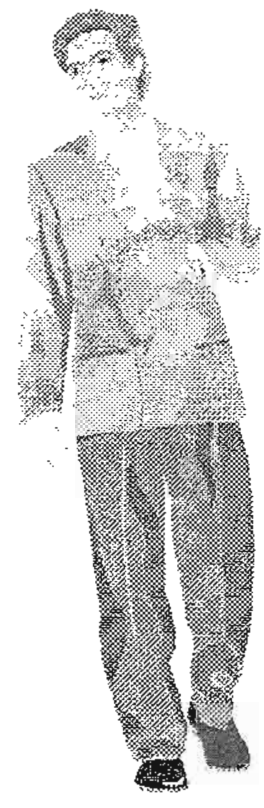
DPRU INDUSTRIAL STRATEGY PROJECT: PHASE TWO

WORKING PAPER 3

SECTORS, CLUSTERS and REGIONS

The Clothing Industry in Durban



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FOREWORD

The first phase of the Industrial Strategy Project commenced in 1992. The Project has its origins in the Congress of South African Trade Union's (COSATU) efforts to develop policy responses to the malaise afflicting South African manufacturing.

The first phase of the ISP submitted its final report in 1995. This comprised 11 sectoral studies, a number of cross-sectoral studies, and a synthesis volume that proposed an overall industrial strategy for South Africa.

The ISP is now in its second phase and comprises four research themes. One of these examines the relationship between industrial development and the environment, a second focuses on firm-level innovation, a third examines issues in human resource development, and the fourth is concerned with identifying mechanisms to strengthen manufacturing competitiveness at regional and local levels.

This paper is one of a series of five working papers that examine regional sectoral agglomerations drawing on the well-documented international experience of industrial districts. These studies, supplemented by additional research in this area, will be synthesised in an overall analysis of regional and local industrial strategies. While the first phase of the Project was cognisant of these issues they have assumed particular pertinence in the context of the new constitutional dispensation. The studies are principally, although by no means exclusively, directed at provincial and local government and non-governmental structures attempting, with few resources and little local experience, to promote industrial development in their areas of jurisdiction.

These are working papers intended to catalyse policy debate. They express the views of their respective authors and not necessarily of the Industrial Strategy Project.

The second phase of the ISP is funded by the FES, HIVOS, the IDRC and the Olof Palme International Centre.

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EXECUTIVE SUMMARY

The bulk of the country's clothing manufacturing is concentrated in the Durban and Cape metropolitan areas. By contrast with the Western Cape industry, which is relatively more focused on production for the major retailers (many of whom are based in Cape Town), Durban has a greater diversification into the lower end of the market.

Given its unique history and flavour, the Durban industry merits closer inspection. The brief was to establish whether the industry in this region conforms with the industrial districts (ID) model. In other words, is the industry a cluster, in which competitors collaborate, and are there positive externalities (such as technological advancements) flowing from concentration?

Firms *are* clustered in Durban, concentrated in about six pockets. In accounting for the location in these specific areas within Durban, it was clear that the need to be near suppliers or buyers was not a major consideration. Transport costs were considered minor, compared with the need to have access to labour (e.g. being located along a major commuter route), and getting factory space at a reasonable price (production requires a large surface area). Historical factors also play a role.

Despite its spatial concentration, the Durban industry is not self-contained. Indeed, firms have strong linkages with suppliers and markets elsewhere in the country and the world. This is a welcome source of flexibility.

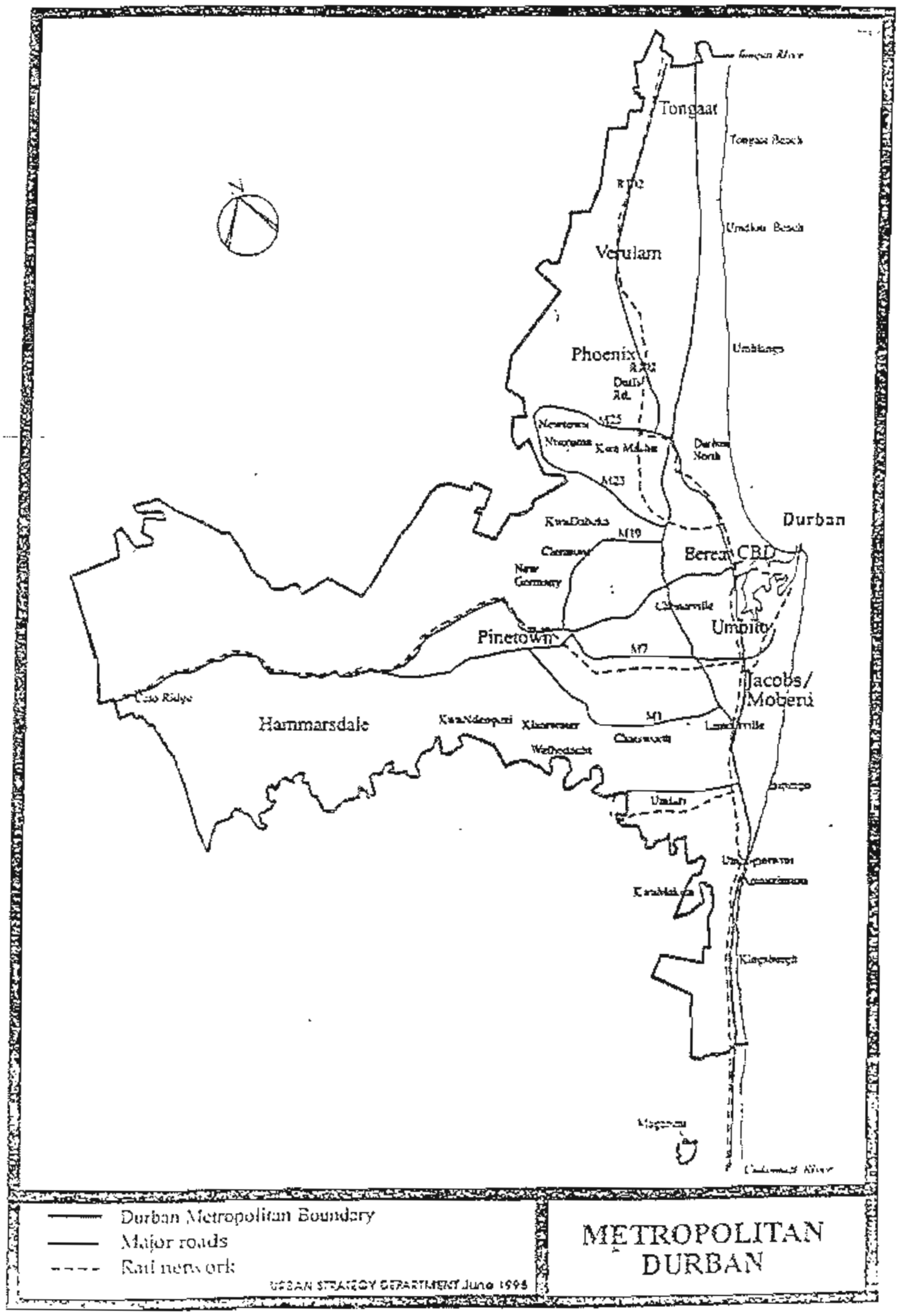
Most firms are small - nearly 80% of firms in the industrial council had fewer than 100 employees - confirming that the industry has relative ease of entry, and that size is not an obstacle for survival or profitability. Nevertheless, 4% of firms which had more than 500 employees accounted for about 30% of employment in the Industrial Council area.

The geographical concentration of clothing manufacturers (and some of their upstream and downstream linkages), and the preponderance of small firms is not enough to ensure a network of collaboration and mutual trust. The Durban industry has a complex web of relationships, but most of these are vertical (i.e. part of a business transaction, and not collaborative). These linkages are created and strengthened through the division of labour and specialisation.

Having survived the intensity of competition, the demands (both constructive and negative) of retailers, and rising import competition, few managers probably have the energy to forge collaborative relationships on a regional basis. Besides, they have little reason to concentrate on developing local capabilities to the exclusion of firms elsewhere.

First, the impact of changing government policy, labour policy and tariff reduction is at a national level, so that any group response is likely to come from a national base. Second, just because firms are clustered doesn't mean they - or their concerns - are identical. Firms differ in their target market, resilience to competition, capacity to mechanise, ability to foot a higher wage bill, their requirements from the textiles industry, and their clout relative to buyers. Asked whether they saw themselves as part of a locally-based, cohesive clothing structure, all firms interviewed answered in the negative. They regard themselves as individual, competing firms.

So the industry does not conform to the ID model. Any policy directed only at encouraging clustering in the sense described by the model will be misdirected. Policy should also be concerned with identifying the strengths of the clothing industry, and of the textile industry. The survival of both these industries, whether regional or national, will depend on their response to rising import competition, and their ability to become competitive locally. This is the priority. Once clothing manufacturers are less vulnerable to the basic threat of international competition, would there be reason to seek further efficiency gains by fine-tuning regional relationships?



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1. INTRODUCTION

Dating back several decades, and shaped by the history of the region, the clothing industry in Durban is unique in its relationships, functioning, institutions and prospects. But it is also one of the largest concentrations of clothing manufacturers in the country. Finding out more about the workings of this cluster thus also gives insight into the functioning of the national industry.

Such an investigation can be unwieldy and complex, and is therefore limited in the following ways:

- The geographic scope of the primary research is limited to the boundary of ~~the new Durban~~ Metropolitan Area (refer to map). Although clothing manufacturers based in Durban have functional relationships with clothing plants outside this area (notably Isithebe), the Durban Metropolitan area is the home of a vibrant regional clothing industry.

  The geographic restriction enables one to use Natal Industrial Council data on employment and number of firms. The Natal Industrial Council area coincides with the Durban Metropolitan area, except that the industrial council area excludes Hammarsdale, which is the western part of the metropolitan area and location of only one registered clothing plant. Pietermaritzburg, which is outside the metropolitan area, is included in the industrial council area. But it only has two registered plants, with a total of 9 employees.

- The research focuses on the realm of clothing production, and includes only a superficial consideration of links with related economic sectors, such as textiles production.

- In terms of the brief, the paper evaluates the extent to which the Durban-based clothing industry approximates the ID model. The model is built mainly upon observations of industrial reorganisation in the so-called Third Italy It attempts to capture the key elements of the organisational form which has come to be associated with flexible specialisation, or post-Fordism. In particular, it is concerned with industrial districts, or clusters of closely related industries, in which strong vertical and horizontal relationships are nurtured. Firms collaborate with competitors, in the areas of production, research, information, technology, training, etc. The success of the individual firm becomes a function of the success of the entire network or cluster, so that self-interest incorporates a concern for the well-being of the cluster.[1]

Observers have pointed to the dynamic and locally integrated growth associated with such forms of organisation elsewhere. If the potential exists for such clustering in the Durban clothing industry, and thus for dynamic growth, one can highlight areas of deficiency, where network relations can be improved.

Nevertheless, the usefulness of the model should not be overemphasised. First, the existence of an industrial cluster, or geographical concentration of related firms, is not a sufficient condition for economic success. For instance, a researcher examining the clothing industry in a south Indian town comments

[1] McDonald, 1994; Schmitz, 1994; Sengenberger and Pyke, 1992.

> *Tiruppur was an industrial cluster long before it was a dynamic, expansionary, industrial cluster... This suggests perhaps a more general point, that it is not clustering per se which makes for industrial success, but clustering in a propitious macro-economic context.*[2]

The fact that firms co-operate is not enough to create capacity for innovation, flexibility and survival. One must therefore look carefully at the *nature* of the interaction between firms, to see whether it is a source of strength.

Second, the ID model has been criticised for overemphasising the benefits of localised relationships. Autarkic industrial production is not sustainable. National and worldwide linkages are crucial for the transfer of ideas, and access to alternative inputs, technology, markets, etc. Any policy designed to promote spatial clustering, without acknowledging the importance of broader linkages, will be futile in the long run.

Yet, with these *caveats* in mind, the model is a useful tool for highlighting the characteristics and dynamics of the local industry.

Section 2 outlines the research methodology employed. Section 3 provides the international and national context (regulatory environment, performance) of the clothing industry, which is intended only as a brief overview of extensive research done elsewhere (e.g. Altman, 1993; Swart, 1994). It concludes with an overview of the characteristic flavour of the Durban-based industry. Section 4 evaluates the Durban-based clothing industry in the light of the key elements of the industrial district, namely geographical concentration, firm size, the role of human resources, and inter-firm relationships. Section 5 concludes by making policy proposals for the local industry.

[2] Cawthorne, 1994, P. 15-16.

2. METHODOLOGY

The bulk of the inquiry was in the form of primary research. Interviews were conducted with the executive director of the Natal Clothing Manufacturers' Association (NCMA), the regional director of the Clothing Industry Training Board (CITB), a Southern African Clothing and Textile Workers Union (SACTWU) official, a key lobbyist for small clothing manufacturers, a former economist at Romatex (a major textile corporation), and a medium-sized retailer.

Further, a sample of 15 clothing manufacturers were interviewed over the period 12 May to 14 June 1995, in meetings ranging from 45 minutes to 3 hours[3]. The interviews included factory tours.

The sample was diversified by selecting firms

- across the entire metropolitan area;
- ranging in size;
- ranging in type of product produced (e.g. ladies' outer wear, men's outer wear, leisure wear, undergarments), and target income group; and
- ranging in organisational form (e.g. Cut-Make and Trim or CMT only, own line, with a retail arm, etc).

The questionnaire (see Appendix) was designed to highlight the nature of relationships between clothing and related industries; factors influencing choice of location; issues pertaining to the labour force, training and production; and perceptions of key areas in need of policy change or intervention.

[3] I am very grateful for the friendly cooperation of all the interviewees. Since many companies requested anonymity, I am unable to acknowledge their help.

3. CLOTHING IN CONTEXT

3.1 The International Setting

The clothing industry is typically labour-intensive, with scope for the formation of strong backward and forward linkages. Its low capital entry requirement creates opportunities for entrepreneurially driven employment-creation through multiple small businesses. The production process is highly divisible, both across firms, and geographically - a feature which has been exploited to achieve lower production costs. The product is highly tradeable, which creates the potential for foreign exchange earnings.

Incentives and pressures for government intervention and assistance are thus enormous - as are the risks of large volumes of low priced (subsidised) garments being exported, placing unprotected industries elsewhere in jeopardy. In response, barriers to trade in clothing have been erected worldwide.

The Uruguay round of the General Agreement on Tariffs and Trade (GATT) has outlawed the special treatment of the clothing industry. Signatories are required to phase out all quantitative controls on trade, while *ad valorem* protection is to be lowered. The ceiling rate on clothing is set at 45%, and fabrics at 22%. Since the protection given to the clothing and textiles industries have been high internationally, these industries are granted a longer phase-down period than the five years applicable to most other sectors.

3.2 The National Institutional Environment

The institutional or regulatory environment of the South African clothing industry has three key elements:

- The trade-related institutions of import protection and export promotion, which are now subject to change;
- Legislation and incentives which influenced the location of production, and which resulted in an artificial (in terms of being unsustainable, on the whole) dispersal of production; and
- The related incentive and regulatory structure governing employment and wages, whereby clothing manufacturers could relocate from areas governed by Industrial Council agreements on wage and employment conditions to decentralised zones of cheaper and less skilled labour, such as Isithebe and Newcastle, which are governed by separate wage agreements.

Altman (1994) paints a picture of an industry which, given various organisational possibilities, and in the absence of concentrated economic power and clout, is influenced, rather than being an influencer. It makes its decisions in response to opportunities and constraints created by the institutional environment.

> *South African firms have typically adopted static strategies that emphasise labour cost flexibility. The choice of strategy has depended on the prevailing regulatory environment governing labour and international trade... The strategies often found overseas, such as casualisation, informalisation and foreign processing, have not yet predominated since firms have had sufficient opportunity to garner labour cost flexibility in these other ways. As the former possibilities for wage and work intensification are exhausted and competition intensifies, firms will seek alternative avenues.*[4]

[4] Altman, 1994, iii.

Much of the blame for disappointing export, output and employment performances in the industry can therefore be placed on inappropriate and *ad hoc* policy changes.

Employment in Industrial Council areas (Natal, Transvaal, Eastern Cape, Western Cape), which today accounts for an estimated 66% of total formal employment, showed a consistent increase from 1933 to the mid 1970s.[6] From there the level of employment fluctuated, up to a peak in 1982, since when it has trended downward.[7] Employment during 1994 was at a level similar to that for 1993 - both in Industrial Council areas (about 86 000 workers) and for total formal clothing employment (about 130 000 workers).[8] These more recent trends in Industrial Council governed employment can be gleaned from Table 1.

The number of firms in the four industrial council regions declined during the 1990s, with a slight overall improvement for 1994. Employment levels typically vary positively with changes in national demand, and the resultant changes in volumes of clothing production. Employment and employer figures for 1995 show that economic recovery has finally made a substantive impact on the clothing industry - even though in many cases the numbers have not yet returned to their levels in 1990.

These figures can be misleading, however, since one has no indication of growth in informal and unregistered firms - which may well be inversely related to changes in formal establishments.

Expanding demand through penetration of the export market has been limited. Moreover, local demand has increasingly been diverted to imported garments.

The volume of exported clothing, as a percentage of total production, rose from

TABLE 1: THE SOUTH AFRICAN CLOTHING INDUSTRY: MEMBERSHIP TRENDS[5]

	August '90	August '91	August '92	August '93	August '94	August '95
Natal						
• Industrial Council Employees	43 075	42 997	37 465	33 365	33 033	37 083
• Industrial Council Employers	424	426	375	367	377	425
• NCMA Members	197	202	186	177	180	200
Transvaal						
• Industrial Council Employees	15 669	15 165	12 359	11 502	10 586	10 984
• Industrial Council Employers	341	323	294	282	264	264
• TCMA Members	183	185	173	156	133	134
W.Cape						
• Industrial Council Employees	48 480	48 415	43 365	39 841	39 854	42 936
• Industrial Council Employers	384	385	349	321	329	356
• CCMA Members	113	117	102	97	84	94
E. Province						
• Industrial Council Employees	3 118	2 796	2 673	2 441	2 563	2 423
• Industrial Council Employers	37	48	34	38	43	41
• EPCMA Members	21	16	15	14	13	13
TOTAL						
• Industrial Council Employees	110 342	109 373	95 862	87 149	86 036	93 426
• Industrial Council Employers	1 186	1 182	1 052	1 008	1 013	1 086
• Total Members	514	520	476	444	410	441

[5] NCF Annual Report, 1995.
[6] NCF, 1994.
[7] Altman, 1994
[8] NCF, 1994.

7% in 1989, to 9% in 1991.[9] Given more recent figures on export levels, it is unlikely that this proportion has improved much. Customs and Excise data on exports of clothing and textiles show a year-on-year decline of almost 1% in 1992. Exports were virtually unchanged in 1993. The clothing federation ascribes this dull performance to

- uncertainty about the future of government assistance to exporters;
- capacity limitations of local textile producers;
- the upturn in the business cycle, which typically results in sales being diverted to the local economy; and
- the lack of interest which local manufacturers have shown in exporting, combined with the obstacles faced by firms wishing to export.[10]

But by 1994 there was a 6% improvement in clothing and textiles exports, and in 1995 the year-on-year export growth reached 20%.

By contrast, import penetration expanded in volume terms, from 19% of local consumption in 1988, to 44% in 1991.[11] This reflects the impact of export promotion schemes, whereby exporters are entitled to import a proportion of the value of their exports duty free - either in the form of inputs, or in the form of clothing. Moreover, this entitlement can be sold. In 1991, clothing producers used only 28% of these permits to import fabric.[12]

It is argued that the existing structure of tariff rebates and duty credit schemes, combined with the administrative complexity of the tariff structure, has reduced the level of effective protection to such a low level, that the tariff dispute between the clothing and textile industry has been purely academic. The textile industry has argued that the <u>average</u> effective duty paid on clothing imports in 1993 was less than 8%. This compares with a 100% *ad valorem* tariff on imported clothing. Similarly, while the *ad valorem* tariff on fabric imports is 45%, the <u>average</u> effective duty paid in 1993 was 12%.[13]

The official statistics on import penetration must be augmented to take account of the barrage of illegal imports. It is estimated that illegal clothing and textile imports in excess of R1 billion enter the country every year.[14]

The Global Advantage of South Africa Project, concluded that the clothing industry is internationally competitive.[15] But the industry has shown little evidence of productivity improvements.[16] Altman attributes this to the stultifying regulatory environment.

She argues that the problem is exacerbated by the powerful clothing retail industry, whose profit-squeezing hold over the clothing industry forces manufacturers into a short-term orientated, survivalist mode. Without entrepreneurial dynamism or accumulated capital, a strategic reorientation of the industry is not possible.

Whether or not one agrees that the retail industry should take so much blame for an insufficient strategic orientation in the clothing industry, one cannot deny the power wielded by these organisations. Many firms interviewed for this paper commented on the practices of some retailers, who would cancel orders upon a feeble basis (where manufacturers seem to

[9] Altman, 1994.
[10] NCF, 1994.
[11] Altman, 1994.
[12] Altman, 1994.
[13] Sunday Times, 30 April 1995.
[14] Business Day, 15 June 1995.
[15] Monitor Group, as quoted in Financial Mail, 14 April 1995.
[16] Altman, 1994.

have no right of recourse), or would attempt to demand unrealistically low prices from manufacturers - with varying degree of success, depending on the clout which the manufacturer has. Further, the factory tours showed in two instances how orders which had been completed on time were using up valuable factory space - awaiting delivery instructions from the buyer. Payment is made within a pre-arranged time from the date of the delivery instruction.

Although some ascribe this sort of business practice to poor organisation and inadequate communication within the echelons and divisions of the retailers, their oligopolistic power must also play a role. In 1991, the top five retail chains accounted for 58% of clothing retail sales. The top 14 constituted 67% of the market. These figures were 54% and 63% respectively in 1990.[17]

3.3 An overview of the Durban-based clothing industry

The Durban industry can be traced back to the formation of the Natal Clothing Manufacturers' Association (NCMA) in 1935, and the industrial council in 1935/6. The smallish manufacturing base grew around 1960, with the relocation here of firms, mainly from the Transvaal. At first, the abundant labour supply was the attraction. But the 1968 Environment Planning Act, one of the first statutory tools of industrial decentralisation, generated a strong push factor out of the Transvaal.

The Act, which applied to all metropolitan areas except Durban-Pinetown, imposed a limit on the employment of African labour. Clothing and textiles firms bore the brunt of the enforcement of the Act, because of their labour intensity, and during 1968-78 a drastic change took place in the national distribution of these industries. More than 20 000 (net) jobs were lost in the Witwatersrand, and about 25 000 net new jobs were created in Cape Town (where the application of the Act was less stringent) and Durban-Pinetown-Hammarsdale.[18] Having been the country's largest node of clothing production, the Transvaal was now third after Cape Town and Durban.

With the revision of the decentralisation scheme in 1982, Isithebe became a growth point of clothing manufacturing. Most of the factories which set up here had simply uprooted from elsewhere, especially Durban (or were satellite factories of firms which maintained a production base in Durban). Today, these types of firms are still in the majority. There are now about 12 factories in Isithebe, employing roughly 5 000.

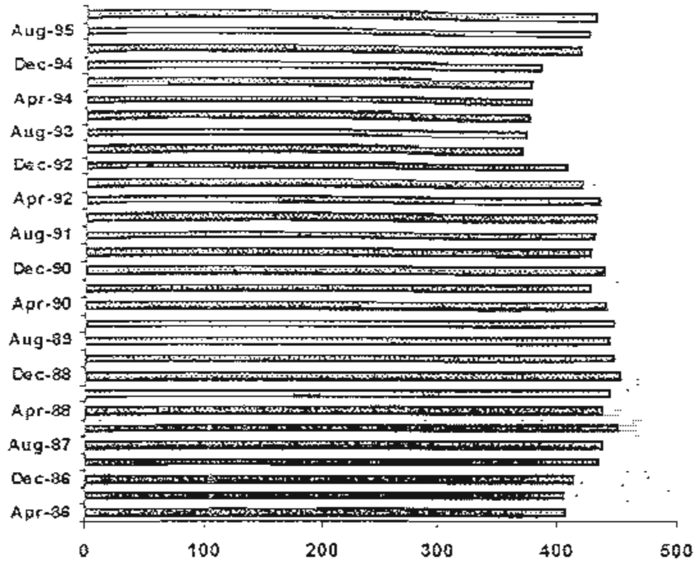
The clothing industry in Durban has a characteristic ethnic pattern of employment and ownership. In the early years, the labour force consisted mainly of white women. But over the last 20 to 30 years, they were replaced almost entirely by Indian women. More and more African women are now employed. Men remain in the minority.

By contrast, factories in the industrial council area are mainly white and Indian owned. Although none of the registered factories are owned by Africans, many of the informal factories are.

Ownership is family orientated. Although there are a few large firms with public ownership, these corporates have a smaller relative industry share than in the Western

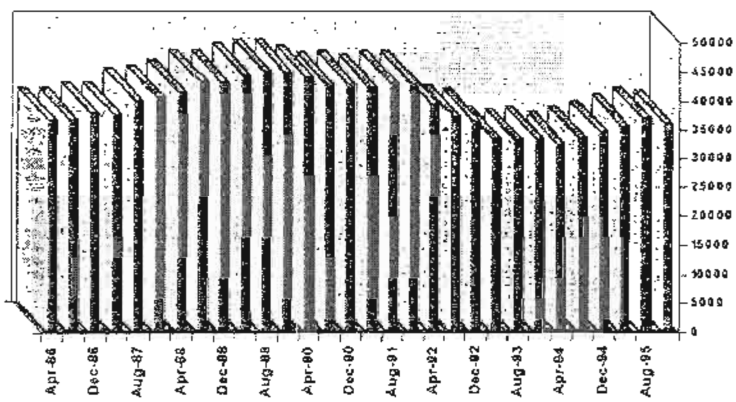
[17] Altman, 1994.

[18] Rogerson and Kobben, 1982.



Number of firms in Durban...

and their employees.



Cape.[19] Based on a comparison of the Industrial Council figures for Natal and the Western Cape (refer to Table 1), it appears that the average firm size in the former is smaller (about 88 employees, compared with about 121 in the latter). This conforms with the view of the Durban-based industry as having a greater relative entrepreneurial base, and less of a corporate flavour.

By contrast with the Western Cape industry, which is mainly orientated to production for the major retailers (many of whom are based in Cape Town), Durban has a greater diversification into the lower end of the market. Supported by its large CMT base, and its locational advantage, the industry has a good network into the

[19] Firms in Durban listed on the JSE include Seardel (which is also in Cape Town), Casual Clothing, Ninian and Lester, and Celrose. Playtex is owned by US-based SaraLee, and Kingsgate is in private ownership.

informal and wholesale hawker market.[20] These serve the local informal trade, as well as long-haul buyers from Gauteng, and the former bantustans.

Although this diversification may have been an advantage to the region, it is now threatened by the growing penetration of (often illegal) imported garments. For instance, one clothing manufacturer interviewed, who produces for the low income market, has experienced a severe loss of market share over the last two years. As a result, the firm was shifting its focus away from the lower spectrum of the market. Similarly, a large manufacturer in the region recently announced the closure of one of its factories based in Isithebe, citing its inability to compete with imports. Changes in employment levels, as well as in the number of firms in existence, confirms that the industry has recently been through tough times.

[20] As will be discussed in section 4.5, CMT firms focus purely on cutting the pattern pieces, sewing these together and preparing the garments for display. They rely for work on retailers, production wholesalers, or manufacturers who use the CMT firms to boost their own production capacity. These second parties provide the CMT firm with fabric and patterns, and some or all of the trimmings, such as buttons and zips.

The downsizing around 1992 reduced firm and employee numbers to levels below those of six years previously. These new lows moreover persisted for a couple of years.

Recent trends have been more upbeat, but the optimism is confined mainly to firms with exposure to the major retailers. The now more widespread availability of consumer credit, and the firming economic upswing (currently in its third year) augurs well for the clothing industry. However, the cheap imports will only become a greater problem, and manufacturers will have to take a closer look at their product, and market orientation.

The section which follows attempts to examine the specific nature of the industry in greater detail.

4. THE DURBAN-BASED CLOTHING INDUSTRY: A VIEW THROUGH THE KALEIDOSCOPE OF THE INDUSTRIAL DISTRICT MODEL

4.1 The Industrial District Model in brief

According to Schmitz (1992) and Sengenberger and Pyke (1994) an industrial district is a geographic concentration of the particular industry and its related services (a reversal of the spatial dispersion associated with Fordism). The firms located within this geographic boundary are predominantly small enterprises. Further, human resource development is vital for efficiency and productivity gains, flexibility in production, and innovation.

Further, the relationships between firms are important. Firms are vertically disintegrated, reflecting an inter-firm division of labour and specialisation. But this form of mutual dependence is not sufficient for the creation of a robust and dynamic industry. The key to adaptability and innovation is in the formation of horizontal relationships. These are the untraded aspects of the relationship - collaboration in order to solve common problems which includes the formation of institutions. They reflect a sense of trust, and an awareness that the fate of the firm is tied up with that of the entire cluster.

4.2 Geographical and Sectoral Concentration

The clothing industry in Durban is spread across most of the area indicated by the map in section 1. Registered factories are mainly in industrial and commercially zoned areas. There are also many unregistered factories in the CBD (especially Grey Street), and so-called garage factories in the residential areas of Phoenix, Chatsworth and Inanda. Whatever the specific locational determinants may be, the unobtrusive nature of the industry makes possible such a spread across zones.

Concentrations of clothing manufacturers can be found:

- in the southern industrial hub of Mobeni, Jacobs and Clairwood;
- in the centre of Durban, in and around Grey street, and in the Umbilo/Rossburgh area, which includes Umbilo road and Gale street;
- along the northern axis, starting in the Umgeni road/ Stamford Hill area, and extending along North Coast Road;
- in the Mayville/Overport area, which is to the north-western end of the city;
- in further northern centres, such as Phoenix, Verulam and Tongaat; and
- to a lesser extent along the western axis, in Pinetown.

Asked why they were located in the Durban area, manufacturers answered mainly that Durban is the historical base of the owner or founder. By now they had also built up a network of firms with which they do business. In some cases the owner had established these relationships while previously employed by a manufacturer in Durban. It is likely that some of these relationships are influenced by ethnicity, since the industry has concentrations of Jewish, Muslim and Hindu owners. Most firms interviewed said they did not advertise their services, and relied on word-of-mouth.

Accounting for the location in specific areas within Durban, and explaining pockets of concentration is less straightforward. There are fairly well-developed backward and forward linkages with affiliated sub-sectors in the area. Services available include the washing,

pleating, dyeing and embroidery of garments; the wholesale supply of trimmings[21]; the supply of fabric, such as through wholesalers of local and imported fabric, or directly from local mills.[22]
But the research showed that, in deciding to locate in Durban, or in a specific industrial area in Durban, the need to be near suppliers or buyers was not a major consideration. Other factors played a far greater role.

Further, although manufacturers make significant use of local products and services, several make use of products and services from elsewhere in the country, including Johannesburg and Cape Town, and from other countries. The distance is a minor consideration given that the manufacturer has access to a reliable supplier, with whom a long-term relationship may have been established, or to a well-priced or efficient service. For example, one manufacturer makes use of a laundry service in Ladysmith which, although relatively expensive, offers an overnight and reliable service.

Asked about their fabric suppliers, many commented on the delays experienced in the deliveries from local mills - currently at levels of about four to six weeks. Further, the smaller manufacturers are unable to get orders for their smaller volume runs, or credit facilities from the textile mills. Some clothing manufacturers import only the fabric which cannot be obtained locally, but others buy exclusively from abroad (mainly the Far East) - either directly, or through local wholesalers. These foreign suppliers have a shorter turnaround time, and can offer greater variety and better quality. However, the risk is that an incorrect order is more difficult to rectify.

The investigation suggested that minimising distances travelled between affiliated sub-sectors is not a major factor in locational decisions Although transport costs must play a role, the interviews revealed that manufacturers are far more concerned with reducing other costs and bottlenecks. Due to the labour-

Testing the textile debate

Some manufacturers expressed dissatisfaction with the product and service from local textile mills. Their main concerns were delays in delivery, inferior quality, and lack of variety.

It seems that years of protection, and lack of competition, have taken their toll on the textile industry (as it has on the manufacturing sector in general). For instance, textile firms have been using outdated machinery for years, and are only now starting to make substantial capital investments.

Further, in order to satisfy the largely captive domestic market, the textile industry geared itself towards producing a variety of fabric. The resultant need for relatively short production runs deprived firms of the economies of scale necessary to minimise costs. The short runs have also increased the complexity of production planning, and increased the delivery lead time.

With a delivery lead time of up to 12 weeks, the mills are often the bottleneck in times of growing consumer demand for clothing. According to a textiles source, the problem of late delivery is compounded by the clothing manufacturers, who place orders late, or poorly. Much of this, in turn, is blamed on the retail firms, which tend to communicate their orders poorly, or belatedly, to the manufacturers.

[21] Labels, buttons, studs, zips, cotton thread, belts, elastic, shoulder pads, etc.
[22] The textile industry has a strong presence in and around Durban, but especially in Pinetown and Hammarsdale.

intensity of the production process, manufacturers have to be assured of a pool of accessible, skilled labour. First, many interviewed cited their position along a major commuter route as important in their choice of location.

Second, the existence in Durban over several decades now of the clothing industry, and indeed, of the manufacturing industry in general, has contributed to a local skills base. Contrast this with experiences in decentralised areas, where manufacturers face the problem of an unschooled, and thus less productive (albeit cheaper) labour force.

In the Durban Metropolitan area in particular, Hammersdale (a former de-centralisation point) there has been a decline in clothing manufacturing with the demise of the incentive scheme applicable there. In the absence of a critical mass of industry here, a skilled labour force did not develop.

The business of transporting clothing

Firms interviewed seemed unconcerned about transport costs. In many cases, manufacturers producing for local firms have their own delivery van, or vans. The distances are relatively short and roads uncongested, which make such deliveries problem-free.

Retailers differ in their policies on getting finished clothing from the manufacturers. While some require manufacturers to deliver to a central depot, from where they perform the distribution, others will collect the product directly from the manufacturer.

The handling of the product by the retailer is kept to a minimum, and is made easy. The manufacturer attaches the price tags, and prepares the garment for display, for example by placing it on a hanger (dresses, etc.), or folding it using cardboard and plastic (constructed men's shirts), or boxing it (underwear).

Transport is largely by road, using specialised trucks with built-in railings. Road transport is the most flexible and fastest option. It allows door-to-door delivery, without the need to change the mode of transport. With high value commodities being priced off the rail network, and since South Africa has a highly developed road infrastructure, road transport is also the cheapest option.

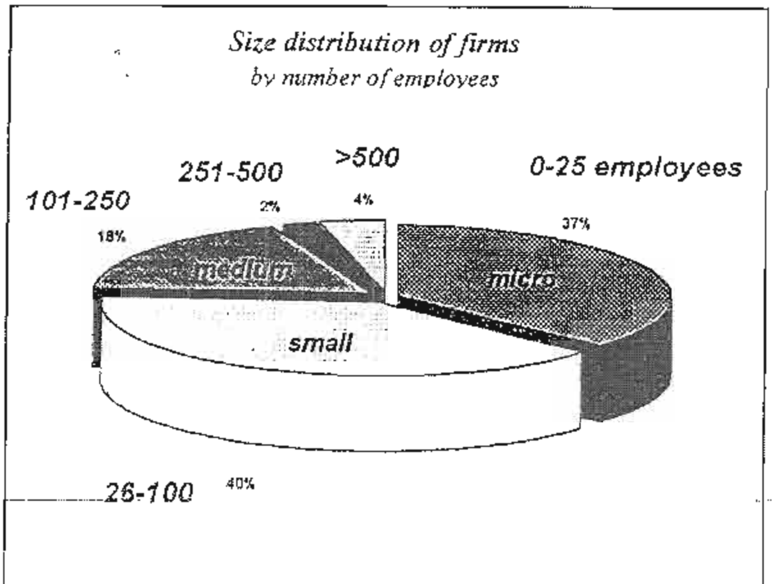
The major retailers either have an in-house transport division, or make use of dedicated sub-contractors. Since they know months in advance what volume and type of garments will be transported (having predicted the market, and placed the orders with manufacturers), they can plan the distributional logistics. In this way, peak capacity delivery, which is expensive, can be avoided.

Another key consideration is the availability of premises ("this factory became available"), at a reasonable price. Since the clothing production process requires a large surface area, ideally on one level, manufacturers are forced to locate in districts where the rental or purchase price per metre is relatively low.[23]

Historical factors also play a role, especially insofar as the establishment over time of relationships in a particular area is concerned. For instance, the Group Areas Act confined Indian manufacturers to the Grey Street area, and to Tongaat and Verulam. Although the scrapping of the Act saw the relocation of many of these factories, a strong manufacturing hub remains here.

[23] To accommodate the assembly lines of machinists, laying out and cutting of fabric, receipts and despatch, quality control, pressing, etc.

To summarise, then, several clothing manufacturers, and their affiliated sub-sectors have their base in the Durban metropolitan area. Nonetheless, ties exist with firms outside this boundary. Although these extra-regional links add to the transport costs within the pipeline, they are a source of strength insofar as they expand and diversify manufacturers' options. The concentration of factories in several pockets across the metropolitan area is explained largely by the benefits of location near to labour, and by the affordability of land in these zones. Historical factors also play a role.



4.3 Predominance of SMEs

In accordance with the industrial district model, the clothing industry in Durban (and, indeed worldwide) consists mainly of small firms, with a few large firms. As indicated above, the average number of employees per firm registered with the Natal Industrial Council is 88.
A look at the distribution of firm sizes across the spectrum of possibilities also confirms the predominance of small firms.[24]

Of a total of 388 firms[25], nearly 80% of had fewer than 100 employees[26]. Only 6% had more than 250 employees.

Since this official data under-represents the true levels of employment in the area by about 20-30%, and since the unregistered firms are likely to be small or micro-sized, capable of being undetected, or being able to relocate overnight, the true picture would be one of an even greater predominance of small and micro firms.[27]

But this is not to say that large firms are insignificant. The 4% of firms which have more than 500 employees account for about 30% of the employment in these 388 firms. One should thus not overemphasise the importance of firm size. What is significant is that there is opportunity for small firms to enter the market, and that small and large firms can and do co-operate in production.

The clothing industry is typically one of relative ease of entry, with low capital start-up requirements. Entrepreneurs are able to buy second-hand machinery in good condition, and most of the technology is relatively unsophisticated. Indeed, the highly cyclical nature of clothing demand, and the resultant periodical lay-offs, the relatively portable nature of skills, and the existence of a skills base in the area, ensure the almost continuous mushrooming of new enterprises.

[24] This analysis is based on industrial council data, as at 17 May 1995.
[25] Firms recorded with zero employees were excluded.

[26] The clothing industry categorises firms with fewer than 25 employees as "micro". Firms with fewer than 100 employees are "small". Medium-sized firms employ up to 250 workers.
[27] Smart, 1995.

Further, one can say that big is not necessarily better in the clothing industry Clothing production has very limited economies of scale. An assembly line is fairly generic, showing few differences across firms. Larger firms tend to be composed of a sum of assembly lines, any of which could conceivably be hived off and located elsewhere (be it in a separate location or in a separate firm). Larger firms, which can rely on large volumes of throughput, may be in a better position to buy machinery dedicated to specific lines (e.g. undergarments) which in turn improves efficiency.

There may be diseconomies of scale in the larger firms, where it is comparatively more difficult to manage the integration of separate processes (e.g. from cutting room to assembly line to finishing). This complicates a switch from one style to another and could have implications for the flexibility of larger firms.

But, without large orders, small firms are unable to order fabric directly from local mills. Instead, they have to buy from wholesalers. Further, one of the cited obstacles to exporting is the inability by the smaller firms to finance the volumes and the delayed payments of an export order. Here larger firms have the advantage of financial economies of scale.

Asked whether their firm would be expanding in the short- to medium-term, many interviewees responded that they were content with their existing set-up and market base. Growth would imply the risk of trying a new market or a new product, and would also require responsibility to a larger labour force (a key concern where the memory of past retrenchments are fresh). Further, the inter-relatedness of the industry means that production volumes could increase through taking on a proxy labour force - namely by sub-contracting work to a CMT operation.

So, firm size has its pros and cons. Moreover, there is not necessarily a plant life cycle, which entails an expansion of firm size. Small firms are capable of rendering quality products and service. Each manufacturer, regardless of size, can represent a vital piece in the overall production jigsaw puzzle.

4.4 The Role of Human Resources

The industrial district literature emphasises good basic conditions of work, and the use of a trained and adaptable workforce as key to the flexible specialisation associated with clustering. This is consistent with evidence of a move away from the "low road" of competing on the basis of costs, where labour is a cost to be minimised.

This issue will ultimately be one of the focal points of the restructuring of the South African clothing industry, as tariffs are removed. Since it does not have a low wage economy, South Africa cannot compete internationally in the bulk production of cheap garments. South African manufacturers have already seen significant loss of market share to the barrage of legal and illegal garments for the low end of the market. The alternative of producing higher value-added garments, or for niche markets, will require firms to improve or change their skills base.[28]

But local competition is equally tough, and few entrants survive beyond the critical two to three year period. Entrepreneurs who bring with them skills and expertise which they developed as employees in the clothing industry, tend to be in a better position to survive, as are those who are highly motivated. Maintaining and expanding market share requires a commitment to productivity

[28] For which producers are increasingly being "trained" by the demanding retail sector.

improvement.[29] The effective use and development of human resources (of both management and workers) is one aspect of this process.

Firms in the sample varied in their attitude to training. Some saw it as unaffordable, and opted instead to hire well-trained staff. But interviewees also mentioned that some manufacturers hired staff below a certain grade only, since the relevant statutory wage is lower than for staff with better experience and skills.

Others regarded training of machinists, supervisors and quality controllers as vital to the success of their operation. This training is either in-house and on-the-job, or through training courses offered by the Clothing Industry Training Board (CITB).

In many cases, firms use an incentive scheme, whereby a bonus is paid when production exceeds pre-arranged targets. The incentive bonus is paid in addition to the statutory wage. The incentives apply to the performance of individuals, or to the production line, or to both.

In an industry which is vulnerable to business cycle fluctuations and to competition, and 70% of whose annual throughput is concentrated over the period June to December (and especially October/November) flexibility in employment would be ideal.[30] Where labour market regulation does not apply, or is illegally flouted, workers run the risk of being exploited. On the other hand, where regulation applies, the management of staff is complicated. Strategies to tailor the supply of labour to the demand for labour include:

- Overtime work during peak times. While some of the firms interviewed worked overtime as a matter of routine (i.e. in excess of the 42,5 hour week), others avoided it due to the cost or the inconvenience;
- Hiring staff on short contracts over the peak period; and
- Putting staff on short time during quiet periods. Since this entails a reduction of time worked and thus paid, employers regard it as an option to be avoided.

Although there appears to be much room for improvement in the skills capacity of both workers and management, many firms and all the institutions involved, have recognised this. The key is to persuade new entrants to the industry, who regard the training of staff and the evaluation of the production flow system as an unaffordable diversion, that the long-term benefits of skills development and good work processes are enormous.

The CITB, which has been accused in the past of being irrelevant to small, struggling firms, has announced its proposal to devote much of its resources to the development of the small business sector. This will entail the free supply of consulting services to build management and accounting skills, and to upgrade the production system. It is hoped that such new entrants would be given a two-year reprieve from registration with the industrial council. This would exempt the firm from the wage agreement between employers and union, which is binding within the industrial council area.

[29] One respondent said he saw productivity improvement as a continuous process, in which the incremental gains made are minute.

[30] Consumers buy more summer clothing items than winter garments. For instance a jersey or jacket for winter is more durable, expensive and versatile than a summer dress. The other explanation for the concentration of production towards year-end is the seasonal rise in spending during the Christmas period.

4.5 Inter-firm Relationships: Durban-based clothing as a network of vertical and horizontal linkages, in a context of trust and cooperation?

The geographical concentration of sectorally related firms, and the preponderance of small firms are not sufficient to ensure a network of collaboration and mutual trust. One has to take a closer look at the nature of interaction between firms. Are the relationships purely market exchanges, emanating from a division of labour? Or can one identify exchanges which have nothing to do with short-term market processes, but which are instead positive externalities from sectoral concentration?

A look at the Durban-based industry reveals a complex web of relationships. But most of these fall into the category of vertical relations. At one end of the pipeline, relationships consist of firms selling inputs, such as cleaning services, trims and fabric. At the other end are firms buying the final product. Between these extremes are interactions between clothing manufacturers. These linkages are determined by the division of labour and specialisation of the firms concerned, and by their structure. A typology of the kinds of relationships, and possible specialisation, follows:

- A firm which takes on CMT work only. The firm obtains the fabric, patterns, and usually the markers, and some, or all of the trimmings. from a second party.[31]
- A firm which takes on CMT work, in addition to having its own line of production (i.e. it takes on the responsibility of garment design, fabric purchases, trimmings, search for a buyer, etc).
- A firm which has its own line of production, and which does not take on CMT work.
- A firm which has its own line of production, and which sub-contracts some of its work to CMT firms. Sub-contracting may either be a conscious policy (which ensures the turnover while keeping labour costs and overheads in check), or an option when the firm finds it has run into capacity limitations.
- A firm which has a textile and a clothing production arm, with or without sub-contracting.
- A firm which has no production activity (a wholesaler). It finds buyers, selects styles and makes patterns, orders fabric and trimmings, and liaises with CMT operators, who perform the assembly.
- A retailer with in-house production capacity, which usually accompanies the sub-contracting of work to CMTs.

Firms are vertically disintegrated, to the extent that they hive off components of the process, and specialise. For instance, a wholesaler is specialised in developing an interface with the textile and retail industry, and need not devote resources to the planning and refinement of production flows, to human resources issues, to technological questions, or to decisions about machinery. It thus has some freedom to expand or reduce the volume of throughput handled, without significantly changing its overhead costs.

A CMT operator, similarly, can avoid some of the hazards of co-ordinating orders from suppliers, and managing buyers. One such firm interviewed commented on the importance of identifying one's strengths, and sticking with them. He happily considers the firms which supply him with work as his sales and distribution arm.

Less evident from the research are examples of so-called horizontal relationships. But the way in which firms

[31] Indicating how the patterns are to be laid out to ensure maximum fabric usage.

interact through market-based exchange, creates the potential for non-tradable interaction - in the event of a change in the macro environment. Because of their vertical disintegration and interlocking production structure, firms are mutually vulnerable. Changes in their regulatory environment, such as the prospect of tariff reduction, changes in export incentives, the implementation of the Labour Relations Act, will force them to seek solutions together. But since firms in the area have many external links, these loyalties need not be spatially confined - as perhaps suggested by the industrial district model. Instead, they will more likely be determined by ethnicity, or by an overlap of concerns, as in:

- whether or not a firm has ownership links with the textile industry (which will influence its response to the tariff debate);
- size or specialisation (which influences its response to changes in the cost of labour, especially when it comes to wage negotiation);
- which end of the market is targeted (e.g. formal retail *versus* mass market).

Relating through Risk:
The blurring distinction between market-based exchange and collaboration

A CMT operator illustrated the degree of trust which its suppliers had in the integrity of his production and management skills. In several cases, the contracting firm would arrange for fabric to be delivered directly from the textile supplier to his factory. Since many of the firms which sub-contract to him are not in the Durban area, the savings in transport costs are significant. So, in response to a question about the costs associated with being located far from pipeline firms, he concluded that "the trick of making savings is more in the nature of the relationship, and in trust".

The same CMT operator illustrated also the way in which a policy of just-in-time (JIT) can serve to strengthen existing collaborative relationships. The factory operated on a strict principle that work be delivered only when the booked capacity comes available. Apart from the benefits of reducing costs (storage and insurance), it also eliminates misunderstanding about the date of completion of the work; both parties know exactly how long the raw materials have been at the CMT factory, and that this is also the time spent on its conversion into a finished product. This policy forces the two parties to establish clear and regular lines of communication.

Firms have recently collaborated along these lines. But rather than joining forces on substantive production issues, their energies have been directed at the political level in an attempt to influence policy makers. However, as South Africa's membership of the World Trade Organisation (WTO) exposes manufacturers to the reality of international competition, such collaboration may increasingly be at the level of production.

Moreover, as firms increase their exposure to one another in pursuit of lower production costs (see inserted box), the distinction between horizontal and vertical links will become blurred.

This potential collaboration is evident in the existence and fairly widespread membership of the local clothing manufacturing employers' association. About 50% of firms registered with the industrial council are members of the Natal Clothing Manufacturers Association. Membership of this association, which has representation on the (national) Clothing Federation (Clofed, and previously referred to as the NCF), gives manufacturers access to a network of other firms and keeps them abreast of key industry issues. Some small manufacturers have recently questioned the representivity of the NCMA, arguing that the organisation is dominated by the interests of larger firms, who have the time and resources to devote to its executive activities. Whatever the relative merits of either side of the argument, the dispute has shown that the entrepreneurs concerned (albeit a representative grouping) are willing to co-operate and lobby around issues.

Such a spirit of self-help is evident also in the sphere of training and upgrading of small business practice. The CITB has representation from manufacturers committed to training and improving productivity, and who are concerned that other firms should derive the benefit from skills development. Reference was made in the previous section to the recent restructuring of the CITB, and its increased focus on new and small firms.

The research showed that relationships between manufacturers are created mainly through market-based exchange (vertical relationships). And rather than seeing evidence of innovative collaboration, one can see the potential for these horizontal relationships to develop.

Asked whether they considered themselves to be part of a locally-based, cohesive clothing cluster, all firms interviewed answered in the negative. They regard themselves as competing, individual firms. So, although clothing manufacturers derive benefits from market-based exchange with other firms, there is no evidence of positive externalities arising from their geographic and sectoral concentration. Firms did not locate in the Durban area because they somehow recognised the innovative energy generated within the cluster. Instead, and as is argued in the previous section, they were in the area mainly because of historical factors, access to labour, and availability of premises.

5. CONCLUSION

The Durban clothing industry is concentrated geographically, and has a predominance (in terms of incidence, rather than employment) of small firms. In the more successful firms, there also appears to be a commitment to developing skills and making productivity gains.

But the industry is by no means spatially self-contained. The argument is made here that the various national and international links are in fact a source of strength. Moreover, although small firms predominate in terms of number of firms, the large firms dominate employment. Indeed, the co-existence and co-operation of small and large firms, each with their specific specialisation or advantage, is probably a further source of flexibility and strength.

Although strong vertical relationships exist within the area, few, if any, horizontal relationships can be identified. In other words, the research revealed no significant positive externalities (such as evident technological advancements) as a result of spatial clustering. So the industry does not conform strictly with the industrial district literature. But is this necessarily a weakness of the industry, and does it have implications for policy-making?

The key weakness of the industry is perhaps its relative passivity. Rather than acting in line with a clear, long term strategy, the industry tends to react to changes in its institutional environment, and to the related crises by which it is beset. Its performance to date, and its inability to provide sustainable employment, fluctuating demand and import penetration, show that the industry has made only limited attempts at strategic restructuring.

The lack of horizontal links is probably an expression of this problem: firms have adapted their production, employment, location and product in response to changes in macro-level policy And they tended to have done so at an individual level, rather than seeking collaborative solutions. The collaboration which did occur was at a political level, in an attempt to influence policy-makers. In these instances, acting as a united employer body was vital.

But why, or how, should firms have acted as initiators of change in production, employment, location and choice of product? The incentives and regulatory structure provided by the state have been stultifying, probably leaving entrepreneurs with little dynamism or scope (or reason) to explore their own initiative. Moreover, the pressure (both constructive and negative) imposed by the retail sector, within a highly competitive environment, has been a further drain on the creative capacity of firms.

If policy is to change to stimulate production and employment in the industry, it must be directed at streamlining the regulatory macroeconomic environment. It must provide sensible answers to the questions being asked of the manufacturing sector in general. How can incentives create a sustainable production pattern? Can they be consistent with the needs of related sectors? How can they meet the needs of industries in different regions, which differ in their product orientation, skills base and firm structures?

Policy directed either at improving the functioning of the cluster, or at creating a facilitative environment, must be based on a clear strategy for both the clothing industry and the region. Such a strategy requires agreement on the target market of the local industry, based on a realistic assessment of the comparative advantages in the region, as well as on an understanding of how the proposed tariff changes will impact upon specific components of the clothing sub-sector.

The strategy must also conform with the objectives of the national industry. The Swart panel report concluded that the long term objectives of both the clothing and textiles industries is the achievement of international competitiveness; labour-demanding growth; a fair stake by all participants; and affordable prices.[32]

These objectives are not necessarily consistent. Nor is there currently enough co-operation between the clothing and textiles industries to suggest that they will be achieved in the short- or medium-term. Attempts at finding common ground between the two industries (two such undertakings have already failed) must be resurrected. Finding a common approach, rather than continuing with the current adversarial relationship, will be constructive.

In a climate where local economic development is increasingly recognised as a vital element in national economic restructuring and revitalisation, a role for local and provincial government in the encouragement of growth in this cluster must be identified. Much of the assistance provided should be through, or in co-operation with, existing institutions in the clothing industry, namely the CITB, the NCMA, Clofed, SACTWU, and the Natal Industrial Council.

[32] This is the report of a task group with representatives from both the clothing and textiles industry, and labour and government. The group was an attempt by the clothing and textiles industries to reconcile their conflicting interests, and to agree on the extent of tariff reduction (for both clothing and the various textiles categories) and the tariff phase-down period.

Regional industrial policy is currently under review. The process of re-evaluation is tricky, and politically fraught, but long overdue. Although Isithebe is one of the success stories in the history of decentralisation, clothing firms there are facing difficulties. Geared towards the lower end of the market, through the incentives which kept production costs low, these firms are having to compete with clothing from low-wage countries such as China.

Based on research findings, and in the light of the above considerations, the following policy proposals are therefore made:

We need research on the impact of the proposed tariff restructuring. Those who specialise in areas which will be hit hardest must be warned in advance, while potential areas of opportunity should be seized. For example, it is clear that, since the lower end of the market will be threatened by the import of cheaper goods from elsewhere, the Durban industry will have to shift its focus towards the middle and upper end of the income spectrum. Such a shift will require a painful adjustment towards the principles of quality, flexibility, timeous delivery, and service. A re-evaluation of the production process, conditions of work, productivity improvement, and technology is implied.

The research showed that only the larger clothing companies have entered the export market, and that smaller companies cannot afford to finance the large volumes required. Further, the time and cost burden of marketing and after-sales service, which requires a separate division within the firm, is beyond the capabilities and focus of the smaller firms.

To increase exports, steps have to be taken to remove some of the administrative, informational and financial obstacles. The establishment of an export house, dedicated to the service of the clothing industry, could pool the risk and costs which firms face. Such an institution, serving either the national or local industry, could specialise in the marketing of local products, the search for and liaison with the foreign buyers, and the matching of foreign orders with the specific skills and capacity of local firms (for instance, a group of firms could cô-operate to fill a large or complicated order).

Importantly, individual firms must remain free to export through whatever agency or means they wish. Granting such an institution the exclusive franchise to export clothing from South Africa would be potentially disastrous.

Supply-side measures which link export assistance with expenditure on training must be carefully structured to ensure that compliance by companies brings about substantive improvements in the skills base. Distortions and wastage resulting from tokenistic or misdirected expenditure on training must be avoided.

Ways to improve productivity must also be found. Several firms make use of incentive bonus schemes, based on individual and/or line performance. Greater relative freedom to integrate such an incentive system into the remuneration structure should be considered by those involved in wage negotiations, although the specifics of such a scheme should be tailored according to the special characteristics and flavour of each firm. Since the potential for the abuse of such a system by both employer and employee exists, some clear guiding principles must be established (i.e. regarding the proportional composition of the wage package; and the realism of the targets set).

SACTWU is arguing for a greater shift towards skills-based (as opposed to task-based) remuneration, which would create incentives for employees to develop their skills. On the other hand, there is the risk that employers would avoid hiring better qualified staff, due to the greater relative cost. So the design of such a remuneration system would require a careful examination of the marginal benefits to firms of skills acquisition, in order to match the skills with appropriate remuneration levels.

Given the key importance of growth in the number of firms for employment creation (assuming there is sufficient demand for their output), assistance has to be provided to new, small firms, in order to get beyond the crucial two to three year period. This assistance should come in the form of improved access to training and consultancy services, either through cross-subsidisation by established firms, or through state support to the training institutions. The establishment by local government of local service centres (currently under way in Durban), where many of the resources (financial, space, skills, basic overheads) are provided for incubating firms, should be seen as an opportunity for such small firms. The clothing industry could provide a strong motivation for the establishment of a sectorally specific local service centre.

The business practices of the larger retail companies, with respect to their interaction with the manufacturing sector, must be investigated to establish if they are acceptable. If necessary, the legal aspects pertaining to the contractual arrangements between buyer and manufacturer must be re-evaluated, to establish a right of recourse for manufacturers.

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APPENDIX

Questionnaire

1 Name and address of organisation

2. Interviewee details
Name:
Position:
Phone:

3. Types of product produced by organisation; and target market.

4. Year of establishment.

5. Number of employees.

6. Ownership structure and organisational breakdown (including location and function of parent, subsidiary and sister companies); and indication of how this has changed over time.

7. Are you experiencing growth or decline, or is your business static? Why?

8. Locational issues:
- *Why are you located in the Durban Metropolitan area? (Why not in the Eastern Cape; Western Cape; Gauteng; Newcastle; Ezakheni; Isithebe?)*
- *Why are you located in this particular district?*
- *How long have you been located here?*
- *Do you own or rent the premises?*
- *Do you foresee any changes in your location; if so why; and where to?*

9. What **relationships** do you have with other firms:

9.1 INPUTS:

(Fabric, Trims, Sub-Contracted Work (CMT), Other (e.g. washing, dyeing, pleating, embroidery), Transport, Marketing).
- *Where is it located (foreign/domestic; Durban/elsewhere in SA: same industrial district/elsewhere)?*
- *What is the nature of your relationship (i.e. what goods and services are exchanged; and is it a close and co-operative relationship?)*
- *How did you establish your ties with this firm (historical, family, best price, only firm offering the good/service; locational advantage; strategic advantage).*
- *What credit arrangements do you have?*
- *Do you experience any delays, or poor quality or service, which you consider to be a serious obstacle to the success of your operations and profitability? What is the degree of flexibility and customisation that you require, and get?*
- *Do you have any impression of how the delivery of this good/service compares with the quality experienced by competitors elsewhere in the world?*

Machinery:
- *What type of machinery do you use?*
- *What is your capacity utilisation?*
- *From where is it purchased?*
- *Do you foresee any immediate or longer term changes in the type of machinery and technology used?*

Finance:
- *What are your perceptions of the ease of access and the affordability of finance (bank finance; credit from suppliers)?*

9.2 OUTPUT
- *Who are your main buyers?*

(Wholesale, retail, small retail, informal traders, export market)
- *What payment arrangements do you have?*

- *What is the nature of your relationship with your outlet source?*
- *How competitive is the market with respect to your niche?*
- *What is the minimum size of a feasible order per style?*
- *What is your turnaround time?*
- *How do your production volumes vary over the calendar year?*
- *What proportion of your output is exported?*
- *If you do **not** export, why not? Do you envisage entering the export market?*
- *If you do export,:*
  To which countries do you export?
  Why these countries?
  How did you establish your export market?
  How do you obtain information about your market (product, service requirements)
  What infrastructure do you have to manage and develop exports?
  What are the obstacles to market access?
  What type of foreign buyer do you have (retails; small outlet)
  Does the volume of your exports vary with the level of local demand?
- *What do you think is the strength of your firm/ the Durban industry/ the South African industry, in the international market?*

10. Production:

10.1 What has been the historical pattern in the size and skills and gender breakdown of your labour force?

10.2 Can you provide a proportional breakdown of your costs in terms of materials, labour, overheads, etc? How have these proportions changed over time?

10.3 Are you planning to increase or reduce the size of your labour force; why?

10.4 What are your perceptions of the productivity of your labour force?
How can your productivity be improved?
What is the role of management in doing so?

10.5 How do you train your labour force? What are the skills requirement for your business?

10.6 What is the nature of your relationship with SACTWU?

10.7 What steps have you taken to avoid, or deal with, conflict between labour and management (e.g. training; multiskilling; participation of labour in management decisions)?

10.8 Do you have multi-shift work? What is the length of a shift?

11. Regarding firms producing similar commodities:

- *Do you see yourselves as a cohesive, locally based industry, competing with similar firms elsewhere in the country?*
- *Do you see any advantage in "locational clustering" for locally based clothing and textiles firms, large and small? If so, how can such spatial relationships be improved?*
- *More generally, is the national tension between the clothing and textiles industries felt at the local level too? What is your feeling about this debate, and how do you think it should be resolved?*
- *What are the dynamics between small and large clothing industries?*

12. Are you a member of your industry federation?
If so, why (e.g. source of information; market access; marketing; lobbying power)?

13. What other institutional support is there for your firm, e g.

trade fairs, marketing, information, infrastructure provision, training provision, etc?

14. How do you feel government policy could change (both national and local government policy) to

- *improve your profitability*
- *improve your export competitiveness*
- *improve the level of employment in your industry*
- *improve linkages between smaller and larger firms?*