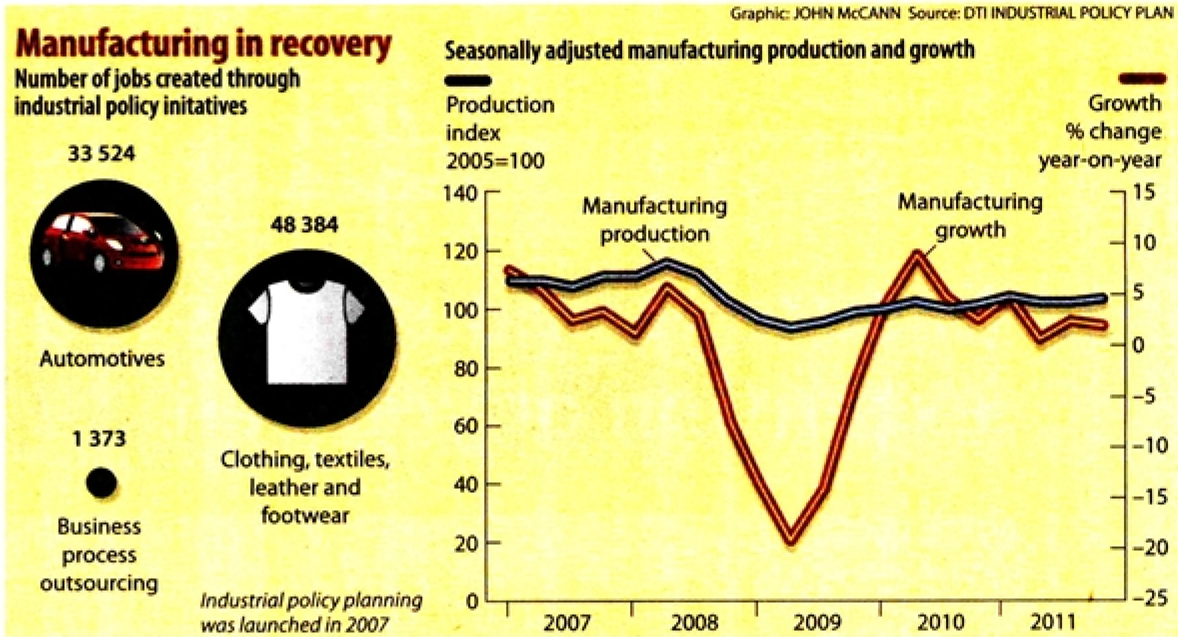
SA's R100bn industrial action plan



The government's latest three-year strategy aims to boost manufacturing capacity and create jobs

Lloyd Gedye

South Africa's industrial policy has come up against heavy weather as it battles the economic downturn, spiralling internal input costs such as electricity, fuel, freight and logistics, as well as dominant companies in the economy that refuse to play ball.

Stakeholders and analysts have questioned whether the government is getting enough value for money as it attempts to grow the country's manufacturing capabilities and consequently create jobs.

Others have raised concerns that there is a lack of political will to deal with recalcitrant companies that use their historically inherited dominant position to exploit their market power.

Sources have told the *Mail & Guardian* that there is low-hanging fruit in terms of job creation and increased local manufacturing capacity, which can be plucked with targeted interventions and regulations. But there has been little action on these fronts from the government, which chooses rather to use broad brush-stroke interventions.

The department of trade and industry's industrial policy action plan for 2012 to 2015, which was launched this week, acknowledges these problem sectors.

"Interventions across institutions must be geared to[wards] monitoring the conduct of dominant firms," says the new document. "They must ensure that such firms' strategies, particularly where they receive state support, are based on dynamic, long-term investments in building capabilities and not [on] the short-term exploitation of market power."

The document mentions the inputs of carbon, stainless steel, aluminium, chemical polymers and fertilisers as particular problem areas.

This comes in the same week when it was reported that ArcelorMittal SA was furious over the government's refusal to grant it preferential status in the new procurement regime, which aims to encourage local sourcing.

The rationale for excluding the steel sector from local procurement quotas was to ensure that ArcelorMittal SA did not disproportionately benefit from the government's infrastructure roll-out plans.

ArcelorMittal SA and the government have been squared off against each other for the past few years, because the state holds the view that the steel giant is abusing its dominant position.

The economic downturn has also had an impact on South African manufacturing and there has been a decline of almost 20% registered between 2008 and 2009 and more than 200 000 jobs lost in the sector. It has since recovered, growing at a rate of 5% and 2.5% in 2010 and 2011, respectively.

South Africa lacks the domestic demand driven by huge populations — as is the case with its Brics partners China, Brazil and India — to counter the impacts of the economic downturn.

Trade and Industry Minister Rob Davies said this week that South Africa needed to look to Africa to create the economies of scale that its Brics partners' large populations gave to their manufacturing sectors.

The new industrial policy action plan strategy details how more than R102-billion has been earmarked by the Industrial Development Corporation and will be spent over the next five years.

Of that total, R10-billion has been allocated for a job creation fund, R25-billion for investment in the green economy, R7.7-billion for investment in agricultural and forestry value chains, R6.1-billion to assist companies in distress because of the global financial crisis and R500-million for an energy efficiency fund.

On top of that, the new document provides more detail on the R5.8-billion manufacturing competitiveness enhancement programme, which was announced in the national budget in February.

"The purpose of the [programme] is to raise confidence to invest in a period where there is short- and medium-term uncertainty and turbulence," states the document.

"The [programme] provides support to companies to invest in competitiveness enhancement during the uncertainty caused by the global recession."

The latest action plan also outlines the government's intentions to scale up the green industries, agro-processing, metal fabrication, capital and transport equipment sectors over the next few years.

These initiatives will involve establishing a component manufacturing capability for the renewable energy sector, creating a large-scale biofuels industry and manufacturing transport equipment.