

Why is South Africa an attractive location for investing in Polypropylene beneficiation?

Presentation to xxx
dd Month YYY

Images to be added as part of desktop publishing



The National Economic Development and Labour Advisory Council (NEDLAC) brings together government, organised business, organised labour and organised community groupings to discuss issues of social and economic policy. It aims to make economic decision-making more inclusive, and to promote the goals of economic growth and social equity.

Reasons why South Africa is an attractive location for investing in polypropylene beneficiation

Access to competitively-priced polypropylene and other raw materials

Access to key markets

Effective government and industry support

Vibrant polypropylene beneficiation industry

Competitive operating environment

Government investment in infrastructure:	R420bn committed for 2007 to 2009
South African GDP growth:	5% in 2006
Retail sales growth:	15% per year from 2001 to 2006
Total SADC consumers:	215 million
Foreign direct investment in South Africa:	US\$69bn (R500bn) in 2005

Opportunities to invest in South Africa

- ▶ Sustainable and responsible investment, based on:
 - Broad-based black economic empowerment
 - Sound environmental management
- ▶ Investment in partnership with local companies:
 - Joint ventures and partnerships
 - Technology agreements
- ▶ Key sectors for investment:
 - Automotive components
 - Packaging
 - Building and construction materials

Access to Polypropylene and other raw materials

- ▶ **Abundant supply of Polypropylene**, available at competitive prices for exported products
 - Current supply of **350 ktpa**, which is in excess of local demand
 - Sasol investing in **300 ktpa additional capacity**
- ▶ **Wide availability of other locally-manufactured inputs**
 - Range of other **thermoplastics** (HDPE, LDPE, PET, PVC)
 - **Engineering and speciality polymers**
 - Range of **natural fibres**, including kenaf and wood fibres
 - **Metals** and fabricated metal products

Access to key markets

Large developed country markets

- ▶ **The US:** The Africa Growth and Opportunity Act (AGOA)
- ▶ **Europe:**
 - the EU-Trade and Development Cooperation Agreement (SA-TDCA)
 - SACU-European Free Trade Association (SACU-EFTA)

Fast-growing developing country markets

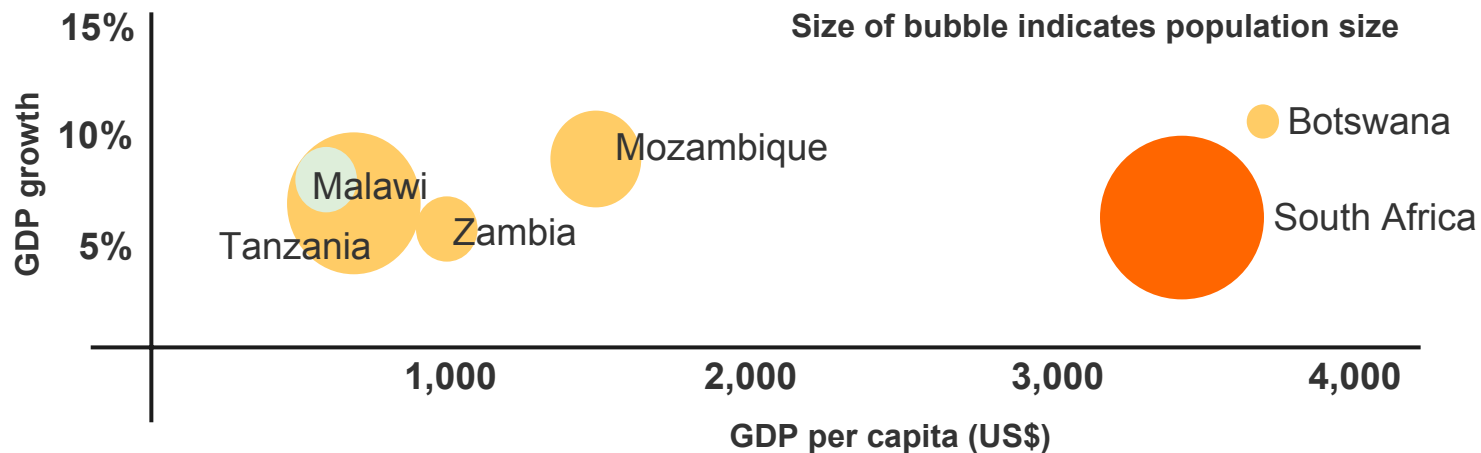
- ▶ **Growing Southern and East African markets:**
 - Southern African customs Union (SACU)
 - Southern African Development Community (SADC)
- ▶ **Strengthening links with China, India, Brazil**

Range of consumer and industrial products covered, including automotive components, packaging, building and construction materials

Access to key markets

(2)

▶ Regional markets are growing strongly:



▶ South Africa offers an ideal location to serve these markets:

- World-class trade and logistics infrastructure, with transport links to regional countries being upgraded
- Strong links due to regional trade agreements and outward investment
- Sophisticated financial and telecommunications services

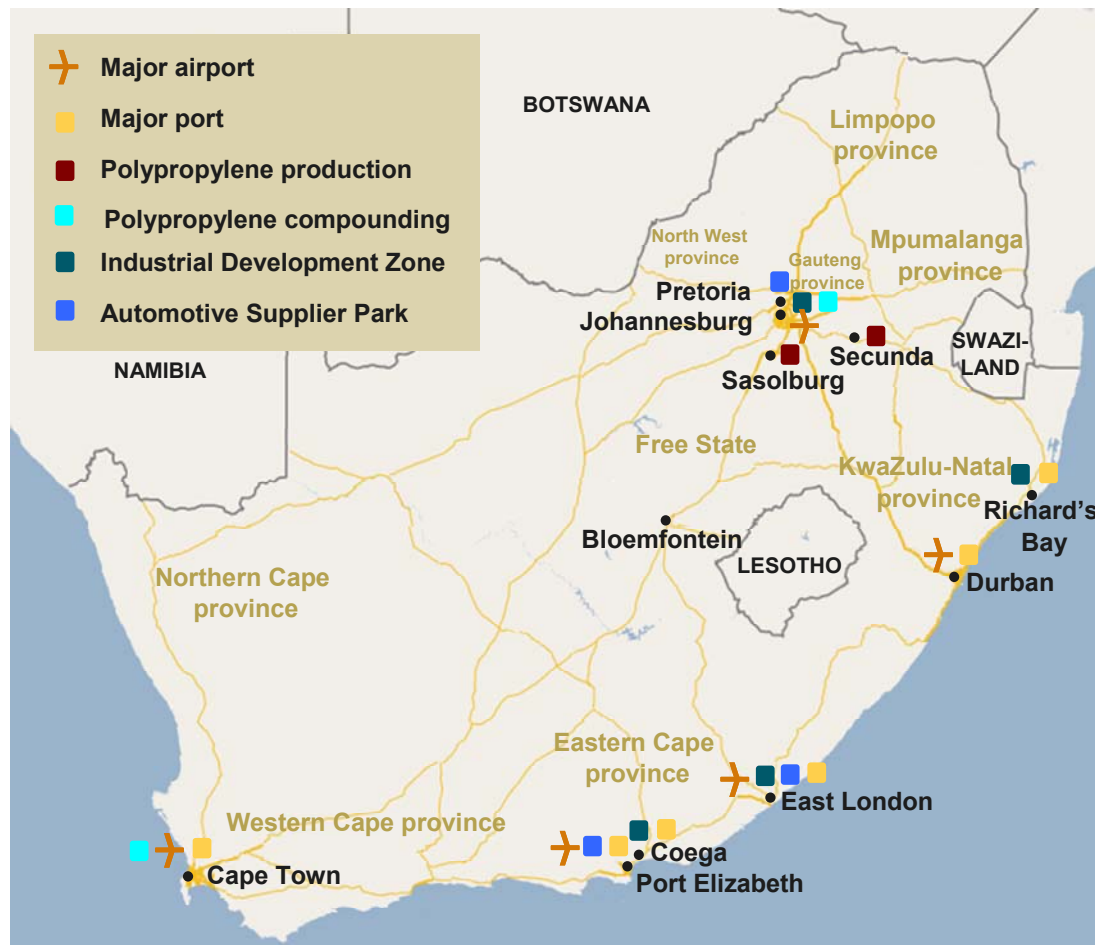
- ▶ South African **consumer and industrial markets** showing **strong growth**
 - Consumer spending: 15% increase p.a. from 2001 to 2006
 - 1.2 million locally-manufactured vehicles in 2020
 - Construction boom boosted by government infrastructure spending (R420 billion committed for 2007 to 2009)
- ▶ Well-established downstream customers
 - Major **global automotive OEMs**: BMW, Daimler, Fiat, Ford (incorporating Mazda), General Motors, Nissan, Toyota, and Volkswagen
 - **26% pa growth** in automotive exports (1995-2006)
 - 180,000 vehicles exported in 2006
 - **R30.5 billion** component exports in 2006
 - Local and international **food and beverage, FMCG**, and **building and construction** companies

Effective government and industry support

- ▶ Supportive industrial policy
 - National Industrial Policy framework prioritises **plastics fabrication, automotive and components sectors**
 - Chemicals Sector development strategy **prioritises Polypropylene beneficiation**
- ▶ Wide availability of incentives
 - Industrial development zones
 - Investment and export development incentives
 - Technology, R&D and skills development incentives
- ▶ Sector development initiatives including incubators and development centres

- ▶ Excellent technical support from Sasol, Safripol and compounders
 - Product design and development
 - Process optimisation and machinery adaptation
 - Analysis and testing
- ▶ R&D often in collaboration with centres of research and development
 - Council for Scientific and Industrial research (CSIR)
 - Institute for Polymer Science (Stellenbosch University)
- ▶ Internationally recognised technical infrastructure: standards, quality, accreditation and metrology
 - South African National Accreditation System (SANAS) is a signatory of the International Laboratory Accreditation Cooperation (ILAC)
- ▶ Strengthening of intellectual property protection through legislation

Vibrant polypropylene beneficiation industry



- ▶ Approximately 1,000 plastics converters
- ▶ Success in exporting a number of products
- ▶ Collaboration with suppliers, customers, international companies

Competitive operating environment

- ▶ Growing economy and stable political environment
- ▶ Competitive production and operating costs
 - Amongst the world's lowest-cost electricity producers
 - A number of costs competitive with developed countries [to be removed where addressing developing countries]
- ▶ Programmes for upgrading skills and increasing skills availability
- ▶ Investment in electricity, telecommunications and transport infrastructure
- ▶ Supportive environment for sustainable investment: BBEE policy and regulation, Clean Development Mechanism funding

Why is South Africa an attractive location for investing in polypropylene beneficiation?

Access to competitively-priced polypropylene and other raw materials

Access to key markets

Effective government and industry support

Vibrant polypropylene beneficiation industry

Competitive operating environment

For further information, please contact **the dti**:

Ms Tsepho Makhene (Investment promotion)

Tshepom@thedti.gov.za or investmentsa@thedti.gov.za

Tel: 012 394 1316 or +27 12 394 1333/9, Fax: 012 394 2316

www.thedti.gov.za

Include website address once confirmed

Further information slides

Investment and export incentives

Industrial Development Zone (IDZ) programme	Competitive infrastructure, lower utility rates, streamlined customs administration, exemptions on raw material import duties and VAT for products destined for export
Small and Medium Enterprise Development Programme and Skills Support Programme <i>(currently under review)</i>	<ul style="list-style-type: none">– Cash grant of up to 10% of investment cost over three years– Three-year grant of up to 50% of the cost of training new staff as the result of an expansion or new project, and a grant for training equipments and course materials
Foreign Investment Grant <i>(currently under review)</i>	Cash grant incentive scheme to foreign investors who invest in new manufacturing businesses (free of financial liability) in South Africa: <ul style="list-style-type: none">– Compensation for costs of moving new machinery and equipment from abroad– Up to 15% of new machinery and equipment costs up to R3m per entity
Critical Infrastructure Programme	Cash grant incentive for projects designed to improve critical infrastructure The incentive covers up to 30% of the cost of development costs in qualifying infrastructure

Investment and export incentives

(2)

Motor Industry Development Programme <i>(currently under review)</i>	Provides credits to automotive OEMs for import tariffs on imported built-up vehicles and components, on the basis of the value of local content of exported components and built-up vehicles Productive asset allowance available to motor vehicle assemblers as an import duty credit, to 20% of value of expenditure on productive assets, over 5 years
National Industrial Participation Programme	Government contracts for goods or services with an imported content exceeding US\$10m (R72m) oblige the supplier to engage in local commercial or industrial activity valued at 30% or more of the value of the imported content
Accelerated Depreciation Allowance and tax relief	New manufacturing assets depreciated over 4 years, 40% in the first year, and 20% in subsequent 3 years Commercial buildings depreciated over 20 years Lower tax rates for small businesses Double deduction of R20,000 new business start-up costs
Customs duty industrial rebates	Consideration of rebates on customs duties of imported industrial inputs, based on: the good is not manufactured in SACU, duties make the end-product uncompetitive with comparable imports
Export Marketing & Investment Assistance Scheme (EMIA)	Partially compensates exporters and investors for costs of activities aimed at developing export markets, and assists with the facilitation of investments into South Africa

R&D and skills development incentives

<p>Technology and Human Resources for Industry Programme (THRIP)</p>	<p>Matching funding of up to 1/3 of projects that promote scientific research, technology development and technology diffusion, and involve human resource development</p>
<p>Support Programme for Industrial Innovation Fund (SPII)</p>	<p>The Product Process Development Scheme:</p> <ul style="list-style-type: none"> – A grant of 65% - 85% of technical development cost, up to R500,000 per project, for small and micro enterprises <p>The Matching Scheme:</p> <ul style="list-style-type: none"> – A grant of up to 50% of technical development cost, up to R1.5m per project, to small and micro enterprises <p>The Partnership Scheme:</p> <ul style="list-style-type: none"> – A grant of 50% of development costs up to R1.5m per project, repayable on successful commercialisation of the project
<p>Tax allowance and depreciation on R&D expenditure</p>	<p>150% allowance for R&D-related expenditure Accelerated write-off period of 3 years for R&D-related capital expenditure, of 50% in the first year, 30% in the second year, 20% in the third year</p>
<p>Skills development incentive</p>	<p>A tax deduction allowed on conclusion of learnership agreement and further R25,000 on successful course completion</p>