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Yardstick for Growth

In the good old days of affordable, constant electricity supply, when fuel cost about the same per litre as milk, manufacturing was the mainstay of our economy. Released from the burden of sanctions and with South Africa dubbed the rainbow nation, manufacturing prospects looked promising. This optimism has lost its gloss, as manufacturing output reflects a steady decline. According to Statistics SA, manufacturing contributed 20% to gross domestic product (GDP) in 1994. Today, manufacturing's contribution stands at 7%.

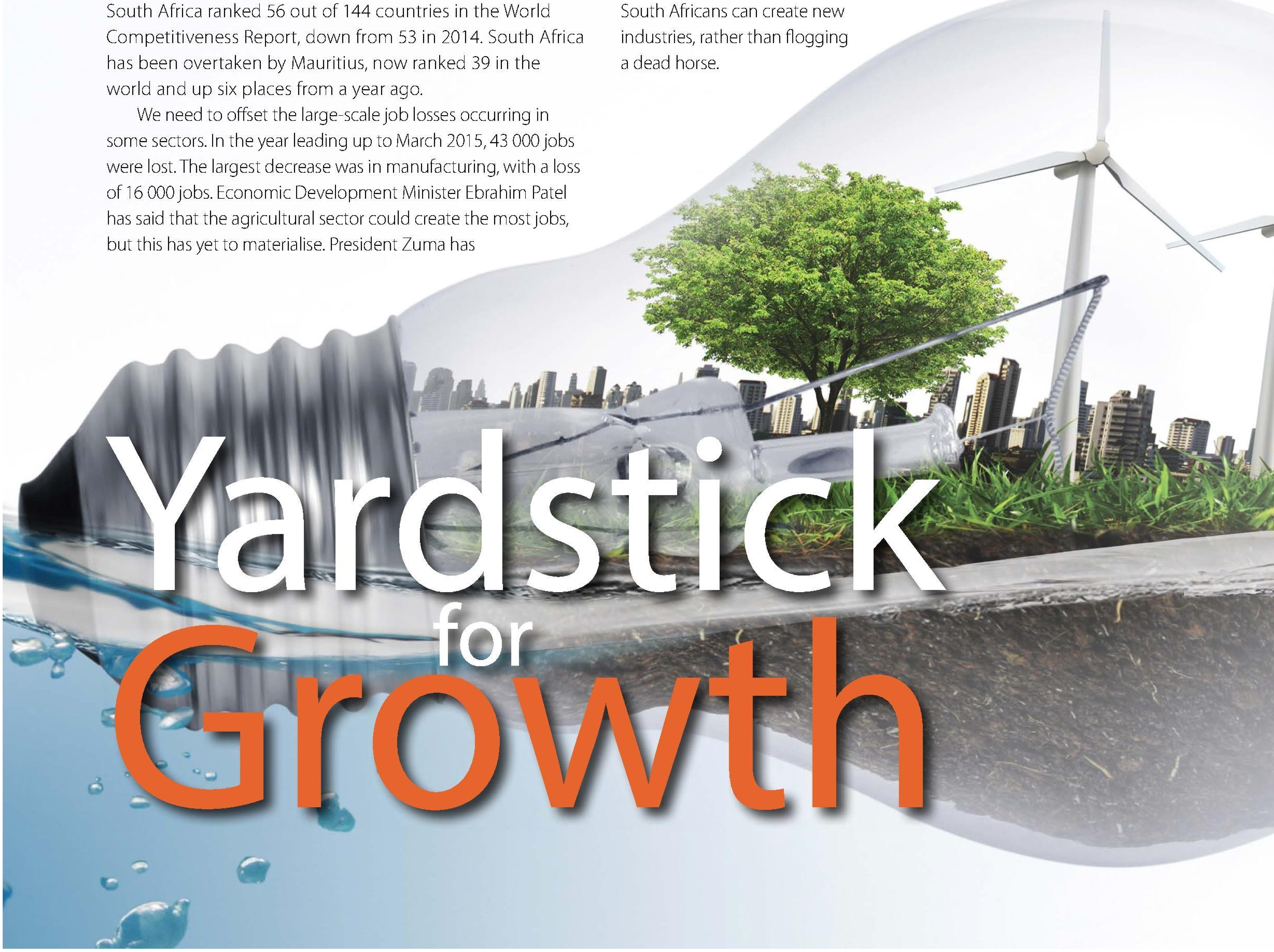
Government is concerned by this downward trend. "The manufacturing sector is still key to growing the economy and to contributing to Gross Domestic Product," said former premier of KwaZulu-Natal, Senzo Mchunu, speaking at an Industrial Efficiency Conference held in Durban.

South Africa is not faring well in terms of global competiveness either. Investment strategist Magnus Heystek, director of Brenthurst Wealth Management and the author of numerous books, cautions that, in 2015, South Africa ranked 56 out of 144 countries in the World Competitiveness Report, down from 53 in 2014. South Africa has been overtaken by Mauritius, now ranked 39 in the world and up six places from a year ago.

We need to offset the large-scale job losses occurring in some sectors. In the year leading up to March 2015, 43 000 jobs were lost. The largest decrease was in manufacturing, with a loss of 16 000 jobs. Economic Development Minister Ebrahim Patel has said that the agricultural sector could create the most jobs, but this has yet to materialise. President Zuma has conceded that the economy is not growing as fast as is needed to create sufficient jobs.

Give Us the Good News

As South Africa turns to alternative sources of energy supply, renewables become a growth industry, with more than R100 billion invested in the sector. The industry is addressing challenges affecting the economy and is creating skills. We require more niche industries. Every job created is better than none, and renewables trigger awareness that South Africans can create new industries, rather than flogging a dead horse.



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Director of Cape Africa, Yats Gopaul, confirms that the bulk of job creation occurs during the installation stages. "Cape Africa employed in the region of 40 people when we were busy with the Klipheuwel Wind Farm Installation. However, we could not retain all these people. Some have joined developers."

Working in renewables does not necessarily require 'experts' from overseas. "Doing the installations is not rocket science as it is made out to be," explains Gopaul. "A lot more jobs could be created if the developers and the engineering, procurement and manufacturing companies look at employing more local people as opposed to people from Europe who sometimes have very [few] or no qualifications."

Cape Energy is upskilling people. In one installation, it employed 14 people as trainees, all college graduates. These graduates received further training, which included working at height, rope access, working in confined spaces, and health and safety courses.

"They worked on the installation of the Klipheuwel Wind Farm in Caledon and gained first-hand experience to accompany their training as electricians and technicians. Some became wind turbine technicians after completing training in Germany," says Gopaul.

Gopaul is not too confident about future prospects for manufacturing. "For some strange reason, as South Africans we are very reactive. We will wait for companies from Europe and China to set up in South Africa and then we would like to participate. Those few that may have ventured out into the industry will see the benefits," he explains.

"As a country we are not short of skills and talent. Look around us and there are numerous inventions created by South Africans. I believe that we can establish manufacturing facilities for almost all of the components required in wind turbines and in solar PV systems."

Generating Energy and Employment

AfriCoast Energy owns and develops wind and solar farms. CEO John McGillivray confirms that the renewable-energy sector is creating employment and skills. "Especially if one considers the entire value chain with regard to renewable energy projects," he says.

"A team will typically be responsible for the development of projects, during which an array of specialist input is required in terms of finance, legal, permits and authorisations, and the design of facilities." He explains that high targets, set by government in terms of job creation and local content, have been catalytic in the establishment of component manufacturers and the growth of, among others, the construction sector and the transport and logistics sectors.

McGillivray emphasises guaranteed, long-term operation of renewable-energy facilities, and significant foreign direct investment into South Africa. Achieving targets for enterprise development is a component of a project's contribution to socioeconomic development, with development and funding being channelled into rural areas and around small towns.

"As long as the policy and processes for the procurement of energy from independent power producers are clear, realistic, transparent and credible, and government effectively enforces the commitments made by power producers in terms of targets, then South Africa can see significant private-sector investment in skills development and job creation through renewable energy."

Making It Happen

Coenraad Bezuidenhout, executive director of the Manufacturing Circle, was asked earlier this year how manufacturers belonging to the organisation could overcome challenges. "Thrust fair trade forward through necessary adjustment to tariff and non-tariff barriers. Tie up closer with African regions and key export markets.

"Promote preferential procurement for locally manufactured and beneficiated products. There are huge opportunities on the continent that could boost manufacturing," he says. With many factors influencing manufacturing output, a key objective should be that South Africa raises its status as a manufacturing-investment destination. It is also up to manufacturers to ensure that they make use of incentives available from the Department of Trade and Industry and other government finance institutions. □

Sources:
africagrowth2015; www.bizcommunyty.com; www.mediatenor.co.za; and www.southafrica.info