



**Manufacturing Circle Media Release
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SA manufacturing sector at a tipping point, says Eskom CEO

The manufacturing sector has reached a tipping point and eliminating growth and investment barriers while boosting the demand for local goods are just some of the measures required to place it on the path of success.

Addressing the Manufacturing Circle AGM this week, Eskom CEO Andre de Ruyter said that investing in research, embracing innovation and technology and lowering manufacturing costs are equally critical in boosting manufacturing competitiveness, as is a collaborative approach.

De Ruyter said South Africa needs an all-inclusive approach towards industrial policy that not only included incentives but also infrastructure upgrades, measures to improve labour relations as well as the issue of high-cost, low-skilled labour.

“There is also a requirement for fiscal policy to align adequately with industrial policy objectives, with more consideration given to reducing the tax burden on the manufacturing sector so it can attract more investment,” he said, calling for tax allowances to be directed towards sectors with high job multipliers, such as manufacturing, and for a substantial increase in manufacturing sector allowances in line with generous mining allowances.

De Ruyter, who is also the former chairman of the Manufacturing Circle, was delivering the keynote address at the association’s online AGM on 22 September. The Manufacturing Circle had engaged extensively with government and other key stakeholders to motivate for the resumption of manufacturing activity during the COVID-19 lockdown, which saw industry contracting 74.9% in the second quarter alone. While the pandemic exacerbated manufacturing’s under-performance, it had also made it necessary to become more innovative, with a significant acceleration of investment in digital technology.

Commenting on the impact of digital innovation, de Ruyter emphasised the need for the manufacturing sector to adapt to new ways of working, echoing the sentiments expressed at the World Economic Forum’s annual meeting, that any technological solution must consider the effects on workers and put people first. Linked to this, de Ruyter urged manufacturing businesses to consider including organised labour in governance structures to increase transparency and improve labour relations.

He used the opportunity to highlight the role that Eskom could play in enhancing manufacturing competitiveness, while putting the impact of electricity prices into perspective. While cost-reflective electricity prices would increase the manufacturing cost base by less than 3%, they were a pre-requisite for reliable electricity, he said.



Interestingly, recent statistics show Eskom’s price of electricity is still among the lowest in the world. Municipal tariffs, on the other hand, reflected significant inconsistencies and markups and deserved closer scrutiny by Nersa, said de Ruyter.

Calling on both the public and the private sectors to support “Proudly South African” products, de Ruyter highlighted Eskom’s role in catalysing demand for local goods, considering it spent about R140 billion on goods and services annually. Other measures to boost local manufacturing included creating special economic zones (SEZs) to promote manufacturing capabilities, actively pursuing import substitution and adopting a holistic approach to energy transition.

“It is important to align our industrial and energy policies. That drives both investment and energy by opening the electricity market to private investment while driving local manufacturing by mandating a significant increase in local content. There is an opportunity in renewable energy components and local manufacturing of solar panels, wind and gas turbines and batteries.”

“We have to replace very substantial generation capacity over the next decade. Not only is there a need to improve our maintenance of existing plant and equipment, we also need to invest massively in new generation capacity and that creates an opportunity for collaboration between Eskom and the manufacturing industry,” he said.

In her concluding remarks, Manufacturing Circle Chairperson Ayanda Mngadi said the year ahead would be the time to scale the organisation’s efforts in driving demand for manufactured products, in addition to assessing supply-side constraints and structural inhibitors.

“We will also continue identifying manufacturing growth opportunities that require co-ordination across and within value chains, and connect and facilitate the parties within industry and government, required for effective implementation,” she said.

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Background information

The Manufacturing Circle is the voice of South African manufacturing and the platform off which manufacturers position the sector as the engine to grow the South African economy.

Established in 2008 as a corporate association of manufacturers, we conduct research and engage with key stakeholders to promote the benefits of manufacturing growth for the economy, to influence policy and to highlight opportunities and priorities for manufacturing growth. The Manufacturing Circle meets periodically with government ministers, heads of key state-owned entities, leaders of provincial and local government as well as other business sector leaders:

- To put South Africa on a higher job-rich growth path, to enable us to compete and succeed as a manufacturing destination in the global economy, we need to prioritise three clear goals to: Achieve a competitive manufacturing environment;
- Attain a supportive international trade position; and
- Advance the reputation of South African manufactured products. We are committed to working with policy makers and all other stakeholders to achieve these goals. For economic growth.