



Investing in South Africa's Ocean Economy

Opportunities in the Oil and Gas, Ship-Building and Ship-Repair Sectors



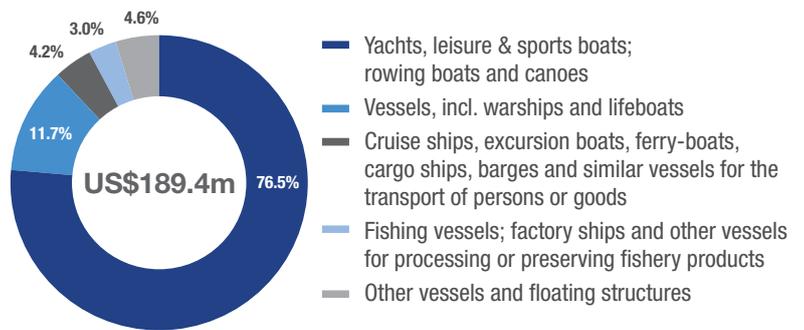
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Trade and Industry
REPUBLIC OF SOUTH AFRICA

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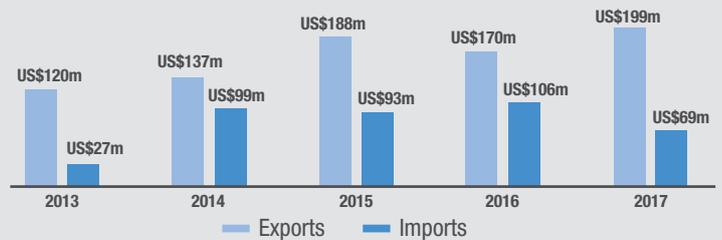
SA's Ocean Economy

- > The Government's strategic support programme called Operation Phakisa, has set a target to grow the Ocean Economy's GDP contribution to R177bn by 2033, equivalent to 350% growth of its total value-add in 2016.
- > Annually, 134 000 vessels dock at South African ports and a further 17 000 pass through the country's waters.
- > South Africa is perfectly located to serve all major oil fields in West and East Africa. Five of the country's major ports provide excellent oil rig and drillship repair and maintenance services at competitive rates.
- > South African boat and shipbuilders produce highly competitive and advanced crafts, exporting close to US\$200m of boats, ships and floating structures per year.
- > Local boat and small shipbuilders supply crafts to a wide range of clients across the world including the Royal New Zealand Navy, the Australian Defence Force, the United Nations and Singapore's Special Operations Forces (SOF).

SA's ships, boat & floating structures export by type, 2018



SA's trade in ships, boats & floating structures, 2013-17



Close to **US\$200m** in annual exports **350%** targeted growth of total value-add between 2016 and 2033

Why invest?



Durban port – largest port in Africa

World-class facilities

SA has eight major ports including two of the world's top container ports and two of the world's biggest dry bulk ports, with capacity for Panamax, Capezie vessels and ultra-large container ships. In particular, Durban and Saldanha Bay have the capacity for offloading large crude carriers. SA is home to the leading dry docks for ship repair and maintenance in sub-Saharan Africa.

More than **40%** lower costs

Outstanding capabilities

SA's shipbuilding industry provides a well-integrated, deep value chain, allowing for at least 60% local sourcing. This includes high-tech applications such as ballistic protection, naval-grade combat suites and fly-by-wire controls. Most boat and shipbuilders are ISO certified for quality and environmental management.

At least **60%** local sourcing possible



Cost competitiveness

SA offers world-class repair, refurbishment and maintenance services at highly competitive rates. Repair and maintenance costs are over 40% lower compared to Korea, Japan, the Netherlands and Germany. In 2018, the average annual salary in the sector was US\$15 200.

Proximity to oil producing countries

Approximately 80 oil rigs are within range of South Africa. For any West African site southwards of Nigeria, over 20 days of round-trip can be saved compared to the nearest alternative repair or maintenance sites in Europe.

20 days time saving for oil rig operators

New major offshore discovery

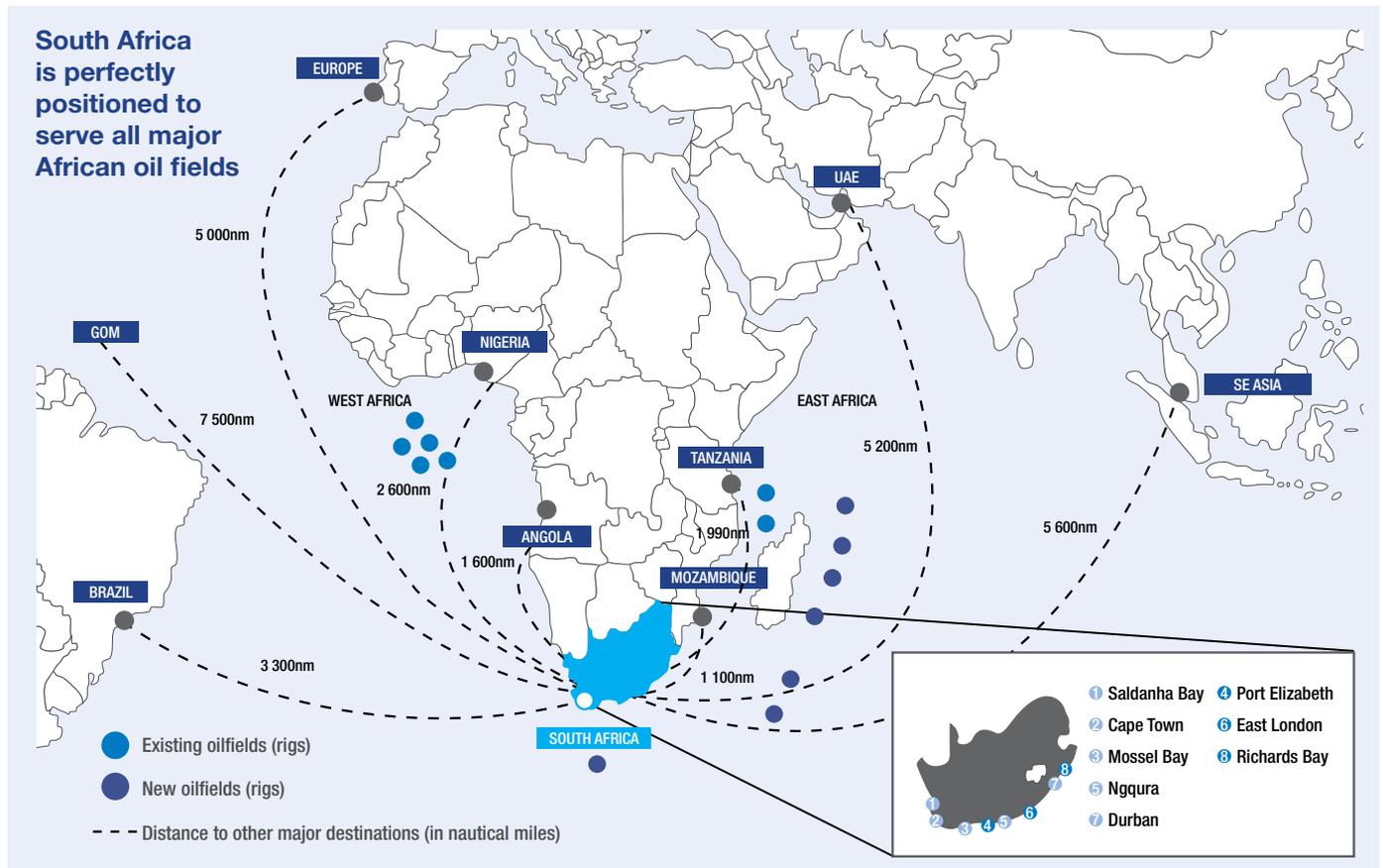
Oil giant Total announced a significant gas condensate discovery at the Outeniqua Basin located 175km off the southern coast of South Africa. In addition, other exploration blocks on the western and southern coast are either drill-ready or have been allocated.



Up to **1 bn** barrels of gas condensate

Where to invest?

- > South Africa has eight major ports, of which five support the oil & gas industry.
- > A dedicated multi-billion rand oil and gas support complex is under development in Saldanha, which has the largest and deepest natural port in the Southern Hemisphere.
- > In addition to the existing eight major ports, Port Nolloth (Northern Cape), Port St Johns (Eastern Cape) and Port Edward (KwaZulu-Natal) are earmarked for expansion and development.



Ship repair facilities at major ports

| | |
|----------------------|---|
| Port of Saldanha | <ul style="list-style-type: none"> • Quayside repair facilities • Deep water activities inside the mouth of the bay with permission of the Harbour Master |
| Port of Cape Town | <ul style="list-style-type: none"> • Two graving docks, general and private repair quays • Syncrolift with lifting capacity up to 1 800 tonnes • ISO 9001, ISO 14001 and OHSAS 18001 compliant |
| Port of Mossel Bay | <ul style="list-style-type: none"> • Marine engineering firms are available for all classes and types of onboard repairs • A slipway of 220 tonnes capacity • Private diving services |
| Port Elizabeth | <ul style="list-style-type: none"> • Repair of yachts and small fishing vessels up to 1 200 tonnes • Full diving services • Marine navigational equipment, electrical, engine and reefer repair services |
| Port of Ngqura | <ul style="list-style-type: none"> • Repair facilities accommodate a deeper draft (18m) relevant to large vessels associated with the offshore oil & gas industry |
| Port of East London | <ul style="list-style-type: none"> • Graving dock • Private contractors • Repair quay adjacent to the dry-dock equipped with cranes from 4 to 15 tonnes |
| Port of Durban | <ul style="list-style-type: none"> • Extensive repair facilities • Graving dock • Two floating docks • General and private repair quays • Slipway |
| Port of Richards Bay | <ul style="list-style-type: none"> • Repair berth with draft of 8m |

What support exists?

- > The South African government recognises the important contribution the Ocean Economy can make to the country's overall economy.
- > South Africa provides an enabling environment for the Ocean Economy, with various programmes and initiatives for the industry:



Critical Infrastructure Programme (CIP)

The CIP is a cost-sharing incentive available to approved applicants or infrastructure projects. Infrastructure is deemed "critical" to the investment if the investment would not take place without it, or if the investment would not operate optimally.



Operation Phakisa

Operation Phakisa is a strategic government initiative launched in July 2014 to promote the Ocean Economy. It has a mandate to speed up and simplify the processes involved in creating, operating and using the country's ports and maritime businesses.



Skills Development Support

In addition to the nine universities offering 12 different types of maritime education programmes, the Transnet Maritime School of Excellence and the South African International Maritime Institute focus on sector-specific skills development.



Industrial Development Zones

Industrial Development Zones in Coega, Saldanha Bay, Richards Bay, East London, and Dube Trade Port (Durban) are geared towards the industrial development of competitive industries linked to the ports.



The 147-meter long SAS Drakensberg is the largest and most sophisticated warship ever built in South Africa.

What are the opportunities?

- > The South African government regards ports as a strategic asset and plans to invest US\$14bn in ports infrastructure by 2044. These investments will unlock major opportunities in the Ocean Economy.

Investment opportunities include:

- **Repair and maintenance** of ships and drilling rigs, supported by **extensive infrastructure** and **deep supply chains**
- Investment in next-generation ship and boat-building **technology services**
- **Bunkering, re-supply** and **medical support services**
- Provision of **storage and logistics services**
- Port operations **consulting services**
- Provision of **maritime training services**
- Opportunities for **private equity investment** in local and pan-African project development



How to invest?

Opportunity identification

- 1 Conduct feasibility study for your product or service
- 2 Evaluate outcome of feasibility study
- 3 Take investment decision
- 4 Decide on investment strategy in order to best align to the market opportunity

Go ahead



Location identification



Resourcing requirements (HR, capital, finance, IT)



Compliance and legal affairs

Investment preparation

- ✓ • Decide on geographic location most suitable for investment
- ✓ • Consult with Transnet Port Terminals to identify suitable location within ports
- ✓ • Consult property specialists, real estate agents to identify suitable offices for operations
- ✓ • Conduct site visits of suitable locations

- Consult with HR/recruitment agencies about staff requirements
- Determine immigration requirements
- Determine funding model (e.g. self-funding, debt, equity)
- Consult with IT systems providers

- Determine corporate structure
- ✓ • Determine licensing and permit requirements
- Consult with labour lawyers
- ✓ • Consult with InvestSA to identify eligibility for support initiatives

Investment execution

- Acquire/lease site, rent office space
- Apply for municipal services (e.g. water, electricity)

- Conduct interviews, hire staff
- ✓ • Apply for work permits for expatriate staff
- Open a bank account
- Apply for finance
- Set-up IT infrastructure/systems

- ✓ • Register company
- ✓ • Apply for licenses and permits
- ✓ • Apply for incentives and other support initiatives

✓ InvestSA ready to assist

The dolos, a reinforced concrete block that protects against the erosive force of waves, was invented by South African harbour draughtsman Aubrey Kruger in 1963.

Key contacts for more information

InvestSA

☎ +27 861 843 384

@ Investsa@thedti.gov.za

🌐 <http://www.investsa.gov.za/>

the dti

@ contactus@thedti.gov.za

🌐 <http://www.thedti.gov.za/>

Ambassador Sadick Jaffer

Chief Director: Investment Promotion

Invest South Africa

Department of Trade and Industry

☎ +27 (0)12 394 1916

@ Sjaffer@thedti.gov.za

Jemina Malete

Deputy Director: Oil & Gas Infrastructure

Invest South Africa

Department of Trade and Industry

☎ +27 (0)12 394 1586

@ JMalete@thedti.gov.za

Information sources

Department of Environmental Affairs, various years; the dti, various years; Institute for Security Studies, 2018; InvestSA, various years; TradeMap, various years; Transnet, various years; UNCTAD, various years; WWF, 2016

Research partner | **Deloitte.**



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