

**Sona debate 17 February 2015, Minister of Economic Development,  
Ebrahim Patel, National Assembly.**

Honourable President and Deputy President

Honourable Members and guests

On Thursday evening, the State of the Nation Address placed the economy at the centre of government's plans for this administration. It was timely, because slower domestic and international growth requires that we do much more to speed up inclusive growth, job creation, radical economic transformation and realizing the vision of the Freedom Charter.

We have enormous challenges. We also have cause for optimism on investment, infrastructure and jobs and we need to build on these.

**First, on investment.**

The broad trend-line of investment in the past four years has been positive, recovering from the dramatic loss of investment during the global economic crisis.

A number of Surveys of investment from outsiders all tell the same story: Africa is successful in attracting foreign direct investment and South Africa in turn attracts the largest share of such investment.

The latest report from the United Nations Conference on Trade and Development says that SA attracted R79 bn in foreign direct investment in 2013, 110% more than the previous year.

Ernst & Young's 2014 Africa Attractiveness Survey says that Africa has risen to become the second most attractive investment destination in the world, tied with Asia. South Africa remain the largest destination for FDI projects on the continent, with compound an annual growth rate of more than 16% since 2007 and South Africa's FDI projects exceeded those of the whole of North Africa.

Government efforts to support private sector investment consistent with the NDP are significant.

The PICC work on infrastructure encourages companies to commit new investment, as a recent letter from a large mining company executive illustrates, and I quote:

“As a result of the integrated [PICC] planning process, Exxaro has been able to advance its feasibility studies relating to multi-billion rand investments in...coal mining activities in the Waterberg...”

The IDC is ramping up its industrial funding, committing an average of R12 billion a year over the past five years and helping to create or strengthen new industries such as green energy and film-making. Every R1 billion IDC investment on average attracts R2 billion from other investors, crowding in private investment to get the economy moving.

Eleven months ago, Asia's largest commodity trader opened a major soya crushing plant in Standerton in Mpumalanga.

The company invested R720m and now produces more than 900 tons of soya cake, hull or edible oil a day. Much of this is going to expand poultry farming as the products are largely used as chicken feed. A few days ago, the Industrial Development Corporation agreed to a loan facility to enable the first group of black farmers to become suppliers of soya-beans to the factory.

The weaker global growth underline the need for greater value-addition in our domestic markets, more reliance on domestic and regional sources of demand and the urgency of addressing industrial relations tensions and conflict.

We are not alone in confronting these challenges. Indeed, growth rates as a whole have slowed across the world and in BRICS, both Brazil and Russia now

have growth rates below that of South Africa. A key market for our goods, the Euro Area, is trapped in low growth of 0,8%.

Yet given the scale of our own needs as a country, we need to do more on growth and jobs.

During a session of the World Economic Forum in Davos recently, President Zuma shared a platform with investors and other national leaders.

One major private investor was blunt in his advice. Use your minerals to build a manufacturing base. If companies want to do business on the continent, they need to help industrialise Africa, he said.

The SONA 9-point plan is our response to the weakening global and domestic economy. It places more focus on adding local value to our mineral resources, expanding the agro-processing sector, growing the oceans economy, expanding investment, promoting infrastructure development and reducing workplace conflict.

### **Which brings me, secondly to the national infrastructure plan**

We are now implementing the largest infrastructure programme in the country's history, the largest on the African continent.

Employment numbers are sharply up on infrastructure projects. Spending in the last two quarters is 10% higher than a year ago. Local manufacturing of buses, taxis, rail wagons, locomotives and trucks are the backbone of the programme.

There are challenges that we face as we roll out this programme, but there is also real, tangible progress. Honourable Buthelezi recognised the frank advice we give about the challenges we face in the infrastructure programme, but we do believe that our targets are achievable if we work differently.

For example, in three weeks time we will visit the town of Pofadder in the Northern Cape to open a new solar power-plant, KaXU, developed in partnership between a foreign investor and the Industrial Development Corporation.

The plant is ready to bring 100 MW of solar energy onto the grid and a similar-sized Eskom wind farm was opened recently in Matzikama. Together, these two power plants will bring 200MW to the grid, equivalent roughly to the annual household energy consumption of Newcastle, Grahamstown, Stellenbosch, Knysna and Mosselbay combined, or more than the entire energy generating installed capacity of Lesotho and Swaziland combined.

A day later, we will open a hydro-energy scheme on the Orange River that will generate 10 MW of energy, equal to the annual household energy use of Swellendam, or Gamagara, or KouKamma.

Since the start of the green energy programme, we have generated 1 730 MW of energy from the sun, wind and water, more than the entire installed energy capacity of many developing countries.

This is real progress, green energy, real development.

Honourable Members, load-shedding is damaging to the economy and the lives of South Africans. Imagine having load-shedding not for two hours a day, but 24 hours a day for the whole year.

Regrettably, many South African families experience exactly that because they have no access to electricity. But we are making progress in changing that.

Ms Boniwe Gabela a resident of Jadhu Place, a settlement near eThekweni is an unemployed mother of two children. In July last year her residence was connected to the grid. She said that this has changed her life. She used to buy paraffin, a candle and matches for R20 a day. Now she pays less than R5 a day for electricity because she qualifies for free basic electricity.

“Electricity has changed my life,” she told the PICC team recently.

Her story is not unique. Since April last year, 159 000 houses were connected to the grid, which means that about 650 000 more South Africans, women, men and children, were able to access electricity.

Energy transforms lives and therefore it is so urgent to expand our capacity to generate electricity for all South Africans.

In the year ahead, we expect a substantial quantity of green energy to come onto the grid, with 12 more solar, wind or hydro plants that will be completed. My colleague Minister Brown will address the House on other steps to deal with the energy challenges.

Cities are being transformed through the BRT system that allows those without cars the same convenience to move around their city, but quicker and cheaper.

Thembi Zondo is a resident of Tshwane who travels daily to work at the local district hospital on the new A Re Yeng system. She says that she pays R16 a day on the bus compared to R40 she used to pay on the taxi.

Every bus has free wifi, a boon to students.

There are now 8 cities building new bus lanes for the BRT system and currently many thousands of passengers in three cities are using the system.

As we celebrate 60 years of the Freedom Charter, infrastructure development is key to realize its goals. It promotes the clauses that the people shall share in the country's wealth, there shall be work and security, the land shall be shared among those who work it, the doors of learning and culture shall be opened and there shall be houses, security and comfort.

Infrastructure is fundamental to radical economic transformation, to change the patterns of ownership and control in the economy and to empower workers, community members and the rural poor.

The major new water programmes will bring water for black small-holder farmers and allow small businesses to obtain reliable supply of water to take their businesses forward.

In the water sector, there are 12 large infrastructure projects, ranging from dam building at Mzimvubu, Clanwilliam, Nwamitwa and Lesotho; water pipelines from the Mokolo Crocodile, Vaal Gamagara and Oliphants River; sanitation projects such as the Sedibeng scheme and addressing Acid Mine Drainage.

Infrastructure is also powering our industrialization programme.

In the past twelve months, we opened many factories directly connected to the supply of components or rolling stock used in infrastructure:

- In February last year, PTIP opened a thin-film solar experimental plant in Stellenbosch
- In March, DCD Wind towers opened a plant making wind towers in Coega
- In April, Grindrod expanded their locomotive-furbishing capacity
- In July, foreign investor FAW opened a large truck factory in Coega, with 450 new jobs
- In July, Jinko Solar opened a factory to assemble and laminate solar panels in Epping
- In October, Iveco opened a truck and bus plant in Pretoria, with 350 new jobs and 1000 planned at full production
- In November, Gestamp opened a wind tower plant in Atlantis, with 200 new jobs once it is fully operational
- In December, SMA Technologies opened a factory making solar inverters in Cape Town and

- In March, we will open the new premises of a majority black-owned factory in Blackheath, who supplies buses to municipalities. Busmark has IDC support to expand its operations.

Two years ago, we imported buses for municipalities from Brazil. Since April last year alone, we produced 151 buses locally, here in South Africa, in factories in Germiston, Randfontein and Cape Town and with most of the bus bodies also made locally.

These factories employ large numbers of workers, bring jobs and development.

Women in the past were absent in road-building. Today, almost one in five workers building or fixing South Africa's national roads are women.

In the year ahead, we will be spending R19 bn in improving our road transport system and also focus on BRT infrastructure, completing port expansions in Durban and Ngqura and construction of major rail projects.

Social infrastructure will focus mainly on hospitals, clinics, universities and schools; whilst industrial infrastructure will include biofuels and gas. The focus the SONA placed on broadband rollout underlines how important those

fibre-optic cables will be to build a modern, integrated, high tech and innovation-led economy.

In the limited time available, I cannot fully tell the stories of

- Mrs Rosina van Rooyen who now uses the new Harry Surtie hospital in Upington whereas she previously had to go to Kimberly for cancer treatment, or
- Bafana Mdluli who grew up on the disability grant of his aged dad and is now a 3<sup>rd</sup> year medical student, living in a newly built 300-bed student residence at the University of Pretoria, *or*
- Punyeziwe Wulana who is a 14-year old scholar at a newly-built school in the remote village of Tsomo in the E Cape, whose school was built in 12 months compared to an average of 30 months or
- Sanele Khumalo who works at Ingula as a mechanical engineering technician,
- or the rural communities connected to telephone signals and broadband through the SKA project in the Karoo.

But I do want to make the point that infrastructure is transforming this economy.

While there are successes with infrastructure rollout, there are many challenges that we are now addressing so that we can achieve the much tougher stretch targets that the ruling party has set for the ANC-led government in this administration.

It means recognising the mistakes and poor execution of projects because yes, we need to acknowledge them but go beyond that and start fixing them.

**It means doing things differently**

We are now focusing more on maintenance so that communities do not sit with broken infrastructure.

We are integrating our regulatory systems, so that permissions and permits are better integrated.

We are using the hard lessons from the construction of Medupi, Kusile, Ingula, the fuel pipeline to address state capacity challenges, to build engineering, project management and financial control systems.

We are reviewing ways to increase funding including through the private sector, public institutions such as the IDC and institutional investors.

We are putting more resources to combat cartels who act corruptly to fix prices and markets. The law will be strengthened in the period ahead to activate criminal sanctions for collusion and corruption.

The theft of copper cable and metal from infrastructure causes serious damage to the economy, disrupting trains, cutting water supplies, disrupting energy to the economy.

This year, proposals with the full support of all Premiers will be tabled to strengthen legislation through:

1. Minimum sentencing of 15 years where theft caused serious disruption
2. Tightening the regulation of scrap metal dealers and prohibiting payments in cash for scrap metal
3. Making it more difficult to obtain bail in cases of unlawful possession of copper cable and metal from public infrastructure
4. Clamping down on the trade in and export of scrap metal

In the four years left of this administration, we will make the changes to our systems to allow the already large infrastructure programme to reach more communities and assist with more investment.

Honourable members, it is said that countries do not invest in infrastructure because they are wealthy; they become wealthy because they invest in infrastructure.

And they create jobs.

**Which brings me thirdly, to the issue of jobs.**

Statistics SA released the latest jobs numbers on Tuesday last week. It pointed to the still continuing high levels of unemployment which require bold steps and consistent effort.

But it showed that the economy created 203 000 jobs in the last quarter of 2014.

15,3 million people are now employed, the highest yet in our economic history.

The number of unemployed dropped by 242 000 and the number of discouraged job seekers declined.

Annual job creation grew by 143 000 and most of the non-seasonal new jobs came from construction, underlining the importance of our infrastructure programme to the economy.

These are positive signs for our battle against unemployment but we must not be complacent because millions of South Africans are still unemployed. We need to increase the rate of job creation if we are to meet the aspirations of our people, especially young South Africans. We need to rebalance the sources of jobs growth to reduce reliance on seasonal factors. We need the new growth path to break with the old patterns of the economy and to realise the NDP jobs goals.

While much has been said in this SONA debate today, I saw no reference to these recent developments in our labour market by members of the Opposition.

Fans of Sherlock Holmes will recall the story of the dog that did not bark.

What did we hear and what did we not hear?

We heard Honourable Maimane's passion and eloquence, we heard national statistics quoted very selectively, we saw playing to the gallery when the nation looks to Parliament for leadership and maturity.

We did not however hear any comments on the DA's record in power in the Western Cape, to show that they can offer anything more than showmanship.

Permit me to use therefore the same definition of unemployment and the same database used by the Honourable Leader of the Opposition, but apply them to the Western Cape to see what they yield.

Premier Zille took office in 2009 in a province without the enormous underdevelopment deficit that many other parts of the country faces: of provinces that incorporated the poverty stricken ex-bantustans, of provinces and areas with significant skills deficits.

Premier Zille inherited from the ANC administration in 2009 a provincial unemployment rate of 19,9%, the lowest in the country; today that rate is 24,5%, almost five percentage points higher and it grew at a rate faster than the national rate.

When she assumed power, there were 525 000 unemployed persons in the W Cape. Today, six years later, there are 705 000 unemployed persons in the W Cape, or 181 000 additional unemployed people, 34% more than before she took office.

While jobs numbers grew in both the W Cape and in SA as a whole since 2009, the racial composition of the jobs go to the tragedy of DA policies.

The bulk of job creation in the Western Cape continued to benefit White compatriots.

White South Africans are a valued part of our country, like black South Africans are, part of one nation. White compatriots made up 16% of Western Cape residents of working age in 2014, yet they benefitted from 57% of total job growth in the province, or 73 000 net job opportunities, from April 2009 to December 2014. In contrast, Africans made up 32% of the working age population, but got just 16% of jobs, while Coloureds who made up 51% of the population also accounted for a very small part of the new jobs growth.

The DA members who spoke here today failed to do a provincial comparison of jobs numbers for the past year, as they indeed have done on previous occasions in parliament. What do the facts show?

Whilst the number of jobs during 2014 in the North West grew by 80 000, and Limpopo by 67 000, and Gauteng by 58 000, and Free State by 26 000, regrettably in the W Cape 65 000 jobs were lost. I say regrettably because the people of the W Cape deserve better.

The Honourable Hill-Lewis asks if he lives in the same country as the President. I invite him to visit the other country, the one where most voters

live, not Camps Bay, not Bishops Court, but please visit Masiphumelele township near Ocean View.

Visit the area where people live side by side next to open sewer canals, where young children play in conditions of squalor and stench, where their dreams are dashed because they speak isiXhosa, because they come from the wrong part of town. I invite him to come to Atlantis where a community lives with inhuman levels of unemployment, hopelessness, and with young people caught in the grip of drug addiction in a province and city governed by the DA.

I invite him to read the General Household Survey which says that in 2013, only 52% of African households in the W Cape had access to water in their house, compared to 97% of white households.

These practices undermine non-racialism, they damage reconciliation, they set back our goal of a united nation.

Thank you.