

Seardel urges state aid for textile sector

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The government should consider extending aid to the job-intensive clothing sector and small businesses when their competitiveness came under pressure from the strong rand, Seardel CEO-designate Stuart Queen said on Friday, 6 November 2009.



Image courtesy of
[FreeDigitalPhotos.net](#).

The government recently raised the import tariff on a selection of imported clothing items to 45%, the maximum allowed under its World Trade Organisation commitments, in response to lobbying from the industry.

Queen said that level of protection would be sufficient if the rand were not so strong, but it was difficult for South African manufacturers to compete with countries that had pegged their currencies or were subsidising their clothing producers directly because it was a job-creating sector.

In Bangladesh, labour costs are much cheaper than in SA.

Seardel's research into the clothing and textile sectors in Bangladesh and China showed that their efficiencies were similar to SA's, but SA could not compete with heavily-subsidised businesses.

Though SA's taxpayers would have to pay for subsidies, they would also have to bear the social costs of unemployment if the industry contracted further, he said.

Earlier this year, Seardel closed its spinning, weaving, finishing and denim division which was losing money at a rate of R10m a month, with the loss of about 1400 jobs.

More jobs have been shed through the restructuring of some of the group's clothing divisions and natural attrition, so that it

now employs about 11500 people compared with about 14800 before the restructuring.

In results for the six months to September, released late last week, the group said closure costs were R114m, including R35m for retrenchments, R31m for onerous contracts and R48m in asset impairments. But the closure of these divisions together with tighter controls had cut working capital levels by about R248m, which “has given us some space within which to work”, the director said.

Queen said all the major items had been accounted for, but there would be some further costs until the assets were sold. The remaining value of these assets was estimated at about R100m.

Searde's shares did not move from their recent level of 45c after the interim results were published. In September last year the shares were at 225c, but they plummeted to as low as 35c after the extent of the problems and need for refinancing were revealed.

The latest results show tangible net asset value of 166c a share.

Source: Business Day

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