

COMMITTEE REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM:

OVERSIGHT VISIT HELD AT THE EMALAHLENI LOCAL MUNICIPALITY, NKANGALA DISTRICT, 14 SEPTEMBER 2018, HIGHVELD INDUSTRIAL PARK (MEGA)

1. INTRODUCTION

Section 118 (1) (a) and (b) (i) of the Constitution of the Republic of South Africa empowers a provincial legislature to facilitate public access to and involvement in its oversight processes. In addition, sections 114 and 133 of the Constitution, read together with rules 218 and 131 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules) directs the Legislature to hold the Executive accountable for the exercising of powers and performance of functions.

In carrying out its constitutional oversight and public participation mandate, the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism (the Committee) conducted an oversight visit in the Emalahleni Local Municipality (the municipality) on 14 September 2018.

This report reflects the issues that emanated from the oversight activities during the said date, which will need further intervention of the Department of Economic Development and Tourism (DEDT) and its parastatal Mpumalanga Economic Growth Agency (MEGA).

2. PURPOSE OF THE OVERSIGHT ACTIVITIES

The Committee assessed progress on the project that is assisted by the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA). The Committee wanted to ensure that the DEDT's and entity's delivery of core mandated services is fast tracked.

3. METHOD OF WORK

As per the Legislature programme, the Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism had an oversight visit planned for 14 September 2018 in the Emalahleni Local Municipality. The Committee informed the department and entity about the oversight visit to be conducted and the purpose thereof. Invitations were sent to the department and the entity requesting them to be part of the visit.

- On 14 September 2018, the Committee conducted the oversight visit at the Highveld Industrial Park, Emalahleni Local Municipality, Nkangala District.

4. OBSERVATIONS AND COMMENTS

The Committee observed the following:

- The current developments at the Highveld Industrial Park is a good story to tell; the then Evraz Highveld Industrial Park had been providing employment to more than 2 000 employees in the area, who were forced into retrenchment due to the closure of the plant previously.
- Now renamed the Highveld Industrial Park, the infrastructure of the fifty (50) year old steel and vanadium giant still stands strong on 400 hectares of land outside Emalahleni.
- The plant is situated in the middle of an industrial hub with mines, power stations and other industries.
- The plant stands today because of the foresight of the Evraz Highveld Steel and Vanadium management; had they caved in after a business rescue plan failed to attract investors, its assets would have been scrapped. Instead, they came up with a novel idea to turn the plant into an industrial park.
- The new industrial park is a beacon of hope that is creating much-needed jobs and providing skills to the community and can be likened to a "business incubator".
- According to the owners, the plant has an advantage of being self-reliant in terms of services since it has direct access to bulk water, obtains electricity directly from Eskom (it is the eighth largest electricity consumer in the country) and already has a gas supply from Sasol.

5. INTERACTION WITH THE MANAGEMENT OF THE DEPARTMENT / HIGHVELD INDUSTRIAL PARK

5.1.1 Department of Economic Development and Tourism

Mr A Van Niekerk gave an overview on the roll out of the Mining and Metals Industrial Technology Park as part of the implementation of the Mpumalanga Industrial Development Plan.

Mr Van Niekerk stated that in 2012, the Mpumalanga Government adopted the Mpumalanga Economic Growth and Development Path (MEGDP) as a framework aimed at guiding the development trajectory of the province that is, stimulating economic growth and creating more job opportunities. In 2015 the Mpumalanga Provincial Government adopted the Mpumalanga Industrial Development Plan to drive the Industrial Model in terms of the MEGDP. A roadmap for implementation of the MIDP was then developed, where infrastructure, more specifically the establishment of Industrial Technology Parks, was selected as a catalyst to drive implementation. Further to this, specific feasibility studies were conducted, and feasible projects are currently within the Project Initiation Phase.

In terms of the progress on the Project Initiation Phase, Mr Van Niekerk reported that the Mining and Metals Industrial Technology Park feasibility studies were completed and found not to be feasible at the proposed site, due to the non-availability of bulk infrastructure. The study recommended Evraz Highveld Steel as an option to establish the Mining and Metals Technology Park since it has the required bulk infrastructure in place and is currently under a Business Rescue Plan. Mr Van Niekerk explained that the department then undertook to conduct a Due Diligence Study to assess Evraz Highveld Steel with a view to test the possibility of implementing the Technology Park concept. Further to this, the province is working with the company to utilise parts of the assets for other economic activities.

In conclusion, Mr Van Niekerk indicated that Highveld Steel is seen as a strategic entity that could be utilized as a base to develop the envisaged Industrial Technology Park; to provide opportunities for value addition and beneficiation of minerals; to advance Black Industrialist Programme and to develop SMME's within the Steel Industry.

5.1.2 Highveld Industrial Park

Mr Corneilus Carelise gave an overview on the current Highveld Industrial Park.

According to Mr Carelise, the establishment of an Industrial park in 2016 allowed renewed economic activity at the site as follows: March 2016 Highveld Industrial Park launched; July 2016 commenced refurbishment of the mill; March 2016 selling of redundant assets and scrap; July 2016 - 4 tenants 217 employees; December 2016 signed AMSA CMA for the mill for 24 months. There has been continuous increase in tenancy and subsequent employment in 2017 since the establishment of the Industrial park: April 2017 commencement of production CMA; June 2017 formal opening function of Highveld Structural mill.

Mr Carelise reported that the park currently employs in excess of 1,000 employees through 32 tenants involved on site: Jan 2017 - 8 tenants 534 employees; July 2017 - 14 tenants 815 employees; Dec 2017 - 19 tenants 904 employees; February 2018 – 24 tenants 1,016 employees and July 2018 - 32 Tenants 1123 employees.

Some of the opportunities, achievements and future plans as cited by Mr Carelise include:

- Operating a structural mill in partnership with steel manufacturing multinational ArcelorMittal, as well as a heavy-duty workshop for refurbishment of dragline buckets;
- Hosting an engineering training centre for welding, rigging, boiler making, instrumentation, electricians, millwrights, fitting and turning;
- Using the existing rail infrastructure to import coal for junior mining companies; and
- Hosting a plumbing, bricklaying and computer skills centre, as well as a catering company.
- Over 104 students have been trained on basic Computer Training Course since November 2017.
- There is current capacity to train a further 600 people at the onsite training centre.
- The park is currently self-funded though management is looking into getting funding for further development and skills transfer for the youth particularly.
- There is currently an Agricultural training programme (self-funded) wherein twenty (20) young people are trained per week; Afgri provides seeds and Highveld Park provides the land. This programme is said to have yielded seven (7) people planting on their own already.
- There is currently a carpenter who also runs his business on site.

- There is an internet café on site where people can also type out their CV's and send them out: this is part of the parks social responsibility programmes.
- In the pipeline is the establishment of two (2) car washes for the Industrial Park and a smaller one for employees on site.
- There is another laboratory that can be utilised to train more students and as part of their contribution, they currently offer the students meals (lunch) and also pay the two (2) principle trainers who were once students themselves, their salaries.
- The Industrial Park most importantly needs the development of facilities that will assist it in obtaining the SEZ status.

Mr Carelise indicated that the structural mill, which distinguishes itself as the only medium to heavy structural mill in Africa, manufactures rails, construction columns and beams. ArcelorMittal covers Highveld's cost to run the mill on its behalf. Transnet spends R300 billion a year to import rails and would now get them from the mill. More than 300 trucks deliver coal daily, which will be exported using the railway infrastructure. The railway infrastructure was previously used to bring coal to feed the park. The stockpiles are now loaded into trains and exported; it benefits junior miners that don't have this infrastructure. He stated that there is also about 700 hectares of vacant land that could be used for an agricultural academy. That land is already leased out to farmers with aid from Highveld Industrial Park. Locals (subsistence farmers) are able to farm for a minimal fee of R10.00 per annum. Furthermore, lime for agriculture is extracted from the waste dumps that had piled up over the past fifty (50) years.

5.2 Some of the challenges experienced by the carpenter and subsistence farmers are as follows:

- MEGA has not provided the necessary support to the carpenter by linking him to the market and assisting him to research the types of products that are in demand.
- The agriculture trainees / subsistence farmers have started farming but there is a need for more land to continue farming.
- They further expressed their challenge of being unable to sell the produce as they do not have a linkage or access to the market.

6. FINDINGS

After the interaction with the department and entity, the Committee made the following findings:

- 6.1 The carpenter and subsistence farmers are not well marketed.
- 6.2 The Highveld Industrial Park is under business rescue.
- 6.3 The Industrial Park is currently in the process of looking into obtaining the SEZ status with the assistance of the Mpumalanga Economic Growth Agency.
- 6.4 The Highveld Industrial Park is not entirely occupied and more tenants could mean more jobs will be created.
- 6.5 There is a prospect of an investor that could bring an investment of over \$1.5 billion to the Park that could improve the wellbeing of the organisation.
- 6.6 Small businesses within the Emalahleni Municipality are having challenges with getting access to financial and non-financial support.

7. RECOMMENDATIONS

The Committee made the following recommendations:

- 7.1 MEGA must strengthen the linkage of the carpenter and subsistence farmers to the market considering that they all have a potential to generate more revenue and to reach the level of sustaining themselves.
- 7.2 The Department of Economic Development and Tourism and MEGA must closely monitor the business rescue situation and advise the Highveld Industrial Park where applicable.
- 7.3 MEGA must update the Committee on the process of the SEZ status for the park.
- 7.4 The department, together with MEGA must encourage industrial companies to operate within the Highveld Industrial Park to promote job creation within the Municipality.
- 7.5 MEGA must monitor the prospects of the potential investor and report back to the Committee.
- 7.6 MEGA must conduct roadshows / meetings with the small businesses on products and business opportunities they have to offer within the Municipality.

The Committee moves that the House adopts the report with the above recommendations.

8. CONCLUSION

The Chairperson would like to take this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the oversight visit.

In addition, the Chairperson extends a word of appreciation to the Acting HOD, Mr NM Sebitso and senior management officials of the Department of Economic Development and Tourism (DEDT) and Mpumalanga Economic Growth Agency (MEGA) for availing themselves to deliberate on matters pertaining to the above mentioned project.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 16 November 2018 and thereafter on a quarterly basis.



**HON FV MLOMBO (MPL),
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17. 10. 2018
DATE

