



SALDANHABAY

INDUSTRIAL DEVELOPMENT ZONE

Saldanha Bay IDZ Licencing Company SOC Limited



CREDIT: TRANSNET

STRATEGIC PLAN 2015/16 – 2019/20

FOREWORD

The SBIDZ is a strategic government initiative, linked to the broader strategic framework of the South African Government, driven by the National Development Plan (NDP) and the National Growth Path (NGP). The SBIDZ is thus a delivery mechanism for South Africa's goals of sustainable economic development and job creation in the localised economy, diversification and transformation of a historically under-developed and under-supported economic sector, and broadening of the regional and national economic base, thereby building in robustness to South Africa's economic base.

It aims to achieve this by utilising existing enabling legislation from the dti and SARS, and the active support of key programmes such as the PICC and Operation Phakisa, and in partnership with Transnet and many other SOCs, agencies and departments.

In addition, the SBIDZ links to both provincial and local economic development policies and strategies within the Western Cape, including the Western Cape Strategic Plan, linking to Project Khulisa under Provincial Strategic Goal 1, the West Coast District Municipality and the Saldanha Bay Municipality (SBM) Integrated Development Plans.

It is within this broader strategic context, that the SBIDZ was designated in October 2013, in line with the Manufacturing Development Act (MDA), Act 87 of 1993 and relevant IDZ Guidelines, with the Saldanha Bay IDZ Licencing Company (SOC) Ltd (LiCo) (a registered subsidiary of the Schedule 3C Entity Wesgro (the Western Cape Destination Marketing, Investment and Trade Promotion Agency) being gazetted as the Operator of the SBIDZ.

This designation came about after extensive pre-feasibility and feasibility research and analysis of the Saldanha Bay area as a hub for the sustainable growth and development of the West Coast region, including a focus on relevant economic, environmental and social issues that would impact on the development of the SBIDZ. Relevant details from this research and analysis are included in this summary document.

In addition, the SBIDZ is governed by the Special Economic Zone (SEZ) Bill (2013), and is linking to Operation Phakisa as an enabling mechanism to provide favourable conditions for facilitating economic development and job creation in South Africa, particularly in its strategic relationship with Transnet National Ports Authority (TNPA); as well as to the Western Cape Government (WCG) Operation Khulisa in support of skills development initiatives in the Western Cape, specifically on the West Coast.

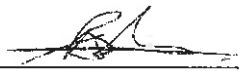
The macro infrastructure development plan of the SBIDZ, funded through the Department of Trade and Industry (dti), is a key programme in the medium-term, as are the supporting activities linked to broader economic development, investor attraction, skills development and enterprise development within the SBM area, to ensure the success of the SBIDZ in the long-term.

OFFICIAL SIGN-OFF

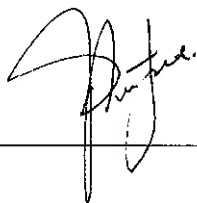
It is hereby certified that this Annual Performance Plan:

- Was developed by the management of the Saldanha Bay IDZ LiCo under the guidance of the Minister Alan Winde, MEC for Agriculture, Economic Development and Tourism
- Was prepared in line with the current Strategic Plan of the Saldanha Bay IDZ LiCo.
- Accurately reflects the performance targets, which the SBIDZ LiCo will endeavour to achieve, given the resources made available over the period 2015/16 – 2019/20.

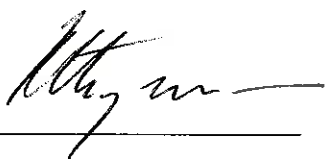
Herman Boneschans
Chief Financial Officer

Signature: 


Douglas Southgate
Chief Executive Officer (Acting)

Signature: 

Johann Stegmann
Chairperson of the Board
Accounting Authority

Signature: 

Approved by:
Minister Alan Winde
Executive Authority

Signature: 

CONTENTS

FOREWORD.....	2
CONTENTS.....	4
GLOSSARY.....	5
PART A: STRATEGIC OVERVIEW.....	6
1. Vision.....	6
2. Mission.....	6
3. Values.....	6
4. Legislative and Other Mandates.....	7
4.1 Constitutional Mandates.....	7
4.2 Legislative Mandates.....	7
4.3 Policy Mandates.....	8
4.4 Relevant Court Rulings.....	8
5. Situational Analysis.....	9
5.1 Performance Environment.....	13
5.2 Organisational Environment.....	14
5.3 Description of the Strategic Planning Process.....	16
6. Strategic Outcome Oriented Goals of the Institution.....	17
PART B: STRATEGIC OBJECTIVES.....	19
7. Programme: Development of the Zone.....	19
7.1 Strategic Objectives.....	20
7.2 Resource Considerations.....	22
7.3 Risk Management.....	22
Part C: Links to Other Plans.....	24
8 Links to the Long Term Infrastructure and Other Capital Plans.....	24
8.1 Other Linkages and Strategic Partnerships.....	24
Annexure E: Technical Indicator Descriptions.....	25

FIGURES

- Figure 1: SWOT Analysis
Figure 2: Floating Rig Fleet in Africa – 2015
Figure 3: Order winners, qualifiers and potential disqualifiers when servicing the upstream Oil and Gas sector
Figure 4 SBIDZ LiCo Organogram

GLOSSARY

Constitution	Constitution of South Africa No. 108 of 1996
DEADP	Department of Environmental Affairs and Development Planning
DEDAT	Department of Economic Development and Tourism
Dti	Department of Trade and Industry
DLG	Department of Local Government
GDP	Gross Domestic Product
IDP	Integrated Development Plan
IDZ	Industrial Development Zone
MDA	Manufacturing Development Act
MERO	Municipal Economic Review and Outlook
MPT	Multi-Purpose Terminal
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NIPF	National Industrial Policy Framework
OSB	Offshore Supply Base
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
SARS	South African Revenue Service
SBIDZ	Saldanha Bay Industrial Development Zone
SBIDZ LiCo	Saldanha Bay Industrial Development Zone Licencing Company
SBM	Saldanha Bay Municipality
SEZ	Special Economic Zone
SOC	State Owned Company
TEO	The Enterprise Organisation
WC	Western Cape
Wesgro	Western Cape Destination Marketing, Investment & Trade Promotion Agency

PART A: STRATEGIC OVERVIEW

1. Vision

To create an enabling environment to promote sustainable economic growth and job creation.

2. Mission

To make use of the enabling legislation to attract foreign and domestic investment, initially through four key levers that support the development of the Oil & Gas, and Marine Repair & Fabrication cluster:

- Ease of doing business
- Develop a competitive environment
- Infrastructure support
- Freezone and customs efficiency and reduce administrative processes

The SBIDZ distinguishes itself through two key factors which include the initial sector-specific focus i.e. the Oil & Gas, Marine Repair & Fabrication Cluster; and the demarcation of a free zone which includes the Port of Saldanha Bay.

3. Values

The SBIDZ will implement its mandate with a focus on the following values:

- **Customer Focus** – delivering a value add service to external and internal customers
- **Going the Extra Mile** – showing initiative and helping others to drive excellent delivery
- **Accountability** – taking full accountability for all responsibilities and outputs
- **Sound Decision Making and Judgement** – making the right decision in line with positive longer, term impact and outcomes
- **Self-Development** – focusing on curiosity and learning, always bettering ourselves in everything we do

4. Legislative and Other Mandates

4.1 Constitutional Mandates

The SBIDZ is a component of the “Industrial Promotion” functional area of concurrent national and provincial legislative competence, as indicated in Schedule 4 of the Constitution of the Republic of South Africa, 108 of 1996.

4.2 Legislative Mandates

National: The IDZ programme was gazetted in 1999 as an incentive programme under the Manufacturing Development Act (no. 187 of 1993). The regulations for the IDZ programme were promulgated in 2000, published under regulation gazette number 1224 of 1 December 2000, as amended by government notice number R1065, published in the Government gazette number 29320 of 27 October 2006. The overall regulatory framework for the IDZ programme comprises of the following legislation:

- The Manufacturing Development Act (MDA), Act 87 of 1993 as amended.
- The IDZ Regulations and subsequent amendments, including any imminent adoption of the Special Economic Zones Bill of 2013
- Section 21A of the Customs and Excise Act, and relevant provisions of the Value Added Tax.
- Report No. 14 promulgated by the International Trade Administration Commission in accordance with the Customs and Excise Act.

Provincial: The SBIDZ, in line with the IDZ Regulations is operated by the SBIDZ Licencing Company (LiCo) as designated in the Government Gazette No. 36988 of 2013, and is a jointly funded and supported by the National Department of Trade and Industry and the Western Cape Provincial Department of Economic Development and Tourism.

In its inception, the SBIDZ project was incubated under Wesgro, and was therefore subject to the Wesgro Act, and was a registered a Schedule 3C Public Entity, subject to the relevant legislative mandates governing entities, including:

- Public Finance Management Act of 1999
- SEZ Act
- Companies Act

Within this framework, the SBIDZ LiCo operations formed part of the Wesgro Strategic Plan 2010/11 to 2014/15, and all related APPs within Wesgro on an annual basis, since the project’s inception in 2009. Subsequently, the SBIDZ LiCo commenced operating independently from the commencement of 2014/15, when the SBIDZ LiCo was awarded the operator’s permit for the SBIDZ, as designated in the Government Gazette No. 36988 of 2013.

With this independent operation, and the current process of registration of the SBIDZ LiCo as a stand-alone SOC, the current Strategic Plan 2015-2019 is the first stand-alone Strategic Plan of the SBIDZ LiCo, governing their strategic goals and focus areas going forward.

4.3 Policy Mandates

In addition to the legislative mandates, the SBIDZ is linked to broader national strategies and policies, including:

- The National Development Plan and National Infrastructure Plan
- The Presidential Infrastructure Coordinating Commission (PICC) Rollout Programme, including SIP 5
- Operation Phakisa
- The Industrial Policy Action Plan
- Medium Term Strategic Framework of 2014-2019

Provincially, the SBIDZ is linked to broader provincial strategies and policies, including The Western Cape Infrastructure Framework. Specifically, it links to Project Khulisa, which falls under the **Provincial Strategic Goal 1**, focusing on job creation and opportunities to help improve the province's economy.

Furthermore, the SBIDZ will be brought on board the DLG's Infrastructure and Growth Plan working group for the municipality of Saldanha Bay and the DEADP's SBM IDP Support Group.

Based on the above frameworks, the LiCo is responsible for implementing the Strategic Plan for the Saldanha Bay IDZ within the Medium Term Strategic Framework of 2014-2019, supported by the National IDZ/SEZ strategy and Western Cape Provincial Infrastructure strategic planning.

4.4 Relevant Court Rulings

We are unaware of any relevant court rulings that impact on the SBIDZ at this point in time.

5. Situational Analysis

Saldanha Bay has for a long time been acknowledged as an important resource for the sustainable growth and development of the West Coast region. The Western Cape Government's Department of Economic Development and Tourism (DEDAT), through Wesgro, embarked on a Pre-Feasibility Study to identify and assess the opportunities available in the industrial and business market and ascertain whether there are any binding constraints to establishing an IDZ programme at Saldanha Bay.

The key focus of the programme, would be to use the IDZ as a vehicle to promote economic development and job creation within the Saldanha Bay Municipal Area and surrounds, for the sustainable growth and development of the West Coast region.

A detailed pre-feasibility was conducted which recommended that the government move into the next phase of a detailed Feasibility Study. Towards this end, the dti, through their The Enterprise Organisation (TEO) IDZ Special Projects unit, partnered with DEDAT, the provincial Department of Environmental Affairs and Development Planning (DEADP), and the SBM investigated the feasibility of establishing an IDZ at Saldanha Bay.

The Feasibility Study aimed to determine the opportunities available, the binding constraints of development, and the ability of the region and its stakeholders to overcome these constraints. Subsequently, an application for IDZ designation and operator permit for the SBIDZ was submitted and the Minister of Trade and Industry designated the SBIDZ on 31 October 2013.

To contextualise the vision, mission and strategic goals and objectives of the SBIDZ within its initial focus of developing an Oil & Gas, Marine Repair & Fabrication Cluster, it is crucial to understand where such an entity's strengths and weaknesses may reside, what threats it may face, and overall, what the opportunities are. The SWOT analysis in Figure 1 provides an overview of the current strengths, weaknesses, threats and opportunities.

Figure 1: SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Deepest natural port in South Africa and possible to accommodate vessels with draft up to 21.5 m, specifically the new generation and DP rigs • Greenfield land available for development (capacity and plans for expansion of port and back-of-port) • Relative geographical proximity to regional Oil & Gas markets in Sub Saharan Africa • Cape of Good hope: ideally positioned to service passing units • Excellent ease of doing business relative to other African countries • Strong private sector investor interest in servicing the end-market • Strong industrial capabilities and logistics relative to other African ports • Strong supporting industries and regional linkages, including strong logistics network • Human capital – strong recruitment and training potential of South Africa when compared to neighboring countries • Quality lifestyle in South Africa and the Western Cape province • Good Broadband Infrastructure • Prioritised under Operation Phakisa for new, dedicated infrastructure to support the O&G sector 	<p>Weakness</p> <ul style="list-style-type: none"> • Long lead time of projects due to budgetary issues and complexities surrounding land allocation • South Africa currently has limited experience in off-shore oil and gas activities (but not less so than other African countries) • Limited qualified and skilled labor that meets specific standards within the Oil & Gas, Marine Repair & Fabrication cluster • Underdeveloped physical infrastructure: dedicated quays, docking facilities, utilities • High port tariffs • Difficulty in arranging visas for foreign workers • Environmentally sensitive area • Vague and limited financial/fiscal incentives • Perceived complacency and Bureaucracy
<p>Threats</p> <ul style="list-style-type: none"> • Implementing a functional free port under existing customs legislation is proving more difficult than we thought • Delays in leasing negotiations means a delay in investors setting up • Neighbouring countries developing or already having a basic off-shore supply base and marine repair facilities • Walvis Bay in Namibia • Luanda expecting an investment of \$350.0 million for infrastructure upgrades • One Port in Nigeria is a free export zone • Tema and Takoradi ports are undergoing upgrades to accommodate the oil and gas industry • East Africa’s oil and gas development could lead to a development of a supply hub for the industry • Centers of excellence in the Far East, Middle East, Europe and Americas 	<p>Opportunities</p> <ul style="list-style-type: none"> • Develop Saldanha Bay into a state of the art off-shore supply hub servicing the upstream off-shore Oil & Gas and Marine Repair & Fabrication industry in Sub Saharan Africa • Service a highly lucrative market through the existing infrastructure base in South Africa • Profitability and viability of projects and IDZ • Stimulate regional and national economic activity • Increase local employment through skills development and skills transfer initiatives • Strengthen South Africa’s industrial Capabilities <ul style="list-style-type: none"> • The oil price has delayed infrastructure projects in Sub-Saharan Africa which gives Saldanha Bay a window of opportunity

<p>(especially relevant to fabrication)</p> <ul style="list-style-type: none"> • The decline and instability in the oil price has led to changes in the market which may delay investment • Infrastructure has to be developed under risk • Increasing concern from investors on the level of corruption in South Africa 	
---	--

As part of the feasibility process, and subsequently, consideration has been given to some of the broader macro economic factors that drive the Oil and Gas and Marine Repair & Fabrication industries, in determining the niche market focus and implementation approach of the SBIDZ.

The following key considerations were relevant in scoping the strategic direction and focus of the SBIDZ to date:

African Market Linkages

The port of Saldanha Bay is competitively located between the Oil and Gas developments on the West Coast of Africa, as well as the recent gas finds on the East Coast of Africa. The market in South Africa’s offshore exploration also has substantial opportunities for the SBIDZ given that Rhino Exploration and Cairn India have submitted EIA studies to commence with drilling under exploration licences. This will create demand for the contracted rigs to be; a) refitted for the scope of work and/or b) have equipment serviced or stacked.

Without a doubt, the oil price has had an impact on the demand for servicing of vessels with a number of rig operators and contractors scrapping vessels (which require large repair works) leading to reduced demand for repair contracts.

The ports in South Africa that service vessels currently include Cape Town (A-berth), Port of Ngqura and Saldanha Bay. Of the current drilling vessels in Africa, A-berth can only service 18% (or 7 rigs) while Coega can service 82% (or 29 rigs) and Saldanha Bay can service 100% of the market.



Regions	Total	Drillship	Semi sub
Africa - West	35	23	12
Africa - East	1	1	
Brazil	59	24	35
New Builds passing CT < 2020	36	26(53)	10(23)

Figure 2: Floating Rig Fleet in Africa - 2015
 Source: DCD Marine, Cap40 Presentation 29 May 2015

The SBIDZ will focus on the development of defined target markets in the Oil and Gas and Marine Repair & Fabrication industries, and is expected to become a state of the art facility where wet and dry work on mobile drilling units such as semi-submersible oil rigs and other vessels can be done; as well as the fabrication of key industry related products, such as subsea manifolds, onshore modules, structured and hulls for semi-submersible and jack-up rigs.

Currently, within the African market, components of the Marine Repair industry are spread between various African countries such as Namibia, Ghana and Mozambique, and bunkering activities take place in Nigeria and Gabon, with oil terminals in Mozambique and Tanzania. The SBIDZ will be unique, by becoming a centralised provider of bulk parts and services, with a coordinated supply chain contribution that will fill a specific role within the industry.

International Market Linkages

The SBIDZ hub is modelled on key international competitors and contributors to the Oil and Gas and Marine Repair & Fabrication industries, specifically Singapore and Norway.

Apart from the market demand created within the African market, there is also increasing demand for repair works, refitting and conversions for vessels on tow from South-East Asia past the South African coastline.

The SBIDZ will increase South Africa's international market share by modelled the hub of international competitors, thus achieving high density socio-economic impacts, where commercial activities are clustered to simultaneously encourage efficacy within the terrestrial space, the business value chain and viable sustainability to both business, government and society in the long-term.

5.1 Performance Environment

Our "go-to market" Value Proposition Considerations

The Saldanha Bay Industrial Development Zone (SBIDZ) has been established as South Africa's first sector-specific special economic zone (SEZ) in support of the Upstream Oil & Gas Services and Marine Repair & Engineering Sectors.

It is also the first IDZ/SEZ to be established in a South African port. As part of the feasibility process, an extensive review of the Oil and Gas and Marine Repair & Fabrication industries was undertaken, with specific focus on the key industry drivers and differentiators.

Specifically, the Four Horsemen model was applied to the industry, with the assistance of research and marketing experts, to provide an understanding of customers/end-users from both a marketing and operational perspective. This model specifically evaluates key criteria against three considerations: whether said criteria is an order winner, qualifier, or potential disqualifier.

- W = An 'order winner' is a criterion that differentiates the products or services of one firm/company from another. These are the areas of competitive advantage, and should therefore be the focus of internal efforts.
- Q = 'Order qualifiers' are hygiene factors, or screening criteria that permit a firm's/company's products to even be considered as possible candidates for purchase.
 - QQ = 'Disqualifiers' are by definition qualifiers that, if done wrong, will influence customers to never consider the businesses' product / service again (Jacobs and Chase, 2008).

Figure 3: Order winners, qualifiers and potential disqualifiers when servicing the upstream Oil and Gas sector

Criteria	W	Q	QQ	Comments
Price		x		Clients willing to pay a premium for quality, speed and reliability.
Quality of service and products	+		-	API standards critical for insurance purposes. Low probability but extremely large negative impact of incidents (e.g. Deep Horizon) leads to unacceptably high risk for use of non-API approved parts, products or work.
Delivery – speed and reliability	+		-	Critical. Opportunity cost associated with delay in operations is an estimated ZAR 2.3 million/day. Effective logistics and ports scheduling system, sufficient infrastructure and equipment, customs clearance etc supports speedy and reliable delivery.
Flexibility in service and product offering		x		Range of products/commodities, services, fabricated structures and parts can and should develop towards a one-stop-shop.

Four Horseman model (Jacobs & Chase, 2008); Frost & Sullivan, 2012

The key results from this analysis of the industry indicates quite clearly that whilst flexibility in service offering/products would put a company “into the industry arena (order qualifier), the key differentiators of services in this industry are **ease of delivery, speed, quality of products and reliability**.

This means that a key strategic driver of the SBIDZ has to be the ‘ease of doing business’, and that the success of the IDZ depends to a very large degree on its ability to service the end-user market in a manner that exceeds the current available offering in terms of quality and efficiency.

West Coast Macro Economic Considerations

Saldanha Bay is a critical resource for the sustainable growth and development of the Western Cape, with the Saldanha Bay estimated contribution to the Regional GDP at 32% in 2013, and an estimated growth rate of 2.7% over the period 2015-2020, as indicated in National Treasury’s MERO report for 2015. Within the broader district, Saldanha Bay is the strongest local municipality within the wider District and accounts for 30% of the existing WC GDP.

Moving forward, the SBIDZ initiative is a large component of the estimated growth over the period, particularly as it links to the national SIP 5 project, the Saldanha Bay-Northern Cape development corridor, which has a key objective of strengthening maritime support capacity for oil and gas.

Key West Coast economic considerations were factored into the detailed pre-feasibility study for the SBIDZ project, which provided strategic input into the unique ‘go to market’ proposition of the SBIDZ, as well as provided a baseline for the SBIDZ LiCo’s strategic goals and contribution to facilitating economic development and job creation in the Western Cape.

5.2 Organisational Environment

Entity

By using the vehicle of an IDZ to facilitate sustainable economic growth in the Saldanha Bay Area, the Entity will enable the required level of infrastructure development and support to capitalise on the unique value proposition of an Oil and Gas, Marine Repair & Fabrication Cluster to support the African continent, thus ensuring sustainable economic development not only for the area, but for a sizeable contribution to the national GDP of the country.

With the current registration as a Schedule 3C Entity (SOC), the LiCo Strategic Plan 2015/16-2019/20 governs the entity’s strategic goals and focus areas going forward.

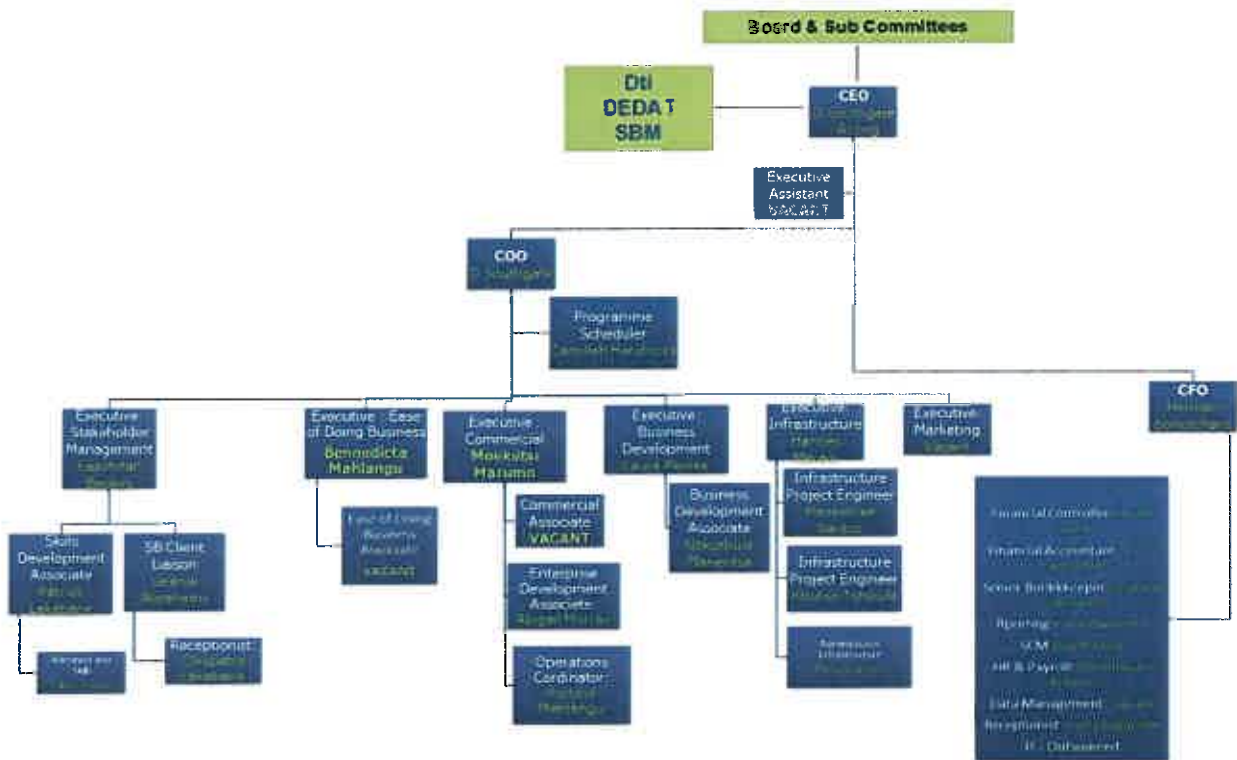
Human Resources

The SBIDZ LiCo currently operates as a small, specialised team with capabilities to facilitate the development of the SBIDZ, in line with its vision and strategic goals. The HR strategy to this point has been to maintain a flat Organisational Structure, with specialised capabilities, during the commencement of the SBIDZ programme.

Going forward, it is anticipated that the number of staff will increase substantially, particularly once the SBIDZ becomes a fully functioning infrastructure estate that will require support and maintenance. This process will take place gradually over the period 2015/16-2019/20.

The current SBIDZ Organogram is included below:

Figure 4: SBIDZ LiCo Organogram



5.3 Description of the Strategic Planning Process

As indicated in our situational analysis, the strategic planning process of the SBIDZ to date, has included a detailed pre-feasibility, facilitated by the Western Cape Government's Department of Economic Development and Tourism (DEDAT), as well as a more detailed feasibility study with the support and engagement of the dti, through their The Enterprise Organisation (TEO) IDZ Special Projects unit; partnered with DEDAT, the provincial Department of Environmental Affairs and Development Planning (DEADP) and the SBM.

It is this detailed strategic planning process, completed over a period of 5 years that led to the designation of the SBIDZ in October 2013, and also directly informed this strategic plan for the fiscal period 2015/16-2019/20.

Going forward, it is envisaged that the SBIDZ will implement a strategic planning process that will commence within a 3 year timeframe from the commencement of this Strategic Plan. This will include a series of strategic engagements and workshops with our key stakeholders, and broader partners, to enable dialogue and scenario planning on the way forward for the SBIDZ, based on the level of infrastructure development and investor uptake underway during the current fiscal period.

Key stakeholders included in these engagements would be:

- National Department of Trade and Industry
- WC Provincial Treasury
- WC Provincial Department of Economic Development and Tourism
- Provincial Department of Environmental Affairs
- IDC
- Saldanha Bay Municipality
- South African Revenue Service
- National Treasury
- Transnet National Ports Authority

6. Strategic Outcome Oriented Goals of the Institution

The strategic goal of establishing a successful IDZ within Saldanha Bay is to create a highly functional and self-sustaining industry with multiple international and domestic investors that ultimately contributes to economic development and sustainable employment.

A cost benefit analysis of the various proposed services of the SBIDZ indicated that the proposed project is extremely robust and economically viable, and the strategic goals have been set based on the detailed feasibility outputs which indicates the anticipated contribution to GDP of the proposed SBIDZ, should the required attraction of international and foreign investors in the Oil and Gas and Marine Repair & Fabrication industries to the SBIDZ take place.

Strategic Goals and Measurement

Based on the economic model outputs on commencement of the 2015/16 financial year, the following strategic goals have been set for the SBIDZ:

Strategic Outcome Oriented Goal	Promote sustainable economic growth and job creation
Goal Statement	<p>To create an enabling environment to promote sustainable economic growth and job creation by:</p> <ul style="list-style-type: none"> • Facilitating a cumulative contribution to National GDP by investors within the SBIDZ of R16.133 billion by the end of the 2019/20 financial year • Facilitating a cumulative contribution to the Western Cape GGP of investors in the Zone of R13.7 billion by the end of the 2019/20 financial year

Economic Model Approach

The economic model used to set the strategic goals of the SBIDZ uses the projected capital and operating expenditure of the SBIDZ LiCo over the period of 5 years, 2015-2019, and input output analyses to determine the macro-economic results of the programme over the period. The input output multipliers are calculated from Social Accounting Matrices (SAMs) developed by the Development Bank of South Africa (DBSA) and the Trade & Industrial Policy Strategies (TIPS).

Specifically, the baseline measurements linked to these goals are determined using the following:

- Number of direct and indirect jobs – Municipal Economic Review & Outlook, 2015
- National GDP –Provincial Economic Review and Outlook, 2015
- WC GDP - Provincial Economic Review and Outlook, 2015

The outputs of the Economic Model will be tracked on an annual basis, verified by an independent specialised provider, in order to determine the SBIDZ's achievement of its strategic goals over the projected period.

However, it is important to note that the projected achievement of the above strategic goals is not linear, but rather anticipated to grow exponentially over the period, with estimated growth over the period of 5 years, broken down as follows:

Strategic Goal Statement	Baseline	Target 2015/16	Target 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Cumulative contribution to the National GDP by investors in the SBIDZ	R2 729 billion	R263 million	R1,668 billion	R3,535 billion	R10,131 billion	R16,133 billion
Cumulative contribution to the WC GGP by investors in the SBIDZ	R375 billion	R205 million	R1,428 billion	R3,040 billion	R8,756 billion	R13,700 billion

The main reasons and assumptions for the non-linear growth indicated above includes:

- In the short-term, the SBIDZ LiCo will be focused on developing bulk infrastructure prior to investors locating in the Zone. The development of bulk infrastructure is outsourced and is not a labour intensive process. Job creation in the Zone is therefore not a short-term process, but rather commences in earnest once investors locate in the Zone, which will commence in 2018
- Once investors are located in the Zone, from 2018, the contribution to GDP will become cumulative, as it will be driven through investor involvement in local economic development through local content in their value chain.

PART B: STRATEGIC OBJECTIVES

7. Programme: Development of the Zone

Purpose

Given that the SBIDZ has recently been designated, the 5 year's strategic plan focuses on developing the SBIDZ in a systematic fashion, in order for the Zone to achieve its longer-term 20 year strategy, as defined within the Application for IDZ Designation and Operator Permit of the SBIDZ, in order to meet its strategic outcome and objectives of economic growth and job creation.

For the first 5 years, the Programme requires an initial focus on the following **key elements**:

- Administration
- Operations

Administration

The Administration function has the overarching objective of implementing best practice governance and administration practices, in support of the SBIDZ operations. The function has a complex role due to its need to balance the business needs and requirements of the SBIDZ, whilst at the same time undertaking a crucial governance function within the Entity, providing a treasury function to ensure optimum spending and utilisation of financial resources within the Entity.

Specifically, the Administration function focuses on:

- Governance
- Financial Management
- Supply Chain Management
- Human Resources
- Information Technology

Given the legislative framework within which the SBIDZ operates, as well as its current status as a Schedule 3C Entity, there is a strong focus on governance, compliance and risk that needs to be implemented within the Programme, in line with standard principles, policies and practices.

The specific elements of the overarching programme are broken down into sub-goals and targets in the SBIDZ Annual Performance Plan.

Operations

The purposes of the Operations function are to implement an enabling environment within the Zone, to house and support investors in the Oil and Gas and Marine Repair & Fabrication industries.

Specifically, the function is broken down into key drivers and deliverables which supports the overarching strategic goals and vision of the SBIDZ. These includes:

- Ease of Doing Business
- Business Development
- Commercial Management
- Infrastructure Development
- Stakeholder Management
- Skills Development
- Enterprise Development

A. Ease of Doing Business

Given the strategic imperative of being able to service the end-user market in a manner that exceeds the current available market offerings in Africa, one of the most significant drivers of the SBIDZ is an 'ease of doing business' approach to servicing investors, which includes:

- Ensuring the ease of access to a world class facility
- Developing a free port
- Providing a seamless flow of goods and people into the SBIDZ
- Housing service providers to ensure efficient and world-class services are provided to investors

B. Business Development

Now that the SBIDZ has been designated, there is a strong focus on attracting key local and domestic investors in the Oil & Gas, Marine Repair & Fabrication Sectors, in order to secure key investors in the defined target markets, including:

- Maintenance and repair Services
- Fabrication Services
- Communal Services
- Supply and Other Services

C. Commercial Management

A commercial management function is necessary within the SBIDZ to focus on developing practices and protocols that support investor retention, specifically linked to investor leases and lease rates, as well as any components that may be required in an investor retention programme.

D. Infrastructure Development

Implementation of the macro infrastructure development plan of the SBIDZ is a strategic focus over the current Strategic Plan Period, 2015-2019, with key milestones in place for developing the bulk services, upgrading local municipal infrastructure and developing generic top structures in support of investors in the Zone

E. Stakeholder Management

The SBIDZ LiCo has a complex set of stakeholders to be managed efficiently and strategically, in line with the SBIDZ mandate. These include formal partners, investors and industry players, private sector entities and partners, the local community and civil society in the SBM area, and many others.

F. Skills Development

Local skills development is crucial in the West Coast region for the successful implementation of the SBIDZ. Skills development deliverables are driven through the civil society partnership, the Community Skills and Training Committee, through which the IDZ commits to facilitating the training of individuals in line with skills requirements linked to the Oil and Gas and Marine Repair & Fabrication industries.

G. Enterprise Development

Local enterprise development is a crucial component of investor value chains, in order to secure investor attraction to the SBIDZ. Enterprise development interventions are implemented through the IDZ Business Forum, which consists of 8 local business associations, with whom the SBIDZ LiCo partners to drive key local enterprise development initiatives.

Each of these key deliverables and focus areas have specific annual targets that are set in the Annual Performance Plan on an annual basis.

7.1 Strategic Objectives

The Programme functions, and their related APP targets, succinctly roll up into the strategic objectives of the SBIDZ as follows:

Strategic Objective 1.1	To establish a Special Economic Zone within the great SBM area
Objective Statement	4,131 direct jobs facilitated within the Western Cape Province as a result of the SBIDZ by the end of the 2019/2020 financial year.
Baseline	25,152 jobs in the WC Province 2014

As with the measurement of contribution to GDP, the measurement of direct jobs facilitated within the Western Cape Province as a result of the SBIDZ over the 5 year period is not linear, but is rather linked to when investors first locate in the Zone.

The same Economic Model Approach will be used to establish the achievement of the above objective, with the expected performance over the period as follows:

Strategic Goal Statement	Baseline	Target 2015/16	Target 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Facilitated number of direct jobs within the WC	25,152	7	46	425	893	4 131

The baseline measurement linked to this objective is the existing number of jobs within the WC, sourced from the Municipal Economic Review & Outlook, 2015

The SBIDZ programme is being implemented within the context of a highly complex performance environment, which has many extenuating factors that may impact on the successful, sustainable development of the SBIDZ.

Many of these strategic risks are out of the full control of the SBIDZ LiCo, with the LiCo managing them as effectively as possible within their existing constraints.

This does mean that whilst the overarching strategic goals and framework of the LiCo is set in the Strategic Plan, each Annual Performance Plan for the period will require specific focus and goals to be driven, in order to meet the overarching mandate.

7.2 Resource Considerations

Given the nature of the SBIDZ, there is not only a key strategic approach and framework, but there are also key **strategic resources** that are critical to success.

Expenditure Trends

The macro infrastructure development plan includes the long-term development and maintenance of key bulk infrastructure requirements, as well as warehouses, workshops and office buildings, to support the SBIDZ investors in the Zone.

In the short-term, the LiCo is expected to spend approximately R500 million over the 5 year fiscal period 2015/16-2019/20 with 40% of the SBIDZ's designated land being developed with municipal infrastructure by the end of the 2019/2020 financial year.

In order to ensure the infrastructure development is executed in line with national and provincial strategic requirements, consulting engineers and project managers have been appointed by the LiCo to effectively implement and manage the project, in line with the Medium Term Strategic Framework (MTSF), the Treasury Medium Term Expenditure Framework (MTEF) and the PFMA requirements.

The LiCo Infrastructure and Environmental Planning team will retain accountability and responsibility for the timely execution of the macro infrastructure development plan, in line with the SBIDZ Annual Performance Plan on an annual basis throughout the duration of the current strategic planning 5 year cycle. In addition, the LiCo team will be responsible for managing longer term refurbishments and maintenance plans accordingly.

Trends in the Number of Key Staff

In line with the strategic nature of the SBIDZ Programme, the staffing strategy has been specifically designed to form a small, specialist team within the SBIDZ LiCo, who in the short-medium term are supported by key external experts, particularly during the infrastructure development stage.

The LiCo have deliberately formed a small, but expert team of strong professionals who are well remunerated for their skills, due to their level of talent and competitiveness in the market.

External contractors and construction firms will be mandated to create direct jobs related to any contracting work they undertake on behalf of the SBIDZ, to enable the mandate of job creation in the short-term. However, the Programme takes a longer-term, sustainable approach to contribution to its strategic mandate and goals.

7.3 Risk Management

In the development of the Business Plan for Designation of the SBIDZ, the SBIDZ LiCo is cognisant that there are risks involved as part of the official process of establishing the Oil & Gas, Marine Repair & Fabrication Cluster within the SBIDZ. These risks are both inherent within the establishment of such a Cluster (e.g. environmental, land availability etc.) and external (e.g. current policy framework, incentives etc.)

The unique challenge facing the SBIDZ is that some of the key strategic risks are not under the direct control of the SBIDZ LiCo, which obviously means that key partnerships and linkages are required, in order to minimise these risks.

Specifically, the strategic critical success factors, and therefore direct risks to the SBIDZ Programme include:

1. Implementing the Key Strategic Industry Driver – Ease of Doing Business

Given that the single point of differentiation from competition for the SBIDZ will be an ease of market access, the implementation of a world class "ease of doing business" approach is crucial. This will also include the establishment of a Customs Controlled Area (CCA) for foreign industry. This process is

currently underway, and requires collaboration and understanding from SARS, in order to achieve the required end point.

2. Formal Sub-Leasing Arrangement with the IDC and TNPA

The formalisation of the sub-leasing arrangement with the IDC and TNPA in support of investor requirements, in order to ensure an 'ease of doing business' approach within the SBIDZ is key to the SBIDZ's success within the Oil and Gas and Marine Repair & Fabrication industries.

3. Timing of Infrastructure Completion

The effective completion of collaborative infrastructure, in particular the TNPA terminal expansion project is crucial for the effective investor attraction into the SBIDZ.

This links closely to the SBIDZ internal infrastructure projects which are currently underway, as both of these infrastructure requirements are key for investors to locate within the Zone.

4. Formation of a Zone Labour Agreement

The development of an effective Zone Labour Agreement in order to manage investor labour requirements in line with the broader SBIDZ mandate, is crucial to the successful retention of investors in the Zone.

5. Effective Local Skills and Enterprise Development

The availability of local skills to support investor requirements within the SBIDZ, as well as the development of local skills to the required levels of Artisans and specialist skills to support investors, are key strategic imperatives for the success of the SBIDZ.

In addition, the readiness of local enterprises to support SBIDZ investors and the development of "local content" in collaboration with the SBM business community, are key in support of the SBIDZ vision and overarching strategic goals.

6. Governance and Compliance

The continued focus on effective management of all business operations within the SBIDZ is paramount, with a specific focus on attaining an unqualified audit on an annual basis.

Part C: Links to Other Plans

8 Links to the Long Term Infrastructure and Other Capital Plans

The SBIDZ has a long-term infrastructure development, refurbishment and maintenance strategy, which focuses on Zone being development in phases, with a 'just in time' approach, to enable the strategic management of infrastructure costs, relative to the projected revenue streams which will develop on rental of land and services to key investors.

The long-term budget for the SBIDZ foresees that the entity will break even in year 19 of its existence.

In the interim, following the initial up-front investment of R500 million, it is expected that the IDZ or SEZ fund managed by national dti, will continue to support the SBIDZ's key infrastructure refurbishment and maintenance requirements, which are estimated at 4% of infrastructure cost per annum, in line with standard public sector practices.

It is estimated that the Zone will generate its first direct income from investors by the 2017/18 financial year, which will constitute approximately 7% of projected expenses at that point in time. Thereafter, income will continue to increase, based on investor uptake, until the 2031/32 financial year, by which point the Zone will make a profit.

In addition, as a strategic project under the WCEDAT Cape Catalyst Department, the SBIDZ is operationally funded by WCEDAT. The WCEDAT has committed an operational budget of R90 million for the 3 year period 2014-2017 MTEF cycle, and future support is confirmed, as indicated in the records of the WCG Inter-Governmental Task Team meeting minutes of the 26th August 2015.

8.1 Other Linkages and Strategic Partnerships

The SBIDZ is strategically linked to the following key initiatives and Partners:

Industrial Development Corporation of South Africa Limited

The SBIDZ is being established on the IDC Saldoc Property, in line with mutual mandated strategic objectives of the two state-owned companies, to drive the broader goals of economic development and job creation, as well as in line with the designation of the SBIDZ under the MDA.

Transnet National Ports Authority

SBIDZ and TNPA share a vision to develop the Oil and Gas Services Complex through dedicated infrastructure and resources and key collaboration. Specifically, dedicated infrastructure and resources that form part of the collaboration includes:

- Conclusion of the TNPA-SBIDZ lease agreement, possible by IDZ designation, which is currently in process
- An Off Shore Supply Base terminal to service off shore operations. The extension of the General Maintenance Quay into the Offshore Supply Base, for which construction has commenced
- Dedicated deep water quay access to accommodate Rigs and Vessel Repair industry. The construction of a 380m long berth (Berth 205), offering 21m of water depth south of the existing MPT. Berth 205 will also support OSB cargo movement. The transaction Advisory Period is in process for this project.
- Dedicated shallow water access to accommodate the Vessel Building Industry and shallower Rigs. The construction of a 500m long jetty adjacent to the Mossgas factory to enable launching and testing of Vessels, and repairs and maintenance to shallow rigs. The transaction Advisory Period is in process for this project.

Annexure E: Technical Indicator Descriptions

Strategic Outcome Oriented Goal	Promote sustainable economic growth and job creation
Short definition	To create an enabling environment to promote sustainable economic growth and job creation by: <ul style="list-style-type: none"> Facilitating a cumulative contribution to National GDP by investors within the SBIDZ of R16.133 billion by the end of the FY 2019/2020 Facilitating a cumulative contribution to the Western Cape GGP of investors in the Zone of R13.7 billion by the end of the FY 2019/2020
Purpose/importance	Demonstrates contribution to National GDP & WC GGP due to the success of the SBIDZ
Source/collection of data	Economic Analysis Statistical data from MERO, PERO and STATS SA
Method of calculation	SAMS Economic Model by an independent service provider
Data limitation	Requires information from third parties
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New indicator	Yes
Desired performance	Achievement of indicator
Indicator responsibility	Chief Executive Officer

Strategic Objective	To establish a Special Economic Zone within the great SBM area
Short definition	Number of direct jobs facilitated within the Western Cape Province as a result of the SBIDZ by the end of the FY 2019/2020
Purpose/importance	Demonstrates job creation, due to the successful establishment of the SBIDZ
Source/collection of data	Statistical data from MERO, PERO and STATS SA and Investors
Method of calculation	Direct Jobs: direct, sustainable jobs created that can be directly attributed to the economic impact of the SBIDZ initiative
Data limitation	Requires information from third parties (e.g. investors)
Type of indicator	Outcome
Calculation type	Cumulative
Reporting cycle	5 year cycle
New indicator	Yes
Desired performance	Achievement of indicator
Indicator responsibility	Chief Executive Officer