Address to Cosatu Congress by Minister of Economic Development, Ebrahim Patel, 19 September 2012.

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National Office Bearers of COSATU and affiliates

SG of the ANC and Leaders of the Alliance

International and local guests

Delegates, comrades and friends

It is a real pleasure to address this parliament of South African workers, the federation of Violet Sebone and Alinah Rantsolase, the organisation of Elijah Barayi and Chris Dlamini, the voice of more than two million women and men who toil every day to produce the wealth of this country.

This Congress takes place at a time of enormous challenge for the movement.

- A Congress confronted by the triple challenges of poverty, inequality and unemployment.
- A Congress faced with a deep crisis in the global economy, with the worst economic performance since the Great Depression of the 1930s.
- A Congress needing to deal with the painful tragedy of Marikana and its legacy for industrial relations and for the mining industry.

- A Congress committed to develop a fighting vision for the next half decade.

It is a Congress that needs to use the weapon of unity that you so eloquently demonstrated with the elections on Monday.

Use it to defend the lives of all workers, including the NUM members, some of who continue to be killed in the last few weeks.

Use it to close ranks to defend the disciplined system of collective bargaining that COSATU helped to create.

Use it to deal with our country's challenges and to inspire the nation.

In the debates here today and tomorrow, we see democracy in action, through the depth of discussion, the pulse-take on the conditions on the shop floor, the clarity of resolutions that we expect will come from your discussions.

Comrades and delegates

Five years ago, you sent leaders to the Polokwane Conference of the ANC and they took part in the discussions that led to a watershed decision, namely, to place the creation of decent work at the centre of government's economic policy.

Through the Alliance, you co-shaped the ANC Elections Manifesto which took these ideas to the people of South Africa and obtained an overwhelming mandate.

You sent us into government with the request that we now develop and implement a job-centered economic framework.

This administration began its work three years ago, in the middle of a jobs bloodbath caused by the global recession.

We are now past the mid-term of the Administration.

It is the right moment to report back what we have done.

The global recession hit the country particularly hard.

South Africa lost a million jobs. The median household income dropped by almost 10%.

Mostly because of job losses but also because of short time, many families had to live on less than they had in the year before.

We recognized the crisis exposed an old growth path that left the country vulnerable.

It was based on a model that

- promoted large-scale consumption without adequate expansion of the productive sectors
- relied on deepening levels of debt, and
- resorted to massive imports of consumer goods.

You asked us in the Polokwane resolution on economic transformation and in the ANC Manifesto to address three critical challenges to change that old growth path.

- To place **jobs at the centre of economic policy** and develop a jobs-biased economic framework.

- To **use infrastructure** to drive employment-creating economic growth and improve conditions for our people.
- To **re-industrialise the economy** and place industrial policy at the heart of our efforts.

I want to address our actions against these commitments.

What we have done and achieved to date,

where are the gaps and problems –

and what are we doing about them.

The NGP

The first goal was to address the need for an employment-driven economic framework.

This was done through developing the New Growth Path.

It sets a jobs target of five million new jobs by 2020, as part of a move to full employment.

It made decent work the cornerstone of economic policy. By decent work we mean more jobs and better jobs. We are one of the few countries globally with a jobs target as the central economic target of government.

The New Growth Path identified some sectors as central jobs drivers.

They are

- infrastructure
- the mining value chain which includes beneficiation
- agriculture, agro-processing and rural development,
- manufacturing
- the green economy and
- tourism, the creative industries and high level services.

It identified the social economy and the public sector as key contributors to employment.

It called on us to build advanced, knowledge-based sectors for the jobs of the future, in higher education, in pharmaceuticals, in ICT.

It identified African economic integration as a high priority for jobs and solidarity.

The New Growth Path called for tighter policy integration so that macro-economic policy as well as micro-economic policies are aligned and directed at promoting jobs and broader development outcomes.

The New Growth Path recognized that to achieve our ambitious goals, we need to have partnerships.

- A broader set of Accords or social agreements, developed with unions, the business sector and communities, so that all South Africans work towards common goals.

Last year we concluded four Accords based on the New Growth Path: COSATU joined with government and business to commit to the goal of five million new jobs and joint action to achieve it.

These Accords cover local procurement, the green economy, skills development and basic education.

In the 21 months before the New Growth Path was adopted, the economy **lost** 869 000 jobs.

In the 21 months after we adopted the New Growth Path, the economy created some 472 000 new jobs.

There are now 13,4 million South Africans who are working.

While this is going in the right direction, there are still 4,5 million unemployed South Africans. Add the 2,3 million people who are discouraged work-seekers. This amounts to 6,8 million fellow South Africans who need jobs, whose numbers swell every year as young people leave school to join the labour market.

The rate of job creation must offer hope to unemployed citizens.

As we focus on further job creation, we do so in a tough global environment.

The European economy remains stagnant and this affects us very directly.

Europe is our largest single market for manufactured goods, and our exports to Europe dropped by 6% since January this year.

Growth in exports to China and the US has slowed significantly.

These trends first affect the main export industries, especially manufacturing and mining. Yesterday’s manufacturing jobs data clearly demonstrates this.

But experience in 2008 shows that falling export demand ultimately lead to further job losses in the informal sector, light industry and services.

We need to **strengthen domestic and regional demand** to offset this risk.

In the short run, we are accelerating growth in the public employment schemes, in particular in the Community Works Programme.

But we cannot deal with unemployment in the long-run mainly through public employment schemes. To create jobs on scale require structural changes and the creation of sustainable, secure jobs in the mainstream economy, in the sectors that you organise. It is this that constitute the bulk of the New Growth Path.

Infrastructure

The second goal we set was to invest heavily in new infrastructure, to lay the foundations for long-term growth and social equity and to provide basic services to our people.

The New Growth Path identified infrastructure as the trigger jobs driver, which can unlock the potential across the economy.

Government developed a National Infrastructure Plan that contains a 20-year project pipeline to allow for a long-term planning horizon, so that we move away from stop-start infrastructure build.

The Infrastructure Plan was finalized in February this year and announced by President Zuma in the State of the Nation Address.

It was presented among others to the Cosatu CEC where it was received with enthusiasm.

It is a bold effort to transform the economy, laying the basis for growth and jobs.

The National Infrastructure Plan identifies 18 Strategic Integrated Projects, or what we call SIPs.

The SIPs range from economic development corridors; to focused efforts to improve basic productive and household infrastructure; to integrated efforts to upgrade schools, universities, hospitals and clinics.

They provide a way to integrate our efforts.

Let me talk about just a few SIPs to show how important they are for economic transformation.

In three SIPs, we are coordinating the provision of railways, road transport, water and energy provision to unlock the vast mineral wealth in Limpopo, North West and Northern Cape. Reserves of coal, chromium, manganese, iron ore, palladium and platinum can thus be mined commercially.

But at the same time, we are looking at ways to use both infrastructure and other policy instruments to beneficiate more of the mineral wealth in the country, creating industrial jobs in the process.

This include plans for a new manganese sinter and smelter plants and expanded port facilities in Ngqura, Richards Bay and Saldanha and new development corridors to help industrialise Mpumalanga and Free State.

Together with these industrial plans, we have identified the need for social infrastructure plans, to provide housing, schools, hospitals and basic services to the new townships that will be needed, and instead of a growth in shantytowns and informal settlements, we can support the development of new, post-apartheid towns and cities. It is that weakness in the past lack of planning that the tragedy in Marikana so cruelly exposed.

In a number of SIPs, we identified investments to unlock rural economic development.

In the Eastern Cape for example, we will develop the Mzimvubu Dam and irrigation system and at the same time upgrade the road and bridges linking Eastern Cape to KZN, to connect rural communities, link small farmers to markets and cut travel time between East London and Durban by some two hours.

Mthatha airport and urban upgrades will complement this strategy in the eastern part of the E Cape.

The De Hoop Dam in Limpopo must benefit the greater Sekhukune area and transform livelihoods of our people.

In two SIPs, we are identifying key investments in the poorest 23 municipal districts across the country as well as specifically in the North West province. This will lay the basis for changes in living conditions, encompassing basic infrastructure such as sanitation, tarring of roads and fixing potholes, clinics, schools and running water. This includes the infrastructure platform for the NHI, so that we have affordable, quality health care.

Another SIP aims to connect human settlements with economic growth points, and improved public transport in the twelve largest urban areas, to reduce the burden of long hours spent by workers travelling to work.

In all these areas, we will incorporate a strong commitment to local procurement, so that new jobs are created not only in construction and by supporting new private investment, but also in suppler industries.

This new Infrastructure Plan is a key lever for the developmental state.

The Plan shapes a fiscal policy centred on public investment for the benefit of our people. It aims to increase public investment to 10% of the GDP and reverse the decline in infrastructure spending.

We are developing a Skills Plan for every SIP and have begun to appoint project coordinating agencies so plans move from the drawing board to concrete, bricks, steel and tar, in other words, from planning to implementation.

We need the organised power of the working class to support this effort, to ensure our success and effectiveness. We cannot afford to get this wrong, and we need your help to get it right.

Industrialisation

The third area is industrialization of the economy.

The New Growth Path, and in its manufacturing driver - the Industrial Policy Action Plan - recognizes that strong and dynamic economies must build the productive sectors and in particular manufacturing.

It must move away from an old growth path in which we were principally a supplier of raw materials to factories in Europe, the Americas and Asia, selling minerals and importing consumer goods.

Manufacturing brings innovation, jobs and industrial skills to an economy.

Over the past three years, we took clear and bold steps to promote industrialization, through increased industrial funding, higher levels of localization, support for key sectors as well as new industries such as the green economy, linking competition policy and jobs more clearly, improving skills, promoting small business funding and expanding trade within the African continent.

I would like to share some of our work, successes and challenges with you.

On sector promotion, we identified key industries such as autos, clothing and textiles, machinery, food and beverages, biofuels, chemicals, plastics and paper, pharmaceuticals, the manufacture of green technologies, mineral beneficiation and aerospace.

We introduced a new scheme for the auto industry, geared to industrial deepening through new supports for the component sector, where many more jobs can be created. It has already seen close to R15 billion in investment commitments from assemblers and component suppliers.

I am pleased that through these efforts, Toyota SA is restarting local production of minibus taxis, BMW has expanded its production of the 3-series vehicle, Ford is using SA as a base for exporting the Ford Ranger to more than 100 countries and Mercedes Benz nominated East London as one of a few global centres of production of the new C-Series car.

Our estimates show that these investments will create about 11 000 jobs in the auto industry over the next three years.

Labour-absorbing sectors such as clothing and textiles remain important for an economy with high levels of unemployment. We cannot afford to abandon sectors going through industrial challenges. The new Clothing and Textiles Competitiveness Programme has helped to stabilise production and employment in the sector, providing over R1,5 billion worth of approvals in support of 206 companies employing almost 50 000 workers.

The agro-processing sector is vital for food security as well as a driver of jobs in agriculture and manufacturing. We used a combination of actions by the competition authorities and new investment by the IDC to drive growth in the food and beverages sector.

FAWU is familiar with some of the new investments for example in production of chickens in the Free State, creating 1 300 jobs in a chicken broiler. Two soya beans crushing plants are being built in different locations.

A quarter-billion agro-processing Fund is being rolled out, financed from competition fines imposed on a food company which colluded to increase the price of bread, flour and other basics.

As part of our focus on industrialization, we identified new opportunities in industries set to take off as part of the green industrialisation wave.

In November last year, we finalised an Accord with the NEDLAC constituencies on the green economy.

Government committed that 40% of new energy over the next 20 years must come from renewable sources. This is a huge target. The 17 000 MW of green energy is about four times the total installed electricity generation capacity in Nigeria, Africa’s most populous country.

Every day we install about 500 new solar water heaters and to date 290 000 units have been installed. These are opportunities for local manufacturing and we have now introduced measures to make components for wind and solar energy plants, locally.

The IDC has put aside some R25 billion to support the green economy industrial projects and investment in new factories to produce solar water heaters.

We introduced new fuel blending regulations so that a part of all the petrol you use will come from sugar-beet and sugar-cane grown locally. One major bio-fuels investment in Cradock in the Eastern Cape can ultimately improve the livelihoods of thousands of small suppliers.

A country that wants to grow its industrial sector needs to protect strategic industrial capacity.

Last year Anglo announced it was divesting from the Scaw Metals group, a major producer of steel products used in infrastructure and across manufacturing. To protect and expanding strategic industrial capacity, the IDC made a bid for SCAW Metals, so that this critical company is protected from asset stripping and large-scale job losses. *We are also supporting a new foundry at Dimbaza.*

This raises the question of the role of the state in periods of industrial uncertainty. We can support companies through difficult periods and help them weather the storms, but we need qualified management, partnership with workers, viable business plans and effective execution.

In 2009 we introduced two measures which have helped to lower job losses.

The training layoff fund, negotiated with trade unions and businesses, provided an alternative to retrenchments and a number of Cosatu affiliates used the scheme.

One company which used it was BMW. Instead of retrenching, it retrained workers. That decision meant that BMW kept its capacity to grow when market conditions improved. Since then, the company recovered well and this year it launched its new production facility, expanded its production greatly and is due to employ 600 more workers to produce BMW 3-series cars mainly for export.

A second scheme was the IDC's R6 billion Fund for companies in distress. When Bell Equipment in Richards Bay was faced by a sudden loss of orders in 2009, it turned to the IDC for assistance. Instead of closing down, the company was able to stabilize its operations and has grown back to 3 500 workers.

The funding from the IDC saved quality jobs at Bell – and saved an enormous asset for our industry.

Trade policy must be supportive of industrial policy. For this reason, we have put in place a developmental approach to trade instead of a simplistic free trade approach. This means looking at the evidence to see whether tariffs should be increased or lowered, on a case-by-case basis.

The effects of the change in direction are already tangible and saving jobs. Over the past 18 months, ITAC recommended increases in import duties for some chemical products, water meters, artificial turf, stainless steel sinks, canned pineapples and tomato paste.

Tariffs were reduced through rebates, to reduce the cost of imported inputs that are used in products manufactured locally.

They included components used in the manufacture of computer monitors and minibuses, polyester fabrics for hats and caps, caustic soda for uranium extraction and goods for the construction of yachts.

The developmental state should play a role in supporting industries that can generate employment and ensure a more equitable economy and sustained growth. It must think ‘ahead of the market’ in order to lead sustainable diversification and industrial deepening.

For this reason, we worked with the IDC to more than double the amount of money it will commit for industrial development over the next five years, to R102 billion.

In the past year, the IDC increased funding in project approvals by 55%. That in itself will sustain or create around 46 000 jobs. *The IDC is driving the development of renewable energy and agro processing, for which it set aside dedicated resourcing and expertise.*

We have changed the Board of the IDC and I am pleased to advise that Zwelinzima Vavi now serves on the IDC Board and can contribute to ensure the IDC places jobs at the centre of its investment decisions.

These measures have been complemented by a new drive on local procurement across the state but also in the private sector, to counter the loss of export demand and to deepen our industrial capacity.

In October last year, COSATU joined with government to sign an Accord with organised business and community representatives on local procurement. We jointly set a target of 75% for local procurement. That is, for every R100 that companies or government spends, R75 should be used to buy goods from local producers.

In line with the Accord, business is now identifying where it can scale up its local purchases.

Government introduced new regulations that give us the power to designate sectors or products that must be bought from local factories by the state. In June this year, we designated bus bodies, power pylons, rolling stock, canned vegetables, clothing, textiles, footwear, leather products, set-top boxes and oral solid pharmaceuticals. We expect a second set of designations in the next few months and invite Cosatu affiliates to work with us on this initiative.

As you know, in the past COSATU pointed to imports of buses as a slap in the face of domestic industry. The new regulations will correct that.

Now, when cities renew their bus fleets, workers in the auto and transport goods industry will reap benefits in the form of jobs. For instance, the City of Johannesburg published a tender which states that bus bodies should have a minimum of 80% local content and bus chassis should be assembled locally. Suppliers have to state how they will create local jobs not only in manufacturing but also in subsequent servicing and what training workers will get.

I can give examples from PRASA, Transnet and Eskom, covering locomotives, carriages, doors, windows, seats, cables and wires, wheels, shock absorbers, brakes and lighting,

steel power pylons, valves, cables and conductors. The benefits of localisation will cascade through the economy.

In order to industrialise, we must deal with monopolies and cartels in the economy and ensure jobs are prioritized in competition hearings. The competition authorities have adopted a strategic focus on ending collusion in the pricing of inputs to industry and infrastructure; and basic goods that every working family needs.

They had several major successes in ending abuses.

They include a R1 billion settlement around food processing with Pioneer Foods, the breakup of SASOL's fertilizer blending factories and their sale to local companies; and the investigation into competition abuses in the construction industry.

On mergers, we are ensuring that the public interest requirements of the law – which include the effects on jobs – is taken seriously.

Government intervened in the Kansai takeover of Plascon Paints and secured an agreement with the new Japanese owner to protect jobs, build a new factory and invest in local research and development.

We intervened in the Walmart takeover of Massmart to ensure that retrenched workers are taken back, local suppliers are supported and small businesses are protected. The courts are still considering the conditions to apply to the merger, but already hundreds of jobs have been saved and local procurement will be strengthened, including by providing resources to support new suppliers.

The New Growth Path says all workers should have access to training. *The new Green Paper on post-secondary education and training expects that by 2030, we will have ten times as many young people in FET colleges and twice as many at universities.* That will open the doors of learning and culture for millions of young people from the working class.

In line with a longstanding demand of the labour movement, Transnet and Eskom have agreed to return to their historical role as a key centre for training artisans.

Under the National Skills Accord, Eskom and Transnet agreed to train 1500 artisans this year– in fact, they have now exceeded that target, as well as its targets to train people in scarce skills like engineering and technician training and place matriculants in trade skills programmes. We set a target of 30 000 new artisan learners to enter training across the public and private sector, and reached 81% of the target.

Eskom agreed to train 1100 people in scarce skills programmes like engineering and technician training. It trained 1438.

It agreed to place 2500 matrics in trade skills programmes. It placed 2802.

Similarly, Transnet undertook to train 500 artisan trainees. It trained 854.

It agreed to place 1491 people in scarce skills programmes. It placed 2652.

We concluded a Basic Education Accord.

It commits social partners to adopt underperforming schools. Unions and business launched the accord in Butterworth last year while provincial launches took place in Gauteng and the Northern Cape. Some companies and unions have adopted schools but there is room for us to move with more purpose to implement this accord.

Every union here should consider adopting at least 20 under-performing schools and providing support for effective teaching and learning.

We are creating a supportive environment for smaller enterprises and for the co-ops movement.

We merged the national small business lending agencies to form the new Small Enterprise Financing Agency or SEFA. It now has R2 billion funding to lend to SMMEs and coops.

We established a Business Hub and Training Programme in collaboration with the SA Institute of Chartered Accountant to train unemployed accounting graduates to enhance their practical accounting skills and workplace readiness.

Government is working on a comprehensive strategy to assist co-ops. It includes establishment of a funding mechanism and an academy.

But experience internationally demonstrates that co-ops can grow only with the solid support of the organised working class.

We need concrete, practical support from the unions for the co-op movement to achieve the New Growth Path’s target of a quarter million new jobs in the social economy.

South Africa cannot develop as an enclave – it needs development in the rest of the continent.

In June last year, President Zuma convened a meeting of heads of state to work toward an free trade area to cover 26 countries between Cairo and Cape Town. It has about 600 million people and an estimated market potential of US$1 trillion, creating a huge market for African industrialisation.

The IDC has expanded its efforts to mobilise capital for developmental investments elsewhere on the continent. Its holdings in the rest of Africa are now worth over R6 billion in market value. It will leverage these holdings to build integrated value chains that can bolster job creation across our continent.

Conclusion

Comrades and friends,

I have taken you under the bonnet of government, showing some of the machinery of job creation.

We recognise that our mandate, our need as a country and our people require that we do more.

We cannot be complacent.

The huge and bitter legacy left by more than 150 years of the colonial and apartheid growth path require huge efforts on our part to change it.

We must re-double our work to address this legacy but also to deal with new risks and opportunities arising from the global economy.

The outcome of the ANC Policy Conference, where Cosatu played a key role in the Commissions, provides a basis for strengthening the economic element of the transition over the next five years.

Next steps

What then are some immediate next steps?

First, we are considering a proposal in government to set up a high-level forum in the context of Nedlac, to be chaired by the President, on economic policy and strategy, including to respond to the global economic slowdown and its impact on local jobs.

Second, we propose an Infrastructure Accord that can build a common set of undertakings to deliver quality and cost-effective infrastructure. Such an Accord can address a number of key issues.

- Containing costs so that contractors don't profiteer at the expense of the public through price-fixing and tender abuses.

- Encouraging retirement funds to invest in infrastructure.

- Strengthening the anti-corruption components of the tender system with clear action against transgressors in the public and private sectors.
- Developing an industrial relations system for infrastructure projects that will protect workers, avoid industrial disputes and help to speed up delivery of projects.

This is about mobilizing for development.

Third, we will deepen the link between infrastructure build and local procurement. This means working with new investors to set up production plants for the components we will need in the country's biggest-ever infrastructure development.

Fourth, we must take into account the fact that patience is running out with the deep inequalities that remain. Inequality is the enemy of a social compact and a common vision. We must do more in the period ahead to tackle inequality.

One means that we should consider is to formulate a broad framework to deal simultaneously with high levels of wage inequality as well as multi-factor productivity and earnings across the economy, which includes managerial performance.

Fifth, we must address youth unemployment. Government has proposed a youth employment accord, to provide concrete measures to deal with jobs for young people.

The proposals include establishing youth brigades; upscaling training, internships, and the second-chance matric; and setting targets for youth employment across certain of the Jobs Drivers.

The challenge is to ensure that youth employment creation is part of a strategy to increase overall jobs, so that we don't pit one group of workers against others.

Finally, we seek to step up the implementation of sector strategies, including agro-processing, and the new small business and industrial funding, to ensure we achieve the jobs gains across the economy.

Comrades

Each age brings its own fresh challenges.

Our contemporary challenges are big and urgent.

Our organizations have taken on big challenges before.

We look to this Congress to emerge with ideas, with unity of purpose and with the political will to transform our economy, banish hunger and poverty, build a dynamic economy and strengthen the democracy.

Thank you.