

**CHAIRMAN ADDRESS TO SAAA
93RD AGM**

**HELD ON 1 NOVEMBER 2018
AT
CRYSTAL TOWERS HOTEL, CENTURY
CITY, CAPE TOWN**

Honoured Guests, Ladies and Gentleman I would like to welcome you to the 93rd Annual General Meeting of our association

The year under review has in many respects reflected a disappointing continuation of the challenges and threats to our growth and sustainability, more so as the clothing and textile manufacturing industry is considered as an obvious industry for mass job creation.

Some of the most critical issues confronting our sector which serve to inhibit growth and threaten our sustainability still remain unaddressed.

Having said this, I am extremely encouraged by an ambitious initiative by the National Clothing Retail Federation, the Department of Trade and Industry, B&M Analysts and ourselves in formulating a new plan to stimulate our clothing and textile value chain.

The project commenced on 1 October 2017 where all parties agreed to develop a 2030 South African R-CTLF Master Plan for our value chain.

It was agreed that this project would be funded by DTI and Retail and would be facilitated by B&M

Analysts as Project Leader. I have invited Dr Justin Barnes to enlighten us on the most recent draft of this project.

The sector's sustainability remains under pressure due to rising costs exasperated by the requirement for an average duty of 22% to be paid on imported fabric not locally produced, wide-spread customs fraud, illegal imports and labour market challenges such as the growing footprint of non-wage-compliant factories and, more recently, clothing factories de-registering from our industry's National Bargaining Council under the pretext of having converted to Co-operatives – the so-called “Bogus Co-operatives”.

The “bogus cooperatives” have mushroomed in our sector and established a serious unfair competitive advantage and hence a significant threat to many compliant factories, both metro and non-metro.

Following many attempts to secure a meeting with the Minister of Small Business under whose jurisdiction the Co-operatives Act falls, we achieved a major breakthrough recently.

The NBC was advised in mid-October by the Registrar of Co-operatives that the Minister had

agreed that she would delegate her Department's investigation and inspection powers to our Clothing National Bargaining Council.

The Registrar of Co-operatives will arrange for our NBC inspectors to undergo training on the Co-operatives Act. The CIPC (Companies and Intellectual Property Commission) will be issuing registration certificates to the NBC inspectors in terms of Section 84 (1) of the Co-ops Act 14 of 2005.

This will result in the Bargaining Council acquiring the legal and statutory jurisdiction to blow the cover on Bogus Co-operatives and enforce full compliance in such instances, with all the terms and conditions of the Main Agreement.

Another very encouraging and innovative initiative conceptualised and implemented as a joint endeavour between the trade union and the employer parties to the Clothing Industry National Bargaining was the first Sector Training Summit which took place in Durban.

This resulted in the signing of a Sector Summit Training and Skills Development Accord which contains a range of ambitious commitments and skills development targets. Investment in skills

training is a necessity for firm-level success, however still requires substantial funding to be meaningful and to address our massive skills deficit across all categories in our value chain including all levels of management.

The recently concluded negotiations have led to a two-year Wage Agreement happily for the second time, which will further stabilise our sector. In addition, we successfully amended the formula for the second-year increase to be based on the average CPI over 12 months, plus 1%. This constitutes a significant improvement on the wording and interpretation for the quantum of the increase for the second year.

Quick Response and Fast Fashion, which our value chain struggled to adapt to, has now been proven to provide the South African Retailers with a competitive advantage and is becoming more common place and in many instances the preferred fashion apparel retail model.

South African Apparel Retailers are currently reorganising their supply chains to compete more effectively with the entry of leading global competitors.

I am encouraged by the growing trend amongst SA Retailers to 'on-shore' and grow their local supply chain. In-season trading capabilities represents a strategic priority for many South African Retailers which requires lean, scalable and cost-effective local mills, manufacturers and suppliers across the value chain.

This with continued investment and support will inevitably stimulate job retention and increase job creation. Achieving enhanced investment and support requires stakeholder engagement, strategy and policy alignment and programme interventions across the macro and micro economic levels. This led to the rationale for the 2030 Master Plan Initiative which our guest speaker will enlighten you in more detail today.

I may just add that the Master Plan project has the benefit of being able to draw on lessons from the completed South African Automotive Masterplan (SAAM) project that culminated in a set of policy recommendations and programmatic interventions and associated objectives for that industry.

These objectives supported government objectives and as a consequence resulted in government support of between 15 and 18 billion rand annually.

This was only achieved through consensus of the major stakeholders in the industry and the government.

Ultimately, Ladies and Gentlemen, our three biggest challenges: **Speed, Efficiency and Relevance** are also our biggest opportunities. To meet these opportunities, established and long-standing business models and mind-sets need to constantly adapt and change.

The fashion industry is surprisingly old fashioned and we have relied on manual labour solely to increase efficiencies.

The South African Apparel value chain lacks almost all efficiency enhancing and world class apparel technologies at scale as well as globally available business process enhancing system software.

Serious investment is required in this and other areas if we are to disrupt and survive instead of being disrupted with the obvious consequences. We have to ensure as employers, that if we are to get the type of government investment required, that this technology is not used as labour displacing but rather as an enabler for growth – to improve

productivity and increase value addition and which will then naturally lead to increased demand.

It is hugely concerning that most of our clothing and textile firms lack effective ERP (enterprise resource planning) PLM (product lifecycle management) MIS (management information systems) and RFID (radio frequency identification) systems resulting in an unnecessary lack of efficiency, reduced productivity and the lack of essential product pipeline visibility through our member companies. As you are all aware, this pipeline is required to better improve decision making and problem solving at plant level.

I was recently invited as your Chairman and as one of only two members of the entire clothing textile footwear leather value chain to attend the presidential investment summit on Friday 26 of October this year. It was held at the Sandton Convention Centre and was attended by the President, most of his cabinet, international dignitaries and investors and local business. It numbered over 1,050 attendees.

On arriving at this auspicious occasion, I was informed to my surprise that I was not to be a delegate, which I was seriously looking forward to but a panellist representing SA manufacturing with

Aspen pharmaceuticals, Bell Equipment, Busmark on the podium and with the ministers of economic development and Minister of higher education in attendance. Serious anxiety everyone!!!!

It was a great privilege to speak on a national stage on behalf of all of you and I assure you we held our own with the best of them. I am convinced that a piece of the 290 billion rand raised from local business on that day will most definitely find its way to our industry, if we achieve consensus on what we want and that it talks to addressing some of the challenges our country faces.

Allow me in conclusion to thank the membership for their trust and support throughout the year and also a special word of thanks and appreciation to my office bearers, the Director and Edith who runs the office, for their support and hard work.

I wish you all everything of the best for the upcoming Festive Season and a restful break with your families.

Thank You.

GRAHAM CHOICE

CHAIRMAN