



# TASEZ NEWS BULLETIN

Latest news from the Tshwane Automotive Special Economic Zone

## New energy vehicle sales to overtake combustion motors by 2035 – Minister Patel

As South Africa starts to shift towards electric vehicles (EVs), there is no doubt that these will become more popular than traditional internal combustion engine cars, LDVs, and trucks, and this move has government’s backing.

This is the word from Minister of Trade, Industry, and Competition, Ebrahim Patel, who was addressing the recent South African Auto Week conference. He said that sales of passenger EV cars will outstrip those of combustion engines by 2035.

Industry is, however, awaiting the conversion of a Green Paper on this subject into a White Paper. Initially published in May 2021, it was meant to be with Cabinet for its thoughts by October 2021.

However, this has not happened, due to financing constraints as government’s purse is stretched as it deals with infrastructure and socio-economic issues. This delay has drawn criticism from those in the industry.

However, a costing exercise involving original equipment manufacturers and the National Union of Metalworkers of South Africa has been completed, which led government to the conclusion that it needs to shift from a singular focus on incentives to a broader one in terms of greater production of EVs. The balance of timing of production and consumer incentives is “absolutely critical,” he noted.



Minister of Trade, Industry and Competition Ebrahim Patel delivering his address at the SA Auto Week 2022.

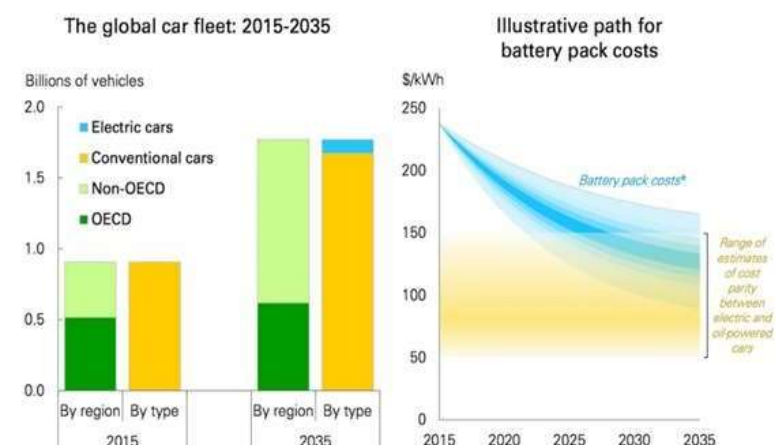
South Africa cannot afford to be left behind as it is a major exporter of vehicles to the UK will be around 75% of cars made locally are shipped there – and that internal combustion-based engines from 2030 will be prohibited by the European Union.

“That costing exercise convinced us that we needed to rethink the elements of the package that we had in mind, shifting from an initial focus to see how we can incentivise the consumer market in South Africa, into a shift with a greater emphasis on the production of electric vehicles,” Moneyweb quoted him as saying.

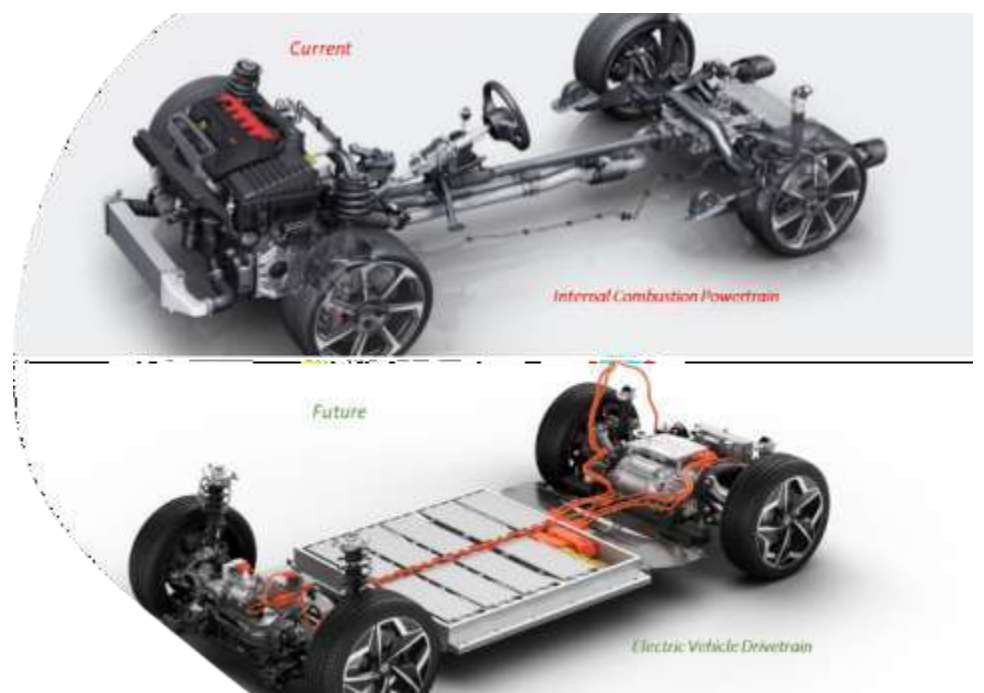
Given the recent Medium-Term Budget Policy Statement, Patel was hopeful that work could start based on the National Budget to be tabled next February as there are signals South Africa is heading in the right direction.

South Africa’s automotive sector accounts for five percent of gross domestic product. However, energy constrains need to be considered. Fortunately, government has opened up the grid so that independent power producer can add power to it without limits.

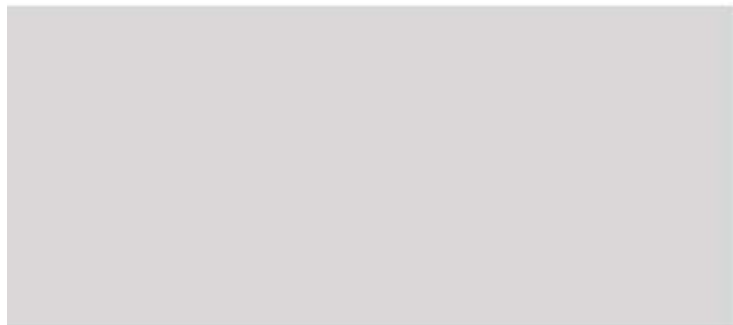
Eskom’s rolling blackouts are costing the country around R4 billion a day when stage four hits. If not for the loadshedding, the economy could be between eight and 10 percent bigger.



Source: BP Energy Outlook 2017







*MEC for economic development in Gauteng Ms Tasneem Motara.*

## Partnerships required to revitalise Gauteng's auto sector

Gauteng is using the automotive sector as a catalyst for economic growth and job creation. However, there is room for more private sector participation as the province moves ahead with its aims of realising its 2030 plan.

Speaking at the recent National Association of Automobile Manufacturers of South Africa South African Auto Week, MEC for economic development in Gauteng, Tasneem Motara, shared the province's economic vision with the conference delegates. "There remains a huge need to trigger the economic recovery of our province and reposition it as the centre of industrialisation through the auto sector."

The province's 2030 and beyond plan is a blueprint to ensure that it remains South Africa's economic hub. Among its aims are to invest in transport nodes to better serve underprivileged communities. At the same time, it named the automotive, aerospace, and defence sectors as being among its ten targets to help grow employment.

Motara explained that, in producing what was then a ten-year plan, the province engaged with numerous stakeholders.

One of the tools at its disposal are Special Economic Zones (SEZs), which Motara says will boost manufacturing, increase exports, grow employment, and expand

social infrastructure developments in support of the province being the gateway to Africa. "These are a critical enabler of jobs."

Together with the private sector, the hubs have been a success, such as the Tshwane Automotive SEZ, which was established in May 2020 and was Gauteng's first such hub, she adds. In 18 months, it attracted 12 investors, creating more than 5,000 direct jobs during the construction phase. Some 40% of the construction contracts, worth R1 billion, went to black female-owned enterprises.

The hub has had a positive impact in terms of contributing to jobs created across the supply chain, as well as local content, and has seen the entry of three new foreign companies that were previously strangers to South Africa's shores. Toyota Motors has started the second phase of its development, which will also focus on "deepening economic participation through the development of innovation," says Motara.

The Ford Motor Company, which recently started production of the next-generation Ranger, has invested R15.8 billion in South Africa, the last tranche going into the Tshwane SEZ, at which its facility boasts 585 robots.

To continue growing hubs, which bring with them other advantages such as the development of communities and a supporting ecosystem, government must create additional infrastructure, she says. To this end, the province will be "ensuring the participation of local communities".

However, the motor sector has been hard hit by the recent Transnet strike as well as downtime on the railways due to cable theft. Motara said that government is working on a solution and has prioritised the matter as the state logistics company needs to be brought up to speed so that its rails and ports work efficiently, helping enable Gauteng's vision. At the same time, government, in the Medium-Term Budget Policy Statement, committed R5.8 billion to it to repair aging infrastructure.

Government is making progress. However, to meet its aims, more private sector partnerships are required, which are seen as critical. "We wish to build on great partnerships with private sector, civil society, universities, research institutions, and innovation centres to maximize the potential of future generations. We invite you to join us on this ambitious economic exercise.

"As the leading auto manufacturing hub in the country, we are committed to the development of our projects to tackle the triple challenge of poverty, unemployment, and inequality," Motara said.



*Launch of the next generation Ford Ranger in November 2022. Courtesy of Ford*



**"SEZs have proven to, over time, be a safe port for businesses, adapting and changing as the environment shifted," says TASEZ CEO Dr Bheka Zulu**



Special Economic Zones fill a vital role in our economy, giving tax-incentivised infrastructure facilities to a particular sector vertical that allows them to network, build relationships, grow scale and – ultimately – bolster the local economy, writes Tshwane Automotive Special Economic Zone CEO Dr Bheka Zulu.

That South Africa's economy is in the doldrums is nothing new, as it is expected to grow a mere 2.1% this year, dropping drastically from the 4.9% recorded in 2021. Over the next three years, Statistics South Africa anticipates gains of, on average, 1.8%. These rates are not nearly enough to help the country grow jobs and create opportunities for small, micro, and medium enterprises to be the driving force that they can be and bolster the South African economy so that it is equitable and helps close the gap between those who have, and those who are floundering in poverty.

This is where the Special Economic Zones (SEZs) come in, as they offer an attractive proposition for a business to establish itself in an area that will see the local community benefit from its investment through the creation of jobs for the surrounding communities.

At the same time, the hubs are a virtuous cycle because they enable one company to build a relationship with another, thus creating a chain of network and upskilling opportunities that lead to more business development.

Locally, we are blessed with a legislative framework that allows those who operate in the SEZs to benefit from a reduced corporate tax rate of 15%, in addition to a 10% allowance when it comes to the cost of new buildings owned by company that quality. In addition, the tax rebate also applies to improvements to buildings.

### Growth zones

The United Nations Conference on Trade and Development (UNCTAD), in its 2019 report on SEZs, reminds us that such zones, also known as freeports, date back many centuries to a time when traders used to move cargo from ships to sell items inland or re-export with next to no local authority involvement. These have since been replaced with modern establishments, generally located next to seaports or hubs or – in our case – close to one of the automotive production hubs in South Africa. The modern version started appearing in the 60s and really took off in the 80s.

SEZs have proven to, over time, be a safe port for businesses, adapting and changing as the environment shifted. In fact, UNCTAD points out that the 2008/2009 global financial crisis, which brought many economies to their knees, hardly resulted in a dip for the zones. COVID-19 and the resultant lockdowns to curb the spread of the virus have also proven to be a catalyst for internal production as the world continues to reel from the shortage of items that typically get transported to countries across the ocean, such as electronic chips and timber. The report states that there are currently nearly 5,400 SEZs, about a fifth of which were established in the past five years, with another 500 to come in the next few years.

In South Africa, there are 11 designated SEZs, in Limpopo, KwaZulu-Natal, Eastern Cape, Mpumalanga, Free State, and Gauteng. These zones pull in international investment as, for example, auto manufacturers see the benefit of being in a region that allow them to have a close geographical link to other companies in its supply chain.

They also increase exports, help develop skills, reduce the logistical burden on the roads and railways, and enhance our country's industrial capabilities. This is in keeping with the spirit of the Special Economic Zone Act, which states that the SEZs must result in the creation of decent work and other economic and social benefits, which includes increasing economic participation of smaller companies as well as transferring skills and technology.

Industrial development is a natural, and positive, consequence of SEZs as other companies move closer to where the action, so to say, is happening. This results in other developments, such as housing and shopping malls, which requires infrastructure in form of water pipes and electricity. Given our unique power situation, this – as well as housing needs – presents an opportunity for the private sector to invest in housing projects run off solar power: a truly brilliant solution to the electricity challenge, while also helping meet the United Nations' Sustainable Development Goal of Net Zero by 2050.

SEZs represents a fantastic opportunity for equitable growth across the country, and we remain committed to ensuring that the Tshwane Automotive Special Economic Zone continues to be an attractive destination for not only vehicle manufactures, but also those who operate in vertical and horizontal sectors, supplying parts and other items to international companies who make cars, bakkies, and trucks. It does this by providing state-of-the-art facilities to connect all in the value chain to each other, seamlessly.

Together, we can reach our vision of creating thousands of job opportunities and bringing more people into the employment fold.



### TASEZ MASTERPLAN

The total development of the project covers 204 ha.

- Phase 1: covers 81.6 ha of land
- Phase 2: spans over 81 ha
- Phase 3: is over 42.2 ha
- Phase 2 & 3 will be developed as a mixed-use in line with market demands.



# NEWS BRIEFS



**TASEZ CEO Dr Bheka Zulu (second from left) with winners of the Women in Transport Awards.**

The Transport Evolution Africa Forum and Expo, held in September 2022 at the Inkosi Albert Luthuli International Convention Centre in Durban, was a significant platform to recognise and celebrate the role of women in the transport industry.

According to Dr Zulu, women, who have had to overcome prejudice and poverty are among the most resourceful entrepreneurs in South Africa. "They deserve support to survive and thrive."

The awards recognise the essential role that women play in contributing to the development of South Africa's automotive sector. Dr Zulu says the awards are particularly important for TASEZ in that they are in line with SAAMA 2035, which emphasis ease of access to supply chain.



**Sodecia's managing director responsible for South Afri operations Andrea Vereira and TASEZ chief financial off Rebecca Hlabatau**

A crucial lease agreement has been signed between the Tshwane Automotive Special Economic Zone and SODECIA, a global components manufacturer that supplies key components to Ford Motor Company South Africa. The two institutions have signed a landmark agreement that will see SODECIA invest in a factory that will provide components to Ford. SODECIA is a global player that provides full-service solutions for the automotive market, from design and product validation to automation process simulations.

Hlabatau says the deal signifies one of the significant milest in supporting TASEZ's contribution to government's econ growth and job creation efforts. She says: "Since 2020, TASE continued to drum up investment to support the growth o local automotive industry. SODECIA has invested R750 m facilitating the creation of about 350 permanent opportunities."



TASEZ and Afreximbank executives held a high-level discussion during the recent Transport Evolution Africa Expo & Forum held at the Inkosi Albert Luthuli International Convention Centre, Durban.

The two organisations are exploring funding support emerging black players in the automotive space. Afreximbank is a Pan-African multilateral financial institution mandated to finance and promote intra- and extra-African trade.



A panel discussion on provincial manufacturing challenges and opportunities was one of the critical features during the inaugural South African Auto Week event, hosted by Naamsa from October 26 to 28, at the Kyalami International Conventions Centre, Midrand. The panelists included:

**L-R:** Nedbank national manager for the manufacturing sector Amith Singh; Executive Vice President Manufacturing and Support and Member of the Board of Toyota South Africa and Toyota South Africa Motors Nigel Ward; CEO of Automotive Industry Development Centre Thabo Shenxane and CEO of the Tshwane Automotive Special Economic Zone Dr Bheka Zulu.





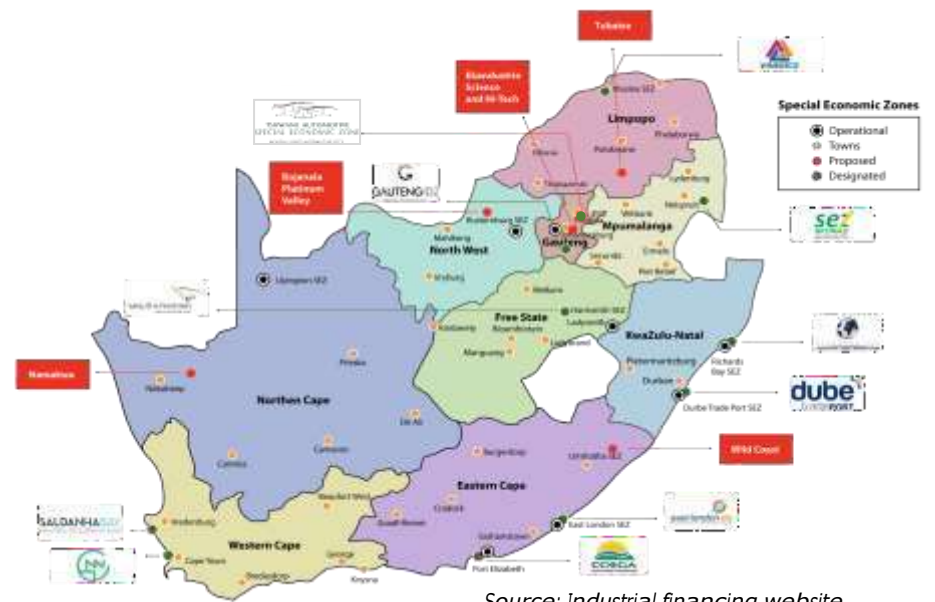
# INSIGHT

## Infrastructure vital for SEZs to flourish

All the promise held by Special Economic Zones will come to naught if they don't have all the hard, and soft, infrastructure that they need. However, South Africa's unique situation in terms of how we have responded to power outages presents an opportunity for private sector to fill this need, writes Andile Sangweni, executive for infrastructure at the Tshwane Automotive Special Economic Zone.



When one considers infrastructure, our minds automatically jump to thoughts of water, electricity, roads, drains, rail, and internet. These are all vital when it comes to setting up any area to be developed, such as a housing complex or a specially zoned industrial park. In fact, the plethora of cars on our roads bear testimony to how vital it is to plan when establishing new business or living areas.



Source: Industrial financing website

These are, indeed, vitally important. The stark reality of just how necessary they have been brought home all too often this year with innumerable power outages, as Eskom battles to keep the lights on amid failing equipment. Water, too, is an essential and we are being made aware of how much we need it as the threat of taps running dry looms large amid a persistent lack of rainfall over the past six years and a large backlog of infrastructure maintenance. In fact, easily 40% of our water is lost to leaks – the equivalent of R10 billion a year. When it rains, our storm drains can't handle the influx of water and roads flood. Transnet has also been under the whip, with a recent strike causing companies such as Sasol to declare a force majeure as they could not transport goods from port to port. While that strike has ended, it shows just how much our economy relies on infrastructure.

### Skills development

At the same time, we need what one may consider soft infrastructure. Skills and knowledge, networking opportunities, as well as shared experiences, too, are needed for SEZs to provide a contribution to the economy and create jobs while also rebuilding South Africa's manufacturing sector. This may seem a bit of a chicken and egg situation. However, skills will follow infrastructure once a zone is ready to sign its first tenant.

With an anchor company in place, others in the supply chain will see the benefit of working in close proximity with either clients or suppliers and will establish facilities. This concept is at the core of an SEZ's purpose. It eliminates geographical boundaries while also offering attractive tax rates, 15%, to companies that set up business in these regions. This has a snowballing effect, with one company's establishment being an encouragement to other businesses. In turn, a community will be established to house workers, which will be followed by healthcare facilities, schools, and malls – all of which will exist to service the SEZ.

In this way, local economies are grown, and jobs created. The softer infrastructure of schools, police stations, hospitals and even libraries benefit all who live and work in and around the zone.

**"Government cannot solve our socio-economic dilemmas alone, it needs each of us to play our part, and we all can"**

### Opportunities

SEZs offer great economic benefits to those countries that establish them correctly. Locally, we have 11 designated SEZs across Limpopo, KwaZulu-Natal, Eastern Cape, Mpumalanga, Free State, and Gauteng. These areas are attractive to international investors, such as car makers, and increase exports, develop skills, reduce the logistical burden on our roads and railways, and enhance our country's industrial capabilities. This is in keeping with the spirit of the Special Economic Zones Act, which states that SEZs must result in the creation of decent work and other economic and social benefits, which includes increasing economic participation of smaller companies as well as transferring skills and technology.

The trick, however, will be when it comes to enabling more industrial zones as South Africa is battling to maintain the infrastructure it has, let a long develop further areas of land. Here, the private sector can play an important part, just as it has with helping South African communities and businesses survive loadshedding. We are seeing increased interest from businesses small and large and people in renewable energy: solar panels and batteries to power homes, for example.

Government cannot solve our socio-economic dilemmas alone, it needs each of us to play our part, and we all can. From hawkers who direct traffic when the lights are out to initiatives such as Discovery Insure, in partnership with Dial direct and the City of Johannesburg, with their Pothole Patrol. These teams literally go around filling holes in the road that are reported to it through an app. Then there are the OUTsurance points people, a more organised method to keep vehicles flowing when there is no power.

There are many examples of South Africans standing shoulder to shoulder to help build this wonderful country, and develop it into what it can be, allowing for equitable growth for all. Providing infrastructure for SEZs should be no different, public private partnerships can be used to significant effect here as well, which will lead to immense benefits for our country as a whole.