



## Welcome to the Saldanha Bay Industrial Development Zone

The first Southern African Special Economic Zone to include a port.

A Hub Dedicated to The Oil and Gas Industry and Marine Repair and Fabrication Cluster.

Shaping A Vibrant Marketplace Where Investors, Local Businesses and Communities Can Unlock Economic Growth.



**SALDANHABAY**  
INDUSTRIAL DEVELOPMENT ZONE

**Briefing by the Saldanha Bay IDZ on its Funding Model, and its Feasibility Study Report which was undertaken during the 2018/19 financial year.**

Briefing to Standing Committee on Public Accounts

11 September 2020

MS Teams



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1. Who we are
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**1**

**Who we are**



# Mandate

## What do we do?

### Mission

We foster responsible investment in the zone.

We act as an inclusive and sustainable economic catalyst.



## Where are we going?

### Vision

Our vision is to be Africa's premier oil, gas and maritime industrial and services centre, offering a world-class integrated engineering, fabrication, logistics and Freeport environment to zone users and tenants.



## Why do we exist?

### Purpose

We build successful and responsible models of inclusive, sustainable and thriving societies and economies for generations now and to come in Saldanha Bay and beyond.





## Unique Value

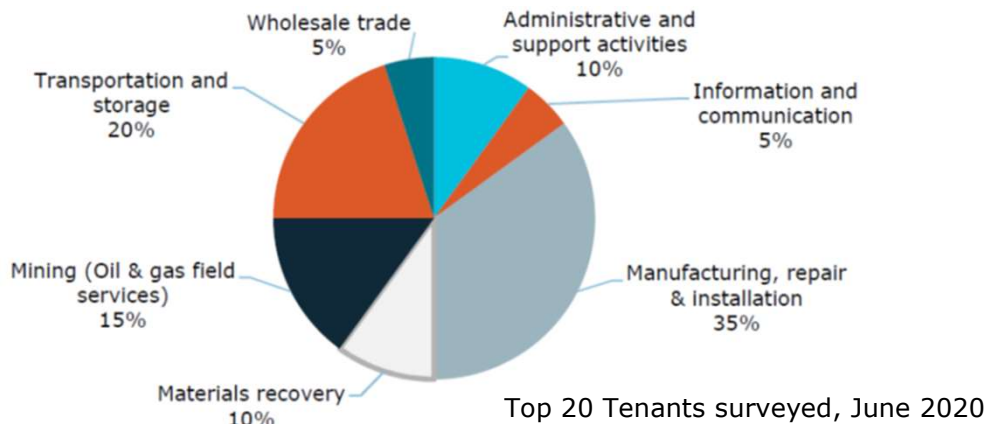
- Schedule 3D state-owned-company, 100% Shareholding by Western Cape Government.
- R21.9 billion investment pipeline, leveraged off R2.5 billion public sector investment to date
- 1st and only SEZ in Port limits
- 1st SEZ to conclude lease agreements with TNPA:
  - 56ha to date and an additional 20ha in negotiation.
- 70% of footprint in a Customs Control Area – akin to global practice of a **Freeport**





# Unique Value

- Working agreements with local authority in place
- Local development programmes initiated & SME Co-Lab
- Diverse investment pipeline



- Access Complex completed – 31 August 2020
- Project Leasing Facility operational
- 1<sup>st</sup> & 2<sup>nd</sup> tenant facility under construction



Minister Maynier & MM Mettler  
Access Complex site visit,  
25 June 2020



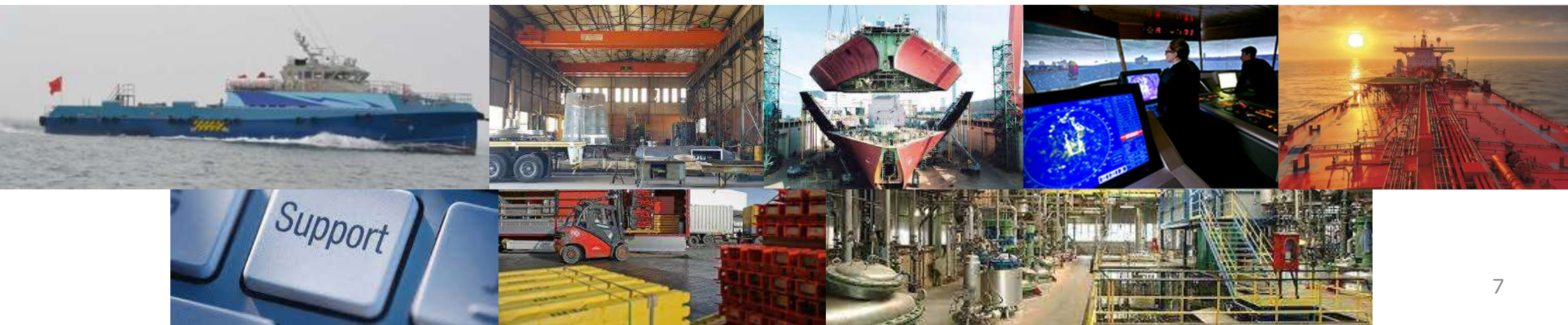
Board site visit  
3 September 2020



## Target Market & Opportunity

Our tenants provide products & services to a host of different clients:

- Energy / heating
- Emergency maritime response services
- Maritime defense and surveillance
- Fishing
- Navigation
- Logistics
- Maritime transport
- Carbon and renewable energy production
- Offshore and onshore field operations
- Construction/Building
- Chemical production
- Ship/vessel building & repair
- Manufacturing
- Business support services





# Stakeholders

## Program Partners

- SBM
- WCG: DEDAT
- TNPA
- the dtic
- Local Community
- Local Business

## Tenants & Operators

Local & International,  
across all sub sectors

## WCG Economic & Infrastructure Cluster

- PT
- DotP
- DEA&DP
- DTPW

## Industry Associations & Agencies

- SAOGA
- OPASA
- ONPASA
- SAIMI
- SAMSA
- MIASA
- PASA

## WCG Social Cluster

- DoH
- WCED
- DSD
- DCAS
- DOCS
- DoA

## Institutional Investors

- IDC
- DBSA
- Banks
- Export Credit
- Private Equity
- Donor Funding
- Public Funding

## National Gov

- SARS
- NT
- DHA
- DoL
- DoT
- EDD
- DPE
- DHET (SETA's)

## Formalised Labour

- COSATU
- NUMSA
- SAFTU
- AMCU
- FEDUSA
- NACTU

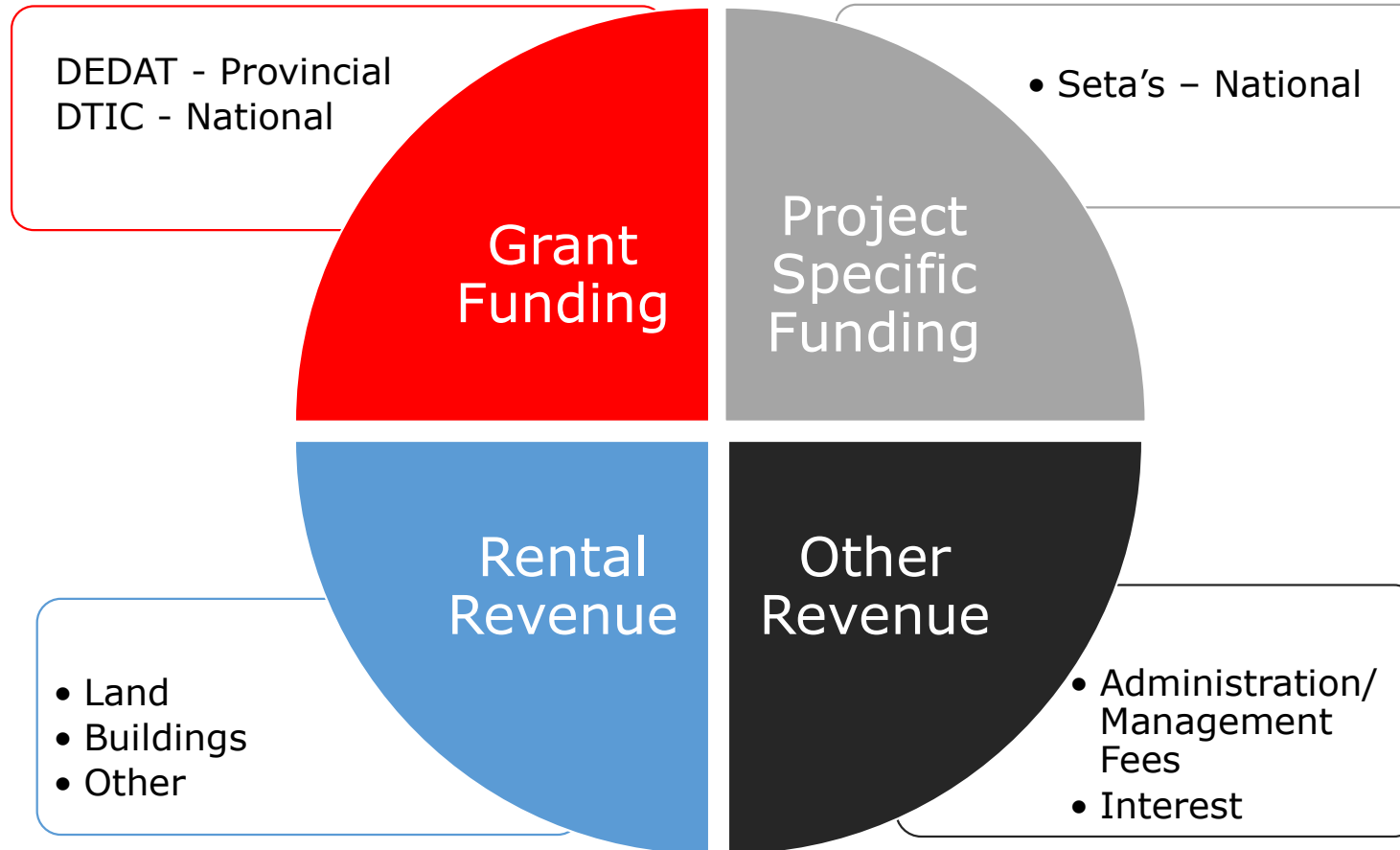




# 2

## Funding Model

# Sources of Income





# Nature of Income

## DEDAT

- Operational Income earmarked for Operation Expenditure
- 2020/21 – Rm37 (Excl. Vat)
- 2021/22 – Rm34,8 (Excl. Vat)
- 2022/23 – Rm34,8 (Excl. Vat) - End of funding term

## DTIC

- Capital Income earmarked for Contractual Capital Spend - Committed only when funding in SBIDZ bank account
- Budget based on contracts awarded and planned for the year
- Total amount Rb1,1 - Since inception (1 April 2014)

## Seta's

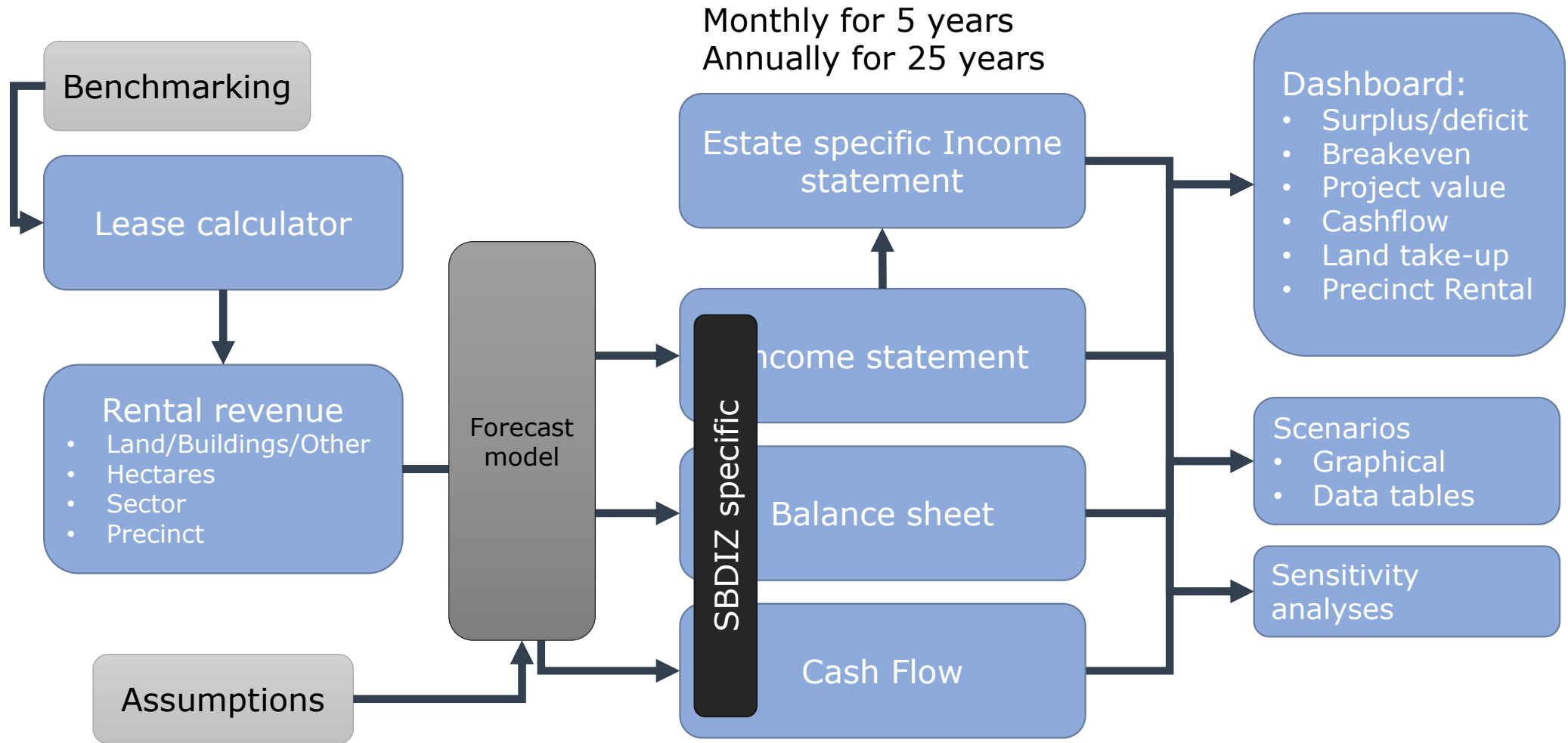
- Project specific funding earmarked, and outcome contractually agreed

## Revenue

- Rental and other revenue generated through operations
- 20/21 – Projected – Rm7,3 (Covid-19 adjusted)



# Revenue Model





# 3

## **Executive Summary of the Innovation Campus Feasibility Study**



# Introduction

- **Why the SBIDZ did it?**

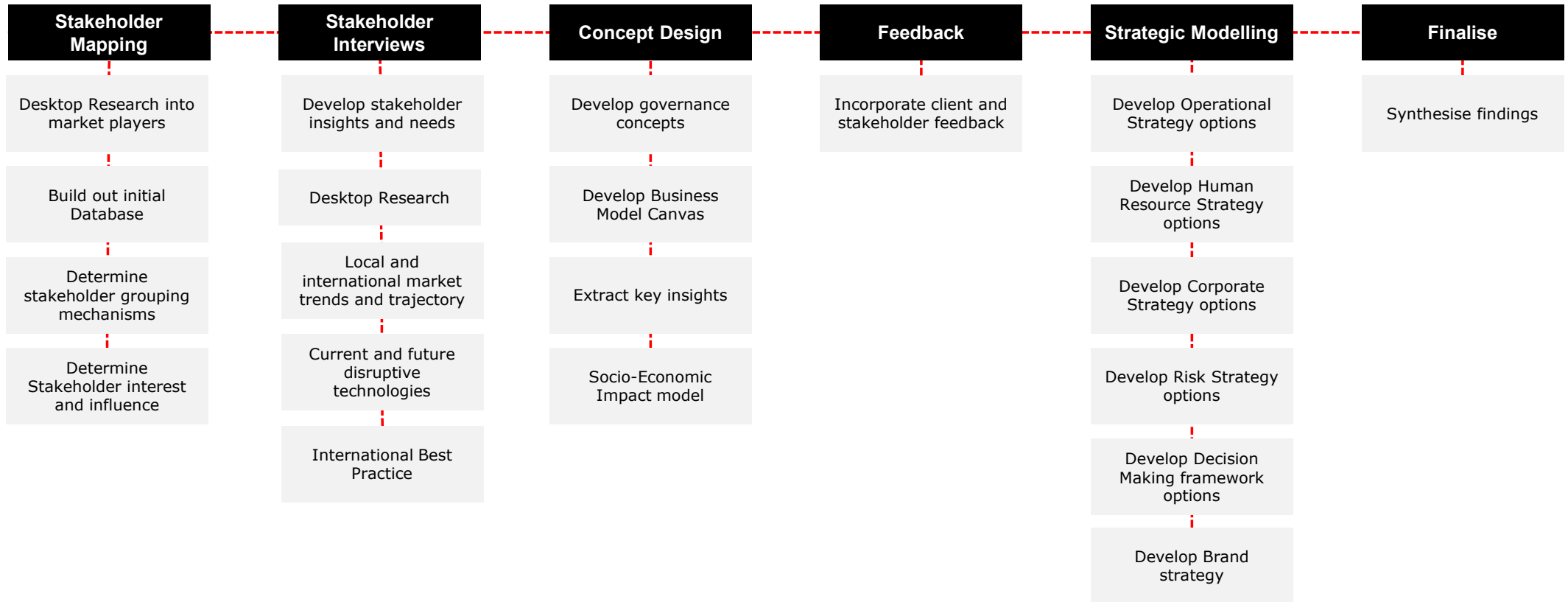
- To drive the growth of upstream Oil & Gas and Marine (OG&M) industries in South Africa.
- Research developments and innovation is a substantial value-add to the SBIDZ value proposition and it would play a huge role in strengthening local capabilities for innovation and further attracting investment into the zone.
- The Innovation Centre is likely to yield positive impacts across all socio-economic outputs (employment, GDP, capital investment and production). (However, a more comprehensive economic model will ascertain how such a change would alter the mathematics of up- and down-stream linkages)
- **Stay still and die or innovate and thrive.**

- **The feasibility study covered 6 main areas:**

- 1. Stakeholder Insights:** stakeholder grouping mechanisms, stakeholder interest and influence, as well as insights from the 21 stakeholder engagements.
- 2. Value Proposition:** what services the IC should offer to its key stakeholders in order to remain relevant over time.
- 3. Corporate Strategy Development:** market research, trends in society and technology, international best practice to inform the development of the strategy, and vision, mission and objectives.
- 4. Financial Strategy:** the financial and socio-economic sustainability of the IC.
- 5. Operational Design:** a variety of governance models for the IC, with ranking according to a list of criteria.
- 6. Implementation planning:** recommendations on the next actions regarding the IC.



# Study Process





# Research Findings

## Market Insights

- South Africa is strategically located along the South-South Trade Corridor.
- Traffic that passes along SA's waters is expected to grow as trade volumes grows and there is more E&P activity on the continent.
- There should be no expectations about production in SA in the short- to medium-term.
- Uncertainty about volume of reserves in South Africa.
- International companies manage many portfolios and are likely to direct investments to portfolios that minimise risk and keep overall costs low.
- Offshore renewables have great potential to meet global energy demand, but this potential is largely untapped.
- Investment in Africa by international players is largely driven by local pricing. Players are likely to go where costs will be minimised.
- O&G market in Africa ramping up with E&P expenditure expected to grow significantly in the coming years, largely driven by East and West Africa.
- After a period of reduced investment in RD&I in the O&G industry due to cost control measures that were put in place after the oil price slump, companies are now likely to increase investment in RD&I to identify means of increasing operational efficiency under the current oil price and maintain profitable operations in future.
- SA has a virtually non-existent merchant fleet – loss of skills, innovation capacity and potential revenue to foreign fleets.
- Fabrication is a challenge across the African continent.

Other key challenges on the continent include:

- Uncertainty around regulatory framework.
- A low-carbon future is changing the way the OG&M industry invests as they are keeping their costs low in preparation for a future with a lower global demand for hydrocarbons.
- Skills shortage.

## Tech Insights

Some of the technologies applied in the industry include:

- Digitisation
- Automation
- Predictive analytics
- Remote sensing
- Telecommunication
- Material Sciences
- Exploration technologies
- Technologies for collection of environmental data
- IoT
- Welding
- Additive manufacturing
- Infrastructure innovation (modernised rigs, platforms and FPSOs)

There are a range of non-technological factors that are also critical, including:

- The demographic dividend across Africa.
- Increasing urbanisation and changes in mobility.
- Environmental change factors.
- Shifts in global geo-politics, leading to changing demand for commodities.
- Changing consumer preferences shifting commodity demand curves.
- Increasingly tight emissions (and other) regulations.





# Research Findings

## Best Practice Insights

Ecosystem enablers are consistent across all industries. These include:

- Government backing, which is critical.
- Collaboration is critical within Government; within Industry & between all stakeholders
- Ease of doing business in a country.
- Economics of agglomeration which shows the value of proximity of cluster members with regards to: Price, Infrastructure, Capital & a Highly educated / competent workforce.

Further success factors include:

- Target small wins early on.
- Cluster chemistry must be built.
- The cluster must serve a clear need.
- Build a brand.
- Incentivise industry to join.
- Have efficient regulation.
- Define the value proposition.
- Continuously be benchmarked against international clusters.
- Maintain Quad-Helix collaboration: industry, government, academia and community.
- Co-ordinate university research outputs to increase innovation and research efficiency by avoiding duplication of efforts.

## Stakeholder Insights

- Need for technical skills and the need for local development of skills.
- Community engagement is crucial.
- Lack of clear vision from the SBIDZ regarding the purpose of the Innovation Centre.
- Skills that are valuable to the local OG&M industry exist in other industries – these skills must be retained and leveraged by the local OG&M industry.
- Regulation / bureaucracy is a key challenge for industry.
- International R&D is unlikely to invest in the local development of R&D as they already have sophisticated R&D facilities of their own.
- Weather conditions affect where vessels and rigs are docked.
- The upstream OG&M value chain must be continually deepened over time.
- Prioritise the needs of the core cluster members.
- Beware of overpowering established companies.
- Lack of financing for skills.
- Lack of integration with countries in SADC.
- Political volatility likely to affect the industry.
- Traffic does not necessarily mean business.
- Lack of legal skills for OG&M.
- Lack of synergy between government departments which must collaborate to enable the cluster development..
- Ease of access (visas, customs, accreditation) and ease of doing business in the country are crucial elements that must be improved to attract international players.
- CSI can be used as an advantage for attracting international investment.
- SA's strengths include cheaper labour and cheaper acreage - Price arbitrage.
- Limited local O&G beneficiation – the energy industry is still highly dependent on coal.
- Some skilled labour in OG&M in Saldanha Bay, but insufficient. The most highly skilled labour is nearing retirement and will need to be replenished.



## The research shows convergence on specific topics across each approach

Market Insights	Tech Insights	Best Practice Insights	Stakeholder Insights
RD&I expenditure likely to increase given oil price	Increasing digital density	Multi-stakeholder support	Need to deepen the value chain
Overall pricing is the fundamental driver	Automation and remote technologies	Ease of doing business	Bringing RD&I inwards is difficult
Low-carbon market trend will open opportunities	Telecommunications and data transmission	Educated and competent workforce	Lack of trust in the system
Lack of local factors (merchant fleet, O&G)	Predictive analytics	Independent, trusted brand	Don't understand why



# The insights provided a clear, market-led purpose for the Innovation Centre

## Vision

*What are the long-term strategic aspiration/s?*

A vibrant and globally competitive innovation ecosystem in the upstream oil, gas, and marine services industry, with state-of-the-art research and innovation outputs, and robust human resource capabilities that serve both local and global industry needs.

## Mission

*Why does the organisation exist?*

1. Drive sustainable research, development and innovation in the upstream OG&M services industry.
2. Identify industry challenges, needs and opportunities.
3. Stimulate and facilitate collaboration within the OG&M ecosystem, including industry, academia, government, and local community, to enable efficient and effective innovation.
4. Support entrepreneurs through incubation and acceleration programmes that provide access to sources of capital funding for ongoing development and commercialisation.
5. Establish training and education programmes to develop specialised and lacking industry skills.
6. Facilitate cluster members in navigating a complex regulatory environment.

## Mission rationale

*What is the premise of each proposed mission?*

1. The OG&M services industry has experienced a loss of innovation capability due to lack of industry development and opportunities, which has further stifled industry growth. Innovation-driven industry development is believed to reap significant socio-economic benefits.
2. This is required to stimulate industry development, growth and participation by industry players.
3. 36% of stakeholders expressed the need for facilitation of communication between industry players. Collaborative efforts are highly recommended by various policies, and have proven to be effective in developing industries across the world.
4. Strengthening the capabilities of SMEs and supporting entrepreneurial development is one of the key developmental goals of the country, as this in turn stimulates economic activity and creates jobs, ultimately combatting unemployment and poverty.
5. Research revealed a shortage of skills in both the local and African industry. 31% of stakeholders expressed that there is a shortage of specialised skills, and a need to enable inter-skill transfer.
6. 31% of stakeholders expressed that there are challenges pertaining to the red tape and bureaucratic processes that exist within the industry, which creates barriers to entry. They expressed a need for facilitators that assist them in navigating through regulation and bureaucracy.

*Percentages are based on the total number of stakeholders engaged with through the feasibility study. In total, 22 stakeholders were directly engaged with.*



# An Innovation Centre can stimulate the development of a globally competitive innovation ecosystem in the local upstream OG&M services industry

The SBIDZ aims to create a vibrant and globally competitive innovation ecosystem in the South African upstream oil, gas, and marine services industry.

It will produce sophisticated research and innovation outputs, and have robust human resource capabilities that serve both local and global industry needs.

This will be achieved through the development of a SBIDZ Innovation Centre, with the following characteristics, to ensure its viability and positive long-term impact:

Mission	User needs	Objectives	Impact
<p><b>Six key missions have been identified for the SBIDZ Innovation Centre:</b></p> <ol style="list-style-type: none"> <li>1. Drive sustainable research, development and innovation in the upstream OG&amp;M services industry.</li> <li>2. Identify industry challenges, needs and opportunities.</li> <li>3. Stimulate and facilitate collaboration within the OG&amp;M ecosystem, including industry, academia, government, and local community, to enable efficient and effective innovation.</li> <li>4. Support entrepreneurs through incubation and acceleration programmes that provide access to sources of capital funding for ongoing development and commercialisation.</li> <li>5. Establish training and education programmes to develop specialised and lacking industry skills.</li> <li>6. Facilitate cluster members in navigating a complex regulatory environment.</li> </ol>	<p><b>The missions are informed by the research insights gained, and more so by the identified stakeholder needs. The three key stakeholder needs are:</b></p> <ol style="list-style-type: none"> <li>1. Provide easy, facilitated access to Research, Development, and Innovation (RD&amp;I) funds</li> <li>2. Provide easy access to commercial decision makers for new technologies and innovation</li> <li>3. Provide ease of working through regulation and bureaucratic processes, i.e. 'working the system'.</li> </ol>	<p><b>The short-term objectives of the centre will be to:</b></p> <ol style="list-style-type: none"> <li>1. Lay the foundation for knowledge and technology transfer between industry, academia, government, and local communities.</li> <li>2. Identify and prioritise key local industry challenges and potential solution providers.</li> <li>3. Create activities (workshops, hackathons, innovation challenges etc.) to illicit industry interest, and build trust among potential cluster members.</li> <li>4. Establish a cluster brand through continued and consistent cluster activity.</li> </ol> <p><i>These objectives are likely to evolve as the cluster develops further and user needs change.</i></p>	<p><b>The Centre's activity will ultimately yield the following impact:</b></p> <ol style="list-style-type: none"> <li>1. Providing employment and job creation through the generation of both direct and indirect jobs.</li> <li>2. Adequately skilled local labour force in the OG&amp;M services industry.</li> <li>3. Increased resource mobility and innovation efficiency.</li> <li>4. Increased global competitiveness.</li> <li>5. Local community development.</li> </ol>



## Start small, build trust and experience, demonstrate wins, be patient

1. There does not appear to be significant interest in an Innovation Centre for OG&M Services in the SBIDZ region at this time.
2. Smaller, strategic R&D and Innovation partnerships to solve specific goals would act as a mechanism to build trust in the innovation capabilities of the SBIDZ.
3. A well-established local demand for services will act as a catalyst to bring other required factors into the region (e.g. human talent).
4. The ease of doing (innovation-related) business is critical for long-term success, so all relevant policy and legislative systems need to be aligned (e.g. IP law, visas, customs).
5. The development of a cluster will take time, and is best achieved by building on a series of small wins, that constantly validate and adjust the direction of the cluster.



**SALDANHABAY**  
INDUSTRIAL DEVELOPMENT ZONE

**Thank you for your time.**

