Safety and Security Requirements around 2010 – South Africa

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1. Summary

With the hosting by South Africa of the FIFA World Cup Soccer (WCS) tournament in 2010, significant upgrades are planned for safety and security systems. Safety and security, along with public transport and accommodation are seen as critical variables in the success of 2010 where 300 000 visitors are expected to be in South Africa between June 11 and July 11, 2010. Not only do the South African authorities have to contend with casual / petty / opportunistic crime, but an influx of organized criminal elements is also expected; this does of course not preclude the possibility of political crime and even terrorism.

2. Market Overview

Although tourism is playing an increasingly important role in the South African economy, there remain many other applications of safety and security systems that will be deployed in the medium term. South African authorities as well as corporate role players will deploy more stringent security applications in the near future; many requirements demands cutting edge solutions where U.S. suppliers are well positioned.

Rising crime rates in South Africa have created a market of opportunity for the private security sector and providers of safety and security equipment. According to recent statistics, crime in South Africa has increased annually since 2000 with an estimated 87 percent of all South African companies having experienced security breaches during between 2005 and 2007 (with an estimated cost to the economy of over $185 million). Although surveillance is recognized as an effective crime deterrent, only 36 percent of South African companies have an intrusion detection system. As a consequence, upgrading security has been identified as a top priority by businesses in South Africa. They are increasingly looking for external expertise as well as investigating new digital technologies.

3. Market Trends

Surveillance equipment, particularly CCTV, is the largest sector of the South African security market with a value between $85 and $165 million. Related technologies, such as data storage for graphic recordings and integrated security products, will see a commensurate increase and represent a major opportunity, as they are underrepresented by existing local security firms.

Another sector with an expected high level of growth for surveillance equipment is the South African Government's Department of Correctional Services. The increased building of prisons in South Africa, as a result of the growth in crime, has prompted the Department of Correctional Services to look at alternative methods of design that will achieve high security and prisoner control in environments that also meet international standards. U.S. solution providers are encouraged to look at the commercial and industrial side of the safety and security sector.

3.1 Industrial / Commercial Systems

The South African sector of Safety and Security Equipment has in the recent past become a promising niche for U.S. suppliers. The best prospects are in the commercial and industrial security application, as opposed to private / consumer retail applications:

- CCTV systems and data storage and retrieval
- CCTV assessment systems (behavior and facial recognition)
- Biometric systems
- Scanners (especially Gamma Ray scanner for large scanning applications)
- Access control systems
- Emergency warning light systems
- Time and Attendance systems

3.2 Law Enforcement Agency Applications

- Batons (Pr 24 style expansible)
- Discrete body armor (level 3) for under-suit use
- Bomb suits
- Armored suits
- Non-lethal firearms for LEA and private use (due to laws since 2004 severely limiting conventional firearm ownership in South Africa).
- Bomb blankets
- Impact chemical munitions (non-lethal)
- Distraction devices

3.3 Unmanned Airborne Vehicles (UAVs)

As preparation for the 2010 WCS, the Confederations Cup Soccer competition in 2009 is being used as testing ground for these platforms. By 2010 around 25 systems may be required by the SAPS (South African Police Services). An RFP (Request for Proposals) is being expected from the SAPS by October 2008, with a pilot rollout shortly thereafter.

3.4 Aviation Security Systems

South Africa is reinforcing its aviation-related security procedures in order to deal with any possible contingency around 2010.

- The Air Traffic & Navigation Services Company (ATNS) is working with the Airports Company of SA (ACSA) to overhaul and tighten existing security measures. Security has been upgraded around all ATNS buildings on airport sites to ensure access is restricted to bona fide employees.
- On the commercial aviation front, airline industry analysts say the introduction of various permanent security measures are being considered. ACSA (Airports Company of South Africa) is the largest airport owner operator in South Africa with 10 airports. The most important are Johannesburg's O.R. Tambo International Airport (ORTIA), Cape Town International (CIA) and Durban International (DIA). Capital expenditure by the Airports Company South Africa (ACSA) until 2010 will be USD 1.1 billion. This excludes a large undisclosed additional amount that has been earmarked for aviation-related security.

The following are seen as requirements for airports:

- Baggage scanning equipment.
- Physical security of ground-based Air Traffic Control and monitoring equipment in remote areas.
- Perimeter surveillance systems.
- CCTV and access control.

4. Market Access

Because the South African market is sophisticated and mostly price competitive, entry should be well planned.

4.1 General conditions

- Distribution is fairly straightforward since most resellers are typically located in the commercial heartland of Gauteng Province.
- Almost immediate back up and maintenance from a central support network (typically in Johannesburg) is a necessary requirement.
- A bias of a cautious market that sticks to known suppliers requires sustained market development.
- South Africa is the pre-eminent stepping-stone for developing most sectors in sub-Saharan Africa. The marketing mix should anticipate this medium-term option especially in security and related sectors.
- A judicious selection of one of three low-risk entry strategies: representation, agency or distributorship is in order.
- A low continuous upgrade schedule (applications that are delivered with a technology lifespan of 5 years are more popular than those which have to be upgraded every year).
- A user-friendly interface.
- Any local partner should be BEE compliant, a pivotal consideration with the government, parastatal and key-account procurement process. These criteria aim at quantifying the contribution by partners to empower previously disadvantaged individuals (i.e., Black, so-called Coloured, and Indian). Suppliers who do not meet some mix of these criteria

have little recourse on other objective technical grounds (price, product, delivery, etc.) to redress perceived irregularities.

The South African regulatory environment does not pose a significant problem for U.S. suppliers, despite some small European-orientated standards (Ethernet and TV norms, 220 V 50 Hz power etc.).

The South African Revenue Service (SARS) / Customs and Excise division does not require import permits for the importation of new equipment.

Very few U.S. systems in the security field require U.S. Government export licenses for the South African market.

4.3 WCS 2010 Procurement

Security equipment and integrated systems are required for each sporting facility nationwide in support of 2010 World Cup Soccer. The procurement screening process for these systems has taken place on a decentralized basis by every respective stadium manager from a list of Local Organizing Committee (LOC) approved service providers.

The design and planning phases for security systems are largely concluded and preferred solutions providers have been identified by the LOC and its representatives. However, with the technology implementation phase now looming, there are still opportunities for new-to-market U.S. suppliers wishing to develop business around WVS 2010. The low-risk option is to team up with the appropriate South African certified solution provider. This partner would be the prime contractor to a South African entity, be well versed in the South African BEE process, have a technical backup infrastructure in place. It would also ensure the day-to-day marketing of the technology of the U.S. principal with a nation-wide footprint and possibly also have a wider (southern) African distribution network in place,

5. Safety and Security Equipment / Import Market

	2005	2006	2007 (*Estimated*)
Total Market Size	2162	2359	2760
Total Local Production	1568	1701	1750
Total Exports	777	803	842
Total Imports	484	498	531
Imports from the U.S.	110	125	139

Note: All figures in US$ million
Above figures are unofficial estimates obtained from industry sources.
Figures include training, services and equipment used in guarding, surveillance and protection by South African entities and includes sales into neighboring states.
2005 Rand/Dollar exchange rate: US$1 = R 6.37
2006 Rand/Dollar exchange rate: US$1 = R 6.90
2007 Rand/Dollar exchange rate: US$1 = R 7.05

6. Contacts

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Upcoming Trade Shows/Events

Exhibition and Conferences

SECUREX 2009
Fire, Safety and Security Show
Venue: Sandton Convention Center
Dates: June 2009
Website: www.securex.co.za

Key Contacts
The Security Association of South Africa
Website: www.sasecurity.org

Electronic Security Distributors Association (ESDA)
Website: http://www.esda.org.za/