



STATUS QUO TECHNICAL NOTE

ECONOMIC

South Eastern District Local Area Plan



1	INTRODUCTION	1
1.1	BACKGROUND AND PURPOSE.....	1
1.2	STUDY AREA.....	1
1.3	METHODOLOGY	1
2	MSUNDUZI ECONOMIC CONTEXT	1
2.1	GENERAL OVERVIEW.....	1
2.2	ECONOMIC PERFORMANCE INDICATORS.....	3
2.3	PROPERTY SECTOR.....	6
2.4	POLICIES AND PLANS.....	10
3	SEDIS ECONOMIC CONTEXT	12
4	KEY FINDINGS	16
5	REFERENCES	17

This Technical Note represents part of the Phase Two Deliverable for the South Eastern District Local Area Plan.

Contract No. SCM 66 of 11/12

Prepared for:
Msunduzi Municipality



Economic Technical Note prepared by:
Glen Robbins (robbinsg@absamail.co.za)



In association with:



Yasmin Coovadia

Final Draft Report
August 2013

1 INTRODUCTION

1.1 BACKGROUND AND PURPOSE

The Msunduzi Municipality (MM) has appointed Royal HaskoningDHV (Pty) Ltd, under Contract No. SCM 66 of 11/12, to assist the municipality with the preparation of a Local Area Plan (LAP) for the South Eastern District (SEDis) of Pietermaritzburg. The purpose of this document is to provide input into the Local Area Plan (LAP) preparation process for the South Eastern District (SEDis). The document provides a Technical Note describing the status quo of the SEDis with regards to economic development, performance and sectors within Msunduzi and the SEDis area. This Technical Note represents part of the Phase Two deliverable for the SEDis LAP.

1.2 STUDY AREA

As per the Terms of Reference, the SEDis study area is located along the southern edge of the Msunduzi Municipal boundary and includes the farmlands in and between Shenstone/Angleton and Ashburton/Lynnfield areas. The study area borders onto Mkhambathini Municipality in the East, and Richmond Municipality to the south.

1.3 METHODOLOGY

This phase of the project has been based primarily on a desktop study that reflects the synthesis of information relevant to the understanding of, and planning for the SEDis. Where necessary, the information contained in existing reports has been augmented by information derived from interviews with key municipal and private stakeholders.¹

2 MSUNDUZI ECONOMIC CONTEXT

¹ Thank you to the staff at RHDHV for supporting information and material as well as to Msunduzi Municipal officials as well as those of the Provincial Government for information and insights. Thank you too to other stakeholders who shared their insights. All errors are those of the author.

2.1 GENERAL OVERVIEW

The Msunduzi Municipality (MM), as part of the Ungungundlovu District Municipality, features as the third largest concentration of economic activity (after Uthungulu District and the Umhlatuze Municipality) and the second largest concentration of employment (after Ethekwini Municipality). Although Ethekwini comprehensively dominates the Provincial economy, the Msunduzi Municipality and its surrounds is an important site of economic activity along the N3 corridor to the country's economic heartland in Gauteng. Being less than an hour away from Durban, the MM area, centred on Pietermaritzburg, is often seen as being relatively well integrated within the Province's economic hub as reinforced by the many varied business linkages (for example automotive supply businesses) and as commuter traffic suggests (growing volumes of private vehicle, freight transport and passenger transport modes (taxis and busses).

The MM also has some important characteristics related to its service role to the Midlands hinterland region – in fact serving a population close to the size of Ethekwini's – but obviously dispersed over a wide region stretching as far as the nodes of Estcourt, Ixopo and Greytown. This has always provided important thresholds for the city of Pietermaritzburg and in turn been important to the service needs of surrounding communities. In recent years this has been substantially reinforced by the confirmation of the capital status and the subsequent decision to consolidate much of the administrative infrastructure and its substantial associated employment in Pietermaritzburg. The change has had important ramifications for the city in terms of impacts on the residential and commercial markets. Certainly in the retail and property sectors, many businesses highlight this as having been a very important factor. The status of educational institutions has also helped consolidate a reputation of the MM as a place of quality primary, secondary and tertiary education (although this in fact refers to a relatively narrow range of public and private institutions)².

² In the 2011 round of Annual National Assessments conducted by the National Department of Education (released in 2012), the education district of Umgungundlovu was on average ranked 5th for both maths and first language

The economic connections in which the MM finds itself immersed are also closely related to the extensive agricultural activity in the greater Midlands area and are often seen as the critical sector (in this periphery), along with public sector employment in areas on the periphery of MM. Farming activities including dairy, timber, mixed cropping, poultry, beef and some presence in other agricultural activities. Many of these activities depend on the MM area for supplies, services and post harvest processing activities as well as for logistics connectivity. However, the sector has had a variable performance as costs of production have increased, land reform uncertainty has persisted and employment has continued to decline. Nevertheless, the region around MM is associated with some of South Africa's top agricultural producers.

In more recent years the reputation of the region, and more specifically MM, has been substantially tarnished by combinations of governance and technical crises in the political-administrative complex of local government. This has included sustained periods of highly uneven and erratic service performance in critical fields (such as electricity) aggravated by poor maintenance and uncertainty around infrastructure programmes and provision. This did much to undo the reputation, at least amongst the business community, that the MM was for a period characterised by a solid "can-do" approach. Recent restructuring efforts to "turn around" the municipality and its performance have been showing some progress and are critical in recovering a position of confidence. Work such as that of the GEDI has been pointed to as reflecting some solid progress in some service and planning fields. The prospects of a metro (category A) status for MM and its surrounds have raised concerns amongst stakeholders of a sustained period of further restructuring and the consequent loss of focus on core business. However, there is some recognition that boundaries established in the past often appear somewhat peculiar in the light of real connections that are experienced by residents and businesses.

performance out of 13 education districts in KZN. This is considerably lower than one might expect from a district with a capital status and extensive educational resources.

This being said the MM area and its surrounding areas do serve as something of a tourism staging post and have been positioned to take advantage of the growing trend of event-driven tourism (UCB World Cup events, Royal Show and the like). The region attracts considerable numbers of in-Province visitor trips although the benefits are dispersed over a wide area. Local actors in the sector indicate that the decline in urban maintenance (public and private) has rendered much in the way of local MM attractions (particularly those in the city centre such as museums and historic buildings and districts) of declining interest to visitors.

The MM region remains, despite the relatively high public sector employment and the related wage income, characterised by levels of poverty amongst over half households, where unemployment remains a persistent factor. The region also has employment associated with seasonal work in the agricultural sector which can result in irregular and often lower wage income. These challenges of unemployment and poverty have been aggravated by on-going migration to the city and its surrounds as rural-based households seek to develop connections to sites of more substantial economic activity. In some cases this is also, at least in part, a product of even weaker local government performance in other areas. This presents on-going service delivery, land management, settlement and economic development pressures. These dynamics impact substantially on dynamics such as the growth in informal economic activity.

As noted previously the MM had, at one stage, a relatively good reputation with local business stakeholders and other key institutions. It is notable that some of the key processes associated with this have been sustained and this does reflect some confidence in place. For instance the Municipality's development proposal evaluation committee is notable as are processes such as the Midlands Innovation Development Initiative (MIDI). The efforts of participants in these structures has influenced some developments such as the upgrade of the Msunduzi (Oribi) Airport and other local processes.

On the horizon initiatives such as those related to the Presidential Infrastructure Coordinating Committee's Strategic Infrastructure Projects (SIPS) are likely to be very influential in the city's future. Government's commitment to improved infrastructure

investment at a national scale has already been seen in the upgrade of the Church street interchange on the N3. Plans are also being taken forward on the passenger rail front between Durban and Pietermaritzburg. It is critical that the MM and its stakeholder partners interact with some boldness with these processes to influence them and secure sustainable local benefit.

2.2 ECONOMIC PERFORMANCE INDICATORS³

The section does not aim to provide a comprehensive quantitative overview of the MM region's economy. Such an exercise is beyond the brief of this project. However, in the absence of MM generated data some indicators are presented to inform the context discussions. It is worth noting that accessing, analyzing and presenting a variety of data sources on the economy is a critical function in a locality of the relative economic significance of the Msunduzi area.

Limited data from three main sources is briefly presented below and supplemented by some material from municipal provided sources, where appropriate, as local council level data is notoriously inaccessible. Sources used here include material generated by the consultant in assisting the Ethekwini Municipality with its analysis of the regional economy obtained from the IHS Global Insight source (and supplied with agreement of the Ethekwini Municipality). Reference is also made to material generated by Clive Coetzee in his capacity as analyst working in the Provincial Government Treasury. Some material has also been sourced from Statistics South Africa with reference to building plans.

Two critical indicators are presented first for consideration. These relate to economic growth and total employment. The sources of this data do not allow for a local council level analysis so the material is presented for the Umgungundlovu District (Referred to in the charts as UDM instead of the more common acronym of UMDM). Here it is worth noting that it is generally accepted that a substantial part of the

³ The acronym UDM is used here to refer to the Umgungundlovu District Municipality. This is not to be confused with either the Uthukela District Municipality or the Uthungulu District Municipality.

activity discussed takes place within MM or has close linkages to what takes place in MM. Of note here are trends as well as changes in shares of activity over time.

In the first instance Figure 1 provides a sense of the UDM (Umgungundlovu District Municipality) share of the KZN economy. In 2008 this stood at 8% of the KZN economy and in 2011 this has risen slightly to 8.3%. This is a slightly smaller share than that of the Uthungulu District's share which was 8.9% in 2008 and declined slightly to 8.5%. Both are obviously significant lower than the share of the Ethekwini metro at 64.8% of KZN GDP in 2011 (against 64.6% in 2008). These changes are really too small to make any significant comment on but if one stretches the analysis some way back it can be seen that something of a trend exists for the major urban centres in KZN to steadily increase their share of KZN's economy. This does not mean other centres are not growing, but does suggest that Ethekwini and Msunduzi have grown a little faster than these other areas, hence also growing their share. However, this has been a very turbulent period and one should not read too much into this trend as growth rates have been very subdued.

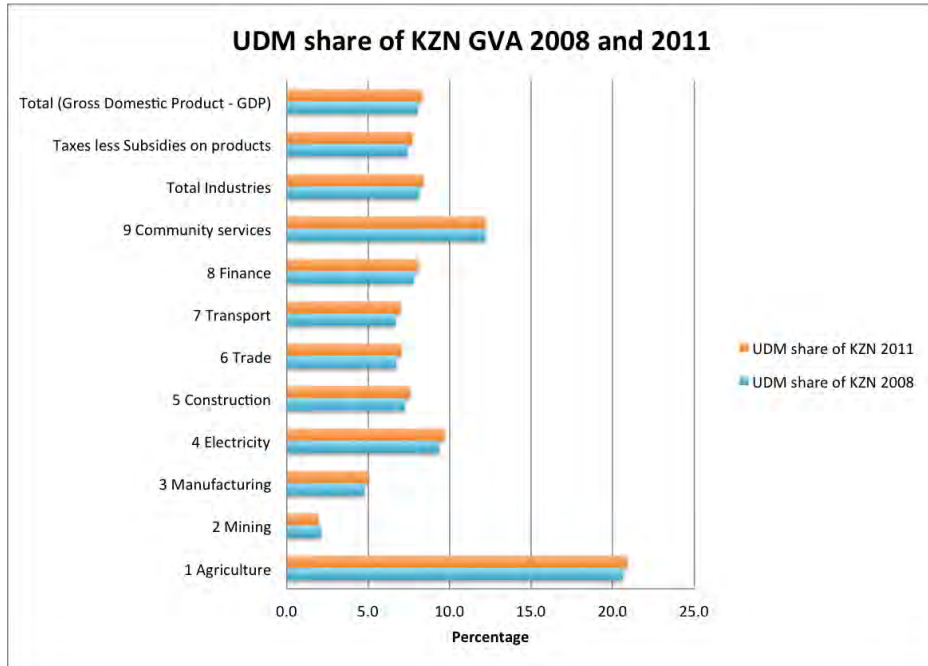
It should be noted that the data generated by Clive Coetzee of KZN Treasury has slightly different allocations around shares of the KZN economy. For instance he suggests that Msunduzi (as opposed to the Umgungundlovu District as a whole) has seen its share of KZN GDP remain relative constant at 8.2% in Q1 2008 to 8.07% on Q1 2012. In Coetzee's calculations this is larger than the 5.89% contribution of Richards Bay (as opposed to Uthungulu as whole). It is interesting that in Coetzee's data set the Msunduzi economy is seen as having grown at an average annual growth level of 3.96% between 2003 and 2012- higher than the rate for KZN over this same period. This confirms the tendency for KZN urban centres to grow faster than the KZN economy as a whole which is likely to reinforce their dominance in total economic activity.

From Figure 1 we can also see that to a large degree the share of UDM by sector has remained constant. There are some minor adjustments upward in the share of sectors such as finance, manufacturing and agriculture. This reflects that Msunduzi's relatively diversified economy has experienced some growth in importance relative

to Uthungulu’s position where a predominance of large-scale industries exposed to global turmoil and flat performance of the coal terminal might have had an impact.

employment and its activities based in Pietermaritzburg. However, it is also worth considering the growth in finance, transport and trade reflecting Msunduzi’s own experience with some new investment in these activities and their growing output.

Figure 1. UDM share of KZN growth including sector detail

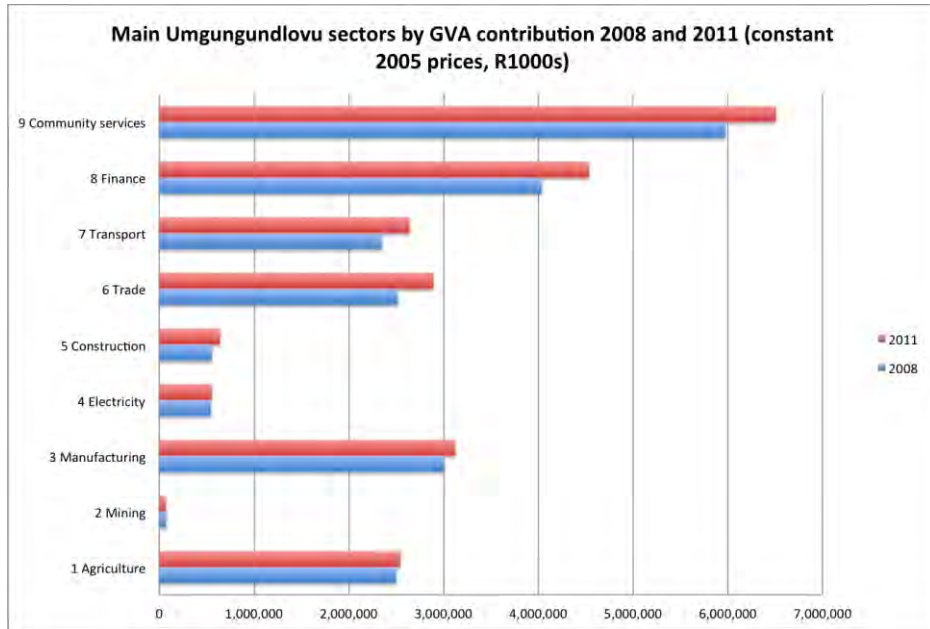


(Source: Robbins calculations from EThekweni Regional Overview with IHS Global Insight Data)

In Figure 1 the status of the district and also the MM as one of KZN’s most important agricultural and agri-business sector is notable as is the relatively high share of community services (or government employment).

The UDM’s own economic make up has evolved a bit over this time. This is illustrated in Figure 2 where main sectors and their change in contributions over time are presented. Here it is noteworthy that nearly all sectors have increased their contributions to the local economy in real terms. Notable in this has been the ongoing growth in community services as KZN Province has continued to expand its

Figure 2. UDM main sectors economic activity 2008 and 2011



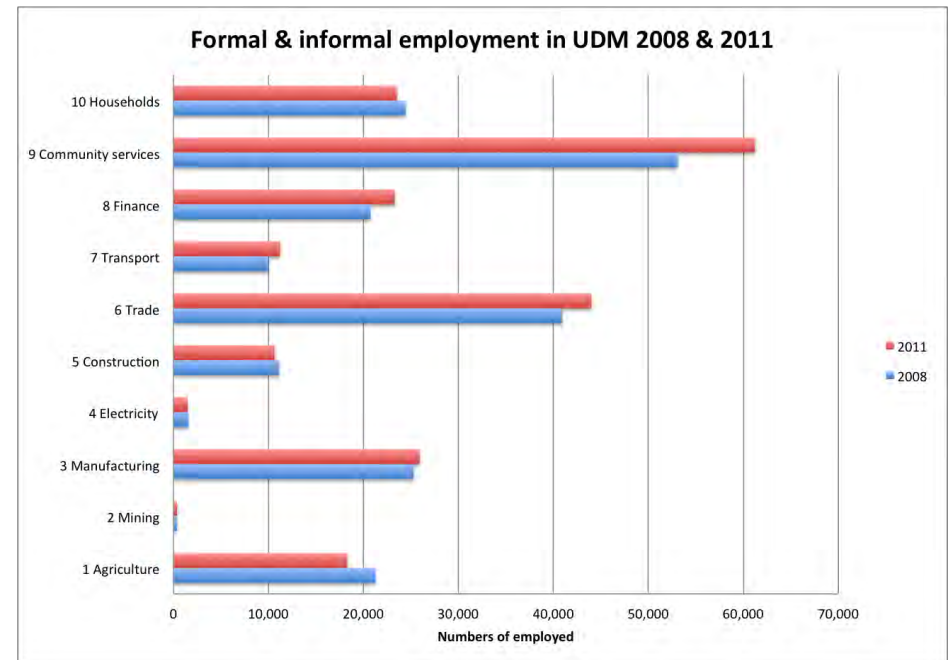
(Source: Robbins calculations from EThekweni Regional Overview with IHS Global Insight Data)

Figure 3 provides some information on employment in the UDM area and compares formal and informal employment in the 2008 period with the 2011 period by main occupational sector. In the first instance it is worth noting that in general terms employment growth, while it has occurred, has been generally below 2% per annum with much of the growth in informal employment, public sector employment and retail employment. The figure shows clearly how significant public sector employment growth (at over 5% per annum) has been in this overall picture and both this category and retail employment are largely concentrated in Msunduzi Municipality.

Analysis of other data for the Province as a whole shows creeping unemployment with figures not rising as sharply as one might expect mainly because of a disturbing level of growth in discouraged work seekers. In survey terms if someone has not

been actively seeking employment for two weeks they are not considered unemployed. Furthermore, it should be noted that these employment figures, as was stated above, do include informal employment which would include a variety of activities ranging from begging, street trading, home-based work activities or subsistence production of one sort of another. It would be expected that around a quarter of UDM employed would fall into this category. Levels of seasonal work associated with agriculture are also important to consider in that they can result in considerable fluctuations across annual data.

Figure 3. Employment in UDM (formal and informal) 2008 and 2011



(Source: Robbins calculations from EThekweni Regional Overview with IHS Global Insight Data)

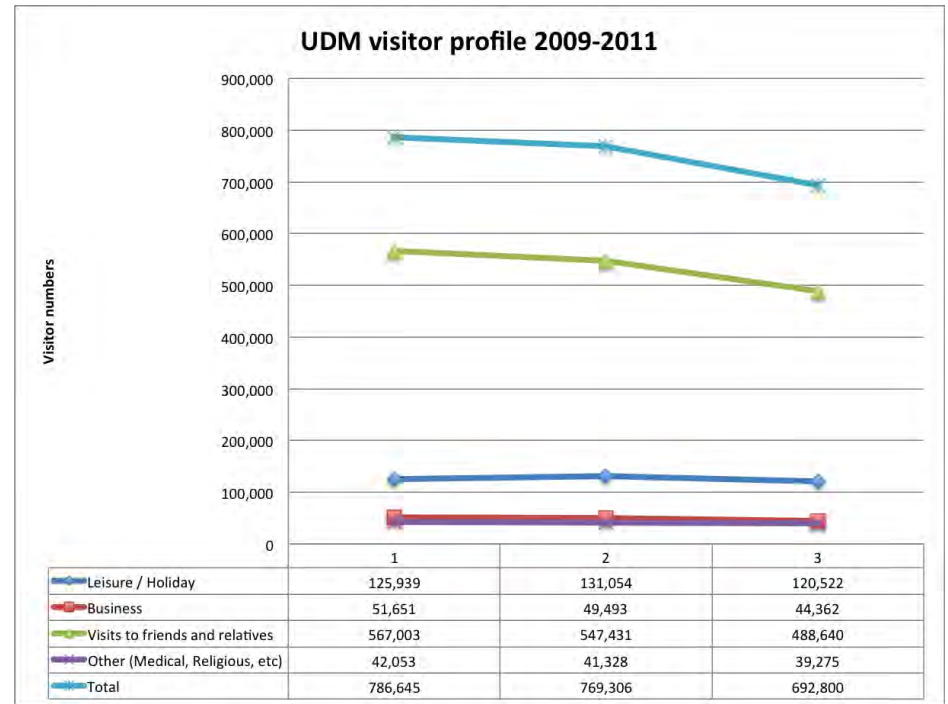
Tourism has always been a feature of the district strategy and its real economy. In recent years figures suggest that the UDM are has captured around 9% of the total visitor numbers traveling within the Province (KZN origin and from outside KZN). This is on par with the economic performance of the area but observers suggest it is

below what might be expected considering the tourism assets in MM and beyond. A closer look at the data shows that almost three quarters of the trips are visits to friends and relatives and are quite likely made up of migrant workers doing vacation return visits and others in the province visiting friends and family. These visitors tend to not spend that highly and more often than not take advantage of accommodation provided free by family members of friends. However, they do offer some economic injection while they stay in the area. However, the second category, that of leisure and holiday tourists, makes up around 17% of the total – around 120 000 people in 2011 (or around 10 000 people a month if not adjusted by season or around a theoretical level of 333 bed nights per day across the entire district⁴). Those in the know say that they would estimate the split of leisure and tourist visitors at around 50% for MM and 50% across the remaining local municipalities within the UDM, with MM’s figures influenced heavily by major events such as the Dusi and the Comrades.

Of some concern when looking at the figure below is the recent trend of decline in visitor numbers driven largely by a decline in friends and family visits. This is mostly likely to do with on-going economic conditions in the country and the fact that so many households have such high debt that making these trips has become unviable for them. It seems the other categories are slightly less sensitive to this but are not showing any significant growth signs at present.

⁴ Noted as theoretical as the visitors might come only for the day and leave again. Some estimates would suggest that for this area this would constitute at least half of visitors with most staying in Ethekekwini.

Figure 4. UDM visitor profile 2009-2011



(Source: Robbins analysis of Stats SA data)

2.3 PROPERTY SECTOR

It is also worthwhile examining information on the property sector as these matters concern municipalities because of the implications for planning, sustainability and revenue. Property is an important element of the economic processes in a place and has connections to construction, commercial development (finance, retail) and industrial development of various types. It is important that figures be considered across time as generally these are highly volatile. Once again the recessionary period as a result of the 2008 economic crisis had a significant impact.

Drawing largely from Stats SA, there is some scope to comment on both building plans passed in Msunduzi and buildings completed. Official reporting on both these categories is somewhat uneven and the data should ideally be tested against other

sources. For instance it is noted that during periods of institutional crisis some municipalities return incorrect figures (or no figures at all) which only get corrected (if at all) later on. In an attempt to avoid too much being read into any one set of data three different periods have been considered where data is available, 2008, 2010 and 2011. Furthermore, to make sense of this material it is also worth situating Msunduzi in the context of other municipalities and their performance.

Drawing from the Stats SA 2012 releases on **2011** building plans data the following statement provide a clear sense of the over KZN municipal building plans performance environment. "Ethekwini Municipality recorded the highest value of **building plans passed**, contributing 67,0% or R8 359,7 million to the total of R12 473,2 million reported for KwaZulu-Natal during 2011, followed by KwaDukuza Municipality (12,7% or R1 583,8 million), **Msunduzi Municipality (6,1% or R764,4 million)**, Newcastle Municipality (4,2% or R528,0 million) and Hibiscus Coast Municipality (2,9% or R355,7 million) (see Figure 15.1 and Table D, page viii)." (Stats SA, 2013: xx) It is notable, that at least within the Provincial context, 2011 was a relatively good year for plans passed for Msunduzi.

It is also worth looking at the types of building plans that were being considered and passed, and from an economic activity point of view, non-residential buildings are most relevant. In KZN, during 2011, "The category non-residential buildings contributed 36,9% or R4 599,6 million to the total value of building plans passed in KwaZulu-Natal during 2011. High values were recorded for industrial and warehouse space (contributing 12,0% or R1 495,8 million to the total value of building plans passed), followed by shopping space (contributing 9,2% or R1 152,7 million) and 'other' non-residential space (contributing 9,2% or R1 149,6 million) (see Table 41.1 and 41.2, pages 54 and 55)." (Stats SA, 2013: xx) The big contributors to non-residential plans, apart from Ethekwini, were Emnambithi / Ladysmith at R185,2m; City of uMhlathuze at R350,3m; the Hibiscus Coast at R355,7m; Umngeni at R229,8m; and KwaDukuza R1 583,8m. It is notable that Msunduzi did not feature that well in the category but that its neighbour, Umngeni did (probably related to mixed use developments planned at the Cedara and Howick intersections).

In terms of other important categories the Stats SA report points out that, "Residential buildings contributed 35,0% to the total value of building plans passed during 2011[in KZN]. The largest portion can be attributed to dwelling-houses (22,5% or R2 803,8 million), followed by flats and townhouses (12,5% or R1 553,5 million) (see Table 37, page 50). The highest values for new dwelling-houses larger than 80 square metres were recorded for Ethekwini Municipality (R1 192,4 million) and KwaDukuza Municipality (R869,9 million) (see Table 38, page 51)." (Stats SA, 2013: xx) The other three large contributors were Umndoni R82,2m; Newcastle R528,0m; and Msunduzi R764,4m. It can therefore be seen that Msunduzi featured well in the residential category for the year 2011 – something that most observers would say has a lot to do with the growing public services employment which is associated with housing subsidies and relatively good comparative wages even in the lower segments. (Stats SA, 2013: xx)

It is also important to get a sense of actual buildings completed. This would obviously reflect how many plans passed in previous periods are converted into actual projects. According to Stats SA, "The value of buildings completed in KwaZulu-Natal was to a large extent dominated by the completions reported for Ethekwini Municipality (contributing 71,7% or R5 835,5 million to the total value of R8 136,0 million). Second in line was KwaDukuza (13,2% or R1076,2 million), followed by Umngeni Municipality (5,4% or R437,1 million), Emnambithi / Ladysmith Municipality (3,4% or R276,1 million), Hibiscus Coast Municipality (2,8% or R228,1 million) and Umndoni Municipality (1,3% or R106,3 million) (see Figure 16.1 and Table F, page xi)." (Stats SA, 2013: xxi) Obviously it is notable that Msunduzi, despite being the third largest economic hub in the Province, does not feature amongst the largest contributors in the aggregated category. City of uMhlathuze value of building plans completed for this period was only R72,3m. Umngeni's performance is once again significant, driven largely by residential development stock but also with some non-residential development.

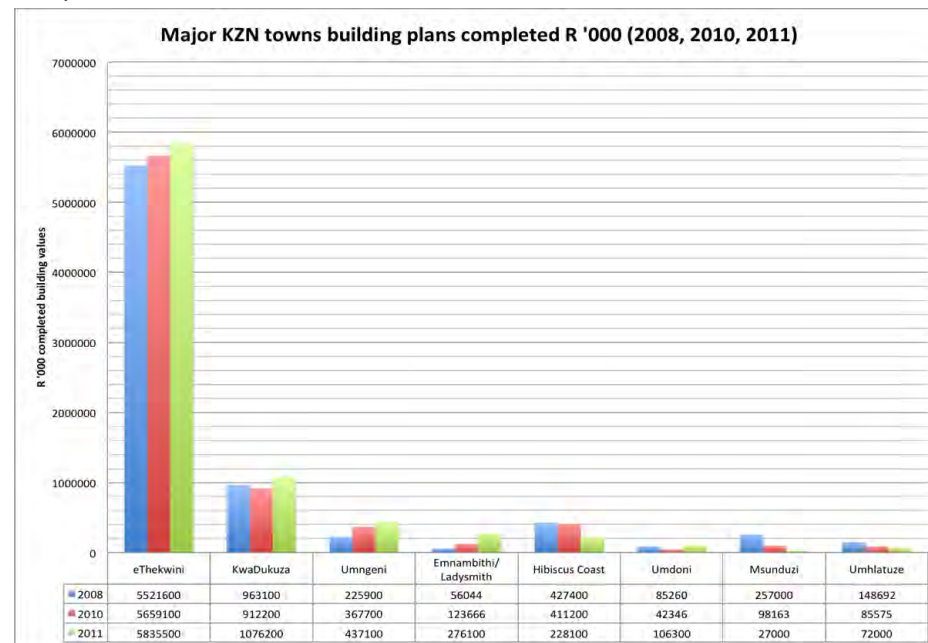
In terms of the 2011 period for buildings completed, "Residential buildings contributed 38,2% to the total value of buildings completed during 2011. The highest value was reported for dwelling-houses (contributing 24,2% or R1 968,0 million to the total value of buildings completed), followed by flats and townhouses (13,5% or R1

099,2 million) (see Figure 16.2). The highest value for dwelling-houses was recorded for Ethekwini Municipality (R1 101,3 million), followed by KwaDukuza (R461,3 million) and Umngeni (R197,9 million) municipalities (see Table 107, page 138).” (Stats SA, 2013: xxi)

“The largest value for non-residential buildings completed was recorded for shopping space (11,1% or R899,5 million), followed by industrial and warehouse space (10,3% or R839,9 million) and ‘other’ non-residential buildings (7,9% or R644,8 million) (see Figure 16.2). Ethekwini Municipality reported large values for the completion of shopping space (R574,4 million) and industrial and warehouse space (R689,0 million) for 2011 (see Tables 111.1 and 111.2, pages 142 and 143).” (Stats SA, 2013: xxi)

When looking across the time period inclusive of 2008 it is noticeable that in terms of building plans passed by value Msunduzi has been performing in similar terms of municipalities of Umdoni (holiday-related real estate, commercial and public housing projects), Umhlatuze (residential and industrial), and Ladysmith (residential, commercial and public housing projects). It has been converting a similar proportion of projects from planned to completed but in these periods received a declining proportion of planning applications and of these few progressed. This trend, presented in Figure 4 (below) is clearly one that needs attention as it suggests that in general terms Msunduzi has not been very attractive to property developers.

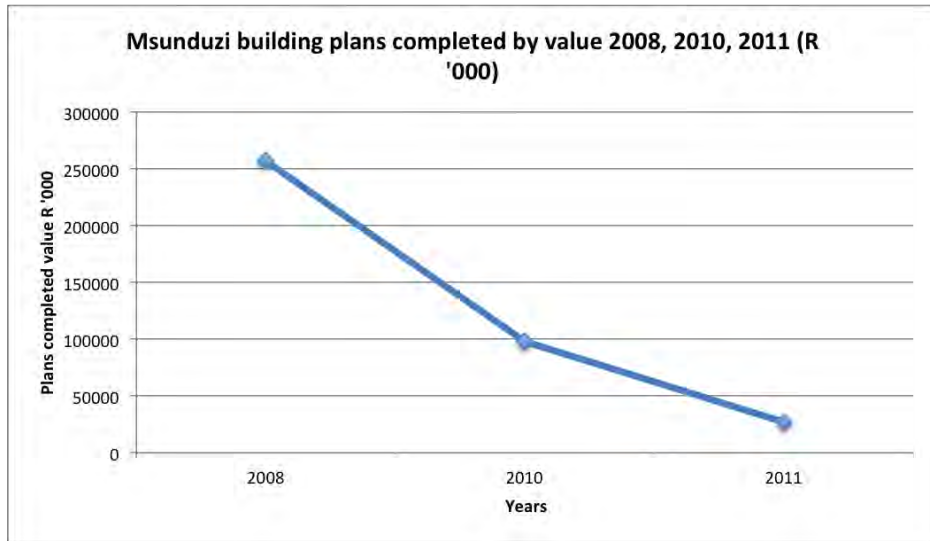
Figure 5. KZN major towns and cities building plans completed comparisons 2008, 2010, 2011



(Source: own calculations from Stats SA, 2009, 2011, 2011)

Looking a bit more closely at Msunduzi for these periods the Figure below (Figure 6) provides a sense of this decline in building plans completed. Clearly this is much influenced by general economic conditions, but in broad terms it would be expected that an economic significant area with some strong employment would perform much better relative to other centres.

Figure 6. Msunduzi building plans completed 2008, 2010, 2011



(Source: own calculations from Stats SA, 2009, 2011, 2011)

Drawing on other sources of data some additional comments can be made. Firstly there have been a number of spatial shifts worth commenting on. The centre of Pietermaritzburg has almost no premium rated office space (at times called category A space). This has steadily declined over the years and is almost all concentrated in smaller single occupier buildings. The bulk of private building office stock is rated as C or not rated with some limited B grade stock. Public owned office stock is generally in the B to C range. However, it is worth noting that the demand for offices from the public sector has pushed up rentals in these lower grade office buildings to levels higher than would conventionally be expected. This might also have something to do with weak public sector capabilities around negotiating office deals and demand for facilities that have BBBEE ownership. Almost all the A grade office stock and the highest office rentals are commanded in more peripheral office nodes, most notably in the Montrose area. Vacancy rates are estimated to be below 10% in the core CBD because of public sector demand. However, it is worth noting that in areas of the CBD, some former office buildings and commercial stock has been converted to residential – formally or informally.

It should also be noted that many private office tenants are cautious about being in buildings or districts dominated by public sector occupiers of buildings. This has something to do with a generally poor reputation the government has in maintaining its building stock. Obviously the breakdown in public services in the CBD as well as general management deficiencies and inadequate investment and planning controls has increased the risks for developers and tenants in some areas hence the flight to areas where they see some greater predictability in their environment. This is aided by the fact that many of the corporate and business office space occupiers and their client base use private motor vehicles and thus not only need safe parking (at a premium in the CBD) but also can accommodate a peripheral location, which for instance would not work for all retailer categories.

In terms of commercial property in Msunduzi there has been some sustained demand and interest in more semi-peripheral sites such as those associated with the Liberty Mall precinct and more recently the start of the project at the recently completed N3/Church Street interchange anchored by Shoprite Checkers. Commercial retail rentals are relatively strong in suburban areas and even on sites on routes to some major peripheral residential township areas as retailers and developers respond to growing market demand associated with these areas. However, KZN as a whole performs quite poorly attracting only around 10% of these developments as developers and retailers note the Province’s lower per capita GDP figures and consequent lower disposable income. Despite this relatively subdued context there is interest in the sector, including in neighbouring municipal areas. These could reduce demand for some types of land category in Msunduzi but the area should begin to see ongoing demand for more peripheral development sites associated with the development corridor with Durban as well as the hinterland service economy role performed by Msunduzi.

Industrial stock has remained relatively stable during a period when demand for manufactured products has been performing very weakly for a number of years. Msunduzi has quite a vibrant manufacturing sector ranging from very large operations such as Hulett Aluminium through to many smaller and medium concerns supplying the provincial, national and in some cases the international market. Areas on the northern side of the N3 have been the traditional industrial heartland of

Msunduzi and are well located relative to the N3 corridor. However, there is not much scope for expansion of these uses and there is some considerable concern about service quality and decay of the areas. Demand for industrial land around the Camps Draft area and Mkondeni has been noticeable over the past years and some scope exists to incrementally grow these. However, investors in these sites also raise matters of the municipal environment and service quality. Developers active in the sector point out that they would expect to accommodate new demand in the Umngeni municipality and on the N3 corridor towards Durban should planning approval be secured. The bulk of this demand is from logistics and distribution operations but also some lighter manufacturing. The fact that property prices are cheaper than Durban and the problems of congestion and lack of suitable sites is something that would work in the regions favour. However, fragmented land holdings and concerns about the capacity of the municipality to deliver infrastructure are matters needing attention as many companies will only consider sites in well maintained industrial estates shared with similar businesses.

In residential development terms Msunduzi's performance has been subdued to weak in recent years. The upper end of the market has seen competition from the Umngeni Municipality in particular, although developments around the Victoria Country Club area have also been strong performers. Public sector employment has provided a strong base for demand for mid-range and entry level private properties with quite strong performance in the rental market in better located areas. However, this has not translated into much volume in terms of new stock and has been made worse by the unwillingness of financial institutions to fund developers of residential property or private buyers. The fact that many people are highly indebted – including public sector workers – has been an issue affecting demand translating into new building stock. Public sector subsidy housing has been an important feature of the environment for some time and will continue to be so. Property developers and real estate actors see ongoing demand for residential stock along the major corridors on the periphery of Pietermaritzburg but say much must be done to boost confidence.

2.4 POLICIES AND PLANS

A range of public sector policies and plans are of relevance when considering the economic context of the area. These range from those at a national and provincial

scale to those at a local scale. This section does not provide an exhaustive discussion of these but simply points to them as being relevant where appropriate.

The National Development Plan (NDP) combined with initiatives such as the Presidential Infrastructure Coordinating Committee (PICC) and the related Strategic Infrastructure Projects (SIPs) all suggest a highly “developmental” role for the state in influencing the trajectory and pace of development. The NDP highlights the imperative to build a capable state at all levels and to secure partnerships with other stakeholders to drive economic growth and employment to ensure poverty reduction and sustainable development. In this context it is notable that the MM has in the past been seen as being able to secure partnerships with other stakeholders and further that its actions have at times been associated with a position of being supportive of economic growth and employment creation. Institutional structures such as the Development Facilitation Committee created to facilitate development are an important example of what can be done.

The fact that the N3 corridor itself (SIP2) will be subject to substantial national investment commitments and therefore also with private sector development interest will be important for Msunduzi to reflect on. As will other aspects of the programmes driven at a national level such as those associated with public transport. Managing the range of these demands will be something that the MM will need to attend to over the forthcoming years as they will place demands for capacity and investment without which MM could lose on opportunities generated. These will also place urban development pressures on places such as the MM as settlement growth will occur as will more challenging urban issues of pollution, congestion and unregulated activities. Some work also needs to be done to ensure national players engage more closely with the potential of urban spaces along these projects – not just seeing the in functional or instrumental terms – also viewing the national initiatives as helping craft a better urban environment to support sustained growth and development.

Figure 7. Concept for the Durban-Gauteng Freight Corridor made reference to in national planning documents and funded under SIP2



(Source: Ethekewini Municipality)

At the Provincial level, the Provincial Growth and Development Strategy (2011) and the Provincial Growth and Development Plan (adopted in 2013) provide some further guidance as to matters which district and local government as well as provincial and national government should attend to. The goal of job creation in the PGDS and the associated strategic interventions around agriculture, public sector supported employment creation, growth sectors, SMME and entrepreneurial development and knowledge driven economic processes are all relevant to the MM and the district. As are the critical strategic goal areas of human resource development and strategic infrastructure and of spatial equity. The next few years are seen as providing space for other actors to craft a space for themselves in these and other plans such as the NDP. The process of seeking some alignment has begun at the district level and should also be actively pursued at the local level.

Plans by Msunduzi to do a City Development Strategy have been on the table for some time and could provide an opportunity to interrogate areas of alignment and gaps where the locality might be able to offer something that was not considered in the first rounds of the other processes. In order for KZN to meet its commitments in the PDGP it is imperative that such an important area such as Msunduzi also makes its own contributions. If the Province is to contribute 2.1 million jobs to the national target by 2030 then MM would need to consider ways of increasing employment by almost one third over this period. Some estimates would suggest that with more than two thirds of the jobs likely to come from non-agricultural activities it is likely that KZN would need between 10 000 and 15 000 hectares of new commercial and industrial land to accommodate this level of employment growth. In recent years the commitment of the Province to fund the upgrades of the airport at (Oribi/Msunduzi) are an example of what improved coordination and alignment could bring. However, the better use of existing land parcels, re-development of brownfield sites and greenfield development will all need to play a role. It is worth noting here that Msunduzi has few zoned and serviced sites available for this type of development at present.

Institutionally the alignment of planning with outcome targets and the adoption of measurable indicators is an important element in being able to determine the degree to which local areas are generating their contributions. However, critically the plans also provide a framework for spheres such as local government to hold other layers of the public sector to account. Municipal underperformance is often (but not always) also a product of failures at other levels and this would need attention. For example both the NDP and the PGDP place considerable emphasis on substantially improving educational outcomes. MM has long trumpeted itself as a centre of quality education. This is a widely supported assertion. However, the district is also home to a swathe of underperforming schools that serve the bulk of the population. A localities development path is substantially influenced by the educational profile of its residents and there should be an active dialogue between the local and other players on the state of education as a whole.

At the district level the UDM and its constituent municipalities have all produced IDPs and a variety of strategic planning documents. These have some common themes

around the imperative to provide basic services, grow employment and business investment and extend and maintain infrastructure. Because the MM serves as a hub for the district and beyond the alignment in programmes and spending is critical. Processes around the metro issue might help support greater integration but it should also be noted that in many cases these have caused a substantial level of institutional turmoil in the first few years and do not provide a panacea for problems experienced in the past. A variety of factors need attention at this level and have been noted in many of the documents. These would include service reliability and investment (for example in electricity and water/sewer systems) as well as more coherent spatial planning taking account of the interdependence as well as unique trajectories of different spaces.

The Msunduzi IDP for the period under review understandably places much emphasis on the strategy to recover the institutional integrity and performance of the institution. It also seeks to set out some plans for meet ongoing investment and service requirements in the MM area. The second strategic objective in the document is that related to Local Economic Development. This sets out plan 6 of the IDP as being related to Economic Development and Job creation. The following Organizational Objectives are specified:

- To stimulate economic growth through job creation, promotion of BBBEE, development of SMME's, co- operatives and agri-industry
- To promote sustainable tourism.
- To promote and stimulate business investment, retention and expansion

These objectives are broadly aligned with other strategic objectives in documents such as the PGDP. On page 21 of the MM IDP the following is stated: "Emanating from our analysis in section F under Economic Development business unit, the Municipality has developed a number of strategies that will underpin our Local Economic Development Plan. Thus far, our District Municipality in partnership with other municipalities within the district developed the LED framework and finalized the City Local Economic Development Plan will be fine tuned around the uMgungudlovu District LED framework." (Msunduzi Municipality, 2011: 21)

The Msunduzi Spatial Development Plan does highlight the SEDi area as a future development area and placed particular emphasis on planned economic growth along the Richmond Road and at the three major intersections along the N3 (Umlaas Road, Lynfield and Ashburton). The intended development footprint associated with the Richmond Road is demarcated on the SDP, but the N3 intersection developments are merely indicated with conceptual circles denoting possible future development. Development interest along the N3 and a range of DFA applications led to the Municipality undertaking an SEA in the Mpushini area. Municipal economic development officials report that this only identified 23% of the land in the area suitable for any development. Although it was noted that it might be possible to meet environmental obligations elsewhere in Umgungundlovu if it was not possible to meet all of them in the SEDi area. However, officials did note that the SEDi area was a major focus of Msunduzi environmental planning and conservation due to the particular environmental assets in the area.

Although detail on these plans is not available and has not all be thoroughly examined where it is in place the overriding issue raised by both stakeholders and municipal officials is the lack of resource commitments, the reputational matters already discussed and the capacity constraints. However, efforts at the MM level with the MIDI and other partnership bodies do suggest an eagerness to collaborate as the upgrades of Msunduzi airport suggest.

The LED team in the municipality has a range of projects they have been working on including an SMME incubator for Edendale, some sector projects such as Msunduzi ICT incubator and fashion sector and arts sector support. The team has also been involved in the Development Facilitation Committee and its processes related to developments as well as in processes such as those relating to the informal economy and tourism. Work has also been conducted to facilitate projects such as the Tourism Hub in the CBD.

3 SEDIS ECONOMIC CONTEXT

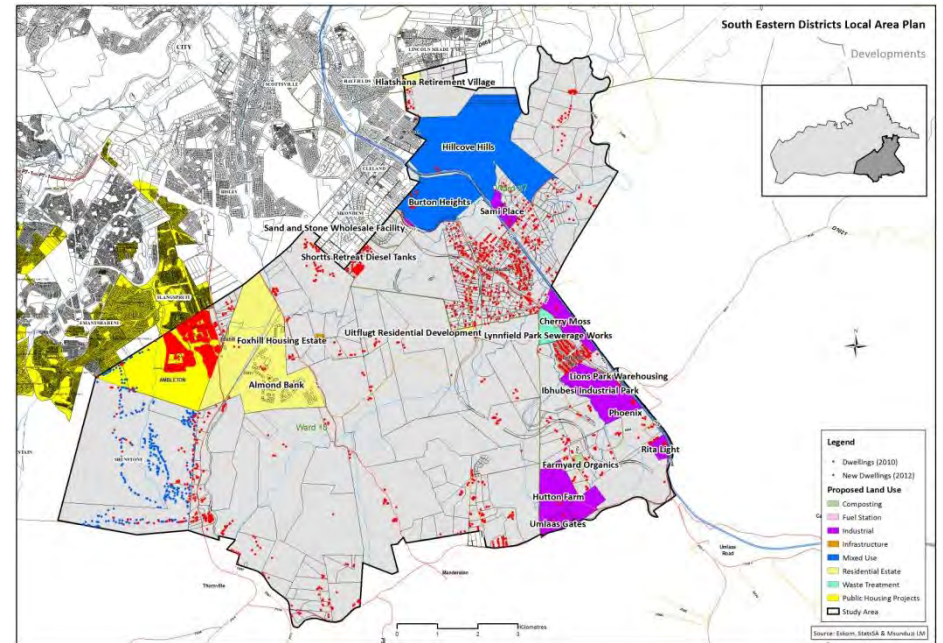
The SEDis or South Eastern Districts area is located – as its name suggests – to the south east of the Pietermaritzburg CBD between the Road to Richmond, the N3 and

the Umlaas Road. It land uses largely relate to nature conservation, agriculture and residential development. In recent years there has been development pressure along the Richmond Road (both formal and informal residential) as well as some formal and informal commercial. The GEDI process is of considerable relevance to the site and should be looked at for integration purposes. The Ashburton area has also seen development interest with formal housing development alongside the N3 and some substantial development applications for residential and commercial/light industrial that have been proposed. It should be noted that Unilever invested in a major distribution centre on the site boundary towards Mkondeni (on Shorts Retreat close to the R103) after struggling to find suitable land in Ethekweni.

As the area nears the Mkhambathini municipality along the Umlaas Road formal agriculture is more intensive as climate and soil conditions lend themselves to sugar cane and other crops and livestock. The SEDis area also has some formal poultry production at some scale in the Ashburton surrounds with the sector having a major concentration in the Mkhambathini municipality moving towards Ethekweni. Apart from commercial farming and residential development the area also has many small holdings being put to a variety of uses as well as some areas characterised by informal settlement. The Bisley nature reserve (350 ha) in the Mpushini area is also of some scale and does serve an important biodiversity protection purpose and as a site for day visitors from the MM and surrounding areas. The private Intaba Ridge Game Estate in the Upper Mpushini Conservancy (<http://www.intabaridge.co.za/estate-profile/>) is an example of land owners and private developers seeking to diversify away from agriculture to other land uses connected with the economic and political profile of Pietermaritzburg.

On the northern/western edge of the area closer to established Msunduzi suburbs there is some pressure for the expansion of these into the SEDis area. However, the provision of infrastructure and planning frameworks to support this has not been present with concerns about urban sprawl apart from the constraints the municipality has faced internally (budget, etc.).

Figure 8. Msunduzi Municipality Development Register showing residential and commercial/industrial demand patterns in SEDis



(Source: Msunduzi Municipality and RHDHV)

Table 1. Msunduzi Municipality Development Register showing residential and commercial/industrial demand patterns in SEDis

Project Name	Property Descriptions	Total Site Area (ha)	Proposed Land Uses/Rights	Proposed Density (Floor Areas/Units)	Status of the Project	Planning Consultant
Ibhubhesi Industrial Park	Portion 356 of the Farm Vaalkop & Dadelfontein No. 885, Division FT		Light industrial	±30 erven	Awaiting Act 70/70	Owen Greene
	Rem 19 & Sub 664 Of Farm Vaalkop & Dadelfontein No. 885		Light industrial	60,6 ha	Final EIA to be submitted following amendment to layout plan	
Burton Heights	180 & 193 Shortts Retreat	200	Mixed Use	±500 units	Awaiting SANRAL	Owen Greene
	Erf 177 Bellevue					Owen Greene
Hillcove Hills	Erf 10119 Pmb & Ptn of Erf 506 Ashburton to be redesignated Erf 1 Hillcove Hills	483	Commercial	±72 500m ² GLA	In progress; EIA expected 1 May 2013; PDA to be lodged 1 May 2013	Rob Kirby Associates
			Primary School	1		
			Lifestyle Village, Frail Care & Facilities	3,11 ha		
			Office Park	±60 000m ²		
			Medical Suites	11 500m ²		
Residential	944 erven					

			Cluster Housing	434 units		
Rita Light Industrial Estate	Remainder of Portion 300 (of 268) of the Farm Vaalkop & Dadelfontein No. 885, Division FT	19	Light Industrial	17 erven	RoD obtained, awaiting detailed geotechnical & waste license	Bigen Africa Services
			General Business	1 erf		
Mpushini Business Park	Portion 621 (of 592) and Remainder of Portion 592, all of the Farm Vaalkop and Dadelfontein No. 885	60	Business Park (Logistics/Warehousing)	85 000m ²		Peter Jewel Consulting Services
			Office Park	20 000m ²		
			General Residential	48 units		
			Conservation	32,7 ha		
			Associated Services	0,5 ha		
Lynnfield Park Sewerage Plant	Sub 662 (Of 592) Farm Vaalkop & Dadelfontein No. 885		Waste		Final BAR submitted	Msunduzi Local Municipality
Mkhondeni River Bridge	Main Rd P 1-5 Between Ashburton & PMB		Road Link		DAEA to follow up; a letter has been sent to DoT; no work on site	
Sand & Stone Wholesale Facility	Erf 67 Shorts Retreat No. 1208		Light Industrial	1,92 ha	Received EMP, applicant to get planning approval, BAR underway	
Ambleton Phase 2 Public Housing	Ambleton		Public Housing	2 058 units	Requesting funds to complete transfers	Msunduzi Local Municipality
Ambleton Phase 3 Public Housing	Ambleton		Public Housing	3 000 units	Project approved by Council, packaging submission for Stage 1 approval	Msunduzi Local Municipality

It is worth noting that some limited commercial development exists at the intersection of the Umlaas and Richmond Road (R56) with important connections to Southern KZN via Ixopo and other towns, for which MM serves a service role. It is also important to note that the settlement areas of Umlaas Road (associated with Camperdown), Manderston and Thornville all fall outside the study area and the local municipality (confirm) making effective landuse and spatial planning along these important boundary development areas highly complex.

A number of issues emerge from the material examined and discussions with various stakeholders as pertains the economic development dimension of the SEDis area.

In the first instance the areas adjacent to the N3 are likely to face ongoing developer interest as well as interest from those seeking to establish homes (formal and informal). The pressures on land availability in Ethekwini and the investments associated with the N3 corridor are likely to escalate the need for Msunduzi and others alongside the corridor to provide land and infrastructure to service the demand. The necessity to consider appropriate mixed use developments at some

planning scale (to avoid fragmentation) is key to the area. It should also be noted that this would require important balancing of interests between agricultural players, residential interests, the protection of the environment and its related biodiversity and services as well as those of new economic players. For instance there is and will continue to be demand for properties adjacent to the N3 for light industrial and distribution activities whilst to date much of this has been allocated to residential uses – perhaps in part because of the lower demand on municipal infrastructure in a context of weak municipal investment performance. Links with, and even possible growth of Mkhondeni, must be considered in this mix. Such development is likely to have substantial impacts, as will the N3 corridor development, on road networks (such as R103) and other infrastructure in the area.

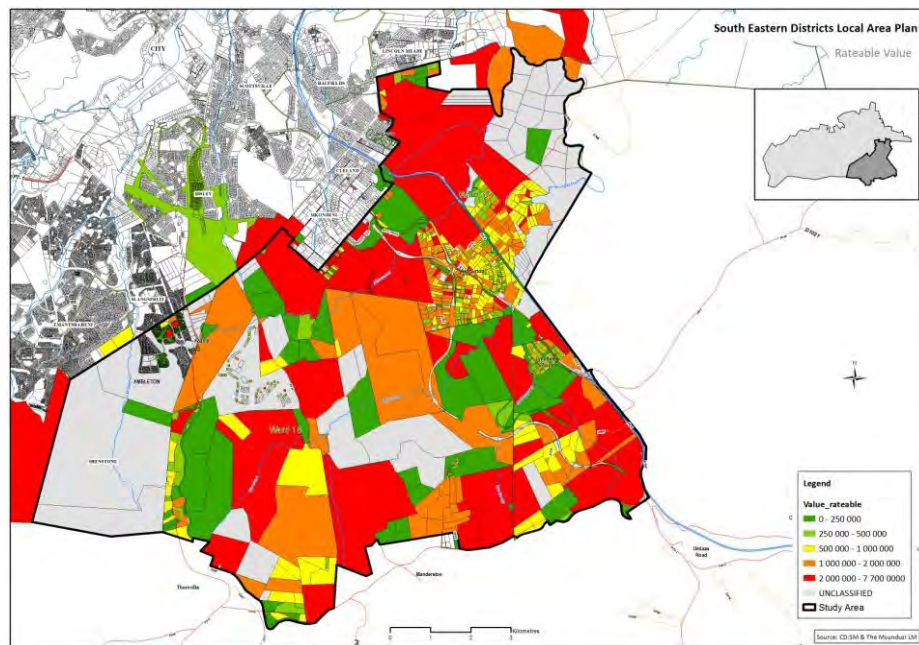
Other industrial areas in Msunduzi will also need ongoing attention and some offer scope to accommodate some of the demand in the shorter term although the available sites are not always suitable for more space-extensive demands of the logistics centred activities. The high visibility of the areas close to the freeway make them premium sites for some types of business (think of the N1 around Midrand and Centurion or the Riverhorse Valley Business Estate on the N2). This strip is also likely to experience demand for peripheral commercial and smaller service centre developments to serve the growing residential uses and the like. Intersection areas are likely to be particularly in demand requiring engagement with Sanral and other landowners.

The length of the R56/Richmond Road is also already experiencing development pressures from a variety of settlement and development activities, formal and informal. The accessibility of Pietermaritzburg from this area is a major advantage for all and the route has also seen steady growth in traffic and aspects of the regional economy find themselves more and more integrated. This area requires some careful management of interests as the region requires sites for lower cost housing but it also contains some important environmental assets as well as scope to attract different residential market segments that are not common in the area and could help sustain a greater social and economic diversity. The area could accommodate some growing commercial demand along the route perhaps best associated with possible enhancement or development of new road access sites. The possible

upgrading of the Foxhill connection has been mooted to support some of this. It is suggested by officials that this general area is preferred for major new economic investment as opposed to the N3 corridor. This policy driven interest in this area needs to be examined in light of private sector interest closer to the N3.

Rateable values recorded by the Municipality in the SEDis area vary quite substantially with much of the area characterised by lower rateable value categories. However, as can be seen in the figure below (Figure 9.), something of a pattern can be seen with higher rateable values adjacent to the Mkondeni area and closer to the N3. The potential to encourage higher property values in the area could help the Municipality with its revenue flow, however, this would require some significant investment. Furthermore, these investments and associated property value increases could have some exclusionary effects on lower income residents.

Figure 9. Rateable values in SEDis



Both environmental and agricultural uses predominate in terms of land use at present. Although the agricultural land is not seen to be optimal in much of the site it does offer the potential of important production support to the growing economy of Msunduzi and its CBD. Much caution should be considered in converting land along the Umlaas Road and to the south and centre of the SEDis area from agricultural uses to other uses. However, these could be served by allowing for specific agricultural uses (perhaps of a more intensive type) to be incentivized as they provide potential for low skill employment and greater regional food security. These could combine with some appropriate residential and smaller scale commercial development at important intersections where environmental risks are lower. The area around the Hartebeespoort Dam north west of Johannesburg has managed to combine small-holding production with some measure of environmental protection, tourism and residential development (although this area is far from ideal). The presence of the UKZN's Ukulinga research farm in the area could be put to good use in terms of some plan to connect services this site and the relevant institutions could offer to development management and support. Ongoing fragmented development is likely to undermine the agricultural elements of the area and, critically, also the environmental services provided by lower intensity uses over and above the protected areas. However, to justify the environmental uses and to help generate revenue for their protection some compacts need to be developed in support of the conservancies and the upgrade of the visitor experiences to a site such as Bisley nature reserve.

Some planning work has been done in MM and with MIDI and Province around the further development of Oribi (Msunduzi) Airport. This is found on the northern portion of the site close to Mkondeni and some surrounding residential suburbs. Some consideration has been given in these plans to extend the site to allow for a greater diversity of uses, although the site is somewhat bounded by some topographic features and developments that are potentially restrictive. It was noted by a range of respondents that consideration should be given in the expansion of the city to the south east through greater connectivity and better infrastructure linking the route from the CBD to the airport and then beyond this either to the Richmond Road (crossing the P120) and/or the R103 towards Ashburton/Lynfield Park. This could serve to support the growth of the airport and also serve to enhance thresholds

for appropriate and justified development south of the existing urban development edge.

4 KEY FINDINGS

In summary, the following SWOT factors have been noted:

Strengths:

- Adjacent to N3 corridor with some access, Pietermaritzburg CBD, and important sub-regional transport link to Southern KZN
- Proximity to Durban
- Reputation for responsive municipal planning environment
- Greenfield land available for development
- Visibility = higher commercial land values
- Major investors such as Unilever located in proximity to area
- Appropriate mix of skills in Msunduzi region

Weaknesses:

- Lack of a clear planning and investment framework (public sector)
- Land suitable for commercial, industrial and residential development limited in high demand areas with few distribution-hub plot sizes (+/- 10ha)
- Limited availability of infrastructure
- Loss of credibility of municipal structures
- Patchwork of ownership with competing interests
- Legacy of some ad hoc decisions
- Exclusion of micro-commercial centres on Umlaas Road boundary from planning area
- Deterioration of agricultural lands
- Loss of property development momentum
- Lack of local amenities

In terms of development challenges the following are highlighted (most having already been mentioned):

- Subdued economic performance of the region
- Growing urbanization pressures
- Weak urban management and governance
- Complex planning challenges related to land ownership, competing interests, infrastructure constraints and features such as influence of Act 70 of 1970.
- Threats to biodiversity
- Disconnected planning frameworks with micro-urban centres located external to the site
- Competition for development from other municipal areas
- Land invasions
- SIP 2 shortcomings: negative impacts/externalities of freight growth, congestion, spatial disruption and under investment in surrounding urban spaces and relevant institutions ...or even SIP failure or ongoing SIP uncertainty (N3 realignment, urban toll road?)
- Loss of diversity of livelihoods opportunities and character of areas within SED as land uses change

Opportunities highlighted have included:

- Development pressures associated with the N3 Corridor and a degree of importance of the MM to provincial and national plans
- The political and bureaucratic capital status of Pietermaritzburg and ongoing expansion of KZN public sector
- The economic integration of surrounding areas with MM
- History of cooperative partnerships between some stakeholders
- Interest of some institutions and developers to cooperate in planning and development of the area
- Possible options for lower impact developments in the area
- Scope to gain from agricultural revival in surrounding LMs
- Limitations of serviced land availability elsewhere along N3 axis within Ethekwini
- GEDI development implementation and plans for Richmond Road corridor
- Growth of demand for urban centre proximate intensive agricultural production
- On-going private sector investments in distribution and logistics and residential (growing market demand and growing middle class)
- Scope to take advantage of natural and bio-diversity assets and the services they provide
- Scope for unique positioning to capture higher value opportunities (for example siting of a N3 corridor management centre)

With regard to the following economic issues the following key findings can be noted:

Economic Issues	Key Findings
Msunduzi's Economy	<ul style="list-style-type: none"> Msunduzi has been a strong economic performer relative to most other municipalities but the growth has been subdued across all sectors baring financial services, retail, transport, distribution and logistics with the largest growth sector being that of the government sector.
Economic Land Demand in Msunduzi	<ul style="list-style-type: none"> Msunduzi has experienced subdued formal land demand in recent years compared to other major KZN municipalities. Demand has been primarily for commercial (retail and wholesale), warehousing, distribution and logistics, light manufacturing, service industries. Respondents note a shortage of well located, zoned and serviced land. The relative strategic location of SEDIs vis a vis the N3 makes it an important area to consider for the supply of economic land uses.
Economic Land Demand specific to SEDIs	<ul style="list-style-type: none"> Land adjacent to the N3 corridor is identified as having considerable potential from the perspective of economic actors. The key demand categories include retail, transport, distribution and logistics and service industries to these sectors. Existing economic demand categories of agriculture, eco-tourism and residential estate development are also likely to be of some significance. The Richmond Road area offers some potential to service passing trade and surrounding communities on an incremental development path. Demand also exists for informal economic activities, particularly along higher intensity use areas and close to denser settlements. Economic activities are likely to primarily serve needs of the district and surrounding district as well as the Province of KZN. The potential does exist to attract one or two national market oriented activities.
Employment Potential of Development	<ul style="list-style-type: none"> The categories of demand offer medium to lower intensity employment potential. The area is unlikely to offer parcels of land at the scale or serviced by a level of infrastructure to enable higher order employment demand. Skills categories are likely to be an even split between mid to lower skilled workers. Residential development is likely to support some construction employment demand and lower skill employment demand for domestic and retail type employment. In the short to medium term employment is likely to go primarily to those living outside the SEDIs area.
Infrastructure Needs	<ul style="list-style-type: none"> Existing road and utility connections are not suited to meeting economic demand in the area. The issue of N3 intersections, internal road networks and utility supplies all need attention.
Poverty Reduction	<ul style="list-style-type: none"> The scale and pace of development in the area is likely to have a modest poverty reduction impact over a five to ten year period as

	<p>some employment is generated and as infrastructure, economic opportunities and accessibility improve across the area.</p>
Municipal Rates Income	<ul style="list-style-type: none"> Msunduzi needs to diversify its rates income and to substantially grow this revenue source. However, to do this it will need to invest in infrastructure to support a range of economic opportunities. Land and property values will adjust in relation to demand which will in turn be influenced by the quality of infrastructure and associated municipal services.

5 REFERENCES

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