DTI grilled on Manufacturing Competitiveness Programme

Director General, Lionel October, Department of Trade and Industry (DTI) admitted to Parliament the Manufacturing Competitiveness Programme (MCEP) had been a difficult programme to run. Over eight hundred applications with a grant value of R5.1bn had been agreed upon but only R1.5bn disbursed.

One of the major problems faced, October said, was brought about by the confusion in the minds of many on the nature of the MCEP. A good number of applicants had tried to apply as if their applications were for a social grant, which was certainly not the case. MCEP is a short term stimulating package designed for already successful manufacturing companies to assist them during current global and difficult times.

Addressing Ms Joan Fubbs of the Trade and Industry Portfolio Committee, DG October told parliamentarians that National Treasury had been approached for funds in 2012 to revive the manufacturing sector for a period of six years. R7.4bn in the end was provided.

One year later, Trade and Industry Minister, Dr Rob Davies, reported that R3bn MCEP approvals had been made, which would support industrial investments by 436 applicants and this would a sustain more than 116 000 manufacturing jobs.

The MCEP was conceptualised as a result of the one-million jobs shedded during the 2009 recession, he said, and which had badly hurt the nation's finances. Minister Davies described at the time how the MCEP incentive programme was a critical element of DTI's Industrial Policy Action Plan (IPAP) designed to stem the sudden loss of the manufacturing sector's contribution to GDP.

The MCEP was not designed to assist new companies but support existing ones with the potential either of recovering from an earlier troubling status or developing new markets, Davies insisted.

Ms Susan Mangole, COO at DTI, explained to parliamentarians that the Department maintained a "pay-out system" where, after initial approval, the incentive money was only paid once the agreed plan was up and running and jobs had been retained. There was accordingly a time lag between approving a grant and receiving the funds in reward. The time lag could be up two years before fruition of the project was apparent.

The programme, she told parliamentarians, was now two and a half years old and, after a slow start, the applications "became a flood". Currently, DTI had already committed well over half of the total package.

DTI focused on two components with MCEP, Ms Mangole said. Firstly, through production incentives as described and then with industrial financing loan facilities through the Industrial Development Corporation, who had been given R1bn from the fund by DTI. A company could only qualify if it had level 4 B-BBEE status or could achieve the status within two years.

DG October concluded that the DTI had been told that by the end 2016 it should entertain no more applications and only deal with those already filed. By 2018, he said, DTI would have allocated all R7.4 billion and the amount granted had now been rationalised to a maximum of R30m, although it had started at R50m.

Some DA opposition members complained that it was absurd to exclude companies because of their current B-BBEE status when the idea was to create more jobs. DG October stated that this was a "must" in applying, since it was a fact that all companies had to comply with BEE and labour laws.

But, he said, most larger companies did in fact comply and the focus of DTI remained revitalising such sectors as the agro-processing sector, where most imports of machinery occurred. "So the problem is not on the supply side but on the demand side", he said and added that the agro-processing industry in South Africa was experiencing a massive turnaround with exports probably reaching double digits of a percentage towards GDP.

He commented, "This industry could then pay its workers decent wages."

The DA complained about poor communication between DTI and applicants saying that a year could elapse without even getting an acknowledgment of an application. There was, the member said, without any doubt an enormous backlog of applications and delays in correspondence on those that were in process.

DTI has shown a shortage of 271 posts of qualified persons.

On the subject of which industries were getting the most grants, DG October said those businesses, such as in the automotive and textile industries that had access to other schemes, were excluded by default.

He stressed that the programme was aimed at retaining and sustaining jobs and not creating jobs.