

How South Africa can Create Opportunities for Emerging Manufacturing Companies to Develop the Maritime Industry?

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The KwaZulu Natal Business Summit


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... from turnaround to growth



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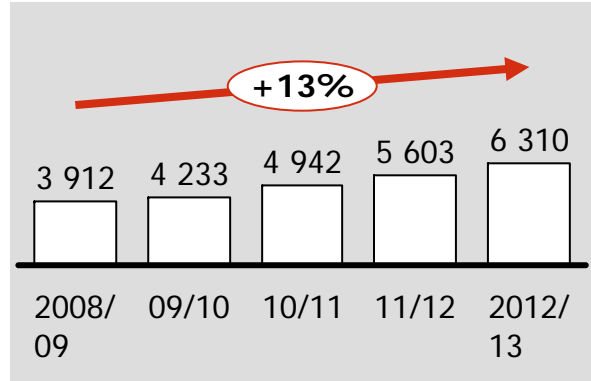
A graphic of a target with four concentric circles, colored in shades of green and white, positioned to the left of the table of contents.

The maritime industry in South Africa
Challenges
What some Asian countries are doing
Opportunities for South Africa

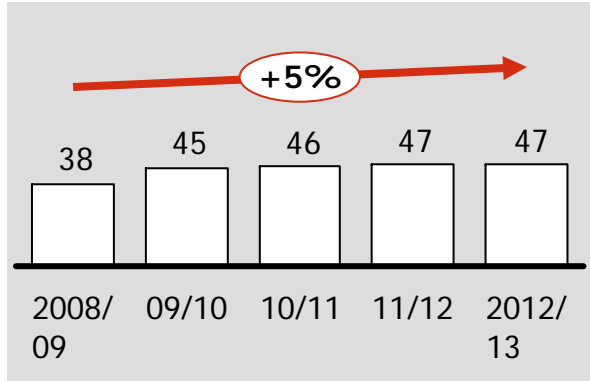


IN SPITE OF CURRENT ECONOMIC SITUATION, SEA TRADE VOLUMES IN SOUTH AFRICA ARE EXPECTED TO GROW OVER THE NEXT 5 YEARS

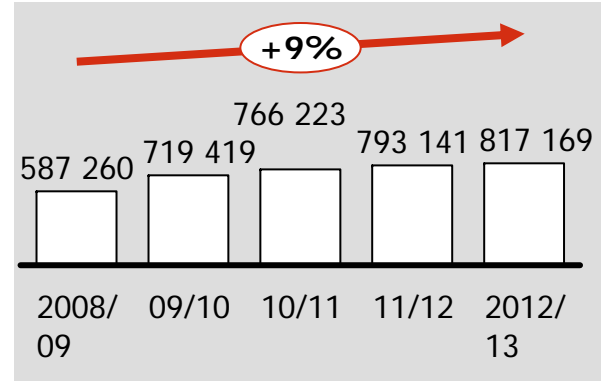
Containers
Thousand TEU's



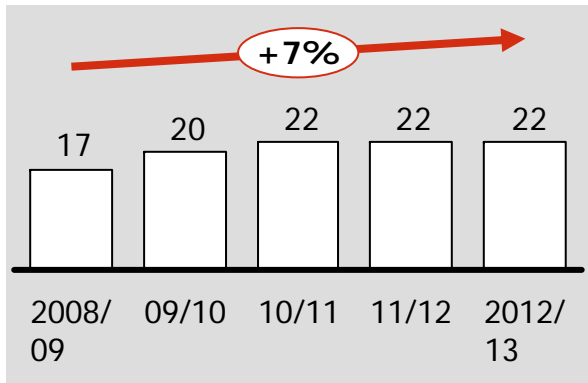
Iron ore
Mt



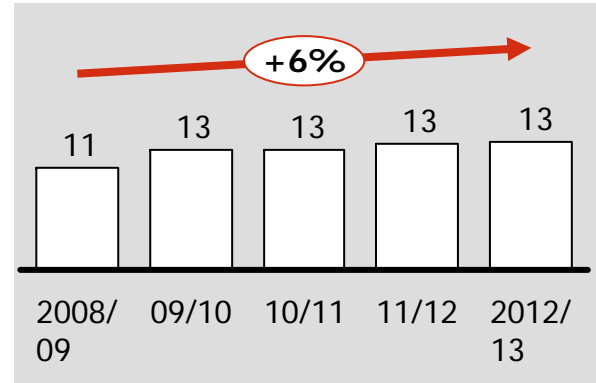
Automotive
Units



Other bulk
Mt



Break bulk
Mt



Growth expected in all sectors

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THE MARITIME INDUSTRY IN SOUTH AFRICA

Maritime logistics as enabler

- Approximately 30% of GDP in South Africa is dependent on imports and exports
- Approximately 75% by value and 80% by volume of the country's trade moves by sea

Maritime logistics as industry sector

- The Maritime industry in South Africa is young with great growth potential
- Capital investments in ports are creating opportunities for emerging enterprises (Transnet plans to invest R11.2bn in port terminals over the next 5 years)
- Maritime activities such as shipping and port cargo handling
- The industry depends on transporters, storage facilities and many other port related activities

SOME KEY CHALLENGES WITHIN THE MARITIME INDUSTRY IN SOUTH AFRICA

Maritime logistics as enabler

- To enable economic growth, logistics is not sufficient, an appropriate framework is required :
 - Clear signal from government on an effective trade and manufacturing policy to entice FDI
 - Policy surrounding the creation of Free Trade Zones, Special economic zones and Export Zones which will benefit port users and eventually the larger economy in SA

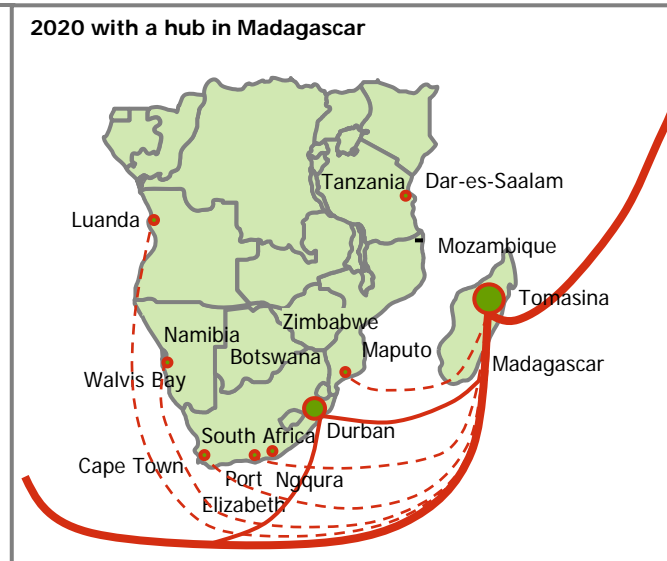
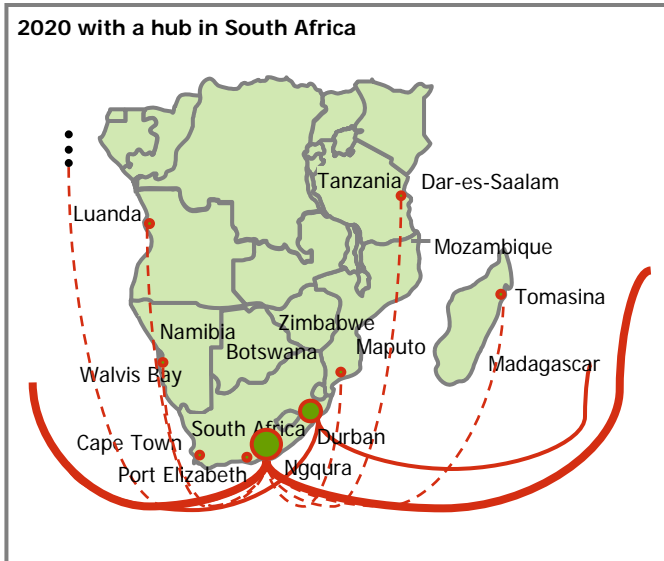
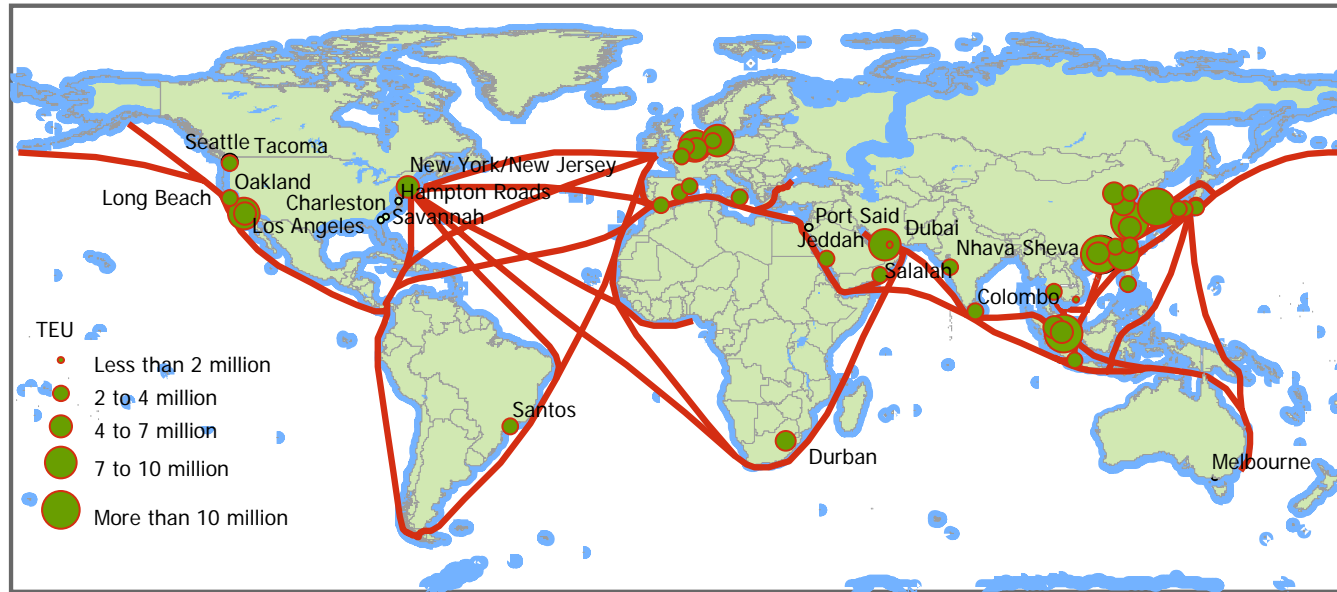
Maritime logistics as industry sector

- Absence of Maritime education and training at tertiary institutions to enable a skilled workforce in the industry
- Short Sea Shipping in Sub-Saharan Africa is weak and the current situation does not lend itself to increased connectivity within the region
- Insufficient industry to produce/support port operations



POTENTIAL FOR ESTABLISHING A CONTAINER HUB PORT IN SOUTH AFRICA

Current configuration (2005)



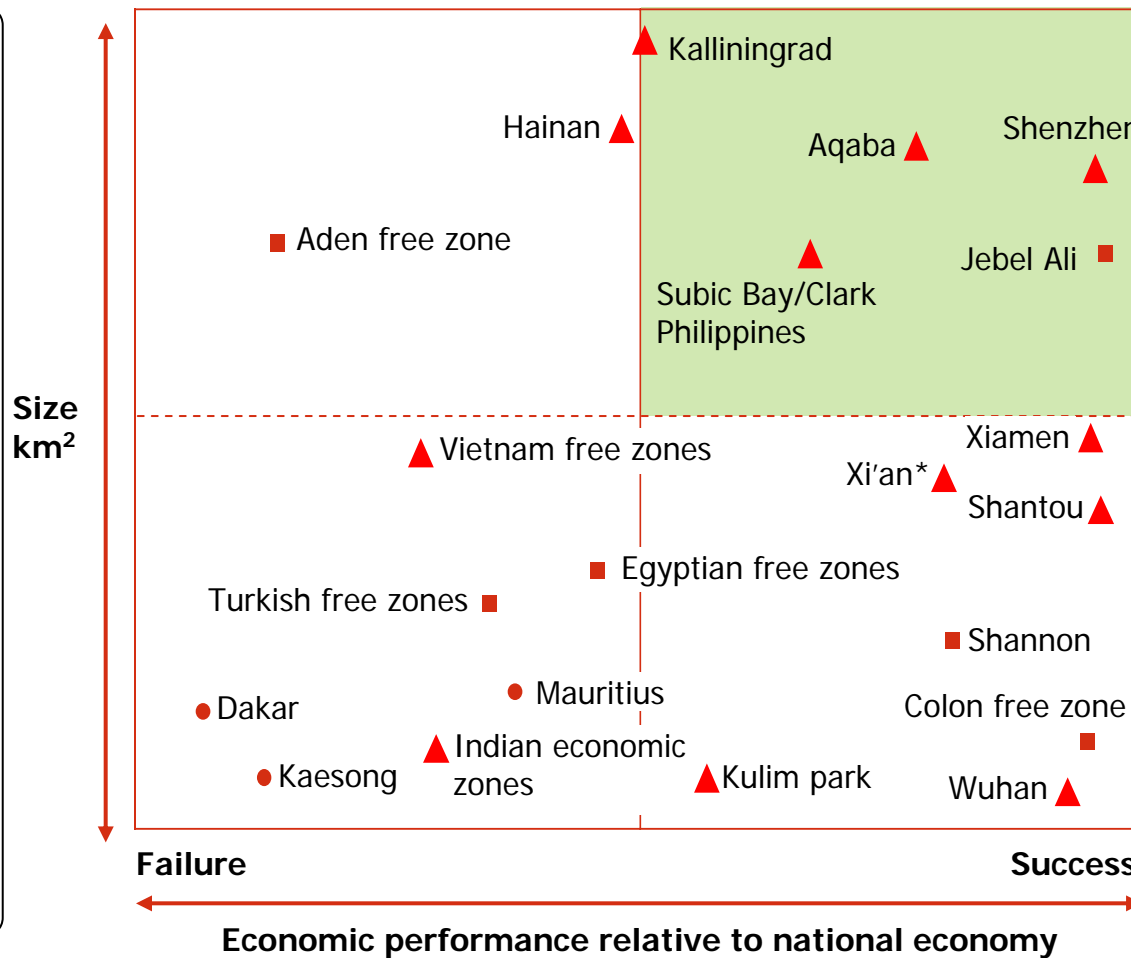


SEVERAL FACTORS REQUIRED TO MAKE ECONOMIC ZONES SUCCESSFUL

- ▲ Special Economic Zone
- Free Trade Zone
- Export Zone

Success defined by

- Economic growth exceeding national economy**
- No significant negative effects



Success factors

- 1 Regulation centred on 'ease of business'
- 2 Connectivity and access to relevant markets
- 3 Governance – public-private partnerships and focused incentive systems
- 4 Competitive industries clustered around competitive advantages
- 5 Lifestyle – Infrastructure and regulations to make environment attractive for skilled workers and families (including education)

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* Size not known

** Data for economic growth have not been available for all zones. In such cases we have used qualitative assessments from reports, growth of companies in zone, FDI, net export or other available economic indicators

Source: SAGIA IOS report 2006, "Special economic zones" by Claus Knoth, 2000; Press search

POSSIBLE ACTION ITEMS FOR SOUTH AFRICA

Maritime logistics as enabler

- Establish a container hub in South Africa
- Develop policy framework and establish economic and industrial zones

Maritime logistics as industry sector

- Support the development of maritime-related industries
- Provide necessary education and skill development possibilities



TRANSNETS DEVELOPMENTS OPEN OPPORTUNITIES FOR MANUFACTURING AND SERVICES

Manufacturing possibilities for SMME's

Ship to Shore Cranes

- Maintenance capabilities
- Manufacturing of spare parts and components
- Sub-contracting to the main OEM
- Training and development
- Assembly of equipment components

RTG's & Straddle Carriers

- Maintenance capabilities
- Manufacturing of spare parts and components
- Sub-contracting to the main OEM
- Assembly equipment components
- Training and development

IT Systems (CCTV's, Automated gates)

- Equipment & hardware
- Maintenance
- Spare parts and components

Transnet port Terminals will be investing R11,2 billion in equipment and infrastructure in the next five years. This capital expenditure is mainly geared towards ship to shore cranes and Rubber Tyred Gantries.

THANK YOU