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Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

# **MASTERPLAN**

## **for the**

# **SOUTH AFRICAN FURNITURE INDUSTRY**

Following the setting out of a 'reimagined industrial strategy' by President Ramaphosa in 2019, a number of sectors have developed partnerships between investors, manufacturers, retailers, material suppliers, organised labour and public entities. This Plan is an initiative and aims to revitalise the South African furniture sector which has struggled in recent years.

This document presents a framework for adoption by the sector and for joint implementation. It has been developed following a consultative process which included many interactions between researchers, planners and industry stakeholders. An industry Facilitator has been appointed by the Minister of Trade, Industry and Competition, to enhance engagement and compact-building with industry leaders. The plan includes information, analysis and ideas collected from a wide range of players. All the actors in the industry including manufacturers, retailers, trade unions and industry associations have made significant inputs to the plan and commented on various drafts.

Any industry plan is only as good as our ability to identify problems jointly and to imagine solutions - and then to work together to implement the proposals that we adopt. The success of the process will depend on the goodwill of many players and will be seen in the jobs that we create and the successful companies that grow out of these proposals.

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## 1. OVERVIEW AND BACKGROUND ANALYSIS

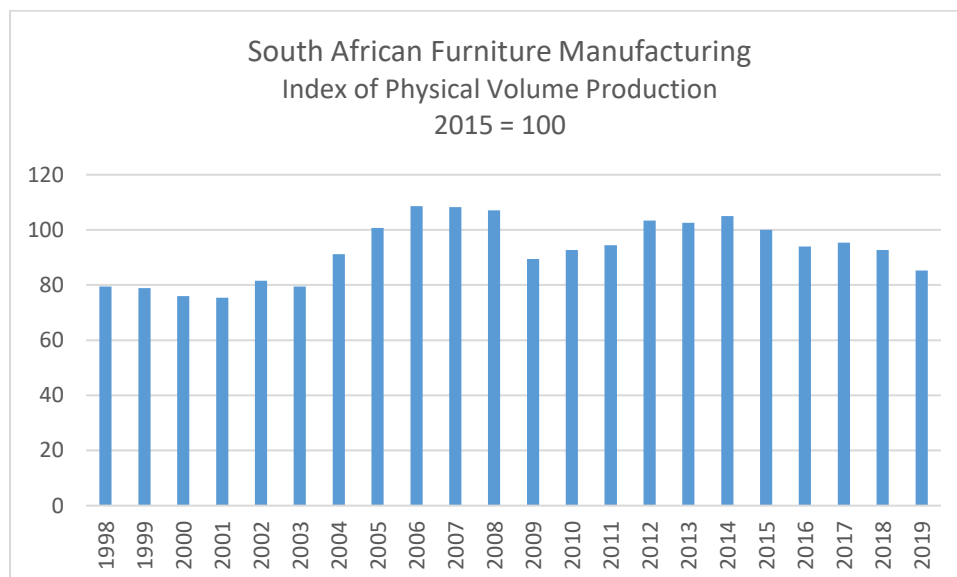
### 1.1 History of the South African Furniture Industry and recent trends

The furniture industry is an integral part of daily life in South Africa and an important economic sector. It is a labour intensive industry, providing job opportunities throughout the length and breadth of the country. Furniture manufacture draws on local materials and local skills, and provides an outlet for South African design. South African families invest hard-earned money in buying furniture which we often pass on to our children. This is an industry that we should nurture and expand.

The industry has a long history in South Africa and a significant skills base. There are many small and medium sized businesses involved, particularly on the manufacturing side, and many family owned firms. There are also large and significant South African companies in raw material production, manufacturing and retail, a number of whom have a presence throughout Southern Africa.

Despite its long and rich history, the industry experienced significant decline over the past decade. The sector was affected by a number of factors which caused disruption in the industry and undermined some of its historic strengths. Demand stagnated, imports rose and a number of important manufacturing companies collapsed as did some retail entities. Our capacity to manufacture furniture declined and the sector became more fragmented and more oriented to imports. Several large manufacturing companies closed down especially in the 'case goods' sub-sector. This is clearly visible in the statistics on manufacturing output. The output from South African furniture manufacturers peaked in the period before the Global Financial Crisis, following which there was collapse in output as the economy faltered. While output had begun to recover in the subsequent period, it has been in decline since 2015.

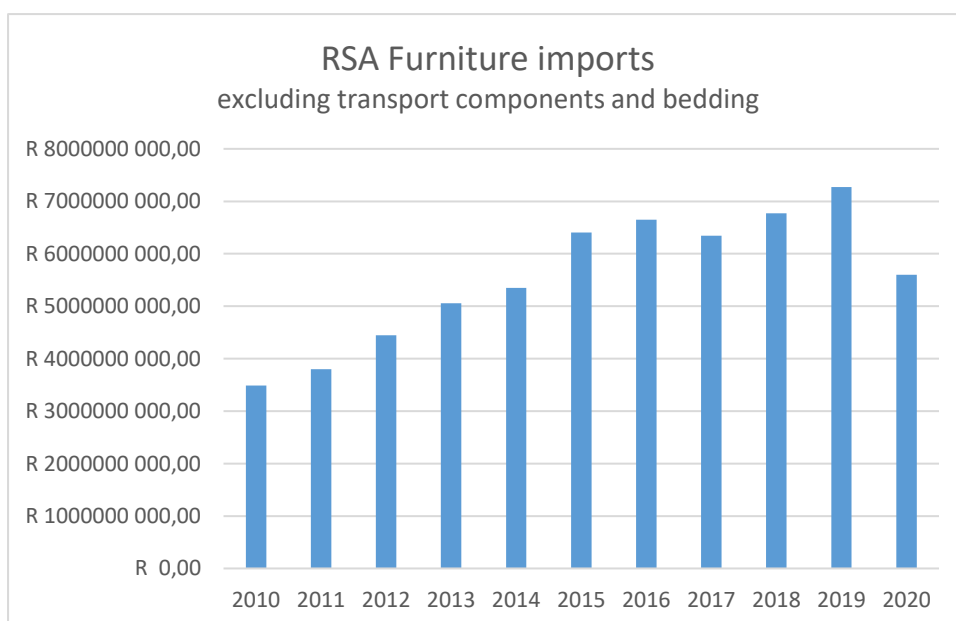
#### RSA Furniture Manufacturing output



The decline in the industry can also be seen in the wholesale sales figures. Nominal sales (current prices) peaked in 2017 at R18.1 billion, before declining in 2018 and further in 2019.

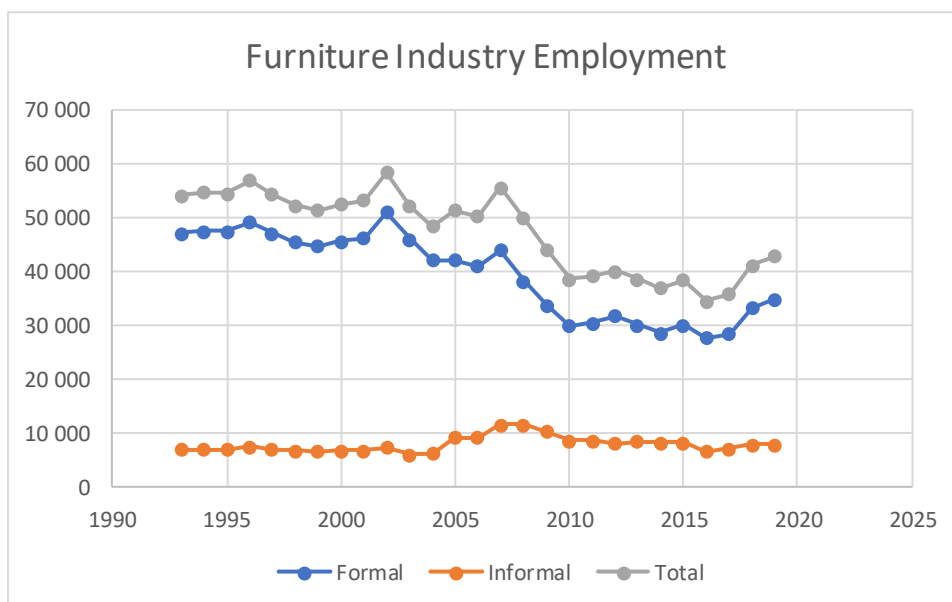


The difficulties facing the industry can also be seen in the import penetration figures. Imports have steadily increased through to 2019. Based on the official figures presented by both Stats SA and SARS, the import penetration ratio is estimated at  $\pm 30\%$  in 2019. Imports dropped substantially in 2020 and it is not yet clear the extent to which this is as a result of disruptions to supply chains as a result of the COVID-19 pandemic, or a sustained shift in sourcing.



Importantly, there is also evidence of under-invoicing of imported furniture, which may understate the level of imports in the official SARS figures. This can be seen when looking at export data as declared by trading partners which suggest that we may be under-recording our imports substantially, possibly by more than 50%.

Employment in the furniture industry has declined as has the number of employers:



### 1.2 Industry structure

On the manufacturing side of the industry, the vast majority of companies in the sector are small companies. According to Bargaining Council statistics, there are 1147 furniture entities in South Africa. (In a small number of cases an entity will represent a particular factory or workplace which might be part of a larger company. In most cases, each entity is a different company.)



As can be seen in the chart above, 61% of all entities listed with the furniture bargaining councils employ fewer than 10 people. There are only 35 entities that employ 100 staff or more, of which 19 are in Gauteng. These figures include bed and mattress manufacturers, furniture manufacturers, kitchen companies and furniture service (upholstery, carpentry, components) but exclude raw material suppliers and retail.

The table below shows the number of companies per geographic region, arranged by number of employees. North includes companies in Gauteng, Free State, Mpumalanga, North West and Limpopo but the vast majority are in Gauteng.

Number of employees	Number of Furniture Entities			
	Gauteng/North	KZN	WC	Sthn. Cape
100+	22	9	4	0
50-99	32	19	18	2
30-49	40	17	23	4
10-29	165	50	65	12
1-9	410	105	124	26

Black ownership in the sector is weak in most of the value chain but is strongest among medium sized manufacturers, both in raw material and furniture manufacture. There are a number small and medium sized black owned retailers.

## 2. SHIFTS AND NEW OPPORTUNITIES

Over the past 18 months, conditions in the industry have begun to shift, creating an important opportunity for the regeneration and expansion of the sector. Changing conditions include:

### 2.1 Recent growth in demand

South African households have been investing more heavily in furniture and built-in units in their homes and this has been especially pronounced as people spent more time at home during COVID lockdowns. For the seven months to February 2021, year-on-year retail sales of household furniture and appliances grew by an average of 9.9% per month. Sales of 'Hardware, paint and glass' also increased and this would include some elements of the kitchen industry. Most other retail segments declined over this period (except for pharmaceuticals and personal care). It is not yet clear whether this level of demand will be sustained but it has already surprised many industry participants. Furniture demand has traditionally fallen sharply after the Christmas season but this year the level of demand has increased well into the first quarter. This is shown in the figure below.



### 2.2 Shifting conditions for imports

The terms of trade seem to be moving against furniture imports. Some of the factors working against imports are COVID related while others appear more sustained. Imports have become more challenging and less attractive as a result of rising prices in some supplier markets, rising shipping and logistics costs and long lead times. In addition, the quality of some of the products imported at the lower end is poor.

Furniture imports declined by 23% in 2020. Some of this decline is likely to be related to temporary disruptions, but there also appear to be more sustained shifts under way. The COVID related conditions also brought into sharp focus the importance of a robust and healthy local manufacturing sector.



### 2.3 Shorter lead times, online shopping and greater emphasis on design

Consumers have access to an endless supply of furniture ideas and designs through the internet, and they also have access to online suppliers, including direct purchase from international markets. This allows consumers to become more powerful and discerning as they look for a greater range of products. This has driven a shorter supply cycle which requires shorter lead times especially in the premium market. Retailers need to be able to respond to the latest consumer trends more quickly. In some respects, this favours local manufacture given the long lead times associated with imports. In addition, importers often have to take large shipments which may not suit an increasingly flexible market.

At the same time, consumers around the world have become more design conscious and more appreciative of unique products. This create niche markets for unique South African designs, including those using South African textiles and other design elements. This trend towards unique South African design has been emphasised by programmes run by Proudly SA, and also given a boost by an initiative called Clout SA which promotes South African furniture design.

Online shopping also poses threats however, as consumers become accustomed to ordering flat-packed products over the internet and assembling the furniture at home.

### 2.4 Supplier development

A number of retailers and other corporates, have taken the initiative to work directly and intensively with smaller suppliers to assist them in facing the many challenges of the manufacturing and design process. This has breathed new life into many smaller furniture manufacturers and encouraged the emergence of significant talent in South African furniture design.

As conditions shift towards local supply, furniture retailers have looked to local manufacturers to supply larger quantities of goods with a greater diversity of design. However, many of the larger manufacturing companies closed down in recent years, leaving smaller entities to fill the gaps in supply. While this creates an important opportunity for medium-sized companies, these firms are not always able to meet the requirements of large retailers with a national footprint. In addition, certain raw materials are in short supply. The industry has therefore become characterised by supply constraints, especially since the lifting of lockdown restrictions in mid 2020.

In summary, the last ten years can be said to be characterised by instability, rising imports, lack of consistent and predictable demand and shifting expectations from retailers. This has led to a significant number of factory closures, loss of skills, limited investment and an ongoing sense of uncertainty. Capacity has been lost especially in relation to larger manufacturing entities and while medium sized players have moved to fill the gap, they face many difficulties and are often unable to supply the scale and diversity required.

### 3. CURRENT CONDITIONS BY SUB SECTOR

These issues have played out differently in different segments of the industry and the state of the various sub-sectors can be summarised as follows:

#### 3.1 Raw Material suppliers

- Particle board and Medium Density Fibre board (MDF) are key inputs for the furniture sector. SA has a strong board sector with significant capacity. However, changes in the industry in recent years – coupled with recent growth in demand - have led to the current shortage of particle board and MDF. One supplier is in the process of completing an investment project which will significantly expand their particle board production. They have also announced a further investment in MDF which will come on stream by 2023. However, the gap between supply and demand for board is expected to continue until at least early 2022. Expansion and diversification of supply is therefore a priority in the medium and long term.
- South Africa is also an exporter of board and board products and this market has significant growth potential.
- There has been a Competition Commission investigation into a possible breach in the past of competition law in the board sector, brought to the attention of the Commission by the industry itself. This matter is ongoing.
- Solid timber is used in premium products. There are some innovative users of SA Pine and Eucalyptus. Indigenous South African hardwoods are used in the southern Cape in niche markets. However, there are shortages in the supply of SA pine for furniture use partly because the forestry industry has focused on structural lumber and does not produce sufficient 'clear' wood. This needs to be addressed.
- Some upholstery fabrics are imported and rebates on certain products would help to incentivise further supply of upholstered finished goods.
- Leather from South Africa, Namibia and Botswana is used in the industry but there is great potential for expansion
- Other raw materials are generally well supplied with some shortages and pricing issues in the supply of metal springs to bedding manufacturers. Some other steel products are also in short supply resulting in various rebate applications which are under consideration.

#### 3.2 Mattresses and Bedding

SA has a number of large and well run bedding production companies. Imports are limited to small quantities in the premium market and low-cost alternatives at the lowest end of the market. Some exports of mattresses are taking place mainly through South African retail presence in southern Africa. This is a strong sub-sector with advanced retail infrastructure and capacity and some potential for greater exports particularly in the SADC market. This sub-sector has fared better than most others and has substantial capacity.

#### 3.3 Lounge and upholstered goods

There is one large company making branded lounge products at various sites, and an impressive range of medium sized suppliers with a diversity of offerings, and some integrated manufacture/retail players.

It is estimated that imports account for about one third of sales with a value of about R1.5bn per year. Competing with and replacing such imports represents a great opportunity for expansion. Several retailers have indicated a need for greater and more diverse supply. In particular, high street retailers

require large quantities of items which are ordered on a national scale. Medium sized suppliers are not always able to supply at the required scale.

There are some exports particularly into SADC and there is significant potential to expand exports. A number of companies are involved in exports to various African, European and American markets.

Specific problems facing this segment are:

- Traditionally, large retailers place most of their furniture orders between July and November as consumers tend to buy furniture at year end. This leads to working capital, logistical and other problems for manufacturers, especially smaller entities.
- Demand has been inconsistent over time.
- Many medium sized entities lack the appropriate capital equipment and computer design and cutting tools required to up their scale and improve their processes.
- There are some skills constraints as the traditional trades skills in the furniture industry have not been maintained but have also not been replaced by an appropriate skill framework
- Working capital is a constraint for many companies.

### 3.4 Case Goods

Case goods are items of furniture that are based on board products, such as cupboards, tables, pedestals, display and storage units. There a large number of medium sized case goods manufacturers with a diversity of offerings including some integrated manufacture/retail offerings. None of the producers are high volume manufacturers and they struggle to compete with low end imports from high volume Asian manufacturers. In addition to the medium sized entities, the case goods sector includes a large number of smaller manufacturers and a significant presence of informal manufacture and retail.

Imports are estimated at R3b per annum, representing about 40% of goods sold.

Imports are concentrated at both ends of the retail spectrum.

In premium markets, imports take a significant share of sales due to their greater diversity and design. Flatpack imports at the higher end have also increased.

South African companies have the capacity to compete in this market especially if they have better access to working capital and to capital investment, and greater certainty from retailers.

In the mid-market, represented by the large high street stores, imports represent a small proportion of goods sold.

At the lower end, imports of low-cost goods have increased substantially and some of these imports are sold informally. A portion of the imported products do not meet local manufacturing standards. Illegal imports and goods that fail to meet South African manufacturing and material standards, represent a significant problem for consumers and competitors. There is huge potential for localisation in the segment.

The problems facing the lounge goods sector, are also challenges in the case goods sector, i.e:

- Traditionally, large retailers place most of their furniture orders between July and November as consumers tend to buy furniture at year end. This leads to working capital, logistical and other problems for manufacturers, especially smaller entities.
- Demand has been inconsistent over time.

- Many medium sized entities lack the appropriate capital equipment and computer design and cutting tools required to up their scale and improve their processes.
- There are some skills constraints as the traditional trades skills in the furniture industry have not been maintained but have also not been replaced by an appropriate skill framework.
- Working capital is an ongoing challenge for many companies.

In recent years, many case goods suppliers internationally have moved to 'flat-pack' systems which lower transport costs and facilitate online trade. At present there is very little flat-packing being done by South African suppliers and this is a skill that will need to be developed in the coming years.

### 3.5 Kitchens and built-in units

This is a steadily growing market, particularly in township areas. The demand for value-added board (melamine, veneers and related boards) has grown and the number of small and medium sized businesses working in this entrepreneurial segment has grown. Some of this work is informal but is providing opportunity in many parts of the country.

Similarly, households are investing in built-in units including cupboards and display areas. These are supplied on a customised basis and require skills similar to the kitchen and shopfitting sectors.

This segment is a significant user of board products.

### 3.6 Furniture Retail

The premium market is well served by a large number of corporate, independent and niche retailers who display a high degree of innovation, market knowledge and flexibility. Retailers in this market have expressed a willingness to work closely with South African suppliers and many are already doing so. There is also significant potential for high quality, unique South African design to be encouraged and promoted and there are a number of excellent initiatives in this regard.

The mid-level market is the largest segment and is well served by high street retailers with national footprints and a healthy level of competition. Imports in this market are quite limited and are mainly for goods that are not produced in South African such as glass and metal furniture and other specific items. The large retailers all work directly with suppliers and some retailers have made very significant efforts to assist and support their manufacturing suppliers. This is a competitive and sophisticated segment of the market.

The market at the lower end has grown significantly over the past decade and has seen a proliferation of independent retailers with local or regional rather than national footprints. Some of these retailers have been very innovative in serving their market and there is strong competition, albeit mostly relying on imported products. Informal retail sales have also risen.

### 3.7 Office and school furniture

Some of the dynamics in the office furniture market are different from other segments and this market has also been particularly affected by COVID and the associated disruption and perhaps longer term decline of office use by many organisations. The Master Plan process has not focused sufficiently on the office furniture market and further work will need to be done in this regard.

Similarly, not enough attention has been paid to school furniture, and further work is planned on this segment.

### 3.8 Institutions supporting the Furniture sector

There are a number of challenges related to the institutions that serve the furniture industry and these need attention. The furniture industry is characterised by a large number of small firms and this makes it more difficult to organise and represent the sector effectively. As a result of this, as well as other factors such as substantial regional variations, the industry is somewhat fragmented and not sufficiently organised.

There are employer associations which are regionally based, three separate bargaining councils and three main trade unions operating in the sector.

The South African Furniture Initiative (SAFI) has been formed to try to improve the organisation and representation of the sector and this is a very positive development. There are discussions taking place about the possibility of re-organising SAFI to better represent sub-sectors.

There are other some regional initiatives such as the Ethekewini Furniture Council and work being done by provincial and other local governments. These are all playing a positive role in the development of the sector. However, there is not yet a strong and unified voice for the sector.

### 3.9 Other important institutions include:

#### 3.9.1 Fibre Processing and Manufacturing (FP&M) SETA

The Furniture Industry is served by the FP&M SETA which includes a large number of sub-sectors from forestry to clothing and textiles, furniture and various other forms of manufacturing to print media, publishing and printing. The furniture industry is a small sub-sector and tends to get lost in the activities of the SETA. Many companies report that training in the industry is floundering. Many of the skilled artisans in the industry are older and a proper training plan needs to be developed urgently.

SAFI, funded by FP&M SETA, has completed a skills assessment which shows that a much greater level of skills planning and investment is required. It suggests that the provision of some of the traditional artisan skills in the sector (upholsterers, carpenters) have not kept up with requirements and that many of the new skills such as computer aided design and cutting have also fallen behind.

The SETA has facilitated and funded a number of successful programmes including the first Furniture industry design qualification which will assist in improving competitiveness. In addition the SETA has for many years funded the Furniture Design Competition in partnership with the DTIC and SAFI.

Artisan development has not been a priority in the Furniture sub-sector and only in recent discussions has there been an agreement to develop an artisan qualification for the Furniture/Cabinet Maker and Furniture Upholsterer; which is now completed and awaiting registration. These new trade qualifications will support succession planning for artisans in the furniture industry and include, where appropriate, Computer-Aided-Design (CAD).

The skills assessment also demonstrates that there are areas of excellence in skills training and a number of excellent training providers. One of these is the Furniture Technology Centre Trust which was established in 2000 through an agreement between the Department of Trade Industry and Competition and the Swedish Industrial Development Agency and plays a constructive role in the industry.

Going forward it would be helpful for the furniture sector to hold further discussions with the SETA. These discussions should be focused on developing solutions to this skills constraints and to chart a way forward to improve skills planning and training in the sector.

### 3.9.2 Bargaining Councils

Bargaining Councils are key institutions enabling self-regulation of the labour market within a given sector. There are five Bargaining Councils in the industry, each regionally based. The institutions play a key role in protecting workers and ensuring that labour standards are met throughout the industry especially given the large numbers of smaller players. There are many furniture factories in which workers are paid very low wages even when they are skilled. We need to ensure that workers are fairly and decently rewarded.

However there are also shifts that need to take place. Bargaining Councils should not only play a role in protecting labour standards but should also play a developmental role in building the industry, helping to sustain and create jobs, and improving competitiveness.

Over the past few years there has been a recognition that the Councils face a number of challenges and that they can be more proactive and constructive in addressing these. In particular there has been a recognition that:

- At present the Councils are very focused on monitoring compliance. Bargaining Council agents in some areas have a reputation of adopting a negative attitude towards smaller employers, many of which struggle with the significant administrative burdens of the system. It is the view of many in the industry that there has been limited appreciation for the reality of running a small business among bargaining council agents.
- The administrative system of the Bargaining Councils is cumbersome and some aspects of it are unnecessarily burdensome. The northern region is introducing an online system which will reduce the burdens significantly.
- The Bargaining Council is a key institution bringing together unions and employers and should be more engaged in helping to expand the industry, create jobs and improve skills. To this end some of the Bargaining Councils have undertaken study trips, and engaged in workshops to help solve the problems of the sector. This work should be expanded.
- Consideration is being given to establishing a national council rather than a series of regional councils. This may help improve the administrative systems while also fostering a more developmental approach. Care will have to be taken however to consider regional differences in the labour market.

Through the Master Plan, discussions will be facilitated between employers and unions in the sector, including smaller businesses, to develop a fresh approach, to streamline administrative requirements and to develop the agility required to take a more developmental approach without compromising labour standards.

## 4. ACTIONS TO BE TAKEN TO SUPPORT THE INDUSTRY

Following the engagement with industry stakeholders, the 5 pillars to rebuild the industry have been identified, and these are set out below:

### 4.1 Pillar 1: Support demand for locally manufactured furniture and for greater supply chain consistency

Furniture manufacturers have been negatively affected by unpredictable, inconsistent demand, and by rapidly shifting expectations from retailers. Although flexibility is required for competitiveness, highly uncertain demand is very difficult to manage and leads to company closures. Similarly where demand is highly seasonal, and is concentrated in one half of the year, manufacturers struggle to remain afloat and suffer a boom-bust effect which can be highly inefficient and lead to real problems in working capital management. Manufacturers need longer runways and greater consistency in order to thrive. More predictable demand conditions can be supported by the following actions:

#### a. **Retailer commitment to reduce imports over time and to promote South African suppliers**

Large and medium sized South African retailers have all expressed a willingness to promote and develop their South African supply chains and to nurture manufacturing businesses in the sector. Retailers have also recognised that manufacturers require a more stable environment in order to grow, and that frequent pivoting between imports and local supply undermines the viability of South African furniture supply.

Retailers in the industry have noted the localisation agreement made at Nedlac by Business Unity South Africa, Government representatives, organised labour and communities to reduce imports by 20% off the 2019 base. Furniture has been identified as a priority sector in this effort.

Given the shifts the industry and the decline in imports recorded in 2020, retailers in the sector have indicated their willingness to work constructively with other parties to help achieve this national goal. This will involve replacing imports of furniture with South African manufactured goods where possible, as South African manufacturers grow in scale and diversity. In this way furniture imports can be limited to 2020 levels, and over time, possibly reduced further as a proportion of sales.

It should also be noted however that some retailers have very limited imports and others will only be able to reduce their imports if they suppliers are able to expand and diversify their offering. Therefore, achieving an overall reduction in imports will require detailed and careful consideration.

To this end the parties agree that an Action Plan on Localisation will be developed by 30 June 2021.

**b. State procurement of furniture**

Government has designated office furniture and school furniture as products in which locally-manufactured items should be specified in procurement tenders. Challenges experienced by industry includes tender specifications that entail products that are only available through imports; and non-adherence by some public entities. To ensure that the value of the designation is available to the sector, the state will monitor adherence to the designation provisions and review current practices on technical specifications for furniture to enable greater levels of localisation. The written review and proposals on specific actions will be presented to Minister of Trade, Industry and Competition by end July 2021.



## 4.2 Pillar 2: Grow Small and Medium-sized Manufacturers of Lounge and Case Goods.

into larger and more stable companies through an innovative partnership between Retailers, manufacturers and Government

We have a significant number of medium sized furniture suppliers that have great potential to grow, and at the same time we have many retailers who would like to buy more from local sources. There is a supply constraint in that we do not have sufficient firms that are able to meet the requirements of retailers, especially retailers operating at the national level. This presents a great opportunity to expand the sector, create jobs and promote sustainable and thriving businesses. In order to achieve this we must support medium sized companies to grow and to become more stable. Some of these companies will also be able to export, using the provisions of the African Continental Free Trade Area (AfCFTA) Treaty.

To this end we will develop an innovative partnership between retailers, manufacturers and government in the form of the South African Furniture Industry Growth Fund which will provide funding and other support to furniture manufacturers, especially small and medium sized companies that supply the retail sector. The Fund could include three elements:

### **Financial support**

The Fund will provide working capital facilities and loans for capital equipment to help companies grow and meet retail requirements. The Fund will be financially sustainable and will price its loans on risk adjusted cost recovery basis.

### **Professional services**

The Fund will manage and make available a range of professional and technical advisory services to its clients to enable them to improve the efficiency of their businesses. These will include advice on challenges specific to manufacturing processes and managing growth.

### **Marketing and nurturing of South African furniture designers and manufacturers**

A number of companies in the sector are already members of Proudly South Africa and there also various other marketing initiatives under way. One such initiative that is specific to furniture is known as Clout SA and arose out of a corporate supplier development initiative. Clout SA is a web-based portal which curates and presents a range of South African furniture suppliers and other designers and which has a team that works to uncover and nurture new design talent and to link them to corporate value chains. This initiative also works closely with the interior design community, an important constituency in furniture specification and development. The Fund (and/or individual retailers) will partner with Clout SA to work with emerging designers, manufacturers and suppliers both to market South African designers and manufacturers and to assist their development.

Options for capitalising the fund include the following:

Furniture retailers and raw material suppliers will be asked to:

Make a one-off grant contribution to the Fund; or

Provide a low- interest loan to the fund repayable at the end of 5 years. This loan could be matched by a similar loan from the IDC. Where appropriate, funding provided by a participating retailer can be ring-fenced for suppliers working with that retailer.

An Action Plan on the implementation of the Fund, which includes structure, modalities and sources of funding, will be finalised through discussions with stakeholders and a report will be concluded by 30 June 2021.

### 4.3 Pillar 3: Trade interventions

#### a. Support a rebate on selected upholstery fabrics and possibly other products

Industry has approached ITAC for a rebate on certain imported upholstery fabrics as these are not manufactured in South Africa. This should be favourably considered as part of an effort to expand production of lounge goods and other upholstered products with appropriate support from manufacturers and retailers. At the same time the industry is urged to consider local sources of supply where these are available.

There are other areas where tariff changes should be considered. For example the rebate on imported plywood used in the manufacture of chairs should be reconsidered.

Action owners: DTIC/ ITAC: A decision on upholstery fabrics will be made by the DTIC by 30 April 2021. Other tariff lines will be analysed by ITAC by 30 July 2021 after which further action may be considered.

#### b. Curb illegal imports

Efforts are already underway to improve the classification and reporting of trade in furniture. SARS and the SA Furniture Initiative have worked together successfully to reformulate tariff codes and these have now been gazetted.

This needs to be followed by action on illegal imports. It is clear that there are substantial illegal imports entering the market, especially for case goods as well as upholstered goods. This needs to be addressed at the ports of entry through appropriate action by SARS supported by the industry and unions.

An Action plan will be developed by 31 July 2021

Action owners: DTIC/ SARS/ SAFI/ Trade unions

#### c. Investigate the possibility of imposing international standards on imported products

Some of the raw materials and finished furniture products that are imported do not meet the standards that South African manufacturers are required to meet and some are made from inferior and inadequate materials. This is a form of unfair competition and impacts on consumers as the product fails over time. Consideration will be given to requiring importers of raw board, improved board and finished furniture products to provide certificates demonstrating that their products meet relevant international standards before being allowed to enter the country.

An Action Plan to address the regulation of quality standards for imported furniture products will be concluded by August 2021.

Action owners: DTIC/ SARS/ SAFI

**d. Grow export markets, particularly through the AfCFTA**

In some areas there is significant potential to grow exports and there a number of manufacturers who are either exporting successfully in small quantities, or exploring export markets actively. In addition, some export is taking place through the supply chains of large South Africans retailers who are selling South African made products at their stores in the SADC region. There are also exports of particle and Medium Density Fibreboard. There is however much greater potential for exports and this can help to grow the market for South African furniture output. This is especially important in light of the African Continental Free Trade Agreement which creates significant new opportunities for South African firms.

DTIC will work with exporters to assist where possible, and to draw attention to South African designs and products. This will include export trade missions and facilitating contact with South African embassies abroad. The expansion of SA retailers into other African markets will provide a further impetus for both greater supply of SA furniture in African markets and stimulation of domestic production in such markets, to displace imports from elsewhere in the world. Efforts will be co-ordinated with Proudly SA and Clout SA.

Actions: An Export Plan will be developed in phases, with an initial plan by no later than September 2021.

Action owners: DTIC/SAFI/retailers/ unions/Proudly SA/ Clout SA

#### 4.4 Pillar 4: Address raw material shortages

There is currently a shortfall in the supply of board to furniture manufacturers especially in case goods. This will be partially alleviated by the opening of a new line in January 2021 by one of the major manufacturers. A second company is investing in a facility to provide its own in-house supply of raw material. There are also other, longer term planned investments. These investments show the way forward for the industry and are an important contribution. However, these facilities may not be enough to ensure sufficient and competitive supply going forward especially if we replace a portion of imports.

There are also shortages of steel inputs to the industry, especially for bedding manufacturers and some of these shortages are acute. There have also been very steep price increases in some of the steel items used in furniture manufacture.

Solid timber supplies to the furniture industry also need to be addressed especially in relation to clear wood for premium furniture products. In order to address these shortages, changes will need to be made in the management of pine plantations, and this will require co-ordination with the forestry sector.

The SA Furniture Industry initiative (SAFI) and the IDC will facilitate an industry engagement on board, timber and steel supply. Where necessary, the parties will work together to expand and diversify manufacturing facilities as required. An Action Plan on measures to address raw material shortages will be concluded by July 2021.

Action owner: SAFI/ IDC

#### 4.5 Pillar 5: Improving the skill supply to the Furniture industry

There is a serious skill deficit in the industry. Many of the traditionally trained artisans are reaching the end of their careers and artisanal skills like upholstery and carpentry have been neglected in the training system. In addition, some of the newer skill sets such as computer aided design and other skills that require greater familiarity with information technology have also been neglected.

- A thorough assessment of the training needs of each sub-sector in the furniture industry will be completed by SAFI with assistance from the FP&M SETA and various furniture training institutions
- Discussions will be held between SAFI, organised labour and the FP&M SETA to consider the creation of a separate chamber for furniture, and/or other improvements aimed at creating better participation from and better value for the furniture industry.

Proposed timeline: commence May 2021 and prepare a report for the Ministers of Trade, Industry and Competition and Higher Education and Training, by 31 July 2021

Action Owners: SAFI/ FP&M SETA/ Trade Unions / Employer associations

#### 4.6 Pillar 6: Strengthening the institutions that support the industry

- SAFI will consider reorganising itself in order to reflect the segments of the industry more accurately and in order to enhance the participation of smaller players.
- Discussions will be held between SAFI, organised labour, regional employer bodies and the Bargaining Councils with a view to:
  - creating a supportive environment for smaller and medium sized employers, particularly those with fewer than 10 employees
  - modernising and streamlining the administrative systems of the bargaining councils
  - upgrading wage rates for the lowest paid workers
  - considering the introduction of a national bargaining council while taking account of the regional differences in labour markets

Proposed timeline: Commence discussions by May 2021 and written reports to the EOC by June 2021 (SAFI) and September 2021 (Bargaining Councils).

#### 4.7 Pillar 7: Action plan on Office and school furniture

This Master Plan has not focused sufficiently on office furniture or school furniture. A further analysis and action plan will be developed and reported to the EOC by end August 2021.

#### 4.8 Pillar 8: Transformation across the value chain

Transformation is a cross cutting issue in this Master Plan and is included in various pillars including support for small and medium enterprises, skill development and job creation. In addition to these however, attention needs to be paid to the expansion of Black ownership in the industry. At present there are Black owned companies in board manufacture, furniture manufacture, furniture services and retail. However these Black owned companies tend to be small or medium sized. Larger companies, including those in the retail space, need to develop plans to increase their level of Black ownership and to procure from Black owned suppliers. SAFI should lead discussions in this regard.

#### Further actions and processes

An Executive Oversight Committee will be established comprising of the Minister of Trade Industry and Competition, the CEOs of companies across the value chain, the SA Furniture Industry Initiative (SAFI), and the senior leadership of trade unions in the sector. This Committee will meet quarterly to drive and track progress on the Master Plan. This is especially important in relation to the various implementation plans that need to be concluded following the adoption of this Master Plan Framework. **the dtic's** Programme Management Office will serve as a implementing custodian and work with the sector desk and stakeholders to ensure actions and time-frames are achieved.

## 5. SUMMARY OF ACTIONS

### By 30 April 2021:

- Set up workstreams to consider the various Action Plans set out in the Furniture Industry Master Plan
- Decision to be made by DTIC on support for a rebate on selected upholstery fabrics

### By 31 May

- Commence discussions between SAFI, organised labour and the FP&M SETA to consider the creation of a separate chamber for furniture, and/or other improvements aimed at creating better participation from and better value for the furniture industry.

### By 30 June 2021:

- Finalise Action Plan on Localisation
- Finalise an Action Plan on the design, funding and implementation of the South African Furniture Industry Growth Fund
- Commence discussions between SAFI, organised labour, regional employer bodies and the Bargaining Councils with a view to creating a supportive environment for smaller and medium sized employees without compromising labour standards.
- Finalise action plan on school and office furniture
- SAFI to present report on internal re-organisation

### 31 July 2021

- Conclude an Action Plan to address illegal imports
- Conclude an Action Plan on measures to address raw material shortages
- Submit report to the Ministers of Trade, Industry and Competition and Higher Education and Training, on SETA proposals for the furniture industry
- Written review on state procurement of furniture
- Review of tariff lines by ITAC

### By 30 August 2021

- Finalise an Action Plan to address the regulation of quality standard for all products
- Report and action plan on office and school furniture
- Report on possibility of imposing international standards on imported furniture

### By 30 September 2021

- Report on Export Plan in phases, including African Continental Free Trade Area and other trading partners
- Report to EOC on progress of discussions on Bargaining Council modernisation

## 6. SUMMARY OF ACTIONS AND TIMEFRAMES PER PILLAR

PILLAR	ACTION	RESPONSIBLE PARTIES (CONVENOR IN BOLD)	OUTPUT AND TIMEFRAME
<b>PILLAR 1:</b> Support demand for locally manufactured furniture and for greater supply chain consistency	1.1 Retailer commitment to reduce imports over time and to promote South African suppliers	<ul style="list-style-type: none"> <li>• <b>Sector facilitator</b></li> <li>• SAFI</li> <li>• Retail companies</li> </ul>	Action plan on localisation June 2021
	1.2 State procurement of furniture	<ul style="list-style-type: none"> <li>• <b>DTIC</b></li> <li>• SAFI</li> </ul>	Review and report to Minister of Trade, Industry and Competition by end July 2021
<b>PILLAR 2:</b> Grow small and medium-sized manufacturers of lounge and case goods into larger and more stable companies through an innovative partnership between Retailers, manufacturers and Government	2.1 Design and funding plan for the SA Furniture Industry Growth Fund	<ul style="list-style-type: none"> <li>• <b>Sector facilitator</b></li> <li>• SAFI</li> <li>• Retail Companies</li> <li>• Industrial Development Corporation</li> <li>• Proudly SA</li> <li>• Clout SA</li> </ul>	Design and agree modalities, funding and institutional arrangements end June 2021. Start operating Q3 2021.
<b>PILLAR 3:</b> Trade interventions	<b>Support a rebate on selected upholstery fabrics and possibly other products</b>	<b>DTIC</b> ITAC	Decision on upholstery textile rebate end April 2021.  Review on other tariff lines by July 2021
	<b>Curb illegal imports</b>	<b>DTIC</b> SARS SAFI	Action plan end July 2021
	<b>Investigate the possibility of imposing international standards on imported products</b>	<b>DTIC</b> ITAC SABS	Report to Minister end August 2021
	<b>Promoting Exports especially through ACFTA</b>	<b>DTIC</b> SAFI Retailers Trade unions Proudly SA Clout SA	Written report to EOC on first phase of export plan September 2021
<b>PILLAR 4:</b> Address raw material shortages	Action plan on raw material shortages and possible solutions	<b>Industrial Development Corporation</b> SAFI Manufacturers.	Action Plan to EOC by July 2021
<b>PILLAR 5:</b> Improve the skill supply to the Furniture industry	Assessment of the training needs of each furniture sub-sector	<b>SAFI</b> FP&M SETA Trade Unions	Written report to Ministers of DTIC and Higher Education end July 2021
	Report on outcomes of discussions between the industry and the SETA on improved institutional arrangements and training outcomes for the Furniture industry	<b>SAFI</b> FP&M SETA Trade Unions	



<b>PILLAR 6: Strengthening the institutions that support the industry</b>	SAFI to consider re-organising itself to better reflect the interests of the sub-sectors	<b>SAFI</b> Furniture companies	Written report to EOC on outcome of discussions June 2021
	Industry, organised labour and bargaining councils to report on ways of streamlining Councils, reducing administrative burden on smaller employers and modernising their systems	<b>SAFI</b> Furniture Bargaining Councils Trade Unions Employer associations	Written report to EOC on outcome of discussions September 2021
<b>PILLAR 7: Action plan on Office and school furniture</b>	Analysis and action plan	<b>Sector Facilitator</b> DTIC	End August 2021
<b>PILLAR 8: Transformation across the value chain</b>	All participants to consider and report on transformation efforts including improved Black ownership	<b>All</b>	Ongoing