

Feedback on recent events

DTI Stakeholder Workshop – 12 August 2009:

The DTI hosted a stakeholder workshop in Ballito on the 12th of August. During this session, presentations were made by SARS - on customs and excise initiatives to reduce illegal and under-invoiced imports, the Capital and Technology upgrading Programme, the CTCIP and the proposed Clothing and Textile Production Incentive.

With regard to the *Capital and Technology Upgrading Programme: (EIP/MIP)*. Here individual firms can apply for financing of new capital equipment and plant developments. The best rate on offer is prime – 5%.

The second element presented was the *Competitiveness Improvement Programme (CTCIP)*: This is based around a grant system and focuses on training, systems and software (no hardware and equipment included).

The third element presented was the *Production Incentive (PI)*: It is proposed that the production incentive is an account held by the IDC, which upon application and fulfilment of certain conditions, can be drawn upon. The current proposal is that the amounts available per firm are based on the manufacturing value added (MVA), calculated in the following manner.

$PI = 10\% \times MVA$ ($MVA = Sales - Materials\ input\ costs$)

The proposed launch of the PI is January 2010, with the amounts available based on 2009 figures submitted. Practically, this means that if accepted by Treasury, the funds will probably only be available mid-2010, after the application procedures and due diligences are complete.

The Dti has requested that a representative working group from industry provides feedback on the proposed PI, following which it will be finalised, packaged and presented to Treasury.

KwaZulu-Natal Job Summit – 6th and 7th August 2009:

Held at Sibaya casino, this high profile event was aimed at generating awareness of the current initiatives underway within the KZN Department of Economic Development and Tourism (DEDT) to generate economic growth, and to discuss the role of the provincial stakeholders in responding to structural problems exacerbated by the current global economic meltdown. Follow up sectoral workshops are to be convened to accept resolutions from the stakeholder groups which can be used to inform the way forward by the DEDT.

Edcon Meet and Greet – 20 July 2009: The KZN CTC facilitated a meet and greet session between the KZN CTC and Edcon's Woven's and Knits Sourcing Executives. This session was generously funded by the Durban Investment Promotions Agency (DIPA) and took place at the Quarters Hotel and Riverside Hotel.

The primary aim of the session was to provide the retailer's sourcing executives with more information pertaining to sourcing opportunities within KZN. It also provided the clothing and textile manufacturers with the opportunity to display their merchandise, manufacturing and technical capabilities.

Nine of our members were selected by Edcon, and a total of 14 meetings and presentations took place. While generally well received, the proof of value will be whether or not new orders are secured by the suppliers.





2009 Devondale Imbizo Deliverables:

One of the outcomes of the 2009 Retail-Clothing-Textile Imbizo held at the Devondale Wine Estate in Stellenbosch in May 2009 was to develop a **working GMROI calculator**. A detailed GMROI calculator has been sourced from North Carolina in the United States. The KZN CTC has interviewed the calculator's developer, Professor Russell King, and his associates. This has been used as a tool to evaluate how different decisions and parameters quantifiably impact on the bottom line. This model has been used with Edcon, Mr Price and Pep Retail's senior management teams and has been well received. The KZN CTC is now seeking opportunities for how this tool can be practically applied. The model will be presented on the 17th September at B&M Analysts' Offices in Hillcrest, at 09:30am.

Textiles Mapping Proposal and GMROI Development:

The proposals submitted to the NCRF to undertake a comprehensive *Textile Capability Mapping Study*, and to further develop a working GMROI "calculator" appear to have been declined.

Manufacturer WCM Support: The KZN CTC was given the task of generating additional funding to further develop manufacturing capabilities. A proposal has been developed by the Cluster to access the CTCIP funding and will be work-shopped on 17th September at B&M Analysts' Offices in Hillcrest, at 09:30am.

Member news

* NEW CLUSTER MEMBERS*

We would like to welcome our newest members of the cluster – HYQ clothing and the PMC Group. HYQ clothing is located in Newcastle in Northern KZN and is a CMT. The PMC group of companies include industrial machine suppliers, footwear components, swing tickets and woven label manufacturers, amongst others. For more information on the PMC group, go to www.pmcgroup.co.za.



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Important dates

**17th September 09:30 am at B&M's Offices -
8 Old Main Road Hillcrest
Final GMROI Calculator presentation
and the KZN CTC's proposal in response to CTCIP**

Industry news in brief

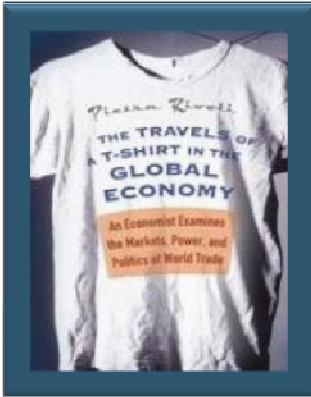
SBH Cotton Mills Closure

Another one of South Africa's major textile manufacturer's and doyens of the economy, SBH Cotton Mills, has announced its closure.

SBH Cotton Mills is located in Epping in Cape Town and has been in operation for almost 60 years. At present the firm employs approximately 350 people. The firm was a supplier of cotton dyed and cotton blend fabrics to a wide array of local and international customers. This represents the closure of one of South Africa's last remaining cotton manufacturers, particularly one using continuous dyeing techniques. The company's Austrian shareholders invested new equipment in the plant as recently as 6 months ago. However, they have had to forego dividends for the last 6 years and have made the decision to close the plant. The firm's closure has reportedly been prompted by a lack of working capital and a final demand by Standard Bank for the firm's outstanding overdraft facility. This is despite the fact that the firm has already managed to reduce this overdraft from R25m to R6m. The firm has indicated that if it had working capital it could continue to operate and avoid closure. It is reported that discussions with the Department of Trade and Industry, potential investors and the IDC are likely to continue to identify whether or not there are opportunities to rescue the firm.

Sources: Business Day – 17 August 2009

Book Review



The Travels of a T-Shirt in the Global Economy by Pietra Rivoli

In 1999, author Pietra Rivoli attended a Washington, D.C. demonstration against globalization. A young woman asked the crowd, "Who made your T-shirt?" before she described worldwide labour abuses and mistreatment of garment workers. That shouted question and the assumptions implicit in it stimulated the author's imagination. She decided to find the answer. Her compelling book tracks T-shirts from the Texas cotton fields, through manufacturing in China, to consumers in the U.S. and to Africa's used clothing market. In this interesting, original approach to the issues of globalisation and industrialisation, Rivoli shows the economic, political and social forces that come to bear on a T-shirt. Though she can't literally track a single shirt step-by-step, she sustains that metaphor. Buying a shirt, she works her way backward in time and space to find its origins, or the origins (and eventual lifespan and demise) of such T-shirts, by relying on inference, deduction and reasonable assumption. Her most stunning, most negative conclusion is that - despite debates over free trade and allegedly exploitative markets - everyone involved seems devoted to avoiding market forces altogether.³

³Source: www.Getabstract.com

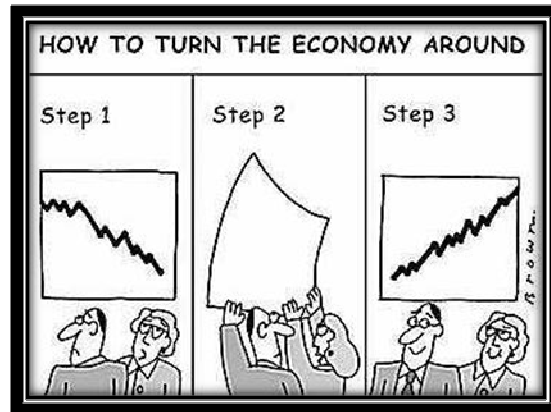
Staying on course during the recession

Below is an article by Jim Womack, the renowned Lean guru, from the Lean Enterprise Institute that we thought may be particularly useful during these economic times. It is a reminder to clear your clouds and keep your North Star in sight. To download the article, go to www.lean.org.

"Recently I spent a day as a lean anthropologist, sitting in the back of the room and observing the behaviour of senior managers during the monthly leadership team meeting of a large corporation.



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The first agenda item of this meeting was to review how the team was progressing on its lean journey, but I quickly noticed a lack of actionable detail in the team's mandate. They wanted to create a "world class" lean enterprise, responsive to customers and all other stakeholders. That's fine, of course (whatever "world class" means -- I always ask and rarely receive a useful answer.) But how? What were the big, cross-organization problems standing in the way? What countermeasures were being pursued to clear the problems in the path? And who was taking responsibility to do what when to implement the best countermeasures?

Given the lack of clear objectives and the lack of progress toward stating them, I was not surprised to feel the relief in the room when the meeting moved on from the high-level overview of "lean" challenges for the whole enterprise to the next agenda item, a discussion of each department's performance on its annual plan. Given that the plan had been developed in the second quarter of 2008 for a fiscal year beginning July 1, 2008, it was not surprising that there were a lot of variances from the plan to explain. But was the original plan wrong? Or had the economy collapsed in the mean time? (It had, of course.) Or was the plan poorly executed? Or was it all three? Or was it two of the three? Or...?

In fact no evidence was presented and no analysis was done. Instead the discussion was about tactical measures to make the situation look as positive as possible by the rapidly-approaching end of the fiscal year. And the path of least resistance was short-term cost cutting including more lay-offs. I was disappointed with the turn of the discussion, but I did learn something. I could see more clearly than I ever had the phenomenon present in every recession as companies rushing to avoid variances in out-of-date plans continue to cut costs and jobs after economies start to stabilise and stock prices start to rise (as is happening across the world right now.) This instinct then shortly turns to a realization that the skeleton crew doesn't have the capacity to deal with revenue growth in a rebounding market. And this is followed by a burst of re-hiring or outsourcing.

The intensity of this natural but unfortunate response by senior managers to cut costs – which economist John Maynard Keynes long ago called the "paradox of thrift" – is a key determinant of the length and depth of a recession.

This is a shame for all of society because the recession is longer and deeper than it needs to be. But the loss to the company in this meeting was that the urgent – variances – had once again crowded out the important – the organization's long-term need to find its North Star and steer a steady course toward sustainable, superior performance. In fact, setting a course to stabilize the organization is what senior managers are supposed to do. And this is what senior leadership meetings should be for.

Next time you are in a management team meeting, whether you are a senior manager or working at a lower level of the organization, I hope you will keep a few simple questions in mind. (You might even want to ask them out loud at the start.)

"Are we all clear on what is really important for our organization in order to solve customer problems and succeed in the long term? (Or, stated another way, can we get past the merely urgent.)"

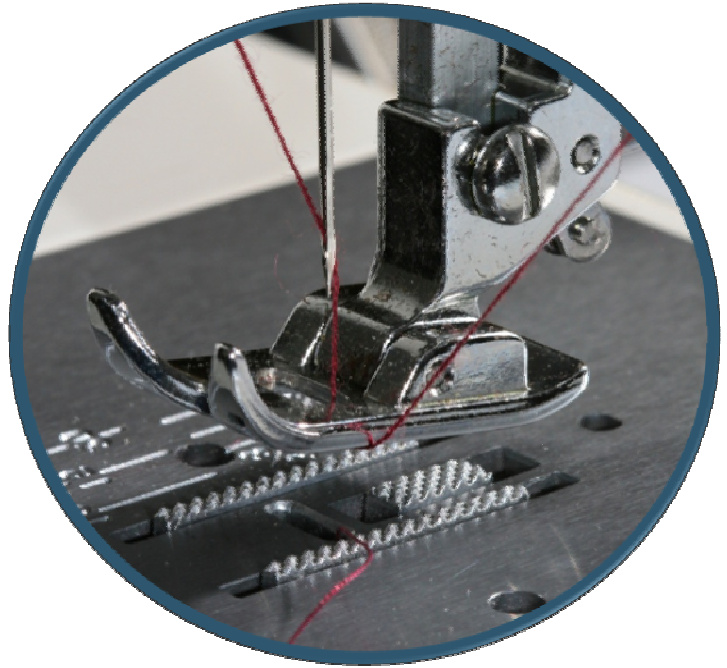
"Are we agreed on what big problems we need to solve as a team?"

"Are we sure what obstacles are in our way and their root causes?"

"Have we – or will we now – assign responsibility for determining the best countermeasures and removing the obstacles?"

"Critically important, do we have a way of surfacing and resolving all of the cross-function, cross-department conflicts that stand in the way of resolving all major problems in any multi-functional organization including ours?"

If you can answer these simple questions -- blowing away the clouds that obscure your North Star -- you'll be on your way to sustainable success as the world economy recovers in the coming years. And you may avoid disruptive shifts in course to deal with short-term variances in financial performance."⁴



⁴ Source: www.lean.org