

ZONEBEAT

OFFICIAL NEWSLETTER OF THE *east london idz*

EAST LONDON IDZ - MERCEDES-BENZ SA COLLABORATION INCREASES LOCAL CONTENT

The East London Industrial Development Zone (ELIDZ) has in the past 12 months attracted and settled a significant number of auto players in the process doubling the investment value in the sector.

Through the Mercedes Benz South Africa's (MBSA) W205 C-Class project, the ELIDZ has attracted six new investors worth over R890 million. 849 jobs existed in the automotive and related industries before the W205 project. More than 534 additional job opportunities have been created following the introduction of the project.

"The East London Industrial Development Zone is extremely proud of the impressive export production achievement of MBSA and the major contribution that the C-Class launch represents for the status and future of the automotive industrial output and potential of the Eastern Cape.

According to ELIDZ Chief Executive Officer Simphiwe Kondlo the move from the Mercedes Benz W204 C-Class to the exciting new generation W205 has seen the deepening of local content where the region is starting to see more primary manufacturing happening at the ELIDZ automotive suppliers.



ELIDZ - MBSA collaboration increases local content... (continued)

It is one further demonstration that the region can assemble the capability and determination to enter and capture international markets with products of an extremely high quality and premium technology content”, said Kondlo.

He added that the ELIDZ engagement with MBSA in building the automotive production capacity of the Eastern Cape is a vital partnership that underpins the attraction of foreign investment and the location of new, competitive production and product technologies. In this respect, the establishment of a world class e-coating facility at the IDZ in support of the new C-Class production heralds a significant achievement for the auto industry development in South Africa and is set to grow the total automotive investment base located within the Buffalo City Metro.

“At the same time, the achievement of the new model launch also enables and supports the long-term enhancement of employment potential in the region through the major and sustained investment into the development and retention of world class industrial skills. MBSA is also commended for its efforts to deepen local content and the ELIDZ is working to ensure that it prepares a receptive and world class manufacturing production location in the IDZ that is well configured to accommodate and continue to grow such investment, in support of further development of local content inputs and growth in employment”, he said.

When ELIDZ was designated in 2002 it had to look at a strategy that would get the zone up and running and further achieve its mandate of attracting investors, bringing in new technologies and creating jobs. The automotive sector was identified as an anchor sector as the region continues to thrive in the industry.

“We had to come up with a clear selling proposition and the key attraction for ELIDZ as the value proposition was that of housing just-in time just-in sequence suppliers which made the automotive cluster of suppliers as almost an extension of

MBSA. Logistic and quality loops that we designed as part of the concept and working with the City in terms of streamlining the flow of traffic to the MBSA plant were also key”, said Kondlo.

This added a lot of what the ELIDZ provided as a strong infrastructure platform with modern factory facilities where the issue of infrastructure and support services will not be a concern anymore and that significantly reduced the burden on suppliers who would have to develop these on their own.

“This meant that we allowed them to solely focus on their core business which will ensure improved quality for MBSA. The centralisation of some services concerning clustering such as logistics flow has been an added advantage to MBSA”, said Kondlo.

Speaking at the start of production event held at the MBSA-East London plant on the Minister of Trade and Industry, Dr Rob Davies, said the automotive industry is crucial for the growth of the South African economy and significantly contributes to the country’s GDP. He said the launch will benefit the country through employment creation and exports.

“This production launch is indicative of Mercedes-Benz continued drive to produce high quality products in SA and a supportive investment environment, enabled by significant levels of government support and initiatives to aid industrial upgrading. The economic benefit linkages arising out of the W205 project will continue to benefit both the regional Eastern Cape economy as well as the SA economy in years to come,” said Davies.

Chief Executive Officer and vice president for manufacturing at MBSA, Arno van der Merwe, said, “Our C-Class production is already upheld by many as the pride of the Eastern Cape. With the next generation model, we strengthen a commitment and responsibility to the province and the country that stretches back more than 60 years. We are honoured to be able to continue this iconic legacy”, he said.



STRENGTHEN THE TIES

The East London Industrial Development Zone (ELIDZ) and the Buffalo City Metropolitan Municipality (BCMM) renewed their vows during an official signing ceremony of the Memorandum Of Understanding (MOU) held at the Mayor's Office in June 2014.

The ELIDZ-BCMM marriage stretches to over a decade.

An MOU is a bilateral agreement between two parties. It expresses a convergence of will between the parties, indicating an intended common line of action. It is often used in cases where parties do not imply a legal commitment as well as in situations where they cannot create a legally enforceable agreement. It is a more formal alternative to a gentlemen's agreement.

The agreement outlines the ELIDZ-BCMM partnerships and further provides guidance on joint initiatives that both parties may embark on in the coming years.

Bringing the MOU closer to home, it is a bilateral agreement between the ELIDZ and BCMM which extends over a period of time. In a workshop held at the ELIDZ with the municipal councillors the agreement was outlined to both parties. A forum that comprises of permanent representations from both the municipality and the ELIDZ was also unveiled.

According to the ELIDZ Board Chairman Zolile Tini, the forum will serve as a mechanism to further extend and enhance relations and communication between both organisations on matters of common interest.

"The forum will provide a channel through which joint initiatives will be identified by both parties and upon implementation will be monitored and evaluated against pre-determined standards. The MOU will ensure that going forward both parties know what is expected of them and will further leverage on the economic opportunities in the region through prioritisation of the thriving sectors and investor attraction", he said.

The ELIDZ-BCMM forum has been assigned duties as set in the signed MOU. These include improving communication channels between the parties, establish technical clusters in order to give effect to the objectives of this agreement and to undertake joint initiatives, and consider, evaluate and approve proposals for joint initiatives proposed by a party or a technical cluster.

The MOU agreement has been signed for an initial period of five years starting on July, 01, 2014 ending June, 30, 2019 and will be subject to an annual review by the forum which will recommend and implement any necessary amendments.



SEZs COME INTO EFFECT AS IDZs REACH THE TWILIGHT

The transition from Industrial Development Zone's (IDZs) to Special Economic Zones (SEZ) is now a reality following recent signing of the SEZ bill into effect by President Jacob Zuma. The move is aimed to support balanced regional industrial growth by fostering the development of more competitive and regional economies.

The East London Industrial Development Zone (ELIDZ) has been instrumental in discussions leading up to finalization of this piece of legislation. To shed more light on how the act will help change the economic climate in the region and the general operations of the existing IDZs, Infozone caught up with Executive Manager in the Office of the CEO, Thando Gwintsa.

Broadly, how is the SEZ bill expected to affect the way the ELIDZ is conducting its business?

The New SEZ Act is more deliberate in instructing on institutional arrangements; policy tools (Incentives) and subtly opens the door for regional development. Depending on how the regulations are crafted, the impact could be very radical or present a minor shift in how we do things. Emerging signals suggest that the main impact will be how the business is funded and suggested signals point towards the Department of Trade and Industry (DTI) stopping the funding of superstructures as well as operations and only funding infrastructure on a matching basis (an example given in one of the working streams was that after 7 years the ELIDZ would have to fund 50% of its infrastructure). The immediate impact will be our business model, which would allow us to borrow against the balance sheet.

The second most prominent change introduced by the new Act relates to institutional arrangements set out under clause "31. (1) A Special Economic Zone Board must follow a fair, equitable, transparent, competitive and cost-effective procurement process, when appointing an operator to develop, operate and manage that Special Economic Zone on behalf of the Special Economic Zone Board.

(2) Notwithstanding subsection (1), only a Special Economic Zone entity established by a public-private partnership licensee may....." The impact of this may be that part of our operations is put out for competition and that we may lose to a private operator. Careful reading of clause 35 **Functions of Special Economic Zone** operator suggest that the provincial entity appointed by Provincial Government may be relegated to management of an agreement with the operator whose functions encompass all what the ELIDZ is currently undertaking.

The ELIDZ is in discussion with the DTI to re-look at the implication of this clause and perhaps find a more practical way of accommodating existing IDZ who have a three (3) transitional phase.

What kind of input did the ELIDZ have leading up to realization of the new SEZ bill?

The ELIDZ has over the past 8-10 years consistently raised the shortcomings of the IDZ legislative environment and has participated in the entire review of the legislative environment from IDZ to the new SEZ act'

What kind of impact will the bill have on ELIDZ current investors and to potential investors?

Qualifying investors will benefit from;

- 15% Corporate Tax
- Building Allowance
- Employment Incentive
- Customs Controlled Area
- 12i Tax Allowance
- When is the bill expected to be rolled out?

The Act will be rolled out as soon as the regulations are finalised. The date of end of August 2014 was suggested by the DTI.

We understand that the ELIDZ has aspirations to be the first IDZ/ SEZ to explore this new trajectory of our economy (SEZ). How far has the ELIDZ gone in this regard?

While the ELIDZ has raised its hand to be the first to benefit from these new incentives we can truly begin to make requisite applications when the regulations are published.

In the final analysis, what kind of change is the act bringing to the current setup?

I think the strengthened programme environment under the new SEZ Act signals governments commitment to the programme of industrialization and the incentive package attests to this. Government signal should ally old age fears on the legitimacy of the programme and begin to strengthen the ELIDZ's value proposition therefore this could only benefit investors.

STP LAUNCHES OPEN INNOVATION SOLUTION

The East London Industrial Development Zone Science and Technology Park (ELIDZ STP) launches an Open Innovation Solution exchange Platform, Connect and Solve

The East London Industrial Development Zone in Collaboration with the Research Institute for Innovation and Sustainability is launching, *Connect and Solve*, the Eastern Cape's first regional Open Innovation Solution Exchange platform.

Open Innovation focuses on uncovering new ideas and leveraging scarce resources. This platform is created with the intent to connect innovators, inventors and solution providers with solution seekers, government and the private sector. *Connect and Solve* is built on an Open Innovation mediation model that is meant to deliver value to innovators and consumers in the province.

Companies around the globe have been using this proven method of solution finding, utilising platforms that enable the exchange of technologies and finding appropriate partners for developing specific technologies, such as NineSigma, InnovaCentive, and Yet2Come. The *Connect and Solve* platform now enables businesses in the Eastern Cape and South Africa to build on the lessons learnt to date.

The main objectives of *Connect and Solve* are to stimulate economic growth through innovation deal-making. This is achieved by connecting organisations, academia, government institutes and Science and technology communities through the

Connect and Solve portal. This initiative also seeks to eliminate barriers to innovation for small and medium sized enterprises and aims to promote and showcase regional talents, technologies and inventions.

Private organisations, government agencies, and non-profit organisations can publish “Challenges” on the **Connect and Solve** Open Innovation platform. “Challenges” are well-articulated descriptions of real business needs that require innovative solutions. The **Connect and Solve** platform offers the solution seekers access to what is believed to be the largest innovation database of solution providers in Africa, managed by the Research Institute for Innovation and Sustainability (RIIS).

Mr Sybert Liebenberg the head of East London Industrial Development Zone’s Science and Technology Park (ELIDZ STP) believes that this platform is exactly what is needed in the Eastern Cape to allow for entrepreneurial growth and collaboration among organisations, he also believes that Open Innovation will fast track innovation deal-making, a much needed activity for the region.

Dr Audrey Verhaeghe, CEO of RIIS states: “We are in full support of this portal as the Eastern Cape is a largely rural area with loads of indigenous knowledge pools and excellent universities and entrepreneurs that can offer much in terms of innovation in the region.”

Connect and Solve has also launched two Open Innovation Challenges

Challenge 1: A medium sized manufacturing company seeks a manufacturing system

An Eastern Cape manufacturing company is looking for a design to build a manufacturing plant/system and develop the process to manufacture a three-pipe nested copper product (“tube-in-tube”).The first prize would be if we can access/acquire a fully operational turnkey manufacturing plant to become the core of a new manufacturing facility with industrial applications. If

this is not possible, a prototype design using accepted design software and a credible proposal to back up the design will also suffice. It will be important to indicate in the submission whether the design of the plant is the same or can be different, if the volume to be produced varies from 20m per day to 500m per day.

Closing date for the challenge: 25 August 2014.

Challenge 2: An Eastern Cape Industrial Development Zone seeking to identify industrial water solutions for various applications.

The Eastern London Industrial Development Zone (ELIDZ), a state-owned company based in the Eastern Cape Province of the Republic of South Africa, invites interested parties with innovative solutions to respond with proposals pertaining to a technology/or capability for the cost-effective conversion of both grey water and seawater into industrial water that can be distributed to industrial users.

Closing date for the challenge: 11 September 2014

For more information about Connect and Solve Open Innovation Solution Exchange platform please visit our website on www.connectandsolve.co.za/www.elidzstp.co.za or contact connectandsolve@elidz.co.za or ELIDZ STP Manager - Community Marketing and Networking - Ludwe Fani on

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CENSUS OF ELIDZ TENANTS



The East London Industrial Development Zone (ELIDZ) has commissioned Statistics South Africa (Stats SA) to conduct a Census of its Tenants for 2014.

Stats SA is a government department responsible for the collection, processing, analysis and dissemination of formal statistics.

This pilot survey will cover the activities of all enterprises operating at the ELIDZ. Explaining the significance of the survey Executive Manager in the Office of the CEO Thando Gwintsa said the data that will be supplied by respondents will be used to determine the contribution of the ELIDZ to the Gross Domestic Product (GDP) and to the total economy of the country.

“The information can also be used by individual business in analyses of comparative business performance”, added Gwintsa.

Questionnaires for this survey which commence on June 30, 2014 were developed and circulated to respondents.

The project is scheduled to be completed by end of September 2014.

CORPORATES HELP PROVIDE LIFELINE TO IMPOVERISHED EC REGION

Mercedes Benz South Africa (MBSA) and McCarthy hosted the annual Rally to Read campaign which aims to improve education in impoverished areas in the Eastern Cape Province.

The ELIDZ once more formed part of the corporates who participated in the event and thus providing hope to the future generation. The decision to participate also emanated from the organisation’s CSI programme.

The campaign was launched in 1998 when the Human Sciences Research Council (HSRC) approached McCarthy to lend them a 4X4. The vehicle was required to reach some of the most rural schools in KwaZulu-Natal as part of a study of school resources.

The tragedy of the situation is that children are eager for education and overcome immense challenges in their endeavours to receive such. Rally to Read provides a lifeline in that regard.

The Rally to Read sees corporates buying up sponsorships which entail two library boxes, teacher training tool and contribution towards feeding pupils on the rally day. The funds are paid into the READ account which is audited annually.

This year’s convoy of vehicles headed for the Queenstown-Whittlesea area where educational material was donated in the presence of Educators, Pupils and parents.

As part of the campaign, the READ Educational Trust has been contracted to run training programmes for Educators and to

provide in-situ guidance and monitoring for a three-year period. 64 days of training and support are invested each year into a school in each region.

The experience also provided an opportunity for increased understanding of, and insight into, the developmental needs of rural, traditional and cultural life.



ELIDZ SPONSORS INAUGURAL WARD 46 SPORTING SHOWPIECE

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Ward 46 includes the Sunnyridge, Lechees Bay, Orange Grove, Greenfields and Sunset Bay areas.

The tournament was organised as part of the organisation's Corporate Social Investment (CSI) programme which amongst other things talks to recognising responsibilities towards immediate and extended communities. The ELIDZ CSI programme also seek to improve the quality of life of the people by participating in such community based initiatives.

According to ELIDZ Corporate Communications Manager Ayanda Ramncwana the concept was conceived from regular meetings with the Ward 46 community representatives. The community had identified a sporting tournament as one of the events they needed support in putting together.

The request was then evaluated against the ELIDZ CSI policy and the decision to sponsor the tournament was taken.

"As the ELIDZ we saw it appropriate that we adhere and support such an initiative by the community. This tournament is not

only a first of its kind in ward 46 but is also aimed at growing sport among the youth and support the existing sporting codes such as soccer, boxing and netball," she said.

Ramncwana added that the ELIDZ as the main sponsor of the tournament also supported a five kilometer big walk and further donated sporting regalia such as soccer kits, netball kits, soccer balls, headgear with Cheek Protectors and Pack of bandages for boxing.

Ward 46 Councillor Nontsikelelo Peter said investment in sport ensures that the youth is out of crime and that talent is nurtured at a tender age. "We are really thankful for what the ELIDZ has done for the youth of this ward. We are quite certain that this partnership will continue to grow," She said.

A member of the organizing team Thembisile Fundani, applauded the success of the tournament and that participants had braved the cold weather. He added that the weather had caused numerous postponements to the tournament as the soccer pitch was waterlogged and the event had to be cancelled.

The magnificent sporting showpiece culminated in a prize-giving ceremony where winners were awarded with medals and trophies at the Robbie De Lange Hall.

The tournament is planned to be held on an annual basis.



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