



REPUBLIC OF SOUTH AFRICA

OPERATION PHAKISA

**UNLOCKING THE ECONOMIC POTENTIAL OF SOUTH
AFRICA'S OCEANS**

**OCEANS ECONOMY
REVIEW WORKSHOP**

MARINE TRANSPORT AND MANUFACTURING

15 OCTOBER 2015

Introduction: Oceans Economy Review Workshops

On 15 October 2014, President Jacob Zuma officially launched Operation Phakisa: Unlocking the Economic Potential of South Africa's Oceans during an Open Day in Durban. One year later, the Department of Performance Monitoring and Evaluation (DPME) and the Department of Environmental Affairs (DEA) convened a review workshop with four main objectives:

- Sharing the progress to date in the initial four focus areas – Marine Transport and Manufacturing (MTM), Offshore Oil and Gas (O&G), Aquaculture (Aqua), and Marine Protection Services and Governance (MPSG) – as well as in Coastal Tourism and Small Harbours
- Identifying constraints to progress, opportunities and specific actions to accelerate impact
- Assessing the effectiveness of the existing institutional arrangements and identifying opportunities for improvement
- Renewing commitment of the participating sectors to move forward together

The Oceans Economy Review Workshop took place in Cape Town on 15 October 2015. Participants included Directors General of several national departments, as well as a wide range of former lab participants and stakeholders who are closely linked to the implementation of the plans developed through Operation Phakisa.

This report summarises the outcomes of the Oceans Economy Review Workshop, including:

- An overview of the progress to date and the challenges presented by the six focus areas
- Recommendations to accelerate progress in each focus area
- Cross-sector recommendations to accelerate the speed of implementation and enhance impact for the Oceans Economy

The accompanying documentation to this report includes the agenda and presentations shared during the workshop.

Marine Transport and Manufacturing

The Marine Transport and Manufacturing (MTM) breakaway session gathered about 60 participants from the industry, state-owned companies (SOC) and all the government departments involved in the Operation Phakisa Labs or involved in the implementation of the Labs' initiatives. Among the attending organizations were Transnet, Transnet National Ports Authority (TNPA), the Maritime Industry association, the Department of Trade and Industry (DTI), National Department of Transport (NDOT), the Department of Public Enterprises (DPE), South African International Maritime Institute (SAIMI), South Africa Maritime Safety Authority (SAMSA), and the Department of Higher Education and Training (DHET).

This group engaged in a facilitated discussion which covered (i) progress during the first year, (ii) challenges that are blocking progress or that may block future progress, (iii) identifying opportunities to overcome these challenges and accelerate impact, and (iv) commitments and recommendations.

An online polling system enable participants to vote on specific questions and record comments for discussion. (See Appendix 1 for the full list of comments.)

SUMMARY OF PROGRESS FOR MTM

The Delivery Unit head for the MTM, Mr. Mthunzi Madiya, presented the progress along the 18 initiatives identified during the Lab phase. The main achievements of the first year are summarised below.

Infrastructure and port development (Initiatives 1-8):

- All projects of refurbishment and maintenance of existing facilities have been funded (R2 billion) by TNPA, all projects are in execution phase, and 220 jobs have already been created 220 jobs. These projects include:
 - Upgrade of the offshore supply base in Saldanha – in execution (73 jobs)
 - Refurbishment of the lead-in jetty in Port Elizabeth – in execution and 80% complete (79 Jobs)
 - Refurbishment of outer dry dock caisson in Durban (68 Jobs)
- All new projects have been scoped and R100 million committed to developing the funding model

- Approved a fast-track mechanism to approve investments in investments linked to Operation Phakisa, and approved a contract of R1.25 billion for the next 5 years. This is expected to create 500 jobs

Skills and capacity building (Initiatives 9-14):

- The South Africa International Maritime Institute (SAIMI) has been established to coordinate all skills and capacity building activities for all Operation Phakisa Oceans Economy. The CEO of SAIMI is about to be appointed
- An allocation of R296 million from the Department of Higher Education and Training has been made for the establishment and funding of the National Cadet Programme
- An initial draft list of 62 occupations has been identified for the transport sector, together with a further 57 occupations for manufacturing. For some occupations, projections for training and employment have been made for 2016-2020
- A total of 25 new occupational qualifications have been developed for entry level seafarers. These qualifications will be delivered at seven public technical and vocational education and training (TVET) colleges, which are already being capacitated for this purpose
- The target of 18,572 learners, as identified in the “3 foot plans” of the MTM Lab, has been verified as achievable over the next 5 years

Market growth (Initiatives 15-18):

- National Treasury has issued an instruction note on the designation of working vessels, compelling 60% local content. As a result, a R1.4 billion tender has been awarded to a South African shipyard
- Procuring entities have included the 60% local content requirement in their RFOs, e.g., Project Hotel and Project Biro, with a combined value of over R 6 billion
- R1.25 billion in investment has been approved for the next 5 years, of which 60% is expected to be spent on local content. As a result, an expected 500 jobs will be created
- Two ships have been registered on the South African ship registry, with a pipeline of an additional seven by the end of 2015

- At the African Union summit held in Sandton in August 2015, Heads of State adopted the proposal for the inclusion of preferential procurement in the African Maritime Charter

Overall assessment of progress for MTM

Overall, the group assessed the progress of the MTM workstream as average, with a rating of 2.7 on a scale 1 (low) to 5 (high) (Exhibit 1). A full list of comments on the poll is provided in Appendix A.

Exhibit 1:



The discussion on progress concluded with the acknowledgement that the achievements in terms of outcomes are still very far from the 2019 targets determined during the Labs, with only 220 new jobs created compared to the target of 15,220 for 2019.

KEY CHALLENGES IDENTIFIED IN THE MTM FOCUS AREAS

Several key challenges were identified by the group. The macro themes raised included: (i) the delay in enabling policies, specifically the Maritime Transport policy, (ii) the limited involvement and commitment of the industry and procuring entities, (iii) skills and capability building, and (iv) institutional arrangements not functioning well. The specific challenges include the following:

Enabling policies delayed:

- The lack of a clearly defined maritime transport policy is holding back the growth of the industry. Of particular concern is Initiative 18 of the MTM lab, focusing on the growth of the South African ship registry
- Operation Phakisa has been used to bypass normal procedures, such as section 79 applications. It has now been agreed that a technical steering committee will be constituted to deal with the application process

Involvement by private sector and SOCs:

- Investments have been delayed, driven in part by the decline in the oil price
- Private sector and SOCs showing limited commitment towards localization
- Lack of visibility over the capex plan for procuring entities makes it difficult for the local industry to prepare to respond to tenders

Capacity building:

- Limited availability of approved workplaces to accommodate learners seeking work experience training
- Need for greater visibility of projects (i.e., a list of concrete projects), which could improve skills development planning and funding through the SIPs methodology
- Infrastructure and capacity for training (e.g., facilities, teachers) needs improvement as well as coordination between stakeholders

Institutional arrangements and delivery model:

- Lack of dedicated budget for Operation Phakisa and lack of dedicated resources in the Delivery Unit
- Delivery Unit not yet functioning well, leading to limited support to the working group
- The approved Phakisa MTM steering committee has not been meeting
- Inadequate reporting (e.g., lack of consolidations, tools, tracking of key performance indicators)

On the institutional arrangements and delivery model, a survey was also completed before the workshop, to which 16 people from the MTM focus area responded. The survey had the objective of assessing the effectiveness of the delivery model along the dimensions of planning, delivery unit, performance

management and problem solving, and institutionalization of a delivery mindset. The results of the survey highlighted clear areas for improvement of the institutional arrangements. Respondents gave particularly low ratings to the effectiveness in stakeholder engagement, monitoring, and issue identification and resolution. The survey findings are set out in Exhibit 2 below. The free text comments from the survey are reported in Appendix 1.

Exhibit 2:

Results from the delivery effectiveness survey of the MTM focus area



Macro theme	Survey question	Avg. Score
Plan for delivery	Are responsibilities for implementation always clearly allocated?	2.5
	How often are there road-blocks (blockages) due to different stakeholders not aligned on the plan?	1.6
	How would you assess the quality of the plans?	2.1
Delivery Unit	What role has the delivery unit played in supporting execution?	2.2
	How effective is the delivery unit in cross departmental/entity coordination?	1.7
Performance management and problem solving	How often is progress monitored in terms of activity execution?	1.3
	How often is progress monitored in terms of KPI achievement?	2.3
	How quickly are implementing issues identified?	1.4
	How quickly are issues/roadblocks solved?	1.4
	Are issues/roadblocks solved without unnecessary escalations?	2.5
Delivery mindset	Do people in your focus area think in terms of meeting deadlines and achieving KPIs targets?	2.5
	In general, which of these sentences best describes the culture of your focus area?	2.8

IDEAS TO ACCELERATE PROGRESS OF THE MTM FOCUS AREA

The discussion focused on identifying opportunities to overcome the four challenges listed above, with the group agreeing on the following:

Fast-tracking the maritime transport policy:

- The Presidency should request all relevant Cabinet clusters to meet in parallel to the policy being drafted

- The DoT should expedite definition of the marine transport policy by the end of October 2015, and have the draft policy document ready by the end of November
- The DoT should share the draft policy with all key stakeholders and provide an e-mail address to which stakeholders can send their comments while the policy is being finalized

Involvement and commitment by private sector and procurement entities:

- The DTI should provide greater clarity on the requirement for. If this requirement applies only to material costs, the industry perceives it as unattainable for now
- A degree of flexibility was suggested over the 60% requirement. This would allow the industry to operate even without 60% local content when the preconditions for meeting the requirement are not in place in South Africa – provided a plan was presented for attaining 60% local content in the foreseeable future
- Links with other countries should be reinforced; this would enable South African industry to respond more effectively to international tenders
- The Delivery Unit should improve the communication of progress and stakeholder engagement throughout the year

Skills and capacity building:

- It was suggested that a platform be developed to match demand and supply of training as well as demand and supply of jobs
- The industry should be more heavily involved in skills and capacity building. Two opportunities were identified: (i) greater involvement by the industry in the design of training programs of TVET colleges, and (ii) greater focus by the industry on communicating their project pipeline, so allowing for more focused training on the skills requested by the projects
- The lack of training berths available in South Africa was highlighted as a significant blockage; a greater number of such berths should be created
- It was suggested that TVET colleges should be encouraged to specialize, to avoid duplication
- It was suggested that multi-skill profiles Be developed for different jobs in the oceans economy

Institutional Arrangements and Delivery Model:

- The lack of dedicated resources and a dedicated budget for Operation Phakisa was identified as the main root cause of the current challenges faced by the Delivery Unit
- As a key way to address this challenge, it was broadly agreed that skilled personnel from the industry should be seconded to the Delivery Unit
- The Delivery Unit will improve communication and engagement with relevant stakeholders
- The operationalization of the Steering Committee, which has not been meeting over the past year, will provide the opportunity to escalate issues and reduce the time to identify and solve roadblocks

Recommendations and commitments from the MTM focus area

At the closure of the session, all participants were asked to summarize their personal commitments going forward, and their personal recommendations to be escalated. A summary of these commitments is listed below.

Commitments. The industry renewed its full commitment to the MTM plans, with some companies offering direct personal support.

Recommendations. The recommendations are aligned with the discussions held during the session, and are particularly focused on communication, institutional arrangements, and involvement by the private sector and procuring entities. Specific recommendations included:

- **Communication.** The group recommended more transparent and frequent communication of progress with the industry and procuring entities. Without this, it will be difficult for the industry and procuring entities to translate their commitment into action
- **Institutional arrangements.** The group recommended that dedicated resources and budget are allocated for Operation Phakisa; that the Steering Committee becomes operational; that monitoring activities start; and that issues are discussed frequently. The group also recommended that activity of Operation Phakisa should be linked to performance agreements, thus increasing accountability
- **Involvement by private sector and procuring entities involvement.** Beyond better communication and more frequent engagement, the group recommended several specific steps:

- The DTI should identify all relevant projects in African countries and inform interested South African companies about these projects
- TNPA should shift from a “business as usual” mindset to a “Phakisa” mindset, characterised by a sense of urgency, in their approval processes
- The private sector and procuring entities should take on greater involvement in skills development

Appendix 1 – Comments from participants in the Marine Transport and Manufacturing session

Question: How do you evaluate the progress of the MTM focus area?

” Anonymous
Testing
↩️ 0 ❤️ 0

” Anonymous
progress on existing projects have been good. The new projects require research to ensure that proper and industry tested solutions can be put to market.
↩️ 0 ❤️ 0

” Anonymous
Testing
↩️ 0 ❤️ 0

” Anonymous
Progress is above average.
↩️ 0 ❤️ 0

” Anonymous
The department of Transport must demonstrate leadership on the issue of the policy.
↩️ 0 ❤️ 0

” Anonymous
Test
↩️ 0 ❤️ 0

” Anonymous
Its a mixed bag, however decent progress has been made. The registration of the first vessel in 30 years is a massive achievement for our industry
↩️ 0 ❤️ 0

” Anonymous
test

↩ 0 ♥ 0

” Anonymous
Progressing well. Need commitment of all

↩ 0 ♥ 0

” Anonymous
require more accountability from provinces as implentors on the ground. Need to develop a reporting system that will reflect real time progress/ challenges etc

↩ 0 ♥ 0

” Vusi
Encouraging progress, especially movement on the growth of the ship register (even in the absence of a finalised Maritime Transport Policy).

↩ 0 ♥ 0

” Anonymous
The securing of the investment in Port of Port Elizabeth is a step in the right direction. We need to compliment this with supporting industries to address the high youth unemployment in this metro.

↩ 0 ♥ 0

” Anonymous
We need policy guidance in order to make concrete plans.

↩ 0 ♥ 0

” Anonymous
Good progress has been made in several important areas

↩ 0 ♥ 0

Question: What are the implications of the Maritime policy not being finalized?
What should be included in the policy?

Comments below.

” Anonymous
Absence of this policy creates a vacuum and constrains implementation of initiatives related cabotage and towards increasing cargo in SA vessels.
👉 0 ❤️ 0

” Anonymous
Clear roles and responsibility not outlined for National, provincial and local government and their entities. Overstepping of mandates
👉 0 ❤️ 0

” Vuka Nkosi
if policy is not finilised the 2033 targets will not be met
👉 0 ❤️ 0

” Tantaswa Cici
Create uncertainty currently in terms of investment in maritime transport sector
👉 0 ❤️ 0

” Anonymous
. A coastal trade system that includes an appropriate cabotage regime beneficial to the country.
👉 0 ❤️ 0

” Anonymous
It creates uncertainty and this makes SA unattractive to FDI and trade
👉 0 ❤️ 0

” Anonymous
This will cause seriour delays in thr executing Phakisa objestives
👉 0 ❤️ 1



Anonymous

What are SOCs and the Private Sector doing on Black owned SMME Supplier Development under Operation Phakisa?

👉 0 ❤️ 0



Vuka Nkosi

To be included in the policy

1. Coastal shipping
2. Taxation to be aligned with international practices
3. Regional cabotage to be aligned with South African initiatives

👉 0 ❤️ 0



Thami Ngqungwana

The delays will affect delivery of the programme and it should be prioritised with clear timeframes

👉 0 ❤️ 0



Anonymous

The necessary conditions for efficient coastal movement of cargo and vessels would not be created hence opportunities for GDP will be lost

👉 0 ❤️ 0



Sabelo Macingwane

This is indeed barrier to entry by South Africans

The incentives should be a priority especially for the attraction of flagged vessels

👉 0 ❤️ 0



Anonymous

Industry has raised an issue that they do not know why to prepare for, what eventually come by way of legislation. Stuck with it is Cabotage, the remainder of taxation laws

👉 0 ❤️ 0

-
- ”** Lwandle Mabuza
We require it for a strategic direction and establishing a common vision and alignment in order to fast track growth of this industry
👉 0 ❤️ 0
-
- ”** Ricky Bhikraj
Test
👉 0 ❤️ 0
-
- ”** Anonymous
The policy will govern the process and will take it forward. Without it everything is held back. The main issue is that the policy process is treated as in a normal process and not as a Phakisa process. We fear that the Phakisa momentum will be lost
👉 0 ❤️ 0
-
- ”** Anonymous
Vacuum limits the economic sector policies ability to respond to the need to facilitate trading terms that are supportive to the SA development objectives and channelling cargo to SA vessels. Mining is a great opportunity to move SA exports through SA flagged vessels.
👉 0 ❤️ 0
-
- ?** Anonymous
What is the objective of the policy that other legislation does not cover?
👉 0 ❤️ 0
-
- ”** Anonymous
The attractiveness of the South African market will not be realized
👉 0 ❤️ 0

Question: How can we innovate to overcome the delay of the Maritime policy?

Comments below.

-
- ”** Anonymous
Stakeholders need to have access or sight of final draft policy.
👉 0 ❤️ 0
-
- ”** Anonymous
Distribute the updated policy from the session in durban last year for finalisation.
👉 0 ❤️ 0

Question: What have we learnt about private sector and procuring entities involvement and commitment to Phakisa Oceans Economy?



Anonymous

Annual communication is not sufficient. Such engagements need to be taking place on at least a quarterly basis

👉 0 ❤️ 0



Anonymous

Local content need to be defined correctly, if only looking at materials it will be difficult of industry to achieve, however if this includes other activities based in SA as well, the will be easily achievable.

👉 0 ❤️ 0



Anonymous

It has been unstructured and sometimes haphazard. We do not have a clear communication strategy

👉 0 ❤️ 0



Andrew

Private sector when is faced with a choice between national objective support and profit, the private sector is not committed to national objectives but rather it is committed to profit

👉 0 ❤️ 0



Vuka Nkosi

Private sector much more open in terms of supporting Operation Phakisa, but the SOE's seem to be reluctant in supporting SA flagged vessels

👉 0 ❤️ 0

Question: How can we innovate on skills and capacity building to accelerate impact? Comments below.

- ” Anonymous
Registration time for trades too long. Trade test provision and costings.
👉 0 ❤️ 0
-
- ” Anonymous
Innovative initiatives and programmes need to be developed to also ensure thta the supply side is maintained. There has been an erosion in interest of maritime as a viable career option
👉 0 ❤️ 0
-
- ” Anonymous
Work-based training for seafarers is an absolute requirement in order to achieve the numbers and quality of skills that can be readily absorbed by industry, both locally and internationally
👉 0 ❤️ 0
-
- ” Anonymous
Seta licence extended by one year but phakisa is a five year project
👉 0 ❤️ 0
-
- ” Anonymous
There needs to be regular roundtables between the various role-players as a platform for regular engagements
👉 0 ❤️ 0
-
- ” Anonymous
There needs to be regular roundtables between the various role-players as a platform for regular engagements
👉 0 ❤️ 0

Question: How do you evaluate the delivery model we have been using (e.g., 3 foot plans, Delivey Unit support, monitoring and problem solving?)

Average vote: 2.3/5. Only 3 respondents. Comments below.

” Anonymous
Need dedicated resources for Delivery Units but there's no budget in Departments. Treasury not allocating additional money for depts to resource Operation Phakisa initiatives.
👉 0 ❤️ 0

” Anonymous
Budget and further resources for working groups needed.
👉 0 ❤️ 0

” Anonymous
Revisit models to ensure alignment with implementing agencies
👉 0 ❤️ 0

? Anonymous
Delivery unit effectiveness to be improved. Do resources need to be allocated?
👉 0 ❤️ 0

” Anonymous
The institutional arrangement linked to provincial departments are unclear. Some provincial departments have created their own structures which may lead to duplication. Delivery units to be more pro-active with provincial departments on information flow.
👉 0 ❤️ 0

” Anonymous
Delivery and reporting models not working effectively. Vacuum between 3 tiers of government.
👉 0 ❤️ 0

” Anonymous
The alignment between dot and dti needs improvement. Better communication imperative.
👉 0 ❤️ 0

” Anonymous
We need to understand the process flow and communication on implementation of projects. we need to know the contact persons for each initiative and how we communicate with them
👉 0 ❤️ 0

” Anonymous
Operation Phakisa is run as additional responsibilities to officials. Government must allocate adequate resources for the implementation of Operation Phakisa.
👉 0 ❤️ 0
