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Marine Transport and Manufacturing

Oceans Economy Review Workshop

October 14, 2015



- **Operation Phakisa Overview**

- Operation Phakisa Investments : Existing Facilities (Initiative 5)

- Operation Phakisa Investments : New Facilities (Initiatives 2, 7, 8)

Summary



- South Africa can leverage its strategic location and infrastructure to **accelerate the growth of the marine transport and manufacturing (MTM)**
 - Marine transport: cargo handling, national registry and flagging
 - Marine manufacturing: maritime vessel building, rig and ship repair, offshore oil and gas (O&G) services
- The MTM lab set an **ambitious vision for the MTM sector** of increasing, by 2019:
 - Contribution of GDP by R14-23 bn
 - Number of total jobs created by 40-50,000
- However, the MTM industry faces **significant challenges** to growth
 - Outdated, insufficient and expensive infrastructure
 - Inadequate artisanal and professional skills
 - Limited support for market growth from public procurement
 - Limited support for a national ship registry or flagging of SA ships
- The MTM lab has developed a **set of 18 initiatives to address these challenges** and accelerate the growth of the MTM industry
 - Create a supportive policy and funding environment and fast-track priority infrastructure projects
 - Identify and develop the required skills through a robust classroom and workplace-based system
 - Encourage the establishment of a SA-flagged fleet for coastal and international shipping
 - Develop a market by requiring local content for all public procurement and build a strong private-sector market
- These initiatives will deliver significant direct jobs and revenue for South Africa by 2019
 - Direct jobs created: ~15,220 (with an additional 39-46,000 more through the employment multiplier)
 - New revenue created: ~R18.8bn in the first five years
- To deliver on these initiatives, the MTM lab created a **detailed implementation plan, budget requirement, KPIs and a proposed governance system**
 - Total 5-year government CAPEX spend of R14.5bn
 - Total 5-year government OPEX spend of R6.6bn

Marine Transport and Manufacturing focused on resolving specific problems within these focus areas



1

Infrastructure

- The current Ship Repair facilities in a state of disrepair
- High rental/tariff cost and short tenure of leases for marine manufacturing
- Inadequate port facilities and operational infrastructure for marine manufacturing



2

Regulatory

- Onerous immigration regulations
- Delays in insertion of rebate item in Customs and Excise Act to remove VAT and Excise duty
- Unfavorable tax regime for coastal shipping can raise costs by ~30%



3

Skills and capacity

- Inadequate workplace-based training limits supply of work-ready skills base for the industry
- Insufficient occupational-specific practical learning occurring within the college system
- Classification of Learners in the workplace as employees increases costs of placement and discourages private sector participation



4

Market Growth

- No integrated strategy for public sector procurement to develop local industry
- No mandatory local content requirement
- No alignment of BEE codes in petroleum or mineral resources that would encourage the use of local transport / shipping companies
- No SA flagged ships executing international shipping or coastal operations
- Lack of institutional support for market growth



Through Operation Phakisa, our vision is to accelerate the current GDP contribution and job creation potential of the sector



Initial lab vision

Baseline (2010)

Target for interventions



GDP Contribution

- Accelerate the GDP contribution of the sector

- ~R15bn

- Increase the contribution to GDP by **R14-23bn** by 2019



Job Creation

- Increase total employment

- ~15,000 jobs

- Increase the number of total jobs created by **40,000-50,000** jobs by 2019

Numbers based on pre-lab projections



The Lab recommends the following 18 initiatives for marine transport and manufacturing

A Infrastructure and operations

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

B Skills and capacity building

- 9 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
- 10 Create dedicated Occupational Teams for MTM Sector (professional, trades, operators and seafarers)
- 11 Establish trade RPL, CBMT or Centres of Specialisation in Saldanha Bay and Richards Bay
- 12 Train 18,172 learners as artisans, semi-skilled workers and professionals over the next 5 years
- 13 Increase usage of ESSA system and targeted career awareness services as a high value recruitment tool for MTM
- 14 Increase capacity to develop skills for ~1,200 ratings and ~720 officers per year

C Market growth

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



Specific initiatives have been identified as quick wins

Phase I: Quick win

First results by Mar 2016

- 1 Create supporting funding model
- 2 Establish purpose built O&G infrastructure – Saldanha Bay
- 3 Align on implantation government policy
- 4 Prioritise Transnet and TNPA funding allocation
- 5 Maintain and refurbish existing facilities
- 6 Unlock investment in port facilities
- 7 Implement Strategic Prioritised Projects – Richards Bay
- 10 Create dedicated Occupational Teams
- 12 Train learners as Artisans
- 13 Increase usage of ESSA system
- 14 Capacity for seafarers
- 15 Public procurement and localisation programme
- 16 Strategic marketing campaign
- 17 Preferential procurement in the African Maritime Charter

Phase II: Medium term

First results by Mar 2019

- 8 Implement Prioritised Projects – East London
- 9 Train 2550 TVET college graduates
- 11 Establish Trade RPL/Centres in Saldanha Bay and Richards Bay
- 18 Support local registry of vessels through incentives of using SA-flagged ships

Phase III: Long term

First results by Mar 2025

- none

South Africa has an opportunity to build on its SOC-managed and controlled port system to develop the MTM industry



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Marine transport

Transport and handling of import and export cargo

Including:

- Cargo handling
- National registry and flag

Marine manufacturing

Building, repairing and servicing vessels

Including:

- Rig and Ship repair
- Boat or ship building
- Offshore O&G services



Potential market:

- ~13k vessels call at SA ports every year
- At any given stage, there is a density of ~10k vessels along the African coast



Accelerated growth will be driven by marine manufacturing and a national ship registry across 18 initiatives

Key drivers

1 Marine transport

- A** While **Cargo growth** is projected to continue to drive growth, it is a mature market and therefore difficult to get breakthrough growth in the maritime economy
- B** **National registry** for local ownership of shipping vessels is an area of significant growth

2 Marine manufacturing

- D** The ship and rig **repair and refurbishment** sector provides an opportunity for growing MTM
- E** As does the **boat-building** (including yachts) sector
 - There is significant potential to make use of our **location, competitive cost of labour and existing skill base**



The lab identified the initiatives that will require significant investment and the enablers required to unlock growth

Initiatives that require significant investment	Total public budget (Rm 2014-2019)
2 Establish purpose-built oil and gas port infrastructure by appointing Facility Operators – Saldanha Bay	▪ 9 656
5 Maintain and refurbish existing ship repair facilities	▪ 1 054
7 Implement Strategic Prioritised Project – Richards Bay	▪ 550
8 Implement Strategic Prioritised Projects – East London	▪ 215
9 Train 2,550 TVET College graduates on an 18-month Workplace-based Experiential Learner Programme in scarce & critical Trades over the 5 year period	▪ 730
12 Train 18,172 Learners as Artisans, Semi-skilled workers & Professionals over the next 5 years	▪ 2 375
14 Increase capacity to develop skills for ~1,200 ratings and ~720 officers per year	▪ 5 200
18 Support local registry of vessels through incentives and encouragement of using SA-flagged ships for cargo and coastal operations	▪ 1 305

Key enablers

Infrastructure & Operations

- 1 Create supportive funding and revenue model
- 3 Align on Implementation of Government Policy
- 4 Prioritise Transnet and TNPA MTM funding
- 6 Unlock investment in new and existing port facilities

Skills & Capacity

- 10 Create dedicated Occupational Teams for MTM Sector
- 11 Establish Trade RPL/Centres of Specialisation in SB and RB
- 13 Increase usage of ESSA system as a high value recruitment tool

Market Growth

- 15 Create and implement public procurement and localisation
- 16 Develop a strategic marketing campaign and value proposition
- 17 Propose inclusion of preferential procurement clause in the AMC



MTM governance structure

Steering Committee: Meeting once a month

- Initiative owners to provide progress updates
- Make decisions and provides guidance or direction to the team
- Resolve conflicts
- Oversee all other matters related to workstream

Steering Committee

Chair: DG of DPME

Members:

- | | | |
|---------------|-----------------|--------------------------------------|
| ▪ DG of DIRCO | ▪ DG of the dti | ▪ DG of Finance |
| ▪ DG of DHET | ▪ DG of EDD | ▪ Head of Oceans Secretariat |
| ▪ DG DoL | ▪ Head of IDZs | ▪ CEO SAMSA |
| ▪ DG of DoT | ▪ DG of DoD | ▪ GCE Transnet |
| ▪ DG of DPE | ▪ DG of DEA | ▪ Industry associations ² |

Secretariat:
Delivery Unit

Outcome Facilitator
(DPME)

Working level: Meeting more frequently (i.e. bi-weekly)

- Liaise directly with Delivery Unit and respective DPME Outcome Facilitator

Infrastructure and Operations

Lead:

- DoT

Other key implementors:

- Transnet
- dti
- DPE
- Industry associations
- IDZs
- Provinces and local government

Skills and capacity

Lead:

- DHET

Other key implementors:

- DoL
- DoT
- DST
- IDZs
- Industry associations²
- Learning institutions
- National Skills Fund
- Provinces and local government
- SAMSA
- SETAs¹
- The dti

Market growth

Lead:

- The dti

Other key implementors:

- TISA
- Transnet
- ITAC
- Brand SA
- SAMSA
- DPE
- DIRCO
- EDD
- IDZs
- DoT
- DoF
- PetroSA

- **TNPA's will invest in the refurbishment and maintenance of EXISTING facilities (primarily initiative 5);**
 - **Possibility of private sector funding for selected projects;**
- **TNPA will pursue private sector funding for NEW developments (initiatives 2 (Saldanha), 7 (Richards Bay) and 8 (East London));**
 - **Engagement with Industry to determine investor appetite and alignment with Lab Report timelines;**



INITIATIVE 2 REPORTING

PROJECTS:

1. **BERTH 205**
2. **MOSS GAS QUAY**
3. **GMQ (OFF SHORE SUPPLY BASE)**



INITIATIVE 5 REPORTING

PROJECTS:

1. MAINTAIN AND REFURBISH EXISTING FACILITIES



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INITIATIVE 7 REPORTING

PROJECTS:

IMPLEMENT STRATEGIC PRIORITIZED PROJECTS: RCB- (FLOATING DOCK)



INITIATIVE 8 REPORTING

PROJECTS:

**IMPLEMENT STRATEGIC PRIORITIZED PROJECTS:
EAST LONDON (BOAT BUILDING)**



Section 56 : Agreements in Port Operations

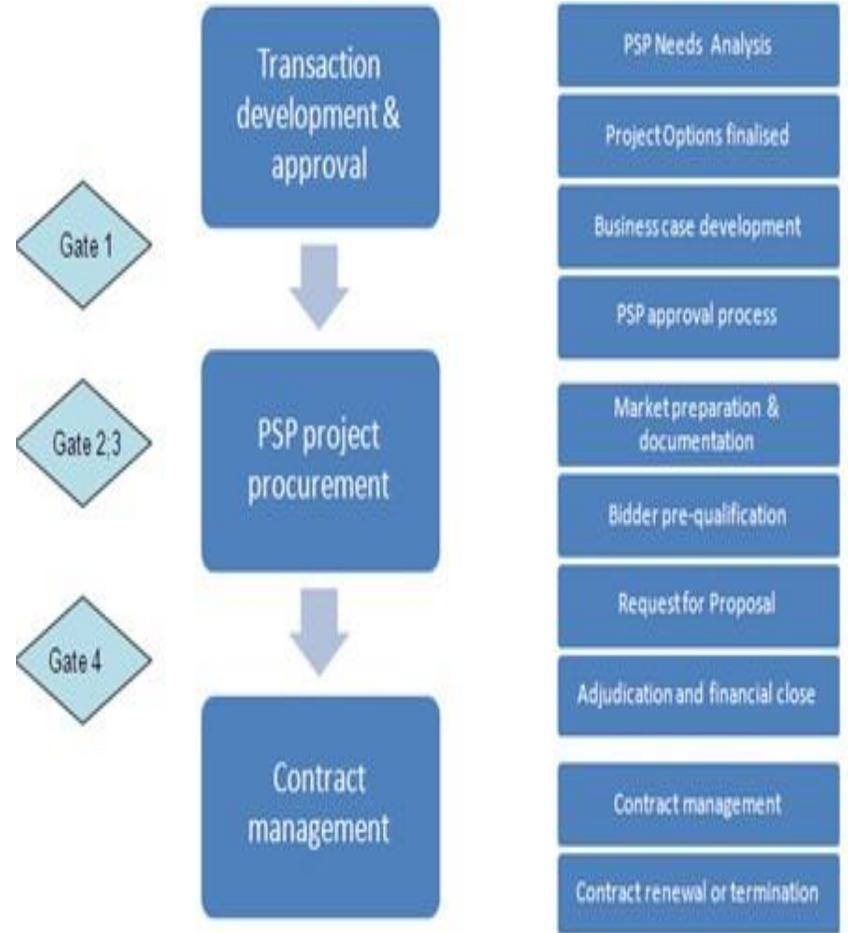
Section 56 : Agreements in Port Operations and Services

The Authority may enter into an agreement with any person in terms of which that person, for the period and in accordance with the terms and conditions of the agreement, is authorised to:

- (a) design, construct, rehabilitate, develop, finance, maintain or operate a port terminal or port facility, or provide services relating thereto;
- (b) provide any other service within a port designated by the Authority for this purpose;
- (c) perform any function necessary or ancillary to the matters referred to in paragraphs (a) and (b); or
- (d) perform any combination of the functions referred to in paragraphs (a), (b) and (c).

An agreement contemplated may only be entered into by the Authority in accordance with a procedure that is fair, equitable, transparent, competitive and cost-effective.

Open Process to identify Preferred Bidders



AFRICA

Saldanha : Rig Repair Berth 205 (Artist Impression)



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Saldanha : Oil and Gas Supply Base (Artist Impression)



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Saldanha : Mossgas Jetty (Artist Impression)



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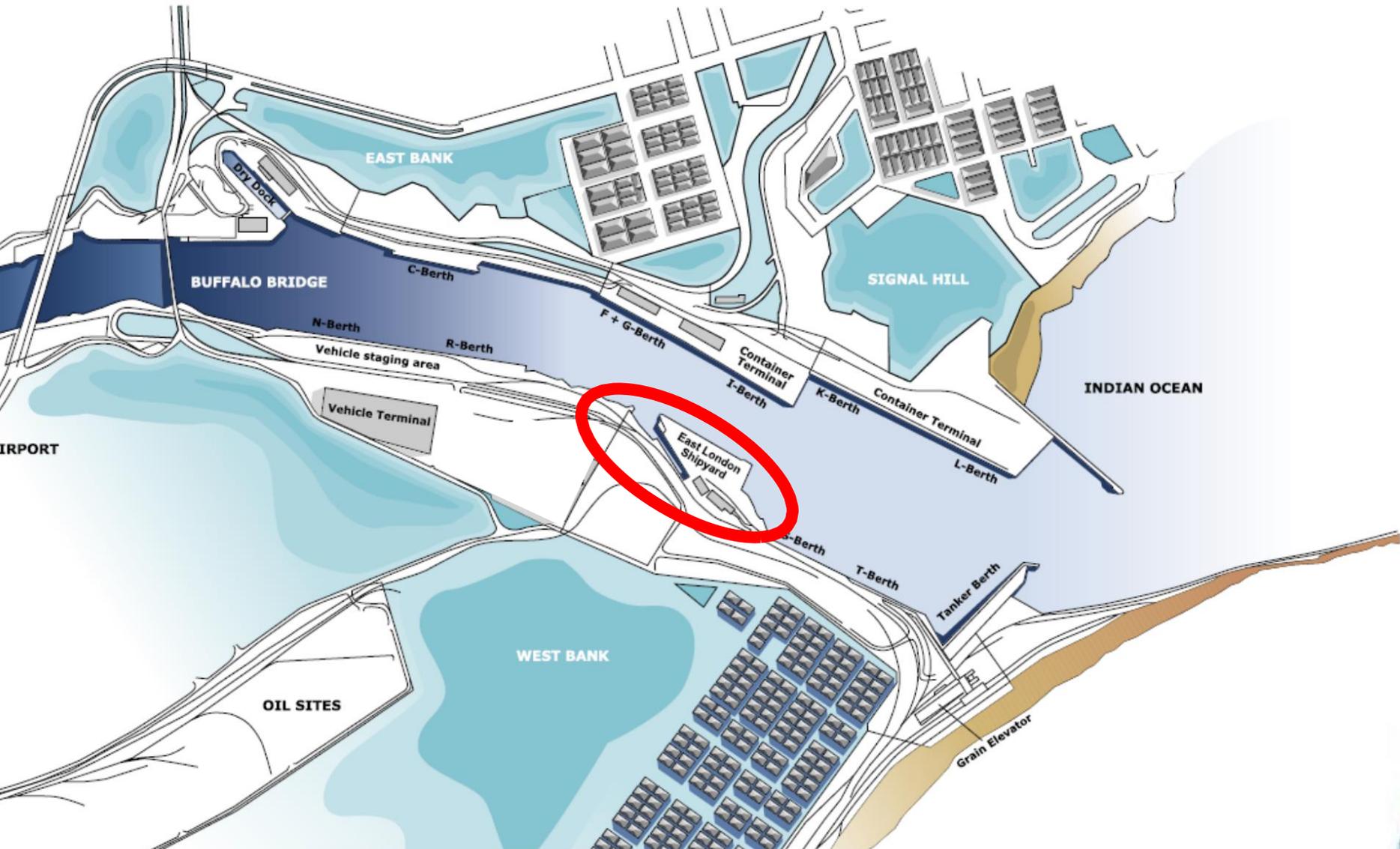
Port of Richards Bay : Floating Dock



Port of East London : Boat Building Hub



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Thank you