Government in dock

Business lays the blame for de-industrialisation squarely on government, saying SA's manufacturing is at a tipping point because of government's inability to reduce input costs and its reluctance to stand up to trade unions. (See page 30.)

During a colloquium on beneficiation held by parliament's trade & industry portfolio committee, manufacturing and mining firms painted a bleak picture of what they are up against. They told MPs that high administered prices, coupled with unproductive, unskilled and expensive labour, were making them less competitive compared with countries where governments have implemented industrial strategy aimed at protecting manufacturing and giving it incentives.

Though the price of electricity, and its unpredictable supply, featured in all presentations to the committee, plastic manufacturers explained that high local transport prices meant that it cost the same to ship a container of manufactured goods to Malaysia from SA as it did to transport them between Durban and Johannesburg. ArcelorMittal SA's CE Paul O'Flaherty said: “That's why we say that Durban is halfway between Vanderbijlpark and China.”

President Jacob Zuma is expected to announce plans to reduce port and rail freight charges in the coming weeks. But the trade & industry department's Paul Jourdan said there was too little co-ordination between government departments. “We lack a coherent beneficiation strategy. Each department has its own agenda.”

SA Mining Development Association president Bridgette Radebe questioned why government was not using its power to force beneficiation. The Minerals & Petroleum Resources Development Act (MPRDA), she said, gave the minister power to initiate or prescribe incentives to promote beneficiation.

“The MPRDA states that any person who intends beneficiating any mineral outside the country needs to get written permission from the minister. How may companies [that mine in SA] have done that?”

National Employers' Association of SA CE Gerhard Papenfus urged cabinet to understand the impact of collective bargaining, where all firms are bound by agreements that are negotiated in a bargaining council.

“You can't expect a company in Kuruman in the Northern Cape to pay workers the same as a factory in Johannesburg,” said Papenfus. He also highlighted the disconnect between the education system and technical skills required by companies.

Frontier Advisory Services CE Martyn Davies tells the Financial Mail it is critical for government to create the right environment for companies to thrive. Manufacturing and beneficiation absorb unskilled labour and the World Bank predicts that China's manufacturing sector will shed about 85m jobs over the next decade as factories move to cheaper locations. SA should, says Davies, be able to “pick up a million or more” of these jobs, but it has to be pragmatic.

However, economics professor and former ANC MP Ben Turok cautions against adopting a defeatist attitude and blaming government, saying: “Asking for a huge shift in government all at once (in order to create the right environment for beneficiation) is not realistic. Instead of throwing everything at government, we need to find areas where manufacturing is working and build on that. Instead of lamenting the lack of a joined-up government, we need to start talking about a joined-up economy so business and government work together.”

Bridgette Radebe
Wants government
to use its powers

The Times

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