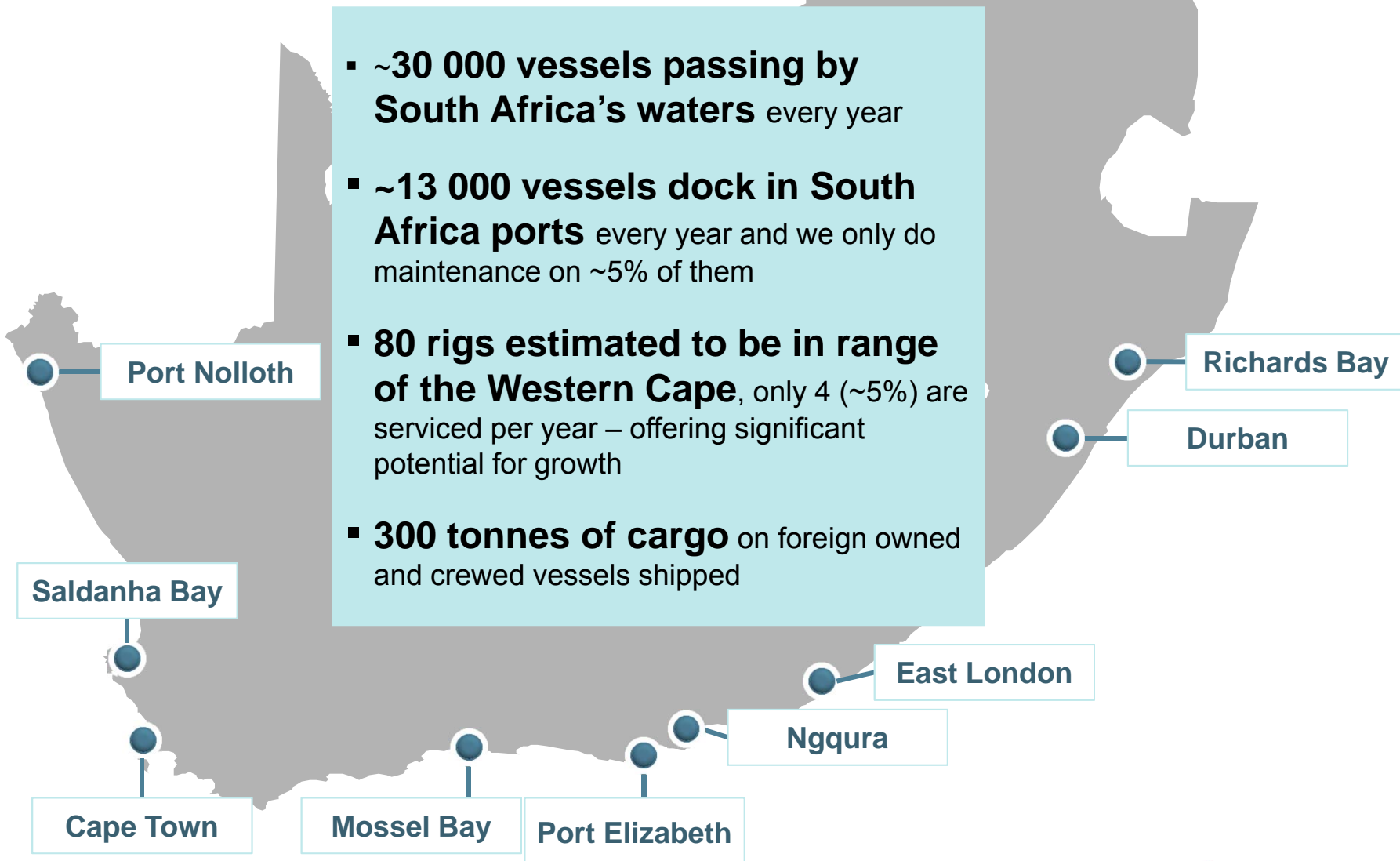
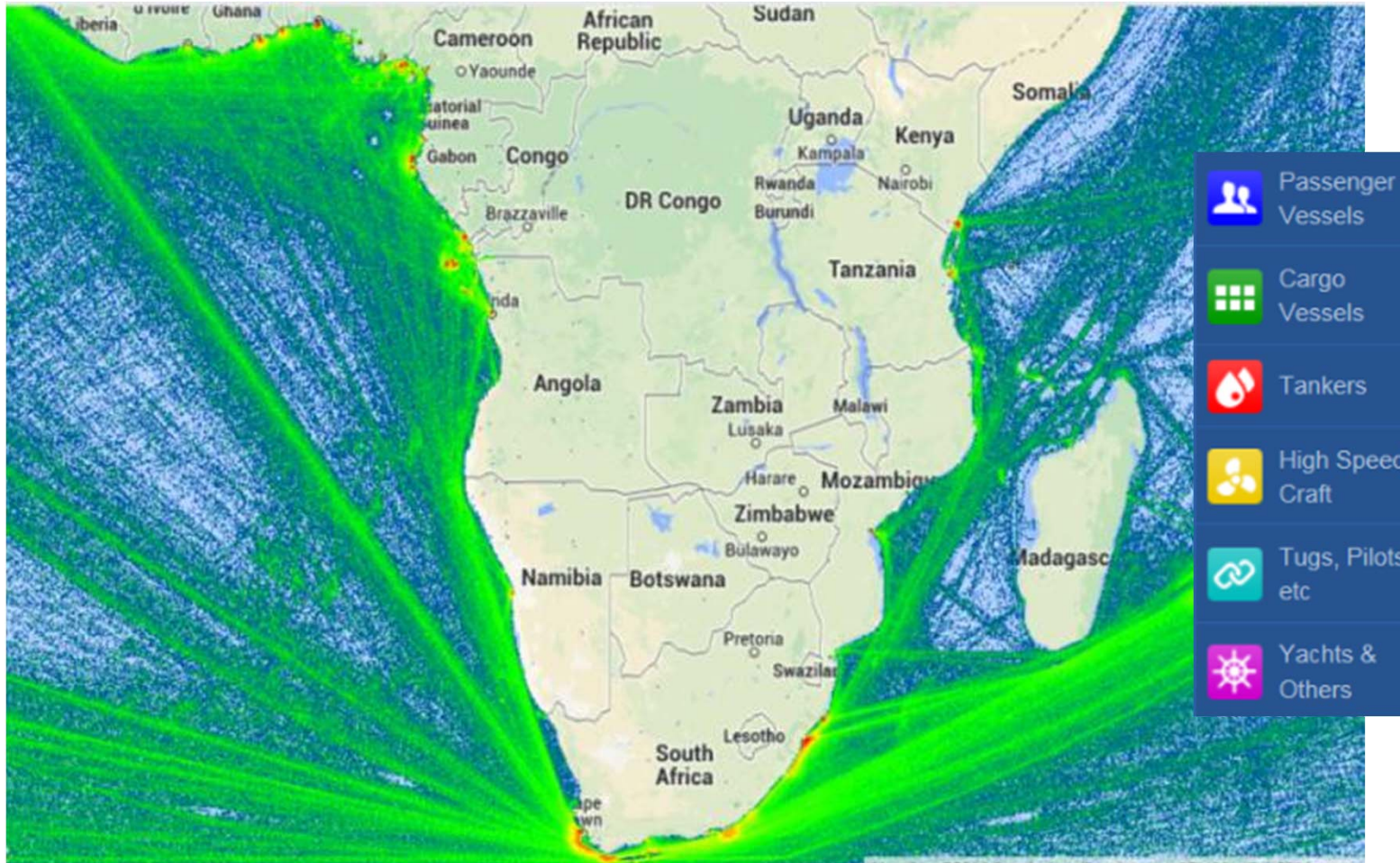


South Africa has an opportunity to develop the marine transport and manufacturing industry



At any given time, there are 10 000 vessels around the coast of Africa – most of them will have passed by South Africa’s coast



57 908 vessels in area on 13 August 2014

SOURCE: Google maps data

South Africa has the capability to build and repair various types of vessels up to 140 metres in length overall

Patrol vessels



Ferries



Tug boats



Bunker barges



Navy vessels





Research vessels



FPSOs



Through Operation Phakisa, our vision is to double the size of the Marine Transport and Manufacturing (MTM) sector

	Initial Lab vision	Baseline (2010)	Incremental target for interventions (2019)
 <p>GDP contribution</p>	<ul style="list-style-type: none"> Accelerate the sector's GDP contribution 	<ul style="list-style-type: none"> ~R15bn 	<ul style="list-style-type: none"> New revenue: ~R18.8bn in the first five years
 <p>Job creation</p>	<ul style="list-style-type: none"> Increase total employment 	<ul style="list-style-type: none"> ~15 000 jobs 	<ul style="list-style-type: none"> Direct jobs: ~15 220 (with an additional 39-46 000 more through the employment multiplier)

To reach the targets, the Marine Transport and Manufacturing (MTM) lab focused on a national ship registry, rig & ship repair and boat building

	Key drivers
Marine transport	<ul style="list-style-type: none">▪ National ship registry for local ownership of commercial shipping vessels is an area of significant growth▪ Cargo growth is projected to continue to drive growth; it is a mature market and therefore difficult to get breakthrough expansion in the maritime economy
Marine manufacturing	<ul style="list-style-type: none">▪ Repair and refurbishment of rigs and ships as well as boat building will be a focus▪ There is significant potential to make use of South Africa's competitive advantage in the SADC region and across the African continent

Several additional ideas were explored (small harbours, cargo handling in Richard's Bay, etc.) but not discussed in detailed in the lab – plans for addressing these were defined

The Lab recommended 18 initiatives for marine transport and manufacturing (1/3)

Infrastructure and operations

- Create supportive funding and revenue model for the industry
- Establish purpose-built oil and gas port infrastructure by appointing Facility Operators – Saldanha Bay
- Align on Implementation of government policy
- Prioritise Transnet and TNPA funding allocation towards marine manufacturing
- Maintain and refurbish existing facilities
- Unlock investment in new and existing port facilities
- Implement Strategic Prioritised Project – Richards Bay
- Implement Strategic Prioritised Projects – East London



i. TNPA – Transnet National Ports Authority
ii. ESSA – Employment Services of South Africa
iii. TVET – Technical and Vocational Education and Training

iv. RPL – Recognition of Prior Learning
v. CBMT – Competency-based Modular Training

The Lab recommended 18 initiatives for marine transport and manufacturing (2/3).....*continued*

Skills and capacity building

- Train 2 550 TVET College graduates on an 18-month Workplace-based Experiential Learner Programme in scarce and critical trades over the 5 year period
- Create dedicated Occupational Teams for MTM Sector (professional, trades, operators and seafarers)
- Establish trade RPL, CBMT or Centres of Specialisation in Saldanha Bay and Richards Bay
- Train 18 172 learners as artisans, semi-skilled workers and professionals over the next 5 years
- Increase usage of ESSA system and targeted career awareness high value recruitment tool for MTM
- Increase capacity to develop skills for ~1 200 ratings and ~720 officers per year



The Lab recommended 18 initiatives for marine transport and manufacturing (3/3).....*continued*

Market growth

- Create and implement a public procurement and localisation programme
- Develop a strategic marketing campaign and value proposition for target markets
- Propose inclusion of preferential procurement clause in the African Maritime Charter
- Support local registry of vessels through incentives and legislation of using SA-flagged ships for cargo and coastal operations
(based on United Nations Conference on Trade and Development and African Maritime Charter guidelines)



Deep dive: Establish purpose-built Oil & Gas infrastructure – Saldanha Bay

	2014/ 15	2015/ 16	2016/ 17	2017/ 18	2018/ 19	2019/ 20	2020/ 21	2021/ 22	2022/ 23	2023/ 24	2024/ 25	2025/ 26
Berth 205 (A)	← Commissioned Dec 2017 →									If SA Inc. waited until 2025/26 there would no longer be an industry to develop – other competitors in Africa would have grabbed our market share		
Jetty at Mossgas (B)	← Commissioned Dec 2017 →											
Floating dock at Mossgas Quay	← Commissioned Dec 2016 →			New Initiative								

New Commission Date	Original Commission Date

2014-2019 return on TNPA investment

Public Sector Investment (Rm) Excl. private sector	9 656
New Direct Jobs	6 300
New Indirect Jobs	25 200
New GDP contribution (Rm)	4 740



Deep dive: The South African government and State-owned Companies are currently planning to procure 18 vessels over the next 3-5 years

Department	Vessel description	Number	Estimate value, R	Local content requirement
▪ Navy	▪ Hydrographic survey	▪ 1	▪ R900 mn	▪ 55%
▪ Navy	▪ Inshore patrol vessel	▪ 3	▪ R1.2 bn	▪ 60%
▪ Navy	▪ Offshore patrol vessel	▪ 3	▪ R2.4 bn	▪ 60%
▪ Transnet	▪ Tugs	▪ 9	▪ R1.45 bn	▪ 55%
▪ SAMSA	▪ Salvage	▪ 2	▪ R1 bn	▪ 60%

Ensuring local content in these procurement processes will result in **R 4.05 billion** spent locally on marine manufacturing

1. Enforcement or compliance to the **dti designation** signed by Treasury
2. **Commitment by all departments** to increasing local content in 5 years
(as per recommended by the lab)
3. Compliance and regular monitoring

SOURCE: DTI's Proposal for the designation of working vessel Sept 2013

Components: Hull construction; pipe fitting, electrical fitting, outfitting (carpentry, carpets, beds, bunks, plumbing), small components (pumps)

Deep dive: Support local registry of vessels through incentives and encouragement of using SA-flagged ships

- The current regulatory and tax policy is largely favourable for a national ship registry
- Currently at risk for requisition or charter on demand
- SA has STCW guaranteed seafarer competency
- ILO 147 on minimum standards for seafarers' working condition
- Opportunity for greater control over country's foreign trade
- A solution to flag hopping ensuring protection of resources in SA EEZ

So now SA must create the right incentives to build the registry

- Ensure that at least 40% of cargo is allocated to SA flagged ships
 - Add a new requirement to ship SA during the process of mining license application
 - Link the Mining BEE Charter to the Transport BEE Charter
 - Ensure that all coastal vessels as well as vessels supporting the marine operations in the EEZ fly SA flag and are manned by SA seafarers
 - Invoke cabotage requirements on all coastwise cargo including the supply and operation of offshore support vessels within the regional and continental waters
 - Finalise the Cabotage Policy

40% of SA Minerals allocated to SA flagged ships. All Coastal operations on SA flagged vessels manned by SA seafarers
Development of approximately 6 000 new seafarers over 5 years

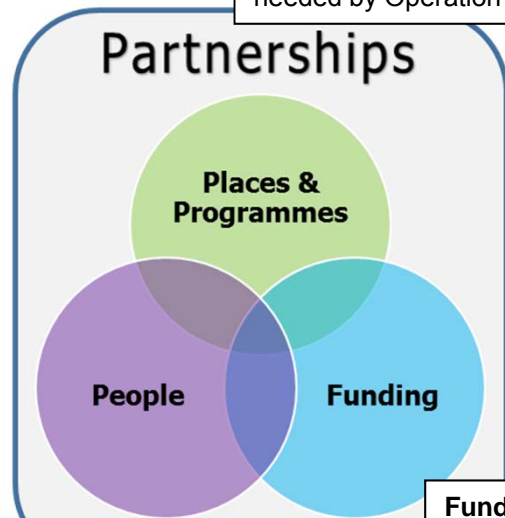
Deep dive: Building human capital for the MTM industries requires the core pillars of Partnerships, People, Places & Programmes, and Funding to support it

Skill development is a multi-stakeholder, inter-connected lifelong process, which directly enables economic growth and job creation, and the initiatives from Operation Phakisa reflect this

Core Pillars of a typical Skills Development Framework

Partnerships are needed to collaborate, share scarce resources and develop and implement solutions.

Places & Programmes, both from the public and private sector, must be sought and created to offer accredited and relevant theoretical and experiential learning in support of the occupations needed by Operation Phakisa.



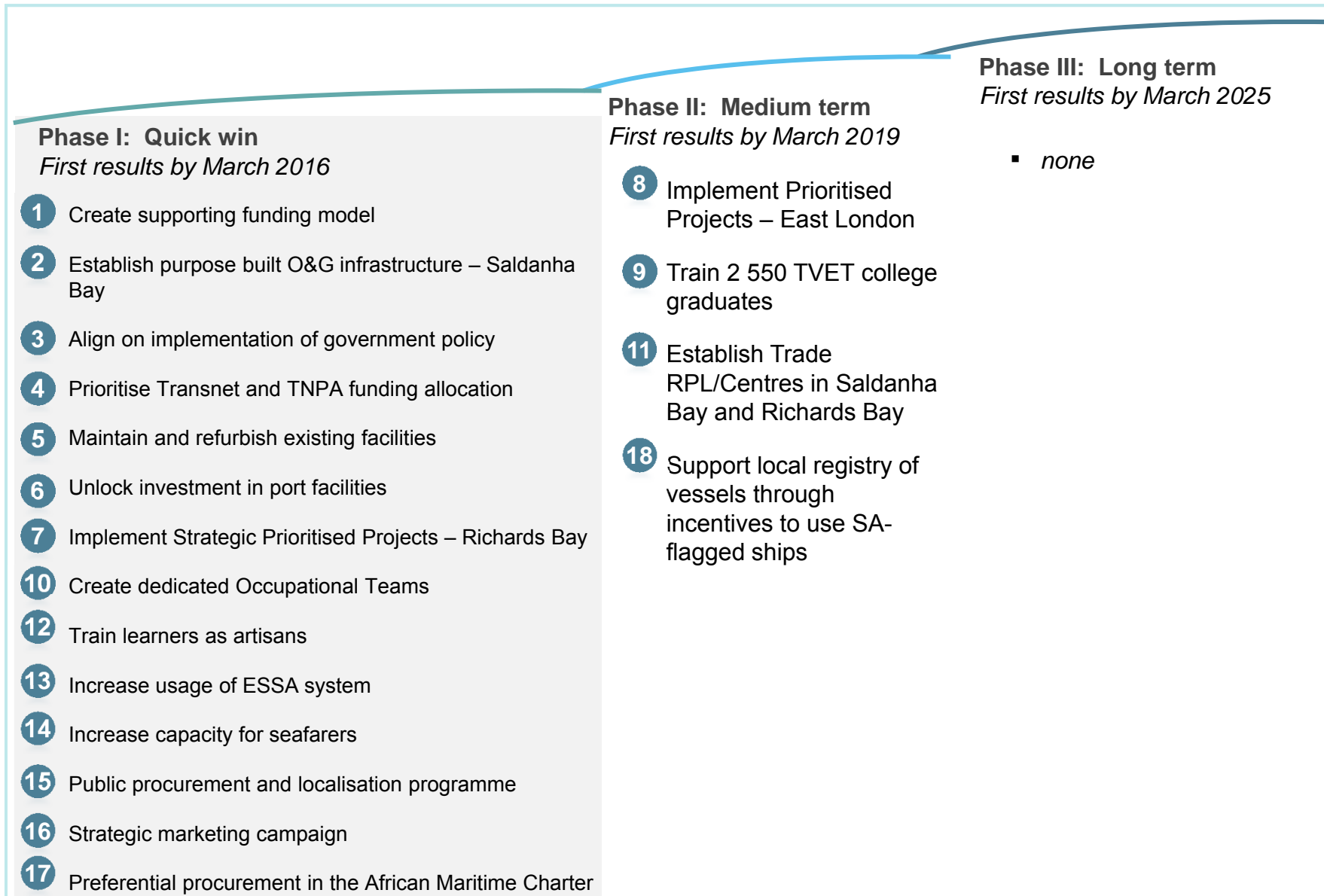
People are the assets that must be sought and be encouraged to participate in programmes, and whose skills must be developed, accredited and offered to the Industry.

Funding, is the capital that unlocks all intended initiatives, and which must be prioritised through partnerships.

Initiatives that link to the pillars

- **People:**
 - By the end of Operation Phakisa we would have trained 20,722 Learners as Artisans, Semi-skilled workers & Professionals over the next 5 years in education institutions and workplaces
 - Increase usage of ESSA system & targeted career awareness services as a high value recruitment tool for MTM to attract more persons to the sector
- **Places:**
 - Establish Trade RPL/CBMT/Centres of Specialisation in Saldanha Bay and Richards Bay to produce more Mentors and the specialised skills demanded by the industry
- **Programmes:**
 - Create dedicated Occupational Teams for the MTM Sector to address problems of curriculum relevance and alignment between theoretical and practical learning, as well as work placement problems at a systemic, national level
 - Increase capacity to develop skills for seafarers
- Funding required to implement these initiatives is inherent in all the implementation plans

Specific initiatives have been identified as quick wins



O&G – Oil and Gas ; TNPA – Transnet National Ports Authority; ESSA – Employment Services of South Africa; TVET – Technical and Vocational Education and Training; RPL – Recognition of Prior Learning