



## South Africa and the Western Cape Boatbuilding manufacturing sector

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## 1 General Overview

South Africa is globally renowned for its advanced construction methods and progressive expert technological approach to design in the boatbuilding industry. It is also acknowledged that a strong support value-chain exists for the provision of materials for boat and ship construction and repairs. This includes supply industries of sail making, mast builders, naval architecture, outsourced manufacturing of component parts, post-production parts, industry associations, and training centers (such as Lawhill Maritime Centre, an award-winning training center in Simons Town). There are various shipyards and boatyards that build and repair various classes of vessels in South Africa. SanDock Austral Shipyards (previously known as Southern African Shipyards), situated in Durban, has the capacity to build vessels of up to 150m in length. Several South African marine manufacturing companies, including Robertson & Caine (a Cape Town-based boatbuilding company specialising in luxury catamarans and considered the country's largest boat builder<sup>1</sup>), have garnered international recognition. It is imperative to note that the Western Cape is the production hub of the South African boatbuilding industry, accounting for an estimated 70% of marine manufacturing capacity within the country<sup>2</sup>. The country's first sector specific special economic zone (SEZ), known as the Saldanha Bay Industrial Development Zone (SBIDZ), to support marine repair and fabrication industries is located within the Port of Saldanha in the Western Cape. It is also worth highlighting that KwaZulu-Natal is one of the largest marine manufacturing centres in South Africa. SanDock Austral Shipyards, which operates the largest shipyard in the country, is in Durban<sup>3</sup>.

The boatbuilding industry in South Africa is made up of small entrepreneurs and is dominated by a few large companies. Boatbuilding yards exist across various metropolitan areas and are supported by a wide range of supply and post-production services. The boatbuilding industry is principally an export market that is predominantly centered on luxury crafts, although the manufacture of boats is inclusive of mono and multi-hulled sailboats, custom motorboats, inflatable crafts, kayaks, and canoes. Almost 80% of leisure boats and 40% of commercial vessels are produced for the export market. Moreover, there is a strong focus on ship repairs in the Cape Town harbor wherein the largest ship repair yard in Africa, DCD Marine, operates. It is estimated that the oil industry in Africa will require extensive ship repair and maintenance within five years<sup>4</sup>. To date, it is estimated that South Africa accounts for about 1% of the global ship repair and refurbishment market, with marine maintenance and repairs undertaken on approximately 5% of the vessels that dock in South African ports annually<sup>5</sup>. All this highlight how big the industry is and the magnitude of the sector's contribution to national output. In 2020, marine manufacturing and related activities generated a total revenue of around ZAR3.4bn, which represents a 22.7% decline compared to the ZAR4.4bn attained in 2019<sup>6</sup>. This was due to the impact of Covid-19 and the national lockdown that ensued in a bid to curb the spread of the virus.

The core objective of this paper is to outline specific boat related trade flows under (HS Code 89: Ships, boats, and other floating structures), between the referenced countries and indicating if there are any investment flows between these referenced countries in these sectors. In addition, the paper highlights the largest and fastest growing products traded by the markets under analysis.

## 2 Trade and foreign direct investments

It is worth mentioning that Africa as a continent has witnessed a considerable growth in the boat manufacturing industry in recent years. Government (e.g., navy, patrol, rescue boats, etc.), tourism (charter), fishing, and trade (moving cargo along the Congo River) are growing areas within the African boat market. The South African government, as a member of various African trade bodies, is strategically positioned to support collaboration between the country's boat industry and that of other African markets. Through the implementation of a single currency and fintech, along with the African Continental Free Trade Area (AfCFTA), business between South Africa and member African states has been made easier, facilitating the smooth flow of goods and services. In addition, since 2003 to date, three FDI projects worth ZAR1,127.81bn in inward capital expenditure have been recorded in the South African boat building sector. These projects were all from the Netherlands and cumulatively created 402 jobs. Interestingly, all three projects landed in the Western Cape, specifically in the city of Cape Town. Over the same period there were no outward investment within the ships and boats sub-sector recorded by the Western Cape or the country as a whole<sup>7</sup>.

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<sup>1</sup> Robertson and Caine 2022

<sup>2</sup> Investor Confidence Marine Manufacturing Sector 2020

<sup>3</sup> WHOM 2022

<sup>4</sup> Trade Maps 2022

<sup>5</sup> Transnet 2017

<sup>6</sup> WHOM 2022

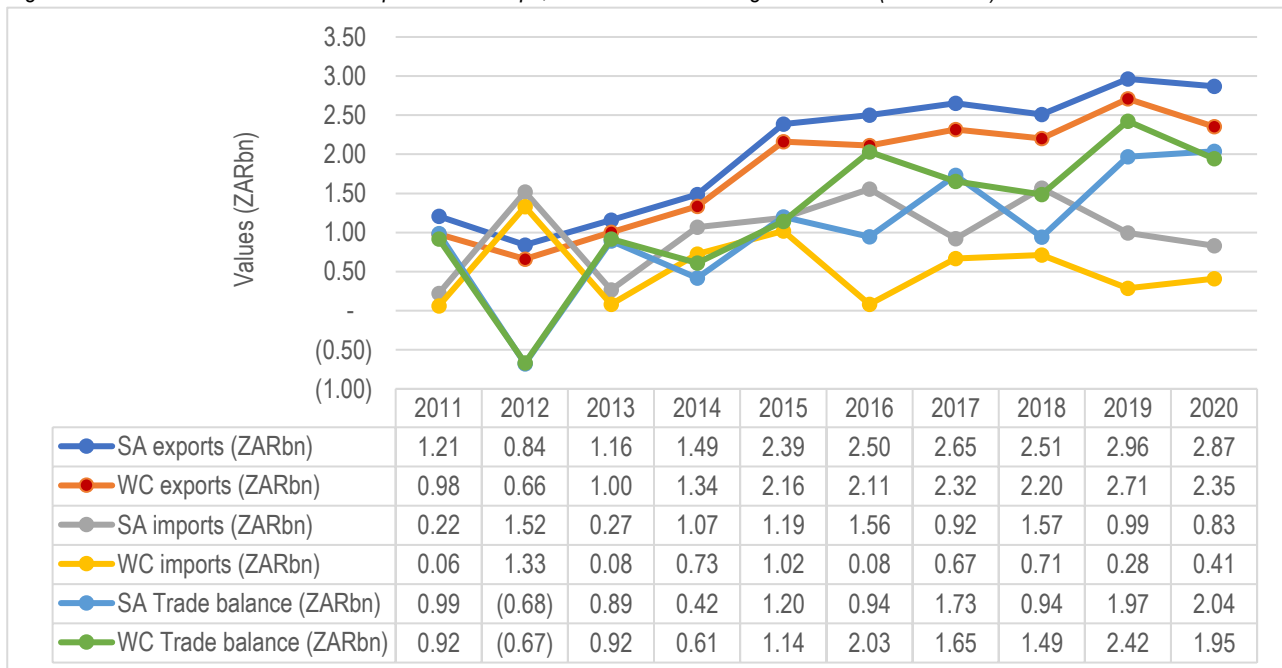
<sup>7</sup> FDI Intelligence 2022

## 2.1 South Africa and Western Cape trade

The export value of ships, boats and other floating structures from South Africa has risen overall since 2011, from a value of ZAR1.21bn in 2011 to ZAR2.87bn in 2020. The same fluctuation was evident within the Western Cape, which mirrors the national economy in the trade of ships, boats, and other floating material. The Western Cape's total receipts from exporting these products increased from ZAR0.98bn in 2011 to ZAR2.35bn in 2020. The observed similarities in trends for both the province and national economy is due to the fact that the Western Cape is the production hub of the South African boatbuilding industry, accounting for almost 70% of marine manufacturing capacity. That said, the Covid-19 pandemic had a huge knock-on effect on the industry as highlighted by a y-o-y drop of 3.20% in exports at the national level. A similar trend was observed in the Western Cape where exports declined by 13.08% y-o-y from ZAR2.71bn in 2019 to ZAR2.35bn in 2020. This was largely due to the national hard lockdown instituted in 2020.

On the import front, South African imports associated with this sector softened by 16.43% in 2020 to a value of ZAR0.83bn, down from ZAR0.99bn in 2019. In contrast, the Western Cape's imports rose by 46.43% y-o-y to a cost of ZAR0.41bn in 2020, up from ZAR0.28bn in 2019. The Western Cape and South Africa both recorded positive trade balances post 2012 in this sector as indicated in Figure 1.

Figure 1: South Africa and Western Cape trade in ships, boats & other floating structures<sup>8</sup> (2011-2020)



Source: Quantec (2021)

Figure 2 below highlights the top ships, boats and other floating structures exported by South Africa globally in 2020. Yachts and other vessels for pleasure or sports were the country's top exported products within the industry, with a value of ZAR2,117.73m (equivalent to 73.81% of total exports in 2020). Warships and lifeboats other than rowing boats were the second largest exported products, valued at ZAR338.10m (11.78% of total exports), while tugs and pusher craft, valued at ZAR153.39m (5.35%) were ranked third. The country's fastest growing export categories were yachts and other vessels for pleasure or sports; warship and lifeboats; and cruise ships at an average annual growth rate of 68.99% for the period 2016 - 2020.

<sup>8</sup> HS:89

Figure 2: Top ships, boats and other floating structures exported by South Africa (2020)

	Exports (ZARm), 2020	Share(%), 2020	Ave Annual Growth(%), 2016-2020
Yachts and other vessels for pleasure or sports	2,117.73	73.81	68.99
warships and lifeboats other than rowing boats	338.1	11.78	17.61
Tugs and pusher craft	153.39	5.35	1.26
Floating structures, rafts, tanks& cofferdams.	105.66	3.68	2.51
Light-vessels, fire-floats, dredgers	83.7	2.92	1.28
Cruise ships, excursion boats	42.31	1.47	6.86
Fishing vessels & factory ships	28.08	0.98	1.48
Vessels and other floating structures for breaking up	0.1	0	0.01

Source: Quantec (2021)

Turning to key imported products within the industry, warships and lifeboats dominated imports at a value of ZAR361.33bn (equivalent to 43.47% of total imports) in 2020, as shown in Figure 3. Cruise ships followed in second position with a value of ZAR331.36bn (representing 39.86% of total imports), whereas floating structures, rafts, tanks and cofferdams were the third largest imported products, valued at ZAR56.75bn (with a share of 6.83%). Combined, these three product categories accounted for 90.16% of total imports in 2020. The country's fastest growing imported product category over the reviewed period were light-vessels, fire-floats, dredgers.

Figure 3: Top ships, boats and other floating structures imported by South Africa (2020)

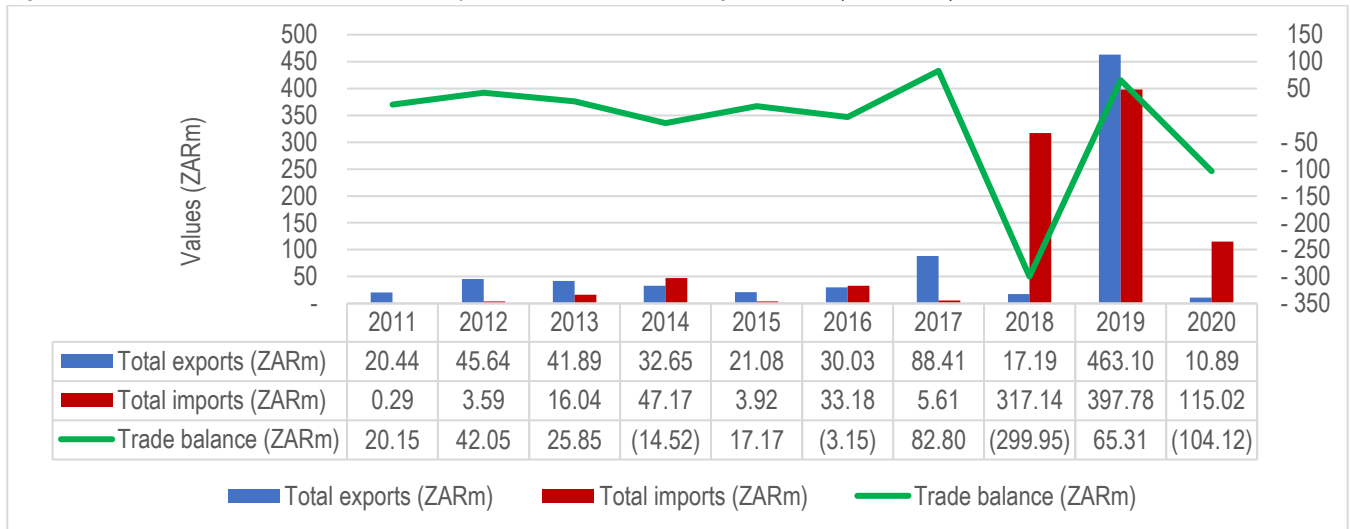
	Imports (ZARm), 2020	Share(%), 2020	Ave Annual Growth(%), 2016-2020
warships and lifeboats other than rowing boats	361.33	43.47	20.1
Cruise ships, excursion boats	331.36	39.86	22.36
Floating structures, rafts, tanks& cofferdams.	56.75	6.83	7.66
Yachts and other vessels for pleasure or sports	40.29	4.85	8.88
Tugs and pusher craft	30.1	3.62	0.62
Light-vessels, fire-floats, dredgers	10.04	1.21	34.28
Fishing vessels & factory ships	1.24	0.15	6.06
Vessels and other floating structures for breaking up	0.12	0.01	0.04

Source: Quantec (2021)

## 2.2 Trade and foreign direct investment between South Africa and Namibia

Historical trade relations along with other trade agreements such as UK-SACUM act and AGOA have enhanced bilateral trade relations between South Africa and Namibia. South Africa's exports to Namibia in relation to ships, boats and other floating structures declined by 97.65% y-o-y to a value of ZAR10.89m in 2020, from ZAR463.10m in the previous year. Similarly, imports decreased by 71.09% y-o-y to reach ZAR115.02m in 2020, from ZAR397.78m in 2019. Such a massive drop in trade may be associated with the effects of the Covid-19 pandemic which saw both Governments instituting national hard lockdown measures and closing off borders, thereby restraining trade. Figure 4 below illustrates bilateral trade flows between South Africa and Namibia pertaining to ships, boats, and other floating structures. Turning to FDI, no FDI projects were recorded between South Africa and Namibia over the period January 2003 – December 2021 with regards to ships, boats, and other floating structures.

Figure 4: South Africa and Namibia trade in ships, boats, and other floating structures (2011-2020)

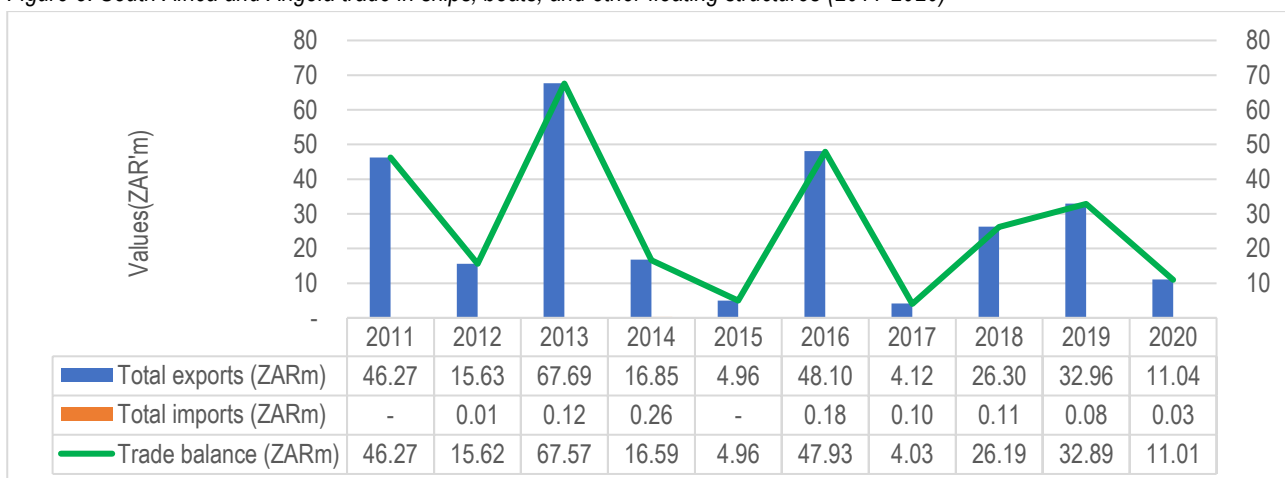


Source: Quantec (2021)

## 2.3 Trade and foreign direct investment between South Africa and Angola

Looking at general trade on all products, Angola was South Africa's 39<sup>th</sup> largest export market and 70<sup>th</sup> largest import market in 2020. Figure 5 shows South Africa's trade with Angola between 2011 and 2020. Unable to escape the adverse impact of the coronavirus pandemic on global commerce, South Africa's trade with Angola declined sharply in 2020 with exports decreasing by 66.50% y-o-y to a value of ZAR11.04m. Similarly, imports declined by 57.48% y-o-y to a value of ZAR0.03m in 2020. Figure 5 below illustrates bilateral trade between the two nations from 2011 to 2020.

Figure 5: South Africa and Angola trade in ships, boats, and other floating structures (2011-2020)



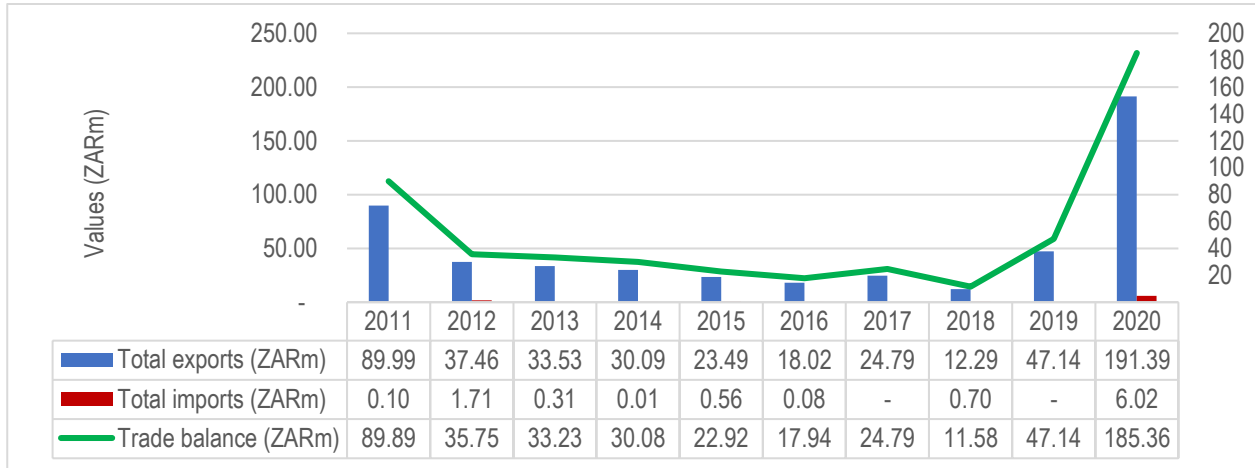
Source: Quantec (2021)

There was no FDI recorded from South Africa into Angola boat building sector and vice versa.

## 2.4 Trade and foreign direct investment between South Africa and Mozambique

South Africa recorded a trade surplus with Mozambique in ships, boats and other floating materials throughout the period analysed. At a value of ZAR191.39m in 2020, South Africa's exports of ships, boats and other floating materials to Mozambique were more than 100% greater than what was recorded in 2011 (ZAR89.99m). Likewise, South Africa's imports of ships, boats and other floating materials from Mozambique was valued at ZAR6.02m in 2020, significantly higher than ZAR0.10m recorded in 2011. Figure 6 shows bilateral trade flows between South Africa and Mozambique from 2011 to 2020. Throughout the period analysed, no FDI flows were recorded between the two countries in relation to ships, boats, and other floating structures.

Figure 6: South Africa and Mozambique trade in ships, boats, and other floating structures (2011-2020)

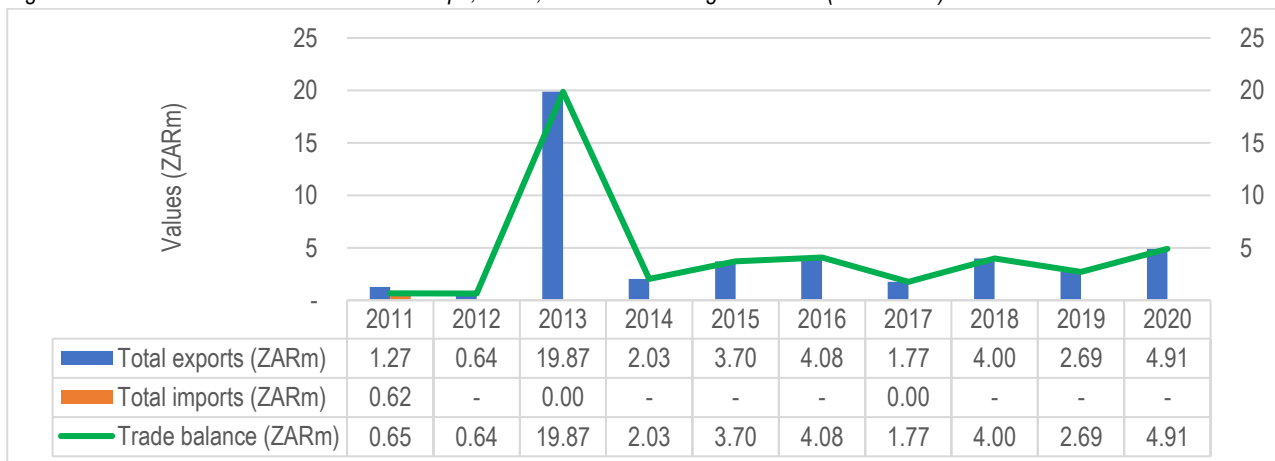


Source: Quantec (2022)

## 2.5 Trade and foreign direct investment between South Africa and Malawi

South Africa's exports of ships, boats and other floating structures to Malawi grew at an accelerated rate of 82.76% y-o-y in 2020 to a value of ZAR4.91m, up from ZAR2.69m in 2019. Bilateral trade between the two nations has traditionally been skewed towards South Africa, with the nation exporting more than it imports of ships, boats and other floating structures over the period analysed. South Africa recorded trade surpluses with Malawi from 2011 to 2020 as a result. Figure 7 below illustrates bilateral trade flows between South Africa and Malawi in relation to ships, boats, and other floating structures.

Figure 7: South Africa and Malawi trade in ships, boats, and other floating structures (2011-2020)



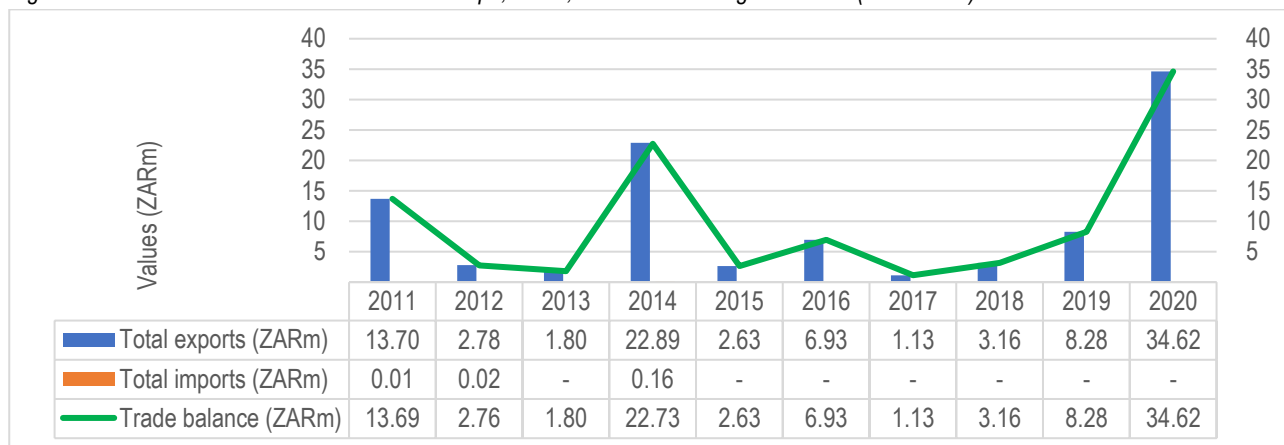
Source: Quantec (2021)

It is worth mentioning that there were no FDI flows between the two countries in the ships and boat sub-sector over the period analysed.

## 2.6 Trade and foreign direct investment between South Africa and Tanzania

South Africa and Tanzania are bound by the Southern African Development Community (SADC) Treaty, as highlighted within the SADC Protocol on Trade. The treaty intends to further liberalise intra-regional trade in goods and services by creating mutually beneficial trade arrangements which will help to improve investment and productivity in the SADC region. This treaty has secured a good passage for ships, boats, and other floating materials into Tanzania from South Africa. Interestingly, total exports of ships, boats, and other floating materials from South Africa to Tanzania fluctuated from ZAR13.70m in 2011 to ZAR34.62m in 2020. Total exports tripled from ZAR8.28m in 2019 to ZAR34.62m in 2020 as shown in Figure 8. There were limited imports of ships, boats, and other floating materials from Tanzania to South Africa, thus, making South Africa a net exporter of ships, boats, and other floating structures over the period under review. There were no bilateral FDI flows recorded in this sector between the two economies from 2003 to 2021<sup>9</sup>.

Figure 8: South Africa and Tanzania trade in ships, boats, and other floating structures (2011-2020)

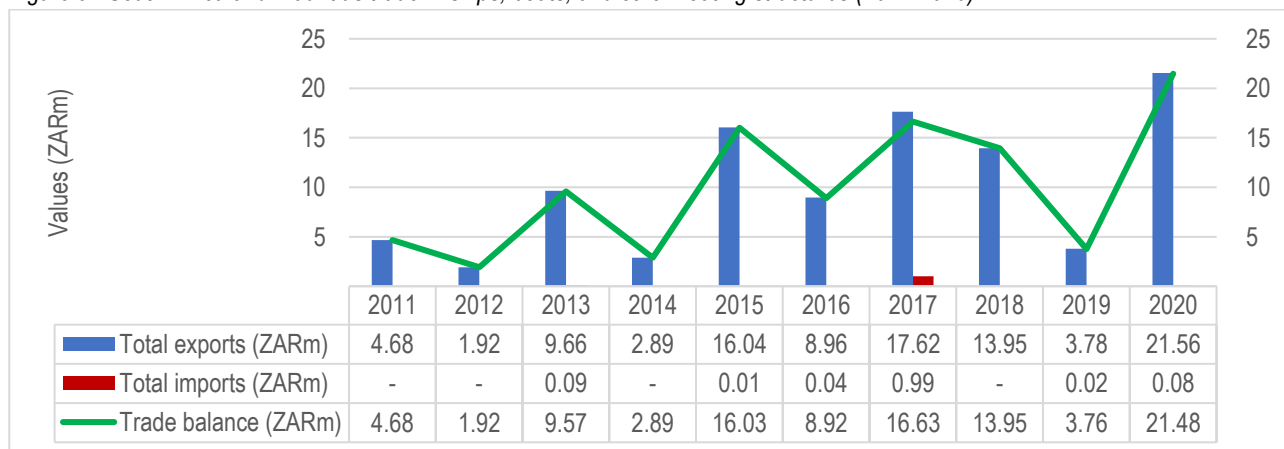


Source: Quantec (2022)

## 2.7 Trade and foreign direct investment between South Africa and Mauritius

It is important to note that South Africa is Mauritius' top trading partner<sup>10</sup>. Mauritius imports most of its products from African markets. Interestingly, ships, boats, and other floating structures form part of the main products sourced externally by the country. Tralac (2022) reveals that 99% of intra-Africa exports are to African countries which are also members of COMESA and SADC, which both South Africa and Mauritius are members of, while only 3% of intra-Africa imports are sourced from African countries which are not members of these RECs<sup>11</sup>. South Africa's exports of ships, boats, and other floating materials to Mauritius soared in 2020, reaching a value of ZAR21.56m, up from ZAR3.78m in 2019 as Figure 9 shows. South Africa was a net exporter of ships, boats, and other floating structures over the period under study. There were no FDI flows in ships and boats between the two countries from 2003 to 2021.

Figure 9: South Africa and Mauritius trade in ships, boats, and other floating structures (2011-2020)



Source: Quantec (2021)

<sup>9</sup> FDI Intelligence 2022

<sup>10</sup> Facts and Figures/ UNCTAD 2021

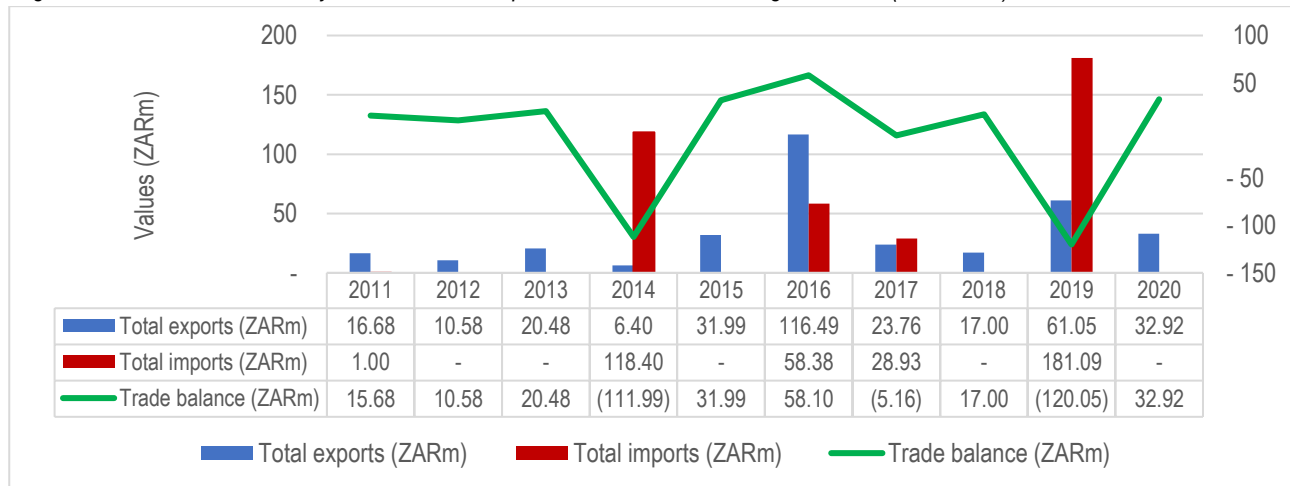
<sup>11</sup> Tralac 2022



## 2.8 Trade and foreign direct investment between South Africa and the Seychelles

With an estimated population of 97,265 according to the 2020 Investment Climate Statements, Seychelles is an island nation located off the eastern coast of Africa in the Indian Ocean. The country that has long standing trade relationships with South Africa<sup>12</sup>. As an open economy dependent on tourism, Seychelles imports a large volume of ships, boats, and other floating structures from South Africa. Total exports of ships, boats, and other floating structures from South Africa to the island nation rose overall from ZAR16.68m in 2011 to ZAR32.92m in 2020, albeit with fluctuation. South Africa's generally imports less ships, boats, and other floating structures from Seychelles, resulting in South Africa being a net exporter of ships and boats to Seychelles. Figure 10 below illustrates the bilateral trade between the two nations. There were no investment flows from both economies regarding ships and boats.

Figure 10: South Africa and Seychelles trade in ships, boats, and other floating structures (2011-2020)

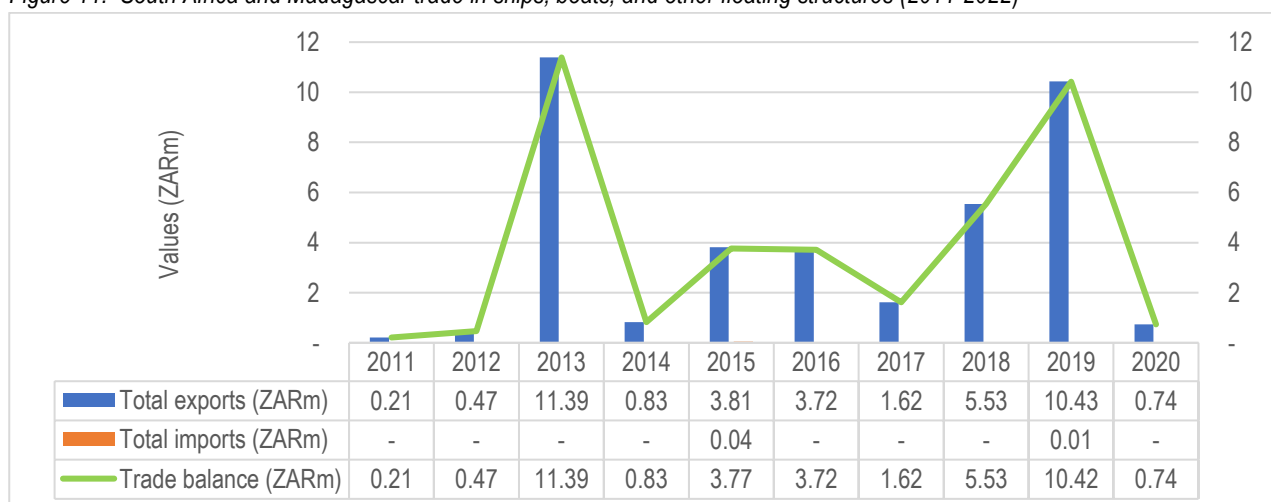


Source: Quantec (2022)

## 2.9 Trade and foreign direct investment between South Africa and Madagascar

Madagascar is an island country located in the Indian Ocean off the south-eastern coast of Africa. Madagascar's source of growth is tourism, which has seen South Africa exporting more of yachts and other light vessels as well as cruise ships. Tourism targets the niche eco-tourism market, capitalising on Madagascar's unique biodiversity, unspoiled natural habitats, national parks, and lemur species. Looking at trade flows between the two economies as shown in Figure 11, South Africa maintained a trade surplus with Madagascar between 2011 and 2020, with exports of ships, boats, and other floating structures exceeding imports in these years. South Africa's exports to Madagascar have increased overall since 2011, albeit with a huge decline of more than 100% from 2019 to 2020. This was in line with general global exports which declined because of the Covid-19 pandemic. South African exports to Madagascar totalled ZAR0.74m in 2020. Imports from Madagascar to South Africa totalled ZAR0.01m in 2019, with no imports recorded in 2020.

Figure 11: South Africa and Madagascar trade in ships, boats, and other floating structures (2011-2022)



Source: Quantec (2022)

<sup>12</sup> 2020 Investment Climate Statements

### 3 State of South Africa's boat manufacturing sector

The marine manufacturing sector has high operating costs and stakeholders affirm that the new environmental regulations are costly to implement. This has been compounded by the recent hike in the economy's repo rate by 25 basis points to 4%, thereby increasing the prime lending rate to 5.5% as announced by the Reserve Bank Governor<sup>13</sup>. Ultimately the high cost of fuel and electricity might have a knock-on effect across the value chain, driving up the cost of components and processes that are used in vessel construction. As it can take over a year to build a single vessel, the industry is particularly sensitive to currency fluctuations. Exchange rate volatility affects the cost of imported core materials and inputs, such as PVC plastics, engines, electronics, generators, air-conditioning systems and desalination units. Fluctuations in the cost of raw materials, such as wood, steel, and aluminium, can affect margins. However, the recent weaker rand has boosted the competitiveness of boats manufactured for the export market<sup>14</sup>.

Marine manufacturers are investing in technologies to achieve the required reductions in exhaust emissions of carbon dioxide and other greenhouse gases from boat engines. Evaporative emissions from fuel systems are a further concern. Other environmental concerns specific to the industry include hazardous chemicals used in boat building; the disposal of styrene, which being petroleum-based, is not easily recycled; and environmental safety of workers: the use of dust masks and protective clothing. It is of utmost essence to note that Greenpeace has focused attention on the dangers associated with ship demolition, during which large volumes of highly toxic materials are emitted into the environment. There are various ship graveyards in developing countries, where environmental law is not policed. South Africa has no ship graveyards. The table below highlights a list of Industry associations available in South Africa and the Western Cape.

Table 1: Industry associations

South Africa and the Western Cape industry associations and other entities in the boat manufacturing sector	
Entity name	Entity name
Blue Cape	South African International Maritime Institute
Boating South Africa/South African Boat Builders' Export Council	South African Maritime Safety Authority
eThekweni Maritime Cluster	Southern African Shippers' Transport and Logistics Council
International Council of Marine Industry Associations	Trade & Investment KwaZulu-Natal
International Marine Certification Institution	Transport Education Training Authority
International Maritime Organisation	Transnet National Ports Authority
Manufacturing, Engineering and Related Services Sector Education and Training Authority	Western Cape Investment and Trade Promotion Agency (Wesgro)
Ocean Sailing Association of Southern Africa	-
Port Management Association of Eastern and Southern Africa	-
Ports Regulator of South Africa	-
South African Association of Ship Builders and Repairers	-

Source: WHOM (2022)

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<sup>13</sup> SARB 2022

<sup>14</sup> WHOM 2022