

ZONEBEAT

OFFICIAL NEWSLETTER OF THE *east london idz*

RG BROSE STARTS PRODUCTION AT THE EAST LONDON IDZ

Brose, the international automotive supplier, has started operating a new production facility at the East London Industrial Development Zone (ELIDZ) Zone 1A, South Africa, with its long-term partner, the Gulmini Family Trust.



RG Brose expands presence in SA... (continued)

RG Brose will deliver just-in-sequence door systems for the new C-Class along with a lightweight design seat structure for one of Daimler's global platform projects. The plant would have created 130 jobs by the end of 2014 with the total investment value estimated at R90 million.

Speaking during the official opening of the plant at the ELIDZ, Executive Vice President Door Systems Brose Group Kurt Sauernheimer said: "the series start for the new C-Class marks the start of just-in-sequence door system production for us in South Africa. This is only possible because of our new site in East London, which is about 8 km from our customer's factory."

RG Brose will deliver the door systems to the final assembly line at Mercedes-Benz South Africa within 215 minutes of receiving the order including 1600 units per day in around 1000 different versions.

The mechatronics specialist at the plant will also produce lightweight design seat systems for one of Daimler's global vehicle platforms at the 6,000 sqm production site at the ELIDZ. "For this complex production process we need a highly skilled team," emphasizes Stefano Gulmini, Managing Director

of RG Brose. "That's why some of our employees went to Brose in Europe for training. We also have experts from Germany, helping with the ramp-up phase in East London."

ELIDZ Executive Manager Zone Development Tembela Zweni expressed the zone's excitement in being home to a world class automotive player like RG Brose.

"We are confident that new suppliers like Brose will continue to contribute to the quality produced by this award winning East London Mercedes Benz plant. While we continue with our endeavours to diversify the local economy, we are also cognisant of the fact that the automotive sector continues to be a significant contributor to the Buffalo City economy and continues to help change people's lives for the better. We are proud to be associated with this industry and we pledge our commitment in ensuring that East London continues to take its place at the summit of the automotive sector globally", said Zweni.

RG Brose has had a production plant 1000 km away in Brits since 1999, where around 150 employees produce window regulators and door systems for Ford, Toyota and Volkswagen.

ELIDZ CEO ENGAGES TENANTS TO STRENGTHEN RELATIONS

As part of its efforts to continue building strong relations with investors, the East London Industrial Development Zone (ELIDZ) led by Chief Executive Officer (CEO) Simphiwe Kondlo hosted a breakfast session to interact with enterprises in the zone.

Addressing the session which was chaired by ELIDZ Executive Manager: Zone Development Tembela Zweni, Kondlo said the ELIDZ existence is attached to serving humanity and to improve people's lives.

Explaining the significance of the ELIDZ interaction with its tenants Kondlo said: "we felt it necessary to use this time to reflect on some of the recent developments, particularly in the media so that our investors can be on par as to what is happening".

The ELIDZ has in the last year continued to successfully pave the way in the IDZ programme attracting a total of eight investors worth more than a billion. In this regard, Kondlo anticipates more success particularly in light of the newly passed Special Economic Zone's (SEZ) legislation which will make provision for unique incentives to a diverse range of economies.

The programme will further expand the provincial reach and footprint of economic zones supported by government, allowing for a variety of zones format to emerge.



“The objective of this legislation is to provide a framework that will expand the scope of IDZs and its economic development activities. SEZs will further provide tangible instruments in terms of funding, incentives and other support programmes for industrial development. We are now at the final stages following discussions on this legislation and we are hoping that more incentives will be added to the basket”, said Kondlo.

Provincial negotiating mandates on the Bill have been developed and it is expected that the proposed SEZ Act will be tabled for final debate and adoption in the National Assembly by December 2014.

Currently, 10 SEZs are being investigated across the country, one being eyed for the Umtata/Port St Johns region.

“A Public-Private Partnership framework is also being developed for use within the SEZ sector and is expected to be ready by April 2014”, said Kondlo.

An appetite to extend new and more attractive incentive offerings to Zone Enterprises is on the cards in a bid to generate

more solid economic impact from the SEZ programme that had been possible under IDZs.

According to Kondlo the ELIDZ has played an instrumental role in the process leading up to the realisation of the SEZ programme and aims to get a first bite. “Given our frontrunner status, we have challenged the Department of Trade and Industry (DTI) to allow us to be the first IDZ that will test incentives that will come out of the SEZ programme”, he said.

He added that the legislation is part of the government attempt to “clean up”, provide proper institutional arrangements and outline clear reporting channels for industrial development in the country.

Kondlo revealed that on top of the benefits of direct business incentive schemes, the DTI is targeting additional areas of benefit via supplementary programme support measures. One key area will be to support and develop targeted skills to grow the competitiveness of SEZ enterprises.

KONDLO UNPACKS ELIDZ AUDIT TURNAROUND STRATEGY TO INVESTORS

ELIDZ CEO Simphiwe Kondlo told the zone’s tenants that whilst this has been a successful year for the ELIDZ there have been challenges.

“For the first time in a decade we have had a qualification in our financials in two areas after being audited by the Auditor General (AG). The two areas are the aggravation of in corrected misstatements and insufficient audit evidence and confirmation of property, plant and equipment”, said Kondlo.

The AG is known for being very stringent in their audit process with the objective of building strong government institutions and this proved to be a challenge for the ELIDZ in the 2012/13 financial year.

“The high standards set by the AG posed a challenge to us particularly in terms of strengthening capacity in our finance team. This followed the government’s decision to cut our budget by 60% which in turn frustrated our operations”, Kondlo explained.

In line with the organisation’s Audit Turnaround Strategy a root course analysis has already been done to have a more robust programme to strengthen internal administration. These include, bringing in highly qualified Chartered Accountants, taking disciplinary actions where applicable and conducting training to close the gap.

In addition, the ELIDZ board and Audit and Risk Committee are working closely with the management to monitor the implementation of the key recommendations by the Auditor-General.

“We want to maintain high standards of clean administration. The AG itself admitted that we still remain a shining example in the province. We are confident that this is just a setback that will enable us to be a stronger and cleaner organisation”, said Kondlo.

An internal audit for half year has acknowledged some corrective actions in a number of audit transgressions and the organisation is confident that the third quarter reporting cycle will see more improvement.

Kondlo added that the ELIDZ will continue responding to the government’s call, that of job creation and expanding the diversity of exports. He also emphasised that the ELIDZ requires the support of its investors in achieving these objectives.

The ELIDZ is also currently reviewing and augmenting its financial controls and systems and various amendments as these were also noted by the Internal Audit function.

CUSTOMER NEEDS AT THE FOREFRONT

The East London Industrial Development Zone (ELIDZ) undertook its annual Customer Satisfaction Survey from February to May 2013. The organisation undertakes such surveys to look at various areas within the scope of the ELIDZ services to the investors.

“As such, the survey was focused on the following aspects, value proposition; this entailed an analysis of the competitiveness of the ELIDZ’s value proposition from an investor perspective. Zone services; this included both Mandatory Zone Services and other Value Added Services Offered by the ELIDZ. General customer experience and feedback: this included the ELIDZ’s advice and assistance to investors, the zone’s knowledgeability about its offering and tenant industries, Information Sharing and Billing”, ELIDZ Corporate Communications Manager Ayanda Ramncwana explained.

According to Ramncwana the customer satisfaction survey is one of the measures put in place by the organisation to gauge the level of satisfaction and as to whether the ELIDZ still delivers quality customised services to each investor. She further explained that from such a survey the organisation gain more insight where to improve on its services.

“The ELIDZ first conducted its survey in 2009/10 and the customer satisfaction results indicated that more than 64 percent of the investors were satisfied with our services.

We conducted the second survey in 2011 and the customer satisfaction was more than 69 percent. This is to show that there has been improvement with our service. However as the East London IDZ we do not pride ourselves with improvement but with satisfaction”, said Ramncwana.

The overall customer satisfaction for the 2013 survey indicated that 75,5 percent of investors were satisfied with the ELIDZ service. The organisation is determined to get 100 percent in its service delivery. “The organisation has made it its goal to get a 100 percent customer satisfaction in the next survey. This will be achieved through the feedback we receive for conducting this survey as it shed more light on some of the areas that we might be overlooking as an organisation”, she said.

Ramncwana urged investors to avail themselves on the next round of the survey as the organisation would like a full representation of the customer on the survey. According to her platforms such the customer satisfaction, the CEO’s breakfast and various others are aimed at engaging and giving investors the chance to suggest on how the ELIDZ could serve them better.

STP TO PARTNER WITH FIBRECO TO TRAIN YOUNG ENTREPRENEURS

Information Communications Technology giant, FibreCo Telecommunications announced in East London that it is training 20 Eastern Cape candidates who will benefit from its drive to build South Africa’s largest long-distance open access fibre optic network, the first phase of which will span over 5,000 km.

A total of 2,400km of the network is already live interconnecting Johannesburg, Bloemfontein, East London and Cape Town as well as providing the shortest and fastest optical fibre connectivity between these cities today.

This landmark achievement comes roughly 2 years after it initially announced that it had signed an agreement with ZTE Corporation of China for the construction of its long distance fibre-optic cable system, as well as having secured BT, Cell C and Internet Solutions as the first 3 Key Anchor Tenants on its network. MTN is the first operator to light up new capacity on FibreCo’s network between Johannesburg and East London, a key landing point in a province with one of the highest levels of broadband deprivation. FibreCo’s total investment in this first link is over R700m.

This training programme comes after FibreCo, in partnership with ZTE, made clear its intention in May 2012 to afford at least 200 technicians around the country the opportunity to gain

internationally recognised certification in order to transfer skills for the maintenance of fibre optic infrastructure in communities close to where its network is located. FibreCo aims to integrate some of the successful candidates into the operations and maintenance of its network. The profile of the trainees in East London has extended to SMME employees and further education and training train-the-trainer candidates.



The East London Industrial Development Zone's Science and Technology Park, saw the potential benefit for the young entrepreneurs in their tenant, ECITI, and facilitated the process that accumulated in the training of the 20 candidates.

"It is important for us to add value to the operation and success of our tenants", said ELIDZ Head of Innovation and Industrial competitiveness Sybert Liebenberg.

"On completion of the FibreCo fibre optic training programme, these 20 candidates in East London will join 30 others who have already completed the programme in Bloemfontein. The primary focus of the course is to provide a comprehensive coverage of the best practices for the deployment of optical communication networks. Optical fibre installation, fusion and mechanical splicing, connectorisation, acceptance testing, troubleshooting and much more is taught with lots of hands-on practice," said FibreCo Chief Executive Officer Arif Hussain.

Hussain added that the programme is accredited by the Fibre Optic Association (FOA), which commands international

recognition in the fibre networking industry, and aims to ensure that trainee candidates are better qualified to apply for new job opportunities which will arise in the operation and maintenance

of FibreCo's network and of other fibre networks.

The curriculum includes fibre optic technical training, financial management skills as well as entrepreneurial skills and health and safety.

FibreCo Chairman Andile Ngcaba said the company is pleased that the Eastern Cape government has come out in full support of interventions such as these in the ICT space.

"This is clear from the establishment by the Office of the Premier of a provincial ICT steering committee which is tasked with advising the Premier on sector initiatives within the Eastern Cape. The establishment of the steering committee should result in the integration of provincial ICT initiatives in different departments and agencies for efficient resource utilisation.

"The Premier herself has stated that she regards ICT as a central nervous system of government operations and currently accounts for the majority of capital expenditures within government. It should therefore be treated with at least the same due diligence as any other capital investments in the province. Sound business cases that support our economic development strategy in the province must be created," said Ngcaba.

YET ANOTHER AUTOMOTIVE ROLE PLAYER TO START PRODUCTION AT THE EAST LONDON IDZ

The East London Industrial Development Zone (ELIDZ) has announced Voestalpine Stampotec as yet another multi-million rand automotive investor linked to the new generation W205 Mercedes Benz C-Class in an event held at the ELIDZ state of the art Automotive Supplier Park (ASP).



The announcement of this Metal Forming Division site of Voestalpine comes at the time where the Group is continuing its internationalization strategy. The plant, which will manufacture high-quality automotive components, is the latest step in the Group's comprehensive globalization strategy in the automotive sector. Voestalpine is currently investing significantly more than EUR 100 million in the facilities in South Africa as well as in additional plants in China, the USA, Romania, and Germany.

During the starting phase, 30 employees at the new site will be employed. The product portfolio includes highly complex body-in-white parts such as press-hardened cross members and aluminum components for vehicle doors. Two fully automatic welding and bonding installations have been procured in order to assemble pressed parts imported from Germany in pace with vehicle production. In addition, two further areas at the site have been reserved for erecting more installations as required.

The man bestowed with the responsibility of heading the voestalpine plant at the ELIDZ Michael Blechinger who also acted as the Programme Director on

the day opened the ceremony by welcoming all guests and stressing their excitement on being finally starting production at the zone.

Speaking at the event voestalpine Stamptec Managing Director Helmut Ulrich said it was a good day for the company as it was extending its footprint in South Africa. "It is a good day for the country and the business environment as another international company is transferring the know how expertise to create jobs. It is also a good day for Mercedes Benz as they will have yet another reliable and well known supplier at their doorstep", said Ulrich.

He added that the South African automotive sector is a shining role model for other sectors and has proved that investment can be brought into the country. "It is very stable and billions have been invested in the sector", he said.

The ELIDZ, which was instrumental in negotiations leading up to the opening of the facility, also received praise from Ulrich for its professionalism and service.

ELIDZ CEO Simphiwe Kondlo described the announcement of voestalpine as a major milestone and a culmination of the ELIDZ partnership with Mercedes Benz which aims to strengthen the localization of content for the W205 project.

"The programme of localization is important as it strengthens skills development and manufacturing capabilities in the region by bringing in new technology. We also appreciate the jobs that will be created", said Kondlo.

As a government programme, the ELIDZ is expected to promote export competitiveness and according to Kondlo the organization has made significant strides in diversifying exports within the country.

"We will also be very instrumental in ensuring that investors have access to government incentives that will be applicable to the automotive sector", he added.


The ELIDZ is also the first and still the only IDZ in the country to leverage the incentive through its partnership with GMLS of a customs controlled area incentive, something Kondlo believes is an added advantage to investors in the zone.

MBSA Vice President Arno van de Merwe welcomed the announcement of voestalpine saying the company has "made the right decision" by choosing to locate its business at the ELIDZ. "The commitment that we bring to the companies investing in this area is key in supporting economic growth and the socio-economic being of the region", he said.

Van de Merwe added that MBSA has helped bring in seven suppliers linked to the W205 project to the ELIDZ.

"We have a foundation to continue growing and our ability to produce vehicles in this area is heavily dependable on improving our overall cost position and this is not something that we can do only through the processes that are accessible to us. We have to increase local content to capitalize on the benefits", he concluded.





ELIDZ AWARDS EIGHT BURSARIES TO EC LEARNERS

Following a launch of a bursary scheme worth over R1 million in January 2014 and as part of its Corporate Social Investment (CSI) programme, The East London Industrial Development Zone (ELIDZ) has awarded 8 bursaries to deserving learners from the Eastern Cape Province.

The bursary scheme is aimed at giving financial assistance to matric learners and those who completed their matric and are between the ages of 18-25 and wish to pursue a career in Maths, Science and Technology related fields.

Five bursaries have been awarded to learners from the broader Eastern Cape and three to learners from the Ward 46 area (Sunnyridge, Leeches Bay, Sunset Bay, Orange Grove) in East London.

The ELIDZ has positioned itself as a solutions related company which creates value through the development of unique and tailored offerings for its customer base. Explaining the significance of this positioning ELIDZ Chief Executive Officer (CEO) Simphiwe Kondlo says the organisation needed to have a diverse, well informed and innovative knowledge base to drive the development of a unique value offering for investors.

“As part of our Corporate Social Investment (CSI) mandate, we have identified the need to introduce a bursary scheme which will promote the development of a skills base that is aligned to the ELIDZ identified skills requirements and further promote a meaningful social investment by the organisation”, Kondlo explains.

“This is also part of our commitment to pay special emphasis on investment in higher education and that of being a caring corporate citizen in the province”, said Kondlo.

In this endeavour the ELIDZ partnered with the Mathematics, Science and Technology (MST) Skills Development Foundation to ensure smooth implementation of the bursary scheme. The MST is an initiative by Amahlumela Research, Sustainability and Education Foundation and South African Black Technical and Allied Careers Organisation in the Eastern Cape together with the Department of Education in the province.

“The MST has assisted us in the management of the application and verification process for all applications based on our approved criteria. As an ongoing partnership they will further provide support and mentorship to ELIDZ bursary holders through social networking and individual visits to the beneficiaries”, says Kondlo.

Applicants were required to obtain at least have 60% for Mathematics and Physical Science and a 60% average for all

other subjects during the June and November examinations. Those that had already completed Grade 12 were required to be in possession of a National Senior Certificate and should have at least obtained a 60% for Mathematics and Physical Science and a 60% average for their final examination.

The bursary is a full time study bursary which is renewable provided that the applicant maintains a 60% average for all subjects in their final examinations.

Below is what some recipients had to say after being awarded the bursaries:

Simamkele Balekile, 19
Bsc Chemical Engineering at Wits University

“I feel very honoured and grateful in being one of the beneficiaries because I know that this company is a huge industrial company. I studied about it in Geography last year now it is helping me to further my studies. My wish is to work there after completing my Degree.”

Ayabonga Plandeyishi, 18
Bsc Theoretical Physics at the University of Stellenbosch

I’m very happy with being one of the successful candidates as I’ve said I had no other source of funds and my dreams of getting into University this year would have been shattered if the bursary scheme did not come along.”

Anelisa Ndongeni, 19
Bsc Mining Engineering at Wits University

“Being one of the beneficiaries is great opportunity because many people applied but only a few got the bursary. That means a lot to me and now I do not have to stress about how to pay for my fees.”

Ayanda Malusi, 19
Bsc Construction Economic Management at Wits University

“Being the beneficiary is one of my proudest achievements. I set myself this goal at the beginning of the year and near the end of the year I thought it might not be fulfilled but fortunately for me I heard about the ELIDZ bursary scheme and applied. The bursary will help me reach my goals and I am grateful to the ELIDZ for that.”

THE DTI TABLES ITS INCENTIVES PERFORMANCE REPORT IN THE EASTERN CAPE

The Department of Trade and Industry (dti) in partnership with the East London IDZ and Allan Gray held a special provincial stakeholders incentives performance report session in Mthatha and East London in March 2014.

The session attended by the Department of Economic Development, Environmental Affairs and Tourism's (DEDEAT) Head of Department (HOD) Bongani Gxilishe and various other stakeholders was aimed at sharing information with regards to dti's incentives contribution to the economy of the Eastern Cape Province.

According to Dti's Senior Manager: Strategic Partnerships and Customer Care Mark Alard, The partnerships formed by department are aimed at fostering discussions on collaborative support measures that may further lead to growth in the province's leading sectors. "The session's main objectives are: raising awareness of the uptake of the incentives in the 12/13 financial year primarily in the Eastern Cape Province, to show appreciation to those that have supported the dti in its incentive role out, introducing partners that can assist in the growth of one's business such as the East London IDZ and creating a dual platform for all stakeholders to network as well as marketing and to set the tone for a follow up session regarding the dti's incentive programme", he said.

The department also provided a summative analysis of the performance of the incentive programmes administered and managed by the Industrial Development Incentive Administration Division (IDIAD) within dti for the period April 2012 to March 2013 through the session. In the session people were also educated on the clustering of the dti's incentives and that when an applicant is applying for an incentive they should know the cluster their business is register under that is Broadening Participation Cluster (BPC), Competitiveness Investment Cluster (CIC), Manufacturing Investment Cluster (MIC), Services Investment Cluster (SIC) and Infrastructure Support Cluster (ISC).

The East London IDZ as a strategic partner to the department facilitates the access to dti's incentives through working with interested investors located in the Zone. "The assistance

given to the East London IDZ by the National and the Provincial office has benefited investors mainly in the Agro-sector through the Manufacturing Investment Programme (MIP) incentive. The Customs Control Area (CCA) incentive has benefited our investors although not offered by the dti but the department's facilitation has assisted in getting the necessary approvals timeously", said ELIDZ's Investment Project Analyst Ondela Hlwathi.

According to Alard, the Eastern Cape Province still has various incentives that its uptake is very low on when compared with the big three Provinces namely Gauteng, Western Cape and Kwa-Zulu Natal. These incentives include Services Investment Cluster (SIC) and Infrastructure Support Cluster (ISC). "This is a worrying factor as the province is known as an automotive hub and is not taking advantage of the incentives mainly taken advantage of by the big three. However the province has shown growth in the Broadening Participation Cluster incentive with 114 enterprises (R40.6 million) in 2012/ 2013", he said.

Closing the session with his remarks, Gxilishe said the incentives offered by the dti will further unlock economic activity and diversity in doing business in the Province. "As a Province we need to increase our incentive uptake through diversifying our sectors and registering more companies that will take advantage of these incentives. This will subsequently shift the economic focus from the big three provinces", he said.

Gxilishe added that the Dti and DEDEAT are working on a plan that will further increase the uptake and access to information relating to incentives. "It has come to our attention that some applicants are frustrated with the application process and the time it takes for the department to respond. Starting from April, 1, 2014 applications will now be done electronically, where the system will tell the applicant what is required of them for their application to be submitted successfully", he said.