

Candela Luminescence (Pty) Ltd

CANDELA LUMINESCENCE (PTY) LTD

(Company Registration Number: 2011/103764/07)
Unit 3, 26 Kindon Road, Robertsham, 2190
Email: Honeywill@telkomsa.net
Mobile: 0823891490 or 0832692856

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Mr Allan Wicomb
The Committee Secretary
Standing Committee on Finance
3rd Floor, 90 Plein Street
CAPE TOWN
2001

VIA EMAIL: awicomb@parliament.gov.za

SUBMISSION AND COMMENTS ON DRAFT EMPLOYMENT TAX INCENTIVE BILL

My Company, Candela Luminescence (Pty) Ltd is a small enterprise that manufactures and assembles LED lighting products. We have a small factory in Robertsham, Gauteng, employing a total of 22 persons. Of the 22 employees, 17 are production focused. The company has been operating for just over a year. We design and develop our own lighting products and the local content of our products ranges from 80% local content to 60% local content. All of the materials comprising our lighting products are procured from local suppliers.

Candela is a stakeholder and will directly benefit from the Employment Tax Incentive. In March 2013 the Company received funding from the Industrial Development Corporation of South Africa Ltd ("IDC") totalling R5 million. This funding is provided under the auspices of a Loan Agreement and a TES Sub-Ordinated Loan, and is for the purchase of new capital equipment and working capital.

Prior to the IDC's funding being made available to the Company, we employed 6 assembly workers; 3 Black men, and 3 Black women. Since having access to cost effective funding the Company has employed 8 additional Black women. Of these 8 women employed since March 2013, 7 are under the age of 30. None of the 7 women had permanent employment. They are now permanently employed and have been trained on-the-job to assemble lighting products. These women are multi-skilled in that they can assemble all of the products that we produce. Candela's production workforce is 14 persons and we have recently employed a driver who is 26 years of age and had been unemployed for almost a year.

The nature of our work, being product assembly requiring fine motor skills, positions the company to employ youth. The Employment Tax Incentive provides the Company with an incentive to employ youth and to train and develop young people with no work experience. We don't worry too much about previous work experience. We prefer to offer employment to young adults who have the willingness and the enthusiasm to be permanently employed. In our experience the young adults with aptitude learn quickly and try hard.

GH

The Company enjoys an acceptable level of productivity. We find our employees have a high level of energy and are eager to learn. Therefore, we will take full advantage of the Employment Tax Incentive. We will be employing more people from January 2014 and owing to the Employment Tax Incentive, we will employ as many youth as possible on a permanent basis. Candela will be a good example of how permanent employment for youth can be created in manufacturing and assembly.

I have perused the Bill and I find the language and the clauses to be clear, concise and well worded. There may be some dis-incentive to larger businesses if the entry level wage is linked to sectoral minimum wage levels. We are fortunate that our employees choose not to join a trade union. I am of the opinion that the incentives for employing youth must be separate from centralised bargaining and sectoral wage determinations. This is a unique class of employee where the aim is to encourage employers to employ people who have not had permanent employment and have little prospects of future employment. The aim must be to provide training to youth so that employment is sustainable.

My criticism is that the Employment Tax Incentive alone will not be a sufficient means of enhancing employment opportunities for youth. There needs to be a basket of incentives and interventions. I used to have the policy of wanting to employ a person with a Matric Certificate. I have found that the Matric Certificate is not worth the paper that it is typed on. A Matric Certificate merely demonstrates that the person attended Matric classes and wrote the Matric examinations. I have seen certificates with a 14% mark for Mathematics or 26% for Science.

The South African education system is failing the youth of our country. The education system is not providing young people with the knowledge, skills and competency required for entering into formal employment. If the government over-hauled the education system and placed more emphasis on maths, science and practical technical skills then there will be a competent pool of youth to be employed. Our company is fortunate that we only require good hand-to-eye coordination and adequate fine motor and gross motor skills. Our workplace environment is also safe and the assembly work is straightforward. A more complex manufacturing environment requires a higher level of competency. This level of competency will not necessarily be found in youth.

In my opinion, manufacturers need a suite of incentives to employ youth. We manufacture and assemble finished goods. In our experience retail chain stores are not loyal to buying finished goods made in South Africa for stocking on shelves. Cheap Chinese imports are killing much of SA's industry. The consumer appears to purchase only on price. Quality and performance of the finished goods is a secondary factor. This will not change and the government can't change consumer behaviour. The Treasury Department should consider changing the buying behaviour of major retail chain stores. The Treasury Department needs to consider raising import tariffs for Chinese finished goods where those same finished goods can be made cost effectively in SA.

Our LED lighting products are of superior quality and are the same price as, or more cheaply priced, than the same products imported from China. As long as my business expands I will continue to take advantage of government incentives to employ youth. However, if I have to compete against highly subsidised imported Chinese lighting products in the retail space then I can't expand production. As long as retail stores and government (including SOPs) procure imported finished goods at the expense of locally manufactured finished goods, local companies can't expand production and employ more people.

JH

I recommend to Treasury that in addition to the Employment Tax Incentive, the following is considered:

1. Increasing import tariffs for finished goods that compete against South African finished goods, especially Chinese imported finished goods (heavily subsidised by the Chinese state);
2. Providing a Tax incentive for retail chain stores to purchase SA manufactured finished goods;
3. It should be policy that all SA government departments and SOPs should procure as much SA manufactured finished goods as possible. For example, it would be wise for Eskom to switch from using conventional lighting to energy-saving LED lighting, and those LED lights must be manufactured and assembled in SA.

Unless SA retail chain stores start to buy and sell SA manufactured finished goods, we will not see a significant expansion of manufacturing of finished goods.

Treasury is to be commended on the Draft Employment Tax Incentive Bill. I will be taking full advantage of this incentive and I hope to employ many more SA youth. It is hugely rewarding to give a person permanent employment and to up-skill that person for a lifetime of meaningful employment.

FLEUR HONEYWILL
DIRECTOR AND SHAREHOLDER
CANDELA LUMINESCENCE (PTY) LTD

