



DEPARTMENT OF ECONOMIC DEVELOPMENT
GAUTENG PROVINCIAL GOVERNMENT, SOUTH AFRICA

Gauteng Clothing, Textile, Leather and Footwear Sector Strategy



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LIST OF ACRONYMS AND ABBREVIATIONS

CCTC	-	Cape Clothing and Textile Cluster
CLOTEX	-	Clothing and Textile Service Centre
CMT	-	cut, make and trim
CSIR	-	Council of Scientific and Industrial Research
CTCP	-	Clothing and Textile Competitiveness Programme
CTLF	-	Clothing, textiles, leather and footwear
DEDT	-	KZN Department of Economic Development and Tourism
dti	-	Department of Trade and Industry
EDD	-	Economic Development Department
FET	-	Further Education and Training
FP&M SETA	-	Fibre Processing and Manufacturing Sector Education and Training Authority
GCR	-	Gauteng City Region
GDED	-	Gauteng Department of Economic Development
GDP	-	gross domestic product
GDSD	-	Gauteng Department of Social Development
GGDA	-	Gauteng Growth and Development Agency
GVA	-	gross value added
IDC	-	Industrial Development Corporation
IPAP	-	Industrial Policy Action Plan
ITAC	-	International Trade Administration Commission of South Africa
KZN	-	KwaZulu-Natal
MOU	-	memorandum of understanding

NCPC-SA	-	National Cleaner Production Centre of South Africa
NDP	-	National Development Plan
PPP	-	public-private partnership
PPPFA	-	Preferential Procurement Policy Framework Act
R&D	-	Research and Development
SABS	-	South African Bureau of Standards
SACTWU	-	Southern African Clothing and Textile Workers' Union
SADC	-	Southern African Development Community
SARS	-	South African Revenue Service
SIC	-	Standard Industrial Classification
SMME	-	small, medium, and micro enterprises
SOPA	-	State of the Province Address
SWOT	-	strengths, weaknesses, opportunities and threats
TER	-	Township Economy Revitalisation
TMR	-	transformation, modernisation, and reindustrialisation

EXECUTIVE SUMMARY

The Gauteng Clothing, Textile, Leather and Footwear Sector Strategy seeks to identify interventions to support the mainstream economy, township businesses and organisations in the sector. Its main aim is to address the following transformation, modernisation and re-industrialisation pillars: the radical economic transformation and re-industrialisation of Gauteng Province. These pillars address the issue of the revitalisation of the township economy and infrastructure investment in both mainstream and township economies.

The main aim of this strategy is to develop a plan that will help the sector to grow in the following areas: technology, land, market, finance, and skills. The main objective is to understand the status quo of the sector, including the challenges facing businesses and associations in the sector and to develop interventions to provide support. In developing the strategy, the following steps were taken: desktop research about the sector; stakeholder engagements; and interviews with township businesses.

The sector is characterised by rapid market-driven changes, providing employment opportunities to millions of workers worldwide, but especially to women. The nature of the sector accommodates educated as well as non-educated individuals. The trend of the sector towards faster and more flexible production and lower prices has been accelerated by the phase-out of the Multi-Fibre Arrangement in 2005 (1974 to 2004).

A brief synopsis is given of exports from the top performing countries, namely China, India, Bangladesh, and Turkey. The purpose was to highlight the sector's performance and the role that the governments of these countries played in order to revamp the sector.

To summarise the existing position of the Gauteng sector, a SWOT analysis and the economic performance of the sector are presented in the strategy. Although the sector faces challenges, there are some game-changers in place designed to deal with some of these challenges: most have been designed by the dti. Regarding the stakeholder engagements, one of the main findings is the need to support the fabric

manufacturers. In addition, the township businesses have a strong need to expand their markets.

The main action plans identified are the establishment of clusters and the supplier development programme. The success of the implementation of this strategy will depend on the co-operation of the identified stakeholders and the availability of funding.

1. Background

The clothing, textile, leather and footwear (CTLF) manufacturing industries cover all stages in the production of textile, clothing, footwear and leather products, from the processing of raw materials such as cotton, wool, leather and synthetics, to the production of the final goods, such as clothes, shoes, household linen, carpets and industrial textiles. The South African Bureau of Standards (SABS) continues to play a key role in South Africa regarding quality assurance in this sector. In addition, some of the retailers compile a manual of quality assurance standards for their suppliers.

In the early 1990s, South Africa's trade was liberalised, opening up trade and decreasing the level of tariffs over the years. Since the CTLF is a labour-absorbing sector, it was one of the sectors negatively affected by this liberalisation, and job losses have increased over the years. The Southern African Clothing and Textile Workers' Union (SACTWU) was founded in September 1989. Its biggest membership region is KwaZulu-Natal (43% of total membership), followed by the Western Cape (32%), Gauteng (17%) and the Eastern Cape (8%). SACTWU is affiliated to the Congress of South African Trade Unions (COSATU), and is the latter's tenth-largest trade union member (FP&M SETA, 2014: 5).

During the post-apartheid era, the democratic government committed itself to an economic growth path which seeks to address the challenges of unemployment, poverty and inequality. After its integration into the global economy, South Africa adopted policies such as trade liberalisation to attain the vision for the democratic period. However, trade liberalisation among other factors has had a negative impact on the country's economy.

The CTLF sectors were under massive pressure in the early years of the 21st century. One of the challenges facing the sectors as a result of trade liberalisation was global competition from already established manufacturers (IPAP 2015/16 – 2017/18: 83). Additionally, another challenge for domestic manufacturers was the influx of cheap and illegal imports that led to the closure of companies and a large number of job losses. It furthermore states that the studies carried out during the

early 2000s also highlighted the fact that manufacturing entities were not globally competitive, even when competing with legitimate imports.

As a result of these challenges, the government decided to intervene in the sectors. This has had a positive impact by sustaining and stabilising the sectors, saving jobs and creating employment opportunities. Similarly, the progressive interventions championed by the Department of Trade and Industry (dti) through IPAP and its iterations, have enabled the Gauteng Department of Economic Development (GDED) to identify 11 priority sectors which can be moved gradually towards a transformed, modernised and re-industrialised provincial base. The CTLF sector has been identified as one of the sectors that should play a role in the growth and development of the provincial economy.

Local manufacturers rely strongly on supplying the established retailers in the country. For this reason, policies geared towards industrial cluster development are required to bring businesses in marginalised areas into the mainstream economy, since they have been proven to have a positive impact in KwaZulu-Natal and the Western Cape. According to the National Development Plan (NDP) 2030, the South African economy should generate sufficient opportunities to enable those who want to work to gain access to the possibility of becoming employed. In addition, a larger proportion of the population should live closer to their places of work, and the transport they use for commuting should be safe, reliable and energy efficient. This requires the incentives and programmes to shift jobs and investments towards the densely populated townships on the urban periphery. The abilities and value of township enterprises are poorly understood.¹ This is why the Gauteng Premier identified the key driver of growth as developing the SMMEs (small, medium, and micro enterprises) sector growth, as well as revitalising and mainstreaming the township economy (SOPA, 2015: 6).

This document is intended to develop a strategy for the CTLF sector which will assist Gauteng in its re-industrialisation mandate and in developing the economy. Its aim is to identify interventions to support the mainstream and township businesses and organisations in the sector. Above all, its main aim is to address the following transformation, modernisation, and re-industrialisation (TMR) pillars: the

¹ The Gauteng Township Economy Revitalisation Strategy (2014)

radical economic transformation and re-industrialisation of Gauteng province. Above all, these pillars address the issue of revitalising the township economy and infrastructure investment in the mainstream as well as in the township economies.

1.1 Objectives of the strategy

The strategy will outline interventions in the sector for the mainstream and the township businesses. This strategy is aimed at devising a plan which will help the growth of the sector in the following areas: technology, land, market, finance, and skills.

The objectives of this plan are as follows:

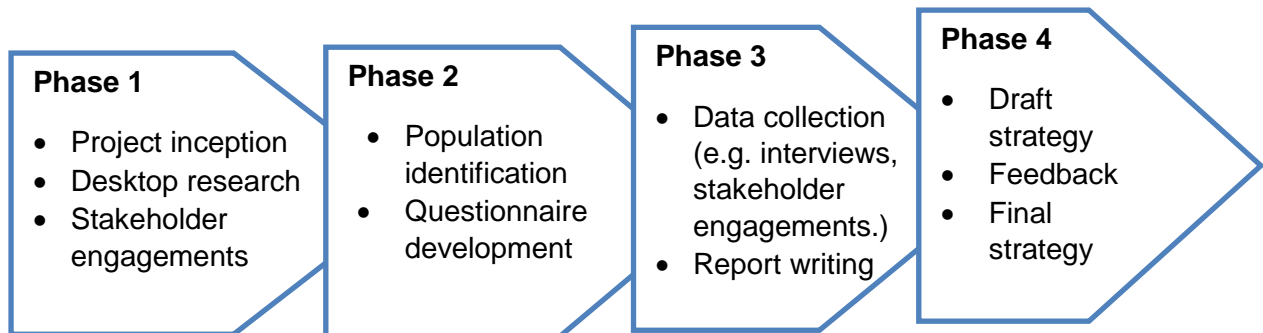
- To identify the challenges facing the businesses and associations in the sector.
- To develop interventions that will provide support.

1.2 Project methodology

In developing the strategy for the clothing, textile, leather and footwear sector in Gauteng, the steps below were taken:

- Conduct desktop research regarding the sector.
- Liaise with the stakeholders (identify associations, industry, and township businesses).
- Conduct interviews/consultations to understand the current status quo.
- Then identify the challenges facing the sector.
- Draft a strategy that will focus on supporting the township and mainstream businesses/organisations.

1.3 Action plan for drafting the strategy



1.4 Limitations

The clothing, textile, leather and footwear (CTFL) sector is one of the 11 priority sectors identified by the Gauteng government to pursue its industrialisation objectives. The development of the CTFL Sector Strategy will allow the Gauteng City Region (GCR) to strengthen the linkages between different sectors of the provincial economy and its various municipalities.

Textile manufacturing has strong intra-industry and intra-sectoral linkages to clothing and footwear manufacturing. Due to Gauteng's strong manufacturing capabilities for clothing and textiles, the strategy has identified relevant interventions, e.g. cluster development; and an SMME development and support programme. These interventions will seek to open up greater opportunities in both sub-sectors.

The manufacturing of leather has strong intra-sector linkages to the production and manufacturing of footwear. Gauteng has limited manufacturing capabilities for the production of leather, however, and the majority of leather production takes place in KwaZulu-Natal (80% – 85% of total leather output)². In addition, the small businesses that dominate in the townships fall under the clothing and textile sector.

It is in this context that the strategy objectives will be geared predominantly to the manufacturing of footwear in Gauteng. Although leather is an integral part of the

² Engaged with the South African Footwear and Leather Council

broader CTFL sector classification, this strategy is limited to objectives aimed at the clothing, textile and footwear sub-category.

2. Overview of the clothing, textile, leather and footwear sector

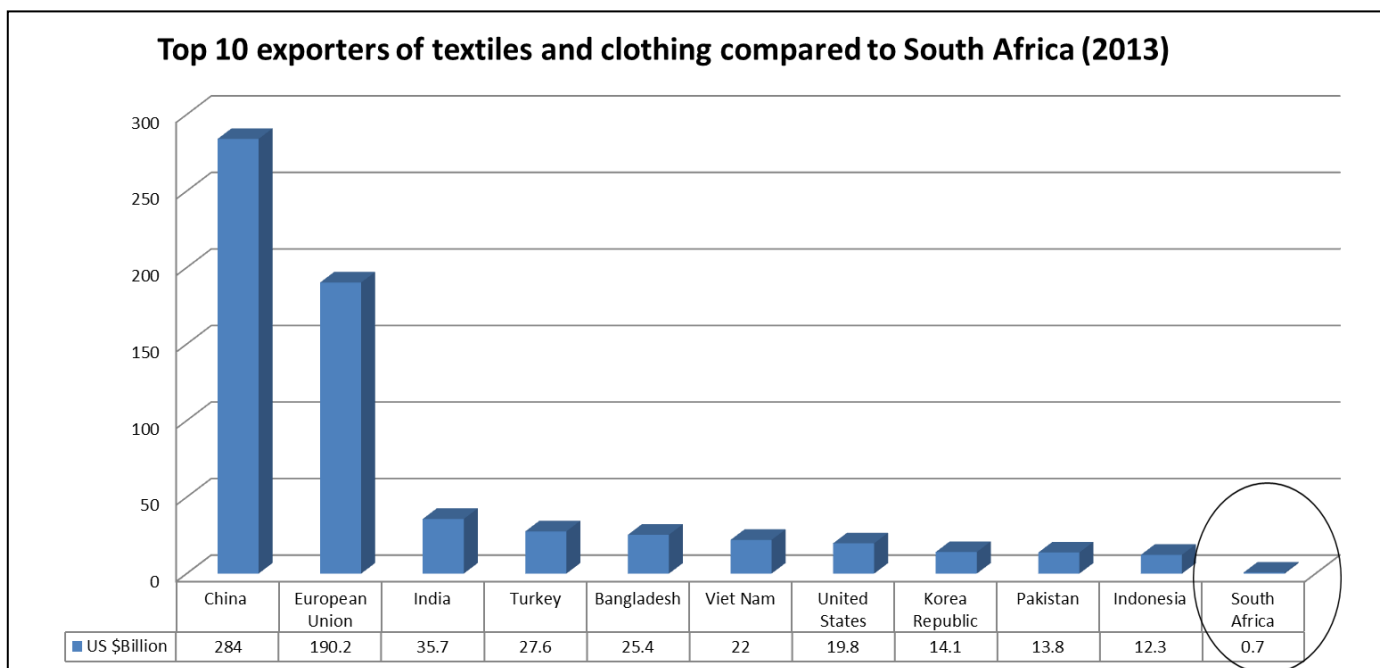
The sector is characterised by rapid market-driven changes, providing employment opportunities to millions of workers worldwide, especially for women. The sector accommodates educated as well as non-educated individuals. The trend of the sector towards faster and more flexible production and lower prices was accelerated by the phase-out of the Multifibre Arrangement in 2005 (1974 to 2004). As a result, the CTFL sector today features high volatility, low predictability, and generally low profit margins. The sector still has one of the most labour-intensive industries, in spite of advances in technology and workplace practices.

In 2013, the CTFL industry accounted for about 14% of manufacturing employment and was South Africa's second-largest source of tax revenue. The industry facilitates an estimated 60 000 to 80 000 jobs (down from 120 000 jobs) and contributes about 8% to the country's GDP. Moreover, Quantec mentions that the sector contributed 1% in Gauteng in 2013. It is clear that trade performance has been declining over the years and also that the challenges in the sector have been escalating. Since 2012 under the revised PPPFA, the CTFL has been designated for 100% local content (Industrial Policy Action Plan 2014/15 – 2016/17: 69) . It also identifies the following current constraints across the CTFL sector:

- Recurrent periods of currency overvaluation and continuing volatility;
- The continuing surge of global imports since the expiry of the Multi-fibre Agreement in 2005;
- Illegal imports and fraudulent under-invoicing;
- Inadequate compliance with “country of origin” labelling legislation;
- Lack of skilled staff to take over from ageing industrial executives and senior management, who generally did not have succession plans;
- Historical failure to develop and implement skills development plans, particularly for critical areas of operations and in production;

- Outdated capital equipment and technology resulting from inadequate capital investment and technology upgrading; and
- A historical deficit in innovation, research and development.

As regards technological developments, local textile production has been transformed into a capital-intensive industry which can now produce synthetic fibres. Recent media reports state that manufacturers are benefiting from retailers' growing demand for locally made goods as the need for "fast fashion" takes hold. To keep up with the latest trends, retailers have to source their products locally to gain shorter lead times from design to delivery. This has contributed to the statistics that show as much as 25% to 30% of locally sold clothing is manufactured domestically³. The figure below shows the top 10 performing exporters compared to South Africa.



Source: WTO, 2014 and Quantec, 2015

Figure 1: Top 10 exporters of textiles and clothing compared to South Africa

The figure shows that China is the main exporter, followed by the European Union and India respectively. Indonesia is the 10th major exporter with US \$12,3 billion

³ <http://www.businesspartners.co.za/knowledge-hub/manufacturing-fund/posts/south-african-textile-clothing-industry-overview-3252/>

whereas South Africa's exports are worth US \$700 million. The gap here shows that South Africa has to support the sector strongly to improve its export earnings.

The section below focuses on an outline in this sector of the four developing countries in the top 10, namely India, Turkey, Bangladesh, and China. It includes a focus on the role of revamping the sector that the governments in these countries played.

2.1 India's sector – synopsis

India's clothing and textile industry is one of the largest in the world. It contributes about 14% to domestic industrial production, 4% to GDP, and 14% to export revenues, and contributes to direct employment because it employs 35 million people. The Indian sub-continent is the second-largest manufacturer of clothing and textiles after China. India is also known for its high-quality clothing products and most manufacturers are small-to-medium sized enterprises. India's clothing industry is well-organised and one of the leading industries in the world, comprising manufacturers, designers, exporters, suppliers, stockists, and wholesalers.

Due to its importance to the economy, the Indian government has set aside \$5 billion to assist the clothing industry by investing in better equipment and machinery. India's textile industry continues to be the second-largest employment-generating sector, giving direct employment to over 35 million people in that country. The share of textiles in total exports was 11,04% from April to July 2010, according to the Ministry of Textiles. During 2009-2010, the Indian textile industry was pegged at US\$55 billion, 64% of which provided for domestic demand. In 2010, there were 2 500 textile-weaving factories and 4 135 textile-finishing factories in India.

Other key developments

- The Indian textile and clothing industry attracted foreign direct investment (FDI) of \$934,4 million between 2000 and 2011.
- The textile industry is expected to be worth \$220 billion by 2020. It is the second-largest source of clothing for foreign retailers.

2.2 Turkey's sector – synopsis

The textile and clothing industry was the first industrial sector to develop in Turkey. The establishment of the customs union with the European Union gave a major boost to the industry in the 1990s and it is currently the largest manufacturing sub-sector in Turkey in terms of production and employment. Turkey has large-scale fabric companies with vertically integrated production facilities, in addition to many small-sized non-integrated firms, serviced by a well-developed finishing industry.

A large part of the industry is based on cotton. Turkey is the sixth-largest cotton producer in the world, totalling some 954 000 tons in 2010/11. Domestic output does not fully meet local demand and the country is the third-largest cotton importer after China and Bangladesh. The Turkish man-made textile sector has the eighth-largest synthetics capacity in the world: 62% of the companies in this sector have finishing plants and domestic production meets 75% of their need for raw material.

Exports of Turkish textile and clothing goods have been increasing in recent years, but its share of the country's total exports is decreasing. In 2012, Turkey was the ninth-biggest supplier of textiles in the world with a 3,0% market share and seventh-largest clothing supplier with a 3,4% share. Exports of Turkish textiles in 2012 rose by 2,6% to US\$13,3 billion and clothing exports increased by 2,8% to nearly US\$12 billion.

After the recent removal of international trade barriers for China, the Turkish textile sector has started losing its labour cost advantage and in an effort to maintain its competitiveness, many local producers are changing to new designs, fashions and quality labels, targeting higher-income customers. The European Union's decision to enter into free trade agreements with supplier countries for this sector, such as India and South Korea, is also affecting the Turkish textile sector. To support international expansion, the Turkish government has launched the Turquality programme that assists with marketing, quality upgrading and strategic positioning.

The Turkish textile and clothing industry is highly competitive and the number of sector companies exceeds 56 000. About 81% and 86% of the companies in the textile and clothing sectors, respectively, employ fewer than ten people. The number of people working in the two sectors is estimated at about 2 million, most of

whom are employed without a proper contract. Garment manufacturing is forecast to remain among the slowest-growing industries in Turkey from 2012 to 2016, at an average annual growth rate of 2,9%. The entire textile, leather and clothing sector is expected to grow by an average of 3,7% over this period. Textile, leather and clothing output accounted for 7,94% of Turkish manufacturing and 1,63% of the country's GDP in 2011. These figures are forecast to decrease to 7,61% and 1,55% respectively in 2016.

2.3 Bangladesh's sector – synopsis

The readymade garment industry has played a significant role in Bangladesh's economy because this industry has been the main source of exports and foreign exchange generation over the past 25 years (Sharif, et.al, 2015: 214). Additionally, as a result of an insulated market guaranteed by the Multi-Fibre Agreement (MFA) of the General Agreement Tariff and Trade (GATT) and supportive policies of the government of Bangladesh (GoB), it attained a high profile in terms of foreign exchange earnings, exports, industrialisation and contribution to the GDP within a short period.

They further argue that in less than a decade, the readymade garment industry increased its exports, foreign exchange earnings, and its contribution to GDP by 4,39%. Between 2010 and 2011, exports contributed \$17,91 billion in the fiscal year, thus accounting for 78% of the total national export earnings. Furthermore, the industry contributes 4%-5% to global trade.

As one of the largest clothing and textile exporters from Asia, the industry contributes significantly to the country's employment. "The textile industry accounts for 45% of all industrial employment in the country and contributes 5% of the total national income (Islam et.al, 2013: 31)."

Although the industry has had a positive impact on economic growth, employment creation and poverty reduction, Islam et al. (2013) state that the industry faces challenges that are becoming a barrier to its potential growth rate. The challenges the industry faces include the global recession, higher production costs due to high energy costs, the depreciation of the Bangladeshi Taka that has made imported inputs expensive, the rise in inflation, and the cost of financing.

In spite of these challenges, the government continues to support the industry to use the opportunities the industry provides and to ensure that it contributes to growth and employment. “The government continuously supports the industry in terms of rationalisation of tariffs and taxes on imports of capital machinery, raw materials, dyes and chemicals, and reduction of interest on long and short term loans. Furthermore, the government provides incentives to encourage the use of local fabrics in domestic industries” (Yunus and Yamagata, 2012).

2.4 China’s sector – synopsis

China is well known as one of the countries with the lowest input costs in manufacturing in the textile and clothing sector, but the government has also played a strong role in ensuring that the sector improves.

Terence P. Stewart (2007) states that China has been the largest exporter of textiles and clothing in the global economy since 1995. China’s share of global trade in textiles and clothing products reached 24% in 2005.. The large market share of Chinese textiles and clothing demonstrates China’s competitiveness in the world market. This “competitiveness is all the more remarkable in that it arose out of a period when the entire industry was on the edge of bankruptcy and underwent a painful restructuring program in the late 1990s that was funded by the Chinese government” (Stewart, 2007: iii). This can be attributed to the role that China’s central government played in restructuring the textile and clothing industry and transforming it into the world’s largest exporter of textiles and clothing; and also to its continuing role in optimising and upgrading the industrial structure of the textile and clothing industry.

In recent decades, the textile and clothing industry has been a pillar of the Chinese economy. With regard to adding value, the sector grew from US\$4,2 billion in 1980 to US\$140 billion in 2008, giving an average growth rate of 13,3% in this period. However, the share of the textile and clothing industry in the country’s manufacturing declined from 14,8% in 1990 to 9,9% in 2007 as result of diversifying its manufacturing base and gradually moving towards the production of high value-added manufacturing such as transport equipment. In spite of this decline, China

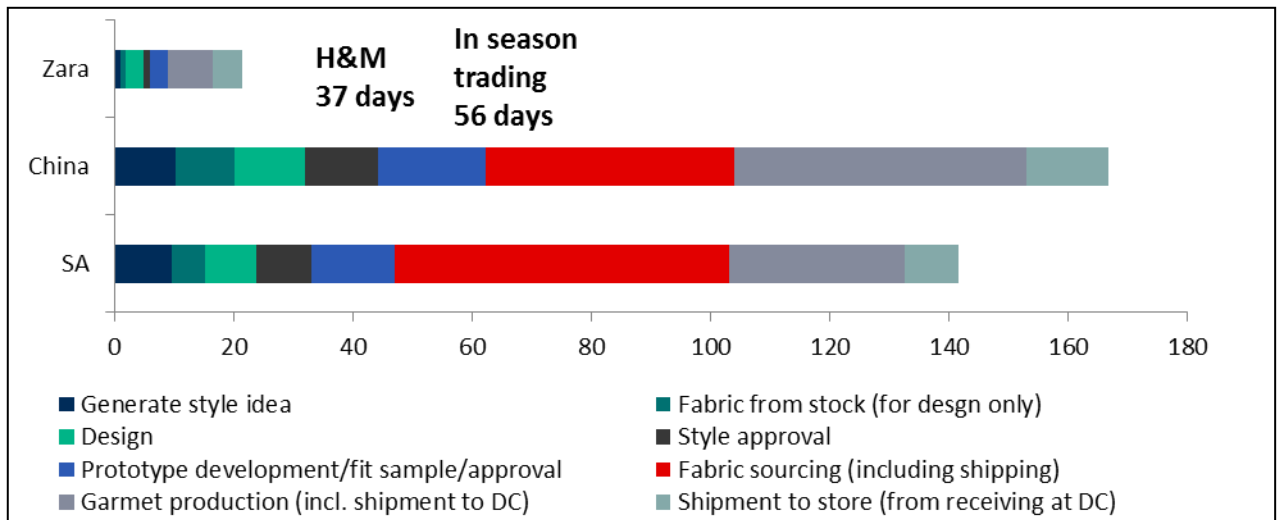
has had the largest market share of the global market for textiles and clothing since 1995 (Zhang et al. 2015).

As a pillar of the country's economy, the sector has also contributed significantly to job creation. The government intervention which took advantage of the sector's labour intensiveness, increased employment in the sector from 1,8 million in 1980 to 6,2 million jobs in 2008.

Although the industry has made strides with industrial development, the central government asserts that the industry still faces challenges. For example, limited R&D activities have weakened innovation in domestic enterprises. As a result, the industry imports large quantities of high-end equipment and technologies. Another challenge facing the industry is that it has difficulty developing its domestic brand names because most enterprises deal with already established foreign brands. Furthermore, the "industry is also fragmented; most enterprises are small in scale, competing against each other in labour intensive and low technology product processing (Stewart, 2007: 2)". Due to these challenges, the Chinese government has committed itself to addressing these issues in the 11th five-year period (2006-2010).

The development focus in the 11th Five Year (2006-2010) Guideline for National Economic and Social Development is on optimising and upgrading China's industrial structure. One of the priorities highlighted as an overriding principle for industrial development is to increase the value added by the textile industry. The Guideline also states that an objective is to "strengthen the technological capability of the textile industry and increase the number of Chinese-owned brand names; to develop high tech, high performance, differential, and environment-friendly fibres and renewable fibres, and to enhance the development and utilization of textiles for industry use, silk and non-cotton natural fibres; to advance the gradient shift of the textile industry" (Stewart, 2007: 3).

China has been previously known of its efficient economies of scale and quick delivery. Due to the high demand from various countries, this has resulted to longer lead times compared to South Africa. The figure below illustrates the comparison of lead times between China and South Africa.



Source: B&M Analysts

Figure 2: Lead times across the value chain

China currently has approximately 170 days lead time, while South Africa approximately 145 days.

When lead times are longer, clothing retailers struggle to get the right product mix for their customers. At times they will receive the clothing of the previous season due to the delay of which there demand is no longer there. This result to a wasteful expenditure and it creates redundant inventory. On the other hand, if a particularly product does exceptionally well, they are unable to meet customer demand.

South Africa should be learning from Zara and H&M, since they currently have exceptionally quick lead times and both represent best in class examples. Zara sticks to a deep, predictable and fast rhythm, based around order fulfillment to stores. Garments are already labeled and priced upon destination. Their strong distribution network enables the company to deliver goods to its European stores within 24 hours and to its American and Asian outlets in less than 40 hours.⁴

This is why it is crucial for the Gauteng Province to develop capabilities in the clothing and textile industry, by designing interventions to suit the context of this industry which would promote the growth and development of the clothing and textile industry and create employment in the province.

⁴ <https://www.tradegecko.com/blog/zara-supply-chain-its-secret-to-retail-success>

3. SWOT analysis of the Gauteng Clothing, Textile, Leather and Footwear Sector

To summarise the current position of the Gauteng CTLF sector, an overview of the strengths, weaknesses, opportunities and threats (SWOT) of the sector is given below:

3.1 Strengths

- Potential to be a large employer of people.
- Gauteng has the biggest retail market in South Africa.
- Other provinces use Gauteng mainly as an export exit point.
- Gauteng has comparatively reliable telecommunications and infrastructure, which reduce costs and shorten lead times, and present many opportunities for enterprises in the province.
- Cheap utility costs, e.g. electricity, in comparison to competitor countries, give Gauteng firms an advantage, particularly in the textile industry which is a major user of electricity.
- The dti provides support by offering incentives for competitive production.

3.2 Weaknesses

- The Gauteng CTLF sector also typically has more small-to-medium sized firms compared to other provinces, e.g. Western Cape and KwaZulu-Natal.
- Labour rates and ancillary labour costs (e.g overtime pay, sick leave) lead to a higher labour cost in SA than in many competitor countries, such as China, India, Pakistan, and Indonesia.
- Outdated physical infrastructure is also a disadvantage for firms.
- Gauteng clothing and textile manufacturers have relatively low productivity and inefficient manufacturing processes.
- There is a critical shortage of technical skills especially in textiles, and a lack of training in both the textile and clothing industries. A major problem is that there are no adequately skilled people to replace those who retire.
- The clothing manufacturers have limited bargaining power with retailers.

- Although there are some proficient textile firms, the quality and delivery of fabrics are seldom satisfactory.
- The development of new fabrics is slow in the textile industry and some high-quality fabrics (e.g. lightweight synthetics) are not produced in SA. The lack of co-operation and innovative ability among the suppliers is another constraint on already limited innovation.
- Locally sourced cotton is often poor and its quality is variable.
- Since Gauteng is not particularly active in manufacturing, many of the local retailers have their head offices in the Western Cape where the majority of the clothing firms are also located.

3.3 Opportunities

- Factories in China are seeking cheaper locations, including some areas in South Africa and neighbouring countries, because of higher wages and production costs in China.
- The development of a “South African” brand of clothing and fabrics with an African feel could help to increase exports.
- Clothing manufacturers could increase their supply to the local market by improving their relationship with customers and giving retailers better responses, follow-up services, and shorter lead times.
- The continued expansion of the online retail arena.
- The expansion of the retail sector into Africa.

3.4 Threats

- Increased competition due to trade liberalisation globally.
- Low-cost imports are a threat to local industry suppliers who compete with these (often under-invoiced) imports in the domestic market.
- Illegal imports and dumping also threaten the local industry suppliers.
- Firms face various challenges relating to marketing and design when exporting.

- Many clothing and textile firms produce standard commodity-based items but they cannot compete effectively because labour costs are a key determinant of competitiveness in these markets.
- The lack of product and process innovation constrains the ability of the industry to expand and compete internationally.
- The lack of trust and co-operation among the various sub-sectors of the value chain limits the ability of firms to compete effectively. The rules of origin of various trade agreements also increase the interdependence of these industries.

4. Value chain analysis of the clothing, textile, leather and footwear sector

4.1 Value chain analysis of the clothing and textile sector

There is a wide range of products in this sector, including a variety of fabrics, carpets, clothing, knitted items, and manufactured articles.

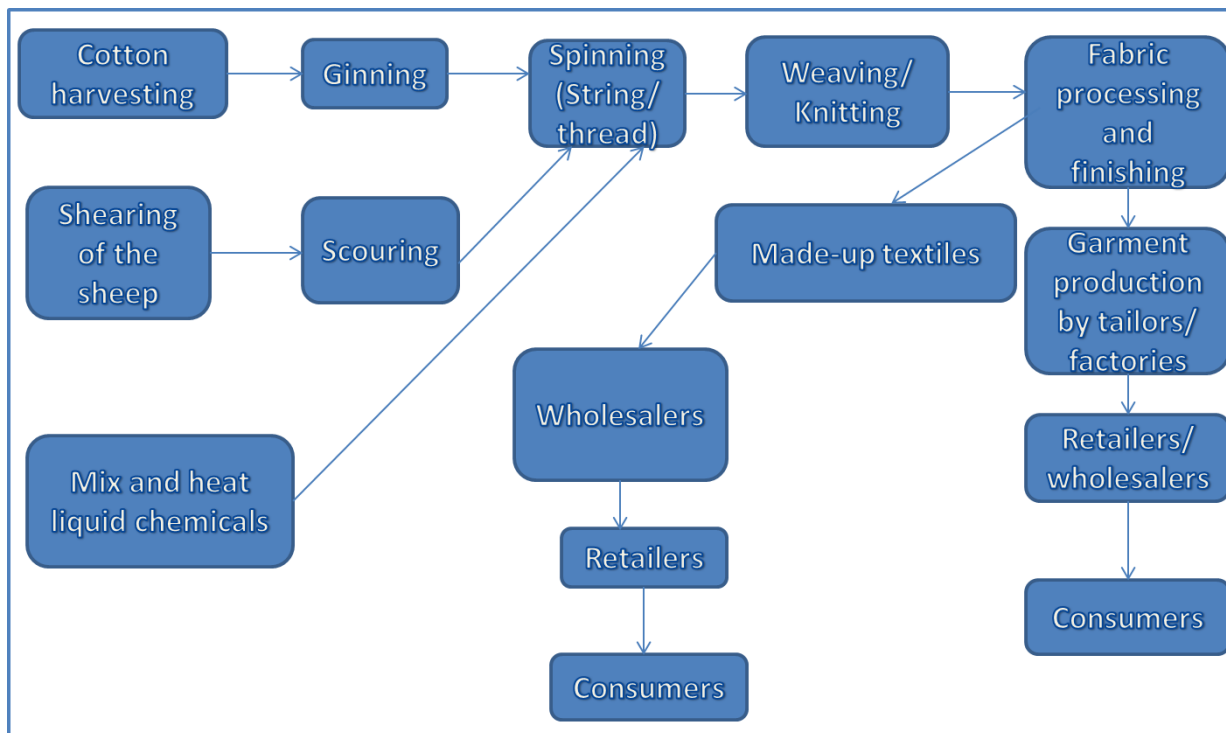
The figure below illustrates the value chain of the clothing and textile sector. The chain begins with the harvesting of raw materials (cotton), the shearing of the sheep (wool), or the mixing of the chemicals (synthetic fibres).

Cotton undergoes ginning to remove the seeds. The initial components undergo a spinning stage to transform them into thread. Weaving is the next stage and the final stage is processing and finishing the fabric when the woven cloth is converted into a usable material. It may then be dyed or processed further to improve the look, performance, or texture of the finished fabric.

Wool is first scoured (cleaned) to remove the grease, dead skin, dirt, and vegetable matter from the fleece, then the wool is combed and spun into thread for weaving or yarn for knitting. After that, the woven or knitted cloth or yarn may be dyed and processed to improve the finished product.

Liquid chemicals undergo processing to form synthetic thread for weaving and yarn, then the woven fabric or yarn may be dyed or processed for finishing before being sold to factories, retailers, tailors or consumers.

Fabric is sold to the factories or tailors to produce clothing. The products are sold to wholesalers or retailers, and finally the products reach the consumers. Fabric is also used for made-up textiles such as blankets, curtains, towels, and linen before being sold to wholesalers, then to the retailers and finally to the consumers.

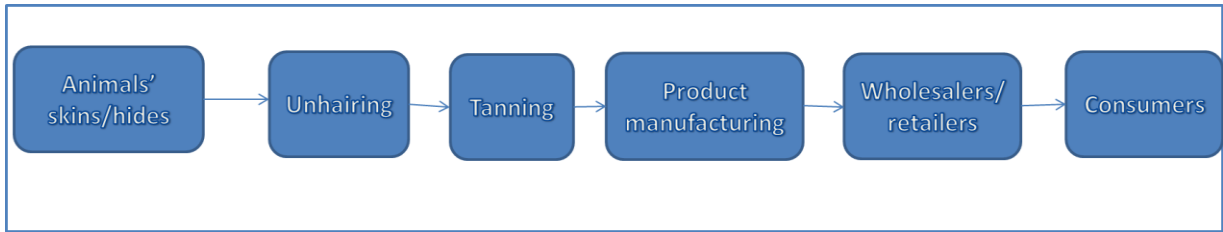


Source: International Trade Centre, 2011

Figure 3: Value chain stages for the clothing and textile sector

4.2 Value chain analysis for the leather and footwear sector

This sector has greatly improved its contribution to national GDP since 2011 (Quantec, 2015). The figure below shows that the value chain starts by skinning the animal to obtain the skin/hide. The next stage includes curing and soaking the skin to remove hair from it. Tanning is the next stage, when the skin is treated to produce leather for manufacturing shoes or other leather products for sale to wholesalers or retailers and eventually to consumers.



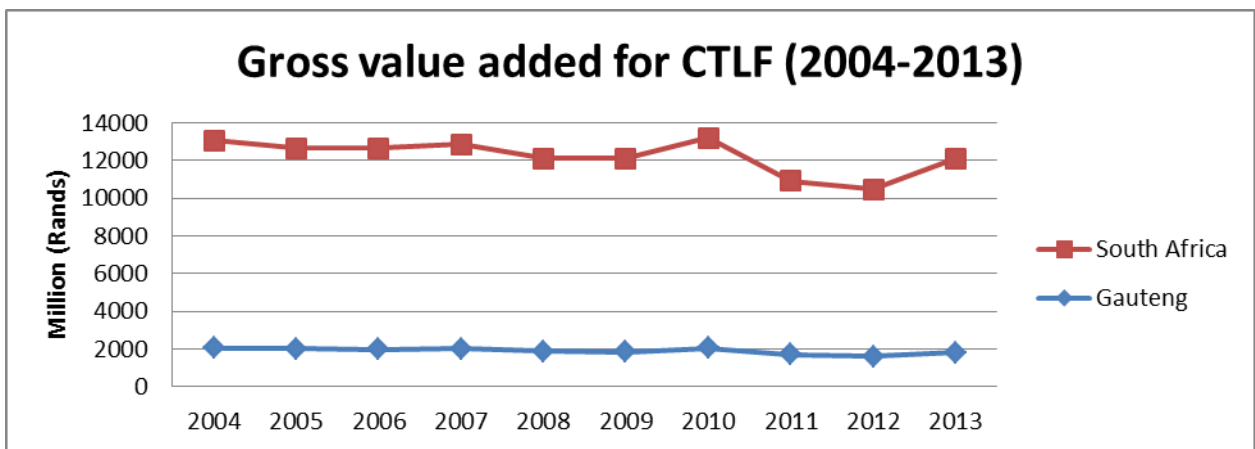
Source: Natalia Nazarchevici (ECCO Shoes UK), 2012

Figure 4: Value chain stages for the leather and footwear sector

5. Economic performance and conduct of the sector

Gauteng Province usually leads economically in most of the sectors but not, however, in the CTLF sector.

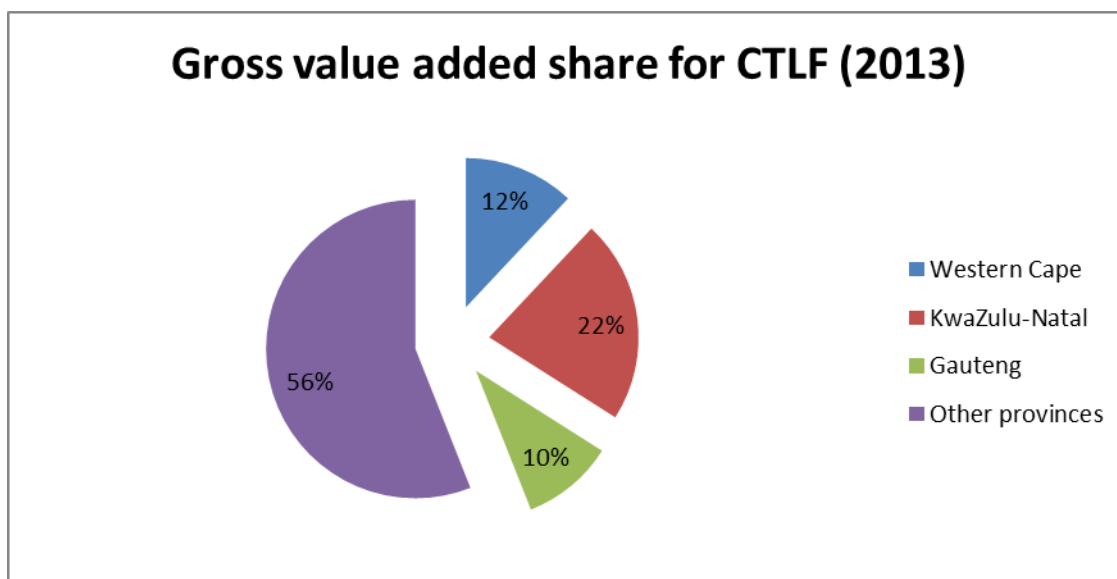
5.1 Gross value added



Source: Quantec, 2015

Figure 5: Gross value added for CTLF, 2004 – 2013

Figure 2 compares the gross value added (GVA) to Gauteng and South Africa by the CTLF sector from 2004 to 2013. The graph clearly shows that Gauteng does not influence national economic conditions. In 2010 there was an increase nationally, whereas growth in Gauteng has been constant since 2004.



Source: Quantec, 2015

Figure 6: Gross value added share for CTLF, 2013

Figure 3 shows the GVA by Gauteng compared to the two competitors (Western Cape and KwaZulu-Natal) and the rest of the provinces. It is clear that Gauteng (10%) is not the economic leader in this sector; KwaZulu-Natal (22%) dominates the sector, followed by the Western Cape (12%). The government of KZN recognises that investment is critical to the growth of the provincial economy and intends to ensure that an environment conducive to investment is created and that effective infrastructure is in place.⁵

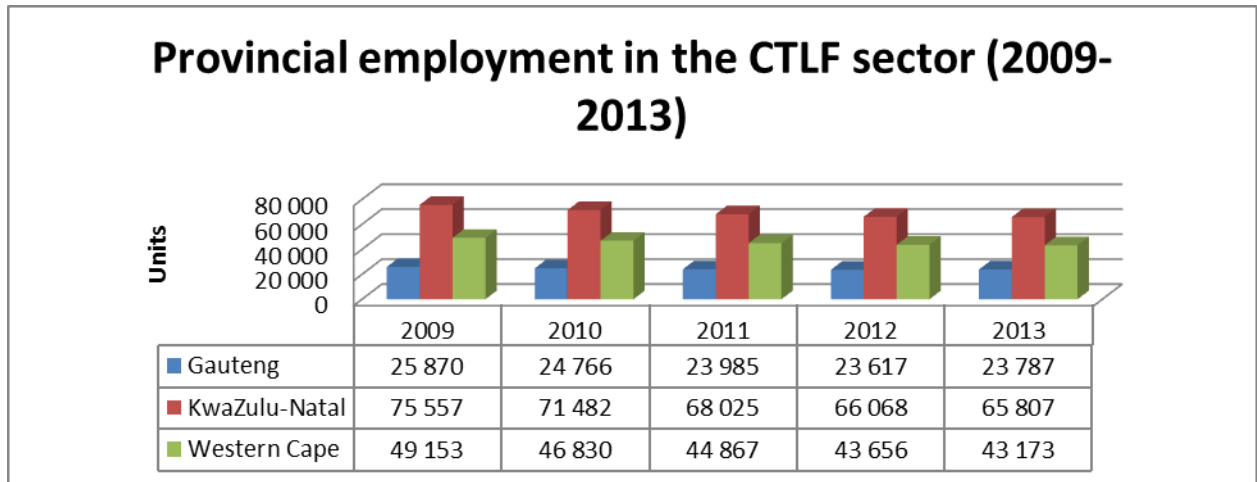
5.2 Employment

This sector is described as having a high potential for absorbing labour. In 2013, textiles and clothing accounted for about 14% of national manufacturing employment and represented South Africa's second-largest source of tax revenue.⁶ This sector has been one of the sectors to have a huge decline in employment over the years nationally. It has been reported that the industry had suffered job losses between 2002 and 2012 as a result of problems such as cheap imports, poor training and a lack of investment by companies (Business News online, 10 March

⁵ <http://kzntopbusiness.co.za/site/overview>

⁶ <http://www.mediaclubsouthafrica.com/africa/37-economy/economy-bg/111-sa-economy-key-sectors>

2014). To boost national employment, it was announced in 2013 that SACTWU had set aside R25 million for a youth employment development programme to be rolled out over a three-year period. This programme was intended to assist 94 000 youth and children. The figure below shows the employment levels of the three best-performing provinces in the sector from 2009 to 2013.



Source: Global Insight, 2015

Figure 7: Provincial employment in the clothing, textile, leather and footwear sector, 2009-2013

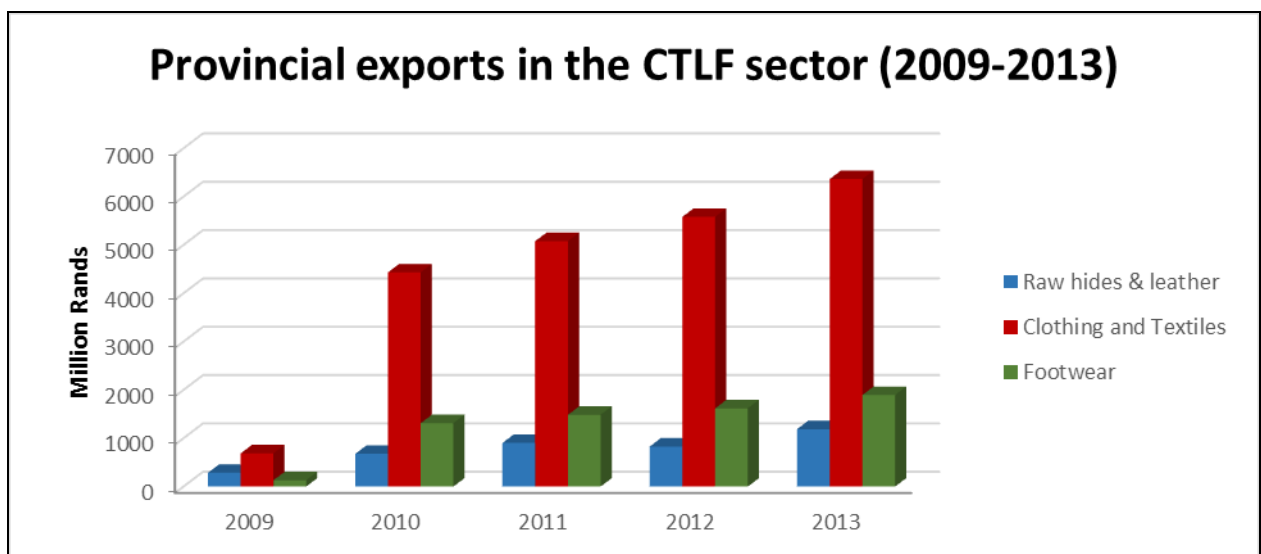
Figure 4 shows that KwaZulu-Natal absorbed the highest level of labour throughout the given period, followed by the Western Cape and Gauteng, respectively. Even though the labour absorption level has been declining in KZN, it is still leads regarding employment. Gauteng has also recorded a steady decline in employment, shedding about 2 000 jobs in this period. The great support that the KwaZulu-Natal Clothing and Textile Cluster receives from its provincial government is one of the reasons KZN leads in employment levels⁷. KZN has established a sector business support centre in Newcastle, aimed at regenerating the clothing and textile industry in the area.

⁷ <http://www.iol.co.za/business/news/hope-returns-to-clothing-textiles-sector-1.1658543>

5.3 Exports and imports

The dominance of Asian imports in South Africa has resulted in the poor economic performance of this sector. Nationally and also in Gauteng, the sector's imports exceed its exports.

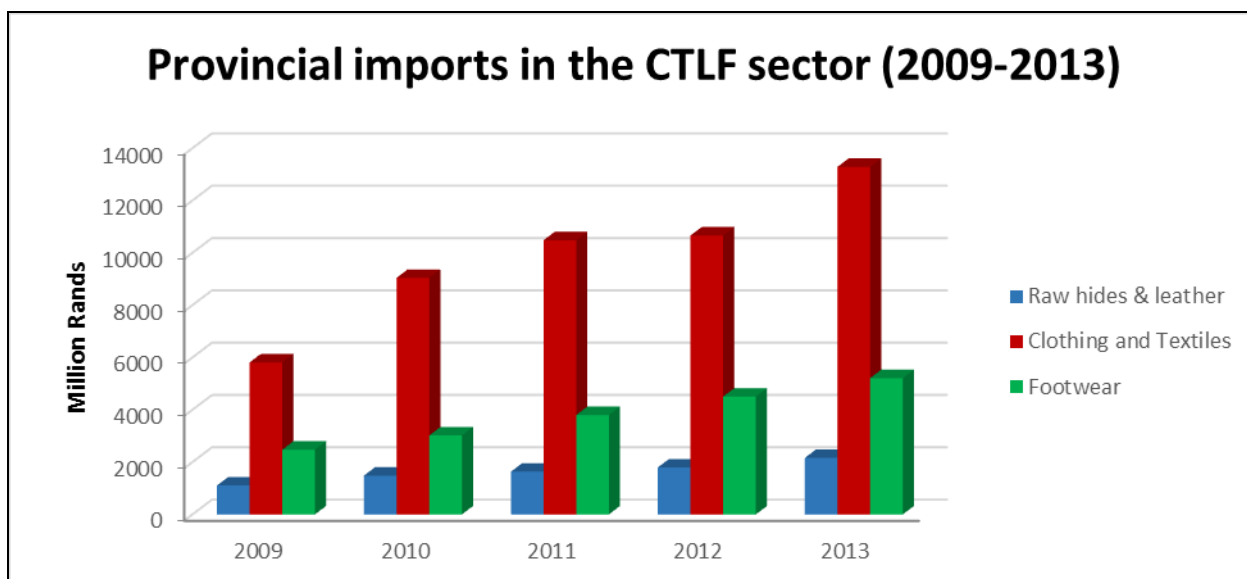
The figure below illustrates the provincial exports of the sector. Clothing and textiles lead, followed by footwear, and raw hides and leather respectively.



Source: Quantec, 2015

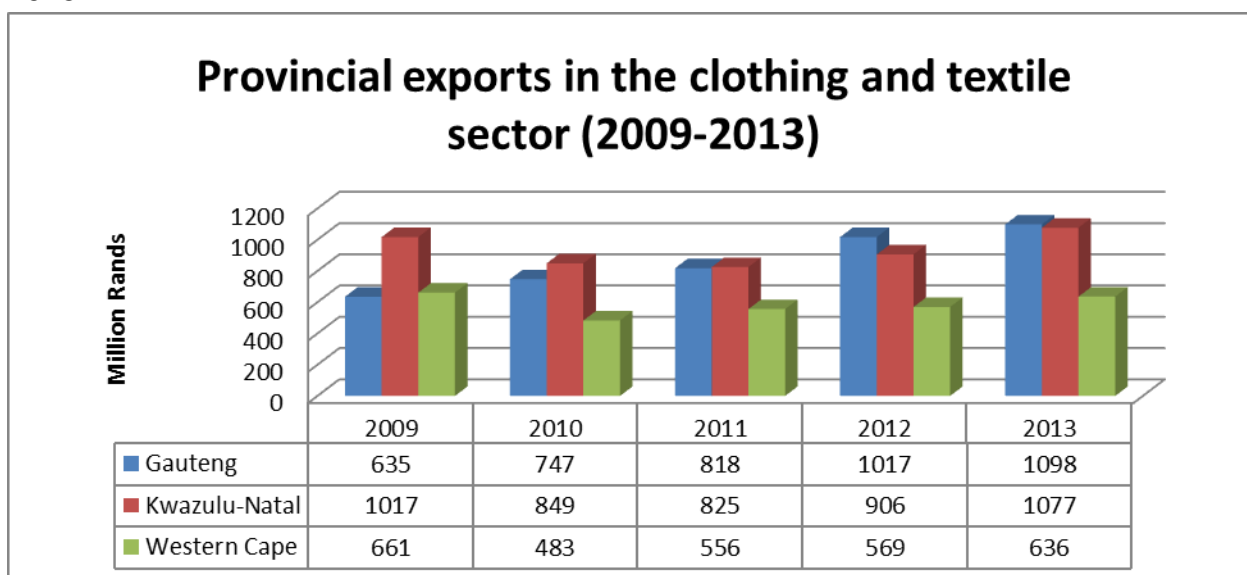
Figure 8: Provincial exports in the clothing, textile, leather and footwear sector, 2009-2013

The same trend can be seen for imports in Figure 6 below. Clothing and textile imports dominate in the province, followed by footwear, and then by raw hides and leather. The trend for all these imports has been growing progressively over the years, as shown in the figure below.



Source: Quantec, 2015

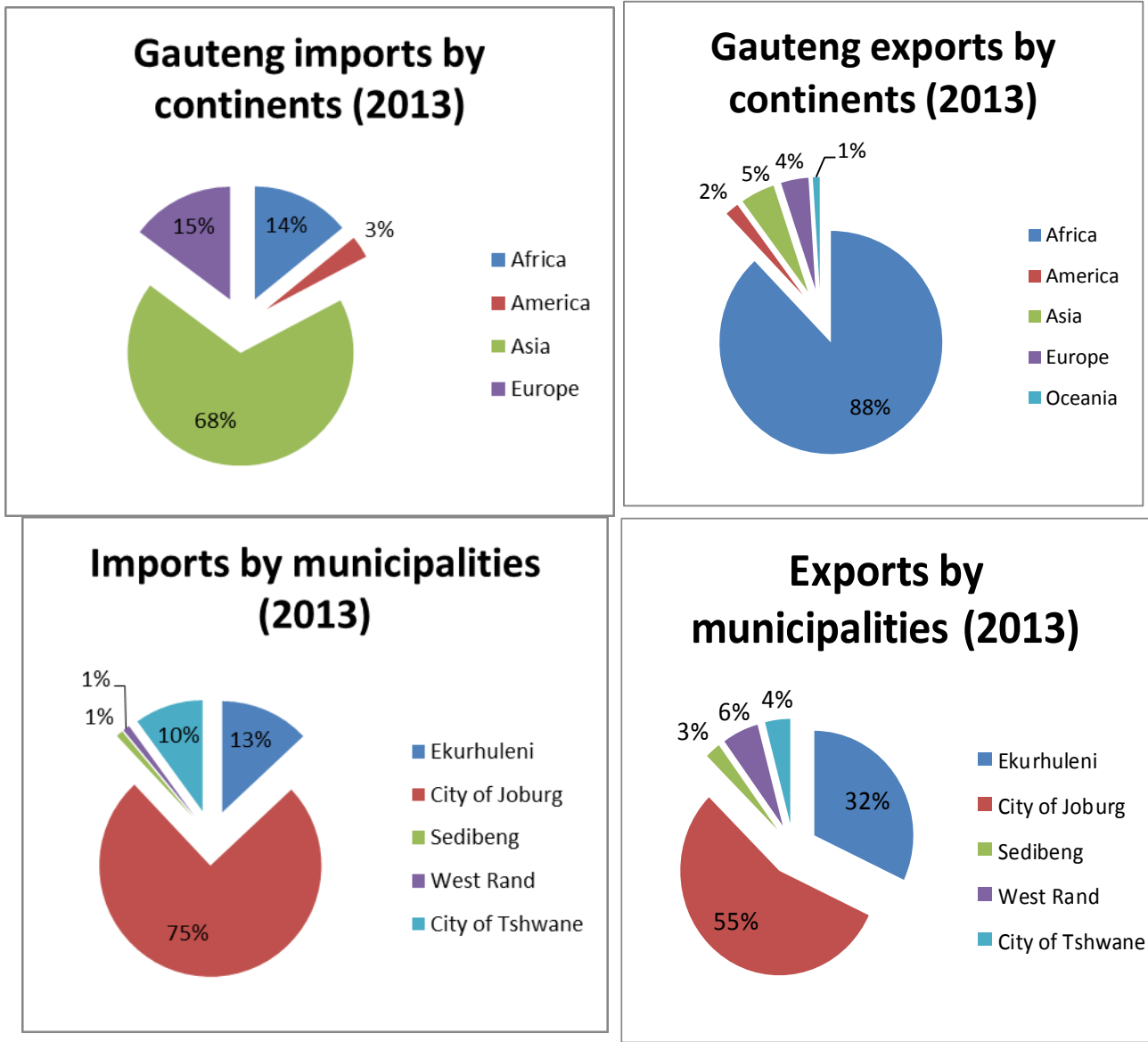
Figure 9: Provincial imports in the clothing, textile, leather and footwear sector, 2009-2013



Source: Quantec, 2015

Figure 10: Provincial exports in the clothing and textile sector, 2009-2013

Figure 7 indicates that Gauteng has had an increase in exports throughout the given period. One can argue that the increase was because head offices relocated their operations to the province or because some of the provinces use Gauteng as the point of exit when they export to other countries. Although Gauteng has been growing progressively, the Quantec data show that nationally South Africa has a trade deficit.

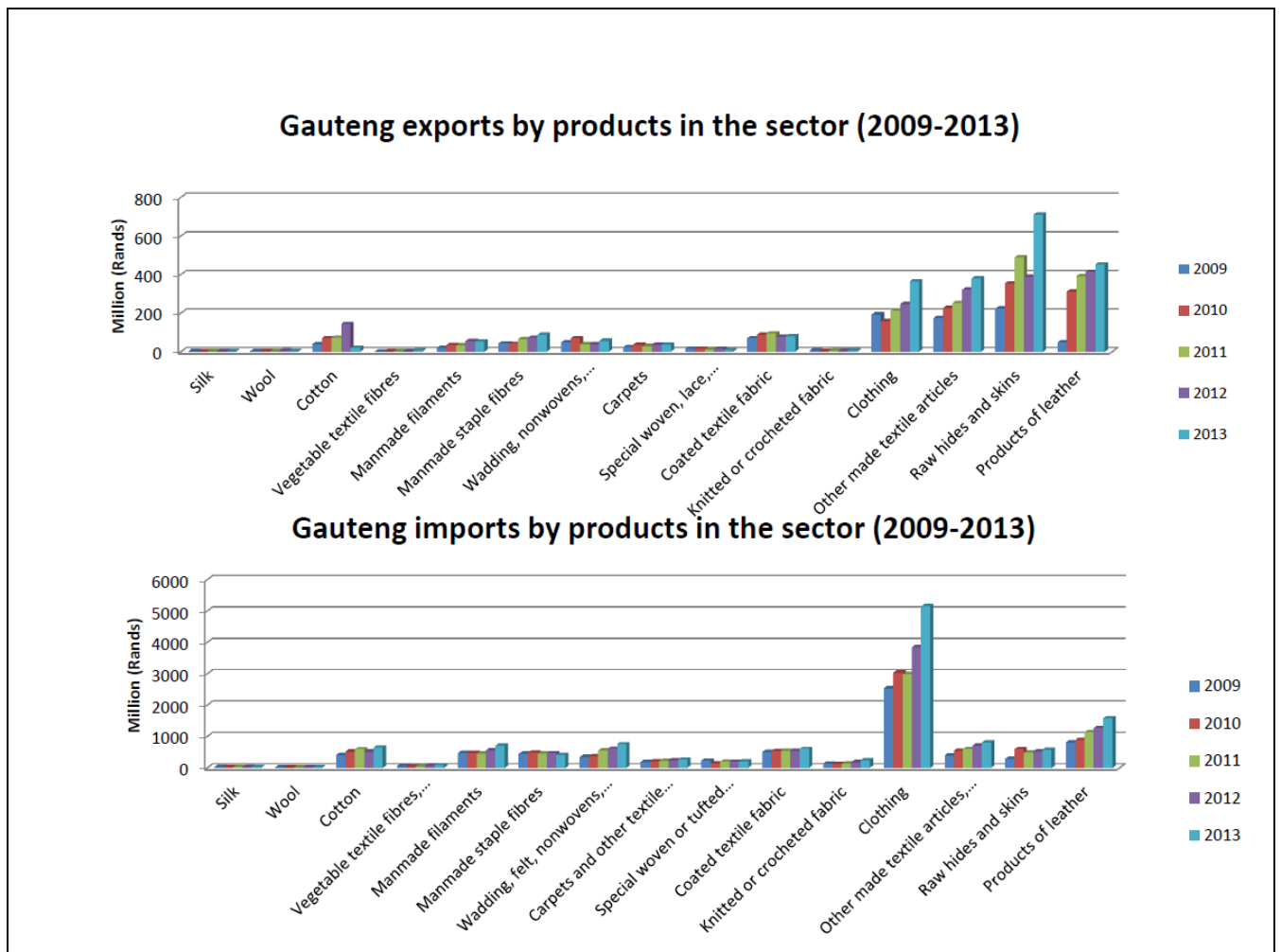


Source: Quantec, 2015

Figure 11: Exports and imports by origin and destination, 2013

The figure above shows that the majority of Gauteng’s imports come from Asia (68%), and that the City of Johannesburg Metropolitan Municipality accounts for 75% of total provincial imports. Gauteng exports the majority of the products to African countries (88%). However, it is not clear whether the 88% accounts for locally manufactured products or for imported products. Quantec data furthermore show that SADC countries absorb the highest volume of exports; this could be influenced by the free trade agreements among the SADC countries. The City of Johannesburg Metropolitan Municipality exports the most (55%), followed by

Ekurhuleni (32%) and the West Rand (6%). However, it is not clear if all of these exported products are products manufactured locally in Gauteng.



Source: Quantec, 2015

Figure 12: Exports and imports by the products in the sector, 2009-2013

Gauteng is not strong in fabric manufacturing, although raw hides and skins dominate, followed by leather products, then by other textile articles, including blankets and curtains, and lastly by the clothing sub-sector which also dominates imports. As regards the manufacturing of clothing and other textile articles in the province, the province does have potential and capabilities but nevertheless imports more than it exports.

Gauteng is doing well with other textile articles, which include linen, blankets, rugs, and household linen. The province's exports exceed its imports in these products.

6. Game changers in the sector

Though the sector faces challenges, some remedies are in place to deal with some of these challenges. According to the Industrial Policy Action Plan 2014/15 – 2016/17: 85-86, the current game changers in the sector include the following:

- **Illegal Imports Programme:** this programme was designed to clamp down on illegal imports flooding the clothing industry by reducing and eliminating these illegal imports entering primarily by under-invoicing, country-of-origin labelling and incorrect tariff use. This addresses the issue of the cheap imports dominating the South African market. SARS, National Treasury, International Trade Administration Commission of South Africa (ITAC) and the dti lead this programme, which the Economic Development Department (EDD) supports.
- **Clothing, Textile, Leather and Footwear Competitiveness Improvement Programme:** this programme was established to stabilise employment and help improve the competitiveness of manufacturers in the sector. The dti and National Treasury lead the programme, supported by the Industrial Development Corporation (IDC) and EDD. Manufacturers can apply for funding for plant and equipment or for supporting technology that would substantially improve their competitiveness. This programme has established both horizontal and vertical clusters which involve the entire textile and footwear value chain, from fibres and hides up to retailer outlets. Since its inception in 2010, over 63 000 jobs have been saved and more than 8 000 new jobs created. Government has made R2,4 billion available for the Clothing and Textile Competitiveness Programme (CTCP) by 2014, with 688 transactions approved and 362 companies receiving crucial support.
- **Increase local content procurement:** the CTFL sector has been selected as a designated sector to benefit from public procurement and has been assigned a 100% minimum threshold for local content, which is a strong indication of government's commitment to stimulating trade in this sector.
- **Skills development programme:** the dti signed a memorandum of understanding (MOU) with the People's Republic of China to assist with

providing state-of-the-art technical training for the CTLF sector. The first (30-strong) group of trainees left for China in November 2013 to embark on a two-month intensive training programme in textile and clothing design. Domestically, the CSIR's Textile and Clothing Centre of Excellence in Port Elizabeth has overseen the skills development of a range of students studying for BSc, MTech and PhD degrees, in collaboration with the majority of the tertiary education institutions in South Africa. The dti also works closely with the Fibre Processing and Manufacturing Sector Education and Training Authority (FP&M SETA) to identify Further Education and Training (FET) colleges countrywide which could train technicians and technologists for the CTLF sectors, in collaboration with the national clusters that have been established.

- **Communal hides beneficiation:** this programme provides training to communal farmers and rural households in animal-care methods designed to deliver high-quality hides. The training focuses on slaughtering techniques, tanning and marketing. It was introduced in KwaZulu-Natal in the 2013/14 financial year and will be extended to other South African provinces.
- **Innovation and technology:** this programme focuses on identifying distinct technologies and possible commercialisation to be undertaken with relevant partners. The technologies to be identified include establishing a South African garment-sizing database using three-dimensional (3-D) body-scanner technology, computer-aided design (using 3-D scanner data), and the processing of new natural fibres such as flax, cashmere and kenaf.
- **Exotic leather cluster:** the project will focus on the Exotic Leather National Cluster Programme which focused on crocodile hides in the previous financial year. The programme will include ostrich hides in the new financial year.

7. Case studies

7.1 Clustering of the clothing and textile sector

Clustering has played a strong role in KZN and the Western Cape Province, especially regarding GDP and employment. Established in August 2005, the KZN Clothing and Textiles Cluster is a public/private partnership of clothing, textile, footwear and retail firms in KZN. The cluster seeks to develop the local industry's competitiveness so that it can compete on global markets.

As a result of trade liberalisation, it is important for domestic firms to collaborate and pool their resources to remain competitive in the global economy. Clustering is therefore a progression from operating in isolation to recognising that certain support activities can be performed in conjunction with firms facing similar challenges.

The benefits that can be accrued from clustering include the generation of mass resources, shared learning, the rapid diffusion of ideas, lower costs, and enhancing the ability to compete globally.

7.2 Western Cape clothing and textile clusters

There are two clusters in this the sector in the Western Cape Province, namely the Clothing and Textile Service Centre (CLOTEX) and the Cape Clothing and Textile Cluster (CCTC). CLOTEX focuses on the technical side of manufacturing in the sector, whereas CCTC focuses on improving the business strategies in the sector.

CLOTEX was established in 1994 with the aim of transforming the SMMEs involved in clothing and textile manufacturing to make them more competitive. CLOTEX has established itself as a representative of the SMME sector as well as playing a role in upgrading and promoting the growth of these industries to ensure that businesses gain a competitive manufacturing position. To this end, CLOTEX focuses on the following areas:

- **Mentorship and coaching services**
 - In the 2010/2011 financial year, according to CLOTEX they created 45 additional jobs and sustained 1 095 through the mentorship programme.
- **Skills development: business and technical services**

- In November 2010, CLOTEX, supported by a number of private companies, officially opened the Technical Support Centre in Maitland. The centre's main objective is to ensure that small cut, make and trim (CMT) firms and young entrepreneurs to have access to specialised patented or finishing sewing machines which would lead to the professional quality of garments.
- **Measuring SMME competitiveness through cluster strengthening and benchmarking**
 - During 2010/11 CLOTEX hosted 29 training sessions attended by representatives of 508 SMMEs.
- **Database information/supply (business linkages)**
 - During 2010/11, CLOTEX hosted 45 seminars and networking sessions, attended by representatives of 650 SMMEs.
- **Project management**
 - In 2011, CLOTEX also managed for NCPG-SA the SMME Clothing and Textile Resource Efficiency Cleaner Production Workshop.

The Cape Clothing and Textile Cluster (CCTC) was established in 2005 in response to competitive pressures on the industry, stemming from trade liberalisation (CCTC, 2012). The CCTC is a public-private partnership (PPP) between the Western Cape Provincial Government and the clothing and textile industry in the Western Cape. The objective of the cluster is to assist clothing and textile firms to improve their productivity and compete in global markets.

With support from five of the largest retailers in South Africa, the CCTC has been able to formulate and implement programmes designed to develop local firms. These programmes include the World Class Manufacturing Programme and the Value Chain Alignment Programme.

The World Class Manufacturing Programme is designed to address the challenges facing the industry in process upgrading, skills development and SME development. By contrast, the Value Chain Alignment Programme seeks to ensure that the CCTC knows the value of the Quick Response Model so that techniques and practical

tools for the application of this manufacturing and retailing methodology can be delivered to firms and retailers.

Similarly to the KZN CTC, the Cape Clothing and Textile Cluster has undertaken extensive research, to model, pilot and commercially test the development of the Quick Response Model. The practical implication of this model is that garment manufacturers should be positioned in close proximity to retailers instead of purchasing products from a distance (CCTC, 2014).

The Quick Response Model can be broken down as follows:

- **Short lead times:** flexibility to respond quickly to changes in consumption by minimising or extending product life-cycles – on the basis of actual demand, as opposed to forecast demand.
- **Small quantities:** flexibility to place small volumes of merchandise consistently on the market, using this to gauge demand before supplying more merchandise to the market.
- **More styles:** based on consumer demand, the evolution of product offerings so that there is less risk that retailers maybe “missing the market”, and that there is a large base from which to track consumer preferences and therefore volume opportunities.

The importance of the model for developing the clothing and textile industry has been established and is essential for value chain alignment. “This is illustrated by the differential value proposition versus the long lead time purchases from Asia as well as the potential to maintain 150 000 jobs” (CCTC, 2014:10).

7.3 KZN Clothing and Textile Cluster

In 2005 the KZN Department of Economic Development and Tourism (DEDT) launched the KZN Clothing and Textile Cluster (KZN CTC). It is a public-private partnership (PPP) between the eThekweni Municipality and the CTFL industry in KwaZulu-Natal. The cluster seeks to develop the local industry’s competitiveness so that it can compete in the global market.

Due to trade liberalisation, it is important for domestic firms to collaborate and pool their resources in order to maintain their competitiveness in the global economy.

“Clustering is therefore a progression from operating in isolation to recognising that there are certain support activities that can be better performed in conjunction with firms confronting similar challenges.

“The cluster has firm level members, ranging from machine suppliers to design/logistics houses, cut, make and trim (CMT) operations, clothing manufacturers, textile mills and vehicles (eThekweni Municipality, 2014:19).” About 11 000 people are employed by member firms in the KZN CTC.

To develop the cluster’s competitiveness in the global economy, programmes such as the World Class Manufacturing Programme, the Value Chain Alignment Programme and the CTCIP Programme have been embedded in the cluster to ensure that its objectives are met. The World Class Manufacturing Programme seeks to ensure that the firms participating in the cluster learn not only from one another, but also from their competitors and developed and developing global players to improve the cluster’s productivity and competitiveness. The Value Chain Alignment Programme focuses on creating synergies among the clusters for clothing and textile suppliers and the major retailers they supply. By contrast, the objective of the CTCIP programme is to develop capacity in the firms participating in the cluster.

The KZN CTC Bulletin 4th Quarter 2015 states that, in spite of the challenges facing the country’s clothing, textile, footwear and leather industry, the members of the clothing and textile cluster are slowly reclaiming their domestic market share. “This is evident in the benchmarking numbers indicating increased sales and employment and further supported indicators such as improved productivity, On-Time-In-Full reliability, quality, flexibility, product capabilities and exchange rate movements.” The key drivers of this positive trend are support for retailer in-season trading requirements as well as quick response capabilities in the domestic market.

The KZN CTC has developed and implemented the Quick Response Model to promote growth for South Africa’s retailers through the increased sourcing of local clothing, textile, footwear and leather products. The KZN cluster led a delegation to Turkey to observe the the quick response value chain is run. “Design houses organized cross functional design teams around specific customers and made seasonal commitments to partner manufacturers (Business Media Live, Year

Unknown: 1).” The cut, make, and trim operations employed teams that would manage the flow of production as well as ensure timely delivery, whereas dyeing and finishing firms adjusted the flow of fabric in the pipeline, and made the colour and print decisions for the season.

Therefore it is crucial for the Gauteng provincial government to draw on the lessons learned from the success of the KZN CTC, CLOTEX, and CCTC, and take a context-specific clustered approach to developing the province’s clothing and textile industry and take advantage of its labour-absorbing capabilities.

7.4 Supplier development programme

At the end of 1997 after the closure of the Cotton Board, all the role players in the cotton industry formed Cotton SA, a non-profit company. Nonetheless, the industry players through Cotton SA continued their essential functions, such as providing information services, stimulating the production and use of cotton, and acted as an industry and an advisory board to various government departments, to ensure that the marketability of cotton was enhanced through research, quality standards, and norms. This company also provided training, assisted with the development of smallholder cotton farmers, applied statutory measures in terms of the Act, administered such measures, and oversaw the Cotton Sector Strategy (Cotton SA, 2015).

National Department of Agriculture (2001), published the Strategic Plan for South African Agriculture with the vision of a united and prosperous agricultural sector that seeks to “generate equitable access and participation in a globally competitive, profitable and sustainable agricultural sector contributing to a better life for all”. In support of this strategy, SA cotton growers, joined by their input suppliers, output processors, as well as the Department of Agriculture, developed a strategic plan for the country’s cotton sector.

The aim of the Cotton Sector Strategic Plan is to increase farmers’ production, broaden participation in the sector, ensure sustainability, improve productivity through training, accelerate the elimination of unfair competition and expand exports. Despite this progressive objective, South African cotton farmers face many challenges. After the emergence of trade liberalisation, imports of cotton fibre,

textiles and finished garments had a negative effect on the local industry. In the face of increasing global competition, lack of subsidies, and an uncertain market, many cotton farmers stopped growing their crops and manufacturers of clothing and textiles closed down, leading to huge job losses. Nevertheless, the country has the potential to overcome these challenges and return to the production levels achieved in the 1980s.

In order to harness this potential, the Mr Price Group, in collaboration with Cotton SA, the Department of Trade and Industry, various industry players and organisations, established the Southern African Cotton Cluster in 2013. This cluster facilitated the creation of an integrated supply chain from cotton to retail, to improve the competitiveness of the industry. This programme led to the manufacture of 5 million garments and towels, designed and manufactured from local cotton.

Although smallholder farmers were funded by the Department of Rural Development and Land Reform to enhance cotton production in the country, this programme also played a role in ensuring the development of these farmers in Mpumalanga, who now participate in the supply chain. This integrated supply chain has elicited significant demand from the cotton sector, creating jobs directly and indirectly across the value chain.

Alongside clustering, it is crucial to have a supplier development programme to ensure that the inputs required for the clothing and textile cluster are readily available. For this reason, sourcing from local cotton producers will trigger job creation in the industry and address the challenges facing the Gauteng Provincial Government.

7.5 SMME Development and Support Programmes

The Gauteng Provincial Government has developed the Gauteng SMME Policy Framework, aimed at developing an economic strategy to achieve accelerated and sustainable shared growth for Gauteng, using entrepreneurship as a pathway. The provincial government seeks to support and collaborate with provincial government agencies to ensure that the policy and the legal and regulatory framework are consistent with, and conducive to, the growth and development of SMMEs.

There are a myriad challenges affecting small businesses in this sector. The main challenges are the following:

- Access to capital
- Saturated markets
- Lack of innovation
- Poor and/or inadequate business skills

In this context, an SMME development programme focuses on the following:

- Improving access to SMME development services, including those provided by the private, public and community sectors.
- Incubation programme: technological advancement and innovation; skills training, providing the relevant technical and business skills.
- Providing greater access to markets by leveraging the local provincial procurement processes, including the establishment of earmarked targets (30%) for township-based SMMEs in the province.

This intervention aimed at SMME development and support is necessary if companies in the sector, especially those in townships, are to increase their formalisation and sustainability. Furthermore, this is a necessary tool for revitalising the sector by empowering small businesses.

7.6 City of Johannesburg SMME Development Programme

The City of Johannesburg Metropolitan Municipality, in partnership with the NGO called the Business Place, runs a successful SMME programme throughout the Greater Johannesburg region. The Business Place, assisted by funding from the City of Johannesburg Metropolitan Municipality, provides a number of services for SMMEs at an early stage of development. This organisation is a one-stop shop for SMMEs in the region.

The Business Place, using a multi-agency network model, can draw on diverse experience and working partnerships across various sectors to realise the potential of enterprise development and supplier development funding, and to maximise this

potential through strategic linkages to markets. This NGO currently manages six SMME hubs in the following areas of Gauteng: CBD of Johannesburg, Soweto, Alexandra, Poortjie, Riversands and Kempton Park. The target for 2016 is to service 10 000 new SMMEs through the Business Place.

7.7 Jozi@Work – leveraging local procurement

Jozi@Work is a co-production programme of the City of Johannesburg Metropolitan Municipality, which was launched in 2014. It uses city procurement and supplier development as a direct tool for economic transformation and also as a catalyst for a variety of community formations (including co-operatives) and local enterprises, linked with the start-ups and SMMEs enabled through the procurement process. The programme is designed to exploit and amplify the multiplier effect of public spending. The programme currently identifies, in advance of each financial year, a ring-fenced budget in each department and entity citywide that will be subject to the Jozi@Work spending principles. This programme means that service responses are localised, resulting in greater efficiency and shorter turnaround times. This ultimately benefits all the communities in the following ways:

- The range of new, small ventures hungry for local entry-level labour makes an immediate and deepening dent in local unemployment rates.
- More money in the hands of local people means more local retailers and services can sell to them.
- Ultimately, the programme also builds value chains across deprived and prosperous communities, which participate economically at different points in the value chain by delivering regionally designed services from the ring-fenced budget for contracted services, repairs and maintenance and capital projects across every city department and entity.

By the close of the current mayoral term of office, the Jozi@Work programme will have spent over R1 billion on city contracting services provided by an estimated 1 750 new and existing community level co-operatives and enterprises, supporting 12 500 permanent livelihoods in the first year of the programme alone, with a total

of 40 000 new jobs from the city's spend across nine sectors, such as energy, agro-processing, and ICT.

7.8 Export-readiness support initiative

According to the dti Strategic Plan 2015/2020: 39, one of the key objectives is to grow the manufacturing sector in order to promote industrial development, job creation, investment, and exports. The plan also states that the spending focus over the medium term will be on developing international trade relations and facilitating African economic development initiatives to forge mutually beneficial regional and global relations so as to advance South Africa's trade, industrial policy and economic development. According to SEDA, the SMMEs contribute 32% of GDP, 59% of employment and 19% of exports.

The dti is the main driver of this programme. The department works together with public entities and government agencies to deliver this programme. The critical factors of this programme are as follows:

- Management's commitment to exports
- Management skills in international business
- Financial resources
- Technical know-how
- Capacity to supply/ manufacture
- International marketing intelligence

The GGDA actively promotes the province's priority sectors locally and internationally, they work with industry bodies in determining the appropriate strategies for identified import and export markets. Regarding the support for emerging entrepreneurs within the priority sectors, the GGDA seeks market entry points for qualifying companies through its export facilitation and strategic partnership units. They mainly assist in capacitating companies to be export-ready, in order to supply high quality products that comply with the international standards among other things.

The GGDA currently works with the dti on the training under the National Exporter Development Programme. As a result, the number of enterprises participating in the

programme has increased from 106 (2013/14) to 163 (2014/15), and in the period of 2015/16 the GGDA assisted 286 enterprises. These enterprises are in various sectors, including the CTLF sector. The training begins with awareness workshops and continues in four stages as shown in Table 3 below:

TABLE 2: STAGES OF THE TRAINING

Level of enterprise	Training program	Duration	Areas covered
Explorer	Export Awareness	½ day	Information, risks and rewards of exporting
Export aware firm	Introduction to exporting	1-2 days	Export processes and available programs that assist exporters
Export ready firm	Planning for exporters	5-6 days over 2 months	Export planning, SWOT analysis, marketing – draft export plan
Start-up exporter	Succeeding in exports	Varies per company	Individualized interventions as determined through assessment includes subject workshops, marketing and mentoring
The global exporter	Product and market development	Varies per company	Consultant services for product development

Source: GGDA, 2016

7.9 Research and development

The CSIR and tertiary education institutions continue to play a strong role in research and development in the sector. The CSIR is a public corporation funded by the dti. It has established a Fibre and Textile Centre of Excellence in Port Elizabeth, to perform a world-class research and development for the industry. The centre

attracts world-class skills and capabilities in specialised areas, and also collaborates with the tertiary education institutions.

Through continuous research, the CSIR discovered it was vital to focus on higher-value textiles. This refers to the material used in other sectors, such as construction, energy, aerospace, automobiles, and rail. For this reason, the textile centre in Port Elizabeth focuses on higher value textiles.

As regards construction, the centre has developed insulation materials using waste products (fibres from recycled plastic bottles and discarded sheep's wool) for applications when building houses. The insulation material that most building contractors use does not absorb noise. This has created a demand for better sound-absorbing materials suitable for buildings. This material controls noise pollution effectively in hospitals, homes, shopping malls, and offices. Proper insulation also ensures that minimal energy is required to heat a building during winter and cool it during summer, thus directly reducing electricity costs.

7.10 Leather and footwear co-operative support

Co-operative support is one of the core pillars of the strategy for the Gauteng CTFL sector. Co-operatives provide an opportunity for innovation to previously disadvantaged communities to participate meaningfully in mainstream economic activity, ensuring broad-based economic inclusion.

In 2010, the Gauteng Provincial Government introduced the integrated co-operatives development strategy for the Gauteng province. The strategy is aimed at the development and support of co-operatives in Gauteng. The objectives of the strategy are to mobilise support structures, programmes, and fiscal support to ensure the success of Gauteng-based co-operatives.

The strategy also identifies a number of economic sectors on which the thrust of this intervention should focus; there is a strong bias favouring co-operatives in the manufacturing sector. This is critical since nearly a third of all co-operatives in Gauteng operate in the manufacturing sector. The Gauteng Provincial Government has underpinned its commitment to supporting co-operatives by creating markets for co-operatives in the CTFL sector, especially in the leather and footwear sub-

sector. This is illustrated by the use of co-operatives in the provincial flagship *Bana Pele Programme* which focuses on providing school footwear free of charge to children from indigent and previously disadvantaged homes.

7.11 Department of Social Development (Gauteng Bana Pele Programme)

The key focus of the Department of Social Development's Bana Pele Programme is part of the broader vision of making Gauteng a province "fit for children" by ensuring that vulnerable and orphaned children between the ages of 0-18 years can access an integrated package of services through a "single window".

The programme is expected to improve integrated access to services for children in the Gauteng Province by creating a single point of entry for the comprehensive services that the three core departments provide. The programme aims to offer a number of services, including a school-going package which includes a free education package. As part of this commitment, the Gauteng Department of Social Development (GDSD), has granted orders to clothing, textile and footwear co-operatives for school-uniform products. As a result, 40 000 new school children have received school uniforms; and in terms of job creation, 25 women's groups have been empowered. One of these groups is the Ujima Bakwena Co-operative which was granted an order to manufacture 40 000 school shoes as part of the school uniform programme in 2013.

8. Stakeholder engagements feedback

8.1 Findings of the township businesses

The township economy has the potential of supplying the industry but some challenges still have to be addressed. The interviews conducted with township businesses revealed the following:

- Most of these businesses need machines with the latest technology to increase production and also to become competitive.

- Most jersey manufacturers need panel manufacturing machines to produce knitting in bulk and a few need embroidery machines.
- Currently almost all manufacturers have to buy wool and some take it to the Johannesburg CBD for panel manufacturing, which is an additional cost.
- Most of the businesses buy wool in KwaZulu-Natal and the Eastern Cape, because bulk wool retailers in Gauteng tend to have higher prices since they import the wool from Turkey. In addition, when the businesses buy wool in Durban, they cannot buy individually because the wool is sold in bulk, so they have to form purchasing groups among themselves.
- Some of these businesses need to extend their market because they do not want to sell to their communities only. Most of the co-operatives also need to extend the scope of their business since they rely solely on the school uniform projects.
- Some businesses need more working space to expand their capacity.
- Challenges with sourcing fabric and material include difficulty in finding the right colours, especially in fabric for uniforms.
- Lack of funds since most of these businesses depend on the customer's prior deposit in order to start the job.
- Those working as co-operatives have a challenge of lack of co-operation among the members. Lack of commitment was highlighted because some members come to work when it suits them.
- Lack of customers because people prefer to buy at lower prices from the Indian and Chinese shops in town, and bring the clothing to them for alterations.
- Banks do not give loans to these businesses as their business is unpredictable.

8.2 Findings of the industry businesses/organisations

- Some of the retailers selling designer clothing do procure locally, but the volumes are limited. Other retailers procure clothing from China owing to economies of scale and quick delivery.
- Some of the retail competitors import goods illegally, making it difficult for other retailers to source locally because of under-invoicing.
- The challenge in South Africa is that the clothing supply chain does not currently achieve the short lead times required to shift a large part of sourcing to a quick response model.
- Lack of fabric is a major challenge; as a result, retailers receive a product of poor quality.
- Since fabrics in South Africa have the highest import duty in the world, a finished clothing item attracts 45% at customs. Therefore, there is a market opportunity if local firms can be fully equipped with equipment and quality fabric.
- The job losses in the sector have had the result that people operate informally. This has led to the loss of genuine skills and consequently the retail industry is trying to attract these informal skills.

9. Key action programmes

- Establish clusters for the clothing, textile, leather and footwear sector: to improve logistics, value chain analysis, competitiveness, industry support, economies of scale and mass job creation.
- Supplier development programme: since Gauteng has the largest market share; this programme will service inward markets and will also link these markets to the local retail industry. The programme will also target local procurement-related policies linked to black industrialists.
- Customised SMME development and support programme: the local SMMEs could upgrade their skills through an incubation programme. The main focus should be on business/product development and quality assurance.

- Export readiness support initiative: prioritise products in demand in Africa, specifically those that dominate exports; and facilitate trade missions/exhibitions destined for specific African countries, provinces and cities.
- Research and development: focus on innovation, design and benchmarking. This would require partnerships with institutions of higher learning.
- Leather and footwear cluster partnership with the dti: identify SMMEs in this sector in Gauteng. Facilitate building the infrastructure for the sector and also develop linkages with the abattoirs for the supply of hides.

10. Interventions

Based on the case studies mentioned above and the engagements with the sector stakeholders, the following interventions were recommended:

TABLE 1: INTERVENTIONS BY IMPLEMENTATION STAGES

INTERVENTION	INTERVENTION ELEMENTS	IMPLEMENTATION STAGES		
		SHORT TERM	MEDIUM TERM	LONG TERM
1. Clustering the clothing and textile sector	Assist the establishment of clusters, so that the established retailers can source products from them	Identify building, co-ordinate co-operatives, liaise with the SABS regarding quality assurance, liaise with retailers who sell low-cost clothing	Supply the latest-technology machinery to the buildings	Ensure that the cluster is sustained and continues to run successfully
2. Supplier development	Support the sector suppliers so that	Hold engagements with other related	Support Cotton SA in re-	Ensure that the sector suppliers are

programme	the established retailers can source products from them	government department, regarding the formation of partnerships	opening the cotton-producing farm in Rust de Winter to provide cotton to big retailers	sustained in the sector
3. SMME development and support programme	Support established and emerging SMMEs through incubation and other support programmes.	Stakeholder engagement: enter into agreements with public and private institutions, aimed at establishing an incubation programme for SMMEs	The plan for the incubation centre: to include identifying the necessary infrastructure and other levers	Establish an incubation programme for SMMEs in the CTFL sector
4. Export readiness support initiative	Provide training in export readiness to companies and SMMEs	Identify the companies/SMMEs in need of this support	Hold workshops/training sessions on exporting	Ensure that these businesses export successfully
5. Research and development	Partner with research institutions	Identify the research institutions that are more advanced in conducting research in the sector	Sign an agreement/partnership regarding information sharing	Gain continuous access to their research work regarding the sector
6. Leather and footwear co-operative	Assist with establishing and/or supporting	Establish a database of co-operatives in the sector and	Buy-in: engage government entities and	Establish incentive and financing

development	co-operatives in the leather and footwear sector	determine their eligibility for support	private organisations about the recommended interventions	mechanisms for Co-operatives
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11. Anchors

This section outlines the four main anchors of the strategy, which are closely linked to one another.

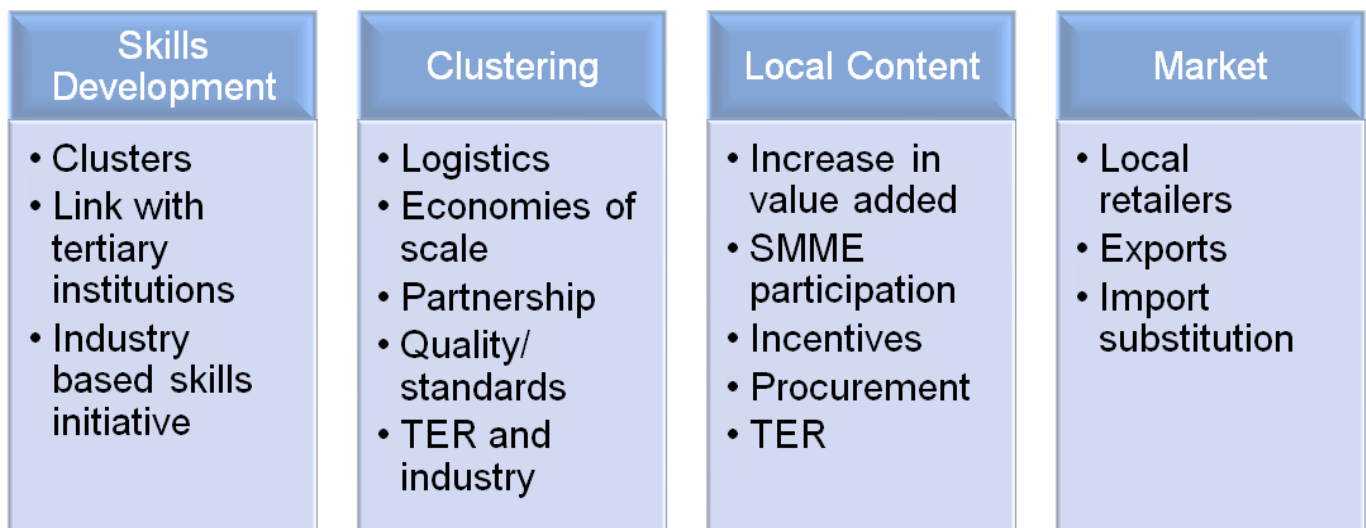


Figure 13: Main anchors of the strategy

11.1 Skills development

Skills development is one of the main anchors of this strategy. Skills can be developed through the clustering approach, which will also develop the sector's competitiveness. Therefore, partnerships with industry, tertiary education institutions and Skills Education Training Authorities (SETAs) must be formed to draft a sector-specific skills development programme which will improve the sector's design, productivity, and competitiveness.

11.2 Clustering

A cluster seeks to foster competitiveness for the purposes of economic development. This approach can benefit Gauteng's CTLF sector because it elicits targeted support from government and other institutions, and also encourages inter-firm collaboration and learning. In this way the sector can benefit from economies of scale and become competitive. Therefore clustering can play a role in the province's re-industrialisation as well as ensuring that government and retailers support township enterprises, in this way township businesses are included in the mainstream economy. The success of this approach entails that the SABS should be involved in ensuring that products meet the global standards for quality.

11.3 Local content

As mentioned above that, the CTLF sector has been designated for 100% local content in the state procurement tenders under the revised PPPFA since 2012. This resulted in an 82% increase in transversal public procurement through National Treasury. It is clear that localisation increases SMME participation and in addition, increases the value added in the sector. It has also encouraged township businesses to organise themselves in order to participate in such tenders.

11.4 Market

The expansion of the markets is the fourth anchor. Most of the business owners want to have this opportunity for their businesses. This can be achieved through agreements with the local retailers to source locally and also by persuading established businesses which already import goods, to buy locally. These local businesses should also be able to export their products, therefore these businesses should receive export assistance and support.

12. Conclusion

Gauteng City Regions prioritises the clothing, textile, leather and footwear sector by focusing on the established as well as the township businesses in the sector, in

order to improve competitiveness, create jobs and ultimately improve the lives of citizens in the communities. Gauteng has to tap into the labour-absorbing capabilities of this sector to address unemployment challenges. The entire value chain ought to be supported, particularly the fabric manufacturers. In this way, retailers could source goods locally, eventually decreasing the level of Asian imports and increasing their contribution to GDP. The implementation of this strategy would mainly create job opportunities, achieve economies of scale and improve business operations but . The success of this strategy depends on the co-operation of the identified stakeholders and the availability of funding.

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ANNEXURE 1: SIC codes, descriptions and categories

SIC code	Description	Category
Clothing		
31301	Garment and hosiery knitting mills	Manufacture of knitted and crocheted fabrics and articles
31309	Other knitting mills	
31401	Manufacture of men's and boys' clothing	Manufacture of wearing apparel
31402	Manufacture of women's, girls' and infants' clothing	
31403	Bespoke tailoring	
31404	Manufacture of hats, caps and ties	
Textiles		
31111	Preparatory activities in respect of animal fibres, including the washing, combing and carding of wool.	Manufacture of textiles
31112	Preparatory activities in respect of vegetable fibres	
31113	Spinning, weaving and finishing of yarns and fabrics, predominantly of wool and other animal fibres	
31114	Spinning, weaving and finishing of yarns and fabrics, predominantly of vegetable fibres	
31120	Finishing of purchased yarns and fabrics	Finishing of textiles

31211	Manufacture of blankets, made-up furnishing articles and stuffed articles	Manufacture of other textiles
31212	Manufacture of tents, tarpaulins, sails and other canvas goods	
31213	Manufacture of automotive textile goods	
31219	Manufacture of other textile articles (except apparel)	
31220	Manufacture of carpets, rugs and mats	
31230	Manufacture of cordage, rope, twine and netting	
Leather, leather products and footwear		
31610	Tanning and dressing of leather	Manufacture of leather and leather products
31321	Travel goods and ladies' bags	
31629	Manufacture of other general and small goods of leather and leather substitutes, including harness and saddlery	
31700	Manufacture of footwear	Manufacture of footwear

Source:

http://www.fpmseta.org.za/downloads/FPM_subsector_clothing_textiles_footwear_leather_final.pdf

ANNEXURE 2: STAKEHOLDER ENGAGEMENTS

Edcon Limited

B&M Analysts

Business Place

Cotton South Africa

Council for Scientific and Industrial Research (CSIR)

Department of Correctional sServices

Department of Public Works

Department of Social Development

Department of Trade and Industry

Fashion agents

Fibre Processing and Manufacturing Sector Education and Training Authority

Gauteng Growth and Development Agency (GGDA)

National Clothing Retail Federation of South Africa

National Treasury

Proudly South African

South African Footwear and Leather Council

Township businesses and co-operatives

Township Pattern Organisation

University of South Africa (UNISA)

Wing Safety Company