

Factories in distress as fund dries up

The R5bn manufacturing competitiveness enhancement programme, established by the government to cushion local manufacturers from the effects of the global financial crisis, has been exhausted, leaving a lot of companies in distress.



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The Department of Trade Industry, under which the fund falls, on Wednesday said it had suspended new applications but would continue to service existing ones.

It said a new application window would be opened in April pending the availability of funds. Generally known as the MCEP, the programme provides a cash grant to companies planning to upgrade their machinery or buildings, or to invest in training. It has been perennially oversubscribed as distressed companies look to the state for help.

The programme was introduced soon after the 2008 global financial crisis to help South African manufacturers cope with poor markets, as well as secure higher levels of investment, raise competitiveness and keep jobs.

Malebo Mabitje-Thompson, deputy director-general of the department's industrial development incentive administration division, said yesterday more than 3,000 companies had submitted applications under the programme. Of these, 86 applications had been approved under the department's industrial financing loan facility and 1,153 were approved under a production incentive.

She said approved enterprises were expected to invest more than R25bn in agroprocessing; metal fabrication; rail transport equipment; plastics, pharmaceuticals, chemicals and cosmetics; printing and packaging; and furniture, wood, pulp and paper.

Manufacturers condemned the suspension yesterday, saying the department's decision would leave a lot of them in the lurch.

"Most companies in manufacturing are in dire need of financing, with the banking sector generally reticent to direct funding to the sector. This is the reason ... government contributes to derisking projects," Manufacturing Circle executive director Philippa Rodseth said yesterday.

"There are, however, other members with applications in progress, and the suspension announcement has been met with surprise and in some cases, distress," Rodseth said.

"These companies can now no longer hope to benefit from the programme in the foreseeable future, even though significant time has been invested in the application process, and strategic plans have been formulated," she said.

The Manufacturing Circle was hoping to facilitate direct engagement between manufacturers and the department. "In addition, we would also like to encourage clear, consistent and timeous communication regarding the status of applications."

The Democratic Alliance said the announcement would result in downsizing of companies and cause job losses. Dean Macpherson, the party's shadow deputy minister for trade and industry, said the department had told Parliament's portfolio committee on trade and industry in March that it was short of the R2.2bn it needed to meet its commitments.

The committee had subsequently told the department to approach the Treasury for the funds, and wanted to extend the programme to the 2017-18 financial year and open it up to smaller companies.

"Something has gone amiss between what the committee wanted and the department's engagement with the Treasury and subsequent feedback to the committee before the medium- term budget policy statement was tabled (last week)," Macpherson said.

Source: Business Day

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