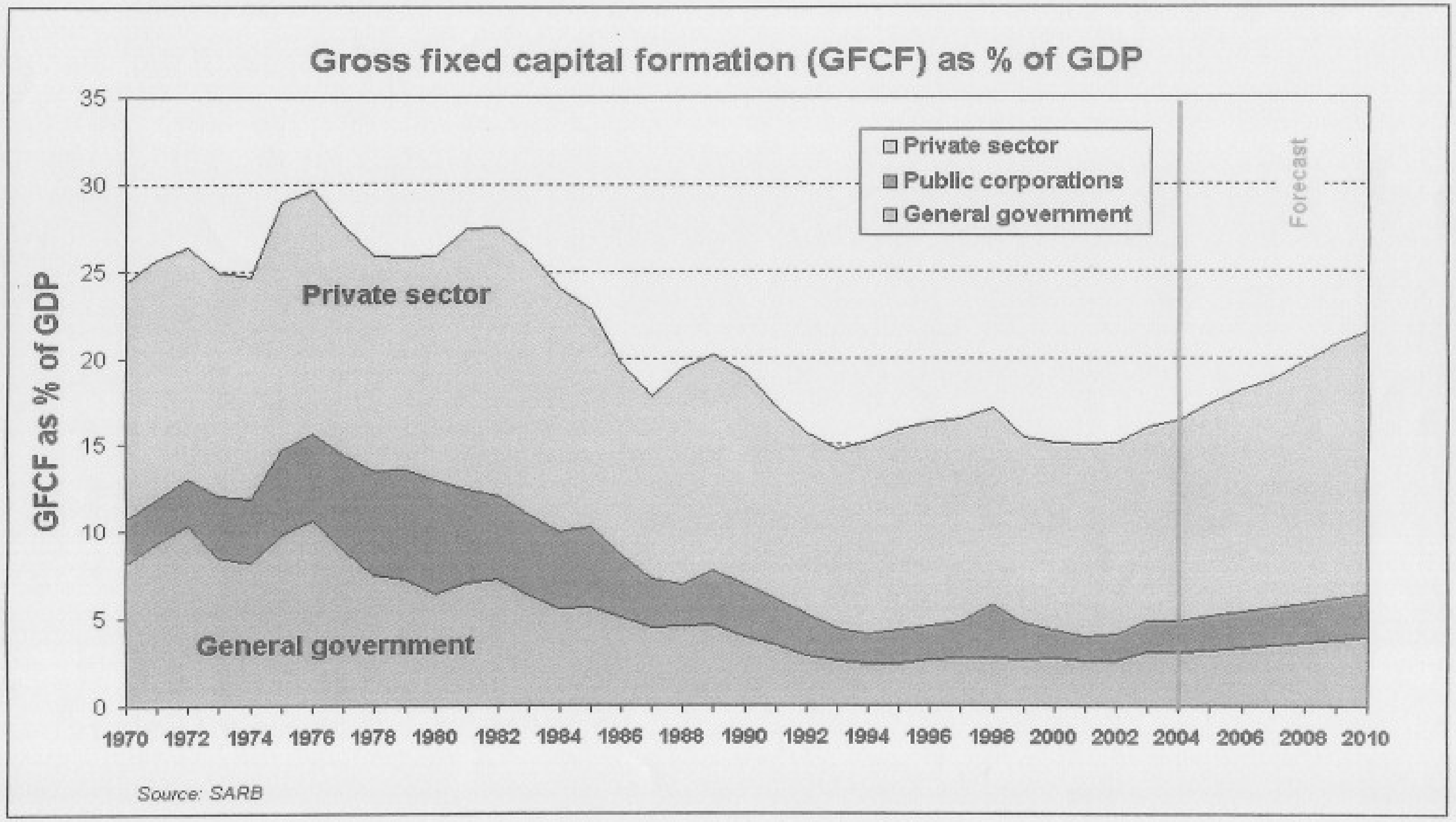
Infrastructure Investment - History

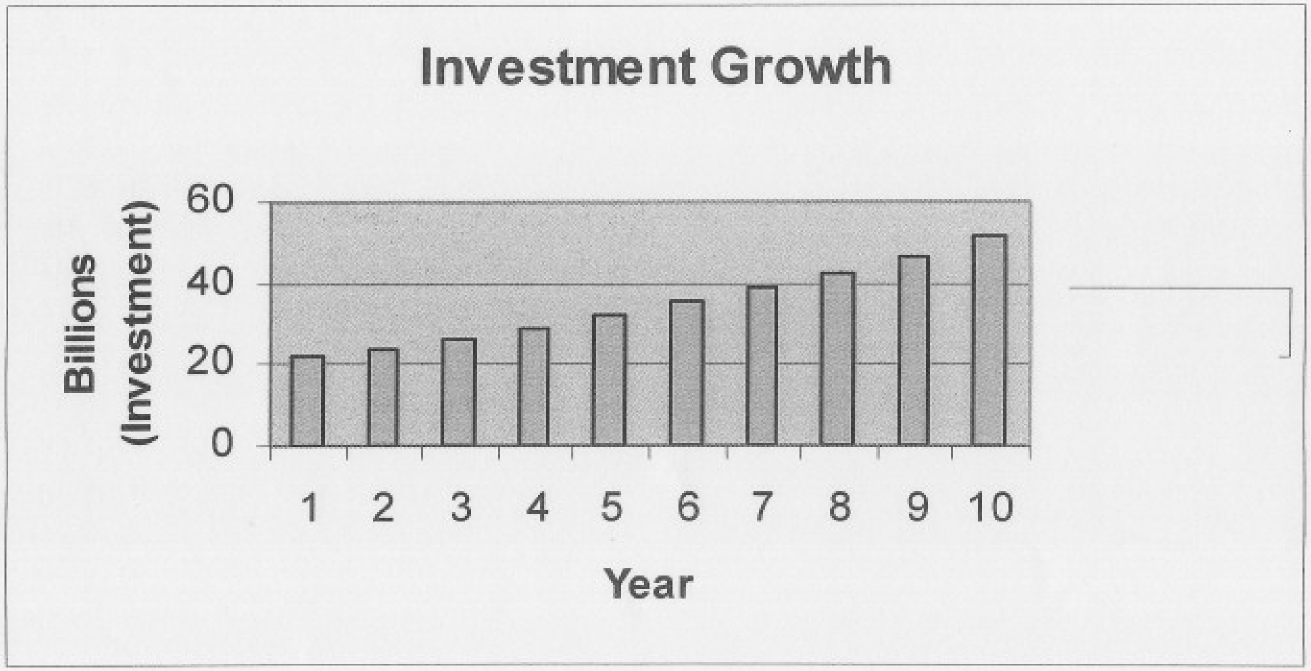
After a protracted decline in investment spend, government plans to increase infrastructure investment significantly



public enterprises
Department:
Public Enterprises
REPUBLIC OF SOUTH AFRICA

Increased Investment Required

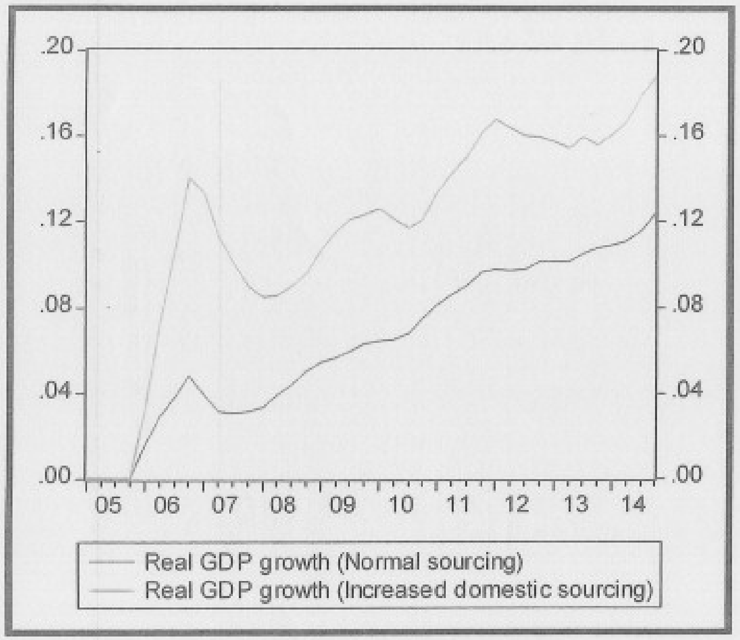
In order to achieve the growth targets, gross fixed capital formation will need to comprise 25% of GDP per year by 2014 – this will require growth in investment by about 10% per year.

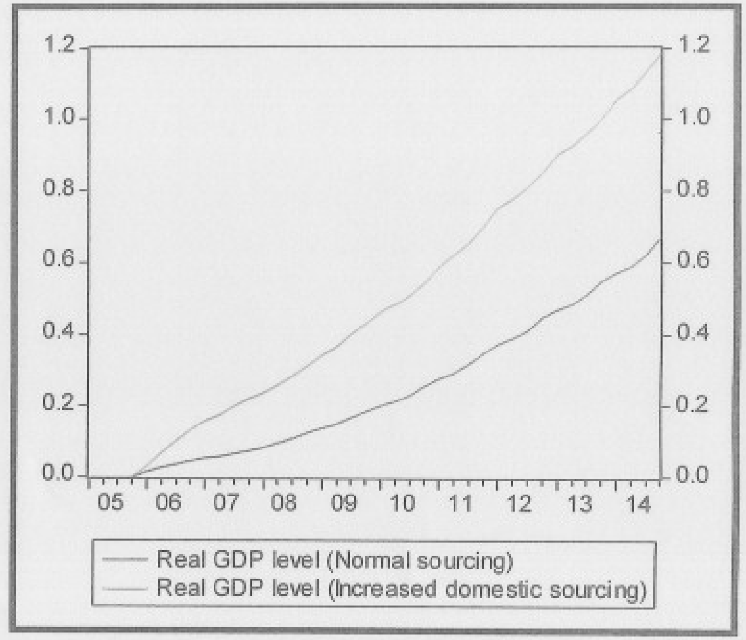


Starting the present Transnet / Eskom investment spend at R22.8 billion (based on an average of R26.6 billion per year for five years), would need to grow to R51,4 billion by year ten if all government spending increased proportionately by 10%.

The CAPEX Program – Local Content

•42% of the CAPEX is projected to be imported: Growth impact of local content development is extremely significant





What will it take for local industry to aggressively respond to the opportunities created by the capex program ?

- **The infrastructure investment and capital expenditure program is core to the achievement of ASGISA goals:**
  - **Failure to roll out the capex program efficiently will result in failure to achieve the 5% growth target as the ASGISA growth rate assumes that the infrastructure expenditure will take place to stimulate local investment.**
  - **Failure to roll-out the capex program efficiently could result in infrastructure bottlenecks (insufficient electricity, port capacity) that will inhibit investment and thus growth.**
  - **Failure to plan infrastructure investment adequately could also result in infrastructure shortages and bottlenecks.**
  - **It is critical that infrastructure productivity (e.g. port and rail operations) is enhanced as this will decrease the costs of doing business and increase investment which will further ASGISA goals.**
  - **The building of a national infrastructure supplier industry will both catalyse greater investment within the economy (thus increasing growth) and result in the more competitive provision of infrastructure – this contributes to accelerating economic growth.**