

Briefing on Operation Phakisa

**Presentation to the Parliamentary Portfolio
Committee of Trade and Industry
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Director – General**



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Outline

- Background
- Governance Structure
- Selected implementation highlights
- Vision and challenges
- MTM initiatives and progress
- Oil and Gas initiatives and progress
- Aquaculture initiatives and progress
- Conclusion



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Background

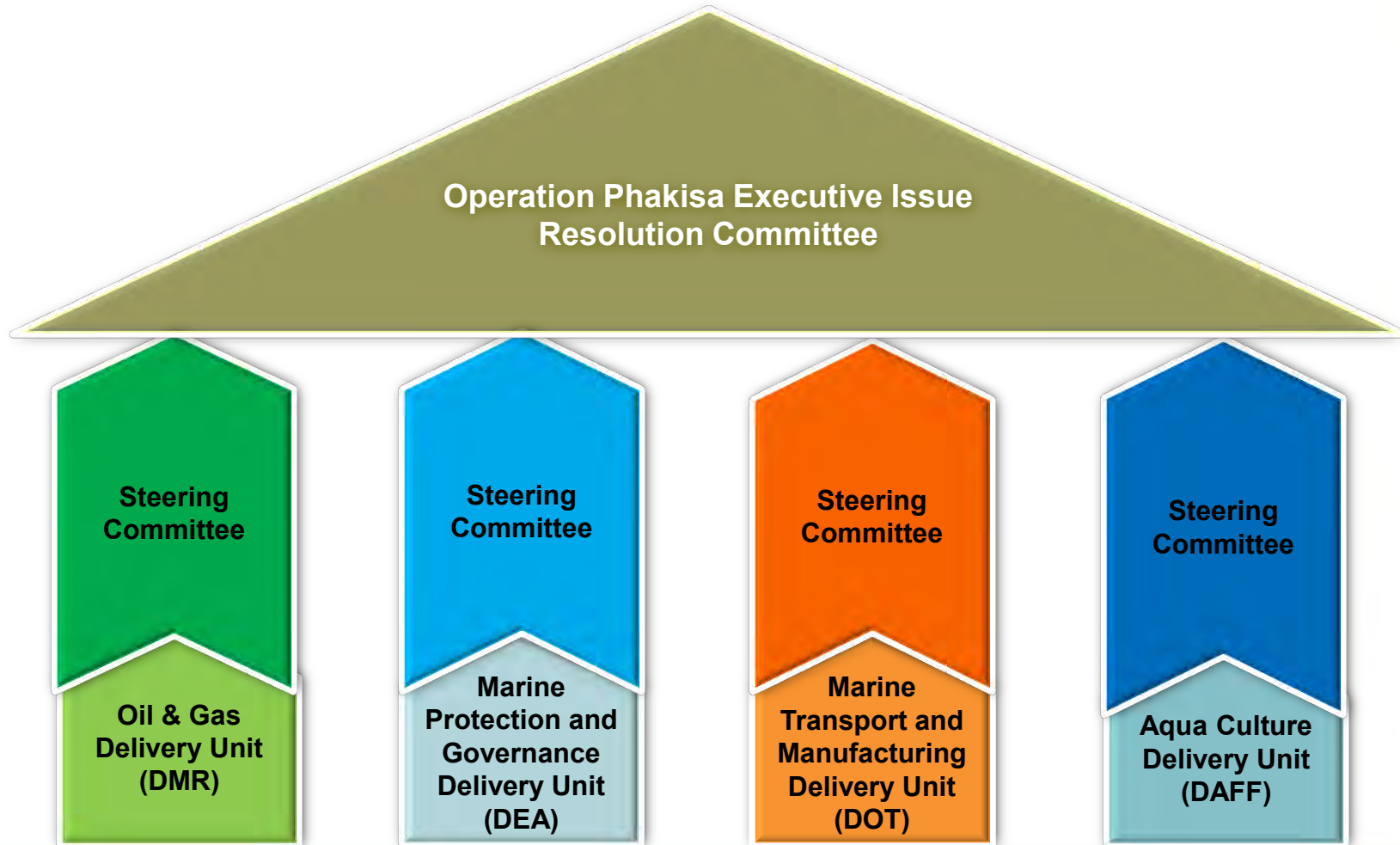
- Operation Phakisa was implemented by the Presidency. It is based “Big Fast Results” methodology utilised by other governments including the Malaysian Government.
- Over 6 weeks stakeholders from the private and public sector gathered to develop and plan “fast-track” integrated programmes designed to „unlock” growth and „delivery” in the „oceans or blue economy”.
- Four focus areas:
 - Oil and Gas Exploration (OG),
 - Marine Transport and Manufacturing (MTM),
 - Aquaculture, and
 - Maritime Protection and Governance
- 3 feet plans” and their associated Key Performance Indicators (KPIs) were developed for each.



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Phakisa Governance Structure



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Selected Operation Phakisa highlights

- Cabinet approved issuing to Transnet Port Terminals (TPT) of a permanent operating licence to operate the manganese container terminal at the Port of Ngqura
- Significant economic opportunities arising out of this development include:
 - Upgrading of rail network (R2.3 bn) from Northern Cape to Port of Ngqura to support axle loads of 26t
 - Knock-on effects along the rail infrastructure value chain with significant opportunities for localisation e.g signalling systems
 - The relocation of manganese operations from the Port of Saldanha would open opportunities for the Offshore oil and gas activities such as rig repair and maintenance
 - There is an opportunity to capture the lucrative repair market by extending and expanding our port capabilities to service current and future vessels in East and West Africa.



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Selected Operation Phakisa highlights

- Opportunities for local shipbuilding industry have arisen as a result of tenders issued by Armscor for a new **hydrographic vessel under Project Hotel** and six new offshore and inshore patrol vessels under **Project Biro**.
- The acquisition of the six IPVs/OPVs by the Navy is a major boost to the local shipbuilding industry as **60% local content** is required
- Projected spend over the next 3- 4 years is approximately **R6.6 billion**
- Opportunity to deepen component manufacturing and rebuild domestic capabilities



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Vision and challenges for MTM

- The MTM lab set an ambitious vision for the MTM sector of increasing, by 2019:
 - Contribution to GDP ~~ R14-23 bn
 - Total jobs created~~ 40-50,000
 - Increase market share of SA companies ~~30%
- The Marine Phakisa identified that the MTM industry faces significant domestic challenges to growth, including:
 - Obsolete, inadequate and expensive infrastructure to support industrial/manufacturing combined with serious operational deficiencies in SA ports. Arises in main from serious failure to invest in supportive infrastructure investment by TNPA/Transnet
 - Inadequate artisanal and professional skills.
 - Limited support for market growth from public procurement.
 - Limited support for a national ship registry or „flagging“ of SA



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Marine Transport and Manufacturing Lab

- The MTM lab developed 18 initiatives to address these challenges and accelerate the growth of the industry by:
 - Creating a supportive policy and funding environment and fast-track priority infrastructure projects.
 - Identifying and developing the required skills through a robust classroom and workplace-based system.
 - Encouraging the establishment of a SA-flagged fleet for coastal and international shipping.
 - Developing a market by requiring local content for all public procurement and building a strong private-sector market.



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Three feet (3ft) plans

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)



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Progress to date

- Transnet National Ports Authority (TNPA) and Transnet SOC Limited have adopted a Public- Private -Partnership (PPP) model to finance new Operation Phakisa infrastructure.
 - TNPA has committed R7 billion for public sector investment in domestic ports to support industrial opportunities in the ports.
- Establishment of Saldanha Bay as an oil and gas hub:
 - Total scope of initiative amounts to R9.2 billion investment (public and private).
 - 3 projects:
 1. Offshore Supply Base – work has commenced.
 2. Berth 205 (rig repair facility)
 3. Moss gas Jetty (extension)



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Progress to date

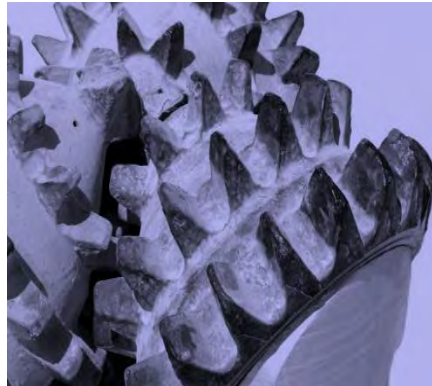
- Ports of Port Richards Bay, Durban, East London, Port Elizabeth, Mossel Bay, Cape Town:
 - TNPA has appointed transactional advisors for refurbishment and maintenance of port facilities. Scope and maintenance refurbishment requirements completed.
- **the dti** designated working vessels for local procurement (60% local content). National Treasury issued Instruction Note.
 - A R 1.4bn tender by TNPA for the procurement of tug boats was awarded to a South African company in support of local procurement
- **the dti** is in the process of developing a **strategic marketing campaign and value proposition for investors** into the MTM sector.
- Entails **marketing related content** to be deployed to market the country and investment opportunities in the Blue/Ocean Economy.
- DOT released Draft Maritime Transport Policy which includes work on cabotage on coastal, regional and continental waters.



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Offshore Oil and Gas Exploration



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The oil and gas lab has identified specific initiatives with a phased roll-out

Phase I: Initial short-term targets

First results by Mar 2016

- Conduct joint industry/government emergency response drills
- Operationalise IOPC fund
- Exploiting the broader research opportunities presented by Offshore Oil and Gas Exploration
- Build end-to-end institutional structure
- Provide legislative clarity and stability

Phase II: Medium term

First results by Mar 2019

- Develop/implement local content roadmap (2016)
- Develop/implement skills strategy roadmap (2016)
- Develop capability for sub-surface research and data gathering
- Enhance environmental governance capacity of the Oil and Gas regulator
- Promote awareness of the Oil and Gas industry

Phase III: Long term

First results by Mar 2025

- Develop phased gas pipeline network



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Progress to date

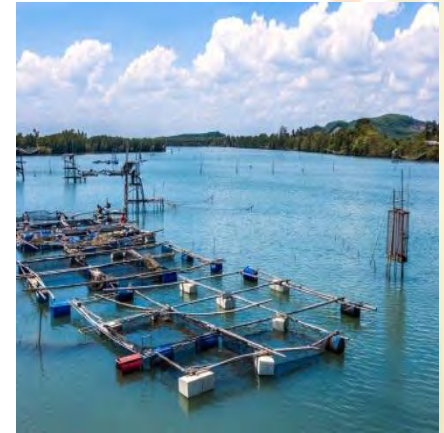
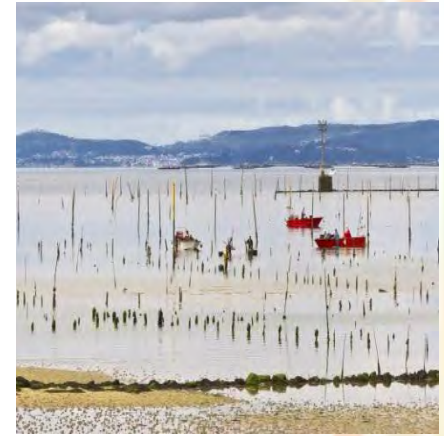
- Delivery Unit and Steering Committee was established at DMR and is fully functional
- **the dti** is responsible for developing the local content road map
 - Financial analysis of SA offshore oil and gas sector procurement is completed ahead of schedule.
 - This work included the determination of product and service categories and spend (values); compilation of suppliers' database and classification of procurement (with measurement and standards criteria) in terms of domestic vs foreign value addition in final goods and services.
 - Setting of minimum targets for local production and supply awaits the finalisation of Mineral Petroleum and Resources Development Amendment Bill (MPRDA) legislative process.



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Aquaculture



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Aquaculture initiatives

Initial short-term targets

1

Selection and Implementation of 24 Projects

Select and implement 24 aquaculture projects over 3 phases in order to increase the scale of the aquaculture sector; projects comprise both new farms and the expansion of existing farms



2

Legislative reform

Amend legislation to harmonise the assortment of existing regulations and promote aquaculture sector growth

3

Inter-departmental authorisations committee

Establish a committee that will streamline and coordinate applications and approvals in the aquaculture sector

4

Globally recognised monitoring and certification system

Establish a recognised monitoring and certification system to boost exports of South African aquaculture products

Regulations



5

Aquaculture development fund

Establish an integrated pool of existing funds in order to finance all phases of aquaculture projects (including pre-production) and encourage new entrants to participate in the aquaculture sector

Funding



6

Capacity building for support services

Increase and up-skill technical resources (e.g., extension officers) available to support aquaculture sector growth

Skills



7

Coordinated industry-wide marketing efforts

Launch coordinated industry-wide marketing efforts to increase local consumption of aquaculture products, and encourage the growth of small-scale farmers / new entrants

8

Preferential Procurement

Partner with government institutions to procure aquaculture products, thereby increasing local consumption and improving nutritional levels in South Africa

Market



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Progress to date

- 10 „catalyst“ projects are in progress and secured funding from Aquaculture Development Enhancement Programme (ADEP)
 - Private sector investment : R305 million
 - Government investment: R105 million
- Projected direct jobs: 2584 jobs:
 - Phase I: Projected jobs - 337 (142 currently created)
 - Phase II: Projected jobs - 513 (249 committed jobs)
 - Phase III: Projected jobs - 1734 (130 committed jobs)
- The National Regulator for Compulsory Specifications (NRCS) has been co-opted for sampling and food safety standards.
- EIA approval obtained for Hamburg – kob and oysters.
- Public Works signed off leases on 4 projects.



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Conclusion

- OP is in line with the goals outlined in the National Development Plan, to promote economic growth and to boost job creation
- The Marine Phakisa concluded that the oceans have the potential to contribute up to 177 billion rand to GDP.
- Has potential to create just over one million jobs by 2033.
- South Africa is ideally positioned to serve the East-West cargo traffic lane and the booming African offshore oil and gas industry, through marine manufacturing, which includes ship and rig repair, refurbishment and boatbuilding.
- Despite this competitive advantage, we currently capture only 1% of the global market of ship repair and refurbishment.
- Efforts are made to ensure that all Operation Phakisa: Oceans Economy initiatives are prioritised and resourced accordingly.



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