ADDRESS BY PRESIDENT CYRIL RAMAPHOSA

AT THE STEEL AND ENGINEERING INDUSTRIES FEDERATION OF SOUTHERN AFRICA PRESIDENTIAL BUSINESS BREAKFAST

RADISSON HOTEL OR TAMBO, EKURHULENI
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Chairperson of the SEIFSA Board, Mr Elias Monage,
Chief Executive Officer, Mr Tafadzwa Chibanguza,
Members of the SEIFSA Board and Council,
Leaders of organised business and labour,
Representatives of the metals, engineering and capital equipment industries,
Distinguished guests,
Ladies and gentlemen,

Good morning.

It is a great pleasure to join you for this SEIFSA Presidential Business Breakfast.

For more than eight decades, SEIFSA and the industries it represents have been at the heart of South Africa’s industrial development.

The companies represented here manufacture the machines that drive our mines, the structures that carry our electricity, the equipment that moves goods through our ports and railways, and the components that keep our factories operating.

You produce the transformers, cables, pumps, valves, boilers, fabricated steel, mining equipment and engineering systems without which a modern economy simply cannot function.

With more than 1,300 member companies, SEIFSA represents an industrial capability of immense strategic importance to our country.

That capability matters particularly now.

Because South Africa is entering one of the most important periods of infrastructure investment and economic reform since the advent of democracy.

Our task is to ensure that this investment does more than build infrastructure.

It must rebuild South African industry.

Every transmission line we build, every railway we rehabilitate, every port we expand and every water system we construct should contribute to expanding the productive capacity of our economy.

We must use this infrastructure programme to create factories, develop skills, strengthen supply chains, support new industrialists and create jobs.

This is the opportunity before us.

But we must also acknowledge the difficult conditions under which South African manufacturers are operating.

The metals and engineering sector has demonstrated extraordinary resilience.

Yet companies continue to face weak domestic demand, logistics constraints, high electricity costs, infrastructure bottlenecks and growing import competition.

Globally, steel demand remains fragile.

Excess global steelmaking capacity continues to grow, placing enormous pressure on producers around the world.

Geopolitical tensions, disruptions to supply chains and volatility in energy prices are adding further uncertainty.

South African companies feel these pressures directly.

Investment decisions are delayed.

Margins are squeezed.

Factories operate below capacity.

And ultimately, jobs are placed at risk.

We cannot accept the continued erosion of South Africa’s industrial base.

Manufacturing is not simply another sector of the economy.

It is fundamental to our economic sovereignty.

It generates skills.

It drives innovation.

It supports exports.

It creates productive employment.

And it sustains thousands of businesses throughout the economy.

That is why government is working with business and labour to address the structural constraints that have held our economy back.

Six years ago, we established Operation Vulindlela to accelerate reforms in electricity, logistics, water, telecommunications and the visa system.

These reforms are now fundamentally changing the architecture of the South African economy.

For the metals and engineering industries, few reforms are more important than those underway in electricity.

Working together, we have succeeded in bringing load shedding to an end.

This is a major achievement.

But reliability alone is not enough.

Electricity must also be affordable.

For energy-intensive industries, electricity prices have become an existential challenge.

Over the past two decades, electricity tariffs have increased far faster than inflation.

A number of smelters and other energy-intensive operations have either closed, reduced production or faced the prospect of closure.

These are not industries that can simply be switched off today and restarted tomorrow.

Once a smelter closes, we lose productive capacity.

We lose skills.

We lose export earnings.

We weaken entire industrial value chains.

And we lose jobs that are extremely difficult to recreate.

That is why the next phase of electricity reform must focus not only on security of supply, but also on reducing the cost of electricity.

We are moving towards a competitive electricity market in which multiple generators will compete to supply electricity.

The South African Wholesale Electricity Market is expected to begin operating next year.

Competition between generators, combined with expanded transmission capacity and continued investment in new generation, must ultimately produce a more efficient electricity system and put downward pressure on the cost of power.

The reforms implemented through the Energy Action Plan have already unlocked unprecedented investment in new generation capacity.

But a competitive electricity market also requires a transmission system that is independent, efficient and capable of providing fair access to all market participants.

That is why we have established the Eskom Restructuring Task Team to oversee the detailed work required to establish a fully independent, state-owned transmission company.

This process must achieve three objectives.

It must minimise financial, operational and fiscal risk.

It must strengthen energy security.

And it must contribute to reducing the cost of electricity.

We will undertake this restructuring carefully and responsibly.

We will safeguard the financial sustainability of Eskom.

We will protect energy security.

And we will ensure that workers are treated fairly.

Countries across the world have restructured their electricity industries to introduce competition while maintaining public ownership of critical infrastructure.

South Africa can do the same.

But there is another dimension to the energy transition that is particularly relevant to this gathering.

The energy transition must become an industrial transition.

South Africa should not simply import the technologies required for the new energy economy.

Where we have the capability, or can realistically develop it, we should manufacture them here.

Our renewable energy programme can support domestic production of towers, transformers, cables, switchgear, structural steel and other electrical equipment.

Our mineral endowment gives us an opportunity to move further into green metals and mineral beneficiation.

Our engineering capabilities position us to participate in emerging industries such as battery manufacturing and green hydrogen.

And nowhere is the industrial opportunity more immediate than in the expansion of our electricity transmission network.

Over the coming decade, South Africa needs around **14,000 kilometres of new transmission lines**, together with major investment in substations and transformation capacity.

This is the largest transmission expansion programme in our country's history.

Think for a moment about what this means.

Thousands upon thousands of transmission towers.

Hundreds of thousands of tonnes of fabricated steel.

Thousands of kilometres of conductors and cables.

Transformers.

Insulators.

Switchgear.

Substation equipment.

Foundations.

Control systems.

Engineering services.

Transport and logistics.

And behind every one of these products are factories, workers, engineers, artisans and suppliers.

This should become one of the great industrial projects of our generation.

South Africa already has significant capability in steel fabrication, electrical equipment, distribution transformers and power transformers.

We must use the transmission programme deliberately to rebuild and expand this capability.

We should not find ourselves, ten years from now, with a vastly expanded transmission grid but a diminished domestic manufacturing industry.

That would represent a missed historic opportunity.

The transmission programme must therefore become both an **industrialisation programme and a national skills programme**.

It will require engineers.

It will require electricians.

It will require welders and boilermakers.

It will require toolmakers, technicians, designers, project managers and construction workers.

It must create apprenticeships and training opportunities for thousands of young South Africans.

And it must provide opportunities for established manufacturers alongside black industrialists, women- and youth-owned enterprises and small and medium businesses.

The same principle must apply to our logistics reforms.

Through Operation Vulindlela, we are undertaking the most far-reaching reform of South Africa's freight logistics system in decades.

Multiple train operating companies are gaining access to the freight rail network.

The legislative and institutional framework for rail reform is being modernised.

Significant private investment will be required to restore locomotives, wagons, signalling systems, rail infrastructure and terminal capacity.

Again, this represents an industrial opportunity.

South Africa once possessed formidable capabilities in railway engineering and railway equipment manufacturing.

We must rebuild them.

We should be manufacturing more of the locomotives, wagons, wheels, axles, signalling equipment and components required by our railway system.

The same applies to our ports.

Significant investment is being directed towards port infrastructure, cranes, handling equipment and terminal modernisation as we advance reforms in the port system.

And the same applies to water.

Integrated steelmaking, mining, manufacturing and virtually every productive sector depend on reliable supplies of industrial water.

We have therefore embarked on fundamental reform of the water sector.

We recently published the National Water Action Plan, whose implementation will be coordinated through the National Water Crisis Committee.

We are operationalising the South African National Water Resources Infrastructure Agency.

Through national grants alone, government is investing approximately R24 billion a year in municipal water and sanitation infrastructure, with hundreds of projects underway across the country.

Further investment is being mobilised through public-private partnerships and new financing mechanisms.

Once again, this means demand for pipes, pumps, valves, treatment equipment, structural steel, engineering services and construction materials.

When we consider transmission, rail, ports, water, renewable energy, mining, social infrastructure and defence together, we begin to appreciate the scale of the opportunity.

Government's infrastructure programme amounts to around **R1 trillion over the next three years**.

We should view this not simply as a construction programme.

We should view it as an industrial strategy.

The central question is therefore:

How much of the productive capacity required to deliver this infrastructure can we build in South Africa?

This does not mean that every nut, bolt or component must necessarily be manufactured locally.

Nor should localisation become a licence for inefficiency or excessive prices.

Localisation must be competitive.

It must meet technical standards.

It must deliver quality.

And it must deliver on time.

But where South African firms can produce competitively, public investment should help create the scale and certainty that enables them to invest.

Industry repeatedly tells government that manufacturers cannot invest in new factories without visibility of future demand.

That is a reasonable concern.

We therefore need to improve the coordination and publication of the infrastructure pipeline so that companies can see what government, state-owned enterprises and other public institutions intend to procure over the next five, ten and even fifteen years.

A manufacturer deciding whether to invest hundreds of millions of rand in a transformer factory, cable plant or fabrication facility needs confidence that there will be an order book.

Predictability creates investment.

Investment creates capacity.

Capacity creates jobs.

This is why the Steel and Metal Fabrication Master Plan remains important.

Government will continue working with industry and labour to address the structural challenges facing the steel value chain.

The future of the metals and engineering sector is inseparable from the future of our steel industry.

Steel is a strategic industry.

Without steel, there is no industrial economy.

There are no transmission towers.

There are no railway lines.

There are no mines.

There are no factories.

There are no bridges, ports or major water infrastructure.

Supporting a competitive and sustainable steel industry is therefore a national priority.

But support must go together with competitiveness.

Our objective must be an industry that invests in modern technology, improves productivity, reduces its carbon intensity, produces consistently to international standards and competes successfully in export markets.

We must also deepen the domestic value chain.

Where major equipment has to be imported, government will increasingly use instruments such as the National Industrial Participation Programme and supplier development requirements to ensure that these purchases generate benefits for the South African economy.

These benefits should include local investment, technology transfer, research and development, supplier development, skills and export opportunities.

Around the world, governments are taking steps to protect strategic industrial capabilities and secure critical supply chains.

South Africa cannot be indifferent to unfair trade practices.

At the same time, we must recognise that downstream manufacturers also depend on competitively priced inputs.

Our trade policy must therefore strike a careful balance.

We must protect efficient domestic producers against unfair competition while ensuring that downstream manufacturers are not penalised where domestic supply is unavailable, inadequate or uncompetitive.

The work being undertaken by the International Trade Administration Commission on steel tariffs and rebates is intended to achieve precisely this balance.

Trade measures alone, however, cannot secure the future of South African manufacturing.

Ultimately, our manufacturers must compete.

They must compete on price.

They must compete on quality.

They must compete on technology.

And they must compete on delivery.

Government's responsibility is to create the conditions in which they are able to do so.

That means reliable and affordable electricity.

Efficient railways and ports.

Reliable water.

Modern infrastructure.

Access to finance.

Appropriate trade measures.

Predictable regulation.

And a skilled workforce.

Industry has responsibilities as well.

We need companies to invest.

We need companies to modernise their factories.

We need companies to improve productivity.

We need companies to develop local suppliers.

We need companies to embrace transformation.

And above all, we need industry to invest in young South Africans.

For generations, South Africa's great industrial companies trained artisans.

They produced fitters and turners, electricians, boilermakers, welders, millwrights and toolmakers.

Many of those skills subsequently spread throughout our economy.

We need to rebuild that training culture.

Every major infrastructure contract should therefore ask not only how many kilometres of railway or transmission line will be built.

It should ask:

How many apprentices will be trained?

How many artisans will qualify?

How many young engineers will gain experience?

How many local suppliers will be developed?

How much new manufacturing capacity will remain in South Africa when the project is complete?

That is how infrastructure investment becomes industrial development.

And our ambitions cannot end at South Africa's borders.

The long-term future of South African manufacturing depends on exports.

The African Continental Free Trade Area is creating a market of more than a billion people.

Across our continent, countries are building cities, railways, power stations, transmission networks, mines, factories, water systems and ports.

They will require precisely the products and capabilities represented in this room.

South Africa should aspire to become the engineering workshop of the African continent.

We should be exporting transformers to the continent.

We should be exporting mining machinery.

We should be exporting railway equipment.

We should be exporting pumps, valves, fabricated steel and electrical equipment.

And we should be exporting South African engineering expertise.

Government will continue supporting exporters through trade negotiations, export promotion, trade facilitation and industrial financing.

Ladies and gentlemen,

For many years we have spoken about the decline of South African manufacturing.

We must now speak about its renewal.

The opportunity is before us.

The reforms we have undertaken in electricity, logistics and water are beginning to change the conditions under which our economy operates.

Our infrastructure programme is creating a substantial pipeline of demand.

The energy transition is creating entirely new industries.

And the African Continental Free Trade Area is opening a vast market on our doorstep.

We must bring these opportunities together into a new programme of industrialisation.

Government must provide certainty, remove constraints, coordinate infrastructure investment and use public procurement strategically and responsibly.

Industry must invest, innovate, compete, transform and train.

Labour must be our partner in building productive workplaces, developing skills and ensuring that workers share in the benefits of industrial growth.

If we do these things together, South Africa can once again become a country that makes things.

A country that manufactures the equipment for its own development.

A country that transforms its minerals into higher-value products.

A country that exports machinery and engineering expertise to the world.

And, most importantly, a country that creates millions of productive jobs for its people.

We have the minerals.

We have the infrastructure base.

We have the engineering capability.

We have the industrial experience.

We have the entrepreneurs.

And we have a generation of young South Africans eager for skills and opportunity.

What is required now is that we bring these strengths together.

Let us build the transmission lines.

Let us rebuild the railways.

Let us modernise our ports.

Let us secure our water infrastructure.

But as we build them, let us also rebuild South African industry.

Let us make this infrastructure programme the foundation of a new era of industrialisation.

Let us produce more in South Africa.

Let us export more from South Africa.

And let us create the jobs, industries and capabilities that will sustain our economy for generations to come.

I am confident that, working together, we can build an industrial economy worthy of South Africa's immense potential.

I thank you.