



Open,
for electronic
manufacturing



INVEST CAPE TOWN

Electronics Manufacturing Overview



Electronics manufacturing is well established in South Africa, with substantial long-term experience in the sector. This has led to a number of experienced enterprises operating from this country, with South African firms offering a complete electronics value chain. This includes design, engineering, manufacturing, testing, implementation and maintenance.

South African electronics firms have the ability to provide original design products, which can mean cost-saving for customers. South Africa operates on similar timelines to Europe, offers affordable operating costs, and is a signatory to the TRIPS (Trade-Related Aspects of Intellectual Property Rights) Agreement.

Customers include large multinationals and specialised local manufacturers across various industries. South African firms stand out in areas such as security systems, keyless starting, lightning control, fuel injection, central locking and robotics for leading automotive manufacturers.

The electronics sector, although relatively small, is an important contributor to foreign exchange earnings through both exports and FDI. Growth in electronics manufacturing is boosted by growth in various other sectors, the automotive sector, for example, has contributed significantly.

Space technology is a particularly interesting electronics sector that will continue to play a key role in providing accurate weather predictions. In addition South Africa, together with Australia, are the chosen locations for the Square Kilometer Array Project (SKA), set to be the largest radio telescope on Earth.

With the rise of "green" electronics, which are recyclable or easy to dispose of, there are enterprises in Cape Town using renewable materials to develop electronics. This fits well with the city and province's climate smart reputation, and forms part of various circular economy initiatives based in the Western Cape.

A significant amount of foreign direct investment in the renewable energy sector gets invested through the electronics sub-sectors.

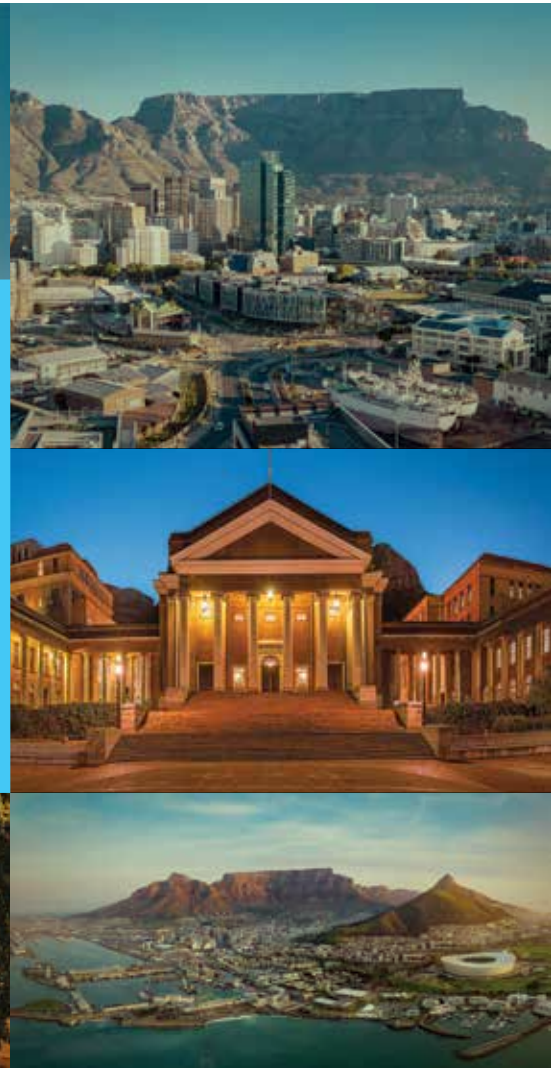
In line with this focus on resource resilience, South African companies are also world leaders in smart and pre-paid meter technology.

The electronics sector in the Western Cape is supported by many sub-sector innovations, as well as the province's world-class infrastructure. The economy has proven to be resilient and continues to grow from strength to strength.

Today, South Africa is home to the largest consumer electronics market in Africa, with an annual spend of US\$10.5 billion. At the centre of this growth is the Western Cape's strong skills base, which enables it to be a flexible, responsive and innovative hub for the country's ever-shifting technology frontiers. Cape Town and the Western Cape has become the ideal location from which to take advantage of growing national and African consumer markets.



Why Cape Town and the Western Cape



Cape Town-based enterprises have established a strong tradition of innovative design thinking and active systems integration.



The region has a high concentration of skilled engineers required within the sector.



Half of the top universities in Africa are from South Africa with two of the top three universities being located in the Western Cape. The Western Cape has three major tertiary education institutions, producing some of South Africa's top electrical engineers.



Cape Town is ideally situated to benefit from the fast growing African market, estimated to reach a population of 2.5 billion by 2050. The Western Cape already exports US\$3.24 billion worth of goods to the rest of Continent.



Cape Town and the Western Cape is considered a comparatively low-cost destination for consumer electronics manufacturing, and offers excellent transport connectivity and port infrastructure for exporting to the African continent and beyond.



Cape Town International (CPT) is a world-class, award-winning airport, the second largest in South Africa and the third largest in Africa. The port of Cape Town, situated on a major trade route, is one of South Africa's busiest container ports.



The City of Cape Town offers good access to key clients, with many retailers that operate across the African continent having their headquarters in Cape Town.



Most South African electronics companies comply with ISO9000 or ISO9001 standards and production line staff are trained to the IPC610 workmanship standard, ensuring high quality at a competitive cost base.

Cape Town's Most Popular Electronics Sub-Sectors

Cape Town has developed an established, diversified manufacturing base that has shown its resilience and potential to compete in the global electronics economy.

Popular sub-sectors include:

- Circuit boards
- Consumer electronics
- Contract manufacturing
- Medical technology
- Space technology

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Cape Town and the Western Cape has a lot to offer to the global electronics industry, from top design engineers and world-class electronics manufacturing companies, to the support of leading electronic component suppliers. The economic landscape offers some important indicators for investors:

- Electronics exports from the City of Cape Town grew by 8.8% in 2019. In the same year, electronics exports from the Province grew by 6.5%.
- In the past 10 years, US\$201 million was invested in Cape Town's electronics sector through FDI, representing a total of 19 projects (five in consumer electronics and 15 in electronic components).
- In 2019, the sector contributed US\$51.86 million in GVA to the City's economy and employed 3 034 people.

Growing export opportunities from the Western Cape to the rest of Africa

The region is a good base from which to expand into the rest of sub-Saharan Africa. Cape Town and the Western Cape exports more to the rest of Africa than to anywhere else in the world. Influential African retailers like Shoprite, with an established distribution network across the continent, are based in the Western Cape, as are various online retailers of electronics like Takealot.com.



Chinese electronics manufacturer, Hisense, exports consumer products to 10 neighbouring countries in Africa from its manufacturing facility in the Western Cape.

Established African export markets for electronic products are easily reached thanks to excellent transport infrastructure.

With three ports, a world-class road network and Cape Town International Airport close-by, it is relatively easy to export products from anywhere in the Western Cape. The region is also considered a comparatively low-cost destination for consumer electronics manufacturing.

The growing aerospace technology industry in the Western Cape is unsurprising as the City has a historical advantage for companies in space technology due to the national space programme facility (Houwteq) in Grabouw. This has resulted in an agglomeration of space technology skills in Somerset West.

The Western Cape can boast having major companies, across a spectrum of clusters, including Hisense and SpaceTeq, based here.

The Western Cape is an appealing choice for many manufacturing companies because it offers quality infrastructure and a modern environment for business and innovation.





Incentives

Innovation support

Innovation support is available through programmes such as the Support Programme for Industrial Innovation (SPII), the Technology and Human Resource for Industry Programme (THRIP) and the SEDA Technology Programme (STP).

Supplier Development Programme:

The dtic in partnership with the South African Electrotechnical Export Council and the South African Domestic Appliance Association offers support through its White Goods Supplier Development Programme.

Skills development

The Manufacturing, Engineering and Related Services Sector Education and Training Authority (Merseta), offers a number of skills development programmes and provides grants for training courses offered by other bodies, including tertiary education institutions.

City of Cape Town Investment Incentives

Criteria

- Incentives are available for qualifying investments in electronics manufacturing
- Located in targeted spatial areas

Incentives

Financial

- Building plan application fee waiver
- Development contribution deferral and write off up to R1 million
- Land use application fee waiver
- Special monthly incentive electricity tariffs for 2 years (on energy component)

Non-financial

- Prioritised single-point investment facilitation
- Building plan application fast-tracking (5-day turnaround)
- Land use application fast-tracking (3 months)
- Occupancy certificate fast-tracking (10 days)



Success Stories:

Hisense

Chinese consumer electronics company, Hisense, officially opened a US\$36.27 million electronics factory in Atlantis, north of Cape Town, in 2013. Hisense started manufacturing flat-screen televisions and refrigerators at the plant and began recruiting and training 300 previously unemployed residents from the area.

The Atlantis factory – one of only six established by the company outside of China – produces its goods for local consumption but also exports into Africa.

Hisense was awarded a US\$2.82 million cash grant from the Department of Trade and Industry's Manufacturing Investment Programme, while the Industrial Development Corporation signed a memorandum of understanding with Hisense and the China-Africa Development Fund encompassing finance for the company's planned expansion.



Key Sector Enablers

