

Plastics Industry 2021

Master Plan for Growth

— Summary of Key Initiatives —



Plastics | SA



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1 INTRODUCTION

Plastics form an integral part of our lives and is found in just about every aspect. The state of the South African plastics industry can be described by a number of factors, e.g. tonnages converted, market sectors, employment, turnover or replacement value of plant and equipment linked to capital investments.

The visible presence of plastics packaging, one market sector of the plastics industry, results in an emotional consumer aversion towards plastics. As a result, the other nine important market sectors are ignored.

The Plastics Master Plan is the result of fairly extensive engagement and consultation amongst plastics industry stakeholders, civil society, formal labour, public organisations and government. The document is compiled in such a way that it could be regarded as 6 parallel mini-master plans rather than one master plan with 6 focus areas, or strategic pillars. Task teams will develop work programs for each of the strategic pillars (mini-master plans) towards the objectives of the main Master Plan.

2 VISION

The vision for the industry can be summarised as:

Being a proactively adapted industry that is able to fully supply the growing, and forever changing needs of the local and export markets; an industry that is able to create jobs, advance transformation and economic inclusion; and sustainably industrialises in an environmentally responsible manner.

3 KEY OBJECTIVES

For the purpose of the Master Plan, four measurable factors have been selected as key objectives:

- reducing the trade deficit to less than 10% of the total value of the industry by 2035,
- maintaining or improving the tons per employee which equates to 30 tons per formal job in 2019,
- transforming through inclusive and broad-based participation in the value chain for workers and black industrialists, and finally
- reducing the visible amount of plastics litter in the environment and to increase recycling rates to 60%.

4 KEY FOCUS AREAS

The Master Plan identified various initiatives under each focus area that will grow the domestic plastics industry with the necessary commitment from the various stakeholders. To date,

Key Initiatives

some initiatives have started with early discussions. The initiatives that have shown progress at this early stage are listed in the following pages.

4.1 VALUE CHAIN LOCALISATION

Growing local plastics manufacturing will require active identification and development of new domestic production capabilities within selected portions of the value chain to replace imports into existing markets.

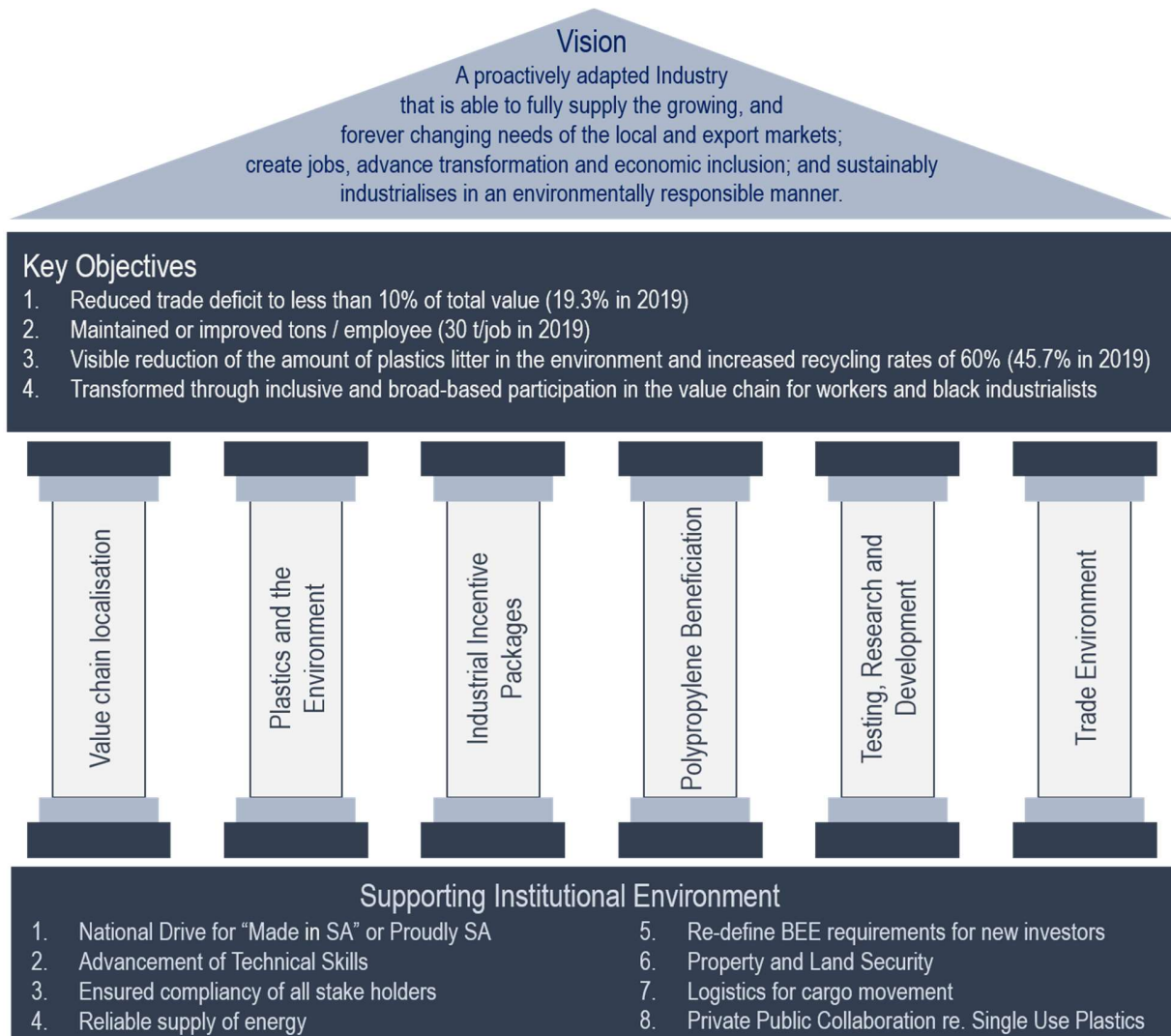


Figure 1: Schematic representation of the Plastics Master Plan

4.1.1 INITIATIVES TO LOCALISE THE VALUE CHAIN

4.1.1.1 BRAND OWNERS AND RETAILERS TO IDENTIFY PRODUCTS

Brand owners and retailers to identify product ranges where locally manufactured products can replace existing imports and to enter into off-take agreements for locally produced products. Negotiations have started with:

- Clicks – Toothbrushes
- Makro / Massmart – Wheelbarrow wheels and ferrules

4.1.1.2 AUTO MASTER PLAN AND LOCAL MANUFACTURING

The Automotive Master Plan and the Plastics Master Plan to collaborate to establish a local manufacturing facility to manufacture bumpers and other automotive components. Negotiations have started with:

- TI Automotive Fuel Systems SA – Automotive fuel tanks for Mercedes etc.

4.2 PLASTICS AND THE ENVIRONMENT

The industry needs to take action towards a circular economy for plastics, eliminate plastics litter in the environment, grow recycling rates and find solutions for plastics products that are not currently recyclable in the mechanical recycling value chain.

4.2.1 INITIATIVES TO ADDRESS PLASTICS IN THE ENVIRONMENT AND FACILITATE A PLASTICS CIRCULAR ECONOMY

4.2.1.1 DEALING WITH PLASTICS DOWNSTREAM

Develop a Roadmap to manage the various activities and initiatives to address the impact of plastics on the environment Roadmap. Discussions have started with:

- IUCN - Develop a roadmap, aligning all the various initiatives, actions, projects and the Extended Producer Responsibility (EPR) scheme of DEFF

4.2.1.2 ALTERNATIVE UPSTREAM NON-PETROLEUM RESOURCES

Investigate potential for producing bio-based ethylene from bagasse feedstock. Initial discussions have started with stakeholders:

- Safripol Polymer Producer and Sugar Master Plan – bio-based ethylene feedstock

4.3 TAILOR-MADE INDUSTRIAL INCENTIVE PACKAGES

Incentives will provide the value chain with continued resources as it attempts to upgrade and develop capabilities in the face of severe international competition. The qualification

Key Initiatives

criteria can be amended to focus on employment, transformation and import replacement. Its impact needs to be carefully evaluated continuously.

4.3.1 INITIATIVES TO DEVELOP CUSTOMISED INCENTIVES

4.3.1.1 INDUSTRIAL INCENTIVES

Develop tailor-made industrial incentive packages with differentiated targets for production, competitive improvement, transformation and import replacement for small, medium and large enterprises.

- IDC – Industrial packages and customised loan schemes for plastics industry

4.4 POLYPROPYLENE BENEFICIATION

Opportunities need to be identified and pursued where the excess of PP homo-polymer can be utilised to grow the PP conversion industry, to replace imported PP products and to stimulate the export of PP products. The development of non-petroleum sources for ethylene will increase the availability of co-monomer for the manufacturing of PP copolymers.

4.4.1 INITIATIVES TO BENEFICIATE PP

4.4.1.1 PP RAW MATERIAL

The PP beneficiation program be initiated as per the Townsend Solution findings together with the raw material producers, Sasol South Africa and Safripol.

- Sasol Polymers – South African PP beneficiation programs

4.5 TESTING AND RESEARCH AND DEVELOPMENT

Many of the listed, accredited facilities are based in Europe and the USA. Tests, verification and accreditation are cumbersome and expensive and many trade opportunities are missed due to incomplete documentation of proof.

4.5.1 INITIATIVES TO ALIGN TEST FACILITIES

4.5.1.1 VIRTUAL TOOL

The Department of Science and Innovation (DSI) to facilitate a virtual tool with the available testing facilities in South Africa linked to its accreditation, capacity, costing and capabilities.

No discussions as yet.

4.6 TRADE ENVIRONMENT

Domestic Trade: Optimising the growth potential of legally compliant manufacturers in South Africa is only possible if the costing differences between legal and illegal local producers is corrected.

International Trade: There is a need for stricter control on rules of origin, anti-dumping and trade corridors. Participation in the African Free Trade Agreement needs to be managed properly to ensure that the rules of origin are honoured and applied.

A strong local plastics economy will spill over into a vibrant export market. A healthy trade environment will be required to ensure continuous growth in local and thereafter international plastics

4.6.1 INITIATIVES TO IMPROVE THE TRADE ENVIRONMENT

4.6.1.1 INTERNATIONAL TRADING

Establish an early warning system for non-compliant international trading with regards rules of origin, anti-dumping and trade corridors.

- SARS Key Industries – Forum has been established to address issues as they arise

5 INSTITUTIONAL ENVIRONMENT

The Plastics Industry, together with the Department of Trade, Industry and Competition, can address most of the recommendations flowing from the identified key focus areas. For some of the identified stumbling blocks (weaknesses and threats) in the industry, cooperation from other Departments and Agencies are required to create an institutional environment that will assist to realise the key objectives of the Plastics Master Plan.

These institutional elements each cover a critical strategic weakness within the Plastics value chain. It relates to securing demand growth, the skills of new entrants and compliancy of local and international stake holders. Further elements deal with policy elements, i.e. energy, ownership, land security and logistics. The lack of a good rail transport system, challenges at border crossings and delays at the ports all add to the cost of exports. The last element is collaboration between the private sector and the three tiers of government on the definitions, as well as the medium and long term sustainability targets for single use plastics.

6 WAY FORWARD

As the process unfolds, industry players will get the opportunity to identify aspects of the master plan to design and develop growth in its own industry sector. Buy-in is required from the institutions involved and detail will be added to the action plan as it develops.

The team is adopting a social compact approach wherein the final product will have concrete plan and commitments / pledges from all stakeholders prior signing off and this will happen at Executive Oversight Committee level with captains of industry and the Minister.

Ultimately, every single plastics company will need to think out the box, come up with strategies and objectives to grow the plastics industry in South Africa and fulfil its role in the local manufacturing sector. One large initiative will not pull the industry along, it will need many small cogs turning in unison to drive the industry forward.

