

PRESENTATION TO THE PORTFOLIO COMMITTEE ON TRADE, INDUSTRY AND COMPETITION

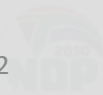
BRIEFING ON THE IMPLEMENTATION OF MASTERPLANS

29 October 2024



PRESENTATION OUTLINE

1. Overview of the Masterplans
2. Economic Profile of the Manufacturing Sector
3. Governance structures
4. Progress to date
5. Impact of the interventions and Lessons learned
6. Roles of other Depts. in the Masterplans not led by **the dtic**
7. Cross-Cutting Challenges
8. Conclusion



OVERVIEW OF MASTERPLANS

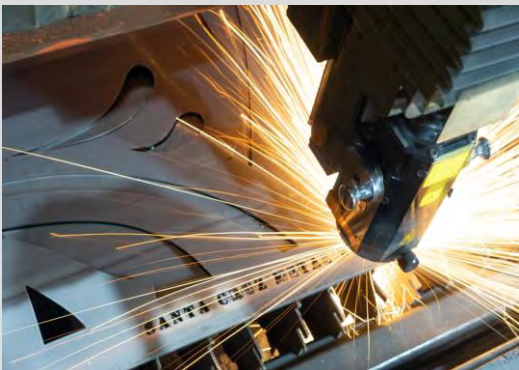
- The Masterplans are action-oriented sector-wide policy implementation documents targeted towards boosting local jobs and developing local value chains.
- The South African government has been utilising sector-specific Masterplans as a significant instrument to promote inclusive economic growth and tackle unemployment.
- **the dtic** is currently implementing seven Masterplans and one Masterplan has recently been launched. A range of industrial policy tools are utilised aimed to grow and develop export capabilities, regain domestic market share as well as create and sustain employment in the economy.

The following slides provide information on the achievements and impact of the following Masterplans:

1. Retail-Clothing, textiles, footwear and leather
2. Sugar
3. Furniture
4. Poultry
5. Automotive
6. Steel and metal fabrication
7. Medical devices
8. Global Business Services (GBS)

- Retail-Clothing, Textile, Footwear & Leather is a labour-intensive sector with predominantly women workers and entrepreneurs
- Sugar and Poultry deal with food security and rural development
- Automotives is a major earner of foreign exchange for South Africa and platform for advanced manufacturing
- Steel is at the heart of the country's industrialisation drive with links mining, construction, automotives, packaging etc.
- Furniture labour absorbing dominated by family owned enterprises
- Medical devices deal with SMME's and the promotion of exports

Development of SMMEs and localisation cut across each Masterplan



OVERVIEW OF MASTERPLANS

Generalised Masterplan development and implementation process flow



Preparation

PHASE 1



Situational
analysis

PHASE 2



Prioritise &
Develop plan

PHASE 3



Implementation

PHASE 4



Monitor &
Manage

PHASE 5

- a. Decide the Masterplans
- b. Develop Terms of Reference to appoint service provider
- c. Advertise, submissions made by interested service providers
- d. Adjudicate proposals
- e. Sign SLA/ contract/ appointment letter with Service provider
- f. Establish steerco
- g. Convene an inception meeting

- a. Do stakeholder map
- b. Identify and convene task teams
- c. Establish EOC
- d. Source information for situational analysis
- e. Consult, collate data and prepare draft Table of Contents
- f. Prepare first draft, consult steerco and finalise report

- a. Compile list of outcomes stakeholders regard as most important
- b. Consult steerco on the list of important outcomes. Agree prioritisation criteria
- c. Prioritise and agree a short list
- d. Build Masterplan and validate
- e. Approval of final draft by steerco, and sign off by EOC

- a. Governance and implementation structures established
- b. Funding secured for Masterplan implementation and oversight
- c. Detailed action plan: for 18 months onwards
- d. Accountability mechanisms instituted

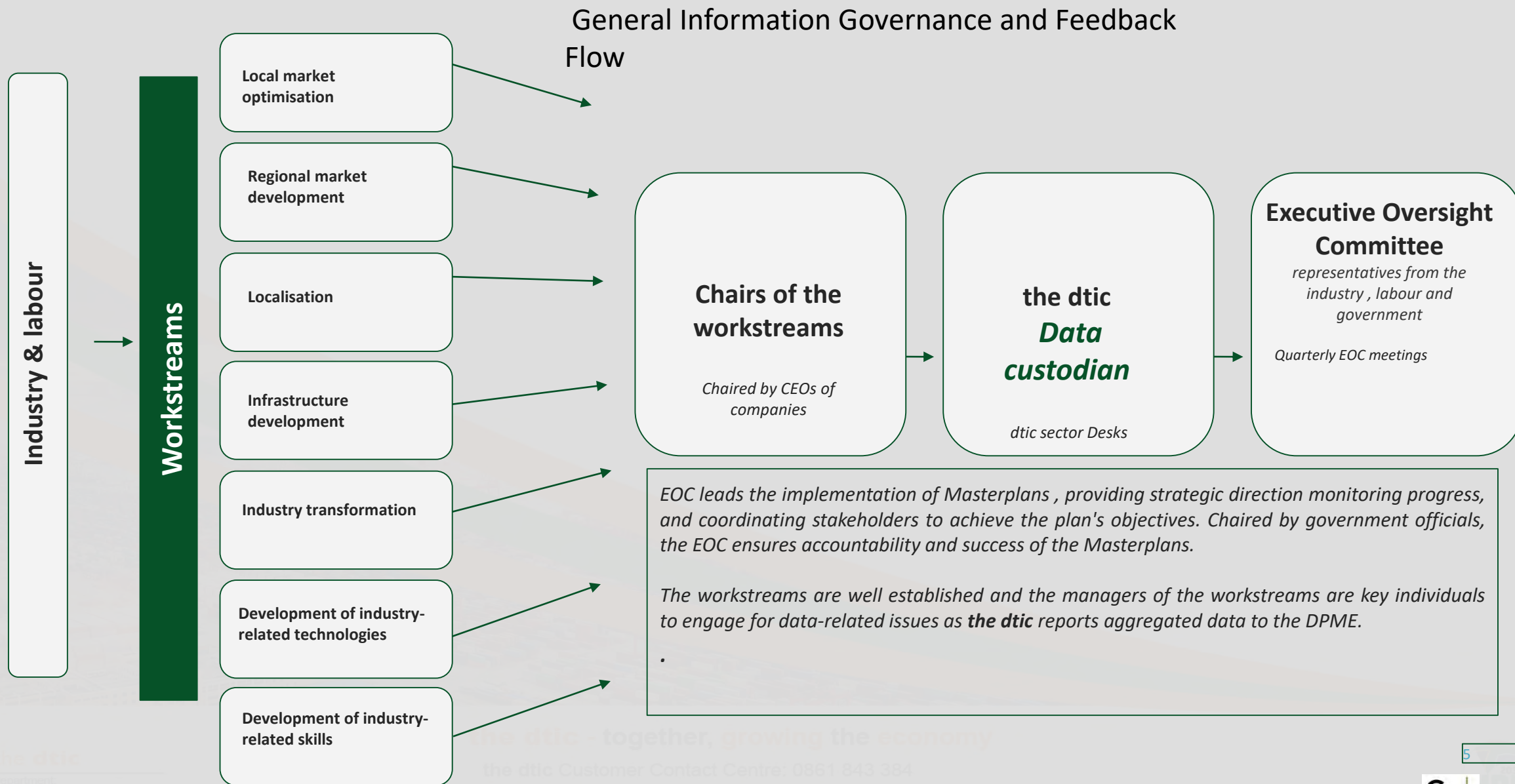
- a. Masterplan oversight structures
- b. Performance and progress reporting
- c. Monitoring plan and systems
- d. Learning platform
- e. External (objective) review of Masterplan progress
- f. Review the Masterplan

PRE-DEVELOPMENT

DEVELOPMENT

IMPLEMENTATION

OVERVIEW OF MASTERPLANS



The Role of the Executive Oversight Committees in the Implementation of Masterplans

Automotives Industry Masterplan

- The Executive Oversight Committee (EOC) was established in Dec 2019 to monitor and evaluate the implementation of the SA Auto Masterplan. Since then, a total number of 11 EOC meetings have been held. The EOC mainly focused on the development of the EV White Paper and a Transformation Fund for Component Suppliers. The meeting for the EOC was on 14 May 2024.

Furniture Masterplan

- The last Furniture Industry Masterplan EOC meeting held on 17 May 2024, where priority areas identified, specifically on under-declaration and review of the Furniture challenge fund.

Poultry Masterplan

- The last Poultry Masterplan EOC meeting was held on 23 May 2024; the Minister recommended that phase two of the Masterplan must be developed.

Retail CTFL Masterplan

- The last Executive Oversight Committee was held on the 2nd May 2024, where an agreement was reached to meet, engage and identify opportunities for localisation.

Sugar Industry Masterplan

- The Sugar Industry EOC met on the 10 May 2023 and 25 April 2024, the focus was on measures to deal with the impact of avian flu, imports and price increases in the market, especially on downstream enterprises and consumers.

Steel and Metal Fabrication Masterplan

- The Steel Masterplan was officially launched in June 2021, with the Executive Oversight Council, as the executive decision making body, chaired by the Minister of Trade, Industry and Competition.
- A Management Committee, chaired by the Deputy Minister (**the dtic**), was established in July 2023 to speed up decision making process within the Masterplan.

OVERVIEW OF MASTERPLANS

Masterplans – number of jobs supported by Masterplans

696267* workers inclusive of women and youth across the country covered by the six Masterplans coordinated by the dtic

117930

116 069

108 394

268 274

85 600

**Workers Covered
by Poultry and
Sugar
Masterplans**

**Workers Covered
by Automotive
Masterplan**

**Workers Covered
by CTFL and
Furniture
Masterplan**

**Workers Covered
by the Steel
Masterplan**

**Workers Covered
by the Medical
devices and
Global Business
Services
Masterplan**

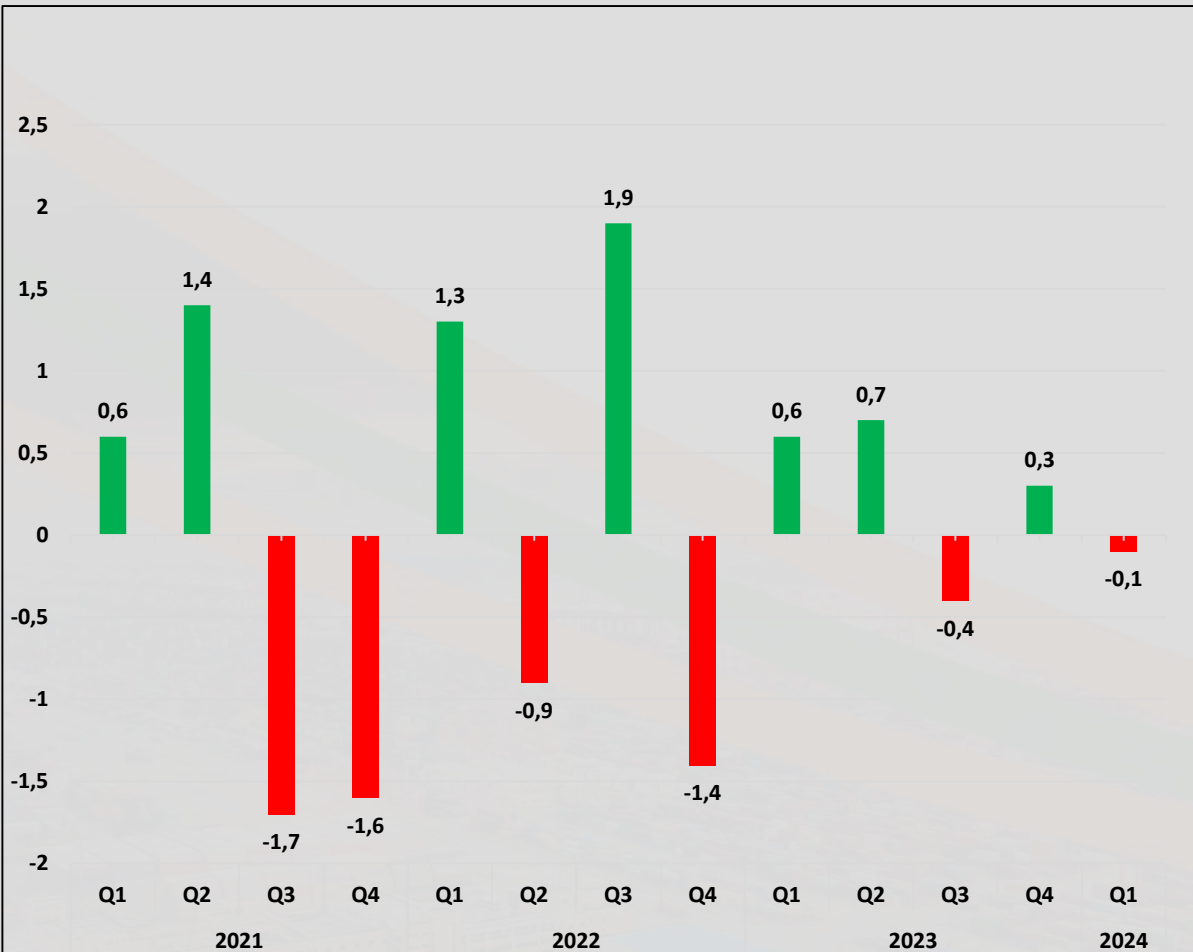
• Data derived from the Stats SA: Quarterly Labour Force Survey (QLFS) (Quarter 2 – 2024) and data from the industry associations.

** Employment figures from the South African Sugar Association (SASA) and South African Poultry Association (SAPA)

*** The QLFS does not cover employment data from the value chain in the sugar sector and poultry sectors

ECONOMIC PROFILE OF THE MANUFACTURING SECTOR

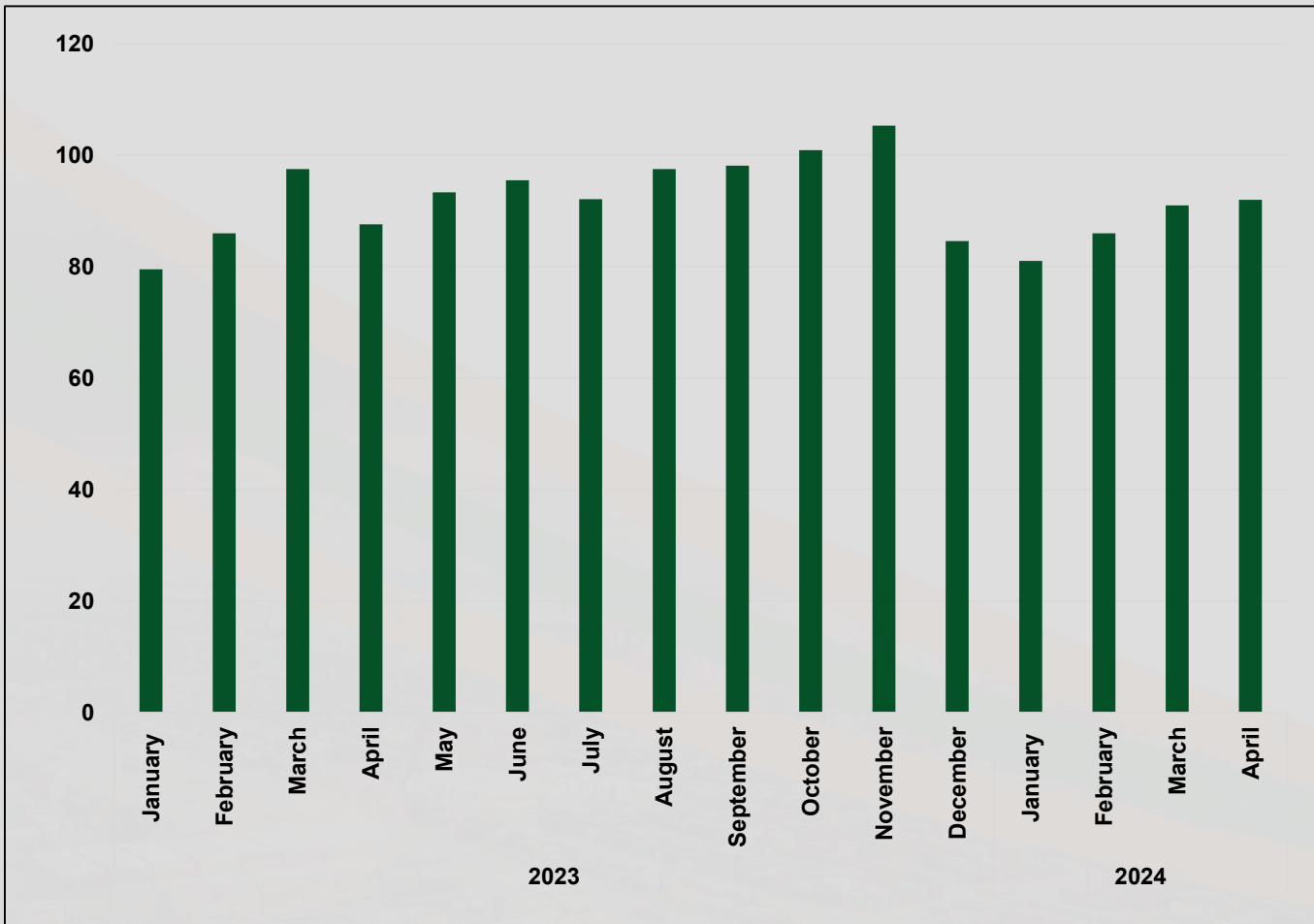
Growth in GDP (%)



- Real gross domestic product (GDP) decreased by 0,1% in the first quarter of 2024, following an increase of 0,3% in the fourth quarter of 2023.
- Six industries recorded negative growth between the fourth quarter of 2023 and the first quarter of 2024.
 - The manufacturing industry decreased by 1,4%
 - The mining industry decreased by 2,3%
 - The agriculture industry was the main positive contributor, increasing by 13,5%

ECONOMIC PROFILE OF THE MANUFACTURING SECTOR

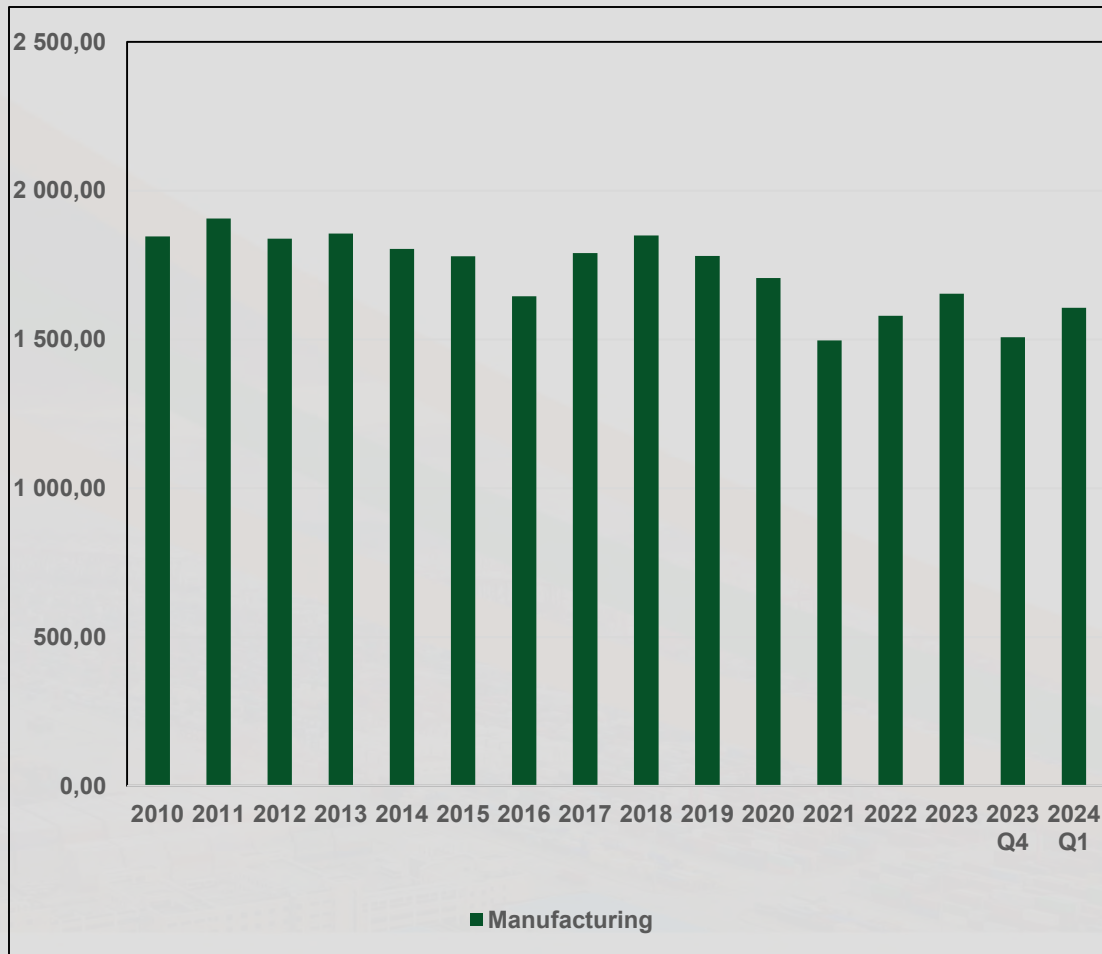
Index of the volume of manufacturing production (Base: 2019=100)



- Manufacturing production increased by 5,3% in April 2024 compared with April 2023
- Industrial production started to increase gradually since 2024
- Manufacturing sectors contributing to growth over the last quarter was:
 - Food and beverages
 - Petroleum, and
 - Chemicals, rubber and plastic products

ECONOMIC PROFILE OF THE MANUFACTURING SECTOR

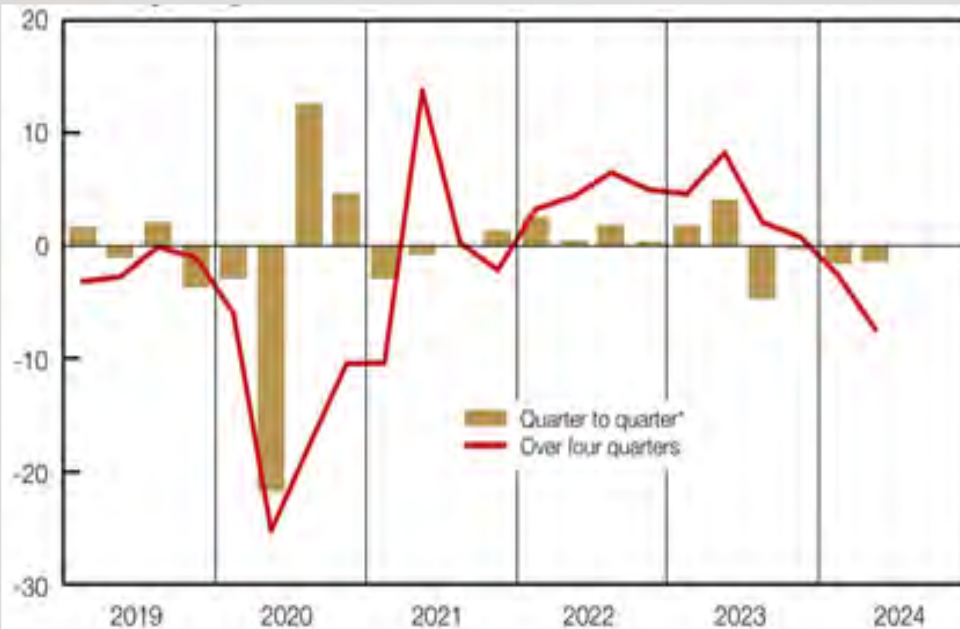
Employment in manufacturing, in thousands, and in the rest of the economy in millions, first quarter 2008 to 2024 and fourth quarter 2023



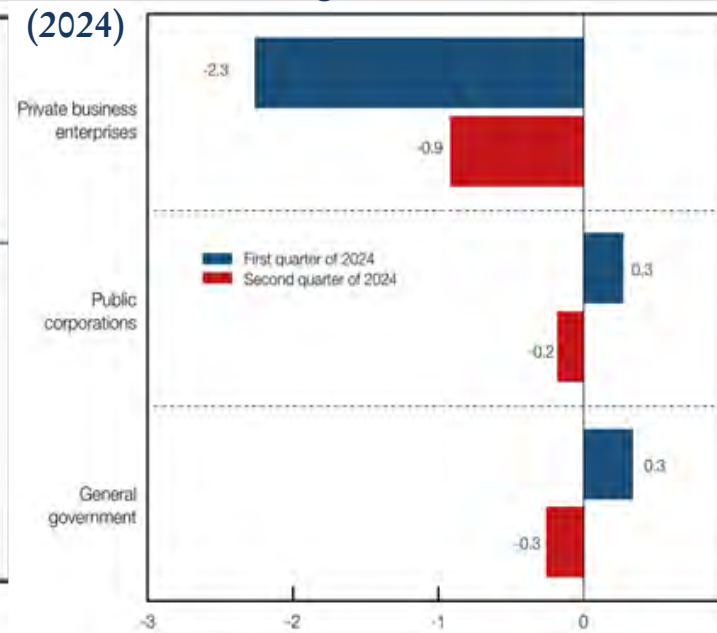
- Manufacturing lost 50 000 jobs in the year to March 2024, according to the QLFS, while construction also shrank slightly
- Despite job gains in some years, the QLFS reports that manufacturing employment has dropped significantly since 2010, and recovered only partially from the pandemic downturn
- In contrast, employment in the rest of the economy is now substantially above its pre-pandemic level, although it shrank over the six months to March 2024

Gross fixed capital formation (GFCF) (% of GDP) in South Africa was reported at 15.15 % in 2023

% Change in real GFCF (2019-2024)



Contributions to growth in real GFCF (2024)



- This includes investments in land; plant, machinery, and equipment purchases.
- Real fixed investment by private business enterprises decreased by 1.3% in the second quarter of 2024
- Reduced investment in computer software, construction works as well as machinery and equipment more than offset increased investment in residential buildings and non-residential buildings in the second quarter of 2024

GCFC: quarter-to-quarter % change at seasonally adjusted rates

Sector	2023					2024	
	Q1	Q2	Q3	Q4	Year*	Q1	Q2
Private business enterprises	0.6	5.3	-5.1	-0.9	3.0	-3.1	-1.3
Public corporations.....	7.3	6.5	-7.1	-4.2	9.9	2.5	-1.5
General government.....	4.0	-1.9	-1.3	-7.3	-3.9	2.0	-1.5
Total	1.9	4.1	-4.7	-0.2	3.9	-1.7	-1.4

AUTOMOTIVES MASTERPLAN

Pillars

- Local market optimisation – the local market needs to grow to realise higher sales volumes
- Regional market development – the regional market in Sub Sahara Africa needs to grow so that SA based OEM's can sell into that market
- Localisation – to deepen local content through the South African and regional automotive value chain up to 60%
- Automotive infrastructure development - domestic infrastructure should be of a similar standard to that of the country's leading international competitors
- Industry transformation – in terms of employee cohorts coming into the industry and dealership network and authorised vehicle repair facilities
- Technology and associated skills development – to develop such a roadmap to support the evolution of the industry



Progress to date: Automotives Masterplan

1. Automotives

• Production

- The industry contributes 0.67% global production and 54.1% Africa production. Total annual production in 2023 was 633 000 units.

• Local Content

- Relatively stable from about 38.7% in 2014. The average local content has been hovering around 38% to 40%. The current local content for Q2 of 2024 is 38.9%.

• Employment

- Notable recovery from Covid-19 impact; 116 000 in 2023. However, during 2024 at least 1 000 jobs have been lost due to a variety of reasons such as the impact of geopolitical tensions and changing market trends (shift to NEVs and preference for SUVs instead of Sedans).

• Exports

- Record Total Exports at 399 594 units in 2023 (MHCVs at 0.2% - 799 units; LCVs at 35.2% - 140 529 units, and Passenger Vehicles at 64.6% - 258 266 units). Improvement of exports into Africa from 18 969 units in 2019 to 25 494 units in 2023 (21 625 Light Vehicles & 3 869 MHCVs).

• Investments

- Total Investment of R 57.9 billion since 2019.

• Transformation

- The Automotive Transformation Fund (*AITF*), an industry equity equivalent program established in 2021, supported 63 beneficiaries (31 downstream, 21 upstream and 11 side-stream), disbursed about R350 million and facilitated market access (procurement contracts to black-owned firms) to the value of R4,13 billion supporting 2 400 jobs. From a total of R490 million funds R350m has been disbursed.

• Technology

- An Electric Vehicle White Paper was published in 2023 with the aim charting a course for the transition of the industry towards the production of Electric Vehicles. Relevant draft amendments to the APDP2 in support of EV production were published in June 2024.

• Skills development

- A comprehensive EV skills gap analysis has been completed, and a curriculum is being developed with a target of 10,000 learnerships by 2035.

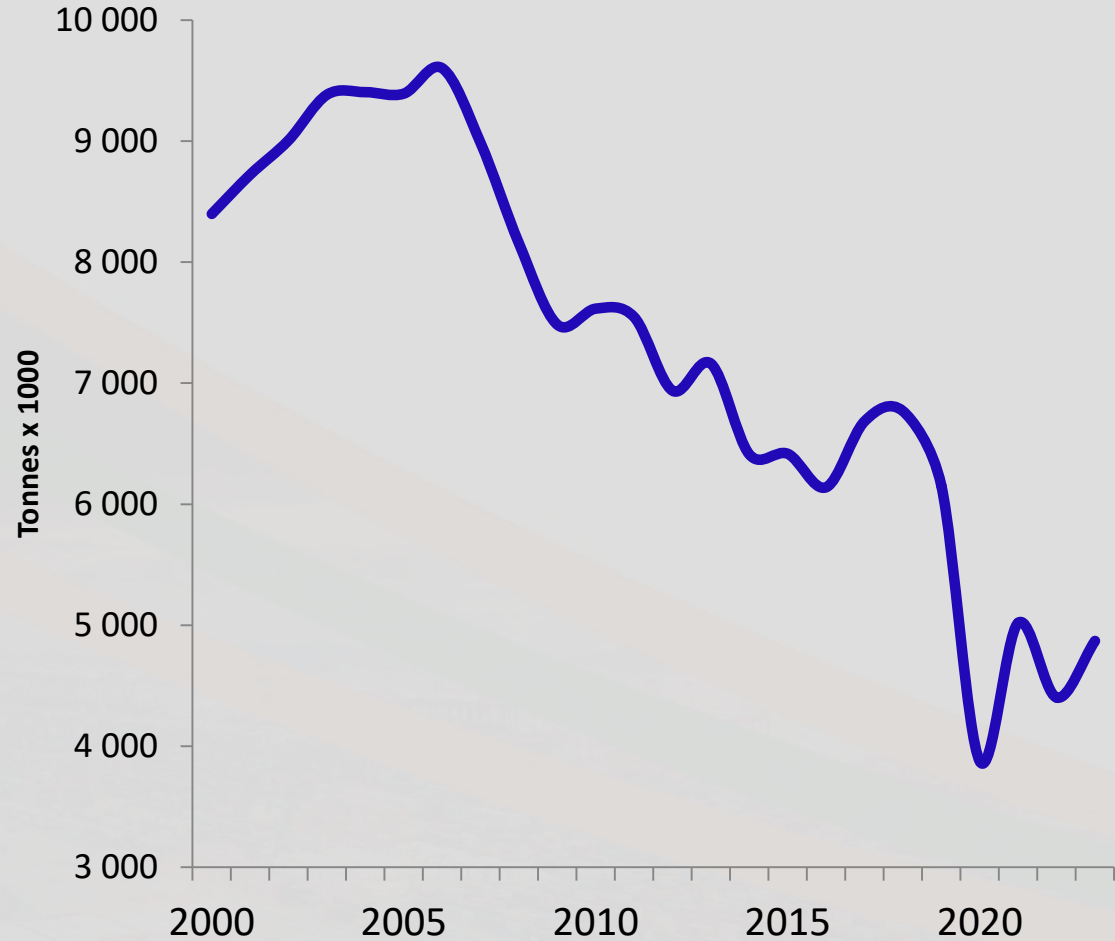
Impact of interventions and lessons learned

Automotives

- The global automotive landscape is rapidly evolving, with a strong shift towards cleaner, energy-efficient vehicles.
- The global expansion of Chinese OEMs coupled with a growing interest to establish automotive production capacity by many African countries, is gradually impacting South Africa's standing in vehicle production.
- Additionally, while the governance structure is in place, there are areas for improvement, particularly in ensuring that all members fully embrace and fulfil their responsibilities.

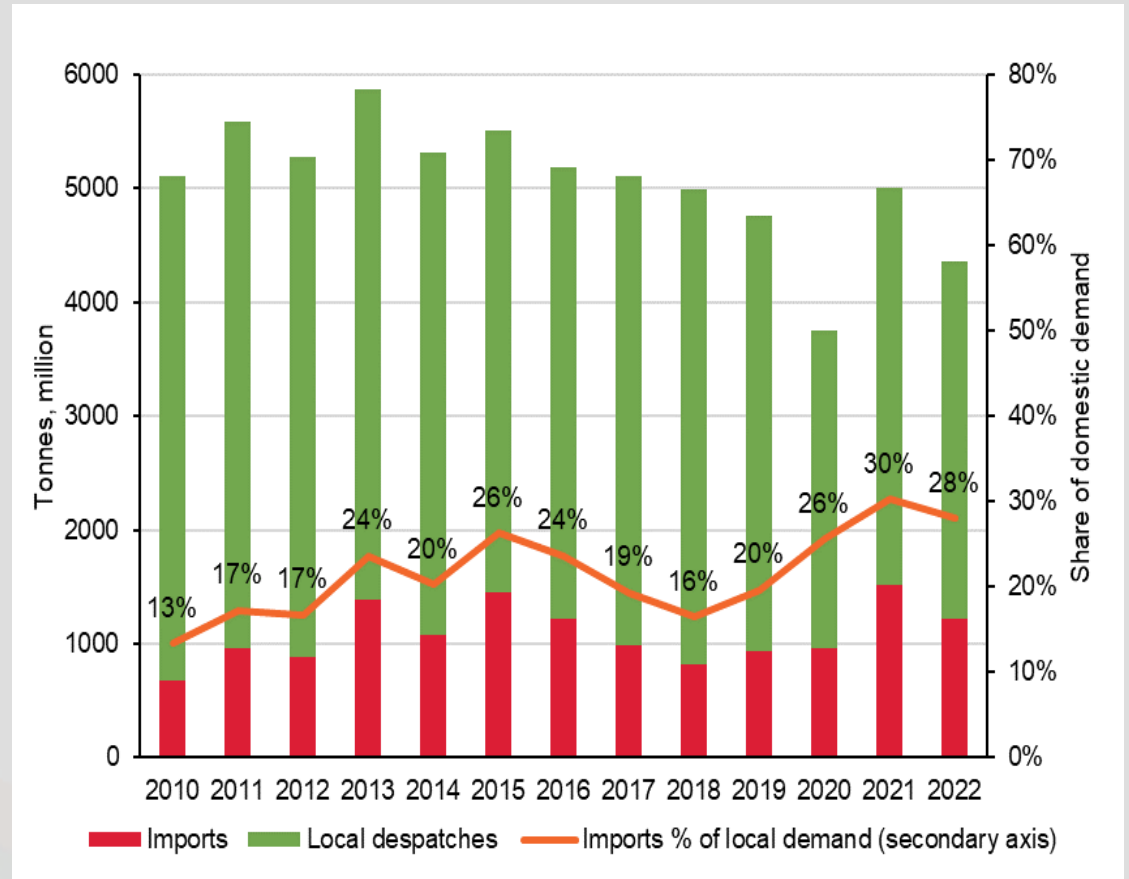
Therefore a review of the Masterplan is essential to ensure relevance through appropriate adaptation to the changing environment.

South African Crude Steel Production



Steel production has decreased steadily since 2005 mainly due to subdued demand, sluggish economic growth

Breakdown of domestic consumption (demand), 2010 - 2022



Notes: Data on imports and local despatches of finished steel products reported by SAISI.

Source: SAISI

Geography of Steel Production in SA



NORTH WEST

Unica Iron and Steel **B | SS**

WESTERN CAPE

Cape Town Iron & Steel (CISCO) **RB**
 SA Steel Works **RB**
 ArcelorMittal Saldanha **HRC**

RE-ROLLERS

Duferco Steel Processing **CRC | GCC**

EASTERN CAPE

Agni Steels SA **B | RB**

GAUTENG

ArcelorMittal Vanderbijlpark **PL | HRC | GCC | CRC | OCCC**
 ArcelorMittal Vereeniging **RB | SP | SS | B&R**
 Cape Gate – Davsteel **RB | SS | B&R**
 Scaw Metals **RB | SS**
 SA Steel Mills (Pro-roof Grp) **RB | SS**
 Fortune Steel **RB | SS**
 Veer Steel (India Steel) **RB | SS**

MPUMALANGA

Highveld Steel **SS**
 Columbus Stainless **HRC**

KWAZULU-NATAL

ArcelorMittal Newcastle **RB | SS | B&R**

RE-ROLLERS

SAFAL **OCCC | CRC | GCC**

LEGEND

- Blast Furnace/Basic Oxygen Furnace
- Corex/Midrex
- Electric Arc Furnace
- Induction Furnace
- Re-rolling (cold rolling and coil coating)
- Business Rescue

STEEL PRODUCTS LEGEND:

Flat Steel Products via Slab rolling [S]

- PL** Plate
- HRC** Hot rolled coil
- CRC** Cold rolled coil
- GCC** Galvanised coated coil
- C** Organic colour coated coil

Long Steel Products via Billet/Bloom rolling [B]

- SS** Structural Sections
- B&R** Bar & Rod
- RB** Rebar
- SP** Seamless Pipe

Steel and Metal Fabrication Masterplan – Implementation & Governance

- Work on the Steel Masterplan began in 2019, however the launch was delayed by the COVID-19 epidemic. The Steel Masterplan was officially **launched in June 2021**, with the Executive Oversight Council, as the executive decision making body, chaired by the Minister of Trade, Industry and Competition.
- A Project Management Office, run by TIPS was established in 2022 to assist the Executive Oversight Council to enhance delivery capabilities and improve overall efficiency in the implementation of the Steel Masterplan.
- A Local Content and Compliance Unit (LCCU) was established to tackle illicit trade by recording and reporting suspicious transactions to SARS for further processing.
- A Management Committee, chaired by the Deputy Minister (**the dtic**), was established in July 2023 to speed up decision making process within the Masterplan.



Steel and Metal Fabrication Masterplan: Progress Made

Support and Anchor the Reimagined Industry Strategy & Economic Reconstruction and Recovery Plan



Trade Instruments

25 trade interventions implemented to support local industry & attaching reciprocal commitments, e.g.: improve industries' overall competitiveness; increase productive capacity; investments; retain and create jobs; enhance skills development



Preferential Price System & Export Tax

Impact of Steel PPS & Export Tax: Better Availability of the input material for the local market. New market players/production lines are emerging and new products for localisation



Illicit Trade

Progress made on addressing illicit trade: mis-declaration and under invoicing under the Inter-Agency Working Group, led by SARS, the dtic and ITAC
Ongoing work with SABS and NRCS to develop and review standards on vulnerable steel products



Industrial Financing Support

Total investment by the IDC into the steel value chain includes approvals of R20bn and with total investment facilitated of R45bn, which has led to the creation of 10 632 new jobs created and saved 7 812 jobs



Resuscitation of the SA primary steel capacity

Recent acquisition of High Steel and CISCO steel mills from the business rescue processes, investments of R1.6bn and R290million respectively. Over a 1000 new engineering jobs to be created at the peak of production. Veer Steel Mill has been upgraded to produce alloys. Scaw metals commenced construction of a new flat steel plant. About 250 permanent jobs will be created when the plant is operational adding to 5000 employees already employed



Localisation

Localisation interventions bearing fruit: supporting Black Industrialists; Jobs and Deepening of SA capabilities.
Areas where impact is visible: transmission, distribution and rail infrastructure



Steel Masterplan: Implementation Challenges and Lesson Learned

- **Geo-political tensions, additional trade measures** being implemented globally and resultant trade diversions to markets such as South Africa that are less protected. The threat of the new Zimbabwean Mill – USD \$1.5 billion steel plant
- Growing Carbon Border Adjustment Mechanisms (**CBAM**) as well as a global move to cleaner steel production and the implications on exports
- **Low local demand** remain a major concern, limited infrastructure spend, long lead-times to project execution
- The **sector competitiveness** is threatened by a myriad of issues: illicit trade that includes mis-declarations, undervaluation; logistics crisis; energy; and impending gas supply challenges
- **Fragility of SA primary steel capacity** – overcapacity and declining pricing; Newcastle Steel Mill (and Vereeniging works) and the impact on the downstream steel supply and associated consuming industries. A long-term solution for retaining the key long primary production is required
- **Greater government coordination** required to deepen the implementation: maximize localization; address inputs, electricity and rail pricing challenges; address and tackle illicit trade that continues to undermine the recovery of the value chain

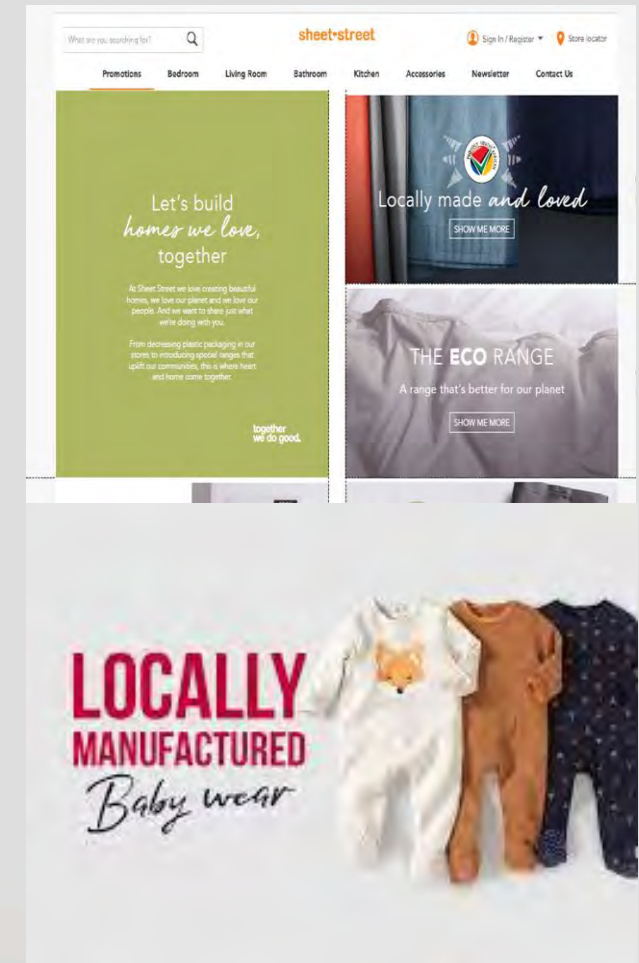
Retail Clothing, Textile, Footwear and Leather and Masterplan

Pillars

- Domestic market growth – to increase the share of local CTFL retail sales of locally manufactured clothing and footwear products
- Value chain localisation – grow local procurement as a share of retail sales and identify import substitution opportunities
- Competitiveness advancement – enhance the value chain's cost, process and product competitiveness
- Value chain transformation - transform the value chain through the development of Black and female senior management, and by advancing worker ownership
- Skills and technology advancement – embrace new technologies and advance management, technical and operator skills capable of using advanced technologies and competitiveness

Foundational

- A supporting institutional and regulatory environment, including monitoring and evaluation



Progress to date: Retail CTFL Masterplan

- **Localisation**

- 389 million units of clothing, accessories and footwear are projected to be purchased by R-CTFL Masterplan signatories during 2024, which is an increase of 58.6% from 2019. Local unit demand is forecast to grow by 13.4% to 2026.
- Following a collaborative Executive Oversight Committee meeting on the 2nd of May 2024, agreement was made for retail representatives and footwear and leather manufacturers to meet and engage on identifying opportunities for localisation.

- **Production**

- Input costs for local production of garments made with woven fabric have been reduced with the introduction of a rebate on the import duty, as these fabrics are not made locally. This has resulted in imports of R5.5b since April 2021 to end Sep 2024 and garments produced to the value of R19b.

- **Imports, Exports & Employment**

- Exports of apparel and textiles have been increasing since 2020 Q2, exports of footwear has marginally increased, and leather and leather goods have remained constant.
- Imports have either declined or remained constant for most of the CTFL product categories except an increase in imports of woven fabric, which is due to the rebate that was introduced as a result of the R-CTFL Masterplan.
- Employment has remained fairly constant post covid with a slight recovery since 2020 Q2.

- **Leveling the playing fields – e-commerce platforms**

- Through the prioritisation and continued efforts of Masterplan partners, SARS reviewed the application of the bulk clearance duty level by which international, online retailers were able to bring in small parcels at scale without adhering to SA's tariff policy.
- Small parcels have been flooding the SA market at very low prices. These were bulk cleared at a flat customs import duty of 20%. As of 1 September, SARS is charging VAT on these consignments and as from 1 November, SARS intends to charge the full duty of 45% plus VAT on these imports.
- This is a positive move to ensure that all retailers operate on a level playing field.

- **Industrial Financing to support sustainability and competitiveness**

- Since inception of the CTFL Growth Programme, 233 applications approved worth R1,934b. The Programme has sustained 24 107 jobs and generated industry commitments to create 4 534 jobs over a 2-year period.

Progress to date: Retail CTFL Masterplan

• Combating Customs Fraud - IAWG

- Through the work of a dedicated CTFL Valuation Focus Team,. SARS monitored one-hundred-and-sixty-eight (168) tariff subheadings and based on the analysis performed on the data for Sep 2024, **261 seizures** of CTFL goods were completed, with an estimated value of **R 111 300 046** mainly for gross false declarations, non-declaration of goods and IPR infringements were finalised.
- YTD the CTFL focus team Completed **17 valuation related post clearance audits** mainly focusing on undervaluation with an overall **76% success rate** where revenue assessments to the value of **R 23 009 648** were raised.
- As of **Sep 2024**, the Customs CTFL focus team & NRRT had collected a total of **R 24 351 307.38 YTD** in enforcement revenue mainly linked to CTFL imports under declaration of value and quantity as well as misclassification of goods description resulting in an underpayment of customs duties. This is additional revenue that would not have gone into the fiscus if it were not for the enhanced Customs enforcement capability in this industry as well as collaborations and partnerships through IAWG and Industry.
- SARS continues to have dialogue with industry, exchange information and build the necessary skills through the CTFL Industry forum meetings.
- Ongoing projects: review customs enforcement infrastructure, capability and capacity requirements, development of a valuation database, modernisation of customs, disposal of seized goods.

Impact of Interventions and Lessons Learned

- **Impact**
 - The R-CTFL Masterplan has brought stakeholders together in a manner that has not been done before. The value chain clusters, previously formed under the Competitiveness Improvement Programme, assisted in making this possible. Stakeholders across the value chain are interacting and considering ways of improving the competitiveness of all.
 - The impact of funding interventions have certainly assisted the CTFL sector to stay relevant, amidst many challenges, such as illegal imports, under-invoicing, COVID-19, riots, floods, load shedding etc. Without the funding support through the CTFL incentives, many more businesses would have closed.
 - The R-CTFL Masterplan only covers implementation projects for the retail related CTFL manufacturers. What is required is a focus on projects that will incorporate the technical, medical, geotextiles sector that is generally performing much better than the apparel sector.
 - Funding of projects have been a challenge, and alternative sources are being explored.
 - A lot of time and energy have been spent on repairing and improving the institutional and regulatory environment, being the foundational requirement for re-building the CTFL sectors.
- **Lessons Learned**
 - It is critical to have a monitoring and evaluation system in place prior to implementing any programmes. This will allow for proper monitoring and evaluation as well as corrective action if required. It will also provide measurable evidence of the impact of such programmes.
 - It is crucial to have an enabling and conducive institutional and regulatory environment within which to operate. Without it, the effect of support provided has less effect than it could have had, had the environment been healthy. This is an ongoing challenge.
 - It is essential to have industry champions working alongside project managers, to ensure that the planned activities and projects are executed.

Sugar Value-Chain Masterplan

Strategic Pillars

- **Market Growth to restore the local market and offtake commitments**— winning back domestic market share in sugar and growing domestic, regional and international markets for diversified sugarcane-based products
- **Sugarcane-based value chain diversification value**— identify feasible opportunities in local and international markets for new and additional sugarcane-based downstream products
- **Upgrading of value-chain competitiveness**— strategies to address binding constraints and value-chain bottlenecks in the industry. Restructure industry capacity and costs in an orderly manner to ensure alignment to current and future market size
- **Transformation and inclusive diversification and growth** - substantially advance patterns of ownership and participation by black farmers, black industrialists and workers, including women and young people



Progress to date: Sugar Value-Chain Masterplan

Sugar Masterplan

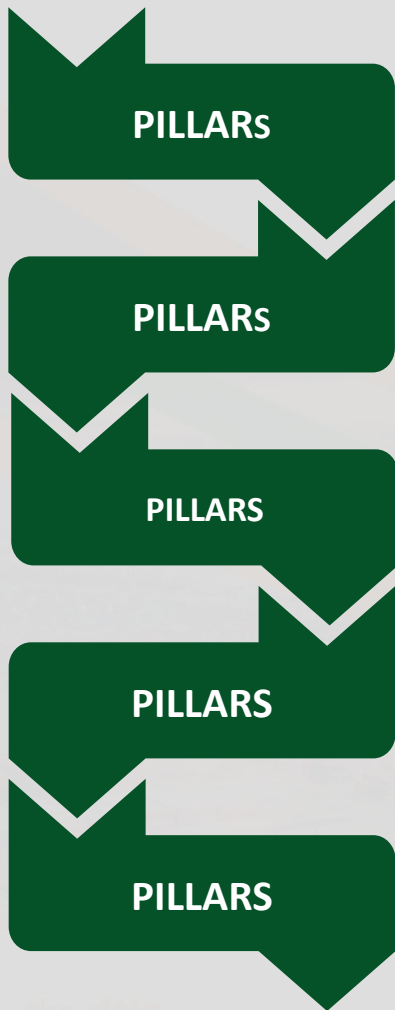
- **Since the EOC on 10 May 2023 and 25 April 2024:** The EOC resolved that the downstream users and upstream players would engage around the announced price increase. SASA proceeded with the price increase of 14.1 % but offered a short-term rebate to selected industrial users for July and ultimately made commitments around no further increase in the year. Stakeholders have been in constant negotiation since then around a future Phase 2 pricing commitment mechanism.
- **Pricing Mechanism:** A technical team was formed between downstream users, upstream players, the dtic, and the ministerial facilitator to formulate a mechanism for Phase 2 that renews local offtake and enables fit-for-purpose price predictability and certainty.
- **Updates on investments:** UCL has invested over R250m over the period of the SIMP mainly to increase their milling capacity but also on other projects. RCL Foods – Sugar Division has grown investments from R120 million per annum to R550 million per annum over the SIMP period. Illovo Eston mill commenced export of electricity to the national grid during the period of the SIMP.
- **Regulatory Amendments:** The SASA Constitution and the SIA amendments making permanent the transitional arrangements were published on 28 March 2024. This marks a significant milestone towards achieving greater equity and representation in the sugar industry for nearly 15000 small-scale growers. This grants black farmers the dignity and full recognition they deserve as essential members of the sugar industry.
- **Localisation:** Deep-sea imports have declined overall by over 57%. The local market has grown ahead of our targets to 1 563 228 tons in year 3 of the Masterplan.

Progress to date: Sugar Value-Chain Masterplan

Sugar Masterplan

- **Notional Price increases:** Notional price increases remained at or below CPI levels, occurring only twice a year and outside of peak trading periods.
- **The role of SSG's in the value chain:** The role of SSG's in the value chain: SSG contribution to total cane volumes delivered grew in the 2021/2022 Season: 22,330 Small Scale Growers delivering 1,859,744 tonnes, 2022/2023 season: 22,652 Small Scale Growers delivering 2,038,063 tonnes 2023/2024 season: 24,015 SSG delivering 2,120,564 tonnes.
- **Premium Price Payment (PPP)** for Small Scale Grower support a minimum premium of R60 million was allocated in the 2021/2022 season, R63,540 million in the 2022/2023 season, R68,051,340 in the 2023/ 2025 season and R72,527,776 for the 2024/2025 season.
- **Transformation Fund** : Industry transformation interventions: For this season, a total of R233 987 534 has been allocated. To-date we have spent R56.598m on delivery-based TIs. Others are in progress. The following positive aspects can be reported emanating out of the study: In the main, the Transformation Interventions (TIs) reached the growers as intended, Payments took place in accordance with and complying to the stipulated rules, The TIs made a significant contribution to maintaining the status quo in terms of the number of growers in cane production.

Furniture Industry Masterplan



- 1** Support demand for locally manufactured furniture and for greater supply chain consistency
- 2** Grow small and medium-sized manufacturers into larger and more stable companies through an innovative partnership between Retailers, Manufacturers and Government.
- 3** Trade interventions
- 4** Address raw material shortages
- 5** Improve the skill supply to the Furniture industry

Progress to date: Furniture Masterplan

Furniture

- Furniture Industry Masterplan EOC meeting held on 17 May 2024, and priority areas identified for 2024, specifically were on under-declaration and review of the Furniture challenge fund.
- Development of Seating Training Material has been completed. Furntech has been contracted to offer the training SARS official training. Training of SARS Customs officials on case goods (HS Code 9403) products started in May 2024. The training manual on this is completed.
- **PG Bison, Bravo and Restonic Investments**
 - On Tuesday 8th October 2024 PG Bison will officially open the Mkhondo MDF plant. A total of R2.89 billion have been invested in Boksburg and Mkhondo projects, creating more than 1000 part-time jobs during the construction phase and 205 direct jobs once all the plants are at planned production output.
 - 1,174 contractor jobs were created during the construction phase, with a further 150 permanent jobs to be created in the Gert Sibande District Municipality. The new line will also promote the beneficiation of forestry-related products and foster downstream value addition throughout the local furniture value chain.
 - Bravo Brands commissioned the new factory in Cape Town for R75m.
 - Restonic completed expanding its factory in Durban for an amount of R70m.
- **Furniture Challenge Fund**
 - Furniture Challenge Fund R400m per annum from **the dtic** & IDC Furniture Localisation. **A total of R78.4 million has been approved to date, and R18 million disbursed.** 110 additional jobs created.
 - The NEF Furniture Fund also approved 7 deals, for a total of R25,7 million, of the R50 million allocated to NEF and 23 additional jobs created.
- **Skills Development**
 - City of Cape Town committed R1 836 000 to pilot the Furniture Light Manufacturing Support Programme that was started in 2021 with beneficiaries in the Western Cape, including funding to exhibit at Decorex Cape Town 2023 and Manufacturing Indaba 2023.
 - FP & M Seta committed R1.4m for Skills Audit and the final report has been submitted.
- **Localisation**
 - The DTIC, ITAC, SARS met with SAFI to discuss under declaration of imports, and tariff codes classification under the heading “other, and to agree on way forward.
 - SAFI has offered to conduct independent research that SARS will look at, which will look at the pricing structure (from other countries and academic institutions), that will later inform the referencing pricing for imported goods at the factory level and retail level SARS Customs officials were trained on Seating Products and Training of SARS Customs officials on case goods (HS Code 9403) products started in May 2024.

Poultry Masterplan

Strategic Pillars

- **Expanding and improving production** – through increasing the number of broilers, establishing new commercial scale contract farmers and investing in skills of workers and managers
- **Driving domestic demand** – to investigate the possible designation of poultry products and investigate cost drivers of poultry production
- **Driving exports** – expand Halaal meat exports, establish detailed export agreements with various countries, and provide input on sanitary and phytosanitary plan
- **Enhancing the regulatory framework** – act against the incorrect classification of products and under declaration, act against round tripping at the borders and ensure quotas are enforced
- **Trade measures to support the local industry** – consider the introduction of specific rather than ad-valorem duties, consider reducing the number of tariff lines for poultry products



Progress to date: Poultry Masterplan

Poultry

- Following the signing off of the Poultry Masterplan in 2019, the industry began to recover from the decline faced in the pre-2019 period with a 22% decline in imports (511 317 tons (2019) - 399 702 tons (2023)), 3% increase in chicken meat production, (1 704 195 tons (2019) - 1 752 174 tons (2023)), 10% increase in broiler feed production (3 408 091 tons (2019/20) - 3 745 695 tons (2022/23)).
- The industry received support to date to the tune of R1.29bn IDC/DALRRD Agri-Industrial Fund, R3.2bn from Land Bank's blended finance scheme. Types of investments supported included business development processes, broiler/chicken production infrastructure, hatchery, breeding and abattoir integrated production.
- A total of 2638 jobs were created in the period, of which 859 were from contract grower investments.
- A record R2.02bn in investments to date exceeding the original commitment of R1,5bn was reported.
- According to DoA, there are no new cases of Highly Pathogenic Avian Influenza (HPAI) recorded since October 2023, the poultry sector has been able to stabilize the spread of HPAI.
- 20 emerging contract growers supported, against the target of 50 farmers over three years. 1888 new jobs created, which exceeds the target of 1000 jobs.
- The Poultry Masterplan Executive Oversight Committee (EOC) meeting was held on 23 May 2024 and the Minister recommended that phase two of the Masterplan must be developed.

Progress to date: Poultry Masterplan

Poultry Trade Measures

- Report 608 was implemented on 13 March 2020 when the customs duty on frozen meat and edible offal of fowls of the species Gallus Domesticus; boneless cuts and bone-in portions increased to 42 percent ad valorem and 62 percent ad valorem, respectively.
- Anti-dumping duties on chicken imported from Brazil, Denmark, Ireland, Poland, and Spain were Gazetted on 3 August 2023 and came into force immediately (enforced over 4 years, subject to Competition Commission monitoring prices trends).
- Further to this, on the 26th of January 2024, ITAC announced a decision to implement a 25% rebate on bone-in cuts and 30% on boneless chicken of imported chicken. This decision follows the outbreak of Highly Pathogenic Influenza.
- The draft review on poultry tariff structure has been developed and submitted for consideration.
- Department of Agriculture has imposed immediate trade restrictions on all day-old chicks, hatching eggs, table eggs, and poultry meat from the Brazilian state of Rio Grande do Sul following an outbreak of Newcastle disease (WOAH report IN 168305).

Impact of Interventions and lessons learned

Poultry

- Following the signing off of the Poultry Masterplan in 2019 the following Phase 1 (2019 – 2023) implementation impacts were registered:
 - 22% decline in imports (511 317 tons (2019) - 399 702 tons (2023)), 3% increase in chicken meat production, (1 704 195 tons (2019) - 1 752 174 tons (2023)), 10% increase in broiler feed production (3 408 091 tons (2019/20) - 3 745 695 tons (2022/23)) R1.29bn IDC/DALRRD Agri-Industrial Fund approvals to date to support broiler/chicken production infrastructure capacity increase have led to 859 new jobs created, support to 11 black commercial contract farmers, 1 hatchery, 1 breeder and 1 abattoir integrated producer.
 - Land Bank's R3.2bn-blended finance scheme to support poultry farmers and other Agricultural projects saw two (2) approvals to the value of R31.84 million, with 37 new jobs to be created.
 - R2.02bn total reported investments to date exceeding the original commitment of R1,5bn, and 2638 additional jobs created SAPA members.
 - 20 emerging contract growers supported, against the target of 50 farmers over three years with 1888 new jobs created exceeding target of 1000 jobs.
- **Lessons learnt during implementation of Phase 1 of the Poultry Masterplan (2019 – 2023) include:**
 - The level of concentration and the extent of vertical integration in the poultry value chain has posed a limitation as far as the scope for new players entering the market and competing with established producers.
 - Over the past two years, poultry price increases in South Africa have reached double digits against the backdrop of accelerating food inflation in general
 - the outbreak of diseases like avian influenza has caused a global shortage of this protein source including , feed and electricity costs, which put upward pressure on prices
 - Whilst good progress has been achieved on expanding capacity more traction is needed on the transforming the industry.
 - A balance is key when deploying HPAI management interventions with market access considerations given anti-vaccination stance of some trade partners.
 - Vaccination as a bio-security measure only serves to reduce severity of infections but do not stop such infections or outbreaks.
 - The rising cost of feed among several other input costs and reduces the poultry industry's competitiveness.

MEDICAL TECHNOLOGY MASTERPLAN

- The South African Medical Technology Masterplan is part of the ongoing contributions to the process of re-imagining the industrial strategy of the country.
- On 13 May 2024, Government led by the former Minister of Trade, Industry, and Competition, Minister Ebrahim Patel, the Med Tech industry, Private Procurers, the National Department of Health and Labour adopted 1.0 of the Medical Technology Masterplan.
- The Masterplan was developed to address a number of serious challenges faced by the industry and to ensure its long-term viability, growth and sustainability which includes ensuring regulatory certainty, reducing the trade deficit by enabling local manufacture through domestic and export demand.
- The pandemic, vaccine nationalism etc. necessitated the need for focus and developmental support to the health sectors with med tech being prioritised.

Key Objectives

- Reduce the current trade deficit by 5% over the next five years
- Create 1000 jobs in the Sector

GLOBAL BUSINESS MASTERPLAN

- The primary objective is to stimulate job creation opportunities for youth and grow the country's export revenue.
- To ensure that a greater share of these new jobs are of a higher value-added to the economy and to hedge against the risk of 'footloose' investors shifting operations to the lowest-cost delivery locations.
- The final objective is for the sector to increase its impact on the country's B-BBEE and spatial development objectives, supplier development, promoting decent working conditions, and improving participation by black South Africans.
- The last GBS Executive Oversight Committee meeting was held on 20 May 2024.

GBS Key Action Areas

The required actions are divided into three broad categories:

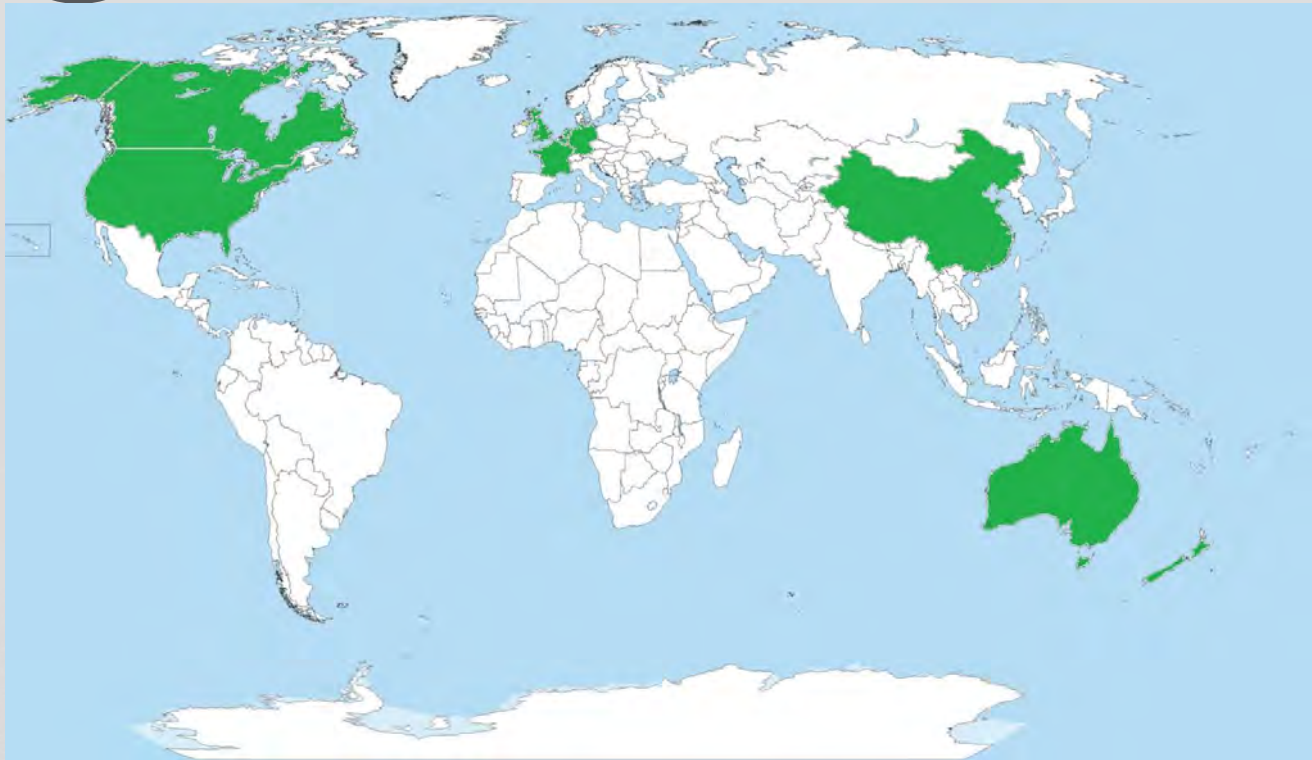
1. **Demand side** – bringing offshore work to South Africa
2. **Supply side** – ensuring the industry's ability to scale delivery of offshore services from South Africa
3. **Transformation and Sustainability** – to meaningfully contribute towards the Country's B-BBEE and spatial development objectives as well as sustaining the ecosystem and job creation in the long-term

PROGRESS OF THE GBS SECTOR

- The sector has contributed about R37.9 billion in export revenue from 2018 to March 2024 through incentivised and non-incentivised companies for the year ending March 2024.
- The master plan seeks to accelerate this growth and diversify the country's offering from mainly non-complex jobs to include more complex and highly complex jobs, such as IT, AI, Analytics, Banking, Audit, Legal, Health Care, and Risk Management, for example.



EXAMPLES OF EXPORT MARKETS



Export markets did not change, however, some markets, such as the Netherlands, Australia, the United Kingdom and the United States of America saw a greater increase in export revenue generated than others.

Export market	Export revenue 2018 – Q3 2021	Export revenue as at March 2024
Australia	R1.3 billion	R2.1 billion
Australia, UK	R252 million	R510 million
Australia, UK, USA	R745 million	R789 million
Canada, UK, USA	R106 million	R472 million
China	R511 million	R662 million
Gibraltar	R191 million	R311 million
Mauritius	R2.7 billion	R4.7 billion
Netherlands	R0	R79 million
Netherlands, Australia, UK, USA	R0	R50 million
New Zealand, USA	R40 million	R491 million
UK, Belgium, Germany, France, USA	R1.1 billion	R1.9 billion
United Kingdom	R8.6 billion	R14.7 billion
UK and Netherlands	R31 million	R709.6 million
UK and USA	R2.3 billion	R7.2 billion
UK, Mauritius	R1 billion	R1.4 billion
USA	R525 million	R1.8 billion

ROLES OF OTHER DEPARTMENTS IN MASTERPLANS NOT LED BY THE DTIC

- **Cannabis Masterplan:** the dtic is part of the intergovernmental team that is developing the Masterplan and leads pillars on manufacturing, market development pillars and supports enterprise and supplier development and regulatory reform pillars.
- Agriculture and Agro-Processing Masterplan: **the dtic** was part of the drafting team for the Masterplan and leads the pillar on agro-processing.
- **the dtic** is now coordinating the Cannabis Masterplan as of September 2024.
- It must be noted that the are legal, regulatory and licensing matters that must be resolved in the commercialization of the cannabis industry.

Cross-cutting Challenges

Competitiveness and logistics

- Declining Competitiveness in the furniture industry: Industry is experiencing a decline, especially in the case goods sector – due to increased cheap imports, and high costs of raw materials.
- The logistics crisis, energy and impending gas supply challenges.

Ports challenges

- Key raw materials needed by local manufacturers not reaching them on time. This has a huge negative impact on exports, especially for established export markets. Infrastructure challenges relating to water, energy and ports negatively impacting business confidence.
- High opportunity cost of investing in energy resilience noted – reduced ability to drive store expansion and other growth initiatives.
- Energy crises, water shortages and transport challenges continue to affect competitiveness in the sector
- Crisis at South African ports are placing severe pressure on manufacturers.

Localisation

- The finalisation of the Regulations of the Public Procurement Act is key to all of the Masterplans. Some government entities no longer enforce local content, which results in local capacity not being used to fulfil government orders and some employees being laid off.

Customs fraud

- Under-declaration and under-invoicing are eroding SA manufacturers competitiveness. According to the furniture industry, the under- declaration is estimated at R2bn in import duty lost to the fiscus.

Highlights on the Notable Gains in the Implementation of Masterplans

Automotives Industry Masterplan

- The tabling of the New Electric Vehicle White Paper
- The Automotive Industry Transformation Fund (AITF)
- Investments by various OEMs in South Africa

Furniture Masterplan

- Investments by PG Bison, Bravo and Restonic Investments
- Launch of the Furniture Challenge Fund
- .

Poultry Masterplan

- Measures to deal with avian flue
- Tariffs to deal with increasing imports
- Measures to increase investments and lessening of price increases.

Retail CTFL Masterplan

- Increasing localisation and procurement from local manufactures in the CFTL products in the retail sector.

Sugar Industry Masterplan

- Increased investments in the sector
- Declining imports
- Transformation in the sector

Steel and Metal Fabrication Masterplan

- Investments in diversified range of high-quality steel products with a global reach.
- Investments in the primary flat steel market.
- Increasing competition in the non-ferrous steel sector

Lessons Learned in the Implementation of Masterplans

Effective governance structures

- The role of the Executive Oversight Committee (EOC) in decision making and clearing out challenges.

Speedy sectoral interventions

- Broader and better coordination in the identification of challenges and opportunities in different sectors.
- Identification of areas for investments and technological improvements.

Revolving nature of the economy and markets

- The need to adjust quickly due to the revolving nature of the economy and markets.

Innovative way to implement industrial policy

- Masterplans are a form of a social contract to implement industrial policy and are critical in driving re-industrialisation in South Africa.
- Stabilisation and growing of the South African manufacturing, trade and business sectors remain key in rebuilding the economy.

Case Studies



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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Hannitan Leather (Pty) Ltd

Overview

- The CTFLGP Projects Approval Panel (PAP) approved a loan and grant facility amounting to R15 000 000 and R5 000 000 respectively to Hannitan Leather (Pty) Ltd
- Total investment: R60 000 000 (R20 000 000 government support – R40 000 000 private)
- This was used to fund critical equipment to support an additional plant and modernisation.

Impact

- 25 new jobs created prior to quarter 1 2024/25, total jobs to be created is 100 over the next 2 years.
- Additional capacity of 24000 hides per month.
- A new leather crusting plant is established at 6 Harry Alexander Crescent, Atlantis Industrial, Western Cape.



Auvergne Designs



- Highly Sprung Sofa trading as Auvergne Designs is owned by Owen Drysdale, Brent Milns and Phumla Stokwe. It is a Home and office furniture manufacturing and distribution focusing on modern yet affordable furniture for quality-conscious consumers. The business is located at Village Main, Johannesburg, South Africa. Specializes in sleigh beds, headboards, couches, pedestals, occasional chairs, chaises, servers, counter bar chairs, chest of drawers, dining chairs, and more. Additionally, Auvergne has embarked on skills training and experiential learning initiatives to address skill shortages in the furniture manufacturing sector and expand its operations into the automotive sector, particularly in upholstery and car seats manufacturing.
- Comments by Director: Director (Phumla Stokwe): "Before the establishment of these partnerships, Auvergne was navigating a challenging landscape, with fierce competition from international imports and a noticeable skills gap in the industry. The support and collaborations formed at the BRICS summit have been transformative, allowing us to not only expand our product offerings into the automotive sector but also to play a pivotal role in community upliftment through job creation and skills development. The inauguration of our skills development initiative marks a significant milestone in our commitment to fostering a skilled workforce and supporting South Africa's economic development."



Ford Ranger hits 1-million production milestone

- Ford SA celebrated the production of the millionth Ranger 'bakkie' at its Silverton factory in Tshwane, a significant milestone in the vehicle's 24-year assembly history spanning three generations.
- The Ranger, known for its popularity in South Africa, has played a crucial role in the local automotive industry, with a million units lined up bumper to bumper stretching from Pretoria to Egypt's southern border, highlighting its global reach with exports to over 100 countries.
- The milestone coincides with Ford's centenary year in South Africa, marking extensive investments in the Silverton plant and the Struandale engine plant in Gqeberha to support both local market needs and international exports.
- The Ranger has consistently been a top-seller in South Africa, with the new model earning the 2023 SA Car of the Year award, making it the first 'bakkie' to win this accolade. Ford's efforts support approximately 60,000 jobs in the value chain and include the development of the Tshwane Automotive Special Economic Zone, enhancing local manufacturing capabilities.



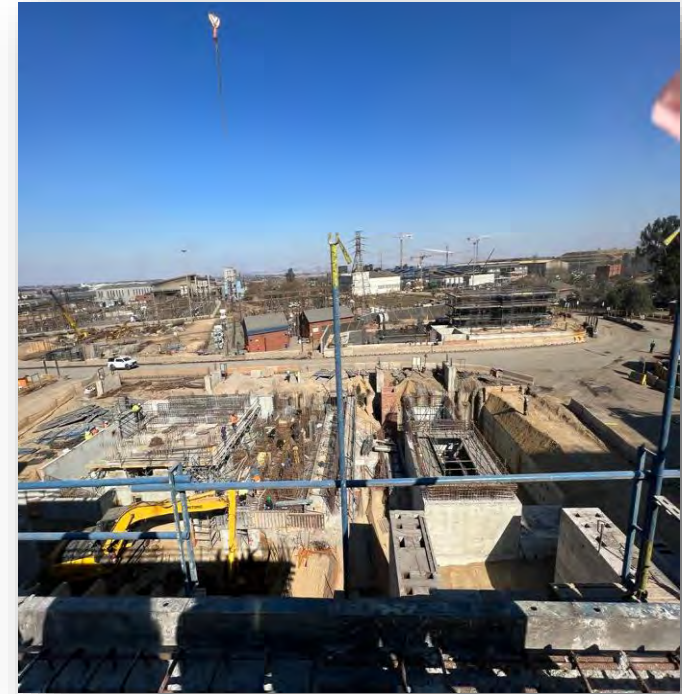
The millionth locally produced Ranger comes off the line in Ford's centenary year in SA

The economic impact:

- ✓ Job Creation and Support: Ford's operations support approximately 60,000 jobs in the value chain, providing employment and economic stability to thousands of individuals and families.
- ✓ Boost to Exports: With the Ranger being exported to over 100 countries, this achievement enhances South Africa's export profile, contributing to the country's trade balance and bringing in foreign revenue

Case Study - Steel and Metals Fabrication Masterplan: New Investments into Hot Rolled Coil Production

- Scaw Metals is a local producer of a diverse range of high-quality steel products, with a global reach through its various operations around the world.
- At the 2022 SA investment Conference, the company made a pledge to invest more than a R2 billion in a new hot-strip steel mill to produce 600 000 tons/pa of thin gauge hot-rolled coil to expand their product range to produce Hot Rolled Coils (HRC). The expansion Project will create more than 250 additional jobs at the Union Junction Plant
- This investment enables Scaw's entry into the primary flat steel market as an alternative to ArcelorMittal South Africa (AMSA). Construction commenced in May 2022 and the expected schedule for the commissioning is 2025.



Case Study - Steel and Metals Fabrication Masterplan: Three-year contract for rail turnout sets awarded to Voestalpine VAE SA

Background on the company: Voestalpine VAE SA (Pty) Ltd is a member of the Voestalpine Railway Systems group, a global market leader for railway turnout system solutions. The factory is based in Isando, Ekurhuleni Municipality. They are the only black women-owned and led B-BBEE rail company in Africa that designs, manufactures and supplies all turnouts and turnout components, supplies railway rails, and provides welding and logistics services.

Support provided through localisation policy: the dtic continues to work closely with VAE, rail industry and Transnet to ensure alignment on the localisation policy. The products manufactured by VAE were designated for local content and production in 2017/18. In SA, their products are used on high speed (Gautrain), heavy haul (Transnet), mixed traffic (Transnet, PRASA and private rail operators).

Impact of the support: In August 2023, VAE was awarded a contract by Transnet Freight Rail (TFR) for the national supply of about 250 sets for a period of 3 years. The award is critical to turnaround rail operations at Transnet and will revive VAE's local activities following years of no order book and support 166 jobs. Over and above this, companies in the downstream which supplies railway sleepers, fastening systems, bolts and nuts will benefit from this procurement.

Sector: Rail Infrastructure



Case Study - Steel and Metals Fabrication Masterplan: Combating Illicit Trade Interventions

- In April 2023, the first customs officials training was conducted through the Dedicated Metals Training Project. The Project is a joint initiative, coordinated by IStraining. It forms part of collaborative steps taken by both industry and government to address illicit trade.
- This is a forum where the customs officials (mainly responsible for post clearance audit; physical inspections, and document inspections) are offered a “first-hand” experience of the various products, the size of the plants and operations, as well as the opportunity to meet and interact with the industry experts.
- Experienced industry experts provide training on aspects as such metallurgy; production processes; understanding costs and statistics; product range and identification; understanding and reading of labels on the product range; price guidelines and understanding how prices are determined.
- The initiative is supported by South African Fasteners Manufacturers, South African Iron and Steel Institute, and Southern African Metal Cladding and Roofing Association.



Fasteners (Bolts and nuts)

On 24 April, 26 nominated SARS officials attended the “workshop/factory visit” on Monday held at CBC Fasteners in Fectoria, Krugersdorp

Steel Products (Long and flat)

on 25 April, 28 nominated SARS officials attended the “workshop/factory visit” held at ArcelorMittal in Vanderbijlpark

DESCRIPTION	STEEL COILS FLAT-ROLLED PRODUCTS OF OTHER ALLOY (BORON)		
SIZE	0.48*925mm	GRADE	G550
COLOR	RAL7024	GROSS WEIGHT	4.965 Tons
PRODUCE DATE	20220608	PACKAGE	10
Coil No.	JCXF11203		
EZ		 KEEP DRY	



Case Study - Steel and Metals Fabrication Masterplan: Technical Skills Development and Youth Empowerment -



Gauteng Graduates

In September 2023, the Intsimbi-Future Production Technologies Initiative (the dtic funded programme) held graduation ceremonies in Gauteng; Western Cape and Eastern Cape for the 2018 cohort.

48 (26 Females & 22 Males) students graduated with 34 in the Toolmaker SAQA NQF level 5 and 14 in the Tooling Machinist NQF level 4 qualifications.

80% of this grouping is already employed in various companies.



Western Cape Graduates

TOOLMAKERS

Males: 17
Females: 17

Eastern Cape: 7
Employed: 7

Gauteng: 20
Employed: 12

Western Cape: 7
Employed: 6



Eastern Cape Graduates

TOOLING MACHINIST

Males: 9
Females: 5

Eastern Cape: 6
Employed: 3

Gauteng: 5
Employed: 4

Western Cape: 3
Employed: 3

GLOBAL BUSINESS SERVICES SITES



thank you!