

MEDIA RELEASE

To the editor

For immediate use

12 May 2015

MINISTER PATEL'S BUDGET VOTE ANNOUNCES R23BN FUNDING FOR BLACK INDUSTRIALISTS, A RETAIL SECTOR INQUIRY AND CONDITIONALITIES FOR TARIFF SUPPORT

Economic Development Minister Ebrahim Patel today announced a R23bn boost towards the development of black industrialists when he delivered his budget speech in Parliament. The budget speech contained a range of competition, trade and infrastructure announcements intended to drive deeper industrialisation and localisation. The Minister announced the establishment of an Independent Panel of steel-industry experts to advise on a more competitive steel price for downstream users and stimulate local demand for steel. He also stated that he will require reciprocal commitments from companies requesting future tariff support. The Competition Commission will be announcing an enquiry into the retail sector within four weeks.

Minister Patel further identified areas of focus for the upcoming year included deepening the gains of the infrastructure programme, making measurable progress on the big-build programmes, advancing our growing economic integration with the continent and working with the local companies and sectors to address the slowdown in demand.

The R23 bn funding commitment towards black industrialists forms part of the increased funding that the IDC has made to the South African economy and region. Over the five years to 2015 the IDC increased its level of funding by almost 57% to R61 billion. Minister Patel expects this investment to further increase and crowd in private sector investment:

“To boost overall investment further, the IDC has earmarked R100 billion in the next five years for investment in the key jobs drivers and we expect a R200 billion of co-funding by IDC partners, bringing potentially R300 billion to the economy.

I am pleased therefore to announce that the R100 billion committed for industrial development over the next five years by the IDC will include R23 billion set aside to support and facilitate the

growth of black industrialists in the productive sectors and R4,5 billion each for women and youth empowered businesses."

Minister Patel stated that the IDC will give a discount of 150 basis points on its pricing to black industrialists who own and control their operations. Further discounted pricing will also be possible for meeting targets related to jobs, localisation and regional development.

In addition to financing to promote black industrialists, Minister Patel identified measures including set-asides in infrastructure and other products.

Minister Patel also announced that the Competition Commission has completed its investigation into collusion by the biggest steel-maker and the Minister will be tackling steel pricing for down-stream users.

He added: "The message is clear: we will act against practices that undermine the economy's dynamism and ability to create jobs and drive industrialisation".

Minister Patel announced that he had appointed an independent panel of steel-industry experts:

"We are examining ways to enable a more competitive steel price for downstream users to stimulate local demand for steel. I have appointed an independent panel of steel-industry experts to offer advice on options and modalities".

The Minister also stated that he will be issuing a trade directive to ITAC to ensure that tariff changes at the request of industry are accompanied by reciprocal commitments by manufacturers to invest more, create more jobs, improve their products and productivity. He stated that "To promote inclusive growth and industrialisation, our trade policies have been more supportive of domestic manufacturers. Indeed, over the past year, thirteen products received stronger trade protection or rebates, from paper and batteries to barbed wire and chicken. Yet if we simply rely on tariffs without improved investment and productivity, we will not become competitive."

Minister Patel noted South's Africa's increasing economic integration with the rest of the continent citing that during last year, exports to the rest of Africa grew by R36 billion, or 14% to R300 billion. Total manufacturing, mining and agriculture exports to the rest of Africa sustain 244 000 direct jobs in South Africa. Of these, 169 000 are manufacturing jobs.

"Aside from the damage xenophobic attacks do to our humanity, we cannot unscramble ourselves from Africa, our continent, without serious economic damage" Minister Patel emphasised. "The gas that powers South Africa's largest industrial company, SASOL, comes from Mozambique. Every second glass of water consumed in Gauteng every day, comes from Lesotho. This biggest export market for South African plastic products is Zimbabwe, for televisions it is Zambia and for clothing it is Mozambique."

Minister Patel headlined a market inquiry on the retail sector that will be undertaken by the Competition Commission this year involving big supermarket chains, grocery stores and small retail outlets. The terms of the enquiry will be announced by the Competition Commission within the next

four weeks. In addition the healthcare enquiry, under the chairpersonship of ex-Chief Justice Sandile Ngcobo will commence public hearings into the cost of medical care in this year.

“Infrastructure development has boosted the economy and is one of the key reasons why we avoided another recession” said Minister Patel. He highlighted the PICC projects’ employment of about 220 000 workers, the installation of more than half a million solar water heaters, the establishment of 39 renewable projects adding more than 1 800 MW to the grid, and the boost for South African manufacturing as practical examples of South Africa’s broader economic benefits from the infrastructure programme. Pointing to the role of infrastructure and industrialisation, Minister Patel tabled the results of recent localisation programmes:

“From importing public transport vehicles previously, we now have factories that have built more than 670 buses locally and assembled more than 32 000 taxis locally.

I am pleased to say that two weeks ago, Toyota produced the first taxi that now uses almost double the level of locally-manufactured components and materials, a big step-up for government’s programme” the Minister said.

Minister Patel noted that in January this year, the African Union Heads of State Summit designated South Africa as the champion to develop the manufacturing of train engines, coaches and wagons on the continent. “*We have substantial investments in local train manufacturing, through Transnet, Prasa and the IDC and we will build on this very welcome decision, which can deepen our industrialisation efforts*” he added.

While the Minister pointed to a number of schools, clinics, renewable energy plants and other infrastructure projects being completed this year, he stressed that the focus would be making measurable progress on the big build programmes of Medupi, Kusile and Ingula power stations whose delays are severely constraining the electricity grid.

The PICC’s work this year will also focus on concerted action against cable and metal theft. Working closely with the Minister of Justice, amendments to various pieces of legislation have been drafted and will be tabled in parliament shortly. They will expand the powers of the state to act against cable and metal theft. “We cannot and will not accept the effective sabotage of our infrastructure systems for the profit of syndicates” said Minister Patel.

Issued by the Ministry of Economic Development

Enquiries: Tanya van Meelis 072 640 9340 tvmeelis@economic.gov.za