



# SOUTH AFRICA'S TOP 10 INVESTMENT PROJECTS



the dti

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA





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**the dti** Campus

77 Meintjies Street

Sunnyside

Pretoria

0002

**the dti**

Private Bag X84

Pretoria

0001

**the dti** Customer Contact Centre: 0861 843 384

**the dti** Website: [www.thedti.gov.za](http://www.thedti.gov.za)



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## TRADE AND INVESTMENT PROMOTION AGENCY (TISA) A DIVISION OF the dti.

The Investment Promotion and Facilitation Unit facilitates the increase in the quality and quantum of Foreign and Domestic Direct Investment by providing:

An efficient and effective investment recruitment, problem-solving and information service to retain and expand investment in South Africa and into Africa.

### INVESTMENT SERVICES

The following are services that can be provided by TISA to the investor:

#### 1. Investment Marketing

Marketing of investment opportunities and the promotion of packaged investment projects. **the dti** undertakes various local and foreign marketing initiatives where projects and opportunities can be presented to investors.

#### 2. Investment Information

For decision-making and planning, foreign and local investors can obtain the following:

- Information on the local economic and business environment.
- Information on investment opportunities within South African sectors and industries.
- Information on incentive packages.
- Information on the local regulatory and legal environment.
- Information of South Africa's trade and investment policy.
- Information on Government policy in strategic sectors.
- An annual investor handbook publication.







### 3. Business Facilitation and Aftercare

Investors, particularly foreign investors require assistance when exploring investment opportunities or setting up operations in the country. TISA can assist with the following:

- Facilitation of visa for business purposes;
- Inter-governmental coordination and regulatory facilitation;
- Facilitation of investment missions, including travel itineraries;
- Introduction to business organisations and service providers;
- Investor Road Map facilitation through dedicated account managers;
- Introduction of investors to key stakeholders in private and public sectors;
- Introduction of investors to potential joint venture partners and black economic partnerships;
- Guidance with plant/site locations;
- Facilitation in obtaining finance and incentives;
- Logistical support for relocation;
- Business linkages and partnership with local and foreign companies;
- Provision of specific solutions to any problems that may arise after the initial investment;
- Advisory support on relocation;

- Aftercare, retention and expansion service; and
- Assistance with work permit applications, company registration and environmental impact facilitation.

### 4. Outward Investment

As part of the Government's objective to assist in the economic development of its neighbouring countries, TISA can assist locally based business to enter into foreign countries by:

- Introduction to Investment Promotion Agencies and Government agencies in Africa;
- Introduction of investors to projects and key stakeholders in private and public sectors in Africa; and
- Project financing and deal structuring with financial institutions.



## INVESTMENT PROMOTION AND FACILITATION CONTACTS

SECTOR	DESIGNATION	NAME AND SURNAME	CONTACTS	E-MAIL
Investment Promotion and Facilitation	Chief Director	Yunus Hoosen	012 394 1032	Yhoosen@thedti.gov.za
Advanced Manufacturing	Director	Swasthi Soomaro	012 394 1362	Ssoomaro@thedti.gov.za
Manufacturing	Director	Charles Manuel	012 394 5474	Cmanuel@thedti.gov.za
Green Economy	Director	Annelize Van der Merwe	012 394 1170	Avandermerwe@thedti.gov.za
Services	Director	Dean Hoff	012 394 1893	Dhoff@thedti.gov.za
Resource Based	Director	Brian Soldaat	012 394 1238	Bsoldaat@thedti.gov.za
Investment Information	Deputy Director	David Aldrich	012 394 1339	Daldrich@thedti.gov.za
Investment Facilitation	Deputy Director	Wilna Barnard	012 394 1329	Wbarnard@thedti.gov.za

### For enquiries, contact:

Trade and Investment South Africa (TISA)

Investment Promotion: +27 12 394 1339/1032

E-mail: [investmentsa@thedti.gov.za](mailto:investmentsa@thedti.gov.za)



## BIOFUELS

The South African Government has set a target to achieve a 2% penetration level of biofuels in the national liquid fuel supply, or 400 million litres per annum. This is set out in the Government's 2007 Biofuels Strategy.

The following crops are proposed for the production of biofuels in the country: for Bioethanol, sugar cane and sugar beet; and for Biodiesel sunflower, canola and soya beans. The exclusion of other crops and plants such as maize is based on food security concerns. The current strategy requires approximately 1,4% of arable land in South Africa – currently 14% of arable land is under utilised.

The biofuels strategy is set to contribute towards the achievement of South Africa's renewable energy goals, energy security and the reduction of greenhouse gas emissions. The Biofuels Industrial Strategy is based on the development of partnerships along the value chain and across all relevant sectors. The Strategy envisages the creation of a reliable

market for fuels from biological sources. Biofuels can be used as blending components in both petrol and diesel production. In the case of petrol, bioethanol can substitute a number of octane boosters currently used by the oil industry; and biodiesel can be used by the synthetic fuels producers and other producers as a blending stock.

The Strategy also relies on the pegging of the sales price of bioethanol and biodiesel as blending components at a price that covers the costs associated with running a biofuels plant, agricultural feedstock and of transportation.

Only biofuels plants that have been identified to assist in achieving the initial target, will receive Government support and their location will be a condition of the issuing of a manufacturing licence. The plants will be located throughout the country, depending on the investor's choice and also as per the condition of licences.









## OPPORTUNITIES

The following incentives are currently in place for biodiesel as a product (separate incentives for producers will be released in the 2013/14 financial year):

- Biodiesel enjoys a 40% fuel levy exemption. This is set to increase to 50% once Government has issued the new guidelines and incentives.
- A 100% fuel tax exemption is proposed for bioethanol as it can also be used in markets other than the traditional petrol market e.g. Ethanol gel that competes with illuminating paraffin. The latter carries no levies.

The producer support mechanism will be used to balance the difference in fuel tax support to bioethanol and biodiesel by setting a fixed margin price.

To ensure that South Africa produces fuel that is more environmentally friendly, support mechanisms for both biofuel production and the upgrade of oil refineries to cleaner fuel standards will be introduced.

## REQUIRED INVESTMENT

To achieve the initial target of 2%, investments of approximately R4 billion will be required over an initial five-year period.



## CONTACT

Green Economy Industries

Director: Annelize van der Merwe

Tel: +27 12 394 1170

Email: [AVanDerMerwe@thedti.gov.za](mailto:AVanDerMerwe@thedti.gov.za)



## BUSINESS PROCESS OUTSOURCING

### OVERVIEW

Since 2007, South Africa has been one of the world's upcoming Business Process Outsourcing (BPO) offshore destinations. Major companies such as Lufthansa, Amazon, ASDA, Shell, and T Mobile have set up captive centres. Providers like Capita, Serco and WNS have acquired, or partnered with, local companies to steer their client work to South Africa's advantageous offering, and new outsourcing deals have been struck, for example, Shop Direct-Serco-Teleperformance and iiNet-Merchants. Much of this has occurred in the last 18 months. Accelerating growth has seen South Africa become a 'go-to' destination.

### KEY BENEFITS

South Africa's unique BPO offering assistance:

- Skilled English-speaking talent in scale, sustainable cost competitiveness and incentives to benefit investors;
- Savings of 50% plus on a steady-state operating basis from UK Tier-2 locations;
- Salaries and real estate costs have remained more or less flat since 2010;

- Up to 20% reduction in operating costs resulted from BPS incentives (£3.5 per FTE); and
- BPS incentives of £13 million committed for offshore jobs created in 2011

### FAST-PACED INDUSTRY MOMENTUM

- 14,000 existing offshore jobs, 18% growth year-on-year between 2010 and 2012
- Ambitious vision to create 30,000 additional jobs by 2015
- Clear successes in serving the UK market with recent marquee wins and spate of inbound M&A activity

### BUSINESS-FRIENDLY ENABLING ENVIRONMENT

- Robust telecom infrastructure with rapidly decreasing telecommunication costs (90% reduction since 2003)
- Monyetla talent development programme generating pool of industry employable talent; 4,500 learners employed
- Relocation planning





- Start-up assistance relating to business set-up requirements, including company registration, visa and various permit applications
- Assisted access with municipal planning services and compliance the necessary municipal and zone building regulations/guidelines
- Assisted regulatory compliance and government services access
- Application support for national and local incentive programmes and benefits
- Labour recruitment and skills development facilitation

## EXAMPLES OF CURRENT DELIVERY



- Customer contact services involving?
- Complex interactions



- Late stage collections product renewals?



- Actuarial modeling, pricing
- Offshore fund administration
- End-to-end order to cash BPO



- LPO for large firms
- Healthcare eligibility services



Platform to provide shared services or access broader markets in the sub-Saharan African region



- Sales and delivery base for the rest of Africa
- Shared services hub

## South Africa's value proposition for BPO delivery

- Mature domestic market
- World-class strengths in financial services and legal domains
- Large experienced pool

- Large scale English language talent pool with neutral accent
- Distinctive strength in driving superior customer experience
- Cultural affinity with UK

- Costs 50-60% lower than source markets
- Market-leading incentives that reduce costs by 20%
- Narrowing cost differential with low-cost locations



- Attractive investment climate and strong public sector support
- Rapidly improving telecoms
- Political and socio-economic stability

- First World infrastructure
- Superior quality of life for expats. Similarities with UK
- Time zone similarities and ease of access



## INCENTIVES PROVIDE SIGNIFICANT FINANCIAL BENEFITS AND FLEXIBILITY IN USAGE

Number of offshore jobs created each year	Incentive	Financial Benefits					
		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Upto 400	Base Incentive <sup>1</sup>	R40,000	R32,000	R32,000	R24,000	R24,000	R16,000
401-800	20% one-off bonus	Bonus calculated for each job between 401 and 800 <sup>2</sup>					
Greater than 800	30% one-off bonus	Bonus calculated for each job in excess of 800 <sup>2</sup>					

### Structure & Quantum

### Eligibility

- Local and foreign investors registered as legal entities in South Africa that create at least 50 offshore BPO jobs over a period of 3 years and are delivering services to clients located outside South Africa
- Types of business processes that can benefit from the incentives include Back Office Processes, Contact Centres, Shared Services, Finance and Accounting Services, Human Resource Functions, IT and Technical Services and other Specialist Services

### Disbursement & use of funds

- Can be used to offset against all types of expenditure at investor's discretion
- Disbursed twice a year for three years for each offshore job created and maintained

- Base incentive paid for 3 years on actual jobs created and sustained
- Bonus incentive paid once in the year in which the bonus level is first achieved

## ADDITIONAL FACTS

	Cape Town	Johannesburg	Durban
Nominal monthly rentals for A grade office buildings (£/m <sup>2</sup> )	7.9	CBD: 5-7 Sandton: 10-12	CBD: 3-5 La Lucia/Berea: 8-10
Differences in average salary of entry-level talent (compared to Cape Town)		10% higher	10% cheaper





	Cape Town	Johannesburg	Durban
Average attrition (annual)	27%	25%	22%
Differences in scalability (Estimate of time required to scale up by 100 FTEs for English language contact centre services)	3 Months	3 Months	3 Months
Entry-level Talent pool : High School Equivalents	33,000	69,000	83,000
Entry-level Talent pool : Annual Tertiary Graduates (Includes non-degree tertiary graduates)	15,000	30,000	27,000

Note: Talent pool representation for the province

Source: Department of Basic Education, Everest Research Institute (2012)

£1,00 = R , US\$1,00 = R , A\$ 1,00 = R ,

(Source: [www.oanda.com](http://www.oanda.com))

## INVESTMENT OPPORTUNITIES

- Call Centres
- Back Office Processing
- Shared Corporate Services
- Enterprise solutions in service lines such as fleet management, knowledge management and asset management
- Science Parks
- IT Incubation Centres
- Knowledge Process Outsourcing
- Legal Process Outsourcing



## CONTACT

Service Industries

Director: Dean Hoff

Tel: +27 012 394 1893

Email: [DHoff@thedti.gov.za](mailto:DHoff@thedti.gov.za)



## CENTURION AEROSPACE VILLAGE

### DESCRIPTION

The broad objectives of the Centurion Aerospace Village (CAV) include the development of a sustainable supplier base by integrating the local industry into the Global Supply Chain, to stimulate high-tech research, development and innovation, skills development, and shared services efficiency, among others.

The CAV, an initiative of the dti was established in mid-2006 as an outcome of the AISI supply chain development programme and it will become a world-class aeromechanical manufacturing cluster. It is a high-tech advanced manufacturing aero-mechanical and defence cluster aimed at integrating sub-tier suppliers of the local industry into the global supply chain. The concept of the CAV is to ring fence sub-tier suppliers in close proximity to Tier 1 suppliers such as Denel and Aerosud.

The CAV initiative is based on international best

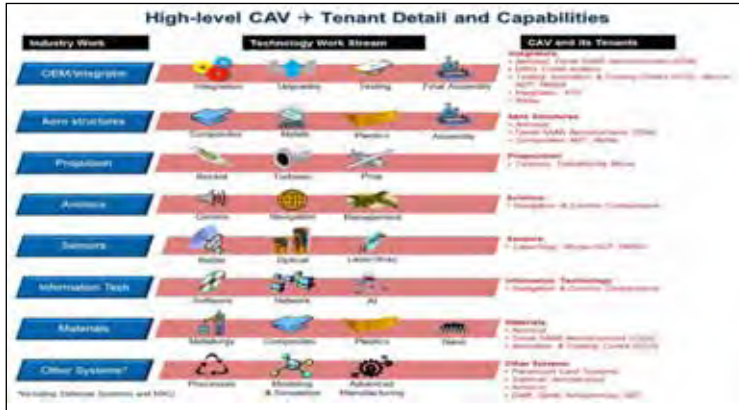
practice, where large numbers of Small, Medium, and Micro Enterprises (SMMEs) are integrated in the Original Equipment Manufacturer (OEM) supply chain by being clustered around the Tier 1 manufacturer such as the one in France using the Airbus assembly facility.

The current focus of this initiative is the development and construction of the Landside (i.e. tenants who do not require runway access).





## OPPORTUNITIES



### FOR ENTRANTS TO INDUSTRY

- Development and mentoring SMMEs
- Broad-Based Black Economic Empowerment (BBBEE) support and promotion
- Skills development
- Economies of scale
- Economies of Agglomeration
- Reducing Lead time
- Network Effect
- Knowledge spill-over

### INVESTMENT REQUIRED

- Phase 1 (infrastructure): Landside and airside infrastructure = R881 million
- Phase 2 (building): Landside and airside building = R498 million + R1.9 billion



## **CONTACT**

Advanced Manufacturing Industries (TISA)

Director: Swasthi Soomaroo

Tel: +27 12 394 1362

Email: [SSoomaroo@thedti.gov.za](mailto:SSoomaroo@thedti.gov.za)

Advanced Manufacturing Sector (ID:PDD)

Chief Director: Nomfuneko Majaja

Tel: +27 12 394 1471

Email: [NMajaja@thedti.gov.za](mailto:NMajaja@thedti.gov.za)



## COEGA INDUSTRIAL DEVELOPMENT ZONE

### DESCRIPTION

To provide a competitive investment location supported with value-added business services that ultimately enable sustainable socio-economic development. Coega's primary objective is Sustainable Economic Development and Job Creation through: Attraction of Foreign Direct Investment; Facilitation of Export Manufacturing; Technology Transfer; Skills Development; Industrial Expansion; Mineral Beneficiation and SMME Development.

Coega Industrial Development Zone (IDZ): a Greenfield site with 11, 500ha of Prime Industrial Estate located adjacent to the Deep Water Port of Ngqura, near Port Elizabeth. The Coega Development Corporation (CDC) also operates the 270ha Nelson Mandela Bay Logistics Park adjacent to Volkswagen South Africa.

### OPPORTUNITIES/KEY INVESTMENT SECTORS

COEGA'S SELECTED PRIORITY SECTORS FOR INWARD FDI	MAIN SUB-SECTORS IDENTIFIED FOR THE BENCHMARKING EXERCISE
Metals / Metallurgical	1. Ferrous Metals 2. Ferromanganese 3. Metals Fabrication and Steel processing
Automotive Services	4. Automotive components and OEMs
Services	5. Business Processing Outsourcing and Offshoring 6. Call Centre Operations
Chemicals	7. Organic (Petrochemicals); Inorganic (Chlorine), plastic conversion, pharmaceuticals and APIs
Agro-processing	8. Food processing 9. Food packaging 10. Aquaculture
Logistics	11. Logistics, Nelson Mandela Bay Logistics Park
Energy	12. Renewable Energy (wind, solar, bio-energy) 13. Combined Cycle Gas Turbine 14. Oil Refinery 15. Peaking Power Plant









### a. AUTOMOTIVES

Coega is the major distribution and processing hub for automotive manufacturing in Southern Africa. The custom secure areas in the IDZ mean that automotive industry investors are able to warehouse, pack, unpack and assemble vehicles or components in a custom secure zone, with the benefit of a suspension on VAT and import duties. This has a direct effect on cash flow for automotive manufacturing companies as indirect costs such as import duties, VAT and other levies only have to be paid once the vehicles or components are moved out of the Coega IDZ.

Automotive manufacturing businesses at Coega benefit from lower production, procurement and supply chain management costs by linking to the fast, reliable and modern port facilities as well as existing road, rail and air links to Southern Africa and beyond.

#### REASONS TO CHOOSE COEGA'S AUTOMOTIVE CLUSTER

- Globally competitive prices and services;
- Best cost solution for component

manufacturers, assemblers, original equipment suppliers and auto logistics specialists wanting to invest in the Southern hemisphere;

- In the heart of one of the world's most diversified automotive industry zones, which include Ford, General Motors, Goodyear, Visteon, Corning and Johnson Controls etc. Close proximity to VWSA and GMSA offers logistical and cost advantages;
- Established export base includes all major world markets;
- Skilled and highly productive workforce;
- Existing logistics infrastructure;
- Customised employee training programmes;
- Established support system, including training colleges, service providers, machine shops, electronics and robotic specialists;
- Duty-free access to key international markets with preferential entry to European market;
- Incentives and grants to support investment through political championship and continuous cooperation between Nelson Mandela Bay Metro, Provincial and National Government and Coega; and
- Purpose-built facilities.







## b. AGRO-PROCESSING

Agro-processing in the Mediterranean climate of Port Elizabeth and surrounds offers many opportunities for investing. South Africa, particularly this region close to the Coega IDZ, enables a diverse agricultural economy with more than 20 ideal agro-processing products and crops including:

- Citrus;
- Deciduous fruits;
- Dairy;
- Vegetables;
- Ostrich products; and
- Wool and mohair etc

**Advantages for agro-processing at Coega include:**

- Readily available raw material including citrus, milk, deciduous fruit, ostrich meat and beef, all within 50km proximity;
- Site positioned to enhance integration of supply chain and is within a 3 to 5km proximity to the well-equipped container terminal makes the site suitable for exportation of food products;
- Overnight just-in-time delivery to SA's major consumer centres — Johannesburg, Durban and Cape Town;

- Serviced and competitively priced land or turnkey solutions;
- 15% - 30% reimbursement of qualifying capital investment (capped at R200 million) on a regressive scale over two years;
- Food logistics companies located in the CCA may benefit from VAT; and
- Duty Suspension

**Citrus production offers many agro-processing opportunities, including:**

- Canning and juicing;
- Dried fruit;
- Peel essential oils;
- Pectin (use of dry citrus and apple peels to produce pectin used in food industry and animal feed);
- Frozen pulp cells; and
- Cattle feed pellets

Over 15 000 hectares of land is used for citrus production in the Eastern Cape, accounting for approximately 26% of South Africa's citrus production. Given the estimated 6kg average local consumption per capita in South Africa (2006), the region's citrus production is predominantly export oriented.







**Milk production agro-processing opportunities include:**

- Processing of Ultra High Temperature (UHT) milk
- Milk powder and cheese
- Yoghurt, cream, butter and dairy drinks

The region has more than 800 milk producers that account for 22% of South African milk production. The region is also a big producer of fish, livestock, ostrich, wool and mohair.

**c. CHEMICAL MANUFACTURE**

**Chemical industry in South Africa**

the dti's chemicals sector development strategy provides chemical companies with an opportunity to spread their risks and move closer to certain markets. South Africa manufactures 300 types of basic or pure chemicals.

The sector is the largest of its kind in Africa and is highly complex and diversified. From a strategic perspective, the sector is segmented into 11 sub-sectors excluding synthetic textile fibres, which is listed under the textile industry. They are, with sectoral production depicted in

brackets: Liquid Fuels (31%), Plastic Products (20%), Consumer Formulated Chemicals (5%), Inorganic Chemicals (8%), Primary Polymers and Rubbers (7%), Pharmaceuticals (8%), Rubber Products (5%), Bulk Formulated (5%), Organic Chemicals (6%), Pure Functional and Specialties (5%) and Fine Chemicals (<1%).

**Pharmaceuticals**

Pharmaceuticals is one of the key chemical industries in the Eastern Cape. Nelson Mandela Bay is home to Aspen Pharmaceuticals, the largest generics manufacturer in the Southern hemisphere and the leading supplier of generic medicines to both the private and public sectors in South Africa. Aspen is one of the top 20 generic manufacturers worldwide and South Africa's number one generic brand.

the dti's industrial Policy Action Plan (IPAP) of February 2011 identified the following key opportunities:

- Domestic production of active pharmaceutical ingredients for key ARVs;
- Local production of reagents for AIDS/HIV



diagnostics, under licence;

- Domestic production of vaccines under licence;
- Domestic production of biological medicines such as erythropoietin, monoclonal antibodies and vaccines; and
- Removing regulatory barriers and constraints to clinical research in South Africa (current market R2 billion per year). Potential market size is R4 billion to R5 billion per year.

### Plastic conversion

South Africa has a strong, established sector specialising in the conversion of primary plastics into end products by means of processes such as injection moulding, extrusion (excluding textiles), rotomoulding and forming. The major products include: flexible packaging, rigid packaging, cables, footwear, pipes, films, flooring, and white goods/electrical, automotive, and electronic components. The plastics industry is highly diversified throughout the province, and includes automotive, packaging, moulding and extrusion, household and construction.

the dti's IPAP of February 2011 identified the following key opportunities:

- Automotive (interiors: products such as carpets and dashboards; and exteriors: products such as bumpers and mirror casings);
- Packaging;
- Medical (drips and syringes);
- Building (pipes, flooring, building sheet, sanitation, woven/netted Polypropylene PPbags); and
- Electrical and electronics (cables, appliances and casing components).

### CDC chemical targets

Based on a demand analysis study on the South African chemical sector, the following sectors have been determined for the Coega IDZ:

- Crude oil refinery and downstream petrochemical products (a downstream petrochemical cluster would have a number of advantages, including low logistics costs, lower input material costs and other opportunities for synergy);



- Chlor-alkali and downstream-related products;
  - Styrene butadiene rubber;
  - Terephthalic acid;
  - Non-packaging plastics;
  - Biodiesel; and
  - Silicon carbide (using petroleum coke from refineries).
- d. **BUSINESS PROCESS OUTSOURCING (BPO)**  
For BPO such as call centre outsourcing, customer service outsourcing, and back office operations, Coega offers world-class advantages in terms of infrastructure, skills and time zone compatibility.

#### World-class BPO facilities

Ideally located for businesses serving Europe, Africa, South Africa and the rest of the English-speaking world, BPO at Coega offers these facilities in a BPO park that accommodates 1 500 seats and covers 16 600m<sup>2</sup>:

- offices
  - training rooms
  - boardrooms
  - data centre.
- offering:
    - Managed Service Centre
    - Provides monitoring and management of ICT Infrastructure
    - Full reporting and performance management
  - Operations Management
    - Service management
    - Service positioning and activation
    - Management of all sectors of ICT infrastructure
  - shops
  - cafeteria and restaurant

#### Offshore BPO advantages

Making use of BPO facilities at Coega means taking advantage of:

- Time zone compatibility;
- South Africa falls within Greenwich Meridian Time +2, which is within an hour or two (depending on daylight saving time) of most of the United Kingdom and Europe;
- Skills;
- Port Elizabeth and environs is home to more than 28 000 English-speaking students;









- English is spoken in a neutral accent acceptable to the British;
  - Afrikaans, which has close links with Dutch, German and Flemish, is widely spoken;
  - Residential and training facilities at Coega cater for contact centre operators from around the country;
  - Contact centres in the region have one of the lowest attrition rates in South Africa, less than 2%;
  - Contact centres in the Eastern Cape are recognised as being some of the most productive in Africa;
  - The Coega skills database lists more than 400 individuals with telephony skills;
  - Infrastructure; and
  - A robust power and telecommunications infrastructure serves the Coega IDZ.
- e. **ENERGY**

There have been significant changes in the South African energy sector with regards to the regulatory and policy framework. Recent developments include the establishment of the second Integrated Resource Plan (IRP), the Medium-Term Risk Mitigation Project (MTRMP), revision of the Renewable Energy Feed-In

Tariffs (REFIT), proposed Independent System and Market Operator (ISMO) Bill, Electricity Regulations on New Generation Capacity and other relevant policies such as the New Growth Path, which places an emphasis on the green economy.

The IRP 2010 was approved by Cabinet in March 2011 and is a 20-year electricity plan, which forecasts the long-term electricity demand and details how this should be met in terms of generating capacity, technology, timing and cost. The IRP focuses on the diversification of energy resources by 2030, whereby the total energy share of coal power will be reduced from the current 90% to 65%, nuclear will increase from 5% to 20%, imported hydro remains at 5%, CCGT from 0% to 1%, OCGT also remains at < 0.1% and renewables increase from 0% to 9%. National Government has embarked on increasing the countries electricity supply from 40,000MW to 85,000MW by 2030, including Eskom's new Build programme. The Coega IDZ has also built momentum on energy projects in both conventional energy (CE) and renewable energy (RE) so as to attract and sustain catalyst investment projects.





### Conventional energy

Eskom has a number of conventional energy projects under way, two new coal power stations (9,000MW), Medupi and Kusile, proposed nuclear power stations (9,600MW), and return to service of three decommissioned coal power stations (1,500MW). Construction for the coal power stations has started and the nuclear project is in its development stages, currently Eskom is carrying out an Environmental Impact Assessment (EIA) for three different sites. One of the proposed nuclear power station locations identified in the EIA is Thyspunt, which is 80km away from the Coega IDZ. The first power station to be brought back to service was Camden and work on the other two is ongoing. In addition, the Department of Energy (DoE) has two planned Open Cycle Gas Turbines (OCGT) fuelled by diesel with a total capacity of 1020 MW, which will be operated as peaking power stations. One OCGT plant (330MW) will be based within the Coega IDZ, adjacent to Eskom's Dedisa sub-station. The OCGT power station will be the first of its kind to be operated by an Independent Power Producer (IPP), through the DoE's initiative of introducing IPPs into the countries electricity supply industry. The CDC has a

Combined Cycle Gas Turbine (CCGT) power station in the pipeline. The planned CCGT plant has a capacity of 1600MW - 2400MW and can be operated as a base load or mid merit power station. The plant will use liquefied natural gas (LNG) as a fuel source; hence it will be coupled with an LNG terminal.

### Renewable energy

In 2003, South Africa set a target of 10 000 GWh (1667 MW) in the SA Renewable Energy (RE) White paper which is the Government's medium-term (10-year) target. This is to be the RE contribution to the final energy consumption by 2013 mainly from biomass, wind, solar and small-scale hydro. Furthermore the IRP 2010 has allocated 42% of new energy generating capacity from renewables over the next two decades, translating to a RE share from 0% to 9% by 2030. ESKOM currently has the Klipheuvel pilot wind farm of 3.2 MW and planned wind farm of 200 MW in the Eastern Cape. In addition, there is a committed build of a 100 MW sere wind farm and 100 MW CSP solar farm planned in the Western and Northern Cape Provinces, respectively. The Department of energy has initiated a 5000MW solar park in



Uptington-Northern province that will incorporate the different kinds of solar technologies.

The DoE, Eskom, National Energy Regulator of South Africa (Nersa) and National Treasury are working on the implementation of RE in South Africa, through foreign investments using the Renewable Energy Feed in Tariff (REFIT). A procurement process to roll out the first 1 025 MW of RE power for IPPs by 2013 is scheduled for finalisation by the end of 2011. The DoE will be the procurer and Eskom being the buyer (Single Buyer Office) in the interim whilst awaiting the establishment of ISMO.

The CDC has a developing RE sector with a 10% target as a contribution to the National Government RE target and seeks to be the province's RE hub. Coega has three wind farm projects in the EIA stage with a planned generation capacity of 183MW: Project 1, Electrawinds from Belgium already has a 1.8MW operational Vestas wind turbine in Zone 9 of the Coega IDZ, but in total it will have 25 Turbines (3MW). Project 2 from France is implementing development of 15 Turbines

(3 MW) while Project 3 from Sweden is developing 20 Turbines (3 MW). Other RE projects include a 12 MW Photovoltaic (PV) farm with Biomass to electricity projects in the pipeline and these investments are REFIT dependant. The Coega RE sector also entails component manufacturing that includes Solar Water Heaters, wind turbine and solar components, distribution and assembly investments for the future to establish technology localisation.

f. **METALS**

South Africa has a wide range of resources with a unique advantage in mineral and metal resources. Not only does the country have a considerable portion of the world's known reserves of alumino-silicates, chromium, iron ore, gold, manganese, platinum-group metals, vanadium and vermiculite, but it is also rich in antimony, fluorspar, phosphate rock, titanium and zirconium. South Africa is the world leader in mining and minerals, with the lion's share of global reserves and production. Our wealth has been built on the country's vast resources – nearly 90% of the platinum metals on earth, 80% of the manganese, 73% of the chrome,



45% of the vanadium and 41% of the gold. Over a century of expertise in mining has made South Africa the world's leading producer of a range of minerals and metals. And there's still huge potential for the discovery of other mineral deposits in areas yet to be exhaustively explored and benefited.

#### Investment opportunities

- For the beneficiation of the countries minerals the IDC has allocated two zones for primary metal investments. Zone 6 a Ferrous Metals Cluster (1051ha) has been designated to attract iron, steel, ferro-alloy (FeMn, FeCr and FeNi) and stainless steel manufacturers, while Zone 5 has been demarcated for non-ferrous metals (758ha)
- Independent studies have identified the Coega IDZ location for metal sector investments are technically feasible and economically viable for the following production plants:
  - Iron and carbon steel manufacturing
  - Stainless steel manufacturing and strip-mill
  - Ferro-Chrome Smelter
  - Ferro-Nickel Smelter
  - Ferromanganese Smelter

#### CONTACT

Manufacturing Industries

Director: Charles Manuel

Tel: +27 12 394 5474

Email: CManuel@thedti.gov.za







## MANUFACTURING: DESIGNATION OF SECTORS AND PRODUCTS FOR LOCAL PRODUCTION IN THE PUBLIC SECTOR PROCUREMENT SYSTEM

### DESCRIPTION

Public procurement is a strategic instrument widely deployed by developed and developing countries to enhance and smooth out certainty of demand over the years; promote competitive industrial capabilities with high employment and growth multipliers; diversify the economy towards more employment-intensive and value-adding activities and ensure value for money for the fiscus and society.

Public procurement is one of the key industrial levers in the IPAP. The revised Preferential Procurement Policy Framework Act (PPPFA), which came into effect on the December 7, 2011, empowers the Minister of Trade and Industry to designate industries, sectors and sub-sectors for local procurement at specified levels of local content.

The designation policy instrument is one of a suite of policy levers designed to increase support for domestic manufacturing. Sectors already designated for local production with minimum local content thresholds are rail rolling stock, power pylons, bus bodies, canned/processed vegetables, certain pharmaceutical products, furniture and products, as well as the textile, clothing, leather and footwear sectors.

### OPPORTUNITIES

The Department of Trade and Industry (the dti) announced in February 2013 the further designation of valves, manual and pneumatic actuators, and electrical and telecommunication cables, as well as components of solar water heaters, for local production and content to part of the public-sector procurement system.









Sectors Already Designated*	Minimum Local Content Thresholds		
Description		Date	
1. Rail Rolling Stock	65%	16-07-12	
2. Power Pylons	100%	16-07-12	
3. Bus Bodies	80%	16-07-12	
4. Canned/Processed Vegetables	80%	16-07-12	
5. Textile, Clothing, Leather and Footwear Sector	100%	16-07-12	
6. Certain Pharmaceutical Products	Per Tender	07-12-11	
7. Set-top Boxes***	30%	26-09-12	
8. Furniture Products	80%	15-11-12	

\* Instruction notes already circulated by the National Treasury

\*\* Instruction notes not yet circulated and under consideration by the National Treasury

\*\*\* Minimum thresholds for local production of DTT Antennas and Satellite DTH Dish Antennas have set 100%



Sectors Ready for Designation**	Minimum Local content Thresholds	Sectors at Research Stage for Designation	
Description		Description	Target Date
Power and Telecom Cables	90%	Energy Efficient Lights	05/06-13
Solar Water Heaters (Components)	70%	Tissues	05/06-13
Valves, Manual and Pneumatic Actuators	30-100%	Prepayment Meters	05/06-13
		Medical Textiles	05/06-13
		Coated Paper	04-13
		Sanitary towels and similar articles	05/06-13
		Plastic Products	05/06-13
		Building and Construction Materials	05/06-13



## CONDITIONS TO BE NEGOTIATED WITH INDUSTRY

- Preferred bidders such as OEMs should give medium to long-term contracts to the local suppliers;
- Local industry must commit to make the necessary investments towards modern manufacturing techniques and industry upgrading;
- Local industry should commit to (in the first phase) job retention and creation of new job opportunities;
- OEM should commit to skills and technology transfer to the local manufacturers;
- Industry should be price competitive; and
- Industry should commit and gear itself towards being internationally competitive.



## CONTACT

Manufacturing Industries

Director: Charles Manuel

Tel: +27 12 394 5474

Email: [CManuel@thedti.gov.za](mailto:CManuel@thedti.gov.za)

Fleet Procurement (ID:PDD)

Chief Director: Tebogo Makube

Tel: +27 12 394 3927

Email: [TMakube@thedti.gov.za](mailto:TMakube@thedti.gov.za)



## DUBE TRADEPORT

### DESCRIPTION

Dube TradePort is the only facility in Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels and an agricultural area. Located 30km north of Durban, Dube TradePort is positioned between the two biggest sea ports in Southern Africa and linked to the rest of Africa by road and rail.

A responsible master developer Dube TradePort Corporation is committed to meeting regulatory environmental obligations and greening all aspects of Dube TradePort. It includes widespread usage of solar panels and the harvesting of rainwater from existing and future buildings, as well as a major rehabilitation project that will see 600ha of land restored to its natural pristine status within a three-year period. This endeavour alone exceeds South Africa's national target of rehabilitating 500ha over five years. Dube TradePort's philosophy of sustainable planning provides an attractive proposition for Private Sector investment in the development of Africa's first purpose built aerotropolis.

### OPPORTUNITIES

Dube TradePort is a passenger and airfreight hub and offers the following development zones:

**King Shaka International Airport** - One of the world's few Greenfield airports, it currently has the capacity to handle 7.5 million passengers per annum (and 45 million passengers by the last phase of the development). It has the longest sea-level runway (3.7km) in the country, capable of accommodating the latest new generation wide-bodied aircraft.

**Cargo Terminal** - Dube Cargo Terminal is the most secure and state-of-the-art cargo terminal in Africa and Part 108 accredited. State-of-the-art ramp-handling equipment ensures faster turnaround times for freighter aircraft. The terminal has the capacity to handle 100 000 tons per annum, with the ability to expand to two million tons by 2060.

Included within the 15,800 square metre Cargo Terminal is the most advanced refrigerated perishable handling facility in South Africa, which ensures cold







chain integrity, therefore significantly reducing the perishability of fresh produce. This facility has the capacity to handle 30 000 tons per annum.

**Dube City** - Dube City is the first purpose-planned aviation-related city in Africa. Currently in its first phase of development, Dube City comprises a 12ha site that will increase to 24ha when completed. Dube TradePort's own headquarters, 29° south, are situated at the heart of Dube City and incorporate office, hospitality, entertainment and retail experiences. They set the standard for a minimum four-star green rating by the Green Building Council.

Land use has been planned to include a mix of hotel, conference, entertainment, retail and knowledge-intensive companies and company head offices, together with fully reticulated fibre-optic cabling to deliver unparalleled voice and data connectivity. The city is supported by more than 107 000 square metres of parking.

**TradeZone** - Is a state-of-the-art industrial sector, adjacent to the Cargo Terminal which houses freight-forwarding and air-cargo-related businesses. It's the

first trade zone in the world where freight forwarders and shippers are all located within a single facility with direct airside access. This 26ha, specialist freight-orientated precinct offers premium airside real estate, giving manufacturers, assemblers, warehouse users and distributors of air-related cargo a distinct competitive advantage by significantly reducing transit time, goods handling and potential stock losses. The TradeZone consists of 45 stands ranging between 4,250 and 8,000 square metres. Stands may be consolidated, where deemed appropriate. All are level and fully serviced, with developers needing only to connect to infrastructure such as water, electricity and storm water drainage.

**AgriZone** - A 20ha development with 16ha of greenhouses for flower and vegetable production, a tissue culture lab, nursery and research centre. It's an IT integrated high-tech agricultural cluster that hosts the largest climate-controlled growing area on the continent. 16ha of climate-controlled glass-covered growing facilities produce vegetables and flowers for the local and export markets. The quality of produce is consistently superior and ensures continuity of supply with high yields all year round. The pack houses









provide facilities to pre-cool, wash, grade, sort and pack fresh produce ahead of distribution. Ranging in size from 1 500 square metres to 2 000 square metres, they also include short-term transit cold storage amenities.

A state-of-the-art tissue culture facility is also available to develop new plant breeds, ensuring constant innovation of plant stock. The AgriZone is the most technologically advanced future farming platform in Africa and ensures the freshest possible produce after harvesting.

**Dube iConnect** - Dube iConnect provides state-of-the-art telecommunications, IT and value-added services to the community of users in and around Dube

TradePort, ensuring fast global connections 24/7. It is committed to achieving the highest standards of quality, performance, security and support.

It offers the most advanced metro Ethernet network in the country. As a fully licensed ICASA service provider, the precinct supports direct connection to high-speed international gateways through commercial partnerships with Tier 1 service providers. Tier 3 data centres utilising the latest generation of virtualisation technologies provide high availability business continuity services, structured to significantly offset capex and opex costs.



## CONTACT

Service Industries

Director: Dean Hoff

Tel: +27 12 394 1893

E-mail: [DHoff@thedti.gov.za](mailto:DHoff@thedti.gov.za)

Mlibo Bantwini

Tel: +27 12 32 814 0000

E-mail: [Mlibo.Bantwini@dubetradeport.co.za](mailto:Mlibo.Bantwini@dubetradeport.co.za)



## EAST LONDON INDUSTRIAL DEVELOPMENT ZONE

### DESCRIPTION

Innovation, Efficiency, Growth and Sustainability are key to the East London Industrial Development Zone's (ELIDZ's) reason for existence. Established in 2003, as part of the South African Government initiative to improve industrial competitiveness and economic growth in the country, the zone has become a prime industrial park in South Africa, renowned for its customised solutions for various industries, including automotive, agro-processing and aquaculture. The ELIDZ offers growth-oriented companies a specialised manufacturing platform, innovative industrial and business solutions access to new markets and strategic industry networks.

The South African IDZ programme was initiated by the dti to develop South Africa's export capability and global competitiveness. An IDZ is defined as: "a purpose-built industrial estate linked to an international port or airport which encourages investment in export-oriented manufacturing industries." Each IDZ is uniquely positioned to take advantage of the locations'

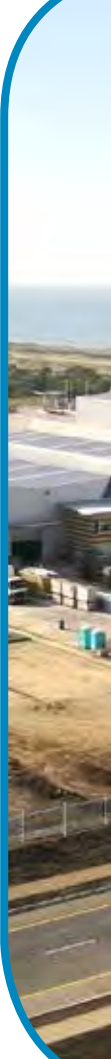
transport; infrastructure capabilities and natural resources while offering access to strategic markets.

The ELIDZ, one of the country's leading specialised industrial parks, is located in Buffalo City, the municipal area that also incorporates Bhisho, the province's capital and King William's Town. It is the first of four IDZs in South Africa to be operational and represents an ideal choice for the location of exported manufacturing and processing. Its location provides investors with connections to major markets, locally and across the globe.

### INVESTMENT OPPORTUNITIES

#### a. AGRO-PROCESSING

The Eastern Cape is South Africa's main livestock province and provides 30% of SA's wool and 80% of mohair. Dairy farming provides 20% of SA's production of milk. The province has the only significant allocation of land suitable for plantations still available in South Africa, approximately 120 000ha. Sawmill activities account for 23% of SA's forestry and







logging production. The extensive billion rand investment by the Steinhoff furniture group in the Eastern Cape timber industry is further proof of the opportunities available within this sector.

The area also lends itself to excellent results with multispan greenhouse production and is currently a leader in hydroponic tomato production. South Africa has an extensive natural endowment and offers tremendous opportunities to process natural plants for cosmoceutical, nutraceutical, phytopharmaceutical and essential oil purposes.

#### Opportunities

- Dairy production
- Red pepper
- Wheat
- Beef
- Chicory
- Essential oils

#### Features

- Close proximity to extensive forestry activities
- Close proximity to mohair-producing areas
- Abundant availability of raw material supplies
- A strategic Government-supported timber project

#### b. AQUACULTURE

South African aquaculture production is still relatively low estimated at 3 500 tons in 2006, with a market value of R218 million with approximately 1 800 direct (on-farm) jobs. This can be increased to 90 000 tons and a market value of R 2,4 billion with job potential of 44 000 direct (on farm) jobs over a 10 – 15 year period.

The ELIDZ is best suited to develop a marine aquaculture cluster. ELIDZ already has an established abalone farm representing over three years of research and experience in farming abalone. The ELIDZ has access to sea water of a good standard as well as the opportunity to tap into existing municipal







infrastructure for the delivery of sea water to potential land based aquamarine farms and hatcheries. It also possesses some of the most valuable sites for the establishment of grow-out facilities as temperate waters lend themselves to good growth rates for marine fin fish. There is limited scope for species contamination (in certain species) due to coastline being along migratory routes of the wild stocks. The ELIDZ is in close proximity to a world-class best practice research facility (Rhodes University).

### Opportunities

- The establishment of marine fin fish hatcheries
- The establishment of marine fin fish grow-out facilities
- The establishment of a research facility for the development and propagation of new species for farming
- The establishment of a research facility for the development of alternative supplies of fishmeal for marine fin fish
- The establishment of a research facility for the development of biofuels from the by-products of the recirculatory marine fin fish farming processes
- The establishment of an internationally

accredited processing facility for fish and fish products

- Research into the possibility of sea-based aquaculture projects for relevant species

### c. ICT AND ELECTRONICS

The Information and Communication Technology (ICT) sector is fast becoming an important contributor to the country's gross domestic product (GDP); making it one of South Africa's future economic growth drivers. The South African Government has identified that the ICT sector is of strategic importance to the future growth and prosperity of the country's economy.

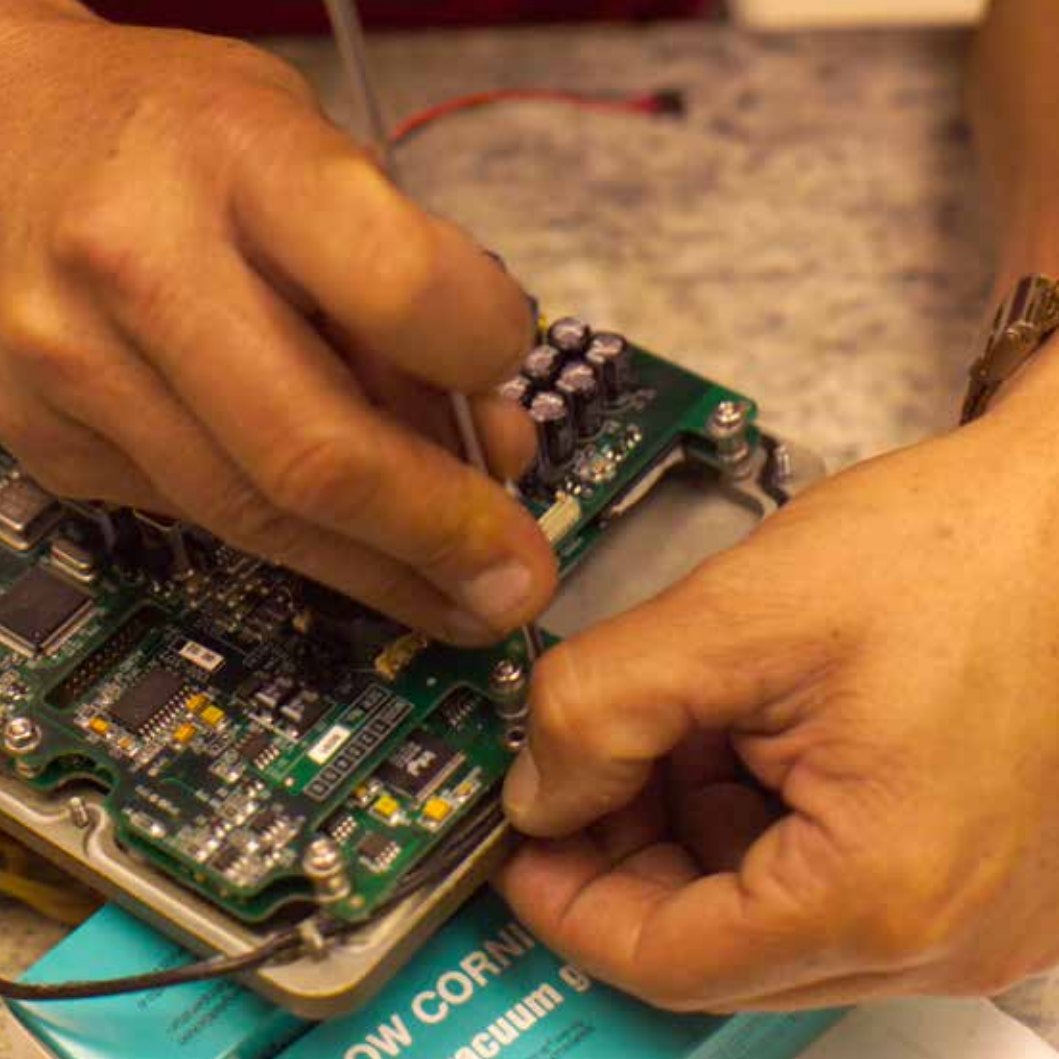
The ELIDZ is well positioned to attract investors looking to set up world-class ICT and electronics facilities in South Africa.

Taking a decision to locate your ICT investment into our world-class industrial park will enable you to have access to:

- World-class purpose-build infrastructure facilities
- Services from our state-of-the-art ICT node room
- Expertise and knowledge for industry role players in East London









- Our planned Science and Technology Park that will enable our ICT investors to have that ultimate competitive edge

### Opportunities

- Automotive Electronics: Manufacture of electronic systems and control modules, navigation systems, instruments
- Consumer Electronics: TV, radio and communications assembly in IDZs for export
- IT Hardware: CD, cell phone manufacture
- Machine Tools
- Technology Incubator: Support for IT and internet entrepreneurs through a technology park, supported by a university ICT faculty.
- Telecommunications: BPO
- IT Professional Services (including custom software application development and maintenance)
- Computer Software (packaged software products – cross industry and vertical market applications);
- Voice-over IP (VoIP)
- Wireless software (financial transactions over cellphones phones)
- Motor relays and pre-payment metering (develop expertise due to problems with payment of electricity and water bills)

- Electrical machinery (Electronic equipment and Appliances, Electric transformers, Electric hair-care devices, Portable electric lamps , Electric hairdryers
- Electric coffee and tea makers, Electric toasters

### d. RENEWABLE ENERGY

Large tracts of available land for the generation of renewable energy, competitive feed-in tariffs, abundant natural resource availability and suitable raw material supply for manufacturing make the Eastern Cape a strategic location for renewable energy industries.

This, coupled with the ELIDZs advanced research on the sector and successful projects already implemented in the zone, make for a strategic location for renewable energy industries, both from a feedstock and equipment production point of view, as well as the production and transfer of renewable energy.

Custom-made Renewable Energy industry solutions include;

- Serviced land for the provision of world class purpose built infrastructure for use by Renewable Energy component manufacturers







- Development of relevant Renewable Energy skills to support all industry in the ELIDZ.
- Shared services to exploit economies of scale for cost reduction for Renewable Energy companies
- Streamlined access to Government incentives
- A centre for Renewable Energy that will fast-track the development of skills needed for the industry

#### e. PHARMACEUTICALS

Domestic production meets about 55% of pharmaceutical demand, South Africa is an attractive export base into less politically stable Southern African nations, particularly with new Pharmaceutical Inspection Convention and Pharmaceutical Inspection Co-Operation Scheme (PIC/S) membership boosting GMP standards.

The Eastern Cape pharmaceuticals industry is small but strong, with a core of internationally respected names, including Johnson & Johnson, Aspen Pharmacare, Bodene, CliniSut and Condomi. Aspen Pharmacare has its manufacturing base in the province and has become the largest South African producer

of generic drugs. The manufacture of generic drugs will continue to grow worldwide as patents expire and demand increases in South Africa and in other developing countries.

#### Opportunities

- Establishment of an Active Pharmaceutical Ingredient (API) facility
- Chemical production for the public health sector as well as for exports.
- Various processing industries based on extraction/utilisation of aloe plant readily available in the Eastern Cape
- Establishment of new facilities for new product development.

#### f. GENERAL MANUFACTURING

The ELIDZs location in the Eastern Cape, the automotive hub of South Africa, has enabled us to design world-class solutions for investors in the General Manufacturing sector. General manufacturing makes up a significant portion of the provincial economy and is primarily driven by the needs of the automotive sector, which is the biggest manufacturing sector in the Eastern Cape.





General Manufacturing investors looking to tap into the rich opportunities in this sector – the state-of-the-art industrial park – is the best location for this investment, which will enable access to the following:

- World-class custom-built infrastructure facilities;
- Shared logistics;
- Waste management;
- World class security; and
- A robust research and development programme through our planned Science and Technology Park.

The primary objective of the Multi-model OEM is to attract multiple automotive OEMs to assemble, through a world-class dedicated assembler, for the local and export market. The strategic intent being to leverage existing import volumes to assembly of such to create local jobs, increase and deepen component suppliers as well as to increase utilisation of local inputs, increase specific skills and export to offset current negative trade balance on automobiles.

The MMOEM in ELIDZ comprises an efficient, flexible vehicle assembly plant using world class

technology with the capacity to assemble 65,000 vehicles per annum encompassing a variety of low volume and /or niche Passenger and Light Commercial Vehicles to world standards on a mutually cost-effective basis, operated by a world-renowned Contract Assembler.

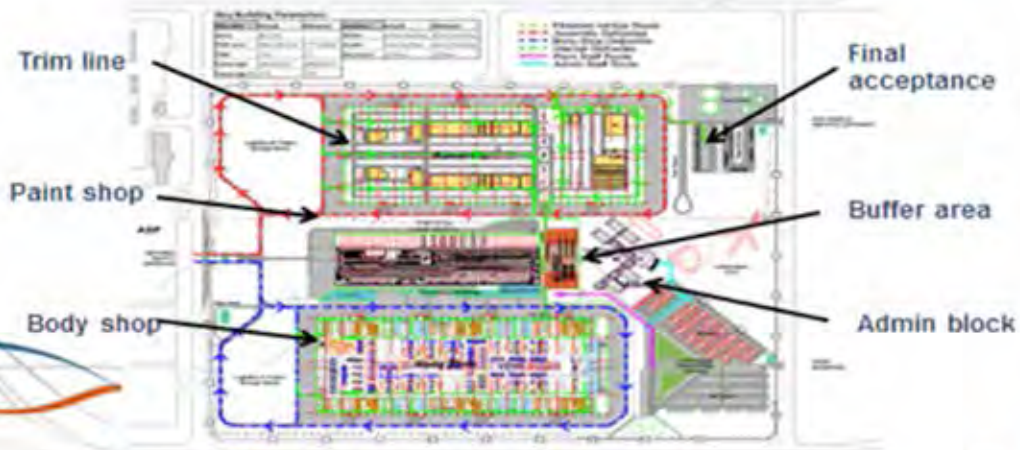
The Multi OEM plant will be a world-class assembly plant catering for the needs of three to four different OEMs in assembly of their dedicated 1 or 2 models per OEM for the local and export market. This will take place through the co-utilisation of infrastructure consisting of paint shops, assembly lines, pre-assemble space, common supply chains and distribution as well as increased local content through local South African companies.

#### **Benefits To Component Manufacturers**

- Dedicated utilities and other services that are designed to assist and stimulate auto sector industrial productivity, expansion and export competitiveness.
- Time and cost savings arising from shared logistical and supply chain arrangements
- Comprehensive package of industry support assistance, including substantial national

g. MULTI-MODEL ORIGINAL EQUIPMENT MANUFACTURE (OEM)

## Multi Model OEM facility Plant Lay-out and Flow





trade and export promotion incentives including favourable import tariffs due to trade-agreements as well as preferential procurement designation of passenger and light commercial vehicles

- Close proximity to local OEMs with easy access to road, rail and air transport; assembly is done closer to markets: South Africa, SADC and Sub-Saharan Africa
- Established base of automotive skills in the Eastern Cape

### Opportunities for an OEM

The ELIDZ has set aside a zone in close proximity to the ASP to house two to three OEMs where leaner operations can be realised as well as greater efficiencies and cost savings.

The following benefits would be realised:

- Multi-brand production with shared services thereby reducing costs;
- Focus on niche products with low volumes where applicable;
- Lowering of infrastructure investment and increased flexibility;
- Improved and stable supply chain process; and

- Decreasing inventory and holding cost as the ASP is within a kilometre.

Target market is 160,000 imported fully built passenger and light commercial vehicles. Technology is available to meet multi-platform assembly requirements. Plant is designed for annual production capacity of 65,000 vehicles on five different platforms — small passenger vehicle, pick-up to minibus. MMOEM will be operated by world-renowned Contract Assembler.

### Investment required

Total projected investment is R7.0 billion over three years

Plant and Equipment = R3.3 billion

Working Capital = R0.6 billion

Building and Infrastructure = R3.1 billion





## CONTACT

Manufacturing Industries

Director: Charles Manuel

Tel: +27 12 394 5474

E-mail: [CManuel@thedti.gov.za](mailto:CManuel@thedti.gov.za)

Deputy Director: Sake van der Wal

Tel: +27 12 394 1483

E-mail: [Svdwal@thedti.gov.za](mailto:Svdwal@thedti.gov.za)

Tembela Zweni

Executive Manager: Zone Development

Tel: +27 12 82 494 0029

E-mail: [Thembela@elidz.co.za](mailto:Thembela@elidz.co.za)



## GREEN ECONOMY

### a. SOUTH AFRICAN RENEWABLE ENERGY INDEPENDENT POWER PRODUCER PROGRAMME

#### DESCRIPTION

In order to address South Africa's increasing energy needs, the Government has developed an IRP 2010-2030 which is a coordinated schedule for generation expansion and demand-side intervention programmes, taking into consideration multiple criteria to meet the country's electricity demand. In addition to all existing power plants (including 10GW committed to coal), the IRP provides for 9,6GW of nuclear, 6,3GW of coal, 17,8GW of renewable energy and 8,9 dedicated to other generation sources – this means that approximately 42% of the electricity generated in the country should come from renewable sources. The IRP will be revised once every two years to allow for changing circumstances.

Large parts of South Africa's western and southern coasts and inland areas have economically viable wind energy prospects.

The scale and maturity of the global wind industry have made this a cost-competitive energy option compared not only to other renewable technologies, but also to many fuel-based technologies. While unpredictable, wind does not use water and can be installed relatively quickly. Like solar photovoltaic (PV) it is complemented by electric energy storage. Solar power is particularly attractive for South Africa, given the country's high solar resource. Concentrated Solar Thermal (CST) power is a promising renewable energy generation option in South Africa, but is relatively small on a global scale.

To meet the commitments of the IRP, the Renewable Energy Independent Power Producer Programme (REIPPP) to procure 17,8GW of renewable generation capacity by 2030 was launched by the DoE in August 2011. The REIPPP, combined with the completion of the technical work for solar and wind energy manufacturing strategies, provides a significant opportunity for South Africa to become a major





manufacturer of componentry of renewable energy projects which will not only put electricity on the grid, but will also support industrialisation and job creation. It will also contribute to meeting South Africa's greenhouse gas emission reduction commitments.

The following technologies are considered as qualifying technologies for selection under the IPP Procurement Programme:

- Onshore wind
- Concentrated solar thermal
- Solar photovoltaic
- Biomass solid
- Biogas
- Landfill gas
- Small hydro

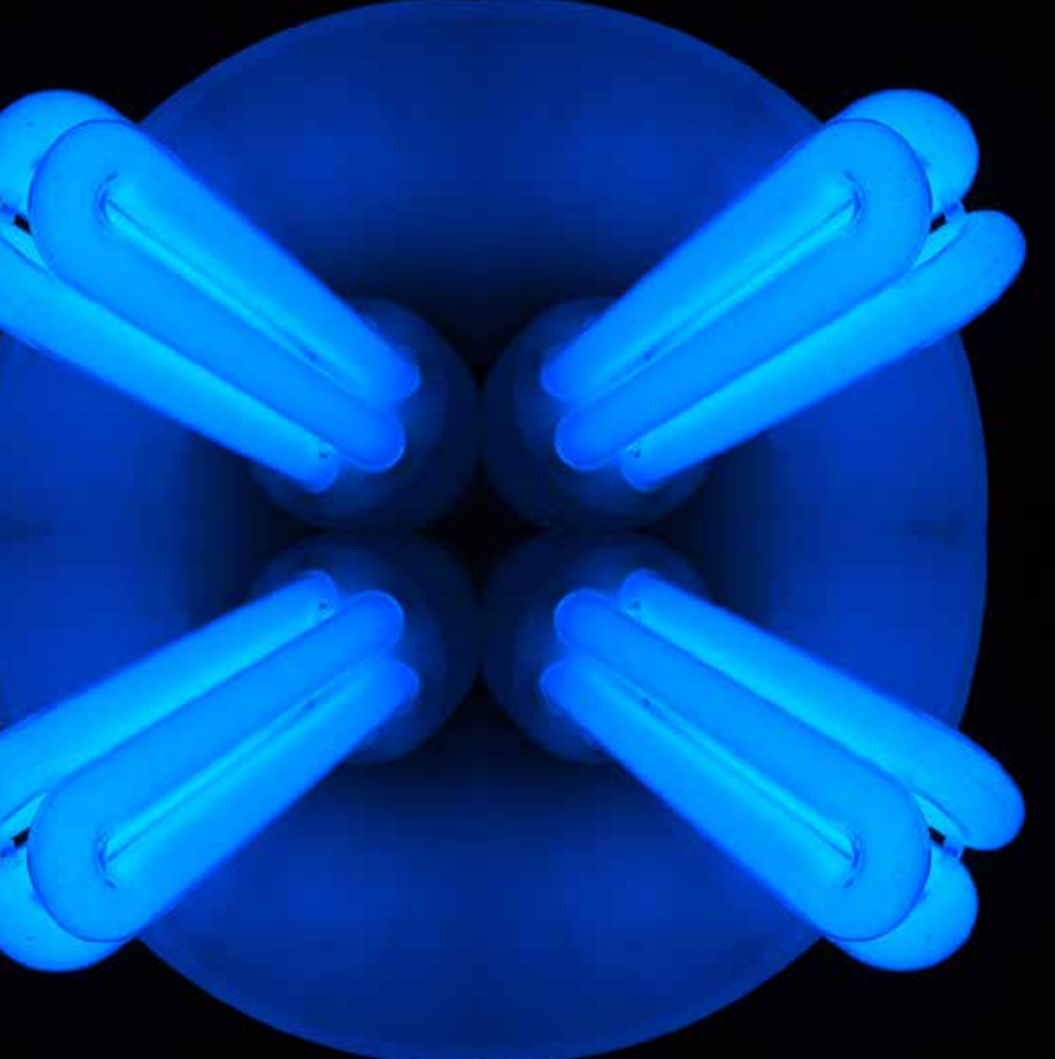
Projects under Window 1 of the IPPP resulted in investment in power generation of R47 billion.

**The total value of the SA Renewable Energy sector is valued at approximately R80 billion.** Independent economic and sector research organisations such as Business Monitor International, forecast the growth in South Africa's non-hydro renewables industry at 29%

for capacity and 89,5% for generation for the period 2012-2021. This will be driven mainly by the wind and solar sectors.

The Government has embarked on a programme of upgrading the technical and physical infrastructure to create an enabling environment for the development of the renewable energy sector. Standards for wind turbines are being developed, facilities' testing is under way and standards for solar power are also being developed. To contribute to job creation and local economic development, the REIPPP stipulates requirements for a certain percentage of local content in each of the bidding rounds. These local content requirements are determined according to the South African Bureau of Standard's (SABS) technical specifications and are calculated according to the value that is added locally.

Eskom facilitates connections to their grid for both renewable energy and co-generation projects. By August 2011, Eskom had accepted 321 connection applications for renewable energy projects, representing more than





27,000MW. More than 75% of this capacity is from wind applications. Applications to access the Eskom grid are handled in three stages:

- Applicants contact Eskom and apply for access;
- Eskom issues a Cost Estimate letter in response to the application – this is followed by the generator Budget Quotation and eventually the connection agreement (this will either be for distribution or transmission); and
- Operation of the generation plants commences

#### INVESTMENT REQUIREMENTS

Due to South Africa's legislative environment, the renewable energy procurement programme is run as a competitive bidding process instead of offering a feed-in tariff (FIT). Interested companies, therefore, have to submit their bids through the REIPPP, which has been divided into a series of rounds. It is expected that there will be 5 rounds in total although this will depend on the availability of generating capacity after the conclusion of the third round.

**Submission for Round 3 of the REIPPP will close on 19 August 2013** – this has already been postponed twice due to constraints from both the industry and the Government's side. It is envisaged that from 2013, there will be one bidding window per financial year (running from April until March).

#### THE BIDDING LANDSCAPE

Due to the nature of the bidding process, the first two rounds have been very competitive with prices for wind and solar energy generation showing significant reductions.

Under the REIPPP the total allocation for **onshore wind power** was 1 850MW. After 633,99MW was awarded in Window 1 and a further 562,60MW in Window two, the total remaining allocation is 653,41 for subsequent windows. The average price was 114c/KWh in Window 1 and 89c/KWh in Window 2.

The total allocation for **solar photovoltaics (PV)** is 1450 MW. Of this, 631,53MW were awarded in window 1. The second window awarded 417,10MW and the remaining allocation is





therefore 401,37MW for subsequent windows. The average price in Window 2 was 165c/KWh compared to 275c/KWh in Window 1.

the dti is in regular contact with various local and international players in this industry. Many foreign companies, from developers to operators, EPC contractors and manufacturers have established a presence in South Africa. Most of these companies have formed partnerships with local companies to strengthen their local content requirements in the bidding process. the dti can help introduce prospective investors to potential local partners.

Prior to assessing the RFP, each prospective bidder will have to pay a non-refundable fee of R15,000 and they have to submit a registration form. All relevant bidding documents and briefing documents can be downloaded from the dedicated website: [www.ipprenewables.co.za](http://www.ipprenewables.co.za).

#### LOCAL CONTENT REQUIREMENTS

The table below sets out the overall content requirements for each of the technologies and bidding rounds.

Technology	First Bid		Second Bid		Third Bid	
	Current threshold	Current target	Threshold	Target	Threshold	Target
Onshore wind	25%	45%	25%	60%	40%	65%
Solar Photovoltaic	35%	50%	35%	60%	45%	65%
Solar CSP without storage	35%	50%	35%	60%	45%	65%





Technology	First Bid		Second Bid		Third Bid	
CSP with storage	25%	45%	25%	60%	40%	65%
Biomass	25%	45%	25%	60%	40%	65%
Biogas	25%	45%	25%	60%	40%	65%
Landfill gas	25%	45%	25%	60%	40%	65%
Small scale hydro	25%	45%	25%	60%	40%	65%

In Round 3 of the bidding process, **the local content requirements will be split further in terms of key equipment and balance of plant.** For wind, the split is 13% threshold and a target of 50% for key components and a threshold of 80% and target of 90% for balance of plant.

For solar, the threshold for key components is 17% and the target 50% and for balance of plant it is the same 80-90 split as for wind.

In Round 2 an amount of R11,8 billion out of a total amount of R28,1 billion has been committed in terms of local content – this was for the 19 approved projects with an allocation of 1,044 Mw.



The table below illustrates the remaining allocations for each of the renewable energy sources:

Technology	MW allocation in accordance with the Determination	MW capacity allocated in the First Bid Submission Phase	MW capacity allocated in the Second Bid Submission Phase	MW capacity for allocation in future Bid Submission Phases
Onshore wind	1 850.0 MW	634.0 MW	562.5 MW	653.5 MW
Solar photovoltaic	1 450.0 MW	631.5 MW	417.1 MW	401.1 MW
Concentrated solar power	200.0 MW	150.0 MW	50.0 MW	0.0 MW
<b>Small hydro (≤ 10MW)</b>	75.0 MW	0.0 MW	14.3 MW	60.7 MW
<b>Landfill gas</b>	25.0 MW	0.0 MW	0.0 MW	25.0 MW
Biomass	12.5 MW	0.0 MW	0.0 MW	12.5 MW
Biogas	12.5 MW	0.0 MW	0.0 MW	12.5 MW
<b>Total</b>	<b>3 625.0 MW</b>	<b>1 415.5 MW</b>	<b>1 043.9 MW</b>	<b>1 165.6 MW</b>

#### MANUFACTURING OPPORTUNITIES

##### Technology Key Components/Equipment

##### Onshore wind

- Meteorological mast
- Turbine tower
- Turbine nacelle (including interior fittings, exterior fittings and drive train)
- Blade

#### PV

- Solar modules
- Mounting frames
- Inverters
- Transformers
- Control and Tracking control for tracker frames



### CSP

- Solar concentrators and mounting
- Heat receiver
- Heat transfer fluid and handling system
- Electrical generation system (including generator, steam turbine and ancillary equipment) Condenser and cooling system
- Thermal storage system
- Distributed Control System Pumps,
- Motors and auxiliary steam cycle equipment
- Water treatment plant

### Biomass

- Boilers Fuel storage and handling system (including conveyors)
- Electrical generation system (including generator, steam turbine and ancillary equipment)
- Water treatment plant

### Biogas

- Gas Engine/turbine and generator
- Digester tanks
- Flare

### Landfill Gas

- Gas Engine and generator
- Gas wells and piping
- Flare

### Small Hydro

- Turbines
- Generators
- Hydro-mechanical plant (penstock and steel gates)

### SMALL PROJECTS INDEPENDENT POWER PROCUREMENT

In the Determination for the Renewable Energy Procurement Programme, the Minister allocated **100MW of the 3725MW to the procurement of small projects, which individually have a maximum contracted capacity of 5MW**. The projects with a generation capacity of not less than 1MW and not more than 5MW utilising the following technologies shall be considered as qualifying technologies for selection under this Small Projects IPP Procurement Programme:

- onshore wind
- solar photovoltaic
- biomass
- biogas
- landfill gas



## b. SOLAR WATER HEATER PROJECT

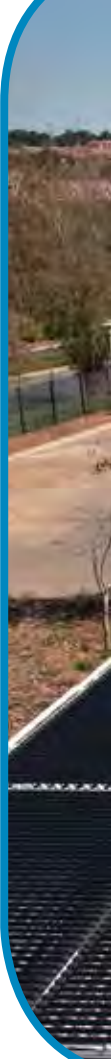
The Government's solar water heating (SWH) programme currently under way is managed by Eskom – the “SWH Rebate Programme”. Further, a fiscus funded SWH programme through a Division of Revenue Act (DoRA) allocation is currently rolled out in various municipalities (City of Tshwane, Sol Plaatje and Naledi). The private sector is also contributing to the Government's SWH programme and certain commercial banks, insurance companies and benevolent donors are driving various SWH initiatives in different parts of the country. The key immediate barrier to increased uptake is high upfront-capital cost of systems coupled with limited funding available.

In response to this hindrance, the South African Minister of Energy, during her 2012 budget vote speech, pronounced a **Standard Offer incentive scheme** that will fund all **Energy Efficiency and Demand Side Management (EEDSM)** interventions. This scheme is aimed at creating an expanded opportunity

for attracting the much-needed sustainable financial stimulus into the programme. SWH is among the allowable technologies.

Through engagements with Eskom, Nersa, and DoE is fine-tuning a funding model to ensure that this tariff funded scheme is implemented. This will enable leveraging other funding sources from local and international financiers. To ensure a smooth transition into the new incentive scheme, a phase-in approach for the integration of the standard offer and rebate programmes will be adopted. This approach as well as timelines for its implementation is being worked on by Eskom, DoE & Nersa.

The mass rollout of SWHs is slow but gaining momentum compared to the commencement of the programme. **From April to 31 December 2010, 26,768 rebate-funded SWHs have been installed while about 30 974 systems have been installed since the advent of the programme in November 2008.** These figures are spread across the country.







### THE REBATE MECHANISM

The system's Q-factor (capability to replace electricity) is considered when calculating the rebate. Rebates will be provided as long as funds are available. Discounts vary according to the size of the system installed and its associated electricity saving potential or capability to replace electricity. **Rebates currently range from R3,280 up to R8,964 depending on the system purchased.** The rebate is calculated based on these test results – but it also takes into account the affordability of systems and attempts to provide consumers with a five-year payback period.

The (rebate formulae) calculation factors in the prime interest rate and projected electricity tariff increases. This formula allows one to compare same-sized systems to each other – based on consumption assumptions. Please note that the rebate value will be reduced at the start of each new year, based on market influences.

### c. ENERGY EFFICIENCY AND INTEGRATED DEMAND MANAGEMENT PROJECTS

In light of the energy-constrained future facing South Africa, Eskom's Integrated Demand Management (IDM) business unit established its **Standard Offer Programme** as a key initiative in support of improved energy efficiency.

The Standard Offer is a mechanism used by Eskom for acquiring demand-side savings under which Eskom shall pay for verified energy savings using a pre-determined and pre-published rate in c/kWh for the implementation of an approved technology.

The Standard Offer will:

- Pay for energy savings at a published rate
- Focus on the 16 daytime hours between 6am and 10pm, weekdays only
- Have contract duration of three years







Any energy user (customer), Project Developer or Energy Service Company (ESCO) that can deliver verifiable energy savings, from 50kW to 5MW, can propose projects and, if successful, shall be paid the fixed amount per kWh over a period of three years. Achieved savings will be verified by an authorised, independent measurement and verification (M&V) organisation.

It should be noted that the Standard Offer does not replace the existing Eskom IDM application process. An ESCo may elect to propose a project either through the existing IDM process or the Standard Offer process. The rate/kWh for energy savings will be fixed per technology group as per Nersa requirement.

Following on from the success of the Pilot Programme, which was Phase 1 and focused specifically on energy savings created through lighting initiatives, Eskom has now expanded the programme into Phase 2. It will now encompass a number of other technologies where additional savings can conceivably be achieved.

Initially, the Standard Offer pilot programme only allowed for energy-efficient lighting systems as part of the offer. Approval has now been obtained to add the following technologies to the offer in Phase 2: **building management systems; hot water systems; industrial and commercial Solar Water Heating (SWH) systems; and process optimisation.**

The total approval amounts to R250 million, with each technology class being limited by the approved Nersa R/MW benchmark of R5.25m/W. The Rm8.74 that was allowed for industrial and commercial hot water systems are based on a derivative of the current SWH rebate system.

#### ENERGY-EFFICIENT LIGHTING SYSTEMS

IDM will continue with its energy efficient lighting programme in Phase 2. The drive towards such systems can be as simple as the replacement of incandescent light bulbs with compact fluorescent lamps (CFLs); and old tubes (T12) with T8 and T5 fluorescent tubes can have a major impact on efficiency. Other options include making use of low wattage down





lighters, installing daylight sensors for external and high mast lights and the installation of light sensitive passive infrared sensors and dimmers, where appropriate.

### **BUILDING MANAGEMENT SYSTEMS**

Building management systems that are able to control ventilation and lighting also have a role to play. By focusing specifically on buildings and implementing greener technologies where available, needless electricity consumption can be reduced. The key area for such systems is in the control of heating, ventilation and air-conditioning (HVAC) systems. Improvements can be made on these systems by optimising chillers to increase their coefficient of performance (COP), utilising heat pumps for water heating and installing variable speed drives to control the HVAC units.

Copper pipes can substitute for aluminium and steel ones and heat pumps can also be used for space heating, instead of the more traditional resistance heaters. The focus here should be on the provisioning of sensors to monitor the temperature, as well as thermostats to switch

systems on only when they are required. This means that the optimum use of energy can be achieved.

### **ELECTRICAL HOT-WATER SYSTEMS**

Industrial heat pumps offer enormous potential for energy reduction. Typically, heat pumps absorb heat from the air outside and transfer it to a heat exchanger that warms water inside the building. Heat pumps use relatively small amounts of energy compared to the amount of heating they provide, because they do not make heat; they just move it from one place to another. This means that the only energy they use is the electricity to drive the compressor/pump that circulates and compresses the refrigerant fluid, as well as the fans that circulate the outside air. Heat pumps can save up to 67% of the electricity used by a normal geyser to heat water. Shower heads, control systems and insulation, also forms part of this category.

### **PROCESS OPTIMISATION**

Industrial process optimisation involves the fine tuning of the manufacturing process in line with world-class benchmarks. The aim is



**to achieve a greater efficiency per product unit produced.** Specific technologies can be employed to further optimise and increase the efficiency of the manufacturing process. The first of these is more efficient motors.

In addition, variable frequency drives (VFDs) are solutions for controlling the rotational speed of alternating current (AC) electric motor fans that are primarily used for ventilation. Non-efficient fans can be replaced by more efficient ones, with vanes and pitch controls that are designed in a more aerodynamically efficient manner. Another area where processes need optimising is in the use of compressed air in the mining and manufacturing fields. An energy-efficient compressed air system is obtained by evaluating system requirements, matching the supply to the requirements, reconfiguring inefficient uses and practices (such as throttling and open blowing) and replacing or supplementing existing equipment. Electric motors of less than 22kW, used on pumps, ventilation fans and hydraulics can also be replaced with energy-efficient ones.

## LED DOWNLIGHTERS

A focus on LED downlighters forms an important part of the IDM programmes. LEDs (Light Emitting Diodes) provide a highly efficient solution in terms of the amount of light it produces compared to the energy it requires (lumens versus watt). The Standard Offer mechanism will be used to contract for the mass replacement and sustainability of pre-approved LED downlighter technologies in the commercial and industrial sectors.

Eskom pays for savings obtained through the implementation of LED downlighters at a rate of 55c/kWh for savings achieved between 06h00 and 22h00 weekdays, over a period of three years.

Still fairly new and unproven despite its advantages and promising opportunities for energy efficiency, the quality, performance, reliability and sustainability of LED products are important considerations for Eskom when supporting this technology through its various IDM programmes. For a product to be considered part of the Standard Offer







Programme, compliance with Eskom's minimum technical specification (240-41679717: Downlighter Lamp Technical Specification for General Lighting Services) is required. In addition, the following is required as basis of the technical evaluation of proposed products:

- Technical data specification sheet;
- Letter of Authority (LOA), where applicable; and
- Valid test reports by an independently recognised test laboratory based on SANS/IEC testing standards, performance standards and safety standards.

Main performance parameters to be included in the test report are light output (lumens), power input (W), power factor, voltage, harmonic distortion, colour rendering index, lumens maintenance and rated life.

It is required that product samples be submitted together with the technical information specified above; if deemed necessary, the samples will be evaluated to measure the parameters as stated in the minimum specification document.

The National Cleaner Production Centre-SA promotes the implementation of **resource efficiency and cleaner production (RECP)** methodologies. In this programme, companies are assisted to identify opportunities to lower production costs by means of reduced energy, water and materials usage, and more efficient waste management.

The Centre was the dti's first key industrial sustainability programme. Since its inception, it has been responsible for introducing RECP and related activities in industry sectors aligned with Government's IPAP. Its approach also contributes to the objectives of the dti's National Industrial Policy Framework (NIPF) and the Customised Sector Plans (CSP).

#### d. WASTE MANAGEMENT AND WASTE TO ENERGY

The waste management industry is one of the main contributors to the 'green economy'. The industry comprises industrial waste management and recycling. A South African industrial recycling strategy aims to explore and enable industrial development opportunities in





the recycling sector, which involves the collection and processing of used waste materials into new or secondary products and/or the recovery of energy with the aim of preventing wastage of potentially useful materials; and reducing the consumption of fresh raw materials, energy usage, air pollution (from incineration) and water pollution (from land filling) by minimising the need for 'conventional' waste disposal and lowering greenhouse gas emissions from landfill sites.

In November 2011, the South African Cabinet approved the Department of Environmental Affairs' National Waste Management Strategy (NWMS). The strategy is one of the implementation mechanisms for the National Environmental Management Waste Act (59 of 2008). The NWMS is structured against a framework of eight goals. An action plan that sets out how the goals and targets will be met forms part of the strategy, and the actions include roles and responsibilities for different spheres of Government, industry and the civil society.

The eight goals are:

- Promote waste minimisation, re-use, recycling and recovery of waste;
- Ensure effective and efficient delivery of waste services;
- Grow the contribution of the waste sector to the green economy;
- Ensure that people are aware of the impact of waste on their health, well-being and the environment;
- Achieve integrated waste management planning;
- Ensure sound budgeting and financial management for waste services;
- Provide measures to remediate contaminated land; and
- Establish effective compliance with and enforcement of the Waste Act.

For each goal a target for 2016 has been stipulated. This includes a target of reducing waste to landfills by 15% by 2016.

The goal to grow the contribution of the waste sector to the green economy intends to stimulate job creation and broaden participation



Recycle



by SMEs as well as marginalised communities in the waste sector. In line with the Green Economy Plan, measures will be implemented to strengthen and expand the waste economy so that it can generate and sustain jobs as well as formalise existing jobs in the waste economy. The targets for 2015 are to create 69 000 new jobs in the waste sector and ensure that 2600 additional SMEs and co-operatives participate in waste service delivery.

Various municipalities around South Africa are starting to approach waste management in a more integrative and innovative way. Municipalities such as the City of Johannesburg have already implemented waste to energy projects. The City of Johannesburg has entered into a public private partnership for the construction and operation of a waste treatment facility and waste to energy project. The investment required for this project was between R2 billion and R10 billion and the PPP was therefore the best way to secure this funding.

It is expected that construction of the first treatment plant facility will begin in August 2013

and the facility is expected to be operational by 2015. A high-level site identification has been completed and three sites have been shortlisted, with a detailed assessment still to follow: for this reason the location of the sites cannot be revealed at present.

Benefits of the project will include: the reduction of waste going to landfill, with 500 000 tonnes projected to be diverted; renewable energy, with a potential of 60 to 75 megawatts being generated; revenue from sales of by-products such as bio-energy, heat and recyclables; the potential to earn carbon credits; job creation – 400 jobs are expected to be created in waste recovery and 80 on the technical side; strong localisation and skills transfer, private party expertise and capital of between R2 billion - and R10 billion raised.

The Western Cape government's Green Cape initiative is currently busy developing a toolkit to assist municipalities in the province with waste management projects and strategies.





## CONTACT

Green Economy Industries

Director: Annelize van der Merwe

Tel: +27 12 394 1170

E-mail: [AVanDerMerwe@thedti.gov.za](mailto:AVanDerMerwe@thedti.gov.za)

Green Economy Industries (ID:PDD)

Chief Director: Gerhard Fourie

Tel: +27 12 394 1151

E-mail: [GFourie@thedti.gov.za](mailto:GFourie@thedti.gov.za)



## RICHARDS BAY INDUSTRIAL DEVELOPMENT ZONE

### DESCRIPTION

The Richards Bay Industrial Development Zone (RBIDZ) is a purpose-built and secure industrial estate on the north-eastern South African coast. It is linked to an international sea port of Richards Bay, tailored for manufacturing and storage of goods to boost beneficiation, investment, economic growth and, most importantly, the development of skills and employment. The IDZ aims to encourage international competitiveness through tax and duty-free incentives, as well as world-class infrastructure.

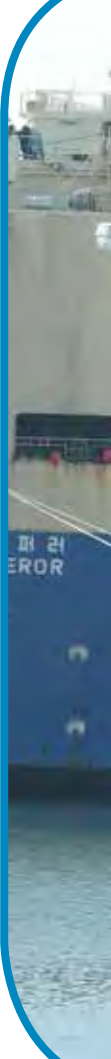
### INVESTMENT OPPORTUNITIES

Owing to the areas of wealth and availability of raw materials such as heavy minerals, pine (more suited and used for timber logging, furniture and structural timber), eucalyptus (gum) and wattle trees (more suited and used for pulp and paper production), various grades of unprocessed granite blocks (and other minerals) shipped for export through the Port, RBIDZ aims to intensify investigations of opportunities for further up/downstream beneficiation and production of value-added goods for export markets.

### a. MANUFACTURING SUB-SECTORS

The manufacturing sector focuses largely on basic iron and steel, paper and printing, as well as food and beverages. The sector is characterised by highly sophisticated manufacturing processes, while its large-scale industrial strengths comprise a varied industrial base of coal terminals and aluminium smelters, coupled with an impressive number of industries, inclusive of mining companies and paper mills, forestry and the production of raw materials handling equipment, as well as fertilizer and special chemicals production. A number of investment opportunities exist in a range of priority sectors, including aluminium, metals fabrication, capital and transport equipment, assembly, capital goods, plastics, pharmaceuticals, chemicals, rubber, recycling and the like.

Given availability of raw materials, semi-processed products as well as manufacturing and raw material processing operations established in the region, the RBIDZ Company







will investigate opportunities for further downstream beneficiation and production of value-added goods for export markets. The range will include the following sub-sectors:

- **Aluminium:** Drawing Hot Molten Aluminium from BHP Billiton's Hillside Smelter for production of aluminium powders, sintered aluminium powder metallurgy products, aluminium castings components such as automotive wheel rims, gearbox housing and similar.
- **Heavy minerals:** Drawing Titanium Slag from RBM for production of Titanium Dioxide as a pigment for coating (paint) products. Drawing of Titanium Slag and Ferrochrome from RBM and Tata Steel for production of high-performance alloys in terms of wear, corrosion and heat resistance and their further downstream processing for production of mechanical components.
- **Forestry:** Timber beneficiation to produce wood pulp, paper, furniture, masonite boards and bio-fuel products.
- **Granite:** Production of value-added granite products: Polished granite slabs, tiles and other granite masonry products.
- **Food and Beverage**

## b. RESOURCE-BASED INDUSTRIES

South Africa is recognised as a global centre for mining excellence as a result of its abundant deposits of platinum, vanadium, chrome zinc, titanium, phosphate rock, nickel, granite rock, manganese and gold. More than 80% of these nationally mined products are exported via the Port of Richards Bay, while KwaZulu-Natal is itself rich in mineral resources, including ilmenite, zircon, rutile, leucoxene and low manganese pig iron. The mining of these minerals provide wide-ranging opportunities for downstream mineral beneficiation.

## c. AGRICULTURE AND AGRO-PROCESSING

The region's agricultural sector is a significant contributor to South Africa's GDP. It is the second-most labour-intensive sector following manufacturing. There exists a number of varied investment opportunities, such as forestry and timber-related industries, paper and pulp, furniture, wood pellets, citrus, organic sugar, vegetables, tropical fruits, macademia nuts and tequila.



## CONTACT

Resource Based Industries

Director: Brian Soldaat

Tel: +27 12 394 1238

E-mail: [Brrians@thedti.gov.za](mailto:Brrians@thedti.gov.za)



## SALDANHA BAY INDUSTRIAL DEVELOPMENT ZONE

### DESCRIPTION

The Saldanha Bay Industrial Development Zone (SBIDZ) will be an Oil and Gas and Marine Repair engineering and logistics services complex, serving the needs of the upstream Exploration and Production service companies operating in the oil and gas fields in Sub-Saharan Africa.

Situated approximately two hours north of Cape Town, the SBIDZ will include logistics, repairs and maintenance, and fabrication activities.

### SBIDZ High-level overview of activities: 2013 to 2017

<p><b>Maintenance and Repair Services</b></p> <ul style="list-style-type: none"> <li>Maintenance, repair, upgrade and conversion of rigs and other vessels, parts and structures               <ul style="list-style-type: none"> <li>– Inspection, certification</li> </ul> </li> </ul>	<p><b>Fabrication Services</b></p> <ul style="list-style-type: none"> <li>Structures, subsea manifolds</li> <li>Spare parts</li> </ul>
<p><b>Communal Services</b></p> <ul style="list-style-type: none"> <li>Property development</li> <li>Customs clearance</li> <li>Marketing and administrative functions</li> <li>Security, medical, food and retail</li> <li>Utilities, waste management, transport</li> <li>Road and quay access</li> </ul>	<p><b>Supply and other Services</b></p> <ul style="list-style-type: none"> <li>Bonded warehousing / storage</li> <li>Scheduling and forecasting</li> <li>Logistics and transport – sourcing and forwarding (air, ship, rail and road)</li> <li>Lifting, stacking, moving</li> <li>Pipe coating and upsetting</li> <li>Tugging / piloting</li> <li>Project and engineering services (e.g. EPC)</li> </ul>







## OPPORTUNITIES

<b>Industrial Land</b>	<ul style="list-style-type: none"> <li>• Serviced land – bulk infrastructure servicing each site within the zone</li> <li>• Greenfield development – flexible size options available</li> <li>• Lots of space – more than 100 ha available in first phase</li> <li>• Long term lease – lease periods long enough to recoup investment in infrastructure</li> <li>• Affordability – below market rental rates because of government investment</li> </ul>
<b>Purpose Built Infrastructure</b>	<ul style="list-style-type: none"> <li>• Custom design to suit Upstream Oil and Gas and Marine services</li> <li>• Heavy load bearing roads and sites</li> <li>• Customer / site specific infrastructure offered (warehousing, specialised workshops)</li> </ul>
<b>Dedicated Port Access</b>	<ul style="list-style-type: none"> <li>• Dedicated transport linkage, directly with quayside terminals / facilities</li> <li>• Wide roads &amp; turning circles, heavy load capacity</li> <li>• Designed to compliment port functions – logistics, ship &amp; rig repair, off-land services</li> </ul>

- Focus on attracting oilfield and marine services investors
- First major oilfield companies already in land allocation discussions
- Dedicated industry support from Government, industry bodies and Ports Authority
- Proximity to sophisticated engineering base, including companies already servicing the industry





## CONTACT

Services Industries

Director: Dean Hoff

Tel: +27 12 394 1893

E-mail: [DHoff@thedti.gov.za](mailto:DHoff@thedti.gov.za)

Laura Peinke: Business Development

Tel: +27 21 487 8644

E-mail: [laura@sbidz.co.za](mailto:laura@sbidz.co.za)



**A** **SUN:** The sun symbolises a roof that houses the five emerging countries. The colours of the sun rays symbolise the bright future of BRICS as they will be meeting under the African sun.

**B** **FIVE SUN RAYS:** The rays of the sun represent the five BRICS countries as they are in their developmental stages and “emerging” economies.

**FIVE COLOURS:** The colours of the symbols represent the five member states. The unique attributes of the colours reflect the differences between the countries.

**C** **SYMBOLS:** The symbols in the Ndebele culture are an expression portraying communication and emotion. You will find these symbols painted in traditional Ndebele houses, clothes and beads. This identical use of the symbols is indicative of the equal partnership of the BRICS countries. The Ndebele is a tribe derived from the Nguni people in Southern Africa.

**D, F** **YEAR, LOCATION:** Specification of the host city and country where the fifth BRICS Summit will be taking place.

**E** **DESCRIPTOR:** BRICS (Brazil, Russia, India, China, South Africa).



**the dti** Campus  
77 Meintjies Street  
Sunnyside  
Pretoria  
0002

**the dti**  
Private Bag X84  
Pretoria  
0001

**the dti** Customer Contact Centre: 0861 843 384

**the dti** Website: [www.thedti.gov.za](http://www.thedti.gov.za)



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA

