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## **South African Maritime Safety Authority**

### **Business Plan for the Establishment of the South African Maritime Institute (SAMI) & South African Maritime Centre (SAMC)**



**Draft Version 1 - 30 September 2013**

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## Executive Summary

- This report presents the business plan for the establishment of the South African Maritime Institute and the establishment of the first South African Maritime Centre. Learning Strategies was appointed by the South African Maritime Safety Authority (SAMSA) to undertake a Feasibility and Viability Study into the establishment of a South African Maritime Institute or University. This report is part of the final report dated 30 September 2013.
- The South African Maritime Institute (SAMI) will initially focus on advocacy and co-ordination of education and training in the maritime sector and provision of facilities to enable maritime research. If required, education and training can be added to the institute's activities if existing education and training service providers are unable to respond to increased demand for training.
- SAMSA will have to take the lead in establishing SAMI, which could initially be a Non-Profit Company and later transform into a National Institute established by the Minister in terms of the Higher Education Act under the Department of Higher Education and Training.
- The South African Maritime Centre (SAMC) is the facility that will house the operations of SAMI and provide facilities for use by entities and projects engaged in the maritime sector.
- Funding for establishment of SAMI and SAMC will in all likelihood have to be provided by SAMSA in the absence of other funding.
- Six possible locations for SAMI were assessed and the SAS Donkin building at the Port of Port Elizabeth was selected as the proposed initial location. SAS Donkin has the potential for approximately 1500 square metres of useable space.
- A provisional space allocation has been done to include SAMI head office and 3 marine research and governance research projects.
- An implementation plan to be driven by a project manager or Acting CEO could follow these steps:

Implementation Steps	Year 0 - 2014						Year 1 - 2015						Year 2 - 2016					
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M15	M18	M19	M23	M27	M30
	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Dec-14	Mar-15	Apr-15	Aug-15	Dec-15	Mar-16
1 Approval for establishment of SAMI	[Gantt bar from Oct-13 to Dec-13]																	
2 Project Manager Co-ordinates Planning	[Gantt bar from Oct-13 to Jul-14]																	
3 Establishment of SAMI	[Gantt bar from Dec-13 to Mar-14]																	
4 Lease Agreement for the facility with TNPA	[Gantt bar from Dec-13 to Mar-14]																	
5 Sub-leases with First Tenants	[Gantt bar from Dec-13 to Mar-14]																	
6 Building Conversion - Planning & Approvals	[Gantt bar from Dec-13 to Mar-14]																	
7 Building Conversion - Implementation	[Gantt bar from Feb-14 to Jul-14]																	
8 Hiring of SAMI Staff	[Gantt bar from Mar-14 to Jun-14]																	
9 SAMI Operations - Advocacy and Co-ordination	[Gantt bar from Aug-14 to Mar-16]																	
10 Research Projects - Implementation	[Gantt bar from Aug-14 to Mar-16]																	

- The conversion and refurbishment process is expected to cost around R13million, being R10,75million for building refurbishments (estimated by a quantity surveyor) and a provision of R2,2million for equipment, furniture and fittings.
- If SAMSA funds the operations of the SAMI and the SAMC, operating grants will be required to pay for the SAMI operations and SAMC's under-recovered operating costs. The table below summarises funding required per financial year:

	<b>Yr0</b>	<b>Yr1</b>	<b>Yr2</b>	<b>Total</b>
	YE 31 Mar	YE 31 Mar	YE 31 Mar	
	2014	2015	2016	
Capital Grant for Refurbishment	R 5 459 436	R 7 491 653	R 0	R 12 951 089
Operating Grant	R 1 468 940	R 10 038 173	R 15 293 247	R 26 800 360
<b>Total funding by SAMSA</b>	<b>R 6 928 376</b>	<b>R 17 529 827</b>	<b>R 15 293 247</b>	<b>R 39 751 449</b>

- A total capital and operating budget of just under R40million over 3 years will need to be funded, possibly by SAMSA alone if other stakeholders do not commit to funding.
- Learning Strategies wishes to thank SAMSA, the Steering Committee and all industry stakeholders engaged to date for their co-operation and assistance.

## A Introduction

Following the Feasibility Study and Viability Study results and discussions at the Steercom meeting on 30 August 2013, it has been possible to plan the practical implementation of establishment of the South African Maritime Institute (SAMI) in terms of identification of a suitable property and assess the activities that can be housed in the facility provided.

A process of interaction with prospective users of the SAMI facility to be known as the South African Maritime Centre (SAMC) and landowners was initiated during the viability study during July and August 2013 and this was continued during September 2013 to convert the option selected into practical planning for implementation.

## B Roles and Functions of SAMI

### B.1 Roles

The roles of the full scale maritime institute once fully established are envisaged to be

- **Advocacy** – undertaken directly by SAMI.
- **Co-ordination** – undertaken directly by SAMI.
- **Research & Development** – both directly and through partner institutions and projects.
- **Education** – through partner institutions.
- **Training & Skills Development** – through partner institutions.

The initial phase of the SAMI may exclude the provision of education and training through partner institutions and is likely to focus on:

- advocacy and co-ordination role to promote the maritime sector and increase levels of training and placement of trainees and graduates; and
- Provision of a facility and regional facilities that can be used for research and training in maritime studies.

### B.2 Functions

The functions of the fully established SAMI are envisaged to cover, research, head office administration, project & programme administration, facilities management and information technology together with the co-ordination of the teaching and skills development activities of partner institutions.

Education and training will not be provided directly by SAMI but rather through partner institutions.

#### B.2.1 Research

SAMI will conduct its own research and development in the maritime sector with the specific purpose of establishing a pipeline of maritime job opportunities on the demand side, training requirements and a pipeline of students to fill these positions.

## **B.2.2 Facilities Management**

SAMI can provide the facilities for its own head office function and research programmes in the maritime sector. Education and training providers have indicated that they have enough space for their current educational offering in maritime studies, but an increase in demand for maritime education and training could justify the creation of regional centres to provide space where this training can be carried out in laboratories, workshops and lecture rooms.

SAMI may also seek to co-ordinate the provision and sharing of specific equipment and simulators for use by multiple partner institutions in education and training and research.

## **B.2.3 Head Office Administration**

As a separate legal entity, SAMI will have to deal with its own administration of staff matters from recruitment to performance management and payroll and financial matters including accounting. This could be out-sourced at a lower cost than being done in-house, but the benefit of building its own capacity would have a long-term benefit in the form of institutional memory and independence.

## **B.2.4 Information Technology (“IT”)**

As an independent entity, SAMI would have to provide its own IT network and data management. If the Nelson Mandela Metropolitan University (NMMU) becomes a stakeholder in SAMI, discussions with NMMU’s IT Department indicate it should be possible to link SAMI’s proposed site into NMMU’s IT network through the strategic placement of aerial communication devices.

## **B.2.5 Teaching, Student Administration and Project & Programme Administration**

Functions related to the provision of education will become relevant if and when SAMI moves beyond its initial role towards becoming a maritime university. At that stage, a decision will also be required as to whether it is established as a stand-alone educational Institution or as part of an existing educational Institution or Institutions. For the purposes of this business plan provision of education and training is specifically left in the hands of the partner institutions. Any potential for transition into a stand-alone institute or university is likely to be outside of the initial planning timeframe and is therefore not being considered at this stage.

## C Structure and Resourcing

### C.1 SAMI as an Entity

To give SAMI legal status in its own right and become operational as soon as possible, SAMSA will have to take the lead in formation of the Institution.

SAMI can be established as a Non-Profit Company (NPC), with members and first directors *being nominated by SAMSA, the educational institutions and other bodies who have declared their interest in participating*. If there are institutions who want to be part of SAMI and can provide input in terms of finance and resources, a “partnership of the willing” can be formalised in the establishment of SAMI’s members and directors. If such partners cannot provide finance or resources, then SAMSA could establish SAMI as the sole member and use its own discretion to appoint directors.

The establishment of a company will give SAMI the ability to transact in its own right to establish a head office to conduct the essential advocacy role and house research projects, with a focused Board who will be able to act quickly without having to go through a long external consultation process. As its educational role is expected to be limited to providing facilities for maritime education and training instead of running courses, it will not require accreditation as an education provider by DHET until its role evolves to take the step into provision of education and training, if ever.

The detailed feasibility study report has recommended that while SAMI is established initially as an NPC in order to ensure that activities can be commence as soon as possible, the NPC should immediately proceed with the process of motivating and applying for establishment as a national institute of maritime studies in terms of the Higher Education Act, and established by the Minister under the Department of Higher Education and Training. This is a substantial process that will require substantial stakeholder support and interventions from all levels and role-players. This transition has not been specifically accounted for in the initial establishment business plan covered by this document.

### C.2 South African Maritime Centre (SAMC)

If the company is to be called the South African Maritime Institute (“SAMI”), the facility from which it operates can be called the South African Maritime Centre (“SAMC”).

The SAMC will therefore host the SAMI Head Office and the research projects who want to use it as a base. The first SAMC is proposed to be established in Port Elizabeth.

Regional SAMC’s can be established as similar facilities at other venues where there is a requirement to provide similar support to the maritime sector in the form of regional offices for SAMI, research and shared educational facilities.

### C.3 Funding Sources

If SAMI is to be established within the next year, it is likely that SAMSA will have to be the default funding option for capital upfront and operational funding for SAMI and SAMC for the financial years ended 31 March 2014 and 31 March 2015.

To date, other prospective partners in SAMI have not volunteered funding and have adopted a two-phase approach by (1) focusing on their own Institutions’ plans for maritime education and training and (2) waiting to see what SAMSA does, while being willing to explore opportunities for co-operation in response to proposals by SAMSA.

Informal enquiries have been made to the African Development Bank regarding loan funding, but the loan required for establishment of the SAMI and SAMC in the manner envisaged will probably be below the normal minimum loan threshold.

Provision has been made in the financial model for other sources of funding, but other stakeholders have held back on making financial commitments to wait and see what SAMSA decides, therefore the financial forecasts have been based on the assumption that SAMSA will provide or at least co-ordinate the provision 100% of the funding. This will establish the maximum funding contribution from SAMSA and financial participation by other institutions will reduce SAMSA's financial contribution proportionately.

## D Location and Building Selection

A preference for locating the first SAMC facility and SAMI head office at the old Port of Port Elizabeth was expressed due to its location and access to the sea. Other properties considered and ruled out were:

- The campus of Nelson Mandela Metropolitan University (no space is currently available on the south campus without the development of new buildings. The space that might have been able to be used at the Bird Street campus has already been allocated).
- Port Elizabeth's CBD (as a back-up option if no suitable properties at the port can be found).
- The Ngqura Harbour (Space would have to be developed from scratch and the conference centre was not considered suitable for conversion).

The Transnet National Ports Authority (TNPA) owns the property at the Port of Port Elizabeth and kindly assisted the process by facilitating 3 visits to the harbour during which 3 potential properties were assessed. The properties visited are the SAS Donkin building, the Avante Fishing Enterprises building and an open piece of land on which a new facility could be developed.

### D.1 Buildings Assessed

Six options were considered as a potential first site for the SAMC:

Building	Advantages	Disadvantages
SAS Donkin  (Approx. 1,200 sqm at Port of Port Elizabeth – with possibility of extension of mezzanine floor by another 300sqm, making potential 1,500 sqm)	<ul style="list-style-type: none"> <li>• Proximity to the sea for practical research.</li> <li>• Size can accommodate initial space demand.</li> <li>• Maintenance (painting and roof repairs) is already planned by TNPA (however, TNPA are reluctant to delay this until after refurbishment or to contribute it as part of the refurbishment cost)</li> <li>• If a new purpose-built building is developed elsewhere at a later stage, this building can still be used as a centre for practical work that needs to be done at the harbour.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of parking or at best limited parking for staff.</li> <li>• This is a heritage building, so heritage approval will be required for the changes.</li> </ul>
Avante Fishing Enterprises (AFE) Building  (Approx. 3,000 sqm at Port of Port Elizabeth)	<ul style="list-style-type: none"> <li>• The building's size will allow for expansion by one third over the initial demand for space.</li> <li>• On-site parking for staff and boat trailers is available behind locked gates and any parking overflow can easily be accommodated on open spaces directly in front of the building.</li> <li>• Heritage issues are unlikely.</li> </ul>	<ul style="list-style-type: none"> <li>• Removal of the petrol tanks and clearing of that area is likely to be disruptive for people working in the AFE building when that happens.</li> <li>• Proximity to the petrol tank farm and ore dump is an environmental risk and potential fire hazard.</li> <li>• Conversion costs are likely to be higher than SAS Donkin due to larger area and removal of freezer panels, making new windows and casting an even floor surface.</li> </ul>

Building	Advantages	Disadvantages
		<ul style="list-style-type: none"> <li>Lack of direct sea access, but this is not a major issue as moorings can be hired and launch facilities are less than 500m away.</li> </ul>
<p>Open Area Adjacent to and Behind the Boat Club (PEDSAC)</p> <p>(Approx. 6,700 sqm open space at Port of Port Elizabeth)</p>	<ul style="list-style-type: none"> <li>Opportunity to develop a purpose-built facility that can be expanded as growth happens.</li> </ul>	<ul style="list-style-type: none"> <li>Time required to undertake planning and development processes.</li> <li>Storm water drain runs through the possible area for development, which will have to be accommodated in the planning, probably by positioning a parking over the drain.</li> </ul>
<p>Bayworld</p> <p>(Approx. 600sqm at PE Museum Complex, Humewood)</p>	<ul style="list-style-type: none"> <li>Open enclosed space that can be tailored for purpose required.</li> <li>The former dolphin pool could be adapted to become a survival training pool if issues around the pool structure can be resolved.</li> </ul>	<ul style="list-style-type: none"> <li>Size of 600 sqm restricts the activities that can be accommodated – this is a realistic alternative for individual research projects only, but probably not for the SAMI, unless activities are restricted to the institute only, with research activities and education programmes undertaken elsewhere.</li> <li>No direct access to the sea.</li> </ul>
<p>Ngqura Harbour</p> <p>(Open Space at new harbour)</p>	<ul style="list-style-type: none"> <li>Can be a purpose-built new facility.</li> <li>Conference Centre was considered as an option for conversion, but it is not available.</li> <li>Existing accommodation could be used by visiting researchers.</li> </ul>	<ul style="list-style-type: none"> <li>Development process will delay starting SAMI operations.</li> <li>Distance from NMMU makes interaction more difficult.</li> <li>Ngqura is not near a transport hub like the old PE harbour.</li> </ul>
<p>New building on NMMU South Campus</p>	<ul style="list-style-type: none"> <li>Proximity to the university will enhance the academic character of SAMI.</li> <li>Easier for the University to manage the building on campus if hosted by the University.</li> </ul>	<ul style="list-style-type: none"> <li>Application can be made by the University for infrastructure spend in 2015, which will probably delay construction until 2016 and first use of the building until 2017.</li> </ul>

An aerial view of the Port of Port Elizabeth shows the location of the 3 options at the harbour:

1. SAS Donkin
2. Avante Fishing Enterprises (AFE) Building
3. Open Area Adjacent to and Behind the Boat Club (PEDSAC)



## D.2 Building Selected – SAS Donkin

After consideration of the merits of each building and consultation with all interested stakeholders, it was mutually agreed that SAS Donkin would be the favoured site for further consideration. Although the size of the building itself does not provide for expansion, it is considered that it will always have a role as a practical facility with direct access to the sea AND there was overwhelming support for its selection among the stakeholders consulted.

At the request of Learning Strategies, Mr Dickey Elliott of a firm of quantity surveyors, Rousseau Probert Elliott, inspected the SAS Donkin building and provided a high level estimate of conversion and refurbishment costs that arrived at a cost of R10,75million. Their report is attached as Appendix A.

This cost estimate excludes the furniture and fittings and equipment required to provide academic space. A provision of R2,2million at R40,000 per workspace has been added to cover additional costs of office furniture, computers, information technology network, equipment, boardroom, lecture room and laboratory space spread across all users of the building. When the R2,2million is added to the conversion cost of R10,75million, the total capital cost of the SAMI facility at the SAS Donkin building is R12,95million, say R13million. This provision for furniture and fittings could be reduced if the research projects provide their own furniture and equipment.

An aerial view of the SAS Donkin Building (marked “A”) and the indoor shooting range (marked “B”) is illustrated below.



The TNPA requested that the interest in the SAS Donkin property be formalised in the form of a letter explaining the nature of the request and who the contracting party would be. Accordingly, a letter was drafted as an expression of interest (without representing an offer for rental by any party), which is attached as Appendix B.

### D.3 Space Requirements

The first building will need to accommodate the SAMI head office and any tenants who want to utilise the space provided. Ideally, a wide spread of sectors across the maritime industry would be accommodated. At this stage there is an immediate need for space for some significant research projects in marine resources and governance. Other sub-sectors represented within the Nelson Mandela Bay Maritime Cluster that might have been interested, such as marine engineering, do not have additional space requirements beyond their current capacity.

Preliminary informal discussions were held with representatives of NMMU and Port Elizabeth College regarding workshop facilities at the port for their planned expansion of marine engineering programmes. NMMU will use their own existing workshops on their campus for the initial stages of the expansion and workshops at the port will be considered only when necessary. Port Elizabeth College have sufficient workshop space and are unlikely to need space at the port unless they add new maritime-specific courses which are not currently planned.

Space requirements have been submitted by three prospective tenants in the form of research projects currently based in Grahamstown at the South African Institute for Aquatic Biodiversity (SAIAB), being the South African Environmental Observation Network (SAEON) (Appendix C),

the African Centre for Ocean Governance (AfriCOG) (Appendix D) and the Global Environmental Facility's SAPPHIRE Project (Appendix D).

All three projects receive international funding which include a condition that the host country will provide rent-free premises. They can pay for certain operational costs and a limited cost recovery calculation has been done on this basis to recover 25% of operating costs.

#### D.4 Space Allocation

The estimated space available in the SAS Donkin building has been allocated on an indicative basis to the prospective tenants who have shown an interest in being in the building.

A team from SAEON has had the opportunity to see the property so far and have expressed their preferences for particular areas of the building, but the directors of the AfriCOG and SAPPHIRE Projects have not yet inspected the building or the preliminary space allocations and it is possible that they will have a different view of the space allocated to these projects once these discussions are held in due course.

As a first step, a rough allocation of space was done to apportion the space available among the prospective tenants. It should be noted that the figures regarding space are approximations based on paced out measurements and will have to be verified by professional measurement. Figures quoted by the TNPA, rough estimates by Learning Strategies and the Quantity Surveyor's initial rough measurements all differed. The Quantity Surveyor's preliminary estimates of space have been used in the space allocation calculations. The measurements can only be confirmed after professional measurement using accurate measuring equipment.

The table below indicates the allocation of space for the 45 people planned to be working at the building.

Allocation of Space	No. of Rooms	Description of Space	No. of People	Ave. Space per Person	Total Space
				<b>sqm</b>	<b>sqm</b>
SAMI	6	1st Floor	11	18.5	204
SAEON	25	B'mnt, Grnd, Range	20	26.0	520
AfriCOG	2	Grnd, New Grnd, Mez	6	18.0	108
SAPPHIRE	8	Grnd, New Grnd, Mez	8	15.8	126
Shared Space	12	Grnd, 1st Floor	0	7	313
Total Space Allocated	53		45	28	1 271
Balance of Common Space Factor					261
Total Space					1 532

Wherever possible, existing rooms have been allocated as offices for one or two people. However, the space available will require conversion in some cases to match space requests for specific number of offices. In the case of space allocated to AfriCOG, the biggest existing room of approximately 84 sqm has been carved up into 5 small offices in the initial space allocation.

The preliminary allocation has produced the following mix of dedicated space and shared space. Most of the shared space in the form of meeting rooms and lecture rooms can be located on the ground floor.

Allocation of Space	Dedicated Office & Lab in Basement	Shared in Basement	Dedicated Offices on Ground Floor	Shared on Ground Floor	Dedicated Offices on First Floor	Shared on First Floor	Dedicated Space in Shooting Range	Shared in Shooting Range	Total
	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm	sqm
SAMI	-	-	-	-	204	-	-	-	204
SAEON	86	112	162	20	-	-	140	-	520
AfriCOG	-	-	108	-	-	-	-	-	108
SAPPHIRE	-	-	126	-	-	-	-	-	126
Shared Space	-	-	-	295	-	18	-	-	313
Total Space Allocated	86	112	396	315	204	18	140	-	1 271
Balance of Common Space Factor	18	23	81	65	42	4	29	-	261
Total Space	104	135	477	380	246	22	169	-	1 532

In the initial allocation of space, it was not possible to accommodate some of the requests made by AfriCOG and SAPPHIRE projects for shared space in the form of a lecture room, computer facilities and library with a combined space requirement of 300 sqm according to the World Maritime University (WMU)space norms applied. Confirmation of what can be included in the building will be available only after detailed discussions between the project directors, planning professionals and SAMS.

To the extent that space requirements cannot be accommodated within the SAS Donkin building, back-up facilities for lecture rooms could be available in the form of NMMU's Bird Street campus or private facilities could be hired from time to time in the nearby Central Business District.

## E Implementation Plan

An implementation plan has been drafted for the establishment of SAMI and the SAMC in Port Elizabeth as soon as possible.

As SAMI is proposed to initially operate as an NPC Company, proclamation as an institute under DHET will not delay implementation. Operation as an independent entity can commence as soon as the company is formed, enabling it to undertake the advocacy and co-ordination role of SAMI and provide facilities that can be used for maritime activities in response to demand for such activities.

The implementation plan should follow these steps:

- **Approval for the Establishment of SAMI** - The establishment of SAMI would need to be approved by the SAMS Board. SAMI can be established as a Non-Profit Company with members and directors nominated by SAMS and stakeholders. Other stakeholders should be involved to the extent that they commit to providing funding and resources and are in a position to move ahead swiftly without delaying the establishment of SAMI. A quick start to establishment of SAMI should not preclude other participating stakeholders partnering with SAMI later.
- **CEO/Project Manager Appointed** - A project manager should be appointed to oversee the initial stages of SAMI operations and co-ordinate the planning until the CEO is appointed. It would be ideal if the prospective CEO of SAMI was available to lead the establishment process and refurbishment of the building. If not, an experienced project manager should be appointed to oversee the establishment and refurbishment process and this appointment should last until a month after the CEO commences work to allow a proper handover. The financial forecast includes a provision for an external project manager.
- **Agreement of Space Utilisation** - SAMI's prospective CEO or project manager should then discuss the needs of the prospective sub-tenants with them and will consider these needs in the long-term head-lease with TNPA and sub-leases between SAMI and its tenants.
- **Building Conversion Planning and Approvals** - The planning for conversion and refurbishment should also be commenced as soon as the sub-leases have been discussed and the tenants have inspected the property and agreed on their requirements with SAMI. It is expected that the planning and approvals stage could be completed in 3 months. (Could be completed by January 2014 if commenced in November 2013).
- **Building Conversion Implementation** - Implementation of the conversion and refurbishment is expected to take 5 to 6 months and would be able to commence early in 2014, with the most optimistic completion date being 30 June 2014.
- **Hiring of SAMI Staff** - Recruitment of staff for SAMI should be done during conversion. At least 3 months should be allowed for the recruitment and notice periods to be served for those who are hired.
- **SAMI and Research Projects Commence Operations** - SAMI's activities in respect of advocacy and co-ordination and the tenants' research projects could start their activities from July 2014 if the refurbishment plan is executed on time. If internal resources are available within SAMS, the advocacy and co-ordination role would not need to wait until the building has been refurbished.

The implementation plan for the initial stages of operation of SAMI for 18 months up to March 2015 is illustrated below. From then onwards, the advocacy and co-ordination efforts of SAMI and research activities of the tenants will continue. This implementation plan does not extend into the long-term expansion of activities into education and training, which could occur in due course.

Implementation Steps	Year 0 - 2014						Year 1 - 2015						Year 2 - 2016						
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M15	M18	M19	M23	M27	M30	
	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Dec-14	Mar-15	Apr-15	Aug-15	Dec-15	Mar-16	
1 Approval for establishment of SAMI	█																		
2 Project Manager Co-ordinates Planning	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
3 Establishment of SAMI	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
4 Lease Agreement for the facility with TNPA	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
5 Sub-leases with First Tenants	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
6 Building Conversion - Planning & Approvals	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
7 Building Conversion - Implementation	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
8 Hiring of SAMI Staff	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
9 SAMI Operations - Advocacy and Co-ordination	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
10 Research Projects - Implementation	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█

## F Budget and Funding Model

### F.1 Budget Process

A preliminary budget has been compiled to deliver the implementation plan, from the establishment phase into the refurbishment and operational phase. The establishment phase will commence in October 2013 and will last until operations commence. If there is no delay in planning or refurbishment, operations at the SAMC at the SAS Donkin Building should be able to commence in July 2014.

A budget has been drafted to cover the establishment phase, refurbishment phase and operational phase and is presented in the monthly cash flow statement and income statement below for the financial years ended 31 March 2014 (Year 0) and 31 March 2015 (Year 1). The first full year of operations will be the financial year ended 31 March 2015 (Year 2).

### F.2 Three-year Overview

The table below is a summary of the forecast cash flows for the 2014, 2015 and 2016 financial years:

Total 6 Months	Total 12 Months	Total 12 Months
Yr0	Yr1	Yr2
YE 31 Mar	YE 31 Mar	YE 31 Mar
2014	2015	2016

#### FORECAST CASH FLOW STATEMENT

##### Receipts

Capital Grants	R 5 459 436	R 7 491 653	R 0
Loan	R 0	R 0	R 0
Cost Recovery from Participants			
Research Projects	R 0	R 189 735	R 265 629
Operating Grants	R 1 468 940	R 10 038 173	R 15 293 247
<b>Total Receipts</b>	<b>R 6 928 376</b>	<b>R 17 719 561</b>	<b>R 15 558 875</b>

##### Payments

Conversion & Refurbishment Cost	R 5 459 436	R 7 491 653	R 0
SAMI Project Management & Establishment	R 1 400 000	R 800 000	R 0
SAMI Head Office Operational Costs	R 0	R 673 200	R 1 108 800
SAMI Head Office Salaries	R 0	R 5 625 000	R 10 165 000
SAMI Marketing and Advocacy Spend	R 0	R 1 875 000	R 2 625 000
SAMC Facility Rental	R 68 940	R 275 760	R 289 548
SAMC Facility Operating Costs	R 0	R 978 948	R 1 370 527
<b>Total Payments</b>	<b>R 6 928 376</b>	<b>R 17 719 561</b>	<b>R 15 558 875</b>
<b>Net Receipts / (Payments)</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>

The conversion and refurbishment costs of R13million are incurred from November 2013 to June 2014. If funded by capital grants from SAMSA, the funding would be spread over 2 financial years, R5,5million in 2013-2014 and R7,5million in 2014-2015.

The operation of SAMI and SAMC would need to be supported by operating grants from SAMSA. These operating grants would need to cover the entire costs of running SAMI and the portion of SAMC operating costs that could not be recovered from tenants.

The cost of running SAMI would be approximately R75,000 per month for operating costs and a further R625,000 for salaries of 11 staff, making a total of R700,000 per month. In addition, the advocacy and co-ordination costs, which would include liaison with stakeholders nationally and internationally, arranging functions, undertaking research and other activities to be determined, are budgeted to be R208,000 per month. Therefore, the total monthly running costs for SAMI's activities are likely to be just over R900,000 per month before escalations in later years and appointment of 4 staff members in the 2015-2016 financial year that would take monthly costs to approximately R1,16million. The total SAMI running costs would be R8,2million for the 9 months that fall in the 2014-2015 financial year and R13,9million the full 2015-2016 financial year. These running costs exclude the provision for project management and establishment of R1,4million in the 2013-2014 financial year and R800,000 in the 2014-2015 financial year, which would also need to be funded by operating grants from SAMSA.

Operating Costs of the SAMC will be lower at a rental of R23,000 per month paid to the TNPA if the upper level of the initial indicative estimate of R10-R15 per sqm was applied for 1,532 sqm in the SAS Donkin building and other operating costs of R109,000 per month were incurred for property operating costs., which include out-sourced security costs, cleaning, IT connectivity, maintenance and other services and utilities at a total of R71 per sqm per month. The total all-inclusive operating cost on this basis could be R86 per sqm per month. Total operating costs for the 9 months of the 2014-2015 financial year would be R980,000 and for the full 2015-2016 financial year would be R1,37million.

The opportunity for cost recovery from tenants on operating costs is limited as full recovery of costs would probably be higher than what the tenants could pay, particularly in view of the fact that the United Nations funding that they receive has a condition that the host country should provide working space rent-free. The estimated cost recovery at 25% of operating costs includes partial recovery of add-on services like security and IT.

The recovery rate on operating costs has not been discussed with the prospective tenants yet and the eventual proportion of cost recovery could vary from this simple assumption. It is understood that the costs currently being incurred in their existing office space in Grahamstown are significantly lower than the full recovery of operating costs in this facility, so the 25% recovery rate is based on a conservative estimate. Using a 25% operating cost recovery rate, the tenants would pay approximately R21,000 per month, which would result in a total of R190,000 for 9 months in the 2014-2015 financial year and R266,000 in the 2015-2016 financial year. The amount of the actual recovery will be determined by discussions between SAMI and the tenants, but should hopefully be slightly higher than these rough estimates.

If the operating cost recoveries from external tenants (i.e. everybody other than SAMI) of R190,000 and R266,000 for the 2014-2015 and 2015-2016 respectively are set off against facility operating costs, a net operating cost of R70,000 for 2013-2014 financial year and R1,1million in 2014-2015 and R1,4million in 2015-2016. Although the SAMC facility will not break even in its own right, there is wider benefit to the provision of a facility that can be used to stimulate the maritime economy in the long term and providing a base to the 3 marine research projects will enable over R100million to be spent on research projects over the next 5 years, a large portion of which is salaries that are taxed in South Africa. If other countries provided a base for these research projects, these project budgets would be spent and taxed in those countries. Looking at the overall picture from a national perspective provides justification for the under-recovery of facility operating costs by SAMC in the narrow sense.

The costs of running the SAMI head office, estimated to be R1.4million in 2014, R9million in 2015 and R14million in 2016, are considerably higher than the operating costs incurred in running the SAMC facility due to the high salary component and advocacy costs.

If the operating grants required for the SAMI running costs and SAMC under-recovery are added together, the total operating grant required would be approximately R1,5million in 2013-2014, R10 million in 2014-2015 and R15,3million in 2015-2016.

When capital grants and operating grants are added together, total funding required for the SAMI and SAMC will be R7million in 2014, R17,5million in 2015 and R15,3million in 2016. Over

the 2½ years from October 2013 to 31 March 2016, the total funding required in capital and operating grants is R39,8million, consisting of R13million capital grants for refurbishing a building for long-term rental and operating grants of R26,8million.

The Forecast Income Statement is set out below:

Total 6 Months	Total 12 Months	Total 12 Months
Yr0	Yr1	Yr2
YE 31 Mar	YE 31 Mar	YE 31 Mar
2014	2015	2016

**FORECAST INCOME STATEMENT**

**Income**

Cost Recovery from Participants	R 0	R 189 735	R 265 629
Operating Grants	R 1 468 940	R 10 038 173	R 15 293 247
<b>Total Income</b>	<b>R 1 468 940</b>	<b>R 10 227 908</b>	<b>R 15 558 875</b>

**Expenses**

**SAMI**

SAMI Project Management & Establishment	R 1 400 000	R 800 000	R 0
SAMI Head Office Operational Costs	R 0	R 673 200	R 1 108 800
SAMI Head Office Salaries	R 0	R 5 625 000	R 10 165 000
SAMI Marketing and Advocacy Spend	R 0	R 1 875 000	R 2 625 000
	<b>R 1 400 000</b>	<b>R 8 973 200</b>	<b>R 13 898 800</b>

**SAMC**

SAMC Facility Operating Costs	R 0	R 978 948	R 1 370 527
SAMC Facility Rental	R 68 940	R 275 760	R 289 548
	<b>R 68 940</b>	<b>R 1 254 708</b>	<b>R 1 660 075</b>

<b>Total Expenses</b>	<b>R 1 468 940</b>	<b>R 10 227 908</b>	<b>R 15 558 875</b>
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<b>Net Surplus/(Deficit)</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>
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The Income Statement shows that all SAMI and SAMC costs are offset by operating grants from SAMS and a small element of cost recovery from participants (tenants).

The costs of running SAMI far exceed the costs of running SAMC. If SAMI was to be located elsewhere, the SAMC could still operate as a facility hired out to tenants, but a property management cost component would need to be transferred from SAMI to SAMC. That cost would still need to be carried by an operating grant from SAMS.

The operating grants required to offset SAMI and SAMC are expected to amount to R1,5million in 2013-2014 financial year, R10million in 2014-2015 and R15,3million in 2015-2016.

The Forecast Balance Sheet is set out below:

Total 6 Months	Total 12 Months	Total 12 Months
Yr0	Yr1	Yr2
YE 31 Mar	YE 31 Mar	YE 31 Mar
2014	2015	2016

#### FORECAST BALANCE SHEET

##### Assets

Leasehold Improvements	R 5 459 436	R 12 951 089	R 12 951 089
Cash	R 0	R 0	R 0
	<u>R 5 459 436</u>	<u>R 12 951 089</u>	<u>R 12 951 089</u>

##### Equity and Liabilities

Capital Grant	R 5 459 436	R 12 951 089	R 12 951 089
Retained Income	R 0	R 0	R 0
Long-term Loan	R 0	R 0	R 0
	<u>R 5 459 436</u>	<u>R 12 951 089</u>	<u>R 12 951 089</u>

The refurbishment costs will be treated as a fixed asset under leasehold improvements as the property is owned by Transnet National Ports Authority and SAMI will enter into a long-term lease. Leasehold improvements would under normal circumstance be depreciated over the term of the lease, but this has not been calculated in this case as (1) the lease term has not been determined; (2) the participants would not be able to bear the cost in addition to operating cost recoveries and (3) it does not involve any cash flow and the focus of this report is to establish cash flow requirements, which have already been identified in the form of a capital grant of R13million to be funded by SAMSA.

### F.3 Budget for Financial Year Ended 31 March 2014 (Year 0)

From October 2013, the establishment of the corporate entity will need to commence with approval by SAMSA and the legal process to set up the Non-Profit Company, enter into a lease agreement with TNPA and sub-leases with the prospective tenants. The planning process regarding the building refurbishment can commence simultaneously.

SAMSA will need to delegate a project manager or prospective CEO to run the establishment phase, which will include the following:

- ensure the legal issues for establishment and access to the property are addressed;
- establish the governance framework;
- supervise the planning process regarding the refurbishment; and
- Manage the process to recruit the first staff for the institute.

In case a resource is not available within SAMSA to perform this role, a provision for an out-sourced project manager to perform this role until a month after appointment of the CEO has been included in the budget. Provision has also been made for out-sourcing the legal work and establishment of a governance framework.

If all planning and funding approvals are obtained for refurbishment within 3 to 4 months, the refurbishment could commence in January or February 2014. Payment for professional work during the planning phase between October 2013 and January 2014 will be needed and some progress payments may be required before the end of the current financial year in March 2014. These payments are expected to be approximately R5,5million and have been allocated to Capital Grants from SAMSA in the budget.

A lease agreement between SAMI and the TNPA will also need to be signed and it has been assumed that this lease will commence in January 2014. The rental initially suggested by the TNPA is R10 to R15 per sqm. At R15 per sqm for 1,532 sqm, this translates to R23,000. TNPA are planning to do their own basic refurbishment in the form of exterior and interior painting and roof repairs or replacement. TNPA turned down a suggestion to delay this until after the refurbishment so that the painting and roofing work could be part of the refurbishment process.

The forecast cash flow statement, income statement and balance sheet for the 6 months from October 2013 to March 2014 are set out below. The total for the six months to 31 March 2014 is shown in the left column, followed by monthly amounts from October 2013 to March 2014. References to Notes can be traced to the Notes and Assumptions section in Appendix F:

Total 6 Months	Year 0 - 2014 - Monthly						
	Yr0	M1	M2	M3	M4	M5	M6
	YE 31 Mar 2014	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14
	Yr0	Yr0	Yr0	Yr0	Yr0	Yr0	Yr0

#### FORECAST CASH FLOW STATEMENT

##### Receipts

Capital Grants	R 5 459 436	R 0	R 65 000	R 200 000	R 200 000	R 2 497 218	R 2 497 218
Loan	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Cost Recovery from Participants							
Research Projects	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Operating Grants	R 1 468 940	R 0	R 400 000	R 300 000	R 322 980	R 222 980	R 222 980
<b>Total Receipts</b>	<b>R 6 928 376</b>	<b>R 0</b>	<b>R 465 000</b>	<b>R 500 000</b>	<b>R 522 980</b>	<b>R 2 720 198</b>	<b>R 2 720 198</b>

##### Payments

Conversion & Refurbishment Cost	R 5 459 436	R 0	R 65 000	R 200 000	R 200 000	R 2 497 218	R 2 497 218
SAMI Project Management & Establishment	R 1 400 000	R 0	R 400 000	R 300 000	R 300 000	R 200 000	R 200 000
SAMI Head Office Operational Costs	R 0	R 0	R 0	R 0	R 0	R 0	R 0
SAMI Head Office Salaries	R 0	R 0	R 0	R 0	R 0	R 0	R 0
SAMI Marketing and Advocacy Spend	R 0	R 0	R 0	R 0	R 0	R 0	R 0
SAMC Facility Rental	R 68 940	R 0	R 0	R 0	R 22 980	R 22 980	R 22 980
SAMC Facility Operating Costs	R 0	R 0	R 0	R 0	R 0	R 0	R 0
<b>Total Payments</b>	<b>R 6 928 376</b>	<b>R 0</b>	<b>R 465 000</b>	<b>R 500 000</b>	<b>R 522 980</b>	<b>R 2 720 198</b>	<b>R 2 720 198</b>
<b>Net Receipts / (Payments)</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>

The total amount of funding required during the remainder of the current year ending 31 March 2014 is R7 million, consisting of R5,5million capital grant for refurbishment and R1,5million for getting SAMI up and running before operations commence.

## F.4 Budget for Financial Year Ended 31 March 2015 (Year 1)

According to the Implementation Plan, refurbishment of the SAS Donkin property will occur during the first 3 months of the 2014-2015 financial year and the SAMI will be in operation for 9 months of the 2014-2015 financial year.

Refurbishment costs are expected to run at around R2,5million per month from April to June 2014, funded by capital grants from SAMSA. Any delays in the refurbishment programme will also delay the commencement of SAMI operations.

Recruitment of staff will occur from April to June 2014 so that SAMI will have 10 staff in place from 1 July 2014 to commence operations of the SAMI.

It is planned that the research projects also become tenants from 1 July 2014, by which time they will have had input to the refurbishment planning and signed lease agreements.

The provision for SAMI's establishment costs runs until a month after commencement of operations to allow a complete handover of matters handled by the project manager (if the CEO is not that same person).

SAMI's head office operating costs are expected to commence from 1 July 2014 in all of the cost categories. The total SAMI head office operating costs are expected to amount to around R900,000 per month.

The operating costs of running the centre are budgeted to be around R125,000 per month. These costs will be recovered to the extent possible from the tenants. No recovery from the SAMI head office is budgeted as they are funded from the same source, being the SAMSA Operating Grant.

For the first four months, the operating costs fluctuate, but after operations commence the total costs stabilise at R1,1million per month, most of which consists of salaries at R625,000 per month. The budget includes salaries for 11 people from 1 July 2014 (5 executive staff and 6 support staff).

The forecast cash flow statement for the year from April 2014 to March 2015 is set out below. The total for the year to 31 March 2015 is shown in the left column, followed by monthly amounts for the year. References to Notes can be traced to the Notes and Assumptions section in Appendix F:

Total 12 Months	Year 1 - 2015 - Monthly					
	M7	M8	M9	M10	M11	M12-M18
Yr1	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14 to Mar-15
YE 31 Mar 2015	Yr1	Yr1	Yr1	Yr1	Yr1	Yr1

#### FORECAST CASH FLOW STATEMENT

##### Receipts

Capital Grants	R 7 491 653	R 2 497 218	R 2 497 218	R 2 497 218	R 0	R 0	R 0
Loan	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Cost Recovery from Participants							
Research Projects	R 189 735	R 0	R 0	R 0	R 21 082	R 21 082	R 21 082
Operating Grants	R 10 038 173	R 222 980	R 222 980	R 222 980	R 1 218 804	R 1 018 804	R 1 018 804
<b>Total Receipts</b>	<b>R 17 719 561</b>	<b>R 2 720 198</b>	<b>R 2 720 198</b>	<b>R 2 720 198</b>	<b>R 1 239 885</b>	<b>R 1 039 885</b>	<b>R 1 039 885</b>

##### Payments

Conversion & Refurbishment Cost	R 7 491 653	R 2 497 218	R 2 497 218	R 2 497 218	R 0	R 0	R 0
SAMI Project Management & Establishment	R 800 000	R 200 000	R 200 000	R 200 000	R 200 000	R 0	R 0
SAMI Head Office Operational Costs	R 673 200	R 0	R 0	R 0	R 74 800	R 74 800	R 74 800
SAMI Head Office Salaries	R 5 625 000	R 0	R 0	R 0	R 625 000	R 625 000	R 625 000
SAMI Marketing and Advocacy Spend	R 1 875 000	R 0	R 0	R 0	R 208 333	R 208 333	R 208 333
SAMC Facility Rental	R 275 760	R 22 980					
SAMC Facility Operating Costs	R 978 948	R 0	R 0	R 0	R 108 772	R 108 772	R 108 772
<b>Total Payments</b>	<b>R 17 719 561</b>	<b>R 2 720 198</b>	<b>R 2 720 198</b>	<b>R 2 720 198</b>	<b>R 1 239 885</b>	<b>R 1 039 885</b>	<b>R 1 039 885</b>
<b>Net Receipts / (Payments)</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>

The total amount of funding required during the year ending 31 March 2015 is R17,5 million, consisting of R7,5million capital grant for refurbishment and R10million operating grant to fund monthly operating costs and the last stages of the establishment period.

## F.5 Budget for Financial Year Ended 31 March 2016 (Year 2)

The financial year ending 31 March 2016 (Year 2) is scheduled to be the first full year at full operation. However, the advocacy and co-ordination done by SAMI is expected to increase the level of activity in maritime education and training, so the budget for the 2015-2016 should be different from the pro-forma budget that has been prepared as an extension to this business plan. The only reason for including the forecast period for 2015-2016 is to illustrate the overall scale of operations and funding for a full year.

In reviewing what is effectively a proforma budget for SAMI for the 2015-2016 financial year, the following points are relevant:

- The only change from the 2014-2015 financial year budget is the addition of a further 4 staff (2 executive staff and 2 support staff) in April 2015, to arrive at a total of 15 staff from April 2015 onwards;
- The total SAMI head office costs if the total employment stays at 15 are expected to be R1,3million per month, or R15,6million for the year;
- The SAMC facility operating costs are expected to be R1,6million;
- Operating cost recoveries would be R265,000 at a 25% recovery rate; and
- The on-going operating deficit will have to be offset by an operating grant of R15million.

The forecast cash flow statement for the year from April 2015 to March 2016 is set out below. The total for year to 31 March 2016 is shown in the left column, followed by monthly amounts for the year. References to Notes can be traced to the Notes and Assumptions section in Appendix F:

Total 12 Months Yr2	Year 2 - 2016 - Monthly					
	M19 Apr-15	M20 May-15	M21 Jun-15	M22 Jul-15	M23 Aug-15	M24-M30 Sep-15 to Mar-16
2016	Yr2	Yr2	Yr2	Yr2	Yr2	Yr2

### FORECAST CASH FLOW STATEMENT

#### Receipts

Capital Grants	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Loan	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Cost Recovery from Participants							
Research Projects	R 265 629	R 22 136					
Operating Grants	R 15 293 247	R 1 274 437					
<b>Total Receipts</b>	<b>R 15 558 875</b>	<b>R 1 296 573</b>					

#### Payments

Conversion & Refurbishment Cost	R 0	R 0	R 0	R 0	R 0	R 0	R 0
SAMI Project Management & Establishment	R 0	R 0	R 0	R 0	R 0	R 0	R 0
SAMI Head Office Operational Costs	R 1 108 800	R 92 400					
SAMI Head Office Salaries	R 10 165 000	R 847 083					
SAMI Marketing and Advocacy Spend	R 2 625 000	R 218 750					
SAMC Facility Rental	R 289 548	R 24 129					
SAMC Facility Operating Costs	R 1 370 527	R 114 211					
<b>Total Payments</b>	<b>R 15 558 875</b>	<b>R 1 296 573</b>					
<b>Net Receipts / (Payments)</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>

The total amount of funding required during the year ending 31 March 2016 is an operating grant of R15,3million to fund monthly operating costs of SAMI and SAMC.

## **G Founding Documents and MoA – Matters to Consider**

With SAMSMA taking the lead in establishing the SAMI, it provides the opportunity to shape the institute in the most suitable manner to achieve its objectives. Other entities who have declared their commitment to join SAMSMA in establishing the SAMI can be included as members and appoint directors, but SAMSMA should be able to undertake the establishment of the SAMI without any involvement of other stakeholders if required.

The SAMI can be established as a Non-Profit Company with SAMSMA as the only member or other stakeholders included as necessary.

TNPA allows a substantial discount in rentals to NPC's who are also registered as a Public Benefit Organisation ("PBO"). As the rental charged by TNPA is a small component of the total running costs, this should be a secondary consideration.

If there are other members in the SAMI, a members' agreement should be drafted in addition to the Memorandum of Incorporation ("MOI") to define detailed arrangements between the parties which are not catered for in the standard MOI.

## H Plans for Regional Centres

Regional centres can be established where there is sufficient need for a regional presence for advocacy and co-ordination and provision of facilities to support research and education and training.

### H.1 Port Elizabeth

Although this business plan is based on the assumptions that the head office of SAMI will be based in Port Elizabeth, the remainder of the Port Elizabeth Centre would perform the same function as a regional facility for hire to participants in the maritime sector. Its space is likely to be fully subscribed by marine research, whether or not the SAMI head office is located there.

### H.2 Durban

The plans by Transnet to expand its training activities into a Maritime School of Excellence in training for its needs in maritime studies create an opportunity for synergy with SAMSMA's objectives in stimulating education and training in maritime studies.

This would also raise a question of locating the SAMI Head Office at the Durban Centre instead of the Port Elizabeth Centre. That would also alleviate the space restrictions in the initial space allocation in Port Elizabeth.

### H.3 Cape Town

There could be a business case for the establishment of a regional centre in Cape Town, due to the light level of activity in most sub-sectors of the maritime sector.

### H.4 Gauteng

A number of maritime companies have head offices in Gauteng, and the need for a regional centre that can provide support in the form of maritime law and governance could be considered.

## I Conclusion

Although the creation of a Maritime University is a long term objective, the immediate future of SAMI in the first three years of its existence is likely to be restricted to an advocacy and co-ordination role that will stimulate awareness of the economic opportunities in the maritime sector and establish networks and a framework that leads to the generation of a new pipeline of maritime sector jobs and related training. This pipeline must start with development of a bigger pool of job opportunities and must be followed-up with co-ordination of education and training.

When this new demand has been established, the SAMI Board should actively ensure that this education and training is provided by partner education institutions throughout the country.

A total capital and operating budget of just less than R40million spread over 3 financial years will provide the SAMI with a base for its head office and fund its advocacy and co-ordination activities, as well as facilities for at least three substantial research projects.

The feasibility study process has clearly identified the opportunities in the maritime sector and the need for improved advocacy and co-ordination of education and training for the development of this sector in South Africa and southern Africa. SAMS should be encouraged to take the lead in establishing SAMI together with partner institutions and industry who are willing to contribute to and collaborate with one another through SAMI for mutual benefit and the benefit of the South African maritime economy.

## APPENDICES

## A Appendix A- Refurbishment Cost Estimate

	<b>ROUSSEAU PROBERT ELLIOTT</b> Construction Cost Management	<b>QUANTITY SURVEYORS</b> <b>PROJECT MANAGERS</b>
163 Main Road, Walmer Port Elizabeth, 6070	P.O. Box 5511, Walmer, 6065 e-mail: <a href="mailto:peadmin@rpeqs.co.za">peadmin@rpeqs.co.za</a> <a href="http://www.rpeqs.co.za">www.rpeqs.co.za</a>	Tel: 041-5814271 Fax: 041-5814274
19 September 2013		DE/ab/Estimates/3804/Gen Cor/P1

Learning Strategies Consulting Services  
PO Box 32125  
SUMMERSTRAND  
6019

Attention: Mr. L. Hobson [larry@learningstrat.com](mailto:larry@learningstrat.com)

Dear Sirs,

**PROPOSED REFURBISHMENT OF EX SAS DONKIN BUILDING  
PE HARBOUR**

We enclose herewith preliminary cost estimate to refurbish the existing building to provide offices, research areas, meeting rooms and storage areas.

Please note the following:

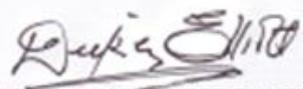
- The addition of a light weight steel and timber mezzanine floor will require an evaluation of the existing structure to establish if the additional load can be safely carried.
- The building is over 60 years old and as such will be subject to the conditions of the Heritage Act.

Time frame - we would anticipate a construction programme as follows:

Pre-contract – i.e. preparation of drawings, documentation and tender period - 3 months

Construction period – 5-6 months.

Yours faithfully,

  
**ROUSSEAU PROBERT ELLIOTT**

End:

**ROUSSEAU PROBERT ELLIOTT cc.: REGISTERED QUANTITY SURVEYORS CK 89/01158/23**  
Members: B.W. PROBERT: 850(QS), PQS, PMAQ, MRCS, A.A.A.B.; D. ELLIOTT: 880(a), 880(QS), PQS, PMAQ, MRCS, A.A.A.B., PCPM  
L. DALTON: 880(QS), PQS, PMAQ, R. BARNARD: 880(QS), PQS, PMAQ, G.W. FLETCHER: 880(QS), PQS, PMAQ, MRCS, PCPM

**PROPOSED REFURBISHMENT OF EX SAS DONKIN BUILDING ROUSSEAU PROBERT ELLIOTT  
PE HARBOUR**



18 SEPTEMBER 2013

Approx internal areas:	Hall	462
	Mezzanine	310 (to be added)
	Offices Ground	196
	Offices First	196
	Ex range	148
	Basement	220 (usable portion)
		<u>1532 m<sup>2</sup></u>

	ESTIMATED COST
<b>Construction Costs</b>	
Foundation strengthening	155 000.00
Surface bed and floor repairs	85 000.00
Brickwork	306 400.00
Mezzanine floor	868 000.00
Staircases	245 000.00
Roof and rainwater goods	563 000.00
External finishes	128 000.00
Partitions	285 200.00
Internal wall finishes	385 000.00
Floor finishes	393 600.00
Ceilings	342 600.00
Windows	84 100.00
Doors	141 600.00
Joinery fittings	150 000.00
Sundries	75 000.00
Electrical installation	995 800.00
Air conditioning installation	650 000.00
Specialist installations	
Biometric Access	200 000.00
Audio visual	350 000.00
Siteworks	180 000.00
Contingency sum	300 000.00
Contractors preliminaries	725 000.00
	<b>7 588 300.00</b>
<b>Escalation</b>	
Provision for escalation in building costs	700 000.00
<b>Municipal charges</b>	
Plan passing fee	65 000.00
<b>Professional fees</b>	
Allowance for professional fees	1 077 480.00
	<b>R 9 430 780.00</b>
Value Added Tax (14%)	1 320 309.00
	<b>R 10 751 089.00</b>

Exclusions: Loose furniture and fittings  
Equipment  
Refrigeration

\\ESTIMATES\ESTIMATES\EST 3804 - Maritime Institute - PE Harbour\Refurbishment Costs.xls

## B Appendix B – Letter of Interest in SAS Donkin Building

Sender Email: [larry@learningstrat.com](mailto:larry@learningstrat.com)  
Contact details: 083 2347705

Mr Sujit Bhagattjee  
Property Portfolio Manager  
Room 502, 5th Floor  
Port Administration Building  
Port of Port Elizabeth  
Port Elizabeth  
6001

Recipient Email: [sujit.bhagattjee@transnet.net](mailto:sujit.bhagattjee@transnet.net)  
CC Email: [chris@learningstrat.com](mailto:chris@learningstrat.com)  
[TMokhele@samsa.org.za](mailto:TMokhele@samsa.org.za)

16 September 2013

Dear Mr Bhagattjee

### SAMSA Feasibility Study – Interest in SAS Donkin Building

Further to our meeting on Friday, I am following up to express an interest in the SAS Donkin Building for use as a maritime institute and set out the background and salient facts.

#### Background

SAMSA has commissioned a feasibility study on the establishment of a maritime institute to stimulate and co-ordinate education and training in the maritime sector in South Africa and possibly for Africa, in accordance with the objectives of the African Union and South African Government. Learning Strategies (Pty) Ltd has been engaged by SAMSA to undertake the feasibility study.

Port Elizabeth has been selected as the venue to be tested for location of the institute. After consulting with the Nelson Mandela Bay Maritime Cluster, local education providers and prospective researchers who will use the venue, it has been determined that the Port of Port Elizabeth will be a suitable site for this institute to be located.

#### Site Preference

After site visits to possible locations in the port, it was agreed by the prospective research tenants and the feasibility team that the SAS Donkin building is a more suitable site than the Avante Fishing Enterprises building, although a considerable amount of refurbishment and conversion costs will be required to make it fit for the purpose of its use as a combination of offices, laboratories and lecture rooms.

The selection of the SAS Donkin building as the preferred site does not preclude the development of a new building on one of the open pieces of land at a later stage if the institute grows, but the urgency to get the institute started as soon as possible favours the use of an existing building to avoid the inevitable delays with planning and developing a new building.

We are aware that the lack of parking near to the building may be an issue for the prospective tenants and that the building's status as a heritage building will prevent changes to the exterior of the building unless approval is granted by the heritage authorities.

Directors: C A C Elfick, A L Hobson, N R Malebatja, J A Visser, M A Weber, D Wood  
Reg Nr. 1997/020417/07  
VAT Reg Nr. 4340185216

### **Contracting Party**

One of the components of the feasibility study is to evaluate the options available in the legal format of the maritime institute, therefore a decision has not yet been taken on this issue and we cannot advise you of who the contracting party will be who will sign the lease agreement.

### **Financial Aspects**

It is clear that the conversion and refurbishment will require a significant amount of investment in the property, the amount of which will be determined once further detailed work has been performed on the changes to be made to the building. Whether these are capital costs are carried by the tenant or landlord will have to be discussed, as will the duration and terms of the lease agreement.

### **Status of This Letter**

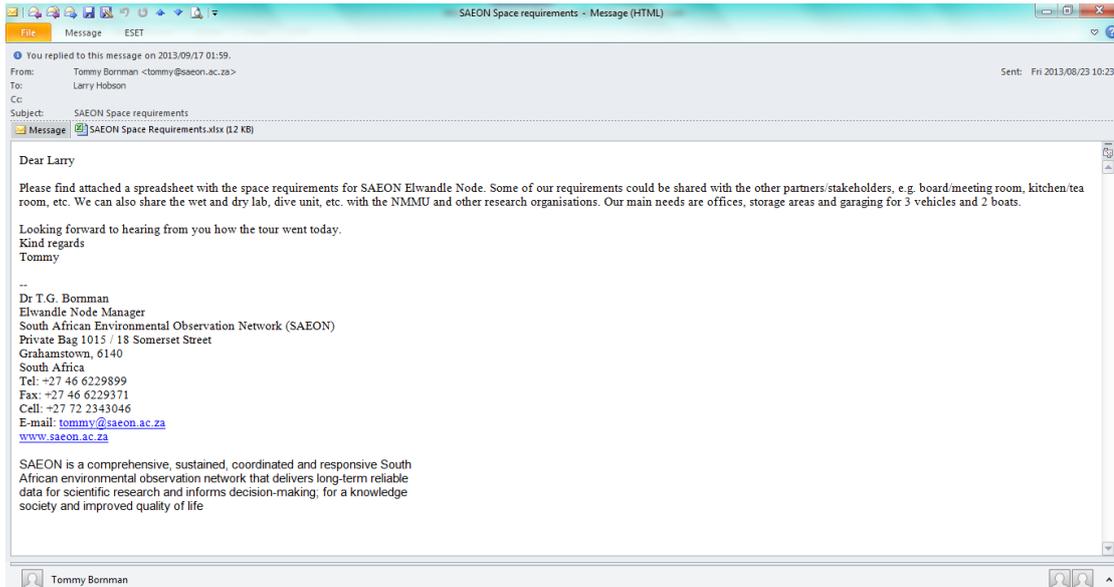
This letter serves as an expression of interest in the SAS Donkin building in terms of the feasibility study being conducted on behalf of SAMSA and cannot be regarded as an offer for rental or investment by any party.

Yours sincerely

Larry Hobson  
Director: Learning Strategies (Pty) Ltd

## C Appendix C – Prospective Tenant 1 - SAEON

The Director of the South African Environmental Observation Network (SAEON) Elwandle Node, Dr Tommy Bornman, provided a list of specific space requirements for SAEON, which totals 520 sqm. This proved to be relatively easy to fit into 3 areas of the SAS Donkin space, being the basement (including the boathouse space), part of the ground floor and the external rifle range, which could be used as garages to store their vehicles. The correspondence and space requirements are attached:



### South African Environmental Observation Network (SAEON) Space requirements

No.	Description	No.	Area (m2)	Total (m2)	Comments
1	Offices	10	12	120	
2	Reception/admin area	1	12	12	
3	Open Plan offices	1	30	30	
4	Wet laboratory	1	50	50	
5	Dry laboratory	1	50	50	
6	Storage area: samples	1	18	18	
7	Storage area: equipmer	1	50	50	
8	Workshop (electronics)	1	18	18	
9	Research dive unit	1	18	18	
10	Garages	4	18	72	
11	Garages	1	50	50	
12	Board/meeting room	1	20	20	Shared
13	Kitchen /tea room	1	12	12	Shared
<b>Total</b>				<b>520</b>	

## **D Appendix D – Prospective Research Tenants 2 & 3 AfriCOG& SAPPHIRE Project**

The Director of the AfriCOG and SAPPHIRE programmes, Dr David Vousden, advised that the space available should be able to accommodate programme staff and activities as set out below. Space was allocated to these requirements in process that started with parameters used for the WMU's new premises, which were compared to NMMU's space norms. When mapped against the space available in the SAS Donkin building, it was found that there will be less space available than the desired office and working space determined earlier. The director has not yet visited the premises and it is possible that space allocation could change once he has seen the premises.

### **Office and Logistical Requirements for the African Centre for Capacity Building in Ocean Governance and SAPPHIRE Project**

#### AfriCOG Office Space:

CEO (Office with space for a small meeting table for 6 people)  
2 x Admin Staff (Finance and general secretarial)  
1 x Communications and IT Professional  
1 x Data and Science Coordinator  
1 x Policy and Governance Coordinator  
Additional space/desks for two consultants/visiting professionals  
Board/meeting room (also Video Conferencing room)  
Small kitchen/canteen area  
Washroom facilities (1 x male; 1 x female)  
Small, quiet library area with seating facilities  
Storage space (room approx. 16 sq. metres)

N.B. Not an open-plan arrangement. These professional staff and even the admin staff need an atmosphere within which they can concentrate.

#### UN GEF SAPPHIRE Project Office Space:

The Strategic Action Programme Policy Harmonisation and Institutional Reforms Project (funded by the Global Environment Facility) will run for at least 5 years from early 2014.

Director  
1 x Personal Assistant to Director  
1 x Finance Officer  
1 x Admin Assistant  
1 x Industry/Private Sector Coordinator  
1 x Community and Outreach Coordinator  
1 x Capacity Building and Training Coordinator  
1 x Management Pilot/Demonstrations Coordinator

The following could be shared with AfriCOG (see above)  
*Additional space/desks for two consultants/visiting professionals*  
*Board/meeting room (also Video Conferencing room)*  
*Small kitchen/canteen area*  
*Washroom facilities (1 x male; 1 x female)*  
*Small, quiet library area with seating facilities*  
*Storage space (room approx. 16 sq. metres)*

Additional Requirements:

**Access to teaching and training facilities.** These could be purpose built but could certainly also be existing lecture rooms, meeting/ workshop facilities and scientific lab facilities within a University Campus or other existing institution.

Lecturing Facilities: For up to 40 students with power-point projection and video teaching facilities

Scientific Laboratory Facilities: Bench space for up to 20 students at a time for taxonomic identification/preservation; microscopic work;

Computer desk-top facilities (for teaching group data handling and analysis etc.)

N.B. in terms of Laboratory facilities, the facilities at SAIAB (South African Institute for Aquatic Biodiversity) in Grahamstown are ideal and also support the African Fish Collection facility next door. These have already been used by UN GEF on a number of occasions for handling taxonomic specimens, etc. Similar facilities may also be available at NMMU. Specific training requirements could be satisfied by different institutes and establishments in this manner with considerably cost-savings.

**Internet Server, etc.** Internet as a fiber link to the SANReN PoP at NMMU or from wherever hosted, and/or to be hosted by NMMU in terms of internet connectivity. Advantage of NMMU campus would be ready access to this SANReN PoP. Other options may exist for other potential sites but the concept of 'sharing' still stands.

## E Appendix E – Initial Space Calculations – SAS Donkin Building

Space requirements were matched against space available in the property selected. Room sizes and space listed have not been professionally measured and are approximate, so there will be changes once measurements have been taken professionally and drawings of the existing and proposed new space have been done.

The table below indicates the first step in allocating space in the building and has been done only for the purpose of testing space requirements against space available in the building. These allocations have not yet been presented to SAMSA or the prospective tenants, and will have to be subject to a process that will include (1) accurate measurement of space available, (2) drawings of existing and new space, (3) consultation with prospective occupants of the building regarding their requirements and agreement on the space allocated, and (4) conclusion of the planning approval process with the TNPA, municipality and heritage authorities.

### SAMSA

#### South African Maritime Institute

#### Space Calculations

#### SAS Donkin Building

Split per Room and per Person					
No. of Rooms	Description of Space	No. of People	Room Size sqm	Space sqm	Comment
<b>1 SAMI Centre Management and Admin</b>					
1.00	Room 1	1.00	42	42	
0.33	Room 5	1.00	42	14	
0.33	Room 5	1.00	42	14	
0.33	Room 5	1.00	42	14	
1.00	Room 2	1.00	24	24	
1.00	Room 3	1.00	24	24	
1.00	Room 4	1.00	30	30	
0.25	Room 6	2.00	42	21	
0.25	Room 6	2.00	42	21	
1.00	Toilet 1		12	12	
1.00	Toilet 2		6	6	
				-	
	Total SAMI Head Office Space	7.50	11.00	222.00	222
<b>2 AfriCoG Space</b>					
1	Room 8	1.00	24	24	
2 x	Room 7	2.00	84	24	
1 x	Room 7	1.00	84	12	
1 x	Room 7	1.00	84	12	
1 x	Room 7	1.00	84	12	
0.29	Room 7		84	24	
2.00		6	108	108	
<b>Shared Space</b>					
2	New Ground/Mez		12	24	
1	New Ground/Mez		60	60	
1	New Ground/Mez		24	24	
-	Already Allocated		25	-	Allocated
-	New Ground/Mez/NMMU?		60	-	Space?
1	New Ground/Mez		16	16	
5			184	124	
	Total AfriCoG and Shared Space	7	6	292	232

**SAMSA**

**South African Maritime Institute**

**Space Calculations**

**SAS Donkin Building**

Split per Room and per Person
-------------------------------

No. of Rooms	Description of Space	No. of People	Room Size	Space	Comment
			sqm	sqm	

**3 UN GEF SAPPHERE Project Office Space:**

The Strategic Action Programme Policy Harmonisation and Institutional Reforms Project (funded by the Global Environment Facility) will run for at least 5 years from early 2014.					
Director	1 Room 10	1	42	42	
1 x Personal Assistant to Director	1 Room 9	1	12	12	
1 x Finance Officer	1 New Ground/Mez	1	12	12	
1 x Admin Assistant	1 New Ground/Mez	1	12	12	
1 x Industry/Private Sector Coordinator	1 New Ground/Mez	1	12	12	
1 x Community and Outreach Coordinator	1 New Ground/Mez	1	12	12	
1 x Capacity Building and Training Coordinator	1 New Ground/Mez	1	12	12	
1 x Management Pilot/Demonstrations Coordinator	1 New Ground/Mez	1	12	12	
	8	8	126	126	
The following could be shared with AfricoG (see above)					
<b>A</b>	Additional space/desks for two consultants/visiting professionals				
<b>B</b>	Board/meeting room (also Video Conferencing room)				
<b>C</b>	Small kitchen/canteen area				
<b>D</b>	Washroom facilities (1 x male; 1 x female)				
<b>E</b>	Small, quiet library area with seating facilities				
<b>F</b>	Storage space (room approx.16 sq. metres)				
Additional Requirements:					
Access to teaching and training facilities. These could be purpose built but could certainly also be existing lecture rooms, meeting/workshop facilities and scientific lab facilities within a University Campus or other existing institution.					
<b>G</b>	Lecturing Facilities: For up to 40 students with power-point projection and video teaching facilities	-	New Ground/Mez/NMMU?	120	- Space?
<b>H</b>	Scientific Laboratory Facilities: Bench space for up to 20 students at a time for taxonomic identification/preservation; microscopic work; Computer desk-top facilities (for teaching group data handling and analysis etc.)				
<b>I</b>		1	New Ground/Mez	120	120
<b>J</b>	Internet Server, etc. Internet as a fiber link to the SANReN PoP at NMMU or from wherever hosted, and/or to be hosted by NMMU in terms of internet connectivity.	-	New Ground/Mez/NMMU?	120	- Space?
		1	New Ground/Mez	15	15
	Total SAPPHERE Shared Space	2		375	135
	Total SAPPHERE and Shared Space	10		501	261
	Total AfricoG and SAPPHERE Space	17		793	493

**Other Shared Space on the Ground Floor**

Entrance	1	Entrance	18	18	
Toilet 3	1	Toilet 3	12	12	
Toilet 4	1	Toilet 4	6	6	
	3		36	36	

**4 SAEON**

No.	Description	No.	No. of People	Area (m2)	Total (m2)	Comments
1	Offices	10	New Ground	10	12	120
2	Reception/admin area	1	New Ground	2	12	12
3	Open Plan offices	1	New Ground	4	30	30
4	Wet laboratory	1	Basement		50	50
5	Dry laboratory	1	Basement	4	50	50
6	Storage area: samples	1	Basement		18	18
7	Storage area: equipment	1	Basement		50	50
8	Workshop (electronics)	1	Shooting Range		18	18
9	Research dive unit	1	Basement		18	18
10	Garages	4	Shooting Range		18	72
11	Garages	1	Shooting Range		50	50
12	Board/meeting room	1	New Ground		20	20 Shared
13	Kitchen/tea room	1	Basement		12	12 Shared
	Total for SAEON	25		20	520	520
	Total Space Allocated	53		45	1571	1271

**SAMSA**

**South African Maritime Institute**

**Space Calculations**

**SAS Donkin Building**

**Summary of Space Allocation**

No.	Summary of Space by Room/Floor/Area	No. of Rooms	Description of Space	No. of People	Space Required* sqm	Space Allocated sqm	Comment
1	Room 1	1	1st Floor	1	42	42	
2	Room 2	1	1st Floor	1	24	24	
3	Room 3	1	1st Floor	1	24	24	
4	Room 4	1	1st Floor	1	30	30	
5	Room 5	1	1st Floor	3	42	42	
6	Room 6	1	1st Floor	4	42	42	
7	Room 7	1	Ground Floor	5	84	84	
8	Room 8	1	Ground Floor	1	24	24	
9	Room 9	1	Ground Floor	1	12	12	
10	Room 10	1	Ground Floor	1	42	42	
11	Room 11 (SAEON Lab Space in Basement)	0	Basement	0	-	-	
12	Room 12 (SAEON Lab Space in Basement)	0	Basement	0	-	-	
13	Room 13 (SAEON Lab Space in Basement)	0	Basement	0	-	-	
14	Entrance	1	Ground Floor	0	18	18	
15	Toilet 1	1	1st Floor	0	12	12	
16	Toilet 2	1	1st Floor	0	6	6	
17	Toilet 3	1	Ground Floor	0	12	12	
18	Toilet 4	1	Ground Floor	0	6	6	
19	Basement	6	Basement	4	198	198	
20	Shooting Range	6	Shooting Range	0	140	140	
21	New Ground	13	Open Area - Convert	16	182	182	
22	New Ground/Mez	13	Open Area - Convert	6	331	331	
23	New Ground/Mez/NMMU?	0	Lecture & Computer Facilities - see if space is available after measurement & drawings - possibly find other space (at NMMU?)	0			
					300	-	Space?
Total Space Allocated		53		45	1571	1271	
Balance of Common Space Factor		20.5%			322	261	
Total Space					1893	1532	

Allocation of Space	No. of Rooms	Description of Space	No. of People	Ave. Space per Person	Total Space
SAMI	6	1st Floor	11	18.5	204
SAEON	25	B'mnt, Grnd, Range	20	26.0	520
AfriCOG	2	Grnd, New Grnd, Mez	6	18.0	108
SAPPHIRE	8	Grnd, New Grnd, Mez	8	15.8	126
Shared Space	12	Grnd, 1st Floor	0	7	313
Total Space Allocated	53		45	28	1271
Balance of Common Space Factor					261
Total Space					1532

**Note**

\* Space Required has been adapted to the actual space in the offices and the lower end of the range of space norms provided by NMMU in order to assess whether it can fit into the building available for use as the venue selected.

## F Appendix F – Financial Forecast and Detailed Assumptions

**SAMSA**  
**South African Maritime Institute ("SAMI")**  
**Business Plan 2014-2015**  
**Financial Forecast**  
**30 September 2013**

Note	Financial Years ending 31 March			Year 0 - 2014 - Monthly												Year 1 - 2015 - Monthly												Year 2 - 2016 - Monthly			
	Yr0	Yr1	Yr2	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M15	M18	M19	M23	M27	M30										
	YE 31 Mar	YE 31 Mar	YE 31 Mar	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Dec-14	Mar-15	Apr-15	Aug-15	Dec-15	Mar-16										
	2014	2015	2016	Yr0	Yr0	Yr0	Yr0	Yr0	Yr0	Yr1	Yr1	Yr2	Yr2	Yr2	Yr2																

### FORECAST CASH FLOW STATEMENT

#### Receipts

Capital Grants	3	R 5 459 436	R 7 491 653	R 0	R 0	R 65 000	R 200 000	R 200 000	R 2 497 218	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0				
Loan	3	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
Cost Recovery from Participants	9																						
Research Projects		R 0	R 189 735	R 265 629	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 21 082	R 22 136	R 22 136	R 22 136	R 22 136					
Operating Grants	9	R 1 468 940	R 10 038 173	R 15 293 247	R 0	R 400 000	R 300 000	R 322 980	R 222 980	R 222 980	R 222 980	R 222 980	R 222 980	R 1 218 804	R 1 018 804	R 1 274 437							
<b>Total Receipts</b>		<b>R 6 928 376</b>	<b>R 17 719 561</b>	<b>R 15 558 875</b>	<b>R 0</b>	<b>R 465 000</b>	<b>R 500 000</b>	<b>R 522 980</b>	<b>R 2 720 198</b>	<b>R 1 239 885</b>	<b>R 1 039 885</b>	<b>R 1 296 573</b>											

#### Payments

Conversion & Refurbishment Cost	2	R 5 459 436	R 7 491 653	R 0	R 0	R 65 000	R 200 000	R 200 000	R 2 497 218	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0				
SAMI Project Management & Establishment	4	R 1 400 000	R 800 000	R 0	R 0	R 400 000	R 300 000	R 300 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
SAMI Head Office Operational Costs	5	R 0	R 673 200	R 1 108 800	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 74 800	R 74 800	R 74 800	R 74 800	R 92 400	R 92 400	R 92 400	R 92 400	
SAMI Head Office Salaries	6	R 0	R 5 625 000	R 10 165 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 625 000	R 847 083	R 847 083	R 847 083	R 847 083					
SAMI Marketing and Advocacy Spend	7	R 0	R 1 875 000	R 2 625 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 208 333	R 218 750	R 218 750	R 218 750	R 218 750					
SAMC Facility Rental	8	R 68 940	R 275 760	R 289 548	R 0	R 0	R 0	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 24 129	R 24 129	R 24 129	R 24 129	
SAMC Facility Operating Costs	8	R 0	R 978 948	R 1 370 527	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 108 772	R 114 211	R 114 211	R 114 211	R 114 211					
<b>Total Payments</b>		<b>R 6 928 376</b>	<b>R 17 719 561</b>	<b>R 15 558 875</b>	<b>R 0</b>	<b>R 465 000</b>	<b>R 500 000</b>	<b>R 522 980</b>	<b>R 2 720 198</b>	<b>R 1 239 885</b>	<b>R 1 039 885</b>	<b>R 1 296 573</b>											
<b>Net Receipts / (Payments)</b>		<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	

### FORECAST INCOME STATEMENT

#### Income

Cost Recovery from Participants		R 0	R 189 735	R 265 629	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 21 082	R 22 136	R 22 136	R 22 136	R 22 136				
Operating Grants		R 1 468 940	R 10 038 173	R 15 293 247	R 0	R 400 000	R 300 000	R 322 980	R 222 980	R 1 218 804	R 1 018 804	R 1 274 437										
<b>Total Income</b>		<b>R 1 468 940</b>	<b>R 10 227 908</b>	<b>R 15 558 875</b>	<b>R 0</b>	<b>R 400 000</b>	<b>R 300 000</b>	<b>R 322 980</b>	<b>R 222 980</b>	<b>R 1 239 885</b>	<b>R 1 039 885</b>	<b>R 1 296 573</b>										

#### Expenses

##### SAMI

SAMI Project Management & Establishment	4	R 1 400 000	R 800 000	R 0	R 0	R 400 000	R 300 000	R 300 000	R 200 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0					
SAMI Head Office Operational Costs	5	R 0	R 673 200	R 1 108 800	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 74 800	R 74 800	R 74 800	R 74 800	R 92 400	R 92 400	R 92 400	R 92 400
SAMI Head Office Salaries	6	R 0	R 5 625 000	R 10 165 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 625 000	R 625 000	R 625 000	R 625 000	R 625 000	R 847 083	R 847 083	R 847 083	R 847 083
SAMI Marketing and Advocacy Spend	7	R 0	R 1 875 000	R 2 625 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 208 333	R 208 333	R 208 333	R 208 333	R 208 333	R 218 750	R 218 750	R 218 750	R 218 750
		<b>R 1 400 000</b>	<b>R 8 973 200</b>	<b>R 13 898 800</b>	<b>R 0</b>	<b>R 400 000</b>	<b>R 300 000</b>	<b>R 300 000</b>	<b>R 200 000</b>	<b>R 1 108 133</b>	<b>R 908 133</b>	<b>R 908 133</b>	<b>R 908 133</b>	<b>R 908 133</b>	<b>R 1 158 233</b>							

##### SAMC

SAMC Facility Operating Costs	8	R 0	R 978 948	R 1 370 527	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 108 772	R 114 211	R 114 211	R 114 211	R 114 211				
SAMC Facility Rental	8	R 68 940	R 275 760	R 289 548	R 0	R 0	R 0	R 22 980	R 22 980	R 22 980	R 22 980	R 22 980	R 24 129	R 24 129	R 24 129	R 24 129						
		<b>R 68 940</b>	<b>R 1 254 708</b>	<b>R 1 660 075</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 22 980</b>	<b>R 131 752</b>	<b>R 138 340</b>	<b>R 138 340</b>	<b>R 138 340</b>	<b>R 138 340</b>									
<b>Total Expenses</b>		<b>R 1 468 940</b>	<b>R 10 227 908</b>	<b>R 15 558 875</b>	<b>R 0</b>	<b>R 400 000</b>	<b>R 300 000</b>	<b>R 322 980</b>	<b>R 222 980</b>	<b>R 1 239 885</b>	<b>R 1 039 885</b>	<b>R 1 296 573</b>										
<b>Net Surplus/(Deficit)</b>		<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>	<b>R 0</b>

Financial Years ending 31 March				Year 0 - 2014 - Monthly						Year 1 - 2015 - Monthly						Year 2 - 2016 - Monthly					
Y0	Y1	Y2		M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M15	M18	M19	M23	M27	M30
YE 31 Mar 2014	YE 31 Mar 2015	YE 31 Mar 2016		Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Dec-14	Mar-15	Apr-15	Aug-15	Dec-15	Mar-16
Yr0	Yr1	Yr2		Yr0	Yr0	Yr0	Yr0	Yr0	Yr0	Yr1	Yr1	Yr1	Yr1	Yr1	Yr1	Yr1	Yr1	Yr2	Yr2	Yr2	Yr2

**FORECAST BALANCE SHEET**

**Assets**

Leasehold Improvements  
Cash

R 5 459 436	R 12 951 089	R 12 951 089	R 0	R 65 000	R 265 000	R 465 000	R 2 962 218	R 5 459 436	R 7 956 653	R 10 453 871	R 12 951 089											
R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
<b>R 5 459 436</b>	<b>R 12 951 089</b>	<b>R 12 951 089</b>	<b>R 0</b>	<b>R 65 000</b>	<b>R 265 000</b>	<b>R 465 000</b>	<b>R 2 962 218</b>	<b>R 5 459 436</b>	<b>R 7 956 653</b>	<b>R 10 453 871</b>	<b>R 12 951 089</b>											

**Equity and Liabilities**

Capital Grant  
Retained Income  
Long-term Loan

R 5 459 436	R 12 951 089	R 12 951 089	R 0	R 65 000	R 265 000	R 465 000	R 2 962 218	R 5 459 436	R 7 956 653	R 10 453 871	R 12 951 089											
R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
<b>R 5 459 436</b>	<b>R 12 951 089</b>	<b>R 12 951 089</b>	<b>R 0</b>	<b>R 65 000</b>	<b>R 265 000</b>	<b>R 465 000</b>	<b>R 2 962 218</b>	<b>R 5 459 436</b>	<b>R 7 956 653</b>	<b>R 10 453 871</b>	<b>R 12 951 089</b>											

**NOTES AND ASSUMPTIONS**

**1 Assumptions**

**1.1 Operating Cost Inflation**

Operating Inflation Factor as % of base year

0%	0%	5%																				
1.00	1.00	1.05	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.05	1.05	1.05	1.05	1.05

**1.2 Salary Cost Inflation**

Salary Cost Inflation Factor as % of base year

0%	0%	7%																				
1.00	1.00	1.07	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.07	1.07	1.07	1.07	1.07

**1.3 No. of Staff**

Executive Staff Hired  
Total Executive Staff  
Support Staff Hired  
Total Support Staff  
Total Staff Hired  
Total Staff

-	5	2																				
-	3.75	7.00	-	-	-	-	-	-	-	-	-	-	5.00	5.00	5.00	5.00	5.00	7.00	7.00	7.00	7.00	
-	6	2											6.00	6.00	6.00	6.00	6.00	2.00	2.00	2.00	2.00	
-	4.50	8.00	-	-	-	-	-	-	-	-	-	-	6.00	6.00	6.00	6.00	6.00	8.00	8.00	8.00	8.00	
-	11	4	-	-	-	-	-	-	-	-	-	-	11.00	11.00	11.00	11.00	11.00	4.00	-	-	-	
-	8.25	15.00	-	-	-	-	-	-	-	-	-	-	11.00	11.00	11.00	11.00	11.00	15.00	15.00	15.00	15.00	

**2 Conversion & Refurbishment Cost**

**SAS Donkin Building**

Refurbishment Cost - per QS Estimate by Rousseau Probert Elliott

R 10 751 089

**Other Capital Costs**

Office Furniture

45 R 10 000

R 450 000

IT Network (per discussion with NMMU IT Support)

11 R 15 000

R 300 000

Computers

R 165 000

Provision for other costs

R 1 285 000

Provision for other capital costs

R 2 200 000

Total Building Area (sqm)

R 12 951 089

R 5 459 436	R 7 491 653	R 0	R 65 000	R 200 000	R 200 000	R 2 497 218																
-------------	-------------	-----	----------	-----------	-----------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------	-------------

Building Size (sqm)

1 532

Total Conversion & Refurbishment Cost per sqm

R 8 454

**Comparative**

Range of conversion & refurbishment costs - per NMMU Infrastructure Divi R8,000 - R12,000

**3 Funding Sources**

Capital Grant from SAMS

100% 12 951 089

Other Capital Grants

0% -

Investment by Industry Participants

0% -

Capital Grants

100% 12 951 089

Loan

0% -

12 951 089

R 5 459 436	R 7 491 653	R 0	-	65 000	200 000	200 000	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218	2 497 218
R 0	R 0	R 0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>R 5 459 436</b>	<b>R 7 491 653</b>	<b>R 0</b>	<b>-</b>	<b>65 000</b>	<b>200 000</b>	<b>200 000</b>	<b>2 497 218</b>															
<b>R 5 459 436</b>	<b>R 7 491 653</b>	<b>R 0</b>	<b>-</b>	<b>65 000</b>	<b>200 000</b>	<b>200 000</b>	<b>2 497 218</b>															

**Divisional Operations**

SAMI Head Office

**Operating Costs**

Facility Usage

R 50 R 0

R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
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**4 SAMI Project Management & Establishment**

Out-sourced Project Manager for Establishment Phase

Monthly Cost R 200 000

Total Estimate R 200 000

Company set-up costs and legal fees for stakeholder agreements and regulatory compliance

R 200 000

Consulting Fees - Company policies and systems

R 200 000

R 1 000 000	R 800 000	R 0	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000	R 200 000
R 200 000	R 0	R 0	R 200 000	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0	R 0
<b>R 1 400 000</b>	<b>R 800 000</b>	<b>R 0</b>	<b>R 0</b>	<b>R 400 000</b>	<b>R 300 000</b>	<b>R 300 000</b>	<b>R 200 000</b>															

