

Manufacturers must make investments now: Davies

By [Linda Ensor](#)

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The current uncertainty over the growth prospects of both the global and domestic economy was likely to discourage manufacturers from investing in urgently required competitiveness enhancing investments in technology, processes and people until it was "too late", Trade and Industry Minister Rob Davies says.

Replying in writing to a question in Parliament by African National Congress MP NE Gcwabaza about the rationale for government's manufacturing competitiveness enhancement programme, Davies said the programme provided financial incentives to manufacturers "to make the necessary investments now and not later when the economic uncertainty would have been resolved".

Davies stressed that the manufacturing sector was key to long term economic well-being of SA. However, the sector had been hit hard by the 2008/09 recession which resulted in the closure of a number of factories with obsolete and antiquated machinery and equipment and the loss of 200,000 jobs.

In the aftermath of the recession the sector experienced further shocks arising from rapidly increasing domestic input costs and an overvalued exchange rate. This had resulted in the domestic market being flooded by an influx of very cheap imports across a wide range of sectors such as tyres and glass.

The competitiveness enhancement programme includes both a production incentive and a working capital facility. It can be used by firms to upgrade their production facilities by investing in capital equipment and green technology; to invest in improved production processes, logistics, product development and skills development; and to cluster with other firms to address common challenges, e.g. skills development, joint export marketing, etc.

Davies stressed that a key critical success factor of the programme was its flexibility which allowed each firm to receive a customised package based on its competitiveness requirements.