



NUMSA RESEARCH & POLICY
INSTITUTE

Without revolutionary theory, there
can be no revolutionary movement.



NUMSA Perspectives on Localisation

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NUMSA BARGAINING CONFERENCE

- Discussion from all our negotiating sectors, Auto, Motor, Garage and Tyre sectors, the Bus and Bus Passenger sector, Eskom / Energy, Mining, Infrastructure and simultaneously to engage all issues that pose challenges and threats to the sectors where NUMSA organises.
- Our various interventions to Government in stakeholder engagements on various platforms and oversight committees on a strategic policy level as well as parliamentary submission in terms of protecting the existing capacity for manufacturing.



NUMSA views on the Manufacturing Sector

- We rejected, the national economic **setback imposed by the National Treasury** in an already bleeding and fragile South African economy by **reversing BBBEE and preferential procurement, attacking local content.**
- **Reversal of the progressive regulations** that were imposed between 2011 and 2017, will be the manufacturing sector. **Public procurement** will no longer drive localisation and all the **collective bargaining gains** we would have achieved **through designations** by forcing SOEs, local municipalities and government departments to **procure locally** will be reversed. This can only **lead to further job losses.**



PUBLIC PROCUREMENT

- Below is an **illustration** of how such a backward decision taken by the National Treasury that will **compromise** public procurement and destroy jobs in the manufacturing sector:



IMPACT ON PUBLIC PROCUREMENT

State Procurement	Metals, metal products and Machinery and Equipment	Plastics	Electrical Machinery	Other Transport Equipment	Total
	R million	R million	R million	R million	R million
Electricity, gas and water	4 270	93	947	324	5 634
Construction and State Infrastructure	38 765	5 015	9 769	35	53 584
General government	2 894	167	540	230	3 831
Other community, social and personal services	3 074	4 438	173	166	7 851
Total Sales to Government and SOE	49 003	9 713	11 429	755	70 900
Total Sales (to all domestic industries)	243 954	33 668	21 983	9 677	309 282
% Government Sales to Total Sales	20,1%	28,8%	52,0%	7,8%	22,9%

Dashboard: Comparison of the 2020 to 2021, in the M&E Sector		
ECONOMIC VARIABLE	2020	2021
M&E production (% growth)	-12,8%	10,7%
M&E production sales (Rand value)	R633,6 billion	R804,1 billion
M&E capacity utilization (%)	67,1%	76,2%
M&E Employment (number)	361 983	352 625
Total M&E employment share (%)	35,8%	35,9%
M&E Export value (Rand billion)	R371, 3 billion	R458,8 billion
M&E Import value (Rand billion)	R432 billion	R531,5 billion
M&E Net trade balance (Rand value)	-R60,7 billion	-R72,7 billion
M&E Gross earnings (Rand current prices)	R104,5 billion	**R108,2 billion

Source: Statistics South Africa, SARS, MIBFA



The stance to reverse transformation in procurement

- The attempt by Government to reverse transformation in procurement by means of **reversing BBBEE preferential procurement** and regression of regulations in terms of the local content by imposing a **draft Preferential Procurement Regulation of 2022**.
- The draft Preferential Procurement Regulations should have been very **clear and resolute in dictating local content** at the back of public expenditure.



New procurement regulations

- All that the new procurement regulations will deliver is **the dumping of imported products into the South African economy** and **domestic companies will be unable to compete with imported products**. This can only deepen the **worsening levels of de-industrialisation** that has taken place in our country.
- The country needs **domestic input cost structures** that create an environment for companies to compete with imported products. The focus should be to create a suitable **incentive regime from tax rates to industrial incentives** that will protect the current capacity and create jobs.
- There are various local content supplier platforms in the Steel & Engineering Industry that addresses **issues of illicit trade** and currently NUMSA is in discussions in relation to the dumping of steel amongst others that will be taken to Government .



Challengers in the Automotive Industry

- With the move from ICE to NEV, NUMSA in the OEC has had to justify its position, where OEMs were demanding that government must drop duties to enable them to dump components, a situation which would have **undermined the Master Plan Vision 2035 and its targets** to enable them to fast-track the technological transition.
- Studies presented in the Automotive Industry presented challengers:
- It does not drive an emphasis that calls for a paradigm shift where South Africa should be the **new hub for manufacturing** NEVs, given that all the critical raw materials for the manufacturing of NEVs and batteries are found on the continent such as lithium and cobalt.



Challengers in the Automotive Industry

- Study proposes that companies can be beneficiaries of AIS (The Automotive **Investment** Scheme) **without prioritising and retaining employment and transformation**, meaning many jobs would be lost in the auto industry, and there would be **little** focus on supporting new black owned business entering the sector.
- The third issue is that there appears to be an acceptance that certain components should be allowed into South Africa, with much **lower duty rates than others**
- It does not make sense given that there is already a large component manufacturing base in South Africa, and the whole point of why the country subsidises the OEMs with all these duty credits, is to stimulate component manufacturing.



Challengers in the Automotive Industry

- NUMSA currently engages the Automotive Industry on platforms such as the ASSCI, MIDC , OEC meetings that deal with a broad range of issues related to the Automotive industry amongst those are Localisation which Industry and Labour are addressing in various initiatives within the Industry such as local market optimisation programs as well as black supplies capability programs. Studies on Technology “ Know How” in process
- However there is not enough done in the area of the Localisation pillar of the masterplan 2035, in that we have **still not achieved the designated localization targets of 60%**



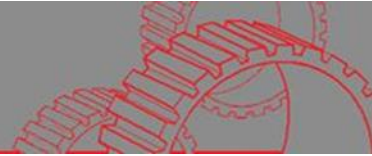
Challengers in the Automotive Industry

- The Master Plan implementation is weak as we do not adequately see objectives like doubling employment, taking local content to 60%, and bringing in new black owned business being , **Operationalised** effectively and at the required pace. There is no Localisation KPI Targets
- What will work is the **Effective Implementation of Developed Localisation targets** and the rejecting to governments reversal of Policy gains in particular and socio economic conditions more broadly.
- Align with Global Best Practise



What will Work?

- To preserve the **social license to operate** by **balancing approval from local communities** and the management of legislative pressures, South Africa's mining companies often **invest in social impact initiatives** at national and site levels, including charitable giving or risk mitigation programs. However, many of these programs occur in **categories that yield immaterial organizational spend**, such as cleaning or catering. Although these initiatives **can create social benefits**, they **generate minimal levels of sustainable socio-economic value**. Local supplier bases become saturated, and organizations waste significant amounts of money on **programs that eventually fail**. As a result, the industry is missing out on potential advantages, including from local procurement.
- Empowering Local communities in addressing inequalities e.g. Rustenburg , housing allocated to the miners vs housing allocated to officials



What will Work?

- Expansion of Elements of Localisation for Monitoring & Evaluation
- What will work , is the Effective Implementation of Localisation targets and the rejecting to governments reversal of Policy gains in particular as well as the implementation of pro worker, pro sustainability socio economic policies that are not austerity centred but rather that cultivates Inclusive growth .
- The joining and commitment of all stakeholders including OEM's in driving an **Transformational Agenda** in the Automotive Industry with Localisation taking centre stage as vehicle towards Job creation



Competitive Advantage

- Capturing and sustaining a **competitive advantage** will require embracing a **shared value agenda**, one that benefits not only the mining companies but also the communities in which they operate.
- What's needed is a strategy that addresses the **national priorities** of inclusive growth and transformation. Procurement can be the driver and enabler for this transformation
- **The use of Technology (Block chain) to monitor procurement processes as well as Transparency in Procurement.**
- The joining and commitment of all stakeholders including OEMs in driving an Transformational Agenda in the Automotive Industry with Localisation taking centre stage towards Job creation and addressing **Localisation Gaps**

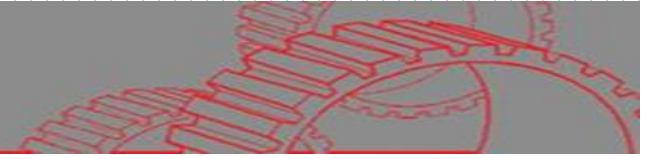


Skills Deficit

- In order to Localise, we need the necessary **Skills** and Technology to develop Area Specialists that are Globally Competitive in terms of Skills Development for Localisation all Sectors of the Economy!

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SOUTH AFRICAN





THANK YOU !

Questions?

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