

# Vaal Region Regeneration Action Plan

Facilitated by Genesis Analytics for CEOs' Initiative

**Prepared by Genesis Analytics**

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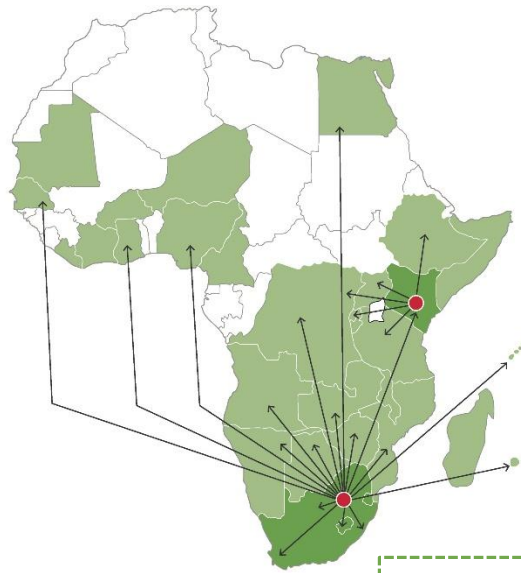




# Introduction to Genesis Analytics

The largest economics-based consulting firm in Africa

100 consultants in Johannesburg and Nairobi



Advisory in socio-economic impact; development economics; competition economics; behavioural economics; management consulting; public policy and stakeholder engagement.

Clients are companies, governments, regulators and the international aid community

Reputation for rigour, ethics and independence

## We have drawn on the following company expertise for this study:



Research in complex settings



Development economics



Public private partnerships



Strategy facilitation

## Some of our recent clients



## Background

- The CEOs' Initiative was formed in 2016 to open channels of communication between senior business and government leaders.
- The CEOs' Initiative is driving a number of developmental initiatives as part of big business' contribution to economic growth and job creation. One of these initiatives was identified as a possible partnership between business and government to turn around the de-industrialisation of the Vaal Region. The project focusses on the design of a Vaal Region Regeneration Action Plan (the Action Plan).
- The Vaal Region was formerly known as the "Vaal Triangle", and took its name from the triangular-shaped area between the main towns of Vereeniging, Vanderbijlpark and Sasolburg. Now the area is inclusive of a wider geography and is usually broadly referred to as "the Vaal". The Gauteng government refers to the area as "the Southern Corridor".
- The Vaal has traditionally been South Africa's heavy industrial, manufacturing and engineering hub. However, owing to an array of reasons which are explored in this Action Plan, the Vaal region has suffered from falling output and company closures. This trend mirrors the decline of manufacturing in South Africa over the last ten years.
- The purpose of the Action Plan is to bring business and government together to attempt to address the decline of the Vaal Region, to prevent it from becoming the "Rust Belt" of South Africa. This is in line with the Presidency's vision for re-industrialisation of South Africa.
- This provides the chance to partner on solutions in a delimited area and to test ideas, initiatives and ways of working together that will help to re-energise the area. A successful partnership in the Vaal Region could be replicated in other stressed industrial areas around the country.
- The Action Plan is intended to provide the CEOs' Initiative with correctly diagnosed challenges, and shared public/private ideas to take forward in more detailed discussions.
- Consultants, Genesis Analytics, undertook research and helped to facilitate the Action Plan. The consultants reported to a public/private Steering Committee composed of the biggest companies in the Vaal Region, the Gauteng Province and National Treasury.
- The Vaal workstream is chaired by Andre De Ruyter, CEO of Nampak, and is kindly funded by Standard Bank (Sim Tshabalala).

## Scope and brief

- As the funder on the project on behalf of the CEOs' Initiative, Standard Bank asked Genesis Analytics to work with the largest companies in the Vaal Region and four public sector partners to prepare a joint Action Plan. The public sector partners were the National Treasury, the Department of Trade and Industry (the dti), the Department of Economic Development (EDD) and Gauteng Province.\*
- The Action Plan accompanies this information pack.
- The information pack captures the background research the consultants were asked to undertake, namely:
  - 1 To establish the geographic limits of the Vaal Region, identifying the main municipalities;
  - 2 To provide a socio-economic profile of the Vaal Region;
  - 3 To identify the positive infrastructure stock in the Region; together with infrastructure deficits;
  - 4 To survey the biggest twenty companies in the Vaal Region to identify constraints to growth;
  - 5 To prepare a case study on the closure of Highveld Steel;
  - 6 To document government incentives and support available to companies in the Vaal;
  - 7 To diagnose the six most significant challenges faced by companies in the region to feed into the Action Plan.

*\*National Treasury, dti and Gauteng Province contributed generously, taking part in design workshops and giving written input and ideas to the action plan. EDD held an initial meeting and did not respond to further requests to give input.*

# Observations and analysis

## About the Vaal Region

- The Vaal Region covers parts of Gauteng and Free State, and spans four municipalities: Emfuleni, Midvaal and Lesedi (Gauteng), and Metsimaholo (Free State).
- The Vaal Region has a young and growing population, and displays improving educational standards, development indicators and household income. However, there are high and increasing rates of unemployment in the region.
- GDP growth rates fell sharply in the last decade. The local economy is still dominated by manufacturing though its contribution to regional GDP has fallen to 40% on average across the Vaal municipalities; a sharp decline since 2000.
- The Vaal has an excellent infrastructure base, especially in energy, road and rail infrastructure. Water and sanitation infrastructure is under strain and is a constraint to growth.

## About Vaal-based companies

- A survey of the largest firms in the Vaal (n = 15)\* reveals a poor assessment of the economic health of Vaal operations and pessimism about the future. On average, the firms surveyed see the future for the Vaal to be worse than the present.
- 73% of companies said they plan to stay the same size or contract in the next three years. 27% expect to grow.
- 64% plan to stay in the Vaal, 9% said they plan to leave the Vaal, while 23% said they were not certain.
- Not all large companies in the Vaal are in crisis: 73% reported making profits over the last five years, while 23% reported losses. This suggests that certain value chains in the Vaal are healthier than others. This, in turn, suggests that interventions would be better designed value chain by value chain rather than by generalised spatial area.
- Companies that enjoyed better returns in the last five years attribute this to capital investments in processes, operational improvements and productivity improvements. Poor returns are **attributed to low levels of demand**, perceived lack of support from government and rising input costs.
- The hardest hit industry in the region is the steel and steel manufacturing industry. The closure of large companies like Highveld Steel has a traumatic impact on workers, their families, suppliers and municipalities.

*\*Note small sample size, not representative of all companies in the Vaal, representative only of the biggest firms. Expect clustering of percentage responses.*

# Observations and analysis

## About the realistic limits of a local Action Plan

- The woes of the Vaal Region are partly due to global forces, including a fall in global demand post 2008, a slow down in Chinese demand, volatility in geo-politics, stress on the global trade order, a drop in global demand for the mining, infrastructure and construction, and a glut of steel capacity. These forces are largely out of the control of the CEOs' Initiative and government. *Realistically, a local Action Plan cannot correct these meta-level forces, it can only adjust to them.*
- Likewise, at the domestic level the challenges for Vaal companies are reflections of a weak macro-economy and woes in downstream industries, notably mining, construction and infrastructure. These industries have stagnated, with knock-on effects on the manufacturing sector. *Thus, a big part of rejuvenating the Vaal rests on rejuvenating mining, construction and infrastructure.*
- *Realistically, a local Action Plan cannot correct for all these global or macro trends. It can, however, get business and government working together to try and fix what is doable at a local level, to maximise the prospects of the region in difficult circumstances.*

## About business and government working together

- Although the economic line ministries and Gauteng government share the CEOs' Initiative's concern about the future of the Vaal, the scale of challenge means that solutions cannot be driven by these departments acting alone. Solutions on a grand scale will rely on adoption, ownership and co-ordination by the Presidency.
- The Ramaphosa administration has prioritised re-industrialisation through the strategic use of incentives and other measures, including a localisation programme. The Vaal makes an ideal testing ground to rejuvenate manufacturing.
- There are a number of incentives available to assist companies, though on the face of it, uptake of these incentives has been limited. More research is needed to understand this and to test the appropriateness of existing incentives and interventions.
- To work more closely with government, some Vaal-based companies need to better understand the priorities of government with respect to transformation and inclusivity of the economy.

# Observations and analysis

## About interventions

- Government and the CEOs' Initiative should be wary of reaching for protectionist interventions to prop up uncompetitive companies and industries in the Vaal, beyond short term bursts of once-off support that assist with a transition to new competitiveness and productivity.
- To survive, companies must make a transition in production systems and competitiveness, in developing new products, and in finding new markets, both domestic and foreign. *Government assistance should be positioned to help companies to make this transition, not to support distressed industries indefinitely.*
- Preferential secured procurement for uncompetitive industries serves to drive up the overall cost of production which is not sustainable in the long term. The Action Plan stays away from guaranteed preferential procurement but does provide for a system where local firms are, at least, always notified of procurement opportunities and, at best, given the opportunity to better the price of any foreign supplier. This will help to up drive up demand for competitive local firms.
- On the supply-side, Vaal-based companies can make investments in competitiveness and productivity, while government can improve local governance accountability, invest in infrastructure, rein in administered prices and incentivise competitiveness improvements.
- On the demand-side, Vaal-based companies can look for new products and link to new markets, including export markets. Government can help with the location of export markets; with the creation of new “artificial” demand with one-off dedicated mega-projects or more government spending on infrastructure; by helping to re-ignite mining; by providing clearer line of sight to planned public infrastructure spending; or with repositioning the Vaal into more competitive industries.
- More detail is provided in the Action Plan that follows.

## Six issues were identified as constraints.

These form the starting point for the Action Plan.

### Demand side challenges



#### Increase local demand

The need to improve aggregate local demand for products produced in the Vaal Region, and improve links from that demand to Vaal companies.



#### Partner to improve enforcement

The need to improve the enforcement and monitoring of tariffed imports and policing of local content designation.



#### Increase export demand

The need to locate more export demand for products produced in the Vaal region, and to develop export models to service that demand.

### Supply side challenges



#### Improve cost and reliability of energy

The cost of electricity has climbed rapidly, while supply largely unreliable. There is a need for cheaper and more reliable energy sources – possibly gas.



#### Re-energise local government

The water, sewerage and road network infrastructure systems are in need of maintenance and investment, and finances and governance of some municipalities must be addressed.



#### Improve competitiveness

With a global steel glut, the primary steel industry is not globally competitive. More support for investments that improve competitiveness.





# Demand Side Challenges



CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION
<b>1</b> Weak national growth rates have impacted negatively on demand for Vaal products. The need is to improve aggregate local demand for existing Vaal products, and to improve the coordinated links of Vaal companies to this demand.	<p>In a survey of the largest companies in the Vaal region, weak local demand was identified as the <i>number one</i> challenge for the Vaal region.</p> <p>Conversely, boosting local demand was seen as the <i>number one</i> growth prospect.</p>	<p><b>A: Project pipeline co-ordination between provincial government and business.</b></p> <p>The Gauteng and Free State Provinces can compile an advance notice of public infrastructure projects planned in the Vaal Region and the provinces can share this intelligence publicly with Vaal-based companies. This will help to improve sight of pipeline demand.</p> <p>Pipeline intelligence could be co-ordinated and shared with all Vaal-based firms by Manufacturing Circle and Vaal-based business associations.</p>	<ul style="list-style-type: none"> <li>Gauteng and Free State Provinces;</li> <li>Infrastructure and capital-equipment companies;</li> <li>Vaal-based suppliers;</li> <li>Vaal-based business associations;</li> <li>Manufacturing Circle</li> </ul>	<p>Manufacturing Circle and CEOs' Initiative to approach Premiers of Gauteng and Free State to agree to co-ordinate intelligence sharing on planned infrastructure and capital project pipeline.</p>	<p>Growth-friendly and investment-friendly policies at national and provincial level.</p>
		<p><b>B: Consideration of a provincial notification system:</b></p> <p>Project procurement officers on public-sector infrastructure projects in energy, rail, road, and water planned for the Vaal and in Gauteng and Free State could, as part of mandatory procurement process, notify Vaal-based (or South-African) manufacturing firms on a database of procurement supply needs.</p> <p>This will ensure that Vaal-based firms are at least aware of opportunities to bid on the Vaal and other provincial projects.</p>	<ul style="list-style-type: none"> <li>Gauteng Province;</li> <li>Free State Province;</li> <li>Manufacturing Circle;</li> <li>Department of Public Works;</li> <li>Procurement officers on large infrastructure and capital projects;</li> <li>Vaal-based business associations.</li> </ul>		
		<p><b>C: "Right to better" procurement rules:</b></p> <p>Consideration could also be given to allowing Vaal-based (or South African) manufacturing firms the opportunity to better the quoted price of any foreign supplier.</p>			

Means the recommendation has already been achieved

Means the private sector will contribute and partner



# Demand Side Challenges



CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION
1 Weak national growth rates have impacted negatively on demand for Vaal products. The need is to improve aggregate local demand for existing Vaal products, and to improve the coordinated links of Vaal companies to this demand.	In a survey of the largest companies in the Vaal region, weak local demand was identified as the <i>number one</i> challenge for the Vaal region.  Conversely, boosting local demand was seen as the <i>number one</i> growth prospect.	<p><b>D: Co-ordination of demand with the mining industry.</b></p> <p>The Vaal has traditionally supplied the mining industry. Decline in the mining sector has negatively impacted this demand. A more co-ordinated approach between Vaal companies and the mining sector, and a commitment from South African mines to notify companies of projects, and offer a “right to better”, would help to re-establish this demand.</p>	<ul style="list-style-type: none"> <li>Chamber of Mines;</li> <li>Manufacturing Circle;</li> <li>Mining companies;</li> <li>Vaal-based manufacturers;</li> <li>Vaal-based business associations</li> </ul>	<p>Manufacturing Circle, together with Vaal based-business associations could approach the Chamber of Mines to design a system of intelligence sharing and co-ordination of mining sector demand with the Vaal Region supply of products and parts.</p>	Growth-friendly and investment-friendly policies at national and provincial level.
		<p><b>E: Renewable Energy Independent Power Producers Programme (REIPP):</b></p> <p>Department of Energy (DOE) could reopen the stalled REIPPP which would increase demand for renewable energy products and parts from the Vaal Region.</p>	<ul style="list-style-type: none"> <li>Department of Energy;</li> <li>Presidency</li> </ul>	<p>The REIPP Programme was reopened in early 2018.</p>	

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<b>1</b> Weak national growth rates have impacted negatively on demand for Vaal products. The need is to improve aggregate local demand for existing Vaal products, and to improve the coordinated links of Vaal companies to this demand.	<p>In a survey of the largest companies in the Vaal region, weak local demand was identified as the <i>number one</i> challenge for the Vaal region.</p> <p>Conversely, boosting local demand was seen as the <i>number one</i> growth prospect.</p>	<b>F: Co-ordination of renewable energy opportunities:</b> Co-ordination of supply from Vaal region with demand from renewable energy sector.	<ul style="list-style-type: none"> <li>Manufacturing Circle;</li> <li>South African Renewable Energy Council;</li> <li>Vaal-based business associations</li> </ul>	The Manufacturing Circle, together with Vaal based-business association can approach the South African Renewable Energy Council to design a system of intelligence sharing and co-ordination of renewable energy sector demand with Vaal region supply of products and parts.	<p>Growth-friendly and investment-friendly policies at national and provincial level.</p> <p>Better co-ordination between Vaal companies and demand in the mining sector and renewable energy sector.</p> <p>A commitment from SA mining, energy, construction and capital goods firms to allow SA suppliers the right to better the quoted price of any foreign supplier.</p> <p>Government at all levels to improve intelligence sharing of prospective infrastructure, construction and capital goods projects.</p> <p>Public/Private Partnerships in infrastructure and capital projects to use SA produced capital goods.</p>
		<b>G: Engagements to discuss options of increasing demand through more infrastructure spending and other Keynesian stimulus:</b> Government could either use temporary tax cuts or increase public investment in infrastructure spending to stimulate aggregate demand	<ul style="list-style-type: none"> <li>SA Government</li> <li>National Treasury</li> <li>Vaal companies</li> <li>Manufacturing Circle</li> </ul>	Conversations with Presidency and National Treasury about the prospects of more Keynesian stimulation, especially in a strained fiscal environment	
		<b>H: One-off mega project to stimulate demand:</b> For example the idea has been floated to build a natural gas transmission pipeline from Rovuma basin in Mozambique to SA, using SA steel and manufactured products. This will increase demand for Vaal products and will also secure reliable and cheaper energy supply to the Vaal. Initial scoping has been done.	<ul style="list-style-type: none"> <li>Vaal companies;</li> <li>Vaal-based business associations;</li> <li>Manufacturing Circle;</li> <li>Presidency National Treasury, dti, EDD, DIRCO, World Bank;</li> <li>IFC;</li> <li>IDC</li> </ul>	Continuing advocacy from Manufacturing Circle; request to Presidency to commission pre-feasibility studies on Rovuma pipeline	

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# Demand Side Challenges



CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION
1	Weak national growth rates have impacted negatively on demand for Vaal products. The need is to improve aggregate local demand for existing Vaal products, and to improve the coordinated links of Vaal companies to this demand.	<p><b>I: Vaal buys in to the Vaal accord:</b></p> <p>Vaal-based companies could sign an Accord with each other, that all procurement officers will take steps to a) understand the Vaal-based supply offering b) seek to procure locally wherever possible; and c) undertake to offer the right to better prices of a foreign supplier.</p> <p>Vaal-based companies in their own procurement processes could acknowledge that price cannot be the only consideration, and that cognisance will be taken in buying decisions of local externalities like job creation and increasing aggregate demand.</p>		<p>CEOs' Initiative; Manufacturing Circle and Vaal-based business associations to co-ordinate the drafting of an Accord amongst Vaal-based companies that they will amend internal procurement processes to favour locally produced goods and services where these are competitive on price and quality.</p>	<p>Growth-friendly and investment-friendly policies at national and provincial level.</p> <p>Better co-ordination between Vaal companies and demand in the mining sector and renewable energy sector.</p> <p>A commitment from SA mining, energy, construction and capital goods firms to allow SA suppliers the right to better the quoted price of any foreign supplier.</p> <p>Government at all levels to improve intelligence sharing of prospective infrastructure, construction and capital goods projects.</p> <p>PPPs in infrastructure and capital projects to use SA produced capital goods.</p>
2	Manufacturing in the Vaal region must ultimately transition out of uncompetitive industries and into more competitive industries. Agri-processing shows promise.	<p><b>A: Diversification:</b></p> <p>dti; Gauteng Province and Free State Province to market the potential of the Vaal Region for manufacturing and agri-processing at trade shows.</p> <p><b>B: Diversification:</b></p> <p>dti, Gauteng and Free State government to commission competitiveness studies on potential sunrise industries in the Vaal Region. Agri-processing shows promise.</p> <p>Scale up agri-processing support fund, linked to Black Industrialist Programme</p>	<ul style="list-style-type: none"> <li>dti;</li> <li>Gauteng and Free State Provinces</li> </ul> <ul style="list-style-type: none"> <li>National Treasury;</li> <li>dti;</li> <li>EDD;</li> <li>Agri-processing and</li> <li>Food retail companies.</li> </ul>	<p>dti; Gauteng Province and Free State Province to market the potential of the Vaal region, for manufacturing and agri-processing at trade shows</p> <p>CEOs Initiative; Manufacturing Circle; Vaal-based business associations; and dti can assess competitiveness of the Vaal Region and market the Vaal in sunrise sectors, nationally and internationally.</p>	

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# Demand Side Challenges



CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION
3	The Vaal Region has traditionally been geared to local demand. Demand can be increased by creating more export demand and by supporting the transition to export-led models.	<b>A: Consideration of 12i incentive for exports.</b> This would only be available for firms above a set BEE scorecard level.	<ul style="list-style-type: none"> <li>dti;</li> <li>National Treasury;</li> <li>SARS.</li> </ul>	Manufacturing Circle and CEOs' Initiative to advocate to National Treasury for 12i incentive for exports.	Accelerate regional integration to increase scale of market demand from SADC.
		<b>B: Vaal companies to research and test new export strategies.</b>	<ul style="list-style-type: none"> <li>Vaal companies</li> </ul>	dti could refresh African Capital Projects Exports Strategy originally prepared for dti in 2010, but never rolled out.	
		<b>C: Review of ECIC mechanism and how its services can be expanded and improved.</b>	<ul style="list-style-type: none"> <li>dti;</li> <li>ECIC.</li> </ul>	Presidency, National Treasury and dti to commission feasibility studies of full-scale EXIM bank.	
4	More government and industry collaboration on the rest-of-Africa capital project opportunities.	<b>A: Co-ordinate SA-INC partnership</b> between government and large firms from the Vaal to target selected export markets, and specific capital project opportunities, and to improve competition with Chinese, Canadian and Australian suppliers.	<ul style="list-style-type: none"> <li>dti;</li> <li>DIRCO;</li> <li>Companies in the Vaal;</li> <li>Proudly SÁ;</li> <li>Manufacturing Circle.</li> </ul>	Co-ordinate SA-INC partnership between government and large firms from the Vaal to target selected export markets, and specific capital project opportunities. The dti could refresh African Capital Projects Exports Strategy originally prepared for dti in 2010 but never rolled out.	
5	SA exports of steel products may be negatively impacted by protection of the US market.	<b>A: Start negotiations for exemption from US tariffs on steel and aluminum products.</b>  Any renegotiation of the rules of World Trade Organisation (WTO) which may come to pass will be an opportunity to prevent abuse of state steel subsidies.	<ul style="list-style-type: none"> <li>DIRCO;</li> <li>Dti.</li> </ul>	Manufacturing Circle to approach DIRCO and dti about negotiating an SA exemption application.	

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# Demand Side Challenges

## ENFORCEMENT & PARTNERSHIPS

CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION
<p><b>6</b> The enforcement and monitoring of tariffed imported goods, and monitoring of local content designation is weak.</p>	<p>Many stakeholders from the Vaal report in interviews that enforcement of tariff protection and local content designations are not well enforced and are routinely ignored in practice.</p>	<p><b>A: Enforcement partnership:</b></p> <p>A partnership between dti, SARS and Vaal Region based firms to enhance the capacity of the inspectorate function, to monitor and enforce tariff protection and local content designations.</p> <p>Companies to provide financial and human resources to support the initiative.</p> <p>The dti can engage with the municipalities and SOEs located in the Vaal for training and improvement in compliance.</p>	<ul style="list-style-type: none"> <li>▪ SARS;</li> <li>▪ SABS;</li> <li>▪ dti;</li> <li>▪ EDD;</li> <li>▪ National Treasury;</li> <li>▪ Manufacturing Circle;</li> <li>▪ Vaal-based business association;</li> <li>▪ Companies in the Vaal Region who are beneficiaries of tariff protection or local designation of products.</li> </ul>	<p>Discussions between Industrial Development Department (IDD from dti); ITAC; SABS; SARS; Manufacturing Circle; Companies in the Vaal Region who are beneficiaries of tariff protection or designation of products: on how to improve monitoring and enforcement of tariff-protected goods and locally-designated products.</p> <p>The dti can engage with the municipalities and state own companies located in the Vaal for training and improvement in compliance.</p>	



# Supply Side Challenges



CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION	
1	The cost of electricity has climbed rapidly and continues to increase.	<p>Many firms in the Vaal Region are energy-intensive users. The price of energy has increased significantly. Price of energy is listed by large firms in Vaal Region as a Top 3 constraint on growth.</p>	<p>A: Where supplied by local municipalities, advocacy to local municipality to manage energy costs for energy-intensive manufacturing companies that are in distress, as short-term relief.</p> <p>B: Where supplied by ESKOM, advocacy to ESKOM and NERSA to manage energy costs for energy intensive manufacturing companies that are in distress, as short-term relief.</p>	<ul style="list-style-type: none"> <li>Energy-intensive companies in the Vaal Region;</li> <li>Energy-Intensive Users Group;</li> <li>Manufacturing Circle;</li> <li>Emfuleni, Midvaal, Metsimaholo municipalities;</li> <li>ESKOM/ NERSA;</li> <li>Vaal business associations.</li> </ul>	<p>Manufacturing Circle and CEOs' Initiative to approach Presidency and National Treasury to convene task force on:</p> <ul style="list-style-type: none"> <li>the pricing of electricity for manufacturing-dependent municipalities; and</li> <li>long-term review of municipal revenue generation model based on electricity distribution.</li> </ul>	<p>National Treasury can review municipal funding model (in many cases local governments relies on electricity price as core revenue stream, while inadvertently strangling manufacturing businesses); with SALGA, COGTA, dti, EDD.</p>
		<p>C: Allow willing companies to generate own electricity and contribute to grid as IPPs.</p>	<ul style="list-style-type: none"> <li>DOE;</li> <li>ESKOM;</li> </ul>			
		<p>D: Rovuma pipeline (see demand side challenges) could bring natural gas to the region as a new energy source</p>	<ul style="list-style-type: none"> <li>NERSA;</li> <li>Companies.</li> </ul>			
2	The supply of electricity is not reliable.	<p>Many companies report black-outs and regular supply interruptions. These create special challenges for continuous process manufacturers.</p>	<p>A: CEOs' initiative and Manufacturing Circle to ask Premiers of Gauteng and Free State to facilitate short-term plan with local government to secure reliable supply to paying businesses in the Vaal.</p> <p>B: Companies in the Vaal to offer seconded technical staff to local government ( e.g. electrical engineers or planners) where there is a short-term capacity gap.</p>	<ul style="list-style-type: none"> <li>CEOs' Initiative;</li> <li>Manufacturing Circle;</li> <li>Premiers of Gauteng and Free State;</li> <li>Emfuleni, Midvaal, Metsimaholo municipalities;</li> <li>Large companies in the Vaal Region;</li> <li>Vaal-based business associations</li> </ul>	<p>CEOs' Initiative and Manufacturing Circle to ask Gauteng and Free State Provinces to convene a summit between heavy energy user manufacturers, municipalities, ESKOM and NERSA to define options for securing supply.</p> <p>Private sector to sponsor the summit.</p>	<p>Commitment of big companies in Vaal Region to move to self-sufficiency in generation and consider smart energy technology.</p>
		<p>C: Municipalities in Vaal to ensure that ESKOM is paid timeously.</p>	<ul style="list-style-type: none"> <li>Emfuleni, Midvaal, Metsimaholo municipalities;</li> <li>ESKOM;</li> </ul>	<p>Identify opportunities for firms to assist with missing municipal capacity in the short-term.</p>		
		<p>D: Companies to ensure ESKOM and municipalities are paid timeously.</p>	<ul style="list-style-type: none"> <li>Large companies in the Vaal region; Vaal based business associations</li> </ul>		<p>Investment in capacity in municipalities for energy provision.</p>	

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# Supply Side Challenges

CHALLENGE	DESCRIPTION	POSSIBLE SHORT-TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG-TERM SOLUTION	
3	According to reports, Emfuleni Municipality is reportedly bankrupt and dysfunctional.	ESKOM and Rand Water have threatened to close services to the municipality.  Numerous press reports suggest that the municipality cannot meet its financial obligations.	<b>A:</b> The Gauteng Government could apply for Sec. 139 administration order; and prepare financial recovery plan.	<ul style="list-style-type: none"> <li>▪ Premier of Gauteng;</li> <li>▪ Gauteng Province;</li> <li>▪ Emfuleni Municipality;</li> <li>▪ National Treasury</li> </ul>	<b>The Emfuleni municipality was placed under Sec 139 financial administration by Premier David Makhura in June 2018</b>	
4	Water infrastructure needs maintenance and investment.	Challenges with local government infrastructure are reported as a Top 8 constraint to growth by large firms in the Vaal Region.  An infrastructure audit shows inadequate reservoir capacity and a bulk water network that is overloaded and aging (between 60 and 70 years old).	<p><b>B:</b> Vaal Region companies to offer secondment of technical resources to municipality, if needed and requested.</p> <p><b>C:</b> Investment in water infrastructure Use a notification process to ensure Vaal region companies are considered to supply the projects.  Vaal companies to commit to water infrastructure maintenance on company's site and surrounding the site.</p>	<ul style="list-style-type: none"> <li>▪ Provincial government;</li> <li>▪ Emfuleni, Midvaal, Metsimaholo municipalities;</li> <li>▪ Large company users of water, sewerage and road infrastructure in the Vaal region;</li> <li>▪ Vaal Region companies able to supply water infrastructure projects</li> </ul>	CEOs' Initiative and Manufacturing Circle to ask Gauteng and Free State Provinces to convene a summit of heavy water, sanitation, and road users; Emfuleni, Midvaal, Metsimaholo municipalities; and National Treasury to define options for funding improvements in and maintenance of water infrastructure.  Vaal companies to offer to sponsor the costs of summit.  Identify opportunities for Vaal companies to assist with missing municipal capacity in the short-term.	Investment in long-term capacity in municipalities for the provision of water, sanitation and roads.
5	Sewerage infrastructure needs maintenance and investment.	Infrastructure audit shows inadequate sanitation infrastructure and the needs for urgent upgrades. There are many reports of raw sewerage flowing into the Vaal River.	<b>D:</b> Investment in sanitation infrastructure Use a notification process to ensure Vaal Region companies are considered to supply sanitation projects.  Vaal companies to commit to sanitation infrastructure maintenance on company's site and surrounding the site.			

Means the recommendation has already been achieved

Means the private sector will contribute and partner





# Supply Side Challenges

## 1 COMPETITIVENESS

CHALLENGE	DESCRIPTION	POSSIBLE SHORT- TERM SOLUTION	KEY STAKEHOLDERS	POSSIBLE NEXT STEP	POSSIBLE LONG- TERM SOLUTION	
6	Competitiveness of primary steel industry.	Primary steel companies in the Vaal Region must improve competitiveness. Alternatively, they need assistance to transition into new markets, business lines and products.	<p><b>A:</b> Steel Task team headed by dti is working with this issue.</p> <p>dti, EDD and Arcelor Mittal SA (AMSA) are in ongoing discussions.</p>	<ul style="list-style-type: none"> <li>Steel Task team;</li> <li>Primary steel producers;</li> <li>dti;</li> <li>EDD.</li> </ul>	<p>Government Steel Task team to continue;</p> <p>On-going discussions between dti, EDD and AMSA.</p>	
7	Competitiveness of steel manufacturing industry.	Downstream steel manufacturers pay higher local prices because of tariff protection on primary steel imports.	<p><b>A:</b> Government can introduce incentives for downstream steel engineering beneficiation to mitigate the effects of import tariffs on primary steel and to stabilise an industry in distress.</p>	<ul style="list-style-type: none"> <li>dti;</li> <li>EDD</li> </ul>	<p><b>A R500m downstream steel incentive was announced by Minister Rob Davies on 15 May 2018.</b></p>	<p>Primary steel companies in the Vaal Region must improve competitiveness. Alternatively, they need assistance to transition into new markets, business lines and products.</p>
8	More targeted fiscal incentives for competitiveness.	To support improvements in capital equipment, competitiveness enhancements; and to transition to production of new products, to lower the cost of capital for companies looking to re-invest and upgrade.	<p><b>A:</b> Revitalise Manufacturing Competitiveness Enhancement Programme (MCEP).</p> <p><b>B:</b> Matching incentives from government for investments in improving competitiveness.</p> <p>Available for firms above a minimum BEE scorecard level, and showing ongoing progress.</p>	<ul style="list-style-type: none"> <li>dti;</li> <li>EDD</li> <li>Companies</li> </ul>	<p><b>A R500m downstream steel incentive was announced by Minister Rob Davies on 15 May 2018.</b></p>	
			<p><b>A:</b> Accelerated depreciation; 12i (write-off some tax liabilities).</p> <p>Available for firms above a minimum BEE scorecard level, and showing ongoing progress.</p>	<ul style="list-style-type: none"> <li>dti;</li> <li>National Treasury;</li> <li>SARS;</li> <li>EDD;</li> <li>Companies</li> </ul>	<p>CEOs' Initiative and Manufacturing Circle to approach dti and National Treasury about accelerated depreciation on critical manufacturing equipment.</p>	

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## More information

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