

Cape Town and the Western Cape **Trade & Investment** **into Africa 2019**



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1. Introduction to Trade

The Western Cape exported USD9.33bn worth of goods globally and imported USD13.9bn worth of goods in 2017. The trade deficit is mainly due to the large import of petroleum products, that when excluded, results in the trade balance reverting to a surplus. The strategic location of the Western Cape, being home to three important South African ports, makes it the second largest province in terms of total trade after Gauteng. The Western Cape's total share of South African exports was 10.46% in 2017.

The Western Cape has advantageous access to world markets through preferential trade agreements between South Africa and other major markets such as Europe and the United States. South Africa is also a member of the Southern Africa Development Community (SADC), the Trade Development and Cooperation Agreement (TDCA) and the Southern African Customs Union (SACU) among other agreements. The international trade regime has certainly seen some reorganisation of late. To the North, Brexit has cast widespread uncertainty across almost every aspect of cross-border trade and investment involving the UK. To the West, global supply chains have been unsettled by the renegotiation of NAFTA (now the USMCA) and US tariffs on steel and aluminium. To the East, China's escalating trade war with America will have far-reaching economic repercussions.

The potential showstopper, however, is happening right here on the doorstep of the Western Cape, with the signing of the African Continental Free Trade Area (AfCFTA) Agreement earlier in 2018. The AfCFTA aims to establish a free trade area spanning the 55 Member States of the African Union (AU). It was launched in March 2018 and has been signed by 49 countries. The AfCFTA includes undertakings by Member States to progressively eliminate tariffs and non-tariff barriers to trade in goods and liberalise trade in services; cooperate on investment; intellectual property rights; competition policy; customs matters; and to establish a dispute settlement system.

The AfCFTA is aspirational by nature; it is a framework agreement that will systematically be implemented by building upon existing Regional Economic Communities (RECs) and preferential trade arrangements. The Agreement establishes an agenda by which further technical alignment and trade liberalisation will take place. The Agreement enters into force once ratified by 22 countries. Although South Africa is said to ratify the AfCFTA by the end of 2018, most of the details are only set to be negotiated over the coming years. Once in force and ratified the Agreement will become legally binding for South Africa.

Successful implementation of this agreement holds the potential to change the face of intra-African trade and facilitate enormous investment into the Continent. The AfCFTA will cover a market of 1.2 billion people, projected to reach 2.5 billion by 2050, and a combined gross domestic product (GDP) of more than USD3.4 trillion. The economy of Africa as a whole is the second fastest growing region in the world; however intra-Africa trade remains low (Afd, 2017). In 2016 intra-Africa trade constituted only 18% of Africa's total trade with the globe (Tralac, 2018). The United Nations Economic Commission for Africa therefore estimates that the AfCFTA has the potential to boost intra-Africa trade by 52% by eliminating tariffs. They also predict that the figure would double through the elimination of non-tariff barriers.

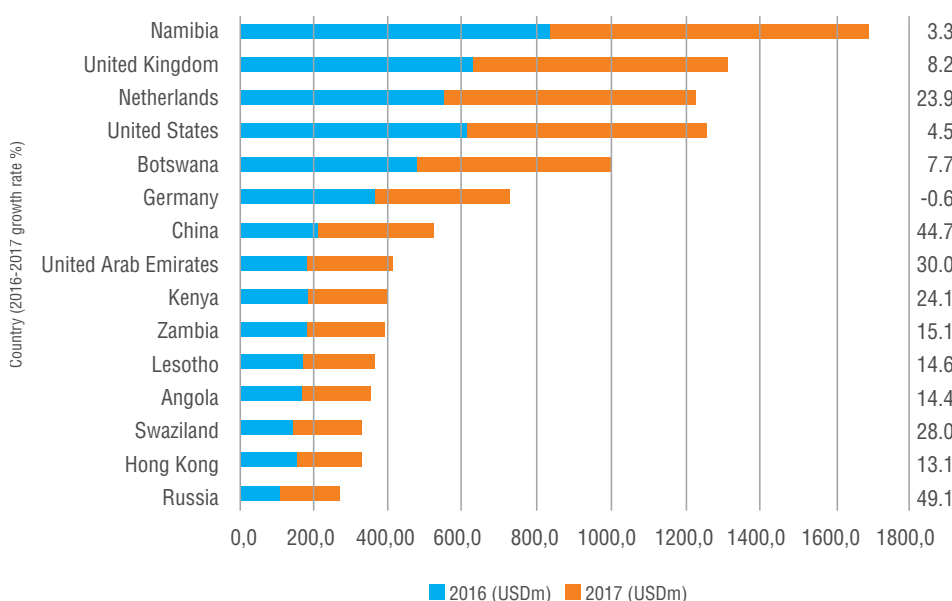
In Africa, the North South Corridor is the busiest transport network in the Tripartite Area, stretching from Durban to Dar es Salaam. At the Beitbridge border crossing between South Africa and Zimbabwe delays with documentation frequently last two or more days. This illustrates why successful implementation of the AfCFTA is so crucial to boosting intra-African trade. Tariff liberalisation matters, but of equal importance are those measures included in the agreement that ease the movement of goods across borders. The AfCFTA holds immense potential for economic development on the Continent. The realisation of this potential depends on implementation and political will.

South Africa is seen to be a geographic gateway to the African market and the Western Cape is strategically positioned for African market access. The province also offers opportunities for oil and gas service providers to the West African markets. Africa is still the largest opportunity for Western Cape exports, with the Continent overtaking Europe as the number one destination for Western Cape exports in recent years. To give this context, Africa was the destination region for the largest share of Western Cape exports (USD3.35bn) in 2017, with SACU (USD1.8bn) and SADC (USD973m) being the second and third largest sub regions for Western Cape exports after the European Union (USD2.48bn). The rest of Africa is also the largest destination for investment by Western Cape companies, accounting for 54% of outward FDI investment from 2008 – September 2018. In addition, an estimated 46% of international companies investing in the Western Cape indicated that they intended on using the Western Cape as a springboard into Africa.



Out of the top fifteen Western Cape destination markets, graphed below, almost half of them (7) are African markets. The African market with the highest growth in 2017 was Swaziland with 28% growth, followed by Kenya (24.1%) and Zambia (15.1%). The largest increase in USD value terms out of the African countries was Kenya, with a growth of USD42.8m from 2017, followed by Swaziland with a growth of USD40.6m.

FIG 1. WESTERN CAPE EXPORT MARKETS, 2016 & 2017

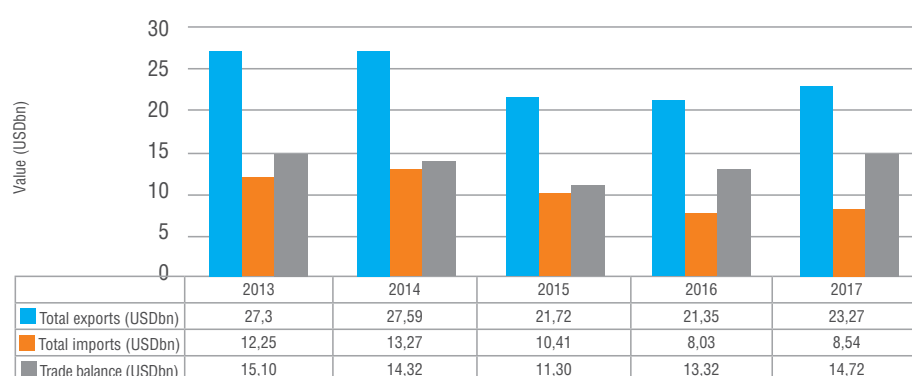


Source: Quantec, 2018

2. South African Trade with Africa

The figure below illustrates the trend in South Africa trade with the rest of Africa from 2013 to 2017. South Africa was a net exporter of goods from 2013 to 2017. In 2017, exports to the rest of the African nations totalled USD23.27bn, some 9% higher than that seen in 2016, while imports fluctuated at an increasing rate from 12.25% in 2013, reaching a maximum of USD13.27bn in 2014 and finally declining to USD8.5bn in 2017. The decline in exports is mainly due to a decline in the value of exported motor vehicles.

FIG 2. SOUTH AFRICAN TRADE WITH THE REST OF AFRICA, 2013-2017



Source: Trademap, 2018



In 2017, the largest exports to the rest of Africa were refined petroleum oil (USD1.5bn), motor vehicles for the transport of goods (USD826m), and electrical energy (USD645m). The largest imports from the rest of Africa were crude petroleum oil (USD3.3bn), mixtures of scented essence (USD381m), and gold (USD300m).

TOP 10 SOUTH AFRICAN EXPORTS TO THE REST OF AFRICA, 2017				TOP 10 SOUTH AFRICAN IMPORTS FROM THE REST OF AFRICA, 2017			
RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017	RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017
1	Refined petroleum oil	1,542.5	-4.6	1	Crude petroleum oil	3,321.2	-10.2
2	Motor vehicles for the transport of goods, incl. chassis with engine and cab	825.5	-12.7	2	Mixtures of scented essence	381.2	5.3
3	Electrical energy	645.1	6.1	3	Gold	300.1	
4	Chromium ores and concentrates	579.5	143.7	4	Petroleum gas and other gaseous hydrocarbons	286.9	6.3
5	Coal; briquettes, ovoids and similar solid fuels	529.5	11.7	5	Refined petroleum oils	210.8	-5.3
6	Diamonds	519.7	15.1	6	Cane or beet sugar and chemically pure sucrose	209.9	10.7
7	Motor cars and other motor vehicles principally designed for the transport of persons,	380.7	-8.4	7	Coal; briquettes, ovoid's and similar solid fuels	195.1	66.1
8	Parts suitable for moving machinery	309.9	-2.6	8	Diamonds	166.6	0.0
9	Maize or corn	275.2	15.5	9	Electrical energy	161.8	2.2
10	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm	266.3	-5.1	10	Live bovine animals	149.6	52.2
TOTAL EXPORTS		23,265	-2.8	TOTAL IMPORTS		8,542	-6.2

Source: Trademap, 2018

The top African destination countries for South African exports were Botswana (USD3.84bn), Namibia (USD3.57bn) and Mozambique (USD2.89bn). Top source countries for South African imports from the rest of Africa were Nigeria (USD1.71bn), Angola (USD1.34bn) and Swaziland (USD1.22bn).



TOP 10 AFRICAN COUNTRIES FOR SA EXPORTS, 2017				TOP AFRICAN COUNTRIES FOR SA IMPORTS, 2017			
RANK	COUNTRY	VALUE 2017 (USDbn)	% GROWTH 2013-2017	RANK	COUNTRY	VALUE 2017 (USDbn)	% GROWTH 2013-2017
1	Botswana	3.84	-4.9	1	Nigeria	1.71	-8.7
2	Namibia	3.57	-2.3	2	Angola	1.34	-11.3
3	Mozambique	2.89	6.2	3	Swaziland	1.22	2.0
4	Zambia	2.25	-2.8	4	Mozambique	0.90	-5.0
5	Zimbabwe	2.09	-2.2	5	Namibia	0.84	12.7
6	Lesotho	1.35	-2.4	6	Botswana	0.42	2.0
7	Swaziland	1.28	-2.5	7	Lesotho	0.31	4.1
8	Democratic Republic of Congo	0.88	-9.0	8	Zambia	0.22	-9.0
9	Kenya	0.71	1.1	9	Mauritius	0.17	-3.2
10	Angola	0.58	-8.2	10	Zimbabwe	0.17	-4.3
TOTAL EXPORTS		255.17	-2.8	TOTAL IMPORTS		339.71	-6.2

Source: Trademap, 2018

The top products (HS4) exported by South Africa to the top five African export destination markets are shown below:

Botswana

- Refined petroleum oils (USD587m)
- Diamonds (USD519m)
- Motor vehicles for the transport of goods, (USD96m)
- Motor cars and other motor vehicles principally designed for the transport of persons (USD83m)
- Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, (USD53m)

Namibia

- Motor vehicles for the transport of goods, (USD212m)
- Refined petroleum oils (USD143m)
- Motor cars and other motor vehicles principally designed for the transport of person (USD141m)
- Electrical Energy (USD122m)
- Medicaments (USD92m)

Mozambique

- Chromium ores and concentrates (USD572m)
- Electrical energy (USD269m)
- Copper ores and concentrates (USD175m)
- Ferro-alloys (USD139m)
- Coal (USD101m)

Zambia

- Refined petroleum oils(USD110m)
- Mineral or chemical nitrogenous fertilizers(USD86m)
- Motor vehicles for the transport of goods, (USD69m)
- Pumps for liquids, (USD63.4m)
- Parts for moving machinery (56m)



Zimbabwe

- *Electrical energy(USD126m)*
- *Refined petroleum oils (USD72.8m)*
- *Motor vehicles for the transport of goods, (USD66m)*
- *Maize (USD63m)*
- *Mineral or chemical nitrogenous fertilisers (USD47m)*

The top products (HS4) imported by South Africa from the top five African source markets are shown below:

Nigeria

- *Crude petroleum oil (USD1.7bn)*
- *Refined petroleum oil (USD28m)*
- *Natural rubber (USD9m)*
- *Petroleum gas and other gaseous hydrocarbons (USD3m)*
- *Human hair and wigs (USD1m)*

Angola

- *Crude petroleum oil (USD1.3bn)*
- *Diamonds (USD7m)*
- *Petroleum gas and other gaseous hydrocarbons (USD4m)*

Swaziland

- *Scented essence used in manufacturing (USD381m)*
- *Cane or beet sugar (USD201m)*
- *Prepared binders for foundry moulds or cores (USD138m)*
- *Women's or girls' suits, ensembles, jackets, blazers, dresses (USD60m)*
- *Wood sawn or chipped lengthwise (USD49m)*

Mozambique

- *Petroleum gas and other gaseous hydrocarbons (USD264m)*
- *Electrical energy (USD161m)*
- *Refined petroleum oils(USD156m)*
- *Coal (USD122m)*
- *Aluminium wire (USD32m)*

Namibia

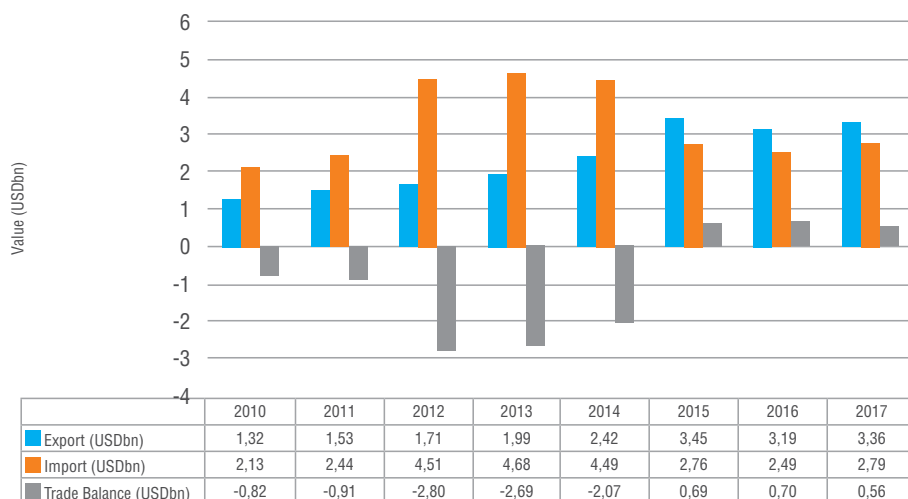
- *Gold (USD299m)*
- *Live bovine animals (USD149m)*
- *Beer from malt (USD59m)*
- *Frozen fish (excl. fish fillets) (USD38m)*
- *Live sheep and goats (USD35m)*



3. Western Cape Trade with the rest of Africa

The figure below illustrates the trend in Western Cape trade with the rest of Africa from 2010 to 2017. The Western Cape was a net importer of goods from 2010-2014. As of 2015, the South African Customs Union (SACU) has been included in the data and therefore from then onwards, exports outweigh imports resulting in a trade surplus from 2015-2017. In 2017, Western Cape exports to Africa totalled USD3.4bn, increasing by 5.3% in 2017 while imports grew by 12.3% reaching a cost of USD2.8bn. Since 2015, Western Cape exports to the region have exceeded USD3bn. Africa is the largest destination region for Western Cape exports, followed by Europe.

FIG 3. WESTERN CAPE TRADE WITH THE REST OF AFRICA, 2013-2017



Source: Quantec, 2018

In 2017, the largest exports to Africa were refined petroleum oil (USD558.98m), flat-rolled iron (USD185m) and tobacco (USD122m). The largest growth in exports were for refined petroleum oils (81%) and packaging goods (57%). The largest imports from Africa were crude petroleum (USD1.9bn), frozen fish (USD69m) and shirts (USD67m). The largest growth in imports were for beer, scents used in manufacturing and petroleum gases.

TOP 10 WESTERN CAPE EXPORTS TO AFRICA, 2017				TOP 10 WESTERN CAPE IMPORTS FROM AFRICA, 2017			
RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017	RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017
1	Refined petroleum oils and oils obtained from bituminous minerals	558.98	81.16	1	Petroleum oils and oils obtained from bituminous minerals, crude.	1,998.50	-8.53
2	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled	184.82	0.14	2	Fish, frozen, excluding fish fillets and other fish meat	69.20	162.93
3	Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes	122.46	13.79	3	T-shirts, singlets and other vests, knitted or crocheted	67.39	27.15
4	Fruit juices and vegetable juices	105.94	18.74	4	Beer made from malt	58.53	228,795.55



TOP 10 WESTERN CAPE EXPORTS TO AFRICA, 2017				TOP 10 WESTERN CAPE IMPORTS FROM AFRICA, 2017			
RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017	RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017
5	Apples, pears and quinces, fresh.	96.17	1.49	5	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear).	53.87	19.90
6	Wine of fresh grapes	87.90	9.81	6	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts	40.05	45.86
7	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol	64.24	11.15	7	Scents used in manufacturing	39.97	91,366.95
8	Sulphur of all kinds, other than sublimed sulphur, precipitated sulphur and colloidal sulphur	48.84	-4.72	8	Meat of bovine animals, frozen.	34.41	-
9	Articles for the conveyance or packing of goods, of plastics; stoppers, lids, caps etc.	41.55	56.74	9	Refined petroleum oils and oils obtained from bituminous minerals	32.53	-37.00
10	Other fermented beverages (for example, cider, perry, mead)	39.37	10.98	10	Petroleum gases and other gaseous hydrocarbons	28.40	2,888.12
TOTAL EXPORTS		3,358.38	15.73	TOTAL IMPORTS		2,794.89	-7.25

Source: Quantec, 2018

The top African destination countries for Western Cape exports were Namibia (USD864m), Botswana (USD518m) and Kenya (USD225m). Top source African countries were Angola (USD1.07bn), Nigeria (USD678m) and Namibia (USD204m).

TOP 10 AFRICAN COUNTRIES FOR WC EXPORTS, 2017				TOP 10 AFRICAN COUNTRIES FOR WC IMPORTS, 2017			
RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017	RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017
1	Namibia	864.0	84.8	1	Angola	1,066.9	-4.8
2	Botswana	517.7	60.4	2	Nigeria	676.9	-13.9



TOP 10 AFRICAN COUNTRIES FOR WC EXPORTS, 2017				TOP 10 AFRICAN COUNTRIES FOR WC IMPORTS, 2017			
RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017	RANK	COUNTRY	VALUE 2017 (USDm)	% GROWTH 2013-2017
3	Kenya	224.6	7.3	3	Namibia	203.6	60.1
4	Zambia	210.4	0.4	4	Swaziland	186.3	75.1
5	Lesotho	193.1	70.1	5	Equatorial Guinea	87.9	47.5
6	Angola	187.8	-6.4	6	Mauritius	78.9	-1.0
7	Swaziland	184.8	75.0	7	Madagascar	65.6	12.0
8	Mozambique	143.5	11.5	8	Togo	60.6	38,149.5
9	Zimbabwe	124.7	1.0	9	Ghana	53.0	815.4
10	Mauritius	111.2	11.21	10	Mozambique	52.4	-26.63
TOTAL EXPORTS		3,358.4	15.7	TOTAL IMPORTS		2,794.9	-7.3

Source: Quantec, 2018

The top products (HS4) exported by the Western Cape to the top African markets are shown below:

Namibia

- *Refined petroleum oils (USD102m)*
- *Wine (USD35m)*
- *Undenatured ethyl alcohol (USD29m)*
- *Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes (USD29m)*
- *Fruit juices and vegetable juices (USD20m)*

Botswana

- *Refined petroleum oils (USD207m)*
- *Fruit juices and vegetable juices (USD23m)*
- *Cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes (USD14m)*
- *Sauces, mixed condiments and mixed seasonings (USD11m)*
- *Milk and cream, not concentrated nor containing added sugar or other sweetening matter (USD10m)*

Kenya

- *Flat-rolled products of iron or non-alloy steel (USD2bn)*
- *Apples, pears and quinces, fresh (USD165m)*
- *Wine of fresh grapes (USD88m)*
- *Motor cars and other motor vehicles principally designed for the transport of person (USD51)*
- *Alkali or alkaline-earth metals; rare-earth metals (USD48m)*

Zambia

- *Sulphur of all kinds (USD29m)*
- *Refined Petroleum oils (USD7m)*
- *Fruit juices (including grape must) and vegetable juices (USD7m)*
- *Natural magnesium carbonate (magnesite) (USD6m)*
- *Dish washing machines (USD6m)*



Lesotho

- *Refined Petroleum oils (USD64m)*
- *Cigars, cheroots, cigarillos and cigarettes, of tobacco (USD19m)*
- *Other made up clothing accessories (USD10m)*
- *Other manufactured tobacco and manufactured tobacco substitutes (USD5m)*
- *Milk and cream(USD4m)*

Agricultural products feature prominently in Western Cape exports to African markets. This is also the trend globally with around 50% of the Western Cape's total global exports made up of agricultural products. agricultural products make up around 50% of the Western Cape's total global exports. The Western Cape is the 5th largest global exporter in Africa of agricultural goods with exports valued at USD4.6bn in 2017. The table below shows the Western Cape's share of Africa's imports from the world for certain products. These figures show what a prominent role we play in supplying the African market, especially for ciders (49%), citrus (27%) and apples and pears (22%).

WESTERN CAPE SHARE OF AFRICAN GLOBAL IMPORTS, 2017		
HS Code: Product	2017 VALUE (USDm)	2017 SHARE (%)
HST2009: Fruit juices and vegetable juices,	105.7	20.44%
HST0808: Fresh apples, pears and quinces	95.8	22.02%
HST2204: Wine	87.5	20.74%
HST2206: Other fermented beverages (for example, cider, perry, mead)	39.3	49.06%
HST0805: Citrus fruit	16.4	26.65%

Source: Quantec, 2018

The top products (HS4) imported by the Western Cape from the top African source markets are shown below:

Angola

- *Crude petroleum oils (USD1.06bn)*
- *Petroleum gases and other gaseous hydrocarbons (USD2m)*
- *Machinery (other than machines of heading 84.50) for washing, cleaning, wringing, drying, ironing, pressing (including fusing presses), bleaching, dyeing, dressing, finishing, coating or impregnating textile(USD158,000)*

Nigeria

- *Crude petroleum oils (USD666m)*
- *Refined petroleum oils and oils (USD9m)*
- *Petroleum gases and other gaseous hydrocarbons (USD2m)*

Namibia

- *Beer made from malt (USD59m)*
- *Fish, frozen, excluding fish fillets (USD29m)*
- *Fish fillets and other fish meat (USD27m)*
- *Meat of bovine animals, frozen (USD15m)*



Swaziland

- *Mixtures of scented essence used in manufacturing (USD40m)*
- *T-shirts, singlets and other vests, knitted or crocheted (USD32m)*
- *Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear) (USD24m)*
- *Other knitted or crocheted fabrics (14m)*
- *Prepared binders for foundry moulds or cores (USD14m)*

Equatorial Guinea

- *Crude petroleum oils (USD74m)*
- *Petroleum gases and other gaseous hydrocarbons (USD14m)*

4. Western Cape Inward FDI: Sept 2018 capex value reaches USD702m

From 2008 to September 2018 a total of 315 FDI projects were recorded into the Western Cape, representing a total capital investment of USD8.3bn, with USD702m invested from January to September 2018. Western Cape inward FDI increased in 2017, the most recent full year under review, both in terms of capex and projects compared to 2016. The most notable investments, raising the annual capex FDI, were the Burgan Cape Terminus at the Cape Town port (Netherlands), IBC Solar (Germany) and Angola Cables (Angola). Each of these three investments were worth more than USD150m.

The Western Cape's services sector has consistently attracted FDI projects, accounting for 53% of all inward FDI projects between 2008 to Sept 2018. This is demonstrated by the four largest sectors for global inward FDI into the province over the decade, namely business services, software and IT services, communications and the financial services sector. Companies have established a number of services in the province from investment services; employment services; wireless communications carriers; data processing; computer programming services as well as banking and legal services. The growth in the services sector is an indication of the sophistication of the province and is indicative of a developed local economy.

In terms of capex, the largest sectors in the province attracting FDI were alternative or renewable energy, communications and real estate, accounting for a combined 62% of all inward FDI between 2008 and September 2018. Companies have established a number of manufacturing facilities in the province ranging from photovoltaic manufacturing facilities, electronic components and fast moving consumer goods. The province continues to establish itself as a services and manufacturing hub for companies expanding into Africa.

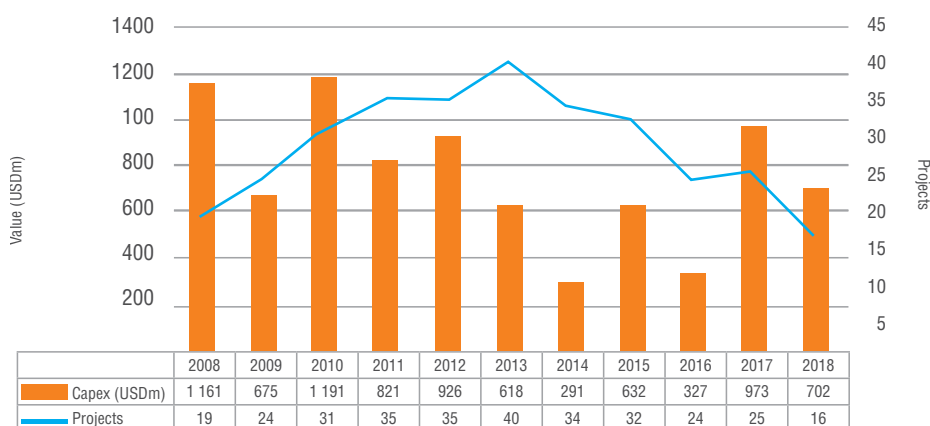
The investment into the province indicates the competitiveness and strength of the Western Cape as an investment location. The province has introduced a number of initiatives centred around infrastructure development and inclusiveness. The zoning programmes such as the Atlantis Special Economic Zone (SEZ) create an enabling environment for increased development and investment in the region.



The Western Cape is regarded as an attractive investment destination due to the following reasons:

- Strategic position as a springboard into Africa,
- Highly sophisticated infrastructure,
- 2nd busiest airport (Cape Town International airport) in South Africa and 3rd busiest in Africa,
- Three advanced ports catering for different sectors (Cape Town, Saldanha Bay and Mossel Bay),
- Designated oil and gas Industrial Development Zone,
- Green Special Economic Zone in Atlantis,
- Availability of skilled workforce, and
- A growing ICT and manufacturing hub.

FIG 4. WESTERN CAPE INWARD FDI 2008-SEPT 2018



Source: FDI Intelligence, 2018

The province has backed its dedication to assist business growth for both local and international competitors by creating the Western Cape Government Red Tape Reduction Unit, aimed at facilitating a business readiness and investor-friendly environment. The section 8 City of Cape Town Investment Facilitation Unit has also initiated a number of financial and non-financial incentives to streamline inward investment in the Atlantis Special Economic Zone in particular.

5. Western Europe is the largest source region for FDI

Western Europe was the largest global source region for Western Cape inward FDI by both capex (accounting for 58% valued at USD4.8bn) and projects (accounting for 60%) from 2008 to September 2018. The top countries investing into the Western Cape from Western Europe were the United Kingdom, Germany, France and the Netherlands accounting for a combined 43% of total inward projects between 2008 and September 2018.

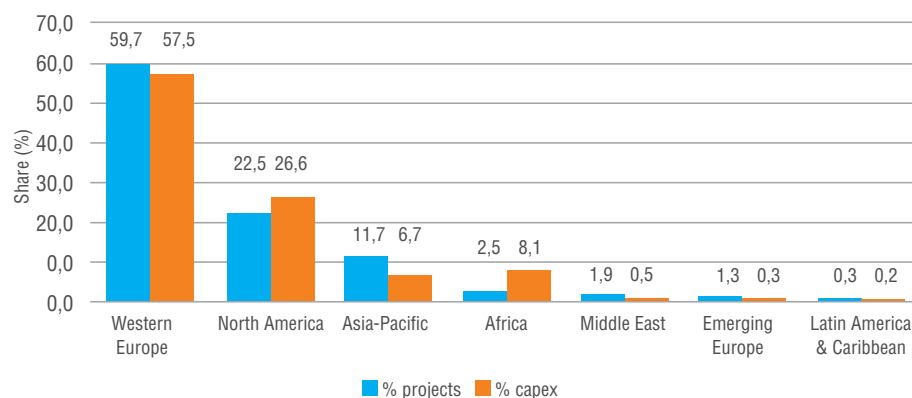
The top company investing from the United Kingdom into the Western Cape in terms of capex was British Telecom (USD150m) in the communications sector, followed by Vodafone. The top company from Germany investing into the province was IBC Solar (USD155m) in the alternative/renewable energy sector, followed by Juwi.

The rest of Africa invested in eight projects into the Western Cape over the last decade, worth USD673m.

The Western Cape had an annual average global inward FDI growth of 17% p.a. between 2008 and Sept. 2018 (Capex).



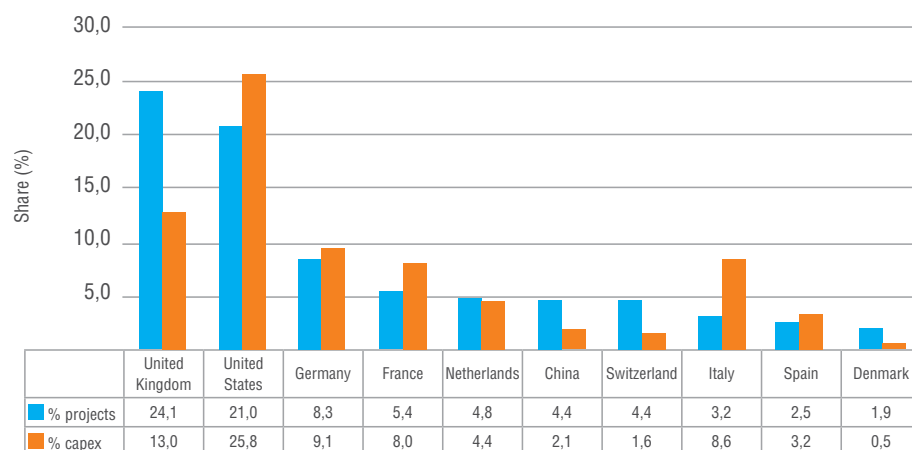
FIG. 5 WESTERN CAPE INWARD FDI BY REGIONS, 2008-SEPT 2018



Source: FDI Intelligence, 2018

The United Kingdom (76 projects and USD1.08bn), the United States (66 projects valued at USD2.15bn), Germany (26 projects valued at USD753m) and France (17 projects valued at USD664m) accounted for 59% of projects and 56% of capex into the Western Cape between 2008 and September 2018.

FIG. 6 TOP 10 MARKETS FOR INWARD FDI INTO THE WESTERN CAPE, 2008-SEPT 2018



Source: FDI Intelligence, 2018

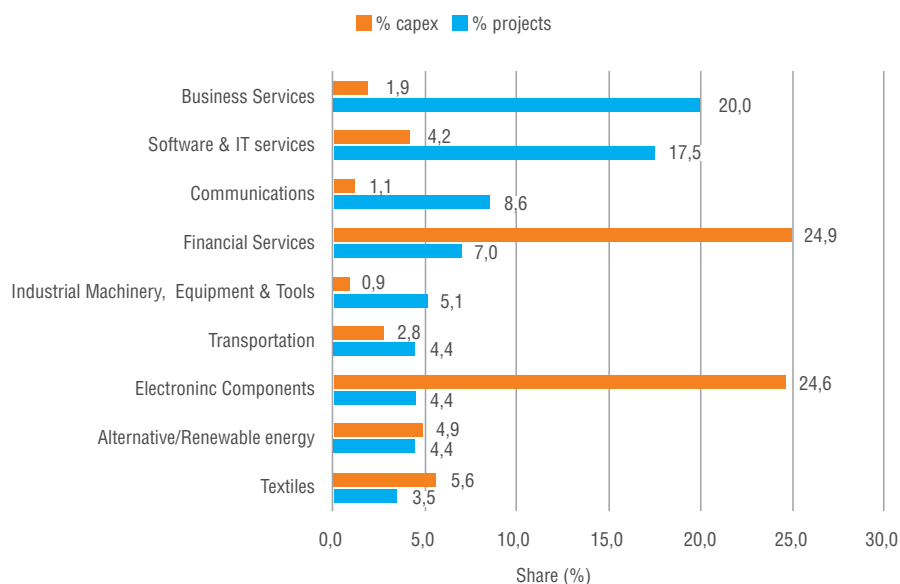
6. Services sector attracts 53% of FDI projects

The best performing sectors in terms of inward FDI into the Western Cape by projects between 2008 and September 2018 were: business services accounting for a 20% share of projects; software and IT services accounting for 18% of projects and communications accounting for 8.6% share of projects. According to FDI Intelligence 2018, DHL Express South Africa MD said regarding their investment “We believe in the economic and trading power of South Africa and still see the Western Cape as a key area for investment.”

Software publishers, internet publishing and broadcasting and web search and all other electrical equipment and components were the largest subsectors for the Western Cape in terms of inward projects between 2008 and Sept 2018. Adglow and Oracle were the largest investors into the Western Cape’s software publishers. iFlix and SMS Streamer were the two largest investors in terms of internet publishing & broadcasting & web search FDI into the province.



FIG 7. INWARD FDI INTO WESTERN CAPE BY SECTORS 2008-SEPT 2018

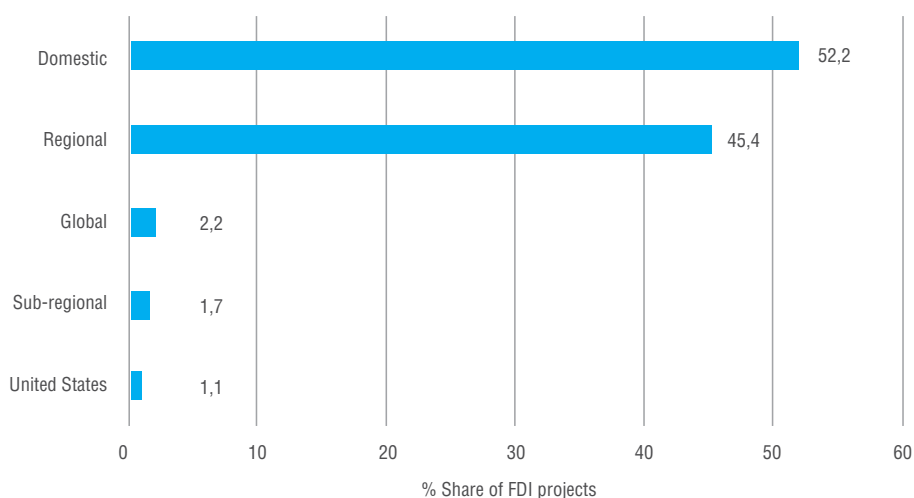


Source: FDI Intelligence, 2018

7. 46% of companies indicated expansion into Africa as motive for FDI

An estimated 46% of companies investing into the Western Cape indicated regional and sub-regional motives for investing (FDIMarkets, 2018). These companies indicated setting up headquarters in the Western Cape and using the province as a springboard for doing business into the rest of Africa. The Western Cape is beginning to become a recognised global hub for companies moving into Africa. This is evidenced by companies such as Clyde and Co from the United Kingdom, Lleida.net from Spain, Hisense from China, GE Capital Aviation Services from the United States and Wind Prospect from the United Kingdom that have indicated their intentions to form bases in Cape Town and expand into Africa.

FIG 8. INWARD FDI INTO WESTERN CAPE BY MARKETS SERVED, 2008-SEPT 2018



Source: FDI Intelligence, 2018



8. Cape Town is the 2nd largest destination for inward FDI among South African Cities

Cape Town's economy, which contributed 9.8% to national gross domestic product in 2016, is the second-largest municipal economy in South Africa. Johannesburg attracted the largest inward FDI by projects among South African cities accounting for 33% between 2008 and September 2018, followed by Cape Town (18%) and Durban at 4%. These top three cities were also the largest source of outward FDI from South Africa, with Johannesburg accounting for 57%, Cape Town (22%) and Durban (4%).

In 2017, Cape Town ranked 98th out of 3,770 global cities in terms of inward FDI by projects. Cape Town received more investment projects in 2017 than cities such as Seattle, Glasgow, Auckland, St Petersburg and Doha.

Cape Town ranked 4th in terms of inward FDI by projects among African cities between 2008 and September 2018, while Johannesburg ranked as the top city in Africa for inward FDI. Cape Town ranked 2nd in terms of inward FDI by software and IT services projects and business services among African cities between 2008 and September 2018, while Johannesburg ranked as the top city in Africa for these sectors.

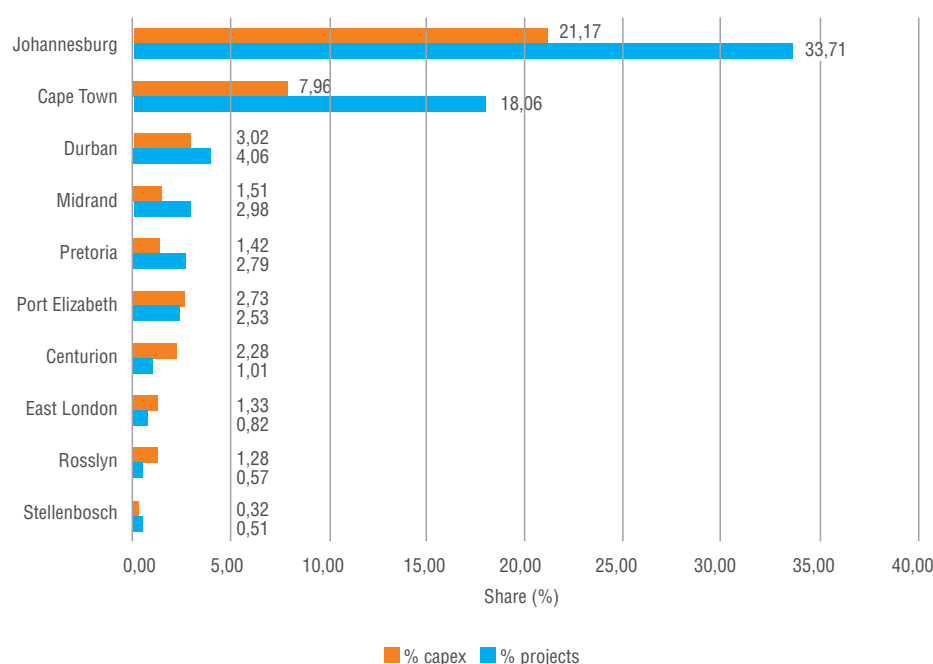
Cape Town attracted the largest amount of FDI projects for consumer electronics (33%), electronic components (34%), real estate (36%) and alternative/renewable energy (36%) among South African cities between 2008 and September 2018.

Some of Cape Town's comparative-advantage factors are as follows:

- *The second-busiest container port in South Africa,*
- *Good public transport linkages in the city,*
- *Servicing a vast agricultural hinterland, acting as a processing, trade and retail hub for agricultural products and exporting beverages such as wines; fruits such as oranges, plums, apples; and juices,*
- *Established business culture and clustering of financial institutions,*
- *Scenic beauty and natural sights that attract international visitors and make Cape Town globally recognised, and*
- *Three major universities within the metro region (among these, the top university in Africa in the form of the University of Cape Town) and another highly regarded university (University of Stellenbosch) just outside the metro boundaries.*



FIG 9. TOP SOUTH AFRICAN CITIES FOR INWARD FDI 2008 – SEPT 2018



Source: FDI Intelligence, 2018

For the 12 months up to March 2018, Wesgro facilitated 18 investments worth R3,04bn, creating 2,426 direct jobs.

One of the success stories from the year was Pegas Nonwovens:

Pegas Nonwovens (Czech Republic) is the largest producer of spunmelt nonwovens in EMEA (Europe, the Middle East and Africa). The company has two production facilities in the Czech Republic, one in Egypt, and has recently invested in a greenfield project in Atlantis, which will employ more than 300 people. The project is an exciting endorsement of the business potential of the Western Cape, and amounts to a FDI injection of more than R1.3bn in Phase I. The investment is another example of the successful collaboration between Wesgro and Green Cape

in supporting inbound investment. Through the Service Level Agreement between the two entities, the investor was provided with end-to-end support, alongside key interventions from the City of Cape Town to facilitate the investment. In accordance with the SLA, the investment and job figures recorded were split 50-50 between Wesgro and Green Cape.

9. Western Cape is 2nd largest province for South African FDI to Africa

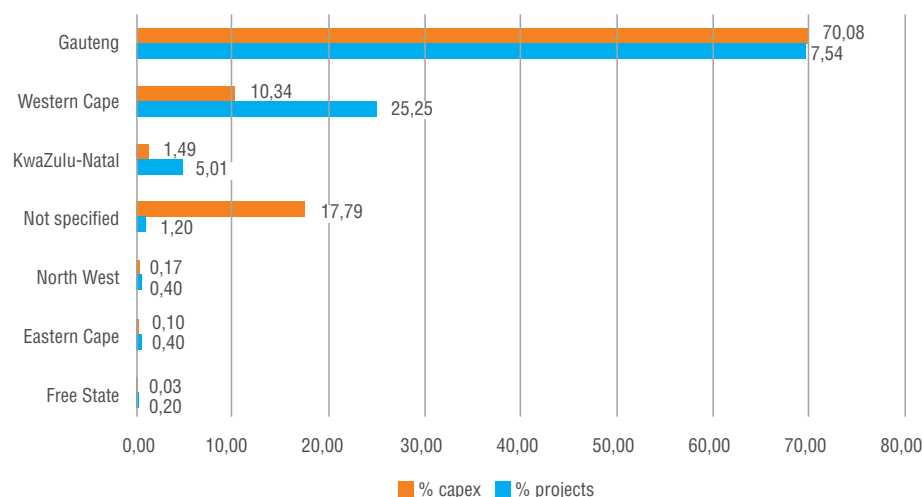
Gauteng is the largest source province for FDI into Africa among South African province's accounting for 68% of projects followed by the Western Cape and KwaZulu-Natal accounting for 25% and 5% respectively between 2008 and September 2018. The largest sectors in terms of projects were financial services (120 projects), communications (72 projects) and business services (60 projects).

In terms of capex the largest African sectors attracting FDI were coal, oil and natural gas; real estate; and communications. Gauteng invested in 337 projects worth ZAR311bn over the decade and the Western Cape invested in 126 projects worth ZAR46bn.



The City of Cape Town has introduced financial and non-financial incentives to attract investments. The City has also introduced the Atlantis Special Economic Zone for manufacturing companies that want to set up in the city.

FIG 10. SOUTH AFRICA'S FDI INTO AFRICA, BY PROVINCE 2008-SEPTEMBER 2018



Source: FDI Intelligence, 2018

10. Africa is the largest destination region accounting for 54% of Western Cape FDI

Africa has been a headline on everyone's agenda over the past 10 years and South Africa has been the 4th largest global investor into the rest of Africa, behind the United States, the United Kingdom, and France (FDIMarkets, 2018). Local businesses are seeing opportunities for business in Africa and have been harnessing these opportunities.

Africa is the Western Cape's largest global destination region for outward FDI both in terms of projects (54%) and capex (54%) between 2008 and September 2018. This was followed by Western Europe accounting for 17% of projects and 17% capex. Over the past 10 years, outward FDI from the Western Cape had an annual average growth of 95% in terms of capex and 54% in terms of projects (FDIMarkets, 2018).

Most outward FDI from the Western Cape into Africa in terms of projects were in the food and beverages sector; followed by the software and IT sector; financial and business services sector; and consumer products together accounting for 79% of all investments. The largest investing companies for outward FDI from the province by number of projects were Shoprite (27), Pick n Pay (10), Carrick Wealth (9), Naspers (9) the Foschini Group (7) and Woolworths (7). These companies made up 55% of outward African investment from the province from 2008 – Sept 2018.

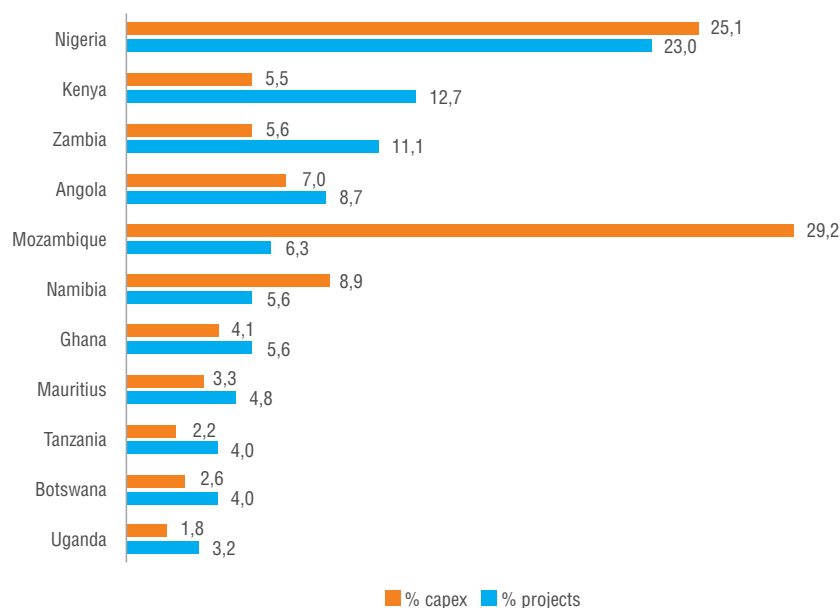
In terms of capex, the largest sectors for outward FDI from the Western Cape into Africa over the last decade were real estate (ZAR17bn); consumer products (ZAR8.3bn) and food & tobacco (ZAR7.7bn); accounting for a combined 72%. The largest investing companies by capex were Shoprite, Novare Equity Partners, Woolworths, The Foschini Group and Distell accounting for 70% of total outward capex into Africa from 2008 – September 2018. The outward investments and projects derived from the province is indicative of its growing economy.

Around 10 of the biggest Western Cape based companies with annual turnover exceeding ZAR9bn have expanded into Africa. These include amongst others Santam Ltd, Distell Group Ltd, The Foschini Group Ltd, Truworths International Ltd and Shoprite Holdings Ltd.



In terms of cities, Johannesburg was the largest South African city investing into Africa, accounting for 57%, followed by Cape Town (24%).

FIG 11. OUTWARD FDI FROM THE WESTERN CAPE TO AFRICAN COUNTRIES, 2008 – SEPTEMBER 2018



Source: FDI Intelligence, 2018

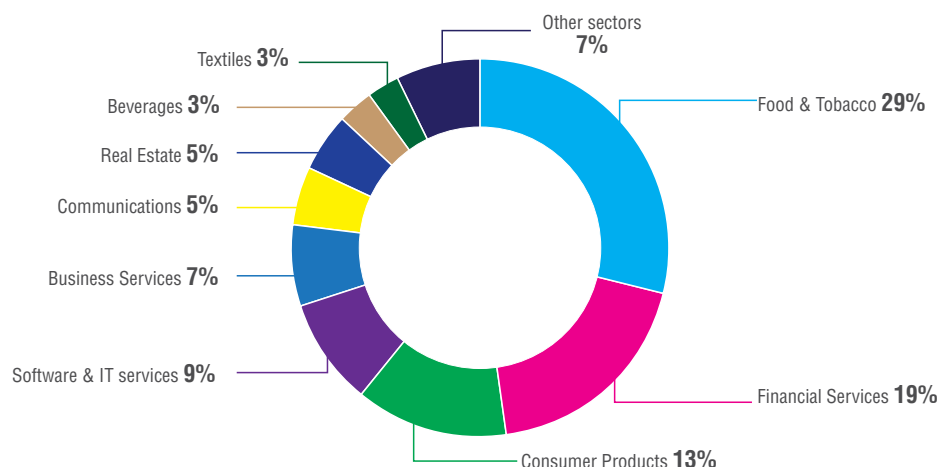
11. Western Cape FDI to Africa: Food and Beverages the largest sector by project and real estate the largest sector by Capex

The food and tobacco sector made up almost a third of all the Western Cape's outward investment into the rest of Africa from 2008 – September 2018.. Businesses investing in the most projects in the rest of Africa in this sector were retailers, Pick n Pay and Shoprite, with one investment from Rainbow Chicken. Financial Services (19%) and Consumer Products (13%) were the second and third largest sectors in terms of projects for outward FDI into the rest of Africa.



Nigeria is the Western Cape's largest African market for outward FDI in terms of projects accounting for 23% followed by Kenya (13%), Zambia (11%) and Angola (9%).

FIG 12. WC FDI INTO THE REST OF AFRICA BY SECTOR (PROJECTS), 2008 – SEPTEMBER 2018



SHOPRITE

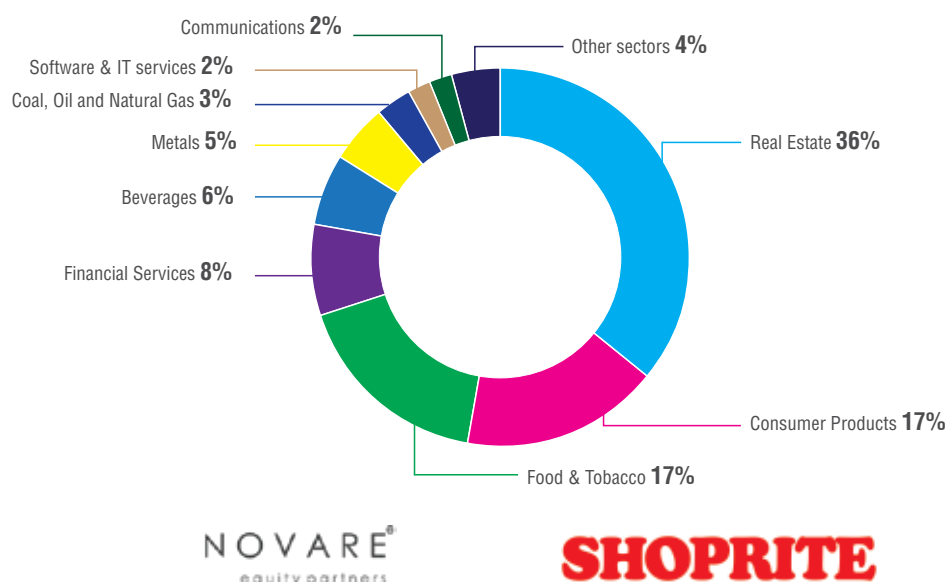
Pick n Pay
Inspired by you



Source: FDI Intelligence, 2018

The real estate sector made up 36% of all the Western Cape's outward investment into the rest of Africa from 2008 – September 2018. Businesses investing in this sector were Novare Equity Partners and Shoprite. Consumer Products (17%) and Food and Tobacco (17%) were the second and third largest sectors in terms of Capex for outward FDI into the rest of Africa.

FIG 13. WC FDI INTO THE REST OF AFRICA BY SECTOR (CAPEX), 2008 – SEPTEMBER 2018



NOVARE
equity partners

SHOPRITE

Source: FDI Intelligence, 2018

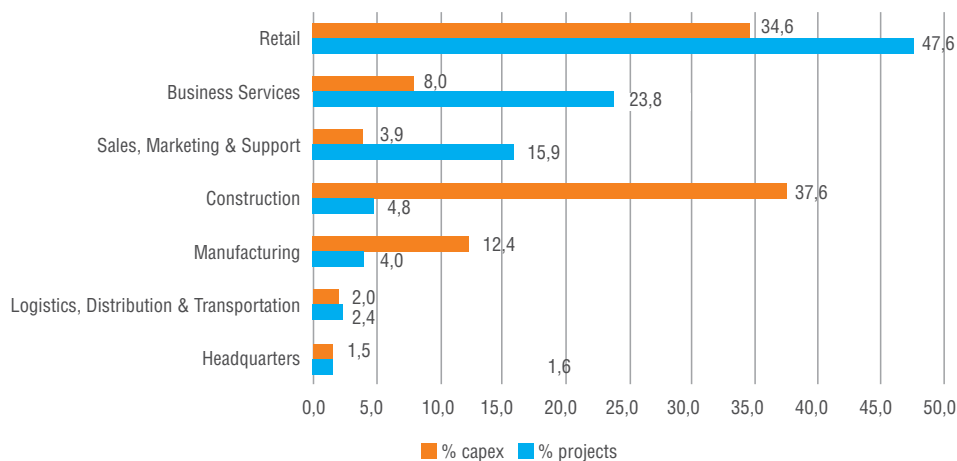


According to FDI Intelligence, in 2018 Carrick Wealth invested in the city of Blantyre. The CEO, Craig Featherby was quoted as saying "We believe that the long-term growth projections for Africa, and especially those we have targeted, such as Malawi, are positive. All of them have shown an increase in GDP over the last five to seven years. And combined with the political stability in Malawi over the last 20 years, we believe this growth bodes well for our new office."

12. Western Cape FDI to Africa: Retail was the largest activity accounting for 50%

The largest business activity undertaken by Western Cape FDI into Africa was for retail (48% of projects), followed by business services (24%) and sales, marketing & support (16%). The attraction of the Sub-Saharan African retail market to potential investors is based on the region's population size and growth prospects. In addition, underdeveloped markets offer the potential for organised retail sectors to emerge. However, poor physical infrastructure, inflationary outlooks and relatively high country risks offset these factors somewhat.

FIG 14. WESTERN CAPE FDI TO AFRICA BY BUSINESS ACTIVITY, 2008 – SEPT 2018



Source: FDI Intelligence, 2018

The Western Cape, aside from being a major investor into Africa, is also one of Africa's major source markets for imported goods. Africa is a growing market with rising consumer incomes, more open economies, increasingly more sophisticated consumers as well as the increased uptake of mobile subscriptions and broadband.

The next section explores the results of a Wesgro survey conducted across 35 Western Cape based companies and their business in the rest of Africa.

The Crazy Store property director, Carl van Rensburg said of their investment in Botswana in 2018 “We were offered a great site, in a prime location, directly outside the entrance to Shoprite, and we felt that we had no choice but to take up the offer.”

Summary of Survey:

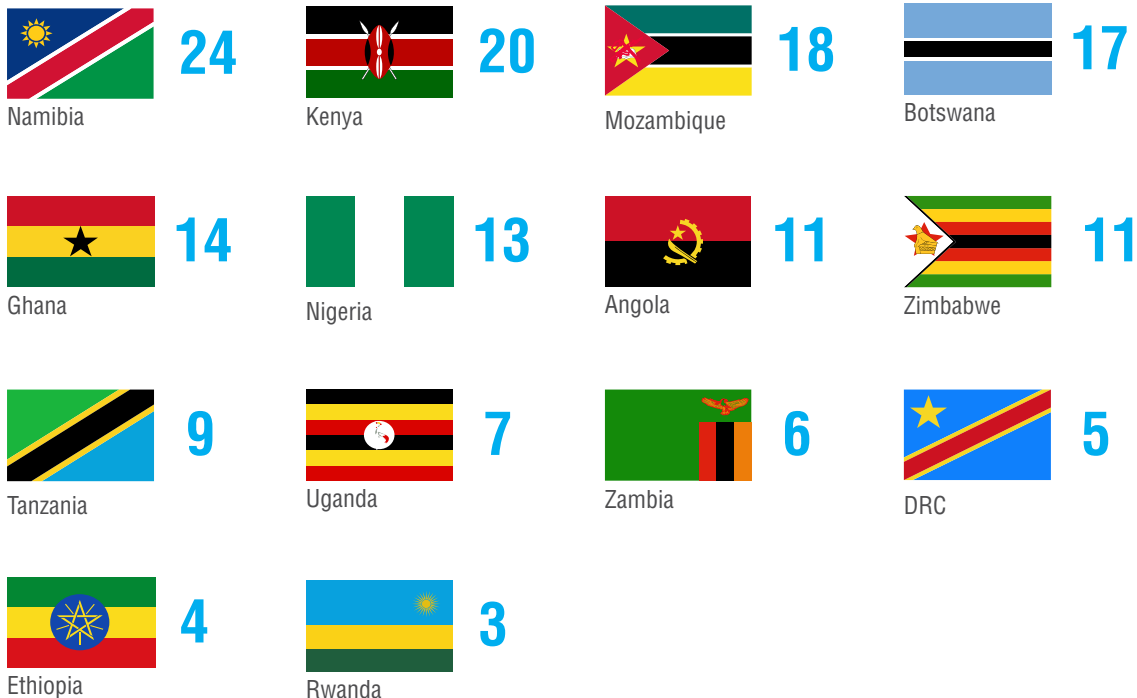
Western Cape Companies Business Strategy into the Rest of Africa

Companies surveyed



- Number of Total respondents doing business in Cape Town: **35**
- Almost half of the companies surveyed primarily provide services, with **29%** providing goods and services
- Almost half of all the respondents were large companies with more than **50 employees**
- Namibia is the most popular destination with **24** companies doing business there, followed by Kenya (**20** companies) and Mozambique (**18** companies).

Where do you have business in the rest of Africa



#

represents the number of companies surveyed doing business in that country.

Number of respondents with subsidiaries in the rest of Africa. Kenya is the most popular destination with 6 companies there, followed by Nigeria (4) and Namibia (3).



Results



Cape Town as a base for doing business

Over half of companies surveyed said that Cape Town was the best or one of the best base cities for doing business into the rest of Africa.

- *Of these companies, some commented that their reason for Cape Town being a base city was that trucking from Gauteng was more expensive than shipping from Cape Town*
- *Many of the respondents cited lifestyle as being a major pull factor. One company mentioned that Cape Town was an attractive destination especially with regard to filming*
- *Many companies found the major drawback to be direct flight access into Africa particularly to West Africa*

1 in 5 company respondents said that Cape Town is not a prominent city relative to other cities to do business in Africa.

Results



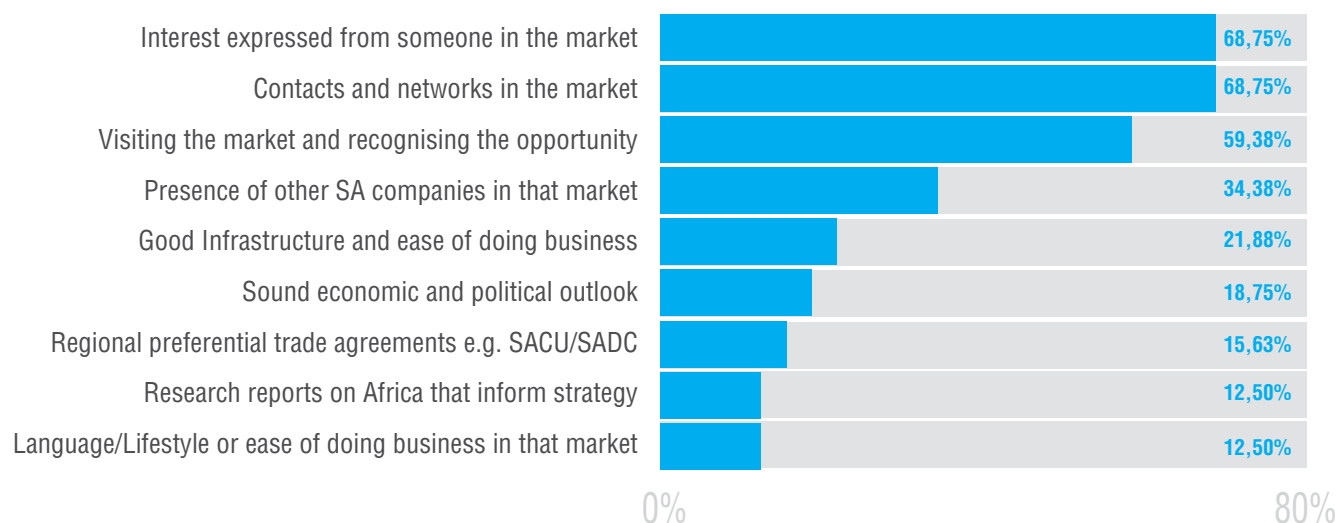
Africa Strategy: What motivates exporting or investing decisions into new African Markets?

- *The most important motivating factors for choosing new African markets for export and investment were: interest expressed from people in the market; contacts and networks in the market; and visiting the market and recognising the opportunity.*
- *Other considerations not mentioned below were regional expositions and conferences in the country and other multinational corporations (MNC's) operating in the country of consideration.*



Sanlam Private Wealth CEO, Daniel Kriel commenting on their investment into Mauritius in 2017 said the "the Mauritian government has created an internationally recognised regulatory framework, and the country's focus on developing the financial services sector has resulted in a highly skilled talent pool."

How do you make your decision for exporting/investing into a new market in the rest of Africa?



Results



Africa Strategy: What are the top reasons for exporting or investing in a certain African market?

- Three quarters of respondents ranked "demand for your product in the market" as the top reason for exporting or investing into a new African market
- Almost half of the respondents ranked "contacts and network" as the second most important reason for exporting or investing
- Just over half of the respondents voted "domestic market possibilities" as the third most important reason for exporting or investing.

The overall export/investment scores are shown below:

What are the top 3 reasons for exporting/investing in a certain market in the rest of Africa?



Demand for your product in that market	6,5
Contacts and network	5,44
Distribution network in that market	4,94
Domestic market possibilities	4,87
GDP growth and economic factors	4,74
Ease of doing business	4,45
Language/Lifestyle	2,8

*the investment score is an index based on how many times a motive was ranked first, second or third with descending values given to each.

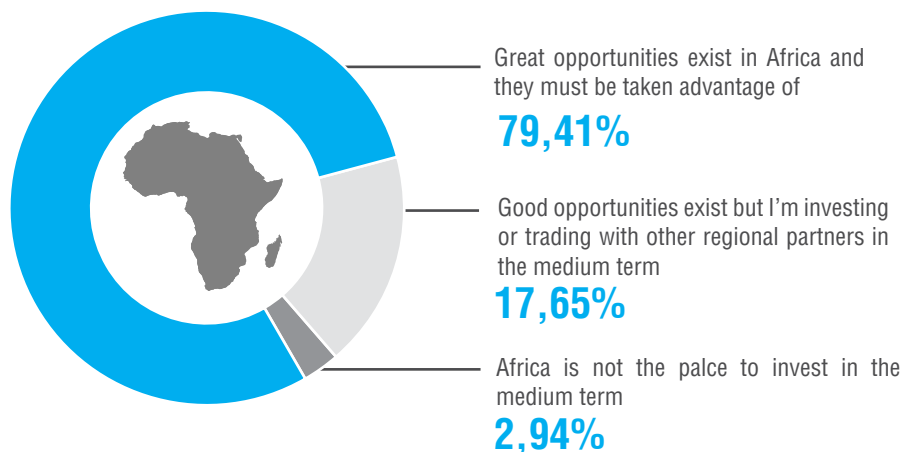
Results



Africa Strategy: What is your outlook for Africa in the next 5 years?

- Almost 100% of companies believe that good or great opportunities exist in Africa
- Four in five companies believe that great opportunities exist in Africa that must be taken advantage of

What is your outlook for Africa in the next 5 years?



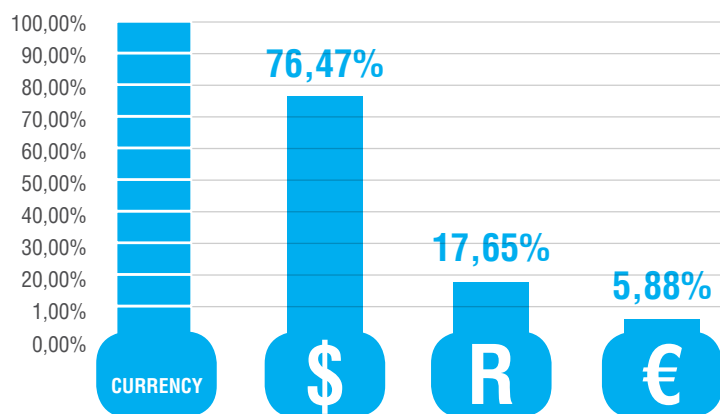
Results



Africa Strategy: What currency do you use for your work in Africa

- Three quarters of the respondents use USD for their work in the rest of Africa
- Around one in five companies use the Rand for their work in the rest of Africa
- None of the companies recorded using cryptocurrency for their work in the rest of Africa

What currency do you use for your work in Africa



Woolworths franchise head, John Fraser commenting on the investment into Nigeria in 2011 said "We are confident about our investment in Nigeria and we are very pleased with the growth prospects of the Nigerian market. The country has a large population with significant and growing middle-and-upper income groups. We have found the right partner in Chellarams to grow the Woolworths brand in Nigeria."

Results



Key developments Respondents believe enable Cape Town as a business hub

- *Innovation and creative implementation*
- *Green economy*
- *Tourism link and parallel link of tourism to other business*
- *We're in the "creative" game (marketing & advertising), so with attractions like the Zeitz Mocaa, First Thursdays and more emphasis on African art, the city becomes quite attractive*
- *Seen as innovative, environmentally conscious, additional air access, expansion of CTICC, Technologically friendly*
- *Improved connectivity with new fiber networks*
- *Cape Town has a vision of Africa's potential aligned with strategic initiatives and economic and political stability with red tape reduction units*
- *The logistic opportunities and the possibilities for growth and the availability of human resources*
- *SEZ in Atlantis with targeted incentives*
- *Cape Town's infrastructure is well developed with the potential of becoming the tech hub of the continent. It has incredible beauty which lends itself to filmmaking*
- *The facilities needed for the export of perishables is of a very high standard*
- *2nd busiest airport (Cape Town International airport) in South Africa and 3rd busiest in Africa.*



According to FDI Intelligence, in 2010 Chief executive officer of Shoprite, Whittey Basson said: "Nigeria has a population of about 140 million people, so quite obviously, it's a massive market it has by infrastructure. It just doesn't have the sort of super market exposure or shopping centre exposure which South Africa has."

Survey conclusion



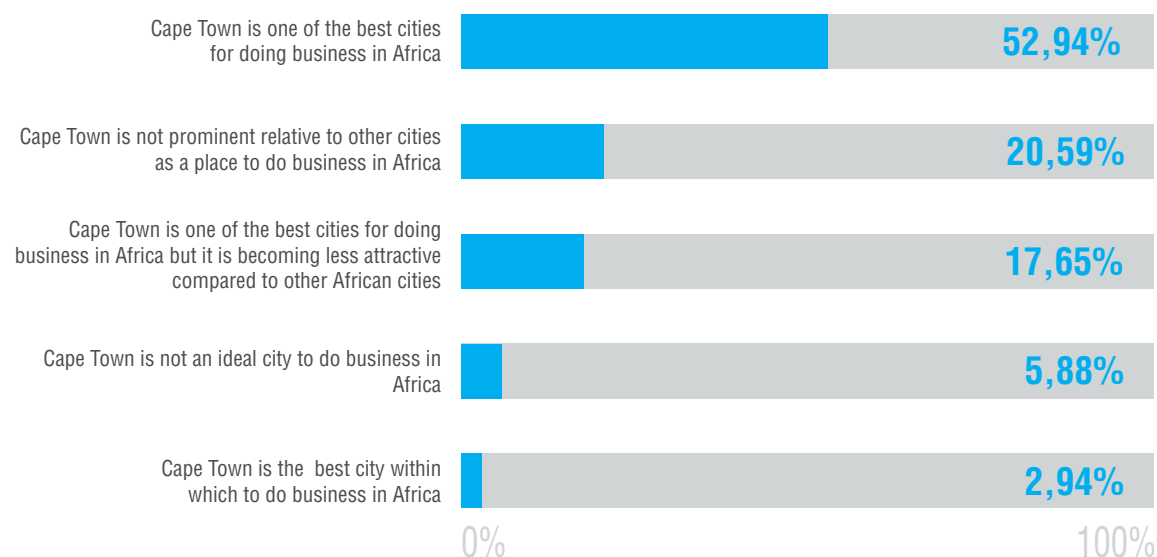
Africa has been a headline on everyone's agenda over the past 10 years mainly due to its high economic growth and rising consumer market. Almost half of the companies investing into the Western Cape have indicated regional and sub-regional motives for investing. Many companies indicated setting up headquarters in the Western Cape and using the province and specifically Cape Town, as a springboard into Africa (FDI Intelligence, 2018).

One of the questions Cape Town companies were asked was How would you rate Cape Town as a base for doing business in the rest of Africa?

Of the thirty-five surveyed Cape Town based companies, 53% rated Cape Town as one of the best cities to do business in Africa. A further 3% of the companies indicated Cape Town as the outright best city within which to do business in Africa. Overall the results showed that 74% of the companies surveyed had a positive perception of Cape Town as a base to do business in Africa. One of the key motives that companies cited as a reason that Cape Town was attractive as a base to business in Africa was its highly sophisticated infrastructure that made it easier for companies to expand into Africa.

Of the surveyed companies, 20.6% of the companies felt that although they would use Cape Town as a base, it was not as prominent relative to other cities as a place to do business in Africa. Companies expanding into Africa have indicated that it can be lucrative, but it is crucial that local businesses understand the importance of implementing effective Africa expansion strategies in order to ensure success.

How would you rate Cape Town as a base for doing business in the rest of Africa?



Western Cape: A Competitive Place for Business

1. Flight connections: Regional and International

Cape Town International Airport is a world-class airport, and is the second largest in South Africa. In 2018, the airport was awarded the best Airport in Africa (Skytrax, 2019). It was also recognised as the best airport globally that services between 5 and 10 mn passengers annually. In 2018, the airport was rated as the 21st best airport in the world by Skytrax, improving 5 places from 2015. It is located approximately 20km from the CBD, and is integrated with other city transport infrastructure. Cape Town International Airport is undergoing upgrades of its domestic and international terminals, along with the realignment of its runway, forming the bulk of Airports Company South Africa's (ACSA) ZAR7.7-bn expansion plans.

According to ACSA (2017), total passengers including domestic, international and unscheduled flights in 2017 totalled 10.7 mn, growing by 6% from 2016. International passengers alone reached 2.4 mn in 2017, growing by 22%. This is not surprising as Cape Town came in at number 3 on the TripAdvisor Top 10 Africa Destinations in 2018. Cape Town International Airport offers direct flights to 25 international hubs such as London, Paris, Amsterdam, Dubai, Qatar, Singapore, Hong Kong, etc., with an average flying time of 10 to 11 hours. In terms of regional flight connections, Cape Town International Airport offers the following direct regional flights:

- *Johannesburg*
- *Kimberley*
- *Lanseria*
- *Durban*
- *Port Elizabeth*
- *East London*
- *George*
- *Plettenberg Bay*
- *Bloemfontein Airport*
- *Upington*
- *Sun City Pilanesberg*
- *Hoedspruit Airport*
- *Nelspruit*
- *Skukuza Airport*

Cape Town serves as a key port of connectivity to other cities within Africa with:

- *7 times a week direct flight to Addis Ababa, Ethiopia*
- *7 times a week direct flight to Maun, Botswana*
- *3 times a week direct flight to Gaborone, Botswana*
- *14 times a week direct flight to Walvis Bay, Namibia*
- *42 times a week direct flight to Windhoek, Namibia*
- *4 times a week direct flight to Livingstone, Zambia*
- *4 times a week direct flight to Luanda, Angola*
- *2 times a week direct flight to Port Louis, Mauritius*
- *9 times a week direct flight to Victoria Falls, Zimbabwe*
- *4 times a week direct flight to Harare, Zimbabwe*
- *4 times a week direct flight to Kigali, Rwanda*
- *12 times a week direct flight to Nairobi, Kenya*





RwandAir launched the four times a week service, operated by a Bombardier CRJ-900, on 16 May 2018, making it the first airline to introduce a direct flight between the Zimbabwean capital and the Mother City.

Commenting on the success of the route, Wesgro CEO, Tim Harris, said: "This service operated by RwandAir demonstrates the benefits of a direct flight: Harare, previously the largest unserved African destination, saw a 46% growth in two-way passengers between June and July 2018, compared to a 1% growth during the same period in 2017. We look forward to an increase in tourism, trade and investment between Cape Town, Harare and Kigali which we believe will be facilitated through increased flight capacity for both passengers and cargo."

"The fact that there is already such a demand on this newly launched route that it requires a seasonal expansion, highlights the potential for trade and tourism opportunities that exists across Africa. This also highlights the importance of a project like Air Access in ensuring that Cape Town is easily accessible, connecting people to those opportunities," added Beverley Schäfer, Western Cape Minister of Economic Opportunities.

2. Rail Infrastructure

Transnet, a state-owned company, manages freight rail in South Africa. Metrorail, a subsidiary of the Passenger Rail Agency of South Africa (PRASA) is the major carrier of rail passengers in the Western Cape. The current investment in rail in South Africa endorses South Africa's ambition to accommodate the fifth-largest railway system in the world by 2019.

In March 2014, Transnet announced a ZAR50bn contract with four manufacturers to build a 1,064-strong locomotive suite. The Transnet rail investment was enabled by an African Development Bank loan of USD250m, with the intention of enhancing cargo capability. By 2019 Transnet Freight Rail (TFR) plans to increase its market share of freight transport by increasing rail freight from around 200 mn tonnes to 350 mn tonnes. To this end ZAR201bn specifically has been invested into TFR to expand its rail infrastructure to create capacity and increase cargo volumes transported by rail. ZAR7bn is earmarked for a rail corridor in Saldanha Bay, Western Cape, from 2015 to 2018, which would dovetail with other infrastructure projects. The Sishen-Saldanha railway line, also known as the Ore Export Line, is an 861 kilometres (535 mi) long heavy haul railway line in South Africa. It connects iron ore mines near Sishen in the Northern Cape with the port at Saldanha Bay in the Western Cape. In 2018 TFR tested the world's longest train to transport manganese to the ports. The September test with 375 wagons in a 4km-long train proved the concept that TFR could haul manganese in this configuration, topping the longest production train in the world, the 342-wagon iron-ore trains running on the same 861km Sishen-to-Saldanha line.

The railway system is the backbone of public transport travel within Cape Town and equates to 55% of the public transport market share with 620 000 rail passenger trips a day on Metrorail services (PRASA, 2018). There are 51 train sets, 489km of track and 123 stations, including halts in the Western Cape (PRASA: 2018). The Khayelitsha-Cape Town corridor is one of the busiest railway corridors within the Western Cape. Due to the importance of the railway system, the city has partnered with PRASA to ensure its' continual integrated upgrade and sustainable development. The City of Cape Town is planning extensions to the rail network, such as the Blue Downs rail line and doubling the Strand rail line etc. The Cape Town CBD station provides a world class central point providing safe, appealing and efficient infrastructure to commuters with 24 platforms and other inter-modal transfers. Due to the importance of specific railways stations that serve as interchanges, a number of stations have been identified for development and or construction, for example the provision of a rail connection to the Cape Town airport. This will be achieved by building a $\pm 4,5$ km rail link between the airport

and the existing Bellville – Sarepta line to the north. The rail link will enable the movement of people between the airport and Cape Town Central Business District, as the main destination and source of trips (PRASA MTEF 2019-2021).

A visual map of the five rail lines is shown below:



3. Port Infrastructure

There are three major ports in the Western Cape namely the Cape Town Port, the Mossel Bay Port and the Saldanha Bay Port, the latter focuses on oil and gas with an Industrial Development Zone (IDZ) to this end. The Transnet National Ports Authority has a collaborative approach with the private sector to help establish the region as a major transport and logistics hub. Together the three Western Cape ports handle around 30% of the cargo in South Africa in 2017 (BER, 2018). The Western Cape has the fifth lowest logistics operating costs compared to 15 of its global city peers according to the Financial Times (Johannesburg, Hong Kong, Sydney, Kuala Lumpur, New York, London, Mexico City, Casablanca, Tunis, Beijing, Moscow, Cairo, Mumbai, Rio de Janeiro).

The Cape Town port is situated on one of the world’s busiest trade routes. It serves a vast and growing international import and export market that traverses between Europe and the Western Hemisphere, as well as the Middle East and Australia. This strategic position delineates the port as an important economic location and gives it the weight of being South Africa’s second busiest container port. Cape Town port is one of eight commercial logistics ports in the country. The port serves not only as a centre for imports and exports, but for vibrant trade in retail, tourism, the creative industry and the ship repair industry. The Cape Town Container Terminal (CTCT) Phase 2B project which started in 2018 involves resurfacing work and the creation of a truck staging area and ancillary works. This will increase the terminal’s capacity by 0,4m TEUs, from 1.0m TEUs to 1,4m TEUs.

The ports’ repair and maintenance facilities serve Asian fishing fleets as well as the emerging oil and gas industry in West Africa and this industry is set to expand from 2023 onwards. In the Cape Town port, agricultural cargo usually requiring refrigeration dominates exports. The main challenge for the Cape Town port is the weather, the port often being wind-bound, causing delays.



Port Features	Cape Town Port 2018
Containers handled (mn TEU's)	0.9
Container dwell time at container terminal (Imports)	2.7 days
Container dwell time at container terminal (Exports)	5.8 days
Container dwell time at container terminal (Transshipment)	7.2 days
Transshipment Rate (% container)	20%
Operating model	Mixed Model
Train turnaround time (hrs)	1.1
Truck turnaround time (minutes)	36
Moves per gross crane hour	30
Container moves per ship working hour	45

Source: Transnet Port Terminals, 2018 annual report.

4. Road Infrastructure

Cape Town has an extensive and well developed road system connecting the Central Business District (CBD) to other economic hubs in South Africa, as well as areas within the city and province. The CBD is serviced by three arterial routes that provide access to and from outlying areas and surrounding regions. The N1 connects the city to Stellenbosch, Wellington and further north towards Johannesburg. The N2 provides access to major centers along the east coast including Port Elizabeth and Durban, whilst the N7 serves to connect the city along the West Coast to Saldahna and the Northern Cape through to Namibia. Additionally, municipal roads such as the M5, M3 and the main road provide a web of connectivity for residents. The Western Cape government has budgeted ZAR3.6bn for transport infrastructure and ZAR1.3bn for transport operations in the 2018/2019 year.

Cape Town's roads are the City's largest asset, valued at an estimated ZAR91.8 bn. Cape Town roads make up around 11 000km with around 2 000 bridges (TDA, 2019). The city of Cape Town has begun its Congestion Management Program to reduce traffic problems and plans to spend more than ZAR780m over five years on road infrastructure projects. Cape Town has allocated more than ZAR1.4bn to modernise the Bus Rapid Transit (BRT) routes. These new routes will allow for five times the number of passengers currently using the BRT network. Cape Town is the first African city to use electric vehicles in the public transport system, investing in a fleet of electric buses (Engineering News: 3 Oct 2018).

The road freight tonnage transported in South Africa in 2017 was 687m tonnes. The road freight component of transport made up 80% of total freight volumes in 2017 increasing its market share from rail from 2016 (StatsSA: Land Transport Survey, 2018).

5. ICT Infrastructure

In 2017 South Africa was recorded to have 6 fixed telephone subscribers per 100 inhabitants, 3 fixed broadband subscribers and 162 mobile cellular subscribers (World Bank, ITU, 2019). The use of cell phones to access online data is thus growing because of the growth in cell phone use. Fixed-line telephony is dominated by Telkom, which is listed on the JSE and majority owned by the Department of Communications. South Africa has four major licensed mobile operators: MTN, Vodacom (majority owned by UK's Vodafone), Cell C (75% owned by Saudi Oger, an international telecommunications holdings firm), and Telkom Mobile. MTN has notably penetrated a sizable market in 22 countries across Africa and the Middle East. The International Telecommunication Union (ITU) ranks South Africa as the 3rd performing African country in the ICT Development Index 2017, after Mauritius and the Seychelles.

The sub-Saharan undersea cables that connect directly to the Western Cape include the WACS (West Africa Cable System), a fibre optic cable linking South Africa with the United Kingdom along the west coast of Africa running at 500Gbits/s. The ACE and the SATE are other cables connected directly to the



Western Cape. A new 25,000km submarine network cable linking Asia, South Africa, and America has also been proposed for 2021 (Alcatel Submarine Networks, 2019). The ICT infrastructure in the Western Cape allows top technology companies to thrive, these include Naspers, DimensionData, Amazon etc.

The ICT sector is well established in the Western Cape with the Province investing ZAR3bn in to expand broadband connectivity in libraries, schools, clinics and offices, and helps to position the region as a leading global digital hub. This improving infrastructure, together with incentives and world-class ICT companies, sets the scene for the sector in the Western Cape. In 2018 the Western Cape Government joined Liquid Telecom SA to increase free public WiFi hotspots in the Province from 178 to 1 600.

The CapeIT initiative

- *Bandwidth Barn*
- *Silicon Cape Initiative*
- *Blackberry Apps Lab*
- *IBM Initiatives Centre*

6. Proximity to key clients or markets and suppliers

Nationally, Cape Town is accessible to the other two major metropolitans by air, road and rail. There are around 38 direct 2 hour flights from Cape Town to Johannesburg per day and a drive on the N1 will take around 13 hours. There is also the option of a 25 hour train journey on Shosholoza Meyl trains. From Cape Town to Durban there are around 7 direct 2 hour flights per day and a drive on the N2 will take around 16 hours. The overall South African consumer base consists of a population of 57.7 mn people in 2018, 12% of which live in the Western Cape. Gauteng hosts 26% of the population while Kwa-Zulu Natal hosts 20% (STATSSA, 2018).

Africa is geographically the closest supplier for the Western Cape. The Western Cape is relying more heavily on Africa for the import of goods, particularly petroleum oil. The Cross-border Road Transport Agency (CBRTA) in South Africa found that the issue of permits to freight carriers from neighbouring countries such as Botswana, Namibia and Mozambique tallied 8 080, 5 630 and 9 230 in 2017/2018.

In relational terms the Western Cape is close to the EU and the United States and in geographic and relational terms there is a close proximity to the rest of Africa. The province has advantageous access to international markets through preferential trade agreements such as AGOA (United States) and the Economic Partnership Agreement (EPA) with the EU, strengthening relational and trade ties. The Economic Partnership Agreement (EPA) improves market access for 32 agricultural products, and recognises Geographical Indicator Status (GIS) for Rooibos, Karoo Lamb etc. South Africa is also a member of the Southern Africa Development Community (SADC) and the Southern African Customs Union (SACU). South Africa is used as a geographic gateway to the African market and the Western Cape is strategically positioned for African market access offering opportunities for oil and gas service providers to the West African markets, e.g. Angola and Nigeria. Both SADC and the EU are complementary markets for the Western Cape as their imported products from the Western Cape differ, with the EU being agriculture heavy and SADC demanding more oils and mineral products from the Province.

The Western Cape's regional exports in 2017 show that Africa is still the largest opportunity for Western Cape exports worth an estimated ZAR45bn. Europe and Asia come in second and third, valued at ZAR36bn and ZAR23bn respectively.

Integrated transport systems between the Western Cape and other African countries create corridors for trade. The Trans-Kalahari corridor connects the South Africa to other SACU Member countries with paved roads and rail transport, with the Maputo corridor then connecting on to Mozambique on the East coast. The most notable mega road corridor in Africa is the North-South corridor from Cape Town to Cairo. This road passes Johannesburg, Nairobi (Kenya) and Addis Ababa (Ethiopia) along the East coast of Africa. The North-South corridor network includes the Dar es Salaam Corridor and segments of the Trans-Kalahari and Nacala Corridors. This road network spans 8 countries and a total of 10,647 km of road. In terms of both traffic and freight volumes, it is the busiest transport network across the 27 countries that make up the Tripartite region (SADC, CEMESA and the EAC). The Trans-Cunene corridor



also links Cape Town with Kinshasa (Democratic Republic of Congo), through Luanda (Angola) on the West coast of Africa through the Trans-Kalahari corridor (Namibia).

The largest share of imports into the Western Cape is from Asia (52%), with imports valued at ZAR96bn. Europe (21%) and Africa (20%) are ranked as the second and third largest import regions, with a value of ZAR38bn and ZAR37bn respectively. The relationship that South Africa has with India and China consists of strong ties on bilateral, continental and multilateral levels, enhanced through the BRICS relationship. Trade between the Western Cape and China was at ZAR37bn in 2017 and trade with India totalled ZAR15bn. The momentum building behind more than a decade and a half of cooperation is producing closer economic ties that mirror the burgeoning bilateral diplomatic relationship.

7. Presence of embassies/consulates/chambers of commerce

Cape Town hosts 1 chamber of commerce, namely the Cape Chamber of Commerce and Industry. Of the 248 consulates and embassies in South Africa, Cape Town hosts 52, which are listed below:

Angola	Germany	Mozambique	Sudan
Austria	Ghana	Namibia	Sweden
Belgium	Greece	Netherlands	Switzerland
Bulgaria	Guatemala	New Zealand	Turkey
Brazil	Hungary	Norway	United Kingdom
Canada	Iceland	Paraguay	USA
China	India	Philippines	Vanuatu
Chile	Indonesia	Portugal	Zimbabwe
Colombia	Italy	Romania	
Cyprus	Lithuania	Russia	
Denmark	Japan	Seychelles	
Estonia	Madagascar	Slovakia	
Finland	Malta	Slovenia	
France	Maldives	Spain	
Georgia	Mauritius	Sri Lanka	

8. Trade & tax agreements

South Africa's broad economic policy includes schemes designed to encourage and promote international competitiveness and access to the global market. Therefore multiple free-trade and bilateral agreements have been signed towards removing barriers to trade and gaining increased market access, these include Southern African Customs Union (SACU), Southern African Development Community (SADC) FTA, Africa Growth and Opportunity Act (AGOA) and the Economic Partnership Agreement (EPA). South Africa's bilateral agreements are available on the Department of Trade and Industry website www.thedti.gov.za.

The Western Cape government has also entered into bilateral agreements with states of foreign governments. The agreements are designed to increase the development of mutual co-operation between the states. The list below describes the key agreements entered into between the Western Cape government and foreign states.

- *California – 2001: Co-operation in trade and investment, agriculture, tourism, education and culture, social services.*
- *Florida – 1995: Co-operation in a free exchange of economic, tourism, trade and cultural information.*
- *Bavaria – 1995: Co-operation agriculture, education, environmental, economic development, high-tech.*



- *Upper Austria - 2000: Co-operation technology, environment, education, agriculture, nature conversation.*
- *Burgundy – 2002: Co-operation in initial and professional training in agriculture, economy and tourism.*
- *Georgia - Co-operation in unlocking trade and investment.*
- *Shandong – Co-operation in agriculture, trade and investment, economic cooperation and tourism*
- *Madeira-1999: Co-operation in trade, industry, tourism and cultural exchange*
- *Tunis: co-operation in economic, social, health and cultural areas*
- *Busan: co-operation in investment, trade, science, technology, tourism and cultural links*
- *St Petersburg: co-operation in healthcare*

South Africa has also signed a number of double tax agreements (DTA) with a number of countries. The purpose of the agreements between the two tax administrations of two countries is to enable the administrations to eliminate double taxation. The Double Taxation Agreements (DTAs) and Protocols that are already in force can be located on the South African Revenue Service website www.sars.gov.za.

9. Quality of life & Cost of living

The Western Cape Government is committed to providing all citizens the opportunity to improve their quality of life and the chance to realise their potential. There is a growing trend of foreigners choosing to live in the Western Cape. The reasons for relocation range from:

- *top tertiary education institutions offered to students*
- *the combined outdoor and vibrant city lifestyle offered in Cape Town*
- *a vast number of cultural and sporting activities and internationally acclaimed landmarks*
- *seasonal tourist destinations where a number of foreigners invest in holiday homes including in coastal fishing villages, wine farms or in the numerous high-end residential suburbs across the province*
- *a world-class investor and innovative business environment with opportunities in a variety of general and niche economic sectors*
- *accessibility to world-class infrastructure*
- *opportunities for employment in stimulating industries*
- *cheaper living standards in some of the other provincial towns*

Cape Town has won a number of accolades and awards. The key accolades and awards are provided below:

- *Cape Town voted best African business tourism event destination in 2017 (International Congress and Convention Association, ICCA, 2017). It is the fourth consecutive win for the city.*
- *Cape Town International Airport voted best in Africa in 2017 (Skytrax World Airport Awards, 2017)*
- *Featured in Fodor's Go List 2017*
- *Western Cape voted Golf Destination of the Year, 2017, Africa and Gulf States (IAGTO – International Association of Golf Tour Operators).*
- *Awarded the Conde Naste Readers' Travel Awards 2016 for Best Overseas City for Restaurants & Bars, as well as the second best overseas city in the World.*
- *The 2015-16 Telegraph Travel Awards chose Cape Town as Best City (for the fourth year running)*
- *In Condé Nast's Reader's Choice Awards, Cape Town took the honour as the number one food city in the world for 2016*
- *Cape Town has been named as Luxury City Destination of the Year for the second consecutive year in the Luxury Travel Guide Africa & Middle East Awards 2016.*
- *The Best City in the World (Telegraph Travel Awards, 2015/2016);*



- One of the Top 10 cheapest global travel cities (Trip Adviser, 2013);
- Number 1 Convention city in Africa & Middle East (International Congress and Convention Association, 2012-2015);
- Number 1 on the New York Times' 52 Places to Go in 2014 (Condé Nast Traveler Readers' Choice Awards for 2013);
- The Cape Town International Convention Centre was voted as the best conference and events venue in South Africa (SACCI, 2015 – 2016);
- Africa's Leading Meetings and Conference Destination (World Travel Awards 2013);
- Top City in Africa and the Middle East (Travel & Leisure's annual online poll 2015);
- One of the World's Top 20 Cities 2010 (Condé Nast Traveler Readers' Travel Awards);
- One of the World's Top 10 Most Loved Cities (CNN);
- Best City Award 2016 (The Telegraph Awards);
- One of the Top 10 Beaches in the World (National Geographic, 2013);
- World's Best Luxury Entertainment & Lifestyle Destination (Ethisphere, 2015);
- World Design Capital 2014; and,
- One of the World's Most Beautiful Cities 2010 (Forbes)

Cape Town, is ranked as the 39th cheapest place for expatriates out of 209 cities on Mercer's Cost of Living Index 2018. It is the 16th cheapest amongst African cities and remains an affordable place to live in and to do business.

10. Electricity cost and access

Eskom is a state-owned enterprise that generates approximately 95% of the electricity used in South Africa and approximately 45% of the electricity used in Africa. Across South Africa 5 procedures and 114 days are required on average for a business to obtain a new electricity connection. The process only takes 79 days in OECD high-income economies. Overall Cape Town is ranked first among 9 municipalities surveyed in terms of the ease of getting electricity connection in the Doing Business in South Africa 2018 document. Getting electricity in Cape Town takes 4 procedures and 91 days.

The Integrated Resource Plan for Electricity 2010-2030 stipulates that the South African government is expected to purchase an estimated 19 200 MW of renewable energy over a 20 year period. The Provincial Government of the Western Cape has identified renewable energy as a key growth sector and has already generated significant investor interest. Successful renewable energy projects in the Western Cape have been directed towards solar photovoltaic and onshore wind. Key companies investing into the Western Cape's renewable energy sector include Juwi (Germany), SOITEC (France), Wind Prospect (United Kingdom), Terni Research (Italy) GRI (Spain), SunPower (France) and Jinko (France).

The table below shows the current electricity tariffs for both domestic and commercial customers in the City of Cape Town area.

ELECTRICITY TARIFFS FOR CITY OF CAPE TOWN AREA: EFFECTIVE TARIFFS FROM 1 JULY 2018 (INCL VAT 15%)				
Domestic Customers		Daily service charge (ZAR)	Energy charge (*c/kWh)	Demand Charge (*ZAR/kVA)
Domestic	Block 1 (0 - 600kWh)	-	210.32	-
	Block 2 (600.1 + kWh)	-	255.75	-
Lifeline	Block 1 (0 – 350kWh)	-	126.85	-
	Block 2 (350.1 +kWh)	-	255.75	-
Commercial Customers		Daily service charge (ZAR/DAY)	Energy charge (c/kWh)	Demand Charge (ZAR/kVA)
Small Power Users 1		56.73	161.75	-



Small Power Users 2	4.45	284.50	-
Large Power Users (medium voltage)	106.27	147.57	220.59
Large Power Users (Medium Voltage)	106.27	117.17 (low demand Standard Sep to May)	108.51
Large Power Users (High Voltage Time of Use tariff 66kV or 132kV)	106.27	112.67 (low demand Standard Sep to May)	103.34
*Investment Incentive Tariffs	Daily service charge (ZAR/DAY)	Energy charge (c/kWh)	Demand Charge (ZAR/kVA)
Investment Incentive SPU	56.73	14.11	-
Investment Incentive LV	108.40	95.54 low demand Standard Sep to May)	178.33
Investment Incentive MV	106.27	95.54 low demand Standard Sep to May)	108.51

Source: City of Cape Town, 2019

*c/kWh=cents per kilo watt hour

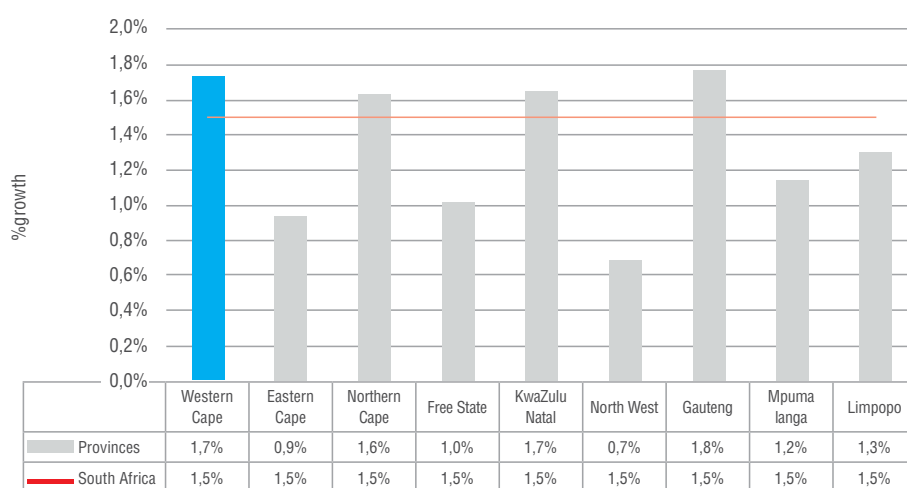
* ZAR/kWh= Rand per kilo watt hour

11. Economic and political stability

In 2016, the Western Cape economic growth outperformed that of the national economy by 0.5 percentage points, at 1.1%. GDP growth in the Western Cape is expected to consistently outperform national GDP growth into the future. The strong growth in the Western Cape is largely owing to the structure of the regional economy differing significantly from that of the national economy, in that the regional economy is a services economy (74% in 2016) with strong agricultural exports.

Compared to other provinces, the Western Cape has consistently outperformed in terms of average annual growth from 2013 to 2017 along with the Gauteng province. The Western Cape economy averaged 1.7% growth in this period, outperforming the national economy, which averaged 1.5% in this period.

SOUTH AFRICA'S AVERAGE ANNUAL GDP GROWTH, 2013-2017



Source: BER, 2019

*based on preliminary 2017 provincial data



The 2018 Ibrahim Index of African Governance (IIAG) shows that South Africa ranks 7th out of 54 African countries. The IIAG provides a framework for citizens, governments, institutions and the private sector to accurately assess the delivery of public goods and services, and policy outcomes, across the continent. South Africa's index score was 68 out of a 100 in 2018. The overall governance in South Africa has shown a decline (or no change) over the last ten years, but is showing recent progress according to the Index.

12. Legal protection/enforcement of contracts

According to the World Bank Ease of Doing Business Report (2019) South Africa ranks high in terms of protecting minority investors (23 out of 190 countries). Protecting minority investors is the best ranking South Africa obtained compared to all the other ten measures. Protecting minority investors measures conflicts of interest through one set of indicators and shareholders' rights in corporate governance through another.

The Ease of Doing Business Enforcing Contracts measures the time, cost and quality of judicial process. Resolving a commercial dispute in South Africa takes on average 600 days and costs 33.2% of the claim value. The quality of the judicial process is 7/18 measured via four areas of best practice: court structure and proceedings, case management, court automation and alternative dispute resolution.

13. Financial infrastructure/regulations

The South African banking system is well developed and their activities are monitored in terms of either the Banks Act (No. 94 of 1990), or the Mutual Banks Act (No. 124 of 1993). It is efficiently represented by the Banking Association of South Africa which has sub-committees that overlook capital supervision, credit risk, consumer affairs and the SA Securities Lending Association. The South African Reserve Bank is required to achieve and maintain price stability in the interest of balanced and sustainable economic growth in South Africa. South Africa's Fitch and Moody's credit rating is BB+ and Baa3 respectively.

Backed by a sound regulatory and legal framework, the South African financial and business services sector is highly sophisticated and developed, and provides a full range of services in commercial, insurance, retail and merchant banking, investment, and mortgage lending. The five key players in South Africa's banking sector are FNB, ABSA, Standard Bank, Nedbank, and Capitec which is based in Stellenbosch, and has opened the market to those previously segregated from the formal banking and financial sector. All these institutions have offices within the Western Cape and offer extensive services.

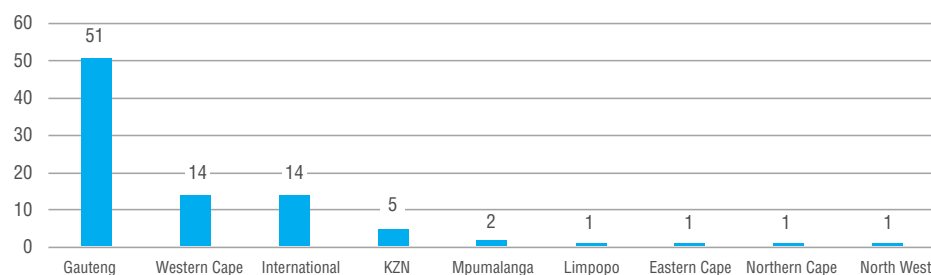
The Western Cape has a number of business services established in the province, these range from legal services, architectural services, accounting services, research and consultancy services and engineering services. The Western Cape's financial and business services sector is the largest contributor to the province's GDP accounting for 30% in 2017. The GDP value of the sector increased from ZAR115.8bn in 2015 to ZAR118bn in 2016.

There has been a marked trend in the relocation of existing business and financial service companies, as well as the establishment of new companies in the Western Cape, and Cape Town specifically. Notably, a large proportion of these companies are in the area of private investment and asset management services, as well as within insurance and personal services.

Additionally, a number of renowned investment and financial advisors such as Price Waterhouse Coopers, PSG Group and Investec are based in the Western Cape. There is a big presence of insurance companies in the Western Cape. There are several large insurance companies with offices in the province including Metropolitan (MMI Holdings), Santam which is headquartered in Bellville, and Old Mutual where 85% of non-sales staff are based in Cape Town.



CONCENTRATION OF FINANCE COMPANIES PROFILED PER PROVINCE – REGISTERED HEAD



Source: WhoOwnsWhom, 2018

14. Availability of incentives

South African government departments offer an array of incentive schemes to stimulate and facilitate the development of sustainable, competitive enterprises. The DTI, in collaboration with other public and private sector entities have developed a number of incentive schemes to assist with the growth of certain sectors.

Key DTI incentives include: Manufacturing Competitiveness Enhancement Programme (MCEP, currently on hold as of January 2019), Sector Specific Assistance Scheme (SSAS), Support Programme for Industrial Innovation (SPII), 12i Tax Incentive, Automotive Investment Scheme (AIS), Critical Infrastructure Programme (CIP), South Africa Film and Television Production and Co-production Incentive.

The province and service nodes such as Cape Town and George have also developed a number of incentives specific to delineated locations which are mainly geared towards industry support and investor attraction. Additionally, a number of municipalities are currently developing their incentive strategies which will serve to guide investors on the key opportunities that exist in their regions. These incentives include:

- **City of Cape Town** - *Urban Development Zone (UDZ) tax incentive*
- **Atlantis Green Special Economic Zone (SEZ)** - *provides sites for renewable and green industry manufacturing businesses looking to locate in the Western Cape. SEZ incentives include:*
 - *Preferential 15% Corporate Tax and Tax Relief.*
 - *Building allowance and Tax Relief.*
 - *Employment Tax Incentives.*
 - *Customs Controlled Area Tax Relief.*

Other incentives are available in areas of high unemployment and within key sectors. Consult the City's Investment Incentives Policy for more details.



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