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1. INTRODUCTION

1.1 BACKGROUND

This report is commissioned by SANEC in the context of the 2g@there program Port and Hinterland Development Southern Africa. The focus of this program is to attract companies to invest in Southern Africa, by creating business opportunities on one hand for Dutch companies and establishing (socio) economic growth for Southern African people on the other hand. This specific report deals with the KwaZulu-Natal region in South Africa. It investigates the Port and Hinterland Development in KwaZulu-Natal with the ultimate goal to identify and/or open markets for the 2g@there cluster members and beyond.

The report is a compilation of various investment and trade related information on KwaZulu-Natal providing a fair overview of KwaZulu-Natal and its opportunities for Dutch companies.

1.2 Objectives and scope of work

The objectives of this study are:

- Giving an overview of information which can be of interest to Dutch companies in the fields of water, transport and energy;
- Analysing the local environment, by identifying relevant stakeholders and potential projects for Dutch companies;
- Identify business opportunities;
- Specifying a SWOT analysis and defining recommendations.

The specific target areas for this report are the KwaZulu-Natal Ports (Durban and Richards Bay). The focus of this report is to provide a context for KZN Port and Hinterland Development therefore existing information contained in investor guides, policy documents and the media has been used to provide an overview of Development Opportunities in KZN.

1.3 Study area

KwaZulu-Natal (KZN) is home to 10.6 million people. Fondly known as the Kingdom of the Zulu the province is located in the eastern seaboard of South Africa and benefits both from the warm Indian Ocean to the east and the escarpment of the Drakensberg in the west.

KwaZulu-Natal has undergone remarkable transformation past 20 years. Previously perceived as a region with high levels of conflict and political violence, the Province is now perceived as having won the struggle for peace, a place of opportunity. It is rich in natural attributes, from its favorable weather conditions, to its great natural tourism assets such as the warm water coastline, the Drakensberg mountain range and world-class game reserve areas. The Province has also built on its natural status as the trade gateway of southern Africa, based on the fact that the port of Durban is the busiest container port in Africa, and Richards Bay is the biggest bulk cargo port in Africa. Enormous capital investments in these ports and related infrastructure is being planned to enhance the competitive advantage of the region.
1.3 Structure report

This report is structured as follows:

- Chapter 1: Introduction;
- Chapter 2: Policy Environment And Context;
- Chapter 3: Strategic Overview of KwaZulu-Natal;
- Chapter 4: Major Stakeholders in KwaZulu-Natal;
- Chapter 5: Investment Opportunities;
- Chapter 6: Investing in KwaZulu-Natal;
- Chapter 7: Recommendations and Conclusions.
2. POLICY ENVIRONMENT AND CONTEXT

2.1 National Policy Framework

A plethora of legislation, policies and strategies from national and provincial government govern and influence development. In this report we draw specific attention to the provincial planning and development context which provide the strategic direction critical to the future development and growth within the KZN province.

2.1.1. RDP, GEAR and ASGI-SA

Historically economic activity of South Africa was skewed towards one racial group. Since 1994, the new inclusive Government fought to undo the imbalances of the past. This has led to the introduction of a number of macro-economic policies, which are reviewed from time-to-time, to ensure a more inclusive approach to participation in economic affairs by all South African citizens (KZN DEDT, 2011).

These policies include:

- The Reconstruction and Development Programme (RDP), which aimed to address the immense socio-economic problems brought about by the consequences of the struggle against the apartheid system;
- The Growth Employment and Redistribution (GEAR), a neoliberal economic strategy which sought to increase South Africa's commitment to open trade, privatization and a favorable investment climate; and
- The Accelerated and Shared Growth Initiative of South Africa (ASGI-SA), which sought to facilitate faster economic growth and corresponding job creation so as to ensure the reversal of the country's jobless growth in the mid-2000s, and ultimately ensure wider participation in the economy. ASGI-SA, which aspired to increase economic growth to at least 6% per annum between 2010 and 2014, led to the formation of the Joint Initiative for Priority Skills Acquisition (JIPSA), designed to address chronic structural unemployment in the country.

2.1.2 The Monetary and Fiscal Policy

The South African Government has consistently adhered to countercyclical monetary and fiscal policies, with a view to: (i) reducing inflation, (ii) containing the growth of money supply, (iii) maintaining a stable currency, (iv) facilitating economic growth, (v) creating employment, and (vi) promoting export development to ensure a sustainable balance of payments (BOP). The Government's stance in this regard has seen the economy cooling after the devastating levels of inflation in 2008 to more manageable, within-target rates of inflation during the course of 2010 (KZN DEDT, 2011).

2.1.3 Broad-Based Black Economic Empowerment

As part of the country's growth strategy, the South African Government has developed policies on Broad-Based Black Economic Empowerment (B-BBEE) which will assist in bringing the country's black majority into the economic mainstream. The Government has introduced B-BBEE Codes of Good Practice to provide a standard framework for the measurement of B-BBEE across all sectors of the economy.
The first phase of these Codes seeks to encourage all entities, both public and private, through the issuing of licenses, concessions, sale of assets and preferential procurement, to implement proper B-BBEE initiatives. The second phase of the Codes covers seven components of the B-BBEE scorecard, inclusive of Preferential Procurement, Employment Equity (EE), Skills Development, Enterprise Development, Residual (industry specific and corporate) Social Investment Initiatives, Ownership, Management Control and Socio-Economic Development.

2.1.4. United Nations Millennium Goals

South Africa and KwaZulu-Natal (KZN) are committed to working towards achieving eight critical economic and social development priorities by 2015. The eight development priorities were termed Millennium Development Goals (MDGs) and include the desire to:

- To eradicate extreme poverty and hunger
- To achieve universal primary education
- To promote gender equality and empower women
- To reduce child mortality
- To improve maternal health
- To combat HIV/AIDS, malaria and other diseases
- To ensure environmental sustainability
- To develop a global partnership for development.

2.1.5. Twelve Outcomes

The MDGs have been incorporated into the current priority agenda of the SA government and have been translated into twelve Key Outcomes that set guidelines for a more results-driven approach:

- Improved quality of basic education;
- A long and healthy life for all South Africans;
- All people in South Africa are and feel safe;
- Decent employment through inclusive economic growth;
- A skilled and capable workforce to support and inclusive growth path;
- An efficient, competitive and responsive economic infrastructure network;
- Vibrant, equitable and sustainable rural communities with food security for all;
- Sustainable human settlements and improved quality of household life;
- A responsive, accountable, effective and efficient local government system;
- Environmental assets and natural resources that are well protected and continually enhanced;
- Create a better South Africa and contribute to a better and safer Africa and world;
- An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

These outcomes provide strategic focus for government.

2.1.6. National Development Plan

The National Development Plan (2011) puts forward three scenarios to create approximately 11 million jobs by 2030, and reduce unemployment to about 6% by 2030. The first scenario is a baseline scenario, the second is a solid minerals scenario, and the third is a scenario that aims to create a diversified
dynamic economy. The third scenario, which is the preferred scenario, aims to attract more substantial investments in strengthening municipal infrastructure and services, education systems, and generate better access to capital for new and expanding firms.

2.1.7. Green Economy Accord

South Africa’s Green Economy Accord was launched at COP17 in November 2011, as one of a series of agreements in which social partners (labor, business, Nedlac and government) committed to working together to achieve the goals of the New Growth Path that sets a goal of creating five million new jobs by 2020. The accord places a strong emphasis on a localization strategy - fostering local industrial capacity, local jobs and local technological innovation.

Green job creation opportunities identified in the accord include (amongst others):

- The manufacturing and assembly of renewable energy plant and equipment
- The manufacture and installation of solar water heaters (national roll-out of one million SWH by 2014/15)
- Small enterprise opportunities in recycling – waste management, building rubble into bricks, plastic into planks, the use of methane gas from landfills etc.
- Retrofitting buildings with energy efficient equipment, replacing incandescent globes with CFL and LED’s.
- Local manufacture of electrical vehicles, batteries, solar-powered street and traffic lights etc.
- The production of bio-fuels.

The accord sets out a series of commitments undertaken by the South African government:

- The roll out of one million solar water heaters by 2014/15;
- Increasing investments in the green economy, including through the Industrial Development Corporation (IDC), private investors and retirement funds;
- Procurement of renewable energy as part of the energy generation plan;
- Promotion of bio-fuels for vehicles;
- Launching clean-coal initiatives to reduce emissions from the use of coal based technologies;
- Promoting energy efficiency across the economy;
- Retro-fitting of domestic, industrial and commercial buildings to promote energy efficiency;
- Waste recycling;
- Reducing carbon emissions on the roads, including through improved mass transport systems and a shift to rail for freight transport;
- Electrification of poor communities and reduction of fossil fuel open-fire cooking and heating;
- Economic development in the green economy through promotion of localisation, youth employment, cooperatives and skills development.

2.1.8. National Transport Vision

The National Transport Vision required government to “provide safe, reliable, effective, efficient and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers at improving levels of service and cost, in a fashion which supports government strategies for economic and social development whilst being environmentally and economically sustainable”.

DHV B.V.
The KZN Department of Transport has adopted the vision of “Prosperity Through Mobility” where prosperity is understood to include “all aspects of quality of life including safety, access to opportunity, personal development and the ability to participate in decision-making”.

In order to achieve this vision three key strategic focus areas have been identified:

- **Saving Lives by:**
  - Reducing fatalities resulting from road collisions;
  - Ensuring that the road network is safe;
  - Ensuring the occupational health and safety of our employees;
  - Facilitating accessibility to critical services;
  - Ensuring safe public transport.

- **Development of People, Economy and Infrastructure by:**
  - Addressing the skills within the Transport industry;
  - The provision of infrastructure, which opens economic opportunity;
  - Facilitating economic development;

- **Value for Money by:**
  - Becoming an industry leader in all that we do;
  - Instilling a culture of data-driven decision making;
  - Implementing sufficient controls.


At a national level, there are two strategies that are relevant to water issues. The National Water Resources Strategy (DWAF, 2004, currently being reviewed) is the strategy for the water sector in terms of bulk water supply, implementing the Water Act (DWAF, 1998). The Strategic Framework for Water Services (DWAF, 2003) is the regulatory framework for drinking water supply and sanitation, implementing the Water Services Act (Government, 1997).

Since 2009 the Department of Housing is responsible for sanitation. All other water services infrastructure services are under the Department of Water Affairs as regulator.

At the provincial level there is a plan to make a provincial water services development plan.


National and Provincial policies strongly support moving to more sustainable energy sources. The 2010 Draft Revised White Paper on Renewable Energy Policy aims for the provision of a minimum of 27% of national energy from renewable sources by 2030, and the national climate change documents note that the most significant greenhouse gas (GHG) emissions in SA come from the energy sector.
2.2 Provincial Policy Framework

In terms of South Africa’s Constitution, 1996 (No. 108 of 1996), provincial share certain powers and functions with the Central Government. They also have certain areas of exclusive responsibility. The main areas of policy autonomy, as set-out in Schedules 4 and 5 of the Constitution, lie in property-related functions, agriculture, planning and environmental management, tourism, road infrastructure provision and traffic management functions, and a wide variety of local service delivery roles, many of which are delegated to Local Government. In addition, provinces play very important practical service delivery roles with respect to education and health.

2.2.1 Provincial Growth and Development Strategy

The Provincial Growth and Development Strategy (PGDS) consists of a Strategic Analysis of the current growth and development situation in the Province, sets a vision on where the Province aims to be in 2030. It identifies seven strategic goals and thirty strategic objectives that will drive the Province towards its vision that “by 2030 KwaZulu-Natal should be a GATEWAY to South and southern Africa, its human and natural resources maximized to create a safe, healthy and sustainable living environment”.

Of particular interest to SANEC Cluster members are the goals, objective and opportunities associated with:

- **Job Creation:**
  - Enhance Industrial Development Through Trade, Investment and Exports;
- **Strategic Infrastructure:**
  - Develop Ports and Harbors;
  - Develop Road and Rail Networks;
  - Develop ICT Infrastructure;
  - Improve Water Resource Management;
  - Development Energy Production Capacity.
 Responses to Climate Change:

2.2.2. Provincial Spatial Economic Development Strategy

The Provincial Spatial Economic Development Strategy (PSEDS) has been developed within the framework of the National Spatial Development Perspective and the Provincial Growth and Development Strategy (PGDS) and has identified four key sectors as drivers of growth within KZN:
   - Agricultural sector (including agri-processing and land reform);
   - Industrial sector (including manufacturing);
   - Tourism sector;
   - Service sector (including government services.)

The logistics and transport sector (including rail) in the services sector are important sub-sectors underpinning growth in all four sectors. And sustainable and affordable water and energy provision is crucial to economic growth and development of the province.

The PSEDS identifies a number of priority nodes and corridors as investment locations throughout the Province each with a specific focus.
3. STRATEGIC OVERVIEW OF KWAZULU-NATAL

3.1 Administrative Context

The Constitution of South Africa comprises national, provincial and local spheres of government that are both interdependent and interrelated. In terms of this constitution, the country is divided into nine self-governing provinces, each with its own legislature, premier and members of the executive council.

3.1.1 Provincial Government

The KZN Provincial Government develops and facilitates the implementation of plans to develop KwaZulu-Natal, working collaboratively with other spheres of Government and relevant agencies. The administration of government in KZN is comprised of sixteen departments:

- Agriculture, Environmental Affairs & Rural Development
- Arts & Culture
- Economic Development & Tourism
- Education
- Health
- Human Settlements
- Office of the Premier
- Legislature
- Provincial Treasury
- Royal Household
- Community Safety & Liaison
- Social Development
- Sport & Recreation
- Cooperative Governance and Traditional Affairs
- Transport
- Public Works

In addition there are a number of provincial public entities (state owned enterprises) which are meant to provide specialized capacity and support to the Province, to local government and to civil society in their respective fields of mandate.

Key public entities include:

- Ezemvelo KZN Wildlife
- Amafa Heritage KZN
- Ithala Development Finance Corporation
- KZN Growth Fund
- KZN Tourism Authority
- Trade and Investment KZN
- KZN Agricultural Development Agency
- Dube Tradeport Corporation
- Transnet (National)
- Eskom (National)
- South Africa Airways and Express (National)
- Regionally Based Water Boards – Umgeni Water, Mhlutuze Water, and Uthukela Water Board

3.1.2 Local Government

At the local level “Municipalities have a key role to play in South Africa’s social and economic development. With limited resources and often insufficient capacity, they have to transform racially segregated areas into integrated communities, provide basic services to people who were denied in them in the past and now often cannot afford them; maintain the highest standards of accountability to national and provincial government and to their own constituents; and create an investor-friendly climate to enable business to expand and to attract other investors” (KZN Top Business, 2012).
The province is divided up into ten districts and one metropolitan (Ethemkini) municipalities. District municipalities are further broken down into fifty local municipalities. Between the, district and local Municipalities fulfill a broad range of functions from integrated development planning, electricity provision, sewerage and waste disposal, health services to the promotion of regional tourism.

Some local and/or district municipalities have also established their own local development agencies, with most being given a mandate to promote inward investment and local economic development. Some of these include:

- Durban Investment Promotion Agency (Ethemkini Metro);
- Enterprise Ilembe (Ilembe District);
- Hibiscus Coast Development Agency (Hibiscus Coast Municipality);
- Umhlosinga Development Agency (Umkhanyakude District Municipality);
- Midlands Investment Initiative (Umgungundlovu District Municipality);
- Sisonke District Municipality is also in the process of establishing its local development agency.

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1 PPC (2011)
3.1.3. Traditional Councils

A unique attribute of land within KZN is the fact that almost 40% of the land within the province falls under the custodianship of the Ingonyama Trust Board and as such accommodates a large portion of the population of the province, mainly in the form of rural and communal villages, which are amongst the most vulnerable in the province. The communal nature of the land and the vast extent thereof has, in the past, impacted on the development investments intended by both government and private sector.

3.2. Regional Context

KwaZulu-Natal (KZN) is located on the eastern seaboard of South Africa at the tip of Africa. Its international borders include Mozambique and Swaziland to the North, and Lesotho to the South, whilst its domestic borders include Mpumalanga to the north, Free State to the west and the Eastern Cape to the South. The eastern border of KZN is the warm waters of the Indian Ocean.

KZN, colloquially referred to as the Garden Province, is the third smallest province in South Africa in terms of its extent (92,100km²). It is home to the major natural seaports of Durban and Richards Bay which effectively connect South Africa to the rest of the world and boasts two world Heritage Sites – The iSimangaliso Wetland Park and uKhahlamba Drakensberg Park. The Administrative capital is Msunduzi (Pietermaritzburg) and the economic capital is Durban.

There are three distinct geographic regions in the province which have had a substantial affect on the development of the province. These include the narrow low lying coastal plain that parallels the shoreline of the Indian Ocean, the central region of the Natal Midlands with its undulating hills and the Drakensberg

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2 PPC (2011)
and Lebombo Mountains to the west and north respectively. A prominent characteristic that traverses each of these zones are a number of deeply incised parallel valleys and ridges formed by short, fast-flowing rivers from the central plateau of South Africa towards the Indian Ocean, a distance of 200km. These valleys impact on north-south connectivity in the province.

There are two major development corridors in KZN that follow national routes. The N3 acts as the development spine of the Durban- Gauteng corridor which is anchored by the Durban Port in the east and Gauteng (the economic heart of South Africa) in the west and the N2 the spine for a corridor with the Durban Port as the anchor to the south and Richards Bay port to the north, which together function as the primary logistics gateway into Southern Africa. Settlement patterns follow major transportation routes.

3.3. Demographics and Socio-Economic Context

The socio-economic profile of the KZN population has an impact on the nature and extent of development in the region. The social issues present in KZN are complex.

The province is home to 10.6 million people of which 34% are resident in Ethekwini (Durban) and the remainder spread fairly evenly across the rest of the province. 50% of the province’s population is located in rural areas. Population density is highest in the existing urban centers, however above average growth in population numbers has occurred in smaller peripheral centers outside of areas with high economic potential (PPC, 2011). Settlement outside of the urban centers is typically dispersed in nature and located within Ingonyama Trust Land. Based on current growth trends, it is anticipated that an additional 3.6 million people will move into urban areas by 2030, 85% of which will migrate to Ethekwini (PPC, 2011).

Adult life expectancy has decreased over the past 12 years to 43 years of age and is associated with HIV/AIDS infection rates. This has a major impact on the health and welfare of the labor pool and represents a social welfare burden to the public sector.

KZN is considered a net exporter of its people and skills. Migration in and out of the province is linked to economic opportunities and results in skills shortages in rural areas. The remittances returned to rural

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3 PPC (2011)
areas however do help sustain the rural population. Of the 62% of the KZN population who are of working age, only 33% are formally employed, 11% unemployed and the remainder reliant on social grants. It is estimated that 50% of the KZN population live in poverty with 12% living on less that US$1 per day. KZN has the highest number of households receiving social grants and relief packages.

Education in the province is of major concern. 10% of KZN's adult population has no formal education, 11% of the population aged 15 is considered illiterate and the Matric pass rate is 61%. There is a widely recognized lack of artisan programmes and where these exist, there is mismatch with industry needs. The quality of educators and educational facilities are considered a leading cause of the state of education in South Africa in general. KZN is no different and this is particularly true of maths and science education. Crime is prevalent in all ranks of life. Household and community safety and security is increasing as white-collar crime in the commercial and public sectors. In the agricultural sector, stock theft across international borders and farm attacks are threatening the future vibrancy of the sector.

3.4. Economic Context

3.4.1. Overview of KZN Economy

The KZN economy of KwaZulu-Natal is the second largest within South Africa, contributing approximately 16% to national Gross Value Added (GVA). The growth rate since 2000 has been 3.8%, slightly higher than the national average of 3.6%. The economic base within the Province is diverse, but is largely driven by the manufacturing sector, and supported by tertiary services such as tourism, finance and insurance, transport and storage, and other business services.

![KZN Economy Overview](image)

Figure 8: Overview of KZN Economy

The economy is however under-performing and is faced with three structural constraints to growth, namely; increasing unemployment, poverty and inequality. These constraints have been further exacerbated by the recent recession, which placed pressure on financial and economic systems, and caused substantial job losses. National Government has recently developed the New Growth Path (NGP), which has placed emphasis on the need to create sustainable employment within the country in order to

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PPC (2011)
achieve growth and development, and to assist in achieving the Millennium Development Goals (MDG). Job creation is therefore a key concern.

A substantial decline in investment into the primary and secondary sectors (predominately agriculture and manufacturing) over the past decade has reduced employment (particularly within agriculture and textiles manufacturing), and has reduced the potential of growth and development considerably. As a consequence, the province's industrial base has lost share of the national market, while the province has become a net-importer of agricultural goods, which poses a threat to food security. The tertiary sector has however performed well, with sectors such as ICT experiencing good growth off a low base. The decline in key primary and secondary sectors is due to factors such pending land claims, a lack of serviced and zoned industrial land, access to Ingonyama Trust Board land for commercial and community agriculture, the rising cost of capital and other input costs (i.e: machinery, electricity and labour), skills shortages, and the inflexibility of labor.

Economic activity is dominated by the three cities of Durban (53%), Pietermaritzburg (12%) and Richards Bay (8%), with the remainder of the smaller towns and rural areas contributing less than 30% to total GVA. The Province current has a number of comparative advantages such as the Durban and Richards Bay Ports, the Dube Trade Port, the Richards Bay IDZ, vast agricultural land, and a strong industrial base. However, these comparative advantages have not been translated into competitive advantages and the Province has therefore not reached its full economic potential. Constraints such as low productivity within the Durban Port, degrading road and rail infrastructure, a slow take-off at the Richards Bay IDZ, and uncertainty about the future of land for commercial farming have slowed the pace of potential growth within the Province.

Given the location of the Province, its economic assets, and a substantial labor force (although largely unskilled), there is a significant amount of potential to become an economic gateway, not only within South Africa, but also within the rest of Africa. The requirements to achieve such success are numerous, but generally include an educated and skilled labor force, provision of reliable infrastructure and services, reduction of bureaucracy and red-tape surrounding development, strong policy direction from the public sector, and confidence from the private sector.

3.4.2. KZN Economic Nodes
Economic activity in KwaZulu-Natal is largely concentrated in three main urban centers, Durban, Pietermaritzburg and Richards Bay.
Durban (eThekwini Municipality)

Durban, which falls within the jurisdiction of the eThekwini Municipality, is South Africa’s third largest city and the third largest city in South Africa after Gauteng and Cape Town respectively. Durban is the biggest city on the east coast of the African continent, covering a land area of 2,292 square kilometers. The city of Durban is connected to the other major economic hubs of South Africa, namely, Pietermaritzburg and Richard’s Bay in KwaZulu-Natal, and Johannesburg and Pretoria in Gauteng Province by road and rail.

The other major economic features of Durban include:

- The largest and busiest port in Africa: As a result, Durban is a major importer of both raw materials and manufactured goods. Furthermore manganese, chrome ore, coal, sugar, and grain are exported through the city;
- A modern, world-class international airport, King Shaka International and Dube Tradeport;
- A world-class convention centre, which has hosted many international events, such as conferences.
- A well-developed physical infrastructure platform; and
- A variety of other attractions ranging from busy shopping malls, to sunny beaches and gardens.

Pietermaritzburg (Msunduzi Local Municipality)

Pietermaritzburg in uMgungundlovu District Municipality is the capital city and administrative/legislative centre of KwaZulu-Natal. Situated approximately 80 kilometers north-west of Durban, Pietermaritzburg is located on the N3 highway between Durban and Johannesburg. The N3 is the busiest development corridor in South Africa.

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5 Source www.tikzn.co.za
Pietermaritzburg is the second largest city in KwaZulu-Natal. As a capital city, Pietermaritzburg has a strong services sector and is the central location for different inland towns and settlements in KwaZulu-Natal. The city is also home to many parastatals and government. Pietermaritzburg is a regionally important industrial centre and offers a wide range of products, including timber products, dairy products, footwear, and cloth. The city is also host to about 15 motor-component producers. Various types of motor vehicles and a truck brand are assembled in the city. Furthermore, Pietermaritzburg is also host to the main operations of one of the largest producer of rolled; extruded and other semi-fabricated and finished aluminium products in Africa.

Richards Bay (uMhlathuze Local Municipality)
Richard's Bay is one of the fastest growing industrial areas in KwaZulu-Natal. It is the centre of operations for South Africa's aluminium industry operations, producing over 4% of the world's aluminium exports. The Richards Bay Coal Terminal, which is located in this town, is the largest coal export facility in the world. This terminal has been instrumental in securing South Africa's position as the second-largest exporter of steam coal in the world. Furthermore, Richards Bay Minerals is one of the largest sand-mining and mineral-processing operations in the world.

Richards Bay is situated on a 30 square kilometre lagoon of the uMhlathuze River, which gives it one of the country's largest harbours. The Port of Richard's Bay is South Africa's premier bulk cargo handling port and is well situated to serve the KwaZulu-Natal and Mpumalanga coal fields, and has expanded into other bulk and break bulk cargos including timber and granite from as far away as the Eastern Cape and Northern Cape. The port handles in excess of 85 million tons of cargo per annum and is one of the few South African ports with the flexibility to expand with demand to become one of the largest ports in the world. Exports remain the main activity of this port.

The Richards Bay IDZ presents a number of opportunities for the expansion of industrial development within uMhlathuze. However, a number of constraints such as the high initial capital cost, environmentally sensitive areas, as well as high levels of existing pollution are reducing the potential of the IDZ to make a dramatic impact. The attraction of investment to the IDZ is of critical importance for growth and development of the region, not to mention the province.

Other Nodes of Importance
A number of smaller economic centres are located in KZN that are generally supported by the surrounding rural and urban settlements. To the north-west of the province are Newcastle and Ladysmith, which both have substantial manufacturing capacity. On the south coast, Port Shepstone is an economic node that has a strong light-industrial sector as well as a significant trade and commerce sector. To the north of Durban is the iLembe District which has, more recently, experienced a substantial amount of investment in hotel properties and other high-end residential estates, retail, and office and light-industrial capacity and Stanger town centre which has a strong business sector as well as a fair amount of industrial activity.

3.4.3. Economic Sectors

Transport and Logistics
KZN is home to Africa's busiest sea port (Durban) and Africa's biggest bulk sea port (Richards Bay), combined with excellent road and rail infrastructure and global logistics service providers, it is easy to see why KwaZulu-Natal (KwaZulu-Natal) lays claim to being southern Africa's Trade Gateway.

The transport and logistics services encompass sea freight and land based operations such as dry and liquid bulk terminals, intermodal solutions, pipeline, rail, air and port operations and all facets of traditional
and specialized logistics. To increase port efficiency Transnet Port Terminals, has recently rolled out the
new NAVIS Sparcs N4 terminal operating system, which operates multiple marine and rail terminals from a
central server.

With the increase in activity as well as the current expansion projects at the Durban and Richards Bay
harbors, it is possible that the sector will continue to experience high growth rates. There are many
substantial, well-managed private road transport companies handling all types of freight. Local and
international shipping lines such as Grindrod under the banners of Island View Shipping and Unicorn
Shipping, Safmarine and Mediterranean Shipping Company are major seafaring companies. Cruise
Tourism is a burgeoning niche market and liners such as the Queen Mary, MSC Sinfoni, MSC Melody, and
others are popular visitors to our shores.

Manufacturing
After Gauteng, KZN’s diversified manufacturing sector is the second largest in the country with nearly a
third of South Africa’s manufactured exports produced in the province. Large, globally competitive
manufacturers operate in the province in industries involving automobiles and automobile parts, forestry
products, petro-chemicals, food and beverages, steelworks metals as well as clothing and textiles. These
manufacturers are represented by Arcelor Mittal, MacDonald Holdings, BHP Billiton, Hulamin, Safal Steel,
 Tata Steel, Sappi, Mondi, Foskor, Engen and Unilever, which are of some of the major contributors to the
economy of the province (KZN Top Business, 2012).

Major automotive companies including Toyota, MAN Truck and Bus SA, Volvo Trucks and Bell Equipment
operate in KwaZulu-Natal, with many secondary suppliers providing individual components or raw
materials to the manufacturers of components or sub-assemblies for motor assembly plants. The
automotive manufacturing industry has created a considerable multiplier effects in component and service
providers. The automotive leather industry has grown rapidly, with exports significantly increasing foreign

The Maritime Vessel Construction and Repair (MVC&R) sector, also known as the ship building industry, is
vast and fast evolving. Durban boasts the largest and busiest ship repair facility on the South African coast
and one of the most efficient in the southern hemisphere. The firms of Elgin Brown & Hamer, Southern
African Shipyards and Dormac Marine each have their own fully equipped repair quays including heavy
cranes and machine shops to handle almost any job (KZN Top Business, 2012). KwaZulu-Natal provides
nearly a third of South Africa’s plastics demands. The industry uses 150 000 tons of polymer a year and
consists mainly of SME enterprises plastics still remain cost-effective products and a vital component in
the packaging industry. The Chemical industry is well developed with numerous SME enterprises along
the value chain. The sectors that enjoy substantial investments into the chemical industry are paint,
aricultural chemicals, plastics and synthetic resins (KZN Top Business, 2012).

Agriculture
KZN’s sub-tropical climate, excellent annual rainfall and fertile land make the province the national leader
in several agricultural products. The Province has a total of 6.5 million hectares of land for farming
purposes of which 82% is suitable for extensive livestock production and 18% is arable land.

Although KZN covers a small portion of South Africa’s land area, a significant percentage of the country’s
small-scale farmers are based here. The midlands area between Pietermaritzburg and the Drakensberg
has a concentration of vegetable, dairy and stock-farms. The KZN coastal belt yields sugar cane, wood,
oranges, bananas, mangoes and other tropical fruit. Forestry in the areas around Vryheid, Eshowe,
Richmond, Harding and Ngome is another major source of income. Key forestry companies operating
within KZN include Mondi, Merensky, NCT Forestry Co-operative Limited and Sappi (KZN Top Business, 2012).

Agriculture is a labor-intensive sector, which is especially relevant in a provincial context of high unemployment. In line with this thrust, the identification of crops and the creation of opportunities for SMME agribusiness prospects are of importance.

**Mining and Quarrying**

KZN's mineral sands and coal mines are a small economic sector underpinned by companies such as Richards Bay Minerals and Petmin (KZN Top Business, 2012). Ilmenite, rutile and zircon are mined on a large scale for their titanium and zirconium contents from aeolian beach dunes in the northern areas of KwaZulu-Natal. The region is rich in other minerals such as aluminium, anthracite and calcitic marbles. KZN Sands previously Ticor, is focused on the exploration, mining and treatment of mineral sands deposits in KwaZulu-Natal.

In the northern interior district of Newcastle-Vryheid and in the Nongoma area, the coal consists mainly of anthracite. Much of the anthracite is railed to the coal terminal at Richards Bay, from where it is exported. Richards Bay Coal Terminal is the world's largest coal exporting terminal.

**Tourism**

KZN is the market leader for domestic tourism in South Africa, as well as number two in term of international tourism. The Drakensberg Mountains, sub-tropical coastline with glorious beaches and game parks are closest to the main national population and economic centers in Gauteng. The Province has great accommodation facilities, wonderful leisure and recreation opportunities, a rich history and diverse cultures. In addition, Zulu culture and history forms a key part of the Province's heritage.

**Trade and Commerce**

The SA economy has been driven in the last few years by consumers and increasingly spends from the new black middle class named the “Black Diamonds”. KwaZulu-Natal offers a range of shopping experiences from mega-malls, such as Gateway Shopping Centre, to rural micro-markets. The ongoing construction of new shopping malls and the expansion of existing ones across the Province give evidence to the fact that retail trade is expanding. The malls are home to major shopping chains such as Woolworths and Edgars. They also house shops selling a range of goods such as household necessities, electronics, clothing, jewellery, and more specialized items.

**Banking and Financial Aspects**

South Africa's highly competitive banking and finance industry is as technologically sophisticated as any in the world, with the high-tech first-world service sector able to accommodate the most demanding needs of business, shipping agencies and foreign investors. The country's bankers, financial advisers, lawyers, tax consultants and experienced chartered accountants are able to advise foreign banks on legal issues and guide them through regulatory requirements with ongoing auditing services (TIKZN, 2012).

The South African Reserve Bank oversees the banking services industry, while the Financial Services Board governs the non-banking financial services industry. South Africa's principle financial service markets comprise the JSE Securities Exchange, the SA Futures Exchange, and the Bond Exchange of South Africa. Once approval is obtained for foreign loans, commercial banks monitor and report on receipt and usage of the loan funds. The well-established Johannesburg Stock Exchange (JSE) is ranked among the ten largest in the world, providing opportunities for private investment in large South African companies, with volumes and foreign purchases having increased dramatically. It also offers the
opportunity to smaller, newer companies to seek investors through the Development Capital Market as well as a Traded Options Market for dealings in financial futures (TIKZN, 2012).

The financial market sees several established banking institutions, with four major groups controlling the bulk of the total banking assets. Flexible working relationships exist between local and foreign banks in this private enterprise system, and associations and alliances have continued to grow, with an increasing number of foreign banks in operation through fully active representative offices. Ideally located to service both European and southern African clients comprehensively, financial institutions are able to offer a full range of banking activities, including trade finance, foreign exchange trading, offshore banking and trust management. Commercial banks provide assistance to exporters in securing payments, while certain major financial institutions have international trade divisions offering more specialised services. The specific aim of small business units lies in assisting entrepreneurs, with innovative development initiatives offered (TIKZN, 2012).

3.5 Natural Context

3.5.1. Topography

KZN enjoys a rich diversity of natural resources. The topography ranges in elevation from sea level to over 3,000m, results in a considerable range in temperature, while the topography varies from the undulating coastal plains of Maputoland to the rugged, broken terrain of the Valley of a Thousand Hills and the precipitous mountains of the Drakensberg. Rainfall also varies considerably, from approximately 580 mm to over 2 000 mm per annum.

3.5.2. Geology

The geological formations of the Province run roughly north to south across an eastern-sloping terrain while the river systems run west to east, resulting in deeply incised valleys, cutting through the geological layers. Deep sands are found along the northern coastal belt, young weathering soils in the steep valleys, well-drained, deep soils are a feature of the midlands and the highland areas and poorly drained and duplex soils are common in the upland areas where the rainfall is below 750 mm per year.

3.5.3. Vegetation

In turn, the vegetation is affected by the changes in topography, rainfall and soils. Bushveld is found in the low-lying hot and dry areas of northern KwaZulu-Natal and in most of the river systems. In the high rainfall areas of the coastal belt, the midlands mistbelt, highland sourveld and the mountains of the Drakensberg, different forms of forest are found in areas which are protected from fire. In the northern plains of the province a tall grassveld is characteristic while in the cold highland areas the grassland is typically short.

3.5.4. Hydrology

The rivers, dams and freshwater sources within KZN account for 40% of water within South Africa and the river systems contained within KZN are considered ecologically vulnerable, with some considered critically endangered.
The provinces water resources are provided by four main catchment areas: the Mzimvubu, Mkomazi, Tugela and Mfolozi/Pongola River Catchments. There a approximately 15 dams within KZN that serve as water storage areas for potable water, irrigation, recreation and hydroelectricity. There are three main Water Management Areas (WMA) in KZN:

- **Phongola - Mhlathuze WMA** (in the north). The system is stressed but still has some potential to ‘dam’ in the Mfolozi Catchment;
- **Thukela WMA** (central), Surplus water available and also has potential to be further developed with additional damming;
- **Mvoti - Mzimkhulu WMA** (in the south), Highly stressed as the Mvoti, Mgeni and most of the smaller coastal catchments are over-developed, but there is still some potential for development on the undammed Mkomazi and Mzimkhulu Rivers.

Water demand thus exceeds availability in two of the three Water Management Areas in the Province (Phongola and Mvoti-Mzimkhulu). These areas are therefore susceptible to drought. Poor catchment management, water abstraction, invasive alien species and climate change further threaten the water resources of the Province. The declining water table is also cause for concern. Within KwaZulu-Natal are 400, 000 km of river frontage and this is where the largest impact on the extraction and pollution of water occurs.

The quantity of surface water available in the province is under pressure due to demands by forestry, irrigated agriculture, domestic and industrial users.

**3.5.5. Biodiversity**

The biodiversity of KwaZulu-Natal represents some of the most unique systems in the country and need to be protected for countless potential benefits in terms of food security, environmental health, variability resilience as well as the vast economic potential it holds for all sectors of the economy from agriculture to tourism.

Although various public and private role players are actively dedicated to protecting and managing the balance between biodiversity and development within KwaZulu-Natal, these efforts are still widely uncoordinated and will need to be addressed to achieve a singular effort towards integrated sustainable development. As a number of the eco-systems of the province crosses its borders, it is vital that effective partnerships towards sustainable development is forged not only by internal role players, but with the provinces of the Eastern Cape, Free State and Mpumalanga as well as with the three international neighbors of Swaziland, Mozambique and Lesotho. The further strengthening and management of the existing Trans Frontier Conservation Areas (TMCAs) could play a vital role in this regard and provide a vehicle for such international co-operation and partnerships.

**3.5.6. Maritime and Coastal Environment**

The coastline of KwaZulu-Natal stretches for 640km and encompasses two bio-geographical zones (Natal and Delagoa) and supports a greater number of marine species than any other equivalent length of the South Africa Coast. In total, 73 estuaries enter the sea in the province and the coast is heavily utilised for a variety of purposes.
Worldwide, growing population and industrialization have made oceans increasingly susceptible to damage; to the extent that all human activities impact on the coast. Urbanization places increasing burdens on the storm water drainage of cities, with sanitation systems also contributing to pollution and damage of the coastal environment.

Increasing demand for the extension of port operations in both Richards Bay and Durban have major environmental impacts.

3.5.7. Energy Resources

The province does not currently produce its own electrical power and the economy has energy intensive coal based nature. The growth and development of KwaZulu-Natal is believed to require that the province becomes more self-sufficient in its electricity production as well as to use its unique environment towards the production of electricity form alternative and more renewable resources. The province has some of the highest hydro-electrical potential within South Africa due to the velocity of the water flow in its rivers as well as the escarp of the Drakensberg providing the best localities. Both Macro and micro hydro-electricity production has a significant potential in the province. Other forms of alternative energy production such as Wind, Solar and Biomass generation has also shown potential within the province and could further be explored.

3.6. Infrastructure Context

3.6.1. Overview

The provision and accessibility of bulk infrastructure investment has a direct impact on both basic services as well as the ability of the economy to function. In KZN there is a disjuncture between where services are required to meet basic needs and where infrastructure is required to unlock economic potential. In terms of basic services delivery, there are major backlogs and shortages of water, sanitation and electricity to human settlements. The public transport system operates in an unsustainable manner, the road networks are over burdened and the rail system underutilized.

In terms of an infrastructure platform for economic engagement issues around the transportation of freight, ports and telecommunications dominate.

KZN is fortunate to have two strategically located ports: Durban and Richard’s Bay. Between them, the ports handle nearly 80% of SA’s cargo tonnage. The province has an extensive rail and road network which connects KZN to Gauteng, Mozambique and Swaziland. The logistics platform has been further enhanced by the construction of the Dube Tradeport.

3.6.2. Transportation

Harbours and Ports
KwaZulu-Natal ports are the main entry point for importing of goods to South Africa, as well as exporting to the world. The Durban Port handles approximately 68% of all containers that is either imported to South Africa, or exported. Although a decline is noted during the period 2008 and 2009 for Durban and Richards Bay, the overall import and export of goods through the country has reduced in the number of container handling.
The Port of Durban is strategically located in world shipping routes and is the main general cargo, liquid bulk and container port in SA. The Richards Bay Port is SA’s premier bulk port and serves the coalfields of KZN and Mpumalanga as well as timber and granite exporters.

At present there are three major projects underway to augment container capacity for the region: an upgrade to the existing container terminal, the deepening of berths at Maydon Wharf and the conversion of Pier 1 to handle containers.

Airports
There are 130 airstrips strips in the province. The municipal airport infrastructure in KZN includes the following municipal airports (with the exception on King Shaka Airport which is operated by ACSA):

- Virginia
- Old Durban airport
- Margate
- Richards Bay
- Ulundi
- Ladysmith
- Vryheid
- Newcastle
- Mkuze
- Pietermaritzburg

Airports Company South Africa (ACSA), the largest airports authority in Africa, operates the country’s ten principal airports, including OR Tambo International Airport (ORTIA) in Johannesburg, Cape Town and Durban International Airports. Together, their airports handle more than 200,000 aircraft landings and 23 million arriving and departing passengers annually.

The newly opened King Shaka International Airport (KSIA), in La Mercy 35km North of Durban. It is the 3rd busiest airport in South Africa. This ground breaking airport was a result of the outstretched capacity on the old Durban International Airport. In the first year of its operation, KSIA handled a total of 4.8 million passengers, an impressive 10.7% increase over 2009/10 per year from destinations worldwide, with around 45,0000 movements.

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6 PPC (2011)
Linked to the airport’s air freight component, the Dube Trade Port which offers commercial facilities such as the Trade Zone, whose two-fold objectives are (i) to recapture KwaZulu-Natal freight currently utilizing Gauteng’s OR Tambo International Airport and, (ii) provide a platform to actively support and generate new investment in the full range of air freight-related businesses and associated services in KwaZulu-Natal.

**Rail**

Transnet Rail controls South Africa’s rail network. Spoornet provides goods, container services as well as long distance passenger services. Metrorail, a division of Transnet, is responsible for operating the metropolitan commuter system. Metrorail is contracted to provide this service to the Transnet, which owns the rolling stock and most of the infrastructure.

The DoT has embarked on a comprehensive recapitalization programme to improve rail safety and revive rail transport as a viable public-transport alternative. Recently, government has contributed some R884 million to the remodeling and refurbishment of rail commuter stations. The private sector provided investment of about R1.6 bn in more than 120 projects on land and properties adjacent to and surrounding rail commuter stations. The Durban - Gauteng corridor is to have a new high speed rail link to assist with improving rail transports competitiveness with road transport.

**Road**

KZN has some 25,600km of roads. There area two national double carriageway highways running through the Province. These are the N2, which runs along the coast from Kokstad (South) to Pongola (North), and the N3, which runs from Durban westwards and is the main road link to Johannesburg and Gauteng and other inland areas.

**Freight**

The combined effect of national policies of deregulation of road transport, commercialisation of rail, increased legal axle-mass loads and gross combination mass of heavy vehicles has resulted in a continual shift of cargo from rail to road transport. This results in an increase in road damage, accidents, congestion and gas emissions. The situation is aggravated by endemic overloading of heavy vehicles which, though better controlled in KZN than the rest of the country, has negative consequences for the life of the roads in the province.

Fully recognising the economic importance of a good road structure, the KwaZulu-Natal Department Transport has instituted an ongoing, long-term programme to continually upgrade the Province’s road network. Key focus remains on rail transportation in the province as a means to alleviate the pressures on road transportation of delivering goods and passengers to destinations.

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Figure 11: Road Freight in KZN
This is a major infrastructure improvement priority. KwaZulu-Natal has a total of 6 Main Freight Rails, with the main purpose of transporting imported goods from the harbour and export goods to the harbour. The main lines are the following:

- Durban-Empangeni-Golela (& Swaziland) Secondary Main Line
- Durban-Kelso-Port Shepstone-Simuma Secondary Main Line
- Durban-Ladysmith-Volksrust (& beyond to Union in Gauteng)
- Glencoe-Dundee-Vryheid Main Line
- Ladysmith-Van Reenen (&the Free State) Main Line
- Richards Bay-Vryheid East-Piet Retief-Ermelo (the coal line)

**Pipelines**

The pipeline systems in South Africa have been created primarily to serve the petroleum industries. The pipelines have established their place in the transportation system as the most efficient and cost effective means of transporting large quantities of liquids and gases over long distances safely and efficiently. The cost of transporting bulk liquids by pipeline is lower than for other modes over extended periods but there is very high capital investment required establishing the infrastructure.

In South Africa the pipeline system has been controlled and operated by the parastatal transport company Transnet and due to lack of competition, the costs to users are not as low as could be anticipated, in relation to road and rail transport. Durban is the main import point for crude oil and the main centre of pipeline activity on the coast.

**Public Transport Systems**

Existing public transport is not sustainable under present operational management practices. A large percentage of households in KZN have limited access to public transport or cannot afford it. Some 15% have limited access both urban and rural. Some 43% of households using public transport spend more than 10% of their household income on it.

There are also delays in road based public transport services caused by busses and mini-bus taxis having to operate in congested traffic streams making public transport less attractive to commuters. Added to this are the overcrowded minibus-taxis adding to the perceptions that this mode of transport is unsafe.

With rising car ownership and use, pressure on the road network can be expected to mount considerably in the coming decades. The poor quality of public transport services influences this rise in car ownership. Rising car ownership and use in the metropolitan areas and large urban centers, giving rise to serious congestion and unacceptable levels of air pollution and wasteful use of valuable urban land taken up by roads and car parking.

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7. PPC (2011)
8. PPC (2011)
Aged and, in some cases unsafe, rolling stock and public transport vehicles, are subject to breakdowns and are considered uncomfortable and unattractive to passengers.

Serious user dissatisfaction with almost all attributes of train, bus and minibus taxi services often lead to vandalisation of vehicles and an incipient tendency to burn vehicles as a form of protest against non-delivery of adequate services.

Public operators are not incentivised to offer improved services or limit operating losses.

There is a vast difference between rail service and line capacity. Service capacity has declined because of a failure to invest in new rolling stock. Failure to maintain and upgrade line and signal systems will also result in a reduction of line capacity.

A very high percentage of scholars and workers walk to school (79%) or to their place of employment (18%) and cognizance of this is required in the provision of transport infrastructure.

There is also perception of a lack of safety from crime on the accesses to public transport services, crime at stations and on trains.

3.6.3. Water and Sanitation

South Africa is a water-stressed country and managing issues related to water supply are complex. Purification, desalination, water-leakage management and waste-water treatment are some of the issues facing South Africa. In this context KZN is considered relatively water rich compared to the rest of SA. Many of the major rivers have their source in the Drakensberg Mountains. The urban areas are therefore well serviced with high quality water. South Africa is one of the few countries in the world where the Municipal tap water is perfectly safe to drink. As of July 2011, the backlog for water provision in the province was estimated at 2 million people residing in 400,000 households.

The district municipalities hold the status of “water service authorities”, along with the local municipalities of Ethekwini, uMhlatuze, uMsunduzi and Newcastle. However there seems to be some disjuncture between the alignment of these water service authorities and the appointed water service providers in the Province, the leading providers being Umgeni Water (southern KZN & Midlands areas), Mhlutuze Water (northern KZN) and uThukela Water (north western KZN).

3.6.4. Energy and Electricity

The energy sector contributes about 15% of South Africa’s Gross Domestic Product (GDP) and employs more than 250 000 people. The economy is highly energy intensive and is dominated by mining and primary processing, metal smelting and synfuel production. Electricity in KZN is by-in-large supplied by Eskom and heavily reliant on coal-fired power station although KZN is home to the largest hydroelectric power plant in South Africa, the 1000 megawatt Drakensberg Pumped-Storage Facility that generates electricity during peak hours.

Demand for electricity in South Africa has been systematically increasing over time and the current infrastructure system is inadequate. Whilst SA has historically operated with a large reserve margin, economic growth and its associated demands for electricity has resulted in a decline in the reserve margin and “load-shedding” measures have been introduced as a means to shed the burden on the network.
The completion of two new power stations Khusile (2013) and Meduphi (2015) will generate sufficient and reliable energy for the short to medium term, but a radical shift in the energy sector is required. As a result of the demand and the required infrastructure to deliver, energy prices have increased dramatically. A long term vision of Eskom is to generate thousands of megawatts of base load power from solar energy. The building of a R3 billion 100MW solar demonstration power plant is pending board approval.

Supply from independent power producers into the national grid is being investigated at a national level. In terms of the distribution of electricity, there are 25 local municipalities who are holders of electricity distribution licenses. These take responsibility for the onward distribution/sale of electricity from Eskom (the national electricity supplier) to the areas within their jurisdiction. For other municipal areas, Eskom is the direct supplier to consumers, and uses its own planning and financial frameworks to decide on prioritization of reticulation of electricity supply to un-serviced areas.

At a national and provincial level there is commitment within government to promote alternative sources of energy, with specific emphasis on renewable energy, however Southern Africa’s capacity has not even come close to being realized. A commercial wind farm has been established outside Darling on the west coast of South Africa and a new wind farm in the Eastern Cape at the Coega Industrial Development Zone (IDZ) is going to be funded by a large Belgian renewable energy company.

Solar energy is another potential growth area with a suitable climate in large parts of Southern Africa providing potentially the perfect environment for solar power plants. One small-scale but successful example of solar water heating was launched at Anglo Platinum Brakfontein shaft in early September, where the project was looking at save the shaft 421.54 MWh a year.

Biofuels is a less prominent energy source and there is great debate surrounding whether burning certain crops such as maize or canola increases the price of these commodities, to the detriment of the poor. Despite the controversy and the government’s non-committal attitude towards any major biofuels projects, there are a number of projects developing new ways of producing energy. In the Eastern Cape a project is taking place at the Nelson Mandela Metropolitan University in Port Elizabeth, with InnoVenton, the university’s institute of chemical technology, announcing a pilot project to use marine algae to convert carbon dioxide into biofuels. There are also projects springing up in KwaZulu-Natal and in the North West where they are looking for investors and further expertise.

More notably, the energy potential of hydro-electrical power is immense. There is the Mphanda Nkuwa hydro power station, on the Zambezi river in the Tete Province of Mozambique; the Itezhi Tezhi hydro power station to be built on an existing dam in the Kafu River in Zambia; the Kariba North Bank Extension (an existing dam on the Zambian side); and lastly the massive potential of the proposed Inga Dam and hydro-electric power harnessed from the Congo River. The Inga 3 site is set to provide 5000 MW of power and as part of the multinational agreement, South Africa is set to import 3000MW of that total. All these projects are part of the Southern African Power Pool’s (SAPP) plans to match the energy demands in Southern Africa by 2016.

On top of the main energy sources that are prominent in the public eye, recent news stories have revealed the potential for new and innovative ways to provide power such as biogas-from-waste and refuse-derived fuel.

The Ilembe District Municipality has been identified as a target area for renewable energy projects.
3.6.5. Information and Communication Technologies (ICT)

Telecommunications in South Africa are considered world-class and with access to digital networks with fixed-line, wireless and satellite communication, makes up the most sophisticated infrastructure in Africa. The GSM cellular phone market is in the top quartile globally, in terms of growth, offering clear opportunities to innovators in the sector. Benefits of their significant investments are being experienced currently by major players such as Alcatel, Siemens, Vodafone and SBC Communications.

Telkom, the major fixed-line operator in South Africa, is a key player in a US$630m optical fibre undersea cable project. Almost 40 nations and several international telecommunications operators have joined Telkom in the SAT-3/WASC/SAFE initiative, which links African nations with Asia and Europe. The cable is capable of transmitting 80 gigabits per second between two points, and will be linking to KZN in the vicinity of the Dube Trade Port (TIKZN, 2012).

3.7 Summary of Key Issues

The following summary of key issues reflect those that are pertinent to this fact finding study i.e. issues related to development opportunities in transport, water and energy

Administrative Context
- There is a complex governance and administrative environment in KZN
- There is commitment, in policy, to invest in transport, water and energy infrastructure and innovation
- 40% of province under Ingonyama Trust Land

Regional Context
- Two world-class ports;
- Strategic located on national corridors which connect the region to Gauteng, Mpumalanga and Mozambique.

Demographics and Socio-Economic Context
- Settlement patterns concentrated in existing urban centres, or in dispersed rural settlements;
- The labor pool is large but poorly skilled;
- Life expectancy is low;
- High dependency ratios;
- Urban migration from rural areas is increasing and placing additional burdens on stressed infrastructure and social systems.

Economic Context
- Second largest economy in SA;
- Economy centered around agriculture, manufacturing, the services sector and tourism;
- City economies dominate in the region.

Natural Context
- The region has a rich and diverse environmental landscape but it is under stress;
- There are natural resources in KZN that have the potential to be used for creating alternative energy;
- There is a need to protect water sources as the quantity of surface water available is declining;
- The quality and ecological health of water sources is decreasing.
Infrastructure Context

- Ports offer comparative advantage for region as the gateway to Africa;
- Well developed but crumbling infrastructure;
- Inefficiencies in port infrastructure affects capacity of the Ports;
- Overburdened road network;
- Underutilized rail network;
- Underutilized Airport and Tradeport;
- Backlogs for electricity, water and sanitation to households;
- Increasing costs of bulk services;
- Dominance of taxi buses in public transport system is unsustainable.
4. MAJOR STAKEHOLDERS IN KWAZULU-NATAL

The following represents a list of major stakeholders in KZN who would be relevant for further engagement around development opportunities in Transport, Water and/or Energy.

4.1 Government

4.1.1. KwaZulu-Natal Provincial Planning Commission

The KwaZulu-Natal Provincial Planning Commission seeks to compliment the National Planning Commission (NPC) and advises and makes recommendations to a Planning Sub-Committee of Cabinet on matters related to a long term strategic development perspective and vision of the Province, ensuring coherence in policy development and planning across the Provincial Government and strengthening performance monitoring and evaluation to assess the pace required to deliver on the desired outcomes. The PPC will lead investigations into critical long term trends in the Province, with technical support from a Secretariat and in partnership with relevant other parties.

The functions assigned to the PPC are to undertake planning and make recommendations that will lead to the development and periodic review of a long term Vision including a Provincial Spatial Economic Development Strategy, the Provincial Growth and Development Strategy and the Provincial Growth and Development Plan and will contribute to reviews of implementation and progress in achieving the objectives of the Strategy.

It will assist with mobilizing society around the provincial Vision and other tasks related to macro policy development and provincial strategic planning and will contribute to the development of national and international partnerships and networks of expertise on planning.

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4.1.2. Department of Energy

The Department of Energy is responsible for ensuring exploration, development, processing, utilization and management of South Africa's mineral and energy resources. As the country's economy continues to grow, energy is increasingly becoming a key focus.

The Electricity and Nuclear Branch is responsible for electricity and nuclear-energy affairs, while the Hydrocarbons and Energy Planning Branch is responsible for coal, gas, liquid fuels, energy efficiency, renewable energy and energy planning, including the energy database.

Estimates suggest that R107-billion will be needed between 2005 and 2009 to meet South Africa's growing energy needs. Eskom will invest R84-billion over the next five years. The balance of R23-billion is reserved for independent power producer (IPP) entrants. By May 2005, the department was in the process
of procuring 1 000 megawatts (MW) through Independent Power Producers (IPPs), which are expected to be commissioned in 2008. The refurbishment of three power stations - Camden in Ermelo, Grootvlei in Balfour, and Komati in Middelburg - will result in an additional 3 800 MW to the system. Eskom will spend about R12-billion on the recommissioning of these stations. This is about 40 percent of the cost of a new station. About 10 percent of the costs will go towards improving environmental performance such as particulate emissions and water controls.

Coal is relied on for the generation of most of the country's electricity and a significant proportion of its liquid fuels. Furthermore, South Africa's industry has not generally used the latest in energy-efficient technologies, mainly as a result of relatively low energy costs. Government has been persistently engaging members of the Organisation of Petroleum Exporting Countries (OPEC) through diplomatic channels to increase production.

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4.1.3 Department of Water Affairs

The Department of Water Affairs is the custodian of South Africa's water resources. It is primarily responsible for the formulation and implementation of policy governing this sector. It also has override responsibility for water services provided by local government. While striving to ensure that all South Africans gain access to clean water and safe sanitation, the water sector also promotes effective and efficient water resources management to ensure sustainable economic and social development.

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4.1.4 KZN Department of Economic Development and Tourism

The Department of Economic Development and Tourism is the custodian of KwaZulu-Natal's economy - providing policy and strategic direction on key economic sectors that drive the province's economy. To be able to chart the way for economic development in the province, the Department is divided into various focal areas of the economic development - which also seek to acknowledge and reconcile different levels of socio-economic development in the province. The Provincial Industrial Development Strategy has pinpointed specific sectors that require attention as they have huge potential of growing the economy and creating job opportunities.

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4.1.5. KZN Department of Transport

The provision of transport is intrinsic to the creation of vibrant, livable, sustainable cities and communities. The real purpose of transport planning is the provision of access to work, social facilities such as education, hospitals, including goods and services. As we construct and maintain roads, provide access, facilitate integrated public transport provision, advocate the safety of all road users, we firmly believe in working together with the wider community of KwaZulu-Natal to realize our departmental vision of, Prosperity through Mobility.

As the Department of Transport we need to look at the optimal ways of mass transport of people especially for the marginalized communities. We are therefore working with municipalities in developing Integrated Rapid Public Transport Networks, which include Bus Rapid Transport and Rail Rapid Transport systems while integrating transport systems to encourage seamless transport.

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4.1.6. Ethekwini Municipality

Durban has become known around the world as a major African city. The name Durban, which strictly speaking relates to the City of Durban, has come to be associated more broadly with the local government area officially known as the eThekwini Municipality. The eThekwini Municipality Area consists of 2297km², of which 36% is rural and a further 29% is peri-urban. The municipal area stretches from Umkomaas in the south, including some tribal area in Umbumbulu, to Tongaat in the north, moving inland to Ndwedwe, and ends at Cato Ridge in the west.

The city has a number of challenges and social needs such as providing equitable access to water, sanitation, energy and transport. While significant progress has been made in all areas, there is still some distance to go towards addressing these many challenges. The city's vision is that "By 2020, eThekwini Municipality will be Africa's most caring and liveable city." To realize this vision, there are basic elements that all citizens, the business community and visitors must have:

- Ease of movement in the city;
- A safe environment in all parts of the municipal area;
- Access to economic opportunities;
- Resources to afford what the city offers;
- A clean and green city;
- Homely neighborhoods;
- Access to services, in particular municipal, health and education services.

Continued economic growth and the steady improvement of living standards, access to reliable transport and better working conditions in the city will ensure that Durban's economy grows. It is imperative to create a city which is more accessible and where people can happily live, work and play. In addition, having work and home closer together with better transport will lower the cost of living as well as stimulate the local economy. More efficient transport systems would enable business operations to stay open for longer hours and provide shifts to their work forces, boosting both employment opportunities and profits. eThekwini also aims at being a smart city. The fibre optics cable network that has been established enables broadband
connectivity between government department, schools and businesses which allows better communication and reduces the cost of doing business. An aim of the network is to see that every young person, irrespective of location, has access to the internet.

The eThekwini Municipality has three main thrusts in order to grow the economy and provide much needed employment opportunities, these are:

- Ports and logistics;
- Manufacturing;
- Tourism and eventing.

**Contact Details**

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### 4.1.7. uMhlathuze Municipality

The City of uMhlathuze comprises the economic powerhouse of Richards Bay and Empangeni, and its supporting areas of Esikhawini, Ngwelezane, Nseleni, Felixton, Vulindlela, and rural areas. Some 796km² falls under the jurisdiction of one of South Africa’s most sophisticated local authorities, which is focusing on attracting more industrial, commercial and tourism investment to the region on the north coast of Zululand in KwaZulu-Natal. uMhlathuze Municipality is not only financially sound, but also offers investors and visitors first class facilities, services and infrastructure.

The dynamic City of uMhlathuze boasts a dedicated and competent management team, which is focused on service delivery and economic growth. The municipality’s vision for the metropolitan area is that of a city that ensures sustainable development and one that is renowned for trade, tourism, coastal recreation, commerce, industry, forestry and agriculture. The depth of institutional support is one of the City of uMhlathuze’s strengths and an essential requirement for investors. The municipality has a long and successful record of providing world class, efficient and reliable service to industrialists - and is regarded as one of the country’s most sophisticated and capacitated authorities. Key challenges for the municipality include community upliftment and empowerment of rural areas, economic development and attraction of investment, and maintenance of development standards in urban areas.

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4.1.8. Ilembe District Municipality

Situated on the east coast of KwaZulu-Natal, the iLembe District is set to become a major economic hub in the province. The N2 national highway running from Durban up through Richards Bay to Swaziland and Mozambique dissects the district. Three distinct development zones exist: the coastal strip with its residential and tourism components; the inland corridor, which is influenced by the existence of major commercial agricultural activities, and the rural hinterland.

The newly developed King Shaka International Airport and Dube TradePort is pivotal to the district's future success. The development has created immense opportunities for growth and stimulation of economic initiatives. Spinoffs include:

- High value manufacturing;
- Business and logistics parks;
- Research and technology parks;
- Warehousing and distribution centers;
- Entertainment and shopping;
- Hotels and residential development.

There is a strong positive sentiment from the business sector for new direct investment into the region, creating pressure to deliver on serviced commercial sites for occupation, as well as on the upgrade of existing infrastructure to accommodate the new demands. This is an exciting time for the region as a whole, with the Provincial Growth and Development Strategy for the Province of KwaZulu-Natal, as approved by Cabinet in the last quarter of 2011, clearly indicating that the northern corridor will become the focus of economic growth over the next 20 years and beyond. This bodes extremely well for the district, which will again experience unprecedented growth once the worldwide growth to occur once again.

Enterprise iLembe is the economic development agency for the iLembe District Municipality responsible for Trade & Investment Promotions and Local Economic Development in the District. Enterprise iLembe is exploring a number of projects aimed at producing renewable energy using wind and solar power. These projects have enormous potential as demand for green energy increases. Practical work has commenced on the establishment of a wind-farm and communities are open to Private Public Partnerships around further projects.

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4.2 Public Owned Enterprises (State-Owned)

4.2.1 Transnet Limited

Transnet Limited is a public company with the South African government running as its sole shareholder. Both operating and controlling South Africa’s major transport infrastructures, Transnet is also responsible for ensuring that the country’s transport industries operate according to world-class standards and that they form an integral part of the overall economy.

Transnet is transforming into a focused freight transport and logistics company comprising its ports, rail and pipeline assets. This refocus is designed to ensure that the company delivers a reliable, consistent, safe and integrated freight service to all its customers; an acceptable rate of return to its shareholder; and is a choice and sustainable employer. Transnet is devoted to transparency, integrity and efficiency.

A growing Transnet is an integral part of the South African economy and an important contributor to the 6% plus GDP target envisaged in AsgiSA. Transnet is investing R78 billion on revitalizing and extending its infrastructure (widening and deepening ports; building a new pipeline and buying hundreds of new locomotives) and addressing the maintenance backlog, especially at Transnet Freight Rail, over the next five years.

Transnet is not only vital to South Africa’s development, but it also combines forces with other businesses in order to expand transport operations across Africa and beyond. By doing so, Transnet assists in creating valuable business opportunities that extend far beyond the shorelines and borders of the country. Transnet is made up of the following operating divisions:

- Transnet Freight Rail - the freight rail division;
- Transnet Rail Engineering - the rolling stock maintenance business;
- Transnet National Ports Authority - fulfils the landlord function for South Africa’s port system;
- Transnet Port Terminals managing port and cargo terminal operations in the nation’s leading ports,
  - Transnet Pipelines - the fuel and gas pipeline business, pumps and manages the storage of petroleum and gas products through its network of high-pressure, long distance pipelines);
- Transnet Freight Rail.

The largest division of Transnet, Transnet Freight Rail (formerly known as Spoornet) bases its core competency on the transportation of freight, containers and mainline passengers on rail.

COALlink

Coal is a vital export commodity, generating billions of Rands in foreign exchange earnings for South Africa and rightfully deserving its pseudonym ‘Black Gold’. COALlink is a specialist business unit that provides world-class transport for South Africa’s export coal from the Mpumalanga coalfields to the Richards Bay coal terminal. It is one of the world’s most efficient bulk export logistic supply chains, and its steam-coal export tonnage is second only to Australia’s. For the future, it is Transnet’s intention to strengthen its partnerships to derive greater value from the freight logistics system.

Transnet Rail Engineering

Transnet Rail Engineering is the backbone of South Africa’s railway industry with eight product-focused businesses, 150 depots, seven factories and 15,000 employees countrywide. The organization is dedicated to in-service maintenance, repair, upgrade, conversion and manufacture of freight wagons, mainline and suburban coaches, diesel and electric locomotives as well as wheels, rotating machines,
rolling stock equipment, castings auxiliary equipment and services. The business objective for Transnet Rail Engineering, over the next few years, is expected to grow strongly in the locomotive and wagon manufacture areas as the capacity for iron ore, coal and general freight continue to expand.

Transnet Pipelines
Transnet Pipelines, formerly known as Petronet, the custodian of the country’s strategic pipeline assets, is currently servicing two key industries (fuel and gas) by transporting petroleum and gas products over varying distances. The business, having been established in 1965, is integral to the well-being of the South African economy. The liquid fuels network traverses the provinces of KwaZulu-Natal, Free State, Gauteng, North West and Mpumalanga. The intake stations are the two Durban refineries - the crude refinery at Coalbrook (Natref) and the Sasol 2 and Sasol 3 synfuel plants at Secunda. The gas pipeline, a converted line previously used for liquids, runs from Secunda to Durban via Empangeni. Take-off points are at Newcastle and Richards Bay as well as along the route between Empangeni and Durban.

Transnet National Ports Authority
Transnet National Ports Authority (TNPA) is the custodian of the country’s primary trading hubs, managing the most vital conduits of the country’s imports and exports. Eight of the country’s major seaports are controlled and managed by the TNPA namely; Richards Bay, Durban, Saldanha, Cape Town, Port Elizabeth, East London, Mossel Bay and Ngqura (Coega) in the Eastern Cape.

Transnet Port Terminals
Since its inception Transnet Port Terminals has played a key role in supporting the South African government’s export-led growth strategy. Most Southern African import and export commodities are handled through South Africa’s six largest ports Richards Bay, Durban, Saldanha, Cape Town, Port Elizabeth and East London. Port Terminals not only handles these cargoes but implements logistics management solutions for its container, bulk, break-bulk (multi-purpose) and car terminal operations. Transnet has recently unveiled a R300-billion, seven-year investment programme and tenders related to the programme are being advertised intermittently. The tender to undertake the Master Planning and Feasibility for the Dug-Out Port is closed, and the outcomes of the tender anticipated by year end.

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4.2.2. PRASA

The Passenger Rail Agency of South Africa is a South African state owned enterprise responsible for most passenger rail services in the country. It consists of four branches: Metrorail, which operates commuter rail services in urban areas; Shosholoza Meyl, which operates regional and inter-city rail services; Autopax, which operates regional and inter-city coach services; and Intersite, which manages the property owned by PRASA.

PRASA is at the forefront of Government efforts to transform public transport in South Africa, with rail services forming the backbone of the network. The essence of PRASA is to integrate inter-modal facilities and services into public transport solutions that optimize the performance of the whole transport system.

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4.2.3. Eskom

Eskom is a South African electricity public utility, established in 1923 as the Electricity Supply Commission (ESCOM) by the government of South Africa in terms of the Electricity Act (1922). Eskom Holdings generates transports and distributes approximately 95% of South Africa’s electricity - making up 60% of the total electricity consumed on the African continent. Eskom is the world’s eleventh-largest power utility in terms of generating capacity, ranks ninth in terms of sales, and boasts the world’s largest dry-cooling power station.

Eskom Holdings’ Enterprises Division designs, builds and refurbishes Eskom's assets, and acts as a catalyst for project development for the group. Eskom Enterprises’ main focus is to support Eskom Holdings and be the custodian of non-regulated businesses and offer strategic and commercial lifecycle services to the line divisions.

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4.2.4. Umgeni Water

Umgeni Water is the largest bulk and potable water supplier in KwaZulu-Natal. It has an operational area of 21,155km² in KZN. Umgeni Water's capabilities include water cycle management from source to sea, and the treatment of wastewater. The organization prides itself in an integrated and holistic approach to planning and implementation of water and environmental management services. The organization works in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), amongst others, and its Executive Authority is the Minister of Water and Environmental Affairs.

Umgeni Water specifically focused on initiatives directed at improving and building sound long term relationships based on appropriate interactions with key stakeholders, including its Executive Authority, the Portfolio Committee for Water and Environmental Affairs, the Department of Water Affairs, premier of the provincial government of KwaZulu-Natal and the mayors and managers of municipalities, among others. The organization is dependent on reliable infrastructure to provide assurance of supply to its customers.
The infrastructure assets that the organization owns, or manages comprise:

- Approximately 600 kilometers of pipelines;
- 118 kilometers of tunnels;
- Twelve dams;
- Twelve water works;
- Five wastewater treatment works.

In recognition of the fact that water is a scarce, finite and a strategic resource that is increasingly impacted on by climate change and users’ demands, increased emphasis will be placed on securing cost-effective access to additional water resources for the future. The efficient and wise use of water resources, focusing on water demand management initiatives throughout the water value chain, will be promoted. Umgeni Water has recently commissioned an Environmental Impact Study for the East Coast Desalination project in KZN.

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4.2.5. Mhlathuze Water

Mhlathuze Water, a state-owned water utility, was established in 1980 to design and construct a major regional water treatment plant and an offshore wastewater disposal system to service the growing town of Richards Bay in the province of KwaZulu-Natal. As a service provider and partly as part of its mandate, the organization has increased its service delivery to local and regional municipalities, assisting the water service authorities to provide potable water to urban and rural communities. The organization’s area of supply now covers 37,000 km² in northern KwaZulu-Natal with assets in the region of R 3.1 billion.

The flagship of the organization is the Nsezi Water Treatment Plant situated on the banks of Lake Nsezi, located between Empangeni and Richards Bay and commissioned in 1984. The Board of Mhlathuze Water very recently approved an amount of R 189 million for a further upgrade to increase the water supply, sufficient up to 2014. This upgrade will make it possible to pump water directly from the weir on the Mhlathuze River, where the organization owns and operates two pump stations, into the plant. In the near future this will necessitate the development of a water resource master plan for the three main catchments, to allow for further augmentation into the Mhlathuze River to supply the growing needs of Richards Bay and Empangeni beyond 2014. The plant provides clarified water, supplied to the local municipality for use in the industrial operations and purified water to the SANS 241 Standard for drinking water of 2001 for specialized manufacturing processes and domestic use. This installation, one of the biggest dissolved air flotation water treatment plants in the southern hemisphere, is capable of treating 150,000 cubic meters of water per day, due to increase to 204,000 after the present upgrade.

The other core business of the organization is the removal of industrial and domestic wastewater for the municipality and the industries in Richards Bay and Empangeni. The scheme consists of two off-shore pipelines, monitored regularly and by independent surveys carried out bi-annually, with the findings
reported at public meetings twice a year. The pump station and pipelines were commissioned in 1984 and 1985.

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4.2.6. Trade and Investment KwaZulu-Natal (TIKZN)

Trade and Investment KwaZulu-Natal (TIKZN) is a trade and investment promotion agency that has been established by the KwaZulu-Natal Provincial Government to promote the province as an investment destination and to assist KZN based businesses identifies export markets for their products. TIKZN promotes all key sectors that are identified in the Provincial Growth and Development Strategy (PGDS) in order to grow the economy of the province.

Services that TIKZN offers investors
• The facilitation of joint ventures and business linkages between small and big business.
• The provision of relevant, reliable information to investors and traders.
• Assistance with applications for investment incentives and export marketing incentives.
• Assistance to foreign investors with applications for business permits.
• Negotiation of local government incentives on behalf of investors.
• Provision of project support and aftercare services.
• Assistance to merging international traders and with international trade enquiries.
• Assisting investors to locate suitable premises and to secure project and operational financing.

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4.2.7. The Ithala Development Finance Corporation

Ithala Development Finance Corporation Limited (“Ithala”), KwaZulu-Natal’s Provincial development agency, boasts a rich 52 year history of development and empowerment among the historically disadvantaged communities of KwaZulu-Natal. A pioneer in SMME development, long before the phrase was coined by other institutions, Ithala was the first to bank unbanked communities and establish shopping centres in rural areas, stimulating development in remote regions of the Province.

In terms of Section 3 of the KwaZulu-Natal Ithala Development Finance Corporation Act, 1999 (No. 2 of 1999), Ithala’s objects provide for the organization:
• To mobilize financial resources and to provide financial and supportive services to the people of KwaZulu-Natal;
• To plan, execute, finance and monitor the implementation of development projects and programmes in the province;
To promote, assist and encourage the development of the province’s human resources and its social, economic, financial and physical infrastructure;

To promote, encourage and facilitate private sector investment in the province and the participation of private sector and community organizations in development projects and programmes, and in contributing to economic growth and development; and

To act as the Government’s agent for performing any development related tasks and responsibilities that the Government considers may be more efficiently or effectively performed by a corporate entity.

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**4.2.8. The Durban Investment Promotion Agency**

The Durban Investment Promotion Agency (DIPA) is a part of the eThekwini Municipality, mandated to attract, retain and grow direct investment into Durban. It offers a free professional advisory service to assist investors, and medium to large businesses. The Durban Investment Promotion Agency, an independent unit of the eThekwini Municipality, was recommended by the Durban City Council and organized private business as the appropriate vehicle to stimulate economic growth and new investment in the Durban metropolis.

DIPA’s main purpose is to facilitate sustainable investment in Durban for the benefit of all through the:

- Expansion, retention and aftercare of local corporate business;
- Proactive promotion and marketing of Durban Unicity as an investment destination;
- Proactive communication and marketing of the city’s large investment projects and core strategies;
- Identification and development of new investment and business infrastructure opportunities, especially for the previously disadvantaged groups;
- Attraction, support and facilitation Investment Protocol 117 for prospective and new foreign investors in Durban; and
- Improvement in the investment and economic development environment, in partnership with the National, Provincial, City and Business Authorities. DIPA provides first level advice to businesses considering investing in South Africa and Durban.

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**4.2.9. The Dube TradePort**

Located 30 km north of Durban, the new Dube TradePort is a catalyst for global trade and a portal between KZN and the world. It is the only facility in Africa that brings together an international airport, a cargo terminal, warehousing, offices, a retail sector, hotels, and an agricultural area. The King Shaka
International Airport (KSIA), comprising an international passenger and cargo airport, is intrinsic to KZN’s growth.

Rail and road links up and down the coast to the two major seaports will make it easy to switch cargo between different modes of transport. The TradePort is bounded on the west by the railway line between Durban and Richards Bay and by the N2 highway to the east. A new road will be constructed to link the Trade Zone to the Watson Highway. This road will provide an additional level of access for the Cargo Terminal and Trade Zone to the N2 and R102 highways. Large quantities that arrive by sea can be dispersed in smaller volumes at speed by air to various destinations in Africa. The construction of a north to south light rail link has been identified as being important to improve transport connectivity between eThekwini and Ballito.

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### 4.2.10. King Shaka International (ACSA)

Since inception over 18 years ago, Airports Company South Africa Limited (ACSA) has transformed a fragmented, infrastructural parastatal into a focused, profitable and commercial enterprise that is market driven and customer service oriented.

The King Shaka International Airport opened on the 1 May 2010 and is now over two years into its operation, encouraging more international flights for Durban, supporting tourism growth and giving KZN direct access to the world. This world class facility that has become a major economic catalyst in the region. The airport saw a significant growth of around 12% when it opened and is still growing at 4% considering the global challenges in the industry. Recently King Shaka was voted top in the Regional Airport category for Africa in the Skytrax World Airport Awards 2011. At the Airports Council International Awards it was voted 4th Best Airport in Middle East/Africa category.

Together with Dube TradePort, the airport forms a regional development node. This incorporates a 36-hectare Trade Zone, which accommodates a cargo terminal, a perishables centre, warehousing and light manufacturing facilities.

The airport design and initial phase has made provision for passenger capacity to grow to grow from 7.5 million in 2010/2011 to 45 million by 2060. The 3.7km length of the runway will allow the Airbus A380 and Boeing 747s to use the airport; provision is made for a second runway, parallel to the existing one and with the air traffic control tower between the two should the demand requires it around 2060.

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4.2.11. The Richards Bay Industrial Development Zone

The Richards Bay Industrial Development Zone SOC Ltd (RBIDZ) is an agency of the KwaZulu-Natal Department of Economic Development and Tourism. It is located in the province of KwaZulu-Natal within the growing City of uMhlathuze which incorporates Empangeni and Richards Bay. Incorporated in 2002 with an aim of attracting export-oriented manufacturing investment, value-adding and productivity improvements, RBIDZ endeavors to accelerate economic growth through industrialization. Its ultimate goal is to create new permanent employment opportunities, sustain existing employment and improve the socio-economic status of the region. The Zone is a fusion of brown and Greenfield industrial development neighbouring an already existing industrial area comprising a total of 216 hectares of land, with a future potential of more than 2100 hectares.

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4.3.1 Tongaat Hulett

Tongaat Hulett is an agricultural and agri-processing business which includes integrated components of land management and property development. Through its sugar and starch operations, Tongaat Hulett produces a range of refined carbohydrate products from sugarcane and maize. Renewable energy, in the form of biofuel production and electricity generation, is of increasing importance to the business. The energy-food-water nexus is an evolving dynamic. Tongaat Hulett balances the operational requirement for sugarcane supplies to its cane processing operations with the transition of agricultural land to other uses at the appropriate times. The business is well placed to capitalise on emerging opportunities for expansion and growth in Africa, with unconstrained access to sugar markets, its independent position, established business platform and size.

Tongaat Hullet Developments are active proponents of the Airport City concept associated with King Shaka and Dube Tradeport.

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4.3.2. Richards Bay Coal Terminal (RBCT)

Richards Bay Coal Terminal (RBCT) is the single largest export coal terminal in the world. Established in 1976 with a capacity of 12 million tons, it has grown into an advanced 24-hour operation with a capacity of 91 million tons per annum.

RBCT shares a strong co-operative relationship with Transnet Freight Rail, which laid the 560 kilometer railway line linking the coal mines to the port, and with Transnet National Ports Authority, which coordinates the arrival and departure of more than 700 ships a year. The terminal currently boasts a quay 2.2 kilometers long with six berths and four shiploaders, the two largest of which load at 10 000 and 11 000 tons per hour. The terminal is capable of storing up to 8.2 million tons of coal and is serviced by ten yard machines.

Contact Details
Tel: +27 (0)35 904 4911
Website: http://www.rbct.co.za

4.3.3. Grindrod Limited

Grindrod's head office is in Durban, South Africa and is represented by subsidiaries, joint ventures and associated companies worldwide employing about 5000 skilled and dedicated people. The business is all about moving cargo seamlessly from point of departure to final destination providing customers with simple, convenient solutions to complex operational exercises. The group has grown in size and stature, modernized its operations and adopted an entrepreneurial decision making approach. International and local partners have been introduced, including black empowerment initiatives.

The 4 divisions - Freight Services, Shipping, Trading and Financial Services - provide operating and marketing synergies locally and internationally. In pursuing the strategy of becoming a fully integrated freight and logistics service provider, Grindrod continues to invest in assets and opportunities across the four operating divisions with specific focus on dry bulk and bulk liquid commodities, containerized cargo and vehicles.

Contact Details
CEO Grindrod Limited: Alan Olivier
Tel: +27 (0)31 304 1451
E-mail: grindrod@grindrod.co.za
Website: http://www.grindrod.co.za

4.3.4. Mediterranean Shipping Company (MSC)

The independent Mediterranean Shipping Company (MSC) through its innovative, flexible and unique approach to shipping has continued to grow during and beyond the first decade of the new South Africa. The company, which was founded in 1970, has become the biggest user of the South African ports and in 2003 was given the accolade of being the second biggest container carrier in the world.

With in excess of 420 container vessels, the company provides global coverage linking South Africa directly with Europe, UK, USA, Asia, Middle East, Far East and Australia as well as the key ports of Africa's West Coast, East Coast, Indian Ocean Islands, Madagascar and Mozambique. The success of MSC is evident in its phenomenal growth over the past decade that can only be attributed to its quality
management system that aims at consistently improving upon service levels within the shipping community and its willingness to initiate change to meet the requirements of clients and principals.

MSC has significant investments in the South African property market. Its own characteristic office buildings, worth R220-million, have become landmarks in Durban, Cape Town, Port Elizabeth, Johannesburg and Pretoria.

MSC's hugely successful technical division, which was expanded in 1998, operates a world class, full scale engine repair and maintenance facility, which is headed up by a team of highly, trained Italian and South African technicians and has a staff complement of over 100 members.

Another success has been MSC's diversification into the business of container depots. These are situated in Durban, Cape Town, Johannesburg, East London and Rosslyn, Pretoria. Rosslyn boasts its own rail siding as was promised to MSC's clients, particularly the motoring industry, easing the access to their manufacturing plants. The newest depot is the Port Elizabeth one, situated in the Nelson Mandela Park near Uitenhage and which became fully operational in April 2006. All the depots have Custom bond facilities.

Contact Details
Chief Executive Officer: Captain Salvatore Sarno
Tel: +27 (0)31 360 7911
E-mail: rzulu@msc.co.za
Website: http://www.mscgva.ch

4.3.5. Safmarine

While Safmarine has been widely acknowledged as a north-south trade and Africa specialist, the line is fast expanding its services into the east-west trade lanes. Safmarine is currently active on more than 18 trade lanes and plans are underway to expand the shipping services, in response to customer needs. Safmarine has a significant presence in a number of the world's fastest growing markets, including China and India. Safmarine's liner services offer direct calls to a wide range of ports on the core services and all trade lanes link with each other to offer through carriage across the globe. Safmarine offers a wide range of e-commerce services providing 24/7 access to the entire shipping process on-line.

Contact Details
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Tel: +27 (0)31 336 7200
E-mail: dursclsalmng@za.safmarine.com
Website: http://mysaf.safmarine.com

4.4. Other Useful Contacts

KwaZulu-Natal Business Chambers Council
President: Ebrahim Patel
Secretariat: Andrew Layman
Tel:+ 27 31 202 1790
ebrahim@transafrix.com

Minara Chamber of Commerce
National President : Solly Suleman
Tel:+27 31 208 1898
info@minara.org.za
www.minara.org.za
Afrikaanse Handelsinstituut (AHI) KZN
President: Frikkie Pretorius
Tel: +27 33 394 2392
frikkie@pretoriusatt.co.za
www.ahi.co.za

Newcastle Chamber of Commerce & Industry
President: Selby Sithole
Tel: +27 34 3151 903
www.ncci.org.za

Durban Chamber of Commerce & Industry
President: Thato Tsaute
CEO: Andrew Layman
Tel: +27 31 335 1000
chamber@durbanchamber.co.za
www.durbanchamber.co.za

National African Federation Chamber Of Commerce (NAFCOC)
President: Themba Ngcobo
Secretary General: Paul Ngema
Tel: +27 31 301 9860
themban@mweb.co.za
www.nafcoc.org.za

Estcourt Umtshezi Chamber of Commerce & Industry
Tel: +27 36 352 1454
secretary@ecci.co.za
www.ecci.co.za

Pietermaritzburg Chamber of Business
President: Paris Dlamini
CEO: Melanie Veness
Tel: +27 33 345 2747
pcb@pcb.org.za
www.pcb.org.za

Fabcos
Sipho Sibiya
Tel: +27 87 151 0211
Email: sipho.sibiya@vodamail.co.za

South Coast Chamber of Commerce & Industry
President: Ivan Naidoo
Tel: +27 39 682 6565
chamber@venturenet.co.za

Endumeni Chamber of Business (Dundee)
Tel: +27 34 212-2121

Ladysmith Chamber of Commerce & Industry
Manager: Judy Wood
Tel: +27 36 631 0541

KwaZulu Natal Youth Chamber of Commerce
President: Vuyani Majola
Secretary General: Mr. Zenzo Masuku
Tel: +27 31 301 2971
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www.kycc.org.za

iLembe Chamber of Commerce, Industry and Tourism
President: Mel Clark
CEO: Trenley Tilbrook
Tel: +27 87 727 8630
info@ilembechamber.co.za
www.ilembechamber.co.za
5. INVESTMENT OPPORTUNITIES

5.1. Spatial Development Initiative (SDI)

One of South Africa’s key industrial policies is its commitment to fostering sustainable industrial development in areas where poverty and unemployment are at their highest and where inherent economic potential exists. This objective is carried out through Spatial Development Initiatives (SDI).

SDIs were launched in South Africa in 1996 as a means of attracting investment to areas of the country with under-or unutilized potential to host investment. SDI methodology involves a process in which the public sector removes constraints to growth and develops or facilitates conditions favorable to private sector investment and the development of Public-Private-Partnerships in sectors such as agriculture, mining, tourism, environment, forestry, infrastructure and ports.

Through the Regional SDI Support Programme based at the Development Bank of Southern Africa, SDIs have reached various stages of implementation. Steady progress in opening opportunities for private sector investment in parts of southern Africa, with considerable potential for new wealth and job creation, have been realized. Of crucial importance in the region is the Lubombo SDI.

5.1.1. Lubombo Spatial Development Initiative Corridor

The Lubombo Spatial Development Initiative (LSDI) Corridor is a joint programme between South Africa, Swaziland and Mozambique that aims to unlock economic development potential in the Ubombo region by focusing on development around the Isimangaliso Wetland Park, Makhathini Flats and Jozini Dam.

The LSDI has identified three key routes within the sub-region. Route 1 is the R22/MR439 from Hluhluwe to Ponto do Ouro which has been upgraded. Ultimately this route will connect directly to Maputo. Route 2 links the N2 via Golela through Swaziland to the N4 and provides a ‘short-cut’ route between the primary tourist destinations in KZN and Mpumalanga. Route 3 connects the N4, via Barberton, Pigg’s Peak, and Mbabane to Big Bend and the N2, via Golela. This route offers an opportunity to connect KZN with central South Africa in a more direct manner. Ideally, this route should provide entry to South Africa via the Cecil Mack or Ekuhlehleni Passes, thus ‘opening’ up north-eastern KZN.

The Umhlosinga Development Agency has been entrusted by the District Municipality to plan and implement a programme of sustainable economic growth and development for the district which includes the implementation of the LSDI.

Figure 13: LSDI Routes
5.1.2. Umhlosinga Development Agency

UMDA is a municipal entity registered as a private company with the municipality as 100% shareholder, and was established in 2006 to assist the municipality with unlocking latent economic development potential. Development Projects of interest in the region proposed by the UDA include:

**Tshaneni (Mkuze) Regional Airport**
Upgrading of existing airport as regional gateway to Umkhanyakude.

**Jozini Hydro-electric Scheme**
This project is based at the Jozini dam and will make use of a River Flow Compensation Outflow to place two turbines on the agricultural canal system the project has experienced delays due to legislation Amendments and the fact that the Water Authority had to make some decisions on access. The project is now proposed to be developed under partnership between Mjindi Farming and UMkhanyakude District Municipality.

**Lebombo Rail Revitalisation**
The revitalisation of the current underutilized Rail Line between the Umhlatuze City and the Gollela Border will see the reuse of the line for freight and commuter transport and the refurbishment and reuse of the old station buildings for use by the SMME for a variety of economic activity.

**Dry Port**
This Facility is envisaged for the Town of Hluhluwe as this is the centre of the two way split between Richards Bay Harbour and the Mozambique via the R22 (future Toll Road) and the N2 to Gauteng and Swaziland

**Contacts**
Tel: +27 (0)31 2618181  
E-mail: lubombo@sd.oi.za  
Website: [http://www.lubombo.org.za](http://www.lubombo.org.za)

5.2. Catalytic Projects Identified in PGDS

Catalytic projects are large-scale development projects, which directly stimulate and leverage much higher levels of development and initiation of further projects. They usually require significant capital investment and infrastructure which lead to further growth of a value chain and increased private investment. Only those relevant to transport, water and/or renewable energy have been listed.

5.2.1. Public Sector Driven

**Airport Rapid Rail Transit**
Develop fast-rail from KwaDukuza through Dube Tradeport/Airport, Gateway/Umhlanga, to Dbn  
Approx R5bn +

**Inland Port/Hub/Terminals**
Logistics projects  
Approx R2.5 bn+
Durban Dig-Out Port
Green-field Port Development on former Durban International Airport Site
Phase 1: R50bn
The proposed dug-out port will provide berthing facilities of 16 container, five automotive and four bulk liquid berths. The initial cost includes basic port infrastructure and four container berths.

Richards Bay Port Development
Development of extensive container handling capacity at port of Richards Bay

Passenger Cruise Terminal
Development of world-class cruise ship passenger handling facilities to attract more cruise tours

Renewable Energy Park
Development of an industrial and business park focused on the renewable energies sectors

Tugela Dam
Development of a new dam on the Thukela River with extensive capacity for hydro-energy generation.

Regional Airports
Development of regional airports as catalyst for new investments and development in small towns

5.3 Investment Opportunities Noted by TIKZN

5.3.1. Makhathini Renewable Energy Project

<table>
<thead>
<tr>
<th>Location:</th>
<th>Makhathini Flats near Jozini, KwaZulu-Natal some 270 km north-east of Durban.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief Description:</td>
<td>The erection of an ethanol production plant which would use sugar cane as feedstock. The plant will also produce co-generated electricity. With the global swing towards increased consumption of bio-fuels and South Africa’s expected sanctioning of bio-fuels projects, it is an apt time for investments of this nature. Critical to this project’s success is the steady supply of feedstock from farmers in the area.</td>
</tr>
<tr>
<td>Required Investment:</td>
<td>R300 million.</td>
</tr>
</tbody>
</table>
### 5.3.2. ET Umzimkulu Power Generation

<table>
<thead>
<tr>
<th>Location</th>
<th>Port Shepstone, KwaZulu-Natal.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brief Description</td>
<td>Dry clean sugar cane to recover the currently burnt trash, utilise trash through gasification process and GE Jenbacher engines, generate 10,2 MWe, greater than 30% electrical efficiency.</td>
</tr>
<tr>
<td>Capex:</td>
<td>R195 million, return: 25% IRR post-tax, 30% equity (investment 50% pref share).</td>
</tr>
<tr>
<td>Value:</td>
<td>R200 million (US$28 million).</td>
</tr>
<tr>
<td>Employment Opportunities:</td>
<td>25 new jobs.</td>
</tr>
<tr>
<td>Seeking Debt:</td>
<td>Debt: R140 million. Equity: R60 million.</td>
</tr>
<tr>
<td>Project Promoter:</td>
<td>Energy Technologies. Project requires an Environmental Impact Assessment and an Engineering Report, at an estimated total of R2,5 million.</td>
</tr>
<tr>
<td>Value:</td>
<td>H350 million (US$43,75 million).</td>
</tr>
</tbody>
</table>

### 5.4. Commitments in the SA Medium Term Expenditure Framework Budget

#### Major infrastructure Projects

<table>
<thead>
<tr>
<th>Project Name/Implementing Agent</th>
<th>Total Project Cost R billion</th>
<th>Project Objective and Completion Target Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENERGY</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kusile power station (Eskom)</td>
<td>121.0</td>
<td>Build 4 800MW coal-fired power station, first unit commissioned by 2014</td>
<td>Under construction</td>
</tr>
<tr>
<td>Medupi power station (Eskom)</td>
<td>99.0</td>
<td>Build 4 788MW coal-fired power station, first unit commissioned by 2013</td>
<td>Under construction</td>
</tr>
<tr>
<td>Ingula pump-storage scheme (Eskom)</td>
<td>21.4</td>
<td>Build 1 332MW hydroelectric power station to begin operating in 2014</td>
<td>Dam constructed, pipe installation in Progress</td>
</tr>
<tr>
<td>Renewable energy (independent power producers)</td>
<td>120.0</td>
<td>3 725MW of renewable energy procured into national grid by 2016</td>
<td>Tender process under way, 1 415MW of bids in first procurement round confirmed</td>
</tr>
<tr>
<td>Open-cycle gas turbine (independent power producers)</td>
<td>15.4</td>
<td>Build 1 000MW power plant, scheduled completion in 2021</td>
<td>Tendering process undertaken</td>
</tr>
</tbody>
</table>
Major Infrastructure Projects in Concept, Pre-Feasibility and Feasibility Stages

<table>
<thead>
<tr>
<th>Project name/Implementing agent</th>
<th>Total Project Cost R Billion</th>
<th>Project Objective and Completion Target Date</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal line (Transnet)</td>
<td>37.0</td>
<td>Upgrade of the coal line from Mpumalanga to Richards Bay to 80mt over 10 years</td>
<td>Feasibility studies completed</td>
</tr>
<tr>
<td>High speed rail (Department of Transport)</td>
<td>300.0</td>
<td>Build a passenger or freight line between Durban and Johannesburg</td>
<td>Concept</td>
</tr>
<tr>
<td>Mzimvubu water resources development (Department of Water Affairs)</td>
<td>20.0</td>
<td>Build dam for hydroelectricity and agricultural irrigation scheme</td>
<td>Feasibility studies to be undertaken</td>
</tr>
</tbody>
</table>

Major investments in roads, rail, ports and airports over the MTEF period and beyond include the following:

- The South African National Roads Agency (SANRAL), which is responsible for maintaining and expanding the 16 170km national road network, will spend R25 billion on new roads and infrastructure, and R18 billion on maintenance. Recent non-toll projects include construction of the N4 Nelspruit bypass, rehabilitation of sections of the N2 (Eastern Cape, Western Cape and KwaZulu-Natal), upgrading the R300 in the Western Cape, the N8 Bloemfontein airport interchange and N6 upgrades in the Eastern Cape. SANRAL recently completed phase 1 of the Gauteng freeway improvement project (GFIP), which will be funded by a combination of tolls and a contribution from the fiscus (see Chapter 8). Options for phase 2 of the GFIP and other toll projects such as the N1/N2 Winelands upgrade and the N2 Wild Coast highway are being assessed. In addition to SANRAL expenditure, private firms such as N3TC (for the N3 toll road) and Bakwena (N1 and N4 toll roads) maintain the roads under their concessions.

- Provinces will spend a projected R25.5 billion to maintain provincial and rural roads. Funding is also provided to rural municipalities to develop road asset management systems.
Transnet is planning to invest about R300 billion over the next seven years, of which R107.7 billion is included in approved plans over the MTEF period. These investments focus on the freight rail network, large capacity upgrades on the iron ore and coal export lines, acquiring modern rolling stock and refurbishing existing infrastructure. The increased capacity will boost general freight and mining exports. The Saldanha port’s handling capacity will be expanded to accommodate increased iron ore throughput. Investments in the Richards Bay port will increase bulk export and cargo capacity.

The Passenger Rail Agency of South Africa (PRASA) has begun a long-term project to renew its fleet of rolling stock and upgrade stations nationwide. The cost of the 20-year programme exceeds R80 billion, with a projected R4 billion to be spent over the MTEF period. These investments will improve reliability and safety for the 2.4 million passengers who travel on the network each work day.

The bus rapid transport systems that began operating in Johannesburg and Cape Town in 2010 continue to be expanded. Nelson Mandela Bay has completed plans for its public transport network and has purchased a fleet of buses; Tshwane, Rustenburg and eThekwini are finalising their operational plans.

Over the past two years the Airports Company South Africa (ACSA) completed the King Shaka Airport in Durban and carried out major upgrades at OR Tambo in Johannesburg and Cape Town International. These investments have improved South Africa’s ability to handle growing numbers of travelers and freight volumes. Projected investments to support other airport upgrades amount to about R2.9 billion over the 2011/12 to 2013/14 period.

The following represents a snapshot of infrastructure development opportunities in KZN or nationally that have an impact in KZN.
6. INVESTING IN KWAZULU-NATAL

6.1. Regulatory Environment

In order to maintain market transparency, minimize externalities and improve the economic wellbeing of all in the country, the South African Government has established regulatory bodies to oversee the different markets and prescribe minimum operating standards. These bodies ensure and, when necessary, enforce compliance with relevant legislation.

Some of the important pieces of legislation include the labor and environmental regulations, such as the Basic Conditions of Employment Act, the Labour Relations Act and the Occupational Health and Safety Act. Another important piece of legislation is the National Environmental Management Act (NEMA), which regulates the development of land and prescribes requirements for ensuring minimum damage to the environment.

The KwaZulu-Natal Planning and Development Act (PDA) guides the process of rezoning land for the purpose of developments which fall outside existing schemes. Land may be purchased from title deed holders without restriction. However, the South African Government is working on regulating current land acquisition procedures in order to protect domestic land and curb rising land and property prices. Land is usually owned by private holders, local municipalities and the Department of Agriculture and Land Affairs. In KwaZulu-Natal, the Ingonyama Trust Board manages land on behalf of rural communities governed under the leadership of aMakhosi.

Investors must comply with the provisions of the Companies Act to register their business entities and register for tax obligations, as well as immigration legislation. Foreign investors planning to conduct business in South Africa must obtain business permits and appropriate work permits.

6.1.1. Regulatory Bodies

Some of the regulatory bodies responsible for that have bearing on this study include:

- The Financial Services Board (FSB) is a statutory body charged with supervising the activities of financial institutions, including financial services and banking services. The FSB acts in an advisory capacity to the Minister of Finance and its powers include the suspension and withdrawal of authorizations to provide financial services;
- The Securities Regulation Panel (SRP) is a statutory body established to investigate insider trading and to regulate acquisitions and takeovers where there is a change in control over public companies and private companies and the shareholders’ interests exceed a prescribed limit.
- The South African National Accreditation System (SANAS) is recognised by the South African Government as the single National Accreditation Body which provides formal recognition that laboratories, certification bodies, inspection bodies, proficiency testing scheme providers and Good Laboratory Practice (GLP) test facilities are competent to carry out specific tasks.
- The South African Bureau of Standards (SABS) is a statutory body responsible for the promotion and maintenance of standardization and quality in connection with commodities and the rendering of services. SABS publishes national standards, provides information on national, as well as international standards, tests and certifies products and services to standards, develops technical regulations (compulsory specifications) based on national standards, monitors and enforces compliance with such
technical regulations, monitors and enforces legal metrology legislation, promotes design excellence and provides training in aspects of standardization;

- The **National Energy Regulator (NERSA)** is a regulatory authority whose mandate is to regulate the electricity, piped-gas and petroleum pipeline industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003).

- The **Competition Commission (COMPCOM)** has a range of functions in terms of Section 21 of the Competition Act, 1998 (No. 89 of 1998). These include investigating anti-competitive conduct in contravention of Chapter 2 of the Act, assessing the impact of mergers and acquisitions on competition and taking appropriate action, monitoring competition levels and market transparency in the economy, identifying impediments to competition and playing an advocacy role in addressing these impediments.

- The **Financial Surveillance Department** (formerly Exchange Control Department) of the South African Reserve Bank (SARB), imposes exchange controls on South African residents in terms of the Exchange Control Regulations, 1961, issued under the Currency and Exchanges Act, 1933 (No.9 of 1933).

- The **National Nuclear Regulator (NNR)** is the national institution established by the National Nuclear Regulator Act, 1999 (No. 47 of 1999), for the protection of the public, property and environment against nuclear damage. In accordance with the provisions of the National Nuclear Regulator Act, the NNR is mandated to exercise regulatory control over nuclear installations, nuclear vessels and other actions capable of causing nuclear damage, in order to ensure the protection of persons, property and the environment from nuclear damage.

### 6.1.2 Regulations

This section introduces South African legislation which are of relevance to the investor. The list is not exhaustive.

#### Labor Laws


#### Environmental Laws

Environmental legislation is receiving increasing attention in South Africa. Since 1994, various pieces of legislation have been introduced to protect the environment and promote its sustainable use. Some of these are the National Environment Management Act (NEMA), No. 107 of 1998, the principal Act which provides a legal framework for decision-making on matters affecting the environment. The National Environmental Management: Biodiversity Act, 2004 (No. 10 of 2004), which provides a regulatory framework to protect South Africa’s valuable species, eco-systems and biological wealth and the World Heritage Convention Act, 1996 (No. 49 of 1999), which covers the management, protection and sustainability of the country’s world heritage sites, the National Environmental Management: Air Quality Act, 2004 (No. 39 of 2004), which provides a regulatory framework for air quality management in order to protect the environment and provide reasonable measures for the prevention of air pollution while promoting ecologically sustainable development; The National Environmental Management: Waste Act,
2008 (No. 59 of 2008), which provides a regulatory framework for the management of waste in order to protect human health and the environment by providing measures for the protection of pollution and ecological degradation and to secure environmentally sustainable development.

6.2. Investment Incentives

South Africa offers various attractive investment incentives, targeted at specific sectors or types of business activities. These incentives are administered by the national Department of Trade and Industry (the DTI). In KwaZulu-Natal, Trade & Investment KwaZulu-Natal – the official investment promotion agency for the province – offers facilitation services between investors and traders with the DTI for the purposes of accessing these incentives and any other services that may be required.

There are also other region or municipality-specific trade and investment promotion agencies in the province, which offer similar services to Trade & Investment KwaZulu-Natal, normally to investors and traders within their areas of jurisdiction.

Only programmes potentially related to transport, water and energy sectors are noted.

6.2.1. National Incentive Programmes

Section 12i Income Tax Allowance Incentive (ITAI). The newly launched Section 12i Income Tax Allowance Incentive is designed to support Greenfield investments (i.e. new industrial projects that utilize only new and unused manufacturing assets), as well as Brownfield investments (i.e. expansions or upgrades of existing industrial projects). The incentive offers support for both capital investment and training.

Research and Development Tax Incentive Programme. The Research and Development Tax Incentive Programme was introduced in November 2006 in terms of Section 11(d) of the Income Tax Act. It is administered by the Department of Science and Technology in conjunction with SARS to encourage innovation, scientific and technological research and development (R&D) by taxpayers/companies in South Africa.

Industrial Development Zone Programme. An Industrial Development Zone (IDZ) is a purpose-built industrial estate linked to an international airport or seaport, which contains a controlled customs-secured area. A controlled customs-secured area is exempt from VAT and import duty on machinery and assets. The aim of an IDZ is to provide demand-driven infrastructure, generate sustainable local and foreign investment, and improve international competitiveness. There is currently one Industrial Development Zone in KZN located at Richard’s Bay.

Critical Infrastructure Programme
The Critical Infrastructure Programme provides subsidized support for the economic infrastructure required for committed productive investments, including new projects or the expansion of existing projects. It also assists companies with a top-up grant providing funding ranging between 10% and 30% of the qualifying development costs. Private sector enterprises, private/public partners, industrial development project operators, strategic incentive programme applicants and investors in strategic economic projects are eligible to apply for the Critical Infrastructure Programme scheme.
Foreign Investment Grant
The Foreign Investment Grant (FIG) is designed for international companies investing in plant, new machinery and equipment in South Africa. The grant compensates investors for the transportation of new machinery and equipment to South Africa.

Trade & Investment KwaZulu-Natal Incentives
Trade & Investment KwaZulu-Natal (TIKZN) offers two types of incentives to investors and/or exporters. The first one is the Technical Assistance Fund (TAF). This fund aims at accelerating the feasibility study process so that investing companies may prepare for the next step, which is applying for a commercial loan, should there be a need. The TAF covers 50% of the project feasibility study costs (capped at R250 000 per project per beneficiary).

Municipal Incentives
Most local municipalities offer incentives to investors and entrepreneurs. Although these vary from one municipality to another –depending on the nature, size and socio-economic impact of the project – the municipalities are generally willing to negotiate preferential agreements with regard to property rates and electricity tariffs.
7. RECOMMENDATIONS AND CONCLUSIONS

7.1 SWOT Analysis

The followed Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis focuses on the three main economic nodes of KZN: Durban, Richards Bay and Pietermaritzburg and highlights issues related to the transport, water and energy sectors.

**Strength**
- Strategic location to worldwide logistic markets
- Connectivity to Africa
- Political and policy support for a number of major investment opportunities
- Major state-owned institutions and companies, such as Transnet and ESKOM have large-scale capital expenditure plans in place
- Secure and stable political environment
- Limited levels of external risk
- The government has implemented a prudent fiscal policy since 1994, allowing it to increase public expenditure during the economic downturns
- The state has limited arrears and is the country’s financial backstop
- Despite a decrease in profitability, South Africa’s banking sector has remained stable amidst the global recession and subsequent recovery
- Broad political stability is likely to persist due to the ANC’s dominance at a national and provincial level
- Relatively strong independent institutions, including the judiciary and security services

**Weakness**
- High levels of long-term unemployment
- Currency volatility means that investment is often short-sighted
- Lack of government in education and transport has left a legacy of high structural unemployment and poverty, which will take generations to meaningfully reduce
- Persistently high levels of poverty have led to political disenchantment and the formation of new political groupings
- Government & omitted with corruption charges
- Topography impacts the costs of infrastructure provision
- Complex administration
- Labour skills are low

**Opportunities**
- The government has announced that it will increase infrastructure spending between 2009 and 2012 by US$20-25bn
- Firms improving about infrastructure capacity expansion plans
- Governments need independent power producers (IPPs) in the power sector, as Eskom struggles to fund capacity plans
- Increasing the trend rate of growth would be essential to long-term plans to alleviate poverty
- The government is planning a raft of macroeconomic reforms, including improved skills training, to address this
- As a regional power house, South Africa is likely to gain a permanent seat on any reconfigured UN Security Council

**Threats**
- Unresolved issues in power shortages and demand returns
- Management disputes at the top of Eskom and Transnet threaten the dispersal of capital funds
- Dominance of state owned entities in certain operations, limits opportunities for private sector
- The government’s black Economic Empowerment initiative should increase equality in the participation and ownership of financial resources, although over the medium term the costs of compliance will be high
- High levels of inflation of fairly long-term growth
- Following the 2009 elections, the government is taking a more populist stance, significantly increasing fiscal levels, potentially altering the inflation targeting bond and national building key industries
- Land reform: the so-called buy/sell principle may be dropped in order to speed up the process, although a Zambian-style land grab is unlikely
- The growing influence of the country’s ability to transform ongoing risks to South Africa’s relatively market-friendly institutions
### 7.2 Way Forward

There are plenty of reasons to do business in KwaZulu-Natal (KZN). The province is a prosperous and vibrant region having an advantageous location, abundant resources, effective infrastructure, stable governance, a thriving economy and an excellent lifestyle.

Of major significance to the success of the region is KZN's position on the eastern coast of South Africa. The two ports of Durban and Richards Bay, positioned on the Indian Ocean seaboard around which KZN is established, are both gateways to the sea lanes of the world. Durban and Richards Bay ports are southern Africa's busiest in terms of handling cargo by value and bulk respectively. The ports provide a competitive advantage and effectively position the region to increase its share of the global market.

The province is committed to providing stability, effective governance as well as service delivery and the government of KZN recognizes that investment is critical to the growth of the provincial economy and aims to ensure that an environment conducive for investment to thrive is created.

There is commitment to grow the economy in policy and in government budgets and both national and provincial government have endorsed some major infrastructure plans. These plans include improving the Durban-Free State-Gauteng logistics and transport corridor, expansion of the ports as well as lowering port tariffs. The plans for a huge dug-out port on the site of the old international airport, to expand the city port capacity, will become a major boost to investment in the province. An inland dry port at Cato Ridge is also proposed, which will be an asset to the Durban-Gauteng transport corridor.

In addition, the government of KZN budget plans include various projects for much needed public infrastructure delivery including housing, schools and health facilities. These programmes not only improve services but will benefit local suppliers and boost the construction sector enormously.

The administrative and regulatory context can be burdensome to foreign investment, but there are agencies in place to assist with facilitating investing and assisting with sourcing funding partners.

The report has outlined a vast array of opportunities in the sectors of transport, water and energy and has listed a number of key stakeholders both in the public and private sector who would be willing to engage around specific projects.

Once clusters members have had an opportunity to review this report and given an indication of what projects are of interest, further lead generation and appointments with specific individual could be set up.