



MANUFACTURING CIRCLE

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EDITORIAL

South Africa is at an economic crossroads and could either enter a vicious cycle of decline - resulting in continued job losses, declining investment and capital flight; or we could have a virtuous cycle of investor and consumer confidence, supported by stable policies. There is an urgent need to prevent further de-industrialisation in rust belts like the Vaal Triangle, arrest further job losses and stabilise our industrial base. To increase new investment, additional demand for manufactured goods must be created to utilise existing capacity. Once this is achieved, the opportunity for further investment can then be considered.

There are practical ways in which we can achieve additional demand for local goods.

Designation and localisation are designed to drive government procurement to locally manufactured products. In the public sector, government purchasing power through public procurement contributes between 15% and 25% to GDP. In theory, when government or state-owned enterprises purchase goods, they should give preference to locally produced products. In reality, there is often pushback because it interferes with existing relationships and has the potential to inflate prices. The designation process is also unclear and time-consuming.

"Creating additional demand for local goods is the key to the virtuous cycle that promotes economic growth." - André de Ruyter, Chairperson, Manufacturing Circle.

The private sector also needs to play its part. Business organisations, such as BUSA and BLSA should make commitments to local procurement. The demand created by deliberately buying locally produced goods can be an important driver in creating economies of scale for locally manufactured goods, expanding local markets. Consumers need to understand that the purchase of locally manufactured goods ultimately results in money flowing back into the country's economy.

The Manufacturing Circle is actively engaged in communicating this view and facilitating interventions such as addressing blockages to driving local procurement, and identifying opportunities for import replacement and export led growth.

In support of this process, some members of the Manufacturing Circle announced their commitment to local procurement and job creation as part of our contribution to the Jobs Summit.

"A commitment by South Africans to procure locally manufactured and benefited products, provided that they are competitively priced, increases aggregate demand and supply, thus supporting manufacturing, job creation and economic growth." - Philippa Rodseth, Executive Director, Manufacturing Circle.

MEMBER COMMITMENTS TO LOCAL PROCUREMENT

sappi

Sappi, a leading global woodfibre company with its roots in SA, has invested close to R5 billion in its SA operations since 2012 to boost local production. Earlier this year, the company announced a new five-year investment of R7.7 billion to increase capacity in KZN. In addition to the direct employment of 5,000 people, Sappi's use of contractors provides employment to more than 10,000 people, mostly in rural areas. Says SA CEO Alex Thiel, "We are committed to driving local procurement in terms of sourcing more raw materials domestically and we believe that it is important to achieve a holistic, aligned and coordinated approach to local procurement and job creation."

"Sappi's direct value-add to KZN is R11.7 billion per annum and R5.8 billion to Mpumalanga." - Alex Thiel, CEO, Sappi SA.



Mpact, one of SA's leading paper and plastics packaging businesses, has invested over R3.4 billion in various strategic projects over the past four years. In addition to employing close to 5,000 people, the company supports more than 50 small businesses through its enterprise development programme. Mpact CEO, Bruce Strong, believes education is the key to employment and the company has made this a priority.

"Our commitment to job creation is evident in our apprentice and learnership programmes which improve the industry-relevant skills pool. We also provide 22 fully funded bursaries for tertiary studies to dependents of previously disadvantaged employees." - Bruce Strong, CEO, Mpact.

MEMBER COMMITMENTS TO LOCAL PROCUREMENT



Amka Products purchases local inputs where possible for production of personal and haircare products. Amka CEO, Ismail Kalla, says, "We commit to advance the reputation of domestically manufactured products." Amka maintains an active, well informed consumer base, as well as offering training initiatives in hair care, creating over 5,000 entrepreneurs over the past 10 years.

"To develop consumer trust in and preference for our local products, we believe in constant research, development and product innovation, market research, use of modern high-tech ingredients and international benchmarking." - Ismail Kalla, CEO, Amka.



MULTOTEC

Multotec, which provides consumable and capital mineral processing products to the global mining market, believes that local procurement will assist in reversing de-industrialisation and will positively impact on job creation. Holtz welcomes the focus on inclusive procurement, supplier and enterprise development in the draft Mining Charter and is in favour of a multi-stakeholder initiative to incentivise the execution of a South African mineral processing plant for the African continent. "This would have a real multiplier effect," he says.

"The proviso is that these goods must be world class and cost competitive in the international mining markets." - Thomas Holtz, CEO, Multotec.



Aspen Pharmacare, a South African multinational company, is a world leader (outside USA) in its field. Senior Executive Stavros Nicolaou notes, "Our recent R5.5 billion investments in the Eastern Cape will make Port Elizabeth a global hub for production of high potency products and one of the world's most important manufacturing hubs for anaesthetic manufacture."

According to Senior Executive, Stavros Nicolaou, the company's flagship manufacturing facilities remain in SA where Aspen continues to invest in domestic and export capacity.



Jay Londhe, CEO of Lixil Africa, says that the company welcomes the designation of specific products and has committed to growing local procurement in its supply chain.

"Many of the facilities are 60 years old, so we need to upgrade them to modern facilities and invest more." - Kinya Seto, President and Chief Executive, Lixil Group.

REUNERT

Alan Dickson, Reunert Group CEO, says "Our manufacturing businesses employ more than 4,000 people and we export products throughout South East Asia, Africa, Australia and America. Positive engagement between the dti and industry has led to several successes, e.g. the designation process, which has created local jobs, improved BEE and generated investment. This good work should be further developed to maintain our industrial base. Reunert is also continuing to expand its local procurement."



André de Ruyter, Nampak CEO and Chairman of the Manufacturing Circle, agrees that procuring locally manufactured goods that are competitive on cost and quality will drive increased local demand, job creation and ultimately investment. "We employ some 4,000 people in South Africa, and are continuously investing in skills and training to ensure that we run world-class manufacturing facilities".

"Local procurement has strategic supply chain benefits for Nampak, and imports are only pursued as a business necessity." - André de Ruyter, CEO, Nampak.

The Manufacturing Circle continually drives opportunities for engagement and collaboration to achieve our objectives of job-rich growth by driving the manufacturing sector. This includes recommendations to address current blockages, and interaction on progress made to date. This is fundamentally important to effectively implement increased aggregate local demand, an urgent demand-side intervention required to grow our economy and create the jobs that our country desperately needs.

ENGAGEMENTS Q3 2018

Q3 July - September

2 August	EXCO		○ Member Meetings
20 August		Gauteng Department of Economic Development: Participation in Gauteng Manufacturing workshop	○ MCIT Launches
22 August		KZN Manufacturing Indaba	○ Manufacturing Indabas
28 August		Manufacturing Circle Investment Tracker (MCIT) Q2 2018 "Survey Results reflect moderated investment" Member presentation Local procurement, import tracker and import replacement projects	○ Government Engagements
30 August		Regenysys Business School: South African Woman in Leadership: "Women will lead the way into the 4th Industrial Revolution" Participation in panel discussion	○ EXCO Meetings
31 August		Draft Mining Charter, 2018 Section 2.2: "Inclusive procurement, supplier and enterprise development" Comments submitted to the Department of Mineral Resources	○ Industry Engagements
3 September		Vaal Triangle Rejuvenation Project: Meeting with Emfuleni Municipality and Arcelormittal	
10 September		President Ramaphosa's Investment Team Manufacturing sector round table engagement presentation on driving Investment	
11 September		Electra Mining Africa 2018 Multotec knowledge platform Presentation on Map to a Million and local procurement	
12 September		African Programme on Rethinking Economic Development (APORDE) Factory tour facilitated by Trade and Industrial Policy Strategies (TIPS) Hosted by the Lixil Group	
19 September		National Treasury World Bank Group doing Business in South Africa 2018 Participation in panel discussion	
20 September		Southern African Metals and Engineering Indaba Six years since its adoption, how much of the National Development Plan (NDP) has been implemented and is it still relevant? Participation in panel discussion	
21 September		Southern African Metals and Engineering Indaba The Manufacturing Circle's "Map to a Million New Jobs in a Decade": A realistic plan or an empty promise? Presentation	
27 September	EXCO		
28 September		SAISC industry mobilisation and CEO Forum breakfast	

DATES TO DIARISE Q4 2018

31 October	Factory of the Year entries close Refer to www.safactoryoftheyear.co.za or email southafricafoty@atkearney.com for more information
7 November	Manufacturing Indaba Western Cape Refer to www.manufacturingindaba.co.za/mi-wc or email info@manufacturingindaba.co.za
20 November	Manufacturing Circle AGM, MCIT Q3 2018 Release



Dr Precious Moloi Motsepe and Dr Judy Dlamini engaging in the panel discussion "Women will lead the way into the 4th Industrial Revolution" after each having delivered a keynote address at the Regenysys Business School's South African Woman in Leadership Forum



Philippa Rodseth talking to Multotec screening product manager, Shawn Faba, about current innovation development, following her presentation, at the Multotec Knowledge Platform, on initiatives to drive local demand for SA manufactured products



Factory tour of the Cobra tap production process; communicating the importance of industrialisation, through local manufacture, to APORDE participants