

**New shoe factory opened in Cape Town: 300 jobs currently and a further 240 new jobs in the next two years.**

A new factory premises making fashionable women's shoes was opened in Parow industrial area by Minister of Economic Development, Ebrahim Patel.

The factory, Chic Shoes, was started by a black woman, Rachmat Thomas in 2004 and now employs 300 workers. Minister Patel opened the new building that the company bought with the support of national government financing, to expand their manufacturing facilities.

"In the next two years, the company plan to expand with 240 more workers, creating a large new industrial capacity," Minister Patel said.

He recounted the strong partnership between the company and government, with funding provided by the Industrial Development Corporation (the IDC) and a production incentive grant made available from national government.

"This shows the potential to grow in the fashion manufacturing industry and to use our facilities as a base to export to other parts of the world. Government support to the local footwear industry amounted to more than R600 million in the past five years, as part of a focused effort to expand industrial capacity and jobs. The company makes a range of shoes, from women's pumps for a leading retailer to shoes for public servants, and they bring enterprise, innovation and hard work to the partnership," Minister Patel said.

"About 40 percent of the workforce is young people and the company is investing in skills for school-leavers. Young employment in manufacturing is vital if we are to grow the industrial base of Africa's most diversified economy. If we do not invest capital and in skills development, we will de-industrialise and lose our manufacturing sector. We need a partnership between business, organised labour and the state to drive economic growth and job creation," Minister Patel said.

He noted that local footwear production was improving following large factory closures about ten years ago.

"Production of footwear is beginning to get back to the volumes last seen in the mid 1990s, with 59 million pairs of shoes now made locally. Given the labour-absorbing character of the industry, South Africa needs a larger local clothing and footwear industry," he said.

The Minister addressed an excited group of workers, managers and financiers and was taken on a factory tour and talked to workers involved in various industrial activities, from cutting of leather to stitching, glueing and packing of shoes.

Note to Editors: the following extract from the speech by Minister Patel provides additional detail from the event today. For more information, kindly call Ms Siphokazi Shoba from the Economic Development Department at 0823362688 or [sshoba@economic.gov.za](mailto:sshoba@economic.gov.za).

Extract from Minister Patel's speech follows:

It gives me great pleasure to witness today the opening of a new factory premises for Chic Shoes.

I wish to highlight at least five reasons to celebrate.

1<sup>st</sup>, it is a company that is a child of the new democracy and a tribute to hard work and enterprise by the owners.

2<sup>nd</sup>, it demonstrates the value of close working relationships between government and the private sector

3<sup>rd</sup>, it will create 240 new jobs and it confirms the importance of labour-absorbing growth in the fashion manufacturing industry

4<sup>th</sup>, it is an affirmation of the talent and enterprise among black South Africans, a successful BEE story in the productive sectors of the economy

5<sup>th</sup>, it shows the potential for partnerships between retailers and manufacturers to provide South Africans with locally made, great footwear and in this way it helps to build a nation.

In 2004, Rachmat Thomas together with co-owners David Arendse and Ivan Meyer were confronted with a hard reality, when their employer, Olympic Flair, closed its manufacturing operation. Instead of accepting their fate, they made a bold bid to buy the business assets and start Chic Shoes.

They brought hard work and a can-do attitude to their business venture.

Government support can help individuals with energy and drive.

The company has benefitted from two types of support: direct lending by the IDC and support from government through production incentive grants.

Through this support, the company tooled up, obtained state tenders initially and began to build a business that today it can be proud of.

The IDC has been there from the start, as a pillar of strength that the entrepreneurs could rely on, in good times and bad times.

The IDC provided core capital for the business as well as a revolving credit facility.

The funding stabilised business growth and contributed to increasing the company's product range. The Production Incentive Program has disbursed grants to Chic Shoes, facilitating the company to upgrade old machinery.

The story of CHIC Shoes is a demonstration of the success of the industrial support kit that government has put in place:

- Government introduced several new incentives and cheaper industrial loans as part of a Competitiveness Programme for the CTFL industry to help factories improve their competitiveness by upskilling workers, buying new and upgrading old machines and the IDC introduced several new loans for companies to use as working capital, to buy new machines.
- Grants and loans: over the past five years, national government support for the clothing, textile, footwear and leather industry amounted to R5.1bn
  - R2.9bn government grants for competitiveness programmes, and
  - R2.2bn in IDC loans to companies in the sector
- In the Western Cape alone, national government made support worth R1.7bn available for the CTFL industry in the last five years
  - R950m government grants
  - R775m in IDC loans
- In the footwear sector nationally, more than R600 million was made available as follows:
  - R490m govt grants (R282m in PI and R208m in CIP)
  - R122m IDC loans

The IDC has identified local footwear manufacturing as one of the more successful sub-sectors within the Clothing, Textiles, Footwear and Leather industry and the investment in Chic Shoes is aligned with industry prospects.

Chic Shoes' growth, has gone hand in hand with job creation.

Most impressively has been the management's commitment in employing young people from disadvantage backgrounds and training them in shoe manufacturing, which is often perceived as an unattractive career prospect by young people. Chic Shoes has created 180 jobs since 2009, predominantly employing women. Its workforce is now 300 people strong.

The socio economic benefit of employing women from communities where most households are female headed and women are bread winners, is recognized to be of high impact with significant anti-poverty effects.

Due to a growing demand for its products, Chic Shoes entered a second phase of expansion, which will create about 240 new jobs to add to the 300 existing jobs.

This will also attract skilled shoe makers and provide opportunities to nurture young talent in the shoe manufacturing industry. The expansion, funded by IDC, included the acquisition and refurbishment of a much larger factory as well as for working capital. This expansion finance will enable Chic Shoes to source significant volumes of leather locally through value chain integration - a development which will assist the ailing footwear leather tannery sub-sector.

This is taking place in the context of the wider trade policy direction in which we seek to turn our country into a major exporter and to reduce the reliance on imports.

The international trade story is as follows:

- Imports of footwear
  - Almost \$1 billion or R10 billion worth of footwear was imported in 2013
  - Dominated by the East: China (nearly 70% of total) and Viet Nam (growing), Indonesia, Italy and Lesotho
- Exports
  - Exports have grown steadily over the past few years
  - In the last year, exports grew by almost 20%: from 2.7m pairs (2012) to 3.2m pairs (2013), overwhelmingly to other African countries

We are pleased at the growth in production volumes:

- Recently, we have seen a return to production levels of mid-1990s
  - 58m in 1995

- 39m in 2003
- 59m in 2013
- We have also seen increased productivity as the following will show:
  - 4500 pairs per worker (2012)
  - 5200 pairs per worker (2013)

Chic Shoes has also benefitted from its partnership with Woolworths. In 2010 Woolworths expressed interest in Chic Shoes' shoe range and has since been an anchor customer that has drastically changed the customer composition of the shoe manufacturer.

The retailer has additionally placed Chic Shoes in their Woolworths Entrepreneurial Development Program, allowing the manufacturer to access technical assistance from Woolworths process re-engineering consultants; obtain special benefit of payment within seven days of delivery.

End.