

**GIBS-GBCF**  
**THOUGHT LEADERSHIP PIECE**  
**SECTOR: Capital Equipment**  
**BY: Abdullah Verachia**

**HEAD: Gauteng gets serious about collaboration**

**KICKER:** Gauteng is waking up to the fact that we cannot grow our economy in siloes, we all succeed or we all fall together. There is no in between.

**BODY:**

The smallest in size of South Africa's nine provinces, Gauteng houses nearly a quarter of South Africa's population. Its GDP is about R811 billion, or 33.9% of the country's total, and makes up 10% of Africa's total GDP. Gauteng is indeed South Africa's economic hub.

However impressive these figures are, the province built on gold and a legacy of entrepreneurship, is not without its challenges. Gauteng is hamstrung by a 30.1% unemployment rate; higher than the national average of 26.4%. So boosting employment and gaining economic sustainability are key concerns for the Gauteng Provincial Government.

My work at the Gordon Institute of Business Science (GIBS) may ensure that I am close to business, but as an academic, commentator and strategist I am well aware that no sector of an economy can flourish in isolation. Therefore, growing the Gauteng – and indeed the national - economy is more than just a government function. Nor can it be addressed by business alone.

Ultimately, at the heart industry's competitiveness is country competitiveness and, in order to achieve this, we need a much closer alignment between government and business. We do this by bringing all the relevant parties together; and that's why GIBS has partnered with the Gauteng Provincial Government to drive a series of collaborative business forums with the aim of bringing business and government closer. We hope to encourage meaningful and constructive dialogue to address key challenges faced by both sides, create strategies and then to move forward by ensuring these agreed points are actioned.

The first in a series of these Gauteng Collaborative Business Forums (GCBF) were held in October 2016, with the important Capital Equipment sector being one of the provincial government's pilot schemes in this new partnership approach. These forums accord with the province's Greater City Region (GCR) Economic Development Plan for 2030, which has already seen Gauteng Premier David Makhura conducting firm-to-firm visits within the Capital Equipment sector. Motivated by the aim to create sustainable partnerships, with the end result of driving inclusive economic growth, the Premier is seeking to engage business constructively in an attempt to understand what is frustrating their progress. The recognition is that without private sector progress in this key manufacturing sector, there can be no progress for government in achieving its long-term economic goals.

Government's goals are clearly defined: increase jobs, improve skills, create more B-BBEE industrialists and be economically inclusive of all Gauteng regions, including township economies. However well-intentioned these ambitions, government cannot begin to stimulate growth in this sector without hearing and addressing the challenges being faced by business. Issues coming out of the private sector may be construed by some as private-sector moaning, but these are real tangible challenges potentially throttling the global and local competitiveness of our manufacturers. The list is long and includes: crime; exorbitant steel and electricity prices; erratic electricity supply; high interest rates; highly volatile exchange rates; corruption; poor quality education; a lack of public

sector procurement of locally-made products; lack of co-ordination within government departments; lack of continuity in terms of government funding and procurement; high transport costs (both for goods and people); and poor infrastructure (across water, electricity, roads and railways).

Based on the engagement between Capital Equipment players and provincial government, it appears that the culmination of these issues is resulting in heavy job losses for the sector and, regrettably, company closures. In just over a decade the manufacturing sector has lost over quarter of a million jobs. In just three years a South African Export Council (SACEEC) cluster, the 16-firm strong South African Mineral Processing Equipment Cluster (SAMPEC), has lost 1 350 jobs. So, one would argue, it is high time that all parties come together to tackle the challenges once and for all.

I was heartened, during the GBCF discussions, that government was open to engaging – and hearing some serious home truths – with a disgruntled private sector. But the reality is that right now the private sector cannot compete effectively with countries like China, the United States, the United Kingdom and Germany for a healthy slice of the global export pie. And if they cannot compete, they cannot create employment.

Encouragingly steps are being taken and a working plan has been created by the Gauteng Provincial Government and SACEEC to start addressing some of these issues. From government's side, they have committed to a localisation policy, where municipalities will commit to 'buying local'. From the Capital Equipment manufacturers' side, commitments include a concerted effort to stem job losses and create more jobs; work with education institutions to grow skills and mentor graduating artisans; help to train up and mentor black industrialists; and to seek out greater export opportunities through the creation of African export hubs, starting with Zambia.

This may sound a bit one-sided, with business doing all the work, but it will be with the help of government. Also, the reality is that localisation may be the biggest leg-up the government can give local businesses. Research has shown that for every R1 million spent on local procurement three direct jobs are created along with seven indirect jobs. That effectively equates to 10 jobs per R1 million. As CEO of SACEEC, Eric Bruggeman, said during the engagement, if the government directed R50 billion towards local procurement, imagine how that would impact local job creation. Directing municipal procurement to local business will have a massive impact on the ability for business to grow, reinvest and ultimately create jobs.

Stakeholders of this three-year pilot project are confident it will yield dramatic results and the first GCBF showed that although both sides are frustrated with each other, there is a genuine willingness for them to work together. As Bruggeman said: "Working with the Gauteng Provincial Government is one of the best things that has happened to our industry in many years." Representing government during our engagement, Gauteng Health MEC Qedani Mahlangu had this to say: "We are going to hold your hand. It is not always going to be easy, sometimes we will disagree, sometimes we will agree, but we are here to walk with you."

We can only hope that this new era of partnership between two parties who, let's be honest have a fundamental historical distrust of one another, will herald greater economic success for the province and all Gautengers. I am excited that Capital Equipment is not the only sector the GCBF will be focused on, in the next year GIBS will facilitate similar discussions and solution-gathering efforts across 11 industry sectors identified by the Gauteng Provincial Government in terms of its 2030 economic development plan. Leaving egos outside the door and ensuring that words translate into actions will be the next, and most vital, step.

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