



# MANUFACTURING CIRCLE

EMPLOY . PRODUCE . PROSPER

The Manufacturing Circle continues to motivate for what needs to be done to re-industrialise our economy and grow our manufacturing sector. We stand ready to engage with the new Cabinet, holding the firm belief that significant thought leadership, driven collaboratively by industry and government, is required. This is crucial as we see how unemployment rates continue to rise and the manufacturing sector's contribution to GDP falls.

## ECONOMIES OF SCALE THREATENED BY NEW COMPETITION LEGISLATION

The latest policy tool to challenge industry is the newly signed Amended Competition Act 18/2018 which aims for broad-based economic transformation. While support for SMMEs is worthy, the intention to break up concentrated business is not.

This legislation is informed by a structuralist view that market concentration is to blame for the lack of economic transformation. Such reasoning presupposes that new market entrants are inherently competitive and able to achieve allocative efficiencies. The notion that concentration is bad has been contested and found wanting in various economic camps. In fact, the global trend has been towards large scale manufacturing to achieve economies of scale that benefit consumers and achieve competitive advantages for the country.

We support large-scale manufacturing particularly in a relatively small and isolated economy like South Africa. Significant scale is needed to be globally competitive and bulk exports are vital where local demand is limited.

While the amended Competition Act aims to increase purchasing power and product diversity, it will create unintended inefficiencies and consequences in the trade-off between market efficiency and 'public interest'.

The dearth of broad-based economic transformation in the economy is not due to market concentration but a lack of a focused industrial policy. We see the amended legislation as a zero-sum policy favouring political objectives at the expense of SA's manufacturing sector.

History shows that the most successful nations in economic growth and development are those that pro-actively supported and contributed to growing the industrial base of their economies. Strategies to attract, develop, support and grow the manufacturing sector form the basis for industrial policy and provide significant support for economic development, including job creation.

The 1950s German Wirtschaftswunder was largely SMME driven, with a base of small highly skilled family owned businesses. SA does not have this infrastructure, and struggles to create sufficient investment to drive large scale job creation. The Far Eastern model of large enterprise-led growth is apposite: the chaebol in Korea and the keiretsu in Japan grew large, globally competitive enterprises that in turn created a supplier base of SMMEs.

Given our current established industrial base, MC believes that industrial policy should focus on leveraging off large scale manufacturing to arrest de-industrialisation and job losses, and be a catalyst for growing a vibrant SMME sector. As SMMEs battle to access markets and finance, the importance of working with existing large business should not be ignored in identifying and integrating opportunities for new entrants across value chains. The automotive sector is an example of success in this area.

Our Map to a Million details how to stimulate meaningful economic transformation, through demand-side interventions, import replacement, where commercially viable, investment in catalytic projects, using products produced domestically, and pursuing export-led growth opportunities.

The Manufacturing Circle wants to be realistic and constructive in identifying real actionable steps to create an environment in which manufacturing thrives and jobs are created, facilitating inclusive economic growth.

Only new demand will create new factories and more jobs. Only through more competitive input costs, better skills and more coordinated policy interventions can manufacturing be competitive. While domestic demand is insufficient to sustain industry, it is a good base from which to build a dynamic export industry. Stimulating domestic demand will boost investor confidence, particularly when coupled with policy certainty, supportive regulation and competitive incentives, accompanied by appropriate supply-side policies that build the skills base and support technological upgrading.

Participation in global value chains requires economies-of-scale to specialise in value-added tasks. Destroying larger companies is detrimental rather than beneficial.

Our concern is the continual introduction of new legislation to address perceived failures, exacerbating negative outcomes and creating ever greater obstacles to investment. New legislation which negatively impacts our existing industrial base and the economies of scale needed to be globally competitive, is not helpful in growing our economy.

# INITIATIVES

As an industrial policy thought leader, the Manufacturing Circle operates at both strategic and operational levels. To this end, various initiatives have been driven during the first quarter of 2019 in our continuous efforts to promote the Manufacturing Circle's Three Goals; to achieve a competitive manufacturing environment, attain a supportive international trade position, and advance the reputation of South African manufactured product.

## Advisory Council

It was agreed at the Manufacturing Circle's AGM in November 2018, to establish an Advisory Council comprising individuals with expertise spanning economics, finance, and mentorship. The Advisory Council provides strategic guidance to support the Manufacturing Circle and its EXCO in growing its voice and strengthening the position of the manufacturing sector in the South African economy.

## Public Private Growth Initiative (PPGI)

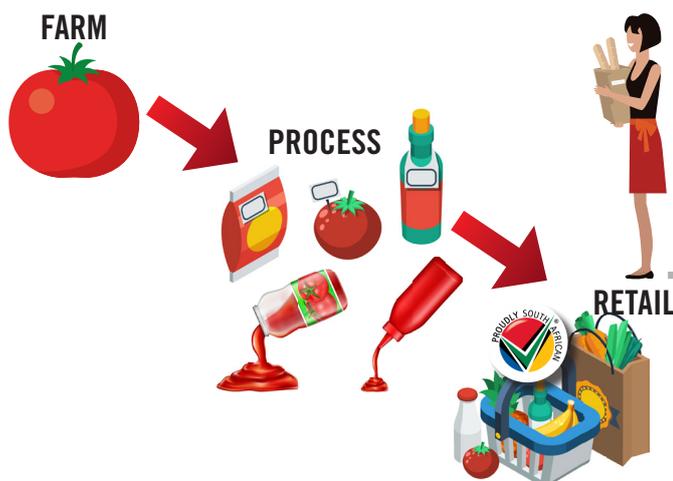
We have actively engaged in this initiative, building on our Map to a Million report to formulate a five year industry plan for the manufacturing sector. Our position highlights key blockages that need to be addressed to grow the industry. Our key priority is improving demand for manufactured products. To achieve this, we need to promote the reputation of locally manufactured products, grow exports and also replace imports where possible. 'Catalytic projects' (strategic projects that are implemented at scale, with the intention and potential to catalyse widespread economic growth through multiplier effects, over the long term) are also a fundamental component. In addition, supply-side interventions need to be simultaneously driven including reducing manufacturers' input costs, addressing skills requirements (with particular reference to the advent of the Fourth Industrial Revolution) and motivating for a supportive fiscal policy.

## Buy Local Awareness Campaign

Proudly South African, the South African Federation of Trade Unions (SAFTU), and the Manufacturing Circle are partnering in a Buy Local Awareness Campaign. Boosting the demand for goods manufactured in South Africa is an important component required in re-industrialising our economy towards job-rich growth. The campaign offers the opportunity for industry, labour, government, and civil society organisations to align common objectives in supporting South African industry to:

- Raise awareness regarding the importance of supporting local industry and communicate the opportunities to increase employment;
- Mobilise South African businesses, households and stakeholders to take action to buy local products; and
- Focus on productive linkage development between the backward, horizontal and forward (primary and supporting) activities of the value chain.

The signing of an MOU between the three parties is being scheduled and will be communicated in due course.



Advisory Council Dinner,  
13 Feb 2019

Ms Baba Tamana-Gqubule (TIPS),  
Ms Khensane Hlongwane (Manufacturing Circle), Mr Moeletsi Mbeki,  
Mr Haroon Kalla (Amka Products)  
Mr Colin Little, Mr John Middleton, Mr Nizam Kalla (Amka Products),  
Mr Saul Levin (TIPS),  
Ms Ayanda Mngadi (Hulamin),  
Ms Philippa Rodseth (Manufacturing Circle)

## Skills

### Enhancing Education, training and skills outcomes in the manufacturing sector

During the course of last year, the Manufacturing Circle supported the National Business Initiative (NBI) with a study commissioned by the Department of Planning, Monitoring and Evaluation (DPME) on enhancing education, training and skills outcomes in the manufacturing sector.

A report was compiled providing recommendations for companies, TVET Colleges and the Department of Higher Education and Training (DHET).

Addressing the skills challenges in the manufacturing sector is an extensive, long term exercise. We continue to provide support in driving recommendations, and will keep you apprised of developments.

### INTSIMBI Future Production Technologies Initiative NPC

We continue to work closely with, and provide strategic support to, the Intsimbi programme. It is designed to address the competitiveness of manufacturing companies in the context of new production technologies and to meet industry's demand for high-tech future-oriented skills requirements.

To date the programme has succeeded in creating highly innovative industry-driven solutions that can sustainably be expanded, which will position SA's advanced manufacturing sector for the Fourth Industrial Revolution that is transforming global competitiveness.

### Manufacturing Circle Investment Tracker (MCIT)

MCIT has been conducted over a two-year period and has been a useful exercise in indicating that a small sample of pro-active manufacturers are investing at a company level in property, plant and equipment, R&D and human capital.

We believe in the benefits of the MCIT as a platform for objective insights into what is going on at a company level in the sector, but feel it will be of more value to respondents if we take a deeper look at the inhibitors to investing, what needs to be done to fix the situation, and the likely results.

We are currently revising the survey on the basis of a qualitative set of questions aimed at CEOs and business owners and aim to conduct the survey on a bi-annual basis this year.

We will communicate the timing for the survey which will be launched during the course of June, with results communicated at a date to be determined in due course.

# ENGAGEMENTS Q1 2019

Q1

<b>16 January</b>	Director Generals of the Economic Cluster, Employment, and Infrastructure Development PPGI Engagement: Presentation of the Manufacturing Industry Five Year Plan The Union Buildings, Pretoria	
<b>21 January</b>	President Ramaphosa PPGI Engagement: Presentation of the Manufacturing Industry Five Year Plan The Union Buildings, Pretoria	
<b>31 January</b>	Gauteng Growth and Development Agency (GGDA) Introductory meeting with Group Executive: Trade, Investment and Regulatory Enablement Sandton	
<b>7 February</b>	<b>EXCO</b>	
<b>7 February</b>	City of Johannesburg Introductory meeting with Director of Economic Development Facilitation, Department of Economic Development Braamfontein	
<b>12 February</b>	The South African National Energy Association (SANEA) Participation in energy engagement workshop Johannesburg	
<b>13 February</b>	Manufacturing Circle Advisory Council Dinner, hosted by Nampak Bryanston	
<b>25-26 February</b>	The CSIR Participation in Intelligent Manufacturing Systems (IMS) 4.0 Workshop	
<b>28 Febr – 1 March</b>	Black Business Council Participation in Summit: Economic Transformation within the context of the 4th Industrial Revolution: a catalyst for inclusive growth in the South Africa economy Midrand	
<b>6 March</b>	Manufacturing Circle Members Meeting <b>MCIT Q4 Release</b> Sandton	● MC Member Meeting ○ MC EXCO Meeting ● MC Advisory Council Meeting ○ MCIT Release ● Government Engagement ○ Industry Engagement ● Labour Engagement ○ Workshop ● Manufacturing Indaba
<b>6 March</b>	South African Federation of Trade Unions (SAFTU) Buy Local Campaign meeting Johannesburg	
<b>12-13 March</b>	Proudly South African Participation in Buy Local Summit Sandton	
<b>15 March</b>	Special Meeting of the BUSA Economic Policy Standing Committee: Nedlac Technical Regulatory Agencies Task Team (NRCS & SABS)	
<b>20 March</b>	International Finance Corporation Engagement in Investment Policy and Promotion Pretoria	
<b>28 March</b>	Business Leadership South Africa Participation in SA SME Fund Launch Sandton	

Q2

## Dates to diarise

**29 May** Manufacturing Circle Trade Awareness Workshop, 61 Katherine Street, Sandton

The Manufacturing Circle, along with XA International Trade Advisors, Stratalyze and Trade Research Advisory, invites its members to a hands-on workshop looking at how South African manufacturers can successfully navigate the complex trade arena.

All members are encouraged to attend. The workshop is targeted at an Executive level audience to cover the essential principles that will be contextualized with case study discussions during the panel sessions. Please nominate an Executive if the assigned MC representative is unavailable.

For further information or confirmation of attendance e-mail [jo@manufacturingcircle.co.za](mailto:jo@manufacturingcircle.co.za)

**19 June 2019** Black Industrialist Scheme Roundtable Discussion, Maxwell Conference Centre Centurion

The Manufacturing Circle, together with Cova-Advisory & Associates, invites members to an engagement to review the dti's Black Industrialist Scheme (BIS).

The engagement will be structured as a roundtable discussion with a maximum of 30 industry decision-makers. Key areas of discussion include the benefits, weaknesses and areas for improvement of the scheme; the identification of opportunities to new entrants across value chains; and how the manufacturing industry can contribute to broad-based economic transformation.

For further information or confirmation of attendance email [jo@manufacturingcircle.co.za](mailto:jo@manufacturingcircle.co.za)

**25-26 June** Gauteng Manufacturing Indaba, Sandton Convention Centre

[www.manufacturingindaba.co.za](http://www.manufacturingindaba.co.za)

# THE MANUFACTURING CIRCLE IS THE VOICE FOR SOUTH AFRICAN MANUFACTURING

Its purpose is to promote the interests of manufacturers to enable job-rich growth in the South African economy.

To achieve these objectives, we have prioritised **THREE GOALS TO GROW MANUFACTURING:**

## GOAL 1

### Achieve a **COMPETITIVE** manufacturing **ENVIRONMENT**

- Encourage coherent, coordinated and consistent economic policy, regulation and policy implementation;
- Advocate efficient spending, cost recoupment and price regulation for public infrastructure and utility services that support manufacturing growth;
- Support the development and maintenance of a skills pipeline; and
- Endorse environmental measures and legislation that support sustainable access to land, raw materials and beneficiation.

## GOAL 2

### Attain a **SUPPORTIVE** international **TRADE** position

- Ensure fair trade through the effective use of tariff and non-tariff barriers, as well as other policy measures; and
- Develop trade and transport linkages within the African region and other key export markets.

## GOAL 3

### Advance the **REPUTATION** of South African manufactured **PRODUCTS**

- Promote preferential procurement for locally manufactured and benefited products that are competitively priced; and
- Partner in an effective multi-faceted "Buy Local" campaign.

We are committed to working with our policy makers and all other stakeholders to achieve these goals. For economic growth. For job creation. For the sake of a better life for all South Africans.



## MANUFACTURING CIRCLE MEMBERS 2019

Actom (Pty) Ltd  
Aerosud Aviation (Pty) Ltd  
Air Products South Africa (Pty) Ltd  
Amka Products (Pty) Ltd  
Apex Cordset Technologies (Pty) Ltd  
ArcelorMittal South Africa Ltd  
Aspen Pharmacare Holdings Ltd  
CBI-Electric: African Cables, division of Reunert Ltd  
Columbus Stainless (Pty) Ltd  
Consol Glass (Pty) Ltd  
Constantia Afripack (Pty) Ltd  
Dow Southern Africa (Pty) Ltd  
Elgin Fruit Juices (Pty) Ltd  
Frigoglass South Africa (Pty) Ltd  
Hulamin Operations (Pty) Ltd  
Isipho Capital Holdings (Pty) Ltd  
Kaymac (Pty) Ltd, trading as Kaytech  
Macsteel (Pty) Ltd  
Mediwave Packaging (Pty) Ltd

Mpact Ltd  
Multotec (Pty) Ltd  
Nampak Ltd  
Nyamezela Metering (Pty) Ltd  
Pelchem (SOC) Ltd  
PEP Clothing, division of Pepkor Retail (Pty) Ltd  
PG Group (Pty) Ltd  
PG Bison, division of KAP Industrial Holdings Ltd  
Powertech Technologies (Pty) Ltd  
Prothane Industrial CC  
Sappi Southern Africa Ltd  
SGB-Smit Power Matla (Pty) Ltd  
TCK Displays (Pty) Ltd, trading as TCK Retail Solutions  
Tongaat Hulett Starch (Pty) Ltd  
Vesco Plastics (Pty) Ltd  
Weir Minerals Africa (Pty) Ltd  
Zest WEG Group Africa (Pty) Ltd