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SCHOOL BUILDING ' PROJECT

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22 December 1987

T. T. Nkobi

Treasurer General

African National Congress

2.0. Box 31791

Lusaka, Zambia

Dear Comrade Thomas:

313: VUYISILE MINI FUPNITUREMFACTORY

Attached please find two copies of our proposed strategy for the organisation of a marketing programme. This document has been intensively discussed With our Finnish counterparts, Comrades Leo, Petri and Riitta, which last in the marketing expert. It is therefore a proposal prepared jointly by the Project Management and the Furniture Factory Mhnagement for presentation to the ANC Treasury as Well 88 to the International Solidarity Foundation of Finland (ISFF). The document has thus far not been discussed ? by other relevant structures in Mazimbu, but by copy of this -' fwe'are submitting it to the Regional Treasurer and the Chiei\_ Adninetretor for study and comment. V 'm

We request your acceptance of this document as a programme for developing the organisation and marketing aspects of the factory. The ANC's acceptance of this programme will be, of course, a committment to develop the ANC Management of the factory, not only in principle but according to :he programme as outlined on the last page of the dOCUr men .

The Finnish support, particularly the high quality of the solidarity workers, has been instrumental in raising the capacity of the factory to the level which makes this step into marketing possible. For the past two years our Finnish comrades have been stressing the need for ANC coun-terparta at management level and they have emphasised that they cannot afford to be with us indefinitely.

It is therefore imperative that we fill the key posts in a systematic way. The most urgent ones are those of Production manager and Marketing Manager. Petri and Riitta are ready to train comrades in these fields.

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Page 2

However, the contracts of our solidarity Workers are expiring. Comrade Leo is leaving at the end of this year. Petri and Riitta are due to leave mid-1988. Without a trained ARC management to take over we will not be able to sustain the present level of efficiency.

We therefore ask you to request the ISFF to extend their support to the factory for a further two-year period to enable the training of an ANC management. In particular we wish to request that Comrade Leo's contract be renewed for at least a further 12 months, effective as soon as possible, and also that Comrades Petri and Riitta's contracts should be extended. We have great confidence in the ability of the comrades to successfully train suitable ANC personnel in all the factory management skills. '

Lastly, after your due consideration, we request that you inform the ISFF of the acceptance of the document and officially request their continued support, both in terms of material input and volunteer assistance. Particularly in the case of the extension of contracts, the request should be made as soon as possible in order to ensure the necessary continuity.

In the Year of Advance to People's Power,

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Spencer Hodgson

Project Manager's Office

cc: Regional Treasurer

Chief Administrator

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Encl.

ORGANISATION AND MARKETING  
VUYISILE NI FURNITURE FACTORY  
DECEMBER 1987

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1.1

OBJECTIVES OF THE FACTORY

The Vuyisile Mini Factory was established to meet the demands of the ANC Construction programme at Somafo and later at Dakawa. The level of production, organisation and maintenance has been raised considerably in the last two years. The resulting increased production capacity, coupled with the regular supply of softwood timber from the Soviet Union, opens up wide possibilities for the ANC to benefit commercially from the sale of excess produce to the market as well as from the established sale to funded ANC projects.

To enter the commercial market on a correct footing two key factors are of utmost importance:

- a. the ANC construction requirements remain the top priority, and
- b. an ANC factory management must be developed as a matter of urgency.

Prioritised Objectives

The present tenuous level of construction organisation at Dakawa and the enormous tasks faced there require maximum response and flexibility by the factory at all times -- indeed the subordination of the factory's programme to meet the needs of the ANC's planned and unplanned activities. For several years to come these needs will over-ride the commercial interests of the factory. It is, therefore, necessary to prioritise the objectives of the factory as follows:

- a. to meet the requirements of the ANC construction activities,
- b. to train and develop the ANC management capability of the factory,
- c. to achieve financial self-reliance,
- d. to raise funds by producing a profit,
9. to train and develop artisans.

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2.1

#### ARC Management

On the understanding that the present organisational level is extremely high and rests on the shoulders of our solidarity workers, and that the commercial dimension will demand an even greater organisational ability, it is imperative that qualified ANC personnel are identified for senior management posts in the factory and are trained on the job by our volunteers. Only this will ensure that the high level of production, marketing and organisation is sustained in future. In other words, ANC must commit itself to a realistic programme to achieve an ANC-staffed factory management.

#### SALES AND MARKETING

##### Sales to ANC Projects

The ANC Construction Department is the largest "customer" and potentially the largest source of income to the factory. Sales to numerous ANC projects have taken place in the past within the framework of the local component of ANC projects at Somafo. In other words, the factory produce has been budgeted for but the funds have never been separately recorded as "income" to the factory.

Several major projects are now in the pipeline and factory produce supplied to these should be costed and sold to the ANC by the factory. These projects include:

- a. Student Orientation Centre, Dakawa,
- b. Children's Centre, Dakawa,
- c. Village Hall, IVC1, Dakawa,
- d. Village Common House, V2, Dakawa,
- e. School Block 5, Somafo,

Such funded projects should pay for products at the market price. unfunded projects should be invoiced at cost price.

The ANC Project Management should prepare an estimate of the anticipated volume of production required to meet the 1988 construction programme. On the basis of this estimate the factory management can prepare plans for the sale of excess capacity on the open market.

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Sale to the market

Preparations for marketing excess produce should begin immediately. Marketing should be guided by the following general principles:

- a. marketing should have a low public profile, particularly at the beginning whilst awaiting a trade licence, but also later. An "ANC" showroom, for example, should be avoided. Also, in this context, ARC should avoid a wide range of small customers requiring intensive marketing service.
- b. The products should be from the range of standard factory production normally delivered to ANC projects. Exceptions may be made in the case of uncomplicated special orders of a large series.
- c. Customers should be selected in the first instance who are able to guarantee acceptance on an ongoing basis of a range of products in specified quantities. This would avoid the necessity of deadlines which may interfere with ANC's construction programme. It would also enable the factory to produce longer series when supplying ANC projects, without the need for excessive storage capacity. Such customers may be a few selected middlemen ready to take bulk deliveries. Such customers would include those with a constant need for specific products, e.g. school desks to the Ministry of Education.
- d. Tough delivery deadlines should be avoided.
- e. Organisation of marketing is the responsibility of the production manager and his marketing section, under the guidance of the project manager, who is responsible to the Treasury Secretariat. (See Structure, appended). marketing and sales can only be properly organised if it is concentrated in the hands of a few appointed persons. However, to ensure maximum commercial benefit and ensure ANC construction requirements, production and marketing must be coordinated by the Project Manager. (It must be remembered that the key raw materials, timber, etc., are also needed for the ANC construction activities.) Flexibility should be maintained within this framework.

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On the basis of the above policy guidelines, the following operations should commence as soon as possible.

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3.1.1  
3.1.2  
3.1.3  
Refusal Letter t tOrder Confirmation

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#### Customer Contacts

Our present understanding is that a large market exists for most of the products in the present range of the factory.

#### First Step

Given the fact that we are still awaiting a trade licence, the only option presently open is to approach potential customers on a personal level (in line with 2.2.0). These major custbmers should in principle be approved by the Treasury Secretariat. If possible these contacts should be developed as the most reliable and least demanding market.

#### Second SteE

When the trade licence is received, an assessment should be made of the potential for expanding trade with the small circle of customers established above. If required, customer contact could be established by letter.

#### Contact bx Letter

Stages of customer contact by letter are:

ANC PM/Treasury Approval  
of Potential Customers

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T Introduction Letter and t\_\_\_\_,\_\_\_\_.

L l Product Catalogue

Inquiry I

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Order I

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t PM Approval 1

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l Rejection

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- the factory sends introduction letter and product catalogue to the potential customer,
- or
- the customer makes inquiry straight to the factory
- on the basis of inquiry the factory makes offer or sends refusal letter
- the customer either rejects the offer or accepts it by sending order
- Project Manager approval
- the factory sends order confirmation

#### Pricing

Prices of comparable products on the market must be charted before the final sales prices can be fixed. In this way the problems caused by under- and overpricing can be avoided.

When this price comparison is carried out, we must also keep in mind the comparison between price and quality. Products of the factory are of high quality and it can/will raise prices.

All relevant production costs should be taken into consideration when the products are priced. The target is that after two years the factory should be able to pay all material and electricity costs either to the ANC or to other suppliers. The factory cannot expect the solidarity support to last forever.

Preliminary cost calculations have been made for some products and will be reviewed from time to time as changing conditions warrant. The calculations are based on the following:

- a. Direct and indirect labour costs
  - average wage per fundi is 10/- per hour
  - average wage per helper is 6/- per hour ,
  - average wage per worker in joinery is 8/- per hour
  - personal costs are 30% of total salary, and they consist of:
    - 5.7% for annual holiday pay
    - 104 for sick pay
    - 8.3% for Saturday afternoon salary
    - 65 for insurance costs

3.3

- 5 -

- indirect costs are 25% of the total salary, and include the salaries for foremen and maintenance

b. Material costs have been calculated for all materials that are needed to manufacture one item.

c. Electricity costs are 5000/- per day and 51/- per dundi hour. This is the result When 5000/- is divided by the number of fundis in the machine shop and then by the working hours per day.

d. Indirect costs for machines, equipment, Spare parts, etc., are 20% of total costs. This percentage is the result of price calculations for all machines that are in the factory and of all the other related costs. The value of machines is calculated to be 7,840,000/-. The normal period for repayment is 10 years, so for one year the amount is 784,000/-. If some other necessary costs (e.g. blades, nails, screws) of about 186,000/- are added, the total will be 970,000/- per year. When it is supposed that the factory produces and sells 1000 items per month and the average price is 500/- per item, the exact percentage will be 16.1% (the result when we calculate the percentage of 970,000 to 6,000,000). The result has been rounded up to 20% because all costs cannot be calculated exactly on the basis of the present situation.

When the cost items per product are compared with each other, it becomes obvious that material and electricity are the biggest components of the total cost.

It must be remembered that it is much more expensive to manufacture a short series than a long series.

This must be taken into consideration in production plans, which should aim at longer series.

Because the factory should have a financial base, it must also receive income from products which are manufactured for ANC construction works. These products could be sold at cost price.

Orders

All orders must be in writing. Orders and order confirmations must include information on:



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3.5

3.6

- 7 -

quality of product

quantity of product

price

terms of payment

time of delivery

terms of delivery

possible special terms agreed

Potential customers (in addition to ANC) of the factory could be:

schools, offices, Government Ministries

retailers

private persons

builders of new houses

and so on.

Later it will be decided on which customers the factory concentrates most, as outlined in previous sections.

Invoicing

The invoicing of orders will be carried out as agreed with the customer, either by cash payment (individual and small orders) or by bank transfer or comparable method (bigger orders, reliable customers).

The invoicing of ANC orders must begin at the same time as the actual selling for bookkeeping reasons.

Accounting

The factory must have a proper accounting system of its own in order to follow up incomes and expenditures and to balance the accounts at the end of the year.

The factory has to inform the Project Manager and the Treasury of the financial situation, perhaps quarterly, so that the necessary accounting can be followed up.

Attendance and Wages

Responsibility for attendance and wages records can be moved from the Site Office to the factory. It is better to centralise all operations in one place.

Wages policy will be coordinated with, and guidelines on wage increases will be approved by, the Project Manager.

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#### Storage and Transportation

In the near future the factory will need additional storage space so that it can produce longer series and store finished products for future orders. Transportation will be handled as agreed With the customer, but because of the lack of hauling equipment, it would be better if in the beginning the customers arrange the transportation themselves (terms of delivery: Ex Works). If the transportation is arranged by the factory, it must also be taken into consideration in the pricing.

#### The Result

The Production Manager, under the direction of the Project manager, is responsible for the results. In consultation with the Project Manager, he draws up the annual budget for approval by the Treasury. The annual balancing of accounts will take place in January and the Treasury will decide on the use of profits. According to the budget, an amount Will be allocated to the factory for the purchase of raw materials and to cover ongoing costs such as salaries.

#### ORGANISATION

See chart on following page.

4o ORGANISATION

TREASURER GENERAL

TREASURY SECRETARIAT

PROJECT MANAGER

PRODUCTION MANAGER

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\_ MAINTENANCE NMRKETING AND

MANAGER r ADMINISTRATION

- #- -'marketing

MACHINING PLANT \_ secretary

MANAGER - bookkeeper

- office

assistant

WAREHOUSING

PRODUCTION .

"- (finished Products)

TRANSPORT

- stock-keeper

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5.2  
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5.4  
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#### JOB DESCRIPTIONS: RESPONSIBILITIES AND DUTIES

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##### General

Cooperation between production manager, department managers and marketing personnel must be continuous and close in order to reach the best possible results. Regular coordination with the Project Manager must be ensured.

Project Manager (duties as related to the factory)

- is responsible to the Treasury Secretariat
- submits annual budget and quarterly reports to the Treasury

- must ensure raw material and other needs of the factory to meet the construction and external sales demands

- is responsible for the harmonious development of the factory's obligations to the ANC construction, external sales and financial self-reliance

##### Production Manager

- is responsible to the Project manager -
- is responsible for supervision of production, sales, marketing and administration
- prepares the budget in cooperation with the Project Manager

- coordinates the production and sales

- is responsible for the monthly reports to the Project Manager

- in cooperation with the Project Manager, prepares quarterly reports to the Treasury Secretariat negotiates with customers the terms of sale carries out price negotiations and recommends prices and discounts

- has overall responsibility for the quality of factory produce

- is responsible for approving and processing material orders

##### Machining Plant Manager

- is responsible to the Production Manager

- maintains the production in the Machining Plant at such a level that all accepted orders can be delivered

- is responsible for the material, etc., orders for the Machining Plant so that the above-mentioned pace can be kept

- is responsible for the finishing timetable of the products in the Machining Plant

- is responsible for the quality of the products

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Assemblx Plant Manager

- is responsible to the Production Manager
- maintains the production in the Joinery at such a level that all accepted orders can be delivered
- is responsible for the material orders for the joinery so that the above-mentioned pace can be kept
- is responsible for the finishing timetable for the products in the joinery
- is responsible for the quality of the products

Maintenance Manager

- is responsible to the Production Manager
- is responsible for the machine maintenance so that the production keeps pace with accepted orders
- is responsible for orders in the maintenance section

Stockkeeper

- is responsible to the Production Manager
- keeps the stock of finished products up to date
- is responsible for proper storage of products, so that the quality remains good
- checks outgoing goods and compares it with the dispatch list

Rarketigg Secretarx

- is responsible to the Production Manager
- takes care of customer contacts
- draws up production catalogue and keeps it up to date

books the orders

makes sales letters, offers, order confirmations, etc.

- takes care of general office duties related to sales and marketing
- prepares material orders in accordance to information received from department managers, for submission to Production Manager

is responsible for cost accounting

- is responsible for coordination/liaison with Treasury on wages and other routine matters

Bookkeener

- is responsible to Marketing Secretary
- is responsible for financial accounting
- is responsible for preparation of attendance and wages sheets

- takes care of payment control and invoicing

Office Assistant

- is responsible for preparing office work
- calculates material costs
- is responsible for stock accounting

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6. TIKETABLE FOP OPERATIONS CONCERNING SALES  
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adoption of this document as  
a programme for organisation  
and marketing and for devel-  
oping the potential of the  
factory towards self-reliance  
ARC committment to develop  
ARC factory management as  
per document  
appointment of ANC Produc-  
tion Kanager8  
appointment of ANC Market-  
ing Secretary8  
appointment of maintenance,  
machine plant, assembly plant  
managers and others11  
storage extension prepared  
offices for production manager,  
markqting, accounts (temporary)  
moving attendance/wages super-  
vision to factory management  
pricing finished, catalogue  
ready  
preparation of ANC programme  
budget ready  
sales plan for 1988 ready  
commence external sales operation

31.01.88

31.01.88

URGENT

latest 31.07.88

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latest 30.04.88

latest 31.08.88

30.06.88

28.02.88

15.03.88

31.01.88

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30.03.88

' If ARC cannot find suitable personnel in time, factory  
will have to employ outsiders.