, KwaZulu-Natal (population 3 500)

The CSIR provided management skills, laid 40km of pipelines and built reservoirs as well as a water treatment plant

It developed construction methods that did not require highly skilled labour. Trenches were dug by community teams to create temporary employment for the area

The CSIR has also developed a device which easily de-waters sludge, a problem often associated with small-water domestic sewage treatment plants in rural villages and informal settlements

The CSIR's process creates a substance that can be used as compost and moved by spade

Another project, called Plant for Life, aims to supplement existing fuel resources in rural areas by developing community nurseries which produce trees, including fruit-bearers



MAKING CAPITAL

the CSIR's textile knitting academy develops entrepreneurs

Glodina achieves major turnaround to declare dividend

(197) STAR 7/3/95

■ BY SHIRLEY JONES

Durban — Glodina Holdings, the country's largest towelling manufacturer, experienced a remarkable post-election turnaround which helped it declare a 4c dividend for the year to December 31, 1994 — its first dividend in five years.

Managing director Paul Redondi said the 1994 results had far exceeded expectations.

Net income before tax jumped 75 percent to R5,49 million from R3,13 million, operating income rose 39 percent to R8,59 million and earnings of R5,24 million surpassed a R4 million forecast at half-year.

EPS are 26,93c as opposed to last year's 0,01c. The announcement of an optional capitalisation share award of nine new shares for every 200 held accompanied the dividend declaration and indicates a desire to retain funds to finance a further R6 million plant upgrade following the R3 million spent during 1994.

Although the effects will only probably be felt in 1996, the new machinery will be up and running by November this year, Redondi said.

Glodina's results

appear to have rescued it from a potential debt trap. A 15 percent increase in turnover to R91 million enabled it to dramatically reduce borrowings and shrink its debt equity ratio to 50 percent.

Redondi is optimistic that positive trading conditions will extend into 1995. He said order books for all Glodina's household textile lines were full until mid-year.

The company is now reaping the rewards of new management and a revised marketing strategy which began in earnest in 1992 following the closure of its QwaQwa plant and a move out of the budget towelling market.

Now more focused on quality niche markets through its Glodina, Black and Gold labels and Royal Shield brands, it commands between 35 percent and 37 percent of South Africa's total towel market.

The company's plunge into the beach towel market last year also paid off with an increase in sales volumes to 130 000 units.

Further sales increases are expected in 1995 from the hotel sector as confirmed by a recent R600 000 order by a leading Durban hotel.

is expected to announce the computerisation of the entire tax system, increased spending on the department of Inland Revenue and its removal from the control of the Commission for Public Administration, which sets employment standards and pay scales within the public service.

Two years ago the auditor-general's office was removed from these constraints to allow it to employ and retain highly skilled staff.

for the tax office

The system would immediately improve efficiency and relieve pressure on staff. The entire PAYE system, the largest source of tax, is still checked manually

The Katz commission found tax collection cost about 0,8 percent of revenue collected. In New Zealand the percentage was 2,1; and in Britain 1,8.

□ Inside Out, Page 4

JSE reforms face delay

By THABO LESHILO

STAFF WRITER

The head of the parliamentary finance committee has suggested that planned reforms to open up trading on the Johannesburg Stock Exchange could be delayed unless blacks were consulted more fully on the proposals.

Gill Marcus, who chairs the parliamentary joint standing committee on finance, raised the possibility during her address to influential black business people at an Enterprise Forum meeting last week.

Marcus also complained that there had been no input from black business bodies or trade unions on the budget.

However, she criticised the black organisations themselves for

failing to take advantage of invitations to testify to her committee on budget issues

Marcus said the Financial Services Board (FSB) had recently told her it had almost completed the process of consultation on the JSE's planned changes and would soon bring the bill to her committee for approval.

The reforms would allow dual-capacity trading, in which stockbrokers would be able to act both as principals trading on their own behalf and agents trading for their clients

Unlike its behaviour in apartheid times, she said, her committee would not simply rubber-stamp the decisions of the FSB

It would need to be satisfied that there had been sufficient consultation

Unions could be 'hijacked'

By ROSS HERBERT

STAFF REPORTER

CT (BR) 13/3/95

Business must build democracy in the workplace or risk unions being "hijacked by ultra-leftist elements with their own agendas", says ANC secretary-general Cyril Ramaphosa.

At a conference attended by executives from more than 100 businesses in various stages of experimentation with workplace democracy, Ramaphosa said the ANC was committed to extending democratisation into all centres of power in the country — particularly the workplace.

"We have had so-called ultra-union, ultra left-wing organisations hijacking strikes," he said in reference to strikes, at times violent, at Wits University and at Spar outlets.

He said the latter was a "a demonstration of management's reluctance to be open and interactive with unions not serving the process"

The RDP "necessarily requires the democratisation of society in all areas where power resides and is exercised.

"The workplace is one place where democracy should take root, where it can prosper"

De Nim zips up jeans market (BR)

By SHIRLEY JONES

STAFF WRITER

Just two years after a German entrepreneur saved it from closure, a KwaZulu/Natal textile firm has sewn up a lucrative contract as supplier to jeans manufacturer Levi Strauss's new South African operation.

In restoring its operations to health, Hammarsdale-based manufacturer de Nim Textiles has set an example for other textile makers who were similarly hurt by imports and violence in recent years.

The American-based Levi Strauss operation will begin manufacturing in Cape Town in April and

will build up to full production by June. It will import just a small amount of fabric from America; most will come from de Nim

De Nim managing director Mark Perrings would not disclose the value of the Levi's contract or the volumes to be supplied. He said the companies have a partnership agreement based on a long-term strategic growth plan for the local Levi operation.

Perrings said both de Nim and Levi have phenomenal growth prospects. In the past, the South African jeans market has been a niche market. Now that black South Africans have begun to view jeans as high-fashion lifestyle wear, the

market is expected to grow greatly.

Perrings said de Nim had justified its rescue by German entrepreneur, Klaus Daun. Formerly known as Hebox Textiles and owned by the Tongaat Hulett Group, the operation was closed in January 1991

Perrings and other executives of Hebox went to Daun to enlist his support. They persuaded him the operation was worth saving, and since then Daun has invested more than R14 million to upgrade machinery.

When the refocused de Nim operation came on stream in early 1992, the goal was to export 55 000 pairs of jeans to Europe. This had almost doubled by the year-end.

Raw material cost hikes to hit clothing, textiles

BD 14/3/95
CONSUMERS and retailers should brace themselves for a steep hike in clothing and textile prices in the next month due to a year-on-year average cost increase of between 75% and 80% for fibre and raw materials, manufacturers said

Frame group MD Walter Simeoni said raw material prices had gone "haywire" and would affect clothing manufacturers, retailers and consumers. Cotton prices had risen 107% over the past 18 months.

The SA cotton crop, estimated last November at 250 000 bales, was now expected to yield only 140 000 bales because of the drought.

Simeoni believed the trend would stabilise next year with a significantly improved crop, leading to lower cotton lint prices.

The price of polyester rose 123% to \$2,35/kg year-on-year. Viscose rose to \$2,20/kg (\$1,90/kg) and acrylic jumped to \$2,35/kg (\$1,50/kg).

Textile Federation (Texfed) executive director Brian Brink said Texfed

YURI THUMBRAN

would be holding meetings soon with parties such as the Wool and Cotton Boards and synthetic fabric manufacturers to discuss the price increases. "We are in for a bumpy ride," he warned.

Romatex MD Mike Hankinson said wool prices rose between 70% and 120% year-on-year, largely because of a reduced clip, poor weather conditions and increased off-take in China.

He said the increases were dictated by international price structures rather than domestic factors, and warned it was inevitable they would be passed on down the line. "There is no way that one industry can absorb all the increases."

Hankinson said there was a global shortage of polyester.

While increased demand for synthetic materials could be satisfied by building new plants, wool and cotton supply levels were dictated by weather conditions.

Bold expansion planned for textile industry

THE SA textile industry planned to spend R10bn over the next 10 years to become internationally competitive, Textile Federation (Textfed) executive director Brian Brink said yesterday. Brink said in an interview that the bulk of the capital expenditure would be on new installations, machinery and equipment, specifically for spinning, weaving, finishing, dyeing and printing.

Capital investment in the textile industry in real terms had been in decline for the past 15 years, only exceeding 1980 levels this year, he said (197)

Capex would be divided equally between the modernisation and expansion of the existing plant. Capital investment had already started picking up in the industry and included a R12m modernisation of Hoechst's KwaZulu/Natal polyester fibre manufacturing plant, and Frame's proposed R400m, 10-year capex programme from its own cash resources. BD 14/3/95

Brink said that for SA's textile industry, the vital factor for future capital investment in the textile industry was government's imminent decision on the long-term strategy for the textile and clothing industries.

The level of textile tariffs and the phase-down period during which duties would be reduced were especially

YURI THUMBRAN

important, as no textile company would invest large amounts of capital in an industry that could be decimated by low-priced imports favoured by a low tariff policy, he said

"The stated aim of government for an efficient and competitive textile industry can only be achieved by sustained capital investment which in turn is only possible under a stable and responsible tariff policy"

A recent survey showed that manufacturers planned to spend R103m on the modernisation of spinning equipment this year compared with last year's R49m. It was expected to jump to R110m next year.

Small business takes on textile giants

(197)

■ BUSINESS STAFF

A powerful coalition of the clothing industry's main players has been formed to push for sweeping proposals for the industry's small, medium and micro enterprises (SMMEs)

which, they claim, are in danger of collapsing

The Clothing Federation of South Africa, headed by tycoon Ahmed Sadek Vahed, regional clothing associations and the Sunnyside Group which represents 70 small business inter-

ests have backed a proposal document masterminded by small business lobbyists

They call on the government to recognise and deal with the severe problems facing SMMEs.

The document highlights the displeasure of small businesses in the clothing industry and outlines their intention to fight the textile monopolies and trade and industry department for failure to address problems in SMMEs

SMW 117/13/95

Textile firms to get aid (197) from industry

YURI THUMBRAN

THE textile industry was committed to supporting small and medium-sized business development (SMMEs) through production subcontracts and practical assistance. Textile Federation (Texfed) executive director Brian Brink said yesterday.

He said assistance offered by textile companies covered supplying inputs to home industries, subcontracting certain stages of mill production and making available disused plant or surplus premises to entrepreneurs.

But Brink said high input costs for the small-scale end-user was a problem internationally.

"One way of giving entrepreneurs access to cheaper inputs is for textile mills to expand their factory shop operations or create outlets in outlying areas."

Romatex subsidiary Berg River Textiles in Paarl made a contribution to SMME development through subcontracting certain aspects of its production to entrepreneurs.

The entire production of overalls was done by women in the local small business community, while they were also responsible for making up household textiles such as bed linen for sale in the factory shop.

Brink said the industry recently announced plans for capital investment, training and upgrading. This would give entrepreneurs opportunities

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Helping hand goes to SMEs

ALIDE DASNOIS

Deputy Business Editor

(197)

TEXTILE manufacturers, locked in a dispute with the clothing industry over import tariffs, are holding out a hand to small businesses in the clothing sector

Textile Federation president Brian Brink said the industry was exploring ways of reducing high input costs for small and medium enterprises (SMEs)

Punitive costs of fibres, yarns and fabrics for clothing SMEs were cited by the National Clothing Federation (NCF) last year as the main reason for the NCF's about-face on textile tariffs

In a dramatic move aimed at placating the small business lobby in the clothing industry, the NCF turned its back on a consensus reached by the Swart Panel

The SA Clothing and Textile Workers' Union (Sactwu) continued to support the majority view in the Swart report

Conflicting views on import tariffs from the NCF and retailers, on one hand, and Textfed and Sactwu on the other, are cur-

rently being studied by the Board of Trade and Tariffs

The Board will make a recommendation to Minister of Trade and Industries Trevor Manuel, who is expected to hand down a decision shortly

Mr Brink said high costs for small-scale end-users were a world wide problem

Some textile companies such as Berg River Textiles in Paarl and Frame Textiles in KwaZulu-Natal, had found ways of assisting SMEs

Berg River's entire production of overalls was handled by women from Paarl SMEs

He said the textile industry would welcome joint discussions with SME representatives

The conference on SMEs in Durban at the end of the month and the approval of the White Paper on small business should help to set the ball rolling, he said.

Meanwhile, Textfed and the NCF are to meet next week in Johannesburg to discuss the special problems of SMEs, Mr Brink told Weekend Argus.

NEWS IN BRIEF

Taxi task force

ABOUT 250 representatives of taxi organisations throughout the country reached agreement at a meeting with government in Johannesburg to form a joint task group to investigate problems confronting the industry. Issues to be examined include road safety and driver discipline. Transport Minister Mac Maharaj addressed the meeting. **BD 20/3/95**

Pay talks deadlock

NEGOTIATIONS on wage increases for the year by the Southern African Clothing and Textile Workers' Union (Sactwu) and Pep Stores deadlocked on Friday. Sactwu said a Conciliation Board hearing would be held this week to try to find a solution.

If the Conciliation Board was unable to resolve the dispute, the union would conduct a ballot on whether to strike. **BD 20/3/95**

SA eyes arms market

DEFENCE Minister Joe Modise is confident SA can sell locally designed military ware successfully on the international market. Speaking before leaving for the Abu Dhabi Defence Exhibition in the United Arab Emirates, he said SA would display its G-5 and G-6 weapons, laser range-finder, mine detection equipment and an array of naval vessels.

Modise said several countries had approached SA saying they wanted to buy weapons, but he refused to identify them.

Modise was accompanied by Defence Force chief of staff Gen Wessel Kritzinger, Defence Secretary Pierre Steyn and Armscor chairman Johan Moolman.

Reporter wins award

BUSINESS Day reporter Noma-venda Mathiane last week won a merit award in the essay/fiction category of the Mondi Paper Magazine Writing competition. Mathiane won the award for her short story titled Labour Pains, which appeared in last April's issue of Femina. Her story dealt with the birth of a new society.

REPORTS. Sapa, Business Day Reporter

French visit leads to trade deals

BD 20/3/95

CAPE TOWN — The R600m of foreign aid pledged to SA by France, including contributions to European Union (EU) aid, put the country among the front-runners of donor countries to SA, French Industry, Telecommunications and Foreign Trade Secretary Jose Rossi said on Friday.

Rossi was speaking at a briefing shortly before his return to France following a four day visit to SA during which he met several national and provincial government and business leaders.

Agreements reached included the creation of a Franco/SA trade and industry commission, a R70m loan from the French Development Bank to the Development Bank of Southern Africa, renewal of the 1992 industrial co-operation agreement with the Industrial Development Corporation and the establishment of a Franco/SA engineering company, Ingerop-Bergman.

During the visit French company Gemplus created a technical development and commercial subsidiary in Johannesburg and signed an agreement of association with a service company in the banking sector.

Rossi also presented SA trade and industry officials with a project to establish a institute of training for

EDWARD WEST

electronics, automation and telecommunications, with the support of the French government and businesses and in liaison with the Pretoria Technikon, for underprivileged students.

Rossi said France had doubled its investment in SA in the past two years, while the number of French companies to have established operations in SA had grown to more than a 100 from only 12 in 1990.

In addition, a R110m financial aid package approved by the French government last week would complement loans from the French Development Agency, donations from the French foreign affairs ministry and from the French fund for the global environment announced by the French president in July last year.

Asked if France, during its chairmanship of the EU, would support SA's aim of joining Lomé now that other development countries no longer objected to it, Rossi said: "France is not trying to block anything. France aims to facilitate the emergence of a sympathetic position."

He said SA's position with the EU would be determined by the 15 member states at the ministers' council in mid-April on the basis of proposals by the EU Commission.

Probe 'contravenes GATT'

BD 20/3/95
JOHN DLUDLU

AN INVESTIGATION by the Board on Tariffs and Trade into allegations of dumping of cheap footwear imports by Chinese firms could constitute a contravention of GATT provisions, a lawyer acting for the Chinese companies said at the weekend.

In a Government Gazette notice, the board said an investigation was being conducted into complaints lodged by the Footwear Manufacturers' Federation — representing SA manufacturers — that certain footwear classes originating from Hong Kong and China were being dumped on the market.

Wolfgang Wentzel international

trade partner Leora Blumberg, who is representing the Chinese firms, said there were four definitions of dumping in the Board on Tariffs and Trade Act. The board had invoked the fourth, which was contrary to GATT principles and would soon be repealed. "A draft Bill, which amends the definition of dumping to comply with GATT, has been introduced. In particular, the Bill removes the fourth definition of the Act."

A spokesman for the board said on Friday the investigation had not yet been completed.

Textile industry under fire

THE National Clothing Federation (NCF) has launched its campaign for next week's presidential conference on small to medium enterprises by accusing the textile industry of holding the economy to ransom by demanding protectionist duties. (197)

NCF president Sadek Vahed said signals emanating from Pretoria were a matter of "grave concern" to the clothing industry, particularly the small to medium enterprises which made up 80% of SA clothing manufacturers.

He said the signals indicated Trade and Industry Minister Trevor Manuel would opt for the 10-year tariff phase-down, as requested by the Swart panel which investigated the two industries. B023/3/98

He said textile companies were holding the economy to ransom by

YURI THUMBRAN

threatening to withhold their multimillion-rand expansion programmes if they were not covered by the 10-year protection plan.

Manuel could no longer sit on both stools of an open and a closed economy.

If the industry was not given access to the most competitively priced fabric at reasonable rates of customs tariffs, clothing would remain unaffordable.

Vahed also accused the SA Clothing and Textile Workers' Union of being "a bed-partner" of the "textile monopolies".

□ About 2 000 delegates representing about 800 000 small enterprises and a few million informal sector operators are to attend the President's Conference on Small Business at the Durban Exhibition Centre on March 28-31.

TEXTILES (197)

Eastern invasion

A loophole in SA's export quota agreement with the US has led to an influx of Far Eastern textile manufacturers who appear to be eager to invest in multimillion-rand ventures *FM 24/3/95*

This week, a delegation of Taiwanese businessmen will visit Durban and KwaZulu-Natal to look into the possibility of investing in a US\$200m, 30 000-spindle, cotton spinning textile plant in the region

"Their potential investment will create considerable job opportunities"

Textile Federation executive director Brian Brink says there is growing interest from Indonesian and other Far Eastern business circles in possible investments in the local textile industry

Siebert confirms "substantial interest" in investment in the KwaZulu-Natal region by foreign industrialists, including Singapore and mainland Chinese interests

Over the past four weeks, 46 Taiwanese investors were hosted by the Marketing Initiative, including two companies looking to finalise establishment plans for the

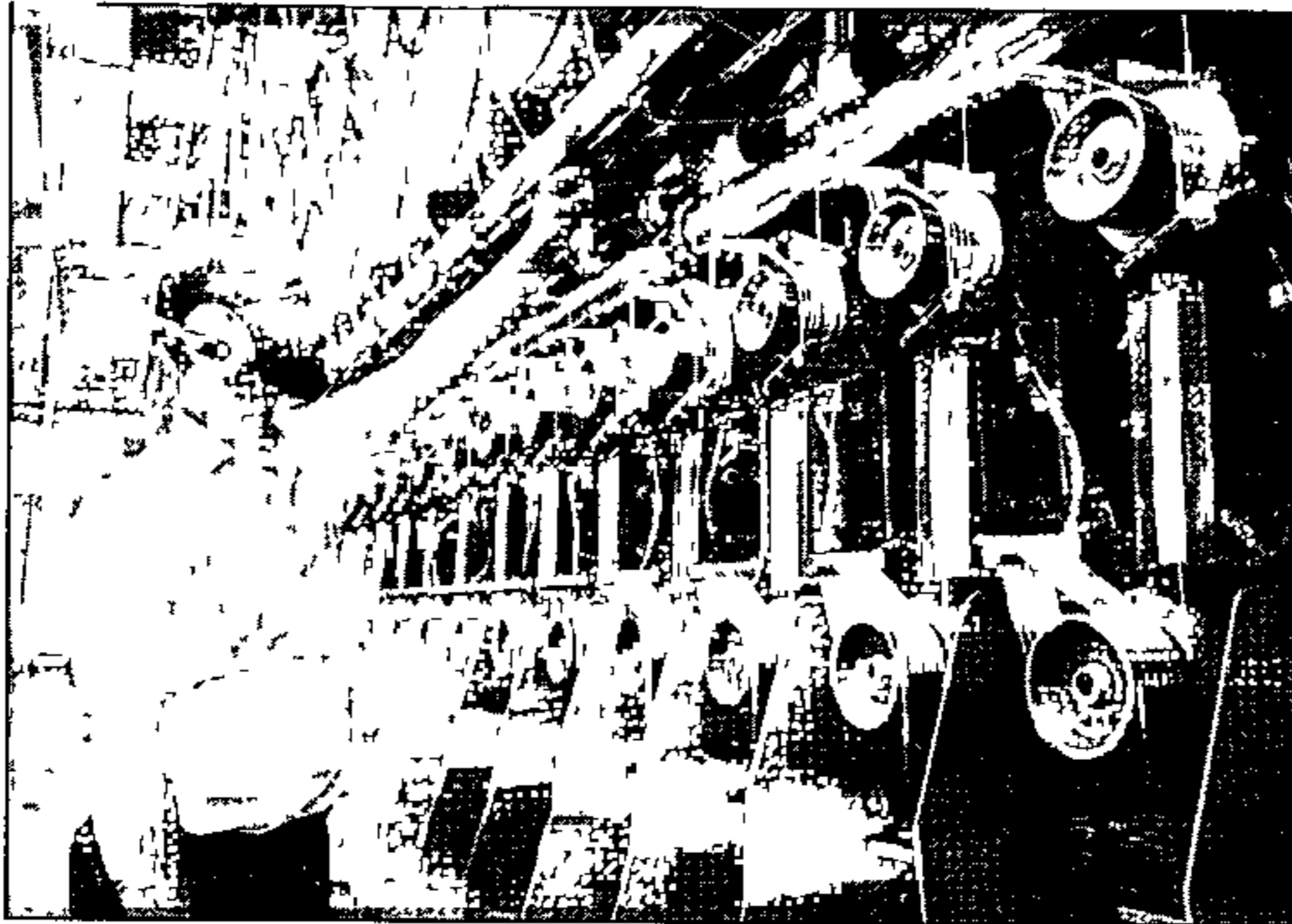
procurement of factory premises in the paper and textile sectors

Other sectors which might benefit include chemicals, clothing, plastics and electrical components

And, over the next three months, the initiative expects to host about 60 prospective investors from Singapore, Hong Kong, South Korea ("comprising a number of major manufacturers"), Shanghai and the US, the majority of

whom would be first-time investors

Siebert says that the positive prospects contained in these visits should contribute to achieving the region's target of attracting R634m in new investments over the next three years ■



Textiles competition hotting up?

And Indonesian business interests are also involved in a "fully integrated" textile manufacturing plant. It is understood that JSE-listed Coastal Clothing (suspended) has already been bought for an undisclosed amount and a factory is being bought in the Durban region

A spokesman for a Pretoria-based textile research organisation says a major factor attracting investors is that SA, which is not a member of the international Multi-Fibre Agreement (to be phased out over a 12-year period under Gatt), is not subject to textile import quotas by the US, while the European market is also a possibility

Apart from starting new plant, an option being looked at by Far Eastern investors is to buy out existing plant for upgrading, utilising modern technologies

Investors are also looking for special export zone incentives, which, to date, are nonexistent in SA. And, in view of SA's high labour costs and strike threats, some Far Eastern investors are looking into the possibility of setting up factories in Botswana

KwaZulu-Natal Marketing Initiative spokesman Grant Siebert says a top level Taiwanese delegation would be "looking into the possibility" of a new plant soon. "Senior executives from one of the largest textile groups in the Far East will visit the province during the week for further investigations"

No decision yet on textile tariffs

NO DECISION has been made on the phase-down period for tariffs on inputs for the textile and clothing industry, Trade and Industry ministerial spokesman Charl Nel said yesterday.

He was responding to a sharp attack by the

YURI THUMBRAN

National Clothing Federation on Minister Trevor Manuel this week for "bowing" to the textile industry lobby. *BD 24/3/95*

Federation president Sadek Vahed accused Manuel of sitting on the stools of an open and a closed economy

Vahed said signals from Pretoria indicated Manuel would opt for the 10-year phase-down period suggested by the Swart panel, which investigated the textile and clothing industries. The federation had wanted the phasing down to occur as quickly as possible

EDWARD WEST reports from Cape Town that small and medium clothing manufacturers in the Western Cape have joined other

clothing organisations and retailers such as Edgars, Pepkor and the OK/Hyperama Group in calling for the removal of high duties.

Cape Clothing Manufacturers' Association executive director Peter Cragg said yesterday duties on textiles were increased in May 1992 to provide a "Band-aid" for a haemorrhaging textile industry, with the understanding the protection was expected to last only a year.

"For almost three years high protection for the textile industry, with government's failure to ensure small manufacturers have access to materials, has left many of these enterprises in dire straits, while large conglomerates continue to receive their Band-aid"

Alliance to challenge textile trade

197

ST(BT) 26/3/95

AN alliance of interests in the clothing industry — large and small, formal and informal, rural and urban, South African and southern African, as well as consumer groups — was formed this week to tackle the uncompetitive textile sector

The alliance — which includes the Clothing Federation of South Africa (Clofed), Edgars, Pepkor, OK-Hyperama and delegations from Botswana, Lesotho, Namibia and Swaziland — wants to petition the parliamentary committee on trade and industry and Industry Minister Trevor Manuel to fight “the cancer of high input costs and hand-in-hand the high input costs of the textile industry”

It went public this week ahead of the President’s conference in Durban on small business next week, saying over 80% of the clothing industry consists of small, medium and micro-enterprises

The alliance objects to a “temporary” one-year reprieve awarded to the textile sector by the previous government in November 1992 which it says raised duties from 20% to as much as 90%

“The worst hit were the lowest priced fabrics serving the poorer sections of

By KEVIN DAVIE

our community,” says Ahmed-Sadek Vahed, president of Clofed

Mr Vahed says what was supposed to be a temporary “Band-Aid” for the textile industry is now being used as a starting point for bargaining a phase down of the protective barrier

While the textile industry wants a 10-year phase down of tariffs, Clofed says “this is excessively long”

“Current high tariff duties on essential inputs (fabric, yarn and fibre) have to be drastically reduced over the shortest period of time”

He says that labour, through Sactwu, is placing the interests of 70 000 textile workers above the interests of 200 000 clothing workers in the formal, rural and micro sectors.

“Labour is being brought in to support monopoly textiles on the bogey of massive job losses”

The result, says Mr Vahed, is that 40-million South Africans “are asked to pay an estimated R1-billion to R1,5-billion more for their clothing”

Mervyn King, president of the Textile Federation (Texfed), denies there are textile monopolies.

Remedies exist which could be exercised if this

was true, he says

“Clofed has not followed the remedy open to it because there is no substance to the allegation”

Mr King accuses Clofed of renegeing on an agreed position of the phasing down of tariffs

“The whole debate around the clothing and textile industries has to be kept factual and positive. We reached an understanding with Trevor Manuel not to bring the level of debate down to a slanging match.”

Mr King says the textile industry contributes R8-billion to South Africa’s balance of payments and is the sixth largest employer in the manufacturing sector, providing 80 000 direct jobs and supporting a further 260 000 in related industries

He says about 30 000 jobs in the cotton industry are indirectly dependent on the textile industry.

Clofed in turn cites the Monitor study into competitiveness, which shows that South Africa is globally competitive in clothing but uncompetitive in textiles.

Mr King says the textile industry has asked for a 10-year phase down by the end of which it believes it will be internationally competitive.

“Gatt agreed to South Africa having 12 years and other countries such as the US are phasing down their tariffs over 15 years”

Tough time ahead for textile industry

(197) CUM 24-30/3/95

The textile industry will have to shift up a gear if it is to cope against foreign competition, reports Jacques Magliolo

THE scrapping of import surcharges in last week's Budget tolls the death knell for protectionism and import substitution, destroying a complacent way of life for South African industrialists and manufacturers alike

While the scrapping of import surcharges on luxury items affects few individuals in South Africa, it does herald a new, more competitive age for business and highlights a crucial question: can industry cope against foreign invaders, who are used to low profit margins, long hours, crippling schedules and objectives and no government protection?

Of particular concern is the textile industry. Despite repeated shouts for continued protection, the industry now claims (in the Textile Federation's submission to the government) that it "embraces the General Agreement on Trade and Tariffs (Gatt) and the philosophy of trade liberalisation."

The document states "The industry has accepted the challenge to become efficient and competitive and is gearing up to fundamentally remodel itself for international competition by committing to the reduction of duty levels faster, and to lower final levels, than the international community and Gatt require."

Is the textile industry actually prepared to face international competition, particularly without substantial tax breaks or the government propping up the market?

Initial indications are that the industry has been preparing for this event since 1990, taking a number of steps to tackle competition head-on. These steps include shifting operating equipment to more technologically advanced looms, moving into niche markets and improving worker relations

Yet, numerous analysts agree that these changes are not enough. Mike Howarth, industrial analyst at Silvis Barnard Jacobs Mellet, says. "Our guys still provide a broad range of goods, with not much depth. Without developing skills in niche markets, we will get murdered when real competition arrives in South Africa

"Being able to manufacture great volumes will not enable the textile industry to survive," he says, adding that the quality of overseas products "may not be as good as ours, but they are good enough to attract buyers, especially at 30 percent lower prices"

During a Barlows presentation a point was made that many South African manufacturers are uncompetitive. It was said that Turkey could export a fridge to South Africa for less than it would cost a local manufacturer to buy the raw materials to produce an item of similar quality

"Our textile industry is totally uncompetitive," says Arthur Thompson, head of research at EW Balderston. "Our labour is unproductive, we have old equipment and small production runs," he adds.

In fact, some analysts are more pessimistic and say that the textile industry is in a mess "How big a mess the industry is in, is anybody's guess," says Thompson

As if to confirm this statement, the Textile Federation — after "embracing Gatt" — has told the government that "10 years is considered the minimum duty phase-down period which is viable."

Industry experts are appalled at such demands. Ten years is practically two technological life times.

says Howarth. Half that period would be more appropriate, so that companies can migrate to specific high-grade areas, where they will have a competitive advantage

International experience is that some countries accept Gatt only to impose other forms of trade restrictions. These include import quotas, production and export subsidies, standards purporting to maintain the quality of imports, and complex administrative procedures

Yet, in the end the textile industry has no choice but to change — and change quickly — if they are to survive. Ultimately, the battle lines are becoming clearer. On the one hand, they are faced with dying protectionism and oncoming competition and on the other hand they hold the reins of an important industry which the government cannot ignore.

Not only is it the sixth largest employer in our manufacturing sector and the eleventh largest exporter of manufactured goods, but its production is roughly equivalent to two-thirds of the chemical industry and a third of South Africa's agricultural

production. And, after the mines, it is the second largest user of Eskom electricity and the second highest payer of rates and taxes in towns and cities in which it is located

The textile industry employs 80 000 people directly and a further 200 000 indirectly in industries, such as transport and packaging. If the 80 000 jobs linked to cotton farms are added to this total, then 360 000 South Africans depend on the textile industry for a livelihood.

In addition, the industry's local sales are R7.7-billion and its exports are R1.1-billion a year. Its contribution to balance of payments — at an average duty of 10.5 percent — is therefore R8.1-billion annually.

The Competition Board's Pierre Brooks sums up the problem. "Market forces will hold sway in the long term. The longer it takes the industry to change and to channel its resources to where it can be more competitive, the more traumatic it will be for them"

10 000 go to see Manuel

BD 3112195
NICOLA JENVEY (197)

DURBAN — More than 10 000 SA Clothing and Textile Workers' Union (Sactwu) members, demanding to see Trade and Industry Minister Trevor Manuel, temporarily halted proceedings at yesterday's President's conference on small business. (12)

Sactwu presented Manuel with a memorandum, saying certain manufacturers, including AM Moolla group chairman and CEO Sadek Vahed, were attempting "to shape public policy to their narrow interests" and to promote job loss and large-scale closures of factories.

In response, Manuel said the long-standing fight between textiles and clothing had to be resolved as soon as possible, since "there are too many mouths depending on the outcome".

"Decisions taken about the future of the textile and clothing industries must be made with workers and management," he said.

There was no disagreement that the issues had to be resolved.

Sactwu, which represents 110 000 clothing workers, 50 000 textile workers and 10 000 footwear workers, called in its memorandum for carefully targeted financial assistance from the public sector and preferential treatment of small businesses in state procurement policies.

THE STAR

Unispin in R120m debt rescue bid

The company's fate depends on the vote of its main rival, the Frame Group, which holds a third of its shares

By CHARLOTTE MATHEWS

INVESTMENT EDITOR

Unispin is discussing a R120 million rescue bid with a German investor to redeem its debt to the banks. Whether the offer will proceed hangs on the votes of the 34.1 percent of its shares which are held by its major competitor, the Frame Group.

The Frame Group is chaired by Mervyn King, who also chaired the King committee report on corpo-

rate governance which reported its findings in early December. One of the main thrusts of the report was that the directors of a company have a duty to act in good faith in the interests of the company.

The Unispin deal will test this duty on the part of King himself, since what may be in the interests of Unispin will not necessarily be in the interests of the Frame Group.

Unispin, which has reported a loss per share every year since 1990, except in the year to

September 1994, and has not declared a dividend for four years, is overshadowed by a heavy debt burden, arising mainly from an ill-timed capital expansion programme in 1990.

In 1992 the debt was restricted, with the banks converting R120 million of debt into equity in the form of redeemable preference shares. At the same time Consolidated Frame (Confam), a subsidiary of the Frame Group, converted its 30 million preference shares into ordinary shares, giving it a substantial stake in the company.

In the year to September 1994,

Unispin's net income of R13.7 million was wiped out by R14.2 million in preference dividend payments, which was not sufficient to service the shares.

Half of the group's preference shares, equivalent to about R60 million, must be redeemed by the end of 1995 and the other half by December 1997.

German entrepreneur Claus Daun, who has been involved in turning around several other South African companies and has substantial textile interests in South Africa, on Friday confirmed he had been invited by the banks to underwrite a R120 million rescue bid for

Unispin. Daun said he believed the offer, which was now on deadline, was in the interests of Unispin, its 2,000 employees and the shareholders.

However, the core shareholders, the Frame Group, had to date shown some reluctance to join in and inject money, he added.

King said on Friday that the offer had not closed and he was not prepared to comment on the matter before a Frame Group board meeting this week.

Questioned on why the offer had not been announced to public shareholders, Unispin chairman Neil Davies said Daun had not

approached the company about it. The banks holding Unispin's preference dividends had certain rights and did not have to approach the board of directors to tell them about the offer until they had decided whether to accept it.

Apart from the banks, with a 25 percent shareholding, the other main shareholder groups that would be involved in the offer led by Robert Wachsbarger, with 25 percent, and Frame with its 34.1 percent.

"Any deal would have to have the agreement of those three parties first," Davies said.

(197) CT (BR) 3/4/95

Big Unispin shareholders asked to waive their rights

BD 6/4/95 NICOLA JENVEY (197)
DURBAN — Textile company Unispin's creditor banks have asked major shareholders to waive their rights in a proposed rights offer which could give German entrepreneur Claus Daun the controlling interest in the company. Sources said this followed the banks' invitation to Daun to underwrite the rights issue.

The banks had private meetings this week with major shareholders Frame and the Wachsberger consortium, which have shareholdings of 34% and 25% respectively. The shareholders were asked to agree to a rights offer and then waive their rights.

Frame group chairman Mervyn King said yesterday his company would not waive its rights to purchase new Unispin shares should the banks proceed with a rights issue on behalf of Daun.

The issue would create another 1,3-billion shares at 10c on the basis of 19 new shares for every one in existence. The current market price is 55c. Daun would hold 51,3% of Unispin if Frame and Wachsberger waived their right to purchase.

In 1992 Unispin's debt was restructured with the banks converting R120m debt into equity through redeemable preference shares. Simultaneously, Consolidated Frame (Confram), a subsidiary of the Frame group, converted its 30-million preference shares into ordinary shares, giving it a substantial stake in the company.

THE public tussle between the Clothing Federation (Clofed), the Textile Federation and the Trade and Industry Department is generating more heat than light

This is only the latest in a series of disputes which have obscured the important issues these industries must face. It is crucial that an effective and transparent trade and industry policy be put in place for the entry of SA to the global economy

A year ago the clothing and textile industries, the SA Clothing and Textile Workers' Union (Sactu) and Trade and Industry put their names to a shared vision. This was an amazing achievement for interest groups that had long been at loggerheads.

While Trade and Industry Minister Trevor Manuel and his team deliberate on the merits of the Swart report's tariff proposals, Clofed has broken ranks.

Clofed contends that textile tariffs are excessive and detrimental to the clothing industry, particularly small and medium-sized enterprises. Clofed argues that textile tariffs should be reduced more rapidly than agreed so that the clothing industry is not impeded by inefficient domestic textile producers.

The effort expended by the clothing and textile industries on tariff lobbying is astounding. The tariff battle is often rhetorical and shallow, with little attention devoted to promoting policies that would support their long-term development.

Firms might appear rational in their pursuit of favourable tariff increases, yet a large discrepancy exists between the official tariff and that actually paid. For example, in 1993, the average official tariffs applying to clothing and textiles were 142% and 50% respectively. However, the average that were tariffs paid were 8% and 14%. This unintended liberalisation began in 1989 with the introduction of the structural adjustment programme.

The tariff structure is irrational. Three types of tariffs may apply to 2 000 tariff codes, depending on the weight and value of the product. The system assumes that all border posts

Disputes obscure issues in textile, clothing sectors

MIRIAM ALTMAN

B06/4/95

(197)

are operated either on a computer system or by mathematicians with specialised training in clothing and textile product identification.

Despite the ease of product-switching at customs posts, the Swart report recommended that this system continue over the 10-year tariff phasing-down period.

The approach to export promotion policy is equally perplexing. Internationally, duty-free import permits are offered to "world prices". In contrast, the structural adjustment programme encouraged imports through its system of tradeable duty-free import permits, allocated on the basis of export success.

Most permits were used to import clothing, particularly the most trade-sensitive clothing products to which the highest tariffs applied.

Duty credit certificates replaced the structural adjustment programme in 1993. The certificates are not transferable although the imports purchased may be sold in the market, allowing for a similar result. Such certificates have been an important contributor to job losses in the clothing industry.

The new government should consider adopting a more balanced approach to industrial policy, incorporating trade policy into a wider

framework. This approach would require consideration of the main issues facing the industry and the position of each industry in the wider economy. Does it make sense to support one industry over another within a production pipeline? Both industries provide substantial employment opportunities. The clothing industry provides jobs cheaply, while the textile industry offers greater employment stability. Yet these are not separate industries: they form an interdependent network.

Local clothing exporters will need to bank on a domestic textile industry for a significant proportion of inputs. The competitiveness of both these industries will depend on future investment in flexible textile machinery and improved production flow through this pipeline.

Should Trade and Industry lower the import price of textiles to favour small and medium-sized firms' production and their supposed contribution to low-income markets?

Complete liberalisation of clothing imports would be the most efficient method of lowering the price of clothing to poor consumers. China is the cheapest producer of low-cost

garments. Liberalising textiles faster than clothing is beneficial for all clothing producers, regardless of market orientation. On the other hand, unfair competition in the context of weak anti-dumping safeguards could threaten local employment through the textile pipeline.

Clofed is rightly concerned about the legacy of constraints on small business. Yet small firms are not the major employers in the clothing industry. About 80% of industry employment is found in the 300 largest firms, each employing an average of 360 workers. Nor has it been established that small enterprises are the prime suppliers of low-cost goods to the poor: some of the largest clothing producers such as Pepkor serve low-income consumers.

The Swart report recommends the continuation of duty credit certificates for a limited but unspecified period. Official guidelines on their use specify that exports will not be considered within this programme unless inputs are locally manufactured or imported on full duty. This protective measure is misplaced since duty credits are a tool to reduce exporters' input costs to "world prices", enhancing competitiveness in global markets. Instead, firms tend to use the certificates to earn short-term profit through the import

of duty-free clothing

The clothing and textile industries argue that they require the full negotiated phase-down period to allow time to become sufficiently competitive. There is little evidence to show a dramatic commitment to such goals. To date, export assistance has been used primarily to maximise short-term profit. There has been substantial reinvestment in equipment and machinery or human resource development that would allow for continued export activity once the export promotion programme ends.

As the trade environment has been liberalised substantially since 1989, the remaining threat to the clothing and textile industries comes from very low-cost countries, particularly those with reputations for dumping. The tariff schedule must simply establish a price floor for imported products. One duty should be applied to a greatly simplified tariff code. The tariff of choice would be based on product weight, not value.

Ad valorem tariffs enable undervaluing and have little effect on a fragmented product such as clothing. Tariffs based on weight are difficult to avoid, easy to calculate and acceptable in terms of GATT.

The clothing and textile industries would more beneficially exert effort promoting policies to facilitate their long-term existence, keeping in mind GATT rules. Some examples include: extension of the export marketing assistance programme and possibly introduction of foreign exchange incentives devoted to the purchase of capital equipment.

The Swart report put forward a range of beneficial proposals such as incentives in payroll deductions and state assistance for training, interest rate subsidisation for technological upgrading, small business support assistance, and improved manufacturing-retail interfacing.

Significantly, the report recommended that government assistance be tied to job creation, plans for improved competitiveness or determined social indicators.

Altman teaches economics at Witwatersrand University.

Frame Group turns down R120m Unispin rescue bid

CT(BR) 6/4/95 (197)

By CHARLOTTE MATHEWS

INVESTMENT EDITOR

The Frame Group yesterday rejected proposals for rescuing the textile company Unispin Holdings, made by the banking consortium that holds 24 percent of its equity

The rescue bid was mooted by Daun & Cie, headed by the German entrepreneur Claus Daun. It proposed that Unispin issue 1,234 million shares at 10c each to raise more than R120 million

This would cover the preference shares held by the consortium of three banks, which also holds 24 percent of the company's equity

Half the preference shares have

to be redeemed by December this year, but Unispin has already failed to pay the preference dividends due

The consortium has asked the Frame Group, which holds 34,1 percent of Unispin, and a consortium headed by a Unispin director, Robert Wachsberger, which holds 25 percent, to vote in favour of creating the new shares

However, in its statement yesterday, the Frame Group said: "The deal between Daun & Cie and the banks and Daun & Cie's intentions as to what will be done with Unispin if they obtain control have not been publicly stated"

It said Daun & Cie had not approached it, Unispin or the

Wachsberger consortium, which includes the Ellerne and Krok brothers, about its proposals

The Frame Group's chairman, Mervyn King, said he was not a director of Unispin, so any references to the recommendations of the King committee on corporate governance, which he chaired, and his duties in respect of Unispin were therefore irrelevant

However, the Frame Group said it was prepared to meet Daun & Cie or any other interested party to discuss the matter further

Daun could not be reached for comment yesterday, and Nedbank Investment Bank, also referred to in Frame's statement, would not comment.

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No US cars for Japan

(184) (197) (117)
CT(BR) 6/4/95

Pity our poor Trevor, the man in the middle

By BRUCE CAMERON

POLITICAL EDITOR

The Trade and Industry minister, Trevor Manuel, knows he is attempting the impossible as he tries to sort out the vexing problem of removing trade barriers from the rag trade, while protecting thousands of jobs

He is stuck in a scrum with heavyweights from the World Trade Organisation, the textile manufacturers, the clothing manufacturers, the clothing retailers, exporters, the cotton farmers and wool growers, and the unions all piling into the fray. His job is made no easier when he is caught in the middle of punch ups between the combatants

Responding to criticism of his handling of the problems, Manuel said in an interview this week "inevitably whoever is the minister of trade and industry will take the rap "There are issues for which no one wants to take responsibility" But he is adamant that he will press on in sorting out the mess caused by years of protectionist policies put in place to beat off a hostile world

Manuel said he was also heir to a disentanglement policy put in place by Derek Keys, former finance minister

"Derek Keys, in his wisdom, initiated a pipeline approach to look at the industry in its entirety. It was the logical thing to do, but it is also an extremely difficult path to take"

There were continual trade-offs and spin-offs in decision making, Manuel said.

For example, no more than 40 percent of textiles manufactured in South Africa went into locally manufactured clothing, but the barriers for entry to the clothing industry were much lower than for the textile industry

In other words, jobs could be created far more cheaply and easily in clothing particularly as many manufacturers undertook the design and cutting while contracting out the make-up to small operators. Manuel said the position was further

complicated by the clothing retail industry, which was dominated by four or five big chains, and which wanted to import clothing at reduced tariffs

"If we drop tariffs on textiles rapidly, clothing manufacturers would smile — but we could lose as many as 40 000 jobs

"If we drop tariffs on clothing, retailers would smile — but we would probably lose 40 000 jobs"

The complexity was made worse by the many different tariffs. Apart from ad valorem duties there were also specific duties on different products.

In terms of the offer to the Uruguay Round of the Gatt negotiations, the duties on textiles had to come down to 22,5 percent and to 45 percent on clothing. Both were currently way above 100 percent

Manuel said the objective was to maintain jobs while improving competitiveness. The textile industry also had to be given breathing space to invest capital in plants. The years of economic isolation had resulted in machinery falling one and even two generations behind, reducing international competitiveness

He said the government had taken a first step in assisting the textile industry to upgrade its equipment by removing the 15 percent surcharge on capital goods in the last Budget

The government had also assisted the clothing manufacturers by reintroducing the Duty Credit Certification scheme, which provided a rebate of duties on textiles used for clothing for export

The DCC scheme had been adapted to make it more friendly to smaller exporters in order to encourage the creation of jobs

"What we need to do is push through reforms in a way which will take account of the widest cross-section of interests."

Manuel said there was no doubt that there were many marginal jobs in the clothing and textile industries but he could not predict how many jobs would be lost

He said job numbers were increasing in some areas, particularly in clothing manufacturers and the export markets

UNISPIN ~~197~~ (197)
Spinning out of the trap

A couple of years ago this company looked dangerously on the verge of going the same way as so many other 1987 boom listings — downhill, fast. Its recovery, therefore, in financial 1994 is admirable. It is also cause for relief. *FM 7/4/95*

But the annual report makes it plain that debt is a problem, underscored by events this week when it emerged that German financier Claus Daun had been talking to Unispin's lead banker, Nedbank, about underwriting the restructuring of the group's debt.

Chairman Neill Davies says half the R120m debt earlier converted by the banks is a problem but the company is trading well. March was one of the best months to date, he says.

There are two classes of preference shares from the rescue carried out by the

Activities: Makes hand and industrial spinning yarns and spun cotton yarns

Control: Confram 34%

Chairman: N O Davies MD C J A Snijman

Capital structure: 65m ords Market capitalisation R39m

Share market: Price 60c-12-month high, 110c, low, 45c Trading volume last quarter, 141 000 shares

Year to Sept 30	'91	'92	'93	'94
ST debt (Rm)	57,0	11,4	11,8	1,8
LT debt (Rm)	52,7	31,4	24,3	6,6
Debt equity ratio	2,6	6,4	3,4	2,9
Shareholders' interest	0,24	0,10	0,17	0,18
Int & leasing cover	0,85	n/a	n/a	0,10
Return on cap (%)	n/a	n/a	n/a	8,4
Turnover (Rm)	131,7	126,9	127,5	200,4
Pre-int profit (Rm)	18,5	(27,1)	(0,05)	19,0
Pre-int margin (%)	0,14	n/a	n/a	9,5
Earnings (c)	(14,0)	(112,1)	(5,8)	(0,69)
Dividends (c)	—	—	—	—
Tangible NAV (c)	152	34	43	46

banks a few years ago. The A prefs still have a few years to be redeemed. "Dividend payments were in arrears," says Davies, "but are now up to date." The immediate problem is the B prefs, which have to be repaid by December. "It is serious. Technically, we will owe R60m in nine months. But that is some time away and we have been working on a solution," Davies says.

Unispin's turnaround is apparent at trading level: turnover up 57%, boosting op-

COMPANIES

erating income from the previous year's paltry R53 000 to a healthy R19m.

Davies says the results reflect increased demand in the textile market — an industry which has been through a torrid time in the past few years — but also improved production efficiencies and rigid cost control.

That was at year end. The group has since been doing well, Davies says, indicating that something could well be done to meet its debt commitments by the end of the year.

Yet the share, which reached a high of 110c in May, has slumped to 60c, only marginally higher than when the annual report was reviewed last year. That was when Unispin was still looking desperate, with turnover static and operating income struggling to return to the black.

Apart from the notable improvement in operations and what Davies calls a re-defined marketing strategy "to take into account changes in the industry" — aided by the R13m acquisition of competitor Bertrand, which made a major contribution to latest results — it is potential debt which clouds the company's prospects.

It would probably take a long time to trade out of this situation. Net income of R13,7m was wiped out by preference dividend payments of R14,2m, resulting in a

small attributable loss.

The matter is further complicated by Unispin's shareholding structure. For Daun's offer to be accepted, 75% approval is needed by shareholders. There are three main groups. Frame has about 34%, Nedbank, First National Bank and Absa own 25% and the Wachsberger Trust (which includes some Unispin directors) holds about 25%.

Any of these three can veto Daun's offer, which Davies says he only recently became aware of. "He went directly to the banks."

Frame has apparently indicated it is not a seller, though the final outcome depended on a board meeting due to be held after the *FM* went to press.

Earlier reports indicated that Frame chairman Mervyn King could have a duty to act in the interests of Unispin. But King is not a director of Unispin, though he heads one of the three main shareholders. It therefore seems he would need to act in the best interests of the Frame group.

Looking ahead, Davies says order books are full for the first six months of the year and continuing rationalisation is expected to improve results. Against that, though, is the uncertainty which pervades the industry relating to tariff protection.

Of more concern to investors, though, is

Unispin's high debt and obviously what transpires in the next few weeks regarding the further restructuring of its debt.

Until a clearer picture emerges, it's unlikely that anyone will take the bait offered by the low share price. *Sham Hargis*

Textiles, clothing divided by timings

The textile industry wants import tariffs phased down over 10 years, the clothing industry thinks four years is more suitable. Now a government body argues for two to four years. **KEVIN DAVIE** reports.

THE restructuring issues highlighted in the fierce row between the textile and clothing industries mirror the wider challenges facing the post-apartheid economy.

Textiles want their tariffs 90% in the case of low-value fabrics, phased down over 10 years. Clothing, led by Clothtek's Sadek Vahed, wants a differentiated phase-down, two years for yarns, four for fabrics and eight for clothing.

Both parties claim the high moral ground, arguing their case on job losses and job creation.

The clothing sector's vast potential for job creation has already been identified by the World Bank as the barriers to market entry are low, sometimes not much more than the price of a sewing machine.

Now clothing has won the support of another ally, the government's Central Economic Advisory Service.

A CEAS report, dated November 1994, evaluates the Swart report which proposed a 10-year phasing down of textile tariffs starting in year one.



BRIAN BRINK

CEAS says government protection is normally afforded only to infant industries.

"In the case of the textile and clothing industries the metaphor of the infant industry argument can be extended to old and uncompetitive industries which either never matured or lost their competitive edge because of government involvement."

CEAS says conventional

wisdom suggests five to eight years of protection for infant industries.

"In our case the time period for assistance should, however, be much shorter, for example two to four years, because the basic structures, systems and products are in place and all that is needed is some temporary assistance to secure competitiveness."

CEAS says the stagnant and uncompetitive nature of most of this sector is not true for the sector as a whole as some companies are proving to be successful. "These firms have taken a conscious decision to invest without government involvement."

It says high tariffs present strong incentives for evasion, fraud, illegal imports and under- and over-invoicing. Lower tariffs improve the efficiency of the system and could increase the revenue collected from tariffs.

While the Swart report

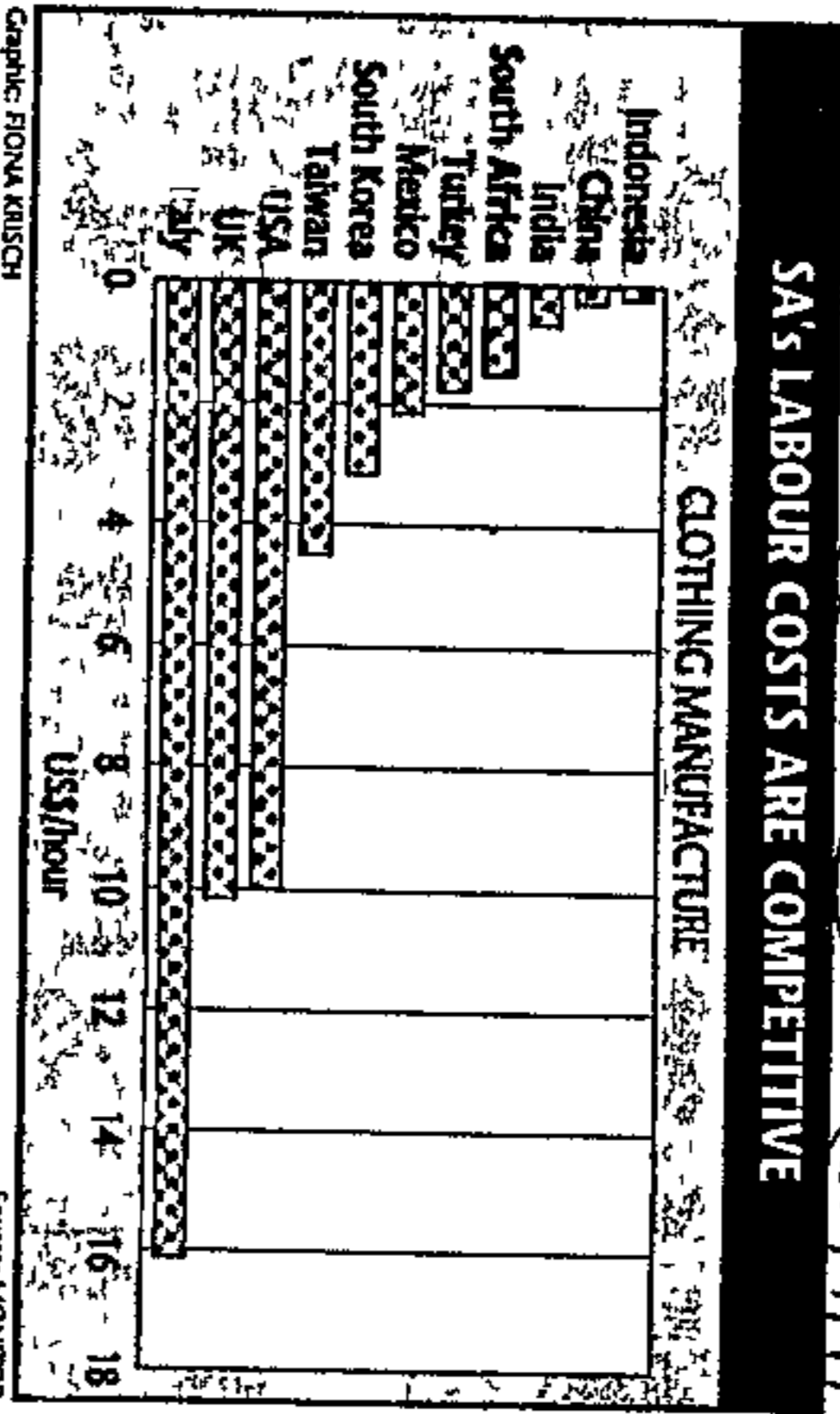
argued for interest rate subsidies to make up the difference between South Africa and international rates, CEAS favours depreciation allowances which will reduce the tax life of machinery to three years from the present five.

"This would require a commitment from the private sector and there would be no further need to look at the government for hand-outs."

CEAS says the industries need the pressure and incentive of international competition to drive their restructuring.

The Textile Federation's Brian Brink replies that the CEAS's "two- to four-year" phase-down is not reasoned or empirically determined. "It is seemingly plucked from nowhere."

Mr Brink says just the importing, erecting and commissioning of machinery can take over two years to complete in the textile industry.



Graphic: RONALD KIRSCH

Source: MONITOR

He says the CEAS report fails to take into account the fact that a speedy phase-down in Zimbabwe failed, with disastrous consequences for the industry here.

Mr Brink says the CEAS report can be summarised that the entire SA economy needs to be restructured, the education system needs to be changed, the capital base of the textile and clothing industry needs to be replaced and export orientation needs to be developed.

"All of the above will take 11 to 15 years, but (the CEAS) gives the industries two to four years to achieve the above anyway."

Texted says Gatt requires a 12-year phase-down of fabric duties to 25%. "The textile industry agreed to a 10-year phase-down to 22%."

"It makes little sense to jeopardise the 360 000 jobs in textile and related industries by not giving the industry time to remodel itself and become internationally competitive."

Texted says this 10-year period should be compared with the 15-year tariff phase-down afforded to the US in terms of the North American Free Trade Agreement.

It says the clothing lobby's argument is fundamentally flawed as clothing exporters have been able for many years to import duty-free, all fabrics which they export as clothing.

"The impediments to clothing growth are unrelated to textile tariffs."

Texted says fabric duties make up only 2% as a proportion of the retail price of clothing.

"While tariff protection on fabrics is 45% and VAToren (and significantly higher on some items) because of rebates, actual protection averaged only 14% in 1993, according to Customs and Excise."

Texted says the industry plans substantial investment over the next 10 years. It says if duties were removed tomorrow the industry would not be able to remodel itself and would not survive.

The signs of relief were general when we were able to negotiate fairly generous duty phase-downs with our trading partners in Gatt.

But the textile-clothing row shows that pressure for speedy tariffs reductions — much faster than those we have agreed under Gatt — are likely to increase by the day.

One protected industry's tariffs add to another's input costs. Demands to reduce all input costs will become enormous as the pressure to become competitive grows.

SADEK VAHED

Clothing Federation's chairman

SADEK VAHED

Clothing Federation's chairman

Texfed rejects report on competitiveness

YURI THUMBRAN

THE Textile Federation (Texfed) has dismissed the Monitor Company report's finding that the SA clothing sector was world competitive, while the textile industry was not.

The report was presented to the Cabinet last week after a lengthy investigation into SA's industry.

Texfed executive director Brian Brink said the fact that the duty free rebate facility had been insufficient to develop the clothing export effort significantly cast doubt on the report's assertion. (197)

He said that export incentives of the order of 50% of export value were

necessary to develop even "modest" clothing exports. This indicated that clothing exports from SA were far from world competitive.

Clothing Federation (Clofed) president Sadek Vahed said the clothing sector was internationally competitive, in view of the fact that SA paid higher wages compared with Pacific Rim countries, which were the leading exporters of clothing. He said SA manufacturers also had to contend with higher packaging costs than their overseas counterparts.

6010/4/95

Unispin growth set to improve in second half

(197) B.D. 20/4/95

UNISPIN maintained its growth trend, lifting attributable income after extraordinary items by 435% to R2m for the six months to March as prudent asset management helped to reduce interest charges.

Earnings a share rose to 10,2c from 1,4c, but dividends were waived

Buoyed by better trading conditions, the Port Elizabeth-based textile group lifted turnover 29% to R119m. Improved margins were reflected in a 141% rise in operating income to R12m. Interest was reduced to R537 000 (R997 000), while the tax bill jumped to R1,1m.

Chairman Neill Davies said the progress achieved during the previous year continued during the review period

Arrear preference dividends on the variable rate cumulative A preference shares had been paid in full and only current prefer-

YURI THUMBRAN

ence dividends would impact on earnings

However, the B fixed-rate, redeemable non-cumulative preference shares amounting to R60m were due for redemption on December 31

The board was examining alternatives as to how this might best be achieved

Davies said the group's order book was full and it was expected that results for the second half would show an improvement over the first

He noted that the delay by government on the phase-down period for duty levels had created uncertainty which made decisions on capital investment "extremely difficult"

Unispin's outstanding dividends on preference shares have sparked a rescue bid from the banking consortium which holds 24% of the group

In terms of the rescue bid, German company Daun et Cie recently proposed that Unispin issue 1,234-million shares at 10c each to raise more than R120m to cover the preference shares

The rescue bid has been turned down by the Frame group, which holds 34,1% of Unispin. Frame holds ordinary shares on which no dividend has been paid since financial 1990.

EXECUTIVE SUITE



Fate of industries known very soon

NICOLA JENVEY

DURBAN — Government's long-awaited decision on the fate of the SA textile and clothing industries would be announced within a month, Trade and Industry Minister Trevor Manuel said at the weekend. ~~(197)~~ (197)

Addressing a gathering of the city's prominent businessmen, Manuel said a report had been presented to him last week, which he had found "unsatisfactory and I rejected it".

The revised edition would be available "very soon, no more than a month".

Manuel said imminent changes to SA's antitrust legislation would boost competitive levels between small and large firms and ensure internationally favourable prices. *BD 24/4/95*

He was presently working on a Bill for presentation before Cabinet in June, although current legislation had already been used to break cartels within the cement and steel industries and help a small-scale cinema company to compete against Ster-Kinekor.

The local economy had to be "particularly watchful against smugness", as misreading the present cyclical upturn would be disastrous.

"The key challenge is placing this economy on a growth path which can ride out cyclical ebb and flow.

"This demands that we take stock of the implications of this country's rapid re-integration into the world economy," the minister said.

He said the role of government in meeting this challenge was far less than that of business.

Manuel rejects textile and clothing report

CT(BR) 24/4/95

(197)

By MORGAN NAIDU

STAFF WRITER

The minister of trade and industry, Trevor Manuel, has rejected as "inadequate" the latest policy document on restructuring the clothing and textile industries.

Speaking in Durban at the weekend, the minister said he had received a report on clothing and textiles which included input on tariffs and import duties. "But I didn't like it".

The clothing sector has called for a reduction in restrictive tariffs and import duties which have benefited the textile industry in the past three years.

They have been at loggerheads with the textile conglomerates and the SA clothing and textile workers' union who feel that a sudden reduction of tariffs and duties would lead to loss of jobs.

Manuel has remained steadfast despite intense lobbying from both sides and has declared his support for a compromise which will benefit both industries.

At the weekend forum, the minister promised the clothing and textile industries a new report with concrete proposals within a month.

He did not divulge his reasons for rejecting the initial report but said further "number-crunching" was taking place in preparation of the new report.

Moving to other issues he warned business to be cautious "because the South African economy has been highly and overly protected by past governmental ineptitude".

He said it was imperative that SA increased its quota of manufactured exports. Competitiveness was the key factor.

"Our firms must concentrate on reducing prices, getting smarter methodology and better training for management and workers alike.

"Unless we can compete in both foreign and domestic markets we will see more and more of our firms collapse."

Other key factors to be considered, Manuel said, were the accessing of niche markets across the world, support programmes to help small and medium businesses flourish and an intense focus on manufacturing, since its base in South Africa was much too narrow.

The government would do its best to secure best access for local goods and services, he said.

COMPANIES

Two firms set to prove the health of textiles

TWO of SA's largest textile firms, Romatex and Da Gama, will report results soon, which analysts said would indicate the strong shape of the industry despite uncertainty over tariff phase-downs.

Romatex, a C G Smith subsidiary, was restructured in December shedding the industrial divisions to newly listed Island View Holdings. The group would report its interim results early in May for the six months to March. **BD 26/4/95**

One analyst predicted that Romatex's earnings would increase be-

YURI THUMBRAN

tween 20% and 25% a share to 110c from a previous 76,1c

He said while Romatex had a fair share of the export market, its trading had been boosted by the upturn in the SA economy with a higher demand for fabric

Among Romatex's products are floor carpets, worsted fabric (wool) and household textiles

At the time of the restructuring, chairman Jack Crutchley said he was bullish about the future for the new-

look Romatex **(197)**

East London-based Da Gama is expected to lift its earnings a share by 41% to 49c from last year 34,6c. The group would soon be reporting its results for the year ending March

An analyst said the SA Breweries-controlled firm would show recovery from the strike which had hampered it in the previous review period.

He said the recovery from the strike had already filtered through at the halfway stage, noting that the company had enjoyed a full order book throughout the year

German clothing expert offers help

ETBR) 27/4/95
BY AUDREY D'ANGELO

CAPE BUSINESS EDITOR

Most German children choose their careers at the age of 14 or 15 and start vocational training while still at school, says Marlies Temme, secretary-general of the German Clothing Association

At a meeting of clothing and textile manufacturers in Sea Point yesterday, she offered to help her South African counterparts set up a similar system which, she said, would result in higher skills and improved productivity

Temme said the German clothing industry had shrunk by a third in the past five years because manufacturers were relocating to countries where labour was cheaper. The industry was expected to shrink by another third by the turn of the century, she said

However, Temme added, Ger-

~~men~~ (197) (ETB) men with the necessary skills had continued to work in management and supervisory positions in factories outside their home country

Bernard Richards, the chairman of the South African Clothing Manufacturers' Federation, said he did not expect local manufacturers to move to countries where labour was cheaper

South African retailers expected quick service and manufacturers needed to be near them to supply this

"Our customers and infrastructure are here," he said

But, said Richards, it was possible that factories making mass-produced garments — such as T-shirts, which were not produced in South Africa as it was not economic to do so — might be opened in neighbouring countries, such as Mozambique, where wages were lower

Squabbling sectors plan joint training

~~197~~ (197) ~~197~~
BY AUDREY D'ANGELO

CT(AR) 27/4/95 CAPE BUSINESS EDITOR

South Africa's textile and clothing industries — still squabbling over tariff protection — held their first combined conference to discuss training yesterday.

Mervyn King, the president of the South African Textile Manufacturers' Federation, said the development of a joint human resources strategy would improve quality and productivity and make exports more competitive.

Bernard Richards, the president of the Clothing Manufacturers' Federation, said the industries had to "make up for lost time" after failing to keep up with international developments during the apartheid era.

Richards said developing the clothing industry was a quick way to create jobs. But, he added, the efficiency of workers and management would have to increase.

The two industries were moving out of conflict, he said, and were now working together with the South African Clothing and Textile Workers Union to "develop the people of our country".

(197)
Da Gama clothed in glory: Textile group Da Gama lifted its dividend by 40 percent to 21c for the year to March 1995 compared with 15c in 1994 as a result of improved trading conditions, market share gains in some divisions and recovery from a six-week strike in the previous financial year See next page

CT (BR) 28/4/95

Warring industries agree on training

EDWARD WEST

CAPE TOWN — The Clothing Federation and the Textile Federation, which have been at loggerheads with each other over tariffs, agreed on Wednesday to formulate a joint strategy on training. **BD 28/4/98**

Textile Federation president Mervyn King said co-operation between the two industries was essential to enable them to become internationally competitive.

He said co-operation was needed not only in the human resources field, but along the entire production and export pipeline. Duplication of training and overlapping of resources between the clothing and textile industries had to be avoided. King said incentives should be offered to

large corporations to make their training facilities available to small- and medium-sized businesses.

Clothing Federation vice president Bernard Richards said the clothing industry offered the potential of speedy employment growth in SA, but needed to increase the efficiency of its labour and management and had to obtain materials at world-competitive prices.

Richards added that the Clothing Federation planned to invite the Textile Federation to join the proposed Clothing Export Council. **JTE**

Textile industry looks ahead

(197) ARG 29/4/95
Business Staff

THE textile and clothing industry must transform itself into a world leader through education and training, says trade union leader Ebrahim Patel

The relatively well educated workforce in the highly successful southeast Asian "tiger" nations was the single largest source of their comparative advantage, Mr Patel — head of the SA Clothing and Textile Workers' Union — said at an industry training summit in Cape Town this week

Employers and workers needed to shape a common vision that would see a major increase in the quantity of training and would re-focus its content, he said

"The central principle is involvement and participation"

To start with, funding should include government matching grants of as much as R300 million a year, Mr Patel said

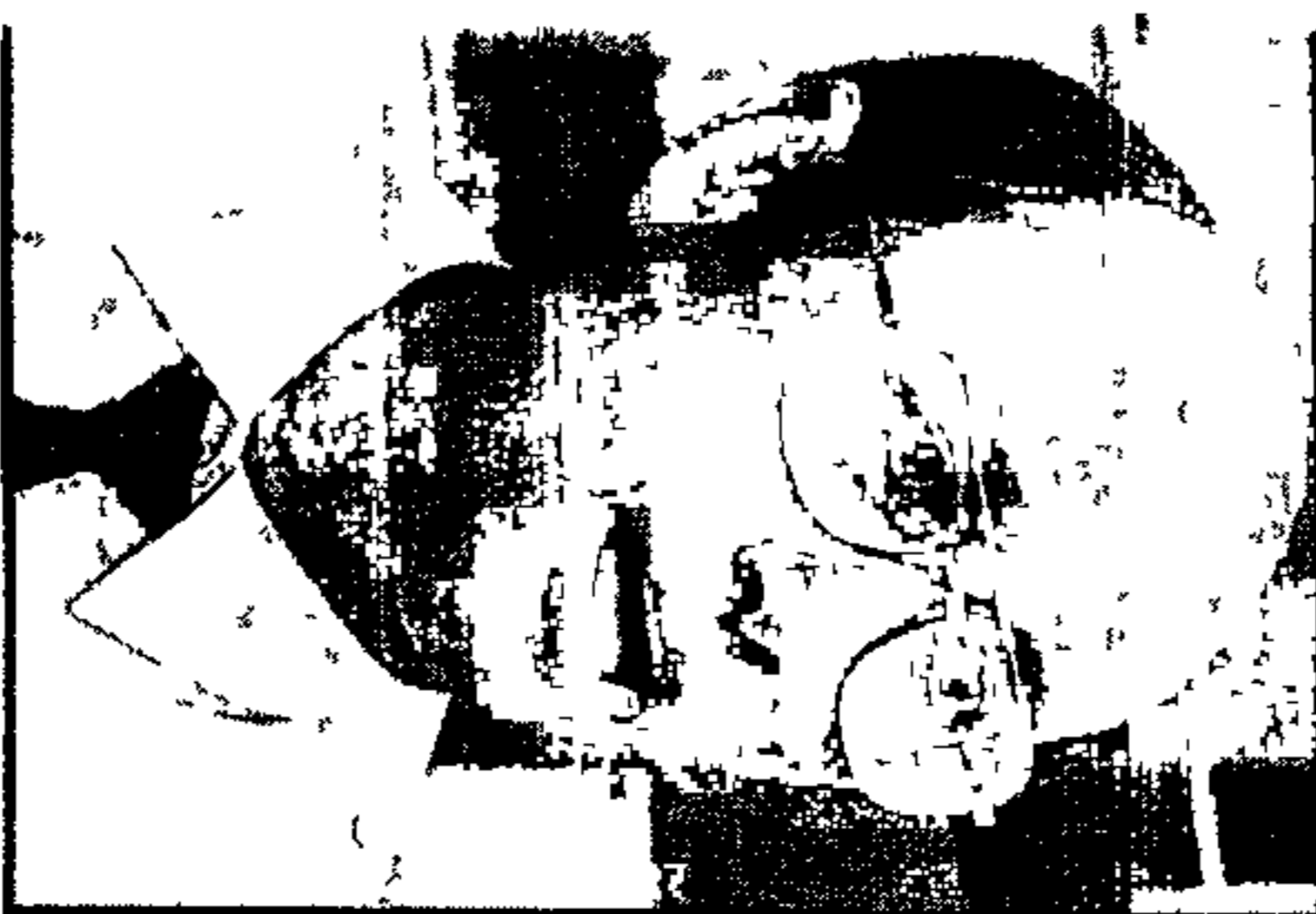
The industry needed to develop a career and promotions programme for its sector that would help promote previously disadvantaged people and "reposition the image of the industry"

There was an absolute necessity for literacy and numeracy training of workers in the industry, without which they could not function in a modern economy

JOBS

Tariff debate immaterial to textile, clothing duties

Though arguments over import tariffs for the clothing and textile industries continue to be heard, the actual duties collected suggest that the debate is merely academic, writes **CIARAN RYAN**.



BYED Brian Brink of the Textile Federation

WHILE the clothing and textiles lobbies argue their cases for tariff relief, customs and excise figures show that average tariffs paid in both industries are well short of that allowed by law.

The average ad valorem tariff on clothing in 1993 was 100% — but the average paid was less than 8%. The average ad valorem tariff on fabrics was 50%, but only 12% was paid on average.

The bulk of imports attract no tariff duty because of various rebates and duty credit schemes. On textile imports of R2.2-billion in 1993, an average tariff paid of 12% against the 50% average official tariff represents income forgone of nearly R840-million.

Duties paid on clothing imports of R400-million in 1993 amounted to an estimated R31-million, representing duty forgone by government of nearly

R370-million. Textiles imports amounted to R2.8-billion in 1994 against exports of R1.5-billion — a trade deficit of R1.3-billion.

"It shows that the debate over the future of tariff levels in the clothing and textile industry is largely academic," says Henrie van Zyl, executive director of the Clothing Federation of South Africa.

"The discrepancy between official tariffs and actual tariffs paid undermines the need to do away with most of these exemptions and impose low, across-the-board tariffs for both clothing and textiles."

Importers are still claiming tariff relief under the old structural adjustment programme introduced in 1989 and its later

version, the **ST (BP) 30/4/95** certificate scheme (DCC), Section 470 of the Customs and Excise Act, which allows duty-free imports where the finished product is re-exported, and various industrial rebates.

Brian Brink, director of the Textiles Federation, says a simplified tariff system requiring less bureaucratic interpretation of tariff book rules would plug the holes which have allowed imports worth billions of rands to enter the country duty-free.

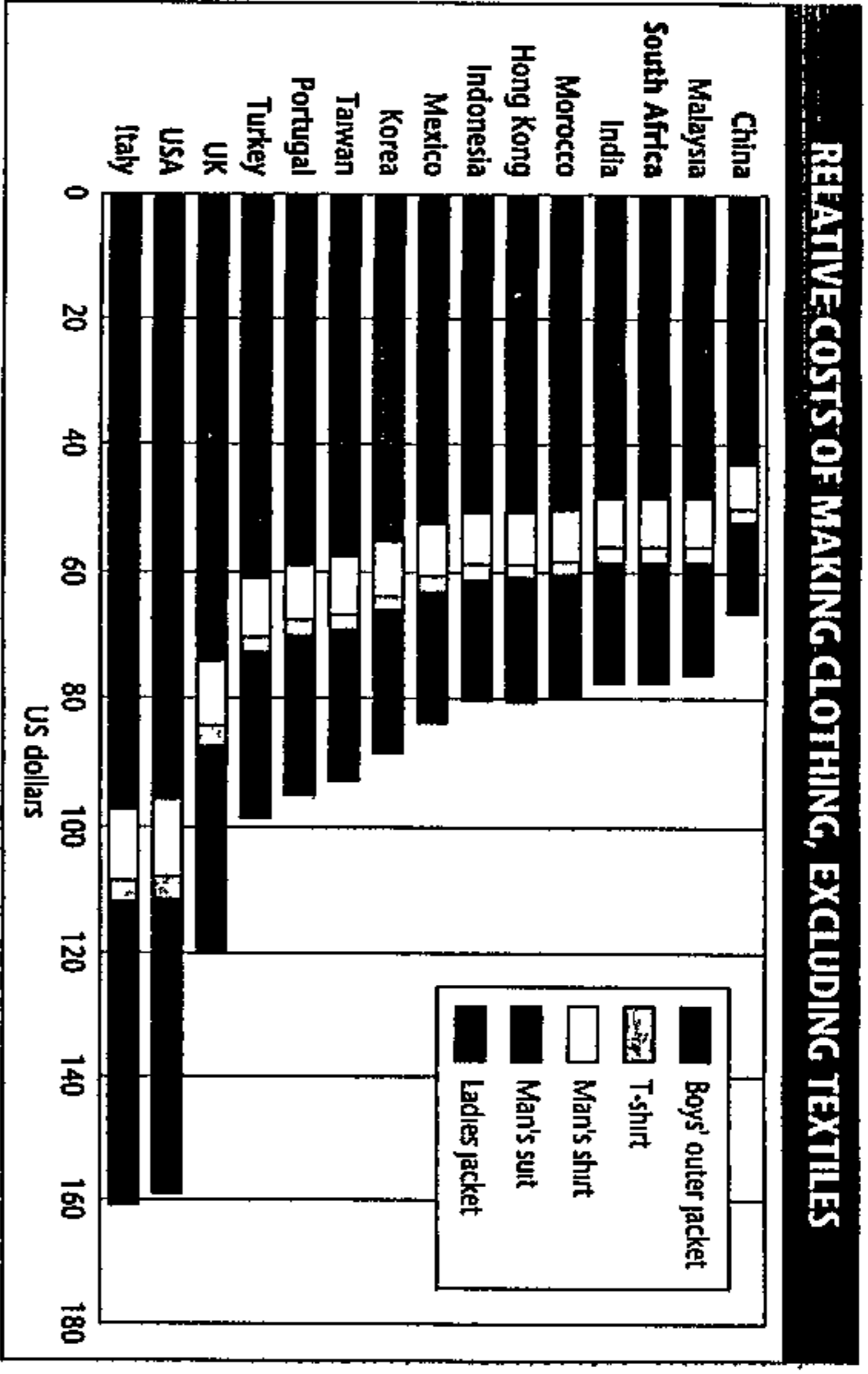
"We would like to see these tariff exemptions phased out as tariff levels are reduced," says Mr Brink.

"Fraud is the single largest problem faced by the textile industry today. The system is too complex

and unwieldy, and needs to be simplified. But the fact that the average import tariff paid on textiles was just 10.5% does not mean that this was the average level of protection. An importer bringing in fabric must pay 45%, not 14%."

The most important of the tariff exemptions is 470(3), in terms of which fabrics worth R280-million were imported duty-free in 1994, while total clothing exports amounted to R415-million. A substantial portion of these fabric imports were fraudulently sold on the domestic market instead of being processed and re-exported, says Mr van Zyl.

"We surveyed 10 of the largest clothing exporters



in the country, who told us that 90% of their fabric used in exports was sourced locally. Fabric accounts for 50% of the value of an item of clothing, so this tells us that the current system is riddled with holes. We need a simplified system which is easier to police.

"The Monitor report and the World Bank agree that South Africa's clothing industry is competitive, and that it can compete with the world if raw material inputs were cheaper," says Mr van Zyl (see graph).

"The world will not wait 10 years for us to become competitive, but will go elsewhere."

Textiles has urged the government to implement the Swart recommendations on duty levels and phase-down periods in terms of these recommen-

dations, duties on fibres will fall from the current 25% to 7.5% over 10 years, yarn will fall from 32% to 15%, fabrics from 45% to 22% and clothing from 90% to 40%.

These are well below the duty ceilings required under the General Agreement on Tariffs and Trade. The 10-year phase-down period is below the 12 years required by Gatt and substantially lower than the 15 years granted to the US textiles industry. Clothed, small business organisations, the local distributive trade, the Southern African Customs Union and the SA Consumer Council want duties on fibres dropped to 0% over two years, and yarn to 0% over four years. It wants duties on fabrics to be dropped to 15% over four years and on clothing to 40% over 10 years.

DA GAMA

~~(197)~~ (197)
FMS/S/95

Pleating profits

The first noticeable aspect of Da Gama's preliminaries for financial 1994 is the 39% increase in attributable earnings to R24,6m on turnover growth of only 15%. Pre-tax income actually rose 51% but the tax bill doubled to R8,5m from R4,3m in 1993. Nonetheless, EPS rose 39% to 48,2c and a dividend of 21c (1993 15c) was declared.

The company has a strong balance sheet, with net interest earned of R2,6m for the year and liquid assets of R65,3m (1993: R22m), 29% of the total current assets. The group operates in four main markets: household (curtains and bed linen), home sewing (bolts of material) largely for the informal sector; industrial contracts (such as hospital sheets) and apparel, which includes fashion and workwear.

About R25m is earned from a chain of retail/wholesale stores which the group has operated for about two years, adding up to a total turnover of R305,7m.

CE Harry Pearce says the household and workwear sectors have shown "nice growth," with real volumes rising well. Industrial contracts have been flat because of reduced government spending but the defence forces have awarded the group a full contract, worth about R10m, for cam-

ouflage clothing.

"Previously, we had only about a third of the contract; so it's gratifying to have the lot now," says Pearce.

The large cash assets are a consequence of good stock control and better margins. Working capital held in stock is down by R15m-R20m on the previous year, he says.

During the 1993 strike, management decided its best move in bad times was to conserve cash. As a result of squeezing assets, the balance sheet looks good.

Sitting on such a large cash pile, the group is on the lookout for acquisitions. Pearce doesn't think horizontal expansion will work. "That means buying big and we don't want serious borrowings," he says. He stresses the group looks for value-added buys, as in the retail shops. The most likely route for Da Gama is to move down the

value chain, possibly into shops supplying bed linen.

Pearce considers the group is in the upswing of its cycle. "A lot depends on the Swart report and what (Trade & Industry Minister Trevor) Manuel does about tariffs," he says.

The share is on a p e of 8,1 at 390c. With NAV at 490c a share, Da Gama represents good value for money.

Margaret Anne Halse

Call to end textile tariff poser

Deputy Business Editor

TEXTILE Federation president Mervyn King has called for an end to the uncertainty on textile and clothing tariffs, which he says is holding up capital spending of R3 billion by textile companies

In a statement, Mr King said the majority of Texfed's 90 member companies intended to renew capital stock, re-train work forces and remodel businesses, but decisions were being delayed by the tariff question

Mr King said Texfed welcomed indications that a decision would be announced "within weeks"

But Department of Trade and Industry spokesmen were tight-lipped this week on the timing of the announcement

Reports that minister Trevor Manuel would announce the new tariffs at a conference on branding and competitiveness in Cape Town later this month were unfounded, a spokesman said.

Mr King said there would be wide public interest in the outcome of the tariff issue

The minister's decision would reflect the extent to which economic policy-making was influ-

enced by "heated populist rhetoric and the questionable analyses of expensive consultants"

Texfed and the Clothing Federation are locked in a bitter fight over tariffs, with clothing manufacturers calling for rapid cuts in protective duties on textiles

■ Drought-hit cotton growers in Australia are trapped in a multi-million-dollar bind as they find themselves unable to deliver forward-sold cotton for a market where prices have hit an historic high, reports Sapa-AFP

In the cotton trade it is estimated that more than 100 000 bales of grower forward sales cannot be delivered to merchants

A commodities consultant estimated the figure could leave growers paying out about US\$18 million

Cotton prices have hit levels unseen since the American Civil War wrecked the Southern states' cotton trade in the 1860s

The price has zoomed off a low of 65,9 US cents a pound to a high last week of around 117,5 US cents

If growers cannot deliver forward-sold cotton to merchants

they have to pay the price difference to cancel the contract

Australia ranks about fourth among cotton exporters in a good year, producing at the high-quality end of the market and exporting about 90 percent of the crop

But 1995 is not a good year, and the industry expects the crop currently being picked to be around 1,3 million bales. Government economists say this is about half the capacity of the country's mainly irrigated fields

"Highly beneficial rains were received in most of the Australian cotton growing regions in the crucial growing period in January and early February, alleviating acute shortage of irrigation water in most regions," said government economist Max Foster

But in spite these rains, industry experts said that persistent drought in some parts of eastern Australia had hit key producing areas in New South Wales such as the Macintyre and Gwydir river valleys and Namoi, cradle of the country's cotton growing industry

The experts suggested that this year's problems could lead to changes in the individual fixed-price cash contract system

ARL 6/5/95 (197)

Ragtrade pay talks pressure

ALIDE DASNOIS
Deputy Business Editor

WAGE negotiations affecting more than 100 000 workers in the clothing industry in South Africa's cities are under way, with the SA Clothing and Textile Workers' Union (Sactwu) demanding a 15 percent increase in wages

After the second round of negotiations this week in Durban, clothing employers offered a 9.5 percent wage increase and an increase of 0.5 percent in provident fund contributions

Employers have also agreed to contribute 20c per worker per week to the union's bursary fund (197)

Other Sactwu demands include ARLT 6/5/95

■ A guaranteed annual bonus of one-and-a-half week's wages and

■ The regulation of fixed contract labour

National negotiator Lionel October explained that with the upturn in the industry clothing firms were taking on workers on short term contracts of one or two months

The union was not opposed to this, he said, provided there's a good reason, such as an urgent export order

"We are saying there should be consultation on this

Sactwu is also asking for a closing of the wage gap between the Western Cape, Gauteng and Natal on one hand, and the Eastern Cape, Northern Cape and Free State on the other

Higher profit levels, rising share prices of listed companies and better employment figures suggested that the industry was in an upswing

"Clothing workers are demanding wage increases above the inflation rate this year, in other words real wage increases," Mr October said

Another polyester price surge looms

CF (BR) 9/5/95 (197)

By SHIRLEY JONES

STAFF WRITER

Another surge in the polyester price is set to hit the troubled South African textile industry on July 1

Continually under the whip as cotton prices continue to rise, textile manufacturers face a R2,50 a kilogram increase in the price of polyester, cotton's major man-made substitute, according to sole domestic supplier Hoechst SA

Wolfgang Raffalsky, general manager of Hoechst Business Unit Fibres, says although the dramatic price increases over the past year have amounted to a 100 percent increase, this is in marked contrast

to the Far East, where the best prices are \$2 500 a ton, representing a 180 percent rise over the same period.

Raffalsky puts the price increases down to continuing shortages in international commodity markets for cotton and polyester staple fibres, coupled with runaway demand from a number of sectors

He says the strong upward shift in polyester demand for textile applications (which makes up 67 percent of global polyester consumption) driven by a tight cotton market coupled with rising demand in the packaging sector (33 percent of global polyester consumption) has resulted in unprecedented price

increases since 1993. A sustained surge in demand for polyester in the manufacture of carbonated soft drinks (global growth rates are in excess of 20 percent) has added a further complication.

Raffalsky says that because polyester derives from a complex chain of petrochemical intermediate products produced in massive, capital intensive chemical plants, it is impossible to adjust volume production to meet sudden, unplanned growth in demand

He foresees no improvement in the situation as expansion of existing capacity will not begin to ease the supply position before the end of 1997

Why the textile debate is so avidly followed

ETCBEH/5/98 (197)

MY TURN

Mervyn King is this week's guest columnist

By all accounts, the ministry of trade and industry will announce a new dispensation for the textile and clothing pipeline in the next fortnight. No matter what the outcome, this is good news, for it has the merit of certainty. One also hopes it will end months of public feuding between rival lobbies.

An end to uncertainty is vital, for two reasons.

□ Where the overwhelming majority of the Textile Federation of South Africa's 90-odd members have declared their intention to renew capital stock and remodel their businesses, a critical factor in their planning is certainty about the phase-down period to final tariff levels, and

□ In a broader policy sense, it is important that the trade and industry ministry give a firm indication of future industrial strategy—for the sake of fixed investment decisions by both local and offshore enterprises, who may be contemplating starting new projects or expanding existing ones.

Given the extraordinary textile-clothing imbroglio of the past five or six months, considerable public attention will be focused on the final dispensation decided on in Pretoria. This will not be because the debate is of such great public interest, but because it will reflect the extent to which economic policymaking is influenced by heated, populist rhetoric.

This is important, not only for "sensitive" or "vulnerable" sectors such as clothing, textiles, motors, electronics and so on, but for all other sectors facing the painful transition to a new world trade order and relying on a measure of policy certainty in

the process. The outcome will be watched by all industries with "pipeline" or interdependent structures—that is, where raw materials are processed into intermediate goods and finally worked up into manufactured goods.

As the implementation of Gatt's new trading rules began, many South African industries with a history of heavy import protection will face particularly difficult adjustments. If it was not like that before, in the new world structure the cost of inputs becomes a vital determinant of international competitiveness.

Rival viewpoints

This is what lies at the heart of the rival policy viewpoints of the clothing and textile sectors. In the past, such differences were easy to bury under import controls and high duties, as local consumers bore the cost of their inefficiencies. Now, under internationally endorsed rules of trade liberalisation, demand-side subsidies and other fiscal supports must go. As a result, everyone feels vulnerable.

As regards the textile-clothing pipeline, the government needs to strike the right balance between imports and tariffs. On the one hand, the new structures should

provide sufficient protection to stimulate new private fixed investment. On the other, the new tariffs (and the period over which they are phased in) should be pitched at optimum levels to allow importers to keep domestic producers honest, that is, competitive.

Thus, if secondary processors or manufacturers were to claim that their manufacturing efficiencies were being hamstringing by the past protection of industries making intermediate inputs (such as apparel textiles), does it follow that export performance would only be enhanced if all external tariffs on imported inputs were removed, and that the workers so liberated from their jobs would happily be absorbed in other sectors of an expanding economy?

It has not happened in the world of Michael Porter of the Monitor Consulting Group, so why should it be made to happen here? In the United States, textile mills have been accorded a 15-year phase-down of the quota protection embodied in the Multifibre Arrangement. In response, the mills are investing heavily in machinery, equipment and human capital to help them face the new trade order in 2010.

The crisp issue here is that some sort of policy dichotomy has opened up in the industrial strategy debate. It is as though

various interests in the manufacturing pipeline want different tariff dispensations: producers of manufactured goods want access to inputs at world-best prices—duty-free, in other words. They no longer want to be shackled to domestic producers who, for reasons of strategy or job protection, need to be protected while they carry out their renaissance plans. They want cheap inputs now so that they can make competitively priced products, for which they still want high protection. So while it is perfectly acceptable to import, say, cheap Pakistani cotton fabric duty free, it's another game entirely to import Pakistani cotton shirts.

Liberal trade ethic

This debate is not confined to the textile pipeline: it rages in all sectors where capital-intensive industries with a history of protection produce manufacturing inputs for specialist downstream fabricators. The debate is replicated in vehicles and components paper, pulp and packaging, steel-making and fabrication, chemicals and plastics. In each case, downstream users of inputs want to break away from the manufacturing cluster to seek cheaper sources of supply.

This is as it should be, and thus is how it's going to be once the liberal trade ethic works its way through all the forward and backward linkages of production, processing of intermediate goods, and final manufacture.

The writer is president of the Textile Federation of South Africa.

WITH Trade and Industry Minister Trevor Manuel's decision on the tariff phase-down for the clothing and textile industries imminent, both appear to have ended their war of words and are awaiting their fate.

Manuel made it clear that "protection on demand was dead", but despite the public lobbying by the two industries to ensure a favourable outcome for their respective industries, it appears that there are elements of international competitiveness which would ensure the industries do survive.

According to statistics of the Customs and Excise Department, SA exported textiles worth R1,5bn last year, up 30,9% on the previous year, while clothing exports slumped 33,2% to R415m.

Textile imports jumped 25,9% to R2,8bn and clothing 24,2% to R483m, it said.

A glance at recent strong results shows that most companies in both industries were doing quite well, driven largely by heightened consumer domestic spending and a fair amount of exports.

SA's top textile firms in terms of

Clothing and textiles wait

BD 12/5/95 (197)

YURI THUMBRAN

turnover are Frame, Da Gama, Romatex and Unispin, while the top three in clothing are Seardell, unlisted AM Moolla and Rex Trueform.

Romatex and Rex Trueform have proved to be the market leaders in terms of exports. Both are relatively small compared with the giants in their industries, Frame and Seardell.

Romatex CE Mike Hankinson told a recent analysts' society presentation that his group would not be affected by the new tariff dispensation because the company concentrated on niche markets and had a strong exporting arm.

A further benefit for the group was its strong presence in the contract markets, which was less cyclical than the consumer market.

Until December Romatex included other divisions, among them bulk storage and industrial concerns. Management restructured the group, listing the industrial concerns under Island View Holdings. At the

time chairman Jack Crutchley expressed optimism about the future despite the uncertainty over the tariff phase-down period.

In the clothing industry Rex Trueform has been proved the market leader in the export market. Chairman Stewart Shub said the uncertainty about export incentives had affected exports.

However, the uncertainty has been removed. Manuel has announced a three-year extension of the duty credit certificate scheme and the general export incentive scheme. These are two major spurs for clothing exporters.

Da Gama maintained a strong surge in the export market, aided by the weaker rand. For Manuel these are good exam-

LETTERS

ples of international competitiveness and proof that SA companies can cope, but the question to which he must provide an answer is the phase-down period.

Industry sources said eight years in which to reduce tariff protection would still be palatable, but recently there had been concern that government would opt for a period of from four to six years.

A joint decision by clothing, labour and the textile industry in the Swart panel to a 10-year phase-down on tariffs, two years less than GATT requirements, was tabled a year ago.

The clothing industry subsequently made alternative proposals after Manuel indicated that government did not have the financial resources to supply the R4,5bn suggested by the Swart panel to make the industries competitive.

Clothing's proposals suggest a one- to seven-year phase-down on textiles, while it retains the 10-year sug-

gestion of the Swart panel for the clothing industry. It says the clothing industry should have the opportunity to import its fabrics, yarn and fibre duty free.

Subsequently, the Monitor report on SA's competitiveness had found that the clothing industry had elements of international competitiveness. This has been disputed by Textile Federation president Mervyn K...g, who said the clothing industry already had duty-free access to textile for re-export under the Customs and Excise Act.

He noted that clothing exports have been declining with no discernible surge in employment, while the clothing industry indicated it would not be internationally competitive without export incentive measures.

The textile industry provides 360 000 jobs directly and indirectly, and the clothing industry 90 000 jobs.

The SA Clothing and Allied Workers' Union has supported the textile industry's call to government to implement the Swart report's 10-year phase-down period. Manuel has promised a decision this month, and the industries believe it may be announced next week.

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High tariffs criticised

Nicola Jenvey (197)
DURBAN

International textile corporations would have better access to the SA and southern African markets once local import tariffs were lowered. Korean Export Association of Textiles trade mission leader Jae Dong Lim said yesterday. The tariff decrease was expected to be introduced in line with the General Agreement on Trade and Tariffs (GATT) regulations.

Lim said the SA clothing industry needed quality products at competitive prices, but the high levels of import tariffs posed severe problems both for international textile exporters and local clothing manufacturers.

"Korea has made inroads into the SA market despite competition by other developing countries, which can produce and supply textiles at lower costs."

The mission was the association's second to SA, and Lim said the southern African market was vital for driving regional economic development, particularly since the opening up of the SA economy.

'New era' ahead for welfare (197)

Kathryn Strachan

BO 19/5/95

A HIGH-level meeting on fraud within the pension system would be held next week to begin the process of "eradicating this evil", Welfare Minister Abe Williams said yesterday.

At a national welfare, social service and development forum in Midrand, Williams said he was concerned about the long queues pensioners had to endure at payout points. The proposed uniform pension system promised to eliminate problems.

A new era in SA's welfare history would begin when the welfare White Paper was unveiled next week, he said. There was a need for a new policy as the welfare service scene was fraught with discrepancies which had made not only the lives of clients difficult, but those of welfare workers as well.

The White Paper would focus on funding and restructuring. Funding would be in line with government's policy of "zero-base budgeting", where all levels would have to decide from zero what services were essential. The traditional incremental budgetary system had been insensitive to actual needs.

A large part of provincial budgets were allocated from central government. However, these funds would never be sufficient. For this reason provinces would be able to impose taxes to collect additional revenue. It was hoped that a state lottery would bring additional funds to welfare.

The country could not afford "luxurious facilities which catered only for a few people. A new approach would mean people would be empowered to take charge of their lives.

By CIARAN RYAN

Protection eats away at textiles

ST(BT) 21/5/94(197)

Excessive import protection has destroyed the competitiveness of South Africa's textile industry, says Jim Crook, executive chairman of Tongaat Hulett-owned textile producer, David Whitehead.

"The South African textile industry has been protected for 40 years and it is about time we learned to paddle our own canoe," says Mr Crook.

David Whitehead is one of two successful textile producers mentioned in the recently published Monitor Report, which highlights areas of weakness in the SA economy. The other is De Nim, owned by German entrepreneur Claus Daun, who has made a fortune buying beaten up companies and turning them around.

Not surprisingly, these companies are at odds with many of their competitors in the textile industry who are calling for a 10-year phase-down in import tariffs and substantial government assistance to allow the industry time to adjust to the realities of global competition.

"High tariffs are more hurtful than beneficial," says Mr Crook. "This is precisely why South Africa's economy finds itself in this position."

Both companies invested heavily in state-of-the-art equipment and sought out value-added niche markets often overlooked by their competitors.

David Whitehead exports 35% of its furnishing output, much of it to the ferociously competitive Far East market where raw materials and labour charges are considerably lower than in South Africa.

The company invests up to R20-million a year, twice its depreciation rate. It expects to grow turnover 7% this year or about R350-million while continuing to improve on its 22% return on capital. This is despite a



JIM CROOK . High tariffs hurt more than they help

Picture: RICHARD SHOREY

doubling in the cost of key raw materials such as cotton and polyester.

Mr Crook says raw materials make up 54% of the costs of production, and to remain profitable the company would have to increase some prices by 25%.

"We cannot do that, so we have to look at ways of improving our efficiency. That means working longer hours and getting more output from our machinery," he said.

Unlike its Far East competitors, SA textile producers receive no raw material subsidies. Some textile producers complain that imported textiles are often sold in South Africa at less than the cost of local raw materials. An SA textile manager earns five to ten times his Far East counterpart, where wage differentials between workers and managers are smaller. "We should be looking at total productivity rather

than just the productivity of workers," says Mr Crook. "Unless we get our house in order we will not win the race for global market share."

"At David Whitehead we look for competitive advantages. It can take four weeks to import products from Korea, so we try to beat them on lead times. We have shorter, more flexible production runs, and our print patterns and designs are more in line

with market wants.

"We spent a lot of money installing high-tech design systems so that we could differentiate ourselves from our competitors through excellent design work. We also support the local technikon design school. But tastes and fashions change, so one has a relatively small window of opportunity before the market requires new designs. This means one has to be on top of it all the

time." De Nim has won an order to supply fabric to Levi Strauss, which announced recently that it planned to set up an SA factory for local and export sales. A De Nim spokesman says skills training, modernisation and product specialisation turned a loss-making company into a cash positive operation.

Ralph Judah, one of the authors of the Monitor report, says the key to both companies' success is understanding the value-added chain and sticking to their core businesses.

"David Whitehead decided to add value through printing fabrics. They were not the first in the world to do this — many US companies did this in the 1970s — but they were among the first in South Africa."

"De Nim went for product specialisation, producing denim and heavy fabrics for a few carefully targeted markets. In typical Claus Daun style, he refurbished the plant from top to bottom. This is now one of the lowest cost mills I have ever seen."

"I believe the textile industry requires no more than three to five years of incentivised transformation. The notion of single industry handouts from government is a bankrupt form of policy," he says.

Mr Judah says types of government assistance should focus on modernisation tools such as accelerated depreciation allowances and training assistance to raise the skills level in the industry.

If David Whitehead and De Nim are able to survive without government assistance, is there any reason why the rest cannot do it?

"I think it's a case of if you don't ask you don't get," says Mr Judah. "But behind the scenes I suspect the textile industry is negotiating supply-side measures which are more in line with what the industry needs."

Rumoured break in textile ranks denied

(197) CT(BR)24/5/95

By SHIRLEY JONES

STAFF WRITER

The Textile Federation is going all out to quash rumours that members are breaking ranks over the controversial 10-year phase down period of protective tariffs in preparation for the General Agreement on Tariffs and Trade

A Sunday newspaper article alleged that two KwaZulu Natal based companies, David Whitehead Textiles which is part of the Tongaat Hulett group and De Nim Textiles, did not support the Textfed call for a 10-year phase down period

They were said to support the Monitor report which claims the South African textile industry needs only three to five years of "intensive transformation"

David Whitehead managing director, Jim Crook, says while he believes the textile industry needs to learn to live with lower protection, any lowering of the tariff would have to be in the best interests of both the industry and the country

De Nim managing director, Mark Perrings, who said the reporter did not consult him, confirmed his support for the 10-year phase down period

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David Whitehead managing director, Jim Crook, says while he believes the textile industry needs to learn to live with lower protection, any lowering of the tariff would have to be in the best interests of both the industry and the country.

De Nim managing director, Mark Perrings, who said the reporter did not consult him, confirmed his support for the 10-year phase down period.

Grinaker lands R10m deal

RAG TRADE

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Waiting for Manuel

PM 26/5/95

With Trade & Industry Minister Trevor Manuel expected to announce a new long-term plan for the textile and clothing industries within a week, the clothing sector is still lobbying furiously for a speedy reduction of textile tariffs

The announcement could either be the culmination of or just another chapter in a saga in which the two sectors have fought running battles over protective tariffs

Last week, Manuel indicated to delegates at a Cape Town seminar that the announcement could be expected by the end of the month.

The clothing industry is perturbed that higher "interim" textile tariffs are being used as a basis from which textile companies are asking for more time to reform.

The textile lobby hopes for a 10-year tariff phase-down period but the clothing sector feels that a differentiated, one- to three-year period would be sufficient for its textile fibres, yarn and fabric inputs.

Looking at some recent textile industry financial results, it is no wonder the sector is fighting so hard to retain its position. Romatex, in the six months to end-March, reported a 100% jump in attributable profit; Frame Group quadrupled interim December earnings to R26m; Da Gama lifted earnings 56% in the year to end-September, and Ninman & Lester trebled earnings

Clothing Federation executive director Hennie van Zyl says he is relieved that textile companies such as David Whitehead and Claus Daun's company DeNim prove the textile industry does not need a decade to become globally competitive.

He adds the federation has been approached by the Parliamentary Standing Committee on Trade & Industry to explain its views on the harmful economic effects of tariff protection. "I only hope it will not be too late."

uncertainty put SA's name on a US government list that identifies countries where alleged intellectual property violations have taken place.

The issues are particularly complex since the rights in dispute involve two pieces of legislation: the law before the new Act and the Trademarks Act of 1993 that only took effect at the beginning of the month

Says Webber Wentzel partner Stuart Gardiner "The old Act was clear. A trademark right could be established either through registration or, under common law, through use

"Where the trademark was registered, it had to be used within a period of five years, otherwise an application could be made to have the trademark expunged from the register unless the holder of the right could prove that special circumstances prevented it from using the trademark."

It is on this argument that the burger giants are likely to base their case. They claim that US Congress-mandated sanctions legally forbade them from conducting business in SA and should, therefore, constitute the "special circumstances."

The new Act, however, specifically protects internationally well-known trademarks against registration by locals, regardless of whether they have been registered or used in SA.

Textfed seeks Europe deal

ST (BT) 28/5/95

(197)

By CIARAN RYAN

THE Textile Federation says it wants preferential access to European markets under the free-trade deal being offered to South Africa, but is unwilling to extend reciprocal privileges to European textile imports.

"We would like to see an agreement being negotiated which gives SA textile producers preferential access to Europe," says Brian Brink, executive director of the SA Textile Federation.

"Subject to negotiations, we would not be averse to a deal whereby South Africa sources its textile machinery from Europe in exchange for preferential entry to Europe"

This proposal is likely to face opposition from Mediterranean countries with strong textile industries and Lomé beneficiaries concerned that a relatively developed country such as South Africa will

enjoy stronger trade access to Europe

Mr Brink says it is unlikely that the World Trade Organisation will permit a differentiated tariff structure for textile imports from Europe

"There is a problem dropping tariffs for one trade bloc only and not for others. One can negotiate differentiated tariffs with developing countries on a one-to-one basis"

Textfed has reiterated its opposition to export processing zones to attract foreign investment and promote exports

Clothing and fabrics is one of the industries granted special export privileges — tantamount to a form of special EPZ — according to

Anthony Gmsberg of GmsGlobe Communications, who helped draft Namibia's recent EPZ legislation

Mr Gmsberg says opposition from bureaucrats, status quo politicians and vested interests such as organised labour and factory managers in tariff-protected industries has stymied South Africa's efforts to get EPZs off the ground

Mr Brink says several incentives are available to exporters, including

- Duty-free imports under Section 470 03 of the Customs and Excise Act for the manufacture of products to be exported,
- Fifth schedule drawbacks of duty on imports for manufacture of exported products, in terms of the Customs and Excise Act,
- Duty credit certificates which allow clothing and textile companies duty credits up to 30% of the value of their exports
- Export marketing assistance

Tariffs' time to go has come

ST(BT) 28/5/95
COMMENT

TRADE and Industry Minister Trevor Manuel will soon pick up his pen to sign an order which will set out the phase-down period for the tariffs which protect the textile industry.

The Textile Federation wants duties phased down over 10 years. The Clothing Federation wants a variable phasing down of duties on textile inputs of no more than four years.

Some observers believe Mr Manuel will strike a compromise, others are hoping and praying (even demanding) the 10-year lifeline.

Whatever his decision, we hope he looks at the rebate system which reduces duties of up to 90% in the case of cheap fabrics to an effective 12%

But the game is moving so fast that no sooner will Mr Manuel have gazetted these duties that attention will swing to what a free-trade deal with the European Union will mean for this industry

EU officials indicate that World Trade Organisation rules require that 80% of all trade must be included in free-trade agreements

Textiles can expect to be included, meaning it could face zero duties in about 10 years rather than the 22% it hopes Mr Manuel will gazette

Some businessmen will no doubt

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argue, with union support, that we could never hope to open our trade borders to the EU, no matter how generous the phase-down period the EU gives us

But with our market a mere \$135-billion compared to the EU's \$7 000-billion, government would be turning down a deal in a millennium

Much better, as two textile companies we profiled last week are doing with considerable success, is to concentrate on becoming internationally competitive in the shortest possible time

The message should be clear and simple. The old way of doing things will go the way of the old South Africa

Kevin Davie

'Last-ditch' talks on textile wages

ARLT 30/5/95

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Labour Reporter

WAGE negotiations described as "last-ditch" talks between the Clothing National Bargaining Forum and the South African Clothing and Textile Workers Union have resumed after breaking off at 2am today

The union's national negotiator Lionel October said that the employers had shifted their offer from 11 percent to 12 percent but the union was holding out for 15 percent

The 15 percent included two percent provident fund and guaranteed annual bonus components

The union represents over 100 000 clothing industry workers throughout the country

A dispute was declared between the union and various regional clothing and industrial workers and councils on May 16

Mr October said the union had arranged for urgent annual general meetings to be held throughout the country later this week for workers to decide whether to revert to industrial action

"We are still talking but it's become very much touch and go," said Mr October

Seams come apart on clothing plan

Yuri Thumbran

~~197~~ (197)
TRADE and Industry Minister Trevor Manuel's plan to link export assistance for clothing and textiles to productivity and training has come unravelled.

The plan was that exporting companies would qualify for exemption from import duties through the duty credit certificate scheme only if they met training and productivity criteria monitored by the National Productivity Institute.

However, the Clothing Federation (Clofed) and the SA Clothing and Textile Workers' Union (Sactwu) disagreed over implementation of training measures. The Textile Federation (Textfed) joined the fray, complaining about the lack of progress at the institute.

In a letter to Sactwu, Clofed executive director Hennie van Zyl said Trade and Industry's proposal was that a maximum of 10% of scheme benefits be spent on training until target expenditure of 4% of wages was achieved. However, Clofed wanted a maximum of 5% spent on training until target expenditure was achieved.

Van Zyl said reducing the maximum to 5% would give flexibility to companies to which marketing and technology would be a more appropriate strategy. The institute had a vital role to play in identifying the most appropriate strategies for individual companies, and these plans had to be

BD 31/5/95 Continued on Page 2

Clothing

Continued from Page 1

~~197~~ (197)
lodged with the department.

"There is growing concern that instruments created to promote exports and international competitiveness are being turned into instruments to promote training," he said.

Textfed executive director Brian Brink expressed concern that with the export year already in its second month, the institute had not yet finalised guidelines. "Companies could go out of their way to meet the targets, yet at the end of the period the

BD 31/5/95
NPI could still ~~lie~~ stand against them."

Institute consulting services head Jan-Henk Boer said scheme beneficiaries should, with the institute's help, formalise productivity plans for 1995/96 showing status of key productivity performance indicators and improvement targets. Later accredited management consultants would help with productivity plans.

The extent of spending on training, in cases where the target figure of 4% of the wage bill could not be met, was still being negotiated between Sactwu and Clofed. If consensus could not be reached, government would have to decide.

Two marches disrupt Durban

CT 11/6/95

DURBAN: Traffic was disrupted and main streets in the centre of Durban were blocked by two separate marches heading for the city hall yesterday.

Several hundred kwaZulu/Natal college students converged on the city hall to protest against bursary structures.

Later about 400 members of the South African Clothing and Textile Workers' Union marched to the city hall to demand a 15% pay rise

(197) (197)

'Outdated' machines give SA factory a world edge

ST(BT)4/6/95

(184) (197)

By ZILLA EFRAI

FEW manufacturers can claim, as SA Nylon Spinners' industrial division does, to supply over 15% of the world's market for a product because they use outdated equipment.

Ten years ago, the Cape Town-based yarn producer supplied only the local market, exporting sporadically when it had excess capacity during downturns. Now it is a major player in many foreign markets and more than half its business comes from exports.

Terry Fouché, marketing manager of SANS's industrial division, says the division supplies 75% of the nylon sewing thread used in Nike, Adidas and Reebok sports shoes.

It also makes 15% of the world's polyester sewing thread, 35% of Europe's threads for automotive timing belts and 20% of those used in European seat belts. SANS does not disclose figures but says the division's foreign sales have more than doubled since 1990. In the same period, export volumes have jumped from 8 000 tons to 17 000 tons and are expected to double in the next five years.

Markets include the US, South America, Europe, the Middle East, India, Australia, New Zealand and the Far East with its export office dealing with about 66 transactions each week.

It exports all the automotive timing belts and 90% of all the sewing thread, parachute and seat belt yarns it makes, 80% of yarn produced for the substrates and coated fabrics industries are sold abroad. When it comes to production, SANS, an AECI subsidiary, seems to have had the best of both worlds.

Many major producers, especially in Europe, have been phasing out multi-stage technology and switching to new capital intensive one-stage technology. The multi-stage processes dominated world production about two decades ago but became more expensive to operate because of high labour costs.

However, Mr Fouché says demand for the products made with the multi-stage process has not faded. These products

have unique characteristics that cannot be obtained with one-stage processes and some can only be made using it.

"The market for these products is still there but the traditional suppliers are paying less attention to it. More and more of them have moved out of the areas which we have chosen to stay in, creating a shortage of capacity," he says.

Many international players are not re-investing in nylon because the long-term trends show that it will be replaced.

Meanwhile, SANS has also moved on to one-stage technology in some areas. Its energy bill is high but SANS scores from South Africa's low energy costs. Because it buys raw materials on the international markets at the same prices as its competitors, it is a competitive producer here, too.

Mr Fouché says SANS is concentrating on the smaller but lucrative niche markets.

"We are one of the smallest operations in the world with one of the largest production ranges."

SANS industrial division focuses on

product areas where it can offer the best price and quality. It can offer smaller runs as its machines are modular and can be adapted to make different products.

Mr Fouché says that a decade ago the division began installing new capacity which, in its estimates, would meet the requirements of the SA market. It previously sold to merchants overseas and had no idea who the end customer was.

The new expansion, however, made the division more vulnerable to market swings and it began to investigate the export market. Over the past five years, SANS has invested close to R200-million in capacity especially for export and plans a further R150- to R200-million expansion over the next four years.

With commission agents in many countries it sells products and services direct to customers from South Africa. If there is a problem anywhere in the world, someone is immediately put on the next plane to sort it out.

Mr Fouché says SANS's industrial division has spent much time and money getting to know its markets thoroughly.

Clothing workers offered 13 pc

ARG 8/10/95 (197)

Business Editor

MORE than 100 000 clothing workers all over the country have been asked to approve a 13 percent rise in wages and fringe benefits

The offer, hammered out by representatives of the South African Clothing and Textile Workers' Union (Sactwu) and the National Clothing Federation in Durban on Tuesday, is being discussed in clothing factories today

Workers in the Free State, the Northern Cape and the Eastern Cape are to be offered an extra 0,5 percent in a bid to narrow inequalities between the regions

The Durban agreement follows five unsuccessful meetings between the union and the employers

Last week thousands of clothing workers demonstrated in Cape Town

and Durban in support of their demands

Employers were offering a wage increase of 11 percent with a one percent increase in bonuses and provident fund contributions. The union was holding out for a 15 percent package, with a 12 percent wage increase and a three percent rise in bonuses and provident fund contributions.

Cape Clothing Manufacturers' Association president Johann Baard said he was "hopeful" the Durban deal would be ratified by employers and workers

But Sactwu national negotiator Lionel October said it would be "touch and go" in the factories

Employers and union members are to report back to their representatives by Monday. The new wage rates are due to come into effect next month.

Manuel to settle reform timeframe

Yuri Thumbran
and Marcia Klein

ND 12/6/95
A KEY factor holding up investment decisions in the clothing and textiles industries — the timeframe for tariff reforms — will be disclosed when Trade and Industry Minister Trevor Manuel announces his plans for the industries today.

Manuel will also announce final plans for the motor industry, which has seen a bitter feud develop between vehicle and component manufacturers after the Board on Tariffs and Trade made recommendations for reform.

It was speculated at the weekend that the clothing and textile industries would get a maximum of eight years in which protective tariffs were phased down.

This has been a major sticking point between the clothing and textile industries. In terms of the GATT agreement, SA could get 12 years but the industries have accepted that it should be done more quickly.

Sources said factors which Manuel had to take into account were the textile industry's contribution towards the balance of payments, shrinking clothing exports and trade union support for a longer phase down period.

Last year textile exports rose 31% to

R1,5bn, while clothing exports decreased 33% to R415m. According to sources the final duty levels would be 7,5% for fibres after eight years, 15% for yarn, 22% for fabrics and 40% for clothing.

Other concerns were that while SA had good export concessions in the EU and the US in terms of the multi-fibre agreement, those markets were already saturated by Asian countries.

Edward West reports that National Clothing Federation executive director Hennie van Zyl said that the federation had called for a more rapid but phased reduction on tariffs than the 10 years being proposed by the Textile Federation. It also wanted a two-year tariff reduction period on yarns, four years on fabric and textiles and eight years for clothing.

Van Zyl said it was unlikely that GATT was aware of the full circumstances within SA's clothing and textile industries. "The evidence around the world is clear the best way to become competitive is to reduce tariffs.

"Long-term protection of the textile industry has a cascading inflationary effect on clothing industry inputs. We structured our proposal so that the textile industry

Continued on Page 2

Manuel

Continued from Page 1

has time to become competitive.

A structural adjustment programme was agreed to in 1989 with government, committing both sectors to a five-year tariff reduction period. To say we need 10 years is nonsense," said Van Zyl.

Sources said at the weekend that the gist of the motor industry proposals were generally anticipated and accepted by the industries concerned.

They will include details of levels of duty free allowance, a timetable for the reduction of duties on completely built-up vehicles, and details of how export and imports could offset one another.

Econometrix economist Tony Twine said the motor industry would take on a different shape over the next eight years as a result. The proposals would render certain parts and certain current practices of the industry unviable, he said.

The broader implications of the proposals were that the industry had to comply with GATT, a maximum effective tariff of 30% and no subsidisation of exports out of the general fiscus.

Twine said the smaller issues were vitally important to the various interests.

A department spokesman said Manuel would allow "a short time" for comment. The proposals had been under discussion for some time, he said.

Textile industry 'making changes'

(197) CT(BR)12/6/95

BY SHIRLEY JONES

STAFF WRITER

The South African textile industry is profoundly aware that it must remake itself to become competitive, or it will die, says David Sable, director of Gregory Mills

"The industry is committed to this and is putting its money where its mouth is. It has committed over R3 billion to remodel itself, having already spent over R500 million on modernisation and expansion last year," Mills said in an interview on the eve of an announcement on the removal of tariff protection by Trevor Manuel, trade and industry minister

However, Mills asked "Where is the wisdom in destroying one of South Africa's major industries and 360 000 jobs by forcing the pace beyond viability when the industry could survive and provide the desired benefits of cheaper textiles in the medium to longer term?"

The Textile Federation (Texfed) has endorsed Sable's comments on crucial issues on the future of the clothing and textile sector, which will be dealt with during today's announcement by Manuel

Panel

Sable reiterated the textile industry's support for the findings of the Swart panel, which, he said, was representative of big and small business, labour and government, as well as international experts.

The panel called for import duties on textiles and clothing to be phased down over 10 years

In addition, the report called for lower final duty levels than required by Gatt. If this were implemented, South Africa would be one of the only countries in the world to implement trade reform faster than required by Gatt, Sable said

Sable also revisited the most controversial issue in South Africa's textile debate: the breakaway of the Clothing Federation (Clofed) and its suggestion that the phase down of duties for textile manufacturers be reduced to four years, while it continues to enjoy a 10-year breathing space

He challenged Clofed on points he hopes Manuel would consider

Clothing enjoyed twice the level of protection of textiles at 90 percent (textile import duties ranged from 22 percent to 45 percent), a situation which did not exist anywhere else in the world

Sable questioned Clofed's claim that, with importing world-price textiles, it would grow dramatically through exports, generating up to 2,5 million new jobs.

"The clothing industry employs about 130 000. Clofed suggests this will more than offset the potential 360 000 textile and related job losses which will result from such a policy

Sable said that the clothing industry already had duty-free access to imported textiles for re-export under the Customs and Excise Act, not to mention export incentives of over 30 percent

"If they are internationally competitive, where is the dramatic export-led job creation?"

"There has been no discernible increase in clothing industry employment. At the same time, textile exports have increased by 31 percent from R1,2 billion in 1993 to R1,5 billion last year. In contrast, clothing exports have collapsed 33 percent from R622 million in 1993 to R415 million last year

"The export figures indicate that the textile industry is considerably more competitive than the clothing industry," he said

Sable pointed out that there was considerable international evidence to support a gradual duty phase-down. In the United Kingdom, where a rapid phase-down was implemented throughout the economy in the late 1970s, 5,5 million manufacturing jobs, half the country's manufacturing base, were destroyed

In Zimbabwe, a rapid duty phase-down had destroyed half of the textile and clothing industries and the government was devising an emergency package to avert the total collapse of the surviving companies, he said

On the other hand, in the United States, which had adopted a gradual approach (here the textile industry would have 15 years to phase down duties in terms of Nafta) the results were different

Real new capital expenditure in textiles increased from \$1,6 billion in 1980 to \$2,5 billion in 1993 and productivity has increased by 77 percent from 1980 to 1992

In the South African context, Sable warned, further acceleration of the duty phase-down period on textiles might have far reaching consequences

The closure of much of the textile industry and massive job losses which would go with it, could undermine political stability

Less protection for clothing and textile industry

(197) STAN 13/6/95

■ BY BRUCE CAMERON

Trade and Industry Minister Trevor Manuel hopes his proposed shake up of the clothing and textile industry will retain existing jobs, create new jobs and leave the industries internationally competitive.

Manuel has attempted to find a compromise between the textile, clothing and clothing retailers while sticking to his guns on forcing the industries to be competitive.

He has recommended the tariff structure on clothing be reduced from the present 90% to 40%, household fabrics from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15%, and polyester fibre from 25% to 7,5%.

Ad valorem rates would be reduced over eight years and specific duties over four years, with a possible one year extension.

All rebates on duties would be phased out within ten years. Other recommendations include:

■ A 50% subsidy on management consultancy fees for a period of five years to help companies restructure. Manuel expects this to cost R5-million a year.

■ The continuation of the Duty Credit Certificate scheme for three years (including this year) under which clothing

manufacturers get rebates on import duties of primary material if they invest in training and productivity programmes.

■ Assistance with the upgrading of technology through the Industrial Development Corporation and other institutions.

■ The lifting on import control on clothing.

■ The creation of an efficient anti-dumping unit and improved efficiency of customs control.

■ No support for stabilising the cotton price.

■ No subsidy for wool export marketing assistance, but the Department of Trade and Industries would hold an immediate investigation into the wool industry.

■ The development of a training programme for people in the industries under the Department of Labour. A forum, including the departments of Labour and of Trade and Industry, the labour unions and the private sector, would assist in developing the programme.

■ That textile and clothing small business issues be included in the national policy for small business in general, although they would benefit from reduced tariffs.

Manuel said with the recommendations the aim was to have the industries competitive within ten years.

Manuel offers textile deal

CT(BR)13/6/95 18 (197)

BRUCE CAMERON

POLITICAL EDITOR

Trevor Manuel, the trade and industry minister, has proposed a major shake up of the clothing and textile industry, which he hopes will retain existing jobs, create new jobs and leave the industries internationally competitive.

Manuel has attempted to find a compromise between the textile and clothing manufacturers and clothing retailers while sticking to his guns on forcing the industries to be competitive.

One month

He warned that if the recommendations were not implemented soon the industries would be "dead in the water". The next four years would be critical, he said.

Manuel has given organisation representatives and unions one month to consider the recommendations. He said many of the phased tariff reductions had already started as well as mea-

asures to improve supply-side conditions, such as improved training and technology.

He has recommended the tariff structure on clothing be reduced from the present 90 percent to 40 percent, household fabrics from 55 percent to 30 percent, fabrics from 45 percent to 22 percent, yarn from 32 percent to 15 percent, and polyester fibre from 25 percent to 7.5 percent.

Restructuring

Specific duties would be reduced over four years and all rebates on duties would be phased out within 10 years. Other recommendations included:

□ A 50 percent subsidy on management consultancy fees for a period of five years to help companies restructure. Manuel expects this to cost R5 million a year.

□ The continuation of the duty credit certificate scheme for three years (including this year) under which clothing manufacturers get rebates on import duties of primary material if they invest in

training and productivity programmes,

□ Assistance with the upgrading of technology through the Industrial Development Corporation and other institutions,

□ The lifting of import control on clothing,

□ The creation of an efficient anti-dumping unit and improved efficiency of customs control,

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□ No subsidy for wool export marketing assistance, but the department of trade and industries would hold an immediate investigation into the wool industry,

□ The development of a training programme for people in the industries under the department of labour, and

□ That textile and clothing small business issues be included in the national policy for small business in general, although they would benefit from reduced tariffs.

Manuel said the aim of the recommendations was to have the industries competitive within 10 years.

Long-term plan does not meet expectations

Yuri Thumbran

~~197~~ (197)

THE Clothing Federation (Clofed) has rejected Trade and Industry Minister Trevor Manuel's long-term plan for the clothing and textiles industries, which included an eight-year phase-down period for tariffs.

Manuel's plan, which was unveiled yesterday, included most of the recommendations of the Swart panel report which was finalised last year, except for a shorter phase-down period of eight years instead of 10 years.

The Swart panel was a forum of government, business and labour set up to reach consensus on reform. **BD 13/6/95**

Key elements in the recommendations were the development of some supply-side measures advocated by the panel, including training and customs control.

Both industries have the chance to respond to Manuel's proposals, before they meet on July 11 to finalise all details.

Clofed deputy president Bernard Richards said the plan did not meet expectations. Manuel had opted for a longer, rather than a shorter, phase-down on textiles.

"Naturally the clothing industry would have been happier with a four-year phase-down on duty levels for textiles," he said.

Richards was critical of the 5% increase a year on the maximum duties, applicable to those textiles not available in SA, which could lead to higher inflation in the clothing sector. But the minimum duties that government could set were scheduled to decline by 10% a year.

Richards expressed concern that the plan would have a negative effect with trading partners in the European Union, who could impose similar measures on SA.

But he noted that the removal of import control on clothing would have no effect on the local industry.

Textile Federation president Mervyn King said the textile industry would go full steam

ahead with plans to remodel itself following Manuel's recommendations.

He said the announcement would give the textile industry the chance to implement its plans for R3bn capital expenditure, workplace reorganisation and training.

King said Manuel's package was practical, reasonable and workable, given the fact of fiscal constraints on government.

"The ruling ends years of uncertainty and will give the industry the opportunity to implement the plans it has drawn up to become competitive internationally," he said.

The SA Clothing and Textile Workers' Union said it would respond tomorrow to the proposals.

Manuel's plans were widely welcomed by analysts yesterday.

One analyst said common sense had prevailed and the market had discounted the very worst into the share prices of the sector because of the uncertainty.

Radical restructuring plan will take eight years, says Manuel

Yuri Thumbbran

197

TRADE and Industry Minister Trevor Manuel yesterday announced that quantitative controls on clothing imports would be lifted as part of a radical restructuring of the clothing and textiles industries.

Manuel announced an eight-year period for the two industries to phase down tariffs, which be harsher than the 10 years agreed on in the tripartite Swart Panel. Rebates of duties, which could be claimed on goods purchased for the manufacture of export products, would be phased out over 10 years.

At the end of the restructuring period, the tariffs would be reduced as follows: clothing from 90% to 40%, household textiles from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15% and polyester fibre from 25% to 7.5%.

In line with the Swart Panel report's recommendation on supplyside measures, Manuel said there was a need for an efficient anti-dumping unit and efficient customs control. Small business, which had been one of the sticking points between the textiles and clothing industries, did not get any special mention, but the issue would be referred for inclusion in the national policy being developed for small business.

Training, which had become a prerequisite for credits on import duties, would be referred to the labour department and a forum would be established for the development of a programme. Aside from the departments of labour and trade and industry, the unions and business would also take part in the forum.

Manuel said his vision was to achieve international competitiveness for the clothing and textile industries within 10 years.

Manuel's decision was aimed at minimal job losses in the textile industry, the creation of formal and informal jobs in the clothing sector, and a greater export orientation. Manuel said both industries had the ability to become internationally competitive, while it had a major advantage in not being subject to the multifibre agreement (MFA). The MFA limited clothing and textiles exports from developing nations to developed ones.

Manuel also announced that technology upgrades would be financed by the Industrial Development Corporation and other external institutions. There would be no support for the stabilisation of the cotton price, and no subsidy for wool marketing assistance, but the trade and industry department would investigate the wool issue separately.

New deal ahead for ragtrade

ADD 13/6/95

(197)

ALIDE DASNOIS Business Editor

TRADE and Industry Minister Trevor Manuel has given the warring textile and clothing industries one month to respond to a far-reaching plan to slash import tariffs in half in eight years.

"There was no blood on the floor," said Mr Manuel at a media briefing in Cape Town yesterday after presenting the plan to representatives of the Textile Federation (Textfed) and the Clothing Federation (Clothfed).

The two have been at each others' throats for months on the question of import tariffs, with Clothfed claiming that high textile tariffs were strangling small clothing manufacturers.

Mr Manuel's compromise plan involves the phasing down of ad valorem tariffs over eight years and of specific duties over four or possibly five years, with a mid-term review in three years time.

At the end of the period, tariffs on clothing will have been chopped from an average 90 percent to 40 percent, on

household textiles from 55 percent to 30 percent, on fabrics from 45 percent to 22 percent, on yarn 32 percent to 15 percent and on polyester fibre from 25 percent to 7,5 percent.

The double objective of the long-awaited plan is to bring South African industry in line with the General Agreement on tariffs and trade (GATT) signed by the government in Morocco last year, and to protect employment in both industries over the critical period ahead.

Mr Manuel said a number of factors had been taken into account in drawing up the plan, including productivity, investment, the growth of companies outside the industrial council system and South Africa's place in the region.

Within 10 years, he said, the South African textile and clothing industries should be well on the way to international competitiveness and sustainable development and there would no longer be any need to lobby the government.

Job losses in the textile industry should be offset by a net creation of jobs in clothing.

Duty credit certificates and export incentives would be

awarded to companies which met defined productivity targets.

Given current investment trends in the textile-clothing pipeline, Mr Manuel said, it seemed that government support for investment in new technology would not be necessary. But the Industrial Development Corporation could provide low interest loans if needed for technological upgrading.

Other issues of concern were the need to support small and medium enterprises and the leakage through the customs net of cheap clothing imports. Representatives of the Department of Finance were abroad looking into solutions into this problem, he said.

The degree of agreement on the plan yesterday had "been quite remarkable." Industry representatives had got the message that there was no point in dissipating any more energy on a quarrel and that the government was deaf to lobbying.

Mr Manuel said it was hard to tell whether or not the plan would be approved by the industries concerned.

The proposals would also have to be approved by the SA Clothing and Textile Workers Union, which had "acted as a bridge" between the parties, and by South Africa's partners in the Southern African Customs Union.

Meanwhile a motor industry task group had been set up to flesh out proposals for a new development programme due to come into effect on September 1, Mr Manuel said. The task group, comprising three representatives of the motor-car manufacturers, the components industry and the National Union of Metal Workers of SA (Numsa) was to present an interim report at the end of the year.

Key proposals for the motor industry included:

- A duty free allowance calculated against exports.
- Cuts in import tariffs from 80 percent to 40 percent on completely built-up (CBU) vehicles within eight years (tariffs have already been reduced from 115 percent since June 1994), and
- The scrapping of the local content requirements

Manuel slashes tariff protection

CT(BR)13/6/95

(197)

By BRUCE CAMERON

POLITICAL EDITOR

Fundamental restructuring of the clothing, textile and motor industries, with major reductions in tariff protection barriers and the scrapping of local content requirements for the motor industry, have been unwrapped by Trevor Manuel, trade and industry minister.

The release of the programmes yesterday followed months of controversy and lobbying, with fears raised that all three industries could be significantly damaged by the removal of the tariff barriers which were put in place during the sanctions era.

Manuel hoped to save thousands of jobs with the programmes, while making motor vehicles and basic clothing and textiles cheaper.

Key to the success of the programmes will be the stimulation of exports.

Zavereh Rustomjee, director-general of trade and industry, said indications were that all the industries were improving and there would be a positive balance of trade in value terms, even though tariff barriers were coming down.

Manuel said all three industries had no option but to adapt and this was recognised particularly by the unions.

Manuel briefed all sectors of the industries. He said there was "no blood on the floor" but some reservations had been voiced about whether enough was being done on supply side measures, which included upgrading training and technology.

The clothing and textile industries had been given a month to consider proposals. A task force representing government departments, labour and employers was set up to consider the recommendations for the motor industry.



BOLD STROKE Trevor Manuel, trade and industry minister and Nic Swart, chairman of the board of tariffs and trade, announce news of fundamental changes to the clothing, textile and motor industries

PHOTO ALAN TAYLOR

The programmes for the clothing and textile industries were completed by the trade and industry department. The recommendations for the motor industry were made by the Board of Tariffs and Trade.

For the motor industries, the local content programme would be dropped and a new system of reduced and "tradable" duties would be introduced.

In the process the range of motor vehicles assembled in South Africa is likely to decrease and prices are expected to come down. In the clothing and textile

industries Manuel has opted for a compromise between demands for a 10-year phasing out of tariffs, demanded by the textile industry, and the five years on textiles wanted by the clothing industry.

Manuel said that the reduction of tariffs in all three industries would be counter balanced by intensive programmes to upgrade training, technology and management skills.

The upgrading of supply side inputs would enable the industries to become internationally competitive in both local markets and

export markets.

In the clothing and textile industries he has taken measures to improve management, technology and training to make them more internationally competitive.

Manuel said there would be phased reductions in the textile and clothing industries over eight years for ad valorem rates and over four years for specific duties, with a possible one year extension.

The decreases would be at a minimum rate of 10 percent a year.

□ See next page

Manuel's manual

□ Import duties on built-up vehicles to be reduced almost immediately from 115 percent now to 65 percent and to 40 percent by 2002.

□ Motor vehicle manufacturers to be granted a 27 percent duty-free allowance for components and further rebates if they export components or vehicles.

□ Phased reductions in the clothing and textile industries over eight years for ad valorem rates and four years for specific duties. Decreases will be at a minimum rate of 10 percent a year. All rebates phased out over 10 years.

Illegal imports 'harming clothing, textile industry'

John Dluho

(197)

ILLEGAL clothing and textile imports worth more than R1bn were passing through SA's lax customs controls every year, Textile Federation (Texfed) executive director Brian Brink said yesterday.

He said there was a need to tighten up customs controls to stem the flood of imports escaping duties and harming local industries.

"The figure could be a lot higher — we can't tell, because by their very nature these imports are fraudulent," Brink said.

This follows Trade and Industry Minister Trevor Manuel's statement that government believed illegal imports added about 20% to the import bill.

Brink said the problem was so rampant that Texfed had offered to help government by seconding technical experts to the underresourced customs and excise department.

The experts would assist with the

BD 15/6/95
identification of products at ports of entry, duty checks and the inspection of documentation.

However, Brink said such an offer could not be accepted under the current Customs and Excise Act, which insisted on confidentiality regarding customs control.

"Unless we lift this veil of secrecy, it will be impossible to second officials to government," he said.

Deputy customs commissioner Isaak Coetzee said Finance Minister Chris Liebenberg had asked his special adviser Charles Stride and customs commissioner Daan Colesky to draw up a business plan aimed at improving efficiency.

"Criminals are getting better than us (customs officials)," Coetzee said.

A team of experts was studying ways of improving the department, while Stride and Colesky were currently overseas studying moves to restructure the inland revenue and customs and excise departments in other countries.

he calls the "definitive" report for restructuring the clothing and textile industries. Admittedly inheriting a problem which plagued previous governments, Manuel has tried to steer a middle course through a proverbial minefield.

The crucial textile tariff recommendations propose eight years in which to reduce tariffs on textiles from 55% to 30%, fabrics from 45% to 22%, yarn from 32% to 15% and polyester fibre from 25% to 7,5%.

The 11 recommendations of the report include the "need for an efficient anti-dumping unit; (and) efficient customs control."

Though the clothing industry is disappointed, the textile industry can hardly contain its delight. Its federation responded with an announcement of "full steam ahead" with its R3bn capital expenditure,

~~1870~~ (197)
CLOTHING/TEXTILES

Will this save nine?

FM 16/6/95

After years of suspense and four official commissions, Trade & Industry Minister Trevor Manuel has finally produced what

FOX

workplace reorganisation and training plans now set in motion to remodel itself.

It says government adhered to the recommendations of the Swart plan, with only a two-year reduction in the tariff phase-down period — from 10 to eight years.

Says Textile Federation president Mervyn King: "We now have enormous confidence in the future of the textile industry and the upbeat trend reflected in results reported by textile companies over the past few months will continue and improve. Our long-suffering shareholders can look forward to a rerating of the sector on the JSE."

King also asks for the creation of a joint textile-clothing federation, which exists in many other countries and "yet has been unthinkable in SA until now". He says major retailers should be drawn into the joint body. King also offers assistance in helping to upgrade SA's "appalling" customs service, where too few officers cannot hope to check corruption which he says is "rife."

The National Clothing Federation is not happy and plans to respond within the month allowed by Manuel, says vice-president Bernard Richards.

Says Richards: "We asked for a four-year phase-out period for textile tariffs — instead we got eight. We are also concerned that the success of the programme is conditional on the stopping of customs leakages. While the Minister estimates these leakages at about 20%-30% above official import trade figures, we fear illegal imports could exceed 30%." He says that unless grey trade is stopped, "the plan will have no force or effectiveness."

But he is happy with the three-year extension of the Duty Credit Certificate system, which will assist clothing exporters

No mention is made in the report of Geis as this is seen as a separate trade issue

Market sources say Manuel's plan may help to halt the long-standing battle between the clothing industry (employing 160 000, with sales of R6,1bn a year) and the textile industry (82 000 workers with annual turnover of R7,9bn). Arnold van Huyssteen

Textiles: Practices need overhaul

(197) CT(BR)20/6/95

The textile industry should move away from basic textiles into higher added-value products for niche markets and improve efficiency and technology to become internationally competitive

This is the main recommendation of Industrial Strategy Project researcher Johann Maree on the textile industry

Maree said the next 12 years would give the industry its most serious challenge yet

The main challenge was the tar-

iff cuts in terms of Gatt Unprecedented international competition could be expected as protective tariffs against imports were phased out

"As it is structured today, the textile industry will not survive the competition," he said

But Maree said South African firms had shown their ability to compete locally and abroad in higher value-added products This was where the future lay

However, there had to be

improvements in a number of areas, including organisation efficiency, by adopting techniques such as total quality management and just-in-time production

The introduction of new technology and production techniques would not work unless the textile, clothing and retail industries adopted a pipeline approach that recognised that each sub-sector, from cotton growers to retail chains, depended on the other, Maree said

Sactwu wage settlements reached

Renee Grawitzky

30 21/6/95

THE SA Clothing and Textile Workers' Union (Sactwu) achieved settlements from 13% to more than 30% in the footwear and cotton textile sectors.

According to the union a 13% wage increase was achieved in the footwear sector, which falls under

the broader leather industry. This settlement will raise the minimum wage in the sector to R287,02 a week. It was agreed to refer issues such as affirmative action, contract labour, employment and shop steward leave for training to sub-committees.

The first year of centralised bargaining within the

industry's newly formed industrial council has resulted in the agreement of a minimum entry level to the industry of R220 a week and an average wage of R300.

Sactwu general secretary Jaba Ngcobo said employers in decentralised areas had to pay close to 80% increases.

Those employers paying on or above the average would grant across the board increases ranging between R33 to R36 a week depending on skill levels.

Provisions have also been made for a six year plan to bridge the wage gap. The catch-up amount would begin this year and would be paid in two installments. As from July 1 this year employers would pay an extra R8,66 a week, bringing the entry wage up to R228,66 a week.

Body hopes to raise exports

~~1977~~ (1977)

BY SHIRLEY JONES

STAFF WRITER

CT(22) 21/6/95

In a reconciliatory move described as "the most important development in the economic history of the South African clothing and textile industries", textile and clothing federations have announced the creation of a dedicated, independent export council.

To be known as the South African Clothing and Textile Export Council, the council will be the first of its kind in the country and will be based on similar councils in Britain and Taiwan.

The council will comprise members of both industries, but operate independently from existing industry structures in terms of decision making, staffing and financing.

The two federations, Clofed and Textfed, said that initial funding would be needed, including an ex gratia payment from the trade and industry department.

The council's brief is to facilitate job creation through export performance, now at less than 10 percent of domestic production.

M 22/6/95 (197)

Da Gama expects textile sales to go on improving

Yuri Thumbran

THE expected improvement in the economy and the continuation of the sound forward order position should yield a further advance in textile group Da Gama's earnings, chairman Laurie van der Watt said in the annual review.

This was achievable provided there was no significant increase in the level of imported woven fabrics.

Van der Watt said the SA textile industry benefited last year from the improvement in the economy and the withdrawal of the significant duty-free import certificates issued under the structural adjustment programme

Combined imports of woven cotton and cotton/man-made fibre fabrics remained at 1993 levels. He noted that foreign fabrics continued to have a market penetration in excess of 40% of SA's fabric needs

CE Harry Pearce said Da Gama had excellent brands and strong market positions, especially in the core areas of workwear, home sewing, household textiles, interlinings and state and provincial contracts

"We will endeavour to

maintain and improve our performance in niche markets and attempt to develop new products which show good investment returns"

Management had continued to focus on producing quality products at competitive prices, he said.

Capacity was under-used and Da Gama could expand volumes if business improved, he said.

The group was well positioned to take advantage of improved demand because of its strong balance sheet, sustained management focus and investment in modern technology.

It reported a 39% rise in earnings to R24,6m for the year ended March, while turnover rose 15% to

R305,7m

Pearce said margins improved in the home sewing division as a result of concentration on niche products, despite increased cheap imports from the Far East.

In the apparel division, Workwear showed good growth as the post-election economy helped to boost volumes.

The household textiles division recorded market share gains in made-up and fabric products in spite of the disruptive effect of low priced fabric imported from Pakistan, he said. In the medium term this division should benefit from the implementation of low cost housing programmes.

INDUSTRIAL POLICY

No pain, no gain

Sensible long-term policy proposals have given way to compromise

(180) FM 23/6/95 (182) (187) (197)

Trevor Manuel is no Jonah Lomu. The giant All Black winger knows where he wants to go and will trample all in his path to reach there. SA's Trade & Industry Minister also knows his goals but, unlike Lomu, is worried about hurting those in the way.

That's certainly the impression coming out of the two industrial strategy documents approved by government last week — one for the motor industry and the other for clothing and textiles. What started out as genuine attempts to revitalise industries distorted by protection and to create world-competitive sectors, have been softened along the way and turned into minimum-pain programmes.

Driven, to a degree, by the need to meet the trading requirements of Gatt, the proposals appear to some to offer the minimum needed to comply. Brave statements about creating competitive industries have been obscured by expediency.

When Derek Keys, the former Minister of Finance and of Trade & Industry, created a task group in October 1992 to devise a new long-term policy for the motor industry, he apparently envisioned something that would turn the industry on its head. That's certainly how Derek Riley, who was task group chairman, saw it. He and his group were confronted by an industry made inefficient by years of protection and successive government-imposed local content programmes.

Put simply, there were — and are — too many vehicle manufacturers making too many models for the size of the market.

Economies of scale, both for the manufacturers and for the components companies that supplied them, were negligible. Nor was there much pressure to improve: not when the industry was protected from foreign competition by tariff barriers of over 100% on built-up vehicles.

Also, the continued reliance on imported components exposed the industry to dangerous cost penalties as the rand continued its slide against foreign currencies. For consumers, the bottom line was vehicle prices that escalated beyond the rate of inflation. New vehicles were becoming unaffordable; this was reflected in falling sales and the marginalisation of private buyers in a market dominated by fleet and company sales.

The task group produced two reports: one on cars and light commercial vehicles, and the second on medium and heavy commercials. The latter was less sensitive. In terms of both sales and employment, it is a minor

part of the industry, and the economic effects of reduced protection are likely to be limited. So while car makers face a final import protection tariff of 40% by the year 2002, the truck sector will be down to 20% two years earlier. For local manufacturers of truck engines, transmissions, tyres and axles, it will be 15%.

The attitude of this sector is summed up by MD of Atlantis Diesel Engines (ADE) Ron Shires, who says his company has been diversifying for years in the knowledge that eventually it would no longer be able to rely on its traditional core business.

The report on cars and light commercial vehicles immediately touched some nerves. It recommended gradually reduced protection tariffs that would hit a base of 45%. As important, other proposals included onerous duty penalties on manufacturers failing to build minimum volumes of individual mod-

Naamsa document

Many of the task group recommendations survived. But casualties included the penalties for failing to meet minimum-volume targets, never to be seen again. The BTT took the view that the 45% tariff protection target was too high, and cut it to 30% — only to raise it to 40% in its next report.

Little changed between then and last week, when Manuel accepted the BTT's latest recommendations for the motor industry. The only rider is that a working group has been given the chance to smooth some of the plan's rough edges before its scheduled implementation on September 1.

But the plan contains positive elements. Protection for vehicles and components will diminish, exports are encouraged, and there will be a degree of local model rationalisation; indeed, the process has already started and companies are starting to import

low-volume models previously built here. The growing number of foreign makes being seen on the SA market is a sure sign that the market is opening up.

Delta Motor Corp MD Wilhe van Wyk, whose company builds Opel and Isuzu vehicles, says past local content programmes have isolated the SA motor industry from the global market and created an inefficient industry. The new policy will help correct this "in a regulated manner".

VW MD Heinrich Holtmann says the new programme will put pressure on all sectors of the industry to become more productive in order to compete on world markets. On the other hand, he is

worried that the small vehicle incentive, offering duty rebates to makers of small cars, may disappear after three years.

Already gone, though, are some of the toughest actions from the original task group report: a sure sign that the final programme plan is motivated by different objectives than those originally visualised by Keys and Riley.

As Riley explains it, his mandate was to encourage local vehicle manufacturing, and not just assembly. Rather than an industry which bolted together components from around the world, the aim was to create an industry in which as much as possible was manufactured locally. That meant a strong components sector enjoying long, cost-effective production runs. That, in turn, meant fewer vehicle models in greater numbers.

Of course, a hardline programme could have unpleasant social and political results. Australia, which adopted a tougher ap-



els, and minimum averages across their total product range.

The intention was to force manufacturers to reduce model proliferation. If it also resulted in one or two companies being forced out of the market, then so be it, in fact, so much the better. Riley, in fact, thought these proposals didn't go far enough and described them as "too cosy".

The report, effectively, was a majority view among the industry's warring factions. The depth of disagreement became clear when vehicle manufacturers, through the National Association of Automobile Manufacturers (Naamsa), appended their own comments to the report, disagreeing with many of its findings.

As industry analyst Tony Twine, from Econometrix, notes, by the time the Board on Tariffs & Trade (BTT) produced its first set of proposals based on the task group report, they were more a reflection of the

Tariffs a game for winners and losers

By GILIAN RYAN

THE textiles and motor industries stand to lose most jobs as a result of Trade and Industry Minister Trevor Manuel's recently announced tariff reform package.

According to a study by the Industrial Development Corporation, the textiles industry will lose about 10% of its 80 000 jobs over the eight-year phase-down in tariffs, along with a 6.5% decline in output and an 11.1% drop in prices. Exports are likely to increase 5.2% but prices will drop 4.7%, says the study.

"The significant decline in output prices and the surge in imports, coupled with export constraints, reduce the potential output growth of this (textiles) sector. However, the lower textile prices contribute to minimise the negative impact of trade reform on the clothing industry."

Lower textile prices yield no job gains for the clothing industry, according to the study. The clothing industry is likely to shed 0.5% of its employment as imports flood the market. The clothing industry employs about 100 000 workers, excluding the informal sector, which is thought to employ a similar amount.

ST (BT) 2/7/95

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Clothing imports are expected to rise 57%, compared with just 15% for textiles, causing a 13.8% drop in the volume of exports and an 8.9% drop in the prices obtained on total output.

"In general, trade reform would have a marginally negative impact on the industrial sector of the economy," says the IDC. "The highly protected sectors in the economy bear the brunt of the negative impact."

Overall, the study shows that tariff reform results in a 0.7% growth in gross domestic product, a 4.7% drop in inflation, a 0.7% gain in employment, a 2% growth in exports and 2.4% in imports and a 1.1% improvement in private consumption.

The IDC study simulates the macro-economic, structural and regional implications of South Africa's tariff reduction, the removal of import surcharges and the phasing out of the general export incentive scheme. The simulation assumes tariffs are lowered overnight rather than phased out over several years and can therefore be

viewed as a worst-case scenario. It also assumes no other changes in the economy and no new investment in plant. The IDC says new investment and a depreciating rand are two factors which would mitigate the adverse effects of tariff reform.

The motor vehicle sector will shed 4.7% of its jobs, along with a 2.5% drop in output and a 9% drop in price (assuming tariffs are dropped overnight). There are about 26 000 workers in vehicle assembly and 40 000 in component manufacture. The motor sector's export volumes will increase 12.6% but export prices will drop 7.3%. This will be offset by a 12.3% increase in imported motor vehicles.

The transport equipment industry will lose 6.9% of its jobs, along with a 30.7% drop in the volume of exports and a 4.9% decline in overall output prices will drop by 5.2%.

"The net result of the joint phasing out of tariffs and rebates is that the price of intermediate inputs into the motor vehicle industry declines by 7% with prices on the output side declining by about 9%. The lowering of tariffs yields a surge in imports of motor

vehicles. Domestic motor vehicle producers benefit on the input side, but are nonetheless squeezed by the higher level of imports."

Machinery export volumes are expected to drop 18.3%, printing 24%, furniture 21%, beverages 11.3%, plastic 11.5% and pottery 11.9%.

Industries likely to show export gains are non-gold mining, tobacco, textiles, chemicals, rubber, glass, iron and steel and non-ferrous metals, water and electricity, construction, trade, financial and other services.

Sectors expected to come under pressure from imports are clothing, footwear, textiles, beverages, food, furniture, motor vehicles and rubber.

Most sectors will suffer employment losses, but there are some notable exceptions. Non-gold mining is expected to increase employment 3.9%, gold mining 1%, non-ferrous metals 5.6%, agriculture 2.3%, iron and steel 2.2% and water and electricity 2.4%. Other sectors likely to record marginal gains in employment are financial services, other services, construction, industrial chemicals, tobacco, mineral products and domestic servants.

The Eastern Cape, with its concentration of motor and rubber manufacturers, will be worst affected by tariff reform. KwaZulu-Natal will suffer due to the loss of textile jobs and Gauteng from the loss of motor-related jobs.

Regions which are expected to show economic growth as a result of tariff reform are Northern Cape (1.2%), Eastern Transvaal (1.02%), Northern Province (0.79%), and North-Western Transvaal (0.7%), with marginal growth being recorded in Gauteng, Free State, KwaZulu-Natal and Western Cape. Only the Eastern Cape suffers a drop in GDP, of 0.3%.

Trade reform will benefit the least protected primary goods producers, their immediate downstream industries and the services sectors of the economy, says the IDC. The services sectors will benefit from decreased input costs and increased economic activity.

"The positive impact on the metal and metal product producers indicates that the reduced input costs due to tariff reductions by far outweighs the negative impact of the removal of Geis."

COUNTING COSTS

Trevor Manuel, architect of the tariff reform programme



Trade and Industry Minister Trevor Manuel ... introducing tariff cuts in the auto, textile and clothing sectors.

Tariff cuts will help economic growth

Downer 6/7/95

By Moeletsi Mbeki

Ways must be found to encourage saving and increase skills

TRADE AND INDUSTRY Minister Mr Trevor Manuel is, at present, probably the only ANC Minister who is seriously trying to do what the blacks who voted for the ANC want to see done as a priority

In their heart of hearts, most black voters want to see the new Government punish the white man for his past sins. Tariff cuts will do just that. They have the added bonus of bringing down clothing and transport prices.

Whether tariff cuts will punish the right white man and punish him sufficiently, is a matter that should exercise our great legal minds. To the man in the street, however, this is a moot point.

Whatever the virtues of free trade in cars, textiles and clothing as ways of bringing about economic development in South Africa, to most blacks less protection of these industries means first and foremost more pain for their white owners and managers.

Foreign imports will, by taking a share of the local market, hit the owners and their highly paid white managers where it hurts most their pocket books. Imports will, of course, also adversely affect black workers in these industries. However, in the eyes of most black voters, that is a necessary price for the greater satisfaction of seeing whites suffer.

An iron law

Sanctions, after all, taught today's black electorate, the former oppressed masses, that there is an iron law which states that one must sacrifice to achieve the community's higher objectives. This message is beginning to register even with the pro-ANC unions in the motor, clothing and textile sectors.

Unions, important as they are in the country's body politic, are beginning to learn the other iron law about democracy — that when it comes to influencing Government decision-making, it is the wishes of the broad electorate that carry more weight. This means that those who are trying to oppose Manuel's tariff-cutting spree are invariably going to fail because they cannot mobilise a larger

constituency in favour of greater protection than the constituency Manuel has behind him which supports reduced tariff protection.

But what about the economic aspects of Manuelism? Will South Africa achieve economic growth and therefore full employment through free trade? To answer this satisfactorily, we need to look closer into the deep malaise that afflicts South Africa's industrialisation process.

It is because of its flawed industrialisation process that South Africa is today on the one hand unable to create meaningful employment for most of its citizens and, on the other, is a producer of more expensive clothing, shoes and cars than many other countries.

Tackling root causes

If we do not tackle the root causes that have led to half of this country's labour force being unable to find jobs, no amount of cheaper imports will save South Africa from the increasing impoverishment of the majority of its people. For the country to create more jobs that pay better, a higher rate of industrialisation is required than we have at present. However, twin challenges face those, including Manuel, who want to speed up the country's industrialisation. The first is to encourage saving and the second is to develop skills that will create the opportunities for those savings to be invested in broadening and deepening the industrialisation process. Tariff cuts have to be combined with these two measures if they are to lead to the further industrialisation of South Africa. On their own, tariff cuts will merely turn South Africa into a nation of importers.

If we define saving as foregoing consumption and therefore immediate gratification in order to be able to consume more in the future, it is clear that is not a comfortable option. Most people would rather consume now and therefore not save at all. This is why saving by and large is not undertaken voluntarily but is forced either directly, for example through low wages and poor working conditions

or indirectly through the creation of a social and economic environment of uncertainty which compels people to save "for a rainy day". The first challenge then is to decide who should be made to save the most and how to make that person or group of persons, save.

Industrialisation is therefore first and foremost about the exercise of political power because obviously it was the weakest groups, with the least political power, that were compelled to save the most. In South Africa, historical these were the blacks.

Not any more! Today blacks have the vote and are organised into powerful unions that are fighting against the low wages of old.

If we are to raise South Africa's level of industrialisation so that the country's economy employs more people and pays better, who is to be made to save today? This is the question that is not answered by trade liberalisation and tariff reductions.

If in future it is not possible to force blue collar workers to save as in the past and then industrialise the country further, Manuel will have to look at forcing the well-off classes to consume less and save more.

The yawning gap

A policy that will force the well-off to save and invest rather than encouraging them to consume lavishly, will narrow the yawning gap between rich and poor which could tear South Africa apart in the not too distant future.

Manuel deserves praise for having the courage to take on the tycoons in the clothing, textile and motor industries. The tasks facing him are even bigger. He has to face down many sections of the well-off, both black and white, if South Africa is to avoid getting locked into decades of grinding poverty and stagnating economy.

The lesson South Africans who lived in exile learnt is that it is incredibly easy to destroy a country's economy with misdirected, timid and therefore consumptionist economic policies — with catastrophic consequences for everyone's welfare.

● The writer is a partner in a firm of Sandton-based marketing consultants.



TOWELS FOR AFRICA Glodina managing director Paul Redoni and loom tuner Sampson Nene examine fabric for a new range

PHOTO ROBERT DAVIES

Glodina towelling announce R15m renewal project

BY SHIRLEY JONES

STAFF WRITER

Glodina, KwaZulu Natal's towelling manufacturer, has fast forwarded its R5 million upgrade and announced a R15 million renewal programme which will see the installation of new plant worth R7,5 million at its Hammarsdale plant by the end of the year

Paul Redoni, the managing director, said orders for a further R4 million worth of equipment for the finishing division would be on order by August. This is in addition to sophisticated technology which has already been installed this year

He said tentative plans for further expansion worth at least R10 million were on the cards within the next two to three years. Whether this is delayed or accelerated depends on the company's performance

Redoni appeared confident that Glodina was capable of repeating last year's success, which saw it increase net income before tax by 75 percent, lifting earnings to R24 million and declare a dividend for the first time in four years

He said in the six months to June 30 this year, Glodina's turnover rose 17 percent with profit climbing still further

Redoni said Glodina was looking to slow, steady, long-term growth which would consolidate its 35 percent share of the domestic towel market and strengthen its already dominant hold on the retail and hotel chain market

With order books full, to the point where further deliveries can only be expected in November, Redoni was sure this performance could be sustained for the next six months. Mass orders from retail chains worth millions had been placed until the end of the year

Redoni is adamant that servicing retail chains is Glodina's major strength. He said new technology

would enable the company to respond immediately to changes in demand

"We are becoming more and more proficient at meeting chain stores' needs in quantity, quality and design as well as logistics. We have replenishment systems in place with on-line links into retailers computers allowing us to immediately top up stocks," Redoni explained

Redoni said Glodina was looking to increase working capital substantially and intended expanding warehousing. Glodina also has no record of a major dispute or strike since 1982

ex(PR) 6/7/95 # (197)

DA GAMA (197)
 FM 7/7/95
Better product mix

Da Gama Textiles, traditionally a niche market player, is riding changes in the textile industry by rationalising divisions threatened by imports and increasing production volumes in others

CE Harry Pearce says this shift in product mix is what turned last year's financial results around — pre-interest profit rose 46% on a 15% improvement in sales. The other reason was improved industrial relations, which increased productivity

Another adjustment is forced by tax law unification. Registered in the former Ciskei,

Activities: Makes textiles

Control: SAB 60,7%

Chairman: L van der Watt CE T H Pearce

Capital structure: 51m ords Market capitalisation R214m

Share market: Price 420c Yields 5% on dividend, 11,4% on earnings, p e ratio, 8,75, cover, 2,3 12-month high, 500c, low, 350c Trading volume last quarter, 236 450 shares

Year to March 31	'92	'93	'94	'95
ST debt (Rm)	6,4	0,6	0,4	0,2
LT debt (Rm)	5,3	4,5	3,6	2,9
Shareholders' interest	0,76	0,78	0,79	0,77
Int & leasing cover	44,0	n/a	n/a	n/a
Return on cap (%)	13,3	8,7	7,0	9,0
Turnover (Rm)	221,6	229,0	245,7	275,2
Pre-int profit (Rm)	37,4	25,1	20,9	30,5
Pre-int margin (%)	16,9	11,0	8,5	11,1
Earnings (c)	59	41	35	48
Dividends (c)	25,5	18,0	15,0	21,0
Tangible NAV (c)	420	443	463	490

Da Gama has benefited from tax concessions which were intended to encourage homeland industry

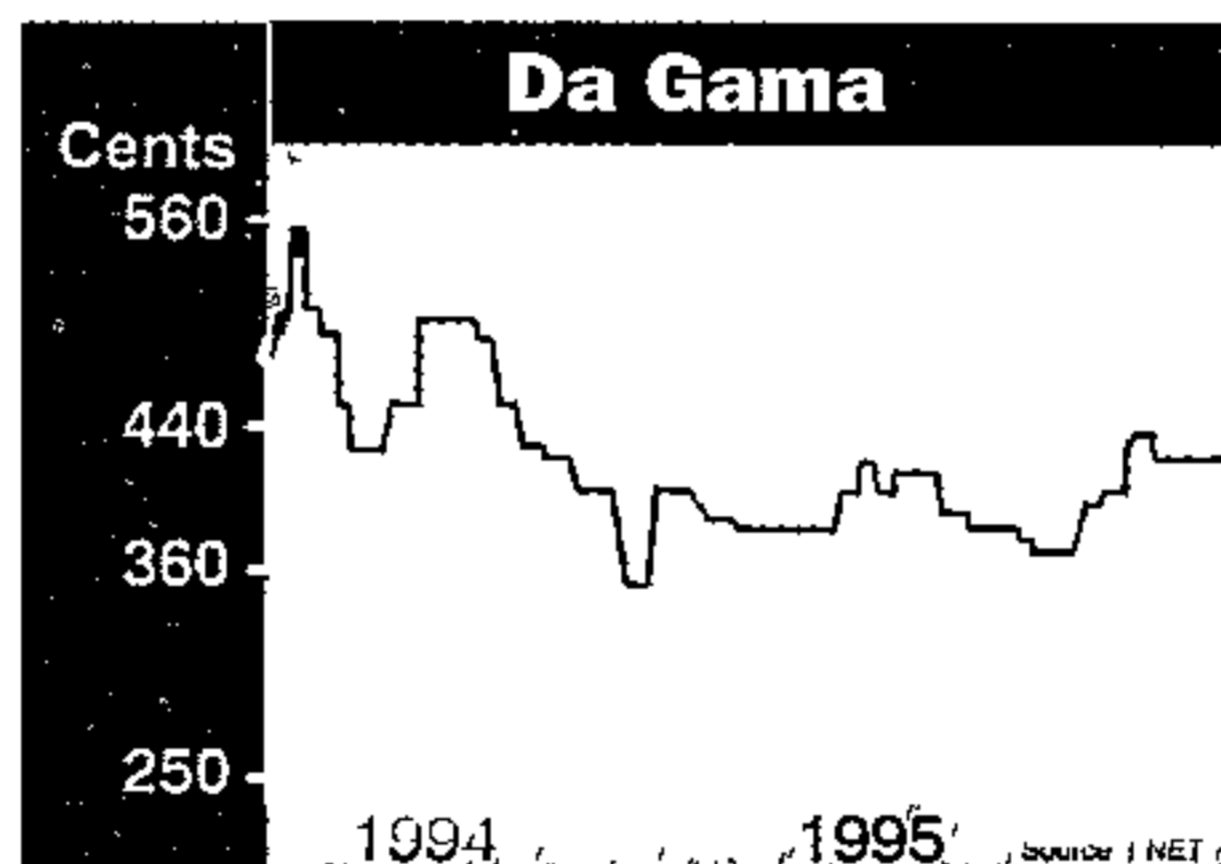
Pearce says these are to be phased out in 1996. But he stresses that the group is already phasing in standard tax rates. It seems unlikely that earnings will remain unaffected by higher tax rates but management hopes to avoid severe knocks

Pearce says Da Gama has provided for changes in its industry. The group is un-gearred, with about R62,5m in the bank. Considering rising interest rates, this seems good management. Moreover, Pearce says management thought it likely that Da Gama would require capital spending to adjust its product mix after new tariff structures were announced. This includes expanding the

some lines of home sewing materials. Sales of household textiles — linen, curtains and material for interior design — increased to R85m last year. Pearce predicts Da Gama will increase volumes by 3% a year in the short term. Using rationalised factory capacities, Da Gama could increase production by 15% if the working week were increased from six days to seven.

Chairman Laurie van der Watt expects earnings to improve in the 1996 year provided there is no significant increase in woven fabric imports

At 420c, the share price is down from its 12-month high of 500c set in June last year. With the p e at 8,75 and further earnings growth probable, it has potential. *Michelle Joubert*



chain of value-added activities, though he won't elaborate

Far Eastern imports and the recession have forced down volumes since the halcyon days of protectionism and relative economic prosperity (before 1987) when Da Gama produced about 70m m² of fabric a year and pre-interest margins rested at about 22%. Now capacity is at 54m m², the margin is 11%, having widened from 8,5% in 1994. Pearce says predicting whether Da Gama will ever reach those volumes again would be guesswork

Capacity changes include Da Gama's reduction in fashionwear production and

The price is right if the value is real

By ANDY ANDREWS

ST/PT 9/17/95

1977

TRADE and Industry Minister Trevor Mameel's proposal to restructure the motor, textile and clothing industries is getting SA business on to the right track and into the right state of mind.

The companies in these industries who will prosper will be those who face reality earliest and behave and manage in the most proactive way. They will recognise that the rules have changed and begin "training" and preparations for the new game that will emerge after the transition.

Those companies that will wither and decline will see the restructuring as a problem and a threat and not as an opportunity. They will look back longingly at yesterday, when "value" was determined by protective tariffs and "orderly marketing".

There is no doubt that we are all in the middle of the "value decade". All of us want more value. We want more value for the money we spend, we want more value from our government leaders and we want more value from our local services like the police and local government.

What does "value" mean?
For a start, in many markets and industries it means increasing pressure on price for a start. Customers will call for and eventually demand better prices.

They may not want all the bells, whistles and frills that marketers add to their products in a desperate and often futile drive to differentiate their products. Desperate because their market shares are falling and futile because customers are not prepared to pay for features that are really not required. How many of us are frustrated and irritated by the fact that one seems to need a course to operate a video recorder because it has become too complex?

Customers want quality but they relate quality to price — and it is this combination of price and quality that determines value.

All over the world companies in almost every industry have been increasing capacity and globally there is an excess capacity overhang.

In previous decades, global excess capacity was not a threat — but today it is an enormous threat to local companies. The new, more efficient and low-cost distribution systems and the reduction of trade barriers means that almost everybody has access to everything. In South

Africa we have seen fresh meat being imported from Australia and New Zealand and chicken from Europe. Our exports must also deliver "value" as the fishing industry is discovering with the European Economic Concession's Consumer protection system. We will deliver more "quality" at the same price or face the prospect of losing an export market of R450-million a year.

We can illustrate the relationship between price and quality by using a "value map" as follows.

Research has shown that relative perceived quality (which is defined as your served market's perception of your quality relative to the offerings of your competitors) and profitability are strongly related. Whether you measure return on sales or return on investment, businesses with higher relative perceived quality and better prices beat their competitors hands down.

- The higher value players have:
- stronger brand loyalty,
 - higher repeat purchase rates,
 - less vulnerability to price wars,
 - the ability to generate higher margins,
 - lower marketing cost and
 - tend to gain market share.
- The value map above shows that customers tend to align products along a

"comparable quality for price curve" so that each competing product provides the same value. Most products will fall along the diagonal line that stretches from the "commodity/economy" end to the "premium" products. But there are businesses that often, by accident or design, end up providing no price premium for relatively low value products.

The dangers of the "poor value" business should be obvious. They offer "poor value" and can't understand why they begin losing market share.

Their capacity utilisation falls, and profitability declines as fixed costs are spread over fewer units of output. What is the loser's response? Typically they increase advertising and promotional spending instead of addressing their "value" position and get into an accelerating profit decline.

SA companies must understand their "value position" if they are to survive in the global market. Aggressive international players are offering better value and simply increasing advertising spend will not solve the long-term problem of "poor value".

Andy Andrews is director of the Graduate Institute of Management and Technology, which offers the Henley Executive MBA in South Africa and consults on strategy using the PIMS database

SA warns Zimbabwe on trade war

By EMELIA SITHOLE

REUTERS

Victoria Falls — South Africa has cautioned Zimbabwe against retaliatory tariffs in response to Pretoria's punitive duties on textile and clothing imports

South Africa's high commissioner to Zimbabwe, Kingsley Mamabolo, told a conference of Zimbabwean business leaders on Friday that private industries from the two countries should instead press their governments to reach an early trade pact

"On the issue of lowering import tariffs by South Africa, despite the anger on the part of Zimbabwe, it would not be advisable to call for a retaliatory tariff regime

"It will end up in a long, drawn-

out process of tariffs and counter tariffs," he told the Confederation of Zimbabwe Industries "We need to find a way forward.

"It would also help the governments if business organisations — here and in South Africa — took up the issue. In that way we will be able to put pressure on the governments to take the necessary decisions on lifting tariffs

"We are inevitably bound towards trading with each other and not fighting each other," he said.

Mamabolo's remarks followed calls by several Zimbabwean business leaders for retaliatory measures against South Africa which tripled the import duty on Zimbabwean textiles and clothing to more than 90 percent three years ago

The increase was after the

expiry of a 1964 preferential trade agreement between the two countries which has, in turn, led to the collapse of a number of Zimbabwean companies which depended on exporting to South Africa

The chief executive of clothing retailers Truworths of Zimbabwe, Jonee Blanchfield, urged Harare to adopt a "counter strategy" if a new trade agreement was not reached soon.

"If South Africans do not want a trade war, then there must be a compromise," she said

The Zimbabwean minister of industry and commerce, Herbert Murerwa, told the conference that his government would soon take measures to protect the country's industry from South Africa's "unfair trading advantage"

CT (BR) 10/7/95

CT 10/7/95

(18/7) (197)

Industry will adapt (197)

BD 10/7/75
THE textile industry faced a severe challenge to restructure and refocus its activities in order to survive the phase-down of tariffs over government's proposed eight-year period, Textile Federation executive director Brian Brink said at the weekend

Textiles tariff feud to end on Friday ~~(1994)~~ (1997)

The long standing feud between South Africa's clothing industry and textile industry is due to end on Friday when they are expected to finally accept a decision by Trevor Manuel, the minister of trade and industry, that protective import duties should be reduced over eight years.

A final discussion will be held in Pretoria on Friday. The National Clothing Federation has pressed for the more rapid lifting of duties on imported textiles to increase competition. But the Textile Federation has fought for protection to safeguard jobs against competition from countries with low labour costs.

Brian Brink, director of Textfed, Aaron Searil, executive chairman of Searidel and a former clothing federation president, and Henrie van Zyl, director of the federation, said yesterday they would welcome certainty about the future — Audrey d'Angelo

et(BR) 12/7/95

Proposed cuts in clothing and textile tariffs accepted

Tim Cohen (197)

CAPE TOWN — Responses to proposals by the trade and industry department to slash tariffs in the clothing and textile industries reflected a general acceptance of the plans, a department source said yesterday.

Yesterday was the closing date for responses to the plans, which were announced a month ago by Trade and Industry Minister Trevor Manuel.

It is understood that only few responses were received.

One of the major issues reflected by the responses was the need for "effective and highly visible" measures to be introduced to reduce "massive seepage" in the industry.

One respondent estimated that tariffs were not paid on up to 50% of imported clothing and textiles entering the country.

But in general, the responses reflected an acceptance of the new tariff structure, which would result in ad valorem rates being phased down over eight years and specific duties phased down over four years with a possible one-year extension in the clothing and textile industries.

The reductions proposed by Manuel a month ago are substantially sharper than those accepted in SA's Gatt offer, which envisaged a 12-year phase-down period.

Manuel proposed that tariffs on clothing be reduced from 90% to 40% while household textiles be reduced from 55% to 30% and fabrics from 45% to 22%. BD 14/7/95

Trade union representatives of the clothing and textile sectors are scheduled to meet officials of the department today.

Textile tariff poser on the line

~~197~~ (197)
Business Reporter

FINALITY on phasing down for the clothing and textile industries tariffs is expected at a meeting between trade and industry minister Trevor Manuel and labour on Thursday.

Clarity had been expected this week, but the SA Clothing and Textile Workers Union was still locked in deliberation over the minister's June 12 proposals during a two-day meeting in Natal which continued until late yesterday

The union is believed to have reservations about supply-side measures, particularly training and social aspects

Textile Federation director Brian Brink said yesterday "It's still in the melting pot. We'd like finality and some clarity and certainty either way" *ARG 15/7/95*

Clothing Federation executive director Hennie van Zyl said yesterday Clofed was keen to have the tariff issue resolved, but "not at all costs."

Clofed president Sadek Vahed renewed a plea for Duty Credit Certification (DCC) export incentives on the value added portion of garments produced with imported fabric.

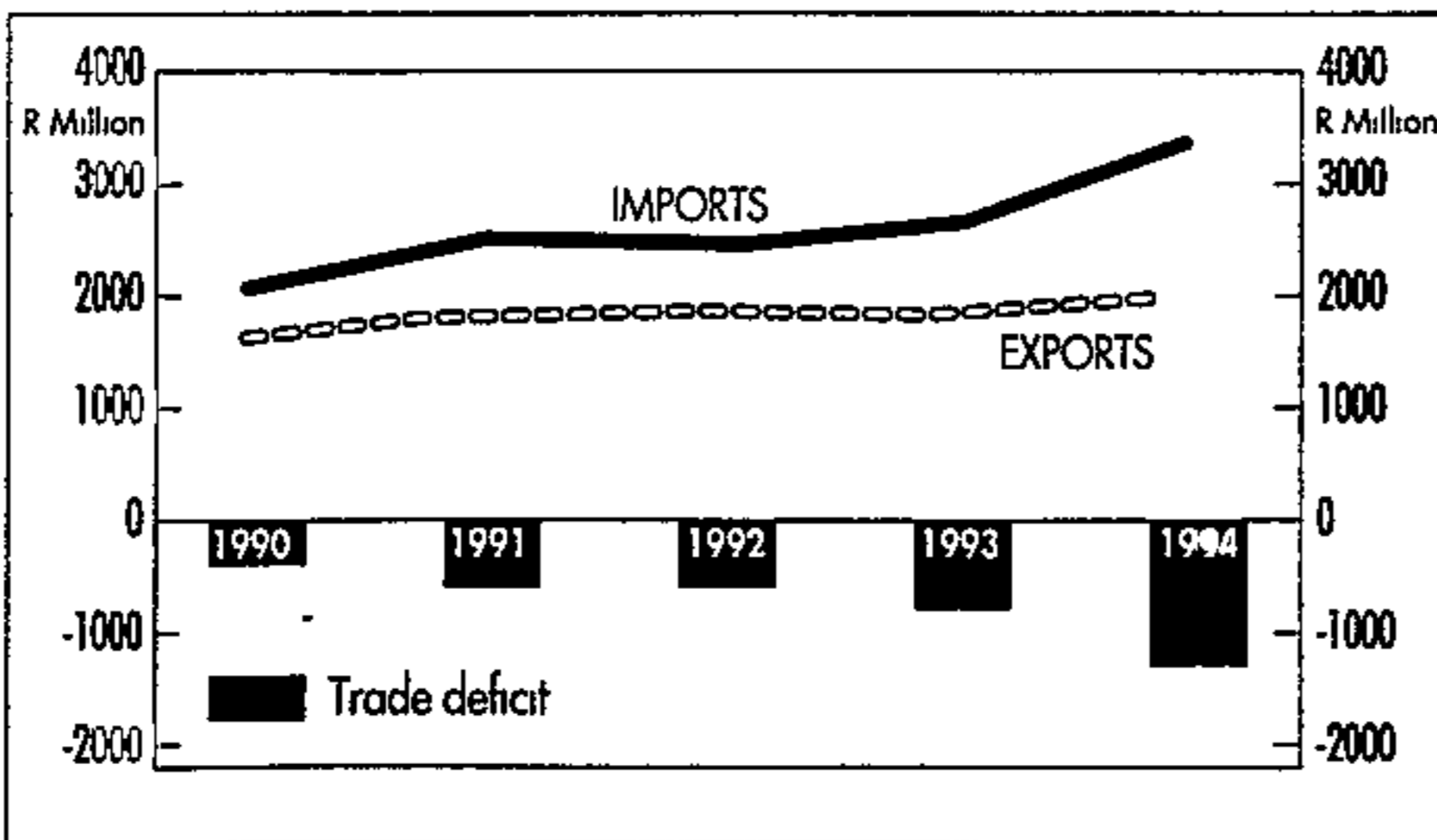
Major US companies could send exclusive fabric to South Africa to be returned in garment form

Potential clients were talking about 30 000 or 50 000 garments in a single order. "Factories can run a style for three, four or five months producing one item — such orders are numerous."

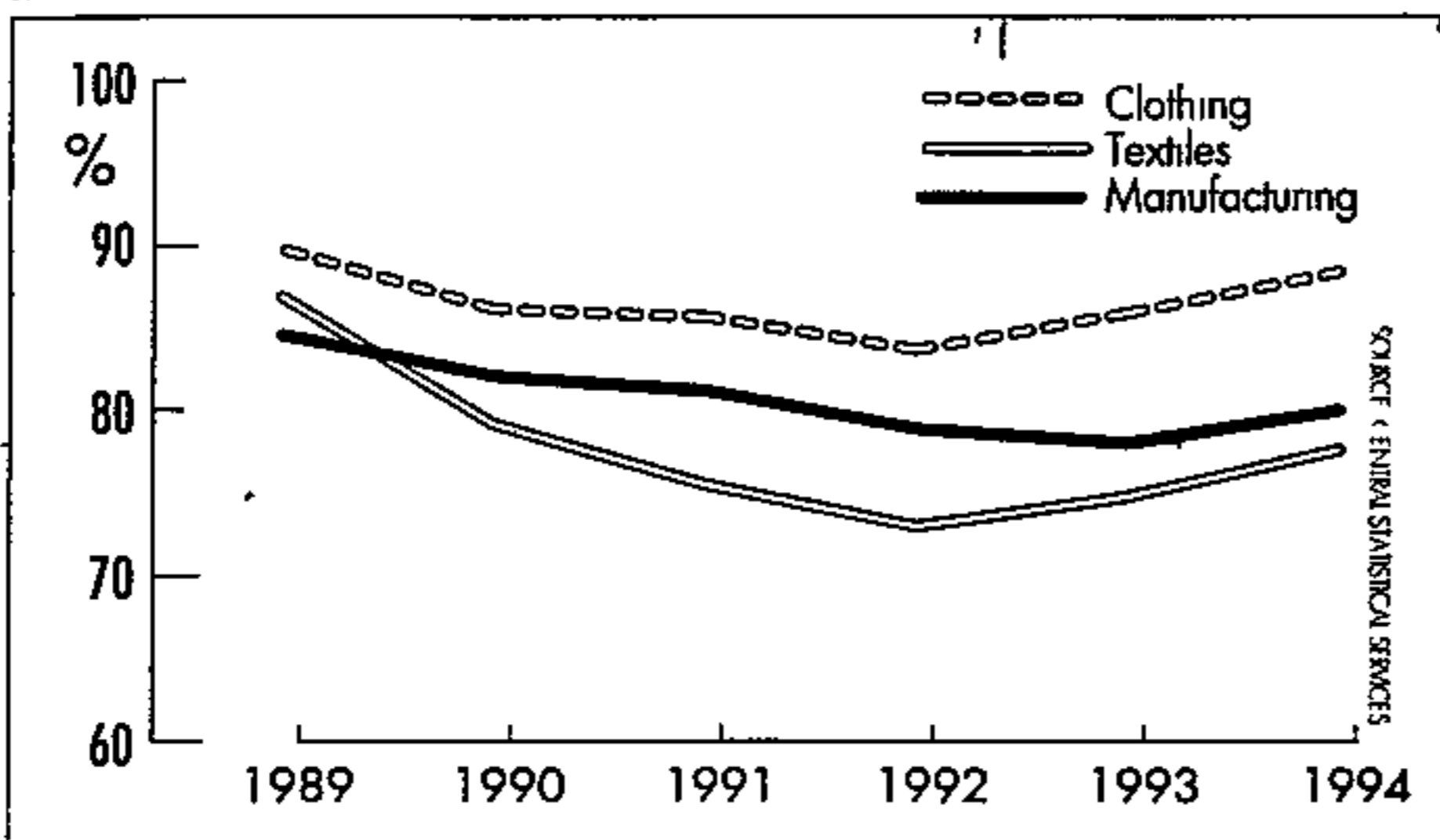
a
ts The DCC incentives were the magic formula to create "many, many thousands of jobs" and earn foreign exchange

"That is the route to become globally competitive. It can't happen overnight."

Textiles and clothing trade balance



Utilisation of production capacity



Imports a threat to SA fabrics

ET (BR) 19/7/95

BY SHIRLEY JONES

STAFF WRITER

(197)

Statistics from the Textile Federation highlight the increasing threat posed by cheap imports of fabrics via loopholes in South Africa's controversial tariff structure.

In its economic review for this year and last year, the federation said 33 percent of all cotton yarns imported last year ducked payment of import duty and 53 percent of man-made staple yarns brought into South Africa last year also entered duty free. At least 61 percent of all woven cotton fabrics and 57 percent of all knitted fabrics also entered without payment of duty.

These figures are underscored by the revelation that South Africa's fabric trade gave rise to a trade balance deficit of more than R1 billion last year.

According to the federation's breakdown, the value of imports of made-up textiles exceeded the value of exports by R52,6 million.

Although the value of miscellaneous textiles imports rose by 19 percent and exports increased by 42 percent, a negative trade balance of more than R340 million resulted.

Similarly, while the value of clothing imports rose by 24 percent against a 33 percent increase in exports, import values exceeded export values by almost R68 million.

Total fibre imports saw a 2 percent volume increase and a 17 percent increase in value over the previous year. Last year, fibre exports rose by 38 percent in volume terms and 47 percent in value terms. Unlike other areas, fibre transactions showed a favourable trade balance of R415 million. In contrast, yarn transactions showed a R189,5 million deficit.

The federation also voiced concern about rising international prices.

According to the federation, buoyant retail sales towards the end of last year could continue into this year.

However, there was also a possibility that inflation, coupled with high personal taxation, would inevitably subdue some of the lively market activity seen in recent months.

Final talks on textile tariffs

(197)

STAN 20/7/95

Representatives of the clothing and textile industries, the associated trade unions and officials from the trade and industry department will meet in Pretoria today to give final views on proposals to start the phased reduction of tariff protection barriers

Trevor Manuel, the trade and industry minis-

ter, said he expected the proposals to be accepted

However, he also anticipated that there would be a demand for the government to step up controls of smuggling operations

Both industries are being undermined by substantial smuggling operations of clothing and textiles — Staff Reporter

Federation opposes deal with Zimbabwe

CT (HR) 24/7/95
By SHIRLEY JONES

STAFF WRITER

The South African Textile Federation (Textfed) is again trying to protect the industry from cheap imports. This time it refuses to restructure trade agreements between South Africa and Zimbabwe.

It maintains that re-opening local markets to assist in the reconstruction of the Zimbabwean textile industry would have dire consequences for local manufacturers.

Zimbabwean mills fell on hard times when, under the country's economic structural adjustment programme, incentives dried up, external tariffs were cut drastically and the cotton subsidy was suddenly withdrawn.

Textfed voiced concern that poor or non-existent customs control along South Africa's vast borders with Zimbabwe, Botswana and Namibia could open the way for imports or re-labelled goods from the east.

"Trevor Manuel, minister of trade and industry, has expressed grave concern about member states flouting rules of origin in their exports to South Africa by re-labelling textiles and clothing originating in China, Pakistan and India. Although Zimbabwe maintains quantitative import controls on clothing, these seem to exist on paper only because Zimbabwean businessmen complain of huge volumes of second-hand clothing coming in from the Far East," the federation said in a statement.

Textfed refuses to be placated by trade figures showing that 71 to 82 percent of Zimbabwean textile exports go to countries other than South Africa and its customs union partners. It points out that the present slack in Zimbabwe's production capacity could easily be devoted to an onslaught on South African markets.

In addition, Textfed is concerned by the import penetration potential locked up in the preferential trade agreements between Zimbabwe, Botswana and Namibia as this could create opportunities for goods to be routed to South Africa via these partners.

Tariffs on textile imports into South Africa were increased sharply in May 1992 to protect the local industry from an avalanche of cheap imports from the Far East.

Before this date, the South African duty on clothing imports was 30 percent. Under the preferential trade agreement, imports from Zimbabwe were accorded an absolute preference of 15 percent, amounting to a relative preference of 50 percent.

The Department of Trade and Industry is not convinced that compliance with the Zimbabwean request will have the dire consequences Textfed predicts.

These conflicting views will be aired at a meeting between members of the textile industry and the department in Pretoria next week.

Fine yarn now made locally

By AUDREY D'ANGELO

(197)

CAPE BUSINESS EDITOR

CT(BR) 28/7/95

South African textile manufacturers will be able to make huge savings by buying locally manufactured polypropylene yarn, which until now had to be imported, said Nicolaas Steverlynck, a director of Cape Town-based Latex Threads.

He told Business Report that his unlisted company was now able to make a polypropylene yarn of quality fine enough to be used in clothing, using raw materials available from Polfin in the Sasol group.

It would cost manufacturers 30 percent less than imported yarn.

Germans in SA textile deal

(197)
(13)

COROVIN, the world's fifth largest manufacturer of nonwoven textiles, is investing R55-million in a joint venture with leading SA textile manufacturer Industex. Corovin is the first new German company to invest since the elections.

A new company, Cordustex, is to build a plant in Port Elizabeth for the initial production of 2 000 tons of nonwoven products, representing South Africa's annual requirements. In the second phase, an additional production line will produce 3 000 to 4 000 tons of composite materials.

The imported range of Corovin products is used by converters in the medical, disposable nappy, quilting, hygiene, furniture and bedding industries.

Cordustex managing director Philip

By DON ROBERTSON

ST(M) 30/7/95
van Niekerk says at least 30% of production will be exported as local production is cheaper than in Europe, largely because of lower labour costs and because the capital intensive nature of the plant is a large user of electricity, which is also cheaper in South Africa.

Local raw materials will be used.

The first phase of the project will cost R30-million and although providing jobs for only 25 people, it will have a larger impact downstream in the conversion industry. Cordustex staff are presently being trained in Germany.

Cotton shortfall a blow to textile industry

AD 4/8/95 (197)

Yuri Thumbran

THE 1995 cotton crop was expected to be more than 50% below the initial estimate of the cotton marketing committee, drawing angry criticism from the textile industry

The Cotton Board said this week that this year's expected cotton crop would be 121 575 bales, down from 134 883 bales produced last season. The committee last October had estimated a crop of 250 000 bales

The agreement concluded in November between the spinning industry and ginners had been based on the marketing committee's estimate. More than 60% of the current local crop had already been ginned

Frame group MD Walter Simeoni said the shortfall had caught the textile industry off guard. Despite monthly estimates by the board, planning had been based on the agreed overall estimate

The SA textile industry was set to consume 400 000 bales of cotton this year, with the shortfall of 150 000 bales to be imported. Now 300 000 bales would have to be imported

Simeoni said as the estimated figure declined, textile manufacturers were forced to import at high international prices which would result in an inflationary reaction throughout the textile supply line

Like the board, Simeoni agreed that weather conditions played an ad-

verse effect, but blamed over-optimistic estimates for the current state of play

This had resulted in the industry planning its year on the estimates given in November, when international prices were more favourable

As news of a great crop reduction became more apparent, international prices were also rising, but these hikes were not dictated by the SA shortfall. The SA cotton price was fixed on a yearly basis. It currently was R6,53/kg compared with the international price of \$0,85,5 a pound

Hennie Bruwer, GM of the Cotton Board, said it was possible that the crop estimate could fall by another 6 200 bales to 115 375 bales

TEXTILES — 1

Bobbin' along

(197)
FM 4/8/95
The textile industry has drawn up plans calling for nearly R3bn in investment over the next eight years, says the Textile Federation (Texfed). Nearly three-quarters of that is due to be spent in the first three years.

Marketing and statistics executive Errol Keller says an industry capex survey shows modernisation expenditure of respectively R221m, R403m and R503m in the next three years. Expansion plans during the same period amount to R352m, R455m and R250m — a total of almost R2.2bn.

He says the survey includes the Frame Group's proposed R400m capex programme. Texfed president Mervyn King says R3bn has been earmarked for industry capex over an expected eight-year tariff phase-down period. He says another R500m was spent in 1994-1995. He adds that "the SA textile industry should start to look really competitive within the next four to eight years."

He adds that at the end of the period,

local textile mills will be "on par with mills in the US and the European Union as cost structures will probably be lower while the skills and technology levels will be as good," says King.

Da Gama Textiles MD Harry Pearce says his company's capex will be increased 40% by 1996 — to R21m, against R15m in 1995. Romatex MD Mike Hankinson says his group recently closed down an uneconomic Uitenhage factory in its quest to cut costs. He says R20m was invested over the past 18 months in its Hextex worsted business. Three other plants saw total investments of about R20m.

Anglovaal Textiles MD Malcolm Hughes says his group has placed orders for new looms for about R25m, while a further R40m would be committed in the 1995-1996 financial year on upgrading various manufacturing plants. Beier Industries MD Hans Beier says his group will invest R7m-R10m this year.

SA Nylon Spinners MD Peter Boxall says his group has prepared for increased global competition in the synthetic filament



King cost structures lower than overseas

yarn market. Annual capex over the past five years was about R70m-R80m "and we intend spending about R70m-R100m a year over the next three years."

Hoechst SA business unit manager Wolfgang Raffalsky says that with the 25% tariff protection on polyester fibre expected to drop to only 7.5% over eight years, his group has invested in improved competitive capabilities. This includes the R30m takeover of the Frame polyester fibre plant, which is being upgraded at a cost of R50m, by mid-1996. "We are looking at a total capex, just on fibre production and upgrading,

of about R100m by mid-1996," he says.

The sector, together with the clothing industry, was the subject of a 172-page report, published in March 1994, after an 18-month investigation by a task group led by Board on Tariffs & Trade chairman Nic Swart.

The report says one of the reasons for the textile industry's poor financial performance is that "there is a general need for re-investment and the upgrading of plant and machinery in line with overseas technology" ■

TEXTILES — 2

Cottoning on

Lured by regional incentives and the promise of access to US markets, a growing number of Far East textile companies are moving to KwaZulu-Natal.

Since 1991, the Department of Trade & Industry's Board for Regional Industrial Development (Brid) has approved 13 foreign-sourced textile projects with investments totalling R213m.

A major Indonesian textile investment of US\$60m involving a JSE-listed company, is expected to be announced "within weeks."

Major interest has come from Taiwan, Malaysia, Singapore and Indonesia. Partner at Price Waterhouse in Durban, Stanley Subramoney says there is "unprecedented demand" from overseas textile companies wishing to relocate to SA. This has little to do with tariff reform, he says. Rather, SA as a developing country, is not subject to US import quotas on textile products.

Also, while considerably toned down from the old "decentralisation" incentives, the Brid package can still total about R7.5m a project. This includes a R1m relocation cost incentive, an annual establishment grant of R1.5m, for the first two years, and a profit-based incentive for another three years.

The duty credit certificate system, which allows textile exporters a 30% credit (of the value of proven exports) against duties on imported inputs, is also attracting investors. The general export incentive scheme may still provide export subsidies of up to 10% of export values for the next three years, says Subramoney.

However, despite a First-World infrastructure and excellent financial services industry, Subramoney says, the downside of the equation is labour. Foreign industrialists feel "despondent" that productivity levels are low and that local labour is not internationally competitive.

"Far Eastern investors therefore tend to bring in their own supervisory, top and middle management staff, so that, at least during the establishment period, local staff can be properly trained in modern production techniques and methods" ■

Union pays R1,5-m for education (199)

ARL 9/8/95

Staff Reporter

SOUTH African Clothing and Textile Workers' Union contributed almost R1,5 million towards the education of members' children last year — and this year the figure will be much higher

"At no stage does the union claim that we solve the problems of all our members. But we certainly feel that we are making a difference," said Sactwu general-secretary Jabu Ngcobo

All union members' dependants qualify for assistance from the Sactwu Bursary Fund. The amount applicants get depends

on the institution at which they intend studying

Last year, about 2 000 members' children got help

Mr Ngcobo said the fund had been established by committing a portion of weekly union subscriptions

During wage negotiations this year, one of Sactwu's major demands was that employers make a contribution to the "general upliftment of skills in our society"

The demand was "fairly well received", said Mr Ngcobo

In the clothing industry, employers agreed to contribute 20c

a worker a week towards topping up the fund

"Many employers in the textile and leather industries have also agreed to these contributions," he said

"Because education costs are still so high we are mindful of the fact that the level of assistance we extend to applicants is minuscule. But we believe that for under-privileged students, every little bit of assistance does, in fact, count

"Our vision is, in the foreseeable future, to ensure that our bursary fund becomes even stronger," said Mr Ngcobo.

Union warns on reduced tariffs

THE SA Clothing and Textile Workers' Union, while welcoming government plans to reduce trade tariffs over eight years, has warned that the clothing industry could suffer in the absence of "supply side policies".

It was "vital to have active supply side measures" such as investment in training and technological improvements and to institute such steps in conjunction with the trade tariff reductions.

It said the government should not proceed on an ad hoc manner to try to achieve international competitiveness — Staff Reporter

Textile plan raises union ire

Yuri Thumbran

BD 14/8/95

(197)

THE SA Clothing and Textile Workers' Union (Sactwu) has poured cold water on government's long-term plan for the clothing and textile industries, saying government had "sold out the workers"

The union said the plan announced last week — which would see tariffs reduced over seven years instead of eight — had ignored Sactwu's request to finalise supplyside measures before phasing down tariffs. Sactwu national negotiator Lionel October said government's plan had sold out workers, who were now severely disadvantaged because of the lack of social adjustment programmes. He also called on government to finalise supplyside measures before proceeding with the phase-down, scheduled to start on September 1.

In view of the shorter period of liberalisation than required under GATT, the sensitivity of trade policy for the clothing and textile industry internationally and the devastating consequences if large numbers of jobs are lost, we believe there is adequate time for SA to finalise the supplyside and social adjustment measures."

In terms of SA's GATT commitments, SA has 12 years to cut its tariffs.

October said government had reneged on a promise to start phasing down tariffs only once supplyside measures had been finalised. Sactwu proposed that a committee look at supplyside measures over a period of eight weeks. October noted that the committee had not yet met to discuss the issue. Last week government said the

Continued on Page 2

Textiles

Continued from Page 1

committee would be set up soon

"It is not sufficient to reduce trade tariffs. It is vital to have active supplyside measures such as investment in training and technological upgrading, new forms of work organisation and the range of other tools set out in the Swart panel plan, and to introduce these measures in conjunction with tariff liberalisation," the union said.

October said the union was concerned about the "complete absence" of a social adjustment programme to help workers

adversely affected by restructuring. He said the original plan, released by the Swart panel, contained a comprehensive social adjustment programme including retraining programmes, incentives for companies to reabsorb displaced workers, commitments to reduce job losses, and help for workers in negotiating restructuring at workplace level.

The Clothing Federation welcomed the decision to phase out minimum specific duties over four years and the decision not to increase the maximum specific duties, but said an even quicker tariff phase-down would have been better.

Union wants adjustments before textile plan executed

BD 16/8/95

THE Southern African Clothing and Textile Workers' Union has considered government's decision concerning the strategic plan for restructuring of the clothing and textile industry.

We are in broad agreement with the government proposals for an eight-year period to reduce tariffs to the levels set out in the plan, and note this period is shorter than the period SA is bound to under the terms of GATT. We have two substantial concerns.

Firstly, we are concerned at the lack of adequate supplyside measures, and the complete absence of a social adjustment programme.

In our view, a restructuring of the industry should not be commenced in an ad hoc fashion. In order to promote competitiveness it is not sufficient to reduce trade tariffs. It is vital to have active supplyside measures, such as investment in training and technological upgrading, new forms of work organisation and the range of other tools set out in the plan, and to introduce these supplyside measures in conjunction with tariff liberalisation.

The international experience shows that trade liberalisation in the absence of supplyside policies does not lead to increased competitiveness, but rather to job losses and the destruction of large parts of the industry. For a society characterised by levels of unemployment which are higher than most — possibly all — industrialising economies, we cannot afford the further job losses in which a programme lacking adequate supply side measures will result.

It is our view that tariff reductions should only commence once adequate supplyside measures are finalised.

Secondly, we are concerned at the complete absence of a social adjustment programme, which contains measures to assist workers who will be adversely affected by the restructuring

plan. The original plan contains a comprehensive social adjustment programme, including retraining programmes, incentives to reabsorb displaced workers, commitments to reduce job losses, assistance to workers to negotiate the terms of restructuring at workplace level, and regional support arrangements.

We do not believe that a programme of trade liberalisation will be justifiable if there are no measures in place to assist workers who will be without jobs through no fault of their own.

In view of the shorter period of liberalisation than required under GATT, the sensitivity on trade policy for the clothing and textile industry internationally, and the devastating consequences if large numbers of jobs are lost in the domestic economy, we believe that there is adequate time available to SA to finalise the supplyside and social measures.

We will therefore, on an urgent basis, continue engaging government in an attempt to dissuade government from proceeding with an ad hoc approach to achieving international competitiveness. We will seek to impress on government the need for a restructuring plan which will build competitiveness rather than destroying industry.

Our support for tariff liberalisation and government's proposed plan is therefore dependent on whether clear supplyside measures and a social adjustment programme is in place.

The result of these discussions will be reported at Sactwu's biennial national congress, scheduled for 21-23 September, at which time a final decision on the plan, and government's response thereto, will be taken.

This is the full text of Sactwu's statement on trade liberalisation published at the weekend.

Secondly, in terms of training, I do not think for one minute that anyone in this Government or in the department wants to see the standards of training deteriorating. But what we would like to see is change in the intake of students to reflect the population of this country because at the moment the intake is such that very few Africans are being trained in this country as doctors and that has to be corrected.

The second thing we are saying is that the training should reflect the national needs of the country. We should not train and pretend that we are training for the UK or America. We must be realistic and train people to take care of the needs of this country. South Africa. There is no question of neglect.

I agree that the media is misrepresenting the whole situation. But unfortunately we do not own the media and sometimes the media is owned by people who are against transformation. They want to reflect that there is a collapse of everything because they do not necessarily want to support the present Government. That is why they are prophets of doom and gloom.

What I want to say is that we are looking at everything including looking at government-to-government recruitment of doctors. If we cannot get enough doctors in this country to take care of the people of this country. [Interjections.]

Senator JA JOOSTE: She has sent them away and now she brings them back!

The MINISTER: We have had discussions, even with the United Nations which has a scheme for recruiting. We are looking at other governments because if we do not have enough doctors nationally, we have to supplement them. Every developing country, one may go to. I beg the senator's pardon. [Interjections.]

An HON SENATOR: The Minister can go to Cuba!

The MINISTER: Now that the senator is so interested in Cuba, I will recruit from Cuba. [Laughter.]

The PRESIDENT OF THE SENATE: Order! The hon the Minister has definitely transferred some of her time from the previous interpellation to this one but I cannot retract that now.

The MINISTER: I beg your pardon, Mr President. The PRESIDENT OF THE SENATE: Order! I said that the hon the Minister had transferred

some of her time which was available to the second interpellation, but that I could not retract that now.

The MINISTER: I am sorry about that. Debate concluded.

QUESTIONS

Indicates translated version

For oral reply

The PRESIDENT OF THE SENATE: Order! We now come to the questions on the Question Paper. We shall aim to deal with all the questions printed on the Question Paper. To this end, may I therefore please suggest to the hon the Ministers to invoke their right to table those parts of the reply which may be of a statistical nature, or whatever part of the reply they may think fit to table. They have that right.

Questions standing over from Thursday 8 June 1995

Establishment of export processing zone in Walvis Bay

*4 Sen Dr G MARAIS asked the Minister of Trade and Industry

Whether the proposed establishment of an export processing zone (EPZ) in Walvis Bay in Namibia is expected to (a) have a negative impact on the establishment of export-oriented industries in South Africa and (b) discourage overseas investment in South Africa. If not, what is the position in this regard if so what are the relevant details?

S235E

The MINISTER OF TRADE AND INDUSTRY

(a) No. Countries use a range of measures to stimulate industrial growth. The establishment of an EPZ in Namibia would stimulate investment in that country and, by focusing additional attention on the countries of the Southern African Customs Union (SACU), could enhance the SACU as a whole as an investment destination. A duty rebater/refund permit system is already operational in South Africa, in terms of which manufacturers can import inputs duty and tax free for the production of goods destined for export. In effect, the facility therefore exists for any manufacturer anywhere in South Africa to operate largely as if the firm was in an EPZ. There are in addition other wide-ranging initiatives in place in South Africa to stimulate industrial development and to encourage exports.

Handford 17/8/95

(b) No. The establishment of investor-friendly policies in the Southern African Customs Union and other neighbouring countries by means of EPZs, or other measures, enhance the attractiveness of the region as a whole as an investment destination. South Africa has a wide range of investment incentives to stimulate local and foreign investment. Given the changed circumstances following South Africa's readmission to the international community, the current measures are being reviewed with a view to creating a more investor-friendly environment. The recent abolition of the financial rand, the negotiation of bilateral agreements for the promotion and protection of investments, and the scrapping (from 1 October 1995) of non-residents' tax on dividends are a few examples of measures already introduced. The Government will shortly submit to the NEDLAC Trade and Industry Chamber a set of proposals on further measures to stimulate industrial investment and to increase the internal and external competitiveness of industry in South Africa.

Questions standing over from Thursday 22 June 1995

Competitiveness in SA textile industry: import protection policy

*3 Sen Dr G MARAIS asked the Minister of Trade and Industry

Whether his Department has instituted any investigation into the effect of the import protection policy on production costs and competitiveness in the South African textile industry, if not, why not, if so, what was the result of the investigation?

S265E

The MINISTER OF TRADE AND INDUSTRY

Yes. The effect of the import protection policy on production costs and competitiveness in the South African textile industry was covered in the course of a comprehensive investigation into a strategic plan for the restructuring of the

Handford 17/8/95

textile and clothing industries by a Panel representative of the private sector, organised labour and government. Indeed, the Southern African Clothing Union was also represented on that panel.

In a subsequent investigation the Board on Tariffs and Trade (BTT) focused in particular on an appropriate tariff protection dispensation for the industry. It was found that both industries have the potential to become internationally competitive but that a fundamental restructuring and a conscious move out of the lower end of the market into higher value added products was required with particular attention to improving productivity through human resource development, work organisation and the upgrading of technology.

Government's response on the recommendations put forward by the Panel and the BTT was announced on 12 June 1995. In deciding on a suitable strategy for achieving international competitiveness in a reasonable timeframe, account had to be taken of the fact that textiles and clothing are internationally sensitive industries. A balanced approach had to be followed in order to minimise the loss of job opportunities in the textile sector as restructuring and upgrading of technology occur whilst at the same time fostering a net creation of jobs in the clothing sector. Government therefore opted for a phased approach to the reduction of tariffs, linked to moderate supply side assistance to help the restructuring process.

In summary, the *ad valorem* tariff protection levels will be phased down over an eight-year period from their current levels to rates of 40%, 30%, 22%, 15% and 7.5%, respectively for clothing, household textiles, fabric, yarn and polyester fibre. The minimum and maximum specific duties will be phased out over a much shorter period of four years with a possible extension of one year, provided the industries demonstrate sufficient progress in the restructuring process.

Senator Dr G MARAIS: Mr President, arising out of the hon the Minister's reply, was employment in cotton farming considered in the investigation?

The MINISTER OF TRADE AND INDUSTRY: Mr President, on the panel we had both cotton farmers and wool farmers. The situation in respect of cotton farming was duly analysed. Clearly, it is a highly competitive global market. At this point

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in time, our cotton farmers are in a fortunate position because there is a bit of a run on cotton prices, but we recognised that it was the kind of industry artificially introduced in South Africa which cannot be sustained against all odds. We are in constant contact with representatives of cotton farmers in South Africa.

Competitiveness of SA industries: monitor study

*4 Sen Dr G MARAIS asked the Minister of Trade and Industry *Hansard 17/8/95*

- (1) Whether a monitor study has been undertaken in regard to the competitiveness of South African industries, if so, what are the relevant details,
- (2) whether his Department intends taking any action in this regard if not why not if so what action,
- (3) whether the (a) National Economic, Development and Labour Council (NEDLAC) and (b) Industrial Development Investment Centre in the Department of Trade and Industry is to play any role in this regard, if not, what is the position in this regard, if so, what role?

S266E

The MINISTER OF TRADE AND INDUSTRY Mr President, clearly Senator Marais is working I wonder whether he worked as hard when he held the portfolio in Trade and Industry [Interjections]

- (1) There was no monitor study, as suggested by the question. What was done was a study by an international consultancy, the Monitor Group—it is a different thing. I do not know of a monitor study—which assessed the country's strengths and weaknesses using Michael Porter's Cluster Model. The study revealed that the existing structure of the South African economy was consistent with that of a country with relatively high levels of tariff protection—we will not say whose fault that is—and one that had been adversely affected by international sanctions, both of which restricted access to international markets. In other words the market in South Africa had been hindered by a number of exogenous factors.

These factors created an industrial sector characterised by broad production ranges in companies and relatively shallow industrial clusters with relatively small production runs. These findings suggested that in order to attain full international competitiveness, one of the objectives of the Reconstruction and Development Programme, there was a need for substantial restructuring of industry in South Africa. The report highlights a number of factors that are useful and that can be considered for future economic policy formulation. A number of initiatives which address some of the basic economic deficiencies have already been implemented (though not necessarily as a result of the Monitor report, which in certain instances confirmed other analyses of the economy). Examples are the relaxation of exchange control, the down-phasing of import duties and the further dismantling of import and export control to strengthen market forces operating in the economy.

- (2) Yes. The Monitor study examined the South African economy at the end of the sanctions era and identified a number of distortions and structural deficiencies. The current actions of the Department of Trade and Industry and other Departments are aimed at addressing these issues, principally by the development of a range of supply-side support measures for new industry establishment, industry restructuring, and small business development, among others. The purpose of these measures is to improve the internal and external competitiveness of industry in South Africa and to raise the employment potential of the economy as a whole. It is expected that the envisaged new measures will be funded by internal reallocations of the Department of Trade and Industry budget, while there will also be greater responsibility placed on business to improve their own performance.
- (3) (a) and (b) Yes. The envisaged supply-side measures are being developed in conjunction with NEDLAC. The Industrial Development and Investment Centre of the Department of Trade and Industry as well as a number of other Directorates in the Department of Trade and Industry on a continuous basis develop and administer

industry development and support programmes. Indeed the Department of Trade and Industry in its entirety is devoted to supporting healthy business development as a key element in attaining the goals of the RDP. The creation of a business-development friendly environment and providing support for business development is the business of the DTI. The changed circumstances brought about by the reintegration of South Africa into the international business community both permits and necessitates the development of support measures that are in keeping with the changed circumstances. South African business has to operate in As stated, proposed measures are being developed in consultation with NEDLAC as well as other role-players, taking into account the findings contained in the Monitor report on the competitiveness of South African industry as well as other inputs.

Proposed steel plant at Saldanha. Retrenchment of workers

*5 Sen Dr G W KOORNHOF asked the Minister of Trade and Industry †

- (1) Whether an investigation has been done to determine whether the development of the proposed Iscor steel plant at Saldanha may result in the retrenchment of workers at Iscor's steelworks at Vanderbijlpark, if not, why not, if so,
- (2) whether his Department has consulted with Iscor in this respect, if not, why not, if so, what are the relevant details?

Hansard 17/8/95
S267E
The MINISTER OF TRADE AND INDUSTRY

- (1) No. Iscor is currently upgrading the Vanderbijlpark plant with the latest technology and as a result of this upgrading process, which will increase Iscor's international competitiveness, a number of jobs will be lost, sad as it may be. The Saldanha plant will create new employment opportunities in an area which desperately needs job creation and an injection of economic activity.
- (2) No. As part of the re-integration of South Africa into the international business community, many South African companies

are in the process of repositioning themselves to take advantage of new opportunities in international markets and to secure their positions in the local market in the face of increased competition from foreign suppliers re-entering or entering our markets. The adjustments as well as the necessary introduction of new technologies will in certain cases lead to retrenchments in particular areas of industry.

These processes are an inevitable part of the restructuring of the South African economy in the post-apartheid era if we are to survive and attain full international competitiveness. The decisions surrounding the restructuring of companies are essentially matters that fall within the domain of company managements and their boards who do not necessarily consult with Government on such matters, nor does Government as a general principle intervene in such company decisions. I should point out that we do take account of broader society needs, as I have indicated in my response to the question on the textile and clothing sector. We certainly try and ensure that such companies are pressured to retrain workers for rapid re-absorption elsewhere. Nevertheless, ongoing contact is maintained with our principal steel producer, Iscor, with a view to converting more of our iron ore to steel before export and to the creation of downstream jobs in the steel fabrication industry.

Jobs created under National Public Works Programme

*10 Sen W F MNISI asked the Minister of Public Works

Whether any jobs have been created under the National Public Works Programme, if not, why not, if so, (a) how many, (b) what jobs, (c) how many more jobs does his Office intend creating under this programme, (d) what kinds of jobs will be created and (e) what process will be used to select persons for these jobs?

Hansard 17/8/95
S272E
J

IDC gives R716 000 to organisation for handicapped in Atlantis

By FRANÇOISE BOTHA

STAFF WRITER

The RDP has been given a boost by the Industrial Development Corporation (IDC), which has provided R716 000 in financial assistance to the Oron Centre, an organisation for the physically and mentally handicapped in Atlantis.

The Oron Centre provides work, education, training and shelter to the mentally and physically handicapped.

Carol van der Merwe, managing director of the IDC, said "Not only does this meet the IDC's objectives to help smaller businesses start, expand and modernise, but it is in line with the RDP objectives of developing human resources and meeting the basic needs of all people."

Van der Merwe said that in the current year, the corporation's cumulative contribution towards black empowerment would exceed R416 million.

The grant to Oron was to fund the purchase of equipment to expand the protective workshop run by the handicapped and to provide jobs for an additional 30 workers, bringing their number up to 210.

"This means that Oron will be less dependent on state handouts to support its other facets such as the Dawn Training Centre, which teaches basic life skills to more than 50 handicapped children, and the group shelter scheme which offers a home to many of the employees of the workshop," said Van der Merwe.

The Oron organisation aims to fund its workshop entirely, and its training centres and group shelters partially, by the income generated by the workshops.

"The IDC firmly believes that the manufacturing industry and the beneficiation of raw products are the two real wealth creators in any country. This is probably even more true in the case of South Africa," he said.

Since the IDC's inception in 1940, the assets it controls have grown to in excess of R10 billion. The majority are tied up in long-term commitments to manufacturing enterprises.

In the financial year to June, the IDC had approved facilities totalling R7,3 billion.

CT (Pret) 18/8/95 (197)

CLOTHING & TEXTILES

Seven-year itch

FM 18/8/95
 With the ink barely dry on government's final proposals for a seven-year tariff phase-down for the feuding clothing and textile industry sectors, the two protagonists have let fly again. This time, though, most of the ire is directed at government

Textile Federation executive director Brian Brink says tariff adjustments are meaningless without other changes. "We believe the phase-down must be postponed until the necessary supply side measures are devised and implemented. Without these, we will have no strategy and just a seven-year duty phase-down," he says. Brink's views are supported by the SA Clothing & Textile Workers' Union.

But Trade & Industry Minister Trevor Manuel has already indicated that government has no funds for such measures. All that is offered is a R5m-a-year management consultancy subsidy, while a small working group has been appointed to look into other

"general" measures.

Brink says supply side measures should include:

- An export incentive package to compensate for the expected abolition of the general export incentive scheme (14%) and the Duty Credit Certificate scheme, which provides a 30% rebate against tariff levies;
- Training support measures, with the State providing 50% of the cost;
- Interest rate subsidies to equalise SA's high rates with the much lower rates in competitor countries; and
- A social restitution programme to train and assist workers losing their jobs as the industry upgrades itself and reinvests in modern technology.

"These are not handouts but assistance schemes, subjected to the achievement of production and export targets," says Brink.

National Clothing Federation (NCF) executive director Hennie van Zyl says that, while the sector accepts the plan in principle, the NCF lobbied strongly for a much shorter phase-down period for textiles. He also has other reservations.

"We accepted government's plan in a spirit of compromise, even though our demands were not met. But it would be most unreasonable if government grants yet a further extension," says Van Zyl. He also criticises government's failure to control the widespread illegal import of clothing and textiles. He says the problem is growing and that illegal importers are subverting the system.

"This problem has been under discussion for a number of years and yet no improvement seems to have materialised." He adds that lax customs controls mean few shipping containers are ever correctly inspected and the flood of illegal imports has not abated.

He wants national industry federations to support, through the SA Chamber of Business, a national campaign to "eliminate this cancer from our economic system." ■

Excellent results for Glodina

(1997)
BY SHIRLEY JONES

CT (MR) 23/8/96 STAFF W. HFR

Glodina increased net income before tax by 357 percent from R611 000 to R2,795 million during the first six months to June last year.

Off a low base (Glodina inched back to profitability during its interim period last year), the towelling manufacturer saw turnover increase 18 percent to R46 904 from R39 777 during the six months to June 30, this year. However, operating income leapt 84 percent from R2 939 to R5 403 over the same period last year.

According to financial director, Mark Balladon, this is primarily stock and debtors — a situation which should normalise during the second half of the year.

Balladon said that while Glodina had not declared a half-year dividend, the company intended declaring one should it meet expectations during the second half of this financial year. He had little doubt that this would be the case, given that profitability would hinge on performance during the first six months.

He said it would be difficult to improve on the 'excellent' results recorded during the last six months of last year as restricted consumer spending, following interest rate hikes and the utilisation of tax losses to offset future income at the beginning of the year would curtail profit

Glodina increases net income by 357%

4/10/77 23/8/95

■ BY SHIRLEY JONES

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(197)

Re-educating workers

THE SOUTHERN AFRICAN Clothing and Textile Workers Union's National Coordinating Committee met on August 17 and considered the Government decision on the restructuring of the clothing and textile industry

We are in broad agreement with the proposals for an eight year phase down period of tariffs to the end rates suggested in the Swart Panel report. The eight-year period is substantially shorter than the 12 years South Africa is bound to under the General Agreement on Tariffs and Trade.

We have two substantial concerns: the lack of consideration given to adequate supply side measures, and the complete absence of a social adjustment programme.

The Swart Report, which our union helped to formulate, recognises these two issues as critical to a coherent industrial restructuring programme.

In our view, restructuring should not commence in an *ad hoc* fashion. In order to promote competitiveness, it is not sufficient to only reduce trade tariffs.

It is vital to have active supply side measures, such as investment in training and technological upgrading, new forms of work organisation, training and the range of other tools set out in the Swart report. Critically, these supply side measures need to be introduced in conjunction with tariff liberalisation.

Even the trade policy section in the RDP White Paper recognises this. International experience shows that trade liberalisation in the absence of supply side policies does not lead to increased competitiveness, but rather to job losses and the destruction of large parts of the industry.

For a society characterised by levels of unemployment which are higher than most, possibly all, industrialising economies, we cannot afford the further job losses in which a programme lacking adequate supply side measures will result.

Our view therefore is that tariff reductions should only commence once adequate supply side measures are finalised.

We are concerned at the complete absence of a social adjustment programme, which contains measures to assist workers who will be adversely affected by industrial restructuring.

The original Swart report contains a comprehensive social adjustment programme, which includes retraining programmes, incentives to reabsorb displaced workers, commitments to reduce job losses, assistance to workers to negotiate the terms of restructuring at workplace level, and regional support arrangements.

We do not believe that a programme of trade

Trade tariff liberalisation should go hand in hand with retraining and re-education of workers in textiles, says

Andre Kriel, national education officer of Sactwu



Without the necessary precautions, restructuring of the clothing and textile industry will add to the number of unemployed people in South Africa.

liberalisation will be justifiable if there are no measures in place to assist workers who will be without jobs through no fault of their own.

In view of the shorter period of trade liberalisation agreed to than required under GATT, the sensitivity on trade policy for the clothing and textile industry internationally, and the devastating consequences if large numbers of jobs are lost in the domestic economy, we believe that there is adequate time available to finalise, on an urgent basis, the supply side and social adjustment measures.

We will therefore continue engaging with Government in an attempt to dissuade them from proceeding with an *ad hoc* approach to achieving international competitiveness.

We will seek to impress on Government the need for a restructuring plan which will build competitiveness rather than destroying industry.

Our support for tariff liberalisation and Government's proposed plan therefore depends on whether clear supply side measures and a social adjustment programme is in place.

The results of these ongoing discussions with Government will be reported at Sactwu's biennial national congress on September 21-23. Our congress will then take a final decision on the restructuring process and Government response thereto.

It is important to set out Sactwu policy on protection: our union's opposition to tariff lib-

eralisation in the absence of adequate supply side measures and a social adjustment programme has often been incorrectly confused as protectionism against international competition.

Further, manufacturers hiding behind the guaranteed profits of protection are able to keep prices high and quality low. In this way our members and other consumers receive poor-quality, high-priced goods.

In short, protection will lead to an industry which becomes more backward, producing shoddy articles, and with a world applying pressure on us to open our economy. When we do open the economy, most factories will then be forced to shut down, since they are so inefficient compared to the rest of the world.

That leaves the option of improved efficiency. Efficiency can only be improved through major restructuring of industries and factories.

In the short term, this may have negative effects on workers, with the painful process of adjusting to the needs of efficient production. It may involve changes to work practices, new technology and a decision not to compete on certain product lines.

In the medium to long term, efficiency is the best guarantee of job security, and the best provider of high wages and quality goods at affordable prices. Efficient enterprises require less protection than inefficient ones, and accordingly, less tariff protection is necessary.

At the same time, we argue that lower levels of tariff protection without a preceding programme to address inefficiency, will not lead to greater efficiency — only to fewer factories and fewer jobs.

This needs to be done in conjunction with adequate social adjustment programmes to assist workers displaced as a consequence of industrial restructuring.

The "big bang" approach to trade liberalisation (the immediate freeing of markets which would allow capital, labour and other resources to flow to the areas where they can be most productively used) is in practice not so clear, nor so simple. It has in practice not necessarily resulted in faster and more sustainable economic growth. We prefer the alternative route: a coherent development plan, based on market realities, seeking to marshal resources towards building an efficient, dynamic industry — not *ad hoc* decision-making.

(197)

Sowetan 23/8/95

WWS

GOVERNMENT
ECONOMICS

Texfed has second thoughts on plan to phase down tariffs

BY SHIRLEY JONES

STAFF WRITER

The Textile Federation is having second thoughts on the recently released final policy framework for the industry from Trevor Manuel, the minister of trade and industry

Brian Brink, the executive director of the federation, said the policy was not a strategic industrial plan. It was a tariff phase down schedule which, at best, ended a protracted period of uncertainty and speculation on the duty question.

"The textile industry feels strongly that it would be appropriate to postpone the hasty introduction of the duty phase down programme to restructure the industry until the supply side measures embracing training, technology upgrades, export promotion and others are finalised and in place. We're calling for structural planning

not ad hoc measures," Brink said

The debate centred on the absence of supply side measures which Mervyn King, the chairman of Frame and the president of the federation, warned would have a significant effect not only on company borrowings for new plants, but on labour issues such as retraining and retrenchment.

A fragmented approach could spell disaster for the plan as a whole, he said.

Manuel said the government could not afford supply side measures specific to the textile industry. However, general supply side measures were being developed for which the textile and clothing industries could qualify.

Industry sources remain sceptical as to whether the September 1 deadline for the implementation of the tariff reduction schedule will be met. They are even more doubtful

that the small working group appointed to evaluate supply side measures would deliver a decision within the stipulated period.

King said it was imperative to implement a total textile package to fully evaluate it.

He said one only had to look to the past to appreciate the potential problems of the future. In 1989, the board of trade and industry advocated a structural adjustment programme which included supply side measures.

However, the government of the time said it could not afford them and therefore implemented the plan without them. King said it had been a disaster.

Brink drew attention to the fact that, in the preamble to his announcement on the tariff issue, Manuel said "A phase down period of 12 years has been negotiated in terms of the Marrakech Agree-

ment. This dispensation should be seen in the context of the sensitivity internationally of textiles and clothing expressed in high levels of protection as well as tariff barriers in the form of quotas still applied by developed countries."

Despite this, and unmindful of the Swart panel's recommendation that the duty phase down should be accompanied by a package of supply side measures, the ministry decided on a seven year tariff phase down with little or no supply side measures, he said.

In his capacity as the head of Frame, King intends marking time with an interim upgrade programme. He said he was waiting anxiously to fine tune Frame's R400 million, four-year plan.

His message to government is quite clear "Don't grope in the dark when you have the light before you."

(197) ~~197~~ CT(PBR) 25/8/95

Planned tariffs cause alarm

South African clothing and textile manufacturers said they rejected proposals to restore preferential tariffs on imports of clothing and textile products from Zimbabwe from October

The Textile Federation and Clothing Federation said it was alarmed about the planned reinstatement of the preferential tariffs, announced in Pretoria on Wednesday

"Zimbabwe has access to raw materials at duty-free prices, its labour rates are

20 percent of South Africa's and it is in close proximity to the South African market. There is no justification to grant Zimbabwe further trade preferences"

The federation said the move would see tariffs on Zimbabwean clothing imports, presently at 7 percent, reduced to 15 percent. A complicated structure governs textile imports, but tariffs on cotton fabric imports from Zimbabwe should fall from about 35 percent to 10 percent. — Reuter

CT(BR)25/8/95

(197) (197) (197)

Govt to monitor textile and clothing industry

John Dlodlu

(184) (183)

GOVERNMENT would set up a monitoring mechanism — including business and labour representatives — to ensure that the planned re-instatement of Zimbabwean trade preferences did not harm SA clothing and textiles or threaten SA jobs

This was said at the weekend by trade and industry's newly appointed chief director for foreign trade relations, Faizel Ismail, following reports that the Clothing Federation and the Textile Federation were still opposed to the planned renewal of the concessions

The new concessions granted Zimbabwean clothing and textiles better than most-favoured-nation preferences in the local market.

Ismail — whose section is responsible for negotiating trade agreements — said all parties would be involved and kept fully informed of the impending impact study, aimed at assessing the effect the Zimbabwean concessions would have on SA jobs and industries

The study — to be undertaken within the next two weeks — would determine product brands which would require import

BM 28/8/95

quotas and the nature of safeguards to be put in place as soon as the preferences came into effect

In terms of departmental plans, the concessions, not as generous as the pre-1992 regime which was allowed to lapse, would come into effect at the end of October

As part of safeguards, labour and business would be included in a mechanism to monitor its implementation.

It is understood the mechanism would also ensure that no import leakages entered the country

SA Clothing and Textile Workers' Union spokesman Lionel October, said labour's support for the planned extension of the concessions would be contingent on the proviso that no jobs were lost and that the agreement included social clauses

Social clauses included the right to strike and join unions, a ban on all forms of discrimination and child labour and the right to collective bargaining

According to Ismail, the issue of social clauses was raised at last week's meeting with the Zimbabweans and would be discussed further, although the Zimbabwean delegates did not seem to have any vehement objections to it

Textile prices are set to soar

By FRANÇOISE BOTHA

STAFF WRITER

Textile prices are set to soar on the back of a drought-induced smaller cotton crop, which is 60 percent lower than expected this year.

Brian Brink, the executive director of the Textile Federation, said that this year's cotton crop of 100 000 lint bales was down from the expected 250 000 bales. This will force the country to import higher

priced cotton to meet domestic demand from the textile industry.

The shortfall will be met by imports at world prices, which currently exceed the local price by up to 30 percent. This margin will undoubtedly be added to the retail price of textiles.

The world cotton price has increased by over 120 percent since October 1993 because of crop failures in the major producing countries such as China and India.

(197) CT(MR) 14/8/95 Texfed welcomes new policy

The final policy framework for the textile industry announced by Trevor Manuel, the minister for trade and industry, has been welcomed by the Textile Federation (Texfed) despite reservations.

Mervyn King, president of Texfed, praised the long-term strategy which centres on a tariff phase-down period of 12 years with an initial stand-still period of four years. "The package is practical and

reasonable," he said.

Mike Hankinson, vice-president of Texfed, said government's refusal to permit a 5 percent increase in the maximum specific duty would retard the pace at which local mills would move towards higher value-added quality textile products.

The government has targeted September 1 for the commencement of the tariff reduction schedule —
Staff writer

Textfed has second thoughts on plan to phase down tariffs

BY SHIRLEY JONES

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"The textile industry feels strongly that it would be appropriate to postpone the hasty introduction of the duty phase down programme to restructure the industry until the supply side measures embracing training, technology upgrades, export promotion and others are finalised. We're calling for structural planning not ad hoc measures," Brink said.

The debate centred on the absence of supply side measures which Mervyn King, the chairman of Frame and the president of the federation, warned would have a significant effect not only on company borrowings for new plants, but on labour issues such as re-training and retraining.

A fragmented approach could spell disaster for the plan as a whole, he said. Manuel said the government could not afford supply side measures specific to the textile industry.

However, general supply side measures were being developed for which the textile and clothing industries could qualify. Industry sources remain sceptical as to whether the September 1 deadline for the implementation of the tariff reduction schedule will be met. They are even more doubtful that the small working group appointed to evaluate supply side measures would deliver a decision within the stipulated period.

King said one only had to look to the past to appreciate the potential problems of the future. In 1989, the board of trade and industry advocated a structural adjustment programme which included supply side measures.

Brink drew attention to the fact that, in the preamble to his announcement on the tariff issue, Manuel said: "A phase down period of 12 years... has been negotiated in terms of the Marrakech Agreement. This dispensation should be seen in the context of the sensitivity internationally of textiles and clothing expressed in high levels of protection as well as tariff barriers in the form of quotas still applied by developed countries."

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(197)

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The new concessions granted Zimbabwean clothing and textiles better than most-favoured-nation preferences in the local market.

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SA Clothing and Textile Workers' Union spokesman Lionel October, said labour's support for the planned extension of the concessions would be contingent on the proviso that no jobs were lost and that the agreement included social clauses

Social clauses included the right to strike and join unions, a ban on all forms of discrimination and child labour and the right to collective bargaining.

According to Ismail, the issue of social clauses was raised at last week's meeting with the Zimbabweans and would be discussed further, although the Zimbabwean delegates did not seem to have any vehement objections to it

Clothing, textile industries slate govt over Zimbabwe tariff deal

Yuri Thumbram



THE clothing and textiles industries have launched a strongly-worded attack on government for concluding a preferential trade deal on tariffs with Zimbabwe. In an advertisement published today, the two industries warn of hundreds of thousands of job losses and the scaling down of their proposed R3,5bn capital investment in technology and training. The Clothing Federation and Textile Federation also say communication has taken place through the Press rather than directly.

30/8/95

Describing the agreement as ill-conceived and irrational, the industries said more than 350 000 direct jobs and hundreds of thousands of secondary jobs were at risk. "It is fallacious to believe that imports from Zimbabwe will replace those from the Far East. As a rule of thumb, for every job created in Zimbabwe, one will be destroyed in SA."

The agreement would make a mockery of the seven-year tariff phase-down period and deal a severe blow to the confidence of SA textile and clothing companies, as they would never know what their own trade of-

ficials might concede next. SA companies could therefore be expected to scale back investment plans leading to another, more extensive round of job losses.

The advertisement said it was common knowledge that customs and excise had all but lost control of SA's ports and that smuggling was rife. At most only 1% of imports were inspected, therefore the assurances of trade officials that they would ensure there were no import leakages into the country were ridiculous.

Both industries repeated their offer to second personnel and international consul-

ants free-of-charge to aid the customs and excise department to control smuggling and illegal imports.

They said Zimbabwe's textile and clothing industry enjoyed considerable advantages over SA, including wages being 25% of those in SA and that Zimbabwe manufacturers had access to duty-free raw materials at world prices for exports to SA.

The advertisement said SA was not responsible for the destruction of much of the Zimbabwean textile and clothing industries. The Harare government, in some cases at the insistence of the IMF, had

caused this destruction by withdrawing export incentives and raw material subsidies overnight, failing to maintain the integrity of the customs function and failing to control state spending, resulting in excessively high interest rates and inflation.

The advertisement said President Nelson Mandela had warned against a big bang approach to trade liberalisation with neighbours, to avoid exporting capital, skills and jobs. "This is precisely what will happen if the Zimbabwean agreement is allowed to stand."

● See Page 8

CLOTHING, TEXTILES

Rent asunder

FM 1/9/95

(197)

Government proposals to let Zimbabwe export clothing and textiles to SA at preferential tariff rates have caused a split in the ranks of the local clothing industry

This is despite a purported joint communiqué issued last week by the textile and clothing federations, which "rejected unconditionally" the threat to their shared interests.

"We fear the Zimbabwean border may become an open door for even more illegal imports to flood into our market, bypassing SA's ineffective Customs & Excise control. With a seven-year tariff phase-out plan in the offing, both industry sectors have joined forces against the Zimbabwean import threat," says Textile Federation (Texfed) executive director Brian Brink

Though the joint statement was issued under the names of Brink and Clothing Federation (Clofed) executive director Henne van Zyl, sources say it reflects the views of Texfed and of Clofed vice-president Bernard Richards, a director of the Seardel clothing group, which effectively controls the Frame textile group. They add that Clofed president Sadek Vahed, who represents the views of many smaller Natal clothing firms and favours reduced barriers, was not consulted about the statement.

"If government's decision to allow freer access to Zimbabwean exporters is a political pay-off for past links, why single out the clothing and textile industry sectors in the trade deal?" says Richards

But lowering trade barriers between SA and Zimbabwe is in line with this week's signing of the Southern African Development Community (SADC) policy protocols

With SA heading in the direction of a regional common market, the sooner industry adapts to the changing scenario the better. SA can't put up tariff barriers against SADC trade partners while arguing for membership of the Lomé trade pact

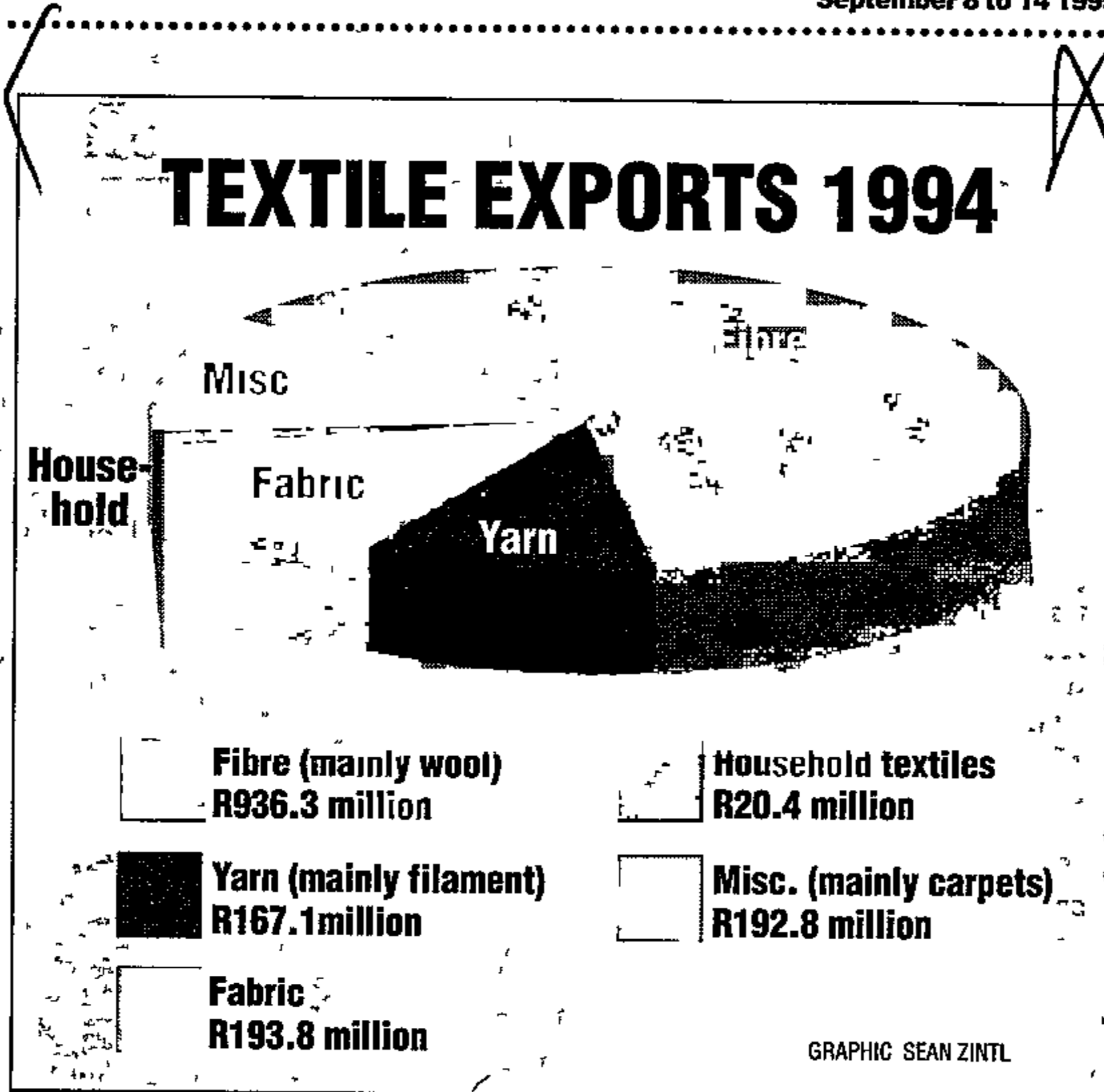
A recent confidential DTI report states

that Zimbabwean textile manufacturers have certain comparative advantages over their SA counterparts. These include lower cost structures, lower wage rates and preferential access to overseas markets under the Lomé Convention

Says the DTI report "For various reasons, government supports the promotion and expansion of economic activities and growth in the southern African region. This will ensure value being added within the region rather than in the Far East."

Details of the new tariff deal are not yet available but Zimbabwe already enjoys a 10% tariff preference (into SA) on its exported fabrics, 15% on clothing and 15% on yarn. As SA raised its tariffs in 1992, Zimbabwe has asked that tariffs applicable to its exports be reduced to pre-1992 levels.

With SA's membership of the SADC now a fait accompli, protectionist lobbies in the two industry sectors may find themselves on shaky ground in going against the Zimbabwe trade deal



Fibres account for the lion's share of South African textile exports

1994 sees a surge in local textile exports

~~1994~~ (1997) Wm (BM) 8-14/95

Reg Rumney

SOUTH African textile exports last year surged by around 31 percent, compared to calendar 1993, to R1,5-billion.

Nonetheless, as the Textile Federation's August 1995 *Textile Watch* comments, textile export statistics are a microcosm of what is wrong with South Africa's foreign trade. Textile exports remain mostly commodity-based and, therefore, vulnerable to volatile price swings.

The improvement last year was due mainly to better terms of trade in the fibres market, notes *Textile Watch*.

"Even so, it's sobering to reflect that wool accounted for more than half of total exports of textiles R840,3-million or a 37 percent increase in value terms on a two percent fall in the volume of wool exported."

Severe shortages of cotton sent man-made fibre prices up, so that

exports of these fibres rose 365 percent in volume terms and 334 percent in money terms, from R21-million to around R93-million.

"Fibres, however, accounted for the lion's share of exports in money terms — R963-million out of R1,5-billion — a grim reminder of how far the sector still has to climb up the value-added ladder."

Naturally, the Textile Federation mouthpiece uses the figures to argue that the industry needs at least a decade to modernise.

Trade and Industry Minister Trevor Manuel has proposed a seven-year phasing down of protection for the industry, which favoured 12 years.

The industry is also not happy with proposed "supply-side" measures to compensate for the reduction in tariff protection by some other form of assistance.

It feels these measures fall short of what had been promised.

Textile industry wants last-ditch talks

Yuri Thumbran

THE textile industry has launched a last-ditch attempt to meet Trade and Industry Minister Trevor Manuel for discussion about the preferential trade agreement with Zimbabwe

Final preferences of the deal, announced last month, would be finalised on Friday.

Textile Federation (Texfed) executive director Brian Brink said at the weekend that a request had been made to meet Manuel, but the trade and industry ministry had not yet responded

Brink said the textile industry

feared that the reinstatement of preferential trade tariffs for imports of textiles from Zimbabwe would open the "sluice gates" for rerouted dumped goods from the Far East and could cost many jobs

He said that despite government assurances that it would investigate the local employment implications for sensitive areas and put a number of safeguards in place — such as monitoring mechanisms, import volumes and quotas and customs control — the customs and excise department had acknowledged that it was unable to guarantee adequate control of imports into SA.

"Zimbabwe in turn has bilateral trade agreements with Botswana and Namibia. If customs controls of imports into SA are already so weak, how can we ensure conformity to these other trade agreements among southern African countries?" he said

Brink said the leakage potential of bilateral trade agreements among SADC members could, in theory, be curtailed by strict safeguards so as to enforce certificates of origin

The SA textile industry was unconvinced, however, that government's proposed surveillance measures would be adequate.

BD 11/9/95 (197)

Preferential tariffs for Zimbabwe slammed

Star 12/9/95

(197)

■ BY FRANCOISE BOTHA

South African textile manufacturers have slammed the re-instatement of preferential tariffs on imports from Zimbabwe, saying it will re-open the sluice gates for dumping by producers from the Far East and will cost the local industry jobs.

The Textile Federation (Textfed) said yesterday that assurances by the government that a number of safeguards such as quotas, customs controls and the monitoring of import volumes would be established, could not be relied on.

Brian Brink, the executive director of Textfed, said the customs and excise department had acknowl-

edged that it was unable to guarantee adequate control of imports into South Africa.

"Zimbabwe has bilateral trade agreements with Botswana and Namibia. If customs control of imports is already so weak, how can we ensure conformity to other trade agreements among southern African countries? The effect will be the re-routing of cheap goods from the Far East," he said.

The industry said strict safeguards to enforce certificates of origin had failed in the past. South African textile mills said it was well known that falsification of certificates of origin was carried out on a large scale.

Textfed said it wanted to know whether this was done

in spite of Zimbabwean government efforts to contain it, or whether it occurred with their tacit approval.

The customs sieve would not only let through cheap, re-routed imports, but also cost the local economy jobs, said Brink.

Assurances by government include an investigation of employment implications before the preferences are agreed to on Friday.

John Balladon, the chairman of terry towelling Glodina, said Zimbabwe had one of the largest terry towelling manufacturing facilities in southern Africa and restoring the trade agreement could result in 25 percent of the South African market being lost to Zimbabwe.

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BY FRANÇOISE BOTHA

STAFF WRITER

CT (BR) 12/9/95

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"Zimbabwe has bilateral trade agreements with Botswana and Namibia. If customs control of imports is already so weak, how can we ensure conformity to other trade agreements among southern African countries? The effect will be the re-routing of cheap goods from the Far East," he said.

The industry said strict safeguards to enforce certificates of origin had failed in the past.

South African Textile Mills said it was a well known fact that large scale falsification of certificates of origin was carried out.

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Frame Group devises four-year plan

Yuri Thumbran

(197)
BO 26/9/95
THE Frame Group, SA's largest textile manufacturer, has devised a four-year technology-driven plan which will reposition the group to help it achieve focus, agility and competitiveness through improved production, chairman Mervyn King said in the annual report.

The plan would be fine-tuned after the recently finalised tariff phase-down period and final duty levels, but could be amended once government's supply side measures had been finalised, he said.

"Capital investment to install appropriate state-of-art technology, as well as the investment in human resource development, will be channelled into areas of the business where management believes the time frame is sufficient to achieve the outlined objectives."

King said the group was ded-

icated to achieving world-class manufacturing standards. The strategy was to employ the group's manufacturing expertise and the resources provided by its profitability and financial strength to ensure it remained at the forefront of SA's textile industry.

He said every SA manufacturing concern would feel the effect of trade liberalisation in accordance with the GATT/WTO accord and would have to adjust to it.

"The financial strength and emerging profit trend of the group have placed it on a solid and unique platform from which to launch its strategic initiative for success in the challenging years ahead," he said.

Improved operating efficiencies saw the group's income before tax and extraordinary items rise 206% to R67m in the year to June, while turnover increased 20% to R777m during that period.

MD Walter Simeoni said during the review period capital expenditure was R30m, with a further R60m being planned for the current financial year.

He said trading conditions had improved mainly due to a buoyant economy, the introduction of consumer credit cards by various retailers and the high cost of raw materials caused by cotton and polyester fibre shortages in Asia.

Asian manufacturers were forced to purchase fibres at world prices, rather than their usual heavily state-subsidised prices.

Imports of all textiles had increased sharply during the first quarter of this year, compared to the same period a year ago.

The phasing down of tariffs and problems experienced by Customs and Excise to control the massive flow of contraband textiles into SA remained a concern for the industry, Simeoni said.

Union critical of IMF presence in SA

~~197~~ ~~197~~ (197) BO 28/9/95

Renee Grawitzky

CAPE TOWN — The SA Clothing and Textile Workers' Union (Sactwu) strongly criticised the involvement of the International Monetary Fund (IMF) in Africa and the SA government's failure to consult the union properly over the Zimbabwe Preferential Trade Agreement in respect of clothing and textiles which comes into effect next month.

Delegates at the union's congress held in Cape Town at the weekend resolved to reject the IMF's involvement in SA and criticised the advice being given to the SA government by the IMF. Delegates also resolved to arrange a meeting with government to discuss the Zimbabwe agreement.

Sactwu general secretary Jabu Ngcobo said delegates had decided that bilateral trade agreements including the Zimbabwe agreement should include a social clause which provided for the protection of worker rights.

Ngcobo expressed his concern about complaints raised by parliamentarians who felt they were merely rubber stamping agreements reached within Nedlac — which could ultimately re-

duce Nedlac's power. Nedlac, he said, was the only structure which could bring about peace in the economy.

Addressing the congress, Labour Minister Tito Mboweni said the ministry would focus on the restructuring of the labour department, the formulation of a white paper on an SA Labour Market Policy, the promulgation of legislation dealing with employment equity in the workplace and revision of the Basic Conditions of Employment Act, during 1996.

Mboweni said he would have to ensure that the revised Basic Conditions of Employment Act included provisions that he promised delegates at Cosatu's congress last year, including a 40-hour week. He said business has warned him that negotiations on this issue would be very tough.

Delegates at the congress adopted resolutions on a wide range of other issues including the training of officials to gain an understanding of the LRA, centralised bargaining, the restructuring of the clothing and textile industries, training and job grading as well as the appointment of a national organising secretary to co-ordinate specific campaigns.

Own brand for Mooitex

(197) CT(BR) 5/10/95

SHIRLEY JONES

STAFF WRITER

KwaZulu Natal-based Mooi River Textiles (Mooitex), part of the Anglovaal group, has launched its own brand, Sandford, in an attempt to protect and expand its business in the face of stiff local and international competition.

Mooitex has followed the international branding trend in an attempt to maintain local market share and move into international markets in the long term, said Franklin Haddon, the marketing and sales manager of Mooitex.

The company's immediate intention was to focus on the domestic market, but it was sourcing international agents with a view to move into exports, he said.

"Mooitex has recognised that consumers are now being offered more and more choice and realised

it was necessary to take action

"We recognise the huge advantages to be gained by establishing a brand of our own. A strong brand gives the company an identity, an edge, a sense of security," he said.

The Sandford brand is named after a tranquil area close to Mooi River, a KwaZulu Natal midlands town where the company is the principal employer.

Its 40-year history has been rocky with the plant facing closure following labour unrest in 1992.

However, Mooitex returned to profitability in late 1993.

Anglovaal has since invested R10 million in upgrading the plant and has made a further R32 million available for investment in new technology over the next 18 months.

Haddon said products made from Sandford textiles should appear in major chain stores by early next year.

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CONFRAM/FRAME

(197) Further to go

FM 13/10/95

In years to come, it will be surprising if the Frame group is not used as a case-study by students of business administration

Apart from the fact that there were many who doubted whether it could be done, the dynamics of the turnaround that has been achieved since the group hit the wall in 1991 are staggering. A pre-interest loss of R122m four years ago has been replaced by a profit of R61,1m. And the strengthening of the balance sheet is no more evident than in the net cash resources of R109m at June 30 1995 instead of the R218m net borrowings at the 1991 year-end.

The approach adopted by management in achieving the turnaround was straight textbook: unproductive assets were ruthlessly ditched (starting with the disposal of the blanket division and its horrendous losses in 1991), while the rest were reorganised as necessary to improve their profit potential.

This process was still in progress in 1995, which saw the physical relocation of two divisions, thereby consolidating the group's operations at its two major man-

COMPANIES

though MD Walter Simeoni emphasises that such plans are subject to review in the light of the recently finalised tariff phase-down period announced for the textile industry.

Effects of the group's reconstruction are seen from balance sheet and income statement statistics. Five years ago (before the crash), Frame employed assets of R1,4bn at book value. In 1995 this had been carved back to R824m, a net reduction of 42%.

Turnover, despite a 20% improvement last year, still shows a net decline in nominal terms of 21% over the five-year period, which probably means a decrease of 50%-60% in real terms. 1995's taxed profit of R57,4m was 47% above the R39m earned in 1990, reflecting the effect of the disposal/discontinuation of unprofitable activities.

However, one should not get carried away. Confram is still grossing only 9% on capital employed (total assets excluding interest-free liabilities) and is netting an even smaller 8,7% on equity. If shareholders' funds of 1 180c (based on the operating company's financial statements and taking investments at market value) were banked, they could return 10,4% net, assuming tax at the full corporate tax rate of 35%. EPS would be 122,7c, or 20% more than Consolidated Frame's actual 102,3c.

Simeoni points out that this comparison is distorted by Frame's large investment in fixed property (R225m at June 30, or 26% of total assets) which has become increasingly under-used as the group has consol-



King

idated activities into a progressively smaller area. But the property portfolio is still part of the group, and the comparison underlines the work to be done before Frame can be considered an attractive business.

Another consideration is how Frame and the rest of the textile industry will fare with the gradual

phasing out of tariff protection, which is likely to worsen the problem of imports of what Simeoni calls contraband textiles.

Chairman Mervyn notes that the group, already the largest textile maker in Southern Africa, is dedicated to achieving world-class manufacturing standards.

Meanwhile, the uncertainties are reflected in a share price which, even at its 12-month high of 530c, is less than half the June 30 1995 net worth. The discount to NAV has since widened to 64%, while the 4,2 p/e ratio is little more than a quarter of the JSE industrial sector's average.

It's tempting to say the market is being unduly pessimistic. But investors will probably want proof that the group can extend its recovery as protection of the local industry is gradually removed before any significant upward rating can be expected.

Brian Thompson

ufacturing facilities at Mobeni and New Germany, but there was also a greater emphasis on capex on plant upgrades in terms of automation and sophistication.

This is expected to continue in 1996 with a doubling of the capex budget to R60m.

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Illegal imports bring textile factions together

By SHIRLEY JONES

STAFF WRITER

Major players in the government and the business sector are meeting in an attempt to stem the illegal influx of clothing and textiles swamping the local industry

According to an industry spokesman, the issue has brought the warring factions within the textile and clothing pipeline together

He said the clothing and textiles federations and the South African Clothing and Textile Workers Union would meet shortly, to formulate a joint response to a query from the department customs and excise on how to dispose of R40 million worth of seized clothing and textiles which have accumulated in government warehouses over the past year

Their decision should be avail-

able for submission within the next week. It is likely that both industry and labour will forbid the sale of the goods on the local market or even their distribution to the needy

The general consensus is that clothing donated to the poor will inevitably find its way back on to the South African market

According to David Sable of Gregory Knitting, the main objective should be to identify a credible user — one which cannot have repercussions for the local textile and clothing pipeline

All parties have suggested donating the goods to an international aid organisation, such as the United Nations, which distributes clothing in areas such as Rwanda or Bosnia.

Mark Bennett, a union spokesman, intends submitting other ideas such as selling the clothing and tex-

iles on the international market via international tender, or reprocessing them to manufacture non-woven materials or carpet underfelts

Proceeds would have to find their way back to RDP job creation projects. He suggests the formation of a company comprising representatives of both labour and industry to handle the disposal

Bennett said labour wanted the formulation of a general principle for the disposal of impounded goods across all industries

Short-term strategy is likely to emanate from a South African Chamber of Business task group in which all parties, including customs and excise, are represented.

A longer-term solution is likely to involve a cabinet decision and will probably lead to the complete restructuring of customs and excise

CT(BR) 13/10/95 (197) (197)

MENT

WICS

Delay likely for preferential access agreement on textiles

FROM SAPA

Harare — An agreement to allow preferential access of Zimbabwean clothing and textile exports into South Africa is unlikely to come into force before the end of the month as envisaged earlier, Ziana news agency reports

The chief executive of the Confederation of Zimbabwe Industries, Joe Foroma, said last week that South Africa was still studying Zimbabwe's proposals for preferential treatment of its clothing and textile exports, further delaying the implementation of the agreement

It was now unlikely the agreement would become effective before the end of October this year, the date agreed to in August

Foroma, who was part of a Zimbabwean private sector delegation which met representatives of Business South Africa in Johannesburg last week, said the South Africans were still making their own internal consultations on Zimbabwe's proposals

"At the moment they have not declined the proposals, although it is unlikely the agreement will come into force by the agreed date," Foroma said

The South Africans had in principle offered preferential access of Zimbabwean clothing and textile exports into South Africa at preference rates as close as possible to the situation that prevailed before December 31 1992

A technical group was to work out the details

Opposed

South African textile manufacturers are opposed to any deal with Zimbabwe, a situation that has caused the delays

Brian Brink, the executive director of the South African Textile Federation, said in Johannesburg that the industry in South Africa was generally opposed to any agreement that would result in Zimbabwean textiles and clothing inundating their country

South African manufacturers

argued that their industry was still very young and not yet ready to be exposed to external competition.

A meeting between senior officials of the Zimbabwe Association of Business Organisations (Zabo) and Business South Africa would be held in Harare in early December to try and resolve various issues restricting free trade between the two countries

Zabo chairman Peter Macsporrnan said the meeting was a follow-up to a similar one held in Johannesburg on October 2.

Meanwhile, the Confederation of Zimbabwe Industries president, Jonah Wakatama, has challenged the private sector to explore new markets and lessen their dependency on South Africa in light of the current delays in producing a new trade agreement between the two countries.

"The private sector should recognise that South Africa is not the only available market — the rest of the region and the rest of the world need to be explored," Wakatama said

(197) ET(BR) 16/10/95

Northern Province takes action against fraud, theft

Kevin O'Grady

BD 18/10/95

PROSECUTIONS of a number of people — including former chief minister Nelson Ramodike — on charges which included theft and fraud totalling tens of thousands of rands in the former Venda homeland, have taken place since the Northern Province government came to power.

Premier Ngoako Ramatlhodi's spokesman Jack Mokobi said yesterday the province would not, however, institute a commission of inquiry similar to the Skweyiya commission which this week recommended former Bophuthatswana leader Lucas Mangope be charged with theft and fraud.

The province had instead set up an asset audit committee comprising members of the provincial legislature which had as its task reconciliation of the state asset register, Mokobi said.

When committee members were unable to reconcile entries, or found that state property had "disappeared", investigators from the SA Police Service were called in. Although he could not provide details, Mokobi said the process had resulted in the prosecution of "more than 10 people".

Eastern Cape DP leader Eddie Trent strongly supported a suggestion by Northwest premier Popo Molefe, who instituted the Skweyiya commission, that provinces which had incorporated former TBVC states should set up similar commissions.

There was "no question" that corruption involving more than R1bn in the former Transkei and Ciskei, that had been referred to publicly by President Nelson Mandela, should be the subject of "intensive investigation".

"Unless we weed out the corruption which took place under Gen Bantu Holomisa's regime, we will never be able to get that civil service running smoothly and honestly," Trent said.

"If the ANC is adamant about the truth commission it is just as important to weed out people who embezzled money, who are guilty of massive fraud and who indirectly caused largescale poverty and misery," he said.

This should be done without regard for Holomisa's present position as a deputy minister in the government of national unity.

Meanwhile, Standard Bank yesterday denied a finding by the Skweyiya commission that it bowed to political pressure when it agreed to finance the R177m Mmamatsuwe power station in Bophuthatswana that has since never been used. Spokesman Erik Larson said the bank "acted within normal business parameters".

"The actions taken were in good faith and with a view to preserving existing client relationships," he said.

The bank would co-operate fully with any further investigation.

Skweyiya recommended that the building of the station be probed by the Office for Serious Economic Offences.

Confidence over trade agreement

John Dlodlu

197 (197) ~~197~~
BD 18/10/95

THE preferential trade agreement granting Zimbabwean textiles better access to the SA market was on track for reinstatement at the end of the month, government said yesterday.

The trade and industry department said that despite concerns about the volume of negotiations still to be finalised, it was confident the agreement would be put into operation as scheduled.

Chief director for foreign trade relations Faizel Ismail said government was completing consultations with labour and industry, in talks with the SA Clothing and Textile Workers' Union and the Textile Federation and Clothing Federation. Both labour and business have vehemently opposed the reinstatement of the concessions.

The deal's reinstatement has been previously delayed by Zimbabwe's request that the preferential treatment be widened, which prompted SA to study the likely affect on SA jobs.

The new agreement is expected to include quotas to act as a safeguard for local industries. Government has also

said it will set up a mechanism to monitor the accord's implementation.

A meeting with the Zimbabweans would take place shortly, Ismail said.

Labour has said its support for the agreement hinged on SA jobs being safeguarded, and that the agreement included clauses guaranteeing workers a right to strike, as well as a ban on all forms of discrimination.

A motion to write the clauses into the agreement was tabled at the previous round of talks with the Zimbabweans, and will come under detailed discussion at the final meeting.

Judging by the state's submission on social clauses to the debate at the National Economic, Development and Labour Council, it appears that government might soften its stance on the inclusion of these clauses in the accord.

The government submission at NEDLAC says denying market access to developing nations on the grounds of labour standards was inconsistent with a human rights approach.

Asked about this, Ismail said: "Our task is to work with our neighbours to develop common positions and to build consensus through persuasion."

with some of the JSE's riskiest shares. Why? There are a number of possible reasons. But even if they are aggregated, this rating and the corresponding low share price surely understate the group's value.

Searl was overgeared for many years. It had a high interest bill that tended to rise and ebb with interest rates. Because of this, the market gave the share a high risk profile. Chairman Aaron Searl was in a cleft stick. Much as he may have wanted to hold a rights issue or use some other stock market related instrument to recapitalise, the market rating was too low. So Searl decided to trade out of borrowings.

Uncertainties about duties on imported clothing and fabrics as well as impending

by the Swart panel at last brings clarity to government attitudes on import restrictions.

In December, 20% of subsidiary Searl's equity was floated on the JSE, providing Searl with some welcome liquidity.

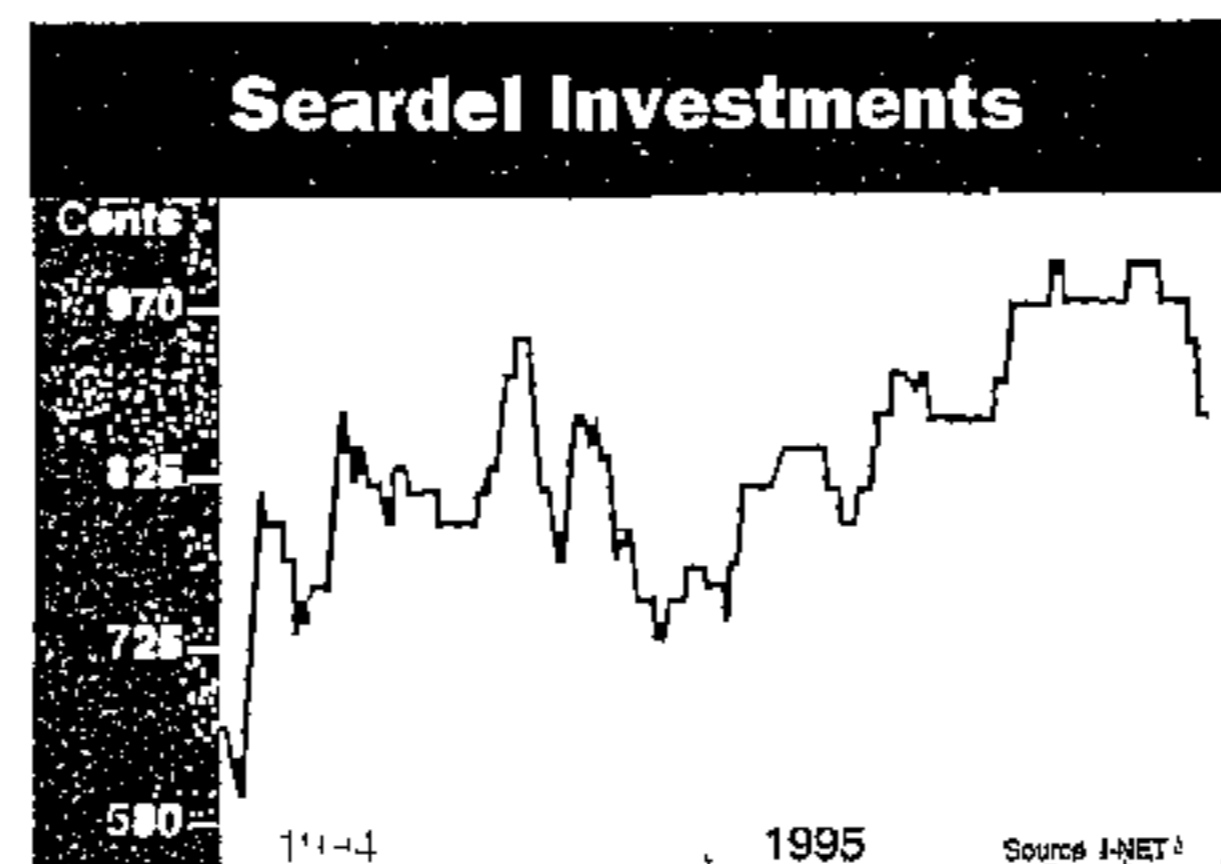
Searl's 24% holding of Frame Group is proving an excellent investment as it resurfaces from a period of large losses.

Provided the economy holds up, there is every reason to be optimistic about prospects for 1996. Searl is cautious, fearing "a rather more difficult climate, with consumer spending probably at a lower level than last year." He is calling for a 15% increase in turnover and an EPS rise of between 5%-15%.

The group is "well booked" until Christmas but demand in the second half is not as buoyant as a year ago.

Searl is restructuring its share capital. There is to be a capitalisation issue of a second class of (N) shares with different voting rights. The purpose is to promote growth and expansion and improve marketability of the share.

With most uncertainties and weak areas eliminated, it appears to be only a matter of time before the market rerates this, the largest clothing manufacturer in SA, which is trading slightly below NAV. *Gerald Hirshon*



changes in Gatt legislation also increased the risk rating and further hit the price.

Profit performance, especially in the early Nineties, was inconsistent and poor, partly because of the seriousness of the recession but also because management had not foreseen the trading difficulties ahead (in common with most SA enterprises) and had not taken timely action to prevent financial deterioration. So the share price fell for 18 consecutive months to its 1993 low of 130c. Its price was then 2. That was patently too low and the market started buying.

At the time, the market had not assessed the full implications of Searl's recent appointment of joint MDs Chris de Bruin and Bernard Richards. They "cleaned up the shop" in 1993. Improvements were evident in financial 1994 but it was in 1995 that their good work has really come through.

Not only did the group post impressive earnings gains, it also improved balance sheet ratios. Debt equity is down to an acceptable 0,39 (interestingly, the level of debt has been about the same for five years, equity growth has caused the ratio to change) and it has "entered into long-term arrangements with its financiers in an effort to curtail the impact of expected increases in short-term rates."

But there is clearly still room for improvement. In 1995, in spite of the better profit, two ratios slipped back — return on capital and margin.

There are sound reasons to believe that over-gearing is past and will not recur. The finalisation of a seven-year DTI plan for the clothing and textile industries as proposed

SEARDEL

(197)
Km 20/10/95
Waiting for rerating

Activities: Manufactures apparel, toys, consumer electronics, non-woven textiles

Control: Searcon 50,1%

Chairman: A Searl Joint MDs G C de Bruin, B G Richards

Capital structure: 24,3m ords Market capitalisation R225m

Share market: Price 925c Yields 3,8% on dividend, 19,4% on earnings, p/e ratio, 5,1, cover, 5,1 12-month high, 950c, low, 650c Trading volume last quarter, 1,3m shares

Year to June 30	'92	'93	'94	'95
ST debt (Rm)	20,4	36,6	29,3	37,6
LT debt (Rm)	115,1	82,3	84,0	93,1
Debt equity ratio	0,74	0,62	0,49	0,39
Shareholders' interest	0,32	0,34	0,36	0,37
Int & leasing cover	1,5	1,7	2,5	3,4
Return on cap (%)	10,8	11,7	12,8	12,2
Turnover (Rm)	1 058	1 069	1 151	1 465
Pre-int profit (Rm)	55,2	57,8	68,8	90,0
Pre-int margin (%)	5,2	5,4	6,3	6,1
Earnings (c)	43	65	120	179,5
Dividends (c)	9,5	13,0	24,0	35,5
Tangible NAV (c)	655	678	827	1 003

Searl is now a R1,5bn-turnover group. Yet it is accorded a p/e of just over five. If 1996 earnings rise by only 15%, the forward p/e is less than 4,5. That is on a par

Searll warns against ending import duties

BY AUDREY D'ANGELO

CAPE BUSINESS EDITOR

Aaron Searll, the chairman of the Seardel group, warned against any relaxation of import duties against clothing and textiles from Zimbabwe at the group's annual general meeting yesterday, saying it would endanger local jobs.

The net result would be that for every new job created in the Zimbabwean clothing industry, one would be lost to this country.

He said customs was holding 500 bales of confiscated clothes and textiles and Seardel was opposed to them being released for sale in South Africa.

They should be disposed of overseas, preferably to aid organisations working in countries like Rwanda where there was no clothing industry to be harmed.

Companies in the Seardel group lifted turnover by 9,6 percent to R417 million (R380 million) in the first three months of the year, Searll told shareholders.

He said the retail trade was "rather sluggish compared with last year" but this was not surprising after a phenomenal rise in sales last year which could not be sustained.

Similarly, with inflation coming down, high nominal rates of growth could not be expected.

The Frame group, in which Seardel has a controlling interest, has lifted turnover by only 4 percent to R217 million so far this year.

Negotiations for an acquisition by the Seardel group were still on track, "but until the agreement is

signed we cannot make any announcement"

On Monday, Seardel re-issued a cautionary announcement which had earlier been withdrawn.

Seartec, an electronics company in the Seardel group, has benefited from the lifting of the high import surcharge on TV sets, video machines and similar products as well as the scaling-down of import tariffs, Chris de Bruin, the managing director, said at the annual general meeting yesterday.

He told shareholders that the Sharp division imported all its products and had been harmed by unfair competition from illegal imports on which no duties had been paid.

At one stage, 60 percent of electronic goods on sale in South Africa were imported illegally.

The removal of surcharges and scaling down of duty at the beginning of this month had reduced the landed cost of a VCR by 60,5 percent, a hi-fi by 75 percent, a Walkman-type radio and compact disc player by 45 percent and a TV set by 22 percent.

Thus meant that Sharp's prices would be more competitive and it would be less profitable for smugglers to bring goods in.

De Bruin said he expected this development to have a very good effect on Sharp's sales.

Aaron Searll, the chairman, said Seartec's turnover in the first three months of this year was 17,8 percent above the same period last year.



TIGHTER CONTROL Aaron Searll, the chairman of Seardel, third from left, front row, with fellow directors. They are, clockwise, Arthur Jacobson, Michael Katz, K A Blumberg, Bernard Richards, M R Sternberg, Chris de Bruin, M Schaffet, A Dubin, Searle Diamond and K Winer.

PHOTO: ANDREW BROWN

Neighbours hold growing appeal

~~STATE~~ (177)
Yuri Thumbran

BD 25/10/95

SA CLOTHING companies were exploring opportunities of relocating operations to neighbouring countries to cut costs in the face of stiff competition from growing imports, Clothing Federation executive director Hennie van Zyl said.

Van Zyl said Pepkor's announcement about possible plans to relocate low-value manufacturing units of Pep Manufacturing, SA's second largest clothing operation, outside SA was no surprise.

Various manufacturers were looking at the option of improving competitiveness through cost efficiencies to withstand the rising tide of imports to SA.

SA manufacturers faced a disadvantage in having to compete against countries where production costs, especially labour, were much cheaper. Relocating to pay lower wages was a worldwide trend, especially in "the EU, the US and in Pacific Rim countries".

SA manufacturers were eyeing Zimbabwe, Mozambique and Lesotho, among others, for relocation.

Van Zyl said companies planned to manufacture fabrics in neighbouring states, export the products to SA, and from there export to world markets.

Textile Federation executive director Brian Brink said textile firms could not relocate easily because of the plant and machinery involved, but a small number of companies was likely to relocate.

Frame revamp will include job losses

(197) BO 1/11/95

Yuri Thumbran

FRAME Group is starting a four-year strategic shake-up in which a large chunk of its 6 000-strong workforce will be retrenched.

The group — SA's largest textile manufacturer — said yesterday it would spend between R200m and R250m over the next four years to meet increased competition stemming from stepped-up plans to phase out tariffs.

Deputy chairman Roy Sable warned that the modernisation would lead to job losses. It is understood about 2 000 jobs could be in jeopardy, although Sable said he was not "comfortable" with that figure. "We are going to retrench people, there is no doubt about it," he said.

The textile group, which reported attributable income ahead 212% at R36,8m for the year to June, had doubled capital expenditure plans for the current year to R60m.

Sable said the seven-year tariff phase down announced by trade and industry had prompted Frame to accelerate its capital expenditure plans.

The initial upgrading was planned for its spinning, weaving, dyeing and finishing units. The more modern plant needed half the floor space the group's operations currently covered.

"We are going to evaluate carefully every expense to see that we're going to be competitive," he said.

To help fund the upgrading, Frame also planned to exploit the low-cost financing scheme recently unveiled by the Industrial Development Corporation. However, government had not gone far enough in providing supply-side support for the industry, Sable said. His main concern was retraining workers who were retrenched.

Frame was optimistic that continued growth in its exports market would help it maintain its position as a dominant player in SA's textile industry.

Zimbabwean trade details to be sewn up

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BD 1/11/95

(197) (197) (197) (197)

John Dlodlu.

GOVERNMENT is to meet business and labour representatives from the clothing and textile industries tomorrow to finalise details for reinstating trade preferences for Zimbabwean exports into SA.

The meeting will focus on establishing a committee to monitor monthly trade flows and a safety mechanism to ensure Zimbabwean imports do not hit local jobs and industry — fears long expressed by business and labour.

Under the terms of the deal, Zimbabwean clothing and textile exports will have better access to SA, under an agreement that lapsed three years ago. Government has recently completed a study aimed at determining the effect of reinstating the trade regime.

Trade and industry department chief director for trade relations Faizel Ismail said yesterday that the meeting would discuss the results of the studies which showed that the effect on SA jobs would be "reasonable".

Representatives of the Southern African Clothing and Textile Workers' Union, the Clothing and Textile Fed-

erations and government negotiators would have to decide on the level of import quotas as part of a mechanism to prevent damage to the local industries.

Another key component would be establishing a committee — comprising government, Clofed, Textfed and Sactwu — to monitor the implementation of the agreement, Ismail said.

The committee would receive monthly statistics on trade between the two nations, and if a sudden surge of Zimbabwean imports was picked up the safeguards would be activated.

Among concerns about the deal was the fear that Zimbabwean preferential access could become a conduit for cheap imports from Asian countries.

But the arrangement could also strengthen SA's hand in talks with the European Union for better access to the 15-nation single market.

Tomorrow's talks will be followed by another meeting with the Zimbabwean negotiators before mid-November.

The later talks are likely to focus on Sactwu's demand that the agreement includes social clauses, such as workers' rights to strike and collective bargaining, and a ban on discrimination.

Change in stand on Zimbabwe

John Dlodlu

~~197~~ 197

SA's Clothing Federation and Textile Federation yesterday threw their weight behind government's plan to grant improved market access to Zimbabwean clothing and textile exports

This emerged after a meeting in Pretoria of the federations and the trade and industry department. It was attended also by labour — represented by the Southern African Clothing and Textile Workers' Union (Sactwu) — and customs and excise.

The two federations were initially strongly opposed to the deal, saying it would make Zimbabwe a conduit of cheap imports from other countries, sparking massive job losses in SA.

BD 3/11/95

Both Clofed and Textfed spokesmen said the trade and industry department — which is leading the talks with the Zimbabweans to reinstate the pre-1992 trade preferences — had addressed their concerns about jobs losses.

"Jobs have been our bottom line . . . and at the moment they're not a major thing," Clofed executive director Hennie van Zyl said.

The federations' support followed assurances that effective safeguards would be put in place to limit job losses. These included a tripartite monitoring mechanism — by Sactwu, Clofed, Textfed and customs and trade departments — and import quotas.

The deal represents one of the first steps by SA to open up its markets to its neighbours.

Textile consultants must get accreditation

CT (P/R) 14/11/95

~~197~~ (197)

By SHIRLEY JONES

Durban — The trade and industry department has given management consultants 10 days to apply for accreditation to help administer the Duty Credit Certificate Scheme, which provides incentives for clothing and textile exporters.

Brian Brink, the president of the

South African Textile Federation, said the industry supported the move. He said that when the scheme was introduced in December 1993 as part of a long-term strategic plan for the restructuring of the textile and clothing industries there had been no conditions for the granting of export benefits.

However, from this year, partici-

pants have to achieve targets set in terms of a productivity monitoring scheme and they are required to spend at least 4 percent of their wage bill on training.

Management consultants wishing to apply for accreditation have until November 24 this year to submit applications to the trade and industry department.

No agreement on Zimbabwe textile tariffs

DD 14/11/95 (197) (197)
THE Zimbabwe and SA governments failed to reach agreement yesterday on the reinstatement of preferential tariffs on Zimbabwean exports of textiles and clothing to SA, Ziana news agency reports

Zimbabwe's industry and commerce ministry said a meeting held in Harare had "examined the draft proposals, and agreement could not be reached on

the minimum level of the local content requirement of 75% as proposed by SA and also on the extent of the envisaged preferential rebates and quota levels."

The ministry said the meeting had agreed that SA should consult further regarding outstanding issues, and that the implementation date for the proposed tariff arrangement should not be later than February 1 1996. — Sapa.

Impasse disappoints Zimbabwe

FROM SAPA

Harare — The Zimbabwe National Chamber of Commerce (ZNCC) is disappointed that Zimbabwe and South Africa failed to reach an agreement on Monday to reinstate the preferential tariffs on Zimbabwean exports of textiles and clothing to South Africa

Ziana news agency reports that the head of the ZNCC economic division, Edmore Tobaiwa, said yesterday that the stalemate was a major blow to the future of the local textile and clothing industry, which is going through a serious viability crisis

Imports of clothing and textile products into South Africa attract a punitive 90 per cent duty

Figures showed that in 1994 Zimbabwe exported goods worth Z\$1,9 billion to South Africa and imports from that country stood at Z\$6 billion

South Africa was also exporting close to Z\$40 billion to the rest of Africa with imports pegged at Z\$4 billion

"These statistics show that trade is lopsided in South Africa's favour, a situation that is unsustainable in the long run," Tobaiwa said.

"There is need for South Africa to open up its borders" and to avoid "milking the rest of Africa to death," he added

This week's meeting followed one held in Pretoria in August, but could not agree on the minimum level of the local content proposed by South Africa or the extent of the envisaged preferential rebates and the quota levels. South Africa wants a local content of 75 percent.

The meeting agreed South Africa should consult further on the outstanding issues, and the proposed tariffs should be implemented no later than February 1 1996.

CT(BR) 15/11/95

Frame group head lashes government over tariff breaks

CT (MR) 16/11/95 (197)
BY SHIRLEY JONES

Durban - Frame chairman Mervyn King yesterday took the government to task for "over-hasty willingness" to improve preferential trade agreements with Malawi and Zimbabwe to the detriment of South Africa's recovering textile industry.

Speaking at the group's annual general meeting, King warned that moves by the Department of Trade and Industry could set dangerous precedents as countries to the north queued for access to South African markets.

He cautioned the Department of Trade and Industry to be driven by financial rather than political imperatives.

King pointed out that one of South Africa's largest end-user manufacturers had already relocated the larger part of its manufacturing base to Malawi because it could import fabric duty free, add approximately 25 percent value and then re-export to South Africa duty free.

He voiced deep concern that the same quota system that is being debated as part of a possible Zimbabwean preferential trade package would be demanded by trading partners such as Malawi as well as other African countries.

He also urged authorities to re-evaluate duty-free imports from Malawi and the free entry of goods from Zimbabwe into the South African customs union through Botswana and Namibia.

King added that problems were exacerbated by virtually non-existent customs policing to the north. South Africa's customs policing was in a state of collapse, he said.

Confident

He was confident the industry, and Frame in particular, would survive, notwithstanding the market's obvious concern about the future of the South African clothing and textile industries. This was evidenced in the disappointing performance of Frame's shares, trading at 50 percent of net asset value despite glowing results for the year ending June 1995.

□ Frame's property division could become a separately listed company within the group in as little as 18 months, King said at the opening of Frame's first property development, the rejuvenated Pinetown Industrial Park.

King said the growth potential of Frame's extensive industrial properties was such that two listed property holding groups had already approached Frame with proposals. He said the board had declined, opting to develop its own independent property holding company, the 100 percent-owned Confram subsidiary, Confram Property Holdings.

David Sablewas was appointed chief executive of this subsidiary. He says that now the subsidiary has a property development arm, Frame's property portfolio would become the object of a renewed asset management focus.

At the opening, both King and Sable indicated that Confram Property Holdings was now marketing two additional industrial parks, the sought-after New Germany Pinetex site and the East London Waverly blanket site.

The group planned to invest approximately R45 million in the developments.

At the Confram AGM yesterday, King said that properties occupied by Frame operating divisions would not be included in the listing.

King noted that 25 percent of Frame's 680 000m² industrial property holding was let to outside tenants. He expects this to rise to 30 percent over the next two years.

Textiles reshaping plan 'leaves lot to be desired'

Yuri Thumbran

(194)

(197)

BD 16/11/95

THE trade and industry department's proposals to reshape the textile and clothing industries released in August fell well short of being a constructive plan, Romatex CE Mike Hankinson said in the group's annual review.

The review was the first since the CG Smith subsidiary unbundled almost a year ago. The group is the country's dominant producer of worsted fabric and one of the leading cotton fabric manufacturers.

Hankinson said the government plan lacked performance objectives and a supply-side support programme related to a specific national strategy to grow the two industries.

"As it stands, the document is designed to manage the tariff phase-down until agreed final tariff levels have been achieved. Supply-side measures are left to a small working group," he said.

Romatex had anticipated these developments and had made significant headway to facilitate a smooth transition into a more global environment. The tariff structure therefore should not have a significant effect on the group's performance.

Imports of textiles outside formal duty structures continued to have a disruptive effect on the industry, but it was encouraging to see the severity of the problem had been acknowledged by the department of customs and excise.

Romatex budgeted R82m on capital expenditure over the next three years. This would ensure that the group remained on the forefront of modern technology and maintained its world-class standards.

If the trend in growth continued, attributable earnings were expected to reflect a similar pattern.

COMPANIES

Trade concessions under fire from King

Yuri Thumbran

(197) 30/6/11/95
SA's decision to improve preferential trade agreements with neighbouring countries, especially Zimbabwe, came under fire from Frame group chairman Mervyn King at the textile group's AGM in Durban yesterday.

King said the over-hasty willingness to improve trade preferences was of concern. In the case of Malawi, one of SA largest end-user manufacturers had already relocated the larger part of its manufacturing base to Malawi.

"This has happened because there is an ability to import fabrics into Malawi free of duty, add value of not less than 25% and then export the product back to SA free of duty. There are no quotas in regard to exports into SA from Malawi," he said.

He warned of creating a precedent, as other countries north of SA's borders were also knocking on the door to obtain preferential entry into the SA market. Another problem was that any quota arrangement would be ineffective without adequate customs policing.

He urged the authorities to re-evaluate the duty-free imports from Malawi and the free entry of goods from Zimbabwe into the SA Customs Union through Botswana and Namibia.

"All these matters must be carefully evaluated before the trade and industry department arrives at any final agreements with these countries."

King said the department of trade and industry should not be driven by political imperatives, but by financial ones. The textiles sector was committed to playing a significant role in SA.

Still tight controls on Zimbabwe textile imports

Zim trade deal linked to customs controls

MAUREEN MARUD
Business Reporter

ONLY modest increases are likely in the preferential access granted to Zimbabwean clothing and textile exports into South Africa, predicts Brian Brink, executive director of the South African Textile Federation (Textfed).

He was awaiting results yesterday of the latest round of talks between the two countries, and declined to speculate on what would be a "modest" increase in trade preferences Zimbabwe enjoys

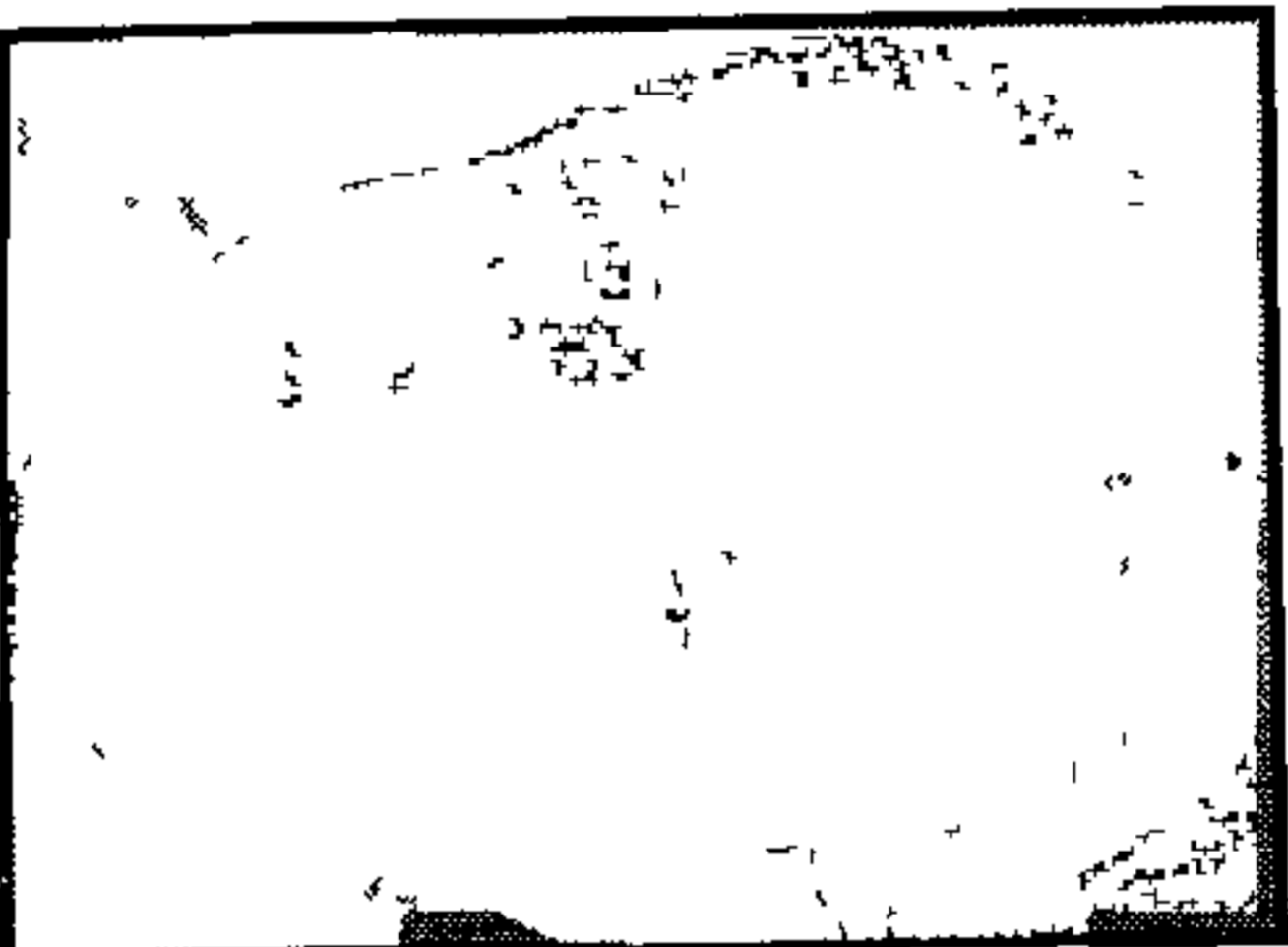
He would only add that there were likely to be tight controls on conditions placed on any in-

creases in preferences granted to Zimbabwe

Faisal Ismail, chief director of foreign trade relations in the Department of Trade and Industry, was due to report back later in the afternoon to Textfed, the Clothing Federation (Clofed) and the South African Clothing and Textile Workers' Union (Sactwu), on talks he had concluded in Zimbabwe

Mr Ismail said from Pretoria the department had "tried to build a proposal based on the concerns and interests of the different interest groups in South Africa before going to Zimbabwe with a firm proposal"

He said he would provide Textfed, Clofed and the union



Mervyn King

with a detailed explanation of what happened in Zimbabwe. Mervyn King, chairman of the Frame Group, said yester-

day from Johannesburg Zimbabwe should be made to police its customs control much more effectively if it wanted to enjoy increased preference in trade with South Africa.

The customs policing system in Zimbabwe was inadequate, he said. It could not prevent goods from other parts of the world entering Zimbabwe free of duty from making their way into South Africa via countries in the South African customs union, such as Botswana and Namibia, with whom Zimbabwe had a free-trade agreement

The upshot was that those goods came into South Africa free of duty, with adverse results for the South African clothing and textile industries

"Zimbabwe should be told, 'If you want a preferential trade agreement you must do something to control the flow from your country of contraband goods into South Africa' "

Mr Ismail said his department had attempted to build safeguards and monitoring mechanisms to address the concerns of industry and the trade union

South Africa has a trade agreement with Zimbabwe dating back to 1964

In terms of that agreement, various goods enjoy reductions of 10 percent to 20 percent in duty

About two years ago Zimbabwe asked South Africa to increase those preferential reductions

ARL 18/11/95

(1997)

COMPA

Textile firm spins a highly profitable year

BD 22/11/95 (197)

Yuri Thumbran

BETTER market conditions and efforts to reduce costs and improve production efficiency allowed textile group Unispin to raise income after extraordinary items to R10,5m (R140 000) for the year to September

MD Chris Snyman said yesterday a steadier economic climate had also benefited sales, with turnover rising 29,1% to R258,7m (R200,4m). Operating profit rose 39,7% to R26,5m (R19m) due to reduced costs and improved production efficiencies within the group, a leading manufacturer of acrylic hand-knitting and industrial yarns.

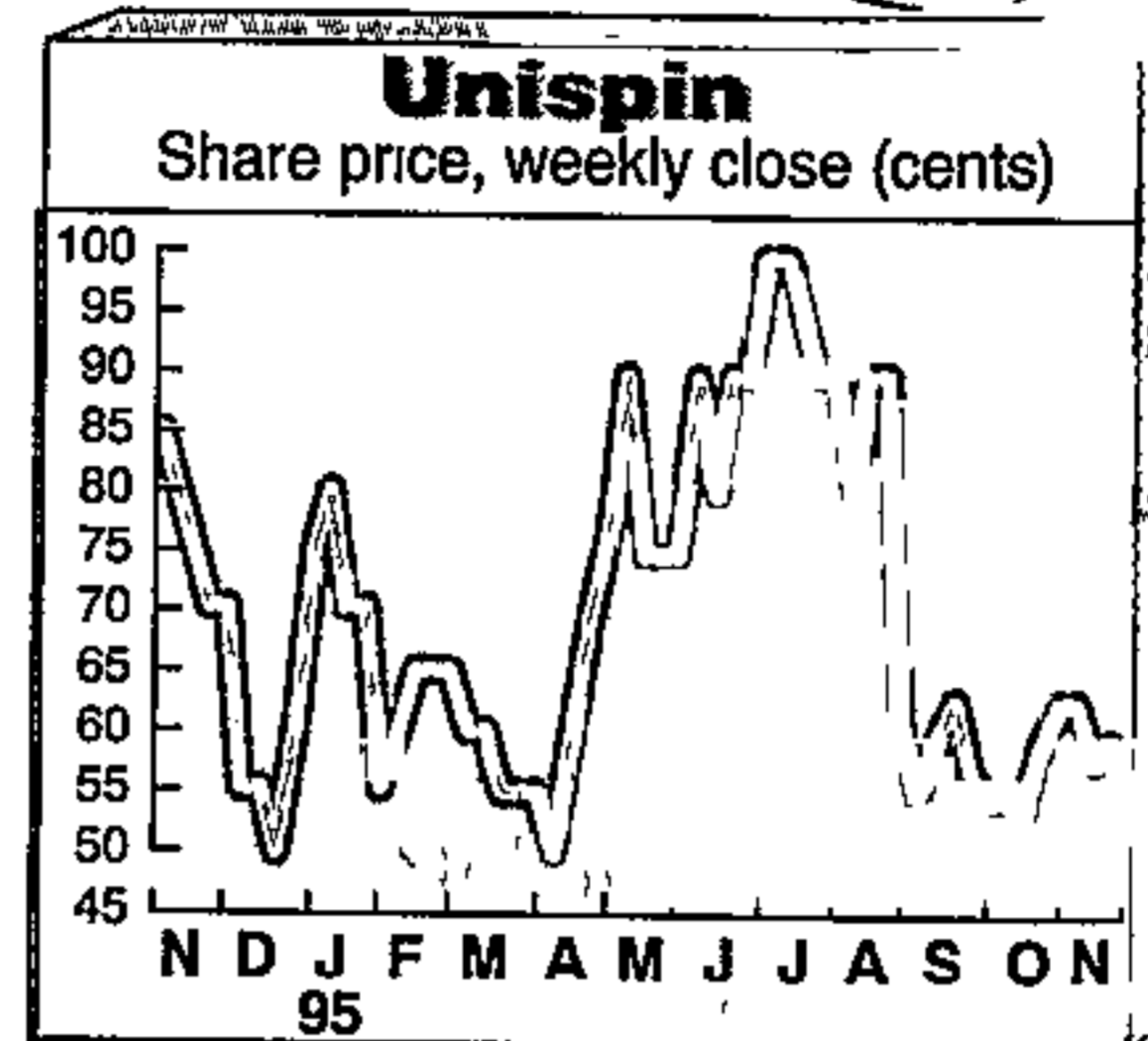
The interest bill came to R1,5m (R1,9m), but gearing increased to 13,3% (5,3%).

Deferred tax provisions helped ease the tax charge to R2,2m (R3,9m)

Earnings a share after provision for preference dividends rose to 18c (9,3c), while dividends on ordinary shares were passed.

Snyman said that following the group's recent rights offer, its preference share capital had been redeemed and ordinary shareholders' funds increased, resulting in a "greatly strengthened" balance sheet

During the review period control of



the group passed from Confram and the Wachsberger consortium to German industrialist Claas Daun

Snyman said the trade and industry department's new tariff structure had put an end to years of uncertainty and negotiation which had hampered the textile industry's development

While the seven-year phase-down of duties was at variance with all recommendations, it did at least provide a basis to plan for the future

Unispin had compiled a three-year strategic plan, tailored around fluctuating market conditions and focusing on key principles it had identified

Ingrid Salgado.

MORE women had been employed in public service management echelons since the general election, but they were still inadequately represented, Public Service Commission personnel chief director Zonke Majodina told a restructuring government conference yesterday.

The number of women managers in the public service had increased from 3,5% of the total on March 31 last year to 10,7% of the total in September this year, Majodina said.

The number of women directors-general had increased from 0% to 2,7%; deputy directors-general from 0,8% to 9,4%; chief directors from 2,5% to 8,7% and directors from 4,3% to 11,9%. Majodina called for a targeted recruitment of women and a career advancement programme for female public servants.

Blacks and coloureds should be the primary focus of affirmative action in the public service because both were underrepresented at management level, Majodina said.

Whites still occupied

Public service to target gender ratios

60,5% of such positions, blacks 32,7%, Asians 3,9% and coloureds 2,9%. The same pattern of underrepresentation emerged among blacks and coloureds in the highly skilled category.

The picture changed at the level of highly skilled production worker, with representation approaching population demographics.

This improved further at the lowest level of production worker, but Asians were underrepresented at this level.

BD 22/11/95
Responsible

Majodina said that it was not possible for a detailed affirmative action programme to be formulated for each department in the public service, given the different characteristics and composition of the different departments.

Departments and administrations were instead responsible for the development of programmes unique to their organisations. The com-

mission would co-ordinate these programmes, monitor, audit and report to Parliament and the Cabinet, he said.

The White Paper on transforming the public service stipulated that each department should have at least 50% of blacks at management level within four years. In the same period, at least 305 recruits to middle and senior management echelons should be women, and within 10 years, disabled people should comprise 2% of public service personnel.

Majodina said that the representation of women should be analysed to determine at which levels a career advancement programme should be directed.

The ratio of women to men through the "normal" career advancement of women working in the service should be established.

The groups in which targeted recruitment of women needed to take place should also be determined.

Textile sector firm on trade

John Diudlu

(197)
BD 22/11/95
THE Textile Federation has vowed to stand its ground on the conditions attached to the proposed reinstatement of trade preferences for Zimbabwean clothing and textiles.

The department of trade and industry wrote to the clothing and textile industries last week proposing that the local content requirement in the trade deal be lowered after recent talks with the Zimbabweans ended in deadlock.

The SA offer — based on requests from Textfed, the Clothing Federation and the Southern African Clothing and Textile Workers' Union — required Zimbabwean products to have 75% local input (in labour costs and materials) to qualify for better market access. The Zimbabweans said the requirement would make the trade deal virtually unworkable.

But Textfed executive director Brian Brink said yesterday that the requirement was "non-negotiable", and said he was surprised the Zimbabweans had rejected the offer.

"I am becoming very suspicious about this (Zimbabwean rejection), unless they want to supply SA with Chinese products, I can't see how they can reject the offer," Brink said.

In its letter to the SA industries, the department called for a lower initial local content requirement with a higher percentage phased in "from a less onerous level".

"Our research suggests that at 75% local content... Zimbabwe could find it difficult to access the preferences," the department said.

The Zimbabweans had agreed to pursue the issue of labour standards — one of SA's proposals.

But the letter also shows government knew the local content proposal, accompanied by import quotas, would not fly. "We tabled a proposal based on your request, which we knew would be difficult to negotiate," the letter added.

A government source said the department, which is leading the talks, might now have to toughen its stance toward vested interests which were "holding the country hostage".

Frame warns unions not to push wages too high

BY SHIRLEY JONES

Durban — Trade unions and employees must realise that unless South Africa contains the rising cost of wages and salaries, competitiveness in world markets will diminish and, with it, badly needed jobs

This warning was delivered by Frame's managing director, Walter Simeoni, at a presentation

~~(2000)~~ ~~(1989)~~ (197)
to Steve Swanborough, sales manager at one of its largest export customers, Alders Stores

Alders, a major departmental retail store in Britain, which has a turnover of more than £700 million from 25 stores, has booked a third in-store promotion with an expected order value of more than R4,5 million

Products will be shipped in March.

CT(MR) 24/11/95



□ ZIM ZAG?: Deal with Zimbabwe "just the thin edge of the wedge", say the South African clothing and textile industries .. but work goes on.

SA ragtrade cool on Zimbabwe deal

MAUREEN MARUD
Business Reporter

A TRADE agreement now being negotiated with Zimbabwe is "just the thin edge of the wedge", say the South African clothing and textile industries.

"Other countries in Africa could ask for the same sort of concessions," said Bernard Richards, vice-president of the National Clothing Federation (Clofed), referring to the government's intention to use the final Zimbabwe-South Africa agreement as a model for trade agreements with other southern African countries.

Zimbabwe has asked for increased preferential treatment for clothing and textile exports to South Africa.

In response local manufacturers have stipulated that Zimbabwean products should have 75 percent local input in labour costs and materials to qualify for better market access.

One aim of this requirement was to prevent products from other countries in the Far East or elsewhere from entering South Africa duty free via Zimbabwe, Clofed executive director Hennie van Zyl said

Dr Richards said South African manufacturers paid duty on fabric bought in other countries and brought into South Africa. The duty increased the cost of the commodity

If Zimbabwe was allowed to export garments to South Africa made from imported fabrics, Zimbabwe wouldn't have to pay duty on what would be finished goods, irrespective of the content

This would give Zimbabwe an unfair advantage over South Africa. That advantage would translate into the loss of as many as 1 000 jobs in the clothing industry alone, which currently, employed about 160 000 people, he said.

In the most recent round of talks between the two countries, Zimbabwe balked at the

75 percent local content requirement, calling it too onerous. The South African government has now asked the clothing and textile industries here to review that requirement and possibly lower the percentage.

"We are duty bound to review the issue, but that doesn't mean we will accede to Zimbabwe," said Mr Van Zyl.

Whether or not Clofed would reduce the local content quantity would depend on feedback it got from its members, he said.

"We will go back to the department next week to say we can accommodate a slightly lower percentage or we can't"

The local content requirement was non-negotiable, said Brian Brink, executive director of the National Textile Federation (Texfed).

"Zimbabwe seems to have a problem with what we thought shouldn't be a very difficult condition. It makes me suspicious as to what they intend to export to South Africa. Maybe

it is from China or Pakistan."

He said the major components of the costs of making anything in textiles in particular would be raw materials and labour.

"Any trade agreement like this should be to develop the domestic industry and create jobs for Zimbabweans."

Mr Brink said his industry's response to Pretoria had been made.

"Now Harare and Pretoria will get together again, to try to finalise the agreement by February"

The clothing industry's response could differ from that of the textile industry, because clothing is distinctly different from textiles", said Mr Van Zyl

There were different local content requirements in the current agreement for clothing and textiles, he said.

Representatives of the SA Clothing and Textile Workers' Union could not be reached for comment yesterday.

ARG 25/11/95

(197)

THE GUESTHOUSE RESTAURANT, THE GUESTHOUSE RESTAURANT

Neighbours blamed for textile crisis

~~(197)~~ ~~(197)~~
BY SHIRLEY JONES

Durban — Contrary to popular belief, Durban is not the chief port of entry for the masses of illegal clothing and textile imports that threaten to overwhelm the South African clothing industry, a new report says

According to the National Clothing Federation of South Africa (Clofed), the other South African ports also feature prominently as well as customs bonded warehouses in Johannesburg and Pretoria

But the chief problem is smuggling through the neighbouring countries of Zimbabwe, Malawi, Botswana, Lesotho, Swaziland and Namibia.

Clofed notes that according to the trade and industry department, the inability of the customs and excise department to control illegal imports has become a crisis. At least 30 percent of all containers entering South Africa slip past customs officials.

In the five most common import scams identified in the Clofed document, customs officials often co-operate in the fraudulent activities.

By arrangement with the Department of Trade and Industry, some clothing and textiles may enter South Africa with a nominal customs tariff of 3 percent. However, 10 to 20 times more than is allowed enters South Africa illegally.

The Clofed report adds that this is done with the help of officials who do not cancel permits that have been fully used. They are then fraudulently used over and over again.

Clothing and textiles from the Far East that are disguised as having been made in Mozambique also enter the South African market regularly.

Clofed says Malawi is the worst offender "This .. route has grown out of all proportion in the last two years"

Sactwu starts campaign to protect jobs

BD 30/11/95

Renee Grawitzky

THE SA Clothing and Textile Workers' Union (Sactwu) has launched a campaign in an attempt to save jobs in the clothing industry amid the illegal inflow of foreign-made goods and threats by clothing manufacturers to move production facilities to low-wage neighbouring states.

"Project Jobs" was launched yesterday with a march by about 1 500 clothing and textile workers on Durban harbour premises and the offices of the customs and excise department. The demonstrators were protesting against job losses expected to affect about 5 000 workers in KwaZulu-Natal before the end of the year.

Several companies in the Western Cape have also announced retrenchment plans and possible closures which could result in the loss of thousands of jobs.

Demonstrations are expected to continue this week in Cape Town and East London.

Sactwu has attributed job losses to the increase of illegal imports, mainly through Durban port; unbalanced preferential trade agreements such as the one with Zimbabwe, limited or no government support for restructuring industries to help them become competitive, the relocation of manufacturers to low-wage areas outside the country; and the lack of support for the inclusion of a social clause in trade agreements.

The union said Durban harbour authorities had confiscated at least 600 tons of illegally imported clothing and 200 tons of illegal textile fibre in recent months. Rampant corruption and inadequate security measures at ports had exacerbated the problem of illegal imports.

Sactwu assistant general secretary Ebrahim Patel said a meeting would be held with government early next month to discuss the crisis in the industry.

Patel said the union would resist moves by companies to relo-

cate production facilities outside the country. "If manufacturers take a decline in duties as a licence to retrench and move out, then we are heading for a train smash," he said. However, the union would be supportive if companies setting up operations in other countries maintained their productive base in SA.

Previous reports said the union would meet Pepkor to discuss its plans to move parts of its operation out of SA. In addition, it was reported that Pepkor intended applying for an exemption from the Industrial Council Man Agreement for a three-year wage freeze. The company said the report had pre-empted any formal discussion with the union on this proposal.

Patel said the issue was raised at a Cape Clothing Manufacturers' Association general meeting, which was an "extreme act of bad faith" by the company and an attempt to put political pressure on the union to accept a low-wage strategy for the industry.

Frame to produce more denim

Yuri Thumbran

(197)
20/1/95

THE Frame group, SA's largest textile manufacturer, was set to step up denim production to 250 000m a week from a current rate of just more than 100 000m, MD Walter Simeoni said yesterday.

He said the group, already a major denim supplier, had ordered a new indigo denim range to increase its capacity. The new high-technology equipment, valued at R25m, was designed and manufactured by Swiss-German consortium Benninger-Zell.

Simeoni said Frame aimed to become the leading manufacturer of denim fabric in southern Africa.

COMPANIES

Richemont comes out smoking in first half

ST(BT) 3/12/95

(198)

By MARCIA KLEIN

RICHEMONT, the Swiss-based tobacco and luxury goods group controlled by the Rupert and Hertzog families, lifted attributable profits by 31.6% to £152.4-million (R853.4-million) in the six months to September on the back of good results from core businesses and benefits of increasing its stake in Rothmans International.

It also announced details of the merger of its tobacco interests with those of the Rembrandt Group — which houses the families' SA interests — into a £4.5-billion group under Rothmans International, which houses Richemont's tobacco interests.

Richemont and Remgro will own two thirds and one third respectively of the group. Richemont's tobacco interests have been valued at £3-billion and Remgro's at £1.5-billion.

The combined company will have sales of about £3-billion and operating profit of £700-million. The deal will reinforce Rothmans's position as the fourth-largest international tobacco company and better position it to take part in potential industry consolidation.

Richemont's results for the six months reflect increased contributions from tobacco and luxury goods

interests, partly offset by operating losses in media interests. Net sales revenue grew by 8.5% to just more than £2-billion and operating profit was 4.5% up at £354.1-million.

Luxury goods, held in Vendôme Luxury Group, increased operating profit by 15.4% to £113.3-million. Rothmans reported a pedestrian 3.9% improvement in operating profit to 264.1-million. Richemont's share of the operating losses of Nethold BV, which holds its media interests, were slightly lower than the previous year at £14.9-million.

The group's bottom line was boosted by higher net investment income and an almost 20% drop in minority interests following the offer to minorities in Rothmans.

Johann Rupert, Richemont's managing director, says world sales volumes of Rothmans' cigarette and other tobacco products was 4% higher than in the previous year, with main gains from Africa and central and eastern Europe. Tobacco interests increased net sales revenue by 5.2% to £1.3-billion on the back of higher volumes, price increases and

favourable exchange-rate movements. Operating results were affected by a price war in Australia, resulting in an operating loss there. Vendôme reported higher sales revenue despite unfavourable exchange movements.

Media interests, held in its 50% stake in Network holdings, include FilmNet and MultiChoice Europe and Africa, Telepiu and M-Né.

Mr Rupert says second-half trading results from the tobacco interests are expected to be satisfactory despite price competition.

With continued strength of the Swiss franc, Vendôme will have another difficult half and operating margins will stay under pressure.

Since end September, Nethold has, with other investors, bought a minority interest in Italian broadcaster Mediaset and increased its interest in Telepiu.

In addition to these investments, which amount to R240-million, Nethold "will incur significant additional costs" to introduce its digital pay-television services in Africa and Europe. This will affect the group's second-half performance, although a satisfactory full-year result can be expected.



STATE OF THE ART Consultant to Ninian and Lester, Craig Shorthouse of Martilon, at the opening of the polypropylene yarn plant in Hammarsdale

SA's first polypropylene yarn plant opens

CT(PR) 4/12/1975 (197)

By SHIRLEY JONES

Durban — Listed knitwear manufacturer Ninian and Lester opened its state-of-the-art polypropylene yarn plant, South African Polypropylene Yarns (SAPY), in Hammarsdale last week.

The first plant of its kind in South Africa, SAPY is a joint venture between Ninian and Lester and PFE, a British-based company which is an established specialist in both the production

of polypropylene fibre and the manufacture of plant for the production of these yarns.

According to Ninian and Lester managing director Dennis Drysdale, thanks to its superior technology, the plant will have a leading edge in the South African market and will be extremely competitive on world markets.

The plant will employ 35 people who will be trained by PFE, which will also give technological back-up in the future.

The first phase of the SAPY

joint venture should be operating at full capacity by early 1996. The second and third phases are set to come on stream within the next two years, says Drysdale.

These additional phases will provide increased capacity of high tenacity yarns which are used for filter fabrics and narrow woven fabrics.

The additional phases will also provide increased capacity which could lead to expansion into other sectors, such as clothing and upholstery fabrics.

Textile firms get ready to do battle

BD 7/12/95 (197) (+87)

Yuri Thumbran

THE textile industry would seek to boost productivity and quality next year in preparation for the removal of tariff protection, industry sources said this week.

Companies said they planned to upgrade plant and machinery to face the expected onslaught of competition, but that much still hinged on support they might get from government.

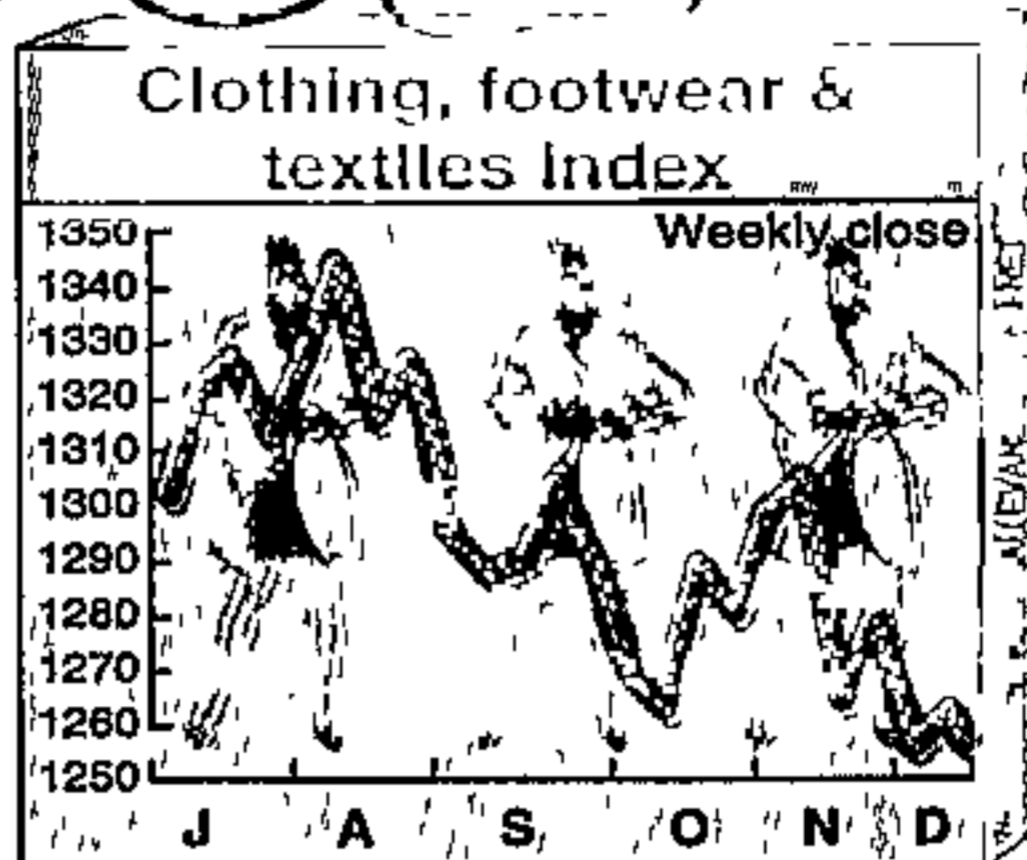
The tariffs are to be phased down over seven years, in proposals unveiled by the trade and industry department in August.

Companies said they were concerned about the lack of supply-side measures offered to the industry for a specific national growth strategy.

Except for the preferential trade agreement expected to be finalised with Zimbabwe early in the new year, stiff competition was expected as liberalised tariffs allowed in more imports.

Textile Federation executive director Brian Brink said the level of foreign investment in the local textile industry showed overseas investors believed there were opportunities in SA. This belief was despite imminent preferential agreements with neighbouring states and the EU.

Such confidence was shared by many local manufacturers who were now upgrading machinery



and technology

The clothing industry was hoping for the extension of the duty credit scheme to value added items, allowing players to import fabric on behalf of retailers and complete garments locally before re-exporting.

But some clothing manufacturers have warned that they could relocate outside SA to exploit cheaper labour and use duty-free materials they would find there.

Pep Manufacturing has already indicated that it was contemplating such a step.

Frame group chairman and Textfed president Mervyn King said it was vital, also, that the customs and revenue departments, which are scheduled to be merged in the new year, should be capable of curbing illegal imports.

These, said King, had affected the local clothing and textile industries

Berg River Textiles in new export drive

197 ~~ET~~ ET(BR) 7/12/95

BY MAGGIE ROWLEY

Cape Town - Paarl-based Berg River Textiles, part of the listed Romatex group, has made further capital investments aimed at lifting exports from the current 2 percent of turnover to 20 percent within the next three years.

Since Romatex bought the company in the mid-1980s, more than R86 million has been ploughed into upgrading and replacing plant and machinery, and the factory now has a replacement value of around R180 million.

The latest investment involves the installation of a R7,5 million computerised Stork colour kitchen which prepares colours for printed and dyed fabrics.

Managing director Andrew Sandison said the new machinery would enable the company not only to meet the growing demand for shorter production runs and reduced production time, but also placed it well within the stringent environmental criteria set down for imports by the European Community.

Sandison said the new technology would reduce by 85 percent the dumping of colour into effluent and would also allow for accurate reruns.

Over the past five years, the company has seen its workforce reduced from around 1 450 to 1 100 because of streamlined operations, improved technology and the outsourcing of certain non-core functions. The company, however, remains the largest employer in the Boland town.

He said when Romatex bought the company in the mid-1980s it was ailing and in need of intensive upgrading.

Ironically it was sanctions which assisted the company back into profitability.

Equally, the abolition of apartheid had been followed by a flood of cheap, particularly illegal, imports which had undermined its domestic market and put margins under increasing pressure.

The company's biggest defence against imports, said Sandison, was to deliver good quality products with short lead times and good reproducibility.

The company currently produces about 8 percent of the cotton textile output of South Africa — around one million metres of cotton and cotton/polyester fabric a month and sufficient yarn each week to circle the world 110 times.

The greatest growth areas in the domestic market, he said, lay in home furnishing and textiles which were not as threatened by the flood of cheap and illegal imports as the highly competitive fashion sector.

Increased competition in the domestic market, together with the highest cotton price faced by the industry in 125 years, was putting margins under increasing pressure.

However, the group was looking to real growth in turnover boosted in part by an increase in exports.

In the past couple of years, Berg River Textiles has grown its exports from zero and is currently exporting through the UK into six countries in Europe.

Seardel to buy Cam for R16m

□ *Abbey textile arm to be sold*

Business Editor

CLOTHING group Seardel is to acquire menswear company Cutrite Apparel Manufacturers (Cam) for R16 million

The deal will be settled through the issue of 1,9 million Seardel ordinary shares and 5,8 million "N" ordinary shares at 210c each to Cam's holding company, Cutrite. Cutrite will renounce its rights to Seardel shares to Searcon in exchange for Searcon shares

Cam, which makes men's trousers and fashion clothing, is forecasting pre-tax profits of R6,5 million at least in the year ending February and net asset value of R19,45 million

■ At a meeting in Cape Town yesterday Abbey shareholders approved the sale of the group's textile arm, Fenix, to Industrial Investment for R19,7 million (R1,80 a share)

(197)
ARG 7/12/95
■ Packaging group Holdains is to ask shareholders to approve a 10-for-1 share subdivision to make the share more tradeable. At a meeting in January shareholders will also be asked to approve the group's change of name to Kohier Limited in line with strategy to focus on core business of packaging and consumer products, chief executive Richard Bruyns said. Shareholders holding more than 70 percent of Holdains shares have undertaken to support the resolutions

■ Lydenberg Platinum is to convert 100 shares of 30c each into 10 shares of 300c each in a bid to alter market perceptions of the share

Directors said the low market rating of its 14 million shares was a disadvantage to Lydex when issuing shares to raise funds for mineral rights or asset acquisitions

Textile union expects more jobs to be lost

(197) CT(BR) 15/12/95

By SHIRLEY JONES

Durban — The textile and clothing sectors are facing a renewed employment crisis after forecasts from the South African Clothing and Textile Workers' Union that job losses are set to soar to more than 20 000 next year from 12 000 this year.

The clothing and textile sectors account for 13,9 percent of overall manufacturing employment nationally and more than 27 percent of employment in KwaZulu Natal.

Jabu Ngcobo, the general secretary of the union, said yesterday that the dramatic rise in retrenchments between September and November this year could signal a downturn in the clothing industry in particular.

Further mass retrenchments are on the cards, according to industry sources.

These include 250 jobs at Tongaat Hulett subsidiary, David Whitehead, a proposed 50 percent cut in Frame's weaving division, cutbacks at both of Da Gama's Eastern Cape factories, and 250 retrenchments at Anglo Vaal's Mootex plant.

This is in addition to the recently announced 30 percent cut in Danq Textile's workforce and the retrenchment of 1 500 workers by

clothing concern AM Moolla.

Ngcobo said if nothing was done next year to stem illegal imports, the clothing industry would shrink drastically with clothing manufacturers in KwaZulu Natal, which serviced the budget end of the market, being hardest hit. This would effect the entire supply pipeline.

He said next year the clothing industry in KwaZulu Natal could be reduced by as much as 50 percent even if productivity improved and companies became globally competitive.

Precise details of retrenchments could not be confirmed yesterday as industry heads were meeting for the launch of the National Textile Industrial Forum.

The forum, which includes representatives from the South African Textile Federation and the union, was established to discuss crucial issues such as illegal imports.

Of particular concern is the lack of supply-side measures which formed part of the government's strategic restructuring plan for the textile and clothing industries.

Ngcobo said these included training and development opportunities for workers retrenched from the sectors. He questioned the government's implementation of selected parts of the overall agreement.

Axe poised over W Cape textile and clothing workers

(197)

**MAUREEN MARUD and
STUART RUTHERFORD**

IT'S only a matter of time before the Western Cape gets a taste of major retrenchments already being felt in the clothing and textile industries in other provinces, industry sources say.

They blame a flat market and foreign competition

Already in Kwazulu-Natal there have been widespread job losses in clothing, textile and footwear factories, many of them in the Durban and Pietermaritzburg metropolitan areas

In Pietermaritzburg, 700

people from the Budget Footwear Factory and 313 from Sutherland's Tannery will be retrenched today.

AM Moolia Group of Durban, which owns Kingsgate Clothing Manufacturers, is this month laying off 1 500 in factories because of a fall-off in its export trade and the struggle to compete with cheap imported apparel

"There's a strong possibility if the government goes ahead with plans to reduce protectionism... in low value added areas of the market there will be major retrenchments," said Selwyn Kagan, chairman of Cape Town-based clothing

manufacturer, Pals Holdings.

"The phased lowering of tariffs over the next seven years on both clothing and textiles will, I believe, be beneficial to South Africa as a whole, but detrimental to the clothing and textile companies in general."

He said South African textile workers were on similar wages to those in Portugal but productivity here was lower.

Mr Kagan said he did not see much hope for employment growth in the clothing industry. Mark Bennet of the South African Clothing and Textile Workers' Union said some companies in the Western Cape would retrench workers either

because production was being moved out of South Africa or because the firms were closing down.

"I have been in the union for eight or nine years and I have never seen anything like as bad as it is now," said Mr Bennet

He said penetration from foreign goods entering the country legally and illegally "will cause job losses in the Western Cape"

Textile Federation executive director Brian Brink said he expected some 8 000 jobs would be lost nationally in the industry over the next three or four months, which translated into 10 percent of the workforce

The "lean" period resulted from both a flattening off in public demand and a surge in imports, he said

Foreign-made textiles now account for 40 percent of domestic demand

But Piet du Toit, Cape Town-based member of the National Clothing Federation, denied that foreign competition would be responsible for any layoffs in the Western Cape's clothing industry

"There may be layoffs here and there, but they will be isolated cases and unrelated to foreign competition," Mr Du Toit said on Friday

ARC 16/12/95

GENTYRE

(197)

FM 22/12/95

Repairs needed

Activities: Manufactures and distributes rubber products mainly for the automotive industry

Control: Hunts Manufacturing Co 78,2%

Chairman: C Tutton CEO J Bester

Capital structure: 16,4m ords Market capitalisation R303,4m

Share market: *Price 1 800c Yields 5,3% on dividend, 19,2% on earnings, p e ratio, 5,2, cover, 3,6 12-month high, 2 400c, low, 1 800c Trading volume last quarter, 49 474 shares

Year to December 31	'92	'93	'94	†'95
ST debt (Rm)	75,0	5,0	—	—
LT debt (Rm)	—	—	—	—
Debt equity ratio	0,05	0,01	—	—
Shareholders' interest	0,67	0,81	0,78	0,78
Return on cap (%)	7,9	10,4	13,0	4,3
Turnover (Rm)	521	561	572	275
Pre-int profit (Rm)	37,7	47,4	73,6	26,2
Pre-int margin (%)	7,2	8,5	12,9	9,5
Earnings (c)	346	243	330	132,3
Dividends (c)	112	112	48	48
Net worth (c)	2 044	2 350	2 680	2 776

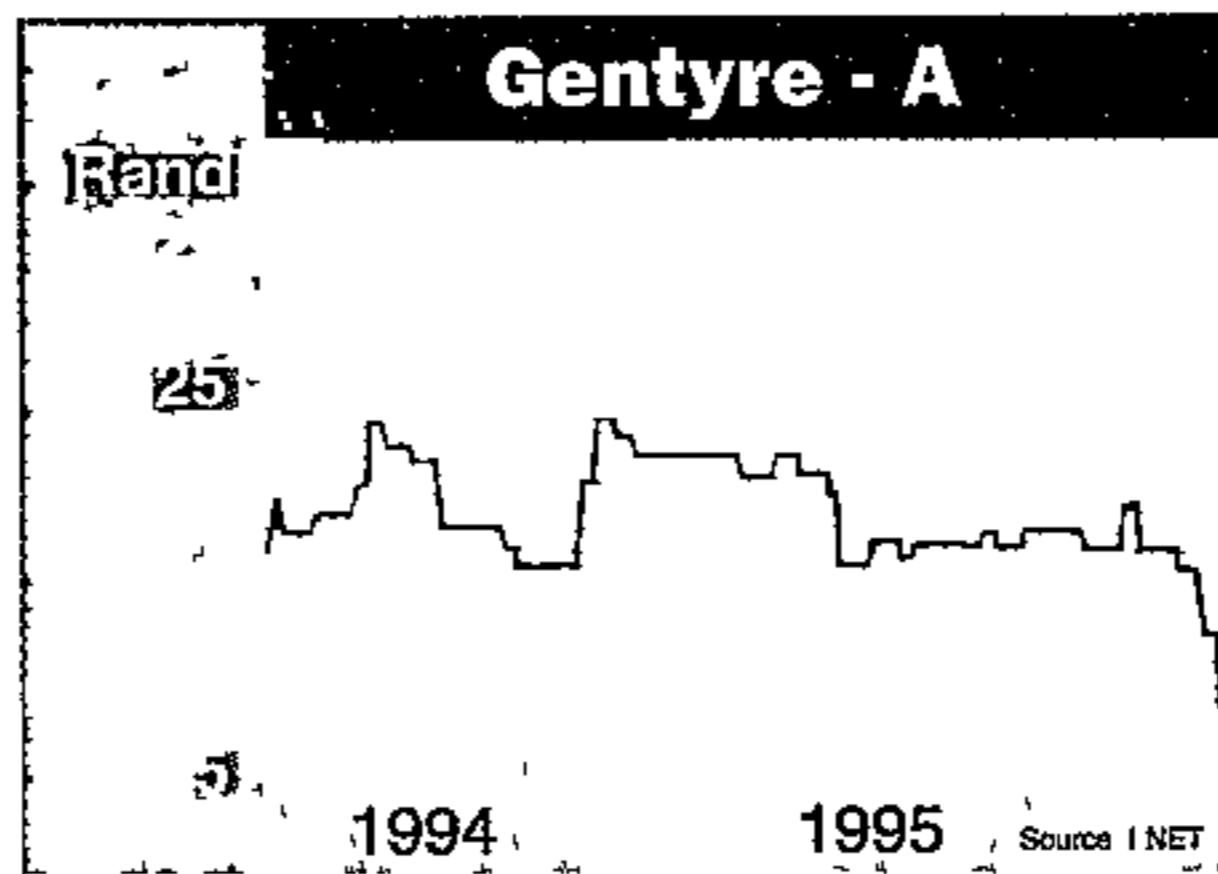
* Calculated on 'A' shares only † Six months ended June 30 1995

The long-awaited turnaround for Gentyre seems to have slipped further away.

A detailed look at the most recent annual report (for six months only as its reporting period is brought into line with that of its ultimate parent, Forward Corp) reveals the damage inflicted by runaway tyre imports.

Turnover for the half year was R275m. Annualised on a simple arithmetic basis, it

COMPANIES



translates into R550m and compares badly with 1994's full-year result of R572m

This applies also to attributable R21m at the halfway stage compared with R52m for full 1994. But direct comparisons are made difficult because some operations, notably an industrial rubber division, were closed or sold.

Still, the question is why the company is marking time in an expanding economy and the answer isn't hard to find. Last year, the Ministry of Trade & Industry is said to have told the tyre manufacturers it would limit imports in 1995 to 10m kg of tyres. But it appears licences to import 30m kg over this year have been granted. And that's only the official figure. An industry source says this takes no account of the grey market about which only hearsay information is available.

Against this background, it's hardly surprising companies such as Gentyre are struggling to hold their own. However, the company has at least addressed its problems by devising new strategies and is focusing on a vigorous export campaign. And it is attacking its cost profile with some energy.

These are encouraging signs. A prompt head-on counter-thrust is the only way to respond to a flood of imports. Meanwhile, the balance sheet is structurally sound. Wisely, there is no net debt and shareholders are providing nearly 80% of the company's financing requirements.

Over the past two years, Gentyre has been actively engaged in a programme to enlist the support and active participation of its employees' trade unions. This led to a breakthrough with the introduction of a seven-day working week without recourse to enlarging the labour force, a factor which immediately sharpened the company's competitive edge.

In the new circumstances, I am surprised only that Gentyre and the unions haven't banded together to voice more vigorous opposition to the ineptitude of Customs & Excise in policing illegal importations.

In the circumstances, however, it probably shouldn't be unexpected to see the counter trading on a p e of only 5,2 and on a 12-month low. Investors are saying they need convincing proof of an adequate repair job before they dip their toes into this pool.

David Gleason