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Megaprojects don't get much more ambitious than South Africa's Coega project, which aims to do nothing less than create a mass production and services environment from scratch. It is a vision that is being achieved in small steps—and one or two large ones

As the rest of the world wakes up to Africa, the word Coega is becoming increasingly familiar. It is not an acronym as people might suspect but a local name for the river that runs through South Africa's fast growing industrial zone, linked to its newest deepwater port Ngqura (confusingly exactly the same word as Coega, in a different transliteration meaning sweet water). The Coega Industrial Development Zone (IDZ) covers 110 square kilometres, 16 kilometres north of Port Elizabeth and is administered by the state-owned Coega Development Corporation (CDC), formed in 1999 to develop and operate the IDZ.

The vision behind Coega was to develop clusters of industrial development, attract overseas investment, stimulate exports and incubate advanced technologies and much-needed skills for the benefit of South Africa and the entire continent. Its clearest advantage lies in its geography, says CDC's acting executive manager for Business Development, Christopher Mashigo. "Our investors look very positively on the fact that Ngqura is so strategically placed vis-à-vis the growing markets of both East and West Africa, just nine sailing days from South America, and within reach of the major ports of Europe, India and the Far East." Ngqura, he adds, has grown in just two years to compete for the position of South Africa's third largest container port, thanks to its ability to accept post-Panamax vessels and effectively trans-ship containers on smaller ships to other African destinations.

The IDZ is divided into 14 industrial clusters

to enable synergy between complementary operations and sectors. More than 24 companies have already established operations on the site—so far they have been mainly South African and Europe-based businesses. The Nelson Mandela Bay Logistics Park, one of the IDZ's greatest success stories to date, is already home to leading multinationals such as Benteler from Germany, Faurecia from France, Grupo Antolin from Spain and Rehau from Germany.

At Coega IDZ, infrastructure is in place, and ready for international tenants to move in, says Hennie van der Kolf, CDC's executive manager of Infrastructure Development. "All that is needed now is to sort out the optimisation of the synergistic potential relationships within the automotive sector—there is enough space to expand and accommodate second and third tier suppliers around the OEMs who come in. We are looking for at least one major investor to come into each sector."

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One major automotive investor CDC has secured is China's FAW. It will be a $100 million commercial vehicle plant that will produce 5,000 trucks a year to meet increasing domestic and regional demand. For the time being it will be an assembly plant, but one that will act as a catalyst for a fully-integrated automotive cluster of the IDZ, says van der Kolf. "It has been spatially configured for organic growth from an assembly plant to a fully integrated vehicle and component manufacturing complex. FAW is looking to have a more integrated facility where they create a platform for vehicle and truck assembly but

Camdekon/Carifro/Aurecon/Sigodi JV

The Camdekon/Carifro/Aurecon/Sigodi JV (CCAS JV) provides innovative, world-class, state-of-the-art engineering consulting services to the Coega Development Corporation for the planning, design, procurement, implementation and commissioning of roads, rail, storm water, water, return effluent, sewers, telecommunications and electricity for the Zone 6 area (1000 ha) within the Coega IDZ. The Zone 6 is earmarked for petro-chemical and heavy industry and provides for multi-billion investments.

The infrastructure is designed in accordance with best-practice world-class design guidelines and quality control is in accordance with ISO 9001.

The CCAS JV is proud to be associated with the Coega Development Corporation.

also the associated supplier development. The next wave of development would be to create a supplier park as they increase the amount of local content."

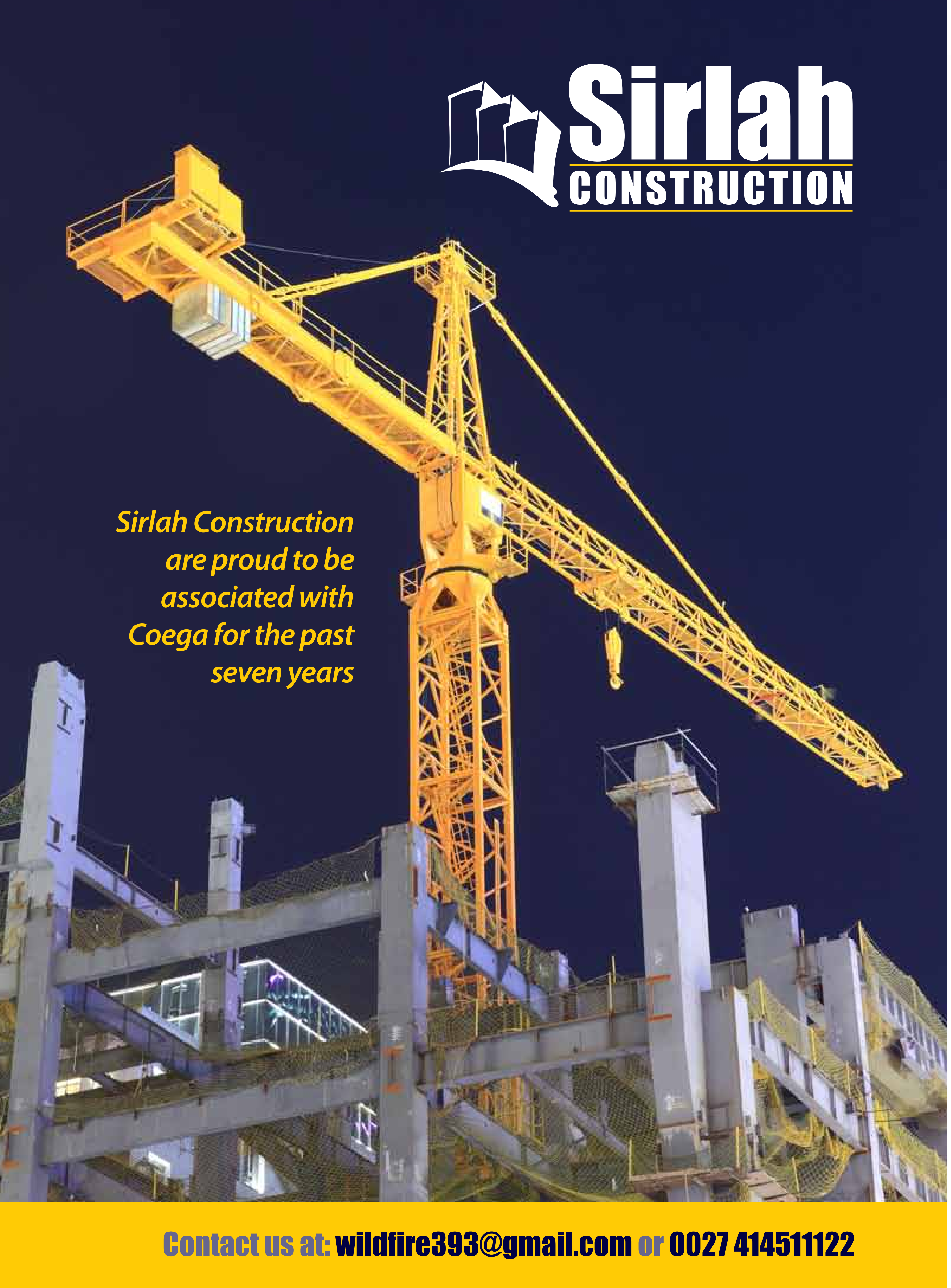
This is a model that Mashigo would like to see reproduced in other sectors. "With one major auto manufacturer and one major component manufacturer you are then able to spawn the development of a cluster that is fully integrated, with maximum synergies from manufacturing right through to logistics. We are keen to develop clusters in each sector, and also exploit the synergies between clusters within the IDZ."

"Another rapidly developing cluster is forming around renewable energy"

FAW's plans don't end with truck manufacturing. It is China's third largest vehicle manufacturer, selling 2.25 million vehicles in 2010. Once the truck plant is established, it plans to move onto a second phase by 2014, turning out 30,000 passenger cars a year. Meanwhile, Japan's Isuzu Trucks is evaluating the possibility of building an assembly plant at Coega (though other sites are also under consideration), which would make vehicles destined for South Africa, Malawi and Zambia.

With existing local companies, including Volkswagen, laying off workers in response to the global dip in demand for high end vehicles, the timing could be ideal—many such workers could be absorbed by the confirmed and potential new factories at Coega.

Another rapidly developing cluster is forming around renewable energy, and here again Mashigo expects to attract Chinese investors particularly in solar energy component manufacturers following the influx of European renewable energy developers such as EAB of Germany, Electrawinds of Belgium, Universal Wind of Sweden and Innowind of France. "We



> "The IDZ is attracting Chinese OEMs that are in the top 10 of solar energy component manufacturers worldwide"

have secured the developers and it is a logical next step to pursue component manufacturers. In the main, the component manufacturers being attracted are both for wind and solar energy technologies and are from Europe, China and Korea. Interestingly, the IDZ is attracting Chinese OEMs that are in the top 10 of solar energy component manufacturers worldwide."

He explains that the activity on renewable energy generation is split between on-grid equipment, from the towers and the turbines to the blades and other components, and off-grid capacity custom-built for the many parts of Africa where the lack of network infrastructure demands standalone, electricity-in-a-box/off grid solutions.

Historically, South Africa has failed to get the full value out of its mineral resources. Exporting raw ore allows other countries to get the value added by beneficiation, so the R4.2 billion construction of a high-carbon ferromanganese smelter at Coega by Kalagadi Manganese will aid the local economy as well as bringing new jobs and skills to the IDZ. The plant, announced in May this year, will be one of the largest of its kind in the world. A second smelter may also be on the table and soon it could be a race of who produces the first ingot.

It's a classic win-win situation benefiting Coega, Ngqura and the manganese industry. According to van der Kolf, the plant is again a catalyst that

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will stimulate ancillary activity, this time around logistics and materials handling. It will bring in 1,000 construction jobs and 400 permanent ones. “Just like the skills development that follows the move from assembly to full manufacturing in automotive or wind turbines, the skills that will be developed around manganese processing will be a major spin-off for us,” he says.

Hot on the heels of the announcement of the manganese smelter came the decision by Coega Dairy, a consortium of 13 commercial farmers, to launch an energy efficient state-of-the-art dairy processing plant on the IDZ. The company will invest R175 million over four years to create a facility that will consume 50 per cent less water, energy and chemicals and produce only a third of the effluent of any South African UHT processing plant. “Once again, the advent of food processing industries will draw in a group of technical support and maintenance activities and associated skills,” van der Kolf emphasises.

Each of the growing sectors will rely on human capital, and it's not enough to simply create jobs, Mashigo believes. “I think one of South Africa's biggest challenges today is employment creation, particularly for young people.” While engineering industries have to recruit and train the appropriate crafts and trades people, business process outsourcing (BPO) can be a route to career development for the bright but inexperienced school leaver, he believes. “This is a sector that employs the ‘structurally unemployable’—that is the 18 to 25 year olds who may have educational qualifications but no experience, and can't easily be absorbed by the job market. I'm really glad to be able to say that Coega has broken into it.”

He is referring to the take-up by Africa's leading medical insurance group (details to be announced after the official launch on 1 November 2011) of the zone's state-of-the-art, 16,000 square metre call centre building. “They already have 150 agents, to which they are adding up to 40 a month—they plan to reach 400 by 2013.”

A milk processing plant, and even the 1,500 jobs that can be accommodated in the BPO centre, may not look as impressive as the establishment of a full-scale automotive park but each new business that moves into Coega becomes an organic part of the IDZ vision. In response to the size of targeted investments, Mashigo says: “Developing an IDZ is a bit like playing cricket—you are not going to hit a lot of sixes but a succession of twos and threes will eventually win the game. Take the dairy: it is a modest investment by value but it does create a significant number of jobs, directly and indirectly. You are giving people the opportunity to move up the value chain—farmers becoming industrialists. We do pride ourselves for having played a part in that process while at the same time creating industrial and safeguarding hundreds of rural jobs.”

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