

# Briefing on the status of Master Plans to the Portfolio Committee on Trade and Industry

23 February 2021



**the dtic**

Department  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

**the dtic - together, growing the economy**

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# Overview

- Background
- Re-imagined Industrial Strategy
- Economic Reconstruction and Recovery Plan
- Master Plans under development and implementation
- Objectives of the Master Plans
- Progress-to-date including achievements
  - Retail-Clothing Textile Leather and Footwear Master Plan
  - Poultry Master Plan
  - Sugar Master Plan
  - Automotives Master Plan
  - Furniture Master Plan
  - Steel Master Plan
- Conclusion and next steps

# Introduction

- We last tabled a comprehensive report on the status and implementation of the Masterplans on 27 October 2021
- In the last report we demonstrated the impact of our Masterplans to the Economy and how we planned to respond as **the dtic** to the Economic Reconstruction and Recovery plan
- We also demonstrated the significance of social compacting, reciprocal commitments, in realising our economic objectives e.g. job creation
- Therefore, this presentation builds up on the progress presented to Parliament last year and provides new implementation/ achievements made since reporting
- It is also a recap of what we accumulatively achieved in this financial year and re-emphasises the context under which the development and implementation of the Masterplans is taking place
- It concludes by providing next key actions to be implemented before the end of the financial year

# Re-Imagined Industrial strategy

- The 6th Administration stressed the importance of policy implementation as a central feature over the next 5 years, hence Cabinet in June 2019 endorsed the Re-imagined Industrial Strategy (RIS)
- The RIS re-emphasises the role of the state in changing the growth trajectory of the South African economy through supporting improved industrial performance, dynamism and competitiveness
- A key pillar of the RIS is the development of Masterplans and central to these Masterplans is the strong social compact between government, industry and organised labour, where each social partner commits to implement concrete interventions to transform and build the economy

# Economic Reconstruction and Recovery Plan

- On 15 October 2020, President Ramaphosa tabled the Economic Reconstruction and Recovery Plan at a joint sitting of parliament
- The Plan is the culmination of work between government, business, labour and community at Nedlac, and includes key commitments from each stakeholder to achieve its objectives
- The Plan includes measures to:
  - achieve sufficient, secure and reliable energy supply within two years;
  - create mass employment;
  - Increase infrastructure investment;
  - reduce data costs;
  - **increased localisation for reindustrialisation and growth;**
  - resuscitate vulnerable sectors such as tourism, which have been hard hit by the pandemic.

**the dtic to  
play active  
role**

# Economic Reconstruction and Recovery Plan

- The Plan has a large focus on increasing local production, and improving the industrial dynamism of key sectors

***“To place our economy on a new trajectory, we are going to support a massive growth in local production and make South African exports much more competitive.”***

***“There are huge opportunities that we can seize through effective partnerships, targeted deployment of resources and the right policies.”***

- President Ramaphosa, Address to the Joint Sitting of Parliament on South Africa's Economic Reconstruction and Recovery Plan, 15 October 2020

# Implementation of Master Plans

# The role of master plan implementation in the RIS and ERRP

***“A vital part of growing our industrialisation effort are the sectoral masterplans, which bring all partners together to agree on specific measures to improve productivity, investment and competitiveness.”***

***“A central pillar of this work is the transformation of our economy, creating space for new black and women entrants and take deliberate steps to change ownership and production patterns.”***

- Since June 2019, a number of Master Plans have been developed and others are currently being developed to help create conducive conditions for industries to grow.
- This will include assisting companies to improve their industrial capacities and sophistication, focusing more on export orientation, and reclaiming domestic market space lost to imports.



# The dtic: Progress with sector master plans

**4 dtic Master Plans completed** covering more than 500 000 direct workers

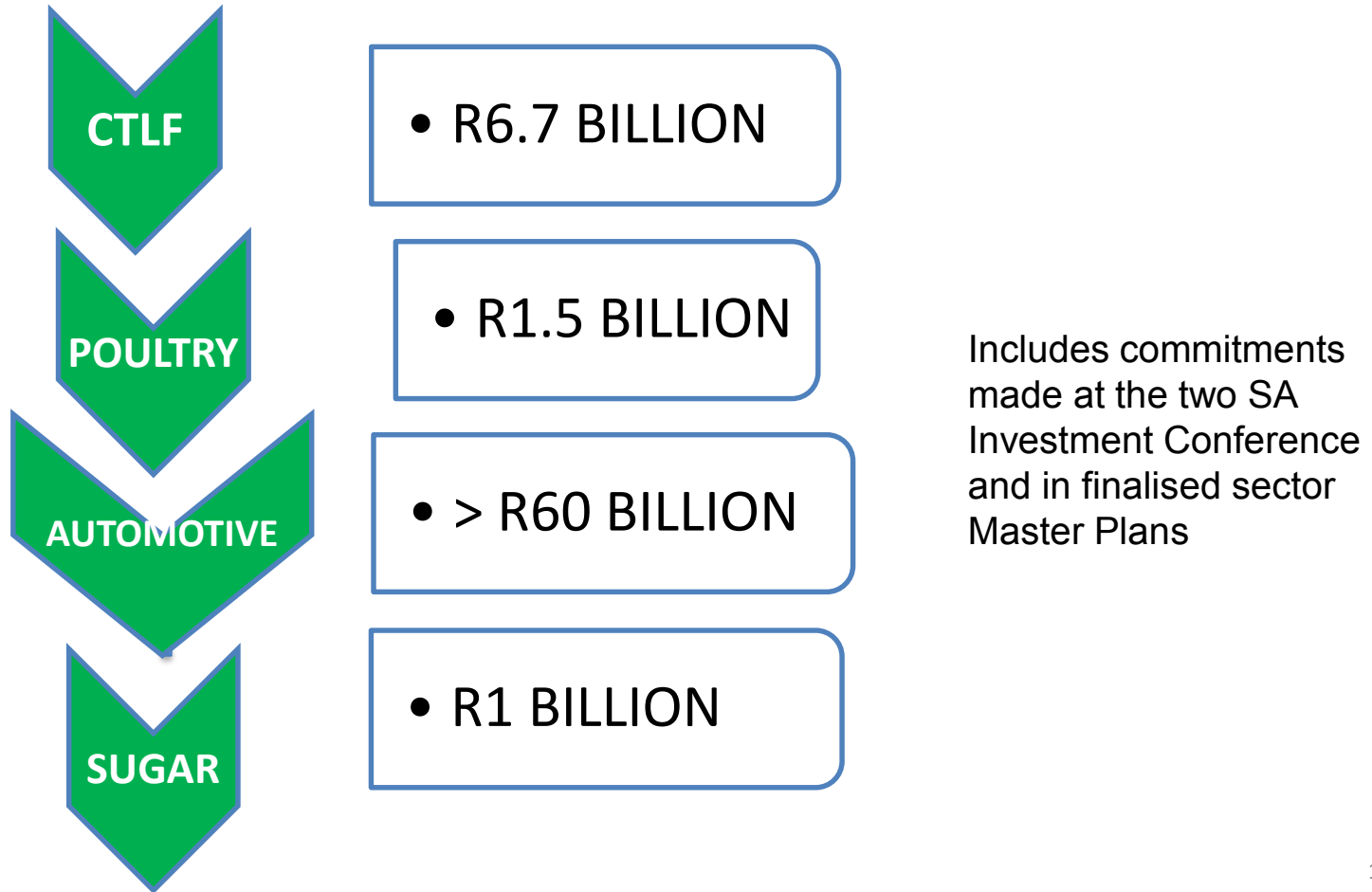
- 2 deals with food security and rural development: Sugar and Poultry
- 1 deals with labour-intensive sector with predominantly women workers and entrepreneurs: Retail-Clothing, Textile Footwear Leather
- 1 deals with major earner of foreign exchange for South Africa and platform for advanced manufacturing: Car manufacturing

**Reciprocal commitments for all stakeholders critical for successful implementation of Master Plans, including focus on localisation, development of SMEs and the informal economy**

**Implementation now under way.**

- **dtic Masterplans in Development in this Financial Year (2020/21)**
  - Steel & Metal Fabrication
  - Furniture

# INVESTMENT COMMITMENTS MADE TO DATE



# RETAIL-CLOTHING, TEXTILE, LEATHER, & FOOTWEAR MASTER PLAN



**Who  
made  
my  
clothes?**

# RETAIL- CTFL OBJECTIVES

- The South African Retail-CTFL value chain generates an estimated R74 billion in gross value added, or 1,7% of GDP.
- The R-CTFL value chain sustains approximately 212 000 formal jobs with some 92 000 jobs estimated in the manufacturing sector and 120 000 in the retail portion of the value chain. The first phase of the CTFL masterplan places emphasis on Retailers to spur value-chain transformation together with the other key stakeholders.

## Objectives

- Grow local procurement from 44% to 65% of all CTFL sold in SA
- Combatting of illegal & illicit imports;
- Creation of a dedicated incentive support
- Strategic Use of Rebates & Tariffs with reciprocal commitments.
- To broaden market development in adjacent value chains and the informal economy
- Value Chain Transformation

# IMPLEMENTATION FOCUS: RETAIL CTFL MASTER PLAN (NEW PROGRESS)

1. **Pep Clothing (PepClo):** The new flip flop factory with an investment of R25m is now operational since January 2021, 40 jobs were saved in the old factory & 42 new jobs created. Expansion of production for coveralls expected in February 2021 which includes surgical gowns for the sterile environment and SAHPRA approved.
2. **the dtic** and IDC's Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP) Incentives programme is under review to ensure transformation obligations are aligned.
3. Cape Union Mart and Cotton-on SA is in the process of joining the National Clothing Retail Federation of SA, which then commits them to the CTFL Masterplan
4. Foreign Retailers: **the dtic** continues to have positive discussions with Foreign retailers to join the CTFL masterplan.
5. **Local PPE Production:** partnership between **the dtic**, business and labour continued to facilitate start-up, production expansion, or SAPHRA licensing. The companies are on-boarding onto the AU-portal for PPE and liaising with **the dtic's** Foreign Economic Representatives to find off-shore markets for our PPE products.
6. Retailers have launched summer 2020 Buy local Campaigns and specific support local brands in-store. Media releases and media coverage more prominent in society of localisation efforts

# IMPLEMENTATION FOCUS: RETAIL CTFL MASTER PLAN (NEW PROGRESS)

7. **Combatting illegal imports:** Reports show success in a range of areas in the sector. Key Commitments achievements include:
- CTFL Focus team has been institutionalised as of 01 February 2021 under Special Operations & Enforcement
  - Senior Manager has been appointed mainly to put a heightened focus on City Deep Operations & Inspections and supported by a newly established National Rapid Response Team
  - Valuation database project has been approved as a priority project by SARS. A project team has been allocated to align the business case with SARS standards and draft a project plan
8. **Trade support:** After extensive consultations and finally consensus among the affected stakeholders, on 5 Feb 2021, duty rebate on textile yarns and textile fabrics was approved and implemented. This implies qualifying yarns and fabrics that may be imported under this rebate item in a phased approach for the manufacture of apparel and clothing accessories classifiable in Chapters 61 and 62, under specific ITAC conditions. This will further enhance local manufacturing of finished garments



# IMPLEMENTATION FOCUS:

## RETAIL CTFL MASTER PLAN (PREVIOUSLY REPORTED)

### Local procurement by retailers as reported in the media: major retailers on track to ramp up local design manufacturing and on-shoring of products

1. **The Foschini Group** (TFG) Africa **now sources 35%** of its clothing locally (on-shore), a significant improvement given that five-years ago as little as 20% of its apparel items were locally sourced. TFG's factories in Maitland and Caledon in the Western Cape are currently running at 100% operational capacity, and has announced investment in WC factories expected to create 230 jobs this year and 5 000 within 5 years
2. **Truworths'** local textile to total textile purchases has reached 45% and expected to increase to 50% over the next few years.
3. **Mr Price** now sources 35% of total merchandise units locally, worth about R9.2 billion in retail sales. This is an increase from approximately 31% in 2015, which at the time totalled R3 billion in retail sales. Mr Price's committed is to procure 1,357 tons of cotton from local producers.
4. **Game** launched its *Style essentials* clothing line in August 2020, with about 25% of the range being locally manufactured.
5. **Woolworths:** Opened a new factory in Port Shepstone with Baby/Children's underwear supplier (Created additional 200 jobs, enable import replacement program); Set up new black woman-owned supplier, Davis Clothing, for Baby products; Moved formal bottoms garments from Bangladesh to SA; Moved woven shirts from Bangladesh to SA
6. **Pick n Pay Clothing** announced a series of collaborations with SA fashion designers such as Gavin Rajah, Julia Buchanan and Katekani Moreku to improve accessibility of locally produced styles.

# IMPLEMENTATION FOCUS:

## RETAIL CTFL MASTER PLAN (PREVIOUSLY REPORTED)

7. **Pep Clothing (PepClo)** has four local factory divisions manufacturing basic school clothing, knitted underwear and flip flops. Pep has recently also started making personal protective equipment (PPE) with ambitions to produce 500 000 disposable gowns over the next financial year.
8. **Investment secured** : R564 million (Pepkor R30 million, The Foschini Group R350 million and Glodina R184 million).
9. The Foschini Group acquisition of Jet for R480m = 4300 local jobs saved.
10. **the dtic and IDC's Clothing, Textiles, Footwear and Leather Growth Programme (CTFLGP)**: Interest Subsidy for Working Capital is available and rolled-out to industry as a short-term industry stabilisation mechanism to finance working capital requirements and mitigate the consequences of the COVID-19 pandemic
11. **Local PPE Production**: Since the start of the national state of disaster, **the dtic** working with business and labour social partners, has facilitated start-up, expanded production, or SAPHRA licensing for 50 manufacturing companies in South Africa, producing a range of essential items like masks, gowns, coveralls and swabs. Production capacity for medical grade face masks has increased from 6 million to 13 million per month.
12. **Combatting illegal imports**: The Inter Agency Working Group (IAWG) with SARS leading the work, has continued its work with a focus on clamping down on illicit trade. Reports show success in a range of areas in the sector. During the Covid -19 pandemic SARS also seized 766 containers containing illegal CTFL goods, valued at almost R230 million, that was intending to enter our Republic at our ports of entry. With an overall 69% success rate.



# IMPLEMENTATION FOCUS: RETAIL CTFL MASTER PLAN (PREVIOUSLY REPORTED)

13. Puma SA  
approaching 1million  
pairs of locally  
manufactured styles



14. Corrid Shoes to  
launch WYSO brand  
First World Sustainable  
School Shoes in SA,  
UK, NZ and Australia



15. Neptune's locally  
manufactured boots  
supplied to rest of  
Africa



16. CR Brands a niche  
General goods and Leather  
Goods manufacturer  
employing 200 workers  
diversified, into wet wipes  
and adult incontinence for  
major SA pharmacy chains.



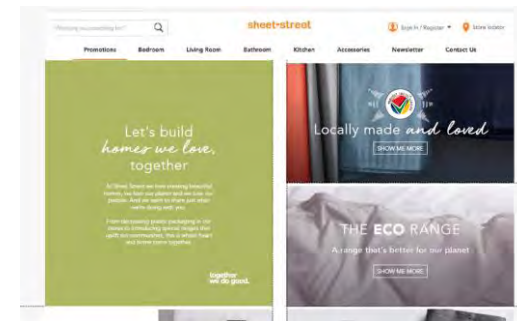
17. Sneaker factory  
diversified into PPEs  
created 20 new  
jobs. Acquired  
necessary  
certification and  
permits e.g. IE,  
SAHPRA, NRCS , ISO

**LOCALLY MADE**  
AND PROUD OF IT!



## Localisation efforts

18. the dtic is working with NEDLAC, NT and provincial authorities to monitoring and enforcement of the CTFL 100% local content designated legislation with the public sector procurement.
19. Proudly SA developed a portal to house local manufactured PPE including fabric face masks during national lockdown that continues to focus on promoting buy local campaigns.



# R-CTFL Master Plan in the Media

BUSINESS INSIDER BUSINESS

## ‘Made in SA, not China.’ Why Foschini, Mr Price and Truworths now want local clothes

Garth Theunissen, Business Insider SA  
Oct 15, 2020, 01:36 PM



### A PPE success story

<https://www.iol.co.za/business-report/opinion/a-ppe-success-story-de74f4a1-3df6-4c70-a029-b794d6a78051>

17 Nov 2019

## SA's biggest retailers commit to local textiles

City Press Riana De Lange

SHARE   



Creamer Media's Engineering News

### Govt wants to accelerate localisation plan for textiles, footwear

... the implementation of the masterplan for the sector earlier this month. ... Retail CEOs present included Foschini Group boss and National ...

1 month ago



# POULTRY MASTER PLAN



# POULTRY MASTER PLAN

## Objectives

- To refocus the industry to exports, reclaim the domestic market and change the economic value-extraction - premium meat (breasts) and discounted meats (bone-in/thighs). Saving of 54 000 jobs; creating an initial 3 600 new jobs, with employment growing beyond this rate as exports grow further.

Five key pillars were agreed:

- Expanding production, with clear targets for the period to 2023;
- Improving the consumption of locally-produced chicken in South Africa;
- Driving exports of chicken meat;
- Regulatory reforms to address imports of illegal and health-risk chicken meat; and
- Trade measures to protect local industry and review tariffs

## IMPLEMENTATION: POULTRY MASTER PLAN (NEW PROGRESS)

1. **Investment:** SAPA has reported an additional investment of R365 million (accumulatively to date R1.14 billion) towards targeted investment of R1.7bn ,creating 502 jobs (accumulatively to date R930)
2. **Transformation:** In terms of transformation and empowerment, SAPA and its members are in the process of establishing 50 new black contract-grower farmers. To date (13) Contract Growers are operational
3. **Capacity development:** SAPA has also started a training programme via KZN Poultry Institute and to date 19 farmers have been assisted in collaboration with DALRRD and 40 Independent farmers assisted by SAPA. Support ranges from biosecurity audits including training, business plan development, water licenses and EIA

# IMPLEMENTATION: POULTRY MASTER PLAN (PREVIOUSLY REPORTED)

1. **Increased localisation:** Production of South African poultry increased by 5% during the first 8 months of the year, when compared to the same period last year, with an additional 1 million birds per week produced.
2. **New localisation:** a Poultry Designation Report has been finalised and submitted for consideration by National Treasury.
3. **Investment:** South African Poultry Association reported R735 million new investment, out of R1.5 billion commitment (428 jobs have been created)
4. **Trade support:** gazetting of a 62% bone-in chicken portions, and 42% boneless portions import tariff (Pillar 5 Poultry Master Plan).
5. **Export promotion:** Task team (DALRRD, DOH and industry) set up to deal with food safety and standards of both imported and locally produced poultry, including review of identified regulations.
6. **Regulatory environment:** DALRRD completed the traceability policy for imports and Pilot Phase for implementation is underway. Discussions between stakeholders on packaging and labelling of imported meat from multiple countries

# IMPLEMENTATION: POULTRY MASTER PLAN (PREVIOUSLY REPORTED)

7. **New tariff dispensation:** the Minister of Trade, Industry and Competition has directed ITAC to review the tariff structure and to recommend measures to achieve the objectives of the Masterplan
8. **Cost competitiveness:** A study is being done on industry cost drivers. A broad overview of global trends on the cost production of soya and maize underway.



# IMPLEMENTATION: POULTRY MASTER PLAN



# SUGAR MASTERPLAN



# SUGAR MASTER PLAN

The SA sugar industry concentrated in the rural areas of KwaZulu – Natal and southern Mpumalanga -

- An estimated 20,200 growers - of which there are:
  - Approximately 19 300 black growers (producing 24% of the 19 million tons of cane produced each year);
  - of which approximately 18 770 growers are small-scale farmers producing 11% of total industry production;
  - Approximately 850 'established' growers (producing 69% of the 19 million tons), of which 680 are large-scale commercial farmers; and
  - approximately 50 farmers operating miller-owned estates, producing 7% of total production.
- 14 mills sugar mills – 3 are independently owned and operated, and the balance owned and operated by the three large milling companies Tongaat-Hulett, Illovo and RCL Foods, who also operate the major sugar refineries.
- The industry currently employs an estimated 65,000 people directly, and through upstream and downstream multipliers, supports a further 270,000 indirect jobs.
- The sugar industry sustains an estimated 1 million livelihoods, mostly in deep rural areas.

# SUGAR MASTER PLAN

## **Objective**

- A globally competitive, sustainable and transformed sugarcane value-chain and bio-economy that actively contributes to South Africa's economic and social development.

## **Seven key pillars agreed upon**

- Restore the local market and offtake commitments - 80-95% local procurement
- Producer Price Restraint & Certainty – limit prices increases to CPI
- Product Tax Policy Certainty - 'just transition' arrangement to maintain the existing Health Promotion Levy only on sugar
- Strategic Trade Protection – review import tariffs for deep sea imports
- Job Retention and Mitigation – industry wide job retention and mitigation plan
- Small-Scale Grower Retention and Support –deployment of supplier and enterprise development support
- Transformation -Transformation plan to support small scale growers

# IMPLEMENTATION: SUGAR MASTER PLAN

1. Sugar Master Plan has been signed off by all social partners officially in signing ceremony held on 16 November 2020. Working groups and oversight body have been established
2. Ms Sindi Mabaso-Koyana, Independent Chairperson of the South African Sugar Association (SASA) has reported that all stakeholders are already fully on board as evidenced by a substantial increase in local sales in the current financial year – sales to both the direct and industrial markets have performed very well and exceeded estimates.
3. Relative to the previous season, sales to the direct market are ahead by more than 50 000 tonnes

# IMPLEMENTATION: SUGAR MASTER PLAN

1. **Localisation:** Jan-Aug 2020: Overall Sugar imports decreased by 11% and deep-sea Sugar imports decreased by 16.4%
2. **Designation:** Sugar industry has been designated (23 June 2020) and exempted in terms of the Competition Act for an exemption, to allow collaboration between industry stakeholders to implement the Master Plan (20 October 2020).
3. **Transformation:** Sugar Regulations amended and extended to 31 March 2024 to transform the governance of South African Sugar Association through the inclusion of small-scale cane growers as equal partners in the formal governance structures (23 June 2020).
4. **Investment:** South African Sugar Association set aside **R1 billion** over 5 years towards industry transformation, and **R575 million** has been allocated to remedy inequalities experienced by black sugarcane growers.
5. **Diversification:** the Biofuels Regulatory Framework (BRF) Gazetted on 7 February 2020 provides a policy and regulatory framework for the implementation of the Biofuels Industrial Strategy that can support diversification.



# SUGAR MASTER PLAN IN THE MEDIA



## Sugar masterplan signing welcomed by industry stakeholders

November 22, 2020



City Press  
@City\_Press

OPINION | We believe that the SA Sugar Masterplan's overriding objective of a managed consolidation for increased efficiency and a more optimised industry is a step in the right direction, writes Casey Delpont.



Can a new plan sweeten SA's contracting sugar sector? | Citypr...  
news24.com

9:30 · 17 Sep 20 · [Hootsuite Inc.](#)



AgriOrbit  
@AgriOrbit

Since the SA sugar value chain has been identified as an important agricultural sector in terms of employment, a sugar masterplan has been implemented. [@sa\\_canegrowers](#)

Click on the link below to read more.



Masterplan sweetens sugar industry outlook –  
AgriOrbit  
agriorbit.com

12:19 · 21 Sep 20 · [Twitter Web App](#)

# AUTOMOTIVE MASTER PLAN





# AUTOMOTIVES MASTER PLAN

## Objectives

- Grow domestic car production to 1% of global output (projected to reach 140 million units annually by 2035);
- Increase local content in South African assembled vehicles to 60% (from 39% in 2015);
- Double employment in the automotive value chain (from 112 000 in 2015 to 224 000);
- Commitment to double production from 600 000 cars to 1,2 million cars;
- Improve auto industry competitiveness to that of leading international competitors;
- Achieve industry transformation across the value chain by ensuring that 25% Black Owned involved in Tier 2 & Tier 3 component manufacturer levels, dealership networks and authorised repair facilities; and
- Deepen value addition across selected commodities/technologies.

# IMPLEMENTATION: AUTOMOTIVES MASTER PLAN (NEW PROGRESS)

1. **Tshwane SEZ Auto Hub:** Ford Motor Company South Africa has announced an investment of **R15,8 billion** in the Tshwane SEZ Automotive Hub to produce the new generation Ford Ranger pickup
2. **Transformation:** implementation of the Automotive Transformation Fund commenced in January 2021.
3. **Export promotion:** Semi -Knocked Down (SKD) kits support through APDP granted to scale up exports efforts in the identified markets. SARS implemented the inclusion of the SKD vehicle kits effective from 5<sup>th</sup> Feb 2021 and this means exports to the Continent can now benefit under the APDP programme.
4. **Localisation:** APDP 2 regulations have been published and the guidelines are being finalised for implementation on 01 July 2021. A clear localisation strategy is being implemented targeting:
  - ✓ Steel, Resin, Aluminium, Copper; Steering wheels; Safety restraints (seat belts); External mirrors
  - ✓ Power steering
  - ✓ Encapsulated glass
  - ✓ Floor liners
  - ✓ Differential lock
  - ✓ Sunvisor
  - ✓ Tubing

# IMPLEMENTATION: AUTOMOTIVES MASTER PLAN (NEW PROGRESS)

5. **Customs challenge:** A team has been established to work together with law enforcement agencies in tackling grey imports coming into the country
6. **Infrastructure:** Industry signed an agreement with Transnet to jointly conduct port and rail bench marking study to assess how costs in the auto value chain can be reduced in relation to infrastructure development and some of the existing challenges particularly port infrastructure
7. **Climate compatible** car production: In a bid to adapt to global technological change, the study on the evolution of Electric vehicles in the country has been completed. The recommendations of the study to be finalised with prioritisation of key areas of considerations for SA in the short, medium and long term

# IMPLEMENTATION: AUTOMOTIVES MASTER PLAN

1. **A record R201,7 billion, equating to 15,5% of South Africa's total exports** registered in 2019,
2. **387 125 vehicles exported** worth R148,0 billion, with a record R53,7 billion in automotive components, exported to 151 countries in 2019.
3. **Investment:** More than R60 billion in new investment committed at the SA Investment Conferences, and towards the Automotive Industrial Transformation Fund.
4. **Transformation:** Administrative issues related to legal registration of the Automotive Transformation Fund has been completed with 5 of the 7 OEMs having signed the MOA. A database of potential **beneficiaries** compiled

# AUTOMOTIVES MASTER PLAN IN THE MEDIA



## FORD MOTORS TO INVEST ALMOST R16BN IN ITS SA MANUFACTURING OPERATIONS

The company said this investment was expected to create 11,000 new jobs.



# Conclusion and next steps

- Master Plans are industry social pacts, in which each partner is expected to contribute, shifting away from a state-centric approach to a partnership model
- COVID-19 demonstrated the fragility of global supply chains through unprecedented disruptions as result. While these imposed immediate costs on the economy, they also provide a stronger rationale for the localisation efforts
- We will sharpen our non-financial support and focus efforts on addressing illicit trade including through use of trade measures to support domestic industry
- Stabilisation of industries remains key in our efforts to protect jobs
- **Next 2 months (remaining parts of the 2020/21 FY):**
  - **Finalise the Steel Master Plan and the Furniture Master Plan, both of which are at the final stages of stakeholder consultation and negotiations**
  - Implementation (and monitoring of progress) with Retail-CTLF, Autos, Sugar and Poultry Masterplans
  - Deepen localisation efforts across all Master Plans
  - Make adjustments to take account of Covid-19 as well as Economic Reconstruction & Recovery Plan

**Thank you**

# Acronyms

- RIS – Re-Imagined Industrial Strategy
- ERRP- Economic Reconstruction and Recovery Plan
- R-CTFL – Retail-Clothing, Textile, Footwear & Leather
- IAWG – Inter-Agency Working Group
- APDP – Automotive Production and Development Programme
- EOC – Executive Oversight Committee
- OEM – Original Equipment Manufacturers
- MoA- Memorandum of Agreement
- PPE – Personal Protective Equipment
- PI – Production Incentive
- CIP – Competitiveness Improvement Programme
- CTCP – Clothing and Textiles Competitiveness Programme
- SARS – South African Revenue Services
- NEDLAC – National Economic Development and Labour Council
- ITAC – International Trade Administration Commission
- HS – Harmonised System