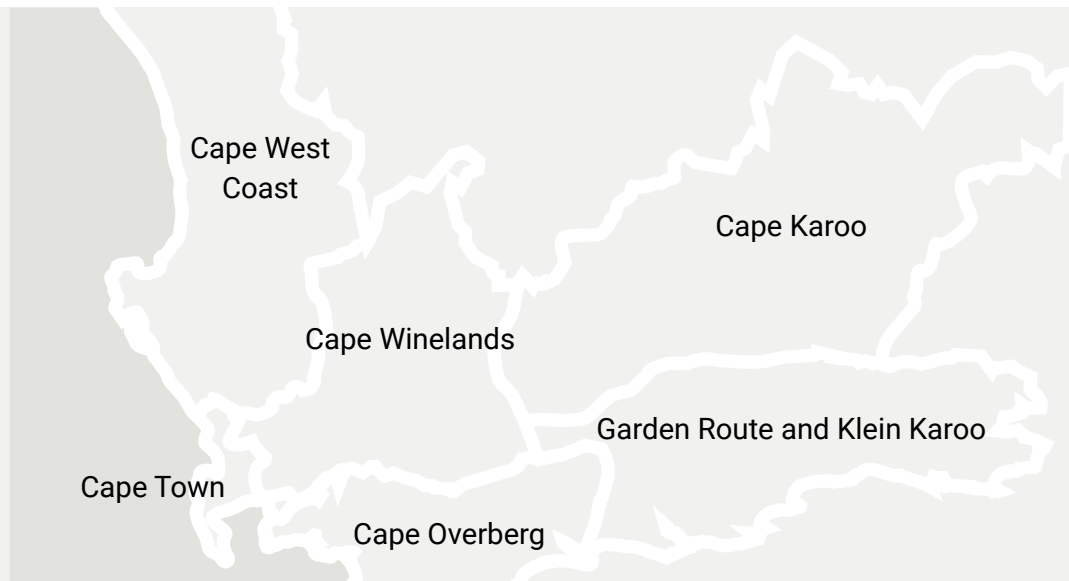




Open,
for
manufacturing

INVEST IN
WESTERN CAPE
SOUTH AFRICA
A PLACE OF MORE

Manufacturing



Manufacturing activity in the Western Cape is extensive and spans across many sectors. Some of the larger areas of manufacturing include electronics, clothing and textiles and marine manufacturing.

Electronics Manufacturing Overview

Electronics manufacturing is well established in South Africa, with substantial long-term experience in the sector. This has led to a number of experienced enterprises operating from this country, with South African firms offering a complete electronics value chain. This includes design, engineering, manufacturing, testing, implementation and maintenance.

South African electronics firms have the ability to provide original design products, which can mean cost-saving for customers. South Africa operates on similar timelines to Europe, offers affordable operating costs, and is a signatory to the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement.

Customers include large multinationals and specialised local manufacturers across various industries. South African firms stand out in areas such as security systems, keyless starting, lightning control, fuel injection, central locking and robotics for leading automotive manufacturers.

The electronics sector, although relatively small, is an important contributor to foreign exchange earnings through both exports and FDI. Growth in electronics manufacturing is boosted by growth in various other sectors, the automotive sector, for example, has contributed significantly.

Space technology is a particularly interesting electronics sector that will continue to play a key role in providing accurate weather predictions. In addition South Africa, together with Australia are the chosen locations for the Square Kilometer Array Project (SKA), set to be the largest radio telescope on earth.

With the rise of “green” electronics, which are recyclable or easy to dispose of, there are enterprises in Cape Town using renewable materials to develop electronics. This fits well with the city and province’s climate smart reputation, and forms part of various circular economy initiatives based in the Western Cape.

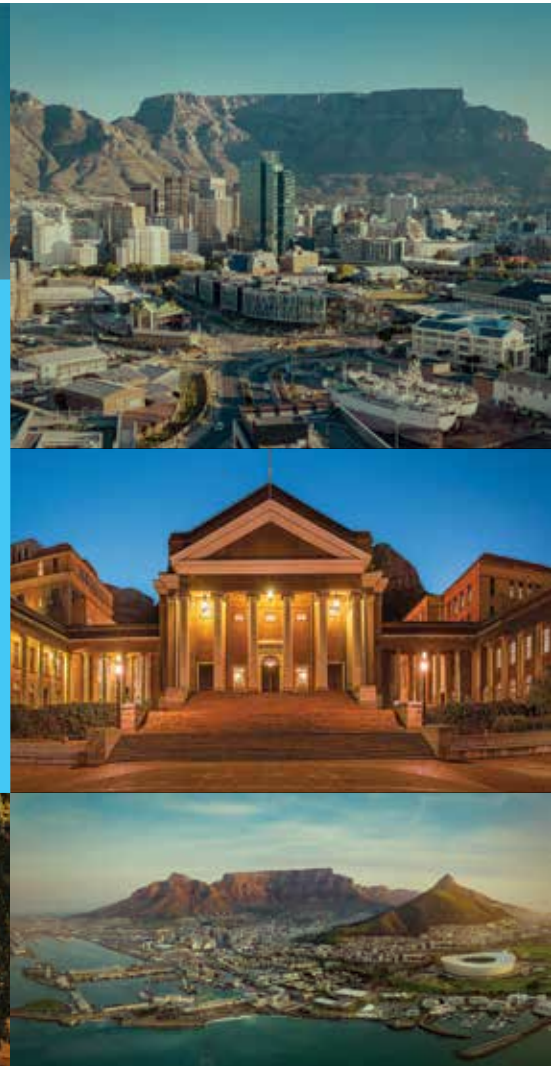
In line with this focus on resource resilience, South African companies are also world leaders in smart and pre-paid meter technology.

The electronics sector in the Western Cape is supported by many sub-sector innovations, as well as the province’s world-class infrastructure. The economy has proven to be resilient and continues to grow from strength to strength.

Today, South Africa is home to the largest consumer electronics market in Africa, with an annual spend of US\$10.5 billion. At the centre of this growth is the Western Cape’s strong skills base, which enables it to be a flexible, responsive and innovative hub for the country’s ever-shifting technology frontiers. Cape Town and the Western Cape has become the ideal location from which to take advantage of growing national and African consumer markets.



Why Cape Town and the Western Cape



Enterprises in the Western Cape have established a strong tradition of innovative design thinking and active systems integration.



The Region has a high concentration of skilled engineers required within the sector.



Half of the top universities in Africa are from South Africa with two of the top three universities being located in the Western Cape. The Western Cape has three major tertiary education institutions, producing some of South Africa's top electrical engineers.



The Western Cape is ideally situated to benefit from the fast growing African market, estimated to reach a population of 2.5 billion by 2050. The Province already exports US\$3.24 billion worth of goods to the rest of the Continent.



Cape Town and the Western Cape is considered a comparatively low-cost destination for consumer electronics manufacturing, and offers excellent transport connectivity and port infrastructure for exporting to the African continent and beyond.



Cape Town International (CPT) is a world-class, award-winning airport, the second largest in South Africa and the third largest in Africa. The port of Cape Town, situated on a major trade route, is one of South Africa's busiest container ports.



The Western Cape offers good access to key clients, with many retailers that operate across the African continent having their headquarters in or near Cape Town.



Most South African electronics companies comply with ISO9000 or ISO9001 standards and production line staff are trained to the IPC610 workmanship standard, ensuring high quality at a competitive cost base.

Popular Electronics Sub-Sectors

Cape Town has developed an established, diversified manufacturing base that has shown its resilience and potential to compete in the global electronics economy. Popular sub-sectors include:

- Circuit boards
- Consumer electronics
- Contract manufacturing
- Medical technology
- Space technology

A significant amount of foreign direct investment in the renewable energy sector gets invested through the electronics sub-sectors.

Cape Town and the Western Cape has a lot to offer to the global electronics industry, from top design engineers and world-class electronics manufacturing companies to the support of leading electronic component suppliers. The economic landscape offers some important indicators for investors:

- Electronics exports from the City of Cape Town grew by 8.8% in 2019. In the same year, electronics exports from the Province grew by 6.5%.
- In the past ten 10 years, US\$201 million was invested in Cape Town's electronics sector through FDI, representing a total of 19 projects (5 in consumer electronics and 15 in electronic components).

Growing export opportunities from the Western Cape to the rest of Africa

The region is a good base from which to expand into the rest of sub-Saharan Africa. Cape Town and the Western Cape exports more to the rest of Africa than to anywhere else in the world. Influential African retailers like Shoprite, with an established distribution network across the continent, are based in the Western Cape, as are various online retailers of electronics like Takealot.com.

Chinese Electronics Manufacturer, Hisense, exports consumer products to 10 neighbouring countries in Africa from its manufacturing facility in the Western Cape.



Established African export markets for electronic products are easily reached thanks to excellent transport infrastructure.

With three ports, a world-class road network and Cape Town International Airport close-by, it is relatively easy to export products from anywhere in the Western Cape. The region is also considered a comparatively low-cost destination for consumer electronics manufacturing.

The growing aerospace technology industry in the Western Cape is unsurprising as the region has a historical advantage for companies in space technology due to the national space programme facility (Houwteq) in Grabouw. This has resulted in an agglomeration of space technology skills in Somerset West.

The Western Cape can boast having major companies, across a spectrum of clusters, including Hisense and SpaceTeq, based here.

The Western Cape is an appealing choice for many manufacturing companies because it offers quality infrastructure and a modern environment for business and innovation.





Incentives

Innovation support

Innovation support is available through programmes such as the Support Programme for Industrial Innovation (SPII), the Technology and Human Resource for Industry Programme (THRIP) and the SEDA Technology Programme (STP).

Supplier Development Programme:

The dtic in partnership with the South African Electrotechnical Export Council and the South African Domestic Appliance Association offers support through its White Goods Supplier Development Programme.

Skills development

The Manufacturing, Engineering and Related Services Sector Education and Training Authority (Merseta) offers a number of skills development programmes and provides grants for training courses offered by other bodies, including tertiary education institutions.

Success Stories:

Hisense

Chinese consumer electronics company Hisense officially opened a US\$36.27 million electronics factory in Atlantis north of Cape Town in 2013. Hisense started manufacturing flat-screen televisions and refrigerators at the plant and began recruiting and training 300 previously unemployed residents from the area.

The Atlantis factory – one of only six established by the company outside of China – produces its goods for local consumption but also exports into Africa.

Hisense was awarded a US\$2.82 million cash grant from the Department of Trade and Industry's Manufacturing Investment Programme, while the Industrial Development Corporation signed a memorandum of understanding with Hisense and the China-Africa Development Fund encompassing finance for the company's planned expansion.



Key Sector Enablers:





Manufacturing: Clothing, Textiles, Leather and Footwear (CTLF)

The CTFL sector faced significant challenges following restructuring and liberalisation in the 1990s, however the last ten years have brought considerable stability with positive growth forecasts anticipated for local manufacturing firms. In the Western Cape, the clothing, textiles, leather and footwear sector offers exciting investment opportunities.

A shift in strategy due to global competition has seen the emergence in Cape Town of higher added-value products, establishing the city as a hub of high fashion.

The highest concentration of clothing manufacturing activity is in the Western Cape, followed by KwaZulu-Natal (the majority of footwear manufacturing takes place in KZN) and Gauteng. Manufacturers of higher value-added garments are predominantly located in Cape Town, which is regarded as the country's fashion and design capital.

Nationally, the sector contributes 8% to manufacturing GDP and 2.9% to overall GDP. The Western Cape's textiles, clothing and leather goods industry contributed US\$386.13 million, in real terms, to the province's total exports in 2019.

Retail trade sales for CTFL products in South Africa in 2019 amounted to US\$12.86 billion.

Manufacturing sales of textiles and finished textile products, excluding clothing, stood at US\$1.83 billion in 2019.

Leather used for footwear is usually imported from India, Brazil and Italy, as most locally-produced leather is used in the automotive industry and is more expensive than imported leather. MossopWestern Leather, the largest tannery in South Africa, is located in Wellington in the Western Cape, and supplies between 50% and 60% of locally tanned shoe upper leather. Between 2010 and 2019, leather and footwear exports from South Africa grew by 39.2%.

Key local clothing retail trends include:

- Greater focus on sustainable and ethical sourcing, with enhanced product traceability and supply chain visibility;
- Growing demand for indigenous designs;
- The development of private label or house brands;
- Greater focus on local sourcing;
- The establishment of centralised logistics systems;
- Greater use of consumer data and incentives in the form of consumer rewards programmes;
- The domestic market remains highly price-sensitive;
- An upward trajectory for online and mobile clothing retail sales.

As a result of an unprecedented drought in 2017 and 2018, the Western Cape clothing and textile industry has incorporated a strong focus on resilience. The industry has made significant efforts to adapt to shocks and stresses related to resource scarcity. As the industry recognises that resource efficiency is increasingly important, strategic programmes funded by the City of Cape Town and provided by GreenCape support the local industry in navigating potential threats related to climate change and also build resilience. These efforts have especially focused on:

- Sustainable initiatives to reduce water, energy and chemical use of primary inputs such as cotton, and interventions to build water and energy resilience along the supply chain; and
- Industrial symbiosis approaches to re-use and recycle material inputs and products.

These programmes assisted businesses to reduce water consumption by 35% while safeguarding jobs, a diversion of an average of 1,200 tonnes per year of useful materials (textile-offcuts) from landfill. This has in turn seen a rise in investment in enterprises that support reuse and recycling of materials.



Why Cape Town and the Western Cape?



The Western Cape CTFL industry hosts a diverse range of firms active at every stage in the value chain, from large retailers through to small Cut, Make and Trim (CMT) operations.



Cape Town is ideally positioned to take advantage of the shifts taking place in the global CTFL industry and the emergence of clothing manufacturing hubs in Africa. South Africa's access to regional value chains on the African Continent, combined with preferential access to major markets, provides significant potential advantages in the CTFL sector.



The Western Cape is a location of choice for multinationals in Africa, underpinned by factors such as a skilled labour force, established infrastructure and a world-class banking and financial services sector. There is a strong tradition of Cut-Make-Trim (CMT)-related skills (especially seamstresses) in Cape Town.



Cape Town offers a high level of connectivity to the rest of Africa and to international markets through the port of Cape Town, air connection, and road and rail infrastructure.



The Western Cape has the highest concentration of clothing manufacturing in the country.



South Africa's high-end fashion and value-added CTFL industries are found in the Western Cape, with Cape Town being regarded as South Africa's fashion and design capital.



The Western Cape's fashion industry has taken steps to be resource efficient and resilient to climate pressures.



There is strong government support for the CTFL sector at national, provincial and local level.



A high concentration of retailers chose to have their head offices in Cape Town, including Woolworths, the Foschini Group, Truworths, Pep and Cape Union Mart, among others.

Incentives

The sector is supported nationally through the Clothing and Textiles Competitiveness Programme (CTCP), which is divided into the Production Incentive Programme and the Competitiveness Improvement Programme. In the Western Cape the CTFL sector also receives significant support from the Cape Clothing and Textile Cluster (CCTC).

National Incentives

Production Incentive Programme:

The Production Incentive Programme (PIP) is administered by the CTCP Desk at the IDC. The programme is based on a 7.5% incentive on Manufacturing Value Addition (MVA). The incentive will be banked with the IDC and ring-fenced for each specific company and made available to them on presentation of qualifying competitiveness improvement interventions.

National Incentives

Competitiveness Improvement Programme

The Competitiveness Improvement Programme (CIP) is administered by the Clothing & Textiles Competitiveness Programme (CTCP) Desk at the IDC. The CIP aims, through the cluster approach, to create a group of globally competitive companies that would ensure a sustainable business environment able to retain and grow employment levels.

Western Cape Industry Support

Clotex was established 22 years ago and exists to support and enhance the competitiveness of locally based SMME's in the clothing and textile value chain. In turn, they are able to contribute to long-term economic growth and employment through value chain alignment and accredited training and development programmes.

The **Cape Clothing and Textile Cluster (CCTC)** is a not-for-profit initiative jointly established by government and industry in 2005 to boost the competitiveness of the clothing, textile, footwear and leather manufacturing industry in the Western Cape. The Cluster comprises over 40 leading firms, primarily manufacturers but also major retailers that are committed to supporting the development of the local manufacturing industry.

Success Stories:

House of Monatic

A leading brand in suiting, shirting and corporate wear with a history spanning some 100 years. House of Monatic enjoys a favourable reputation as a trustworthy company that prioritises timeless style without compromising on sustainable growth.



In 2019, President Cyril Ramaphosa wore a House of Monatic suit during his State of the Nation Address in order to urge South Africans to buy local.

Industry Associations

- Cape Clothing and Textile Cluster (CCTC)
Email: cctc@bmanalysts.com | Website: www.capeclothingcluster.org.za
- Cape Town Fashion Council (CTFC)
Email: info@ctfc.co.za | Website: www.ctfc.co.za
- Fibre, Processing & Manufacturing Seta (F,P&M Seta)
Email: info@fpmseta.org.za | Website: www.fpmseta.org.za
- National Clothing Retail Federation of South Africa (NCRFSA)
Email: admin@ncrfsa.org | Website: www.ncrfsa.org
- South African National Fashion Council
Email: ceo@sanfc.co.za | Website: www.sanfc.co.za
- Western Cape Clothing and Textile Centre (CLOTEX)
Email: info@clotex.co.za | Website: www.clotex.co.za

Key Sector Enablers:





Marine Manufacturing and Engineering Services Industry Overview

South Africa's maritime industry is currently estimated to contribute US\$3.91 billion to the country's GDP.

The Marine Manufacturing and Associated Services industry is viewed as highly strategic and has major spin-offs to other industries including steel, engineering equipment, port infrastructure, trade and shipping services. This offers strong and extended linkages for economic growth and employment multipliers down the value chain. The marine industry includes:

- Shipbuilding
- Boatbuilding
- Maintenance and repair of ships, boats and rigs
- Manufacturing of marine components and equipment

South Africa is home to the leading dry docks for ship repair and maintenance in sub-Saharan Africa.

The South African ship/boatbuilding sector has developed a particular strength in sailing multihull catamarans, with some South African companies being regarded as global leaders. Additionally, some South African companies have developed capacity in niche segments in commercial and public-sector markets – for example ferries, patrol boats, fire-fighting boats and cargo and crew transport ships for the oil and gas sector.

South Africa has a high proportion of small and medium-sized owner managed enterprises and is the world's second largest producer of multihull catamarans. Around 90% of locally built boats are produced for the export market. Boatbuilding contributes an estimated US\$103.82 million to the economy annually.

There are opportunities in developing capacity for local component manufacturing for the marine industry.

The Western Cape Province is the largest marine manufacturing centre within South Africa, generating over US\$187.50 million in 2019 in exports revenue, and housing approximately 69% of South Africa's commercial boat yards.

The dominant firms are large ship repair and heavy engineering companies, which directly service oilfield clients. Second-tier companies include smaller engineering and fabrication shops and specialist equipment suppliers. Some companies are focused exclusively on the oil and gas sector, while others service a range of industries.

South Africa has eight commercial ports and all offer facilities for ship or boat repair and maintenance. Three of these, Saldanha Bay, Cape Town and Mossel Bay, are in the Western Cape.

i) Saldanha Bay

- The deepest natural port in the Southern Hemisphere
- The iron ore export quay provides berthing for Very Large Bulk Carriers (VLCCs)
- Saldanha was identified as the site to establish a fully functional world class upstream oil and gas hub
- Provides servicing and support for vessels
- First freeport in South Africa: Duty free and VAT free entry of foreign goods intended for exports

ii) Port of Cape Town

- Cape Town Port serves the Western Cape hinterland and has extensive ship repair facilities including two graving docks, syncrolift and general repair quays.
- Cape Town is South Africa's principal port of export for fresh produce.
- Services the offshore oil and gas industry.
- Strong Marine Engineering sector capacity and capabilities.
- Cape Town is a popular tourism destination, visited by passenger cruise liners and super yachts.
- ISO 9001, ISO 14001 and OHSAS18001 compliant

iii) Mossel Bay

- Mossel Bay serves the local fishing fleet and recreational boats.
- Provides offshore mooring that can be used for liquid vessels to transfer cargo.
- Slipway is available for repairs in the harbour.

Cape Town and the Western Cape's Boatbuilding industry

The Western Cape is the production hub of the South African boatbuilding industry. While most operations are located in and around Cape Town, boatyards provide much needed employment in outlying areas and areas beyond the city metro, such as St. Helena Bay, Saldanha Bay, Atlantis, Kommetjie, Simon's Town, Swellendam, George and Knysna.

Cape Town's boatbuilding industry is known globally for its excellent craftsmanship and innovative designs. Shipyards have built incredible international networks securing market penetration in the Caribbean, United States of America, the Mediterranean and Asia.

Cape Town's boatbuilding skills are unparalleled in Africa and the broader Southern Hemisphere region, and unsurprisingly the city exports 80% of product produced and attracts a positive trade balance of around US\$73 million annually. Cape Town's boatbuilding exports have grown by 20,54% annually year-on-year since 2014.

The sector employs directly over 5 120 artisans, carpenters, engineers and nautical architects in the city alone. Thousands more work in secondary industries providing materials and components to shipyards.

Built at the tip of Africa, the Cape of Storms, Cape boats are made for all sailing conditions.

Local manufacturers are easy to deal with as one-stop-shops and help their clients get the maximum return on investment. South Africa's largest boat builder, Robertson and Caine, is located in the Western Cape.

The Western Cape is home to South Africa's only boatbuilding school: False Bay College, which has approximately 60 students graduating annually with a national certificate.

In 2019, five of the top boat builders from South Africa exhibited at the Miami International Boat Show. Companies like Phoenix/Xquisite, Royal Cape Catamarans, St Francis Catamarans, Knysna Yacht Company and Robertson and Caine regularly showcase their boats and win awards at sector shows.





Why

Cape
Town

and the

Western
Cape



Strategically positioned for access to and from East and West African markets.



Internationally recognised capabilities and a reputation for excellence and quality building of customised vessels, repair and maintenance services.



Strong support for logistic and ancillary services that includes chandlery, hospitality, waste disposal, certification, legal as well as finance and insurance.



Good education system and established tertiary institutions. The Western Cape has four world-class tertiary education institutions, producing some of the country's top marine engineers.



Deep water ports that can accommodate various vessels.



World-class road, rail and port infrastructure.



Ports are closely linked to international airports.



Supportive Local Government and business enabling environment.



World-class repair, refurbishment and maintenance services at highly competitive rates internationally.

The Western Cape is the largest marine manufacturing centre within South Africa

Incentives:

Critical Infrastructure Programme

Cost-sharing incentive, 10% to 30% government grant, available to approved applicants of infrastructure projects

Black Industrialists Scheme

Designed to promote industrialisation, sustainable economic growth and transformation through the support of black-owned entities in the manufacturing sector

Capital Projects Feasibility Programme

Contributes to the cost of feasibility studies that are likely to lead to projects that will increase local exports and stimulate the market for South African capital goods and services

Exporting Marketing & Investment Assistance Scheme

Intended to help South African companies export their products and services, and to attract foreign direct investment



Success Stories:

Impressive new hulls launched in Cape Town



"South Africa's biggest ever composite catamaran, produced by Two Oceans Marine Manufacturing was launched in June 2019. The impressive 110ft day charter catamaran, Le Cerf, can carry 275 people and will be an eye-catching addition to the seascape around Mahé in the Seychelles". – Boating South Africa.



"Also in June came the much anticipated Scape Sport 40, boasting a fresh new open-deck formulation. The epoxy cat weighs in at just under five tons and has already generated several enquiries. The vessel speaks to an adventurous class of boat owners who seek added performance on their cruising holiday". – Boating South Africa.



In February 2019, Damen Shipyards Cape Town (DSCT) hosted a keel laying ceremony, marking the start of construction on the first of three Multi-mission Inshore Patrol Vessels (MMIPVs) for the South African Navy. These vessels will aid in protecting the country from threats such as trafficking, illegal fishing and piracy, as well as support job creation and enterprise development. (Damen Shipyards Cape Town.)

Key Sector Enablers:

