Made in Africa

Western Cape Metals and Engineering

Invest in future growth opportunities

Publication jointly compiled by Wesgro, City of Cape Town and PwC

December 2013

wesgro
cape town & western cape
tourism, trade & investment

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Foreword by the Executive Mayor of Cape Town

The City of Cape Town is proud to be part of this important publication on the state of the manufacturing industry in the Western Cape.

The manufacturing industry in the province plays a significant role towards the growth of the local economy. It is one of the largest contributors to the Western Cape gross domestic product (GDP). It also creates much needed jobs for thousands of residents in the City and throughout the province.

The City of Cape Town assists the manufacturing industry by creating an enabling environment for the industry to grow as part of our broader plans to build an opportunity city.

We are making substantial investments in infrastructure to ensure that we have the required capacity to create a conducive environment for the private sector to thrive in.

This commitment is given practical expression through Cape Town having the largest capital budget (R5.45 billion) compared to any metro in South Africa.

This investment allows us to invest in creating a truly integrated transport system that enables residents to access economic opportunities safely and reliably.

It means we are able to conduct regular maintenance of existing infrastructure to provide uninterrupted electricity and water supply so that businesses in the City can operate smoothly.

It also means we are able to undertake new strategic infrastructure investments such as the broadband infrastructure project that will ultimately make high-speed internet connectivity available across the city.

The City of Cape Town is also working closely with potential domestic and international investors to further unlock development not only in the manufacturing sector but in other key sectors as well.

I would like to applaud all stakeholders responsible for the compilation of this brochure.

Patricia de Lille
Executive Mayor of Cape Town

Cover photo and adjacent photo: Table Mountain, one of the New Seven Wonders of Nature

Message by the CEO of Wesgro

The Western Cape's metals and engineering cluster has been a strong driver of export growth, apart from the agribusiness cluster, with year-on-year growth in products exported to countries around the world. The cluster, with its wide range of unique products, is an exemplary example of innovation in the manufacturing industry which can lead to resilient growth prospects for the provincial economy.

One of the most unique things about the metals and engineering cluster is that it is a self-evident example of the high-calibre, talented and driven professionals trained in South Africa. Diverse sectors such as renewable energy, oil and gas, medical devices and aerospace make up the cluster and here in the Western Cape and Cape Town we have the skills and the people that have allowed the cluster to flourish.

The strong growth prospects along with the skilled workforce have been drivers for two world-class manufacturers, namely Tellumat and Hisense, investing in the province. These factors have not only enticed multinational companies but are also the reason for a healthy and competitive local cluster burgeoning with innovative, fresh ideas.

The South African government has recognised the importance of supporting the manufacturing sector and the positive effect of its support on employment. Consequently, the Department of Trade and Industry has made available various incentives for investors in the manufacturing industry, such as the 12i Tax Incentive and the Manufacturing Competitiveness Enhancement Programme (MCEP). Development Finance Institutions in South Africa are playing an important role in providing industrial and infrastructure finance, demonstrating how, along with government, there are tremendous opportunities for investors in the metals and engineering cluster.

Nils Flaatten
CEO, Wesgro

Message by the Partner in Charge, PwC Western Cape

As PwC we are proud to join forces with the City of Cape Town and Wesgro to present this unique publication on the Western Cape's metal and engineering sector. We regard it as our firm's humble contribution to the efforts to grow a vibrant and sustainable economic environment for all the citizens of our region, not only those who already have economic opportunity, but also those for whom it has yet to be created.

By profiling the Western Cape metals and engineering sector of our region's manufacturing industry, this publication highlights the innovation and entrepreneurship which led to the vibrant and responsive manufacturing industry in the Cape. The publication does more than that, however. It also points out that the Western Cape possesses a number of unique attributes which enhance its desirability as a location for further investment in its manufacturing sector. These factors are:

- A capable and supportive City administration and provincial government;
- A strong and productive tertiary education sector with an established record of producing excellent results, not only in quality and number of students, but also as hubs of innovation;
- A number of the industries of the future, such as renewable energy and aerospace, as well as Africa's fast-growing oil and gas sector having already made the Western Cape their home;
- A well-developed network of industries supporting manufacturing that is already available; and
- Our ideal location to distribute product to the rest of the world.

I trust that this publication will add to providing the Western Cape with the economy it deserves.

I thank everyone who has contributed to this excellent publication.

Danie Fölscher
Partner in Charge, PwC Western Cape

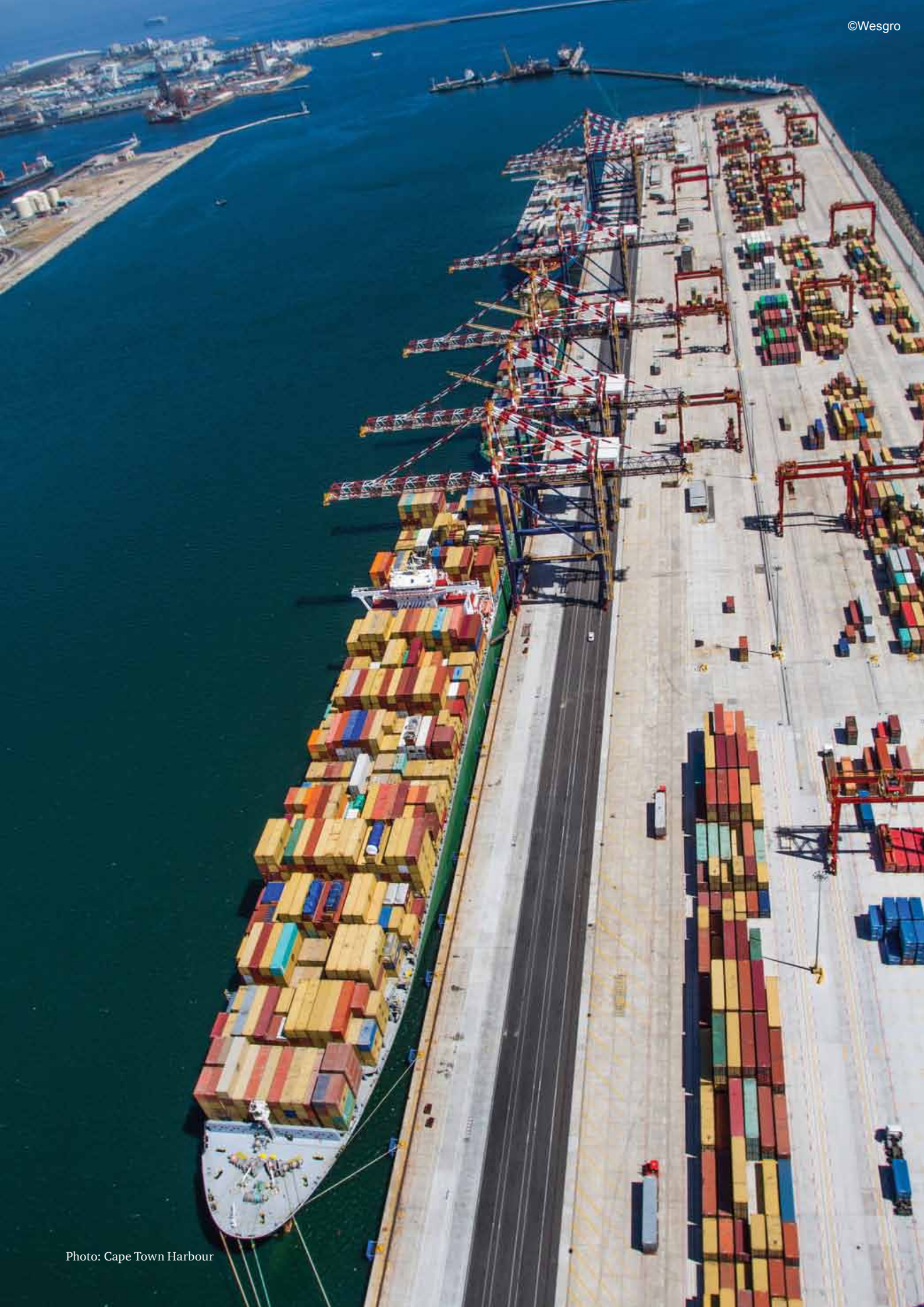

Photo: Cape Town Harbour

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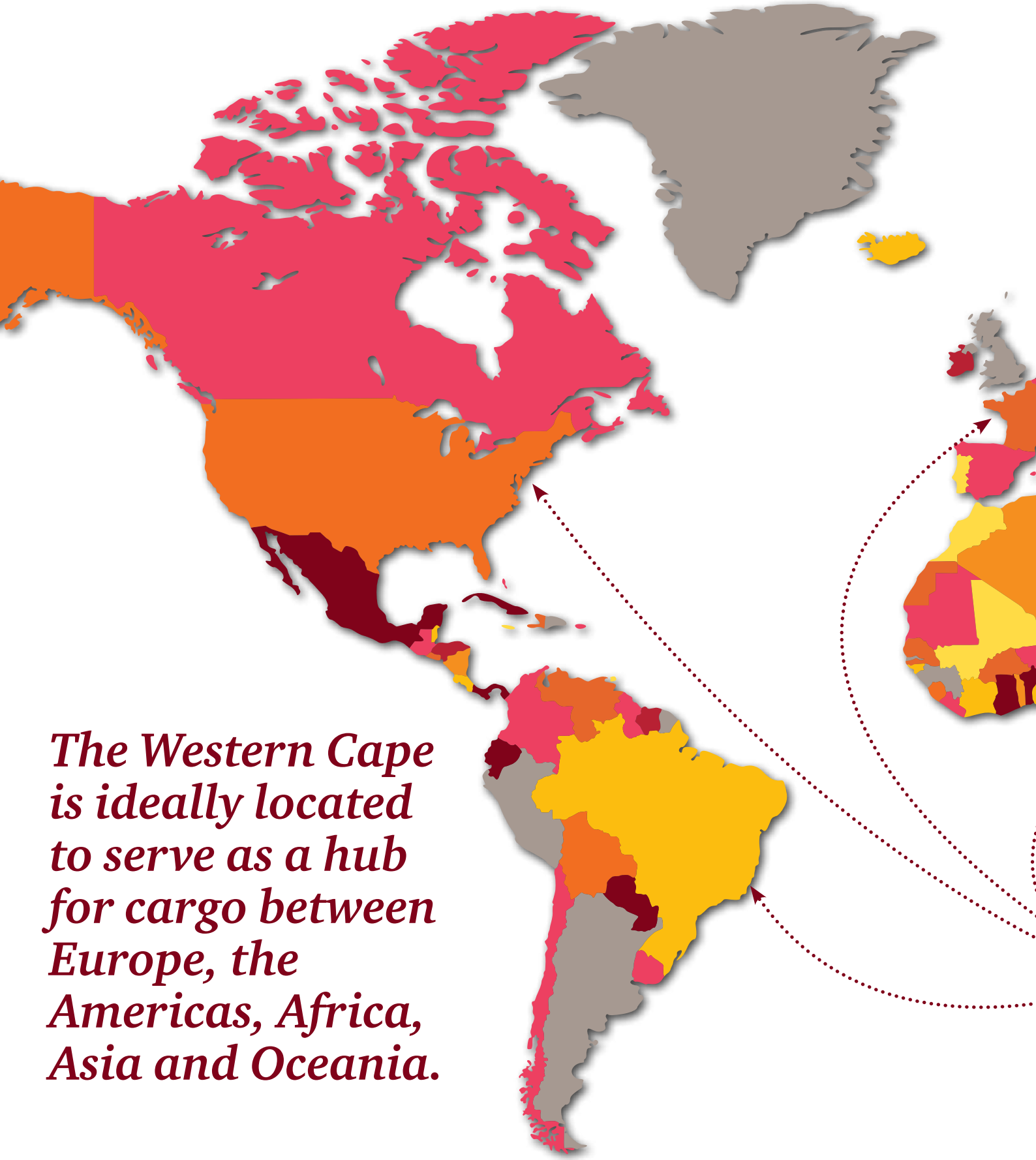

The Western Cape is ideally located to serve as a hub for cargo between Europe, the Americas, Africa, Asia and Oceania.

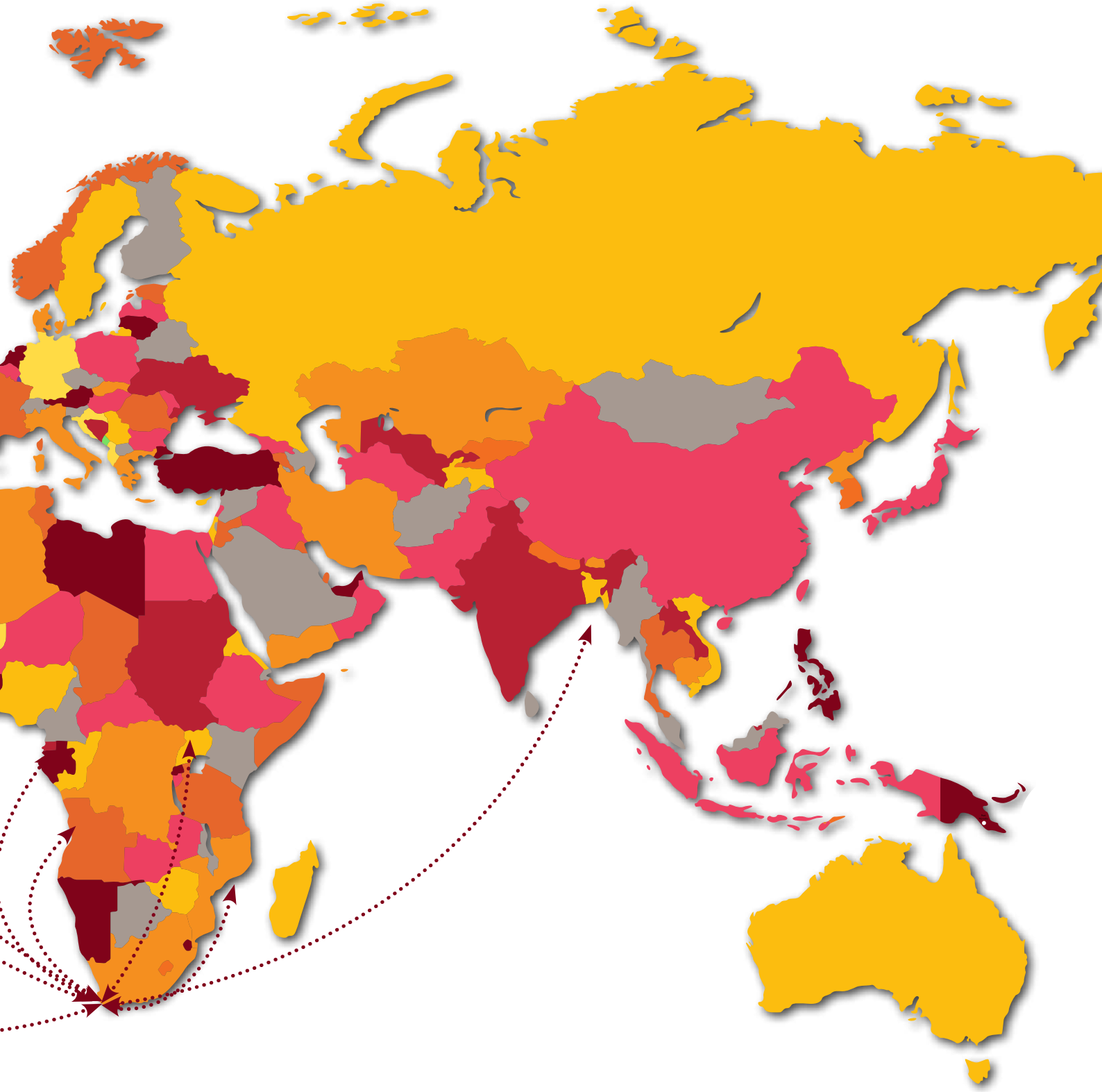

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Photo: Cape Town Harbour at night


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Executive summary

Through this exciting journey we have met many incredible visionary individuals who have invested their time and shared many years of manufacturing experience with the City of Cape Town's Economic Development Department, Wesgro and PwC. While some have been profiled in this publication there are many more who share the vision that the Western Cape, through our globally competitive academic institutions, entrepreneurial spirit that fuels innovation and access to Africa via three major ports (Cape Town, Saldanha Bay and Mossel Bay) could well become the springboard into Africa.

This publication is a positive reflection of the potential of the metals and engineering cluster of the Western Cape – it is well positioned for growth.

The following high-growth opportunities have been identified for investment in the Western Cape metals and engineering cluster:

Growth potential of renewable energy and related green economy – The renewable energy and related green economy is a key sector for the Western Cape region, attracting foreign direct investment of key international players in the renewable energy field. South Africa manufactures towers for wind turbines, wind turbine blades, small-scale wind turbines, solar photovoltaic (PV) panels, inverters, junction boxes and transformers.

Africa's fast-growing oil and gas sector – The Western Cape has the skill-set, capacity and infrastructure to service companies in the fast-growing oil and gas industry.

Opportunities in the medical device sector – There are many opportunities for multinational firms to manufacture medical devices in the Western Cape. 95% of South Africa's medical devices are currently imported.

Growing interest in aerospace – South Africa is one of a few developing countries that have managed to develop world-class capabilities in aerospace manufacturing. In addition, South Africa is hosting 70% of the world's most powerful radio astronomy telescope – the Square Kilometre Array (SKA).

"Made in Africa" – Increase in exports and growth opportunities in Africa – The Western Cape, by virtue of its coastal location, provides many advantages for South Africa's integration into the global economy and in particular into Africa.

Photo: Western Cape wind farm

The Western Cape is ideally positioned to increase its current exports and supply a wide range of metals and engineering solutions to not only Europe and the US, but also the relatively untapped African market.

The Western Cape provides a diversified engineering industry from foundries to electronics and plastic converters. In addition, the tooling industry is well developed – this is crucial to the development of other industries in the region.

In particular, the stainless steel and plastics industries have developed world-class skills to manufacture and supply services to the Western Cape's large agricultural, food and beverages markets.

More recently, two world-class technology manufacturers invested in new manufacturing plants in Atlantis, Western Cape:

- South African technology company Tellumat opened its new 15 000 m^2 television manufacturing facility in Atlantis. It produces a range of world-class products for global brands Sony and Hisense as well as for JSE-listed local retailer Lewis.
- Chinese consumer electronics company Hisense opened a R350 million electronics factory in Atlantis to manufacture flatscreen televisions and refrigerators. The company said that it plans to double the size of the factory over the next few years with a view to extending production to washing machines and airconditioning units.

The fifth growth opportunity focuses on the region's wide range of other defined and recognised innovative solutions to worldwide engineering problems and the opportunity that the relatively untapped African market offers to companies in this region.

The above opportunities are also made possible through the South African public infrastructure development programme for Government's planned investment in transport, railway and energy generation and distribution. Through amended regulations to the Preferential Procurement Policy Framework Act (PPPFA) and the subsequent designation of specific industries by the Minister of Trade and Industry for local procurement, Government highlights its support and commitment towards industrialisation growth.

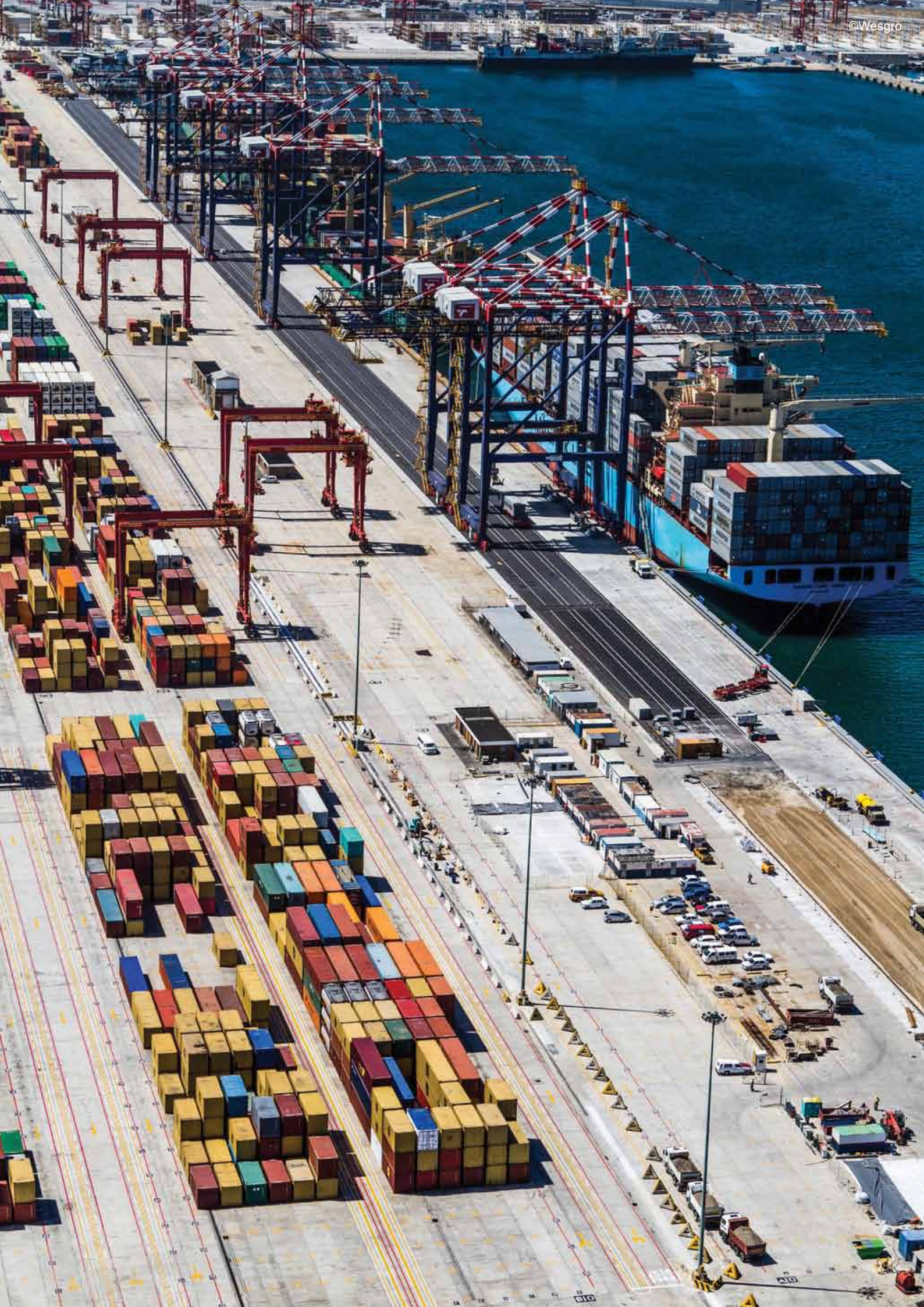
The South African Industrial Policy Action Plan 2012/13 – 2014/15 (IPAP) provides a base for further private-public participation in enhancing the competitiveness of this sector in order to grow the domestic market, boost output and increase exports.

More recently the Department of Trade and Industry (**the dti**) published a directive that gives the International Trade Administration Commission (ITAC) the power to regulate the exportation of scrap metal by barring exports if the metal has not first been offered for local beneficiation at a price discount of 20% below the international spot price. This directive will benefit the foundry industry – a strong foundry industry is of crucial importance for key industries such as the automotive, capital equipment and aerospace.

We believe that the clustering of manufacturing activity to promote industrial development is a key factor for success. This will increase collaboration between the various diverse players in the metals and engineering cluster to address cost competitiveness issues, improve access to growing domestic markets and reposition itself for the growth opportunities in many African countries.

We wish to take this opportunity to thank Anita Stanbury (Director: Manufacturing Industry Development (Acting)) and Marthinus van Wyk (Deputy Director: Metals and Engineering Industry) of the Western Cape government's Department of Economic Development and Tourism for their insights and contribution to this thought leadership publication.

Photo: Cape Town Harbour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Section 1

Overview of the Western Cape metals and engineering cluster

Photo: Cape Town Harbour


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I Manufacturing in the Western Cape

Manufacturing as a key sector in South Africa

The manufacturing sector is a key sector for further sustained growth and development of the national economy of South Africa. This is particularly true as the sector acts as a generator of important employment opportunities.

Gross domestic product (GDP) is equal to the sum of the value added at every stage of production by all industries, plus taxes and minus subsidies on products. In 2012, based on information made available by Quantec, the South African manufacturing sector contributed R300 billion or 17% to the total national value added by all industries of R1 741 billion, before including the net of taxes and subsidies on products of R213 billion, to equal the South African GDP of R1 954 billion.

Photo: Cape Town Harbour

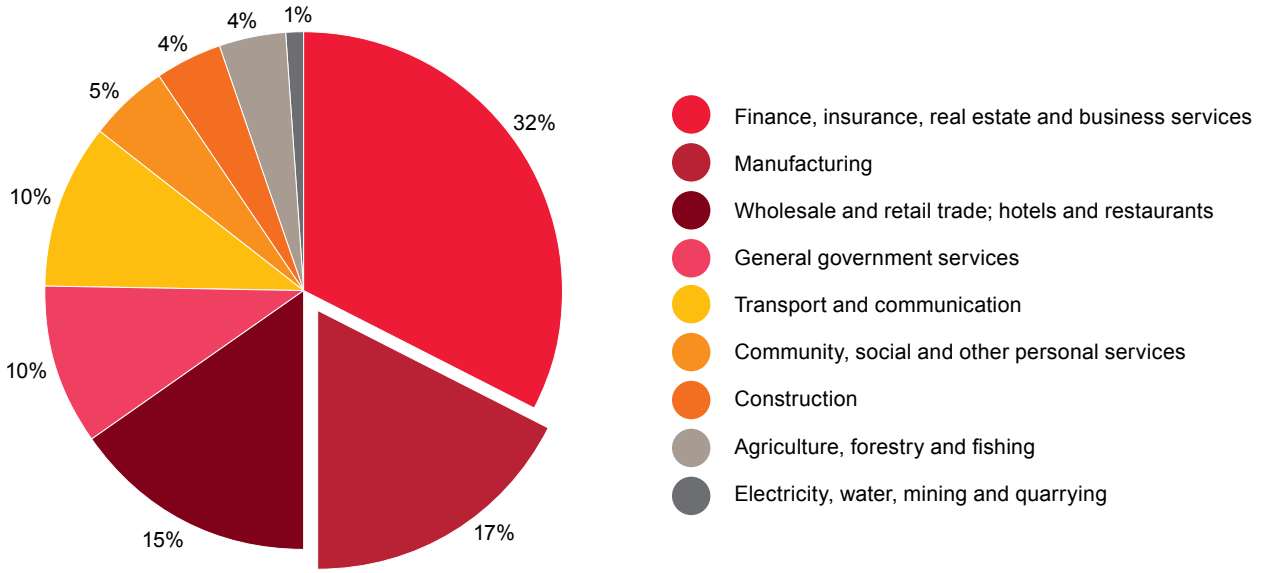
Manufacturing in the Western Cape

The Western Cape's manufacturing sector contributed R45 billion or 15% to the South African manufacturing sector output of R300 billion in 2012.

The Western Cape's manufacturing sector contributed 17% to the total regional value added by all industries of R260 billion (before adding the net of regional taxes and subsidies of R31 billion) to equal the Western Cape GDP of R291 billion in 2012.

Manufacturing is the second-biggest sector in the Western Cape after the financial services sector.

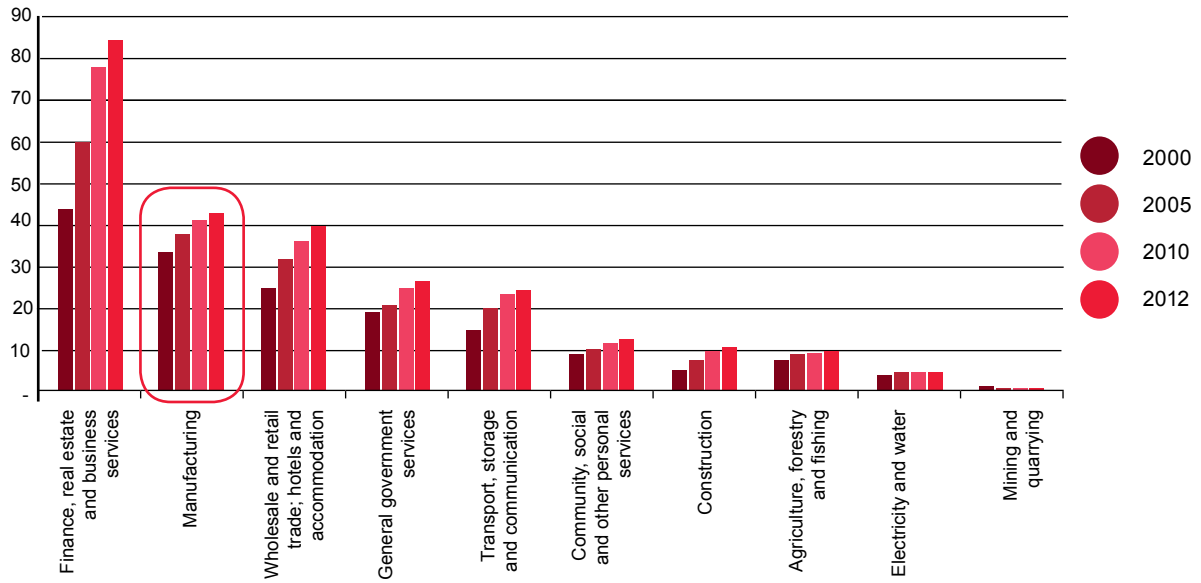
Western Cape – Contribution to regional GDP by industry sector



Source: Quantec (Q4 2013) – 2012 Western Cape's regional output by industry sector (at constant 2005 basic prices)

The manufacturing sector of the Western Cape had grown significantly since 2000 with most other sectors also reflecting growth year on year despite the impact of the global financial crisis.

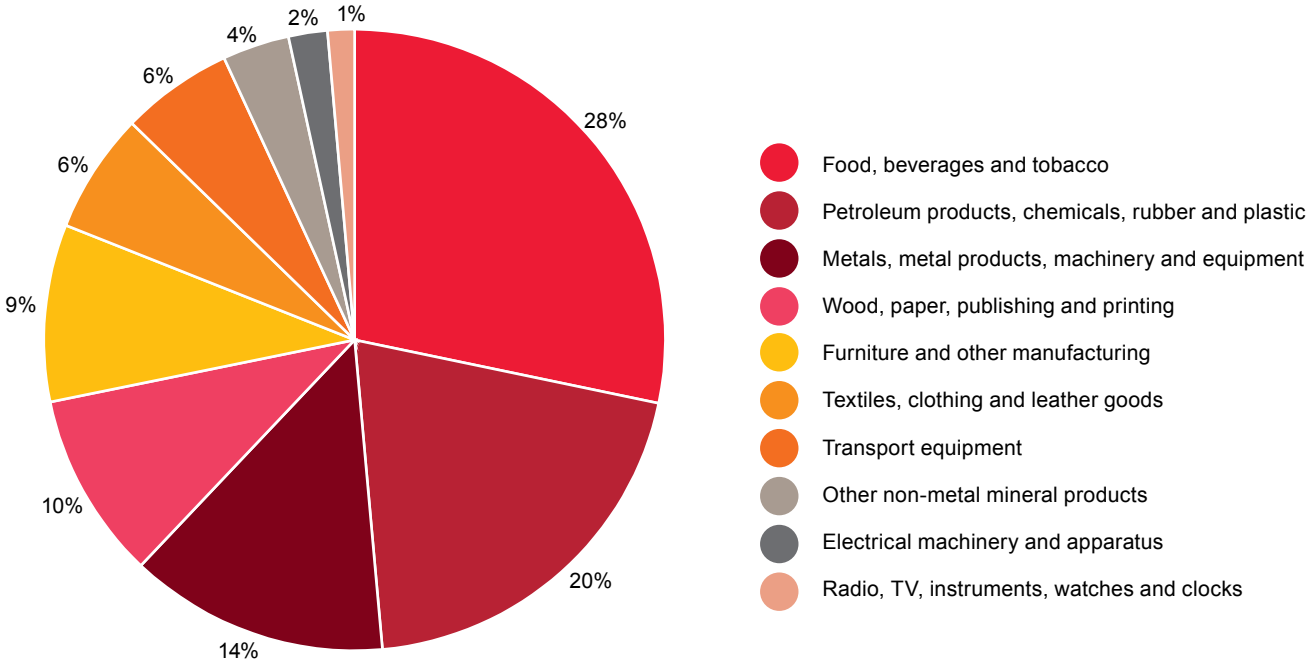
Western Cape – Growth in regional gross value added to GDP by industry sector in R billion (2000 to 2012)



Source: Quantec (Q4 2013) – Western Cape's regional output by industry sector (at constant 2005 basic prices)

The Western Cape's manufacturing sector is diversified. The largest contributors are the food, beverage and tobacco sub-sectors, petroleum products, chemicals, rubber and plastics, and metals, metal products, machinery and equipment.

Western Cape manufacturing – Contribution to manufacturing output by sub-sector



Source: Quantec (Q4 2012) – 2011 Western Cape regional output by manufacturing sub-sectors

II Government support for metals and engineering in the Western Cape

A positive factor in encouraging innovation and investment is that no single industry dominates

The Western Cape metals and engineering cluster was recently formed by the Western Cape provincial government. This cluster is seen by provincial government as a key technology platform that feeds into a diverse range of sub-sectors of the manufacturing sector.

According to the Western Cape metals and engineering cluster's business plan, June 2013, the exact number of firms operating in the sector is unknown but officially at least 337 firms employ more than 25 000 people in this sector in the Western Cape, although it is likely that more than 600 firms are active.

The Western Cape metals and engineering sector employs approximately 10% of the national metals and engineering sector's workforce.

Capacity ranges from heavy industry, associated with the oil and gas sectors and the boat repair industry, to niche manufacturing on a much smaller scale.

The Western Cape metals and engineering cluster is seen as a positive step by provincial government to consolidate this sector and to grow its manufacturing ability. This cluster is of strategic importance to the manufacturing sector as it is an input that could improve the competitiveness and employment-creating potential of the province.

The Western Cape economy forms an integral part of the national economy and consequently is guided by national policy initiatives. As noted in the 2012 Provincial Economic Review and Outlook (PERO), it stands to reason that initiatives undertaken at the provincial level must logically fit into a framework determined by national policies.

The South African Minister of Trade and Industry, Dr Rob Davis, refers in **the dti**'s Industrial Policy Action Plan 2012/13 – 2014/15 (IPAP) to three sectors in particular that are well placed for scaling up through leveraging market growth and associated upgrading of supply capacity and capabilities,:

"***Green industries***: Particularly the manufacturing of componentry inputs into the 17.8 gigawatts (GW) renewable energy generation programme; and solar water heating and other industrial opportunities arising from requirements for higher energy efficiency in the economy."

"***Agro-processing***: Including expediting regulatory and support mechanisms to establish a large-scale biofuels industry; identification and promotion of export market opportunities in net food-importing countries; and product development and standards support."

"***Metal fabrication, capital and transport equipment***: Particularly leveraging the large-scale public procurements in rail and electricity; providing associated upgrading support; and taking advantage of mining capital equipment investment domestically and on the rest of the continent."

IPAP provides detail of the national initiatives that are currently in place that will specifically enhance the competiveness of the metals and engineering cluster. Some of these incentives are discussed below:

Providers of industrial and infrastructural finance

Development Finance Institutions (DFIs) such as the Industrial Development Corporation (IDC) and the Development Bank of Southern Africa (DBSA) are important providers of industrial and infrastructural finance in South Africa. It is important that these institutions build local and regional localisation requirements and conditions into the range of financial products and arrangements. Given South Africa's commitments to regional integration, this implies a focus on domestic localisation as well as with respect to other African countries.

Further significant and ongoing progress has been registered with respect to the long-term reorientation of the IDC to strengthen its ability to finance IPAP and New Growth Path (NGP) sectors.

Funding of R102 billion over the next five years has been earmarked by the IDC for IPAP and NGP sectors. This includes:

- R10 billion Job Creation Fund at prime interest rate less 3% over five years;
- R25 billion towards the 'green economy';
- R500 million energy efficiency fund;
- R7.7 billion agricultural and forestry value chains; and
- R6.1 billion to support companies in distress as a consequence of the global financial crisis.

"The support of government (through IPAP) and finance providers underpins the future growth of the innovative manufacturing sector in the Western Cape. They provide the regulatory framework, incentives and capital for future growth and expansion in South Africa and abroad."

Tertius van Dijk – PwC Deals partner

Section 12i Tax Allowance Incentive (12i TAI)

The 12i TAI is designed to support greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as brownfield investments (i.e. expansions or upgrades of existing industrial projects).

The tax incentive offers support for both capital investment and training. The objectives of the 12i TAI are to support investment in manufacturing assets, to improve the productivity of the South African manufacturing sector and to train personnel in order to improve labour productivity and the skills profile of the labour force.

The 12i TAI has leveraged large manufacturing investments worth R21.8 billion.

The 12i TAI for large investments has now been supplemented by the announcement in the fiscal budget of the Manufacturing Competitiveness Enhancement Programme (MCEP), as discussed below. This will be deployed towards upgrading the competitiveness of relatively labour-intensive and value-adding manufacturing sectors impacted by the currency, global financial crisis and electricity cost escalations.

"Significant tax benefits (i.e. capital investment and training allowances) are available in terms of the Industrial Project Incentive for approved projects. These are, however, subject to specific criteria, including fairly significant minimum investment thresholds, limiting their general application."

William Eastwood – PwC Tax partner

The Manufacturing Competitiveness Enhancement Programme (MCEP)

The MCEP is a new incentive programme that was developed in order to induce firms to upgrade their production facilities, processes, products and people in the short term. It provides for upgrading of sectors in a way which maximises employment and value-added potential within macro-economic constraints and uncertainties in the global environment. The MCEP combines various existing programmes with new or enhanced support and it strengthens the responsiveness of available incentive schemes to the current challenges. This is done by providing greater flexibility through expanding on the range of activities that are incentivised and providing the ability to customise to specific industry needs, as identified in the Customised Sector Programmes.

The MCEP grant can be used for the following, depending on the specific firm's needs:

- Capital investment grant (equipment upgrading and expansions);
- Working capital and pre-shipment finance;
- Feasibility studies;
- Product development and process improvement grant;
- Standards accreditation and certification;
- Value chain, cluster studies and access to new markets;
- Energy efficiency;
- Logistics; and
- Other as determined by the sectoral needs.

*"**the dti** has allocated about R3.6 billion – 65% of its total incentives budget – to manufacturing investment incentives in 2013/14. This clearly indicates how serious **the dti** is about developing business and creating jobs in the manufacturing industry. Approximately R1.5 billion has been made available to manufacturing entities to promote competitiveness and job creation through grants in the MCEP programme. PwC is well positioned to advise on this important investment incentive programme."*

Tapie Marlie – PwC Tax partner

Procurement and designations: Local content

The first phase of procurement reform has culminated in the adoption by Government of amended regulations to the PPPFA. These regulations came into force on 7 December 2011. Concurrently, **the dti** developed a sector designation methodology; compiled the necessary research, guidelines and instruction for National Treasury; and led the South African Bureau of Standards (SABS) process for the development of a South African Technical Standard on local content. The Minister of Trade and Industry designated the following industries for local procurement as from December 2011:

- Buses;
- Rolling stock;
- Power pylons;
- Canned vegetables;
- Clothing, textiles, leather and footwear; and
- Set-top boxes (STB).

" The local content requirement for designated industries will be of tremendous benefit to our clients and the Western Cape business community. It will assist with the development of local technical expertise, investment, job creation and job security in our region. It also demonstrates national government's confidence in our local industrial base."

Allison Legge – PwC Consumer Industrial Products Services partner

Green industries – Local content

The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) to procure 17.8GW of renewable generation capacity by 2030 was launched by the Department of Energy in August 2011.

the dti has secured minimum and ongoing increasing levels of local content in the REIPPPP.

The REIPPPP, 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 components for renewable energy projects.

"The Western Cape has already attracted renewable energy developers and manufacturers boasting two inverter factories. Several component suppliers in both wind and solar PV sectors are now established in the province."

Kasief Isaacs – PwC Renewable Energy partner

Energy efficiency savings incentive comes into operation

Section 12L of the Income Tax Act (ITA) provides for a tax allowance for energy efficiency savings. It was originally inserted in 2009 and substituted in 2012, but remained ineffective until a notice bringing it into effect was published and the accompanying regulations issued, both which have now been done.

As part of Government's efforts to promote energy efficiency savings, section 12L of the ITA was inserted to provide an income tax deduction to qualifying taxpayers. This tax incentive provides for an income tax deduction equal to 45c for each kilowatt hour (or equivalent) saved by the taxpayer during the relevant year of assessment against a baseline from the beginning of the year.

In order to obtain the deduction, a taxpayer must register with the South African National Energy Development Institute (SANEDI), appoint a measurement and verification professional to report the energy efficiency savings, submit the report to SANEDI and submit the certificate issued by SANEDI to SARS with the claim of the deduction.

On 8 November 2013 the Minister of Finance issued a notice that section 12L came into operation on 1 November 2013.

Establishment of Special Economic Zones (SEZs): Saldanha Bay Industrial Development Zone (IDZ)

SEZs are important instruments to support long-term industrial and economic development. They are one of a number of pillars that make up an appropriate environment for foreign direct and domestic investment and the development of strategic industrial capabilities. SEZs enable the development of new industrial regions and the strengthening of existing ones.

To ensure that the SEZ programme is effective, a dedicated and integrated legislative framework for SEZs is being established. This will enable Government to effectively regulate all SEZs, including the Industrial Development Zones (IDZs), as one category of SEZs. This is in contrast to the existing situation in which IDZs are regulated in terms of the Manufacturing Development Act.

Saldanha Bay is a natural harbour located about 105 kilometres north-west of Cape Town. It is competitively placed between the oil and gas developments on the west coast of Africa, as well as the recent gas finds on the east coast of Africa.

President Jacob Zuma officially launched the Saldanha Bay IDZ on 31 October 2013. The purpose of the IDZ is to encourage the creation of an engineering and logistics service complex, serving the needs of the upstream exploration and production service companies operating in oil and gas fields in sub-Saharan Africa.

By gaining IDZ status, Saldanha Bay joins Coega, East London, Richards Bay and OR Tambo International Airport as existing IDZs.

Atlantis as proposed SEZ for renewables

the dti is currently investigating the feasibility of ten other SEZs. Atlantis in the Western Cape will focus on renewable energy. This renewable energy hub is due to be focused on manufacturing for renewable energy components.

The West Coast region stretching from the Cape Town CBD to Saldanha Bay and Atlantis will likely see big developments over the next few years.

"The national and provincial government have both indicated the need to introduce more natural gas in the South African energy mix. The development of an IDZ provides opportunities to achieve this goal, due to the benefits of the IDZ, combined with its proximity to a large potential anchor gas off-taker in the form of the Ankerlig power station. The Western Cape is ideally located to provide services, to the oil and gas industry players operating on the east and west coasts of South Africa. We have a well-developed manufacturing sector that can provide the required services while negating the need for oil companies to pass around Cape Point to take oil rigs to the Far East for maintenance and servicing. We need to create the appropriate environment that would attract investment and oil companies to ensure that we do not lose the race against other African players such as Ghana and Namibia."

Chris Bredenhann – PwC Africa Oil and Gas Industry leader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Section 2

Growth opportunities

Photo: Wind farm, Western Cape

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Renewable energy and related green economy

Renewable energy and related green economy

Background to the South African Energy landscape

Regulator: The National Energy Regulator (NERSA) is mandated to regulate electricity, piped-gas and the petroleum pipeline industries in South Africa.

Eskom: Eskom is a state-owned enterprise, vertically integrated and licensed to generate, transmit and distribute electricity. It is currently the sole transmitter of electricity in South Africa.

Eskom directly provides electricity to about 45% end-users and the other 55% is resold by redistributors (including municipalities).

Photo: Solar panels

Eskom generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Various technologies are implemented to generate electricity:

- Coal-fired power stations make up the majority of the plant mix; 13 power stations with net output of 34 952 megawatts (MW).
- Koeberg nuclear power plant with a net output of 1 830MW.
- Four quick-reaction gas turbines used only during peak periods with installed capacity of 2 426MW.
- Two experimental wind farms operated in the Western Cape.

The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)

The grid and electricity generation capacity in South Africa is currently owned by Eskom.

South Africa has adopted the South African Renewables Initiative (SARi) as part of its wider Integrated Resource Plan for Electricity (IRP) 2010 – 2030, which aims to encourage development within the renewables industry, and channel both domestic and international funding into the sector.

The IRP spells out the need to support the development of a local industry for renewable technologies, in particular wind and solar. The plan is to maintain a stable roll-out programme that provides an opportunity for localisation.

While there are no targeted incentives for the renewable sector, projects and manufacturing plants may qualify for several incentives by **the dti**.

The REIPPPP was launched in August 2011. The REIPPPP was designed to introduce renewables into the country's energy system through a bidding process. The roll-out of the REIPPPP thus allocates a portion of new generation capacity to private enterprises for the first time in South Africa. It is projected that renewable energy will comprise 42% of all new power generation added by 2030.

The GreenCape Initiative was established in November 2010. It is a sector development agency established by the Western Cape provincial government and the City of Cape Town. The GreenCape Initiative was established to unlock the manufacturing and employment potential in the green economy in the Western Cape. Through partnerships with Wesgro, provincial government and academia, the GreenCape Initiative provides a platform to build a competitive business infrastructure in the Western Cape.

Mike Mulcahy – Operations Manager GreenCape

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The REIPPPP gives energy consortia, in the form of developers and funders, a right to proceed with executing 20-year government-supported power purchase agreements.

Eskom will purchase the energy produced as per the Power Purchase Agreements (PPA) while government will provide support for the payment obligations.

REIPPPP established a bidding system for renewables projects. This programme calls for 17 800MW by 2030. This target will consist of:

- Wind 8 400MW
- Solar photovoltaic (PV) 8 400MW
- Concentrated solar power (CSP) 1 000MW

3 725MW of the above target have been made available for the window 1 to 3 bids of the REIPPPP in order to ensure the uninterrupted supply of electricity in South Africa as follows:

Window 1 (1 415.52MW)

- The first request for proposals was issued in August 2011 and the preferred bidders were announced in December 2011. The South African government signed contracts with Independent Power Producers (IPP) in November 2012 which included eight wind farms, 18 solar PV farms and two CSP projects.
- 1 438MW of renewable energy was secured.

Window 2 (1 275MW)

- Window 2 has reached financial close with 19 projects achieving this milestone in May 2013. There are nine solar PV projects, seven wind farms and one CSP project.

Window 3 (1 034.48MW)

- The date for the submission of bids for the third round of REIPPPP projects was 19 August 2013.

Hopefield Wind Farm – one of South Africa's first commercial wind farms

Construction is on track at one of South Africa's first commercial wind farms with project completion scheduled for early 2014. With 37 wind turbines, the farm is expected to produce energy for 70 000 low-income homes.

"The Western Cape government views the green economy as a major sector for growth and job creation. We estimate that it could create jobs for 12 000 people by 2015, increasing to 16 000 by 2020 and to 20 000 by 2025. When we see these kinds of numbers, we can begin to understand the importance of this sector for our region. That is why, amongst other initiatives including the 110% Green Project, we support the GreenCape," as said by Minister Alan Winde, Minister of Finance, Economic Development and Tourism of the Western Cape.

Photo: Minister Alan Winde conducted a site visit at the Hopefield Wind Farm (August 2013).

Local content requirements

The key milestones in the IPAP 2012/13 – 2014/15 relating to local content requirements are:

- Ongoing gradual increment of local content requirements with every successive REIPPPP bidding round;
- Input into the tender and the Public Private Partnership specifications to ensure localisation in renewable energy bids;
- Support the development of local capacity to produce and enhance relevant technologies through the MCEP;
- A review of technological options to maximise industry developments and employment creation; and
- Ongoing review of the local content targets on an annual basis.

As the REIPPPP is a continuous roll-out process in which renewable energy will be procured to sustain the industry's required 1 000MW per annum, increased local content targets will provide a unique opportunity to establish a local renewable manufacturing sector in South Africa – capable of supplying both components and final products – thereby supporting the goal of creating jobs in a new green economy. Government plans to increase the local content targets with every bidding round of the REIPPPP.

The REIPPPP bid evaluation is currently undertaken as follows:

- Price is scored out of 70 points and economic development is scored out of a potential 30 points.
- The scorecard for economic development consists of seven elements with the following weightings:
  - Local content (25%);
  - Job creation (25%);
  - Ownership (15%);
  - Preferential procurement (10%);
  - Socio-economic development (15%);
  - Management control (5%); and
  - Enterprise development (5%).

The first and second bid windows focused primarily on price minimisation rather than job creation, local content and long-term sustainable issues.

However, at the signing ceremony of Window 2 bidders, Department of Energy (DoE) Minister Dipuo Peters said that "localisation needs constant emphasis as REIPPPP in its design and implementation is biased toward the economic development of the country with bidders being subjected to local content assessment." Government is committed to increase the local content threshold in the years to follow.

The current local content thresholds vary between 25% and 35%. This target is set to increase to 65% over a period of time.

the dti is in the process of developing a comprehensive Solar and Wind Sector Development Strategy. Approved in May 2012 in principle and still to be finalised, this Strategy identified seven key action programmes, namely: market facilitation; local manufacturing and industry upgrading incentives; local content requirements; technical and physical infrastructure; trade and investment support and facilitation; research demonstration; and skills development.

Probably the most important part of this programme for **the dti** is the amount of local content required to participate in the REIPPPP.

According to the dti's Solar and Wind Sector Development Strategy document dated 18 June 2012, the local content thresholds and targets for bid windows 1 to 3 are reflected below.

Local content requirements

	First bid submission		*Second bid submission*		*Third bid submission*	
	Current threshold	*Current target*	*Threshold*	*Target*	*Threshold*	*Target*
Onshore wind	25%	45%	25%	60%	40%	65%
Solar PV	35%	50%	35%	60%	45%	65%
CSP without storage	35%	50%	35%	60%	40%	65%
CSP with storage	25%	45%	25%	60%	40%	65%
Biomass	25%	45%	25%	60%	40%	65%
Biogas	25%	45%	25%	60%	40%	65%
Landfil gas	25%	45%	25%	60%	40%	65%
Small-scale hydro	25%	45%	25%	60%	40%	65%

Source: **the dti** *Solar and Wind Sector Development Strategy – Solar Energy Technology Roadmap – 18 June 2012*

Western Cape manufacturing for renewable projects

Existing capacity and potential capacity development supports the case for an increase in local content thresholds.

Some of the companies in the Western Cape that play an active role in the manufacturing sector are as follows:

Company	*Technology*	*Description*	*Website*
Tenesol/ SunPower	Solar PV	Tenesol Manufacturing is the largest manufacturer of photovoltaic panels in South Africa, and part of the worldwide Tenesol group. Founded in 1996, it began manufacturing photovoltaic modules in 1999. Tenesol has recently strategically merged with SunPower and is now fully integrated into the SunPower Group. SunPower (NASDAQ: SPWR) is headquartered in San Jose, California and has offices in North America, Europe, Australia, Africa and Asia.	http://us.sunpowercorp.com
SolaireDirect	Solar PV	SolaireDirect Southern Africa is a subsidiary of the SolaireDirect Group, the largest privately owned solar panel producer in France. The company conceptualises, designs, constructs and operates solar PV projects of all sizes, from community-based solar PV farms to major solar initiatives around the globe. SolairDirect has a PV module manufacturing plant in Cape Town.	www.solairedirect.co.za

Company	Technology	Description	Website
AEG/3W Power South Africa	Solar PV	AEG Power Solutions Group is a global provider of power electronic systems and solutions for all industrial power supplies and offers one of the most comprehensive product and service portfolios in the area of power conversion and power controlling. It has two complementary operating business segments namely Renewable Energy Solutions (RES) and Energy Efficiency Solutions (EES). The RES product and service portfolio consists of systems and solutions for solar power plants like solar inverter, monitoring and control systems as well as power controller. The EES product and service portfolio includes high-performance uninterrupted power supplies (UPSs), industrial power controllers and DC converters.	www.aegps.com
MLT Drives	Solar PV	MLT Drives designs, develops, manufactures, installs and services solar electric systems. They have sold over 22 000 systems since 1986. The company operates from Cape Town and has developed, engineered, manufactured and installed various-scale solar power inverter systems. What all MLT products have in common is that they are particularly useful for African markets with large numbers of off-grid facilities, an unstable grid network and increasing energy prices instigating a trend towards independent green energy systems such as solar panels and inverters.	www.mltdrives.com
Jinko Solar	Solar PV	Jinko Solar, a Chinese company listed on the NYSE, is a leading solar PV power product manufacturer. It manufactures high-quality crystalline ingots, wafers, cells and mono- and multi-crystalline PV panels for the solar industry. It has 13 offices worldwide and provides over 20 countries with solar PV products and services. It has a manufacturing plant in Cape Town.	www.jinkosolar.com
ZNSHINE Solar	Solar PV	The ZNSHINE Group was established in 1988 in China. It is a worldwide operating supplier of high-quality PV solutions. In June 2013 the overall capacity of solar modules installations realised with ZNSHINE solar panels reached 1GW. The production capacity will increase to 700MW in 2013, including the newest production plants in Japan and South Africa (in Cape Town).	www.znshine-solar.com

Company	Technology	Description	Website
SMA Solar Technology	PV inverters	SMA Solar Technology, a German company, is a global leader in the development, production and sales of PV inverters. It is represented in solar PV markets in 21 countries. Technologically, the inverter is an important part of the PV plant as it converts the direct current generated in the PV cells into alternating current, compliant with the grid requirements. SMA Solar Technology will start producing Sunny Central inverters from their manufacturing plant in Cape Town in the second quarter of 2014.	www.sma.de
Gefran	PV inverters	Gefran, an Italian company listed on the Italian Stock Exchange, is a world leader in the field of industrial automation and has years of experience and know-how in the production of PV inverters. It operates directly on major international markets. In South Africa it operates from a production plant in Cape Town.	www.gefran.com
Enertronica	Components and systems used in PV installations	Enertronica operates as EPC (engineering, procurement and construction) and as a producer of anchor systems for PV plants. It has installed plants totaling 60MW in Italy, South Africa and Romania.	www.enertronica.it
LM Wind Power	Wind blades	LM Wind Power, the Denmark-based blade maker, has decided in favour of building a factory in South Africa. As many as 300 full-time workers will be employed when the factory is opened at a yet to be determined site along the coast between Cape Town and Port Elizabeth.	www.lmwindpower.com
DCD Group	Wind turbines and blades	DCD Group has been involved in energy projects in South Africa since the 1960s and has provided components for all 22 power stations. It is also working on state-owned power utility Eskom's Medupi and Kusile coal-fired power stations, in Limpopo and Mpumalanga respectively, as well as Eskom's Ingula pumped-storage scheme under construction on the border of the Free State province and KwaZulu-Natal. The company manufactured a 2.5MW capacity wind turbine for research and development purposes in 2012 with the aim of establishing if this could be undertaken locally. The tower sections were manufactured at the company's Vereeniging factory, in Gauteng. The nacelle was assembled and the tower blades, which are 50.3 meters long and weigh about 12 tons each, were all manufactured at its factory in Cape Town, in the Western Cape. DCD was the first local company to manufacture and assemble a 2.5MW wind power turbine in South Africa.	www.dcd.co.za

Company	Technology	Description	Website
Nordex	Wind turbines	Nordex, a German company listed on the Frankfurt Stock Exchange, develops and manufactures wind turbines. The group has production facilities in Germany where it assembles its turbines. Nordex was awarded contracts for two large-scale projects in South Africa with a total of 180MW. In addition, it recently was awarded a major order for the delivery and turnkey installation of the 134.4MW Amakhala Emoyeni wind farm. These orders created a platform for Nordex to further expand its business in South Africa. It recently opened a new subsidiary in Cape Town.	www.nordex-online.com
Powertech Transformers	Transformers	Powertech Transformers is 80% owned by Power Technologies, the largest power-electrical group in Southern Africa. Powertech is a wholly owned subsidiary of Allied Electronics Corporation Limited (Altron). Power and distribution transformers for the African continent are manufactured in its Pretoria, Johannesburg and Cape Town factories. It supplies a full range of transformers, from generator step-up to transmission and distribution transformers. It has recently stepped into the renewable power market, which resulted in orders being placed for several projects.	www.pttransformers.co.za
CA Components	Gas-powered engines	CA Components has become a leader in the production of medium- to large-sized gas-powered engines in South Africa, exporting more than 600 engines to date. The gas-powered engines, developed in conjunction with a UK-based company, are used to power generator sets supplying electricity to hospitals, hotels and shopping centres in the UK and Europe. Once fitted to the generator sets, these engines produce electricity, and extract heat from the exhaust and engine cooling system for domestic consumption. As well as heating buildings in winter, the engines can also cool water for air conditioning purposes via a chilling system. The engines have been designed to run on different kinds of gas, from North Sea to landfill gas as well as sewerage gasses.	www.cacomponents.co.za

DCD, a South African engineering company with its head office in Cape Town was the first local company to manufacture and assemble a 2.5MW wind power turbine in South Africa.

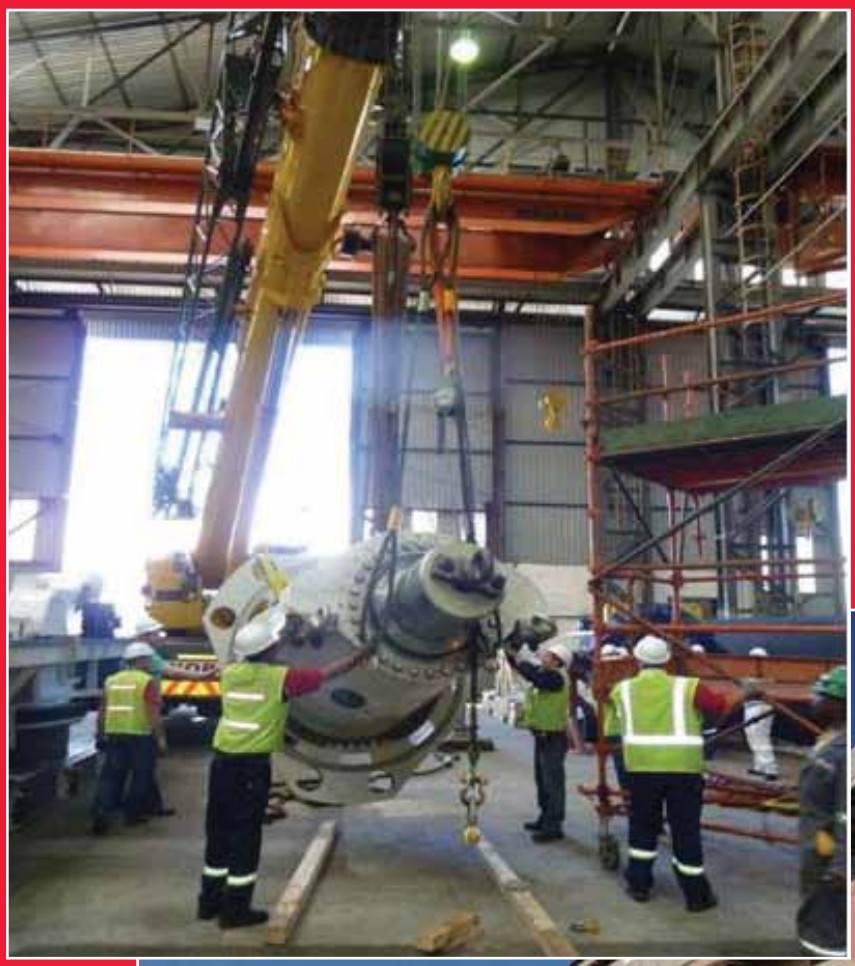

Photo: DCD – manufacturers of wind turbines and blades

Atlantis Green Technology Industrial Park

The Atlantis Green Technology Industrial Park is supported by the Western Cape government, City of Cape Town, Wesgro and GreenCape. It provides sites for renewable and green industry manufacturing businesses looking to locate in the Western Cape. It offers competitive lease arrangements, excellent existing infrastructure and accessibility, proximity to skilled labour and a strong existing business presence. It is part of a strong, enabling strategic policy framework to encourage and promote the green technology and renewable sector in the Western Cape.

70% of REIPPPP developers are based in the Western Cape. This makes the Western Cape the preferred location for the green and renewable energy industry in South Africa.

The industrial park will provide suitable sites for those businesses looking to capitalise on the projected growth in renewable energy projects. The planned roll-out of renewable energy in South Africa will result in investments of R10 – R20 billion every year for the next 20 years. Employment gains in manufacturing are anticipated to be relatively more stable than construction and operation/maintenance activities, since the sector should continue exhibiting growth potential as new and replacement components are produced.

The manufacturing industry to support this renewable energy roll-out will be significant, particularly given localisation requirements.

The Atlantis Green Technology Industrial Park offers sites to the following types of businesses that are looking to capitalise on the projected growth:

- Primary business of supply of components to utility scale renewable energy installations;
- Manufacture/Supply energy efficiency equipment;
- Manufacture/Supply green technology;
- Construction and/or management and/or maintenance of renewable energy installations or equipment;
- Manufacture and/or repair components for primary green manufacturing industries; and
- Research and experiments in respect of renewable energy.

The industrial park will be home to the South African Renewable Energy Business Incubator (SAREBI). SAREBI will be a feeder for both upstream and downstream opportunities in the Atlantis Green Technology Industrial Park.


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PRIDE SOUTH SEAS

II Oil and gas industry

As indicated in a recent PwC report on current developments in the oil and gas industry in Africa entitled "From promise to performance, Africa oil & gas review (June 2013)", Africa is the last true oil and gas frontier with more than 4 200 oil and gas blocks identified. Almost half of these blocks are open, subject to force majeure or in the application phase. More than 80% of the 1 300 blocks in North Africa are licensed, while in sub-Saharan Africa it is estimated that only 30% of the 2 900 blocks are licensed. In the sub-Saharan regions it is evident that many new opportunities still exist, especially for exploration and production (E&P) companies that are willing to take risks.

The Africa oil & gas review shows that the sector is experiencing significant growth, with East Africa emerging as a significant oil and gas region as a result of the large gas finds in Mozambique and Tanzania, and oil potential in Uganda and Kenya.

South African Oil and Gas Alliance (SAOGA) indicated that South Africa is geographically and politically well positioned to be a base for supplying sub-Saharan oil and gas projects. Geographically the country is on the southern tip of the African continent and provides easy access to both East and West Africa by sea and air.

Politically, South Africa is a founding member of the New Partnership for African Development (NEPAD), whose prime objectives are to elevate Africa's opportunities in the global economic arena and to enhance its full and beneficial integration into the global economy. It is also an active member of the African Union (AU), the Southern Africa Development Community (SADC) and the Southern African Customs Union (SACU). Its role as leader and partner in the African community provides South African-based companies with favourable access to opportunities in the region.

In particular, SAOGA have observed a growing trend in many of the local content initiatives in the African oil-producing countries preferentially requiring "African content" when local content is not available. This is a natural outgrowth of the broader African political agenda of trying to foster more cooperation and capability within the continent as a whole.

Photo: Oil rig in Cape Town Harbour

South African Oil and Gas Alliance (SAOGA) is a non-profit organisation dedicated to promoting the development of South African-based industry supplying products and services to the upstream oil and gas sector. The organisation operates as a partnership between the public and private sectors, receiving public funding to carry out a range of industry development activities and working to promote the interests of a membership base of about 120 private sector companies.

A number of them are in manufacturing and fabrication.

Members include global oilfield service companies with bases in South Africa, marine and ship repair companies that focus on the substantial opportunity in oilfield-related ship/rig repair and maintenance, logistics companies that move people and materials from within and outside South Africa to the regional oilfields, and a diversified base of engineering and service companies that supply equipment and specialised services to the industry.

Today SAOGA have a national footprint and focus although the Western Cape remains the de facto centre of upstream supplier activity in South Africa.

Mthozami Xiphu – Executive Director: SAOGA

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www.saoga.org.za

Q&A with Mthozami Xiphu (Executive Director: SAOGA)

What is your view on the manufacturing capability of Western Cape-based companies?

The Western Cape is blessed with all three levels of the oil and gas value chain, in that it has always been home to head offices of the petroleum retail industry. It has two refineries in Milnerton and in Mossel Bay, and also the two producing fields for oil and gas.

This, together with the presence of the Port of Cape Town, has influenced the development of the manufacturing, fabrication, logistics and services companies serving the oil and gas industry, thus making Cape Town an international hub in the sector.

What differentiates Cape Town from the rest of the world – are we market leaders in certain aspects?

In addition to the above, the location of Cape Town on international sea routes, and the presence of academic institutions providing the necessary training, all make Cape Town a market leader nationally and internationally.

Does South Africa have a competitive advantage against European- and US-based companies?

Many parts of the African continent, including South Africa, are still frontier territory with respect to petroleum exploration. With the perceived decline in new discoveries in Europe, the US and other parts of the world, there is a lot of focus on Africa.

With the level of technological development and stable financial and legal institutions, South Africa in general and Cape Town in particular is attracting companies that wish to be anchored there while conducting operations in other parts of South Africa and beyond.

"The oil and gas industry in South Africa is poised for significant growth based on domestic developments in the industry as well as regional developments in West and latterly East Africa.

Domestically, 30 permits have been granted for offshore exploration, five technical cooperation permits have been granted for shale gas extraction and a number of companies are active in coal bed methane activities in the coal-bearing regions of South Africa.

In Africa, West African oil and gas activities continue to grow and in East Africa new discoveries in Mozambique, Tanzania, Kenya and Uganda will result in a significant increase in upstream (including field services) and midstream activity. South Africa with its established port and associated infrastructure, and Cape Town in particular where many players in the oil and gas industry are located and which continues to attract new entrants, is well positioned to take part in opportunities that develop as a result of these developments"

***Ebrahim Takolia** – CEO, SAOGA*

Saldanha Bay Industrial Development Zone (IDZ)

The development of an offshore supply base and oil and gas IDZ in Saldanha Bay is expected to catalyse the development of the sector.

For large capital projects in the oil and gas sector, the 12i Tax Allowance Incentive will be of key importance for projects proposed in the Saldanha Bay area.

Recent investment in Saldanha Bay

In October 2013, construction officially started on the R1.3 billion Saldanha liquefied petroleum gas (LPG) import and storage terminal in Saldanha Bay.

Sunrise Energy was awarded the concession to build and operate an open-access LPG import terminal for 30 years.

LPG vessels, which would originate from refineries in Mozambique, Angola, the Gulf of Guinea and Qatar, would make use of a multi-buoy mooring system as well as subsea and overland pipelines to transfer the gas to the onshore storage facility.

In addition, Oiltanking Grindrod Calulo Holdings, a subsidiary of Germany's Oiltanking Group (a subsidiary of Marquard & Bahls in Germany) and Mining, Oil and Gas Services (a subsidiary of Royal Bafokeng Holdings) entered into a joint venture agreement (JV) in September 2013 to construct a R2 billion commercial crude oil storage and blending terminal at the Saldanha Bay port. Construction on this facility will start in the first quarter of 2014.

The JV indicated that Saldanha Bay was regarded as the most suitable location for the global crude trans-shipment hub as it was close to strategic tanker routes between the key oil-producing regions and major oil-consuming markets. It is ideally situated for the blending of West African and South American crude oils.

Western Cape capabilities

The oil and gas industry is highly technical, with Western Cape-based companies generally providing fabrication, repair and maintenance services.

The SAOGA website contains a full directory of more than 200 companies active in the oil and gas industry. Approximately 120 of these companies are members of SAOGA. Most of these companies are based in the Western Cape.

Photo: Belmet – manufacturing of subsea crawlers for De Beers Marine


Precauciones Estándar
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III Medical devices

The South African Medical Devices Industry Association (SAMED) estimates the South African medical devices sector to be worth R10 billion, although local manufacture only accounts for 5% of the industry.

Many local manufacturers and distributors are members of SAMED. The association has 87 members consisting of local manufacturers, multinationals, wholesalers and distributors.

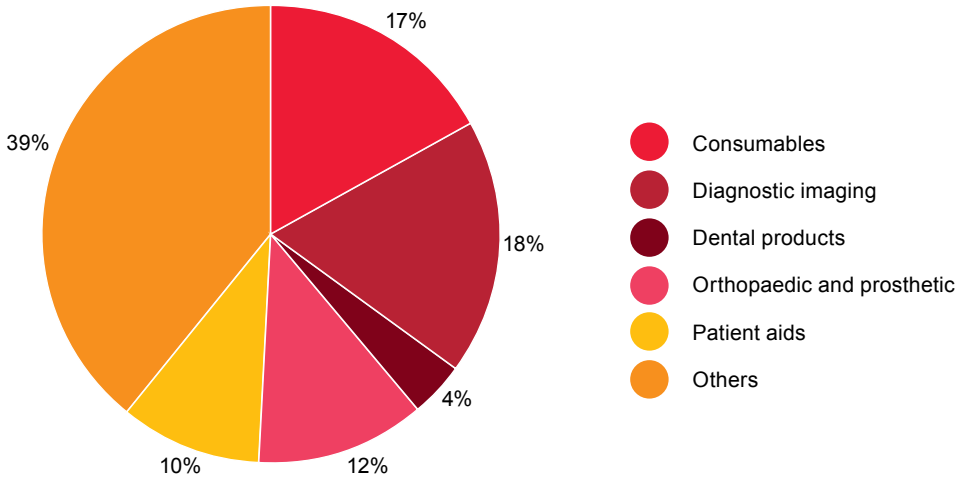
www.samed.org.za

Photo: Variety of medical devices

Background to the South African medical device landscape

Epsicom Business Intelligence in its South Africa, Medical Device Intelligence Report, Q1 2013, estimates the South African medical equipment and supplies market at US$1 272 million in 2012.

South African medical device market by category (2012)



Source: Epsicom Business Intelligence – South Africa, Medical Device Intelligence Report, Q1 2013

Very little is produced in the way of medical devices in South Africa, with an estimated 95% supplied by imports.

Local firms tend to be small or medium-sized businesses and often combine distribution activity with manufacturing. Most South African manufacturers focus on producing basic medical equipment and supplies.

Multinational companies present in South Africa often operate in a joint venture capacity with local firms.

Multinational enterprises with a direct presence in South Africa include 3M, Arrow, Boston Scientific, Convatec (Bristol-Myers Squibb), Covidien, Dräger, Johnson & Johnson, Medtronic, Philips, Siemens Medical, SIMS Portex, and Smith & Nephew.

The multinational manufacturing companies have at least one representative office for the purpose of sales, distribution and service, but there is little manufacturing activity. Most products are imported.

An exception to this is Fresensius Kabi, which has a manufacturing plant in Port Elizabeth that was acquired when it bought Intramed – approximately 450 employees work at this plant. Also, BSN Medical has a manufacturing plant in Pinetown.

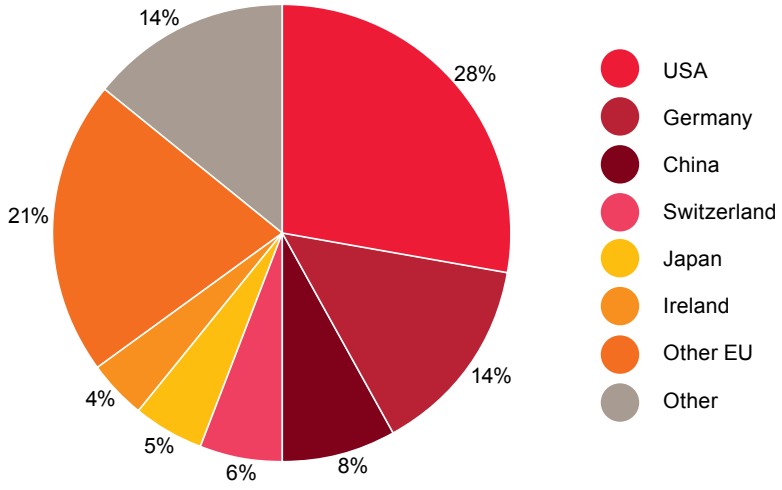
Opportunity due to large imports as a result of lack of local manufacturing

Epsicom Business Intelligence indicated that medical device imports reached a new record high of US$1 179 million in 2011 (20,3% increase from the previous year).

According to its research, the USA was the leading supplier of medical devices to South Africa, with a share of 28% of the total, at a value of US$335 million in 2011. The USA was strong in all departments, particularly in orthopaedic products and dental products, where it supplied 9% and 30% of the total respectively.

Germany (US$167 million), China (US$95 million) and Switzerland (US$69 million) were the other leading suppliers, with shares of 14%, 8% and 6% respectively. The European Union (EU) as a whole supplied US$459 million, equal to 39% of the total, in 2011.

Leading medical equipment suppliers (2011)



Source: Epsicom Business Intelligence – South Africa, Medical Device Intelligence Report, Q1 2013

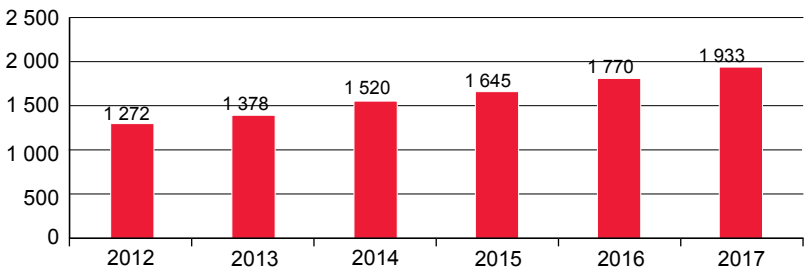
Epsicom Business Intelligence further projects that the long-term growth prospects of the South African medical device market will be strongly influenced by the government's policies in regard to the new National Health Insurance (NHI) scheme, the promotion of public-private partnerships to develop and upgrade hospitals, the serious shortage of healthcare personnel and a dire need to effectively address the Aids crisis in the country.

It further indicates that the South African medical device market is expected to expand at a CAGR of 8,7% in the 2012 – 2017 period, which should see the market reach a total value of US$1 933 million by the end of 2017. Annual growth of 8,7% is similar to growth rates expected in markets in North Africa, but lower than many other less developed markets in sub-Saharan Africa such as Nigeria, Ethiopia, Angola and Uganda.

Attractiveness of the South African medical device market:

- Wealthiest country in Africa;
- HIV/Aids remains a big problem;
- Limited medical device production (lots of opportunity);
- Largely dependent on imports to serve market;
- Future national health insurance plans announced; and
- Underdeveloped and growing medical device market.

Market projections in US$ millions (2012 – 2017)



Source: Epsicom Business Intelligence – South Africa, Medical Device Intelligence Report, Q1 2013

The export of medical devices to sub-Saharan Africa is an attractive opportunity to South African manufacturers. This could further fuel the growth of local medical device manufacturing and also encourage multinational manufacturing companies to set up manufacturing plants in South Africa, as a point of entry into sub-Saharan Africa.

Top medical device technology companies in the Western Cape

The Western Cape boasts a strong market in the biotechnology and medical devices sector with institutes such as the Biovac Institute forming the cornerstone of the province's health sector.

The Biovac Institute is a public-private partnership between the South African government and the Biovac Consortium. Its vision is to be a centre of excellence rooted in Africa for the development and manufacture of affordable quality vaccines for Africa and the developing world's needs. It is already the largest distributor of vaccines in South Africa.

Cape Health Technology Park

The feasibility study for the development of South Africa's first health park, the Cape Health Technology Park, is soon to be completed.

It is envisaged that the Cape Health Technology Park, a collaborative venture between the Western Cape government, the national Department of Science and Technology, academia and business, will be a world-class facility where pharmaceutical companies, research institutes, clinical trial facilities and health-related academic and government programmes are strategically housed in one location.

If approved, it will increase the attractiveness of Cape Town as a location for biotechnology companies. It will also provide support to local manufacturers in an industry that is largely dominated by foreign companies.

Western Cape capabilities

Some of the medical device manufacturing companies based in the Western Cape are listed below:

Company	*Description*	*Website*
Akacia Medical and Akacia Surgical/ Carecross	Akacia Medical manufactures, markets and distributes a comprehensive range of quality medical products to the healthcare industry, specialising in urology, respiratory, surgical disposables and specialised emergency equipment. Akacia Surgical manufactures, markets and distributes a comprehensive range of quality surgical products to the healthcare industry, specialising in cardiology and laparoscopic instrumentation.	http://akaciahealthcare.com
Cape Ray	A developer, manufacturer and supplier of medical imaging equipment for the diagnosis of breast cancer.	www.caperay.com
DISA Vascular	A manufacturer of coronary stents and coronary balloon catheters used by cardiologists for the treatment of coronary artery disease.	www.disavascular.com

Company	Description	Website
Medical Innovations	Medical Innovations specialises in the design and manufacture of operating tables and accessories; service pendant /pedestals/ panels for critical care units and operating rooms; materials-handling systems and storage devices (i.e. linen, sterile supply, emergency, anaesthetic and procedure carts); general hospital equipment (i.e. stainless steel trolleys, surgeon scrub-ups, ceiling-mounted brackets and mounting solutions for medical systems); and containerised units for primary health care, pharmacies and operating rooms. Medical Innovations' operating tables and products are used in more than 100 hospitals countrywide and exported to countries such as Mauritius, Mozambique, Zimbabwe, Malawi, Namibia, Sierra Leone, Senegal, Kenya, Zambia and Botswana.	www.medicalinnovations.co.za
Medi-Safe Surgicals	Medi-Safe Surgicals specialises in surgical safety scalpel blades. As well as the South African market, Medi-Safe is active in Malaysia, Germany, the Netherlands, Spain, France, Sweden, Ireland, the UK and the USA, where the company claims a 15% share of the US traditional safety scalpel market. Product manufacturing is contracted to Sinapi Biomedical, based in Stellenbosch, whose production plant includes a 320m^2 cleanroom facility. Other products manufactured by Sinapi on its own account include thoracic and urinary drainage systems.	http://medi-safe.net
Orthomedics	Orthomedics is the market leader in the orthopaedic industry in South Africa. Orthomedics has led the market for more than 20 years through the introduction of proven technologies, uncompromising service, professional education and a patient-centred approach.	www.orthomedics.co.za
One Eighty Degrees	One Eighty Degrees is an established industry leader in materials and metallurgical expertise. It currently is researching the development of exciting new materials for medical devices.	www.one-eighty-degrees.com
Real World Diagnostics	Real World Diagnostics is a rapid in-vitro diagnostics (IVD) test kit supplier. They manufacture high quality hcg-pregnancy, HIV, syphilis and multiple drug test kits under strict ISO 13485:2003 conditions.	www.real-world.co.za
TFD (Thermodynamics Fluids & Design)	TFD Design specialises in the field of heat transfer and thermodynamics and general mechanical design. Automation and innovation in the medical industry is a key focus point of TFD Design.	www.tfdesign.co.za
TiTaMED	TiTaMED is a manufacturing company established in Cape Town, South Africa in 1996. They specialise in precision engineering with materials such as titanium, stainless steel, nitronic, aluminium and high performance polymers. Their Spinal Screw Implant System is manufactured from the highest quality implant-grade titanium. They have developed the unique and internationally patented uniaxial pedicle screw, which enables new techniques to be used in posterior and anterior scoliosis correction surgery.	www.titamed.co.za
Vision Biotech	A manufacturer of tests for malaria, HIV/Aids, TB and other infectious diseases.	www.visionbiotech.com

IV Aerospace

An aerospace manufacturer is involved in the various aspects of designing, building, testing, selling and maintaining aircraft, aircraft parts, satellites, missiles, rockets, spacecraft and space telescopes.

The Aerospace Industry Support Initiative (AISI) is an initiative launched by **the dti** in 2005 and funded by the Council for Scientific & Industrial Research (CSIR).

The AISI's overall objective is to integrate South Africa's aerospace industry with global markets.

The AISI was enhanced by the setting up of a joint aerospace steering committee (JASC) at the Africa Aerospace and Defence 2012 exhibition at Waterkloof Air Force Base.

www.aisi.co.za

As indicated in the Department of Science and Technology's Ten-Year Innovation Plan (2008 to 2018), South Africa should become a key contributor to global space science and technology. In 2010 the South African National Space Agency (SANSA) was launched to maximise the benefits of space services and applications to society. South Africa is committed to a growing satellite industry, and a range of innovations in space sciences, earth observation, communications, navigation and engineering.

www.sansa.org.za

Photo: KAT-7, SKA South Africa

Background to the South African Aerospace landscape

South Africa is no newcomer to the aerospace industry and boasts achievements such as the Rooivalk attack helicopter and complex manufacturing projects for global aircraft manufacturers.

South Africa has the largest aerospace industry in Africa.

It is a foundation that Government is eager to build on, and the industry is managed as a priority sector. In particular, the aerospace industry is regarded as technology driven and at the same time labour intensive, creating opportunities for South Africa to provide technically oriented employment to highly skilled people.

As indicated in the IPAP, the South African aerospace and defence industry has followed a development path primarily aimed at developing indigenous products and technologies. This resulted in the establishment of a wide scope of capabilities and associated infrastructure required for complete vertical integration. Entry into the global market and supply chains has necessitated increased competiveness and new technologies.

Progress has been made by South African firms, which have developed a track record of innovative, technical solutions, strong capabilities at the systems and subsystem integration level and on-time delivery schedules to global original equipment manufacturers (OEMs) such as Airbus and Boeing.

The Department of Science and Technology (DST) is responsible for technology development and **the dti** is responsible for assisting in commercialisation of technology.

Based on research in 2008 commissioned by the South African Department of Labour on the Sectoral analysis of the Aerospace industry in South Africa, various sources suggest that there are currently between 100 and 200 domestic organisations engaged in aerospace activities in South Africa.

In particular, the sector is highly concentrated in a few, very large organisations, namely Denel, Aerosud, Grintek, Reutech, Thales, Armscor, Advanced Technologies and Engineering (ATE), Saab, Cobham SATCOM, Rheinmetall Denel Munition and Tellumat.

However, the small, medium and micro enterprises (SMMEs) in this market are rapidly growing.

Opportunities identified

The Sectoral analysis of the Aerospace industry in South Africa identified the following opportunities in aerospace:

- South Africa has a wealth of raw materials, combined with considerable capabilities in advanced automotive and the electronic industry as supply base.
- Rapid growth in air traffic and civil airlines is raising the favourable prospects of an increasing demand in emerging economies.
- The demand for regional aircraft in Africa is expected to grow and South Africa is well positioned for easy market access.
- Sectors such as composite materials and the tooling industry have the potential to unlock the developmental opportunities of aerospace manufacturing.

The SA Defence Industry Directory at www.sadid.co.za contains a full directory of South African companies active in the aerospace and defence industry. A number of these companies are based in the Western Cape.

The Square Kilometre Array (SKA) is driving cutting-edge technology development within South African industry and academia – It will be the largest and most sensitive radio telescope in the world.

South Africa is hosting 70% of the world's most powerful radio astronomy telescope – the SKA. South Africa has already demonstrated its excellent science and engineering skills by designing and starting to build the MeerKAT telescope – as a pathfinder to the SKA.

As indicated in a recent SKA publication entitled "Our journey to bring the SKA to Africa" (March 2013), the engineering prototype for MeerKAT has been completed and is known as KAT-7. The KAT-7 has been constructed and commissioned in the Karoo. It has proved to be an invaluable engineering platform for MeerKAT and indeed for the SKA.

The SKA will be built in two phases:

SKA phase 1

The first phase will implement about 10% of the total collecting area of the second phase. Construction of SKA Phase 1 will commence in 2016, and full science operations are expected in 2010. SKA Phase 1 will be split between South Africa and Australia.

In South Africa, 190 SKA-mid dishes will be built and South Africa's 64-antenna, mid-frequency radio telescope array, MeerKAT, will be incorporated into the array to provide a 254-dish array. The MeerKAT dishes are very similar to the SKA dishes, and the design of the SKA dishes will be strongly influenced by the MeerKAT design.

SKA Phase 2

Construction of SKA Phase 2 will commence in about 2018, with full science operations expected in 2025.

In Phase 2, approximately 3 000 SKA mid-frequency antennas will be built in Africa. The highest concentration of the antennas will be in the Northern Cape of South Africa, with stations of about 40 antennas each in Namibia, Botswana, Zambia, Mozambique, Kenya, Ghana, Madagascar and Mauritius. In addition, the dense aperture array will also be built in South Africa. This array will consist of a large number of flat receptors, each 60 metres in diameter.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"Made in Africa" – South African exports and Africa growth opportunities

The Western Cape, by virtue of its coastal location, provides many advantages in South Africa's integration into the global economy.

In this sub-section, we focus on South Africa's export market and macro-economic environment, Africa's growth potential, the associations in the Western Cape that support companies to grow, and current state-owned enterprises (SOEs) supplier development and localisation (SD&L) programmes.

1. *South African exports*

BRICS (Brazil, Russia, India, China and South Africa):

South Africa is attracting new attention from Chinese, Indian and Russian investors due to its inclusion in BRICS (in September 2010).

South Africa is a member of trading blocks with free/preferable trade arrangements with several countries:

- South Africa – European Union (EU) Trade, Development and Co-operation Agreement (TDCA)
- Southern African Development Community (SADC) – Free Trade Area
- Southern African Customs Union (SACU) – European Free Trade Association (EFTA) – Free Trade Agreement
- USA Africa Growth and Opportunity Act (AGOA)

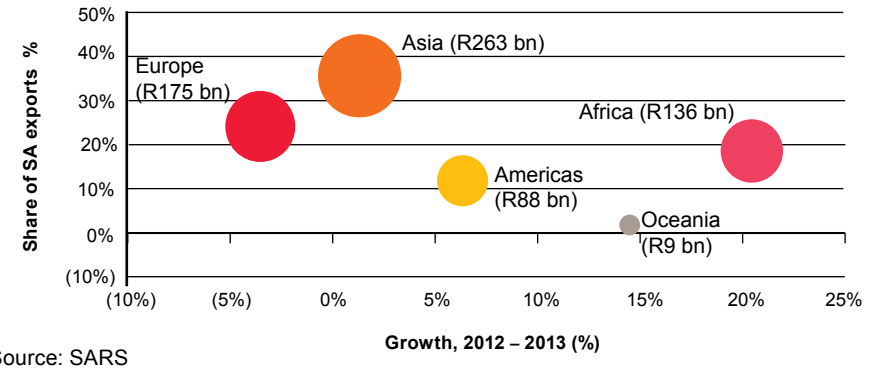
The following agreements are currently being negotiated:

- India – South African Customs Union (SACU) preferential trade agreement (December 2013 deadline)
- South African Customs Union (SACU) preferential trade agreement with Mercosur
- SADC – East African Community (EAC) – Common market for Eastern and Southern Africa (COMESA): Establishment of a Free Trade Area (Triparte FTA)

Exports by region:

South Africa has a number of key trading partners, namely Asia (biggest trading partner at R263 billion), Europe (second-biggest at R175 billion), the rest of Africa (R136 billion) and America (R88 billion).

South African exports by regions (2013)



Source: SARS

South Africa has escalated the importance of trading with new poles of economic growth over recent years. While still actively maintaining and expanding its relationships with traditional trading partners, South Africa diversifies trade and investment with new emerging markets offering vast opportunities and rapid growth.

For example, the rest of Africa was South Africa's fastest-growing export region for the trading year ended May 2013, growing at 20% to R136 billion.

World zones and ships and aircraft stores (Exports)

World zone (R m)	Growth, 2012 – 2013 (%)	2013 Share of SA exports (%)	June 2012 – May 2013	June 2011 – May 2012
Africa	20%	18%	136 448	113 416
Europe	-4%	23%	175 098	181 519
America	6%	12%	88 244	82 926
Asia	1%	35%	263 322	260 859
Oceania	14%	1%	518 702	7 600
Other unclassified goods	-14%	10%	72 510	83 833
Ships/aircrafts stores	-24%	0%	1 199	1 581
Total	2%	100%	745 521	731 734

Source: SARS

Exports to Africa:

With a potential of one billion customers, Africa's fast-growing economy has created massive demand for infrastructure, goods and services.

South Africa is the tenth-biggest exporter to the rest of Africa. China is the largest trading partner to Africa. Total Chinese exports to Africa grew by 32,6% in 2012, based on latest figures available from Trade Map.

Top 20 global markets exporting to Africa

Exporters	Rank 2012	Rank 2011	Value 2012 (R bn)	Value 2011 (R bn)	% growth in value	2012 Market share	2011 Market share
China	1	1	695	524	32,6%	16,7%	16,2%
France	2	2	297	281	5,7%	7,1%	8,7%
United States of America	3	3	269	235	14,5%	6,5%	7,3%
Germany	4	4	232	205	13,2%	5,6%	6,3%
India	5	*	223	*	nm	5,3%	-
Italy	6	5	198	159	25,5%	4,7%	4,9%
Spain	7	9	160	116	37,9%	3,8%	3,6%
Netherlands	8	8	154	125	23,2%	3,7%	3,9%
United Kingdom	9	7	149	127	17,3%	3,6%	3,9%
South Africa	10	10	131	106	23,6%	3,1%	3,3%
Belgium	11	11	122	98	24,5%	2,9%	3,0%
Republic of Korea	12	6	116	130	(10,8%)	2,8%	4,0%
Turkey	13	14	109	74	47,3%	2,6%	2,3%
Japan	14	12	105	95	10,5%	2,5%	2,9%
Brazil	15	13	100	88	13,6%	2,4%	2,7%
Singapore	16	15	72	66	9,1%	1,7%	2,0%
Thailand	17	17	67	55	21,8%	1,6%	1,7%
Russian Federation	18	16	59	59	0,0%	1,4%	1,8%
Portugal	19	19	56	44	27,3%	1,3%	1,4%
Ghana	20	*	52	*	nm	1,2%	-
Other			804	645			
Total exports			**4 170**	**3 232**	**29,0%**		

nm: not meaningful

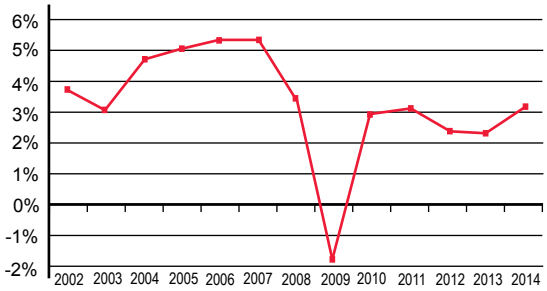
** India and Ghana were not in the top 20 global markets exporting to Africa in 2011.*

Source: Trade Map 2012, Trade Map 2013

South Africa continues to actively participate and work with other African countries in pursuing the development of the continent.

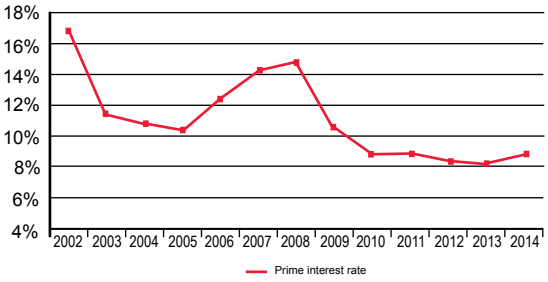
2. South African macro-economic environment

South Africa, real GDP growth (%)



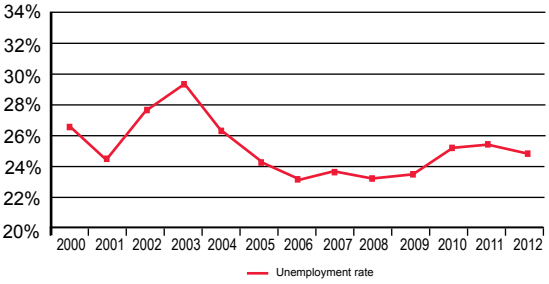
Source: Average consensus forecasts of the major financial institutions in South Africa, PwC analysis

South Africa, prime interest rate (%)



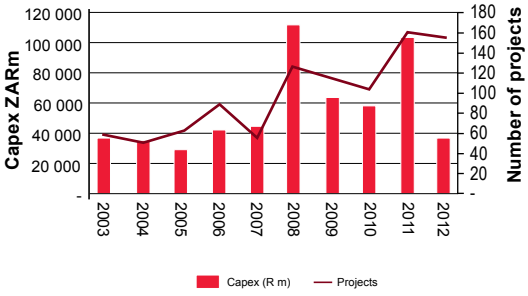
Source: Average consensus forecasts of the major financial institutions in South Africa, PwC analysis

South African, unemployment rate



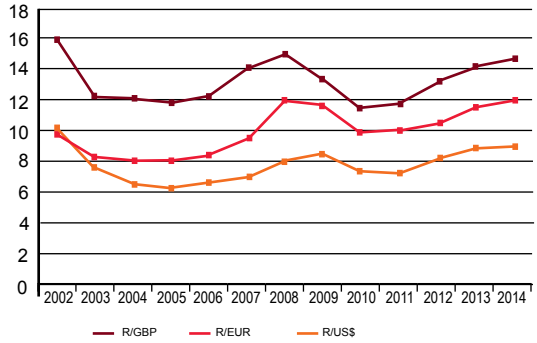
Source: Average consensus forecasts of the major financial institutions in South Africa, PwC analysis

FDI flows to South Africa, 2003 – 2012



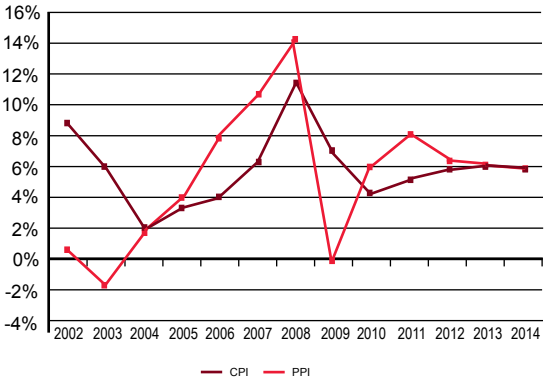
Source: FDI Intelligence, 2012

South Africa, exchange rate



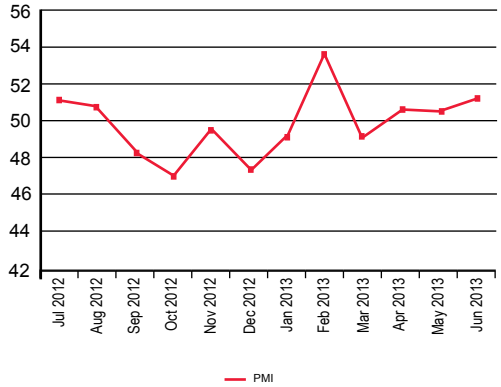
Source: Average consensus forecasts of the major financial institutions in South Africa, PwC analysis

South Africa, inflation rate (%)



Source: Average consensus forecasts of the major financial institutions in South Africa, PwC analysis

South Africa's Purchasing Managers Index (PMI)



Source: The Bureau for Economic Research, University of Stellenbosch

The Bureau for Economic Research conducts the PMI survey for Kagiso Asset Management. A number above 50 indicates growth in factory output.

3. *Africa's growth potential*

The Southern African Development Community (SADC) is an organisation that strives for regional integration to promote economic growth, peace and security in the Southern Africa region.

It aims to create common political values, systems and institutions among its 15 member states, to build social and cultural ties, and to help alleviate poverty and enhance the standard of living.

SADC operates as a free trade area.

SADC and other African countries in numbers

Country [1]	Country population[3]	GDP (US$)[4]	GDP % of total Africa GDP	Size (km2) [5]	GDP per capita, PPP (US$ per year) [6]	GDP growth historical 2010[7]	GDP growth historical 2011[7]	GDP growth historical 2012[7]	GDP growth forecast 2013[9]	World Bank Ease of doing business ranking[8]
SADC Region[2]										
1 South Africa	51 189 307	384 312 674 446	20%	1 213 090	11 440	3,1%	3,5%	2,5%	2,3%	39
2 Namibia	2 259 393	12 807 113 496	1%	823 290	7 488	6,0%	4,9%	5,0%	4,3%	87
3 Botswana	2 003 910	14 410 993 364	1%	566 730	16 986	8,1%	8,0%	6,1%	4,8%	59
4 Mozambique	25 203 395	14 587 709 350	1%	786 380	1 024	7,1%	7,3%	7,4%	7,1%	146
5 Zimbabwe	13 724 317	10 813 914 265	1%	386 850	**	9,6%	9,4%	5,0%	**	172
6 Angola	20 820 525	114 197 143 594	6%	1 246 700	6 105	3,4%	3,9%	6,8%	7,3%	172
7 Zambia	14 075 099	20 678 025 802	1%	743 390	1 712	7,6%	6,8%	7,3%	7,3%	94
8 Malawi	15 906 483	4 263 794 984	0%	94 280	902	6,5%	4,3%	1,9%	5,1%	157
9 Democratic Republic of the Congo	65 705 093	17 869 718 210	1%	2 267 050	422	7,2%	6,9%	7,2%	8,1%	181
10 United Republic of Tanzania	47 783 107	28 248 844 763	1%	885 800	1 601	7,0%	6,4%	6,9%	7,1%	134
11 Lesotho	2 051 545	2 447 573 299	0%	30 360	1 963	7,9%	3,7%	4,0%	3,8%	136
12 Madagascar	22 293 914	9 975 124 872	1%	581 540	978	0,5%	1,9%	3,1%	**	142
13 Mauritius	1 291 456	10 492 013 574	1%	2 030	15 649	7,7%	3,8%	3,2%	3,8%	19
14 Swaziland	1 230 985	3 476 506 333	0%	17 200	5 246	1,9%	0,3%	-1,5%	-0,4%	123
15 Seychelles	87 785	1 032 178 034	0%	460	27 008	7,1%	5,0%	2,9%	3,3%	74
Total SADC Region	**285 626 314**	**649 613 328 386**	**34%**	**9 645 150**						

Country [1]	Country population[3]	GDP (US$)[4]	GDP % of total Africa GDP	Size (km2) [5]	GDP per capita, PPP (US$ per year) [6]	GDP growth historical 2010[7]	GDP growth historical 2011[7]	GDP growth historical 2012[7]	GDP growth forecast 2013[9]	World Bank Ease of doing business ranking[8]
Other African countries *										
16 Nigeria	168 833 776	262 605 908 770	14%	910 770	2 661	8,0%	7,4%	6,6%	6,7%	131
17 Ethiopia	91 728 849	43 133 073 100	2%	1 000 000	1 139	9,9%	7,3%	8,5%	6,8%	127
18 Egypt	80 721 874	257 285 845 358	13%	995 450	6 723	5,1%	1,8%	2,2%	1,9%	109
19 Kenya	43 178 141	37 229 405 067	2%	569 140	1 761	5,8%	4,4%	4,3%	5,7%	121
20 Algeria	38 481 705	207 955 103 846	11%	2 381 740	8 515	3,6%	2,4%	2,5%	3,5%	152
21 Uganda	36 345 860	19 881 412 441	1%	199 810	1 352	5,9%	6,6%	3,4%	6,2%	120
22 Sudan	37 195 349	58 768 800 833	3%	2 376 000	2 195	3,5%	-3,3%	-10,1%	1,5%	143
23 Morocco	32 521 143	96 729 450 169	5%	446 300	5 193	3,6%	5,0%	2,7%	4,3%	97
24 Ghana	25 366 462	40 710 447 429	2%	227 540	2 048	8,0%	15,0%	7,9%	8,2%	64
25 Cote d'Ivoire	19 839 750	24 680 372 724	1%	318 000	2 039	2,4%	-4,7%	9,5%	9,0%	177
26 Cameroon	21 699 631	24 983 980 484	1%	472 710	2 342	3,3%	4,1%	4,7%	5,3%	161
27 Niger	17 157 042	6 568 231 896	0%	1 266 700	665	-8,0%	2,3%	11,2%	7,2%	176

	Country [1]	Country population[3]	GDP (US$)[4]	GDP % of total Africa GDP	Size (km2) [5]	GDP per capita, PPP (US$ per year) [6]	GDP growth historical 2010[7]	GDP growth historical 2011[7]	GDP growth historical 2012[7]	GDP growth forecast 2013[9]	World Bank Ease of doing business ranking[8]
28	Burkina Faso	16 460 141	10 441 012 681	1%	273 600	1 513	7,9%	4,2%	10,0%	7,3%	153
29	Mali	14 853 572	10 308 146 676	1%	1 220 190	1 214	5,8%	2,7%	-1,2%	4,5%	151
30	Senegal	13 726 021	14 159 758 386	1%	192 530	1 944	4,1%	2,6%	3,7%	4,0%	166
31	Chad	12 448 175	11 018 023 538	1%	1 259 200	1 493	13,0%	1,6%	5,0%	2,4%	184
32	Guinea	11 451 273	6 767 919 333	0%	245 720	1 069	1,9%	3,9%	3,9%	3,9%	178
33	Tunisia	10 777 500	45 662 043 358	2%	155 360	9 795	3,0%	-2,0%	3,6%	3,4%	50
34	Rwanda	11 457 801	7 103 000 861	0%	24 670	1 354	7,2%	8,2%	8,0%	7,6%	52
35	South Sudan	10 837 527	9 337 312 682	0%	**	**	4,2%	1,9%	-55,8%	47,8%	**
36	Benin	10 050 702	7 557 286 829	0%	112 760	1 583	2,6%	3,5%	5,4%	3,8%	175
37	Somalia	10 195 134	**	**	627 340	**	**	**	**	**	**
38	Burundi	9 849 569	2 471 954 069	0%	25 680	560	3,8%	4,2%	4,0%	3,6%	159
39	Togo	6 642 928	3 813 834 650	0%	54 390	1 051	4,0%	4,8%	5,6%	4,7%	156
40	Libya	6 54 623	**	**	1 759 540	**	**	**	**	8,7%	**
41	Sierra Leone	5 978 727	3 796 030 045	0%	71 620	1,359	5,4%	6,0%	15,2%	15,8%	140
42	Central African Republic	4 525 209	2 138 965 636	0%	622 980	857	3,3%	3,1%	4,1%	3,9%	185
43	Eritrea	6 130 922	3 091 837 398	0%	101 000	566	2,2%	8,7%	7,0%	**	182
44	Republic of the Congo	4 337 051	13 677 928 884	1%	341 500	4 426	8,8%	3,4%	3,8%	**	183
45	Liberia	4 190 435	1 767 121 781	0%	96 320	655	10,9%	9,4%	10,8%	**	149
46	Mauritania	3 796 141	4 199 051 817	0%	1 030 700	2 603	5,1%	4,0%	7,6%	5,2%	167
47	Gabon	1 632 572	18 661 104 043	1%	257 670	16 086	6,7%	7,0%	6,1%	3,7%	170
48	Equatorial Guinea	736 296	17 697 394 251	1%	28 050	30 233	-1,7%	4,9%	2,5%	-1,0%	162
49	Gambia	1 791 225	917 292 053	0%	10 120	1 948	6,5%	-4,3%	6,0%	6,5%	147
50	Guinea-Bissau	1 663 558	897 408 214	0%	28 120	1 192	1,7%	5,7%	-1,5%	6,6%	179
51	Djibouti	859 652	**	**	23 180	2 784	3,5%	4,5%	4,8%	3,9%	171
52	Comoros	717 503	595 900 353	0%	1 861	1 230	2,1%	2,2%	3,0%	**	158
53	Cape Verde	494 401	1 897 350 475	0%	4 030	4 430	5,2%	5,0%	4,3%	5,0%	122
54	São Tomé and Príncipe	188 098	263 729 026	0%	960	1 852	4,5%	4,9%	4,0%	2,5%	160
Total		**1 080 642 652**	**1 928 386 767 542**	**100%**	**29 378 401**						

Notes:

* Excludes Saint Helena, Mayotte, Westen Sahara and Réunion
** Information not readily available

Source:
(1) United Nations website http://unstats.un.org/unsd/methods/m49/m49regin.htm
(2) SADC website http://www.sadc.int/member-states
(3) World Bank website http://data.worldbank.org/indicator/SP.POP.TOTL
(4) World Bank website http://data.worldbank.org/indicator/NY.GDP.MKTP.CD/countries?display=default
(5) World Bank website http://data.worldbank.org/indicator/AG.LND.TOTL.K2
(6) World Bank website http://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD
(7) World Bank website http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG/countries
(8) World Bank website http://data.worldbank.org/indicator/IC.BUS.EASE.XQ
(9) Business Monitor International

4. Western Cape associations:

The following associations were identified that support the broader metals and engineering cluster in the Western Cape:

A Plastics industry

Western Cape capabilities

There are a number of very professional and successfully run businesses in the plastics industry in the Western Cape, where skills for printing, tool making and technical moulding are strong.

The region's strength is in plastic conversion.

The rest of Africa, notably the SADC countries, offers a potential export market for plastics because of its proximity.

Exports is one of the issues on which Plastics|SA is engaging with **the dti** in order to assess what needs to be done to take better advantage of the export market, and what incentives and stimuli need to be in place to become more active.

The African export market has huge growth potential where South Africa could potentially play an integral role.

Key opportunities:

IPAP identified the following key areas of opportunity for growing the plastics sector in South Africa:

- Automotive interior products such as carpets and dashboards, and exterior: products such as bumpers and mirror castings;
- Packaging;
- Medical syringes and HIV and diagnostic test toolkits;
- Buildings – pipes, flooring, building sheet, sanitation and woven/netted polypropylene;
- Electrical and electronic cables, appliances and casing components; and
- Green industries with wind turbine blades.

"Plastics|SA, the umbrella organisation for the plastics industry in South Africa, plays a dynamic and active role in the growth and development of the South African plastics industry.

Its members represent all sectors of the South African plastics industry, including polymer producers and importers, converters, machine suppliers and recyclers.

Plastics|SA has set itself the task of creating a vibrant and sustainable industry. To achieve this, the industry demands leaders who are willing to change, adapt and embrace the challenges in order to grow the South African plastics industry as a leader on the African continent.

The turnover of the industry is some R50 billion per annum and South Africa consumes approximately 1 375 million tons per annum.

The plastics industry employs approximately 60 000 people in South Africa, of whom approximately 20% are employed in the Western Cape.

Plastics|SA operates from three centres: the head office in Gauteng and the two regional centres located in KwaZulu-Natal and Cape Town."

Isabelle Brettenny – Regional Manager Western Cape: Plastics|SA

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E-mail: isabelle.brettenny@plasticsSA.co.za
www.plasticsinfo.co.za

Some of the companies in the Western Cape that play an active role in the manufacturing sector are as follows:

Company	*Description*	*Website*
Addis/Usabco	Addis has earned itself a household name as one of the most trusted brands in South African homes, offering a diverse product range encompassing household cleaning products, kitchen and home plasticware, gardenware and hardware.	www.addis.co.za
Bowler Plastics/ Bowler Metcalf	Bowler Plastics is a subsidiary of the JSE-listed Bowler Metcalf Limited. It started supplying rigid plastic articles to the South African market in 1972. From humble beginnings, the company has grown into one of the leading players in the industry.	http://bowler.co.za
DPI Plastics/DAWN	DPI Plastics is wholly owned by JSE-listed DAWN, which is listed in the construction, building materials and fixtures sector of the JSE. It is a leading manufacturer of PVC and HDPE water reticulation and drainage pipe and fitting systems.	www.dpiplastics.co.za
Lomold	Lomold received the 2012 Gold Award for the best 100% recycled product from the South African Plastics Recyclers Organisation for its long-fiber reinforced composite pallet made from recycled PET. This ability to turn plastic waste into high-quality engineering materials has enabled Lomold to offer its pallets to the export and general transport industries at prices that compete directly with wood pallets, but with none of the drawbacks normally associated with wood pallets.	www.lomold.com
Mpact Plastic Containers/Mondi Packaging	Mpact Plastic Containers forms part of the Mpact Group. The Mpact Group, which is listed as a separate entity on the JSE and demerged from Mondi in July 2011, has the leading market position in Southern Africa in corrugated packaging, recycled-based carton board and container board, recovered paper collection, PET preforms, styrene trays and plastic jumbo bins.	www.mpcsa.co.za
Polyoak Packaging	Established in 1976, Polyoak Packaging is one of the leading rigid packaging suppliers in Southern Africa. It specialises in the manufacture and design of thermoformed, blow, injection and compression moulded plastic packaging for the dairy, beverage, food and industrial sectors.	www.polyoak.co.za

B Automotive industry

Localisation

In NAACAM's 2013 Directory the average local content of the components produced in South Africa is estimated at 60% with those being exported averaging 78%.

However, the net value of local components used in vehicles is significantly lower at less than 40% of the total component value.

One of the objectives of the Automotive Production and Development Programme (APDP), which replaced the Motor Industry Development Programme (MIDP) on 1 January 2013, is to encourage localisation.

The National Association of Automotive Component and Allied Manufacturers (NAACAM) was established 32 years ago to represent the interests of the automotive component manufacturers in the South African industry.

There are approximately 160 national member companies with 230 regional manufacturing sites, in addition to 12 associate members who provide mainly logistics, IT and financial services to members.

Approximately 23 NAACAM members are based in the Western Cape. The Western Cape component manufacturers export approximately 80% to 90% of locally manufactured components, a testimony of the world-class quality of components manufactured.

Almost 70% of South African tier one manufacturers are NAACAM members, while outside of NAACAM there are some foreign and smaller local companies who are either not members of any association or are affiliated to tyres, catalytic converters, plastics, stainless steel, aluminium and similar bodies.

The employment of the component industry remained at a subdued level in 2012, estimated at 70 000, 2,5% higher than 2011, but still well below the peak of early 2008. The impact on automotive component manufacturers of the 2008 – 2009 global economic fallout, exacerbated by the recent European Union (EU) crisis, has been severe and has been the main cause of the low levels of exports.

The performance of the European economy is critical to the automotive components industry, since the EU is the largest export customer, as well as the source for many imports.

Total turnover of the entire component manufacturing sector is estimated at R86 billion in 2012 (up from R80 billion in 2011).

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Automotive Production and Development Programme (APDP)

This programme applies to light vehicles (passenger cars and light commercial vehicles) only.

As highlighted in the Automotive Export Manual – 2013 – South Africa publication, the automotive industry is regarded as a strategic South African asset. The MIDP was implemented with effect from 1 September 1995 to reshape the future direction of the South African automotive and associated industries. The MIDP was established to entrench the outward orientation of the industry, thereby restructuring it to achieve global competitiveness, while at the same time maintaining its employment and output contributions to the South African economy. This programme ended on 31 December 2012 and was succeeded by the APDP in January 2013.

The aim of the APDP is to double vehicle production in South Africa by 2020 to 1.2 million vehicles, pushing the country's automotive industry up to an anticipated global market share of over 1%. The APDP will seek to shift the emphasis away from an export focus to one that emphasises value addition and scale in the production of vehicles. In addition, the programme is intended to be supportive of the further development of world-class automotive component manufacturing.

The APDP would incentivise automotive-related production and investment and large-scale vehicle manufacturing, while the investment incentive will also be accessible to more companies than was the case under the MIDP.

The APDP focus is to ensure the sector has a greater impact on the economy and on national employment levels by increasing local component manufacturing and sourcing more of the semi-finished goods in the domestic market.

The APDP consists of four pillars that will drive the programme, namely:

- Import duty;
- Vehicle assembly allowance (VAA) (rebate mechanism);
- Production incentive (PI) (rebate mechanism); and
- Automotive Investment Scheme (AIS) (cash grant).

Tariffs: Import duties on vehicles and components will remain at 2012 levels (25% on light vehicles and 20% on original equipment components) through to 2020. A preferential agreement will result in imported vehicles from the EU paying only 18% duty. These tariffs are meant to provide just enough protection to justify continued local vehicle manufacturing.

Vehicle assembly allowance (VAA): This support will be in the form of duty-free import credits issued to vehicle manufacturers based on 20% of the ex-factory price in 2013 (19% in 2014; 18% in 2015) of vehicles produced domestically.

The equivalent value of this to original equipment manufacturers (OEMs) will be the allowance multiplied by the duty rate (so 4% to ex-factory price in 2013, reducing to 3,6% in 2015.) This support provides a lower duty rate for local vehicle manufacturers and should provide enough encouragement for high volume production in line with the target of doubling production.

Production incentive (PI): From 2013 this support will start at 55%, reducing progressively by 1% annually to 50% of value added, also in the form of duty-free import credits, and will replace the current export-based scheme.

The equivalent value will be the incentive multiplied by the component duty rate, so 11% of value added in 2013, reducing to 10% by 2018. There will be an additional amount for 'vulnerable products' which will earn a PI of 80% in 2013 and 2014, reducing thereafter by 5% annually to 50% in 2020.

The incentive will flow through the supply chain to the end producer, which will be the OEM or, in the case of component exports or replacement parts, the component manufacturer.

The value-add support is planned to encourage increasing levels of local value addition along the automotive value chain with positive spin-offs for employment creation.

A 25% standard value is regarded as local value added on certain qualifying raw materials originating in the Southern African Customs Union (SACU). With regard to vulnerable products, this percentage is 40%. The percentage will be reduced by 5% per annum from 1 January 2015 to 25% from 1 January 2017 onwards.

Automotive Investment Scheme (AIS): Effective from July 2009, this assistance replaced the productive asset allowance (PAA) and amounts to a cash grant of 20% (taxable) of qualifying investment paid over to OEMs and components over a three-year period.

In addition, by achieving certain performance objectives, companies could earn an additional 5% or 10%.

This support will be available to encourage investments by OEMs and component manufacturers in a manner that supports equipment upgrading.

Support to medium and heavy commercial vehicle (MCV/HCV) sector

The APDP applies to light vehicles only. In terms of support to the medium and heavy commercial vehicle sector, including the country's truck, bus, capital equipment and agricultural vehicle industries, Government acknowledges that the sector has not received adequate policy attention. A support package similar to the APDP to stimulate production of heavier commercial vehicles of more than 3 500 kg of gross mass has also been recommended. In the interim, components produced for the heavy vehicle sector will receive the same benefits as light vehicle components. The recommendations on vehicle incentives for the MCV/HCV sector will be finalised in 2013.

Western Cape capabilities

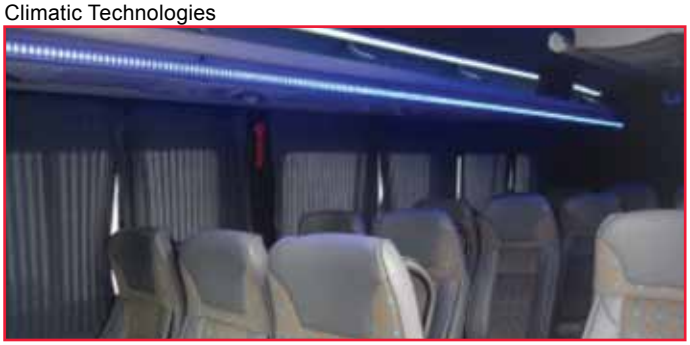
Some of the companies in the Western Cape that play an active role in the manufacturing sector are as follows:

Company	*Description*	*Website*
Atlantis Foundries	Atlantis Foundries is a wholly-owned subsidiary of Mercedez-Benz South Africa. It manufactures and exports engine blocks mainly for medium and heavy duty commercial vehicles and diesel applications. Approximately 1 200 employees.	www.mercedes-benzsa.co.za
Beekman Super Canopies	Manufacturer and exporter of fibre glass canopies. Approximately 450 employees.	www.beekman.co.za
Capewell Springs	Manufacturer of metal pressings/stampings, power and constant force springs (spring steel strip), wire springs (compression, tension and torsion) wire forms, tool design and manufacture, heat treatment and zinc plating. Approximately 85 employees.	No website.
Control Instruments Automotive/Gabriel SA	Manufacturer and exporter of Gabriel shock absorbers, struts and gas lifts, timing belts, ignition leads, electrical components, brake components, industrial products, ignition components, fuel components, switches and lighting, cooling components, cables and terminals, WARN off-road products, steering and suspension products, workshop equipment, emergency lighting equipment, VDO automotive, VDO commercial and VDO marine. Approximately 900 employees.	www.ci-automotive.com
Creative Graphics International	Functional and decorative self-adhesive decals, graphics, aluminium badges, resin emblems, dashboard trim and chrome injection moulded parts. Approximately 145 employees.	www.cgi-visual.com
Donaldson Filtration Systems	Manufacturer and exporter of engine filtration products, associated design and development of above products and technical support of product in the field, covering air, fuel, lube, hydraulics and coolant. Approximately 500 employees.	www.donaldson.co.za

Company	Description	Website
GKN Sinter Metals	Manufacturer and exporter of precision metallurgical components for the automotive/electrical/mining/ general engineering industries. Approximately 100 employees.	www.gknsintermetals.com
Magna Mirrors	Motor vehicle rear view mirrors – interior/exterior (painted and unpainted), door handles and window regulators. Approximately 50 employees.	www.magna.com
Precision Press	Metal pressings, sub-assemblies, deep-drawn pressings, tool design and manufacture. Approximately 140 employees.	www.precisionpress.co.za
Q Tec Moulding	Manufacturers of injection-moulded plastic components for the automotive, agricultural and engineering markets. Approximately 30 employees.	www.qtec-moulding.com
Senior Flexonics	Manufacturer and exporter of stainless steel flexible exhaust decouplers and load support joints and exhaust gas recirculation tubes. Approximately 230 employees.	www.senior-flexonics.com
Steelbank Merchants	Steel stockists and steel service centre to the automotive industry, specialising in slitting, blanking, cut to length and guillotining. Stockists of a large range of steel types, specifically for the automotive industry, sourced locally and internationally. Approximately 250 employees.	www.steelbank.co.za
Takata South Africa	Manufacturer and exporter of steering wheels, seat belts and airbags. Approximately 470 employees.	www.takata.com
Triz Engineering Solutions	Automotive engineering, design and development, component failure analysis and re-design. Approximately 50 employees.	www.trizengineering.com
TRW Automotive	TRW Automotive is a global leader in automotive safety. Its plant in Atlantis, Western Cape manufactures and exports motor vehicle safety belts, height adjusters, braking components, airbags, steering wheels and injection-moulded components. Approximately 210 employees.	www.trw.com

C Vehicle body builders

Climatic Technologies



Serco Cape

Rainbow Polyurethane

Advanced vehicle Engineering

South African Vehicle and Body Builders Association (SAVABA) members are recognised by the major motor manufacturers for providing specialised vehicle bodies for their chassis assemblies, ensuring that a high level of expertise is maintained in the vehicle body building process.

SAVABA's members consist of professional manufacturers of:

- *Commercial vehicle body applications – tanker, coal, refrigerated trucks and trailers;*
- *Bus bodies – commuter and tourist; and*
- *Specialised vehicle-body applications – ambulance, armoured vehicles, and off-road vehicles.*

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Western Cape capabilities

Companies in the Western Cape have a wide range of specialised and technical skills used in the vehicle-body building industry. Some of these companies in the Western Cape are listed below:

Company	*Description*	*Website*
Climatic Technologies	Climatic Technologies is a registered body builder converting panel vans for the taxi and tourism industry. They also import and install Ricon wheelchair lifts and Q'straint restraint systems for use in vehicles.	www.climatictech.co.za
Serco Cape	Serco Cape specialises in the design and manufacturing of insulated and dry freight fibreglass truck bodies and trailers that are relied upon by Southern Africa's leading transporters and long-distance haulers to carry everything from frozen ice-cream to day-old chicks, and from beef to bread – safely and hygienically.	www.serco.co.za
SA Truck Bodies/ Henred Fruehauf Trailers	SA Truck Bodies, represented by Henred Fruehauf in Cape Town, specialises in the manufacture of a wide range of trailers ranging from different types of tanker to refrigeration, furniture, curtain-slider, lowbed, cattle, grain dumper, dropside, side-tipper and flatdeck trailers. They also offer a comprehensive repair service as well as in-house finance for prospective buyers and rental options.	www.satruckbodies.co.za
Rainbow Polyurethane	They specialise in custom built aluminium products, and polyurethane bakkie and truck liners.	www.rainbowpolyurethane.co.za
Advanced vehicle Engineering	Produces a broad range of mobile health care vehicles such as ambulances, rescue and command, and forensic pathology vehicles. Their vehicles are offered with a full range of accessories and equipment to provide turnkey vehicles that are manufactured and equipped to the client's exact requirements.	No website.
Elite Fibre	Elite Fibre is one of the leading manufacturing brands in glass-reinforced plastic (GRP) fiberglass, insulated and semi-insulated truck and trailer bodies. They also do repairs to all truck and trailer load bodies. They have branches in Cape Town, Johannesburg, Centurion, KwaZulu-Natal and Port Elizabeth.	www.elitefibre.co.za
Cape Trailer Services	CTS Trailers are suppliers of truck bodies, trailers, and accessories to the transport industry.	www.ctstrailers.co.za

Elite Fibre

Cape Trailer Services

D

Tool, die and mouldmaking (TDM) industry

The Western Cape Tooling Initiative (WCTI) was established in 2006 as a partnership between the Toolmaking Association of South Africa (TASA) and the Western Cape government with the aim of revitalising the tool, die and mouldmaking (TDM) industry in the Western Cape.

TASA in its present form was established in 2004 as a national representative body for the South African TDM industry.

*TASA, in conjunction with **the dti**, initiated the Intsimbi National Tooling Initiative (NTI) to enable government and industry to co-operate in large-scale interventions to revitalise the TDM and precision machining industry.*

Tooling in South Africa, and precision machining occupies a key position in the industrial supply chain as it critically links product development and production.

In South Africa the direct tooling industry represents a R15 billion market. Due to technology stagnation, a lack of skills, a loss of capacity and competitiveness, a lack of transformation and increased imports, the South African TDM industry has declined over a period of 20 years from a position of 80% local supply to less than 20% currently.

With the aim of achieving the rehabilitation and growth of the industry, primarily in terms of job creation, the main objectives of the WCTI are to deliver on interventions that have been agreed upon at a national level, in order to create a thriving TDM sector that provides 80% of all required tooling and precision machining solutions to local manufacturers.

These interventions include the TDM Powered Toolmaking apprenticeship programme, which will see the first of the apprentices qualifying early in 2014 to an international curriculum and standard.

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The South African TDM industry

Manufacturing is the process of transforming materials into new products. Whether it is the latest-generation cell phones or tablet computers, DVDs or automotive components, manufactured products are conceptualised, designed and created, almost without exception, with the aid of sophisticated software and advanced equipment operated by highly skilled people.

Tooling creates the capacity for manufacturing to produce an almost limitless array of products, ranging from microscopic electronic precision components to large pressure vessels. The respective manufacturing processes utilise tooling to conform material to desired shapes and create the necessary features of the manufactured product.

Tooling and precision machining production occupies a key position in the industrial supply chain as it critically links product development and production. Its proper implementation determines the reliable and cost-effective manufacturing of products, which is a key growth factor for the South African economy.

Statistics released by the International Specialised Tooling and Machining Association (ISTMA) at the World Tooling Conference in Toronto, Canada, indicate that up to 50% of any manufactured component's cost competitiveness is governed by tooling.

The global tooling market value is estimated to be in excess of US$80 billion, according to ISTMA.

In South Africa, the direct tooling industry represents a R13 billion market with added maintenance services contributing another R2 billion.

Opportunities in the Western Cape

The WCTI's vision is to create a thriving TDM sector that provides 80% of all required tooling and precision machining solutions to local manufacturers. The initiative aims to empower local TDM companies to become part of the exciting future awaiting the South African tooling industry by enabling them to adopt the necessary design, technology and production techniques to make them globally competitive. In addition to the opportunities created by the government's automotive incentive plan, major infrastructure development projects such as Transnet's locomotive acquisition programme and the R1 trillion expansion of the country's nuclear generating capacity are expected to create a high demand for tooling.

The Western Cape TDM sector is positioned to participate in the following growth potential in the Western Cape:

- Import replacement;
- Oil and gas;
- Square Kilometre Array (SKA);
- Taxi recapitalisation programme of the Department of Transport;
- Growing consumer markets in Africa;
- Cape Town port – export markets;
- Power generation; and
- Technology innovation.

www.ntipweb.co.za contains a full directory of companies active in TDM in the Western Cape.

E

Stainless steel industry

The Southern African Stainless Steel Development Association (Sassda) is one of the most active stainless steel industry associations in the world and has, since 1964, been involved in increasing the awareness and use of stainless steel in Southern Africa. Sassda consists of more than 400 member companies, on a national level creating jobs for more than 40 000 people.

The Western Cape boasts more than 20% of the total membership (more than 80 companies) underlining the fact that the stainless steel industry is an important part of the economic activities in the Western Cape.

Sassda members in the Western Cape region are mainly focused on the food and beverage sector, supplying equipment and services for both the local and export markets. A large portion of the stainless steel consumed in the region goes to the automotive industry for the manufacture of exhaust systems and catalytic converters. Stainless steel component manufacturers in the region have diversified their markets in the last few years and have developed the skills and accreditation to supply to varied markets, ranging from components for satellites and customised specialised vessels to sub-assemblies for the nuclear industry.

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Q&A with Michel Basson (Western Cape consultant for Sassda)

What is your view on the manufacturing capability of Western Cape-based companies?

The stainless steel industry in the Western Cape has developed certain skills and capacity through its long time involvement in the food and beverage industry. Manufacturing companies in the region excel in the manufacture of thin-gauge stainless steel components. It has developed itself over the past two decades to be competitive with global role players and is equipped with a highly skilled workforce and world-class manufacturing equipment.

What differentiates Cape Town from the rest of the world – are we market leaders in certain aspects?

The regional industry is known for innovative solutions to engineering problems and the geographic positioning makes Cape Town a good base for exporters, as well as a natural gateway to Africa. Cape Town has the skill set, capacity and infrastructure to feature as a service hub for the oil and gas Industry.

What are the competitive advantages against European- and US-based companies?

- Exchange rate making the region cost-effective;
- Geographic positioning;
- Understanding of the local and African market requirements; and
- Level of innovation in African solutions.

Photo: GasCon is an internationally accredited Cape Town-based pressure vessel manufacturer. This includes the design and manufacture of static pressure vessels, heat exchangers, columns, drums, gas tank containers, gas road tankers, filter vessels, dive bells and decompression chambers, for both non-refrigerated and refrigerated (cryogenic) gasses.

Photo: Paarl-based Fabrinox, established in 1993, have distinguished themselves as one of the market leaders in sheet metal manufacturing, with various value-added services.

Photo: H.G. Molenaar is a Paarl-based supplier, agent and manufacturer of large-scale machinery for food and beverage manufacturers across the globe.

F Electrical industry

The South African electronics manufacturing sector is characterised by large, middle-sized and small manufacturers with a primary focus on the assembly and manufacture of electronic consumer products such as televisions, telecommunications equipment and set-top boxes (STB) for the pay television market.

As discussed in the IPAP, there is a global migration to digital terrestrial television, which is expected to significantly boost the digital terrestrial television (DTT) STB market.

the dti has designated STB for local procurement.

The manufacturing of STBs consists largely of assembling electronic components in accordance with engineering designs. Maximising the value in the manufacturing process ensures that local manufacturers participate in the full manufacturing value chain.

Capabilities in the Western Cape

The electrical industry in the Western Cape is diverse with companies being either contract manufacturers or electrical product manufacturers.

Cape Town-based companies in the electrical industry include:

- Tellumat www.tellumat.com
- Hisense www.hisense.co.za
- RC&C Manufacturing www.rccman.co.za
- WH Circuit www.printedcircuitboards.co.za
- Cirtech www.cirtech-electronics.com
- Electroi www.elektroi.co.za

The South African Institute of Electrical Engineers formed in 1909 has grown to the extent that there are approximately 6 000 national members. Members are professionally engaged in the full range of engineering activities, including academic research, manufacturing, electronics, telecommunications, measurement and control, mining and power infrastructural services.

SAIEE representatives are heavily involved with the Department of Higher Education and Training to address the demand for engineering skills at engineer, technologist and technician levels, particularly with regard to the 18 strategic integrated projects (SIPs) of Government. It is also seeking solutions in providing mentoring to post-graduate students in the workplace.

SAIEE is also involved in addressing current challenges in the procurement of products and services.

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Photo: Tellumat manufacturing televisions at its Atlantis factory.

G Foundry industry

The Western Cape Institute of Foundrymen (WCIF) was founded in 1980 to meet the needs of the Western Cape foundry industry, which until that particular time was fragmented with no central institution or meeting place to discuss and compare trends within the foundry industry.

Western Cape – local history

One of the oldest foundries, trading under the name of Cunningham & Gearings, opened in 1876, servicing the engineering and sailing communities in the Cape Town area. Prior to the commencement of the Second World War, Gearings & Globe Foundries were seconded to work for the SA Navy, undertaking repairs to ships and convoys. Salt Rivier Foundries opened their doors in 1933 with products for engineering and SA Railway stock. The aluminium foundry of Ajax Manufacturing has been producing components for the last 56 years.

One of the latest foundries to open in the Western Cape is Atlantis Foundries, commencing operations in 1980 as part of Atlantis Diesel Engines (ADE), producing complete diesel engines for the SA market. The majority of Atlantis Foundries' products, namely engine blocks, are currently exported to various countries worldwide.

Diverse foundries

The foundry industry in the Western Cape is diverse with smaller foundries accommodating around 20 personnel to the largest organisation, which has a workforce of approximately 1 200 people. These foundries produce product for general engineering, ornamental castings, garden furniture, precision castings, automotive components and art works.

Processes

Some of the foundry processes utilised within the membership of the WCIF include greens and moulding, cold box coremaking and moulding, investment casting, low- and high-pressure die casting and floor moulding.

Materials cast

Many types of metals are continually being cast from grey cast irons, ductile irons (SG), stainless steels, aluminium, brasses and bronzes.

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Western Cape foundries include:

- Atlantis Foundries www.mercedes-benzsa.co.za
- SA Metal Group www.sametal.co.za
- GPM (Gear Pump Manufacturing) www.gearpumps.co.za
- Castco Precision Castings www.castco.co.za

H Metals and Engineering Employers Association

Cape Engineers and Founders' Association (CEFA) is an employer party registered with the Department of Labour dedicated to serve the interests of employers in the metals and engineering industry in the Western Cape.

CEFA's services include advice on all labour and industrial relations matters, industrial relations consultancy service, advice on BBBEE and health and safety requirements and representation of employer interest on the Cape Regional Council of the Metal and Engineering Industries Bargaining Council (MEIBC) and on the Regional Committee and Metals Chamber of the Manufacturing, Engineering and Related Services Seta (Merseta).

CEFA is federated to SEIFSA (Steel and Engineering Industries Federation of South Africa), which at national level represents the interest of employers in the metal and engineering industry.

SEIFSA is the umbrella body for 28 independent employer associations (of which CEFA is one). The 28 associations have a combined membership of 2 224 companies employing 174 257 hourly paid workers.

CEFA actively participate with other SEIFSA associations together with the trade unions in reaching agreements to improve the business climate for the metals and engineering industry in South Africa, so that jobs could be protected with growth into the future.

For 70 years, SEIFSA has provided active support for employer associations and lobbied for policies that have improved the business environment in which its members operate.

At industry level, SEIFSA negotiates collective agreements covering wages and conditions of employment with the trade unions. The federation also represents employers on the boards of the Engineering Industries Pension Fund, the Metal Industries Provident Fund, the Metal and Engineering Industries Permanent Disability Scheme, the MEIBC and the Merseta.

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Western Cape-based members of CEFA include:

- Atlantis Foundries — www.mercedes-benzsa.co.za
- John Thompson — www.johnthompson.co.za
- DCD Marine — www.marine.za.com
- CFW Industries — www.cfw.co.za

5. *The following state-owned enterprises (SOEs) supplier development and localisation programmes are currently in place:*

I *Eskom*

Eskom has developed a comprehensive supplier development and localisation plan to serve as the foundation towards building its supplier development offering, and that provides the strategy for how Eskom will leverage and optimise procurement spend to proactively drive economic development.

The Eskom supplier development and localisation plan covers a timeframe of six years that started in 2011/12 and will end in 2016/17. The total forecasted five-year spend is estimated at R728 billion.

J *Transnet*

Transnet is responsible for South Africa's rail freight and logistics network, as well as the country's ports and pipelines network.

Transnet opened its procurement opportunities to small firms and is very successful with developing the capacity of these suppliers.

It will spend approximately R300 billion on operational expenditure on areas such as repairs and maintenance and support services, and R300 billion on capital that will be invested over a seven-year period for the extensive expansion of rail, port and pipeline infrastructure across the country.

K *Passenger Rail Agency of South Africa (PRASA)*

PRASA aims to spend R123.5 billion over a 20-year period on its fleet renewal programme, to procure 7 224 coaches to replace its ageing fleet, through two ten-year contracts.

The long-term procurement process will create the opportunity for local capability to evolve above 65% of the value of a coach produced locally.

L *Square Kilometre Array (SKA)*

The SKA will be the world's largest telescope and is one of the 17 presidential strategic integrated projects.

The project will be divided in two phases, where the first phase from 2016 – 2020 will consist of the incorporation of 64 MeerKAT dishes and the construction of 190 SKA dishes with single-pixel in the Karoo. The second phase, which will commence in 2018 and will be completed by 2025, and will consist of the building of approximately 3 000 dishes.

Photo: Eskom power lines


©Wesgro

6. *Ease of doing business in South Africa*

South Africa is ranked remarkably high in international comparative studies, scoring well for its liberal and transparent business environment.

Starting a business is viewed as a quick and easy process requiring only five procedures.

Investors are also well protected, as South Africa was ranked tenth in the world by the World Bank out of 185 countries.

	2012	2013
World Bank: "Ease of doing business"	*#41*	**#39 out of 185 countries**
"Getting credit"	*#1*	**#1 out of 185 countries**
"Protecting investors"	*#10*	**#10 out of 185 countries**
"Starting a business"	*#43*	**#53 out of 185 countries**

Source: World Bank

- Launching a business in South Africa is a straightforward process. According to the World Bank, it can be measured through four criteria: procedures required to establish a business, the associated time and cost, and the minimum capital requirement.
- Entrepreneurs can expect to go through five steps to launch a business in South Africa over 19 days on average, at a cost equal to 0,3% of gross national income (GNI) per capita.
- There is no minimum capital requirement to obtain a business registration number, compared with the Organisation of Economic Cooperation and Development (OECD) average of 13,3% of GNI.

The South African economy is highly ranked for its ease of doing business, economic freedom and transparency – and has been strongly improving.

South Africa's data protection laws, products and certifications are world renowned and have similarities with those used in the UK and EU. According to the World Economic Forum, South Africa is ranked first in the world for strength of auditing and reporting standards.

Starting a business in South Africa

Indicator	Eastern Europe and Central Asia	Middle East and North Africa	OECD high income	Sub-Saharan Africa	South Africa	Turkey	Saudi Arabia	Nigeria	Brazil	Kenya	India
Rank	-	-	-	-	53	72	78	119	121	126	173
Procedures (number)	6	8	5	8	5	6	9	8	13	10	12
Time (days)	14	23	12	34	19	6	21	34	119	32	27
Cost (% of income per capita)	6,8	29,8	4,5	67,3	0,3	10,5	5	60,4	4,8	40,4	49,8
Paid-in min. capital (% of income per capita)	5,0	72,3	13,3	116,0	-	7,2	-	-	-	-	140,1

Note: This ranking relates to 185 countries

Source: World Bank

7. Administrative and tax environment

Company registration and administration

- No government approval or license is required to register a business in South Africa. Depending on the nature of the business being undertaken, certain approvals may be required from relevant authorities before operations are started.
- Foreign-owned companies are treated equally to locally owned, although in certain limited cases businesses with non-resident ownership of 75% or more are restricted in their local borrowings.
- The Companies and Intellectual Property Commission (CIPC) administers company registrations and reporting. A foreign company may begin local operations in South Africa without local incorporation, as a branch. Such branch office should be registered within 21 days of the start of business at CIPC.
- Company registrations can be completed directly via CIPRO; alternatively, most legal and accounting firms offer registration and business advisory services.

Taxation

- South Africa operates a residence-based tax system. Individual income tax is levied on a sliding scale up to a maximum of 40%; companies pay a flat rate of 28%, as well as a withholding tax of 15% on dividends declared, which can be reduced in terms of an appropriate double tax agreement. Capital gains tax is levied on the disposal of immovable property or assets.
- Branches are also taxed at 28%, with no profit remittance tax.
- Additional taxes and levies include:
  - skills development levy of 1% of payroll;
  - worker's compensation and unemployment insurance fund premiums;
  - transfer duty (sliding scale up to a maximum of 8%) on transfer of land and buildings; and
  - securities transfer tax of 0,25% on transfer of shares and securities.
- VAT is levied at 14% on goods and services, with various supplies qualifying for zero rating or exemption.
- Further information relevant to taxation in South Africa is available from the South African Revenue Service website (www.sars.gov.za) or PwC.

Double taxation agreements

- Foreign investors are subject to South African income tax on income from South African sources only, subject to the provisions contained in double taxation agreements (DTA) concluded by the South African government with the governments of other countries. South Africa has a wide DTA network, with over 73 DTAs in force and more in process.

Exchange and remittance of funds

- Exchange controls and remittance of funds transactions are regulated by the South African Reserve Bank. Capital inflow is generally unrestricted.
- Prior approvals should be obtained for investments. Alternatively, they should be placed on record to enable future remittance of funds. In principle, all funds invested into SA together with profits should be able to be repatriated if the correct procedures are followed.
- Specific remittances, such as royalties, may require separate approval.

Tax/exchange control incentives

- The international headquarter company regime, enables the establishment of a South African holding company for investments into Africa and abroad with significant tax and exchange control concessions.
- Advance tax rulings are available subject to certain requirements.

8. *How can you finance investment in South Africa?*

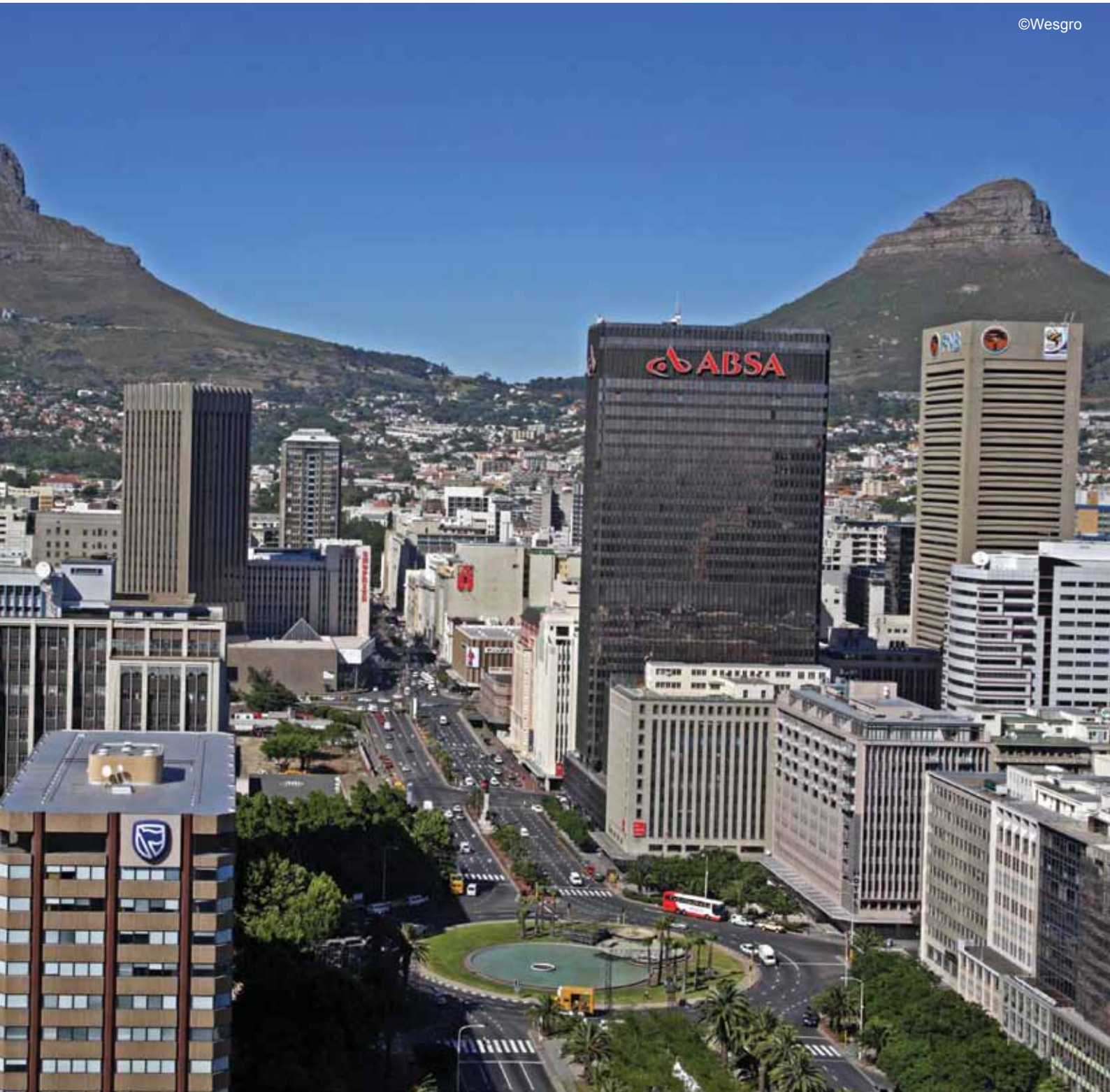
South Africa's financial services sector is large and highly sophisticated, offering a wide variety of financing options to suit business needs.

- For local companies, short-term borrowings from the major commercial banks, mainly in the form of overdrafts, is the most popular source of finance. The prime rate as at October 2013 is 8,5%, although interest rates tend to be more negotiable when clients buy multiple financing products from the same source. Relationship banking is well developed. Access to bank financing products improves with a proven track record and many new smaller businesses opt for self-financing.
- Businesses with non-resident ownership of 75% or more are restricted in their local borrowings to overdrafts, financial leases for capital equipment and mortgage bonds. Foreign-owned companies must often furnish a parent guarantee. No restrictions apply when foreign companies borrow from abroad.
- Longer-term funding is available from the merchant-bank affiliates or divisions of commercial banks, most of which specialise in specific industries. Leasing and rental schemes are the most popular options for financing vehicles, property and industrial assets, with full-maintenance leases for vehicles. All the major banks in Cape Town have specialist services in this area.
- Since 2004, foreign-owned companies may list on the JSE Securities Exchange and issue bonds through the Bond Exchange of South Africa (BESA).
- BESA is regarded as a leader amongst emerging economies.
- Most medium- and long-term development financing still comes from parastatal institutions such as the Industrial Development Corporation (IDC), which favours investments likely to create jobs, promote exports or develop new technology. Foreign borrowing has increased since 1994, with syndicated loans and bond issues being particularly popular.
- The Development Bank of Southern Africa (DBSA) is Southern Africa's premier infrastructure development finance institution. The DBSA seeks to be a leading change agent for socio-economic development and economic integration in Southern Africa, and a strategic development partner to the wider African region south of the Sahara.
- Private equity finance is an increasingly popular investment vehicle. A full list of members of the South African Venture Capital and Private Equity Association (SAVCA) is available on www.savca.co.za.

Photo: Cape Town Business Centre

List of major banks

ABSA Bank
FNB
RMB
Standard Bank
Nedbank
Capitec
Investec

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Section 3

Doing business in the Western Cape

Photo: Cape Town International Airport

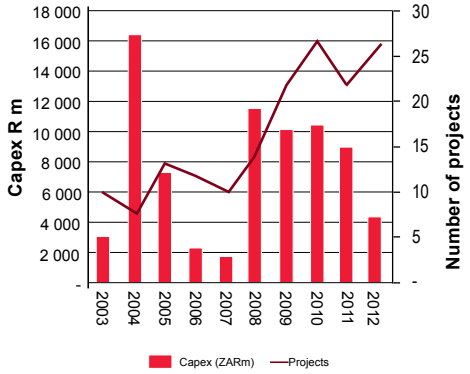
Western Cape FDI track record

Foreign direct investment (FDI) plays an important role in the development of the Western Cape. In the manufacturing sector FDI offers value addition and job creation.

In 2012 there were 26 FDI projects in the Western Cape, despite the overall national decline in FDI projects, worth R4.4 billion. The numbers show investor confidence for the Western Cape is positive. Although the value of investments decreased, the number of projects increased from 22 in 2011 to 26 in 2012.

In the ten-year period between 2003 and 2012 a total of 164 FDI projects were recorded in the Western Cape (equating to 0,1% share of the global FDI). These projects represent a total capital investment of R76.5 billion, which is an average investment of R466.2 million per project. During this ten-year period, a total of 17 470 jobs were created from FDI in the Western Cape.

FDI Flows to Western Cape (2003 – 2012)



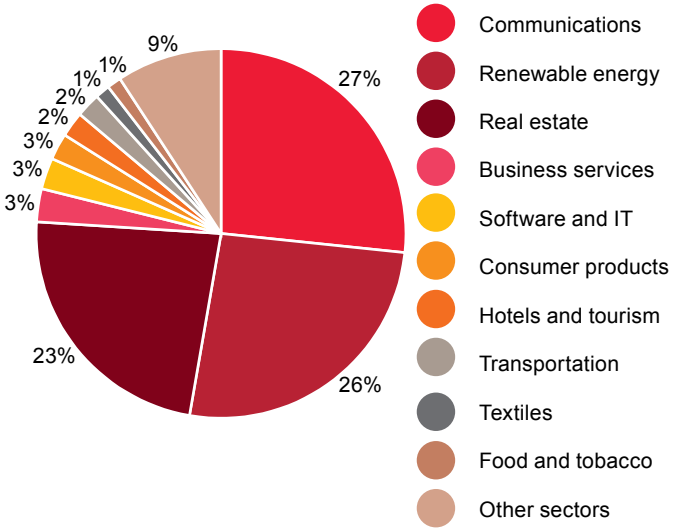
Source: FDI Intelligence, 2012

Top FDI source markets in the last five years

The top source markets for FDI in the Western Cape, in terms of number of projects in the five-year period between 2008 and 2012, were the United Kingdom, the United States, the Netherlands, Germany and France.

Other countries with significant numbers of projects include Switzerland, Luxembourg, China, Japan and Belgium.

It is clear from these rankings that the largest percentage of FDI projects were sourced from developed countries. In terms of capital value of FDI investments, the United States, Germany and France had the largest FDI capital value in the Western Cape.



Source: FDI Intelligence, 2013

Top ten source markets for FDI into the Western Cape (2008 – 2012)

Rank	*Country*	*Projects*	*% projects*	*Capex R billion*	*% capex*
1	United Kingdom	24	22%	9.48	21%
2	United States	22	20%	12.70	28%
3	Netherlands	10	9%	1.22	3%
4	Germany	10	9%	5.24	11%
5	France	9	8%	5.76	13%
6	Switzerland	5	5%	0.42	1%
7	Luxembourg	3	3%	0.76	2%
8	China	3	3%	0.24	1%
9	Japan	3	3%	3.11	7%
10	Belgium	2	2%	1.02	2%
Other countries		20	18%	5.76	13%
Total		111	100%	45.7	100%

Source: FDI Intelligence, 2013

The Western Cape's infrastructure can support your business – it offers road, rail, air and sea connections.

Western Cape's infrastructure: road, rail, air and sea

Road and rail

- Cape Town has an excellent road infrastructure. Three arterial routes lead into Cape Town, namely the N1 from Johannesburg via the Karoo and the Cape Winelands, the N2 from the Garden Route and Overberg and the N7 from the West Coast and Namibia.
- The City of Cape Town has started to transform the road-based public transport services by a concept known as Bus Rapid Transit (BRT).
- BRT is a high-quality bus-based transit system that delivers fast, comfortable, and cost-effective urban mobility with segregated right-of-way infrastructure, rapid and frequent operations, and excellence in marketing and customer service.
- Metrorail Western Cape is a network of commuter and suburban rail services in and around the metropolitan area of Cape Town. It is operated by Metrorail, which operates commuter rail services in the major cities of South Africa. The routes are probably the most comprehensive of any of the cities in South Africa.

Air

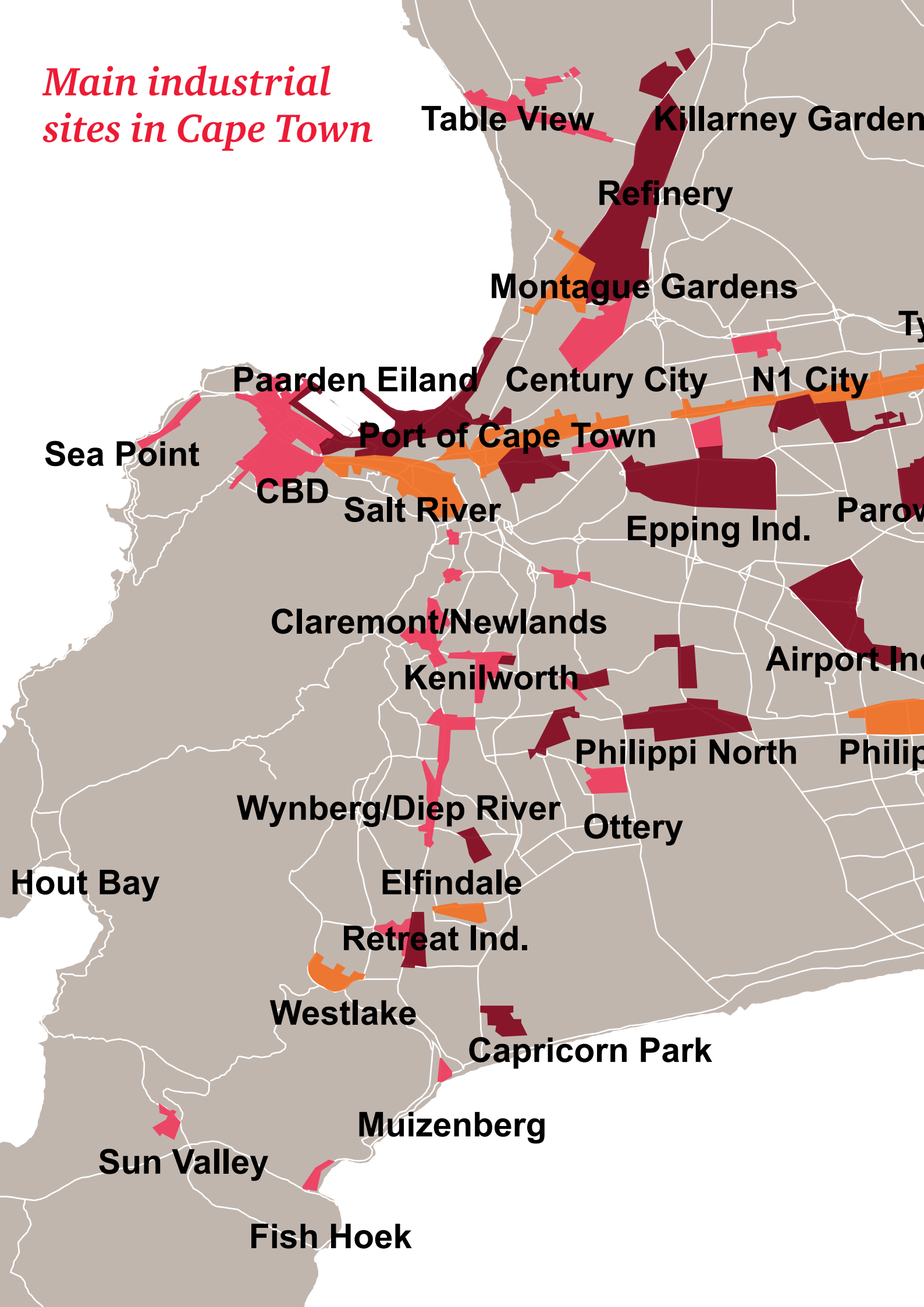
- The Cape Town International Airport is situated only 17km from the city centre and is easily accessible from all Cape Town areas.
- The airport handles nearly 5 million passengers annually.
- There are regular scheduled flights to most parts of the country and the airport is serviced by a wide range of carriers, including various low-cost airlines.
- It is currently connected by direct scheduled flights to 23 major cities in 19 countries.
- In addition, a one-flight connection via either Johannesburg or Durban (both of which are about two hours' flying time from Cape Town) links the city to 59 cities in 52 countries.
- There are a number of commercial development opportunities at sites around the airport's perimeter, including a bustling industrial zone.

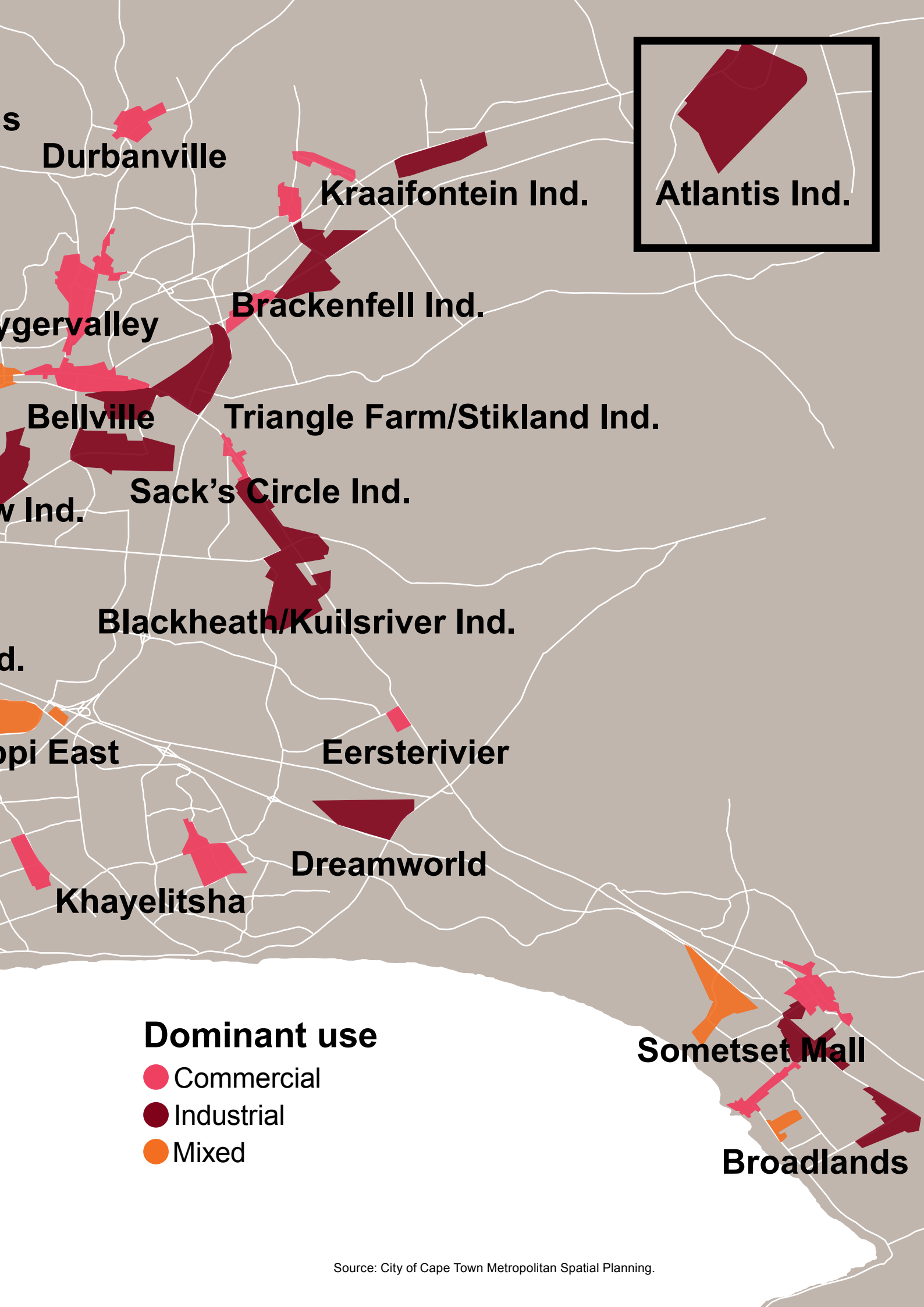
Sea

- About 90% of South African export volumes are seaborne.
- Cape Town Port competes with Alexandria (Egypt) for recognition as the most famous port in Africa and is regarded as one of the most beautiful harbours in the world.
- The Port of Cape Town is fully equipped to handle all types of general break bulk and containerised cargo through its specialised terminals and is linked to a vast inland transport infrastructure.
- It is ideally suited to serve as a hub for cargo between Europe, the Americas, Africa, Asia and Oceania.
- In 2011/2012 the port handled 2 775 vessels with an estimated 14.5 metric tonnes of cargo.
- The Port of Saldanha Bay is South Africa's largest natural anchorage and port, situated 60 nautical miles north-west of Cape Town.

The Western Cape's infrastructure, showcased during the 2010 Soccer World Cup, is world class, from roads and power through to education, healthcare and entertainment, making it an easy place to conduct business.

Main industrial sites in Cape Town





Source: City of Cape Town Metropolitan Spatial Planning.

World-class companies from the Western Cape

Selected JSE-Listed companies from the Western Cape

Source: McGregor BFA

Selected foreign subsidiaries in the Western Cape

Source: Wesgro

Engineering skills in the Western Cape

Strong human capital base

Matriculants (Grade 12) – the closest UK equivalent in the country to the A-Level Standard	• The Western Cape possesses a number of qualified matriculants who are eager to up-skill themselves. • The Western Cape has a matric pass rate of 82,8%; 8,9% above the national average of 73,9% in 2012.
The local industry is also supported by qualified graduates from three key tertiary institutions	• University of Cape Town (UCT) – UCT's MBA is ranked 60th globally by Financial Times • University of Stellenbosch (USB) • Cape Peninsula University of Technology (CPUT) • University of the Western Cape (UWC) – does not offer engineering courses.
The University of South Africa (UNISA)	• UNISA also produces some local graduates. However, this is an open distance university and the number of Western Cape-based graduates could not be confirmed.

Engineering graduates in the Western Cape by tertiary institution in 2010

	Engineering graduates*				*Total graduates*			
	Degree and honours	*Masters*	*Doctorate*	*Total*	*Degree and honours*	*Masters*	*Doctorate*	*Total*
Cape Peninsula University of Technology (CPUT)	1 155	30	4	1 189	7 350	95	11	7 456
University of Cape Town (UCT)	336	97	22	455	4 634	911	154	5 699
University of the Western Cape (UWC)	-	-	-	-	3 250	315	58	3 623
University of Stellenbosch (USB)	314	110	24	447	5 942	1 121	174	7 237
Sub total graduates in the Western Cape	**1 804**	**237**	**50**	**2 091**	**21 176**	**2 442**	**397**	**24 015**
University of South Africa (UNISA)**	239	-	-	239	25 538	474	55	26 067
Total graduates (incl. UNISA)	**2 043**	**237**	**50**	**2 330**	**46 714**	**2 916**	**452**	**50 082**

**Includes a wide spectrum of engineering courses*

*** This is an open-distance learning institution, offering internationally accredited qualifications*

Source: www.sagra.org.za

Cape Town is one of the world's most attractive cities and one of the best cities to live in due to its extraordinary natural environment and its sophisticated infrastructure and cosmopolitan lifestyle:

- Health: The city's private health facilities are world-class and major state teaching hospitals offer excellent medical care, attracting an increasing number of foreign patients for services that are either more expensive in their home countries or subject to long waiting lists. The private medical insurance sector is well-established and a variety of products is available. Emergency medical care is available to anybody, resident or non-resident, at any provincial or private hospital with a casualty facility.
- Education: Cape Town has many superb public and private schools offering a wide choice of subjects and extra-curricular activities. Many of these schools rank as the top public schools in the country. There is a mix of co-ed and single-sex schools and boarding facilities are available in many cases. There are at least four international schools, including German, Italian and French. There are four universities and a number of tertiary colleges.
- Recreation and culture: With over 110 venues for cultural consumption – from arts and museums to high-end designer retail – the city has something for everyone to experience. Cape Town's incredible variety of recreational opportunities is a major part of its appeal. Hiking, climbing, mountain biking, golf, scuba diving, surfing, kayaking, sailing and parachuting are all popular outdoor activities. The theatre scene is diverse and vibrant and the city has an excellent symphonic orchestra, as well as thriving opera and ballet companies that mount several productions a year. Live popular music and jazz can be heard any night of the week.

The Mercer group annually conducts quality-of-life and cost-of-living surveys that cover more than 460 cities across five continents. Quality of life is measured according to a variety of criteria, including economic, political, cultural, health, education, recreation, housing and the natural environment. According to Mercer's 2012 quality of living survey, Cape Town is ranked 89th out of 460 countries and is considered the city with the second highest quality of living in Africa after Port Louis. It is ranked fourth if the Middle East and Africa are grouped together.

Middle East and Africa	Americas	Asia Pacific	Europe
Dubai (73rd)	Vancouver (5th)	Auckland (3rd)	Vienna (1st)
Port Louis (82nd)	Ottawa (14th)	Sydney (10th)	Zurich (2nd)
Abu Dhabi (78th)	Toronto (15th)	Wellington (13th)	Munich (4th)
Cape Town (89th)	Montreal (23rd)	Melbourne (17th)	Düsseldorf (6th)
Johannesburg (94th)	Honolulu (28th)	Perth (21st)	Frankfurt (7th)

Source: Mercer, 2012

Cape Town has been named second-best city in the world and best city in Africa by readers of US-based travel resource Condé Nast Traveller.

Cape Town has also received numerous other accolades, including:

- *Best Destination in Africa at the World Travel Awards 2011;*
- *Best Destination in the World at the TripAdvisor Travelers' Choice Awards 2011;*
- *The World's Top City in Africa and the Middle East at the Travel + Leisure World's Best Awards 2012;*
- *Fourth Top City in the World, Travel + Leisure World's Best Awards 2012;*
- *23rd: Top 25 Destinations in the World, TripAdvisor Travelers' Choice Awards 2012;*
- *8th: Top 10 Beach Destinations in Africa, TripAdvisor Travelers' Choice Awards 2012;*
- *Best Beach Destination in Africa, World Travel Awards 2012; and*
- *One of the World's Ten Most Loved Cities 2012, CNNgo.*

Table Mountain was also named a New Seven Wonder of Nature, and Cape Town was named World Design Capital 2014.

Source: www.capetown.gov.za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Section 4

List of selected incentive programmes offered

Photo: V&A Waterfront and Cape Town soccer stadium

List of incentive programmes offered by the Department of Trade and Industry (the dti)

(1) Industrial development related incentives

Incentive	*Description*	*Eligible enterprises*
Business Process Services (BPS) Incentive	An incentive programme aimed at job creation and improving South Africa's position as a investment destination	• Must be performing BPS activities and may be involved in starting a new operation or expanding an existing operation in order to perform BPS activities, which may be operated from more than one physical location in South Africa; • Must, by the end of three years from the start of operation of the new project or the expansion, have created at least 50 new offshore jobs in South Africa, as defined in the BPS Incentive Programme Guidelines; • Must commence its commercial operations no later than six months from the date on which the BPS incentive grant was approved. Failure to reach this target date will lead to the cancellation or disqualification of the application, thus requiring the applicant to submit a revised application to reapply for the grant; and • If in a joint venture arrangement, must have at least one of the parties registered in South Africa as a legal entity.
Capital Projects Feasibility Programme (CPFP)	The CPFP is a cost-sharing programme that contributes to the cost of feasibility studies likely to lead to projects outside South Africa that will increase local exports and stimulate the market for South African capital goods and services.	• South African enterprises.
Clothing and Textile Competitiveness Improvement Programme (CTCIP)	The CTCIP aims to build capacity among clothing and textile manufacturers and in other areas of the apparel value chain in South Africa to enable them to effectively supply their customers and compete on a global scale. Such competitiveness encompasses issues of cost, quality, flexibility, reliability, adaptability and the capability to innovate.	Manufacturers in the South African clothing, textiles, footwear, leather and leather goods sectors.
Manufacturing Competitiveness Enhancement Programme (MCEP)	Provides production incentives and loan facilities	• Existing manufacturing enterprises that have been in operation for a period of not less than one year; • Manufacturing (SIC 3) conformity assessment agencies servicing the manufacturing sector; • Basic chemicals, basic iron and steel, manufacture of pulp and paper, basic precious and non-ferrous metals, petroleum refineries and processing of nuclear will be considered if projects create downstream jobs; • Projects are required to sustain existing employment levels at the date of application, for the duration of their participation in the MCEP; • Applicants should achieve at least a level-four B-BBEE contributor status in terms of the codes of good practice, or submit a plan to demonstrate how they will achieve level-four B-BBEE contributor status within a period of two years; • Enterprises already receiving dedicated sector support, such as those benefiting from the MIDP, APDP, AIS, the clothing and textile CTCIP, are excluded; and • Enterprises that charge import parity pricing are excluded.

Objectives	*Benefits*
• The BPS incentive aims to attract investment and create employment in South Africa via offshoring activities.	• A base incentive as a tax-exempt grant paid over three years for each offshore job created and maintained; and • A graduated bonus incentive paid as follows: - 20% bonus for more than 400, but less than 800 offshore jobs paid once-off in the year in which the bonus level is reached; and - 30% bonus for more than 800 offshore jobs paid once-off in the year in which the bonus level is reached.
• Increase SA exports, and stimulate growth for the local capital goods and services sector and allied industries; • Attract higher levels of domestic and foreign investment; • Strengthen the international competitiveness of South African enterprises; and • Create jobs.	The size of the grant must fall within the range of R100 000 to R5 million to a maximum of 55% of the total cost of the feasibility study for projects in Africa and 50% for projects outside Africa.
• The main objective of the CTCIP is to create a group of globally competitive clothing and textile companies, thus ensuring a sustainable environment that will retain and grow employment levels.	The CTCIP makes 65% grants to individual companies and 75% grants to company clusters. The PI makes grants pegged at 7,5% of individual company manufacturing value addition.
• Encourage enterprises to upgrade their production facilities, processes and products and up-skill workers; • Provide for the upgrading of sectors to maximise output and employment; • Expand existing Industrial Development Corporation (IDC) distressed funding facility to small and medium enterprises, and reduce the cost of capital for distressed enterprises; • Reduce the price of working capital for exporters and businesses participating in government infrastructure programmes; and • Strengthen the responsiveness of available incentive schemes to the current economic challenges.	Non-taxable grant calculated as a percentage of manufacturing value added (MVA) and capped as follows: • 7% of MVA – enterprises larger than R200 million in assets; • 10% of MVA – enterprises with assets >R30 million and <R200 million; • 12% of MVA – enterprises with assets >R5 million and <R30 million; • 15% of MVA – 100% black-owned enterprises and enterprises with assets below R5 million; and • MVA = sales/turnover – sales value of imported goods – sales value of other bought-in finished goods – material input costs used in manufacturing process.

Incentive	*Description*	*Eligible enterprises*
Enterprise Investment Programme (EIP) Manufacturing Investment Programme (MIP)	The MIP is a reimbursable cash grant for locally and foreign-owned manufacturers that wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector.	• Investors in new and expanding projects in the South African manufacturing industry.
Foreign Investment Grant (FIG)	The FIG compensates qualifying foreign investors for costs incurred in moving qualifying new machinery and equipment (vehicles excluded) from abroad to the Republic of South Africa.	• Foreign investors that have been approved for the MIP.
Production Incentive (PI)	Under the PI, applicants can use the full benefit as either an upgrade grant facility or an interest subsidy facility, or a combination of both.	• Clothing manufacturers; • Textile manufacturers; • Cut, make and trim (CMT) operators; • Footwear manufacturers; • Leather goods manufacturers; and • Leather processors (specifically for leather goods and footwear industries).
Sector-Specific Assistance Scheme (SSAS)	The SSAS is a reimbursable 80:20 cost-sharing grant offering financial support to export councils, joint action groups and industry associations. The scheme comprises two sub-programmes, namely Generic Funding, and Project Funding for Emerging Exporters (PFEE). The aim of the SSAS is aligned to **the dti**'s overall objectives in several respects, as indicated below.	Non-profit business organisations in sectors and sub-sectors of the industry prioritised by **the dti**, in respect of (i) generic funding; and (ii) project funding, provided that the purpose of the organisation and/or its proposed project aims to conform to the objectives of Trade and Investment South Africa (TISA), a division of **the dti** and **the dti**'s export strategy.
Support Programme for Industrial Innovation (SPII)	The SPII is a support programme of **the dti**, managed by the Industrial Development Corporation (IDC). The SPII is designed to promote technology development in industry in South Africa through the provision of financial assistance for the development of innovative products and/or processes. The SPII specifically focuses on the development phase, which begins at the conclusion of basic research and ends when a pre-production prototype has been produced.	South African companies.

Objectives	*Benefits*
• Stimulate investment in manufacturing; • Increase employment opportunities; and • Sustain enterprise growth.	Investment grants of 15% to 30% of the investment cost of qualifying assets (machinery and equipment, buildings and commercial vehicles) for new establishments or expansions.
• Compensate qualifying foreign investors for the costs of moving qualifying new machinery and equipment from abroad to South Africa.	A cash grant, to a maximum of R10 million, but the lower cost of: • 15% of the value of new machinery and equipment; or • the actual relocation cost of new machinery and equipment.
• Assist the industry in upgrading its processes, products and people.	A benefit equal to 10% for the year ending 31 March of a company's manufacturing value addition (MVA).
• Develop an industry sector as a whole; • Develop new export markets; • Stimulate job creation; • Broaden the export base; • Propose solutions to factors inhibiting export growth; and • Promote the broader participation of black-owned businesses and SMMEs in the economy.	• Travel and accommodation, transport of samples and marketing materials, and exhibition costs. • Maximum allocation per project is R1.5 million.
As part of the government's strategy to consolidate small-enterprise support activities since April 2006, the activities of the Godisa Trust; the National Technology Transfer Centre (NTTC); the three business incubators of **the dti**; the Technology Advisory Centre (TAC); the technology-transfer activities of the Technology for Women in Business (TWIB) programme; and the support programmes for small enterprises of the South African Quality Institute, were merged into a single programme – the seda Technology Programme (Stp).	• R800 000 for tools, machinery and equipment on a 35:65 cost-sharing basis (contribution by **the dti** = 35%; contribution by the enterprise = 65%); and • R200 000 for business development services on a 50:50 cost-sharing basis.

(2) Trade, export and investment incentives

Incentive	*Description*	*Eligible Enterprises*
Critical Infrastructure Programme (CIP)	The CIP is a cost-sharing cash grant for projects designed to improve critical infrastructure in South Africa. The grant covers qualifying development costs from a minimum of 10% to a maximum of 30% towards the total development costs of qualifying infrastructure. It is made available to approved eligible enterprise upon the completion of the infrastructure project concerned. Infrastructure for which funds are required is deemed to be 'critical' if the investment would not take place without the said infrastructure or the said investment would not operate optimally.	Private investors/companies; and municipalities
Export Marketing and Investment Assistance (EMIA)	• National pavilions at international events: **the dti** assists South African exporters by organising national pavilions to showcase local products at international trade exhibitions. The EMIA scheme bears costs for space rental, the construction and maintenance of stands, electricity and water charges, and as freight charges, up to a maximum of three cubic metres or two tonnes per exhibitor. • International trade exhibition assistance: **the dti** provides financial assistance to export councils, industry associations, provincial trade and investment promotion agencies (PIPAs), joint action groups (JAGs), export clubs and chambers of commerce for international trade exhibitions where there is no national pavilion scheduled/approved. The EMIA scheme bears costs for rental of exhibition space, stand building, services, freight forwarding and travel, but will exercise discretion on the market and sector. If approved, the relevant applicant will manage the entire project on behalf of **the dti**, including all procurement matters.	• South African manufacturers and exporters; • South African export trading houses representing at least three SMMEs or businesses owned by historically disadvantaged individuals (HDIs); • South African commission agents representing at least three SMMEs/HDI-owned businesses; and • South African export councils, industry associations and JAGs representing at least five South African entities.
Automotive Investment Scheme (AIS)	The AIS is an incentive designed to grow and develop the automotive sector through investment in new and/or replacement models and components that will increase plant production volumes, sustain employment and/or strengthen the automotive value chain.	• Light motor vehicle manufacturers that have achieved or can demonstrate that they will achieve a minimum of 50 000 annual units of production per plant, within a period of three years; or • Component or deemed component manufacturers that are part of the original equipment manufacturer (OEM) supply chain and will achieve at least 25% of a total entity turnover of R10 million by the end of the first full year of commercial production as part of a light motor vehicle manufacturer supply chain, locally and/or internationally.

Objectives	*Benefits*
• Support competitiveness by lowering business costs and risks; • Provide targeted financial support for physical infrastructure; and • Stimulate upstream and downstream linkages.	A cash grant to a maximum of 30% capped at R30 million for the development cost for qualifying infrastructure.
• Provide marketing assistance to develop new export markets and grow existing export markets; • Assist with the identification of new export markets through market research; • Assist companies to increase their competitiveness by supporting patent registrations, quality marks and product marks; • Assist with facilitation to grow FDI through missions and FDI research; and • Increase the contribution of black-owned businesses and SMMEs to South Africa's economy.	• Individual exhibition participation: - Transport of samples; - Rental of exhibition space; - Construction of stand; - Interpretation fees; - Internet connection; - Telephone installation; - Subsistance allowance per day; - Allowance per day; - Return economy-class airfare; and - Exhibition fees up to a maximum of R45 000. • Primary market research and FDI: Exporters will be compensated for costs incurred in recruiting in new FDI into South Africa through personal contact by visiting potential investors in foreign countries. - Return economy-class airfare; - Subsistance allowance per day; - Transport of samples; and - Marketing materials. • Individual inward missions: Assistance under this scheme is extended towards capacity building and skills transfer. - Registration of a patent in a foreign market: 50% of the additional costs, capped at R100 000 per annum; - Return economy-class airfare; - Subsistance allowance per day; and - Rental of exhibition space.
• Strengthen and diversify the sector through investment in new and/or replacement models and components; • Increase plant production volumes; and • Sustain employment and/or strengthen the automotive value chain.	• The AIS provides for a taxable cash grant of 20% of the value of qualifying investment in productive assets, as approved by **the dti**; and • An additional taxable cash grant of 5% to 10% may be made available for projects that significantly contribute to the development of the automotive sector.

Incentive	*Description*	*Eligible Enterprises*
Section 12i Tax Allowance Incentive	The 12i Tax Incentive is designed to support greenfield investments (i.e. new industrial projects that utilise only new and unused manufacturing assets), as well as brownfield investments (i.e. expansions or upgrades of existing industrial projects). The new incentive offers support for both capital investment and training.	• The investment must be: - A greenfield project (new project); - A brownfield project (expansion or upgrade); or - Classified under 'Major Division 3: Manufacturing in the SIC codes.
Film and Television Incentive	The South African government offers a package of incentives to promote its film production and post-production industry, which includes the Foreign Film and Television Production and Post-Production Incentive and the South African Film and Television Production and Co-Production Incentive.	• Foreign-owned qualifying productions with a minimum of qualifying South African production expenditure (QSAPE) of R12 million and above, provided that at least 50% of principal photography is done in South Africa, for a minimum of four weeks; • An applicant must be a special-purpose corporate vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television or post-production project; • An applicant must be the entity responsible for all activities involved in the making of the production in South Africa and must have access to full financial information for the whole production worldwide; and • Only one entity per production is eligible for the incentive.
South African Film and Television Production and Co-Production Incentive	• Special purpose corporate vehicle (SPCV) incorporated in the Republic of South Africa solely for the purpose of the production of the film or television project. The SPCV and the parent company(ies) must have a majority of South African shareholders, of whom at least one must play an active role in the production and be credited in that role. • An applicant must be the entity responsible for all activities involved in the production of the film in South Africa and must have access to full financial information for the whole production worldwide. • Only one entity per production is eligible for the incentive.	The incentive is available to qualifying South African productions and official treaty co-productions with a total production of R2.5 million and above.

Objectives	*Benefits*
• The objectives of the incentive programme are to support: - Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector; and - Training of personnel, to improve labour productivity and the skills profile of the labour force.	• The incentive offers: - R900 million additional investment allowance in the case of any greenfield project with a preferred status; - R550 million additional investment allowance in the case of any other greenfield project; - R550 million additional investment allowance in the case of any brownfield project with a preferred status; - R350 million additional investment allowance in the case of any other brownfield project; - An additional training allowance of R36 000 per employee may be deducted from taxable income; and - A maximum total additional training allowance per project, amounting to R20 million, in the case of a qualifying project and R30 million in the case of a preferred project. • According to the points system, an industrial policy project will achieve 'qualifying status' if it achieves at least five of the total ten points, and a 'preferred status' if it achieves at least eight of the total ten points.
To promote the South African film production and post-production industry.	• 20% of QSAPE; • Minimum running time is 80 minutes; and • No capped amount for the grant. • Benefits (production and post-production) - Shooting on location in South Africa and conducting post-production with QSAPPE of R1.5 million in South Africa, the incentive will be calculated at 22,5% of QSAPE and QSAPPE (additional 2,5%); and - Shooting on location in South Africa and conducting post-production with a QSAPPE of R3 million and above in South Africa, the incentive will be calculated as 25% of QSAPE and QSAPPE (an additional 5% will be added). • Benefits (post-production only) - Foreign post-production with QSAPPE of R1.5 million, the incentive is calculated at 22,5% of QSAPPE; - Foreign post-production with QSAPPE of R3 million and above, the incentive is calculated at 25% of QSAPPE; - Minimum number of two weeks; and - If 100% of post-production is conducted in South Africa, the minimum requirement for number of weeks will be waived.
To support the local film industry and contribute towards employment opportunities in South Africa.	The incentive is calculated as 35% of the first R6 million of QSAPE and 25% of the QSAPE on amounts above R6 million.

(3) Small, micro and medium-sized enterprises

Incentive	*Description*	*Eligible Enterprises*
Black Business Supplier Development Programme (BBSDP)	BBSDP is a cost-sharing grant offered to small black-owned enterprises to assist them to improve their competitiveness and sustainability in order to become part of the mainstream economy and create employment.	• Majority black-owned enterprises with a predominantly black management team; • Enterprises with a turnover of R250 000 to R35 million per year; and • The enterprise must have been operating and trading for at least one year.
Co-operative Incentive Scheme (CIS)	The Co-operative Incentive Scheme (CIS) is a 90:10 matching cash grant for registered primary co-operatives.	• Promote co-operatives through the provision of a matching grant; • Improve the viability and competitiveness of co-operative enterprises by lowering the cost of doing business; • Assist co-operatives to acquire their start-up requirements; • Build an initial asset base for emerging co-operatives to enable them to leverage other support; and • Provide an incentive that supports broad-based black economic empowerment.

(4) Women economic empowerment incentives

Incentive	*Description*
Bavumile	South African women are gifted and talented in designing and crafting fashionable products for both the local and international markets, mainly promoting South African culture and heritage. However, one of their greatest challenges is to produce quality products that can easily occupy the shelves of many local and international retail shops and boutiques, thus catching the eye of the buyer. Bavumile seeks to ensure the quality production of commercially viable products that are produced by women, by imparting relevant skills and expertise.
Isivande Women's Fund	IWF is an exclusive women's fund established by **the dti**. The fund aims at accelerating women's economic empowerment by providing more affordable, usable and responsive finance. IWF targets formally registered enterprises, 60% of which are owned and/or managed by women. The enterprises must have been existing and operating for two or more years and must fall within a loan range of R30 000 to R2 million.

Objectives	*Benefits*
• To improve the sustainability of black-owned enterprises, thereby increasing employment.	• R800 000 for tools, machinery and equipment on a 50:50 cost-sharing basis (contribution by **the dti**) = 50%; contribution by the enterprise = 50%); and • R200 000 for business development services on an 80:20 cost-sharing basis.
• Incorporated and registered in South Africa in terms of the Co-operatives Act of 2005 (Act No. 14 as amended); • Operating or will operate in the emerging sector; • Adhere to co-operatives principles; • Emerging co-operatives owned by historically disadvantaged individuals; • Rural and semi-urban based; and • Biased towards women, youth and people with disability.	• Business development services; • Business profile development; • Feasibility studies/market research; • Production efficiency; • Technological improvement projects; • Plants and machinery; • Start-up requirements; and • Working capital requirements.

City of Cape Town – Investment incentives

The following incentives are offered to eligible businesses in terms of eligibility criteria:

Incentive	*Description*	*Eligibility criteria*
Non-financial measures		
Single-point investment facilitation	Services include: • Facilitation of access to **the dti** to incentives; • One-stop-shop that will co-ordinate the various City of Cape Town processes and act as the interface between the investor and the City of Cape Town; • Dedicated investment facilitation officer to walk the investor through the various administrative processes; • Pre-indications of likelihood of approval of proposed investment and advice on the requirements of the application process; and • Provide guidance and advice to investors considering investing in the City of Cape Town.	Available to all applicants meeting the qualifying criteria.
Development application fast-tracking	Time frame commitment as follows: • Land use planning application – three months; and • Building plan approval – five days.	Applies to all new investments that require: • Land use planning applications; and • Building plan approval. In order to respect timeframes, applications need to be complete submissions.
Regularly updated spatial economic information	• Regular reports on the socio-economic and business environment in the City of Cape Town's economic and industrial nodes; and • Regularly updated market intelligence reports.	Available to all applicants meeting the qualifying criteria.
Skills development	Facilitated access to the skills development programmes run by the City of Cape Town's funded sector support organisations.	Available to all applicants meeting the qualifying criteria.

Incentive	*Description*	*Eligibility criteria*
Financial measures		
Application fee exemption	Applies to land use and building plan application fees.	Available to all applicants meeting the qualifying criteria. Applies to all new investments that require: • Land use planning applications; and • Building plan approval.
Development contribution deferral/debt write-off	Applies in respect of both civil and electrical development contributions (DCs) where enhanced development rights granted. • The DC debt will still be calculated and Acknowledgment of Debt (AoD) signed and payable as per normal; • A maximum of R1 million of the DC owed by the applicant will be deferred for 24 months and written off on verification that employment targets are met. • Incentive only valid for 24 months from date of approval of application for investment incentives. • The incentive will only be available for a specified number of applicants on a 'first come first served and a 'use it or lose it' basis. • Subject to National Treasury guidelines as outlined in the Policy Framework for Municipal Development Charges 2013.	Available to all applicants meeting the qualifying criteria. Applies to all new investment or expansions of existing facilities that attract DCs.
Electricity tariff subsidy	A reduction of 10% in monthly electricity tariffs, subject to NERSA approval, from date of application for investment incentive for a period of two years. To be reviewed annually.	Available to all applicants meeting the qualifying criteria.
Broadband connection fee waiver	The City of Cape Town will provide free connection to its broadband fibre network for any qualifying investment within 300 metres of the existing metro-area fibre optic network infrastructure. • Failure to meet the specified employment target within 24 months will result in the investor being liable for the full connection fee.	Available to all applicants meeting the qualifying criteria and located within 300 metres of the City of Cape Town's broadband network at the time of application.

Atlantis Industrial Area Targeted Investment Incentives Scheme

Atlantis is the most northern nodal point of the City of Cape Town with manufacturing as its main economic driver. The City Council, in conjunction with the provincial government of the Western Cape, has identified Atlantis as a priority development area and has subsequently introduced a package of investment incentives to boost and accelerate industrial development in the area. The following incentives are applicable in Atlantis from 1 July 2013 and the impact and appropriateness will be reviewed after one year:

Incentive	*Description*	*Eligibility criteria*
Non-financial measures		
Atlantis Programme Manager services	Available to all existing / prospective businesses / industries and includes: • One-stop-shop investment function; • Mayoral Urban Renewable Programme aspects; • Targeted marketing and promotion; and • Agency function to facilitate other government incentives e.g. **the dti**, etc.	• Located in Atlantis Industrial Area.
Development application fast tracking	• Applies to all land use and building plan applications in industrial area (but only complete submissions). Also environment impact assessments (EIAs) (subject to DEA&DP agreement). • Timeframe commitment as follows: EA decision (Province) = two months Land use application = three months Building plan decision = five days	• Located in Atlantis Industrial Area.
Biodiversity off-sets	• Apply where environmental impact authorization for new development in industrial area requires biodiversity conservation – City holding sufficient land for nature reserve purposes.	• Located in Atlantis Industrial Area.

Incentive	*Description*	*Eligibility criteria*
Financial measures		
Application fee exemption	Applies to both land use and building plan application fees. Automatic full exemption.	• Located in Atlantis Industrial Area.
Development contribution deferral / debt write-off	Upon application. Applies in respect of both civil and electrical DCs where enhanced development rights granted. DC debt still calculated and AoD signed as per normal; AoD only becomes payable 24 months after payment would normally have been required (i.e. instead of normal immediate payment), unless job creation target achievement proved by beneficiary company, in which case 100% debt write-off. This effectively amounts to either deferred debt payment (at worst), or it may translate into full debt write-off against budgetary provision (at best). Incentive only valid for 24 months from date of application approval.	• Located in Atlantis Industrial Area. • Create more than 50 permanent jobs. • Write-off to a maximum of R1 million.
Electricity tariff subsidy	'Time of Use' tariff for Atlantis pegged at 2012/13 level (thus no increase for 2013/14 financial year = R15 million revenue loss), subject to NERSA approval. To be reviewed annually.	• Located in Atlantis Industrial Area.

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