



WHEN THE SUN RISES  
WE WORK HARD TO DELIVER

# EKANDUSTRIA INDUSTRIAL PARK REVITALISATION

## Progress & Proposed Approach

October 10, 2022



economic development  
& tourism

MPUMALANGA PROVINCE  
REPUBLIC OF SOUTH AFRICA



## *State of the Park's Infrastructure & Buildings*

### **Infrastructure**

- ❖ Landfill site is currently unlicensed and not operational.
- ❖ The Waste Water Treatment Works requires major refurbishment, proper management & maintenance.
- ❖ Underground pipes and electricity supply infrastructure is old, and requires constant repairs;
- ❖ Roads and fire prevention/management infrastructure poorly maintained.

### **Industrial buildings: 101 large factories and 31 small factories**

- ❖ 20% of the factories are in very poor condition, whilst 20% are said to be in a very good condition.
- ❖ 30% of the factory buildings are in a poor state and 30% of the portfolio is in a good condition.
- ❖ This means about 50% of the buildings require 132 factory buildings require refurbishment.

## The Park's Performance

### Occupancy, employment, debt and revenue generation

- ❖ Occupancy level as at the end of March 2022 was 53% (which way below what it should be).
- ❖ Number of people employed in the park is 2 239, mostly from the Ekangala area.
- ❖ Accumulating municipal debt: Debt currently sits at +/-R160 million. The debt has been accumulating since 2016 and has recently been growing at accelerated rate of about 30% per annum as demonstrated in the table below. Clearly the park is currently struggling to meet its operating costs.

Accumulation of municipal debt: 2020/21 – 2021/22				
Financial year	Bulk services purchase charges by Tshwane (Including rates)	Revenue collected from services charges	Variance	% Loss
2020/2021	R 99 269 000,00	R 70 343 000,00	R 28 926 000,00	29,14%
2021/2022	R 107 121 839,00	R 73 687 542,00	R 33 434 297,00	31,21%
2020 - 2022	R 206 390 839,00	R 144 030 542,00	R 62 360 297,00	30,21%

## The Park's Performance (.... continued)

❖ Persistent rental under-collection.

Financial year	Invoiced	Collected	Variance	% Collected
<b>2006/2007</b>	R 14 388 880,79	R 11 100 582,63	R 3 288 298,17	77,15%
<b>2007/2008</b>	R 16 950 153,41	R 15 158 624,39	R 1 791 529,02	89,43%
<b>2008/2009</b>	R 21 075 597,53	R 16 886 442,39	R 4 189 155,14	80,12%
<b>2009/2010</b>	R 21 505 769,20	R 18 052 477,53	R 3 453 291,67	83,94%
<b>2010/2011</b>	R 22 910 155,92	R 19 327 095,96	R 3 583 059,96	84,36%
<b>2011/2012</b>	R 23 846 587,16	R 18 783 896,53	R 5 062 690,63	78,77%
<b>2012/2013</b>	R 23 369 345,70	R 19 779 573,90	R 3 589 771,80	84,64%
<b>2013/2014</b>	R 23 220 476,13	R 20 159 991,13	R 3 060 485,00	86,82%
<b>2014/2015</b>	R 28 172 900,80	R 22 054 242,34	R 6 118 658,46	78,28%
<b>2015/2016</b>	R 30 747 628,25	R 22 227 476,21	R 8 520 152,04	72,29%
<b>2016/2017</b>	R 31 542 399,19	R 21 963 580,47	R 9 578 818,72	69,63%
<b>2018/2019</b>	R 27 057 857,41	R 18 832 232,56	R 8 225 624,85	69,60%
<b>2019/2020</b>	R 25 416 768,37	R 16 029 051,97	R 9 387 716,40	63,06%
<b>2020/2021</b>	R 25 940 509,25	R 15 605 343,27	R 10 335 165,98	60,16%

## Challenges

### Key challenges include:

- ❖ Financial losses and inability to cover current operating costs due to deficiencies in the current operating model;
- ❖ Inability of MEGA to turn the Park around (to profitability), without the injection of additional financial resources and securing the required property management capability;
- ❖ Aged utility infrastructure and industrial buildings;
- ❖ Lack of upgrading and refurbishment funds (this limits ability to attract and retain good and reliable tenants, and to charge market related rentals);
- ❖ Theft and vandalism of electricity distribution infrastructure, which together with load shedding, and the ever present threat of disconnections by the City of Tshwane are causes for major uncertainty and red flags to existing and potential investors to the Park;
- ❖ Inability to expand and market the Park to take advantage of emerging potential and opportunities.

## *Interventions – completed & underway*

- ❖ A Strategic development partner (SDP) has been appointed to immediately address identified property & facilities management gaps, undertake the necessary planning required to secure private funding for the upgrading of infrastructure, refurbishment of existing factories, rebrand and expand the Park. *Utility services & rental billing and collection will be undertaken by SDP.*
- ❖ A contractor has been appointed to install new electricity meters that will assist in arresting identified electricity distribution losses;
- ❖ The Senior Manager: Properties and Facilities Manager is now stationed at Ekandustria to be able take full control of operations in the park and perform the *role of PM in its revitalization*;
- ❖ Discussions with Gauteng Provincial Government are underway pertaining possible partnership (in the revitalization and expansion of the Park).
- ❖ MEGA is also engaging the City of Tshwane on the possible takeover of the utility infrastructure and being an equity Partner. A valuer has already been appointed to value the infrastructure.
- ❖ MEGA committing to service current debt and ensure consistent minimum monthly payments of not less than R5 million to arrest further debt escalation.

## *Revitalization Project Objectives*

- ❖ The property presents an opportunity for the private sector to partner with MEGA in its management and re-development (which will include infrastructure upgrading or refurbishment), as well as future expansion.
- ❖ MEGA believes that the asset can be turned-around into a profit-making industrial park, thereby returning it to its role as a key economic hub in the Ekangala Area.
- ❖ The revitalization of the Park will contribute to the growth of both Mpumalanga and Gauteng Provinces' economies.
- ❖ Returning the Park to its former glory will serve as a major boost to job creation and SMMEs development in the locality and region.
- ❖ Ekandustria is surrounded by vast arable land within short distances to urban markets and export opportunities via OR Tambo International Airport and Maputo and can act as a gate-way industrial park to Gauteng & beyond for agricultural produce from Mpumalanga Province .

## Opportunity - Supporting Revitalization & Expansion of the Park

- ❖ An opportunity exists to introduce agro-processing within Ekangala, linked to Ekandustria.
- ❖ In general, it is anticipated that manufacturing opportunities will take advantage of the locational spin offs along the N4 as part of the Maputo Development Corridor and the Bronkhorstspuit/Bapsfontein Freight Hub.
- ❖ Gauteng consumes much more food than it produces and therefore depends heavily on food that is imported from other regions within SA & other countries (*e.g. Gauteng only produces 618 000 tons of food but consumes almost 6 Million tons of food annually*).
  - Food security may become a major challenge due to increasing prices, transport costs, limited supplies, and high levels of urban poverty and vulnerability.
  - Introducing an Agri-Processing Hub closer to Gauteng can go a long way in addressing the food production discrepancy in Gauteng.

# Long-term Plan: Turning Ekandustria into an Agri-Eco Park

## 1. TRADEZONE

A prime, fully serviced industrial precinct, sized to suit the farming activities to be supported by the hub, to include sites for, electronics, logistics, agri-pharmaceuticals, agri-processing, agricultural and tourism equipment manufacturing, assembling and distribution.

## 2. RAIL CARGO TERMINAL

A state-of-the-art cargo handling facility with digital tracking and secure cargo flow through on-site customs and clearance agencies, designed for swift movement of cargo from the delivery warehouse to the transporting rail-line.

## 3. PASSENGER TERMINAL

A world-class passenger terminal airport, designed to enable, the park to compete with terminal hubs in the province. It shall be a marvel embodying PRASA latest technology and easy access from the terminal to the NMT system developed for park users.

## 4. AGRICULTURAL PROCESSING ZONE

An advanced agricultural precinct that shall provide world-class facilities and technical support for propagating, processing, packaging, and distribution of high value perishables and horticultural produce through an efficient supply chain.

## 5. TRUCK STAGING FACILITY

A state-of-the-art truck staging facility designed to improve the safety, access, reliability, and readiness of the park port facility through advanced technology and techniques to increase the reliability and efficiencies of truck circulation, including automated port queuing applications.

## 6. CHRECHE

A creche for park staff and surrounding community.

## 7. PRECINCT HEALTH CARE CENTRE

A healthcare Centre Serving the Park Staff, including the surrounding community.

## 8. ENTREPRENEUR HUB

An integrated Entrepreneurship Ecosystem, Business Development Hub, Cross Cutting Technological Infusion, and Incubation Hub with supporting facilities such as, Galleried Auditoriums with spacious foyers for exhibitions, Lecture Halls, Meeting Rooms, Incubation Rooms, Shared Office Space, Open Plan Hot Desks, Business Centre, etc.

## 9. COMMERCIAL DISTRICT

A premium commercial precinct office park, retail facilities all linked to the transport network for connectivity. The buildings in this precinct shall target at minimum Green Star Five Star status in line with global green buildings sustainability goals.

## 10. GREENHOUSE TUNNELS

An advanced agricultural zone that shall provide world-class greenhouse facilities and technical support for propagating, growing high value perishables and horticultural products.

## 11. LANDFILL SITE

Revitalization of the landfill site carefully designed to contain waste and protect the environmental integrity of Ekangala Area -Including the air, water, and soil. The engineering system shall incorporate advanced design features, including multi-layer liner construction, gas extraction and leachate removal systems.

## 12. SOLAR-FARM POWER PLANT

A dedicated Concentrating Solar Power (CSP) plant sized to power the whole industrial park using state of the art combination of a central tower and parabolic CSP technologies to collect energy from the sun. The plant will support the full-scale operation requirement of the park with clean energy and potential spill over the surrounding areas.

## 13. WATER TREATMENT PLANT

Bulk water treatment, for resell to tenant propagated in accordance with the different uses in the park.

## 14. WASTE TREATMENT FACILITY

A state of the art facility designed to handle all waste water from the park from a minimization, recycling, neutralization, and safe disposal of hazardous waste..

## 15. TRUCKERS OVERNIGHT STAY

An overnight-stay truckers studio apartment block, promoting the well-ness of long-distance drivers and responsible driving.

## 16. TAXI RANK

A dedicated Taxi-Rank for drop-off and layover with washing bay and bathroom facilities.



## Long-term Plan: Turning Ekandustria into an Agri-Eco Park

The **taplan**  
DESIGN STUDIO

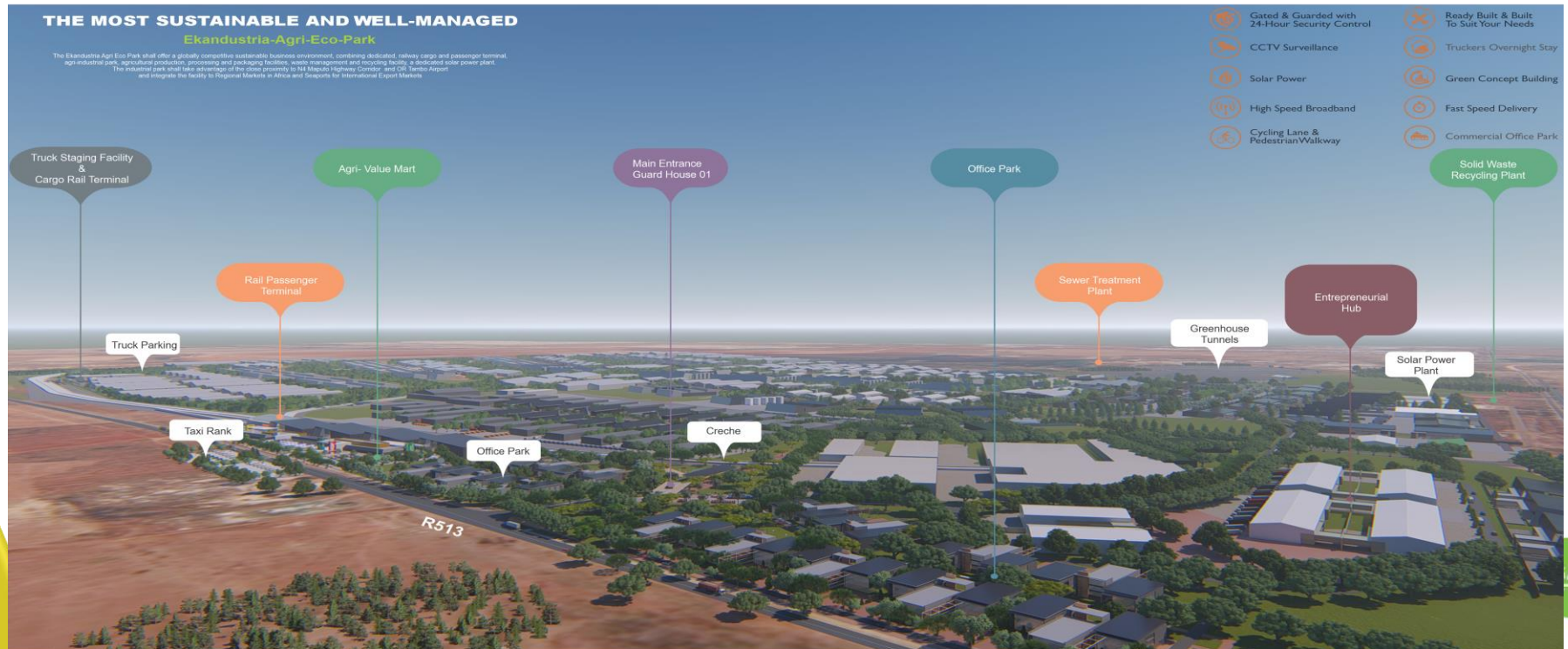
IVHU | ADVISORS

Lidwala

**GWEBU INC**  
ATTORNEYS

**solidGREEN**

**EXCELLERATE** | **JHI**



# EKANDUSTRIA-AGRI-ECO-PARK PRECINCT

## Funding Institutions with Appetite



## *Funding Institutions with Appetite (..... Continued)*



Instrumental Infrastructure.  
Instrumental Africa.



**OLD MUTUAL**  
Investment Group

Alternative  
Investments

## ACTION PLANS: 08/2022 – 07/2025

Key Performance Area	Action to be performed	Timeline	By whom	Budget
<b>1. Park ownership and Operation Model</b>	<p>Park ownership and management model:</p> <ul style="list-style-type: none"> <li>a) It is envisaged that an Special Purpose Vehicle will be formed to operate the park on a concession basis;</li> <li>b) MEGA will have equity in the SPV, together with other investors who are yet to be on-boarded;</li> <li>c) MEGA will enter into a long-term lease with the SPV/Concessionaire (for operation of the industrial park);</li> <li>d) The Special Purpose Vehicle is to source the required capital to operate, refurbish and development the Park to its fullest potential.</li> </ul>	October 2022	MEGA & DEDT	Operational
<b>2. Improvement of park management (as short-term intervention)</b>	<p>Conclude a property &amp; facilities management agreement with Strategic Development Partner for improving performance of park in the short term (i.e. 3 years), i.e.:</p> <ul style="list-style-type: none"> <li>a) Improve occupancy to 75%;</li> <li>b) Improve collection rate to 95% &amp; start repaying debt;</li> <li>c) Secure funds to upgrade, refurbish and maintain existing infrastructure and buildings;</li> <li>d) Market and establishment of new investors in the park; and</li> <li>e) Deal with theft and vandalism of electrical infrastructure.</li> <li>f) Enter into an arrangement with City of Tshwane on repayment of debt through additional revenue.</li> </ul>	November 2022	MEGA	Operational

## ACTION PLANS: 08/2022 – 07/2025 .....Continued

Key Performance Area	Action to be performed	Timeline	By whom	Budget
<b>3. Project Development Stage</b>	Preparatory stage: a) Information gathering and inception b) Valuation of the asset (i.e. the entire industrial park)	a) September 2022 b) November 2022	SDP & MEGA SDP & MEGA	TBD
	Conclude development agreement, which details arrangements government all project work and responsibilities.	November 2022	MEGA & SDP	Operational
	a) Pre-feasibility stage b) Master planning & Feasibility study; c) Financial Close	a) June 2023 b) April 2024 c) November 2024	MEGA & SDP	TBD
<b>4. Establishment of Special Purpose Vehicle (SPV) to develop and manage the Park</b>	Obtain necessary Board and PFMA approvals, inform treasury as PFMA requirements, and secure exemption from Provincial Treasury from PPP processes.	November 2022	MEGA	Operational
	Develop MOI & other documents required to register the SPV	February 2023	MEGA & SDP	Operational
	Register the SPV with CIPC	March 2023	MEGA & SDP	Operational
	Setting up corporate governance structures, on-boarding other investors, conclusion of all relevant agreements,	November 2024	MEGA & SDP	Operational
	Operationalization of SPV	November 2024	MEGA & SDP	TBD

## *Recommendations*

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It is recommended that the Portfolio Committee:

- a) Notes the report and the progress made in moving towards revitalizing Ekandustria Industrial Park.