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IDC profit drops but China car maker deal spells good news

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THE Industrial Development Corporation (IDC) has been hit hard by the commodities slump and slow global growth, with profits falling 87% to R223m from R1.65bn the previous year.

Revenues fell slightly, from R19.6bn to R19.4bn.

Steel producer Scaw Metals, which is 74%-owned by the IDC, lost R1.1bn. Agrochemicals group Foskor, 59% -owned, lost R568m.

The Kumba iron-ore operation — which produced a R969m dividend in 2015 — offered nothing this time round.

However, IDC CEO Geoffrey Qhena said it was important for the corporation to continue supporting industrial development in SA.

Of the R14.5bn of funding approved in 2016, 45% was for companies in metal products and mining, 33% in chemicals and pharmaceuticals, and 6% for agro-processing and agriculture.

Economic Development Minister Ebrahim Patel, in congratulating the IDC board on its performance last year, made a comment some interpreted as a sideswipe at South African Airways and other dysfunctional state enterprises. "People don't realise how important a board is until it fails in its fiduciary duties," he said.

Meanwhile, the IDC launched a new Chinese vehicle assembly plant in Port Elizabeth on Tuesday. The plant will increase the economic contribution of the motor industry to more than 8% of South African GDP, IDC chairwoman Busi Mabuza said.

The IDC is partnering Chinese vehicle manufacturer Beijing Automobile International Corporation (BAIC) to build an R11bn assembly plant at the Coega industrial development zone.

FOCUS: **Industrial Development Corporation CEO Geoffrey Qhena says it is vital to support industrial development.** Picture: ROBERT BOTHA © Business Day

The plant, which is scheduled to start production in the first half of 2018, is intended to eventually build 100,000 cars, sports utility vehicles and bakkies annually.

BAIC and IDC executives, along with government officials, on Tuesday turned the first sod at the new development.

BAIC will become the first new motor company to undertake vehicle mass manufacture in SA for more than 40 years.

Other companies have entered the market, but only to build small volumes of commercial vehicles. The motor industry including retail, currently accounts for just more than 7% of GDP.

BAIC chairman Xu Heyi said that besides building vehicles for SA's market, the Coega plant would also service the rest of Africa, Europe and Australia.

BAIC is the latest motor company to be seduced by government's Automotive Production and Development Programme, which was introduced in 2013 and has already attracted nearly R50bn in investments and commitments.

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