



Operation Phakisa as a driver for economic growth
B2B Networking Forum
15 August 2016



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The Blue Economy



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*“Teams of representatives from the government, business, labour, civil society and academia have begun working on plans to unlock the economic potential of South Africa’s oceans, in the first activation of a new initiative, dubbed **Operation Phakisa**, that was launched by President Jacob Zuma on the weekend”*

*“South Africa is **uniquely bordered by the ocean on three sides**. With the inclusion of Prince Edward and Marion Islands in the southern ocean, the coastline is approximately 3924 km long”*

*“**South Africa’s oceans**, have the potential to contribute **up to R 177-billion** to the country’s gross domestic product, while creating up to **1-million new jobs by 2033**, compared to R 54-billion generated and 316 000 jobs created in 2010”*

*“The people of South Africa deserve much better from all of us. Through **Operation Phakisa** and all of our other **strategic interventions** to achieve the **goals of the National Development Plan**, we must work tirelessly to move our country forward and **build a better life for us all**, especially the poor and the working class”*

President Jacob Zuma (21 July 2014)

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Operation Phakisa



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Government policy focused on GDP and jobs growth to resolve inequality, unemployment and poverty...



- **National Development Plan:** aims to eliminate poverty and reduce inequality by 2030 by, amongst other things, growing an inclusive economy;
- **New Growth Path:** provides the framework for economic policy and the driver of South Africa's jobs strategy;
- **Industrial Policy Action Plan:** specific plans to grow the economy and create jobs through industrial policy;

...Cabinet requested that Operation Phakisa evaluate potential of the Oceans Economy

- **Four labs** determined by Cabinet as priorities for Operation Phakisa
 - **Marine Transport and Manufacturing;**
 - Oil & Gas Exploration;
 - Aquaculture;
 - Marine Protection and Governance;
- Our lab focused on accelerating the growth of the the **Marine Transport and Manufacturing sector:**
 - Marine transport: cargo handling, national registry;
 - **Marine manufacturing: rig & ship repair, boat building, offshore O&G services;**

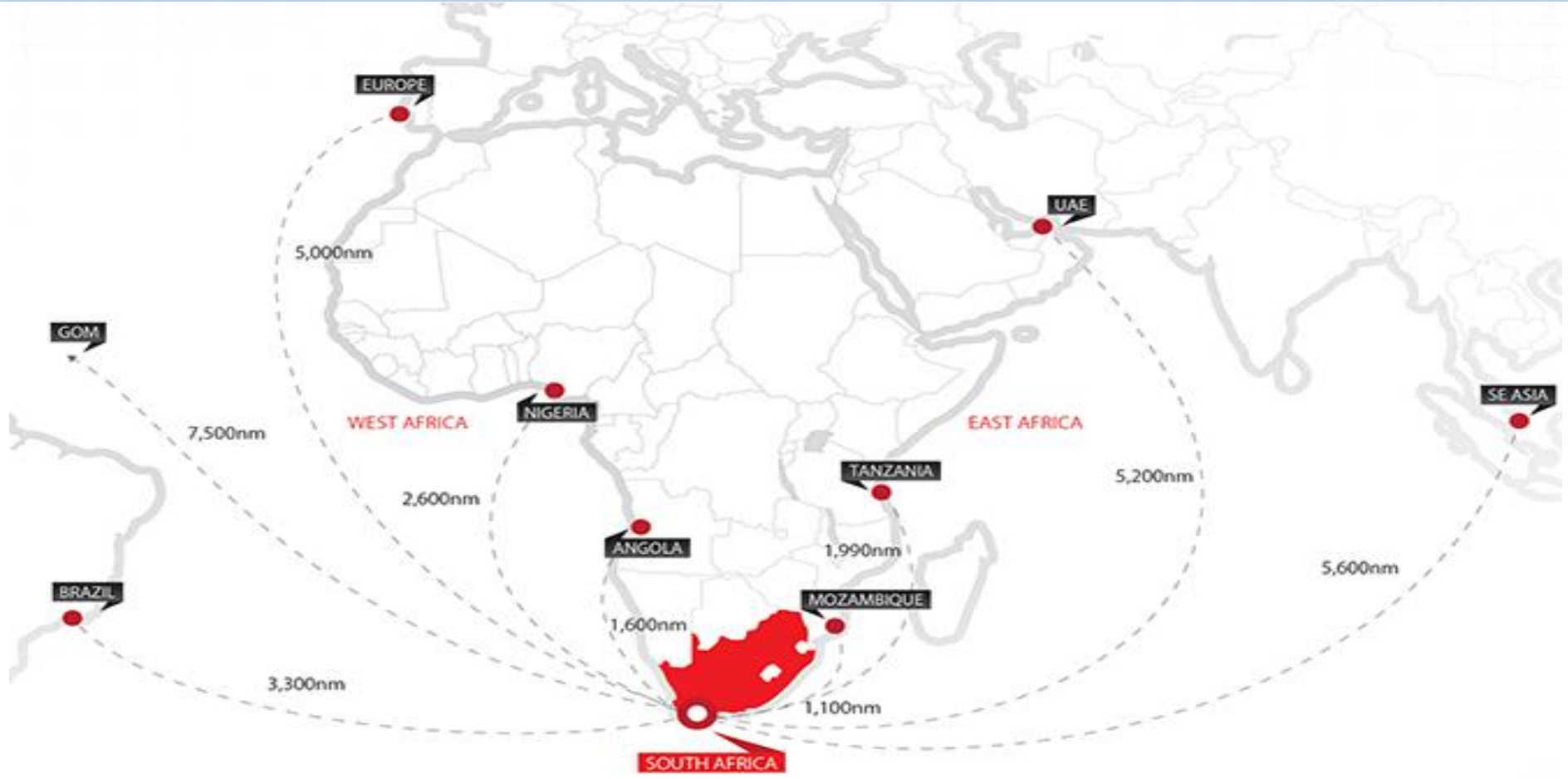


Marine Transport and Manufacturing (MTM) Sector

	Initial lab vision	Baseline (2010)	Target for interventions
 <p>GDP Contribution</p>	<ul style="list-style-type: none"> Accelerate the GDP contribution of the sector 	<ul style="list-style-type: none"> ~R15bn 	<ul style="list-style-type: none"> Increase the contribution to GDP by R14-23bn by 2019
 <p>Job Creation</p>	<ul style="list-style-type: none"> Increase total employment 	<ul style="list-style-type: none"> ~15,000 jobs 	<ul style="list-style-type: none"> Increase the number of total jobs created by 40,000-50,000 jobs by 2019



South Africa is uniquely positioned to leverage its infrastructure, location, expertise and existing downstream industry to service the Oil and Gas Industry



Figures represent approximate distances.



- Excellent **port** and **logistics infrastructure**;
- Strong **industrial capabilities** relative to continent;
- **Industrial Development Zones** at East London, Ngqura, Richards Bay and Saldanha Bay;
- **Complementary port system** that allows development of niche ports and facilities;
- Ports such as Saldanha Bay and Richards Bay have available **land for expansion and back-of-port supporting facilities**;
- **Geographically close** to Sub-Saharan Africa and its regional oil and gas markets;
- **TNPA** as the landlord empowered to **develop and attract investment** to South African ports;
- **Speed** of work and **reliability** of project scheduling;
- Skills, experience and **quality of work**.



Operation Phakisa : Marine Transport and Manufacturing



The Lab recommended the following initiatives



A Infrastructure and operations

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

B Skills and capacity building

- 9 Train 2,550 TVET College graduates on an 18-month Workplace-based Experiential Learner Programme in scarce and critical trades over the 5 year period
- 10 Create dedicated Occupational Teams for MTM Sector (professional, trades, operators and seafarers)
- 11 Establish trade RPL, CBMT or Centres of Specialisation in Saldanha Bay and Richards Bay
- 12 Train 18,172 learners as artisans, semi-skilled workers and professionals over the next 5 years
- 13 Increase usage of ESSA system and targeted career awareness services as a high value recruitment tool for MTM
- 14 Increase capacity to develop skills for ~1,200 ratings and ~720 officers per year

C Market growth

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

2 5 These initiatives require capital investment over the next 5 years and will provide supplier development opportunities to maintain and refurbish existing facilities.
7 8

i. TNPA – Transnet National Ports Authority

10. ESSA – Employment Services of South Africa

iii. TVET – Technical and Vocational Education and Training

iv. RPL – Recognition of Prior Learning

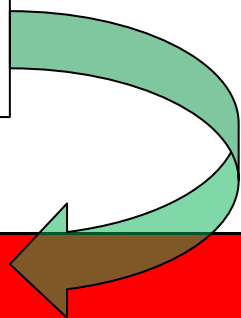
v. CBMT – Competency-based Modular Training



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 - 5 **Maintain and refurbish existing facilities**
 - 6 Unlock investment in new and existing port facilities
 - 7 **Implement Strategic Prioritised Project – Richards Bay**
 - 8 **Implement Strategic Prioritised Projects – East London**

Immediate Impact on TNPA

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Initiative	Details
Initiative 2	Acceleration of identified ship/rig Repair and Supply Bases investments at the port of Saldanha
Initiative 5	Acceleration of the refurbishments of existing ship repair facilities under the control of TNPA
Initiative 7	Dredging at the port of Richards Bay to accommodate the introduction of a floating dock
Initiative 8	Refurbishment of the East London slip way to accommodate boat building



Existing Port Facilities



Operation Phakisa : Existing Projects



Port	Project Name	PLP Phase	Budget Corp Plan (Period)	COMMENTS
CPT	Conversion of existing building to a Training Centre	FEL 4	20 000 000	Project is sanctioned and procurement phase to commence in August 2017
	Refurbishment of Robinson Drydock (Phase 1 & 2)	FEL 2	10 577 900	Finalising FEL 2 with an option to engage TCP
	Refurbishment of Sturrock Drydock	FEL 2	8 000 000	Finalising FEL 2 with an option to engage TCP
	Refurbishment of Synchrolift	FEL 3	9 125 000	Phase 1 of the project is in execution
	Replacement of 10 cranes for Shiprepair	FEL 2	20 000 000	Cranes project with an option to partner with TE
			67 702 900	
DBN	Dry dock concrete repair (FEL3 & FEL4)	FEL 4	7 033 398	Project is in execution
	Drydock Jib Cranes	FEL 2	5 000 000	Cranes project with an option to partner with TE
	Execution : Workshop 24: Equipment upgrade & refurbishment	FEL 2	25 000 000	Project to be sanctioned on 27 July 2016
	Feasibility : Dry Dock Capstans Upgrade	FEL 2	3 100 000	Finalising FEL 2 phase
	Feasibility : Dry dock Fire System upgrade	To be Deferred	550 000	Project to be sanctioned in September 2016
	Feasibility : Dry dock Pump House up grade, Civil works- Trenching and Resurfacing & Ancillary Plinths	FEL 2	7 500 000	Project to be sanctioned on 27 July 2016
	Overhead Cranes replacement- workshop 24 & Pump House	FEL 2	7 030 000	Finalizing the details design. Project to be executed by RME
	Repair of inner and outer caisson of Dry Dock	FEL 4	6 000 000	Inner Caisson project has been completed. Outer caisson project will be sanction in September 2016
	Replacement of South side crane rail at Dry Dock	FEL 3	15 000 000	Project in design phase. Will be sanctioned in February 2017
Upgrade of Floating Dock	FEL 2	5 000 000	Finalizing the details design. Project to be executed by RME	
			81 213 398	
EL	National Training College (Paisa)	FEL 2	5 450 000	Project will be sanctioned in November 2016
	Refurbishment of Graving Dock	FEL 4	29 933 843	Project is execution
			35 383 843	
MSB	Slipway upgrade	FEL 2	1 500 000	Project is sanctioned and procurement phase to commence in August 2017
			1 500 000	
PE	40 ton Slipway Refurbishment (Feas & Execution)	FEL 4	5 098 000	Project is execution
	Replacement Lead-in Jetties slipway	FEL 4	37 017 000	Project is execution
			42 115 000	
SLD	Refurbishment of Rock Quay (GM Quay area) Feasibility & Execution	FEL 4	48 573 650	Project is execution
			48 573 650	
Grand Total			276 488 791	



Port of Saldanha : Private Sector Projects





OSSB Facility :

RFP to Market: April 2016
Briefing Session Held : June 2016
Bid Closing : September 2016
Estimated Operational Date : 2019

Mossgass & Berth 205 :

EOI to Market: May 2016
EOI Briefing Held : July 2016
EOI Closing Date : August 2016

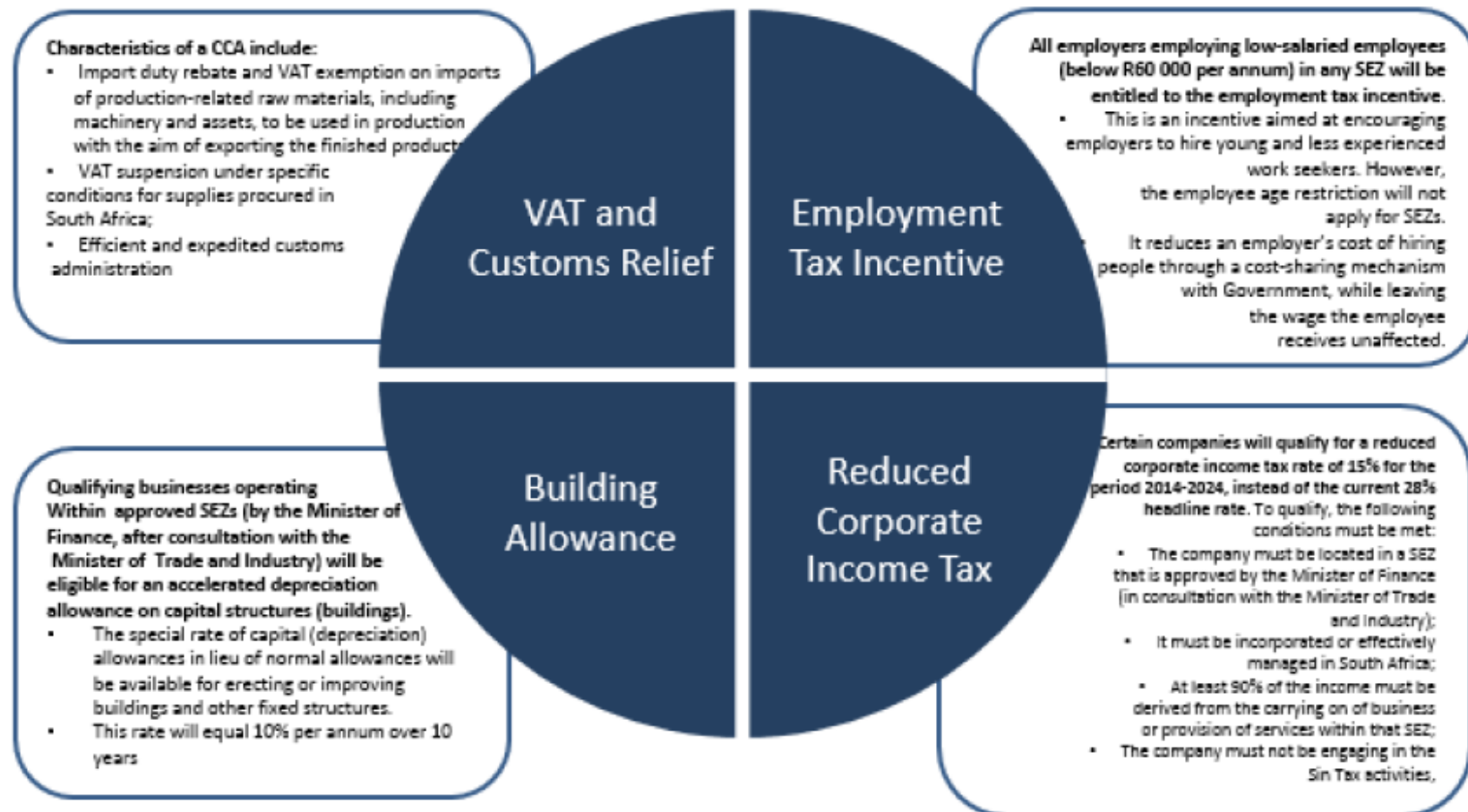
Estimated :

RFP to Market : TBC
Operational Date : 2018/2019 (estimated)





The Saldanha Port Developments are further supported through the Industrial Development Zone located adjacent to the port – additional land is available in the IDZ for investors to provide services supporting port facilities.



Source: the dti's Special Economic Zones Tax Incentive Guide, 2015

To create an Oil and Gas and Marine Repair and Fabrication Complex on land designated as a free port, within the confines of the Saldanha Bay Port and Saldanha Bay IDZ, to service the offshore Oil and Gas and Repair Industry and realise sustainable economic growth and job creation”



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Port of Saldanha : Future (Artist Impression)



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Port of Richards Bay and East London : Private Sector Projects





A ship repair facility provided by the private sector in the Port of Richards Bay;

TNPA wants to adopt a flexible and exploratory approach to allow private sector to grow the market :

- **Allow private sector to consider opportunities in oil and gas, ship/rig repair and maritime vessel building to meet market requirements at Richards Bay;**
- **A low risk, flexible capacity facility for ship/rig repair at Richards Bay :**
 - **Floating Dock type (Repair Quay); and/or**
 - **Fixed Dock Repair Facility (Causarina);**
- **Repair Berth 300m length, 8m draft;**
- **Port developments with involvement from Richards Bay IDZ;**

Required resources

- **Investment: R900m (estimated)**





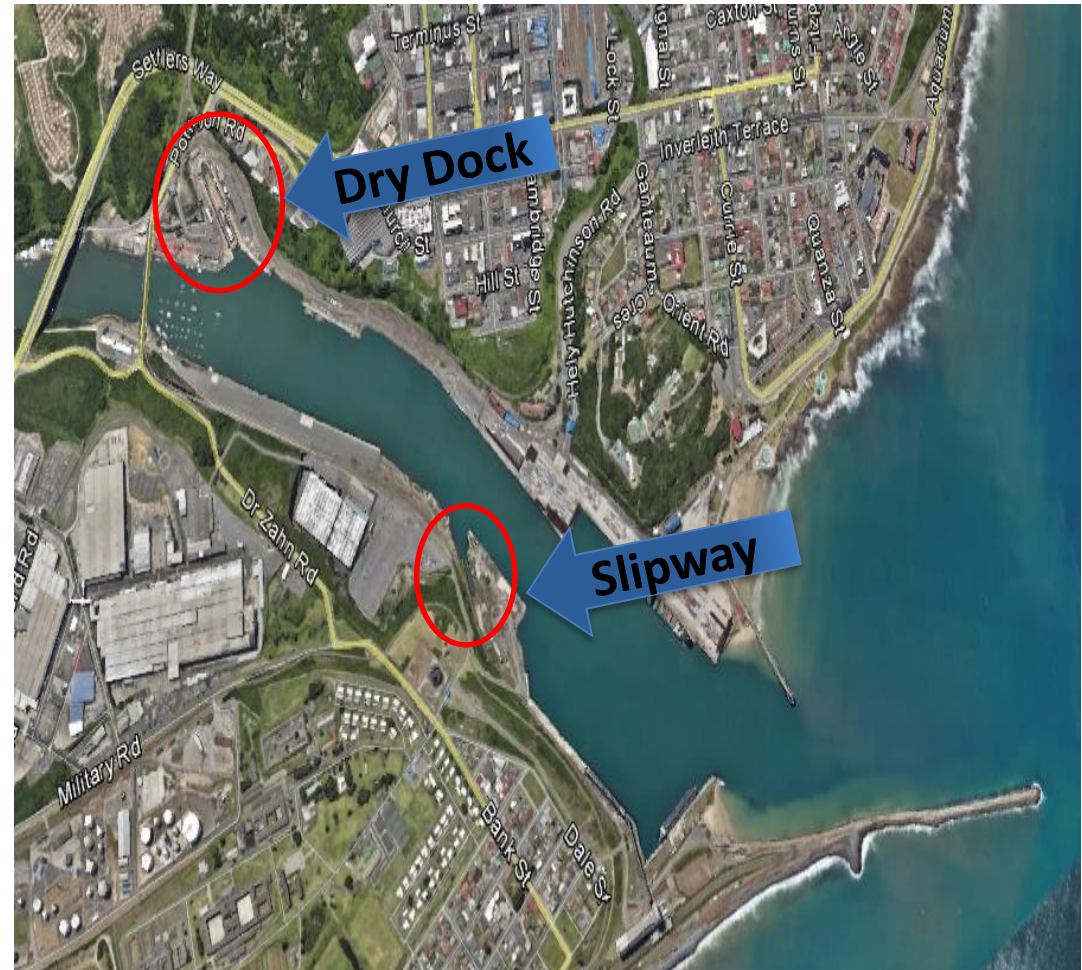


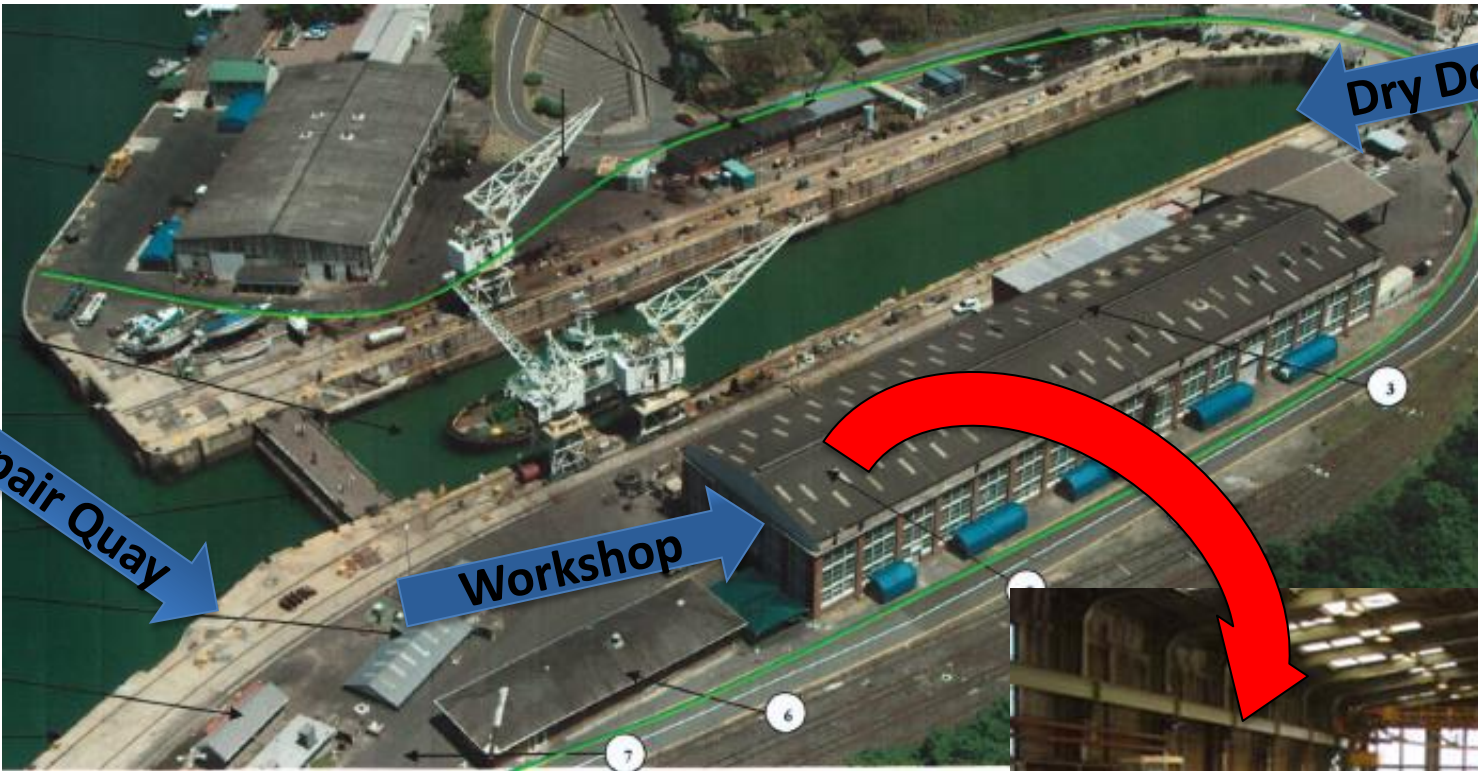


- **Unlocking boat building in East London with a focus on potential niche markets of tug boats and navy vessels;**
- **The upgrade and refurbishment of the existing drydock infrastructure is being undertaken at the moment;**
- **Opportunity to refurbish the existing slipway facility;**
- **Investment and incentive combination to the boat or ship building industry, linked to developmental commitments (e.g. investment, job creation, skills development, supplier development);**
- **Sites identified : Dry Dock, Slipway;**

Required resources

- **Investment: R 515m (estimated)**





**Dry Dock : Length 210m, Beam 26.5m,
Draft 8m, Workshop 2 690m²,
Repair Quay 106m, 10.7m depth**





- **Country growth and expansion of the economy is dependent on creating port capacity across the Port System;**
 - **Oceans economy is a “new” driver for economic growth and job creation;**
 - **Do not underestimate the role of our ports in the national economy;**

- **Oil and Gas repairs/refurbishment : Significant potential to create competitive advantage for South Africa;**
 - **Embrace partnerships with IDZ’s and SAOGA;**

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The End



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