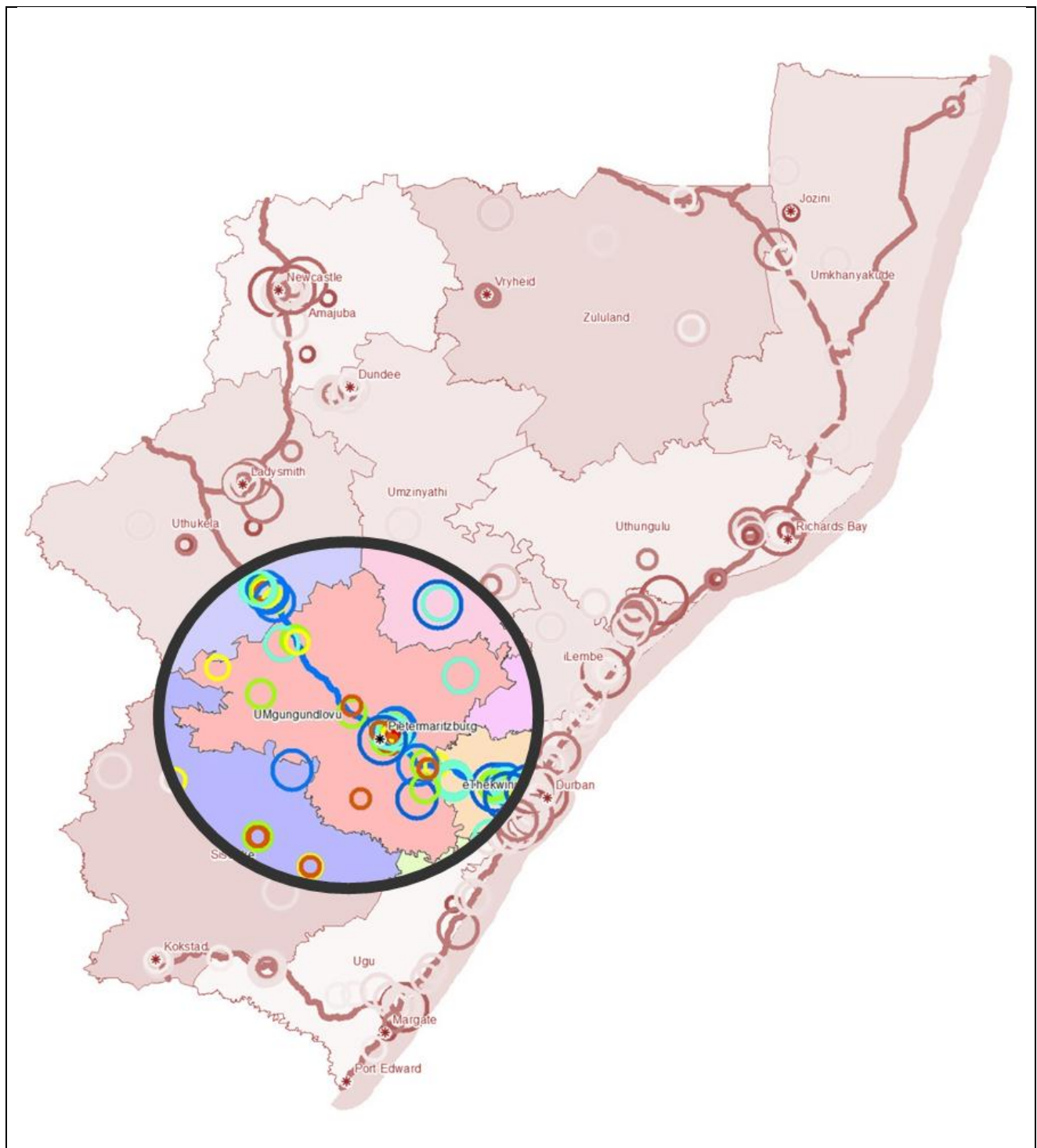


**KZN PSEDs**  
**PROFILING DISTRICT ECONOMIC DRIVERS**



**UMGUNGUNDLOVU DISTRICT MUNICIPALITY**  
**A SPATIAL ECONOMIC OVERVIEW**

**MARCH 2012**

**KZN PSEDs**  
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**UMGUNGUNDLOVU DISTRICT MUNICIPALITY**  
**A SPATIAL ECONOMIC OVERVIEW**  
**MARCH 2012**

**PREPARED FOR:**

COSMAS HAMADZIRIPI

KZN Department of Economic Development  
and Tourism  
Private Bag X9152  
Pietermaritzburg  
3200

Tel: 033 – 264 2781

Email: [hamadziripic@kznded.gov.za](mailto:hamadziripic@kznded.gov.za)

**PREPARED BY:**

ROGER DAVIS, KEVAN ZUNCKEL  
AND TINDALL KRUGER

Isikhungusethu (Pty) Ltd  
3 Poole Avenue  
Pietermaritzburg  
3200

Tel: 033 – 342 5741

e-mail: [dee@isik.co.za](mailto:dee@isik.co.za)

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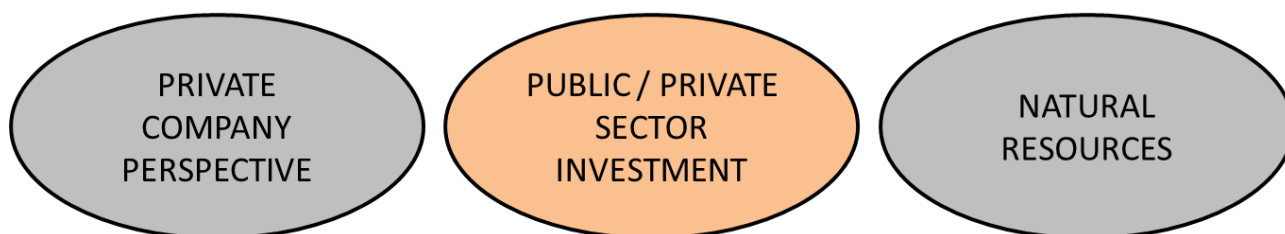
## 1. BACKGROUND AND APPROACH

### 1.1. OBJECTIVES FOR REPORT

The overall vision for this project is to provide reliable data at district municipal level to inform and update the provincial PSEDS as the basis for planning future economic development and growth in the province. The linkage between economic development, spatial development frameworks and natural resource availability is fundamental to future sustainable development.

The overarching objective of this project, as contained in the terms of reference for this brief, is “...to extensively profile the economic drivers and resource endowments (natural capital) of the ten KwaZulu-Natal Districts plus the eThekweni Metro”. As noted above this will be undertaken with the view to updating the PSEDS and informing planning and decision making in government.

Economic drivers are considered from three perspectives:



### 1.2. APPROACHES TO COMPILING THE REPORT

The information in this report was compiled using different approaches:

For the Private Company perspective:

- The identification of companies viewed as drivers or potential drivers by stakeholders;
- The refinement of the list of major companies in the province;
- A survey that included a total of 510 firms identified; and
- The analysis of information from the survey (and location of companies on GIS).

For the Public / Private Sector Investment perspective:

- An assessment of the strategic planning of municipalities;
- A survey of municipalities to identify economic development challenges and significant historic, current and future initiatives; and
- A series of workshops with municipalities to share findings and obtain spatial planning inputs.

For the Natural Resources perspective:

- Using land cover as a base an expert panel was requested to consider the potential of each land cover type to produce and/or deliver different categories of ecoservices and score this; and
- The assessment outcomes were considered using the recommendations emanating from other components of the assessment.



## 2. DISTRICT ECONOMIC OVERVIEW

### 2.1. INTRODUCTION

An initial overview of the district economy is provided in this section of the report. The aim is to provide a contrast within which the sample survey of companies was undertaken. The District economy is considered in terms of the following:

- Spatial Economic Features
- District Economic Contribution
- District Economic Structure

### 2.2. SPATIAL ECONOMIC FEATURES

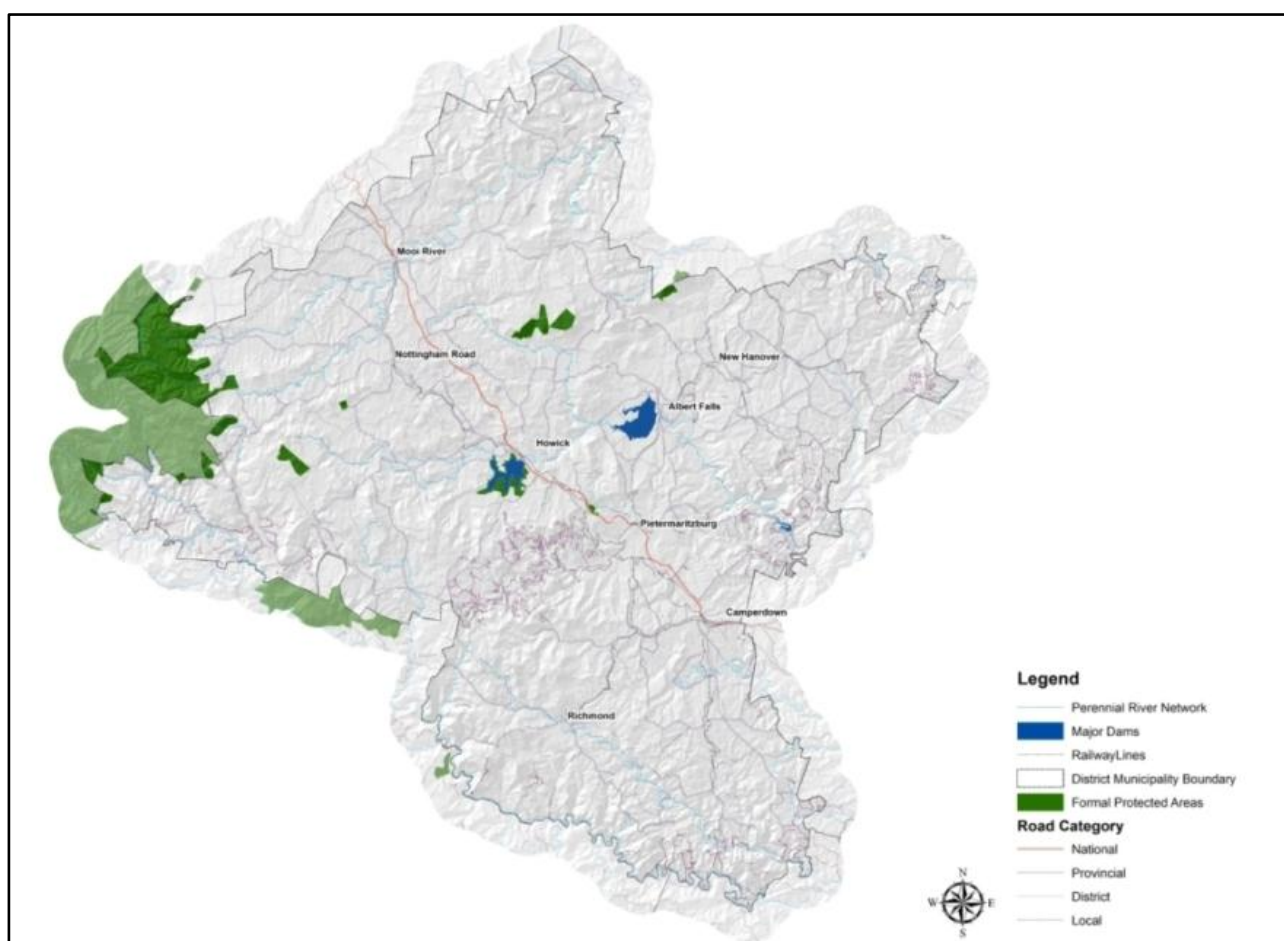
Key spatial features of the uMgungundlovu District impacting on economic development include:

- The Msunduzi Municipality houses the administrative and legislative centre of the provincial government in KwaZulu-Natal as well as performing an important commercial and industrial function in the economy of the district. Msunduzi is also located on the following main road transportation routes and associated interchanges:
  - Ethekewini-Gauteng;
  - KwaZulu-Natal-Midlands and the Eastern Cape via Bulwer, Underberg and Kokstad;
  - KwaZulu-Natal-Midlands and the Eastern Cape via Richmond and Ixopo;
  - KwaZulu-Natal-Midlands and the north coast via Wartburg and/or Greytown R33,
- The district is characterised by a developed system of rail with the following alignments:
  - The main Gauteng line follows the N3 and passed through Pietermaritzburg;
  - The line to the Eastern Cape starts at Pietermaritzburg and runs through to:
    - Donnybrook before splitting off to Underberg, Franklin and Kokstad;
    - Donnybrook where it splits off to Creighton, Riverside and then into Umzimkulu and the Eastern Cape;
    - Donnybrook where in the past there was a line to Ixopo and down to the town of Umzimkulu (line only partially functional);
    - Pietermaritzburg, Dalton, Wartburg, Greytown, Kranskop.
- Urban centres outside of Pietermaritzburg include Howick located in uMngeni Municipality, Mooi River located in Mpofana Municipality, Impendle village in Impendle Municipality, New Hanover-Wartberg-Harburg in uMshwathi, Camperdown located in Mkhambathini Municipality and Richmond-Ndalen located in the Richmond Municipality.

- The municipalities in the district include large areas of land owned by the Ingonyama Trust Board and occupied by traditional communities. There are number of identified nodes in these traditional areas as well as extensive areas of informal settlement and limited agriculture: a large proportion of the regional population is located in traditional areas.
- Outside of urban and traditional areas, the district is characterised by commercial farming operations which include sugar cane, timber, vegetables, livestock and dairy.
- Tourism in the district involves historic and cultural experiences in and around Pietermaritzburg and the associated small towns. There is also access to a wealth of bio-diversity opportunities in the district from sub-alpine conditions in the berg to sub-tropical conditions at the seaside resorts along the Indian Ocean. Pietermaritzburg hosts a number of sporting events every year which attract international and local athletes (e.g. Comrades Marathon, Msunduzi Canoe race, BMX Championship, Downhill racing etc).
- Areas of land have been set aside in the district for conservation (private and state) and these attract local and international tourists to experience the wide range of biodiversity in these areas.

The map below reflects the location of major roads and transport infrastructure, as well as topographic and key natural features.

**MAP 2.1: SPATIAL ECONOMIC FEATURES**

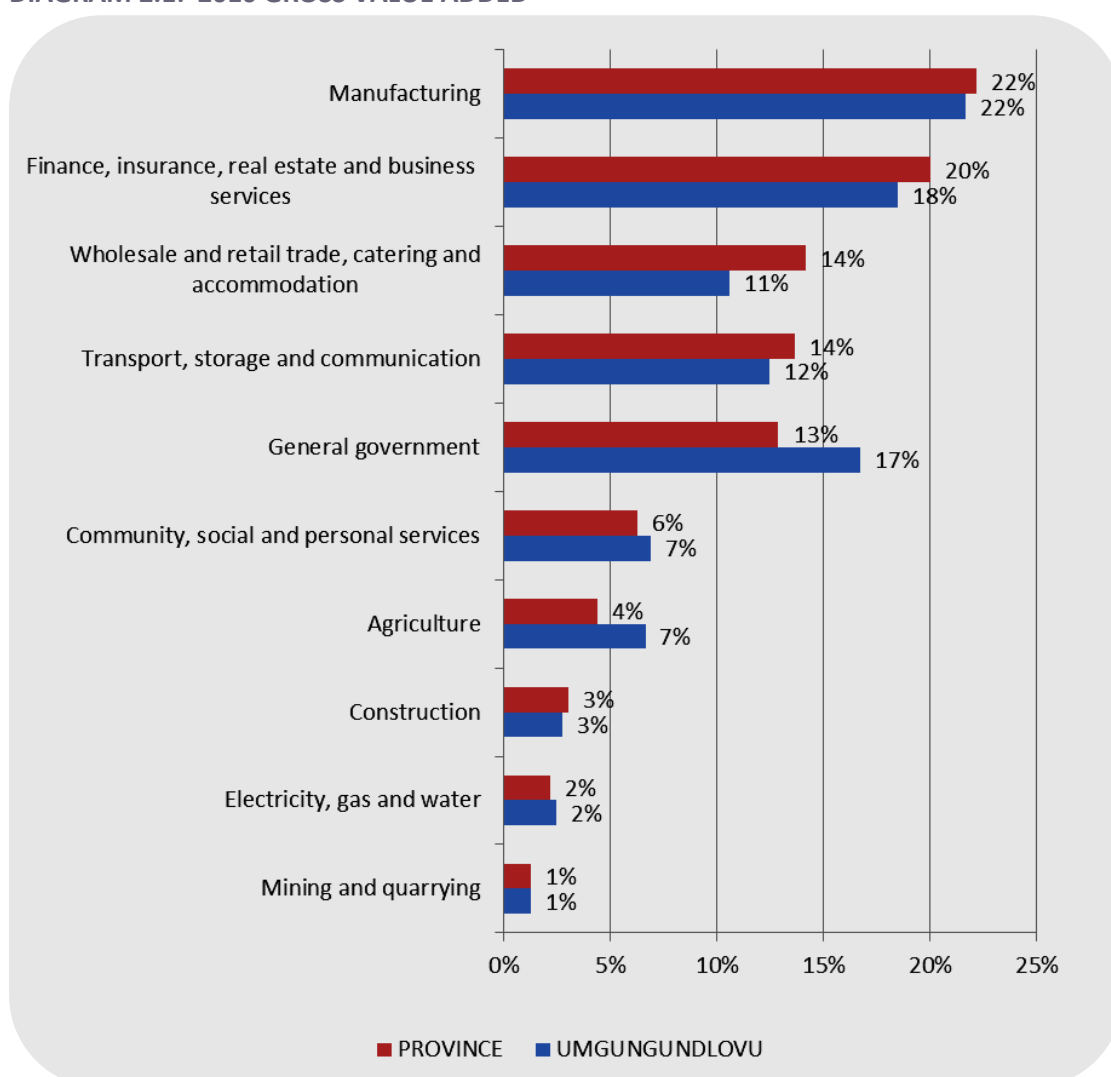




### 2.3. DISTRICT ECONOMIC CONTRIBUTION

- In overall terms the uMgungundlovu District makes an important contribution to the economy of KwaZulu-Natal, i.e. R31,305 billion of a total of R267 billion or 11.7% of the provincial economy.
- The diagram suggests that manufacturing, finance and real estate, wholesale and retail (including accommodation), transport and storage, as well as the general government sector, all make a contribution of more than R1 billion to the district economy.
- The district economy differs from that of the province in that government, community services and agriculture contribute a higher proportion to the district GVA than these sectors do to the provincial economy.

DIAGRAM 2.1: 2010 GROSS VALUE ADDED



Source: Quantec 2010

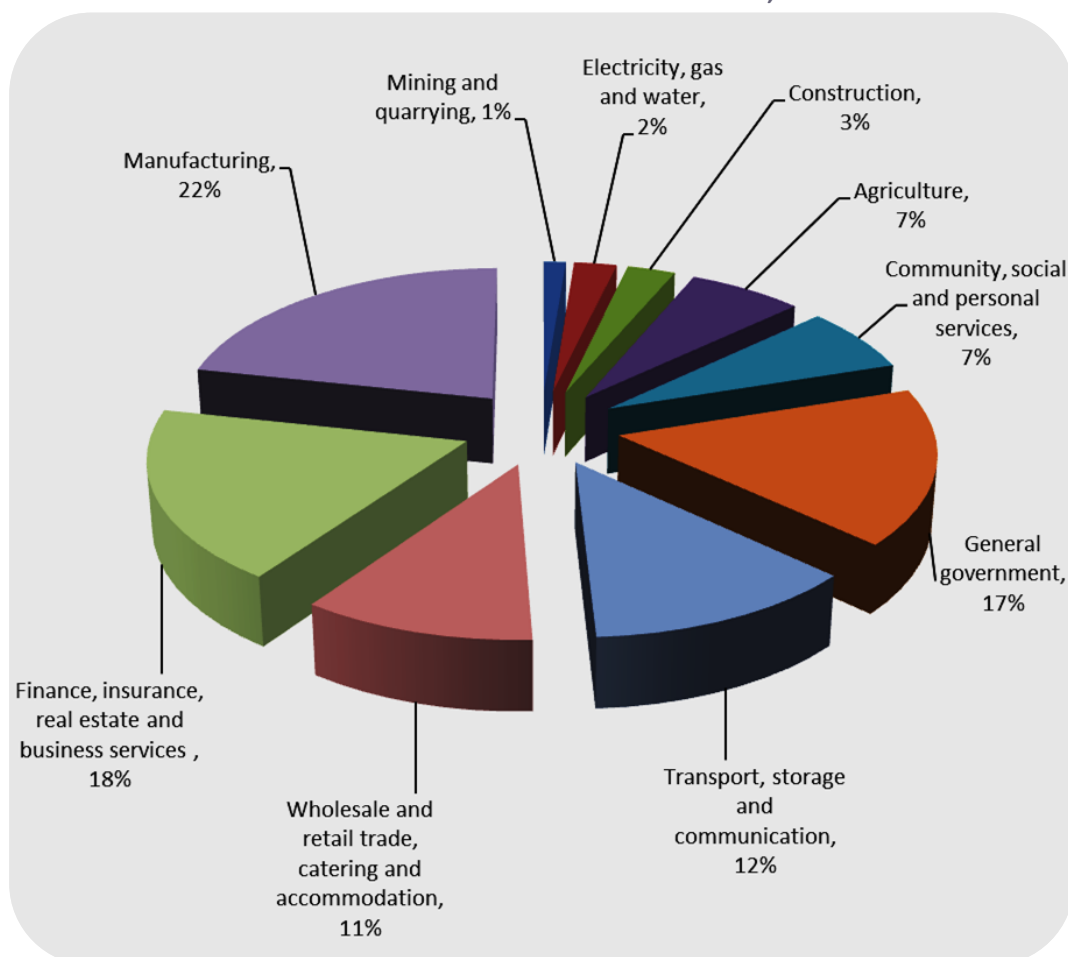


## 2.4. DISTRICT ECONOMIC STRUCTURE

- The diagram reflects the economic structure of the uMgungundlovu District based on 2010 GVA figures.
- As reflected in the previous section the dominance of the manufacturing, finance and business services and government, sectors is evident.
- General government (17%) and community, social and personal services (7%) together make a significant contribution to the district economy (24%).
- Transport and trade make up a combined 23% of the district GVA.
- Included in the sectors contributing less than 10% is agriculture, construction, utility services and mining/quarrying.

In other words the district economy is focussed on manufacturing, business services including (finance) and government.

**DIAGRAM 2.2: 2010 GROSS VALUE ADDED TOTAL GVA OF R31,305 M**



Source: Quantec 2010

It should be noted that the GVA data (above) does not necessarily have a bearing on companies in the sample which were identified as drivers. The criteria used to identify drivers was different to the method used to formulate the GVA. This must be born in mind when analysing key sectors and companies that drive the economy. For example, agriculture, and tourism companies dominate the “top companies” of the sample whilst manufacturing and services dominate the GVA sectors.

### **3. A MAJOR COMPANY OVERVIEW**

#### **3.1. INTRODUCTION**

The basis of the major company interviews was a comprehensive questionnaire that extracted a range of information from companies deemed to be drivers, or being located in sectors driving the economy. It must be noted that a number of companies perceived to be potential drivers chose not to participate in the survey. This District report reflects on the following information relating to major companies in order to provide a basis for future spatial economic development planning in the District:

- A Generic Perspective of the Economic Sectors
- Companies Interviewed
- Sectors and Products
- Spatial Distribution of Companies
- Key Characteristics of Companies
- Major Companies
- Companies Exporting
- Infrastructure and Other Challenges
- Interviewee Comments
- Synthesis

#### **3.2. SECTORS AND PRODUCTS – A GENERAL PERSPECTIVE**

##### **3.2.1. MANUFACTURING SECTOR**

As noted above manufacturing is a major contributor to the district economy. Firms involved in manufacturing are mainly located in Msunduzi, Mkhambathini (Camperdown) and uMgeni Municipalities. Over the past 10 years there has been a decline in certain sub-sectors of the manufacturing sector including shoe production. Other sub-sectors have over this period entered into the market such as aluminium processing.

##### **3.2.2. AGRICULTURAL SECTOR**

- There has been a decline in the commercial agricultural sector over the last 10-15 years accompanying a major increase in urbanisation in the district and loss of land to non-agricultural uses, land reform and the impacts of globalisation which in turn all have combined to negatively impact on certain of the more traditional crops such as sugar cane. Despite this decline (relative to other sectors) agriculture still plays an important role in both upstream and down stream economic activities many of which take place in the urban centres of the district. Furthermore commercial agriculture plays an important role in employment in rural areas where there are limited alternative opportunities.



- Based on preliminary findings of a study being conducted for DRD&LR: SPI, on agriculture in traditional areas of the province, it would appear that cultivation in traditional areas has also declined over the past 15-20 years. This may be attributed to younger generations being interested in working in other sectors of the economy, lack of access to equipment and capital, poor access to markets, limited market intelligence, inability of small scale producers to compete with commercial operators and limitations on production skills. A similar set of conditions applies to the livestock sector in traditional areas in addition to the fact that not all livestock owners are producing for commercial markets.

### 3.2.3. TOURISM SECTOR

The tourism sector forms part of the trade sector in the GVA and hence it is difficult to establish the real contribution that tourism makes to the GVA of the district in its own right. Nevertheless there is significant tourism trade taking place in the district, but primarily focussed at the international and Gauteng markets. There needs to be a shift in the sector to accommodate local markets (e.g. 'black diamonds').

### 3.2.4. COMMERCIAL SECTOR

The commercial sector in uMgungundlovu includes a mix of large scale wholesale outlets which in addition to servicing retail outlets in town are also providing goods to smaller retail outlets in the surrounding rural and traditional areas. The retail sector in the main centres in the district range from shopping malls (multiple groups of shops which all form part of provincial and national chains) to individual shops in towns (chain stores as well as privately owned ventures) to informal traders operating on the streets outside formal stores.

*Note: The commercial sector in this context is used as a generic term for most businesses included the following sectors (as defined by the Standard Industrial Classification): (1) financial intermediation, insurance, real estate, and business services, (2) wholesale and retail trade (excl. Hotels and restaurants), (3) community, social and personal services.*

### 3.2.5. GOVERNMENT SECTOR

Government sector in this district is inclusive of the provincial legislature and associated support services. This is accompanied by the head offices of the main line function government departments being located in Msunduzi Municipality. In addition the Msunduzi Municipality accommodates the high court and associated lower order courts. The University and numerous educational institutions are also located in Msunduzi. Thus as the 'hub' of provincial government this sector plays an important role and contributor to the GVA of the district.

### 3.3. COMPANIES INTERVIEWED

---

A total of 63 companies were interviewed in the uMgungundlovu District in order to obtain a better understanding of the types of major firms, their characteristics and challenges faced by them. The list below reflects the name of the company interviewed, the annual turnover, employment, product/service delivered and the sector to which it relates (in terms of the Standard Industrial Classification [SIC]). This list should serve as a basis for the District to develop and maintain a major company database. The following categorisations were used:

- Company Turnover categorised in terms of: Small (less than R5m), Medium (R5m to R100m) and Large (R100m+);
- Company Employment categorised in terms of: Small (less than 20 people), Medium (21 to 100 people) and Large (100+ people).



TABLE 3.1: COMPANIES INTERVIEWED (SEE ANNEXURE B FOR DETAIL ON DISTRIBUTION OF SAMPLE IN LOCAL MUNICIPALITIES)

COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Agriculture, hunting, forestry and fishing			
Mearns Farm	Medium	Medium	Agricultural Commodities
Sourveld Farm	Medium	Large	Agricultural Commodities
Growmore Compost	Not provided	Medium	Compost
National Chix	Large	Large	Chickens
Summerhill Stud Farm	Not provided	Large	Equestrian Training and Production
Rainbow Chickens	Not provided	Not confirmed	Chickens
Triple A Abatoirs	Not provided	Not confirmed	Meat products
Vrystaat Farm	Not provided	Not confirmed	Potatoes
Community, social and personal services			
Netcare St Annes Hospital	Not provided	Not confirmed	Medical Services
PMB Mediclinic Hospital	Not provided	Not confirmed	Medical Services
Construction			
Cougar Construction cc	Not provided	Small	Construction Services
Financial intermediation, insurance, real estate and business services			
GDR Image Property Developers	Small	Medium	Property Services
Pam Golding	Medium	Small	Property Services
Morar Incorporated	Medium	Large	Financial Services
Manufacturing			
De Heus	Large	Large	Animal Feeds
Crouch Footwear	Not provided	Medium	Footwear
Sew Rite International	Medium	Small	Industrial sewing machines
Nampak Corrugated	Medium	Medium	Packaging Products



COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Metaltek	Small	Small	Steel Products
Aberdare Cables	Large	Large	Cables
Anderson Engineering Food & Chemical Equipment cc	Medium	Medium	Stainless Steel Products
Howick Metal Products	Medium	Medium	Aluminium Products
Midlands Industrial	Not provided	Medium	Steel Products
Gelvornor Textiles	Large	Large	Textiles
GEM Steel Fabrications	Small	Medium	Steel Products
DEMAG Cranes	Medium	Medium	Cranes
CCA Plastic Products	Medium	Medium	Plastic Products
Tai Yuen Textile	Medium	Large	Textiles
Illovo - Noodsberg Sugar Mill	Large	Large	Sugar and Related
Willowton Oil	Large	Large	Soap, Candles and Oil
Belgotex Floorcoverings	Large	Large	Artificial Floor Coverings
Eddels Footwear	Large	Large	Footwear
The Witness	Large	Large	Publishing
Hulamin Limited	Large	Large	Aluminium Products
BSI STEEL	Not provided	Not confirmed	Steel
Carrida Shoes	Large	Large	Shoes
Corobrick	Not provided	Not confirmed	Brick and paving
EURO steel	Large	Medium	Steel Products
Exotex Textiles Hammarsdale	Not provided	Large	Clothing
Illovo - Eston Sugar Mill	Large	Large	Sugar and Related
Interpak	Large	Large	Printing
Intrepid Printers	Large	Large	Printing



COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Meadow Feeds	Large	Large	Animal Feeds
Mediterranean Textile Mills	Not provided	Not confirmed	Textiles
Omnia	Not provided	Medium	Fertiliser
Richmond Meadow Feed Depot	Not provided	Not confirmed	Animal Feeds
Springquip manufacturers	Medium	Medium	Metal Products
Taiyuen Textiles	Small	Large	Textiles
TDM	Medium	Large	Timber Products
Walton Carpets cc	Not provided	Not confirmed	Carpets
Transport, storage and communication			
Air Link	Not provided	Small	Transport
Deepsons Transport	Small	Small	Transport Services
Timber 24	Not provided	Not confirmed	Timber Products
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants			
TKW	Small	Medium	Agricultural Supplies
Lewis Stores	Small	Small	Furniture Retail
Ascot Inn	Small	Medium	Tourism Accommodation +
Camperdown SuperSpar	Medium	Medium	Retail
Cleopatra Mountain Farmhouse	Not provided	Medium	Tourism Accommodation +
Hartford House	Medium	Medium	Tourism Accommodation +
Emoyeni Guest Lodge	Small	Small	Tourism Accommodation +
Croxton WK Pty Ltd Chemicals	Not provided	Small	Import Chemicals
Golden Horse Casino	Not provided	Not confirmed	Tourism Accommodation +
Ntshingisi Lodge	Not provided	Not confirmed	Tourism Accommodation +





### 3.4. SECTORS AND PRODUCTS – A SURVEYED COMPANY PERSPECTIVE

---

Considering the approach adopted in identifying major companies, i.e. through consultation with local level stakeholders, there is a high level of certainty that the majority of the larger companies in the district have been identified and interviewed. The following table below indicates the number of companies identified per sector and sub-sector and then provides an indication of the extent of “clustering” that occurs in sub-sectors of the economy.

From the table, and the more detailed information obtained through the questionnaire, it is suggested that based on an assessment of the surveyed companies the key sub-sectors driving the economy of the District are included in the following table below:

- Manufacture of metal products (aluminium, steel)
- Manufacture of animal feeds
- Manufacture of materials used in construction
- Manufacture of textiles, clothing and leather goods
- Hotels and restaurants
- Health services

**TABLE 3.2: STRUCTURE OF SAMPLE PER SECTOR AND SUB-SECTOR**

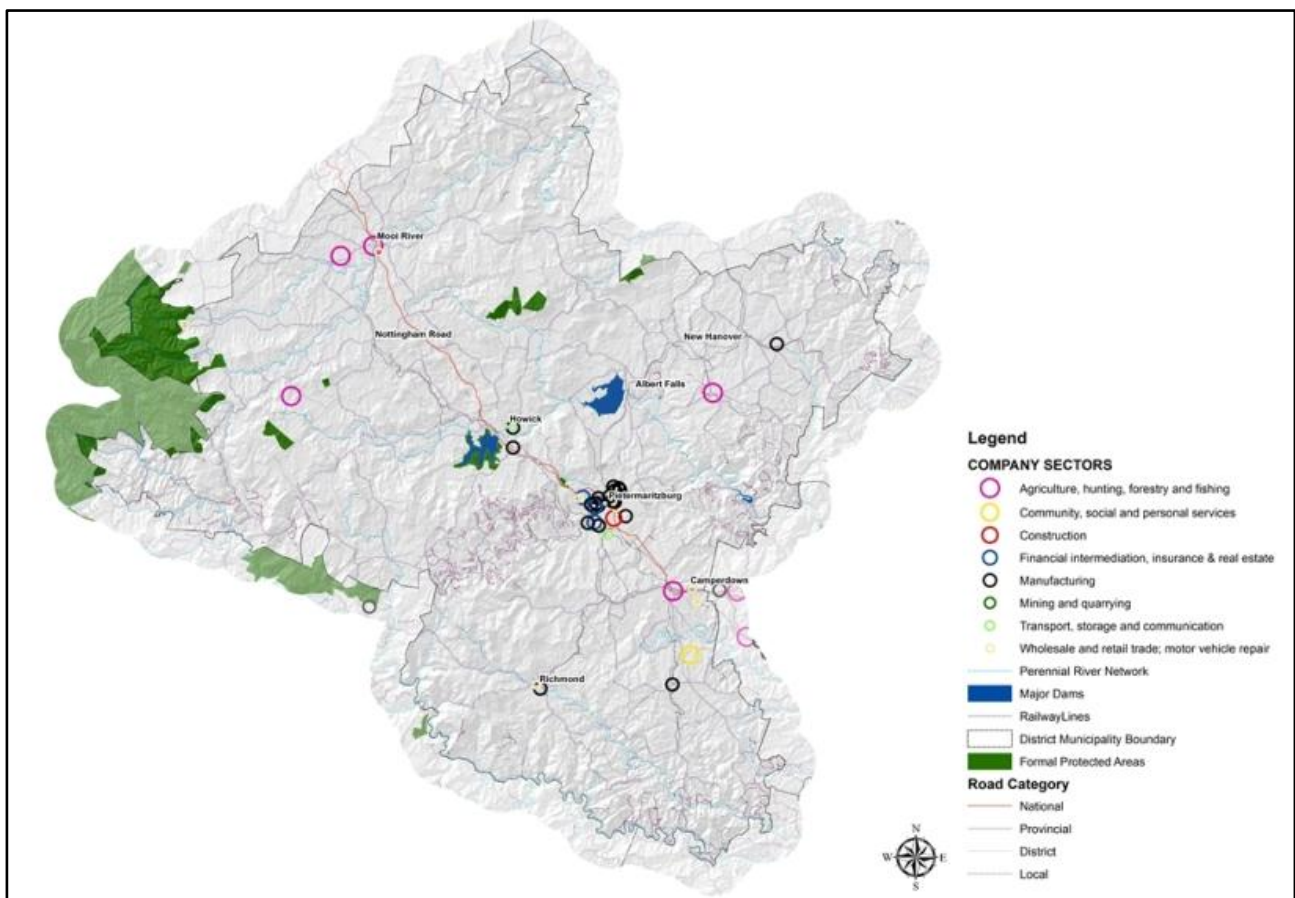
<b>SECTOR AND SUB-SECTORS</b>	<b>NO. OF COMPANIES</b>
<b>Agriculture, hunting, forestry and fishing</b>	<b>8</b>
Agriculture, hunting and related services	8
<b>Community, social and personal services</b>	<b>2</b>
Health and social work	2
<b>Construction</b>	<b>1</b>
Construction	1
<b>Financial intermediation, insurance, real estate and business services</b>	<b>3</b>
Real estate activities	2
Financial intermediation, except insurance and pension funding	1
<b>Manufacturing</b>	<b>36</b>
Manufacture of textiles, clothing and leather goods	10
Manufacture of basic metals, fabricated metal products, machinery and equipment and of office, accounting and computing machinery	9
Manufacture of food products, beverages and tobacco products	6
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials; manufacture of paper and paper products; publishing, printing and reproduction of recorded media	5
Manufacture of electrical machinery and apparatus n.e.c.	2
Manufacture of coke, refined petroleum products and nuclear fuel; manufacture of chemicals and chemical products; manufacture of rubber and plastic products	2
Manufacture of transport equipment	1
Manufacture of other non-metallic mineral products	1
<b>Transport, storage and communication</b>	<b>3</b>
Land transport; transport via pipelines	2
Air transport	1
<b>Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants</b>	<b>10</b>
Hotels and restaurants	6
Wholesale and commission trade, except of motor vehicles and motor cycles	2
Retail trade, except of motor vehicles and motor cycles; repair of personal household goods	2
<b>TOTAL</b>	<b>63</b>

### 3.5. SPATIAL DISTRIBUTION OF SURVEYED COMPANIES

#### SECTORS

- As may be noted in Map 3.1 the majority of major companies (in government, manufacturing, services and trade (included in the sample) are located in Msunduzi, Umngeni and Camperdown-Cato Ridge.
- Agricultural processing firms are located in the rural areas of the district and mainly include sugar and timber mills.

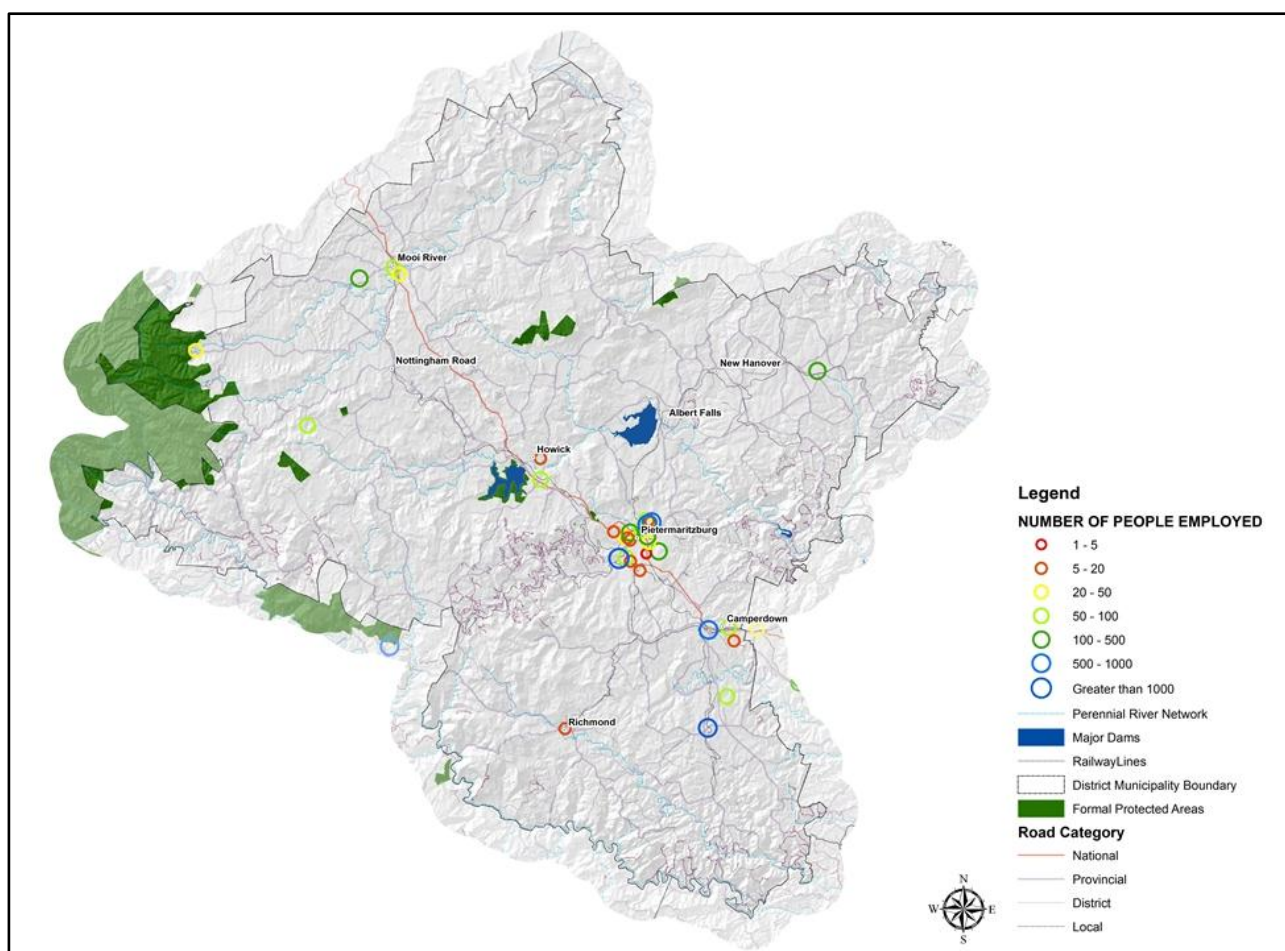
**MAP 3.1: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY ECONOMIC SECTORS**



## EMPLOYMENT

- The major employers in the district are located in the regional centres located along the N2.
- The major employers in the District employ between 100 and 500 people.
- The 50 companies in the uMgungundlovu District that supplied the information on number of people employed (of the sample of 63), employs an estimated 11 714 people or 11% of the total employment of the District.
- The total estimated employment in 2009 was around 255 202 people in the District (Quantec 2010).
- As noted above, agriculture is also an important employer, particularly in the commercial sector.

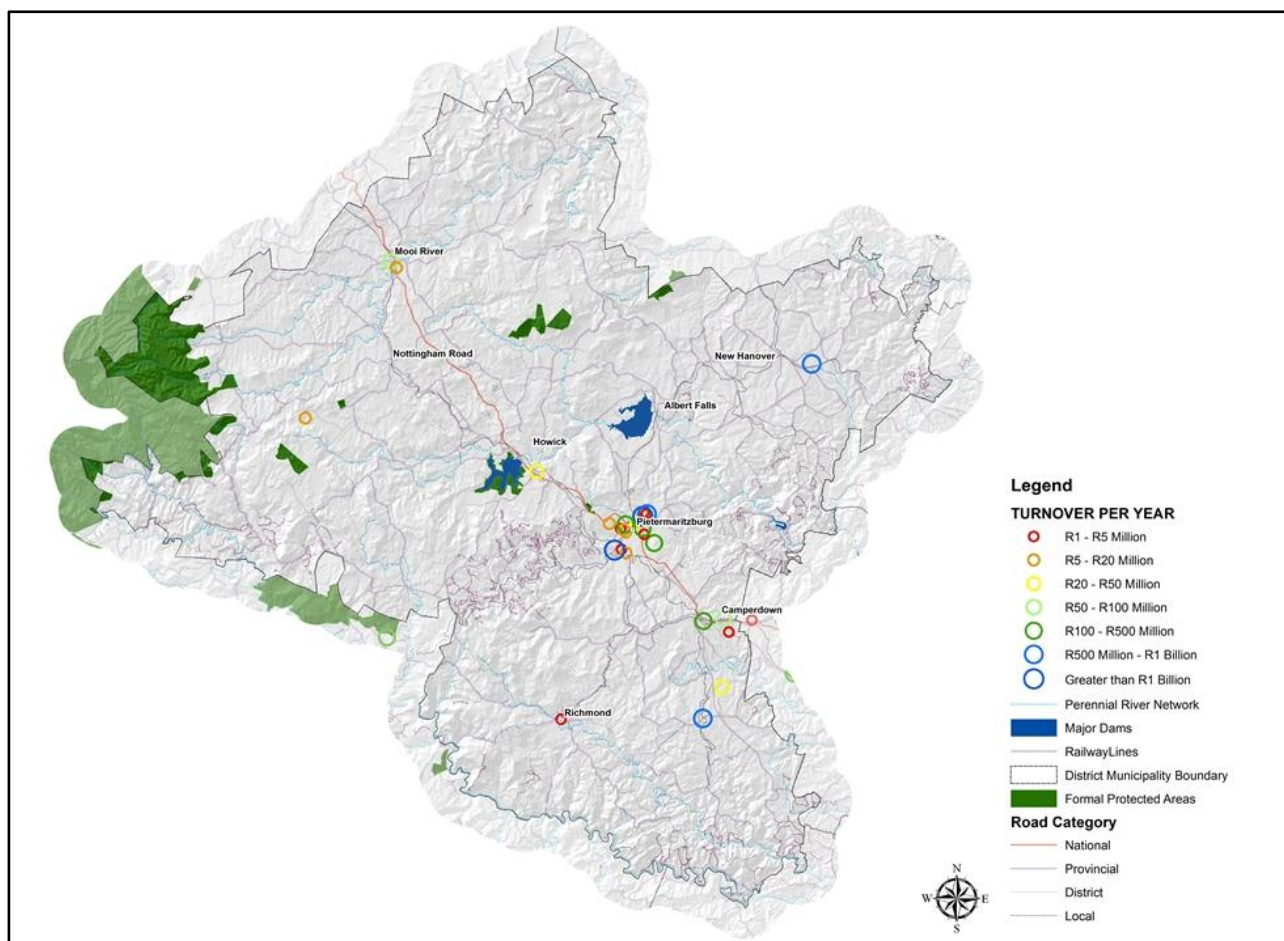
**MAP 3.2: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY NUMBER OF PEOPLE EMPLOYED**



## TURNOVER

- Those firms with a turnover of more than R100 million are generally located on the N2 transportation route.
- Companies with a smaller turnover (up to R20 million) tend also to be located along the N2 corridor and also in the smaller regional centres.
- A limited number of companies were identified, with both large and small turn overs, which are located in the smaller centres in the district such as Illovo, Noodsberg, Mooi River etc.

**MAP 3.3: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY TURNOVER PER YEAR**

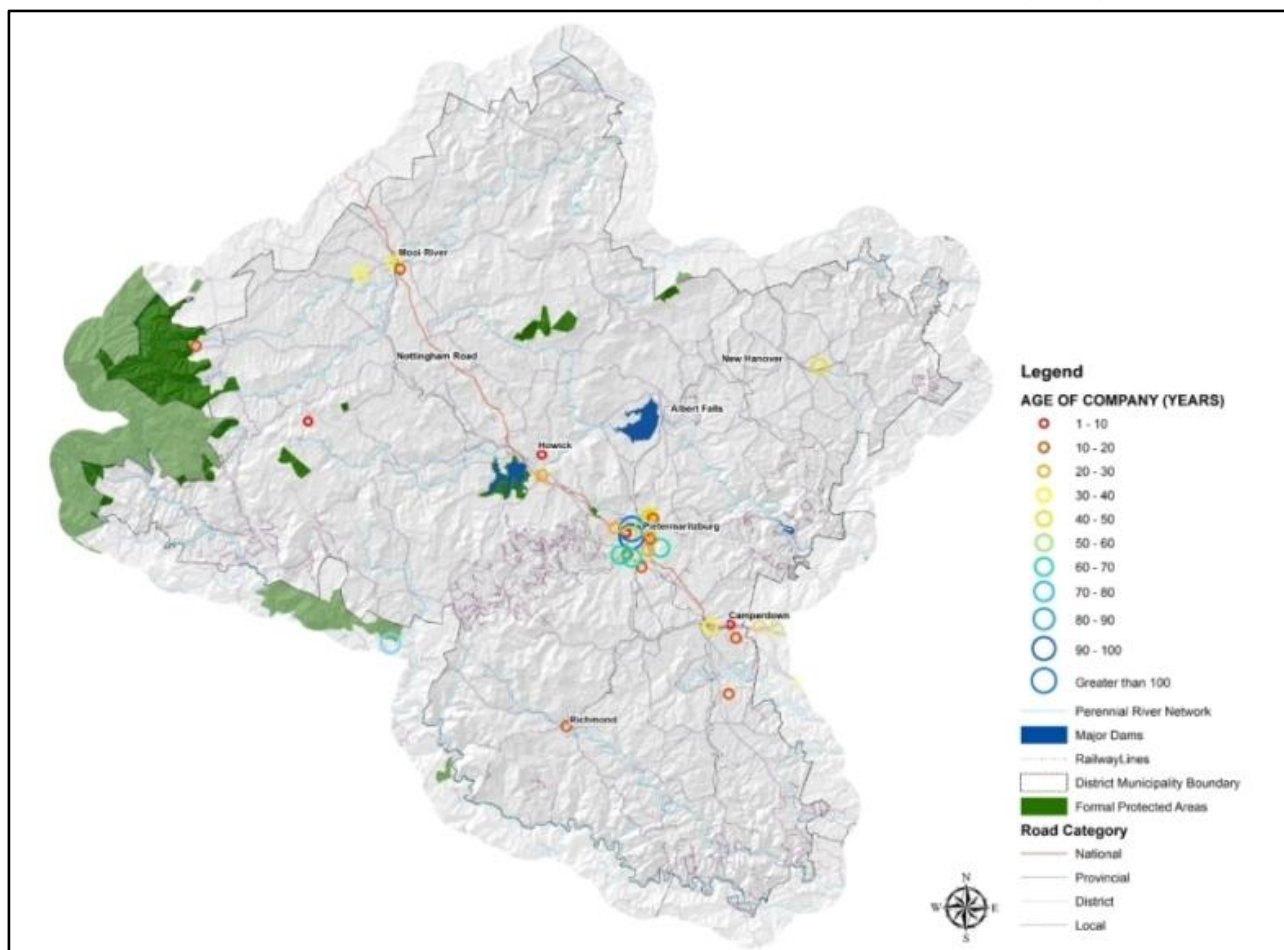




## COMPANY AGE

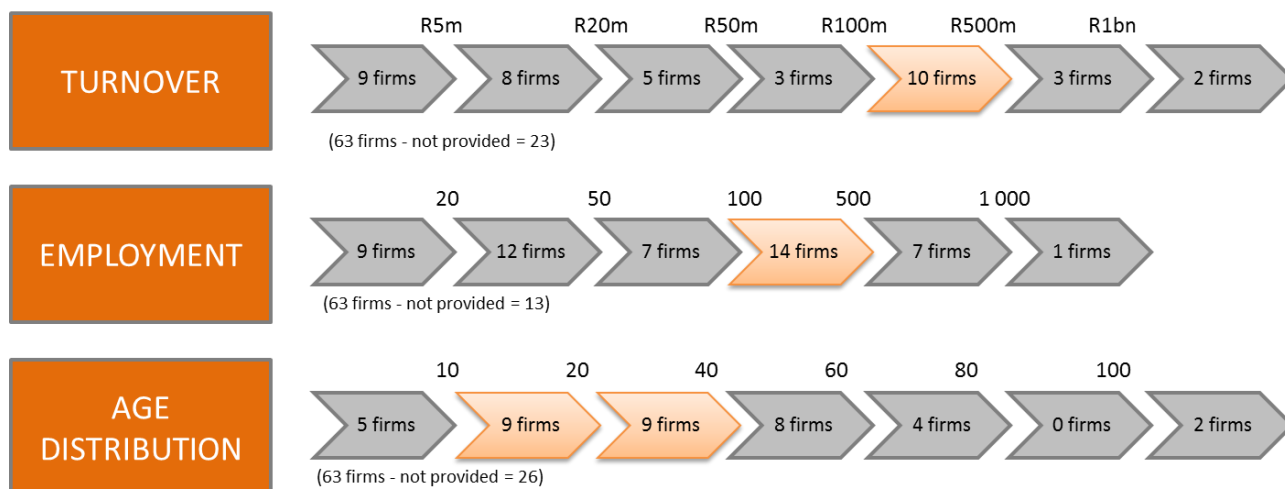
Map 3.4 indicates that the younger, middle aged and older companies in the district are mainly located in the district's major centres. However, the indications are that a number of younger companies are located in the smaller centres mainly, but not exclusively, located along the major transportation routes.

**MAP 3.4: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY AGE OF COMPANY (YEAR)**



### 3.6. KEY CHARACTERISTICS OF COMPANIES

DIAGRAM 3.1: CHARACTERISTICS OF COMPANIES



#### OBSERVATIONS:

- Diagram 3.1 provides an indication of the turnover categories of companies included in the sample where: 42.5% fall within the up to R 20 million turnover category; 20% fall within the R 20 – R 100 million category; 32.5% fall within the R 100-R 1 billion category and 5% fall within the above R 1 billion category. These findings would seem to indicate that up to 60% of the sample generated turnovers of up to R 100 million per annum with the remaining 40% generating in excess of this figure.
- In terms of employment 56% of the sample of companies employed up to 50 employees. A further 42% employed up to 500 employees with only 1 company (2%) employing up to 1000 workers. The findings would seem to indicate that there are two broad categories of companies in terms of number of employees: those with up to 50 employees and those employing up to 500 workers.
- 38% of the companies sampled were under 20 years of age. A further 46% of the companies were between 20 and 60 years of age and the remaining 16% were between 80 and 100 years of age. The indications of these findings are that the district is characterised by companies with a mature age profile and there are a greater number of older than younger companies.
- In summary a profile of the companies driving the economy of the district would seem to be as follows:
- ‘Companies tend to be mature in the district employing relatively small work forces and generating turnover of under R billion per annum’.



### 3.7. MAJOR COMPANIES SURVEYED

The table below lists the major companies in uMgungundlovu based primarily on number of people employed.

**TABLE 3.3: MAJOR COMPANIES SURVEYED BASED ON NUMBER OF PEOPLE EMPLOYED**

COMPANIES LISTED EMPLOY BETWEEN 2300 AND 200 PEOPLE		
NO	COMPANY	OVERVIEW
1	Hulamin Limited	Hulamin is a major employer in the District, but when considering the list of major companies it is evident that the textiles, clothing and footwear industry and the agri-processing and agricultural supplies dominate the list of major employers in the sample. The continued strong presence of the textiles, clothing and footwear sector as an employer in uMgungundlovu, primarily based in Pietermaritzburg, is evident from the presence of Tai Yuen Textile, Carrida Shoes, Eddels Footwear, Gelvernor Textiles and Exotex Textiles. The agriculture, agri-processing and supplies industries are located primarily the rural areas of the District represented by the Eston and Noodsberg Mills, animal feed manufacturers De Heus and Meadow Feeds. Major producers of food products include National Chix and Willowton Oil.
3	National Chix	
4	Tai Yuen Textile	
5	Willowton Oil	
6	Belgotex Floorcoverings	
7	Carrida Shoes	
8	Eddels Footwear	
9	Illovo - Noodsberg Sugar Mill	
10	TDM	
11	Summerhill Stud Farm	
12	Gelvernor Textiles	
13	De Heus	
14	Aberdare Cables	
15	Exotex Textiles Hammarsdale	
16	Illovo - Eston Sugar Mill	
17	The Witness	
18	Meadow Feeds	
19	Interpak	
20	Sourveld Farm	

### 3.8. UMGUNGUNDLOVU COMPANIES EXPORTING

Twenty one of the 63 companies interviewed indicated that they export a percentage of their products. A third of the companies interviewed indicated that they engage in export activities in the district.

**TABLE 3.4: UMGUNGUNDLOVU EXPORTS**

DISTRICT	EXPORTERS	COMPANIES	% EXPORTERS
uMgungundlovu	21	63	33%
uMzinyathi	6	18	33%
uThukela	14	42	33%
Zululand	7	23	30%
uThungulu	11	38	29%
iLembe	13	45	20%
Amajuba	11	41	27%
eThekweni	29	119	24%
Ugu	4	48	8%
uMkhanyakude	1	17	6%
Sisonke	1	20	5%
<b>KZN Province</b>	<b>118</b>	<b>474</b>	<b>25%</b>

The products exported by uMgungundlovu companies in the sample include: aluminium products, sugar and related, artificial floor coverings, equestrian training and production, chickens, soap, candles and oil, shoes, footwear, sugar and related, timber products, textiles, animal feeds, printing, stainless steel products, steel products, aluminium products, plastic products, industrial sewing machines.

Only the companies relating to the first four products listed above indicated that they export more than 25% of total production. All other companies indicated that they export less than 25% of production. In relation to the criteria applied in other parts of this project this would mean that these companies cannot be strictly defined as exporters (ie. Less than 50% of goods exported).

### 3.9. INFRASTRUCTURE CHALLENGES

#### UTILITY CHALLENGES

Including water, electricity, sanitation.

- 59% of the challenges listed related to electricity supply and costs.
- The remaining challenges related to water, solid waste, telecommunications and lack of sewerage disposal services.

**TABLE 3.5: UTILITY CHALLENGES**

UTILITY CHALLENGES	MENTIONS	%
Electricity costs	10	26%
Electricity	5	13%
Electricity erratic	4	10%
Water supply	4	10%
Telecommunications	4	10%
Electricity limitations	4	10%
Solid waste removal	3	8%
Internet Access	1	3%
Sewerage non-existent	1	3%
Water costs	1	3%
Delays in applications	1	3%
Solid waste disposal	1	3%
<b>TOTAL</b>	<b>39</b>	<b>100%</b>

**TRANSPORT CHALLENGES**

Thirteen issues were raised by some of the 63 companies in the sample.

Amongst those with transport challenges the following issues were raised:

- Costs associated with transportation.
- Road maintenance problems – delays and unnecessary costs.
- Harbour inefficiencies and associated.
- Transport delays.
- Unreliability and extended delays on rail.

**TABLE 3.6: TRANSPORT CHALLENGES**

TRANSPORT CHALLENGES	MENTIONS	%
Fuel / transport costs	7	54%
Road maintenance	2	15%
Rail unreliable	1	8%
Fuel / transport costs + Road Maintenance	1	8%
Durban harbour delays + congestion on N2-N3	1	8%
Animal related import and export requirements	1	8%
<b>TOTAL</b>	<b>13</b>	<b>100%</b>

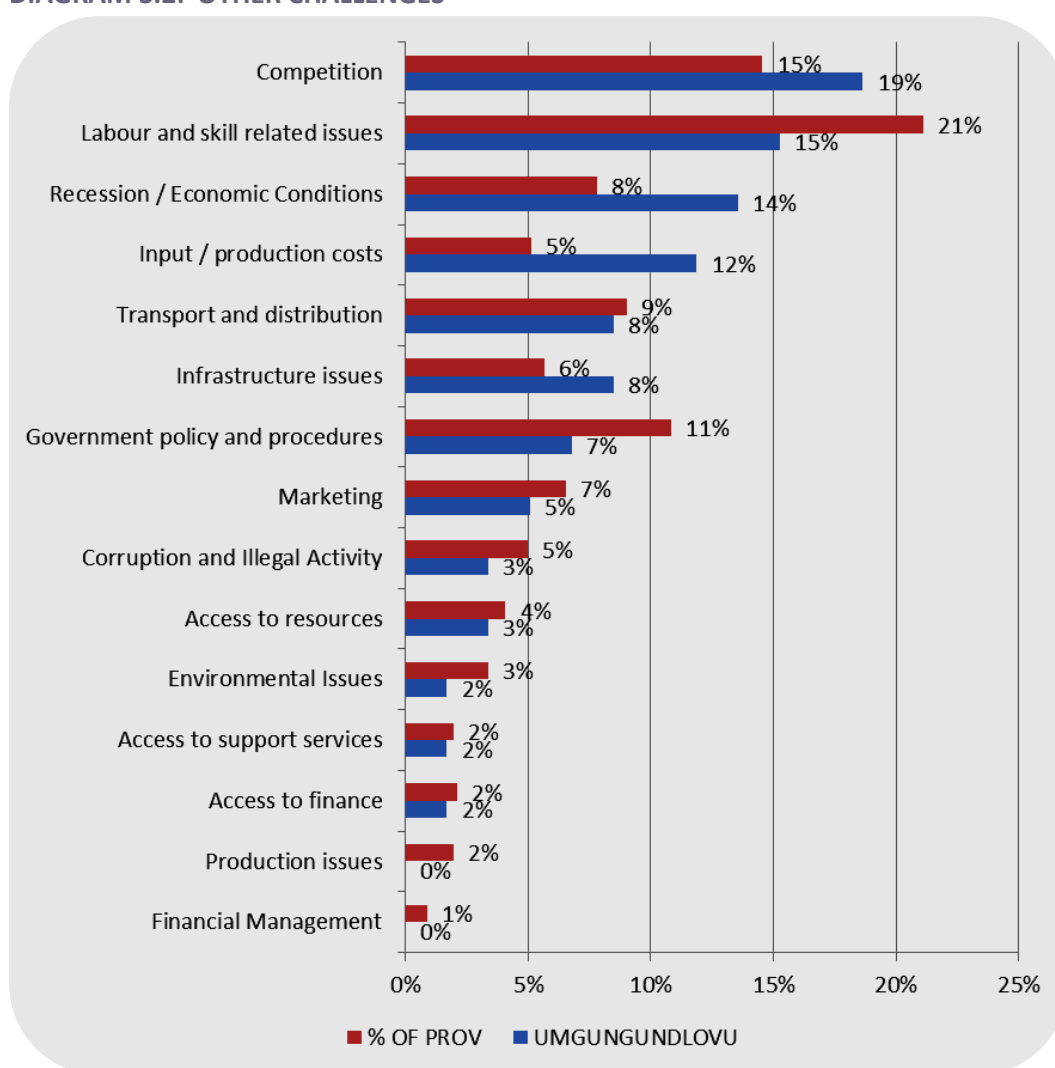


### 3.10. OTHER CHALLENGES

The major challenges identified by companies in the district include:

- Unfair competition such as cheap imports from the east.
- Labour in terms of conditions of employment.
- Global recession and its impact on business in the province.
- Costs associated with inputs into the manufacturing process.
- Transport and infrastructure issues mention above.
- Government bureaucracy delaying business establishment.

DIAGRAM 3.2: OTHER CHALLENGES



### 3.11. INTERVIEWEE COMMENTS

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Some of the general observations made by respondents regarding the District economy included:

- Unreliable access to utilities, electricity and water in particular.
- The rising price of electricity. It was noted that electricity bills were rising on a monthly basis.
- Interviewees from the hospitality industry voiced concern about illegal establishments operating and nothing being done about it.
- Goods imported are available at cheaper prices than goods can be produced locally. This is undercutting local business, particularly in the textile industry.
- Land reform is cause for concern particularly for the agricultural sector.
- Labour laws were identified as hindering foreign investment which is needed for economic growth.
- The high incidence of strikes affects operations particularly in the manufacturing sector.
- The high cost of fuel cuts into margins for all businesses.
- The strength of the rand was identified as an area of concern. A weaker rand encourages an export oriented economy.
- The majority of big companies have some form of social responsibility programmes, ranging from supporting charities to providing schools for local communities.
- Companies in the more rural areas also tended to have social responsibility programmes.
- In general the companies interviewed were gearing towards environmentally friendliness.
- Most companies had reduced waste in some way and had an environmental programme including working towards being ISO 14001 compliant (environmental management standard).
- Recycling was identified as a priority for most companies.
- Education and skills development needs to be improved.
- Poor infrastructure is limiting the development potential of the local economy.
- The high costs of electricity is eating into profit margins and reducing the attractiveness of the areas as a possible place to invest.
- Imports and export tariffs need to be revised in order to give local companies and factories a better chance of competing in the market.

### 3.12. A PERSPECTIVE OF ECONOMIC DRIVERS BASED ON COMPANY SURVEY

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Based on the Quantec figures, and through the identification of major companies in the uMgungundlovu District, it is evident that the major sector driving the District economy is manufacturing. The food, clothing and textiles, and timber and timber products sub-sectors also fulfil an important role in the local economy.

On the basis of the findings of this project, the following sectors have been identified as being the key economic drivers in the uMgungundlovu District. Following the categorisation of companies provided by McCarthy in the introduction to the provincial report on this project the following is noted:

- Older more established companies with a sizeable number of employees and annual turnover in the uMgungundlovu context. These companies are located in the following sectors:
  - Agriculture:
    - Farming relating to various agricultural commodities
  - Manufacturing:
    - Processing of agricultural products
    - Processing of a wide range of other materials (e.g. textiles, steel, plastics etc)
  - Trade:
    - Wholesale
    - Retail
    - Tourism
  - Government:
    - Legislature
    - Provincial government line functions
    - Municipal government
- The newer smaller perhaps more dynamic companies creating a 'churn' effect in the district (i.e. having an impact) include those located in the following sectors:
  - Manufacturing:
    - Clothing
    - Wood products
    - Food processing and packaging
  - Services:
    - Medical services
    - Social services
  - Trade:
    - Wholesale and retail
    - Tourism and hospitality (newer smaller boutique hotels, bed and breakfasts, restaurants, spas, game reserves etc.)

It is noted by McCarthy that companies in these sectors are important for the future economic growth of the economy of uMgungundlovu in that they are often recent entrants into the market outside of the 'traditional box'. In a sense they are therefore 'testing the economic waters' and if they succeed will be the forerunners of a range of new sectors in the district.



## 4. A MUNICIPAL CAPITAL INVESTMENT PERSPECTIVE

### 4.1. INTRODUCTION

In order to consider District drivers from the perspective of municipalities a questionnaire was issued to each municipality. The information gathered through these interviews and presented in this section includes:

- A Project Based Perspective
  - Historic and Current Projects
  - Future Projects
- Municipality Identified Challenges
- Addressing the Challenges
- A Public Sector Investment Perspective

### 4.2. CAPITAL INVESTMENT IN THE DISTRICT

For this initiative the focus was on identifying major (focus on R20m plus) capital investment projects in the District falling in the following categories:

- New nodes / developments: including tourism, commercial and industrial nodes.
- Bulk infrastructure supporting economic development: including bulk infrastructure (excluding reticulation) for water and electricity and other infrastructure related to solid waste.
- Link and major access infrastructure supporting economic development including roads, airports and taxi ranks amongst others.
- Facilities supporting economic development including sport stadiums, markets and trading centres.

A review of the content of Table 4.1 provides an indication of the following investment trends by the public sector in the municipality:

- Bulk water storage and pipelines
- Road upgrades
- Airport facility upgrade
- Provision of tourism infrastructure
- Establishment of industrial parks
- Establishment of sites and infrastructure for establishment of agro-processing units
- Shopping centre establishment

In the case of bulk water infrastructure the most notable development currently taking place in the district is the construction of the new impoundment at Springgrove near Lions River in the midlands. The reason for this posing a major challenge to the district and particularly the Howick, Pietermaritzburg and Camperdown developments is that there is evidence of serious levels of water loss (uMgungundlovu WSDP 2003 and 2006) which have as yet not been mitigated. In other words expensive bulk water solutions are being





sought at a time when implementing water conservation demand measures would be much more cost effective (see uMgungundlovu SEA, Isik 2012) and have less of a negative impact on the environment of the district which is already under stress. This will be discussed further under the section dealing with natural capital below.

An important question to raise in a project of this nature is whether government capital expenditure is aligned with business requirements? The indications from the findings of this project are that the alignment is perhaps not at the level required to promote economic growth and development. The findings from this survey suggest that in order for government to promote economic growth and development greater investment is required in streamlining the provision of utility services and creating serviced areas at reasonable cost where private sector will invest in the infrastructure required for business purposes. Government's role in creating facilities (agri-processing hubs) is not necessarily a strategic investment in growing the economy of the district.

TABLE 4.1: HISTORIC, CURRENT AND FUTURE CAPITAL INVESTMENTS IN DISTRICT ECONOMIC DEVELOPMENT

LOCAL MUNICIPALITY	SECTOR	PROJECT NAME	PROJECT STATUS	FUNDING SOURCE(S)	BUDGET
Umngeni	Bulk infrastructure	Midmar Dam Water Treatment Plant	Historic	0	R230,000,000
Mpofana	Link / access infrastructure	Mpofana taxi rank	Historic	0	complete
Impendle	Bulk infrastructure	Enguga, Entshiyabantu & Macksam	Current	Dept of Infrastructure and Planning services	R19,000,000
Impendle	Bulk infrastructure	Makhuzeni/Greater Stoffelton	Current	Dept of Infrastructure and Planning services	R15,460,000
Mkhambathini	Bulk infrastructure	Greater Eston Water Supply	Current	MIG	R41,386,856
Mpofana	Bulk infrastructure	Springgrove dam	Current	TCTA	no info
Msunduzi	Bulk infrastructure	Copesville Reservoir	Current	MIG	R12,500,000
Msunduzi	Bulk infrastructure	Greater Eston Water Supply	Current	MIG	R41,386,856
Umngeni	Bulk infrastructure	Richmond Pipeline	Current	0	R23,000,000
Umngeni	Bulk infrastructure	Upgrade 251 water raw pipeline	Current	0	R19,940,000
Mkhambathini	Facilities supporting econ. dev.	Midway park	Current	Private	no info
Mpofana	Facilities supporting econ. dev.	Middelrus vegetable Joint Venture	Current	DEDT, DAERD, DLALR	R6,200,000
Mpofana	Facilities supporting econ. dev.	Mooi river Industrial Park Development	Current	COGTA	R900,000
Msunduzi	Facilities supporting econ. dev.	Airport	Current	0	R5,000,000
Msunduzi	Facilities supporting econ. dev.	Freedom Square Tourism Hub	Current	COGTA	R21,800,000
Umngeni	Facilities supporting econ. dev.	Mpophomeni Tourism Gateway	Current	0	R5,000,000
Umngeni	Facilities supporting econ. dev.	Nelson Mandela Capture Site	Current	Provincial / uMngeni Municipality	R8,000,000
uMshwathi	Facilities supporting econ. dev.	Shopping centre	Current	0	no info
Impendle	Link / access infrastructure	Maintenance of P27-2	Current	0	R40,000,000
Msunduzi	Link / access infrastructure	Integrated Rapid Transportation	Current	DoT	R65,000,000
Msunduzi	Link / access infrastructure	Refurbishment of Network	Current	MIG, Dept of	R26,361,300



LOCAL MUNICIPALITY	SECTOR	PROJECT NAME	PROJECT STATUS	FUNDING SOURCE(S)	BUDGET
				Transport	
Msunduzi	Link / access infrastructure	Upgrade N3/Chota Motala	Current	CNL	R20,000,000
Umngeni	Link / access infrastructure	Khayelisha (Boston Road Corridor)	Current	0	no info
Msunduzi	Other	Bruyns Hill Reservoir	Current	0	R14,970,000
Msunduzi	Other	ED2 to Richmond Off-Take	Current	0	R105,000,000
Msunduzi	Other	Landfill	Current	MIG	R5,647,000
Msunduzi	Other	Richmond Off-Take to Umlaas Road	Current	0	R178,019,000
Mpofana	Agri processing	Midlands Agro-processing Hub	Future	0	R24,000,000
Mpofana	Agri processing	Tendele Meat Processing Plant	Future	0	R38,000,000
Mpofana	Agri production	Middelrus vegetable and fruit joint venture	Future	0	R22,000,000
Impendle	Bulk infrastructure	KwaNovuka Water Supply	Future	0	R95,000,000
Ingwe, Richmond, Mkhambathini, Impendle	Bulk infrastructure	The Mkomazi water supply project	Future	Umgeni Water	R3,200,000,000
Mpofana	Bulk infrastructure	Muden Water scheme	Future	uMgungundlovu DM	R5,000,000
Mpofana	Facilities supporting econ. dev.	Mooi River Agro-processing Hub	Future	COGTA	R21,000,000
Mpofana	Industrial, Retail, Residential	Mooi-River Industrial Park Infrastructure Development Project	Future	0	R8,000,000
Impendle	Link / access infrastructure	Upgrading of P139	Future	0	R900,000,000
Umngeni	Link / access infrastructure	Prospect to Winston Road Linkage	Future	uMgeni municipality/MIG	R7,800,000
Umngeni	Link / access infrastructure	Tweedie/Main Road P142 Improvement	Future	uMgeni municipality/MIG	R3,500,000
uMshwathi	Link / access infrastructure	Link road between N2 and N3	Future	0	no info
Mpofana	Residential	Mooi River Golf Course and Equestrian Project	Future	0	no info
Mpofana	Retail	Mooi River Trading Sector	Future	0	no info



### 4.3. MUNICIPALITY IDENTIFIED CHALLENGES

#### ECONOMIC DEVELOPMENT CHALLENGES IDENTIFIED BY MUNICIPAL SECTOR

- LED practitioners were interviewed in municipalities in uMgungundlovu and they indicated that current challenges with bulk utility services (water, electricity and sewerage) were some of the major challenges affecting the economic growth and development in the district. In addition they noted that migration of skills out of the district was a limiting factor as was land reform and its negative impact on employment and food production.
- Further concerns were raised over the lack of effective communication between governmental agencies and also between government and the private sector. Concerns were also raised over capital investment to promote development. Communications or lack thereof has a major impact on future planning and development of the district and its associated municipalities.

**TABLE 4.2: MUNICIPALITY IDENTIFIED CHALLENGES**

CATEGORIES OF CHALLENGES	UMGUNGUNDLOVU		KWAZULU-NATAL	
	NO OF RESPONSE	% OF RESPONSES	NO OF RESPONSE	% OF RESPONSES
INFRASTRUCTURE	6	27%	35	22%
SKILLS MIGRATION	3	14%	15	10%
LAND ISSUES	3	14%	17	11%
INSTITUTIONAL/ COMMUNICATION	3	14%	11	7%
PLANNING	2	9%	5	3%
EDUCATION	1	5%	8	5%
IMPLEMENTATION OF LED STRATEGY/ PLANS	1	5%	22	14%
OTHER	1	5%	11	7%
RATES AND SERVICES AVAILABILITY AND COST	1	5%	9	6%
LEGISLATION	1	5%	1	1%
UNEMPLOYMENT		0%	16	10%
HEALTH		0%	2	1%
RECESSION		0%	5	3%
<b>TOTAL</b>	<b>22</b>	<b>100%</b>	<b>157</b>	<b>100%</b>

#### 4.4. ADDRESSING THE CHALLENGES

##### MUNICIPAL REQUIREMENTS FOR ADDRESSING THE CHALLENGES

Resolution of the previously mentioned challenges by government would involve investment in infrastructure refurbishment to overcome the current problems with utility services. It was felt by municipal officials interviewed that investment by government in LED projects and the resolution of land related and developmental issues would also contribute to overcoming some of the limitations to development in the district.

**TABLE 4.3: ADDRESSING THE CHALLENGES**

REQUIREMENTS FOR ADDRESSING THE CHALLENGES	UMGUNGUNDLOVU		KWAZULU-NATAL	
	NO OF RESPONSE	% OF RESPONSES	NO OF RESPONSE	% OF RESPONSES
Infrastructure/Utilities Required and Funding	4	20%	33	24%
LED and LED Funding	3	15%	33	24%
Land Issues	3	15%	10	7%
Institutional	3	15%	15	11%
Policy Support	3	15%	11	8%
Capacity Building & Skills Development	1	5%	9	7%
Planning	1	5%	8	6%
Economic Opportunities	1	5%	7	5%
Cost Of Services: Municipal Incentives	1	5%	5	4%
Communications, Coordination & Consultation		0%	6	4%
<b>TOTAL</b>	<b>20</b>	<b>100%</b>	<b>137</b>	<b>100%</b>

#### 4.5. A PUBLIC SECTOR INVESTMENT PERSPECTIVE

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Based on the uMgungundlovu Municipality Strategic Environmental Assessment (Isik 2012) the following is noted in terms of a perspective from the public sector on future investment and growth in the district.

**High profile growth areas: Provincial priority corridor:**

Owing to its scale and importance, the N3 corridor is identified as one of the major drivers for economic growth and development in the uMgungundlovu District. This is recognised as a Provincial Corridor (PC2) which extends from Mkhambathini, through Msunduzi and uMngeni to Mpofana Municipalities. It is in this context that investment perspectives by municipalities in the district are noted below.

**Mkhambathini:** make provision for a planned development node around Camperdown to take advantage of this development opportunity on the N3 for the future. Camperdown is identified as a primary development node in the SDF with low impact mixed use planned for either side of the N3 (Diagram 1). The primary node is planned for administration, residential development, light industry, retail and services provision.

**Msunduzi:** has identified 3 distinct areas for planning and development of the municipality including:

- The former borough of Pietermaritzburg;
- Greater Edendale; and
- Vulindlela Traditional Area.

It is noted that location of the municipality on the N3 and other key provincial corridors is a key informant to the growth and development of the Msunduzi Municipality (Diagram 1). Accordingly future development in the municipality is structured around the following nodes:

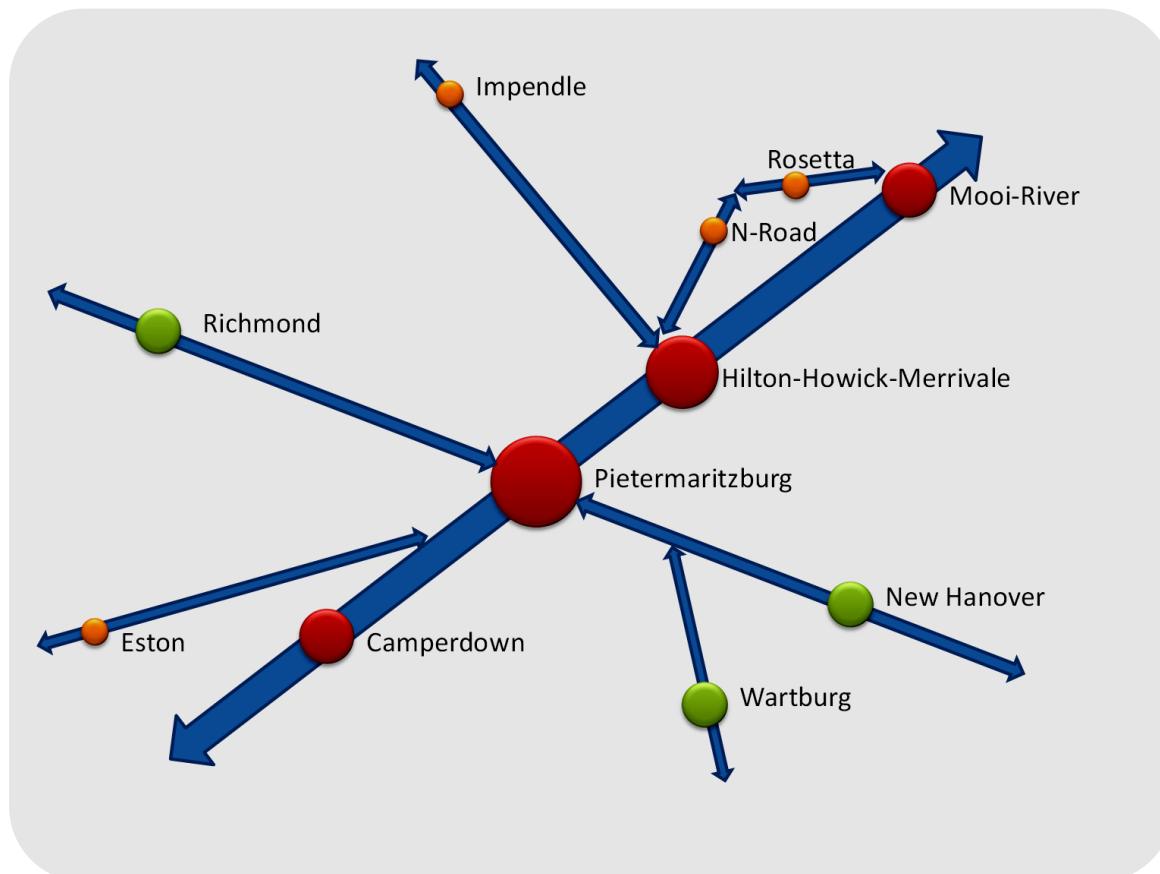
- i. Central Business District;
- ii. Regional Multi-use-node (Liberty Mall);
- iii. Multi-use node at Camps Drift;
- iv. Community Multi-use nodes (Edendale and Ambleton); and
- v. Administrative node on the edge of the CBD.

Future growth is proposed along the N3 corridor, but in a manner that does not impede the main purpose of the route i.e. long distance transportation.

**uMngeni:** has identified Howick, Midmar Dam, Mpophomeni, Merrivale, Cedara, Hilton and Worldsvie as its primary node in the 2008 SDF. In addition an N3 Corridor Plan has been developed which identifies 5 interchanges from Hilton to Tweedie as sites for 'imminent and future development' as noted in the SDF. The 5 interchanges were assessed to establish those best suited to development in uMngeni. The Hilton, Merrivale and Tweedie interchanges scored highest in the assessment undertaken by Uddi (2008). It is noted in the uMngeni Corridor Management Plan that the above three interchanges are seen as being '... most advantageous for promotion of development'. (Uddi 2008, Pg 43).

In the assessment of these interchanges attention has been given to bulk utility infrastructure and it is noted that water and sanitation amongst other services pose challenges to future growth and development. These two utilities are particularly important to note owing to their being directly linked to state of the environment of the district.

**DIAGRAM 4.1: SPATIAL LOCATION FOR FUTURE GROWTH AND DEVELOPMENT**



The above diagram provides an overview of the spatial location of the different centres and corridors which 'make up' the basis for future growth and development of the uMgungundlovu region.



## 5. A NATURAL RESOURCES OVERVIEW

### 5.1. INTRODUCTION

There exists a strategic link between the state of the District's natural capital, its ability to deliver ecoservices and the extent to which this provides resilience to the economy and/or makes it vulnerable. The interviews with major companies in the district confirmed that most of them (as economic drivers) are ignorant of this strategic link and that they are operating under the assumption that the natural resources upon which they depend, either directly or indirectly, are infinitely available. Also, it needs to be highlighted that many economic drivers are ignorant of the societal costs caused by the generation of environmental externalities for which they are not taking responsibility. In addition to this, there are also opportunity costs as a result of lost opportunities.

With the above as background this section:

- Considers the quality of ecosystem goods and services in the District;
- Provides an overview of ecosystem resources (including allocating a value to the ecosystem resources);
- Illustrates the ecosystem resource linkages between this District and other Districts in KwaZulu-Natal; and
- Highlighting the range of economic opportunities and constraints emanating from the future utilisation of ecosystem resources.

### 5.2. CONDITION OF NATURAL CAPITAL AND THE QUALITY OF ECOSYSTEM SERVICES

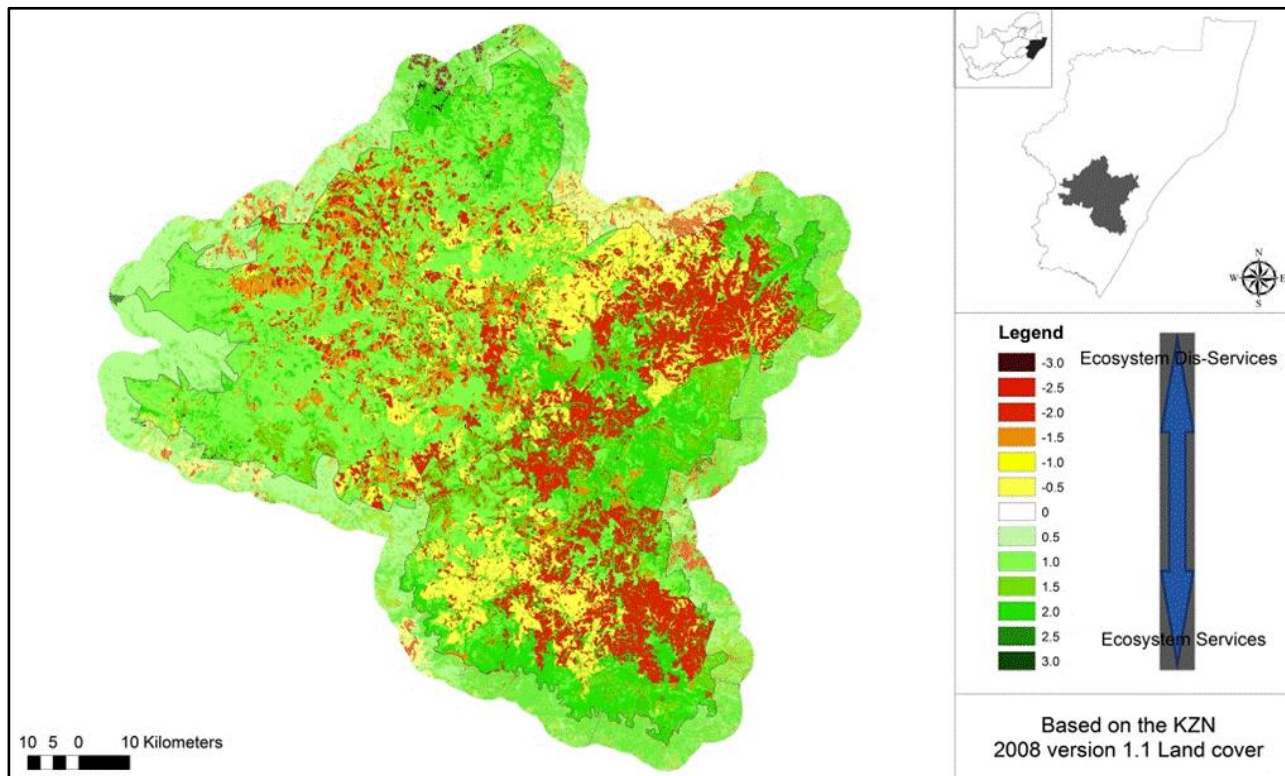
The condition of natural capital and the quality of ecoservices in the District are presented through the discussions provided below, in conjunction with the land cover and ecoservice maps and summary tables also provided below. For background and explanatory information on the concept of natural capital and ecoservices, as well as the process followed to derive these findings, the reader must refer to the economic strategy report for the Province.

Together with the eThekweni Metro, this District provides a vivid illustration of the implications of unsustainable land use and development decisions. In addition to the large proportion of natural capital that has been irreversibly transformed through industrial and settlement development, as well as agricultural activities, the untransformed portions have been degraded as a result of over-utilisation, erosion, and the spread of alien invasive plants. None of the District reflects an optimum potential to deliver ecoservices with just more than 45% with an ecoservice score of "2" and just less than 15% that scores less than "2". The findings indicate that less than 40% of the District has completely lost the ability to produce ecosystem goods and produces dis-services which have significant societal costs that are currently not accounted for in a holistic and strategic manner that is required for a sustainable economic strategy.

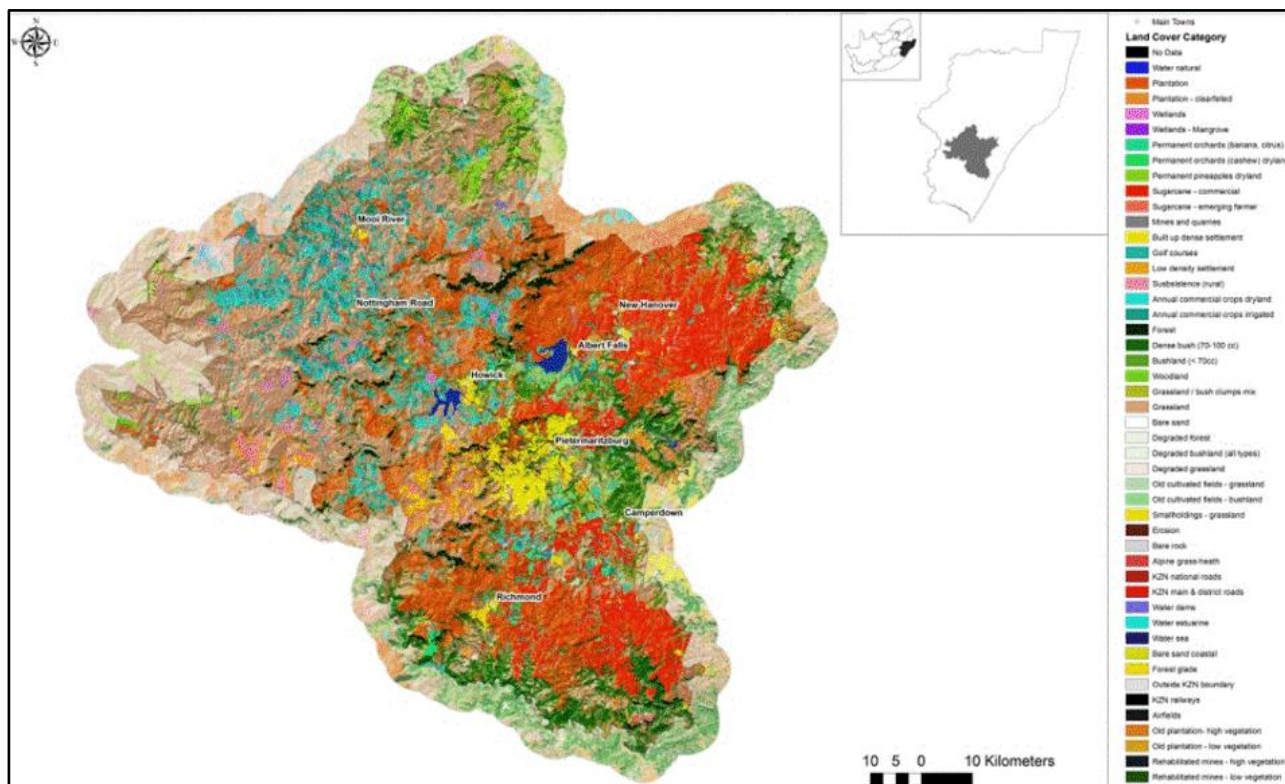
In addition to the situation as described above is the fact that the District hosts the Province's administrative capital which is also its second largest economic hub. The poor condition of its natural capital is a direct result of the extent of economic activity, which at the same time presents very real challenges to sustaining this while limiting opportunities for growth.



MAP 5.1: UMGUNGUNDLOVU DISTRICT POTENTIAL TO DELIVER ECOSYSTEM GOODS AND SERVICES



MAP 5.2: UMGUNGUNDLOVU DISTRICT LAND COVER



Ezemvelo KZN Wildlife completed an exercise, reported on in detail in the Provincial report, which used the values derived for the ecoservices produced and delivered from a variety of natural habitat types in the Province (EKZNW, 2011). The outputs of this exercise were then used to extract the value for each of the Districts and these are presented in table format below. This value for uMgungundlovu equates to 6.26% of the total value for the Province which must be considered in the context of the District making up 9.57% of the Province's surface area. It must be noted that these figures provide an indicative value for the District having been derived from figures at a Provincial scale. Any assumptions and related errors made at the Provincial scale are therefore somewhat greater at the District level. A more refined exercise would need to be done for each District in order to provide a more accurate picture.

**TABLE 5.1: NATURAL HABITAT TYPES**

HABITAT TYPE	ECOSERVICE VALUE
Coastal grassland and thickets	R 918 858
Forests	R 315 882 580
Grasslands	R 1 218 294 016
Riparian and floodplain veg and swamp forests	R 4 255 516 109
Savannas	R 830 345 037
Wetlands	R 925 764 513
Rivers	R 1 822 406 682
<b>TOTAL</b>	<b>R 9 369 127 798</b>

**TABLE 5.2: ECOSERVICE CATEGORY SCORE**

Extent of cover	ECOSERVICE CATEGORY SCORES									
	-3	-2	-1.5	-1	-0.5	0	1	1.5	2	3
Hectares	1236	179494	45576	722	130891	0	80447	54582	410191	0
%	0.14%	19.87%	5.05%	0.08%	14.49%	0.00%	8.91%	6.04%	45.42%	0.00%

**TABLE 5.3: THE EXTENT OF BROAD LAND COVER CATEGORIES AS A PERCENTAGE OF THE UMGUNGUNDLOVU DISTRICT**

LAND COVER CATEGORY	% COVER
Natural - freshwater	0.81%
Natural - marine	0.00%
Natural terrestrial	47.63%
Natural terrestrial degraded	4.97%
Agriculture - active including commercial and subsistence	37.25%
Agriculture - fallow including commercial and subsistence	0.95%
Mining	0.02%
Settlement (including recreation and infrastructure)	8.38%

The situation with regards to the level of land transformation in uMgungundlovu when viewing the above maps and tables indicates that in excess of 50% of the natural capital has been either completely lost, or transformed to the extent that its ability to produce and deliver ecoservices has become significantly compromised. The District carries the greatest cover of active agriculture in the Province, excluding extensive livestock grazing; while the area under settlement is the third highest in the Province. This situation is highly significant from an economic perspective as the District is located between the Drakensberg and eThekweni with the uMngeni River system being the main corridor of ecoservice flow between the two areas. This system has long been over-subscribed and is currently being augmented by water which is diverted from the Mearns's Weir in the Mooirivier. This augmentation has also proven inadequate and construction on the Spring Grove Dam is in progress. However, the projections are that augmentation from this very costly intervention will only be adequate until 2016 and this in consideration of effective water conservation and demand management strategies. The next intervention is then a series of dams on the Umkomazi River system which will also be diverted into the uMngeni River. This implies that the upper reaches of the District, together with neighbouring Sisonke, are of strategic significance for the provision of catchment services to sustain the economic activities of both Pietermaritzburg and Durban.

To further illustrate the situation with regard to the uMgungundlovu District's poor state of natural capital, just less than 40% of the surface area has lost its ability to produce ecosystem goods, and is delivering dis-services. The latter are of particular significance as these manifest in massive societal costs with both within this District as well as in the eThekweni Metro which is downstream of Msunduzi. For example such costs are related to disaster management around floods, and the costs of health services related to water borne diseases from systems with significantly reduced states of river health.

In addition to the opening part of this discussion and an example that can be used to illustrate the value of natural capital management is that eThekweni is investigating the potential of desalination, inter-basin transfers and waste water recycling as measures to satisfy rapidly increasing water demand. Each of these options will cost in the region of R10/m<sup>3</sup> of water produced; while the cost of maintaining the catchments, which are the water factories in the Drakensberg, amounts to approximately R2/m<sup>3</sup>. Management of natural capital for the delivery of strategically important ecoservices is thus the least cost option while it presents the opportunity for the creation of so called 'green jobs' related to the rehabilitation and sustainable management of the catchments.

### 5.3. ECOSYSTEM RESOURCE LINKAGES

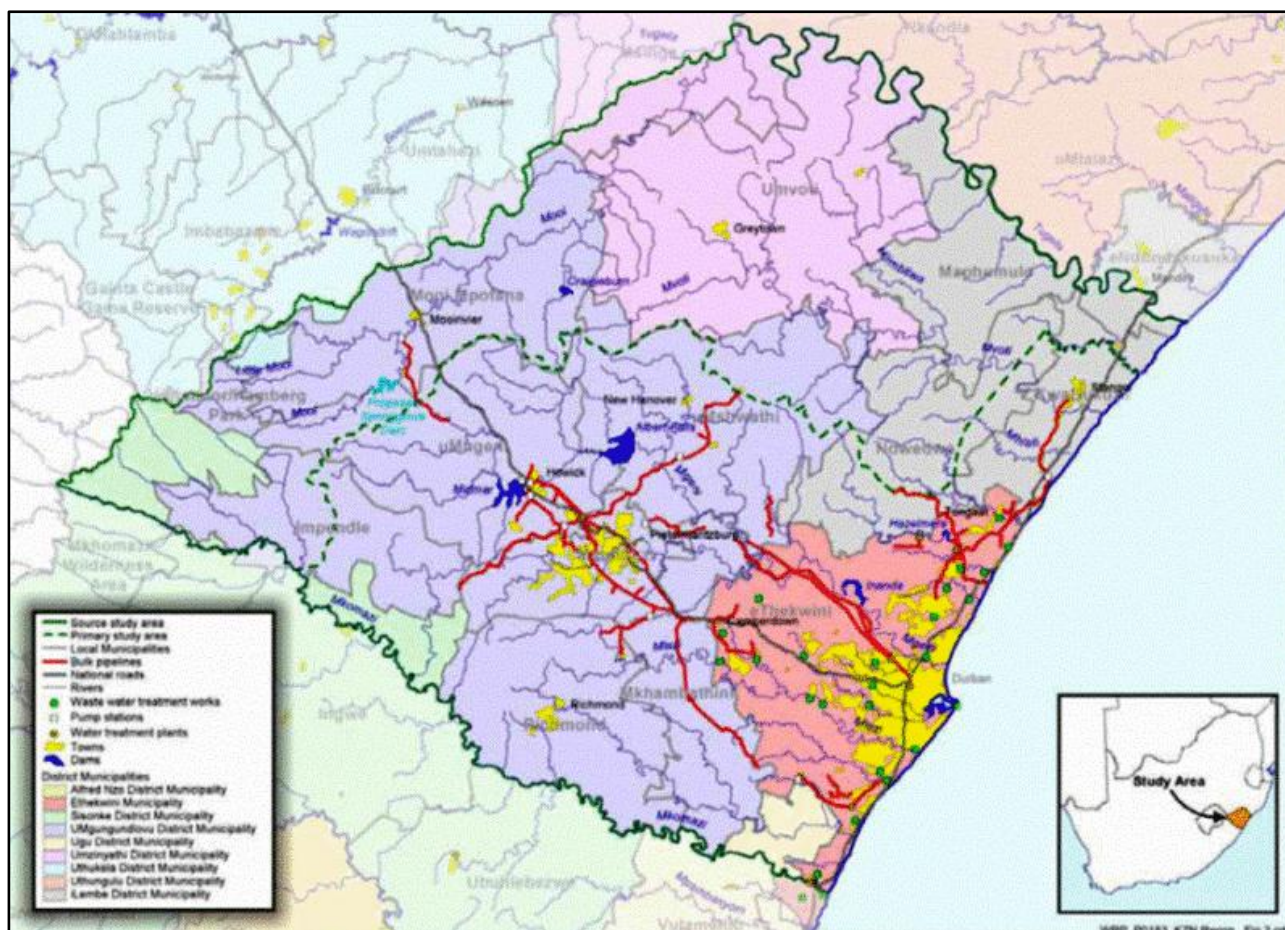
An extract from the KZN Reconciliation Strategy (DWA, 2009) has been inserted into the text below in order to illustrate the linkages between the uMgungundlovu District and the eThekweni Metro (see map 5.3). This map shows existing bulk water infrastructure in solid red lines which clearly illustrates the massive level of dependence on this system. What it does not show are those that are currently under construction, i.e. the Spring Grove Dam that will augment supply to the uMngeni from the Mooirivier; and those that are planned, i.e. the Smithfield and Impendle Dams on the Umkomazi River that will also augment flow in the uMngeni. What is significant about these linkages are that the catchments for these three systems are in the uKhahlamba Drakensberg Park World Heritage Site which is listed as a Wetland of International Significance according to the Ramsar Convention. The primary reason for this area being recognised as such is a combination of the positive water balance, i.e. long-term annual average





precipitation exceeds evaporation, and the fact that well managed grasslands enhance a catchment's ability to receive precipitation and to deliver high quality water at sustained levels. Specific services that relate to well managed catchments and that are of significance to the economy of this District and eThekweni are increased ability to absorb high energy rainfall events and thus attenuate floods, reduced erosion and production of sediments, maintenance of the water table and thus the perenniality of flow (specifically winter base flow), reduced health risks associated with depleted systems and improved water quality.

**MAP 5.3: THE ECOSERVICE LINKAGES RELATIVE TO UMGUNGUNDLOVU AS ILLUSTRATED THROUGH CURRENT AND FUTURE BULK WATER INFRASTRUCTURE**

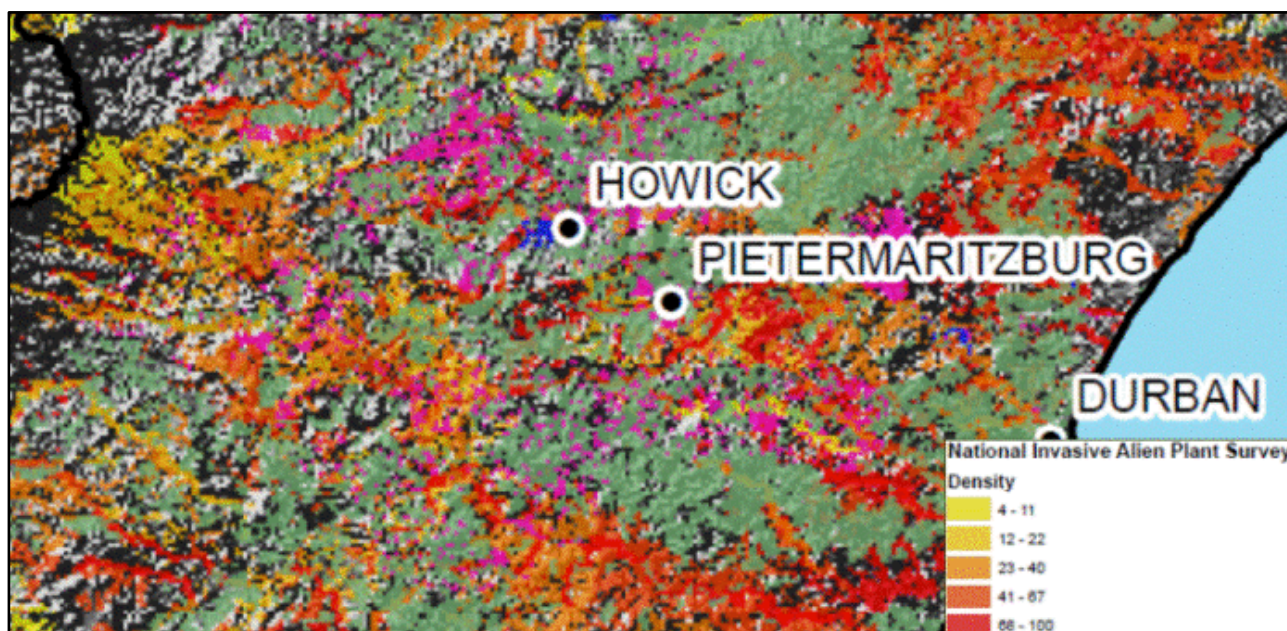


Source: KZN Reconciliation Strategy (DWA, 2009)

Unfortunately the good condition of these catchments is limited to within the borders of the World Heritage Site with poor land use management being the primary contributor to this situation. Linked to the degradation of the catchments and river systems that flow from the Drakensberg to the coast is the spread of alien invasive plants, especially those associated with timber plantations and agriculture. Although altitude limits the spread of certain species such as wattles and pines, others such as gums are more widely spread and have a significant impact on catchment hydrology reducing stream flow and taking over indigenous riparian vegetation. Other species of alien invasive plants such as bramble and bugweed are spread by animals that consume the fruit and spread the seed through their faeces. According to information obtained from the Natural Resource Management (NRM) component of the national Department of Environmental Affairs the status of alien invasive plants in the Umvoti to Umzimkulu Water Management Area, which includes the District Municipalities of uMgungundlovu and eThekweni, there is more than a million hectares under uncondensed infestation and almost 140 000 hectares under

condensed infestation by a wide variety of alien invasive plants. In addition to the impact on catchment integrity, this situation reflects a loss of access to natural capital such as grazing and medicinal plants, while it also impacts on the aesthetic value of the landscapes which will reduce attractiveness for tourism. An extract from the map provided by NRM is included in map 5.4.

**MAP 5.4: AN EXTRACT FROM THE NATIONAL MAP OF ALIEN INVASIVE PLANTS ILLUSTRATING THE EXTENT OF THIS PROBLEM WITHIN UMGUNGUNDLOVU AND ETHEKWINI**



Source: Department of Environmental Affairs NRM

#### **5.4. THE RESILIENCE OR VULNERABILITY OF ECONOMIC DRIVERS AND THE OPPORTUNITIES AND CONSTRAINTS TO GROWTH**

Based on the survey for uMgungundlovu the following sectors were included in the sample:

- Agriculture (timber; sugar; irrigated and dryland crops; intensive livestock production including poultry, pigs and dairy; and subsistence agriculture);
- Manufacturing (a diversity of actors);
- Mining; and
- Tourism.

The discussion on opportunities and constraints focuses on the above drivers and provides an indication of what the opportunities and constraints are with regard to each of them. It must be noted that this perspective is based on an understanding of the condition of natural capital as pertains to each sector, but that a more detailed assessment is possible if resources are provided to support a corporate ecosystem review. The latter is a recognised assessment tool which requires direct engagement with the various players within the various sectors and could provide a valuable extension to this study.

For more detail see Annexure C.



## 6. FINDINGS AND RECOMMENDATIONS

### 6.1. CORE FINDINGS

From the interviews with major businesses and LED practitioners progressive structural changes to the economy of the Umgungundlovu District over the past two decades have been identified (a structural change is defined as a “long-term widespread change of the fundamental structure (of an economy), rather than micro-scale or short-term output and employment”). These include major capital investment by the private sector in the N3 corridor at strategic nodes (Camperdown, Msunduzi and Howick), restructuring the internal framework of Pietermaritzburg to accommodate growth areas, the construction of the Springrove dam to provide potable water for the sub-region up to 2060 and the progressive extension of urbanisation throughout the district. Globalisation has over the past 10 years had a negative impact on the growth of the economy of uMgungundlovu, particularly the footwear industry and supporting processing plants. There has been a need to undergo an internal strategic review in the face of fluctuating market trends and global competition in order to attract alternative industrial sectors into the region such as metals (aluminium) and retail (Liberty Midlands Mall). Against this background and in the light of the recently released PGDS, the uMgungundlovu sub-region, particularly along the N3, is set for major secondary and tertiary sector growth over the next 20-30 years.

The uMgungundlovu SEA (Isik 2012) provides an indication of the amounts of land lost to urbanisation since 2005 and these are significant. In other words the indications are that the levels of transformation of natural capital in the district have exceeded the ability of these natural systems to continue to deliver critical ecosystems goods and services evidenced in the construction of the Springrove dam, serious air pollution problems in Msunduzi, loss of high value land for food production (evidenced) in food imports into the district from as far afield as Mpumalanga. It is clear from the findings of the uMgungundlovu SEA that the natural capital of the District has not been managed in the best interests of current future public good which should be the ultimate object of all planning and development. The impact of water shortages and concomitantly floods on this district specifically bears testimony to the negative impact and the costs of such mismanagement.

### 6.2. KEY SPATIAL ECONOMIC FEATURES

A number of key spatial economic features of the uMgungundlovu District must be acknowledged before recommendations are considered:

- The existing and proposed developments on the N3 at Camperdown, Msunduzi, Howick provide the basis for future economic development and growth of the province. The beginnings of the new wave of development in the corridor is evident, particularly at Camperdown and Hilton-Howick where bulk storage and light industrial development is planned on land which was zoned and used for productive agriculture.
- There is also pressure for development in the uMshwathi Municipality for major urban and industrial development to be established in that Municipality, taking advantage of flat land, infrastructure and access to water.
- Economic growth will in turn promote the need for housing and associated social and commercial services. Numerous studies have been conducted in Msunduzi to locate additional land for housing and the evidence is that it is limited hence the extension into Shenston-Ambledon in the south east,



uncontrolled expansion in the south and west as far as Taylors Halt and major expansions planned in and around Hilton and Ashburton to accommodate future expansion.

- The scale of economic growth that is being planned appears not to align with the eco-services that the diminishing natural capital can sustain in the short, medium and longer term. In other words as natural resources which could in the past have been provided locally are destroyed these will have to be imported in the future e.g. inter-basin water transfers and import of food all at a higher cost to the consumer and the economy of the district. The environmental costs of development will have to be offset against the economic benefits accruing to the population of this region.

### **6.3. A CHANGING SPATIAL ECONOMIC DEVELOPMENT STRUCTURE**

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At a regional level four major initiatives have the potential to influence the spatial economic structuring of the uMgungundlovu District and potentially bring about structural changes, viz:

- Construction of the Springgrove Dam.
- Establishment of development nodes and investment by business at Camperdown, Msunduzi and Hilton-Howick.
- Establishment of planned residential areas in and around the N3 corridor where economic development is planned.
- Attention will increasingly have to be developed by municipalities and private sector to establishing the types of economic growth that can be sustained in the district in future) ie. What can be afforded) in the light of 'spiralling' costs associated with utility services provision (Natal Witness 24/03/2012).

### **6.4. RECOMMENDATIONS ON GOVERNMENT INTERVENTIONS**

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#### **6.4.1. SUPPORT CATALYTIC PROJECTS**

Catalytic projects and planned capital investment are in place for the future development of the sub-region, what is required is a retrospective review of what has been planned in order to ensure sustainability of the proposed development owing to concerns around sustainability. In order to achieve this the following key interventions are noted:

- Promote economic development (even at this late stage), but on a regulated basis such that it takes place within clearly defined sustainability limits.
- Seek to densify further residential and industrial development within a clearly defined urban edge around the major urban areas and rural settlements: seek to constrain further expansion into natural areas through implementation of an urban edge.
- Progressively introduce key concepts associated with greening the economy starting with rehabilitation programmes which seek to recover transformed lands and return them to a natural state to reduce the negative impacts associated with water pollution, flooding and flood damage, air pollution etc.
- Actively integrate green open space and small scale agriculture into urban areas to mitigate negative impacts associated with urbanisation.
- Introduction of a 'greening' approach to all forms of future economic development – Annexure A provides insight into greening opportunities.



DIAGRAM 6.1: UMGUNGUNDLOVU ECONOMIC DRIVERS

ECONOMIC DRIVERS		CERTAIN DRIVER	POSSIBLE DRIVER	UNCERTAIN
COMPANIES / SECTOR	Company	Hulamin		
	Sector/Sub-sector/Cluster	Textiles, clothing, footwear Agriculture/Agri-processing Food and beverages Tourism (Midland Meander) Government sector		
DEVELOPMENTS	Strategic Developments	Midland Agro-processing Hub Mpophomeni Tourism Gateway Camps Drift mixed use development (water front)	Middelrus Vegetable JV Freedom Square Tourism Hub Umshwathi Shopping Centre Howick Falls precinct Nelson Mandela Capture Site	Tendele Meat Processing Mpophomeni Retail Centre
	Supporting Facility			
INFRASTRUCTURE	Special Economic Zones	Mkhambathini Midway Park Mooi River Industrial Park		Hilton-Mondi residential, light industry and mixed use Transport network plan
	Link Infrastructure	Msunduzi Airport Various Road Infrastructure		
	Other Infrastructure		Various bulk + res water	

Key to text colours: Green = established / Orange = partially established / Red = Concept



#### 6.4.2. PLAN FOR LONG TERM GROWTH

The plan for the long term growth of the economy of the area includes ensuring that all future development takes place within defined and properly regulated environmental limits and that all historical infrastructure is 'retrofitted' to ensure compliancy.

eThekweni Metro consume approximately 70% of the water that is produced in and flows through the uMgungundlovu District and it has been clearly shown that the District's ability to supply this demand has long been exceeded with eThekweni now investing in very expensive engineering alternatives in order to meet demand. The District is one of the worst performers in terms of the way in which natural capital has been managed and has been transformed with the resultant loss of ecoservices and the converse delivery of dis-services with the associated societal costs. More specifically uMgungundlovu has by far the greatest percentage of land cover that is within the -2 ecoservice category, and that is just less than 20% of the surface area. In other words just less than 20% of uMgungundlovu's surface area has completely lost its ability to supply ecosystem goods, and instead of delivering positive ecosystem services, this area is delivering dis-services such as effluents, agro-chemical leaching, increased flood risk with associated infrastructure damage and loss of life, emissions contributing to global warming and climate change, etc. Not only is this situation placing significant constraints on the economy of the District, it is also placing eThekweni and its economy in a very difficult and costly situation. Where the majority of the inputs necessary to sustain the urban areas and their populations are having to be imported. Economic and social capital can only be sustained, let alone grow, if the natural capital basis maintains its resilience and vigour. Much is now required within the District to turn this situation around.

Fortunately the emergence of the Green Economy provides many solutions to this situation in that jobs can be created to restore and sustainably manage natural capital, business opportunities abound with regards to the provision of clean technologies for the provision of energy, the management of water and the management of waste. Examples already exist within the District where these opportunities are taking root and they need to be encouraged and supported, and in addition to this, Government needs to ensure that an enabling environment is created to allow the Green Economy to grow and to use it to help bring about sustainable growth within and beyond the District.

## ANNEXURE A: GREENING OPPORTUNITIES

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### 1. What is a Green Economy?

A Green Economy is one that realises that the economy is not separate from the environment. On the one hand a green economy is one that focuses on environmental sustainability, involving initiatives such as low carbon growth, renewable energy, natural resource enhancement, and protection and conservation of biodiversity and scarce natural resources. On the other hand, a green economy also focuses on social justice and distributional equity and pro-poor development. The principles of a green economy are rooted in the theories around sustainable development and ecologically sound economics, and often involve a focus away from consumption-driven growth and towards a type of growth that can take place within the carrying capacity of the environment. Further, the idea of green jobs is central in the concept, and particularly relevant for South Africa. A green job is one that provides fair wages and working conditions for the worker, while conserving or enhancing the environment. Examples of green jobs include everything from production of renewable energy and green buildings, to biodiversity conservation and green tourism, to recycling initiatives and sustainable waste management. Finally, a green economy will focus on reducing its carbon footprint, for example by focusing on use of locally produced goods and services. A Green Economy is a long-term, holistic approach to economic planning, aiming at a sustainable future for people and the environment as well economically sound planning.

### 2. What are the components of a green economy?

In a green economy the central aim is to operate within sustainable limits of available natural resources at global, continental, national and local levels

Examples of signs of exceeding sustainability limits are evident globally and include:

- water shortages
- energy outages
- un-presidential price increases
- increased nutrition and health problems
- growing inequality in incomes
- The Green Economy focuses on the following issues:
  - environmental sustainability involving initiatives such as low carbon growth, renewable energy, natural resource enhancement, and protection and conservation of biodiversity and scarce natural resources.
  - social justice and distributional equity and pro-poor development
  - ecologically sound economics and involve a move away from economic growth based on exploitation of natural resources which is non-renewable towards a type of growth that can take place within the carrying capacity of the environment
  - green jobs is central in the concept of a Green Economy. Examples of green jobs include:
    - production of renewable energy
    - green buildings
    - rehabilitation of depleted agricultural land and water resources
    - biogas production



- recovery of land lost to un-sustainable development
- sustainable food production
- greening industry in terms of sustainable energy, water, air and resource inputs and outputs
- biodiversity conservation integrated into urban environments
- green tourism
- recycling initiatives
- water conservation demand management
- sustainable waste management
- environmental education

A Green Economy will focus on reducing its carbon footprint, for example by focusing on use of locally produced goods and services.

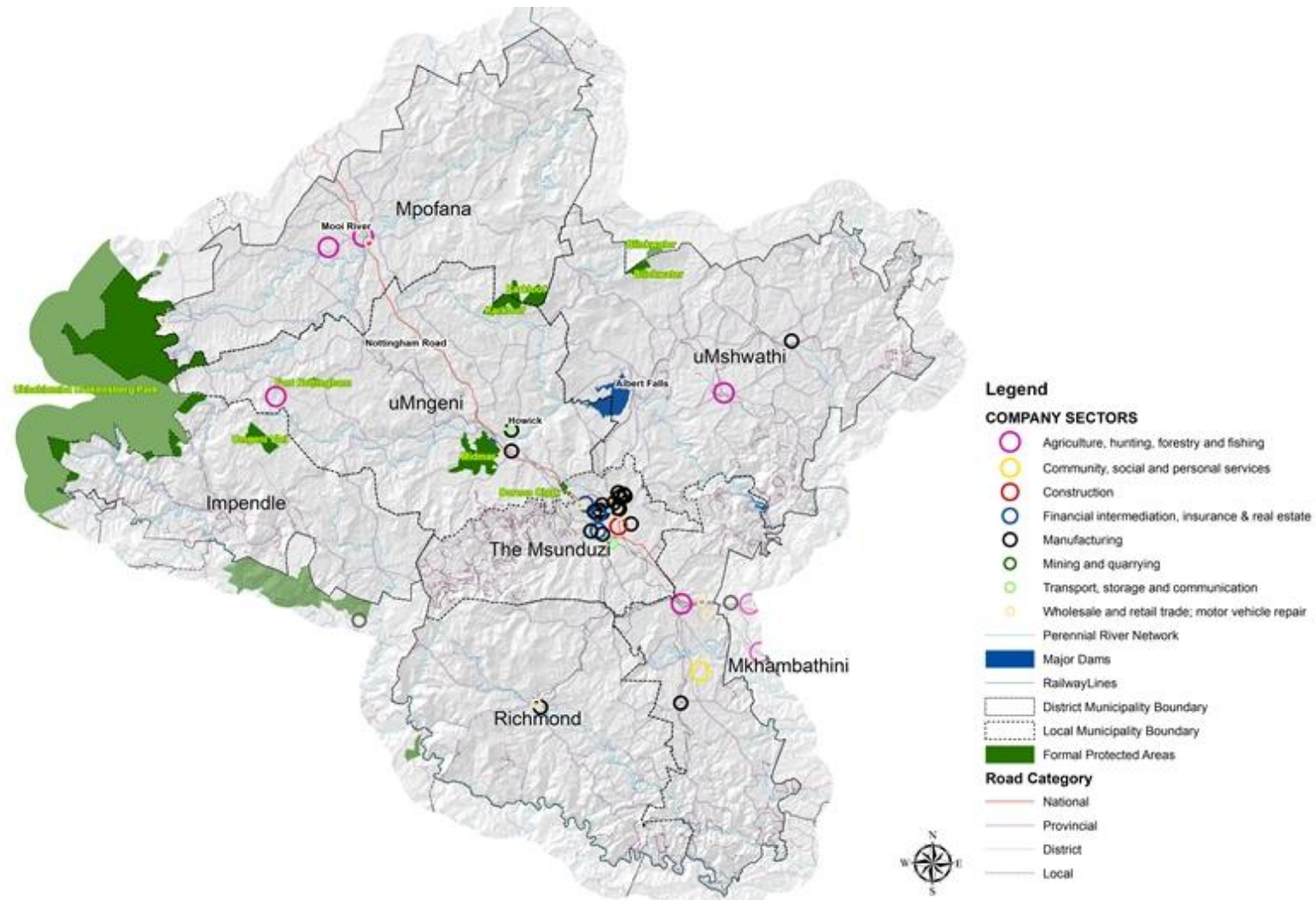
A Green Economy involves the private and public sector in making a long-term commitment to a holistic approach to economic planning, aiming at a sustainable future for people and the environment as well economically sound planning.

### **3. What are the prospects of Greening the Economy of the KwaZulu-Natal (including the uMgungundlovu District)?**

A sector analysis of KwaZulu-Natal identified the following 15 prospective sectors for greening: Agriculture, forestry, fishing, indigenous natural products, energy, water, waste, transport, cities, towns and villages, buildings, manufacturing, retail, environmental consulting policy-making and research, and tourism and nature conservation. Of these, four main sectors were of particular interest: Energy, tourism, food and water. Greening of these and potentially other sectors in KwaZulu-Natal and South Africa as a whole can among other things contribute to dealing with the country's energy crisis, social problems and poverty, provide the country's industry and tourism with a competitive advantage, in addition to building an overall more sustainable economic outlook.

Implementing green economic policies and strategies (public and private sector) could go a long way to overcoming the current sustainability problems being experienced at global, national and local levels.

## ANNEXURE B: UMGUNGUNDLOVU DISTRICT – COMPANY DISTRIBUTION BY SECTOR IN LOCAL MUNICIPALITIES



## LIST: COMPANY DISTRIBUTION IN LOCAL MUNICIPALITIES

COMPANY NAME	LOCAL	PRODUCT CATEGORY
Camperdown SuperSpar	Mkhambathini	Retail
Emoyeni Guest Lodge	Mkhambathini	Tourism Accommodation +
Exotex Textiles Hammarsdale	Mkhambathini	Clothing
GEM Steel Fabrications	Mkhambathini	Steel Products
Growmore Compost	Mkhambathini	Compost
Illovo - Eston Sugar Mill	Mkhambathini	Sugar and Related
National Chix	Mkhambathini	Chickens
Howick Metal Products	Mngeni	Aluminium Products
Midlands Industrial	Mngeni	Steel Products
Timber 24	Mngeni	Timber Products
Cleopatra Mountain Farmhouse	Mpofana	Tourism Accommodation +
Hartford House	Mpofana	Tourism Accommodation +
Mearns Farm	Mpofana	Agricultural Commodities
Sourveld Farm	Mpofana	Agricultural Commodities
Summerhill Stud Farm	Mpofana	Equestrian Training and Production
Tai Yuen Textile	Mpofana	Textiles
Taiyuen Textiles	Mpofana	Textiles
Vrystaat Farm	Mpofana	Potatoes
Aberdare Cables	Msunduzi	Cables
Air Link	Msunduzi	Transport
Anderson Engineering Food & Chemical Equipment cc	Msunduzi	Stainless Steel Products



COMPANY NAME	LOCAL	PRODUCT CATEGORY
Ascot Inn	Msunduzi	Tourism Accommodation +
Belgotex Floorcoverings	Msunduzi	Artificial Floor Coverings
BSI STEEL	Msunduzi	Steel
Carrida Shoes	Msunduzi	Shoes
CCA Plastic Products	Msunduzi	Plastic Products
Corobrick	Msunduzi	Brick and paving
Cougar Constrution cc	Msunduzi	Construction Services
Crouch Footwear	Msunduzi	Footwear
Croxton WK Pty Ltd Chemicals	Msunduzi	Import Chemicals
Deepsons Transport	Msunduzi	Transport Services
DEMAG Cranes	Msunduzi	Cranes
Eddels Footwear	Msunduzi	Footwear
EURO steel	Msunduzi	Steel Products
GDR Image Property Developers	Msunduzi	Property Services
Golden Horse Casino	Msunduzi	Tourism Accommodation +
Hulamin Limited	Msunduzi	Aluminium Products
Interpak	Msunduzi	Printing
Intrepid Printers	Msunduzi	Printing
Meadow Feeds	Msunduzi	Animal Feeds
Mediterranean Textile Mills	Msunduzi	Textiles
Metaltek	Msunduzi	Steel Products
Morar Incorporated	Msunduzi	Financial Services



COMPANY NAME	LOCAL	PRODUCT CATEGORY
Nampak Corrugated	Msunduzi	Packaging Products
Netcare St Annes Hospital	Msunduzi	Medical Services
Ntshingisi Lodge	Msunduzi	Tourism Accommodation +
Omnia	Msunduzi	Fertiliser
Pam Golding	Msunduzi	Property Services
PMB Mediclinic Hospital	Msunduzi	Medical Services
Sew Rite International	Msunduzi	Industrial sewing machines
Springquip manufacturers	Msunduzi	Metal Products
TDM	Msunduzi	Timber Products
The Witness	Msunduzi	Publishing
TKW	Msunduzi	Agricultural Supplies
Walton Carpets cc	Msunduzi	Carpets
Willowton Oil	Msunduzi	Soap, Candles and Oil
Lewis Stores	Richmond	Furniture Retail
Richmond Meadow Feed Depot	Richmond	Animal Feeds
De Heus	Umgungundlovu	Animal Feeds
Gelvornor Textiles	Umgungundlovu	Textiles
Rainbow Chickens	Umgungundlovu	Chickens
Illovo - Noodsberg Sugar Mill	uMshwathi	Sugar and Related
Triple A Abatoirs	uMshwathi	Meat products





## ANNEXURE C: ECONOMIC DRIVERS AND THE ENVIRONMENTAL OPPORTUNITIES AND CONSTRAINTS TO GROWTH

### RETAILERS – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>Embrace the opportunities inherent in the 'green economy' in terms of;               <ul style="list-style-type: none"> <li>Ensuring that their own operations are sustainable, and</li> <li>Offering products and services that meet the objective of the development of a 'green economy'.</li> </ul> </li> <li>Engage with agencies that promote sustainability and enhance operational efficiencies which will reduce operating costs while providing marketing benefits.</li> <li>Collectively put pressure on the relevant provincial government agencies to enhance the condition of the province's natural capital to increase resilience and decrease vulnerability.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing operating costs based on the increasing costs of accessing potable water.</li> <li>Infrastructure failure due to flood damage resulting in transportation limitations for the movement of stock as well as the inability of staff to get to work.</li> <li>Increased staff sick leave due to increasing health problems related to water quality issues.</li> <li>Increased costs of imports and exports through the Durban Harbour through increased costs associated with Transnet having to invest more in dredging sediments and managing water quality problems.</li> <li>Limits to growth due to current levels of over-exploitation of natural capital and increased value of that which remains untransformed.</li> </ul>

### BANKING AND FINANCIAL SERVICES – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>Embrace the opportunities inherent in the 'green economy' in terms of;               <ul style="list-style-type: none"> <li>Ensuring that their own operations are sustainable, and</li> <li>Offering products and services that meet the objective of the development of a 'green economy'.</li> </ul> </li> <li>Engage with agencies that promote sustainability and enhance operational efficiencies which will reduce operating costs while providing marketing benefits.</li> <li>Collectively put pressure on the relevant provincial government agencies to enhance the condition of the province's natural capital to increase resilience and decrease vulnerability.</li> <li>Ensure the integration of sustainability principles in to developments through insisting on full risk assessment and sustainable management in all development funding applications</li> </ul>	<ul style="list-style-type: none"> <li>Failure to understand the risk that depleted natural capital places on the sustainability of developments increases the risk associated with the financing of such.</li> <li>Failure to embrace the need to engage with the 'green economy' will result in lost marketing benefits as well as increased operating costs.</li> <li>Financing un-sustainable developments.</li> </ul>



**MANUFACTURING – OPPORTUNITIES AND CONSTRAINTS**

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>▪ Emergence of the green economy presents an abundance of new technology that can assist manufacturing plants to become more efficient and sustainable.</li> <li>▪ Sustainable operations offer improved marketing profiles that provide a competitive advantage.</li> <li>▪ Reduced operational footprint in terms of energy, water and waste will increase the lifespan of manufacturing operations.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Declining access to water of an adequate quality.</li> <li>▪ Reduced water quantity decreases systems ability to dilute manufacturing related effluents and increases the risk of liabilities.</li> <li>▪ Reduced catchment integrity increases the risk of flooding for those manufacturing plants adjacent to large systems like the uThukela.</li> <li>▪ Agri-processing plants are vulnerable to declining productivity associated with unsustainable farming practices.</li> <li>▪ Movement of processed goods is dependent on the absence of flood damage to the many river crossings, either moving north to Richards Bay or south to eThekweni. The loss of catchment integrity in the inland sections of the District, as well as in uMgungundlovu and uMzinyathi, places this infrastructure at increased risk.</li> </ul>

**PETROLEUM COMPANIES – OPPORTUNITIES AND CONSTRAINTS**

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>▪ Off-set impacts emanating from the off-shore buoy on the marine and coastal environment by investing in conservation projects of equal or greater value than the damaged that has been caused in the past and that could be caused in the future. Such conservation projects should be directly related to the enhancement of natural capital capacity to deal with potential spillages from this facility.</li> <li>▪ Invest in R&amp;D associated with alternative and renewable energy generation.</li> <li>▪ Invest in technologies that ensure that all externalities from the refining process are internalised.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The predicted impacts of climate change, particularly the rise in sea level and an increased occurrence of extreme weather events increases the vulnerability of the off-shore buoy and the position of the refineries.</li> <li>▪ Road and rail routes are vulnerable to extreme weather events which have the potential of disrupting the distribution of petroleum products. To a certain extent, the NMPP may also be compromised if the crossing of drainage lines has not been sufficiently adequate to ensure no damage during times of flooding.</li> <li>▪ Increased awareness of the environmental externalities associated with the production and use of petroleum products especially if this sector continues to drive 'business as usual'.</li> </ul>

**AGRI-PROCESSING – OPPORTUNITIES AND CONSTRAINTS**

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>Embrace the opportunities inherent in the 'green economy' in terms of;               <ul style="list-style-type: none"> <li>Ensuring that their own operations are sustainable, and</li> <li>Offering products and services that meet the objective of the development of a 'green economy'.</li> </ul> </li> <li>Engage with agencies that promote sustainability and enhance operational efficiencies which will reduce operating costs while providing marketing benefits.</li> <li>Collectively put pressure on the relevant provincial government agencies to enhance the condition of the province's natural capital to increase resilience and decrease vulnerability.</li> </ul>	<ul style="list-style-type: none"> <li>Increasing operating costs based on the increasing costs of accessing potable water.</li> <li>Infrastructure failure due to flood damage resulting in transportation limitations for the movement of stock as well as the inability of staff to get to work.</li> <li>Increased staff sick leave due to increasing health problems related to water quality issues.</li> <li>Increased costs of imports and exports through the Durban Harbour through increased costs associated with Transnet having to invest more in dredging sediments and managing water quality problems.</li> <li>Limits to growth due to current levels of over-exploitation of natural capital and increased value of that which remains untransformed.</li> </ul>

**AGRICULTURE – OPPORTUNITIES AND CONTRAINTS**

OPPORTUNITIES	CONSTRAINTS
SUGAR	
<ul style="list-style-type: none"> <li>Job creation through natural capital restoration work, particularly regarding the eradication of alien invasive plants, reclamation of wetlands, and natural rehabilitation of soils, i.e. reinstating the organic matter content.</li> <li>The removal and rehabilitation of areas currently under unpermitted plantations.</li> <li>The release of water, previously consumed by plantations, to alternative uses (including the ecological reserve) downstream, especially estuaries.</li> <li>Through the introduction of more sustainable operations, agro-chemical loads leached into river systems will decline.</li> <li>Decreased production costs through the implementation of sustainable farming principles.</li> <li>Improved marketing opportunities through association and implementation of sustainable farming programmes.</li> </ul>	<ul style="list-style-type: none"> <li>Unsustainable change to natural soil characteristics, e.g. loss of nutrients, loss of soil fauna, change in chemical composition and structure, leading to the loss of opportunities for alternative productive land use and rehabilitation potential.</li> <li>Upstream water reduction activities, i.e. timber and sugar plantations, are placing constraints on downstream capacity for economic expansion.</li> <li>Stream reduction decreases dilution capacity of river systems and therefore exacerbates downstream water quality issues which translates into increased health risks and treatment costs.</li> <li>Reduced water quantity limits downstream abstraction opportunities.</li> <li>Increased sediment loads from cleared compartments and road networks resulting in loss of natural capital integrity.</li> <li>No further land available for expansion of the industry.</li> </ul>

OPPORTUNITIES	CONSTRAINTS
TIMBER	
<ul style="list-style-type: none"> <li>▪ Job creation through natural capital restoration work, particularly regarding the eradication of alien invasive plants.</li> <li>▪ The removal and rehabilitation of areas currently under unpermitted plantations.</li> <li>▪ The release of water, previously consumed by plantations, to alternative uses (including the ecological reserve) downstream.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unsustainable change to natural soil characteristics by timber species, e.g. loss of nutrients, loss of soil fauna, change in chemical composition and structure, leading to the loss of opportunities for alternative productive land use and rehabilitation potential.</li> <li>▪ Upstream water reduction activities, i.e. timber plantations, are placing constraints on downstream capacity for economic expansion.</li> <li>▪ Stream reduction decreases dilution capacity of river systems and therefore exacerbates downstream water quality issues which translates into increased health risks and treatment costs.</li> <li>▪ Reduced water quantity limits downstream abstraction opportunities.</li> <li>▪ Increased sediment loads from cleared compartments and road networks resulting into loss of water storage capacity in downstream raw water storage and reticulation systems.</li> <li>▪ No further land available for expansion of the industry – closed catchment.</li> </ul>
LIVESTOCK (primarily cattle on extensive natural pastures)	
<ul style="list-style-type: none"> <li>▪ Sustainability certification increasingly required by retail outlets provides livestock farmers with an opportunity to enhance the marketability of their products.</li> <li>▪ Extensive livestock farming is the land use that is most compatible with biodiversity conservation which provides opportunities for recognition for sustainable practices through the KZN Stewardship Programme.</li> <li>▪ Extensive livestock farming provides a landscape that is conducive to tourism and with many such farms being in close proximity to the uKhahlamba Drakensberg Park, favourable marketing opportunities are present.</li> <li>▪ This land use has the least impact on the potential for the delivery of ecoservices and farmers can market these to consumers to substantially increase the revenue that can be earned from their land, e.g. sale of watershed services, carbon storage, access to genetic material, etc.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The only constraints that are imposed on the livestock farmers are those created by themselves through the implementation of unsustainable land use practices such as overstocking and the injudicious use of fire as a management tool.</li> <li>▪ Directly related to the above is a loss of land cover integrity which predisposes the land to alien plant infestations.</li> <li>▪ However, even the best managed properties are impacted by alien invasive plants and collaborative efforts are required eradicate these.</li> </ul>

OPPORTUNITIES	CONSTRAINTS
<b>DAIRY</b>	
<ul style="list-style-type: none"> <li>Generation of energy from waste, e.g. biogas.</li> <li>Rural nature of the operation lends itself to a diversification through the introduction of farm-based tourism opportunities.</li> <li>Enhanced operation efficiencies lend themselves to recognition and certification thus providing improved marketability and access to discerning and sustainable markets</li> </ul>	<ul style="list-style-type: none"> <li>Reduced access to water for irrigation of pastures as well as for the milking process through the loss catchment integrity.</li> <li>Potential liability for impacts on water quality downstream of farm based on the leaching of agro-chemicals from irrigated pastures, as well as from the dairy operations themselves, i.e. eutrophication.</li> </ul>
<b>COMMERCIAL CROPS (Irrigated and dryland)</b>	
<ul style="list-style-type: none"> <li>Job creation through natural capital restoration work, particularly regarding the eradication of alien invasive plants, reclamation of wetlands, and natural rehabilitation of soils, i.e. reinstating the organic matter content.</li> <li>The removal and rehabilitation of areas currently under unpermitted crops.</li> <li>The release of water, previously consumed by crops, to alternative uses (including the ecological reserve) downstream.</li> <li>Through the introduction of more sustainable operations, agro-chemical loads leached into river systems will decline.</li> <li>Decreased production costs through the implementation of sustainable farming principles.</li> </ul>	<ul style="list-style-type: none"> <li>Access to water through reduced catchment integrity upstream of farms.</li> <li>Loss of arable land through accelerated erosion and the spread of alien invasive plants.</li> <li>Reduced soil fertility through excessive crop production leading to a reduction in productivity and increased operating costs.</li> <li>Reduced water holding capacity of the soil due to unsustainable farming practices</li> </ul>
<b>SUBSISTENCE AGRICULTURE</b>	
<ul style="list-style-type: none"> <li>Carefully selected portions of Ingonyama Trust land which have the potential to support both subsistence and small holder commercial production.</li> <li>The high levels of unemployment need to be converted into high levels of occupation related to food production, processing and marketing.</li> <li>The enhancement of current communal land management systems by introducing value to different types of land use (PDA).</li> <li>Well managed communal lands will present an attractive landscape that has the potential to host a variety of tourism operations, e.g. the Umgano Project.</li> </ul>	<ul style="list-style-type: none"> <li>Communal tenure and unplanned land allocation systems.</li> <li>Concentration of existing subsistence agriculture and settlement activities within inappropriate locations, e.g. wetlands and flood plains.</li> <li>Poor land use practices leading to accelerated soil loss, the spread of alien invasive plants and the loss of natural capital.</li> <li>The overriding cultural significance of the cultural value of livestock which prevents sustainable management thereof with resultant over-grazing and associated impacts.</li> </ul>

**TOURISM – OPPORTUNITIES AND CONSTRAINTS**

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>Environmental accreditation programmes such as the 'Blue Flag Beach' programme offers significant benefits by acting as an added attraction to a market that is becoming increasingly aware of environmental issues and standards.</li> <li>Reinstate natural capital along the coastline such as dune, flood plain and estuarine vegetation to increase the diversity of attractions and the resilience of the coastline and associated infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>The coastline has been significantly transformed by linear urban development and has lost much of natural features which cause the loss of appeal and well as increased vulnerability to extreme weather events.</li> <li>The concentration of industry, commerce and residential developments along the coast and rivers increases the threat of water quality issues and the loss of tourism revenues.</li> <li>Unchecked land transformation and degradation continues to impact on catchment integrity with resultant loss of watershed services and reduced viability for the maintenance of standards required to meet accreditation standards.</li> <li>Predicted climate change related impacts such as the rise in sea level and increased incidents of extreme weather events places significant constraints on both existing and potential new tourism infrastructure.</li> </ul>
OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>Proximity to the uKhahlamba Drakensberg Park World Heritage Site.</li> <li>Linkages with Lesotho through the Maloti Drakensberg Transfrontier Project and the Maloti Drakensberg Route.</li> <li>The bulk of the landscape still untransformed or hosting agricultural activities which lend themselves to an aesthetic appeal for a diversity of tourism attractions.</li> <li>Extreme topography, clean air and relatively clean water make the area attractive to major sporting events such as the Drak Challenge and the Sani2Sea.</li> <li>Cultural Heritage features such as the Reichenau Mission add to the diversity of attractions.</li> </ul>	<ul style="list-style-type: none"> <li>Unsustainable land management outside of the uKhahlamba Drakensberg Park World Heritage Site quickly reduces the quality of natural capital and its ability to deliver ecoservices such as clean water.</li> <li>The virulent spread of alien invasive plants.</li> <li>Cross-border crime detracts from an enabling and attractive environment to accommodate tourism activities and operations.</li> </ul>

**GOVERNMENT – OPPORTUNITIES AND CONSTRAINTS**

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>▪ The application of NRM and EPWP (Extended Public Work Programme) funds to address threats to natural capital integrity such as the eradication of alien invasive plants and the restoration of erosion gullies, thus generating 'green jobs'.</li> <li>▪ The creation of an enabling environment for and facilitating the implementation of green technologies such as rain water harvesting and biogas generation for both disadvantaged communities as well as commercial operations.</li> <li>▪ Increased ability to deliver basic services through improved condition of natural capital and the delivery of ecoservices such as clean water, increased winter base flows, reduced flood risk, access to medicinal plants natural building material and fuel wood.</li> <li>▪ Decreased health risks through improved catchment integrity as discussed above, as well as improved air quality.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Local government capacity in terms of natural capital management.</li> <li>▪ Limited cooperative governance capacity required across local government boundaries, across Depts. as well as across sectors.</li> <li>▪ The virulent spread of alien invasive plants.</li> <li>▪ Unsustainable land use practices that dominate the District.</li> <li>▪ Cross-border crime, primarily the theft of livestock places this land use in jeopardy and in danger of being replaced by more unsustainable options, as well as impacting on tourism and sound natural capital management.</li> </ul>

**MINING - OPPORTUNITIES AND CONSTRAINTS**

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> <li>▪ <b>IDWALA CARBONATES</b></li> </ul>	
<ul style="list-style-type: none"> <li>▪ The mine has the opportunity of engaging with upstream land owners and users with a view to improving catchment integrity that will increase winter base flow in both river systems and decrease potential liability from pollution caused by storm water runoff from their site.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Loss of catchment integrity upstream from their operation makes them vulnerable to flooding considering their position immediately adjacent to and within the floodplain for the Umzimkulwana River.</li> <li>▪ Close proximity to the mouth of the river system increases the risk of liability for water quality issues associated with their operations.</li> <li>▪ The loss of riparian vegetation translates into the loss of an important buffer between their operations and the river.</li> </ul>