



MANUFACTURING CIRCLE

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Demand-side Interventions Required to Drive Manufacturing

The SA manufacturing sector has significant underutilised capacity, and urgent demand-side interventions are required to slow the rate of job losses and de-industrialisation before real growth is observed, and new jobs are created.

Until and unless adequate demand is created for current capacity (whether it be through exports, import replacement or incremental aggregate domestic demand), we cannot expect to see significant additional investment in the sector. Therefore, we argue that job creation and investment in manufacturing is not a matter of negotiation whereby the introduction of government policies or incentives, will enable business to commit to a certain value of investment or employment of a specified number of people.

Rather, we need a collaborative approach to drive demand-side interventions. To do this, we need to prioritise catalytic projects to unlock growth and investment. The Rovuma gas pipeline project is one such possibility. If South Africa could underwrite a \$6 billion project to build a new 1 700km gas pipeline in Mozambique from the gas-rich Rovuma basin to Temane, demand would be created for an estimated 1.1 million tonnes of pipeline manufactured in this country.

A strong and co-ordinated team led by representatives from both the public and private sector, and supported by coherent industrial policy, is required to drive such types of catalytic projects. Implementation will need to include an overhaul of poor regulatory oversight of key input costs (natural gas, rail tariffs, port tariffs, fuel prices), and weak service delivery at municipal level; all of which put SA manufacturing at a structural disadvantage to its competitors.

To date, the Rovuma gas pipeline project has already been widely canvassed in Government across the departments of Trade and Industry, Economic Development, Energy and Finance. Discussions are also taking place within South Africa's commercial banking sector, and have been initiated at the IDC and the BRICS New Development Bank. Whilst there is still much work to be done in assessing the feasibility of this project, we continue to drive the initiative as a key focus area, as we can ill afford to sit back and wait.

CATALYTIC PROJECTS will make a significant impact in improving demand, followed by growth and investment. The manufacturing sector is however a complex ecosystem, and at a detailed level the Manufacturing Circle is also involved in identifying tangible ways to drive demand-side interventions by identifying export opportunities, areas for import replacement, and increasing aggregate demand. Current areas of focus include:

- Identifying and negotiating trade opportunities: developing a trade negotiation platform;
- Increasing domestic demand: strengthening designation and increasing private sector participation; and
- Pursuing import replacement: import tracker and replacement project.

Detailed proposals on these three areas will be tabled at the next Manufacturing Circle Members' meeting on Tuesday 28th August, 10h30-12h30 at BUSA's offices in Sandton, together with the launch of the Manufacturing Circle Investment Tracker (MCIT) Q2 2018 survey results. We encourage all members to participate in the MCIT survey which was launched this week, and be present at the Members' discussion.

Whilst these demand-side intervention proposals are not sufficient on their own to result in the growth and job creation required, the Manufacturing Circle continues to be guided by our three goals so that we are better equipped to achieve the growth that we so urgently require.

GOAL 1

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

GOAL 2

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

GOAL 3

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

- Philippa Rodseth, Executive Director

CATALYTIC PROJECTS

South Africa is facing high levels of unemployment, uneven and slow economic growth in the real economy. In this context, 'catalytic projects' as a means to tackling these challenges, has increasingly re-entered economic policy discourse in South Africa.

The term 'catalytic projects' is not rigorously defined. Generally, these projects are understood to be strategic projects that are implemented at scale, with the intention and potential to catalyse widespread economic growth through multiplier effects, over the long term.

The Manufacturing Circle's Map to a Million provides recommendations to address supply-side blockages and the implementation of demand-side interventions, where catalytic projects need to play a key role.

Q2 Overview

Q2 April

10 April 
InvestSA One Stop Shop
Launch in Sandton, Johannesburg

13 April 
EDD, Minister Patel
Meeting to discuss the Rovuma gas pipeline project

-  Member Meetings
-  MCIT Launches
-  Manufacturing Indabas
-  Government Engagements
-  EXCO Meetings
-  Industry Engagements

Q2 May

10 May 
BUSA
Briefing session on the gazetted Draft Codes of Good Practice on Broad Based Black Economic Empowerment

29 May 
MCIT Q1 2018
Launch, at the National Tooling Initiative Programme, Pretoria followed by a panel discussion on skills in the manufacturing sector

24 May 
EXCO

Q2 June

8 June 
Meeting with Enoch Godongwana, Chairperson of the ANC's subcommittee on economic transformation

14 June 
INTSIMBI Future Production and Technologies Initiative Programme
Launch in Cape Town

25 June 
the dti: Industrial Development Division
Meeting with the dti DDG and Chief Directors for Industrial Procurement and metal fabrication, capital and rail transport equipment, to discuss progress on Manufacturing Circle initiatives

19 – 20 June 
Manufacturing Indaba Gauteng
Launch of Factory of The Year Competition

26 June 
SADC
Attended SADC Ministerial workshop on regional gas infrastructure and market development

DATES TO DIARISE

Q3

22 August 
Manufacturing Indaba KZN

28 August 
MCIT Q2 2018 Launch and Members' Meeting
10h30-12h30, BUSA, Sandton

Q4

24 October 
Manufacturing Indaba Eastern Cape

25 October 
Manufacturing Circle AGM
16h00-18h00, BUSA, Sandton

7 November 
Manufacturing Indaba Western Cape

For further information email: jo@manufacturingcircle.co.za



MEMBERS

The Manufacturing Circle welcomes new member Yekani Manufacturing (Pty) Ltd, a 100 percent black-owned electronics and manufacturing company that currently manufactures Explora HD decoders, TEAC television sets, set-top boxes and tablets.

June witnessed the launch of Yekani's R1 billion information and communication technology electronics and manufacturing factory in the East London Special Economic Zone.

Yekani is a beneficiary of the dti's Black Industrialists Scheme and the Special Economic Zone Fund. New manufacturing facilities will service both the South African and African markets.

The Manufacturing Circle looks forward to supporting Yekani by providing a platform from which to communicate to policy makers, the needs and achievements of our manufacturing sector, in addition to connecting the Group with specific initiatives to grow SA local procurement and identify trade opportunities.



FACTORY OF THE YEAR

Global benchmarking competition, Factory of the Year, expands to South Africa

A.T. Kearney, in partnership with the Manufacturing Circle, Manufacturing Indaba, and the CSIR has invited all South African manufacturers to participate in the global benchmarking competition for manufacturing firms, which has been in existence since 1992.

Launched for the first time in South Africa at this year's Manufacturing Indaba, Factory of the Year consists of benchmarks and best practices from over 2000 factories in 30 countries. Participants will benefit from individualised, independent, cross-industry, confidential feedback enabling them to analyse their strengths and weaknesses and initiate tailored improvements.

There is no fee required to participate. The Factory of the Year questionnaire is available at www.safactoryoftheyear.co.za or from southafricafoty@atkearney.com. Questionnaire entries close end August 2018 and the winner will be announced at the 2019 Manufacturing Indaba.



Yekani CEO Dr Siphwe Cele (left) at the factory launch with Trade and Industry Minister Dr Rob Davies

PROJECTS

Priority focus areas comprise skills, local procurement, fiscal policy, trade policy and infrastructure. Where relevant, updates will be provided as initiatives progress

Skills

The Manufacturing Circle facilitated a panel discussion to raise industry awareness of the various initiatives currently being undertaken to address skills challenges in the manufacturing sector. Hosted at the NTIP's Centurion offices in May, representatives of the National Business initiative, Ikusasa student financial aid programme, the SA capital equipment export council and Civils Masakheni discussed skills and development.

The questions posed to the panel included

- how the private sector initiatives align with government policy and to what extent recommendations can be implemented and institutionalised;
- how these initiatives plan for the fourth industrial revolution;
- whether they are adequately co-ordinated and
- whether there are gaps that need to be addressed.

Many thanks to our members, specifically Sappi, Multotec, PG Group and Columbus Stainless for participating in several sessions to share views and experiences on how skills issues are currently being dealt with and addressed within their specific companies.