

CLOSING ADDRESS BY THE PREMIER OF GAUTENG, MR DAVID MAKHURA, ON THE OCCASION OF THE MANUFACTURING INDABA; EMPEROR'S PALACE, CITY OF EKURHULENI.

29 June 2016

Programme Director
Executive Mayor of the City of Ekurhuleni, Cllr Mondli Gungubele and Members of the Mayoral Committee;
DDG Garth Strachan from Department of Trade and Industry;
Distinguished Business Leaders
Members of Parliament and the Provincial Legislature;
Researchers and Industry experts
Delegates to this Indaba
Ladies and Gentlemen:

Thank you for the opportunity to once again deliver a closing address to the third edition of the Manufacturing Indaba. I was here last year and had an opportunity to listen to some of the insightful presentations made at that Indaba.

I have no doubt that even this year's deliberations you're your attention to salient developments taking place in the global manufacturing sector with intention to get us to act collective desire to act with urgency so that we can change the fortunes of the manufacturing sector and its industries in South Africa and the entire continent.

The City of Ekurhuleni remains the manufacturing hub of Sub-Saharan Africa. Consequently, Ekurhuleni is the permanent home of the Manufacturing Indaba. If you want to understand the challenges facing this sector of our economy, come to Ekurhuleni.

Similarly, if you want to understand the opportunities and the potential for re-industrialisation in order to build new manufacturing industries, Ekurhuleni must be the workshop and the Manufacturing Indaba the laboratory.

The City of Ekurhuleni has the second largest share of Gauteng's population at 25,7%. From 2004 to 2013, the City contributed an average of 18% to the provincial GDP.

In 2013, the City of Ekurhuleni made the least contribution of all the Gauteng Metros to GDP per region at 18.1% due to the decline in manufacturing activity. In 2013 manufacturing contributed 21.2% to the economy of Ekurhuleni; the highest in the province.

The cities city regions are now the key drivers of the global and national economies of many countries. Gauteng City Region contributes 35% to South Africa's GDP, 40% to national employment, 42% to national industrial output, 63% to national exports and 8-10% to the GDP of Africa. Johannesburg contributes 15% to our national GDP, Tshwane 9% and Ekurhuleni 7%.

If we want to grow, develop and transform our economies, we must invest hugely in turning around the work of government in making cities more attractive and competitive.

Programme Director, it is therefore fitting that annually we gather here in the City of Ekurhuleni to find ways to revive our manufacturing sector and to unlock its potential as a driver of economic growth, employment creation, innovation and empowerment.

This year's Indaba takes place at a time when our manufacturing industry continues to face challenges occasioned by a shrinking manufacturing base as a result of de-industrialisation, acute skills shortage as well as increased

competition from emerging economies including from our continent.

It is in part in response to this reality that we in the Gauteng City Region are pursuing a Programme of Transformation, Modernisation and Re-industrialisation our provincial economy in line with our country's National Development Plan and the Industrial Policy Action Plans.

We are positioning ourselves to take a lead in Africa's new industrial revolution and build new industries in line with the requirements of industry 4.0 paradigm and digital manufacturing as discussed in this Indaba both last year and this year.

This we must do because to us it is a major concern that the growth rate in manufacturing's Gross Value Added to the economy of the Gauteng City Region has declined significantly from a peak of 6% in 2010 to negative 0.3% in 2015.

We are also deeply concerned that for the first quarter of 2016, Gauteng lost 195 000 jobs and 111,000 of them were lost in Ekurhuleni, reflecting further weaknesses in our manufacturing base. The Aerotropolis Master Plan will irreversibly transform and modernise the manufacturing sector in Ekurhuleni.

We however draw some relief from latest indications that; in the first quarter of 2016, manufacturing output rebounded slightly to 0.5% from the previous quarter's negative 2.5%. We must sustain this momentum, going forward!

We must sustain this momentum because we know too well that the success of any economy is dependent largely on the existence of a strong, growing, innovative and competitive manufacturing industry.

A thriving manufacturing industry is also important because according to the Department of Trade and Industry, every R1 unit of investment spent on the manufacturing sector generates 1.13 units of additional output in the total economy.

Equally, manufactured goods are necessary for trade. According to the World Trade Organisation 80% of inter-regional trade is in goods and only 20% is in services.

Manufactured goods are also critical for the services industry. Even in economies that have a large proportion of the services sector, such as the Gauteng economy, these services industries are dependent on manufactured goods for their progress. The airline industry, for example, depends on the availability of airplanes which need to be manufactured for it to function.

Our enthusiasm about the manufacturing sector is also driven by indications that each manufacturing job creates 3 other jobs in the broader economy, through the multiplier effect.

Manufacturing offers the greatest possibility to create decent, sustainable jobs, to eliminate poverty and to grow our economy in a sustainable and inclusive manner.

Programme Director, I am pleased to announce that since last year's Indaba we have been working with the private sector and universities to craft a new Economic Development Plan for the Gauteng City Region for the next 15 years. This Plan has now been discussed and endorsed by all our stakeholders and will be unveiled next month.

In terms of our New Economic Plan, we will, among others, strengthen our focus on manufacturing and its various sub-sectors. While our Plan supports further growth in the services sector, the revival of manufacturing industries will remain our

central focus. This we will do in order to arrest and where possible reverse the recent trends of job losses in the manufacturing industry.

In particular we will prioritize and privilege the following industries within the manufacturing sector:

- Food and Beverages
- Furniture and Timber
- Pharmaceuticals, Plastics and Chemicals
- Machinery and Equipment
- Automotive and Components
- Transport and Logistics
- Electronics
- Clothing and textile
- Jewelry and mineral beneficiation
- Green economy

Learning from the first three industrial revolutions that had quite a devastating impact on the environment, we need smart and sustainable industrialisation or re-industrialisation.

Our interventions to boost manufacturing will seek to do the following specific things:

- Strengthen coordination between three spheres of government and consolidate all national, provincial and municipal incentives that target specific sectors and development corridors in order to maximize impact.
- Take full advantage of immediate export opportunities in the capital equipment market in the Copper Belt.
- Establish a geographic-based transformative partnership platform to accelerate the development of Ekurhuleni in our eastern development corridor and the Aerotropolis as a base to strengthen advanced manufacturing and new smart industrialisation initiatives.

- Kick-off industry led clusters around a shared agenda to boost skills development, SMME and township economy inclusion with linkages to multiple sectors
- Continued investment and support of Automotive incubation centres and hubs with a view to increase localisation and investment by original equipment manufacturers (OEMs) and increase exports to SSA.
- Develop an export focused special economic zone on value added manufacturing that serves multiple value chains with a focus on skills development and labour absorption.
- Directly engage firms to integrate value chains and expand production facilities to townships to give effect to our agenda of revitalising the township economy.
- More focused attention on developing talent and manufacturing-specific skills through building new schools of specialization and working closely with TVET colleges and universities.
- Dramatically increasing trade and investment in Sub-Saharan Africa. Already, most of our manufactured goods and processed food and beverages have a dominant presence in the SADC - automotive and components, mining equipment, plastics and chemicals, food - but there is a huge scope for Gauteng companies to capture the biggest market share. Government and business will work together to ensure that our industries must take a lead in Africa's industrialisation and innovation.
- We will visit firms and clusters of industries to have discussions with industry leaders on how we can work together to boost the competitiveness of various industries

of the manufacturing sector in our province. One of the critical areas of activity we should jointly attend to is getting our firms to get ready for and embrace the 4th Industrial Revolution.

Within the broader manufacturing sector we will support industries that have greatest potential to create employment and promote empowerment of the PDIs.

As Gauteng we already have significant competitive advantages in these sectors. For instance within Gauteng, the automotive and components sector contributes 7.2% of the manufacturing sector's Gross Value Added. The sector currently sits at a revenue of approximately R286 billion, with 70% of the top-line attributable to new vehicle sales.

Approximately 110 000 workers are employed in the automotive manufacturing and components sector nationally (approximately 30 000 within vehicle manufacturers, and 80 000 within component suppliers), excluding the downstream impact of the second-hand and after-sales market, as well as logistics partners. The sector is primarily an export-driven market, with 82% of exports being within the SADC region.

Equally, within Gauteng, machinery and equipment contributes 25% of the manufacturing sector's Gross Value Added, as well as 32% of manufacturing employment. At least 48% of machinery and equipment companies are located here in Ekurhuleni, in our eastern development corridor.

Already Gauteng firms have a significant presence in the machinery and equipment value and supply chain within the SADC region. Gauteng is also the regional centre of mining services, financial, logistics as well as research and development. It is the largest downstream user of mineral-based inputs and three-quarters of the South Africa's spent in a

new mine anywhere in our country and on the continent is from Gauteng. About 50% of national Gross Value Added for machinery and electrical equipment is in Gauteng.

Going forward, we will continue to leverage on these sectors' potential as part of our overall commitment to reigniting manufacturing and eventually turning around the fortunes of our economy.

Programme Director, at the centre of our New Economic Plan are transformative partnerships that we seek to establish and strengthen with the rest of society towards sustainable and inclusive economic growth.

We once again take this opportunity to invite all of you gathered here at this Indaba to work in partnership with us towards our shared goals! On this important occasion we wish to reiterate that Gauteng is open for business!

We will continue to roll out the red carpet to the private sector which we regard as an important partner in development. We are working hard to address some of the challenges inhibiting investment into our province, including the time it takes to secure approvals as well as ensuring the ease and reducing the cost of doing business.

We are proud that, without cutting corners, we are now able to finalise applications for Environmental Impact Assessments (EIA's) in 90 days. Our goal is to do this in 30 days. In addition, work has begun to eliminate bureaucratic inefficiencies and move our province from red tape to smart regulation.

I am glad to announce to this Indaba that I have appointed MEC Paul Mashatile to lead a team that will focus on cutting red tape across all spheres of government in the Gauteng City Region. They have started work by looking closely on what Rwanda has done to improve the ease of doing business by

removing all the unnecessary and burdensome rules and procedures that delay decision-making.

I take this opportunity to thank our host City and the organisers of this important annual Indaba as the speakers for contributing to its phenomenal success.

We look forward to seeing the tangible results of this Indaba unfold in the near future. We also look forward to hosting this Indaba, once again next year.

Thank you.