

# Northern Cape Trade, Investment and Tourism Symposium targets investment

The Northern Cape Province Trade, Investment and Tourism Promotion Symposium, launched last month, seeks to stimulate a robust discussion around the province's economy and provide answers to the challenges that the Northern Cape businesses are confronted with.

The event also launched the Northern Cape Province Trade, Investment and Tourism Promotion Guide, a publication that profiles the province, its sectors and local businesses. It also publishes Trade, investment and Tourism opportunities in the province, targeted both at local and foreign investors.

The audience included various stakeholders from all over the province with panellists such as the MEC for Agriculture Norman Sushu, IDC representative Jowell Tobias, Small Enterprise Development Agency (SEDA) Kedisaletse Williams and the GM e-Business from the South African Post Office, Velasen Naidoo.

During his welcoming remarks, Sushu highlighted that the Northern Cape is the largest of the nine provinces, taking up 30.5% of South Africa's land area. The province borders on four other provinces, the Atlantic Ocean to the west and the countries of Namibia and Botswana to the north, making it an ideal gateway to Western African markets.

## Provincial GDP

Mining and quarrying remains the biggest economic sector, contributing 26.5% to the provincial GDP. It is followed by general government services at 13.5% and finance, real estate and business services. With the mining expansions in the John Taolo Gaetsewe District, it is expected that mining will continue to be the biggest economic sector in the province. The growth rates point to a resilient economy that is capable of withstanding the effects of severe crises. It is building on this resilience through the National Infrastructure Plan (NIP) and the strategic integrated projects mooted will enhance opportunities for doing business profitably in the province.

## Export performance per sector and investment

The province contributes R33-billion to the national gross domestic product (GDP), which is about 2.2% of the national total. Mining and agriculture currently comprise the province's most important sectors and are the main contributors to provincial production and employment.

The province is a substantial contributor to South Africa's total mineral wealth. The greatest disadvantage for the province is leakage in the form of raw commodity exports and the location of corporate headquarters in the industrial and commercial

centres such as Gauteng and the Western Cape.

Tourism is one sector that could challenge mining and agriculture as the most important in the province. The Northern Cape has always been known to be uniquely beautiful and offers travellers different but awe-inspiring experiences.

The province offers profitable investment opportunities in mineral and metal processing, agro-processing, fishing, mariculture, energy, tourism and the knowledge economy. Access to raw materials, affordable energy, and upgraded infrastructure are further compelling factors to attract investment to our Province. Key investments entail the Square Kilometre Array (SKA), Gamagara Mining Corridor and the energy sector. Most encouraging is the fact that most of the conditions are already in place for competitive value-added processing and labour costs are among the most affordable in South Africa.

## **Mining and mineral beneficiation**

The Northern Cape has an abundance of mineral resources and this stretches throughout the Province. These include diamonds, iron ore, manganese, copper, granite and semi-precious stones to mention just a few.

Diamond accounts for 27% of the Northern Cape's mining output, as 95% of South Africa's diamond production currently passes through Kimberley.

Deposits of lead, manganese, iron, zinc, copper, limestone and gypsum are plentiful. Many investment opportunities exist in developing industries to manufacture products and process raw materials from mining with diamond, gemstone, iron ore, manganese and granite processing being the most lucrative opportunities.

- Lead - the Northern Cape produces 13.4% of the world's exports of lead.
- Iron - most of South Africa's iron ore production comes from the Northern Cape. The Sishen mine is the biggest source of iron ore in South Africa.
- Manganese - more than 25% of the world's manganese is supplied by the Northern Cape. South Africa contains an estimated 80% of the world's reserves, most of which are concentrated in the Kalahari region of the Northern Cape.
- Copper is mined at Springbok and Aggeneys.
- 95% of South Africa's diamond production currently passes through Kimberley and is processed in Kimberley.
- 97.6% of all South African alluvial diamond-mining activities take place in a 200 square kilometre radius from Kimberley and these are traded and processed in Kimberley.
- Granite processing shows major potential in the Namaqua district.
- Precious stones, metals, iron and steel are the major products being exported. Viable alluvial diamond deposits occur in the Prieska, Douglas, Hopetown and Marydale area.

Beneficiation opportunities in the following precious and semi-precious stones and minerals for the jewellery and craft markets exist:

- Tiger's Eye (all South Africa's reserves of this semi-precious stone are concentrated in the Northern Cape.)
- Sugilite (the Northern Cape is the primary producer of sugilite.)
- Topaz, rose quartz, jasper, chrysoberyl, amethyst, agate, amazonite and picture stones.
- The Kimberley International Diamond & Jewellery Academy (KIDJA), which trains students in diamond cutting and polishing, opens up investment opportunities in diamond cutting and polishing as well as jewellery manufacturing. The relocation of the state diamond trader is in the pipeline.

## **Fishing and Mariculture**

Favourable biological conditions, excellent shore-based infrastructure, the presence of a number of pioneering private-sector mariculturists and a strong research and development base offer an ideal environment for investment and growth in this industry along the west coast.

The following trade and investment opportunities are available:

#### **Abalone:**

- Hatchery that will cater for the growing demand for abalone spat and juveniles
- Ranching abalone in the ocean through the practice of seeding appropriate areas with juvenile abalone
- Farming - the rearing of abalone juveniles until they reach market size and are exported

#### **Oysters:**

- Hatchery - the establishment of an oyster hatchery in order to cater for the growing demand for oyster spat nationwide
- Farming - the rearing of oyster spat until they reach market size

#### **Manufacturing:**

The manufacturing sector has a tremendous potential for growth. There is an abundant supply of primary products from the mining and agriculture sectors. Given the abundance of relatively cheap land and transport infrastructure in the province, the Northern Cape is a haven for manufacturing investment.

### **Astronomy**

The Province is home to an important scientific facility, namely the Southern Africa Large Telescope (SALT) located near Sutherland. SALT, has a hexagonal mirror array measuring 11 meters. This is the largest facility of its type in the southern hemisphere and one of the top 10 in the world. SALT allows astronomers to examine the scale and age of the universe, the life and death of stars and the earliest galaxies. The SKA radio telescope will be the most powerful and sensitive ever built. The SKA telescope will consist of 3000 dishes with a collection area of one square kilometre. It will have the ability to pick up signals from cosmic events dating back to the 'Big-Bang' that occurred 14 billion years ago.

### **Renewal Energy - Solar**

Sixteen square kilometres has been identified and Eskom is looking for private partners. A Clinton Climate initiative pre-feasibility study has found that South Africa has one of the best solar resources on the planet. The solar park will change the economic landscape from over-reliance on agriculture and mining to other sectors such as manufacturing and the supply of solar-related components.

### **Value-added processing**

For those who want to export to the rest of Southern Africa, the Northern Cape borders the important markets of Botswana and Namibia and is the closest South African province to Angola, which is experiencing phenomenal economic growth of around 19% a year.

The specific opportunities for companies that want to make locally-sourced products are numerous. These include carrot and fruit juice processing, vegetable canning, ground nut and wheat processing, meat and leather processing, cotton and wool-based textiles, wine-making, sunflower oil production and manufacturing of soya-based products.

In the minerals sector there is diamond cutting and jewellery manufacturing as well as other specific projects such as an iron reduction plant, steel mill, zinc smelter and a ferromanganese smelter. A manganese sinter plant was launched in December 2012.

The discovery of shale gas in the Hantam Region of the Northern Cape can further add to energy requirements for these

industries.

The development plans for Port Nolloth will facilitate exports of both minerals and fish. This R905-million project, which welcomes foreign investment, will provide the province with its own deep-water port serving key export destinations in Europe and America. This would prevent the need for exported products to leave the Northern Cape via another South African province or Namibia.

## **Tourism**

The Northern Cape is growing in stature as a tourism investment destination. In recent years, it has seen the re-development of the world's famous Kimberley Open Mine Museum at R54 million. The province has obtained the rights to host the Kimberley Diamond Cup, a high profile international skateboarding competition. The event was hosted in Kimberley for the first time in 2011 and the city will host it for another three years. The Kimberley Diamond Cup and the Bloodhound Project (an attempt to break the world land speed record of 1228 km/h in 2015) are helping to achieve the province's goal of building awareness of its enormous potential as a tourism destination, more specifically as a site for adventure tourism and events. These events also show the readiness of the Northern Cape to host international tourism events. The Northern Cape also played host to the national soccer team of Uruguay during the 2010 Fifa World Cup. Rail tourism is also being investigated.

## **Infrastructure**

- Well-developed road and rail networks strategically link Kimberley and the province with the rest of South Africa and neighbouring countries. Major national highways like the N12 link Kimberley to Cape Town and Johannesburg. The N8 conveniently links Kimberley to Bloemfontein and Maseru. An extensive rail network links Kimberley with major economic centres of Cape Town, Johannesburg Durban and Port Elizabeth. The Kimberley Airport is playing an increasingly important role in the economy of the province. This is evident in a 14% average increase in passengers over the last three years. This is mainly due to business travellers and tourism.
- In terms of IT infrastructure, a fibre optic-based network run by Telkom services Kimberley. International links are fed via submarine cable and satellite networks. Kimberley is connected to Europe and the US via the SAT3 fibre optic submarine cable and the city lies in the same time zones (GMT+2) as large parts of Europe, thus facilitating communication and eliminating jet lag for international travellers.
- Eskom, South Africa's national electricity utility, offers among the lowest industrial electricity rates in the worlds. Rated the fifth largest electricity utility in the world by sales, it generates 95% of the country's electricity and more than half of the total electricity consumed in Africa. A project to build a solar power plant in the Northern Cape was launched in October 2010. The estimated cost is R150 billion and when completed in the next ten years will generate 5000 MW of solar power to the national grid.
- Kimberley has a well-developed water supply infrastructure. Planned expansions of dams, diversions of rivers, and the development of alternate sources, such as underground water, will ensure an adequate supply of water for the future.
- Parcels of land are available for industrial and commercial development.

## **FDI in the Northern Cape**

During the period of January 2007 and October 2012, 13 companies invested in the Northern Cape in capital investment with an estimated 3899 jobs created during this period. The majority of companies have invested in renewable energy and mining industries.

The Financial Times indicated that Anglo American was the largest investor in the Northern Cape with an estimated 1716 jobs created. The second largest investor was a company called Mainstream Renewable Power with an estimated 190 jobs created (solar energy). During this period the sectors drawing the most investment include metal (base metals such as iron ore, copper, lead and zinc) followed by renewable energy and minerals.

## **Economic development**

Explaining the role of Industrial Development Corporation (IDC) towards economic development Jowell Tobias clarified the stages of the funding models that IDC and Small Enterprise Finance Agency (SEFA) follow. He indicated that SEFA provides funding from R50 000 - R3 million for business from all sectors of the economy. With the assistance of a strategic business units that offer advice, support key projects and manage funding applications in specific sectors, the IDC provides funding from R3 million and above. It works in three distinct areas: the services sector; the resources sector; and the emerging business sector.

1. Agro-Industries
2. Chemicals and Allied Industries
3. Forestry and Wood Products
4. Green Industries
5. Healthcare
6. ICT
7. Media
8. Metals
9. Mining and Minerals Beneficiation
10. Strategic High Impact Projects
11. Textiles and Clothing
12. Tourism
13. Venture Capital

## **SATITPS**

The South African Trade, Investment and Tourism Promotion Symposium (SATITPS) is an initiative designed to complement the work done by government and its agencies to speed up the pace at which the South African Economy grows. It aims to achieve this by providing a platform for key stakeholders in both the public and private sector to engage on trade and investment opportunities, funding opportunities and trade and investment infrastructure. The key objectives of the initiative are:

- Promoting early stage entrepreneurship
- Promoting trade and investment opportunities by province
- Pairing potential investors with investment opportunities
- Pairing businesses with startup, growth and development finance opportunities (IDC, SEFA, NEF, DBSA)
- Pairing investors with industrial economic zones (IDZ, COEGA, etc)
- Promotion available trade and investment incentives
- Linking provincially performing sectors with BRICS countries
- Spark robust discussions on the development of the South African economy

In conclusion and emphasising the instruments used by the SATITPS initiative to develop the economy of the country, the directors of SATITPS, Boyce Hlatshaneni and Sibusiso Mjoli outlined the following operating model:

1. Early Stage Entrepreneurship Promotion
2. Collaborative Stakeholder Participation
3. Alignment of provincial leading key economic sectors with BRICS countries

SATITPS will be [hosted in each province](#) of South Africa.