

• 2017/18 •

INVEST IN CAPE TOWN



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD



Regional Market Analysis and Intelligence

weSGRO
cape town & western cape
tourism, trade & investment



The Bo Kaap.

It may be one of the most photographed areas of the Mother City, but brightly painted houses and quaint cobble streets aren't the only reasons to visit the Bo Kaap. This part of Cape Town is packed full of history and culture.

Startups

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INTRODUCTION

This document has been developed to showcase the current investment climate within Cape Town for potential investors. This will enable more enlightened business decisions. The document identifies the opportunities afforded to businesses; and provides information on eight identified sectors of the economy that present high growth sectors for investment. Facilitated by the combined efforts of the general public, private sector and public sector; these incentives, developments and economic growth sectors essentially present current and future investors with a growing business and investor friendly environment in which to operate.

Already home to several top international listed companies, Cape Town is currently regarded as one of the best cities in Africa to invest.

The city is digitally connected, offers a favourable lifestyle, sound infrastructure, a skilled and energetic workforce, four top universities and two globally recognised business schools, local government support and is Africa's tech and innovation hub. The world-class central business district is a safe, bustling centre of commerce and retail activity.

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FOREWORD

I am excited to present the latest ‘Invest in Cape Town’ brochure for 2017/18. This brochure is packed full of information on the Cape Town business environment which ranges from the attractive attributes of Cape Town to sectoral pockets of excellence and incentives. This information plays a critical role in providing potential investors and businesses alike with key information they need around doing business in Cape Town.

Cape Town is a fast growing investment destination. The city has a diverse population with many different cultures, racial groups and nationalities found in our City. Our residents are our greatest asset and the diversity of the population makes it an ideal place to work, live and play as well as invest.

Cape Town continues to receive interest as an investment destination and is the ideal springboard for investors looking to expand their operations across the African continent. The City of Cape Town, in its investment attraction efforts, collaborates with various stakeholders in profiling and promoting Cape Town as a lucrative investment destination. It must be emphasized that partners play a vital role in promoting Cape Town as an investment destination. Cape Town boasts many success stories of numerous local and international investors who have made a business decision to locate their operations in the

City. These successes speak for themselves and we are proud of the fact that these investors in most instances often act as ambassadors by encouraging other businesses to locate in Cape Town.

The City’s Economic Growth Strategy has paid off with more investors coming to Cape Town to open businesses. We are the tech hub and green economy capital of Africa.

A key indicator of the success of the City’s Economic Growth Strategy is that in December 2016, Cape Town was ranked 21st in the world for our foreign direct investment strategy by FDI Intelligence – a division of the Financial Times. The only African city to appear on this list.

We are positioning Cape Town as a globally competitive business destination and our message is clear, we are open for business. The Cape Town economy is diverse with flourishing sectors such as business process outsourcing, green economy (renewable energy), ICT and electronics and clothing and textiles, among others, contributing significantly to the growth of the economy.

In addition to having high growth sectors, Cape Town has one of the busiest and well developed container ports in South Africa and the second busiest airport in the country. The City is working with key stakeholders to effectively utilize these ports and has a dedicated Air Access team tasked with increasing direct flights to

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Cape Town to increase air access to and from Cape Town to boost investment and tourism. These initiatives are being implemented together with key stakeholders like Wesgro, Provincial Government of the Western Cape and ACSA.

Cape Town is the second-most-important contributor to national employment. As a result, employment creation and unemployment reduction are top priorities for the City. The industries in which Cape Town has the most pronounced comparative advantages compared to the country as a whole are fishing, real estate, textiles and clothing, hotels and restaurants, and food and beverage manufacturing.

Cape Town is widely considered to be one the most desirable lifestyle cities in the world and has won many accolades and awards in recent years.

In 2017, Cape Town has once again been crowned the number one city in Africa for business tourism events by the International Congress and Convention Association (ICCA). This has been the fourth consecutive win for the City. However, no destination is without its challenges. Cape Town is experiencing an unprecedented drought but the City is being pro-active in ploughing all its resources into New Accelerated Supply Schemes as part of our Water Resilience Strategy to alleviate this challenge in the short, medium and long term.

Over the next five years the City of Cape Town has set as one of its strategic priorities the positioning of Cape Town as a forward-looking, globally competitive business city. Last year the 'Invest Cape Town' initiative was launched. It was the start of a process to develop a business brand narrative that emphasises the unique characteristics of the city-region. 'Invest Cape Town' focuses on crafting an authentic narrative about what Cape Town stands for as an investment destination, building on the compelling success stories and competitive advantages of the destination. The essence of the narrative is that Cape Town is a functional African hub where ideas come to life through the energy and ambition of its people.

I am therefore inviting those investors who are thinking of doing business in Africa to consider Cape Town as a switched-on, in-tune and globally connected city with a business ecosystem driven by innovation and creativity.

Cape Town is Africa's ideas centre.

Patricia de Lille
EXECUTIVE MAYOR, CITY OF CAPE TOWN

InvestSA, One Stop Shop

The **InvestSA** One Stop Shop Western Cape, operated by Wesgro and the Western Cape Government, is a multi-faceted collaboration between National, Provincial and Local Government. The primary objective of the facility is to cut the 'red tape' that may be experienced by investors seeking to set up or expand business interests in the South African market.

The initiative clusters key government departments and agencies under one roof, creating the convenience of providing investors with a single point of service. Our offering includes but is not limited to: providing an accessible entry point for investors in need of regulatory compliance; enhancing regulatory and legal processes; improving approval turnaround timeframes; providing information on incentives (tax, land, training, free trade zones etc.); providing pre-approval information (market data, costs, incentives, project approval, local partners, etc.); and providing post approval information (facilitation of permit approvals, information relating to import of equipment & raw materials, central bank profit repatriation etc.) to investors.

investSA ONE STOP SHOP WESTERN CAPE

operated by



InvestSA, One Stop Shop (Western Cape) | 46 St George's Mall | Cape Sun Corner Cape Town

Email: zaheer@wesgro.co.za / salman@wesgro.co.za | **Tel:** 021 023 0900



FOREWORD

Cape Town has emerged as the innovation and ideas capital of both South Africa and the continent.

As the new regional hub for the 'sharing economy', we are leading in areas such as tech entrepreneurship and the new economy.

Our natural beauty, an award-winning tourism offering, and world-class infrastructure have helped put our city on the map, but if you are looking to do business in Africa, Cape Town is emerging as an obvious choice.

This is precisely why several global companies base their African regional headquarters in the city. It is also why Wesgro's trade promotion programme has made the rest of Africa its top priority, helping ensure that Cape Town is positioned as a gateway to the largest consumer block in the world emerging on the continent.

We now measure the rand value of exports facilitated into the rest of Africa as well as the outward foreign direct investment by Cape companies into the continent.

During the last financial year (2016-2017), the Trade team facilitated a total of 41 business agreements with an estimated

economic value of R9billion resulting in 781 jobs. In addition, the unit facilitated a total of three "Outward Foreign Direct Investment" projects into Africa to the value of R507 million.

Wesgro's investment unit continues to be at the forefront of proactively recruiting investments into the Cape. The unit realised a total of 12 investment projects, to the value of more than R2billion during the financial year 2016-2017.

This has assisted in the facilitation of 696 jobs and helped to grow Cape Town's industrial base. A collaborative public-private partnership which we are very proud of is the Cape Town Air Access initiative.

This project, which was launched in 2015, is a partnership between Wesgro, the City of Cape Town, the Western Cape Government, Airports Company South Africa, South African Tourism and Cape Town Tourism. It also includes support from leading private sector companies.

Its key objective is to land more direct routes to Cape Town International Airport, boosting arrivals into the City. The ripple on effect of this on both tourism and business has been significant.

So far the initiative has managed to secure 10 new routes and facilitated 11 route expansions in the last two years. This has resulted in more than 700,000 additional seats to Cape Town International.

Another excellent example of collaboration, which will equally boost investment and economic growth in the Mother City is the Cape Investor Centre.

This InvestSA One Stop Shop is jointly operated by Wesgro, the Western Cape Department of Economic Development and Tourism and the Department of Trade and Industry, and includes a dedicated office space for the City of Cape Town's Invest Cape Town staff.

By housing some 13 local, provincial and national stakeholders in one space we will be better able to assist investors in completing the regulatory processes needed to invest in Cape Town.

I'm confident that these new initiatives will increase the global competitiveness of Cape Town and will continue to make the city an inspiring place to do business in Africa.

Tim Harris
CHIEF EXECUTIVE OFFICER

01 South Africa at a glance

1.1 COMPETITIVENESS

In 2016, South Africa was the 30th largest global destination market for greenfield investment out of 175 countries. The country was the largest destination and source market for greenfield investment on the African continent (FDI Markets, 2017).

KEY COMPETITIVE INDICATORS, 2016					
INDICATOR	SOUTH AFRICA	BRAZIL	CHINA	INDIA	RUSSIA
DEMOGRAPHICS					
Population (millions)	55.9	206.1	1 382.7	1 309.3	143.44
Life Expectancy at birth (years) 2013	63.1	73.8	75.5	68.5	70.8
Unemployment rate (%)	27	11	4	4.8	6
THE ECONOMY					
Gross Domestic Product Purchasing Power Parity (USD, billions)	739	3 141	21 292	8 662	3 800
GDP per capita (USD)	13 500	14 800	14 500	6 700	26 000
GDP (PPP) as share (%) of world total	0.6	2.6	17.8	7.2	3.2
Total Investment (% of GDP) 2014	19.5	17.5	44.1	31.4	25.6
Gross national savings (% of GDP)	16	16	46	30	16
Average Inflation rate (%)	6.3	8.7	2.0	4.9	7.0
COMPETITIVENESS					
Global Competitiveness ranking (/138)	47	81	28	39	43
Travel and Tourism Competitiveness (/136)	53	27	15	40	43
Information Communications Technology networked readiness ranking (/136)	65	72	59	91	-
Quality of overall infrastructure (/144)	58	107	51	69	101
Literacy rate (%)	94.4	92.6	96.4	71.2	99.7

Sources: International Monetary Fund World Data (2017), The Global Competitiveness Report • 2016 - 2017 (2017) and A World Factbook (2017)

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In 2016, South Africa was the 30th largest global destination market for greenfield investment out of 175 countries.

02

Cape Town: a world class city

Cape Town has a sophisticated, diverse and dynamic economy, and is a regional hub for entrepreneurship and innovation. Cape Town companies have a strong footprint across the African continent and in a number of other regions across the globe.

The city is the main economic base for the Western Cape and the second most important contributor to national employment among South African cities. Cape Town has also consistently recorded higher economic growth rates than the national economy in the past 5 years, showing impressive resilience during a challenging post-recession period for South Africa. The city boasts spectacular natural scenery and is a renowned tourist destination, receiving a number of international accolades, but, with a ranking of just 11 as the cheapest place for expatriates out of 209 cities on Mercer's Cost of Living Index – and 4th cheapest amongst African cities – remains an affordable place to live in and to do business.



Population (2016)
4 012 441

6,3%
Inflation
(average for Western Cape)

Ethnic groups
Black African (39,9%)
Coloured (42%)
Asian/Indian (0,9%)
White (17,2%)

2016 Regional GDP
(GDP-R, current prices)

R413bn



91,7%
**Functional
literacy** (2016)



0,75
**2016 Human
Development
Index (HDI)**

Source: City of
Cape Town, 2017;
Statistics South
Africa, 2017;
Quantec, 2017;
IHS Markit, 2017

Comparative analysis of Cape Town and other South African cities

Indicators	Cape Town	Johan- nesburg	Tsh- wane (Pretoria)	eThe- kweni (Durban)	Ekurhu- leni
Population (millions) (2016)	4,01	4,93	3,29	3,66	3,45
Population average annual growth rate (2011 - 2016)	1,53%	2,57%	2,54%	1,30%	1,46%
Average annual GDP-R growth (constant prices, 2011-2016)	2,9%	2,9%	3,7%	3,1%	2,8%
Average annual GDP-R growth (constant prices, 2006-2016)	2,4%	2,2%	2,8%	2,3%	2,2%
Exports (R billions, 2016)	78,7	314,3	162,4	65,4	73,5
Foreign Direct Investment (FDI) Projects (Total number, 2003-2016)	307	561	53	73	N/A

Sources: Statistics South Africa, 2017; IHS Markit, 2017;
Quantec, 2017; FDI Intelligence, 2017

03

Cape Town at a glance

3.1 EDUCATION & SKILLS

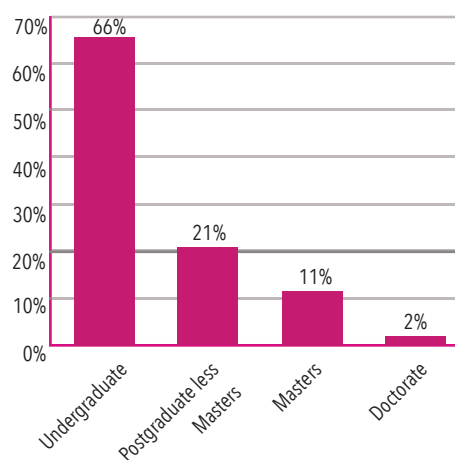
Cape Town has four tertiary education institutions:

1. University of Cape Town (highest QS World Ranking amongst African universities);
2. University of Stellenbosch Business School;
3. University of the Western Cape; and,
4. Cape Peninsula University of Technology.

In addition, the University of Stellenbosch (second highest QS World Ranking amongst South African universities) is located just outside of the city's boundaries.

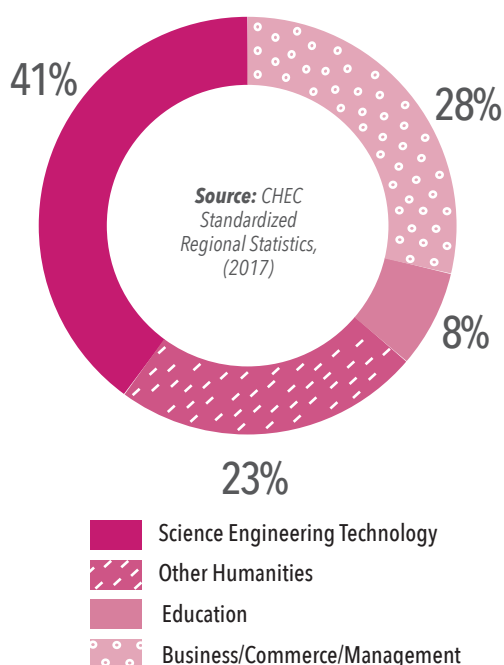
In 2015, approximately 49 886 students were enrolled in the four Western Cape universities (the three Cape Town universities and Stellenbosch University) in the Science, Engineering and Technology fields and 11 496 students graduated in the same field of study (Cape Higher Education Consortium (CHEC), 2015). Of the Province's graduates in 2015, 66% obtained Undergraduate degrees, 21% completed postgraduate degrees, 11% completed Masters and 2% obtained Doctorates.

FIGURE 1: WESTERN CAPE GRADUATES BY QUALIFICATION, 2015



Source: CHEC, UCT: Standardized Regional Statistics, (2017)

FIGURE 2: WESTERN CAPE GRADUATES BY CLASSIFICATION OF EDUCATIONAL SUBJECT MATERIAL (CESM), 2015



3.2 EMPLOYMENT PROFILE

CAPE TOWN'S EMPLOYMENT INDICATORS, 2016

Population aged 15-64 years

2 792 137

Employed

1 483 358

69% Labour Force Participation Rate

Not Economically Active **871 657**

Strict unemployment rate

23%

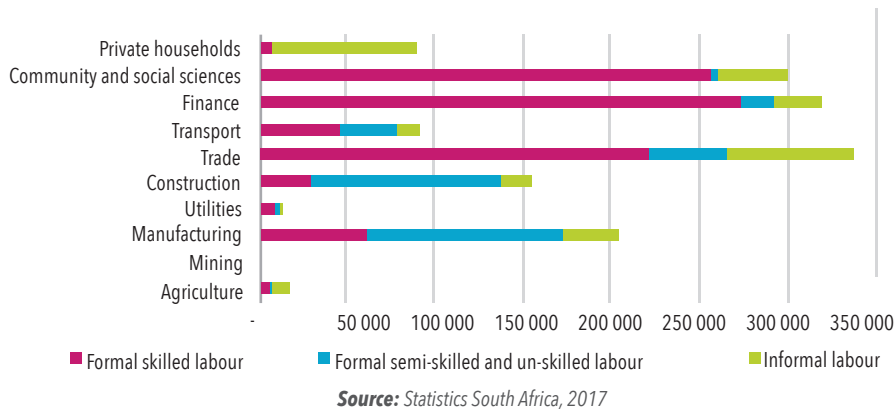
Strictly Unemployed

437 123

Source: Statistics South Africa, 2017

Cape Town's top employing sectors were the finance, community and social services, and trade sectors. The finance and business services sector employed the largest number of skilled individuals in 2016 (280 983) and the manufacturing sector employed the largest number of semi-skilled and unskilled individuals (102 284).

FIGURE 3: SECTORAL EMPLOYMENT SPLIT IN CAPE TOWN, 2016



280 983
finance and
business services
employed the largest
number of skilled
individuals. (2016)

A challenging macroeconomic climate at a national level, has seen fluctuations in the unemployment rate over the past two years. Cape Town has, nevertheless, maintained a strict unemployment rate which is slightly below the national strict rate, and an expanded unemployment rate which is over 10 percentage points lower than the comparable national rate. The reason for Cape Town's comparatively low expanded unemployment rate, both

compared to the country as a whole and the other metros (see Figure 4), lies in the relatively small number of discouraged work-seekers in the city. This reflects on a labour market which, while not always providing sufficient employment opportunities to absorb new labour entrants, continues to sustain a strong level of participation and active job seeking.

FIGURE 4: UNEMPLOYMENT RATE TRENDS IN CAPE TOWN RELATIVE TO THE NATIONAL AVERAGE, 2011-2016

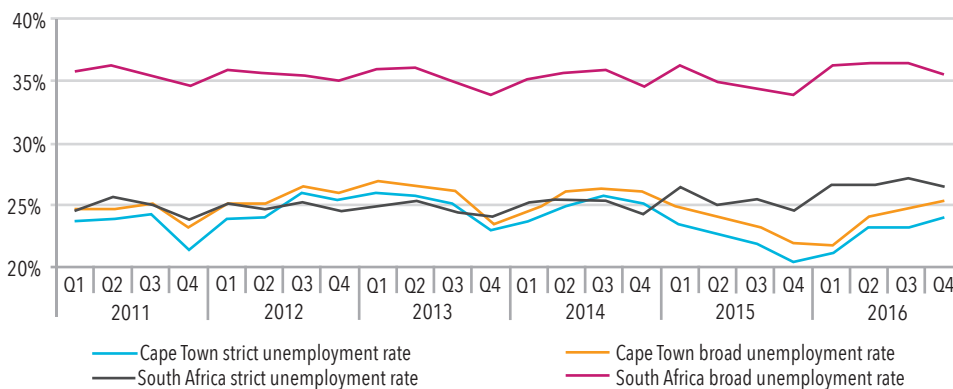
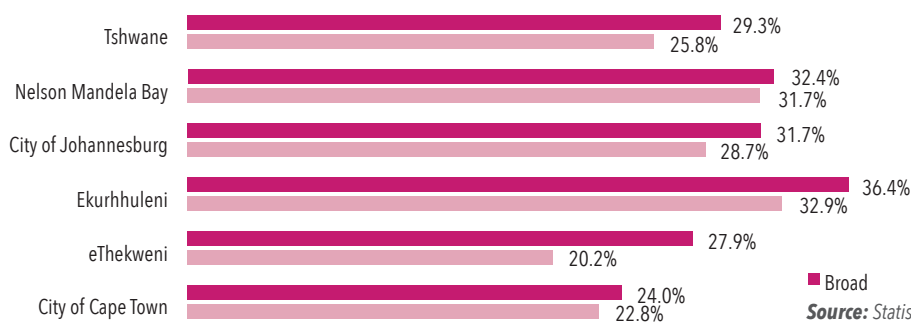


FIGURE 5: STRICT VERSUS BROAD UNEMPLOYMENT RATE TREND ACROSS SOUTH AFRICAN CITIES, 2016



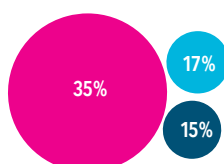
66

Cape Town has an expanded unemployment rate which is over 10 percentage points lower than the comparable national rate...

3.3 CAPE TOWN'S ECONOMY

As a global mid-sized developing city, Cape Town acts as a magnet for talent, investment and production, utilising economies of scale to grow faster than the broader region in which it is located. The city, nevertheless, as shown in Figure 6 below, finds itself affected by economic shocks to the national economy. The city's GDP-R grew by an average of 2,1% between 2012 and 2016, on average growing 0,5 percentage points faster than the national economy during this time.

FIGURE 6: GROWTH IN GDP-R AT CONSTANT 2010 PRICES IN CAPE TOWN (%), 2006-2016



The biggest economic sector, by value, in Cape Town in 2016 was the **finance and business services sector, contributing R96,9 billion (35% of GDP-R at constant 2010 prices)**, while **manufacturing contributed R40,7 billion (15%)**, and **community services contributed R47,8 billion (17%)**.

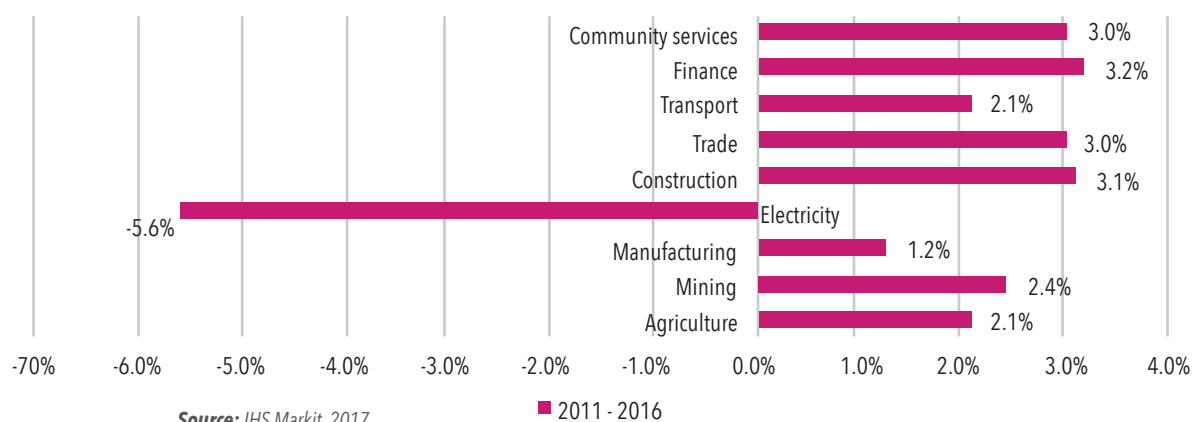
TABLE 4: BREAKDOWN OF CAPE TOWN'S GVA BY SECTOR (2011-2016, R MILLIONS)

SECTOR BREAKDOWN OF GVA FOR CAPE TOWN (2011 - 2016, R millions)							
Broad economic sector	2011	2012	2013	2014	2015	2016	% Share, 2016
Agriculture	2 331	2 408	2 519	2 678	2 664	2 506	1%
Mining	426	431	436	466	484	467	0%
Manufacturing	39 281	40 195	40 686	40 600	40 476	40 742	15%
Electricity	4 908	5 225	4 151	4 733	4 461	3 319	1%
Construction	9 024	9 312	9 794	10 171	10 414	10 520	4%
Trade	40 229	41 948	43 044	43 895	44 699	45 402	16%
Transport	27 770	28 392	29 124	30 033	30 222	30 241	11%
Finance & business services	84 097	86 836	89 401	91 411	94 666	96 944	35%
Community services	42 097	43 632	45 435	46 660	46 996	47 786	17%
Total Industries	250 162	258 378	264 591	270 646	275 082	277 928	100%

Source: IHS Markit, 2017

Strong growth was demonstrated between 2011 and 2016 for the finance and construction sectors with average annual growth rates of 3,2% and 3,1%, respectively. Following closely were the community service and trade sectors with average annual growth of 3% each.

FIGURE 7: GDP-R GROWTH PERFORMANCE OF SECTORS IN CAPE TOWN, 2011-2016

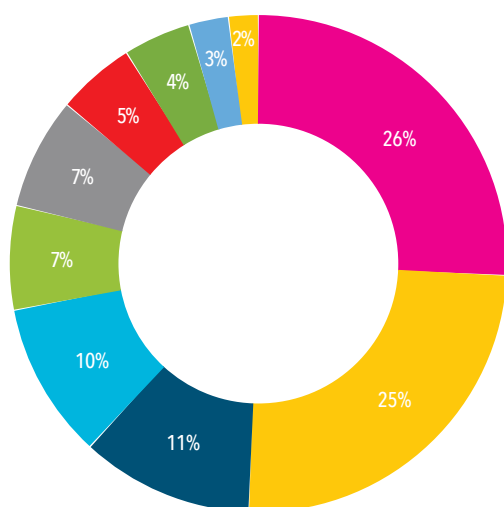


Detailed sectoral breakdowns

Cape Town's fuel, petroleum, chemical and rubber products (26%) and food, beverages and tobacco products (25%) sub-sectors were the largest contributors to the manufacturing sector.

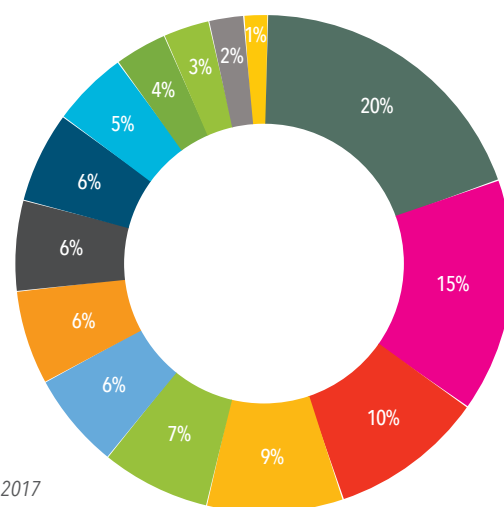
The largest sub-sectors of tertiary activities were finance and insurance (20%), real estate activities (15%) and retail trade and repairs of goods (10%).

FIGURE 8: SUB-SECTORAL BREAKDOWN OF THE MANUFACTURING SECTOR, 2016



- Fuel, petroleum, chemical & rubber products
- Food, beverages & tobacco products
- Wood & wood products
- Metal products, machinery & household appliances
- Furniture & other items NEC & recycling
- Textiles, clothing & leather goods
- Transport equipment
- Other non-metallic mineral products
- Electrical machinery & apparatus
- Electronic, sound/vision, medical & other appliances

FIGURE 9: SUB-SECTORAL BREAKDOWN OF THE TERTIARY SECTOR, 2016



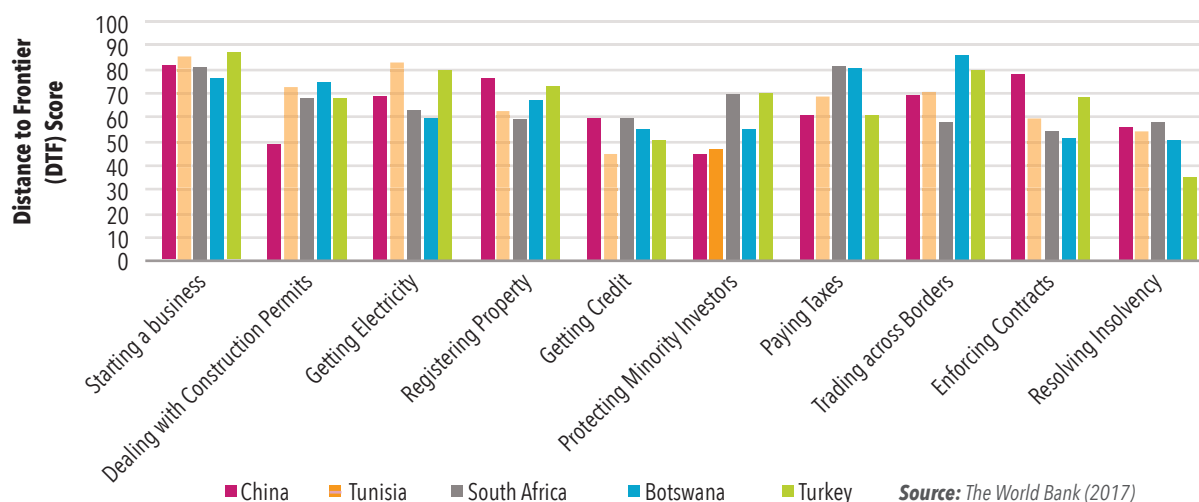
- Finance & Insurance
- Real estate Activities
- Retail trade & repairs of goods
- Other business activities
- Wholesale & commission trade
- Health & social work
- Other service activities
- Public administration & defence activities
- Land & water transport
- Post & telecoms
- Education
- Air transport & supporting activities
- Sales & repairs of motors vehicles, sale of fuel
- Hotels & restaurants

3.4 DOING BUSINESS

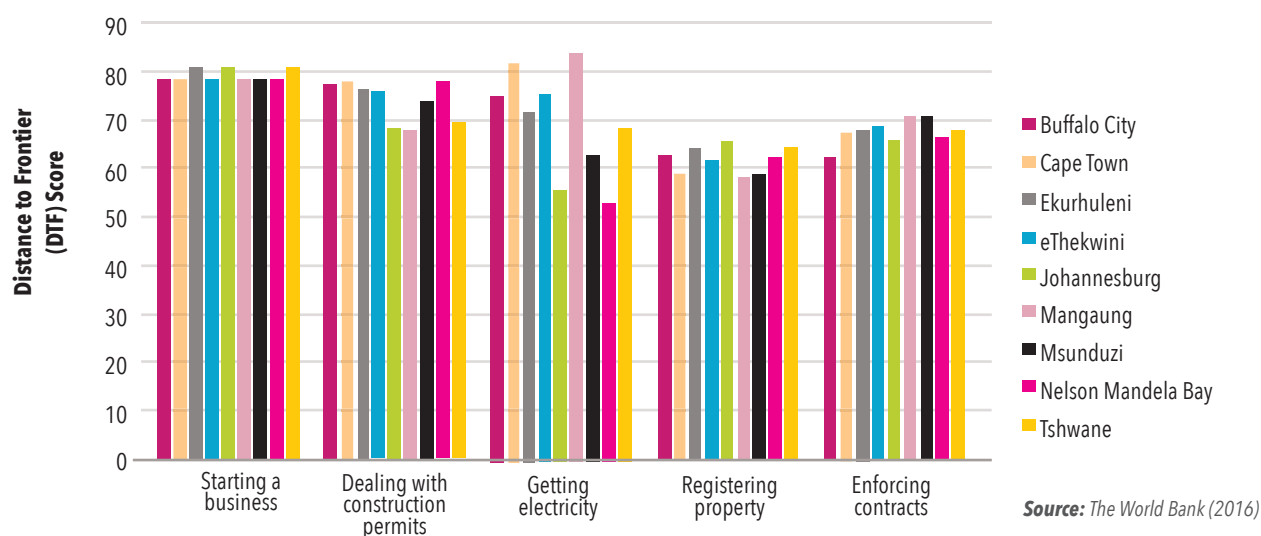
The 2017 Doing Business report found that South Africa ranked 74th globally amongst the 190 countries reviewed.

South Africa fared better in terms of: getting credit, protecting minority investors and paying taxes in terms of its distance to the frontier score (DTF)¹ when measured against China, Tunisia, Botswana and Turkey². Cape Town fared better than other South African metropolitan municipalities in terms of dealing with construction permits and getting electricity.

SOUTH AFRICA'S 'DOING BUSINESS' PERFORMANCE (2017)



SOUTH AFRICA'S 'DOING BUSINESS' RELATIVE PERFORMANCE (2015)



¹ The distance to frontier (DTF) score helps assess the absolute level of regulatory performance over time. It measures the distance of each economy to the "frontier," which represents the best performance observed on each of the indicators across all economies in the Doing Business sample since 2005. An economy's distance to frontier is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier.

² These countries were chosen as a comparison to South Africa as they rank close to South Africa's total 2017 DTF score of 65.2. Botswana's DTF score is 65.55; China (64.28 DTF); Tunisia (64.89 DTF) and Turkey (67.19 DTF).

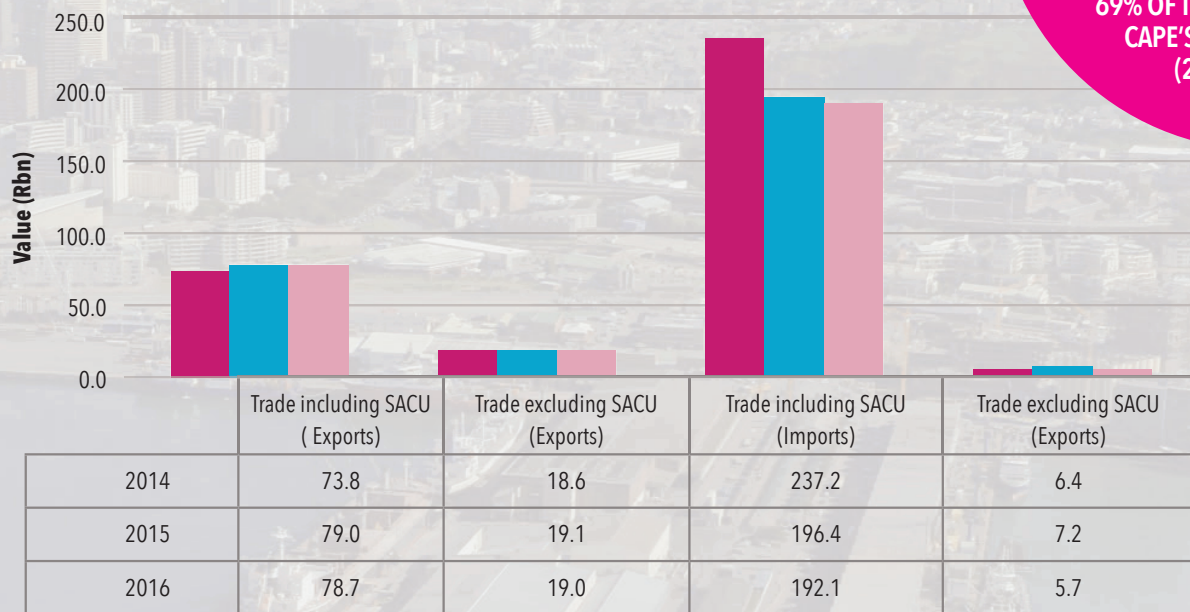
3.5 TRADE AND FOREIGN DIRECT INVESTMENT PROFILE

3.5.1 EXPORTS AND IMPORTS

Cape Town accounted for 69% of the Western Cape's exports in 2016, with annual growth of 13% between 2006 and 2016. In 2016, in terms of imports, Cape Town accounted for 79% of Western Cape's imports.

The Southern African Customs Union (SACU) countries is a key regional trading partner with 24% of Cape Town's exports going to SACU and 3% of Cape Town's imports being sourced from there in 2016.

CAPE TOWN TRADE, 2014- 2016



69%



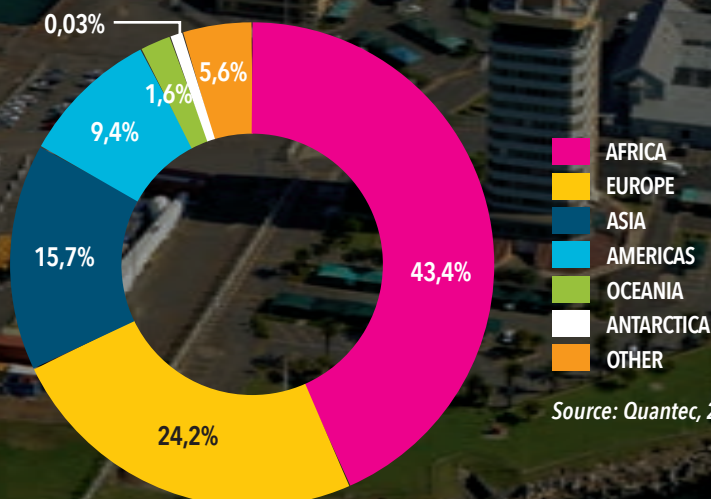
CAPE TOWN
ACCOUNTED FOR
69% OF THE WESTERN
CAPE'S EXPORTS
(2016)

Source: Quantec, 2017

In 2016, Cape Town's major export regions were Africa (43%), Europe (24%) and Asia (16%).

In 2016, the top export market destinations for Cape Town were Namibia (R9.5bn), Botswana (R5.9bn) and the United States (R5.4bn). High growth in exports was seen in Mozambique (68%) and the United States (18%) between 2015 and 2016.

CAPE TOWN GLOBAL EXPORT REGIONS 2016



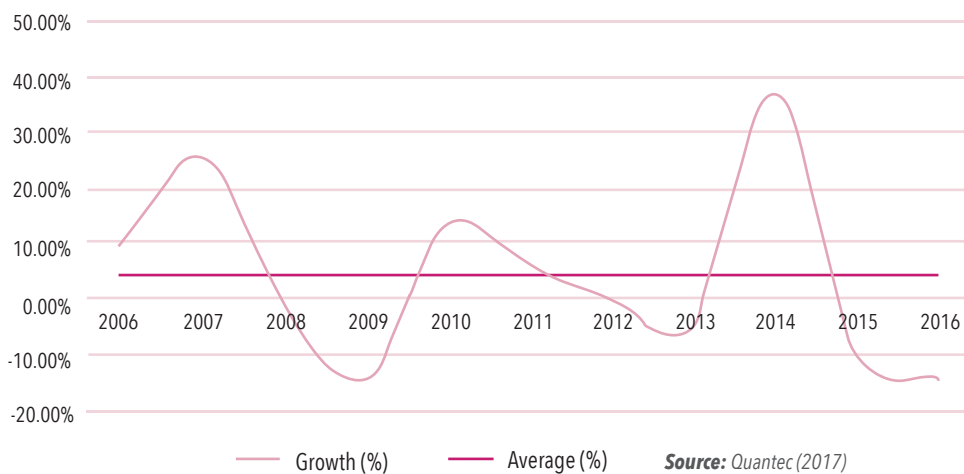
Source: Quantec, 2017

In 2016, Cape Town exported 100% of all the Western Cape's refined petroleum oil, semiconductor devices, cigarettes, refined copper, oils and other products of the distillation, discs and tapes, and articles of jewellery.³

In 2016, Cape Town imported 100% of all the Western Cape's electrical generators, footwear and men's and women's clothing, guts, bladders and stomachs of animals, ceramic wares for laboratory, cigars, crustaceans and meat of bovine animals.⁴

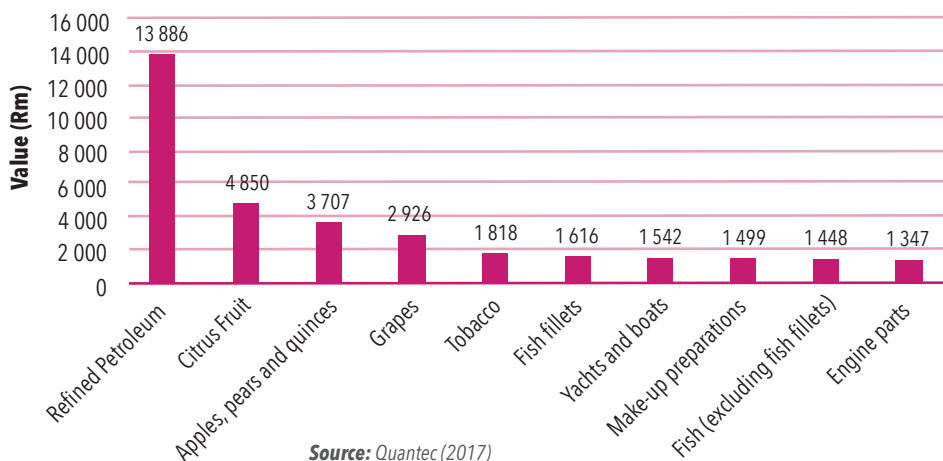


CAPE TOWN'S ANNUAL GROWTH IN EXPORTS, 2006 - 2016 (% IN USD)



R14bn
Refined
petroleum
largest exported
product from
Cape Town

CAPE TOWN'S TOP 10 EXPORTED PRODUCTS, 2016



R3.7bn
apples, pears
& quinces

23%
of all exports from
Cape Town are from
the agriculture and
fishing sector

3. This represents products exceeding R500 million. 4. This represents products exceeding R500 million

In 2016, Cape Town exported almost 89% of South Africa's tobacco and 87% of ships, boats and floating structure and, imports 81% of South Africa's Fish and crustaceans, molluscs and 56% of beverages, spirits and vinegar.

KEY COMMODITIES TRADED BY CAPE TOWN AND SOUTH AFRICA, 2016			
TOP 10 EXPORTS (Rm)	CAPE TOWN	SOUTH AFRICA	% OF SOUTH AFRICA
Mineral fuels and mineral oils	15 079	107 194	14.07%
Edible fruit and nuts	12 403	42 421	29.24%
Fish and crustaceans	4 993	6 426	77.69%
Nuclear reactors, machinery and mechanical appliances	4 857	67 489	7.20%
Electrical machinery and equipment	3 316	23 864	13.90%
Tobacco and manufactured tobacco substitutes	2 642	2 970	88.98%
Pearls, precious or semi-precious stones	2 591	195 408	1.33%
Essential oils and resinoids	1 884	7 736	24.35%
Ships, boats and floating structures	1 839	2 122	86.65%
Plastics and articles thereof	1 800	17 208	10.46%
TOP 10 IMPORTS (Rm)	CAPE TOWN	SOUTH AFRICA	% OF SOUTH AFRICA
Mineral fuels and mineral oils	56 456	147 769	38.21%
Electrical machinery and equipment	11 338	118 793	9.54%
Nuclear reactors, machinery and mechanical appliances	9 601	150 735	6.37%
Knitted or crocheted articles of apparel and clothing accessories,	5 505	11 177	49.25%
Articles of apparel and clothing accessories, not knitted or crocheted	5 118	12 570	40.71%
Plastics and articles thereof	4 301	33 121	12.99%
Footwear, gaiters and the like; parts of such articles	3 811	12 638	30.16%
Beverages, spirits and vinegar	3 619	6 483	55.81%
Optical, photographic, cinematographic	2 981	29 685	10.04%
Fish and crustaceans, molluscs	2 949	3 624	81.37%

Source: Quantec (2017)

3.5.2 FOREIGN DIRECT INVESTMENT

Between January 2003 and December 2016 a total of 307 FDI projects were recorded into Cape Town. These projects represent a total capital investment of R84.04billion which is an average investment of R273.71million per project. During the period, a total of 21,881 jobs were created (FDI Intelligence, 2017).

Domestic market growth was cited as the top motive for companies investing in Cape Town (around 63%), followed by proximity to markets or customers (25%) (FDI Intelligence, 2017).

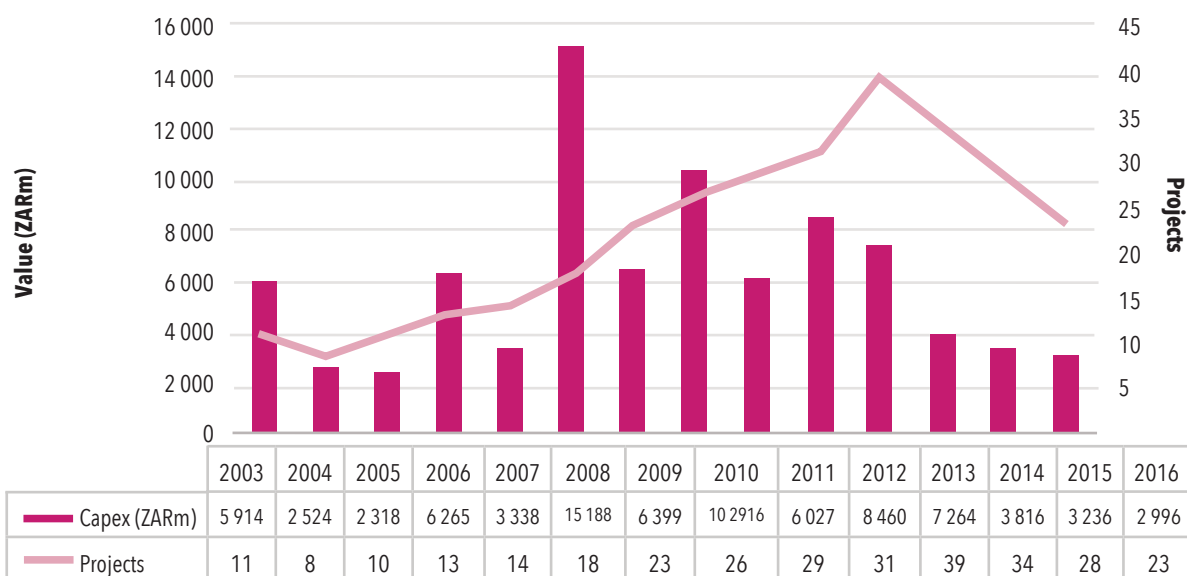
It is becoming more apparent that companies are investing in Cape Town to establish a strategic base from which to launch or expand their businesses into other African markets. According to Darren Franks, managing director of Eutopia Middle East and Africa, said: "Cape Town is a booming city for high tech and emerging technologies, so it made sense to base the new office there. The new office will provide us with a valuable springboard to the African continent and offer a more local service to our key clients (FDI Intelligence, 2017)."

66 It is becoming more apparent that companies are investing in Cape Town to establish a strategic base from which to launch or expand their businesses into other African markets.

• FOREIGN DIRECT INVESTMENT

Despite the decrease in project numbers and capital expenditure (capex) by 17.9% and 7.4% between 2015 and 2016, over the past decade (between 2006 and 2016) both projects and capex increased by an average growth rate of 22.6% and 7.3% respectively.

FDI INFLOWS TO CAPE TOWN JANUARY 2003 - DECEMBER 2016



Source: FDI Intelligence, (Sep 2017)

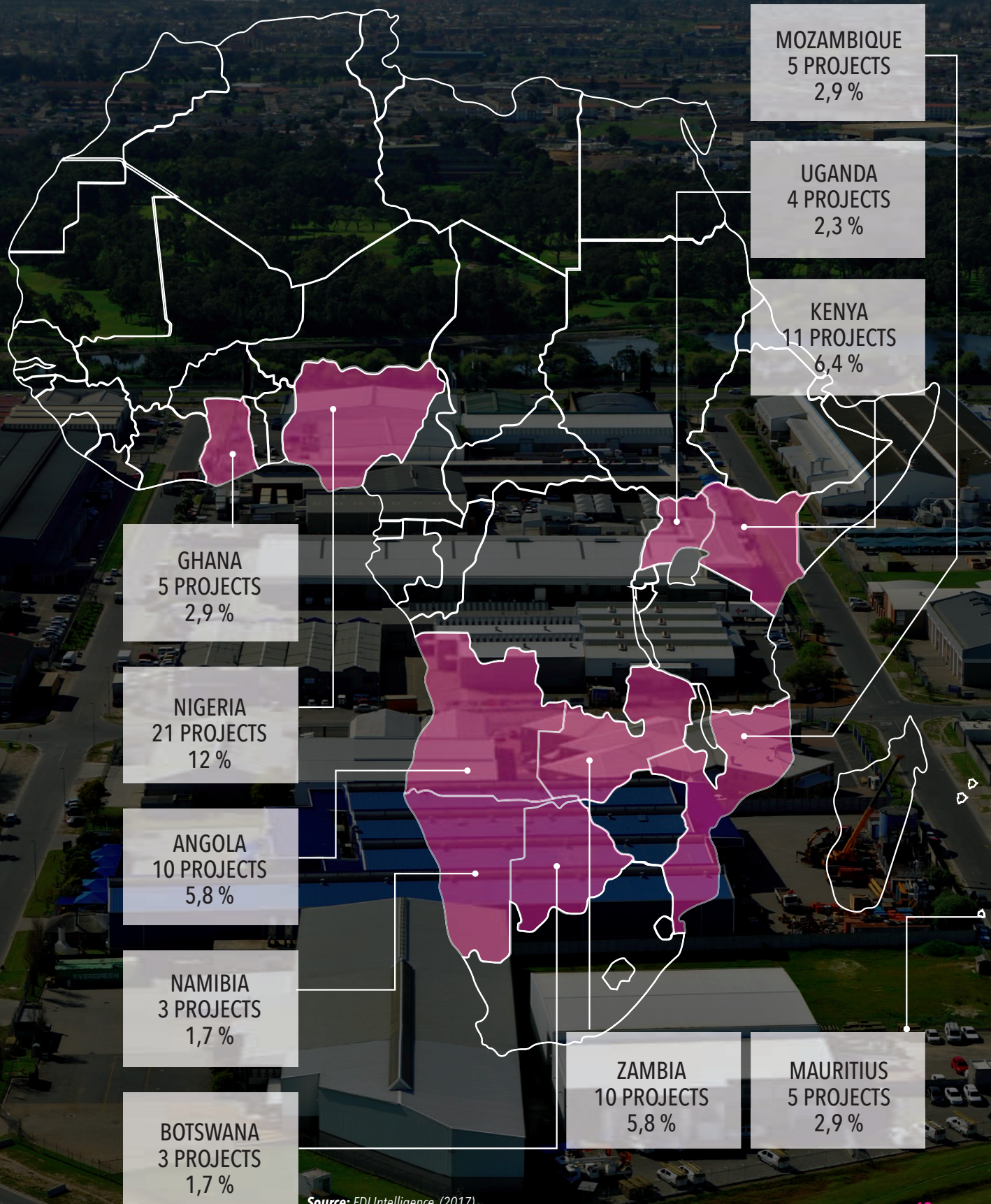
THE TOP SOURCE MARKETS FOR FDI INTO CAPE TOWN FROM 2003 TO 2016, WERE AS FOLLOWS:

1. United Kingdom (27% of projects and 18% of capex);
2. United States (24% of projects and 28% of capex);
3. Germany (6.5% of projects and 6.5% of capex);
4. China (4.2% of projects and 2.2% of capex)

Selected companies that have invested in Cape Town over the past 10 years:

 <p>Amazon has expanded its customer contact centre in Cape Town.</p>	 <p>Hisense opened a new headquarters facility in Cape Town to coordinate the company's presence across Africa.</p>	 <p>GlaxoSmithKline (GSK) investments opened a plant in Cape Town to increase production of its drugs.</p>	 <p>Kimberly-Clark of South Africa has expanded its paper, printing & packaging manufacturing facility in Cape Town.</p>	 <p>IBM opened three satellite locations in Africa, including Cape Town.</p>
 <p>Harvard University opened a centre for African Studies office in Cape Town.</p>	 <p>Airbus invested in upgrading its servicing and maintenance facility in Cape Town.</p>	 <p>Oracle opened a software and IT services sector in a design, development and testing project.</p>	 <p>Juwi opened a Cape Town office in response to rapid regional growth and as part of its international growth strategy.</p>	 <p>Wind Prospect's Cape Town office will serve the entire African continent.</p>

The top five destination markets for FDI from Cape Town between 2003 and 2016 were Nigeria, the United Kingdom, Kenya, Angola, Zambia and the United Arab Emirates. African markets made up six of the top 10 destination markets for FDI from Cape Town between 2003 and 2016. These African markets were Nigeria, Kenya, Angola, Zambia, Ghana, and Mauritius.



Source: FDI Intelligence, (2017)

3.6 GOOD GOVERNANCE



**3rd
consecutive
clean audit
report**

The City of Cape Town is one of the first municipal entities in South Africa to have taken several important measures to ensure good governance. In 2017, the City of Cape Town was again rated highly for its sound fiscal position and prudent financial management by the international credit rating agency Moody's maintaining the highest possible level of credit quality within the national context by obtaining a long- and short-term global sovereign credit rating of Baa2

and Prime -2, respectively. These credit ratings by Moody's place Cape Town in the investment grade, where the associated risk of borrowers repaying its debts is fairly low. Moody's decision for its ratings were based on the City's good budgetary performance, strong liquidity position and moderate debt levels (Moody's, 2016).

The City has also achieved its 12th consecutive unqualified audit report and its third consecutive clean audit report in the 2015/16 financial year.

3.7 CITY INITIATIVES

The City of Cape Town is home to several initiatives aimed at expanding its functionality, attractiveness and efficiency as an investment destination, including:

1. The Port of Cape Town terminal expansion
2. Atlantis Green Technology Special Economic Zone designation
3. Cape Health Technology Park project
4. Cape Town Air Access programme
5. The development of a cruise liner terminal
6. The implementation of the City's Transit Oriented Development (TOD) strategy and the corresponding roll-out of further bus rapid transport routes
7. Phase 2 of the roll-out of broadband fibre across Cape Town
8. Re-alignment of the airport's runway
9. Extension of the Cape Town Convention Centre
10. The development of the premium foreshore property around the unfinished bridges

3.8 INFRASTRUCTURE AND COSTS

3.8.1 TRANSPORT INFRASTRUCTURE: ROAD, RAILWAY, AIRPORT AND PORT

The City of Cape Town provides a well-connected transport infrastructure system and is prioritizing extensive upgrades and investment in the improvement of public transport systems and transport linkages to increase the economic and social functionality of the city.

Airport

The Cape Town International (CPT) Airport is a world-class airport, is the second largest in South Africa and the third largest in Africa. In 2017, the airport was awarded the Best Airport in Africa and came in second place for the award of Best Airport in Africa for Staff Service Excellence (Skytrax, 2017). The airport also retained its rating as the 22nd best airport in the world by Skytrax.

Located approximately 12 miles (20 km) from the city centre of Cape Town, the CPT Airport operates with international and domestic flights. It is the only airport in the Cape Town metropolitan area that offers scheduled passenger services (Cape Town International Airport, 2017). The airport had total passenger traffic of 10 million in 2016 (City of Cape Town, 2017).

The airport has domestic and international terminals, connected by a central terminal

**CAPE TOWN
INTERNATIONAL**
★ 2nd LARGEST IN SA
★ 22ND BEST IN WORLD

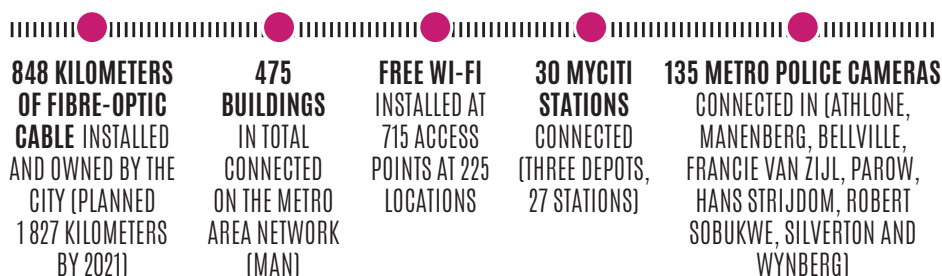
(Brand South Africa, 2017). Several international airlines offer direct flights to Cape Town, including from London, Amsterdam and Windhoek. All of South Africa's airlines fly to Cape Town, with the route between Cape Town and Johannesburg particularly well served (ibid, 2017).



3.8.2 INFORMATION TECHNOLOGY INFRASTRUCTURE

Information technology (IT) infrastructure is well established in the City of Cape Town with the city having invested R950.5 million (including phase 1 pilot) on its capital broadband infrastructure cost as at end of July 2017 (estimated to be R1 989 million by 2021). This includes the proof of concept (phase 1) which occurred as from 01 July 2009 to 30 June 2014) as part of its broadband infrastructure project. This city owned network increases the City's bandwidth by approximately 3000 times at current connected sites.

THE FOLLOWING IMPACT WAS MADE BY THE PROJECT TO DATE:



The resultant financial benefits are already evident in that a cost saving of R418 million was made by the City installing its own broadband links. Further, R307 million in costs were saved by cancelling rented broadband links and R58.4 million of revenue was generated through the leasing of spare capacity in the City's lines to commercial operators. This constitutes a Return on Investment of 63%.

This improvement of IT infrastructure, can be used to catalyse the development of the rapidly growing ICT sector in the city, as well as helping to support entrepreneurial growth through providing citizens with increased access to the internet.

R418 million
generated by
installing own
broadband links

= Return On
Investment of
63%

R58.4 million
revenue generated
through leasing spare
capacity in City's
lines to commercial
operators



CAPE TOWN AIR ACCESS

a division of WESGRO

Cape Town Air Access is the focal point for international air route development in the Western Cape and signifies an impressive collaboration between the Western Cape Provincial Government (WCG), the City of Cape Town (CCT),

Airports Company South Africa (ACSA), Cape Town Tourism (CTT), South African Tourism (SAT), Wesgro and private sector partners.

The primary mandate of the air access team is to promote, develop and maintain international air routes in and out of Cape Town International Airport through:

- Route retention (ensuring the success of existing routes),
- Route expansion (increasing frequencies and capacity on existing routes), and

- New route establishment (facilitating the establishment of new routes).

The team at Wesgro has contributed in landing 10 new routes and facilitating 11 route expansions for the Western Cape province in the past two years. This has resulted in an increase in capacity at Cape Town International Airport of 700,000 inbound seats, which last year helped the airport reach the 10 million passengers mark for the first time ever.

Just under 2 million international passengers visited the airport in 2016 and this is expected to increase to 2.5 million in 2017. In fact growth in international traffic at CTIA increased by 27% in the first half of 2017 compared to the same period last year.

Cape Town International Airport 2017



Air Access has added 700 000 international seats since July 2015.



Cape Town Airport is the 3rd largest airport in Africa



CTIA is the most punctual airport in South Africa for 2016



Airport charges being dropped by 35% on average from the 1st April 2017



Cape Town Airport is the 2nd largest airport in South Africa



CTAA and CTIA won the Routes Africa award in 2016



Year	Nr of passengers
2014	8,6 million
2015	9,4 million
2016	10 million

Partners:



Advisory Support:

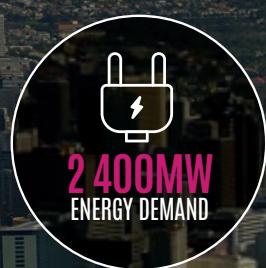


an inspiring place to do business

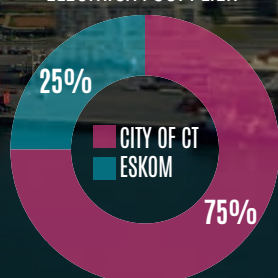
www.wesgro.co.za

3.8.3 ELECTRICITY AND WATER

Extensive investment in electricity infrastructure across the country is apparent, whereby a large proportion of the focus is on renewables. Although electricity costs in South Africa are increasing, the country still retains a relatively low position in terms of global electricity pricing.



ELECTRICITY SUPPLIER



Cape Town's energy supply is mostly provided by the national grid, with energy demands set at approximately 2 400MW. Two thirds of residents are serviced by the City, with the remaining 25% served by Eskom. A large proportion of Cape Town's electricity is supplied by **Koeberg power station**, a nuclear power station located approximately 36km north of the city centre. There are plans to diversify the forms of energy provision to Cape Town and initiatives have arisen which will enhance the use of renewable energy (through the Atlantis Green Technology Industrial Park) to take advantage of the growing oil and gas opportunities.

TABLE 5: INTERNATIONAL COMPARISONS OF ELECTRICITY COSTS, 2015

INTERNATIONAL COMPARISONS OF ELECTRICITY COSTS, 2015		
Country	US dollar per c/ kWh	% change from 2014
Italy	15.70	-6.8%
Germany	15.22	-1.2%
United Kingdom	14.16	+1.3%
Belgium	11.17	+9.9%
Portugal	11.05	-0.4%
Spain	11.04	+1.0%
Slovakia	9.90	-1.6%
United States	9.43	-5.7%
France	8.97	+4.2%
South Africa	8.46	+8.2%

Source: NUS Consulting Group (2016), Local Energy Market Report, Business Tech, 2016

TABLE 6: COMPARISON OF ELECTRICITY USE AND ACCESS IN SOUTH AFRICAN CITIES, 2016

COMPARISON OF ELECTRICITY USE AND ACCESS IN SOUTH AFRICAN CITIES, 2016			
Comparative Cities	2016 Medium to Large power users Average Energy Charge (R cents/kilowatt hour) excluding Value Added Tax (VAT) and excluding service charges	2016 Household access to electricity for lighting (population %)	Average Annual Growth in the number of households accessing electricity for lighting, 2011 - 2016
Cape Town	73,34	90%	1,7%
Johannesburg	104,55	91%	2,1%
Tshwane (Pretoria)	100,75	89%	2,2%
eThekwinì (Durban)	73,93	90%	1,8%

Sources: City of Cape Town, 2017; City of Johannesburg, 2016; eThekwinì Municipality, 2017; Quantec, 2017

Cape Town's potable water is amongst the best in the country, scoring 96% for the quality of drinking water according to the Blue Drop Water Certification assessment. Water is derived from six catchment dams which are largely extracted from mountain catchments, and treated in 20 water treatment plants. The City's Water and Sanitation Department has received numerous awards including the Platinum Award for excelling in the Blue Drop Awards Programme, and certificates of excellence from the Water Institute of South Africa. The City is also endeavoring to become a more sustainable consumer of water and is, simultaneously, exploring a number of alternative options to supplement the city's existing water supply sources.

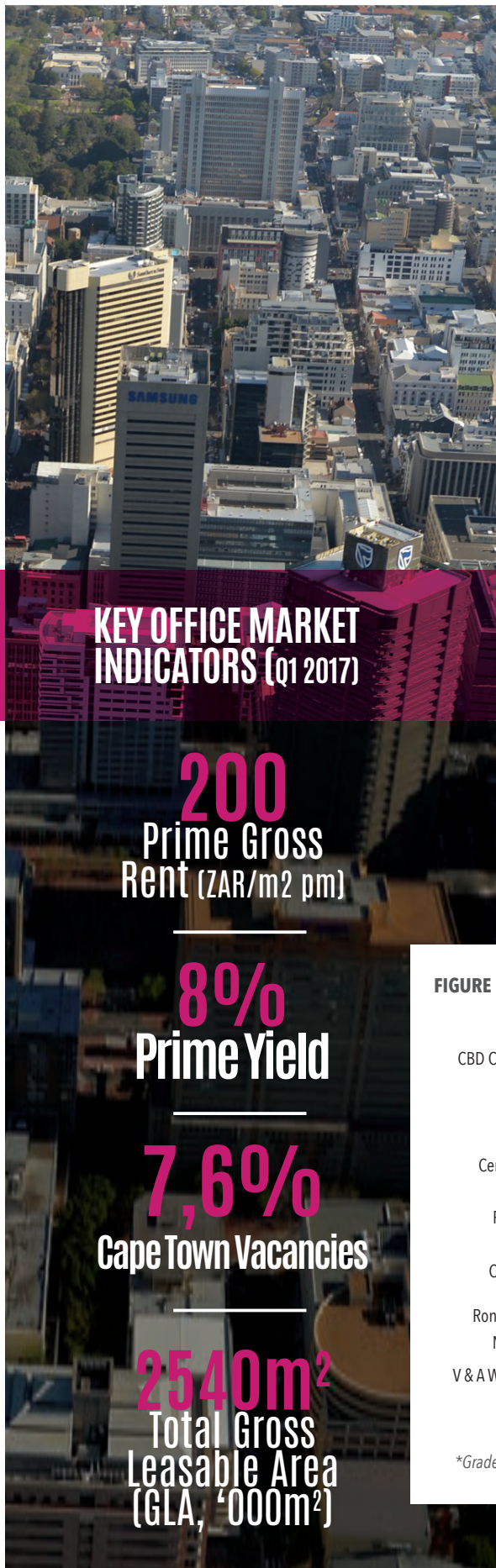
96%
BEST POTABLE
WATER IN THE
COUNTRY
Blue Drop Water
Certification

WATER IS
DERIVED FROM
**6 CATCHMENT
DAMS**



TREATED IN
**20 WATER
TREATMENT PLANTS**





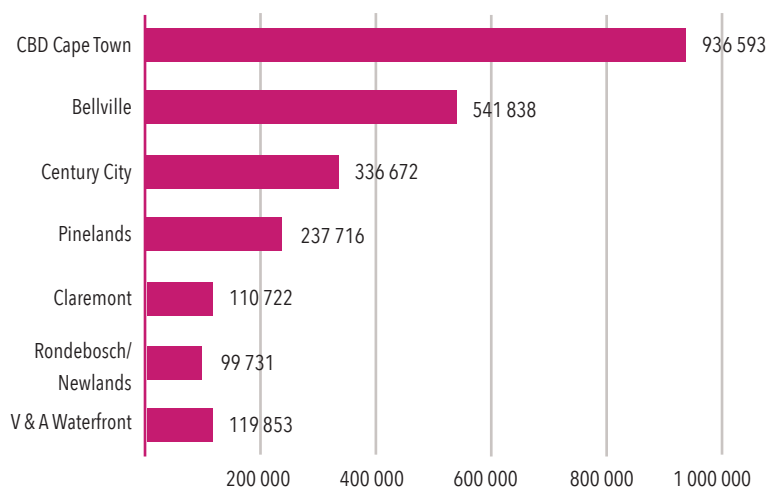
3.8.4 INDUSTRIAL AND PRIME OFFICE SPACE

Cape Town has evolved into a world-class business destination offering a quality and modern environment for business and innovation. The total current value of property in the Central Business District (CBD) amounts to more than R31 billion (Cape Town Central City Improvement District, 2017) and is set to increase. Approximately 31,000m² of large-scale buildings are to be complete by the end of quarter 1 in 2018, including the construction of a new office block for KPMG in the CBD (16,000 m²) and Waterway House at the V&A Waterfront (15,000 m²) (Jones Lang Lasalle, 2017).

Office vacancies within the CBD have decreased relative to 2015, reaching 7,3% in June 2017. This is in contrast to higher vacancy rates of 13,3%; 12,6% and 10,7% in the City of Johannesburg, eThekweni and the City of Tshwane CBD's respectively (SAPOA, 2017:9). The majority of offices within the CBD consist of AAA, A, and B-grade office space, marking the CBD as one of the most dynamic and sought-after locations for office rentals (Rode Report, 2016:45).

Fast growing office locations in the city include the CBD, Bellville and Century City. Century City houses some of the most modern and exciting office space which is centered on "green" building and innovative design. Similarly, Claremont, an upmarket suburb, is a prominent node for offices and businesses, with a large presence of smaller businesses in the specialist sectors.

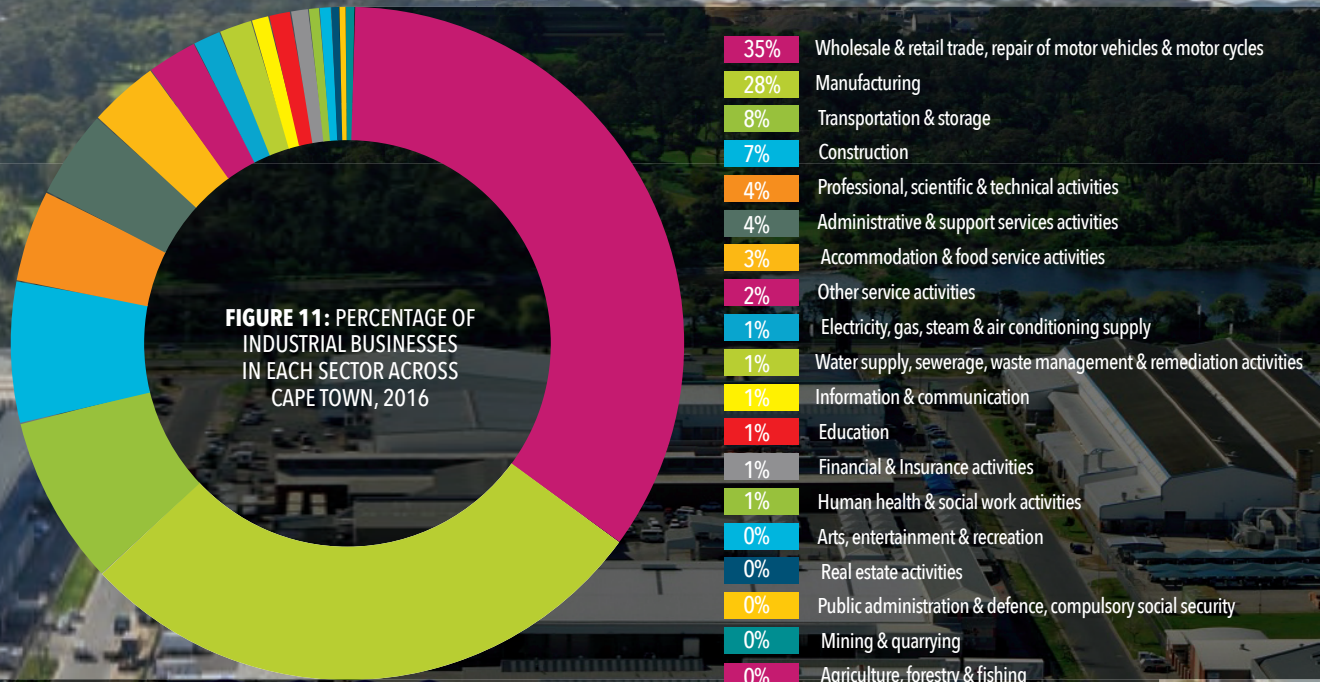
FIGURE 10: CAPE TOWN OFFICE STOCK (m²)*



*Grades A+, A & B Source: Rode, 2017 (pp. 53), 2017

3.8.5 INDUSTRIAL LAND

The city plays host to a number of industrial activities in different areas including the Atlantis zoned industrial area which has been delineated a key development node offering an expanse of 1,000 hectares of land. This includes a zone for noxious industry as well as an identified hub for manufacturing green technologies (Atlantis Green Technology Industrial Park).



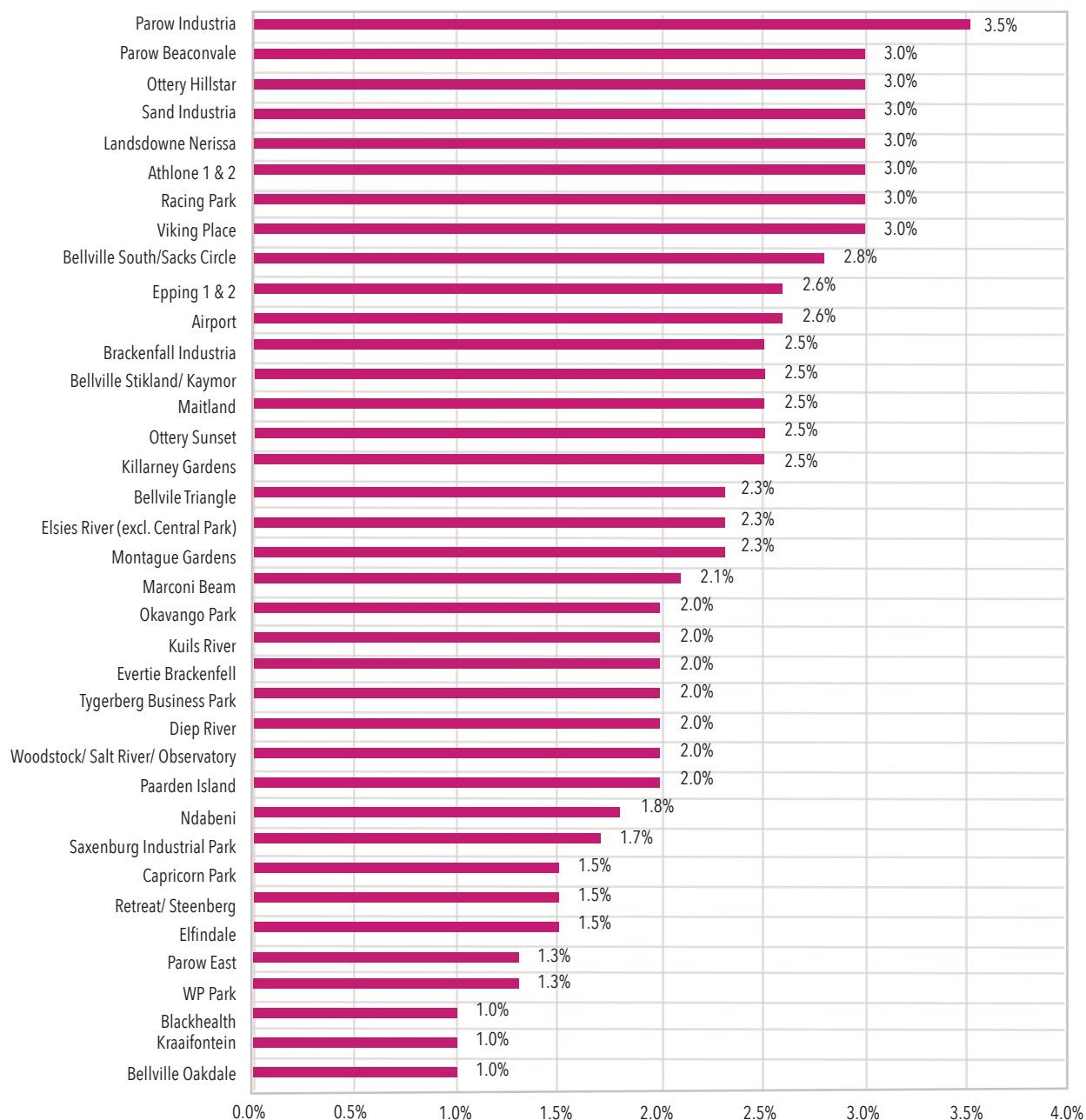
Vacant land within the industrial area boundaries = 459 land parcels

Vacant building within the industrial area boundaries = 114 land parcels

The graph above depicts the split of industrial businesses by sector within the industrial areas in Cape Town. Businesses specialising in the Wholesale and Retail trade sector are predominant in industrial areas (36%), while the manufacturing sector closely follows at 28%. Land parcels within the industrial area boundaries that are not economically active either consist of vacant land, vacant buildings, road reserves or wetlands.

In addition to Atlantis, key industrial areas include Epping, Montague Gardens, Ndabeni, Paarden Island and Airport Industria, as well as other outlying areas along the N2, N1 and R300 highways. According to Rode (2017), the Cape Peninsula has relatively low vacancy factors⁵ in its industrial areas (Figure 12), suggesting a promising return on industrial property rentals (Rode, 2017: 4). A number of city incentive schemes for the growth of industry operations are available, as outlined in Section 7.

FIGURE 12: VACANCY FACTORS OF INDUSTRIAL AREAS IN CAPE TOWN, QUARTER 1 (2017)



Source: Rode, 2017 (pages 67-69)

⁵ These industrial vacancy factors are not to be interpreted as actual vacancy percentages which indicate the floor area available for leasing at any given time, but rather as graduations on a 0-9 vacancy scale, where 0 equates to no vacancy and 9 equates to substantial vacancy. These factors are for all unit sizes (250 m², 500 m², 1.000 m², 2.500 m² and 5.000 m²) combined, as surveyed by Rode. Vacancies could however, differ across the different-sized units (Rode, 2017: 59).

3.9 CAPE TOWN ACCOLADES

Cape Town is undoubtedly one of the most internationally recognized cities. A variety of activities are within a 20-minute drive from the CBD including hiking, beaches, internationally acclaimed restaurants and bars, vineyards and wine tasting, national reserves, and cultural landmarks such as Robben Island and Table Mountain, a 7th Wonder of Nature. Cape Town receives regular accolades which are related to lifestyle, opportunities, service offerings and overall living standards. From 2011 onwards, Cape Town has received numerous accolades, including amongst others:

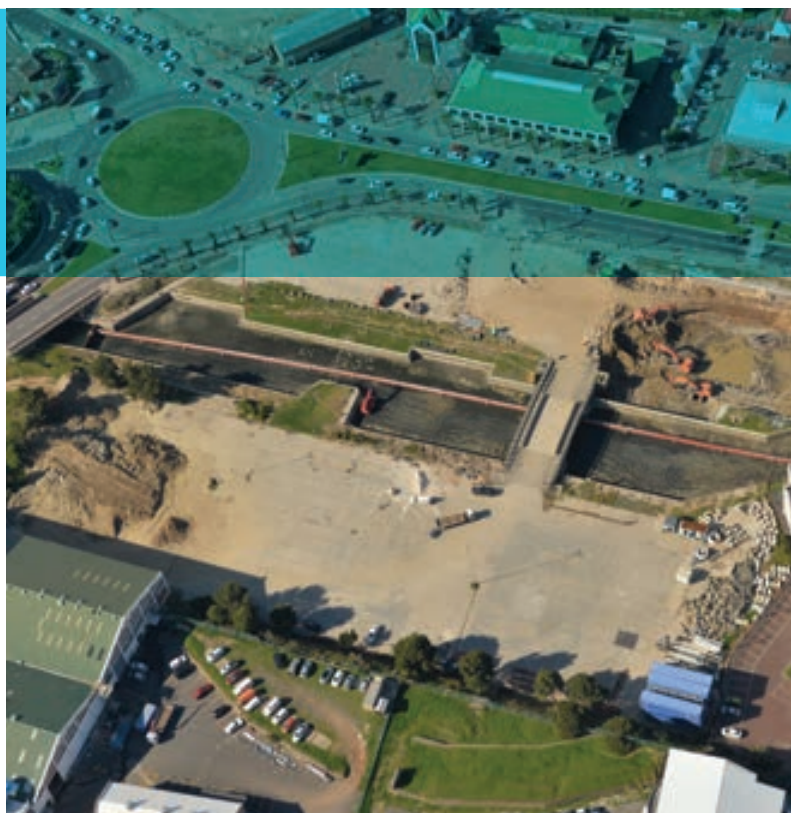
1. Cape Town voted best African business tourism event destination in 2017 (International Congress and Convention Association, ICCA, 2017). It is the fourth consecutive win for the city.
2. Cape Town International Airport voted best in Africa in 2017 (Skytrax World Airport Awards, 2017)
3. Featured in Fodor's Go List 2017
4. Western Cape voted Golf Destination of the Year, 2017, Africa and Gulf States (IAGTO – International Association of Golf Tour Operators).
5. Awarded the Condé Nast Readers' Travel Awards 2016 for Best Overseas City for Restaurants & Bars, as well as the second best overseas city in the World.
6. The 2015-16 Telegraph Travel Awards chose Cape Town as Best City (for the fourth year running)
7. In Condé Nast's Reader's Choice Awards, Cape Town took the honour as the number one food city in the world for 2016
8. Cape Town has been named as Luxury City Destination of the Year for the second consecutive year in the Luxury Travel Guide Africa & Middle East Awards 2016.
9. The Best City in the World (Telegraph Travel Awards, 2015/2016);
10. One of the Top 10 cheapest global travel cities (Trip Adviser, 2013);
11. Number 1 Convention city in Africa & Middle East (International Congress and Convention Association, 2012-2015);
12. 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);
13. Best Airport in Africa and Airport Staff Service Excellence 2010 – 2015 (Skytrax, 2010-2015);
14. Number 1 on the New York Times' 52 Places to Go in 2014 (Condé Nast Traveler Readers' Choice Awards for 2013);
15. The Cape Town International Convention Centre was voted as the best conference and events venue in South Africa (SACCI, 2015 – 2016);
16. Africa's Leading Meetings and Conference Destination (World Travel Awards 2013);
17. Top City in Africa and the Middle East (Travel & Leisure's annual online poll 2015);
18. One of the World's Top 20 Cities 2010 (Condé Nast Traveler Readers' Travel Awards);
19. One of the World's Top 10 Most Loved Cities (CNN);
20. Best City Award 2016 (The Telegraph Awards);
21. One of the Top 10 Beaches in the World (National Geographic, 2013);
22. World's Best Luxury Entertainment & Lifestyle Destination (Ethisphere, 2015);
23. World Design Capital 2014; and,
24. One of the World's Most Beautiful Cities 2010 (Forbes)



The private **health sector** is **world-class** and offers leading teaching hospitals.

There are numerous **public and private top schools** including international German, Italian and French schools

Top tertiary education institutions are available within the city and host a vast number of international students.



Cape Town Business Services Indicators

Sources: IHS Markit (2017), FDI Intelligence (2017)

R 20 091 mil
(7,2%)

Gross Value Added
(GVA) / share of
Cape Town GVA

1,01

Location quotient⁶

R9 763 million
Ten year Foreign
Direct Investment
(FDI) value

4.72%

Ten year GVA Growth contri-
bution (2006-2016)

209 834

Formal employment

24,9%

Contribution to employ-
ment creation in Cape Town
between 2006-2016

04 Sectoral pockets of excellence

4.1 BUSINESS SERVICES

The business service sector, including Business Process Outsourcing (BPO) and Information Technology (IT), has been the largest contributor to employment growth in Cape Town over the last 10 years. In 2016, Cape Town accounted for 82% of the Western Cape and 13% of South Africa's business services sector.

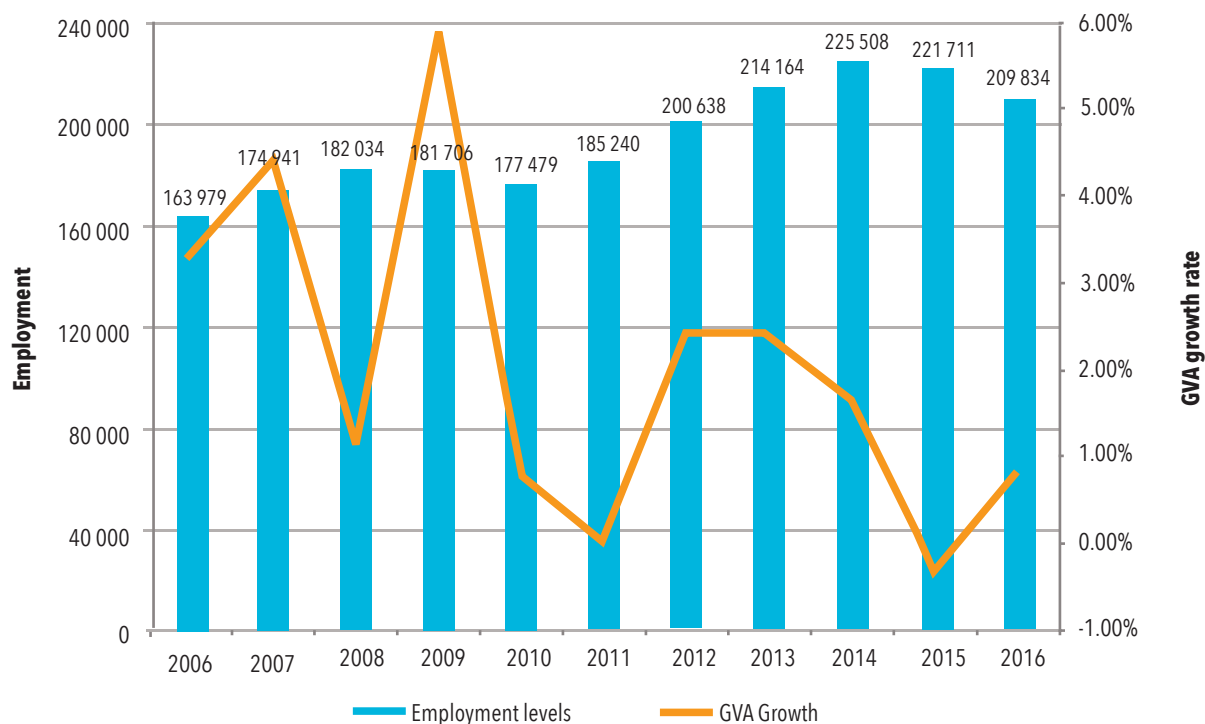
The City has attracted a number of foreign companies into its business services sector, with 61 investment projects being funded over the period between 2006 and 2016. The top two business services subsectors attracting FDI during this time were professional services (31 projects) and creative industries (17 projects) (FDI Intelligence, 2017).

6. This indicator provides an indication of Cape Town's comparative advantages as compared to the rest of South Africa's metropolitan municipalities. A location quotient value of greater than one indicates that a sector has a comparative advantage.

EMPLOYMENT AND GVA GROWTH TRENDS IN THE BUSINESS SERVICE SECTOR IN CAPE TOWN, 2006-2016

Employment growth 2007-2016: **2,6%**
2012-2016: **2,7%**

GVA growth 2007-2016: **1,8%**
2012-2016: **1,3%**



Source: City of Cape Town using IHS Markit (2017)

51,300
Amount of jobs
Western Cape BPO
industry contributed to
the total BPO industry
(2016)

30,800
DOMESTIC
JOBS

20,500
offshore jobs

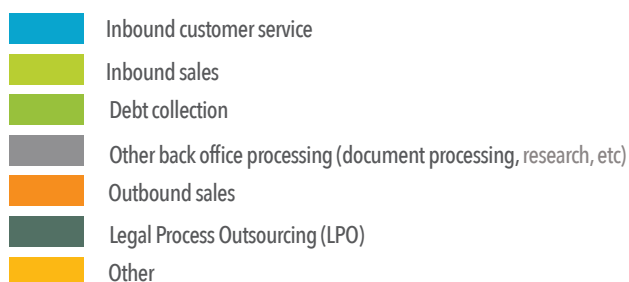
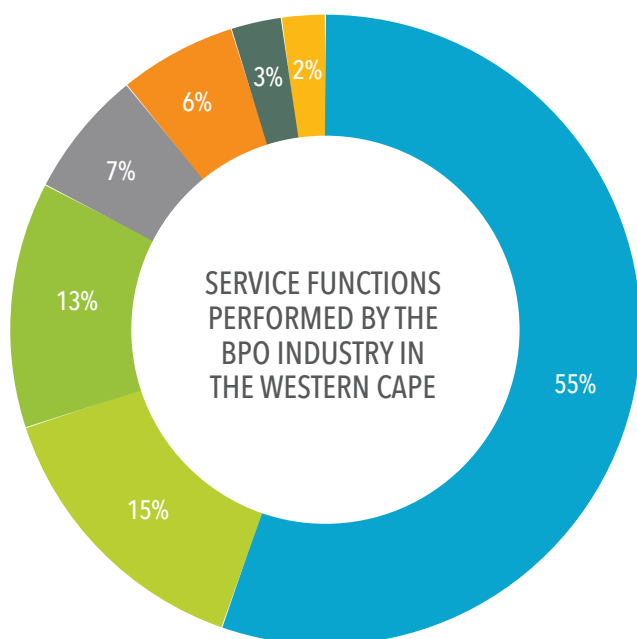
4.1.1 BUSINESS PROCESS OUTSOURCING

In 2016, South Africa was named Offshoring Destination of the Year at the 2016 Global Sourcing Association (GSA) awards in London (Business Process Enabling South Africa (BPESA), 2016: 6). South Africa also received the National Outsourcing Association's (NOA) Skills Development Project of the Year award in 2014, the European Outsourcing Association's (EOA) Offshoring Destination of the year award in 2013, and the NOA's Offshoring Destination of the year award in 2012.

The South African government has identified Business Process Outsourcing (BPO)/contact centres as a key sector for job creation for the large population of unemployed South African youth. In 2016, the Western Cape BPO industry contributed 51,300 jobs to the total BPO industry in the country, 30,800 of which were domestic

and 20,500 of which were offshore. In the same year, the Western Cape BPO Industry was dominated by the telecoms (30,6%) and financial services (25,7%) industries (BPESA, 2016). Of the industry's operations in the Western Cape, 57,7% are of an outsourcer nature and 42,3% are captive. The predominant markets it serviced in 2016 were the United Kingdom and Australia. In 2016, inbound customer services and inbound sales dominated (BPESA, 2016).

Cape Town plays host to the majority of the Western Cape's BPO industry companies. The city is particularly viewed as an offshore outsourcing hub, having won two awards in the 2013 Offshoring Destination of the Year Awards. Its popularity as a BPO business destination has grown steadily with time.



Source: BPESA, 2016

BPO Operators with a presence in Western Cape

- Lufthansa Global Telesales
- MPC Recruitment Group
- TutorABC
- CSC
- Teleperformance South Africa
- Global Media Services
- Collinsons Group
- Bloomberg
- Shell
- AskOsca
- JTC Group
- Cognia Law
- Exigent
- State Street
- Wonga
- SimplyTalk
- Ipreo
- Datacash
- Ambition 24 Hour Group
- Buongiorno
- Pixelfaerie

COMPETITIVE ADVANTAGES OF CAPE TOWN AS A BPO BUSINESS LOCATION

Cape Town presents a number of opportunities and advantages to BPO businesses locating in it, including:

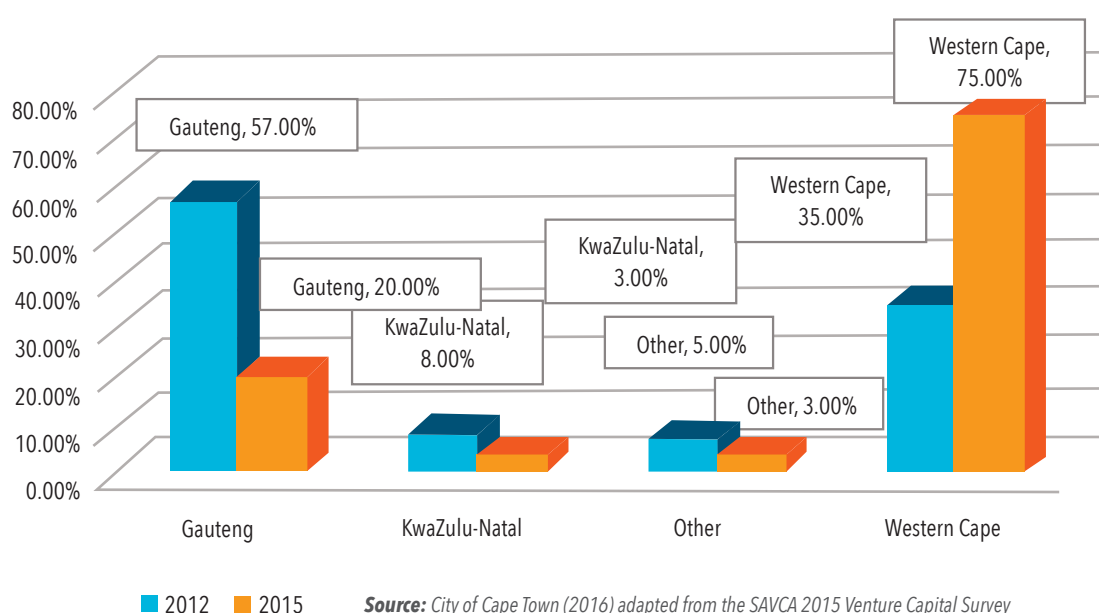
1. Cape Town has a **rich talent pool** with a **predominantly English-speaking workforce** which are able to engage with international clients.
1. Cape Town is in the **same time zone as Europe**, ensuring that working hours overlap.
1. The City's natural appeal, with its beaches and mountains provides for a **quality enhanced lifestyle**, a big draw card for very mobile BPM investors in considering a business location.
1. There are **strong data protection laws** and standards in South Africa, similar to those in Europe, which gives prospective businesses information security.
1. There is a relatively good **availability of quality technology services**.
1. Cape Town has a relatively **low cost of doing business**, compared to other cities.
1. There is relatively **good air connectivity** (compared to other low cost destinations).
1. An added advantage is the **closely knitted integrated public transport** system.
1. Complementary and supporting industries like the **Finance and ICT industries are strong** in Cape Town.

4.1.2 INFORMATION COMMUNICATION TECHNOLOGY

Cape Town is the leading location in the country for technology start-ups and venture capital deals (Price Waterhouse Coopers (PWC), South African Venture Capital and Private Equity Association (SAVCA), 2015). The City has also been a technology leader in the domains of mobile software, revenue management and payment processes. The value of FDI over the last 10 years in the Software & IT services is R4 704 million (7,1% of total FDI into Cape Town over that period).

According to PWC (2015) 56% of the 742 emerging tech or tech-enabled companies they surveyed as part of their 2015 study, were headquartered in the Western Cape, of which the majority can be assumed to be based in Cape Town. Similarly, the 2015 Ventureburn Survey (2015) found that 59% of start-ups are based in the Western Cape. The concentration of these companies in Cape Town is reflected in the fact that, the Western Cape hosted 75% of venture capital deals in 2015, a 40% increase from 2012 (SAVCA, 2015).

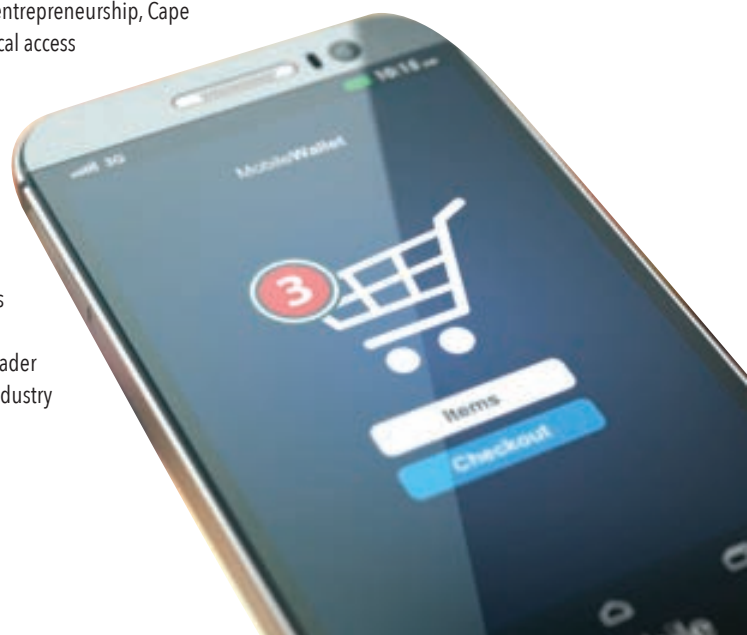
SHARE OF VENTURE CAPITAL DEALS HEADQUARTERED BY SOUTH AFRICAN PROVINCE

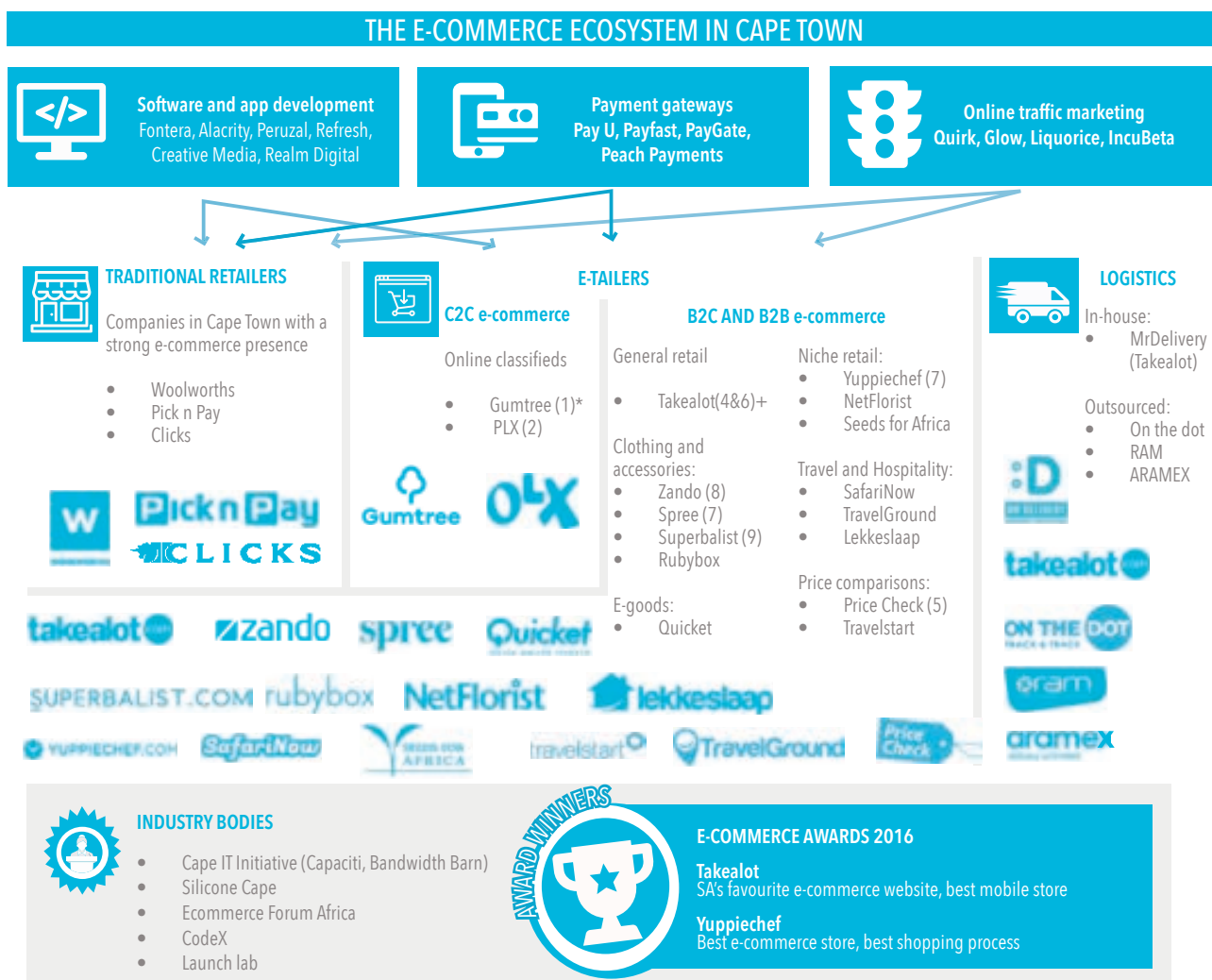


Emergence of the ecommerce industry in Cape Town

The ongoing advancement of Information Technology infrastructure and innovative software developments, has allowed the e-commerce industry to grow at a rapid pace within the city. Currently Cape Town based companies account for the ten most visited e-commerce websites in the country (Effective Measure, 2014). In an industry that is strongly reliant on supply side factors like the availability of ICT skills, and the prevalence of entrepreneurship, Cape Town has been able to carve out a competitive niche despite having physical access to a much smaller market than the metros in Gauteng. So successful has the City been in carving out this niche, that it is now widely considered to be a tech and e-commerce hub within South Africa.

The diagram on the next page depicts the e-commerce landscape in Cape Town. It distinguishes between companies with a strong e-commerce presence and those which are often referred to as 'e-tailers', companies that would be classified as exclusively e-commerce by Statistics South Africa. While the e-commerce industry could be categorised under the retail sector, its existence and growth is strongly predicated on the broader technology system in Cape Town and as such supporting industries and industry bodies are critical to the e-commerce industries success in the City.





* Numbers in brackets indicate the company's ranking among the most-visited e-commerce websites in South Africa. **Source:** City of Cape Town, 2016
+ Prior to the Takealot/Kalahari merger, Kalahari's website was ranked 4th, and Takealot's 6th.

COMPETITIVE ADVANTAGES OF CAPE TOWN AS AN IT LOCATION

Cape Town represents a number of opportunities and advantages to IT businesses locating in it, including:

1. The **industry is largely supply driven** and the availability of ICT skills and, the prevalence of an entrepreneurial culture, are key aspects in this regard.
2. There is better **availability of venture capital** in Cape Town (SAVCA, 2015).
3. There are **benefits of agglomeration**. Cape Town has established itself as a **key technology hub** in South Africa with a number of major companies launching their head offices in the city. This is, in turn, attracting other tech companies.
4. In a highly mobile sector, Cape Town's natural beauty which allows for a **better working environment and lifestyle**, is a strong pull factor to skilled employees.
5. The **diverse eco-system** of companies across the value chain and, a **strong presence of supporting institutions**, provide for ease of business operations.
6. The perception that software developers are more progressive attracts other business operations as it provides the impression of there being **greater opportunities to innovate**.

4.2 FINANCIAL SERVICES

Cape Town's financial services sector was the largest contributor to GDP in 2016, contributing R43 billion, having experienced relatively consistent growth of 3,8%, on average, over the period 2011 to 2016. A large proportion of private investment and asset management services, as well as insurance and personal service companies are located in Cape Town. Cape Town is emerging as a significant financial services hub in the country.

Top insurance companies such as Old Mutual Africa, Santam, Direct Axis, Metropolitan, and Sanlam are headquartered in Cape Town and renowned investment and financial advisors such as Allan Gray, Price Waterhouse Coopers and Investec are also based in the city. Five major South African banks (First National Bank, ABSA, Standard Bank, Nedbank and Capitec) have offices within the city, and have extensive services located throughout the metropolitan.



3,8%
consistent
GROWTH
(2011 - 2016)

CAPE TOWN FINANCIAL INDUSTRY INDICATORS

15%
Contribution
TO GVA
of national finance
industry (2016)

R 43 155 573
GVA
R ' 000,
2016

3,8%
Average
annual
growth rate
(2011 - 2016)

58 438
FORMAL
EMPLOYMENT
(Finance sector)
(2016)

20%
Cape Town's
share of total
national
employment
(Finance sector)
(2016)

R2184
million
(17 projects)
Inward FDI
into Cape
Town's
financial
services
(2011-2016)

Sources: HS Markit (2017), FDI Intelligence (2017)

4.3 FILM AND MULTIMEDIA

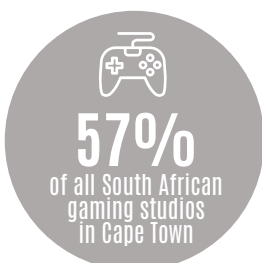
Cape Town is an internationally competitive film and media destination, with a growing number of international film makers making use of the destination's locations, facilities and services. The City has a variety of world-class locations, studios, facilitation companies and specialised crew.

There are approximately 5 000 identified City of Cape Town locations (Wesgro, 2016) and countless privately owned locations available to the Film and Media Sector. These locations vary from city centre locations to mountainous and nature based locations, providing flexibility for filmmakers wishing to shoot a multitude of locations in one destination. A number of architectural styles also exist in the City. The Cape Town International Convention Centre (CTICC) the Cape Town Stadium, and Cape Town Civic Centre are all popular locations. The V&A Waterfront has its own permit office. Cape Nature and SANParks locations are also in close proximity. Between January 2016 and December 2016, a total of 11 691 locations were booked with 6 975 location permits issued during the period. The

number of permits issued on an annual basis in Cape Town puts the city on track with the number of permits issued in other major film destinations like Toronto.

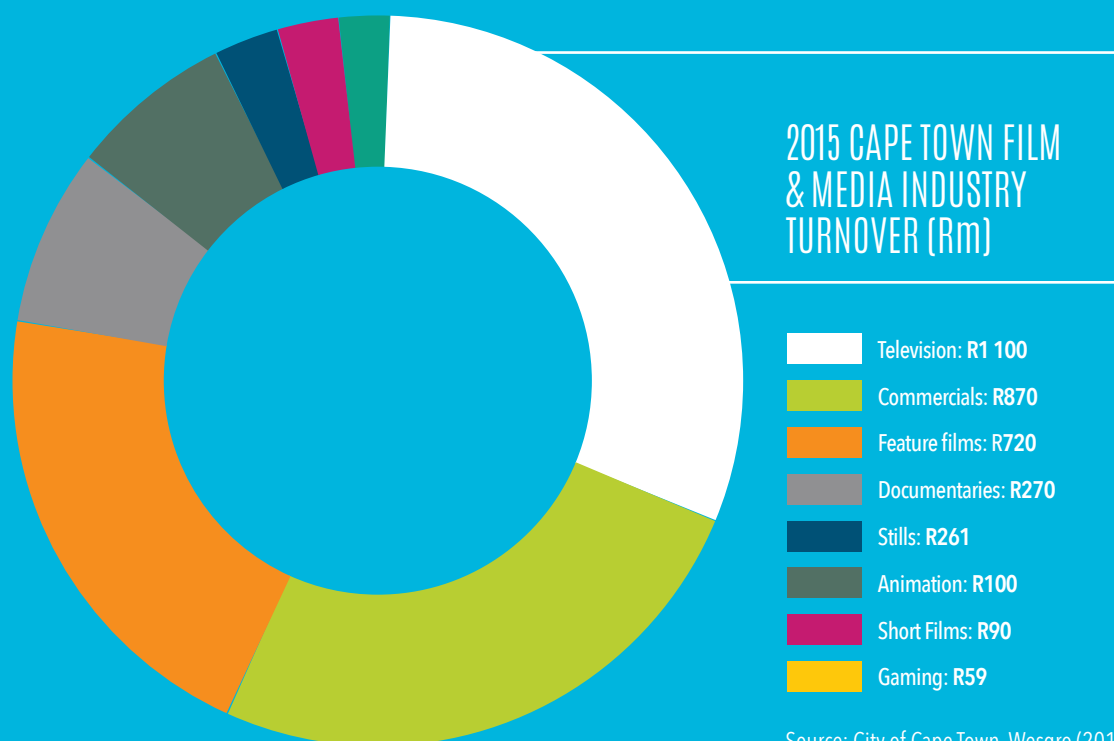
While Cape Town has always been a relatively popular shooting location for feature films, the development of the Cape Town Film Studios (CTFS) served as the catalyst for the change in perceptions about Cape Town as a film destination. This in turn, gained the confidence of the international industry which has led to numerous high profile international productions being shot at the studio. In the past five years, the CTFS has hosted more than 20 productions (refer to the table below), creating approximately 70 000 annualised Full Time Equivalent ("FTE") jobs (CTFS, 2016).

In addition to being the country's leading feature film production destination, Cape Town is also South Africa's 'new media' hub, with 57% of all South African gaming studios being located in the city as well as a large proportion of the country's animation studios.



Production	South African Production Company	Foreign Production Company	Year
Dredd	Kalahari Pictures	DNA Films, IM Global	2012
Chronicle	Film Afrika	20 th Century Fox	2012
Safehouse	Moonlighting Films	Universal Pictures, Intrepid Pictures	2012
The Borrowers	Moonlighting Films	Working Title Television	2011
Labyrinth	Film Afrika	Tandem Communications, Scott Free Productions	2012
Great British Story	Film Afrika	Nutopia	2012
History of the World	Film Afrika	BBC	2012
Flight of the Storks	Moonlighting Films	Nutopia	2012
Long Walk to Freedom	Film Afrika	Videovision	2013
How We Invented the World	Moonlighting Films	Nutopia	2012
The Perfect Wave	The Fabulous Boomtown Boys		2013
Mary and Martha	Moonlighting Films	Working Title Television, NBC Universal Television	2013
House Party	Film Afrika	Warner Brothers	2013
Fury Road	Moonlighting Films	Warner Brothers	2015
North Men	Two Oceans Productions	Elite Film Productions	2014
Black Sails Season 1 - 4	Film Afrika	Starz	2013 - 2015
Momentum	Thaba Media	Azari Media	2015
Eye in the Sky	Moonlighting Films	Raindog Films, eOne Productions	2016

Source: Cape Town Film Studio, 2016



Source: City of Cape Town, Wesgro (2017)

KEY INDICATORS FOR THE FILM AND MEDIA INDUSTRY IN CAPE TOWN

Indicators	Value
Impact of the Film and Media Industry on Cape Town's Economy	
Cape Town Film and Media GVA (direct)	R1 375 million
Cape Film and Media GGP (direct & indirect)	R2 632 million
Direct jobs (FTE) in Film and Media in Cape Town	6 550
Total jobs (FTE) in Film and Media in Cape Town	9 490
Inward FDI into Cape Town Film sector (2003-2016)	3 projects valued ZAR2.1 billion (94% of SA cities)
General statistics for the Film and Media Industry in Cape Town	
Cape Town gaming studio (2017)	17 studios (57% of SA)
Cape Town film operating costs (2016)	Lowest operating costs benchmarked with New York, Madrid, Paris, Hong Kong and London
Cape Town co-productions projects (2010-2014)	18.5 co-productions (55% of SA cities)
Number of registered production companies in SA	150
Number of Screens in South Africa	+800 screens available over 125 cinemas
South Africa Co-Production Treaties	Canada, Italy, Germany, United Kingdom, France, Australia, New Zealand, Ireland and Netherlands

Sources: City of Cape Town (2017), NFVF (2017) and Wesgro (2017)



COMPETITIVE ADVANTAGES OF THE FILM AND MEDIA INDUSTRY IN CAPE TOWN

1. The region has a highly diverse landscape with the ability to **replicate a multitude of foreign destinations** at a lower cost than other destinations.
2. **Time zone and ease of travel** from Europe makes it a convenient destination for European producers.
3. Cape Town has the **lowest annual operating costs** in the film and TV industry benchmarked against Johannesburg, New York, Madrid, Mexico, Paris, Hong Kong and London (FDI Benchmark, 2015).
4. The Cape Town Film Studio is rated as one of the **top 10 studios globally** (Invest in Western Cape, 2013; Mail & Guardian, 2012).
5. The film and media industry in Cape Town has an **excellent international reputation**, with international production companies noting the **level of service provided** in destination, the **quality of local crew** and the **availability** of purpose built infrastructure.
6. The Department of Trade and Industry offers **incentives for foreign film and television production** and post production that takes place in South Africa.
7. The City's **expanding broadband infrastructure** will gradually remove internet connectivity constraints sometimes faced by the industry.
8. There has been an increase in **demand for local content** within the animation industry as the local market wants to consume their own culture and stories.

4.4 TOURISM

Cape Town attracts tourists from across the globe, thanks to the appeal of its natural beauty, vibrant culture and ease of access to key tourist sites. In 2016, its top six main attractions⁷ enjoyed 28 million visits (City of Cape Town, 2016). The City has observed an increasing growth in employment and output in its accommodation and restaurant sub-sector in the last ten years, having recorded growth of 2,6%.

Major companies across a spectrum of clusters (including convention centres, hotels, tour operators and hospitality, travel planners, restaurants, attractions and supporting bodies) have a presence in Cape Town.



2,6%
EMPLOYMENT
growth (2016)

KEY INDICATOR TABLE, FOR THE ACCOMMODATION AND RESTAURANT SUB-SECTOR, 2016

1,33
Location
quotient

R3 066 million /
1,10%
GVA /
share of
Cape Town
GVA

2,6%
Ten year
GVA Growth
contribution
(2007-2016)

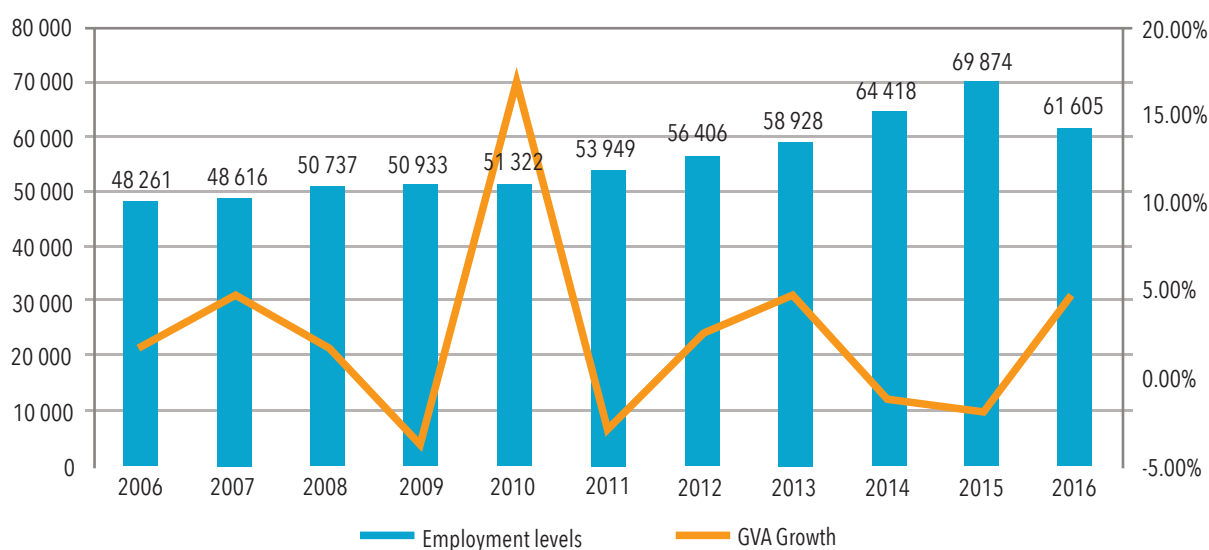
R4 709
million
Ten year
FDI value

61 605
Employment

Employment and GVA growth trends in the accommodation and restaurant sub-sector* in Cape Town, 2006-2016

Employment growth
2007-2016: 2,6%
2012-2016: 3,0%

GVA Growth
2007 - 2016: 2,6%
2012-2016: 1,7%



*Note: As economic data is not classified for the tourism sector on its own, the accommodation and restaurants sub-sector is used as a proxy to represent the tourism sector.

Source: City of Cape Town using IHS Markit (2017)

7. The Victoria and Alfred Waterfront, Table Mountain National Park: Cape of Good Hope, Table Mountain National Park: Boulders Beach, Table Mountain Aerial Cableway, Kirstenbosch National Botanical Garden and Robben Island.

BUSINESS FOOTPRINT IN THE TOURISM INDUSTRY IN CAPE TOWN

Source: City of Cape
Town using Who
Owns Whom (2017)

Competitive Cluster	Major Companies
Convention centres	Cape Town International Convention Centre (CTICC), Century City Convention Centre (CCCC)
Hotel groups	Tsogo Sun, Marriot International, Holiday Inn, Protea Hotels, City Lodge Hotel Group
Tour operators and hospitality	Hylton Ross, City Sightseeing, Africa Travel Group, Platinum Hospitality Group
Travel Planners	Travelstart, Safarinow, Lekkeslaap
Restaurants	The Test Kitchen, Harbour House Group
Attractions	City Sightseeing, Table Mountain Aerial Cableway, V&A Waterfront, Kirstenbosch Botanical Gardens, Robben Island, Castle of Good Hope
Supporting bodies	Cape Town Tourism, Wesgro

Tourism in Cape Town

Strong increases in visitor numbers, driven by more direct flight options, resulted in a bumper tourism season in 2016 and 2017.

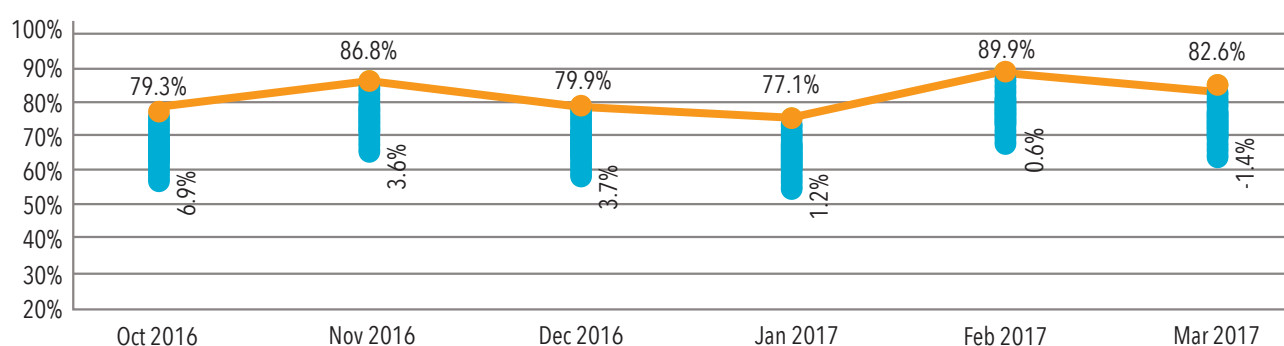


TOURISM INDICATORS, 2016

Foreign Arrivals	Source	Value
Total Foreign Arrivals to South Africa	StatsSA	10 044 163
Share of Foreign Arrivals to the Western Cape	SA Tourism	15,6%
Number of Foreign Arrivals to the Western Cape	SA Tourism	1 568 357
Share of Foreign Arrivals to Cape Town	SA Tourism	95,8%
Number of Foreign Arrivals to Cape Town	Calculation	1 502 486
Domestic Tourism Overnight Trips		Value
Total number of domestic trips taken in South Africa	SA Tourism	24 300 000
Share of domestic trips taken to the Western Cape	SA Tourism	8,8%
Number of domestic trips taken to the Western Cape	SA Tourism	2 139 000
Share of domestic trips taken to Cape Town	SA Tourism	32,8%
Number of domestic trips taken to Cape Town	Calculation	700 523

Source: Grant Thornton South Africa (2016), Research on the Economic Value of Tourism in the City of Cape Town

CAPE TOWN'S OCCUPANCY RATES FOR THE PERIOD OCTOBER 2016 TO MARCH 2017.

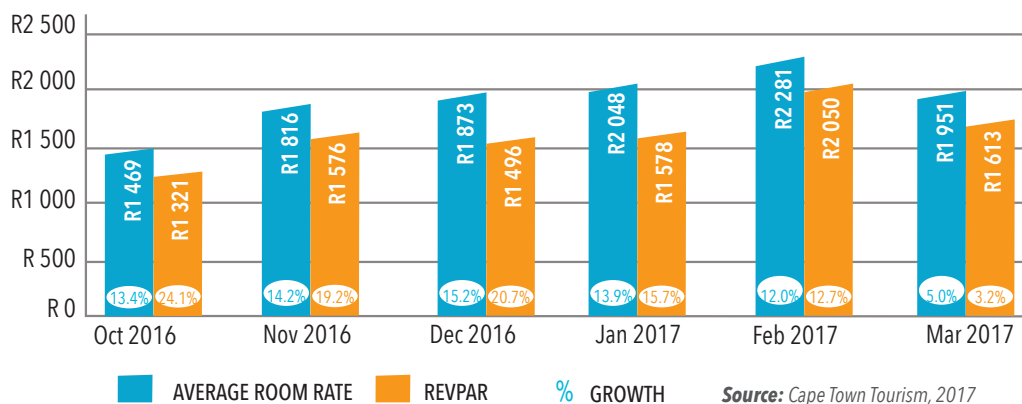


Source: Cape Town Tourism, 2017

● AVERAGE OCCUPANCY RATE ● GROWTH



THE AVERAGE ROOM RATE AND REVPAR PERFORMANCE IN CAPE TOWN 10/2016 - 03/2017



5 028 430
ARRIVALS
to Cape Town
(2016)

7.3%
increase
on 2015



COMPETITIVE ADVANTAGES FOR THE TOURISM INDUSTRY IN CAPE TOWN

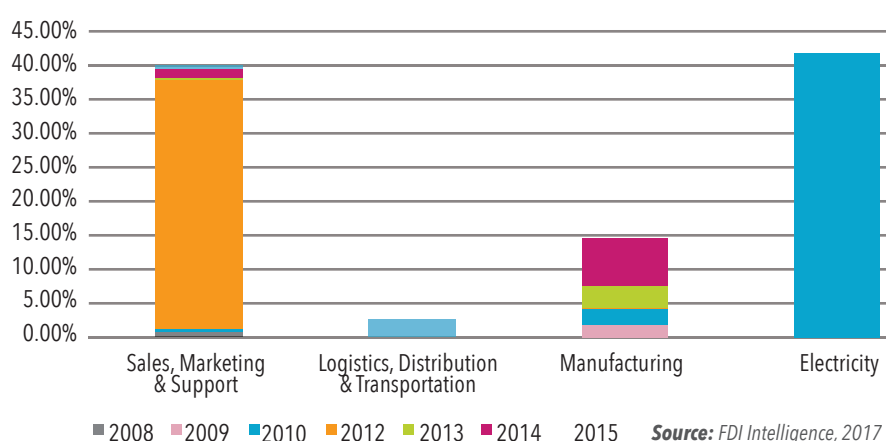
1. Cape Town has a **natural scenic appeal**, in part owing to it having Table Mountain, one of the seven natural wonders of the world.
2. The city has received **numerous accolades** since 2011, as showcased in Section 3.
3. The **natural attractions** of Cape Town contribute to the city being viewed as a destination where tourists do not have to spend a lot of money to have a good holiday.
4. The city provides **first world infrastructure** and tourist facilities, including conference facilities.
5. Cape Town has the country's **second largest airport**, which makes the destination more accessible than others in Africa.
6. Cape Town's tourism brand has become self-sustaining, with the City regularly making it onto **top ten lists globally**.
7. Some of the **best restaurants** in the world are located in Cape Town, helping to establish Cape Town as a major gastronomic destination on the continent.
8. There is a strong perception that Cape Town is a **safer travel destination** than other cities in the country.
9. The relatively **weak exchange rate** also works in the favour of international tourists.

4.5 RENEWABLE ENERGY

The Western Cape, and Cape Town in particular is currently positioning itself as the Green Economy hub for South Africa. The Province provides businesses and investors with prime locations, modern infrastructure, a skilled workforce, low operational costs and an abundance of natural resources (GreenCape, 2017: 44).

A number of Renewable Energy companies have their headquarters in Cape Town across the economic clusters of solar photovoltaic manufacturing, electrical manufacturing, fuel supply, professional services and supporting bodies. Foreign direct investment in the renewable energy sector amounted to R5,2 billion between 2008 and 2015. This investment came predominantly through the electricity (42,2%) and sales, marketing and support (40,1%) sub-sectors. The manufacturing sub-sector also observed an FDI inflow of 14,7%, of all FDI inflows into the Renewable Energy sector during this period.

FD INFLOWS INTO THE RENEWABLE ENERGY SECTOR BETWEEN 2008 - 2015.
AS A SHARE % OF TOTAL FD INFLOWS INTO THE RENEWABLE ENERGY SECTOR DURING THIS PERIOD



R5,2 billion
Foreign direct investment
in renewable
energy sector
(2008 - 2015)



14,7%
FDI inflow also
in sub-sector
(2008 - 2015)

BUSINESS FOOTPRINT IN THE RENEWABLE ENERGY INDUSTRY IN CAPE TOWN

Competitive Cluster



Solar photovoltaic manufacturing

- Suntech Power Holdings
- Sunpower
- Exosun
- JinkoSolar
- SMA Solar Technology
- Zshine Group
- PROINSO
- Tenesol
- Solaire Direct
- Enertis Solar
- Aurora-Rietvlei Solar Power (RF) (Pty) Ltd



Electrical manufacturing

- E-Lek Engineering



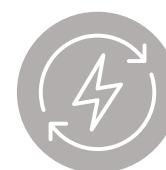
Fuel supply

- Bio Green
- FFS Refiners



Professional services

- Globeleq
- Mainstream Renewable Power
- African Infrastructure Investment Managers (AIIM)
- Mulilo
- Acciona
- Juwi
- Wind prospect



Supporting bodies

- GreenCape
- South African Renewable Energy Business Incubator (SAREBI)
- South African Renewable Energy Technology Centre (SARETEC)

Sources: City of Cape Town using Who Owns Whom (2017)

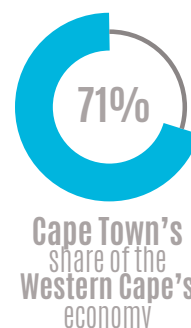
Major Companies



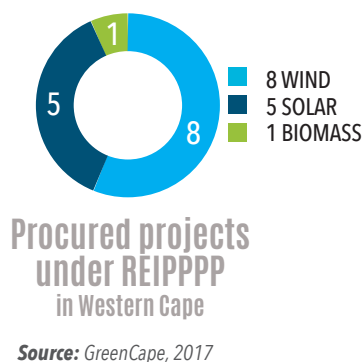
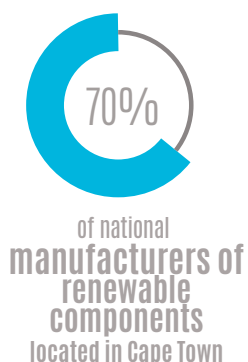
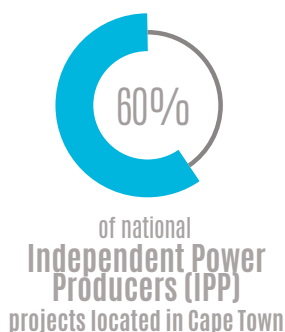
Cape Town accounts for approximately 71% of the Western Cape's economy and houses most of the large, energy intensive industrial areas. As such a large number of renewable companies in the region have established head offices in the city in order to be close to clients. The city's three universities are also actively contributing towards Research & Development in the domain of renewables and the green economy.

The City of Cape Town established a greentech manufacturing hub in Atlantis in 2011 in response to the government's focus on localisation of manufacturing as part of the Department of Energy's Renewable Energy Independent Power Producer Programme (REIPPPP).

The City has made tracts of land available at low cost for purchase or lease by greentech companies through an accelerated land disposal process. A number of other financial and non-financial incentives are also on offer, including discounted electricity and rapid turnaround on development applications. An application has now been submitted by the Western Cape Provincial Government for the Atlantis Industrial area to be declared a Greentech Special Economic Zone (SEZ), a decision on which is expected in 2017. GreenCape's Atlantis SEZ team, together with the City's Atlantis Investment Facilitation Office can assist with information, and facilitate access to permits, licenses, planning and development approvals, incentives and finance (GreenCape, 2017: 46).



CAPE TOWN RENEWABLE INDUSTRY INDICATORS (2016)



COMPETITIVE ADVANTAGES OF THE RENEWABLE ENERGY INDUSTRY IN CAPE TOWN

1. Being **located in the Western Cape** means that Cape Town forms part of a Province which GreenCape deems 'Africa's renewable energy and cleantech hub' (GreenCape, 2017: 44), with:
2. A **strong presence of leading** renewable energy companies.
3. A number of foremost **professional services** and financiers.
4. Notable **market opportunities** for businesses and investors across the agriculture, energy services, utility scale solar and wind, waste, water, bio-economy and resource efficiency streams.
5. An ease of doing business where the **green economy** is a key priority.
6. **Five universities** with established Research and Development capacity and dedicated streams of study in the realm of the green economy.
7. **Investment incentives** through the proposed Atlantis Greentech SEZ.

4.6 ELECTRONICS

Cape Town's strong skills base enables it to be flexible, responsive and innovative in response to ever-shifting technology possibility frontiers, and rapidly evolving consumer tastes and preferences (City of Cape Town, 2014). The electronics sector, although relatively small is an important contributor to foreign exchange earnings through both exports and FDI. In 2016, the sector contributed R884 million to the Cape Town economy.

million to the Cape Town economy.







Cape Town has a strong company representation across the following clusters: satellite technology, circuit board and contract manufacturing, audio-visual product manufacturing, including televisions, telecommunications (not cellphones) and medical technology (City of Cape Town, 2014).

KEY INDICATOR TABLE, 2016

0,94 Location quotient	R884 M / 0,34% GVA / share of Cape Town GVA (2016)	0,4% Ten year GVA Growth contribution (2007-2016)	R1 064 million Ten year FDI value	3 001 Employment	R2 993 million Export Value
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Sources: IHS Markit (2017), FDI Intelligence (2017)

BUSINESS FOOTPRINT IN THE ELECTRONICS INDUSTRY IN CAPE TOWN

Competitive Cluster						
	Satellite technology	Circuit board and contract manufacturing	Telecommunications (not cell phones)	Medical technology	Consumer electronics	Appliances
Major Companies	<ul style="list-style-type: none"> New Space Systems, SCS Space, Cube Space, S-Plane, Denel Space Teq, African Space Innovation Centre (CPUT), Simera 	<ul style="list-style-type: none"> Mec Technology, Montar Manufacturing, Trax Interconnect, Switchboard Manufacturers Cape, Zyteq Technologies 	<ul style="list-style-type: none"> Garmin, Tellumat, ET Systems, Quantum Telecommunications 	<ul style="list-style-type: none"> Pinnacle Instruments, Rhomberg Instruments, Masskot, Sheer Mobility, Minus 40, Winfar Surgical 	<ul style="list-style-type: none"> Hisense 	<ul style="list-style-type: none"> Hisense, AEG

Source: City of Cape Town using Who Owns Whom (2017)



COMPETITIVE ADVANTAGES OF THE ELECTRONICS INDUSTRY IN CAPE TOWN

1. There is a **prevalence of innovative design thinking** and strong systems integration.
2. There is **good access to skilled engineers** required within the sector.
3. There are **established African export markets** for electronic products and good infrastructural connectivity to these markets.
4. It is relatively **easy to export** products from Cape Town.
5. Cape Town is considered a comparatively **low cost destination** for consumer electronic manufacturing.
6. In a 2014 study by FDI Benchmarking, Cape Town **ranked 11th in terms of quality** but first in terms of cost, meaning it was the cheapest of the benchmarked countries to set up a consumer electronics manufacturing plant.
7. Cape Town has an **historical advantage** for companies in space technology due to the national space programme facility (Houwteq) being previously located in Grabouw. This has resulted in an agglomeration of space technology skills in Somerset West.
8. The business environment is **perceived to be safer**, based on a perception of lower crime levels in Cape Town.

4.7 FOOD AND BEVERAGES

Cape Town is an established hub for food and beverage manufacturing, boasting some of the country's largest companies in the sector. The city's proximity to a vast and productive agricultural hinterland with distinctive agricultural yields (including grapes, deciduous fruits and ostriches), its large international port, a growing consumer population and a relatively strong skills base, makes it a very competitive location in which to base food and beverage manufacturing operations.

The industry is one of the few manufacturing industries in which Cape Town has a positive trade balance and is a very important earner of foreign exchange for the City. Recent growth in food and beverage exports provides reason to believe that the sector is well placed to realise

the opportunities presented by growing demand for food and beverage products on the African continent. Cape Town hosts competitive clusters in terms of the manufacture of spice and saucing products, the processing of fish products, the manufacture of grain mill products (especially cereals), beer brewing and soft drink production.

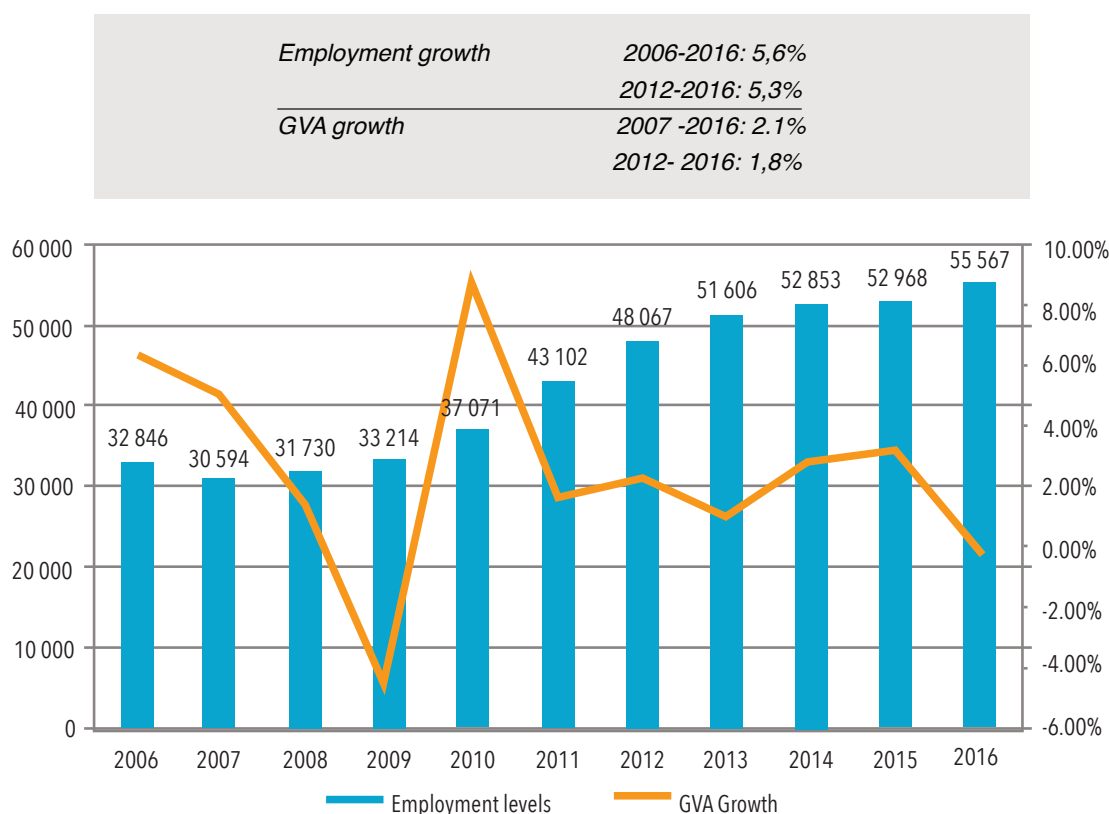
Food and beverage manufacturing is the largest of Cape Town's manufacturing industries, contributing 3,6% of Cape Town's GVA and 4,1% of its formal employment. The industry has a metro location quotient of 1,3, meaning that it is relatively more important to Cape Town's economy than it is to other metros and can thus be considered a comparative advantage industry for the city.

KEY INDICATOR TABLE, 2016

1,3 Location quotient	R10 104 million 3,6% GVA / share of Cape Town GVA	2,7% Ten year GVA Growth contribution (2007-2016)	R1 304 million Ten year FDI value	55 567 Employment	R15 764 M Export Value	12,3% Ten year Employment contribution (2006-2016)
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Sources: IHS Markit (2017), FDI Intelligence (2017)









EMPLOYMENT AND GVA GROWTH TRENDS IN THE FOOD & BEVERAGES SECTOR IN CAPE TOWN (2006-2016)



Source: City of Cape Town using IHS Markit (2017)



BUSINESS FOOTPRINT IN THE FOOD & BEVERAGES INDUSTRY IN CAPE TOWN

Competitive Cluster	 Fish products	 Beverages	 Craft Beer	 Spices and Saucing	 Grain Mill Products	 Dairy products	 Food products	 Major retailers
Major Companies	<ul style="list-style-type: none"> • I&J • Oceana • Sea Harvest 	<ul style="list-style-type: none"> • Quality Beverages • Pioneer Group; Twizza • Peninsula Beverages • South African Breweries • Good Hope International Beverages 	<ul style="list-style-type: none"> • Devil's Peak Brewery • Jack Black Distel 	<ul style="list-style-type: none"> • Freddie Hirsch • Ina Paarman <ul style="list-style-type: none"> • Zemcor • Exim • Mediterranean Foods • Natural Herbs and Spices 	<ul style="list-style-type: none"> • Bokomo • Pioneer • Tiger Brands • Sasko Grain 	<ul style="list-style-type: none"> • Parmalat South Africa (Pty) Ltd 	<ul style="list-style-type: none"> • BM Foods Manufacturers • Rhodes Food Group Holdings Ltd • Afrifresh • Cape Oil products 	<ul style="list-style-type: none"> • Pick n' Pay • Checkers • Woolworths

Source: City of Cape Town using Who Owns Whom (2017)



COMPETITIVE ADVANTAGES OF THE FOOD & BEVERAGES INDUSTRY IN CAPE TOWN

1. Cape Town has access to the country's **richest stocks of fish**, especially hake.
2. It has an **established history in the food and beverage industry** with some of the country's largest firms in the sector.
3. It has **good proximity** to a vast agricultural hinterland with distinctive agricultural yields (including grapes, deciduous fruits and ostriches).
4. It has advantages in terms of having an **international port**.
5. Cape Town and its broader region has a **fast growing consumer population**.
6. Cape Town is a **hub for artisanal food and beverage development** being the largest producer of craft beer and the South African city with the largest per capita filter coffee consumption.

4.8 CLOTHING AND TEXTILES

South Africa has traditionally had a relatively strong clothing and textiles industry, predominantly centred in Cape Town and KwaZulu-Natal. With a location quotient of more than two within the City, clothing and textiles is Cape Town's strongest manufacturing comparative advantage industry by some margin. The clothing and textiles industry in Cape Town tends to focus more heavily on the production of wearing apparel and on high-fashion items (City of Cape Town, 2016).

The clothing and textiles industry continues to be a major employer in the Cape Town economy, employing 28 863 individuals – the second largest employer within the manufacturing sector. It is also the most labour-intensive sector outside tourism and the primary sector, meaning that the job return on investment tends to be higher than in other sectors (City of Cape Town, 2016).

The high concentration of retail head offices in Cape Town (including Woolworths, the Foschini Group, Truworths, Pep and Cape Union Mart, among others) means that retailers and manufacturers can coordinate their activities to ensure the quickest possible response to changes in customers' tastes and preferences (CCTC, 2016). The added presence

of a burgeoning fashion design industry within the City further enhances this advantage.

Cape Town's clothing and textile industry is well served by organisations such as the Cape Clothing and Textile Cluster, Clotex, and the Cape Town Fashion Council, which operate at different points in the value chain but share the common vision of seeing the growth of the clothing and textiles industry within the city. The strong coordination/ collaboration in the industry's value chain and the presence of large and dynamic manufacturers in the city enable it to more easily adopt quick-response models than other regions in the country.

While, in terms of trade, Cape Town's clothing and textile industry imports more than it exports, in recent years' exports have flourished. Between 2014 and 2015 exports grew by 12,6%, driven by strong increases in exports to Namibia (Cape Town's largest export market for clothing and textile products); Botswana and Swaziland (Wesgro, 2016). Exports to the United States (under the African Growth and Opportunity Act (AGOA) agreement) increased by 53,2%, making it the fastest growing of Cape Town's top export markets.

This industry continues to be a major employer in the Cape Town economy, employing 28 863 individuals – the second largest employer within the manufacturing sector.

KEY INDICATOR TABLE, 2016

2,25
Location
quotient

**R2 838 million /
1%
GVA /
share of
Cape Town
GVA (2016)**

0,9%
Ten year
GVA Growth
contribution
(2006-2016)

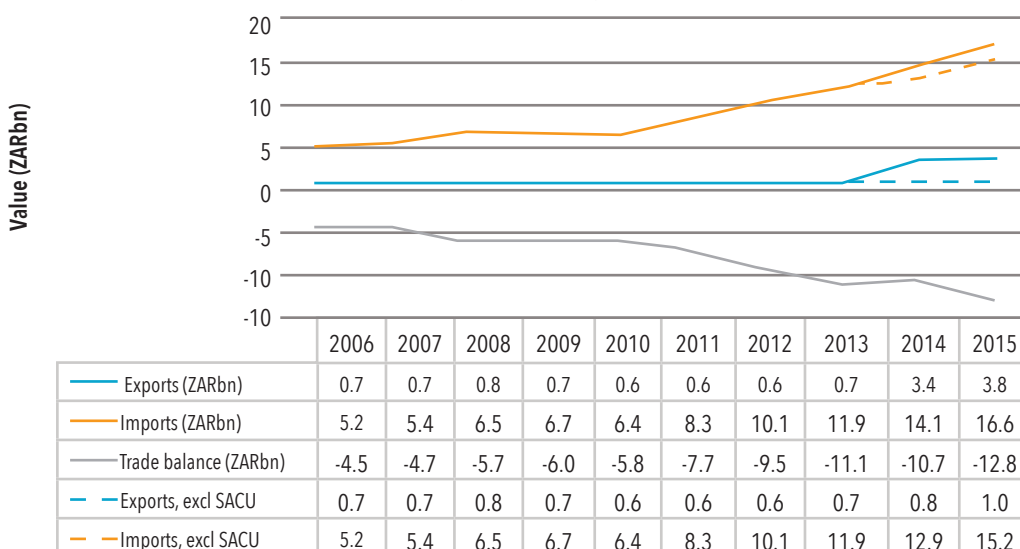
**R1 135
million
Ten year
FDI value**

28 863
Employment

**R4 086
million
Export Value**

Sources: IHS Markit (2017), FDI Intelligence (2017)

CAPE TOWN CLOTHING & TEXTILE TRADE (2006-2015)



Source: Wesgro, 2016

The performance indicators for a sample of large clothing and textile manufacturers in the Western Cape (mainly from Cape Town) shown in the table below, are evidence that the clothing and textiles industry has gained fresh growth impetus. The improvement in the process indicators in the latter part of the table go a long way toward explaining why companies in the sector have been able to expand sales and employment creation and reflect concerted effort by the private sector and government to upgrade the competitiveness of the industry's manufacturing capacity.

PERFORMANCE OF THE CLOTHING & TEXTILES INDUSTRY IN CAPE TOWN (2013-2016)

	Unit	2013	2014	2015	2016
Sales	Indexed CPI adjusted manufacturing sales	100	108	116	127
Employment	Number (average)	296,3	293,5	310,0	334
Quality	Internal rework/repair rate	6,5	4,9	4,5	4,9
Reliability	Customer OTIF as a percentage	87,0	90,9	93,5	92
Labour Turnover	Labour turnover rate (excluding salaried staff)	10,0	11,2	9,0	8,3






Source: Cape Clothing and Textiles Cluster, 2016



28 863
EMPLOYMENT
(2016)

Between 2014
and 2015
exports grew by
12,6%,
driven by strong
increases in
exports

BUSINESS FOOTPRINT IN THE CLOTHING & TEXTILES INDUSTRY IN CAPE TOWN

					
	Wearing apparel (including Cut Make and Trim businesses)	Manufacture of other textiles (blankets, carpets, tents, knitted fabrics)	Design Houses	Retail	Supporting bodies
Major Companies	<ul style="list-style-type: none"> • Prestige • K-Way • Pep Clothing • Jacques Hau • Peter Blond • House of Monatic • GL Clothing 	<ul style="list-style-type: none"> • Falke Euro-socks • Rotex Fabrics • Hextex • Waltext Carpets • Cotton Traders • Braitex Tensilon 	<ul style="list-style-type: none"> • YDE • Reliance Clothing 	<ul style="list-style-type: none"> • The Foschini Group • Woolworths • Truworths • Pep Stores • Cape Union Mart 	<ul style="list-style-type: none"> • Clotex • Cape Town Fashion Council • Cape Clothing and Textiles Cluster

Source: City of Cape Town using Who Owns Whom (2017)



COMPETITIVE ADVANTAGES OF THE CLOTHING AND TEXTILES INDUSTRY IN CAPE TOWN

1. Its' proximity in terms of the **closeness of major retailers** (with head offices in Cape Town) to local designers and manufacturers, creates a vertically integrated value chain which is better able to respond to fast changing fashion trends.
2. There is a strong **tradition of Cut-Make-Trim (CMT)-related skills** (especially seamstresses) in Cape Town
3. The **ease of access to the port** results in cheaper transportation costs for textile inputs.
4. The sector is **well-organised** and supported through a number of government-funded sector bodies.
5. The Department of Trade and Industry offers **incentives and assistance** through its Clothing and Textiles Competitiveness Programme and the Competitiveness Improvement Programme.
6. **Cape Town is a design hub**, with many of the major fashion designers basing themselves in the city.

05 Regulations & Legislation



South Africa actively encourages foreign investment in all sectors of the economy, and there are consequently generally few restrictions on investment. Factors which potential investors should take into account on exploring investment in the city include:



Company registration and administration

The six principal methods of doing business in South Africa are registering as a **1)** Company (public or private) incorporated under the Companies Act 71 of 2008, **2)** Personal Liability Company, **3)** Partnership, **4)** Business trust, **5)** Sole Proprietorship, or **6)** External Company (branch of a foreign company).



Duty Drawback Scheme

Duty Drawback schemes provide refunds for import duties paid on the materials used in the production of goods that are exported. Drawbacks are administered by the International Trade Administration Commission of South Africa, and manufacturers may apply for refunds after the final product is exported.



Exchange and remittance of funds

Exchange controls on South African residents are enforced by the South African Reserve Bank (SARB). Exchange controls are only exercised on residents and the transactions in foreign exchange entered in between non-residents and residents. There are no restrictions on foreign investors to acquire companies or businesses in South Africa, and additionally, the acquisition of shares or introduction of capital does not require SARB approval.



Land and buildings

There is no restriction on foreign investors in acquiring property in the country. In order for foreign companies to acquire property, they must register as an external company in terms of the Companies Act 71 of 2008.



Employment and labour relations

The employment sector within South Africa is regulated by statute, common law and contract. The main legislature regulating the employer/employee relationship can be found on the department of labour website <http://www.labour.gov.za/DOL/>. Foreigners must obtain a work permit before they are legally entitled to work in South Africa.



Taxation and Double Taxation Agreements

South Africa has a highly regarded tax system that is over-seen by the South African Revenue Services. The tax system is a residence-based system. Concerning non-residents, they are taxed on their income sourced from South Africa. For a status overview of DTAs with other nations, visit: www.sars.gov.za



Access to Finance

To open a bank account, foreigners must be in the possession of a valid work or residency permit. Additionally, by law banks have to request identity and a proof of residence. The limit placed on borrowing by foreign-owned companies is based on a pre-determined formula. Considering 100% foreign-owned companies, the local borrowing limit is 100% of the effective capital of the South African company.

06 Access to International markets

South Africa has signed multiple free-trade and bilateral agreements: Southern African Customs Union (SACU), Southern African Development Community (SADC) FTA, Africa Growth and Opportunity Act (AGOA) and the Economic Partnership Agreement (EPA). Available www.thedti.gov.za.

MAIN TRADE AGREEMENTS BETWEEN SOUTH AFRICA AND OTHER COUNTRIES				
Trade Agreement	Type of Agreement	Participating Nations	Main terms	Products Involved
Southern African Customs Union (SACU)	Customs Union	South Africa, Botswana, Lesotho, Namibia, Swaziland	SACU jointly negotiate preferential trade agreements with third parties.	All products.
Southern African Development Community (SADC)	Free Trade Agreement (FTA)	Angola, Botswana, DRC, Lesotho, Madagascar, Malawi, Mauritius, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia, Zimbabwe	No import tariffs on 85% products 12 countries. Market integration accompanied by cross-border infra-structural development and sectoral co-operation.	All products.
SACU – European Free Trade Association (EFTA) Agreement	Provisionally applied Free Trade Agreement	All SACU countries and individual EFTA members	Three bilateral agricultural agreements were concluded between SACU and individual EFTA states.	Industrial goods and processed agricultural products.
SACU – Southern Common Market (Mercosur)	Preferential Trade Agreement (PTA)	SACU; and Brazil, Argentina, Paraguay and Uruguay	Promote sanitary and phyto-sanitary measures & advance product coverage. Preferences for 1,000 products by both SACU and Mercosur.	A narrow range of products in industrial, agricultural and fishery goods.
African Growth and Opportunity Act (AGOA)	Part of Trade and Development Act (2000)	US, 39 sub-Saharan African countries (South Africa included)	Provides duty-free access to 98% of US imports for AGOA members.	Over 7,000 products are covered.
Tripartite Free Trade Agreement (T-FTA)	FTA	Member states of Southern African Development Community, East African Community and Common Market for Eastern & Southern Africa	A tripartite initiative: market integration, infrastructure development and industrial development.	Phase 1 covers only trade in goods and core areas necessary to support that.
Economic Partnership Agreement between the SADC EPA States, of the one part, and the European Union and its Member States, of the other Part	Economic Partnership Agreement	South Africa, Botswana, Namibia, Swaziland, Lesotho and Mozambique (referred to as the SADC EPA Group) and the European Union (EU)	SA's core interest has been to harmonise trading regime between SACU and the EU; to secure further market access in agriculture (beyond the SA-EU Trade Development and Cooperation Agreement (TDCA) provisions) and claw back on some policy space lost under the TDCA.	The agreement covers most products. It will replace the Trade Chapter of the TDCA. New market access accrued better than the TDCA will be implemented after entry into force of the SADC-EU EPA
Generalized System of Preferences (GSP)	Unilateral preferences granted under the enabling clause of the World Trade Organization	South Africa – EU, Norway, Switzerland, Russia, Turkey, US, Canada and Japan	A non-reciprocal trade agreement. Preferential market access was granted to South Africa as it is a developing country.	Specific agricultural and industrial products.

In addition South Africa signed double tax agreements (DTA) with a number of countries to eliminate double taxation. For a list of the double taxation agreements please follow this link: <http://www.sars.gov.za/AllDocs/LegalDoclib/Agreements/LAPD-IntA-DTA-2013-01%20-%20Status%20Overview%20of%20All%20DTAs%20and%20Protocols.pdf>

07 Key incentives

Cape Town aims to position itself as a globally competitive city and considering that numerous cities across the globe utilise incentives to attract investment, the City of Cape Town offers a suite of incentives to attract investment into its key industries and spatial nodes.

Incentive schemes		Focus of scheme	Nature of incentives
1	Urban Development Zone (UDZ) tax incentive	To encourage private sector-led residential and commercial development in inner-city areas with developed public transport facilities.	The Urban Development Zone (UDZ) is a tax incentive administered by SARS. The UDZ allows businesses which fall within its area (the demarcations of which are determined by the City) to benefit from significant tax savings for building development
2	City of Cape Town Investment Incentives	<p>To stimulate job creating investment in either the manufacturing sector or prioritized tertiary sector industries in Cape Town.</p> <p>Eligibility for the City's investment incentives depends on investors meeting certain pre-defined criteria as spelt out in the Investment Incentives Policy.</p>	<p>Non-financial incentives include:</p> <ol style="list-style-type: none"> 1. Fast-tracked development applications 2. A dedicated investment facilitation service <p>Financial incentives include:</p> <ol style="list-style-type: none"> 1. Development application fee waivers 2. Reduced development charges 3. Electricity tariff reductions 4. Broadband line rental holidays

The national Department of Trade and Industry (the dti), in collaboration with other public and private sector entities have also developed a number incentive schemes to assist with the growth of certain sectors. These national incentives schemes are listed below.

Incentive scheme		Focus of scheme
1	Manufacturing Competitiveness Enhancement Programme (MCEP)	Machinery, equipment, plant, commercial vehicles and land buildings.
2	Sector Specific Assistance Scheme (SSAS)	Non-profit business organizations in sectors and sub-sectors of industries prioritized by the dti.
3	Clothing and Textile Competitiveness Improvement Programme (CTCIP)	Manufacturers and other areas of the apparel value chain in South Africa.
4	Support Programme for Industrial Innovation (SPII)	Personnel Related Costs; Travel Expenses; Direct Material; Capital Items and Tooling; Software; Documentation; Testing and Trials; Licensing Costs; Quality Assurance and Certification; Patent Costs; and Subcontracting and Consulting.
5	Manufacturing Investment Programme (MIP)	Local and foreign-owned manufacturers who wish to establish a new production facility; expand an existing production facility; or upgrade an existing facility in the clothing and textiles sector.
6	12i Tax Incentive	Improvement of capital stock in manufacturing sector including tobacco, alcoholic beverages, arms and ammunition, etc.
7	Automotive Investment Scheme (AIS)	Automotive sector through investment in new and/or replacement models and components.
8	People-carrier Automotive Investment Scheme (P-AIS)	People-carrier vehicles through investment in new and/or replacement models and components.
9	Critical Infrastructure Programme (CIP)	Transport systems, Electricity and distribution systems, Telecommunications systems, Transmission systems, Sewage systems, Waste storage, disposal and treatment systems, Fuel supply systems.
10	Aquaculture Development and Enhancement Programme (ADEP)	Stimulation of investment in aquaculture to increase production, create jobs, encourage geographical spread and broaden participation.
11	Business Process Services (BPS)	Offshoring activities for back office processes, contact centres, finance and accounting services, human resource, IT and technical services etc.
12	South Africa Film and Television Production and Co-production Incentive	Feature films, Telemovies, Television drama series or miniseries, Documentary or documentary miniseries, or documentary feature, Animation, Digital content and Video gaming.
13	Foreign Film and Television production and Post-production Incentive	Large-budget films and television productions and post-production work.
14	The Location Film and Television Production Incentive	Attract big-budget overseas film and television productions.
15	BPO&O Investment Incentive and Training Scheme	Attract BPO investment and create employment opportunities and skills development.

08

Key contacts

The table below shows contacts for the respective sectors (please note the list does not show all possible contacts).

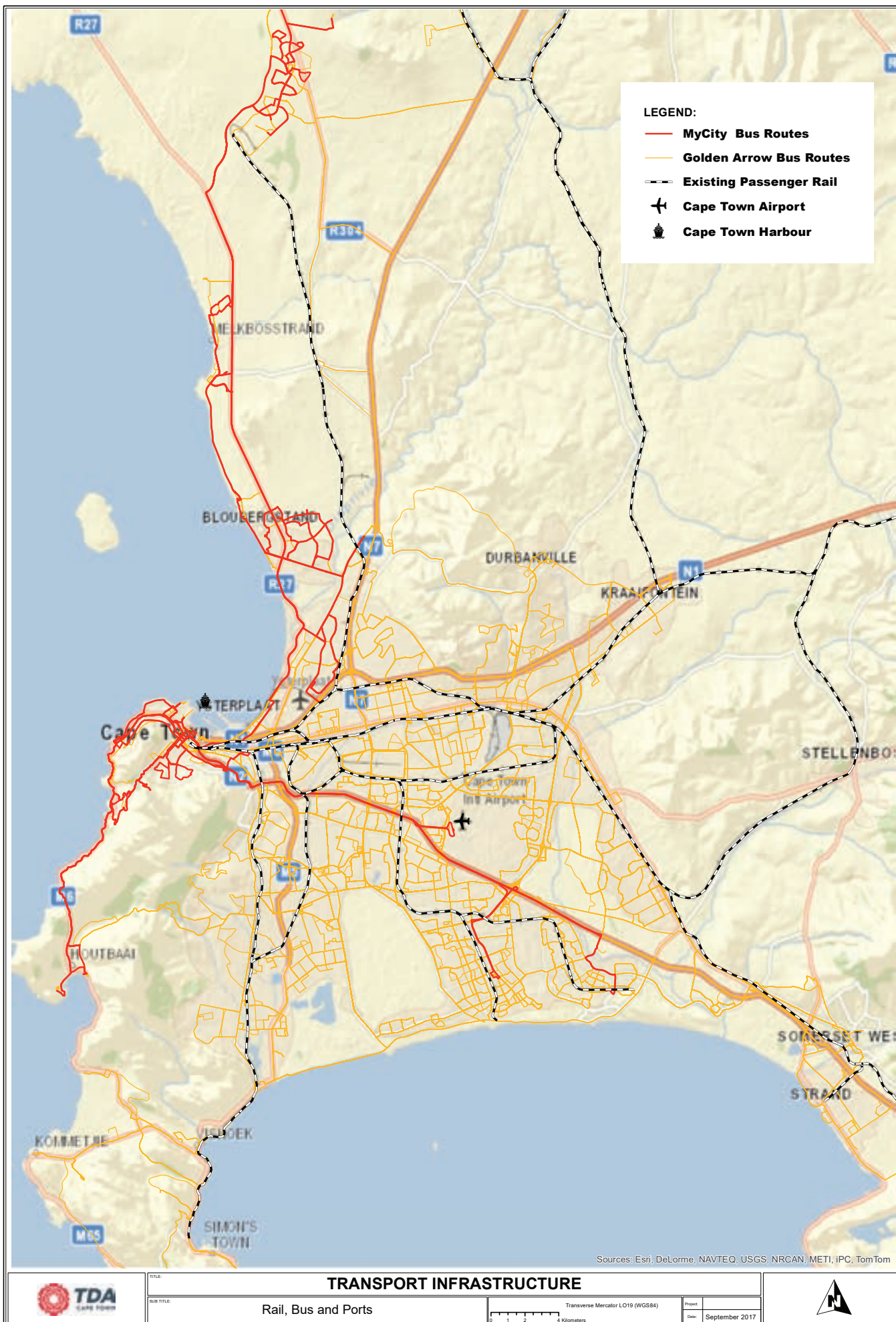
General Contacts			
City of Cape Town	www.capetown.gov.za/	contact.us@capetown.gov.za	+27 21 400 2123
Wesgro	www.wesgro.co.za	info@wesgro.co.za	+27 (0)21 487 8600
BPO			
Organization	Website	E-mail	Contact Number
Business Process Enabling South Africa (BPESA)	www.bpesa.org.za	info@bpesa.org.za	+27 (0)71 838 5309
Financial Services			
Cape Chamber of Commerce	www.capetownchamber.com	info@capechamber.co.za	+27 (0)21 402 4300
Financial Services Board	www.fsb.co.za	info@fsb.co.za	+27 (0)12 428 8000
South African Reserve Bank	www.reservebank.co.za	info@reservebank.co.za	+27 (0) 12 3133911
SA Financial Sector Forum	www.finforum.co.za	info@finforum.co.za	+27 (0) 21 4816700
The Banking Association of South Africa	http://www.banking.org.za	webmaster@banking.org.za	+27 (11) 645 6700
Business services			
Cape Chamber of Commerce	www.capetownchamber.com	info@capechamber.co.za	+27 (0)21 402 4300
ICT			
Cape Innovation and Technology Initiative	http://www.citi.org.za/	reception@bwb.org.za	+27 (21) 409 7000
Food and Beverages			
Western Cape Department of Agriculture	www.elsenburg.com	wouter.kriel@westerncape.gov.za	+27 (0)21 808 5111
Wines of South Africa	www.wosa.co.za	info@wosa.co.za	+27 (0) 21 883 3860
Agri-SA	http://www.agrisa.co.za/	agrisa@agrisa.co.za	+ 27 (0) 12 643 3400
HORTGRO	http://www.hortgro.co.za/	info@hortgro.co.za	+27 (0) 21 870 2900
Wesgro	www.wesgro.co.za	info@wesgro.co.za	+27 (0)21 487 8600
Western Cape Aquaculture Development Initiative	-	edward.wcadi@telkomsa.net	+27 (0)21 424 2572
Aquaculture Association of SA	www.aasa-aqua.co.za	Info@aasa-aqua.co.za	+27 (0)12 803 5208
SAFVCA. South African Fruit & Vegetable Canners Association	www.safvca.co.za	info@safvca.co.za	+27 21 871 1308

Renewable Energy			
Transnet Commercial	www.transnet.co.za	enquiries@transnet.net	+27 (0)11 308 3929
Green-Cape	www.green-cape.co.za	-	+27 (0) 21 811 0250
Film & Multimedia			
National Film and Video Foundation	www.nfvf.co.za	info@nfvf.co.za	+27 (0)11 483 0880
Commercial Producers' Association (CPA)	www.cpsa.tv	bobby@cpsa.tv	+27 (0) 11 673 6809
South African Association of Stills Producers (SAASP)	www.saasp.co.za	rudi@saasp.co.za	+27 (0) 28 423 3595
The Documentary Film Makers Association (DFA)	www.docfilmsa.com	info@docfilmsa.com	+27 (11) 888 4349
Make Games South Africa	www.makegamesa.com	admin@makegamesa.com	+27 (0) 82 675 3372
Writers' Guild of South Africa (WGSA)	www.writersguildsa.org	admin@writersguildsa.org	+27 (0) 11 888 4349
The Independent Producers Organization (IPO)	www.ipo.org.za	communications@ipo.org.za	+27 011 799 2200
The DTI	www.thedti.gov.za	contactus@thedti.gov.za	+27 (12) 394 9500
Animations South Africa (ASA)	www.animationsa.org	info@animationsa.org	See website for sector
National Association of Model Agencies (NAMA)	www.nama.co.za	http://www.nama.co.za/contact.html	See website for sector
South African Screen Federation (SASFED)	www.sasfed.org	info@sasfed.org	+27 (0) 83-901-2000
Interactive Entertainment SA (IESA)	www.iesa.org.za	nickhall@iesa.org.za	+27 (0) 82 675 3372
South African Guild of Editors	www.editorsguildsa.org	info@editorsguildsa.org	+27 82 255 8077
Personal Managers' Association	www.thepma.co.za	http://www.thepma.co.za/contact	See website for sector
Electronics			
Cape Chamber of Commerce	www.capetownchamber.com	info@capechamber.co.za	+27 (0)21 402 4300
Metal and Engineering Industries Bargaining Council	www.meibc.co.za	ceo@meibc.co.za	+27 (0)21 421 6140
South Africa Institute of Electrical Engineers	http://www.saiee.org.za/	info@saiee.org.za	+27(0)11 487 3003
Tourism			
Cape Town Tourism	www.capetown.travel	info@capetown.travel	+27 (0)21 487 6800
Tourism Business Council South Africa	www.tbcsa.travel/	-	+27(0)12 654 7525
Clothing and Textiles			
Cape Clothing and Textile Cluster	www.capeclothingcluster.org.za/	http://capeclothingcluster.org.za/contact/	+27 (0) 21 552 0240
Western Cape Clothing and Textile Service Centre	https://clotex.co.za/	info@clotex.co.za	(+27) 021 637 3648



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