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Back to drawing board for long-awaited MIDP

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AS THE trade and industry department gets ready to implement its new industrial policy, one of its flagship components — the Motor Industry Development Programme (MIDP) — will get left behind.

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President Thabo Mbeki yesterday announced that an action plan for the implementation of the long-awaited industrial policy framework had been approved at the cabinet lekgotla.

It is hoped that the industry policy will finally kickstart government's industrial growth plan, seen as key to objectives to accelerate growth to 6% and halve unemployment by 2014.

However, the trade and industry department, for the first time speaking openly about the programme on Friday, admitted that a review, which would inform plans to extend the programme beyond 2012 — when the existing programme comes to an end — was not up to scratch, sending the department back to the drawing board. Asked what was causing the delay in releasing the reviewed MIDP, ministerial spokesman Vukani Mde said the review was completed but it "did not entirely meet the expectations of the department and the process had to be redone".

The midterm review of the programme was undertaken in 2005 and the department has had the independent consultants' report since June last year. It is now understood that the department's attempts to keep all stakeholders in the motor industry happy meant that the terms of reference of the study were simply too broad, yielding a flawed report.

"The terms of reference were diabolical. It tried to do too many things for too many stakeholders," said an unnamed source close to the process. "The stipulation that there needed to be an industry reference group was madness. Industry will obviously try to get everything under the sun and so they started lobbying. Some highly controversial recommendations are contained in the report," the source said.

It is also understood that the treasury is deeply reluctant to see the MIDP continuing because of its cost to the fiscus.

While the review clearly quantified the benefits of the programme for the industry, it paid scant attention to the broader cost of the programme to government. As Finance Minister Trevor Manuel ultimately needs to sign it off, the treasury could stand in the way of any extension to the MIDP.

The trade and industry department has identified the automotive industry as one of the strategic sectors for industrial intervention. As part of this strategic thrust, the department is adamant that the MIDP should be retained.

Officials at the treasury did not want to comment on the issue, but a commentator said the treasury was clearly very aware of the scale of rebates given to the industry, and their cost.

And the MIDP not only costs the treasury in customs duties that are foregone. It has been found that the concessions made to automotive manufacturers — including a ban on the importation of second-hand vehicles — means consumers also have to cough up by paying more for cars. "The concern is not so much fiscal. It is a question of economics. This is an industry that has been protected for 12 years now and one has to look at the social benefit side of it. Does it make sense for the economy?" the commentator said.

The MIDP benefited wealthy multinationals while the positive effect on the economy, in terms of job creation and boosting competitiveness, was rather muted.

Mde said on Friday that the trade and industry department was confident that the content of the MIDP after 2012 would be finalised by the end of the year.

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