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City of Joburg Property Company (Pty) Ltd.

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REQUEST FOR INFORMATION (RFI) FOR THE PROPOSED JOHANNESBURG BUSINESS PROCESS OUTSOURCING (BPO) PARK

RFI 13/2011

The City of Joburg Property Company (Pty) Ltd (Reg. No 2000/017147/07) ("JPC") as an agent of City of Johannesburg Metropolitan Municipality ("COJ"), hereby issues this Request for Information (RFI) to solicit information on how best to structure the development of the proposed Business Process Outsourcing (BPO) Park in the City of Johannesburg considering the following aspects: Development, BPO focus areas, Operations, Tenancy,, Training Providers and financing.

The purpose of the RFI is to:

- Obtain feedback from a broad range of industry stakeholders to assist the City in the development of an RFP for the proposed BPO project.
- Establish a Panel of interested parties for ongoing consultation.

The RFI is available for collection at the City of Joburg Property Company (Pty) Ltd, 1st floor Braamfontein Centre, 23 Jorissen Street Braamfontein or online for electronic download from the websites of the City of Joburg (www.joburg.org.za) or the Joburg Property Company (www.jhbproperty.co.za)

A non compulsory Briefing session will be held on 17 May 2011 at 10h00 in the Department of Economic Development's 15th floor Boardroom, Jorisson Place, 66 Jorisson Street.

Completed responses should be submitted before 12H00 on 10 June 2011 and either be submitted electronically via email to: Tenders@jhbproperty.co.za, or deposited in the tender box made available at the Supply Chain Services Centre of:

The City of Joburg Property Company (Pty) Ltd
1st Floor Braamfontein Centre
23 Jorissen Street
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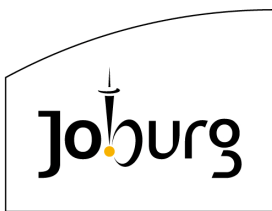
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1 INTRODUCTION

1.1 THE PURPOSE OF THIS REQUEST FOR INFORMATION (RFI)

The City of Johannesburg (COJ) in conjunction with the Johannesburg Property Company (JPC) which is acting as an agent of the COJ is seeking information related to the proposed development of the Johannesburg Business Process Outsourcing (BPO) Park that will exclusively cater for Business Process Services (BPS).

This is a Request for Information (RFI) issued solely for information and feedback from a broad range of industry stakeholders that will include but is not limited to Developers, BPO Operators, BPO Tenants and BPO Training Providers. This RFI does not constitute a Request for Proposal (RFP) and submissions in response will only be used for purposes of extracting useful information to inform the development of an RFP document in line with the market appetite. As part of this process the JPC:

- May selectively engage with respondents to better understand submissions supplied
- May coordinate workshops with respondents to further understand and develop proposed concepts

The JPC will review the submissions and responses which may in turn be used to further refine an RFP for the Development of a Johannesburg BPO Park. Responses to this RFI will not affect the potential provider's ability to respond to any RFP that might follow.

The purpose of this RFI is to elicit information from relevant stakeholders that will provide the COJ and the JPC with additional concepts and implementation approaches for achieving the vision and goals of the proposed Johannesburg BPO Park. Submissions may offer best practices, identify systems and approaches enabling the JPC to incorporate strategies, alternatives and experiences and build them into the RFP. Responses will be captured on the structured questionnaire in section 6 of this document.

1.2 THE SUBMISSION OF RFIs

1.2.1 CONDITIONS FOR SUBMISSION OF RFIs

Respondent(s) are invited to furnish their submissions by completing the form contained in Section 5 in this document.

The Respondent(s) are requested to submit the fully completed document before the closing date specified on



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the front cover, by deposit in the tender box made available at the Client Services Centre of:

The City of Joburg Property Company (Pty) Ltd
1stth Floor Braamfontein Centre
23 Jorissen Street
Braamfontein

Submissions should be sealed, clearly marked with RFI name and number, and addressed to:

The City of Joburg Property Company (Pty) Ltd
The Managing Director

All submissions received shall be deemed the property of the COJ and shall not be returned or thus requested back by any Respondent

1.2.2 RFI TIMEFRAMES

Timeframes for the completion of the RFI process and the subsequent issue of the RFP will be made known to respondents at a later date

1.3 RFI DISCLAIMER

1.3.1 RFI PREPARATION COSTS

The COJ will not be responsible or liable for any costs incurred by the respondent in the preparation, submittal, presentation, or revision of its information, or in any other aspect of the respondent's pre-information submittal activity.

1.3.2 RFI CONFIDENTIALITY

The information contained in any Submission will be used exclusively for the purposes of the Johannesburg BPO Park project. Information contained in any respondent's Submission that is considered proprietary must be clearly identified in the Submission. The respondent must accept that any material supplied to the City may be subject to public disclosure under the Promotion of Access to Information Act.



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1.4 GENERAL ENQUIRIES

Only email enquiries will be accepted, such enquiries must be directed to:

Tenders@jhbproperty.co.za

The City may issue addendum(s) to the RFI, based on questions and clarifications received from interested parties. Any forthcoming addendum(s) and / or City responses to questions and clarifications will be posted on both the COJ and JPC websites at the following addresses:

www.joburg.org.za or www.jhbproperty.co.za

1.5 THE LANDOWNER AND ITS AGENT

1.5.1 City of Johannesburg (COJ)

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Braamfontein Centre

In the year 2000, Johannesburg was restructured to become a single metropolitan authority and elections were held for an executive mayor and unified local government. Again the local municipal boundaries were expanded, this time to include Modderfontein and Midrand. Since then, the City has enjoyed a financial turnaround, with the creation of a credible and stable operating environment. This stability, strong centralised co-ordination and oversight; has allowed the City to play a crucial role in building the economy and implementing policies and structures to support economic growth and poverty alleviation. All urban development in Johannesburg is guided by the six core ideas forming the foundation of its five-year Integrated Development Plan (“IDP”):

- **Absorbing the poor into the fabric of society:** People should be helped to get out of poverty, rather than allowing an unsustainable welfare burden on the City to increase.
- The City will continue to **intervene in shaping and facilitating the growth** of the local economy, to improve opportunities for balanced and shared growth: “the growth of business is dependent on both spatial opportunities (location, distribution and infrastructure) and non-spatial opportunities – (incentives and disincentives) afforded to it”.
- **Facilitate spatial growth and restructuring** in a way that will fundamentally change the geography of poverty, with particular attention to providing a viable public transport system; driving the Gauteng global city region; controlling urban sprawl; paying close attention to the



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finer details of neighbourhood development; and upgrading informal settlements into sustainable settlements.

- **Sustainable development and environmental justice:** The report stipulates that although the provision of basic services and quality of life is a basic right, this will not be undertaken at the cost of the environment. Greening marginalised townships forms part of this focus. **Innovative governance** solutions will focus on enhancing the oversight role of section 79 committees and re-organising the administration. Improved collaboration between spheres of government will be encouraged and emphasis will be placed on Gauteng as a global city region, among other things.

As the most important metro in terms of contribution to provincial and national gross domestic product (GDP), Johannesburg is a leading and robust market for investors, distributors and retailers in Gauteng.

1.5.2 The City of Joburg Property Company (Pty) Ltd

Reg. No. 2000/017147/07

9th Floor, 23 Jorissen Street, Braamfontein

The City of Joburg Property Company (“**JPC**”) is a municipal owned entity established by the City of Johannesburg Metropolitan Municipality (“**the City**”) in 2000 as the property management and development arm of the City. JPC therefore provides all property and related services including sales and lease agreements; acquiring properties; expropriation of properties; developing property strategies and preparing properties for release into the market.



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2 THE JOHANNESBURG BPO PARK PROJECT

2.1 BACKGROUND

The City of Johannesburg's Department of Economic Development (DED), is mandated to develop and support programs and partnerships to grow the economy of the city in a sustainable manner - with a target of 9% growth by 2012. Its various development initiatives are guided by the short-medium term Growth and Development Strategy and the long term Joburg 2030 Strategy. The department is responsible for strategy formulation, project planning, and project implementation to ensure the City meets its development, economic growth and job creation objectives.

The Department of Economic Development has identified Business Process Services & Offshoring (BPS&O) as a key growth sector for job creation and has appointed a service provider to identify a suitable area for the establishment of a BPO precinct and develop a business case for the development and ongoing sustainability of the precinct, including a description of necessary business requirements and amenities and a schematic plan.

The proposed Johannesburg BPO Park constitutes a significant private-sector-owned, public-sector-initiated and industry-endorsed development aimed at establishing the City of Johannesburg as a BPO location of choice for both local and global BPO operators. The Johannesburg BPO Park will offer BPO operators a world-class facility with unrivalled flexibility and scalability. The scale of the BPO Park will create opportunities for managed shared facilities that will enable operators to operate from a significantly lower cost base. These benefits make it attractive for both global and local investors to invest in the development and surrounding areas.

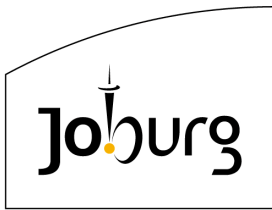
2.2 THE PURPOSE OF THE PROJECT

The objective of the Johannesburg BPO Park development is to facilitate the creation of BPO related jobs in Johannesburg and leverage this sector for economic growth, employment, BEE equity ownership and skills development. The BPO Park has been conceptualised to meet the specialised requirements of international and domestic users of BPO facilities.

The current absence of custom designed, large scale BPO real estate in the greater Johannesburg area has highlighted the pressing need for such a development thus the BPO Park concept, if successful, will



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act as a catalyst for further BPO Park developments in the area and hence further job creation. Consequently there is a potential multiplier effect dependent on the success of this initial development.

2.3 THE GOALS OF THE JOHANNESBURG BPO PARK

The development of the Johannesburg BPO Park aims to achieve specific developmental objectives that are in line with the aspirations of the City and the Department of Economic Development which include:

- To stimulate local economic development through the creation of additional jobs and SMMEs
- To offer local and global BPO operators a compelling value proposition through the provision of a premium BPO facility at a cost effective price
- To encourage and accelerate the attraction of foreign direct investment (FDI) in the BPO sector
- To develop skills in the services sector and close the 'skills gap' between the large unemployed and unskilled labour pool, and the huge demand for skilled BPO resources; and
- To stabilize and improve the area, which should actively help stimulate economic development around the site.

2.4 PROPOSED SITE

The COJ is investigating and finalising the possible sites on which the proposed BPO Park development will be situated and these include a site slightly south of the Johannesburg City Centre and another in Newtown, Johannesburg. The terms of operation of the site will be negotiated between the winning bidder of the second stage of the RFP process and the JPC and may be subject to the level of investment.

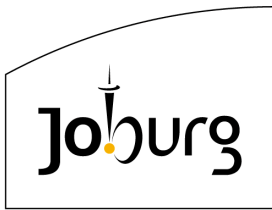
3 THE VALUE PROPOSITION TO BPS&O OPERATORS

South Africa offers a compelling value proposition to BPS&O operators and is becoming increasingly recognised as a key global player. Growth in investor activity and leading names moving to the country are a testimony to this. South Africa provides potential BPS&O investors with:

- A skilled English speaking talent pool given the widespread use of English as a medium of education and as the primary language for business communication;
- Deep domain skills – SA has fundamental strengths in terms of its talent pool in certain segments (e.g. Financial services, Legal), attributes that facilitate the effective delivery of high order back office work;



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- Significant cost savings – SA offers significant savings potential from source markets (e.g. UK), near-shore locations (e.g. Poland, Czech Republic), as well as many Asian (e.g. Malaysia) and Latin American (e.g. Brazil) locations. Investors believe that superior language skills, good customer connections and First World experience offered by South Africa justify its premium over other lower cost locations;
- First world experience – SA has clear advantages in terms of its physical infrastructure and quality of life for its expatriates. The country's infrastructure is superior to most other offshore destinations and the overall experience is strikingly similar to that of Western countries; and
- Robust enabling environment – the government has identified BPO as a key pillar of growth and is committed to fostering the development of the sector.

The primary objective of the Joburg BPO Park is to showcase Johannesburg as a preferred BPO destination in order to increase South Africa's and Johannesburg's share of the global off-shoring market. As a destination the City of Johannesburg is an attractive investment option for BPO operators and some of the advantages for both the City and the industry based on the following:

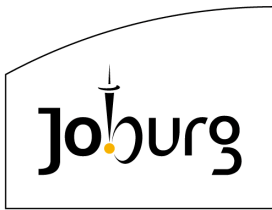
- Joburg is the hub of Banking, Financial Services and Insurance (BFSI) industry, with most companies operating call centres; hence 70% of the BPO industry is located Joburg;
- Most accessible by flight to and from headquarters of foreign BPO investors such as London, New York, New Delhi, Mumbai and Manila;
- Sound and stable economic activity with easy access to supporting industries such as Information Technology, retail banking, transport and logistics;
- Large labour pool through initiatives such as the Joburg BPO Skills Development Hub
- Cultural and language affinity to the UK and US market ; and
- Due to the ease of doing business, there is a huge opportunity for Joburg to attract FDI if a government led enabling environment is created.

In recommending the specified site for the BPO Park facility a rigorous analysis of alternative sites against sector specific criteria was undertaken. Preference for and suitability of the proposed site was based on the following rationale:

- **Potential to attract and retain BPO talent:** The sites are centrally located and therefore have access to a large labour pool to draw from due to their proximity to Soweto in the West as well as Ekurhuleni in the east. The sites also have a high concentration of people working in close proximity, which increases its ability to access labour;
- **Site infrastructure:** current existing infrastructure in terms of telecoms, roads, public transport, higher education institutions, power utility and other municipal related services is well developed in central Johannesburg. Thus driving down the telecom and connectivity costs which constitute a significant portion of a BPO operator's cost structure;



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- **Site amenities:** current amenities in the form of food vendors, shopping, child day-care services and other personal services in and around the sites are well developed. This allows a greater proportion of the BPO Park to be dedicated to BPO operations instead of needing to cater for these amenities within the confines of the park. The existence of the BPO Park also offers SMMEs the growth opportunity to provide these amenities to the BPO Park;
- **Site security:** due to the current levels of perceived crime in and around Johannesburg security is deemed as 'poor' relative to sites in other areas. However the security risk is partially mitigated due to the fact that one of the proposed sites is adjacent to the Joburg Metro Police Department (JMPD). Another mitigating factor is the significant crime prevention initiatives, already initiated in the inner city, which should result in lowering of crime levels in the area;
- **Site financials:** the site is located on City-owned land. The ability of the City to provide this land at lower cost for the development of a BPO Park makes it a more attractive business proposal for private sector investors; and
- **Site Logistics and Legalities:** since this site is to be located on City-owned land the City is able to more effectively, manage and / or intervene in zoning and planning issues. This provides increased certainty to a potential property developer which in turn makes it a more attractive investment opportunity.

3.1 BPO / BPS INCENTIVES

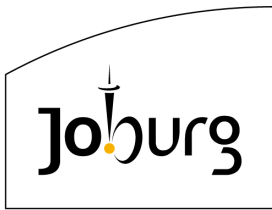
A number of specifically tailored national and local government incentives are applicable which may be of interest to the potential developer / operator. These include both Urban Development Zone (UDZ) and the Department of Trade and Industry (dti) BPS incentives:

- The Joburg Urban Development Zone (UDZ) incentive provides a tax deduction in the form of an accelerated depreciation deducted from the UDZ eligible taxpayer's income, thus reducing the taxpayer's payable tax.
- The DTI offers the Business Process Services (BPS) Incentive, which is one of the elements of a holistic value proposition which includes the Monyetla Work Readiness Programme; a dedicated investor-friendly set up process and a programme to improve industry service standards in order to position South Africa as a preferred location for BPS operations.

The objective of the BPS Incentive is to attract investment and create employment in South Africa through offshoring activities. The incentives may be offset against all types of expenditure at the discretion of the investor.



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BPS&OO is a knowledge intensive industry and skilled people drive success in this sector. A set of initiatives has been put in place to increase the supply of qualified talent to this sector. These initiatives will offer focussed, rapid development of talent to tenants of the Joburg BPO Park.

These initiatives include:

- The Monyetla Work Readiness Programme which is aimed at increasing the pool of entry level employable people;
- The Sector Education and Training Authority (SETA) levy grant and tax incentive system which aims to accelerate the development of home grown supervisors and managers; and
- The National Skills Development Strategy (NSDSIII) which ensures the ongoing building of a globally competitive talent pool by encouraging lifelong learning and training.
- The CoJ Skills training and Recognition of Prior Learning (RPL) initiatives

Thus financial incentives should, wherever possible, be utilised concurrently with training incentives.

4 THE BUSINESS OPPORTUNITY

This is an opportunity for a developer and BPO operator to develop and operate the Johannesburg BPO Park as commercially viable project, which provides a cost effective approach to accommodate the requirements of a variety of BPS&O tenants. For the successful property developer, the City of Johannesburg initiated BPO Park scheme represents a unique, risk reduced diversification opportunity to invest in the inner city.

User demand for such facilities has been validated by formal research and stakeholder engagement. Demand for BPO Park facilities arise from various independent demand sources including:

- International BPS&O Operators (offshorers, outsourcers and captives) wanting cost effective access to high quality 'similar culture mindedness' skills and 'high-tech' infrastructure;
- Local BPO operators wanting to offer local and international clients the flexibility to ramp up or down operations in a relatively short space of time; and
- Local 'in-house' captive organisations and international BPS&O operators, service providers or service users wanting flexible, often short term, access to BPO facilities without having to incur prohibitively high upfront capital costs.



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Over and above the underlying demand there exist supply side factors that enhance the feasibility of a BPO Park development which include:

- Significant vacant land and the absence of restrictive zoning for development enable the creation of a coherent and cohesive BPO Park development strategy in Gauteng; and
- Significant existing infrastructure services in place including good road transport access to and from the proposed BPO Park.

In addition, local industry governing bodies such as Business Process enabling South Africa (BPeSA) Gauteng have called for a world class facility to be able to promote Johannesburg as a 'quality and cost effective' alternative BPO destination.



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5 SCOPE OF RFI

The COJ is seeking input from stakeholders on how best to structure the development of the proposed Business Process Outsourcing (BPO) Park in the City of Johannesburg. The proposed Johannesburg BPO Park has been conceptualised to meet focussed requirements of international and domestic users of BPO facilities and to offer BPO operators world class services with unrivalled flexibility and scalability. Some of the envisaged aspects of the project include the following:

- Technical:
 - The BPO facility will offer a hosted technology solution and provide 'plug and play' operations to facilitate rapid speed to market. Tenants will source connectivity and technology solutions appropriate to their individual and specific requirements
 - High levels of on-site technical redundancy and business continuity facilities such as alternative power supply
 - Architectural concept designs should conform to internationally accepted 'best practice' and refined to align with South African operational requirements and in compliance to SABS Standards
 - The expected development size is approximately 18000 m²
 - A projected tenant mix consisting international BPO operators, Incubator, BPO Hotel, Skills development and public sector call centres
- Legal and Regulatory:
 - The COJ will play an enabling role in driving the project but it is not expected to be directly involved in the day to day running and operations of the BPO Park. However the COJ will wish to have some ongoing connection with the BPO particulars of which will be detailed in the bid request to be issued by the COJ
 - One of the potential sites is being rezoned to accommodate the proposed development. A process of township establishment has been initiated and is currently being managed by the City. The developer is expected to complete any outstanding land approvals processes
 - The land is likely to be provided on a long term lease by the JPC at a rate to be proposed at a later stage potential developers as a condition of the developer's bid

It is also envisaged that BPeSA (Gauteng and National) together with the dti will be in a position to provide access to international BPO Operators who are interested on locating operations in South Africa. The BPO Park concept if successful will act as a catalyst for further BPO Park developments and thus there is a potential 'multiplier' effect dependent on the success of this initial development.

5.1 DETAILS OF RESPONDENT

NOTES OF COMPLETION OF RFI FORM

- *Complete All Sections in Full*
- *Please input data into requested tables (DO NOT "Refer to attached tables")*
- *All data submitted must be supported by the documents requested as ANNEXURES.*



Non-Executive Directors: JJ Buys (Chairperson), SD Maritz,
L Itholeng, D Sekhukhune, A Sibanda,
J Armstrong, S Dzengwa, H Mashela
Executive Director: Helen Botes (Managing Director)
Company Secretary: DO Mosito
City of Joburg Property Company (Pty) Ltd
Registration Number: 2000/017147/07



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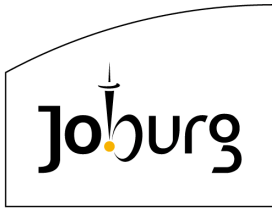
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Name of Respondent			ID /Passport/ Registration Number
Nature of Respondent (tick one)	Natural Person/ Sole Proprietor		
	School/NGO/Trust		
	Company/ CC/ Partnership		
	Joint Venture (JV)		
Postal Address		Tel	
		Cell	
		Email	
		Fax	

COMPANY PROFILE	
<i>Please attach a copy of the bidder's company profile</i>	



Non-Executive Directors: JJ Buys (Chairperson), SD Maritz,
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6 RFI QUESTIONNAIRE

1. Under which of the following categories is the response based? *(Tick all that apply)*

Developer	BPO Operator	BPO Tenant	BPO Training Provider	Other (Please specify)
Please respond to section 6.1	Please respond to section 6.2	Please respond to section 6.2	Please respond to section 6.3	Please respond to any relevant sections

2. What is the span of your operations?

Domestic	<input type="checkbox"/>
International	<input type="checkbox"/>
Both	<input type="checkbox"/>

For the following questions please respond to sections that are relevant to the category of response ticked in question 1 above.

6.1 DEVELOPERS

3. The expected development space is approximately 18 000m². In the table below please provide a list of all similar size and / or scope projects, completed or current the organization has performed. If responding as a joint venture, please provide this information for both organizations.

Details of previous developments completed <u>by the respondent, acting as developer</u>				
(please expand table if required)				
NB: DO NOT ATTACH A SEPARATE TABLE				
Name of Development	Year completed	Value of Development	Client	Tel #



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Total value of developments				

Details of previous developments completed **by bidder's principles, acting as development manager but not under the name of the bidder.**

(Where experience has been reported "in the name of the bidder" – above . this experience should be duplicated in this table referring to the principles since each section will be scored separately)
(please expand table if required)

NB: DO NOT ATTACH A SEPARATE TABLE

Name of Development	Year completed	Value of Development	Client	Tel #



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Total value of developments				

4. The development is expected to conform to Green Building Council of South Africa environmental standards. Please highlight and provide a short description of building projects undertaken that exhibit environmentally sensitive design concepts.

5. Construction of the Johannesburg BPO Park may be based on the City of Johannesburg (COJ) offering the prospective developer land on a 50 year lease basis. Would this be considered an acceptable investment model? _____

If not what other model would be deemed more attractive? (Please provide details)

6. Please indicate if you will have access to equity funding to fund at least 30% of the development costs which have been estimated at R250 million.

6.2 OPERATORS / TENANTS

Current location and name of Development	Start of operation / tenancy	End of operation / tenancy	No. of tenants and seats



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Table with 4 columns and 6 rows, currently empty.

7. What should be the ideal minimum expected workstation space (per m2) that should be allocated to each seat?

Two horizontal lines for answer input.

8. What should be the ideal minimum total space allocated per seat (in m2). What additional desirable amenities should be provided?

Five horizontal lines for answer input.

9. How many seats do you currently occupy locally or globally? Would you be willing relocate from your current location(s) to the Johannesburg BPO Park (please provide reasons)?

Seven horizontal lines for answer input.



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If willing to relocate then how many seats?

Table with 2 columns: Category (No. of seats, Local, International, Total) and Value.

10. Please specify your technology requirements for:

Hardware _____

Software _____

Bandwidth _____

Redundancy _____

11. What minimum lease period would you consider when taking up tenancy?

12. The development is expected to yield a minimum of 3,200 seats, please indicate the possible tenant mix that would be targeted.



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Of the above how many are expected to be international tenants?

13. What type of methods will be used to promote the Joburg BPO Park?

14. Would you undertake to ensure an uptake of 30% of (the projected 3200) seats by international clients within 24 months of beginning operations?

15. If currently an operator or tenant how much rent are you currently paying? How much in rental would you expect to charge / pay at the BPO Park?

6.3 BPO TRAINING PROVIDERS

16. Would you wish to take up tenancy within the BPO Park?

17. What specific services would be offered by your organisation?



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18. What would your basic requirements as a prospective tenant be?

Space (m²)

Technology

19. If you are currently a tenant how much rental are you currently paying? How much in rental would you be prepared to pay at the BPO Park?

6.4 ALL RESPONDENTS

20. As a stakeholder do you have any additional ideas, comments or suggestions regarding the proposed Johannesburg BPO Park?

21. What assistance from the City of Johannesburg would you want?



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Three horizontal lines for text entry.

6.5 FINANCIERS

22. Have you ever structured a funding package for a BPO?

Two horizontal lines for text entry.

23. If yes, what were the sizes of such funding?

Three horizontal lines for text entry.

24. What were your key considerations in developing such packages?

Seven horizontal lines for text entry.

25. Provide any advises that you might consider pertinent that COJ must consider in order to render the project bankable?

Five horizontal lines for text entry.



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