

Briefing on the Retail-Clothing, Textile, Footwear & Leather Master Plan

to the Select Committee on Trade and Industry,
Economic Development, Small Business
Development, Tourism, Employment and Labour

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the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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Acronyms

- R-CTFL – Retail Clothing, Textile, Footwear & Leather
- IAWG – Inter-Agency Working Group
- PMO – Project Management Office
- PPE – Personal Protective Equipment
- PIP – Production Incentive Programme
- CIP – Competitiveness Improvement Programme
- SARS – South African Revenue Services
- SAPS – South African Police Services
- NPA – National Prosecuting Authority
- ITAC – International Trade Administration Commission
- IDC – Industrial Development Corporation
- ICG – Industrial Competitiveness and Growth

Overview

- Rationale for the Master Plan
- Main Policy Levers
- Master Plan Framework
- Social Compacting Framework
- Master Plan Stakeholders
- Retail Master Plan Summary
- Investment Conference
- R-CTFL Master Plan Stakeholders
- Delivering on Commitments
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Rationale for the Retail-CTFL Master Plan

- The R-CTFL value chain is a major contributor to the SA economy, with CTFL retail playing a much larger role than the manufacturing portion of the value chain. The value chain's total GDP contribution is R74 billion, while its employment contribution is 210,071. Based on South Africa's 2016 economic position, this equates to a 1.7% contribution to GDP, and a 1.33% contribution to total employment.
- 2. SA CTFL retailers purchased CTFL products worth R70 billion in 2016, with R43.0 billion in clothing products, R12.7 billion of textiles (including home textiles), R11.6 billion in footwear, and R2.6 billion in leather products.
- Imports typically dominate clothing, textiles, footwear and leather product purchases, at 53.9%, 56.0%, 61.1% and 48.9% of total purchases respectively.

Main Policy Levers



the dtic Clothing & Textile Competitiveness Programme (CTCP) from 2009 to 2019 aimed at stabilising industry and job losses

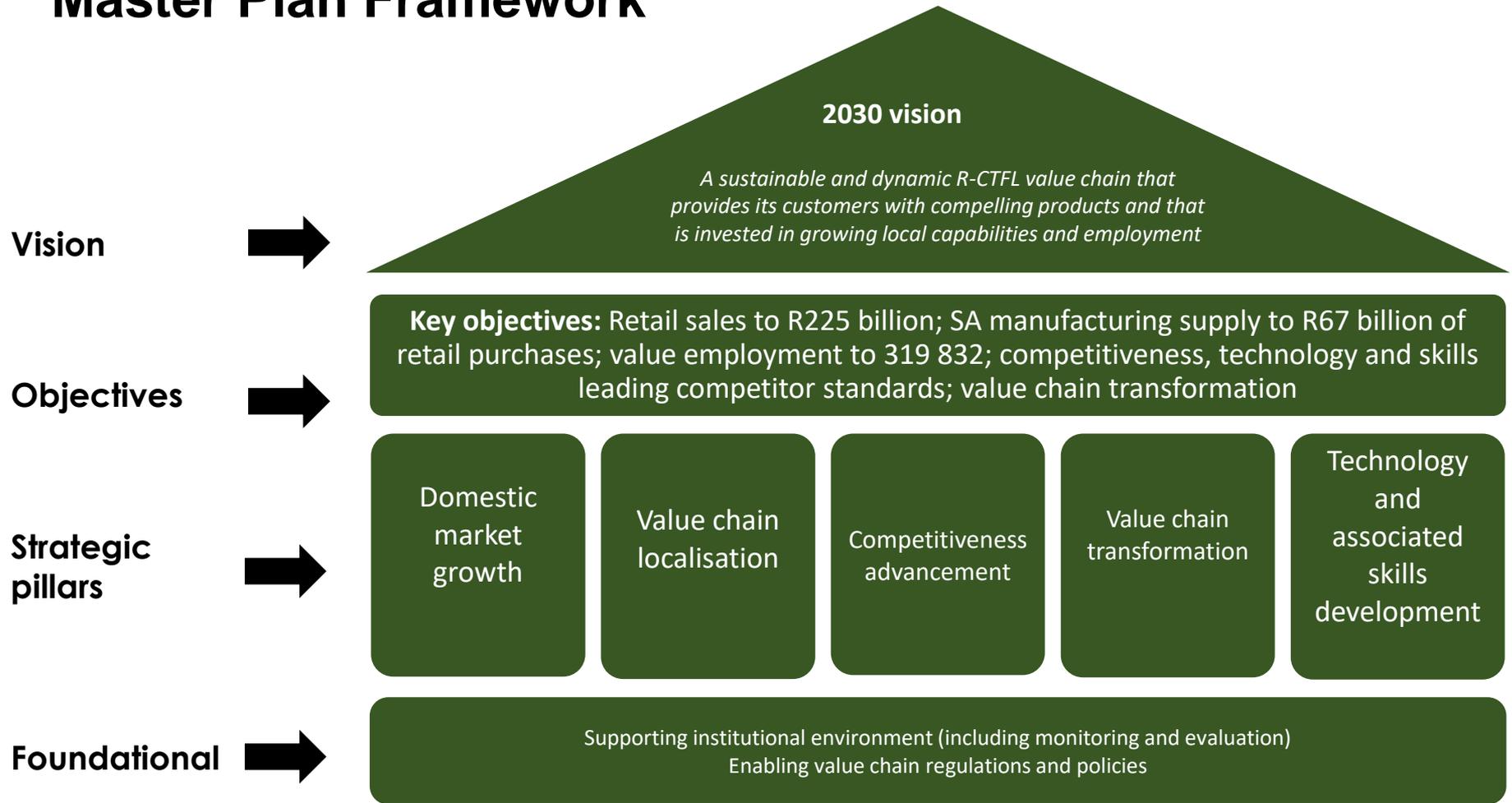


Designation of Clothing, Textiles, Footwear & Leather products under the Preferential Procurement Policy Framework Act (PPPFA) Regulation for 100% local content

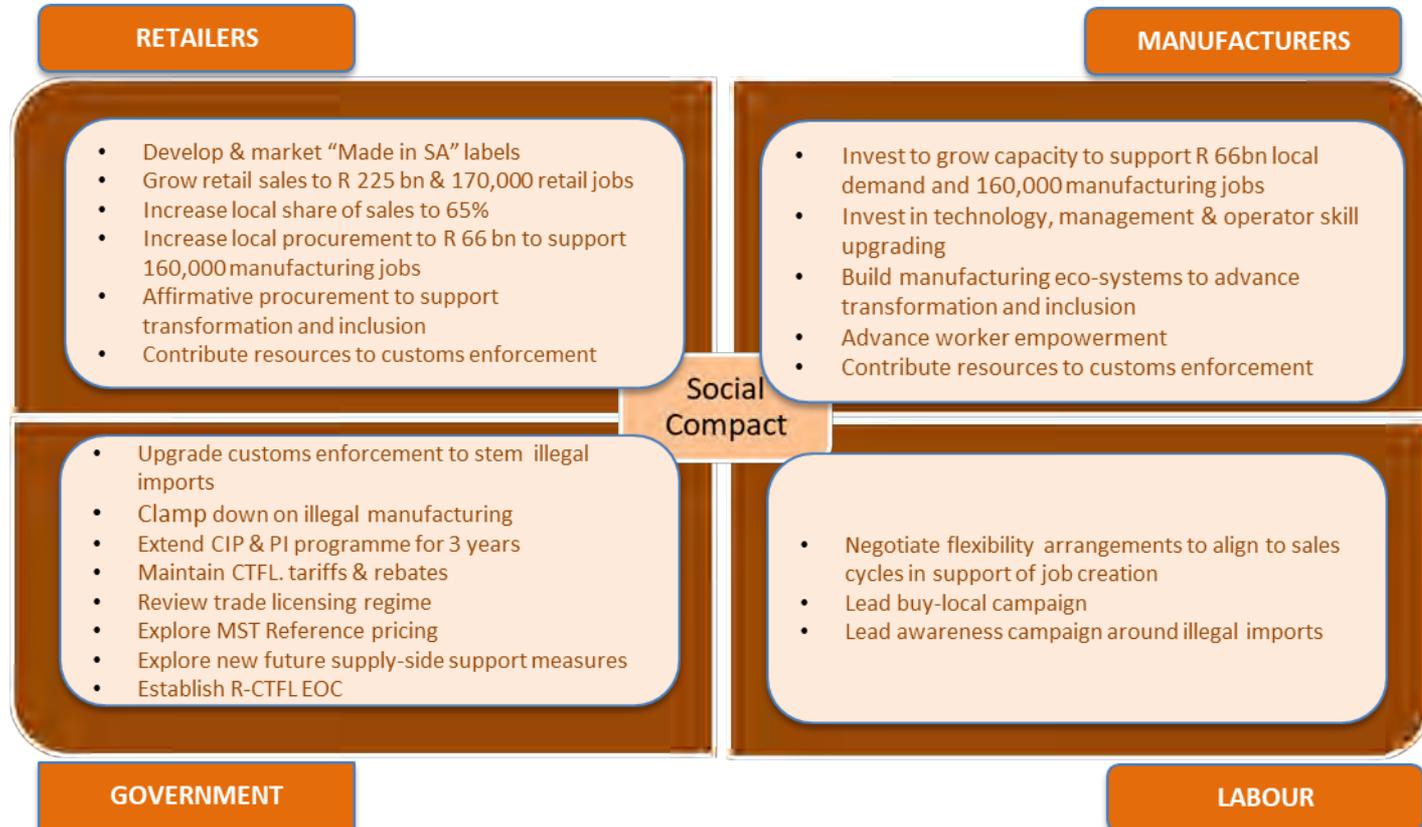


Retail - Clothing Textile Footwear Leather (R-CTFL) Master Plan 2030

Master Plan Framework



Social Compacting Framework Specific Commitments



R-CTFL Masterplan - Core Actions

7 Core Action Commitments

- Grow the local market
- Local sourcing
- Stop illegal imports
- Tariffs & Rebates
- Incentive Programme extensions (Production Incentive (PIP) and Competitiveness Improvement Programme (CIP))
- Production flexibility
- Value-chain transformation

Achievements to Date

- The R-CTFL Master Plan was signed in November 2019.
- 7 commitments were made.
- 7 task teams were set up.
- To date the Programme Management Office is established, and the Programme Management Forum (PMO) met on 9 March 2019.
- The establishment of a permanent PMO was institutionalised in March 2020 at an Executive Oversight Committee meeting.
- 85 million units of additional clothing and footwear committed from local manufacturing.
- R6.7 billion fresh investment.

Industry Commitments Made on Master Plan

R6.7 billion committed by the sector at the Investment Conference:

- R4 billion Pepkor
- R1.3 billion Celrose
- R1 billion TFG
- R240 million Glodina
- R200 million TCI Apparel



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R-CTFL Master Plan Stakeholders

- **Manufacturers** committed to increase investment in productive capacity, technology, management & operator skill upgrading, build manufacturing eco-systems to advance transformation and inclusion and advance worker empowerment.
- **Workers** committed to adaptable production arrangements to align to sales cycles in support of job creation, to lead the buy-local campaign in communities, support local fashion shows and highlight the work of fashion designers, contribute information on customs challenges and technical support, and lead awareness campaigns around illegal imports.
- **Government** will work to ensure an enabling environment. This will start with an upgrade of customs enforcement to stem illegal imports, a clamp down on illegal manufacturing, extend competitiveness enhancement incentive programme, and maintain appropriate CTFL tariffs & rebates amongst others.

Delivery on Commitments

Commitment 1	Grow market for Local CTFL products	Develop & market local brands and labels, upgrade local design and manufacturing competitiveness, extend and scale “buy local” campaigns.
Commitment 2	Increase Local CTFL procurement	Grow local CTFL procurement to R69bn/ 65% share of retail sales, Commence retailer-led work to identify specific scale import substitution opportunities and define clear roadmap to development of local CTFL verticalisation, capacity and capability, develop an agreed common definition and methodology for determining local procurement.
Commitment 3	Stem the flow of illegal imports	Significantly reduce illegal imports to eliminate unfair competition against local CTFL retailers and manufacturers.
Commitment 4	Strategic use of Tariffs and rebates	Extend CIP and PI in an appropriate format for 3 years.
Commitment 5	Extend CIP and PI in an appropriate format for 3 years	Increase investment and upgrading in the CTFL value-chain to drive competitiveness and productivity.
Commitment 6	Align production capacity to sales cycles	Align production capacity to sales cycles to support growth of local CTFL share of sales to 65% and local CTFL procurement of R69 billion to in turn deliver R-CTFL employment of 330 000 workers including 165 000 CTFL manufacturing jobs.
Commitment 7	Value chain transformation	Accelerate Broad-Based Black Economic Empowerment and economic inclusion through the R-CTFL value chain with a particular focus on growing Black industrialist investment, increased SMME participation and worker empowerment.

Progress on Work to Date

1. Grow market for Local CTFL products

Working with Proudly SA and all stakeholders to drive localisation efforts through the extension of the Buy Local Campaigns through Marketing and media campaign. We are experiencing challenges with certain retailers who are reluctant to drive localisation efforts.

2. Increase Local CTFL procurement

COVID-19 has impacted on retailers being able to achieve their targets. However, increased effort has been directed at the localisation effort of Personal Protective Equipment (PPE).

3. Stem the flow of illegal Imports

Inter Agency Working Group established within government to tackle illicit trade. It includes **the dtic**; National Treasury; South African Police Services (SAPS); National Prosecuting Authority (NPA); South African Revenue Services (SARS); International Trade Administration Commission (ITAC).

Activities include:

- Engaged top 3 clearing agents who account for 50% of the declaration stopped, to create a nodal point for voluntary disclosures and whistleblowing, emphasise their licensing conditions, the seriousness of the customs fraud detected on customs declarations submitted by them as well as highlight the consequences of such non-compliance.
- 12 footwear tariff headings submitted to SARS to monitor carefully.
- Export declaration data received from China for a litigation matter shows a potential revenue prejudice of up to 2000% when compared with the Customs Duty and VAT paid for the same goods on import. We have seen an increase on Customs values declared of up to 700% for the tariff headings that the CTFL project is focusing on.



Progress to Date (ctd)

Reports show success in a range of areas in the sector in the last 6 months (September 2019 to February 2020):

- **418** seizures finalised, valued to R79.3 million on various clothing items not compliant i.t.o value, origin, quantity or tariff.
- **105** seizures finalised, valued at R77.8 million with 18 905 various counterfeit clothing items seized.
- **381** seizures finalised, valued at R1.1 million and equating to 134 501 counterfeit footwear items.
- Seized Imported Clothing, valued at R6.7 million **destroyed** by SARS in November 2019: strong message of no longer auctioning seized CTLF goods.

Progress to Date (ctd)

4. Strategic use of Tariffs and rebates

The International Trade Administration Commission (ITAC) has published a notice to investigate the potential of launch a rebate facility for textiles and apparel manufacturing Botswana, Lesotho, Eswathini.

Finalisation of proposal with Industry stakeholders off-take commitments and potential textile rebate Commitment.

5. Extend CIP and PI in an appropriate format

A first draft of the proposal has been prepared and currently being worked on with Industry and Labour before finalising. The current challenges experienced are the significant budget cuts and attempting to maximise the investment value and outcomes. Buy local: create demand for local products.

6. Value Chain Transformation

Master Plan is investigating technology disruption that will be impacting on the sector and ensuring the readiness of the sector through skills development. This will be developed jointly with all relevant stakeholders, Industrial Development Corporation (IDC), Department of Higher Education and Training (DHET) etc. The Black Industrialist Programme is being utilised to ensure the transformation of the value e.g. medical textiles for PPE.

Support to PPE Manufacturers

- The National Treasury in support of **the dtic** has called on ***all compliant, particularly local suppliers*** providing Personal Protective Equipment (PPE) commodities to direct their offers to the Project Management Office (PMO) set up for this purpose.
- Any procurement of PPE which includes designated products should be subjected to the local content requirements in line with Regulation 8(2) of the 2017 Preferential Procurement Regulations.
- Where a product is not designated for local content, Regulation 8.4 allows for an organ of state to self-designate the product where there is local capability to manufacture it in South Africa.
- The National Treasury's Instruction Note No. 5 of 2020/2021 was amended on 20 May 2020 to include local content requirements and the list of local manufacturers and suppliers.

Support to PPE Manufacturers

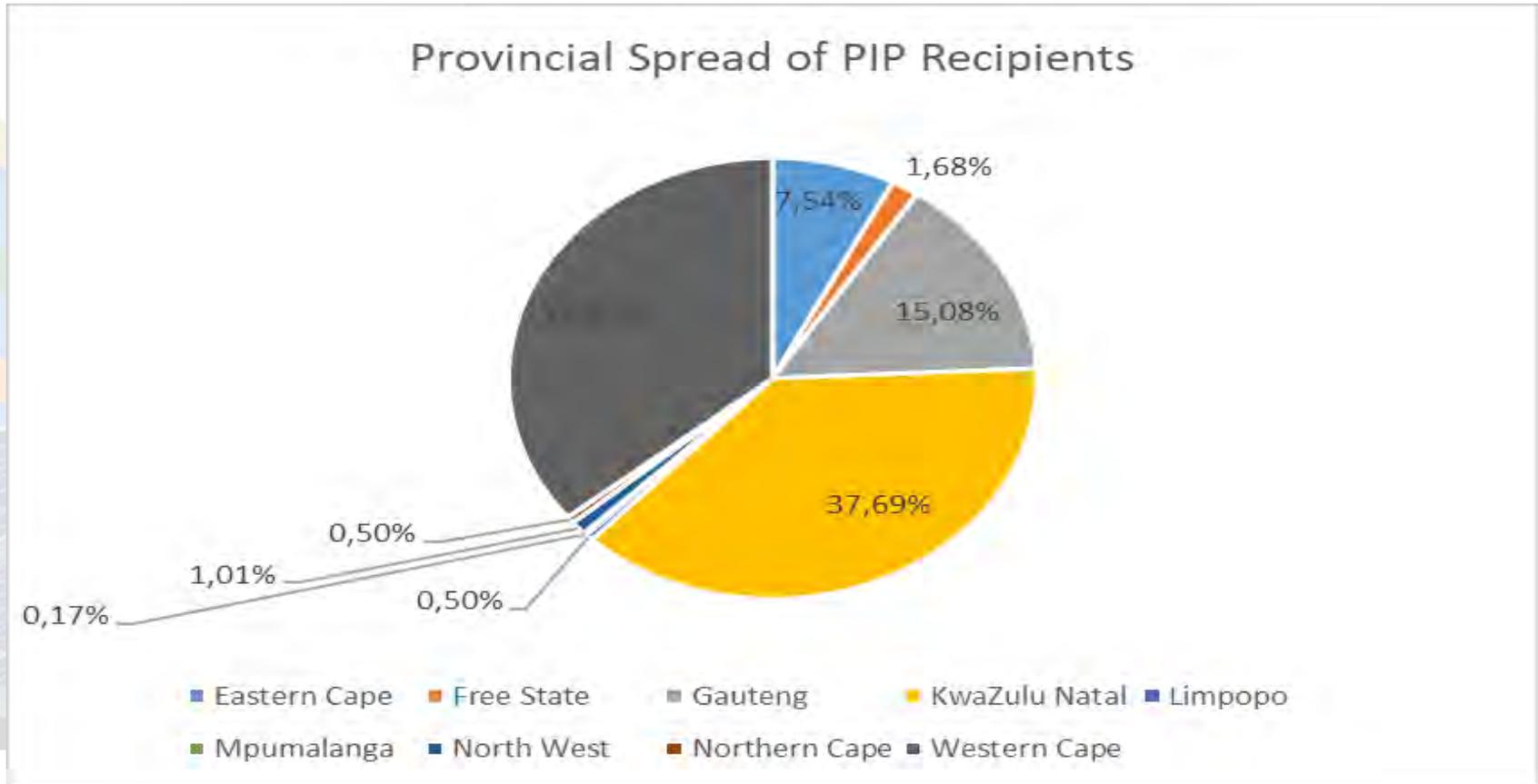
- ❑ The Industrial Competitiveness and Growth (ICG) unit has intensified their support to the industry with specific reference to the following products:
 - Surgical and Consumer Masks, Respirators, Medical textiles, Leather and Footwear products, Gloves, Body bags.

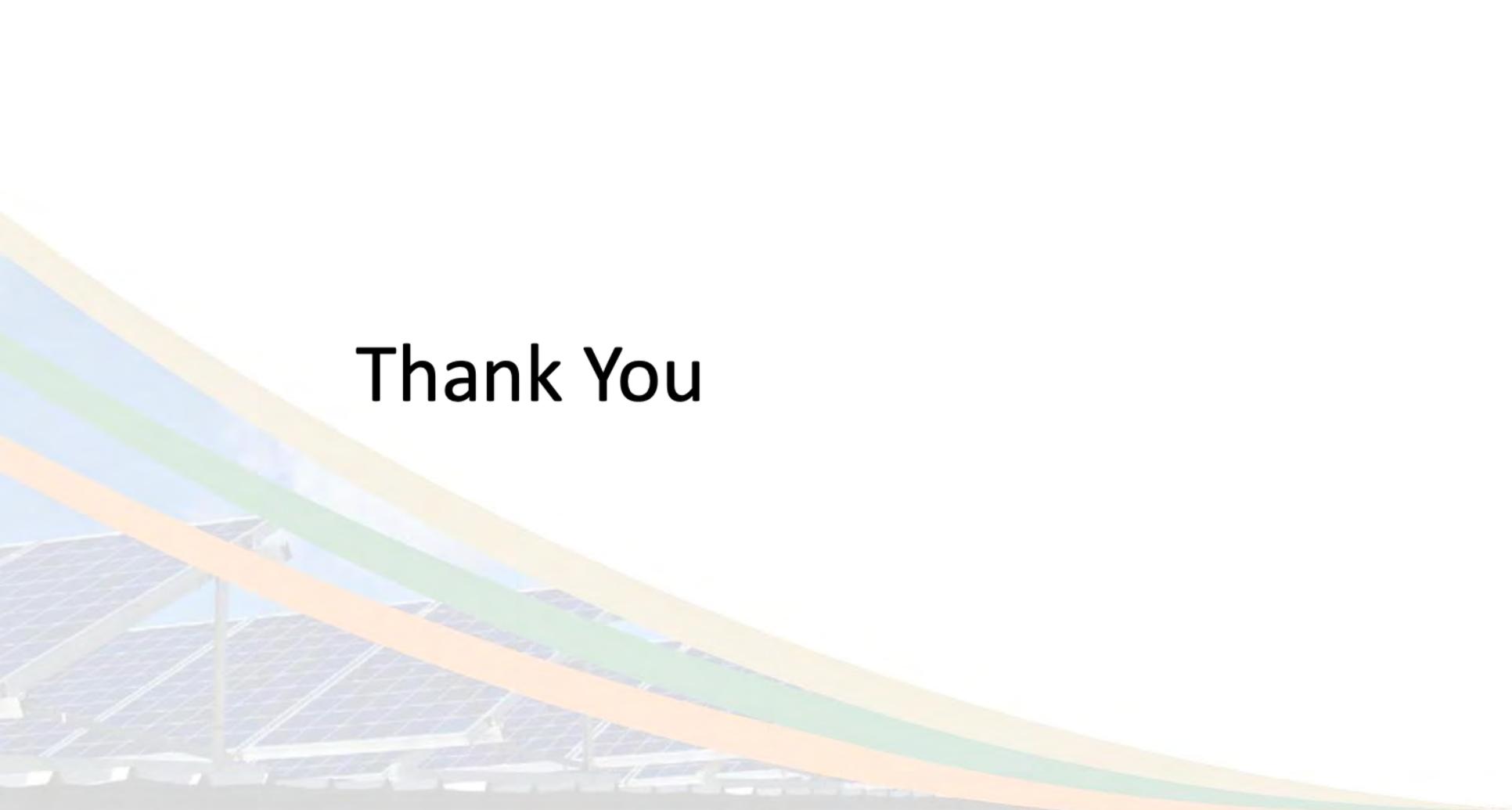
- ❑ **Support to the industry is in various forms:**
 - Sourcing and ensuring the availability of raw material in South Africa;
 - Rebate support and tariff protection;
 - Testing, certification & standards;
 - Expansion of production;
 - Matching of demand and supply;
 - Visibility of tenders and awards, especially from provincial and local governments is a major problem; and
 - Adherence to procurement regulations and the issuing of timely orders by the Organs of State.

R-CTFL Master Plan and Provinces

- The Project Management Office (PMO) envisions working with all investment agencies within the provinces and the relevant MECs to merge activities and collaborate on tasks – on-boarding of this tasks to begin more during COVID-19 alert level 02.
- The PMO has already started engaging with the KwaZulu-Natal (KZN) provincial investment arm to foster working relationship and implementation targets.
- The CTCP beneficiaries extends across all Provinces.

R-CTFL Master Plan and Provinces (ctd)





Thank You



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