

State blamed for slow beneficiation of minerals

Business lays the blame for a lack of industrialisation squarely on government, saying SA's manufacturing is at a tipping point because of government's inability to reduce input costs and its reluctance to stand up to trade unions.



ArcelorMittal SA's Chief Executive Paul O'Flaherty says that high transportation costs mean that Durban is halfway between Vanderbijlpark and China. Image: [Destiny May](#)

During a colloquium on beneficiation held by parliament's Trade and Industry (DTI) Portfolio Committee, manufacturing and mining firms painted a bleak picture of what they are up against.

They told MPs that high administered prices, coupled with unproductive, unskilled and expensive labour, were making them less competitive compared with countries where governments have implemented industrial strategies aimed at protecting manufacturing and giving it incentives.

Though the price of electricity, and its unpredictable supply, featured in all presentations to the committee, plastic manufacturers explained that high local transport prices meant that it cost the same to ship a container of manufactured goods to Malaysia from SA as it did to transport them between Durban and Johannesburg.

ArcelorMittal SA's Chief Executive Paul O'Flaherty said: "That's why we say that Durban is halfway between Vanderbijlpark and China."

State not using power to enforce beneficiation

President Jacob Zuma is expected to announce plans to reduce port and rail freight charges in the coming weeks. But the DTI's Paul Jourdan said there was too little co-ordination between government departments. "We lack a coherent beneficiation strategy. Each department has its own agenda."

SA Mining Development Association President Bridgette Radebe questioned why government was not using its power to force beneficiation. The Minerals and Petroleum Resources Development Act (MPRDA), she said, gave the minister power to initiate or prescribe incentives to promote beneficiation.

"The MPRDA states that any person who intends beneficiating any mineral outside the country needs to get written permission from the minister. How many companies [that mine in SA] have done that?" she asked.

National Employers' Association of SA Chief Executive Gerhard Papenfus urged cabinet to understand the impact of collective bargaining, where all firms are bound by agreements that are negotiated in a bargaining council.



SA Mining Development Association President Bridgette Radebe warns that the state must start using its powers to insist companies do more beneficiation locally. Image: [Mningmx](#)

Wage discrepancies

"You can't expect a company in Kuruman in the Northern Cape to pay workers the same as a factory in Johannesburg," said Papenfus. He also highlighted the disconnect between the education system and technical skills required by companies.

Frontier Advisory Services Chief Executive Martyn Davies tells the Financial Mail it is critical for government to create the right environment for companies to thrive. Manufacturing and beneficiation absorb unskilled labour and the World Bank

predicts that China's manufacturing sector will shed about 85m jobs over the next decade as factories move to cheaper locations. SA should, says Davies, be able to pick up a million or more of these jobs, but it has to be pragmatic.

However, Economics Professor and former ANC MP Ben Turok cautions against adopting a defeatist attitude and blaming government, saying: "Asking for a huge shift in government all at once [in order to create the right environment for beneficiation] is not realistic. Instead of throwing everything at government, we need to find areas where manufacturing is working and build on that. Instead of lamenting the lack of a joined-up government, we need to start talking about a joined-up economy so business and government work together."

Source: Financial Mail via I-Net Bridge

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