



Saldanha Bay IDZ: Feasibility Study

Key Findings & the Process Going Forward

Venue: Dial Rock Community Hall, Saldanha Bay

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Project Sponsors:



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THE WESTERN CAPE INVESTMENT AND TRADE
PROMOTION AGENCY - SOUTH AFRICA



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Programme

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IDZs as a development tool

- An IDZ¹ is a special type of **economic zone** (SEZ) generally defined as:

A purpose-built industrial estate, linked to an international airport or seaport, that leverages both domestic and foreign fixed direct investments in value-added and export-oriented manufacturing industries and services, to increase competitiveness and the development of linkages between domestic and zone-based industries.

- **Key Points:**

- An IDZ is planned, designed and built around the activities to be located in it.
- It must be linked to an international port for the import and export of goods & services.
- It aims to increase competitiveness & attract investment via incentives and concessions.
- It is a tool of regional industrial growth and development.
- It focuses on the export of value-added exports of goods and services.
- An IDZ requires domestic goods and services to support the industries located in it.

Note 1: The Manufacturing Development Act (No. 187 of 1993) provides for IDZs to promote and support regional industrial growth and development as a challenge to globalisation.



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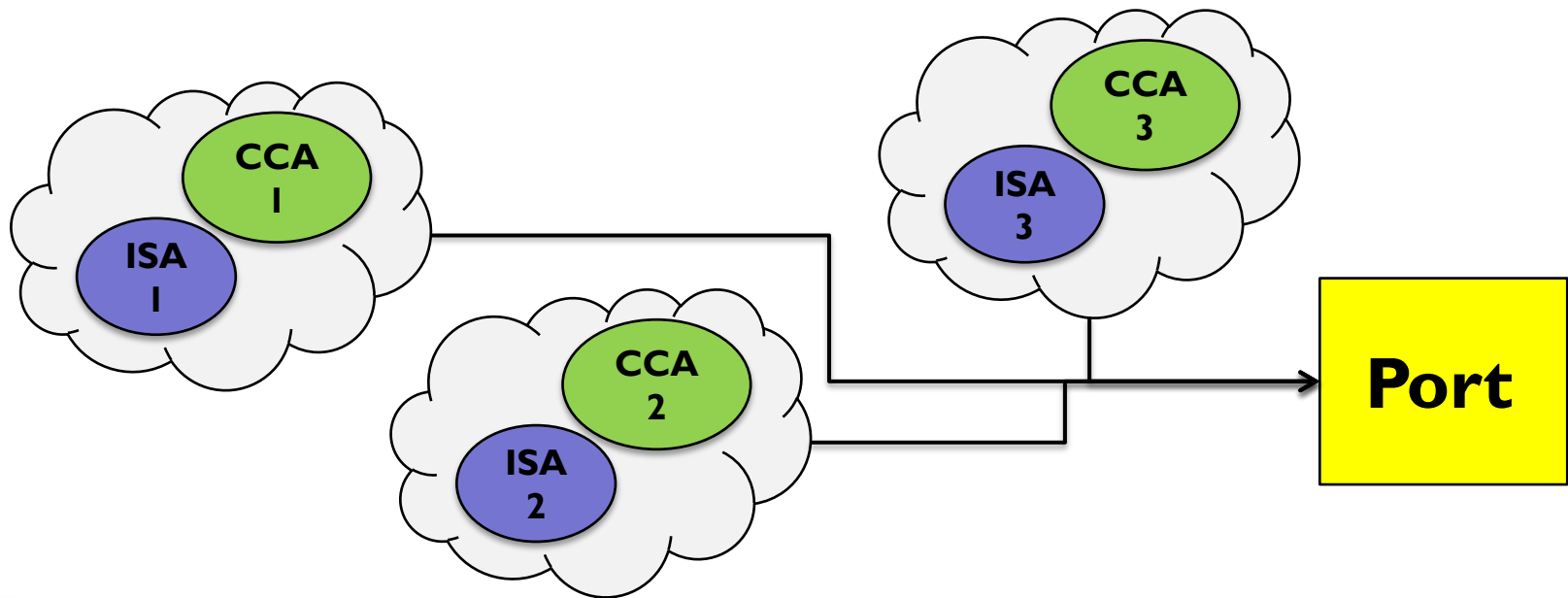
Characteristics of an IDZ (I)

- A **Customs Controlled Area (CCA)** with dedicated SARS officials to provide support with customs and VAT requirements to those enterprises located within it.
 - A CCA offers duty rebates and VAT exemptions on imports of production-related raw materials, incl. machinery & assets, to be used in production with the aim of exporting the finished products.
 - VAT suspension under specific conditions for supplies procured in South Africa.
 - Efficient and expedited Customs administration.
- An **Industries and Services Area (ISA)** within the borders of the IDZ but outside of the CCA, where supportive manufacturing & services industries are located.
 - The industries may not be importers or exporters.
 - The ISA enterprises support the CCA enterprises and general IDZ development, e.g. logistical services, transportation services, distribution service, training centres, etc.



Characteristics of an IDZ (2)

- An IDZ does not have to be one mass of land, pockets of land can be developed near to each other to house a CCA & ISA.
- There can be more than one CCA and ISA which houses different industries and all can access the Port.
- The boundary of the IDZ does not have to be “touching” the Port boundary – the Port can be “outside” of the IDZ.



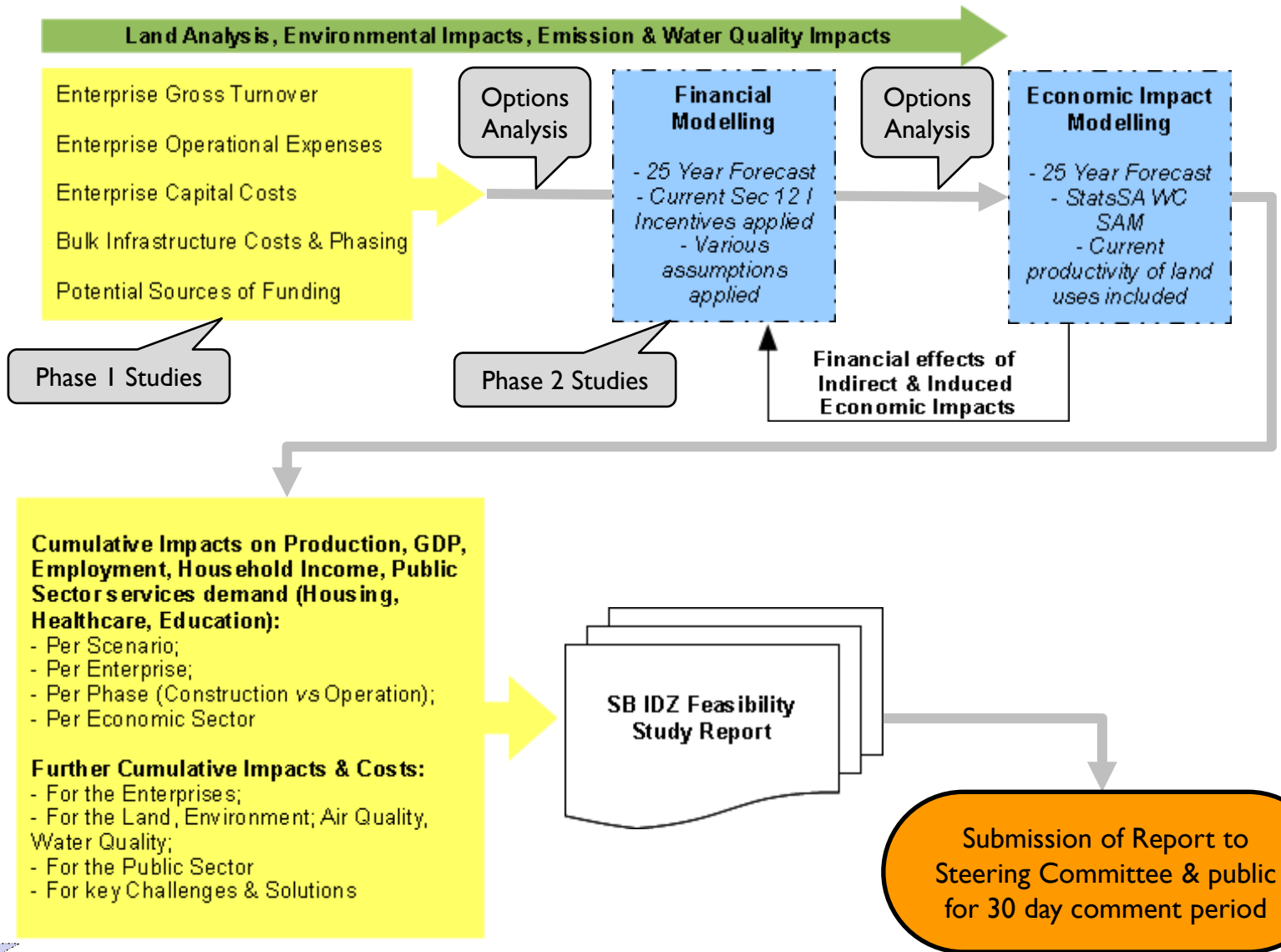
Background

- 2008: Western Cape DEDT, via Wesgro initiated a Pre-Feasibility Study to identify & assess opportunities available in the industrial and business market & ascertain whether there are any binding constraints to establishing an IDZ programme at Saldanha Bay.
- 2009: Pre-Feasibility Study concluded & identified potential in 3 clusters:
 - A **Renewable Energy production & manufacturing cluster**
 - An **Oil supply base/hub** for the **Oil and Gas cluster** and a **Maritime Ship-building and repair cluster**
 - A **Steel and Minerals production & manufacturing cluster**
- Constraints in water, energy, environment & land identified.
- 2010: Provincial & national funding sought for a comprehensive Feasibility Study.
- Feasibility Study must work closely & integrate with DTI , the DEADP SB EMF and SBM SDF processes & policies of the various departments involved.
- Multi-Disciplinary team procured & investigation started September 2010.



Study Process (I)

- Internal Review of processes & findings within Project Team
- External Review by CHEC Peer Group
- Continuous Stakeholder consultation
- Continuous Management & Oversight by Ops Com

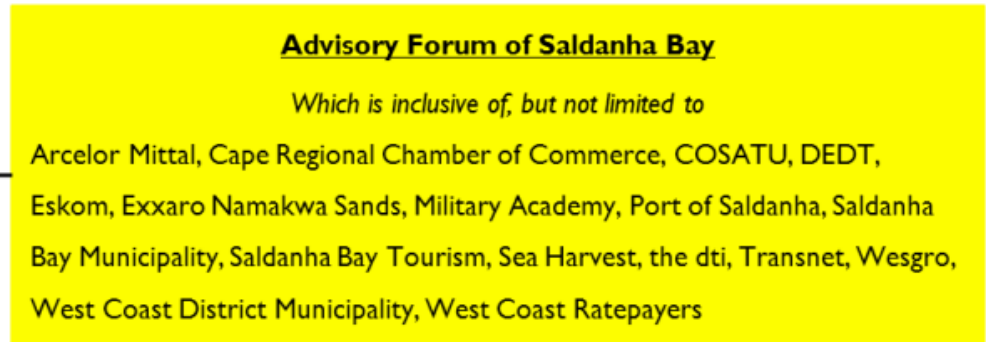
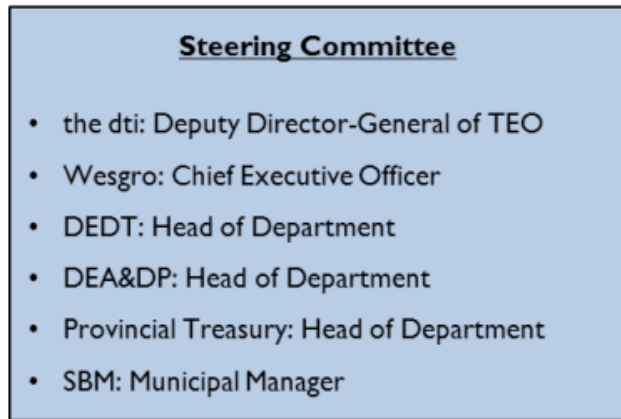


Study Process (2)

- Phase 1 Studies
 - Project Commercial Feasibility Assessment (*Frost & Sullivan*)
 - Land Assessment (*Urban Dynamics Western Cape*)
 - Strategic Environmental Review (*MEGA*)
 - Air Emission Modelling & Analysis (*Airshed Planning Professionals*)
 - Biodiversity Analysis (*Nick Helme Botanical Surveys*)
 - Technical Infrastructure Analysis (*BKS*)
- Phase 2 Studies
 - Financial Analysis (*Grant Thornton*)
 - Economic Impact Assessment (*Urban-Econ Western Cape*)
 - Workforce Assessment (*UWC: School of Business & Finance*)

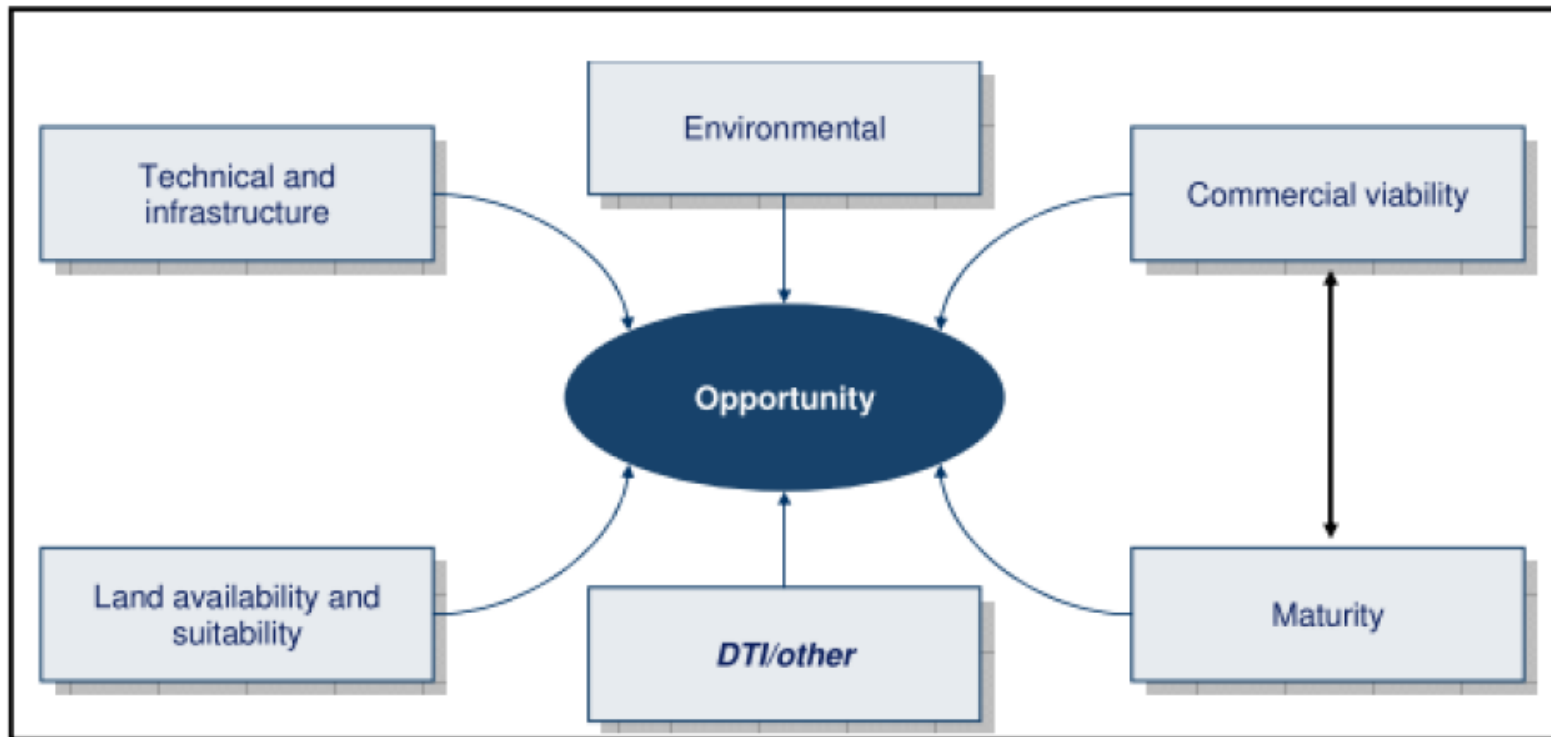


Governance Structures



The Development Scenarios (I)

- Three long-term scenarios developed to illustrate total potential, needs and opportunities of an IDZ in Saldanha Bay.
- Scenarios developed from results of a multi-criteria filtering process.

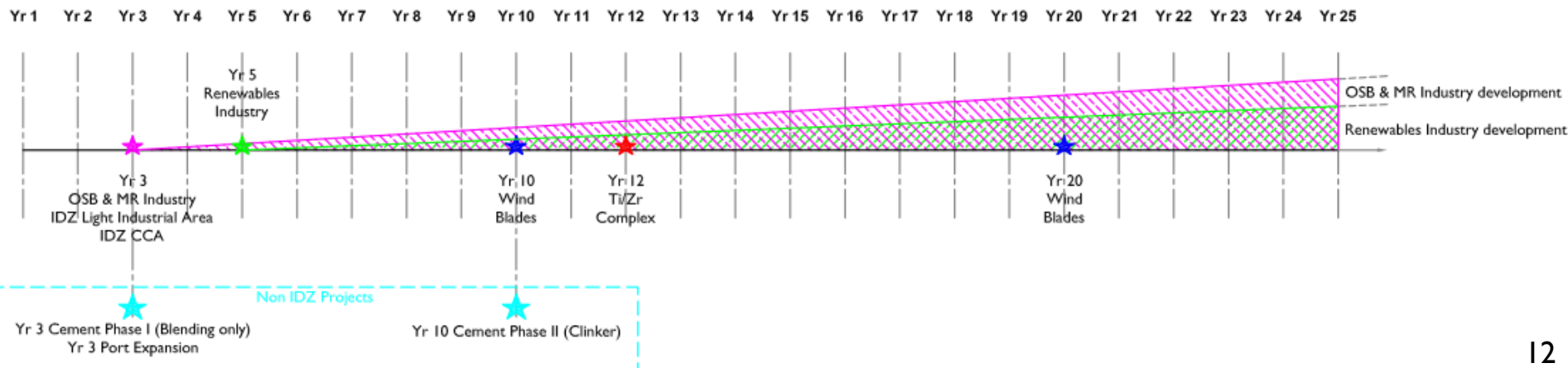


The Development Scenarios (2)

Project	Brief description of project	Likelihood of project in short- to medium-term	Public sector support requirements	Sources of funding
Marine Repair (MR)	Port infrastructure development of a new quay & dry-docking facilities for the repair of O&G vessels.	High	-A “free port” -Land lease arrangement with TNPA -IPP 12-I tax deductions applicable	100% private sector funding available.
Offshore Supply Base (OSB)	Port infrastructure development of a supply quay & laydown area for supply of goods to offshore O&G sector.	High	-A “free port” -Land lease arrangement with TNPA	100% private sector funding available.
Hot Briquetted Iron (HBI) manufacturing	50,000tpa via a Finesmelt-type plant.	Low – long-term project	-Competitiveness of SA steel industry key factor (access to iron ore at competitive prices) -CCA incentives are required	A joint venture between private sector and public sector.
Titanium and Zircon (Ti/Zr) Complex	15,000tpa of titanium metal + 2,000tpa of zirconium metals + 3,000tpa of solar grade silicon + 5,000tpa high grade silicon.	High – Bankable feasibility to be completed end 2012	-CCA incentives are required -Critical Infrastructure Programme grants from DTI	A joint venture between private and public sector.
Wind Blade manufacturing	100 sets of wind turbine blades per annum.	High	-NERSA Refit incentives	100% private funding available.
Renewable Energy Industry	2,000 Solar Water Heater units per month.	High	-National Building Regs & Building Standards Act -12i Tax Allowance applicable -Manufacturing Investment Programme from DTI	100% private funding available.

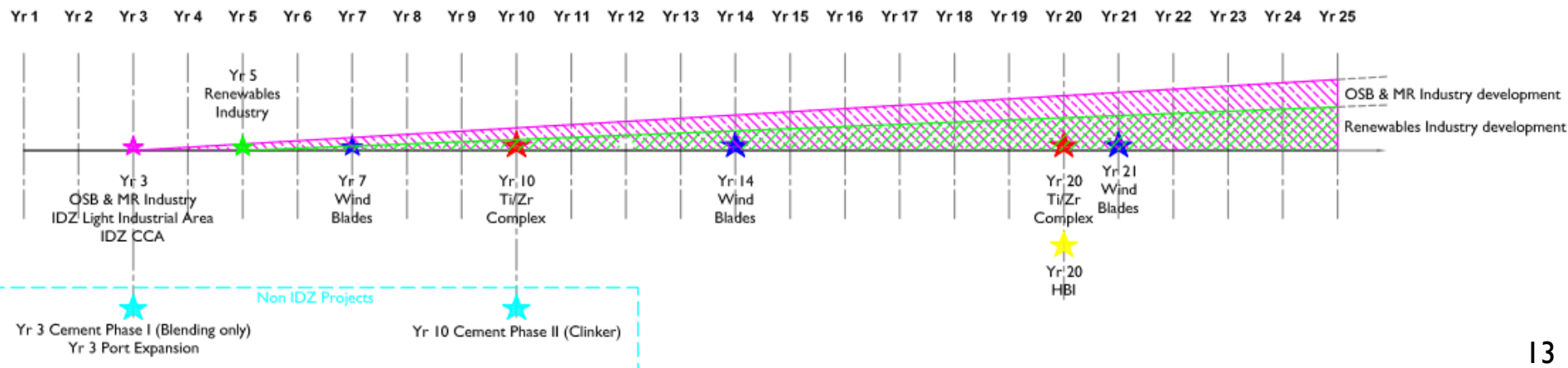
Pessimistic Scenario

- **Offshore Supply Base and Marine Repair industry**
 - The indicative growth rate of this industry is 3.3%
- **Renewable Energy industry**
 - The indicative growth rate of this industry is 3.9%
- **Blade manufacturing facility**
 - Year 10, and to expand in Year 20
- **Titanium and Zircon Complex**
 - Year 12 & no further expansion
- **CCA & ISA** to support IDZ programme



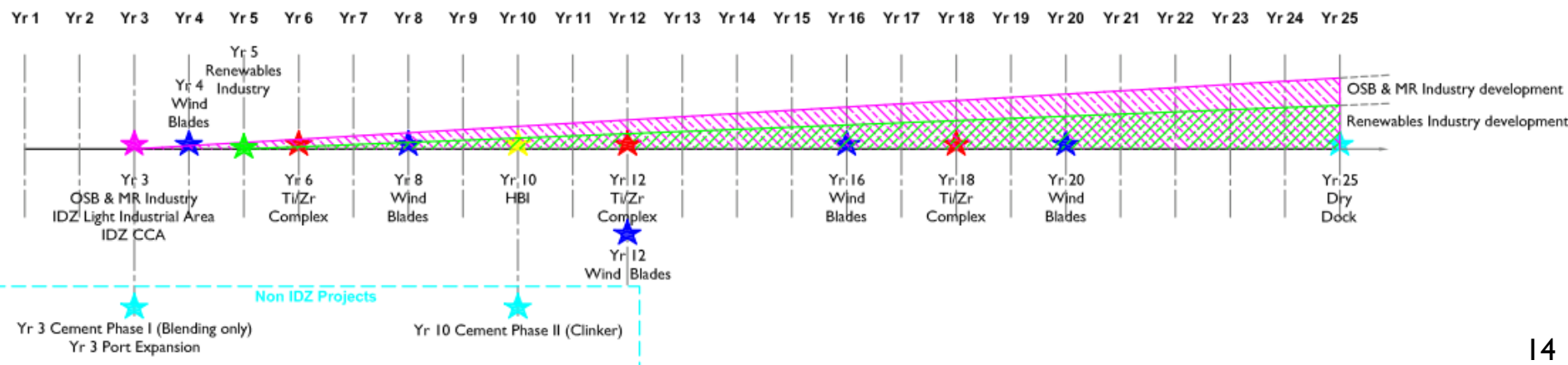
Base Scenario

- **Offshore Supply Base and Marine Repair industry**
 - The indicative growth rate of this industry is 4.3%
- **Renewable Energy industry (SWH)**
 - The indicative growth rate of this industry is 4.9%
- **Blade manufacturing facility**
 - Year 7, and to expand in Year 14 and again in Year 21
- **Titanium and Zircon Complex**
 - Year 10 and to expand in Year 20
- **Hot Briquetting Iron (HBI) Plant**
 - Year 20 and no further expansion
- **CCA & ISA** to support IDZ programme



Optimistic Scenario

- **Offshore Supply Base and Marine Repair industry**
 - The indicative growth rate of this industry is 5.3%
 - A **Graving Dry Dock** to become operational in Year 25 only
- **Renewable Energy industry (SWH)**
 - The indicative growth rate of this industry is 5.9%
- **Blade manufacturing facility**
 - Year 4 & to expand every 4 years until Year 20
- **Titanium and Zircon Complex:**
 - Year 6 & to expand in Year 12 & again in Year 18
- **Hot Briquetting Iron (HBI) Plant:**
 - Year 10 and no further expansion
- **CCA & ISA** to support IDZ programme



Key Findings (I)

- Economic Returns
 - Increase in GGP relative to current SBM GGP (*ave. pa over 25 years*) = 86%-233%
 - Imported Capital Goods = 54%-57%
 - Government : Private Funding ratio (*Capex*) = 1:4
 - % Foreign of Private Sector (*Capex*) = 54%-31%
 - Recovery due to Taxation (*Capex*) = 33%-29%



Key Findings (2)

- Economic Returns
 - Sustainable Direct Jobs* Created = 4,240-8,930
 - Sustainable Total Jobs* Created = 11,975-29,020
 - Cost to Government, per Job* Created = R0.427-R0.483 million
 - Total** jobs* created (ave. pa over 25 years) = 10,000-25,910
 - Increase in jobs relative to current SBM employment = 16%-34%

*A job is defined as one person working for one year

**Total incl. Construction & Operations phases



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Key Findings (3)

- Financial Demands (*Capex*)
 - Government Funding = R5.12-R14.01 billion
 - Private Sector Funding = R17.25-R90.82 billion
 - SBM = R516-R975 million
 - WCDM = R198 million
 - WCPG = R2.37-R6.60 billion
 - National Government = R2.23-R6.23 billion
 - Parastatal = R8.07-R23.76 billion



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Key Findings (4)

- Workforce Supply & Demand Effects
 - Large requirement for maintenance personnel in chemical, mechanical, electrical and control engineering, from highly to semi-skilled.
 - Public & private training for artisans must improve.
 - Regional linkages will be required to meet demand.
 - In-company training will occur for specialist tasks.
 - Construction numbers fluctuate in all 3 scenarios & can result in short-term contracts & in-contracting.



Key Findings (5)

- Environmental Effects
 - Increased shipping will require a rigorous approach to policy on entering & exiting the Bay.
 - Energy & water-intensive projects will require optimal systems in their design.
 - Potential for co-generation/treatment for these resources
 - Water & Industrial wastes (air, liquid & solid) systems will require rigorous monitoring and enforcement.
 - “No-go” strategy in CBAs adopted.
 - Costs for Environmental Management have been included in study.



Key Findings (6)

- Land & Infrastructure Demands
 - Land availability is 1440ha & land demand is 650ha (*Optimistic*).
 - Water-intensive projects must treat & re-use water.
 - 1st phase of planned WCDM 8,500k/d Seawater Desalination plant is required in Optimistic Scenario.
 - New WWTW required, between 2,000kℓ/d-7,500kℓ/d.
 - Stormwater management system to prevent groundwater contamination of liquid effluents.
 - Regional Waste Transfer Station (WTS) & Material Recovery Facility (MRF) recommended.
 - Electricity demand = 240,000 kVA-770,000 kVA,
 - Upgrading of Aurora-Blouwater Power Line to 400kV.
 - Regional road links will require upgrades over long-term.

Closing Remarks

- Initiate IDZ in respect of most certain and probable investments within a 3-5 year view.
- Link with Transnet National Ports Authority's strategic master plan for Saldanha Port.
- Focus support on improvement of current training facilities.
- Accredite prior learning & experience to add to pool of skills.
- Better phasing of construction activities will limit short-term contracts & in-contracting.
- Retain the governance structures
 - for good inter-governmental planning & budgeting
 - to fully engage with the private sector on a formal platform.

Requirements of an IDZ Application

- Necessary statutory information for the SB IDZ application process, includes:
 - Rationale behind application for IDZ designation & permit
 - Broad economic analysis of the province
 - Statutory documentation of IDZ Operator
 - Physical master plan of the IDZ
 - Infrastructure development plan with time frames incl. construction plan
 - Financial analysis & projections for 5 years incl. Budget for the first 3 yrs
 - Estimated employment opportunities
 - Outline of marketing plan
 - Overall action plan for the IDZ



Process going forward

- Comments on Feasibility Study: 30 Nov 2011
- Completion of Feasibility Study: Dec 2011
- Finalisation of Business Plan: March 2012
- SBM Council & WCPG Cabinet deliberation: March 2012
- If positive – application to DTI: April 2012
- DTI MDB meet & if approved: Gazetted May 2012
- 60-day public hearings & comment period: July 2012
- MDB submission for final deliberation: Aug 2012
- Recommendation by DTI to National Cabinet: Aug – Sep 2012
- Designation & License Awarded: Sep 2012





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Thank You

Wesgro Project Sponsor:

Ms Jacyntha Maclennan

(t) 021-487 8600

(e) Jacyntha@wesgro.co.za

Project Managers:

Element Consulting Engineers

Kaashifah Beukes

(t) 021-975 1718

(e) kbeukes@eceng.co.za