

Press release for immediate release

DETRIMENTAL EFFECTS OF ROLLING BLACKOUTS ON SA'S PLASTICS INDUSTRY

Johannesburg, 24 February 2023. With the seemingly endless challenges that South Africa and its people face, the driving force behind these challenges seems to be the notorious rolling blackouts that have plagued our country for more than a decade. From manufacturing and production, to retail and education, not a single industry is being left unscathed and unaffected. Plastics SA Executive Director, Anton Hanekom, says that the local plastics industry is no exception when it comes to experiencing the negative impact of relentless interruptions in power supply.

"Our industry is especially exposed when it comes to loadshedding due to the fact that the processing and production of plastics and plastic products are done primarily through thermal processing. This means that high temperatures must be maintained throughout the manufacturing process. However, without power, these high temperatures cannot be effectively reached and maintained, nor is there enough time between scheduled power outages for the machines used to reach the required temperature for the processes to be restarted," Hanekom explains.

Furthermore, when producing and manufacturing large quantities of polymer materials, the extrusion process is required, in which the materials are enriched with additives and melted in order for production to be completed successfully. This entire process comes to a halt when manufacturers experience power outages. While restarting the production process may appear simple, there are serious consequences when machines shut down unexpectedly for extended periods of time.

"During the extrusion or melting process, once the machine shuts down for a three- to four-hour loadshedding stint, the materials that were being processed solidify in the machine. This means that the time required to remove the solidified materials, clear the machine, and prepare to restart the process from scratch is added to the overall production time. A significant amount of time and material is wasted, which has a knock-on effect on operating costs, staffing, and production. Revenues are being eroded and thousands of jobs are being threatened in an industry that is a priority sector and contributes approximately 17 percent of the country's manufacturing GDP," Hanekom explains.

Ripple effects felt by other industries

Plastics are ubiquitous in our lives and can be found in almost every aspect. As a result, plastic manufacturing and use serve as the foundation for other products. When the plastics industry faces such severe challenges, it quickly snowballs and affects other closely related and critical industries, such as the packaging sector, which accounts for half of total plastic polymer consumption in South Africa, followed by the building and construction sector.

"Our country has a number of major packaging producers. However, the challenges extend beyond the financial bottom line of these producers, as effective packaging is important to avoid food waste, extend the shelf life and prevent spoilage or breakage of certain products. We need to start talking about "packaging security" in the same breath as food security. When plastics packaging production suffers, it leads to increased transportation costs, food waste and inflation," Hanekom explains.

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Impact of loadshedding on the recycling of plastics

During the previous reporting period, the country's plastics manufacturing and recycling industries showed a welcome recovery from the devastating effects of the Covid-19 pandemic, indicating a 4.7% growth rate in 2021. Unfortunately, loadshedding threatens to undo these gains and efforts to recoup the industry.

"The recycling process is in essence also an extrusion process based on thermos-processing principles. Profit margins in this industry are already extremely marginal. Add to that rising transportation costs and the need to invest in alternative energy sources such as generators or solar power to stay operational, and our recyclers are being brought to their knees when left in the dark for up to six hours at a time," Hanekom emphasizes. Smaller entrepreneurial companies doing collection and baling do not have the funds for alternative energy sources and this causes further bottlenecks in the supply of recyclables.

Whilst relying on generators for private use can be effective to keep homes operational and the lights on until loadshedding ends, it does not pose an effective long-term solution for large companies that mass produce plastic products. Owing to the high cost of diesel, manufacturers find themselves paying double the tax when they use generators. In 2000 Government started implementing a diesel refund system to provide full or partial relief from the general fuel levy and the Road Accident Fund (RAF) levy to primary sectors such as agriculture. The refund system is in place for the farming, forestry, fishing and mining sectors. However, during the last budget speech, in light of the electricity crisis, a similar refund on the RAF levy for diesel used in the manufacturing process, such as for generators, has been extended to the manufacturers of foodstuffs. We believe this refund must be extended to all manufacturing sectors using generators, to bring much needed relief from the general fuel levy and RAF levy.

The importance of becoming self-reliant

With the country's power utility predicting at least two more years of loadshedding on the horizon, the plastics industry cannot afford to wait on the government to solve its problems. Hanekom says that, as the representative body of the plastics industry, Plastics SA strongly advises plastic producers to find practical and innovative ways of getting around the power supply issues they face. Load curtailment is an alternative solution for companies that get their electricity directly from Eskom and where arrangements exist whereby Eskom can ask energy users to curtail or reduce their power usage up to a certain percentage of the load.

If no other economically viable solutions can be found, at least bargain for longer periods. The industry would welcome loadshedding cycles of 12 hours or more. In other words, switch the supply off for 12 hours but then allow the manufacturers and recyclers to run continuously for 7 days. The stop-start cycles are not the solution for thermo-processing technologies.

"As part of government's Industrial Policy Re-imagined, a [Plastics Industry Master Plan](#) is being developed to put the industry on a growth trajectory. This plan is already three years in the making and sees an active collaboration between industry, labour and government to develop a vision for the industry, identify blockages and constraints, and develop a set of key actions that need to be taken forward over the short and medium term. We are tapping into these resources and partnerships to try and find affordable and workable energy solutions to ensure our industry remains competitive. Whether these solutions involve going off the grid, feeding power back into the grid, or using renewable energy, a viable solution needs to be found and implemented as a matter of urgency if we hope to see any form of success in the future," Hanekom concludes.

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