

Realising the R-CTFL Masterplan: where are we and what next?

**National Bargaining Council for the
Clothing Manufacturing Industry**
AGM | 30 November 2023
Courtney Barnes



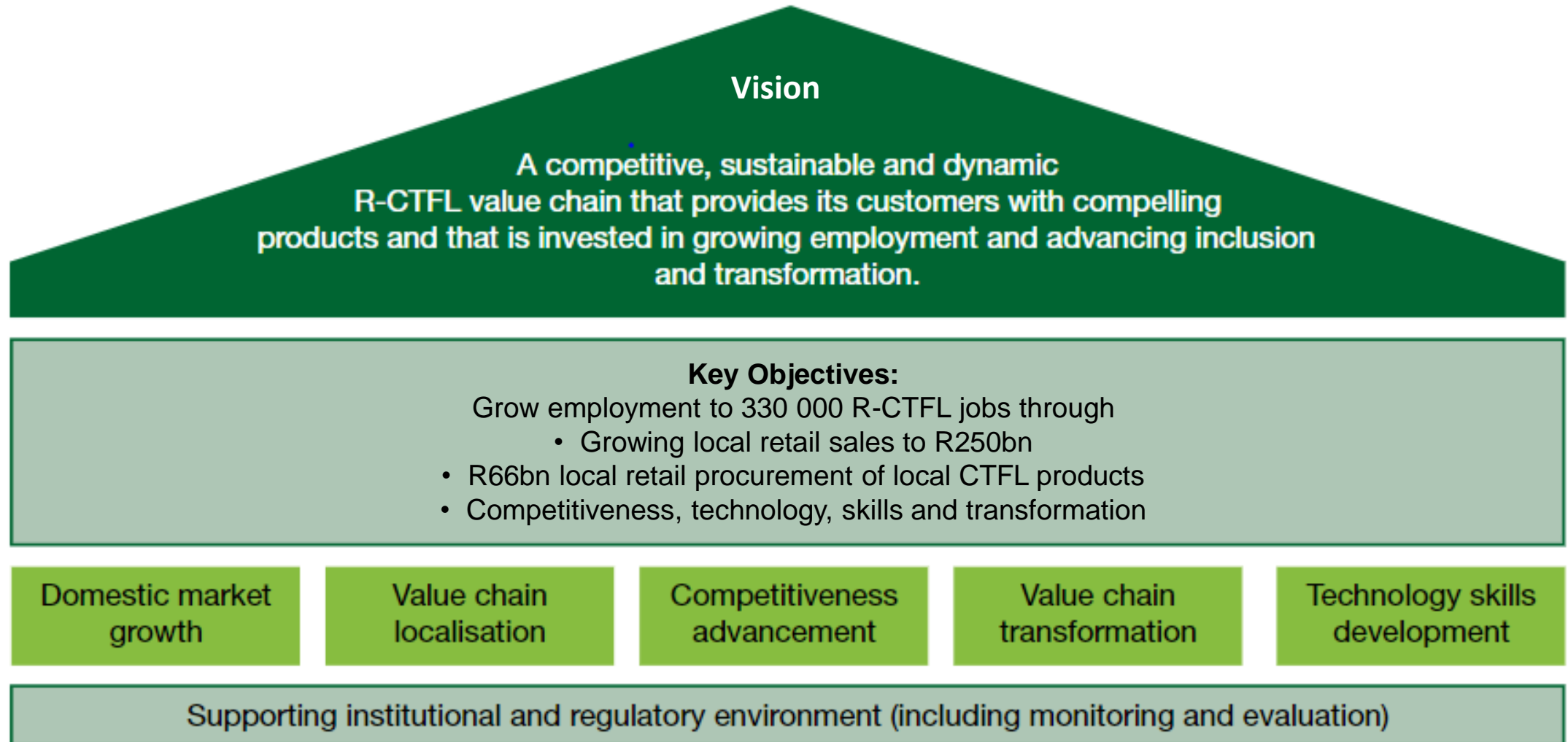
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- Overview
- Progress and impact to date
- Key focus areas
- How can parties to the Council drive these objectives forward?



The R-CTFL Masterplan was signed in 2019 and is a social compact between government, retail, manufacturing and labour.

The R-CTFL Master Plan Framework












In 2023, the Masterplan aims to achieve a well functioning, integrated PMO delivering impact to industry

Good progress

Some progress

Limited Progress

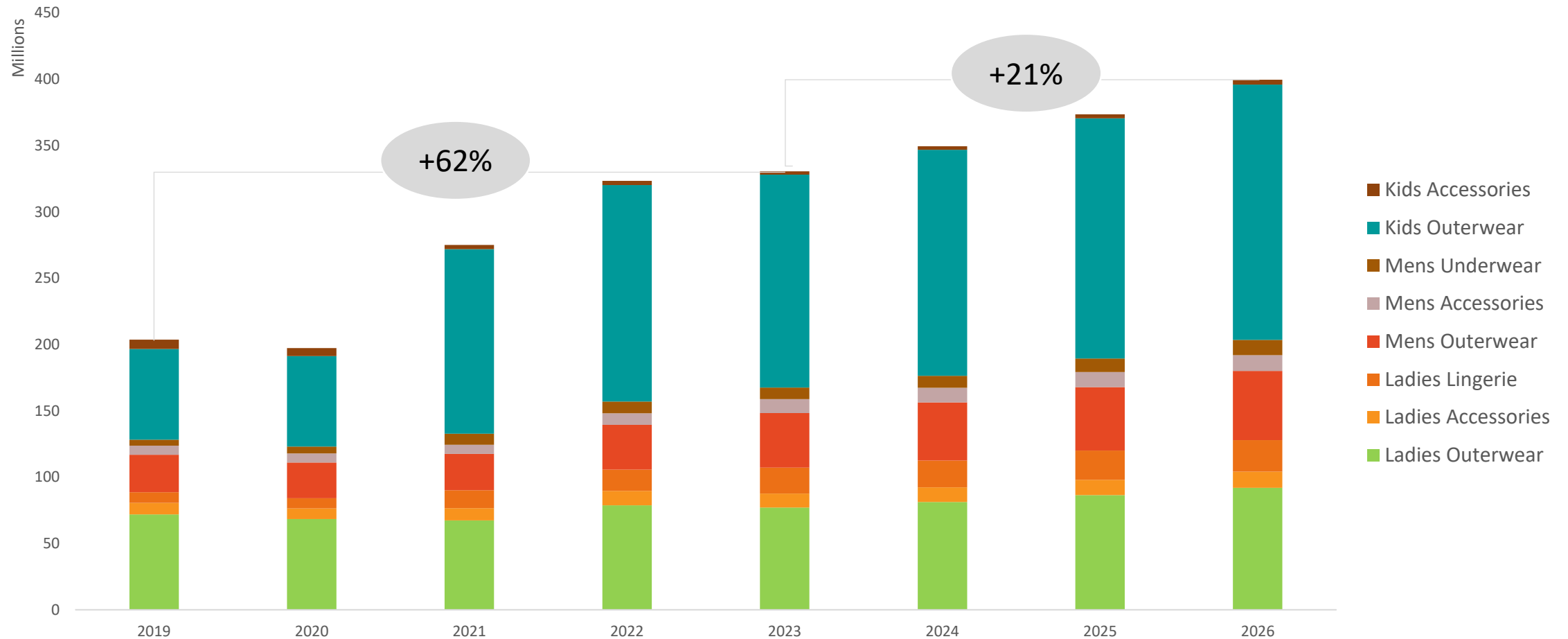
Priority	Task Team
 Confirming knit and yarn rebates, in parallel with the textile development programme.	Effective tariff Task Team
 Ensuring a strong monitoring and evaluation process and reporting, particularly to understand retail localisation.	PMO
 Continued stimulation of consumer demand to support market growth.	PMO
 Reduction in illegal imports through existing government structures.	Illicit and illegal trade and manufacturing Task Team
 Development of niche value chain strategies	Niche Value Chain Task Team
 Development of a sectoral skills strategy	Skills Task Team
 Improved export competitiveness	Export Competitiveness Task Team
 Establishment of a sustainability strategy inline with Masterplan objectives	PMO
 Increasing local procurement	PMO

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330m* units of locally made clothing products are projected to be purchased by Masterplan signatories in 2023, a 62% increase from 2019. Local unit demand is forecast to grow by 21% from 2023 to 2026

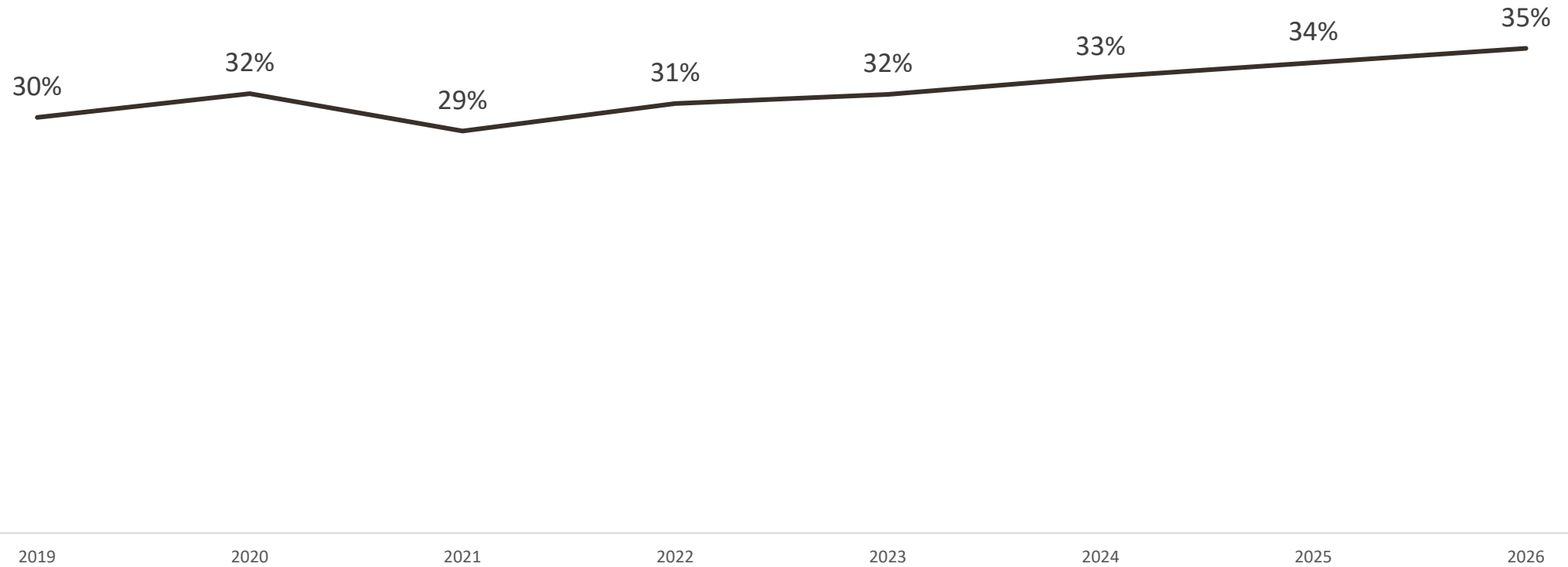


- 2019-2022 includes actual units received
- 2023 - 2026 includes actual units received and planning projected units – even if it is inflation adjusted forecasting

*Excludes footwear, bags, home & beauty units

Source: Masterplan Aggregator process, October 2023

By 2026, the share of local CTFL procurement is projected to be 35%.



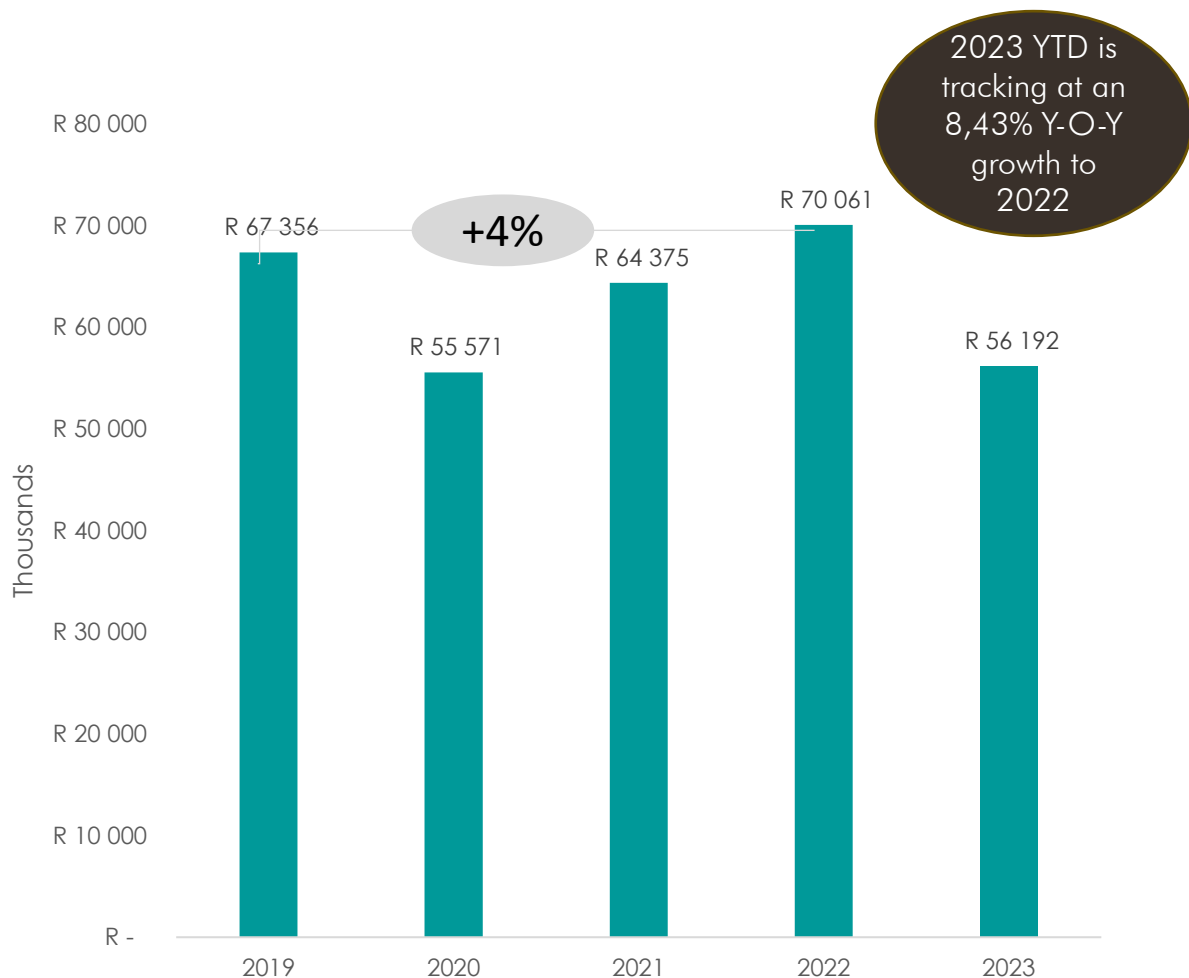
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Source: Masterplan Aggregator process, October 2023

Manufacturing sales have recovered post covid and 2023 YTD is tracking 8% above 2022 although only at a projected 71% capacity utilisation. Recent CTFL manufacturing trends are in line with the South African manufacturing industry.

CTFL manufacturing sales (seasonally adjusted), 2019-2023

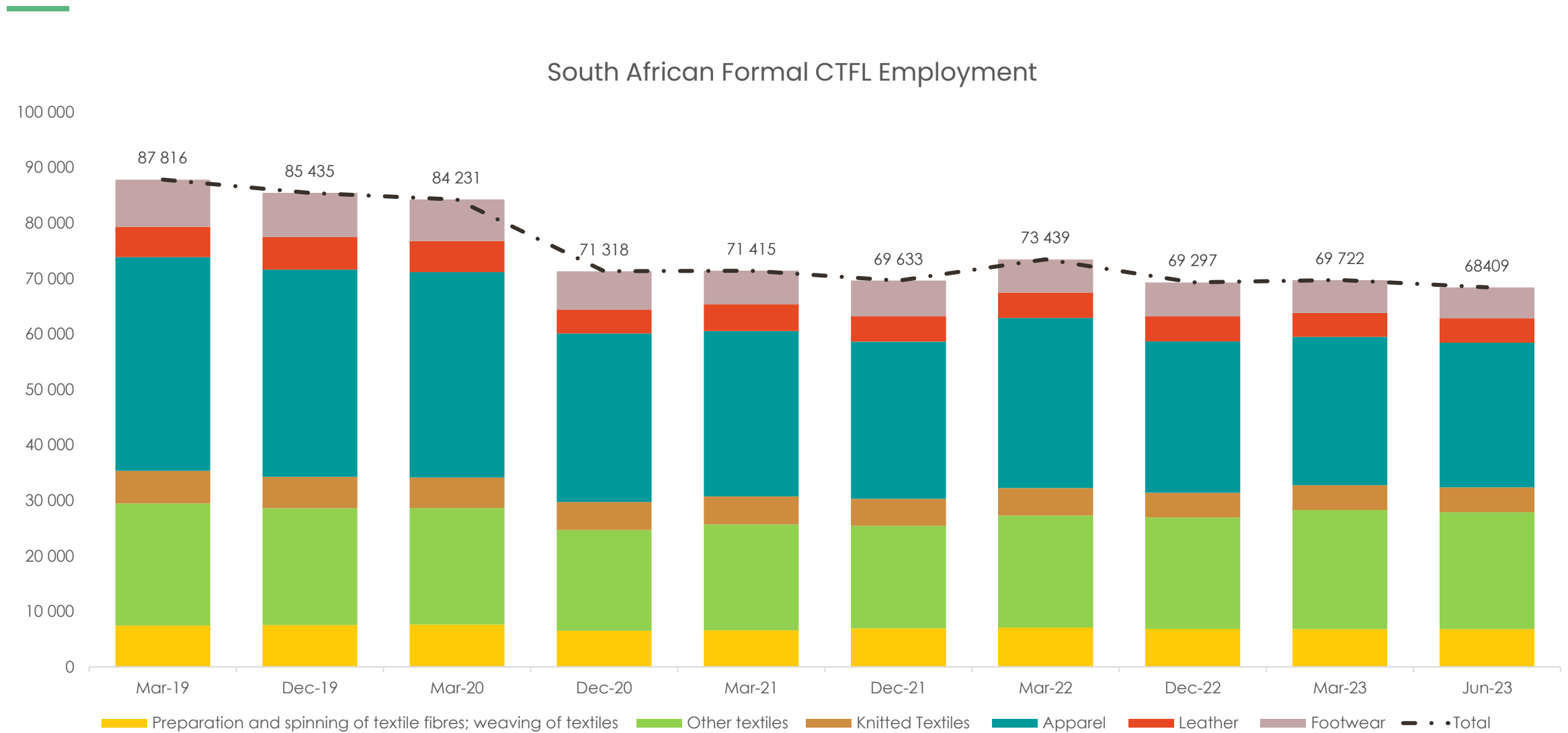


Seasonally adjusted manufacturing sales, 2019-2023



Source: Stats SA, 2023. P3041.2 - Manufacturing: Production and sales, September 2023. Published: 9 November 2023.
 P3043 - Manufacturing: Utilisation of production capacity by large enterprises, August 2023. Published: 2 November 2023

Formal CTFL employment has struggled to return to pre-Covid levels, decreasing by 22% from March 2019. This is higher than the manufacturing avg of -4% over the same period.



Source: StatsSA, June 2023. Quarterly Employment Statistics; Quarterly Employment Survey.

7 commitments were made in the Masterplan

Good progress

Some progress

Limited Progress

Commitment	Progress	Detail
Grow Market for local CTFL producers		<ul style="list-style-type: none"> • Proudly SA continues consumer education • Clothing Exports included as part of SAFLEC mandate • Export Competitiveness – Ongoing investigation into AfCFTA Rules of Origin for the CTFL industry. • The dtic developed national strategy for Taxidermy and Game Skin Tanning Industry Development through IPSF (2022). • The dtic conducted 4IR maturity and readiness assessment of SA Leather & Footwear Industry through IPSF
Increase local CTFL procurement		<ul style="list-style-type: none"> • CTFL Localisation increased by 13% from 2019, with a projected 23% growth through to 2026. • Trade licencing for small package, online international retailer concerns submitted to SARS with findings presented to dtic. • Improved enforcement of customs for online small packages. • AfCFTA – SACU FL investment commitments received from within SACU.
Stem the flow of illegal imports		<ul style="list-style-type: none"> • CTFL Illicit Trade is addressed continuously through SARS-IAWG, SARS-CTIF & SARS-FLI • Small package investigation completed and findings being actioned. • A Gap analysis for a Fiscal Risk Tool is currently in progress within the SARS IT Division • 317 seizures through SARS CTFL Special Focus team, with an estimated value of R221m • 26 valuation related post clearance audits showed a 58% success rate. • R38,9m in enforcement revenue collected through the Customs CTFL focus team in October 2023. Increased SARS enforcement at borders: 249 CTFL consignments halted worth R342.6 million, achieving a 68% success rate; • 12 criminal cases were opened • 9 licenses were suspended due to Customs non-compliance related to CTFL imports.

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Strategic use of tariffs and rebates		<ul style="list-style-type: none"> Minimum Specific Tariff (MST): Submission to the Minister to consider instruction to Commissioner of ITAC to conduct investigation on an increase on the alternate rate of Custom Duty on existing footwear tariff lines under chapter 64 from R 5.0 per pair to R 20.0 per pair (2023). R-CTFL woven fabric 311.40 rebate implemented <ul style="list-style-type: none"> For the 2023 FY – 10,6m kgs of fabric, valued at R1bn has been brought into SA duty free, supporting the competitiveness of 18,8m garments Estimated reduction of R9.50 per garment due to rebate. ITAC has not received any alerts from SARS regarding the abuse of rebate item 311.40. In terms of the impact of the rebate, ITAC conducts impact assessments.
Extend CIP and PI in an appropriate format for 3 years		<ul style="list-style-type: none"> CTFL GP established and has approved R1,48bn in grant and loan financing to industry since its inception. 261 applications received for CTFL GP, totaling R2,5bn To date R1 billion disbursed. However, the high demand from industry has resulted in insufficient funding, with the current programme projected to be R442m in deficit. Projected to sustain 20900 jobs and create an additional 2000 jobs. The true impact of this funding will only be quantified and understood after the IDC conducts its audits.
Align production capacity to sales cycles		<ul style="list-style-type: none"> Engagements held with National Bargaining Council to explore avenues for adaptability arrangements. Ongoing investigation into appropriate adaptability models
Value Chain transformation		<ul style="list-style-type: none"> The dtic CTFLGP incentive is supporting the transformation objectives specifically through the CTFLGP: Programme- 58black-owned firms (R554m); 27 women owned (R231m) firms and 5 youth owned (R18m) firms approved to date.

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Beyond loadshedding, port issues, failing infrastructure & service delivery....



Industrial level surveying

- Currently reliant on StatsSA data. Insufficient insight into on-the-ground activities and dynamics- especially in relation to employment.



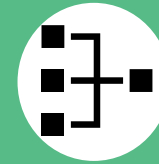
Export strategy development & deployment

- SAFLEC has mandate but at this stage limited resources to develop and implement business plan.



Resources to enable industry scale up

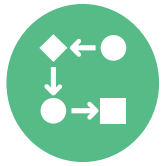
- Skills strategy: Needs identified by Masterplan with project scoped. Resources to develop strategy which drives an integrated skills development approach required.
- CTFL GP: Demand outstrips funding



Integrated Monitoring and Evaluation system

- Necessary and critical reporting limited given insufficient M&E process and system.
- Limited integration between data-custodians results in info being lost, effort duplicated and senior decision makers without critical information.

Key actions over the next year are focused on improving cost competitiveness in the value chain to unblock hurdles to growth. Sustainability is an emerging focus area within the Masterplan.



Knit Duty Rebate

- Implement knit fabric duty rebate system to incentivise increased domestic knit fabric procurement while reducing cost of manufacturing in SA.
- Requires system development & launch w/industry



Textile Development Programme

- Confirmation of the programme in 2023.
- 2024 will see the programme launch with the aim being for each retailer to develop two to three new major fabric products per year with local textile mills.



CTFL GP

- Key vehicle to support industry.
- Impact assessment critical to understand additionality benefits. Started in Q2 2023.
- Motivation to Treasury for increased support to industry.
- Establish effective M&E system in partnership with dtic, IDC and industry.



Sustainability

- Current green manufacturing competencies noted as a key issue to accessing large scale export markets.
- Decarbonisation initiatives to be investigated.

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Beyond being a voice for industry, sharing case studies of success or challenges, what could the Council practically do to support the Masterplan objectives?

Investigation into why formal employment has declined

Resources to develop the Masterplan's skills strategy

Industry-wide productivity enhancing projects which tackle systemic challenges

As per commitment 6- Investigate operating models which support improved returns on investment while ensuring globally aligned social and environmental standards are upheld





Thank you

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