Industry seeks reprieve on tariff increases

By Mathabo le Roux

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Manufacturers hit by the global economic downturn are urging the government to protect distressed companies from administered price increases, warning that higher tariffs on essential inputs would be "the straw that breaks the camel's back".

PG Glass CE Stewart Jennings met Trade and Industry Minister Rob Davies last week to plead the case of the industry, and asked for a moratorium on tariff increases, such as those requested by Eskom.

Jennings warned in an interview on Friday, 12 June 2009, that if Eskom was granted a 34% tariff hike it would put severe strain on a sector hammered by a collapse in demand.

More jobs would be on the line, with firms set to lose export contracts.

The economy shrank 6.4% in the first quarter, its sharpest fall in 25 years, mainly on plunging factory output. Manufacturing contributes 17% to the economy, and output fell a record 21.6% in April, from a year ago.

The situation was taking a heavy toll on employment.

Roger Pitout, director of the National Association of Automotive Component and Allied Manufacturers (Naacam), said that in the past six months 20,000 jobs were lost in the automotive manufacturing and components industry.

National Automobile Dealers Association CE Geoff Osborne put motor retailing job losses at 12,000. New vehicles sales figures showed SA's motor industry was the worst performing industry in the world now, Jennings said.

The industry had been in talks with the government for five months on assistance to pull it through the crisis. It was hoped Davies would give fresh impetus to efforts.

The textile industry had seen the closure of three groups, taking several thousand jobs with them, said Texfed executive director Brian Brink.

Jennings said 15% of jobs in the industrial glass manufacturing sector were lost.

Steel manufacturers and heavy duty equipment maker Bell Equipment are retrenching to cut costs.

“The manufacturing industry is just being decimated. We are hammered from all fronts, and no one seems to take notice,” Jennings said, citing the recovery of the rand, high interest rates and trade union pressure for above-inflation pay rises.

The big concern was whether industry could hold up against higher administered price rises. Naacam had asked Eskom for a reprieve from higher power prices. Jennings discussed the matter with Davies.

“All administrative price increases need to be frozen, and all of this needs to happen very rapidly, because the industry is in crisis,” Jennings said.

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