The Western Cape:

**Africa’s trade and investment springboard**

an inspiring place to do business
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Chapter 1: Trade and Investment

1. Western Cape exports grow by double-digits for 5 years running

The Western Cape experienced an annual average export growth of 17.84% and an import growth of 7.67% from 2012-2016. Exports from the Western Cape totalled ZAR121.09bn in 2016, an increase of 3.8% from 2015, slightly lower than 2015 growth of 6.54%. This growth was largely due to the depreciating Rand which declined from ZAR12.75 to the USD in 2015 to ZAR14.71 in 2016. This depreciation of the Rand which stimulates export also inflates the growth rates in Rand shown for 2012 to 2016. The table below shows the average annual USD:ZAR exchange rates from 2007 to 2016.

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ZAR to 1 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>7.05</td>
</tr>
<tr>
<td>2008</td>
<td>8.25</td>
</tr>
<tr>
<td>2009</td>
<td>8.44</td>
</tr>
<tr>
<td>2010</td>
<td>7.32</td>
</tr>
<tr>
<td>2011</td>
<td>7.25</td>
</tr>
<tr>
<td>2012</td>
<td>8.21</td>
</tr>
<tr>
<td>2013</td>
<td>9.65</td>
</tr>
<tr>
<td>2014</td>
<td>10.84</td>
</tr>
<tr>
<td>2015</td>
<td>12.75</td>
</tr>
<tr>
<td>2016</td>
<td>14.71</td>
</tr>
</tbody>
</table>

Source: SARB, 2017

Trade in the Western Cape was driven by 2016 export growth to the Americas of 25%, Oceana of 15% and Asia (10%). The products contributing to this growth were agricultural goods as well as engine parts, diodes and hot-rolled iron and steel. Imports totalled ZAR192bn in 2016, decreasing by 2.2% from 2015. Where Western Cape exports have flattened out in 2016, imports have continued to decline from 2013/2014 levels caused mainly by the decline in the value of refined petroleum imports and in part by the declining imports of alcoholic beverages and spirits.

The large growth in imports and exports seen in 2014 was due to the inclusion of the Southern African Customs Union (SACU) countries into the dataset. Prior to 2014 the provincial trade data between the Western Cape and Namibia, Botswana, Lesotho and Swaziland was not included and thus caused the trade spike seen in 2014.

FIG 1.- Western Cape trade 2007-2016

Source: Quantec, 2017

Export growth from 2012 – 2016 was led by steady growth in fruit juice (20%) and apples and pears (19.5%).
Petroleum oil is the sole major contributor to trade in the Western Cape and has historically contributed the most to its trade deficit. Analysing trade without petroleum oil shows the strength of Western Cape exports, with a much lower trade deficit of ZAR8.42bn in 2016. The variety of Western Cape exports include vehicles and vessels; foodstuffs; photographic equipment; medical equipment; and machinery. Top export categories include prepared foodstuffs, vegetables, machinery, iron and steel products and chemicals. The export of machinery and its parts grew by 30% from 2012 to 2016 to reach ZAR3.5bn, while iron and steel exports grew by 33% to reach ZAR5.54bn in 2016. This diversity is also a key factor in insulating against exogenous shocks such as exchange rate and oil price fluctuations.

The Western Cape’s average annual growth of exports was 11.82% over the ten year period (2007-2016), while imports grew by 7.78% in the same period. The largest decline in both exports and imports was during the financial crisis in 2009, where exports fell by 12.16% and imports fell by 32.15%. The spike in imports in 2011 was mainly due to the slight appreciation of the ZAR from ZAR7.32/USD to ZAR7.25/USD and the spike in exports in 2014 was due to the inclusion of the SACU countries as previously mentioned.

Petroleum oils made up 13% of Western Cape exports and 40% of imports in 2016. Petroleum oil is the top import product for the Western Cape.
2. Western Cape: the second largest trading province in South Africa

The Western Cape is the second largest province in terms of total trade flows reaching ZAR313.23bn in 2016, preceded by Gauteng with ZAR1.28trn and followed by Kwa-Zulu Natal with ZAR243.37bn.

The Western Cape is the second largest importing province in the country, accounting for 17% of imports after Gauteng (65%). In terms of exports, the Western Cape is the fourth largest exporting province (11%) after Kwa-Zulu Natal (11.6%), North West (12%) and Gauteng (52%). This is due to the diverse product ranges offered by the different provinces. The Western Cape exports mainly mineral fuels and agri-processing products as well as products of iron and steel. Gauteng exports mainly metals and mineral fuels while Kwa-Zulu Natal focuses on motor vehicles and metals. Durban is South Africa’s largest container port and receives around 20% of its containers via rail. The Cape Town port is the second largest port in South Africa and well-equipped at handling agricultural cargo, usually requiring refrigeration. The Cape Town port is strategically positioned for servicing the west coast of Africa.

3. Western Cape Trade Markets: Double digit growth for top three markets

The top three export destinations for the Western Cape were Namibia (ZAR12.27bn), the United Kingdom (ZAR9.17bn) and the United States (ZAR8.98bn), accounting for almost a quarter of total exports.

A major European distribution centre, the Netherlands was the fourth largest market (ZAR7.46bn) followed by the fifth key market, the United States (ZAR6.11bn). The inclusion of the SACU countries in 2014 shows the impact of these countries on Western Cape exports. High average annual growth in exports were seen to Mozambique (36%) and Kenya (40%). The top three destination markets all saw double digit growth over the 5-year period which bodes well for overall growth which reached 18% p.a. New destination markets in the top 15 from 2015 are Hong Kong (12th) and Swaziland (14th), who ousted Belgium and Nigeria for top positions.

The traditional export markets such as the United Kingdom the Netherlands, and the United States are important to the Western Cape economy and are strong drivers for exports. All three of these traditional markets saw double-digit growth from 2012 to 2016, with exports to the United States growing by 23% p.a. The growth of these three markets translated into an increase of ZAR3.35bn in exports in 2016.

Trade and Investment
SACU accounted for 20% of the province’s total exports, second only to the European Union which accounted for 28% in 2016. Together these two sub-regions account for almost half of Western Cape exports. The inclusion of the SACU countries in 2014 figures has provided a strong indication of the impact these countries have on Western Cape exports.

The Western Cape alone exports 17% of all South African exports to SACU countries. This is unsurprising due to the proximity of the Western Cape to the SACU markets with good road and rail infrastructure including the Trans-Kalahari corridor. Mozambique and Zimbabwe, both large African markets belong to the third largest export sub-region, namely SADC, where the Western Cape holds an 11% share of national exports.

### TOP 15 WESTERN CAPE EXPORT MARKETS, 2016

<table>
<thead>
<tr>
<th>RANK</th>
<th>IMPORTERS</th>
<th>VALUE 2016 (ZARbn)</th>
<th>% SHARE</th>
<th>% GROWTH 2012-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Namibia</td>
<td>12.27</td>
<td>10.13</td>
<td>10.03</td>
</tr>
<tr>
<td>2</td>
<td>United Kingdom</td>
<td>9.17</td>
<td>7.57</td>
<td>13.35</td>
</tr>
<tr>
<td>3</td>
<td>United States</td>
<td>8.98</td>
<td>7.41</td>
<td>22.90</td>
</tr>
<tr>
<td>4</td>
<td>Netherlands</td>
<td>8.14</td>
<td>6.72</td>
<td>9.79</td>
</tr>
<tr>
<td>5</td>
<td>Botswana</td>
<td>7.11</td>
<td>5.87</td>
<td>-6.16</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>5.22</td>
<td>4.31</td>
<td>11.07</td>
</tr>
<tr>
<td>7</td>
<td>Mozambique</td>
<td>3.28</td>
<td>2.71</td>
<td>35.72</td>
</tr>
<tr>
<td>8</td>
<td>China</td>
<td>3.13</td>
<td>2.59</td>
<td>20.16</td>
</tr>
<tr>
<td>9</td>
<td>United Arab Emirates</td>
<td>2.61</td>
<td>2.15</td>
<td>23.31</td>
</tr>
<tr>
<td>10</td>
<td>Kenya</td>
<td>2.51</td>
<td>2.07</td>
<td>39.45</td>
</tr>
<tr>
<td>11</td>
<td>Lesotho</td>
<td>2.47</td>
<td>2.04</td>
<td>5.70</td>
</tr>
<tr>
<td>12</td>
<td>Hong Kong</td>
<td>2.35</td>
<td>1.94</td>
<td>13.58</td>
</tr>
<tr>
<td>13</td>
<td>Zambia</td>
<td>2.30</td>
<td>1.90</td>
<td>10.07</td>
</tr>
<tr>
<td>14</td>
<td>Swaziland</td>
<td>2.14</td>
<td>1.77</td>
<td>0.19</td>
</tr>
<tr>
<td>15</td>
<td>Angola</td>
<td>2.14</td>
<td>1.77</td>
<td>4.95</td>
</tr>
<tr>
<td>TOTAL EXPORTS</td>
<td>121.09</td>
<td>100%</td>
<td>17.84%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Quantec, 2017

4. **Exports surge to the United States, Mozambique and Kenya**

High growth in exports from the Western Cape were seen to the United States (23%), Mozambique (36%) and Kenya (40%). This strong growth in exports to the United States was driven by the following exports more than doubling in value terms from 2013 to 2014: engine parts, ranked as the top export in value terms; refined petroleum oil; rolled iron and steel and beauty and make-up products. The import of food and beverage machinery also increased significantly from ZAR2m in 2013 to ZAR60m in 2014.

Western Cape exports to Kenya were especially high for alcoholic beverages and wine in 2016, growing to around ZAR900m from ZAR180m. Fresh fruit as well as food and beverage machinery stimulated export growth to Kenya in 2015 and 2016. East and West Africa are both growing in their demand for agri-processing machinery, particularly Nigeria, Zambia, Angola and Kenya, which is a trend likely attributed to many Western Cape retailers as well as food and beverage companies actively investing into these markets. Medical instruments and equipment also showed the diversity of Western Cape export growth to Kenya, reaching over 1000% growth in the 5 year period (2012-2016). The growth in exports to Mozambique was led by refined petroleum which grew by around ZAR1bn in 2016.
The top source markets for imports to the Western Cape in 2016 included many oil producing markets, Saudi Arabia (ZAR21.72bn), the UAE (ZAR7.96bn) and Qatar (ZAR3.35bn). African source markets Angola and Nigeria are also among the top oil producing markets in Africa. Major drivers of growth from China in 2016 were electric generators and rotary converters with a growth of 922% (ZAR1.8bn), footwear, with a growth of 15% (ZAR1.4bn) and electric heaters and apparatus with a growth of 43% (ZAR1.1bn). 5-year import growth from India was driven by petroleum, crustaceans, rice, and medicaments. New source markets in the top 15 from 2015 include France and Namibia, who ousted Singapore and Swaziland for top positions.

<table>
<thead>
<tr>
<th>RANK</th>
<th>EXPORTERS</th>
<th>VALUE 2016 (ZARbn)</th>
<th>% SHARE</th>
<th>% GROWTH 2012-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>36.64</td>
<td>19.07</td>
<td>17.61</td>
</tr>
<tr>
<td>2</td>
<td>Saudi Arabia</td>
<td>21.72</td>
<td>11.31</td>
<td>23.34</td>
</tr>
<tr>
<td>3</td>
<td>Angola</td>
<td>12.78</td>
<td>6.65</td>
<td>27.64</td>
</tr>
<tr>
<td>4</td>
<td>Nigeria</td>
<td>12.28</td>
<td>6.38</td>
<td>15.41</td>
</tr>
<tr>
<td>5</td>
<td>India</td>
<td>11.07</td>
<td>5.76</td>
<td>14.73</td>
</tr>
<tr>
<td>6</td>
<td>United Arab Emirates</td>
<td>7.98</td>
<td>4.14</td>
<td>17.77</td>
</tr>
<tr>
<td>7</td>
<td>Germany</td>
<td>7.86</td>
<td>4.09</td>
<td>15.08</td>
</tr>
<tr>
<td>8</td>
<td>United Kingdom</td>
<td>7.28</td>
<td>3.79</td>
<td>3.32</td>
</tr>
<tr>
<td>9</td>
<td>United States</td>
<td>6.75</td>
<td>3.51</td>
<td>4.62</td>
</tr>
<tr>
<td>10</td>
<td>Italy</td>
<td>5.01</td>
<td>2.61</td>
<td>3.64</td>
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<tr>
<td>11</td>
<td>Netherlands</td>
<td>4.17</td>
<td>2.17</td>
<td>19.54</td>
</tr>
<tr>
<td>12</td>
<td>Qatar</td>
<td>3.35</td>
<td>1.74</td>
<td>197.90</td>
</tr>
<tr>
<td>13</td>
<td>France</td>
<td>2.94</td>
<td>1.53</td>
<td>2.88</td>
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<tr>
<td>14</td>
<td>Thailand</td>
<td>2.75</td>
<td>1.43</td>
<td>28.82</td>
</tr>
<tr>
<td>15</td>
<td>Namibia</td>
<td>2.52</td>
<td>1.31</td>
<td>-6.54</td>
</tr>
</tbody>
</table>

**TOTAL IMPORTS** 192.14 100% 7.67

Source: Quantec, 2017
5. Agriproducts to EU and manufacturing to Africa and the United States

The top exports from the Western Cape in 2016 were refined petroleum oils, citrus fruit, wines, fresh apples, pears and quinces as well as grapes. These top five positions have remained unchanged since 2013. The highest annual average 5-year growth in exports in the top 15 exports were flat-rolled iron (+5000% p.a.); tobacco, growing by 33% p.a.; refined petroleum (25% p.a.) and fruit and vegetable juice (20% p.a.). The top destination market for citrus fruit (ZAR1.8bn) and grapes (ZAR2.1bn) was the Netherlands, the EU distribution hub, and the top destination market for hot rolled iron and steel products was Kenya (ZAR1.6bn). Which again indicates the diversity of Western Cape exports to different regions.

Western Cape exports, specifically to Africa lend support to the construction industry. Flat rolled iron and steel (>600mm) exports were worth ZAR2.4bn in 2016, with major markets being Kenya, Nigeria and Tanzania and structures and parts of structures (ZAR195m) with major markets being Namibia, Mozambique and Zambia. The growth in demand for consumer products in Africa has also led to increased exports of furniture (ZAR260m) and refrigerators (ZAR284m) with major markets for these products being Namibia, Botswana and Angola. In terms of other non-agricultural exports to the United States, the Western Cape exports high value items such as jewellery (ZAR1.16bn), engine parts (ZAR608m) and machinery for food and drink manufacture or preparation (ZAR69m).

The top imports to the Western Cape in 2016 were crude and non-crude petroleum oils; electric generator sets and converters and spirits and liqueurs. Imports of generators and converters grew by 140% p.a. from 2012 to 2016. Clothing imports also experienced double digit growth over the last 5 years, with 4 clothing sub-sectors represented in the top 10 imports in 2016.

<table>
<thead>
<tr>
<th>RANK</th>
<th>TOP 10 EXPORTS</th>
<th>VALUE 2016 (ZARbn)</th>
<th>% GROWTH 2012-2016</th>
<th>RANK</th>
<th>TOP 10 IMPORTS</th>
<th>VALUE 2016 (ZARbn)</th>
<th>% GROWTH 2012-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Refined petroleum oils</td>
<td>13.90</td>
<td>24.72</td>
<td>1</td>
<td>Crude petroleum oils</td>
<td>54.87</td>
<td>3.63</td>
</tr>
<tr>
<td>2</td>
<td>Citrus fruit</td>
<td>10.10</td>
<td>16.18</td>
<td>2</td>
<td>Refined petroleum oils</td>
<td>21.65</td>
<td>2.95</td>
</tr>
<tr>
<td>3</td>
<td>Wine</td>
<td>9.92</td>
<td>12.38</td>
<td>3</td>
<td>Electric generating sets and rotary converters</td>
<td>3.64</td>
<td>140.37</td>
</tr>
<tr>
<td>4</td>
<td>Apples, pears and quinces, fresh</td>
<td>6.97</td>
<td>19.49</td>
<td>4</td>
<td>Spirits &amp; liqueurs</td>
<td>2.29</td>
<td>4.94</td>
</tr>
<tr>
<td>5</td>
<td>Grapes</td>
<td>6.16</td>
<td>17.27</td>
<td>5</td>
<td>Diodes, transistors and similar semi-conductor devices</td>
<td>1.93</td>
<td>381.33</td>
</tr>
</tbody>
</table>

10
Trade and Investment
The Western Cape has a comparative advantage in the following products where we export a high share of total South African exports (HS2):

- Ships, boats and floating structures (91% share)
- Tobacco and manufactured tobacco substitutes (89% share)
- Fish and crustaceans (85%)
- Beverages, Spirits and Vinegar (65%)

6. **Africa makes up 40% of Western Cape exports**

Africa is still the largest opportunity for Western Cape exports worth an estimated ZAR45.13bn (depicted by the size of the bubble) in 2016. Europe and Asia come in second and third, valued at ZAR36.27bn and ZAR20.69bn respectively. 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 accounting for 54% of projects in the last decade.

Western Cape exports to all regions experienced positive growth, with the Americas (24.63%), Oceania (14.53%) and Asia (10.02%) experiencing the highest growth rates from 2015-2016. The graph shows annual average growth from 2012-2016, with Antarctica leading with 70.86%, followed by Africa (39.82%) and the Americas (19.93%). African growth over this period lessens to 17.83% when removing the spike in 2014 due to SACU countries being included in the dataset, making the Americas the highest growth performer after Antarctica, which grew from a low value base.
The largest share of imports into the Western Cape is from Asia (51.5%), with imports valued at ZAR98.86bn. Asia mainly exports mineral products, photo-voltaic conductors and clothing such as footwear to the Western Cape. Although the trade balance between the Western Cape and Asia is large, around ZAR78bn, the Western Cape’s exports to the region grew by 10% p.a. over the last 5 years. Asia imports agricultural products such as citrus, apples, pears, grapes and other fruit and nuts from the Western Cape, with mineral products and metals being the second and third largest import categories.

Europe (21.7%) and Africa (19.0%) are ranked as the second and third largest import regions, with a value of ZAR41.8bn and ZAR36.5bn respectively. Africa was the fastest growing region for Western Cape imports, increasing by an annual average rate of 23.8%, mainly due to large increases in the value of crude petroleum imported from Nigeria and Angola in 2012.

7. The Western Cape supplies 14% of Africa’s global flat rolled iron and steel imports

The Western Cape is a major source market for global imports into Africa. 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 Western Cape is a major supplier of agricultural products, exporting around half of all South African global exports of prepared foodstuffs as well as fruit and vegetables. The Western Cape alone exports over ZAR3.9bn worth of apples and pears, fruit juice and wine to the African continent. This is largely due to the spread of South African retailers such as Pick n Pay, Shoprite, Spar and Woolworths in the region.

In 2015, the apple producing region of the Western Cape, alone supplies 73% of all fermented beverages like cider into Africa. The province also accounts for 18% of Africa’s global fruit juice imports, 14% of the apple and pear imports, 16% of citrus imports and 20% of all wine imports. These figures show the importance of the Western Cape as a supplying market for agriproducts in the region. In 2015, the Western Cape also accounted for 11% of Africa’s global flat rolled iron imports. The largest destination markets excluding SACU countries were Kenya, Mozambique, Nigeria and Angola, indicating a demand in both East and West Africa.
8. Western Cape Inward FDI: Preliminary 2016 capex value reaches ZAR3.8bn

From 2006 to 2016 a total of 301 FDI projects were recorded into the Western Cape, representing a total capital investment of ZAR87bn. Western Cape inward FDI increased in 2015 both in terms of capex and projects compared to 2014. This is mainly attributed to the high valued investment projects in 2015, most notably a photovoltaic plant in the Western Cape valued at ZAR2.2bn. Preliminary capex value between January 2016 and December 2016 shows a decline.

The Western Cape's services sector has consistently attracted FDI projects, accounting for 53% of all inward FDI projects between 2006 and 2016. 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, financial services and communications. Companies have established a number of services in the province ranging from professional, scientific and technical services, employment services, wireless communications carriers, data processing, computer programming services, banking and legal services. The growth in the services sector is an indication of the sophistication and growth in the number of businesses in the province.

In terms of capex, the largest sectors in the province attracting FDI were natural gas, renewable energy, communications and real estate accounting for a combined 53% of all inward FDI. Within capex FDI, companies have established a number of manufacturing facilities in the province ranging from photovoltaic manufacturing facilities, gas to liquid plants and wind farms. 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, inclusiveness, zoning programmes, and generally towards creating 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),
- Newly designated Industrial Development Zones (soon to be introduced Special Economic Zones),
- Availability of skilled workforce, and
- A growing ICT and manufacturing hub.

FIG 9. Western Cape inward FDI 2006-2016

[Graph showing capex and projects from 2006 to 2016]

Source: FDI Intelligence, 2017
Preliminary 2016 data
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 City of Cape Town Investment facilitation unit has also initiated a number of financial and non-financial incentives to streamline inward investment in Atlantis in particular.

9. Western Cape: 2nd largest destination for inward FDI among South African provinces

The Western Cape was ranked as the second most favoured provincial destination for FDI in South Africa in terms of projects (accounting for 19%) and third for capex (accounting for 10%) from 2006 to 2016. The different economic composition of the provinces also provides an indication of the best performing sectors in attracting FDI. Gauteng remains the top ranked province, both in terms of FDI attracted and contribution to national GDP because of its reliance on primary industries such as mining of metals, as well as tertiary and secondary industries (to a greater degree than other provinces). The Western Cape is the second ranked province in terms of FDI due to its natural environment that has attracted wind energy companies, a high concentration of companies to form joint ventures and a high level of skills.

In terms of projects, the Western Cape attracted the largest inward FDI for real estate among South African provinces, accounting for 42% respectively from 2006 to 2016, followed by Gauteng at 25%. Trump from the United States was the largest investor in to Western Cape’s real estate sector in a construction project valued at ZAR10.1bn, this was followed by the Rezidor Hotel Group from Belgium and InterContinental Hotels Group from the United Kingdom.

The Western Cape attracted the second largest inward FDI by business support services among South African provinces after Gauteng, accounting for 31% of FDI projects from 2006 to 2016. Hasso-Plattner-Institut for Software Systems Engineering from Germany was the largest investor into the Western Cape’s business services support sector in an education and training project valued at ZAR171m, followed by FocusPoint International and Catrakilis Kraitzick Hrabova (CKH) from the United States.

The Western Cape attracted 26% of inward FDI projects in the electronic components sector among South African provinces (2006 – 2016). Zshine Group from China was the largest investor into the Western Cape’s electronic components in a manufacturing project valued at ZAR161m followed by Sunpower, a subsidiary of Total from France.

The province attracted the second largest inward FDI into the wind electric power sector between 2006 and 2016, after the Eastern Cape, accounting for 26% of projects. Engie from France was the largest investor into the Western Cape’s wind electric power sector valued at ZAR2.3bn, followed by Acciona from Spain.

The Western Cape attracted 35% of the biotechnology FDI into South Africa. Enza Zaden from the Netherlands was the largest investor into the Western Cape’s biotechnology sector in a research and development project valued at ZAR499m.

The Western Cape had an annual average global inward FDI growth of 31% p.a. between 2006 and 2016 (Capex).
10. Western Europe largest source FDI region accounting for 58.5%

Western Europe was the largest global source region for Western Cape inward FDI by both capex (accounting for 61% valued at ZAR53bn) and projects (accounting for 58%) from 2006 to 2016. The top countries investing into the Western Cape from Western Europe were the United Kingdom, Germany, France and the Netherlands accounting for a combined 42% of total inward projects between 2006 and 2016.

The top company investing from the United Kingdom into the Western Cape in terms of capex was British Telecom (ZAR1.8bn) in the communications sector, followed by Vodafone. The top company from Germany investing into the province was Juwi (ZAR1.8bn) invested in the city of Stellenbosch in the alternative/renewable energy sector, followed by Deutsche Telekom.

North America was the fastest growing region for inward FDI by projects into the province from 2006 to 2016 growing at 70% p.a. followed by Western Europe at 13%. The United Kingdom (75 projects and ZAR14bn), the United States (65 projects valued at ZAR19bn), Germany (22 projects valued at ZAR7bn) and France (16 projects valued at ZAR8bn) accounted for 59% of projects and 55% of capex into the Western Cape between 2006 and 2016.

Cape Town attracted 92% of inward FDI projects into the Western Cape between 2006 and 2016, followed by Stellenbosch at 2%.
11. Services sector attracts 43% of FDI projects

The best performing sectors in terms of inward FDI into the Western Cape by projects between 2006 and 2016 were: business services accounting for a 20% share of projects, software and IT services accounting for 19% of projects and financial services accounting for a 7% share of projects. According to FDI Intelligence (2017) the DHL Express South Africa managing director was quoted saying “We believe in the economic and trading power of South Africa and still see the Western Cape as a key area of investment.”

Software publishers, internet publishing and broadcasting and web search, advertising and PR as well as all other electrical equipment and components were the largest subsectors for Western Cape in terms of inward FDI between 2006 and 2016. Adglow and Oracle were the largest investors into the Western Cape's software publishers, except video games. SMS Streamer and Thomson Reuters were the two largest investors in terms of internet publishing & broadcasting and web search FDI into the province.
12. **51% of companies indicated expansion into Africa as a motive for FDI**

An estimated 51% of companies investing into the Western Cape indicated regional and sub-regional motives for investing. These companies indicated setting up headquarters in the Western Cape and using the province as a springboard into 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 Networks Serveis Telematics (Lleida.net) from Spain, Hisense from China, GE Capital Aviation Services from the United States, HVS Global Hospitality 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.

![FIG14. Inward FDI into Western Cape by markets served, 2006-2016](source: FDI Intelligence, 2017)

13. **Cape Town is the 2nd largest destination for inward FDI among South African cities**

As measured by gross geographic product (GGP), Cape Town’s economy which contributed 9.8% to national gross domestic product in 2015 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 2006 and 2016, 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 62%, Cape Town (17%) and Durban (4%).

In 2016, Cape Town ranked 80th out of 3,173 global cities in terms of inward FDI by projects. Cape Town received more investment projects in 2016 than cities such as Dusseldorf, Austin, Casablanca, Lisbon, and Doha.

Cape Town was ranked 4th in terms of inward FDI by projects among African cities between 2006 and 2016, while Johannesburg was ranked the top city in Africa. In addition Cape Town was ranked 2nd in terms of inward FDI by software and IT services projects and business services among African cities between 2006 and 2016, while Johannesburg was ranked as the top city in Africa.

Cape Town attracted the largest amount of FDI projects for electronic components (35%), real estate (55%), non-automotive transport (60%) and food and tobacco (22%) among South African cities between 2006 and 2016. Znshine Group from China was the largest investor into Cape Town’s electronic components sector, investing into a manufacturing plant valued at ZAR160m while Southern Spar from New Zealand was the largest investor into the non-automotive transport OEM sector investing in a manufacturing project in Cape Town valued at ZAR710m.
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 recognisable
- 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 15. Inward FDI into South African cities 2006-2016**

<table>
<thead>
<tr>
<th>City</th>
<th>% Share Capex</th>
<th>% Share Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Johannesburg</td>
<td>41%</td>
<td>34%</td>
</tr>
<tr>
<td>Cape Town</td>
<td>18%</td>
<td>8%</td>
</tr>
<tr>
<td>Durban</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Pretoria</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Midrand</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Centurion</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>East London</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Uitenhage</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Boksburg</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: FDI Intelligence, 2017
Preliminary 2016 data

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

For the 12 months up to March 2017, Wesgro facilitated seven new investment projects and five expansion projects in Cape Town.

The new investments were as follows:

- R50 million information and communications technology project, creating 50 jobs
- R500 million manufacturing project, creating 150 jobs
- R162 million information and communications technology project, creating 49 jobs
- R50 million industrial real estate project, creating 1 job
• R5.7 million manufacturing project, creating 10 jobs
• R200 million waste management and renewable energy project, creating 37 jobs
• R20 million manufacturing project creating 10 jobs

The expansion projects were as follows:
• R50 million real estate project, creating 46 jobs
• R175 million manufacturing project, creating 75 jobs
• R900 million infrastructure and real estate project, creating 206 jobs
• R14 million manufacturing project creating 50 jobs
• R1.5 million manufacturing project creating 12 jobs

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

Gauteng is Africa’s largest source province for FDI among South African province’s accounting for 71% of projects followed by the Western Cape and KwaZulu-Natal accounting for 21% and 5% respectively between 2006 and 2016. The largest sectors in terms of projects were financial services (103 projects), communications (65 projects) and business services (55 projects).

In terms of capex the largest African sectors attracting FDI were coal, oil and natural gas, real estate and communications. Gauteng invested in 328 projects worth ZAR279bn over the decade and the Western Cape invested in 96 projects worth ZAR32bn.

FIG 16. South Africa’s outward FDI to Africa by provinces, 2006-2016

In terms of cities, Johannesburg was the largest investing city in South Africa investing into Africa, accounting for 61%, followed by Cape Town (19%).

Source: FDI Intelligence, 2017
Preliminary 2016 data
15. 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. Local businesses are seeing opportunities for business in Africa and have been harnessing these opportunities. This is evidenced by the 18% annual growth in exports to Africa from the Western Cape from 2012-2016 and growing FDI projects.

Africa is the Western Cape’s largest global destination region for outward FDI both in terms of projects (accounting for 54%) and capex (accounting for 52%) between 2006 and 2016. This was followed by Western Europe accounting for 15% projects and 19% capex. Over the past 10 years, outward FDI from the Western Cape had an annual average growth of 495% in terms of capex and 90% in terms of projects.

Most outward FDI from the province in terms of projects were in the food and beverages sector, software and IT sector, financial and business services sector and consumer products together accounting for 76% of all investments. The largest investing companies for outward FDI from the province by projects were Shoprite, AD Dynamo, Pick n Pay, Irdeto, Woolworths, the Foschini Group and PIC Solutions accounting for a combined 38% of projects.

In terms of capex the largest outward sectors for FDI from the province were real estate; food; oil and natural gas; and consumer products accounting for a combined 65%. The largest investors by capex were Shoprite, Corovest International property group, PetroSA, Woolworths and Mediclinic Middle East accounting for 58%. The outward investments and projects derived from the province are indicative of its growing economy.

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

**FIG 17. Outward FDI from the Western Cape by regions, 2006-2016**

<table>
<thead>
<tr>
<th>Region</th>
<th>Capex (Share)</th>
<th>Projects (Share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>51.63</td>
<td>53.93</td>
</tr>
<tr>
<td>Western Europe</td>
<td>19.27</td>
<td>15.17</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>12.92</td>
<td>10.30</td>
</tr>
<tr>
<td>Middle East</td>
<td>6.74</td>
<td>6.23</td>
</tr>
<tr>
<td>North America</td>
<td>4.49</td>
<td>1.39</td>
</tr>
<tr>
<td>Emerging Europe</td>
<td>3.93</td>
<td>0.78</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>2.81</td>
<td>10.42</td>
</tr>
</tbody>
</table>

Source: FDI Intelligence, 2017
Preliminary 2016 data
16. 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 in retail accounting for 50%, followed by sales, marketing & support (22%) and business services (16%). Africa’s retail sector received the largest share of FDI from the Western Cape by capex, accounting for 37%, followed by construction (31%) manufacturing (16%).

In terms of Western Cape investing companies, Shoprite was the largest investor accounting for 23% of projects, followed by Pick n Pay (10%) and Woolworths South Africa (7%). 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, these factors are offset by poor physical infrastructure, inflationary outlooks and relatively high country risks.

The Western Cape, alongside being a major investor 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.

FIG 18. Western Cape FDI to Africa by business activity, 2006-2016

Source: FDI Intelligence, 2017
Preliminary 2016 data
Chapter 2: A Competitve Place for Business

1. Flight connections: regional and international

The Cape Town International Airport is a world-class airport, and is the second largest in South Africa. In 2016 the airport was rated as the 22nd best airport in the world by Skytrax, improving 4 places from 2015. In 2016, the airport was awarded the best Airport in Africa and the Best Airport in Africa for Staff Service Excellence (Skytrax, 2017). It is also recognised as the best airport globally that services between 5 and 10 million passengers annually. It is located only 17km 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-billion expansion plans.

According to ACSA (2016), total passengers including domestic, international and unscheduled flights in 2016 totalled 10 million, growing by 7.09% from 2015. International passengers alone reached 1.99 million in 2016, growing by 16.20%. This is not surprising as 10 of the TripAdvisor Top 25 Africa Destinations in 2015 can be found in the Western Cape alone. The Cape Town International Airport offers direct flights to 21 international hubs such as London, Paris, Amsterdam, Dubai, Qatar etc., with an average flying time of 10 to 11 hours. In terms of regional flight connections, Cape Town International airport carries out regional flights via Johannesburg OR Tambo and offers the following direct regional flights:

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

- 10 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
- 13 times a week direct flight to Walvis Bay, Namibia
- 35 times a week direct flight to Windhoek, Namibia
- 3 times a week direct flight to Livingstone, Zambia
- 7 times a week direct flight to Luanda, Angola
- 2 times a week direct flight to Mauritius Island, Mauritius
- 3 times a week direct flight to Victoria Falls, Zimbabwe

Fig 21: Direct flights from Cape Town International Airport
• "The regional route to Addis Ababa is a new route development with Ethiopian airlines, the largest airline in Africa in terms of revenue and profit. The Cape Town city region has the potential to become an economic hub for Africa, but this requires building better connectivity with the rest of the continent. In an endeavour to improve connectivity the provincial government, Wesgro, the City of Cape Town and the Airport Company South Africa (ACSA) are involved in initiating, stimulating and sustaining air routes with selected markets through a pointed air-access strategy" - Tim Harris, Wesgro CEO

• Ethiopian Group CEO, Tewolde Gebremariam, said about the new route "as a Pan-African airline working to bring Africa together and closer to the world, the airline is excited to spread their wings to Cape Town. Our new flights will give our customers more and convenient connectivity options when traveling within and to and from the continent."

• Western Cape Economic Opportunities MEC Alan Winde said "Improved air access is linked to increased jobs and growth in our tourism and conferencing industry. That is why we have developed an air access strategy which outlines the benefits of further direct routes between Cape Town and strategic destinations. New routes into Africa are a focus of our air access strategy."

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. A further ZAR11bn was allocated to PRASA for new rolling stocks and upgrading of signalling infrastructure in 2014. 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 million tonnes to 350 million 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.

The railway system is the backbone of public transport travel within Cape Town and equates to 54% of the public transport market share with 601 940 rail passenger trips a day on Metrorail services. 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 Bloemboks Station in Kraaifontein East (City of Cape Town Integrated Annual Report, 2015). A visual map of the five rail lines is shown below:

In terms of cities, Johannesburg was the largest investing city in South Africa investing into Africa, accounting for 61%, followed by Cape Town (19%).
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 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. The Saldanha Port, which hosts the only sector specific IDZ in the country, is set to receive ZAR13bn over the next few years made up of three key projects: an offshore oil and gas supply base; a dedicated rig repair berth; and an extension to the old Mossgas repair jetty. The repair of the Mossgas jetty at Saldanha will enable new build facilities, accommodate structures such as a floating dock, syncro-lift or heavy lift to enable maintenance and repairs to vessels supporting the off-shore oil and gas sector. Berth 205, a new planned deep water berth will also be implemented to accommodate semi-submersible rigs and large drill ships.

Together the three Western Cape ports handle 20% to 30% (79million tonnes in 2015) of the cargo in South Africa (Transnet, 2017). 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. Cape Town port is one of eight commercial logistics ports in the country, and because of the growing commercial activities, the container terminal was recently expanded to double its capacity. 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 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 (Source: Doing Business in SA, 2015).
4. Road infrastructure

Cape Town has an extensive and well developed road system connecting the Central Business District 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 ZAR3.1bn for transport infrastructure and ZAR1bn for transport operations in the 2015/2016 year.

The Cape Town road network comprises 9,819 km of road, as well as approximately 1,850 bridges. Over the next 5 years the city is investing ZAR321m to focus on 25 high-commuter-traffic interchanges. Since the MyCiTi Bus Rapid Transit (BRT) system service was first implemented, the City of Cape Town has invested over R6bn in this service. From 2013 to 2014, 7.83 million passengers travelled on the MiCiTi service. The City of Cape Town recorded that around 332,407 passenger trips a day are made using minibus taxi services and 197,444 passenger trips a day are made on bus services equating to 46% of the public transport market share.

The road freight tonnage transported in South Africa in 2015 was 550 million tonnes. The road freight component of transport made up 71% of total freight volumes in 2015 maintaining its market share from 2014.

5. ICT infrastructure

In 2015 South Africa was recorded to have 7.5 fixed telephone subscribers per 100 inhabitants, 15 broadband internet subscribers and 165 mobile cellular subscribers, 57 of which had 3G or 4G connectivity (BMIResearch, 2017). 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 4th performing African country after Mauritius, the Seychelles and Egypt based on infrastructure, access and skills.

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

<table>
<thead>
<tr>
<th>Port Features</th>
<th>Cape Town Port</th>
</tr>
</thead>
<tbody>
<tr>
<td>Containers handled (million TEU’s)</td>
<td>0.9</td>
</tr>
<tr>
<td>Container vessels (number)</td>
<td>973</td>
</tr>
<tr>
<td>Transhipment Rate (% container)</td>
<td>20%</td>
</tr>
<tr>
<td>Operating model</td>
<td>Mixed Model</td>
</tr>
<tr>
<td>Non-intrusive inspection equipment</td>
<td>no</td>
</tr>
<tr>
<td>Entry system for trucks</td>
<td>Regular Gate</td>
</tr>
<tr>
<td>Free storage days</td>
<td>4</td>
</tr>
<tr>
<td>Anchorage waiting time</td>
<td>35</td>
</tr>
<tr>
<td>Truck turnaround time (minutes)</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Transnet Port Terminals, 2014 annual report. The time period reported is April 2013 to March 2014.
the Western Cape. The ICT infrastructure allows for top technology companies to do business in the
Western Cape, these include Naspers, DimensionData, Amazon, Mxit, etc.

The ICT sector is well established in the City of Cape Town with the City having invested ZAR544m
on broadband infrastructure to date as part of its broadband infrastructure project. This includes 789
kilometers of fibre-optic cable that has been installed in the City’s own duct network increasing the
City’s bandwidth by approximately 3000 times. This improving infrastructure, together with incentives
and world-class ICT companies, sets the scene for the sector in the Western Cape. In 2015, ZAR1.22bn
has been earmarked for the Connected Government Project, part of which is creating WiFi hotspots at
384 Western Cape Government sites with fibre connectivity providing free access. Key WiFi hotspots
include Stellenbosch, Eden, George CBD, Atlantis, Robertson, Khayelitsha and Mitchells Plain. Other
enabling initiatives include:

• 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 61.8 million
people in 2015, 10.7% of which live in the Western Cape. Gauteng hosts 24% of the population while
Kwa-Zulu Natal hosts 20%. The South African Living Standard measure (LSM) survey recorded that the
majority of the population was in LSM 5 (16.8%) and LSM 6 (22.7%), earning between ZAR4000 and
ZAR7000 per month with no tertiary education (AMPS, 2015).

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, Mozambique etc. increased by 4.5% from 2014/2015 to
2015/2016, up from 62,647 to 65,615 (CBRTA, 2017). South Africa and Mozambique have also signed
an agreement to develop a one-stop border post, which is pending implementation. This is indicative of
the growing relationship South Africa has with its neighbouring countries.

In relational terms the Western Cape has a close proximity with the EU and the United States and in
geographic and relational terms the relationship with Africa, especially SACU and SADC is strong. The
region also has advantageous access to world markets through preferential trade agreements such as
the Trade, Development and Cooperation Agreement (United States) and the Economic Partnership
Agreement (EPA) with the EU, further strengthening relational ties. The Economic Partnership
Agreement (EPA) concluded in 2014 with the EU improves market access for 32 agricultural products,
and recognises Geographical Indicator Status (GIS) for Rooibos, Karoo Lamb etc. The EU is a
sustainable market and the African market will continue to grow as trade relations strengthen. 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 2016 show that Africa is still the largest opportunity for Western Cape exports worth an estimated ZAR45.13bn in 2016. Europe and Asia come in second and third, valued at ZAR36.27bn and ZAR20.69bn 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 (8,746.3 km excluding South Africa). In terms of both traffic and freight volumes, it is also 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 in 2016 were from Asia (51.5%), with imports valued at ZAR98.86bn. Europe (21.7%) and Africa (19.0%) are ranked as the second and third largest import regions, with a value of ZAR41.8bn and ZAR36.5bn 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. In terms of the relationship with China, the governments are actively striving to realise the comprehensive strategic partnership envisaged in 2010. At present the most significant link, apart from diplomatic relations, is economic with two way trade accelerating with China and India. Trade between the Western Cape and China was at ZAR39.7bn in 2016 and provincial trade with India totalled ZAR12bn. 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 195 consulates and embassies in South Africa, Cape Town hosts 51, which are listed below:

<table>
<thead>
<tr>
<th>Angola</th>
<th>Ghana</th>
<th>Namibia</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Greece</td>
<td>Netherlands</td>
<td>Switzerland</td>
</tr>
<tr>
<td>Belgium</td>
<td>Hungary</td>
<td>New Zealand</td>
<td>Turkey</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Iceland</td>
<td>Norway</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>Brazil</td>
<td>India</td>
<td>Paraguay</td>
<td>USA</td>
</tr>
<tr>
<td>Canada</td>
<td>Indonesia</td>
<td>Philippines</td>
<td>Vanuatu</td>
</tr>
<tr>
<td>China</td>
<td>Italy</td>
<td>Portugal</td>
<td>Zimbabwe</td>
</tr>
<tr>
<td>Colombia</td>
<td>Lithuania</td>
<td>Romania</td>
<td></td>
</tr>
<tr>
<td>Cyprus</td>
<td>Japan</td>
<td>Russia</td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>Madagascar</td>
<td>Seychelles</td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>Malta</td>
<td>Slovakia</td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>Mauritius</td>
<td>Slovenia</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Mexico</td>
<td>Spain</td>
<td></td>
</tr>
<tr>
<td>Georgia</td>
<td>Morocco</td>
<td>Sri Lanka</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>Mozambique</td>
<td>Sudan</td>
<td></td>
</tr>
</tbody>
</table>
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.thetdi.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.
- Bavaria – 1995: Co-operation agriculture, education, environmental, economic development, high-tech.
- 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.

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 and City of Cape Town 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:

- The Best City in the World (Telegraph Travel Awards, 2015/2016);
- One of the Top 10 cheapest global travel cities (Trip Adviser, 2013);
- Number one Convention City in Africa & Middle East (International Congress and Convention Association, 2012-2015);
- One of the top African cities in the category Top 10 Cities in Africa & the Middle East (Condé Nast Traveler Readers’ Choice Awards for 2013);
- Best Airport in Africa and Airport Staff Service Excellence 2010 –2015 (Skytrax, 2010-2015);
- Number 1 on the New York Times’ 50 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 (SAACI, 2015 – 2016);
- 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); and
- World Design Capital 2014; and

General cost of living is shown in the table below:

<table>
<thead>
<tr>
<th>CONSUMER ITEMS</th>
<th>PRICE (ZAR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Milk</td>
<td>9.78 – 11.49 a litre</td>
</tr>
<tr>
<td>Bread loaf</td>
<td>10.89 – 14.99</td>
</tr>
<tr>
<td>Meat</td>
<td>67.98 – 119 per kilo</td>
</tr>
<tr>
<td>Chicken (whole)</td>
<td>24.51 – 88.99 per kilo</td>
</tr>
<tr>
<td>Half a dozen large eggs</td>
<td>13.95+</td>
</tr>
<tr>
<td>Instant coffee (250 gr)</td>
<td>31.99 – 174.78</td>
</tr>
<tr>
<td>Bottle of good quality wine</td>
<td>129.00+</td>
</tr>
<tr>
<td>Packet of cigarettes</td>
<td>30-40</td>
</tr>
<tr>
<td>Movie tickets</td>
<td>65-79</td>
</tr>
<tr>
<td>Hair cut</td>
<td>30 – 200</td>
</tr>
<tr>
<td>Laundry (wash and dry per 5kg)</td>
<td>20 – 40</td>
</tr>
<tr>
<td>Domestic help per hour</td>
<td>9.63 hourly/433.35 weekly</td>
</tr>
<tr>
<td>Medical (GP fee per consultation)</td>
<td>200 - 550</td>
</tr>
<tr>
<td>Green fees for golf course</td>
<td>3,560– 4,950 entrance fee</td>
</tr>
<tr>
<td>±R4,500 annual green fee</td>
<td>39.00</td>
</tr>
<tr>
<td>Big Mac</td>
<td>39.00</td>
</tr>
</tbody>
</table>

Source: An average of 3 suppliers was contacted to estimate average prices, 2015
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, 4 procedures and 84 days are required on average for a business to obtain a new electricity connection. This is less than the number of procedures for OECD high-income economies (5 procedures). However, the process only takes 76 days in OECD high-income economies. Overall, Cape Town is ranked second among 10 municipalities surveyed in terms of the ease of getting electricity connection in the Doing Business in South Africa 2015 document.

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), Mainstream Renewable Power (Ireland), 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.

<table>
<thead>
<tr>
<th>Domestic Customers</th>
<th>Daily service charge (ZAR)</th>
<th>Energy charge (c/kWh)</th>
<th>Demand Charge (*ZAR/kVA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Block 1 (0 – 600kWh)</td>
<td>-</td>
<td>175.90</td>
<td>-</td>
</tr>
<tr>
<td>Block 4 (600.1 + kWh)</td>
<td>-</td>
<td>213.90</td>
<td>-</td>
</tr>
<tr>
<td>Lifeline</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Block 1 (0 – 350kWh)</td>
<td>-</td>
<td>103.81</td>
<td>-</td>
</tr>
<tr>
<td>Block 2 (350.1 +kWh)</td>
<td>-</td>
<td>287.42</td>
<td>-</td>
</tr>
<tr>
<td>Commercial Customers</td>
<td>Daily service charge (ZAR/DAY)</td>
<td>Energy charge (c/kWh)</td>
<td>Demand Charge (*ZAR/kVA)</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------</td>
<td>-----------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Small Power Users 1</td>
<td>34.20</td>
<td>144.63</td>
<td>-</td>
</tr>
<tr>
<td>Small Power Users 2</td>
<td>-</td>
<td>237.09</td>
<td>-</td>
</tr>
<tr>
<td>Large Power Users (500kVA and 1 MVA low voltage)</td>
<td>46.92</td>
<td>79.71</td>
<td>237.19</td>
</tr>
<tr>
<td>Large Power Users (medium voltage)</td>
<td>46.92</td>
<td>74.09</td>
<td>220.59</td>
</tr>
<tr>
<td>Medium Voltage Time of Use Tariff</td>
<td>7 638.00</td>
<td>72.61 (low demand Standard Sep to May)</td>
<td>117.00</td>
</tr>
<tr>
<td>High Voltage Time of Use tariff (66kV or 132kV)</td>
<td>7 638.00</td>
<td>70.49 (low demand Standard Sep to May)</td>
<td>117.00</td>
</tr>
<tr>
<td>Atlantis</td>
<td>Daily service charge (ZAR/DAY)</td>
<td>Energy charge (c/kWh)</td>
<td>Demand Charge (*ZAR/kVA)</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------</td>
<td>-----------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>Only available at Medium Voltage in Atlantis Industrial Area</td>
<td>6 942.60</td>
<td>66.01 (low demand Standard Sep to May)</td>
<td>106.36</td>
</tr>
</tbody>
</table>

Source: City of Cape Town, 2015

11. Economic and political stability

In 2015, the Western Cape economic growth outperformed that of the national economy by 0.2 percentage points, at 1.5%. 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 (67% in 2015) with strong agricultural exports.
Compared to other provinces, the Western Cape has consistently outperformed in terms of average annual growth from 2011 to 2015 along with the Gauteng province. The Western Cape economy averaged 2.5% growth in this period, outperforming the national economy, which averaged 2.2% in this period.

South African average annual real GDP growth per province, 2011-2015

<table>
<thead>
<tr>
<th>Province</th>
<th>Western Cape</th>
<th>Eastern Cape</th>
<th>Northern Cape</th>
<th>FreeState</th>
<th>KwaZulu-Natal</th>
<th>North-West</th>
<th>Gauteng</th>
<th>Mpumalanga</th>
<th>Limpopo</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>2.5</td>
<td>1.8</td>
<td>2.3</td>
<td>1.7</td>
<td>2.4</td>
<td>0.9</td>
<td>2.6</td>
<td>1.8</td>
<td>1.8</td>
</tr>
<tr>
<td>SA GDP Growth</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: Stats SA, 2017

The 2015 Ibrahim Index of African Governance (IIAG) shows that South Africa ranks 6th 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 69.4 out of a 100 in 2015. The overall governance showed a mild improvement in the rule of law; sustainable economic opportunity and infrastructure sub-sectors.

12. Legal protection/enforcement of contracts

According to the World Bank Ease of Doing Business Report (2017) South Africa ranks high in terms of protecting minority investors (22 out of 189 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 number of procedural steps needed during the 3 main phases of the court proceeding: filing and service of process, trial and judgment, and enforcement of judgment. The laws are national, and litigating a breach of contract case is consistent throughout South Africa, it requires 29 steps, which is less than the average for OECD high-income and East Asia and the Pacific economies. Resolving a commercial dispute in Cape Town takes on average 600 days and costs 33.2% of the claim value. The duration is comparable to East Asia and the Pacific economies, although it is also 20% cheaper.

Furthermore, enforcing a judgment across South Africa takes on average 80 days, which is significantly faster than the average in OECD high-income and East Asia and the Pacific economies. In Cape Town it takes 76 days.
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 BBB- and starting a business in Cape Town takes 7 procedures, 43 days and costs 0.2% of income per capita.

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 four key players in South Africa’s banking sector are FNB, ABSA, Standard Bank and Nedbank, as well as newcomer 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 are offering 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 27% in 2015. The GDP value of the sector increased from ZAR77.9bn in 2004 to ZAR115.8bn in 2015 in constant 2010 prices.

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 banking industry companies profiled per province-registered head office

<table>
<thead>
<tr>
<th>Province</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gauteng</td>
<td>49</td>
</tr>
<tr>
<td>Western Cape</td>
<td>12</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>4</td>
</tr>
<tr>
<td>Limpopo</td>
<td>2</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>1</td>
</tr>
</tbody>
</table>

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 for 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), 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 Industrial Technology Park - provides sites for renewable and green industry manufacturing businesses looking to locate in the Western Cape.
  - Competitive lease offers and financial incentives,
  - Fast tracked application process,
  - Environmental Exemption,
  - Biodiversity offsets,
  - Exemption from application fee,
  - Development contribution (DC) deferral/debt write off,
  - Atlantis Programme Manager and Investment Facilitation Unit.
Summary: Survey measuring Cape Town’s competitiveness as an African Hub

Results

Wesgro has conducted a survey of 39 companies affiliated with the agency to gauge the perspective and experience of those who have expanded or are wanting to expand into Africa. The survey also compares Cape Town’s competitiveness with other African cities in terms of key characteristics such as infrastructure and lifestyle. The survey, compiled by Wesgro, asks questions to assess what different companies are strategizing in terms of their medium and long-term ‘Africa plans’ and whether they plan on positioning their regional headquarters in the Cape. Overall the results show that around three quarters of the companies surveyed had a positive perception of Cape Town as a base to do business in Africa and noted the highly sophisticated infrastructure of the city as a major drawcard.

Companies surveyed

- Total respondents doing business in Cape Town: 39
- More than two-thirds of companies surveyed were in the services sector
- Almost half of all the respondents were large companies with more than 50 employees
- 1 in every 3 businesses surveyed has a subsidiary in Africa

Cape Town as a base for doing business

- 1 in 2 companies surveyed said that Cape Town was one of the best cities for doing business in Africa.
- Of these companies, almost half commented that their reason for Cape Town being a base city is primarily the “good infrastructure and facilities” to support business.
- One third of these respondents cited lifestyle as being a major pull factor.

Africa Strategy

- Almost half of the respondents intend investing in Africa directly and separately from their investment in Cape Town
- One in three companies surveyed intend to export into Africa from Cape Town
- One in five respondents plan to have a head office in Cape Town with subsidiaries in Africa
- The remaining 6% of companies intended to run a regional headquarters in Cape Town
Characteristics important for doing business and how they rank in Cape Town

- The characteristics that were rated as “important” or “very important” for a city to have as a hub for doing business in Africa by the most respondents were the following:
  - Flight connections ........................................ (95%)
  - Economic and political stability .................... (95%)
  - Quality of Life ............................................. (95%)
  - ICT infrastructure ....................................... (92%)
  - Financial infrastructure or regulations .......... (90%)

- For the characteristics above CT was rated “well suited” or “very well suited” by the following percentages of respondents:
  - Flight connections ......................................... (35%)
  - Economic and political stability ..................... (43%)
  - Quality of Life ............................................. (88%)
  - ICT infrastructure ....................................... (41%)
  - Financial infrastructure or regulations .......... (69%)

Two in three companies that rated the proximity to markets a “very important” indicator for doing business saw Cape Town as well suited in that indicator.

Nine in ten companies that rated quality of life a “very important” indicator for doing business saw Cape Town as well suited in that indicator.

Over 70 percent of companies that rated road infrastructure a “very important” indicator for doing business saw Cape Town as well suited in that indicator.

Four in five companies that rated ICT infrastructure a “very important” indicator for doing business saw Cape Town as OK or well suited in that indicator.

Key developments respondents believe enable Cape Town as a business hub

- Roll out of fibre optic cables
- Broadband expansion initiatives and a growing ICT and manufacturing hub
- Development of the Good Hope Centre into a film studio
- Expansion of the CTICC
- World Design Capital
- 2nd busiest airport (Cape Town International Airport) in South Africa and 3rd busiest in Africa
- Three advanced ports catering for different sectors including an extensive and well developed road system connecting the CBD to other economic hubs in South Africa and Africa
- Newly designated Industrial Development Zone (soon to be introduced as Special Economic Zones)
- Targeted incentives within Atlantis Industrial Development Park
- Availability of skilled workforce
- Established business culture and clustering of financial institutions
Cape Town as a base city and business strategy

Survey responses and analysis

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. About half of the companies investing into the Western Cape have indicated regional and sub-regional motives for investing. These companies indicated setting up headquarters in the Western Cape and using the province, and specifically Cape Town, as a springboard into Africa (FDI Intelligence, 2015).

A survey was undertaken among 39 established companies in Cape Town in order to understand their perception on Cape Town as the best city for business in Africa. 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 nine surveyed Cape Town based companies, 61.5% rated Cape Town as one of the best cities to do business in Africa. A further 12.8% of the companies indicated Cape Town as the outright best city within which to do business in Africa. Overall the results showed that 74.3% 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 do business in Africa was its highly sophisticated infrastructure that made it easier for companies to expand into Africa.

Of the surveyed companies, 20.5% 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. These companies indicated that Cape Town was a great place to live and do business in South 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. Foreign companies established in Cape Town have indicated different strategies on how they intend to enter into Africa. In order to understand the strategy options of the thirty nine companies surveyed, the companies were asked the question below:

What is your business strategy into other African countries in relation to your business in Cape Town?

Over half of the companies surveyed indicated that they intend to establish their company in Cape Town and expand into Africa. Of these companies one in four indicated that they would setup their business in Cape Town and export into Africa. A further one in four companies opted to run their African regional headquarters in Cape Town or head office and open subsidiaries in Africa. This can be attributed to Cape Town’s sophisticated infrastructure relative to the rest of Africa, in addition to its sound financial services sector. The remaining 42.9% of companies indicated that they would invest into Africa directly and separately from their investment in Cape Town.
How would you rate Cape Town as a base for doing business in the rest of Africa?

- Cape Town is the best city within which to do business in Africa: 12.8%
- Cape Town is one of the best cities for doing business in Africa: 41.0%
- Cape Town is one of the best cities for doing business in Africa but it is becoming less attractive compared to other African cities: 20.5%
- Cape Town is not prominent relative to other cities as a place to do business in Africa: 20.5%
- Cape Town is not an ideal city to do business in Africa: 5.1%
- Cape Town is not an ideal city to do business in Africa: 5.1%

What is your business strategy into other African countries in relation to your business in Cape Town?

- I intend to run the African regional headquarters in Cape Town: 5.7%
- I intend to run the head office in Cape Town and open subsidiaries/branches in Africa: 22.9%
- I intend to export into Africa from Cape Town: 28.6%
- None, I intend to invest into Africa directly and separately from my investment in Cape Town: 42.9%
Conclusion

The Western Cape is a top performer in terms of its economy, trade, investment and infrastructure in South Africa. Its reputation as a hub in many sectors such as business services, financial services, ICT and sustainable energy also make it an attractive destination for greenfield investment. The Province’s exports have grown by double digits (18%) over the last 5 years, globally and into Africa, demonstrating the export potential of the province to businesses. The Western Cape also shows its klout as a food and beverage exporter, exporting 18% of Africa’s total fruit juice imports and 20% of Africa’s total wine imports. It is therefore no surprise that greenfield investment into the region has reached ZAR87bn over the last decade (2006-2016). Cape Town is also ranked 80th among over 3000 global cities in terms of inward FDI projects and 2nd in Africa after Johannesburg. Sectors with a competitive advantage for attracting global FDI are real estate, non-automotive transport and food and tobacco. An estimated 51% of companies investing into Cape Town cited regional expansion and market access as their primary motive, followed by 47% who primarily wanted to capture the local domestic market. Africa is the largest destination region for Western Cape outward FDI, accounting for 54% of projects and 52% of capex. Retailers are leading this investment drive with their African expansion strategies.

The Wesgro survey that was conducted took a deeper look into the perspective and experience of those who have expanded or are wanting to expand into Africa. The insights gained from this survey showed that around three quarters of the companies surveyed had a positive perception of Cape Town as a base to do business in Africa and noted the highly sophisticated infrastructure of the city as a major drawcard. Of the companies that intended to expand into Africa, one in four indicated that they would like to setup their business in Cape Town and export into Africa. A further one in four companies would opt to run their African regional headquarters in Cape Town. The Western Cape has also outperformed the national economy consistently from 2011-2015, demonstrating its economic stability and leadership as a hub. Connectivity, infrastructure and lifestyle incentives all make the Western Cape an expedient and strategic choice to business into Africa.