



**PRESS RELEASE**

Tellumat

March 11, 2010

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## **Government making the right moves to boost local manufacturing, says Tellumat**

Electronics manufacturer and technology group Tellumat says the government is making the right moves to strengthen the economy through incentives to encourage local productivity.

A new policy unveiled on February 18<sup>th</sup> should energise local manufacturers and reverse the decline caused by cheap imports, says Tellumat CEO Rasheed Hargey. The policy builds on a tax incentive devised last year to reward companies that invest in local research and development.

Hargey says the Industrial Policy Action Plan (IPAP2) announced by Trade and Industry Minister Rob Davies contains some sound initiatives to support local manufacturing.

“This is important for the country as a whole because we can’t just be a consumer; we need to be a developer, a manufacturer for local consumption, and an exporter. The number of jobs in the manufacturing sector has fallen significantly because of imports. This policy looks at how to build up manufacturing capacity again to compete more effectively.”

The action plan to be implemented in April aims to create just under 2.5 million direct and indirect jobs in the next decade. Specifically, the government will enhance access to industrial financing for new investments and will revise its procurement practices to support local content and Black Economic Empowerment.

Hargey says the new policy to support local goods when tenders are awarded is absolutely vital, since the bulk of government tenders currently go to imported items. “Now the government is going to look at how much local input is involved. We have been calling for this for years and every company that has local manufacturing facilities has been singing the same tune. The government is the biggest spender in the country and if it doesn’t support local innovation and manufacturing, then who will?”

Although specific details are still lacking, companies like Tellumat are pouring over the policy document to see how the action plan can help them boost their manufacturing capabilities and output. Sadly it is often cheaper for a manufacturer to scale back its local operations and have everything produced overseas.

“There is a whole push to get companies to manufacture locally at prices that are comparable with the eastern countries. There will be a lot of incentives put in place to create sustainable jobs,” Hargey says. He hopes action will also be taken to encourage South African consumers to actively buy local goods. And this does not mean that the consumer has to compromise on quality either.

The new Industrial Policy Action Plan adds to two effective tax incentives launched in the past few years, says Tellumat’s financial director Graham Meyer.

The first, launched late in 2006, is the Research and Development (R&D) Tax Incentive Programme, run as a joint initiative between the Department of Science and Technology (DST) and SARS. This incentive encourages the private sector to invest in research and development activities.



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"For every R1.00 you spend on R&D, that meets certain criteria, you can claim R1.50 of tax deductions. This means you are saving an additional 14 cents in tax for every R1.00 spent," says Meyer.

The second, launched in mid 2008, is the DTI's Manufacturing Investment Programme (MIP), the objective of which is to stimulate investment within the manufacturing industry. "For capital expansion programmes exceeding 35% of your "base assets" over a 2 year period, where turnover and staff growth are also achieved, a generous tax free grant of up to 30% of the value of qualifying investment costs in machinery, equipment, commercial vehicles, and land and buildings is available," says Meyer.

"These are strong incentives and Tellumat has embraced and made full use of both of them. We invest heavily in R&D and capex anyway, but these are good and aggressive programmes by the government giving us additional encouragement."

*Ends.*

### **About Tellumat**

*Tellumat is an innovative, black empowered, South African technology company that has achieved a B-BBEE Status Level 3 rating, as well as being a "Value-Adding Enterprise" in terms of the DTI's Codes of Good Practice. It consists of three major trading divisions; Communications, Defence and Contract Manufacturing, and three partly owned companies; SIA Solutions (Pty) Ltd, Encee Engineering (Pty) Ltd and SIMpill (Pty) Ltd. Tellumat services three primary market areas, namely wireless voice and data communications, defence communication systems and high precision electronic and mechanical manufacturing. Tellumat is a world-class business focused on innovation, offering our customers dynamic and competitive technology products and services. We focus on understanding our customers' needs and forming long-term strategic alliances with likeminded enterprises worldwide.*

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