



## Current key and future prioritised sectors

In line with the City's strategic plan and vision, a number of sectors are currently key contributors to City GVA and/or have been prioritised for future investment. These sectors include aerospace and defence technologies, agriculture and agro-processing, automotive and components, business process outsourcing and offshoring, green economy mining and beneficiation, and tourism and related services.

### Aerospace and defence technologies

Tshwane is the key node in aerospace and defence-related technology development in South Africa. The foundation of the aerospace cluster is the Department of Defence and Air Force headquarters. The City's aerospace and defence cluster itself comprises of numerous small and large companies both public and privately owned, representing the largest concentration of knowledge, expertise and manufacturing capacity in this field in the country.

Industry giants, such as Armscor, the CSIR, Denel Dynamics and Aerosud, are key role players in the cluster, which are supported by privately-owned engineering and specialist engineering companies as well as companies which offer manufacturing services to these. The industry accounts for research and development, design, manufacturing, support, maintenance, renovation and upgrade of rotary and fixed wing aircrafts; satellites, satellite launch and tracking systems; air traffic control systems; unmanned aircrafts; weapons systems; and other relevant subsystems and components.

In August 2013, the City of Tshwane signed a partnership agreement with the Aerospace Industry Support Initiative (AISI), an initiative of the Department of Trade and Industry that will support the City of Tshwane's plans to promote aerospace as a key growth sector in Tshwane. This comes as Tshwane understands that the aerospace sector will always be a prominent industry globally, and that South Africa is a key player in the industry in Africa. As such, further supporting the sector is expected to have the potential to stimulate economic development in the City and potentially support SMME development.

Giving testament to the potential of the sector is particularly the ongoing commitment of European aerospace company Airbus. Airbus' procurement programmes have been a key contributor to the South African aerospace and defence industry. Cementing South Africa's role as a Tier 1 supplier to Airbus, is the lucrative deal signed by Aerosud to manufacture and supply the fuselage linings, cockpit

linings, galleys and wing tips for the lifespan (minimum duration of 50 years) of the A400m airlifter programme late in 2013.

A key infrastructure project development underway is the R 3,76 billion (US \$400 million) Centurion Aerospace Village (CAV) adjacent to the Waterkloof Airforce Base in Centurion. The inaugural building of this high-tech advanced manufacturing aero-mechanical and defence cluster development – the innovation and training centre – was launched in November 2011. The CAV will develop a cluster for businesses in the aerospace industry to locate in, integrating sub-tier suppliers of the local aerospace and defence companies into global supply chains. Companies located in the aerospace village will be favourably positioned to become suppliers of choice to original equipment manufacturers (OEM) in the industry, including Boeing and Airbus, as well as Spirit Aviation, Labinal and others.

CAV is in fact modelled on the success of the Automotive Supplier Park, using much of the same design methodology to ensure logistical efficiencies, knowledge sharing and manufacturing excellence in the cluster. Split into a landside and airside development, the CAV looks to restore South Africa's status as an OEM supplier (light and small commercial aircraft) and developing a solid component manufacturing industry for larger OEMs, including Boeing and Lockheed Martin. Spill-overs for relevant industries and sectors, including autos, metals and chemicals, are expected from the CAV development both directly and indirectly. Various investment opportunities exist in CAV to establish new manufacturing facilities.

There are, however, a number of challenges facing the future development of the sector. These include a shortage of engineers and workers in the aerospace and aeronautical engineering sectors, lack of incentives and support schemes at the national and local city level beyond the existing Aerospace Industry Support Initiative and the National Aerospace Centre, lack of funding for projects, and a small local market, among other things.

Together with the CSIR, a sector profile of the City's aerospace industry is being developed with an aerospace strategy for the City. This will be supported by necessary skills development, including training 100 artisans together with the Denel Group, SAA and Aerosud. Commitment has also been made for AISI to convene a business forum twice a year, as well as quarterly meetings with the City of Tshwane.

### **Agriculture and agro-processing**

The well-developed infrastructure and services within the City, coupled with drivers such as climate change and urbanisation, and the availability of water, irrigation technology, soil conditions and geology that are clustered around existing and artificial hydro ponds and dams, and the need of producing crops and raising livestock on less land, present opportune conditions for developing agriculture and agro-processing in the City.

Together with potential pockets of land, especially land available in regions 5 and 7, Tshwane has the biggest agricultural exhibition in the country. It also hosts the headquarters of various departments and boards. The agricultural cluster is further strengthened by well-established educational and research facilities, including Onderstepoort Veterinary Institute (VRI) and the Agricultural Research Council (ARC).

Part of the City's plans under its Vision 2055, which include ensuring food security, providing a platform for incubating and capacitating entrepreneurs, and developing SMMEs to boost its agricultural sector, is to establish sustainable agricultural villages (SAV). These SAVs are based on a participatory and environmentally sustainable rural development projects to address the social, ecological and technological development of communities. The approach looks to develop urban and peri-urban agriculture in Tshwane.

The first village project, officially opened in 2011, is housed at Rooiwal. Villages include production tunnels, poultry houses, piggery units, shade nets and irrigation systems for producing crops, poultry, pigs and flowers using advanced technological infrastructure and supported by agricultural specialists. Villages will include Tshwane cooperatives as well as entrepreneurs. Villages will house offices, labour houses, pack houses and processing facilities, among other things. With a budget of R33 million one SAV per region is planned to be erected. This will be done in collaboration with the Gauteng Department of Agriculture and Rural Development, extension services support from the Agricultural Research Council and progress monitoring from the Department of Agriculture, Forestry and Fisheries (DAFF).

### **Automotive and components**

The automotive and components industry in South Africa is a major contributor to economic activity and export earnings, with the heart of the industry located in the City of Tshwane. This includes the Automotive Supplier Park (ASP) in Rosslyn (130 ha), which has the highest concentration of automotive and component manufacturers in the country. It is located in close proximity to key vehicle manufactures, including BMW, Nissan, Volvo and Tata, and with excellent access to transport infrastructure. A total of 40% of passenger vehicles that are manufactured in South Africa are produced in Tshwane.

Drawing on international benchmarks and best practises of the US, Japan and Europe, the automotive component manufacturers, suppliers and service providers are in one location and within close proximity to achieve synergies and cost benefits through shared infrastructure, services and facilities. The supplier park includes state of the art ICT infrastructure and services, a container terminal, a logistics centre with more than 34 000 m<sup>2</sup> warehousing space and an Automotive Industry Development Centre (AIDC), containing a conference centre and a retail centre. A satellite supplier park also exists in Silverton.

With a turnover of about R30 billion in 2012 and contributing 3,3% to the City's economy, the automotive and components industry constitutes about 25% of Tshwane's manufacturing output. More than 200 companies are active in the industry, employing almost 18 000 people.

With the first two phases of the five-phase ASP development completed so far (spearheaded by the City of Tshwane's Department of Economic Development and with support from the Gauteng Provincial Government; 50 ha with industrial space developed of 100 000 m<sup>2</sup>), plans exist to expand this facility as well as the satellite supplier park at Silverton. This includes the R400 million consolidation centre in the ASP that will address the logistics needs of OEM and component suppliers of the auto industry. It also includes the development of the ASP Centre of Excellence. ASP has contributed significantly to South Africa's global competitiveness in the industry.

Looking ahead, a public-private partnership (PPP) project is the key to the development of the Tshwane Automotive City – a special economic zone where the chain of auto suppliers and OEMs will be located, that will emulate Detroit. Leading this development with the City of Tshwane is the Automotive Industry Development Company (AIDC, which is a subsidiary of the Gauteng Growth and Development Agency, GGDA), which looks to bring more OEM and vehicle makers to Rosslyn. This is intended to be done through creating a more enabling environment, including a more efficient logistics network, subsidised utilities, reduced rentals and bulk infrastructure improvements, as well as economies of scale. In order to make the development attractive and create a desirable destination for investors, it will include housing, green spaces, entertainment and retail facilities.

An important part of making this project a success is to improve the supply chain both into and out of Rosslyn, which will include both better linkages with Wonderboom Airport as well as the rail infrastructure for export and import. In fact, the project is expected to be part of the Durban-Free-State-Gauteng logistics and industrial corridor project – one of South Africa's 17 strategic infrastructure projects (SIPs). Current plans also include a housing node, a retail node, a test and racetrack, conferencing facilities, an automotive museum, a hotel and a research and development hub as well as the expansion of the Gauteng Automotive Training Academy. A key goal of this 30 to 50 year project that is estimated to attract investments in excess of R50 billion is to create the enabling environment to attract two new OEMs and 20 new component manufacturers to Tshwane.

An initiative of the greater province of Gauteng is to attract investors into cleaner auto technologies, including vehicles powered by electric, gas and bio-fuel sources.

### **Business process outsourcing and offshoring**

Business process outsourcing and offshoring (BPO&O) is a key growth industry among English-speaking countries globally. Located almost in the same time zone as the UK, South Africa is well-

positioned to capitalise further on the BPO&O market. About two thirds of all call centres in South Africa are in Gauteng province, with an estimated 51% of total BPO seats in the province.

As the administrative and academic capital, the City's knowledge and information industry is well-developed. In favour of the City building this sector further, is its population's high literacy rate, a large concentration of financial and business services in the region, support of educational institutions and communication infrastructure, including broadband capacity and the ambitions of Tshwane to become a smart city through the use of the Tshwane Global Digital Hub (TGDH). The TGDH infrastructure offers a wide range of products, such as voice services, wideband services and low capacity digital services.

One project in the sector is the Hammanskraal BPO&O Park, an initiative supported by the Gauteng Growth and Development Agency (GGDA). The agency is seeking partners and investors to support the creation and operations of the BPO&O Park in the Hammanskraal area, 50 km from the Tshwane CBD. The project, which is expected to create more than 3 200 jobs and contribute over R500 million per annum to the City's economy, will be implemented in three phases: Phase 1 – US \$18 million; Phase 2 – US \$13,5 million and Phase 3 – US \$14 million. Altogether 23 ha of land has been secured.

The identified site for the park is required to be connected with infrastructure, including electricity, water, sewerage, roads and fibre optic cable for internet connectivity.

### **Green economy**

As part of its strategic national development document, the NDP 2030, South Africa has sharpened its policy focus to develop a more sustainable and greener economy following international trends. This policy focus is anticipated to channel and attract increased investments and capacity into green industrial sectors and to implement and adopt measures that will address and mitigate climate change in a country overly reliant on coal to generate power. Part of following a more sustainable development trajectory is an extended renewable energy programme and investment in a more efficient public transport infrastructure, among other things.

In line with the broader national framework on developing a green economy, Tshwane is looking to become a resilient, resource-efficient and leading low-carbon economy by 2030. In fact, already over the next decade, the City aims to position itself as the most sustainable African city, leading by example. This translates into opportunities particularly in sectors including power and electricity generation, and the move away from coal-fired electricity generation to renewables including solar and wind technologies, as well as green component manufacturing opportunities, related downstream services and general greener production and transport practises, green agriculture and waste management opportunities, and ecotourism. As a result, it is expected that a greater carbon-

conscious, renewable and sustainability-driven focus will be visible across all major sectors of the City in the coming years.

### **Mining and beneficiation**

Although mining and related sectors play a minor role in terms of contribution to City GDP, opportunities exist in downstream beneficiation in the industry, as well as support services to mining companies and operations in adjacent regions. The City is an ideal location for jewellery manufacturers, given its central position with respect to deposits of the Platinum Group Metals (PGMs), gold and diamonds, mined in the provinces of North West, Limpopo and other parts of Gauteng. The City already hosts numerous jewellery laboratories and receives designers from various tertiary institutions in this field.

Opportunities exist in the metal and metal products industry, which makes the greatest contribution within 16 industrial estates, resulting in a high concentration of steel manufacturing companies in the City. This is largely driven by the construction sector, and linkages with the automotive sector through intermediate product supplies.

Current developments include a chemical plant adjacent to the Vergenoeg Fluorspar Mine – a key producer of fluorspar in South Africa – to process the fluorspar. The Wallmansthal Fluorspar Project is another project being developed in the sector. The project is owned by Sephaku Fluoride, who also owns the nearby Nokeng Mine, for which it raised R1 billion last year. Open pit mining at the Wallmansthal Fluorspar Project is expected to commence in 2017/2018.

### **Manufacturing**

Manufacturing in Tshwane is an important economic sector and a key contributor to employment. Key subsectors within the manufacturing sector include metal products, machinery and household appliances, and the manufacturing of transport equipment.

Due to the high number of research and development facilities located within Tshwane, the City has the potential to develop into a global research centre, focussing on innovation within the health and pharmaceutical sectors. The proximity of the manufacturing sector to these facilities subsequently creates an opportunity for immediate commercialisation of successful R&D efforts.

The chemicals industry in Tshwane is located in a prime position, being in close proximity to both the domestic market as well as other chemical clusters located within Ekurhuleni and the Vaal Triangle. Due to the demand for chemical products in Africa, Asia, America and the Pacific, there are large growth opportunities in the industry in South Africa. Tshwane is strategically located in relation to the ports of entry as well as other transport networks and so is in the right position to facilitate such an expansion, especially into the international market.

## **Tourism and related services**

As the diplomatic capital of South Africa, with a rich heritage, favourable location and cultural diversity, the City of Tshwane is a major tourist destination in South Africa, attracting business, leisure, shopping, medical and sports tourism. The City is further developing a range of major conference facilities and hotels that can accommodate a wide range of conferencing needs in a business or nature set-up. Cultural and heritage sites that preserve South Africa's legacy and traditions, together with facilities such as nature reserves and parks further augment the added value of the City as a tourism destination. In fact, in 2011, Tshwane became the only city in the world with a big five game reserve – the 90 000 ha Dinokeng Big Five Game Reserve. Tshwane also accommodates the 500 ha Groenkloof Nature Reserve, which is the oldest game sanctuary in Africa, and the Rietvlei Nature Reserve.

The City is a major shopping destination with some of the largest shopping malls in the southern hemisphere, and offers a world-class private health care infrastructure. Its outstanding sporting infrastructure has attracted tourists for national and international sporting events.

There are two key project developments to bolster the tourism sector. These include the launch of the Mandela Statue and a project to develop the Cullinan and Bronkhorstspuit areas, including a theme park and a waterfront development.

