

CAV has reached a critical funding stage

Centurion Aerospace Village's application for financing held up by red tape, approval by the Treasury

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THE DEVELOPMENT of the Centurion Aerospace Village (CAV) in Pretoria at a cost of R1.1 billion has reached a critical stage in terms of its funding requirements.

Lance Schultz, the chief executive of the CAV, an initiative of the Department of Trade and Industry (dti), said the change of leadership in government had placed the aerospace industry in a holding pattern, with the CAV's application for funding being held up by red tape and National Treasury approval.

Schultz said the total investment required for the development of the CAV was about R1.1bn over a five-year period, but some issues needed to be resolved for it to gain access to this funding and other government incentives. These include National Treasury rules about "double dipping" in regard to receiving government grants and incentives.

Schultz said the dti had funds available that had been signed off and approved for the CAV, but doubted it would commit to provide the full R1.1bn.

He said the CAV was based on a partial cost recovery model

and the government had to provide a minimum amount of seed funding, estimated at about R300million, to put in the necessary infrastructure, complete the first about six pilot buildings and ensure the CAV was sustainable.

"The government gets its return on investment through socio-economic development, including jobs, new skills and tooling and new technology," he said.

Schultz said the CAV was fast-tracking a due diligence that was being undertaken to enable the CAV to seek incorporation into the Gauteng

Growth and Development Agency (GGDA), which would provide it with easier access to government incentives and funding and to also enter into public private partnerships.

Schultz said the CAV was the "only line item" sitting as an industrial park development within the dti, with all other similar agencies either owned by provinces or cities.

He said the due diligence was intended to ensure that all the necessary legal, statutory, financial and operational implications were taken into account and the CAV was "a good fit into the GGDA".

However, Schultz said the process to change the CAV's current institutional arrangement and convert it to a provincial public entity was time consuming, because it had to go through Parliament and be promulgated.

Schultz stressed the window of opportunity for the CAV in terms of securing tenants was closing fast and certainty about its future was needed by June this year.

He said the CAV had a budget of R74m that would virtually be exhausted towards the end of the third quarter of this year, but it was unable to seek fund-

ing itself, because of its current institutional arrangement.

He said the current budget was being spent on the mid-life refurbishment of the Aerospace Training Centre (ATC) building; all the minimum bulk earthworks; water, sanitation, road infrastructure and the gatehouse; and all the associated professional fees.

Schultz said the electrical infrastructure work had already been completed at a cost of more than R10m and was an important milestone in the progress being made in developing the CAV.

He said two new tenants

would move into the ATC at the beginning of October, but declined to identify them.

Schultz said the CAV had secured "fantastic letters of intent" from other prospective tenants, but was unable to conclude pre-lease agreements because of issues related to its head lease.

He said the CAV had entered into discussions with the public works department and dti to revise the head lease, because some prospective sizeable tenants wanted to build their own top structure in the park, but needed certainty on what happened if the CAV "folded".