



Umhlathuze
Gateway to Globalisation or Forgotten Harbour Town?



CONTENTS

Figures	iii
Tables	iv
List of Acronyms	v
1. Introduction	1
2. Towards understanding the city character of Umhlathuze	4
3. Historical perspective	8
3.1 Shaka, spears and conspiracies (1820–1851)	8
3.2 Cetshwayo, Victoria Crosses and colonisation (1852–1899)	9
3.3 Cane, mills and municipality (1900–1960)	10
3.4 Homeland and harbour (1961–1990)	10
3.5 International Interest and internal neglect: the aftermath of 1990	12
4. Overview of current status	15
4.1 Demographic and population change	15
4.2 Economic analysis	23
4.2.1 The Port of Richards Bay	23
4.2.2 Economic profile	26
4.2.3 Employment	34
4.2.4 Business overview	39
4.2.5 Business/public sector relations	43
4.3 Education, qualifications, skills and knowledge base	45
4.4 Social issues	47
4.5 Natural resources and the environment	47
5. Umhlathuze local municipality: Their plans, management & administration	51
5.1 The local municipal IDP	51

5.2	The Umhlathuze Spatial Development Framework	53
5.3	The Umhlathuze LED strategy	58
5.4	General municipal governance & management	59
5.5	Municipal finance	63
5.6	Municipal infrastructure	66
6.	State-owned enterprises	66
6.1	Transnet-The state-owned slumbering giant	67
6.1.1	The national transport master plan	67
6.1.2	The Transnet long-term planning framework 2013	67
6.1.3	Have Transnet's actions enhanced the growth of Richards Bay since 1990?	69
6.2	Richards Bay Industrial Development Zone Company (RBIDZ)	71
6.3	Eskom	72
7.	Other key players	73
7.1	The KZN provincial government	73
7.2	The Amakhosi and the Ingonyama Trust	75
7.3	Societal watch dogs	76
8.	Synthesis	76
9.	Statements and policy issues	77
Appendix A:	New demarcation of Umhlathuze Local Municipality	82
References		83

Figures:

Figure 1.1: Schematic representation of the structure of the report.....	4
Figure 2.1: % Population urban and rural (2011)	4
Figure 3.1: Development Atlas 1965 Department of Planning, RSA.....	10
Figure 4.1: Changes in racial composition of Richards Bay and uMhlathuze compared with Uthungulu and KwaZulu-Natal (1970, 1996, 2001 and 2011)	17
Figure 4.2: Urban-rural distribution (2011)	18
Figure 4.3: The Umzingwenya informal settlement that stretches like a ribbon all along the boundary of Esikhaleni, with several other informal settlements also visible in the TAA areas.	19
Figure 4.4: Birth place of residents KZN, Uthungulu & Umhlathuze LM (2011)	20
Figure 4.5: Origin of residents for urban Umhlathuze (2011)	20
Figure 4.6: Population distribution of Uthungulu and Umhlathuze (2001, 2011).....	21
Figure 4.7: Population movement from other LM areas into Umhlathuze (2001 – 2011)	22
Figure 4.8: Locality % share of GVA, KwaZulu-Natal and South Africa (1996, 2001, 2011)....	26
Figure 4.9: GVA growth performance in % (2001 = 100)	27
Figure 4.10: Sectoral contribution (%) to GVA (2011).....	29
Figure 4.11: uMhlathuze sectoral contribution (%) to GVA (2011)	30
Figure 4.12: Heatonville on 2 October 2013. An abandoned and ransacked homestead.	33
Figure 4.13: Heatonville on 2 October 2013. An erstwhile sugarcane plantation now a dry grazing area for cattle.....	33
Figure 4.14: Employment per sector (%) for uMhlathuze (1996, 2001, 2011)	34
Figure 4.15: Unemployment rates 1996 & 2001 in KZN, Uthungulu and Umhlathuze.....	36
Figure 4.16: Unemployment rates 1996 & 2001 in Umhlathuze area	37
Figure 4.17: Informal economic activity distribution (1996–2011)	39
Figure 4.18: The cluster of SA Towns into which Richards Bay and Empangeni fit.....	40
Figure 4.19: The enterprise architecture of Richards Bay and Empangeni against the average South African town (ASAT).....	42
Figure 4.20: .Comparison of education levels between Uthungulu, Umhlathuze and Richards Bay	45
Figure 4.21: Evidence of informal activity (1)	49
Figure 4.22: Evidence of informal activity (2)	49
Figure 5.1: Spatial Development Framework Map of uMhlathuze	54
Figure 5.2: Location of IDZ land directly north adjacent to the harbour	58
Figure 5.3: The Richards Bay Airport with the land invasion (in yellow border) that took place in the buffer zone and is preventing the redevelopment of the airport.	62
Figure 6.1: Slide 15 from Molefe’s presentation in December 2011	70
Figure A.1: New boundaries for Umhlathuze LM indicating the size of the Ntambana LM that is to be incorporated into Umhlathuze.....	82

Tables:

Table 2.1: Spatial characteristics of uMhlatuzi compared to Ethekewini and KwaZulu-Natal (2011).....	5
Table 2.2: uMhlatuzi municipal valuation roll values (2011, R'000)	6
Table 4.1: Demographic change in uMhlatuzi compared to Uthungulu, Kwazulu-Natal, and South Africa (2001 and 2011).....	16
Table 4.2: Employment and GVA per sector (Ranked from GVA per formal employee).....	35
Table 4.3: Areas with highest % unemployment in TAAs and their location in terms of formal urban areas	37
Table 4.4: Distribution of formal enterprises (2011)	39
Table 5.1: Practical impact of SDF approaches	56
Table 5.2: Municipal Sources of Operating Revenue (R'000)	64
Table 5.3: Equitable share for uMhlatuzi	64
Table 5.4: uMhlatuzi LM expenditure	65

List of Acronyms:

ASAT	Average South African Town
BOOT	Build, Own, Operate, Transfer
CSG	Child Support Grant
DM	District municipality
EIA	Environmental Impact Assessment
FFPC	Financial & Fiscal Planning Commission
GVA	Gross Value Added
IDP	Integrated Development Plan
KZN	KwaZulu-Natal
LED	Local Economic Development
LM	Local Municipality
LTPF	Long-Term Planning Framework
MTPA	Million Tons per Annum
NPA	National Ports Authority
PPP	Public Private Partnership
PSEDS	Provincial Spatial Economic Development Strategy
RBCT	Richards Bay Coal Terminal
RBIDZ	Richards Bay Industrial Development Zone
SDF	Spatial Development Framework
TAA(s)	Traditional Authority Area(s)
TEU	Twenty-foot Equivalent Unit

This report on Umhlathuze is one of six case studies for the SA Cities Network on intermediate cities in South Africa. The aim is to contribute to policy reflection and debate on the role of cities outside the metropolitan areas and their role in the spatial economy. In addition, it is important to consider whether there are specific aspects relating to city growth as well as municipal management that require policy, strategy or financial instrument adjustments to enable such intermediate cities to cope better with the challenges they are facing.

1. Introduction

Umhlathuze Local Municipality in the northeast of KwaZulu-Natal is one of six local municipalities in the area of the Uthungulu District Municipality. Umhlathuze covers an area of 796 km² and stretches from the coastal flood plains to the rolling hills of the interior. Richards Bay and Empangeni are the main towns and several chieftain areas in the Zulu Kingdom comprising Ingonyama Trust Land fall in the municipal area.

In the province of KwaZulu-Natal—South Africa's most populous province—the Uthungulu District is the third most important district in the provincial economy after the Durban metropolitan areas Ethekwini and Pietermaritzburg (Umgungundhlovu).

The paper arrives at a number of key observations about the Umhlathuze area and more specifically its urban core. It also highlights a range of policy and strategic aspects that impact on the way the local authority and other key actors in the locality react to challenges and opportunities.

The most important of these are:

- The history of the area is steeped in the dichotomy of traditional and modernising forces. This inbuilt tension still impacts in a major manner on the way institutions respond or fail to respond to challenges and opportunities. The challenge for the local authority is whether it wants the locality to be a Gateway to Globalisation (with all that that implies) or a Harbour Town waiting for hand-outs?
- The traditional–modern dichotomy has implications for municipal management, private sector investment, as well as for effective urbanisation and agricultural practices. But it is also part of a national policy paralysis. In many instances there is a reaction to aspects of modernity since it challenges traditional privileges.
- Umhlathuze Local Municipality calls itself Umhlathuze City, although vast portions of the municipal area do not meet a single criterion of urbanity and are in fact rural. Policy cognisance is required that a municipality is not a megacity, or an intermediate city, or a large or small town: it is an error of reasoning to equate a municipality with the economic, social and technical driven *systems of human settlement manifestation*. A municipality is nothing more than the public sector's local governance institutional framework for planning, managing and administering typical governance functions in a specific local geographic area. It should make a municipality and its leadership simultaneously bold and modest.
- The wellbeing of localities (and therefore also their municipal structures) is in many cases overly dependent upon decisions far outside their own sphere of influence: serious and effective decentralisation should have implications also for State Owned Enterprises that are often used as instruments to promote specific political preferences ignoring economic realities with resultant wasteful expenditure, as well as opportunity costs.

- A Municipal Balance Sheet and Income Statement are important indicators, but reveal very little about the financial risks facing a local authority if a large percentage of income (both from service charges and rates) is generated by a handful of consumers and ratepayers.
- Similarly an unqualified audit report from the Auditor-General is at most an indication that funds were spent in accordance with rules and regulations: it is no indication that the funds were spent wisely or with best impact and effect.
- The current grant system ranging from the Equitable Share to the Municipal Infrastructure Grant is almost devoid of any system geared to reward local governance success. There is an urgent need to develop a financing transfer system that is not only built on population and infrastructure inequality, but that will trigger, promote and reward local initiative and success.
- The area is, as in the past, experiencing the impact of decisions that are taken in places and institutions far removed from the locality, like a pawn on a far larger chess board. The challenge is whether local institutions can, despite political and social tensions, mobilise to place the wellbeing and growth of the area first and to present a common front to provincial and national decision-makers, or whether they will continue to underplay the local potential and opportunities to please their hierarchical puppeteers.
- Some key policy questions are:
 - Has the creation of wall-to-wall local authorities sufficiently considered the divergent paradigms that apply to Traditional Authority Areas (TAAs) and modern cadastral land management arrangements?
 - Do the processes, procedures and criteria to demarcate local municipal boundaries sufficiently consider urban functionalities or are they too influenced by existing boundaries as well as TAAs?

The structure of the report is captured schematically in Figure 1.1. It commences with some key characteristics of the area and its population, after which the history of area is dealt with in broad phases:

- Phase One (1820–1851) Shaka, Spears and Conspiracies
- Phase Two (1852–1899) Cetshwayo, Victoria Crosses and Colonisation
- Phase Three (1900–1960) Cane, Mills and Municipality
- Phase Four (1961–1994) Harbour and Homeland
- Phase Five (1994–today) International Interest and Internal Neglect?

The report subsequently considers the following questions:

- What are the consequences and impact of these thrusts on the population composition and where they have settled?
- How has the economy changed and with what impact and opportunities on enterprises?
- Are there environmental challenges and restrictions?

Thereafter attention is given to the question as to whether the municipality and other institutions impacting on the Umlathuze area are planning well and managing the interests of the population and their economic welfare, considering the challenges posed by competing national, provincial and other locality interests and decisions, as well as the globalisation context.

Umhlathuze: Where did it all begin?

Richards Bay–Empangeni: the diversified urban

**Where do they live?
 Where do they work?
 Where will they live?
 What kind of work?**

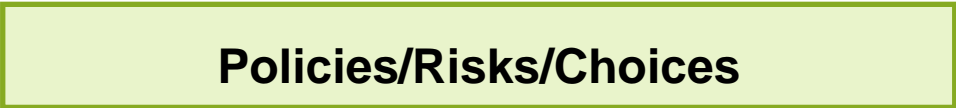
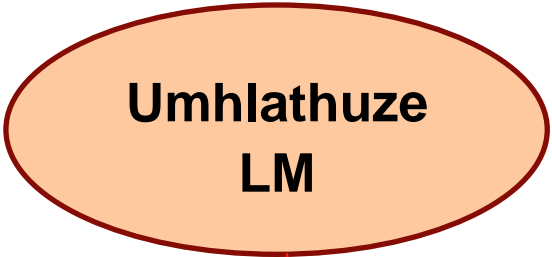


Figure 1.1: Schematic representation of the structure of the report

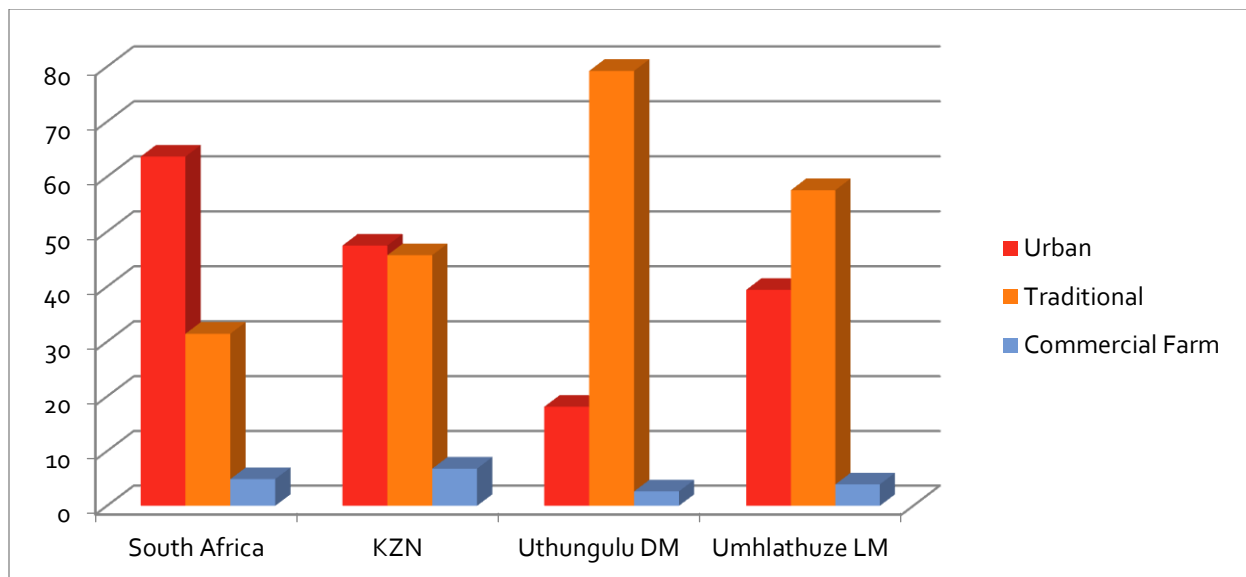
2. Towards understanding the city character of Umhlathuze

In this section a few characteristics of Umhlathuze will be introduced in order to contextualise aspects such as urban population. Several aspects will be dealt with in more depth later on.

The Umhlathuze Local Municipality covers 796 km² and has an urban area (formally proclaimed townships establishments) of 78.07 km².

The population of the Uthungulu District Municipality predominantly resides in traditional communal trust land, and Umhlathuze is the most 'urban' local authority in the District. Umhlathuze Local Municipality in fact models itself as Umhlathuze City. **Error! Reference source not found.** shows that Umhlathuze has an urban population of 39%; 57.5% of the population live in communal trust land and just less than 4% reside on commercial farm land.

Figure 2.1: % Population urban and rural (2011)



While the Umhlathuze area is within the Uthungulu DM context highly urbanised, its population is still mostly rural in nature: for every urbanised person, there are 1,5 persons on farms and in trust land. The local municipality has 420 people per km² compared to 1460 people per km² in Ethekewini. The impact of the amalgamation of the Umhlathuze LM with the Local Municipalities of Ntambanana and Mthonjaneni will be discussed in Appendix A below.

Table 2.1 shows the surface area of Umhlathuze; density is expressed as people per square km and GVA per square km is placed in the context of the province as a whole.

Table 2.1: Spatial characteristics of uMhlatuzi compared to Ethekewini and KwaZulu-Natal (2011)

<i>Umhlatuze</i>	<i>km²</i>	<i>% of LM area</i>	<i>Residents</i>	<i>Persons/km²</i>	<i>GVA/km²</i>
Formal urban	78.07	9.84	131870	1689	68 296.07
Ingonyama Trust	279.55	35.24	192481	689	
Farms & Forestry	255.70	32.23	10099		
Other	124.60	15.71			
Water bodies	55.42	6.99			
Total / average	793.34		334450	422	7 739.78
Ethekewini	2292.00		3346000	1460	42 304.03
KZN	94361.00		10239633	109	1 631.63

Based on StatsSA 2011 Census and Global Insight

The following is important to note:

- The formal urban area density of Richards Bay-Empangeni cannot be compared to that of Durban (Ethekewini), since there are portions of commercial farm land as well as TAA in the Ethekewini boundary. For proper comparison the 422 should be compared with the 1460.
- The important density difference to be seen is that of density per sq km within Umhlatuze. In the formal urban areas (including the industrial areas) the density is 1 689/km² compared to 689/km² in the TAAs in Umhlatuze. Once the total municipal area (also farms and forestry etc) is considered, the density drops to 422/km².
- The GVA/km² is impressive with Umhlatuze's GVA almost five times higher than the provincial average. However, Ethekewini's GVA/km² is 5.5 times higher than that of Umhlatuze.

The National Treasury's Intergovernmental Division provides urbanisation data for each district council (DC) and metro as part of their fiscal planning process. The variable measures the proportion of individuals in the metros and district councils that is urbanised. According to their index, Uthungulu had a 14.7% urbanisation index, the tenth lowest in the country.

A Municipal Valuation Roll also provides a good indicator for quick insight into the nature of a locality. Table 2.2 below is based on the latest Valuation Roll prior to dealing with objections (Values are expressed in R'000). The following should be noted.

- The number of industrial properties is 3.56% of the total properties, but constitutes 22.8% of the value of all properties.
- The commercial properties form 3.43% of the total properties and 14.4% of the total value.
- Residential properties form 90% of the total number of properties and 54% of the value of all properties.

Table 2.2: uMhlatuzi municipal valuation roll values (2011, R'000)

Locality	Industrial		Comm/Business		Residential		Government		Agricultural		Municipal		Other	
	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
R/Bay	942	7 118 831	584	3 440 552	12 893	10 798 724	24	292 120	109	342 520	313	138 707	136	92 932
Empangeni	271	776 302	522	1 505 789	6 833	4 203 457	52	634 851	124	16 944	51	15 630	59	141 965
Esikhaleni	3	6 400	43	33 143	6 360	2 496 467	37	184 460	7	81 620	49	18 980	4	1 852
Vulindlela			5	495	307	69 065	23	794 570			3	3	0	0
Ngwelezane	2	6 600	9	14 795	2 900	930 900	27	193 740			18	5 716	0	0
Nseleni			11	7 009	1 439	249 080	15	65 960			7	13 102	1	200
Total	1 218	7 908 133	1 174	5 001 783	30 732	18 747 693	178	2 165 701	240	441 084	441	192 138	200	9

This shows that the municipality's income stream benefits from the industrial and commercial sectors.

The diverse nature of a highly industrialised Richards Bay, alongside deep rural pastoral areas, brings specific challenges to the fore at a number of levels:

- appropriate and just municipal by-laws and administrative procedures
- prioritisation of capital expenditure
- unequal valuation rolls and rate paying structures
- differences in service delivery modes (e.g. electricity supply and reticulation)
- no effective mechanisms available to manage the urbanisation process in the municipal areas in an orderly fashion, resulting in informal settlement overspill in the formal urban areas

One of the core problems of both National Treasury and DCoGTA dealing with the 22 local municipalities (the so called secondary cities) **as if they are urban entities** – and Umhlathuze Local Municipality as Umhlathuze City – is that it ignores the (often) rural character of such local authorities. If Umhlathuze Local Municipality is a city (because it is considered as a secondary city in the Treasury list), the same logic would call Kopanong Local Municipality in the southern Free State a small town (on the Treasury list grouped under Small Town municipalities), while it in fact comprises nine small towns and vast stretches of commercial farm land.

If a local governance framework comprises more than one town or an intermediate city with some smaller towns as well as farms and tribal areas, cognisance should be given to the different requirements for equitable management and administrative support systems for the respective components in such a municipality. The presence of an urban area (large or small) in a municipality does not make the municipal area a city or a large town or a small town.

To keep a highly differentiated city competitive in a global context requires urban management skills and a public-private sector cooperation policy framework that is quite different from the skills required to rolling out basic services in rural contexts. The question is whether the current demarcation, governance priorities and strategies, as well as staffing in Umhlathuze Local Municipality, are effective in promoting long-term sustainable growth.

SOME UMHLATHUZE CITY SCENES¹

Figure 2.2: Some 'city' scenes in Umhlathuze



¹ From top: Commercial forests / Wetlands & mangrove swamps / Dune forests / Traditional Authority Area

This report, as part of an overview study of intermediate cities, will deal with Umhlathuze as an area comprising:

- large TAAs
- a shrinking commercial agricultural area
- a variety of formal towns with Richards Bay, Empangeni and Esikhaleni as the urban core or the intermediate city component

In the report:

- Umhlathuze will be used when there is reference to the area of the local municipality
- Umhlathuze LM when referring to the local authority
- Richards Bay-Empangeni when referring to the urban core
- Uthungulu when referring to the DM area
- Uthungulu DM when referring to the Uthungulu District local authority
- Esikhaweni and Esikhaleni is one and the same place: the names are used interchangeably in municipality documents

A range of documents were analysed and various interviews conducted with municipal and other role players in Umhlathuze (a total of 13 person days in the area) that included visits to Richards Bay, Empangeni, Esikhaleni, commercial farm lands, some factories and Ingonyama Trust Land. The framework was to determine how Umhlathuze LM governance was aimed at maximising the developmental leverage potential of the 'intermediate city' to ensure economic growth and poverty alleviation, how the private sector was responding to opportunities and obstacles and how the fluctuations of national policy and economic sector performances, as well as migration, impact positively or negatively on the growth and developmental potential (especially of the urban core).

Some of the core policy issues that have emerged and will be dealt with later are:

- The extent to which national policies (and political preferences) impact positively or negatively on the economic performance of a locality.
- Whether the sharp focus on the local authority mandate to roll services out to under-served areas sufficiently considers the local authority mandate to pursue financial sustainability.
- The applicability of the various financial instruments available to local authorities (rates and service charges as well as a range of grants) and the need to strive towards financial sustainability.
- Whether land reform concentrating on commercial farm land and ignoring TAAs is hampering or helping municipal management, economic growth and poverty alleviation.

3. Historical perspective

Even in the context of South Africa where the oldest permanently settled built environment is less than 400 years old, Richard's Bay and even Empangeni as permanent human settlements are very young. The history of the area can be captured in impressionistic broad brush strokes.

3.1 Shaka, spears and conspiracies (1820–1851)

The coastal wetlands around current Richards Bay were not really settled at the time of the establishment of the Zulu Kingdom. The area now demarcated as the Umhlathuze LM was in the main inhabited in the rolling hills around current Empangeni and further inland along the uMhlathuze Valley, where Shaka had his royal kraal (close to Eshowe).

The consolidation of the Zulu kingdom through conquering other chiefs and kingdoms brought centralisation to the fore, with the need to upkeep the numerous regiments. The economy was still fuelled by small-scale agrarian production for household consumption and bartering, the keeping of herds of cattle and hunting, but the expansion and consolidation of the Kingdom was financed in large by spoils of war and conflict.

During Shaka's rule a British trade post was established at Port Natal (Durban) and several trade posts were also established in Zululand. During this period Shaka established a new royal kraal close to the trade post in the vicinity of Stanger.

Shaka's reign was brought to an end by a sibling conspiracy and his half-brother Dingane kaSenzangakhona built a new royal kraal at Umgungundhlovu. During this period, more white traders and missionaries settled in Zululand. After the Voortrekkers crossed the Drakensberg with their ox wagons they and the Zulu were embroiled in several battles after the murder of Retief and his people.

The defeat of the Zulu impis at Blood River convinced Mpande kaSenzangakhona (a half-brother of Shaka and Dingane) to challenge Dingane and the latter was assassinated. It was during the reign of Mpande that the Norwegian Missionary Society founded their mission station in 1851 at the eMpangeni river (named after the Mpange tree).

3.2 Cetshwayo, Victoria Crosses and colonisation (1852–1899)

Mpande's choice as successor, Cetshwayo's younger brother Mbuyazi, was defeated in 1856 by Cetshwayo, who thereafter succeeded Mpande as king. Cetshwayo established Ulundi as the new seat for the royal kraal and rebuilt the strength of the regiments. The British (now with Theophilus Shepstone as Governor in Natal) also annexed the Transvaal and in the drive to form a federation of British colonies in southern Africa, the Zulu Kingdom was seen as a stumbling block.

Despite the British Government being opposed to a war with the Zulus, Bartle Frere, the Governor in the Cape, issued an ultimatum that Cetshwayo should disband his army and accept a British resident. Cetshwayo refused and a force of 7000 British soldiers and 1000 volunteers crossed the Tugela in January 1879. On 22 January 1879 the Zulu surprised the British in the open at Isandlwana, with the loss of 1600 of the British force². The Zulu army shortly thereafter suffered large losses at Rorke's Drift, a battle which earned Victoria Crosses for eleven of the combatants. Reinforcements were sent and under Rear Admiral Sir Frederick William Richards landed to strengthen the southern column of Col Charles Pearson, at what is now known as Richards Bay. It was only a matter of time before Ulundi was sacked and Cetshwayo exiled to the Cape and to London. In 1883 he was restored as king of the no longer independent Zulu kingdom.

Under British rule, missionaries and trade posts were established, as well as soldiers, police and magistrates as law enforcers. The colonisation of Zululand took root.

² Ntuli SH. 2002. The Anglo-Zulu War of 1879 – The Right Hand Column with special reference to Zulu people defending themselves against the British Invasion. Master of Arts dissertation, University of Zululand.

3.3 Cane, mills and municipality (1900–1960)

Colonisation immediately brought new changes: the forests and the fertile lands lured settlers and commercial farming commenced in the narrow coastal belt (current surroundings of the N2 highway). Empangeni (the venue of the earlier mission station) began to grow to service the social and commercial needs of the mainly frontier farming community. In 1894 a magistrate was appointed and in 1903 the Zululand Railway linked the village with Durban.

Given the potential of forestry, the colonial government planted eucalyptus trees in 1905 as part of an experimental timber plantation. The success led to large scale plantations along the coastal belt. Rapid expansion began when a sugar mill was erected at Felixton by Huletts in 1911.³ Empangeni was officially proclaimed as a township on 15 January 1931.

Sugar cane farming, sugar mills, forest and saw mills and then paper pulp mills together with intensive dairy and beef production (in the main for the growing Durban demand) drove development. Public investment in schools, hospitals, and municipal infrastructure followed the economic thrust from agro-processing and commercial farming. Traders and a range of light engineering and service businesses, as well as professional services (doctors, dentists, attorneys), expanded

On the hills beyond were the reserves of labour in tribal villages. The expansion of commercial farming and the uprooting of indigenous coastal forests to make way for sugar cane, dairy herds and commercial afforestation also triggered the processes for the proclamation of vast areas as nature reserves.

3.4 Homeland and harbour (1961–1990)

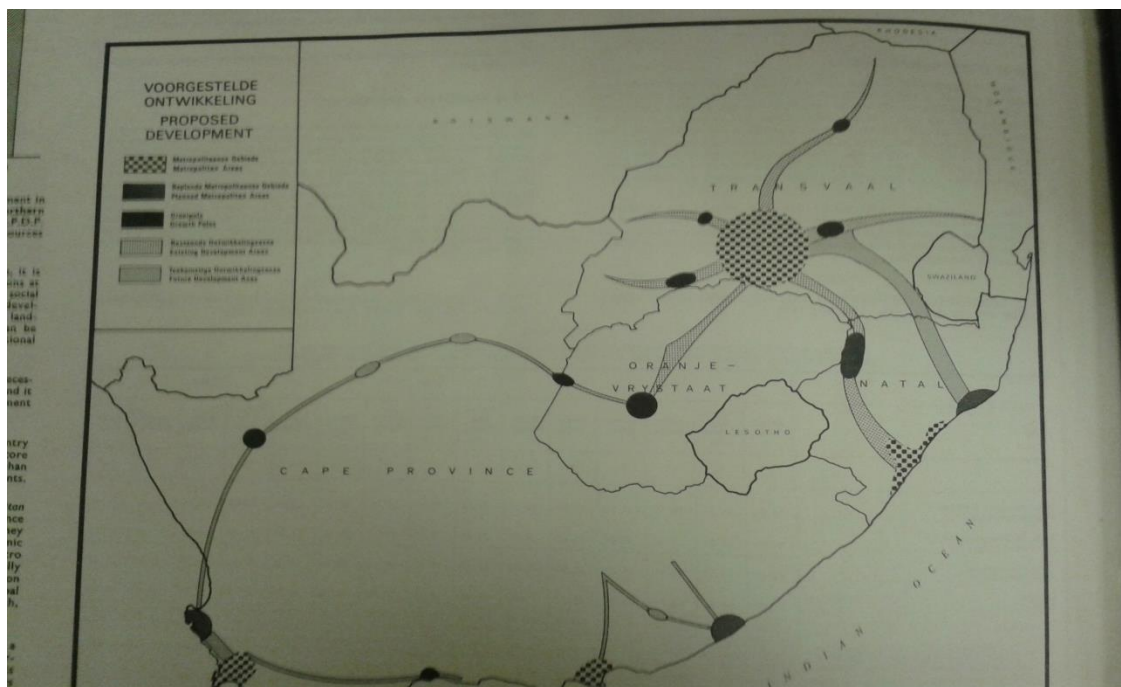
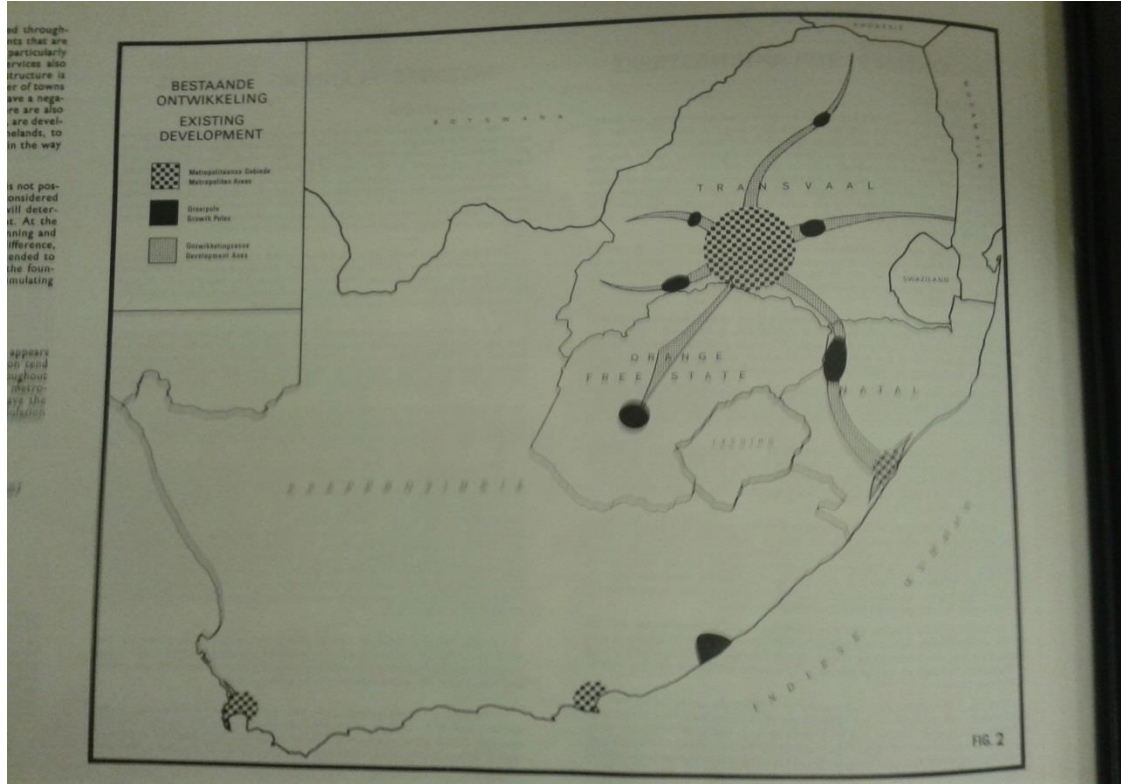
The next phase should be contextualised within the framework of the dynamics of a Republican white South Africa, with autonomous and independent black homelands. The drive was to make this viable via a commodities-led thrust, while promoting industrialisation that could provide job opportunities for black commuters daily in and out of the homelands. In 1965, the Department of Planning proposed the development of a new harbour at Richards Bay. The motivation was that it would be the nearest South African port to both Johannesburg and the mining industry in the Eastern Transvaal. A rail link from Ermelo to Richards Bay would also prove far more energy efficient than the existing rail link from Johannesburg to Durban that has to manage steep inclines and would therefore make exports from the Witwatersrand more competitive. In addition, there would be job opportunities close to a homeland with an expanding population.

The proposed new corridor from Richards Bay in the Department of Planning's Development Atlas of 1965 (see Figure 3.1).

Figure 3.1: Development Atlas 1965 Department of Planning, RSA

³

http://www.huletts.co.za/ops/south_africa/mills/felixton.asp



Following this, planning for the implementation of this massive undertaking was started. This involved:

- Development of Richards Bay as a deep sea port which implied also diverting the flow of the Umhlatuze River and dredging the old lagoon area.
- Provision of rail linkages to the coal fields of the Eastern Transvaal.
- Development of capacity for, and supply of, electricity to both harbour and core industries.

- Securance of core anchor industries.
- Town planning and the development of urban infrastructure (including drainage of large areas of wetlands).

An impressive coordinated effort resulted with the CSIR conducting numerous studies on the environmental impact, the possibilities for draining areas and diverting the river, and determining the rock foundations (for piling purposes) as well as the most appropriate harbour mouth. The IDC determined that both aluminium and fertilizer were imperatives for future economic development and growth and put processes in place to pursue the establishment of such plants. The IDC secured the Swiss company Alusuisse by providing them with a 22% shareholding in Alusaf in exchange for their know-how, their provision of a project management team for the design and construction of the smelter, as well as ensuring a supply of alumina. The then SA Railways & Harbours commenced with the design and construction of both the port and the railway line which involved more than 80 bridges.

Richards Bay was only proclaimed as a town in 1969. A range of suburbs (white, Indian and coloured under the Group Areas Act) were developed in Richards Bay itself with eSikhawini as a dedicated black township (a R293 township) close to the N2. The lack of urban infrastructure caused the initial project teams to reside in Empangeni.

The changes since the birth of Richards Bay have been profound, considering that the area was until the end of the 1960s predominantly inhabited by rural households living traditional lifestyles on communal land. A small percentage of households were involved in commercial agriculture (mainly sugar, forestry, fruit and livestock) and agro-processing and a still smaller percentage resided in Empangeni and Felixton (sugar mill).

The founding of Richards Bay and the development of the harbour, railway lines, electricity and water supply, township establishment and the construction of the first industrial plants (Alusaf and Triomf Fertilizer) brought an influx of not only temporary construction teams, but also the permanent settlement of highly skilled professionals (industrial, civil, chemical and electrical engineers, technicians, medical professionals and industrialists as well as teachers), who came from a variety of localities and whose interaction created an unusual dynamic in those pioneering days.

The period also saw the international isolation of South Africa through economic sanctions. The aluminium smelter was critical for ensuring a supply of aluminium to South African industries. Hulamin (the Tongaat-Hulets group) and Wispeco (the Remgro group) were established in Durban to manufacture a range of products (especially aluminium window frames and sliding doors).

The struggle for equal political rights for all South Africans manifested in the area in the early decades of this period with the growth of Inkatha as a political stronghold. Since the mid-1980s the rivalry between ANC and Inkatha has resulted in bloodshed and murder in KwaZulu-Natal. Northern KZN was however uncontested Inkatha territory.

3.5 International Interest and internal neglect: the aftermath of 1990

The years after the unbanning of the ANC by then President FW de Klerk on 2 February 1990 until the 1994 general elections saw an upsurge in international interest in South African enterprises and business opportunities, as well as an expansion drive by large South African companies. The old Gencor (that took over Alusaf) became part of BHP Billiton and the modern Hillside smelter was developed. The period also saw the establishment of Tata Steel's KZN plant, giving Richards Bay an investment from one of the

world's largest steel manufacturing concerns. RBM became part of the international Rio Tinto conglomerate.

Growing tensions between the ANC and Inkatha resulted in high levels of violence. The IFP only committing to participating in the 1994 elections after the voting papers had already been printed and consequently had to be altered to enable the IFP to participate.

The Richards Bay Coal Terminal (RBCT) capacity was increased by a consortium of mining companies to cater for higher demand for coal exports as a result of the new international markets that South African mines could now access. However, the increased capacity could not be taken full advantage of due to limitations on the Ermelo-Richards Bay railway line. There were several calls for capital expenditure to increase rail capacity, but expansion will at the earliest only take in place in 2018.

In 1986, when then President Mandela opened the new Hillside Smelter of BHP, it appeared as if it were all systems go for the locality. Pulp United in 2007/8 engaged the municipality in obtaining land for pulp from blue gum trees. The investors would have been a Swedish company, the IDC and NCT Forests. However, after six years of struggling with a range of issues (procurement of land, environmental impact assessments, bulk services) it appears as if the Swedish investor is no longer interested. The KZN provincial government and the local authority also formed the Richards Bay Industrial Zone company to promote further industrialisation in a special export zone.

In this phase of growing international interest in Richards Bay, there were indications from the ANC leadership that Richards Bay was not to be considered for further support since it would strengthen the economy of KZN, one of only two provinces then not under ANC rule. A Cabinet decision requested Portnet to investigate a new harbour in the Eastern Cape: The Port of Ngcura (Coega). Portnet obliged with a feasibility study and an environmental impact assessment, but in 1999 Portnet spokesman Ronnie Kingswill said despite a R50-million design and EIA 'We are waiting for an anchor tenant, and therefore Portnet will not go ahead with any further developments in the Port of Coega until such time as there is a formal signed-up economically viable tenant that will make the harbour itself viable.'⁴ He mentioned that there was a request for a zinc refinery and that the only place that could handle that was Richards Bay in terms of harbour depth. 'However, the whole purpose of the initiative was to stimulate some sort of industry in the Eastern Cape.' Portnet was overruled and construction commenced without a secured anchor tenant or the private sector buy-in for harbour terminal developments. The SOE had to channel its capital into the new port; this siphoned off funding that led to a rapid decline in maintenance and in the strengthening of the rail network, as well as postponing key capital developments in other ports.

In 2005, Chris Matchett, resident engineer of the National Ports Authority, explained that the cost overruns were mainly because the original intention was to build the terminals on a PPP or BOOT (Build, Own, Operate, Transfer) basis, where private sector finance would be used to develop the terminals, but '(U)p to today (1 September 2005) no anchor tenant has been secured with the result that the financing has had to be provided by Transnet through the NPA.' The SA Port Operations then took over the terminal operations on completion, although it was originally intended that the terminals would be privately operated.

4

<http://www.engineeringnews.co.za/article/coega-project-is-set-to-make-big-waves-1999-07-02>

Ten years after the launch of Coega, it was announced that Alcan, which would have been part of the Coega IDZ, had pulled out because Eskom could not guarantee uninterrupted power supply. 'The concept of a deep-water port to handle manganese and other bulk ores has shifted to containerised cargo, although the cranes dotting the skyline remain static hulks.'⁵

In the 2013 Long Term Planning Framework of Transnet⁶ (LTPF) the zig-zag development path to seek some economic rationale for the Port of Ngqura is also captured: 'The intended role of the Port of Ngqura has evolved since its inception. Its relationship to the Coega IDZ as a deepwater port to service IDZ tenants has remained constant as has its role of providing cargo handling beyond the limitations of the ports of PE and East London.' Three paragraphs further it states: 'The IDZ generated projects, **none of which has been finalised**, collectively indicate a significant role for Ngqura...'

The LPTF also states: 'Originally planned as a bulk handling port it has been adapted for container handling...' and continues 'in addition to containers the relocated manganese ore operations from Port Elizabeth' as well as 'crude oil import and refined fuel export' is planned. Despite all the promises, the LPTF acknowledges 'Ngqura's demand forecast is conservative in that a number of potential cargo flows generated from possible IDZ initiatives have been omitted due to a lack of certainty on timelines...'⁷

Without a doubt, political interests have steered public sector investment into a massive grand scheme with the following consequences:

- Massive capital investment with little return in Ngqura.
- Wastage of existing capacities in the Port of Richards Bay (a crucial portion of that developed by private sector investment: RBCT) since Transnet had to finance the development of the politically driven Port of Ngqura, rather than strengthening the rail link from Ermelo to Richards Bay in time.
- Sensible advice on Portnet was politically overruled, resulting in direct losses (capital investment not bringing in the returns envisaged to break even), as well as opportunity costs (coal exports for years at least 25% less than what RBCT could have handled since 2000, with the exception of the 2007–2008 crisis when international demand slumped). The opportunity cost impact will be felt at least until 2018 when the envisaged rail upgrade has been completed. And it will probably have a longer impact: in Europe where there is a marked shift to replace coal-fired electricity generation with shale gas electricity generation, resulting in a lower coal price.
- Even the new port (driven by a desire to promote growth in the Eastern Cape) could not realise its envisaged potential, since there was no timeous investment in electricity generation capacity. In the meantime, the lack of a dedicated container terminal in Richards Bay harbour compels local manufacturers to transport containers by road to the Durban harbour for export and also to import containerised items through the port of Durban. Their international competitiveness is compromised by this.

Unfortunately for Richards Bay (and South Africa), this situation is likely to repeat itself. In the Portnet and Transnet documentation the emphasis is now on the dig-out port at the old Durban airport site. That will downgrade major port development opportunities for Richards Bay.⁸ Given changes in commodity usage

⁵ Coega still sounds great, but 10 years later where is it? *Daily Maverick*, 21 December 2009.

⁶ Transnet. October 2013: *Port Development Plan*. Chapter 4 Long Term Planning Framework.

⁷ Transnet. October 2013. *Port Development Plan*, p 173.

⁸ The question is to what extent this is again a mainly politically driven development. Even though the ANC has ousted the IFP as the main party in the province and has made major inroads by winning Umhlathuze local elections, the ANC in KZN, unlike the case in the Eastern Cape, the Free State or Northwest, is stronger in the cities

(as America is changing from an energy importer to an energy exporter of shale gas) the demand for and the price of coal will plummet. Not diversifying the port usage by developing modern container terminals (with a potential future declining demand for coal) could render the Port of Richards Bay less lucrative by 2020.

This period can be summarised as follows: when the international community became interested in Richards Bay, the South African Government became disinterested. This situation will be further dealt with in 4.2 below.

This period is also important for several other events:

1. At a local level political support moved gradually from the IFP to the ANC. Intense suspicion remained among the parties and several political leaders were assassinated: one in Esikhaleni.
2. There is an ongoing movement of people from the rural areas to settle (in many cases still in TAAs) on the outskirts of Richards Bay and Empangeni (See 4.1 below for more detail). This is the logical impact of an economy where modern sectors outperform agriculture as a driver of the economy.
3. In the TAAs grants have replaced traditional subsistence agriculture as the backbone of household security.
4. The globalisation opportunities that came to the fore after the unbanning of the ANC in 1990 brought opportunities, but also exposed Richards Bay–Empangeni to competitive world markets. Aluminium plants in apartheid South Africa were important and key decision-makers were located in the locality. Globalisation brought international links and transformed these industries into mere production units, alongside many similar units within a much larger framework. Future important decisions about these plants now rests in the board rooms of multinationals.

4. Overview of current status

Before assessing the planning and operations of a number of key institutions and their impact on Umhlathuze, it is important to first focus on a range of key aspects of the area. The focus will first be on demographic changes due to urbanisation, as well as in and out migration. Thereafter the economic context will be dealt with, before focusing on education and the skills base of the population, societal aspects and the natural resource base and the environment. Where possible, a distinction will be made between the urban hub(s) of Richards Bay and Empangeni, vis a vis the remainder of the Umhlathuze Local Municipality.

4.1 Demographic and population change

The colonial setting at the beginning of the twentieth century included a range of Zulu communities engaged in subsistence farming in kraals in the TAAs, with Zulus and Indians employed as labourers in the forest and sugar plantations and other forms of commercial agriculture, and in the sugar and saw mills. In addition to commercial farming, whites were also active as hunters, missionaries and traders in the area. At Empangeni (the previous mission station) a settlement developed to cater for the needs (commercial, social, religious and educational) of the white farming community.

than in the rural areas. Strong political interests in the ANC would therefore promote Durban rather than Richards Bay for investments.

Empangeni for the first time appears in the 1921 SA Census with a total population of 337, of whom 153 were white, 137 black, 7 coloured and 40 Indian. By 1936, the Empangeni population had grown to 2117 (703 white, 957 black and 439 Indian). At that stage Felixton had a total population of 818, of whom 145 were white, 410 black and 254 Indian.

Richards Bay only started recorded a permanent population from 1946: a fishing community of 240 people, of whom 54% were white. In 1970, when the construction of Alusaf, the harbour and urban infrastructure commenced, there was a population of 594. A R293 town was established and proclaimed in the Mkwazazi South TA. The harbour and industrial town grew tremendously. The abolition of influx control in 1986 indicated the major political changes that were forthcoming and since 1994 the racial demographic composition of Richards Bay (excluding Esikhaleni) has changed significantly.

To contextualise the population of Umhlathuze LM in a district and provincial context, key data from the 2001 Census and 2011 Census are captured in Table 4.1:

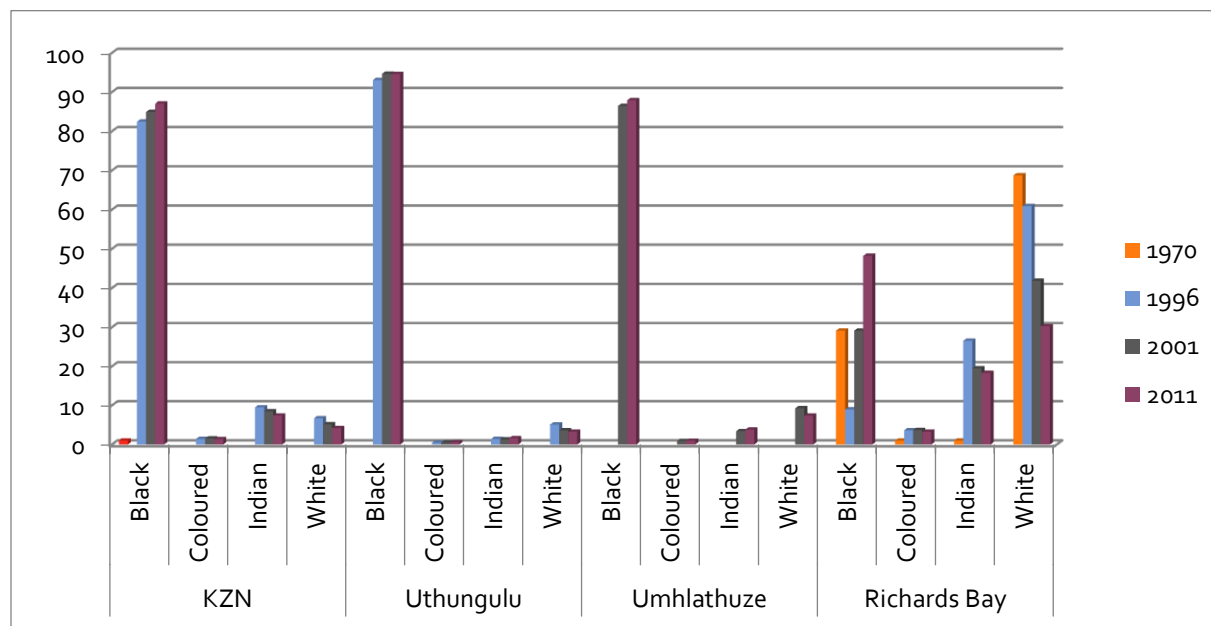
Table 4.1: Demographic change in uMhlathuzi compared to Uthungulu, Kwazulu-Natal, and South Africa (2001 and 2011)

	2001					2011				
	Black	Coloured	Indian	White	Total	Black	Coloured	Indian	White	Total
South Africa										
KZN	8 002 638	141 853	798 190	483 335	9 426 016	8 912 479	141 373	756 984	428 797	10 239 633
Uthungulu DM	838 696	4 123	11 246	31 903	885 968	856 946	5 025	14 632	29 373	905 976
Umhlathuze LM	250 021	2 567	9 831	26 768	289 187	293 347	3 171	12 651	24 561	333 730
As % of KZN total	3.12	1.81	1.23	5.54	3.07	3.29	2.24	1.67	5.73	3.26
As % of Uthungulu	28.22	0.29	1.11	3.02	32.64	32.38	0.35	1.40	2.71	36.84

The following aspects are important:

- While the KZN population increased by 813 617 or 8.63%, the population increase in Uthungulu DM was 20 008 or 2.26% and in Umhlathuze LM 45 263 or 15.4%, the latter almost double the provincial rate. This means that the other local municipalities in Uthungulu DM had jointly 23 764 residents less in 2011 than in 2001. Umhlathuze LM is therefore a focal point for population growth. The geographic manifestation of these moves will be dealt with later in this section.
- Provincial growth took place due to a predominantly expanding black population and a shrinking of the white and Indian populations. From 1996 to 2011 the KZN population grew from 8 347 595 to 10 239 633. The KZN black population increased by more than 2 million people from 1996 to 2011, totalling 8 912 479 (475 000 more than the total KZN population in 1996 or an increase of 29.5% over the period). In that same period, the Indian population in the province decreased by 34 000 to 756 984 (a decline of 4.3%) and the white population decreased by 23.2% or 129 387 to 428 797. That means that for every 100 black people in KZN in 1996 there are now an additional 30, while for every 100 white people in KZN in 1996 there are now 23 fewer people.
- This trend also manifested itself in Umhlathuze LM with an increase of the black population to 29 3347 and a decrease of the white population to 24 561. **Error! Reference source not found.** portrays the changes in racial composition of the municipal residents from 2001 to 2011. The decline in the white and Indian populations as a percentage is quite evident.

Figure 4.1: Changes in racial composition of Richards Bay and uMhlathuze compared with Uthungulu and KwaZulu-Natal (1970, 1996, 2001 and 2011)



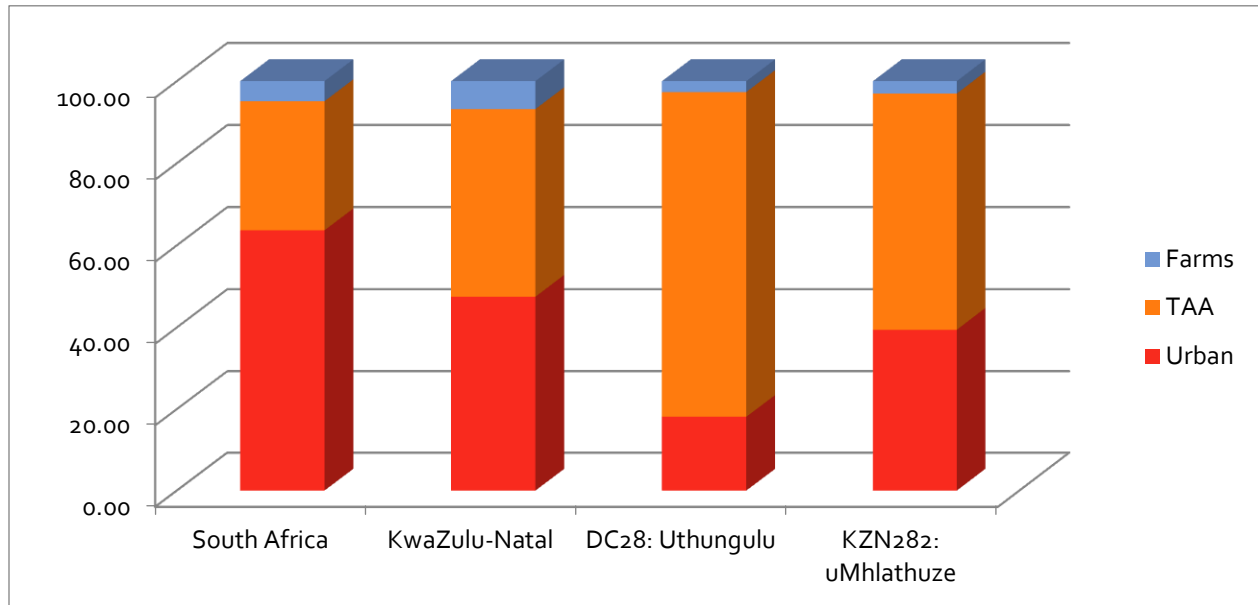
It is also important to consider the urban core of Umhlathuze LM. The three main urban areas are Empangeni (west of the N2), Richards Bay and Esikhaleni (southeast of the N2, opposite the main campus of the University of Zululand). The other formal urban pockets are Felixton (on the banks of the Umhlathuze River and a few km from Empangeni) and Nseleni (north of Richards Bay close to the N2). These areas are not contingent.

The level of urbanisation in the municipality is important in order to evaluate the notion of an intermediate city. While South Africa as a whole is 63.6% urbanised, with 4.89% of the population residing on commercial farms and 31.5% in TAAs, the situation in KwaZulu-Natal as a province differs substantially from the national average: the province has an urbanisation level of 47.5%, with 45.7% residing in TAAs and 6.8% living on commercial farm land (See Figure 2.1).

The metropolitan area of Durban-Pinetown (in the metropolitan council of EtheKwini) is by far the largest urban conglomerate in the province, followed by Pietermaritzburg. Thereafter Empangeni and Richards Bay form the largest urban locality. Uthungulu District Municipality is predominantly rural in nature with only 18.1% of its population urban, a mere 2.6% on commercial farms and 79.3% residing in TAAs

In fact the Uthungulu character, excluding Umhlathuze, is that of a deep rural traditional tribal area with sparse scatterings of formal towns and commercial farming.

Figure 4.2: Urban-rural distribution (2011)



The following aspects are important:

- The urban population of Umhlathuze (Richards Bay, Empangeni, Ezikhaweni, Nseleni, Felixton) forms 80.2% of the urban population of Uthungulu District Municipality. The urban core of Umhlathuze therefore clearly has an urban role well beyond the local municipal boundaries and has indeed a regional function. This implies that the urban components in the rest of the Uthungulu District are relatively small.
- Large concentrations of relatively dense settlements in unplanned TAAs are developing on the boundaries of the formally proclaimed urban areas, for example in the Madlebe TAA around Ngwelezane, in the Mkwanzazi South TA and the Dube TA surrounding Esikhaleni, and in the TA land directly north east of Meerensee in the neighbouring Local Authority of uMfolozi. (See Figures 4.3 and 4.4)

Concerning migration the following is important to note from the 2011 Census:

- KZN is despite the urban diversity of Durban predominantly a fairly closed mono-cultural society with almost 90% of residents of the province being born in the province. (See Figure 4.5: Origin of residents for urban Umhlathuze (2011))
-)

In the predominantly rural Uthungulu District the 91.6% mark is reached, but in the case of Umhlathuze Local Municipality the provincial-born component of residents drops to 87.2% (2 percentage points below the provincial average). The latter can be ascribed to 16.2% of residents originating from outside KZN: almost half from outside South Africa and the other half from other provinces. Those originating from other provinces can to a large degree be traced back to the influx of people from Pretoria and Johannesburg during the founding years of Richards Bay (Figure 4.5: Origin of residents for urban Umhlathuze (2011))

- 5).

Map 10: uMzingwenya Informal Settlement

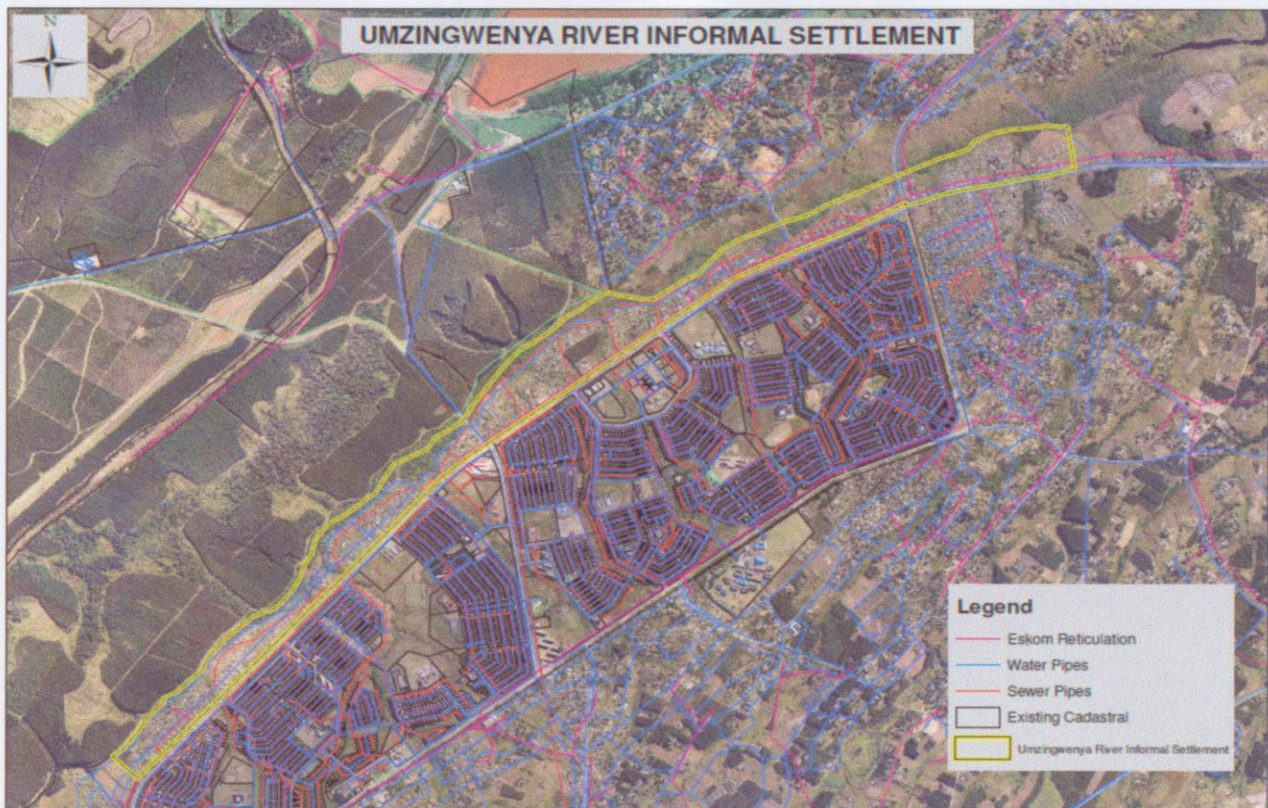


Figure 4.3: The Umzingwenya informal settlement that stretches like a ribbon all along the boundary of Esikhaleni, with several other informal settlements also visible in the TAA areas.

- An interesting fact is the large percentage (30%) of residents from outside South Africa residing on commercial farms. Though significant, the overall effect on the municipal figures is almost negligible, because of the small component of people residing on commercial farms. It also raises questions about skills of and attitudes towards commercial farming.

Figure 4.4: Birth place of residents KZN, Uthungulu & Umhlathuze LM (2011)

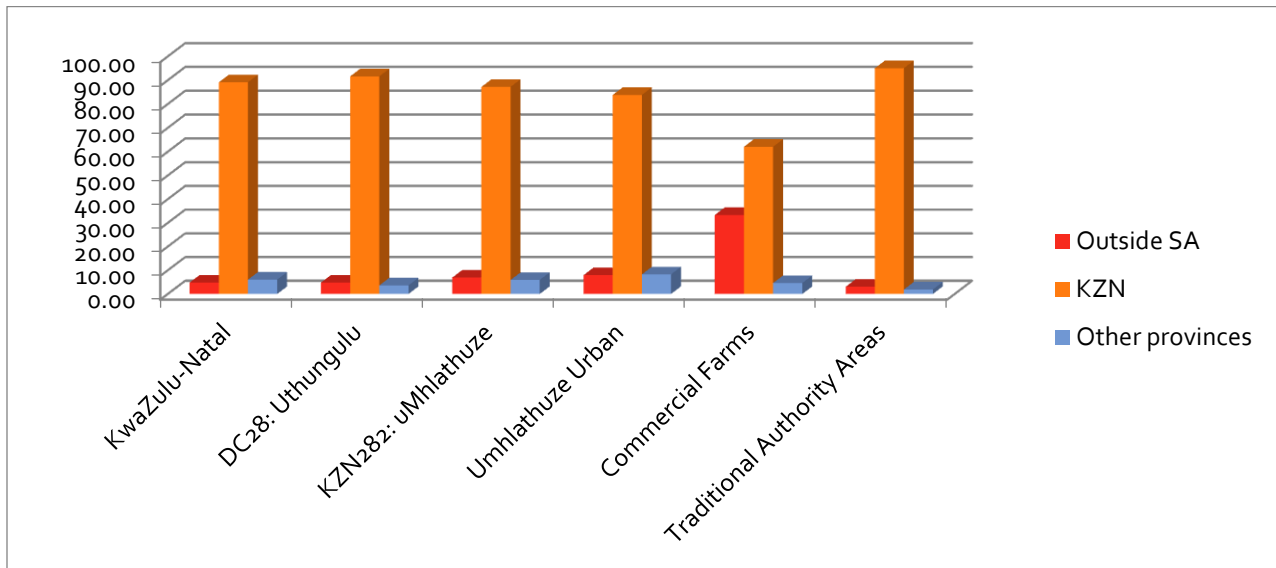
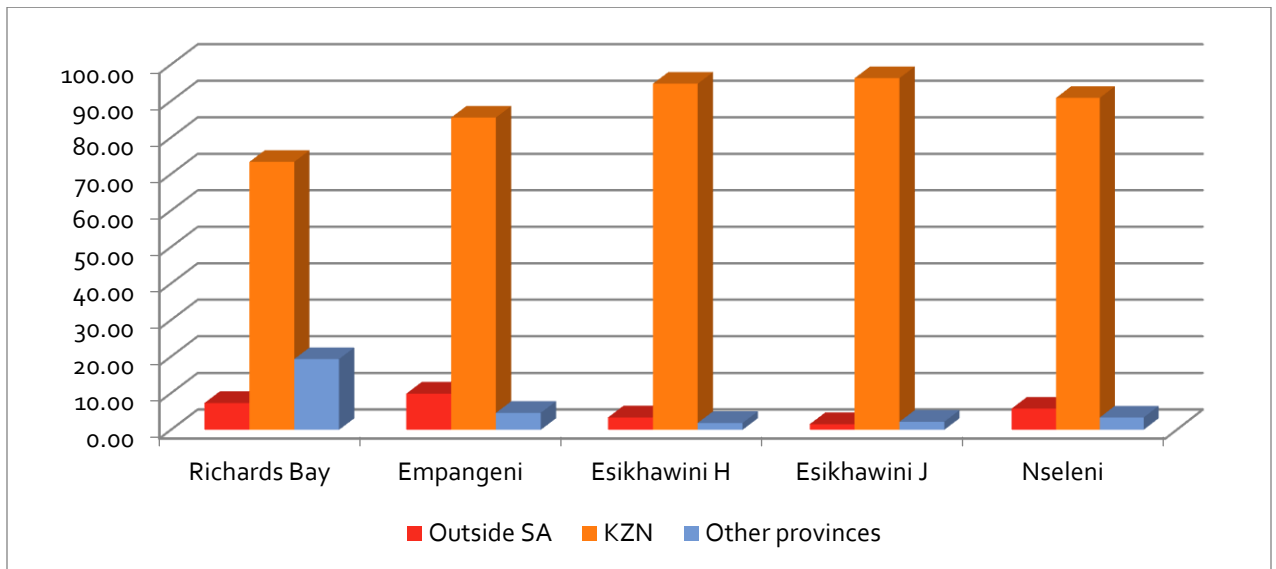


Figure 4.5: Origin of residents for urban Umhlathuze (2011)



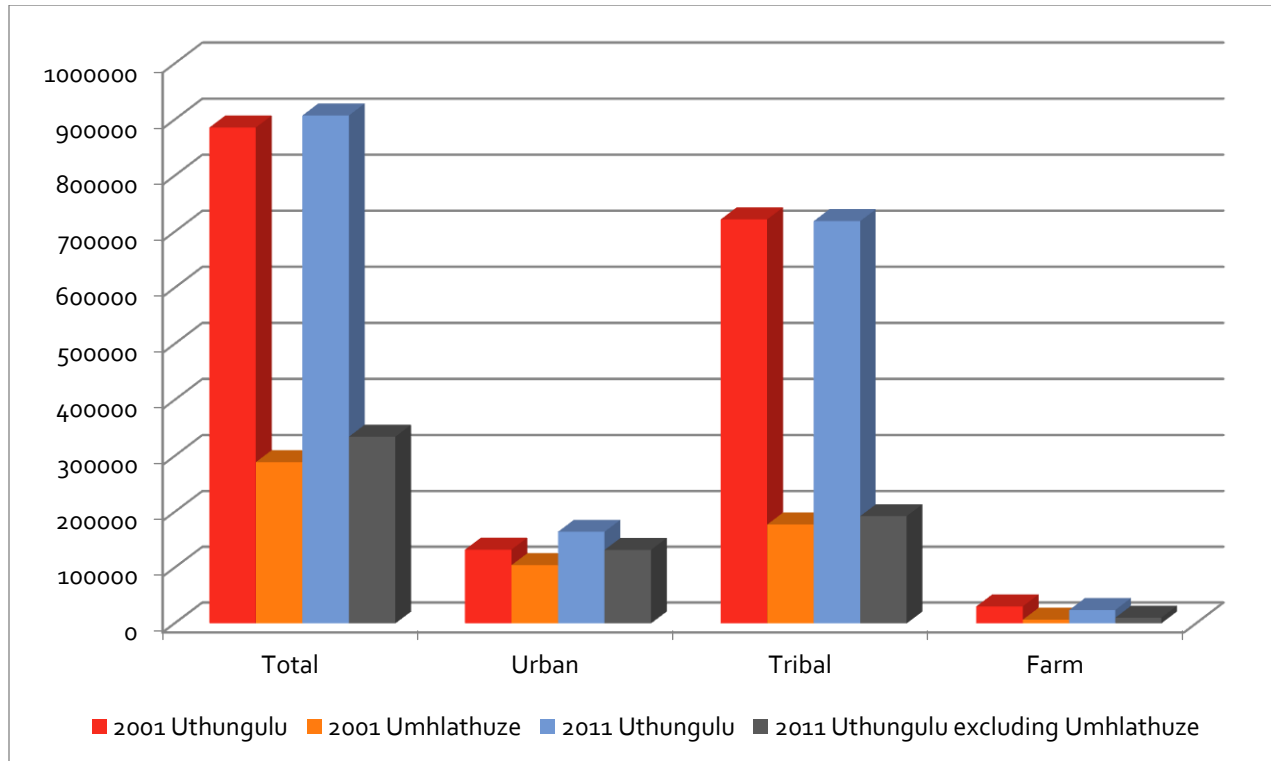
It is of importance to focus on how the population changes in Uthungulu and Umhlathuze local authorities manifested geographically in the period 2001 to 2011:

- The population of Uthungulu DM excluding the Umhlathuze LM area decreased by 23 764 in this period. This manifested as follows:
 - an absolute decline of 18 003 people in the TAAs
 - a decline of 10 041 residents (farmers and farm workers) on commercial farms
 - a growth of 4756 people in the formal urban areas
- The population of Umhlathuze LM increased by 45 617. This manifested as follows:
 - an increase of 14 999 in the TAAs
 - an increase of 3442 on commercial farms

- an increase of 27 276 in the formal urban areas

The effective urbanisation is even higher than these figures show, since a large percentage of the increase in the TAAs in Umhlathuze takes place in areas adjacent to or close to the formal urban areas of Richards Bay, Empangeni and Esikhawini. The municipality of Umhlathuze is rolling out water connections to such areas, but is not even contemplating formal township establishment there because of the intricacies of dealing with Ingonyama Trust land. A quick estimate would place the effective urban population of Richards Bay-Empangeni-Esikhawini at 60 000 or more.

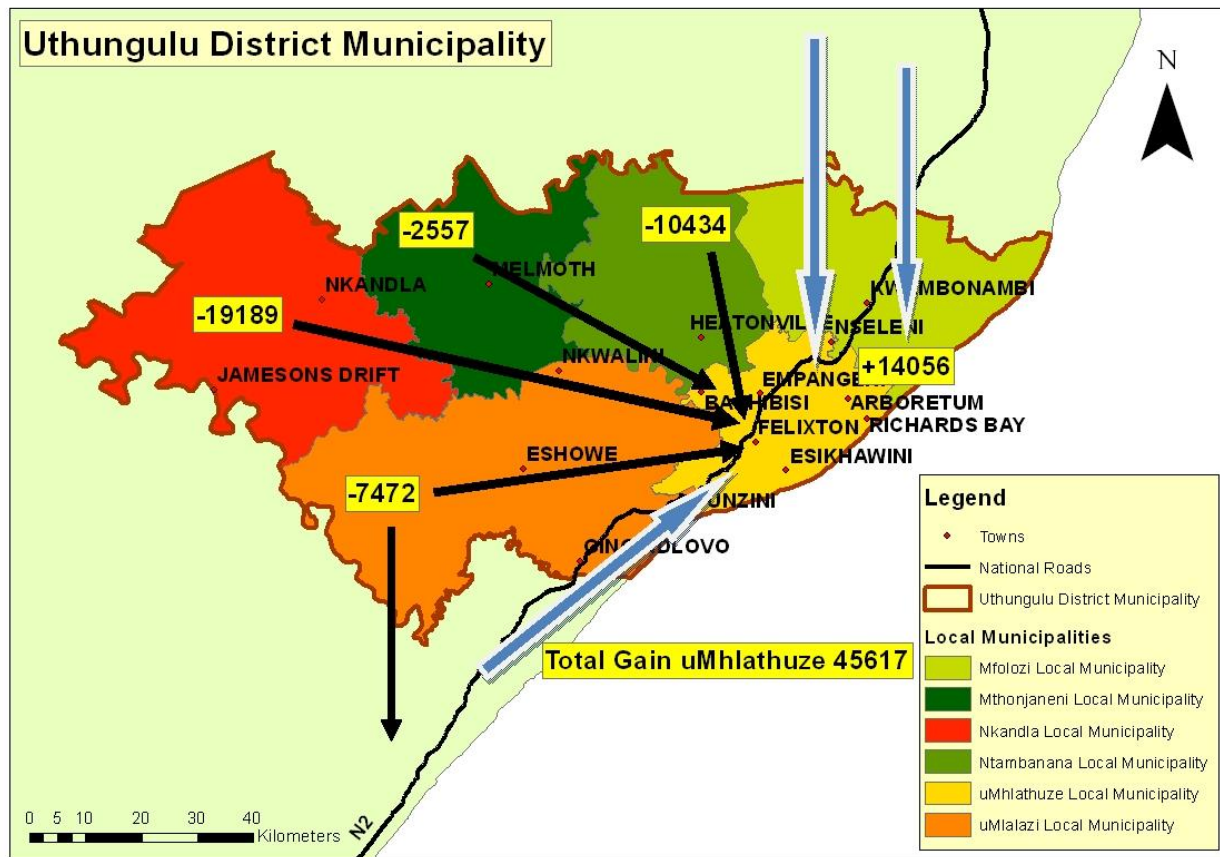
Figure 4.6: Population distribution of Uthungulu and Umhlathuze (2001, 2011)



We therefore looked in more detail at what happened in the other five local municipalities in the Uthungulu District, shown in a comparison of the 2001 and 2011 census data indicate (See also Figure 4.6).

- Umlalazi LM’s population declined by 7472 people to 213 601 in this period. This was caused by a decline of 8139 residents on commercial farms and a decline of 2784 people in TAAs. The urban population grew by 3964 in this period. But there is a further factor to be looked at, which is what happened in the TAAs:
 - The population in the Makholokholo area of Mzimela declined by 685 people, while in the adjacent Mkhuphulangwenya area it increased by 941 people. The reason for this is that the bridge over the river is much closer to Empangeni.
 - Khabingwe which is further west of Mkhuphulangwenya (and further away from Empangeni, lost 351 people.

Figure 4.7: Population movement from other LM areas into Umhlathuze (2001 – 2011)



- Umfolozi LM's population grew by 14.91% from 2001 to 2011. This growth within the LM area was very uneven and manifested as follows:
 - There was no growth in Velabandhla.
 - An additional 6151 people in Ntshingimpisi, 6888 in Nzalabantu and 1120 in Nhlabane which are just north of Meerensee, Richards Bay and easily accessible by taxi. The population of these three areas grew by 95% in the ten years from 14 946 to 29 098. These localities (all within TAAs) are within the functional urban area of Richards Bay, but fall in another local municipal area.
- Ntambanana LM (north west of Empangeni) experienced a decline of 10 434 people in this period. Again the geographic manifestation of this is very uneven:
 - Ntabinamasi (within walking distance from Empangeni) experienced an increase of 2410 people in this period, with 1547 more people in the Sangwenyana area west of Empangeni.
 - Makhwela and Sihuzu (further away from Empangeni and closer to Ulundi) experienced an outflow of 1738 people.
- Mthonjaneni LM experienced a decline of 2557 people (while there was an increase of 1400 people in Melmoth urban area).
- Nkandla LM had 19 189 fewer people in 2011 than in 2001.

Given this demographic perspective, the following important questions arise that are relevant for planning (whether national, provincial or local public sector entities, as well as for private sector entities) and for municipal management:

- To what extent do TAA boundaries prevent functional municipal demarcation. The three fast growing areas in the Umfolozi LM would be far better served by Umhlathuze LM than by Umfolozi LM since these areas effectively form a contingent urban area with Richards Bay.
- If the urbanisation process is to accelerate (and it is likely to do that) and that process is to be managed properly, can it be done without dealing with township establishment on TAAs immediately bordering formal townships?
- Are the grant allocations by Treasury to local authorities based more on the immediate past, or more on the future? To phrase this differently: are the grant formulas pro-actively taking accelerating urbanisation into consideration or are the formulae contributing to cities and towns struggling to provide both land release and land servicing up front, rather than after the fact? Pro-active advanced developments are more cost effective than informal settlement upgrading.

A key question is to what extent the Umhlathuze urban core (Richards Bay, Empangeni and Esikhaleni) is viewed or used as an interim urbanisation base or as a stepping stone from the rural hinterland to the metropolitan lure of Durban? Evidence for this is not readily at hand, but it appears as if there is a distinct difference between the informal settlements surrounding Empangeni and Esikhaleni and those in Richards Bay and close to the Richards Bay core in Umfolozi LM. With Empangeni and Esikhaleni close to the N2, there is some evidence of Sunday and Monday commuting to Durban (the names of KwaMashu, Inanda and Ntuzuma were mainly mentioned) and returning for the weekend to Empangeni and Esikhaleni. This mainly applies to two categories of workers:

- women working as domestic workers in Durban suburbs and
- young men in search of casual jobs

The migrants who settled in Mandlazini in Richards Bay and in the settlements of Ntshingimpisi, Nzalabantu and Nhlabane in Umfolozi LM are more focused on opportunities within Richards Bay. It will however require a study to determine the implications and extent of this information, since it would have implications for future urban development (land and infrastructure).

4.2 Economic analysis

An economic analysis of Umhlathuze, as well as Richards Bay-Empangeni, is impossible without some understanding about the Port of Richards Bay.

4.2.1 The Port of Richards Bay

Before discussing the economy of the locality, it is important to recall the nature of Empangeni as a service centre for a mainly commercial farming community with important agro-processing activities in the form of sugar mills and saw mills, as well as an important trading centre for the homeland hinterlands. The development of the Port of Richards Bay in the 1970s with the accompanying industrialisation changed the character of the locality tremendously.

Looking at the plants of Foskor, Mondi, Tata Steel and the two smelters of BHP Billiton with concomitant industrial air pollution, the description of Richards Bay as Secunda-by-the-Sea appears quite fitting. The irony is that the port's biggest thrust has little to do with the local industries: the bulk activity of the port is export of coal that comes in by railroad mainly from Mpumalanga and Limpopo via the rail road that was developed in the early 1970s from Ermelo to Richards Bay.

The port was designed in the first instance to handle the export of coal and capacity in the first phase was 24 mtpa capacity. That capacity was expanded to 91 mtpa and the current coal export average is 74 mtpa. While the privately owned Richards Bay Coal Terminal (a consortium of Anglo, BHP Billiton, Sasol, Exxaro, Glencore and Xstrata) has spare capacity, the bottle neck is the existing rail line that cannot handle increased capacity.

Exports make up 92% of cargo handled in the port. Imports are in the main limited to sulphur (for Foskor and other fertilizer producers), alumina (for the BHP smelters) and poking coal for furnaces as well as liquids (also petroleum products). Apart from coal, other exports include chrome, ferrochrome and wood chips. The harbour handles approximately 18 000 containers but has no dedicated container terminal. Locally manufactured exports by container mainly take place via Durban.

Regarding the lack of a dedicated container terminal, Mr Hills indicated that Durban, Cape Town and the Port of Ngqura (Coega) are the preferred container handling ports in view of Transnet's policy. Ports Capacity Planner Zama Ndaba mentioned that the ports are not competitive but rather complementary. The Ports Authority is 'careful not to plan and develop capacity that will not be utilised since then the public could criticise the Ports Authority for developing white elephants.'

This is an interesting comment, given that the development of Coega that proceeded despite no anchor industry or any investors for terminal developments. Coega was clearly developed as a political attempt to boost economic development in the Eastern Cape, no matter what the negative impact of that would be in terms of wasteful expenditure, as well as of the forfeiture of opportunity costs of coal exports because Richards Bay was not developed timeously.

The reality is therefore a port in Richards Bay that operates predominantly as a bulk cargo export port, a sprinkling of containers (depending on ships that can handle containers), an average of 19 passenger liners per annum that berth at a cargo quay and very limited imports. According to Frans van der Walt, a study indicated that more than 80 000 containers are annually trucked from Richards Bay to Durban or from Durban to Richards Bay on the N2 because the local harbour does not have a dedicated container terminal with dedicated container cranes.

The plans for the further development of the harbour include⁹:

- The development of an additional coal terminal (to provide export facilities to small black coal mining companies). The indication is that this capacity will commence at 14 mtpa.¹⁰
- The existing RBCT has a capacity of 91 mtpa and the consortium considers upgrading to a capacity of 97 mtpa by 2017. Work will commence once the rail line capacity has been strengthened, since the existing capacity is constrained by the current rail maximum of 76 mtpa.

⁹ With the exception of the additional coal terminal, the information in this section was obtained from Mr Jimmy Hills, Senior Planning Manager of the National Ports Authority in Richards Bay

¹⁰ *Creamer Engineering News*, 7 March 2013, quoted Sudesh Maharaj, Programme Director for the Port of Richards Bay expansion project, who acknowledged that 'Transnet's studies for the new coal terminal have proceeded on the basis of a mandate received from leadership of the State-owned company rather than any analysis of whether there is commercial demand for such a terminal.' According to Maharaj the 'conceptual study for the coal terminal has been completed as part of a government-backed plan to open up export capacity for emerging black coal miners'.

- Transnet Port Terminals has a current capacity of 28 mtpa. The Port Authority plans expansion to 59 mtpa by 2024.
- The Bulk Liquid terminal has a current capacity of 3 mtpa (no upgrade is planned at this stage).
- The development of a floating dry dock (tenders were called recently, but apparently no bids were received).

The Ports Authority is engaged in negotiations for land acquisition for the potential expansion of the Port of Richards Bay. The excavating and doubling of the port capacity with docks that will almost reach up to the N2 will however not take place before 2050 and then only as and when there is a need.

On 17 October 2013 it was announced that the Environmental Impact Assessment related to the upgrading of the rail link between Ermelo and Richards Bay to increase the carrying capacity to 97 mtpa had been completed and submitted to the Department of Environmental Affairs for scrutiny. Transnet Freight hopes to issue a tender in the first half of 2014 with the new capacity operational by 2018. In order to achieve this (basically two trains of 200 wagons daily), the coal line has to be freed as far as possible from other rail traffic. A new line will be built from Richards Bay through Swaziland and then through Mpumalanga up to Davel. The existing heavy haul coal line also requires an upgrade. The cost estimate for these two developments is R12.2-billion.

The future of Richards Bay's development is linked to the extent that the port can be transformed into a fully fledged multi-purpose port with proper dry docking facilities, a container terminal and much improved rail and road linkages. The Port of Maputo is already after years of neglect gaining traction with major investments by a multinational consortium that includes the Grindrod logistical company, linked to the massive Remgro Group.

The irony is that a country, whose economy after independence in 1974 was for decades a Marxist state-driven one (with the inefficiencies that are an integral component of monopolistic bureaucratic planning and management practices) and that ran a port into a state of decay, rust and incompetency, has embraced private enterprise and investment as the solution to such an extent that the Port of Maputo is increasingly growing both its imports and exports. Not only was the Port of Maputo privatised, but also the rail link from the South African border to the port of Maputo.

Even with their existing coal export terminal capacity far below the RBCT, Mozambique is sealing export contracts (both market and shipping contracts) that could easily have been handled through Richards Bay if there had been some efficiency within the Transnet planning and management divisions, rather than a political adherence to the insistence in the mid 1990s for a boost to the Eastern Cape.

The Matola Coal Terminal (TCM) has already been upgraded to a current capacity of 6 mtpa and the Phase 4 investment of the consortium will expand the capacity to 26 mtpa. Phase 4 involves excavation and land reclamation, the construction of two new berths, a stockyard and railway infrastructure.

In addition to the Matola Coal Terminal, Grindrod also has a 48 000m² footprint in Maputo Main Port where sized coal is handled on behalf of customers. Loading is by skip and either vessel or shore cranes to minimise the degradation of the sized product.

In 2012 Grindrod sold a 35% stake in the Matola Coal Terminal Concession company to the Vitol Group, the world's largest independent energy trader and one of the top five coal traders in the world. Vitol has stakes in 15 coal terminals internationally, has a network of linkages with shipping companies and is a major player moving crude oil, refined petroleum products, coal, biofuel and chemicals all over the globe. The strategic developments in Maputo through privatisation and the involvement of large international

conglomerates stand in sharp contrast with the wasted opportunities in Richards Bay and the white elephant of Coega.

The prospects of the Maputo harbour (much closer to Gauteng and the Mpumalanga and Limpopo mines than Richards Bay, Durban or Coega) are indeed impressive, especially if the private sector-led consortium can outperform the South African harbours in ship-handling efficiencies once the upgrade of Maputo Harbour and the Matola Coal Terminal has been completed.

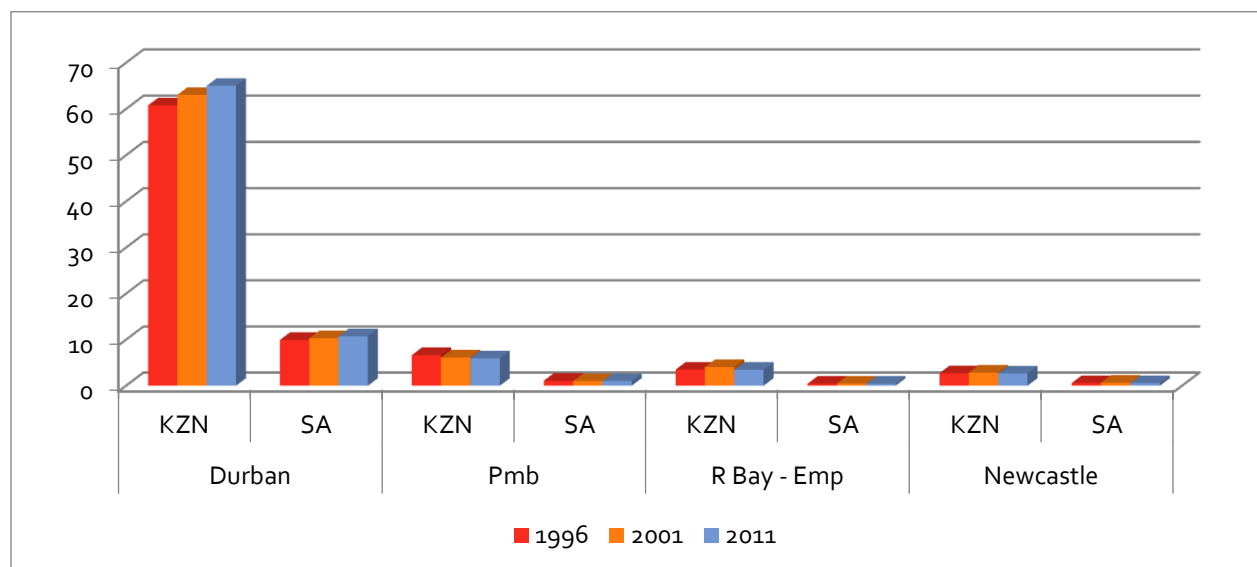
4.2.2 Economic profile

In this section the economy of Umhlathuze will first be placed in the South African and provincial context, after which there will be a sector analysis. This analysis is based on Global Insight data configurations for 1996, 2001 and 2011.

In **Error! Reference source not found.** the four main economic important localities in the province of wazulu-Natal are compared in terms of their GVA share within the province, as well as within the national economy. The dominance of the metropolitan economy of Durban within the province has increased constantly from 60.5% in 1996 to 63% in 2001 and 65% in 2011. The contribution of Pietermaritzburg's economy declined in a provincial context from 6.65% in 1996 to 6.13% in 2001 and 5.97% in 2011. The more cyclical nature of the drivers of the economies of both Richards Bay–Empangeni and Newcastle (mining and manufacturing) is evident. In the case of Richards Bay–Empangeni the percentage share of provincial GVA was 3.51% in 1996, 4.06% in 2001 and 3.47% in 2011, while in the case of Newcastle it was 2.73% in 1996, 2.84% in 2001 and 2.66% in 2011.

The relevant importance of Pietermaritzburg, Richards Bay–Empangeni and Newcastle has decreased in both the provincial and national context since 1996.

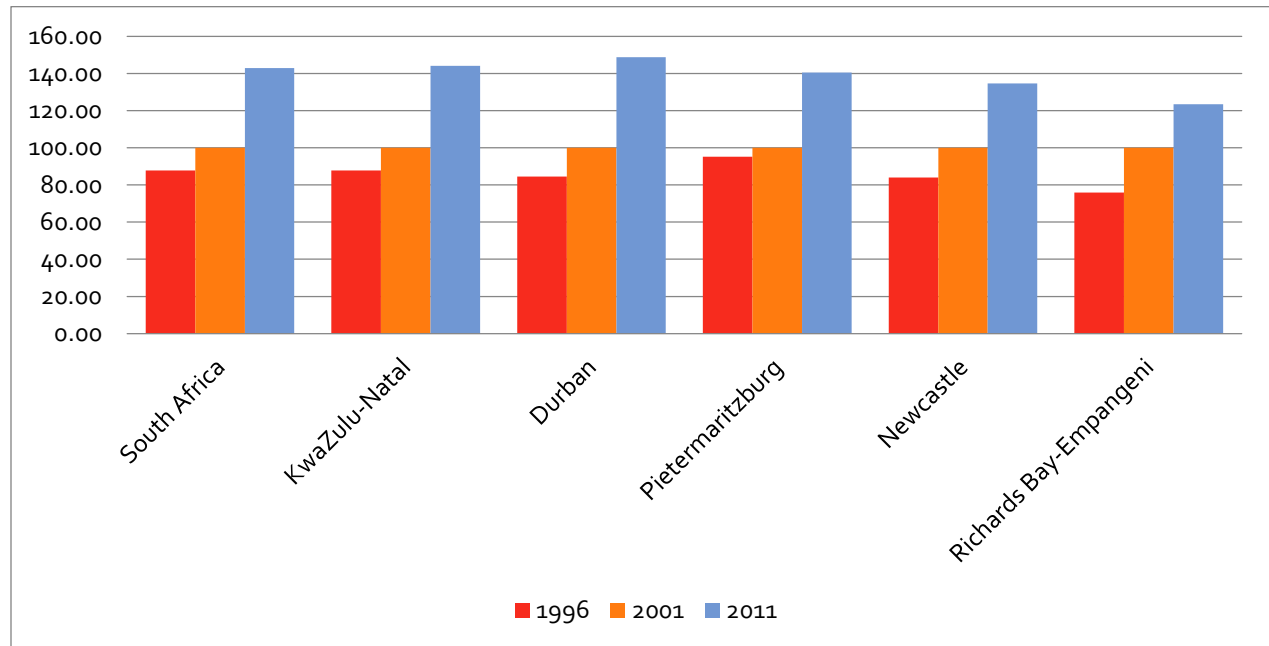
Figure 4.8: Locality % share of GVA, KwaZulu-Natal and South Africa (1996, 2001, 2011)



In a national context the growing impact of Durban is very visible: its share of national GVA increased from 9.94% in 1996 to 10.74% in 2011. Pietermaritzburg's share declined from 1.09% in 1996 to 0.99% in 2011, while that of Richards Bay increased from 0.57% in 1996 to 0.66% in 2001 and back to 0.57% in 2011. Newcastle's share declined from 0.45% in 1996 to 0.44% in 2011.

The growth in GVA (in constant 2001 prices) is even more visible in **Error! Reference source not found.** The lagging of the economic dynamics of Richards Bay–Empangeni within both the provincial and the national context is clear. Should this relative underperformance continue in the future, it will have major implications for the wellbeing of the inhabitants as well as of the institutions (companies, local authority and social institutions).

Figure 4.9: GVA growth performance in % (2001 = 100)



The following should be highlighted:

- In the period 1996–2001 Richards Bay–Empangeni experienced a far better GVA growth rate than the country, the province or Durban. That was due to the impact of international investment in the globalisation phase with BHP’s modern Hillside smelter coming on stream, as well as Mondi’s expansion.
- The underperformance by Richards Bay–Empangeni in the period 2001–2011 can largely be ascribed to the virtual standstill that came about in international trade during the global financial crisis of 2007/8 with commodity prices dropping from historical heights. The surplus capacity in mining of iron ore and steel production worldwide (estimates range between 17% and 32%) has had an impact on RBM as well as on Troxon and Tata Steel.
- Globalisation has investment advantages and bind local industries into international value chains, but the implications of international market fluctuations has negative effects as well. Downscaling and mothballing of plants and mines within a multinational group will take place at less profitable plants. The impact of labour unrest in the platinum mining sector and recently in the motor manufacturing sector hold grave lessons for the South African economy.

To provide information on the sectoral GVA contributions of the economy of Umhlathuze, 2011 data will be used. **Error! Reference source not found.** depicts the percentage of the respective sector contributions

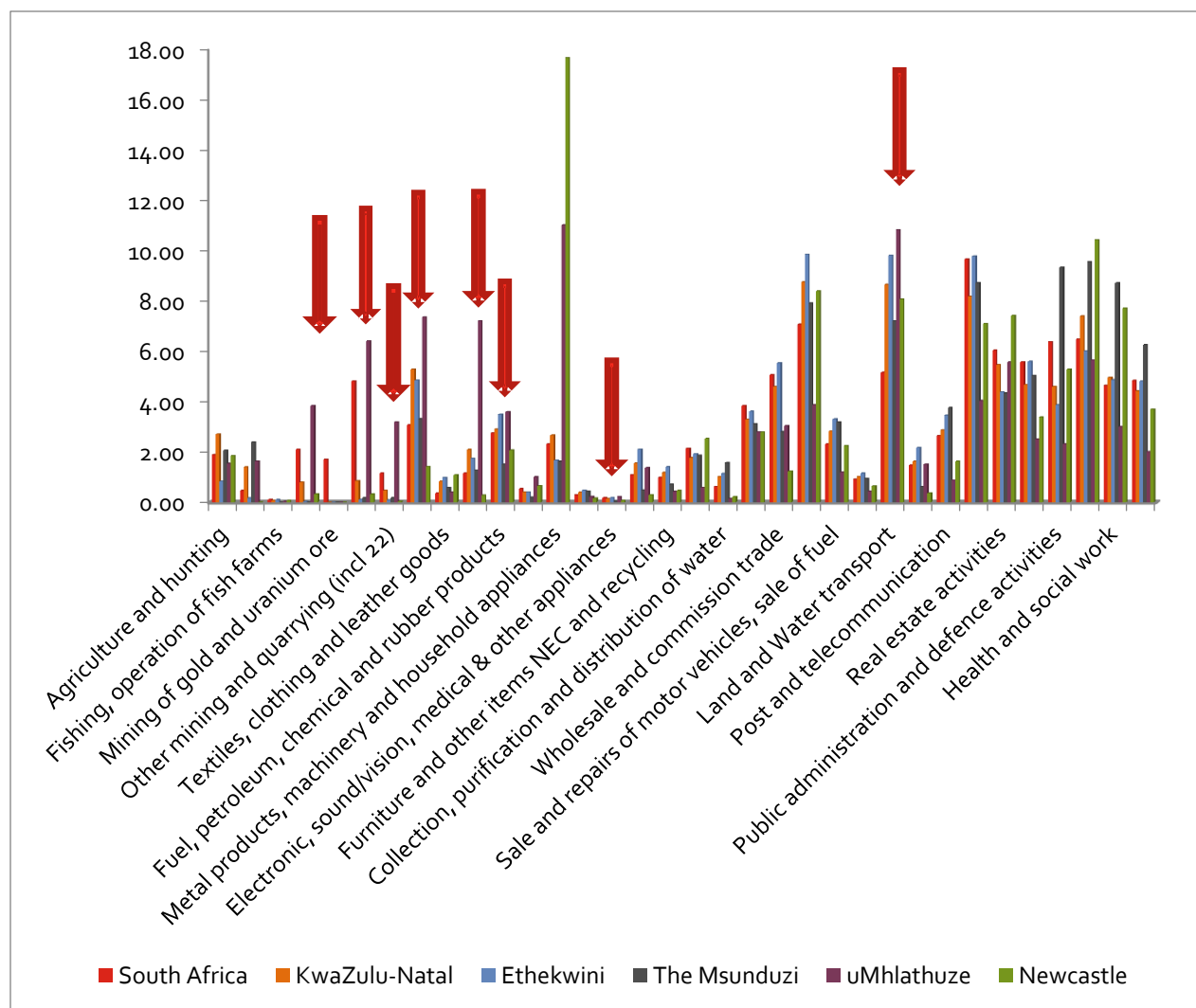
o the GVA of South Africa, the province of KZN, Ethekewini, Pietermaritzburg, Umhlathuze and Newcastle respectively.

The following aspects should be highlighted:

- In nine of the 34 sectors Richards Bay–Empangeni has the highest percentage contribution of the four localities in KZN (marked with arrows). These sectors are:
 - mining of coal and lignite¹¹
 - mining of metal ores
 - other mining and quarrying
 - food, beverages and tobacco products
 - fuel, petroleum, chemical and rubber products
 - wood and wood products
 - other non-metallic mineral products
 - electronic, sound/vision, medical appliances
 - land and water transport
- These nine sectors do not automatically establish the local economy as a leader in those sectors. While the percentage contribution of land and water transport is a high 10.83% in the case of Richards Bay–Empangeni compared to the 9.81% contribution of that sector to the Ethekewini GVA total, the value of the sector in Richards Bay–Empangeni is still 17 times smaller than that in Ethekewini.

¹¹ This information from Global Insight based mainly on StatsSA data is certainly wrong: There is no coal mining activity in the Umhlathuze LM. Coal from the eastern Transvaal coal fields is exported from Richards Bay. So either this data is wrongly stated and should be excluded, or it should be added to land and water transport. The latter will also probably not correct the situation, since the GVA based on coal exports will be declared by the mining houses at either the mine as a cost centre or at their SA head office. The only GVA component of the mining houses could be the margin on the logistical costs of the RBCT and that should not be classified under mining, but rather under land and water transport. Due to nature of this assignment, this issue is only highlighted without research into what the correct classification should be.

Figure 4.10: Sectoral contribution (%) to GVA (2011)



The sectors that dominate the economy of Richards Bay–Empangeni are:

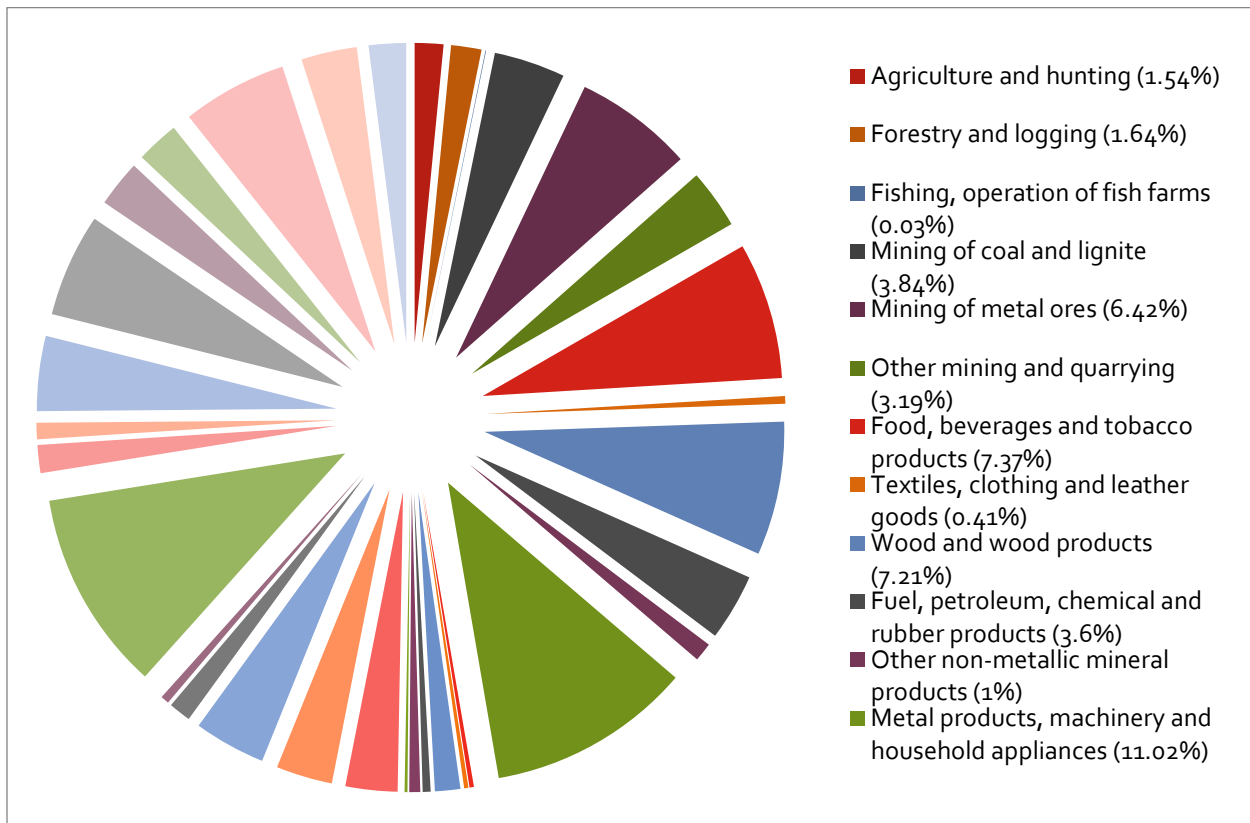
- metal products, machinery and household appliances (11.02%)
- land and water transport (10.83%)
- food, beverages & tobacco (7.37%)
- wood and wood products (7.21%)
- mining of metal ores (6.42%)
- education (5.66%)
- real estate (5.57%)
- finance and insurance (4.4%)

These eight sectors contributed 58.5% of the GVA in 2011.

While some are primary drivers like manufacturing of metal products and machinery (BHP's smelters, Bell Equipment, Tata Steel) and wood and wood products (Mondi, etc) and mining of metal ores (Richards Bay Minerals, Tronox), others are to a large degree secondary (education, real estate, finance and insurance).

The sector contributions to GVA is portrayed in **Error! Reference source not found.**

Figure 4.11: uMhlatuze sectoral contribution (%) to GVA (2011)



A number of important issues that emerge from both the data and several interviews are the following:

- The aluminium smelters (Bayside, the original 1970 Alusaf plant) and the later Hillside are operations of the multinational BHP Billiton. Concerning this, it is important to note the following:
 - The motivation for the original establishment of an aluminium smelter (an apartheid government preparing for a phase of sanctions) no longer exists. BHP Billiton will continue with aluminium smelters in South Africa only as long as it makes financial sense to them. No-one can expect future decisions on the life of the smelters to be based on a South African in a senior management position in BHP Billiton.
 - BHP and Eskom are under major scrutiny about the deal for low-cost electricity for the smelters, especially because of Eskom's tremendous hikes in electricity tariffs and its continuing difficulties in meeting current electricity demands, not to mention industrial expansion.
 - The original Alusaf smelter (known as Bayside) cannot continue forever without a major revamp that will require several billions of rand. Marius Kloppers, a former manager of the Hillside Smelter who became CEO of BHP Billiton, said in 2010 that new 'ubiquitous' aluminium technology and changed consumption patterns are resulting in BHP Billiton de-emphasising the investment of large amounts of growth capital in aluminium: 'The current

exposure that we've got in aluminium is unlikely to attract a major share of the capex of the corporation as we move forward,'he remarked in August 2010.¹² On Kloppers' retirement as CEO in Feb 2013 he remarked: 'We spotted a technological change in aluminium and we made a great decision not to invest in aluminium. I regret however not extrapolating the same trends that were taking over the aluminium business and apply them to the alumina business'.¹³ BHP Billiton spent \$3-billion expanding the alumina refinery at Worsley but had to write down \$2.2-billion as commodity prices in the sector tanked.

- BHP Billiton is also experiencing major logistical problems because of the poor air traffic possibilities at Richards Bay: several of their staff having to visit the Richards Bay plants as well as Mozal in Mozambique have to drive (just under two hours) from Richards Bay to King Shaka Airport to wait there for two hours (embarkation time for an international flight) for a costly flight to Maputo, since there are no flights from Richards Bay to Maputo.
- The attempts to develop a downward chain in Richards Bay with medium- and small-scale manufacturers using aluminium products, have not made much progress. The bulk of the aluminium leaves by truck for Durban where Hulamin (Tongaat) and Wispeco (Remgro) manufacture a range of aluminium products (shower doors, windows, sliding doors, etc.).
- With the smelters operating in a competitive global environment (and with BHP Billiton even running its smelters in competition with one another to increase efficiencies) and with new technology having an impact on both alumina and aluminium processing and changes in consumer behaviour, the future of these major industries in the locality will depend more and more on how cost effectively they can operate in an international environment where prices are falling. The South African labour situation with its high incidence of strikes is not helping.
- Mining operations (Richard Bay Minerals and Exarro) should be seen for what they are: windows of opportunity that, if are not taken advantage of during the profitable period to diversify the local economy, will leave little sustainable impact. Kimberley and Welkom are cities with a far greater past than present or future, because they did not make use of the windows of opportunity to establish diversified economies. Chains that depend on the mines themselves as anchor industries are of little use when the anchors themselves are severed.
 - The strong performance of real estate, retail and financial services is no indication of economic sustainability. They are driven by and large by the performance of a handful of large industries and although not in the direct value chain, the performance of services and sectors in the locality is not independent of that of the large operators.
 - Is the poor record of the Richards Bay IDZ to date in not securing any investment or to have serviced sites ready and available an indication of the drive with which investment strategies are scrutinised, adjusted and pursued?
 - The natural endowment of the area is such that the mining meets all South Africa's demands for titanium dioxide, zircon and pig iron.
- Forestry, wood and wood products provide a far more sustainable presence since this industry operates with a renewable commodity. Mondi established a large plant in Richards Bay in 1984 to produce Baycel, (a premier bleached hardwood pulp made from 100% eucalyptus fibre) and Baywhite (white linerboard). The plant was expanded and modernised in 2005 and despite doubling output to 720 000 tonnes p/a, the plant now uses only 75 mega litres of water a day compared to the design requirements of 150 mega litres a day when it commenced operations in the 1980s.

¹² *Creamer's Mining Weekly*, 25 August 2010.

¹³ My best and worst decision: outgoing BHP Billiton's Marius Kloppers <http://www.mining.com/my-best-and-worst-decisions-outgoing-bhp-billitons-marius-kloppers-76452/> 24 February 2013.

- Mondi operates a total of 307 000 ha of forestry plantations in South Africa and is engaged in supporting an outgrower scheme for small-scale black farmers in an attempt to increase potential output in South Africa.
- Wood chips are also produced and exported by CTC Timbers (securing their timber from a range of private producers) that operates a facility close to the harbour.
- The export of pulp and wood chips from the local harbour implies a closer linkage between local production and the harbour, than in the case of the aluminium smelters.
- Forestry also has an important though limited linkage with heavy industrial and transport equipment developer Bell, also situated in Richards Bay. Bell produces articulated heavy axle transporters for usage in plantations and the transport of logs and other forestry products.
- The Pulp United plant (a mechanical pulping process and not a chemical process as Mondi's) has not materialised after more than six years of negotiations and, according to various local people, is by now a dead horse.
- Large tracts of state land with forestry leases in the Umhlathuze area have been earmarked for possible future urban development and this will by definition have cost implications for all timber and paper related industries in the area.
- The sugar industry was one of the first commercial undertakings in the area after colonisation. Large tracts of fertile river valley land as well as the undulating hills on both sides of the current N2 have for decades been under sugar cane. Most producers provide cane for the mill at Felixton. The sugar industry in KZN is significant, although vast tracks of sugarcane fields have been developed into industrial and residential estates, especially in Durban North, Umhlanga and Ballito. The impact of land reform on the sugar industry in the Umhlathuze area has had the following impact:
 - In the Heatonville area¹⁴ of 22 commercial sugarcane farmers, 14 farms were bought for land restitution and land reform. In that area the impact of this development from 2002 has resulted in:
 - A decrease of sugarcane production of 90 000 ton per annum.
 - A loss of 435 farm job opportunities.
 - An unproductive Transnet line for loading sugarcane for transportation to the mill.
 - Destruction of citrus orchards that yielded 1270 ton p/a.
 - Collapse of a tunnel production system for tomatoes (previous yield 210 ton p/a).
 - Farm infrastructure collapse, demolition of irrigation systems with even electrical cables stripped in a proletarian copper mining process.
 - An irrigation engineer specialising in sugarcane irrigation relocated from Empangeni to Swaziland since the loss of the commercial base in the district resulted in a lack of support for his consulting and servicing enterprise.
 - Retrenchment of 22 people at the Felixton Sugar mill.
 - Hennie de Villiers, an erstwhile official in the Department of Foreign Affairs and a retired sugarcane farmer and previous councillor of Uthungulu District Municipality, calculates the loss in sugarcane production (excluding the loss in value adding at the mill and further on as well as the job opportunities at the mill), citrus, tomatoes and bananas, as well as farm worker wages, at R585-million since 2003.

¹⁴ The Heatonville farms are just outside the Umhlathuze municipal area, but still in Uthungulu district area. The farms are however economically linked to Empangeni and the sugar mill at Felixton. The farms were viewed on 2 October 2013. An interview was also conducted with Hennie de Villiers. See also article by Colleen Dardagan in the *Mercury* of 19 November 2008: Hurt and Anger over Outcome of Land Reform.

Figure 4.12: Heatonville on 2 October 2013. An abandoned and ransacked homestead.



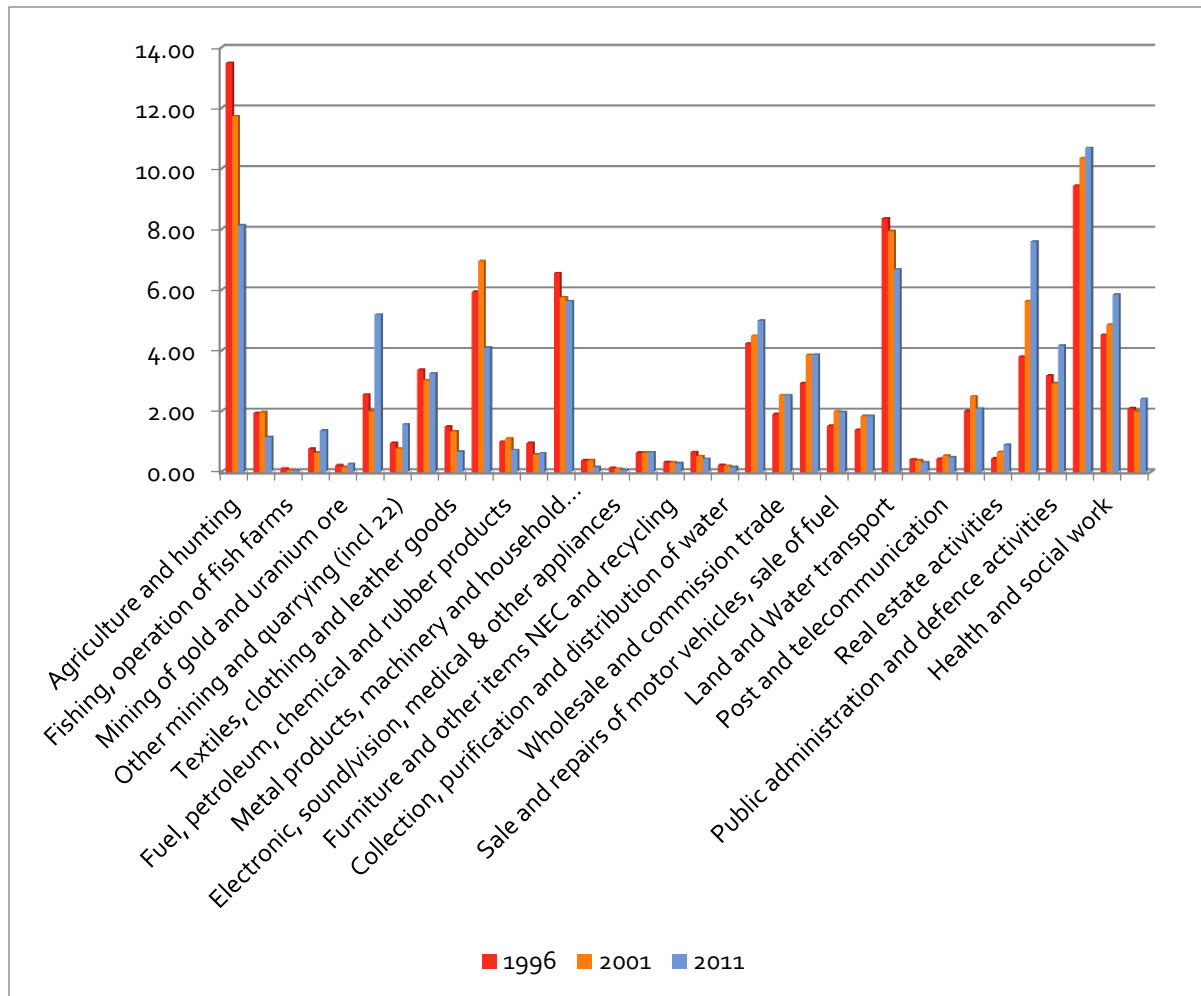
Figure 4.13: Heatonville on 2 October 2013. An erstwhile sugarcane plantation now a dry grazing area for cattle.



4.2.3 Employment

The employment situation in Umhlathuze LM (and more specifically in the urban and commercial farming areas, as well as the main campus of Unizulu, is captured in **Error! Reference source not found.**

Figure 4.14: Employment per sector (%) for uMhlathuze (1996, 2001, 2011)



The following is important:

- Agriculture in the TAAs is less of an economic activity than a cultural activity. To depict rural people who keep some cattle or who cultivate maize and vegetables mainly for household consumption, but which is in most cases insufficient for food security at household level, as farmers or as economically active in agriculture, is like powdering a wrinkled face. The report's focus will later return to the informal component of the economy.
- Agriculture's incapacity for formal employment creation is evident in the declining importance of the sector in jobs in the municipal area.
- Other sectors experiencing a 15 year decline in employment are:
 - metal products, machinery and household equipment
 - electricity and water
 - land and water transport

The education sector is now the largest provider of jobs and shows a steady increase. Other sectors showing a growth in jobs are:

- health and social work
- retail trade
- wholesale
- construction
- other business services

Given the economic importance of forestry and logging, wood and wood products and metal products, machinery and household equipment, the relative decline in these sectors is also a cause for concern.

Table 4.2: Employment and GVA per sector (Ranked from GVA per formal employee)

	<i>Employment</i>	<i>GVA</i>	<i>GVA per formal employed person</i>
Fuel, petroleum, chemical and rubber products	287	377 822 000	1 316 028,74
Air transport and transport-supporting activities	124	104 825 000	844 390,51
Real estate activities	355	286 509 000	807 795,09
Electronic, sound/vision, medical & other appliances	26	16 783 000	646 272,22
Transport equipment	258	144 734 000	560 973,11
Metal products, machinery and household appliances	2 252	952 600 000	423 066,10
Electrical machinery and apparatus	64	26 947 000	421 263,29
Wood and wood products	1 636	681 581 000	416 709,32
Post and telecommunications	194	79 538 000	410 906,72
Furniture and other items; NEC and recycling	112	43 140 000	384 273,20
Food, beverages and tobacco products	1 299	390 992 000	300 925,06
Mining of coal and lignite	547	152 559 000	278 764,65
Other non-metallic mineral products	248	63 744 000	257 282,39
Finance and insurance	834	199 280 000	238 917,69
Electricity, gas, steam and hot water supply	172	41 011 000	237 761,84
Forestry and logging	459	96 648 000	210 422,18
Textiles, clothing and leather goods	268	54 411 000	203 048,19
Land and water transport	2 670	522 972 000	195 842,10
Other mining and quarrying (incl 22)	627	113 715 000	181 386,28
Wholesale and commission trade	1 011	152 997 000	151 376,18
Mining of metal ores	2 074	308 900 000	148 931,16
Retail trade and repairs of goods	1 545	202 312 000	130 960,70
Other service activities	961	112 352 000	116 924,49
Collection, purification and distribution of water	63	6 330 000	100 440,65
Fishing, operation of fish farms	18	1 455 000	82 608,99
Construction	1 991	152 978 000	76 830,90
Sale and repairs of motor vehicles, sale of fuel	790	54 479 000	68 990,95
Education	4 273	290 149 000	67 905,46
Public administration and defence activities	1 666	95 871 000	57 551,76
Health and social work	2 335	127 378 000	54 548,59
Agriculture and hunting	3 249	135 123 000	41 591,46
Other business activities	3 036	123 692 000	40 738,39
Hotels and restaurants	740	26 448 000	35 762,38

The impact of this becomes clearer when analysing the link between active jobs and GVA per sector as depicted in Table 4.2:

- It is clear from the ranking in this table that education, health and social work, public administration and defence are sectors where the GVA potential per formal employee is substantially lower than those in manufacturing, mining and logistics.
- The fairly low GVA per formal job opportunity in agriculture is an important reminder that commercial agriculture is not the most profitable undertaking in the enterprise environment. To make a profit requires good agricultural knowledge, skills and management capacities.
- It is important to remember that apart from mining activities in the TAAAs as well as public sector investments (Unizulu, schools, clinics, municipality functions) a small share of GVA is generated in the TAAAs.

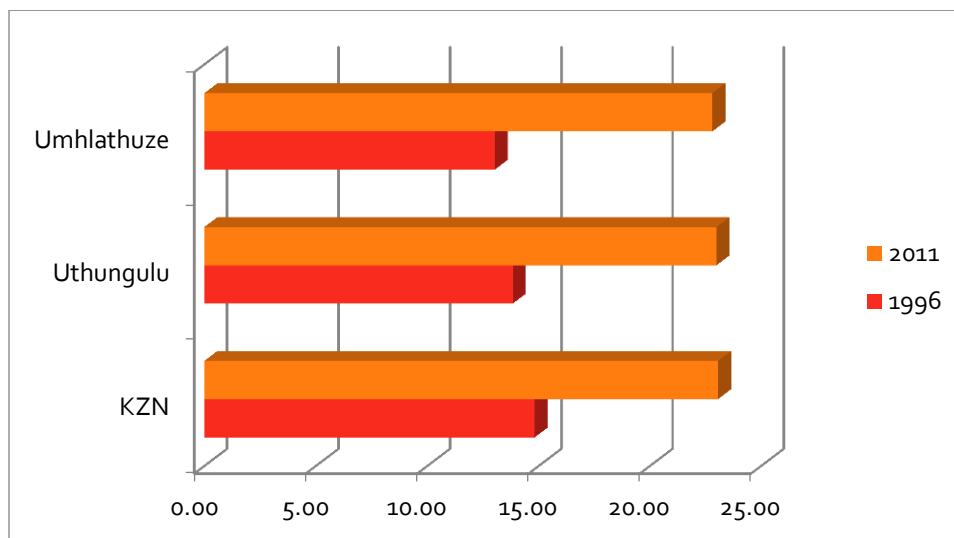
Stated in another way:

Successful job creation efforts in the last five sectors depicted in Table 4.2 (public administration, health care and social work, agriculture and hunting, other business services and hotels and restaurants) will, apart from poverty alleviation through direct job opportunities, add little value to the economy of Umhlathuze.

Successful job creation efforts through expanding enterprises in the fuel and chemical industries, air transport, real estate, transport equipment and electronic, sound and medical equipment sectors would not necessarily in themselves make the biggest dents in unemployment, but would add most to wealth creation and the circulation of money in the local economy.

Unemployment¹⁵ in Umhlathuze has increased from 1996 to 2011 as is evident in Figure 4.13.

Figure 4.15: Unemployment rates 1996 & 2011 in KZN, Uthungulu and Umhlathuze

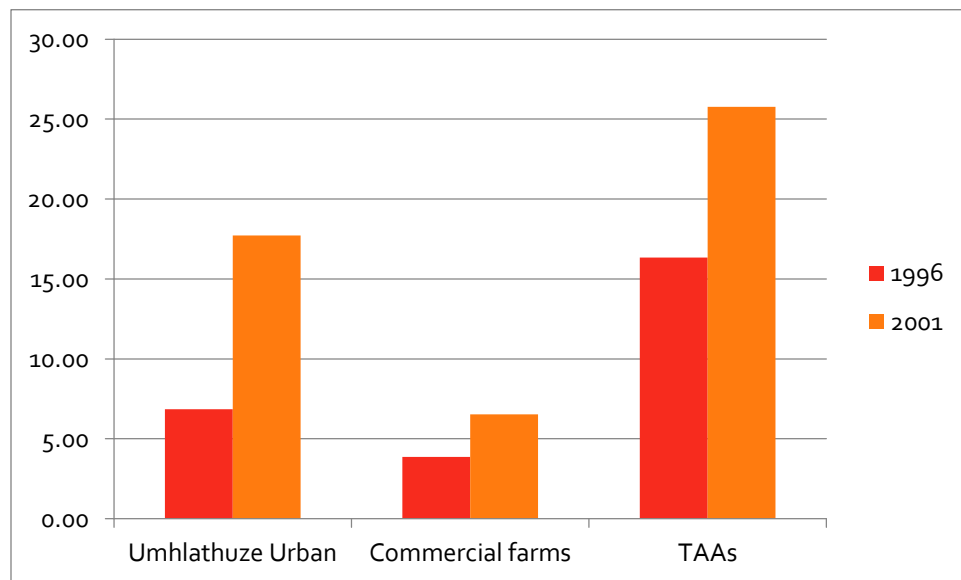


¹⁵ Unemployment is for this exercise calculated as those unemployed and those not seeking work as a percentage of people of working age.

The differences are marginal and probably because Umhlathuze with its large rural component (TAAs), commercial farms and an urban core mirrors KZN at large. In addition, it has already been shown that Umhlathuze with its population is dominant in the Uthungulu DM.

It is on closer analyses of the data between 1996 and 2011 that some meaningful information emerges.

Figure 4.16: Unemployment rates 1996 & 2001 in Umhlathuze area



In Umhlathuze unemployment has increased in all three forms of occupation. While the unemployment rate in the TAAs is the highest at 25,5% unemployment has not increased most there. The unemployment **growth rate** in unemployment in the TAAs from 1996 to 2011 was 57.64% and in the urban areas almost three time higher, namely 158.9%. The question therefore emerges whether the urban area is failing? To answer this, further analyses of the unemployment data in Census 2011 is necessary.

Looking at areas within the TAAs where unemployment is the highest, the table lists the places with the highest unemployment rate; their locations were traced via Google Earth.

Table 4.3: Areas with highest % unemployment in TAAs and their location in terms of formal urban areas

Census Area in the TAAs	Rate of Unemployment	Location
Mzipofu	35.4%	Dense settlement directly northwest of Nseleni formal township
Ovondlo	41.6%	Dense settlement directly east of and bordering Nseleni formal township
Mabuyeni	45.1%	2.5km north northwest of Nseleni formal township
Mazimazana	30.6%	Directly north of Nseleni formal township
Mahunu	28.6%	Bordering Esikhaleni - south of Esikhaleni towards Port Dunford
Madlanghala	32.2%	Northwest of Qhubu Lake and close to Empangeni, Esikhaleni and Richards Bay
Ezikhaleni	32.00%	Next to formal Ezikhaleni

In all cases these are adjacent or within walking distance from formal urban areas in Umhlathuze. It should be considered as part of the informal urbanisation process and is an indication that people in these dense informal settlements in the TAAs are not engaged in agriculture for a livelihood.

The fact that they are unemployed and why the unemployment rate in the formal urban areas has also increased so much is not a failure of the city. It is rather proof of the failure of the traditional subsistence mode of living in the TAAs and can be described as the urbanisation of unemployment. The high incidence in those localities conforms to the migration trends within the TAAs referred to in the section on demography above.

Concerning the informal sector, the following data from Global Insight is important to reflect upon:

Those engaged in informal activities increased from 816 806 in 1996 to 2 197 466 in 2011 at a national level; in KZN there was an increase from 195 545 to 552 920. Considering that the KZN 2011 population formed 19.85% of the national population, it is interesting to note that according to this data set the KZN share of informal economic activities is 25.16% of the national figure.

The classification of informal employment is in six categories: manufacturing, construction, trade, transport, finance and community services. Considering the plethora of shebeens as uncovered in the research work of the Sustainable Livelihoods Foundation¹⁶, the community service count is far too low.

Under community services, activities such as crèches, shebeens, hairdressers, beauty salons, car washing, car repairs, burial societies and funeral services and household services would be included, while under finance it is not clear whether both informal money lending and the wide spread phenomenon of stokvels¹⁷ is counted.

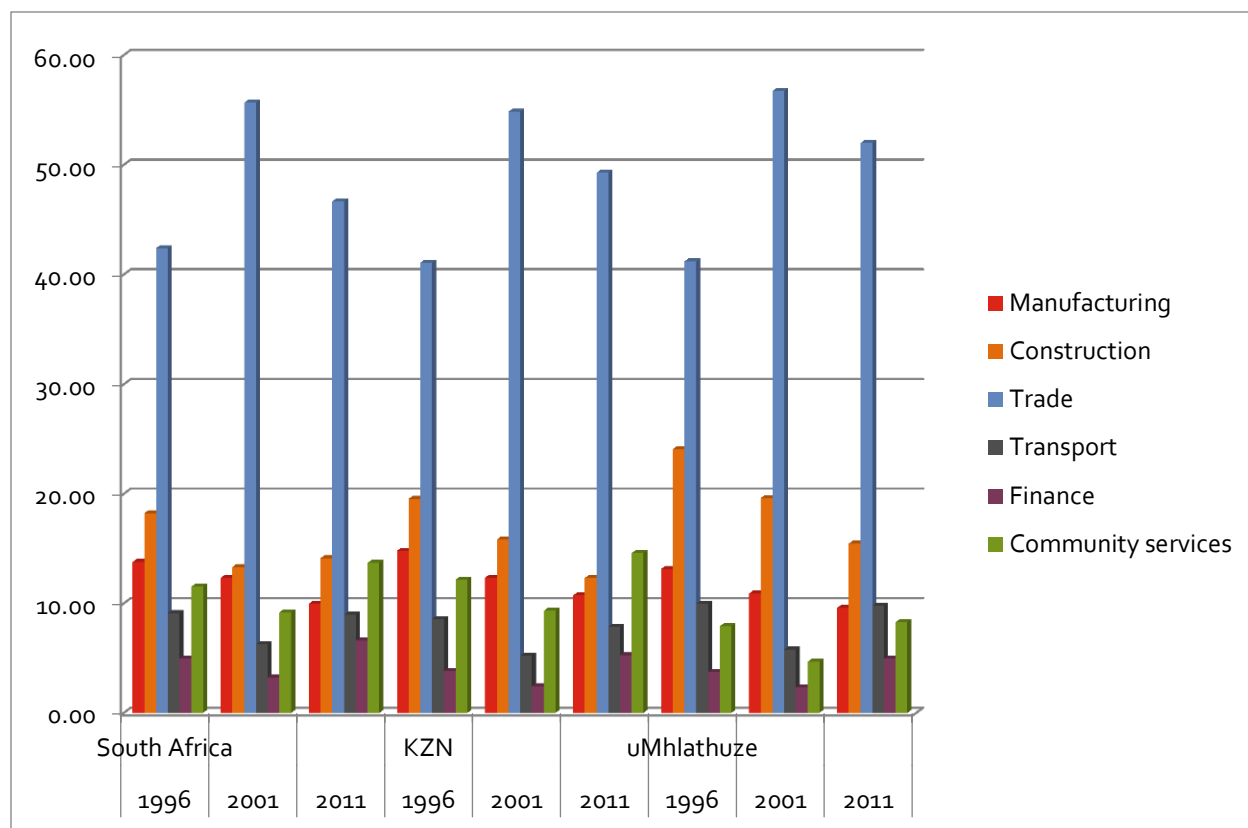
In Umhlathuze those in informal economic jobs increased from 4163 in 1996 to 15 274 in 2011. Traders (including hawkers) by far dominate the informal sector, followed by community services. It is interesting to note that the manufacturing informal sector has declined in importance over the years: at a national level from 13.78% of informal jobs in 1996 to 9.96% in 2011; in the case of KZN from 14.8% in 1996 to 10.7% in 2011. In Umhlathuze the importance declined from 13.1% in 1996 to 9.58% in 2011.

These figures probably represent an enormous undercount and re-emphasize the need for more research into the informal sector.

¹⁶ See www.livelihoods.org.za

¹⁷ A 2012 study by The African Response estimated the number of stokvels to exceed 811 000. The majority of them probably operate as social clubs and do not have employees, but there are some that employ people to manage their affairs. <http://www.africanresponse.co.za/>

Figure 4.17: Informal economic activity distribution (1996–2011)



4.2.4 Business overview

The enterprise structure of Richards Bay–Empangeni is diverse. 2 192 enterprises are listed in the Richards Bay telephone directory and in Empangeni the figure reaches 1 368. Using the Enterprise Architecture approach of Daan Toerien, the distribution of formal enterprises across the 19 sectors is captured in Table 4.4.

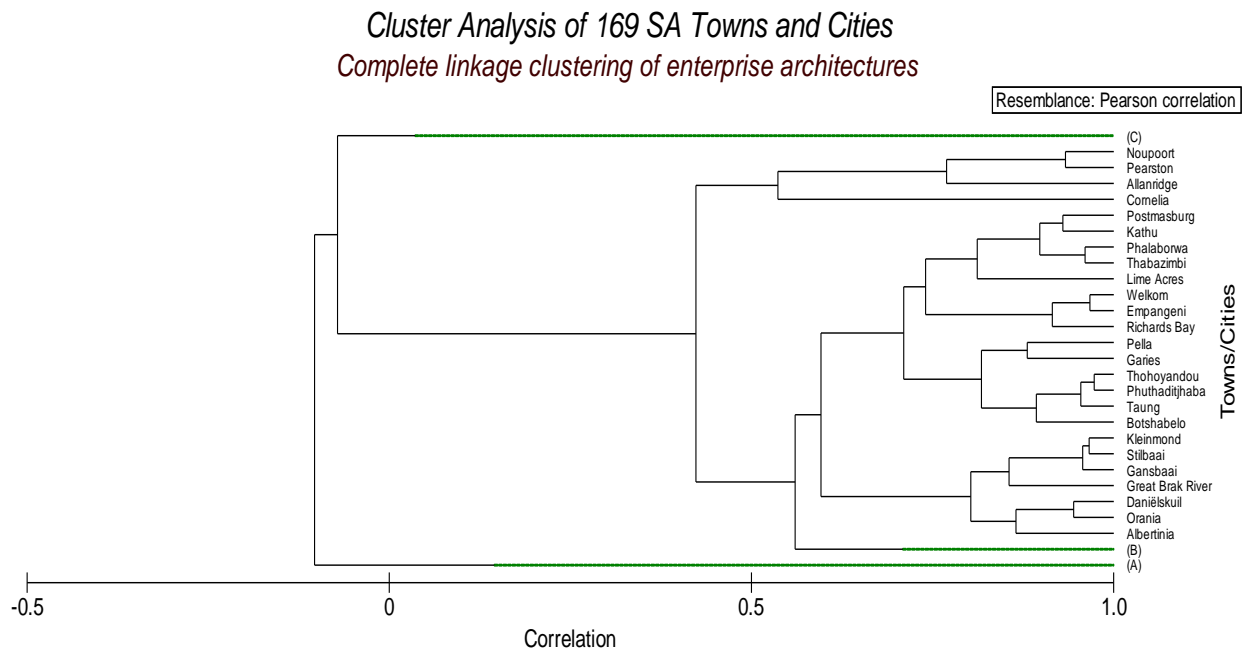
Table 4.4: Distribution of formal enterprises (2011)

Activity	Richards Bay		Empangeni	
	No.	%	No.	%
Agricultural Products and Services	13	0,6	24	1,8
Processors	7	0,3	9	0,7
Factories	22	1,0	13	1,0
Construction Sector	240	11,3	142	10,7
Mining Sector	16	0,8	1	0,1
Tourism and Hospitality Services	100	4,7	40	3,0
Engineering and Technical Services	192	9,0	42	3,2
Financial Services	111	5,2	85	6,4
Legal Services	22	1,0	24	1,8
Telecommunication Services	26	1,2	11	0,8
News and Advertising	8	0,4	6	0,5

Traders	482	22,6	343	25,8
Vehicle Sector	193	9,6	168	12,6
General Services	160	7,5	101	7,6
Professional Services	190	8,9	59	4,4
Personal Services	91	4,3	81	6,1
Health Services	105	4,9	119	9,0
Transport and Earthworks Services	113	5,3	30	2,3
Real Estate Services	36	1,7	32	2,4
Total:	2126	100,0	1330	100,0

Based on the weights of the number of enterprises per sector, a clustering exercise was done based on principal components (Figure 4:18).

Figure 4.18: The cluster of SA Towns into which Richards Bay and Empangeni fit¹⁸



The two towns cluster together the closest with Welkom, Postmasburg, Kathu, Phalaborwa, Thabazimbi and Lime Acres, all mining towns. The correlation in that sub-cluster is .80 and it implies also that Richards Bay and Empangeni could learn from the development cycle of towns in that cluster. The case of Welkom is therefore very appropriate. Welkom was established in 1948 and was one of the fastest growing towns and cities in South Africa. Driven by gold and uranium mining Welkom (and the towns of Virginia and Odendaalsrus close by) had 190 000 people employed in the mining industry in 1989. With

¹⁸ Toerien D and J Wessels. 2013. *South African SME Observatory*.

mines becoming less profitable, the number in formal employment in the mining industry has now fallen to under 40 000. Welkom never effectively developed a sufficient alternative economic base during the window of opportunity that mining gave it.

The question is therefore whether Richards Bay–Empangeni can be successful in pursuing alternative economic drivers beyond the mining phase. The operations of the Port of Richards Bay is certainly an alternative driver, but as seen in 4.1 above, due to political decisions that pursued other priorities, lost out on capturing the wave of commodity exports. The factories (Aluminium smelters, Tata Steel, Bell Equipment, etc.) and the processors (sugar mills and pulping plants) could form an alternative base, but as can be seen from Figure 4.18 the percentage of factories as well as processors in both Richards Bay and Empangeni is lower than that of the average South African town. That implies that the strong GVA component in manufacturing and processing is dependent on the success of a handful of large industries. There are also warning signals in the aluminium sector, and with regard to pulp, the Umhlathuze LM could not secure an investment from Pulp United. The negative impact of land reform on sugar cane production (See 4.2.2 above) as well as the targeting of commercial agricultural land for township establishment (See 5.2 below) pose risks for the sugar mills. The up to now inability of the Richards Bay Industrial Zone Company to secure investment commitments also does not bode well for strengthening and diversification.

When comparing the Richards Bay enterprise architecture with that of the average large South African town¹⁹, there are a number of significant differences. **Error! Reference source not found.**⁹ clearly shows that Richards Bay is far stronger than the average town in:

- engineering and technical services
- construction
- general services
- professional services
- transport & earthworks

Empangeni is stronger than the ASAT in:

- construction
- the vehicle sector
- health services,
- general services.

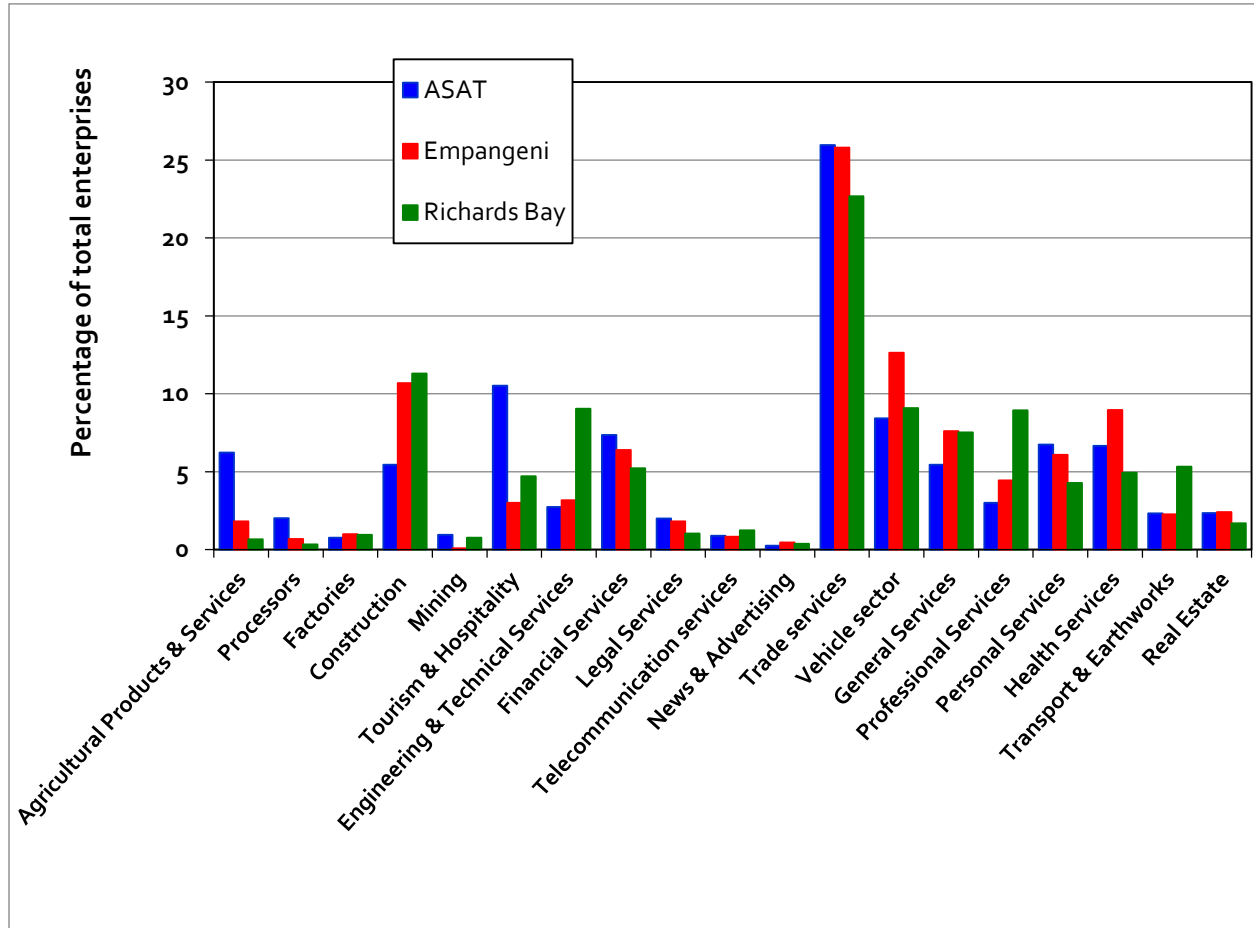
The Port of Richards Bay is the reason for the strength of the engineering and technical services, as well as of the transport sector. The mining and factory enterprises, as well as the large sugar cane and forestry activities require those services. The sectors where Richards Bay is proportionally weaker than the average large town, include:

- agricultural services
- tourism and hospitality
- financial services
- health services

¹⁹ Average is based on data from Welkom, George,

Empangeni’s strength in the vehicle sector is related to its location on the N2, as well as the link to Richards Bay. The weakness in Empangeni in agricultural-related services is worrisome, given the presences of the sugar cane and forestry activities in its immediate surroundings.

Figure 4.19: The enterprise architecture of Richards Bay and Empangeni against the average South African town (ASAT)²⁰



The diversity of the enterprises is reflected, not only in the sectors, but also in their nature and size. There are several industries with international ties:

- The two aluminium smelters belong to BHP Billion, one of the largest multinational mining houses.
- Mondi (with its modern pulp plant) is listed on the JSE but has its main listing on the London Stock Exchange.
- Richard Bay Minerals is 74% owned by Rio Tinto (another multinational mining company).
- Tata Steel Africa that produces carbon ferrochrome is part of an Indian-based multinational conglomerate.

²⁰ Copyright Daan Toerien. The Enterprise Architecture.

- KZN Sands (mining at Esikhaleni and processing in Empangeni) is part of the Tronox group that is listed on the New York Stock Exchange.

While the multinational linkages have some obvious advantages, there are also draw-backs. The operations are meticulously scrutinised for their financial performance against their peers in other countries. The restrictive labour practices and a high incidence of strikes as well as relative low productivity levels are contributing to pressures. The massive increases in electricity tariffs by Eskom as well as hikes in property rates by the local authority are also mentioned as factors that contribute to lower margins.

There are also operations of large South African companies, like the Bell heavy industrial and mining equipment manufacturer and the Hulets-Tonga sugar mill.

All the large financial institutions have branches in Empangeni and Richards Bay, and a wide variety of national car dealerships, branch offices and franchises operate.

Numerous formal small enterprises as well as micro-enterprises are active in retailing and services.

The Zululand Chamber of Commerce and Industry is the voice of the financial institutions, medium and small enterprises. The large industries are not that actively involved in the Chamber. At several levels there was also concern expressed by entrepreneurs that the ZCCI is not as an effective voice for business as it used to be.

The large malls of Richards Bay are not only used by local inhabitants, but pull in shoppers from many surrounding areas.

4.2.5 Business/public sector relations

Apart from the tensions and dissatisfaction expressed by a few entrepreneurs and managers of enterprises about the ZCCI as not being effective, the relationship between the Chamber and the municipality is also not that effective. In an interview with the personnel in the LED division of Umhlathuze they indicated that they do not find the interaction with the ZCCI as positive. 'Why should I go to ZCCI meetings if they are always just criticising the Municipality?'²¹ On a question as to why the ZCCI was criticising the municipality, the response indicated the following issues:

- procurement
- complaints about lengthy processes
- informal traders

In the Umhlathuze LED Strategy 2013–2017 it is mentioned that perceptions from stakeholders are the following:

- The municipality is not effectively engaging business interests around development issues.
- The ad hoc and arbitrary mode of operation by the municipality creates uncertainties for the business community.
- Proposals by the business community are often ignored, for example there was no reaction to the proposal submitted for a Business Retention and Expansion process.

A meeting with the ZCCI could not take place during the two visits to Umhlathuze.

²¹ Sibonisili Maduma on 12 September 2013.

In terms of the National Ports Act²² there must be a Ports Consultative Committee comprising the Harbour Master, two representatives of the Ports Authority, three representatives of local port users, two persons representing organised labour, and a person each from the local and provincial authorities of the area where the port is situated. This committee is apart from a forum to exchange views to advise the Minister. The Committee must also be consulted on any port development scheme.

Frans van der Walt, a professional quantity surveyor, indicated that the Ports Consultative Committee is no longer meeting as regularly as in the past. However, Jimmy Hills of the Ports Authority indicated that the PCC was meeting and that meetings were attended by the local authority and port users

However, section 13(2) of the National Ports Act compels the NPA to enter into a Memorandum of Understanding (MoU) with 'relevant state organs'. Since 13(2) deals with co-operative governance and intergovernmental relationships as contemplated in the Constitution (Chapter 3), it is clear that the local authority in whose ambit a port is, should be an entity with whom an MoU should be concluded. The objective of an MoU would (according to the Act) ensure:

- effective management of the port
- effective oversight
- co-ordination of performance and minimising duplication

From both the NPA and Umhlathuze LM it is clear that there is ample cooperation on forward planning (see the section on the Spatial Development Framework in 5 below), but eight years after the act came into effect there is still not a signed MoU. Mr Hills indicated that one had been finalised and was awaiting adoption by the City Council.²³

Despite the fact that harbours is listed by the Constitution as a local authority competency, it is clear that Umhlathuze LM has not actively engaged in pursuing options to overcome bottlenecks impacting negatively on Port performance (insufficient rail capacity); neither is it actively engaged in lobbying the NPA for diversification or expansion of the Port.

The mining houses are in consultation with the Traditional Authorities with regard to mining or prospecting rights. The large companies also approach the local authority directly rather than via the Zululand Chamber of Commerce and Industry.

²² Act No 12 of 2005.

²³ Telephone discussion in October 2013.

4.3 Education, qualifications, skills and knowledge base

According to the Umhlathuze IDP (2012–2017), the majority of the population in Umhlathuze has limited education with more than half the population with qualifications less than Grade 12 (Figure 4.20).

Figure 4.20: Comparison of education levels between Uthungulu, Umhlathuze and Richards Bay

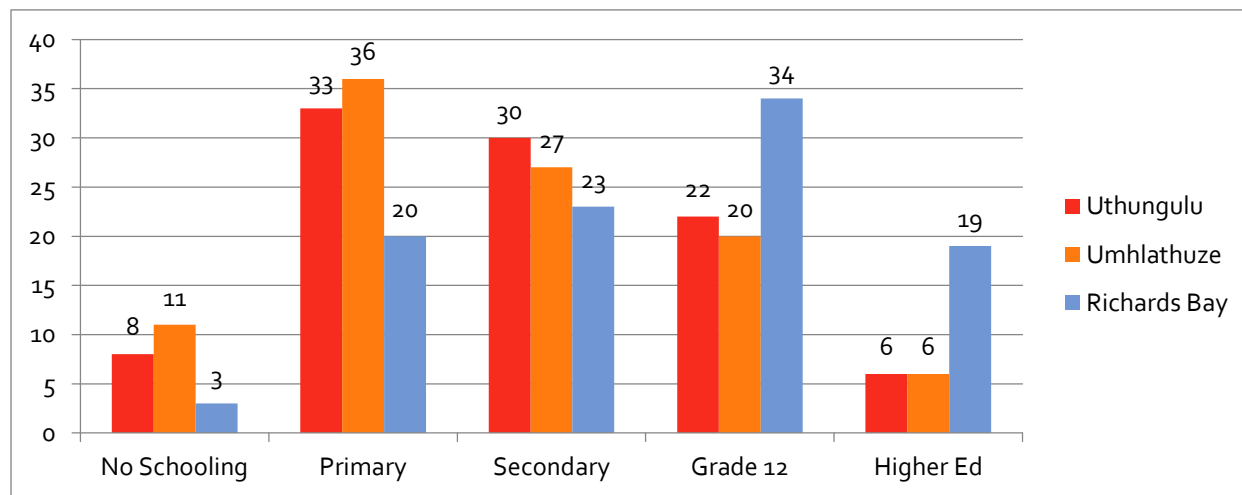


Figure 4.20 also highlights the stark contrast in Umhlathuze between the urban component and the rural component of the population, since in the case of the urban population (Richards Bay in the graph), 53% of the population has qualifications of Grade 12 and higher, and an impressive 19% have higher education qualifications.

This high incidence of higher education qualifications can partially be ascribed to the presence of modern industries that cannot function without a range of skills, such as engineering. The University of Zululand’s main campus was established in 1960 with a Richards Bay campus in 2009; Umfolozi FET College was established in 1985. In 2012 the student enrolment at the University of Zululand was 16 118 of whom 1299 were postgraduates. There were 101 international students, mainly from Botswana, Lesotho, Swaziland, Zimbabwe and other SADC countries.²⁴

In an interview with Professor Isaac Machi²⁵ he indicated that the Richards Bay campus is rooted in a strategy of Unizulu to commence focusing more on the modern economic sectors than the traditional rural development, agriculture and education focus of the main campus. Courses currently offered at the campus include Public Relations, Transport Management and Hospitality Management. The Richards Bay campus’ vision is to interact with the local business sector in Richards Bay and is working together with local industry.

²⁴ <http://www.unizulu.ac.za/about-us/future-of-richards-bay-campus/unizulu-overview>
²⁵ Interview with Unizulu Richards Bay Campus Director on 9 September 2013

To be relevant for the economy of the locality, the Richards Bay campus will build expertise in:

- transport and logistics
- tourism
- engineering
- environmental issues

The Richards Bay campus has 1800 students and with the intended residential component to be developed, the medium-term target is 4800 students. There is co-operation with the University of Technology in Jamaica to develop a course in Port Logistics and the prospects of Maritime Law will also be pursued. Concerning engineering there is ongoing interaction with Bell Equipment and a Joint Training Committee was established to consider appropriate interventions.

Professor Machi acknowledged that the Richards Bay Campus at this stage operates with several part-time lecturers and that it is problematic to lure high quality academic staff to Richards Bay. Strategies to procure skilled people to lecture through video-conferencing (including international experts) or through semester master classes are being investigated. It was imperative that the government realise that there is an acute shortage of academic skills in the country and that South Africa would benefit from international recruitment.

The Umfolozi College is one of nine FET Colleges in the province of KwaZulu-Natal. Situated on the north coast of KwaZulu-Natal, the college boasts five fully fledged campuses offering Certificate and Diploma Courses in the fields of Business and Engineering Studies. Linked to these five main campuses at Esikhawini, Eshowe, Mandeni, Chief Albert Luthuli and Richards Bay are seven satellite skills campuses in the rural communities as well. The history of Umfolozi College is inseparably linked to the development of Richards Bay. Local industry was the champion and demanded a technical college in 1975; classes began in 1977. By 1985 Richtek was fully established and conducting full time courses in national business and engineering programmes which include the National Certificate (Vocational) and N4-N6 Diploma programmes.²⁶

The impact of compulsory schooling is quite evident in Umhlathuze. In 2001, 14.6% of the Umhlathuze population had no schooling. That dropped to 5.2% in Census 2011. Umhlathuze should now concentrate on creating a knowledge and expertise base: Richards Bay was known for technological innovation and leadership in its years of establishment from 1970 to the mid 1980s. In several interviews people who had been involved in the Port, construction industry, manufacturing as well as professional services, lamented that the innovative drive of the pioneer years from 1970 to 1990 has been lost.

Between 2001 and 2011 the percentage of inhabitants with post degree qualifications remained stable at just over 1% of the population.

26

<http://www.umfolozicollege.co.za>

4.4 Social issues

Social issues like poverty and the impact of Aids on society are also prevalent in Umhlathuze. It is not the intention of this paper to deal with the manifestations of that which are well known (AIDS orphans, distorted age and gender pyramids, people in old age without children to care for them, loss of bread winners, etc.).

The extent of these societal ills is evident in the fact that the Department of Social Welfare supports a total of 229 628 grantees in Richards Bay, Empangeni and Esikhaleni.²⁷ Adults (old age, war veterans, permanent disability, temporal disability, foster care and care dependency) receive 77 127 grants. A total of 152 501 grantees are children; the largest category is child support grants to children in the age group 0–7 years (57 665).

Child support grants (CSG) are paid out to beneficiaries in Empangeni (24 401), Esikhaleni (18 775) and Richards Bay (14 489).

In all grant categories Empangeni receives the majority of the grants.

This information can however not be applied to the population in Umhlathuze, since the Census 2011 data clearly shows that there are fewer people in the age category 60+ (17 176) in the Umhlathuze area than the number of old age grants that are paid out (26 855). Three possibilities exist:

- The census figures are incorrect.
- There is massive fraud in the grants system.
- Grantees are registered at these three localities, but reside elsewhere in neighbouring local municipal areas.

It is probably a combination of all three possibilities, but what is evident is the monetary value of grants flowing to the Umhlathuze area. At R280/month per child support grant, an amount of R42.7-million is paid out monthly to grantees in Empangeni, Esikhaleni as well as Richards Bay. This is a massive driver of consumption led growth in the locality.

At a societal level, deep antagonistic political divisions are growing. In discussions there was even mention of congregations that are grouping together according to political affiliation. The area is therefore characterised not only by the legacy of racial divisions, but also by the legacy of black-on-black political intolerance.

4.5 Natural resources and the environment

The Richards Bay Nature Reserve was declared in 1936 and the wetlands is a bird paradise. The fresh water lakes also are a very special characteristic of the area. In the late 1960s a plan for a deep sea harbour with a range of industries in a new town was drawn up and the Richards Bay area was extremely well researched, especially by the CSIR. The CSIR still conducts monitoring and evaluation and in this sense Richards Bay is one of the best documented localities about the impact of development on nature.

²⁷ Statistics obtained from the Durban SASSA office in September 2013.

The development of the town's infrastructure, the harbour and the industrial sites took place in virgin territory. The river was rerouted to create the deep sea harbour, the excavated soils used to fill up some of the wetlands and a range of drainage canals were constructed to enable land development. This can clearly be seen in the CBD and adjacent areas. Geological studies were conducted in all areas to establish the requirements of piling for construction. The rock in some areas is so deep that specialised piling methods are required.

The fresh water lakes are the most important source of water for Richards Bay and its industries. The Foskor plant discards its gypsum through a pipeline 5km from the coast line. (This was only developed later and not for the first fertilizer plant of Triomf Kunsmiss).

The air pollution levels due to the two aluminium smelters, the Mondi plant and Foskor, often lead to the comment that Richards Bay is Secunda-by-the Sea. Dune mining by Richards Bay Minerals has also solicited a lengthy environmental polemic. Studies, for example on appropriate rehabilitation methods of re-establishing dune vegetation in mined areas, were conducted before the mining began.

The irony is that with current environmental policies, the establishment of Richards Bay would probably not have taken place. There are a number of important observations to be made:

- Environmental awareness at the beginning of the twenty-first century is far higher than at the stage when plantations, harbour and industries were established and planned in the area. However, Richards Bay is probably one of the best researched areas on how environmentally friendly a new development on this scale could be undertaken.
- There is a growing eco-sensibility by large industries due to rising costs of water, energy and waste management. This has resulted in a far lower than design level of both water demand and wastewater disposal by Mondi.
- A municipality whose planning department is very sensitive about the environmental impact of further developments in this area, is itself doing very little to combat environmental damage by informal mechanics conducting their businesses in the street and in open areas in the Richards Bay CBD with oil and old parts being dumped in the open areas or flowing into the storm water system. The same situation occurs in Empangeni where informal mechanics were servicing vehicles in the street and the parking area of Japan Auto Spares (directly opposite the Mercedes agency) and dumping oil cans in the storm water ducts.

Figure 4.21: Evidence of informal activity (1)



Figure 4.22: Evidence of informal activity (2)



The same issue applies to unplanned settlements in the vicinity of the fresh water lakes that are important water resources for Richards Bay. Is the municipality pro-actively managing that? Or is the EIA process only a barrier for formal development but not applicable to chiefs' allocation of residential plots in the TAAs? This raises questions about equality before the law.

- Care should be taken not to believe preservation of a confined nature area (especially if it is not an extremely unique or threatened case of flora and fauna) as more important than developmental needs. A case in point is the plan that was artificially formed when the dredging of the harbour during the establishment phase did not provide sufficient fill to level the area which is now part of the Richards Bay Industrial Development Zone. Is it ecologically sound to preserve that plan and to thereby push industrial development further away from the harbour, resulting in more infrastructure and energy inefficiencies? Is there anything ecologically sensitive and specific in that plan that can not be found anywhere else in a radius of for example 5km?

The sprawling character of Richards Bay (town planning in a paradigm of the garden cities and the American-style flight to the suburbs) in fact requires far more energy for commuting and maintaining infrastructure. There is a case to be made for serious densification of both the industrial areas (does Mondi need all the land that they acquired?), the CBD and the immediate surrounding suburbs, since sprawl is pushing up costs to households, institutions and the environment to levels that are not economically or environmentally sustainable.

In this section the attention will focus on the Umhlathuze LM handling of the interests of the area. We will first look at whether their planning documents are solid and provide a framework for appropriate responses to promote the growth and wellbeing of all interests in the locality. Then the focus will shift to their governance:

- How well do they implement their plans?
- Do they manage their resources well – staff, money, assets?
- What is the response to the situation they are facing?

5. Umhlathuze local municipality: Their plans, management & administration

5.1 The local municipal IDP

The IDP should be the key document providing at local level the guidance that the Medium Term Fiscal Framework plays at a national level: it should capture the medium term (five year) strategic framework in an integrated manner and as such determine the financial road towards achieving those objectives by determining investment (financial and human resource allocations) in both the capital and operating budgets. Unfortunately IDPs have been degraded in practice to an exercise of compliance rather than strategy.

In discussions with private sector players in Umhlathuze the Municipal IDP was not considered as a serious document. There was a perception that the consultative process is more façade than a real opportunity to assess non-municipal views and that the consultative forums are not conducive for in-depth reflections on options and deteriorate into developing superficial local wish lists.

The **2012–2017 Umhlathuze Municipal IDP** deals inter alia with the following:

- Sound Financial Management stating that the challenges for the Municipal Budget were to:
 - 'Defer a significant proportion of capital expenditure until such time that the municipality can leverage capital funds without negatively affecting the municipality's credit rating'.
 - Exercise restraint on the operating budget without having an immediate negative effect on service delivery.
 - Community upliftment and empowerment of rural areas.
 - Economic development and attraction of investment.
 - Provide opportunities for affordable housing.
 - Provision of social welfare for the poor.
 - Balance social and economic progress and protect the integrity of the ecological environment.
- Unsustainable development practices:
 - The municipality faces a challenge to react to urban sprawl 'which, in turn, results in increased informal settlement, overcrowded schools... as well as loss of land for economic and agricultural services'.
 - 'Our spatial policies and development have not helped in the reconstruction and integration processes'.

- The mission of the municipality:
 - job creation through economic development initiatives
 - improve citizens skills levels/education
 - improve quality of citizens' health
 - create a secure and friendly city through fighting crime
 - stimulate rural development
 - develop a consistent Spatial Development Framework
 - sustainable environmental management
- Unplanned and ad hoc settlements in the traditional areas that pose considerable challenges, but that can be addressed in two ways:
 - Drawing traditional authorities and ward councillors into participatory planning processes addressing land use management 'but it is included in the category of economic interventions, because it is critical to focus services and economic infrastructure at nodal points if economic growth is to be promoted...' and
 - 'maximising the impacts of public and private investment on economic growth by creating centres (nodes) of vibrant economic activity within the rural areas'.

There is however no indication in the IDP how these two strategies differ from the spatial policies that are elsewhere in the IDP described as not having had an impact on sustainable land-use and integration processes. Neither is there any yardstick applied on how to monitor whether such approaches would have any impact at all.

The Projects/Services are then listed under point 13, dealing with the following:

- projects already identified by the municipality for implementation over the next 5 years
- Expanded Public Works registered projects
- intervention projects
- community social investment projects (RBM)
- a list of Priority Projects for the City which are described as
 - o Central Municipal Library, R180-million; frozen due to cash problems
 - o eSikhaleni Pipeline Replacement Programme, R190-million; no funds available
 - o Mzingazi Waterborne Sewage, R60-million; no funds available
 - o Mandlazini Waterborne Sewage, R50-million; no funds available
 - o Community Halls Refurbishment (various), R20-million; no funds available

This is followed by a map titled Capital Investment Framework (Private Initiatives), which contains no text, followed by Section G: One Year Detailed Operational Plan.

There are several examples of illogical numbering and even of tables that are duplicated. It is not a reader friendly or logically structured document and not really developmental or a plan.

A key aspect that is not addressed is the crucial role of the harbour for Richards Bay and how harbour development (or delays with that) impact (or constrain) growth prospects. Apart from the Vision Statement that refers to a Port City, there is only one comment under action plans about stimulating economic growth through interventions, 'the promotion of the dry dock and container terminal developments' in a table contained in Development Strategy 3: Social and Economic Development. In not a single of the lengthy project lists is there however any mention of a project or initiative to pursue this action plan. In a discussion with Zakithi Ndawonde and Sibongile Maduma of the LED section, they also mentioned that they do not have any programme aimed at pursuing these objectives. (See also 5.4 below).

This loss of focus in the IDP on how to maximise as a Local Authority the potential of the Port of Richards Bay is interesting, since Art 156 of the Constitution states that a 'municipality has executive authority in respect of, and has the right to administer the local government matters listed in Part B of Schedule 4 and

Part B of Schedule 5'.²⁸ In Part B of Schedule 4 'Harbours, excluding the regulation of international and national shipping and matters related thereto' is listed. However, Umhlathuze LM does not focus on the harbour in its strategy. It does not even reflect on how it can strategically execute its constitutional mandate in respect of the harbour to maximise its potential for the development of the locality.

The IDP shows no grasp of the urgency to use the windows of opportunity (the period that coal will be in demand as an export product, the period that BHP Billiton will still keep two smelters running, as well as the period that mining is taking place) to diversify the economy.

There is however in the One Year Detailed Operational Plan R650-million for the development of an International Convention Centre. How the municipality envisages this will be successful is difficult to understand especially without a proper functioning airport that can accommodate international flights.

Crucial policy issues to consider:

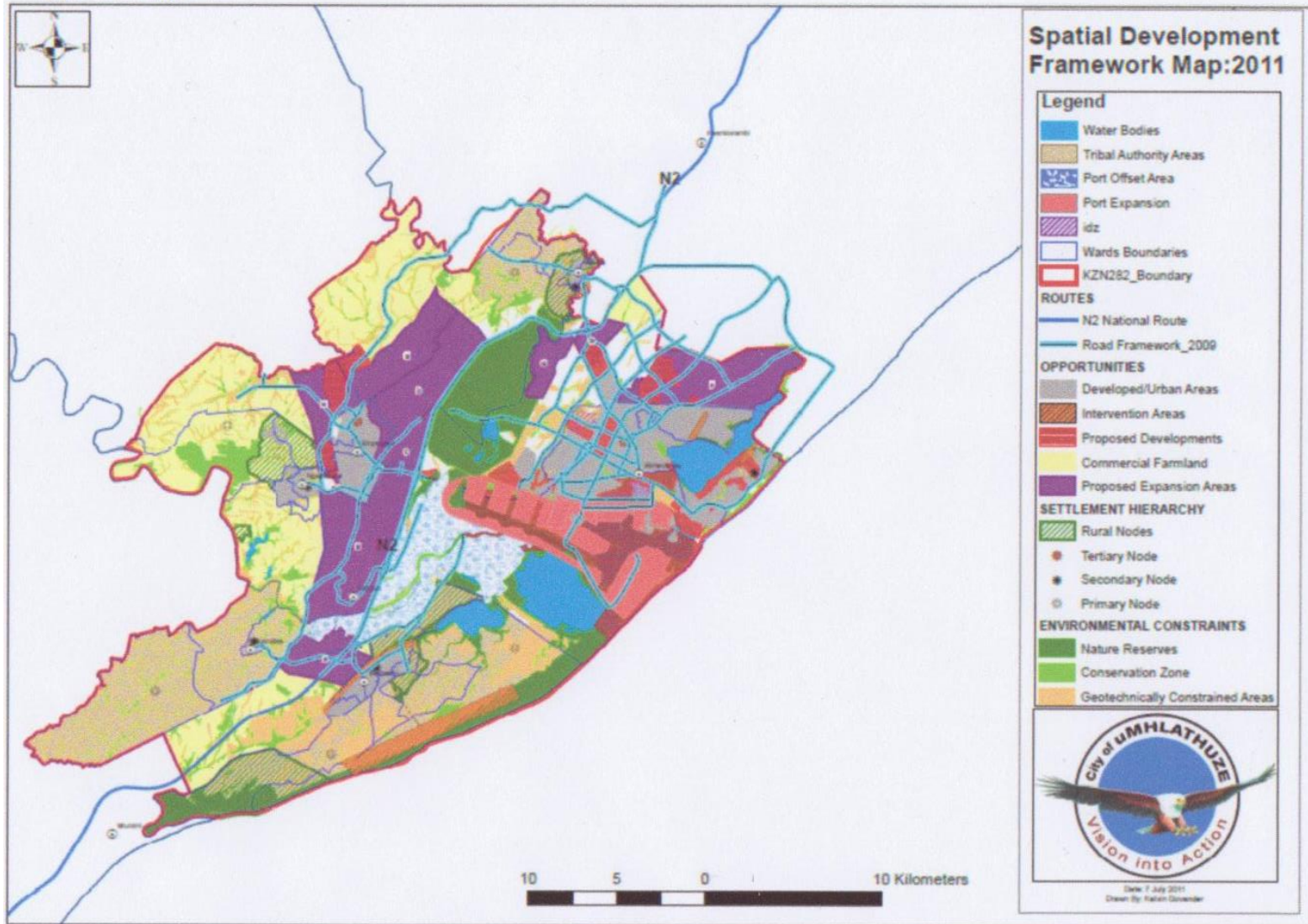
- How can the IDP process be managed in order not to be influenced by the five-year electoral drive by councillors to a process that focuses more on strategic developments beyond five years?
- How can councillors and senior managers in the municipality be assisted to understand what an IDP should entail, since it appears as if the years of CogTA capacitating endeavours have not been successful?

5.2 The Umhlathuze Spatial Development Framework

This document is logically structured and operates with a 50-year forward perspective, but simultaneously identifies a range of immediate priority steps that are required. It considers the environmental, demographic, economic and transportation infrastructural contexts. The new SDF has been developed on the basis of the 2007 SDF that had identified six proposed expansion areas (A–F). The revised SDF adds two further proposed expansion areas (G & H). (See SDF Map 2011).

²⁸ Constitution of the Republic of South Africa Act, No 108 of 1996. Art 156.

Figure 5.1: Spatial Development Framework Map of uMhlatuze



Unlike the IDP, the SDF places the port of Richards Bay and its potential expansion at the heart of its framework. It operates within a framework of a potential long-term development of the port deeper inland towards the N2.

The land identified then by the SDF for residential, commercial and industrial development is predominantly on privately owned commercial farms (high yielding sugarcane plantations in the vicinity of the N2 and forests under long-term leases). On several portions of the land there are also mineral and/or prospecting rights. The potential area that could be added for developmental purposes amounts to 8 214 ha (which would double the existing proclaimed urban areas of Umhlathuze). At a 1.45% population growth rate the proposed expansion areas could, at 30 residential units/ha, accommodate growth until 2050. Should the population growth rate be 3% p/a it would release sufficient land only until 2035.

No Traditional Authority Land is identified because of the problems and untested processes to formally proceed with township establishment in such areas. The 2007 SDF mentioned the problem but the current SDF states: 'Areas owned by the Ingonyama Trust have been excluded as possible expansion areas. This is mainly as a result of limited exposure/experience relating to development and landowner rights in these areas. However, this does not preclude Ingonyama Trust areas of being identified as possible expansion areas when more clarity and assurance are available.'

This approach (especially that of professional officials) is quite normal, since they cannot take action if the political will to do that is not present in government. The question to ponder on here is whether it is a case of local authorities waiting for either provincial or national directives and guidance, or whether national and provincial authorities are politically too indecisive to deal with such a sensitive issue; that they are waiting for local realities to come to the fore so that on an ad hoc basis there can be some adjustments (without necessarily a policy change) that may be politically less damaging. This 'Waiting for Godot' approach is not helpful in streamlining and preparing for orderly urbanisation.

The problem of administrative boundary restricted planning (not a planners problem, but a prescriptive definition impacting negatively on the planning competencies of planners and acting as blinkers) is also evident in the large settlements that have experienced almost a doubling in population just north east of Meerensee outside the municipal boundaries. This is a major factor to consider in planning. This is again a case where the Demarcation Board's decisions are undermining urban functionality and by implication hampering logical municipal management.

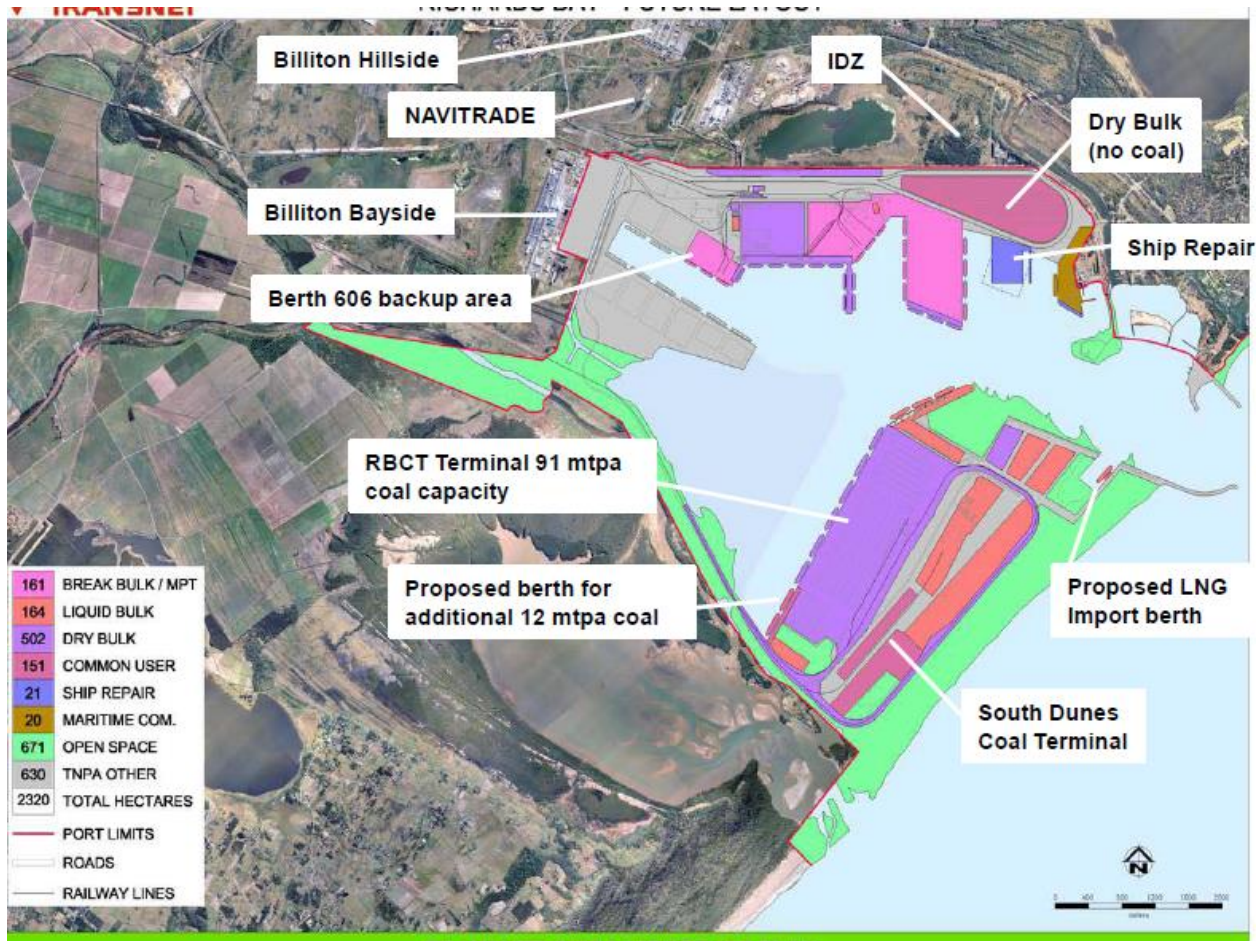
The practical impact on Richards Bay–Umhlathuze can be captured as follows:

Table 5.1: Practical impact of SDF approaches

SDF approach	Potential negative consequences
Areas owned by the Ingonyama Trust have been excluded as possible expansion areas.	The dense unplanned settlements in TAAs adjacent to Esikhaleni cannot be properly planned and serviced with cost-effective sanitation systems or electricity. The same applies in several other places in the municipal area, especially around Ngwelezana, Empangeni, as well as surrounding Neseleni.
	Dense sprawl in unplanned modes are far more costly to service, while maintenance is in general also substantially higher. Not formalising such settlements has capital as well as operational cost implications for a local authority.
	The potential of capital gearing through legally protected property title described in cadastre (a mechanism most home owners use when they apply for a loan for a small business enterprise at a financial institution) is blocked. This undermines avenues to create own seed capital through debt which is an important avenue for financing an emerging enterprise.
	Concentrating future township establishment (whether for residential, commercial or industrial usage) on existing commercial farm land and forestry will have dire implications for agro-processing value chains and their contribution to the local and regional economy. The renewable activities (farming and forestry) are thereby undermined.
	If lack of experience dealing with Trust land for township establishment purposes is a barrier to commence such a process, then it can never be done since by not doing something, experience is not gained. The PSEDS states clearly the issues as dispersed settlement patterns are a threat to successful implementation of an economic strategy ‘and requires hard political decisions to be taken. The fact is that the increasingly unplanned and uncontrolled nature of the rural settlement patterns in the province is placing severe limitations on the ability of departments to provide affordable services of an acceptable standard...’
	Ingonyama Trust Land that should be considered as formal development areas (not green fields, but to a large degree in situ upgrading and densification) include the following: <ul style="list-style-type: none"> - An area in a 3–5 km radius around the Vulindlela ‘formal’ area This would be a priority to consider and deal with simultaneously as with the proposed development of the SDF’s Area A, since in any in-situ upgrading there is a need for some relocation and such a dual approach would offer choices. The natural pull factors of schools and commercial areas should be planned and used as factors to assist in such a process. - The area south east, east as well north east of Esikhaleni. (The same argument applies as with the previous point.) - The area north and north west of Ngwelezane - The area west and south west of Nseleni (This should be handled simultaneously with the township establishment processes for Area G)
Restrictions of municipal boundaries	The SDF cannot inform the municipal decision-makers sufficiently and officially of the implications of this rapid expansion that has dire implications for Umhlathuze’s water resource base since it happens outside the municipal boundaries. It should become standard planning principles for IDP, LED & Spatial Development Plans to consider developments in adjacent areas. In this case inhabitants in a major town area (equivalent to that of Esikhaleni) are living just outside the boundary of the municipal area (adjacent to Meerensee) impacting heavily on the markets, social infrastructure, environment and even infrastructure of the municipal area.
Residential densities	While the future expansion areas are considered in a context of different residential density options, it should be noted that the advantages of density (also for sustainability) is not considered from an economic perspective with density

SDF approach	Potential negative consequences
	<p>generating opportunities. Densities add value.</p> <p>Special attention should be given to promote higher building options in the CBD and immediate surrounding areas. There is sufficient green area and open space to allow for several sets of buildings (offices and/or flats) of 8–12 storeys. It should be prepared so that when an opportunity arises (e.g. a new factory or a major commercial venture, for example a call centre) zoning would be in place. It would also enhance the commercial prospects of a range of enterprises in the CBD area.</p> <p>The development of intervention area A together with the TAAs surrounding Vulindlela and Esikhaleni should also provide for a variety of density options, e.g. 3 storey walk-ups as well as all the opportunities of mixed commercial and residential options in the vicinity of the main Unizulu campus.</p>
Industrial densities	<p>There may be safety reasons for the large tract of land that industries, e.g. Mondi, is occupying. If not, such industrial land allocations have opportunity costs in that they prevent new industrial development. Attention should be given to soliciting the subdivision of such landholding to provide for additional industrial land.</p>
Ecological considerations	<p>If spatial planning is to avoid all land as listed on p 13 under the heading Sustainability, a case could be made not to develop anywhere. Spatial planning is always a choice where the balancing of opposing interests has to be adjudicated.</p> <p>Sustainability is evenly dependent on economic and ecological rationale. Too often ecological assessments (EIAs) look so closely at the locality situation that they forget to focus on what the ecological damage would be if such an industry or development is to take place elsewhere. The protection of some ponds (that may not be extremely unique) could replace a residential development to a locality that would require additional energy (e.g. fewer pump stations, longer commuting times, etc) that would have a far more dire impact on the environment.</p> <p>The protection of a pond on the RBIDZ land (artificially created when the harbour was developed in the 1970s) that houses a variety of bird life (but nothing that is unique and not available in the wetlands elsewhere within a radius of a few km) on some of the most valuable industrial estate in South Africa (adjoining a deep sea harbour, is a case in point. (See Figure 5.2)</p>
	<p>Umhlathuze LM should, for the economic advancement of the people and the area, make the most of the possible future expansion of the harbour to create a dense mixed used development corridor that could form the spine of a real Richards Bay–Empangeni city. Economic growth is the best guarantee for environmental sustainability: middle-class people are on average far more eco-sensitive than poor people.</p>

Figure 5.2: Location of IDZ land directly north adjacent to the harbour²⁹



5.3 The Umhlathuze LED strategy

There are three documents that are relevant for this section:

- The Local Economic Development Strategy 2013–2017
- Status Quo & Way Forward on Informal Trading in Umhlathuze (no date)
- Umhlathuze: Framework for Informal Trade (Draft January 2006)

In the LED Strategy 2013–2017 the following comments are relevant:

- The tourism potential of Umhlathuze has not been realised and the Umhlathuze LM 'has very little on the table with regard to the development and promotion of tourism'.
- Umhlathuze LM has provided no dedicated benefits or incentives for the RBIDZ.

²⁹ Directly underneath the tag IDZ is a water body. That is a lake that developed when the harbour was dredged. Even in the SDF this artificial pan on top of mudstone dredged from the harbour area is protected (see 5.1 where the piece for industrial usage clearly does not include the pond area). If the levelling by the creators of the harbour had been done properly, there would not have been a pond. No bird or fish life occurs in that pond that does not occur else in the water bodies that are so prevalent in the area. Protecting this artificial lake and thereby preventing usage of some of the most valuable industrial land in the country, will only result in ecological impact elsewhere and at a far higher environmental cost: energy wasted to get the goods from the harbour to the industry and exports back again.

- Umhlathuze LM has no 'discrete strategy for the support of SMMEs'.
- The local authority 'does not have an investment promotion strategy'.
- 'There is little engagement between the Municipality and the private sector on activities aimed at local economic development.'

It formulated a range of proposals, mainly to develop strategies to address these shortcomings, rather than outlining specific strategies.

The LED Strategy document is correct that there is 'little on the table' to promote tourism. The IDP's listing of a R650-million International Convention Centre in the Year One Operational Plan should be based on a thorough demand assessment, as well as on an analysis of the financial performance of existing international convention centres in South Africa. A R650-million ICC will do 'little' to promote tourism in the area.

The 2006 document on a Framework for Informal Trade emphasised that the municipality has to ensure compliance with Health and Safety standards and that this also applies to food stalls operated by informal traders. It recommended the provision of proper stalls in appropriate localities with an annual rental fee and also that the rights of property owners should be protected.

The undated Status Quo and Way Forward document gives an overview of the trading localities indicating that traders do not keep to allocated places, that many of the stalls are in poor condition and even vandalised, and that hair dressers work in streets without permits and contaminate the areas where they operate. The document concludes that there should be a champion for the promotion of informal trading and that the LED section should be that champion, with the responsibility of licencing relocated from the Traffic Section to the LED Section.

It further proposes the identification of additional sites for informal trading, the establishment of additional infrastructure in demarcated areas and newly identified areas, as well as the removal of makeshift stalls, caravans and containers.

The latter document carries no reference on how to actively manage the interface between rate-paying businesses that own property and informal traders and service providers. A few yards from auto workshops in rented property the author found seven informal mechanics who use vacant plots, green areas and even the street in the light industrial area of the Richards Bay CBD to work on cars. In the green area there were discarded filters, worn fan belts, electrical wires, oil cans, dark patches of spilled oil, tyres, discarded fast food containers from KFC and broken bottles and beer cans. As previously mentioned, in the case of the informal mechanics in Empangeni (opposite the Mercedes agency) who work next to Japan Auto Spares, from where they probably source their spare parts, drained oil was running into the storm water system.

5.4 General municipal governance & management

In this section the focus will primarily be on the Umhlathuze LM. This assessment is based on a range of interviews conducted within the municipality, as well as with users of municipal services. Data was obtained (or not obtained) from municipal divisions, and observations conducted by the author in the locality. In some cases, observed practices will be measured against objectives in strategic documents discussed in 5.1 to 5.3 above, as well as against aspects relating to the economy of the Umhlathuze area.

Umhlathuze LM has 60 councillors: 36 from the African National Congress (ANC), 10 from the Inkatha Freedom Party and six each from the Democratic Alliance and the National Freedom Party. There are two independent councillors.

Since the municipality was created in 2000 it has had its share of political instability: the IFP was originally the majority party. In the 2006 municipal elections the ANC captured most wards (18), compared to 10 for the IFP and two for the DA. However, in the popular vote, the IFP remained the largest party and received 13 proportional seats against 11 for the ANC, two for the DA, two for Nadeco and one seat for the FF+. It took a

long time to hammer out a coalition to proceed. However, the ANC is now firmly in control after the 2011 local elections.

Concerning management and administration of and within the municipality, the following are issues to consider:

- The Umhlathuze LM was in 2011 considered by National Treasury as the local municipality with the best debt collection record.
- The LM was ranked sixth in KZN by the Department of Water Affairs in the Blue Drop (Clean Water supply) evaluation for 2012.
- It has received a clean audit from the Auditor General.
- It has been in the news since the latter part of August 2013 with the Public Protector, Thuli Madonsela, visiting the municipality to conduct an investigation into a range of complaints. Residents submitted a 12 page document to her office claiming collusion between senior municipal figures and regional political heavyweights, irregular and unauthorised expenditure, as well as nepotism.
- On 4 September 2013 The Zululand Observer's deputy editor Ronelle Ramsamy wrote that COGTA decided to investigate a range of complaints by residents from Ward 2 in Umhlathuze (the ward that covers the CBD of Richards Bay, major industries, a hospital as well as a residential area). The complaints included:
 - Failure of the council and the municipality to respond to emails, faxes, calls.
 - Service delivery that suffers as the municipality is top heavy with senior officials, but lacks competent staff at operational level.
 - High absenteeism with staff 'floating for hours' through the Malls in the CBD.
 - Deteriorating infrastructure because of a lack of maintenance.
 - Political interference in administrative matters, as well as cadre deployment.
 - Inappropriate expenditure on lavish functions as well as on security arrangements.
- The failure of the Umhlathuze LM to spend its Municipal Infrastructure Grant for two consecutive years caused the suspension of the Deputy Municipal Manager: Infrastructure & Technical Services. He purportedly misled the Council about the reason for underspending. His suspension was on 21 August, but on 4 September at a closed session of the Executive Committee, his legal counsel made allegations about political interference into municipal administration. He also indicated that he was being removed since he was under pressure by other senior officials to give a contract to a specific company that 'funds the ANC on a big scale'.³⁰
- On 17 October 2013 The *Zululand Observer* reported that Madonsela would also investigate allegations into alleged corruption with the allocation of low-cost houses to beneficiaries in the Umhlathuze Village (now known as Dumisane Makhaye) in Empangeni. There were allegations that recipients of houses had to pay R4000 in cash and provide a bottle of Johnny Walker Red Label as well as a crate beer to two officials. Two officials were suspended and a forensic investigation was conducted. The report apparently also recommended the suspension of two councillors who became involved in deciding who would get subsidy houses and who not.³¹
- On 13 June 2013 the IFP called on the Public Protector to investigate the multimillion Rand tender awarded to PMPZ Construction (a consortium of historically disadvantaged individuals) for work on a sewerage system in the Mzingazi Area in Richards Bay. The company submitted in 2012 a bid for R9.6-million and another bidder WJ Building submitted a tender for R8.7-million. WJ Building's bid was not accepted and he requested information from Umhlathuze LM. Following a first response, he asked for more information. In 2013 he was informed by the municipality that the highest bidder had been awarded the tender, but at the price that WJ Building had tendered. An urgent interdict was requested to prevent the allocation of the tender to PMPZ Construction and the Court ruled that the Council had not adhered to correct procedures. Umhlathuze argued that they should be allowed to proceed with the work since a sewerage system was important as people were living on the banks of the fresh water lake that is Richards Bay's source of water supply. It was argued that a delay might result in the municipality losing funds obtained from National Treasury for the contract, and that the residents of the area might react in anger and frustration if the contractor that had been established

³⁰ *Zululand Observer*, 4 September 2013

³¹ *Zululand Observer*, 17 October 2013. Public Protector tackles housing scandal.

on site was removed. The judge ruled that 'These problems are, however, of the first respondent's (the Council) making'. The interdict was granted against the Council and PMPZ was ordered to move off site.³²

- In 2010 the previous Municipal Manager, Antonie Heyneke, won his court case against the municipality in what the judge described as a textbook example of 'how not to conduct investigations and discipline'. Heyneke was placed on long leave pending an investigation into irregularities relating to a land transaction. The Court found that the municipality had taken decisions in bad faith and had to investigate which councillors and officials were responsible for the action in order to recover the cost from them, since they were publicly accountable in terms of section 176 of the MFMA. Council wasted R420 000 by keeping Heyneke on special leave and had to pay all Heyneke's legal costs and the Court costs.³³

During visits to Umhlatuze there were rumours about excessive expenditure on security measures for councillors and senior officials. The suspicion between councillors from the ANC on the one hand and the IFP on the other is apparently so high that they even mistrust the security firms contracted for protection services.

In the analyses of planning and strategic documentation, as well as in interviews, an image developed of a municipality where political preferences (both to do certain things as well as ignoring other matters) often surpass the mechanics of orderly and consistent governance. The following can be highlighted:

- The previous IFP-managed Umhlatuze Council obtained an interdict against the illegal expansion of the Mandlazini settlement into the bufferzone of the Richards Bay airport. (See Figure 5.3) When the ANC obtained a majority in the Council they decided not to proceed with the relocation. A large group of structures, some by now built of cement blocks and mortar, stand in the noise zone. This also impacts negatively, not only on the possibility of upgrading and expanding the airport, but also creates a negative impression should tourists arrive by air. It is a case where indecision because of pursuing popular political standing in that community has had a negative and detrimental impact on the economic growth potential of the locality. The Council is now contemplating transforming the airport into a residential area and finding a new site (closer to Empangeni) for an airport.
- There is no strategic grasp in any of the documents of the need to diversify the economy while there are windows of opportunity (a demand for coal, mining activities, operating aluminium smelters) to create alternative growth sectors. Instead, in LED the focus is on small-scale community-based interventions supporting the informal sector, rather than on developing a comprehensive investment strategy. Council appears to be hiding behind the RBIDZ to bid for industrial expansion and the LED Strategy document states 'The Municipality has not done anything proactive to attract investment into the Municipal area.'³⁴

³² *IOL News*, 15 May 2013: Tender for sewer unfair, says Judge. <http://www.iol.co.za/news/crime-courts/tender-for-sewer-unfair-says-judge-1.1516240#.UmPp1XBmDa4>

³³ CASE NO D908/09 Labour Court Durban. <http://www.justice.gov.za/labourcourt/jdgm-lbc/2010lbc/D908-09.pdf>

³⁴ LED Strategy 2013–2017, p 28.

Figure 5.3: The Richards Bay Airport with the land invasion (in yellow border) that took place in the buffer zone and is preventing the redevelopment of the airport.



- The apparent indecision that is behind the first two listed bullets above also manifests in the IDP and LED strategies: Tourism is considered as a driver, but there is no strategy how to pursue it. In fact, based on the one consultant's report there is now an attempt to promote the brand of Richards Bay. But a brand should have a clear product in focus as well as a clear target market. The LED division could not really indicate who the tourist target market would be and where the tourists would come from. Branding before there is product clarity and a product defined in the context of market research to establish demand would be a waste of energy and funds.
- Similar ad hoc actions emerged in discussions with individuals as well as in press reports during the time of visiting Umhlathuze. It would suffice to highlight the following three examples:
 - Council takes action without informing key stakeholders: a decision to rescind the lease of facilities to the Zululand Chamber of Business Foundation was announced in the local press before key players in the Business Foundation had been consulted.
 - Sometimes when there are complaints about informal traders and their garbage, an instruction is issued by the councillors to act against those that litter and operate without licences. However,

when the informal traders complain to the councillors that they are being harassed, the instruction comes not to act against them.³⁵

- The mayor decided that Thanda Royal Zulu FC (which uses the stadium developed in 2010 in Richards Bay) could not play their first three fixtures at the Stadium since he needed it on 14 September for Mayoral Games and on two other occasions for concerts. The Soccer Club has an arrangement with the municipality about usage of the stadium and their National First Division had been scheduled. When it became clear that the all the soccer matches of the club may be shifted to Durban for the season or that Thanda may forfeit their league points, the mayor availed the stadium again for the soccer matches.³⁶
- There is little if any evidence of a clear grasp in the municipality about the need to keep commercial agriculture as well as forestry going as soft commodities that can be replenished and continue to provide work, as well as inputs for processing plants. Commercial farm land is the main target for future township establishment because of an unwillingness to grapple with township establishment on Ingonyama Trust land.
- Without being in a position to assess competencies in the municipality, during the study the author encountered many dedicated and thoughtful professional officials who are keen and eager to do their work well. However, there were also doors that remained shut and cases where information requested for this study was not provided. In one case an email to the office of the City Engineer was only opened three weeks after it was sent. Despite further emails and telephone calls, no information was received from the Office of the City Engineer in response to crucial questions.
- To make appointments within the municipality was a cumbersome process and several phone calls and emails solicited no response from the office of the municipal manager. It was only when the study team had physically been in Richards Bay for three days that doors started to open. By then several interviews had already been conducted with private sector players, the Uthungulu District Municipality, Unizulu, the Ports Authority, the RBIDZ Company, as well as with individuals ranging from professional consultants, real estate managers and informal traders.

5.5 Municipal finance

As stated above, the municipality is viewed as one of the financially sound local authorities and has received unqualified audits for the past five years³⁷.

The Municipal Sources of Operating Revenue (R'000) are as follows³⁸:

³⁵ Comment made in discussion with Umhlathuze LED officials. 12 September 2013.

³⁶ *Zululand Observer*, 5 September 2013 and 9 September 2013.

³⁷ Auditor General 2013. General Report on audit outcomes of local government in KwaZulu-Natal & Feedback from Hilton Renald in the Umhlathuze LM Finance Management Division.

³⁸ Provided by Umhlathuze LM Financial Management Division.

Table 5.2: Municipal Sources of Operating Revenue (R'000)

		2012/13	2011/12	2010/11	2009/10	2008/9
Property and other taxes		238 007	204 614	178078	148561	125 068
Service charges	Electricity	1 091 706	966 962	765731	591913	456 455
	Water	158 638	134 008	128360	114080	97 194
	Waste Removal	52 520	46 088	39044	34877	32 951
	Sanitation	66 946	59 702	54755	47102	45 466
Fines		10 550	3 005	1645	2834	3 685
Licences		1 933	1 831	1867	1842	1 745
Other own operating revenue		149 736	53 667	57901	66336	41 276
Operating grants		202 001	182 413	156866	126909	56 228
Total operating revenue		1 972 037	1 652 290	1384247	1134454	860 068

The increase of 262% over five years was the highest in the category 'Other own operating revenue' and it just outperformed the 259% increase in Operating Grants. Fines (an insignificant small contributor) grew by 186% and sales of electricity by 139%. The next category that grew by 90% over five years was property rates with a 63% growth in the sale of water. The overall increase in Operating Revenue over the five years was 129%. This kind of growth is not sustainable and it is indicative of the impact of municipal costs on individuals and companies.

Ring-fenced capital grants in the five years decreased from R112-million to R52.5-million rendering a total income of R2 040 655 000. However, if the extraordinary grant of R56-million that was received in 2008/9 and in 2009/10 for the development of the Umhlatuze Stadium is not considered, the capital grant income has stayed flat (in real terms due to inflation it is therefore substantially down).

The equitable share has increased by 88% as can be seen in Table 5.3.

Table 5.3: Equitable share for uMhlatuze

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
	R' 000	R' 000	R' 000	R' 000	R' 000
Equitable share in rand values	179 139	161 782	145 629	115 127	95 132

On the expenditure side, the expenditure pattern for the past five years is captured in **Error! Reference source not found.4.**

Table 5.4: uMhlatuze LM expenditure

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
	R' 000	R' 000	R' 000	R' 000	R' 000
Employee costs	437 126	393 065	361 199	322 178	288 446
Remuneration of councillors	17 148	15 863	14 587	14 016	13 213
Bad debts	3 647	3 000	2 310	227	-
R & M (Materials only)	65 438	40 271	37 078	32 280	70 095
Bulk purchases	937 247	834 001	649 531	531 623	387 375
Other opex	207 826	192 605	193 638	175 688	169 402
Total operating expenditure	1 668 432	1 478 805	1 258 343	1 076 012	928 531
Depreciation	343 658	299 568	284 080	263 449	235 531
Interest	79 985	82 481	88 508	83 082	68 253
TOTAL	2 092 075	1 860 854	1 630 931	1 422 543	1 232 315

The following points are important:

- The cost of bulk purchases increased by 141% over the five years.
- Employee costs increased by 51.6%.
- Bad debts remained less than 0.25% of operating costs.

The number of municipal employees was 1852 with an average salary and employment benefit cost of R236 029 or R19 670/month. Considering that the municipal employment cost together with councillor costs amount to 21% of total operating expenditure, it implies that one in every five rand spent by the Municipality does not leave the municipal buildings.

The debtors' situation in Umhlatuze LM is excellent considering the revenue total. This is mainly because constant payment by the 100 largest electricity and water consumers and rate payers take care of the largest portion of the overall debtors' book. Unfortunately the municipality could not provide the number of rate payers and service providers in geographic categories or in residential, commercial or industrial categories and the percentage of connections that are linked to effective payers. It is an important factor to consider and to keep an eye upon from a risk management perspective. It is also an important element to foster social cohesion. If there were a 90% rates and service payment from Esikhaleni and from the TAAs, the net rate payers in Meerensee and other middle-income suburbs would be far more satisfied.

The high payment of service charges and rates also obscures a major risk situation: the debtors' situation in Umhlatuze would change dramatically if one of the aluminium smelters should close or Mondi dramatically downscaled because of global overcapacity.

While the municipality is running an efficient 'SARS' division with rates and service charge collections, there is no strategic financial plan concerning future financial sustainability. Renald acknowledged this as a weakness that needs to be addressed.

It is exactly at this point where the IDP should change from a document of compliance to a real strategic document. What should the municipality do to ensure a vibrant and robust economy that as a Port City can be globally competitive? This is the level at which successful diversification of the economic base through successfully promoting the establishment of agro-processing plants or a Techno Cluster or Park of Engineering, which could service the industries and assist them with R & D, would contribute to the bottom line in the form of rate payers and users of water and electricity.

The author still has to discover an IDP or LED document that is informed about opportunities for export markets through analysing opportunities that emerge through changing trade regimes. It remains a fundamental flaw of most investment or business development strategies that they concentrate on production or production factors (e.g. cheap electricity, cheap labour, etc.) without analysing at what the market is looking for.

5.6 Municipal infrastructure

No interview with municipal staff was achieved; neither was there any response to the questions submitted, probably because of the suspension of the Deputy Municipal Manager: Infrastructure and Engineering in September 2013. This section is therefore based mainly on information obtained from a retired City Engineer and currently a Councillor for Ward 1, Frik Bosman,³⁹ as well as information in the 2011/12 Annual Report of Umhlathuze.⁴⁰

Umhlathuze LM has been very successful in rolling out access to potable water supply with only 3% of households overall that still need to be connected. On the sanitation side the provision of VIP latrines still has some way to go, but large portions of dense settlements in the TAAs could be serviced with waterborne connections if orderly and denser settlement patterns could be established. The failure to commence with the sewerage infrastructure in the Mzingazi Area adjacent to Meerensee is because of a successful court interdict as Council did not follow the correct procedure in awarding the tender. In that sense, Council should consider themselves accountable and responsible for some of the backlogs.

Water supply is handled by Umhlathuze Water and the municipality and there is daily delivery capacity of 132 Ml/day. There are more than 1960 km of water supply pipelines in the municipal area.

A major challenge facing the municipality is infrastructure maintenance. Some of the unanswered questions dealt with the current replacement value of municipal infrastructure and whether the accepted norm of maintenance (not repairs) is being followed. The accepted norm for benchmarking civil infrastructure maintenance is the work of the Australasia (Australia and New Zealand standards). What is required is not only responsive units for breakages (reactive repairs), but systemic maintenance and servicing (pro-active).⁴¹

Rolling out infrastructure is the easy part, especially with assistance from National Treasury in the form of a range of grants. Maintaining infrastructure requires pro-active skilled systems and people and dedicated funding. There is a tsunami of municipal infrastructure maintenance on its way that will have major financial implications for local authorities, but that will also impact negatively on investment and economic growth.

6. State-owned enterprises

In this section the focus will be on state-owned enterprises and their impact on development in Umhlathuze. Three entities require attention, namely Transnet (both for the rail and port components), the RBIDZ Company (with the KZN Provincial Government as sole shareholder), and Eskom.

³⁹ Interviewed on 2 and 3 October 2013.

⁴⁰ Umhlathuze City 2012. Gearing up for economic growth. Annual Report 2011/12.

⁴¹ Rob Childs of Africon is one of the leading South African experts in this field. Information obtained from him.

6.1 Transnet-The state-owned slumbering giant

In this section there are several facets that require attention. The focus will be first on a range of strategic planning documents before briefly looking at whether the priorities and the execution of the priorities by Transnet management has been beneficial for the growth of Richards Bay.

Whilst the National Transport Master Plan is in fact not a Transnet document, but one that was developed by the Department of Transport, it is appropriate to deal with some aspects of that here since the Government is the sole shareholder of Transnet and therefore it is unlikely that Transnet will operate and strategise outside the ambit of the national transport master plan.

6.1.1 The national transport master plan⁴²

The following aspects are important to note:

- NATMAP 2050 states that underinvestment by the State-owned Enterprise Transnet in rail infrastructure, locomotives and wagons, has hampered both reliable service and responses to the traffic needs at hand. Rail freight therefore increasingly has become limited to bulk commodities where speed is not of the essence and where the narrow Cape gauge tracks can still compete.
- It argues for the adoption of standard gauge since re-entry in higher value freight (containers) would only be possible if higher train speeds can be attained.
- NATMAP concludes that 'due to the organisational structures and institutional framework of the major players in the freight transport arena in South Africa, future development of a demand oriented logistics system will require significant policy changes'. In particular 'The monopoly position of the major service provider of rail, port and pipeline services is having a negative impact on the operational efficiency, provision of adequate equipment and facilities, and extent of services to meet present and future demand'.⁴³
- The Master Plan further concludes that this inability to meet especially freight transportation requirements results in rapid expansion of road transportation with unrecovered waste in the form of road deterioration, congestion, accidents and higher transportation costs.
- NATMAP 2050 attempts a vision statement for the freight industry that includes inter alia the following:
 - A commitment to regulated free and open competition within and between all freight modes.
 - Infrastructure usage charges should provide for rehabilitation and sustainable funding.
 - Freight transport services should be self-sustaining for both infrastructure and operations.
 - Private sector investment and innovation will be promoted in all freight modes including PPP developments.
- Concerning ports, NATMAP argues that the bulk of cargo growth will be in handling containers and liquid bulk. Durban (with the proposed dig-out port), the Port of Ngqura and Cape Town are earmarked for expansion of facilities.
- NATMAP acknowledges the capital requirements for infrastructure development and proposes that public sector owned infrastructure facilities that require expansion could be done through concessions to the private sector on a BOOT basis, provided that such facilities are regulated and contribute to economic growth.

6.1.2 The Transnet long-term planning framework 2013

In Chapter 1 the LTPF defines Transnet's key role as facilitating economic growth through:

⁴² Department of Transport 2010. National Transport Master Plan NATMAP 2050.

⁴³ Department of Transport 2010. National Transport Master Plan NATMAP 2050, p 6.

‘Providing appropriate rail, port and pipeline infrastructure and operations through a cost-effective and efficient manner and within acceptable international standards.’⁴⁴

The NLTPF states that this is to be pursued through a growing and on-going:

- alignment of Transnet’s planning with the National Development Plan and the New Growth Path, as well as
- creation of ‘opportunities for private sector participation in Transnet’s traditional freight-handling infrastructure’.

It further boldly defines Planning Principle 1 as to ‘Provide capacity ahead of demand to lead economic growth’.⁴⁵

Chapter 3 deals with the Rail Development Plan and states that ‘due to cash flow constraints’ in terms of rolling stock (locomotives as well as wagons) international benchmarks of availability and reliability could not be achieved. This ‘poor performance’ is the result of ‘lack of investment and postponement of major repair programmes’. It deals with rail lines in the previously announced capital investment programme.

Chapter 4 deals with the Port Development Plan. It stresses the point of complementarity of the commercial ports and that ‘duplication of investment’ should be avoided. Richards Bay is seen as basically the bulk coal export harbour with the development of a container terminal as a possibility in the future, should demand warrant that.

In a 2011 Powerpoint Presentation by Brian Molefe, Group Chief Executive, on the Port of Richards Bay⁴⁶ Richards Bay Port is described as:

- ‘financially and commercially stable with growth potential but equipment reliability may be restrictive’
- ‘Clear pockets of excellence but ops performance is erratic’
- On the coal line the ‘impact of locomotives on train delays improved from 25000 to 13000 minutes/month whilst the tolerance is 7500/month’. At 13 000 minutes a month, this means transportation time of nine days and 40 minutes lost.

Nowhere in Molefe’s presentation, or in the LTPF 2013, is there a clear strategy to pursue the provisions of Chapter 6 of the National Ports Act. That chapter provides for contractual arrangements with any person or entity to operate terminals and to provide any service required in a port, e.g. the case of RBCT. NATMAP also suggests that, but in the LTPF there is no strategic discussion of this.

While there is acknowledgement of equipment unreliability in some of the documentation (for example the presentation by Molefe) and the LTPF talks of lack of investment and poor performance, the Chapter 1 commitment of the LTPF of ‘growing and on-going creation of opportunities for private sector participation in Transnet’s traditional freight-handling infrastructure’ remains in the South African context only words.

⁴⁴ Transnet 2013. LTPF, p 5..

⁴⁵ Transnet 2013. LTPF, p. 7.

⁴⁶ Molefe B 2011. Presentation on the Port of Richards Bay by the Group Chief Executive.

6.1.3 Have Transnet's actions enhanced the growth of Richards Bay since 1990?

Both rail and port activities have contributed to the economy of Richards Bay. The real question is whether Richards Bay has benefited as much from Transnet as it could have? The answer to that question should be sought in two additional questions:

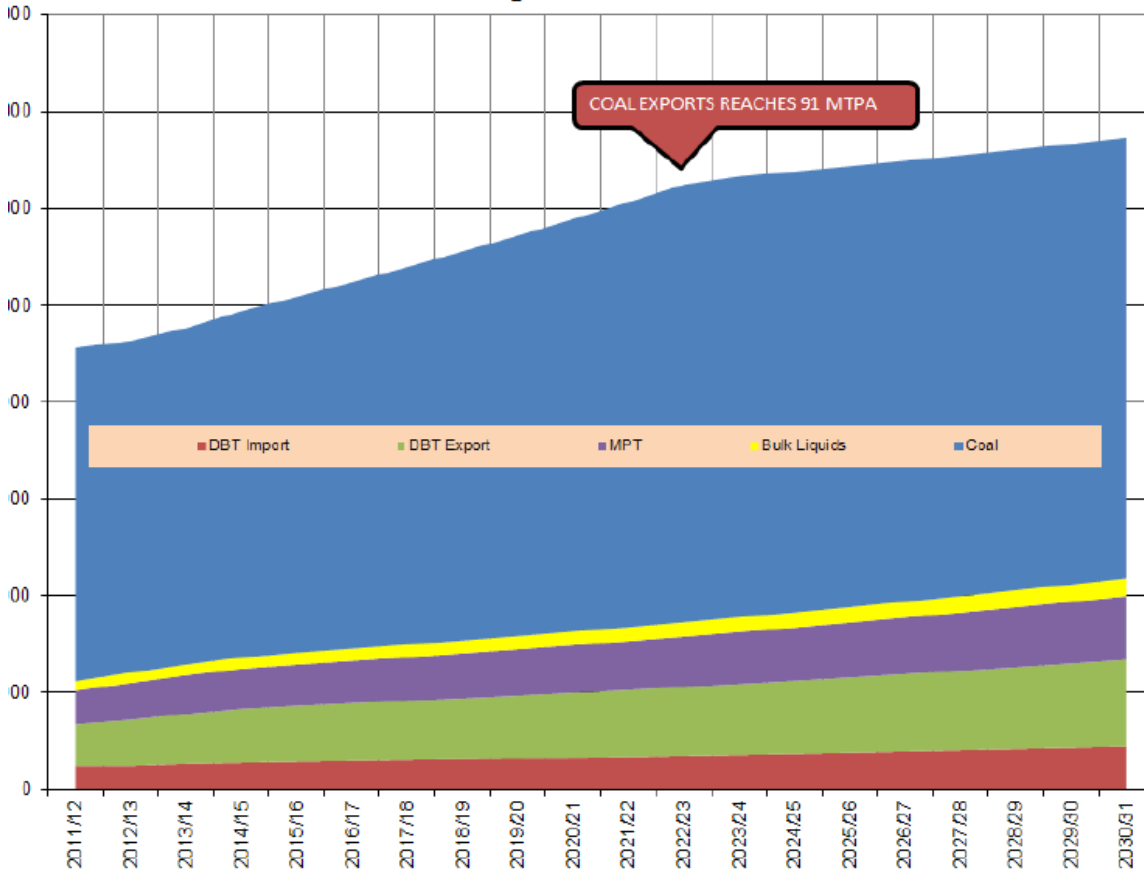
- Did the commitment of capital to create the Port of Ngcura contribute to Transnet's acknowledged inability to provide timeous and required maintenance to both rail and rolling stock that clearly has had a negative impact on maximising the export potential of Richards Bay?
- Did the commitment of capital to the Port of Ngcura also made it impossible for Transnet to earlier commence with the planning of the strengthening of the Ermelo-Richards Bay rail link (e.g. the doubling of the tunnel that is a major bottle neck)?

The answer has to be positive in both cases and that implies that the politically driven development of Coega (despite the initial documented objections by Portnet's management) has resulted in investment into what still is largely a white elephant, while penalising not only large mining companies, who have invested in capacity in RBCT that cannot be used since the Transnet trains and railroad are not capable of meeting that capacity, but also penalising the small black mining companies who also could have benefitted from the international demand for coal. Molefe's attack at the end of October 2013 on BHP Billiton and other companies in the RBCY consortium that they do not want to provide opportunities for emerging black miners to benefit from coal export opportunities⁴⁷ cannot be interpreted as other than trying to look for another scapegoat, because all the indicators point towards Transnet as the guilty party. Transnet through this lack of planning has succeeded in slowing down the economic growth rate of the country and enabling other coal exporters to grow their market share quicker than South Africa could. This was therefore a decision that has had a very negative impact on BEE as well as on job creation. Molefe is now arguing that BHP Billiton and others should be generous in assisting these emerging miners, but the SOE that he heads will only be able to provide sufficient railage for the RBCT Consortium to export coal at the capacity that they created some years ago after the umpteenth announcement of capital programmes. In his presentation in 2011 Molefe indicated that the 91 mtpa will only be reached in 2022/23⁴⁸ (Figure 6.1).

⁴⁷ http://www.miningmx.com/page/news/off_the_wires/1636234-Molefe-says-miners-underpay-coal-juniors#.UrFcOtIW2O8

⁴⁸ Molefe B. 2011. Presentation on the Port of Richards Bay by the Group Chief Executive.

Figure 6.1: Slide 15 from Molefe’s presentation in December 2011
30 Year Cargo Forecast



In discussions with Danie Lubbe⁴⁹ at Uthungulu DM, as well as Frans van der Walt⁵⁰ in September 2013, it was mentioned that there were international logistic firms that wanted to invest in the Port of Richards Bay, but that Transnet could not provide a meaningful framework for such investment. Transnet thereby also impacted negatively on the growth and diversification opportunities for Richards Bay. The international lessons from cities (whether a Detroit in the US or a Welkom in the Free State) indicate clearly the failure to diversify through creating new value chains instead of building a whole local and regional economy on one sector. By not diversifying the Port of Richards Bay and developing a life for the port apart from coal exports through container terminals and assisting local industries to receive and export through Richards Bay rather than through Durban, the economy of the country has not been served.

The NPA’s approach that South African ports are complementary and not competitive, is clearly not to the advantage of Richards Bay–Empangeni or the country as a whole. In fact, the approach runs against the historical international trend of privatisation of ports whereby ports, logistical companies and freight concerns (road, rail and shipping) become integrated value chains. Ports that are not linked to these value chains are losing cost benefits..⁵¹ In the United Kingdom there is a new thrust to consider the privatisation of the Trust

⁴⁹ At the time, Deputy Municipal Manager of Uthungulu DM.

⁵⁰ Independent Quantity Surveyor in Richards Bay area.

⁵¹ Port Privatisation. <http://www.universalteacherpublications.com/mba/free-project/p2/page4.htm>

Ports since they all give the local authorities and other public sector stakeholders 'a substantial lower stakeholder dividend' than the privatised ports.⁵²

Key questions in the South African context are:

- Should the Ports Regulator as well as the Port Managers be housed in one SOE (there is a conflict of interest) and can such an arrangement really act in the best interests of the country's economy and of those of the harbour cities?
- Does the mode of operation by this SOE acknowledge the constitutional rights of the local authorities where harbours are situated?
- What lessons should be learnt from the international processes of port privatisation (including in countries like China)?

The low-key approach by the local authority (the maximisation of current port capacity playing no role in the IDP or LED framework) also boils down to a voluntary abandonment of a constitutional mandate. The LM has through its Council's indecision and lack of leadership in this regard allowed itself to be tossed around by national government and a large (but non-strategic thinking) SOE.

6.2 Richards Bay Industrial Development Zone Company (RBIDZ)

The RBIDZ company was established in 2002 by the Provincial Government through the Ithala Development Finance Corporation (60% shareholding) and the Umhlathuze Local Municipality (40% shareholding). Ithala provided the capital and Umhlathuze would have provided the land. However, the land portion availed by Umhlathuze were in general deemed inappropriate since it comprised five non-contiguous parcels. Eventually three parcels were handed back to Umhlathuze and the provincial government bought the other two parcels. The reconstituted RBIDZ is now a wholly owned public enterprise with the KZN government as the only shareholder, as the Umhlathuze LM, on realising the capital requirements of the RBIDZ Company, decided to pull out as a shareholder.

The largest piece of land is now being serviced with water and sanitation already in place. Of the 95 ha area only a portion can be developed, since there is a pan with a variety of bird life on one section.⁵³ To date not a single investor has been lured to establish a business in Richards Bay. According to Joe Muller⁵⁴, a planner in the office of the CEO, only light industries can be established in that area because of the existing levels of air pollution.

There is at this stage no rail linkage between the site and the harbour (adjacent to the site). According to Muller the strategy of RBIDZ is that they want to lease the land. Some investors would prefer to buy property, but if the RBIDZ sell their property, it would lose leverage potential.

Due to the scarcity of suitable land, the RBIDZ is in the process of procuring land outside the boundaries of the Umhlathuze LM for the development of an industrial zone.

A 50-year masterplan has been developed that will soon be released. Though the strategy is not clear, in the interview it surfaced that:

- it was problematic to compete with serviced land without buildings on a leased basis, against IDZs abroad that had better incentives to offer
- the requirement of a skilled workforce was an issue to be dealt with
- the lack of a container terminal at the Port of Richards Bay was something that hopefully will be dealt with by the Ports Authority

⁵² Butcher L. 2013. *Ports: privatisation of Trust Ports*. Standard Note SN 10, House of Commons Library.

⁵³ See 4.5 above.

⁵⁴ Interview with him and Keith Harvey, Company Secretary, on September 12, 2013.

- the development of an IDZ is a very long-term project and that returns will have to be measured in the form of eventual job creation and investment, rather than the profitability of the IDZ operator.

In the 2011/12 financial year (apart from capital expenditure) the RBIDZ Company received a grant of R26-million from the provincial government and R6.6-million investment income (from seed capital received from government). It had an operating expenditure of R30-million, of which the cost of the 28 staff members was R19 163 358 (in the financial statements), although in the Human Resource component of the report the amount is stated at R10 281 000.⁵⁵

The policy issue that demands attention is the following: How does one measure impact and efficiency in public sector companies where the government (whether at national, provincial or local level) is the constant provider of grant funding (without tax payers having any say over such allocations)? Had the provincial government provided the grants and bailouts that the RBIDZ has received all the years since forming a PPP comprising the Umhlathuze LM, the Ports Authority and a consortium of large industries operating in Umhlathuze, with ring-fencing of the funding for capital-related expenditure to enhance industrial development (with the PPP entities having to provide between them the operating costs), a floating dry dock⁵⁶ or more serviced industrial sites or a proper container crane or a combination of these could by now have become a reality. This would have enhanced the local economy, the provincial economy and the national economy in a far more productive manner.

It is acknowledged regarding the problems with land arrangements, that the IDZs of South Africa have not been successful and as long as they are not accountable to their real shareholders, the tax payers of South Africa, there will be no pressure on performance and they will remain an opportunity tax on development. There is no mention in the RBIDZ's last Annual Report of any analysis of trade regime, except for a reference to missions to lure investors based on the trade agreements into which South Africa has entered.

6.3 Eskom

Eskom's hikes in tariffs and its lack of forward planning that has resulted in an electricity shortage stranglehold on growth and development brings the lack of long-term strategic planning to the fore. This has dire cost implications, including opportunity costs, for South Africa in general, and for Richards Bay in particular.

In the local context, Eskom has the following impact:

- Eskom is a retailer of electricity; in the local context Eskom, as the retailer to the TAAs, means that Umhlathuze LM is only a partial reticulator to end-users of electricity in its municipal area. This makes planning and administration problematic.
- Eskom's deal with BHP Billiton concerning the aluminium smelters is very controversial. While there are forceful arguments on both sides about this arrangement, the economy and community (but also the Umhlathuze LM) are at risk should electricity price hikes impact on the future of the smelters.

Eskom's double role as generator and as monopolistic wholesale distributor means that there are serious policy issues at stake. Since NERSA determines the rate at which private electricity generators will be able to sell electricity to Eskom (as sole reticulator to either end-users or municipalities), the system is a tax on energy. And while the door has been opened to break the monopoly of power generation, Eskom's behaviour is hampering investment by the private sector in the energy generation field. On 17 December 2013 Eskom announced that due to 'lack of money' its power purchase agreements for 635MW of generation capacity with

⁵⁵ Richards Bay Industrial Development Zone Company (Pty) Ltd 2012. Annual Report 2011/12.

⁵⁶ A sea-going dry dock that can be towed anywhere to conduct ship repairs for vessels with a length up to 180m is for sale at \$10.5 million (<http://marine-consultant.com/p414.htm>) That is at the current weak exchange rate R107 million, roughly the equivalent of 3.5 years at current operating costs of the RBIDZ company.

private generators would come to an end by end-December⁵⁷. Since by law such private electricity generators cannot sell to anyone but Eskom, the SOE's announcement sent shockwaves through not only the investors in private generation capacity, but also among consortia preparing feasibility studies into power generation in South Africa.

This announcement follows the one made at the end of November 2013 when Eskom appealed to industrial users to curtail their electricity usage. BHP Billiton reacted to that announcement saying it would not heed that call due to the production implications for the conglomerate's many operations in South Africa. Although Eskom a few days later indicated that the crisis had been averted, its inability to buy power from private generators indicates that the utility is walking a tightrope in terms of electricity generation.

This inability by Eskom to plan timeously for additional capacity and to commission in time the construction of such additional capacity is a serious blow to the country's economic development.

7. Other key players

Without analysing all the relevant entities, it is important for the purpose of this study to briefly consider the provincial government's planning and strategic framework for the province and how Richards Bay fits into that scheme. The importance of leadership in the TAAs also requires attention.

7.1 The KZN provincial government

Apart from being the sole shareholder in the RBIDZ company, the provincial government is a major role player in many aspects in the locality: roads, health services, education, economic development to mention a few. In this section the current Provincial Growth and Development Strategy (PGDS) for 2012–2017 will briefly be considered. The following are pertinent aspects in assessing Umhlathuze's potential. Three themes are relevant for this report:

Theme 1: Proper land-use planning and management

The PGDS states that:

- 40% of the land area of the province is Ingonyama Trust land. There is a need to engage in issues concerning settlement and infrastructure development. In rural areas the 'densification of human settlements is recommended to enable equitable provision of basic water, sanitation and electricity. Access to social facilities such as schools and clinics as well as provision of road linkages to markets must begin to inform the manner in which human settlements are designed in the near future'.⁵⁸
- 'Pressures for urban settlement and economic growth ... result in the permanent loss of prime arable land.' A range of factors contribute to the transformation of agricultural land into non-farming use 'and there is an alarming decline of high potential land that is under cultivation.'⁵⁹
- 'Sustainable development can only be reached through proper land management.... Land use management is difficult in areas where no cadastral boundaries exist especially in the traditional council areas of Kwazulu-Natal.'⁶⁰

Theme 2: Accelerated migration will take place from rural areas to the urban areas

⁵⁷ Eskom plays Russian Roulette with Power. *Moneyweb*, 15 December 2013.

⁵⁸ Provincial Growth and Development Strategy 2012–2017, p 99.

⁵⁹ Provincial Growth and Development Strategy 2012–2017, p 30.

⁶⁰ Provincial Growth and Development Strategy 2012–2017, p 132.

The PGDS states that:

- Until 2030 there will be an acceleration in urbanisation with an expected 3.6-million people relocating from rural areas to cities. 85% of this influx will go to Durban.

Theme 3: Priority intervention areas are mainly in rural Traditional Authority Areas

The PGDS states that:

- In spatial-economic terms, eThekweni (53%), uMgungundhlovu (12%) and uThungulu (8%) contribute the vast share of GVA. 'This is largely due to the infrastructure that exists within the city economies and highlights the need for investment into economic infrastructure within less dominant towns to create other significant contributing economic nodes.'⁶¹
- Based on a combination of high needs and potential and spatial equity, priority intervention areas were identified; these are predominantly in the TAAs. Even where a node like Richards Bay is not a priority area, 'it accommodates smaller concentrated areas where priority interventions are proposed.'⁶²

As so often in planning, one is confronted by forces pulling in opposite directions. This is also evident in the PGDS, in a form that has dire implications for Umhlathuze as a local authority and for Richards Bay–Empangeni's potential as an intermediate city.

There is sufficient evidence indicating the importance of urban densities as **conditions for** (*not the result of*):

- cost efficiency
- a smaller and lighter environmental footprint
- economic and technical innovation⁶³

While accepting denser settlement patterns in the TAAs (captured in Theme 1 above) and acknowledging that there cannot be sustainable land management in the TAAs under current circumstances, the Planning Commission also feels concerned about concentrated urbanisation (Theme 2) and even argues that the concentration of GVA generation in mainly three geographic areas (they could also have added Newcastle as a fourth urban node) is due to infrastructure investments that are lacking in other localities. There is therefore a need to create other significant development nodes (Theme 3). Not surprisingly the bulk of priority intervention areas are subsequently identified in the TAAs (poor infrastructure, service provision backlogs, higher unemployment, etc.).

Richards Bay is advised to invest in the identified priority areas, which will not help with densification, will fail to stem the urbanisation wave and will not help Umhlathuze to become pro-active in providing serviced land parcels close to the economic hub.

If the Planning Commission's belief about a wave of urbanisation materialises, the cities and towns that will be become highly urbanised should be the key priority investment areas. The alternative is taps, toilets, subsidised housing and clinics in the veld, with permanent commuting and migration costs to the poor who, through such interventions, are shackled to a pre-modern lifestyle.

⁶¹ Provincial Growth and Development Strategy 2012–2017, p 57.

⁶² Provincial Growth and Development Strategy 2012–2017, p 148.

⁶³ World Bank. 2009. *Shaping Economic Geography*. World Development Report. 2009. Boston Consulting Group 2010: *Winning in Emerging Market Cities*. McKinsey Global Institute. 2011. *Urban World: Mapping the Economic Power of Cities*. Nijkamp P. 1984. *Toekomst voor de Stad*. De Vuurbaak. EG. 2011. *Triumph of the City*. Penguin Press.

7.2 The Amakhosi and the Ingonyama Trust

The Ingonyama Trust was established by national law and the Zulu king is the only trustee. The legislation establishing the trust and vesting the land (the TAAs formerly known as the homeland of KwaZulu) under the trusteeship of the king was part of the final package that lured the Inkatha Freedom Party into the 1994 elections.

The vision of the trust is to be the leader in sustainable communal land management. The objective is optimal land management for the material benefit and social wellbeing of the communities living on Ingonyama Trust Land.

The trust is the registered land-owner of 2.8-million hectares in KwaZulu-Natal. In a recent Constitutional Court decision the trust was considered as not obligated to pay rates to a local authority. This is a decision that has immense implications for local authorities in the province.

The practice of traditional land allocation to families for cultivation in order to support themselves has in practice largely made way for land allocation in unplanned dense settlements close to main economic hubs or adjacent to access routes to such areas. As indicated in 5.2 and 7.1 above, this poses a major challenge to:

- sustainable and efficient land-use
- effective land-management
- efficient and sustainable municipal service delivery

According to the Ingonyama Trust Annual Report for 2011/12 (the 2012/13 report is not available on the website and it was not possible to download the other three reports listed), the Trust is trying to speed up applications to register leases for commercial and other applications. In the financial year 2011/123, a total of 618 leases were registered, of which 41 were in the Uthungulu District Municipal area.

The Trust also received for the previous financial year a qualified report from the Auditor-General for the following reasons:

- The land under it has not been not valued and the Trust therefore has no proper records of the assets it manages.
- There was no effective system of monitoring revenue accruing from royalties.
- The Trust has not complied with laws, regulations or even its own policies regarding disbursement of funds.

In an interview with a representative of the Mkwazi Traditional Authority in Empangeni in October 2013 the issue of tensions between traditional leaders and councillors was phrased as follows: 'We are custodians of the rights of our people and their land. We take a long-term view and are not side-tracked by short-term deviations like the councillors who only are interested in the people every five years.' Asked about the issue of proper settlement structures, it was acknowledged as an area that requires more focus.

The economic impact of the traditional practice that when a death occurs in a village no one tends to the fields until after the burial, has since the arrival of HIV-Aids, played a major role in keeping rural communities in poverty. Continuing to promote such social and cultural customs by the traditional leaders can hardly be reconciled with the objective of the Ingonyama Trust of 'optimal land management for the material benefit and social wellbeing of the communities living on Ingonyama Trust Land'.

In addition, one cannot escape the impression that, despite a number of traditional custodians of integrity who have the welfare of the people of their area at heart, the practice of allocation of land in dense settlements strategically close to cities and towns of economic value and along key access roads, is viewed by some traditional leaders as an opportunity to harvest income and influence, and that the lease allocations to mining groups, factories and chain stores are aimed at securing an on-going income stream that, in the name of the communities, will largely benefit the Amakhosi.

7.3 Societal watch dogs

The NGO/CBO sector appears to focus on educational, welfare and environmental issues, rather than on civil rights or on transparency monitoring-oriented practices. The local newspaper *The Zululand Observer* is an active source of news on municipal and economic issues. *The Observer* informs the community about the activities of the Council, the Public Protector's investigations and constantly raises issues about municipal mismanagement, infrastructure decay and possibly fraudulent tenders.

The presence of such a vibrant newspaper in the locality is an asset that cannot be expressed in monetary terms.

The Zululand Chamber of Business Foundation (ZCBF) was established in the 1980s by grants from the private sector aimed at alleviating rural poverty in the aftermath of the devastating floods of 1987 as well as intervening in the political turmoil in Natal. The ZCBF play the following roles:

- Project facilitator and project manager, bringing community needs to the attention of potential donors.
- Provision of administrative and financial services to community entities; it also acts as a public participation facilitator (as a consultant) to business.
- Running the ZCBF Community Park as property manager, thereby generating an income from rentals as well as venue hire.

The ZCBF received numerous awards in its heyday from the mid 1990s until 2005. The last Annual Report available on its website (2010/11) lists projects ranging from welfare (crèches, care centres, home care, etc.) to education, economic and environmental projects. It is currently funded by local authorities in the Zululand area, private sector donors and through subsidies from the Department of Social Welfare.

The Aluminium Downstreaming training centre located in the Community Park (used by BHP Billiton) is not considered as successful, according to a number of business people interviewed.

8. Synthesis

From an urban perspective, hierarchical structuring of urban areas does not always make sense. Large conglomerations of people create synergy and markets, but cities are more than just people: it is about people, their skills, their institutions, their cultural values, their productivity and the mode and manner in which they deal with trends and developments. Cities are systems and systems can strengthen or deteriorate. There are numerous examples of cities that have died and that are only of archaeological interest. Nothing guarantees any existing city against a similar fate, except the robustness, skills and ingenuity of its people and systems.

A metropolitan area should per definition reflect a diversity, a density and a propensity to bridge distance. In this case distance refers to mainstream global developments and markets. A city cannot be competitive if it operates in a hermit mode. Intermediate cities should at least echo most of above-mentioned components or harbour the potential to realise such ***diversity, density and distance-negating characteristics***.

In the context of ***distance-negating potential***, Umhlatuze as an LM area does not meet the requirements, although its urban core of Richards Bay, Empangeni, Esikhaleni has the potential to develop into a very serious player, locally and internationally. To realise this potential, the Port of Richards Bay and the existing multinational linkages through BHP Billiton, Rio Tinto, Tata Steel, Mondi, Tongaat-Hulett's and Bell Equipment, coupled with the existing windows of opportunity (coal export, a more energy efficient rail link to Gauteng etc.), should be utilised to establish Richards Bay as a diversified harbour (read container terminal) closest to South Africa's largest export markets:

- The European Union
- China and India

Currently 54% of Richards Bay's exports are earmarked for the European Union. After the latest dredging and deepening of the Suez Canal Capemax sized cargo ships have already passed through, with the bridge being

the biggest impediment. Voyages from Richards Bay via Suez to the harbours of Athens and Marseilles take several days less than from Cape Town to Lisbon or the Hoek of Holland. But to build on this advantage, a container terminal in Richards Bay is a prerequisite.

To achieve this, there has to be a concerted effort to get a modern container terminal in Richards Bay before the dig-out port on Durban's old airport commences. This will also have the advantage of lower rail transportation costs from the Gauteng area via Mpumalanga and back, since the escarp is nowhere as high as anywhere on the Johannesburg–Durban track. From a South African energy perspective it would also make sense and it will enable freight to be more cost effective from the coast to Gauteng, Mpumalanga and Limpopo.

This will require active strategic positioning of an alliance between local authorities and the private sector to promote this. If Transnet does not raise the capital, an international port operator (e.g. Dubai or an entity such as the international logistical giant, Maerski) could be motivated to invest and develop the Port, as well as the rail linkages on a privatised basis.

This also implies that internal distance should be addressed in an institutional and political sense so that the Umhlathuze area and its people are not on-lookers to decisions about an Ngcura or a dig-out port in Durban.

Concerning **density**, it is imperative that infill is tackled in a tough and consistent manner and that linkages (e.g. Esikhaleni and Vulindlela) are pursued, while stemming sprawl in the TAAs. Pro-active investment in bulk infrastructure and land release is required. To manage informal settlements, new green developments should be pursued at the same time as upgrading existing projects. Sensible investment in public infrastructure (schools and clinics) can assist in this process of densification.

Concerning **diversity**, it is essential that not only existing value chains be strengthened and lengthened, but that replenishable production (sugar cane and forestry products) be promoted. Scope for stronger logistics, educational facilities and a range of service industries should be investigated. This will require a mind shift on the part of the IDP from that of a compliance exercise to a strategic re-alignment, seriously involving the private sector giants in the area. In addition, the focus of the LED on informal sector opportunities should realise that the informal economy will not be an engine out of poverty: it is at best a mechanism to improve livelihoods.

The choice facing Umhlathuze's leaders and inhabitants is simple: if the future is going to be more of the same of the past 15 years, then it will be a Harbour in the Homeland scenario. However, if there is an acceptance and a focus on becoming efficient and competitive and on pursuing opportunities to logistically maximise the export-import potential of the area, the Gateway to Globalisation option could just perhaps become a reality.

9. Statements and policy issues

Statement 1: The Umhlathuze city environment of Richards Bay–Empangeni–Esikhaleni is not enhanced by the current or the proposed demarcation of the Umhlathuze Local Municipality. It ignores (and thereby undermines) a functional urban environment. The intended new demarcation (merging Umhlathuze as a B1 local authority with a portion of Ntambanana (a B4) will not enhance the city context of Richards Bay–Empangeni: it will in fact transform the municipality into an overwhelmingly rural traditional authority area, which bodes ill for future development and growth. (See Appendix A).

Policy issues: It is a fault of reasoning to equate or depict a local municipality as a secondary city if such a local authority embraces, apart from the intermediate city, other towns, farm land and TAAs. The municipal governance structure is not the same as the spatial expression of the most dominant form of residence. There is an urgent need to review the proposed demarcation and to seriously consider the functional urban area as the core of the municipality. While limited portions of Ntambanana should be incorporated into Umhlathuze,

the incorporation of the densely coastal areas in Umfolozi that effectively form part of the urban areas of Richards Bay would make far greater sense for functionality than the merger that the MDB has recommended.

National Treasury should seriously consider using a different classification model than the secondary city large town small town rural index, since it confuses and obscures crucial components of municipal management.

Statement 2: The traditional–modern dichotomy of communal land with partly subsistence pastoral activities within the same municipal management system with a cadastre-dependent industrial and logistical modernity is a major stumbling block for effective and equitable local management. The situation in the Umhlathuze LM is fundamentally different from that of Johannesburg, Ekurhuleni, Cape Town, Port Elizabeth and even Mangaung (where the Thaba Nchu area is far away from the Bloemfontein city core). Umhlathuze LM in its current demarcation and even more so in the demarcation proposed by the MDB struggles with this aspect. This manifests in a number of ways:

- The Ingonyama Trust Areas (TAAs) are, in accordance with a Constitutional Court ruling, not areas where the local authorities can raise property tax, despite the fact that there has been in many cases substantial investment in housing and in commercial property.
- The sprawling character of traditional settlements requires water and road infrastructure investment at far lower efficiency levels than in well planned urban settlements.
- The administrative costs of administering service accounts in TAAs is far higher and collection is even more problematic than in low-income formal residential areas.
- The informal non-cadastral mode of trading and low skills levels of services spill over into the formal areas. The Local Authority has enforced strict environmental and health regulations on formal enterprises, but not on informal enterprises. If not managed, this will have negative implications in future for property values and rates in formal areas.

Policy issues: The issue of rates on properties in TAAs is an issue that should be tackled at national level. Can a property of R250-million in a TAA be not be liable for rates, while a property valued at R80 000 in a formal urban area be liable in the same local authority area, simply because the cadastre is applicable in one area and not in the other? If not managed, the cadastre in the formal areas will be gradually eroded. It does not help if the Government accepts the National Development Plan that clearly states ‘the current framework governing land-use in traditional areas is not working’, but fails to act on that statement to introduce change.

Formalising residential areas through a process of formal township development in TAAs is of critical importance in enhancing the city environment of the Richards Bay–Empangeni–Esikhaleni urban core. The municipality also shirks this issue since it has political consequences and local authority decision makers are more interested in short-term political popularity than in longer-term urban viability and economic growth.

Statement 3: The growth of the city component of Richards Bay–Empangeni–Esikhaleni is in the first instance dependent on enhancing the port and the rail linkages to the interior as key strategic national assets aimed at maximising the port as South Africa’s closest port to both the European Union and the East. While the development of Richards Bay was a politically driven decision in the 1970s (based on an assessment of national development potential), it has again been deliberately side-lined by politically driven decisions since 1994, this time undermining the diversification of a port of national strategic value and potential because of the political preference to promote development in the eastern Cape rather than in northern KZN, as well as the intended dug-out harbour in Durban on the old airport site and Transnet’s inability to provide rail capacity that can meet the output capacity of the privately owned and operated RBCT.

The local authority of Umhlathuze has also not explored their competency concerning ‘harbours’ as a local authority function according to the Constitution. Neither has the municipality placed the development of the port and the rail infrastructure linking the city with the industrial heartland of Gauteng and the mining areas of Mpumalanga and Limpopo as central in their IDPs or in their LED strategies. The municipality has instead focused on the development of an international convention centre and promotion of informal trade.

Policy issues: The positive/negative impact that decisions at a national or provincial level, whether in the sphere of government itself or at the level of SOEs, can have on the growth and wellbeing of an intermediate city is immense. Local authorities are most of the time side-lined in such processes. Although cooperative governance is a key principle in ensuring effectiveness and efficiency and decisions concerning harbours (as an 'exclusive' local authority function according to Constitution) should not be taken at Transnet or Cabinet level without involving the local authorities directly affected, in practice the Umhlatuze LM is at best a passive on-looker where the port is concerned.⁶⁴). A decision to develop Coega (both by Cabinet and Transnet) rather than Richards Bay or Saldanha without consulting the local authorities of the existing ports, appears to be in breach of a constitutional requirement.

Statement 4: The city component of Richards Bay–Empangeni–Esikhaleni of Umhlatuze LM is of strategic importance, both at a provincial and national level, for the following reasons :

- It is the South African port closest to China, India, Singapore and the European Union.
- It is the South African port closest to Johannesburg (652km versus 720km from Jhb to Durban)'
- It is the South African port closest to the industrial area of Witbank–Middelburg and the mining fields of Mpumalanga and Limpopo'
- It offers a far more energy-efficient link with Gauteng than Durban since the rail link northwards towards Ermelo does not have to address the steep escarp slopes of the Durban–Johannesburg line. The far more gradual incline is substantially more energy efficient for rail transportation as studies in the 1960s feasibility studies for the SAR&H have already indicated. The failure by Transnet as SOE to upgrade the rail capacity for coal export via Richards Bay is one of the largest contributors to South Africa's failure to grow the economy sufficiently.

In addition, Richards Bay is the home to SA's only aluminium smelters, a crucial component for industry and construction. The locality provides linkages through local mining and manufacturing to at least 6 multinational corporations.

These aspects are also totally underplayed in the IDP. There is no strategic thrust in the municipal IDP to enhance the port and its potential for the locality.

The risk for Richards Bay lies in the private sector investment by South African and international companies in the Port of Maputo. One of the largest South African investment companies (Remgro) has a growing interest in Maputo as an alternative to South African harbours through their recapitalised Grindrod logistical arm.

Policy issues: For South Africa to grow, the expansion of Richards Bay's port and the rail link is important and the return on investment will be substantially higher than on the politically driven Coega project. The lack of an economically sensible National Spatial Development Strategy (acknowledged in the National Development Plan), which would target economic returns and not political showcases, is of critical importance.

In addition, attention should be given to whether the Transnet Capital Expansion Plan is in the first instance guarding the interests of Transnet, or is in the interests of the national economy. The monopoly on ports and the politically driven decisions on which ports will handle containers, what kind of dry bulk, etc. undermines the private sector roles envisaged in the National Ports Act. It is time to consider wide-scale private investment in both ports and rail since this would free Treasury from propping up inefficient SOEs.

The IDP process is more one of compliance than a strategic grappling with priorities within the context of limited resources.

⁶⁴ With the exception of the long-term SDF providing for potential port expansion in accordance with Transnet's own long-term planning.

Statement 5: A Municipal Income Statement and Balance Sheet and Audit Report are important indicators of asset and cash management, but are insufficient indicators regarding the financial wellbeing and the financial risks of a local authority. About 20 rate and service charge payers (large industry) contribute the bulk of the operational income; some of them are heavily dependent for their survival and potential growth on being international competitive. The risk for the local authority should one or two of these players relocate or close is immense. The Umhlathuze LM has no financial plan on how to diversify or grow its income base; while it is successful in collecting the bulk amount of debts (easy when considering the role of a handful of players), enormous risks remain.

Policy issues: National Treasury should not only collect information on the debtor's book in monetary terms, but also on the number of residential, commercial and industrial ratepayers and service consumers in the different municipal wards.

Local authorities should develop a strategic financial plan that deals with risks and that spells out strategies to maximise income streams through better collection, but also through diversification. An incentive grant, based on targets, should be considered by Treasury to promote such a system.

Statement 6: The emphasis on rolling out infrastructure for service delivery is such a priority that insufficient attention is given to the impact of ongoing and future maintenance on municipal viability. Service roll-out therefore takes place in a paradigm that does not pay attention to key urban management aspects such as zoning, densities, economic return on infrastructure investment and municipal maintenance of infrastructure.

There is in addition no acknowledgment of the major spatial implications of urbanisation.

Policy issues: Roll-out of infrastructure to under-serviced rural communities is more often an investment in the place than in the people; it ignores the tendency of urbanisation and can be viewed as an anti-urbanisation strategy trying to tie people to locality. Investment in people, rather than in places, is what is required. If infrastructure investment can assist households considering urbanization, services should be provided in urban areas rather than in the current locality of such households. Municipalities should have a clear component in their spatial development plan to indicate how land and infrastructure (bulk and reticulation) will be released in terms of urbanisation trends within that municipality.

Roll-out of infrastructure is not accompanied by a 30 to 50 year infrastructure maintenance plan. Audited financial reports indicating Infrastructure maintenance expenditure in line with International best Practice Benchmarks as a percentage of Current Replacement Value should become a prerequisite for future MIG allocations.

Statement 7: Core components of urban efficiency in the twenty-first century are the concepts of density, diversity and distance negation. The existing housing subsidy scheme is pro-sprawl (predominantly one house per residential site in imitation of the suburban paradigm); there are insufficient incentives for intermediate city authorities to pursue meaningful densification of key urban precincts. Areas in the urban core that have potential for substantial densification are:

- Richards Bay CBD where multi-storey buildings are far too low
- The suburbs of Wildenweide and segments of Arboretum bordering the CBD and Esikhaleni, as well as Ngwelezane
- Dondolo and Vulindlela in the TAAs

Despite all the land identified for residential development in the SDF, higher densities should be pursued and a sequenced rolling land release programme should be implemented that will also deal with in situ-upgrading of informal settlements and green developments to allow for higher densities. Far too much commercial farm land is earmarked for residential development without touching the TAAs because of political sensitivities.

Policy issues: In this instance, the local authority cannot act without political fall-out unless the national government is to stop kicking the can further down the gutter praying for a possible solution and postponing taking a decision on how to radically transform the housing subsidy scheme to achieve both fiscal

sustainability as well as urban sustainability. It also requires bold moves to introduce a cadastre component in the TAAs to enable investment.

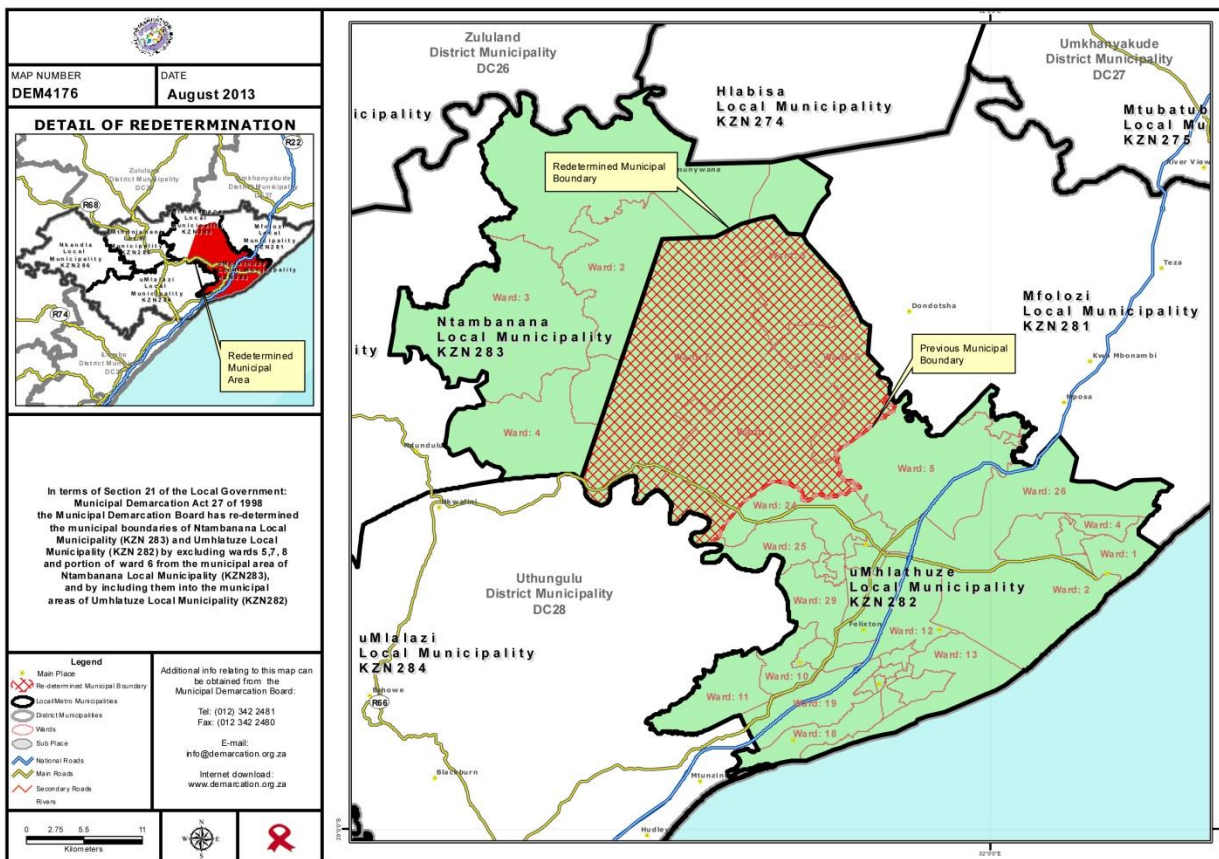
Statement 8: Cities are successful when they attract high quality skills that enable them to stay linked to global technical and market developments. A key question for an intermediate city is how to grow and expand a non-racial high- and middle-income component to become an attractive alternative to the metros. Effective educational institutions at secondary and tertiary level have been success factors in many intermediate cities worldwide.

Policy issue: Enabling private education provision as a quality alternative to dysfunctional public schools by introducing a voucher system to give parents the ability to enrol their children at a school of their choice (at local school level it will be either fewer vouchers, dwindling learner numbers, eventual school closures or more vouchers, more pupils, more teachers and classrooms).

Appendix A: New demarcation of Umhlathuze Local Municipality

The Municipal Demarcation Board announced that Wards 5, 7 & 8 as well as a portion of Ward 6 of the Ntambanana Local Municipality would as from the next local authority elections form part of the Umhlathuze Local Municipality. See Figure A.1.

Figure A.1: New boundaries for Umhlathuze LM indicating the size of the Ntambana LM that is to be incorporated into Umhlathuze.



The following aspects are important:

- Considering that the population of the Ntambanana LM area decreased by 10 434 between 2001 and 2011 (see 4.1 and Figure 4.7) and that in addition a substantial relocation has also taken place internally to denser settlements in the TAAs directly adjacent to Empangeni, there is some logic in this move. It would have been better for urban functionality if the Ntambanana area (walking distance from Empangeni) that experienced an increase of 2 410 people between 2001 and 2011 and Sangwenyana (west of Empangeni) that experienced an increase of 1 547 people between 2001 and 2011, had been included in Umhlathuze.
- The Heatonville farms (see 4.2.2 above) where 435 job opportunities were shed because of land reform interventions, with a resultant weakening of the sugar value chain, will now form part of Umhlathuze LM. The job losses that emerged in the interviews with Mr De Villiers were confirmed by the census data of 2001 and 2011.
- By adding approximately 48 000 rural people, (predominantly in the TAAs and a small portion on commercial farms), the predominantly rural character of the Umhlathuze LM area will be strengthened. The most logical extension of the Umhlathuze LM boundaries would have been the inclusion of the areas of Ntshingimpisi, Nzalabantu and Nhlabane, which are just north of Meerensee,

into the Umfolozi LM, since the almost 30 000 people residing there all fall within the functional urban area of Richards Bay.

It appears as if the MDB was swayed more by local authority management and financial perspectives (Ntambanana as a dysfunctional LM is now carved up and divided between Umhlathuze and Mtonjaneni in an attempt to hide the problem) rather than considering functionalities of urban systems which would argue for a different demarcation. This raises a serious question about whether the MDB is even considering the systems nature of human settlement or is merely looking at how to bundle dysfunctional local authorities into more functional systems, without considering the risk of the latter to both the local management system and the urban functional system which also comprises the enterprise, educational and social systems.

The new demarcation is aimed more at trying to eradicate problems in the provision of water and sanitation to rural households than at trying to strengthen the growth of Umhlathuze's urban functionality. Umhlathuze is a vibrant city that would, through growth, provide better opportunities to the relocating rural poor than by piping water in an uneconomic way to distant households.