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GOVERNMENT OF MAURITIUS / UNDP

**SECTORAL STUDY of
THE TEXTILE and GARMENT INDUSTRY
in MAURITIUS
and designing of a Blue-Print to boost Exports**

**Prepared for The Government of Mauritius / UNDP
& the United Nations Industrial Development Organisation**

FINAL REPORT(#3777)

**GHERZI TEXTIL ORGANISATION,
ZURICH, SWITZERLAND**

MAY 2000

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ACKNOWLEDGEMENTS

This Sectoral Study has been based on the assistance of very many people connected with the Industry in Mauritius and with buyers in the market places served by the Industry around the world.

We are indebted to the many industrialists and professional managers who agreed to share their companies' privileged informations with us and whose opinions and experiences enabled us to obtain an understanding of the industry's and its component companies' dynamics.

It was a pleasure to have the opportunity of meeting with the "support services" to the Industry in the areas of manufacturers' associations, both smaller and larger; para-statal institutions, banking; academic and vocational training; other Ministries and the Statistical Offices. Their contributions were invaluable to our understanding of the environment in which the industry is currently having to operate.

Our thanks are due also to the Ministry of Industry, Commerce, Corporate Affairs & Financial Services personnel in the Air Mauritius Building for their help in administrative matters; guidance and enthusiasm in making the excellent programmes of visits and the transport arrangements to ensure that we reached each appointment more or less on time. If we were late, it was not the Ministry's fault.

Finally, we are appreciative of the assistance given by UNIDO throughout the project and for comments on the draft version of the report.

Keith STUART-SMITH,
Gherzi Textil Organisation

METHODOLOGY

The methodology applied in the Project was to encourage the active involvement of all parties at all times. To this end, the project was launched in December 1999 with a press conference at which the Minister of Industry announced that the Sectoral Study was to be undertaken with the joint sponsorship of the Government and UNDP.

In January 2000, the Project was formally launched with a Seminar at which the Minister of Industry and the Representative of UNDP invited the participation of companies in the Industry, the service companies and other Ministries and Industry Ministry Departments to provide whatever assistance they could.

Gherzi made a presentation at the Seminar describing the changing global dynamics within the World's Textile and Clothing Industry and its markets

Questionnaires were distributed (January 2000) to all textile and clothing companies willing to participate in the project with a request that they be returned to Gherzi personnel only. Some of the participating companies (54) not only received questionnaires but were also interviewed. The information collected both from the questionnaires and the interviews was analyzed and used as the basis for this project report.

Individual company data cannot be identified from this report.

In the Benchmarking Section (Appendix 2) a comparison is made of the performance of the Mauritian Industry under many different headings with that of selected competing countries. These comparisons are based on Gherzi's experience in Mauritius during this project and our experiences, when undertaking the same types, or similar, projects in the other countries.

gherzi

MISSION STATEMENT

MAURITIUS: THE TEXTILE AND CLOTHING INDUSTRY

We believe that the report paints an accurate picture of the Industry and its performance in the World Markets. It is, of course, critical in parts and complimentary in other parts. The criticisms are our constructive way of saying:-

“Yes, You are quite correct. You do not have a Sun-Rise Industry.”

and

“No, You are not correct. You do not have a Sun-Set Industry.”

Provided the issues and challenges are addressed by the Industry and Government in tandem, we believe that you will have an Industry that will operate successfully at its zenith, i.e.

HIGH NOON

MAURITIUS – VISION 2003
TEXTILE & CLOTHING INDUSTRY

MISSION STATEMENT

- Raise Exports to US\$ 1.3 bn in 2003
- Improve competitiveness, management & operator skills / reduce conversion costs to achieve export targets
- Change social fabric of community
- Adjust Policy Framework
- Diversify markets / products
- Encourage investment, including foreign in new projects

MAURITIUS – VISION 2003
Textile & Clothing Industry

	1999	2000	2003
Exports: US\$ bn	0.92	1.00	1.30
Employment th	82	80	78
Markets:% France	25	24	20
UK	22	21	20
USA	25	25	24
Madagascar	5	5	3
Others	23	25	33

INDUSTRY-WIDE ASSESSMENT

Strengths:

- Installed technologies & machine parks in best practice mills
- Product quality / product ranges
- Competitive labour costs / willing work force
- Market image / reputation / established position
- Business culture
- Membership of SADC & COMESA; ACP / LOME country
- Member of the Commonwealth

Weaknesses:

- Faith by entrepreneurs in future of Mauritian Industry
- Shortage of skilled middle management / shop floor supervision
- Motivation of personnel / transport & work environment / vocational training
- Labour productivity levels
- Reluctance to address domestic issues and meet local challenges; is moving off-shore the solution ?
- Geographic location for imports & exports
- 100% import raw materials / 100% export finished goods
- Currency exchange rates

Opportunities:

- To become a highly competitive, diverse textile & clothing industry able to respond to market needs with shorter lead times
- To become a market driven supplier of upgraded products
- To maintain high employment levels
- To make the essential changes in the social fabric of life in the country so that the position of industry within the community can be adjusted to allow for greater accommodation of every citizens' needs, as the changes have been made successfully in other countries

Threats:

- The industry will be transferred increasingly to off-shore bases
- Buyers will circumvent Mauritius and deal directly with off-shore companies
- The capital intensive primary textile sectors could lose their local customers bases; further investments in the sector would be restricted and the industry would lose its critical mass
- Employment levels would suffer; the ex-patriate workforce's contracts would not be renewed to maintain local nationals' jobs and export trade values would decline significantly
- No alternative employment prospects on the Island are apparent

ISSUES & CHALLENGES

• ISSUES:

- Foreign investment, strategic alliances in the Industry
- Cost of capital for investments
- THE "M" FACTORS – Re-STRUCTURING
- Companies' business strategies / SWOT analyses
- Middle management shortfall / skills
- Personnel motivation / labour productivity / absenteeism
- Freight costs / reliability of shipping companies
- Export promotion
- New projects

• CHALLENGES:

- Government to consider competitive investment incentives
- Government to consider 'Modernization Fund' –soft loans
- Government and Company actions to upgrade the Industry
- Companies- upgrade strategies to international competitiveness
- Govt & companies- upgrade training & re-training facilities
- Government & companies to address the causes of low productivity –skills training, motivation
- Govt & companies to improve reliability of shipping lines
- To re-position the para-statal Institutions so they may serve the Industry's needs
- Consider new projects to add to the depth of the Industry and to reduce response times

GHERZI

UNDP / MAURITIUS SECTORAL STUDY

1. THE INDUSTRY

1.1 REVOLUTION OR EVOLUTION ?

1.0 THE INDUSTRY

1.1 REVOLUTION OR EVOLUTION ?

The Mauritian Textile and Clothing Industry has made remarkable progress since the 1970's. It has compacted into the last 25 years or so what the Industry in Western Europe achieved over almost 200 years and the 'tigers' of Asia in almost 50 years. The new 'tigers' in S. E. Asia have hardly achieved the same levels as Mauritius after 30 years or more of endeavour.

All participants to the Industry over these years are due for congratulations; the workforce, the local and foreign industrialists and entrepreneurs, the successive governments who have supported the Industry over the years, the para-statal Institutions and also those foreign investors who helped to catalyze the Industry in its early days and who have since left the Island. The combined efforts of all participants have changed the Mauritian economy from that of an agro-based one to a manufacturing economy, with the Textile and Clothing Industry at its core.

Of course, some of the opportunities were there for the taking: The unique advantage that Mauritius had as an Afro-Caribbean-Pacific (ACP) country under the Lome Convention; the country's attractive investment incentives of the time for direct foreign investment (FDI) as well as the competitive price of labour.

That these opportunities were seized is a credit to all parties concerned despite the continuing disadvantages of the large geographical distances from all of the world's major markets and the total lack of indigenous raw materials.

Such a rapid rate of industrialization, almost a revolution than the usual evolution, inevitably has its consequences. This is particularly so in Mauritius with infrastructural imbalances within the Industry on the one hand and within the social fabric of the community on the other. These intra and extra imbalances are the root causes of many of the Industry's problems to-day that result in higher product costs that need to be addressed with some urgency, in order that competitiveness can be maximized before the Industry is weakened too much through the underlying current mood of pessimism and disinvestment in the industry that could take place.

1. THE INDUSTRY

1.2 PAST AND PRESENT

1.2 PAST AND PRESENT

The Textile and Clothing Industry is the major contributor to the Nation's economy in almost all respects, as is shown in the following tables. The 1990's ended with-

- Increasing textile and clothing exports having the largest share of all manufactured goods exports (Table 1.1) and of total exports (Tables 1.2 and 1.2a)
- A limited number of three countries accounting for 75% of the Export Processing Zone's (EPZ) exports (Table 1.3) and with fewer than 10% of the companies sharing 90% of all textile and clothing exports
- Mauritian national entrepreneurs having the majority share of the equity in companies continues to increase: 1999 =65% (Table 1.4)
- The number of companies in the EPZ Textile and Clothing Industry is reported to be 282 (Table 1.5) although it is understood that several of these companies are dormant. Additionally, there are reported to be 150 micro-sized textile and clothing companies that fall under the auspices of SMIDO (Small and Medium Industries Development Organization) but these companies hardly export directly. The Central Office of Statistics (CSO) in its analysis of the size structure of manufacturing companies and employment 1997 (Table 1.5a) shows 384 companies, including small companies, with several of these having the same owners within group holdings
- The EPZ Sector employed an estimated 92,000 persons in 1999 (Table 1.6) that showed a recovery from a 1984 low of 82,200. More than 80% of these employees work in clothing companies and 4% in textile businesses. It is understood that the 150 micro-sized companies employ no more than 1,500 persons
- The number of persons employed overall in the TEXTILE Sector declined in 1999 (Table 1.9), especially of local nationals and particularly females. The decline of jobs in textiles was more than off-set by the number of job increases in the CLOTHING Sector. Ex-patriate workers have an increasing share of the jobs in the Industry (1999 = 14.6%)
- The TEXTILE (Yarns and Fabrics) companies employed fewer persons in 1999 than in 1998, especially fewer females (Table 1.7). In contrast, CLOTHING companies increased their employees over the past year, especially of males
- Within the Clothing Sector, KNITWEAR companies showed a decline in employees overall but with an increase in male workers whilst 'OTHER' Clothing companies showed a significant increase of both male and female employees (Table 1.8)

1.2 PAST AND PRESENT continued

- Ex-patriate workers account for a far higher share of production and of exports than the share of jobs held by them. It is estimated that the 11,690 ex-patriates (14.6% of the workforce) account for more than 30% of the exports. This is based on the ex-patriates demanding to work the maximum possible permitted (70 hours per week) each week and the higher productivity levels achieved by them.
- The Industry ends the 1990's with a similar workflow and manufacturing programme as it started. Weaving and knitting companies are largely dependent on imported yarns except for some cotton system yarns (spun for its own use by an integrated denim mill) and some woollen system spun yarns (mule and ring). Clothing companies are dependent either on own knitted and finished fabrics, and some locally woven fabrics, but mainly on imported dyed and finished fabrics. The materials flow is shown schematically in Graphic 1. The dependence of the Industry on imported yarns and imported finished fabrics is shown in Table 1.10
- Increasingly, locally produced woven and knitted finished fabrics together with knitwear blanks are being exported to lower cost countries, especially to Madagascar, for conversion into finished garments
- Investments in capital intensive parts of the Industry's manufacturing base have been made in significant amounts in the last few years by many companies. These investments have been made in Woollen Spinning, Weaving, Dyeing and Finishing, Knitwear and in Garmenting with state of the art plants to achieve quality consistency on the one hand and to meet the ecological standards championed by customers' governments on the other
- The perceived market image of the Industry is essentially one for attractive knitwear, fashionable knitted shirts (T shirts, sweat shirts, polos etc) and for classic dress shirts, trousers, etc. Quality levels are of a higher than average standard in the markets and a reputation for reliability.

The significant changes to the Industry over the last years are illustrated in Graphics 2 and 3. The reducing profitability and the causes are identified.

1.2 PAST & PRESENT continued

1.2.1. The Primary Textile Sector: Spinning, Weaving, Knitting & Processing

The Primary Textile Sector in Mauritius is relatively small as the bigger Garment Sector is largely, but not exclusively, dependent on imported finished fabrics as its raw materials. The strategic thinking behind the textile companies' investments was to feed fabrics into the downstream garment companies on the Island rather than to export fabrics. This remains their primary function to-day although fabric exports in 2000 are higher than they have ever been, as Mauritian garment companies despatch the fabrics to, for example, Madagascar for making-up.

The Primary Textiles Sector consists of:-

- Two denim mills of which one has the only cotton yarn spinning unit (open-end) on the island whilst the other works with bought-in yarns. Both mills have warping, warp dyeing, weaving and finishing plants. The fully integrated mill has own garment production in Mauritius and the semi-integrated mill has a new jeans factory on Madagascar that consumes an increasing share of its denim production. Both denim companies are foreign owned.

Total spindles installed at the end of 1998 were, according to ITMF:-

~ short staple 1,712
~ open end rotors 1,728

- Two cotton weaving mills producing coloured woven and piece dyed shirtings and other fabrics. One mill is undergoing modernization whilst the second recognizes the need to upgrade its technology but has not yet taken a decision to do so. Each company has weaving and dyeing / finishing capacities. Both companies were foreign owned but the one now being modernized is Mauritian owned after two periods of foreign ownership.

Total looms installed at the end of 1998 were, according to ITMF:-

~ shuttleless 267
(including denim, shirtings and other fabrics)

- One printing company working on a commission basis with one printing machine (1995) that combines 4 flat screens and 4 rotary screens production to a maximum width of 190 cms.. The company has the required CAD, photographic and screen making units to produce whatever flat screen designs are required and that are within the capability of the machine. Rotary screens are imported from Hong Kong. Prints are mostly pigment but with some discharge designs on substrates that are mostly cotton knits, including some with Lycra.
- Woollen Spinning, modern ring and mule (intermittent) technology, serving the local Knitwear Industry, both integrated with knitwear production or independent companies

Total spindles installed at the end of 1998 were, according to ITMF:-

~ long staple spindles 1,000

1.2 PAST & PRESENT continued

Chapter 1.2.1 The Primary Textile Sector continued

- Fibre and yarn dyeing; usually modern plants for stock or package dyeing achieving reasonable dye cycle times and colour consistency
- Knitwear; up to 30 companies licensed but some may be dormant, with an increasing number of computerized machines for standard products. Hand operated flats are still Used on the Island but many have been transferred to Madagascar.
- Circular Knitting; companies varying in size from 10 to more than 100 machines, often modern. Some of the 36 licensed companies are dormant

Machines installed during 1995 -1998 were, according to ITMF:-

~ Total circular knitting machines	258
of which single <24 inches	19
single >26 inches	117
double <26 inches	29
double >26 inches	93

93 electronic jacquard machines are included in the above total (1998)

This list does not include machines installed prior to 1995 nor machines installed during 1999

- Knitted fabric dyeing and finishing ; mostly modern plants integrated within knitting mills of whom several act also as commission dyers and finishers for third parties on a commission basis. Capacity utilization is an area for improvement

1.2.2 The Garment Sector

The Garment Sector comprises almost 300 companies working almost exclusively for the export markets and employing more than 76, 000 persons. Whilst the number of employees continues to increase, the share taken by ex-patriates is of the order of 14% (10,650) and rising. As described earlier in this chapter, the 14% of ex-patriate workers account for more than 30% of the exports by value of the Garment Sector, allowing for the higher productivity and numbers of hours worked per person.

This labour intensive sector of the Industry highlights the difficulties of the Industry as a whole with restricted motivation, limited skills training and management resulting in overall lower productivity in spite of the significant investments made by several companies in modern materials handling and other related systems.

Almost one-third of the fabrics converted into garments and other made-ups in the sector was imported as fabric (28,773 tons) in 1998 and a further one-half was imported as yarn (40,460 tons) – Chapter 1.2.4

1.2 PAST & PRESENT continued

1.2.3 The Consumer Market

Whilst Domestic Market demand is met in part from locally produced garments and other made-ups, a significant further part is met from direct garment imports. In 1998, garment imports were:-

~ woven garments	2,093 tons
~ knitted garments	2,491 tons
~ TOTAL	4,584 tons

This level of garment imports amounts to 3.8 kg per capita of the population.

1.2.4 Imported Raw Materials

All raw materials consumed by the industry are imported. In 1998, imports totalled 88,325.1 tons as follows:-

~ fibres	19,092 tons	21.6%
~ yarns	40,460 tons	45.8%
~ fabrics	28,773 tons	32.6%
TOTAL	88,325 tons	100%

FIBRES: Raw cotton accounted for 78% of fibre imports and wool for almost 20%.

YARNS: Cotton yarns accounted for 88% of yarn imports and wool yarns for 5%.

FABRICS: Analysis of fabric imports shows that about 20% of imports are knitted fabrics whilst 80% are wovens.

Further analysis shows that more than half of the finished fabrics imported are piece dyed, as follows:-

~ grey fabrics	2,675 tons	9.3%
~ bleached	1,977.5 tons	6.9%
~ piece dyed	15,268.5 tons	53 %
~ coloured woven	1,184.7 tons	4.1%
~ printed	3,967.6 tons	13.8%
~ denim	3,699.6 tons	12.9%
~ TOTAL	28,772.9 tons	100 %

Could not a significant part of these fabrics, especially those based on cotton, be processed in Mauritius in order that shorter lead times / faster response times for garment shipments may be achieved, based on locally held stocks of imported grey fabrics, that will provide a stronger base for the Industry ?

1.2 PAST & PRESENT continued

1.2.5 Critical Factors – 1999.

The end of the century sees the Industry at a cross roads with uncertainty as to the way forward. The critical factors shaping the Industry include the following.

➤ New Investments

The Textile and Clothing Industry in Mauritius has made some major investments in higher capital cost, state of the art machines for woollen spinning, weaving, knitting, processing and cloth laying but with the expectation that the stitching operations in the future will move to lower labour cost countries in the Region. This same philosophy is found in South Africa.

State of the art machines for these investments have been selected in order to obtain the needed consistency of quality.

➤ Exchange Rates

The Industry believes that the exchange rate disadvantages it in two directions: Firstly, most raw materials are purchased in US \$, which effectively appreciates costs in MAU Rupee terms, and, secondly, a large part of the exports are to EU / EURO-LAND countries and are invoiced in Euros that continue to devalue.

➤ Workforce

The total number of persons employed in the Industry continues to increase, both with local nationals and, particularly, with ex-patriates

Ex-patriates and their contributions:-

Ex-patriates currently represent just over 14% of the 82,000 workforce but they will account for more than 30% of exports, by value. This seemingly un-representative part of the exporting programme arises from the higher productivity levels of the ex-patriate workers and of their single motivation for being in Mauritius, i.e. to earn money on 3 year contracts and their determination to work the maximum number of hours permitted (70) each week for 52 weeks a year, if possible.

Personnel Motivation and Absenteeism

Local nationals on the other hand have a different set of priorities. Males are still the major bread winners of the family whilst females, apart from a group that includes divorced women and single mothers, are the second income earners in the family whose earnings "top up" the husbands' wages to provide certain luxuries for the family. These ladies' first priorities are to their families and only secondly to their work. Consequently, a child's sickness, a mother-in-law's accompanied visit to a doctor or hospital or other 'duty calls' have first priority on their time.

That these responsibilities are taken by working wives and mothers is, of course perfectly laudable from the families' points of view but adds to the Industry's costs and inefficiencies with high levels of absenteeism and lower levels of productivity.

1.2 PAST & PRESENT continued

1.2.5 Critical Factors - 1999

Personnel Motivation and Absenteeism – continued

Another factor is that families have bought the household luxuries that they can envisage affording, i.e. television, videos, other household appliances, etc. These purchases are usually made on credit with considerable monthly re-payment charges. The next major purchase would probably be a far larger item such as a car but, in many cases, this can be only a dream. So, items such as cars do not come into the reckoning of most people. They have what they have, albeit on credit, and do not see the possibility of making large, further efforts to achieve what to them seems to be an impossibility.

Motivation to optimize production and income is, consequently, not high on their lists of priorities.

Changes to the Workforce

Some companies are asking for authorization to employ more ex-patriates whose total costs are higher than those of locals but their contribution to companies' economies are greater.

Whilst local nationals are fully employed, a further increase in ex-patriate jobs should not be a problem. But, if the number of jobs should decline, as is a possibility in the present market situation and if local nationals should become unemployed in any numbers, social problems are likely to arise.

Ex-patriates, because of their higher outputs, are a mainstay of the Industry and could not easily be missed without the main prop of the industry disappearing.

➤ Infra-structure – Workplace

Management of workplaces continues to be a difficulty in a number of ways of which three examples are quoted here.

Firstly, the all important layer of middle management in companies, including shop floor supervision, is, according to the survey results, both too thin on the ground and not adequately trained. As a result, the efforts of employees on the production lines is not as effective as they should be, resulting in lower motivation, quality and productivity.

The most productive production operatives are often promoted to supervisors and are expected to be proficient as supervisors without any formal training in management techniques. The breadth of this problem is clearly apparent in very many companies

1.2 PAST & PRESENT continued

1.2.5 Critical Factors – 1999 continued

Infra –Structure – Workplace continued

Some middle management, of course, are highly proficient and the concern is that more of these able persons will be transferred to run the off-shore locations, such as in Madagascar, and that the remaining management organizations in Mauritius will be further weakened.

Secondly, the workplace environment in many instances could be improved and this would lead to a better motivation of the workforce.

Thirdly, although employees may not have to travel far in terms of kilometres, as the Island is not so large, many have to spend at least an hour in the morning in non-air conditioned buses, so that they are enervated by the time they reach their workplaces and are unable to achieve the requisite productivity levels for some time.

➤ Infra-structure - Community

The evolution of the Industry and the development of the social fabric of the community have been on parallel lines rather than in tandem, so that industry on the one hand and shops, hospitals, doctors, schools, etc on the other have identical opening hours without meaningful appointment systems that would make life more convenient to the working population. As a result, excesses of time are spent, often whole days, waiting for appointments that result in high levels of absenteeism and disruptions to production lines.

All sections of the working community have responsibilities and commitments to their families, their jobs and each other. The need is for a homogeneous society having respect for the needs of society. Government advisers should address these social issues and make recommendations that the Government can have implemented .

1.2 PAST & PRESENT continued

1.2.6 Critical factors – 1999 continued

OVERRIDING FACTORS

“THE OVERRIDING ISSUE FACING THE INDUSTRY AT THE PRESENT TIME IS A COMBINATION OF THE FACTORS DISCUSSED ABOVE THAT RESULT IN EXCESSIVE PRODUCTION COSTS AND REDUCED COMPETITIVENESS. THESE FACTORS ARE LISTED BELOW, NOT IN ANY PARTICULAR ORDER OF SIGNIFICANCE, BUT WHICH COLLECTIVELY HAVE A MARKED IMPACT :-

- ✓ Personal motivation - low
- ✓ Family responsibilities
- ✓ Absenteeism - high
- ✓ Social fabric of community
- ✓ Work / transport environment
- ✓ Operator skills levels / training - low
- ✓ Middle management, skills / training - low
- ✓ Labour productivity – low
- ✓ Materials wastage – high
- ✓ Pessimism by Industrialists

MANY COMPANIES IN MAURITIUS SEEM TO BE RELUCTANT TO ADDRESS THESE ISSUES. THEY SEEM TO PREFER TO TRANSFER THEIR OPERATIONS TO MADAGASCAR OR ELSEWHERE, WHERE AT LEAST SIMILAR PROBLEMS WILL EXIST.”

“THE CHALLENGE TO INDUSTRY AND TO GOVERNMENT IS TO ENSURE THAT THESE ISSUES ARE ADDRESSED IN MAURITIUS TO BUILD A STRONGER, A MORE COMPETITIVE INDUSTRY. WE BELIEVE THIS TO BE REALISTIC.”

1. THE INDUSTRY

1.3 THE NEW CENTURY: A NEW ENVIRONMENT

1.3 THE NEW CENTURY: A NEW ENVIRONMENT

Many Mauritian textile and clothing companies have entered the new century with an underlying mood of pessimism; increasing costs of production in Mauritius and growing competition in the key markets as MFA (Multi Fibre Arrangement) Quotas are phased out leading to the global markets becoming liberalized by 31 December 2004.

This pessimism is shared by buyers in the major importing countries as several markets are still in a recessionary phase, e.g. Germany, Italy, France, and total imports have not matched the continuing growth patterns that were envisaged. However, this pessimism by buyers will not last, it is expected, and their requirements for imports, especially for clothing imports, will move rapidly ahead, particularly when quotas are finally eliminated. The yarn and fabric markets in the medium and higher cost countries will decline at that time whilst the clothing markets will increase very significantly (Table 1.11).

Many, if not most, of the larger Mauritian owned companies have invested in additional capacities in Madagascar or have transferred part of their existing capacities to Madagascar, or to other Regional Countries (Table 1.13), in order to have manufacturing bases in yet lower labour cost countries for labour intensive activities such as hand knitting, hand flat knitting, embroidery and garment stitching. However, some automatic, capital intensive, computerized knitwear machines have also been relocated to Madagascar in addition to the labour intensive, hand flat machines. It is noticeable that, as knitting production in Madagascar has built up, so has it declined in Mauritius (Table 1.12).

Some foreign owned companies in Mauritius have policies of not recruiting new personnel for their businesses whilst others have stated that they have confidence in the future in Mauritius – but they, of course, already have businesses off-shore.

The potential advantages of production in the neighbouring countries of the Region have yet to be proven. Madagascar has apparent labour cost advantages on paper but it also has a socialist philosophy from former regimes and low productivity levels of performance. Results so far indicate that Madagascar does not yield the expected advantages in terms of net manufacturing costs.

The pessimistic mood prevalent in some of the Industry suggests that textiles and clothing manufacture in Mauritius is in an inevitable state of decline. Is now the time to write off the Industry as the costs of manufacture are supposedly no longer competitive? This could, possibly, be a course of action to follow. After all, other countries have been forced out of textiles and clothing production, and some are being forced out even to-day, by the new market environment. But then these other countries do have labour costs that are 10 or 15 times higher than are prevalent in Mauritius, as shown in Chapter 2 – Benchmarking.

Mauritius could yield to the growing competitive pressures of global free trade in markets without quotas and transfer its textile and clothing businesses to other lower - cost countries.

Mauritius could, perhaps, attract alternative industries with foreign direct investments (FDI) – but it has not so far succeeded in attracting such labour intensive, new businesses until now. And, in any case, there are no indigenous raw materials available for other businesses either.

Other textile and clothing exporting countries are facing similar if not identical problems to the Industry in Mauritius. For example, whilst Bangladesh may have lower labour costs than Mauritius, it also has considerably lower levels of labour productivity and the greater part of the fabrics used for garment production are imported from very considerable distances in the Far East. The same issues exist in Sri Lanka, Indonesia and many other countries.

1.3 THE NEW CENTURY – A NEW ENVIRONMENT continued

India is having difficulties in creating the essential clothing sector that it desperately needs for the future and so is Pakistan. And there are other countries that have not yet reached the stage of development of their textile and clothing industries that Mauritius has, with similar costs, and who expect to take a share of the ever increasing global export market for clothing.

The Industry in the medium and higher cost countries will be facing the greatest problems of all in the quota-free era and much of their manufacturing capacities will close down once the protection afforded to them by quotas comes to an end. This explains why many of these companies are looking for partners in lower cost lands now.

Of course, some companies in the lower cost countries will also close down but these will be the weaker ones. The companies, for example, who had quota allocations as of right over many years and from whom buyers had to source their requirements as they had no alternative suppliers. These companies offered neither quality nor service and, therefore, will be neither competitive nor attractive to buyers in the new environment.

There are many more companies who will upgrade their performances and become major players in the new market environment.

Much of the pessimism for the future of the Industry in Mauritius is of the Industry's own making, it is believed. Manufacturing costs are considerably higher than they should be as production efficiencies and productivity levels are lower, for reasons that have been discussed elsewhere in this report, so that the industry is less competitive than it should be for many cost factors. And waste levels are surprisingly high that add higher costs to production.

Mauritian companies generally are not in this league of weak companies with a bleak future. It is our belief that the future can be bright, that competitiveness can be recovered through upgrading performances with both capital and labour intensive activities.

We AGREE with those who say that "The Industry IS NOT a SUNRISE INDUSTRY"

We DISAGREE with those who say that "The Industry IS a SUNSET INDUSTRY"

We PROPOSE that "THE INDUSTRY IS AT HIGH NOON" and that the following BLUE-PRINT sets out a programme to achieve and retain this position.

The prevailing mood of pessimism within the local Industry, its causes and consequences, could result in the loss making picture depicted in Graphic 4.

1. THE INDUSTRY

1.4 THE NEW ENVIRONMENT

1.4 THE NEW ENVIRONMENT

The global market environment after 31 December 2004 will be one without quotas and with reduced import tariffs (some countries have already reached the lowest tariff levels) that will allow 'free trade' between countries under the WTO rules. However, totally free trade will not apply for the following reasons:-

- Regionalization factors will give tariff advantages to countries within the several trade pacts
- Ecological factors, stipulations of importing countries and policies of buyers and governments themselves will restrict free trade flows
- Speed of response, product innovation, flexibility, utilization of Information Technology (IT) and costs will become even more key factors in the buying decisions.

Although Mauritius is not a member country of the two major trade pact groups in the world, i.e. The EU and NAFTA, the country has trading advantages through its membership of SADC and of COMESA (Table 1.13). The advantages result not only from the possibility of trading with other member countries of both groups at favourable rates of duties but especially in terms of the bilateral agreement already negotiated with The EU and the agreement of SADC with the USA (Africa Bill) that has now been finalized. Consequently, it may be expected that Mauritius will enjoy similar favourable access terms with these markets in the post Lome / post MFA quota era as now.

The present understanding is that the Africa Bill will be beneficial to member countries of SADC who convert either their own indigenous raw materials or raw materials of U.S. or of African origin into end-products that are exported to the USA. Products that qualify will enter the USA duty free. Consequently, end-products made entirely in South Africa from local cotton will be able to enter the USA duty free as will end products made in South Africa from US cotton or US cotton yarns.

In the case of Mauritius, the cotton fibre or yarns could be imported from the US, converted into end-products in Mauritius and exported duty free to the USA. Similarly, if the cotton fibre or yarns are imported into Mauritius from South Africa or other African countries, and converted into garments, the end-products may then be exported duty free to the States.

Competition between supply countries will, of course, be stronger after quotas have finished but the opportunities will be there for Mauritian companies to be successful provided they, with Government support, rise to the new challenges of the markets and upgrade their products and performances and recover their manufacturing cost advantages.

Graphic 5 illustrates the future possibilities and the some of the changes that need to be addressed. These changes and recommendations are presented in Chapter 3.

2. BENCHMARKING

2. BENCHMARKING

THE BENCHMARKING COMPARISONS WITH THE SELECTED COUNTRIES
COMPETING IN THE MARKETS AND AS MANUFACTURERS ARE
PRESENTED IN APPENDIX 2.

The Benchmarking Data presented in Appendix 2 is based on the questionnaires distributed to participating companies in Mauritius during the course of the Sectoral Study together with interviews held with the same and other Mauritian companies as well as on Gherzi's experiences in undertaking textile and clothing projects, including sectoral studies, in the selected countries.

The data collected from the several sources and presented here by Gherzi is, therefore, comparable and enables direct comparisons of the industries' performances in the selected countries to be made, according to the chosen parameters.

A ranking number has been quoted from 1 to 5 in most of the charts, whereby 1 is the target value or objective to be achieved. This value is attained by the best practice companies in most companies around the world. However, in these charts, we have purposely ranked the average or typical company in order to have comparisons between the 'mass' of the companies in Mauritius and the 'mass' of the companies in the selected countries.

Values in the range 2 to 5 show that improvements in performance are needed to achieve best practice, international standards. The higher the value, the lower the standard in operation and the greater the need for improvement.

3. RECOMMENDATIONS

3. RECOMMENDATIONS

OVERRIDING RECOMMENDATION:-

“THE INDUSTRY HAS A POSITIVE AND VIABLE FUTURE”

This recommendation is based on the already proven expertise of the Mauritian Industry and, especially, on the latent expertise that can be developed. Once this potential has been developed, it is our belief that the Industry will be as competitive as the best in the world. The Industry already has advantages that includes a perceived market image that stands for quality, reliability and delivery performance of garments.

The Industry has some inherent disadvantages that cannot be changed, e.g. the lack of indigenous raw materials; the geographical remoteness from the sources of raw materials and the long distances from the markets.

BUT OTHER OF THE DISCUSSED DISADVANTAGES, e.g.

- PERSONNEL MOTIVATION IN ALL OF ITS RAMIFICATIONS
- LOW LABOUR PRODUCTIVITY LEVELS
- SHORTAGES OF MIDDLE MANAGEMENT
- SHORTAGE SKILLED SHOP FLOOR SUPERVISORS
- ABSENTEEISM
- TRAINING
- INFRA-STRUCTURE
- MATERIALS WASTAGE

CAN AND SHOULD BE ADDRESSED JOINTLY BY COMPANIES AND GOVERNMENT.

There is an apparent mind-set in Mauritius that seems to think that labour costs are too high and that the opportunities in the neighbouring countries have to be exploited in preference to addressing the issues in Mauritius. We do not go along with this belief. There is scope for reducing the manufacturing costs in Mauritius by raising productivity levels. This does not necessarily mean that people have to work harder; it does mean that they should work more effectively or smarter. There are a number of factors that come under this heading and these are discussed in Chapters 3.1 and 3.2, under the respective headings of Recommendations to Government and Recommendations to Companies.

3.1 RECOMMENDATIONS TO GOVERNMENT – POLICY FRAMEWORK

The major problems facing the Mauritius Textile and Clothing Sectors are those that impact on its cost competitiveness in the international markets on the one hand and the apparent acceptance by some parts of the Industry, and by some sections of the Government that the labour intensive sub-sectors of the Industry can be transferred to other countries within COMESA and SADC, without undue consequences at home.

It is of concern that without significant changes to the Industry's performance – and the environment in which it has to operate – the results of these major problems will be that the number of jobs within the Industry will decline. It is assumed that under these circumstances, ex-patriate workers would be the first to be displaced and would return home. But this would hardly be a pragmatic solution to the Industry's problems as the ex-patriate workers contribute to a far greater share of the exports than on a pure head count basis, as discussed earlier in Chapter 1, i.e. 14% of the workforce generating more than 30% of exports by value.

Under these circumstances, and if the ex-patriates were to be retained only for the remainder of their current contracts, a growing pool of local nationals would become jobless, as no alternative employment opportunities are available.

Consequently, in order to attain the increased exports – up to US\$ 1.3 bn in 2003 – VISION 2003; to develop further the foreign currency earnings potential and to avoid social unrest, it is necessary to advance the Textile and Clothing Industry with slightly fewer people using both local national and ex-patriate workers. Fortunately, it is possible, in our opinion, for the Industry to be upgraded in terms of efficiencies and products in tandem with changes to the Government policy framework.

□ Exchange Rates

The Mauritian Rupee is caught twixt and between. It has been geared to an appreciating US\$ in which currency most raw materials are bought but with a significant part of the finished products sold in depreciating Euros (depreciation of 11.5% over the past 12 months) to mainland European countries. Commentators claim that this is not a unique situation and that many countries are experiencing the same situation as the currency in which sales are made deteriorates. However, what differentiates Mauritius from these other countries is that most raw materials are bought in appreciating US\$ whilst many end-products are sold in Euros. Other suppliers may buy part of their raw materials in US\$ but they also export in US\$. Can Mauritian companies not insist on invoicing in US\$ rather than Euros or hedge against currency fluctuations?

It is recommended that the Government policy of a free floating exchange rate against the US\$ should be re-examined to allow short term adjustments to be made to cushion against any negative swings by the major currencies.

3.1 Recommendations to Government – Policy Framework continued

□ Interest Rates

Interest rates are used as the tool to control inflation. Until recently, interest rates have been held at levels of 15% - 16%, to hold inflation at about 6%. Such interest levels are high but have not prevented some companies from making necessary investments in order to balance plant, to modernize or to diversify (BMD). Other companies, however, report that either they cannot re-invest in Mauritius until interest rates are reduced or make their investments in other countries where interest rates may be at the same levels but where incentives of up to 50% may be available.

It is recognized that Government needs to control inflation and that interest rates are the essential tool to do this, especially in a society that lives on credit. However, in order that the Industry can have access to capital at economic rates, it is recommended that funds be made available at preferential interest rates for both short and long term requirements.

This approach has been adopted in a number of countries to enable the industry to modernize, e.g. India with its Technology Upgradation Fund (TUF).

□ Fiscal Policy

The required enhanced exports from Mauritius in the short and medium term for the target set in VISION 2003 will be generated by the medium- to larger- sized companies of the Industry, especially by the small number of big businesses.

It is noted with some concern that corporate tax in the EPZ Sector, where most of the textile and clothing companies are located, will rise from 0% to 15% in the year 2000 / 2001.

It is doubtful if fiscal policies alone can be used to cause textile and clothing companies to source raw materials (accessories) from local manufacturers, as the buying decisions are taken by foreign investors or by foreign buyers.

□ Investment Incentives , especially for FDI

In the last years the Government has been attempting to attract new FDI to the country but without success. The problems are the same as some years ago when the textile industry was started, viz the need to import all raw materials and to export all finished products; the geographical remoteness of the Island; the small size of the domestic market in comparison with other possible FDI locations and the lack of grants or other incentives to attract industrial investors to Mauritius in competition to the offers made by other countries.

And yet Mauritius scores more positively than most countries in respect of many of the requirements for FDI's and strategic alliances, viz, opportunities for good business chemistry connections as well as good personal chemistry relationships; trust and transparency, based on compatible business cultures and work ethics.

3.1 Recommendations to Government – Policy Framework continued

Investment Incentives continued

It is recommended that Investment Incentives, either as loans at more favourable interest rates or financial support in other forms or a combination of these, should be made available to help companies to:-

- ~ identify their individual strengths, weaknesses, opportunities and threats
- ~ balance machines, modernize, expand and diversify
- ~ identify new textile / garment projects, including accessories
- ~ search for strategic partners for projects and their relocation to Mauritius
- ~ undertake market research projects in selected target markets and for product / geographic market diversification

It is recommended that the Government should have a policy, certainly on a specific case by case basis if not on a general basis, to attract investors to Mauritius through investment incentives to compete against those of the neighbouring countries of Madagascar, Reunion, and in other lower cost countries. Whilst there will be some considerable mileage to be made from developing the country as the hub of the region for financial services (MOBAA) and trading / commercial services, there is a continuing need for the re-generation of labour intensive industries such as the clothing sector, to create manual jobs for the major part of the population.

□ Freight Costs

Mauritius is dis-advantaged to some degree by its geographical remoteness from its sources of raw materials supply and from the ultimate markets for its finished goods. Air freight charges are considered to be inordinately high and should be avoided on most occasions except where they are paid by customers or, in exceptional circumstances, when they have to be paid to overcome the problems of late deliveries, for example. (See EPZDA study on freight costs.)

Shipments by sea are preferable from a cost angle. It is understood that not all shipping lines are reliable and that some may change their schedules to suit other interests, so that Mauritius' exports literally 'miss the boat'. Negotiations, perhaps inspired by Government, should be held with the shipping lines to get their commitments to treat the collection of goods from Mauritius with a greater degree of seriousness than has been reported to us during the project.

Equally, companies have the responsibility to ensure that their shipments are available to meet the advertized schedules of the shippers and to make corresponding reservations.

□ Import Policies

In line with WTO rules Mauritius has been re-structuring its tariff imports on goods for use in the domestic market. But for imports of intermediate products (raw materials), for re-exports as garments, there are no known difficulties with import tariffs.

3.1 Recommendations to Government – Policy Framework continued

□ Training: Middle management / Shop Floor Supervisors

It is often said that the key people in a business are the middle management teams, including shop floor supervisors, who manage the production operatives and manufacturing facilities. Without strong and effective middle management teams, machine capacity utilization levels fall and labour productivity levels drop. This is as true for Mauritius as it is anywhere else in the world. But, unfortunately, in Mauritius, according to Gherzi's experience, the problem is greater than in many other countries.

A new approach to training is necessary. A step-wise approach is proposed:-

~generate within companies the advantages of a trained middle-management / shop floor supervision who understand not only the technicalities of the process for which they have responsibility but also understand how to manage people and to supervise whilst ensuring that the correct quality levels are achieved at the correct tempo.

This could amount to a change in culture in many companies

~train middle-management / shop floor supervisors – courses to be recommended in a separate document

~train trainers to improve operators' skills; one or more own company trainers for each of the medium- to larger- sized companies and a team of trainers who could serve the needs a group of small- to medium- sized companies, on a charge out basis.

Unfortunately, middle management / shop floor supervisors and their training was a major problem in Mauritius in earlier days that was never solved and has been exacerbated as the Industry and some good managers have been moved over to Madagascar to run plants there.

The result is that the new plants in Madagascar attract some of the cream of Mauritian middle management, earning larger salaries, to control units making simpler garments whilst the units in Mauritius have an even greater shortage of management than before and are trying to produce more sophisticated garments. Consequently, the situation is becoming aggravated more and more.

Additionally, Mauritian middle managers are lured away from manufacturing by buying agents to take care of quality control and pre-shipment inspection in, for example, Lesotho, Madagascar and Botswana.

The market driven push from basics to more sophisticated garments raises the work standards required of middle managers.

It is recommended that the Government finances a training programme that will focus on the development of middle managers. Such a programme may be operated through an established organization such as the Clothing Technology Centre (CTC) who will, undoubtedly, need to have external support from international organizations expert in the business of training and achieving international performance levels.

3.1 Recommendations to Government – Policy Framework continued

□ Social Infrastructure of the Community: Absenteeism and some of the causes

Absenteeism levels are excessive throughout the industry to the extent that attendance bonuses are usually paid to encourage workers to turn up for work. The causes are clear:-

- ✓ lack of personal motivation by the second wage earners in families; satisfaction with incomes at certain levels and the apparent need not to earn more. For example, after a weekend of family chores, the working mother is too tired to work on Mondays, it is often said
- ✓ family commitments competing for workers' time, i.e. taking children to hospital or school that has to be done in normal working hours. Also mothers have to make their shopping visits during working hours
- ✓ During periods of drought, households are allocated water for a two hour period starting at 04.00 hours. For female employees with families, this restriction means that the laundry has to be done in the very early hours of the day. The washing is done; the workers are tired; productivity suffers and factory costs are increased. Such rules date from the time that women worked in the home.

These rules need now to be up-dated to take into account the changes that have taken place in the social fabric of the country.

- ✓ shortage of motivation in the workplace perhaps because of an unsatisfactory work environment or lack of job training

It is recommended that the Government addresses the needs of Industry and makes it practical for shops to be open longer for family shopping and that hospitals, doctors, schools and other institutions work with pragmatic appointments systems over longer hours during the days and evenings, to minimize the need for taking leave of absence from workplaces.

Such systems operate successfully in other countries. Whilst it may have taken some years for this type of more flexible working to be adopted in the other countries, it does not mean that Mauritius should wait the same lengths of time for changes to be made. Time is not on the side of the Industry.

□ Infrastructure: Ports, Container Terminals and Telecommunications

In comparison with competing countries the general infrastructure is at least on a par if not better than many other lands.

Nevertheless, there are pockets of improvements that can and should be made to ensure that the export trade is even better facilitated, e.g. in telecommunications in specific parts of the country

3.1 Recommendations to Government – Policy Framework continued

□ Infrastructure: Roads and Personnel Transport

Although the Island is relatively small, it can take one hour or more for personnel to travel to their places of work along the country lanes. Making such journeys each day in air-conditioned coaches would be tiresome but to make them twice daily in the vehicles currently available is considered to be a dis-incentive, a morale destroyer and a contributory factor to low productivity.

Public transport is not always available so the cost falls directly on the manufacturer to provide transport that may only make journeys twice a day at costs that consequently become excessive. It is recommended that the Government appoints a task force to examine the question of transport to determine what can be done in terms of superior public or private sector services, with support incentives as may be appropriate.

The proposed ring road / flyover to keep traffic out of Port Louis will be of benefit as travelling times will be shortened – and the much discussed rail system from Port Louis to Curepipe will be even beneficial as a people carrier. Whilst these costly investments will not totally obviate the need for better buses, they should reduce the traffic densities on the roads and make it easier for those who perforce are obliged to use road transport.

□ Productivity –International competitiveness: Professional Training

In spite of several institutions' best efforts, the levels of professional and vocational performance attained in the Industry at all tiers from company owners and senior managers to middle managers, supervisors, trainers, production operatives, engineers and other professionals is often lacking. IVTB has a responsibility for vocational training that it is trying to fulfill but without the necessary human resources; the CTC has recently embarked on a series of training programmes that should be of help to the Industry and the University is producing technical and other graduates to work in the Industry.

We believe that greater efforts need to be made that will ensure that everyone's efforts are correctly focused on the jobs to be done and that trainers ensure, for example, that all personnel doing the same job on a production line use the same best method and work to the prescribed work tempo in a work environment that motivates the personnel.

It is recommended that Government funding should be made available to one or more institutions in Mauritius to enable the essential training programmes, including the training of trainers, can be fully established. These programmes should also include practical sales and marketing schedules and human relationships. The ultimate objective will be to fully motivate all of the personnel in the Industry

□ Baby creche, Children's Nurseries

Day time accommodation for babies or toddlers is very limited in both the public and private sectors. In the case of the latter it is also very expensive. It is recommended that the Government should consider ways and means of opening or supporting day care centres that would enable females to return to work if they should so wish.

3.1 Recommendations to Government – Policy Framework continued

□ Export Promotion

MEDIA provides a full level of service to the industry to develop exports but the question remains should it, and indeed could it, do more? The larger companies are of the belief that they do not need MEDIA but helps MEDIA out by joining in MEDIA promoted fairs and exhibitions.

There is more than a grain of truth in this claim as the large companies do represent the bulk of the export trade now through established market contacts and will do so in the short to medium term.

A lot has been written about the export potential of small companies but their ability to meet the performance standards of overseas buyers is open to question. Of course, some smaller companies are qualified to export and others will do so in the future provided that they are inducted in the 'why's and wherefore's' of meeting delivery commitments for quality products.

It is recommended that MEDIA should assist the potential smaller to medium sized exporters, through accreditation, both technically and commercially, to acquire the necessary know-how and help them to climb up the learning curve. This support to companies could be provided internally by MEDIA or with external technical assistance from CTC and overall commercial / technical assistance from international agencies. Assistance to be funded in part by the companies and in part by MEDIA.

MEDIA is also well positioned to help companies enter into strategic alliances with foreign companies and this, it is recommended, should become one of their key areas of activity. External consultants need to be used to 'sell' the j-v concept to potential buyers.

□ Para-Statal Institutions

EPZDA, MSB, MDB, IVTB, MEDIA, SMIDO, CTC, NPCC, the University, et al.

The roles of these para-statal institutions have evolved over the years with an increasing degree of overlap in their assumed responsibilities. At the same time, Industry believes that it is not receiving the levels of support that it may expect.

Consequently, a firm recommendation is to re-examine the roles of each of these institutions, to rationalize as is practical and to re-w-n-e-w the institutional support that will provide support services that will enable the industry to perform better

3.1 Recommendations to Government – Policy Framework continued

□ TEXTILE MODERNIZATION FUND (TMF)

It is recommended that the Government should make available a fund of money, the TEXTILE MODERNIZATION FUND (TMF), that can be loaned to companies at preferential rates of interest, perhaps 6% less than the normal commercial interest rates, to encourage companies to make investments in:-

- ~ diagnostic studies leading to balancing, modernization and diversification programmes, including new machine investments; product diversification; human resource development, etc, for increases in competitiveness and productivity through:-
- ~ cost reduction actions
- ~ market research projects
- ~ strategic alliances
- ~ integration, e.g. upstream investments along the textile chain

It is envisaged that the fund will be one that is:-

- ~ of a limited amount (say, US\$ 350mn)
- ~ loans are made on the basis of a maximum amount per project, according to the type of project, on a first come first served basis
- ~ loans are made for a maximum period of 5 years per loan
- ~ interest payments are made without a moratorium; capital repayments may have a 2 year moratorium
- ~ projects are assessed both technically, commercially and financially before loans are made and are monitored in practice with Government having first call on outstanding payments should the project fail.

3.1 Recommendations to Government – Policy Framework continued

□ TEXTILE INDUSTRY RE-STRUCTURING UNIT (TIRU)

It is recommended that the Government should establish

A TEXTILE INDUSTRY RE-STRUCTURING UNIT (TIRU)

to have responsibility for assessing projects submitted by companies for funding under the TMF, allocating funds according to the priorities of the Projects in Industry terms; the demonstrated feasibilities according to approved bankable reports and monitoring the companies' progress during the terms of the loans.

The TIRU will be responsible to the Industry Consultative Council (ICC) for undertaking the project analyses and evaluation of the bankable reports submitted by companies; recommending loan allocations; monitoring the use of funds during the loan period and making further recommendations as may be required from time to time.

The TIRU should have a small executive team and work with external consultants who are experienced with the international markets and industries.

The TIRU should assist companies with skilled external professional advisers, as well as with financial assistance, to undertake the proposed Corporate Diagnostic Studies (Chapter 3.2.2) and to help develop the Industry Roots, (Chapter 3.2.1), especially where this might be an investment in a service business such as commission processing, where some catalyst may be needed to set the plans in motion.

The TIRU will need to be familiar with the best practice textile and clothing manufacturing methods used world-wide and of the changing global market scene.

The TIRU should find it advantageous to work closely with external advisers whose tasks will be to evaluate projects identified by local companies and to identify new projects for the Industry in Mauritius, on a project by project basis.

The TIRU could have a representative on the management boards of companies taking loans for the duration of the loan period.

It is proposed that the responsibility for operating the TIRU should be handed to the MDB who will be charged with running the scheme effectively, i.e. with the minimum bureaucratic procedures, and working with approved external advisers.

If the TMF should become fully utilized, the Government may decide to top it up with extra funds. Essentially, the cost to Government is the difference between the rates at which the loans would normally be made to companies and the lower interest rate charged for the softer loans.

3.2 RECOMMENDATIONS TO COMPANIES

3.2.1 TARGET MARKETS & PRODUCTS

The export markets to be targetted in the coming years will be the same as in the past years for the most part, i.e. the EU and N. American markets. The reason being that these are the largest importing markets in the world and that the bi-lateral arrangements made between the respective governments provides special facilities for trade. These preferential trade arrangements will be, it is expected, or already have been, extended through new bi-lateral agreements under the auspices of SADC and COMESA.

However, the export market net should be scattered wider than to the two principle markets, as there are alternative markets of increasing importance to exporters. As manufacturing costs rise in many countries, so their garment production facilities are cut back and they will become increasingly dependent on imported clothing. Typical examples are Japan, Korea, Taiwan, Australia and New Zealand.

Portugal can be used to illustrate the point even though it is an EU member country and has a direct and duty free access to the other 14 country markets of the EU. The country has the lowest labour costs in the European Union and could have a dynamic and strong garment industry with an ability to supply the EU markets quickly and at low cost. In practice this is not the case as the Portuguese Garment Industry is in decline and the country is becoming a significant clothing importer. It is expected that this trend will gather pace in the next four to five years, as quotas are phased out, protection is lost and the local industry becomes less competitive.

The withdrawal of MFA quotas, by the EU and USA Governments, under the Marrakesh Agreement, will result in a decline in the manufacturing capacities of the higher cost countries, as the protection in place until now is withdrawn, and the opportunities for additional exports, especially of garments from lower cost countries, increases.

Other criteria will determine who will be the preferred trading partners outside of the normal commercial arrangements between companies. Under the WTO, global free trade is to be encouraged subject to certain import duties and protection against unfair practices such as dumping and the like. Globalization is a widely used term suggesting liberal trade between all countries but in practice other limitations will be in place. Regional Trade Pacts (RTP) will have a more important role in the future than hitherto, with zero duties covering intra- pact trade and the encouragement of self-sufficiency within an RTP whilst some duties will be applied to imports from outside of each of the RTPs. (A map of the world's RTPs was presented at the Seminar in January 2000.)

Additionally, buyers are expected to reinforce the restrictions they place on their suppliers in terms of social requirements, e.g. prevention of child labour; environmental protection, e.g. pollution of the air, land or water; and ecological, e.g. banning of certain azo dyes and other potential carcinogenic additives, flame retardancy requirements and the like.

The opportunities are available, within these traditional and new target markets, to widen the product base to include products that are not mainstream products at the present time for the Mauritian Industry. For example, the Industry should examine the opportunities to supply the markets with alternative outerwear, e.g. blousons, technical weather garments; protective wear for industry; professional clothing (uniforms for the police, the army, the airlines, etc); silk garments; socks and other hosiery items.

3.2.1 Recommendations to Companies cont.

TARGET MARKETS and PRODUCTS continued

As possible, it is proposed that these products should be based on local primary textile production, i.e. at least on fabric processing (dyeing / printing / finishing) in Mauritius if not on local fabric weaving or knitting and on local garment stitching.

3.2.2 INDUSTRY ROOTS

The Textile and Clothing Industry in Mauritius is primarily, but not exclusively, so a garment assembly industry that is typical not only of the industry in Mauritius but also in such countries as Indonesia, the Phillipines, Vietnam, Thailand, Sri Lanka, Bangladesh and many others. These countries import processed fabrics for the most part and convert these fabrics into garments to buyers' orders. The companies rarely have their own selling organizations or product ranges and are dependent on customers buying their capacities at a price. As the available global, lower cost capacity for garment assembly is greater than demand, one garmenting company in any one of these countries is played against a company in another country (within certain limitations such as quota, for example), so the buyer is able to force a very low price on the markets.

The industries in some of these countries are now considering to invest upstream as well as in marketing activities, so that they have a greater control over their own destinies in the future and, especially will be able to offer faster response times from own fabric processing, based on locally held stocks of imported greige fabrics, if not on own fabric or yarn production.

Mauritius has a form of floating industry without roots to quite some degree, so that the industry can easily move away to another location. It may be compared to a large lily leaf on a pond that could drift to another location. If the roots were in place, the industry would be locked more firmly into the country and would be made to work. It is strongly recommended that strategic investments should be studied to lock a successful textile and clothing industry into the national economy.

3.2.3. DIAGNOSTIC EVALUATION OF COMPANIES' BUSINESS STRATEGIES

- SWOT Analyses of Company Performances / Review of Corporate Strategies

It is recommended especially that companies should make diagnostic studies of their performances in the forms of Strength, Weakness, Opportunities and Threats Analyses to determine their present performances, their future potentials and the necessary strategies to achieve them.

3.3 Recommendations to Companies continued

Diagnostic Studies of Companies' Business Strategies continued

The studies to be made with a view to the revision of company strategies in terms of:-

- ~ product mix;
- ~ markets served,
- ~ sales policies with particular emphasis on lead times;
- ~ manufacturing costs, including technologies employed, machine capacity utilization and, particularly labour productivity levels;
- ~ management organization, effectiveness and training

Manufacturers in Mauritius appear to consider investments in new machines and new technologies for making more sophisticated products more quickly as the panacea for the essential improvements in productivity and quality levels rather than to tackle the more fundamental problems of strengthening their internal organizations that will solve the problems more emphatically and permanently.

The recommended diagnostic studies will show the weaknesses in companies' operations and the real investments required in terms of machines; human resources; training schemes for operatives and management; selling organizations, etc.

The SWOT analyses could be made by the companies themselves, or externally by international organizations with expertise in the field of international competitiveness, and will enable companies to determine the future strategies that can then be implemented. It has been proven that 'outside eyes' can better identify the problems and opportunities within companies than companies' own personnel as they have no prejudices of the company but do have experiences of other businesses around the world. Probably the most appropriate 'outside eyes' in the world are from Western Europe where companies have fought for many years to achieve the highest possible levels of productivity as costs have escalated year on year.

The responsibility for undertaking these diagnostic studies will be firmly with the companies themselves but it is recommended that the Government should encourage companies to make the studies as a starting point for implementing strategies that will conserve and create job opportunities in Mauritius.

Financial assistance is available from international agencies to contract external consultants whose direct inputs can contribute to productivity increase of 15% - 20% on average, in our estimation.

High quality standards are generally achieved but at a cost. In more than 30 companies visited in the field work of this audit, the effort put into achieving quality standards was inordinately high and is an area for cost reductions without reductions in the standards achieved.

3.2 Recommendations to Companies continued

▪ NEW PROJECTS

Companies to study the possibilities and to identify new projects that could provide new advantages to themselves, as well as to the Industry in Mauritius at large and to the creation of more jobs on the Island.

Typically, such NEW PROJECTS could be:-

- ~ a DYEING, FINISHING and PRINTING house working on a commission basis to enable stocks of 'standard' grey fabrics held on the Island to be converted into finished fabrics within a shorter space of time, and at a lower cost, than that required for the of import of finished fabrics.
- ~ a SILK project for the piece dyeing / printing of imported grey fabrics, and yarn dyeing, weaving and finishing, and the conversion of the fabrics into finished made-up products, e.g. ties, blouses, scarves, home textiles.
- ~ a WORKWEAR / PROFESSIONAL CLOTHING project, based on locally woven fabrics or imported grey fabrics that are finished locally.
- ~ an ACCESSORIES project – the garment assembly companies on the Island and those working with buying agents for their orders are usually provided with the accessories on the bases of cost, simplicity and security. Is this not an area that could be indigenized ?
- ~ a cotton spinning mill in view of the new opportunitites created by The Africa Bill

There will be other projects whereby industrialists in high cost countries are looking for reliable partners with whom to join but these will become apparent only when the potential partners are sought out and the possibilities in Mauritius are "sold to them".

All projects should be carefully studied with techno-economic feasibility studies.

3.4 RECOMMENDATIONS TO GOVERNMENT AND COMPANIES

INDUSTRY CONSULTATIVE COUNCIL (ICC)

It is recommended that an Industry Consultative Council be set up as a joint Government – Industry organization with the responsibility of overseeing the future development of the Industry according to the agreed VISION 2003 and Blue-Print. The time frame for the Council should be up to 3 years.

Members of the Council will be, for example, 3 key Ministers and 3 senior industrialists from the private sector under the Chairmanship of the Minister of Industries.

The Councils' task will be to ensure that all parties who can contribute to the final version of the Blue-Print do so and that all resources are harnessed to achieving implementation of the agreed Plan. The Council Members will be charged with the responsibilities of, respectively, bringing influence to bear in Government to accelerate the needed changes in the Policy Framework and that the Institutions are re-organizing to satisfy the needs of the re-structuring companies.

Additionally, the Consultative Council would have overall responsibility for TMF and TIRU.

IT / EFFICIENT CONSUMER RESPONSE

A modern Industry requires fast and immediate access to the Internet to be in contact with suppliers as well as with customers. This is not possible in Mauritius at the present time. The monopoly on the service provided is resulting in a slow and high priced service. Changes must be made in the short term to raise competitiveness.

EFFICIENT CONSUMER RESPONSE on a company by company basis is a needed strategy whereby:-

- ~ all decisions and major processes are driven by downstream demand
- ~ response times are shortened through re-engineering of major processes (technical time is rarely more than 10% of lead time; 90% is organization)
- ~ selling / buying process is replaced by a business relation - partnership where both parties work together to maximize income (availability of the right merchandise at the right time) and cut costs (duplicated operations, administrative costs, planning, material sampling and testing, collections, packaging, logistic costs), shifting from a win – lose to a win - win relationship.

4. LONG TERM OBJECTIVES:

A BLUE-PRINT FOR THE INDUSTRY

4 LONG TERM OBJECTIVES: A BLUE-PRINT FOR THE INDUSTRY

Based on the findings of this report, it is our belief that the strategic objectives of the Mauritian Textile and Garment Industry should be as follows:-

4.1 EXPORT GROWTH TARGETS and NEEDS

- Adopt a positive philosophy that the Industry has a very definite future in Mauritius. Set growth targets for exports: e.g.
 1999 – US \$ 0.92 bn 2000 – US \$ 1 bn; 2003 – US \$ 1.3 bn
 i. e. showing positive growth from the plateaued export levels of the last years
- Strengthen the export performance of the Garment Sector targetting the markets in the EU (bi-lateral agreement), USA (Africa Bill), Japan and Australasia
- Reduce manufacturing costs and upgrade performances and productivity levels (by 20%), as discussed in the above findings and recommendations in both the primary textile and garment sectors. These improvements to be realized by the more effective working of personnel at all levels within companies, including owners, senior and middle managers / supervisors as well as machine operatives and support staff - NOT necessarily by working harder but more effectively, i.e. smarter
- Actively search for new textile and clothing related projects with potential joint-venture partners, perhaps including the transfer of approved, used plant that can bring new, alternative products and, perhaps, semi-integrated textile and clothing businesses to the Island
- Develop product innovation as a specialism to become the preferred suppliers to the markets
- Develop the Primary Textile Sectors as a substantive supply source of raw materials to the Garment Sector - as far as is practicable - when lead and delivery times are of the essence. Encouragement to be given to new process houses, to enable faster deliveries of dyed, printed and finished to be made to garment companies
- Government to address the issues that are its responsibility and adjust the policy framework recommendations so that the solutions to the problems can be put into place, including revising the para-statal institutions
- Maintain the present levels of employment in the Industry, including the expatriate workers, with the expectation that total numbers can increase again in the future
- Evaluate the viability of investing in yarn spinning and weaving plants to support the downstream activities of the Industry. It may or may not be appropriate to make these investments at this time, according to the surplus capacities available in the world or in nearby preferred supply countries

4 LONG TERM OBJECTIVES-- A BLUE-PRINT for THE INDUSTRY continued

• 4.2 RE-STRUCTURING ISSUES / ACTIONS FOR THE INDUSTRY -

The "M" Factors

RE-STRUCTURING AREA	ISSUES	PROPOSED ACTIONS
▪ MOTIVATION	Raising Productivity: -the Major Problem -company owners, managers and production workers	see sections 2 to 9 hereafter
▪ MANAGEMENT	Ownership Management numbers, structure efficiency, quality, skills Human Resource Development Corporate Planning	Type of Ownership Select additional management, Develop mgt. skills, information systems Upgrade mgt, especially middle mgt / supervisors Upgrade
▪ MANPOWER	Availability, motivation, skills, productivity (incentives) Human Resource development Relations with Management	Upgrade work environment, upgrade personnel transport Review skills development Review, Institutional Devlp Review
▪ MAURITIAN Government	Infra-Structure Motivation	Improve Changes to the Social Fabric of the Community - Policy Framework

4. LONG TERM OBJECTIVES – A BLUE-PRINT FOR THE INDUSTRY continued

• 4.2 RE-STRUCTURING ISSUES / ACTIONS FOR THE INDUSTRY cont

▪ MONEY	Availability	TMF
	Cost of Money - interest rates	Policy Framework
	Investment Incentives–local / FDI	Introduce competitive incentives – Policy Framework
▪ MILL	Size, integration, status Structure	Consider mergers, closures, balancing mill . Selective investments – TMF
	Strategies	Make diagnostic studies – SWOT Analyses. TMF to part finance
	Linkages	Develop linkages intra and extra Mauritius
▪ MODERNIZATION	Technology Balancing	see Machinery hereafter
▪ MACHINERY	Technology, flexibility, Balancing, age, diversification	Balance plants, de-bottleneck, modernize. Selective investments – TMF
	Utilization, productivity, Maintenance	Middle Management
	Import substitution	Selective Investments – TMF
▪ MARKETING	Product & Market Strategies	Review – Diagnostic Study / SWOT Analyses. TMF to part finance
	Market orientation, practices	Review practices, MEDIA's role

4 LONG TERM OBJECTIVES – A BLUEPRINT FOR THE INDUSTRY continued

- RE-STRUCTURING ISSUES / ACTIONS FOR THE INDUSTRY cont

▪ MATERIALS	Sourcing, prices, quality	Materials conservation, Production scheduling
	Freight charges – inputs/outputs	Management
	Wastages / damages	Management
	Lead times for finished goods	Consider closing gaps in Textile Chain: Selective Investments - TMF

Also develop EFFICIENT CONSUMER RESPONSE (ECR) on a company by company basis. ECR is a company strategy where

- ~ all decisions and major processes are driven by downstream demand
- ~ response time is shortened through re-engineering of major processes (technical time is rarely more than 10% of lead time; 90% is organization)
- ~ selling / buying process is replaced by a business relation – partnership where both parties work together to maximize income (availability of the right merchandise at the right time) and cut costs (duplicated operations, administrative costs, planning, material sampling and testing, collections, packaging, logistic costs), i.e. shifting from a win – lose to a win – win relationship.

4 LONG TERM OBJECTIVES – A BLUE-PRINT FOR THE INDUSTRY continued

4.3 PROGRAMMING / TIMING

These longer term actions require short term planning and implementation. It is strongly recommended that the following programme is instigated.

MONTHS 1 - 2.

a) Government to review its policies concerning:-

Investment incentives: review of incentives offered by neighbouring countries and implementation of new policy in Mauritius

Consider adjustment to the exchange rate of MAU RUPEE to the US\$

Review the rules and regulations applicable to the Social Fabric of the Community, e.g. shop hours, hospital / doctors surgery hours / appointments, public transport etc

Study the setting up of a TMF to help finance individual company projects varying from diagnostic studies to selective investments.

Consider setting up a TIRU to evaluate the projects to be considered for financing by the TMF, to evaluate the projects submitted for part financing and to monitor the loans made to projects.

Also to evaluate projects submitted for investment incentives – both local and FDI

OBJECTIVES: Government to demonstrate their belief that the Textile and Clothing Industry has a long term future in Mauritius provided that equal opportunities are provided for new investments and, especially, for personnel motivation and skills development.

And to encourage company owners and entrepreneurs that they should invest their energies in the local industry and to overcome the present inherent difficulties, e.g. labour productivity / motivation as the Government is aiming to do from its position

b) Companies to start reviews of their Strategies: it is recognized that this is the prerogative of each company to decide for themselves where their futures lie but, given that the Government is prepared to solve the inherent national problems to the best of its abilities, companies are encouraged to review their strategies in the context of the changing environment

c) Set up a joint Government – Industry Consultative Council to discuss the Government's initiatives and to meld them to meet industry's requirements.

Agree Action Plan and timetable for implementation

4.3 Programmeing / Timing continued

MONTH 3 - 12

Government and Companies to implement their responsibilities within the agreed plan

Consultative Council to meet quarterly to review progress made by the industry in strengthening its export performance and to fine tune the plans as necessary. Also to review the work of the Textile Re-structuring Unit

MONTH 13 - 24 etc

Continue the work programmes started in months 1 - 12

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APPENDIX 1: TABLES OF MAURITIAN
and INTERNATIONAL DATA

TABLE 1.1 - EXPORTS: TEXTILES and CLOTHING as SHARE
 MANUFACTURED GOODS. 1997-99 FOB MAU R mn

CLOTHING REPRESENTS MORE THAN 84 % of EXPORTS

	1997	1998	1999	1999 % change 1st half	1997 - 99
Manufactured goods	21579	24457	12856	28600	32.5
%	100	100	100	100	
Textiles, yarns, fabrics	1310	1062	802	1802	37.6
%	6	4.4	6.3	6.3	
Clothing	18142	21121	10843	24110	32.9
%	84.1	86.3	84.3	84.3	
Others	2127	2274	1211	2688	26.4
%	9.9	9.3	9.4	9.4	

SOURCE; C.S.O.

TABLE 1.2; EXPORTS - TOTAL EXPORTS and MANUFACTURED GOODS SHARE
1997 - 1999 fob MAU R mn

MANUFACTURED GOODS REPRESENT MORE THAN 90% OF ALL EXPORTS
WITH AN INCREASE TREND fob MRU RMN

	1997	1998	1999 1st half	1999 est	1999 % change 1997 - 98
All exports	23049	26075	13666	30400	31.9
%	100	100	100	100	
of which					
Manufactured goods	21579	24457	12856	28600	32.5
%	93.6	93.8	94.1	94.1	
Others	1470	1618	810	1800	
%	6.4	6.2	5.9	5.9	

SOURCE: C.S.O.

TABLE 1.2a - EXPORTS: ANALYSIS OF CLOTHING EXPORTS 1997 -98

KNITWEAR and T SHIRT EXPORTS ARE DECLINING whilst SHIRT and TROUSER EXPORTS ARE INCREASING.

	VOLUME mn pieces		VALUE MRU R bn	
	1997	1998	1997	1998
Knitwear	16.4	15.2	3.583	3.759
T shirts	69.3	65.3	5.355	5.939
Shirts	18.1	20.3	3.031	3.778
Trousers	26.4	28.3	4.125	5.232
Others			3.36	3.475

SOURCE; MINISTRY OF INDUSTRY AND COMMERCE

TABLE 1.3 EPZ EXPORTS BY DESTINATION, 1997 - 1999 fob MAU R mn

75% OF EXPORTS GO TO 4 MARKETS;- FRANCE, U.K., U.S.A., and MADAGASCAR. THE LATTER IS OF INCREASING IMPORTANCE FOR MAKING-UP MAURITIAN PRODUCTS WITH ACCESS TO USA MARKET. SOUTH AFRICA HAS NOT BEEN A MAJOR MARKET THUS FAR.

	1997	1998	1999 1st half est	1999 % change 1997 - 99	
All markets	23049	26075	13666	30400	31.9
%	100	100	100	100	
of which					
FRANCE	5669	6259	3214	7460	31.6
%	24.6	24	23.5	24.5	
UNITED KINGDOM	5341	5488	3089	6590	67.2
%	23.2	21	22.6	21.7	
U.S.A.	4354	6053	3288	7520	72.7
%	18.9	23.2	24.1	24.7	
MADAGASCAR	757	835	653	1090	44
%	3.3	3.2	4.8	4.8	
S.AFRICA	76	99	20	38	
OTHERS	6852	7341	3402	7702	12.4
%	29.7	28.2	24.9	25.3	

SOURCE: C.S.O.

TABLE 1.4; OWNERSHIP OF EPZ COMPANIES - TEXTILE and CLOTHING - 1999

THE NUMBER OF COMPANIES IN WHICH FOREIGN NATIONALS HAVE
CONTROLLING SHARE HOLDINGS CONTINUES TO DECLINE

SHARE OF COMPANIES IN WHICH MAURITIAN NATIONALS OWN 50% OR MORE OF THE EQUITY	65.00%
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SHARE OF COMPANIES IN WHICH FOREIGN NATIONALS OWN 50% OR MORE OF THE EQUITY	35%
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SOURCE; EPZ

TABLE 1.5; EPZ COMPANIES - TEXTILE and CLOTHING, 1998 - 1999

THE NUMBER OF COMPANIES IN TEXTILES and CLOTHING IS RISING.

	1998	1999
Textiles; yarns & fabrics	33	35
Clothing;	234	247
of which knitwear	30	31
others	204	216
TOTAL	267	282

SOURCE; C.S.O.

Table 1.5a NUMBER OF COMPANIES IN THE INDUSTRY BY SIZE

25% of Textile companies employ more than 70% workers

	All companies		< 50 persons		50 - 99 persons		> 100 persons	
	firms	persons	firms	persons	firms	persons	firms	persons
All Cos.	878	105829	467	10771	156	11168	255	83910
of which								
textiles	52	5517	29	712	10	794	13	4011
clothing	332	67495	110	2700	62	4387	160	60408
- others	494	32817	328	7359	84	5987	82	19491

TABLE 1.6; EMPLOYMENT IN THE EPZ SECTOR -thousands

THE TEXTILES and CLOTHING SECTORS CONTINUE TO DOMINATE
EMPLOYMENT IN THE EPZ (and all manufacturing) SECTORS.

	1990	1992	1994	1996	1998	1999	% change 1990 - 99
Total employed	89.9	86.9	82.2	79.79	90.1	90.45	0.6
of which							
Textiles	5.7	5.6	4.6	4.2	4.3	4	-30
Clothing	76	75	69.6	65.5	75.3	76.1	
Others	8.25	6.3	8	10.1	10.5	10.4	26.8

SOURCE; C.S.O.

TABLE 1.7; EPZ TEXTILE and CLOTHING COMPANY EMPLOYEES

FEMALE EMPLOYEES IN TEXTILES ARE DECLINING; MALE AND FEMALE EMPLOYEES IN CLOTHING ARE INCREASING.

	1998	1999	% change 1998 - 99
Textiles	4331	3987	-7.9
of which			
males	3224	3135	-5.7
females	1007	852	-15.4
Clothing	72542	76488	5.4
of which			
males	20382	22292	9.4
females	52160	54196	3.9

SOURCE; C.S.O.

TABLE 1.8; EPZ KNITWEAR AND OTHER CLOTHING EMPLOYMENT

WHILST THE TOTAL EMPLOYEES IN KNITWEAR ARE DECLINING, THE NUMBER OF MALE WORKERS INCREASES; FOR OTHER CLOTHING, ALL EMPLOYEES ARE INCREASING IN NUMBERS.

	1998	1999	% change 1998 - 99
All clothing	72542	76488	5.4
of which			
Knitwear	18636	18544	-0.5
males	3563	3864	8.4
females	15073	14680	-2.6
Other clothing	53906	57944	7.5
males	16819	18428	9.6
females	37087	39516	6.5

SOURCE; C.S.O.

TABLE 1.9; EPZ TEXTILES and CLOTHING; LOCAL / EX PATRIATE WORKERS

THE TEXTILE & CLOTHING SECTORS ARE BECOMING MORE DEPENDENT ON EX PATRIATE WORKERS IN TERMS OF NUMBERS EMPLOYED, HOURS WORKED AND SHARE OF PRODUCTION /EXPORTS.

persons	1998	1999	% change 1998 - 99
Textiles	4331	3987	-7.9
of which Ex Patriates	502	507	1
%	11.6	12.7	
males	286	295	3.1
females	216	212	-1.9
Local	3829	3480	-9.1
%	88.4	87.3	
males	3038	2840	-6.5
females	791	557	-29.6
Clothing	72542	76488	5.4
of which Ex Patriates	8838	11183	26.5
%	12.2	14.6	
males	2558	3276	28.1
females	6280	7907	25.9
Local	63704	65305	2.4
%	87.8	85.4	
males	17824	19016	6.7
females	45880	46289	0.9

SOURCE; C.S.O.

TABLE 1.10; TEXTILE IMPORTS; 1997 - 1999, cif, MAU R mn

YARN and FABRIC IMPORTS CONTINUE TO INCREASE FOR CLOTHING ASSEMBLY. FIBRE IMPORTS DECLINING IN REAL TERMS.

	1997	1998	1999 1st half	1999 est	1999 % change 1997 - 99
Fibres;					
cotton	487	679	226	533	9.4
mmf	12	15	11	24	100
wool,hair	311	380	139	293	-5.8
sub total	810	1074	376	850	4.9
Yarns, Fabrics	7520	8888	4531	9038	20.2
% imports	90.3	89.2	92.3	92.3	

SOURCE; C.S.O.

TABLE 1.11 - GLOBAL FOREIGN TRADE, TEXTILES and CLOTHING; 1990-1998

CLOTHING EXPORTS TO GROW FAR FASTER THAN TEXTILE EXPORTS.

US\$ bn	1990	1995	1996	1997	1998	2005	% change 1990 - 98
							45
Textiles	104	150	151	159	151	180	185
Clothing	105	153	160	176	174	300	55.5

SOURCE; WTO, GTO

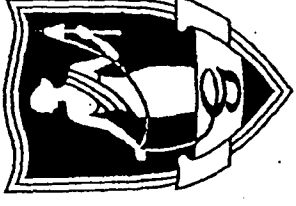
TABLE 1.12; KNITWEAR PRODUCTION; MAURITIUS & MADAGASCAR
1989 - 1998 (mn pieces)

MAURITIUS' LOSS OF KNITWEAR PRODUCTION IS MADAGASCAR'S GAIN.

1 YEAR	MAURITIUS	MADAGASCAR
1989	5.3	0
1990	4.8	0.3
1991	6.1	0.4
1992	6.3	0.5
1993	7.5	1.1
1994	5.3	0.8
1995	4.4	0.7
1996	4.7	1.1
1997	4.4	1.7
1998	4.2	2
1999 est	4	2.2
Overall Trend	Decline	Growth
2 IWS Licencees	10	6
3 Installed capacities	15.4	8.9
4 Machine types installed		
hand flat	x	x
computerized	x	x
circular	x	x
fully fashioned	x	x

SOURCE; I.W.S.

Appendix 2: BENCHMARKING



COMPETITIVE BENCHMARKING SELECTED COUNTRIES

GHERZI

MARCH 2000

Marketing

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Market knowledge	2-4	3	3	2-4	2	2	1	1	2	1
Active selling	3	4-5	3	3-4	2	1	1	1	1	1
Quota utilization	N/A	N/A	N/A	2-3	1-2	N/A	N/A	N/A	N/A	N/A
Non quota sales	1	1	3-4	3-4	3-4	1	1	1	1	1
Average prices	3-4	3-4	3	3-4	2-3	2-3	2	1-2	2-3	2
Trend in prices	-	-	-	0	0	-	0	0	0	0
Market Image	2-3	3-4	3	4	3	1	1	1	1-2	1
Target Markets i	EU	EU	EU	USA	USA	EU	EU	EU	USA	EU
Target Markets ii	USA	USA	USA	EU	EU	USA	USA / Others	Others	EU	USA / Others

1 = Excellent
 2 = Good
 3 = Average
 4 = Limited
 5 = Poor

+ = Increase
 0 = Average
 - = Decrease

N/A = Not applicable

Source: Gherzi Textil Organisation

Installed Plant 1998

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Yarn Spinning Cotton System - Ring	1,712	153,00	5,810,984	36,749,976	42,576,032	289,000	533,648	1,722,320	4,733,976	175,000
Yarn Spinning - OE	1,728	12,316	412,048	318,080	603,788	86,244	56,932	118,028	960,264	85,000
Long Staple	1,672	4,000	759,176	966,524	3,989,816	353,612	230,256	2,932,030	670,992	534,584
Weaving machines										
- Shuttle (cotton)	1	3500	40000	116,638	691,347	-	90	1700	7760	250
- Shuttle less (cotton)	267	2616	19456	9210	263288*	8028	6182	16000	64192	6066
- Wool	-	-	6250	7600	34110	1510	1000	19000	1840	3000

Source: ITMF

1 = Excellent
2 = Good
3 = Average
4 = Limited
5 = Poor

* including 209550 filament looms

Domestic consumption

COMPETITIVE FACTORS	BRAZIL	INDONESIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Per capita consumption (in Kg)	-	-	13.2	2.8	5.4			16.2	25	

Source: Gherzi Textile Organisation

Raw Material

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Fibre : Cotton	I	I	L	L	L	I	I	I	L	I
Fibre : Wool	I	I	I	I	I	I	I	I	I	I
Fibre : Synthetics	I	I	I/L	L	I/L	I/L	I/L	I/L	I/L	I/L
Yarn : Cotton	I/L	I/L	L	L	L	I/L	I/L	I/L	I/L	I
Yarn : Cotton blends	I	I	L	L	L	I/L	I/L	I/L	I/L	I
Yarn : Woollen	I/L	I/L	I/L	I/L	L	I/L	I/L	I/L	-	I/L
Fabric : woven	I/L	I/L	L	L	L	I/L	I/L	I/L	L	I/L
Fabric : knitted	I/L	I/L	L	L	L	I/L	I/L	I/L	L	I/L
Manufacturing trends spinning	0	0	+	+	+	-	-	-	0	-
Manufacturing trends fabric	+	0	+	+	+	-	-	-	-	-
Manufacturing trends clothing	+	+	+	+	+	-	-	-	0	-

L = Local
 I = Imported
 + = Increase
 0 = Average
 - = Decrease

The exit trends of the higher cost countries will accelerate to 2005.

Policy framework

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Incentives for exports	3-4	1	1-2	1-2	2	5	5	5	5	5
Incentives for foreign investments	4-5	1	1-2	1-2	2	2	3	2-3	5	2-3
Incentives for local investments	4	1-2	1-2	1-2	1	3-4	2-3	1	4	3
Finance availability	2	2	3	2	3-4	1	1	1	1	1
Foreign exchange constraints	4	2-3	2-3	1	3-4	4-5	5	4-5	5	5
Advantage from international trade agreement	1	1	1	2	1	1	1	1	1	1
Safeguard policies, anti-dumping, etc.	3	4	1	1	1	1	1	1	1	1
Barriers to export	3	2	2-3	3	2-3	4	4	4	3-4	4
Impact of new WTO rules on textile and clothing industry	1	1	1	2	2	5	5	5	5	5
Barriers to imports	3	2	2-3	3	2-3	4	4	4	3-4	4

1: Excellent
 2: Good
 3: Average
 4: Limited
 5: Poor

Source: Gherzi Textil Organisation

Policy framework (cont'd)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Illegal imports	4	1-2	3	2	2	4	4	3	4	4
Preventing policies	1-2	4-5	3	4	4	3-4	2-3	3	1	2
Environmental regulations and controls	2-3	2	2-3	3-0	2-5	2-5	2-5	3-0	2-5	2-5
Depreciation building	25	10	6	10	10	7	7	8	7	7
Depreciation machines	7	2-3	2-3	1	3-4	4-5	5	4-5	5	5
Double taxation agreements	+	+	+	+		+	+	+		+

Note : Mauritius support for new investments is low in comparison to competing countries. Also lower than partners in COMESA and SADC

1: Excellent
2: Good
3: Average
4: Limited
5: Poor

Source: Gherzi Textil Organisation

Policy framework (cont'd)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Exchange rate to USD	24	1.2	562.2	43.75	9	6.8	2.03	2000	1.00	
relationship to USD	rigid	stable	floating	floating	-	-	-	-	stable	stable
Advantages accruing from exchange rate policy	-	+	+	+	+	+	+	+	+	-
Policy framework consistency	0	0	0	+	0	+	+	0	+	+
Political stability	0	+	0	+ -		+	+	+	+	
Inflation 1998 %	6.0	4	58	3-4		1.6	1.8	1.8	2.7	3
Corporate tax %	35	35	36	38.5	18 ^B		40 (state)	37 (state) 16 (local)	3 (Federal) 16 (State)	25
Interest rates % p.a.*	15-18	Short: 12-13 Long : 9-11	34-44	13-15	23.5		7.5-8	8.25	Short: 8-9 Long: 8.5-10.5	Short: 8-10 Long:
Sales Tax, VAT %	5	18	15	4-10	10	19.6	16	20	Federal: 0 State: 5-8.25	15
Overall tax situation	3	3	3	2	2	5	5	5	4-5	4

Source: *The Economist*

A: Up to R 25 mn IFO (15% up to R 50 mn; 30% above R 50 mn)

B: Up to W 100 mn IFO (above = 32%)

C: For national companies (50-55% for foreign companies)

D: Includes 8% Contribuicao Social sobre o lucro

*: Nominal

+: Increase, good
0: No change, stable
-: Decrease, uncertain
1: Excellent
2: Good
3: Average
4: Limited
5: Poor

1998 foreign trade / Labour costs

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA Hong Kong	FRANCE	GERMANY	ITALY	USA	UK
Textile imports US\$ mn	480	1280	2317	-	12916	7497	10887	6509	13462	8308
Clothing imports US\$ mn	-	500	-	-	16197	11643	22345	5855	55720	11978
Textile exports US\$ mn	-	120	3549	5400	14207	7569	13263	13033	9216	5428
Clothing exports US\$ mn	920	2200	7058	4343	39715	5247	7684	14742	8793	4972
Clothing sector typical labour costs/ hour US\$	2.0 - 2.25	2.1-2.35	2.48	0.60	0.62	14.16	19.5	15.8	17.10	16.50
Labour productivity Clothing Manufacture	50-55*	45-55	70-80	40-50	60-75 (HK = 90)	85	100	95	90	90
Typical Labour costs per hour: US\$ cents / std minute	7.8	11.0	10.0	5.0	4.5	43.0	50.0	42.0	47.0	43.0

Note : Mauritius competitiveness is restricted by labour productivity levels

*The median would be considerably lower if it were not for some excellent performances of a few companies

- | |
|--------------|
| 1: Excellent |
| 2: Good |
| 3: Average |
| 4: Limited |
| 5: Poor |

Source: Gherzi Textile Organisation

Evolutionary comparisons

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
GNP per Capita US\$	3710	1930	2830	380	750	26170	28870	19880	28020	19600
Population in mn	1.13	9.1	62.7	983	1215	58.4	81.9	57.4	265.3	58.8
Water usage per capita per annum m ³	410	376	544	612	461	665	580	986	1839	650
Energy use , kg per capita 1995	388	591	1009	260	707	4150	4156	2821	7905	3786
Investment % of GDP 1996	26	24	24	27	42	18	23	18	18	N/A
Inflation 1990 - 96	6.5	5.1	78.2	9.2	12.0	2	2.9	4.7	2.5	3.3
Electricity consumption per capita	N/A	661	1057	339	637	5892	5527	4163	11571	5081
Telephone lines per 1000 persons	162	64	224	15	45	564	538	440	640	528
Personal computer per 1000 persons	32	6.7	13.8	1.5	3	151	233	92.3	362	193
Paved roads : % all roads	93.1	78.9	25.0	50.2	N/A	100	99.1	100	60.8	100

1 = Excellent
 2 = Good
 3 = Average
 4 = Limited
 5 = Poor

N/A = Not applicable

Source: World Bank

Infrastructure

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	MEXICO	FRANCE	GERMANY	ITALY	USA	UK
Roads	2-3	3	3-4	4-5	4-5	2	1-2	1	1	1	1
Railways	NONE	3	3-4	2	4-5	3-4	1	1-2	2	1	1-2
Airports	1-2	2	2-3	2-3	4	2-3	1-2	1	1	1	1
Harbours/Ports	2-3	2-3	3	4	4-5	3	1-2	2	3	1	1
Container terminals	3	3	3-4	4-5	4-5	3-4	2	1	3	1	1
Telecommunications	2-3	2-3	2-3	2-3	4	1	1	1	1	1	1
Customs clearance procedures	2-3	2	3	4	4-5	3-4	2-3	2	3	2	1-2
Electricity											
• shortage of supply	2	3-4	1	4-5	3-4	1	1	1	1	1	1
• consistency of supply	2-3	3-4	2-3	4-5	4	2-3	1	1	1	1	1

Source: Gherzi Textile Organisation

+: Increase, good
 0: No change, stable
 -: Decrease, uncertain
 1: Excellent
 2: Good
 3: Average
 4: Limited
 5: Poor

Human resources: skills and training middle management

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Training overall	3	3	2-3	2-3	2-3	1	1	1	1	1
Cost of middle management.	4-5	2	3	2	2	4	3	5	4	3
Language skills.	1	3	2-3	1	5	2-3	1	2	1	1

Middle management is an essential cost element but Mauritius has too few middle managers / supervisors and manufacturing performances suffer seriously as a consequence in terms both of quality and productivity.

Source: Gherzi Textil Organisation

- | |
|--------------|
| 1: Excellent |
| 2: Good |
| 3: Average |
| 4: Limited |
| 5: Poor |

Human resources: skills and training middle management (cont'd)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Sales Management skills available	3	3	3	2-3	2	1	1	1	1	1
Sales Management training facilities	3	4	3-4	3	2	1	1	1	1	1
Garment engineers skills available	2-3	3	3	4	3	1	1	1	1	1
Garment engineers training facilities	2-3	3-4	3-4	4	3	1	1	1	1	1
Pattern making expertise skills available	2	4	3	3	3	1	1	1	1	1
Pattern making expertise training facilities	2-3	4	3-4	3-4	3-4	1	1	1	1	1
Product development skills available	2-3	3	3	2-3	2-3	1	1	1	1	1
Product development training facilities	2	3-4	3-4	3	3	1	1	1	1	1
Work study personnel availability	4	4-5	3-4	4	4	1-2	1-2	1-2	1-2	1-2

1: Excellent
2: Good
3: Average
4: Limited
5: Poor

Source: Gherzi Textile Organisation

Work study personnel are too few; hence work station engineering is limited in Mauritius

Human resources: skills and training middle management (cont'd)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Middle Management skills available	4	3	3	5	3	1	1	1	1	1
Middle Management training facilities	4	3	2-3	3-4	2-3	1	1	1	1	1
Technicians engineers skills available	2-3	3	3	2	3	1	1	1	1	1
Technicians engineers training facilities	2-3	3-4	3	3-4	2-3	1	1	1	1	1
Computer expertise skills available	2	3	3	1-2	2	1-2	1-2	1-2	1-2	1-2
Computer expertise training facilities	2	3	3	2	2	2	2	2	2	2
Quality control expertise skills available	2	1-2	1-2	2-3	2	1	1	1	1	1
Quality control expertise training facilities	2	3	3	3	3	1	1	1	1	1

Source: Gherzi Textil Organisation

1: Excellent
2: Good
3: Average
4: Limited
5: Poor

The shortage of middle management and shop floor supervision disadvantages the Mauritian industry

Factors costs and textile mill operating hours (1997)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Wages/hour US\$ Index (Mauritius = 100)	0.90 100	1.89 210	2.02 208	0.56 60	0.58 62	0.58 1830 1830	1.80 1950 1950	16.65 1748 1748	12.88 1288	17.25 1725
Trends of wages (compared to 94)	+	+	+	+	+	+	+	+	+	+
Power costs/kWh in US cents Index (Mauritius = 100)	5.2 100	6.2 119	8.8 169	6.6 127	5.0 96	9.20 177	9.50 183	9.60 185	5.0 96	6.1 117
Mill operating hours/year	Up to 8400	6816	7,460	8,450	8,055	7,000	7,100	7,066	8,305	8,064

Mauritian labour costs compare favorably against those of Tunisia and Turkey.
Power costs are generally favourable

Source: Gherzi Textile Organisation

Employment in textile and clothing (thousands)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Number of persons	82	235	600	10 000	18 000	390	230	200	200	160

Source: Gherzi Textil Organisation

Labour, skills and training facilities

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Availability	3-4	2	2	2	2	1	1	2	1	1
Skills	2-3	3	3	4	3	1	1	1	1	1
Training facilities										
• In house	2-3	2	2	2	2	1	1	1-2	1	1
• vocational training schools	3-4	3	4	4	2	1-2	1	1-2	1-2	1
Productivity in Textile (Mauritius = 100)										
• best practice mill	100	95	104	98	94	104	108	110	108	106
• range	55-100	70-85	72-98	64-96	62-94	86-104	92-108	88-100	84-106	86-106
Absenteeism	4	4	4	4	4	5	3	4	3	2-3
Work ethics	3	3-4	3-4	3-4	2-3	2-3	2	1-2	2	2
Diligence and dexterity	3	3-4	4	4	2	1-2	1-2	1-2	1-2	1-2

Source: Gherzi Textile Organisation

1: Excellent
2: Good
3: Average
4: Limited
5: Poor

Manufacturing environment - clothing production

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Frequency of ISO 9001 / 9002 certification	2-3	4	3	4	5	2	2	1-2	2	2
Availability of CAD / CAM systems	2-3	3	4	4-5	4-5	1	1	1	1-2	1
Computerized production planning and control	2-3	3-4	4	4	4-5	1	1	1	1	1
Optimal space allocation	3-4	3-4	3	3-4	3-4	2	2	2	2	2
Efficiency of layout	3-4	3	2	3-4	3-4	1-2	1-2	1-2	1-2	1-2
Equipment	2	3	3-4	4	4	1	1	1	1	1
Flexibility for accepting small	3-4	2	2-3	4	4-5	1	1	1	2-3	1

Source: Gherzi Textil Organisation

1: Excellent
2: Good
3: Average
4: Limited
5: Poor

Mauritius has advantages over the competing countries but there is opportunity for a marked improvement and therefore competitiveness

Average making up time of selected garments (in minutes)

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Jeans : western style, classic, 5-pocket	16-22	23-28	14-18	22-30	15-22	12-18	10-12	10-14	14-18	10-13
T-shirts, polo shirts, sweat shirts	6-12	8-15	8-14	10-22	7-15	4-12	4-12	5-13	5-12	5-10
Trousers, men's dress	42-48	40-46	32-48	44-58	30-42	24-30	22-34	24-28	22-40	22-40
Shirts : men's dress and leisure	34-36	36-42	32-40	42-62	30-42	28-35	30-40	24-26	30-38	24-36
Knitwear, sweaters	19-25	27-33	25-34	28-42	24-38	20-28	19-26	18-22	21-27	16-24

1: Excellent
2: Good
3: Average
4: Limited
5: Poor

Making up times in Mauritius are considerably longer than in Western Countries

Source: Gherzi Textil Organisation

Clothing industry, marketing & logistics

COMPETITIVE FACTORS	MAURITIUS	TUNISIA	TURKEY	INDIA	CHINA	FRANCE	GERMANY	ITALY	USA	UK
Marketing orientation	3	4	3	4-5	3-4	1	1	1	1	1
Companies with own product design	3-4	4-5	4	5	5	2	1-2	1-2	2	2
Variety of fashion fabrics	2	2	2	2	1	1	1	1	2	1
Quality of fabrics	2	2	2-3	3-4	3	1-2	1-2	1-2	1-2	1-2
Delivery on time %	80	80	90	55	60	85	90	90	85	90
Repeat order times weeks	8-10	2-4	4	8-12	12-20	3-4	2-3	2-4	4-5	3-4
Prontamoda*	2	4	3-4	4-5	4-5	1	1	1	1-2	1

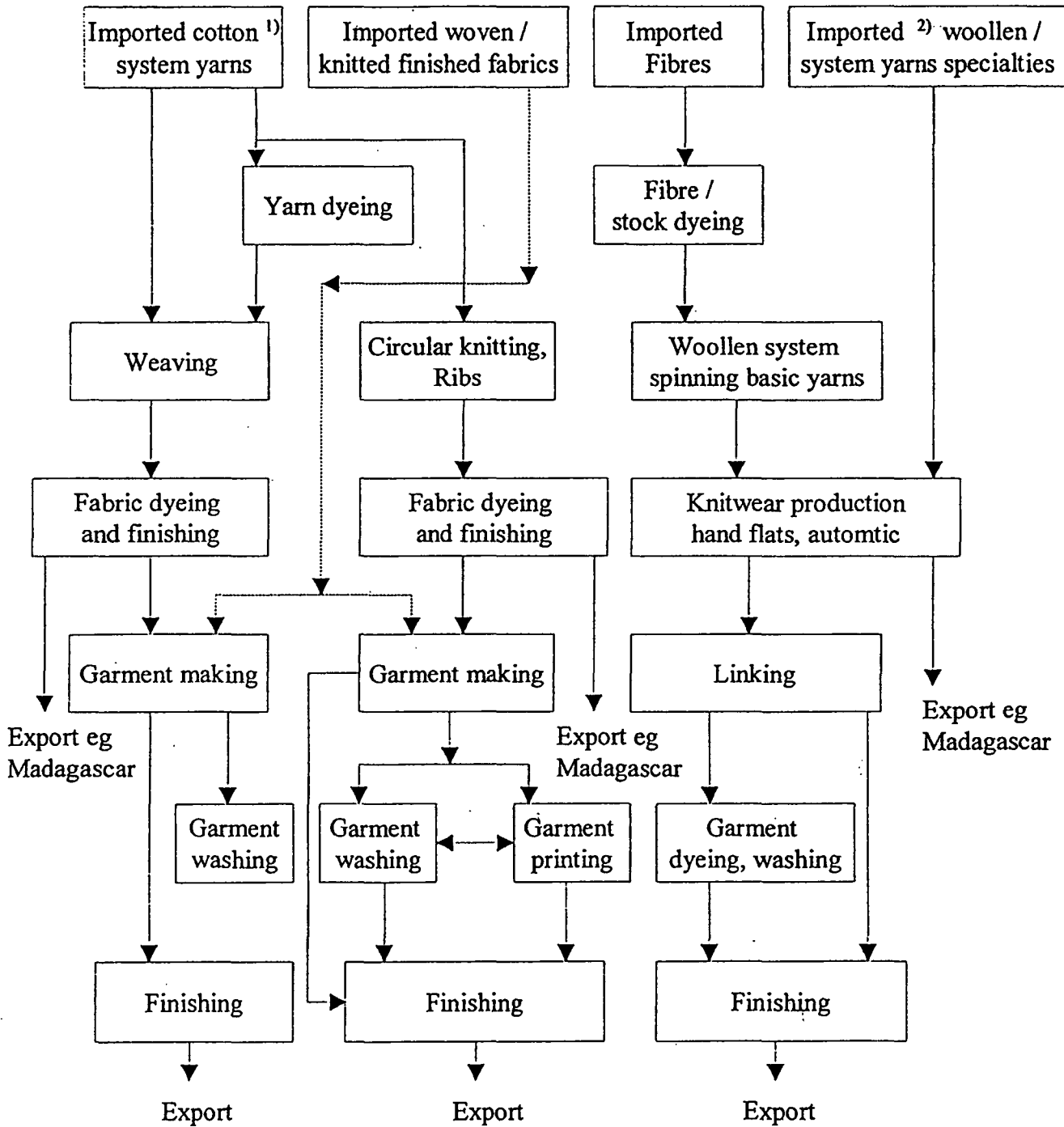
1: Excellent
2: Good
3: Average
4: Limited
5: Poor

* Product development and delivery within the season

Source: Gherzi Textil Organisation

Appendix 3: GRAPHICS

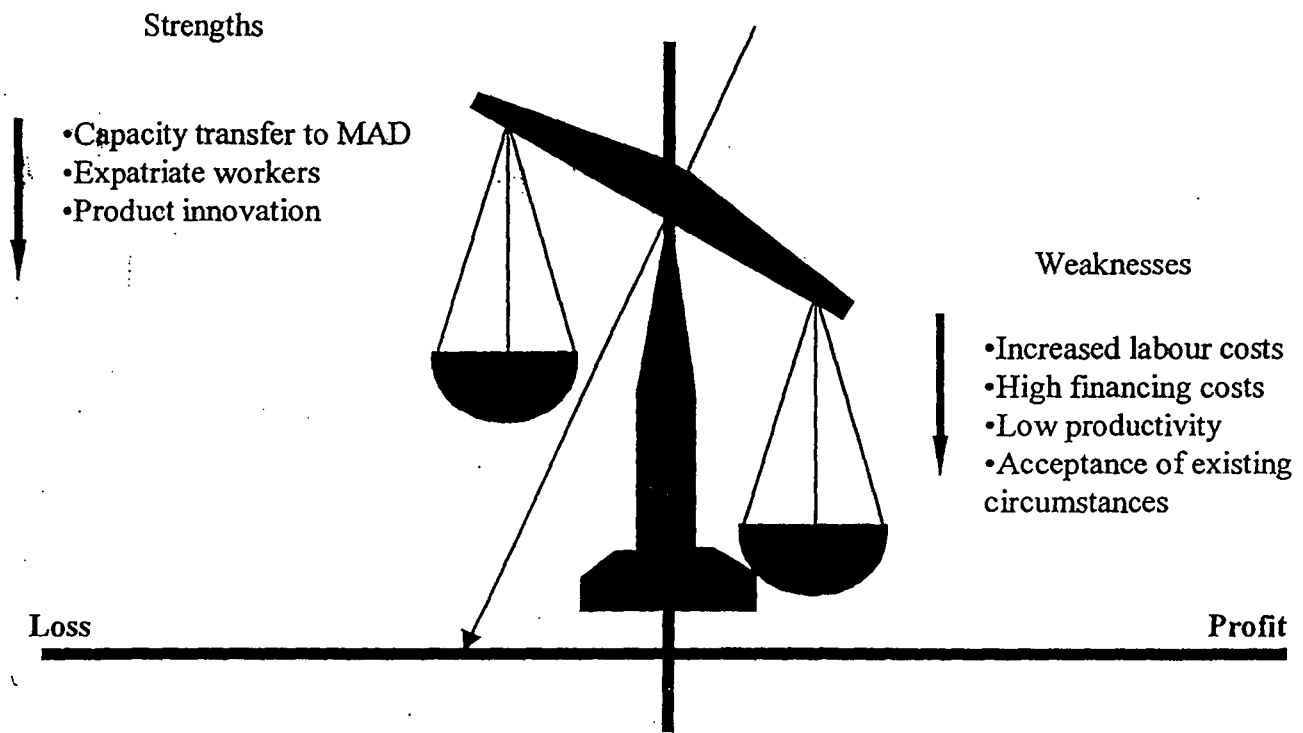
Graphic 1 : Schematic presentation of the work flow through the Mauritian Textile and Clothing Industry



1) Cotton yarns include 100% cotton yarns, cotton polyester and other blends

2) Woollen system yarns include 100% wool and variety of blends

Graphic 4 : In the balance - 2005 present strategy - "as maybe perspective"



Graphic 5 : In the balance - 2005 modified strategy - "as could be perspective"

