

## **CTFA ANNUAL REPORT YEAR END 2004**

The 10th year of operation of the CTFA commenced with the Executive Council holding a full day strategy meeting to map out its future, both short and long term. Although CTFA has grown and thrived over the past 10 years, it was felt that the organization should be more aware of member requirements and industry needs. This proved to be an excellent insight into what CTFA has done and how it can better serve its members.

The Executive Council outlined the objectives of the Association and these are:

- Self Regulation – taking a lead in the regulatory processes
  - Maintain and improve development processes with government.
  - Negotiate with the Department of Health
  - Lobby government on behalf of the industry
  - Act in an advisory capacity to government on regulatory issues
  - Negotiate with government on raw material tariffs.
  - Act as a spokesperson for the industry.
  - Keep abreast with global trends.
  - Supply information to the industry
  - Hold informative functions involving experts on pertinent issues
  - Collect industry statistics
  - Give technical assistance and advice to members
  - Review and deal with industry issues such as legislation, taxes, tariffs and grey market goods.
  - Develop industry Guidelines and Standards
  - Provide a platform for networking
  - Extend the membership base.
  - Interact with other Trade Associations
  - Promote consumer safety
  - Act as the first point of contact for action or advice
  - Raise the profile of the industry and CTFA of SA Consumer education
  - Social Responsibility
- Look Good... Feel Better  
Broad based Black empowerment.

## EXECUTIVE COUNCIL

Russell Pollard continued his responsibility as the Chairman of the CTFA and has devoted a large amount of time to the good of CTFA. We salute him for his support and advice over the year.

The Executive Council for 2004 was:

Russell Pollard	Colgate	Chairman
Scott Maddock	Revlon	Vice Chairman
Pierre Deckers	Estee Lauder	
Maria Laughland	Ladine	
Robert Lunt	Indigo Cosmetics	
Jack Noble	Symrise	
Dave Popplewell	ReckittBenckiser	
Mike Rigby	Prime Products Manufacturing	
Chris Stofberg	Wella	
Nathan Taitz		
Jeff Veiro	Unilever	

The role of the Executive Council was clearly defined and moved into a focused role. The requirements of the Executive Council are as follows:

1. To define key deliverables for CTFA
2. To represent the members
3. To review CTFA objectives
4. To be proactive on current issues
5. To seek ways to improve the industry.
6. To be representative of the industry.
7. To set direction and pace.
8. To drive projects with specific portfolios.
9. To ensure that the publicity and marketing of CTFA is effective.
10. To represent the industry at senior government level
11. To attend government meetings where necessary.

They agreed on a development action plan for the year, which was:

1. To commence with the development of a Cosmetic Plan to cater for Black Economic Empowerment.
2. Further the initiative with regard to Ad Valorem
3. Conduct Scientific Research where necessary.

## **CTFA STAFF**

The CTFA office staff moved into a slimmer mode in 2004. Wally Hopton retired in 2003 and his secretary, Theresa also left for greener pastures. So Ruth Sanderson, as Executive Director and Jill Gardiner, as Technical Director streamlined CTFA and have not required additional staff. Candice Wilson joined us in July as Administrative Coordinator, when Chantelle left and Margaret Hewson of Cosmeticweb helped us out where needed. Elmarie Groeneveld has continued as our Accountant and the auditors are Graham and Company Inc.

## **MEMBERS AND REVENUE**

Membership of CTFA continues to be very stable. There is always some movement of smaller companies, with some joining and some leaving for various reasons. We now remove companies from our books if their subscriptions have not been received by mid- year. During 2004, eleven new companies were registered as members; losses included several mergers, as well as some resignations. We now have 152 members in total.

In financial terms, 2004 was another successful year, with the Association's finances continuing to be carefully managed. There was an after-tax surplus of R256 873 for the year. Subscriptions increased by 3% and expenses decreased by 10%.

Total income and total expenditure, 2003 versus 2004 are given in the following table:

	<b>2003</b>	<b>2004</b>	<b>Increase/decrease</b>
<b>Income</b>	<b>R1 627 929</b>	<b>R1 710 009</b>	<b>5%</b>
<b>Expenditure</b>	<b>R1 597 780</b>	<b>R1 453 136</b>	<b>-10%</b>

The full audited financial statement is issued as a separate document.

## **MDs' FORUM**

As there had been some advertising difficulties between companies, it was agreed to convene an MDs' Forum, at which MDs could meet and discuss issues which concern all companies and need to be addressed at senior level. The first meeting was held in December 2004 and those MDs present were able to address problems one-on-one. This initiative will continue, with speakers on various topics being invited to attend.

## **MARKETING**

Efforts were made during 2004 to elevate the CTFA profile. As it was the 10th Anniversary of the formation of CTFA, a special Gala Dinner was held at the Sandton Sun Hotel after the AGM. In the morning, a Technical Seminar was held with invited overseas speakers.

The AGM was addressed by the Director General of UK's CTPA, Chris Flower, and the Gala Dinner was attended by several members of the original Executive Council of CTFA, as well as several past Chairpersons. Chrisita Ackermann came from the USA to help us celebrate.

Pharmaceutical and Cosmetic Review produced a special 10th Anniversary magazine.

## **AD VALOREM**

Although Ad Valorem now forms a smaller part of manufacturing costs, CTFA continues to strive to have it totally abolished.

To this end, a representation met with Mr Martin Grote and Mr Cecil Morden of Treasury, to request that Ad Valorem be removed from Sunscreen Products. A document was prepared, clearly defining Sunscreen Products (noted below), with the assistance of Rod Lichkus, consultant, and Paul Kinsley of Permark.

"Suncare Products"

A cosmetic product which provides protection of the skin from the UV radiation effects of the sun.

### **Definition:**

Such products must contain UV filters as listed in Annex VII of the Cosmetic Compendium and display an SPF number as determined by SANS 1557 – South African National Standard, Sunscreen Products.

We were well received by Treasury and they took our point that Sunscreens could in no way be termed a "luxury" product, with our extremely high skin cancer statistics in South Africa. We were assured that action would be taken in the 2005 budget.

## **BLACK ECONOMIC EMPOWERMENT FOR THE COSMETIC INDUSTRY**

This process commenced on 24 May 2004 where Mr Lionel October, Deputy Director, General, Black Economic Empowerment, Department of Trade and Industry addressed the industry. The industry moved forward quickly from then and the first Industry Working Group meeting was held on 10 August 2004. At this meeting, volunteers for a Steering Committee to drive the initiative were called for and the first Steering Committee meeting was held on 17 August 2004. Here, Herman Mashaba was voted on as Chairperson and the steering committee, consisting of the following was formed.

Herman Mashaba	Black Like Me	Chairperson
Ann Gradidge	LeSel	
Nizam Kalla	Amka	
Dave St Quintin	L'Oreal	
Rusell Pollard	Colgate Palmolive	
Scott Maddock	Revlon	
Pierre Deckers	Estee Lauder	
Sipho Mahlobo	Pangaea Group	
Maude Mthethwa	Department of Trade and Industry	
Perry Bhavan	Charlie Parkers	
Shani Vermeulen	Arch Personal Care	
Ruth Sanderson	CTFA	
Jill Gardiner	CTFA	

Although non-stakeholders formed part of this committee initially, it was agreed that Steering Committee members should be bona fide stakeholders. Membership changes were therefore made and Sipho Mahlobo, Maude Mthethwa, Perry Bhavan and Shani Vermeulen stepped down. Further volunteers were called for, resulting in the following persons joining the Steering Committee:

Richard Tatham	Beige Cosmetics
Alice Phatudi	AliceP Cosmetics
Rory Jones	Candy Girl Cosmetics

Since then the Steering Committee has met on a weekly basis, resulting in excellent groundwork for the process. Twelve Steering Committee meetings were held during 2004.

The definition of a Stakeholder was defined as “Those companies operating in South Africa which manufacture, distribute or import cosmetics, toiletry preparations or perfumery”. It was agreed that only those companies whose CORE business fits into the above definition may sit on the Steering Committee.

Funding of the process was discussed and it was agreed that although funding was a voluntary process, companies would be encouraged to give funding according to their size and turnover. Thus, it was decided that large companies would be asked to contribute R10 000, medium sized companies, R5 000 and small companies R2 000.

The first task the Steering Committee set itself was to collect Industry statistics on issues pertinent to the black empowerment process and the BEE scorecard. A questionnaire was designed and Michael Gristwood of Bizsolutions was employed to coordinate this. This process now moving forward well.

Herman Mashaba put his marketing skills to work and has ensured that the process has been widely publicized and that stakeholders meetings were held on a monthly basis in Johannesburg. A meeting has also been held in Cape Town and one is planned for 2005 in Durban.

During 2005, the Steering Committee will design a Road Map, plan timings and form sub-committees which will deal with each component of the scorecard.

With the excellent commitment received so far from the industry, The BEE process is moving forward rapidly . We feel that the groundwork laid down during 2004 will ensure progress during 2005 and that the industry will present a BEE Plan which will satisfy all stakeholders.

## **STRATEGIZING SELF-REGULATION**

The CTFA Strategy Meeting of January 2004 gave direction for self-regulation in South Africa. The plan included closer communication with the DOH (Department of Health), further participation in international harmonization processes and the development or amendment of local guidelines. This tall order kept Jill Gardiner and her technical working groups on their toes for the entire year.

A number of meetings have been held with both the Law Enforcement and Legal Departments of the DOH, in an attempt to try and iron out the issues surrounding the Complementary Medicines Call-up Notice. This is a very thorny area, which will require a lot of further lobbying into 2005 to try and resolve and clarify when herbal ingredients should be deemed medicinal or cosmetic. A number of meetings were also held to get our Annexes of Section 11 of the CTFA Compendium to be published as regulations. To date this has not happened as no one at the MCC is prepared to sign the mandate, but we will not accept their complacency in this matter and will strive to achieve what is required for industry.

CTFA by request of the SABS (South African Bureau of Standards) has continued to be actively involved in the ISO T/C 217, which is an international standards body seeking to develop internationally harmonized standards for the cosmetic industry. Currently of particular interest to South Africa are the Microbiological, GMP and Packaging & Labeling Standards that are being developed. We have participated actively in the International Working Groups, developing these standards, and have been able to give valuable input in terms of keeping them in line with our current South African documents.

November 2004 saw the resurrection of the International Sunscreen Harmonization Group, which originally worked on the harmonized SPF Testing Method for Europe, Japan and South Africa. After the launch of this SPF testing method in 2002 it was agreed that further work needed to be done. This work took the form of getting other interested countries to participate, with the view to achieving global harmonization. The fruits of this culminated in a meeting in Beijing, where China was brought on board and Australia attended to see if harmonization was possible. The meeting addressed the wider issues and under the banner of the International Sun Protection

Group, SPF testing and labeling, UVA testing and labeling and water resistance testing and labeling were discussed. This proved to be a very fruitful meeting in that although there are some major differences in many of the testing and labeling patterns between countries many areas could quite easily be harmonized. The countries present were requested to take these findings home for discussion and once some consensus can be reached a further meeting with all parties concerned would be scheduled. It is hoped that the USA can also be part of the discussions in 2005.

During 2004 it was obvious that the SANS 1557:2002 document required amendment. A project was initiated and the WG made these necessary changes. These amendments have been sent out by the SABS for comment, and hopefully the amended document will be published during 2005. The beauty of SANS 1557, is that it is living document and can be amended when deemed necessary by industry.

The CTFA was also requested to look at a suitable Patch Testing Protocol during 2004. The project was started in March 2004, but due to the enormity of this subject the WG will have to extend its work into 2005. To date most of the parameters of the protocol have been identified, but others need a pilot study to be carried out in order to determine what the ideal parameters should be. Only once this has been achieved, can the validity of claims be addressed.

The 7th Amendment to the EU Directive was agreed to in Europe for implementation between September 2004 and March 2005. As South Africa has always generally followed the EU Directive, a project to look at the feasibility of adoption of the 7th Amendment for South Africa was started in 2004. The WG looked at all the facts and it was obvious that adoption of this amendment in its entirety was of no benefit to the local industry. Also, in no way would it help with international trade to countries other than those in Europe, as the rest of the world is not about to adopt this amendment. This WG finalised their findings in December 2004, with a unanimous decision that South Africa would only adopt the ingredient listing of the 26 allergens. The deadline for compliance with this South African requirement has been set for December 2006.

Self- regulation is something that makes the cosmetic industry in South Africa unique, and it is up to all of us to play our part in making sure that the regulations are current, relevant and strive to protect the safety of the consumer at all times.

## **LOOK GOOD... FEEL BETTER FOUNDATION**

This wonderful programme, especially designed for the cosmetic industry, really started after the CTFA in USA, invited Marie Irissou and Ruth Sanderson to attend the international meeting of Look Good... Feel Better in Paris in May 2004. This proved to be the spring board needed to ensure that the South African programme would follow the 14 other countries who have already proved to be successful.

During 2004, 6 pilot Workshops were held at 4 hospitals and clinics and 50 patients were pampered. The response was overwhelming and we have received numerous letters from patients. Every single one has emphasized the personal feeling of well-being and self-confidence after she had attended a Workshop. With this positive feed-back, it was agreed to expand the programme during 2005.

The multinational companies have supported the programme to the hilt, but we need more local companies to participate. As it is a charity organization and a Section 21 company in its own right, it obviously needs funding to allow it to operate and, indeed, to grow. Without the support of the whole industry, we cannot sustain the growth which is obviously needed, and is happening, here in South Africa.

The following companies are members of Look Good ... Feel Better and we thank them for their wonderful support.

- \* Avroy Shlain
- \* Babor
- \* Black Like Me
- \* Colgate
- \* DSM
- \* Environ
- \* Estee Lauder
- \* Galderma
- \* Johnson & Johnson
- \* Justine Avon
- \* Indigo Cosmetics
- \* Lever Ponds
- \* L'Oreal
- \* Prime Products
- \* Revlon
- \* SDV Pharm
- \* Sh'Zen
- \* Founder Members.

By the end of 2004, it had become obvious that, in order to make this program really successful, a full-time manager will be necessary.

## **CONCLUSION**

After 10 years, CTFA is seen by all its members, government officials, the Advertising Standards Authority, other relevant institutions and international organisations as the spokesperson for the cosmetic industry in South Africa.

It has grown from the original 12 members to more than 150. It is a truly proactive Trade Association which ensures that its members are served to the best of everyone's ability, both technically and administratively.

The administrative activities have grown to such an extent that the offices that it has used since its inception are fast becoming too small. It will therefore be necessary for CTFA to move into an office park during 2005. This will allow for expansion and a more professional and effective organisation.

We would like to thank our Executive Council for their wonderful support and our members for taking the organisation seriously and giving us their utmost co-operation.

It is indeed a pleasure to be part of such a vibrant and proactive industry.