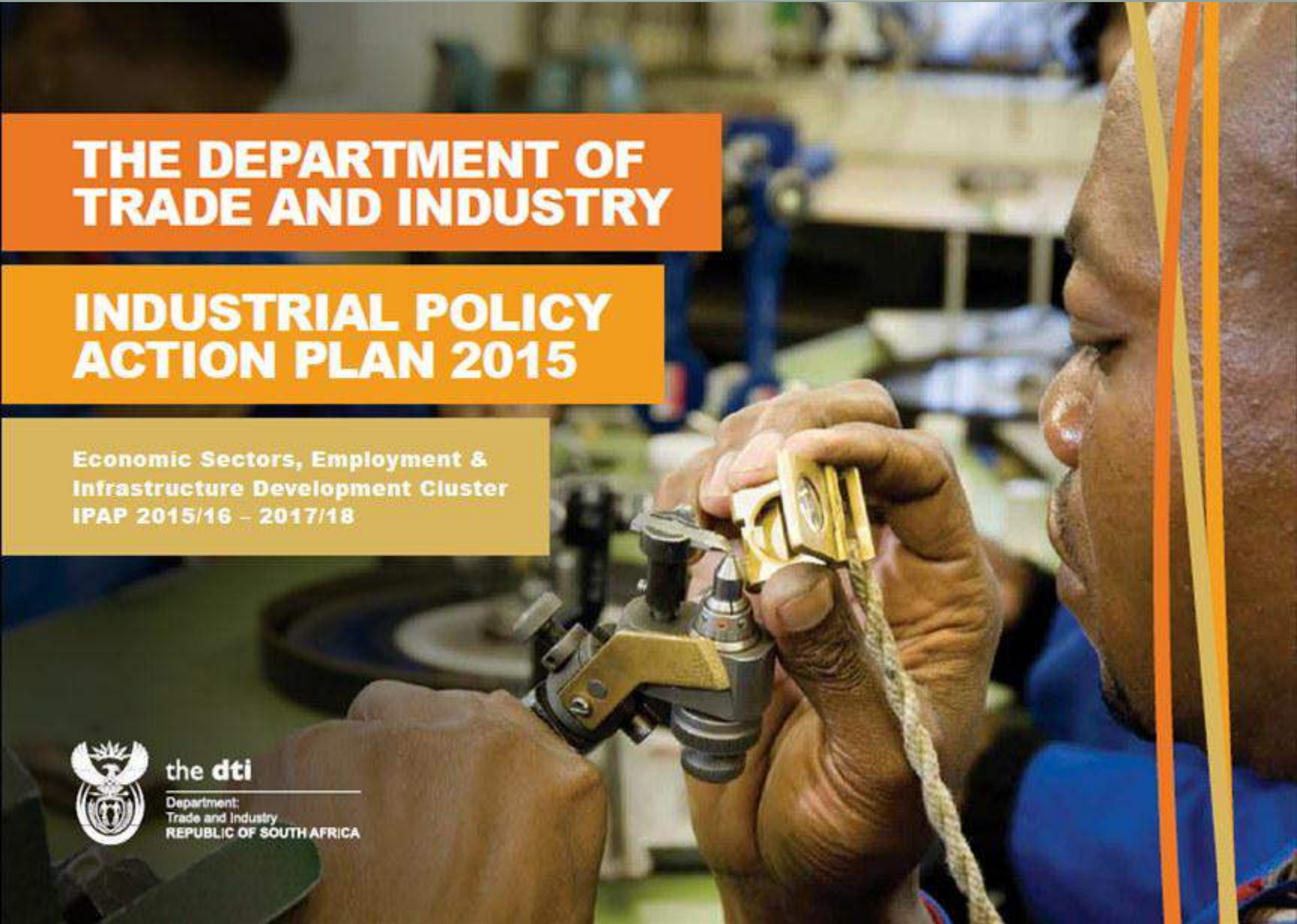

THE DEPARTMENT OF TRADE AND INDUSTRY
INDUSTRIAL POLICY ACTION PLAN 2015
Economic Sectors, Employment & Infrastructure Development Cluster
IPAP 2015/16 – 2017/18
the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

IPAP 2015/16 – 2018/19 – Achievement highlights; challenges and a higher impact IPAP.

Presentation to the Parliamentary Portfolio Committee of Trade and Industry – August 2015.

Dr Rob Davies MP
Minister
Trade and Industry.

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Presentation Outline

1. Background

2. Selected implementation highlights and strengthened industrial policy platforms:
   1. Autos
   2. Clothing, Textiles, Footwear and Leather
   3. Metal Fabrication, Capital and Transport
   4. Agro- processing
   5. Value-added services
   6. Green Economy
   7. Industrial Financing
   8. Procurement

3. IPAP 2015 – transversal and sector specific interventions – graphic summary's

4. Challenges and conclusion

IPAP 2015/16

- IPAP 2015/16 – 2018/19 was approved by ESEID Cluster and Cabinet in April 2015.
- Launched in May
- This is the 6th year of implementation of IPAP.
- Priorities are:
  - Strengthening conditionalities and ‘packaging’ Government and DFI industrial finance support for the productive sectors of the economy.
  - Public procurement to support manufacturing sector, ‘crowd in’ private sector investment and reduce import leakages.
  - Building on significant successes and existing policy platforms in sectors such as Autos, CTLF, Metal and Engineering, Agro-processing, BPS, and Film.
  - Boosting new growth sectors such as in Oil & Gas, renewable energy, aerospace and defence.
  - Unlocking export opportunities, especially on the African continent and securing regional industrial integration

A higher impact IPAP

Driving forces

- Infrastructure-driven Industrialisation.
- Resource-based Industrialisation.
- Advanced manufacturing-driven Industrialisation.

Levers

- Packaged and conditional industrial finance.
- Localisation of Public Procurement.
- Localisation of Private Procurement.
- Access to African market and regional industrial integration.
- Regulatory efficiencies.

Impact

- Real value-addition and competitiveness raising
- Employment
- Investment
- Exports
- Economy-wide growth and linkages

Selected Implementation Highlights

Automotives

- Light motor vehicle manufacturers:
  - All majors producing in SA - Mercedes Benz, BMW, Volkswagen, Toyota, General Motors, and Ford.

- Auto component manufacturers:
  - Widespread base of sophisticated component producers including global 1st tier,
  - 120 1st tier suppliers, 75% of them multinationals, and
  - Over 200 2nd and 3rd tier suppliers, mostly local.

- Auto sector has invested over R25,7bn over the last 5 years:
  - Mercedes Benz, R2.4bn;
  - General Motors, R1bn,
  - Ford R3.6bn,
  - Metair Group R400m.

Selected Implementation Highlights

Automotives

- BMW SA has just produced 1 millionth vehicle at its Rosslyn plant.
- SA auto exports exceeded a record R100bn for 1st time in 2014.
- Vehicle quality has consistently risen:
  - BMW's Rosslyn plant received the JD Power Platinum Plant Quality Award for producing models with the fewest defects or malfunctions across the globe.

Selected Implementation Highlights

Automotives

- Medium Heavy Commercial Vehicle segment
  - o The Automotive Investment Scheme (AIS) package has been extended to people-carriers/mini-buses, trucks and buses, and
  - o Bus bodies have been designated for public procurement.

- Within a year of its launch, the support package has directly led to new investments from companies like Iveco (Italy), Tata (India), BAW (China), Toyota (Japan), FAW (China), and Hyundai (South Korea). Some examples include:
  - o Hyundai has begun assembling medium-duty trucks at its plant in Benoni.The R110 million investment will create 40 new jobs.
  - o Iveco has started production of buses for Putco with an investment of R800 million and is expected to create about 1,000 jobs.

Automotives

LAUNCH: Toyota SA opens the new assembly line in Prospecton in a ceremony attended by dignitaries including Japan's ambassador to SA, Shigeyuki Hiroki, left, Trade and Industry Minister Rob Davies, second left, and Economic Development Minister Ebrahim Patel, centre. Picture: Supplied

Toyota turns on full production of Ses'fikile taxis

MARK SMYTH
Motoring Writer

TOYOTA South Africa Motors has officially opened an additional assembly plant on its main production site in Prospecton, Durban, to assemble the Ses'fikile minibus taxi.

This follows an investment of more than R476m.

Toyota is one of the biggest names in the South African taxi industry. Its Hi-Ace and Siyaya taxi models still operate on the roads and every month hundreds of its Ses'Fikile, based on the Quantum commercial vehicle, are sold.

The company began assembling the Ses'fikile in 2012, but from semiknock-down kits (SKD) with a view to manufacturing up to 15,000 units a year. At the time Toyota SA said it was working to motivate its parent company in Japan to allow for full production on South African soil.

That approval was finally granted and the investment made to switch to complete knockdown (CKD) assembly. This means that everything from the body shell to the interior will now be assembled in SA.

Toyota's decision will be closely watched by rival Nissan. Nissan imports its NV350 Impendulo minibus taxi, but the company has said it was looking at the option of assembly at its manufacturing facility in Rosslyn.

Toyota's plant opening yesterday was attended by dignitaries, including Economic Development Minister Ebrahim Patel, Japan's ambassador to SA, Shigeyuki Hiroki, and Trade and Industry Minister Rob Davies.

The minibus industry in SA was characterised by imports of completely built units until 2011, "when in partnership with industry and labour we formulated an SKD programme", said Mr Davies.

"This SKD programme was a temporary or bridging policy measure to facilitate the re-establishment of minibus assembly in SA. The support to SKD operations was for the period from 2011 and ending on April 20 2015. This SKD programme afforded the minibus assembly industry reasonable time to plan their investments for the migration for CKD operation."

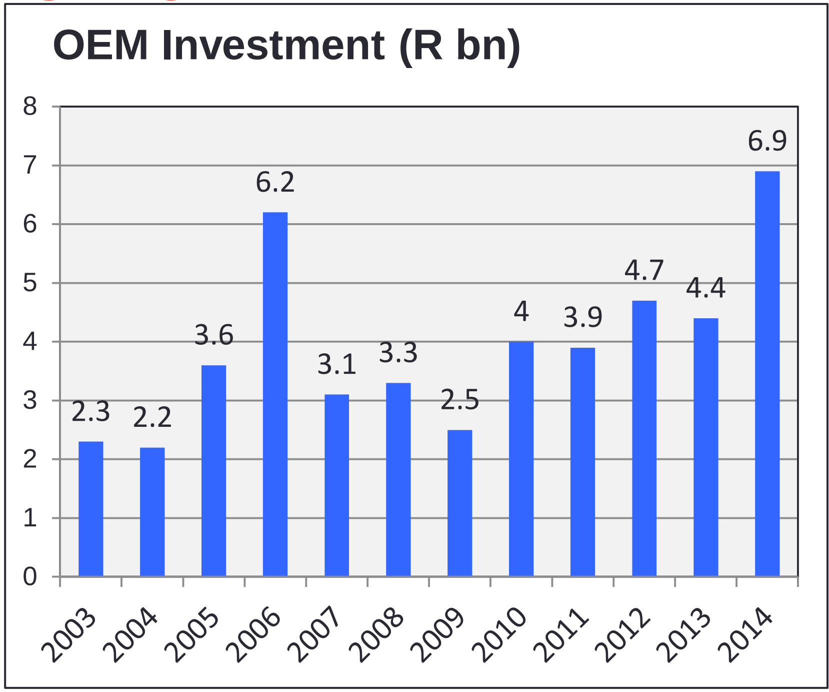
Toyota's major investment in the new plant follows the establishment of the department's People Carriers Investment Scheme, which provides a nontaxable cash grant to qualifying companies of 20%-35% of the relevant investment. Mr Davies said the scheme had so far paid out more than R158m.

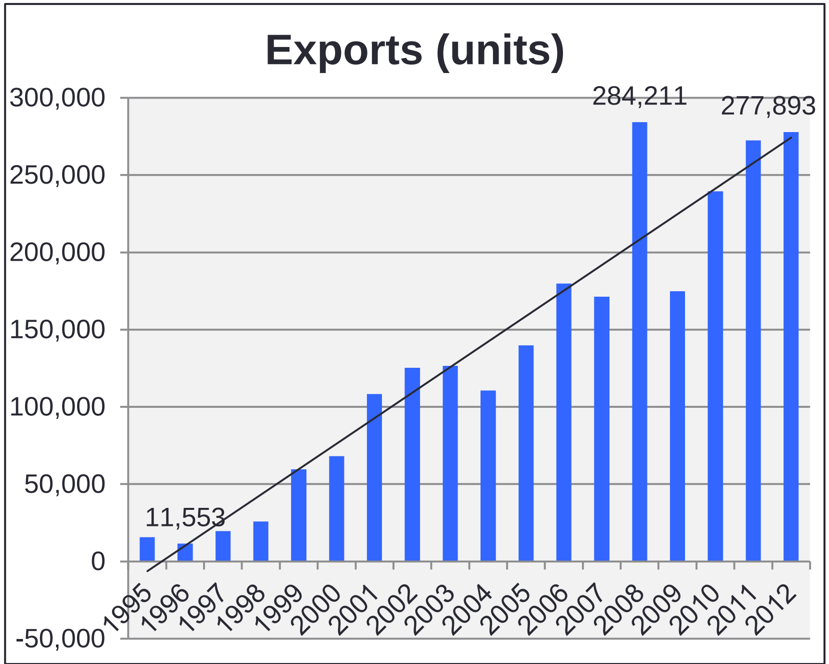
Toyota's investment comes at a time when the department is escalating its Automotive Production and Development Programme, which seeks to attract further investment in the local automotive industry and to boost production volumes. The department's Vision 2020 aims to double vehicle production in SA, which last year totalled 566,083 vehicles, of which 288,592 were commercial vehicles.

Selected Implementation Highlights

Automotives

- Jobs:
  - 30,000 in assembly,
  - 70,000 in component manufacturing, and
  - 200,000 in retail and after-sales service.
- NAACAM projects that investment in 2015 will exceed 2014's R6,9bn record. NAACAM projects a new record of R7,49bn in investment in 2015.
- Government support has taken the industry from production of 356,800 units in 2000 to over 566, 000 units in 2014.
- Government support has grown auto exports from just 11,000 units in 1995 to over 270,000 units in 2014.





Automotives

- Lessons from Australia:
- Unlike SA, Australia rapidly liberalised its auto import tariffs and phased out its support programme (on which the fore-runner to the APDP was based).
  - The results - Mitsubishi, Ford and General Motors have closed their plants.
  - Australia's last remaining auto producer (Toyota) will close by 2017.
  - The cost to its economy has led it to its Government setting up a Commission of Inquiry.

- Australia's experience is instructive – it is easy to consider SA's support for the auto sector in the abstract. The reality is that withdrawal of government support will lead to:
  - The direct loss of 100,000 jobs in assembly and components manufacture.
  - Given the negative impact of this to Aggregate Demand, it is likely that demand for vehicles would plummet with only about ¼ of the retail and after-sales (incl. vehicle finance) jobs remaining.
  - The current account deficit would balloon with the loss of over R100bn in auto exports and the need for all SA and Southern Africa demand for vehicles to be imported.
  - Given that vehicles per capita in SA and Africa remain extremely low, this would be a major economic opportunity foregone.
  - The target is to continue to incentivise the private-sector to grow production to 1 million units p.a. by 2020; increase exports and progressively raise local content levels and job creation.

Selected Implementation Highlights

Clothing, Textiles, Leather, Footwear

- Between 2000 and 2010, the clothing sector lost 45,000 jobs.
- Imports (in real terms) grew four fold from just R2,9bn in 2000 to over R11bn by 2010.
- The sector was in crisis and the economy faced the real prospect of the sector losing its critical mass of technical, design and logistical capacity.
- In order to stabilise the sector, the CTCP was introduced in 2010.
- As at 31 March 2015, a total of R3.7 billion in support to the private sector had been approved since its inception in 2010.
- The Manufacturing Value-addition increase attributable to the CTCP between the base of 2009 and 2014 is R3.9 billion, exceeding the disbursements by 50% or R1.3 billion.
- 68,000 jobs have been retained in the sector and 6,900 new jobs created. The leather and footwear sector in particular has increased exports.

Selected Implementation Highlights

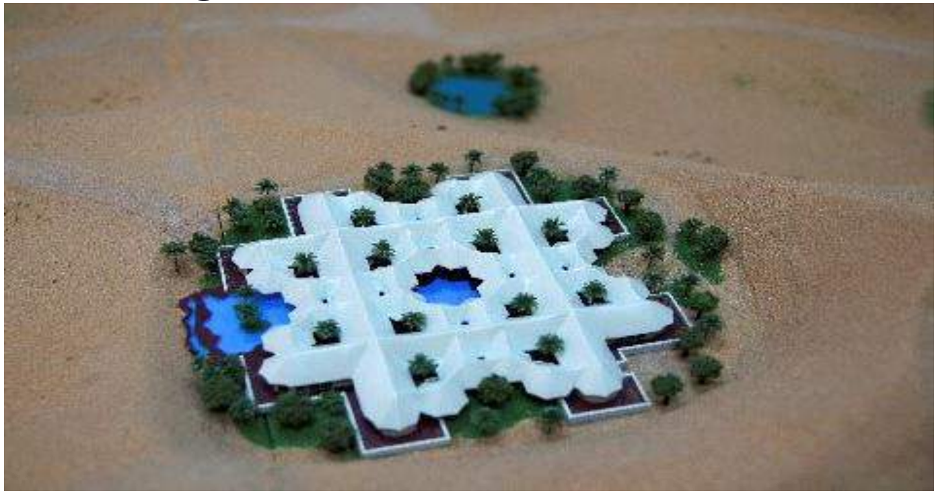
Clothing, Textiles, Leather, Footwear

- In the leather and footwear segment 2,000 sustainable jobs and a reduction of R1.4bn in the sectoral trade deficit .
- These interventions are leading to the revival of footwear firms which had closed under the pressure of imports.
- Kayo Shoes reopened in Dimbaza, Eastern Cape in April 2015, resuscitating 417 jobs.
- A new leather tannery Fusion Leather was established in Atlantis, Cape Town.
- Angel Shoes reopened in Cape Town.

Selected implementation highlights.

Clothing, Textiles, Leather & Footwear

- **Higher impact IPAP:**
  - National and regional clusters are working well bringing together textile manufacturers; apparel manufacturers, retailers and labour together to achieve significant competitive capabilities and advantages – quick turn-around fast fashions; niche products and supplier development
  - With stability achieved, Business (including retailers), Government and Labour are partnering to position the sector for sustainable growth.



Selected Implementation Highlights

Metal Fabrication, Capital and Rail Transport Equipment

- These sectors are vital components of modern economies with practically every other economic sector dependent on it for the ‘tools’ to operate. Put simply, this sector produces the machines which other sectors use to produce their goods and services.
- The designation of valves has led to foreign investment by Denmark AVK which has acquired South Africa’s Premier Valves Group (PVG) for R100 million. Denmark AVK will fund the introduction of a new international standard for local production capability at the facility, in support of the dti’s designation policy.
- The Premier Valves Group (PVG) itself is committing to investing R5-million in support of valve designation, having already invested more than R6-million in associated equipment over the last three years.

Selected Implementation Highlights

Metal Fabrication, Capital and Rail Transport Equipment

- US technology multinational General Electric (GE) announced a R700 million commitment designed to support innovation, enterprise- and skills-development in South Africa. R500-million will be invested in the creation of a customer innovation centre and R200-million in a supplier-development vehicle to provide technical, funding and business support to SMEs.
- On the back of dti's support of R11 million Grindrod unveiled its cost-effective shunting and short haul locomotive in October 2014.The locomotive boasts 80% local content and is already being exported to a number of African countries with after sales service centres in these countries.
- In related upstream oil and gas sector Hunting Energy Services (International) Ltd opened a R400 million construction facility in Cape Town.

Selected Implementation Highlights

Metal Fabrication, Capital and Rail Transport Equipment

- However, this value-chain's competitiveness has been substantially eroded by electricity price increases (including additional municipality levies), electricity supply challenges, import competition, and increasing competition on export markets due to the slump in global mining.
- **Higher impact IPAP**
  - In view of the severe distress that some parts of the sector are in, R300m has been earmarked from the dti's MTEF allocation but further funds will be required from the Economic Competitiveness Support Fund package.
  - In addition, the further designations announced by Minister of Trade & Industry will be used to support the manufacturing sector and 'leverage in' private-sector investment to supply the infrastructure build programme.

Agro-processing

- Since 2009 **the dti** has supported agro-processing industries to the value of R1.2 billion through various schemes such as the MCEP and EIP.
- In addition, in FY 2014/15, the Aquaculture Development and Enhancement Programme (ADEP) supported 8 projects, with an incentive value of R75 million. This has leveraged private-sector investment of R96 million.
- Coega Development Corporation and **the dti** have partnered to create an R86 million agro-processing facility within the IDZ.
- **the dti** and JSE-listed Astral Foods partnered in a R200 million feed mill in Standerton to boost South Africa's agriculture sector.
- **Higher Impact**: One of the challenges identified by DAFF and DRDLR is the difficulty in drawing in smallholder farmers into the procurement processes of the large Agro-processors. In order to unlock the synergies between the IPAP and the APAP, the dti will develop an Agro-processing and Smallholder Agriculture Linkage support programme – aligned to the Agri-Park initiative. Seed funding has already been secured within the dti to kick-start the programme.

Green Economy

- **the dti** has strengthened the local content requirements for renewable energy. It progressed from a threshold of 25% in bid window 1 to a threshold of 40% in bid window 4. These local content requirements have resulted in a number of new investments in local manufacturing:

  - SMA Solar Technology South Africa, officially launching its multi-million Rand manufacturing facility in Cape Town.
  - Jinko Solar opening its R80 million, 120MW solar PV plant.
  - A R1.5-billion, 100-hectare solar power photovoltaic (PV) plant facility was launched at Droogfontein near Kimberly. It is the first large solar farm in South Africa to be built as a direct response to the REIPPPP.
  - On the IPP side, a number of South African Companies are actively participating – one such being Pele Green Energy, a 100% black-owned South African Independent Power Producer which builds, owns and operates renewable energy projects and has been granted preferred bidder status on three renewable energy projects in Round 3 of the REIPPPP.

Value-added Services

- **the dti** launched the revised Business Process Services (BPS) incentive at South Africa House in London.
- The revised incentive scheme will build upon the success of the previous scheme which led to the creation of 9,077 jobs on the back of financial disbursements of R587 million.
- Webhelp, a French-owned Global Contact Centre company, launched its new Johannesburg Contact Centre in August 2014. The investment is expected to rise to more than R220m over three years and has thus far created 200 jobs.
- CCI Call Centres has invested R200m in Umhlanga, KZN which will increase the jobs created from 3,000 to 5,500.

Selected Implementation Highlights

Industrial Finance and Investment

- Access to industrial finance at competitive rates is a critical determinant of industrial investment and growth:
- **Foreign Investment**
  - Between January 2013 and December 2014, SA attracted approximately R57.9 billion from 153 companies . These investments created 19,706 jobs.
- **Manufacturing Competitiveness Enhancement Programme**
  - FY 2014/15: 236 enterprises were approved for funding under MCEP with a total grant value of R1,1bn. This has leveraged private-sector investment of R3,7 billion in support of 28,093 jobs.

Selected Implementation Highlights

Industrial Finance and Incentives

- **12i Tax Incentive**
  - FY 2014/15: 17 enterprises were approved for funding with a total tax allowance of R2,7bn. This has leveraged private-sector investment of R6,7bn in support of the creation of approximately 4,500 jobs.

- **Enterprise Investment Programme**
  - FY 2014/15: 39 enterprises were approved for funding with a total grant value of R147m. This has leveraged private-sector investment of R1,3bn in support of the creation of approximately 1,500 jobs.

- **Technology and Human Resource for Industry Programme (THRIP)**
  - Since 2009 to December 2014, THRIP has approved 1,602 projects to the value of R873m and supported 9,750 students.

Industrial Finance and Investment

- **National Empowerment Fund (NEF)**

o Approvals: The NEF Approved 549 transactions worth more than R5.4 billion for black-empowered businesses across the country, supporting over 47,000 jobs.

- Between April 2014 and December 2014, IDC approved projects to the value of R7,7 billion with 6,899 jobs were created and 4,668 jobs saved.

- The following IPAP sectors benefitted from the approvals:
  - R 283 million in Agro Industries
  - R478 million for Chemical & Allied Industries
  - R352 million for Forestry and Wood Products
  - R1, 4 billion for Green Industries
  - R46 million in Media & Motion Pictures
  - R323 million in Metal, Transport & Machinery Products
  - R3 ,3 billion in Mining and Minerals Beneficiation
  - R678 million in Shipbuidling
  - R 433 million in Textiles

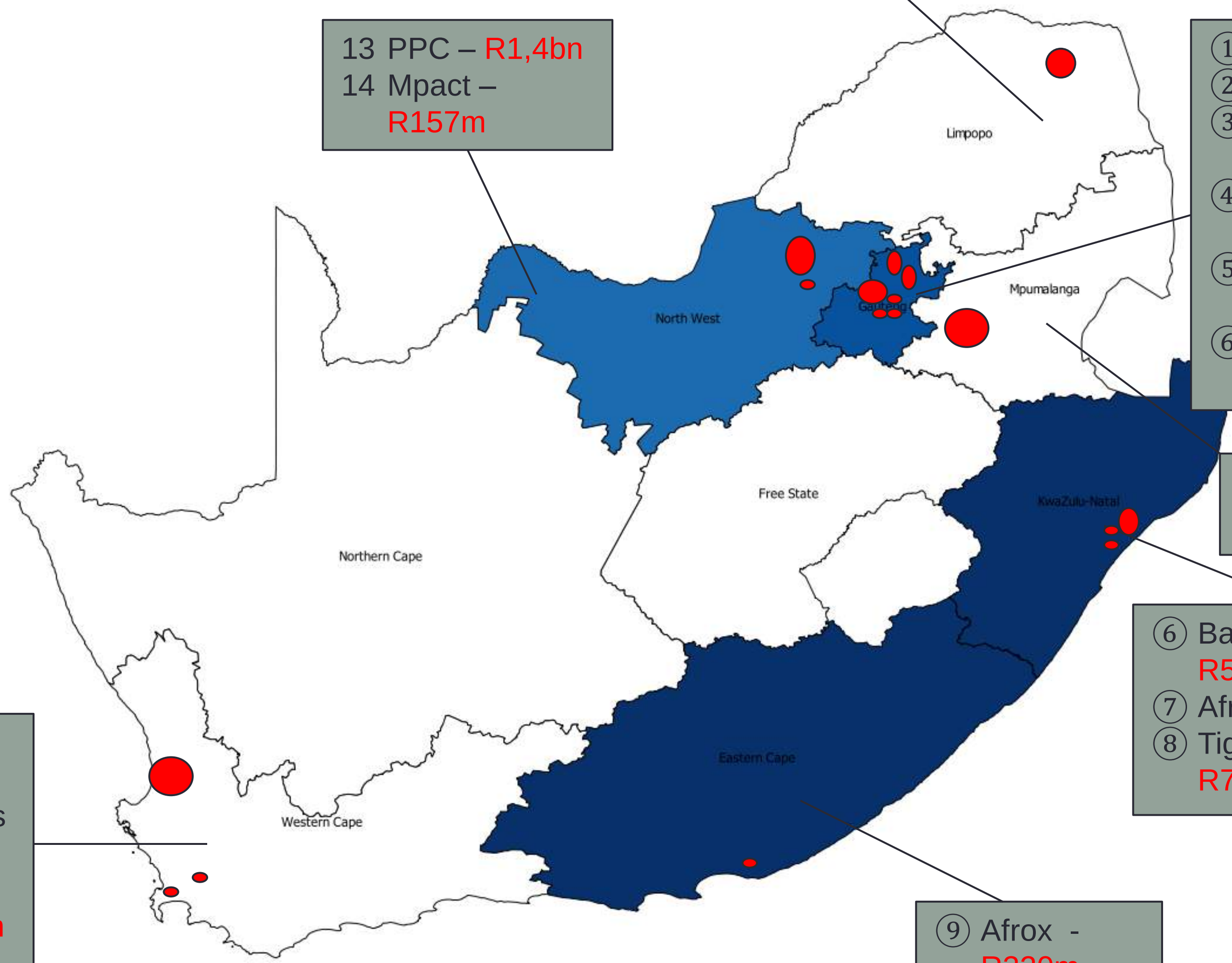
Selected Implementation Highlights

Industrial Finance – 12I Tax Allowance
April 2014 to March 2015

16 Ironveld Smelting - R610m

13 PPC – R1,4bn
14 Mpact – R157m

① Mpact – R350m
② Amka – R393m
③ Premier Valves – R31m
④ Nampak Food Division– R120m
⑤ Nampak Alu Division – R705m
⑥ Nampak Bevcan – R440m



15 AirLiquide – R2,3bn

⑥ Bakhresa – R504m
⑦ Afrox – R348m
⑧ Tiger Brands – R73m

⑩ Parmalat – R137m
11 Mpact Plastics – R54m
12 Saldanha Steel - R1,3bn

⑨ Afrox - R320m

the dti
Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

Securing a higher impact IPAP

Industrial Finance and Investment

- **Higher impact IPAP**

- o Need for attaching stronger conditionality's (competitiveness raising; B-BBEE, supplier development and localisation etc.) in existing incentive programmes,
- o Roll-out of the Black Industrialists Programme.
- o Development of new sector-specific incentive schemes which have proved to be effective in leveraging investment e.g.
  - — Metal and Engineering sector support programme, and
  - — Agro-processing and Smallholder Agriculture Linkage support programme which will also support Agri-Park initiative.
- o Development of a new incentive to support greenfield investment (12I is limited to investment of R50m and above).

Securing a higher impact IPAP

Procurement localisation

- In total 16 products or sectors have now been 'designated' for localisation in government procurement.
- This includes Designations (with Instruction Notes to follow from NT):
  - Steel conveyance pipes;
  - Transformers;
  - Power line hardware and structures;
  - Mining and construction vehicles;
  - Two way radios; and
  - Building and construction materials.
- Given the R3,6 trillion infrastructure build programme, a failure to localise would lead to substantial import leakages with significant negative impact for the balance of trade and industrialisation efforts.

Securing a higher impact IPAP

Procurement localisation

- **Rail fleet procurement**

o PRASA and Gibela Rail Transportation announced that the entities had achieved commercial close on the contract to supply the state agency with 600 commuter trains (3,600 coaches) over the next ten years. The R51 billion contract to supply the trains was signed in October 2013. The Gibela deal forms part of PRASA's bigger rolling stock programme, which aims to procure 7,224 new coaches at a projected cost of R123 billion over 20 years.

o PRASA has awarded a tender to Alstom for the manufacturing of 7224 coaches to be built between 2015 and 2025, the initial phase is estimated to create over 8000 direct jobs.

o Transnet has awarded a total of R50bn in contracts to CSR Zhuzhou Electric Locomotive, CNR Rolling Stock SA, Bombardier Transportation SA and General Electric SA for the building of 1,064 electric and diesel locomotives to be built in SA. All the locomotives, except for 70, will be built in Transnet Engineering's plants in Pretoria & Durban.

SA's rail revitalisation ambitions lauded as more opportunities arise

EMBED VIDEO POPUP VIDEO DOWNLOAD VIDEO

BY: NATASHA ODENDAAL
CREAMER MEDIA SENIOR CONTRIBUTING EDITOR ONLINE

US Secretary for Transportation **Anthony Foxx** has lauded South Africa's rail revitalisation efforts as State-owned Transnet and US-based General Electric (GE) developed one of the "best localisation case studies".

Speaking at a US State delegation tour of Transnet's Koedoespoort

Securing a higher impact IPAP

Procurement localisation

- **Heavy Commercial Vehicle Procurement – Bus Designation.**

- o Volvo Southern Africa, in partnership with Marcopolo South Africa, has been contracted to produce 131 buses - 85 rigid 12m and 46 articulated 18m vehicles - to the City of Tshwane by 2016. Mercedes-Benz South Africa (Sandown Motor Pty Ltd) won the tender to provide 134 busses for the phase 1B of the City of Johannesburg's Rea Vaya rapid bus system. The City of Cape Town awarded Volvo South Africa a tender to provide 40 busses for the extended MyCiti rapid bus routes at a cost of R180m. Tshwane Municipality has awarded MAN a tender to supply 120 A84 Lion's City busses.
- o **Procurement - Higher Impact IPAP**: It is critical that compliance (across government departments, spheres of government, SOE's and agencies) to all the procurement policy levers (Designations; Competitive Supplier Development Programme (CSDP); amended regulations of the PPPFA; NIP)
  - o Securing better alignment – e.g. Mining Charter.
  - o Compliance audit function to be implemented.
  - o Monitoring of all public sector tenders – non-compliance hotline.
  - o Securing much stronger private sector support for local supplier development especially large corporations with significant procurement spend e.g.; mining companies.

IPAP: TRANSVERSAL FOCUS AREAS

IPAP TRANSVERSAL FOCUS AREAS 2015

Public procurement

- Monitor and ensure **compliance with sector designations** and localisation requirements in state procurement
- **Increase localisation** of components in fleet procurement RFPs and the Renewable Energy Independent Power Producers Procurement Programme (REIPPPP)
- **Engage directly with private companies** in key sectors to support localisation - e.g. mining, health, ICT, electro-technical

Developmental trade policy

- Flexible/strategic **tariff setting**
- Further development of **enabling standards** and compulsory specifications
- Closer and more detailed collaboration with Customs to **prevent illegal imports**
- Continued **realignment of technical infrastructure** activities in support of key IPAP sectors

Innovation and technology

- Ongoing review of incentives and instruments for **Science, Technology and Innovation** (STI) to finalise an STI system, aligned to incentives and industrial financing
- Formalise an **R&D-led industrial development approach** through implementation of the Emerging Industries Action Plan (EIAP)
- Develop a portfolio of **R&D projects** aimed at scaling up industrial growth.

Industrial financing

- Strategic, coordinated, **integrated industrial financing system**, combining the joint efforts of the state and development finance institutions
- **Integration** of DST innovation and commercialisation support measures with incentives, industrial financing and support for technology acquisition
- **Priority processing for dynamic firms** - with greater selectivity/strengthened conditionalities

SEZs and Regional Economic Clusters

- **Expansion** of existing Industrial Development Zones; creation of **new** Special Economic Zones
- Develop **SEZs as dynamic platforms for foreign direct investment** (FDI) and for the deepening of strategic industrial and export capacity, both in the SEZs themselves and in associated regional industrial clusters

Regional integration

- **Coordinated development** of African regional infrastructure, support for complementary industrialisation, integration of value chains and expanded trade

IPAP: SECTORAL FOCUS AREAS 1

TRADITIONAL SECTORS AND VALUE ADDING SERVICES

IPAP SECTORAL FOCUS AREAS I

Automotives
- **APDP**: Continuous support for OEMs and local component suppliers through the Automotive Production and Development Programme (APDP)
- **OEMs:** Stronger bi-lateral work with individual original equipment manufacturers
- **NEW SEGMENT STRATEGIES:** motor-cycle and electric vehicle manufacturing and localisation
- **AFRICA:** Stepped up work on African integration across the full auto sector value chain

Metal fabrication, capital and rail transport equipment
- **LOCAL CONTENT:** Meet official state localisation targets across all government procurement tenders
- **COMPETITIVENESS**: Deploy competitiveness enhancement and training programmes at company level
- **FINANCE:** Roll out tailored industrial financing packages

Clothing, textiles, leather and footwear
- **CTCP:** Continuous support for the sector through the Clothing and Textiles Competitiveness Programme
- **VALUE-ADD:** Extended beneficiation of local raw materials: mohair fibre, flax fibre 'cottonisation', exotic leather, cotton lint; communal hides commercialisation pilot projects

Plastics, pharmaceuticals and chemicals
- **PLASTICS:** Develop a Plastic Production and Innovation Cluster - focus on testing, R&D and skills
- **DESIGNATIONS:** For selected pharmaceutical and medical devices tenders
- **COSMETICS:** Develop a comprehensive Strategy for local firms, including integrating their production with SA retailers' expansion into sub-Saharan Africa

Forestry, timber, paper, pulp and furniture
- **FORESTRY:** Forestry beneficiation, production parks and technology upgrading
- **SAWMILLING:** Technology upgrading and development of a sawmilling hub
- **PULP & PAPER:** Specialised cellulose applications
- **FURNITURE:** Develop a Furniture Production Hub

Agro-processing
- Food and Beverage Sector Investment Programme
- New product and trade promotion
- Regional Development Programme and Municipal Agro-hub Programme
- Agro value chain development and linkages
- Food Innovation Programme with focus on incubator food technology stations
- Develop agro-chemicals sector

Business process services
- Ongoing implementation of the BPS incentive programme, with proactive development of Action Plans for emerging sub-sectors

IPAP: SECTORAL FOCUS AREAS 2

MINERALS AND ENERGY

IPAP SECTORAL FOCUS AREAS 2

- **Leveraging SA's mineral endowment**
  - **DEVELOP THE MINING/MANUFACTURING INTERFACE** to galvanise resource-based industrialisation
  - **KEY VALUE CHAINS:** Focus on policy and project levers for beneficiation of iron ore/steel, titanium, platinum group metals (PGMs), polymers and mining capital equipment
  - **PGMs**
    - **CATALYTIC CONVERTERS:** Support for expansion of SA producers
    - **FUEL CELLS:** Jump-start development of fuel cell manufacturing industry
    - **INDUSTRIAL FINANCE:** Develop financing scheme for local PGM fabricators
  - **IRON/STEEL**
    - Explore opportunities to process SA's vast magnetite iron-ore resources
  - **POLYMERS**
    - Cluster development to address training, skills and testing
    - Evaluate downstream opportunities presented by shale gas resources
    - Leverage state procurement of plastic products (pipes etc.)
- **Oil and gas**
  - **RESEARCH:** Step up research scoping capabilities for opportunities and constraints in both upstream localisation and downstream energy generation and beneficiation
  - **INTERNATIONAL:** Intensify work with oil majors and domestic and international suppliers - including development of a local content roadmap for offshore and onshore conventional and unconventional exploration and production
  - **GAS:** A **dti**-led national effort to develop a road map for 'gas based industrialisation'
- **Green industries**
  - **GREEN TRANSPORT:** Develop policy for production of compressed natural gas (CNG), bio-methane and electric vehicles
  - **REIPPPP:** (Renewable Energy Independent Power Producers Procurement Programme): Leverage designation and procurement of solar photovoltaic
  - **ENERGY EFFICIENCY:** Scale up Industrial Energy Efficiency Programme
  - **GREEN SKILLS:** Launch Programme to stimulate demand and supply of critical and scarce Green Skills
  - **Carbon:** Develop proposals for a calibrated approach to carbon mitigation/carbon tax

IPAP: SECTORAL FOCUS AREAS 3

ADVANCED, ELECTRONIC & NICHE SECTORS

IPAP SECTORAL FOCUS AREAS 3

Aerospace and defence

- **PROCUREMENT & EXPORTS:** Programme to scope existing industry capabilities, supply chains, opportunities for localisation and support for exports through the Export Council
- **CAV:** Ramp up cluster development and investment in Centurion Aerospace Village

Advanced materials

- **LOCALISATION** of composite product development for aerospace, automotives, municipal infrastructure projects - e.g. glass reinforced composite poles, fibre glass, carbon fibre, epoxy resin

White Goods & electro-technical

- Work closely with and **SUPPORT LOCAL MANUFACTURERS** to raise competitiveness and exports

Broadband

- **ROLL-OUT:** Create support mechanisms for the roll-out of the Department of Communication's broadband policy

Information & Communication Technology

- **LOCALISATION:** Personal computers and tablets; composite infrastructure products

Ship and boat-building

- Increase local manufacturing capability
- Establish a long-term procurement programme for investment preparedness and industrial financing
- Skills development and strategic marketing programmes
- Infrastructure investment led by Transnet National Ports Authority

Challenges

- A bottle-neck busting and solutions based approach to key challenges is required;
  - Electricity supply; pricing and problems at municipality level.
  - Localisation/Designations – non-compliance, across various tiers of government and Departments.
  - Port tariffs and rail and ports inefficiencies – re-balancing and improvements.
  - Industrial finance – further Economic Support Package funds need to be allocated to unlock private-sector investment and catalyse industrialisation.
  - ‘Red tape’ – administrative constraints

Conclusion

- IPAP 2015 is the sixth iteration of the Industrial Policy Action Plan.
- Implementation in the face of very significant headwinds – great global recession and domestic constraints.
- Evidence demonstrates that where interventions are well researched, designed and managed; are adequately resourced and are the subject of close collaboration and alignment between stakeholders - there are considerable achievements and policy platforms which can be built upon.
- IPAP is a very important tool for management, planning and oversight.
- It is critical that compliance across and between government departments, spheres of government and SOE's is secured in a national industrial effort.
- There are no short-cuts – continuous improvement, learning by doing, strengthening the capacity of the state and strengthening stakeholder engagement and relations are critical factors.